

# Goodbye long leases, hello space as a service

By [Andrew Robinson](#)

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We used to work in offices. For the past few months we've worked at home. Until fairly recently, those were really the only two options that most office workers had, except of course for the odd remote meeting or day out the office at a local Wi-Fi enabled coffee shop.



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But that's all changed. Work or home are no longer the only two options we have from which to run our businesses, or house our teams, regardless of their size.

The past few years have seen the growth in popularity of flexible office solutions that offer a range of options from hot desks in common, social areas, through to a dedicated space for a team – of two to two hundred – in shared office spaces. So popular has the global flexible, co-working and shared office market become, that it demonstrated 15% year-on-year growth over the past five years and before Covid, accounted for 5% of all office space. And as business owners, large and small, re-size their office requirements to match new hybrid working requirements, the need for more flexible spacing solutions is going to grow too.

The requirements around office flexibility are going to range from the size of space that businesses need, which will fluctuate as they grow and contract their teams, through to the functionality that space offers, which again will vary depending on any number of factors within any given team.



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## Liability of long leases

This means that businesses are no longer going to be prepared to sign long leases. They're a liability in true financial terms

but also go against the principles of agile business practices. Any business that constitutes people with brains that require only a laptop to do their work, will want the financial freedom and management flexibility to house those brains and computer assets where and when it works best for them.

*Marker*, a publication in the Medium stable, uses the phrase 'real estate apocalypse' to describe what's happening in commercial property letting in the USA. While the sudden and dramatic shift in property needs is a catastrophe for landlords with large property holdings, tenants - businesses with employees - now find themselves in a favourable position.

Until now, landlords have held the negotiating power in the letting relationship, but now the need for space is demand-led and the power has shifted to business owners who are looking for space as a service, and nothing more.



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## Space as a service

If the phrase sounds familiar, it's because we've borrowed it from the IT industry. It was 20 years ago when the Software as a Service (SaaS) business model was introduced, effectively enabling customers to subscribe to the software solutions they required for as long – or as short – as they needed to. This replaced the traditional model where customers paid for software licences upfront for a set period, followed by obligatory annual support fees, and typically program updates were required at a cost too. As the IT publication *TechCrunch* put it, "This pricing structure created significant financial barriers to adoption and made procurement painful and elongated."

The concept of SaaS effectively democratised software, enabling users to a) negate the cost of expensive hardware because the software could be delivered over the internet, and b) access it anywhere anytime.

The same concept now applies to the workspace model. It's the way commercial property will be let in the future. The liability of multi-year office lease agreements is negated, which has always been part of the attraction of flexi and shared office solutions. Additionally, tenants will pick and choose from a range of added-value offerings like free coffee to shared telephone answering and boardroom access or yoga classes, that best suit the needs of their team, and only pay for what they use.



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## **Volatile post-Covid world**

It makes perfect sense in a financially volatile post-Covid world where it's evident that the majority of the office class no longer needs to work in the same place as their colleagues for the same eight or more hours, every day.

The space as a service business model is not going to work for everyone of course. Manufacturing businesses need specific properties and they need the stability longer leases provide. The same may apply to large corporates that need many thousands of square metres to house their people, but this is not a guarantee. Consider the case of one of the world's largest corporates – Amazon – which has just employed 3,000 more people in South Africa, all of whom will work from home, who not that long ago would have been housed in a large office somewhere.

This is the sort of development we're going to see more of in the office space market, and if landlords aren't ready to change their offering to meet the needs of potential tenants, they'll be left no option but to shut the front door for good.

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