

CBRE RESEARCH

India Flexible Space Digest – 2019

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HIGHLIGHTS OF 2019



ADOPTION OF TECH

In addition to launching **individualised apps** which allowed tenants to book / modify requests for varied services such as booking conference rooms and hot desks, making bookings for community events, booking a cab and ordering food; many operators have been adopting specific apps that provide **intergroup social platforms** where occupiers can post business requirements. An innovative example of such tech incorporation is of a managed space operator that was planning to **introduce robotics** across its centers in the coming quarters. In case of managed office spaces, the operators have been leveraging their tech platforms to **efficiently design and build spaces as well as manage and monitor** the activity of occupants.



INCREASED OCCUPANCY RATE

This was primarily a result of **established corporates** leasing large-sized spaces in both hybrid and managed spaces. The corporates preferred these spaces as they **help reduce capex, provide a locational advantage and increase the agility of their RE portfolios**.



CUSTOMIZED ENTERPRISE SOLUTIONS

These solutions provided operators a **competitive advantage** as well as enabled them to retain more enterprise tenants for a longer term.



GROWTH IN INVESTMENT ACTIVITY

Increased inflow of funds was witnessed in 2019, with about **USD 140 million** of funding provided by angel investors / PE funds / debt funds.

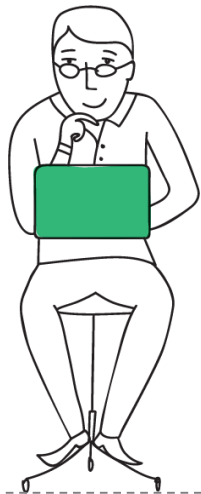


INDIA'S FLEXIBLE SPACE MARKET IN 2019



~10.8 FLEXIBLE SPACE TAKE-UP IN 2019
MN SQ. FT.

IN 2019, BANGALORE AND HYDERABAD ACCOUNTED FOR ABOUT HALF OF THE FLEXIBLE SPACE TAKE-UP



HYBRID & MANAGED SPACES

▲ **2019** 77%

2018 73%



BUSINESS CENTERS & COWORKING

▼ **2019** 23%

2018 27%

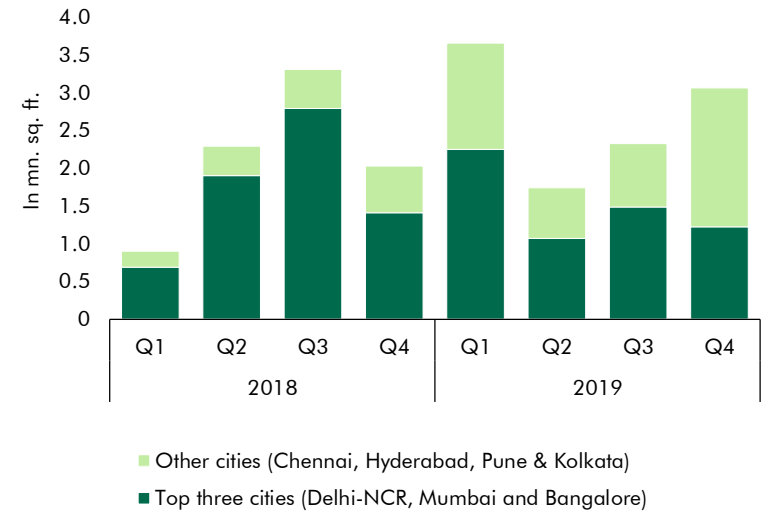
Table 1.0: Flexible space leasing by deal size: 2018 vs. 2019

DEAL SIZE	2018	2019
< 20,000 sq. ft.	38%	33%
> 20,000 and < 100,000 sq. ft.	52%	55%
> 100,000 sq. ft.	10%	12%

Source: CBRE Research, Q4 2019

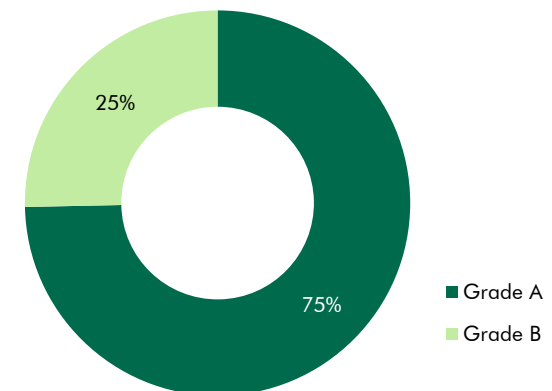
*Refer to annexure for definition

Figure 1.0: Quarterly flexible space leasing activity



Source: CBRE Research, Q4 2019

Figure 2.0: Flexible space leasing activity by asset type in 2019

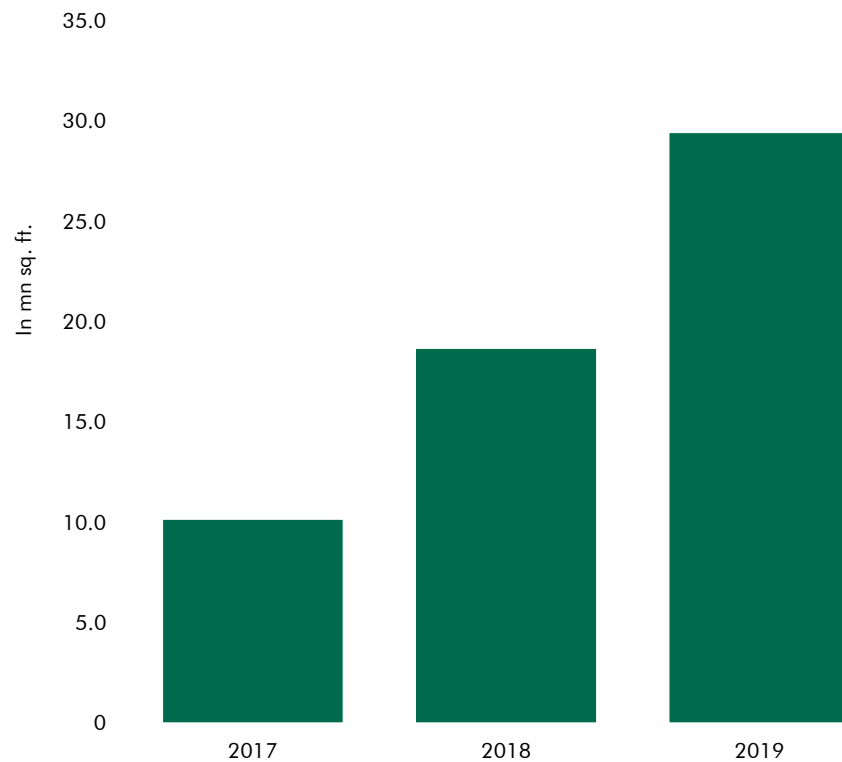


Source: CBRE Research, Q4 2019

LARGER DEALS CONTINUED TO DOMINATE FLEXIBLE SPACE LEASING IN 2019

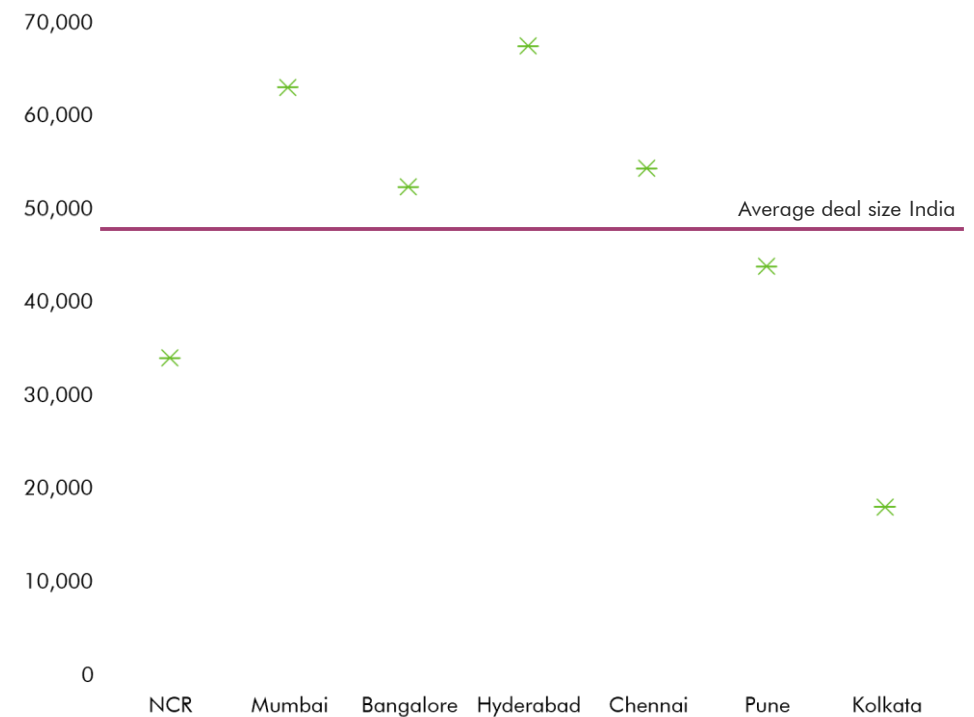
FLEXIBLE SPACE STOCK TOUCHED **30 MN SQ. FT.** IN INDIA IN 2019

Figure 3.0 Growth in India's flexible space stock



Source: CBRE Research, Q4 2019

Figure 4.0: Average deal sizes across cities in 2019



Source: CBRE Research, Q4 2019

Note: * Includes Bangalore, Delhi-NCR, Mumbai, Hyderabad, Pune, Chennai and Kolkata

AVERAGE SEAT PRICES ACROSS CITIES

Table 2.0: Average quoted seat prices across coworking and managed spaces

Average rental values – Coworking and managed spaces (INR / seat / month)		
	Core micro-markets*	Non-core micro-markets*
Delhi	12,000 - 30,000	11,000 - 27,000
Gurgaon	12,000 - 32,000	6,000 - 15,000
Noida	12,000 - 22,000	7,000 - 14,000
Bangalore	8,000 - 18,500	8,000 - 15,000
Mumbai	9,000 - 40,000	8,000 - 23,000
Hyderabad	9,500 - 16,500	8,000 - 11,500
Chennai	11,000 - 14,000	9,000 - 12,000
Pune	8,000 - 15,000	9,000 - 11,000
Kolkata	7,000 - 9,000	-
Ahmedabad	10,000 - 15,000	-

Source: CBRE Research, Q4 2019

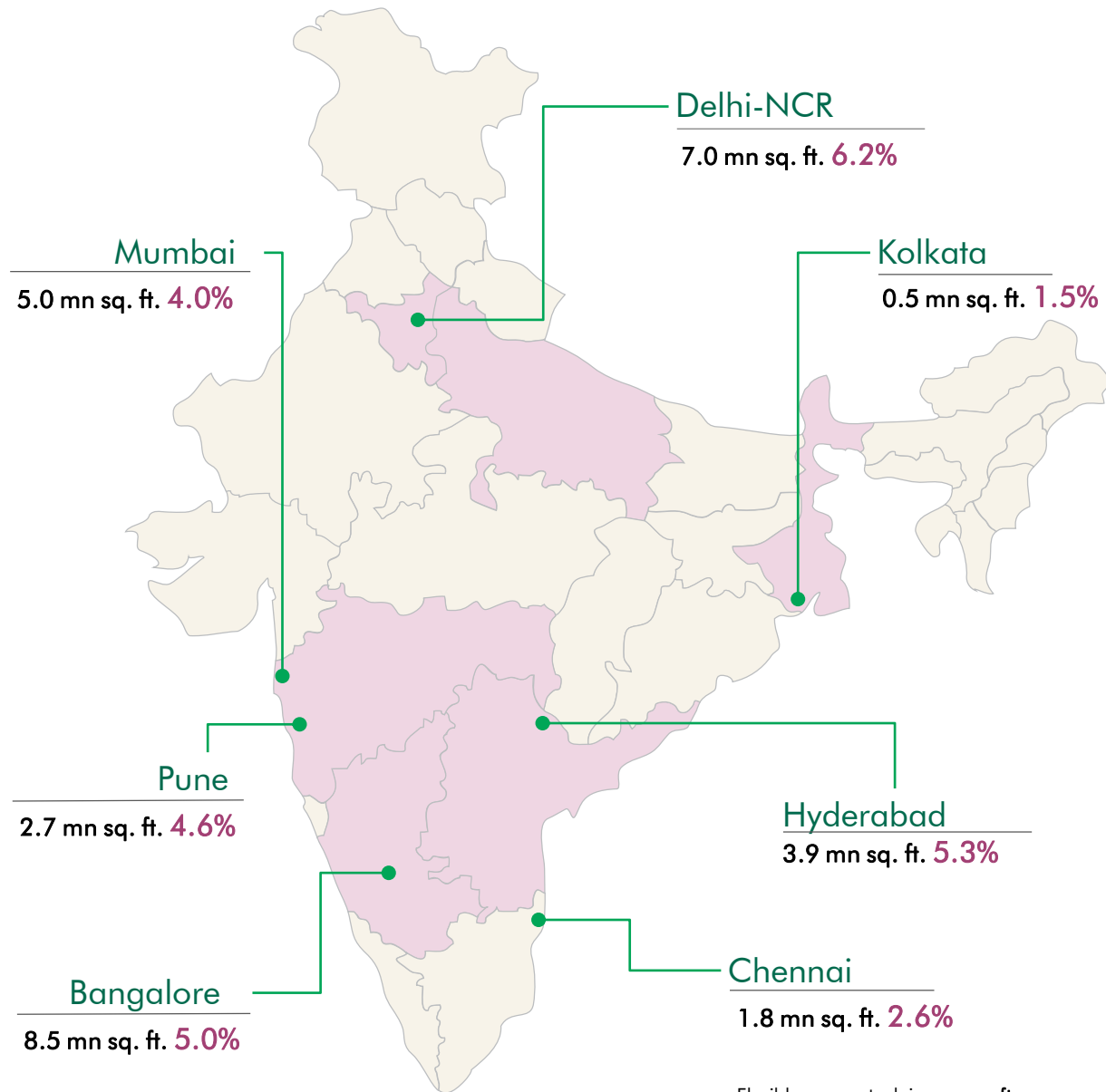
* ^ Refer to annexure for definitions

Table 3.0: Average quoted seat prices across business centers and hybrid spaces

Average rental values - Business centers and hybrid spaces (INR / seat / month)		
	Core micro-markets*	Non-core micro-markets*
Delhi	18,000 - 60,000	15,000 - 30,000
Gurgaon	13,000 - 45,000	10,000 - 16,000
Noida	12,000 - 22,000	12,000 - 15,000
Bangalore	18,000 - 28,000	15,000 - 22,000
Mumbai	18,000 - 65,000	12,000 - 35,000
Hyderabad	16,000 - 23,000	14,000 - 17,000
Chennai	13,000 - 23,000	-
Pune	13,000 - 31,000	8,000 - 11,000
Kolkata	17,000 - 19,000	-
Ahmedabad	10,000 - 14,000	10,000 - 15,000

Source: CBRE Research, Q4 2019

FLEXIBLE SPACE STOCK AND PENETRATION RATES IN 2019



- Bangalore dominated the flexible space stock in India, followed by Delhi-NCR and Mumbai in 2019
- Flexible space penetration was the highest in Delhi-NCR, Hyderabad and Bangalore in 2019

Table 4.0: Prominent Transactions

Operator	Development Name	City	Area Leased (sq. ft.)
WeWork	Krishe Emerald	Hyderabad	260,000
Table Space	Sohini Tech Park	Hyderabad	144,000
Smartworks	DSR Techno Cube	Bangalore	110,000
WorkeZ	ASV Hansa II	Chennai	100,000

Source: CBRE Research, Q4 2019

Source: CBRE Research, Q4 2019

Flexible space stock in **mn. sq. ft.**
 % Flexible space (including grade A and B) as a share of office stock

OUTLOOK FOR 2020



FOR OCCUPIERS

At the **portfolio level**, the **use of flexible office space** – such as that provided by managed space operators – is now considered one of the **preferred alternative solutions** for occupiers.

Although this sector **may begin to consolidate**, occupiers are likely to continue using flexible space as an active component of their overall RE strategy, rather than as a reactive solution.

Corporates are also expected to continue leasing flexible spaces **when entering new markets, or consolidate operations** which typically involves longer lease terms.

In addition to an already-evident ‘flight to quality’, occupier demand in 2020 is likely to increasingly focus on **user experience and agility**. As part of this shift, **employee engagement** is expected to start emerging as a key driver of occupier strategy.



FOR LANDLORDS

As **“space-as-a-service”** becomes a reality, CBRE expects landlords to allocate a portion of their RE portfolio to flexible spaces in both **existing and upcoming developments**.

We expect to see continued development of flexible space in 2020, with **landlords becoming more strategic** and differentiating their flex offerings to enhance end-user experience.

The **model of engagement** and partnership between landlords, occupiers and flex operators would **continue to evolve** in 2020, as landlords create their own flexible space brands or partner with experienced operators.



OTHER KEY TRENDS

The overall share of office space leasing is expected to increase from about **14% in the 2019 to 16-20% in 2020** and touch about 10-12 mn sq. ft. The overall stock of flexible space is thus expected to cross **40 mn sq. ft.** by the end of 2020.

Besides leasing space in the top three cities, operators are expected to expand in **Hyderabad, Pune and Chennai** in 2020.

The operators are also anticipated to continue to explore **grade B buildings in core locations** as part of their expansion strategies.

ANNEXURE

Micro-market definitions*

	Core micro-markets	Non-core micro-markets
Delhi	Central Delhi (Rani Jhansi Marg, Connaught Place, etc.), SBD 3 (Saket, Dwaraka and Aerocity)	West Delhi, East Delhi, North Delhi, SBD 1 (Jasola District Center), SBD 2 (Nehru Place and Okhla)
Gurgaon	DLF Cybercity, Golf Course Road, MG Road, NH-8(Before Rajiv Chowk), Udyog Vihar	Extended Golf Course Road, NH-8 (Beyond Rajiv Chowk), Sohna Road, others
Noida	Main Noida (Sectors 1-18 and city centre)	Expressway (Sectors 90-144), Peripheral Noida (Sectors 58-63)
Bangalore	CBD (Cunningham Road, Infantry Road, MG Road, etc.), EBD (CMH Road, Domlur, Koramangala, etc.), ORR (Marathahalli ORR and Sarjapur ORR), PBD (Whitefield, EPIP)	NBD (Bellary Road, Banaswadi, Hebbal, etc.), PBD (Electronic City, Sarjapur Road etc.), SBD (Banashankari, Bannerghatta Road, JP Road, etc.)
Mumbai	Western Suburbs 1 (Vile Parle, Andheri East and West), Central Mumbai 1 (Worli, Mahalaskhmi, Prabhadevi, etc.), Central Mumbai 2 (Lower Parel, Parel, etc.), New CBD (BKC), Old CBD (Fort, Nariman Point, Churchgate, etc.)	BKC Periphery (Kurla, Kalina, Kalanagar, etc.) Eastern Suburbs (Sion, Chembur, Ghatkopar, etc.), Navi Mumbai (Vashi, Seawoods CBD, Belapur, etc.) Thane, Western Suburbs 2 (Jogeshwari, Goregaon (E) and Goregaon (W))
Hyderabad	IT Corridor I (HITEC City, Madhapur) , IT Corridor II (Kondapur, Gachibowli, Kavuri Hills, Raidurg) , Extended IT Corridor (Nanakramguda, Manikonda, Financial District, Kukatpally)	Central Business District - CBD (Begumpet, Somajiguda, Punjagutta, Nagarjuna Hills, Khairatabad, Saifabad, Nagarjuna Circle, Banjara Hills, Jubilee Hills), Secondary Business District - SBD (Ameerpet, Himayath Nagar), Peripheral Business District - PBD (Shamshabad, Pocharam, Uppal, Nacharam)
Chennai	CBD (Anna Salai, Egmore, etc.), Mount Poonamallee Road, Off CBD (Guindy), OMR Zone 1 (Perungudi and Taramani), OMR Zone 2 (Thoraiappakkam, Sholinganallur)	Ambattur, GST Road, OMR Zone 3 (Navalur)
Pune	CBD (Bund Garden, Koregaon Park, Shivaji Nagar etc.), SBD East (Hadapsar, Mundhwa, Viman Nagar, etc.), SBD West (Aundh, Baner, etc.), SBD Kharadi	PBD Hinjewadi, PBD Others (PCMC, Wakad, Nanded City, etc.)
Kolkata	CBD (AJC Bose Road, Camac street, etc.), SBD (Kasba, Ruby Connector, etc.), PBD (New Town and Rajarhat)	-
Ahmedabad	SBD (SG Road)	PBD (Infocity and Gift City), CBD (Chimanlal Girdharlal Road and Ashram Road)

Flexible space operator classifications

Business Center	Formal environment with more private cabins / spaces; provide limited or no community activity
Coworking	On a membership or per desk basis, coworking offices provide a sociable working environment where users can network, collaborate and undertake business with each other with a substantial focus on start-ups, events and community
Managed Spaces	A managed office is a fully customized, furnished and serviced private or semi-private facility, maintained and operated by an operator for a client who agrees to pay a composite fee for its use
Hybrid Spaces	Fully serviced space consisting of a mix of private cabins, dedicated/open desks, meeting rooms etc. leased out to various clients on per workstation basis for flexible tenures; higher focus on enterprise clients and reasonable focus on community and design

Source: CBRE Research Q4 2019

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