

A black and white photograph of a modern, open-plan office space. The room features large windows on the right side, providing natural light. The ceiling is high with exposed ductwork and several pendant lights hanging down. In the foreground and middle ground, there are long wooden tables with metal frames, and people are seated at them, working on laptops. The overall atmosphere is professional and collaborative.

Ho Chi Minh City

Flexible Office Space 2024

July 2024



- The pandemic accelerated the shift towards flexible working spaces as an alternative workplace model
- With more companies adopting hybrid/open office layouts, HCMC's innovative office solutions are in high demand
- Flexible offices are popular due to their prime locations and vibrant business communities
- Factors driving this demand: Economic growth, the rise of startups, and a robust presence of small and medium enterprises (SMEs), all contribute to the appeal of flexible office spaces

This report provides an overview of current market dynamics, trends, and future prospects, giving insights to those looking to take advantage of the opportunities in HCMC's flexible office market.

As of H1/ 2024, there are over 160 flexible office centers in HCMC. These spaces operate either through serviced office companies that manage them in exchange for rent or profit share or through in-house providers.

Traditional serviced offices provide private, enclosed office spaces with a structured layout and comprehensive services, such as reception and mail handling, creating a more formal and professional environment. These offices often require commitments of several months to a year and offer limited customization, and provide minimal interaction between tenants with few networking events.

In contrast, coworking spaces feature open-plan layouts with shared desks and communal areas, emphasizing flexibility with short-term memberships and fostering a sense of community. They offer basic services and shared resources, regularly hosting events and workshops to promote networking and collaboration.

The choice between the two depends on the need for privacy, flexibility, and community engagement. There are some examples of both models being integrated in one center exist but this is usually when such centers occupy multiple floors.

While coworking setups are increasingly popular among startups, serviced offices, which emphasize privacy and security over collaboration, remain a more popular option for well-known corporates. These offices cater significantly to representative offices or small offices with a few staff. Large companies, which are the primary clients of Grade A office buildings, tend to prioritize privacy and the prestigious address associated with these buildings supported by their higher office leasing budgets.

No.	Type of flexible office	Characteristics	Rent terms	Examples
1	Serviced Office	- Private Office - Limited Customization - Shared Facilities and Services	Monthly/ Yearly	
2	Managed Suite	- Dedicated suite - Allow Branding and Customization	Monthly/ Yearly	
3	Hot Desk/ Dedicated Desk	- Shared facilities - Open/closed plan depending on needs	Daily/ Monthly	
4	Virtual Office	- On demand - Variable capacities and purposes	Hourly/ Daily	
5	Co-working Space	- For more informal use - Most flexible	From Hourly	

Emerging Trends

The rise of remote work has increased the demand for flexible workspaces that support hybrid models, allowing employees to alternate between home and office. Flexible working spaces are fostering community through social events and networking opportunities. Niche flexible working spaces tailored to specific professions such as information technology (IT), high-tech, professional, and consultancy startups, are emerging, to meet their unique needs.

For example, suites tailored for lawyers, legal professionals, and consultancy firms would include private meeting rooms, video conferencing facilities. For IT companies, working overtime is common, especially when approaching deadlines. Therefore, some all-inclusive office spaces offer the option for tenants to work 24/7 without worrying about additional costs for after-hours use (except air conditioning).



Innovations in Workspace Design and Amenities

Modern flexible offices feature modular furniture and movable walls for quick reconfiguration, supporting various work modes. Design trends prioritize employee well-being with ergonomic furniture, natural light, and amenities such as gyms and meditation rooms. Eco-friendly practices, such as sustainable building materials and energy-efficient systems, are becoming standard.



Technological Advancements

Smart technologies are revolutionizing flexible working spaces, including keyless entry, occupancy sensors, and air quality monitors, enhancing convenience and efficiency.

High-speed internet and advanced tech infrastructure support virtual meetings and remote collaboration. Self-service apps for booking spaces and managing memberships streamline operations and enhance the user experience.



Comfort and Flexibility

Open spaces with easily disassembled furniture support the dynamic nature of modern work environments. Hot-desking and shared work areas provide flexibility for businesses to scale space usage. "Third places," which are typically public gathering spots like coffee shops and lounges within the work place, offer alternative environments blending work and leisure.



Greener Working Spaces

Green offices are becoming a trend and will continue to be so. Consequently, greenery or green elements are increasingly demanded by clients, sometimes even becoming mandatory. Both traditional offices and flexible office spaces will need to incorporate more plants and green features to meet these expectations. Moreover, serviced office, especially in Grade A buildings also gradually implement solutions to improve water efficiency and reduce the amount of CO2 emissions. These solutions can come from architectural designs, from building materials/facilities, or from using renewable energy sources such as solar power.

Focus on Well-being

Nowadays, the openness and interaction, both in terms of space and relationships, between individuals or companies are increasingly valued in the workplace. Even traditional office models are creating more interactive or relaxing spaces for employees, especially for Gen Z. Flexible offices are incorporating features that support mental health, such as private relaxation areas, quiet zones, and policies that encourage work-life balance. These features are crucial for reducing stress and fostering a positive work environment.



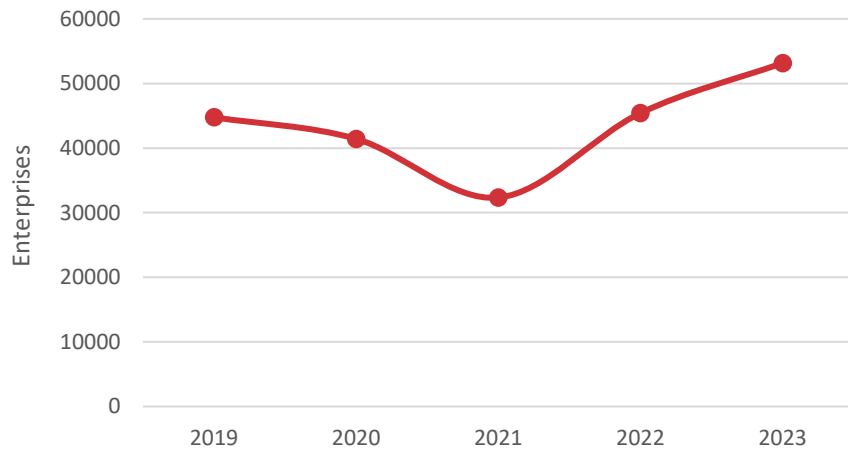
There is a growing emphasis on designing inclusive workspaces that cater to diverse needs, including accessible facilities for disabled people, shower rooms, quiet rooms, gyms, private rooms for mothers with young children, and a variety of work settings to accommodate different working styles and preferences.

Demand Overview

The main tenants and users of flexible working spaces can be divided into two groups: established corporations and start-ups. Established corporations typically prefer more private working environments for their teams due to privacy concerns. Start-ups prefer spaces with networking opportunities, expanding their connections and increasing employment prospects. They often favor open coworking spaces. By the end of 2023, HCMC saw the establishment of over 53,000 new businesses, contributing approximately one-third of the new enterprises nationwide during the year. This marked the first year that newly established companies in the city exceeded 50,000.

In H1 2024, the number of newly established businesses reached 12,433, with newly registered capital of approximately 106,127 billion VND, representing a 12% increase in the number of businesses and an 8.5% increase in registered capital compared to the same period last year.

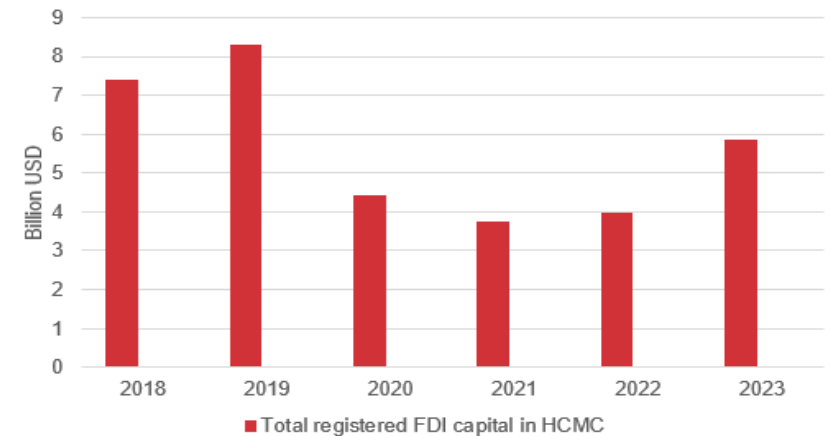
Figure 1 Number of newly established enterprises in HCMC during 2019-2023 period



Source: General Statistics Office

In 2023, HCMC attracted substantial foreign direct investment (FDI), with registered capital for foreign projects reaching USD 5.8 billion in 2023, the highest in the country. Foreign companies entering the Vietnamese market often require suitable spaces for small or representative offices, typically for teams of fewer than five people. This leads to a demand for small, flexible office spaces. As these companies expand, they might then consider transitioning to traditional offices.

Figure 2 FDI to HCMC from 2018 to 2023



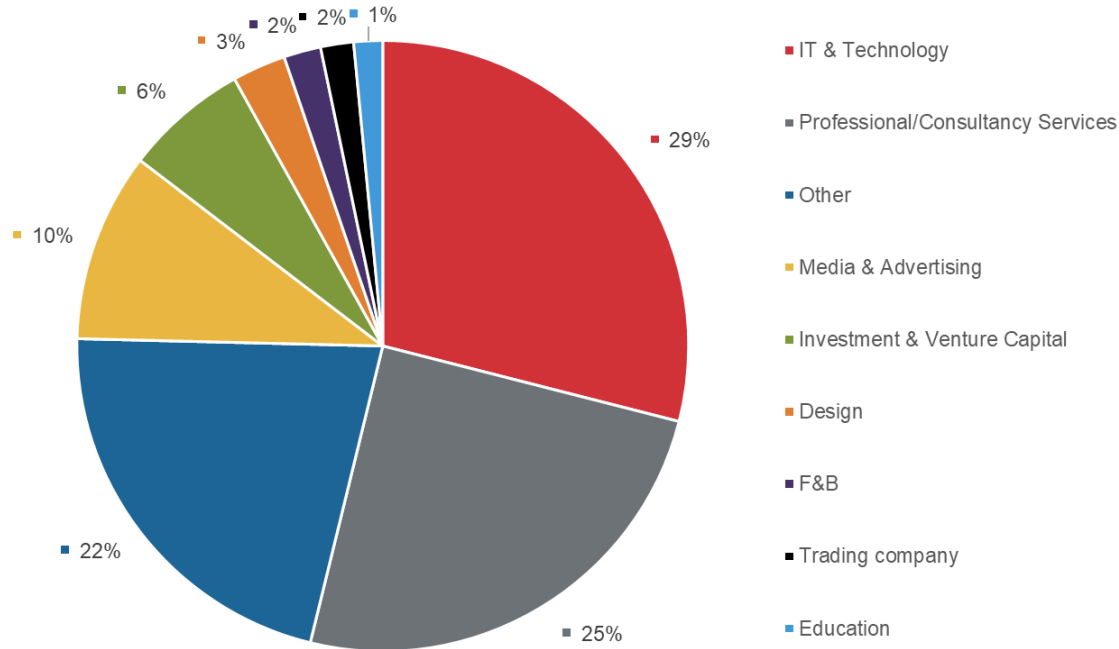
Source: HCMC Department of Planning and Investment



Tenant Analysis

During and after COVID-19, the demand for flexible working spaces in HCMC has significantly increased. Flexible spaces attract a variety of users, notably from financial services, professional services, and technology and IT companies. The range of users is diverse, with the “Other” category accounting for nearly one-quarter of the pie chart below.

Figure 3 Tenant distribution in flexible office space, HCMC (Q1 2024)



Source: NAI Vietnam

The growing demand for adaptable office solutions has made flexible office spaces increasingly popular due to their flexibility, community, and resources. Modern office designs with open-plan layouts and communal spaces are essential, supporting various work styles and fostering collaboration and innovation.

Overall, demand for flexible workspaces in HCMC is expected to keep rising, driven by economic recovery, foreign investments, and evolving business needs. The premium segment of flexible office space faces some challenges to find new clients, although client retention is less of an issue. Conversely, the mid-tier and more flexible pricing segments appear to be gaining a competitive advantage due to supply.

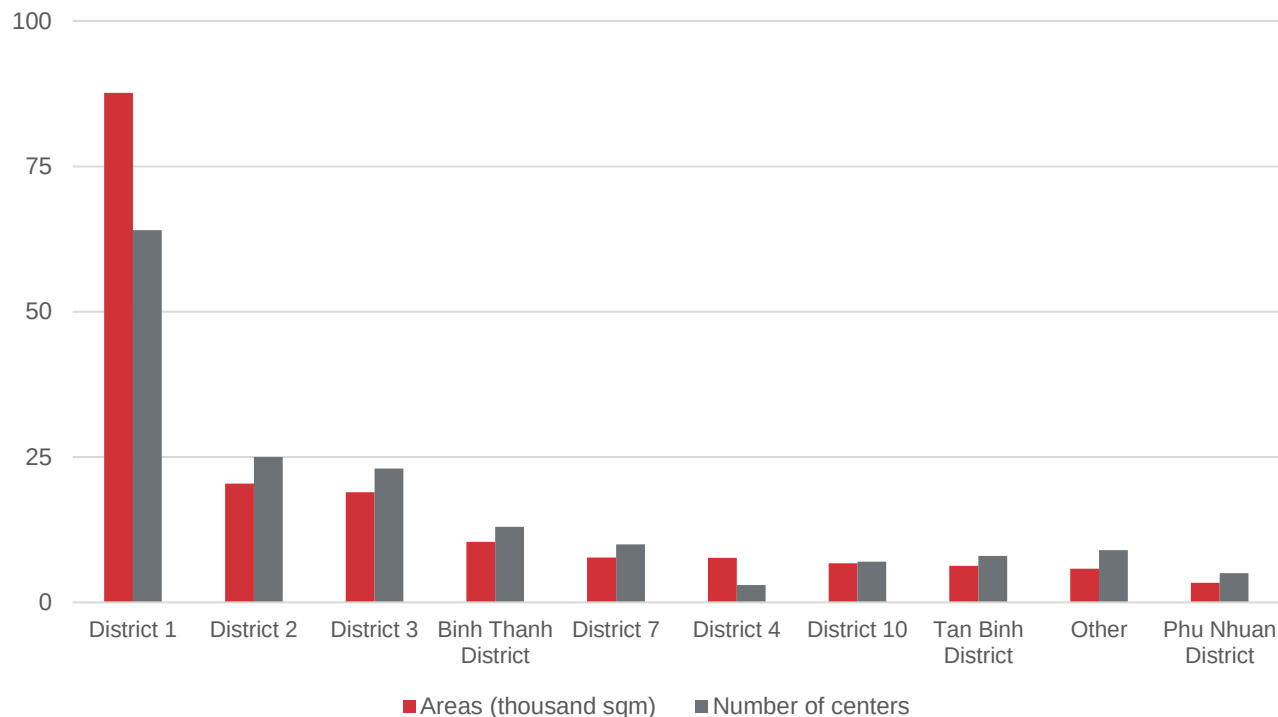


Supply by Districts

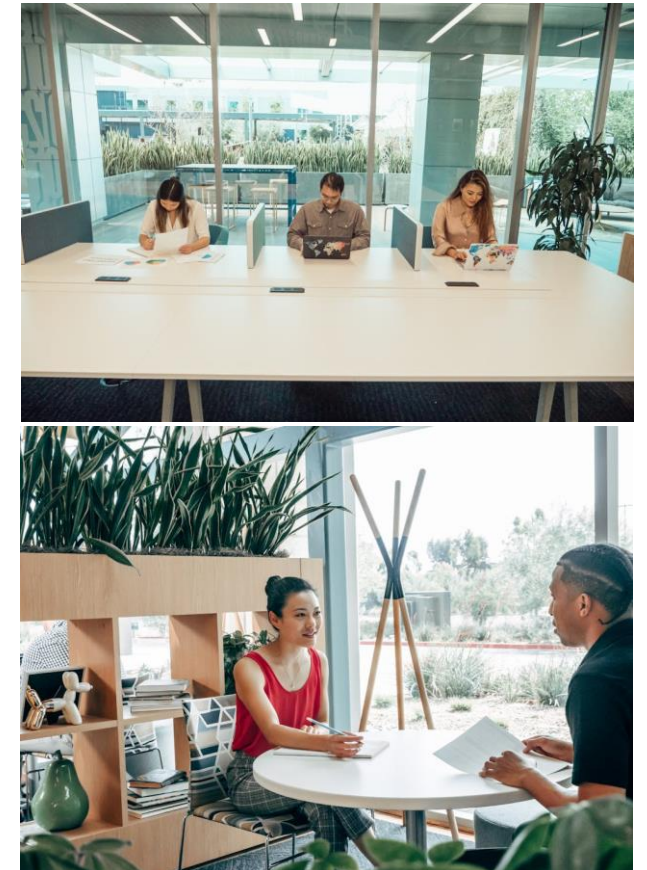
As of the first quarter of 2024, HCMC has about 175,000 sqm of flexible working space. District 1 alone making up about half of the total supply, reflecting its central location and high demand for premium office space. Districts 2 and 3 follow, with District 2 having more space but fewer centers compared to District 3. Binh Thanh District also stands out with a considerable amount of space and several centers. This is partly due to its proximity to the CBD.

Other districts such as Districts 7, 4, 10, and Tan Binh have lower supply, typically with more centers relative to their total area, meaning smaller centers. The "Other" category represents various districts with minor contributions to the overall supply. Overall, while District 1 remains the leader due to its prime location, neighboring districts show potential for future growth in the flexible workspace market. It is worth noting that flexible working space in Grade A and B buildings in HCMC make up only 4.7% of the flexible office market.

Figure 4: Supply of flexible working space by districts, by areas and number of buildings/centers (H1/2024)



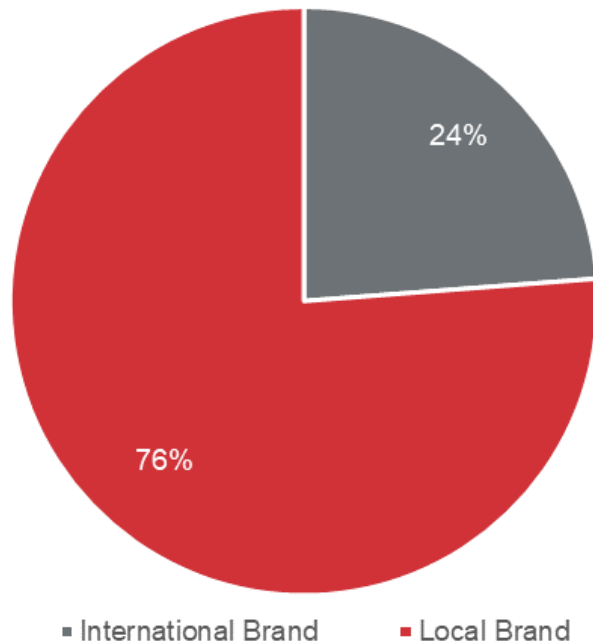
Source: NAI Vietnam



Provider Overview

As the flexible workspace market continues to grow sustainably, numerous providers have quickly emerged and expanded within this sector. **As of H1 2024, there are a total of 77 brands that provide flexible office space in HCMC.** This indicates a diverse market with both local and international brands offering flexible workspace solutions in HCMC.

Figure 5 Proportion of flexible office space by brand origin in HCMC (H1/2024)



Source: NAI Vietnam

Currently, local brands dominate the flexible office space market of HCMC, occupying 76% of the total space. This significant majority indicates a strong presence and preference for local brands in the city. On the other hand, international brands represent nearly a quarter of the flexible office space.

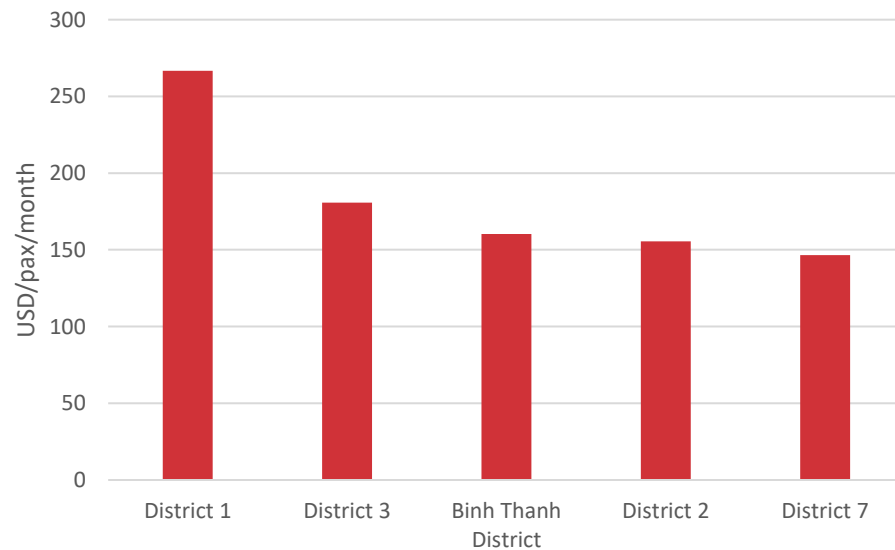
The dominance of local brands suggests they are more competitive or preferred, likely due to the more competitive price and the fact that local brands primarily target companies with mid or low budgets, usually SMEs or startups. The mix of well-known international brands (such as WeWork, The Executive Center, and Regus) alongside prominent local brands (including CirCO, UPGen, Toong, Dreamplex and W Business Center) highlights the competitive nature of the flexible workings space market in the city.



Rental rates

In terms of flexible office rental rates, in H1/2024, District 1 stands out with the highest average rent price, approximately USD 265 per pax per month, indicating its central and highly desirable location for businesses. District 3 follows with a rent price of about USD 180 per person per month. Next, District 2 and Binh Thanh District show comparable rent prices at around USD 160 and USD 155 respectively, suggesting similar levels of desirability and business activity. The lowest rent price is found in District 7, nearly USD 150 per person per month, which could be due to factors such as location, amenities, or demand.

Figure 6 Serviced office average rent price in key districts (H1/2024)



Source: NAI Vietnam

Note: All prices are VAT excluded

Future Outlook

HCMC offers numerous opportunities for flexible office spaces due to rapid economic development, an attractive business environment, and the rise of **SMEs and startups**. Post-COVID-19, even large companies are adopting flexible work structures. Modern employees seek creative, comfortable environments, increasing demand for flexible office with advanced technology and flexible leases. Flexible offices are cost-effective and quick to set up, making them appealing to startups and adaptable companies, or companies entering Vietnam. Projections for 2024-2025 suggest continued growth in this sector, thanks to Vietnam's stable economy, young workforce, and foreign investment. The limited supply of traditional office space in prime locations further enhances the appeal of flexible alternatives.

Flexible working spaces are gaining popularity but still have a smaller market share compared to traditional offices, presenting potential for foreign providers to expand. This model, emphasizing mobility, community, and well-being, is expected to grow post-pandemic. Notably, greener workplaces are trending, so future flexible offices might need green certifications or elements to attract and meet client demands.

