

Co-working builds office of the future

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Co-working spaces, initially seen as purely a fad, have proven themselves to be a worthwhile strategy to boost productivity and attract the best talent through meaningful office designs and unique working experiences.



Co-working spaces prove themselves a successful concept in Vietnam

In a market in which over 90 per cent of enterprises are small- to medium-sized, and where more than 30 per cent of the population is young (under 34 years old), the co-working space is revealing itself to be good business.

Hoang Cong, an officer from an IT startup company, regularly comes to Toong at the Oxygen in the Vista building, in Ho Chi Minh City's District 2.

"For younger workers like us, the concept of a co-working space is very suitable. It gives us a very dynamic and flexible working environment, which we both need and highly appreciate," Cong told VIR.

For startup companies like Cong's, these kinds of working spaces are particularly useful. They are often in the process of starting a business and need a place that can offer them affordable rental space with convenient facilities. Co-working spaces also give Cong and his colleagues an environment to exchange ideas and find new partners and investors.

For freelancer photographer Nguyen Manh Thang, co-working is an ideal space to find new ideas and innovations. "Working in a convenient atmosphere full of trees and fresh air allows me to feel very relaxed, that's why I have mostly moved my office from home to co-working spaces like these," Thang said.

Apart from working, Thang and his associates can entertain themselves with a variety of relaxing services in co-working spaces, such as the cafeteria, games equipment, or even comfort rooms to have a short nap after lunch.

Moreover, Thang can do extensive networking or meet potential customers in those places.

Attractive to foreign investors

Co-working space operators have expanded rapidly in the two cities of Hanoi and Ho Chi Minh City and have attracted many foreign investors.

CapitaLand, Keppel Land, and Indochina Capital were some of the very first foreign investors to put money into co-working spaces in Vietnam.

Indochina Capital's first co-working space chain, Toong, officially launched its largest facility, Toong Minh Khai, last week in the downtown of Ho Chi Minh City.

According to Indochina Capital CEO Peter Ryder, the firm is always looking for excellent focused investment opportunities in Vietnam.

"We at Indochina have known about co-working spaces for a long time. In the US for example, the value of the market for co-working was around \$20 billion in 2010, which demonstrates the value of this segment," Ryder told VIR.

In the US, Ryder said, 25-30 per cent of office spaces are currently used for co-working.

"The potential of co-working in Vietnam is enormous and we truly believe in this concept for Vietnam, because it is more than just a trend for young people and dynamic millennials," Ryder added.

“This concept is not just for working, but it is a way of the future, it is co-living, co-dreaming, and giving people energy by putting them in a real community,” he added.

Ryder told VIR that Toong co-working spaces will reach 60,000 square metres in Vietnam, Cambodia, and Laos by the end of next year, from the current total of 10,000sq.m.

“This is evidenced by a growing number of companies that utilise co-working models to encourage dynamic ideas and cutting-edge technology in collaboration with other firms,” Ryder added.

Meanwhile Duong Do, founder and CEO of Toong, said that the company is in the business of nurturing talent and cultivating characters, so as to find ways to best serve others and make society better.

“The opening of Toong Minh Khai allows this vision of our organisation to materialise in reality,” Duong said.

Duong added that innovative change dominates the global real estate industry, not just Vietnam’s.

The newest facility marks the evolution of Toong’s own product offerings since 2015, going beyond a network of high-quality, inspirational physical workspace.

Toong is now operating a total of five locations in Vietnam while the company is developing four other large-scale locations in four cities in the three countries of Vietnam, Cambodia, and Laos at the same time.

Toong received strategic investment from Openasia and Indochina Capital, and it is a strategic partner to prestigious brands and organisations including CapitaLand, United Overseas Bank, International Enterprise Singapore, and Vanguard Hotels. The firm aims to build an effective entrepreneurial platform for individuals and enterprises across Southeast Asia.

Other investors are upbeat about the prospects for co-working spaces in Vietnam, including Hong Kong-based Gaw Capital’s investment in Naked Hub and Keppel Land with Kloud in the Saigon Centre complex.

Kloud is the third co-working space project of Keppel Land, after the Kloud at Keppel Bay Tower in Singapore and Kloud Junction City Tower in Myanmar. Kloud is offering private office suites, with a host desk and membership services.

What is the potential?

Co-working space operators have expanded rapidly in the two cities of Hanoi and Ho Chi Minh City since the concept was first introduced to Vietnam in 2012, and started to gain traction in 2015 with the launch of local operators Toong and Dreamplex.

As of the beginning of 2018, there are a total of 18 co-working space operators in 23 venues.

A study by CBRE Vietnam found that 91 per cent of co-working space members are millennials under the age of 35. This proportion is higher than the global average of 67 per cent and reflects Vietnam’s youthful demographics.

The growth of the co-working space has been driven by the startup boom. However, as shared and flexible working environments become more popular, co-working spaces are also emerging as a viable option for corporate occupiers.

The cost of renting co-working spaces varies across different cities. Co-working spaces in Hanoi and Ho Chi Minh City are currently priced lower than in most other cities in the Asia Pacific region, which reflects the cheaper office rental costs available in Vietnam.

Events, networking, and community atmosphere are the backbones of co-working spaces and are the key characteristics that differentiate them from other workplace models, such as serviced offices and traditional offices.

Co-working spaces provide flexibility, creativity, and a wide range of amenities for tenants. It also offers a far more cost-effective solution for tenants compared to traditional leased office spaces.

The co-working service industry is primed for further rapid growth in Vietnam in the next few years amid strong expansion by both local and international operators, with demand to be driven by local startups and freelancers, international startups and freelancers, and increasingly by small corporations.

The presence of larger operators will likely usher in a period of consolidation and merger and acquisition activity within the industry, forcing poorly-managed or unsuitable co-working spaces out of the market and improving the quality of existing operators.

According to Jeremy Sheldon, managing director for markets and integrated portfolio services at JLL Asia Pacific, this shift is beginning to transform the office space. “The workspace of the future is one that can meet employee needs, while driving effectiveness and engagement levels,” he said.

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