INDUSTRY REPORT ON FLEXIBLE WORKSPACES SEGMENT IN INDIA

Prepared for Smartworks Coworking Spaces Limited

13th August 2024

TABLE OF CONTENTS

Overview of APAC (Commercial Real Estate & Flexible Workspace Sector) **4**
Indian Economy Overview **11**
Overview of the Indian Office Market **19**
Flexible Workspace Industry Overview: India Story **37**
Competition and Benchmarking (Selected Operators in India) **54**
Projections for Flexible Workspaces **58**
Understanding Unit Economics for a Typical Managed Campus **62**
The Importance of Value-Added Service **63**
Opportunity Assessment – Fit out-as-a-Service **69**
Annexure **72**

Legal Disclaimer

CBRE South Asia Pvt. Ltd. ('CBRE') has been instructed by Smartworks Coworking Spaces Limited (the 'Client', the 'Instructing Party') to prepare 'Industry Report on Flexible Workspaces Segment in India' ('Industry Report') dated 14th May, 2024. In relation to the proposed transaction, this report is intended to be included as part of the offer document (the "Offer Document") to be filed by the client with the Securities and Exchange Board of India (SEBI).

CBRE is not operating under a Financial Services License when providing the Industry Report, which do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest in/with the Client.

CBRE does not approve or endorse any part of the Offer Document.

Any reference to CBRE within the Offer Document must be read in conjunction with the full Industry report.

This document can only be relied only by Smartworks Coworking Spaces Limited. Use by, or reliance upon this document by anyone other than those parties named above is not authorized by CBRE and CBRE is not liable for any loss arising from such unauthorized use or reliance. CBRE disclaimers all liability to any investor.

CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the Offer Documents other than in respect to this Industry Report.

The Industry Report is strictly limited to the matters contained within, and should not be read as extending, by implication or otherwise, to any other matter in the Offer Documents. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the real estate market subsequent to the date of the report.

CBRE has prepared the Industry Report relying on and referring to information provided by third parties, publicly available information as well as industry publications and other sources ("Information"). CBRE assumes that the Information is accurate, reliable and complete and it has not tested the information in that respect.

This report has been prepared in good faith, based on CBRE's current anecdotal and evidence-based views of the real estate market. Although CBRE believes its views reflect market conditions on the date of this Industry Report, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Forecasts, estimates and other forward-looking statements contained in the Industry Report are inherently uncertain. Changes in factors underlying their assumptions, or events or a combination of events that cannot be reasonably foreseen can have a significant impact on the actual results, and future events could differ materially from such forecasts, estimates, or other forward-looking statements. In making any decision regarding the transaction, the recipient should conduct its own investigation and analysis of all facts and information contained in this Industry Report.

No responsibility is accepted for any loss or damage arising as a result of reliance upon this Industry Report.

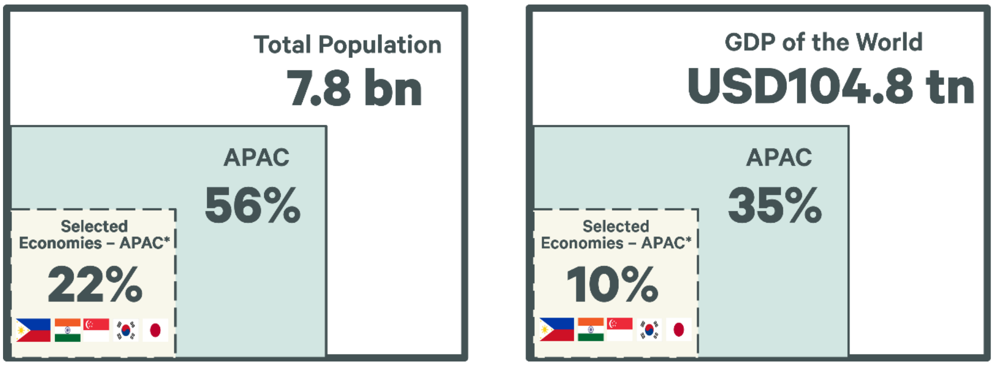
The Industry Report may not be reproduced in whole or in part without prior written approval of CBRE.

Overview of APAC (Commercial Real Estate & Flexible Workspace Sector)

Asia Pacific (APAC) Economy Overview

The Asia-Pacific (APAC) region[1] contributes approximately 35% of the world's GDP and 56% to the world's population as of CY2023. With its diverse economies, ranging from developed markets such as Singapore and Japan to rapidly growing nations such as China and India, the growth of the economy in the APAC region has been resilient supported by domestic demand and consumption. *(Source: IMF, Asia, and Pacific: Steady Growth and Diverging Prospects, April 2024)* The APAC region recorded an inflation *(average consumer prices)* at 5.1% as of CY2023. This decline is driven by reducing commodity prices and rising domestic demand surpassing pre-pandemic levels. *(Source: IMF, Data Mapper April 2024)*

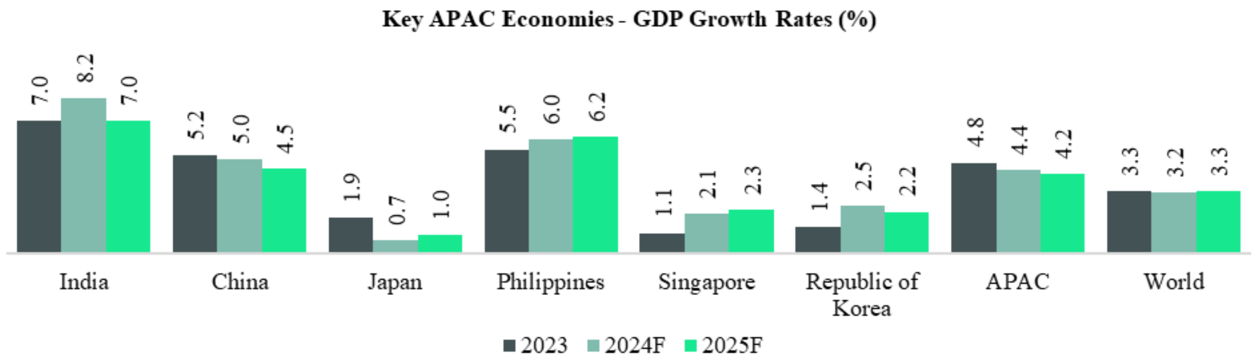
Asia-Pacific Population and GDP as a % of the World (As of CY2023)



Source: IMF Data Mapper, April 2024
Note: APAC includes Singapore, Japan, India, the Philippines, and the Republic of Korea*

As per the IMF, the Asia Pacific region's GDP is projected to grow by 4.4% in CY2024, outpacing the projected world growth rate of 3.2%. Going forward, despite global uncertainty, India is forecasted to grow by 7.0% in FY2025 driven by continued investments, growing private consumption, technological advancements, and digitalization. This projected growth is driven by increasing domestic demand and employment surpassing pre-pandemic levels, rising services exports, growing financial sector coupled with the country's digital and government infrastructure. *(Source: IMF, Data Mapper April 2024, IMF Asia, and Pacific: Steady Growth and Diverging Prospects, 2024)*

India's GDP growth rate is forecasted to outpace the growth of selected economies as per the IMF, as highlighted below:



Source: IMF estimates, World Economic Outlook, July 2024

** Although the IMF provides data for the majority of countries in the Calendar Year (CY), the values for India are published in the Fiscal Year (FY). Here the growth rate shown in the 2023 bar reflects the growth rate of FY 2022/23 (starting in April 2022)*

**APAC & Singapore projections are as of the IMF Data estimates, April 2024*

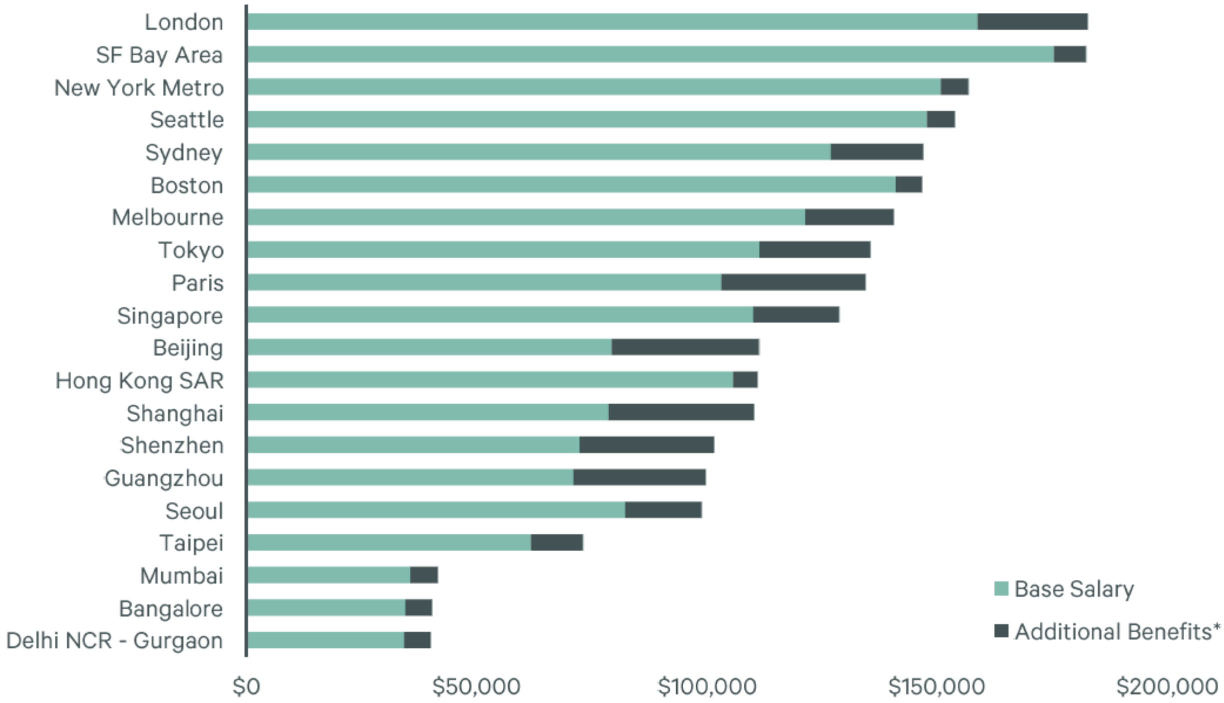
Asia Pacific (APAC) - Position among Global Markets

---

[1] *APAC Region includes Australia, Australia, Bangladesh, Bhutan, Burma, Brunei Darussalam, Cambodia, China (People's Republic of), Cook Islands, Fiji, India, Indonesia, Japan, Kiribati, Korea, Republic of, Laos, Malaysia, Maldives, Marshall Islands, Micronesia, Federates States of, Magnolia, Nepal, New Caledonia, New Zealand, Niue, Pakistan, Palau, Papua New Guinea, Philippines, Singapore, Solomon Islands, Sri Lanka, Taiwan, Thailand, Timor Leste, Democratic Republic of, Tonga, Tuvalu, Vanuatu, Vietnam*

Asia Pacific's growing economy and diversity coupled with the wage differential and availability of working population are facilitating the growth in hiring across technology sector, thereby establishing the APAC region as one of the preferred locations for businesses. *(Source: CBRE Research, Global Tech Talent Guidebook 2024 – Asia Pacific View, April 2024)*

Average Software Engineer Salary by Market in USD (2022)



Note: Additional benefits vary by market and may include mandatory employer costs like disability insurance, social security and health care.
Source: CBRE Labour & Analytics, local government agencies, October 2023

India remains the global leader in offshoring with an estimated 5.4 Mn people employed directly through technology-related industries, forecasted to contribute approximately 57-58% share in the global sourcing market in FY2024 as compared to a 55% share in FY2019. *(Source: NASSCOM)* As per latest available World Bank's Doing Business Report, 2020, India's rank in ease of doing business had improved from 142nd in 2014 to 63rd in 2019, witnessing an increase of 79 ranks in a span of 5 years, reflecting a substantial enhancement in the business environment. *(Source: World Bank's Doing Business Report (DBR), 2020, PIB Delhi, 7th Feb 2024, Ministry of Commerce and Industry)*

Furthermore, Singapore has emerged as one of the preferred locations for corporate headquarters with the highest number of completed regional headquarters in the past 10 years in Asia Pacific (2014 – 2023). (*Source: Singapore Economic Development Board, 2023*) This growth is supported by its developed infrastructure, regulatory processes, and ease of doing business. As per latest available World Bank's Doing Business Report, 2020, Singapore was ranked as 2nd best business environment in terms of ease of doing business in 2019. *(Source: World Bank, 2019)*

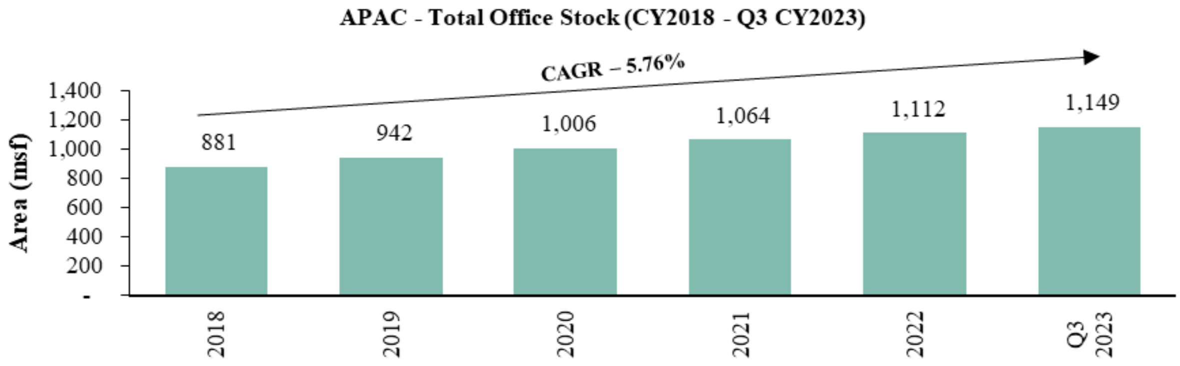
The infrastructure and business environments in these locations, positions Asia Pacific as a hub for technological innovation and corporates. This influx of businesses is subsequently leading to an increased demand for office space, as companies are establishing and expanding their physical presence in the APAC region.

APAC – Commercial Real Estate Overview

APAC region's office real estate landscape has transformed over the past few years. Supported by rising demand and supply completion, the region had an overall net addition in stock of approximately 268 Mn sq. ft.[2] from CY2018 to Q3 CY2023. Furthermore, the Asia Pacific office leasing market has already returned back to normal post COVID-19, with corporates resuming and active corporate real estate planning. The total recorded office stock in APAC has undergone a CAGR growth of 5.8% during the period CY2018 – Q3 CY2023.

---

[2] *This includes grade A office stock includes following Asia Pacific markets: Beijing, Shanghai, Shenzhen, Guangzhou, Hong Kong SAR, Taipei, Seoul, Tokyo, Singapore, HCMC, Hanoi, Bangkok, Manila Makati and Fort Bonifacio, Delhi NCR, Bangalore, Mumbai, Sydney, Melbourne and Auckland*.

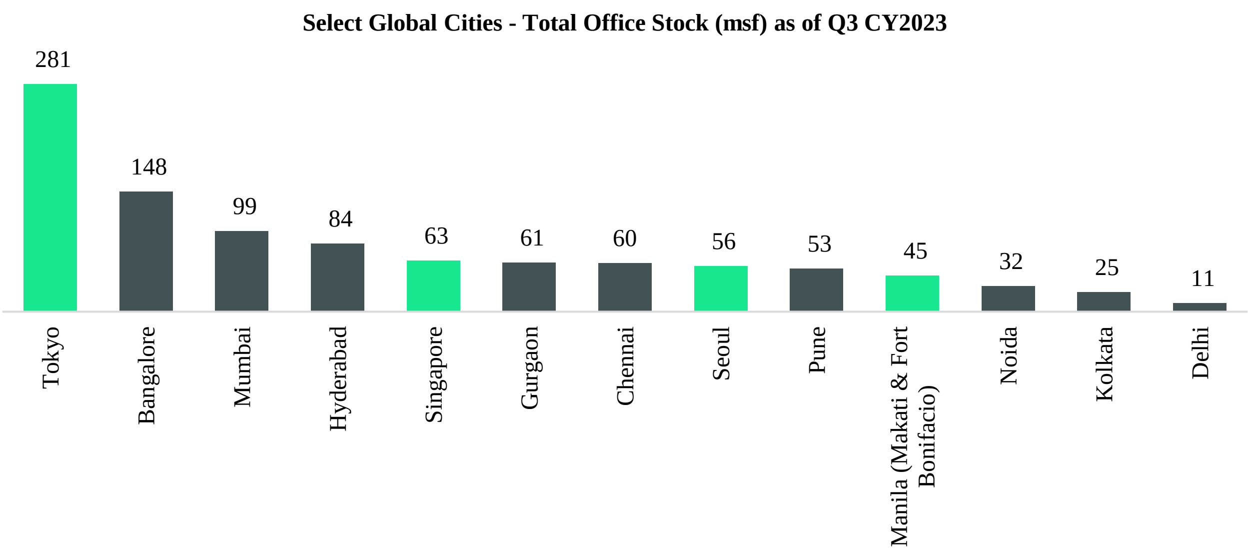


Source: CBRE *Research, as of Q3 CY2023*
Note: The overall commercial office stock for APAC shown includes only Grade A stock across the regions and is recorded based on Net Floor Area; Net floor area includes the whole space inclusive of shared walkways, server rooms, shared amenity areas, etc.
Grade A office stock includes following Asia Pacific markets: Beijing, Shanghai, Shenzhen, Guangzhou, Hong Kong SAR, Taipei, Seoul, Tokyo, Singapore, HCMC, Hanoi, Bangkok, Manila Makati and Fort Bonifacio, Delhi NCR, Bangalore, Mumbai, Sydney, Melbourne and Auckland.

Comparison Between Key Indian and Selected APAC Cities

Total Office Stock (as of Q3 CY2023)

Tokyo is the leading market with total stock as of Q3 2023 of 281 Mn sq. ft. followed by Bengaluru, MMR, and Hyderabad amongst the leading markets in Asia with a total office stock of 148 Mn sq. ft., 99 Mn sq. ft., and 84 Mn sq. ft., respectively as of Q3 CY2023.

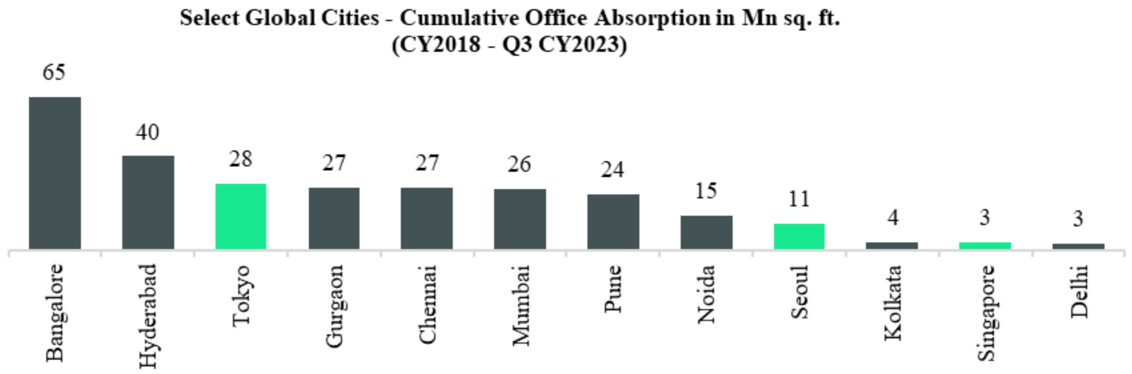


Source: CBRE Research as of Q3 CY2023
Notes:
(1) *The office stock figures are in Net Floor Area (NFA) including Grade A & B stock; Net floor area includes the whole space inclusive of common corridors, server rooms, shared amenity areas, etc; the office stock numbers for Seoul are inclusive of only Grade A stock*

Tokyo along with Indian cities such as Bengaluru, MMR, and Hyderabad currently have the highest total stock when compared with selected cities (Seoul, Manila, Singapore) in APAC. India had an increased interest/traction from occupiers, indicating an increase in demand for office spaces. The increasing preference for quality office spaces coupled with the office stock in India highlights the evolving expectations of occupiers and India's ability to meet those demands. Consequently, the market has witnessed an increase in space take-up for quality spaces.

Cumulative Office Absorption (CY2018 – Q3 CY2023)

Growing economy and domestic consumption coupled with relatively affordable rentals and growing demand from domestic and Multinational Corporations (MNCs) globally has been a critical factor in key Indian cities having the highest office absorption amongst selected global cities as highlighted in the below chart. Bengaluru, the largest market in APAC absorbed more office space than the selected APAC cities *(Tokyo, Seoul, and Singapore)* combined in CY2018 – Q3 CY2023. (*Source: CBRE Research*)



Source: CBRE Research

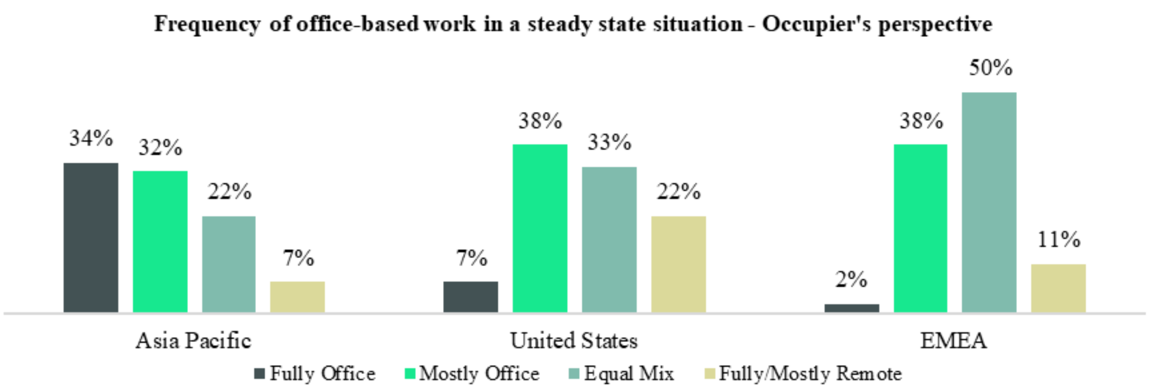
Note:

(1) The cumulative absorption figures are in Net Floor Area (NFA) including Grade A & B stock; Net floor area includes the whole space inclusive of common corridors, server rooms, shared amenity areas, etc; the absorption numbers for Seoul are inclusive of only Grade A stock

Return to the office – A Key Driver for Office Demand

CBRE's Global Occupier Survey highlights that despite widespread acceptance of hybrid working, expectations for office attendance are higher in APAC than in other regions. While 34% of employers in this APAC region expect their staff to fully work from the office, the equivalent figures in the US and EMEA stands at just 7% and 2% respectively. Amid growing awareness of the issue of wellness in the office and the need for collaboration and personal relationships, coupled with the limitations of working from home such as the unavailability of internet connections and constraints on household space, data theft, many organizations have experienced a strategic shift from working from home to hybrid or completely in-office models. *(Source: CBRE Research; Why Asia Pacific offices are different and now is the time to invest, June 2023, Global Occupier Survey)*

This has resulted in an increase in demand for high-quality spaces in APAC region over the past few years, with occupiers seeking high-quality offices delivering an optimal combination of location, design elements, technology, services, and amenities.



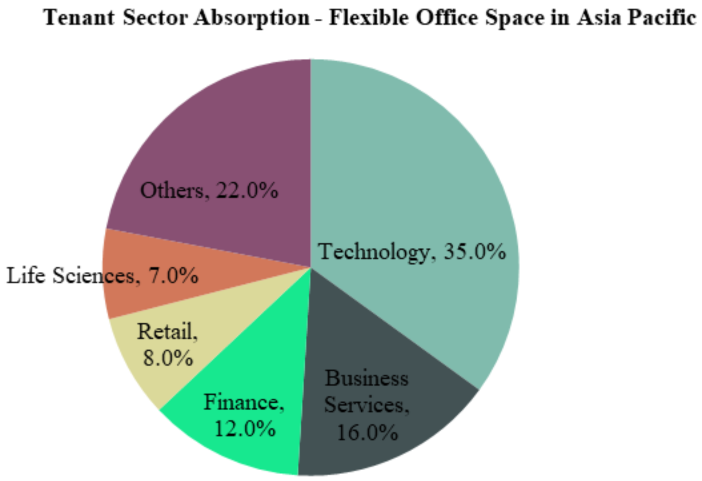
Source: CBRE Research; 2023 Global Occupier Survey

Note: Unsure is included as an option in Asia Pacific, Percentages may not add up to 100% due to rounding

With changing occupier preferences, employers are considering providing a greater variety of space within offices, including flexible seating arrangements, meeting rooms, breakout areas, F&B options, and better amenities to enhance the overall employee experience. Physical office spaces in the Asia Pacific region play a central role given occupier preferences for high-quality digital infrastructure, collaborative spaces for employees and for driving team building, learning, and business innovation through community and collaboration.

Flexible Workspaces – Asia Pacific ("APAC") Overview:

The flexible workspaces[3] market in the APAC region continued to display stable growth in the last few years. As of March 31, 2023, there were approximately 3,000 flexible workspace centers in the region. *(Source: CBRE Research, H1 2023 Asia Pacific Flexible Office Market)* Major industry sectors driving demand for flexible workspace include technology and business services followed by the finance sector. According to CBRE's Asia Pacific Office Occupier Sentiment Survey, June 2023, approximately 69% of occupiers in the APAC region prefer enterprise solution/private suites dedicated space, and 45% also prefer event space in flexible workspace centers.

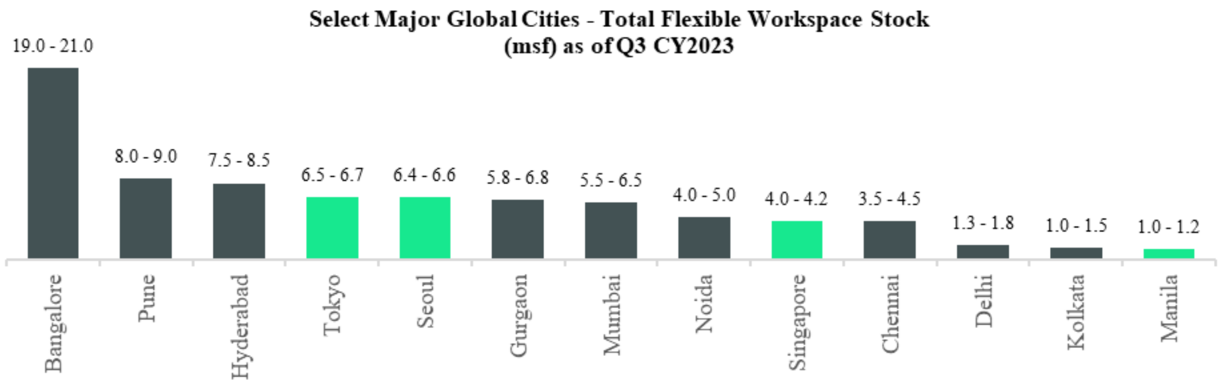


Source: CBRE Research, H1 2023, Asia Pacific Flexible Office Market
Note: The % highlighted above is based on enterprise customer contracts in Q1 CY2023

Comparison Between Key Indian and Selected APAC Cities

Total Flexible Workspace Stock (as of Q3 CY2023)

Bengaluru, Pune, and Hyderabad are amongst the leading markets in APAC with a total flexible workspace stock ranging between 19.0 – 21.0 Mn sq. ft., 8.0 – 9.0 Mn sq. ft., and 7.5 – 8.5 Mn sq. ft., respectively as of Q3 CY2023. In contrast, other key cities of Asia such as Tokyo, Seoul, Manila, and Singapore have a total flexible workspace stock of approximately 6.5 – 6.7 Mn sq. ft., 6.4 – 6.6 Mn sq. ft., 1.0 – 1.2 Mn sq. ft., and 4.0 – 4.2 Mn sq. ft. respectively.



Source: CBRE as of Q3 CY2023

[3] *Flexible workspace solutions refer to fully furnished and serviced real estate offerings provided by Flexible Workspace Operators to end user occupiers with potential flexibilities built-in around space design, tenure, area, locations etc. in the solution.*

The flex stock figures for Indian cities includes stock across all grades whereas stock for global cities includes Grade A only

India is one of the largest flexible workspaces markets in APAC with a total stock of over 60 Mn sq. ft in Tier 1 cities listed above. To illustrate the key nuances of flexible workspace activity in the APAC region, four prominent cities, namely Seoul, Tokyo, Singapore, and Manila have been chosen for consideration below based on:

i) Absolute quantum of flexible workspace stock depicting the market size.
ii) Nature of the economy; and
iii) Similarities with the Indian office market.

In addition, prominent Indian cities, namely Bengaluru, Pune, and Hyderabad have been chosen to draw comparisons amongst key APAC markets on account of their position in terms of availability and growth of overall office stock as well as flexible workspace stock.

APAC and India – At a Glance

City	Total Flexible Workspace Stock	Approximate CAGR – (2020 – September 2023)	Market Summary	Key Takeaways
Seoul	6.4 – 6.6 Mn sq. ft.	6%	The flexible workspace industry has been one of the major demand drivers in the Seoul Office Market, with a peak of supply in 2018. As of Q3 2023, Seoul has 250 centers with an average size of 5,000 to over 1,00,000 sq. ft.	Flexible workspace operators continue to expand in the market in non-core areas and non-Grade A developments due to rising rentals for Grade A offices. Further flexible workspace has witnessed growth historically, supported by historic and increasing demand for collaborative hybrid working environments.
Tokyo	6.5 – 6.7 Mn sq. ft.	6%	The flexible workspace market has experienced an increase in occupancy rates in Tokyo supported by return-to-office in Japan. As of Q3 2023, Tokyo has 550 number of centres with an average size of 11,500 – 125,00 sq. ft.	Due to the increase in construction cost for general office relocations, some tenants are opting for flexible office space offering lower initial costs and the ability to quickly open a new centre at the new location. Compared to suburban areas, the number of flexible offices in central Tokyo is increasing with several operators planning to open new centres by the end of 2023.
Singapore	4.0 - 4.2 Mn sq. ft.	5%	Singapore's flexible workspace market has grown since CY2018, from a footprint of approximately 2.5 – 2.9 Mn sq. ft. to 4.0 – 4.2 Mn sq. ft. As of Q3 2023, Singapore has 185 centres with an average size ranging from 1,000 sq. ft. to 2,20,000 sq. ft.	The flexible workspace segment has experienced more demand for locations outside CBD, as a response to corporate diversification catering to a distributed workforce across the regions.
Manila	1.0 – 1.2 Mn sq. ft.	1%	Makati and Fort Bonifacio subdistricts account for over 50% of the total activity and have a penetration rate of approximately 3.0% and 3.5% respectively. As of Q3 2023, Manila has 54 number of centres with an average size of 24,000 sq. ft.	Flexible office activity gained momentum after the COVID-19 pandemic. New supply addition in the flexible workspace sector has been witnessed in Metro Manila with a total of 235 seats as of Q3 2023.
Bengaluru	19.0 – 21.0 Mn sq. ft.	22%	Bengaluru has emerged as the center of India's IT industry with many prominent technology companies with a focus across the value chain of the sector	There is a sustained space take-up activity by flexible Workspace operators in Bengaluru. It remains the largest flexible workspace market in India owing to sustained demand from end-user occupiers as they continue to integrate various types of flexible workspace solutions in the real estate

City	Total Flexible Workspace Stock	Approximate CAGR – (2020 – September 2023)	Market Summary	Key Takeaways
				portfolio to cater to a diverse set of requirements.
Pune	8.0 – 9.0 Mn sq. ft.	34%	Pune has emerged as an information technology hub supported by government initiatives and infrastructure development in the city. The city's commercial office demand is driven by banking, financial services, and insurance (BFSI), technology, engineering & manufacturing sectors	Pune has emerged as one of the leading flexible workspace markets in India with sustained and increasing demand across all key micro markets for fully customized and managed office solutions from a diverse set of end users. The market is expected to witness sustained demand in the coming years.
Hyderabad	7.5 – 8.5 Mn sq. ft.	12%	Hyderabad is one of the fastest-growing cities in India, supported by good metropolis planning, 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	There is a steady occupier demand for all types of flexible workspace solutions in Hyderabad. Most of the flexible workspace stock is present in the key markets of IT & Ext IT corridor with flexible workspace operators looking to further expand their footprint in these markets to cater to the increasing occupier demand

Source: CBRE Research
Note: As of Q3 2023; The flex stock figures for Indian cities includes stock across all grades whereas stock for global cities includes Grade A only

While the demand for flexible workspaces has been consistently growing in the APAC market, certain drivers and salient features of the Indian office market listed below may favor the flexible workspace segment to grow further.

– With changing occupiers' preferences, India with its ample high-quality existing and upcoming stock in both central/key business markets and decentralized submarkets along with an improving infrastructure is providing flight-to-quality options. Furthermore, the Indian commercial market is witnessing a shift towards green-certified space and sustainable buildings. The increasing focus by companies on EHS and ESG[4] is also increasing demand for high-quality, tech-enabled, and amenitized flexible workspaces.

– As highlighted in subsequent sections, favorable demographics, availability of quality talent pool and India's competitive cost viz for talent and rentals offer businesses a compelling value proposition. These factors may position India as a preferred destination for setting up bases for MNCs, and corporates for their Global Capability Centres (GCCs). These companies may prefer flexible workspaces to enter/expand their operations across India enabling them to outsource element of their value chain i.e., office experience and run cost effective operations. This may lead to an increase in demand for flexible workspace solutions.

– As large organizations prioritize highly amenitized and tech-enabled office spaces, while pursuing capital efficiency, operational outsourcing, and hybrid/distributed working strategies they are also evaluating to further integrate various types of flexible workspace solution in their real estate portfolio. These salient features are likely to drive the demand for flexible workspaces in India amongst Startups, MSMEs, and large enterprises alike for the next few years.

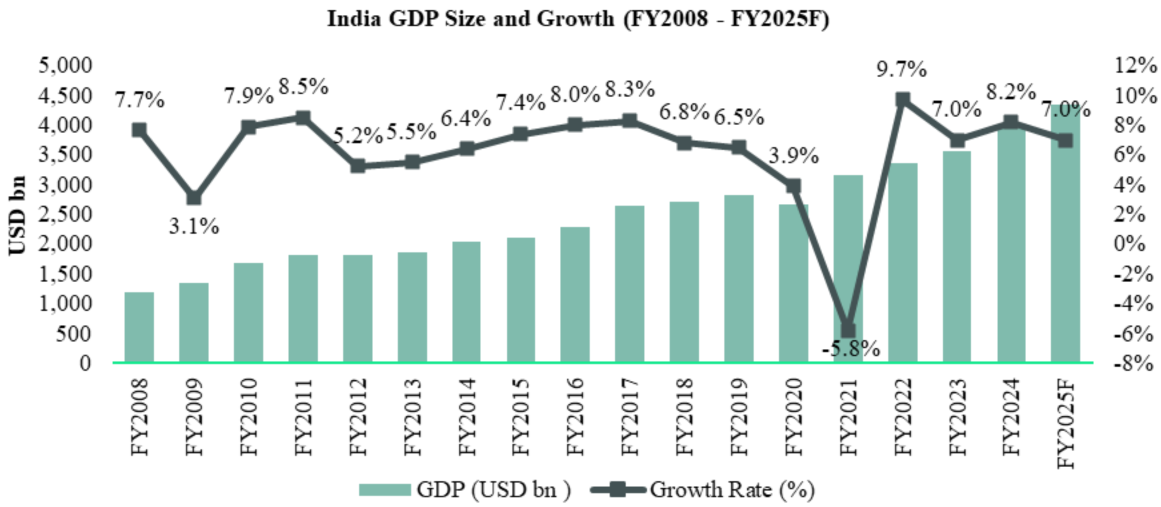
[4] *Approximately 60-64% of respondents expect developers to deliver provision of EV charging Infrastructure, Health, Safety and Wellness Certifications, Green Certifications as per CBRE's 2024 India Office Occupier Survey*

Indian Economy Overview

Overview of Indian Economy

India is one of the fastest-growing and the fifth-largest economy in the world (IMF, December 2023). For FY2023, India had a Gross Domestic Product (GDP) growth rate of 7.0% compared to the world's growth of 3.3% demonstrating a strong economic rebound post-COVID-19. Furthermore, the Indian economy continues to demonstrate economic growth with GDP growth of 8.2% for FY2024 i.e., higher than the GDP growth witnessed in FY2023. This growth is driven by increasing domestic demand and employment surpassing pre-pandemic levels, increasing service exports, and the financial sector coupled with the country's digital and government infrastructure. Going forward, supported by the aforementioned factors, India's economy is projected to grow by 7.0% in FY2025. *(Source: IMF, July 2024)*

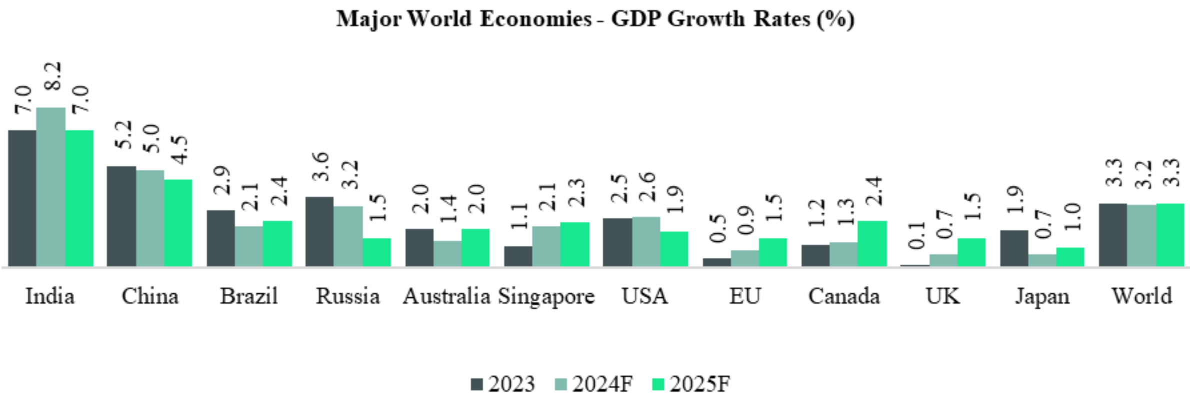
India is forecasted to become the third-largest economy by FY2028 with a projected GDP of USD 5.3 trillion surpassing Japan and Germany with forecasted GDPs of USD 4.8 trillion & USD 5.2 trillion respectively. *(Source: IMF, April 2024, Article IV consultation Paper, IMF, December 2023)*



Source: IMF estimates, World Economic Outlook, July 2024

India is one of the fastest-growing economies globally.

Amid geopolitical tension, rising inflation, and tough market conditions, India continues to exhibit strong economic growth. India's GDP is forecasted to grow by 7.0% during FY2025. This compares favorably with the world's major economies including China's forecasted GDP growth rate of 4.5% for 2025 and the USA's forecasted GDP growth rate of 1.9% for 2025.



Source: IMF estimates, World Economic Outlook, July 2024

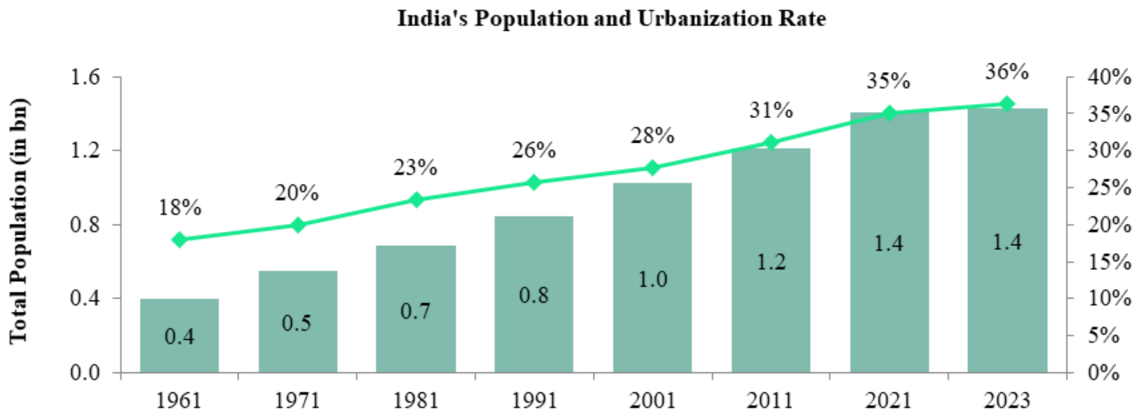
** Although the IMF provides data for the majority of countries in the Calendar Year (CY), the values for India are published in the Fiscal Year (FY). Here the growth rate shown in the 2023 bar reflects the growth rate of FY 2022/23 (starting in April 2022); The GDP growth numbers for Singapore are as of IMF Data Mapper, April 2024*

India's digital infrastructure coupled with supportive government policies and initiatives signify India's stable growth by fostering innovation, accelerating financial inclusion, and enhancing the overall industry's efficiency. Furthermore, India's economic growth projections indicate a growth in GDP, surpassing the growth rates of other nations and establishing India as one of the fastest-growing economies globally. This projected growth is likely to enhance India's economic landscape, positioning it as a favoured geography for global investments and economic opportunities.

India's Demographics and Urbanization

- India's population grew from 1.26 bn in 2011 to 1.43 bn in 2023, indicating a compound annual growth rate (CAGR) of 1.07% during the period 2011 - 2023, and now has the largest population in the world. *(Source: IMF, April 2024)* Approximately 68.7% of the population is in the age group of 15-64, which makes it the country with the largest youth population globally as of 2024.[5] *(Source: UNFPA)*

- The share of the urban population in India has grown from 31% in 2012 to 36% in 2023. Going forward, the share of the urban population is forecasted to increase further reaching approximately 40% by 2036. *(Source: World Bank)* The rapidly growing trend of urbanization and migration to Tier-1[6] cities in search of better employment opportunities are likely to increase real estate demand and lead to infrastructure development across these cities. India's growing population and rapid urbanization have increased the demand for quality services and better infrastructure in Tier 1 cities.



Source: World Bank – Data as of July 2024, IMF Data Mapper as of April 2024*

In FY2023 India had one of the largest populations of highly qualified Science, Technology, Engineering & Management (STEM) graduates in the world. *(Source: NASSCOM)* India has the world's largest education system in terms of enrolment with a total enrolment of 265 Mn in 1.5 Mn schools and 11.31 Mn graduates including 0.89 Mn engineers and 2.32 Mn commerce graduates as of FY2022. *(Source: Ministry of Education, AISHE 2021-2022)*

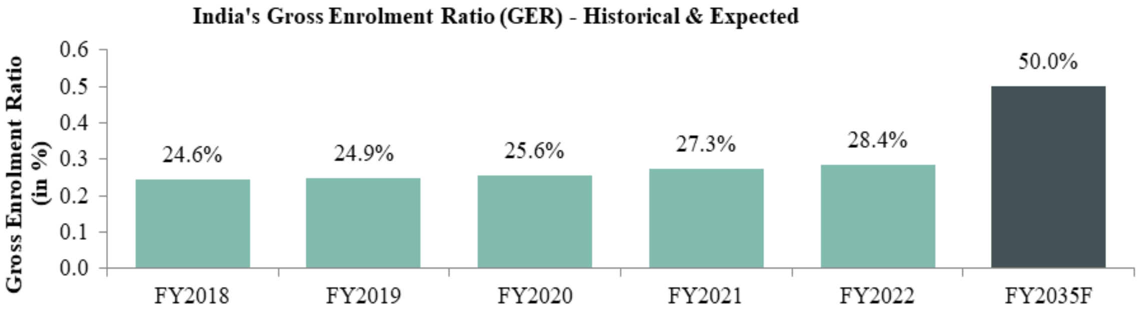
- India has an estimated gross enrolment ratio (GER)[7] of 28.4% for higher education in India as of FY2022. The National Education Policy is anticipated to give a boost to GER and is also expected to have a sizeable impact on the overall market of higher education. The Government's target of increasing GER to 50% by FY2035 with a rising student population base is expected to give a major push to the segment. *(Source: All India Survey on Higher Education, 2021-2022)*

---

[5] *Estimated size of national population at mid-year, 2024*

[6] *Tier 1 cities include Delhi, Gurgaon, Noida, Mumbai, Bangalore, Hyderabad, Chennai, Pune and Kolkata*

[7] *GER is a key indicator of the level of participation in higher education within a given population. Higher GER values indicate greater enrolment in higher education among the 18 – 24 years age group.*



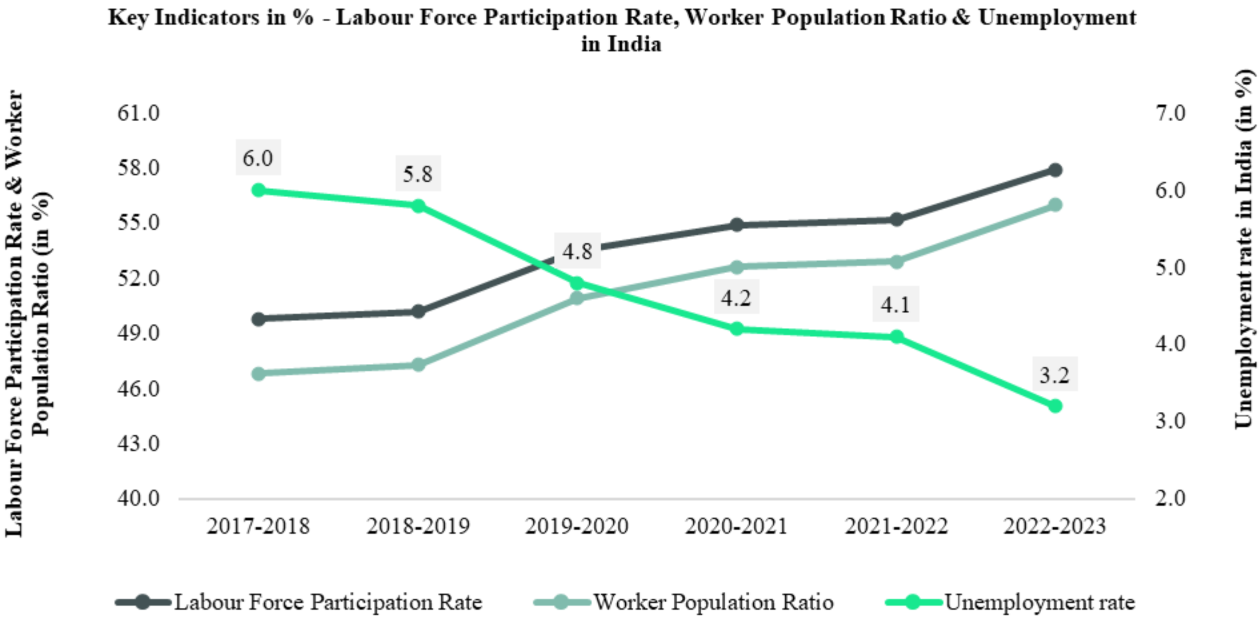
Source: All India Survey on Higher Education, 2021-2022

India's rising gross enrolment ratio and the availability of a highly skilled talent pool have increased its attractiveness to global companies. With the supply of experienced and new talent to cater to both core and new-age digital technologies[8], multinational corporations & Global Capability Centres[9] are considering India as a viable location, capitalizing on the country's educational infrastructure, domestic consumer market, and labor cost arbitrage.

Growing Labor Force Participation Rate and Employment

Driven by the aforementioned indicators, the employment landscape in India has witnessed a shift, with the share of total employment in the services sector increasing from 30% in FY2013 to 34% in FY2023. *(Source: RBI, KLEMS employment Database, July 2024)*

Key indicators such as India's unemployment rate, worker population ratio, and labor force participation rate have witnessed a positive trajectory over the past 5-6 years indicating an evolving labor market in India. This has been supported by key government initiatives such as Atmanirbhar Bharat Abhiyan, Product Linked Incentive scheme, Skill India Mission, and Start-up India, which have assisted in job creation and creating a supportive environment for Small & Medium Enterprises SMEs/Startups. The unemployment rate has declined from 6.0% in 2017- 2018[10] to 3.2% in 2022-2023, with the unemployment rate in the younger population of India (youth aged 15-29 years) declining from 17.8% in 2017-2018 to 10% in 2022-2023. *(Source: The Indian Economy Review – January 2024, Department of Economic Affairs)*



Source: Periodic Labour Force Surveys, Employment and Unemployment Scenario of India, September 2023, Directorate of General Employment

Note – The survey period of PLFS surveys is from 1st July to 30th June of next year.

---

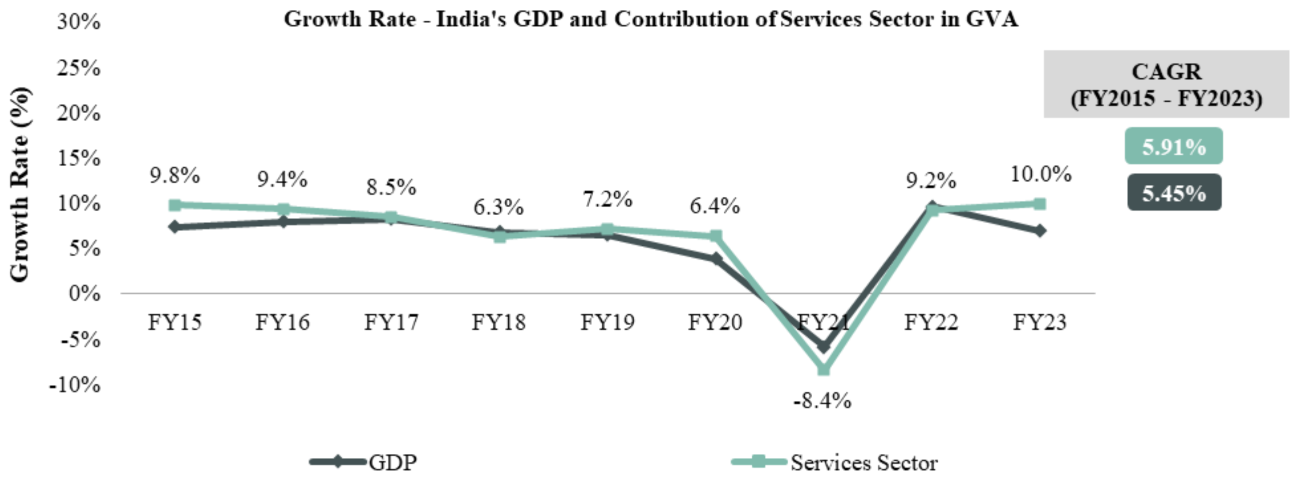
8 *New age digital technologies such as Internet of Things, Big Data, Artificial Intelligence, Cloud Computing, Augmented and Virtual reality etc.*

9 *GCCs are the captive hubs that include both MNC-owned units that undertake work for the parent's global operations and the company-owned units of domestic firms.*

10 *The survey period of PLFS surveys is 1st July to 30th June of next year.*

Increasing Number of People Employed in the Services Sector

The services sector[11] led by technology and financial services continues to be one of the key drivers of the Indian economy contributing to the rising number of people employed in India. The services sector has outperformed GDP growth i.e., 5.91% CAGR between FY2015-2023 as compared with 5.45% growth of GDP during the same period.



Source: Ministry of Commerce and Industry, April 2024, Ministry of Statistics and Program Implementation, May 2024, IMF estimates, World Economic Outlook, April 2024

Employment in the services sector increased from 141 Mn in FY2013 to 201 Mn in FY2023, highlighting the sector's growth and indicating a shift towards white-collar jobs. *(Source: RBI, KLEMS employment Database, July 2024)*

India's services sector was the largest recipient of Foreign Direct Investment (FDI) inflows worth USD 109.5 bn between April 2000 – April 2024, i.e., 16% of total FDI Equity inflow during the same period. The services sector's FDI equity inflows have remained within the range of 14-17% of the total over the last 3-4 years.

India's business environment, government initiatives, and dynamic workforce, contribute to diverse and employment growth with more job opportunities. As per Reserve Bank of India's latest KLEMS data, employment in the country has grown at a CAGR for 3.5% during the period FY2015 – FY2024 (644.4 Mn in FY2024 compared to 471.5 Mn in FY2015). *(Source: Ministry of Labour & Employment, Press Release, July, 2024)* This growth is driven by white-collar jobs supported by next-generation industries across key sectors such as Information Technology, Sustainability, Healthcare, and Automobiles amongst others.

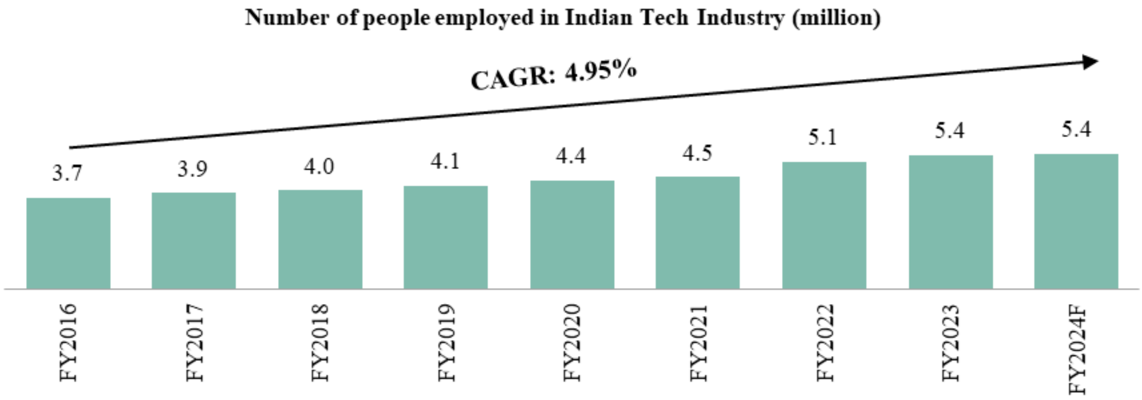
The Technology Industry is one of the Key Drivers of the Services Sector

COVID-19 has accelerated the structural shift, driving the use and deployment of technology, especially cloud, data analytics, e-commerce, and digital transformation. *(Source: Ministry of Commerce & Industry, April 2024).* The Indian technology services sector continues to evolve as the focus is moving towards higher value-added services with Indian companies and Global Capability Centres ("GCCs") of multinational corporations, now providing end-to-end services to their clients. This trend has been one of the key driver for the office segment in the country.

With an estimated revenue of USD 245 bn in FY2023, the technology industry is forecasted to grow by 3.8% reaching revenue of USD 254 bn in FY2024. The positive outlook of this sector is further reflected in the net hiring, with an addition of 60,000 direct employees over FY2023 and the total direct employees estimated at 5.43 Mn in FY2024 (representing 1.1% y-o-y growth). *(Source: Ministry of Electronics and Information Technology)*

[11] *According to the National Accounts classification, services sector covers a wide range of activities such as trade, hotels, and restaurants; transport storage and communication; financing, insurance, and real estate; and business services; and community, social and personal services. In the World Trade Organization (WTO) and Reserve Bank of India (RBI) list of services, construction is also included. (Source: Government of India)*

Through concentrated efforts from the Indian Government's launched program PM Kaushal Vikas Yojana 4.0[12], National Digital Literacy Mission[13], Pradhan Mantri Grameen Digital Saksharta Abhiyan (PMGDisha)[14], the world's largest digital literacy program, Centre of Excellence for IoT and AI' along with forward looking initiatives such as National Data Governance Policy, India is emerging as one of the leading global hub for tech talent. *(Source: Invest India, Digital India: Revolutionising the Tech Landscape, Feb 2024)*



Source: Ministry of Electronics and Information Technology, NASSCOM

Overall, the direct employment in Technology industry is forecasted to be approximately 5.43 Mn people with over 2 Mn digitally skilled talent workforce. India continues to be one of the preferred global sourcing locations, representing a 57-58% share in global sourcing[15]. India has seen an increase of new-generation technology businesses with over 8,100 digital solution providers employing approximately 1.4 Mn employees. *(Source: NASSCOM)*

Through the integration of technology in the real estate sector, PropTech[16] is improving the industry's efficiency and accessibility for consumers. With automation, 3D views, and market research coupled with secure remote transactions, PropTech has improved transparency in the market along with efficient use of resources. While PropTech in India is still in its early stage, the integration of digitalization and technological advancements is further expected to increase demand for real estate in India. *(Source: CBRE Consulting)*

Despite the increase in inflation and global market uncertainty, the technology industry remained resilient and continued to grow at a steady pace in FY2023 showcasing adaptability and strength. Moreover, most enterprises[17] are accelerating digital transformation and bringing forward technology spending like Cloud Computing, Internet of Things (IoT), Data Services, Security, and AI. *(Source: NASSCOM)* India, with its thriving technology industry, lowest-tech talent demand-supply gap[18], cost advantages is well placed to capitalize on this trend.

Growing per capita income in India

The per capita national income of India grew from INR 1,04,880 in FY2017 to INR 1,83,236 as of 31st March 2024, registering a CAGR growth of 8.3% during the same period. Driven by increasing income levels and consumption expenditure in India, per capita gross national disposable income is recorded at INR 2,12,461 as of 31st March 2024 i.e., a y-o-y increase of 8.9%. Metropolitan cities in India have played an important role in increasing India's economic growth and employment landscape. This growth is driven by increasing urbanization, increasing labour force participation rate, and availability of talent pool across these cities coupled with the growing service sector. Cities such as New Delhi and Hyderabad have per capita incomes that are 2.6 - 2.7 times higher than the national average. *(Source: Second Advance Estimates, National*

---

12 *A scheme to enable ecosystem for youths to get skilled, enable delivery for skill training in a market-oriented and demand driven manner, thereby improving employability of candidates.*

13 *The Digital Saksharta Abhiyan (DISHA) or National Digital Literacy Mission (NDLM) Scheme has been formulated to impart IT training.*

14 *Launched in 2017, Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) is a scheme' to usher in digital literacy in rural India with a target to cover 6 crore rural households (one person per household) across the country.*

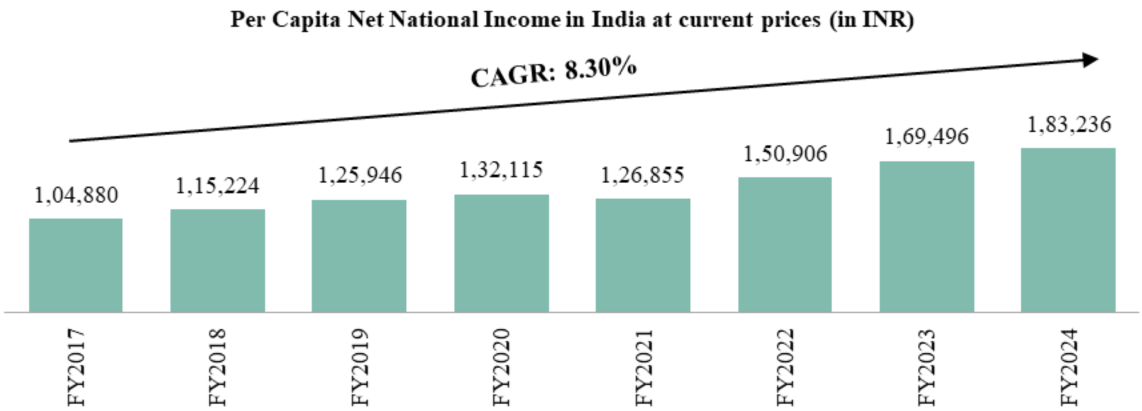
15 *Global Sourcing refers to the services sourced from a country/countries different from the country where the firm receiving services is located; It includes both offshoring and near-shoring*

16 *Proptech, or property technology, is this intersection of the real estate industry with technology, software, and digital solutions aimed at maximising the sale-purchase, research, marketing, and management of properties. (Source: Startup India, Ministry of Commerce and Industry)*

17 *Companies such as TCS, Tata Elxsi, LTTS and Infosys etc. (Source – NASSCOM)*

18 *Lowest tech talent demand supply gap among global tech leaders such as USA, UK, Canada, and Australia. Source: NASSCOM – Strategic Review, 2024*

Income 2023 – 2024, Ministry of Statistics and Programme Implementation, May 2024, Economic survey 2022-2023, Delhi, Economic survey 2022-2023, Telangana, Monthly Economic Review, February 2024)



Source: Economic Survey, 2022 – 2023, Ministry of Statistics and Programme Implementation, May 2024

Growing income levels in India led to an increase in the number of millionaires across the country. Approximately 326,400 individuals are classified as millionaires (USD 1 Mn+) as of December 2023, highlighting an 85% increase in wealth over the past decade. Mumbai and Delhi ranks among the top 10 wealthiest cities in the BRICS[19] nations for 2024.[20] *(Source: World Health, Henley & Partners, December 2023)* This increase in income levels is reshaping Indian consumer behaviour. The Indian consumption landscape is experiencing a strong growth phase, supported by increase in discretionary spending with a focus on improving lifestyle and quality of life. *(Source: CBRE Research, India's Luxury Real Estate Where Opulence Meets Opportunity, March 2024)*

Driven by increasing income levels in India, net national disposable income had a CAGR growth of 9.8% from FY2016 to FY2023. The Household Individual Consumption Expenditure had a CAGR growth of 10.5% from FY2016 to FY2023 from INR 81.7 trillion in FY2016 to INR 164.2 trillion in FY2023. This growth is primarily driven by factors such as rising discretionary spending, urbanization, expanding middle class, and changing lifestyles. *(Source: Ministry of Statistics and Programme Implementation, May 2024)*

India's per capita income has witnessed growth over the past few years. This growth is driven by the growing economy, favourable and growing white-collar employment landscape. Consequently, metropolitan cities with higher per capita income levels compared to the national average on the account of employment generated across the services sector, this has resulted in relatively high per capita consumption expenditure.

India's Emergence as a Favoured Investment Destination

India has remained a favoured destination for long-term foreign capital investments. The total FDI inflows from April 2000 to March 2024 were USD 990.97 bn. Out of the total FDI inflows from FY2015 – FY2024 were USD 667 bn i.e., a 120% increase from USD 304 bn during the previous 9 years (FY2005 – FY2014). *(Source: Department for Promotion of Industry and Internal Trade, FDI Factsheet, April 2024).* The 2024 Kearney FDI Confidence Index ranked India 4th in the Emerging Market Economy (EME) category, indicating its attractiveness as an FDI destination, despite the recent moderation and volatility in global capital FDI investments. *(Source: Monthly Economic Review, April 2024)*

The growing real estate sector has further increased investments resulting in significant capital inflow from domestic and international investors. Since 2018, the real estate sector has received approximately USD 40.8 bn in equity capital, with average inflows of more than USD 6.0 bn each year. The tier 1 cities remained gateway markets for capital inflows in the office segment accounting for a dominant share of approximately 72% in 2023. *(Source: RCA, VCC Edge)*

The similar trend has been witnessed in Q1 CY2024, with a major focus development sites & offices accounting for approximately 56% and 33% respectively out of the total investments made in real estate sector amounting to USD 1.4 Bn. *(Source: RCA, VCC Edge)* This dominance can be attributed to the relatively larger presence of investment-grade projects, surrounding urban infrastructure, tenant demand, and overall growth in these cities.

---

[19] *BRICS nations includes Brazil, Russia, India, China & South Africa*

[20] *Mumbai has an estimated 58,800 millionaires while Delhi has approximately 31,000 millionaires.*

Institutional investors have primarily infused capital to acquire built-up office assets, which had a share of over 60% (approximately USD 8.8 bn) in total investments. The past six years saw more than a dozen foreign institutional investors, asset managers, and developers entering the Indian real estate sector. *(Source: RCA, VCC Edge)*

In CY2023, capital inflows in real estate were led by development sites and built-up offices. Supported by relatively larger presence of investment grade projects, growing urban infrastructure, a diverse talent pool and overall market maturity, Tier 1 cities accounted for approximately 72% of the equity inflows. If the historical and prevailing trends continue, the office sector is expected to continue to be one of the leading beneficiaries of the total institutional inflows.

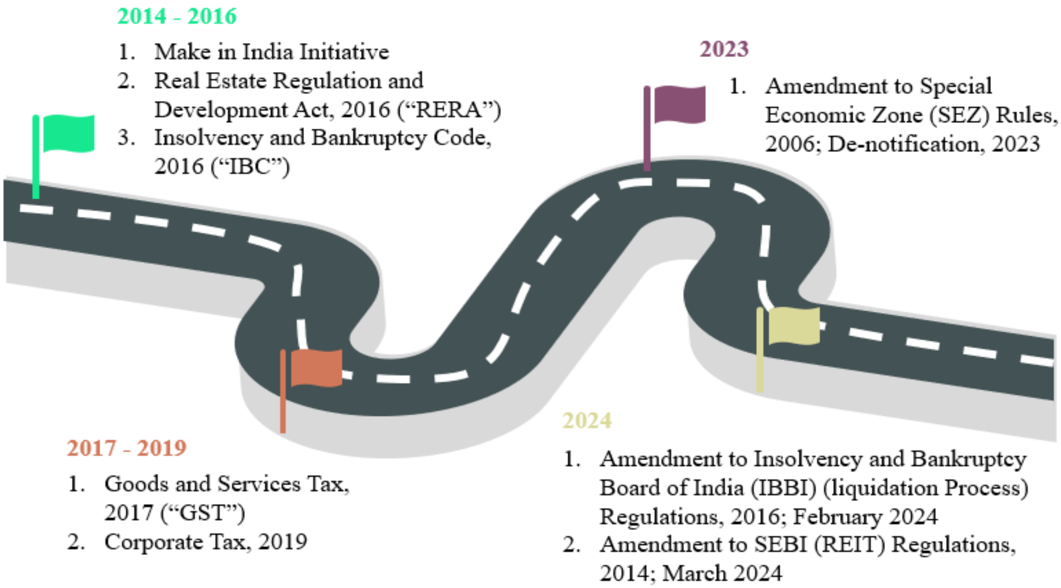
Macro-Economic Environment and Key Trends Assisting Real Estate in India

The continued focus of the Indian Government on programs such as 'Make in India (2014)', 'Startup India', and 'Atal Innovation Mission' has assisted in fostering a supportive ecosystem for domestic enterprises. These initiatives credited in strengthening India's ranking in the Global Innovation Index (GII) from 81st in 2015 to 40th in 2023. Also, cumulative FDI inflows in the manufacturing sector have increased by 55% to USD 149 bn (FY2014–2023) from USD 96 bn (FY2005-2014), post incorporation of the Make in India initiative. *(Source: Press Release, Ministry of Commerce and Industry, December 2023)*

India's startup ecosystem had growth contributed by an increase in venture capital investments, Government initiatives, and innovation. India is the 3rd largest ecosystem for startups globally with over 1,17,000. The Department for Promotion of Industry and Internal Trade("DPIIT") - recognized startups across 670 districts of India as of December 31, 2023. *(Source: Department for Promotion of Industry and Internal Trade, February 2024)* This startup activity is further supported by the growing Indian economy, enabling a favorable environment for innovative businesses. The volatility in many international markets has enhanced investment focus towards India. This trend is expected to position India as a hub for startup activity.

If historic and prevailing trends continue, domestic enterprises are likely to require larger office spaces to accommodate a growing workforce and facilitate collaboration, contributing to the growth in demand for India's commercial real estate sector.

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



Key Initiatives Intended to Assist Commercial Real Estate Growth:

1. ***Real Estate Regulation and Development Act, 2016 ("RERA"):*** The RERA was introduced to protect the interest of buyers and enhance transparency and fair practices in the real estate sector. It aimed to encourage the investment in the sector. The Real Estate Act makes it mandatory for each state and union territory, to form its regulator and frame rules that will govern the functioning of the regulator. It directly affects buyers, intended by increasing trust and transparency in the market, which was a key factor impacting slow activity levels in the sector over previous years.

2. ***Amendment to Special Economic Zone (SEZ) Rules, 2006; De-notification, 2023:*** In early 2023, the Union Ministry of Commerce and Industry amended the act allowing a floor-wise de-notification of the leasable area in SEZs into non-SEZ areas. The proposed regulation is expected to enable SEZ developers to attract more firms engaged in domestic activities, not just export-oriented firms in these developments. The changes in SEZ rules are also expected to allow corporations with an existing footprint in SEZs to expand /relocate to de-notified spaces in the same developments. This has impacted new project launches and development completions in the office segment, assisting the overall growth of the office segment in India. This is also expected to have a flow-on effect on the flexible workspace market in India.

3. ***Amendment to SEBI (REIT) Regulations, 2014; March 2024:*** SEBI has introduced the Small and Medium Real Estate Trusts (SM REITs) Framework, to provide due regulatory oversight, adequate disclosures, and investor grievance redressal mechanism. According to the amendments, SM REIT can be set up as a Trust with an asset size of INR 50 Crores (as against INR 500 Crores in REIT). This amendment allows investors to invest in the completed and rent-yielding real estate with a minimum investment of INR 10,00,000. This amendment will increase access to real estate investments, and provide liquidity in the market, thereby facilitating further growth of REITs and consequently growth of the real estate sector in India.

4. ***Make in India, 2014*****:** The '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. Indian Real Estate Industry will play an important role in providing necessary infrastructure development for the manufacturing industry being set up by Indian and foreign businesses. These investments by Indian and foreign industrialists are likely to contibute to downstream demand for commercial office spaces, residential properties, and the construction of factory buildings.

Key Initiatives Intended to Fuel Economy and Overall Real Estate Growth:

5. ***Insolvency and Bankruptcy Code, 2016 ("IBC"):*** The IBC was introduced to provide a time-bound, unified insolvency process, and aims to maximize recovery by preserving companies as a going concern.

6. ***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 to increase cost efficiency, reducing prices and leading to the formation of a unified national market.

7. ***Amendment to Insolvency and Bankruptcy Board of India (IBBI) liquidation Process) Regulations, 2016; February 2024:*** On 13th February 2024, the Insolvency and Bankruptcy Board of India (IBBI) amended Regulations, 2016. Wherever the corporate debtor has given possession to an allottee in a real estate project, such asset shall not form part of the liquidation estate of the corporate debtor.

8. ***Pradhan Mantri Gati Shakti National Master Plan:*** INR 100 trillion worth of infrastructure plan is to be developed to augment economic growth. The holistic infrastructure development program plans to improve employment opportunities. The mission aims to improve connectivity in the country. Economic Zones like textile clusters, pharmaceutical clusters, defence corridors, electronic parks, industrial corridors, fishing clusters, agri zones will be covered to improve connectivity. *(Source: National Portal of India, Government of India)* This, in turn, is likely to drive demand for commercial real estate spaces, especially across key logistic hubs and industry corridors.

9. ***Other Initiatives***: There have been several government initiatives aimed at improving India's competitiveness and ease of doing business. Increased spending on infrastructure including both Railways and the PMAY[21] scheme along with an allocation of INR 10,000 crore per year for an Urban Infrastructure Fund for tier – 2 & tier 3 cities to aid in home ownership is anticipated to stimulate the real estate market in India. *(Source: Union Budget of India 2022 – 2023)*, FDI reforms across multiple sectors, push towards Digital India, New Foreign Trade Policy, Phased Manufacturing Programme (PMP) amongst others and Startup India Initiatives coupled with key incentives to start-ups are key steps taken by government to enhance the global competitiveness of Indian industries as a part of the roadmap for India 2047. *(Source: Press Release – Government takes several steps to promote business, boost startups and manufacturing, Ministry of Commerce & Industry, dated 30th July, 2024)*

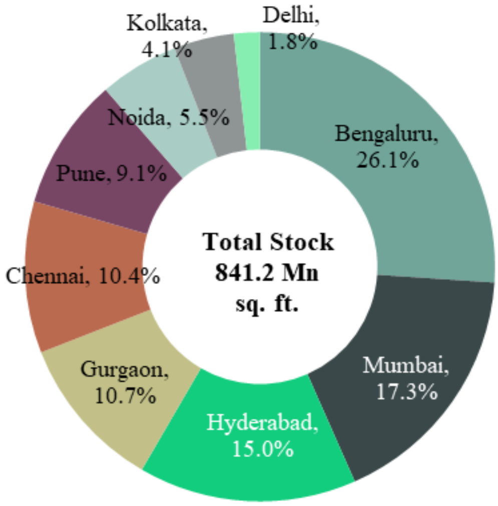
[21] *Pradhan Mantri Awas Yojana-Urban (PMAY-U), being implemented since June 2015, is one of the major flagship programmes by Government of India to provide all weather pucca houses to all eligible beneficiaries in the urban areas of the country through States/UTs/Central Nodal Agencies.*

Overview of the Indian Office Market

Introduction

India's commercial office[22] stock stands at an estimated 841.2 Mn sq. ft. as of March 31, 2024. It 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 841.2 Mn sq. ft. total stock[23] is considered an organized stock[24] and is purely utilized as office space. Out of the total stock, approximately 78% is non-SEZ stock i.e., 658 Mn sq. ft., and the remaining 22% (183 Mn sq. ft.) is classified as an SEZ (Social Economic Zones) stock[25]. *(Source: CBRE Research)*

Tier 1 Office Stock (Mn sq. ft.) – as of Q1 CY2024



Source: CBRE Research, as of Q1 CY2024

Evolution of Office Stock in India

India's office real estate landscape has changed in the past two and a half decades. Since the early 2000s, office stock has grown more than 18 times from approximately 46.5 Mn sq. ft. as of pre-CY2003 to approximately 841.2 Mn sq. ft. as of March 31, 2024. Indian real estate has emerged as a favored investment asset class due to various factors including the growth of the economy, demand-supply fundamentals, investor-friendly policies, and increased transparency. Various Global Sovereign and Pension Funds are setting up and expanding their India presence with a long-term investment horizon of 10 to 15 years, which will add further stability & depth to the Indian office market.

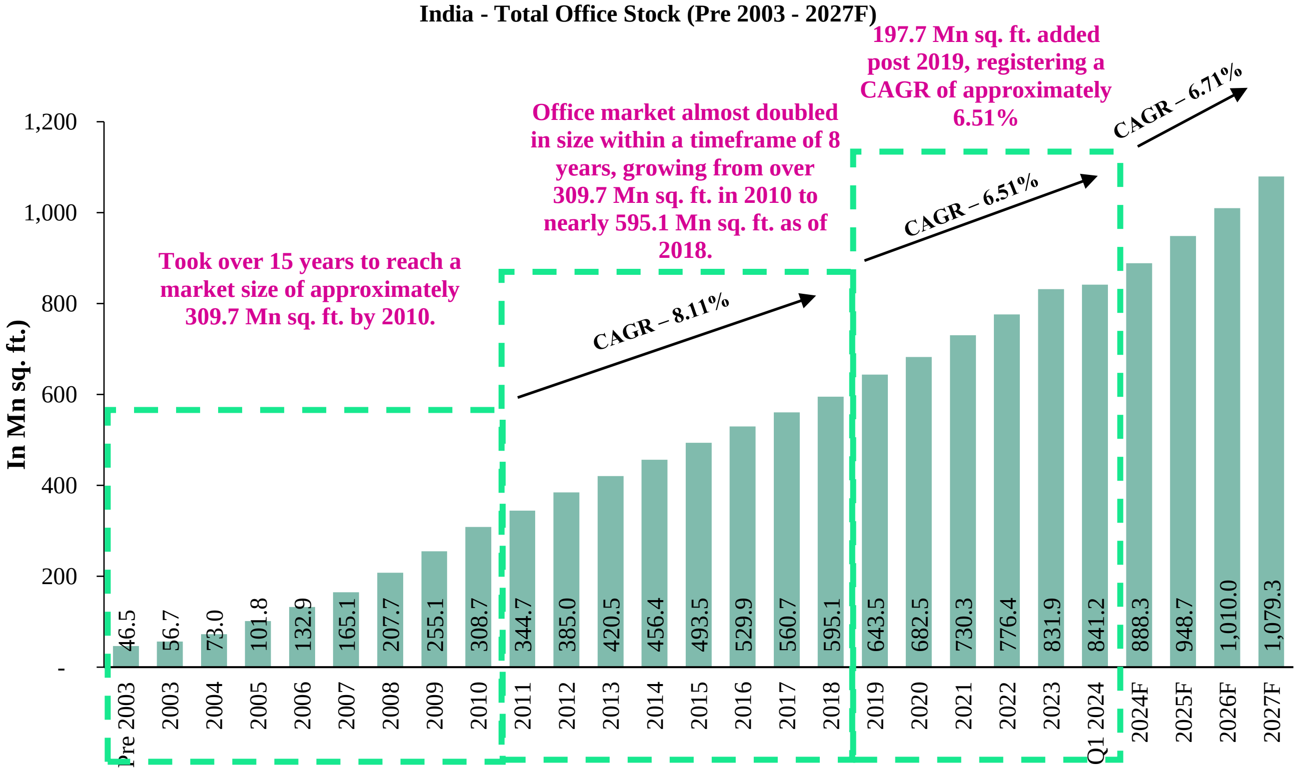
Historically, the Indian office market had an increase in overall commercial office stock from an estimated 309.7 Mn sq. ft. in CY2010 to approximately 595.1 million sq. ft. in CY2018 growing at a CAGR of 8.11% during the period. Furthermore, the Indian office market had an estimated supply addition of approximately 197.7 Mn sq. ft. during the period CY2019 – Q1 CY2024.

Going forward, the supply influx is anticipated to maintain a similar trend in CY2024, driven by the need for quality-grade office space. This can be attributed to the changing preferences of occupiers, where factors such as convenient access to public transportation systems, a healthy mix of outdoor green spaces, optimum air quality and F&B options are becoming increasingly prominent requirements in newly completed developments. *(Source: CBRE, Office Outlook, Q1 2024)*

Source: CBRE Research, as of Q1 CY2024
The projections have been made considering historic trends, ongoing market activity, and certain parameters such as development pipeline that may have an impact on the upcoming supply in the commercial real estate market across Tier 1 cities.

---

[22] *All commercial office references in the report pertain to organized stock unless otherwise stated.*
[23] *Total stock here represents the total completed space (occupied and vacant) in the market at the end of the Q1 CY2024.*
[24] *Organized stock represents the inventory held by organized private developers and institutional developers.*
[25] *SEZ Stock refers to a development type; includes all IT-focused Special Economic Zones approved as per the SEZ India Authority.*
Non-SEZ Stock refers to a development type; includes buildings developed for occupiers involved in IT/ITeS operations (as defined in the National and State Level IT Policies), inclusive of STPI (Software Technology Parks of India) and includes all non-IT buildings, inclusive of those for corporate office space.



Source: CBRE Research, as of Q1 CY2024
The projections have been made considering historic trends, ongoing market activity, and certain parameters such as development pipeline that may have an impact on the upcoming supply in the commercial real estate market across Tier 1 cities.

Key Drivers of Office Demand

1. **GCC Charting a New Technology Era and Driving Growth**

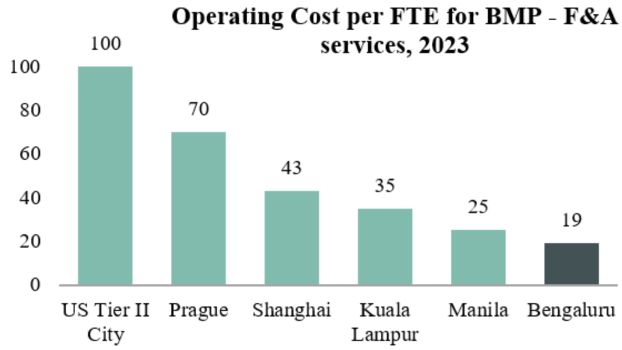
Large, English-Speaking Talent Pool

The availability of English-speaking skilled manpower (second largest English-speaking population in the world), 11.31 Mn graduates (including 0.89 Mn engineers and 2.32 Mn commerce graduates as of FY2022) and the improving quality of multi-disciplinary educational institutions provide a large and skilled talent workforce. *(Source: Ministry of Education, AISHE 2021-2022)* In FY2023, India has one of the world's largest annual supplies of STEM graduates at over 2.5 Mn, witnessing a CAGR of 12% during FY2021 – FY2023. *(Source: NASSCOM)*

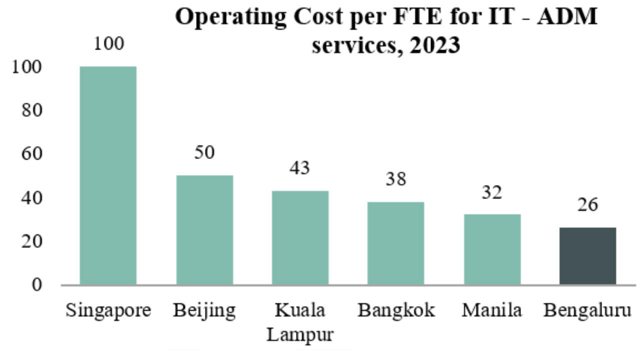
India's digital talent pool is estimated to account for approximately 38% of total talent in technology industry i.e., 5.43 Mn as of FY2024. This growth is supported by educational programs and upskilling initiatives such as PM Kaushal Vikas Yojana 4.0 and FutureSkills Prime, National Digital Literacy Mission and Pradhan Mantri Grameen Digital Saksharta Abhiyan (PMGDisha), the world's largest digital literacy program. This growing talent is anticipated to bridge the gap between demand and supply for skilled professionals, solidifying India's status as a leading global hub for tech talent. *(Source: NASSCOM)*

Competitive Cost Advantage

India has a cost advantage compared to many of its global counterparts. Further, the operating cost per full-time equivalent ("**FTE**") for Application Development and Management/Maintenance ("**IT-ADM**") services is relatively less. *(Source: CBRE, NASSCOM)*



Source: NASSCOM, Indexed to US Tier II City = 100



Indexed to Singapore = 100

While the first two decades of India's growth in the technology industry were led by third-party service providers, the last decade has seen the emergence of Global In-House Centres ("**GICs**", also called captives or Global Capability Centres "**GCCs**")[26].

Indian GCC ecosystem has become a sandbox[27] for global companies driving organization-wise transformative initiatives. From decentralization and diversifications of portfolios, to creating innovation hubs, Indian GCCs are strategically restructuring and transitioning from their origins as cost arbitrage centres, to a hub for service transformation with a focus on value enhancement and skilled talent. *(Source: NASSCOM, Zinnov, GCC 4.0 India Redefining Globalization Blueprint, June 2023)*

Wave 1.0	Wave 2.0	Wave 3.0	Wave 4.0 & beyond
GCC as on Outpost *As of FY 2010* Total No. of GCCs: 700+ Revenues: USD 11.5 bn Total Installed GCC Talent: 400K+	GCC primarily a Satellite *As of FY 2015* Total No. of GCCs: 1,000+ Revenues: USD 19.4 bn Total Installed GCC Talent: 745K+	GCC transitions to a Portfolio Hub *As of FY 2023* Total No. of GCCs: 1,580+ Revenues: USD 46.0 bn Total Installed GCC Talent: 1,659K+	GCC transitions to a Transformation Hub
1. Cost & Talent Arbitrage	1. Delivery Excellence 2. Innovation	1. Digital Transformation & Innovation 2. Transition to GBS 3. Peer Collaboration 4. Portfolio Expansion & Ownership 5. Global Roles	1. Hub for as-a-Service Transformation 2. Customer-Centric Business Development 3. Accountability of Creating Newer Hubs 4. Monetizing Service Capability
Pre 2010	2011-2015	2015-2023	2023 onwards

Source: NASSCOM

GCCs in India have evolved from support centres with 700 GCCs in FY2010 to transformation hubs with over 1,580+ GCCs in FY2023. The number of GCCs in India is forecasted to grow at 3.2% (y-o-y) reaching more than 1,630 GCCs during FY2024 and is further forecasted to cross 1,900+ by FY2025. *(Source: NASSCOM)*

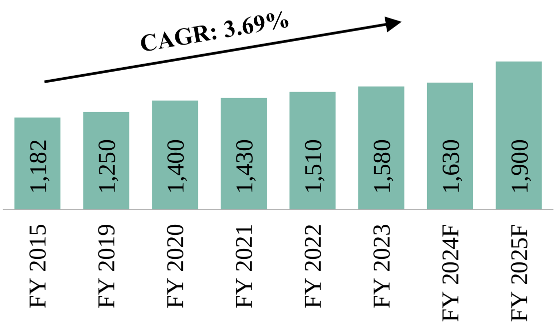
This growth is supported by the availability of a skilled workforce at relatively lower cost coupled with competitive rentals and government reforms such as Startup India and Digital India. *(Source: CBRE India's Global Capability Centers Charting a New technology era, November 2023)*

[26] *Note: GCCs are the captive hubs that include both MNC-owned units that undertake work for the parent's global operations and the company-owned units of domestic firms.*

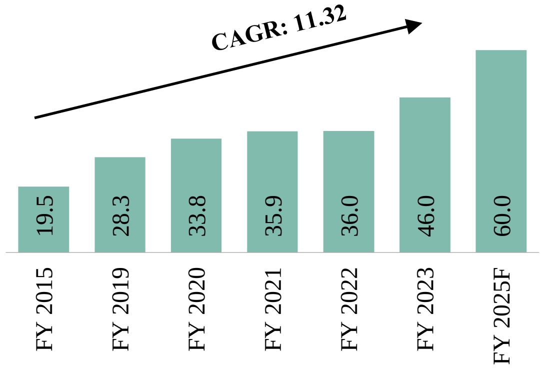
[27] *a metaphorical boundary, imposed on an area in which you can freely test ideas and innovate.*

The GCCs revenue has also increased from USD 19.4 bn in FY2015 to USD 46.0 bn in FY2023 and is further forecasted to reach USD 60 bn by FY2025 with a forecasted CAGR of 12% during FY2015 – FY2025. (*Source: NASSCOM*).

No. of GCCs in India



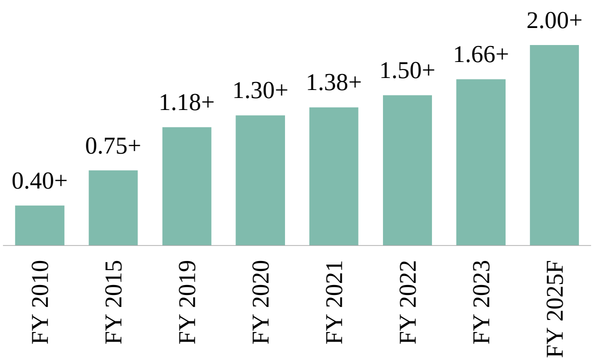
GCCs Revenue (USD bn)

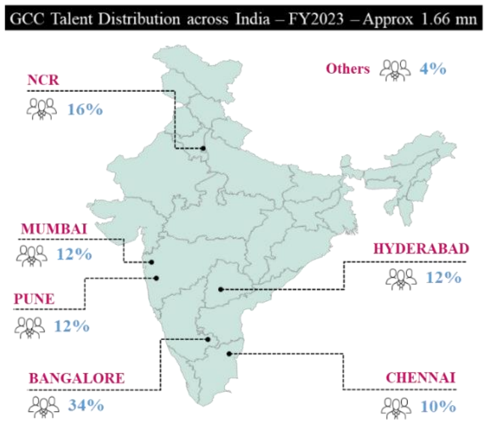


Source: NASSCOM

GCCs have steadily expanded their footprint in India and have become a critical driver of office demand across most markets. The overall GCC leasing in India has experienced a y-o-y growth of 17.96% from an estimated 19.37 Mn sq. ft. in CY2022 to 22.85 Mn sq. ft. in CY2023. Furthermore, out of the overall office space leasing, GCC space take-up in the Tier 1 cities had an increase from an estimated 34.41% in CY2022 to 37.86% in CY2023. While Bengaluru continues to account for the largest share in leasing, Hyderabad, Chennai, and Pune have also seen increased traction. This is due to a trend amongst GCCs moving closer to their talent pool and the increased availability of quality office supply by large developers and institutional investors. *(Source: CBRE).*

No. of employees working in GCCs (million)





Source: NASSCOM

Source: NASSCOM; Others include Tier II & III cities in India

A clear shift is being observed in India as most of the new GCCs entering the country are establishing multi-functional centres Engineering, Research & Development (ER&D), IT, and Business Process Management). GCCs in India are supporting their HQs with transformation initiatives such as building new products, creating technology enhancements, and becoming a business hub for their parent organization. Tier I cities remain the preferred destinations for GCCs in India, with approximately 96% of the talent housed in these cities.

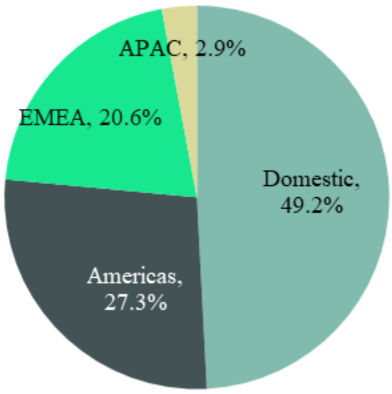
Owing to the availability of new and experienced talent, a supportive regulatory framework coupled with the availability of quality grade and cost-effective real estate, India is moving towards becoming one of the preferred locations for offices of GCCs & multinational corporations.

Rise of Indian Companies

Domestic Firms to Increase Overall Space Take-up

Supported by the country's steady economic growth, domestic companies are emerging as a strong force in the demand for office space in India. This demand is driven by a period of financial buoyancy and a well-capitalised financial system, enabling domestic companies to invest in expansion and enhance their market presence. In terms of office absorption by domicile, domestic firms are emerging as a key demand contributor for office space accounting for 49% of commercial leasing in Q1 CY2024. This trend is propelled by a growing consumption base in the country.

The expansion of domestic firms is further supported by the government's emphasis on infrastructure development and the execution of several reform measures. Beyond traditional industry sectors, the office market is likely to benefit from the expansion of flexible workspace operators, Research Consulting & Analytics, aerospace and automobile firms. *(Source: India Office & Flex Outlook 2024)*

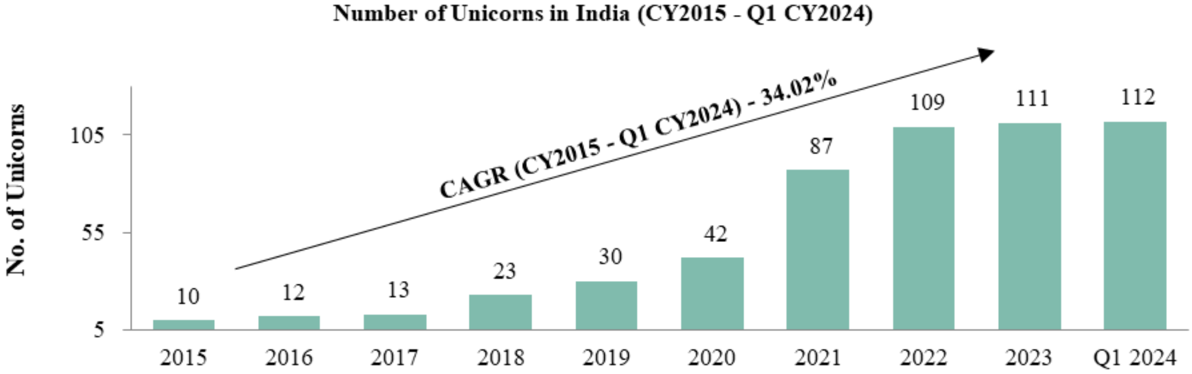


Source: CBRE Research, India Office Figures - Q1 2024

Rise of Startups and Unicorns in India

India's startup ecosystem has led to an increase in demand for office spaces supported by a rise in demand for high quality office spaces along with flexible workspace solutions providing financially efficient and collaborative working environments. India is the third largest startup ecosystem in the world, supported by business environment, talented workforce, digital transformation, and an entrepreneurial and innovation spirit. The number of recognized startups in India has grown at a CAGR of 68.5% during the period 2018 - 2023, resulting into over 1,17,000 startups as of December, 2023 with approximately 50% of startups from Tier 1 cities. The presence of startups has increased six folds in the last seven years with presence across 670+ districts across the country as of December 31, 2023. *(Source: States' Startup Ranking 2022, National report, Ministry of Commerce, and Industry)*

Supported by the Startup India Initiative, Innovations for Defence Excellence, Atal Innovation Mission, Innovation and Agri-Entrepreneurship Development Program, India has seen the emergence of 114 unicorns[28] as of May 2024, shaping India's economy and innovation landscape.



Source: Indian Unicorn Landscape, Invest India Gov, Inc 42

Along with the increasing number of startups and unicorns in India, many Indian startups such as Oyo Hotels and rooms, Ola Cabs, and Tonbo Imaging and Lenskart, MakeMyTrip amongst others are expanding their operations beyond the

[28] *Unicorn refers to the companies with a market valuation of more than USD 1 bn.*

domestic market and venturing into international markets by forging strategic partnerships or through acquisitions. This has increased international opportunities across the sectors such as travel, brands, real estate, SaaS enabling global expansion and growth. *(Source: Indian Startups go global, Ministry of External Affairs, Government of India)*

Subsequently, the growth in Indian startups has led to an increased traction from multiple sectors including Flexible workspace operators, BFSI amongst others, resulting into growth in demand for office space.

Indian Office Market Overview

Recovery post COVID-19 related disruptions,

After India had a record 63.2 Mn sq. ft. of gross absorption[29] in CY2019, office demand slowed across all cities post-March 2020 due to the impact of the global pandemic and local lockdowns in CY2020 and CY2021. Globally and in India, companies paused decisions on office take-up as management teams and corporate real estate decision makers initially focused on managing short-term business continuity priorities and thereafter assessing future growth plans and office accommodation strategies.

The office sector in India exhibited recovery in H1 CY2022 as occupier sentiments improved due to the relatively less severe Omicron (COVID-19) wave, the subsequent relaxation of restrictions and improved vaccination rates. As markets reopened across India, enquiries and inspections increased and the quantum of RFPs across cities also grew during CY2022. Consequently, strong leasing performance was observed in CY2022 (55.6 Mn sq. ft. gross absorption) in comparison to CY2021 (39.5 Mn sq. ft. of gross absorption).

Indian workplaces have experienced higher employee attendance & Return to Work traction in CY2023 as compared to CY2022. The office sector continued to witness meaningful gains in CY2023, with a resurgence in occupiers' sentiments and pent-up demand post a rise in return-to-offices. *(Source – CBRE)*

As of Q3 CY2023 Indian cities such as Bengaluru, MMR and Hyderabad have higher total stock when compared with selected cities in APAC (Seoul, Singapore, Tokyo & Manila). Led by a steady space uptake in CY2023, the office market in India performed better than anticipated during the year, registering the second-highest absorption figures at 60.6 Mn sq. ft, representing a y-o-y growth of 9% vis-à-vis the previous year and an increase of approximately 53% over CY2021. This leasing activity was led by Hyderabad, Chennai and Mumbai having an increase in leasing activity as compared to the previous year, buoyed by the addition of quality supply, and the rising interest of global and Indian corporates to expand in these markets due to talent availability, infrastructure development and competitive rentals.

Enhanced by domestic growth, improved mobility and resurgence in occupier sentiments, the office sector in India outperformed expectations, witnessing an increase in deals during Q1 CY2024. The office absorption for Q1CY2024 stood at 13.7 Mn sq. ft. as against the supply completion of 9.3 Mn sq. ft. The supply influx is anticipated to remain strong, with a significant portion of investment-grade office space forecasted to enter the market in CY2024.

During CY2024, Occupiers are expected to prioritise high quality spaces as they continue to facilitate portfolio expansion and consolidation, strengthened by a period of financial buoyancy and well-capitalised financial system. *(Source: CBRE Research, 2024 India Office Occupier Survey, June 2024[30])*

---

[29] *Absorption represents the total office space known to have been let out to tenants or owner-occupiers during the survey period. A property is deemed to be taken-up only when contracts are signed, or a binding agreement exists.*

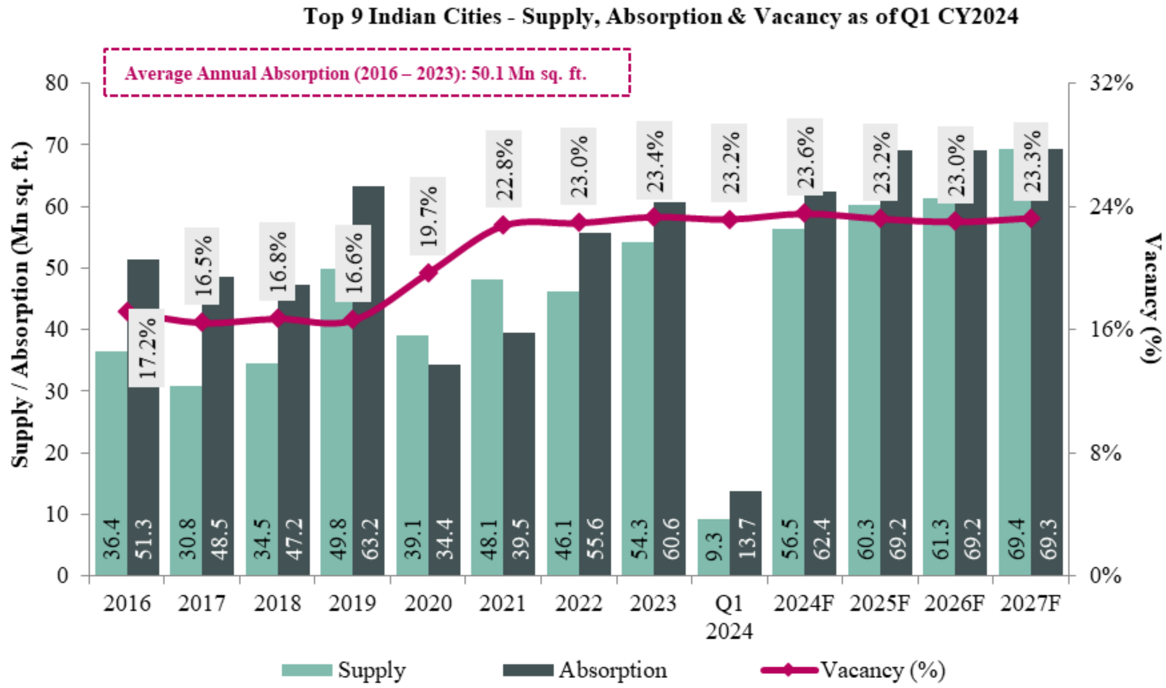
[30] *Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78**

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

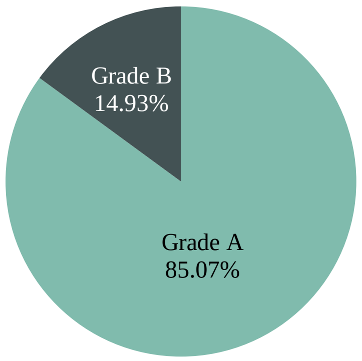


Source: CBRE Research, as of Q1 CY2024

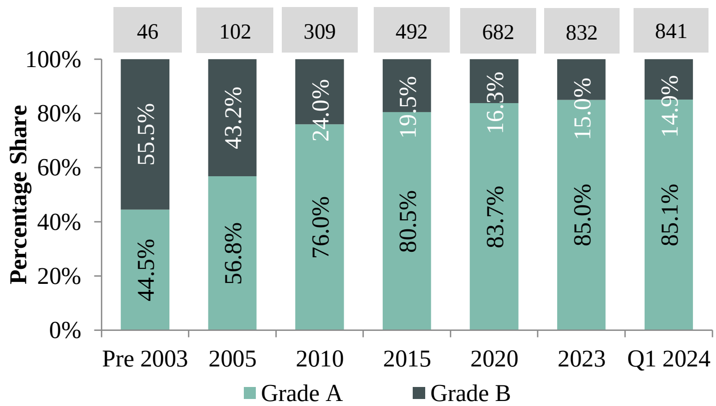
Grade Classification of Office Stock

As of March 31, 2024, over 85% of the commercial office stock in India, aggregating to 715.9 Mn sq. ft., pertains to Grade A category. Grade A office stock registered a CAGR of 15%, from 57.8 Mn sq. ft. in 2005 to approximately 715.9 Mn sq. ft. as of March 31, 2024. While Grade B stock accounted for approximately 15% of the organized commercial office stock in India as of March 31, 2024, a diminishing trend in the share of Grade B stock is observed over the years. This is 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 of March 31, 2024)

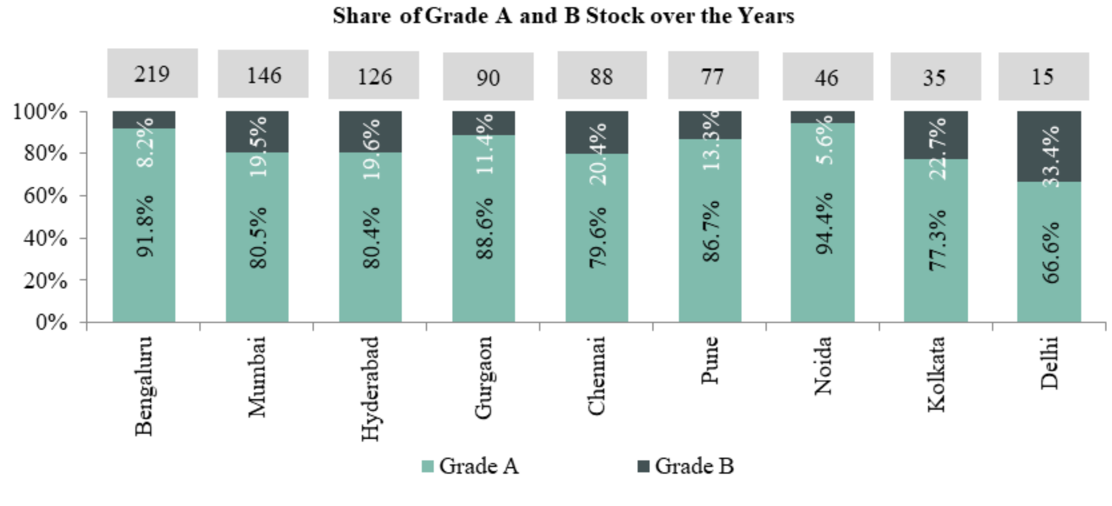


Share of Grade A and B Stock over the Years



Source: CBRE Research, as of Q1 CY2024
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 of March 31, 2024:

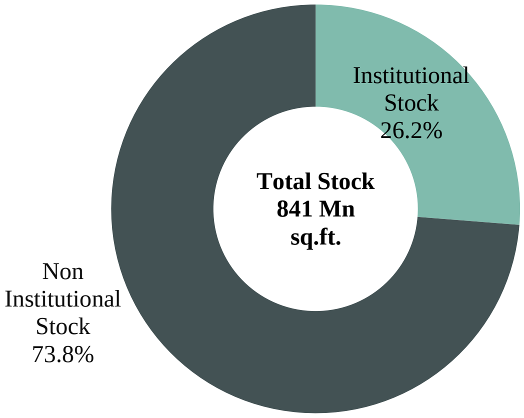


Source: CBRE Research, as of Q1 CY2024

Ownership Classification of Office Stock

In respect of the overall office stock, approximately 26.2% of the total commercial organized stock in India are institutionally[31] held as of March 31, 2024. Further, approximately 73.8% of the total commercial organized stock in India is non-institutionally owned stock as of Q1 CY2024.

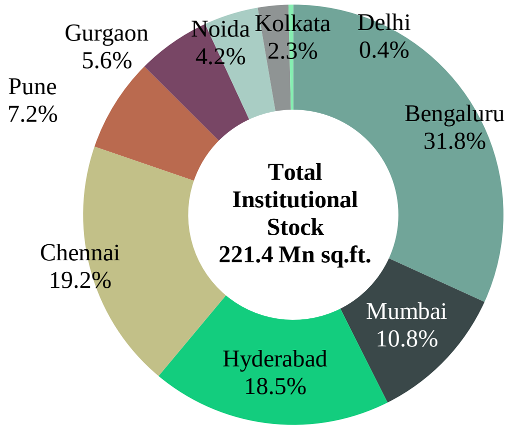
Share of Institutional and Non-Institutional Stock (As of March 31, 2024)



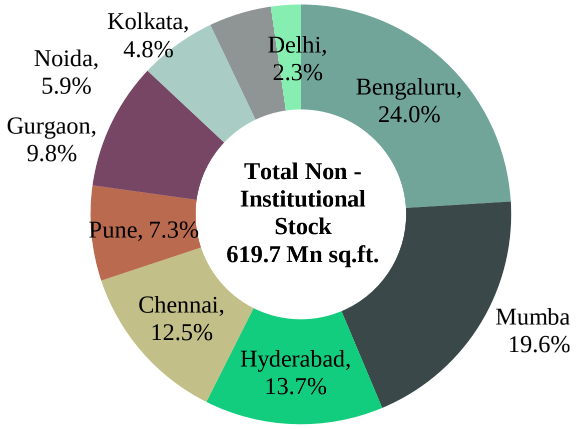
Source: CBRE Research, as of Q1 CY2024
Note - Institutional Stock refers to office assets which are majorly owned and have witnessed investment activity by institutional players such as private equity ("PE") funds, pension funds, sovereign wealth funds, insurance companies, and real estate investment 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.

[31] *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").*

City wise share of Total Institutional Stock (As of March 31, 2024)



City wise share of Total Non-Institutional Stock (As of March 31, 2024)



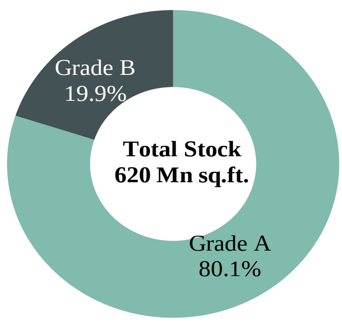
Source: CBRE Research, as of Q1 CY2024

Institutional assets in India have grown at a CAGR of approximately 8%, i.e., from approximately 131 Mn sq. ft. in 2016 to approximately 221 Mn sq. ft. as of March 31, 2024. Prominent cities including Bengaluru, Chennai, Hyderabad and Mumbai, accounts for approximately 80% of the total institutionally held stock.

Some of the major institutional investors include Blackstone, Embassy REIT, Brookfield REIT, Mindspace REIT, GIC, CapitaLand, Mapletree Investments, Brookfield, CPPIB, Bain Capital, Godrej Fund and Hines amongst others. Approximately 99.8% of Institutional stock is Grade A stock.

The graph represents the bifurcation of total non-Institutional stock into Grade A & Grade B as of March 31, 2024:

Split of Grade A and Grade B stock as a share of Non-Institutional Stock (As of March 31, 2024)

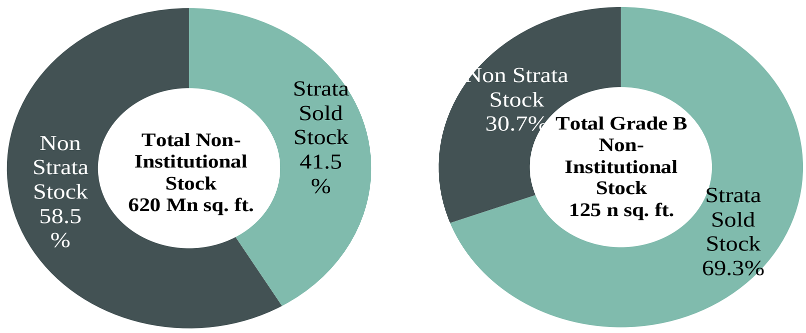


Source: CBRE Research, as of Q1 CY2024

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 41% i.e., 257 Mn sq. ft. of the total non-institutional stock of 620 Mn sq. ft. has witnessed strata sale activity.

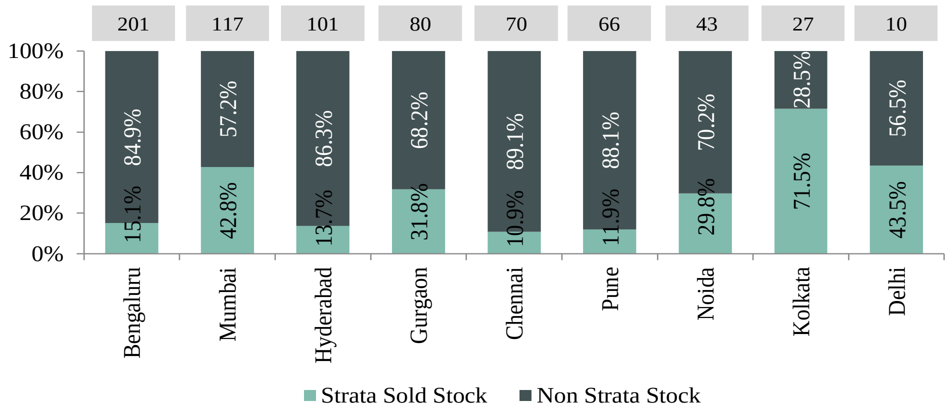
Bifurcation of non-Institutional Stock into Strata / Non Strata stock and further delination of Grade B non-Institutonal stock into Strata/Non-Strata stock



Source: CBRE Research, as of Q1 2024

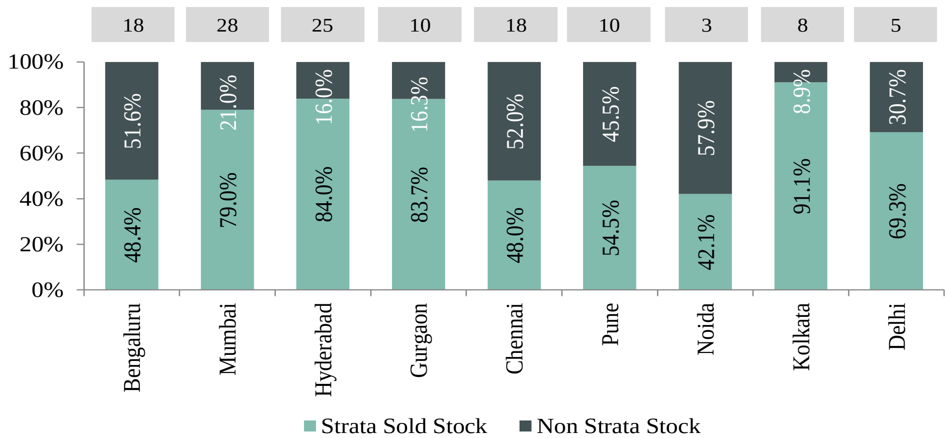
The Indian office market is predominantly fragmented. Although the organized sector is often the focus, the unorganized sector is growing rapidly, indicating a shift in the market. The Indian office market historically possesses and continues to offer a large potential for asset upgradation, a variety of alternate assets[32] and ageing properties in need of refurbishment.

Table highlights share of Strata and Non-Strata in Grade A stock city wise as of March 31, 2024:



Source: CBRE Research, as of Q1 2024

Table highlights share of Strata and Non-Strata in Grade B stock city wise as of March 31, 2024:



Source: CBRE Research, as of Q1 2024

[32] *Alternate assets refer to mixed-use developments, hotel, and mall establishments.*

Indian Office Market—Top 9 Cities

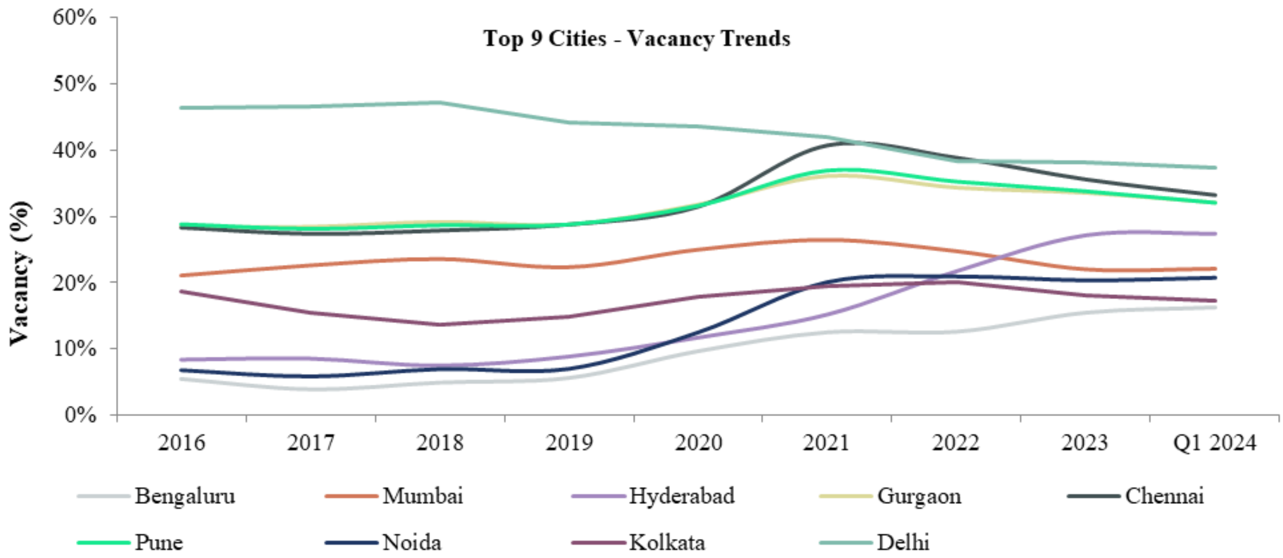
India's top nine cities' accounts for approximately 841 Mn sq. ft. of office space. These cities house India's political capital, financial hub, and prominent technology centers. Table below includes key office parameters for the top nine office markets in India:

Particulars	Bengaluru	MMR	Hyderabad	Gurgaon	Chennai	Pune	Noida	Kolkata	Delhi	Total
Total Stock as of March 31, 2024 (Mn sq. ft.)	219.3	145.6	126.1	89.9	87.8	76.6	46.0	34.8	15.0	**841.2**
Occupied Stock as of March 31, 2024 (Mn sq. ft.)	183.6	113.4	91.5	61.0	72.6	60.6	30.7	21.8	10.8	**646.1**
Vacancy as of March 31, 2024 (%)	16.3%	22.1%	27.5%	32.1%	17.4%	20.8%	33.2%	37.3%	27.9%	**23.2%**
Annual Absorption Avg. 2016 – Q1 2024 (Mn sq. ft.)	14.9	6.5	8.8	5.3	5.5	5.1	2.7	0.9	0.5	**50.2**
Market Rents* as of March 31, 2024 (per sq. ft./month)	89.9	133.0	66.6	97.6	80.0	76.9	54.3	52.9	202.0	**91.5**

Source: CBRE Research, as of Q1 CY2024
*MMR represents Mumbai Metropolitan Region, which includes Mumbai; *weighted average rents based on occupied stock.*

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 supply completion during the period. Delhi NCR and MMR demonstrate relatively higher 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.

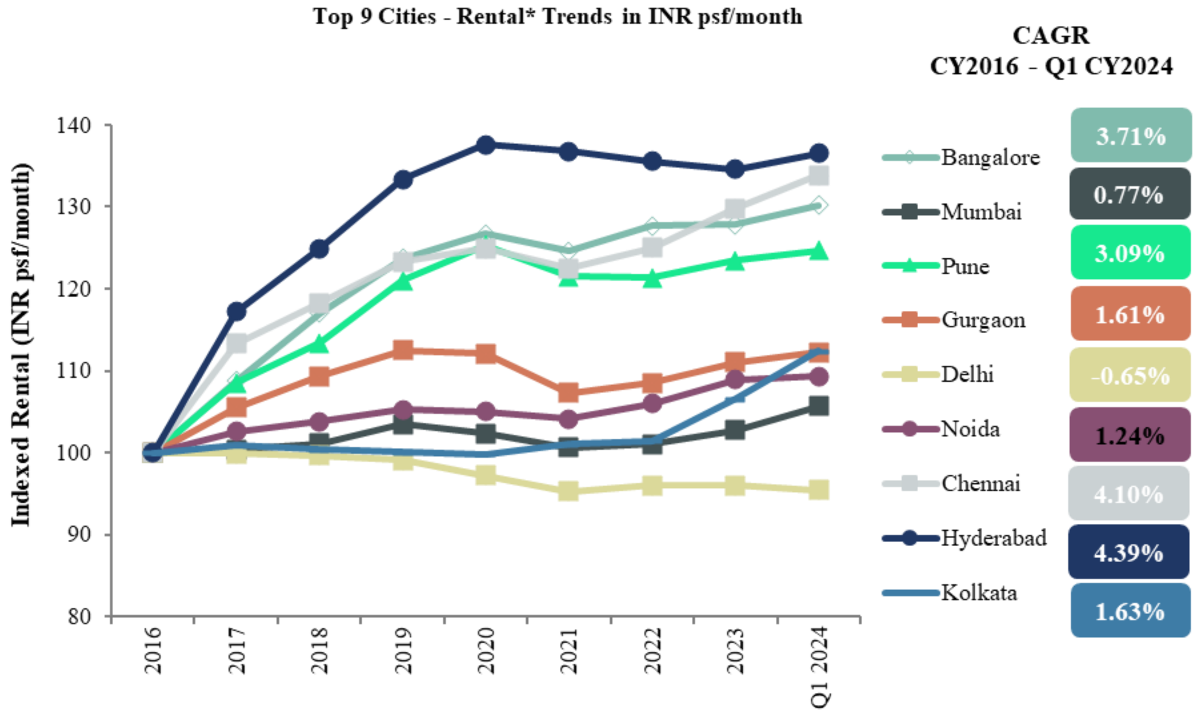


Source: CBRE Research, as of Q1 CY2024

Rental Trends

Key markets such as Bengaluru, Pune, Hyderabad, and Chennai have consistently witnessed rent growth ranging between 3% - 4% during the period CY2016 – Q1 CY2024, driven by constrained supply in prime locations coupled with steady demand from technology tenants. Cities such as Mumbai, Gurgaon, Noida, Delhi, and Kolkata have also witnessed growth albeit at a slower pace ranging between 0.8 – 2%.

However, limited growth in rental was witnessed during 2020-21 owing to the onset of COVID-19 pandemic. CY2022 onwards the market has witnessed a sustained growth in leasing activity thereby moderating vacancy levels within India. 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. *(Source: CBRE Consulting)*



Source: CBRE Research, as of Q1 CY2024
**Weighted average rents based on occupied stock.*

Recent Trends in Indian Office Market

1. ***'Return-to-Office' Witnesses Higher Pace***

While hybrid working model continues to be prevalent across sectors, occupiers are adopting a firmer stance on bringing employees back to the office with 90% of occupier's preferring at least 3 days in the office per week. This trend is primarily driven by observed increase in office attendance owing to the limitations of working from home such as data theft, the unavailability of internet connections and constraint on space in household. Growing occupancy levels in offices are expected to continue with corporates targeting approximately 75–80% physical occupancy in CY2024. Occupancy levels within the workspace have been rising across sectors as occupiers focuses more on employee satisfaction, experience, and overall productivity. Sectors such as E-commerce, Engineering and Manufacturing, Banking and Financial Services, Research and Analytics have witnessed occupancy trends ranging between 80-95%. *(Source: CBRE Research, 2024 India Office Occupier Survey, June, 2024[33])*

Physical office spaces in India are likely to continue to play a central role given occupier preferences for providing high-quality digital infrastructure and collaborative spaces for employees and for driving team building, learning and business innovation through community and collaboration.

---

[33] *Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78**

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

This trend is likely to see occupiers invest in developing 'experiential workplaces' that promote brainstorming, enhance employee productivity, and prioritise well-being. This approach entails the creation of high-quality assets equipped with desirable amenities, fostering a vibrant and engaging work atmosphere. *(Source: CBRE Research Employee Experience – Pathway to Reimagining Workspaces, May 2024)*

2. Changing Occupiers focus and preferences

Occupiers are focusing more on design integration, occupancy planning, employee wellbeing, curation of better experience coupled with integration of hospitality. Additionally, this experience is being generated by revising their internal design requirements to potentially reduce the space density along with increasing the focus on collaboration and community spaces. Developments by leading developers, particularly those who operate large-scale business parks as a whole with multiple employee amenities, are uniquely placed to adapt to these changing trends with superior portfolio quality assets to address the needs of potential occupiers with their high-quality, safety and wellness-oriented properties, including technological enhancements in common areas and property management. Supported by increasing occupancies coupled with a diverse multi-generational workforce, there is a growing need of placemaking[34] & hospitality centric in-office-environment with modern designs fostering exceptional employee experience. *(Source: CBRE Consulting)*

Further, occupiers remain steadfast in pursuing long-term portfolio expansion demonstrating persistent confidence in the Indian market's potential. As per CBRE 2024 India Office Occupier Survey, June 2024, almost 70% of the occupiers indicated their intention to increase the size of their office portfolio over the next two years[35].

3. Long-Term Relevance of Office Spaces and Changing Profile of Occupiers

Continued attractiveness of India's office market on account of demographic factors and availability of large-scale talent base with technical skillsets at affordable cost, positions the relevance of quality grade office spaces in the long term. Even as occupiers are adapting to a hybrid set-up, physical offices are here to stay 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 offer better physical setup.

While the office sector continues to be dominated by the technology firms, BFSI and E&M companies taking a higher share in leasing. Beyond the traditional industry sectors Flexible Workspace operators have also emerged as one of the leading office space absorbers in the last few years. The office market is poised to further benefit from the expansion of RCA, aerospace, and automobile firms.

During CY2023, Technology firms held the highest share in leasing followed by Banking, Financial Services, and Insurance (BFSI) firms ranging between 19-24% each. *(Source: CBRE Research)*

---

[34] *Placemaking spans planning, designing, and managing spaces that inspire and promote social interactions and exchange, contributing to an elevated holistic experience.*

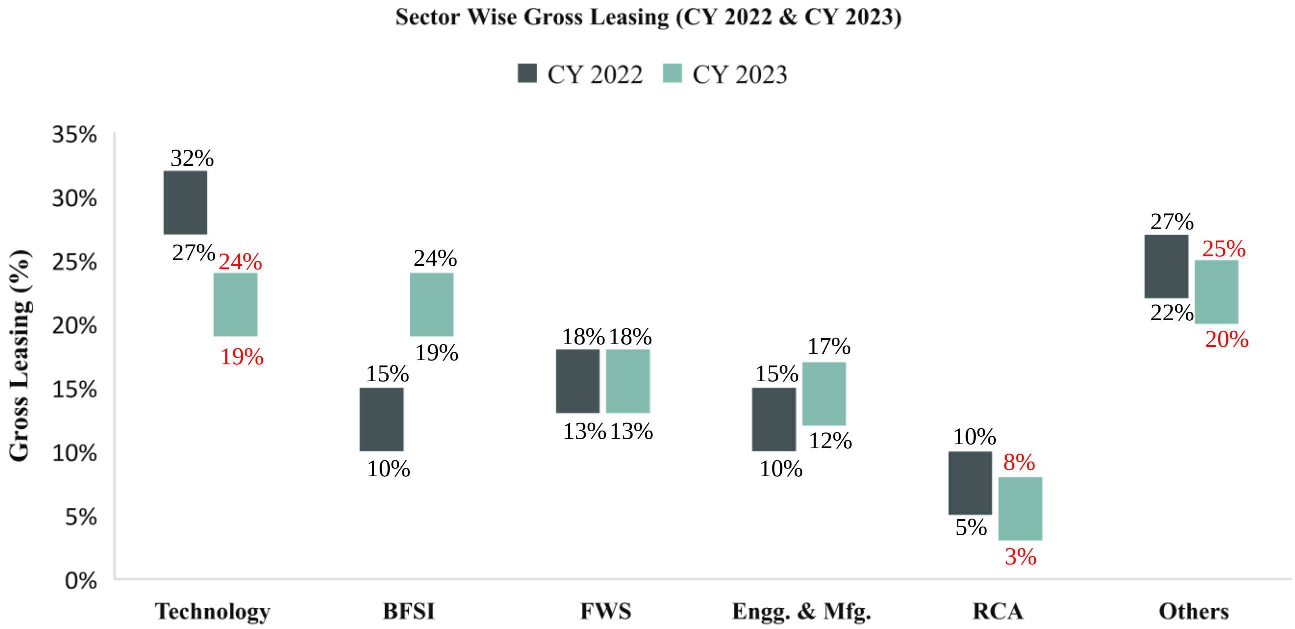
[35] *Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78**

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

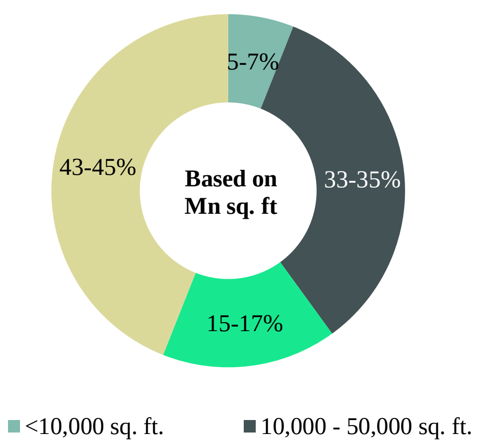
Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)



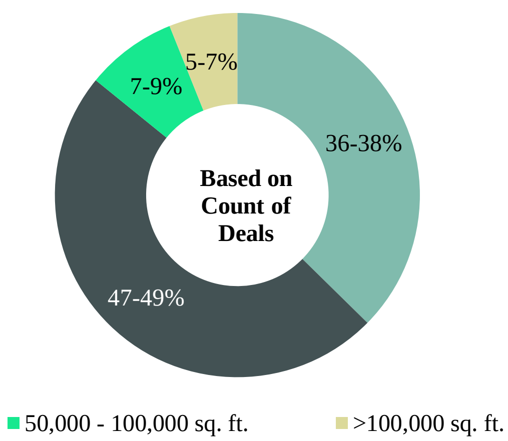
Source: CBRE Research, as of Q1 2024
Note: FWS – Flexible Workspace Operators, RCA – Research, Consulting & Analytics, Others include: FMCG, Telecom; Healthcare & Pharmaceuticals; Media, Automobiles, Aviation
The numbers are mentioned as per space take up in Grade A developments and selected Grade B only across key micro markets. Thereby, it doesn't reflect all the deals. The above numbers are only for top 9 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

As per market analysis of the deal sizes for last two years approximately 93-95% of the overall office space take-up in tier I cities was contributed by transactions more than 10,000 square feet. Transactions between 10,000-100,000 square feet accounted for 50-52%. Whereas 43-45% of the total space take-up were by larger space requirements i.e., greater than 100,000 square feet.

Category Wise Space Take-up by Deal Size – Mn sq. ft



Category Wise Space Take-up by Deal Size – Count of Deals



Source: CBRE Research (CY 2022 & CY 2023)

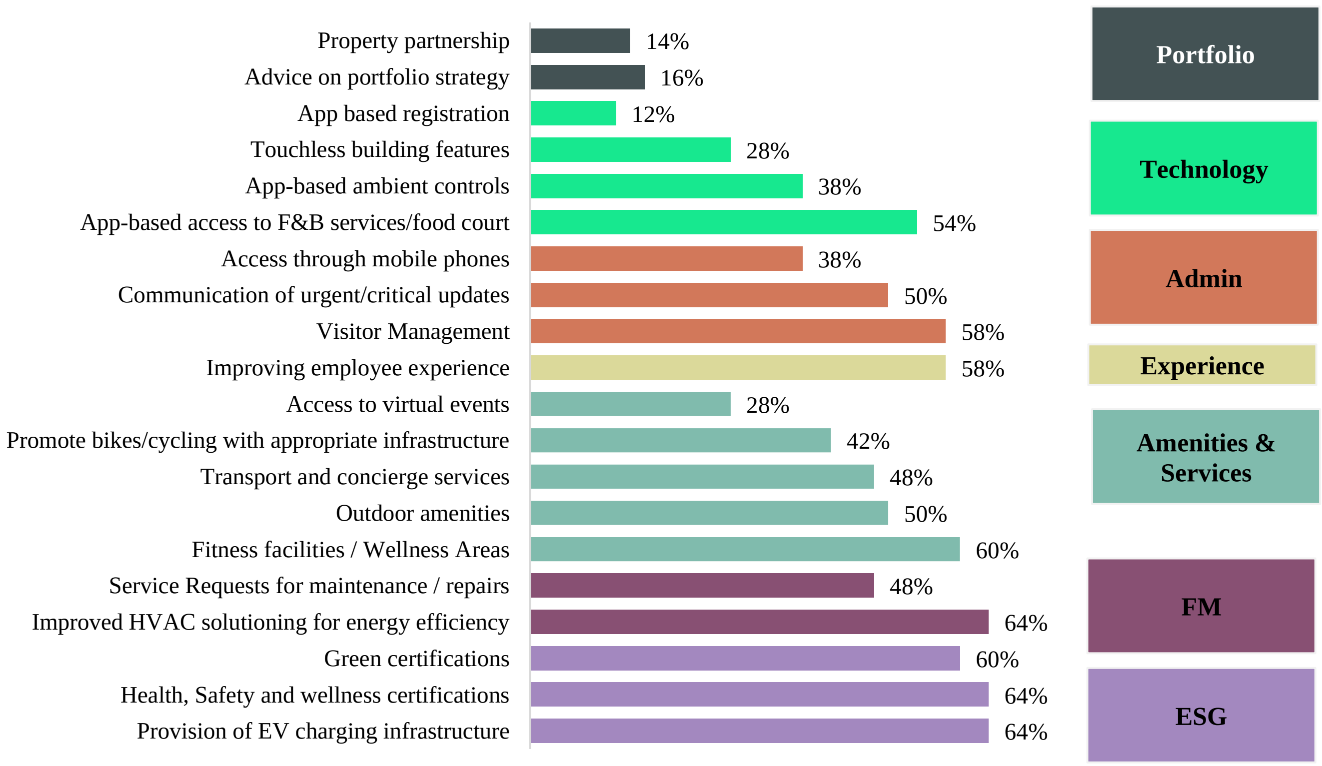
4. Increasing Demand for Quality Grade Office Spaces offering quality experiences

With changing lifestyles, the need for a flexible work environment, a young workforce and a higher value-added nature of work, companies are looking for superior quality office spaces with state-of-the-art lifestyle amenities. These facilities and amenities include integrated offices, relaxation spaces, daycare centres, sports zones, support infrastructure (hotels, food, and beverages, onsite convenience stores, retail facilities) and tech-enabled workspaces). (*Source: CBRE Research*)

In reference to the above graph, the changes in employees' expectations are leading to a different requirement from occupiers. CBRE's Q1 2024 India Office Occupier[36] Survey reveals that approximately 58% of occupiers are more focused on improving employee experience, followed by nearly 28 - 60% of occupiers focusing on amenities and services such as access to virtual events, fitness facilities/wellness areas, outdoor amenities, and transport services. With technology integration, approximately 35 - 55% of occupiers in India responded favourably to app-based access to F&B services, followed by touchless building features, app-based ambient controls along with access of admin through mobile phones.

Increasing demand and acceleration of occupiers' return-to-office (RTO) plans propelled leasing movement in India. Further, continuing increase in office occupancies has prompted occupiers to renew their focus on workplace strategies and amenities to better enable RTO amidst new flexible working arrangements.

Occupier's Requirements from Office Spaces



Source: CBRE Research – India Office Occupier Survey, June 2024

This was a multiple-choice question in the survey. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

5. Consolidation with Specialized, Organized Office Developers

---

[36] *Note: The survey was conducted during March-April, 2024; Total number of respondents – 70-78**

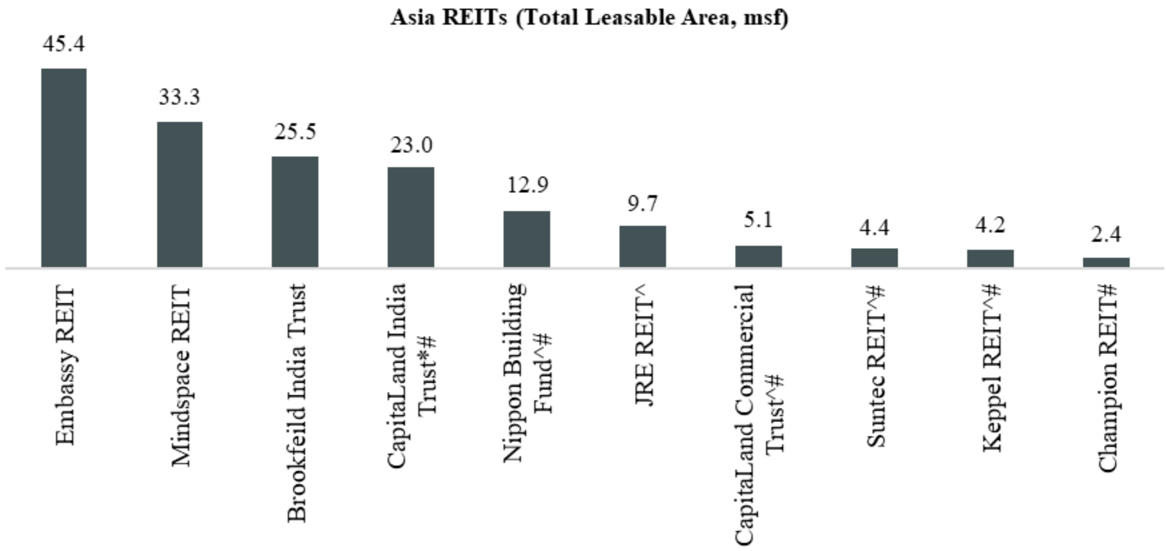
This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

In the early phase of growth, India's office sector was characterized by built-to-suit, captive campuses of various Indian technology companies. These campuses were typically developed by unorganized players such as landowners taking up one-time developments with no linkages between enterprises, supply, and changing requirements of occupiers towards amenities and specifications. However, in the last decade, this fragmentation has given way to the emergence of organized and specialised office-focused developers. Such large developers benefit from economies of scale, diversity of tenant base and strong tenant relationships due to their focused business model.



*Source: CBRE Consulting; Data is based on information available in the public domain for the latest period. Graph represents prominent REITs in Asia that are office focused (area represents completed/UC/Planned office leasable areas only), *Does not include office areas of third party forward purchases, ^reflective of net lettable area, #Data as of 31 December 2023, all others reflective of data as of 31 March 2024, Total area may differ due to number rounding.*

Key Office Clusters Across Tier 1 Cities in India

Commercial properties in tier-1 cities accounted for approximately 90% of the total available commercial office space stock in India as of March 31, 2024[37] (These key clusters/micro-markets amongst the Tier 1 cities shall help us understand the occupier sentiment in terms of optimal rentals, location dynamics, type and quality of developments, other qualitative aspects that the micro-markets offer which continues to attract the occupier interest.

CBRE has identified 29 key office clusters across tier 1 cities as highlighted below. These key clusters were identified after assessment of multiple parameters including total stock, occupied stock, level of vacancy across the clusters, share of micro market as a % of total stock within the city and upcoming supply along with forecasted vacancy levels across these key micro markets. The shortlisted micro markets accounts for approximately 80% of the total stock and 82% of the total occupied stock in tier 1 cities.

Table below includes key office parameters for the key identified clusters across Tier 1 cities in India:

Sn no.	City	Micro market	Total Stock (Mn sq. ft.)	Occupied Stock (Mn sq. ft.)	% of Total Stock	Market Rents* (INR/per sq. ft.)
1	Bengaluru	Outer Ring Road	71.4	61.9	33%	95 – 105
2	Bengaluru	PBD – West	45.8	37.4	21%	55 – 65
3	Hyderabad	Extended – IT Corridor	43.4	27.3	34%	55 – 65
4	Hyderabad	IT Corridor II	41.9	32.1	33%	70 - 75
5	Bengaluru	NBD	30.6	23.8	14%	75 – 80
6	Mumbai	NmBD	30.4	22.6	21%	55 – 65

[37] *Total stock is representative of office space across Tier I and top 10 tier II cities. The Top 10 Tier II cities include Chandigarh, Jaipur, Lucknow, Coimbatore, Kochi, Trivandrum, Vishakhapatnam, Ahmedabad, Indore, and Bhubaneshwar*

7	Noida	Noida Expressway	27.7	17.2	18%	50 – 60
8	Hyderabad	IT Corridor I	27.0	23.6	21%	65 – 75
9	Bengaluru	EBD	26.5	24.7	12%	118 – 124
10	Mumbai	SBD	25.6	20.2	18%	105 – 115
11	Chennai	OMR Zone 1	25.4	22.2	29%	90 – 100
12	Mumbai	PBD – East	21.9	16.5	15%	115 – 125
13	Mumbai	PBD – West	19.5	15.9	13%	120 – 130
14	Gurgaon	Extended Golf Course Road	18.7	7.7	12%	55 – 65
15	Mumbai	Ex-BD	18.4	13.0	13%	170 – 175
16	Bengaluru	CBD	16.1	13.7	7%	135 – 140
17	Pune	SBD – Northeast	16.0	12.8	21%	75 – 85
18	Gurgaon	NH8 (Before Rajiv Chowk)	15.7	13.0	10%	105 – 115
19	Chennai	OMR Zone 2	15.3	12.3	17%	55 – 65
20	Pune	PBD – Northeast	14.5	11.8	19%	85 – 90
21	Mumbai	ABD	14.2	12.0	10%	280 – 290
22	Pune	PBD – Northwest	13.4	9.8	17%	45 – 55
23	Gurgaon	DLF Cybercity	12.3	11.8	8%	120 – 130
24	Pune	SBD – Northwest	12.2	9.9	16%	80 – 85
25	Chennai	Mount Poonamallee Road	11.6	10.1	13%	80 – 85
26	Chennai	CBD	10.6	8.8	12%	90 – 95
27	Chennai	Off CBD	10.2	8.7	12%	80 – 85
28	Gurgaon	Golf Course Road	9.0	8.2	6%	100 – 110
29	Pune	CBD	3.5	3.1	5%	75 - 85

Source: CBRE Research, as of Q1 CY2024
**Weighted average rents based on occupied stock on super area basis.*

Outlook for Office Segment:

The office sector continued witnessing meaningful gains in CY2023, enhanced by resurgence in occupiers' sentiments and pent-up demand post a rise in return-to-offices. Economic growth and strategic polices are fuelling a dynamic transformation in India's office market, attracting wide range of industries. While the technology sector remains a dominant force in leasing activity, a more diversified demand base is anticipated in CY2024 with BFSI firms, flexible workspace operators, and Engineering & Manufacturing firms to exhibit growth in leasing. As office occupancies improve and the workspace evolved into a hub for collaboration, firms are investing heavily in creating bespoke and engaging experiences. This trend is likely to see occupiers invest in developing experiential workplaces.

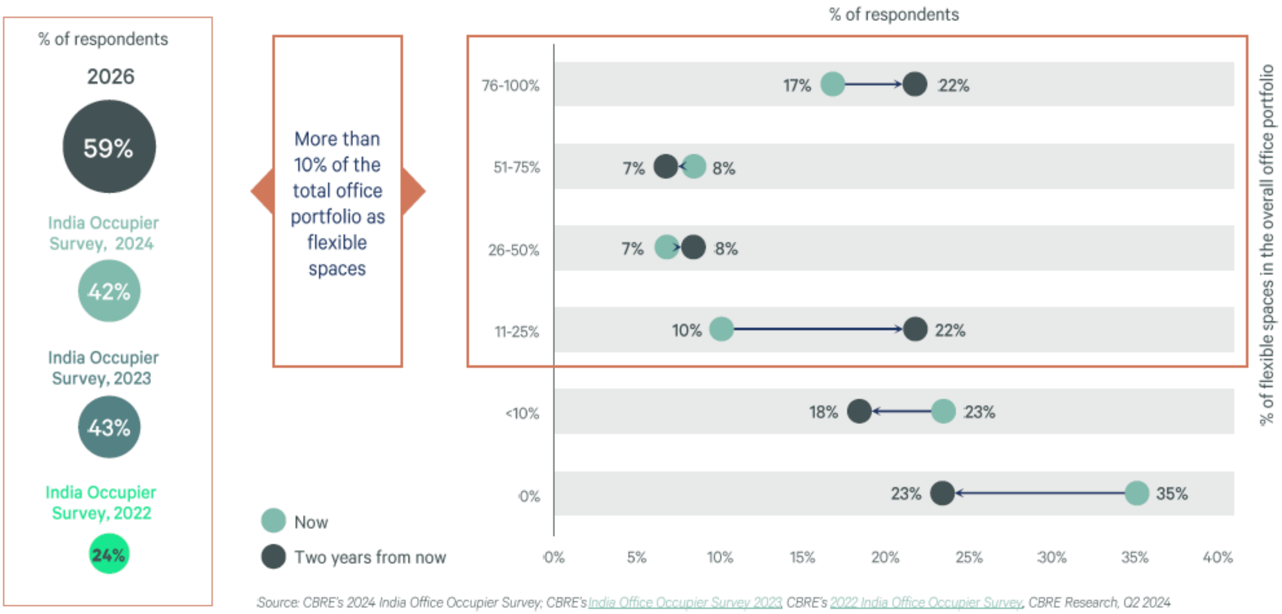
Emergence of Shared Economy

The shared economy as a concept has emerged across various real estate categories, driven by changing expectations of occupiers, changing lifestyle, technological advancements and cost containments. Developments that are facilitating the sharing of residential and commercial spaces are emerging. This trend is supported by rising demand of co-living spaces, and flexible workspaces.

__Emergence of Flexible Workspaces as an important office sub-segment:__

Flexible workspaces have emerged as a cornerstone of modern work culture, aiding varied working styles, and bringing in flexibility into the office market. The Flexible Workspace stock in top 9 Tier 1 cities grew from more than 35 Mn sq. ft. in 2020 to over 68 Mn sq. ft. by March 31, 2024. The demand for Flexible Workspaces is primarily driven by organizations focused on using their capital more efficiently and adopting Hybrid and distributed work models effectively.

According to the CBRE's India Office Occupier Survey 2024, the number of companies with over 10% of their office space being flexible is expected to jump from 42% (Q1 2024) to 59% by 2026.



Source: CBRE Research's India Office Occupier Survey, June 2024
*Note: The survey was conducted during March-April, 2024; Total number of respondents – 70-78**

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

The rise of hybrid work models, capital intelligence, need for flexibility in leases, and a shift in work culture are fuelling the transformation towards flexible workspaces. This has resulted in demand from diverse segments, from start-ups, small and medium sized enterprises (SMEs) to large corporations. These organisations are evaluating to integrate flexible workspaces into their office portfolios as part of their 'Core+Flex' strategies, with managed offices and enterprise co-working requirements witnessing particularly high demand. 'Core+Flex' allows occupiers to be more financially efficient, while still providing employees with a consistent experience and company culture along with the flexibility to work from different locations.

The constantly increasing use cases of Flexible Workspaces, increasing investor interest, incoming investments in the sector, sustained demand from both startups and large enterprises, increasing focus by companies around ESG and employee wellness and constant evolution of products and offerings by flexible workspace operators are amongst the few key factors that well position this asset class and sector for growth in future as well.

Flexible Workspace Industry Overview: India Story

What Is a Flexible Workspace?

Flexible workspace solutions refer to fully furnished and serviced real estate offerings provided by Flexible Workspace Operators to end user occupiers with potential flexibilities built-in around space design, tenure, area, locations etc. in the solution. End user occupiers usually consider Flexible workspace solutions for a host of use cases including but not limited to:

- To support multi-geography expansions
- To support implementation of Hybrid Working & Distributed Working policies
- To circumvent upfront investment in office fit outs
- To convert capital expenditure to operating expenditure
- To Outsource Non-Core CRE Operations
- When they want to acquire small portions of large floor plates in buildings of choice

The popularity and adoption of Flexible workspace solutions has been increasing rapidly amongst both startups and corporate enterprises alike owing to their increasing use cases and constant innovations by leading Flexible Workspace operators and this demand is expected to grow steadily for the next few years.

Evolution of Flexible Workspaces in India

Flexible workspace solutions have become fundamental to modern work culture, catering to diverse working styles, and bringing flexibility to the commercial office sector. In the past, small and mid-sized corporations often faced challenges in finding suitably sized offices with the desired infrastructure and amenities in their preferred locations. There was a clear demand for an office offering better infrastructure and amenities at affordable rates and with flexible lease terms.

The table below highlights the evolution of flexible workspace sector in India:

	Details
Pre-2017	• Before 2015, the flexible workspace offering was mostly limited to two kinds of solutions: — Traditional business centers comprising a mix of private suites and meeting rooms catering to mostly short-term needs for small serviced offices and swing spaces from corporate organizations. — Incubators and accelerators mostly provide early-stage startups with cost-efficient, open layout and shared workspace solutions. These incubators and accelerators also provided access to mentors, investors, and lawyers to their members. • Around 2015, the co-working concept started gaining popularity in India with the initial target audience for this offering being startups.
2017- 2019	• Expansion by both existing domestic and international flexible workspace operators in India along with the entry of new flexible workspace operators. • Evolution of the existing startup-centric co-working format to enterprise co-working format in order to accommodate the growing demand from corporate organizations. • Introduction of the ‘Managed Office’ offering by flexible workspace operators in response to the increasing demand for customized, private and professionally managed offices with flexible terms by MSMEs and large enterprises. • These solutions became popular with enterprises looking to avoid upfront capital expenditure investment in fit-outs and outsource the design, build, and management of their offices to a single vendor. • The continuous evolution of flexible workspace formats in response to end-user demands also eventually led to the emergence of the ‘Managed Campus’ concept that offered the privacy, flexibility and customization of a managed office solution along with the benefits and experience of a highly amenitized and tech-enabled office campus.
2020 – 2021 (Covid-19 impact & Recovery Period)	• Owing to the COVID-19 pandemic, ‘Work From Home’ and ‘Remote Work’ protocols were enforced by almost all companies.

	Details
	• 'Remote first' became the dominant work policy adopted by most organizations, limiting the physical occupancies of offices and flexible workspaces. • Most leading operators used this period to reengineer their portfolios, re-think their business strategies, upgrade their facilities, optimize costs, digitize, and amentise their workspaces. • Managed office solutions demostrated reslience during this period owing to enterprise clientele and relatively longer flex contracts between operators and end users. **Q2 2021 onwards** — Careful re-opening of flexible workspace centers with increased focus on EHS, ESG, and other COVID safety protocols, practices, and guidelines along with the installation of Health and Safety oriented technologies and equipment — Innovative and commercially attractive membership programs offered by flexible workspace operators to support 'Return to Office' (RTO) by end user occupiers. — Introduction of novel solutions by flexible workspace operators like pay-per-use/day pass, reverse offices and fit-out as a service to name a few to enable RTO and hybrid working for the end user occupiers.
2022 onwards	• Adoption of "core+flex" strategies by both startups and corporate enterprises led to increased demand for flexible workspaces. • Speculative space take-up by flexible workspace operators across the country to meet the growing demand from end users • Adoption of Distributed/Hybrid working practices and focus on capital optimization by enterprises became leading demand drivers for flexible workspace solutions. • Non-Tier 1 cities started to become an important part of occupier and operator's expansion strategies. • Visible and increasing investor interest in the flexible workspace sector.

Key Growth Drivers & Salient Features of Flexible Workspaces

The demand for flexible workspaces is largely driven by an increasing focus on flexibility, capital efficiency, cost optimization, hybrid / distributed working, employee well-being, and core business activity by end-user organizations. The popularity and adoption of flexible workspace solutions have been increasing rapidly amongst both startups and corporate enterprises alike owing to their increasing use cases and constant innovations by leading flexible workspace operators.

Below listed are some key growth drivers & salient features of the flexible workspace solution that in isolation or combination tend to lean end users towards adopting a flexible workspace:

- **Evolving Real Estate Strategies:** With the increasing adoption of hybrid / distributed working practices, large organizations are expected to further integrate flexible workspace solutions into their overall real estate portfolios. This can allow these organizations to have more agile office portfolios while providing their employees with a consistent experience along with the flexibility to work from a network of locations.

- **Capital & Financial Efficiencies:** Since in all flexible workspace solutions the capital required to build the facility is usually invested by the operator, it allows the end user occupiers to avoid upfront capital investment in their office fit outs and allocate the same capital towards their core business. Additionally, given their portfolio scale, experience, and well-negotiated vendor contracts, most large operators are usually able to provide sustainably priced flexible workspace solutions to their end-user clients.

- **Operational Outsource:** Real Estate is a non-core function for most organizations and may take from management bandwidth and resources. By signing for office space with a flexible workspace operator, organizations get a single vendor and a single point of contact for all their expenses, escalations, support requirements, etc. This also helps organizations achieve a quicker turnaround time on their office requirements and focus on their core business.

- **Flexibility:** If pre-negotiated with the operator during the structuring of the membership agreement, end users can build in their contract flexibilities such as flexibility to scale the space up or down as required, switch from one operator facility to another, etc.

- **Variety of Offerings:** Flexible workspace operators provide the end users with a variety of offerings ranging from on-demand solutions/day passes and private suites to built-to-suite managed office solutions. Large organizations usually opt for a mix of these offerings to cater to diverse business/organizational needs based on factors such as location, team type, number of employees, etc.

- **Customization, and Bespoke Offerings -** Enterprise Solutions allow end users occupiers to have their flexible workspace offices and solutions customized to their preference and have private, bespoke, and dedicated spaces and services built into their membership.

- **Focus on Employee Health, Wellness, and Amenities:** Flexible workspace operators with amenitized and digitized flexible workspace centers can cater to demand from organizations that are looking for collaborative, tech-enabled, highly amenitized, and customized offices on flexible lease terms.

Types of flexible workspace offerings:

On – Demand	Pre-built, Shared & Serviced Spaces		Custom Built Managed Offices		
HYBRID-DIGITAL SOLUTION	**BUSINESS CENTRE**	**ENTERPRISE COWORKING**	**SHARED MANAGED OFFICES**	**PRIVATE MANAGED OFFICES**	**MANAGED CAMPUS CENTRES**
Pay per Use solutions allowing employees to book open desks and meeting rooms on demand across locations with booking, payment, usage tracking enabled through technology	Small – Medium sized centres comprising of small private & serviced suites with meeting rooms and basic common amenities primarily catering to enterprise clientele	Small – Large sized centres with collaborative areas, meeting rooms, private suites, open desks and all the amenities catering to both startups and enterprise clientele	Custom built bespoke serviced offices with shared common amenities for mid-long-term use mainly by enterprise customers	Custom built & fully private bespoke serviced offices with dedicated amenities for mid-long term use mainly by enterprise customers	Full building campus like flexible workspace centres providing the end user occupiers with the privacy, flexibility, and customization of a managed office solution along with the benefits and experience of a highly amenitized and tech enabled office campus.

Evolution and Demand for Managed Campus Solutions

To provide a Managed campus solution / experience, operators usually acquire full buildings from single or multiple landlords in a warm shell/bare shell condition, upgrade & amenitize them and then offer parts of the facility as fully customized & fitted out, tech enabled, managed, and serviced office solutions to end user occupiers.

Such solutions provide the end user occupiers with the privacy, flexibility, and customization of a managed office solution along with the benefits and experience of a highly amenitized and tech enabled office campus. These solutions aim to provide a holistic office environment that integrates work, wellness, and convenience, and try to provide for/solve for all the needs of the end user enterprises and their employees within the campus.

This kind of a managed campus solution also helps passive landlords who are not actively engaged in the marketing and leasing of their buildings to be able to lease their entire development to a single tenant i.e., the managed campus operator in one go which may save the landlords some time and effort otherwise spent in leasing the asset in parts to multiple tenants and get rental commitments for their entire asset from the operator. The managed campus operator then in-turn provides flexible and managed office solutions to clientele from diverse sectors and industries having requirements of varied sizes and tenures on flexible terms within the landlord's asset.

Flexible Workspace Operators' Tech Stack:

In the evolving landscape of hybrid working, modern offices are transforming into collaborative hubs, seamlessly merging the physical and digital worlds through technology. Prominent flexible workspace operators have started incorporating technology in many of their offerings to further enhance the end-user experience. The integration of technology has been instrumental in streamlining operations, enhancing convenience, and fostering community engagement.

A comprehensive flexible workspace operator tech stack can usually have the below enablement and more:

- Digitized Parking Management System
- Digitized Visitor Management & Access control Systems
- Digitized meeting room/conference room booking system.
- Online Customer Support Platforms
- Food ordering Via Member App
- App-based smart access systems for common amenities like gym, creche, game room, etc.
- Community apps for all members for networking and collaboration
- Technology to track space utilization.
- Technology to track to show fit-out project progress.

Flexible workspace operators are increasingly prioritizing service quality, member wellness and safety, compliance, and customer experience. This focus will drive them to continually enhance and expand their technology offerings and invest in utilitarian and experience-oriented technologies to distinguish their services. A comprehensive technology stack can help an operator stand out, attract more business, and increase customer loyalty.

Flexible Workspaces | India Overview

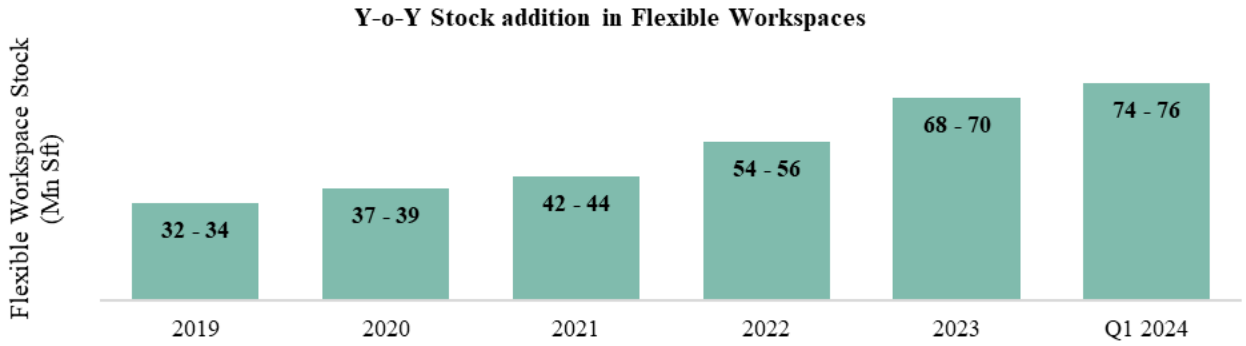
The flexible workspace stock in India currently stands at over 74 Mn Sq. ft. While over 85% - 90% of the flexible workspace stock is spread across key tier 1 markets of India, the demand for flexible workspaces in Non Tier 1 cities is also rising rapidly. The top 10 operators (by Area Mn Sq. ft.) account for almost 60% of the total flexible workspace stock in India.

The table below provides key statistics on flexible workspaces across India (Tier 1 & Non-Tier 1 cities):

Flexible Workspace Stock in India (Pan India) *	
Operators	440+
Number of Unique Center Locations	1,850+
Flexible Workspace Stock	74 - 76 Mn Sq. ft.

**Data as of Q1 2024.*

The chart provides Y-o-Y stock addition of flexible workspaces across India (Tier 1 & Non-Tier 1 cities):

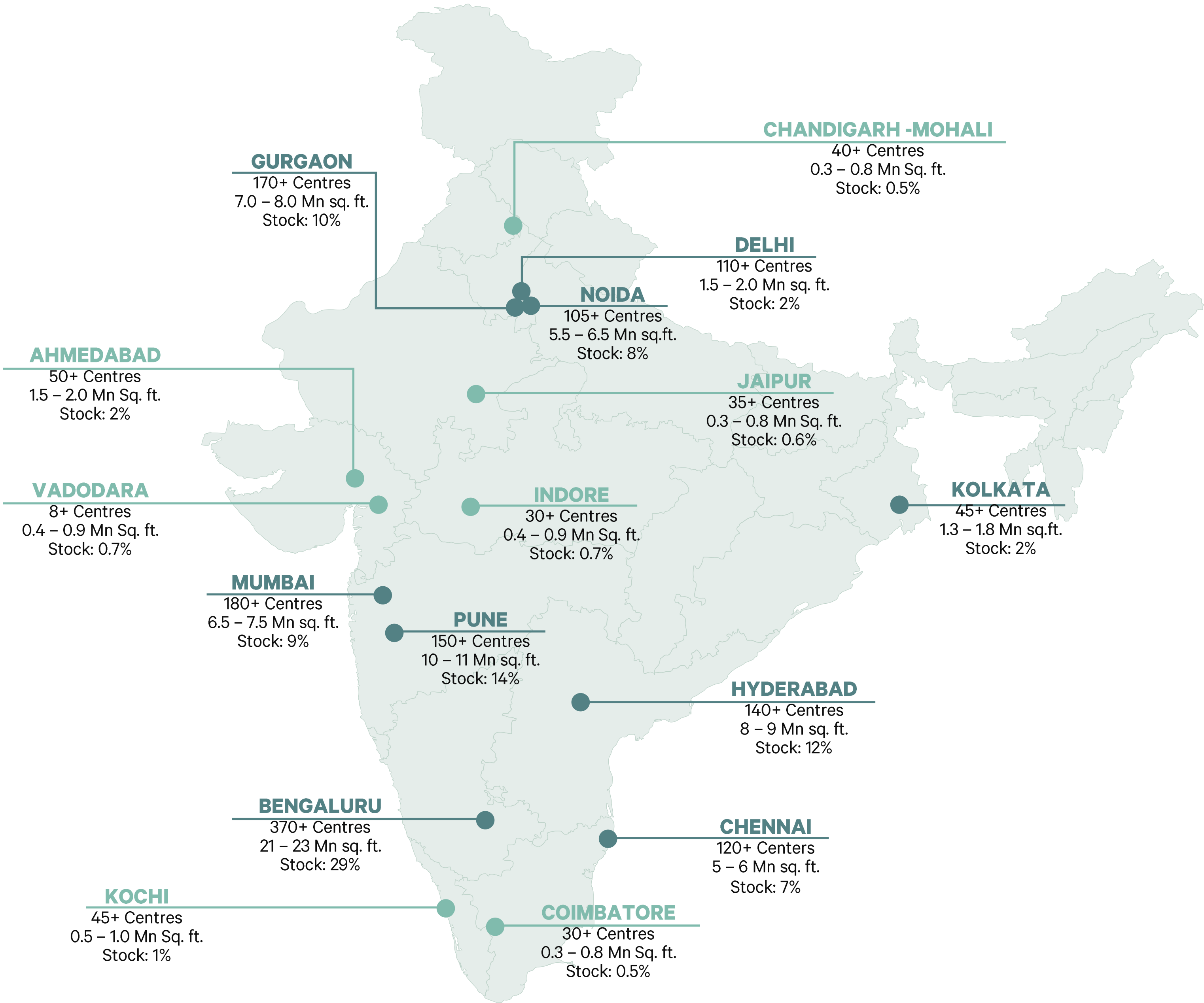


Tier 1 cities account for more than 68 Mn Sq. ft. of the total flexible workspace stock in India with prominent flexible workspace operators having a presence across most of these cities. The flexible workspace stock in these cities is expected to keep growing to meet the increasing demand from a diverse set of organizations looking to enter/expand their footprint in these cities.

The flexible workspace stock in Non-Tier 1 cities currently stands over 6 Mn Sq. ft. and is expected to grow at a steady rate for atleast the next few years to cater to increasing end user demand for office spaces in these cities owing to factors such as hybrid and distributed work policies being implemented by organizations access to the skilled talent pool at competitive costs, increased focus employee wellbeing & retention by organizations, improving infrastructure & connectivity, relatively lower cost of living and real estate, etc.in these cities. The Non-Tier 1 cities flexible workspace stock in India is currently well distributed between small-city level operators and large-multi geography operators.

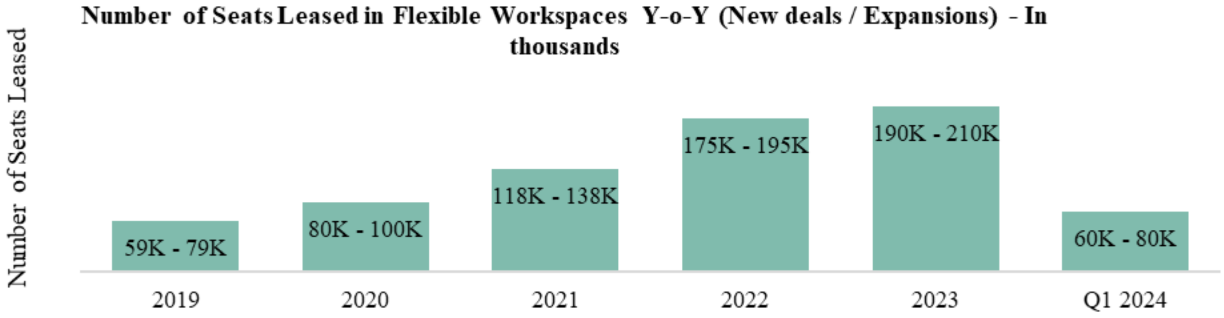
This rapid growth in flexible workspace demand across both Tier 1 & Non-Tier 1 cities is driven by increasing occupier demand across diverse segments including large enterprises, MSMEs, start-ups, etc. As organizations continue to adopt hybrid, flexible, and capital-efficient office solutions, the anticipated strong demand for flexible workspaces will likely propel the sector's impressive growth across Tier 1 & Non-Tier 1 cities for the next few years as well.

The below map provides the city wise flexible workspaces stock in Tier 1 and some key non-Tier 1 cities of India:

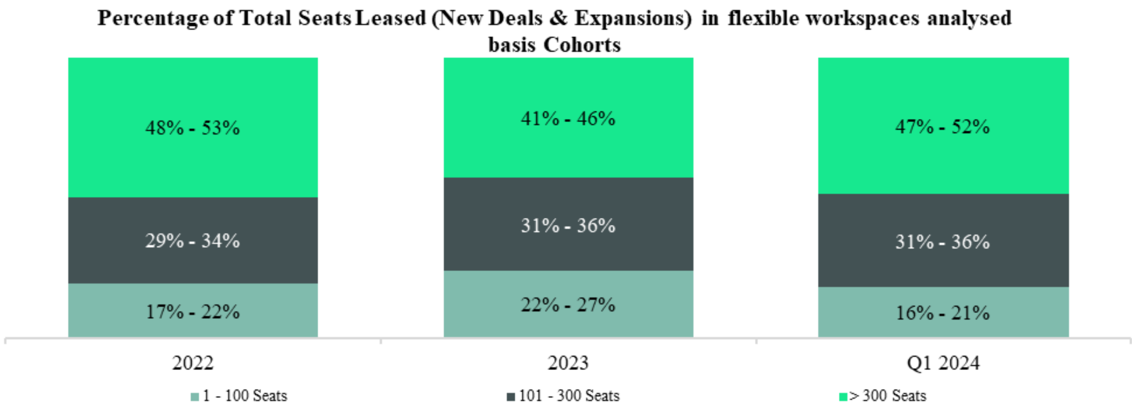


Note: Stock % figures above represent city wise percentage share (approximate) of Pan India Flexible Workspaces Stock as of Q1 2024.

The chart provides the number of seats leased Y-o-Y (service agreements/sub-leases agreements signed (new deals/expansions only) by end user occupiers in flexible workspaces across India (Tier 1 & Non-Tier 1 cities):

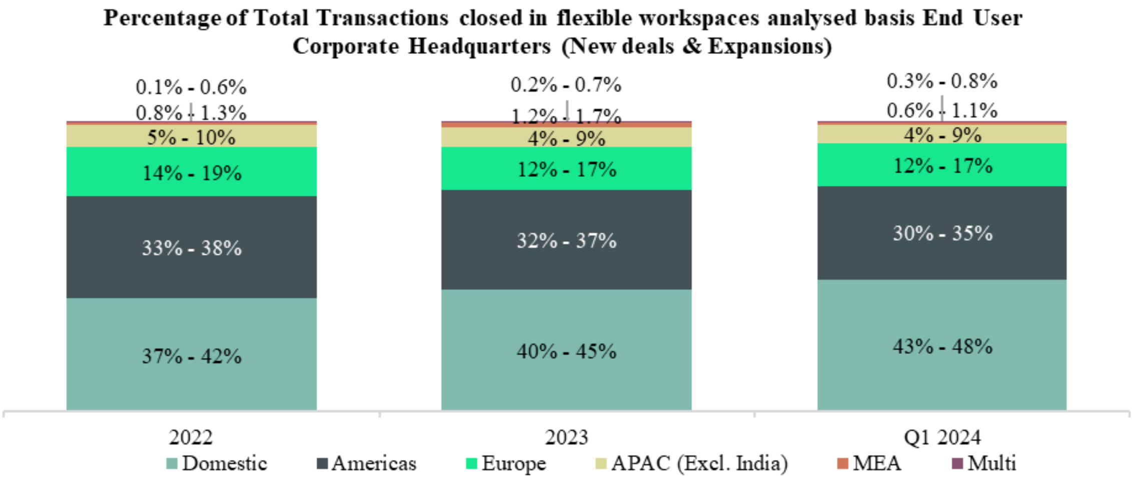


The demand for flexible workspaces has been continuously increasing over the last 3-4 years. The Y-o-Y seat take-up increased from approximately 80,000 – 100,000 seats in 2020 to approximately 190,000 – 210,000 seats in 2023.
The average annual occupancy of well-positioned and well-located flexible workspaces by leading flexible workspace operators has been observed to usually sustain between 75%-85% across key commercial office clusters.

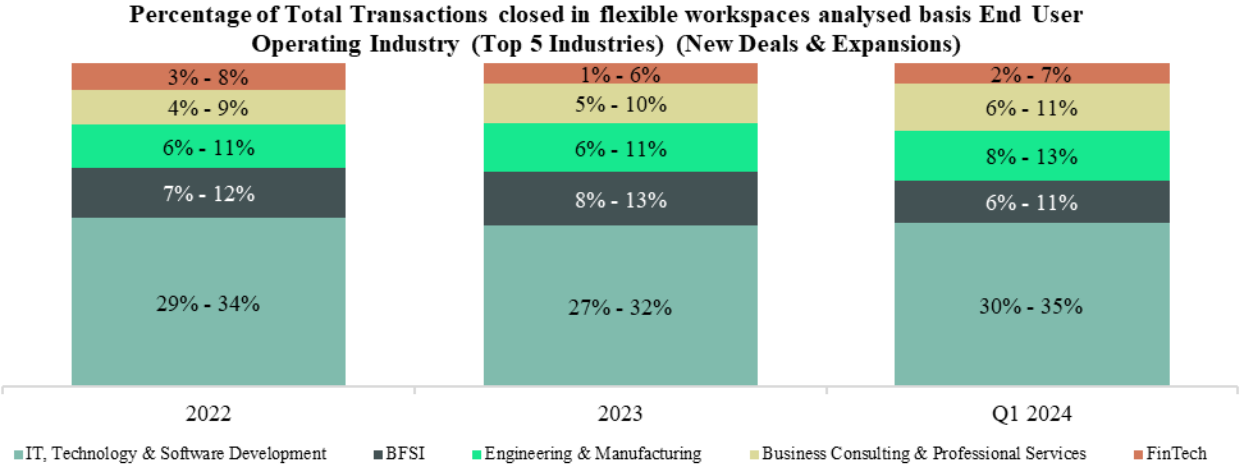


The trends in seat transactions by end user occupiers across cohort sizes have remained consistent over the past few years. Approximately 75% - 85% seats y-o-y have been getting transacted in 100+ seats cohort categories in flexible workspace centres over the last 2 years. Around 40% - 50% seats y-o-y have been getting transacted in the 300+ seats cohort category. This trend may be attributed to a consistent and sustained demand for managed office solutions and enterprise coworking solutions from SME's and large organizations. Over 60% of the seats transacted annually over the last three years have been to service managed office requirements.

The above trends are expected to remain consistent over the next few years.



The demand for flexible workspaces in India has been well distributed between domestic and internationally headquartered organizations. Collectively, Domestic and American-headquartered organizations contributed to 70% - 80% of the key transactions closed across prominent flexible workspace centers across India over the last 2-3 years.



From a transaction perspective, Technology companies have been the leading demand contributors for flexible workspaces in India followed by BFSI and E&M companies over the last 2 years.

According to the CBRE's India Office Occupier Survey 2024[38] with a sample size of approximately 70 – 78 respondents, post pandemic environment has fostered a stronger emphasis on portfolio agility, driving an increased demand for flexible workspace solutions. Reflecting this trend, about 30% of occupiers identified "expanding their use of flexible office spaces" as their primary portfolio strategy over the next 12 months. While companies across sectors indicated increased usage of flexible workspaces, domestic occupiers indicated a higher preference compared to American corporates.

---

[38] *Note: The survey was conducted during March-April, 2024; Total number of respondents – 70-78**

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

Outlook for Flexible Workspace Industry in India

- The popularity of both enterprise coworking and managed office solutions is expected to grow, driven by steady demand as more organizations implement hybrid and distributed work policies.
- Most large enterprises are expected to increase the percentage of flexible spaces in their office portfolios, with key demand drivers being flexibility, distributed/hybrid working, and capital efficiencies.
- Operator tech stack, product & service quality, location network, asset quality, and pedigree of strategic investors shall to continue to be key differentiators for flexible workspace operators.
- Operators are expected to further increase focus and spend on occupier experience & safety and experience-oriented tech.
- Operators are further expected to penetrate and expand into Non-Tier 1 cities owing to increasing demand from corporate enterprises for flexbible workspaces in these markets.
- Investor confidence is further expected to grow in the flexible workspace sector

The demand for quality workspaces with facilities for wellbeing would continue to rise, driven by both large enterprises and start-ups. Strategically located flexible workspace centers managed by operators offering flexible terms with the ability to provide customized solutions would continue to witness interest from end-user occupiers.

Flexible Workspace Sector Dynamics - Tier 1 Cities

The total flexible workspace stock in Tier 1 cities currently stands over 68 Mn Sq. ft. as of Q1 2024. The stock grew from more than 35 Mn Sq. ft. in 2020 to over to 63 Mn Sq. ft. by the end of 2023, at a CAGR of approximately 21%. The 23 key clusters identified across Tier 1 cities account for over 70% of total Flexible workspace Stock in these cities.

Bengaluru currently is both the largest commercial office and flexible workspace market of India accounting for almost 31% of the total flexible workspace stock in the Tier 1 cities.

While the traditional hubs like Bengaluru, Gurgaon, Mumbai, and Hyderabad continue to be attractive markets for flexible workspace operators, markets like Pune, Noida & Chennai have also gained traction because of the rising end-user demand owing to factors such as the availability of quality Grade A assets, skilled manpower, good social infrastructure, etc. Over the last few years, Pune has emerged as the second-largest flexible workspace market accounting for almost 15% of the total flexible workspace stock in Tier 1 cities.

Overview Of Tier 1 Cities in India

BENGALURU: Bengaluru is the nerve center of India's information technology industry with the presence of many prominent technology companies, Research and Development (R&D) centers along with many emerging startups. Bengaluru is the largest flexible workspace market in the country with most of the prominent national operators present and aggressively expanding in the city. Mirroring the Office market activity, flexible workspace operators are aggressively expanding their footprint in dominant markets/key clusters like CBD, EBD, ORR, and North Bengaluru.

While CBD is a preferred market due to location, mobility, connectivity, and social fabric, EBD is one of the dominant micro markets given the presence of Grade A business parks with large floor plates and rental and scalability advantages over CBD.

ORR is the largest micro market in the city for commercial real estate and flexible workspace operators, which attracts notable take-ups from large occupiers and multinational clients. The ongoing infrastructural developments, such as the metro will enhance accessibility and reduce commute times, making this a prominent market with ample grade A stock for growth in Bengaluru.

North Bengaluru is a rapidly growing market, distinguished by its strategic location and availability of Grade A commercial stock. It also provides scalability options for the expansion and consolidation of top-tier firms. There are planned infrastructural enhancements, which are expected to increase demand over the coming years.

Bengaluru Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock (approx.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**	**Flexible Workspace demand driving Sectors**
21 – 23	15% - 17%	370+	70,000 – 90,000	IT/Tech Software development, BFSI, Business Consulting & Professional Services, Retail & E-commerce

Key Clusters / Micro Markets			
Cluster / Micro Market ***(Key Sub-Markets/Locations)***	**Flexible workspaces Stock (Mn sq. ft.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**
Central Business District *MG Road, Vasant Nagar, Residency Road, Ashok Nagar, Langford Road, Richmond Road, Ulsoor, Dickenson Road, Infantry Road, Lavelle Road, Kasturba Road, Vittal Mallya Road*	3.2 – 3.7	80+	9,000 – 11,000
Extended Business District *HSR Layout, Koramangala, Indiranagar, Domlur, Old Madras Road, Old Airport Road*	4.2 – 4.7	130+	18,500 – 20,500
Outer Ring Road *Outer Ring Road, Sarjapur Jn, Kadubesanahalli, Mahadevpura, Marathahalli*	6.5- 7.0	60+	23,000 – 25,000
North Bengaluru *Bellary Road, Hebbal Road, Yelahanka, Kempapura, Thanisandra Road, Nagwara*	2.5 – 3.0	35+	8,000 – 10,000

PUNE: Pune is one of the key commercial office hubs of Western India, given a diverse economic base driven by IT/ITeS, BFSI, Manufacturing, Automobile, and pharmaceuticals firms, etc., Presence of skilled Manpower, proximity to financial capital, presence of premium quality office developments, etc. are amongst the key demand drivers for the city. It has become one of the key flexible workspace markets with increasing operator interest in response to consistent managed office demand from large enterprises especially in the key clusters/micro markets of CBD, SBD – East & SBD – West.

CBD has a mix of retail, residential & commercial developments with a well-developed social infrastructure along with good connectivity through public transportation including operational Metro. Several clients consider SBD East & SBD West as substitutes to CBD due to softer rentals and well-developed social infrastructure. Major IT/ITES multi-tenanted Grade A developments are present in both these locations. Connectivity in both SBD East & West is improving further due to the upcoming metro thus experiencing robust demand, especially from Tech MNCs and flexible workspace operators.

Pune Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock. (approx.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**	**Flexible Workspace demand driving Sectors**
10 – 11	23% - 25%	150+	35,000 – 40,000	IT/Tech Software development, Engineering & Manufacturing, BFSI, Healthcare, Lifesciences & Pharmaceutical, automotive

Key Clusters / Micro Markets			
Cluster / Micro Market ***(Key Sub-Markets/Locations)***	**Flexible workspaces Stock (Mn sq. ft.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**
Central Business District *Koregaon Park, Bund Garden, SB Road, Yerwada, Kalyani Nagar, Shivaji Nagar, Erandwane*	2.8 -3.3	45+	10,000 – 12,000
Secondary Business District – East *Viman Nagar, Nagar Road, Hadapsar, Nibm, Mundhwa, Wanowrie*	2.0 – 2.5	30+	6,000 – 8,000
Secondary Business District – West *Aundh, Baner, Bavdhan, Pashan, Balewadi, Bengaluru Highway, Kothrud*	4.0- 4.5	45+	16,000 - 18,000

HYDERABAD: Hyderabad has become one of the leading commercial hubs in South India, owing to its central location, cosmopolitan crowd, and ample availability of a talent pool. Hyderabad is one of the largest flexible workspace markets in India with increasing demand from IT/ITES, Business Consulting, BFSI companies, etc. Hyderabad is witnessing a major influx of demand from New Entrants looking to set up offices which are contributing to the total absorption with BFSI and Healthcare sectors being at the helm of such occupier activity.

IT Corridor is the most active micro market for corporate occupiers with the presence of major IT/ITeS companies with a well-developed social infrastructure and business neighborhood. Government initiatives to enhance current physical infrastructure like Suspension Bridge, Elevated Bus Rapid Transit and metro connectivity make the market further attractive for occupiers. There is an increasing occupier demand for flexible workspaces in the IT Corridor and most flexible workspace operators have established/ further expanded their footprint in this market along with opportunistic expansion in the Ext IT Corridor which is the second most active micro market with respect to overall office leasing activity. Ext IT Corridor is largely dominated by campus-style developments by large IT/ITeS occupiers and with an evolving social infrastructure like malls, restaurants, etc. There's an uptick in the occupier activity in this micro-market since large occupiers are looking to expand their footprint in this micro-market owing to the rental arbitrage.

Hyderabad Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock. (approx.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**	**Flexible Workspaces demand driving Sectors**
8.0 – 9.0	13% - 15%	140+	25,000 – 30,000	IT/Tech Software development, BFSI, Business Consulting and Professional Services, Engineering & Manufacturing

Key Clusters / Micro Markets			
Cluster / Micro Market ***(Key Sub-Markets/Locations)***	**Flexible workspaces Stock (Mn sq. ft.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**
IT Corridor *Kondapur, Madhapur, Gachibowli, HITEC City, Raidurg, Kavuri Hills*	5.5 - 6.0	85+	19,000 - 21,000
Ext IT Corridor *Nanakramguda, Kukatpally, Kokapet*	2.0 – 2.5	20+	3,000 – 5,000

GURGAON: Gurgaon is a prominent commercial office hub of Delhi NCR with the large quantum of commercial office stock catering to the demand for head offices / corporate offices / back offices of large MNCs. Multiple flexible workspace operators are exploring opportunities to further expand their footprint in the city, especially in the key clusters/micro markets like Cyber City, Golf Course Road, NH8, etc.

Cyber City with a well-developed social and physical infrastructure, houses the offices of many prominent large enterprises along with the presence of prominent flexible workspace operators. It has emerged as the new CBD of the Gurgaon commercial office market.

Golf Course Road has multiple premium commercial developments with a good catchment of premium residential projects and social infrastructure while NH8 has excellent connectivity via the Delhi-Gurgaon Expressway with prime commercial developments. These markets will continue to witness new supply over the next 3-5 years and Grade A new developments in these markets especially cybercity & abutting locations have been witnessing rising pre-commitments.

Gurgaon Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock. (approx.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**	**Flexible Workspaces demand driving Sectors**
7.0 – 8.0	14% - 16%	170+	17,000 – 22,000	IT/Tech Software development, Retail & E-commerce, BFSI, Business consulting & professional services

Key Clusters / Micro Markets			
Cluster / Micro Market ***(Key Sub-Markets/Locations)***	**Flexible workspaces Stock (Mn sq. ft.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**
Cyber City *DLF Cyber City*	1.3 – 1.8	20+	3,000 - 5,000
Golf Course Road	1.0 – 1.5	30+	3,500 – 5,500
NH-8 *(NH8 North & South)*	0.5 – 1.0	15+	3,000 - 5,000

MUMBAI: Mumbai is considered the BFSI hub of India and is largely driven by front/corporate office demand from large enterprises especially BFSI firms setting up operations and large banks establishing their headquarters in the city. Mumbai predominantly had demand for short-term serviced offices/enterprise coworking solutions however the city has witnessed increasing demand for customized and managed flexible workspace solutions by large corporates looking to reduce their real estate liability. Mirroring the commercial office activity, flexible workspace operators are also expanding their footprint in key markets like BKC, Western Suburbs, Central Mumbai, Eastern Suburbs, etc to cater to the increasing occupier demand.

Bandra Kurla Complex is the new CBD of the city and is the most preferred micro market with a large presence of BFSI clients, consulates & multinational technology conglomerates. Rentals in BKC are on the rise due to an increase in demand and dearth of grade A supply, hence alternative micro markets like Central Mumbai have emerged to be cost-effective alternates.

A large part of the talent pool in the city travels from the Western and Eastern Suburbs. With 3 metro lines currently operational in the city giving excellent metro connectivity within Western Suburbs, the said micro markets (Andheri) continues to be one of the most active & popular choice for corporates considering its cost-effective rents. The maximum flexible workspace stock in Mumbai is currently present in the Western Suburbs 1 market.

Eastern Suburbs on the other hand is a widely spaced micro-market. LBS Marg continues to be a back- office location with limited Grade A assets, offering cost optimal solutions within the MMR while Powai is a self-contained township development with a balanced mix of front and back-office occupiers.

Mumbai Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock. (approx.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 – Q1 2024 (Range) Only New Deals & Expansions**	**Flexible Workspaces demand driving Sectors**
6.5 – 7.5	5% - 7%	180+	25,000 – 30,000	BFSI, IT/Tech Software development, Engineering & Manufacturing

Key Clusters / Micro Markets			
Cluster / Micro Market ***(Key Sub-Markets/Locations)***	**Flexible workspaces Stock (Mn sq. ft.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**
New CBD *Bandra Kurla Complex*	0.5 -1.0	15+	2,500 - 4,500
Western Suburbs 1 *Vile Parle, Andheri East & West*	1.8 - 2.3	45+	6,000 – 8,000
Western Suburbs 2 *Jogeshwari, Goregaon, Malad, Kandivali, Borivali*	1.0 – 1.5	15+	2,500 – 4,500
Central Mumbai 2 *Parel, Lower Parel, Dadar, Elphinstone Road, Byculla*	0.3 - 0.8	15+	1,000 – 3,000
Eastern Suburbs *Sion, Chembur, Ghatkopar, Vidyavihar, Vikhroli, Powai, Kanjurmarg, Bhandup, Mulund, Wadala*	0.5 - 1.0	20+	2,500 – 4,500

NOIDA: Supported by good connectivity and notable supply addition of quality/investment grade office spaces, Noida has emerged as a key commercial activity hub in Delhi NCR. Noida has witnessed a rise in interest from both national and local flexible workspace operators to cater to increasing occupier demand predominantly for back-office operations.

Sector 16 is amongst the oldest commercial hubs in Noida. Sector 16A also known as Film City houses most of the media & entertainment companies. Sector 16B has emerged as the provider of Grade A commercial offices in Noida while Sector 62 micro market predominantly has standalone buildings along with few Grade A developments by prominent developers with the presence of residential catchments in proximity and is preferred by low-cost IT firms for back-office operations. The market is well connected with NH-24 and the metro.

Noida Expressway predominantly has Grade-A IT parks and SEZ developments with the presence of large-scale corporate offices, KPOs, and BPOs, with large land parcels for future developments. The market has excellent connectivity in this area from the expressway and metro line.

Noida Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock. (approx.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**	**Flexible Workspaces demand driving Sectors**
5.5 – 6.5	21% - 23%	105+	19,000 – 24,000	IT/Tech Software development, Business consulting & professional services, BFSI

Key Clusters / Micro Markets			
Cluster / Micro Market ***(Key Sub-Markets/Locations)***	**Flexible workspaces Stock (Mn sq. ft.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**
Sector 16 & Vicinity *Sector 16, 16A, 16B, 18 and other nearby sectors*	1.4 – 1.9	30+	2,000 - 4,000
Sector 62 & Vicinity *Sector 62 and other nearby sectors*	1.8 - 2.3	45+	12,500 - 14,500
Expressway & Vicinity	2.0 - 2.5	30+	4,000 - 6,000

CHENNAI: -Chennai is one of the established markets of Southern India with existing and upcoming quality Grade A supply leading to increasing and consistent occupier demand in the market. Chennai has witnessed increasing occupier demand for flexible workspaces in the last 1-2 years and mirroring the office activity in the city Guindy/Off CBD, OMR Zone 1 and CBD are the most preferred micro markets by flexible workspace operators as well.

Off CBD has limited vacancy in Grade A stock and is the most preferred micro market for front offices by MNCs, FMCG firms, Tax Consultants, Consulates & Home-Grown corporates. While demand for the Off CBD market is expected to be steady, especially amongst small to mid-sized offices and flexible workspace operators given market's locational advantage and easy commute, there is a limited pipeline of Grade A campus developments due to land availability.

OMR Zone 1 is one of the most preferred micro markets for large occupiers and flexible workspace operators with quality Grade-A campus developments and is expected to have continued high demand due to locational advantage and quality of stock. Rentals are expected to increase even in older campuses driven by the limited supply for the next 1-2 years.

In addition to the above key clusters, the MPH market is emerging as an upcoming market for flexible workspace, owing to the availability of Grade A stock. This location attracts large occupiers across various sectors. Over the past few months, there have been multiple operators entering this market, and demand is expected to be robust for these centers.

Chennai Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock. (approx.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**	**Flexible Workspaces demand driving Sectors**
5 – 6	10% - 12%	120+	25,000 – 30,000	IT/Tech Software development, Engineering & Manufacturing, BFSI

Key Clusters / Micro Markets			
Cluster / Micro Market ***(Key Sub-Markets/Locations)***	**Flexible workspaces Stock (Mn sq. ft.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**
Central Business District *Anna Salai, T Nagar, RK Salai, Nungambakkam*	1.0 – 1.5	45+	2,500 - 4,500
Off Central Business District *Guindy, Vadapalani, MRC Nagar*	1.4 - 1.9	35+	6,500 – 8,500
OMR Zone 1 *Thiruvanmiyur, Perungudi, MGR Salai*	1.4 – 1.9	20+	11,000 – 13,000

DELHI - Delhi is one of the oldest commercial hubs of NCR with sustained office demand from BFSIs, PSU, Media, organizations, etc. However, due to a dearth of developable land parcels, the supply addition has been limited. The growth of flexible workspaces while steady has been slower in Delhi as compared to Gurgaon and Noida owing to relatively limited availability of Grade A commercial office stock, high rentals, relatively lesser demand for office space from large enterprises, lower building efficiency, etc.

Delhi is expected to witness increased activity, both commercial office and flexible workspace operators in the Aerocity micro market in the coming years. It has well-developed social infrastructure along with good connectivity with public transport & quality upcoming supply and developments with niche tenant profiles. Immediate proximity to the IGI Airport will continue to be one of the key factors driving demand in this micro-market.

Delhi Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock. (approx.)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**	**Flexible Workspaces demand driving Sectors**
1.5 – 2.0	15% - 17%	110+	2,000 – 4,000	BFSI, Advertising marketing, and PR, Front/Sales offices for Business consulting/IT firms

KOLKATA - Kolkata is known as the commercial hub of Eastern India. However, as compared to other Tier 1 markets in India, Kolkata is a relatively smaller market in terms of the presence of large occupiers/corporates/MNCs with limited expected supply in the pipeline. It is an emerging flexible workspace market with leading national operators evaluating expansion in the city to cater to increasing occupier demand from large organizations looking at ready-to-occupy flexible workspaces as they establish/expand their operations in the city. PBD i.e., Salt Lake, Sector V, Newtown Rajarhat are the most preferred locations for both occupiers and flexible workspace operators.

Kolkata Flexible Workspace Stats				
Flexible workspaces Stock (Mn sq. ft.)	**Flex stock as a % share of Non SEZ occupied office stock. (approx..)**	**Number of Unique Center Locations (approx.)**	**No. of Seats Leased 2023 - Q1 2024 (Range) Only New Deals & Expansions**	**Flexible workspaces demand driving Sectors**
1.3 – 1.8	6% - 8%	45+	7,000 – 9,000	Outsourcing and Offshore consulting, Business consulting and professional services, IT/Tech Software development, Engineering & Manufacturing

Competition and Benchmarking (Selected Operators in India)

Flexible workspace operators have witnessed notable 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.

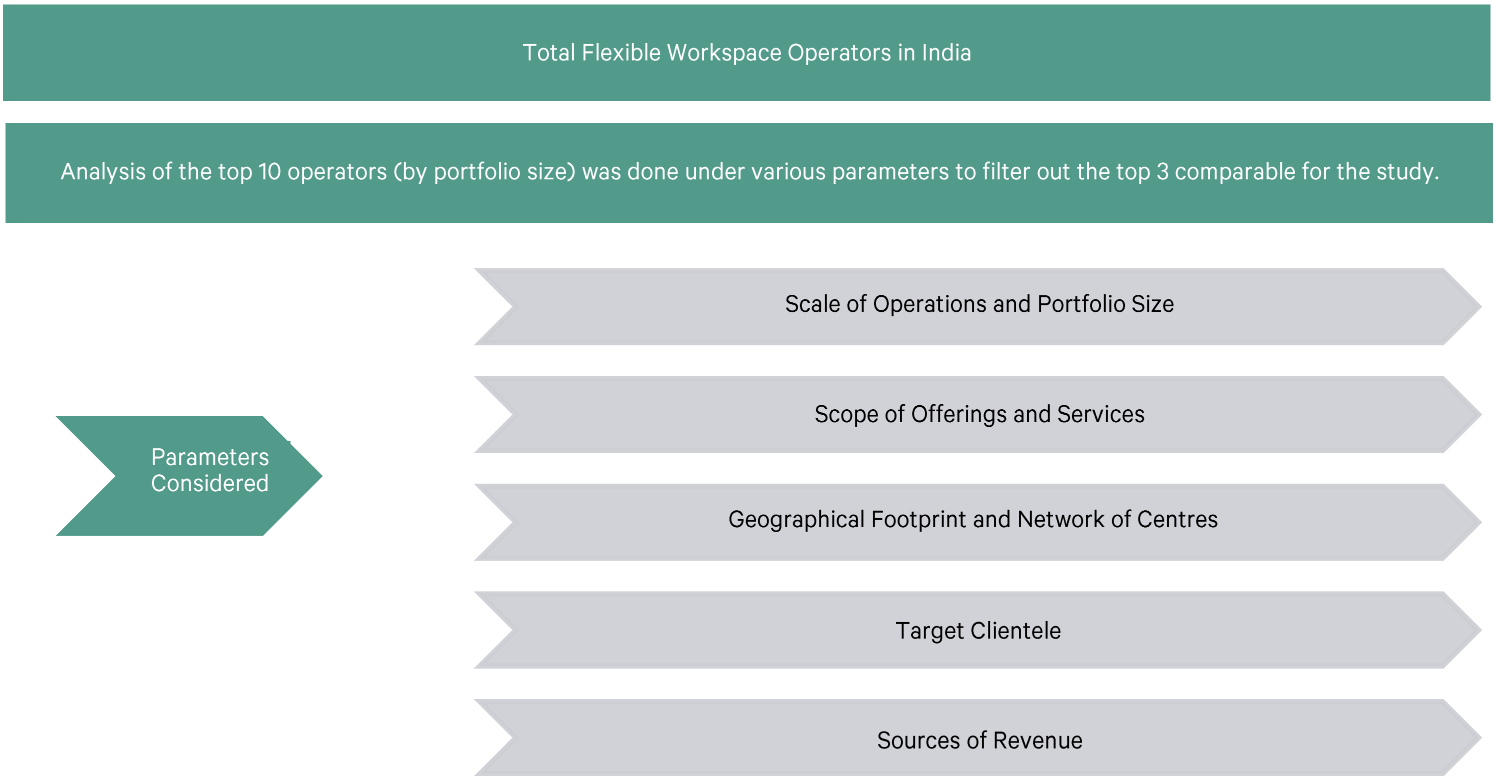
This competitive landscape offers a range of workspace options, including, on demand solutions, co-working/shared workspaces, private suites, built to suit managed offices etc. each with its distinct focus. They often offer amenities such as high-speed internet, meeting rooms, and community areas, fostering 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.

There are over 440 flexible workspace operators and the top 10 operators (by portfolio size) account for almost 60% of the overall PAN-India flexible workspace stock. Operators such as Smartworks, WeWork India, Awfis, Table Space, Indiqube, are some of the prominent operators in the country in terms of total flexible workspace stock.

We have benchmarked a select number of operators to provide an overview on their operational models and scope of offerings. A funnel down approach has been followed to shortlist the benchmarks keeping various factors / rationales into consideration. The same has been listed below:

The flowchart below provides the approach to determine the benchmarks:



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

Competitive Landscape - Summary

Parameters	Smartworks	WeWork India	Table Space	Awfis	Commentary
India Level Stock Mn Sq. ft. - As of March 31, 2024	7.5 – 8.5	6.2 – 7.2	5.4 – 6.4	5.0 – 6.0	The four operators benchmarked constitute approximately 24 - 28 Mn sq. ft. of flexible workspaces stock translating into approximately 32% – 38% of the total PAN India flexible workspace stock (including Tier 1 and Non-Tier 1 cities), as of March 31, 2024. Smartworks is the largest managed campus operator (amongst the benchmarked operators) in terms of total stock with a portfolio size of around 7.5 – 8.5 Mn sq. ft. across India (only lease signed centers, not including letters of intent, agreement to lease and right of first refusal). Smartworks and Table Space were amongst the first few operators to start offering Managed office solutions in the Indian market.
Average Facility Size (Mn sq. ft.)	0.17 – 0.22	0.10 – 0.15	0.10 – 0.15	0.02 – 0.07	Smartworks usually takes up large campus like developments, hence has the highest average facility size of approximately 0.17 - 0.22 Mn Sq. ft. Large centers/buildings provide room to operators to design and amenitize centers more efficiently and creatively, also at times helping them achieve cost efficiencies.
Number of Centres Larger than 0.5 Mn Sq. ft.	3 - 5	0	1 - 3	0	As of March 31st, 2024, amongst the benchmarked operators, Smartworks has four out of five largest lease signed centers in India all of which are above 0.5 Mn Sq. ft. in size, with the largest center of approximately 0.7 Mn Sq. ft. located in Vaishnavi Tech Park in Sarjapur, ORR in Bengaluru. The operator usually acquires large standalone buildings and converts them to fully amenitized, value centric, tech enabled managed office campuses.
Total No. of Cities*	13	8	7	17	As of March 31, 2024, Smartworks has presence in 13 cities while Awfis has presence in 17 cities.

Parameters	Smartworks	WeWork India	Table Space	Awfis	Commentary
					Other operators including WeWork India and Table Space are all present in 7 – 8 cities which are mainly Tier 1.
Portfolio Presence across Tier 1 Cities	Bengaluru, Delhi, Chennai, Gurgaon, Hyderabad, Mumbai, Noida, Pune, Kolkata	Bengaluru, Chennai, Delhi, Gurgaon, Hyderabad, Mumbai, Noida, Pune	Bengaluru, Chennai, Gurgaon, Hyderabad, Mumbai, Noida, Pune	Bengaluru, Chennai, Delhi, Gurgaon, Noida, Hyderabad, Kolkata, Mumbai, Pune	Among the benchmarked operators, Smartworks and Awfis are the only ones present across all nine Tier 1 cities.
Portfolio Presence across Non-Tier 1 Cities	Ahmedabad, Indore, Jaipur, Kochi	NA	NA	Ahmedabad, Bhubaneshwar, Chandigarh/Mohali, Indore, Jaipur, Kochi, Nagpur, Guwahati	Among the benchmarked operators, as of March 31, 2024, Awfis has the largest flexible workspace footprint in non-Tier 1 cities based on number of cities. Smartworks currently has presence in 4 non-Tier 1 cities in India which are Ahmedabad, Indore, Kochi, and Jaipur. Table space & WeWork India are currently present only across Tier 1 cities mentioned previously.
% share of footprint in the key clusters	87 – 92%	84 – 89%	77 – 82%	55 – 60%	The most amount of meaningful commercial office activity is usually witnessed across the 23 key clusters identified across the country (mentioned in previous city sections). Most corporate occupiers prefer to have a larger part of their office footprint in these clusters. Smartworks has a major share of its portfolio (by Area Mn Sq. ft.) in the identified key clusters.
Equity raised by operators as of Q1 CY2024 (In Mn) *	3,856	17,700	6,912	6,414	Among the benchmarked operators, Smartworks has the largest footprint in the market in terms of total stock, the operator has managed to lease this by raising the least amount of equity from the market i.e., approximately INR 3,856 Mn.

*Note: The data is provided as of March 31, 2024, basis information available in public domain across company websites as well as Ministry of Corporate Affairs.

Other Qualitative Parameters				
Parameters	**Smartworks**	**WeWork India**	**Table Space**	**Awfis**
Operator Overview	Leading managed campus operator that mostly leases, builds, and operates large well amenitized and tech enabled centers and also has appetite for opportunistic demand led space acquisitions. The operator specializes in providing value centric pricing and customized managed office solutions to end user clients with the ability to provide premium office solutions as well. The clientele of the operator includes startups, MSMEs, large enterprises, MNCs, etc.	Premium flexible workspace provider, providing a wide variety of solutions including on demand solutions, hot desks, enterprise suites, customized managed office solution etc. with an appetite for opportunistic demand led space acquisitions.	Leading flexible workspace operator primarily catering to premium managed office and serviced suites requirements form large enterprises.	Versatile flexible workspace operator providing variety of offerings ranging from budget to premium, clients including both startups and enterprises / corporates / MNCs and capability to provide all kinds of flexible workspace solutions including managed and coworking.
Transaction size Analysis	Smartworks is a Managed Campus Operator, with large centres mostly catering to requirements of 100 seats and above.	WeWork India caters to requirements across cohort sizes with a larger share of requirements between 1-100 seats.	Table Space caters to requirements across cohort sizes with a larger share of requirements above 100 seats.	Awfis caters to requirements across cohort sizes with a larger share of requirements between 1-100 seats.
Ancillary revenue categories	Tech-enabled smart store, Additional parking space, Event spaces, Smart café, IT services, Gym pass, Offers and Partnerships within the app, etc	Events, Day pass, Virtual office, Conference room, Parking facilities, Dedicated IT services etc.	Parking facilities, IT services (server space & active IT component), Event space/Training room, Dedicated internet, Meeting rooms, concierge etc.	F&B, IT services, Mobility services, Parking, and valet, Infra and allied services, Events and engagement, Alliance and in-centre promotions, Facility management etc.

Projections for Flexible Workspaces

Demand for flexible workspaces here refers to space taken up or stock addition by flexible workspace operators within the commercial office segment. An assessment of space take-up historically as well as space take-up projections by flexible workspace operators in the next 3 – 4 years (2024 – 2027) has been undertaken in this section.

The 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 stock of approximately 841 Mn sq. ft. of office spaces in Tier 1 cities in India comprises 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 at present.

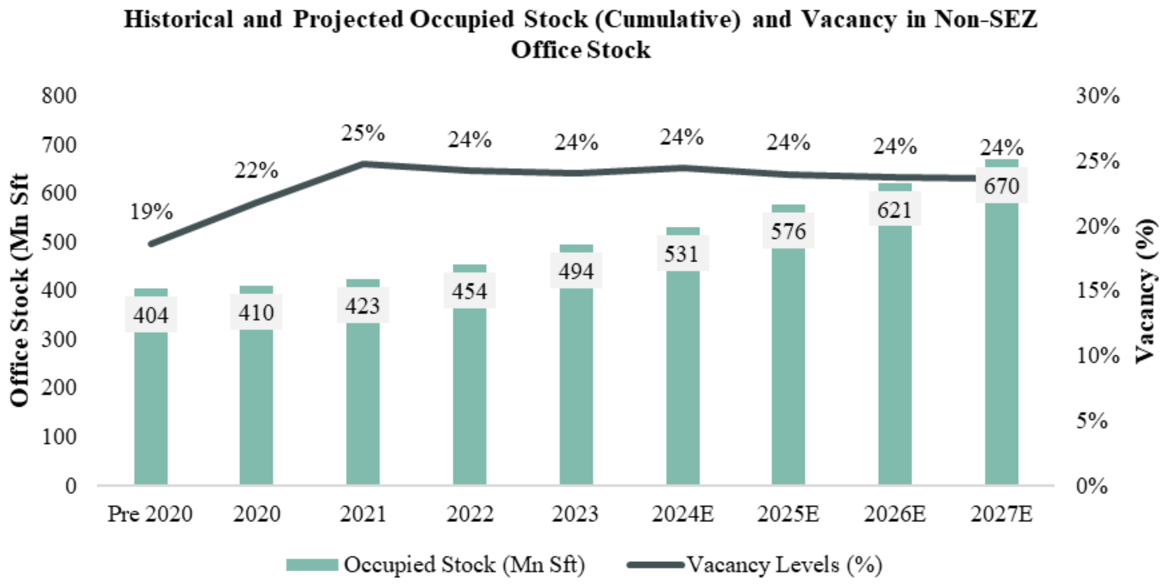
The below table provides an assessment of overall non-SEZ office supply trends in Tier 1 cities in India as well as projections for supply for the next 3 – 4 years:

Y-o-Y Supply (Mn sq. ft.) at a city level							Projected supply (Mn sq. ft.)		
City	**Pre 2020**	**2020**	**2021**	**2022**	**2023**	**2024 E**	**2025 E**	**2026 E**	**2027 E**
India (Mn sq. ft.)	**497**	**28**	**38**	**37**	**51**	**44**	**55**	**57**	**61**
India Cumulative Stock (Mn sq. ft.)	**497**	**525**	**563**	**599**	**650**	**703**	**758**	**815**	**876**

The projections for the years 2024 – 2027 were estimated considering the growth rate of office witnessed over the years. The year-on-year growth rate of the cumulative stock of office ranged between 6% - 8% between pre 2020 to 2023.

Considering the above analysis, approximately 50 – 55 Mn sq. ft. of average annual supply addition of non-SEZ Office Stock is expected at an India level in the next 3 - 4 years (until 2027) and reach 876 Mn sq. ft. by 2027E, with the majority concentrated in top 9 Tier 1 cities.

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:



Vacancy levels are expected to be range-bound with the current market trends owing to the balance between the absorption of existing supply and the introduction of new supply in the market in the short-medium term.

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 (Mn sq. ft.) – Current			Cumulative Occupied Stock (Mn sq. ft.) – Projected			
City	**2022**	**2023**	**2024 E**	**2025 E**	**2026 E**	**2027 E**
India-Level Occupied Stock	**454**	**494**	**531**	**576**	**621**	**670**

Projections for the occupied stock is based on the movement of the commercial office stock in India along with the vacancy percentages. Increase in vacancy levels in 2020-2021 witnessed due to the impact of the 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 the highest leasing activity since the peak of 2019, leading to a marginal dip in vacancy levels. Since then, the vacancy levels have been range-bound as of Q1 2024.

Outlook for Flexible Workspace Sector in India

India has witnessed strong growth in demand for flexible office spaces with flexible workspace stock in Tier 1 cities growing at a CAGR of around 21% from 2020 to 2023. Stock addition by operators continued in 2020-21, especially post-COVID-19 pandemic, and near doubled in 2022, from 2020 and 2021 levels, with approximately 9 - 11 Mn sq. ft. stock being added to the flexible workspace inventory in 2022 and 12 - 14 Mn sq. ft. being added in 2023. The share of flexible workspaces stock in Non-SEZ occupied office stock across Tier I cities increased from 7% -9% Pre 2020 to 12% -14% by the end of 2023.

Salient features and benefits such as flexibility, capital efficiency, cost optimization, employee well-being, operational outsource to name a few are some of the key demand drivers of Flexible workspace solutions amongst both startups and corporate enterprises. The spread of various kinds of flexible workspace solutions across India may also support organizations in implementing their hybrid and distributed work strategies more effectively.

India has emerged as one of the leading flexible workspace market, primarily driven by increasing demand for both enterprise coworking and managed office solutions, typically from large enterprises / corporates / MNCs as well as startups evaluating to integrate flexible workspaces into their office portfolios as part of their 'Core+Flex' strategies. The demand for flexible workspaces is not only driven by end – users signing new contracts with flexible workspace operators but also by them extending or renewing some of their existing contracts on need basis wherever viable. Owing to the constantly evolving use cases of flexible workspace solutions, some organizations may also evaluate them as potential solutions to support relocations, consolidation etc. post expiry of their traditional leases.

Estimation of Future Additional Stock Expected in Flexible Workspace Segment

- Projections for the expected stock of flexible workspaces are based on the movement of penetration levels. Penetration levels represent the overall share of the flexible workspaces within the non-SEZ occupied commercial office market. Hence, the growth of the flexible workspace segment is largely be driven by movement in the commercial office segment.

- Projections have been made for the overall flexible workspace stock until 2027 and the total expected market size of the flexible workspace segment at India level has been arrived at by summing up the expected net stock addition for all the Tier 1 cities.

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

Current Stock (Mn sq. ft.) of Flexible Workspaces						Projections for stock addition (Mn sq. ft.)			
Estimation of Stock Addition – Cumulative	**Pre 2020**	**2020**	**2021**	**2022**	**2023**	**2024 E**	**2025 E**	**2026 E**	**2027 E**
India Level Stock Projected –	**30 – 32**	**35 – 37**	**39 – 41**	**49 – 51**	**62 – 64**	**75 – 77**	**88 – 90**	**102 – 104**	**116 – 118**

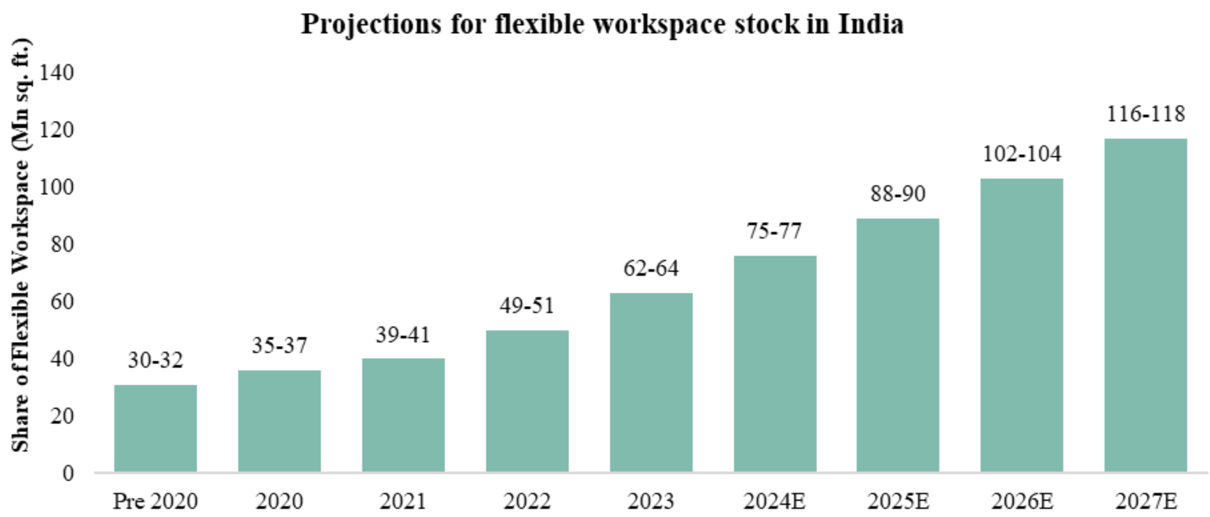
Current Stock (Mn sq. ft.) of Flexible Workspaces						Projections for stock addition (Mn sq. ft.)			
Estimation of Stock Addition – Cumulative	**Pre 2020**	**2020**	**2021**	**2022**	**2023**	**2024 E**	**2025 E**	**2026 E**	**2027 E**
Cumulative (Mn sq. ft.)									
India Level Stock Addition Projected – Y-0-Y (Mn sq. ft.)	**30 – 32**	**4 – 6**	**4 – 6**	**9 – 11**	**12 – 14**	**12 – 14**	**12 – 14**	**13 – 15**	**14 – 16**

The total flexible workspace stock ranging between 62 - 64 Mn sq. ft. as of 2023, is forecasted to grow to approximately 116 - 118 Mn sq. ft. across Tier 1 cities by 2027 with a CAGR of approximately 17%.

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 are expected to integrate flexible workspaces as part of the overall portfolio, resulting in the annual stock addition by operators to continue its upward trajectory at least for the next few years.

Projections for Stock of Flexible Workspaces in India

The projection for market size for flexible workspaces in India for all the top 9 tier 1 cities is outlined below:



Total Addressable Market for flexible workspace segment

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

As illustrated above, the total stock of non-SEZ office space is expected to be approximately 876 Mn sq. ft. while the occupied stock is expected to be approximately 670 Mn sq. ft. by 2027E.

It is also known that the current stock of flexible workspaces within the non-SEZ office stock is over 68 Mn sq. ft. across Tier 1 cities which is estimated to be approximately 116 - 118 Mn sq. ft. by 2027E.

The total addressable market for the flexible workspace segment is expected to be approximately 320 - 325 Mn sq. ft.

Parameters	2027E
Total Stock (Non-SEZ Office) by 2027E – Mn sq. ft.	876
Total Occupied Stock (Non-SEZ Office) by 2027E- Mn sq. ft.	670
Vacant Stock (Non-SEZ Office) by 2027E- Mn sq. ft.	**207**
Expected Stock of Flexible Workspace in 2027 E (Tier 1)	116 – 118

Parameters	2027E
Total Addressable Market for Flexible Workspace by 2027E – Mn sq. ft.	**320 - 325**
Total Addressable Market for Flexible Workspace by 2027E – ₹ Bn	**756 - 995**
TAM Calculation (₹ Bn)	
Weighted Average Rent for Non-SEZ Stock (India Level) – ₹/sq. ft./month	102.4
Space owner Rent to Seat Price Multiple (Lower End)	1.9
Space owner Rent to Seat Price Multiple (Upper End)	2.5
Total Addressable Market (Lower End) – ₹ Bn	756
Total Addressable Market (Upper End) – ₹ Bn	995

With expected vacancy of approximately 207 Mn sq. ft. within the non-SEZ office stock and estimated level of stock occupied by flexible workspaces (116 - 118 Mn sq. ft.) by 2027E, the total addressable market ("TAM") for the flexible workspace operators represents a sizeable opportunity of 320 - 325 Mn sq. ft. (in terms of area) and ₹ 756 – 995 Bn (in terms of value) by 2027.

Potential Threats and Challenges associated with the Flexible Workspace Sector

The flexible workspace industry has witnessed considerable growth over the past few years. However, despite the consistent growth there may be few inherent risk factors associated with this segment as well. These crucial risk factors are advised to be taken into consideration while envisaging the future of the flexible workspace segment:

- **Asset Liability Mismatch:** Coworking operators usually sign-up long-term leases with landlords to provide short – medium term flexible office solutions to some of their end user clients. A high concentration of such short-term commitments in the operator's client mix creates risks associated with respect to asset-liability mismatch. Such risks can be mitigated to some extent by having a larger proportion of operator's portfolio offered to enterprise grade customers as managed office solutions on medium to long term basis.

- **Concentration Risk:** In some cases it has been observed, that operators may offer their enitre facility to a single or couple of end user clients. This is usually observed in cases of demand led managed office transactions. This can lead to concentration risk where even if a single client leaves or defaults, it may significantly impact operator cashflows for that facility. This risk can be mitigated to some extent by offering a facility to multiple clients where no single client can have a major impact on the facility's revenue, profit and cashflows.

- **Economic Uncertainty:** There is a strong correlation between the demand for flexible workspaces and the larger commercial office segment. Events like Covid-19 that may force companies to impose work from home protocols and reduce their usage of office spaces which may impact the revenues and occupancies for flexible workspaces as well

- **Market Saturation Risk:** As more players enter the flexible workspace market, the risk of market saturation increases. This can lead to heightened competition, downward pressure on pricing, and challenges in attracting and retaining clients, potentially reducing profitability for operators.

- **Client Churn Risk:** Since most of the clients/end users sign up for flexible workspace solutions for short-medium term, operators have to pre-empt client churn/exits and have to identify new customers that shall acquire the churned/vacated space. During economic downturns or during market slowdown, it may become difficult for flexible workspace operators to find new customers for the vacated space that may lead to risks associated with vacancy including strained cashflows for the facility.

- **Supply Limitation:** In times of high demand for office spaces by both end users and flexible workspace operators, it may get difficult for the operators to be able to acquire quality supply and scale at pace due to supply crunch. This could impact or delay the flexible workpsace operators' expansion plans.

- **Operational Risk:** As the operator is relying on a number of factors to drive a facility's revenue and profitability, variations across critical metrics such as market rentals for office space, cost of utilities and operations, cost of fit-outs, etc. may have the potential to sigificantly impact the overall pricing dynamics and profitabilty. These variations or fluctuations may have an impact on the overall occupancy cost, timelines and stabilization period and can impact key operational metrics for a facility such as Payback period, operational revenue, etc.

Understanding Unit Economics for a Typical Managed Campus

In order to assess the operating dynamics for a typical managed office campus, CBRE studied a facility with a leasable area of approximately 2,00,000 sq. ft. The size has been derived based on market averages for similar operators/centers in India. Further, a seat density of 60 sq. ft. on leasable area has been considered for evaluating the expected number of seats for the center. All assumptions provided below have been taken as per typical market standards witnessed for a speculative center providing a grade A experience across an established micro-market of a Tier 1 city, basis market assessment exercise. The overall assessment has also been carried out using the above assumptions for the center occupancy for a short to medium-term horizon.

The average capital expenditure per seat for top operators as of March 2024 in India typically ranged between ₹80,000 to ₹210,000 for an average seat density of 55-65 sft. Additionally, average operating expenditure including CAM charges typically ranged between INR 40-60/ sft/month for a typical managed campus facility across a prominent cluster of a Tier I city.

Operator Side – Key Assumptions

All the values in the subsequent tables are in INR.

S No.	Parameters	Comments
Capital Expenditure		
A	Cost of Fit-out	INR 2,300 per sq. ft. on leasable area based on cost benchmarks for fit-out for a typical flexible workspace center
B	Total Upfront Cost	Total upfront payment including fit-out cost and 5 months security deposit to the landlord
Recurring Expenditure		
C	Rentals to the space owner	Rentals of INR 95 / sq. ft. / month (basis market standards)
D	CAM charges to space owner	CAM Charges of INR 13 / sq. ft. / month (basis market standards)
E	Operating expenses	OPEX Charges of INR 35/ sq. ft. / month (basis market standards)
Revenue		
F	Revenue from Seats	Based on per-seat prices at a 2.4x multiple of operator to owner rentals, 85% stabilized occupancy
G	Other Revenues	Typically ranges between 1-10%. Net revenue of 4-5% has been considered after adjusting for associated cost

Notes:

1. *All the charges mentioned above are on leasable area*
2. *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. Additionally, assessment of 2-3 stabilized centers across Tier I cities has been carried out to ratify the multiple range.*
3. *Occupancy assumptions based on occupancy levels and timeframe to achieve occupancy witnessed in a successful center in established micro-market. Occupancy at the time of commencement of operations is to tune of 20-25%, steady state occupancy is 85%. The stabilization period of 14-15 months has been considered as per market standards.*
4. *Average seat density of 60 sq. sft. Per seat has been considered for the center on leasable area*
5. *Developer Rent free period of 5 months has been considered for assessment. Escalations in revenue have been considered at 5% annually. Rental payout to developer undergoes 15% escalation every three years.*
6. *It is assumed that 70% of the transactions for the center have been carried out by IPCs leading to a weighted average brokerage of 3-5% of Total Contract Value against an average lock-in period of 24-36 months*
7. *Asset Rental represents the weighted average India-level rentals for Non SEZ stock across Tier I cities*
8. *Fitout refresh cycle of 5 years has been considered, post which the operator is expected to incur 30-40% of fit-out cost as a refurbishment expense every 5 years*
9. *The overall assessment excludes any impact of interest and taxation.*

The assumptions illustrated above have been utilized for assessing the expected cashflows for the operator under a straight lease model. Average EBITDA margin for the operator after factoring refurbishment cost and other costs such as marketing and brokerage is approximately 23-24%. Average ROCE[39] for the operator is to the tune of 17-18%. Further, payback period for the operator is expected to be 53-54 months from the fit-out commencement cycle and nearly 48-49 months from the date of operations.

39 Reflective of 12-year average ROCE

The Importance of Value-Added Service

Over the last two decades, the landscape of commercial real estate has undergone a notable transformation. Previously, the market was dominated by traditional landlords developing and managing standalone buildings tailored to the basic requirements of occupiers. However, rising demand for investment-grade office spaces and changing occupier preferences, have led to the emergence of developers creating campus-style office developments designed to meet evolving needs of occupiers.

Further, post-COVID-19 there has been a shift in occupiers' preferences and employees' expectations with the rising need for modern workplaces supported by improved technology and enhanced workplace experiences that enable hybrid working policies. Nowadays, office parks have started focusing on amenitization and the creation of collaborative environments; supported by technology interventions to create better in-office experiences.

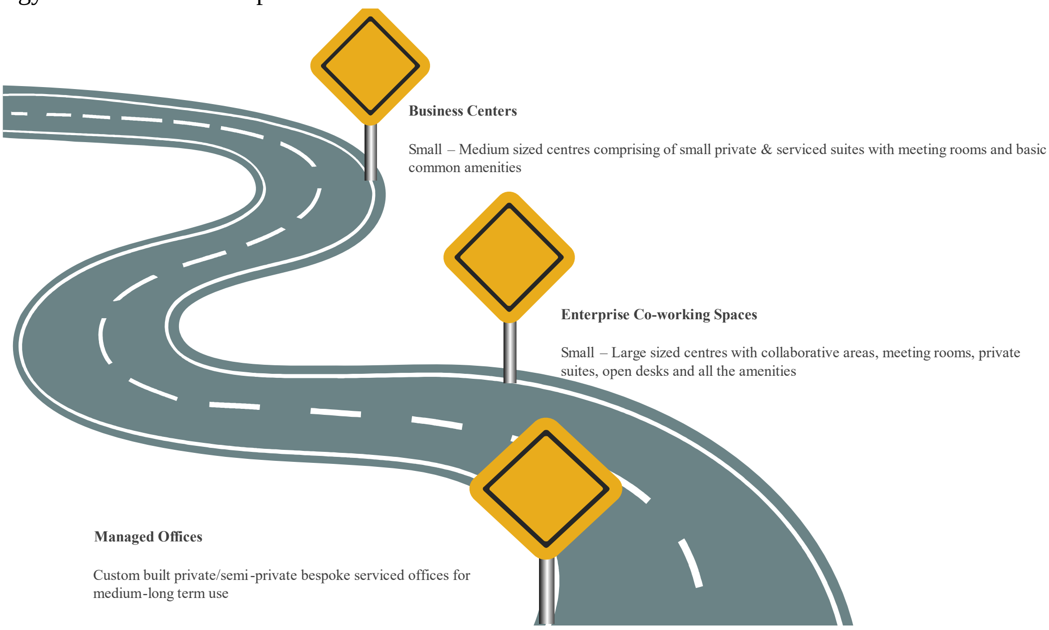
In line with behaviour of the office segment, the flexible workspaces segment has also witnessed rapid growth and evolution over the last few years. There has been upscaling of centres and a shift towards highly amenitized formats for office developments, with the operators' increasing focus on value-added services and amenities across their centres.

Evolution and Ancillary Revenues in Flexible Workspace Offerings

Flexible space offerings in India have evolved tremendously over the years. In its early days, the sector was mostly dominated by business centres, which primarily consisted of small private suites, meeting rooms, and basic functional amenities such as vending/coffee machines, printing machines, stationery, etc.

With the introduction of enterprise coworking solutions, the operators started designing and building larger, more amenitized and technology-enabled centres. These centres also have open-layout seating along with larger common areas to foster collaboration, networking, and community events.

While business centres and enterprise coworking spaces continued to co-exist and grow, managed office solutions i.e., custom-built, private, and fully serviced office space solutions also started becoming popular with enterprise customers. eventually laying the foundation for the origination of the Managed Campus concept. Managed Campuses combines the privacy, flexibility, and customization of a managed office solution with the benefits and experience of a highly amenitized and technology-enabled office campus.



Ancillary revenues are revenues that the operator generates from its clients over and above the standard membership fee by providing additional value-added services. Some common sources of ancillary revenue for flexible workspace are mentioned can be:

— **Meeting rooms, conference rooms:** Additional Revenue generated from meeting/conference room usage by members and non-members.

- **Training Rooms:** Additional Revenue generated from Training room usage by members and non-members.

- **Event Space:** Revenue from providing space, services, and infrastructure within the operator's facility for hosting events for members and non-members.

- **On-demand or Hybrid Digital Solutions:** Revenue generated by providing hot desks and meeting rooms on an hourly or daily basis while providing access to common amenities of the center.

- **Virtual office**: Revenue generated from selling virtual office packages to enterprises and entrepreneurs requiring the same to register an office address.

- **Parking Charges:** Revenue generated from providing parking facilities to member.

- **Sale of additional credits**: Revenue from selling additional credits to existing members that enable them to book meeting rooms, conference rooms, take printouts, etc.

- **Non-standard Internet/ IT services:** Revenue from providing additional IT services like dedicated Internet, server space, etc.

- **Revenue from chargeable amenities like Gym, creche, and retail stores, within the facility:** Revenue from providing members access to paid on-site amenities such as gymnasiums, creche/daycare centers, retail shops, etc.

- **Digital partnerships with other platforms**: Revenue from the operator's collaboration with other cloud kitchen companies, ride-sharing companies, shuttle providers, food delivery companies, online education companies, etc. to enhance experience, convenience, and value for the members.

As per the industry average, these ancillary revenue categories provided by the operators typically may range between ***0% <= Ancillary revenue <=10*** % of the overall revenue generated by the centre. However, the **proportions of ancillary revenue may vary across the operator's portfolio of centres** depending upon the **product format** i.e., managed office, business centre, enterprise coworking, etc. along with the **nature of space take-up** i.e., demand-backed built-to-suit offices, speculative space take up, etc., the **scale of centre**, the **focus on** and **scale of amenities** being offered, **client mix** in a centre i.e. startups, free-lancers, enterprises, etc.

Over the years, and especially post the COVID-19 pandemic, prominent flexible workspace operators have started incorporating technology in many of their offerings. Most of the value-added services provided by these operators in their centres can easily be accessed via their mobile applications. Below are a few examples of common digitally enabled services provided by most flexible workspace operators to their members:

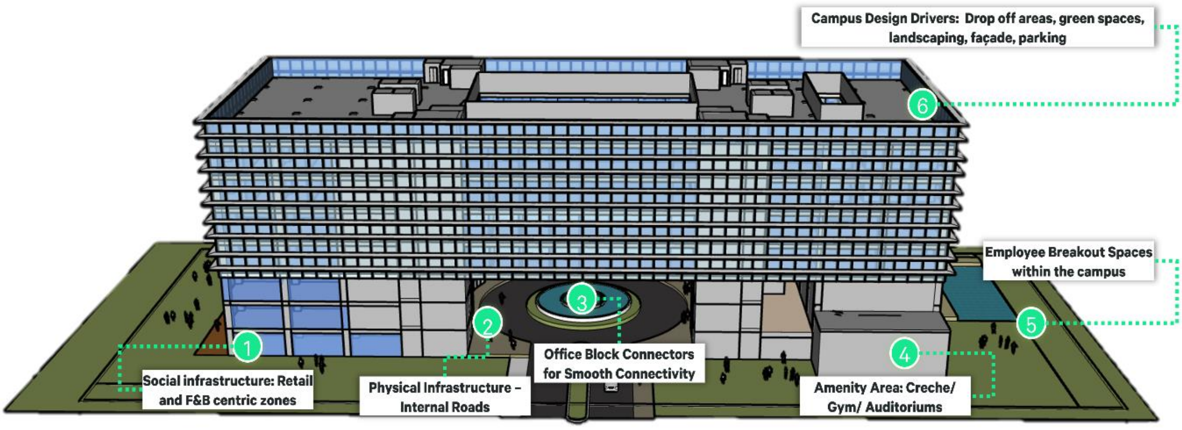
- Booking of board rooms, meeting rooms / smart meeting rooms.
- Flexible/daily passes/pay-per-use booking.
- Smart access system for amenities and facilities provided within the development.
- Client engagement activities and events scheduling and enrolment.
- Community apps for all members for networking and collaboration.
- Visitor management and access control systems
- Parking management/valet parking facility

These value-added services help improve the customer experience and enable customer retention. Higher focus by operators on their gamut of value-added services may enhance their right to win. These ancillary revenue sources enable flexible workspace operators to diversify their income and enhance the value proposition for their clients.

In conclusion, flexible workspace operators leverage a variety of ancillary revenue streams to complement their primary revenue from leasing office space/seats by offering services such as meeting rooms and event spaces, technology and administrative support, wellness programs, and more. These operators not only diversify their revenue but also enhance the value and attractiveness of their offerings to clients. This approach helps create a more sustainable and robust business model by meeting the varied needs of modern businesses and professionals.

Amenitization of Commercial Office Buildings: Shift Towards Campus Style Developments

Developers are increasingly focusing on incorporating amenities that enhance overall occupiers' experiences by going beyond the functional utility of office spaces. The amenities in these parks are diverse, comprising of support retail including various F&B options, banks, creches, gyms, and clubhouses. This evolution in office development highlights the importance of holistic tenant-centric planning in the commercial real estate sector. Workplace hospitality is anticipated to enhance end-user experience allowing the developer to view occupiers as valued guests by prioritizing service, convenience, and comfort.



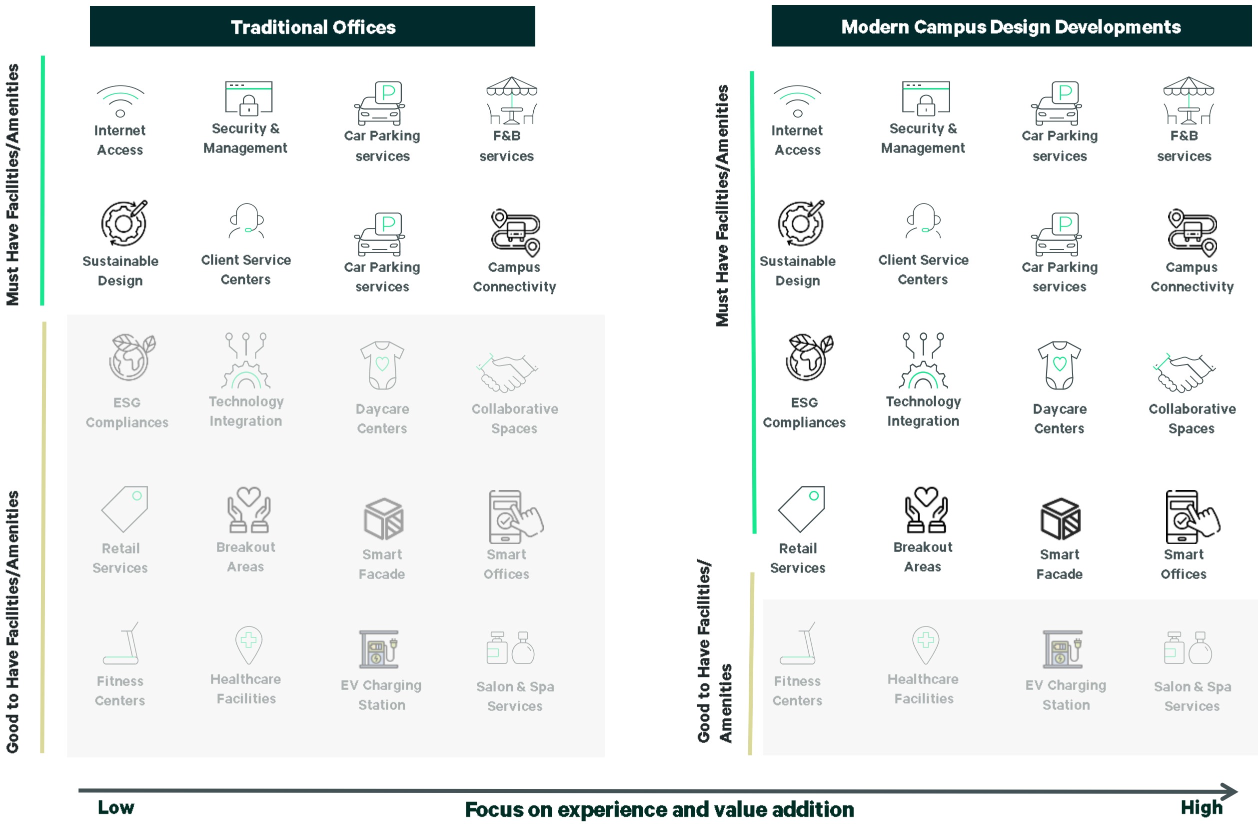
The above image has been provided for visual representation purpose only. Resemblance to any office park / commercial development is purely coincidental.

Level of Integration of Facilities and Amenities for a Commercial Asset

Level of Integration	Enablers	Implications
Ecosystem Level	• Social Infrastructure • Physical Infrastructure • Ease of Commute & Connectivity • Digital Interventions	Delivers grade-A experience for both occupiers and employees and boosts the attractiveness and marketability of the development
Cluster Level	• Retail and F&B area allocation • Campus Aesthetics and Landscaping • Seamless Block Connectors • Sustainability and Compliance	Facilitates ease of access and better circulation fostering communities to connect, collaborate, and thrive
Building Level	• Drop-off and arrival areas • Green Spaces and Façade • Parking and Break-out spaces • Building efficiency and design features	Enhances the overall user experience and assists in delivering an efficient asset that is in line with the needs of the occupiers

Modern commercial offices are being developed with a focus on placemaking, aimed at delivering quality grade experiences. This approach integrates elements such as aesthetically pleasing modern designs, sustainable design perspective and thoughtfully created hospitality experiences combining both work and leisure at the same time. Preference and acceptance of such formats have been witnessed with the introduction of such integrated commercial development.

Further, the evolution of the commercial office segment has propelled a shift in preference of occupiers and developers. Occupiers are now evaluating a holistic and sustainable commercial asset that caters to their changing needs and fosters enhanced employee experience. This has led to the developers/ landowners accommodating additional good-to-have facilities and amenities as part of their portfolios to meet the growing needs for a modern office by occupiers.



To understand the impact of such value-added services across office developments, CBRE conducted an in-depth study focusing on marquee commercial developments across prominent hubs and key markets in India. A total of 8-10 office developments across different regions were shortlisted for further evaluation as part of the study basis the following parameters:

1. **Total leasable area**: Commercial developments having leasable area within 0.5 Mn – 2 Mn sq. ft. have been assessed. The above range represents a combination of standalone and campus-styled developments exhibiting exposure to value-added services. Also, these developments have witnessed relatively higher occupancy levels vis-à-vis micro-market averages.
2. Only assets by **Grade A and Institutional developers** were shortlisted for assessment.
3. Commercial developments / Office parks with **year of operation within the last decade**
4. Appropriate **presence of area contribution by retail, facilities, and amenities**

Key objectives of the analysis included, but were not limited to:

1. Assessment of must-have and good-to-have amenities and facilities across marquee products.
2. Evaluating the ideal proportion of area dedicated towards key facilities and amenities as part of the commercial development.
3. Assessment of potential implications/impact of increase in area under facilities and amenities on the overall revenue potential of the development
4. Impact of a holistic and integrated commercial offering on the overall occupancy and stability of the development
5. Assessment of additional facilities and retail categories being provided in newer products.

Key highlights of the analysis include, but are not limited to:

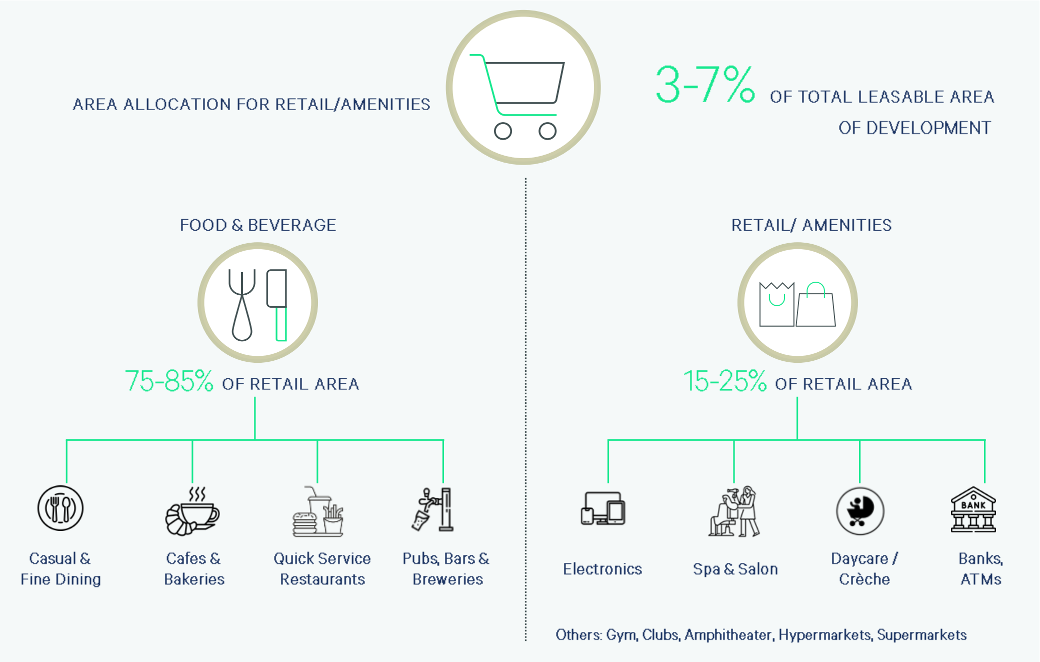
1. Proportion of leasable area dedicated towards retail, F&B, and other facilities and amenities as part of the development.
2. Historic trends and the evolving nature of support facilities and amenities across key commercial developments
3. Assessment of overall area breakup of categories and sectors within the retail zones of commercial developments i.e., F&B area, the area under retail stores

4. Evaluation of existing revenue sources for the commercial developments ~ sector/segment-wise split of overall revenue between commercial and retail tenants
5. In-depth analysis of retail revenue to determine key contributing categories.

Key findings of the analysis of office assets are as follows:

Overall area allocated for the retail category across the evaluated assets accounted for **approximately 5-7%** of the total leasable area including food court. A large majority of this area comprises retail outlets/kiosks that enable the asset to cater to the needs of the captive catchment as well as drive footfalls.

The integration of hospitality-centric services across retail areas and amenities across these assets allows the developer to generate additional revenue. This further enables the office parks to act as experience centres and enhance the overall space utility. Further, it has been observed that these developments tend to have relatively higher occupancy rates viz-a-viz the micro market average.



Case in Point 1: A marquee development in Gurgaon with twin towers exemplifies the contemporary trend of integrating retail, F&B, and other support retail such as electronics stores as an offering within commercial spaces. This development with approximately **3-5%** of total leasable area allocated for retail generates nearly 3-5% of total asset revenue highlights the importance of **creating a holistic environment enabling employees to access the outlets and dining options conveniently along with driving footfall from the vicinity**. These factors have also enabled the development to sustain high occupancy levels to the tune of 95-98% against the micro-market average of 90-93%.

Case in Point 2: A marquee development in Hyderabad exemplifies the modern trend of delivering better experience around commute arrival, recreation, technology inclusion, digital interventions, visitor experience, and service quality amongst others. The development has an **average occupancy level of nearly 95-98% against the micro-market average of 86 - 89%**. Approximately **5-7%** of the total leasable area is dedicated to supporting retail covering various top options for casual dining, café, and food court areas generating approximately 4-6% of total asset revenue. The place also has other support retail such as a hypermarket and creche along with amenities such as an amphitheatre. This **hospitality-centric experience unifies the brand experience** while accommodating occupiers' preferences with **thoughtful design and amenities promoting social interaction and collaboration**.

Case in Point 3: A prominent commercial asset located in Bandra-Kurla-Complex has focused on sustainability and providing the occupiers with a sustainable and technology-driven office environment. The developer has allocated nearly **3-5%** of the total leasable area towards retail, majority of which comprises curated F&B offerings. A combination of these facilities and amenities as part of the complex has enabled the development to **sustain healthy occupancy levels** i.e., **95-98%** compared to micro-market average occupancy of 87-90%. This has also assisted in driving footfalls to the dedicated retail zone. Further, retail offerings are able to **generate additional revenues to the tune of 1-3%** for the asset.

Case in Point 4: A strategically positioned commercial development with a focus on delivering hospitality hospitality-centric experience, located in Powai is a product with focus on key retail offerings and experiences. These amenities include a fitness centre, daycare centres, medical facility, and a multi-cuisine food court **accounting for nearly 3-5% total leasable area**. Subsequently, this has allowed the developer to witness healthy occupancy levels i.e., **95-98% compared to the micro-market average of 93 – 96%,** and increased occupier interest and traction for retail services contributing to additional revenues of approximately 2-4%.

Post assessment of these marquee assets, CBRE finds that integration of value-added services and amenitization have enhanced the overall marketability and added to the overall revenue of the asset by approximately 2– 6%. These assets enjoy relatively higher occupancy levels and rentals compared to their relative micro-market averages, thereby having a parallel impact on the need/sustenance of value-added options. Further, the presence of a curated retail offering has assisted in driving footfalls and enriching the overall occupier experience. In addition, F&B offerings reflected the highest contribution towards the overall retail revenue across the shortlisted assets i.e., nearly 85-90%. Other retail offerings ranging between hypermarkets, supermarkets, electronics stores, daycare centres, banks, etc. contribute to the balance share of revenue.

Occupiers are increasingly drawn to modern integrated parks packed with amenities including F&B outlets, outdoor open spaces, fitness & wellness centres, and community events, among others.

Impact of Rising Consumer Expenditure on Commercial Real Estate

The shift in the developer psyche to focus on providing an experiential product is driven by the evolving consumer mindset in India. Indian consumers are now focusing on enhancing their lifestyle and are directing some share of their household expenditure on retail and experiences.

India's per capita income has exhibited a consistent upward trajectory, underscoring heightened consumer purchasing power. The per capita national income of India grew from INR 1,04,880 in FY2017 to INR 1,83,236 as of 31st March 2024, registering a CAGR growth of 8.3% during the same period. Driven by increasing income levels and consumption expenditure in India, net national disposable income has witnessed a CAGR growth of 9.8% from FY2016 to FY2023. *(Source: Ministry of Statistics and Programme Implementation, May 2024)*

The Household Individual Consumption Expenditure has witnessed a CAGR growth of 10.5% during FY2016 to FY2023 from INR 81.7 trillion in FY2016 to INR 164.2 trillion in FY2023. This growth is primarily driven by increasing expenditure on sectors such as Food and beverages, travel and transport, Education, and Health, which have witnessed CAGR growth of approximately 10-13% between FY2016 and FY2023. *(Source: Ministry of Statistics and Programme Implementation, May 2024)*

With the increase in consumption expenditure across key segments such as F&B, Clothing, and Transport, India's growing affluence, the new Indian consumer tends to spend more on quality, variety, and convenience coupled with more experiential offerings. Subsequently, brands are offering high-end services and products to consumers catering to their needs.

The emphasis on retail areas across the commercial office segment along with the changing nature of expenditure and consumer preferences are poised to impact the real estate sector. This is expected to drive demand for developments emphasizing holistic consumer experiences with hospitality-centric amenities and facilities.

To capitalize on changing dynamics, developers and operators are expected to strategically align their offerings to cater to consumer preferences for convenience and quality experience. This trend not only reflects the changing consumer behaviour but also highlights the opportunity for innovation and the need for value-added services at a core level of commercial developments. Emphasis on these key value-added services is expected to allow the assets to become footfall drivers and enhance the overall user experience leading to stabilized occupancy levels.

Opportunity Assessment – Fit out-as-a-Service

Introduction

Fit-out-as-a-Service offers a one-stop solution to organizations for creating customized spaces that enhance productivity, collaboration, and employee well-being. Its popularity is driven by the demand for dynamic, aesthetically pleasing work environments that adapt to modern business needs. This approach allows companies to outsource fit-out services and focus on core business activities while ensuring that they have access to modern and functional workplaces.

The fit-out-as-a-service solution segment is currently offered by developers who may be willing to offer this as an add-on service to the tenants opting for fully fitted-out spaces in the development. Additionally, some of the tenants also hire third-party vendors and construction management firms to service/cater to their requirements for a fully fitted-out space in a particular development primarily because these vendors may provide varying service offerings.

The value proposition of the Fit-out-as-a-Service solution by flexible workspace operators is that many operators have designed, built, and managed multiple customized offices for multiple end users, that take managed office solutions from them. Hence, have developed the experience, efficiency, and economies to be able to provide well designed, compliant, space and cost-efficient offices to companies that are looking to have an own/self-leased and managed office, or a non-operator managed solution.

The fact that the core business of flexible workspace operators is to design, build, and manage offices for multiple customers allows them to hold fit-out inventory, well-negotiated vendor contracts, set templates and processes in place. Additionally, a grip over compliances, full-time delivery teams on payroll, etc. assist in building cost and design efficient offices at a quick pace, enabling these flexible workspace operators to effectively compete with other service providers.

Approach and Methodology for deriving Addressable Market Size for Fit Out as a Service

To assess the market size of Fit out-as-a-Service segment, an in-depth assessment was carried out on y-o-y supply addition and absorption across the commercial office segment. This industry is currently being catered by developers, third-party service providers, captive fit-outs by occupiers and flexible workspace operators.

Opportunity assessment for Fit out-as-a-Service segment has been carried out by accessing the total quantum of first-time fit outs being carried out in the market along with the expected refurbishment throughout the year.

Below is the summary of the approach and methodology adopted to assess the opportunity for Fit out-as-a-Service and expected addressable market size by CY2027F.

A) – Assessment of Gross Absorption

- Gross absorption represents the total office space been let out to tenants or owner-occupiers during the survey period. A property is deemed to be taken-up only when contracts are signed, or a binding agreement exists. This is inclusive of leasing across new developments, churn in the market, renewal of leases as well as releasing of vacant space across existing developments.

- Gross absorption as of CY2023 is approximately 58-63 Mn sq. ft. and is further expected to reach approximately 70-75 Mn sq. ft by CY2027.

B) – Assessment of Addressable Market for First Time Fit-Outs

- The market for first time fit-outs has been estimated after deducting y-o-y flexible workspace leasing from y-o-y net absorption[40] witnessed in the commercial office market. Since flexible workspaces are already fitted-out spaces introduced directly into the market and do not require any further fit-outs at the primary stage.

[40] *Net Absorption represents total office space known to have been let out to tenants or owner-occupiers excluding the space that has been vacated, during the survey period.*

- The market for first time fit-outs cost is estimated to be approximately 25 – 28 Mn sq. ft for CY2023. Supported by increase in space takeup, the addressable market is further expected to grow at a CAGR of 8-10% during the period CY2023 – CY2027F reaching approximately 38 – 42 Mn sq. ft by CY2027.

C) – Assessment of Addressable Market for Refurbishment

- To access the market for refurbishment we have included the quantum of supply that is available for re-leasing, churn and renewals throughout the year. Further, it has been observed that the quantum/scale of refurbishment might vary depending on the nature of wear and tear of the space during lease period. Refurbishments in case of lease renewals are expected to be in the lower end of the spectrum and might not require a complete overhaul. Therefore for the purpose of assessment approximately 65-75% of this supply is expected to enter the market for refurbishments throughout the year.

- The market is expected to be range bound 19 – 22 Mn sq. ft. during the period CY2023 to CY2027F.

D) Assessment of Total Addressable Market[41]

The total addressable market has been estimated post considering the market size for refurbishment and first-time fit outs. The market is expected to grow from 40 – 45 Mn sq. ft. in CY2023 to **50 - 55 Mn Sq. ft**. by CY2027F.

E) Assessment of Total Market Size

- The weighted average first time fit-outs costs for Grade A and Grade B is approximately INR/sq. ft. 2,300 – 2,400 (including GST). This was calculated basis the existing quantum of stock across positioning along with the cost incurred to deliver the asset.

- Refurbishment cost is directly proportionate to the wear and tear that the asset is expected to undergo throughout the lifecycle. The cost can be minimal in certain cases of lease renewals on account of limited renovation/upscaling requirements. Whereas, space churn or releasing of vacant spaces in certain situations are required to undergo some capital infusion in the form of refurbishment cost. Thus the average refurbishment cost[42] is expected to be 45-55% of first-time fit-out costs i.e., approximately INR/sq. ft. 1,000 – 1,200 (including GST).

- Target total FaaS market size accounted for approximately INR 75 - 85 Bn in 2023, and is expected to grow at a CAGR of approximately 12 - 14% during the period CY2023 – CY2027F, resulting in an expected market size of INR 125 - 145 Bn by CY2027.

Opportunity Assessment	CY2023	[redacted]	CY2027E
First Time Fit Out Market Size (Mn sq. ft.)	25 – 28	[redacted]	38 – 42
Refurbishments Market Size (Mn sq. ft.)	13 - 16	[redacted]	13 - 16
Fit-out Market Primary (INR Bn)	60 - 65	[redacted]	110 – 115
Market for Refurbishments (INR Bn)	16 - 18	[redacted]	17 – 19
Total Fit Out Market Size (INR Bn)	**75 – 85**	[redacted]	125 - 135

Source: CBRE Consulting
This estimated cost of refurbishment accounts for the standard wear and tear of various elements including furniture and fixtures (switches, carpets, lights, and other necessary appliances) throughout the units' life cycle. These components have a relatively shorter lifecycle as compared to passive IT systems, DG sets, HVAC systems, chillers/data storage units. Consequently, the refurbishment cost here reflects the estimated replacement cost of elements with relatively shorter lifecycle.

---

[41] *Note: All analysis done in this section is for Tier 1 cities only namely, Bengaluru, Hyderabad, Pune, Mumbai, Chennai, Kolkata, Delhi NCR.*
[42] *Refurbishment refers to the process of renovating and improving a property to enhance its functionality and value. This includes structural repairs, updating electrical and plumbing systems, modernizing interiors, enhancing energy efficiency, and improving exterior features with a goal to restore and upgrade the property to meet current standards and market demands.*

Despite the anticipated growth of the Fit out-as-a-Service market, it is important to highlight that taking up services from Fit out-as-a-Service (FaaS) has its own advantages and disadvantages from an occupier perspective:

Advantages	Disadvantages
End-to-End Integration and Single Point of Contact: The service provider[43] streamlines the fit-out process by serving as the single point of contact between vendors and occupiers, facilitating seamless integration of all services. This approach ensures comprehensive management and coordination of the entire project thereby, making the whole process hassle free for the occupiers. **Rapid Delivery of Large Spaces:** Leveraging reserve stock, extensive experience and market insights, the service provider consistently delivers large-scale spaces efficiently. Their established relationships with contractors and vendors enable honoring of intimidated delivery timelines without compromising on quality. **Economies of Scale and Cost Efficiency:** The service provider may be able to capitalize on economies of scale to secure better procurement deals. This may result in cost-effective fit outs that maintain high standards of quality. Their extensive industry experience and relationships ensure competitive pricing and superior service delivery.	**Dependency on Providers**: Reliance on external service providers can lead to potential issues of quality control, timelines, and alignment with business objectives. Can be mitigated by conducting a thorough research and vetting before selecting a service provider by checking their track record, references, and portfolio to ensure reliability and quality. **Limited Control:** Businesses may have control on certain design aspects; however, the overall delivery timeline and output quality depends upon the service provider. Occupiers can overcome this by clearly outlining the design requirements, quality, expectations, delivery timelines in the contract and by including provisions for regular progress reports and reviews. **Integration Challenges:** Ensuring seamless integration of the design with existing infrastructure and accommodating future modifications can be challenging, requiring meticulous planning and coordination for both the occupier and the service provider. Can be mitigated by having detailed planning sessions, encouraging designs that allow for future modifications, scheduling regular coordination and meetings between the team and service provider.

Fit-out-as-a-Service is anticipated to gain further prominence with occupiers increasingly opting for fully fitted-out spaces in the coming years. It allows enterprises to outsource the non-core activity of office fitouts to experienced providers. Some service providers providing FaaS solutions also provide the optionality to finance/lease fitouts. This solution also bridges the gap between enterprises looking for fully customized and fitted out offices.

Consequently, the market size for Fit out-as-a-Service is expected to experience growth, driven by the need for flexible and customized design, efficient and modern office environments with integrated technology and innovative design elements. This demand combined with the substantial gap for consolidation of other design and optimization related factors in the market, presents a good opportunity for Fit out-as-a-Service providers**.**

[43] *The service provider includes developers, project management consultants, flexible workspace operators and third party vendors.*

Annexure

Company Definition

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

Abbreviations:

Term	Description
APAC	Asia Pacific
CAGR	Compounded Annual Growth Rate
CY	Current Year
MMR	Mumbai Metropolitan Region
FY	Financial Year
CPI	Consumer Price Index
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GST	Goods and Services Tax
IMF	International Monetary Fund
Mn	Million
NCR	National Capital Region
OMR	Old Mahabalipuram Road
PMAY	Pradhan Mantri Aawas Yojana
psf	per square feet
INR	Indian National Rupee
USD	United States Dollar
RBI	Reserve Bank of India
SEZ	Special Economic Zone
sq. ft. or sf or sft	square feet
Stats	Statistics
Flex	Flexible Workspace
TAM	Total Addressable Market
GER	Gross Enrolment Ratio
FaaS	Fit-out-as-a-Service
GCC	Global Capability Centre
SME	Small-Medium-Enterprises
MNC	Multinational Corporations
CAM	Common Area Maintenance
F&B	Food & Beverage
Y-o-Y	Year-on-Year
HNI	High Net-worth Individuals
EMEA	Europe, Middle East, and Africa

Glossary:

	Description
1	Development Completions / Supply - Represents the total area of new floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit, where required, has been issued during the survey period.
2	Total Stock - Represents the total completed space (occupied and vacant) in the market at the end of the quarter/year.
3	Vacant Space - Represents the total office space in completed properties, which is available for lease and is being actively marketed at the end of the quarter / year. Space that is not being marketed or is not available for occupation is excluded from vacancy. Space that is Under Construction is also excluded from Vacant Space.
4	Vacancy Rate (%) Calculation - Vacant Space expressed as a percentage of Total Stock.
5	Total Occupied Stock Calculation - Total Stock minus Vacant Space.
6	Absorption/Take Up - Represents the total office space known to have been let out to tenants or owner-occupiers during the survey period. A property is deemed to be taken-up only when contracts are signed, or a binding agreement exists. Unless otherwise stated, references to absorption shall refer to gross absorption.
7	Rental Values - Quoted rental values; measured in INR/sq. ft./month representing the average asking (quoted) rental rate for all available space in existing buildings at the end of the quarter/year. This rate indicates an average of what landlords would charge to lease space in that market, with operating costs covered by the tenant. Rental values provided are exclusive of property taxes.
8	SEZ Stock - Refers to a development type; includes all IT-focused Special Economic Zones approved as per the SEZ India Authority.
9	Non-SEZ Stock - Refers to a development type; includes buildings developed for occupiers involved in IT/ITeS operations (as defined in the National and State Level IT Policies), inclusive of STPI (Software Technology Parks of India) and includes all non-IT buildings, inclusive of those for corporate office space.
10	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.
11	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.
12	Institutional Stock - 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").
13	Non-institutional Stock - 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.
14	Global Capability Centre - GCCs are the captive hubs that include both MNC-owned units that undertake work for the parent's global operations and the company-owned units of domestic firms
15	Placemaking - Placemaking spans planning, designing, and managing spaces that inspire and promote social interactions and exchange, contributing to an elevated holistic experience
16	Alternate assets - Alternate assets refer to mixed-use developments, hotel, and mall establishments
17	Refurbishment - Refurbishment refers to the process of renovating and improving a property to enhance its functionality and value. This includes structural repairs, updating electrical and plumbing systems, modernizing interiors, enhancing energy efficiency, and improving exterior features with a goal to restore and upgrade the property to meet current standards and market demands.

18	Net Absorption - Net Absorption represents total office space known to have been let out to tenants or owner-occupiers excluding the space that has been vacated, during the survey period.
19	Gross Absorption - Gross absorption represents the total office space been let out to tenants or owner-occupiers during the survey period.
20	Flex/Flexible Stock - Summation of the total area under occupancy/management by all the flexible workspace operators across the country