

■ OFFICE

# SERVICE OFFICE OPERATORS JOIN RANKS

SERVICED OFFICES AIM TO MAKE THEIR MARK. BY JOHN WILKINSON

A serviced office association plans to boost its membership in Australia and New Zealand from 35 to 50 sites in the next year, providing critical mass for serviced offices in a tough leasing environment.

The Serviced Office Network (SON) has 35 members in Australia and is poised to sign up its first member in New Zealand.

The network was established a year ago by Melbourne-based serviced office operator Corporate Executive Offices (CEO). The company's managing director, Jenny Folley, says SON was formed to give CEO a national presence. "SON also has an Asian presence with the Executive Centre in Sydney being a member. It has 17 other business centres throughout Asia."

Members of SON have achieved critical mass, enabling them to negotiate competitive rates for services that include negotiating leasing terms for office space, Folley says. "[By being a member] we have reduced lease costs for some members from landlords," she says.

"We also negotiate rates on things such as Yellow Pages advertising, as we now have a critical mass."

Members pay a membership fee, but they still run their own businesses. However, Folley says the network is looking at a national branding program. "We haven't had anybody turn down membership after we approached them and enquiry numbers continue to increase."

"The corporate service office leasing market has eased due to a number of reasons" – Matthew O'Halloran, DTZ Australia

CEO is also on an expansion trail with eight business centres, including one in the inner-Melbourne suburb of Hawthorn, which it acquired in May this year. This property was acquired by a real estate arm, CEO Property group, set up by the parent company, which is looking for more Melbourne property for serviced office conversions, Folley says.

DTZ Australia director of office leasing,

Matthew O'Halloran, says the serviced office market is dominated by large players such as ServiceCorp. "The corporate service office leasing market has eased due to a number of reasons," he says. "The operator needs to lease a whole floor and at a competitive rate to allow them some margin on re-letting."

O'Halloran says an example was the Executive Centre agreed to take space in

Rialto building when the Melbourne office market was strong. By the time it came out, the market had turned.

"And that was an established operator who couldn't make the numbers work," O'Halloran says. "There is a limited supply of good-quality buildings in the city that can be used for serviced offices and we don't expect much demand from these operators until 2006."