

Club Offers Office Space Solution

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A co-work space is an attractive alternative to negotiating in hotel lobbies.

Alexander Kochergin's search for a small office in Moscow kept leading to dead ends: unappealing facades, ancient carpets, prison-like corridors, suspicious landlords and high prices. At one point, he got an offer to move the company's six workers into a large office next to another small company and put up a divider between them.

"This is probably a problem for any small or medium-sized business, especially a business that has just started. Office spaces in Moscow are designed for medium to large-sized businesses. There is not a lot of our format out there," said Kochergin, who serves as chairman on the board of Direct Capital Solutions consulting group.

Kochergin finally found what he was looking for in Cabinet Lounge, Moscow's first private members business club located in the center of the city.

The club serves as a flexible business space where members have access to meeting rooms, offices, working areas, a conference hall, restaurant and bar. The club also offers small office

spaces on the top floors and hosts one to two business events each month.

An unlimited club membership, which costs \$1,100 per month for an annual subscription, gives members access to all of Cabinet Lounge's facilities. Cheaper memberships require separate payment for meeting rooms and office services.

Typical clients at Cabinet Lounge include business owners, executives, expats and those who visit Moscow regularly but have their main office in a different location, the club's co-founder Andrei Braginsky said. The club is advertised through internal networks and applicants are carefully screened.

Similar private member business clubs have already appeared in London, New York and Los Angeles, among other locations. Many were established after the economic crisis as businesses sought ways to reduce spending on accommodations.

Cabinet Lounge is the first office space in Moscow that operates through club memberships, but it is not the only co-working option available. Trendy factories Flacon and Red October also offer spaces in co-work environments. The international company Regus, which rents out temporary office spaces, has locations in Moscow and St. Petersburg.

"Without a doubt, these places are fashionable and in demand, in the premium as well as the economy formats," said Denis Vasilyev, a consultant at Cushman & Wakefield. "Business people who frequently use lobbies in hotels for meetings and negotiations will prefer the seclusion and functionality of a club office."

Kochergin rents a small office on the sixth floor of Cabinet Lounge and holds a membership to the club, which he visits daily. It was particularly important to him that he could meet his clients in a professional, central setting, he said.

"Image is very important. We can't meet people in apartments. We can't hold all our meetings in restaurants. We can't hold all discussions in meeting rooms that you rent for an hour in big business centers," Kochergin said.

Despite the enthusiasm, memberships for Cabinet Lounge are selling slowly. There are currently 60 members in the club. Braginsky said they expected more people to sign up by this point to help them reach their maximum target of 300 members.

One of the barriers is that Russians find it hard to understand the new office format, said Anna Karabash, the club's public relations manager.

But a bigger obstacle may be the price of the membership, which is high even in comparison to similar clubs around the world. Annual memberships at the most expensive business clubs in New York average \$1,000.

But Cabinet Lounge representatives don't see their higher price as a hindrance. Braginsky said that the other clubs charge extra for services, but at Cabinet Lounge even the coffee and tea are free.

"Theoretically, things that are more expensive sell better in Moscow than cheaper things," Karabash said. "We have a premium target audience and for them, maybe prices can even be

too low."

Other businessmen may simply opt for a traditional office. Vasilyev said that small office space may also not be so hard to find if the renter's requirements are not too strict.

"One can find anything in Moscow. A small office space is not an exception," Vasilyev said.

Most small offices are found in low-quality office buildings, private mansions or Soviet-era administrative buildings, Vasilyev said. Managers of high-quality office buildings prefer bigger tenants to prevent the space from becoming "an anthill," but even there it is possible to find workspace when large, long-term tenants sublet their excess space.

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