

EMERGING MARKETS SERVICED OFFICE REVIEW 2013



Instant

INTRODUCTION



Since Instant was founded in 1999, we have been in a unique position to witness the growth of the serviced office sector into new markets around the world. This dynamic industry has evolved into one of the fastest growing sectors in the global commercial property market, providing innovative flexible

property solutions as an alternative to traditional long lease terms. While the sector continues to see impressive growth in established markets such as the UK, Western Europe and the United States, it is the world's emerging markets that are undergoing the most exciting changes where we anticipate some of the fastest growth over the coming decade.

Following the release of our Global Serviced Office Review 2011, which reviewed the world's 50 largest serviced office markets, we gathered feedback from many of our corporate clients to determine which global regions were most relevant to their needs. While the specific needs did vary, the most common request was for Instant to provide a comprehensive guide to the serviced office sector in the world's emerging markets. This report is therefore intended to give greater insight for international corporations looking to set up offices in these locations.

The term *emerging markets* may be overused and there appears to be no definitive list of markets, but our choice of countries to include is based on the level of interest in flexible offices from our client base, combined with relevant criteria

used by key economic organisations. In addition to reviewing these developing economies, we have also explored frontier markets, where companies can struggle to procure space through the traditional property market. These challenges are due primarily to the limited availability of quality space and the complexity of navigating local business customs and procedures. In total, we have reviewed over 100 cities around the world for this report.

There are a host of different reasons why corporate occupiers choose serviced offices as part of their overall property strategy, but our research showed us that it was the uncertainty and risk associated with expanding into new and unknown markets that meant they were most likely to consider a flexible solution.

For many large corporations, understanding the serviced office sector in a location such as Vitoria, Brazil is far more challenging than securing market information on more developed markets such as Victoria, London. We have produced this report to help address this dearth of useful data, insight and analysis.

We hope that you find this report useful. As the world's leading specialists in the flexible office sector, Instant would be delighted to help find the ideal workspace for your business, wherever you want to be.

Tim Rodber
Chief Executive Officer

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KEY FACTS

1 IN 5

cities in emerging markets with workstation rates over \$1000. 45% of those are in Africa.

21%

growth in serviced office sector in emerging markets in the last 12 months

DUBAI

workstation rates have fallen by 43% since 2008

27%

of cities surveyed have only one serviced office available. 38% have 5 or more options

EMERGING AND FRONTIER MARKETS

59 countries
110 cities
700+ centres

64

new centres opened in Asia in the last 12 months – 22% growth

3 IN 4

centres in Latin America are located outside of the traditional city centre

45

number of serviced offices in **MEXICO CITY**, 32% growth in 12 months

ISTANBUL

serviced office sector has doubled in size in 2 years

25%

growth of the sector in China in the last 12 months with 136 open centres

SHANGHAI

largest market with

66

open centres

88

open centres in Africa

313

open centres in Asian emerging markets

72%

increase in number of open centres in Abu Dhabi since 2010

LATIN AMERICA

38%

centre growth in past 12 months

\$2,250

average monthly workstation rate in Caracas, Venezuela;

\$210

rate in Guatemala City

EMERGING MARKETS



The serviced office sector in the emerging markets now represents 12% of the global market, an increase of 1.25% over the previous year. In the past 12 months, the sector within these markets has increased by 21% by adding 124 new centres. As of September 2012, there are 714 centres in 110 cities throughout 59 countries in Latin America, Africa, and portions of Asia, Europe and the Middle East. Over the next 5 years, instant forecasts that the number of centres in the emerging markets will more than double.

Emerging markets are broadly defined as countries that are experiencing rapid economic growth and industrialisation; however, the criteria for determining which countries

are classified as emerging markets is largely open for interpretation. Since the 1980s, analysts from a wide variety of organisations, ranging from the International Monetary Fund to The Economist magazine, have established their own criteria and compiled lists of more than 50 countries that have been identified as emerging markets. While the selection criteria and inclusions vary from list to list, there are several key countries that will shift the world's economic balance over the coming years.

By 2025, the World Bank predicts that the economies of Brazil, Russia, India, China, South Korea and Indonesia will account for more than half of the world's total GDP

growth. Undoubtedly, it is in these countries where global corporations will look to increase their market share. In addition to these mega-economies, companies are also focused on other high growth and frontier markets. While some of these countries may not be classified as emerging markets, globalisation has placed these developing and resource rich nations on the radar. For many companies looking to enter these markets, serviced offices will serve as the platform from which to establish an initial presence.

In order to accommodate demand for flexible office space while mitigating the risks for companies looking to enter these new markets, there is a push for serviced office

providers to be among the first pioneers to establish themselves ahead of anticipated demand. While there is significant risk in doing so, the providers that do are usually able to command some of the highest workstation rates in the world. Due to the complexities of unfamiliar laws and cultures, companies and individuals with a keen understanding of the local market have been some of the first to establish serviced office centres. Recently, many of the larger, more established providers have recognised the benefits of entering these markets early and have set out ambitious expansion plans.

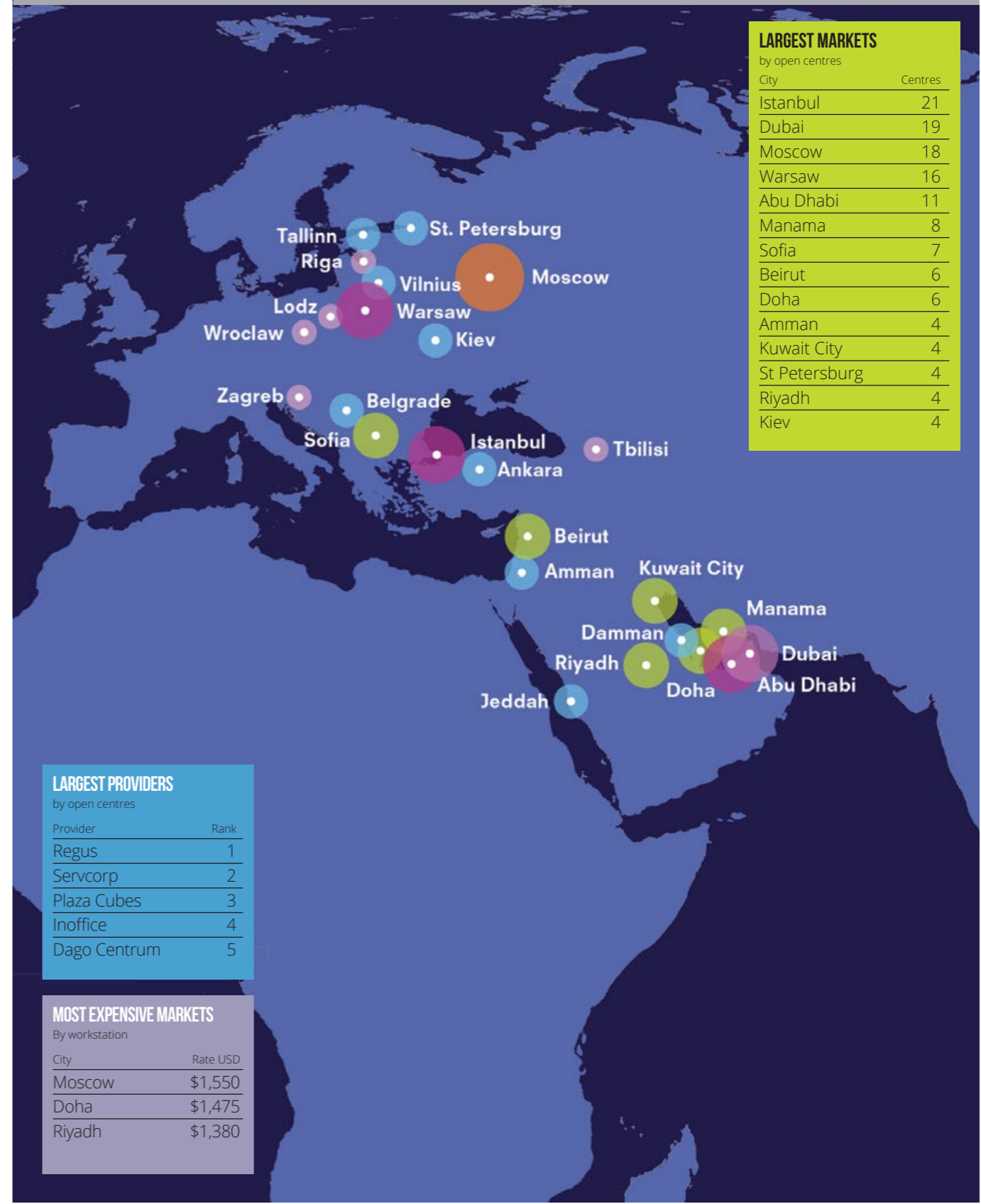
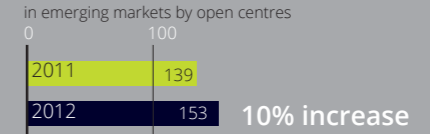
THE EUROPEAN AND MIDDLE EASTERN MARKETS

THE EUROPEAN AND MIDDLE EASTERN MARKETS

TOTAL WORKSTATION CAPACITY



REGIONAL MARKET GROWTH



LARGEST MARKETS

by open centres

City	Centres
Istanbul	21
Dubai	19
Moscow	18
Warsaw	16
Abu Dhabi	11
Manama	8
Sofia	7
Beirut	6
Doha	6
Amman	4
Kuwait City	4
St Petersburg	4
Riyadh	4
Kiev	4

LARGEST PROVIDERS

by open centres

Provider	Rank
Regus	1
Servcorp	2
Plaza Cubes	3
Inoffice	4
Dago Centrum	5

MOST EXPENSIVE MARKETS

By workstation

City	Rate USD
Moscow	\$1,550
Doha	\$1,475
Riyadh	\$1,380

THE EUROPEAN AND MIDDLE EASTERN MARKETS

The serviced office sector in the emerging markets of this region is among the most developed, with many of the countries benefiting from almost 20 years of sustained growth. Today the region has a healthy stock of quality grade A office space.

The serviced office sector is well established in most of the region's primary markets, but there is still considerable scope for growth in second tier cities – especially in Russia and Poland.

Relative to the size of its economy, Russia is one of the most underdeveloped markets. So called 'Business Centres' are a common, though basic, flexible property solution throughout Russia. These centres provide some communal and facilities management services; however, they are usually landlord managed and fall short of providing the full turnkey solutions found in traditional serviced offices. For this reason, they are not accounted for in this report.

Almost half of the serviced offices in Moscow and St. Petersburg are located in low grade buildings. The limited supply of quality serviced office space, limited competition, and high property rates make Moscow the most expensive market in the region with an average monthly workstation rate of USD \$1,550.

Istanbul is one of the fastest growing markets having more than doubled in size over the past 2 years to become the region's largest market with a total of 21 centres.

Average workstation rates in Dubai have fallen from a high of \$1,675 in 2008 to a low of \$900 in 2011. As of late 2012, rates have recovered slightly to \$955 per month. Over the past 2 years, the number of open centres in Dubai has decreased by almost 30%, whereas the Abu Dhabi market has grown by 72% over the same period.

A PROVIDER VIEWPOINT

Instant talked to Regus, to get their view of setting up offices in emerging markets:

“ Regus currently operates more than 1,300 business centres in 97 countries across the world. The list includes locations as far flung as Kathmandu, Kampala, Panama City and most recently, Kigali in Rwanda.

When Regus is deciding whether to set up in a new country we look at a number of different factors: the amount of interest from existing customers, links with other centres across the world and the types of businesses that already exist in a particular place and external demand partners. For example, Regus have had enquiries about availability in Kampala, Uganda, from customers in the oil industry, due to new oil finds in that region of Africa.

For customers using a Regus office to establish their base in a new country, the benefits are many. For businesses moving to a new country, one of the keys to success is being aware of the local culture and customs. For each Regus centre, there is a centre manager who is an expert in the local area, who can support customers with information about anything from who to talk to in government, to where to find a good restaurant in town. Through their understanding of the local laws and ways of working, the team at Regus can set someone up with minimal fuss and disruption to the incoming business, and give them the flexibility to expand or contract as required.

THROUGH THEIR UNDERSTANDING OF THE LOCAL LAWS AND WAYS OF WORKING, THE TEAM AT REGUS CAN SET SOMEONE UP IN A NEW OFFICE WITH MINIMAL FUSS AND DISRUPTION TO THE INCOMING BUSINESS...



Many companies don't need a physical presence, so a virtual office is particularly appealing in some of the more challenging countries. This gives the business an address anywhere in the world with a local phone number, answered in the local language and can be set up within 24 hours.

As companies continue to look for easier and more cost-effective ways to expand their business into the emerging markets, the growth of flexible work in these locations is expected to persist. It not only helps mitigate the risk of such a move, but also helps remove the hassle of office logistics and allow organisations to focus on the core of their activities. ”

THE EUROPEAN AND MIDDLE EASTERN MARKETS

Market		Centre details				Indicative workstation rate			
Country	Location	Centre count	City centre locations	Business district locations	Grade A centres	Price range	Local currency	Local rate	USD rate
Bahrain	Manama	8				\$\$	BHD	270	\$715
Bulgaria	Sofia	7				\$\$	EUR	470	\$580
Croatia	Zagreb	1				\$	EUR	315	\$390
Estonia	Tallinn	3				\$	EUR	245	\$300
Georgia	Tbilisi	1				\$\$	EUR	600	\$740
Jordan	Amman	4				\$\$	JOD	395	\$555
Kuwait	Kuwait City	4				\$\$\$	KWD	280	\$990
Latvia	Riga	2				\$	LVL	250	\$445
Lebanon	Beirut	6				\$\$\$	USD	875	\$875
Lithuania	Vilnius	2				\$	LTL	1,300	\$465
Poland	Lodz	1				\$	PLN	815	\$250
	Warsaw	16				\$\$	PLN	2,000	\$610
	Wroclaw	1				\$	PLN	1,225	\$375
Qatar	Doha	6				\$\$\$\$	QAR	5,370	\$1,475
Russia	Moscow	18				\$\$\$\$\$	USD	1,550	\$1,550
	St Petersburg	4				\$\$\$	USD	705	\$705
Saudi Arabia	Dammam	2				\$\$\$	SAR	3,415	\$910
	Jeddah	3				\$\$\$	SAR	3,200	\$855
	Riyadh	4				\$\$\$\$	SAR	5,175	\$1,380
Serbia	Belgrade	3				\$\$	RSD	50,000	\$520
Turkey	Ankara	2				\$\$	USD	700	\$700
	Istanbul	21				\$\$\$\$	USD	1,215	\$1,215
Ukraine	Kiev	4				\$\$\$	USD	925	\$925
United Arab Emirates	Abu Dhabi	11				\$\$\$\$	AED	3,940	\$1,075
	Dubai	19				\$\$\$	AED	3,500	\$955

Category Key

Shaded portion shows the percentage of centres that fall into the category, for example:

- shows 20% of centres are located in the city centre
- shows 60% of centres are in business district locations
- shows 80% of centres are in Grade A buildings

Price Range

- \$\$\$\$\$ More than \$1500
- \$\$\$\$ \$1500 - \$1001
- \$\$\$ \$1000 - \$751
- \$\$ \$750 - \$500
- \$ less than \$500

THE AFRICAN MARKET

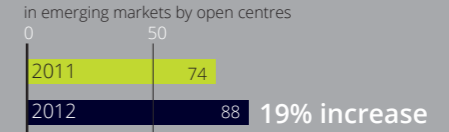


THE AFRICAN MARKET

TOTAL WORKSTATION CAPACITY



REGIONAL MARKET GROWTH



LARGEST MARKETS

by open centres

City	Centres
Johannesburg	20
Nairobi	12
Lagos	7
Accra	5
Cairo	4
Tripoli	4
Cape Town	4
Durban	4
Casablanca	3
Abuja	3
Dar es Salaam	3
Kampala	3

LARGEST PROVIDERS

by open centres

Provider	Rank
Regus	1
Landmark Virtual Offices	2
ESBC	3
The Business Centre	4
Flexible Workspace	5

MOST EXPENSIVE MARKETS

by workstation

City	Rate USD
Lagos	\$1,600
Lusaka	\$1,450
Abuja	\$1,275

THE AFRICAN MARKET

The African market can be one of the most challenging environments for companies to establish a business. There is a limited supply of quality grade A buildings, and both corporate occupiers and serviced office providers alike struggle to secure suitable modern premises. Leasing space through traditional channels generally requires considerable advance funding and local expertise to navigate complex local customs and procedures.

There is high demand from international corporations for quality serviced office space in Africa's emerging and developing markets. This, in addition to limited supply, has made workstation rates here among the highest in the world. Of the 25 serviced office markets in Africa, 10 have average workstation rates greater than US \$1,000 per month.

The sector in South Africa is the most developed in Africa, and business practices are more familiar than in the rest of the continent. Market competition and an abundant supply of quality office space make South Africa one of the region's most economical markets.

In many African markets, it is common for serviced office rents to be paid quarterly or six-monthly in advance. Many centres sell offices on a flat workstation rate inclusive of phone and internet. Pricing is based on the number of desks the office was designed to accommodate.

Due to the lack of quality office stock and the need to address security concerns, many serviced office centres are established in compounds located in outlying residential neighbourhoods.

ALTERNATIVE SOLUTIONS

The office market in Africa has matured in the past few years, with more awareness of the advantages of operating from a serviced office. Demand for office space in the West, North and East of Africa is rising. This growth is being driven by the flexibility demanded by technology companies and financial services businesses who outsource their property requirements and often seek a flexible solution for their workplace.

The challenges posed by the African market make it vital that a business can rely on an established office environment provided by an organisation that understands the workings of African authorities and can support companies with experienced and knowledgeable local staff.

These case studies demonstrate some of the more innovative solutions that, by working with a specialist, international businesses have found to set up in this challenging continent.

YAOUNDÉ, CAMEROON

A Fortune 100 company needed to establish operations quickly in Cameroon, and they needed to be close to the Government offices in Yaoundé. This was to be a small operation of 2 – 4 people but there were no serviced office options in the city, and no conventional offices could be found that matched the client's requirements for quality of space and flexibility of the lease.



THE SOLUTION HAD THE ADVANTAGE OF THE SPACE BEING FULLY FITTED OUT, WHICH MEANT THE COMPANY COULD MOVE IN WITHIN ONE WEEK OF SIGNING THE AGREEMENT.

The best solution in this instance was for the company to set up its office in a convention centre within the Yaoundé Hilton. This gave them good quality space, as well as all the flexibility they needed, both in terms of lease length and the size of the space to lease. As much of the work was business creation they needed places in which to entertain, that were amply provided by this unconventional office solution.

LAGOS, NIGERIA

When Hewlett Packard needed an office in a grade A building in Ikoyi, Lagos, they approached Landmark, Africa, a progressive serviced office provider that regularly works with Instant. Having outgrown their old office in Victoria Island, Lagos, they needed to find a larger space offering potential for further expansion but with flexible lease terms. Landmark was able to provide an office of 740 sqm and tailor the space according to Hewlett Packard's needs. The solution gave Hewlett Packard a professional image in the city, at an all-inclusive rent but with none of the rigidity of a traditional lease or the hassle of dealing with numerous unfamiliar suppliers to get the office up and running.

ANGOLA

An oil company was looking to set up business in Angola. Emerging Markets Consultants carried out a survey of possible office locations; however, a shortage of suitable spaces and delays in construction threatened to delay the start of the client's operations. Fortunately, another company was found that had surplus space they were prepared to sub-let, and a short term, flexible agreement was negotiated. This solution had the added advantage of the space being fully fitted out which meant the company could complete their company registration and move in within one week of signing the agreement.

THE AFRICAN MARKET

Market	Centre details					Indicative workstation rate				
	Country	Location	Centre count	City centre locations	Business district locations	Grade A centres	Price range	Local currency	Local rate	USD rate
Algeria		Algiers	2				\$\$\$\$	DZD	94,000	\$1,130
Egypt		Cairo	4				\$\$\$	USD	950	\$950
Ghana		Accra	5				\$\$\$\$	USD	1,260	\$1,260
Ivory Coast		Abidjan	1				\$\$\$	XOF	475,000	\$875
Kenya		Kisumu	1				\$	KES	30,000	\$350
		Nairobi	12				\$\$\$	KES	72,500	\$845
Libya		Tripoli	4				\$\$\$\$	USD	1,225	\$1,225
Mauritius		Quatre Bornes	2				\$\$\$\$	MUR	32,600	\$1,055
Morocco		Agadir	1				\$\$\$	MAD	7,000	\$780
		Casablanca	3				\$\$\$	MAD	8,100	\$905
		Marrakesh	1				\$\$\$	MAD	6,800	\$760
		Tangier	1				\$\$\$	MAD	6,750	\$755
		Abuja	3				\$\$\$\$	USD	1,275	\$1,275
		Lagos	7				\$\$\$\$\$	USD	1,600	\$1,600
Rwanda		Kigali	1				\$\$\$\$	USD	1,200	\$1,200
Senegal		Dakar	1				\$\$\$	XOF	450,000	\$830
South Africa		Cape Town	4				\$\$	ZAR	4,300	\$515
		Centurion	1				\$	ZAR	3,200	\$385
		Durban	4				\$	ZAR	3,800	\$455
		Johannesburg	20				\$\$	ZAR	5,600	\$670
		Port Elizabeth	1				\$	ZAR	3,900	\$465
Tanzania		Dar es Salaam	3				\$\$\$\$	USD	1,000	\$1,000
Tunisia		Tunis	2				\$	TND	775	\$465
Uganda		Kampala	3				\$\$\$\$	USD	1,100	\$1,100
Zambia		Lusaka	1				\$\$\$\$	USD	1,450	\$1,450

Category Key

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THE LATIN AMERICAN MARKET

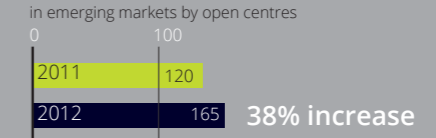


THE LATIN AMERICAN MARKET

TOTAL WORKSTATION CAPACITY



REGIONAL MARKET GROWTH



LARGEST MARKETS

by open centres

City	Centres
Mexico City	45
Sao Paulo	21
Monterrey	12
Rio de Janeiro	9
Santiago	9
Buenos Aires	7
Bogota	7
Guatemala City	7
Guadalajara	7
San Jose	6
Panama City	5
Lima	5

LARGEST PROVIDERS

by open centres

Provider	Rank
Regus	1
IZA Business Centres	2
Corporativo SACH	3
IOS Offices	4
International Local Office	5

MOST EXPENSIVE MARKETS

by workstation

City	Rate USD
Caracas	\$2,250
Rio de Janeiro	\$1,480
Sao Paulo	\$1,190

THE LATIN AMERICAN MARKET

The serviced office sector in Latin America has experienced the highest percentage growth over the past 12 months, increasing by 37.5% with a net increase of 45 new centres. The majority of the growth is centred in the region's two economic giants - Brazil and Mexico.

Mexico City is the fastest growing market in Latin America, increasing by 32% over the past 12 months with a net gain of 11 centres. The majority of the growth has been in the city's booming Santa Fe business district. Mexico City is also the most competitive market in the region with 9 different providers operating a total of 45 serviced office centres.

The sector in Brazil has grown by 50% over the past 12 months and now has more than 40 centres across 10 different cities.

Much of this growth can be attributed to Regus, who have expanded rapidly in Brazil by opening new centres and acquiring local competitors. As a result, there is now a healthy supply of quality serviced office space throughout the country, but Brazil (in addition to much of South America) is one of the least competitive markets.

The vast majority of serviced offices throughout Latin America are located in new business districts which generally develop outside of the typically congested city centres. While these areas offer modern facilities and infrastructure in a secure environment, their peripheral locations may not always be suitable for companies requiring convenient access to governmental and financial institutions.

CASE STUDY: TEN GROUP



"The set up process for a foreign owned company is always complex, but the process can take up to 6 months in China. When we were looking for an office in Shanghai, using an serviced office gave us a registered address straight away that helped to speed up the process. In addition we knew that the space we were moving to would be equipped to meet all our needs to start working on day one."

When Ten wanted to set up an office in Mexico City, there were a number of challenges to be overcome, not least establishing the validity of the business in this challenging market.

THE SERVICED PROVIDER IN MEXICO CITY DID EVERYTHING THEY POSSIBLY COULD TO ACCOMMODATE THE NEW SATELLITE OFFICE.

Instant were able to introduce Ten to IOS, an serviced officer provider in Mexico, who did everything they possibly could to accommodate the new satellite office. The new office building was not quite completed when Ten needed to move in, so IOS found them an alternative space just down the road, and handled all the logistics of moving to the finished office a few weeks later.

"In emerging markets, Ten Group needs the reassurance of excellent security," states Berry, "both for staff and IT equipment, a robust comms room and the peace of mind that setting up in an serviced office brings. By using this solution we can get our business up and running in a potentially difficult environment, leaving our teams free to focus on their customers."

Ten Group is a corporate lifestyle concierge service that has expanded rapidly since its launch in 1998. Starting in London, Ten expanded to have offices in 10 cities across the globe spanning almost every continent, and is currently looking to open in Sao Paulo in 2013.

Ten's key drivers for growth have been securing significant tenders with global and local market-leading banks, who need local experts on the ground to provide the exceptional service expected from their provider of choice.

With this growth comes the need to find new offices, and serviced offices provide the ideal solution, whether in emerging markets or more established locations. Malcolm Berry, Global Service Director | President (US) at Ten, believes that using serviced offices to set up in a new city or country really helps to smooth the process:

THE LATIN AMERICA MARKET

Market		Centre details				Indicative workstation rate			
Country	Location	Centre count	City centre locations	Business district locations	Grade A centres	Price range	Local currency	Local rate	USD rate
Argentina	Buenos Aires	7				\$\$	USD	695	\$695
Brazil	Belo Horizonte	1				\$\$\$	BRL	1,775	\$875
	Brasilia	2				\$\$\$\$	BRL	2,270	\$1,120
	Curitiba	2				\$	BRL	790	\$390
	Fortaleza	1				\$\$\$\$	BRL	2,540	\$1,245
	Porto Alegre	1				\$\$	BRL	1,245	\$615
	Recife	2				\$\$\$	BRL	1,830	\$900
	Rio de Janeiro	9				\$\$\$\$	BRL	2,945	\$1,480
	Salvador	2				\$\$\$	BRL	1,625	\$800
	Sao Paulo	21				\$\$\$\$	BRL	2,220	\$1,190
	Vitoria	1				\$\$\$	BRL	1,670	\$825
Chile	Santiago	9				\$\$	CLP	305,000	\$630
Colombia	Bogota	7				\$\$	COP	1,163,500	\$650
	Medellin	1				\$	COP	850,250	\$475
Costa Rica	San Jose	6				\$	USD	400	\$400
Ecuador	Guayaquil	1				\$\$	USD	730	\$730
	Quito	1				\$\$	USD	625	\$625
El Salvador	San Salvador	1				\$\$	USD	570	\$570
Guatemala	Guatemala City	7				\$	USD	210	\$210
Mexico	Guadalajara	7				\$	MXN	4,200	\$320
	Mexico City	45				\$\$	MXN	7,200	\$550
	Monterrey	12				\$	MXN	5,450	\$415
	Puebla	2				\$	MXN	4,265	\$325
	Tijuana	2				\$	MXN	5,850	\$450
Panama	Panama City	5				\$\$	USD	645	\$645
Paraguay	Asuncion	1				\$	USD	490	\$490
Peru	Lima	5				\$\$	USD	525	\$525
Uruguay	Montevideo	3				\$\$	USD	515	\$515
Venezuela	Caracas	1				\$\$\$\$	VEF	9,650	\$2,250

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THE ASIAN MARKET

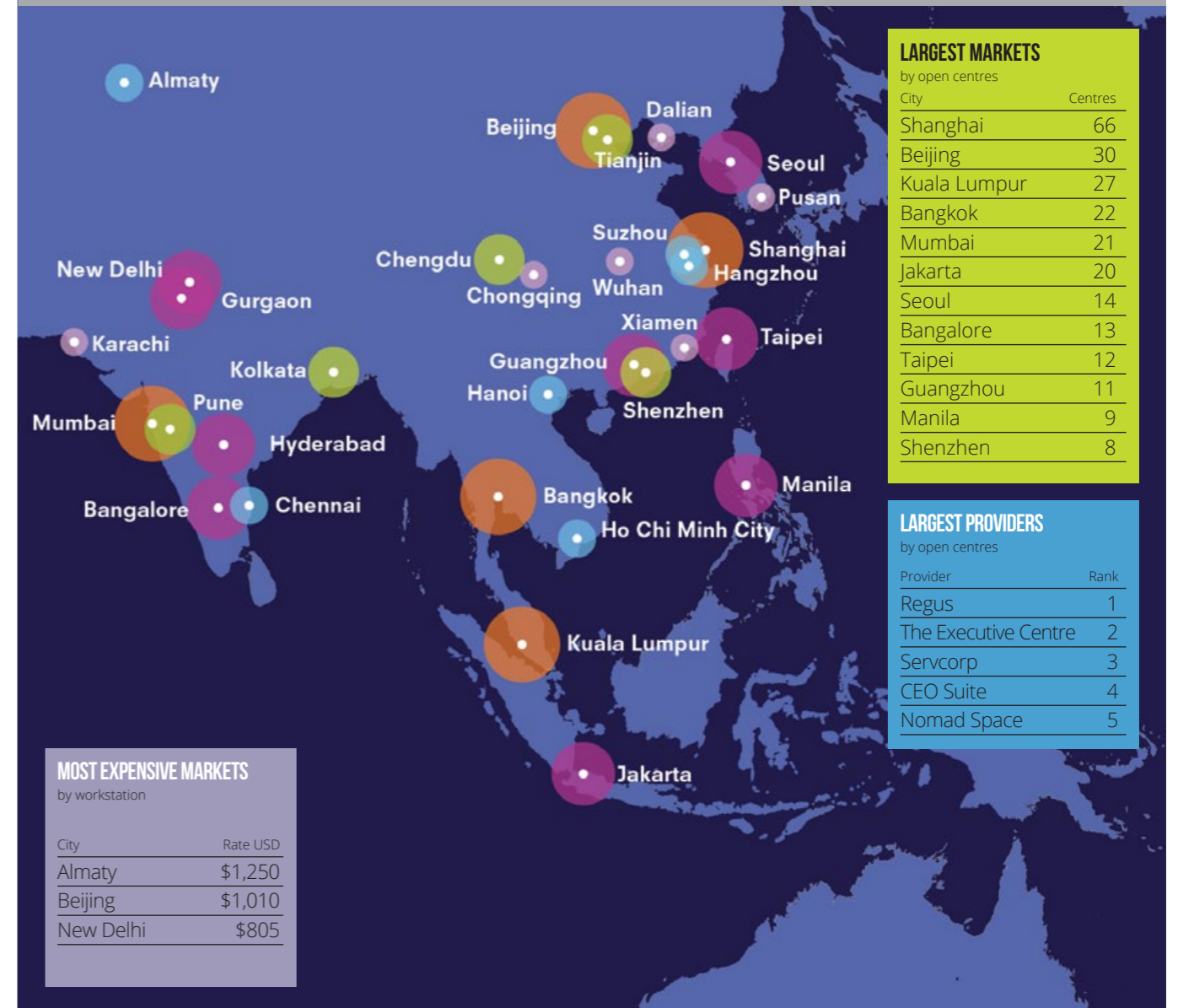
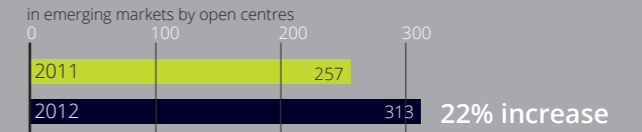


THE ASIAN MARKET

TOTAL WORKSTATION CAPACITY



REGIONAL MARKET GROWTH



The emerging markets of Asia have seen the highest increase of serviced office space with a net increase of 64 centres added over the past 12 months. In general, there is sufficient availability of modern grade A buildings throughout Asia's emerging markets. The availability of quality space has allowed the sector to develop quickly, and the use of serviced offices is becoming a familiar property solution in both primary and second tier markets.

China is the largest serviced market in this region with 136 centres in 12 different cities. The serviced office sector in China has grown by 25% in the past 12 months. In addition to China, the sector has grown by more than 25% over the past 12 months in Indonesia, Philippines, South Korea, Taiwan and Thailand.

Limited supply of grade A office space in Almaty makes it the most expensive in the region for serviced office space at \$1,250 per workstation per month. Beijing is the most expensive developed market at \$1,010 per workstation.

The providers of quality serviced office space in India must struggle to overcome negative perceptions from local users of the overall suitability of this type of office solution. The provision of "office cabins" is a common practice throughout India, and this property solution is generally associated with poor quality, low costs and high density work environments. For the purposes of this report, these centres are not included in the figures, as they fall short of providing a traditional serviced office environment.

FLEXIBLE OFFICES IN CHINA

INSTANT'S HEAD OF RESEARCH, BRANTON MOORE, INTERVIEWED GIGI LIU, COMMUNICATIONS DIRECTOR AT THE EXECUTIVE CENTRE, ONE OF INSTANT'S PROVIDER PARTNERS. HE DISCOVERED HOW DIFFICULT IT CAN BE FOR BUSINESSES TO SET UP IN CHINA, AND HOW WORKING WITH AN ESTABLISHED OFFICE PROVIDER CAN REALLY SPEED THINGS UP.

BRANTON: Which countries do you cover?

GIGI: The Executive Centre operate in 10 countries, including Hong Kong, China, Macau, India, Indonesia, Japan, Korea, Singapore, Taiwan, and Australia.

BRANTON: What specific issues do businesses need to consider when moving to China?

GIGI: Industry Status

In China, certain industries are encouraged while others may face restrictions or even be prohibited altogether. Businesses planning to invest on the mainland should carefully identify what the status of their industry is as the situation may change. Industries which the government is keen to encourage may be entitled to subsidies, tax breaks or even favourable land grants from local authorities.

Company structure

The industry status will also determine the type of company which can be established. Wholly foreign-owned enterprise where an investor has a complete control, two types of Sino-foreign joint venture - equity joint venture and contractual joint venture; a foreign-invested company limited by shares; and foreign-invested partnership are the five types of company as permitted on the mainland.

Local Rules

Local investment rules are not uniform across the country. In the less developed areas as well as central and western regions of China where the government is trying to encourage investment, the regulations may be more favourable to the investors' needs. While another set of rules and regulations govern investment from qualifying Hong Kong

and Macau companies. Accordingly, businesses should look into which region they are planning to invest in.

Registration Period

Setting up a business in China can take anything up to six months, unlike Hong Kong in which establishing a company is straightforward and can be completed within a week or two. Some well-connected officials or consultants may be able to arrange permits quicker, but such speed may result in the violation of some mainland laws and regulations. So, the registration time and procedures involved should be taken into account in the overall business plan.

BRANTON: How does TEC make the decision that a country/city is suitable for setting up a business centre?

GIGI: We conduct continuous monitoring and evaluation of Asia's top 40 economic centres using a defined set of experience-based criteria, and factors including market maturity, economic growth, political stability, and infrastructure to identify the locations for our new centres. We hunt across all markets, all the time. Nowadays the premium landlords seek us out for their new projects, which allow us to nail down excellent expansion locations sometimes 2 years in advance. In recent times, owing to strong client-led demand, a number of newly opened centres attained 45-55% occupancy prior to their official opening.

BRANTON: What do you consider to be the most difficult aspect of setting up offices in Asia?

GIGI: The escalating office rent is the key challenge to setting up offices in Asia. With growing demand from US

and European corporations to increase their presence in Asia, Hong Kong has unseated London as the world's most expensive place to take up office space, while the cost of renting prime office space in China has soared dramatically with average office rents in Shanghai and Beijing reaching CNY300 per sq m per month.

Under the current uncertain economic climate, it is very challenging for corporations and start-ups to forecast their expansion pace in twelve months, let alone three to five years. Accordingly, setting up a business in traditional offices requires huge capital investment and long lease term commitments, restricting companies to adapt quickly and decisively to rapidly changing market conditions. For a company to sustain a competitive advantage, operational efficiency and flexibility are key. When companies intend to set up their offices in a new city or country, it normally takes around 4-5 months to deal with furnishing, designs and decoration, and so on. Serviced offices however, take merely one week to be ready for business, making it much more efficient and cost effective.



THE ASIAN MARKET

Market	Country	Location	Centre details			Indicative workstation rate				
			Centre count	City centre locations	Business district locations	Grade A centres	Price range	Local currency	Local rate	USD rate
China		Beijing	30				\$\$\$\$	CNY	6,400	\$1,010
		Chengdu	7				\$	CNY	3,500	\$550
		Chongqing	1				\$	CNY	2,000	\$315
		Dalian	1				\$	CNY	2,870	\$455
		Guangzhou	11				\$	CNY	4,365	\$690
		Hangzhou	3				\$	CNY	2,350	\$370
		Shanghai	66				\$	CNY	4,530	\$715
		Shenzhen	8				\$	CNY	3,580	\$565
		Suzhou	3				\$	CNY	2,250	\$355
		Tianjin	4				\$	CNY	2,750	\$435
		Wuhan	1				\$	CNY	2,200	\$345
Xiamen	1				\$	CNY	2,250	\$355		
India		Bangalore	13				\$	INR	18,950	\$340
		Chennai	3				\$	INR	26,500	\$475
		Gurgaon	7				\$	INR	27,800	\$500
		Hyderabad	5				\$	INR	19,450	\$350
		Kolkata	5				\$	INR	22,000	\$395
		Mumbai	21				\$\$\$	INR	43,000	\$770
		New Delhi	6				\$\$\$	INR	45,000	\$805
		Pune	3				\$	INR	15,500	\$280
		Jakarta	20				\$	IDR	4,900,000	\$515
Kazakhstan		Almaty	3				\$\$\$\$	USD	1,250	\$1,250
		Kuala Lumpur	27				\$	MYR	1,185	\$380
Pakistan		Karachi	1				\$	PKR	37,800	\$400
Philippines		Manila	9				\$	PHP	13,300	\$315
South Korea		Pusan	1				\$	KRW	530,000	\$465
		Seoul	14				\$\$\$	KRW	880,000	\$775
Taiwan		Taipei	12				\$	TWD	18,450	\$615
Thailand		Bangkok	22				\$	THB	11,475	\$385
Vietnam		Hanoi	2				\$	VND	14,100,000	\$675
		Ho Chi Minh	3				\$	VND	13,000,000	\$625

Category Key

Shaded portion shows the percentage of centres that fall into the category, for example:

- shows 20% of centres are located in the city centre
- shows 60% of centres are in business district locations
- shows 80% of centres are in Grade A buildings

Price range

- \$\$\$\$\$ More than \$1500
- \$\$\$\$ \$1500 - \$1001
- \$\$\$ \$1000 - \$751
- \$\$ \$750 - \$500
- \$ less than \$500

ISSUES TO CONSIDER

MANY CORPORATE REAL ESTATE EXECUTIVES STRUGGLE WITH SETTING UP OFFICES IN EMERGING AND FRONTIER MARKETS. THE DEALS THAT THEY DO MAY BE SMALL BUT TAKE UP A DISPROPORTIONATE AMOUNT OF THEIR TIME. THE POTENTIAL FOR COSTS AND TIMING OVERRUNS, FALSE STARTS AND UNSATISFACTORY OUTCOMES IS FAR GREATER THAN IN MORE MATURE PARTS OF THE WORLD. THE CHALLENGES OF OPENING AN OFFICE IN AN EMERGING MARKET ARE QUITE DIFFERENT FROM THOSE IN PARIS OR TOKYO. WORKING CLOSELY WITH JAMES WHITMEE OF EMERGING MARKETS CONSULTANTS, WE HAVE IDENTIFIED A NUMBER OF AREAS TO CONSIDER:

MARKET ISSUES

- Some of these markets are very buoyant, and it may be necessary to reserve space with a non-refundable deposit while corporate approvals go through.
- In some markets there are very few offices available, even serviced offices, apart from those occupied by government and state-owned companies, making it necessary to take apartment/villa space or hotel accommodation for use as offices.
- It is often extremely difficult to negotiate with landlords, particularly on financial terms. In general landlords don't seem to be as concerned as in other markets if space does not let. This often seems to be because owners do not tend to borrow to own real estate and so are not under bank pressure. In some markets it may be the case that the money used does not come from legitimate sources.
- There are often bogus 'fees' to be paid and other fraudulent practices to negotiate, including forged title issues, or people falsely presenting themselves as owners. Working with a specialist who knows the local customs and practices can save a lot of time and hassle.

INFORMATION ISSUES:

- Markets are not always transparent. In most markets there are no letting boards, no marketing material, and sometimes no advertising of property. Furthermore, there is no communication between agents, who tend to keep quiet about their instructions to prevent other agents from introducing lessees/purchasers and stealing the fee.
- Landlords may not be prepared to provide information unless they are absolutely convinced that a requirement is legitimate. There are instances of people posing as purchasers to get information to commit fraud.
- It may be difficult to obtain photographs from a security point of view, or because a landlord or agent simply won't let you (sometimes for no obvious reason). In some locations photography may require a permit.
- There may be corruption in public office, and ownership of real estate by persons connected with government may present issues in terms of compliance with legislation such as the Foreign Corrupt Practices Act.
- There may be information that would be beneficial in the relocation process, but that is not cost-effective to obtain.

TIMING ISSUES:

- It is often necessary to obtain a visa and there can be delays. Some visas require a letter of invitation from someone in the country, often authorised by a notary or the local police. Some countries do not have embassies in the UK, in which case one has to obtain the visa in another country.
- Some of these markets have their weekends on Thursday/Friday or Friday/Saturday and close down for different national or religious holidays.
- Many capital cities in emerging markets are very big and difficult to get around from a traffic or public transport point of view, for example Luanda in Angola or Bangkok in Thailand.
- There is a big work-style difference in these markets. It is often difficult to get information from someone until you have had several meetings and there is a level of trust. Meetings, whether they happen or not and what happens during them, are all much more casual.

OTHER ISSUES:

- Availability and reliability of utilities may be a major issue and in some markets clients become completely self-sufficient with power generation, water and sewerage treatment and telecoms masts.
- It may be necessary for the tenant to pay extra money to get faster utilities connections, municipality approvals, etc.
- Security issues, including crime, military activity, and terrorism, require additional funds to protect the office and staff.
- Leases may be short-term and rent costs low – transaction/consultancy fees (and the client's opportunity costs) may be very large relative to total lease cost.
- Property rights in some markets may not be secure.

DEFINITIONS AND ACKNOWLEDGEMENTS

SERVICED OFFICE: An office that provides clients with fully furnished and equipped offices in addition to full facility management. They are also commonly known as executive suites, executive centres, business centres and managed offices. The data presented in this report pertains solely to this type of office space.

PROVIDER: The company that owns, operates and manages the serviced office business. Providers may have one or multiple sites in their portfolio of properties in which they provide this workplace solution.

CENTRE: An individual serviced office site within a specific building. Some providers have centres across multiple floors within a building; however, this is only counted as one unique centre.

WORKSTATION: The furniture package that is allocated for each user of serviced office space. As a minimum, this is comprised of a desk, chair, pedestal, and waste basket. Some providers also include additional items such as writing mats, filing trays, desk lamps, and/or bookcases. The number of workstations in an office is usually the same as the office headcount.

AVERAGE WORKSTATION RATE: Total monthly rent for an individual office divided by the number of workstations that the office was designed to accommodate. In some cases, tenants may opt to replace one or more workstations for a meeting table or to create a break-out space within the office. The number of workstations that would

normally be accommodated in the space is used to determine the average workstation rate per office.

FLEXIBLE OFFICE: An umbrella term that encompasses a variety of workspace solutions that can be easily and quickly adapted to fit the occupier's needs for length of term, space layout, growth or contraction of scale and specific use of the space.

CITY CENTRE: This is considered to be the historic or traditional centre of a city and the immediate surrounding area. Typically, this is the area where most civic and administrative offices are concentrated. Depending on the city, the primary business district may or may not be located in the city centre.

BUSINESS DISTRICT: This is any area of a city that has a high concentration of businesses and supporting infrastructure. Includes both primary CBD and other secondary business districts. A city may have multiple business districts, and depending on the city, they may or may not be located in the traditional city centre.

GRADE A CENTRE: A high quality serviced office environment that complies with the standards of most large international corporations. These are usually located in Grade A buildings, provide sophisticated IT systems, imported high quality office furnishings, and a full range of administrative and support services available to tenants.

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THE EXECUTIVE CENTRE - a leading provider of virtual and serviced offices in the Asia-Pacific region.

LANDMARK AFRICA - a provider of short, medium and long term real estate solutions across Africa.

EXEC OFFICES BUILT TO SUIT - providing full turn-key office solutions in Brazil.

TEN GROUP - an international corporate lifestyle concierge service.

Instant

Instant is the global specialist in flexible offices, with one mission: to fulfil our clients' need for the perfect workspace. We make sense of the huge range of solutions available, from a pay-as-you-go desk to a serviced office through to a fully managed workspace. We make the space work for the occupier, tailoring it to fit each business precisely. Our teams around the world offer specialist, local advice to help businesses move wherever they need to.

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Note: The figures in this report were collated using Instant's proprietary data combined with data supplied by our partners for centre numbers and quoted workstation rates. © Copyright Instant Offices Limited 2012. The information contained in this report is for general information purposes only. The information is provided by Instant and while we endeavour to provide accurate information, we make no representations or warranties of any kind, whether express or implied by statute, common law or otherwise, about the completeness, accuracy, reliability, suitability for any purpose or availability with respect to the information or related graphics contained in the report. Any reliance you place on such information is therefore strictly at your own risk.

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