INDUSTRY REPORT ON FLEXIBLE WORKSPACES SEGMENT IN INDIA

Prepared for AWFIS Space Solutions Private Limited

14th December 2023

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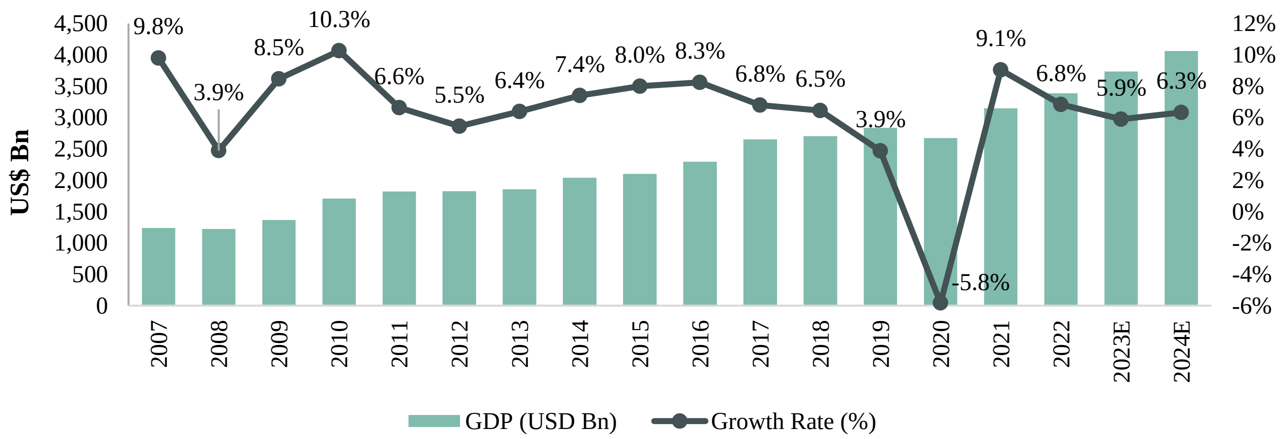
Indian Economy Overview

Overview of Indian Economy

Gross domestic product ("GDP") and Growth Rate

India is one of the fastest growing and the fifth-largest economy in the world for 2023, according to the International Monetary Fund ("**IMF**"). For 2022, India had a GDP growth rate of 6.8% as compared to the world average of 3.2% demonstrating a strong economic rebound post COVID-19 pandemic, which had impacted economies across the world over 2020 and 2021. However, the economic rebound was marred by inflationary pressures which have intensified from the second half of 2022 onwards, causing several agencies to moderate the outlook for growth across the globe. Going forward, IMF has projected GDP growth as 5.9% for 2023, recovering to 6.3% in 2024 as inflationary pressures ease and domestic demand increases, sustained by healthy corporate balance sheets. As per RBI, India will become the third largest economy by 2027-28 surpassing Japan and Germany.

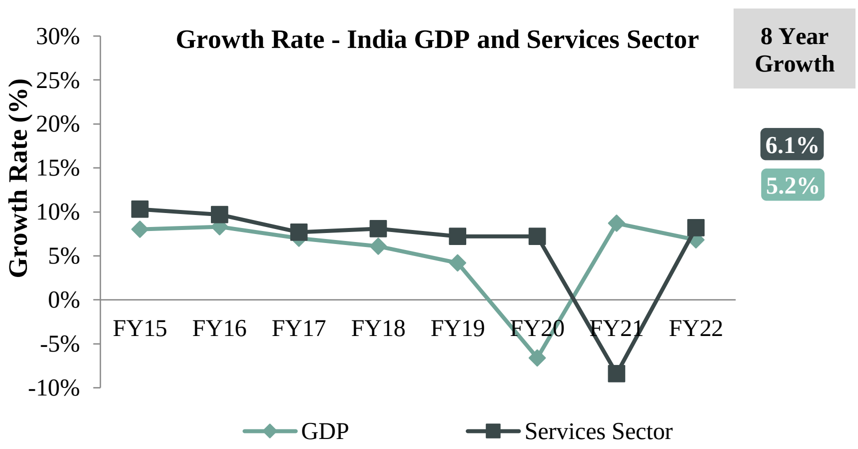
India GDP Size and Growth (Fiscal 2007 - 2024E)



Source: IMF

Contribution of Services Sector to the GDP

The services sector led by technology and financial services continues to be the key driver of the Indian economy—it represented 54% of Fiscal 2022 Gross Value Added ("**GVA**") and it has grown at a compound annual growth rate ("**CAGR**") of 6.1% over 2014-22. India's Services exports set a new record of USD 254 billion in Fiscal 2022 which is expected to reach USD 325 billion by the end of Fiscal 2023 in the provisional estimate provided by the Reserve Bank of India. The estimated value for services exports for 1H Fiscal 2023 stood at USD 150 billion indicating a growth of 27.9% over the same period for the previous year. It remained among the top ten services exporter countries in 2021. India's share in world's services exports has risen steadily over the past decade to reach more than twice the share in world's merchandise exports at 1.76%, highlighting the growing importance of the sector to the economy. *(Source: Economic Survey of India, 2021-22; Ministry of Commerce and Industry)*



Further, the table below highlights the breakup of GVA and contribution of financing, real estate and professional services in the overall GVA of India:

₹ in billion	2014-15	2015-16	2016-17	2017-18	2018-19[1]	2019-20[2]	2020-21[3]	2021-22[4]	2022-23[5]
Total GVA	**97,121**	**104,919**	**113,283**	**120,342**	**127,338**	**132,195**	**125,851**	**136,055**	**145,187**
Primary Sector	18,944	19,341	20,753	21,696	22,054	23,041	23,421	24,377	25,184
% of Total GVA	**20%**	**18%**	**18%**	**18%**	**17%**	**17%**	**19%**	**18%**	**17%**
Secondary Sector	27,332	29,933	32,177	34,464	36,499	36,006	35,003	38,560	40,203
% of Total GVA	**28%**	**29%**	**28%**	**29%**	**29%**	**27%**	**28%**	**28%**	**28%**
Tertiary Sector	50,845	55,644	60,353	64,182	68,785	73,148	67,427	73,118	79,799
% of Total GVA	**52%**	**53%**	**53%**	**53%**	**54%**	**55%**	**54%**	**54%**	**55%**
Financing, real estate and professional services	20,737	22,948	24,930	25,372	27,142	28,974	29,619	30,874	32,841
Financing, real estate and professional services as a % of tertiary sector	**41%**	**41%**	**41%**	**40%**	**39%**	**40%**	**44%**	**42%**	**41%**
Financing, real estate and professional services as a % of Total GVA	**21%**	**22%**	**22%**	**21%**	**21%**	**22%**	**24%**	**23%**	**23%**

Source: National Statistical Office; Primary sector – Agriculture, forestry and fishing, mining, and quarrying; Secondary sector – Manufacturing, construction, electricity, gas, and water supply; Tertiary sector – Trade, hotels, transport and communication, Financing, real estate and professional services, public administration, defense, and other service

[1] 3rd Revised Estimates; [2] 2nd Revised Estimates; [3] 1st Revised Estimates; [4] Provisional Estimates; [5] 1st Advance Estimates

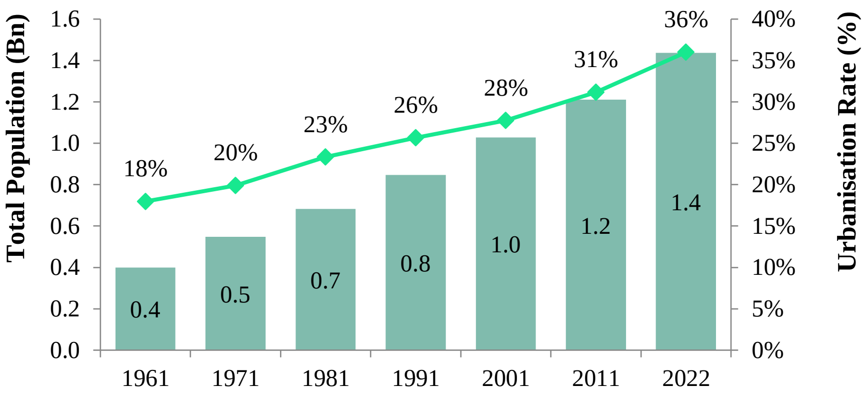
Largest Population Base in the World and Urbanization Rate

India's population grew by 18% from 2001 to 2011, reaching 1.21 billion in 2011. The current estimated population is at 1.42 billion as of January 2023, surpassing China to be the most populous country. *(Source: World Population Review) (Source: Census of India, 2011 and Ministry of Statistics & Programme Implementation, World Bank)*

India had one of the largest urban populations in the world, approximately 493 million as of 2021. Urban GDP contribution is expected to grow from 63% in Fiscal 2020 to 75% by Fiscal 2030E.

Further, the size of India's middle class is expected to nearly double to 61% of the total population by 2047, up from 31% in 2020–21, as continued political stability and economic reforms with a sustained annual growth rate of 6%–7% will make India one of the world's largest markets.

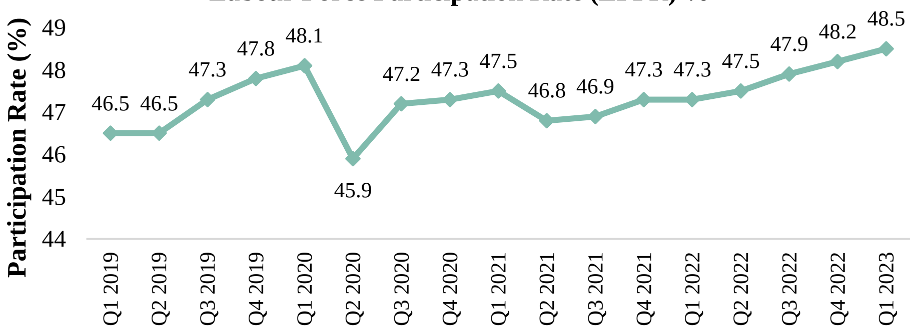
Total Population and Urbanisation Rate



Labor Force Participation Rate and Employment

Major labor market indicators – all India unemployment rate, worker population ratio and labor force participation rate have surpassed pre-COVID levels. The unemployment rate has been declining amid the rising labor force participation rate. Labor force participation rate in India increased to 48.5% in first quarter of 2023 from 47.3% in first quarter of 2022. *(Source: Ministry of Statistics and Programme Implementation (MOSPI)*

Labour Force Participation Rate (LFPR) %



Major Structural Reforms by Indian Government to Fuel Economic and Real Estate Growth

Government Initiatives	Details
The Development of Enterprise and Service Hubs Bill ("**DESH**")	The proposed DESH bill is seeking to revamp the existing special economic zone ("**SEZ**") regulations and proposes a new set of concessions. The key aspect of the DESH bill is to promote the expansion of the gambit of service sector units.
Make in India, 2014	Make in India initiative was launched to facilitate investment, foster innovation, build best in class infrastructure, and make India a hub for manufacturing, design, and innovation The investments by Indian and foreign industrialists has led to increased demand for commercial office spaces, residential properties, and construction of factory buildings.
Goods and Services Tax, 2017 ("**GST**")	GST is a unified sales tax, which has replaced approximately ten central, state, and local taxes in India. Implementation of GST has removed the cascading effects of tax with the objective of increasing cost efficiency, reducing prices and leading to the formation of a unified national market.
Real Estate Regulation and Development Act, 2016 ("**RERA**")	RERA was introduced to protect the interest of buyers and enhance transparency and fair practices in the real estate sector. It aimed to boost the investment in the sector. RERA makes it mandatory for each state and union territory, to form its own regulator and frame the rules that will govern the functioning of the regulator.
Corporate Tax	On September 20, 2019, the Government of India announced reductions in corporate tax rates from 30.0% / 25.0% to 22.0%. The manufacturing sector was given a further stimulus with a reduced corporate tax rate of 15.0% for companies in the manufacturing sector incorporated after October 1, 2019.
Insolvency and Bankruptcy Code, 2016 ("**IBC**")	IBC was introduced with the aim of providing a time bound, unified insolvency process, and aims to maximize recovery by preserving companies as a going concern.
National Logistics Policy	NLP was introduced with the aim of providing seamless movement of goods and enhances competitiveness of Indian industries along with reducing the cost of logistics. India climbed six places on the World Bank's Logistics Performance Index in 2023 and was ranked 38th of 139 countries, up from 44 in 2018.
Foreign Trade Policy	FTP was introduced with the aim of encouraging districts as export hubs and to boost export at district level and enhance the trade economies from grassroot levels. With no end date to the policy, regulatory continuity is expected which will in turn bring in establishment of e-commerce export hubs.
Pradhan Mantri Awas Yojana ("**PMAY**")	This initiative aims at providing 'housing for all'. The government of India has also given infrastructure status to 'affordable housing', thus enabling developers to raise funds, including external commercial borrowings. Interest subvention provided under the PMAY has increased the demand for affordable homes.
Other Initiatives	Increased spending on infrastructure of ₹ 764.32 billion (*Source: Union Budget of India 2023 - 2024)*, foreign direct investment ("**FDI**") reforms across multiple sectors, push towards Digital India and incentives to start-ups have enhanced India's competitiveness globally. *(Source: Doing Business by World Bank, 2022)* Further, in 2022, the government of India set up the National Land Monetisation Corporation to monetise non-core real estate assets held by public sector enterprises.

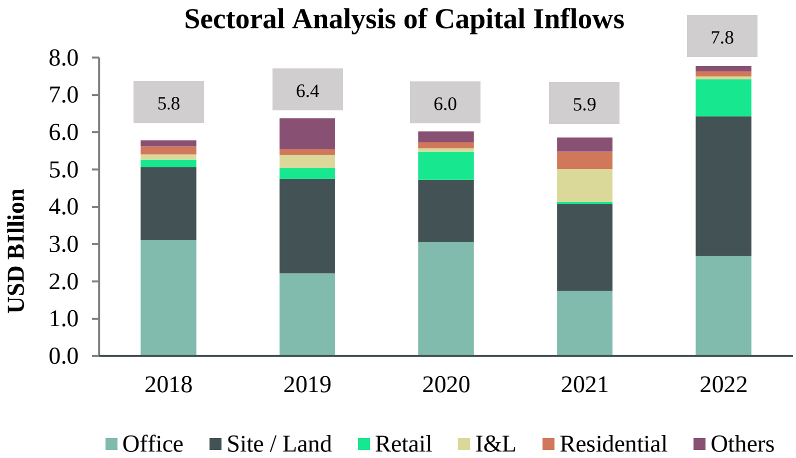
International Trade and Foreign Investments in Real Estate

In 2022, equity investments in Indian real estate reached a peak with 33% (USD 7.8 billion) year on year ("**Y-o-Y**"), which has surpassed pre-COVID-19 pandemic (2019) levels by more than 22%. The average deal size has also increased to over USD 62 million in 2022, up from around USD 48 million in 2021, representing a robust 30% Y-o-Y rise. Mid-sized deals (between USD 10-50 million) accounted for a sizable portion (57%) of total investment inflows recorded in 2022.

Since 2018, the real estate sector has received approximately USD 32 billion in equity capital flows, with average inflows of more than USD 6.0 billion each year. The industry has shown resilience towards uncertainties which arose due to COVID-19 pandemic and has attracted domestic as well as foreign capital.

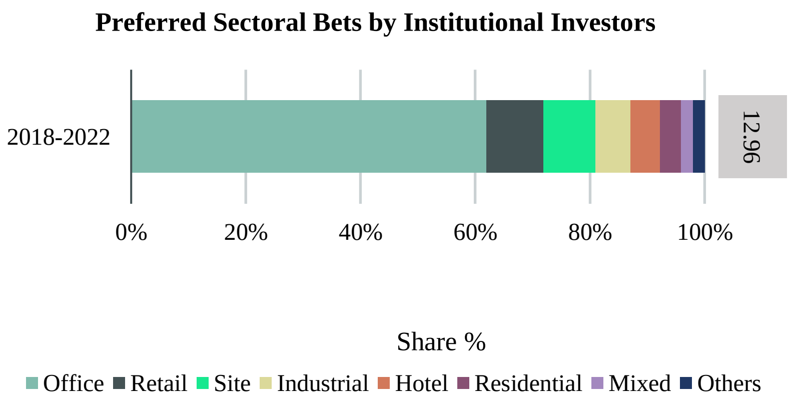
Although majority of the investments have been observed in office segment in tier 1 cities, capital investments in retail, land, industrial and land ("**I&L**") have been observed in tier 2 and tier 3 cities in the recent past.

An analysis of five years of data (2018-22) depicted that office sector has remained the top choice of investors, particularly foreign investors. Office sector has attracted approximately USD 13 billion of investment, marking the highest share of 40% of the total inflows. Second major was in acquisition of site/land parcels accounting for 38% of the total inflow. The retail sector's proportion of investment increased to about 13% in 2022 from being almost negligible in 2021. (*Source: Real Capital Analytics, VC Circle, Data as on Q1 2023)*

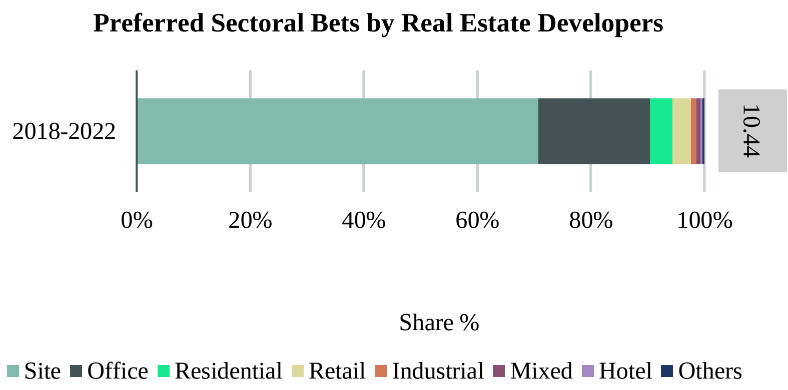


42% of the investments in 2022 were by institutional investors followed by over 32% by property companies. Institutional investors have been a major source of capital deployed in Indian real estate. Similar trend was witnessed between 2018–2022, wherein institutional investors accounted for nearly 50% (USD 15.7 billion) of the inflows and the property companies accounted for nearly 33% (USD 10.4 billion) of the inflow.

Institutional investors have primarily infused capital to acquire built-up office assets, which have garnered a share of over 56% (approximately USD 9.8 billion) in total investments. Investment in greenfield developments through acquisition of sites /land parcels totaled over USD 2.5 billion, accounting for nearly 15% share between 2018-22. *(Source: RC Analytics, VC Circle)*



Further, developers have primarily infused capital to acquire sites /land parcels for greenfield developments accounting for 71% of the total investments across sectors. The office sector has been the second-most preferred sector by developers; witnessing an infusion of over USD 2 billion, which translates to over 19% share in total investment. *(Source: RC Analytics, VC Circle)*



Over the past five years, over a dozen foreign institutional investors, asset managers and developers have forayed into the Indian real estate sector including Logos, Marubeni Corporation, Oxford Properties, Yondr, Equinix and Certus Capital.

It is anticipated that investment flows in real estate would remain steady over the next two years, with approximately USD 16-17 billion of cumulative inflows expected during this period. Going by the historical and prevailing trends, the office sector is expected to continue to garner a majority share of the total institutional inflows, followed by the I&L sector and site / land parcels.

Continued Infrastructure Development in India

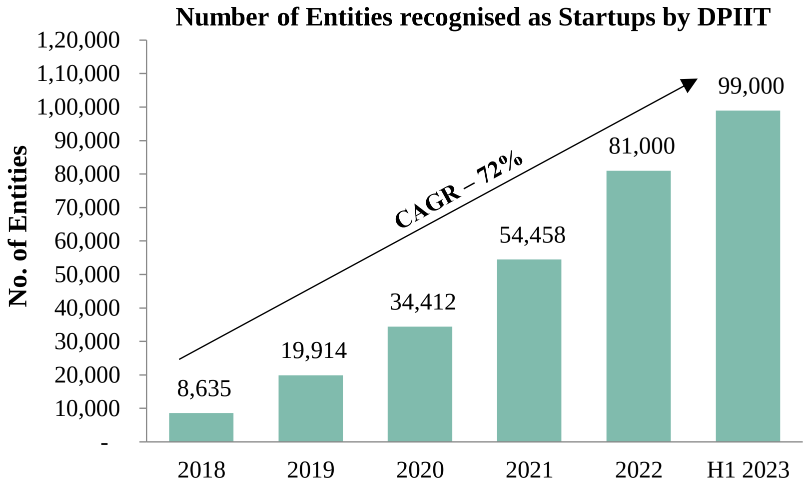
Infrastructure development is crucial to achieve the India 2047 vision of becoming a USD 40 trillion economy and be reclassified from a developing economy to a developed economy. In the aftermath of COVID-19 pandemic and with global digitization, the focus rests not only on physical infrastructure, but on digital and social infrastructure as well.

The Indian government focuses on India’s infrastructural needs and has developed various schemes and policies in this regard.

Infrastructure Initiatives	Details
National Infrastructure Pipeline (“**NIP**”)	NIP introduced in 2019 emphasizes social and infrastructure projects including energy, roads, railways, and urban development projects.
PM Gati Shakti Master Plan	NIP is complemented by the PM Gati Shakti Master Plan which is dedicated to improving India’s logistics network. In the India Budget 2023-24, the Indian government emphasized the need for increased spending in the infrastructure sector and nearly tripled its infrastructure spending to 3.3% of GDP compared to its spending in 2019-20. The India Budget 2023-24 has allocated ₹ 75,000 crores for 100 projects deemed critical to improving the overall multimodal logistics infrastructure.
Sagarmala Project	Sagarmala Project aspires to reduce logistics costs for exports and imports (“**EXIM**”) and domestic cargo leading to overall cost savings of ₹ 35,000 to 40,000 crore per annum. The objectives of Sagarmala Project are *a)* reducing cost of transporting domestic cargo through optimizing modal mix, *b)* lowering logistics cost of bulk commodities by locating future industrial capacities near the coast, *c)* improving export competitiveness by developing port proximate discrete manufacturing clusters and *d)* optimizing time /cost of EXIM container movement.
Bharatmala Project	Bharatmala Project is a new umbrella program for the highways sector that focuses on optimizing efficiency of freight and passenger movement across India by bridging critical infrastructure gaps through effective interventions like development of economic corridors, inter corridors and feeder routes, national corridor efficiency improvement, border and international connectivity roads, coastal and port connectivity roads and green-field expressways.
Railways and Metro	For the railways, which is considered one of the most important segments for infrastructure development, ₹ 2.4 lakh crores have been allocated for the development of new semi high-speed Vande Bharat trains that are aimed at enhancing connectivity and for the upgradation and maintenance of railway tracks to allow for high-speed travel. The Ministry of Railways is in the process of developing two dedicated freight corridors – Eastern Dedicated Freight Corridor and Western Dedicated Freight Corridor with over 1,724 km of track commissioned till date at an expenditure of over ₹ 97,000 crores. The metro infrastructure in India is also on the rise as more than 15 cities have metro works currently under progress.

Infrastructure Initiatives	Details
Airports	In terms of airports, 148 airports are in operation in India as of 2023, of which 29 are international, 92 domestic, and 23 custom airports. While the government of India has granted in-principle approvals to 21 more greenfield airports, 11 have been operationalised.

Innovation and Start-ups



India's startup ecosystem has witnessed strong growth fueled by a surge in venture capital investments, Government initiatives and innovation. India has emerged as the 3rd largest ecosystem for startups globally with over 99,000 Department for Promotion of Industry and Internal Trade("**DPIIT**") - recognized startups across 670 districts of India as of May 31, 2023. The growth in the startup ecosystem has increased to 15% Y-o-Y in 2018, while the growth of the number of incubators and accelerators has grown to 11%. *(Source: www.startupindia.gov.in)* From 2015-2022, India has witnessed exponential growth in the startup ecosystem i.e., 15x increase in total funding of startups, 9x increase in the number of investors and 7x increase in the number of incubators.

In terms of regulatory aspects, the government of India has launched a Startup India initiative. This is a flagship initiative which was launched on January 16, 2016, and is intended to catalyze a startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India.

As an effect of rise in the number of startups in India, the demand for flexible space has also witnessed increased demand over the past few years. Flexible space provides startups a convenient and ready to use office space with low capex, limited hassle of day of day operations, no vendor management, and flexibility of scaling up /scaling down head count.

India Office Market Overview

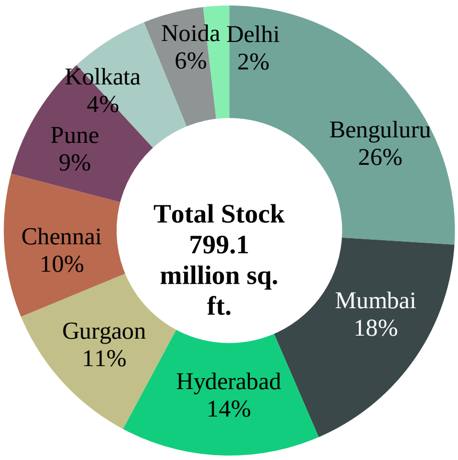
Introduction

India is a leading office market globally, backed by, among other things, a strong abled and skilled demography, well established and evolving infrastructure and real estate sector, ample support infrastructure and a strong economy backed by political stability.

India's commercial office stock stands at 799.1 million sq. ft. as of June 30, 2023, and is concentrated in the top 9 cities comprising of Bengaluru, Mumbai Metropolitan Region ("**MMR**"), Hyderabad, Gurgaon, Chennai, Pune, Noida, Kolkata, and Delhi, in order of size of market. The 799.1 million sq. ft. stock is considered as organized stock and is purely utilized as office space.

In addition, the unorganized commercial office stock across tier 1 cities can be estimated to be approximately 430 – 670* million sq. ft. (depending on the average work desk area occupied per person) as of June 30, 2023. *(*estimated based on the urban working population in the services sector in tier 1 cities)*

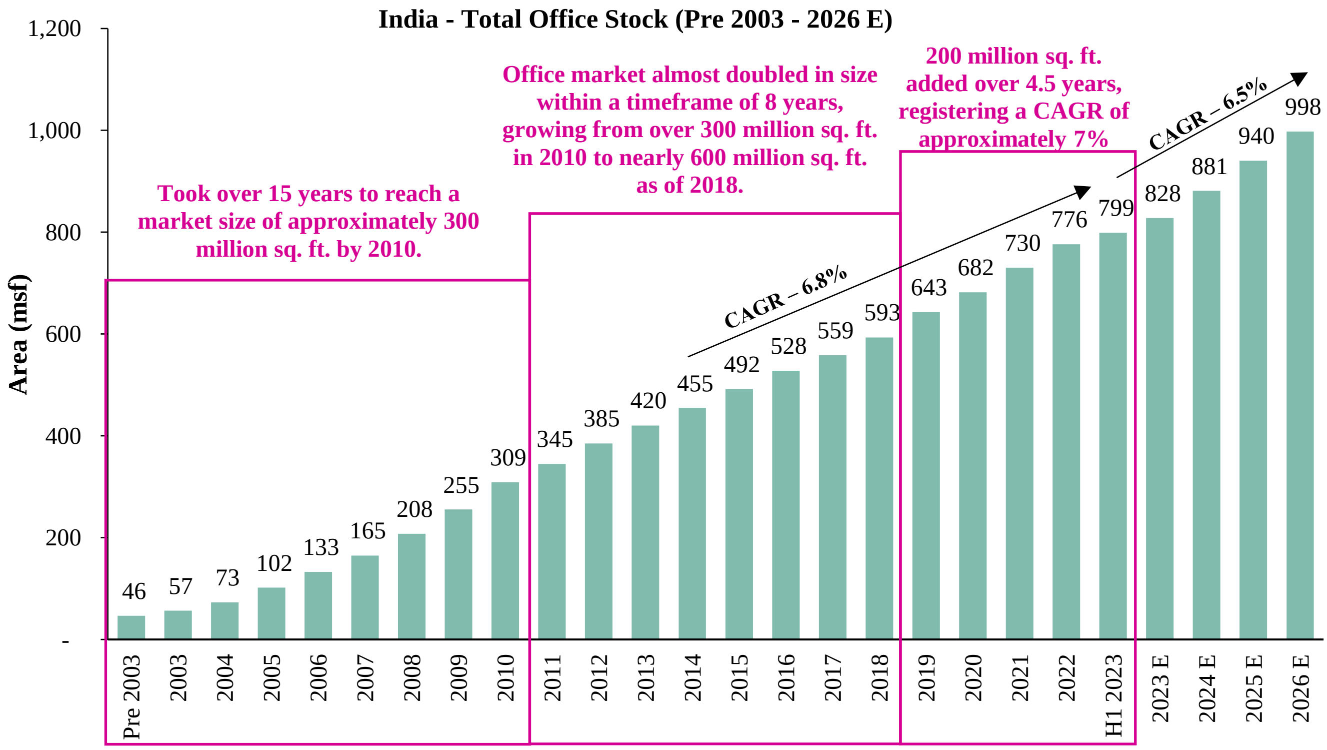
Tier 1 Office Stock (million sq. ft.) – as of June 30, 2023



Note: All commercial office references in the report pertain to organized stock unless otherwise stated.

Evolution of Office Stock in India

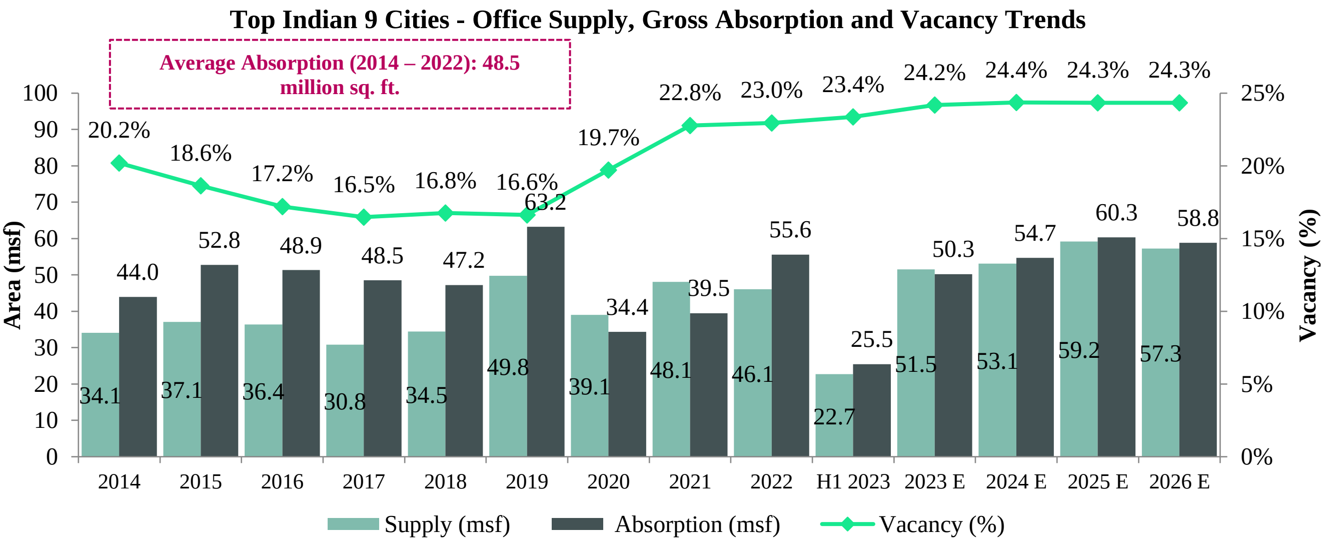
India's office real estate landscape has changed significantly in the past two and a half decades. Since the early 2000s, office stock has grown more than 17 times from approximately 46 million sq. ft. as of pre 2003 to approximately 799.1 million sq. ft. as of June 30, 2023. Indian real estate has emerged as a favored investment asset class due to various intrinsic factors including growth of the economy, demand-supply fundamentals, investor-friendly policies, and increased transparency. (*Source: Venture Intelligence*)



Historically, the Indian office market grew at a CAGR of 6.8%. However, the Indian office market is expected to grow at a CAGR of 6.5% from the third quarter of 2023 to 2026.

Supply and Absorption Trends

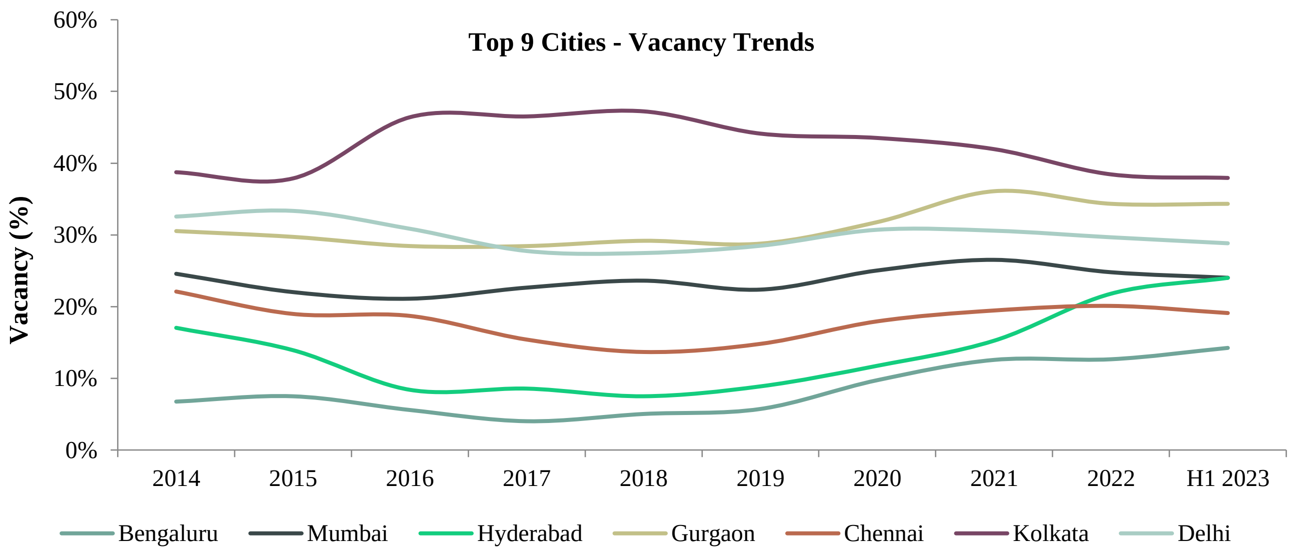
Over the past nine years, overall office space absorption has been concentrated in Bengaluru, Hyderabad, Mumbai, Gurgaon, Pune, and Chennai with these six cities contributing greater than 92% of the total absorption witnessed in India. Bengaluru has recorded the highest absorption from 2014 –2022 with an average of approximately 15.0 million sq. ft. of space absorbed every year, the only city in India to record double-digit absorption figures on a Y-o-Y basis.



Office space supply and demand continue to be well-balanced with a moderate increase in vacancy rates and relatively stable rentals. Demand continues to gravitate towards larger, institutionally owned, completed offices, or in the case of large-scale long-term requirements, towards well-capitalized, larger developers and institutional space owners.

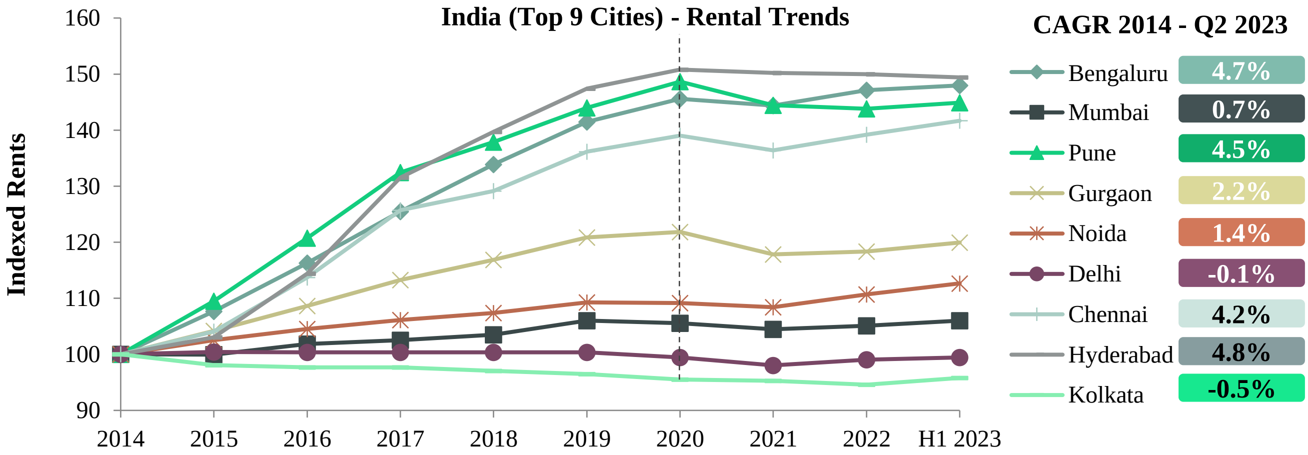
Vacancy Trends

Increase in vacancy levels have been witnessed in major cities attributable to slow down in leasing activity on the back of COVID-19 pandemic and significant supply completion during the period. Delhi NCR and MMR demonstrate high city level vacancy, which is due to high vacancy in certain peripheral areas with limited infrastructure and in buildings with strata ownership and design challenges. However, institutional office buildings in in-fill locations continue to witness healthy absorptions leading to low vacancy levels. A healthy vacancy level is reflected in Bengaluru, at approximately 14.2% followed by Chennai at approximately 19.1% as of June 30, 2023.



Rental Trends

Key markets such as Bengaluru, Pune, Hyderabad, and Chennai have consistently witnessed rent growth since 2014, driven by constrained supply in prime locations coupled with robust demand from technology tenants. Cities like Mumbai, Gurgaon and Noida have also witnessed growth albeit at a slower pace. Given the sustained demand momentum, rental growth has further accelerated since 2016. However, limited growth in rental witnessed during 2020-21 owing to the onset of COVID-19 pandemic. Rental outlook continues to be range bound at a city level; however established submarkets are expected to witness a marginal uptick in the medium term on the back of quality supply in prime locations



Factors Propelling Growth of Indian Office Market

1. **Favorable Demographic**

- With a population base of nearly 1.42 billion people as of January 2023, India has outpaced China to become the most populous country in the world. *(Source: World Population Review)*
- India is likely to add 140 million middle-income households and 21 million high net worth individuals (“**HNIs**”) by 2030. *(Source: World Economic Forum)*
- Talent availability at a competitive cost of about approximately USD 10,000 /year, one of the lowest in the world *(Source: Global Location Strategies post Covid-19, July 2020, Business Analyst labor cost = Salary + Employer Tax (USD /year)*

2. **Continued Infrastructure Development**

With an eye on further improving the economic growth in India, the government of India in the India Budget 2023-24, emphasized the need for increased spending in the infrastructure sector and nearly tripled its infrastructure spending to 3.3% of GDP compared to its spending in 2019-20. Further, the NIP, introduced in 2019 emphasizes on the social and infrastructure projects including energy, roads, railways, and urban development projects.

3. **Foreign Investment**

As per United Nations Conference on Trade and Development (“**UNCTAD**”), FDI flows to India rose by 10% USD 49 billion. *(Source: World Investment Report, 2023)*

In terms of investment in the real estate sector, the equity investment grew by nearly 33% Y-o-Y in 2022 to USD 7.8 billion. These are the highest annual investment inflows recorded in India until date, exceeding the pre-COVID-19 pandemic (2019) levels by over 22%. *(Source: RC Analytics, VC Circle)*

These are supported by a strong and continuously improving urban infrastructure, availability of a large base of diversified talent pool, quality tenants, and an overall market formalization. *(Source: RC Analytics, VC Circle)*

4. **China + 1 Strategy**

China+1 and Europe+1 strategies are being adopted by many global multi-national corporations ("**MNCs**") to de-risk supply chain requirements and mitigate production challenges which could benefit India amongst other South-East Asian countries across various sectors.

India is gradually but firmly replacing China as the major FDI destination. Global giants are making a beeline to invest in India, propelled by the economic initiatives of the government of India, including 'Make in India', improvement in the ease of doing business index, rapid infrastructure development and reaching out to the world to make India an investment destination. *(Source: Financial Express, India's Century – FICCI and McKinsey)*

Indian Office Market Overview

India's top nine cities' accounts for approximately 799.1 million sq. ft. of office space. These cities house India's political capital, financial hub, and prominent technology centers. Table below includes key office parameters for the top nine office markets in India:

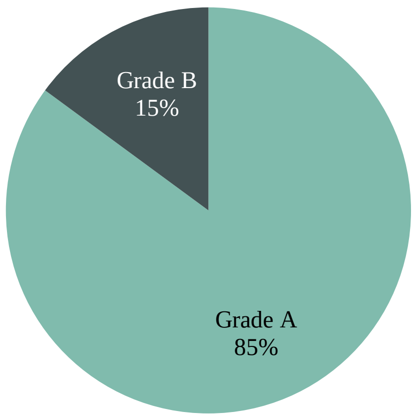
Particulars	Bengaluru	MMR	Hyderabad	Gurgaon	Chennai	Pune	Noida	Kolkata	Delhi	Total
Total Stock as on June 30, 2023 (million sq. ft.)	207.8	140.0	134.00	87.3	82.4	72.7	45.3	34.5	14.9	**799.1**
Occupied Stock as on June 30, (million sq. ft.)	178.2	106.3	94.48	57.4	66.7	57.2	27.8	21.4	10.6	**612.4**
Vacancy first half of 2023 (%)	14.2%	24.0 %	29.49%	34.3%	19.1%	21.4 %	38.5 %	37.9%	28.8 %	**23.4 %**
Annual Absorption Avg. 2014 – 22 (million sq. ft.)	15.0	6.5	6.4	5.4	4.7	5.4	2.3	0.8	0.7	**48.5**
Market Rents* first half of 2023 (per sq. ft. / month)	85.3	119.2	57.7	84.3	63.8	73.6	57.8	51	190	**83.3**

*MMR represents Mumbai Metropolitan Region, which includes Mumbai ; *weighted average rents based on occupied stock.*

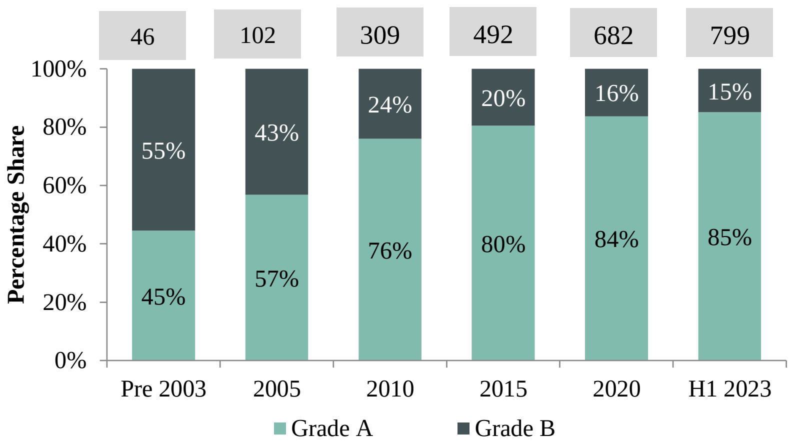
Grade Classification of Office Stock

As on June 30, 2023, over 85% of the commercial office stock in India, aggregating to 680 million sq. ft., pertains to Grade A category as of June 30, 2023. Grade A office stock registered a CAGR of 15%, from 58 million sq. ft. in 2005 to approximately 680 million sq. ft. as of June 30, 2023. While Grade B stock accounted for approximately 15% of the organized commercial office stock in India as of June 30, 2023. However, a diminishing trend in Grade B stock's share is observed over the years attributable to the evolving nature of the sector, changing occupier preference leading to a higher introduction of quality Grade A assets.

India Grade A and B Share Split (as on June 30, 2023)



Share of Grade A and B Stock over the Years



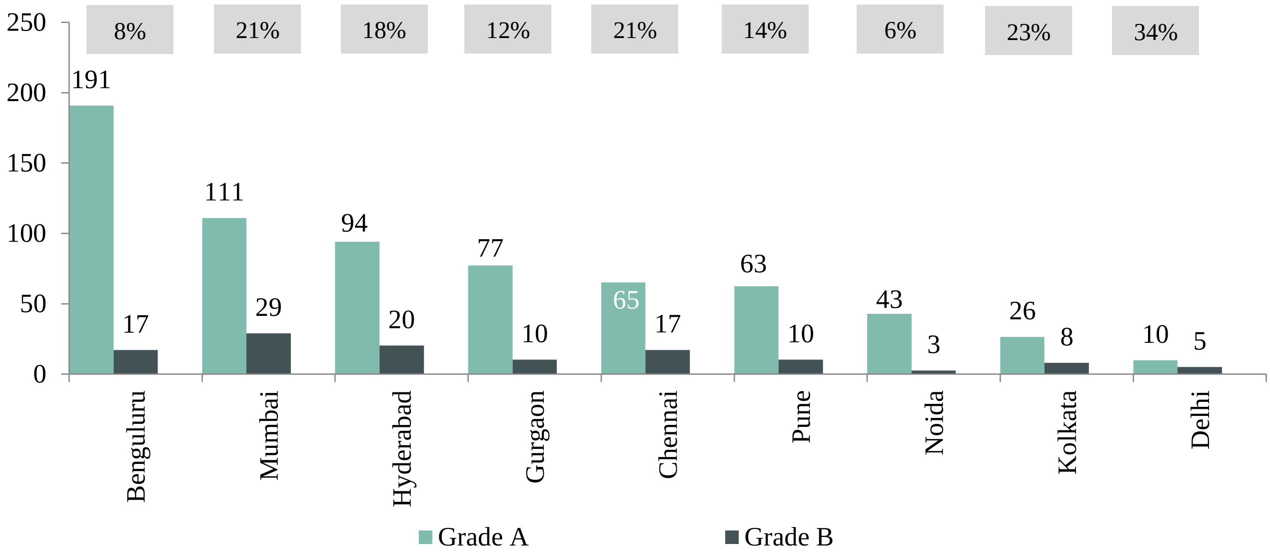
Note: The grading of the developments has been done based on various factors such as quality of development, facilities and amenities provided, developer reputation, disposition model, etc.

Grade A: Refers to a development type; the tenant profile includes prominent multinational corporations, while the building area is not less than 10,000 sq. ft. It includes an open plan office with large size floor plates, adequate ceiling height, 24 X 7 power back-up, supply of telephone lines, infrastructure for access to internet, central air-conditioning, spacious and well decorated lobbies, circulation areas, good lift services, sufficient parking facilities and has centralized building management and security systems.

Grade B: Refers to a development type; the tenant profile includes mid to small sized corporates, average floor plate sizes, flexible layout, adequate lobbies, provision of centralized or free-standing air-conditioning, adequate lift services and parking facilities. An integrated property management system might not be in place, while external facade might be ordinary. Multiple ownership might be a norm.

Further, the graph below highlights the quantum and share of Grade A and B stock as on June 30, 2023:

Quantum and Share of Grade A and B Stock as on June 30, 2023



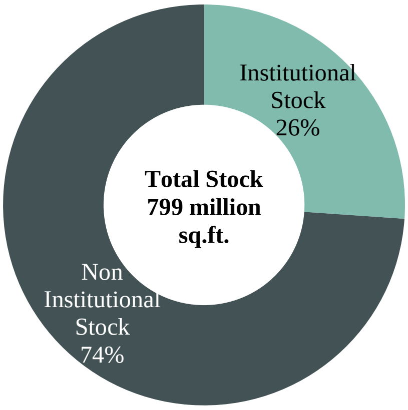
Ownership Classification of Office Stock

In respect of the overall office stock, approximately 26% of the total commercial organized stock in India are institutionally held as on June 30, 2023. Further, approximately 74% of the total commercial organized stock in India is non-institutionally owned stock as on June 30, 2023. Institutional assets in India have grown at a CAGR of approximately 8%, i.e., from approximately 113 million sq. ft. in 2014 to approximately 209 million sq. ft. in first half of 2023. Some of the major institutional investors include Blackstone, Embassy REIT, Brookfield REIT, Mindspace REIT, GIC, CapitaLand, Mapletree

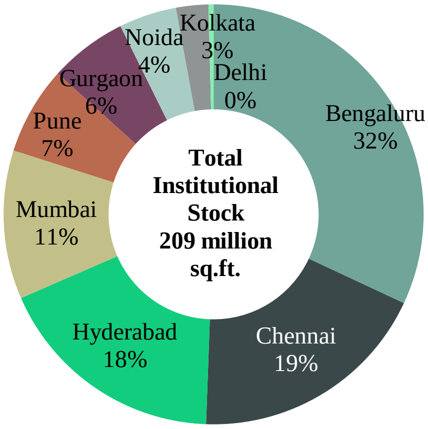
Investments, Brookfield and CPPIB. Prominent cities include Bengaluru, Chennai, Hyderabad and Mumbai, accounting for approximately 80% of the total institutionally held stock.

*Institutional Stock refers to office assets which are majorly owned and have witnessed investment activity by institutional players such as private equity ("**PE**") funds, pension funds, sovereign wealth funds, insurance companies, and real estate investment trusts ("**REITs**"). Non-institutional refers to office stock that is held /owned by the developers themselves or have witnessed investment by individual investors and HNI and /or combination of both.*

Share of Institutional and Non-Institutional Stock (As on June 30, 2023)



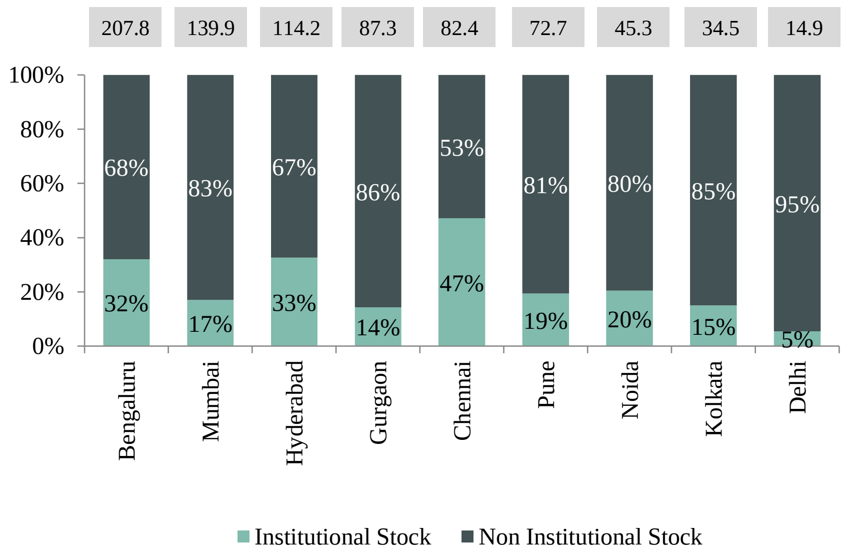
City wise share of Total Institutional Stock (As on June 30, 2023)



99.9% of the institutional stock are Grade A while only 0.1% pertains to Grade B category.

The graph represents the bifurcation of total office stock into Institutional and Non-Institutional stock across the nine cities as of June 30, 2023:

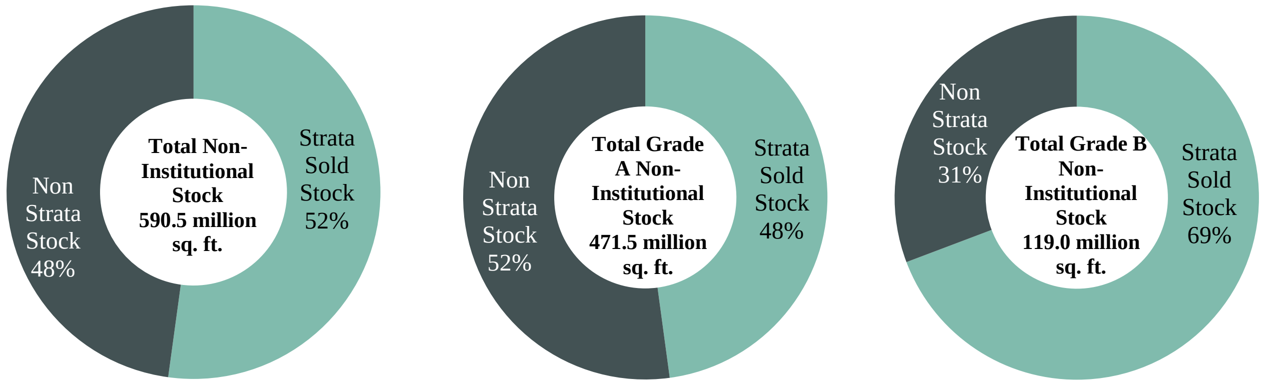
Total Stock ~ Institutional and Non-Institutional



Non-institutional office stock is further classified as strata stock and non-strata stock. Strata stock refers to office space that has been sold by the developers during its marketing stage to Investors, HNIs, end users and individuals. Non-strata stock refers to office space that is held /owned by the developer themselves.

Approximately 52%, i.e., 308 million sq. ft. of the total non-institutional stock of 590.5 million sq. ft. has witnessed strata sale activity.

Bifurcation of Non-Institutional Stock in Strata and Non-Strata and further delineation into and Grade A and B category



The Indian office market is largely fragmented. Although the organized sector is often the focus, the unorganized sector is growing rapidly, indicating a significant shift in the market. The Indian office market had, and continues to have, a large potential for asset upgradation, a plethora of alternate assets and ageing properties in need of refurbishment. Alternate assets refer to mixed-use developments, hotel, and mall establishments.

Table highlights share of Strata and Non-Strata in Grade A stock city wise as of June 30, 2023:

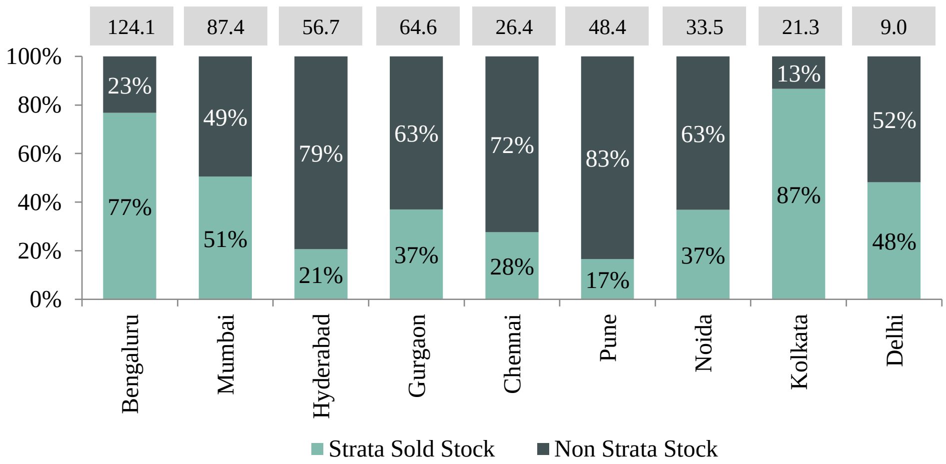
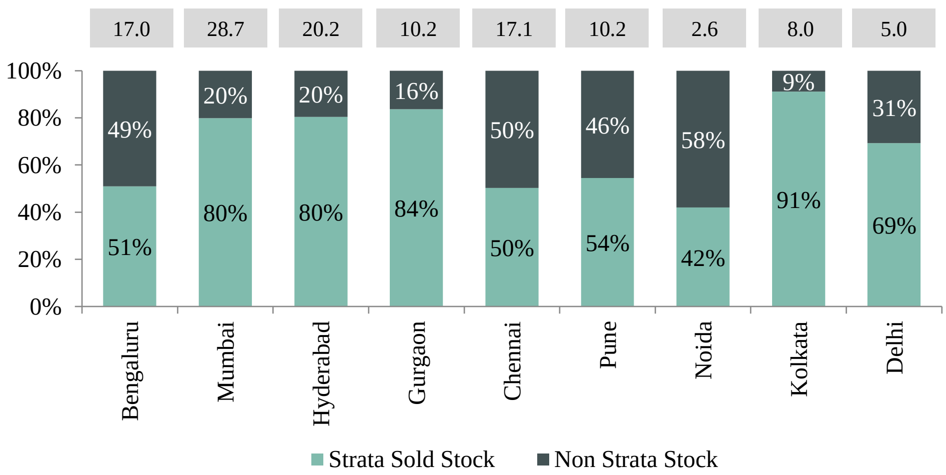


Table highlights share of Strata and Non-Strata in Grade B stock city wise as of June 30, 2023:



Drivers and Trends in Commercial Office in India

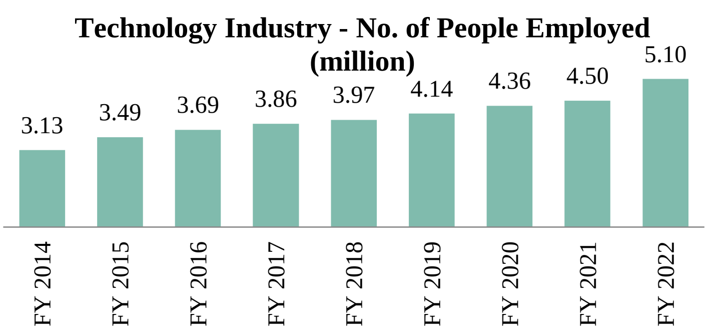
The drivers for commercial offices in India include competitive cost advantage, low cost and high-quality office infrastructure, the technology industry and growing demand from global capability centers.

Competitive Cost Advantage: Further, compared to India, operating cost per full-time equivalent ("**FTE**") for Application Development and Management /Maintenance ("**IT-ADM**") services is two times higher in China and Malaysia. India offers a large pool of skilled, affordable and English-speaking engineering talent, which is imperative in information technology ("**IT**") services as it is a people-intensive business. *(Source: NASSCOM)*

Low Cost, High-Quality Office Infrastructure: A major driver is the availability of high-quality office space at affordable prices across major cities in India. Low cost of physical infrastructure and operations makes it an attractive destination for investment.

1. Technology Industry is one of the key drivers of the Services Sector Revenues and office space demand

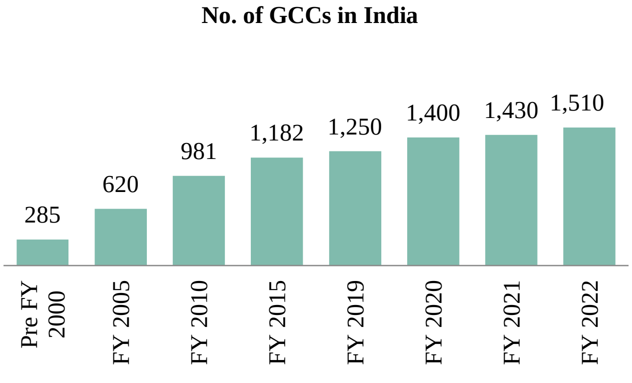
The technology industry has been one of the fastest growing in India, with an estimated revenue of USD 227 billion for Fiscal 2022, with a growth of 15.5%. During 2021-22, the technology industry exports revenues grew by 5.1% to reach USD 156.7 billion i.e., 23% of total exports. The positive outlook of this sector is further reflected in the net hiring, with an addition of 0.45 million direct employees over Fiscal 2022 and the total direct employees are estimated at 5.1 million in Fiscal 2022. *(Source: NASSCOM, Economic Survey of India, 2021-22, IBEF)*

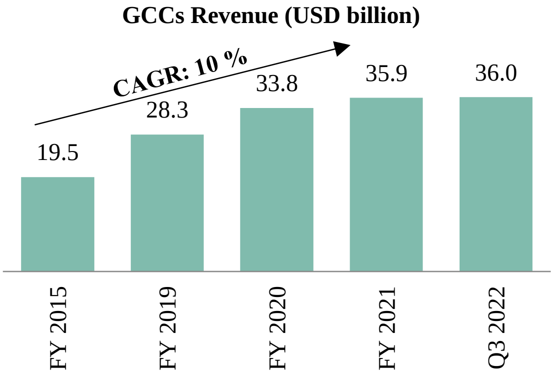


2. Growing demand from Global Capability centers ("GCCs")

While the first two decades of India's growth in the technology industry was led by third party service providers, the last decade has seen emergence of Global In-house Centers ("**GICs**", also called GCCs). MNCs are moving to this model as it allows them access and ability to retain talent at a scale required by large global organizations while retaining full control of the operations.

Post the 2008 Global Financial Crisis ("**GFC**"), the number of GCCs grew by 58% between Fiscal 2005 and Fiscal 2010 in India. As of September 2022, there are approximately 1,510 GCCs and companies are expected to continue further development of technology operations with a CAGR of 10% projected until 2025. (*Source: NASSCOM Research (September 2022*). The GCC market size has also increased from USD 19.5 billion in Fiscal 2015 to USD 36.0 billion in the third quarter of 2022 at a CAGR of 10% (*Source: NASSCOM*).





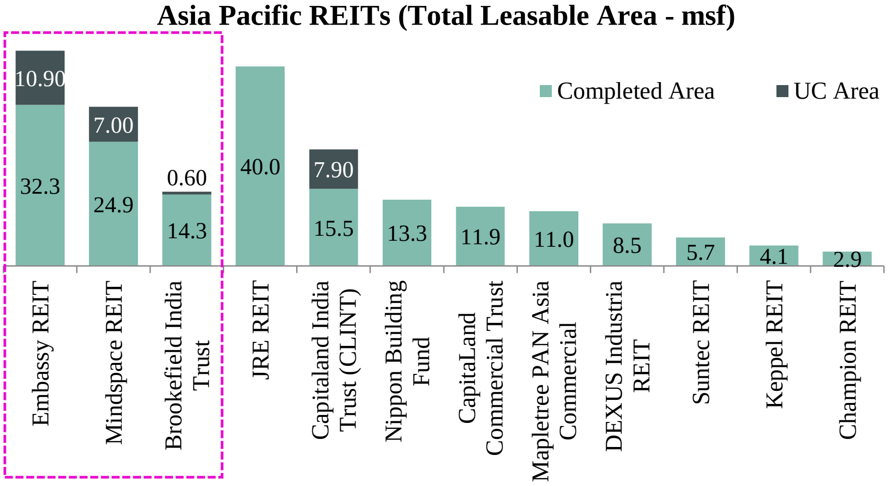
Source: NASSCOM, IBEF

3. Long Term Relevance of Office Spaces

Even as occupiers are adapting to work from home ("**WFH**") set up, physical offices are currently still preferred as they promote key operational themes of team connection and community, collaboration, provide access to tools and technology that is only available in physical offices, and offers better physical setup.

4. Consolidation with Specialized, Organized Office Developers

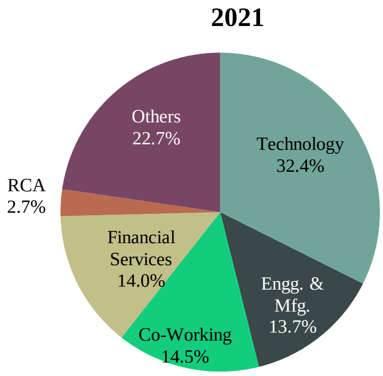
In the early phase of growth, India's office sector was characterized by built-to-suit, captive campuses by unorganized players. However, in the last decade, this fragmentation has given way to the emergence of organized and specialized office-focused developers. Such large developers benefit from economies of scale, diversity of tenant base and strong tenant relationship due to their focused business model.

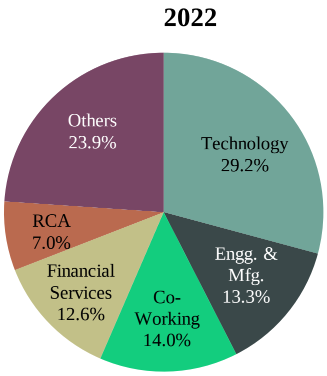


(Source: UC represents area under development and proposed development. Area numbers given for Office and aggregate for the REIT. Data is based on information available in the public domain for the latest period.)

5. Tenant Sectors driving demand

Technology sector continues to drive office take-up in India. Space take-up by the technology sector was 32.4% and 29.2% in 2021 and 2022, respectively. Further, the co-working sector to continue driving demand of office space offtake.



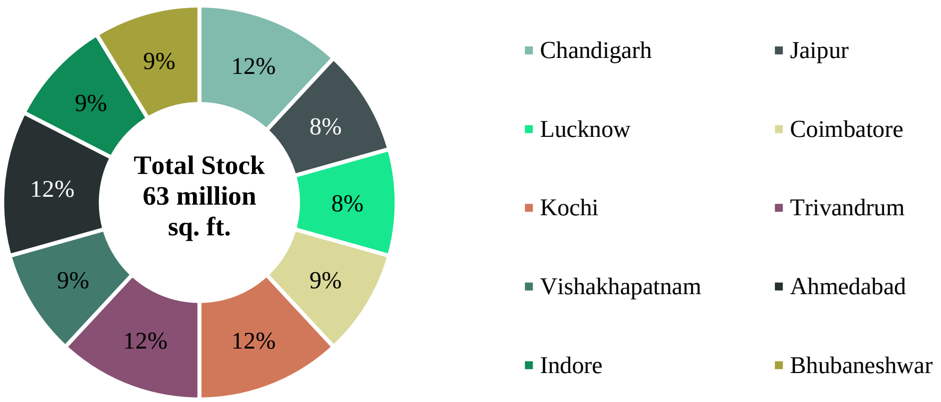


Note: RCA – Research, Consulting and Analytics, Others include: FMCG, Telecom; Healthcare and Pharmaceuticals; Media, Automobiles, Aviation

Commercial Office – Key Tier 2 Cities

Commercial office activity has been growing in Tier 2 cities owing to increase in remote working and work from home concepts, propelled by the COVID-19 pandemic. As on June 30, 2023, top 10 cities, namely Kochi, Ahmedabad, Jaipur, Coimbatore, Chandigarh, Lucknow, Trivandrum, Vishakhapatnam, Bhubaneshwar, and Indore account for approximately 63 million sq. ft. of office stock.

Total Stock of Office Spaces (Top 10 Tier 2 Cities)



Introduction To Flexible Workspaces

What Is a Flexible Workspace?

Flexible workspace is a fully furnished and serviced real estate offering provided by an operator to an end user with, among other things, potential flexibilities built in around design, tenure, area and location.

Once considered a niche offering, flexible workspace has become a prominent component of building owners' and corporate occupiers' real estate strategies. As such, it represents a structural shift in office leasing that has survived the COVID-19 pandemic and is thriving today.

Flexible office space has long been a viable solution for freelancers, remote workers, and start-ups. Now it is rapidly gaining ground among large enterprises / corporates / MNCs because of its flexibility, speed and capital deferral benefits not widely available through traditional leasing. Enterprise use of the flexible space model is important to drive the continued exponential growth of this sector.

Space owners are finding increased demand for flex offerings. Traditional space owner-operator lease agreements are giving way to a range of models that change risk and reward dynamics for both parties. Space owners are even introducing flex offerings under their own brands. Investors' support for this new form of real estate income will ensure further growth of the sector.

Flexible offices have fast become a global trend, with a steadily increasing footprint of flexible workspaces operating around the world. Some of the major drivers fueling the growth include:

Major Drivers	Details
Reducing capital expenditure	Reducing capital expenditure is one of the biggest drivers of demand for flexible office space. Companies opt to preserve capital and evade high upfront fit out expenses, preferring instead to utilize capital for operational expenditure. Further, post the COVID-19 pandemic, the cost to build out quality space that attracts employees back to the office is becoming more and more expensive coupled with the cost of upgrading office space being much more expensive than the rent itself.
Hybrid working arrangements	Workforce behaviors have been transformed during the COVID-19 pandemic and are unlikely to ever return to pre-COVID-19 pandemic norms. As occupiers plan real estate portfolios amid such uncertainty, flexible spaces are becoming a useful solution providing solutions for a dispersed workforce, expanding locational options to staff, and offering on-demand meeting and collaboration spaces for employees.
Fluid workforce and alternate options for expansion/contraction	Flexible working has become more widespread post the COVID-19 pandemic. This has created a more fluid workforce and has led to greater acceptance of varied working styles and locations. Further, flexible space offering has become a means to cater to headcount volatility, test growth, and access ready space on short notice.
New Market Entry	Entering new markets is another common reason companies are adopting flexible space strategies, especially among large companies. Amid a tight labour market, more companies are looking farther afield to attract and retain skilled talent. Using flexible office space to give these employees a place to congregate is becoming more common.

Further, COVID-19 pandemic has brought a wave of change across spectrum and the flexible office market was no exception to this change. Post the COVID-19 pandemic, flexible office market has witnessed structural shifts and continues to adapt to the rapidly changing external environment.

Few recent trends emerging in the sector include:

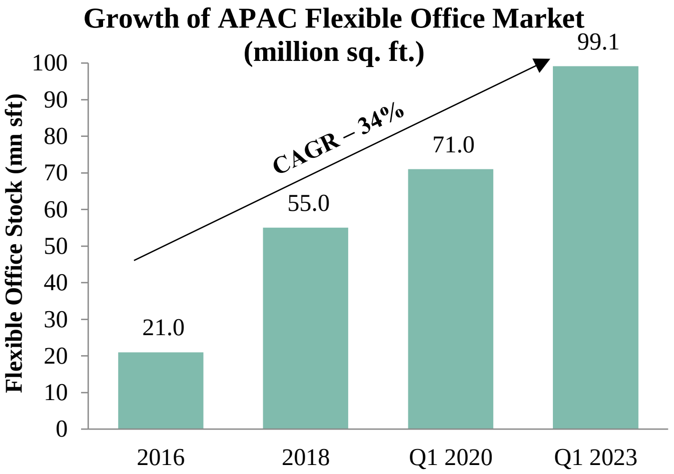
- Adoption of a hub and spoke model– corporates are adopting this strategy and opening satellite offices /locations plus reducing employee commute time.
- Evolving portfolio strategies – use of flexible spaces including both managed offices and coworking spaces in corporate real estate portfolios continues to gain prominence.

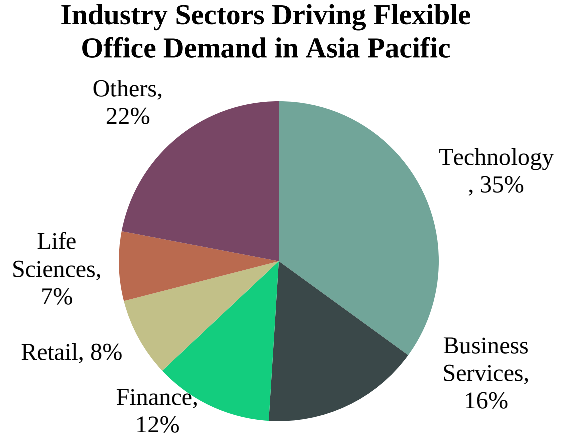
- Core + Flex Strategy – integration of traditional leased space and flexible office agreements by corporates in their real estate portfolio ensuring management of lease expirations and minimization of under-utilized space.
- Greater use of flexible spaces - as the flexible space segment continues to evolve to meet corporates' requirements, a broader offering ranging from on-demand meeting spaces to customized private suites is becoming available. Flexible space operators and space owner backed brands are also differentiating themselves by providing premium service offerings featuring advanced technologies designed for enterprise clients / corporates / MNCs; and
- Amenitization – now more than ever, there has been an increased focus on 'Amenitization' for food and beverages ("**F&B**"), living /convenience, meetings /events and wellness.

Flexible Workspaces – Asia Pacific ("APAC") Overview

While the flex market has been growing globally, the APAC region stands out having displayed a strong enthusiasm for the sector accounting for a rapid market expansion in the last few years. As on March 31, 2023, there are approximately 3,000 flexible centers in the region. The inventory of flexible office space in the APAC region has more than quadrupled, from approximately 21 million sq. ft. in 2016 to over 99 million sq. ft. as on March 31, 2023, supported by the shared economy boom and significant influx of venture capital.

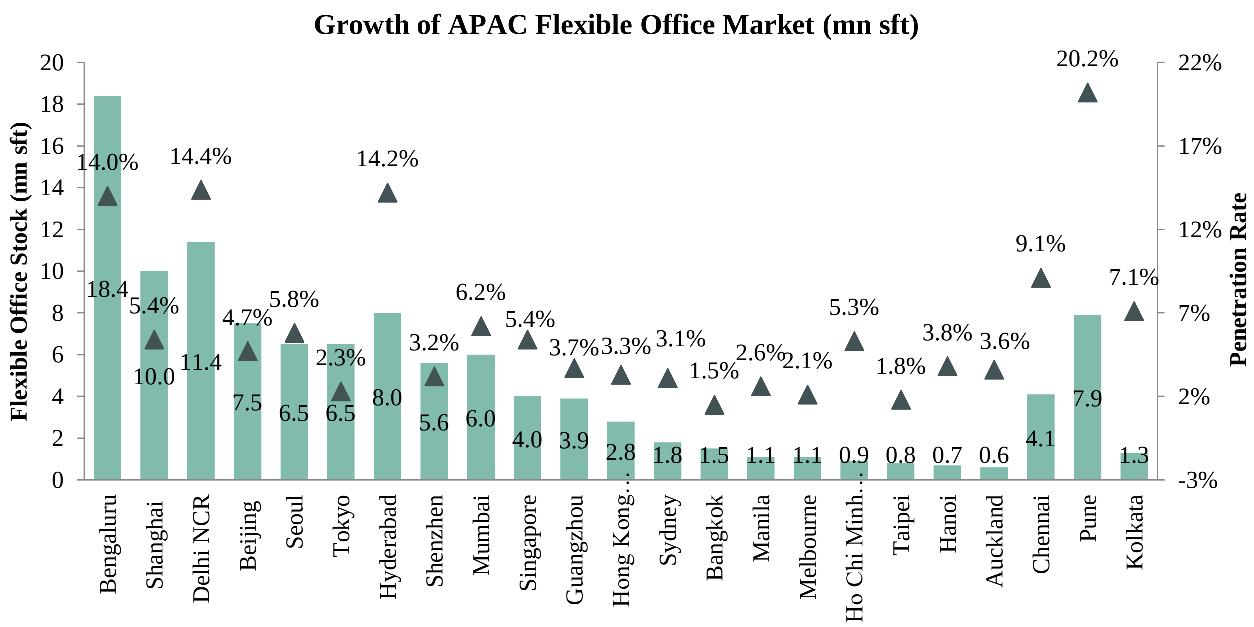
Flexible office market has registered a CAGR of approximately 34% between 2016 and first quarter of 2023. Major industry sectors driving demand for flex space includes technology and business services followed by finance sector.





% is based on enterprise customer contracts in first quarter of 2023

In terms of flexible office activity as compared to traditional office activity, the APAC region has registered an average penetration rate of approximately 4%. The graph below highlights city wise quantum of flexile office activity and level of penetration as compared to total office stock across 20 prominent APAC cities as on March 31, 2023:



Note: Penetration levels for Indian cities is calculated as stock of flexible workspaces as a % of total occupied non-SEZ stock of office as of June 30, 2023
Note: Penetration levels for other APAC cities is calculated as stock of flexible workspaces as a % of total Grade A office stock

Further, it is to be noted that four of the 20 prominent APAC cities in India account for over 44% of the total flexible office space, as depicted in the graph above.

In a market such as India, a significant quantum of offices spaces is unorganized / Grade B / strata stock, where space owners face multiple challenges/ difficulty in leasing out spaces to tenants. Hence, penetration for flexible workspaces is comparatively higher in these cities.

To better understand the key nuances of flexible office activity in the APAC region, four prominent cities, namely Seoul, Tokyo, Singapore, and Manila have been chosen for consideration on the back of:

i) Absolute quantum of flexible office stock depicting the market size.

ii) Flexible office stock penetration levels.

iii) Nature of the economy; and

iv) Similarities with the Indian office market.

In addition, prominent Indian cities, namely Bengaluru, Hyderabad, and Delhi NCR (comprising of Delhi, Noida, and Gurgaon) have been chosen to draw comparison amongst key APAC markets on account of their strong position in terms of availability and growth of overall office stock as well as flexible workspace supply.

Summary and Outlook – APAC and India

City	Total Flex Stock and Growth Rate	Penetration %	Market Summary	Growth Outlook
Seoul	6.5 million sq. ft. approximately 25% (2017 – first quarter of 2023)	5.8%	Flex activity picked momentum post 2016 with the entry of WeWork and has been a major office driver for the last 5-6 years. Supply for flex space peaked in 2018 with the presence of over 240 operators as on March 31, 2023	Flex operators are expected to continue expanding in the market in non-core areas and non-Grade A developments, given office rentals have been inching up
Tokyo	6.5 million sq. ft. approximately 32% (2017 – first quarter of 2023)	2.3%	Flexible office market gained momentum post 2017 and has since then more than quadrupled its total footprint. The city has the presence of over 100 operators offering over 550 centres	Flex market is expected to expand going forward with several operators opening new centers. Further, several Japanese developers are acquiring flexible office operators to have a more diverse offering in the market
Singapore	4.0 million sq. ft. approximately 16% (2017 – first quarter of 2023)	5.4%	Singapore's flexible office market has grown exponentially over the past decade, from a footprint of 0.82 million sq. ft. with over 80 centers in 2013 to 4.0 million sq. ft. to over 180 centers in the first quarter of 2023. There are over 70 operators at present	The flexible office market is expected to grow by 6% Y-o-Y in 2023. Newer sectors such as banking and finance, technology, media and telecom ("**TMT**") and transport and storage are expected to drive demand
Manila	1.1 million sq. ft.	2.6%	Flexible office activity gained momentum post the COVID-19 pandemic. Makati and Fort Bonifacio subdistricts account for over 50% of the total activity and have a higher penetration rate of 3.0% and 3.5% respectively. There are over 15 operators offering over 50 centers	Significant traction has been witnessed in the sector and the momentum is expected to continue going forward. Existing operators are expected to expand in the market
Bengaluru	approximately 18.4 million sq. ft. approximately 21% (2019 – second quarter of 2023)	approximately 14.0%	Bengaluru has emerged as the nerve center of India's IT industry characterized by the presence of many prominent technology companies with a focus across the value chain of the sector	Flexible workspace segment is expected to witness significant growth on the back of undisputed office demand. Bengaluru market has strong hold as an IT and technology sector hub, which is the biggest driver of demand for flexible workspaces in the city

City	Total Flex Stock and Growth Rate	Penetration %	Market Summary	Growth Outlook
Hyderabad	approximately 8 million sq. ft. approximately 16% (2019 – second quarter of 2023)	approximately 14.2%	Hyderabad is one of the fastest growing cities in India, supported by an excellent metropolis planning, well laid physical infrastructure, and social infrastructure. The city's commercial office stock has evolved due to demand from IT/IT enabled services ("**ITES**"), banking, financial services and insurance ("**BFSI**"), business consulting and professional services	Hyderabad has witnessed high demand for customized flex spaces over the last few years while demand for short term small spaces continues to be there. With saturation of the micro-market, office and flexible workspace may expand at an increasing rate to other micro-markets as well, such as the extended IT corridor
NCR	approximately 11.4 million sq. ft. approximately 15% (2019 – second quarter of 2023)	approximately 14.4%	As India's capital, with strong trade and commerce environment and excellent employment opportunities, Delhi has attracted people from all over India. Emergence of Gurgaon and Noida as the IT/ITES hub of North India (housing several Fortune 500 multinationals) has enabled the Delhi NCR region to attract substantial high-income professionals	The emergence of large-scale infrastructure initiatives across the NCR region, coupled with robust increase in office demand is expected to lead to subsequent acceleration of flexible workspaces stock. The supply addition is expected to be driven by Gurgaon and Noida while in Delhi, focus of the segment shall be on existing/ semi-investment grade buildings for presence/ expansion in the city

Penetration levels for Indian cities is calculated as stock of flexible workspaces as a % of total occupied non-SEZ stock of office.
Penetration levels for other APAC cities is calculated as stock of flexible workspaces as a % of total Grade A office stock.

While the flexible office market has been growing and is poised to further grow in the APAC market, certain factors in the Indian office market positions the flexible office segment to grow at a faster pace in India than the APAC cities. These factors include:

- Presence of a significantly large quantum of non-institutional office space and a large unorganized office market in India.
- Favorable demographics of India with a large percentage of young population, availability of talent pool, competitive pricing as compared to global cities make it a preferred destination for setting up base for MNCs, corporates and increasing number of GCCs, thereby, driving growth in the overall office segment.
- Unlike many other countries where Tenant Improvement ("**TI**") largely falls in the ambit of the space owners, in India it is primarily undertaken by the tenants themselves. Therefore, flexible workspaces are positioned to perform relatively better in India; and
- Hassle of tenants to deal with multiple vendors for setting up an office in a traditional set up. In developed countries, office supply is more organized and hence tenants can easily set up their own offices with relatively less hassle.

Flexible Workspace Industry Overview: India Story

Evolution Of Flexible Workspaces in India

The advent of flexible / agile workspaces is termed as the next wave of disruption in the office segment. Prior to the widespread adoption of flexible workspaces, small and medium enterprises ("**SMEs**") and mid-size corporates were operating out of offices with inadequate infrastructure and amenities, and there was a need for offices with better infrastructure and amenities at an affordable rate with flexible tenure and security deposit. Over the last decade, serviced offices, executive suites and business centers have defined the market for small and flexible office space.

	Details
2014 – 2017	• Concept of shared office space was limited to traditional business centers • Limited exposure of occupiers to workplace strategies • Growth of incubators/ accelerators was spurred by the 'startup boom'
2017 – 2020	• Increased expansion of foreign/ domestic operators • Customization of flexible spaces led to evolution of new formats such as enterprise co-working and managed offices • The demand towards flexible spaces was majorly driven by SMEs and the startup segments
2020 – 2021	• The concept of 'Work from home / anywhere' emerged due to the COVID-19 pandemic • Rising need for more experience-based workplaces including technology-enabled services • Also, activity-based working / employee experience accelerated the enterprise solutions to expand in the market

In the past 2-3 years, there has been a rising trend of companies adopting the 'distributed workforce' model, which has provided companies with easier access to workplaces, enabled companies to optimally utilize their resources and reduced commute time for their respective employees.

Key Growth Drivers of Flexible Workspaces

	Post 2023
Operator Perspective	**New arenas for sustenance and growth:** Focus on improving tenancy profile and profitability in operational centers through further amenitization and tech-enhancement. **Higher focus on customized solutions:** Emphasis on higher flexibility and innovative solutions / deal structures such as reverse officing, fit-outs as a service, pay-per-use, among others as per evolving enterprise demand. **'Creative' partnerships with space owners:** Operators exploring opportunities of portfolio tie ups are provided with variable rental agreements with space owners.
Occupier Perspective	**Portfolio 'Re-Optimization':** In order to compliment the hybrid working structure, occupiers are looking at cost effective "core+flex" strategies for medium to long term. **Location Strategies:** Possible dispersion towards multiple locations within /among cities via hub-and-spoke models in line with hybrid working models. **Augmented preference towards agility and value-added services:** Occupiers could display an increased inclination towards agility / flexibility to meet real estate requirements; along with an increasing need for technical enhanced spaces and health and wellness elements.
Space Owner Perspective	**Hotelisation of office space:** To improve their product offering, space owners are looking to have flexible workspaces as an amenity in their buildings / developments along with an increased focus on, among other things, F&B and wellness. **'Creative' partnerships with flexible operators:** Space owners could undertake variable rental partnerships or management agreements with operators and are likely to be more open to structuring portfolio tie-ups.

	Post 2023
	Valuation of office space: Space owners may strive to find the optimum share of flexible workspaces as part of their portfolios with an eye on valuations.

The growth is driven by factors such as enterprise focus on flexibility, cost optimization, workforce fluidity, reverse migration, workplace evolution, focus on wellness, facilities, and amenities, as well as growth of start-ups in Tier 1 and Tier 2 cities**.**

Enterprise Focus: Increasing number of SMEs and established corporates are now considering flexible spaces over conventional spaces. Flexibility in terms of quick setup of office facility and lower lock-ins appeals to most businesses.

Cost Optimization: In traditional office lease, the occupiers are required to incur capital expenditure for setting up an office. However, in flexible workspaces, the upfront investments are incurred by the operator and occupiers have to pay fixed rentals on a monthly basis that includes amortized capital expenditure as well as other operational expenses.

Workforce Fluidity: Demand for flexible space expected to be driven by companies looking to tackle uncertainty of headcount projections, phased growth, mobile teams, temporary workforce.

Reverse Migration: Due to COVID-19 pandemic, there has been a reverse migration of workers to some extent, due to which employees are seeking increased flexibility and as a result, several organizations have decentralized operations and the demand for hub and spoke model and flexible workspaces has increased.

New Age Entrepreneur / SMES: Individual entrepreneurs and SMEs with entrepreneurial mindset prefer to focus on their core business operations. Flexible spaces with their end-to-end service offerings shall continue to be attractive to this segment.

Workplace Evolution: Occupiers expected to adopt hybrid / distributed working strategies in near short-term may lead to rationalization of office footprint in expensive core areas. Further, demand for flexible workspace will increase due to any workspace evolution towards liquid workforce and flexibility to work from a network of locations or work from anywhere or hybrid working

Focus on wellness, facilities, and amenities: Stronger employee centric workplace policies with a desire for amenities and wellness facilities is further expected to increase demand for flexible workspaces.

Growth of Start-ups in Tier 1 and 2 Cities: India's start-up landscape is becoming more diverse, with innovation spreading to different corners of India. The growth of start-ups in Tier 1 cities like Bengaluru and Mumbai has been remarkable, with thriving ecosystems and access to capital. Tier 2 cities like Ahmedabad, Indore and Jaipur are also witnessing a surge in start-up activity, driven by lower operational costs and government support. This expansion of start-ups beyond Tier 1 cities is fostering regional economic development and job creation.

Typical Operating Models for Flexible Workspaces

Some of the prominent models at which flexible workspaces operate include:

1. **Straight Lease Model**: Under the SL model, developers or space owners lease space to flexible workspace operators on traditional leases wherein typical market terms and conditions are applicable, including a fixed monthly rental, common area maintenance charges, security deposit, minimum lock-in period, lease tenure and escalations. The capital expenditure for fitting out the property is entirely borne by the operator. The SL model is the most prevalent arrangement between a space owner and a flex workspace operator in India.

2. **Managed Aggregation ("MA") Model**: Under the MA model, the developers or space owners may typically incur capital expenditure on fit-out, in part or full, the remainder being borne by the operator (if any), depending on other terms of the MA model, often foregoing a fixed rental for a component of minimum guarantee on a case-to-case basis and may take up a share of the revenue/profit on pre-negotiated terms.

For the purpose of this section, operator agreements with landlords under the MA model do not include the agreements signed as franchise agreements.

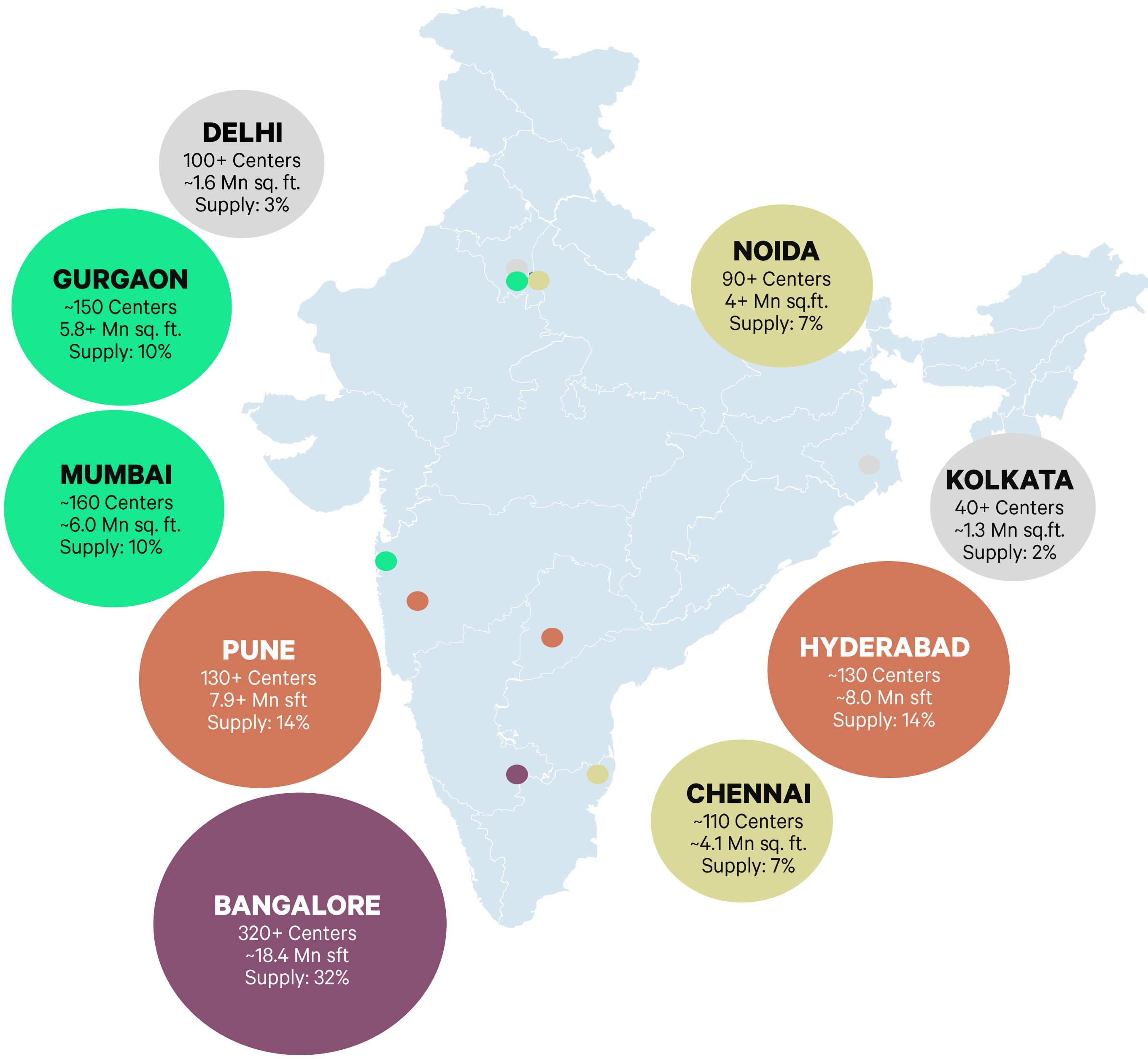
The above-mentioned models have been explained with the help of an illustration for a typical center in the subsequent sections.

Flexible Workspaces Segment – India Level

The major share of commercial supply witnessed in India has been in Tier 1 cities, i.e., Bengaluru, Delhi, Gurgaon, Noida, Mumbai, Hyderabad, Chennai, Pune, and Kolkata. With a total quantum of approximately 799 million sq. ft. as of June 30, 2023, all the MNCs and major sectors such as IT-tech software, BFSI, automobile, e-commerce are predominantly based in these cities.

Since the activity in the flexible workspaces segment is highly correlated to the overall office segment, majority of space take up by the flexible workspace operators has been within the aforementioned Tier-I cities, reflective of approximately 57.1 million in India. In similar lines, these cities have been taken into consideration for the detailed study of flexible workspaces in India.

The below map provides stock of flexible workspaces in Tier 1 cities in India:



Bengaluru has emerged as the largest market for flexible workspaces in India with a total of approximately 32% of the total India stock followed by the Delhi NCR market comprising of a total of approximately 23% of the total India stock, and

Hyderabad and Pune each with 14% which is in line with trends witnessed and market size of overall commercial office segment in these cities.

Note: Supply figures above represent percentage share in total supply of flexible workspaces for tier 1 cities in India as of June 30, 2023

Flexible Workspaces | India Overview

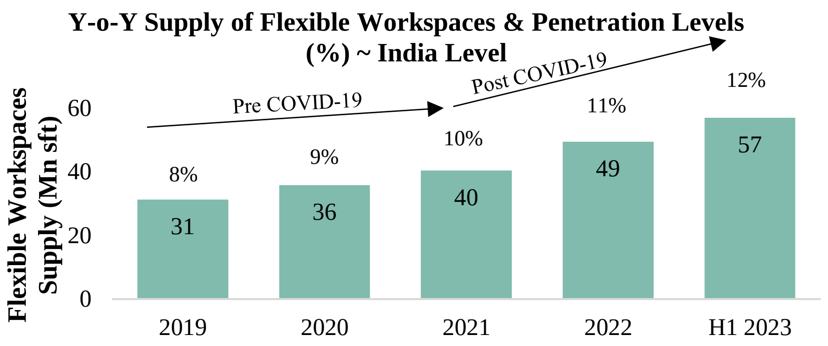
The total market size of flexible workspace segment has more than tripled in the last three to four years from (i) approximately 20 million sq. ft. before 2019 to approximately 57 million sq. ft. as on June 30, 2023, in Tier 1 cities; and (ii) approximately 1.7 million sq. ft. in 2019 to approximately 5.1 million sq. ft. as on June 30, 2023, in Tier 2 cities. Hence, taking the total stock of flexible workspaces in India to over 62 million sq. ft. primarily in cities such as Ahmedabad, Kochi, Coimbatore, Indore, Jaipur with presence of support infrastructure and talent pool. Introduction of flexible workspace in Tier 2 cities is primarily done by local / regional operators. However, prime focus markets for operators have been key office hubs in India such as Bengaluru, Hyderabad, NCR, Pune, Mumbai, Chennai.

The table below provides key statistics pertaining to flexible workspaces in Tier 1 cities in India.

Flexible Workspace Stock in India (Tier 1 Cities) *	
Operators	Over 250
Facilities	approximately 1,250
Workstations	approximately 880,000 seats
Flex Stock	Over 57 million sq. ft.
Average Occupancy	75 – 80%

**Data as on June 30, 2023*

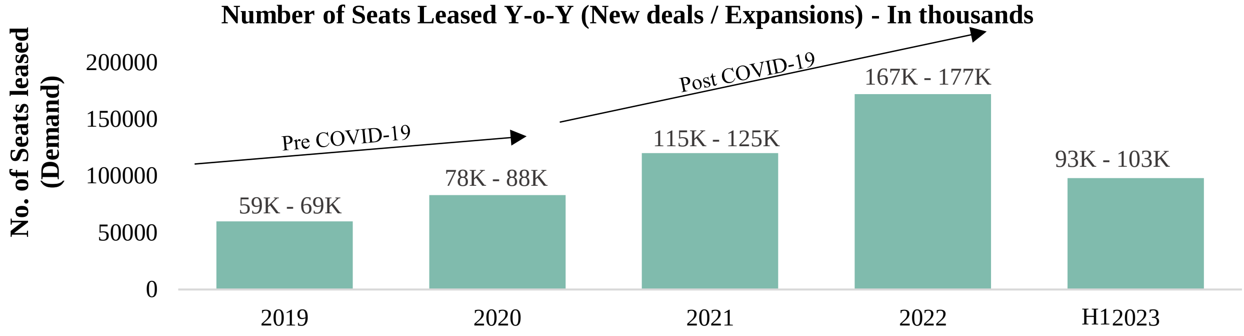
The table chart provides Y-o-Y supply addition of flexible workspaces in Tier 1 cities in India:



The supply addition saw a decline during the COVID-19 pandemic owing to overall slowdown in space take-up, delayed completions and subdued real estate activity. However, post COVID-19 pandemic, with companies realigning their real estate strategies, to offload real estate costs and optimize the portfolio size which is in line with the hybrid work culture post the COVID-19 pandemic, increasing demand for flexible workspace has been witnessed in the past few years.

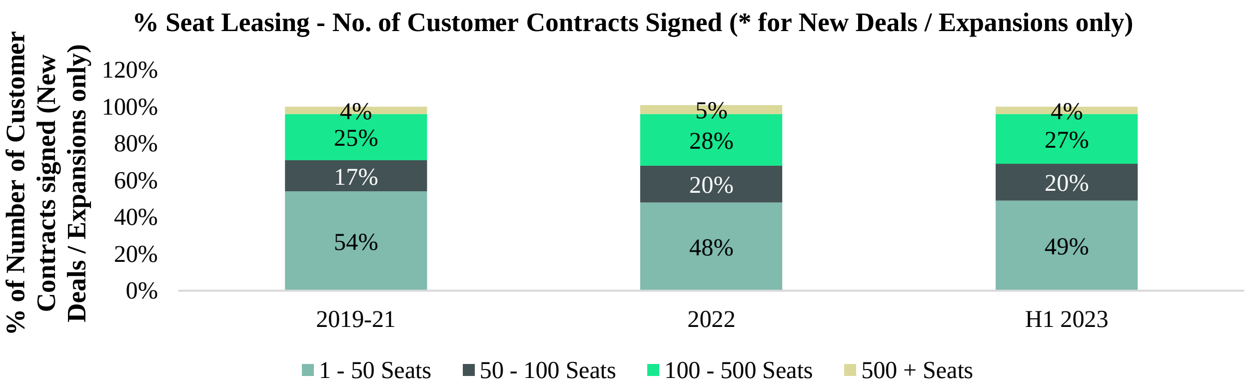
Growth Rate in supply addition in flexible workspace segment: The cumulative stock of flexible workspaces in Tier 1 cities in India grew from approximately 31 million sq. ft. in 2019 to 57 million sq. ft. in first half of 2023 at a CAGR of 19%. While during the pre-COVID pandemic period, the growth rate for the flexible workspaces industry was at a CAGR of approximately 14% between 2019-2021, the flexible workspace industry witnessed a significant growth at CAGR of approximately 27% between 2021 and first half of 2023. Further, with accelerated demand for flexible workspaces post COVID-19 pandemic, there has been a steep jump of approximately 33% in the penetration levels of office spaces by flexible workspaces from 9% in 2020 to 12% during first half of 2023 across various seat cohorts. During this period, the penetration levels have increased at a healthy CAGR of approximately 15%.

The table chart provides the number of seats leased Y-o-Y (customer contracts signed (new deals / expansions only)) of flexible workspaces in Tier 1 cities in India:



The demand for seats in flexible workspaces has been continuously increasing in the last 3-4 years and growing at an average annual growth rate of 30%-40% from 2019-2021. The Y-o-Y seat take-up is increasing at a CAGR of approximately 42%, from approximately 59,000 – 69,000 seats per year in 2019 to approximately 167,000 – 177,000 seats per year in 2022 and expected to reach 335,000 – 345,000 seat per year by 2026. In view of the increasing end user demand from enterprise clientele and larger corporate organizations, almost all major operators are expected to significantly expand their respective portfolio sizes going forward in order to meet the growing demand.

The table chart provides cohort wise customer contracts signed (new deals / expansions only) Y-o-Y in Tier 1 cities in India:

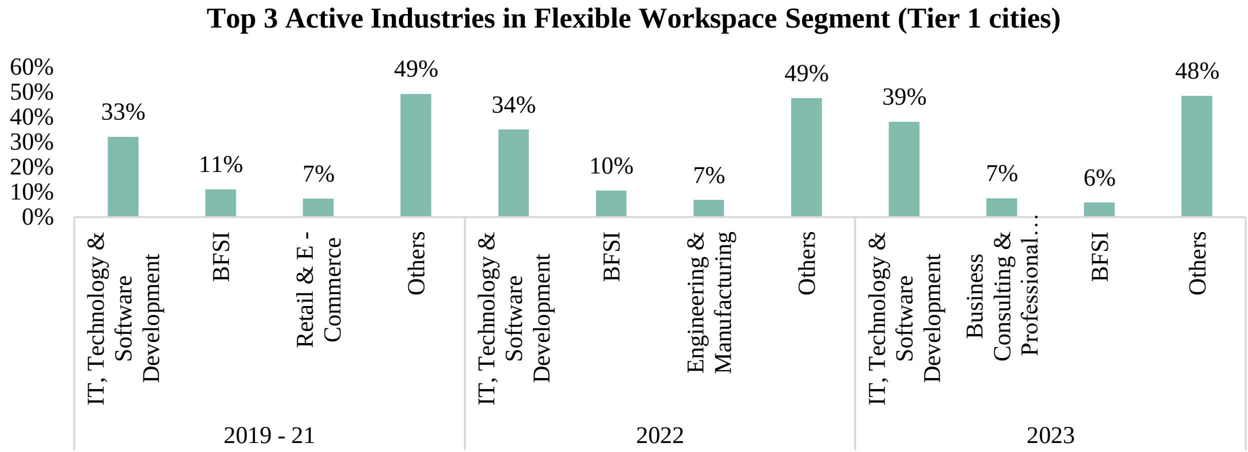


Majority of the customer contracts signed (new deals / expansions only) recently fall in the range of 1 – 50 seats though number of customer contracts signed (new deals / expansions only falling in the range of 100 – 500 seats and 50 – 100 seats have been increasing gradually in the last 3 - 4 years. It has been witnessed that number of customer contracts signed (new deals / expansions only) have been increasing consistently across cohort sizes after COVID-19 pandemic. Further, there has been an increase in demand for sub 500 seat capacity in India from 2021 to 2023, with the number of customer contracts signed per year increasing by approximately 36% and 38% between 2020-2021 and 2021-2022.

The demand for flexible workspaces across different seat cohorts namely 1-50 seats, 51 -100 seats, 101 – 500 seats and over 500 seats, increased at a CAGR of approximately 29%, 41%, 54% and 57% respectively, between 2020 and 2022, based on total number of customer contracts signed.

This trend is expected to be consistent going forward and number of customer contracts signed across cohort sizes are expected to increase consistently and proportionately with increasing overall seat demand in the future.

The table chart provides the top three industries active in flexible workspaces in Tier 1 cities in India:



IT, technology, and software development sector has been the major demand driver for flexible workspaces in the last 3 – 4 years followed by BFSI, which has witnessed an increase in the demand for space from flexible workspace operators over the years. Corporates and multi-national corporations recognized the value of flexible tenures, real estate cost optimization and decentralized work models post the COVID-19 pandemic. Further, the leasing activity is expected to increase consistently and proportionately across the above-mentioned top industries going forward as well.

Segment Dynamics - Tier 1 Cities

Tier 1 cities in India are at the forefront of the growing demand for flexible workspaces in India. The cities have witnessed strong growth in demand for flexible office spaces as the leasing activity increased significantly post COVID-19 pandemic.

Total market size of flexible workspace segment has more than tripled in the last three to four years from a total of approximately 20 million sq. ft. before 2019, to approximately 57 million sq. ft. as of June 30, 2023, in Tier 1 cities.

Occupiers have displayed an increased inclination towards cost effective, customized solutions with flexible terms, to meet their real estate requirements, along with an increasing need for technology enhanced spaces and health and wellness elements.

With an increase in quality investment-grade supply, demand backed expansion by operators, portfolio re-optimization to include flexible workspaces, focus on technology and health and safety, augmented demand for the sector in the coming years is expected. Product innovation and customized offerings by flexible space operators are growing, and on-demand and subscription-based membership models are expected to rise further in the future.

Segment Dynamics - Tier 2 Cities

Tier 2 cities are currently at a nascent stage of growth and hence, provide ample opportunities to the corporates and operators. As a result, prominent developers are now making a beeline for these cities, propelled by demand from, among others, domestic and global corporates, flexible space providers, start-ups and education-technology firms.

Total market size of flexible workspace segment has more than tripled in the last three to four years from a total of approximately 1.7 million sq. ft. in 2019, to approximately 5.1 million sq. ft. as on June 30, 2023, in Tier 2 cities.

Post the COVID-19 pandemic, location agnosticism of the talent opened many opportunities for the global / domestic corporates as they are no longer constrained by geographical limits.

Effect of COVID-19 pandemic and the subsequent reverse migration, affordability / cost advantages compared to Tier 1 cities, infrastructure initiatives, real estate development, rise of overall office demand and untapped talent pool remain some of the key drivers for growth of flexible workspaces in Tier 2 cities.

Outlook for Flexible Workspace Segment in India

While maintaining a foothold in Tier 1 cities with established corporate hubs, flexible space operators are now extending their reach to Tier 2 cities such as Kochi, Ahmedabad, Indore, Coimbatore, and Jaipur. This expansion is driven by the presence of supportive infrastructure, corporate expansion objectives, and a strong talent pool in these locations.

In conclusion, India is one of the more preferred countries among the APAC cities studied above. The reasons for growth and acceleration of these cities are elucidated below:

- Post COVID – 19, India is expected to remain a preferred global outsourcing destination primarily due to availability of low – cost office space and presence of ample skilled workforce.

- The major occupiers / corporates in India shall remain uncertain about long term leasing solutions post the COVID-19 pandemic and hence, are expected to prefer part of their portfolio in flexible workspaces due to adoption of hybrid and distributed working.

- Increase in the adoption of the flexible workspace format by larger enterprises / corporates / MNCs requiring outsourcing business operations that lets occupiers focus on core businesses.

- Despite a gradual shift towards WFH culture, it is anticipated physical offices shall continue to be preferred going forward and hence, portfolio optimization through a right mix of traditional and flexible workspaces and relevant remote working strategy could become a part of the overall product mix.

Popularity of distributed working models, low cost hiring in Tier 2 cities, and emergence of more start-ups in India is expected to add to the demand for flexible workspaces going forward.

Unit Economics for Flexible Workspaces

Various operating models from a tenant, operator and space owner perspective have been tested using an illustration for a typical center to understand the factors such as cash flow implications, revenues / returns and pros / cons under each model. The following models have been illustrated below:

1. Traditional lease vs flexible workspaces from a tenant perspective
2. SL vs MA model from a space owner perspective
3. SL vs MA model from an operator perspective

Operating Model: Traditional Lease Vs Flexible Workspaces from a Tenant Perspective

Comparison of space take-up by a typical tenant under traditional lease and flexible workspace operator

There are multiple ways in which a tenant/ occupier can take-up space in a commercial office building. Traditionally, the occupiers have been entering into conventional leases directly with the space owners. These leases entail terms such as minimum lock-in period, longer lease tenures and higher up-front capital expenditure on fit-outs.

With the emergence of flexible workspace segment, the prospective occupiers now have alternate means to take up space for any kind of requirement with greater flexibility in lease terms.

The choice between traditional and flexible leases depends on various aspects such as size of space required, duration, facilities and amenities offered and the capacity to incur upfront capital expenditure.

Given below is an illustration of unit economics for a typical space off-take of approximately 100 seats under traditional lease as compared to flexible workspace operators from an occupier perspective.

Comparable	Traditional Lease	Flex Lease	Comments
Number of seats	100	100	The number of seats taken by traditional and flexible tenants are assumed to be 100 each under each model
Seat density on leasable area	80	60	Different seat density is primarily due to better efficiency in a flexible workspace as tenants share common spaces such as reception, lobby, washrooms and the cafeteria.
Total area (sq. ft.)	8,000	6,000	Larger area would have to be leased under traditional lease due to a comparatively lower efficiency
Fit outs on Capital Expenditure (₹/sq. ft.) on leasable area	2,200	0	Further, in case of a traditional lease, occupiers are required to incur up-front capital expenditure on fit-outs as space owners typically lease out warm shell spaces, while in the case of flexible workspaces, fully fitted-out spaces are offered.
Contingency cost on Capital Expenditure	5%	0	
Operating Expenditure (₹/sq. ft.)	60	0	Tenant is required to incur operating costs over and above space rentals under traditional space while the costs are built in to the per seat rentals under flexible workspaces
Rental (₹/sq. ft.) – on leasable area	120	270	As per typical market rentals / multiples for seat rentals
Per Seat price	NA	16,200	Calculated basis seat density and rentals per sq. ft. under flexible workspaces
Common Area Maintenance ("**CAM**") (₹/sq. ft.) – on leasable area	20		Typical lease terms witnessed
Security deposits (No. of months)	6	6	
Lock-in Period (Years)	Year 3	Year 3	
Lease Period	3	3	

Flexible leases offer more adaptability to changing needs and market conditions. Generally, in traditional leases, the tenants need to incur the expense of capital and operating expenditure.

The comparison of expected outflow for the tenant over a three-year period under both traditional lease and flexible workspace lease is illustrated below:

All the values in the subsequent tables are in ₹ Crore.

Comparable of Cashflows (3 Years)	Traditional Lease	Flexible Lease
Capital expenditure	1.8	-
Security deposit	0.5	0.9
Building/Seat Rentals	3.4	6.1
Building CAM	0.6	-
Operating expenditure	1.8	-
Total	**7.7**	**6.1**

Note: Saving for flexible space = (1- sum of flexible lease/sum of traditional lease)

The total expected outflow for the tenant in a traditional lease over three years is approximately ₹ 7.7 Crores as compared to ₹ 6.1 Crores for a three-year lease at a flexible workspace center. The above illustration indicates significant savings of approximately 20% – 22% for a small space off-take by a tenant in flexible workspace.

Pros of Flexible Workspaces over Traditional Spaces for a tenant

- **Cost Savings:** Flexible workspaces often translate to lower fixed costs, such as rent and utilities, as companies pay for the space they use, potentially reducing overhead expenses.
    - As illustrated above, a tenant can save approximately 20%-22% if he opts for a flexible workspace of 100 seats over a three-year period.
- **Flexibility of duration:** Tenants with space requirement for a shorter duration face certain challenges in leasing out space with space owners as the minimum lock-in period for organized office spaces is typically approximately three years. Flexible workspaces allow the tenants to take up spaces as per their requirement in terms of lease tenures / lock-ins, thus allowing for greater flexibility.
- **Flexibility in area / seats requirement:** Allows for adaptation to changing business needs. Companies can scale up or down easily based on workforce fluctuations.
- **Diverse Environment:** Employees have access to a variety of work settings, fostering creativity and productivity. Spaces may include open work areas, private offices, and collaborative zones.
- **Collaboration Opportunities:** Shared workspaces facilitate networking and collaboration with professionals from diverse industries. This can lead to valuable partnerships and idea exchange.

Space owner Point of View – Why space owners continue to partner with flexible workspaces.

There are multiple reasons for the space owners to continue partnering with or leasing out spaces to flexible workspace operators as compared to other traditional tenants, including, the ability of operators to provide completely customized offices, tenants preferring the same operator if they have existing spaces in several locations. Further, co-working spaces usually serve as an added amenity to the building providing the space owner the ability to indirectly cater to multiple requirements of several tenants at any given point in time.

- In case a client or a tenant requires customized solutions and managed office spaces and the space owners do not have the capability to service such requirements, space owners find it beneficial to partner with operators who have the capability to provide completely customized office solutions.
- Additionally, in cases where tenants have existing spaces in any location with an operator and both the parties are aligned on the requirements, terms and conditions, other expectations, tenants prefer the same operator for their other locations as well and hence the developers are able to better attract those tenants by providing spaces to flexible workspace operators.
- Coworking spaces on the other hand, usually serve as an added amenity to the building. Requirement sizes can be small and short-term, and the service provider may have to cater to multiple requirements by multiple tenants at any given point in time which may require an extensive leasing and customer relationship team to manage the churn. Space owners typically do not indulge in such model and prefer long-term leases. However, since coworking spaces are an essential amenity today, space owners provide space to coworking operators to cater to such smaller requirements as well. This also helps them retain their existing tenants who may have smaller space requirements which can be catered by such spaces.

SL vs MA Model

Given below is an illustration of unit economics for a typical flexible workspace center under SL and MA model from a space owner as well as operator perspective.

Hypothesis: The unit economics for the above-mentioned operating models have been undertaken for a typical facility size of approximately 10,000 sq. ft. of leasable area. All assumptions provided below have been taken as per typical market standards witnessed for a Grade A development in an established micro-market of a Tier 1 city, basis market assessment exercise and interactions undertaken.

Space owner Side Cash Flows

All the values in the subsequent tables are in ₹ Crores.

S No.	Cash Flows for space owner	MA	SL	Comment
A	Cost of Property	approximately 14	approximately 14	Purchase price of ₹ 14,000 per sq. ft. based on cost benchmarks for development of Grade A office assumed for 10,000 sq. ft. of office space.
B	Fit-out Cost	approximately 1.54	approximately 0	₹ 2,200 per sq. ft. on leasable area based on cost benchmarks for fit-out for a typical flexible workspace center
C=A+B	Total Capital Expenditure	approximately **15.54**	approximately **14**	-
D	Annual Rental or Profit Share	approximately 1.20	approximately 0.98	Rentals of ₹ 80 – 82 / sq. ft. / month in SL model (basis market standards) as compared to share of profits in MA model as per below working
E=D/B	Annual Yield	approximately **7.7%**	**7%**	-

All assumptions used for calculations are provided below.

Operator Side Cash Flows

All the values in the subsequent tables are in ₹ Crores.

S No.	Cash Flows for Operator	Managed Aggregation	Straight Lease	Comments
	Capital / One Time Expenditure			
A	Cost of Fit-out	approximately 0.66	approximately 2.20	₹ 2,200 per sq. ft. on leasable area based on cost benchmarks for fit-out for a typical flexible workspace center split between space owner and operator
B	Total Upfront Cost	approximately **0.66**	approximately **2.20**	-
	Revenue (Year 2 – Stabilized Occupancy)			
C	Revenue from Seats	approximately 2.29	approximately 2.29	Based on per seat prices at a 2.5x multiple of space owner to operator seat rentals, 85% occupancy, 10% other revenue and escalation assumptions for the center
	Expenditure (Year 2 – Stabilized Occupancy)			
D	Rentals to space owner	-	approximately 0.98	Rentals of ₹ 80 – 82 / sq. ft. / month in SL model (basis market standards)
E	CAM charges to space owner	approximately 0.19	approximately 0.19	CAM Charges of ₹ 16 / sq. ft. / month in straight lease model (basis market standards)
F	Operating expenses	approximately 0.38	approximately 0.38	OPEX Charges of ₹ 32/ sq. ft. / month in straight lease model (basis market standards
G = (C-E-F) *70%	Profit Share to space owner	approximately 1.20	-	Based on share of profits in managed aggregation model as 70% of profits
H = C - E - F - G	EBITDA	**0.51**	**0.73**	-
I = H / C	EBITDA Margin (%)	approximately **22%**	approximately **32%**	-
J = H / B	Return on capital employed ("**ROCE**") (%)	approximately **78%**	approximately **33%**	-

Note: Typical space owner rent to seat price multiple witnessed in the range of 2 – 2.5; Multiple has also been ratified using cost plus margin approach.
Note: Occupancy assumptions based on occupancy levels and timeframe to achieve occupancy witnessed in a successful center in established micro-market.

Below table provides other key assumptions for the space owner and operator for respective models:

Operator – Space Owner Arrangement	Managed Aggregation (Profit Sharing)	Straight Lease Model	Comments
Space owner's share in fit-out cost	70%	0%	**SL Model** – Operator typically incurs 100% cost of fit-outs under SL Mode. **MA Model -** Split of 70:30 assumed for share of space owner and operator in fit-out cost under the MA model
Operator's share in fit-out cost	30%	100%	
Space owner's share in profits - % of profits	70%	0%	**SL Model** – Space owner typically receives only rentals as per standard lease terms (no profits shared with space owner) **MA Model** - Split of 70:30 assumed for share in profit for space owner and operator respectively under the MA model
Operator's share in profits - % of profits	30%	100%	
Rent paid to space owner (₹ / sq. ft. / month)	-	approximately 82	Rentals assumed in line with office market rentals, keeping into consideration the cost of property
CAM (maintenance) Charges (₹ / sq. ft. / month)	-	approximately 16	As per standard market rates witnessed for Grade A developments

Pros and Cons of the SL Model for a space owner

Pros	Cons
Certainty of Revenue / Lower Risk: Fixed rentals are often earned by the developer for the area leased, for a minimum fixed lock-in period, regardless of the performance of the center. **Lower Upfront Cost**: The developer does not incur capital expenditure on fit-out for the center, which leads to lower upfront cost for the developer. In case the developer needs to incur the fit-out expenditure, it can charge interest for the period during which capital expenditure is amortized. **Limited Involvement Required in Operations**: Space owners are typically not required to be actively involved in how the operators run a center	**Restricted Potential Income**: The developer cannot increase / revise the rentals during the first three years (or time period as agreed with the tenant) even if market rentals / building rentals increase.

Pros and Cons of the MA Model for a space owner

Pros	Cons
Higher Potential Income: The space owner is typically entitled to profits in the model, which may lead to higher returns / income as per the performance of the flexible workspace center. **Dynamic Pricing**: The flexible workspace centers typically operate at shorter lease tenures / lock-in periods, enabling the operators to charge higher prices / revise prices more frequently as new occupiers take up space. This may at times lead to higher overall return on investment for the space owner.	**Upfront Cost**: The developer is typically required to incur the capital expenditure on fit-out for the center in return for a share in the profits / revenue, leading to higher upfront cost. **Higher Risk**: The returns / income for the developer is contingent on the performance of the center. In case the center fails to achieve high occupancy levels or takes longer time to achieve stabilized occupancy levels, the profit margins for the center may be comparatively lower than a straight lease model in the initial years.

Pros	Cons
MA model may also give the opportunity for the space owner to become a partner in the financial performance of the center.	

Pros and Cons of the SL model for an operator

Pros	Cons
Higher Revenue Potential: The operator may have to pay fixed rentals as agreed with the developer, while they can earn higher per seat rentals as per deal size and other terms from occupiers, without sharing profits with the developer. In addition to seat revenue, the operators also earn typically from, among other things, meeting rooms, F&B and digital products. **Full Control Over Operations**: Since the operator leases out space on traditional lease model with space owner/ developer, there is limited intervention by developers on operations of the center which allows the operators higher flexibility and authority over how the center is operated.	**Uncertainty of Revenue / Higher Risk**: In the SL model, the operator may have to pay fixed rentals for the area leased, for a minimum fixed tenure (lock-in period), regardless of the performance of the center. Further, the rentals are subject to escalation by approximately 15% after every three years, in case of renewal of lease. **Higher Upfront Cost**: The operator incurs capital expenditure on fit-out for the center, which leads to higher upfront cost for the operator. In case the developer needs to incur the fit-out expenditure, the operator may be subject to payment of monthly principal and interest for the period during which the capital expenditure is amortized, acting as an additional cost stream. Further, the operator must pay up to six months' rentals, depending on negotiation with the developer.

Pros and Cons of the MA Model for an operator

Pros	Cons
Potential for lower capital expenditure: The operator typically pays a share of profits / revenue to the space owner against the fit-out expenditure incurred by the space owner. Potential for lower capital expenditure often leads to higher RoCE which may aid the operator to quickly expand without need of excessive capital. **Lower Rental Obligations**: The operator typically pays no or reasonable minimum guarantee (rentals) per month to the space owner as compared to straight lease model. **Lower Risk**: The risk arising out of factors such as low occupancy or low center revenue may be lower under managed aggregation model, since fixed cash outflow (rentals to the space owner) is lower as compared to straight lease model.	Under the MA model, the opportunity to take the entire upside from the center revenue is reduced for the operator. The operator may be required to be more transparent with the space owner, thus impacting the efficiency in operating the business as substantial time and effort may be required.

Conclusion of Hypothesis of Unit Economics: Why space owners continue to partner with flexible workspace operators

The unit economics workings illustrated above provide a fair idea of the expected cash flows for the space owner and operator in a SL as well as MA model. The yield in a stabilized year (Year 2) for space owner in a SL model and MA model are to the tune to approximately 7% and 7.7% respectively, while the EBITDA margins for the operator are approximately 32% and 22% in the SL and MA model respectively (Year 2). Further, RoCE is approximately 78% for the operator in the MA model as compared to approximately 33% in the SL model. Payback period for the operator in the SL model and MA model is approximately 36 months and 16 months, respectively. For the flex workspace operator, while the margins under the MA model is marginally lower than the SL model, the upside on RoCE, lower payback period and lower risk makes the MA model more sought after by flex workspace operators, as exhibited in the above illustration.

Both kinds of agreements are being entered into by space owners and operators in India, depending on the asset type, building grade, micro-market, profile of developer / space owner and operator.

- The SL model is more prevalent arrangement between a space owner and a flex workspace operator in India. However, MA model does come with multiple benefits for both the space owner and the operator.
- Space owners may benefit from the MA model in terms of higher revenue potential and yield over the long run as they are entitled to a part of the profits, over fixed rentals.
- Further, in a market such as India, significant quantum of offices spaces is unorganized / Grade B / Strata sold in nature, where space owners face multiple challenges/ difficulty in leasing out spaces to tenants. In such cases, partnering with or leasing out space to flexible workspace operators solves for multiple leasing issues and can also act as a portfolio diversification strategy for the overall development.
- Additionally, there is a significant demand from tenants requiring smaller spaces / for shorter duration, which may not be possible under a traditional / conventional lease where lock-in periods are longer, upfront costs are higher with limited flexibility in lease terms. Flexible workspaces act as a bridge in solving the supply mismatch. The average capital expenditure per seat in 2023 of top operators in India typically ranged between ₹80,000 to ₹200,000.

The MA model aids space owners who often grapple with challenges such as time constraints, lack of expertise in property management, marketing and leasing, vacancies and suppressed rentals. If the space remains vacant, the expenses related to CAM and property tax cannot be passed on to the lessees and the space owner has to incur a higher fixed expense. The MA model allows space owners, especially for those in the unorganized sector, to monetize their unutilized spaces by upgrading and fitting out the space. Moreover, the flexible workspace companies create demand and ensure that the space is managed in a professional manner. This model also allows space owners to address any mismatch between supply of their larger space assets and demand for smaller working spaces.

Overview Of Tier 1 Cities in India

City wise Summary – Flexible Workspaces segment (Tier 1 cities)

Flexible workspace segment in Tier 1 Cities – Key Statistics

City	Operators	No. of centers	Flex Stock (million sq. ft.)	Penetration Levels (As% of occupied Non SEZ office stock) (approximately)	Total Seats (Approximately)	Average Occupancy (approximately)	Quoted Rental Range (₹ per seat/month) (in '000)	Prominent Tenant Categories
Bengaluru	approximately 80 (18.1%) *	over 320 (19.7%) *	approximately 18.4 (29.6%) *	14.0%	283,000 (29.4%) *	75 – 85%	6 – 40	IT-Tech software development, BFSI, retail and e-commerce
Hyderabad	over 40 (10.2%) *	approximately 130 (7.9%) *	approximately 8.0 (12.8%) *	14.2%	123,000 (12.8%) *	75 – 85%	5 – 25	IT/ITES, BFSI, business consulting and professional services
Pune	over 30 (8.1%) *	over 130 (8.1%) *	over 7.9 (12.7%) *	20.2%	122,000 (12.6%) *	70 – 80%	7 – 25	IT, engineering and manufacturing, BFSI
Mumbai	over 50 (12.9%) *	approximately 160 (9.7%) *	approximately 6.0 (9.6%) *	6.2%	92,000 (9.5%) *	80 – 90%	7 – 95	IT/Tech software development, BFSI, engineering and manufacturing
Gurgaon	approximately 60 (13.3%) *	approximately 150 (9.0%) *	over 5.8 (9.4%) *	12.6%	90,000 (9.3%) *	70 - 80%	6.5 – 50	IT, retail and e-commerce, BFSI
Noida	approximately 50 (11.0%) *	over 90 (5.5%) *	over 4.0 (6.5%) *	17.6%	62,000 (6.4%) *	70 – 80%	6 – 22	IT, business consulting and professional services, BFSI
Delhi	approximately 60 (14.0%) *	over 100 (6.4%) *	approximately 1.6 (2.5%) *	approximately 15.1%	25,000 (2.5%) *	70-80%	6.5 – 55	BFSI, F&B, advertising marketing and public relations, IT
Chennai	over 40 (10%) *	approximately 110 (6.6%) *	approximately 4.1 (6.6%) *	9.1%	63,000 (6.5%) *	75-85%	6 – 22	IT/Tech software development, engineering and manufacturing, BFSI
Kolkata	over 20 (5.2%) *	over 40 (2.7%) *	approximately 1.3 (2.1%) *	7.1%	19,800 (2.1%) *	75 – 85%	6 – 25	Outsourcing and offshore consulting, business consulting and professional services, IT, engineering and manufacturing
TOTAL		approximately **1,250**	**over 57**	**12.2%**	**8,80,000**	-	-	-

*Note: * Percentage of pan India flexible workspaces stock*

Note 2: Lower rental is represented by seat price quoted by local operator in CBD, higher rental is represented by seat price quoted by International/ National level operator with center in the most prominent business district.

Overview of Tier 2 Cities in India

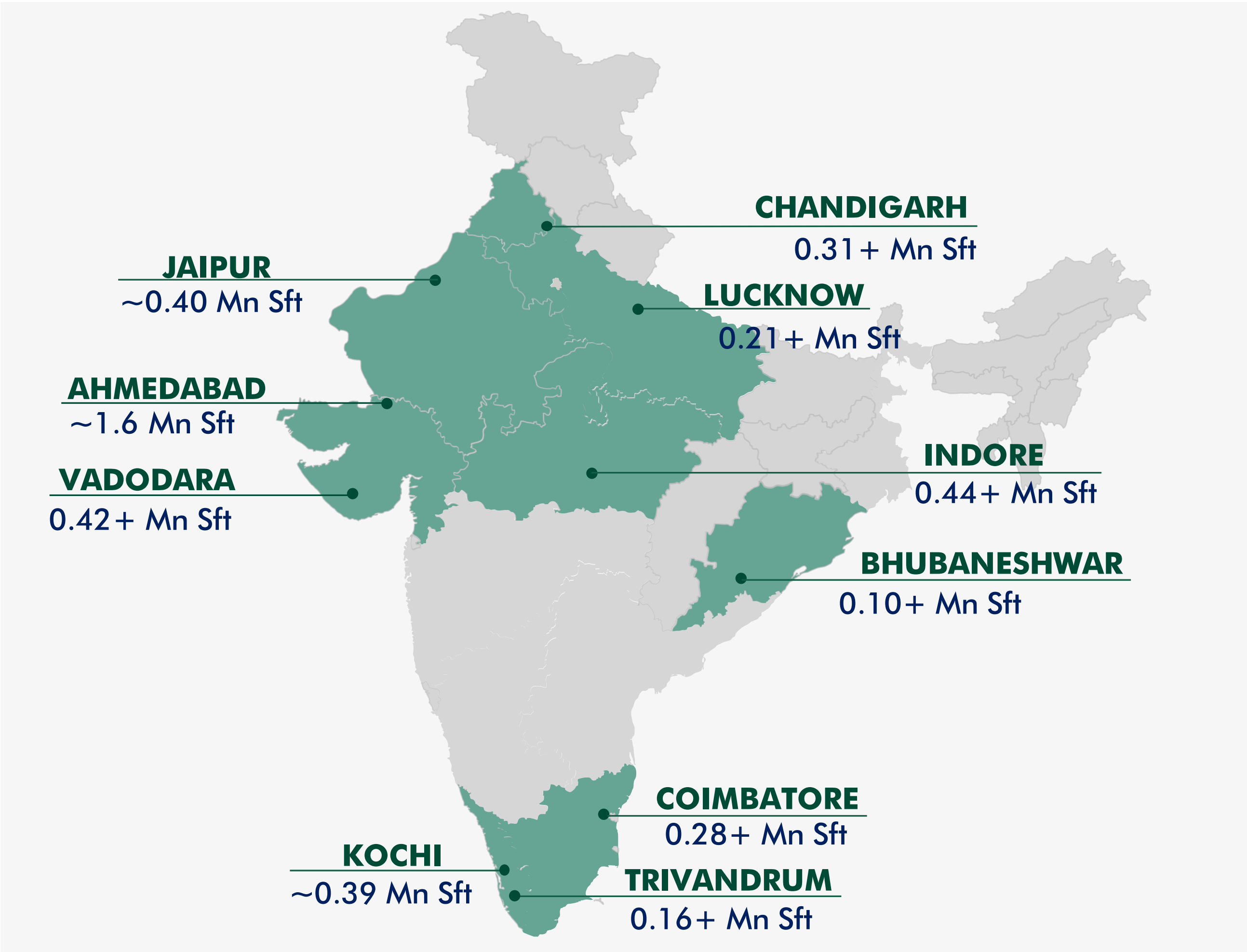
Prominent Tier 2 cities with presence of office and flexible workspace stock have also been covered to provide an overview of flexible workspace segment and key city level metrics. Tier 2 cities covered as part of the section are as follows:

Five established Tier 2 cities:

1. Ahmedabad
2. Jaipur
3. Kochi
4. Indore
5. Bhubaneshwar

Five emerging Tier 2 cities (broad overview)

1. Chandigarh / Mohali / Tri-city
2. Lucknow
3. Trivandrum
4. Vadodara
5. Coimbatore



Assessment of Commercial Office and Flexible Workspace – Tier 2 Cities in India

Post the COVID-19 pandemic, location agnosticism of the talent opened many opportunities for the global / domestic corporates as they are no longer constrained by geographical limits. While corporates are looking for their employees to return to office, many of them are also venturing into these Tier 2 cities to be in proximity to their workforce and the available talent pool. They are further encouraged by the quality infrastructure as well as affordable land cost and operations in these locations. While some are leasing space to set up their own operations, others are also opting for the flexible space route.

Flexible Workspaces

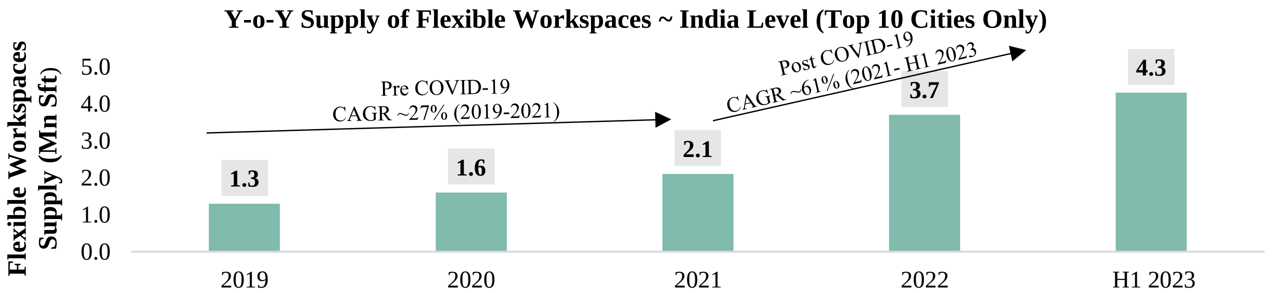
Total market size of flexible workspace segment has more than tripled in the last 3 – 4 years from a total of approximately 1.7 million sq. ft. in 2019, to approximately over 5.1 million sq. ft. as of June 30, 2023, in Tier 2 cities.

The table below provides key statistics pertaining to flexible workspaces in Tier 2 cities in India:

Flexible Workspace Stock in India (Tier 2 Cities) *	
Facilities	Over 400
Workstations	approximately 86,000
Flex Stock (Tier 2 Cities in India)	Over 5.1 million sq. ft.
Flex Stock (Top 10 Tier 2 Cities in India)	approximately 4.3 million sq. ft.
Average Occupancy	approximately 75 – 80%

**Data as on June 30, 2023*

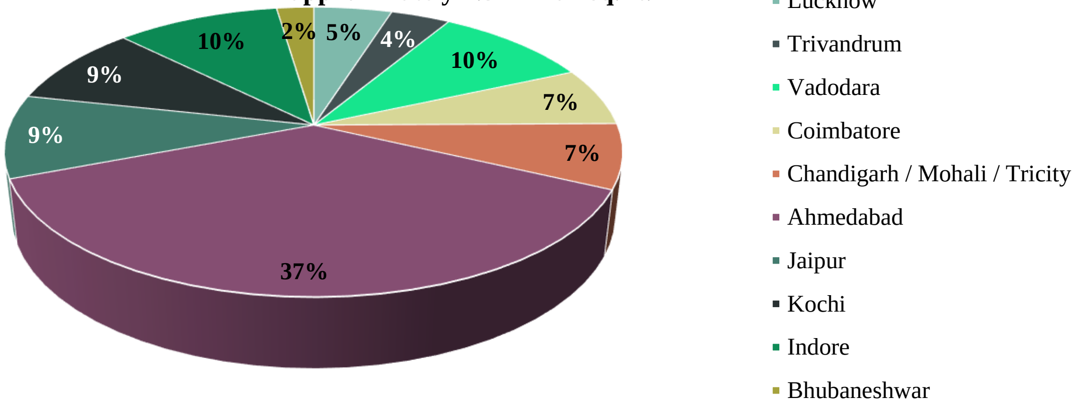
The table chart provides Y-o-Y supply addition of flexible workspaces in top 10 Tier 2 cities in India:



The stock of flexible workspaces in top 10 Tier 2 cities has more than doubled in the last 1.5 – 2 years, post the COVID-19 pandemic, owing to expansion of national level operators such as Awfis and Smartworks in Tier 2 cities coupled with many regional / local operators opening centers in these cities.

The table chart provides total supply addition of flexible workspaces in emerging Tier 2 cities in India:

Supply addition of flexible workspace in Tier 2 cities (5 top and 5 emerging)- Total approximately 4.3 million sq. ft.



Tier 2 cities in India have started gaining traction post the COVID-19 pandemic. Notable upswing could be reflected in Tier 2 cities due to shift in work culture and the growing demand for flexible workspace solutions beyond major metropolitan areas. As businesses / occupiers recognize the benefits of remote work and decentralization, flexible workspaces are gaining traction in these emerging urban hubs.

Tier 2 cities, with their lower costs of living and improving infrastructure, have become attractive hubs for businesses looking to decentralize. The COVID-19 pandemic has accelerated the acceptance of remote and hybrid work models, making flexible workspaces in tier 2 cities a strategic choice for companies. Smartworks and Awfis are among the major national level players with presence in tier 2 cities.

City wise Summary – Flexible workspaces segment (Top 5 Tier 2 cities)

City	Operators	No. of Centers	Total Completed Supply (million sq. ft.)	No. of Completed Seats	Average Occupancy	Rental Range (₹ per seat/month) ('000)	Prominent Tenant Categories
Ahmedabad	approximately 20	approximately 50	approximately 1.6	over 26,000	approximately 75 – 85%	7 – 12	IT, BFSI, business consulting and professional services
Jaipur	over 20	over 30	approximately 0.40	over 6,600	75 – 80%	5.5 – 13	IT, business consulting and professional services, retail and e-commerce
Kochi	approximately 30	approximately 40	approximately 0.39	approximately 6,500	75 – 85%	5.5 – 10.5	IT, entertainment and media, aviation, human resource services
Indore	approximately 20	over 20	over 0.44	approximately 7,400	approximately 70 - 80%	5 – 12	IT, retail and e-commerce, BFSI
Bhubaneshwar	over 10	approximately 20	over 0.10	approximately 1,700	70 – 75%	7 – 9	IT, engineering and manufacturing, business consulting and professionals, entertainment and media, technology and software
TOTAL		**approximately 160**	**approximately 2.9**	**approximately 48,300**	-	-	-

Outlook – Tier 2 Cities

Various factors have influenced the growth of flexible workspaces in Tier 2 cities:

Effect of COVID-19 pandemic: The COVID-19 pandemic accelerated the adoption of remote and hybrid / distributed working, making flexible workspaces more relevant than ever. Companies have been recognizing the need for hybrid work models giving the option to its employees to work from office as well as WFH. This trend is likely to continue driving demand for flexible workspaces in Tier 2 cities.

Affordability: These cities offer cost advantages compared to Tier 1 cities with lower cost of living, office space rentals. This affordability makes it more feasible for startups, SMEs to establish their presence in Tier 2 cities.

Infrastructure Initiatives: Tier 2 cities have been investing in improving their infrastructure including transport connectivity and real estate development. This development enhances the appeal of these cities as business hubs, its leading to rise of overall office demand and flex is a preferred route given the flex advantages.

Untapped Talent Pool: As companies seek cost effective alternatives to Tier 1 cities, Tier 2 cities provide a vast pool of untapped talent to expand their operations.

Major Categories: IT, BFSI, e-commerce, consulting and professional services are some of the major sectors looking into flexible office spaces in Tier 2 cities.

Competitive Landscape (Select Operators in India)

Flexible workspace operators have witnessed significant growth in India over the past few years, reflecting a shift in trend and how businesses approach their office needs. These operators offer versatile solutions that cater to a wide range of organizations, from startups to established enterprises / corporates / MNCs. With the rise of remote work and desire for more adaptable office arrangements, flexible workspace providers have become integral to the modern work ecosystem.

This competitive landscape offers a range of workspace options, including co-working spaces, private offices, and built-to-suit solutions, each with its distinct focus. They often offer amenities such as high-speed internet, meeting rooms, and community areas, fostering collaboration and increase in productivity.

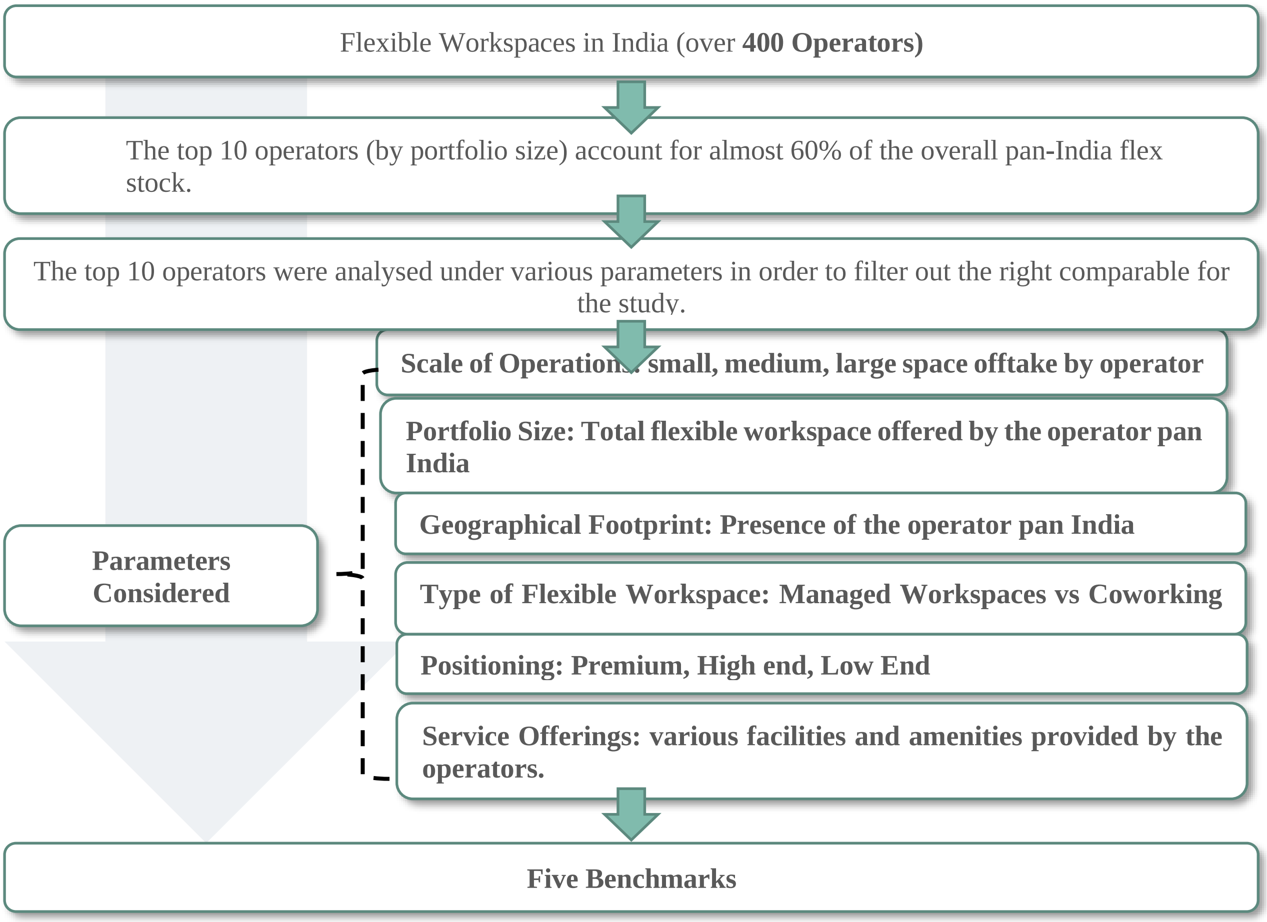
Moreover, flexible workspace operators play a crucial role in reducing the traditional constraints of long-term leases and extensive office management. They enable businesses to scale up or down as needed, making it easier to respond to dynamic market conditions. This flexibility has become particularly valuable in uncertain economic times, especially gained importance post the COVID-19 pandemic.

India has a total of approximately 400 operators with over 250 in Tier 1 cities of the country.

There are over 400 flexible workspace operators and the top 10 operators (by portfolio size) account for almost 60% of the overall pan-India flex stock. Operators such as Awfis, WeWork, Smartworks, Tablespace, Indiqube, are some of the prominent operators in the country.

We have benchmarked a select number of operators to provide an overview on their operational business and growth nuances. A funnel down approach has been followed to shortlist the benchmarks keeping various factors / rationales into consideration, a few of which have been listed below:

The flowchart below provides the approach to determine the benchmarks:



Based on the approach outlined, five comparable operators are selected for the study to understand their approach and various essential aspects in the flexible workspace segment.

Competitive Landscape - Summary

Parameters	AWFIS	CoWrks	Smartworks	Table Space	WeWork	Commentary
India level number of centers	130 - 140	15 – 25	40 – 50	40 – 50	45 – 55	Awfis is the largest flexible workspace solutions company in India as on June 30, 2023, based on total number of centers. Other operators such as WeWork, Smartworks, Table Space have centers in the range of 40 – 50.
India level stock as on June 30, 2023 (million sq. ft.)	4.0 – 5.0	1 – 2	7 – 8	4.7 – 5.7	5.5 – 6.5	The five operators benchmarked constitute approximately 23 - 24 million sq. ft. of flexible workspaces stock translating into approximately 38% – 40% of the total India level stock, as on June 30, 2023. Smartworks leads in terms of total stock of flexible workspaces across India (only lease signed centers, not including letters of intent and right of first refusal) with a portfolio size of around 7 – 8 million sq. ft. followed by WeWork, Table Space, and Awfis, as of June 30, 2023.
Total number of cities*	16	8	12	7	7	As on June 30, 2023, Awfis ranked 1st among the top five benchmarked players in the flexible workspace segment with presence in 16 cities in India, followed by Smartworks. Other operators including WeWork, Table Space, and CoWrks are all present in 7 – 8 cities which are mainly Tier 1.
Total number of micro-markets	47 - 52	13 – 18	20 – 25	20 – 25	25 – 30	As on June 30, 2023, Awfis, is present in the maximum number of micro-markets, among the top five benchmarked operators, followed by WeWork, Tablespace and Smartworks.
Average facility size (million sq. ft.)	0.02 – 0.07	0.04 – 0.09	0.15 – 0.20	0.07 – 0.12	0.10 – 0.15	Smartworks prefers to operate on a campus format with standalone buildings and hence has the highest average facility size of approximately 0.15 – 0.20 million sq. ft. WeWork also typically takes up large sized standalone buildings and hence has a higher average facility size of approximately 0.10 – 0.15 million sq. ft. as compared to other players.

Parameters	AWFIS	CoWrks	Smartworks	Table Space	WeWork	Commentary
						While the number of centers for Awfis is the highest among the benchmarked operators, the average center size is around 0.02 – 0.03 million sq. ft.
% MA- Number of space owner agreements (*for currently active/signed centers only)	High	Low - Medium	Low - Medium	Low - Medium	Low - Medium	Operators including WeWork, Table Space, Smartworks, and CoWrks mainly operate on a SL model, which is the most prevalent model between an operator and developer. However, Awfis has the largest number of centers under the MA model among the organized flexible workspace players in India as on June 30, 2023.
Total number of centers in Tier 2 cities	5 - 10	NA	1 – 5	NA	NA	Awfis has the largest flexible workspace footprint in Tier-2 cities among the top five benchmarked operators, as on June 30, 2023, based on number of centers.
Tier 2 City Supply (million sq. ft.)	0.25 – 0.30	NA	0.20 – 0.25	NA	NA	Among the five benchmarked operators, only Smartworks and Awfis are currently operational in Tier 2 cities in India. Awfis has the largest flexible workspace footprint in Tier 2 cities among all the top five benchmarked operators, as on June 30, 2023, based on total area. WeWork, Table Space, and CoWrks are currently based out of only Tier 1 cities.
Tier 1 cities	Bengaluru, Chennai, Delhi, Gurgaon, Noida, Hyderabad, Kolkata, Mumbai, Pune	Bengaluru, Chennai, Delhi, Gurgaon, Hyderabad, Mumbai, Noida, Pune	Bengaluru, Delhi, Chennai, Gurgaon, Hyderabad, Mumbai, Noida, Pune, Kolkata	Bengaluru, Chennai, Gurgaon, Hyderabad, Mumbai, Noida, Pune	Bengaluru, Delhi, Gurgaon, Hyderabad, Mumbai, Noida, Pune	All operators are currently operational across all major Tier 1 cities in India including Mumbai, Gurgaon, Bengaluru, Hyderabad, Pune, and Noida. Among the benchmarked operators, Awfis and Smartworks are the only ones present across all nine Tier 1 cities.
Tier 2 cities	Ahmedabad, Bhubaneshwar, Chandigarh, Indore, Jaipur, Kochi, Nagpur	NA	Ahmedabad, Indore, Jaipur,	NA	NA	Awfis has the largest flexible workspace footprint in Tier 2 cities among the top five benchmarked operators, as on June 30, 2023, based on number of Tier 2 cities. They are currently operational in seven key Tier 2 cities including Ahmedabad, Bhubaneshwar, Chandigarh, Indore, Jaipur, Kochi, Nagpur. Smartworks is currently operational in Ahmedabad, Indore, and Jaipur.

Parameters	AWFIS	CoWrks	Smartworks	Table Space	WeWork	Commentary
						Other operator benchmarked are currently operational only across Tier 1 cities mentioned previously.
Operator Overview	Versatile flexible workspace operator with offerings ranging from budget to premium, clients including both startups and enterprises / corporates / MNCs and capability to provide all kinds of flex solutions including managed and coworking.	Premium flexible workspace operator proving a variety of solutions ranging from day pass to enterprise coworking to customized managed offices with an appetite for opportunistic demand led space acquisitions.	Leading managed campus operator with an appetite for opportunistic demand led space acquisitions.	Leading premium managed office operator further foraying into serviced suites and asset management businesses.	Premium flexible workspace operator proving a variety of solutions ranging from day pass to enterprise coworking to customized managed offices with an appetite for opportunistic demand led space acquisitions.	
Seat Leasing across cohort sizes - No of customer contracts signed (* for new deals / expansions only)	Awfis is a versatile operator catering to all cohort sizes. While the number of customer contracts signed is the highest in the less than 100 seats cohort, the share of customer contracts signed in larger cohort sizes is also increasing	CoWrks caters to clients across cohort sizes. Approximate number of customer contracts signed for small to medium cohorts of 0 – 100 seats may be higher.	Smartworks mostly caters to large cohort sizes of 100 seats and above.	Tablespace mainly deals in large cohort sizes, above 100 seats	WeWork caters to clients across cohort sizes. Approximate number of customer contracts signed for small to medium cohorts of 0 – 100 seats may be higher.	

Parameters	AWFIS	CoWrks	Smartworks	Table Space	WeWork	Commentary
Organic Leasing	Medium	Medium	Low - Medium	Low - Medium	Medium	Dependence on broker / international property consultants ("**IPCs**") for leasing spaces in flexible workspace centers largely depends on factors such as the size of customer contracts / transactions and tenure. Operators such as Awfis, WeWork, and CoWrks typically lease out more spaces in the smaller cohorts and shorter tenure as compared to Smartworks and Table Space and hence their dependence on brokers / IPCs is comparatively lower.
Ancillary revenue categories	F&B, IT services, mobility services, parking and valet, infra and allied services, events and engagement, alliance and in-center promotions, facility management	Day pass, event spaces, gourmet F&B, IT services, customization, alliances, members application	Tech-enabled smart store, RFID enabled parking system, digital gym pass, app-driven beverage machine, offers and partnerships within the app, IT services, healthcare, transportation	Parking facilities, F&B, IT services, concierge, transport	F&B markets, IT / server storage, events, mail and package handling, community and benefits, parking facilities	-

**Number of cities where the operator is having facilities; Note: All data provided is as of June 30, 2023; Note: There are no listed comparable in India or globally in terms of revenue size for the benchmarked companies.*

Projections for Flexible Workspaces

Demand for flexible workspaces here refers to space taken up or supply created by flexible workspace operators within the commercial office segment. An assessment of space take-up historically as well as projections for expected demand (space take-up / supply side projections for flexible workspaces) by flexible workspace operators in the next 3 – 4 years (2023 – 2026) has been undertaken in this section.

Projections outlined are an estimate only, not a guarantee and should not be relied upon. Future projections can be influenced by a wide variety of factors.

Supply Projections / Market Sizing Assessment Methodology

The total supply of approximately 799 million sq. ft. of office spaces in Tier 1 cities in India comprises of both SEZ and non-SEZ office stock. However, the supply projections for flexible workspaces are based on non-SEZ spaces only as flexible workspace activity in SEZs is very limited. Further, flexible space operators are not allowed to sublease SEZ spaces unless they follow the co-developer route, and there is limited clarity on sub leasing SEZ space.

The below table provides an assessment of overall non-SEZ office supply trends in Tier 1 cities in India as well as projections for supply for the next 3 – 4 years:

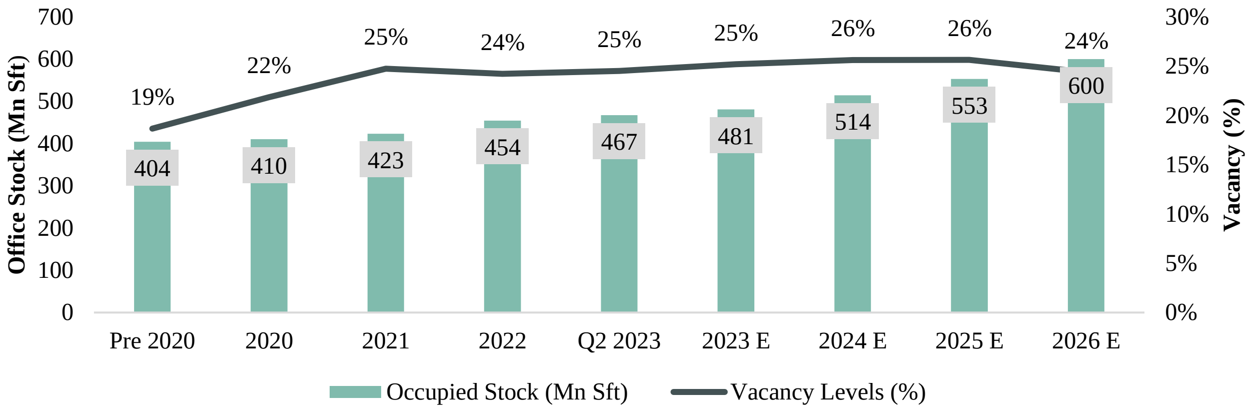
Y-o-Y Supply (million sq. ft.) at a city level						Projected supply (million sq. ft.)			
City	**Pre 2020**	**2020**	**2021**	**2022**	**H1 2023**	**2023 E**	**2024 E**	**2025 E**	**2026 E**
Gurgaon	57	3.3	2.4	5.6	0.8	2.7	3.5	4.5	4.6
Noida	26	2.3	6.3	2.2	1.2	3.9	3.1	2.6	3.7
Delhi	14	0.4	0.1	0.1	0.1	0.3	0.1	3.0	0.0
Bengaluru	121	8.3	9.6	10.9	6.3	10.8	15.9	16.2	13.2
Chennai	49	1.1	0.8	3.2	2.1	6.5	5.3	4.5	5.8
Pune	36	2.5	4.6	4.3	2.8	6.4	6.3	6.4	5.3
Mumbai	115	4.2	6.0	3.5	0.2	3.4	5.2	5.9	6.2
Hyderabad	49	5.1	8.3	6.9	5.0	7.9	7.9	8.0	11.0
Kolkata	29	0.4	0.0	0.1	0.6	1.0	1.4	0.6	0.3
India (million sq. ft.)	**497**	**28**	**38**	**37**	**19**	**43**	**49**	**52**	**50**
India Cumulative Stock (million sq. ft.)	**497**	**525**	**563**	**599**	**619**	**643**	**691**	**743**	**793**

Despite the continued cyclical upswings and downswings of the COVID-19 pandemic, the Indian real estate sector has remained largely resilient. In 2023, India's strong macro fundamentals are likely to ensure that the country, and by extension the real estate sector, remains on a growth path.

Approximately 45 – 50 million sq. ft. of average annual supply addition of non SEZ Office Stock expected at an India level in the next 3 - 4 years (until 2026) and reach 793 million sq. ft. by 2026E, with the majority concentrated in cities such as Bengaluru, Hyderabad, and NCR.

The graph below provides an assessment of overall non-SEZ office occupied stock and vacancy trends in Tier 1 cities in India as well as projections for the occupied stock / vacancy for the next 3 – 4 years:

Historical and Projected Occupied Supply (Cumulative) and Vacancy in Non-SEZ Office Stock



Vacancy levels are expected to marginally increase further on account of new supply in the market in the short term, however, with the existing demand and recovery expected in office activity, vacancy is expected to be in the range of approximately 24 – 25%.

The table below outlines the Y-o-Y trends and projections for office occupied stock (non-SEZ) for all Tier 1 cities in India:

Cumulative Occupied Stock (million sq. ft.) – Current			Cumulative Occupied Stock (million sq. ft.) – Projected			
City	**2022**	**H1 2023**	**2023 E**	**2024 E**	**2025 E**	**2026 E**
Gurgaon	45	46	47	50	54	57
Noida	21	23	23	26	28	31
Delhi	10	11	11	11	12	12
Bengaluru	129	131	136	146	157	171
Chennai	43	45	47	52	56	62
Pune	37	39	40	45	49	55
Mumbai	96	98	99	103	108	115
Hyderabad	54	56	58	63	68	77
Kolkata	18	18	18	19	20	20
India Level Occupied Stock	**454**	**467**	**481**	**514**	**553**	**600**

Spike in vacancy levels in 2020-2021 due to impact on COVID-19 pandemic on leasing activity, higher levels of supply addition, consolidation of space by BFSI and IT tenants and exits on account of surrendering hard options. However, in 2022, the sector recorded highest leasing activity since the peak of 2019, leading to a marginal dip in vacancy levels.

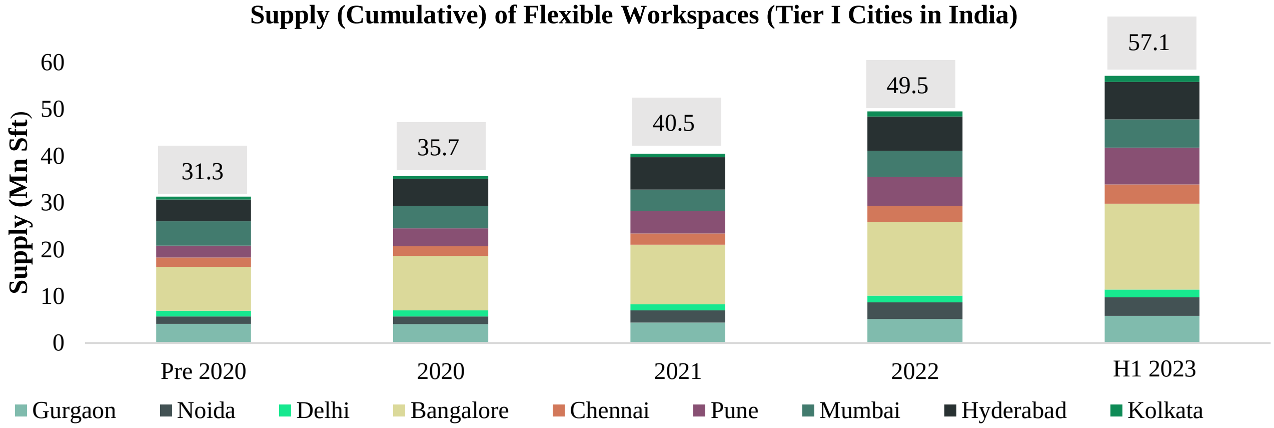
Outlook for Flexible Office Sector in India

Sustained leasing activity is anticipated as occupiers continue to focus on bringing employees back to office, even as hybrid working prevails in most of the sectors.

Favorable demographics, high skilled and cost-effective talent pool, robust technology and startup ecosystem, availability of high-quality office spaces at sub-dollar rentals and beneficial Government policies are expected to continue to drive portfolio expansion in medium to long term in India.

Moreover, the cost-effectiveness of flexible workspaces is a key factor contributing to their popularity. Traditional office setups involve substantial upfront costs and long-term leases, whereas flexible workspaces offer a pay-as-you-go model, allowing businesses to manage costs more efficiently. This financial flexibility is particularly attractive for startups and small businesses looking to allocate resources strategically and scale up or down as needed. Owing to India's cost and scale advantage, India is likely to continue to be the leading destination for global corporates to set up their GCCs.

The below graph provides Y-o-Y trends in supply addition in the flexible workspace segment for Tier 1 cities as well as India:



India has witnessed strong growth in demand for flexible office spaces. Leasing activity by operators continued in 2020-21, especially post COVID-19 pandemic, and almost doubled in 2022, from 2020 and 2021 levels, with approximately 9 million sq. ft. being added to the flexible workspace inventory in 2022 and 7.9 million sq. ft. being added in first half of 2023.

India has emerged as one of the fastest growing markets for flexible workspaces globally, primarily driven by increasing demand for managed office spaces from both large enterprises / corporates / MNCs as well as startups, across sectors, especially post COVID-19 pandemic.

The table below outlines the Y-o-Y trends and projections for penetration levels for flexible office sectors (in occupied non-SEZ stock) for all Tier 1 cities and India:

Y-o-Y Penetration Levels – Current			Y-o-Y Penetration Levels – Projected			
City	**2022**	**H1 2023**	**2023 E**	**2024 E**	**2025 E**	**2026 E**
Gurgaon	11.3%	12.6%	13.6%	14.6%	15.6%	16.5%
Noida	17.0%	17.6%	18.1%	19.1%	20.1%	21.0%
Delhi	13.5%	15.1%	15.6%	16.6%	17.6%	18.7%
Bengaluru	12.2%	14.0%	14.5%	16.0%	17.5%	18.4%
Chennai	7.9%	9.1%	9.6%	10.4%	11.1%	11.8%
Pune	16.8%	20.2%	20.7%	21.7%	22.7%	23.5%
Mumbai	5.8%	6.2%	6.7%	7.7%	8.4%	9.1%
Hyderabad	13.4%	14.2%	14.7%	15.7%	16.7%	17.7%
Kolkata	6.2%	7.1%	7.6%	8.6%	9.6%	10.8%
India Level Penetration Levels Projected	**10.6%**	**12.2%**	**12.8%**	**14.0%**	**15.1%**	**16.0%**

With the accelerated demand for flexible workspaces post COVID-19 pandemic, the penetration levels of flexible workspace sector in the office space (non-SEZ) segment have seen a steep jump of approximately 33% from 9% in 2020 to 12% during first half of 2023. Penetration levels is calculated as the percentage of flexible workspace stock divided by total occupied office stock. Further, the penetration levels of the flexible workspace sector in the office space (non-SEZ) segment in India is expected to increase to approximately 16% in 2026.This surge is driven by factors such as evolving global work cultures, demand for superior workspaces with more amenities, increase in start-up culture, GCC demand, an increasing independent workforce, pivot to 'space-as-a-service' models and a 'work-from-anywhere' ethos intertwined with the burgeoning sharing economy.

Estimation of Future Additional Supply Expected in Flexible Workspace Segment

- Projections for expected supply of flexible workspaces are based on the movement of penetration levels. Penetration levels represent the overall share of the flexible workspaces within the commercial office market. Hence, growth of the flexible workspace segment shall largely be driven by movement in the commercial office segment.
- Projections have been made for the overall flexible workspace inventory over the next 3-4 years (until 2026) and the total expected market size of flexible workspace segment at India level has been arrived at by adding the expected supply for all the Tier 1 cities.
- Expected supply additions have also been adjusted to account for stock in Tier 2 cities

The table below outlines the Y-o-Y trends and projections for supply under flexible workspaces for all Tier 1 cities and India:

Current Supply (million sq. ft.) of Flexible Workspaces						Projections for supply addition (million sq. ft.)			
Estimation of Supply Addition – Cumulative	**2019**	**2020**	**2021**	**2022**	**H1 2023**	**2023E**	**2024 E**	**2025 E**	**2026 E**
Gurgaon	4.1	4.1	4.4	5.1	5.8	6.4	7.3	8.4	9.4
Noida	1.6	1.7	2.6	3.6	4.0	4.2	4.9	5.7	6.4
Delhi	1.2	1.3	1.3	1.4	1.6	1.7	1.8	2.1	2.2
Bengaluru	9.4	11.6	12.7	15.8	18.4	19.7	23.4	27.5	31.5
Chennai	2.0	2.2	2.4	3.4	4.1	4.5	5.4	6.3	7.3
Pune	2.5	3.8	4.8	6.2	7.9	8.4	9.7	11.2	12.9
Mumbai	5.2	4.8	4.8	5.6	6.0	6.6	7.9	9.1	10.4
Hyderabad	4.7	5.8	6.9	7.3	8.0	8.5	9.8	11.3	13.7
Kolkata	0.57	0.6	0.8	1.1	1.3	1.4	1.7	2.0	2.2
India Level Supply Addition Projected – Cumulative (million sq. ft.)	**31.3**	**35.8**	**40.4**	**49.5**	**57.1**	**61.5**	**71.9**	**83.4**	**96.0**
India Level Supply Addition Projected – Y-0-Y (million sq. ft.)	**31.3**	**4.5**	**4.6**	**9.1**	**7.6**	**12.0**	**10.4**	**11.6**	**12.6**

The total flexible workspace quantum is expected to grow significantly from 2022 levels across all major cities such as Gurgaon, Bengaluru, Pune, Hyderabad. The total quantum of approximately 57 million sq. ft. as of June 30, 2023, is expected to reach approximately 96 million sq. ft. across Tier 1 cities by 2026.

In 2023, the annual space take-up within the flexible workspace segment is expected to reach approximately 11 – 12 million sq. ft. for the first time in any given year in India. A major proportion of this supply is expected to be speculative space take-ups by operators. Hence, in 2024, operators are expected to primarily focus on achieving occupancy in the existing supply taken which may result in a marginally lower space take-up in 2024. However, with a growing base for potential occupiers, including larger enterprises / corporates / MNCs / SMEs as well as start-ups alike, an increasing number of companies realigning their real estate strategies to include flexible workspaces as part of the overall portfolio, annual supply addition by operators is expected to continue its upward trajectory going forward.

Adjustment of Tier 2 cities for current supply and supply projections

The supply of flexible workspaces in Tier 2 cities currently totals to approximately 5.1 million sq. ft., in cities including established cities such as Ahmedabad, Kochi, Jaipur, Lucknow and Coimbatore, and emerging cities such as Chandigarh, Indore, Bhubaneswar, Trivandrum and Vadodara.

Tier 2 cities account for approximately 8 – 9% of total stock of flexible workspaces of approximately 62 – 63 million sq. ft. in India.

Stock of flexible workspaces in Tier 2 cities is expected to increase significantly in the next 3 – 4 years.

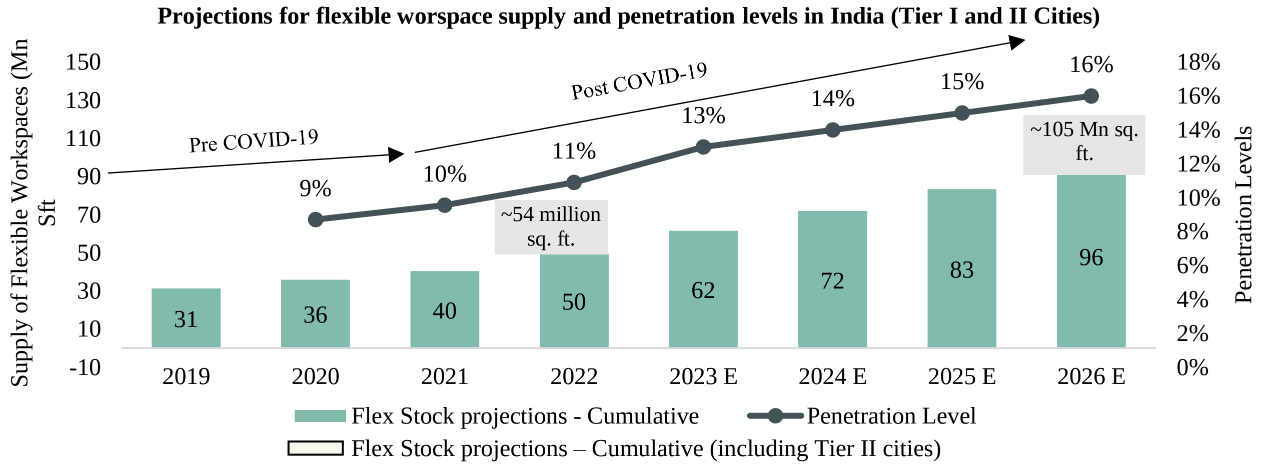
Tier 2 stock is expected to account for a similar share of approximately 8% – 9% in the total pan India stock in the next 3 – 4 years, given a healthy projected supply for flexible workspaces in Tier 1 cities as well.

Overall stock in Tier 2 cities is projected to increase from approximately 5 million sq. ft. in first half of 2023, to approximately 8.5 – 9 million sq. ft. thereby experiencing a 1.7x growth by 2026.

Projections for Stock of Flexible Workspaces in India (Tier 1 and Tier 2 cities)

Projection for market size for flexible workspaces in India, including both Tier 1 and Tier 2 cities is outlined below.

The graph given below outlines the cumulative supply projections for flexible workspaces for India (Tier 1 and 2 cities):



Total Projected Market Size (Tier 1 + Tier 2 cities): The total projected market size in Tier 1 cities and Tier 2 cities for flexible workspace segment is projected to be approximately 105 million sq. ft. by 2026, including the supply addition within Tier 2 cities in India. The Tier 2 cities in India are set to be the next growth frontier for flexible workspaces with demand for commercial real estate in these cities expected to increase significantly in the next 3 – 4 years.

TAM for flexible workspace segment

TAM for flexible workspaces is defined as the existing / estimated area take up by flexible workspace operators within the overall office inventory, and the vacant stock of non SEZ office spaces which is available for take-up by flexible workspaces.

As illustrated above, the total stock of non-SEZ office space is expected to be approximately 793 million sq. ft. while the occupied stock is expected to be approximately 600 million sq. ft. by 2026E.

It is also known that the current stock of flexible workspaces within the non-SEZ office stock is approximately 57 million sq. ft. across Tier 1 cities which is estimated to be approximately 96 million sq. ft. by 2026E.

The total addressable market for flexible workspace segment is expected to be approximately 289 million sq. ft.

Parameters	2026E
Total Stock (Non-SEZ Office) by 2026E – million sq. ft.	793
Total Occupied Stock (Non-SEZ Office) by 2026E- million sq. ft.	600
Vacant Stock (Non-SEZ Office) by 2026E- million sq. ft.	**193**
Expected Stock of Flexible Workspace in 2026 E (Tier 1)	96
Total Addressable Market for flex by 2026E – million sq. ft.	**289**
Total Addressable Market for flex by 2026E – ₹ billion	**485 – 607**
TAM Calculation (₹ billion)	
Weighted Average Rent for Non SEZ Stock (India Level) – ₹/sq. ft./month	70
Space owner Rent to Seat Price Multiple (Lower End)	2
Space owner Rent to Seat Price Multiple (Upper End)	2.5
Total Addressable Market (Lower End) – ₹ billion	485
Total Addressable Market (Upper End) – ₹ billion	607

With expected vacancy of approximately 193 million sq. ft. within the Non-SEZ office stock and estimated level of stock occupied by flexible workspaces (96 million sq. ft.) by 2026E, the total addressable market ("TAM") for the flexible workspace operators represents a sizeable opportunity of 289 million sq. ft. (in terms of area) and ₹ 483-604 billion (in terms of value) by 2026.

End User Demand Projections | Flexible Workspaces (Tier-I Cities)

As part of the last section, the expected size of the market was projected by analyzing the movement of penetration levels and operator space take up activity in the commercial office market.

As next steps, it is essential to understand the end user space offtake in the supply created by operators and opine on the overall demand potential for the segment over the next 3–4-year horizon.

Note: Owing to the dynamic nature of the flexible workspace segment, there are certain aspects that impact the demand / absorption of seats in the market. Therefore, such inherent characteristics may impact / contribute towards the actual achieved end user occupancies for any facility. These factors include product format, demand generation (demand backed or speculative), size of the deal, space requirement, etc.

Demand projection led approach has also been utilized to ratify the market sizing derived as part of previous section by analyzing the movement of penetration levels and operator space take up activity in the commercial office market.

The demand projected below is reflective of expected seat take-up in new facilities, primary vacancies as well as vacancies on account of exits.

Table below elucidates the number of seats transacted (new deals / expansions only) in the flexible workspace segment in the last 3 – 4 years.

Parameters	2019	2020	2021	2022	H1 2023
Number of Flexible Workspace Seats Transacted (New Deals / Expansions Only) approximately (In '000)	59 - 69	78 - 88	115 - 125	167 - 177	93 – 103
Annual Growth Rate (Y-o-Y)	-	30%	45%	43%	-

Occupier space offtake in flexible workspaces has been continuously increasing in the last 3 – 4 years, growing at an average annual growth rate of 30 – 40% from 2019 – 2021. This increasing demand for flexible workspaces can be attributed to the evolution of the formats from purely coworking facilities intended to cater to SMEs / startups / freelancers towards providing managed office spaces and customized solutions for larger enterprises / corporates / MNCs.

In addition, the segment has witnessed considerable demand post the pandemic as increasing number of occupiers have adopted hybrid workspace models as part of their CRE strategies and consider flexible workspaces as an alternative to conventional vanilla leases leveraging the capex light model and flexibility in overall deal structuring (in terms of lease tenures, number of seats, minimum lock-in period, etc.). Increasing activity in commercial office segment backed by 'return to office' policy by corporates is expected to further boost the demand.

Projections for End User space off-take within flexible workspace segment in India in the future

Flexible workspaces segment is as a relatively newer asset class in India witnessing significant evolution over the last 5 – 6 years in terms of product offerings. The flexible workspaces segment can be considered as one of the fastest growing alternative real estate classes adding value to the entire commercial office ecosystem.

Keeping in consideration the evolving nature of the flexible workspaces segment:

- In the past, Y-o-Y end user space offtake witnessed significant growth with increasing Y-o-Y growth rates. With the growth of enterprise solutions, significant increase in average occupancy across India is expected over short to medium term horizon.
- Increased demand witnessed for flexible workspaces post the COVID-19 pandemic.
- Witnessed increasing enterprise adoption for flexible workspaces.
- Noted a preference for agility in office spaces and capex light solutions; and
- The flexible workspaces segment has also evolved towards providing customized solutions / managed office formats, which has led to a significant widening of the potential occupier base as large corporates with stringent workplace policies are getting serviced by these custom solutions.

Considering robust demand for flexible workspaces is expected in the commercial office market, a growth rate of 18-19% for next 3-4 years has been considered on account of the increasing base and overall size of the flexible workspaces market. In addition, expected market size of the flexible workspaces segment in the next 3 – 4 years and expected average occupancy levels have also been kept into consideration while opining on the Y-o-Y end user space take-up / demand estimation for the flexible workspaces segment.

The table below elucidates the projected end-user demand for flexible workspaces in the next 3 – 4 years (2022 – 2026):

Parameters	2022	CAGR 2022 – 26E	2026 E
Projected End User Demand (Number of Seats in '000)	167 – 177	18 – 19%	335 - 345

The flexible workspace industry has witnessed a rapid rise in demand over the past 2-3 years. The CAGR for leasing flexible workspaces between 2022 and 2026 is expected to be around 18 - 19% in Tier 1 cities.

Opinion on Seat Demand for Tier 2 Cities

Due to COVID-19 pandemic, there has been a reverse migration of workers to some extent, due to which employees are seeking increased flexibility and as a result, several organizations have decentralized operations and the demand for hub and spoke model and flexible workspaces has increased.

Operators have been continuously expanding their footprint in Tier 2 cities with, among other things, presence of enabling infrastructure, quality office supply and availability of manpower.

There is an increasing trend for the need for flexible spaces in Tier 2 cities as companies aim to reduce costs, maintain proximity to their staff, and retain valuable employees by offering flexible work arrangements.

Other key growth drivers for Tier 2 cities include technology companies looking to expand their operations to Tier 2 cities, companies looking to set up regional offices and hybrid model of working (work from home / anywhere) and rising demand from SMEs.

Given the positive growth drivers and expected growth of the flexible workspace segment, Tier 2 cities in India are expected to witness strong demand for flexible workspace seats in line with the supply addition in these cities, which is expected to reach approximately 8.5 million – 9 million sq. ft. by 2026 which is approximately 1.7 times the supply in the first half of 2023.

The demand-side trends will further fuel the growth of the flexible workspace market with a rise in global capability centers, business process offshoring centers and off-shoring industries and increase in workspaces in Tier 2 cities.

Outlook for the Segment

Evolving Portfolio Strategies and Greater Use of Flexible Spaces

The use of flexible spaces in corporate real estate portfolios continues to become more prominent. Many occupiers plan to include flexible spaces or increase their proportion of space take up in flexible workspaces in their portfolios going forward.

Occupiers of all sizes are increasing the percentage of flexible spaces in their real estate portfolio for several reasons. Demand from medium to large-sized companies would particularly help the flexible operators scale up for the future.

Today, with the evolution of companies' flexible space strategies ranges from the 'testing and learning' phase - which most occupiers are increasingly entering at present - to the 'strategic and scalable' phase, which is mostly employed by the larger and more entrenched companies.

Flexible Spaces to Support Hybrid Working

The need for agility is becoming greater than ever before, as workforce behaviors have been transformed during the COVID-19 pandemic. As occupiers plan real estate portfolios, the inclusion of flexible spaces in these strategies is becoming ever more important.

Enterprise occupiers / corporates / MNCs are reengineering their portfolio and workplace strategies, largely with the goal of accommodating hybrid working arrangements. The need to support hybrid and distributed working has replaced "capital expenditure savings" as the primary demand driver for flexible spaces. Providing interim solutions for a dispersed workforce, expanding locational options to staff, and offering on-demand meeting and collaboration spaces for employees are some of the other key drivers.

Flexible Spaces are Here to Stay

Companies are likely to view flexible workspace as a hedge against headcount uncertainty, providing them with options to avoid committing to fixed locations and high upfront fit-out costs. Post COVID-19 pandemic, higher fit-out costs in India could further dampen relocation demand in the short term, leading some occupiers to renew leases or commit to fully fitted and flexible spaces as budget approvals become harder to secure. Flexible spaces provide them with the flexibility to swiftly expand and contract when needed to accommodate business needs.

Most companies, among whose hiring intentions are positive, may lean towards the diverse locations and cost-effective nature of the flexible space solutions.

As occupiers in India prepare and arrange for employees to return to the workplace, the provision of well-managed flexible spaces supported by amenities, enabled by technology, and featuring personalized services could act as a major enabler.

Role of PropTech

PropTech plays a significant role in transforming the flexible workspace in India with efficient space management which helps in identifying underutilized areas, helping providers maximize their returns on space investment along with enhanced user experience with friendly apps for booking, accessing, and customizing workspace amenities.

PropTech platform also integrates marketplaces to list spaces which helps the operators widens the reach and attract a broader range of tenants, including startups, freelancers, and established businesses.

Annexure

Classification of Micro-markets

City	Micro-Markets	Locations	Warmshell Office Rentals (₹/sq. ft./Month) *
Mumbai	Old Central Business District (CBD)	Nariman Point, Ballard Estate, Fort, Cuffe Parade, Church Gate, Colaba	215 – 225
	Central Mumbai 1 / Extended Business District 1 (EBD1)	Worli, Mahalakshmi, Prabhadevi	170 - 180
	Central Mumbai 2 / Extended Business District 2 (EBD2)	Parel, Lower Parel, Dadar, Elphinstone Road, Byculla	170 – 180
	Alternate Business District 1 / New Central Business District (CBD) – BKC	Bandra Kurla Complex (all blocks)	270 – 280
	BKC Periphery / Alternated Business District 2 / Off BKC	Kurla, Kalina, Kalanagar, Santacruz East, Santacruz West, Bandra East and Bandra West	270 – 280
	Eastern Suburbs / Peripheral Business District (PBD) - East	Sion, Chembur, Deonar, Ghatkopar, Vidyavihar, Vikhroli, Powai, Kanjurmarg, Bhandup, Mulund, Wadala	125 – 135
	Western Suburbs 1 / Secondary Business District (SBD)	Andheri East, Andheri West, Andheri - Kurla Road, MIDC, Sahar, Saki Naka, Vile Parle East, and Vile Parle West	105 – 115
	Western Suburbs 2 / Peripheral Business District (PBD) – West	Jogeshwari East, Jogeshwari West, JVLR, Goregaon, Malad, Kandivali, Borivali, Oshiwara	115 – 125
	Thane Business District (TBD)	Thane City, Wagle Estate, Ghodbunder Road	60 – 70
	Navi Mumbai Business District (NmBD)	Vashi, Seawoods, CBD Belapur, Sanpada, Kharghar, Airoli, Ghansoli, Mahape, Turbhe, Rabale, Juinagar	95 – 105
Hyderabad	Central Business District - CBD	Begumpet, Somajiguda, Punjagutta, Nagarjuna Hills, Khairatabad, Saifabad, Nagarjuna Circle	55 - 65
	Secondary Business District - SBD	Banjara Hills, Jubilee Hills, Ameerpet, Himayath Nagar	45 – 55
	Peripheral Business District - PBD	Shamshabad, Pocharam, Uppal, Nacharam	30 – 40
	IT Corridor	HITEC City, Madhapur, Kondapur, Gachibowli, Kavuri Hills, Raidurg (Region between IT Corridor I and Old Mumbai Highway)	65 – 75
	Extended IT Corridor	Nanakramguda, Raidurg (Region at south of Old Mumbai Highway), Manikonda, Financial District, Kukatpally, Haffezpet, Kokapet, Pupalguda, Narsingi	55 – 65
Bengaluru	Central Business District (CBD)	Brunton Road, Cambridge Road, Commissariat Road, Cunningham Road, Infantry Road, Kasturba Road, Langford Town, Lavelle Road, M.G. Road, Millers Road, Museum Road, Race Course Road, Residency Road, Richmond Road, St. Mark’s Road, Vittal Mallya Road	130 – 140
	Extended Business District (EBD)	Airport Road, C V Raman Nagar, CMH Road, Dairy Circle, Domlur, Indiranagar, Inner Ring Road, Lalbagh Road, Old Madras Road, Ulsoor, Vasanth Nagar, Koramangala, Palace Road	115 – 125
	South Bengaluru (SBD)	Ashoka Pillar Road, Banashankari, Bannerghatta Road, BTM Layout, JP Nagar, Mysore Road, Hosur Road	70 -80

City	Micro-Markets	Locations	Warmshell Office Rentals (₹/sq. ft./Month) *
	Peripheral Business District - Whitefield (PBD-W)	Whitefield (including micro locations such as Mahadevapura, EPIP Zone, Varthur, Brookefield)	50 – 60
	Peripheral Business District - Others (PBD-O)	Electronic City, Sarjapur Road, Jigani, Thanisandra	40 – 50
	Outer Ring Road (ORR)	Marathahalli Outer Ring Road, Sarjapur Outer Ring Road	95 – 105
	North Bengaluru (NBD)	Banaswadi, Bellary Road, Hebbal, HMT Layout, Jakkur, Mekhri Circle, Yelahanka, Yeshwantpur	70 – 80
Chennai	CBD	Anna Salai, RK Salai, Nungambakkam, T Nagar and Alwarpet.	85 – 95
	Off CBD	Guindy, Ekkaduthangal, Vadapalani, Santhome and MRC Nagar	75 – 85
	MPH	Mount Poonamallee High Road	70 – 80
	Ambattur	Ambattur, Ambattur Industrial Estate and Padi	35 – 45
	GST	GST Road - Airport towards Chengelpet	25 – 35
	OMR Zone 1	Taramani to Perungudi Toll	85 – 95
	OMR Zone 2	Perungudi toll up to Sholinganallur	45 – 55
	OMR Zone 3	Sholinganallur to Kelambakkam	30 – 40
Pune	Central Business District (CBD)	Bund Garden, Boat Club Road, Koregaon Park, Koregaon Park Extn., Shivaji Nagar, Erandwane, Law college road, Dhole Patil Road, Wakdewadi, Camp, Keneddy Road, Naylor Road, Sangamwadi; Kalyani Nagar, Senapati Bapat Road, FC Road, Ganeshkhind/ University Road, Salisury Park, Yerwada, Old Airport Road, Shastri Nagar, Nagar Road (till Shastri Nagar), Swargate	70 -80
	Secondary Business District (SBD) - East	Hadapsar, Mundhwa, Viman Nagar, Keshav Nagar, New Airport Road, Nagar Road, NIBM, Mohammadwadi, Wanowrie	80 – 90
	Secondary Business District (SBD) - West	Aundh, Baner, Bavdhan, Pashan, Karve Road, Paud Road, Balewadi, Sinhagad Road, Satara Road, Baner-Pashan, Bengaluru-Mumbai Highway (Till Sus Road), Baner Phata	75 – 85
	Peripheral Business District (PBD) - Others	Phursungi, Wagholi, Charoli, Nanded, Wakad, Tathawade, Mahalunge, Pimpri Chinchwad, Talawade, Pimple Saudagar	-
	Peripheral Business District (PBD) - Hinjewadi	Hinjewadi	40 – 50
	Secondary Business District (SBD) - Kharadi	Kharadi	75 – 85
Delhi	South Delhi (SBD 1 and 2)	Jasola District Centre, Nehru Place, Okhla, NFC, Mohan Cooperative, Jangpura,	SBD 1: 105 – 115 SBD 2: 155 – 165
	South Delhi (SBD3)	Saket, Aerocity, Dwarka, Vasant Kunj, Qutub Institutional Area and Munirka, Vasant Vihar	190 – 200
	Central Delhi (CBD)	Rani Jhansi Marg, Connaught Place	290 – 300
	North Delhi	Wazirpur District Centre, Shalimar Bagh and Rohini	-
	West Delhi	Shivaji Marg	100 – 110
	East Delhi	Shastri Park	65 – 75
Gurgaon	DLF Cybercity	Sector 24, 25, DLF Phase III	120 - 130
	MG Road	Sectors 25-28, Sikanderpur and Sushant Lok I	110 – 120

City	Micro-Markets	Locations	Warmshell Office Rentals (₹/sq. ft./Month) *
	Golf Course Road	DLF Phase I, V, South City Road, and sectors 42-56, Sector 39, 44	100 – 110
	Sohna Road	Sectors 41-50, Sector 68, and Tikri Village	55 – 65
	NH-8	Properties located at either side of NH-8 including areas of Udyog Vihar Phase I-IV, Sectors 15, 30, 34 and NH-8 beyond Rajiv Chowk	Before Rajiv Chowk: 115 – 125 Beyond Rajiv Chowk – 40 – 50
	Golf Course Extension Road	Sectors 58-68, Gurgaon - Faridabad Road	60 – 70
	Old Gurgaon	Sectors 14, 15, 21, 34, Udyog Vihar, Palam Vihar, Dundahera	60 – 70
	Others	Northern Peripheral Gurgaon, Southern Peripheral Road, Peripheral Gurgaon (Beyond Manesar Toll)	45 – 55
Noida	Main Noida	Sectors 1-18, 25-32, 44	85 – 95
	Expressway	Sectors 90-144	60 – 70
	Peripheral Noida	Sectors 58-63	45 - 55
Kolkata CITY	CBD	Camac Street, Elgin Street, Park Circus, Park Street, Russel Street, Theatre Road, Jawaharlal Nehru Road, Chowringhee, Lanin Sarani	90 – 100
	SBD	Kasba, Ruby Connector, Tollygunge, Topsia, Rush Behari Connector, Rajdanga	70 – 80
	PBD	Sector V-Block DN, Salt Lake Sector V, Sector V-Block DP, Sector V-Block EP, Sector V-Block E2-2/1, Sector V-Block BP, Sector V-Block DN, Salt Lake	40 – 50
	EBD	Rajarhat, Rajarhat New Town	40 – 50
Chandigarh	CBD	Chandigarh Central	70 – 90
	Off CBD	Rajiv Gandhi Technological Park	50 – 65
	ABD	Mohali sectors 66 and 67	45 – 65
	SBD	Industrial Areal Ph I and II, Mohali Sect 62	50 – 90
	EBD	Mohali Sector 82	30 – 40
	PBD	Mohali Sector 8A and 8B, Zirakpur	40 – 50
Lucknow	CBD	Hazratganj	55 – 80
	SBD	Vibhuti Khand	45 – 65
Ahmedabad	CBD	Ashram Road, Chimanlal, Girdharlal Road	45 – 55
	SBD	SG Highway, Prahlad Nagar, Corporate Road, Iscon Ambli	40 – 50
	PBD	GIFT City, Mindspace SEZ, Sargasan, Science City	35 – 50
Jaipur	CBD	C-Scheme	125 – 175
	SBD	Civil lines, Tonk Road, JLN Marg, Vaishali Nagar	130 – 300
	PBD 1, 2 and 3	Sitapura, Vishwakarma Industrial Area, Durgapura	25 – 35
	Mahindra World City SEZ	NH 8 (Jaipur-Ajmer Highway)/ Ajmer Road	45 – 50
Indore	CBD	MG Road	45 – 60
	SBD	Vijay Nagar	40 – 60
Coimbatore	CBD	RS Puram, Gandhipuram, Avinashi Road till Lakshmi Mills	50 – 70
	SBD 1	Avinashi Road, TIDEL Park and Airport	45 – 55
	SBD 2	Trichy Road	35 – 50
	PBD 1	Saravanampatti	35 – 45
	PBD 2	Pollachi Road	30 – 40

City	Micro-Markets	Locations	Warmshell Office Rentals (₹/sq. ft./Month) *
Trivandrum	CBD	MG Road, Pattom, Palayam, Thampanoor	70 – 80
	SBD	Kazhakoottam, Chacka, Pallippuram	35 – 60
Kochi	CBD and Extended CBD	Chittoor Road, MG Road, Kaloor, Kadavanthura, Panampilli Nagar, Thevara	55 – 75
	Off CBD	Marudu, Vyttila, Palarivattom, Edappally	50 – 65
	SBD	Kakkanad, Seaport-Airport Road	38 – 50
Bhubaneshwar	CBD	Janpath, Shaheed Nagar, Acharya Vihar, Nayapalli	70 – 90
	SBD	Patia	40 – 60
	PBD	Rasulgarh	35 - 55

**Note: Warmshell Office rentals listed above are based on leasable area for non-SEZ stock only. For similarly furnished office spaces, the rentals may be, on average, INR 35 – 45 / sft / month higher, assuming a 5-year lock-in period.*
Rentals for Tier 1 cities are as on June 30, 2023.
Rentals for Tier 2 cities are as on June 30, 2022.

Methodology Adopted to Project the Market Size for Flexible Workspace Segment in India

Analysis of Commercial Office (Non SEZ)

Analysis of Y-o-Y historical supply demand dynamics (restricted to the Non SEZ spaces as flexible workspace activity in SEZs is very limited)

↓

Projections for expected supply for commercial office Non SEZ spaces for the next 3-4 years

↓

Analysis of Flexible Workspaces at a City Level

Assessment of overall occupied Non SEZ stock levels and analysis of movement of the occupied stock over the years

↓

Assessment of Y-o-Y space take-up by flexible workspace operators as well as the cumulative space under flexible workspace inventory at an India and city level

↓

Analysis of movement of the Penetration Levels (Share of Flexible Workspace Operators at a cumulative level as a function of the total occupied stock of Non SEZ inventory in the city)

↓

Projections on the movement of penetration levels for India as well as all cities for the next 3 – 4 years

↓

Projecting market size of Flexible Workspaces India and Cities

Projecting total expected market size of flexible workspace segment at India level and City level

Notes:

1. *The study is restricted to the Non SEZ spaces as flexible workspace activity in SEZs is very limited. Further, flexible space operators aren't allowed to sublease SEZ spaces unless they follow the co-developer route, and there is limited clarity on sub leasing SEZ space.*
2. *Occupied stock has been utilized to assess the historic as well as projected penetration levels, since leasing in flexible workspace segment is correlated to leasing in overall office segment. Hence, trends reflective of leasing / absorption / occupancy have been utilized instead of total supply (including vacant supply)*
3. *Projections for flexible workspaces for India include Tier 1 cities (Delhi, Gurgaon, Noida, Mumbai, Bangalore, Hyderabad, Pune, Chennai, Kolkata) and Tier 2 cities.*

Company definitions

Company Type	Definition
Start-up	Indian company, with < 5 years of existence and <500 employees
SME	Indian company, with >5 years of existence and <500 employees
Corporate/MNC	Indian company, with >500 employees OR Company headquartered outside India, irrespective of years of existence and no. of employees
Freelancer	Individuals

Thank you!

CBRE

New Delhi
CBRE South Asia Pvt. Ltd.
Ground Floor
PTI Building, 4, Parliament Street,
New Delhi – 110001
T: +91 11 4239 0200

Mumbai
CBRE South Asia Pvt. Ltd.
11th & 12th Floor, Raheja Tower,
G block, Bandra Kurla Complex,
Bandra (E)
Mumbai – 400051
T: +91 22 4096 0100/200

Chennai
CBRE South Asia Pvt. Ltd.
Module 4A, A Block – 10th Floor,
Global Infocity Park, No 40,
MGR Salai, Kandanchavadi, Perungudi,
Chennai – 600 096
T: +91 44 6680 7000

Gurgaon
CBRE South Asia Pvt. Ltd.
6th and 7th Floor, DLF Square
M Block, Jacaranda Marg,
DLF City Phase II,
Gurgaon – 122002
T: +91 124 4659700

Kolkata
CBRE South Asia Pvt. Ltd.
Unit no. 702, 7th Floor, PS Pace,
1/1, Mahendra Roy Ln, Topsia,
Kolkata, West Bengal 700046
T: +91 033 4019 0200

Bengaluru
CBRE South Asia Pvt. Ltd.
Embassy Golf Links Business Park
Sunriver Building, 5th Floor – Wing A
Off Intermediate Ring Road
Bangalore – 560071
T: +91 80 4074 0000

Pune
CBRE South Asia Pvt. Ltd.
3rd Floor, East Wing, Nyati Unitree,
Samrat Ashok Marg (Nagar Road)
Yerwada, Pune – 411006
T: +91 120 4019 0100

Kochi
CBRE South Asia Pvt. Ltd.
Suite No: 2, 6th Floor.
Centre A, Alapatt Heritage Building
40 / 6584 (G), M.G. Road
Kochi – 682035, Kerala
T: +91 484 4148280

Ahmedabad
CBRE South Asia Pvt. Ltd.
B Wing – 403, Mondeal Heights, Near
ISCON Cross Roads, SG Road, Satellite,
Ahmedabad – 380015
T: +91 79 6191 3100

Hyderabad
CBRE South Asia Pvt. Ltd.
Unit No. 1-A, 1st Floor Orwell,
Salarpuria Knowledge City,
Raidurg, Hyderabad - 500081
T: +91 40 71135000