

HD City & Country: Cover Story - High-tech workspace

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Servcorp's newest opening at The Metropolis is an example of how the **company** banks on technology and secretarial help to give its serviced offices an edge over rivals, says COO Marcus Moufarrige

Servcorp, the Australian-based provider of serviced offices in Singapore, is expanding its footprint in the city-state by adding 14,000 sq ft of additional serviced Grade-A office space at The Metropolis in Buona Vista. Boasting scenic views of one-north business **park**, the new serviced office is the **company**'s fifth location in Singapore, bringing its total office space here to 74,000 sq ft. Its other offices are located at Six Battery Road, Marina Bay Financial Centre Tower 2, Suntec Tower and PSA Building.

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Launched on March 25, the serviced office at The Metropolis exudes the same grandeur as its Grade-A serviced offices in the CBD. Developed by Ho Bee Land, it is the only Grade-A office development in the area and is almost fully leased with anchor tenants such as Shell, Singapore Exchange, Proctor & Gamble and Neptune Orient Lines. Completed in 2013, the development is located close to Biopolis, the Ministry of Education building and The Star Vista. The Buona Vista MRT station is also right at its doorstep.

Marcus Moufarrige, chief operating officer of Servcorp, believes that this new location will enable Servcorp to cover the secondary market. "Decentralisation is a natural progression and a function of growth that CBDs have come to capacity and there is not enough structure to get people moving in and out of the CBDs and thus hubs and secondary markets such as one-north will emerge so people can work closer to home," says Moufarrige.

"Servcorp has always been bullish about the Singapore economy," says Moufarrige. As such, he is on the lookout for new opportunities to open serviced offices here. "I am going to view a few places but I can't comment on their locations yet but this time, we're definitely going for the super high-end office space," he says. He is optimistic that the demand for serviced offices in Singapore will continue. On the other hand, getting landlords to lease office space to Servcorp was one of the challenges the **company** faced in its early days. "We had to get listed in 1999 just so that we can convince landlords that we are credible," he says.

Servcorp's serviced offices are in demand because they help businesses keep costs low and give them access to a prime location, says Moufarrige. Clients can rent a 120 sq ft office space from upwards of \$1,500 a month. The fee includes services such as personal receptionist, furniture, maintenance, unlimited coffee or tea, broadband with 15GB download and daily mail collection. He observes that there is often a big misconception when clients compare the monthly fees to the psf rent they would have to pay if they had leased an office space and fitted it out themselves. "It's really more of a service fee and it is 30% to 50% cheaper to be in a serviced office than to rent your own office space," he says.

Since Servcorp opened its first Singapore serviced office in Hong Leong Building back in 1987, more players have entered the segment. This includes Regus, the world's largest serviced office provider, which was founded in Belgium in 1989 and operates in 99 countries. Locally, it has 15 serviced office locations.

High-tech IT infrastructure

Despite the competition, Moufarrige doesn't want Servcorp to be known as the biggest in the world. Instead, he wants the **company** to be known as the most premium serviced office offering. To this end,

he personally took charge of the development of an advanced office IT infrastructure that now serves Servcorp's clients.

So far, Servcorp has invested more than US\$50 million (\$63.35 million) in building a global interconnected data network and continues to invest about US\$4 million annually to improve this technology. Some of the features include the fastest wireless network available in the market, 24/7 global IT support, a 100-member in-house IT support team, web conferencing and video conferencing facilities. "We're not going to give you a desk and a phone and call it a serviced office. We want our clients to have the best IT offerings," he says.

One of the most popular features of Servcorp's proprietary IT platform is its dashboard that allows clients to decide how they want their phone calls to be answered. "We have some 40,000 clients around the world and how they take their calls and manage those calls can have an impact on sales numbers and for businesses," he says. With this in mind, the dashboard enables clients to give instructions to the Servcorp receptionist on how to respond to a caller. Clients can upload scripts or have the receptionist forward the call to any-

one of their sales force. Calls can also be forwarded to clients who are overseas. "This is a really important feature to ensure sales calls don't get missed because it is a huge cost to businesses to miss a sales call regardless of whether you are a start-up or a large business," says Moufarrige. And it is also easy for clients to access Servcorp's IT offerings via The Onefone App, which is Android and Apple iOS compatible.

Within the next 12 months, Servcorp intends to introduce 24-hour receptionist services. Its receptionists currently work from 8.30am to 5.30pm. Moufarrige believes that this will appeal to Servcorp's clients, as many of them do not intend to hire their own support staff or invest in their own technology to do call-forwarding. The IT offerings have been so well-received that some clients who are moving out of Servcorp's offices because of expansion are approaching Moufarrige to create a similar system for their new offices.

In addition to Servcorp's IT platform, the **company** has also launched Officeworld, a flexible membership programme that gives clients access to private or shared workspaces across the Servcorp network of serviced offices. "Clients can choose the level of use and type of space they want and then use it in any location where there's a Servcorp office. Their passes usually give them access to the new location within the day," explains Moufarrige. To provide clients with seamless connectivity as they travel, the **company** has also introduced unlimited calls between its global locations at a fixed price.

While existing clients can book its facilities online or through an app, Moufarrige says most of its new clients generally find out about Servcorp through the print media or Google. As such, the Servcorp website is designed like a **hotel** room booking **site**, where new clients can book its facilities directly.

Moufarrige highlights that Servcorp is currently the only serviced office provider that has such an extensive suite of IT offerings. While the minimum term lease at Servcorp is one month for its serviced offices, he notes that the average term is 18 months, as that is usually the amount of time it takes for a **company** to start expanding its operations. "If you get to 20 people, you're probably with us because you really love us. We have quite a few clients who are like that. They don't want to hire support staff, they don't want to invest in technology. They don't want to fit a floor out and they will continue to stay with us," he says. "The model works perfectly for a business of up to 10 people but we don't put a limit on how many people you can have in your office but it isn't a clown car where you try to squeeze as many people into one room."

Inspired beginnings

Servcorp was founded in 1978 by Alf, Moufarrige's father, who is also CEO. Alf had wanted to start a **property** development business but had difficulty finding high-quality office space in a prime location. He ended up renting about 12,000 sq ft at MLC Centre in Sydney. "My father thought if he rented a large space and shared the space with other people, it would be cheaper for his business," says Moufarrige.

Back then, Alf was on such a tight budget that he would use white chalk to outline areas on the walls and floors where he would like to place the office furniture and equipment once he could afford to **purchase** them. Fortunately, he didn't have to wait very long for this to happen. "My father's idea of subdividing the office space and renting it out to other tenants was so successful that he never got to run his own business," says Moufarrige.

Building on the success of this first office, Alf started Servcorp, which adopted his tested business model of renting office space, subdividing it and leasing the space out to small businesses. In 1980, the **company** was credited for creating the world's first virtual office. Servcorp currently operates 140 floors

in 52 cities across 21 countries. Among the **company**'s first tenants were start-ups and professional services firms that found it difficult to gain access to a premium address.

Today, start-ups and small businesses still make up about 50% of the **company**'s clients, with branch offices of MNCs making up the other

half. In addition to its existing markets in Australia, New Zealand, Thailand, Malaysia, Philippines, Japan, India, **China**, London, France, Brussels, the Middle East and the US, Moufarrige is exploring potential development in South America and Africa. However, he declines to comment on the progress of these plans.

In 1H FY2014 ended Dec 31, Servcorp opened three new floors in Sydney, Tokyo and Dubai. It plans to open five floors in 2H FY2014. This will add about 10% of office space to its portfolio in FY2014. Servcorp has a market value of A\$434.1 million (\$508.2 million). According to Moufarrige, the **company** has no debt and has A\$100 million in the bank. Even with that cash, he says, the **company** has no intention of developing its own office buildings. "Our current business model is one that works and has good margins, so if you do a **property** development, you want a 20% return on your investment and that's really no different from what you can get renting a space and subletting it," he explains.

In December, there were market rumours that Regus was in the process of acquiring Servcorp. However, Servcorp quickly dismissed these rumours and asserted that it was not in any talks to sell the business. "We are not for **sale**," says Moufarrige. "We're keeping it a family business." He is thankful that even though he is working for the family business, his father is open to his suggestions — especially the one on developing the **company**'s IT offerings. "My dad was actually very excited about developing our IT capabilities and I think it's good that I have the opportunity to roll out this project, which has paid off," he says. He also says Alf is his biggest inspiration.

Serviced offices vital in making Singapore an attractive business location

The corporate real **estate** landscape in Asia is evolving and businesses are seeing significant opportunities in the region for expansion and access to growth markets, according to CoreNet Global, an association for corporate real **estate** and workplace professionals, service providers and economic developers. The **group** conducted a snapshot survey on corporate real **estate** trends in Asia in February and found that 91% of respondents said Singapore remains an attractive destination to locate a new office.

"However, as the market shifts and expands, there are increasing challenges around costs, operations, sustainability and location strategy," says Erwin Chong, Singapore Chapter chair of CoreNet Global. As such, he believes that serviced offices will play a big part in encouraging MNCs to set up a representative office here.

"Serviced offices are ideal for MNCs and other businesses from any part of the world to set up an office here. When you first enter a new market, you need to get a place fast and serviced offices give you the flexibility of testing the market and the work force," says Chong.

Serviced offices may also be more cost-efficient for these companies. "For corporate occupiers unsure about how long they are going to be in Singapore, serviced offices offer the flexibility for them to exit the market at any time," he explains. "In addition, the total cost of renting their own space comprises the total rent, cost to fit out a location and the cost of maintaining the place and when it all adds up the cost is comparable to renting a serviced office."

Meanwhile, Chong also notes that companies are becoming more aware about sustainability and choosing to locate their businesses in sustainable buildings. "Sustainability is a big drive for multinationals. It has become more than a corporate social responsibility act. The efficiency and cost savings that are derived from being located in such a development makes a difference," he says.

To cut costs further, some companies are choosing to relocate their operational and support units outside the CBD. "Developers are building better buildings outside the CBD, so you will start to see a lot of the bigger occupiers moving to a hub location. However, decentralisation will never take away the hype of the city and businesses will still want to locate their core operations there," he says. — By Amy Tan

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