

Savills Knowledge Series: Renewed Approach & Impact on Office Market

Poll Result Analysis, Pune



The Savills Knowledge Series: Renewed Approach & Impact on Office Market, Pune Chapter was organised in March 2021 to discuss the renewed approach of businesses owing to the pandemic, various aspects of the India office market in 2020 and its performance in Pune.

The webinar was attended by over 30 Corporate Real Estate leaders and decision-makers operating in varied segments such as technology, financial services, professional services, healthcare, and pharmaceuticals, among others, who shared their views on how they expect the office market to shape up going forward.

The webinar concluded with an online poll comprising of four questions that helped us gain crucial insights into occupier sentiment. We have put together this document to share those findings with you.

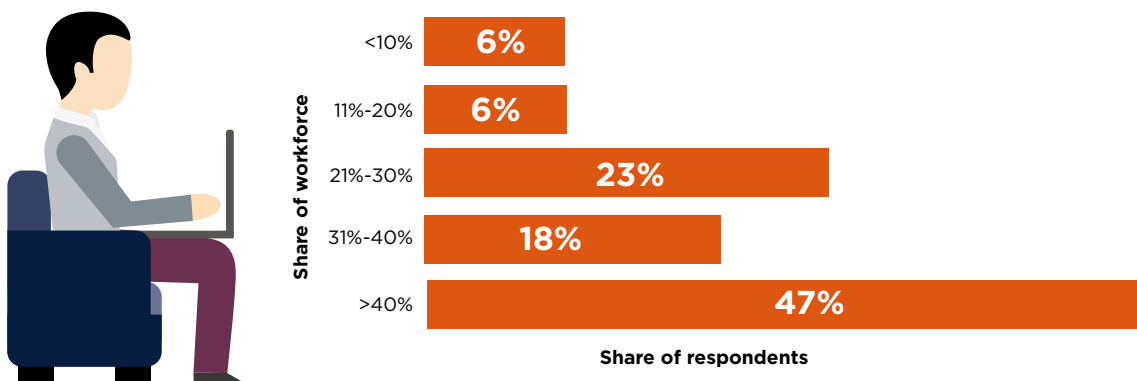
Occupiers adopt remote-working concept

At the end of the first quarter of 2020, the country was forced to go into a complete lockdown of business activity due to the pandemic. In March 2020, workplaces were shut, and employees were working from home for the first few weeks. By May 2020, while workplaces had begun to re-open partially with easing lockdown restrictions, not all companies were asking their employees to return to office.

The trend of ‘work-from-home’ and ‘work-from-anywhere’ has gained significance thereafter and occupiers have displayed openness to remote working. The poll results

suggest that almost half (47%) of occupiers foresee more than 40% of their workforce to be working from a non-office location over the next 12-24 months. However, as occupiers are revisiting their density plans in existing offices to enable a safe return for employees, we expect a gradual revival of the sector. We believe that occupiers will likely resort to a ‘hub & spoke’ model, offering flexibility to employees to work from anywhere or near clients. Hence, the indications are that flexible workspaces will likely gain significance in such a scenario.

Share of workforce working from a non-office location in the next 12-24 months



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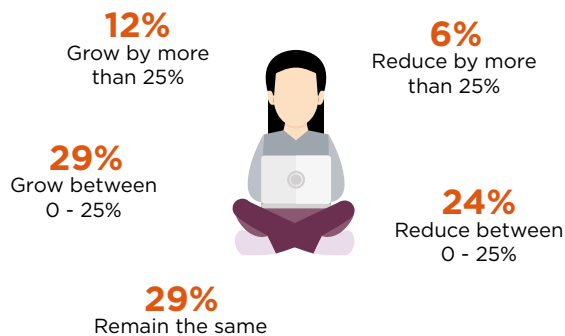
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Space take-up in the next 12-24 months



Occupiers' expansion plans likely to sustain office leasing

Occupiers are transforming their real estate strategies from business continuity to business planning. Amidst work-from-home and the new norms of social distancing, occupiers are spending time to reassess their overall real estate requirements.

Despite the remote-working concept becoming integral to strategic thinking, our poll results suggest that 41% of occupiers will expand their footprint over the next 12-24 months. It is noteworthy that almost one-third of these occupiers intend to expand

their real estate portfolio by more than 25%, reflecting positive occupier sentiment in the market. Certain occupiers hinted towards reducing spaces as technology adoption has made work-from-anywhere possible. We believe occupiers' expansion strategies will lead to increased office absorption and introduction of more efficient spaces over the next twelve months. We expect occupiers to offer flexibility to employees and office absorption should start showing signs of recovery in H2 2021.

Expansion into tier II & III cities



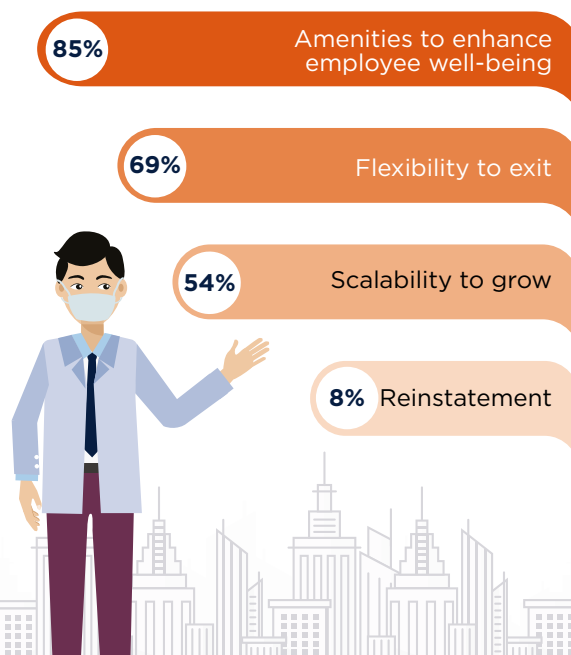
Most occupiers focus on tier I cities for expansion; select occupiers explore tier II & III cities

Many employees returned to their respective hometowns because of the pandemic-induced lockdown in 2020. Despite this, most occupiers are not considering setting up offices in tier II or tier III cities in short-term. In fact, the expansion that is hinted above (41%) will most likely be in tier I cities, driving a faster recovery of the sector.

Concurrently, there is another set of occupiers that is considering setting up offices in tier II or tier III cities. Our poll results suggest

that 33% of occupiers are likely to consider expanding into tier II and tier III cities. We believe that these occupiers may evaluate adopting a 'hub & spoke' model, where the hub is in a metro city and the spoke is in a tier II or tier III city, offering flexibility to employees to work from anywhere. We believe flexible workspaces in tier II cities may provide a perfect solution to meet occupiers' requirements of quality workspaces.

Post-COVID priorities around transaction structuring



Occupiers' preference for flexibility and employee wellness

The pandemic has altered the way occupiers conceive workplaces. The current times warrant increased emphasis on employee wellness initiatives, while companies strive to regain overall business momentum. As employee wellness plans improve productivity and increase job satisfaction, occupiers are focusing on these initiatives to enhance employee efficiency as well as

safety. Further, occupiers are also looking at workplace options that offer them the flexibility to expand or contract. Our poll results suggest that amenities to enhance employee well-being and flexibility to exit are the two topmost priorities of occupiers, while structuring transactions in the post-COVID world.

The corporate world has started to emerge from the depths of a multi-dimensional crisis, which has created economic as well as social impacts. The earlier crises of the late 1990s or the late 2000s were mainly economic in nature. The strategies this time are being reoriented in a different manner. It might be early to know all the contours of the same, but it is evident that CRE think-tanks in all companies are aware and working actively to adopt and adapt.

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