

# Did Covid-19 end the conventional corporate office lease?

By [David Seinker](#)

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The oversized conventional corporate headquarters model was already being scrutinised due to its cost implications before the arrival of Covid-19. But that's not only because remote working is an integral part of our "new normal".



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Big companies are simply catching on to the fact that, in the current and future digital reality, it's becoming increasingly unnecessary to fork out those hefty monthly sums on expensive long-term office leases when serviced office operators offer equally as premium and sophisticated spaces and a more flexible lease at a fraction of the cost. And, to be honest, businesses are also realising that they really don't need those thousands of square metres of floor area.

Usually, companies would enter into protracted contracts of about three to five years with property companies for their head office space. It'd take millions of rands to acquire these premises - and then a whole lot more to kit out their workplace themselves. However, in the current climate, this approach makes no economic sense as businesses channel all their available capital into simply surviving.



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And that's unlikely to change any time soon, as one of the learnings Covid-19 has served up is the realisation that some departments of corporations are able to work just as effectively from home. Not all, but some. What we are likely to see now is companies having to restructure due to revised income projections which means a lesser need of actual office space. We're beginning to see many enquiries from companies requiring space for only half of their team, but they do want to ensure they're still getting a premium office space in a thriving business district.

As a result, we expect a new hybrid approach from corporate companies who want space for only part of their team and we're seeing businesses wanting to take up a more flexible leasing approach, which will result in savings of up to 70% of their lease investment.

Companies across the globe are grappling with the economic downturn that the pandemic has delivered. But for South African businesses, tough times were the status quo even before the pandemic reached our shores. For decision makers in big corporations, examining every opportunity to save money is a non-negotiable, and they're increasingly viewing long-term, expensive leases as an obvious cost-cutting measure.

Consequently, more and more are considering the move to premium serviced office spaces; leases are much more flexible and, to be frank, easier on the pocket. The latter is becoming increasingly difficult for corporates to ignore.



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## Focus on core business

Businesses that move into shared and serviced office spaces enjoy the convenience of sidestepping the time-consuming and pricey job of setting up and outfitting an office space. Everything is already in place, or will be set up on their behalf. Serviced office spaces also offer corporates peace of mind in respect of added extras such as IT systems, because they're already there. Not having to expend energy on all these tasks means that businesses can focus all their attention on their own core business.

Another big factor in corporates moving towards a more flexible set-up in serviced spaces is the option of spreading their teams across different locations. For example, The Business Exchange has a number of offices around the Johannesburg area as well as in Mauritius and they are expanding with five new locations this year. So teams are able to be set up wherever is most convenient for them, and their staff members. This is a massive advantage during the hiring process because if the ideal candidate for a job isn't close to the main office, it's easy to offer them a desk at a closer location, so making their commute a lot easier. This not only helps get them to work on time, but also goes a long way to boosting employee motivation.



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## Access to other businesses

Perhaps one of the most overlooked benefits of corporates moving into serviced office spaces is the fact that it gives them access to other businesses that could benefit them in all sorts of ways. There is a natural sense of community and networking that comes with operating out of a serviced office space. This often results in a bigger and more diverse talent pool from which to hire, but also offers exposure to business opportunities that could help corporates grow and expand their business in the longer term.

These are just a few of the many reasons why big businesses are considering the move from a big head office into smaller, managed and serviced office spaces. The benefits are becoming far too difficult to ignore, and we're predicting that many will move in this direction - sooner rather than later.

## ABOUT THE AUTHOR

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