



MOHD IZWAN MOHD NAZAM/THE EDGE



Common Ground enters co-working game, and why developers are watching this closely

Common Ground co-founders Teo (left) and Erman Akinci plan to expand in Malaysia and Southeast Asia very quickly

BY CHUA SUE-ANN

Co-working spaces are nothing new but Common Ground, Malaysia's newest entrant to this business, is shaping up to be a game changer for tenants and landlords alike.

Common Ground launched its first location on March 1, occupying the prized double-storey penthouse on the 16th floor of Wisma UOA Damansara II, with sweeping views of KL Tower and KLCC.

The space's design deliberately stays far away from the now-exhausted trend of colourful beanbags and exposed-brick walls. Instead, Common Ground goes for a sleeker, more relaxed atmosphere that balances privacy and collaboration.

"Everyone thinks co-working is a giant room with bean bags and people jumping around on pogo sticks, holding hands, singing Kumbaya, right?" Common Ground co-founder Juhn Teo says with a laugh.

"That's just a very small part of it. You need the community for the vibrancy and the energy. But at the end of the day, it is still a work space. You still need to concentrate,

do work and make money.

"I think that is the secret sauce that people have to find in co-working. You need both elements: community and privacy."

The key thing that sets Common Ground apart from other players — like The Co, Worq and the many other operators in town — is its size and ambition.

At 17,000 sq ft, Common Ground is likely the largest co-working space in the country. It houses a café, event space, board room, several meeting rooms and three formats of workspace — hot desking, fixed desking and private offices for two or more people.

This space can fit almost 300 people — and size really matters.

"The potential for collaboration (among members) is a very attractive proposition for people to work here and for them to stay," says Teo.

The team studied different co-working models and learnt that the spaces that have not worked were mostly limited by their size. Simply put, a small space means a small community.

Conversely, a larger space makes for a bigger, more diverse community that can benefit from synergies

and networking while they carry on their day-to-day business.

"If you are not building that community, then what are you? You are a commodity. You are just a desk and internet connection, which can be found at cafés, at home or renting out a shop lot somewhere."

In its first week, Common Ground has already secured leases for 35% of its space, beating its own internal projections, he adds.

Tech startups will be a big part of Common Ground's base but diversity amongst tenants, or members as they are called, is crucial.

"We need to be a hub for all kinds of industries because that gives a lot of benefits to our members. If you were there just surrounded by tech companies, how much added benefit is there?" Teo says.

Common Ground isn't just in the business of renting out a desk. It is intent on building community by rolling out at least 20 events a month, large and small.

Why are property developers interested?

Property consultants say that many office building owners have been looking at the co-working model,



KEY FACTS

- Common Ground's co-founders include Juhn Teo, who was formerly CEO of Tower Real Estate Investment Trust and Guocoland's head of property investment; and Erman Akinci, Catcha Group's former business development director
- Common Ground has raised an undisclosed seed round of investment from the likes of Catcha Group, Masteron Group, Cisco, Sisma Auto and SKS Hospitality
- Apart from a workspace, Common Ground members also get free access to services by partners including

Fitness First gym memberships and tax advice and financial health checks by Baker Tilly

- Common Ground tenants currently include Entrepreneurs' Organization, a management consultancy, an IT firm, London Speaker Bureau, a food and beverage company, an asset manager and a few startups

- Several regional venture capital funds are opening their first Kuala Lumpur office there, including Jungle Ventures, IMJ Investment Partners, KK Fund, East Ventures and Susquehanna

especially given Malaysia's massive overhang in office space as well as changing workspace preferences towards more flexible arrangements.

In Kuala Lumpur alone, there was some 90.76 million sq ft of purpose-built

office space as at 3Q2016 with occupancy rates of about 79.7%, according to a recent Rahim & Co report.

"A lot of landlords know that co-working is increasingly popular but they are so used to the old mod-



el of renting out large amounts of space to one tenant for three or more years," says a Kuala Lumpur-based property consultant.

"If you think about it, co-working is the complete opposite of that. Many small tenants rent a small portion for whatever duration of time on very flexible terms. Building owners and managers are not yet ready to operate this own their own so they need to partner up," he adds.

Some property developers in Singapore have already entered the co-working business by directly investing in operators or forming partnerships with them.

In January, City Developments Ltd paid S\$14.8 million for a 24% stake in China-based Distrii, which will lease over 60,000 sq ft of space at CDL's Republic Plaza Tower 1.

CapitaLand Ltd, meanwhile, has partnered Singapore co-working space operator Collective Works for a 22,000 sq ft space on Capital Tower's 12th floor.

A Cushman and Wakefield report on co-working in Singapore notes that landlords can use co-working as a hedge. "Rather than engaging in an intense price war on rental incentives and subsidies, the co-working concept might just be the blue ocean strategy for landlords to gain a competitive advantage as it could help attract and retain quality tenants," says the report.

This is where the likes of Common Ground stroll in.

Teo points out that the more progressive landlords recognise that co-working spaces can help diversify their offerings and bring in tenants they normally would not have worked with.

"It won't solve everything but this is one way of trying to minimise the damage of having a glut in the market," he says.

Common Ground's first location is in partnership with building owner UOA Development Bhd. Apart from offering the space, UOA has also shared part of the fit out cost and will enjoy profit-sharing, Teo says.

"They believe in the model. They have been looking for a long time to get into the co-working scene and they just haven't found the right partner till we went to pitch to them. They'll back us for one and see how we go," he adds.

Common Ground spent just under RM3 million to fit out the space and needs an occupancy rate of around 40% to break even.

Teo reveals that at least two other building owners in the Klang Valley have offered office space to Common Ground but it wants to concentrate on getting its first space up and running before embarking on expansion.

It certainly has ambitious expansion plans for the region. Its website lists several future locations in Malaysia, including Taman Tun Dr Ismail, Ampang and Subang in the Klang Valley as well as in Penang and Johor. Regionally, Common Ground is looking at opening in Indonesia, the Philippines, Thailand and Vietnam.

In many ways, Common Ground is positioning itself to be the WeWork of Southeast Asia, modelled after the incredibly successful US-headquartered co-working company that has 155 office locations in 37 cities around the world. WeWork is valued at US\$16 billion.

Teo notes that Common Ground's regional roll out could come as early as next year. "We need to get this one off the ground as proof of concept and then we can raise financing for the next round. It's going to be very quick," he says.



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