



SA businesses hop onto global furniture leasing trend as office spaces get smaller & cash becomes tighter

- Published on June 14, 2016

Richard Andrews

Director at Inspiration Office (Pty) Ltd

** Leasing growing faster than sales in many G7 countries*

** In US value of furniture leased tops \$1.5bn*

** Consistent with global trends of owning less*

** Trend growing in SA as cash flow response to sluggish economy*

South African companies are following the global trend of leasing office furniture rather than buying it in an effort to be more capital efficient, improve cash flows in a move consistent with the 'rent don't buy' economy.

Richard Andrews, Managing Director of Inspiration Office, an Africa-wide office space and furniture consultancy with head offices in Johannesburg, said that since Inspiration Office pioneered furniture leasing in South Africa in 2013 through its financing arm, the company has seen a 30% spike in South African business leasing rather than owning office furniture.

“We expect this trend to continue as the economy remains sluggish. It’s very efficient to pay a small monthly amount for a few years rather than have a large cash outflow for furniture that is often quickly out of date. ”

“Furniture leasing is an operating expense rather than a capital expense thereby improving cash flow. For example a chair worth R4 000 can be leased for around R3 a day for a 5 year period.”

Andrews notes that in the US, often a leading indicator of international offices trends, office furniture leasing has now superseded sales over the past three years and is growing at a rate of nearly 20% a year. And the total value of the furniture leased in the US in the past 20 years has now topped \$1.5bn.

“We’ve noticed a similar trend in Europe as well as small but growing demand for leasing in other African countries too.”

Andrews also said that office spaces are getting smaller and more efficient as business embrace the mobile working trend and workers share space by ‘hot desking.’ “Because employees are now working remotely - or on gadgets like the iPads and very small laptops, offices need smaller furniture. And leasing it enables business to be nimble about downscaling large, bulky furniture, freeing up office space and saving money.

“Ironically desks in many companies haven't changed in size for the past 30 years since the days of deep monitor computer screens and paper file storage. We have smart cars, smart devices but offices in the main have remained ‘stupid’.”

Andrews added that the shift towards leasing furniture over buying, is consistent with societal trends of renting rather than owning.

“People lease their cars, or in some instances have gotten rid of their cars altogether to only use Uber. Some people rent their homes, companies ‘rent’ people by using freelancers or hire people for short term projects. The trend towards renting over owning is one that can be seen everywhere.”

Furniture lease periods in South Africa are typically for 3, 4 or 5 years. At the end of the term, businesses can buy the furniture, lease new furniture, or opt to have it recycled ensuring green disposal of unwanted desks, chairs and storage units - the most popular items leased.

Andrews concluded that many of South African’s top companies have taken to leasing and he expects the trend to continue.