

INDUSTRY REPORT ON FLEXIBLE WORKSPACES SEGMENT IN INDIA

Prepared for WeWork India Management Private Limited

Consolidated Report



January, 2025

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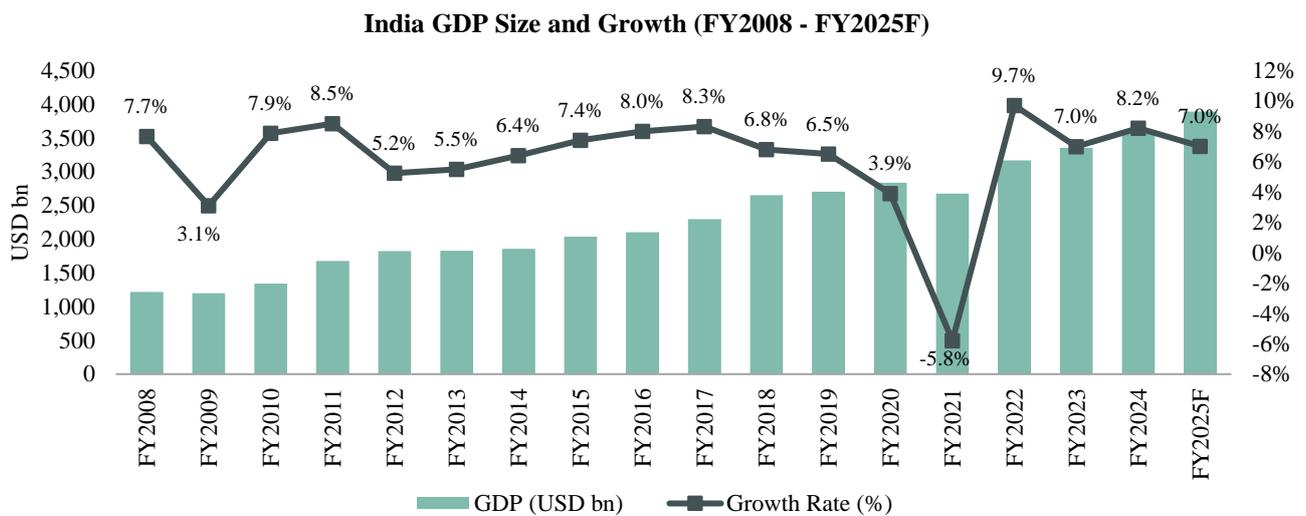
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Indian Economy Overview

Overview of Indian Economy

India with a GDP of approximately USD 3.57 trillion (FY2024¹) is one of the fastest-growing economies and the fifth-largest economy in the world after the US, China, Germany, and Japan (Source - World Bank ~ India Overview, IMF, Data Mapper October 2024). For FY2024, India had a Gross Domestic Product (GDP) growth rate of 8.2% compared to global growth of 3.3% in CY2023, demonstrating a strong economic rebound post-COVID-19. This growth is driven by increasing domestic demand and employment surpassing pre-pandemic levels, rising service exports and the country's digital and Government infrastructure. India's economy is projected to grow by 7.0% in FY2025. (Source: IMF, World Economic Outlook, October 2024)

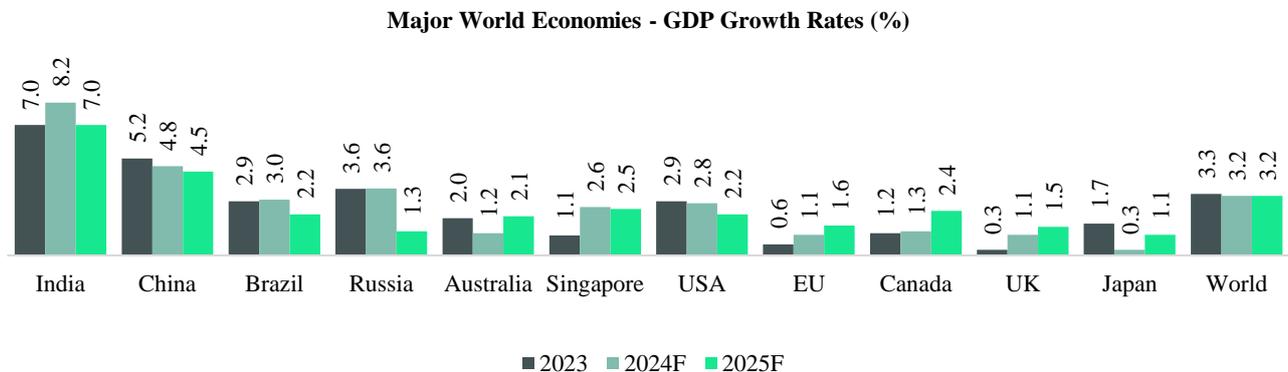
India is forecast to become the third-largest economy in the next five years with a projected GDP of USD 5.7 trillion in FY2029, surpassing Japan and Germany with forecast GDPs of USD 4.9 trillion & USD 5.4 trillion respectively for CY2028. (Source: IMF Data Mapper, October 2024, World Economic Forum, Jan 2024)



Source: IMF estimates, Data mapper, October 2024, World Economic Outlook, October 2024

One of the Fastest-Growing Economies Globally

Amid global geopolitical tension, rising inflation, and tough market conditions, India continues to exhibit strong economic growth. The Indian economy remained the fastest-growing major economy in the world during FY2024 (Source: World Bank, Press Release, September 3rd, 2024). The Forecast GDP growth rate for India is the highest amongst the G20 nations², at an expected growth rate of 7.0% during FY2025. (Source - IMF, Data Mapper October 2024)



Source: IMF estimates, World Economic Outlook, October 2024

* Although the IMF provides data for the majority of countries for the Calendar Year (CY), the values for India are published for 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 per IMF Data Mapper, October 2024

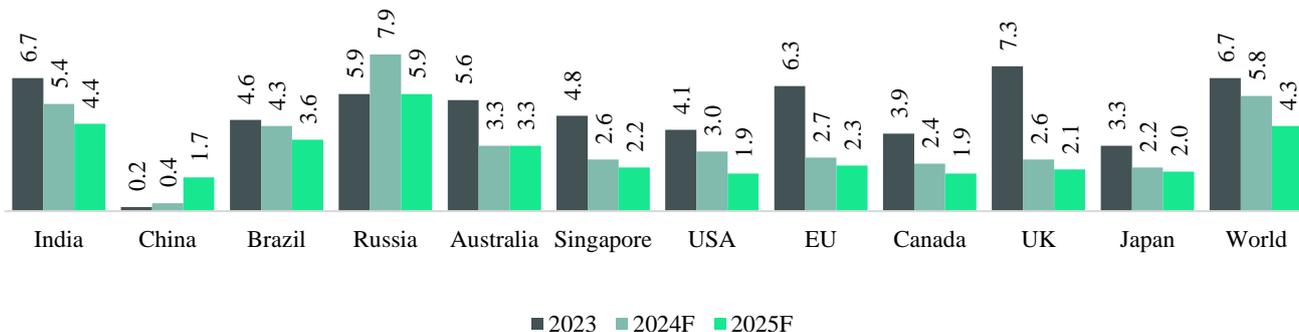
¹ FY2024 – Fiscal Year 2024 ~ 1st April 2023 to 31st March 2024

² Countries included in G20 nations are – Argentina, Australia, Brazil, Canada, the People's Republic of, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States of America, together with the European Union and the African Union.

Key Economic Indicators of India

Inflation Environment - Inflation has increased in most of the Western economies post-COVID-19, primarily due to the disruption in global supply chains, supply-demand imbalances post-pandemic and rising geopolitical conflicts. In FY2024, Consumer Price Index (CPI) inflation for India was comparatively lower at 5.4% against the CPI inflation at 6.7% in FY2023. (Source: IMF Data Mapper, October 2024) Going forward, as per the IMF, CPI inflation for India is forecast to reduce to 4.4%³ by the end of FY2025. (Source: IMF Data Mapper, October 2024).

Major World Economies - Inflation



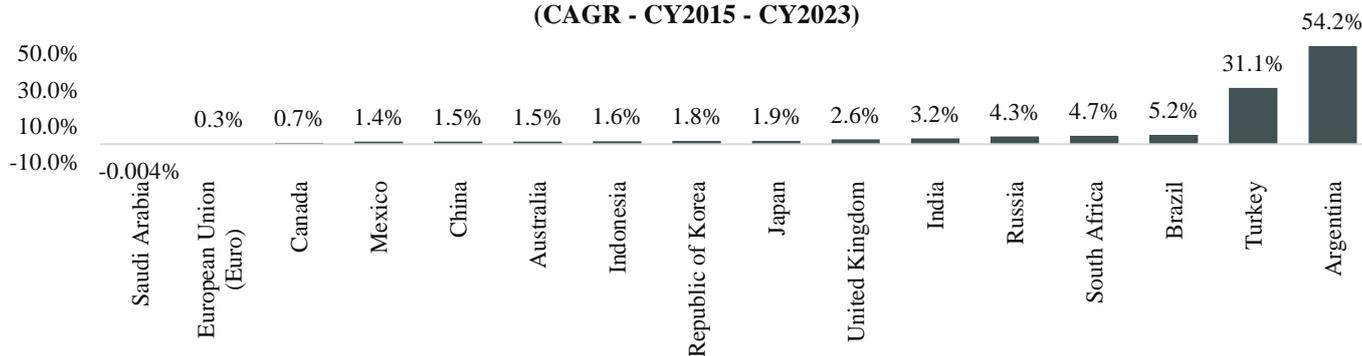
Source: IMF estimates, Data Mapper, October 2024

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

Interest Rates Environment – The RBI increased the repo rate (Repurchasing option rate) by 250 bps (in phases) from 4.0% in January 2022 to 6.5% in February 2023 as a measure to curb rising inflation. Since February 2023, the repo rate in India has been unchanged at 6.50% (as of 21st June 2024). The reverse repo rate continues to be stable at 3.35% from April 2023 to June 2024. (Source: RBI, Minutes of the Monetary Policy Committee Meeting, June 4 to 7, 2024, Press release June 21st, 2024)

Depreciation of Indian Currency against the US Dollar - India's foreign exchange reserves recorded a figure of USD 692.3 billion, as of 27th September 2024. (Source: RBI Bulletin, October 2024) Following a significant contraction due to the COVID-19 pandemic, the Indian economy has shown recovery. The pent-up demand for services, domestic consumption, investments in public infrastructure, and technological advancements have continued to fuel India's economic growth. (Source: World Bank, India Development Update: India's Trade Opportunities in a Changing Global Context, September 2024) The graph below illustrates the CAGR depreciation of the local currency of various countries against the USD.

Depreciation against USD across G20 Nations (CAGR - CY2015 - CY2023)



Source: Bilateral Exchange Rates,⁴ October 2024

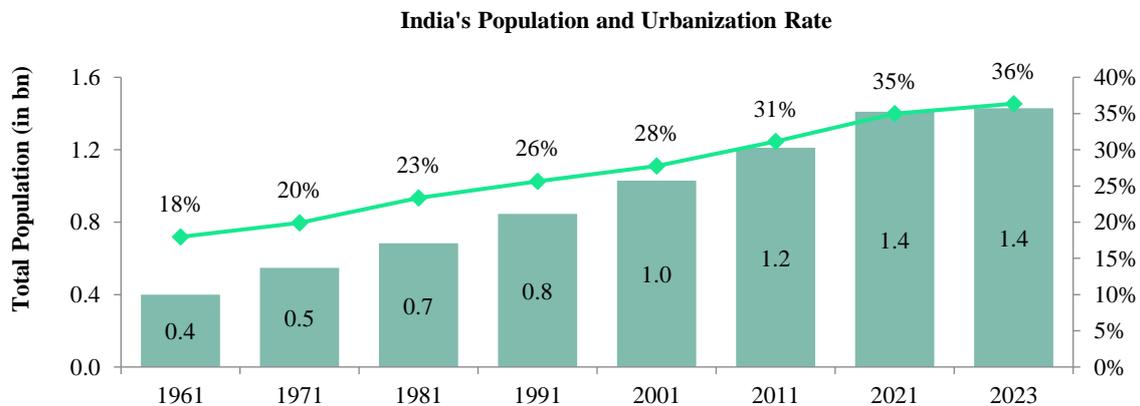
Note: (i) The above analysis is based on the average of observations throughout the current year, (ii) For the purpose of analysis amongst the countries with the same currency (Euro), we have used the European Union (Euro)

³ The forecast inflation in FY2025 is 4.5% by RBI (Source: RBI, Government of India, Press Release, July 2024, Monetary Policy, October 2024)

⁴ Bank for International Settlements (2024), Bilateral exchange rates, BIS WS_XRU 1.0 (data set), <https://data.bis.org/topics/XRU/data> (accessed on 24 October 2024).

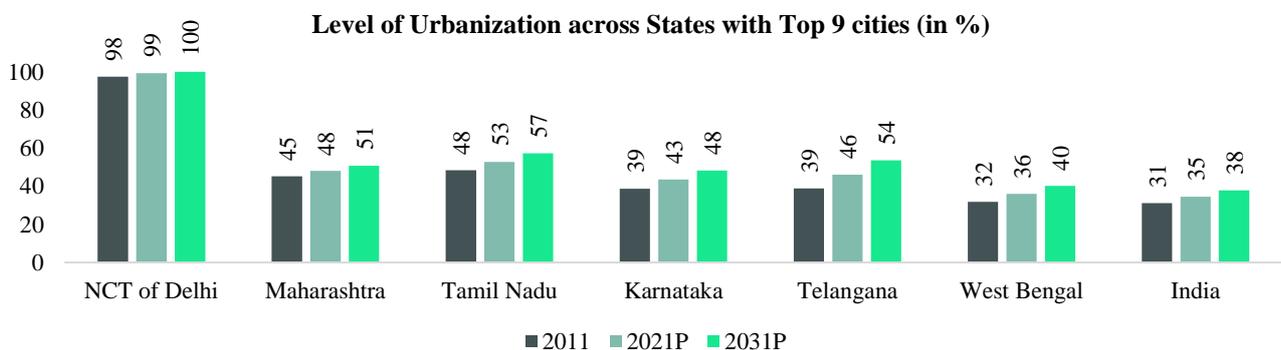
Key Demographic Indicators

- India's Population** - India's population grew from 1.26 billion people in CY2011 to 1.43 billion in CY2023, a CAGR of 1.07% over the period, and is now the largest population in the world. (Source: IMF Data Mapper, October 2024) Approximately 370 million population in India are in the age group 10 – 24 years, and 990 million population in the age group 15 – 64 years, making it the largest country with a population aged 10 – 24 years/population aged 15 – 64 years globally, in 2024⁵. (Source: United Nations Population Fund, World Population Dashboard) India's population is forecast to reach approximately 1.5 billion by 2029. (Source: IMF, Data Mapper, October 2024) India is likely to remain a country with one of the largest working-age population in the world up to 2030, with a forecast median age of 31 years, compared to 42 and 40 for China and US respectively. After 2030, 77% of India's population is expected to comprise Millennials and Generation Z. (Source: Future of Consumption in Fast-Growth Consumer Markets – India, January 2019, World Economic Forum)
- Urbanization** - The share of the urban population in India grew from 31% in CY2011 to 36% in CY2023 and is forecast to increase to approximately 40% or 600 million people by 2036. (Source: World Bank Open Data) India's growing population and rapid urbanization to Tier 1 cities 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 at October 2024)

As per the CY2011 census, among all the States and Union Territories, the National Capital Territory - Delhi is the most urbanized region in India with an urbanization rate of 97.5%. Urbanization levels across states such as Tamil Nadu and Maharashtra, Haryana and Andhra Pradesh are relatively higher than that of India as a whole. This is due to economic factors such as better employment opportunities, and better infrastructure development and social factors such as better education, healthcare, and support infrastructure amongst others. A similar trend is projected until 2031 as highlighted below. (Source: Census of India, 2011; Population Projections for India and States (2011 – 2036P), November 2019)



Source: Census of India, 2011; Population Projections for India and States (2011 – 2036P) released in November 2019

Note: The latest available Census of India is 2011, data for 2021 & 2031 are projected figures

The rapidly growing trend of urbanization and migration to Tier-1⁶ cities for better employment opportunities are likely to increase demand for real estate and infrastructure development across these cities.

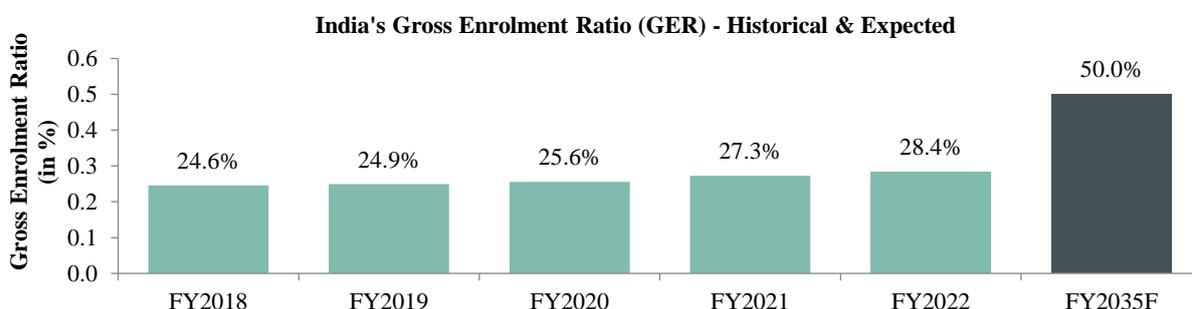
⁵ Estimated size of national population at mid-year, 2024

⁶ Tier 1 cities include Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Hyderabad, Chennai, Pune and Kolkata

- Availability of Skilled Workforce** - India has one of the largest higher education systems in the world and is ranked second in terms of higher education⁷ network. (Source: Ministry of Education, Study in India) India had approximately 265 million students across 1.5 million schools and 11.31 million graduates in FY2022. The total number of those enrolled in higher education increased to nearly 43.3 million in FY2022 from 34.2 million in FY2015, growing at a CAGR of 3.4% during the period. (Source: Ministry of Education, AISHE 2021-2022)

According to the National Association of Software and Service Companies (NASSCOM) in FY2023, India had one of the world’s largest annual supply of Science, Technology, Engineering & Management (STEM) graduates at approximately over 2.5 million. Based on the availability of a technology-skilled workforce, India is ranked 2nd globally as per the 2023 AT Kearney Global Locations Service Index. (Source: NASSCOM, Strategic Review 2024) The availability of STEM talent and skilled labour in India is one of the key reasons contributing to the expansion of Global Capability Centres (GCCs) in India.

- Gross Enrollment ratio** - India had an estimated gross enrolment ratio (GER)⁸ of 28.4% for higher education in India in FY2022. The National Education Policy implemented in July 2020 is designed to improve GER with a target of 50% GER by FY2035. (Source: All India Survey on Higher Education, 2021-2022) The forecast GER is anticipated to increase the availability of the talent pool in India.

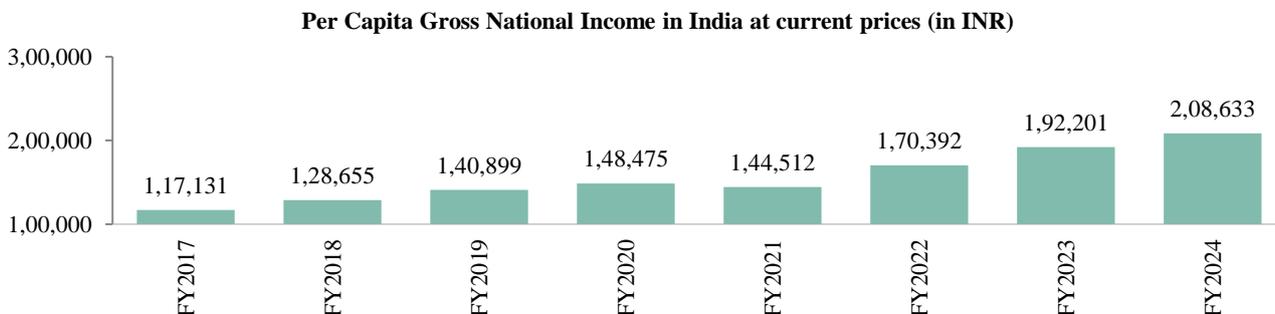


Source: All India Survey on Higher Education, 2021-2022

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 technologies⁹, multinational corporations and Global Capability Centres¹⁰ are considering India as an alternate location (outside their home countries), capitalizing on the country’s educational infrastructure and domestic consumer market and labour cost arbitrage¹¹.

Growing per capita income in India

India’s per capita income has witnessed growth over the past few years. The per capita Gross National Income in India grew from INR 1,17,131 in FY2017 to INR 2,08,633 in FY2024, registering a Compound Annual Growth Rate (CAGR) growth of 8.6% over this period. Per capita gross national disposable income was recorded at INR 2,14,951 in FY2024 showing a y-o-y increase of 8.5%. (Source: Ministry of Statistics & Programme Implementation, Government of India, Provisional Estimates of Annual GDP for 2023-24 and quarterly estimates of GDP for Q4 of 2023-24, May 2024, Economic survey 2023-2024) This growth is driven by the growing economy, favourable and growing white-collar employment landscape.



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

⁷ The term ‘higher education’ with respect to India denotes the tertiary level education that is imparted after 12 years of schooling (10 years of primary education and 2 years of secondary education).

⁸ 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.

⁹ New age digital technologies such as Internet of Things, Big Data, Artificial Intelligence, Cloud Computing, Augmented and Virtual reality etc.

¹⁰ 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.

¹¹ The average salary of a software professional in India is 1/10th compared to the talent cost in US for a similar role (Source: CBRE Research, The India GCC Revolution: Where Real Estate and Talent Converge, August 2024)

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 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*) 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 an increase in household disposable income across these Tier 1 cities.

Year on Year Rise in Household Disposable Income across Key Cities in India

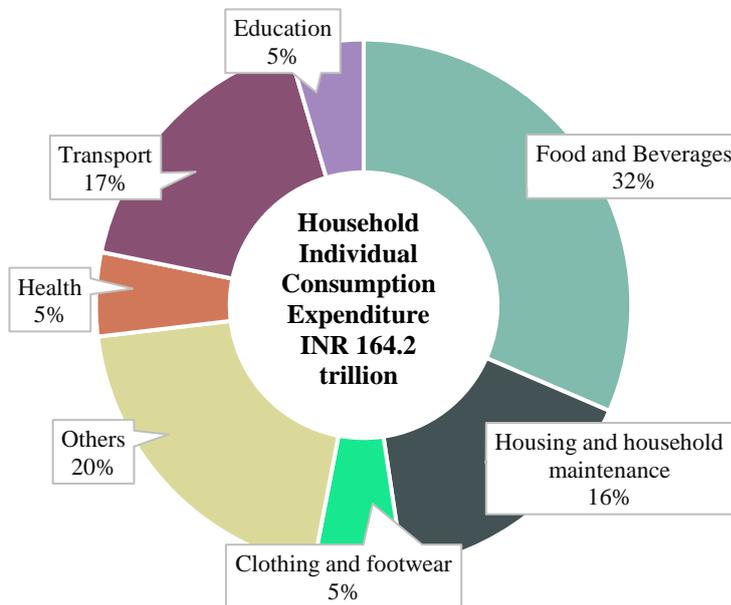


Source: CBRE Research, *India’s Luxury Real Estate – Where Opulence Meets Opportunity, March 2024, Oxford Economics, December 2023*

Growing income levels in India have led to an increase in the number of millionaires across the country. Approximately 326,400 individuals were classified as millionaires (USD 1 Mn+) as of December 2023, an 85% increase over the past decade. Mumbai and Delhi rank among the top 10 wealthiest cities in the BRICS¹² nations for 2024.¹³ (Source: *World Health, Henley & Partners, December 2023*)

The household consumption expenditure in India has grown from INR 81.7 trillion in FY2016 to INR 164.2 trillion in FY2023, growing at a CAGR of 10.5% during the period. (Source: *Ministry of Statistics and Programme Implementation, May 2024*) India’s per capita private final consumption expenditure¹⁴ has increased from INR 63,807 in FY2022 to INR 69,528 in FY2024.

Split of Household Individual Consumption Expenditure, FY2023



Source: *Ministry of Statistics and Programme Implementation, May 2024*

Note – The data is measured at current prices; Others include expenditure incurred on categories such as Communication, Recreation and Culture, Restaurants and Hotels and Miscellaneous goods and services.

¹² BRICS nations includes Brazil, Russia, India, China & South Africa

¹³ Mumbai has an estimated 58,800 millionaires while Delhi has approximately 31,000 millionaires.

¹⁴ Private final consumption expenditure (PFCE) includes final consumption expenditure of (a) households and (b) non-profit institutions serving households (NPISH) like temples, gurdwaras. The final consumption expenditure of households relates to outlays on new durable as well as non-durable goods (except land) and on services.

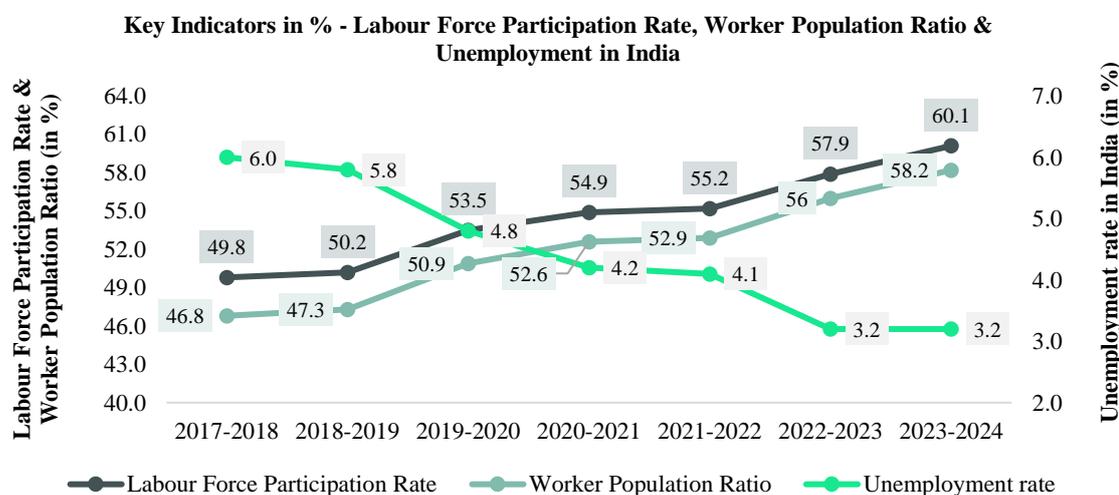
The increase in income levels and disposable income is reshaping Indian consumer behaviour, as individuals now have the means to indulge in aspirational shopping, experiences, and purchases beyond necessities. (Source: CBRE Research, *India's Luxury Real Estate – Where Opulence Meets Opportunity*, December 2023) Household Individual Consumption Expenditure incurred on Transport, Recreation and Culture, Restaurants and Hotels have grown at a CAGR of 13%, 10.4% and 10.1% respectively during the period FY2016 to FY2023. (Source: Ministry of Statistics and Programme Implementation, May 2024) This highlights a shift in the spending behaviour of Indian Households. With the increase in consumption expenditure across key segments such as F&B, Clothing, Transport, and Hotels supported by rising income levels, the new Indian consumer tends to spend more on quality, variety, and convenience coupled with more experiential offerings. Capitalizing on the changing consumer behaviour, India has seen the emergence of international luxury brands establishing presence in the Indian market.

According to the World Economic Forum, rising incomes and the expansion of middle class and high segments in India are likely to reshape consumption by CY2030. Overall, there will be nearly USD 2 trillion of incremental spending on affordable and mid-price offerings, in parallel with USD 2 trillion in incremental spending led by consumers upgrading to premium offerings or adding new categories of consumption. As consumer spending across discretionary categories such as clothing and footwear, recreational and cultural services along restaurants and hotels have increased in the recent years it is expected to grow 1.6x, 1.8x and 1.9x respectively between 2023 – 2030. The Indian consumer market is shifting towards premiumization across all sectors as evident in the change in consumption patterns and consumer behaviour. (Source: *Future of Consumption in Fast-Growth Consumer Markets: India*, World Economic Forum, January 2019) If historic trends prevail, this is expected to boost economic growth through higher demand for goods and services.

Labour Force Participation Rate and Employment

Key indicators such as India's worker population ratio, and labour force participation rate have shown a positive trajectory over the past 6 years. This has been supported by key Government initiatives such as Atmanirbhar Bharat Abhiyan¹⁵, Product Linked Incentive scheme¹⁶, Start-up India¹⁷, Skill India Mission¹⁸ and Employment Linked Incentive Schemes¹⁹, which have been implemented to support job creation and create a supportive environment for Small & Medium Enterprises SMEs/Startups.

The increase in jobs and labour force participation rate has coincided with an overall decrease in unemployment rate from 6.0% in 2017-2018²⁰ to 3.2% in 2023-2024. Youth participation in the labour force²¹ has also increased, the unemployment rate in the younger population (youth aged 15-29 years) has declined from 17.8% in 2017-2018 to 10% in 2022-2023. (Source: *The Indian Economy Review – January 2024, Economy Survey, 2024, Department of Economic Affairs*)



Source: Periodic Labour Force Surveys, *Employment and Unemployment Scenario of India*, September 2024, Directorate of General Employment

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

¹⁵Launched on 12 May 2020, with an aim is to make the country and its citizens independent and self-reliant in all senses by focusing on five pillars of Aatma Nirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand

¹⁶A scheme launched to enhance India's manufacturing capabilities, increase in capital expenditure, and to promote worker welfare and attract investments in key sectors, bring economies of size and scale in the manufacturing sector and generate employment.

¹⁷Launched on 16th January 2016, it is a flagship initiative of the Government of India, intended to catalyse startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India.

¹⁸Includes skill training initiatives

¹⁹3 schemes, Scheme A: First Timers (Direct Benefit transfer of 1-month salary in 3 instalments up to INR 15,000 to first time employees registered in EPFO), Scheme B: Job Creation in Manufacturing (Incentive to be provided directly to both employees and employers as per their EPFO contribution in the first 4 years of employment), Scheme C: Support to Employers (Reimbursement to employers up to INR 3,000 per month for 2 years towards their EPFO contribution for each additional employee)

²⁰ The survey period of PLFS surveys is from 1st July to 30th June of next year.

²¹Approximately 2/3rd of the new subscribers in EPFO payroll have been from the 18-28 years age group.

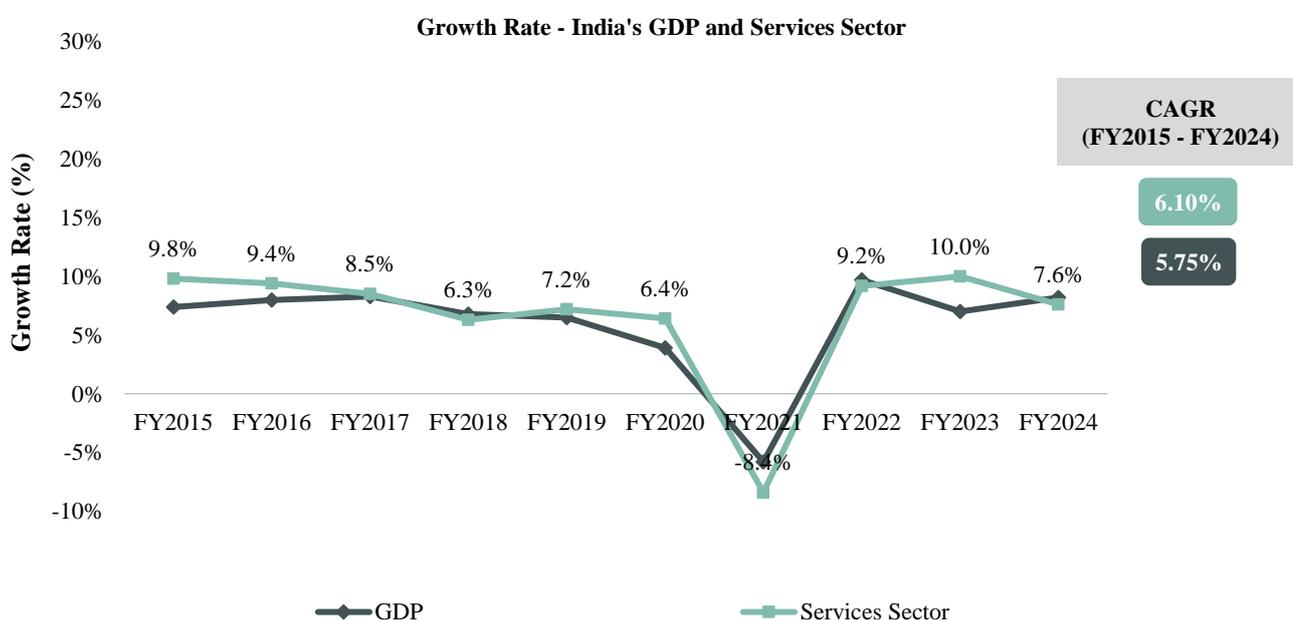
The overall quality of employment in India has increased, as highlighted in an employment condition index²² with an increase in the overall employment quality score from 0.40 in H1 CY2005 to 0.65 in H1 CY2022. (Source - India Employment Report 2024: Youth employment, education and skills, Geneva: International Labour Office, year. © ILO)

As per the Reserve Bank of India's latest KLEMS²³ Data (July 2024), employment in the country has grown at a CAGR of 3.5% over the period FY2015 – FY2024, from 471.5 Mn in FY2015 to 644.4 Mn in FY2024. (Source: Ministry of Labour & Employment, Press Release, July 2024) The net payroll additions to the Employees Provident Fund Organization (EPFO) have grown from 6.11 Mn in FY2019 to 13.15 Mn in FY2024. (Source: Economy Survey, 2024, Department of Economic Affairs)

This addition indicates growth in hiring across organized sectors, an increase in jobs in the service sector, and a shift towards white-collar jobs supported by next-generation industries across key sectors such as Information Technology, Sustainability, Healthcare, and Automobiles amongst others coupled with the growing Indian economy.

Services Sector

Supported by growth in business activity in the Service Sector²⁴ and an increase in people employed within the sector (from 152.4 Mn in FY2016 to 201.5 Mn in FY2023, growing at a CAGR of 4.1% during the period. (Source: RBI KLEMS database, July 2024), the Services Sector has outperformed GDP growth over the same period.



Source: Ministry of Commerce and Industry, April 2024, Ministry of Statistics and Program Implementation, May 2024, IMF estimates, World Economic Outlook, October 2024, Press Release, Ministry of Finance, July 2024

India's Services Sector was the largest recipient of Foreign Direct Investment (FDI) equity inflows worth USD 109.5 billion between April 2000 – April 2024, approximately 16% of the total FDI Equity inflow over the period. The Services Sector's FDI equity inflows have remained within the range of 14-17% of the total over the last 4 years. (Source: Department for Promotion of Industry and Internal Trade, Factsheet, April 2024)

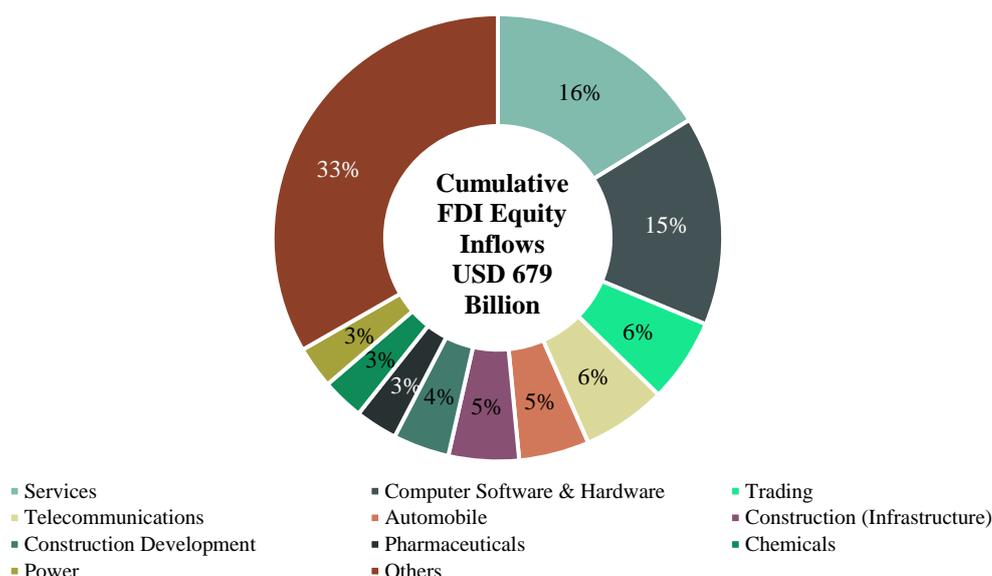
²² An employment condition index based on seven labour market outcome indicators that capture the employment conditions and quality covering parameters such as percentage of workers employed in regular formal work, worker population ratio, percentage of casual workers, proportion of self-employed workers with income below the poverty line, average monthly earnings of casual workers, unemployment rate of youths in with a secondary or higher level of education and youth not in employment, education and training.

The employment condition index values range between 0 and 1, with 1 denoting the highest possible score. The composite index value is derived by averaging the values of all seven indicators.

²³ The KLEMS (K: Capital, L: Labour, E: Energy, M: Materials and S: Services) database published by Reserve Bank of India's (RBI) provides employment estimates at all India level including public and private sectors.

²⁴ In March 2024, services PMI increased to 61.2. (Source: Press Release, Ministry of Finance, 22nd July 2024)

Sectoral Split of FDI Equity Inflows (April 2000 - March 2024)



Source: Department for Promotion of Industry and Internal Trade, Factsheet, April 2024

Others include power, non-conventional energy, hotel & tourism, food processing industries, electrical equipment, information & broadcasting, education, consultancy services, and electronics amongst other sectors.

The Services Sector²⁵ continues to be one of the key contributors to India's growth, accounting for approximately 55 per cent of the total Gross Value Added²⁶ in FY24. (Source: Economic Survey, 2024).

Sector-wise Contribution to GVA (in INR Trillion) (% share)



²⁵ 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)

²⁶ Gross value added at basic prices is defined as output valued at basic prices less intermediate consumption valued at purchasers' prices.

As highlighted in the table below, over the past 10 years, the contribution of financing, real estate, and professional services in the overall GVA has been within the range of 21 – 23%.

INR in bn	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 ¹	2022-23 ²	2023-24 ³
GVA at constant Prices	97,121	1,04,919	1,13,283	1,20,342	1,27,338	1,32,361	1,26,873	1,38,768	1,48,049	1,58,738
Financing and Real Estate & Professional Services	20737	22948	24930	25372	27142	28982	29541	31228	34055	36916
Financing and Real Estate & Professional Services sector as a % of GVA	21%	22%	22%	21%	21%	22%	23%	23%	23%	23%

Source: National Statistical Office, Second Advance Estimates of National Income and Expenditure Components, May 2024, Provisional Estimates of Annual GDP 2023-24, May 2024.

Note – Non-Tertiary Sector includes the Primary and Secondary Sectors, where the Primary sector includes agriculture, forestry and fishing, mining, and quarrying; the Secondary sector includes manufacturing, construction, electricity, gas, and water supply; the Tertiary sector includes trade, hotels, transport and communication, Financing, real estate and professional services, public administration, defense, and other services.

¹2nd Revised Estimates; ²1st Revised Estimates; ³2nd Provisional Estimates at constant prices

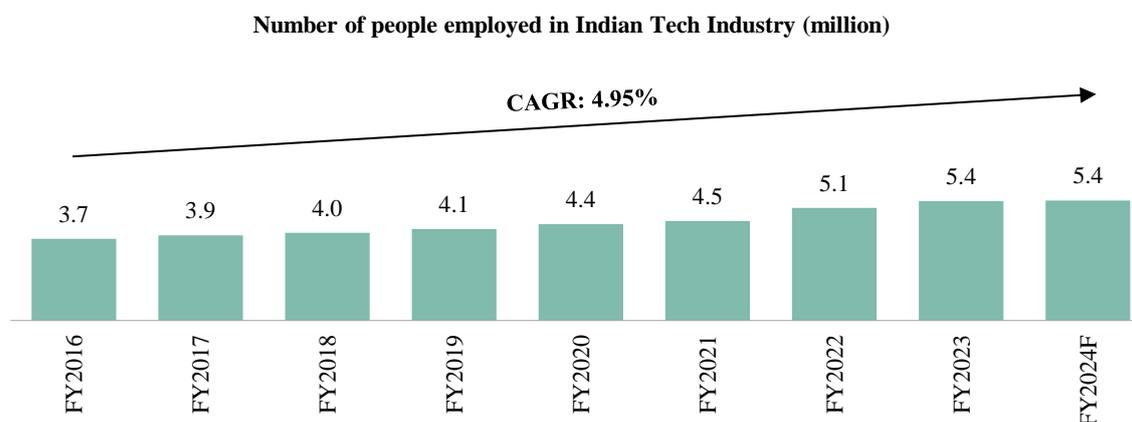
^{*}According to National Accounts Statistics, Real Estate Services includes all types of activities and dealers such as operators, developers and agents connected with real estate in India.

The Technology Industry²⁷ within the Services Sector

COVID-19 has accelerated the shift towards 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 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, providing end-to-end services to their clients.

India’s technology industry revenue is estimated to reach USD 254 bn in FY2024, an addition of over USD 9 Bn over last year. The total revenue in the technology industry has shown a CAGR growth of 7.4% during the period FY2020 – FY2024. The positive outlook of this sector is further reflected in the forecast direct employment in the sector of approximately 5.43 million in FY2024 with a net addition of 60,000 employees.²⁸ (Source: Ministry of Electronics and Information Technology) India continues to be one of the preferred global sourcing locations, representing approximately 57-58% of global sourcing.²⁹ (Source: NASSCOM) India has seen an increase in new-generation technology businesses with over 8,100 digital solution providers employing approximately 1.4 million employees. (Source: NASSCOM)

Key initiatives³⁰ from the Government have been implemented with the aim for India to become one of the leading global hubs for tech talent. (Source: Invest India, Digital India: Revolutionising the Tech Landscape, Feb 2024)



Source: Ministry of Electronics and Information Technology, NASSCOM

²⁷ The technology sector is the category of companies relating to the research, development, or distribution of technologically based goods and services.

²⁸ Digital talent refers to skills, skill sets, roles, and profiles required for executing digital transformation projects.

²⁹ 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

³⁰ Such as PM Kaushal Vikas Yojana 4.030, National Digital Literacy Mission³⁰, Pradhan Mantri Grameen Digital Saksharta Abhiyan (PMGDisha)³⁰, 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

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

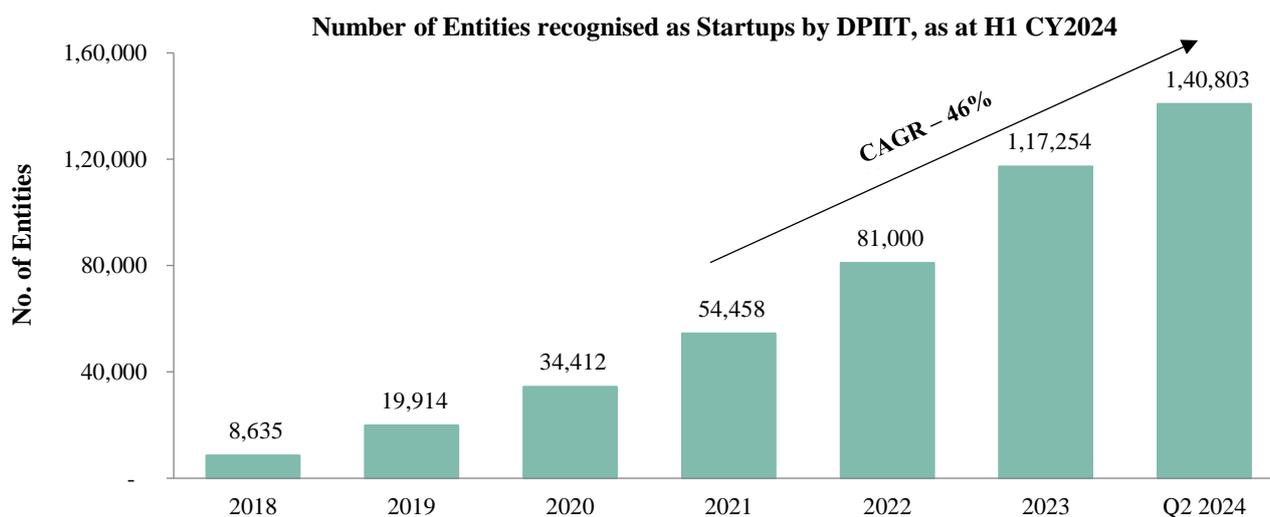
- 1. Amendment to SEBI (REIT) Regulations, 2014; March 2024:** The Securities Exchange Board of India has introduced the Small and Medium Real Estate Trusts (SM REITs) Framework, to provide due regulatory oversight, adequate disclosures, and an investor grievance redressal mechanism. This amendment allows investors to invest in completed and rent-yielding real estate with a minimum investment of INR 1 million across assets with a size of INR 500 million to INR 5 billion (as against minimum asset size of INR 5 billion in REIT). The maximum asset value for SM REIT is the minimum asset value mandated for REITs, thereby facilitating the way for smaller asset owners to monetise their real estate investments. This would make rent-generating assets of smaller configurations, such as standalone office/mixed-use buildings/business parks, or a cluster of shops in a shopping centre typical in tier-I/II/III cities, storage sheds/warehouses of sizes less than 1,00,000 sq. ft. potential targets for SM REITs.
- 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. This 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 anticipated to allow corporations with an existing footprint in SEZs to expand /relocate to de-notified spaces in the same developments.
- 3. Real Estate Regulation and Development Act, 2016 (“RERA”):** RERA³¹ was introduced to protect the interests of buyers and enhance transparency and fair practices in the real estate sector. It aimed to ensure regulation and promotion of the real estate sector in an efficient and transparent manner and to protect the interest of home buyers, thereby encouraging investment in the sector.
- 4. Make in India, 2014:** The ‘Make in India’ initiative was launched to facilitate investment, promote innovation, build best-in-class infrastructure, and make India a hub for manufacturing, design, and innovation. The launch of this initiative has enabled significant progress in the manufacturing sector, infrastructure development, increased investments and job creation. The Indian real estate industry has played and is anticipated to continue playing an important role in providing necessary infrastructure development for the manufacturing industry being set up by Indian and foreign businesses.
- 5. Pradhan Mantri Gati Shakti National Master Plan:** INR 100 trillion is designated to be invested into infrastructure, intended to support economic growth. The holistic infrastructure development program plans to improve employment opportunities and in turn is likely to drive demand for commercial real estate. The mission aims to enhance connectivity within the country, focusing on Economic Zones including textile clusters, pharmaceutical clusters, defense corridors, electronic parks, industrial corridors, fishing clusters, and agricultural zones.. (Source: National Portal of India, Government of India) Consequently, this is expected to increase the demand for commercial real estate properties, particularly in major logistic centers and industrial corridors.

³¹ As at April 2024 RERA is implemented across all Top 9 cities, including Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Hyderabad, Chennai, Pune and Kolkata along with all states and UTs in India except Meghalaya, Mizoram, Nagaland, Sikkim and Ladakh. (Source: Ministry of Housing and Urban Affairs, Real Estate (Regulation & Development) Act, 2016 [RERA] Implementation Progress Report, as on 08-04-2024)

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

- 1. Startups:** The continued focus of the Indian Government on programs such as ‘Make in India (2014)’, ‘Startup India’, and ‘Atal Innovation Mission’ has assisted in creating a supportive ecosystem for domestic enterprises. These initiatives have assisted in strengthening India’s ranking in the Global Innovation Index (GII) from 81st in CY2015 to 40th in CY2023. Further, key initiatives such as Make in India have enabled growth in FDI inflows, cumulative FDI inflows in the manufacturing sector increased by 55% to USD 149 billion (FY2014–2023) from USD 96 billion (FY2005-2014). (Source: Press Release, Ministry of Commerce and Industry, December 2023)

India has the 3rd largest startup ecosystem globally with over 1,40,803 recognized startups generating over 1.6 million direct jobs. (Source: Ministry of Skill Development and Entrepreneurship, July 2024) This startup activity is supported by the growing Indian economy, enabling a favourable environment for innovative businesses.



Source: Department for Promotion of Industry and Internal Trade, H1 CY2024

Geographically, as of June 30, 2024, states such as Maharashtra has the largest number of DPIIT-recognised startups (25,044 startups), followed by Karnataka (15,019 startups) and Delhi (14,734 startups). (Source: PIB, Ministry of Commerce & Industry, July 2024) Historically, the contribution of states with top 9 cities (such as Delhi, Gurgaon, Noida, Hyderabad, Bengaluru, Chennai, Kolkata, Pune, and Mumbai³²) have been range-bound to approximately 55-58% of the total Gross State Domestic Product (GSDP). (Source: Handbook of the Indian States, 2023, Reserve Bank of India) Driven by the availability of a talent pool, the presence of multinational corporations, domestic companies along better infrastructure and connectivity, these cities have been playing a key role in the growth of the Indian economy.

- 2. Digital Infrastructure in India:** India has a mix of distinctive digital public infrastructure, and a thriving technology ecosystem encompassing numerous start-ups, GCCs, SMEs and emerging tech hubs. Digital Public Infrastructure encompasses services like financial Unified Payments Interface (UPI)³³, identity (Aadhaar³⁴), government (GSTN³⁵), and healthcare (CoWIN³⁶) amongst others. (Source: NASSCOM) Supported by Government initiatives such as Digital India³⁷, PM Gati Shakti Yojana³⁸, Jan Dhan Aadhaar and Mobile (JAM) Trinity³⁹, Universal Service Obligation Fund (USOF)⁴⁰, BharatNet Project⁴¹, and technological advancements, India’s Digital Infrastructure has witnessed transformation in recent years. (Source: PIB, Universal Connectivity and Digital India Initiatives Reaching All Areas, August 6, 2024)

³² In no particular order

³³ Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. (Source: Cashless India, Government of India)

³⁴ Aadhaar is a 12-digit individual identification number which serves as proof of identity and proof of address for residents of India (Source: Cashless India, Government of India)

³⁵ Goods and Services Tax Network (GSTN) has built an Indirect Taxation platform for GST to help taxpayers in India to prepare, file returns, make payments of indirect tax liabilities and do other compliances (Source: Cashless India, Government of India)

³⁶ CoWIN system is a comprehensive cloud-based IT solution for planning, implementation, monitoring, and evaluation of COVID-19 vaccination in India

³⁷ Digital India is a program of the Government of India with a vision to transform India into a digitally empowered society

³⁸ An initiative to provide multimodal connectivity infrastructure to various economic zones

³⁹ It refers to the Government of India initiative to link Jan Dhan accounts, mobile numbers and Aadhaar cards of Indians to plug the leakages of Government subsidies.

⁴⁰ It refers to the Government of India initiative to link Jan Dhan accounts, mobile numbers and Aadhaar cards of Indians to plug the leakages of Government subsidies. such as hilly areas and dense forests.

⁴¹ BharatNet, one of the largest rural telecom projects in the world, aims to provide Optical Fibre Cable (OFC) connectivity to all Gram Panchayats (GPs) in India, ensuring non-discriminatory broadband access for telecom service providers

Key Statistics, as at Q1, CY2024:

Metric	March, 2014	March, 2024	Key Inferences
Broadband Definition	>= 512 Kbps	>=2 Mbps	300% increase
India's Ranking in Average Internet Download Speed	130	16	Ranked 43rd in terms of median mobile broadband speed
Total Subscribers (In Mn)	933	1199.28	CAGR (FY2014 – FY2024) – 3%
Average Data Cost/GB	INR 268.97	INR 9.18	Reduced by 96.58%
Average Data Consumption*	0.26 GB	20.27 GB	77 times more
Total Internet Subscribers (In mn)	251.59	954.40	Ranked 2nd globally after China#

Source: PIB, Universal Connectivity and Digital India Initiatives Reaching All Areas, August 6, 2024, Invest India – Telecom, last updated on October 24, 2024

*Average Wireless Data Usage per wireless data subscriber per month

as of December 2023

India had the second largest number of internet users globally after China as at December 2023. The total number of internet subscribers in India increased from 251.59 million as at March 2014 to 954.40 million in March 2024 at a compound annual Growth Rate (CAGR) of 14.26%. The average data consumption in India has increased by 77 times, from 0.26 GB as at March 2014 to 20.27 GB as at March 2024. India also had one of the highest mobile data consumption in the world with an average per-user per-month consumption of 24.1 GB in CY2023. (Source: Report on Currency and Finance, 2023-2024, India's Digital Revolution, Reserve Bank of India)

Increasing internet penetration and smartphone usage has made the internet accessible, enhanced connectivity and catalysed innovation, e-governance, and digital entrepreneurship across the nation. The widespread adoption of digital payments, SaaS-based technology startups, online shopping and social media platforms has reshaped consumer behaviour - Indian consumers have now become tech-oriented and convenience seekers. This has led to premiumisation across industries.

Connectivity and Physical Infrastructure – The Indian Government has launched several initiatives such as the National Infrastructure Pipeline⁴², Sagarmala Project⁴³, Bharatmala Pariyojna⁴⁴ and UDAAN⁴⁵ for the development of highways, railways, and airports to improve the overall connectivity within India. The National Highway (NH) network expanded by 60% from 0.09 km in CY2014 to 0.15 km in CY2023 along with 100+ Vande Bharat train services (51 trains) running across the Indian railways as at Q1 2024. (Source: Ministry of Information & Broadcasting, Press Release, March 2024). As at FY2024, approximately about 945 Km of metro rail lines are operational in 21 cities and 991 Km is under construction across 26 different cities, up from 248 Km of metro rail in 5 cities pre-2014. (Source: PIB, Ministry of Information and Broadcasting, March 2024) According to the Economic Survey 2023-24, Indian Railways, with over 68,584 route km and 12.54 lakh employees (as at Q12024), is the fourth largest network in the world under single management. (Source: PIB, Ministry of Finance, July, 2024) The aviation industry had an increase in domestic passenger traffic from 70.1 million passengers in FY2015 to 153.7 million forecast passengers during FY2024. (Source: Directorate of General Civil Aviation) India's airport infrastructure has expanded from 74 operational airports in CY2014 to 157 airports in H1 CY2024. (Source: PIB, Ministry of Civil Aviation, July 2024)

- Long-Term Foreign Investors** – FDI inflows in India grew from USD 55.6 billion in FY2016 to USD 71.0 billion during FY2024, registering a CAGR growth of 3.1% over the period. Total FDI inflows from April 2000 to June 2024 were USD 1,013.45 billion. The 2024 Kearney FDI Confidence Index⁴⁶ ranked India 4th in the Emerging Market Economy (EME) category. (Source: Department of Economic Affairs, Monthly Economic Review, June 2024)

The growing real estate sector has witnessed an increasing capital inflow from domestic and international investors. Since 2018, the real estate sector has received approximately USD 40.8 billion in equity capital, with average inflows of more than USD 6.0 billion each year.

⁴² The National Infrastructure Pipeline for FY2019-2025 focuses on key greenfield and brownfield projects for investments across all economic corridors with an aim to deliver better infrastructure and improve quality of life.

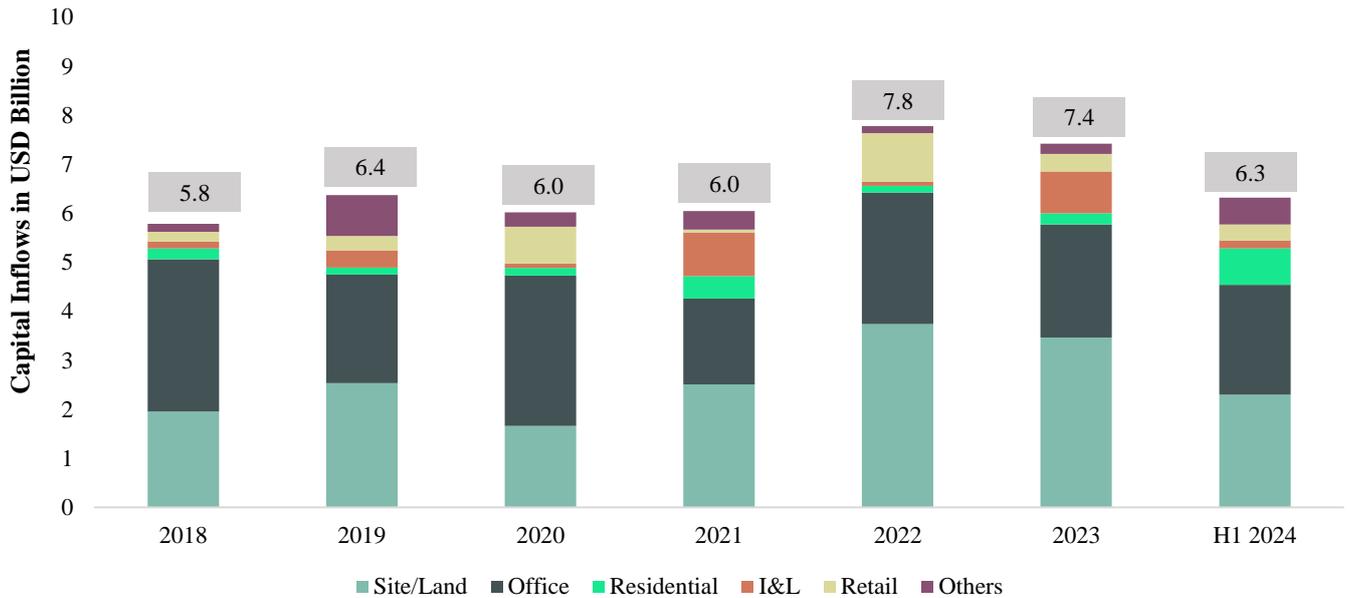
⁴³ The initiative focuses on country's maritime sector and enhance performance of logistics sector by leveraging waterway and coastal transportation and enhancing overall connectivity

⁴⁴ The Bharatmala Pariyojana aims to develop about 26,000 km length of Economic Corridors to carry majority of the Freight Traffic on roads with an aim to reduce congestion on proposed Corridors and enhance logistic efficiency across 35 locations identified for development of Multi-modal Logistics Parks.

⁴⁵ UDAAN – UdeDeshkaAamNagrik scheme aims to enhance aviation infrastructure and air connectivity in India

⁴⁶ The Kearney FDI Confidence Index® is an annual survey of global business executives that ranks markets that are likely to attract the most investment in the next three years

Sectoral Analysis of Capital Inflows (CY2018 - H1 CY2024)



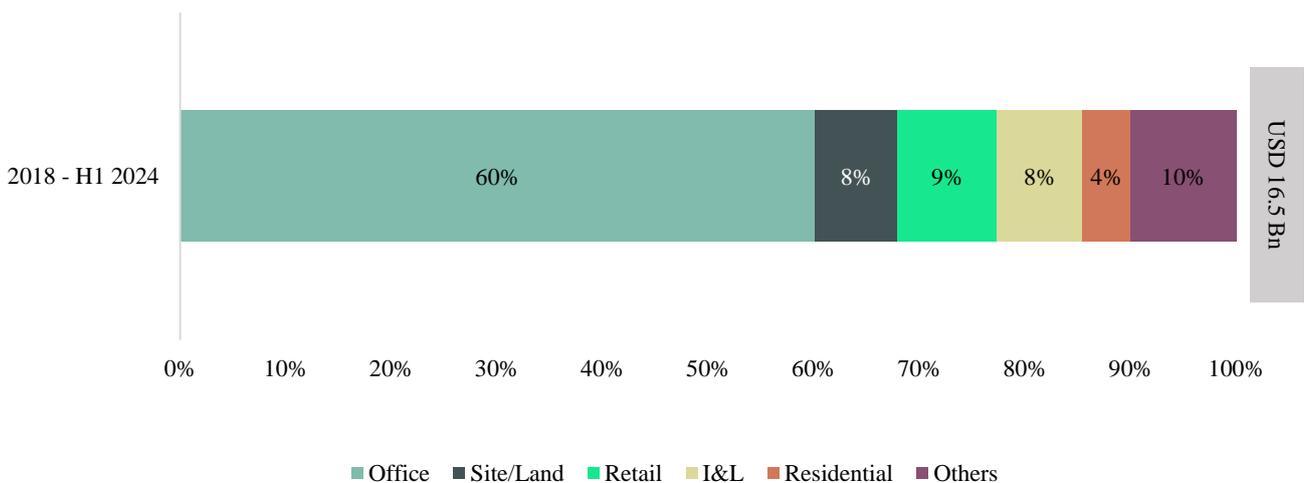
Source: Real Capital Analytics, VC Circle, Data as at H1, CY2024

Acquisitions of land parcels and office assets have remained the top investment areas amongst investors over the last 6 years. A similar trend has been witnessed in H1 CY2024, with development sites/land attracting approximately USD 2.3 billion, accounting for nearly 36% of the total capital inflows during H1 CY2024, followed by the office sector with capital inflows of approximately 2.2 billion accounting for nearly 35%. (Source: RCA, VCC Edge)

The Tier I⁴⁷ cities accounted for the majority share of approximately 90% of total office investments in H1 CY2024. (Source: RCA, VCC Edge) This can be attributed to the relatively larger presence of investment-grade projects, surrounding infrastructure, tenant demand, and overall growth in these cities. (Source: RCA, VCC Edge)

Institutional investors have primarily infused capital to acquire built-up office assets, with a share of approximately 60% in cumulative capital inflows during CY2018 – H1CY2024.

Preferred Sectoral Investments by Institutional Investors



Source: Real Capital Analytics, VC Circle, Data as at Q2, CY2024

⁴⁷ Tier 1 cities include Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Hyderabad, Chennai, Pune and Kolkata

Outlook

India is forecast to become the third-largest economy in the next five years with a projected GDP of USD 5.7 trillion in FY2029, surpassing Japan and Germany with forecast GDPs of USD 4.9 trillion and USD 5.4 trillion respectively for CY2028. (Source: IMF, Data Mapper, October 2024, World Economic Forum, Jan 2024)

The positive outlook is based on sustained growth of the Services Sector (including the expansion of Global Capability Centres (GCC)), growth in the number of jobs, rising employment and an expected strengthening of the manufacturing sector, supported by Government initiatives⁴⁸. (Source: World Bank, India Development Update: India's Trade Opportunities in a Changing Global Context, September 2024)

Since 2016, the Indian government has launched various initiatives such as demonetization, the introduction of Goods and Services Tax (GST) and digitalization of financial transactions aiming to promote the formalization of the economy. India's growing economy, digitalization coupled with supportive Government policies and initiatives is driving India's stable growth by encouraging innovation and accelerating financial inclusion.⁴⁹ India's projected economic growth is likely to enhance India's economic landscape, positioning it as a favoured geography for global investments and economic opportunities. The projected growth is supported by the availability of a young population, rising income levels, forecast growth in urbanization, competitive cost advantages, planned and ongoing infrastructure initiatives⁵⁰ and integration into the global economy driven by services exports. (Source: Press Release, Ministry of Finance, Government of India)

⁴⁸ The PM Gati Shakti master plan to enhance logistics infrastructure, the Trade Infrastructure for Exports Scheme, and increased tax efficiency and rationalized tax rates to improve the business environment.

⁴⁹ Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. (Source ~ World Bank)

⁵⁰ National Infrastructure Pipeline (2019 – 2025) (With top 6 sectors – roads, urban and housing, railways, power and irrigation ~ 2073 projects are under development worth USD 1,800 billion), PM Gati Shakti (National Master Plan worth USD 1.2 trillion to improve connectivity to key economic zones)

Overview of the Indian Office Market

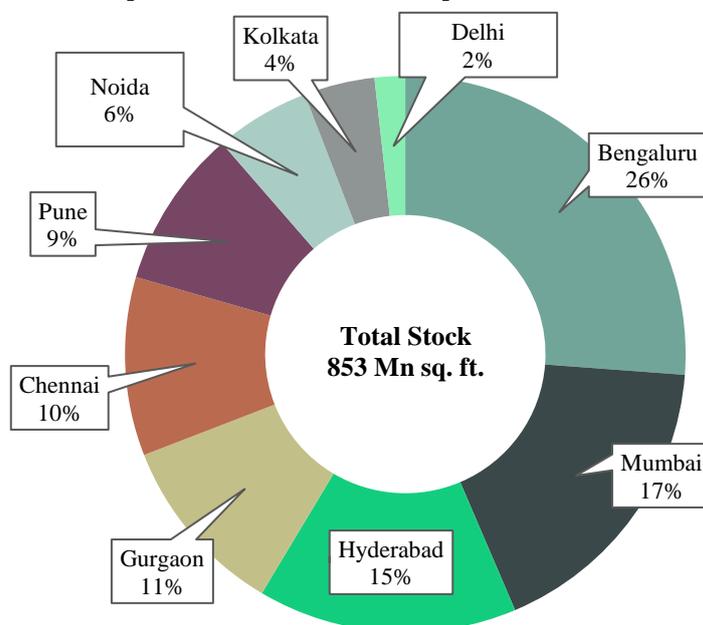
The real estate sector is one of the most important sectors of the Indian economy contributing to the growth of various other sectors such as banking, financial, construction, engineering and manufacturing, and cement industries amongst others, generating employment opportunities, and attracting both domestic and foreign investments. Real estate ownership of dwelling & professional services⁵¹ accounted for approximately 17% of the Gross Value Added in FY2023, up from 13.5% in FY2013, highlighting the growth in Indian real estate supported by the growing Indian economy and rising demand for real estate in India.

Supported by the infrastructure development, growth/expansion in existing companies and the emergence of new companies along with startups in India the demand for office space has witnessed an increase, driving growth in the commercial office real estate sector and contributing to overall economic development. The commercial real estate segment in India has grown over the years, supported by rapid urbanization, rising income levels, the growing technology sector and the availability of the talent pool leading to an increase in demand from domestic and multinational corporations.

Introduction

India's organized commercial office⁵² stock stood at an estimated 853 Mn sq. ft.⁵³ as of June 30, 2024. India is one of the leading office markets in Asia in terms of total office stock. 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 the size of the

India - Top 9 Cities - Office Stock (Mn sq. ft.) – as at H1 CY2024



market. (Source: CBRE Research)

Source: CBRE Research, as of H1 CY2024

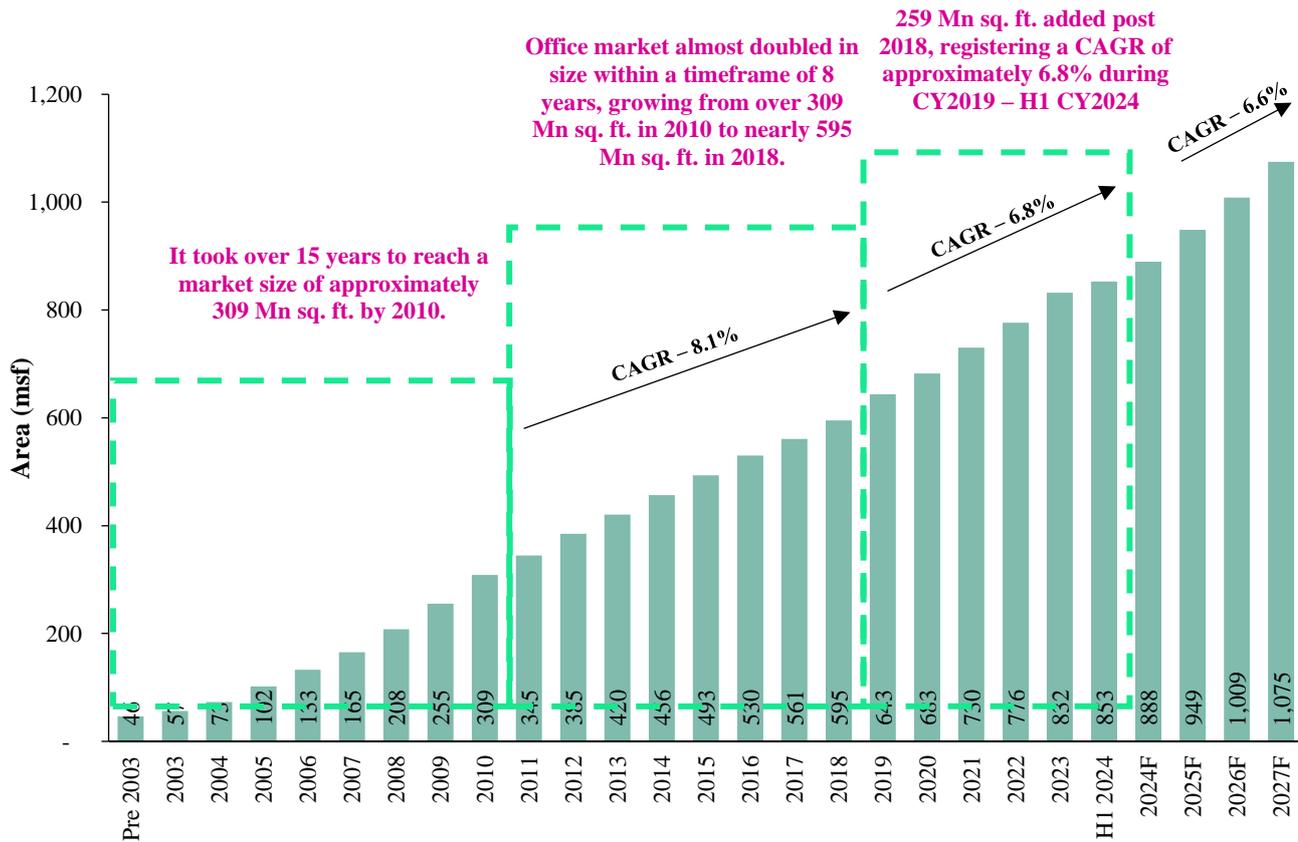
India's office real estate sector has changed in the past two and a half decades. Since the early 2000s, India's office stock has grown more than 18 times from approximately 46 Mn sq. ft. pre-CY2003 to approximately 853 Mn sq. ft. as of June 30, 2024. This is further projected to grow at a CAGR of 6.6% to 1,075 Mn. Sq. ft. by CY2027. Within the Indian real estate sector, the Indian office segment has emerged as one of the favoured investment asset class as highlighted in the above section. This is due to various intrinsic factors including the growth of the economy, demand-supply fundamentals, investor-friendly policies, competitive cost advantage and availability of quality talent.

⁵¹ This includes ownership of dwelling (occupied residential houses), real estate services (activities by all types of dealers, such as operators, developers and agents connected with real estate), renting of machinery and equipment without operator and of personal and household goods, amongst other professional services. (Source: Ministry of Statistics and Programme Implementation)

⁵² All commercial office references in the report pertain to organized stock unless otherwise stated across top 9 cities – Bengaluru, Hyderabad, Mumbai, Pune, Kolkata, Delhi, Gurgaon, Noida and Chennai. Organized stock represents the inventory held by organized private developers and institutional developers.

⁵³ The number represents the total organized stock - being the total completed space (occupied and vacant) in the market at the end of the H1 CY2024.

India - Total Office Stock (Pre 2003 - 2027F)



Source: CBRE Research, as at H1 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 i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata. Several factors like global macroeconomic uncertainty, geopolitical climate, pace of construction, and developer profile/execution capability may have a significant impact on the forecast estimates mentioned above. Considering the risk factors, forecasts are likely to change with periodic reviews given the evolving situation.

Historically, the Indian office market had an increase in overall commercial office stock from an estimated 345 Mn sq. ft. in CY2011 to approximately 595 Mn sq. ft. in CY2018 growing at a CAGR of 8.1% during the period. The Indian office market had an estimated supply addition of approximately 259 Mn sq. ft. during the period CY2019 – H1 CY2024.

Going forward, an additional supply of approximately 187 Mn sq. ft. is forecast to be added by CY2027 (a CAGR growth of 6.6% during CY2024 – CY2027). This upcoming supply is driven by the demand for quality office space, availability of land and infrastructure initiatives focusing on improving connectivity and accessibility. Commercial supply is also driven by state-specific development plans and additional policies such as the Transit Oriented Development Policy, REITs, and SM REITs that aim to support the developers to develop quality assets through funding. Developers are showing a growing emphasis on building state-of-the-art facilities with amenities catering to the evolving requirements of occupiers and modern businesses. Factors such as convenient access to public transportation systems, a mix of outdoor green spaces, optimum air quality and F&B options are looking to become increasingly prominent requirements in these newly completed developments. (Source: CBRE, Office Outlook, Q1 2024)

Evolution of Office Stock in India

The Indian Office market has evolved in the past two and a half decades, from unorganized standalone buildings⁵⁴ to the presence of large campus-style developments owned by developers, institutional investors and REITs with employee and occupier-focused amenities.

Phase	Space Options	Office Demand Drivers
Pre 2000	<ul style="list-style-type: none"> ➤ Standalone buildings relatively small - medium⁵⁵ floor plates ➤ Lack of amenities ➤ Developer-owned buildings with limited options available for lease 	<ul style="list-style-type: none"> ➤ Government offices (PSUs) ➤ Trade and Commerce ➤ Industrial houses ➤ Banks ➤ Private corporate houses
2000 – 2008	<ul style="list-style-type: none"> ➤ Emergence of campus-style concepts ➤ Grade A facilities with basic amenities ➤ The presence of individual-owned developments ➤ Emergence of developer-led supply 	<ul style="list-style-type: none"> ➤ Emergence of technology and engineering services ➤ Growth of IT Industry in India and India's emergence as a hub for outsourcing ➤ Increase in corporate MNC occupiers
2009 – 2012	<ul style="list-style-type: none"> ➤ Grade A campus-style facilities with limited support amenities and parking facilities ➤ Large standalone developments in secondary locations 	<ul style="list-style-type: none"> ➤ Growth in Information Technology (IT) and Business Process Management (BPM) across prominent markets ➤ IT-focused policies and the emergence of SEZs ➤ Enhanced service offerings ➤ Emergence of the biotech sector
2013 – 2020	<ul style="list-style-type: none"> ➤ Emergence of large integrated developments like business parks with better but limited amenities ➤ Emergence of green buildings ➤ Proliferation of flexible workspaces 	<ul style="list-style-type: none"> ➤ MNCs focusing on high-end services ~ preference for large integrated parks ➤ Demand from domestic companies and local businesses ➤ Emergence of startups and incubation spaces
2021 - Onwards	<ul style="list-style-type: none"> ➤ Multiple types of flexible workplace solutions exist in the market to solve for diverse occupier needs ➤ Higher focus on employee experience and Shift towards Grade A developments providing improved amenities and technology integration 	<ul style="list-style-type: none"> ➤ Demand from GCCs and MNCs setting up their office in India ➤ Adoption of hybrid/distributed working practices leading to more organizations evaluating flexible workspace solutions ➤ Increasing demand from domestic corporations ➤ Tenant sector diversification and the emergence of other sectors such as BFSI, Engineering and Manufacturing, R&D, e-commerce, and startups

Indian Office Market - Overview

India had recorded peak gross absorption⁵⁶ of 63.2 Mn sq. ft. 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 started focusing more 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 with the relaxation of the pandemic led restrictions and a return to office driven by rising vaccination rates across regions. As a result, 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).

⁵⁴ The buildings owned by private landlords

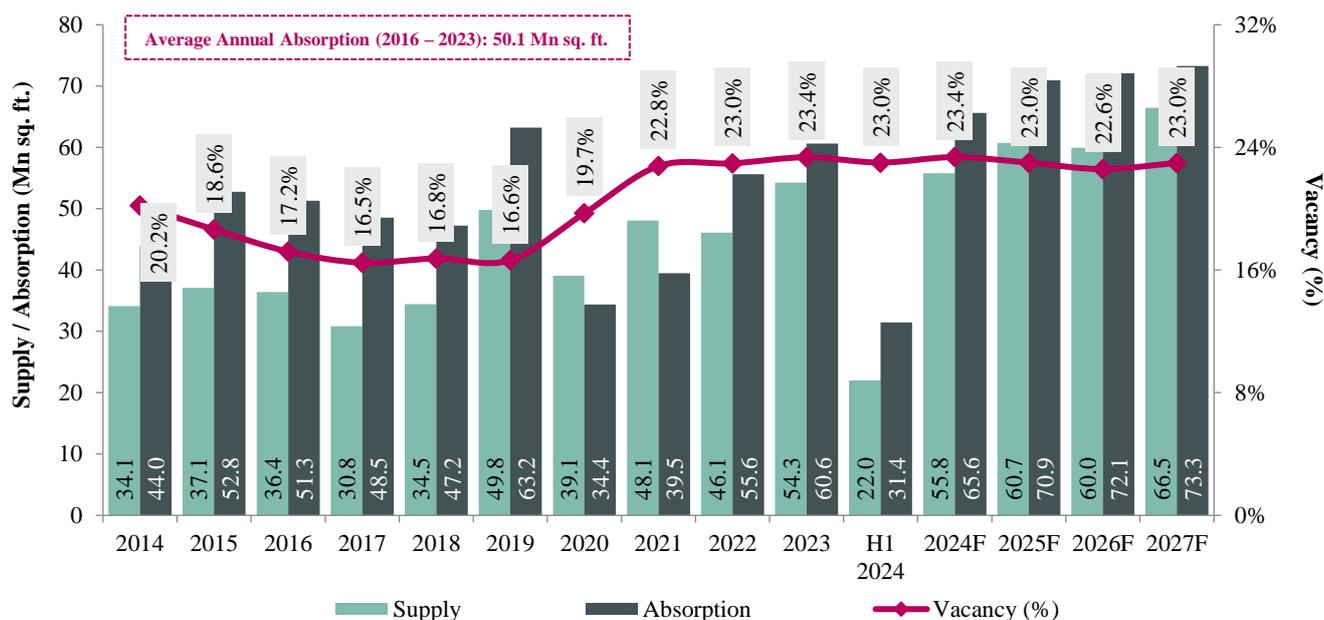
⁵⁵ Based on project inventory pre-2000, the average floor plate across the cities ranges between 17,000 – 19,000 sqft

⁵⁶ Absorption represents the total office space known to have been let out to tenants or taken up by owner-occupiers during the survey period. A property is deemed to be taken-up only when contracts are signed, or a binding agreement exists.

Led by a steady space take-up in CY2023, the office market in India registered the second-peak gross absorption figures at 60.6 million sq. ft⁵⁷, representing a y-o-y growth of 9% vis-à-vis the previous year and an increase of approximately 53% over CY2021.

Supported by domestic growth, improved mobility, and leasing activity by both domestic and global corporates, the office sector in India had an increase in absorption during H1 CY2024. Tier I cities have witnessed healthy demand for office space due to their talent pools, infrastructure, job opportunities and relative business growth potential. These markets have exhibited strong market dynamics with office absorption for H1 CY2024 at 31.4 Mn sq. ft. against the supply completion of 22.0 Mn sq. ft. Further, gross absorption for CY2025 is expected to be approx. 70.9 Mn sq. ft. (Source: CBRE Research, India Market Monitor, H1 CY2024)

Top 9 Indian Cities - Supply, Absorption & Vacancy as of H1 CY2024



Source: CBRE Research, as at H1 CY2024

Future supply estimates are based on analysis of proposed and under-construction buildings, however, future absorption estimates are derived basis of past trends, current vacancy, and estimated supply. Historical data and projections provided for 2024, 2025, 2026 and 2027 across all indicators are the basis of CBRE's opinion of the current/historic market situation and availability of information in the public domain, any changes to the current market situation may impact the forecasts. Several factors like global macroeconomic uncertainty, geopolitical climate, pace of construction, and developer profile/execution capability may have a significant impact on the forecast estimates mentioned above. Considering the risk factors, forecasts are likely to change with periodic reviews given the evolving situation.

Going forward, the supply influx is anticipated to remain strong, with a significant portion of investment-grade office space forecast to enter the market in CY2024. Bengaluru, Hyderabad, and Delhi NCR look likely to remain at the forefront of project completions. The sector is expected to have continued demand for quality office space in H2 CY2024 as occupiers continue to expand and solidify their presence. This is likely to be on account of increasing average office utilisation rates and occupiers re-evaluating their leasing and portfolio strategies to accommodate their growth plans.⁵⁸ (Source: CBRE Research, CBRE's India Office Occupier Survey 2024, India Market Monitor, Q2 CY2024)

⁵⁷ After 63.2 Mn sq. ft. in CY2019

⁵⁸ As per CBRE's India Office Occupier Survey 2024, out of 79 respondents almost 70% of the occupiers surveyed intended to expand their office portfolio by 10% of more over the next two years. Note: 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.

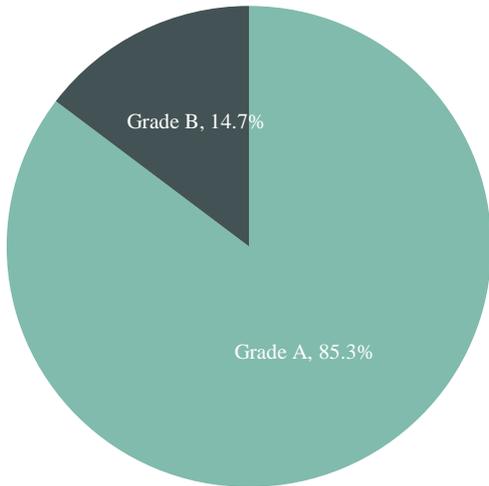
Region of Origin - 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

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.)

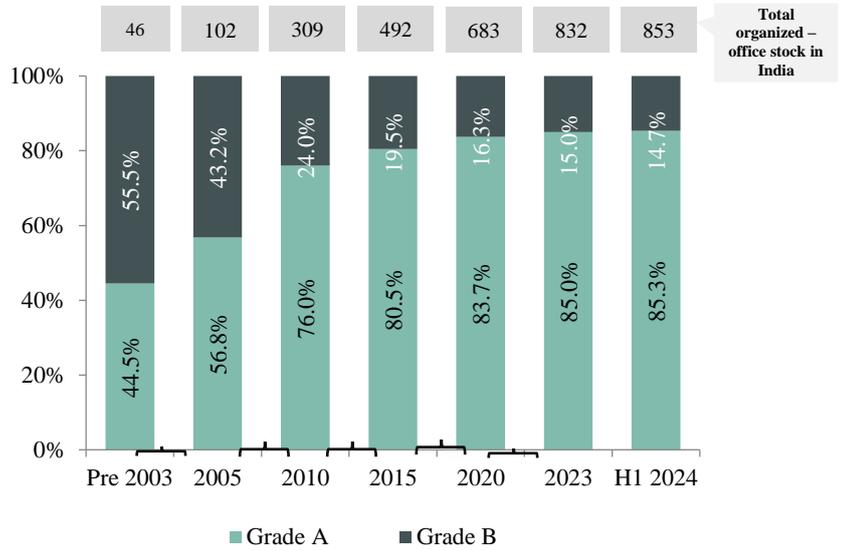
Grade Classification of Office Stock

As at June 30, 2024, 85% of the commercial office stock (728 Mn sq. ft.) in India was categorized as Grade A and 15% (125 million sq. ft) was categorized as Grade B. The share of Grade A stock is expected to be range bound between 85-87% till 2027. Grade A office stock registered a CAGR of 15%, from 58 Mn sq. ft. in CY2005 to approximately 728 Mn sq. ft. as at June 30, 2024. Supported by the evolving nature of the sector and increasing demand for Grade A assets, the share of Grade B stock has seen a diminishing trend over the years as highlighted below.

India Grade A and B Share Split (as at H1 CY2024)



Share of Grade A and B Stock over the Years



Source: CBRE Research, as at H1 CY2024

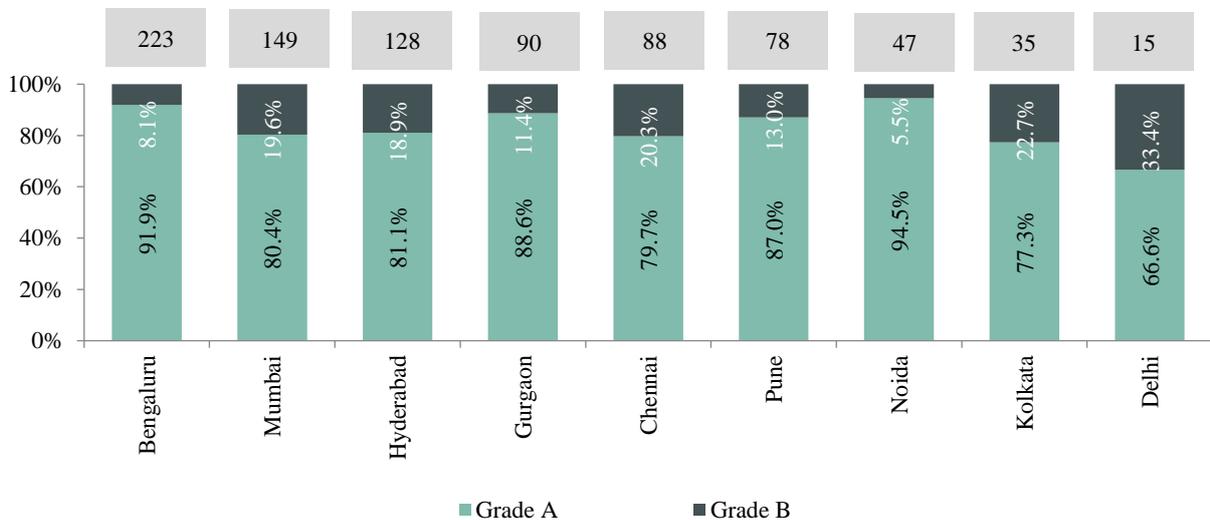
Note: The grading of the developments has been classified based on various factors such as quality of development, facilities and amenities provided, developer reputation, disposition model (sale/lease), and any other metrics as deemed applicable.

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 the 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 an external facade might be ordinary. Multiple ownership might be a norm.

The graph below highlights the quantum and share of Grade A and B stock⁵⁹ across key markets as of June 30, 2024:

Share of Grade A and B Stock across the top 9 cities as of H1 CY2024



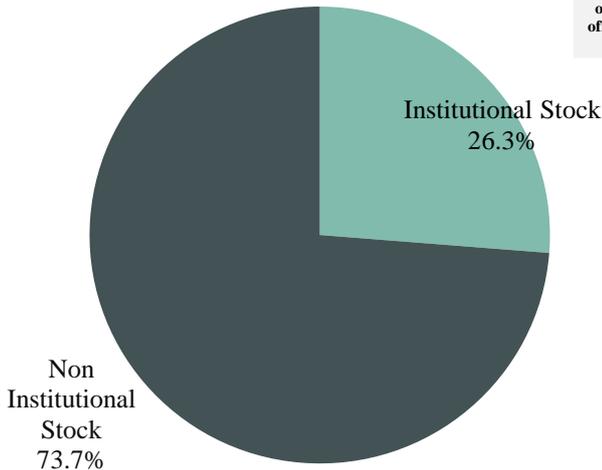
⁵⁹ Across the key Top 9 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

Source: CBRE Research, as at H1 CY2024

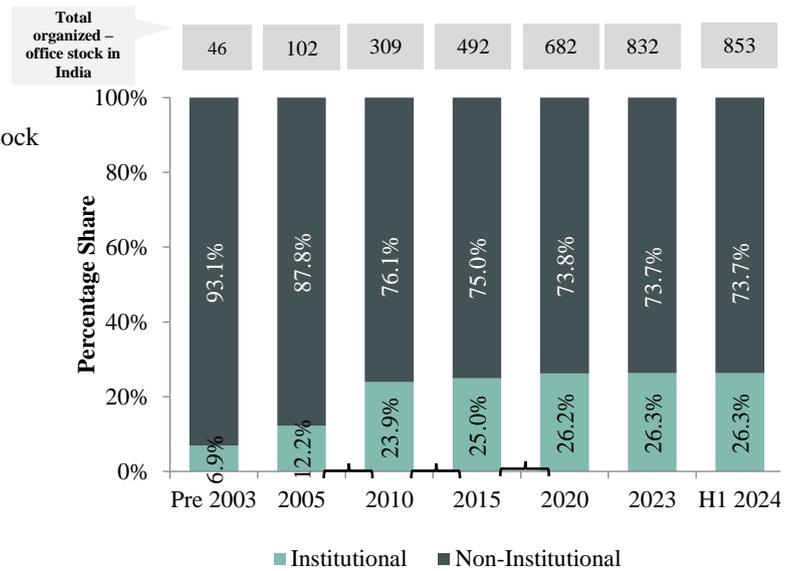
Ownership Classification of Office Stock

Out of the overall office stock across the top 9 cities⁶⁰ of India, approximately 26.3% of the total commercial organized stock in India is institutionally⁶¹ held as of June 30, 2024. Institutional assets in India have grown at a CAGR of approximately 7% from approximately 122 Mn sq. ft. in 2015 to approximately 224 Mn sq. ft. as of June 30, 2024. Prominent cities including Bengaluru, Chennai, Hyderabad and Mumbai, account for approximately 80% of the total institutionally held stock.

Share of Institutional and Non-Institutional Stock (As of June 30, 2024)



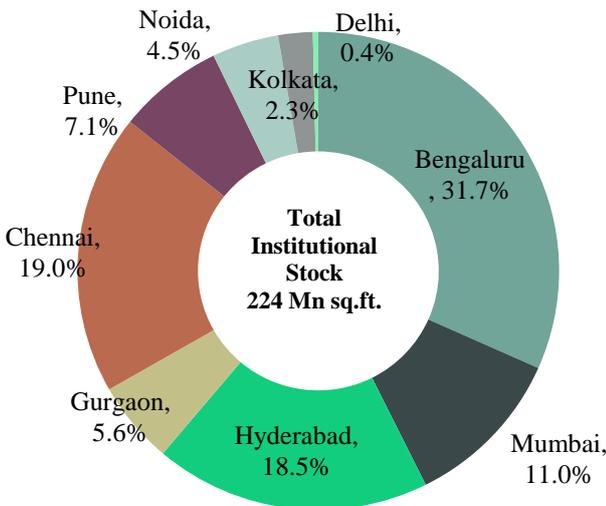
Share of Institutional and Non-institutional Stock over the Years



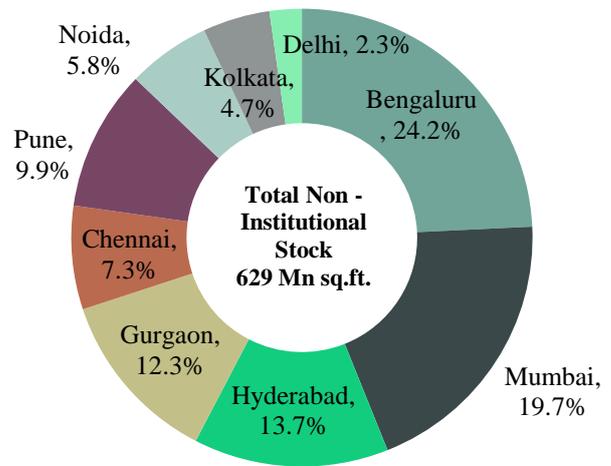
Source: CBRE Research, as at H1 CY2024

Note: Non-institutional refers to office stock that is held /owned by the developers themselves or has been subject to investment by individual investors and HNI and/or a combination of both.

City-wise Share of Total Institutional Stock (As of June 30, 2024)



City-wise Share of Total Non-Institutional Stock (As of June 30, 2024)



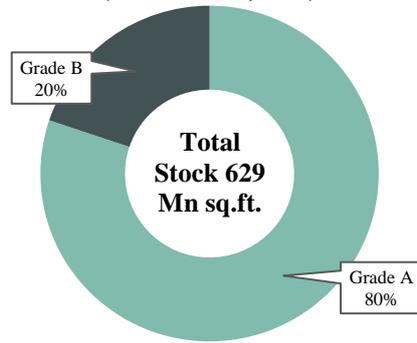
Source: CBRE Research, as at H1 CY2024

⁶⁰ Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

⁶¹ 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").

Some of the major institutional investors include Blackstone, Embassy REIT, Brookfield REIT, Mindspace REIT, GIC, CapitalLand, Mapletree Investments, Brookfield, CPPIB, Bain Capital, Godrej Fund and Hines. The graph represents the bifurcation of total non-institutional stock into Grade A and Grade B as of June 30, 2024:

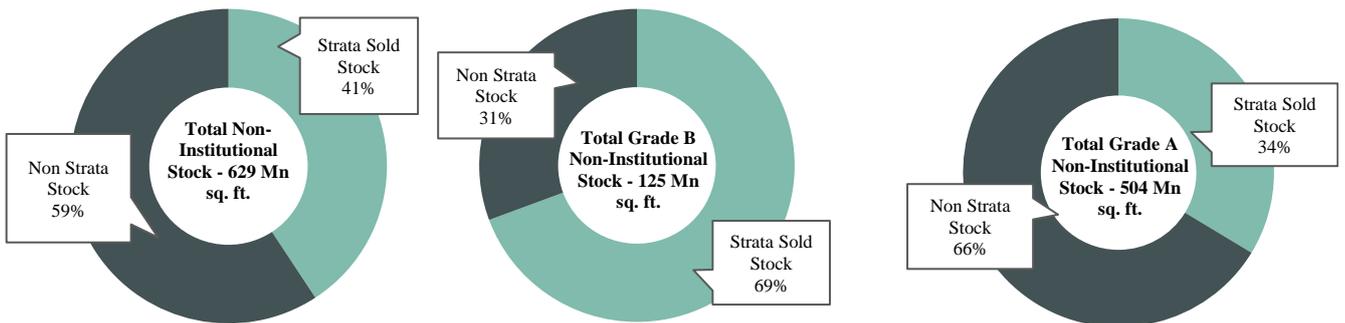
Split of Grade A and Grade B stock as a share of Non-Institutional Stock (As of June 30, 2024)



Source: CBRE Research, as at H1 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 to investors, HNIs, end users and individuals. Non-strata stock refers to office space that is held/owned by the developers themselves. Approximately 41% (256 Mn sq. ft.) of the total non-institutional stock of 629 Mn sq. ft. had been subject to strata sale activity as of June 30, 2024.

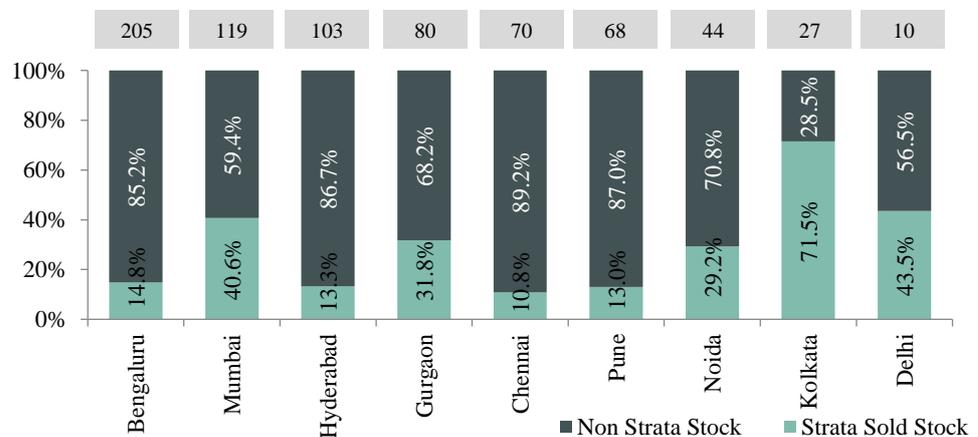
Bifurcation of non-Institutional Stock into Strata / Non-Strata stock and further delineation of Grade A and Grade B non-Institutional stock into Strata/Non-Strata stock



Source: CBRE Research, as of H1 CY2024

The Indian office market has seen a shift from a fragmented market to a more organized and consolidated sector. In the early phase of growth, India's office sector was characterized by small, independent developers. However, with the emergence of larger corporate and institutional developers, the Indian office market has witnessed supply addition of Grade A developments across non-strata (lease) models benefitting occupiers as well as developers.

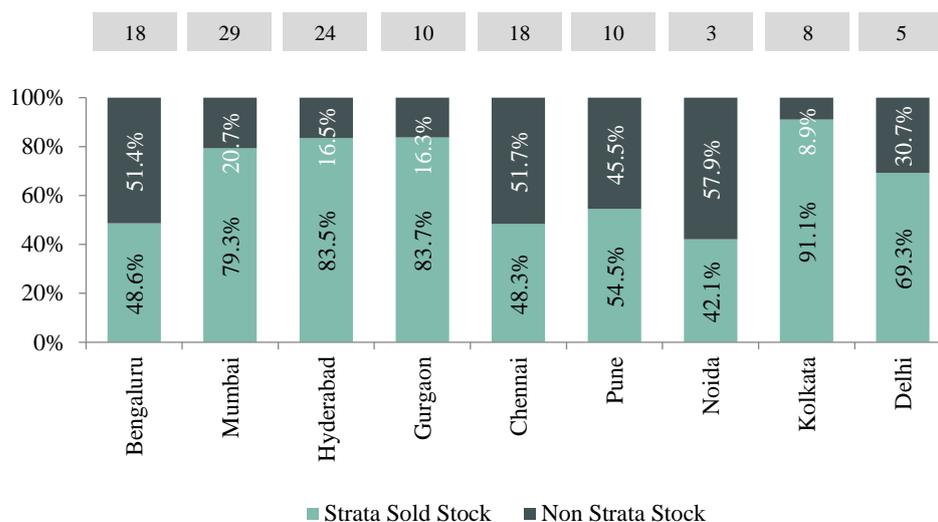
The graph highlights the share of Strata and Non-Strata in Grade A stock city-wise as of June 30, 2024:



Source: CBRE Research, as at H1 CY2024

As highlighted in the graph above, across Grade A office developments, cities such as Bengaluru, Chennai, and Pune have a high percentage of non-strata stock. Owing to the availability of Grade A office developments with a lease disposition model, these cities have relatively low vacancy levels compared to the other below-mentioned cities, as covered in the subsequent section.

The graph highlights the share of Strata and Non-Strata in Grade B stock city-wise as of June 30, 2024:



Source: CBRE Research, as at H1 CY2024

The prominence of institutional developers in the commercial real estate market has led to a significant increase in Grade A stock. As a result, the supply of Grade A commercial spaces is relatively higher in total organized commercial stock in India.

Key Drivers of Office Demand

1. Large, English-Speaking Talent Pool

The availability of English-speaking manpower (second largest English-speaking population in the world)⁶² with 11.31 million graduates (including 0.89 million engineers and 2.32 million commerce graduates in 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 had one of the world’s largest annual supplies of STEM (Science, Technology, Engineering, and Mathematics) graduates at over 2.5 million, witnessing a CAGR of 12% during FY2021 – FY2023. (Source: NASSCOM) Additionally, India accounts for approximately 28% of the global STEM workforce. (Source: NASSCOM) This translates into a talent pool that attracts enterprises, startups, and MNCs and supports the growth of domestic enterprises. In 2023, India was ranked 1st globally in artificial intelligence skill penetration. (Source: NASSCOM)

India’s digital talent⁶³ pool is estimated to account for approximately 38% of total talent (approximately 5.43 million) in the technology industry i.e., over 2 million in 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 growing talent pool in India is anticipated to bridge the gap between demand and supply for skilled professionals, supporting India’s status as one of the leading global hubs for tech talent. (Source: NASSCOM)

⁶² Over 350 million English speakers making it 2nd largest English-speaking country in the world after US as of 2022

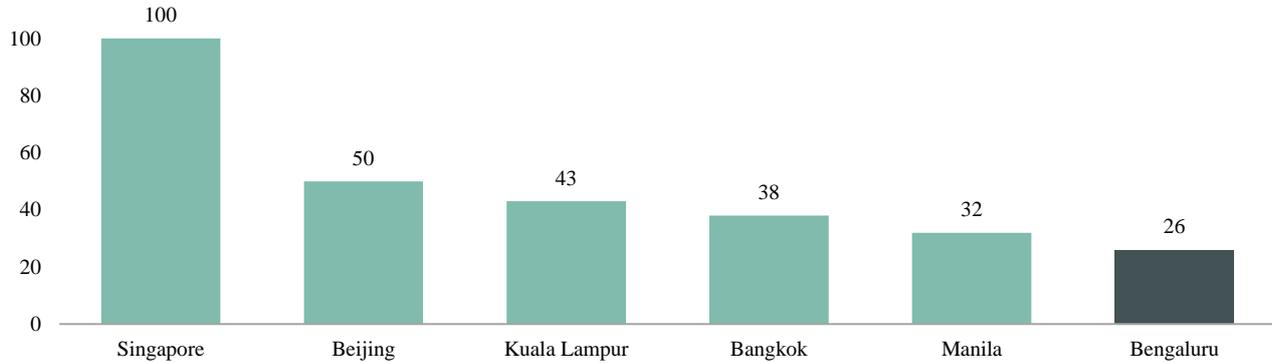
⁶³ Digital talent includes anyone who works in technology, specifically those who work in information technology, digitalization, analytics, and automation along with other segments.

2. Competitive Cost Advantage

The availability of skilled talent at a relatively lower cost in comparison to other global cities (as highlighted below) is one of the leading contributors to India being an attractive offshoring hub. 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 lower compared to alternative locations mentioned below. (Source: CBRE, NASSCOM)

The graph below highlights the operating cost per FTE for IT-ADM services:

Operating Cost per FTE for IT - ADM services, 2023



Source: NASSCOM, Indexed to Singapore = 100

3. Global Capability Centres Charting a New Technology Era and Driving Growth

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")⁶⁴.

The Indian GCC ecosystem has become a sandbox⁶⁵ for global companies driving organization-wise transformative initiatives. From decentralization and diversifications of portfolios to creating innovation hubs, Indian GCCs are restructuring and transitioning from their origins as cost arbitrage centres, to a hub for service transformation with a focus on value enhancement. (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	GCC primarily a Satellite	GCC transitions to a Portfolio Hub	GCC transitions to a Transformation Hub
<p><i>As at FY 2010</i></p> <p>Total No. of GCCs: 700+</p> <p>Revenues: USD 11.5 bn</p> <p>Total Installed GCC Talent: 400K+</p>	<p><i>As at FY 2015</i></p> <p>Total No. of GCCs: 1,000+</p> <p>Revenues: USD 19.4 bn</p> <p>Total Installed GCC Talent: 745K+</p>	<p><i>As at FY 2024</i></p> <p>Total No. of GCCs: 1,700+</p> <p>Revenues: USD 64.6 bn</p> <p>Total Installed GCC Talent: 1.9 million+</p>	<p>1. Hub for as-a-Service Transformation</p> <p>2. Customer-Centric Business Development</p> <p>3. Accountability for Creating Newer Hubs</p> <p>4. Monetizing Service Capability</p>
<p>1. Cost & Talent Arbitrage</p> <p>Pre 2010</p>	<p>1. Delivery Excellence</p> <p>2. Innovation</p> <p>2011-2015</p>	<p>1. Digital Transformation & Innovation</p> <p>2. Transition to Global Business Services</p> <p>3. Peer Collaboration</p> <p>4. Portfolio Expansion & Ownership</p> <p>5. Global Roles</p> <p>2015-current</p>	<p>Current onwards</p>

Source: NASSCOM

In the last 5 years, the GCC segment in India has grown, capitalizing on the availability of a talent pool in India. India is one of the preferred destinations for establishing GCCs amongst large global companies, with approximately 23% of the global 2000⁶⁶ MNCs setting up their GCCs in the country. (Source: NASSCOM, India GCC Landscape Report – The 5-Year Journey, September 2024)

⁶⁴ 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.

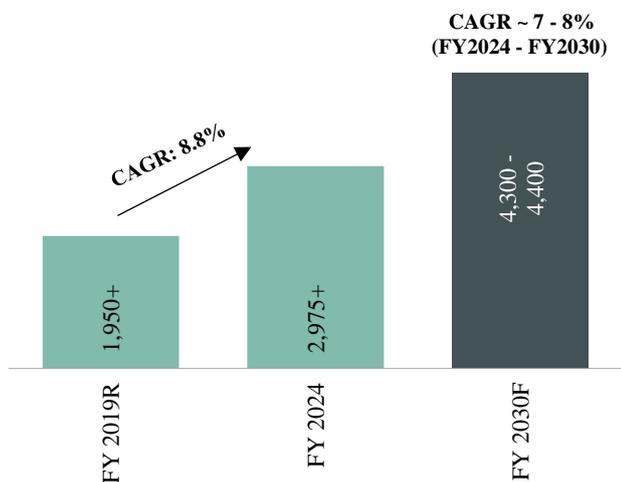
⁶⁵ A metaphorical boundary, imposed on an area in which you can freely test ideas and innovate.

⁶⁶ The Global 2000 is Forbes' annual list that ranks the largest companies worldwide by sales, profits, assets and market value

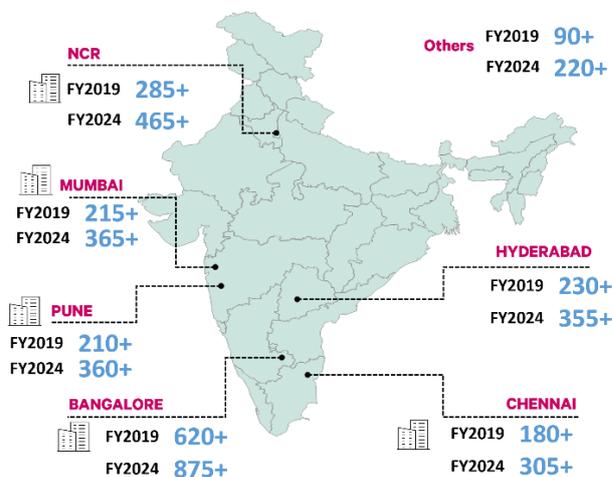
India has the largest share of the total number of GCC units globally, with over 2975+ GCC units as at FY2024⁶⁷. The number of GCC units in India is forecast to grow at a CAGR of 7 – 8% reaching more than 4,300 – 4,400 GCCs by FY2030. (Source: NASSCOM)

Bengaluru continues to lead in GCC setups with approximately 875+ GCCs in FY2024, followed by NCR and Mumbai with 465+ and 365+ GCCs respectively. Bengaluru & NCR accounts for 47% of the IT talent present in India’s GCC ecosystem. (Source: NASSCOM)

No. of GCC Units in India



Distribution of GCC Units Across India (FY2019 vs FY2024)

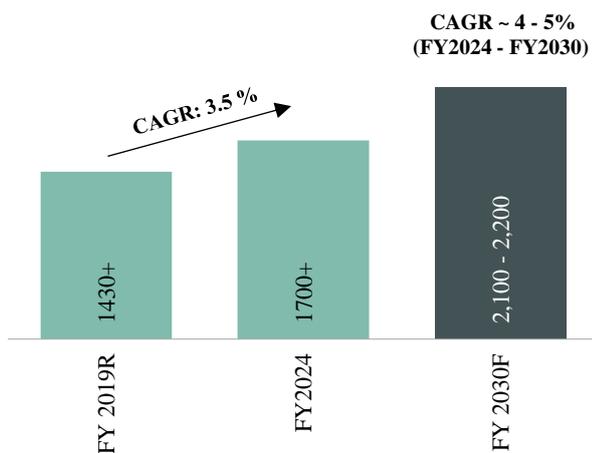


Source: NASSCOM, India GCC Landscape Report – The 5-Year Journey, September 2024
Others include Tier II & III cities in India.

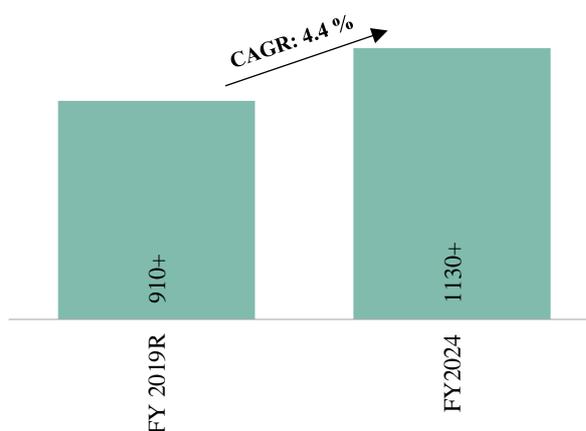
GCCs in India have seen a shift from support centres with 1430+ GCCs in FY2019 to transformation hubs with over 1,700 GCCs in FY2024 growing at a CAGR of 3.5% over the period. The number of GCCs in India is forecast to grow at a CAGR of 4 – 5% reaching more than 2,100 – 2,200 GCCs by FY2030. (Source: NASSCOM) These GCCs represent outsourcing and offshoring of business processes, particularly in IT services, customer support, and back-office operations.

The growth in the number of GCCs is supported by the availability of a skilled workforce at a relatively lower cost coupled with competitive rentals and government reforms aiming to strengthen the technology framework such as Startup India, Digital India⁶⁸ and Next Generation Reforms⁶⁹. (Source: CBRE India’s Global Capability Centers Charting a New Technology Era, November 2023) Global roles in GCCs are growing, with over 6,500 roles today, this is forecasted to increase over 30,000 roles by CY2030 (Source: NASSCOM)

No. of GCCs in India



Average Count of Installed Talent in a GCC



⁶⁷ A GCC unit is a single centre within a city or region but a company can have multiple units across a country, all part of one GCC.

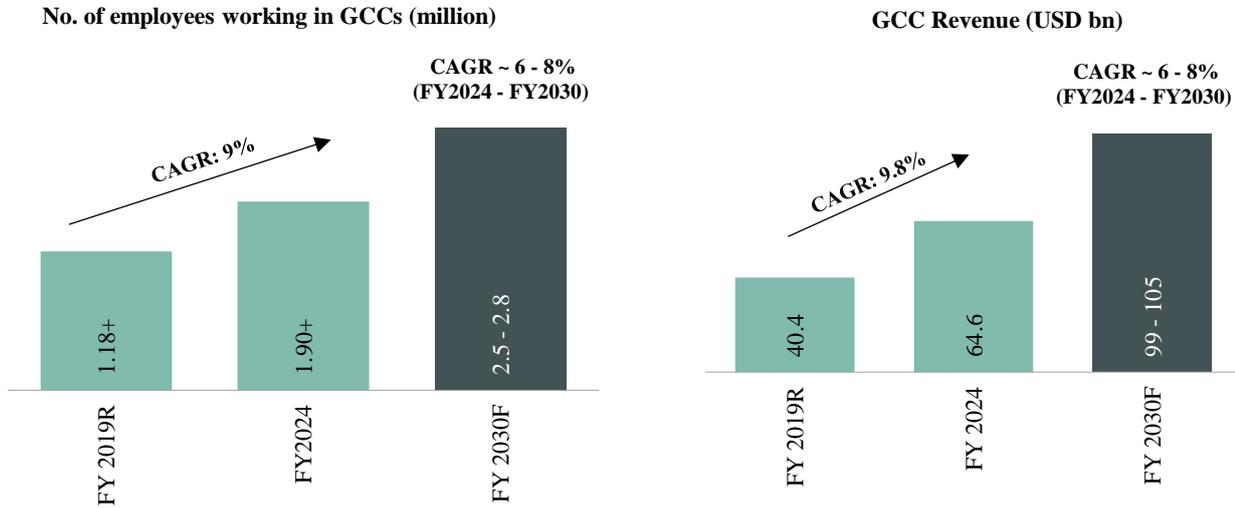
⁶⁸ Digital India aims on making technology central to enable change, focusing on 3 areas – Digital infrastructure and a utility to every citizen, governance & services on demand and digital empowerment of citizens.

⁶⁹ The Union budget 2024-25 focuses on the theme of Next Generation Reforms, aiming to bolster economic growth, improve productivity, and enhance the efficiency of markets and sectors such as technology to speed up digitalization of economy, Jan Vishwas Bill 2.0 to improve ease of doing business, incentives to implement business reforms action plans and digitalization amongst others.

Source: NASSCOM, India GCC Landscape Report – The 5-Year Journey, September 2024

The GCC revenue has increased from USD 40.4 bn in FY2019 to USD 64.6 bn in FY2024 and is forecast to reach USD 99-105 bn by FY2030 growing at a CAGR of 6 - 8% during FY2024 – FY2030. (Source: NASSCOM).

Talent availability, digital skills, and the growing technology industry are some of the key drivers for GCCs to set up centres in India. The number of employees across GCCs in India has increased over the last 5 years, from 1.18+ million employees in FY2019 to over 1.9 million in FY2024, a CAGR of 9% during the period.

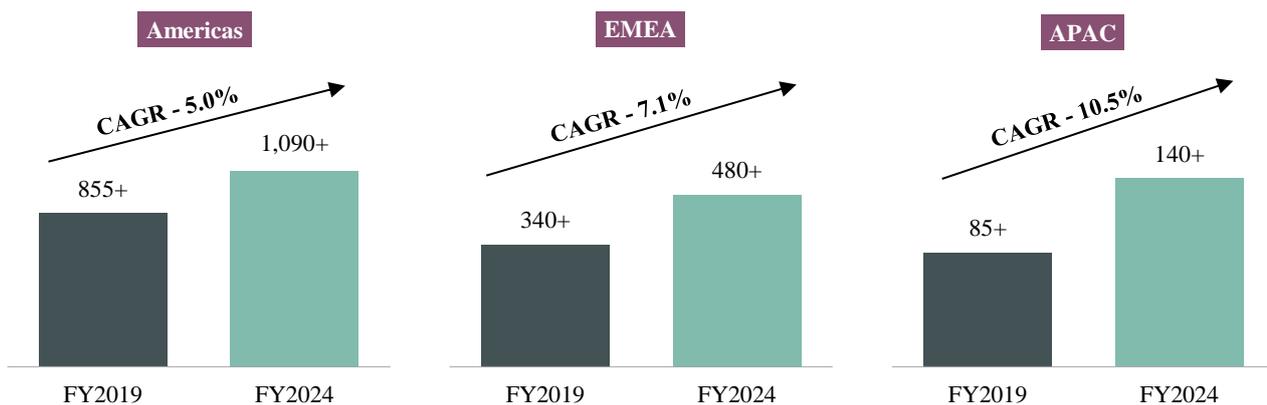


Source: NASSCOM, India GCC Landscape Report – The 5-Year Journey, September 2024

GCCs constitute a substantial office occupier cohort within India’s commercial real estate domain. 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 (BPM). GCCs in India are supporting headquarters with transformation initiatives such as building new products, creating technology enhancements, and other business functions for their parent organization.

While North American MNCs continue to lead in terms of the number of GCCs in India, EMEA (Europe, the Middle East, and Africa) and Asia Pacific firms have added approximately 190 – 200+ GCCs in India during FY2019 – FY2024.

Distribution of GCCs in India based on HQ Location (FY2019 – FY2024)

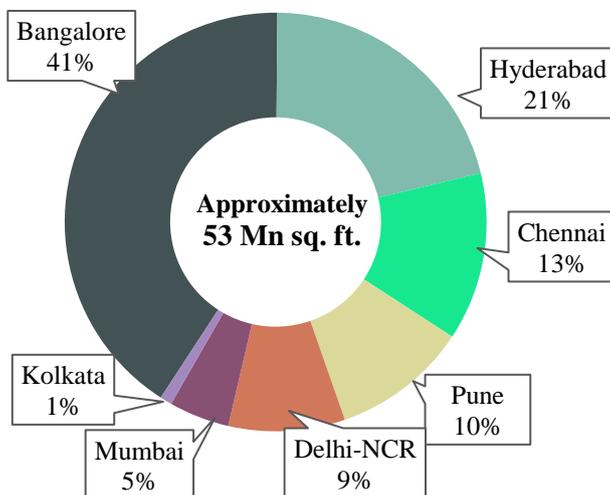


Source: NASSCOM, India GCC Landscape Report – The 5-Year Journey, September 2024

GCCs have steadily expanded their footprint in India and have become one of the key drivers of office demand across most of the regions. The overall GCC leasing in India had a Y-o-Y growth of 19% from an estimated 19 Mn sq. ft. in CY2022 to 23 Mn sq. ft. in CY2023. GCC cumulative leasing in the top 9 cities in India for CY2022–H12024 was approximately 53 Mn sq. ft.

While Bengaluru continues to account for the largest share in GCC 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. The share of leasing activity by GCCs in overall leasing in India has been range bound between 34 – 38% during CY2022 – H1 CY 2024.

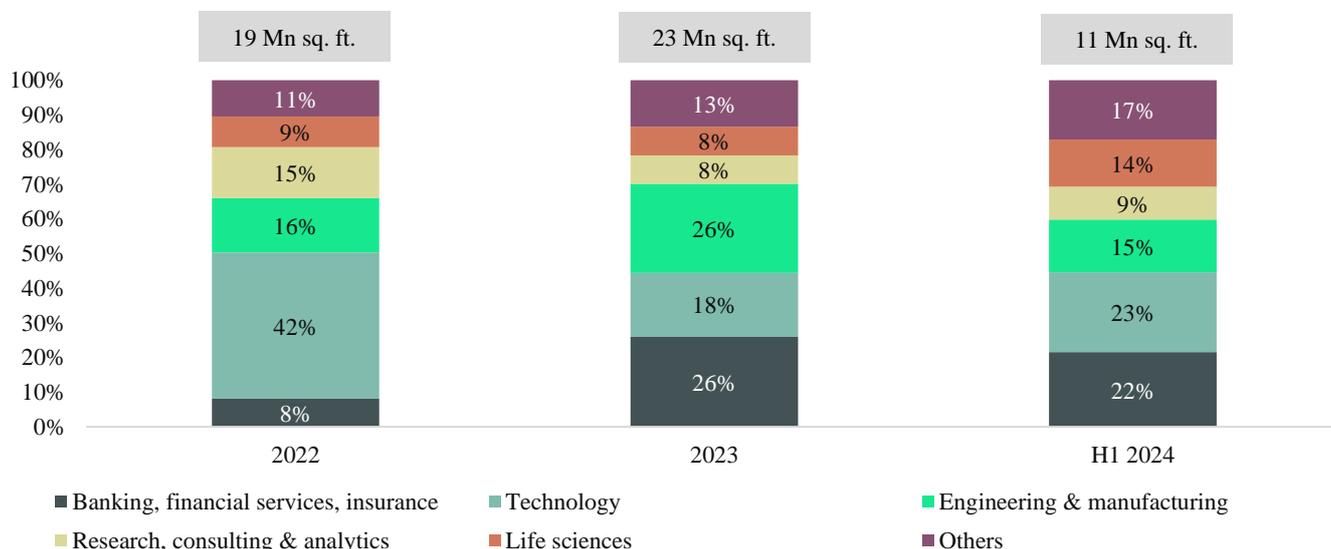
City wise share of office space leasing by GCC (CY 2022-H1 CY2024)



Source: CBRE Research, Data as at H1 CY2024

Technology, Engineering and Manufacturing corporates dominated the GCC leasing in CY2022. However, the share of BFSI and Life Sciences firms in GCC leasing (CY2023 – H1 CY2024) had an increase in share driven by demand from niche firms including hedge funds, private equity firms and FinTech firms.

Sector wise GCC leasing in India (CY2022 - H1 CY2024)



Source: CBRE Research, Data as at H1 CY2024

Along with MNCs setting up their GCCs in India, 40+ global unicorns⁷⁰ have established their GCCs in India as at FY2024. Unicorns in the Software & Internet and BFSI verticals have the highest presence in India through GCCs. (Source NASSCOM – India GCC Landscape Report – The 5-Year Journey, September 2024)

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 becoming one of the preferred locations for multinational corporations and unicorns to set up their GCC offices. The market is experiencing a dual trend - expansion of existing firms into multifunctional

⁷⁰ Unicorn refers to the companies with a market valuation of more than USD 1 bn

centres and entry of smaller players seeking digital and technological upgrades. A preference for high-quality, technology-driven workspaces is evident, with Grade A developments emerging as a focus for established players.

Amongst services exports, software/IT services and business services exports had a y-o-y growth of 9.2% and 10.2% respectively in FY2024. (Source: Government of India, Reserve Bank of India, Balance of Payments, 2024) This growth is supported by India’s emergence as a hub for Global Capability Centres (GCCs). The growth in Global Capability Centres (GCCs) is reflected in the services balance of payments (BOP), with ‘Other Business Services’⁷¹ as the second-largest contributor in services exports in FY24 with a share of 26%. (Source: Government of India, Indian Economic Survey, 2024)

Companies are looking to increase their Indian footprint by establishing GCCs in India and may be evaluating both conventional and flexible workspaces. An upcoming supply of office spaces is expected to cater to this growing demand from GCCs. During the period H2 2024 – 2025F, leasing activity by GCCs in India is projected to be approximately 30-35 Mn sq. ft.⁷². Given these projections, India is likely to retain its status as a prominent market for GCCs supported by the availability of workforce, competitive cost advantages and conducive business environment. (Source: CBRE Research, The India GCC Revolution: Where Real Estate and Talent Converge, August 2024)

GCCs in India are moving towards modern integrated parks with amenities such as F&B outlets, walkability, outdoor spaces, ample parking, fitness centres, wellness facilities, community events and ESG. Approximately 68% of the top leases by GCC during CY2022 to H1 CY2024 are across green-certified assets that are less than 10 years old and part of integrated technology parks. (Source: CBRE Research, The India GCC Revolution: Where Real Estate and Talent Converge, August 2024)

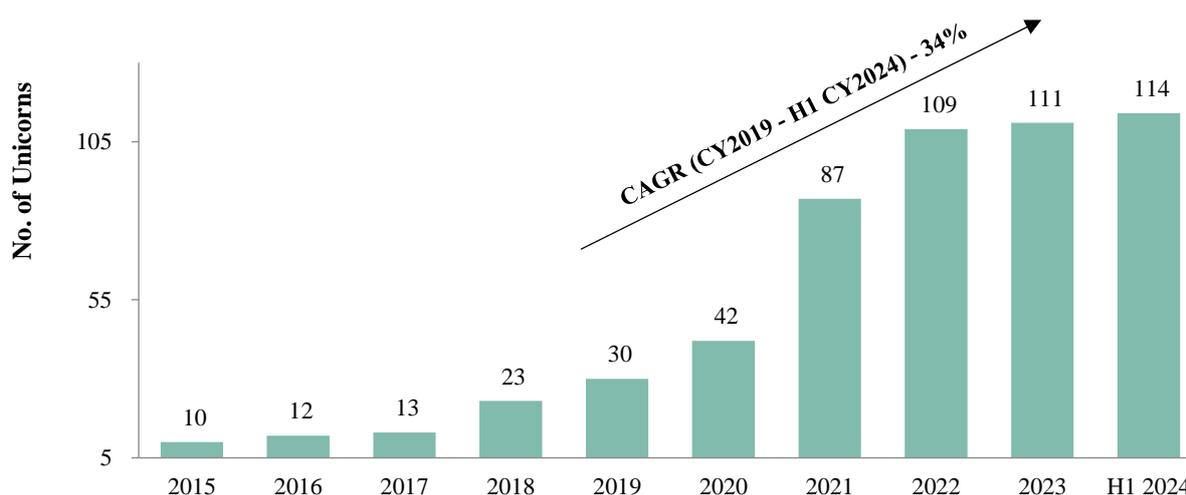
4. Domestic Firms Driving Leasing Across Major Cities:

Rise of Startups and Unicorns in India

India’s startup ecosystem has led to an increase in demand for high-quality office spaces along with flexible workspace solutions.

The Indian start-up ecosystem is the 3rd largest start-up ecosystem globally. (Source: DPIIT, February 2024) The number of recognized startups in India has grown at a 13% during the period CY2023 – H1 CY2024 to over 1,40,000 startups as of June 2024. (Source: DPIIT) Supported by the Startup India Initiative, Innovations for Defence Excellence, Atal Innovation Mission, Innovation and Agri-Entrepreneurship Development Program, India has 114 unicorns as of June 2024 (up from 30 unicorns in 2019 growing at a CAGR of 34% over the same period), shaping India’s economy and innovation.

Number of Unicorns in India (CY2015 - H1 CY2024)



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

⁷¹ Other business services includes software services, business services, financial services and communication services (Source – Reserve Bank of India, Balance of Payments)

⁷² Forecast for GCC leasing activity is based on a set of assumptions including a) historical trend of overall office and GCC leasing b) NASSCOM estimates on growth, revenue of GCCs c) hiring announcements of GCCs

Along with the increasing number of startups and unicorns in India, many Indian startups are expanding their operations beyond the domestic market and venturing into international markets by forging strategic partnerships or through acquisitions. This has increased international opportunities across sectors such as travel, brands, real estate, and 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 interest from multiple sectors including Technology, Flexible workspace operators, and BFSI amongst others, resulting in growth in demand for office space. Indian technology startup ecosystem has witnessed 15x growth in the number of technology startups over the last decade (from 2000 technology startups in CY2014 to 31,000+ startups in CY2023). This growth is supported by digital infrastructure, a conducive regulatory environment, and the emergence of startups in sectors like Health Technology and Education Technology. (Source: *CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver, NASSCOM, Zinnov Insights, Weathering the Challenges – The Indian Tech Start-up Landscape Report 2023*)

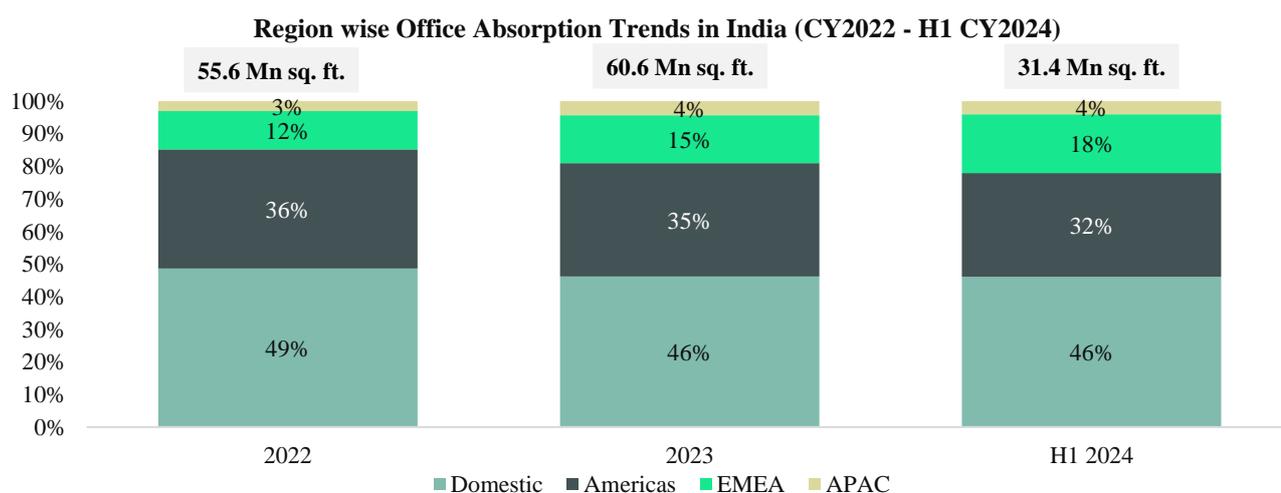
The technology sector accounted for 91+ unicorns and 31,000+ startups until 2023⁷³. (Source: *CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver, NASSCOM*) Technology firms have been the key driver of office demand in India, fuelled by their innovation and expansion supported by digital transformation, availability of talent, innovation hubs and startup ecosystem in India.

Domestic Firms to Increase Overall Space Take-up

Domestic companies in India are exporting their products and services globally. In FY2024, India ranked as the seventh-largest exporting country globally, up from its 24th position in 2001. With corporate leverage at an approximate 15-year low, Indian firms have a better capacity to invest in expansion. Post COVID-19, corporate profits in India have grown with NIFTY earnings up 21% over FY2020 - FY2024E, driving major investments and enabling growth and expansion by domestic companies driven by domestic consumption. From 2018 to H1 CY2024, Indian firms have grown as evidenced in the performance of key stock market indices (NSE & BSE) which have more than doubled over this period⁷⁴, consistently reaching new highs. (Source: *CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver, September 2024*)

During 2018 domestic companies accounted for nearly a one-third share of the overall leasing. Later in CY2020, owing to COVID-19 the share of domestic companies in overall leasing was reduced to approximately 28%. However, driven by domestic consumption and the growth of domestic companies leading to expansion along with the emergence of startups the share of domestic leasing in overall absorption was increased to 49% in CY2022, compared to 34% in CY2021.

Supported by the country's economic growth, domestic companies are emerging as one of the key demand drivers for office space in India accounting for 46% of the overall leasing in H1 CY2024. This demand is driven by a well-capitalised financial system, availability of skilled workforce, startup-ecosystem, market diversification coupled with government initiatives⁷⁵ enabling domestic companies to invest in expansion and enhance their market presence. (Source: *CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver, 2024*)



Source: *CBRE Research, data as at H1 CY2024*

Note: The above numbers are across the Top 9 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune and Kolkata

⁷³ Technology start-ups in India have grown from around 2,000 in 2014 to approximately 31,000 in 2023. (Source – PIB, Ministry of Finance, 22 July 2024)

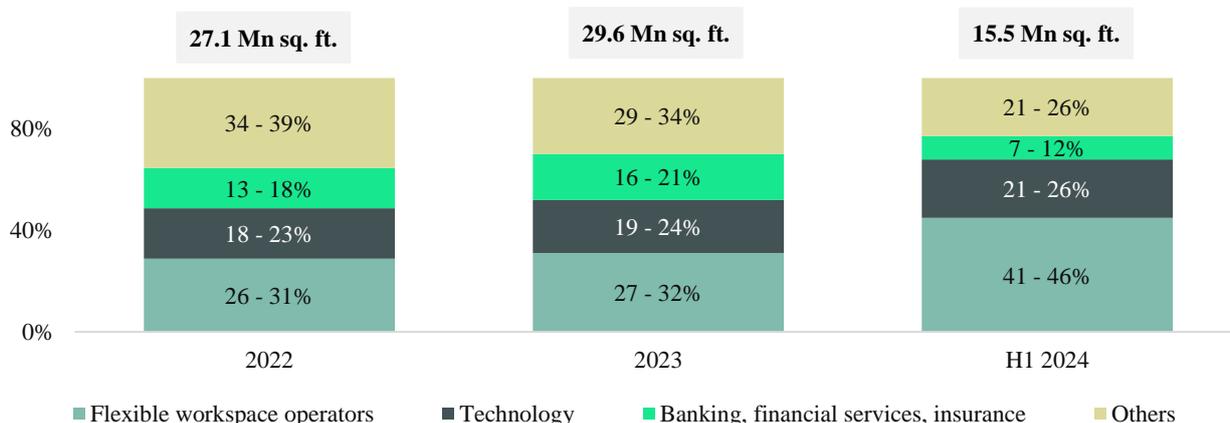
⁷⁴ Nifty 50 recorded an absolute increase of 129% during 2018 – H1 CY2024, Nifty 500 recorded an absolute increase of 138% during 2018 – H1 CY2024, Sensex recorded an absolute increase of 133% during 2018 – H1 CY2024 in terms of Index value (Source – National Stock Exchange, Bombay Stock Exchange)

⁷⁵ Make in India 2.0, the Production Linked Incentive Scheme, Start-up India, Skill India, National Skill Development Mission, Pradhan Mantri Kaushal Vikas Yojana amongst other initiatives

Delhi NCR has emerged as the leading market for domestic space take-up during CY2018 – H1 CY2024, followed by Mumbai & Bengaluru. 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)

Flexible workspace operators, technology firms, banking, financial services, and insurance (BFSI) corporations have dominated domestic leasing within office absorption in India. These trends highlight the expansion across the office leasing market and the evolving Indian economy and commercial office segment. (Source: CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver)

Sector wise Leasing Trends by Domestic Firms in India (CY2022 - H1 CY2024)



Source: CBRE Research, Data as at H1 CY2024

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 in remaining Grade B developments. The above numbers are only for the top 9 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

Going forward, the share of India in global IT services spending is forecast to be 22% by 2031 up from 15% in 2021, with the estimated Indian IT workforce to be around 12.2 million in 2031. This translates to the expansion of Indian technology firms to more locations to support modern, cultural, collaborative work environments and potential rise in demand for office spaces. (Source: CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver)

Indian Office Market—Top 9 Cities

India's top nine cities account for approximately 853 Mn sq. ft. of office space. These cities house India's political capital, financial hub, and prominent technology centers.

The table below includes key office statistics for the top nine office markets in India:

Particulars	Bengaluru	MMR	Hyderabad	Gurgaon	Chennai	Pune	Noida	Kolkata	Delhi	Total
Total Stock as at June 30, 2024 (Mn sq. ft.)	223	149	128	90	88	78	47	35	15.0	853
Occupied Stock as at June 30, 2024 (Mn sq. ft.)	186	115	93	62	74	63	31	22	11	657
Gross Absorption during H1 CY2024 (Mn sq. ft.)	8.6	3.9	4.4	3.4	4.6	4.2	1.4	0.7	0.3	31.4
Vacancy as at June 30, 2024 (%)	16.8%	22.6%	26.7%	31.4%	16.7%	20.0%	33.1%	36.7%	27.8%	23.0%
Average Annual Absorption CY2016 – H1 CY2024 (Mn sq. ft.)	14.9	6.6	8.8	5.4	5.7	5.4	2.6	0.9	0.5	50.8
Market Rents* as at June 30, 2024 (per sq. ft. / month)	90	137	67	98	82	78	59	56	202	92

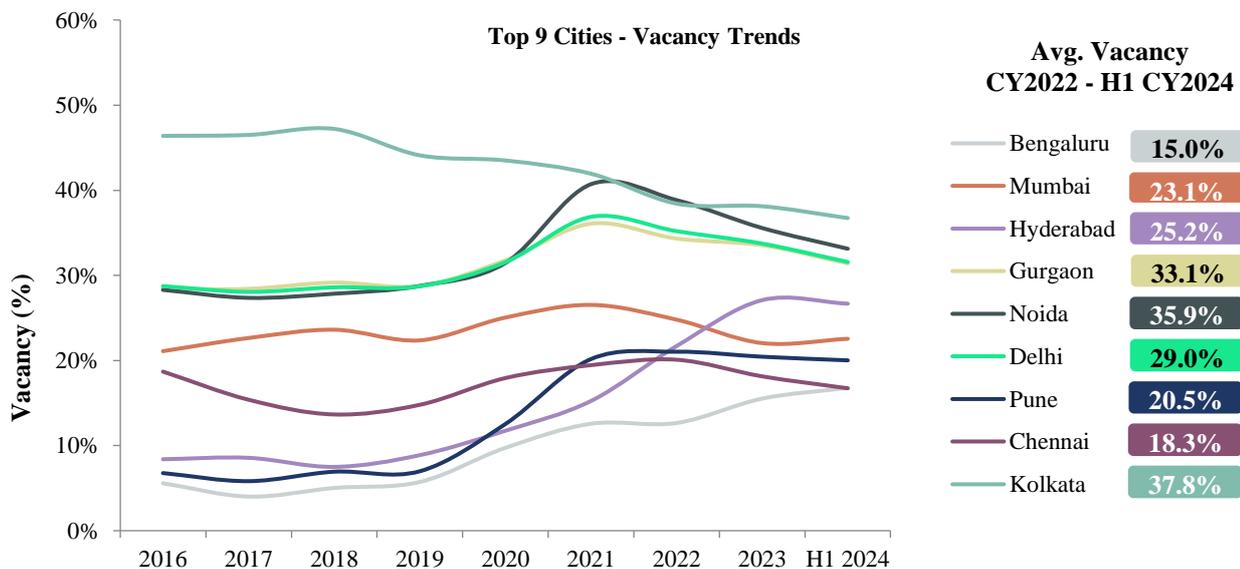
Source: CBRE Research, as at H1 CY2024

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

Vacancy Trends

Key cities in India had an increase in vacancy levels due to the slowdown in leasing activity on the back of the COVID-19 pandemic and supply completion during 2020 – 2021. Further, due to relaxation in lockdown restrictions, improved mobility, and occupier sentiments along with leasing activity by domestic corporations and GCCs in India, decline in vacancy levels was seen across regions such as Bengaluru, Mumbai, Gurgaon, Noida, Delhi, and Chennai post 2021.

As of H1 CY 2024, Delhi NCR (Gurgaon, Noida, Delhi), Hyderabad and Kolkata had relatively higher city-level vacancies, due to high vacancies in certain peripheral areas with limited infrastructure, the presence of strata-owned buildings and buildings with design challenges.



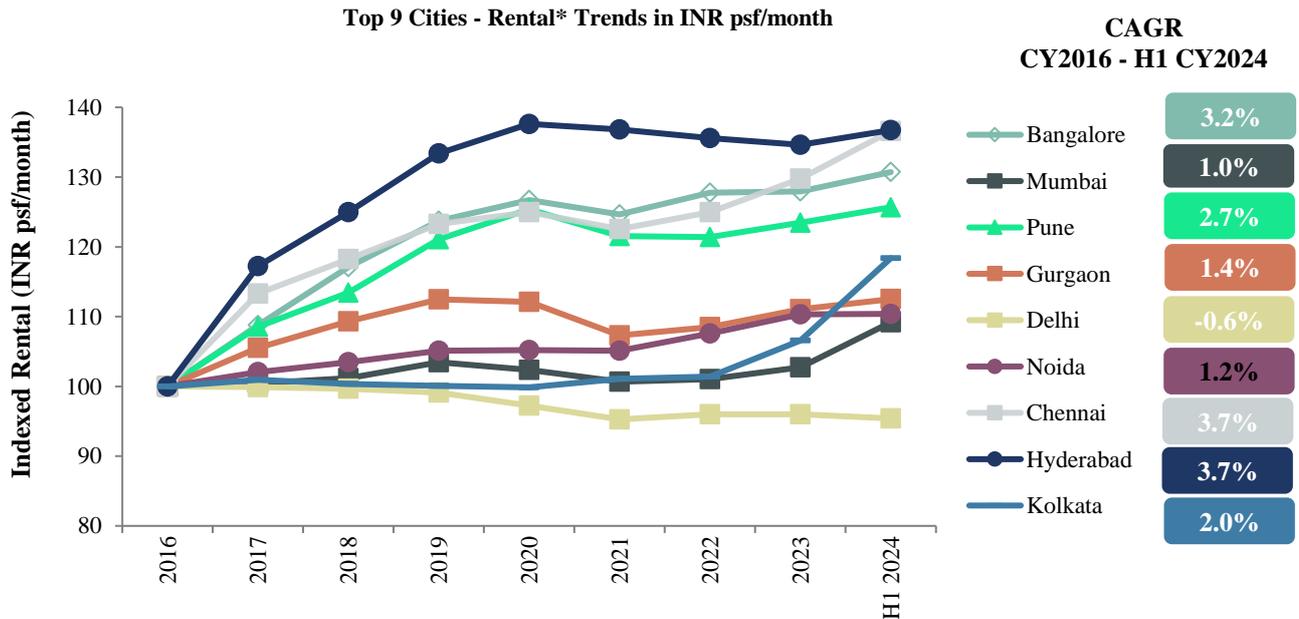
Source: CBRE Research, as at H1 CY2024

Rental Trends

The period CY2020 – 2021 had limited rental growth due to the onset of the COVID-19 pandemic. From CY2022 onwards the market has witnessed growth in leasing activity thereby moderating vacancy levels within key markets such as Bengaluru, Mumbai, Gurgaon, Chennai, Pune & Delhi.

Key markets such as Bengaluru, Pune, Hyderabad, and Chennai had growth in rentals ranging between 2.7% - 3.7% during the period CY2016 – H1 CY2024. This growth was driven by sustained leasing activity, persistent demand for high-quality investment-grade assets and constrained supply levels in prime locations.

The rental outlook continues to be range-bound at a city level; however, established submarkets are likely to see a marginal uptick in the medium term for quality supply in prime locations. (Source: CBRE Consulting)



Source: CBRE Research, as at H1 CY2024

*Weighted average rents based on occupied stock.

Key Office Clusters Across Tier 1 Cities in India

CBRE has identified 29 key office micro markets across tier-I cities highlighted below. These key micro markets were identified after assessment of multiple parameters including total stock, occupied stock, level of vacancy across the micro markets, the share of the micro market as a % of total stock within the city and upcoming supply along with forecast vacancy levels across these key micro markets. The shortlisted micro markets account for approximately 77% of the total stock and 79% of the total occupied stock in tier I cities as at H1 CY2024.

The table below includes key office parameters for the identified clusters across Tier I cities in India:

Sn no.	City	Micro market	Total Stock (Mn sq. ft.)	Occupied Stock (Mn sq. ft.)	% share of overall stock	Market Rents* (INR/per sq. ft.)
1	Bengaluru	Outer Ring Road	72.4	63.1	8.5%	100 – 105
2	Bengaluru	PBD – West	47.5	38.2	5.6%	55 – 60
3	Hyderabad	Extended – IT Corridor	43.8	27.5	5.1%	55 – 65
4	Hyderabad	IT Corridor II	42.8	33.5	5.0%	70 – 75
5	Bengaluru	NBD	31.1	23.6	3.6%	75 – 80
6	Mumbai	NmBD	30.5	23.1	3.6%	55 – 65

7	Noida	Noida Expressway	28.5	17.6	3.3%	55 – 60
8	Hyderabad	IT Corridor I	27.4	23.9	3.2%	65 – 75
9	Bengaluru	EBD	26.7	24.8	3.1%	120 – 125
10	Mumbai	SBD	25.6	20.3	3.0%	110 – 115
11	Chennai	OMR Zone 1	25.5	22.3	3.0%	100 – 110
12	Mumbai	PBD – West	22.1	16.1	2.6%	125 – 135
13	Mumbai	PBD – East	21.9	16.9	2.6%	120 – 130
14	Mumbai	Ex-BD	18.4	13.2	2.2%	175 – 185
15	Bengaluru	CBD	16.2	14	1.9%	135 – 140
16	Pune	SBD – Northeast	16	13.2	1.9%	80 – 85
17	Gurgaon	NH8 (Before Rajiv Chowk)	15.7	12.9	1.8%	105 – 110
18	Pune	PBD – Northeast	15.4	12.5	1.8%	85 – 90
19	Chennai	OMR Zone 2	15.3	12.5	1.8%	60 – 65
20	Mumbai	ABD	14.3	12.3	1.7%	295 – 305
21	Gurgaon	Extended Golf Course Road	13.9	8.1	1.6%	60 – 65
22	Pune	PBD – Northwest	13.4	9.6	1.6%	50 – 55
23	Pune	SBD – Northwest	13.1	10.3	1.5%	80 – 90
24	Gurgaon	DLF Cybercity	12.4	11.7	1.5%	120 – 125
25	Chennai	Mount Poonamallee Road	12.2	10.6	1.4%	80 - 85
26	Chennai	CBD	10.6	8.8	1.2%	90 – 95
27	Chennai	Off CBD	10.2	8.8	1.2%	80 – 85
28	Gurgaon	Golf Course Road	9.2	8.5	1.1%	105 – 115
29	Pune	CBD	3.5	3.2	0.4%	75 - 85

Source: CBRE Research, as at H1 CY2024

*Weighted average rents based on occupied stock.

Recent Trends in the Indian Office Market

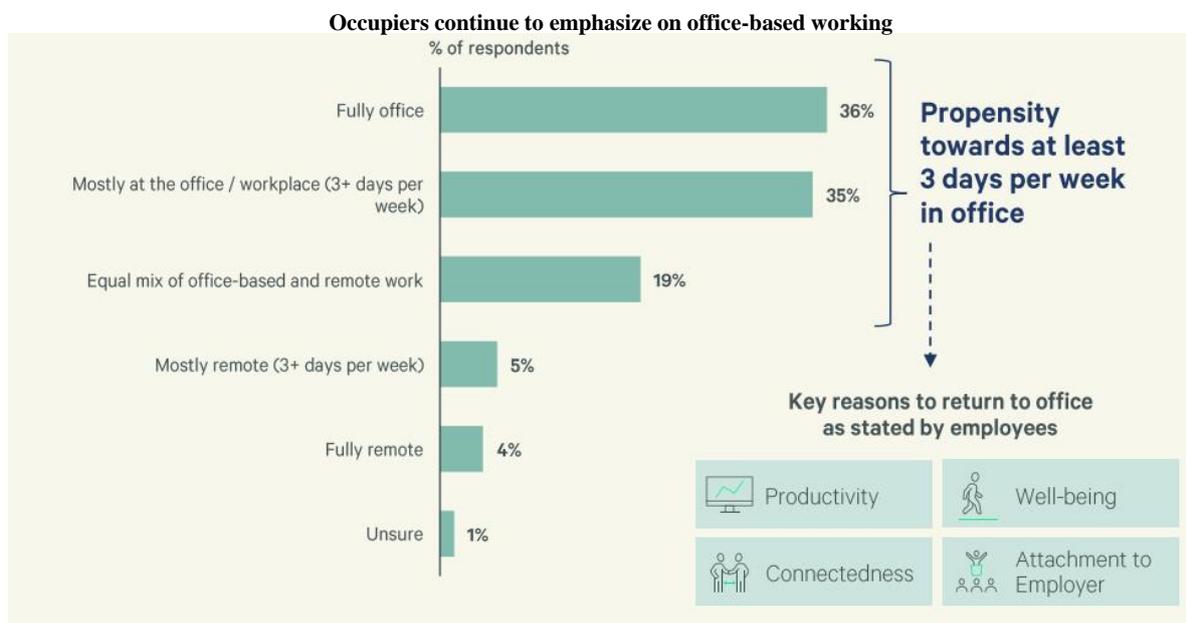
1. Employers focusing on Employee Experience

Occupiers across both domestic and international companies are focusing more on design integration, occupancy planning, employee well-being and integration of hospitality-centric amenities. 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 portfolio-quality assets. Supported by increasing occupancies coupled with a diverse multi-generational workforce, there is a growing need for placemaking⁷⁶ & hospitality-centric in-office environment with modern designs intended to deliver enhanced employee experience. (Source: CBRE Consulting) These factors have led to development/ redevelopment of commercial office spaces with a focus on amenitization and inclusion of ‘must have’ and ‘good to have’ amenities that enhance employee experience.

Occupiers have remained steady in pursuing long-term portfolio expansion indicating confidence in the Indian market’s potential. Indian corporates deemed cost-conscious, are seen to be emphasizing the workplace and its upgradation. About 86% of the domestic occupiers in India are looking to pursue flight-to-quality leasing over the next two years, generating the need for quality spaces. (Source: CBRE Research, 2024 India Office Occupier Survey, June, 2024⁷⁷)

2. ‘Return-to-Office’ Witnesses Higher Pace

While the hybrid working model continues to be prevalent across sectors, occupiers in India are adopting a firmer stance on bringing employees back to the office with 90% of occupiers preferring at least 3 days in the office per week. This trend is driven by the observed increase in office attendance owing to the limitations of working from home such as data theft, the unavailability of internet connections and constraints on space in the household. Growing occupancy levels in offices are expected to continue with corporates targeting approximately 75–80% physical occupancy in CY2024. Occupancy levels in the workspace have increased across sectors as occupiers are focusing more on employee satisfaction, experience, and overall productivity. Sectors such as E-commerce, Engineering and Manufacturing, Banking and Financial Services, Research and Analytics had occupancy trends ranging between 80-95%. (Source: CBRE Research, 2024 India Office Occupier Survey, June, 2024⁷⁸)



⁷⁶ Placemaking spans planning, designing, and managing spaces that inspire and promote social interactions and exchange, contributing to an elevated holistic experience.

⁷⁷ 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.)

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Physical office spaces in India are likely to continue to play a central role given occupier preferences for providing high-quality digital infrastructure, collaborative spaces for employees and for driving team building, learning and business innovation through community and collaboration. This trend is likely to see occupiers investing in ‘experiential workplaces’ that promote brainstorming, enhance employee productivity, and prioritise well-being along with the integration of technology for a better experience. (Source: CBRE Research Employee Experience – Pathway to Reimagining Workspaces, May 2024)

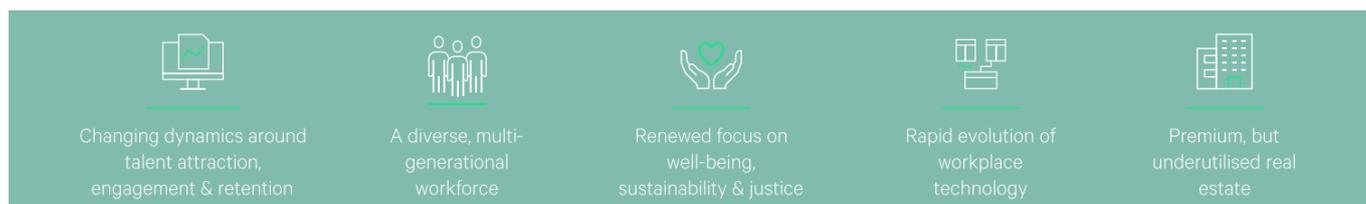


Permanency of team neighbourhoods (every neighbourhood has focus, make and meet settings)	➔ Physical neighbourhoods Teams are permanently allocated to a part of a floor	Instant neighbourhoods Teams are allocated a cluster of seats "for a day"
Need for activity zones (special areas away from teams to focus, create, connect)	➔ Moderate Dependent on workstyles and needs of local business – and provides "attractors" for people to come to office	High Supports special needs that amplify the benefit of coming to the office to do activities that are hard at home
Providing amenities	➔ Focus on support More well being, food, social and recreational spaces to create more reasons to come to office	Focus on connect More collaboration, training, food, and social spaces that create reasons for people to be together when in office

3. Evolving landscape of Office Spaces and Occupiers

As occupiers are adapting to a hybrid set-up, physical offices are likely to remain as they promote key operational themes of team connection, community and collaboration. These offices also provide access to tools and technology that are only primarily available in physical offices and offer a better physical setup.

Offices in India are exhibiting an increased preference for an “office-first” policy as occupiers continue to tighten their hybrid working and return to office guidelines. Several key factors are driving the observed increase in office attendance. Firstly, the physical workspace serves as a tangible embodiment of a company’s culture. Secondly, a growing proportion of younger employees in the Indian workforce often benefit significantly from in-person mentorship. (CBRE Research – India Office Occupier Survey, June 2024).



Further, the integration of breakout spaces and collaborative areas as part of modern offices are expected to enhance experience and support importance of physical spaces to both employees and employers.

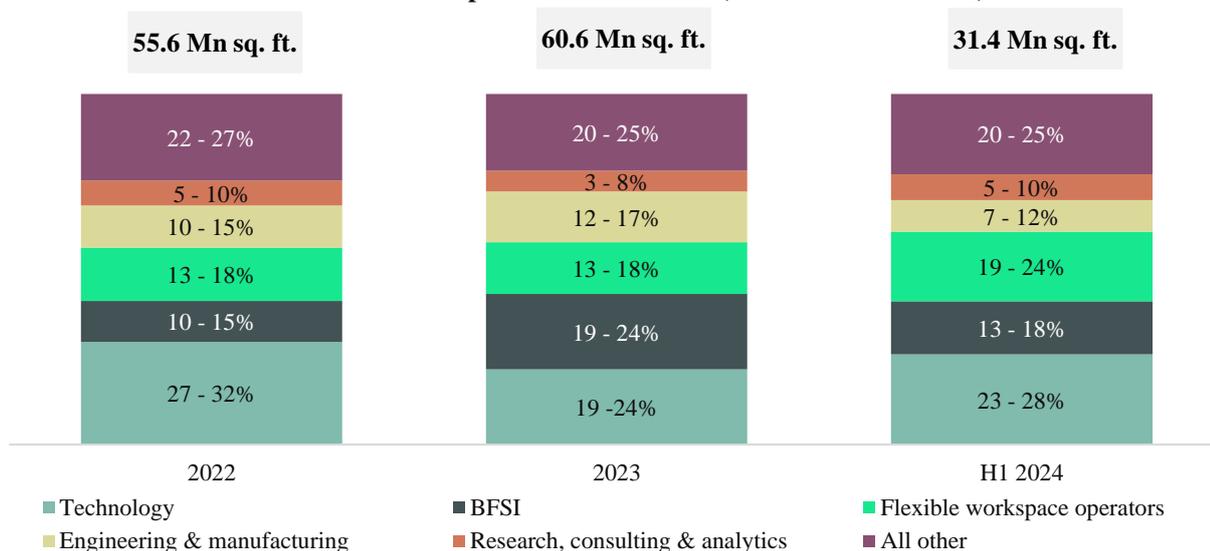


Historically, Technology firms, BFSI and Engineering & Manufacturing (E&M) sectors have been the mainstay of office demand in India, fuelled by innovation and expansion accounting for a higher share in leasing.

Beyond the traditional industry sectors, flexible workspace solutions have also seen an increase in end-user interest from organizations evaluating hybrid and distributed work amongst other potential use cases. Additionally, sectors such as life sciences have expanded across the top cities, driven by both domestic and global firms that have absorbed large spaces for their research and development capabilities. Going forward, this demand diversification trend is likely to grow and benefit from the expansion of Research, consulting and analytics (RCA), aerospace, and automobile firms, thereby supporting the overall growth of the office sector.

During H1 CY2024, Technology firms had the highest share in leasing accounting for 23 - 28% of overall space take up followed by Flexible workspace operators accounting for 19 - 24% of overall space take up. (Source: CBRE Research)

Tenant Sector Absorption Trends in India (CY2022 - H1 CY2024)



Source: CBRE Research as at H1 CY2024

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 the top 9 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

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 changing employee expectations, occupiers are looking for higher-quality office spaces with improved 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. To attract and retain top performers within the company, businesses often need to offer more than just competitive salaries. Changing employees' expectations requires businesses to create a space that inspires, motivates and nurtures individual and collective growth. (Source: CBRE consulting, CBRE Research, July 2024, Employee Experience - Pathway to reimagining workplaces) In reference to the below graph, the changes in employees' expectations are leading to a varied requirements from occupiers.

CBRE's Q1 2024 India Office Occupier⁷⁹ Survey reveals that approximately 58% of occupiers are more focused on improving employee experience. Occupiers are also looking to focus on amenities and services such as access to virtual events, fitness facilities/wellness areas, outdoor amenities, and transport services as highlighted in the graph below. With technology integration, Occupiers in India responded favourably to app-based access to F&B services, touchless building features, app-based ambient controls along with access to admin through mobile phones as highlighted in the graph below. Technology integration and connectivity remains one of the key drivers of workplace efficiency and well-being. Technologies such as video conferencing equipment and adjustable work desks can enhance employee's workplace experience and encourage them to spend more time in the office. (Source: CBRE, 2024 Asia Pacific Occupier Survey)

⁷⁹ 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.

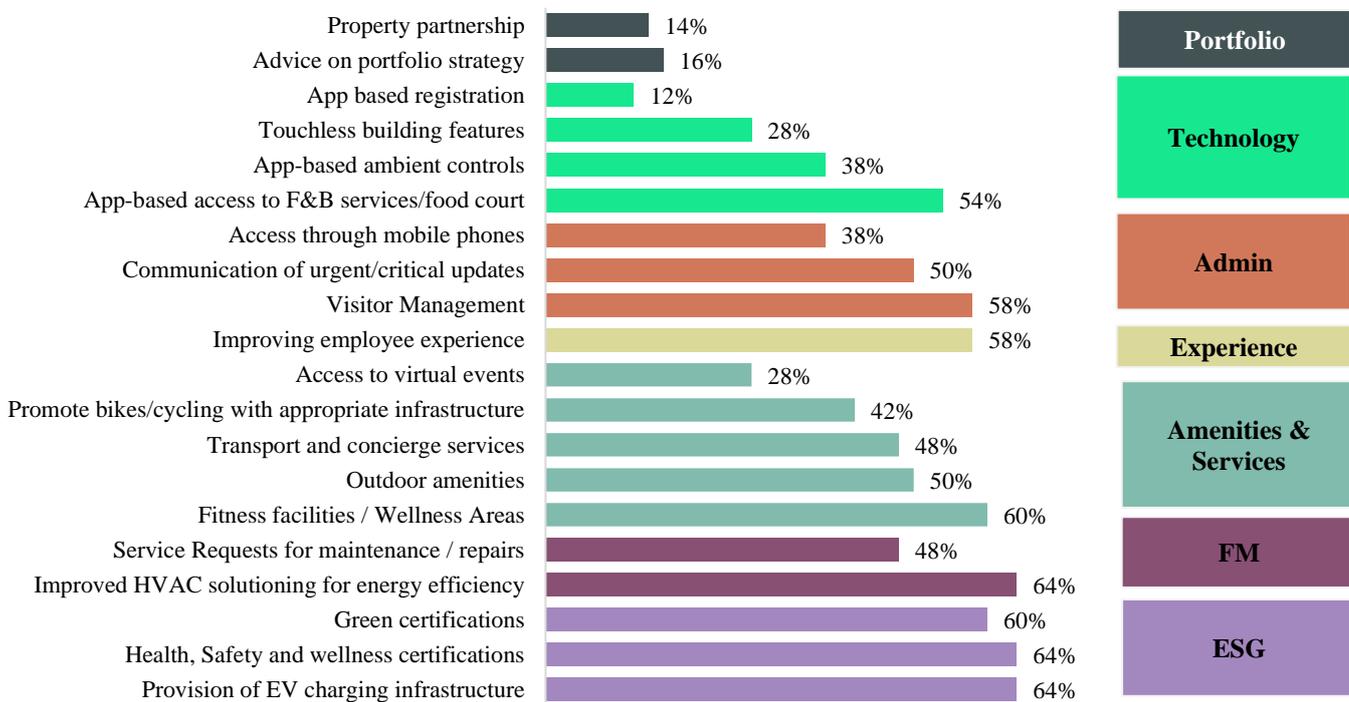
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The leasing activity in India has been driven by growing demand, growth of occupiers and return-to-office (RTO) plans. The continuing increase in office occupancies has prompted occupiers to renew their focus on workplace strategies and amenities to better enable RTO amidst new flexible working arrangements.

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

Occupier's Requirements from Office Spaces



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.

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5. Sustainable Buildings Emerging as a pre-requisite for Occupiers

As highlighted in the above chart, approximately, 64% of occupiers require Health, Safety and Wellness certifications, and 60% of respondents are more focused towards green-certified buildings, indicating an increasing shift in preference for Green Buildings and ESG compliance and certifications. Occupiers are prioritising sustainability through various measures such as green-certified buildings, sustainable procurement, water & waste management, and energy efficiency amongst others. With benefits ranging from low operating costs, improved employee health and enhanced brand image, a higher number of occupiers are looking to prefer green-certified buildings for new leases. Key sustainable features such as Paperless Office, green commute, HVAC system, zero waste, energy-saving initiatives and green spaces enable a positive company culture, promoting innovation and commitment. (Source: CBRE Research, Employee Experience Pathway to Reimagining Workplaces)

From the occupiers' perspective, sustainable buildings may deliver key advantages to occupiers:

- **Cost efficiency** – Sustainable buildings can help occupiers save operational expenses on energy costs
- **Improved employee health and productivity** – Certified buildings can boost employee health and productivity, leading to reduced absenteeism, increased morale and an improved bottom line
- **Enhanced corporate image** – Green buildings can enhance the brand value of a firm and help attract top talent, especially for businesses committed to sustainability.

As per CBRE's India Office Occupier Survey, 2024, nearly one-third of companies occupied green-certified buildings in their office portfolios, reflecting a growing focus on environmental responsibility. This increase in demand is driving a shift in the development landscape, with leading office developers increasingly focusing on creating green-certified office spaces. For developers, green buildings are becoming a "must have" from "nice to have" offerings. (Source: CBRE Research, Sustainability: The Key to Future-Proofing Real Estate, February 2024)

To support the sustainability in Indian commercial real estate landscape, the government has taken various measures.

2001	<ul style="list-style-type: none"> • Formation of the Indian Green Building Council (IGBC) as part of the Confederation of Indian Industry (CII)
2009	<ul style="list-style-type: none"> • Commencement of environmental and social responsibility reporting in India with the Ministry of Corporate Affairs issuing voluntary guidelines on corporate social responsibility
2012	<ul style="list-style-type: none"> • The Security and Exchange Board of India (SEBI) mandates business responsibility Reporting filing to the top 100 listed companies by market capitalisation
2017	<ul style="list-style-type: none"> • SEBI defines green debt securities funds raised for projects and assets falling under the set of categories to deliver environmental benefits. • Inclusion of energy efficiency under green debt securities.
2022	<ul style="list-style-type: none"> • SEBI mandates ESG disclosures under business responsibility and sustainability reporting for the top 1,000 listed companies from FY2023. • Government releases a framework for sovereign green bonds
2023	<ul style="list-style-type: none"> • Government issues first tranche of its maiden sovereign green bond worth INR 80 billion (USD 980 Million)

Source: CBRE Research, Sustainability: The Key to Future-Proofing Real Estate, February 2024

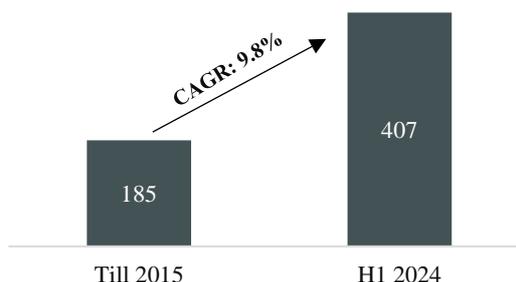
Further, green incentives such as additional FAR, preferential power tariffs, infrastructure subsidies, stamp duty waivers and tax breaks across key cities in India are intended to support green-certified developments.

As at H1 CY2024, approximately 48% of the total office stock is green-certified. Historically the share of green-certified buildings has increased from 185 Mn sq. ft. in 2015 to approximately 407 Mn sq. ft. as at H1 CY2024 growing at a CAGR of 9.8% during the period. (Source: CBRE Research, H1 CY2024)

Share of Green-Certified Buildings in Total Office Stock as at H1 CY2024



Increasing Share of Total Green Certified Stock (in mn sq. ft.)



Source: CBRE Research, Data as at H1 CY2024

6. Consolidation with Specialized, Organized Office Developers ~ Shift towards large-scale buildings

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.

With the introduction of campus-style developments, and integrated business parks, the share of large-size developments in overall stock has witnessed an increase over the last 15 years. As at H1 CY2024, approximately 34% of the developments completed during 2021 – H1 CY2024 were over 5,00,000 sq. ft. Over the past two decades, developments with sizes ranging between 3,00,000 – 5,00,000 sq. ft. and \geq 5,00,000 sq. ft. have increased from 12% share during 2000-2005 to approximately 56% of the share during 2021 to H1 CY2024.

7. *Emergence of Operator led Solutions*

Over the last decade, the Indian real estate industry has witnessed a growth in operator driven solutions across multiple real estate classes. This introduction has taken place across core / traditional assets such as Hospitality with the emergence of international and domestic hotel operator chains. The residential segment has also witnessed the introduction of operator led solutions across rental housing models such as Co-living and student housing. The rental housing segment has primarily been unorganized in nature, primarily driven by landlords/ asset owners. A similar trend has been witnessed across alternate asset classes such as Data Centres and Warehousing.

Certain key benefits of Operator led solutions for landlords/asset owners may include the following depending on the real estate sector:

- Enabling asset owners to focus on their core business activities
- Potential reduction in marketing costs, lower occupancy risk, and assistance in overall absorption timelines associated with the assets.
- High speed deployment and reduction in non-core employee bandwidth for asset owners

Further, the end-users may be able to benefit from these operators across various sectors within the India RE industry on account of factors such as:

- Adaptive solutions (scale, lock-ins, lease tenure, range of services)
- Operational efficiencies and potential costs benefits driven by economies of scale
- Standardised service offering and customer experience
- Bundled offerings with value added services to help provide a one-stop solution

Example 1: The trend has become more prominent with the entry/ expansion of international operator chains. The segment has transitioned from operator owned assets to segregation of asset owners and specialized operator chains. The operators guide the land / asset owners with respect to the ideal location, grade and positioning of the asset, operations for which are taken over by the operator post development, ensuring operational efficiencies and sustainability of the asset.

Example 2: Traditionally, the Data Centre segment had witnessed capital intensive operator activity with greenfield developments. However, over the recent years and the emergence of colocation data centre facilities, operators are evaluating dedicated space options/facilities with key developers across the country. This transition has facilitated a reduction in capital expenditures, improved operational efficiencies, and the utilization of advanced data center infrastructure solutions. Enterprises aiming to expand their operations are anticipated to acquire additional capacity within colocation facilities rather than evaluating development of on-premise facilities for their captive usage.

Example 3: Nearly 40% of the total space off-take across the Warehousing segment in India was driven by 3PL operators in H1 CY2024. (Source: CBRE Research, *Industrial & Logistics Figures, H1 CY2024*) 3PL service providers have emerged as a key tenant category within the Warehousing segment. These operators have been able to assist occupiers and offer value centric solutions ranging across the supply chain i.e., handling, storage and transportation. These operators are able to provide end-users with access to quality grade warehousing facilities in proximity to major consumption and production hubs. Further, the end-users may benefit from the operators' scale of operations in terms of storage and transportation charges as well as expected turn-around time.

The commercial office market has also witnessed a similar trajectory with flexible workspace operators emerging as one of the key occupier segments contributing to nearly 19-24% of space leased in the Tier I cities of India in H1 CY2024. Flexible workspace solutions can support end users in circumventing the need for upfront capital investment in their office fit outs amongst other potential use cases. As real estate is a non-core function for most occupiers, flexible workspace operators can act as single point of contact for occupiers and can also cater to their varying need for office space. Further, key government policies such as "Start up India" and "Make in India" have enabled growth of startups, SMEs and businesses. Operators can also assist these enterprises with access to office space across Grade A/Non Grade A developments.

Outlook for Office Segment:

The office sector had meaningful gains in CY2023, supported by a resurgence in occupiers' sentiments and pent-up demand post the shift to return to office. As office occupancies improve and the workspace evolves into a hub for collaboration, firms are investing in creating bespoke and engaging experiences. Office occupiers are prioritising enhancing workplace experiences through a multi-faceted approach including redesigning their employee experience programmes, and tech integration to attract and retain talent. This trend is likely to see occupiers invest in developing experiential workplaces. (CBRE Consulting, CBRE Research, India Market Monitor, Q2 2024)

Upcoming investment-grade supply – The H2 2024 is anticipated to have a consistent supply of high-quality office space. With a growing focus on employee experience, occupiers are looking to prioritise 'flight-to-quality' relocations/upgrades. Developers are demonstrating a shift towards constructing green-certified office facilities equipped with amenities that cater to the evolving needs of occupiers. (Source: CBRE Research, India Office Sector Figures)

Leasing – During H1 CY2024, office space absorption had an increase driven by expansionary leasing by GCCs and domestic occupiers, including flexible workspace operators, BFSI and technology firms. The office sector is likely to have continued demand for quality office space in H2 2024 as occupiers continue to expand and increase their presence. 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 years⁸⁰. Companies may evaluate to expand their office footprint potentially through a mix of traditional and flexible workspaces. (Source: CBRE Research, India Office Occupier Survey, 2024, India Office Sector Figures)

Diversification of Demand – 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. (Source: CBRE Research, India Office Sector Figures)

GCCs remain a key driver of office demand – Supported by the availability of STEM graduates and competitive costs, India is likely to remain a prominent market for GCCs. The forecast increase in the number of GCCs at a CAGR of 4% by 2030 positions the Indian office market for growth. Established players in GCCs are likely to evaluate large-scale campuses across major cities, while new entrants may opt for flexible workspaces. Approximately 67% of the GCCs surveyed by CBRE are likely to increase their office portfolio by over 10% in the next two years. (Source: CBRE Research, India Office Occupier Survey, 2024, India Office Sector Figures)

⁸⁰ 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.

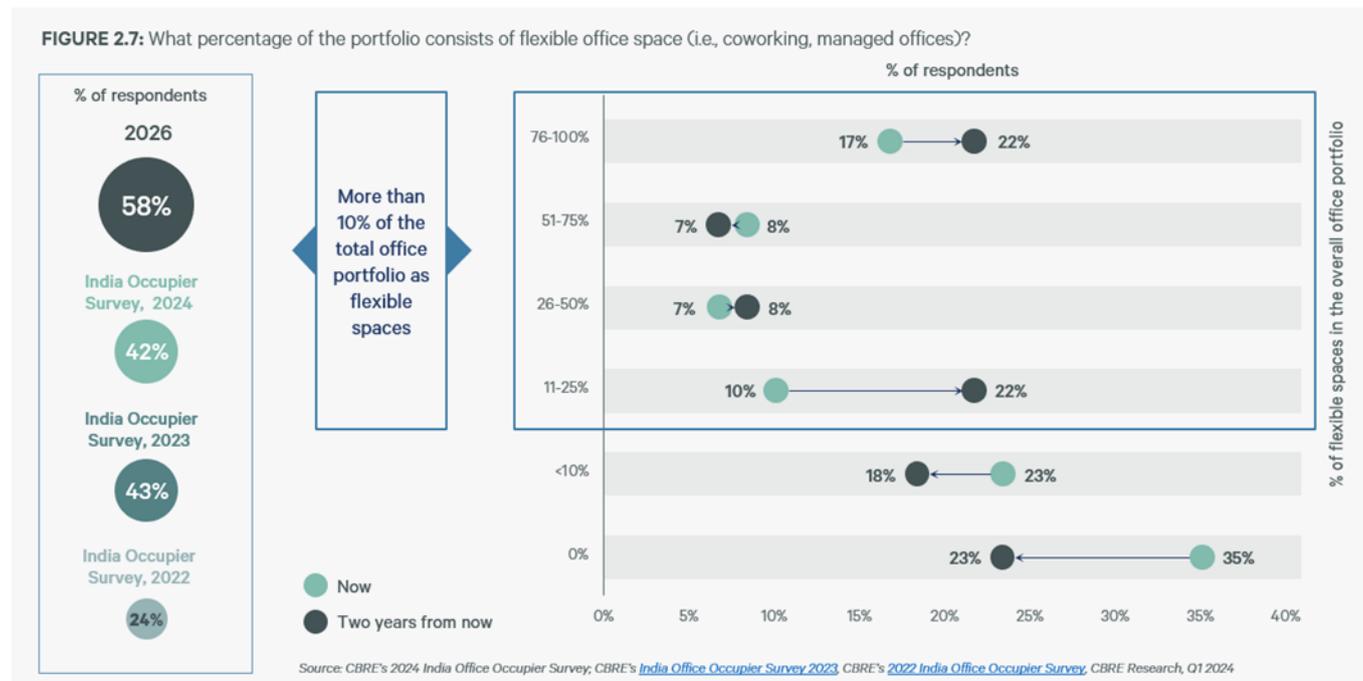
Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

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 emergence of Flexible Workspaces as an important segment in the office sector:

Flexible workspaces are becoming an integral part of the commercial office market. The Flexible Workspace stock in the top 9 Tier 1 cities grew from more than 35 Mn sq. ft. by end of CY 2020 to over 72 Mn sq. ft. as of June 30, 2024.

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.

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The rise of hybrid work models, prudence in the use of capital, the need for flexibility in workspace planning, and a shift in work culture are amongst the factors fuelling the demand for flexible workspaces. This has resulted in demand from diverse segments, from start-ups, and 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’ strategies⁸¹. ‘Core+Flex’ can allow organisations the opportunity to be more capital efficient, while providing employees with the flexibility to work from different locations.

The increasing use cases of flexible workspaces, incoming investments in the sector, 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 key factors that may position this asset class and sector for growth in future as well.

⁸¹ ‘Core + Flex’ is a strategy that offers occupiers a way to integrate traditional leased space and flexible office agreements in their overall real estate portfolios.

Flexible Workspace Industry Overview: India Story

What are Flexible Workspace Solutions?

Flexible workspace solutions primarily refer to fully furnished and serviced real estate offerings provided by flexible workspace operators to end users with potential flexibilities built-in around aspects including but not limited to space design, tenure, area, locations and product. Multiple leading operators have also now developed the capability to offer multiple value-added and ancillary products and services. End users may consider one or the other kind of flexible workspace solutions for a diverse set of use cases including but not limited to:

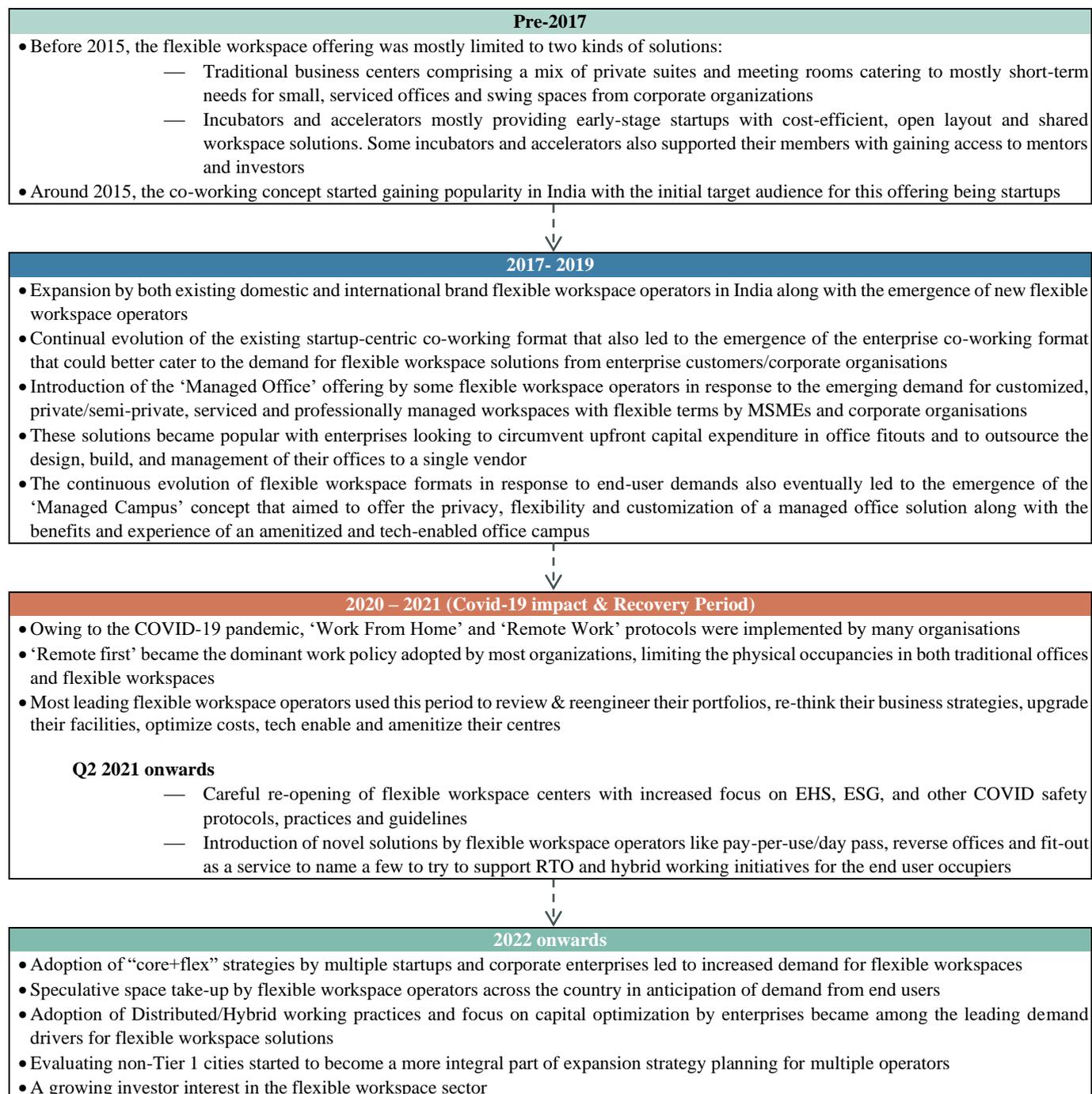
	Supporting multi-geography expansions
	To support the implementation of hybrid working & distributed working policies
	To circumvent upfront investment in office fit outs
	To convert capital expenditure to operating expenditure
	To outsource non-core CRE operations
	Seeking small portions of large floor plates in developments/buildings of preference
	To allow employees an enhanced workspace experience and access to shared amenities in case of very small/micro-office take-ups

The popularity and adoption of flexible workspace solutions has witnessed an increase amongst both startups and corporate enterprises owing to their increasing use cases and constant innovations by leading flexible workspace operators.

Evolution of Flexible Workspaces in India

Flexible workspace solutions are becoming an integral part of the modern work culture, catering to diverse working styles, and introducing flexibility to the commercial office sector.

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



Key Growth Drivers & Salient Features of Flexible Workspaces Solutions

The demand for flexible workspaces has been fuelled further by an increasing focus on flexibility, capital efficiency, cost optimization, hybrid / distributed working, employee well-being, and a focus on core business activity amongst other things by end-users. Both startups and large enterprises have been increasingly evaluating flexible workspace solutions owing to their increasing Use Cases and the innovations by leading flexible workspace operators.

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

- **Evolving Real Estate Strategies:** With the increasing adoption of hybrid / distributed working practices, large organizations may consider further integrating flexible workspace solutions into their overall real estate portfolios. This might enable these organizations to have even more agile office portfolios while providing their employees with a consistent experience along with the flexibility to work from a network of locations within and across cities.
- **Capital Efficiencies:** In flexible workspace solutions the upfront capital required to build the facility is usually invested by the operator, which can support the end user in circumventing the need for upfront capital investment in their office fit outs. This may provide an option to end user organizations to allocate the same capital towards their core business or another purpose of choice.
- **Operational Outsource:** Real Estate is a non-core function for most organizations and managing their real estate requirements may take from their management’s bandwidth and resources. By opting for a flexible workspace solution, organizations are usually able to align with a solo vendor/provider and a single point of contact for all or most of their workspace related expenses, escalations, support requirements, and other operational requirements allowing them to retain their focus on their core business.
- **Flexibility:** If pre-negotiated with the operator during the structuring of the membership agreement, end users may have the opportunity to build in their contract flexibilities including but not limited to flexibilities around upsizing or downsizing the space, alternate locations, pricing.
- **Variety of Offerings:** Some leading flexible workspace operators may have the ability to provide end users with a variety of solutions including but not limited to on-demand solutions/day passes, private suites, built-to-suite managed office solutions. Organizations can opt for a mix of these offerings to cater to diverse business/organizational needs based on factors including but not limited to location, team type, number of employees, purpose.
- **Customization and Bespoke Offerings -** When opting for a managed office solution, end user occupiers may have the flexibility to customize their workspace to their preference and have bespoke, private/semi-private and dedicated office spaces with services that suit their specific needs.

Examples of Flexible Workspace Operators providing solutions to end users

Example 1:	Example 2:
<ul style="list-style-type: none"> - A leading international provider of financial services was looking to expand their geographic footprint in India and needed a move-in ready office solution that allowed room for future expansion - A leading flexible workspace operator was able to deliver a tailored office solution for the organization in the building and location of their choice, while also providing them flexibilities such as ‘contraction and switch rights’, enabling them to downsize and take up the same number of workstations in any other location with the same operator in the city, if required - The operator also provided day passes/pay per use solution for additional employees providing further flexibilities to the organization - The organization later expanded with the same operator, in the same location/building and with the same solution twice in next few years in response to the increasing employee headcount 	<ul style="list-style-type: none"> - A leading international retail brand was looking to expand operations within India and had a requirement for a customized office space with IT customization that could support in increasing operational efficiencies - The organization was looking for an office space with a flexible lease terms to support a phased take up with room for future expansion - A leading flexible workspace operator provided the client with the desired solution, suitable lease terms and customization along with the optionality of a phased wise take up to accommodate their growth plans - Post expiry of the initial lock in, the organization continued to occupy the space with the flexible workspace operator and extended their term for the dedicated office space on an annual basis for additional terms

Common flexible workspace offerings:

On –Demand	Pre-built, Shared & Serviced Spaces		Custom Built Managed Offices		
 <p>Hybrid-Digital Solution</p> <ul style="list-style-type: none"> - Pay per Use solutions allowing users to book open desks and meeting rooms on demand across locations with booking, payment, usage tracking enabled through technology 	 <p>Business Centre</p> <ul style="list-style-type: none"> - Small – Medium sized centres comprising of small private & serviced suites with shared meeting rooms and common amenities primarily catering to short term space needs from enterprises 	 <p>Enterprise CoWorking</p> <ul style="list-style-type: none"> - Small – Large sized centres with collaborative areas, meeting rooms, private suites, open desks and key amenities with the ability to cater to both startups and enterprises 	 <p>Shared Managed Offices</p> <ul style="list-style-type: none"> - Custom built bespoke serviced offices with shared common amenities for medium to- long- term use by end users 	 <p>Private Managed Offices</p> <ul style="list-style-type: none"> - Custom built & fully private bespoke serviced offices with dedicated amenities for medium to long term use by end users 	 <p>Managed Campus Centres</p> <ul style="list-style-type: none"> - Full building campus like flexible workspace centres providing the end user occupiers with the privacy, flexibility, and customization of a shared managed office solution along with experience analogous to an amenitized and tech enabled office campus

Flexible Workspace Operators’ Tech Stack:

In the evolving landscape of hybrid working, modern workplaces are also aiming to act as collaborative hubs, merging the physical and digital worlds through the use of technology. Leading flexible workspace operators are also focusing on incorporating technology into their offerings to further enhance the end-user experience. The integration of technology can support in streamlining operations, fostering collaboration and more.

A comprehensive flexible workspace operator tech stack may include the below technologies, platforms, enablement’s and more:

 <p>Tech enabled Parking Management System</p>	 <p>Tech enabled Visitor Management & Access control System</p>	 <p>Tech enabled meeting room/ conference room booking system</p>	 <p>Online Ticket Raising Platforms</p>
 <p>Food ordering enablement’s on member App</p>	 <p>Enablement on member app for networking and engagement</p>	 <p>Technology to track and to show fit-out project progress</p>	 <p>Technology to track space utilization</p>

Multiple flexible workspace operators are looking to increase focus on service quality, member wellness, compliance and safety, and customer experience. This increased focus may 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 not only help an operator differentiate itself but also attract more customers and increase customer retention.

Flexible Workspaces | India Overview

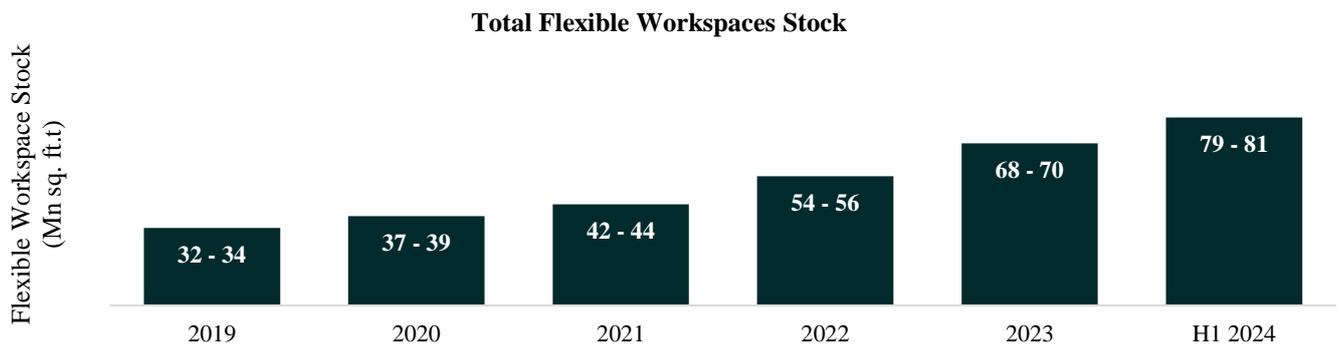
The flexible workspace stock in India currently stands over 79 Mn sq.ft. as of H1 CY2024. While over 85% of this flexible workspace stock is spread across key tier 1 markets of India, the demand for flexible workspaces in Non-Tier 1 cities has also been growing.

Key statistics on flexible workspaces across India (Tier 1 & Non-Tier 1 cities):

440+ <i>Operators</i>	1,950+ <i>Number of Unique Center Locations</i>	79 – 81 Mn Sq. ft. <i>Flexible Workspace Stock</i>
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**Data as of H1 CY2024.*

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



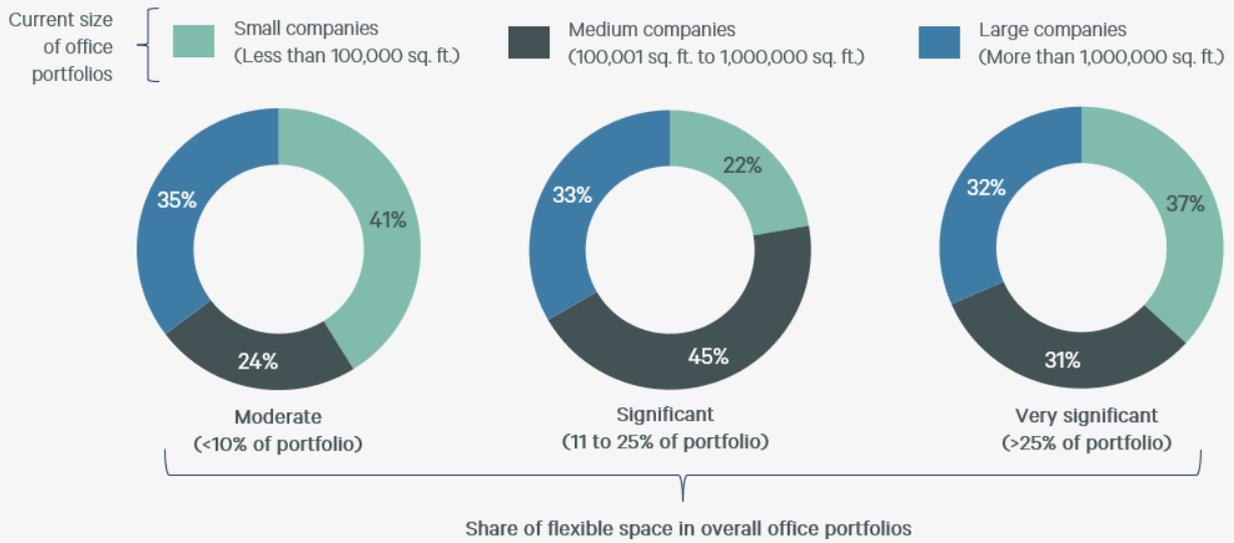
Tier 1 cities account for over 72 Mn sq.ft. of the total flexible workspace stock in India (H1 CY2024), with leading flexible workspace operators having a presence in most of these cities. The flexible workspace stock in these cities is expected to keep growing in response to the demand from a diverse set of organizations looking to establish or expand their presence in these cities.

The flexible workspace stock in Non-Tier 1 cities currently stands over 6.4 Mn sq.ft. (H1 CY2024) and is expected to grow at least for the next few years to cater to the anticipated 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 on employee wellbeing & retention by organizations, improving infrastructure & connectivity and the relatively lower cost of living, and cost of real estate in these cities.

The growth in flexible workspace demand is driven by occupier demand across diverse segments including but not limited to large enterprises, MSMEs and start-ups.

According to CBRE India Office Occupier Survey 2024, amongst the respondents, 33% of large companies and 45% of medium sized companies are expected to increase the share of flexible workspaces in their overall real estate portfolios to more than 25% over next two years.

FIGURE 2.1: Anticipated growth of flexible spaces over next two years



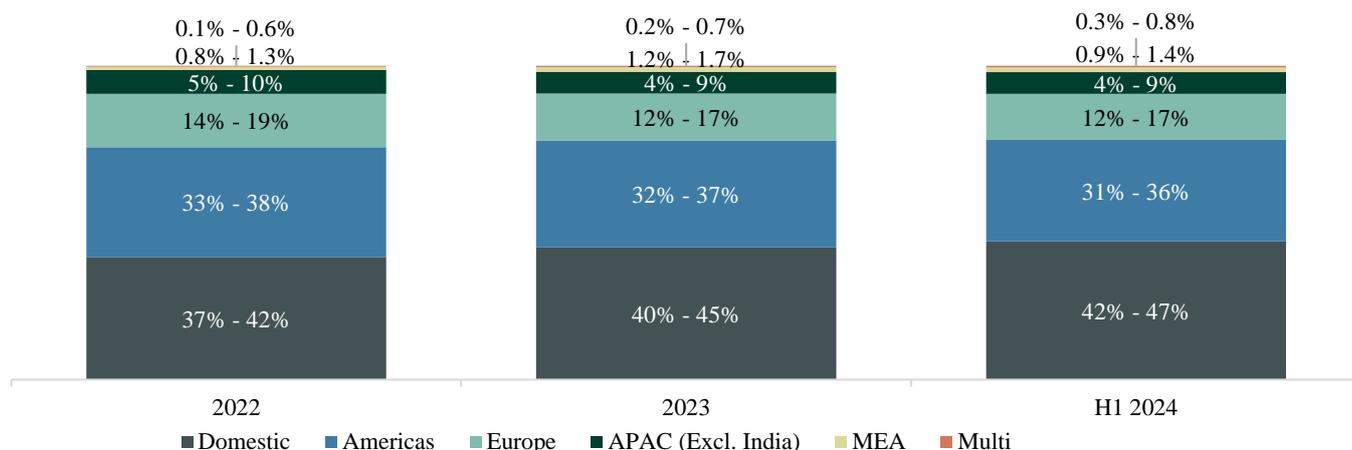
Source: 2024 India Office Occupier Survey

Note: These results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-by-case basis due to their scale, type and location of business operations.

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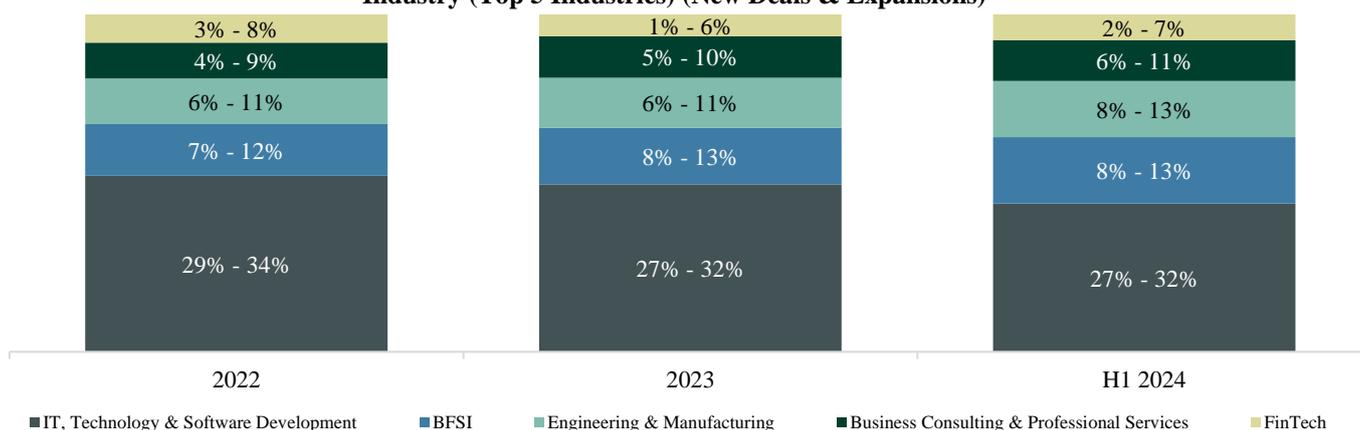
Additionally, any regional or sectoral conclusions may differ and may not be fully applicable to individual firms and should be looked upon from a case-to-case perspective. Local dynamics may also result in a difference of results for individual corporates due to the type, scale and location of business operations. There may also be a change in occupier sentiments due to any adverse event which may lead to varying results in the future.

Percentage of Total Transactions closed in flexible workspaces analysed basis End User Corporate Headquarters (New deals & Expansions)



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

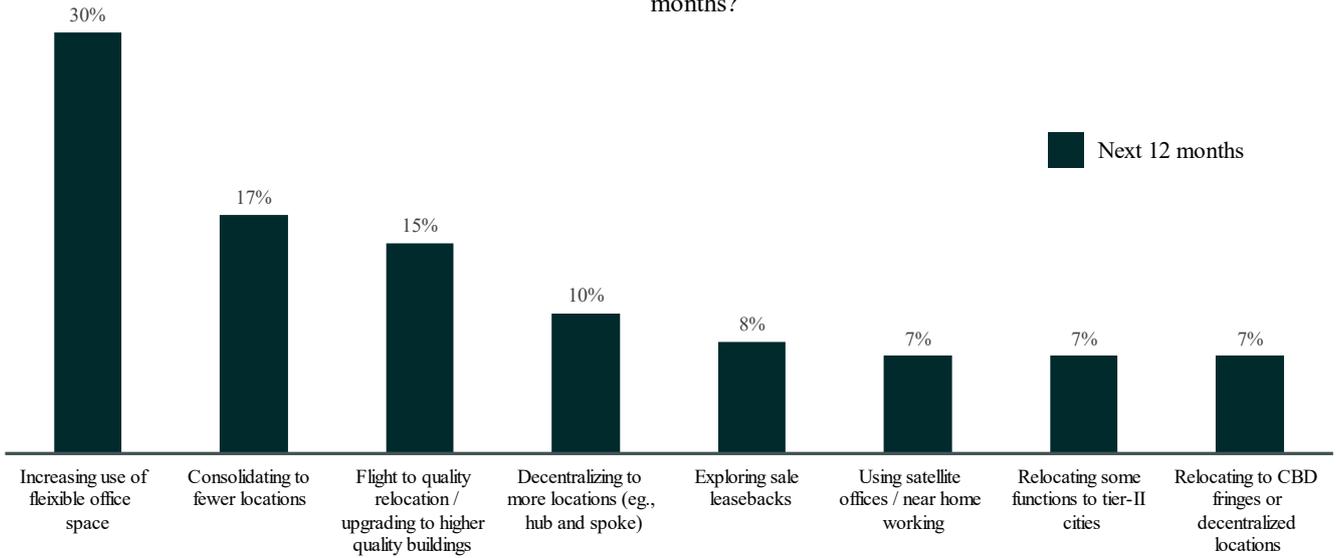
Percentage of Total Transactions closed in flexible workspaces analysed basis End User Operating Industry (Top 5 Industries) (New Deals & Expansions)



From a new/expansion 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 2024⁸², the 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 approx. 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.

Which portfolio strategies are you planning to pursue over the next 12 months?



¹ 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.)

Flexible Workspace Sector Dynamics - Tier 1 Cities

The total flexible workspace stock in Tier 1 cities stands over 72 Mn Sq. ft. as of H1 CY2024. The stock grew from more than 35 Mn Sq. ft. by the end of CY2020 to over 63 Mn Sq. ft. by the end of CY2023. The 23 key clusters identified across Tier 1 cities account for over 70% of total flexible workspace stock in these cities. The majority of the flexible workspace demand is attributed to these top 9 cities and key clusters in India.

Bengaluru currently is both the largest commercial office and flexible workspace market of India accounting for over 30% of the total flexible workspace stock amongst Tier 1 cities.

While the traditional hubs like Bengaluru, Gurgaon, Mumbai, and Hyderabad continue to be popular markets for flexible workspace operators, markets like Pune, Noida & Chennai have also gained traction in line with the end-user demand.

BENGALURU:

Bengaluru emerged as one of the largest office markets by absorption in Asia between CY2018 - H1 CY2024 and is one of the largest in terms of total office stock. Bengaluru serves as a key hub for India's information technology sector, hosting several technology companies, research & development centers, along with multiple emerging startups. It is currently the largest flexible workspace market in the country, with multiple operators having and expanding their presence in the city.

In line with office market trends, flexible workspace operators are looking to expand their footprint in prominent micro markets such as the Central Business District (CBD), Extended Business District (EBD), Outer Ring Road (ORR), and North Bengaluru. The CBD market is preferred for its central location, ease of mobility, and good connectivity, while the EBD is popular for its Grade A business parks, offering larger office spaces and competitive rental rates compared to the CBD. ORR is the city's largest micro-market for commercial real estate, and also has the largest Flexible workspace stock in the city.

North Bengaluru is also becoming an increasingly significant market due to its location and the availability of Grade A office spaces, offering options for companies looking to expand or consolidate operations.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspace demand driving Sectors
22.0 – 24.0	9% - 11%	400+	IT/Tech Software development, BFSI, Business Consulting & Professional Services, Retail & E-commerce
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Central Business District <i>MG Road, Vasant Nagar, Residency Road, Ashok Nagar, Langford Road, Richmond Road, Ulsoor, Dickenson Road, Infantry Road, Lavelle Road, Kasturba Road, Vittal Mallya Road</i>		3.5 – 4.0	85+
Extended Business District <i>HSR Layout, Koramangala, Indiranagar, Domlur, Old Madras Road, Old Airport Road</i>		5.0 – 5.5	135+
Outer Ring Road <i>Outer Ring Road, Sarjapur Jn, Kadubesanahalli, Mahadevpura, Marathahalli</i>		6.6 – 7.1	60+
North Bengaluru <i>Bellary Road, Hebbal Road, Yelahanka, Kempapura, Thanisandra Road, Nagwara</i>		2.5 – 3.0	35+

PUNE:

Pune has emerged as a key commercial office market in West India, supported by sectors such as IT/ITeS, BFSI, manufacturing, automobiles, and pharmaceuticals. Pune is witnessing interest from flexible workspace operators owing to the end-user demand, particularly in micro-markets such as the Central Business District (CBD) and the Secondary Business Districts (SBD) East and West.

CBD offers a mix of residential, retail, and office developments, with good connectivity through public transport, including the operational metro. SBD East and West provide lower rental costs compared to the CBD and host several Grade A IT/ITES developments. With metro connectivity improving, these markets are expected to witness increased interest from technology companies and flexible workspace providers.

The city's proximity to financial centre and high-quality office spaces contribute to its appeal and may further fuel the demand for flexible workspaces as various organizations look to establish and expand operations in the city.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspace demand driving Sectors
10.2 – 11.2	13% - 15%	155+	IT/Tech Software development, Engineering & Manufacturing, BFSI, Healthcare, & Pharmaceutical, automotive
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Central Business District <i>Koregaon Park, Bund Garden, SB Road, Yerwada, Kalyani Nagar, Shivaji Nagar, Erandwane</i>		2.8 – 3.3	45+
Secondary Business District – East <i>Viman Nagar, Nagar Road, Hadapsar, NIBM, Mundhwa, Wanowrie</i>		2.0 – 2.5	30+
Secondary Business District – West <i>Aundh, Baner, Bavdhan, Pashan, Balewadi, Bengaluru Highway, Kothrud</i>		4.2 – 4.7	50+

HYDERABAD:

Hyderabad has emerged as one of the leading commercial hubs in South India. The city is one of the largest flexible workspace markets in the country, with demand driven by industries such as IT/ITES, consulting, and BFSI. Hyderabad has also attracted new companies looking to set up offices, contributing to overall office space absorption.

IT Corridor is the most active market for corporate tenants, offering strong business and social infrastructure. Owing to the occupier demand, multiple flexible workspace operators have established/are looking to further expand their footprint in this market along with opportunistic expansion in the Ext IT Corridor. The Ext IT Corridor is the second most active micro market with respect to overall office leasing activity and is witnessing interest owing to relatively lower rental costs and large office campus developments.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
8.7 – 9.7	6% - 8%	145+	IT/Tech Software development, BFSI, Business Consulting and Professional Services, Engineering & Manufacturing
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
IT Corridor <i>Kondapur, Madhapur, Gachibowli, HITEC City, Raidurg, Kavuri Hills</i>		6.0 – 6.5	90+
Ext IT Corridor <i>Nanakramguda, Kukatpally, Kokapet</i>		2.1 – 2.6	20+

GURGAON:

Gurgaon is a prominent commercial/IT-ITES office location in Delhi NCR, with a large quantum of office stock serving as headquarters or back offices for multinational companies. Flexible workspace operators are also looking to expand their footprint especially in key locations such as Cyber City, Golf Course Road, and NH8.

Cyber City with its developed social and physical infrastructure, has become the central business district for Gurgaon, hosting multiple large companies and flexible workspace operators.

Golf Course Road has multiple premium office spaces and residential developments, while NH8 has good connectivity via the Delhi-Gurgaon Expressway with prime commercial developments. Multiple Flexible workspace operators may evaluate these markets for expansion in response to the occupier demand.

These markets are expected to continue to witness new supply over the next 3-5 years and new developments in these markets especially Cyber City & abutting locations have been witnessing rising pre-commitments. Markets like Golf Course Extension and MG Road have also started to witness an interest from occupiers and Flexible workspace operators.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
7.5 – 8.5	8% - 10%	175+	IT/Tech Software development, Retail & E-commerce, BFSI, Business consulting & professional services
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Cyber City <i>DLF Cyber City</i>		1.3 – 1.8	20+
Golf Course Road		1.0 – 1.5	30+
NH-8 <i>(NH8 North & South)</i>		0.7 – 1.2	15+

MUMBAI:

Mumbai is considered the BFSI hub of India with demand for office space largely driven by BFSI companies and large corporates. There is occupier interest in flexible workspaces solutions as multiple organizations look to optimize their real estate portfolios. Key markets such as Bandra Kurla Complex (BKC), the Western Suburbs, and Central and Eastern Mumbai are experiencing growth in flexible workspaces.

BKC, considered the new CBD, is a preferred market with large presence of clients such as BFSI clients, consulates and multinational technology conglomerates, however, rising rental rates owing to a low volume of Grade A supply are prompting some companies to explore more affordable alternatives in Central Mumbai.

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 metro connectivity within Western Suburbs, Andheri is one of the more 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 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.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
6.8 – 7.8	4% - 6%	190+	BFSI, IT/Tech Software development, Engineering & Manufacturing
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
New CBD <i>Bandra Kurla Complex</i>		0.5 - 1.0	15+
Western Suburbs 1 <i>Vile Parle, Andheri East & West</i>		1.9 - 2.4	50+
Western Suburbs 2 <i>Jogeshwari, Goregaon, Malad, Kandivali, Borivali</i>		1.0 – 1.5	15+
Central Mumbai 2 <i>Parel, Lower Parel, Dadar, Elphinstone Road, Byculla</i>		0.3 - 0.8	15+
Eastern Suburbs <i>Sion, Chembur, Ghatkopar, Vidyavihar, Vikhroli, Powai, Kanjurmarg, Bhandup, Mulund, Wadala</i>		0.5 - 1.0	20+

NOIDA:

Noida is emerging as an important commercial hub in Delhi NCR, supported by improved connectivity and a growing supply of quality/graded office space. There has been an interest from flexible workspace operators in response to the demand from organizations, particularly for back-office operations.

Sector 16 has long been a key commercial market, Sector 16A also known as Film City houses multiple media & entertainment companies. Sector 16B has emerged as the provider of Grade A commercial offices while Sector 62 having standalone buildings along with few Grade A developments by prominent developers and with the presence of residential catchments in proximity is usually preferred by low-cost IT firms for back-office operations. The market is well connected with NH-24 and the metro.

Noida Expressway, with its Grade A IT parks and SEZs, continues to draw corporate offices. Supported by good road and metro connectivity and owing to the occupier demand it is becoming a popular market amongst flexible workspace operators.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
6.0 – 7.0	13% - 15%	110+	IT/Tech Software development, Business consulting & professional services, BFSI
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Sector 16 & Vicinity <i>Sector 16, 16A, 16B, 18 and other nearby sectors</i>		1.4 – 1.9	30+
Sector 62 & Vicinity <i>Sector 62 and other nearby sectors</i>		1.9 - 2.4	45+
Expressway & Vicinity		2.7 – 3.2	35+

CHENNAI:

Chennai is one of the well-established office markets in South India, with demand driven by a growing supply of Grade A buildings. There is demand for flexible workspaces, particularly in Guindy/Off CBD, OMR Zone 1, and the CBD, which are the more preferred markets for flexible workspace operators.

The Off CBD market has limited vacancy in high-quality office spaces and is one of the more preferred markets for SME's, MSME's, multinational and local firms for their front office operations. While demand for the Off CBD market is expected to be steady, especially amongst small to mid-sized offices and flexible workspace operators given the market's locational advantage and ease of commute, there is a limited pipeline of Grade A supply due to limited land availability.

OMR Zone 1 continues to be one of the preferred markets for both occupiers and flexible workspace operators given the availability of high-quality office campuses. Rents are expected to increase as supply remains limited over the next few years. Additionally, the MPH & PT Road markets are also becoming relevant due to the availability of Grade A spaces, attracting interest from occupiers across industries along with flexible workspace operators.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
5.2 – 6.2	5% - 7%	120+	IT/Tech Software development, Engineering & Manufacturing, BFSI
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Central Business District <i>Anna Salai, T Nagar, RK Salai, Nungambakkam</i>		1.0 – 1.5	45+
Off Central Business District <i>Guindy, Vadapalani, MRC Nagar</i>		1.4 - 1.9	35+
OMR Zone 1 <i>Thiruvanmiyur, Perungudi, MGR Salai</i>		1.4 – 1.9	20+

DELHI -

Delhi is the oldest commercial hub within NCR, with demand from sectors such as BFSI, public sector organizations, and media. However, new supply has been limited due to a lack of available land, and growth of flexible workspaces has been slower compared to Gurgaon and Noida, owing to relatively limited availability of Grade A commercial office stock, strata sold buildings, high rentals and lower building efficiency, resulting in relatively less demand for office space from large enterprises.

In the coming years, the Aerocity micro-market is expected to see increased activity from occupiers driven by its developed infrastructure, strong connectivity, and proximity to IGI Airport and multiple flexible workspace operators are also evaluating this market for expansion.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
1.7 – 2.2	12% - 14%	115+	BFSI, Advertising marketing, and PR, Front/Sales offices for Business consulting/IT firms

KOLKATA -

As a commercial hub of Eastern India, Kolkata is a relatively smaller market compared to other Tier 1 cities in terms of the presence of large occupiers/corporates/MNCs with limited expected supply in the pipeline. Multiple flexible workspace operators are now also evaluating this market for expansion, particularly key locations like Salt Lake, Sector V, and Newtown Rajarhat, owing to demand from organizations looking to establish or expand operations in the city.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Total office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible workspaces demand driving Sectors
1.3 – 1.8	3% - 5%	45+	Outsourcing and Offshore consulting, Business consulting and professional services, IT/Tech Software development, Engineering & Manufacturing

Operator Overview – WeWork India⁸³

Launched in 2017, WeWork India is a leading premium flexible workspace operator in India and has been the largest operator by total revenue⁸⁴. WeWork India has played a significant role in the growth of the flexible workspace sector in the country and has been a key contributor for the evolution of flexible workspace products and services. As of March 2024, WeWork India recorded the highest EBITDA amongst the benchmarked operators.

WeWork India is majority owned and promoted by Embassy Group, a leading developer in India who has a portfolio of more than 85 Mn sq. ft. and is the sponsor of Embassy Office Parks (India's first REIT and Asia's largest office REIT by leasable area). WeWork India is one of the few operators in the country backed by a major real estate developer.

WeWork India has established multi-asset relationships with various prominent developers across major Tier 1 cities, with approx. 93%⁸⁵ of its portfolio by area being in Grade A developments and more than 85% stock in the 23 identified key clusters for flexible workspaces⁸⁶ in the country.

With one of the most extensive range of product and services, WeWork India offers high quality workspaces by designing, building, and operating them to global standards achieving a monthly average seat price of approx. INR 20,000. As of H1 CY2024 WeWork India achieved an average portfolio level revenue-to-rent multiple of 2.7 which exceeded the industry average range.⁸⁷

Competition and Benchmarking (Selected Operators in India)

Flexible workspace operators have the ability to offer versatile solutions that can cater to a wide range of clientele including individuals, startups, MSMEs, large enterprises and MNCs. As organizations evaluate adoption of hybrid and distributed work practices, flexible workspace operators are becoming integral to the modern work ecosystem.

Multiple flexible workspace operators possess the ability to offer a variety of flexible solutions, including but not limited to, on demand/pay per use solutions, co-working/shared workspaces, private suites and built to suit managed offices, each with its distinct use-case. They also have the ability to offer services and amenities such as high-speed internet, meeting rooms, and community areas designed to foster collaboration. Flexible workspace solutions allow organizations the opportunity to circumvent the limitations of traditional lease structures.

There are over 440 Flexible workspace operators in India, and the top 10 operators (by portfolio size in area Mn sq. ft. H1 CY 2024) including the likes of Smartworks, WeWork India, Table Space, Awfis, and IndiQube, collectively contribute to majority of the total Pan India flexible workspace stock most of which is spread across multiple cities.

For the purpose of this exercise, we have picked the operators that are already listed or have filed DRHP/RHP for listing with the regulatory authorities and have a portfolio of around 5 Mn sq. ft. as of 31st March 2024 (basis information made public by the benchmarked operators). The operators currently meeting the aforementioned criteria are AWFIS, Smartworks and IndiQube. The operators have been benchmarked against WeWork India in the section below based on multiple financial and operational parameters.

⁸³ As of March 2024, total operational area for WeWork India was 6.3 Mn sq. ft. which comprised of 6.18 Mn sq. ft. of area leased by WeWork India and 0.15 Mn sq. ft. of area where WeWork India was providing only Facility Management related services to their clients in the client's self-leased/owned offices. This collectively accounted for a total of 53 operational centers with 89,154 operational seats.

⁸⁴ As of FY2022, 2023 and FY2024 respectively, based on information available in public domain for leading flexible workspace operators in the country. Note, leading operators reviewed may not represent an exhaustive list. Total revenue for key compared operators has been considered. Only core flexible workspace solutions companies/operators have been considered and also developer/fund owned/promoted operators have been excluded for this comparison.

⁸⁵ As of June 2024, approx. 93% of WeWork India's portfolio is in Grade A developments i.e., nearly 5.87 Mn sq. ft.

⁸⁶ 23 identified key clusters for flexible workspaces in the country as covered in the aforementioned sections

⁸⁷ Revenue to rent multiple for flexible workspace operators typically ranges between 1.9x to 2.5x as covered in TAM section.

Qualitative Parameters

Parameters	WeWork India	Smartworks	Awfis	IndiQube
Operator Overview	A premium flexible workspace operator offering a wide variety of flexible workspace solutions including Enterprise Office Suites, Customized Managed Offices, Private Offices, Co-working spaces, Hybrid digital solutions etc. The operator caters to a diverse clientele, including Fortune 500 companies, MNCs, large enterprises, MSMEs, startups, and individuals, offering flexible lease terms that range from pay-per-use options to long-term contracts in its amenitized and technologically integrated centres. WeWork India offers high quality workspaces by designing, building, and operating them to global standards	An office experience and managed campus platform. The operator typically focuses on leasing entire/large, bare shell properties in prime locations from landlords and transforming them into fully serviced, amenitized and tech-enabled campuses. The operator focuses on mid-to-large enterprises and has a client base which includes Indian corporates, MNCs operating in India, and startups.	The operator offers a diversified portfolio of services ranging from coworking and managed offices to Design & Build as well as Facility Management, catering to all seat cohorts and all company types for freelancers, startups, SMEs, and large corporates.	A managed workplace solutions company offering comprehensive, sustainable, and technology-driven workplace solutions dedicated to transforming the traditional office experience. Diverse solutions range from providing large corporate offices (hubs) to small branch offices (spokes) for enterprises.
Products/ Solutions	<ul style="list-style-type: none"> Core Services <ul style="list-style-type: none"> Private Office Office Suites Serviced Floors Managed Office Ancillary/Additional Services <ul style="list-style-type: none"> Pay per use- On Demand Office All Access Subscription Virtual Office- Business Address WeWork Workplace- Office SAAS WeWork Marketplace WeWork Business Solutions WeWork Events & Hospitality WeWork Labs- Accelerator Program for Startups 	<ul style="list-style-type: none"> Managed Office Solutions Value added Services (VAS) such as cafeterias, sport zones, Smart Convenience Stores, gymnasiums, crèches and medical centres) Fitout as a service (FaaS) 	<ul style="list-style-type: none"> Plug & Play Offering <ul style="list-style-type: none"> Awfis CoWorking Awfis Managed Office mobility solutions - Meeting room, day passes, virtual office Allied Service - F&B, Concierge , event management, IT support Powered by Awfis <ul style="list-style-type: none"> Awfis Transform - Corporate Design and Build Solution Awfis Care - Property and Facility Management Solution 	<ul style="list-style-type: none"> Managed Office Solutions Virtual Office Customizable design and build solutions Facility Management Asset maintenance and plantation Catering, and transportation services
Ancillary revenue categories	Events, Pay-per-use Day Pass, Virtual office, Conference rooms, Parking facilities, Dedicated IT services, F&B services, White Glove services, Design & Build Services, WeWork Workplace Software, WeWork Business Solutions, WeWork Member App etc.	Tech-enabled smart store, Additional parking space, Event spaces, Smart café, IT services, Gym pass, Offers and Partnerships within the app, 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.	Interior design and build, facility management, F&B, transport, and technology solutions

Note: The data is provided as of March 31, 2024, basis information available in public domain, DRHP/RHP Documents, Annual Reports and across company websites

Key Operational & Financial Parameters

Parameters	WeWork India	Smartworks	Awfis	IndiQube
Total Stock/ Area Mn sq. ft. ⁸⁸	6.56	8.00	5.6	5.52*
Total no. of Centres	53	41	181	85
Total Seats ⁸⁹	93,786	1,82,228	1,10,540	1,18,530
International Network (No. of Cities)	125	1	-	-
Total no. of Cities	8	13	17	12
Operational Stock/Area Mn sq. ft.	6.18	7.21	4.8	5.33**
Occupancy for mature centers (>12 months)	85.55%	86.77%	84%	90.06%
Annual Revenue ⁹⁰ INR Mn (FY 23-24)	17,371.64	11,131.10	8,748.0	8,676.60
Operational Revenue INR Mn (FY 23-24)	16,651.36	10,393.64	8,488.2	8,305.73
Rental Revenue INR Mn (FY 23-24) ⁹¹	14,025.41	9,970.62	5,507.00	6,803.95
Annual EBITDA (INR Mn) ⁹²	10,437.91	6,596.70	2,714 [#]	2,263.36
Adjusted EBITDA (INR Cr) ⁹³	339.75	106.03	97	113.3

Note: The data is provided as of March 31, 2024, basis information available in public domain, DRHP/RHP Documents, Annual Reports, MCA and across company websites

For WeWork India – All data points are received from WeWork India.

*For IndiQube Active stock means the rentable SBA plus SBA under fitout. SBA means Super Built-up Area of a property which is the total center area, including the carpet area, along with the terrace, balconies, areas occupied by walls, and areas occupied by common/ shared construction.

**Refers to IndiQube centres where the operator is (i) receiving rent from clients or (ii) could potentially receive rent from clients.

[#]EBITDA for Awfis is inclusive of other income i.e. INR 259.8 Mn reported as part of the annual report. For other operators, EBITDA excludes other income.

⁸⁸ Inclusive of operational centers, centers under fit-outs and centers yet to be handed over by the landlord. EOIs, LOIs, ROFR, ATL, and hard options are excluded.

⁸⁹ Inclusive of seats across operational centers, centers under fit-outs and centers yet to be handed over by the landlord. EOIs, LOIs, ROFR, ATL, and hard options are excluded.

⁹⁰ Inclusive of revenue from flexible workspaces, construction & fit-out projects, design and build solutions.

⁹¹ Rental Revenue is exclusive of any provisions.

⁹² EBITDA means earnings before interest, tax, depreciation and amortisation, calculated as restated profit / (loss) before tax plus finance costs, depreciation and amortisation expenses less other income.

⁹³ 1 Crores = 10 Mn

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 over the forecast period to 2027 has been undertaken.

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 853 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 over the forecast period:

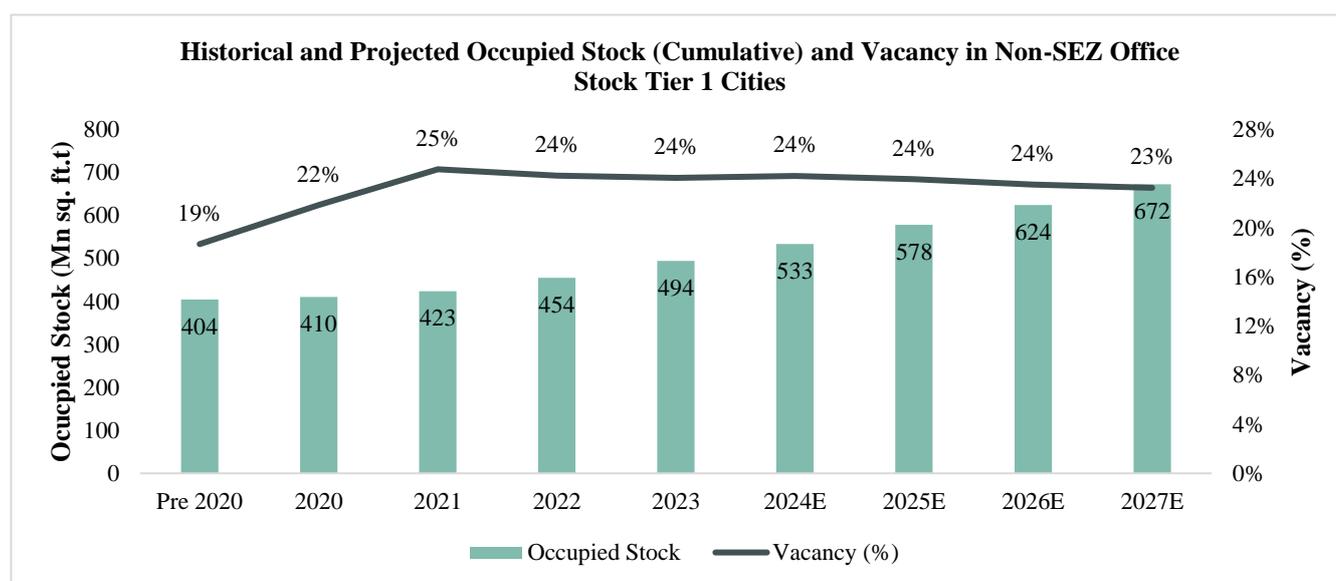
Y-o-Y Supply (Mn sq. ft.) at an India Tier 1 city level						Projected India Tier-1 city supply (Mn sq. ft.)			
City	Pre 2020	2020	2021	2022	2023	2024 E	2025 E	2026 E	2027 E
Non-SEZ Office Stock (Mn sq. ft.)	497	28	38	37	51	53	56	56	60
Cumulative Non-SEZ Office Stock (Mn sq. ft.)	497	525	563	599	651	703	760	816	876

The above estimates are based on the current and historic supply and demand trends for the office market. It assumes that the market continues to display similar characteristics over the forecast period. Forecasts are inherently uncertain, and not a guarantee.

The projections for the years 2024 – 2027 were estimated considering the growth rate of office witnessing during the recent years along with the current upcoming supply pipeline. The year-on-year growth rate of the cumulative stock of office ranged between 6% - 8% between pre 2020 to 2023. This assumes that similar growth is experienced over the forecast period, and market conditions remain stable.

Considering the above analysis, approximately 55 – 60 Mn sq. ft. of average annual supply addition of non-SEZ Office Stock is expected at an India level over the forecast period to 2027 and reach 876 Mn sq. ft. by 2027E, with the majority concentrated in the 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 to current market trends owing to the balance between the absorption of existing supply, the introduction of new supply in the market and estimated future demand in the short-medium term.

Projections for occupied stock are based on forecasted commercial office stock levels and vacancy percentages. There was an increase in vacancy levels in 2020-2021 witnessed largely due to the impact of the COVID-19 pandemic, higher levels of existing supply and consolidation of space by BFSI and IT tenants. 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 H1 CY2024.

Outlook for Flexible Workspace Sector in India

India has witnessed growth in demand for flexible workspaces. Flexible workspace stock addition by operators has witnessed growth over the years and approximately 12 – 14 Mn sq. ft. of stock was added in 2023.

Features and benefits such as flexibility, capital efficiency, cost optimization, employee well-being, and operational outsourcing are some of the key demand drivers for flexible workspace solutions amongst both startups and corporate enterprises. Through a widespread network of centres across the country, a variety of different service offerings and with the assistance of various inhouse or aggregator owned hybrid digital products, leading flexible workspace operators possess the ability to support various organizations in a more effective implementation of their hybrid and distributed working policies.

Estimation of Future Additional Stock Expected in Flexible Workspace Segment

- Projections have been made for the overall flexible workspace stock until 2027 and the total expected market size (total stock for a particular year) of the flexible workspace segment in Tier 1 cities 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 in India:

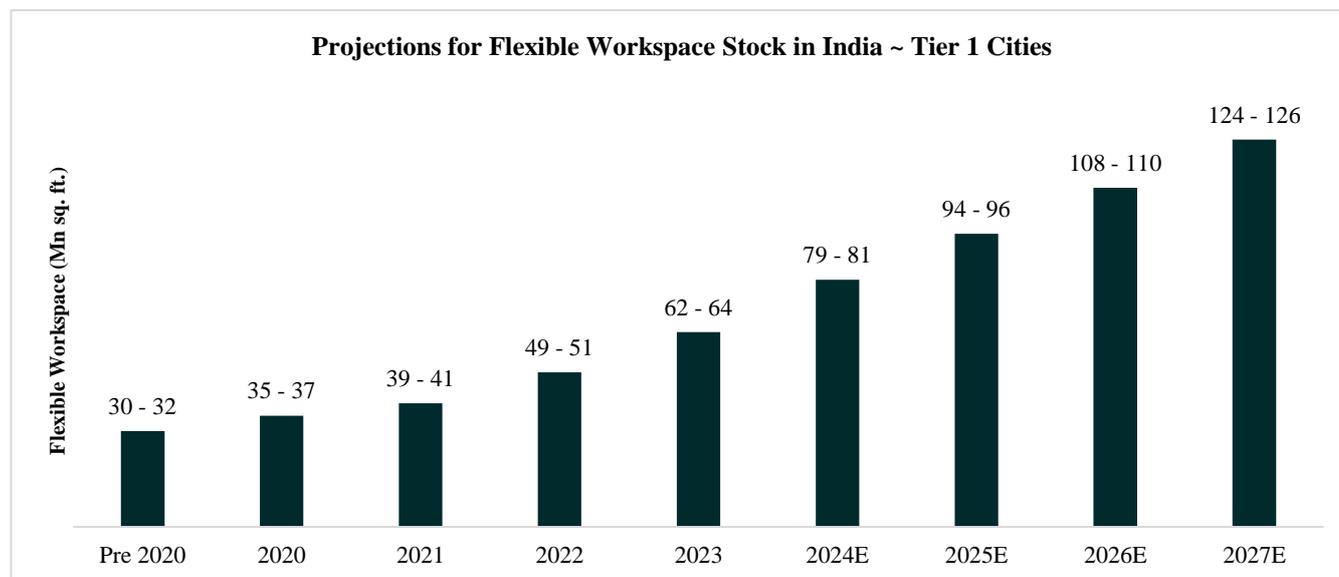
	Y-o-Y additional supply and total Stock (Mn sq. ft.) of Flexible Workspaces for India Tier 1 Cities					Projections for stock addition (Mn sq. ft.)			
	Pre 2020	2020	2021	2022	2023	2024 E	2025 E	2026 E	2027 E
Total Stock (Mn sq. ft.)	30 – 32	35 – 37	39 – 41	49 – 51	62 – 64	79 – 81	94 – 96	108 – 110	124 – 126
Y-o-Y Stock Addition (Mn sq. ft.)	30 – 32	4 – 6	4 – 6	9 – 11	12 – 14	15 – 17	14 – 16	14 – 16	14 – 16
Flex stock as a % share of Non SEZ office stock. (approx.)	5% - 7%	6% - 8%	6% - 8%	7% - 9%	9% - 11%	10% - 12%	11% - 13%	12% - 14%	13% - 15%
Flex stock as a % share of Total office stock. (approx.)	4% - 6%	4% - 6%	5% - 7%	6% - 8%	7% - 9%	8% - 10%	9% - 11%	10% - 12%	11% - 13%

The above estimates are based on the current and historic supply and demand trends for the office and flexible workspace markets. It assumes that the market continues to display similar characteristics over the forecast period. Forecasts are inherently uncertain, and not a guarantee. Please note, a range of approx. 2 Mn sq. ft. has been considered for the above table with the purpose of representation/standardization across data projections

The total flexible workspace stock ranging between 62 - 64 Mn sq. ft. by the end of CY2023, is forecasted to grow to approximately 124 - 126 Mn sq. ft. across Tier 1 cities by end of CY2027 at a CAGR of approximately 18%. These forecasts are in line with the flexible workspace operator annual net stock addition trends over the past few years and aim to project the future stock addition from operators in line with the expected demand from end users and foreseeable office supply that could be available to Flexible workspace operators.

Projections for Flexible Workspaces Stock in India

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



Future supply estimates are based on analysis of proposed and under-construction buildings, however, future absorption estimates are derived basis of past trends, current vacancy, and estimated supply. Historical data and projections provided for 2024, 2025, 2026 and 2027 across all indicators are the basis of CBRE's opinion of the current/historic market situation and availability of information in the public domain, any changes to the current market situation may impact the forecasts. Several factors like global macroeconomic uncertainty, geopolitical climate, pace of construction, and developer profile/execution capability may have a significant impact on the forecast estimates mentioned above. Considering the risk factors, forecasts are likely to change with periodic reviews given the evolving situation. Source: CBRE Research, H1 CY2024

Total Addressable Market (TAM) 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, plus the vacant stock of non-SEZ office spaces that is available for take-up in the market both by flexible workspaces and other CRE end users/companies.

As illustrated above, the total office stock of non-SEZ office space is expected to be approximately 876 Mn sq. ft. while the occupied stock is expected to be approximately 672 Mn sq. ft. by 2027E.

It is also known that the current stock of flexible workspaces within the office stock is over 72 Mn sq. ft. (H1 CY2024) across Tier 1 cities which is estimated to be approximately 124 - 126 Mn sq. ft. by end of CY2027E.

The Total Addressable Market for the flexible workspace segment is expected to be approximately 325 - 330 Mn sq. ft. by 2027.

Parameters	2027E
Total Stock (Non-SEZ Office) by 2027E – Mn sq. ft.	876
Total Occupied Stock (Non-SEZ Office) by 2027E- Mn sq. ft.	672
Vacant Stock (Non-SEZ Office) by 2027E- Mn sq. ft.	204
Expected Stock of Flexible Workspace in 2027 E (Tier 1)	124 – 126
Total Addressable Market for Flexible Workspace by 2027E – Mn sq. ft.	325 – 330
Total Addressable Market for Flexible Workspace by 2027E – ₹ Bn	787 – 1,035
TAM Calculation (₹ Bn)	
Weighted Average Rent for Non-SEZ Stock (India Level) – ₹/sq. ft./month	105.6
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	787
Total Addressable Market (Upper End) – ₹ Bn	1,035

The above estimates are based on the current and historic supply and demand trends for the office and flexible workspace markets. It assumes that the market continues to display similar characteristics over the forecast period. Forecasts are inherently uncertain, and not a guarantee.

With expected vacancy of approximately 204 Mn sq. ft. within the non-SEZ office stock and estimated level of total stock occupied by flexible workspaces (124 - 126 Mn sq. ft.) by the of CY2027E, the total addressable market (“TAM”) for the flexible workspace operators represents a sizeable opportunity of 325 - 330 Mn sq. ft. (in terms of area) and ₹ 787 – 1,035 Bn* (in terms of value) by 2027.

**calculated basis the average revenue per sq.ft that a mature facility managed by a leading operator is usually able to realize in India in an average Grade A building priced around a weighted average rent of Non-SEZ Stock mentioned above in key cluster, times the total TAM.*

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 are inherent risk factors associated with this segment:

- **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.
- **Economic Uncertainty:** General economic conditions have the ability to impact the demand for office and flexible workspaces. A downturn in economic conditions could impact on demand for flexible workspace. Events like COVID-19 may force companies to impose work from home protocols and reduce their usage of office spaces which may directly impact the revenues and occupancies for flexible workspaces.
- **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 identify new customers that shall acquire the churned/vacated space. During economic downturns or during a market slowdown, it may become difficult for flexible workspace operators to retain existing short term customers and find new replacement customers for the vacated space. This 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 workspace 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 and the cost of fit-outs may have the potential to significantly impact the overall pricing dynamics and profitability. 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 and operational revenues.
- **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 asset-liability mismatch. Such risks can be mitigated to some extent by having a larger proportion of an operator’s portfolio offered to enterprise grade customers on medium to long term basis.
- **Concentration Risk:** In some cases it has been observed that operators may offer their entire facility to a single or small number of end user clients. This is usually observed in cases of demand led managed office transactions. This can lead to concentration risk where if the solo or any major customer leaves or defaults, it may significantly impact operator cashflows for that facility. This risk can be mitigated or circumvented to some extent by offering a facility to multiple clients where a single client or a few clients may not have the ability to impact the facility’s revenue, profits and cashflows consequentially.
- **Rent Variations:** Flexible workspace operators like any other space lessee, may face the risk of an upward movement in the building lease rental post the expiry of their original lease tenure. This is more likely to happen in markets/buildings facing high demand for commercial office space with limited supply. In case the operator wants to continue in the same space for a another term post the expiry of the original tenure in a high demand market, the operator may face the demand for a higher rent from the landlord which may market it unviable for the operator to continue in the same space. This risk may impact business continuity planning for any lessee. To mitigate this risk, the operators can try to incorporate renewal/extension terms in the primary lease agreement with the landlord, if possible.

Unit Economics

To assess the operating dynamics for a typical flexible workspace centre in the context/ for the purpose of this report, CBRE has considered a facility size of approximately 1,00,000 sq. ft assuming a multi-solutions centre catering to the needs of a wide spectrum of clients. For the purpose of analysis, it is assumed that the center is developed with a focus on amenitization and technology. A seat density of 65 sq. ft. on a leasable area has been assumed for deriving the expected number of seats for the centre. All assumptions provided below have been taken as per typical market standards seen for a similar speculative centre providing a quality experience in an established micro-market of a Tier I city. The overall assessment has also been carried out using the above assumptions for the centre occupancy for a short to medium-term horizon.

Operator Side – Key Assumptions

All the values in the subsequent tables are in INR as of H1 CY2024.

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 6 months security deposit to the landlord
Recurring Expenditure		
C	Rentals to the space owner	Rentals of INR 98 / sq. ft. / month (basis market standards)
D	CAM charges to space owner	CAM Charges of INR 15 / sq. ft. / month (based on market standards)
E	Operating expenses	OPEX Charges of INR 35 / sq. ft. / month (based on market standards)
Revenue		
F	Revenue from Seats	Based on per-seat prices at a 2.4x multiple of the 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:

- All the charges mentioned above are on the leasable area
- Typical space owner rent-to-seat price multiple seen in the range of 1.9 – 2.5; Multiple has also been ratified using the cost plus margin approach. Additionally, an assessment of 2-3 stabilized centers across Tier 1 cities has been carried out to ratify the multiple ranges.
- Occupancy assumptions based on occupancy levels and timeframe to achieve occupancy seen in a successful center in an established micro-market. Occupancy at the time of commencement of operations is to the tune of 20-25%, and steady-state occupancy is 85%. The stabilization period of 11-12 months has been considered as per market standards.
- Average seat density of 65 sq. sft. Per seat has been considered for the center on leasable area
- Developer's Rent-free period of 4 months has been considered for assessment. Escalations in revenue have been considered at 5% annually. Rental payout to the developer undergoes a 15% escalation every three years.
- 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 12-24 months
- Asset Rental represents the weighted average India-level rentals for Non-SEZ stock across Tier 1 cities
- A 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
- The overall assessment excludes any impact of interest and taxation.
- Kindly note the sample unit economics model prepared is solely for representation purposes for a single centre and might not reflect portfolio level averages for the industry

The assumptions illustrated above have been utilized for assessing the expected cashflows for the operator under a straight lease model. The average EBITDA margin for the operator after factoring in refurbishment cost and other costs such as marketing and brokerage is approximately 27-28%. Further, the payback period for the operator is expected to be 53-54 months from the fit-out commencement cycle and nearly 49-50 months from the date of operations.

The Importance of Value-Added Service

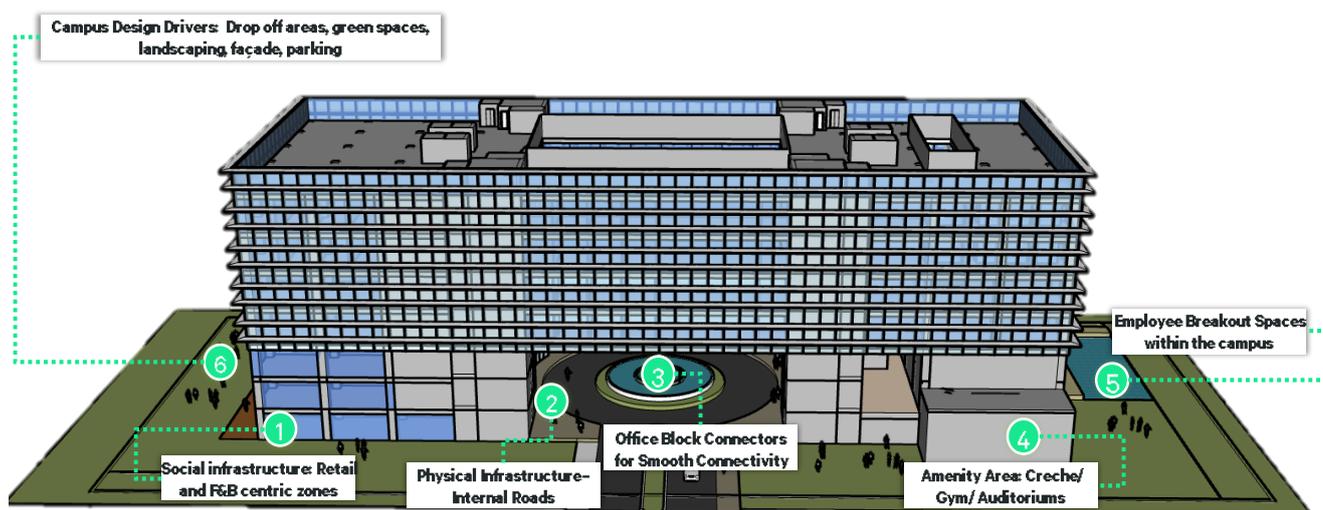
Over the last two decades, the segment of commercial real estate has evolved. Previously, the market was dominated by traditional landlords developing and managing standalone buildings tailored to the basic requirements of occupiers. However, rising demand for investment-grade office space and changing occupier preferences, have led to the emergence of developers creating integrated 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. Office parks have started focusing on amenitization and the creation of collaborative environments; supported by technology interventions to create better in-office experiences.

The flexible workspaces segment has also seen 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 multiple operators' increasing focus on value-added services and amenities across their centres.

Amenitization of Commercial Office Buildings: Shift Towards Integrated 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 shows the importance of holistic tenant-centric planning in the commercial real estate sector.



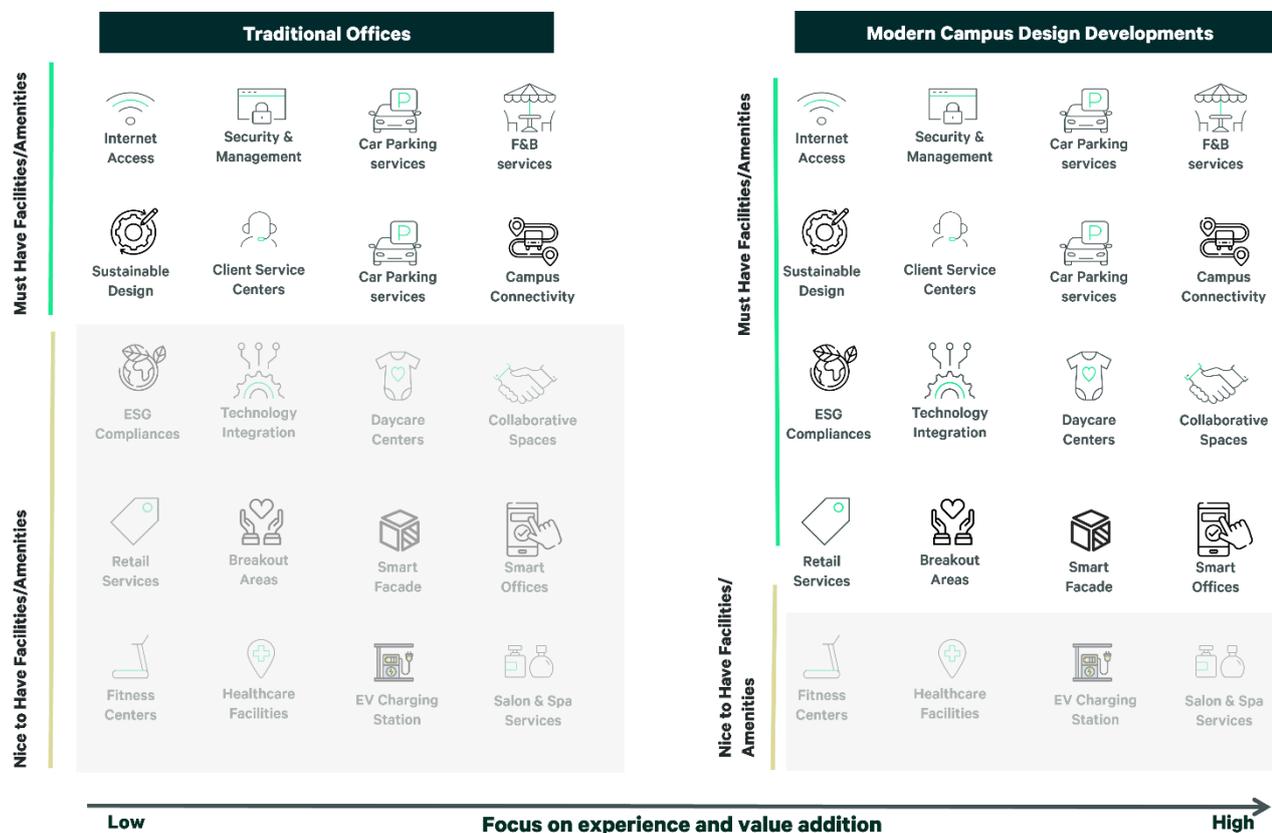
The image above has been provided for visual representation purposes only and is not intended to resemble any actual office park/commercial development.

Level of Integration of Facilities and Amenities for a Commercial Office

Level of Integration	Enablers	Implications
Ecosystem Level	<ul style="list-style-type: none"> Social infrastructure Physical infrastructure Ease of commute and connectivity Digital interventions 	Delivers quality experience for both occupiers and employees and boosts the attractiveness and marketability of the development
Cluster Level	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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, aiming to deliver quality-grade experiences. This approach integrates elements such as modern and sustainable designs, and hospitality experiences combining both work and leisure at the same time. Preference and acceptance of such formats have been seen with the introduction of such integrated commercial development.

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 developers/landowners accommodating additional nice-to-have facilities and amenities as part of their portfolios to meet the growing needs for a modern office by occupiers.



Integration of value-added services and amenitization have enabled developers to enhance user experience and the overall marketability of the product. In addition to food and beverage, developers are looking to integrate other retail offerings such as supermarkets, electronics stores, daycare centres and banks along with other support retail amenities.

To understand the impact of such value-added services across office developments, CBRE conducted a study focusing on approximately 10 marquee commercial developments across prominent hubs and key markets in India. These developments were considered for further evaluation as part of the study based on 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**

Some key objectives of the analysis included:

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.

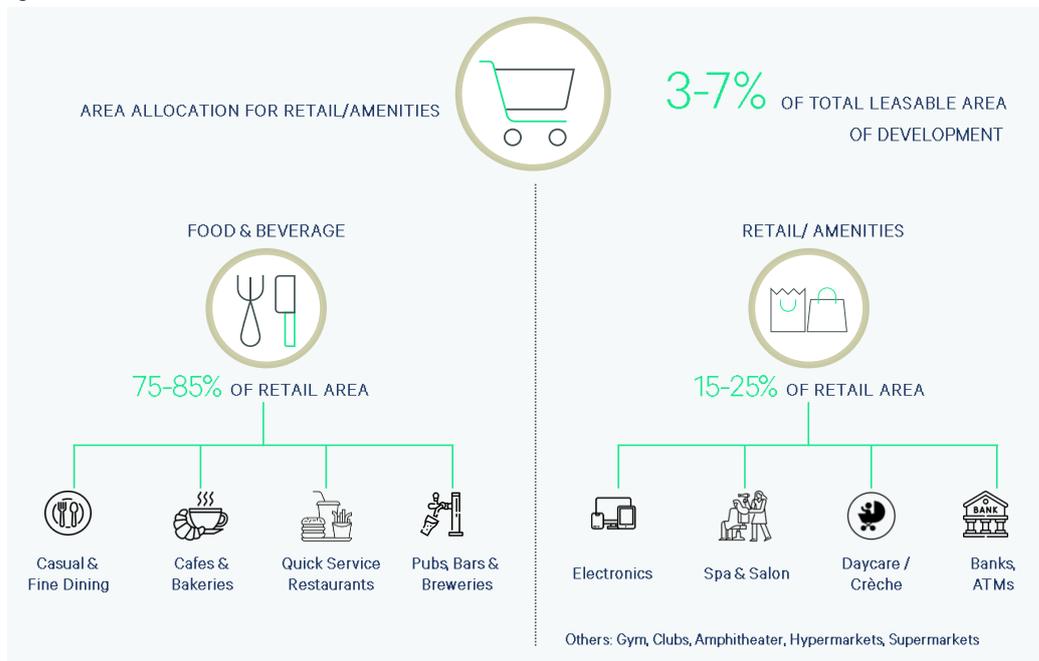
Key highlights of the analysis include:

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. Analysis of retail revenue to determine key contributing categories.

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

The overall area allocated for the retail category across the evaluated assets accounted for approximately 5-7% of the total leasable area including the 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.



A selection of buildings analysed have been summarised below:

Development 1: A marquee development in Gurgaon with twin towers shows the contemporary trend of integrating retail, F&B, and other support retail offerings within commercial spaces. This development with approximately 3-5% of the total leasable area allocated for retail generates approximately 3-5% of total asset revenue. This has allowed 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%.

Development 2: A marquee development in Hyderabad shows 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.

Development 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, the 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.

Development 4: Located in Powai, the commercial development focuses on key retail offerings aiming to enhance occupiers' experience. 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, it is shown that integration of value-added services and amenitization has 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 strategy to focus on providing quality experience is driven by the evolving consumer behaviour in India. With increasing income levels, Indian consumers are now looking to enhance their lifestyle and are directing some share of their household expenditure to retail and experiences.

India's per capita income has shown a consistent upward trajectory, with increased consumer purchasing power. The per capita Gross National Income in India grew from INR 1,17,131 in FY2017 to INR 2,08,633 in FY2024, registering a Compound Annual Growth Rate (CAGR) growth of 8.6% over this period. *(Source: Ministry of Statistics & Programme Implementation, Government of India, Provisional Estimates of Annual GDP for 2023-24 and quarterly estimates of GDP for Q4 of 2023-24, May 2024, Economic survey 2023-2024)*

The household consumption expenditure in India has grown from INR 81.7 trillion in FY2016 to INR 164.2 trillion in FY2023, growing at a CAGR of 10.5% during the period. India's per capita private final consumption expenditure has increased from INR 63,807 in FY2022 to INR 69,528 in FY2024. The rise in per capita private final consumption expenditure reflects improved living standards. *(Source: Ministry of Statistics and Programme Implementation, May 2024)*

Household Individual Consumption Expenditure incurred on transport, recreation and culture, restaurants and hotels have grown at a CAGR of 13%, 10.4% and 10.1% respectively during the period FY2016 to 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, the Indian consumer is likely to spend more on quality, variety, and convenience along with more experiential offerings. Subsequently, brands are offering experiential services and products to consumers catering to their needs.

Evolution and Ancillary Revenues in Flexible Workspace Offerings

Flexible space offerings in India have evolved significantly 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, and stationery.

With the introduction of enterprise coworking solutions, the operators started designing and building larger, more amenitized and technology-enabled centres. Along with private suites and offices, these centres also have open-layout seating and larger common areas to encourage and enable 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/semi-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 aim to combine the privacy, flexibility, and customization of a managed office solution with the benefits and experience of an amenitized and technology-enabled office campus.



Business Centres

Small – Medium sized centres comprising of small private & serviced suites with meeting rooms and basic common amenities



Enterprise CoWorking

Small – Large sized centres with collaborative areas, meeting rooms, private suites, open desks and amenities



Managed Office

Custom built private/semi private bespoke serviced offices for mid-long term use

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 operators can be:

- **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.
- **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.
- **Virtual office:** Revenue generated from selling virtual office packages to enterprises and entrepreneurs.
- **Parking Charges:** Revenue generated from providing parking facilities to members.
- **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.
- **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.

As per the industry average, these ancillary revenue categories provided by the operators have been observed to usually range between $0\% \leq \text{Ancillary revenue} \leq 10\%$ 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, along with the nature of space take-up i.e., demand-backed built-to-suit offices or speculative space take up, the scale of centre, the focus on and scale of amenities being offered and the client mix in a centre i.e. startups, freelancers or enterprises.

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

Employee Experience as a Key Focus

As discussed in previous sections, Occupiers are likely to emphasize enhancing employee experience⁹⁴ to attract and retain a quality workforce. Occupiers are looking for offices with dedicated areas to connect, create and focus along with support amenities enabling more collaboration, training, food and beverage options and dedicated social spaces. Along with employee wellbeing, experience curation and hospitality-centric facilities and services are key elements of employee experience, as elaborated below.

- 1) Experience Curation – Space Activation and Community Building:** Space activation at the workplace aims to develop vibrant and engaging workspaces that create community, encourage collaboration and are likely to enhance employee experience. This is achieved through the integration of collaborative areas spread across the offices aimed to promote social interaction.



Source: CBRE Research, *Employee Experience – Pathway to Reimagining Workspaces*, July 2024

- 1) Hospitality Integration – Service-led Delivery:** Integration of hospitality-centric services and amenities enables good design aiming to enhance user experience, to prioritise service, comfort and convenience. Developers are looking to focus on enhanced experiences by introducing augmented services and amenities. These can include flexible workspaces, concierge services, better aesthetics, dedicated tenant lounges and bars, onsite food and beverages, and wellness programs.



The emphasis on retail areas across the commercial office segment along with the changing nature of expenditure and consumer preferences are also expected to continue the transformation witnessed in the real estate sector. This may drive demand for developments emphasizing holistic consumer experiences with hospitality-centric amenities and facilities. To capitalize on changing dynamics, developers and operators may also evaluate to strategically align their offerings in response to consumer preferences for convenience and quality experience.

⁹⁴ Employee experience encompasses the overall individual's journey within an organization. It considers all touchpoints – from onboarding and business engagement to role satisfaction and leadership support to exit process.

Outlook

As highlighted in aforementioned sections, India's favourable demographics, the availability of a quality talent pool, and competitive talent costs helps position India as one of the preferred destinations for multinational corporations (MNCs) and other enterprises to establish their Global Capability Centers (GCCs). Furthermore, the Indian commercial office market is also supported by key government initiatives like 'Make in India' and 'Start up India,' which are expected to drive the growth of start-ups and micro, small, and medium enterprises (MSMEs). These entities are expected to increase demand for office spaces by domestic occupiers. Additionally, these domestic and international companies may also evaluate flexible workspaces to set up or expand their operations across India, owing to salient features and potential benefits such as flexibility, capital efficiency, cost optimization, employee well-being, and operational outsourcing etc.

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
BFSI	Banking, Financial Services and Insurance
CAGR	Compounded Annual Growth Rate
CAM	Common Area Maintenance
CPI	Consumer Price Index
CY	Calendar Year
DRHP	Draft Red Hearing Prospectus
EMEA	Europe, Middle East, and Africa
ESG	Environmental Social Governance
F&B	Food & Beverage
FaaS	Fit-out-as-a-Service
FAR	Floor Area Ratio
FDI	Foreign Direct Investment
Flex	Flexible Workspace
FY	Fiscal Year
GCC	Global Capability Centre
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GST	Goods and Services Tax
HNI	High Net-worth Individuals
IMF	International Monetary Fund
INR	Indian National Rupee
MMR	Mumbai Metropolitan Region
Mn	Million
MNC	Multinational Corporations
NCR	National Capital Region
OMR	Old Mahabalipuram Road
ORR	Outer Ring Road
PMAY	Pradhan Mantri Aawas Yojana
psf	per sq. ft.
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SEBI	Securities s& Exchange Board of India

SEZ	Special Economic Zone
SME	Small-Medium-Enterprises
sq. ft. or sf or sft	sq. ft.
Stats	Statistics
TAM	Total Addressable Market
USD	United States Dollar
Y-o-Y	Year-on-Year