Henley Business School
UNIVERSITY OF READING

Real Estate & Planning

Working Papers in Real Estate & Planning 01/14

The Role of Serviced Offices in the Corporate Real Estate Supply Chain

Dr Ashley Dabson

Prof Pat McAllister

This research was sponsored by MWB Business Exchange.

Abstract

The paper analyses the evolving corporate real estate supply chain and the interaction of this evolution with emerging business models in the serviced office sector. An enhanced model of the corporate real estate portfolio is first presented incorporating vacant, alienated and transitory space. It is argued that the serviced office sector has evolved in response to an increasingly diverse corporate real estate portfolio. For the peripheral corporate real estate portfolio, the core serviced workspace product provides the ability to rapidly acquire high-quality workspace and associated support services on very flexible bases. Whilst it is arguably a beta product, the core workspace offer is now being augmented by managed office or back-to-back leases which enables clients to complement the advantages of serviced offices with a wider choice of premises. Joint venture business models are aligned with solutions to problems of vacant space.

Introduction

The paper focuses on how serviced offices in the UK fit into the evolving corporate real estate supply chain. In particular, it investigates the extent to which the configuration of serviced office operators is aligned with corporate clients. In addition to the increasing complexity of corporate organisations, a number of additional factors are likely to have changed corporate demand for office and meeting space including the interaction of improved communications technology, business cycle volatility, changing working practices and corporate re-structuring. Further, the increasing importance of health and safety regulation and risk management processes within corporate organisations has meant that they often need to use quality assured providers for 'outsourced' business premises.

The remainder of the paper is organised as follows. The first section consists of a broad overview of corporate real estate drivers and how and why they have been changing. Drawing upon previous research, this is followed by a discussion of the evolution of the serviced office sector and the product range. Finally, conclusions are drawn.

Corporate Real Estate: Aligning Space, Services and Business Needs

The Corporate Real Estate Problem

Corporate real estate is often the second or third highest cost item for the majority of office-based corporate entities and a key factor of production (Edwards and Ellison, 2003). It is, therefore, important that it is fit for purpose. As buildings are a relatively inflexible factor of production, change tends to be both expensive and slow. For this reason, aligning corporate real estate with the business it accommodates is often difficult. For businesses (or parts of businesses) that are growing, the need to prevent the real estate portfolio lagging business requirements can be extremely problematic to implement. Long acquisition lead times can mean relatively long-term portfolio planning horizons. Drawing on early work by Hamel and Prahalad (1989), Gibson and Lizieri (1999) identified accelerating change as being the primary reason for corporations to consider their human resources in terms of what was core and non-core. This work also pointed to the growing need for property portfolio agility. These issues are expanded upon in more depth below.

The Conventional Corporate Real Estate Model

Applying the core/non-core concept to the corporate real estate portfolio, Gibson and Lizieri developed a core-periphery operational real estate portfolio space model as shown below. This model drew upon human resources conceptual frameworks and analysed the corporate real estate portfolio in the same terms. Three main categories of corporate real estate were identified.

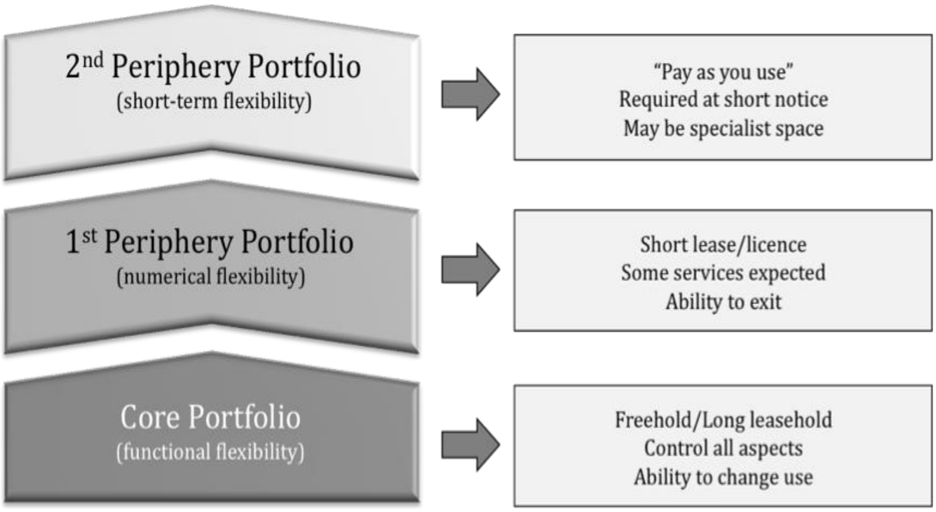
- The core portfolio is space that the organisation needs over the long term. Therefore, long leases or freeholds would be acceptable provided that the terms permitted alterations and that the space was configured to enable physical change.

- The 1st periphery portfolio consists of space held on medium-term leases (typical duration of three to 10 years). This space was required where the long-term future of the activities accommodated was uncertain.

- The 2nd periphery portfolio is the “space on demand” portfolio where speed of occupancy and unencumbered vacation are important. This is the space that has traditionally been supplied by the serviced office sector.

Although the fundamentals of this model remain broadly applicable, there have been significant changes in both the commercial real estate market and the way that corporate real estate occupiers view their portfolios.

Figure 1: Flexibility - The Core-Periphery Operational Portfolio



Gibson and Lizieri (1999)

Corporate Change and Real Estate Markets

During the last decade, Information and Communication Technology (ICT) has continued to transform the nature of work. In more and more business sectors, computing and communication power has moved from the office to the home and then to the individual, many of whom can now work from anywhere at anytime. ICT, embracing cloud computing, handheld devices and, particularly, personal digital assistants has facilitated much more mobile working patterns. The location of work may be at home, in clients' accommodation or in training facilities, a hotel including foyers and restaurants etc. Generally, the non-office or non-home based work style is mobile and transitory with the space used being paid for indirectly via other services such as food and beverages. Increasingly work tasks are performed at times to suit the individual and activity. This gives rise to a window of opportunity for work wider than the traditional working day. The time taken to perform assigned tasks has resulted in the responsibility shifting from the employer to the employee as the management emphasis moves from managing by input i.e. attendance to managing by output i.e. delivery. (Maitland and Thomson, 2011)

This has enabled working practices to fragment. For example, with a few notable exceptions, a change from one person per desk (assigned desks) to a plethora of work styles resulting in non-assigned desks or even no desks has become increasingly common. For individuals, the increasing sophistication and use of ICT has enabled desktop training, teleconferencing and web-conferencing from anywhere at almost any time. The result is a diminished need for the provision of both general office accommodation and specialist facilities for sole users. The “traditional office” occupied during the “traditional hours” can now increasingly be seen as restraining some types of work.

A non-assigned desk portfolio enables occupancy change to be managed more efficiently than would be the case with making changes within an assigned desk portfolio. Compared to having assigned desks, non-assigned desks enable people to be moved without moving the furniture. This reduces the need for enabling (or “temporary holding”) space to be held for the purpose of occupation while changes are made to the primary space. This is space that is often provided by serviced offices.

These trends, coupled with the post 2008 financial crisis, have in many cases led to an over-supply of office space. The result is a structural change in the nature of office accommodation. This manifests in dramatically reduced lease lengths (since the early 1990s) as negotiating power shifts to the prospective tenant. It also results in the historic differences between conventional lease lengths and serviced office contract lengths converging. The size and tenure of corporate real estate portfolios are changing.

An Alternative Corporate Real Estate Model

Given the effects of the increasing pervasiveness of ICT, the diffusion of more mobile working practices and the changing face of space, an alternative model of the complete corporate real estate portfolio perhaps provides an alternative basis for understanding the full spectrum of real estate needs.   The model takes a corporate real estate perspective and encompasses the total corporate real estate portfolio not just the operational elements. It also focuses on risk rather than simply flexibility - although it is acknowledged that a lack of flexibility may be considered a risk.

The model in Figure 2 comprises five elements. These are:

1. The core portfolio
2. The peripheral portfolio
3. The alienated portfolio
4. The vacant portfolio
5. The transitory portfolio

The core portfolio is defined as those assets - owned or leased - that are critical to the occupier. This may be for reasons of location, scale, image or capital investment. As in the Gibson and Lizieri model, the occupier tends to place high importance on control of the space in terms of the ability to change its use, its form and its functions, as business needs demand.

The peripheral portfolio comprises all non-core space that is occupied by the business. The tenure is largely irrelevant; it can be freehold, leasehold, or held on a licence. The facilities management can be in-house or outsourced. The form can be traditional office space or a managed or serviced office. By definition, the occupier may be prepared to relinquish some control and the ability to change its form or function. The aim is to find and use appropriate space so that, when the business needs change, it may be vacated in favour of more suitable space.

The alienated portfolio comprises all of the space that is occupied by third parties by reason of assignment, lease, sublease or licence. It is space that does not form part of the operational portfolio but for which there is some legal obligation and, often an accompanying, financial liability. It is normally the subject of a financial provision in the accounts. Unless it is in the unusual position of commanding a profit rent, it is often regarded as an unwanted legacy.

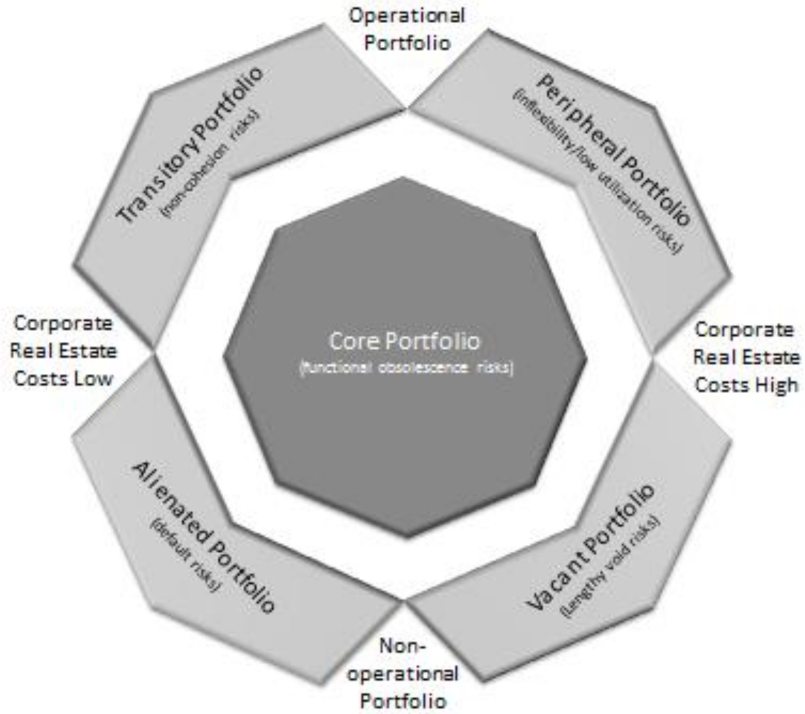
The vacant portfolio comprises all of the space that is unused. This divides into six categories:

1. Space used as holding space to enable relocations.
2. Contingency space held for the purposes of business continuity.
3. Space that is being under-utilised.
4. Space being, or about to be, fitted-out for a future use.
5. Space that is on the market but remains unsold, un-let or un-licensed
6. Space that is economically, functionally or physically obsolete.

All of these categories represent a carrying cost exposure. This cost risk is particularly pronounced in cases where the period to invocation is likely to be long or the void is likely to be protracted. The rental and other costs (business rates, insurance, maintenance etc) associated with holding vacant space can be substantial for corporate occupiers.

The transitory portfolio exists where no space is held by the corporate organisation. Although space is used the emphasis is on the service rather than the space. The service my be provided by the corporate entity to support its staff working from home or it may be received from a third party for example a hotel. Outside of home working it is space normally used to support short-term, highly serviced, specific business activities. The serviced office venues and meetings product falls into this category. Companies may pay formally to procure these spaces or they may use quasi-public spaces such as hotels and other leisure facilities on an informal basis. The business has the obligations of a paying visitor and the obligations of care to their employees such as health and safety and ensuring that the facilities they use are fit for purpose. Essentially it is transitory because, although real estate is used, it is not held in a conventional sense.

Figure 2: A Corporate Real Estate Portfolio Model



The top half of the model represents the operational part of the portfolio while the bottom half represents the non-operational part of the portfolio. The right hand side represents a corporate space need while the left hand side represents the area where corporate space is not needed. The core has a direct relationship with the four quadrants and each quadrant has a direct relationship with the other quadrants. For instance, space may be moved from the core to any of the four quadrants. The larger the transitory portfolio, the smaller the core or peripheral portfolios need to be. Space becoming non-operational will move to either the alienated or the vacant portfolios. Clearly, whatever real estate portfolio strategy is adopted, one of its aims will be to minimise the risk of going to the bottom half of the model. However, aligning with the business need tends to be the priority. If the timing of this means not waiting for freehold disposals, lease ends or breaks then the non-operational portfolio will grow.

Although, in theory, once a provision has been made in the accounts, the vacant and alienated portfolios can be overlooked as other business imperatives arise, in most cases the reality is very different. Cost and business distraction are the main reasons why the vacant and alienated portfolios are, with the possible exception of contingency space, undesirable. The costs of surplus real estate relate to decommissioning, holding, marketing and disposal costs. For the alienated portfolio, there will also be management and incentive costs (rent free periods etc) although the income does provide some cost relief. For leaseholds, there are further costs. These relate to the holding costs (including rent and service charges etc.). Whilst shorter leases have reduced the risk of holding vacant space, it can also be extremely difficult to sublet such space when there are relatively short unexpired terms remaining on the head lease. While at the end of the lease, there will be costs for such items as dilapidations and reinstatement. Where buildings are surrendered or assigned, further payments are often necessary.

Procuring Serviced Office Space: The Corporate Real Estate Decision

The corporate decision tree for this process can be summarised as a two-step process. This is illustrated in Figure 3. This involves firstly, examining the existing resources of the organisation (the primary solution) to ascertain if the need can be met from within. This is followed by a decision to go outside (the secondary solution) if it cannot. From the perspective of the serviced office operators, their largest competitor is probably their potential client's property portfolio.

This accelerated change within the corporate real estate sector has also affected the nature of the problems faced by corporate real estate managers. In particular, there is a need to accommodate increasingly transitory working behaviour and to create more elasticity in the supply of space and associated support services. From the corporate real estate perspective, serviced office providers have an opportunity to provide business solutions to specific corporate real estate problems. Next, we examine the nature and evolution of the serviced office sector and assess the extent that it is aligned with corporate real estate managers needs.

The Serviced Office Sector

A Definition

The diversity of the serviced office product range with its multiplicity of names has led to an element of inconsistency over what a serviced office comprises. For this reason, a broad definition will be taken. A serviced office is defined as space within a building that is let, sub-let or licensed to third parties on a serviced basis. The services comprise all of the building services and a menu of business support services. It is umbrella term that includes managed offices, office business centres, serviced venues and virtual offices.

Background: Sector Evolution

The first half of the 1990s was a particularly transformative period in the evolution of the landlord and tenant relationship in the UK. Driven largely by the competitive pressures generated by recession, globalisation, technological change and deregulation, there were significant shifts in business practices. Downsizing, de-layering, de-merging, flexible specialisation, re-engineering, outsourcing, core competency etc. were business buzzwords that were associated with changing real estate requirements of many office occupiers. In turn, more flexible lease terms, the expansion of the serviced office sector and corporate real estate outsourcing reflected a significant increase in the range of occupational solutions for businesses.

At the beginning of this century, the supply of serviced office was broadly segmented into two categories. There were only four to five national (two or three had international capacity) providers (over 10 centres) whose main market was generally major corporations. The remainder largely comprised small-scale, niche providers who were regional in scope and who generally served local markets and SMEs (see Gibson and Lizieri, 1999 and Billingham, 1999). In terms of the recent evolution of the serviced office sector, linked to the wider economy, the story of the last decade has largely been one of volatility. The economic downturn associated with the bursting of the interlinked 'dot-com' and stock market bubbles in 2000-2001 produced an abrupt decrease in demand and produced sharp falls in revenues for serviced office operators. The often high levels of operational (with fixed liabilities and variable revenues) and financial gearing led to a 'shake-out' in the sector with a number of operators becoming insolvent, some mergers and restructuring. Following this sector shake-out, there has been a pattern of recovery, boom, another bust and another recovery since the initial 'dot-com' bust.

Probably, the most robust research on the motivations for using the serviced office market was carried out by Gibson and Lizieri over a decade ago (see Gibson and Lizieri, 2001). They pointed to the different segments of demand and supply within a set of overlapping markets. Broadly, they found that the main users of serviced offices are small teams of less than five people. For serviced office operators catering to the corporate market, the limited body of later research remains broadly consistent with Lizieri and Gibson's initial work. It suggests that the main rationale of their clients for using serviced offices revolved around the ability to rapidly procure (and dispose of) high quality premises in good locations in a comprehensively managed office environment with the ability to access other additional services as required.

The body of research suggests that corporate organisations mainly used serviced offices for risky functions with uncertain timeframes. This could involve gaining an initial presence in new geographical markets or starting-up ventures involving new products or services. At the other end of the scale, the serviced office product was attractive to SMEs who could benefit from the economies of scale that serviced office operators obtain in terms of unit costs reductions in leasing space, office equipment and the provision of the range of services e.g. receptionist, photocopying etc. Later internal research for a major serviced office operator confirmed that the most important elements for their clients were the ability to source high quality space and office support services in high quality locations. It also confirmed the importance of flexibility in terms of expansion, entry and exit for many clients.

Largely catering for demand for transitory space, it is notable that the venues and meetings segment of the serviced office sector has been largely ignored in the previous literature. This neglect may represent the segmentation of the two product lines (serviced workspace and off-site space for meetings and venues). Although speculative, we would suggest that real estate researchers have focussed on the potential of serviced offices to provide real estate solutions to workspace provision and have shown little interest in specialist areas such as training environments or hospitality events. Referring back to the model of the total corporate real estate portfolio, the transitory portfolio has largely been ignored by the real estate research community.

The Serviced Office Business Models

A key attribute of the serviced office business model is outsourcing. One of the key characteristics of outsourcing is the conversion of fixed into variable costs. In essence, the serviced office operator takes on the fixed costs and related risks associated with procuring and operating offices and transforming them into variable costs for businesses. The exposure of the serviced office operator to these risks varies with the model that is being used. However, the core serviced office model has involved absorbing risks.

From a risk management perspective, the serviced office operator can be analysed in terms of a provider of insurance against the short-term effects of both positive and negative ‘shocks’ to businesses’ real estate requirements. Indeed, the failure of many serviced office operators illustrates the vulnerability of the sector when occupiers ‘make claims’ i.e. to exit the premises in business downturns. The spikes in profits discussed in previous research (that were being obtained at the peak of the office market cycle) reflected the combination of high operational gearing and office market cyclicality. Rather than being a product of a supply/demand mismatch, they may simply have reflected a realistic level of required risk-adjusted return.

Serviced office is probably too limited a term to describe the product range of contemporary serviced office operators. In terms of how they present themselves to the market, most operators have configured their product offer into three main categories - serviced offices, meeting and conference facilities and virtual offices. Like most businesses, due to ongoing inter-related changes in technological, business practices and market conditions, the serviced office sector has been, and is being, challenged to evolve as customer demands and new opportunities are presented.

Perhaps emphasising the diversity of the sector's product range, the main competition to the serviced office sector seems to come from two main sources. For workspace, the main competitors are conventional office investors. However, for the meeting venues business, as discussed above the main competition is from the corporate hospitality sector, which also supplies off-site space for training and other events. Given their core competency as providers of 'hard' and 'soft' FM services and office infrastructure and associated ICT support, serviced office operators may have the potential themselves to compete with specialist FM outsourcing companies.

The core competencies of serviced office and venues suppliers seem to coalesce around:-

1. Business to business (B2B) supply of office space, equipment and telecommunications on (near) pay as you go (PAYG) terms,
2. B2B supply of hard and soft FM services on (near) PAYG and
3. B2B supply of venues for off-site business events.

They all require a blend of competencies, skills and knowledge focussed on sales and marketing, service provision, real estate management, procurement, contract management and ICT.

At first sight, the venues segment of the business seems fundamentally to be a more intense version of the serviced office business. Venues for conferences, meetings, training etc are typically hired on an hourly or daily basis with IT support and catering. The demand (and revenue from) for off-site venues tends to be more volatile than for the workspace element. Revenue streams tend to be more seasonal. For instance, August and December tend to have lower occupancy rates. As noted above, the main competitor to the venues component of serviced office operators is the hospitality rather than the conventional real estate sector. Companies such as De Vere, etc, Principal Hayley and corporate hotel chains are the main competitors.

It is not surprising that there is anecdotal evidence that a number of serviced office occupiers have also entered the office services outsourcing market. This may have started opportunistically as business tenants in the same buildings as service office operators made agreements allowing them to dispose of excess space and/or to outsource FM offices services. In addition, a number of serviced office operators are able to provide a services-only product.

Another emergent product is managed offices or back-to-back leases. This involves the serviced office operator (SOO) taking a lease of office space from a conventional landlord on conventional lease terms. The space may have been identified by the occupier or may have been identified on behalf of the occupier by the serviced office operator or a intermediary. The space is fitted out and furnished by the serviced office operator and sublet to the occupier for a term similar to the head-lease for a charge that bundles space, office infrastructure, FM, utilities, dilapidations, business rates etc in a series of fixed payments. The main attraction for SMEs of this approach to space, office infrastructure and services procurement is the predictability of costs and, where their covenant strength is weaker than the serviced office operator the ability to procure high quality premises. For larger corporate organisations, the key attraction may be speed of procurement.

Having generalised above, a major and growing change in the last decade is that it is becoming increasingly difficult to generalise about the serviced office business model. As noted above, deconstructing the serviced office business model reveals four approaches. The four approaches are:

1. The conventional lease model
2. The joint venture model
3. The management fee model
4. Back-to-back lease or managed office model

The four models are currently at different levels of maturity and acceptance. All present different levels of risk and return to the operator and to the freeholder / head lessee, partner or client.

From the serviced operators point of view the four can be summarised as follows:

1 Conventional Lease Model

Key attributes	
1. The SOO leases space on conventional lease terms. 2. The SOO fits out the space and offers its 'bundles' of space, office infrastructure and FM services on short-term contracts.	
Risk-return[1] 1. Some long-term liabilities e.g. rent, business rates not aligned with short-term revenue streams. 2. Operational gearing can be high. 3. Market risk[2] borne by serviced office occupier.	**Market acceptance** 1. Most common business model. **CRE alignment** 1. Aligned with peripheral and transitory portfolios

2 Joint Venture Model

Key attributes	
1. SOO partners with 'owner' of excess space and a JV is formed. 2. The JV operates a serviced office in the excess space. 3. The partner provides space and capital expenditure on office fit-out. 4. The SOO is paid a management fee often linked to turnover or profitability 5. From gross profits, the partner receives a rental payment, a return of initial capital expenditure and a profit share. 6. The also SOO receives a share of profits. 7. Agreements tend to be for five to eight years. 8. There are no standardised contract terms and conditions. The tranching (who gets paid first from revenue streams) of the different elements (rent, repayment of capex, SOO management fee and profit share) is variable.	
Risk-return 1. Limited initial investment 2. SOO costs are aligned with short-term revenue streams. 3. Operational gearing is low 4. Market risk is borne by partner.	**Market acceptance** 1. A fairly common business model. It tends to be associated with market downturns when subletting is difficult. 2. Tend to be poorly understood by real estate investors and professionals and can affect liquidity the real estate asset. **CRE alignment**

[1] This is analysed from the perspective of the serviced office operator.

[2] For the purposes of this report, market risk is defined as the possibility that changes in macro-economic conditions cause a significant change in the space requirement of the occupier. Project risk is defined as the possibility that costs associated with office occupancy (office fit-out, utilities, repairs, maintenance, taxes etc) are significantly different than expected.

	1. Aligned with vacant portfolio

3 Management Fee Model

Key attributes

1. The SOO operates a serviced office business in space owned/leased and fitted out by a third party.
2. A management contract is put in place.
3. The SOO markets and manages ‘bundles’ of space, office infrastructure and FM services on short-term contracts.
4. The SOO receives a fixed management fee plus a profit share.

Risk-return	Market acceptance
1. No long-term liabilities 2. Operational gearing is low. 3. Market risk is borne by property owner.	1. Fairly rare business model. CRE alignment 1. Aligned with peripheral and transitory portfolios

4 Back to Back Lease Model

Key attributes

1. The SOO leases and fully fits out space from a conventional landlord on conventional lease terms and Market Rents.
2. The SOO is responsible for both fit-out and dilapidations. This managed workspace is sublet with an additional service bundle for a similar length of lease to the client who requires the premises.

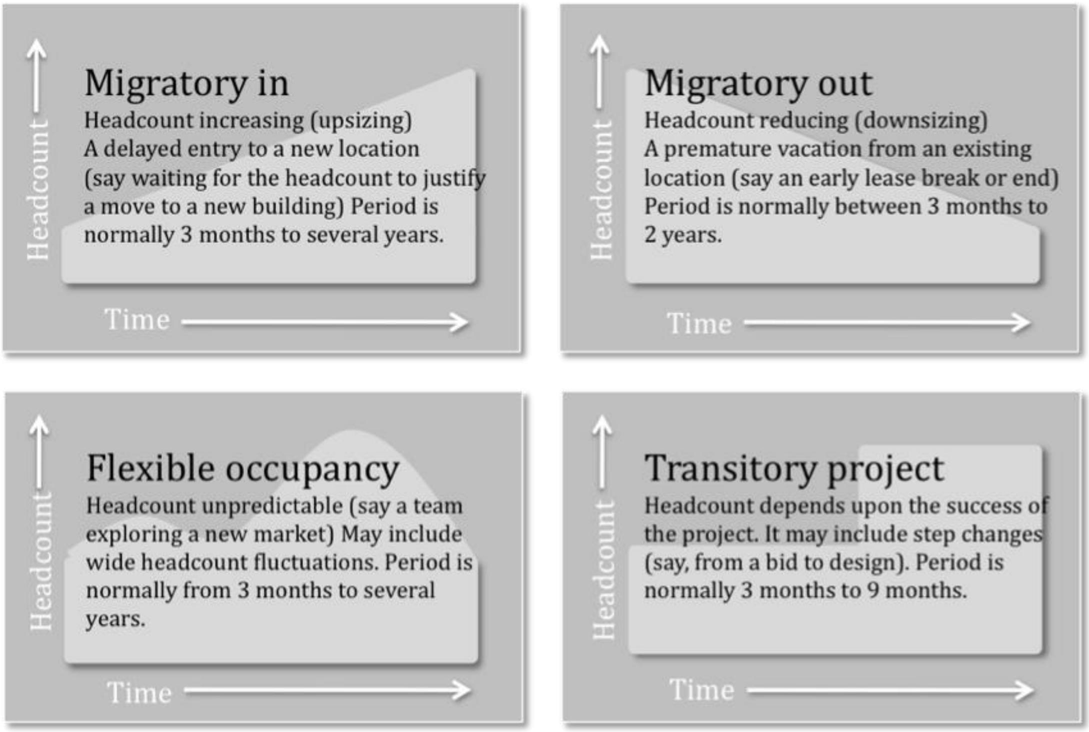
Risk-return	Market acceptance
1. The duration of the liabilities and assets are matched. 2. Operational gearing is lower than the conventional model but higher than other models. 3. Market risk is mainly borne by client as they are liable for the costs for the remainder of the contract.	1. Embryonic. CRE alignment 1. Aligned with peripheral portfolio.

The vacant portfolio represents a market opportunity for those holding the space and serviced office operators. JV can provide cost reduction to occupiers holding vacant space by moving it to the alienated portfolio. Working with a serviced office provider enables the space to be marketed in a way that widens the appeal. It extends the options from a sale or lease to end occupier to one of working through a serviced office operators who then may offer short-term serviced accommodation. When the office market is difficult this is an appealing option. It works particularly well when it involves a building which remains part occupied. The reason for this is that it also provides flexibility to the original occupier. However, the serviced office operator is, in this situation, in competition with the original occupier's in-house property and facilities organisation.

In terms of peripheral portfolio there appear to be four ways serviced offices are aligned. These are:

1. "Migratory in" occurs where there is workforce growth or a consolidation in favour of a specific location but the workforce numbers are not large enough to justify the occupancy of the proposed building. Alternatively, the building construction or fit-out completion lags the staff build up.
2. "Migratory out" occurs where a building is vacated and temporary accommodation is required for the workforce. This normally occurs where a landlord wants repossession for reasons of redevelopment etc. or the tenant takes advantage of a lease end or break.
3. "Flexible occupancy" occurs where the business needs accommodation that can respond rapidly to changes in headcount. This can be a function of the particular business unit or the business is piloting a new product, service, market or location.
4. "Transitory project" occurs where the occupation depends upon a project or part of a project and the workforce change depends upon its success. The nature of the workforce change can be rapid, such as a step change.

Figure 3: The Serviced Office Space Demand Types



The different corporate space demands have different risk profiles. An occupier may also display characteristics of more than one type over time. A situation that causes the serviced office provider to “juggle” with the occupier needs in a manner that minimises voids.

Conclusions

Reflecting the increasing diffusion of new technologies and working practices and increased competitive pressures associated with globalisation, most corporate organisations have become increasingly agile. The interaction of improved communications technology, business cycle volatility, shorter product cycles, changing working practices and corporate re-structuring have been the primary causal factors. The result is that aligning the corporate real estate portfolio with the business operations that it accommodates is often difficult. Work styles have become more fragmented as computing and communication power has moved from the office to the home and then to the individual. Now many people can work from anywhere at anytime. The need to accommodate increasingly transitory working behaviour requires more ‘elasticity’ in the supply of space and associated support services.

As a result, corporate real estate needs are diverse. Most large companies need to dispose of and acquire space, office infrastructure and associated support services due to expansion and contraction, relocations and upgrades. The timeframe to acquire and to occupy can be variable. Sometimes, the lead-times are extremely short with little opportunity to conduct an extensive search. Another important factor is also the timeframe for which space and services are required. This can range from minutes to decades. The fundamental corporate real estate problem is aligning the real estate portfolio with this diverse range of business demands and managing the real estate inventory as effectively as possible.

Despite market and sector volatility, over the last decade the serviced office sector has matured to become an increasingly established sector of the UK’s commercial real estate market. It provides an essential product for many corporate organisations. A range of operational models e.g. management fee, joint ventures and back-to-back leases have appeared. Each produces a different set of risk-return profiles and, consequently, some diversification benefits for serviced office operators. Nevertheless, the core operational model remains a risk arbitrage between the broadly fixed costs of leasing and/or buying office space with long-term horizons and the variable revenues associated with providing a fully managed workspace for comparatively (and sometimes extremely) short timescales.

This paper has modelled the corporate real estate portfolio in terms of categories of space – core, peripheral, alienated, vacant and transitory. Each presents a different set of challenges to the corporate real estate manager. Serviced office providers have responded to market change creating products addressing challenges faced by corporate real estate managers. In particular, the core serviced workspace product is now recognised as providing the ability to rapidly acquire high-quality workspace on a flexible basis. Whilst it is arguably a beta product, the core workspace offer is now being augmented by managed office or back-to-back leases which enables clients to complement the advantages of serviced offices with a wider choice of premises. In addition, JV models are aligned with solutions to problems of surplus space.

References

Billingham, E. (1999) Over-served or undersupplied? *Estates Gazette*, 4 September 1999.

Edwards, V., & Ellison, L. (2009). *Corporate property management: aligning real estate with business strategy*. Wiley. com.

Gibson, G. and Lizieri, C. (1999) New business practices and the corporate property portfolio: how responsive is the UK property market, *Journal of Property Research*, Vol. 16, 3, 210-219.

Gibson, V. and Lizieri, C. (2001) Friction and inertia: corporate change, real estate portfolios and the UK office market, *Journal of Real Estate Research*, 21, 59-79.

Hamel, G. and Prahalad, C. Strategic Intent, *Harvard Business Review*, May-June, 63-76.

Maitland, A and Thomson, P (2011) Future Work, *Palgrave Macmillan London*