The Resurgent Flex
Preface

The pandemic has changed the way real estate stakeholders including occupiers, developers, and coworking operators perceive commercial office space requirements. There is a greater emphasis on employee wellness and regaining lost productivity levels while simultaneously minimising capex and operational expenses. One of the reasons for flex spaces navigating through the course of the pandemic is its appeal to a broad demographic. From the reclusive employee who prefers to work in silos to the extrovert who wants to expand their network over the community-based layout, flex spaces have something for everyone.

Office market leasing has had a strong bounce back in H1 2022 with 30.4 mn sq. ft. gross leasing volume, and we expect the recovery to exceed pre-pandemic levels, with a projected 50-60% YOY increase by year-end in comparison to 2021. Interestingly, since 2018, the overall commercial real estate activity in 6 major markets of the country has been directly correlated with the performance of the coworking sector.

Both, gross absorption and coworking sector share had hit consecutive peak years in 2018 and 2019. However, in 2020, during the initial phase of the pandemic, businesses put real estate decision-making on pause, and apprehensions arose with respect to the viability of coworking spaces—‘Sharing Resources’ vis-à-vis ‘Social-Distancing’. Flex spaces lost the momentum of 2019 significantly and recorded only 2.6 mn sq. ft. of leasing activity, a YOY decrease of almost 66%.

As the office markets embarked on a period of gradual recovery in 2021, coworking operators with out-of-the-box services and enterprise-level offerings took advantage of dynamic commercial real estate requirements and regained the confidence of occupiers. Interesting offerings such as daily passes, flexibility to work across domestic and international locations for members and fully customizable lock-in periods (if at all), have been quite successful in attracting occupiers to use flex-offices. Flex spaces have continued to drive the strong resurgence of commercial real estate in 2022. The sector accounted for an 18% market share of the total office leasing activity witnessed in the first half of 2022.

Savills India Research expects that 2022 is likely to witness a new peak in terms of gross absorption, and the coworking sector will account for around one-fifth of the overall demand, easily crossing the pre-pandemic share of 14% in 2019.

Office market leasing and flex space share trend

<table>
<thead>
<tr>
<th>Overall office leasing in mn sq. ft.</th>
<th>Share of flex spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Pandemic</td>
<td>Peak Pandemic</td>
</tr>
<tr>
<td>Gradual Recovery</td>
<td>Strong Bounce Back</td>
</tr>
<tr>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>2022 P</td>
<td></td>
</tr>
<tr>
<td>47.3 (3.8)</td>
<td>55.7 (7.8)</td>
</tr>
<tr>
<td>31.9 (2.6)</td>
<td>36.9 (4.8)</td>
</tr>
<tr>
<td>30.4 (5.5)</td>
<td>55 - 60 (12.0)</td>
</tr>
</tbody>
</table>

Source: Savills India Research
Established Flex Hotbeds

Historically, with 4.4 mn sq. ft. of leasing volume by shared spaces, Bengaluru has contributed to more than one-third of the coworking space leasing activity since 2020. The city has been followed by Pune and Hyderabad with 3.4 mn sq. ft. and 2.2 mn sq. ft. of flex space absorption, respectively. The three cities are established coworking hotbeds and had a cumulative share of 77% in leasing activity since the onset of the pandemic in 2020. This overwhelming contribution by Bengaluru, Pune and Hyderabad can be attributed to the fact that these cities are favourites, when it comes to space take-up by MNCs, IT enterprises, start-ups, unicorns, and new-age companies alike.

Interestingly, the top 5 micro markets of the country had a cumulative 60% share since 2020, indicating the concentration of coworking activity in certain preferred pockets of the country.

City-wise Coworking Space Activity (2020-H1 2022)

- **Bengaluru**: 4.4 mn sq. ft. (34%)
- **Pune**: 3.4 mn sq. ft. (26%)
- **Hyderabad**: 2.2 mn sq. ft. (17%)
- **Delhi-NCR**: 1.2 mn sq. ft. (10%)
- **Chennai**: 1.0 mn sq. ft. (8%)
- **Mumbai**: 0.6 mn sq. ft. (5%)

Top 5 Coworking Micro Markets* in India (60% Share in 2020-H1 2022)

- **Bengaluru ORR**: 18%
- **Pune SBD-West**: 15%
- **Hyderabad SBD-I**: 13%
- **Bengaluru CBD**: 7%
- **Bengaluru SBD**: 7%

Source: Savills India Research

Strong Traction in Uptake of Flex Seats

As organisations encourage employees in returning to physical offices, agility and flexibility have become the core of the real estate decision-making process. Consequently, strong traction is evident in coworking desks taken up by occupiers in H1 2022. Coworking operators have leased over 75,000 seats in H1 2022 alone, compared to 60,000 seats in 2021. Almost 75% of the demand for coworking desks in H1 2022 is attributable to the three largest flex markets - 45% in Bengaluru, 20% in Pune, and 10% in Hyderabad.

As per Savills India Research, the total flex seat demand is anticipated to reach a new high with 150,000 seats, an increase of 1.5X YOY in 2022. This is in line with our earlier prediction of a strong recovery in the coworking sector. (Nov 2020 paper titled “Collaborative Spaces in a Dynamic World Order”) We had predicted 120,000-170,000 uptake of flexible seats, primarily driven by altered real estate dynamics and innovative product offerings by coworking operators.

Weighted average per seat rentals have witnessed a positive correlation with the demand for managed spaces in the country. The increase in rentals can also be attributed to operators factoring in capex costs incurred while making flexspaces as per occupier specifications. As of H1 2022, the weighted average monthly rent of a flex seat in India stands at INR 11,700/seat. This is a 5% YOY growth compared to the weighted average prices at the end of 2021. However, one must note that the pricing of a flex seat in a particular commercial building is dependent on multiple factors such as micro market, facilities provided by the operator, and the quality of the building. Thus, the per seat rentals can be as high as INR 65,000/month/seat in BKC, Mumbai, or as low as INR 6,000/month/seat in peripheral areas of Hyderabad. With healthy coworking sector traction envisaged for the rest of the year, average monthly rentals in India are expected to touch INR 12,500/seat by the end of 2022, a 13% YOY growth.

Coworking Desks Taken by Occupiers in India

Source: Savills India Research

*Micro market definitions
Bengaluru: Outer Ring Road (ORR) - Zone 1: Sarjapur to Marathahalli, Zone 2: Marathahalli to KR Puram, Zone 3: KR Puram to Hebbal
Bengaluru: Central Business District (CBD) - MG Road, Millers Road, Vittal Mallya Road, Residency Road
Bengaluru: Secondary Business District (SBD) - Indira Nagar, Old Airport Road, CV Raman Nagar, Koramangala, Jayanagar, Domlur, Banerghatta Road, Rajajinagar, Malleswaram
Pune: SBD West - Aundh, Baner, Balewadi, Pashan, Kothrud, Kave Nagar, Vaval, Paud Road
Hyderabad: Secondary Business District I (SBD-I) - HITEC City, Madhapur, Kondapur, Raidurg
Drivers of Flexible Space Leasing Activity

1. Start-ups
It is not a hidden fact that the start-up ecosystem in India has become a force to reckon with in the past few years. Up until 2016-17, India had only one unicorn. However as of June 2022, India is home to 17 unicorns with an estimated market value of USD 22 billion. India rose 28 spots to be placed 19th amongst 100 startup hubs globally in 2021. In 2020, India was placed 48th in the same survey.

Nimble footedness and cost consciousness are hallmarks of such companies, and it is not a surprise that they continue to prefer coworking spaces over traditional office set-ups. Start-ups have accounted for 13% of the flex space demand in H1 2022.

Share of Start-ups in Flex Seat Take-up in H1 2022

2. New-age companies
New-age businesses such as FinTech, HealthTech, EdTech, RetailTech, etc. have quickly embraced the flex space concept. With a cumulative uptake of around 15,500 seats, these companies had a market share of 20% in H1 2022. With more and more organisations leveraging on deep technology, machine learning, and artificial intelligence, we expect the shared space take-up from new-age companies to increase further as they expand their operations in Tier II and III cities of the country.

Share of MNCs in Flex Seat Take-up in H1 2022

3. Multi-national companies
Contrary to earlier times, where flex spaces were held appropriate for most start-ups and mid-range companies, almost 52% of flex space leasing in H1 2022 has come from organisations with operational presence in more than one country. In the age of hybrid and work-from-anywhere culture, MNCs are embracing coworking spaces to encourage employees to work in locations closer to their homes, while keeping a check on dynamic real estate requirements.

Share of MNCs in Flex Seat Take-up in H1 2022

Other Flex Space Insights

Higher average space uptake as compared to other sectors
Interestingly, the average transaction size of coworking spaces is almost 53% higher than the average of other sectors from 2020 to HI 2022. The figures are proof enough of coworking’s popularity during and post the peak-pandemic period when businesses are reassessing their workplace strategies and putting more emphasis on flexibility and cost savings.

With businesses focusing on portfolio optimisation as per employee demands, flex spaces with their myriad of options ranging from daily rental schemes to increased tech inclusion, sustainability and wellness features are expected to grow and secure their positioning of a paradigm shift in the commercial office leasing sector.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average Transaction Size (sq. ft.)</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coworking Sector</td>
<td>60,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Sectors</td>
<td>39,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Share of large-sized coworking transactions

Dominance of big-ticket transactions
Despite the setbacks and difficulties, growing demand from big businesses resulted in flex operators expanding across cities and growing their portfolios. The coworking sector has already witnessed 35 transactions of 50,000 sq. ft. or more in H1 2022, exceeding the full-year big-ticket activity of 2021. The dominance of big-ticket transactions is also reflected in the number of desks taken up by large occupiers in coworking centers across the country. 14 organisations ranging from the traditional BFSI sector to new-age companies have taken up more than 1,000 seats each in H1 2022. Such large space uptake in flexible spaces was unheard of a few years back.

Top 5 Coworking Transactions in H1 2022

<table>
<thead>
<tr>
<th>Operator</th>
<th>Building</th>
<th>Area (Mn. sq.ft)</th>
<th>City</th>
<th>Micro market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartworks</td>
<td>AP 81 B Wing</td>
<td>0.45</td>
<td>Pune</td>
<td>CBD</td>
</tr>
<tr>
<td>Table Space</td>
<td>Amar Tech Park</td>
<td>0.30</td>
<td>Pune</td>
<td>SBD West</td>
</tr>
<tr>
<td>Smartworks</td>
<td>Amar Madhuban Tech Park</td>
<td>0.30</td>
<td>Pune</td>
<td>SBD West</td>
</tr>
<tr>
<td>Simpliwork</td>
<td>Sky One Corporate Park</td>
<td>0.23</td>
<td>Pune</td>
<td>SBD East</td>
</tr>
<tr>
<td>Smartworks</td>
<td>Karle The Cube</td>
<td>0.23</td>
<td>Bangalore</td>
<td>ORR</td>
</tr>
</tbody>
</table>

Source: Savills India Research

*Approximate and indicative areas only

---

Start-up: An entity which has been founded less than 10 years ago, and has an annual turnover less than INR 100 crore.

Unicorns: A privately held start-up company with a valuation of over USD 1 billion. The term is commonly used in the venture capital industry.

1 Source: Savills India Research
2 Source: Investopedia
3 Source: investindia.gov.in
4 Source: Startup Blink Report

savills.in | workthere.in
Companies from the Banking Financial Services and Insurance (BFSI) sector, be it front-end offices of domestic banks or business/knowledge processing units of global financial institutions, have been a significant contributor to the demand of office spaces in the country. With a 10-20% annual share in gross office space absorption since 2018, the BFSI sector has driven the commercial real estate market of the country and helped the market emerge strongly on the other side of peak pandemic. In fact, with India poised to become the third largest economy in the world by 2030, and the BFSI sector contributing almost one-fifth of the office space demand, it becomes imperative to understand the perspective of the sector towards flexible office spaces. Savills India Research has conducted a survey-based analysis to understand the mindset of senior level executives in the BFSI sector. The analysis provides interesting clues about the changing perception of BFSI occupiers towards shared office spaces and their practical usage.

As earlier apprehensions with respect to data security and privacy have been allayed to a large extent due to enterprise-level offerings by coworking operators, we have witnessed established BFSIs like Kotak, Commonwealth Bank, RBL Bank, MasterCard, SBI General Insurance, Muthoot Finance, KPMG and E&Y welcoming shared real-estate portfolio positions in H1 2022. Although our survey provides a demonstration that dynamic requirements and cost advantage are the top drivers for BFSI companies adopting flexible spaces, it also indicates reasonably towards the notion ‘BFSI sector, in today’s world, is fairly comfortable with existing technology and safety aspect of flexible spaces’.

In fact, companies from the BFSI sector have rented more than 6,000 seats (6 major markets only) from coworking operators in the first six months of the year. This translates to an 8% share in the overall 76,000 shared seat take-up witnessed in H1 2022. When looked at in tandem with the additional 7,500 seat take-up by new-age fintech companies, the overall BFSI sector had a 17% share in H1 2022.

Evidently, more than three-fourths of the BFSI respondents in our survey have already taken up or are open towards leasing coworking spaces in the near term.
### Flex Ahead

As employees return to offices in increasing numbers and future operational viability for organisations improves significantly, office space demand across the country is expected to reach pre-pandemic heights. With most flex spaces offering a fully managed business eco-system and option to recalibrate as per occupier needs, Savills India Research expects the share of flex spaces in office leasing activity to reach an all-time high of 20% by 2022 year-end.

Real estate cost optimisation and explosive growth in hybrid work for coworking sector growth in Tier II and III cities of the country. Employee preference to work from their base locations and a higher

Employee preference to work from Tier II and III cities of the country. For more insights on upcoming IT-BPM centers of the country. For more insights on upcoming IT-BPM centres of the country, Savills India Research expects the share of flex spaces in office leasing activity to reach an all-time high of 20% by 2022 year-end.

Research expects the share of flex spaces in office leasing activity to reach an all-time high of 20% by 2022 year-end.

With zero fees for businesses seeking such spaces, it helps you find an office space that suits your needs perfectly. For India, we have listed over 83,199 seats across 387 coworking centres across the six metros of NCR, Bangalore, Mumbai, Chennai, Pune & Hyderabad. We follow an omnichannel approach, where your online query is followed up by dedicated, local specialists to get you the perfect office.

### Find your workspace now!

**Naveen Nandwani**
Vice President, Workthere India
**Kaustuv Roy**
General Manager, Workthere India
**Vishal Kaushik**
Associate General Manager, Workthere India

**Savills India**
Savills India is a group company of Savills PLC and is a premier professional international property consulting firm. With full-service offices in Ahmedabad, Bengaluru, Chennai, Hyderabad, Delhi-NCR, Mumbai and Pune, the firm serves occupiers, investors and developers of real estate.

**Savills**
Savills PLC is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 700 offices and 40,000 associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

**Research**
Suryanee Dass
Assistant General Manager Research & Consulting
suryanee.dass@savills.in

Aloka Majumder
Assistant Manager Research & Consulting
aloka.majumder@savills.in

Megha Maan
Director Research & Consulting
megha.maan@savills.in

Diksha Gulati
Assistant General Manager Research & Consulting
diksha.gulati@savills.in

Shashwat Srivastava
Assistant Manager Research & Consulting
shashwat.srivastava@savills.in

Arvind Nandan
Managing Director Research & Consulting
arvind.nandan@savills.in

**Central Management**
Anurag Mathur
Chief Executive Officer
anurag.mathur@savills.in

**Media Queries**
Nitin Bahl
Chief Marketing Officer
nitin.bahl@savills.in

**Regional Management**
Bhavin Thakker
Managing Director - Mumbai
bhavin.thakker@savills.in

Sarita Hunt
Managing Director Bengaluru
sarita.hunt@savills.in

Naveen Nandwani
Managing Director Delhi NCR (Interim)
naveen.nandwani@savills.in

Praveen Apte
Managing Director Pune
praveen.aptte@savills.in

Anup Vasanth
Managing Director Chennai
anup.vasanth@savills.in

Sesha Sai
Managing Director Hyderabad
sesha.sai@savills.in

**Gurugram**
3-A, Second Floor, Building 9B
DLF Cyber City, Phase 3
Sector 24, Gurugram 122 002
Harayana, India

**Chennai**
Savills, 5th Floor, North Wing
Harmony Square, New No. 48 & 50
Prakasam Street, T. Nagar
Chennai 600 017
Tamil Nadu, India

**Ahmedabad**
INC-02, The First Commercial Complex
B/5 Keshavbaug Party Plot, Vastrapur,
Ahmedabad 380 005
Gujarat, India

**Mumbai**
403, Tower B, Level 4, The Capital
Street 3, G Block, Bandra Kurla Complex
Bandra East, Mumbai 400 051
Maharashtra, India

**Pune**
WeWork Futura
Magarpatta Road
Pune 411 028
Maharashtra, India

**Bengaluru**
15th Floor SKK IV SEETHALAKSHMI
Corporation No.21, Kasturba Road
Bengaluru 560 001
Karnataka, India

**Hyderabad**
Office No. 048-106, WeWork
Krisna Emerald, HITC City
Hyderabad 500081
Telangana, India