

ADAPTIVE SPACES

# The Era of Flexibility in India

REPORT

Flexible Spaces  
2022

CBRE RESEARCH  
SEPTEMBER 2022





# Contents

01

**Current Situation -**  
Return to Growth

02

**Future Situation –**  
Occupier Strategies

03

**Future Situation –**  
Operator Strategies



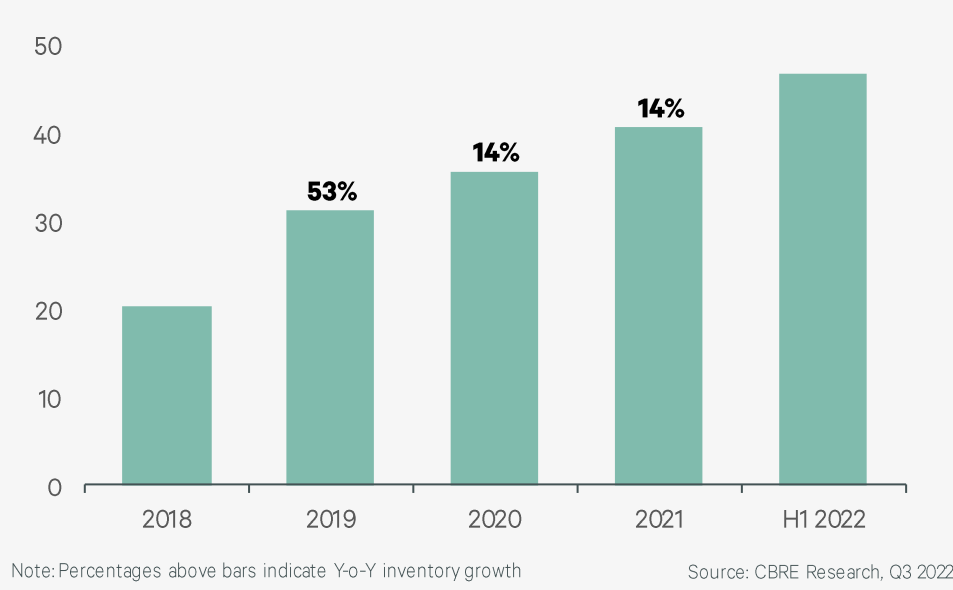


# Current Situation – Return to Growth



# Growth of Flexible Spaces in India

**FIGURE 1.1:** Growth of flexible space stock (million sq. ft.)

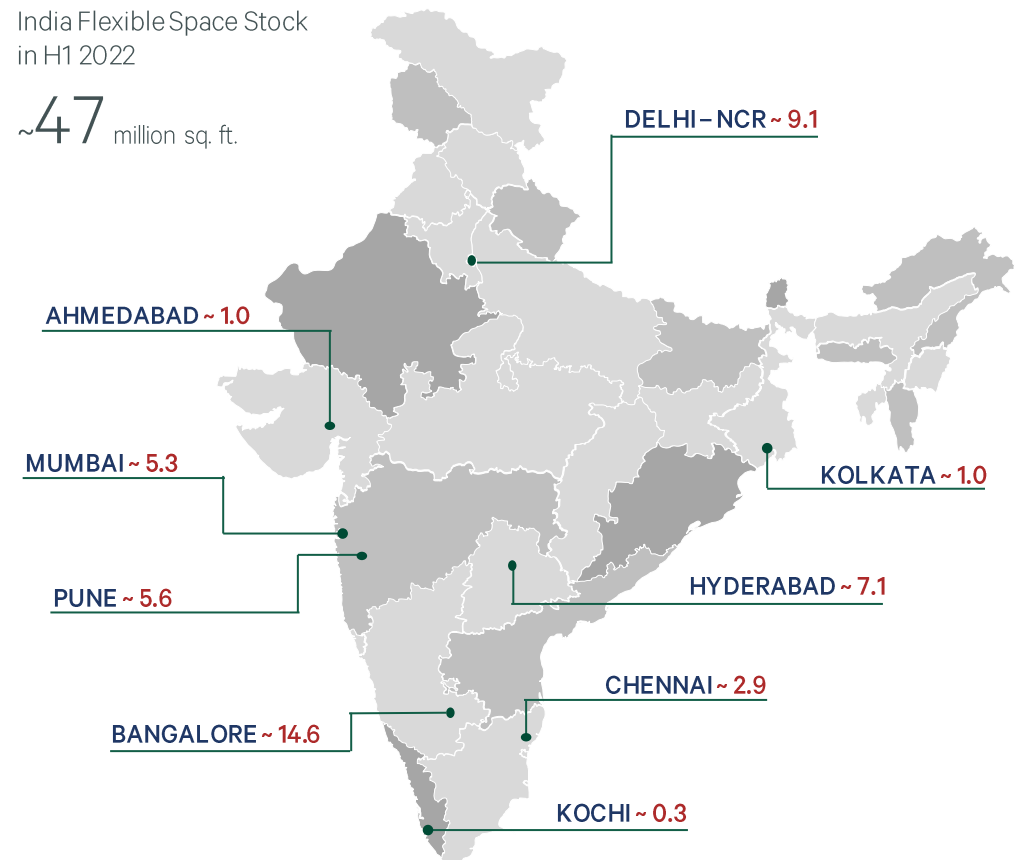


An increasing number of occupiers are focusing on guided hybrid and activity-based workspaces to facilitate Return to Office (RTO) going forward. With CapEx savings, managing headcount volatility, implementing hybrid working and avoiding upfront fit-out costs as the key demand drivers, we expect the flexible space stock in India to cross 80 million sq. ft. by the end of 2025.

**FIGURE 1.2:** Flexible space stock (million sq. ft.)

India Flexible Space Stock  
in H1 2022

~47 million sq. ft.



Source: CBRE Research, Q3 2022

# Future Situation – Occupier Strategies



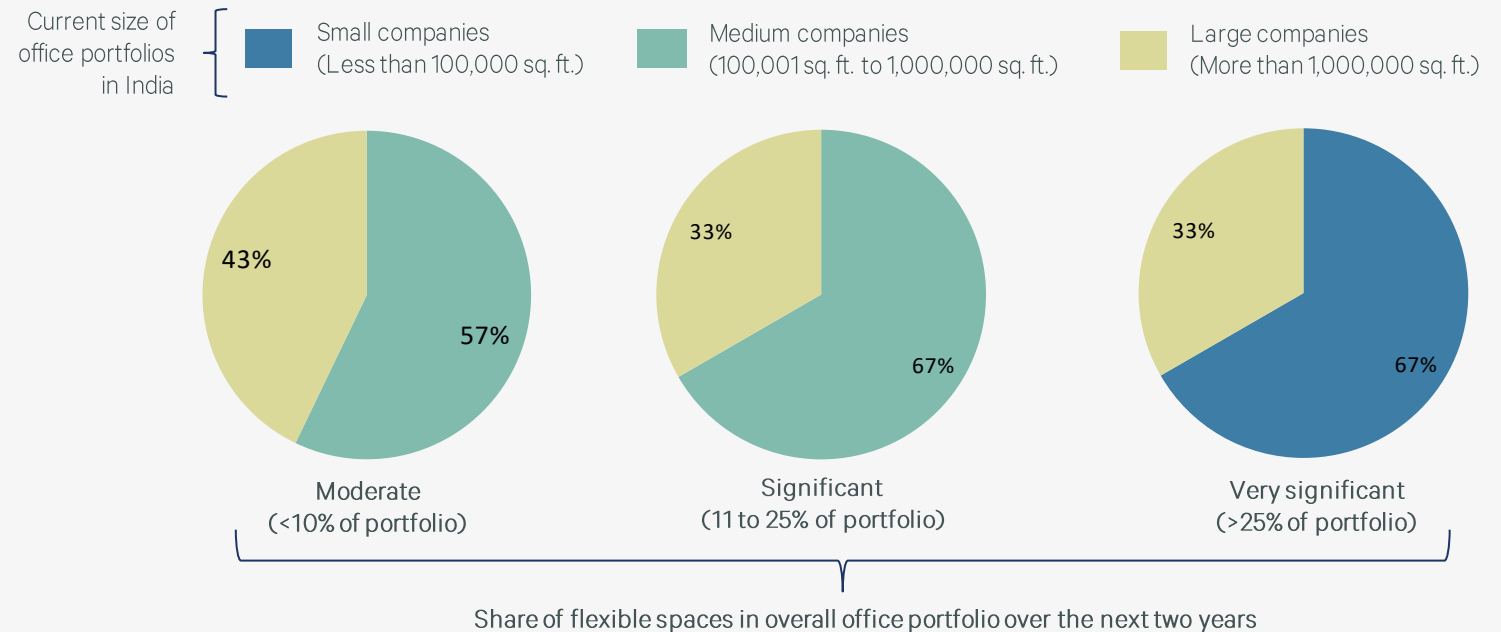


# Greater Use of Flexible Spaces

Occupiers of all sizes are increasing the percentage of flexible spaces in their real estate portfolio for several reasons. Demand from medium- to large-sized companies would particularly help the flexible operators **scale up for the future**. Today, the evolution of companies' flexible space strategies ranges from the 'testing and learning' phase - which most occupiers are increasingly entering at present - to the 'strategic and scalable' phase, which is mostly employed by the larger and more entrenched companies. (refer to page 7)

**Medium- to large-sized companies are mostly looking at increasing the share of flexible spaces as part of their overall office portfolio over the next two years. We also expect small companies to grow their share of flexible spaces in office portfolio to at least 25%. (refer fig. 2.1)**

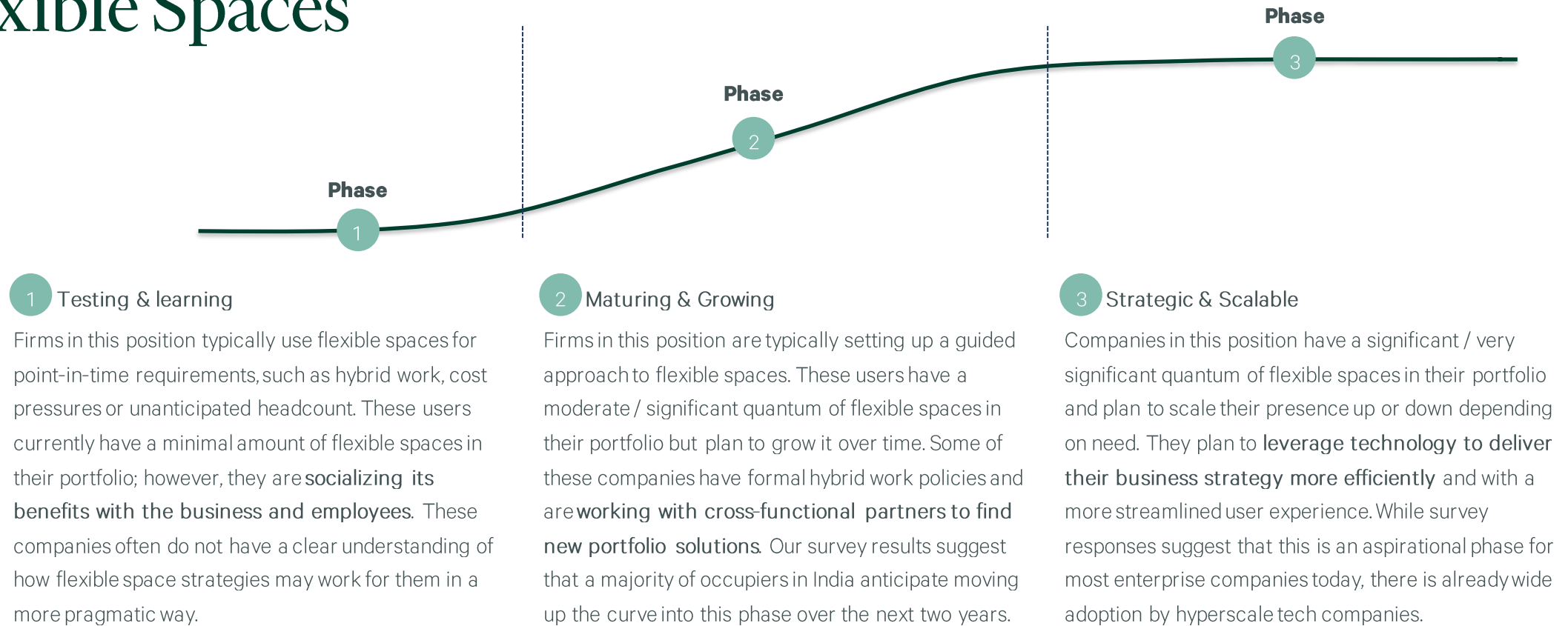
**FIGURE 2.1:** Anticipated growth of flexible spaces over the next two years



Source: CBRE 2022 India Office Occupier Survey, July 2022

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.

# Maturity Curve of Occupiers Using Flexible Spaces



Source: CBRE US - Awakening an Era of Flexibility, February 2022; CBRE Research, Q3 2022

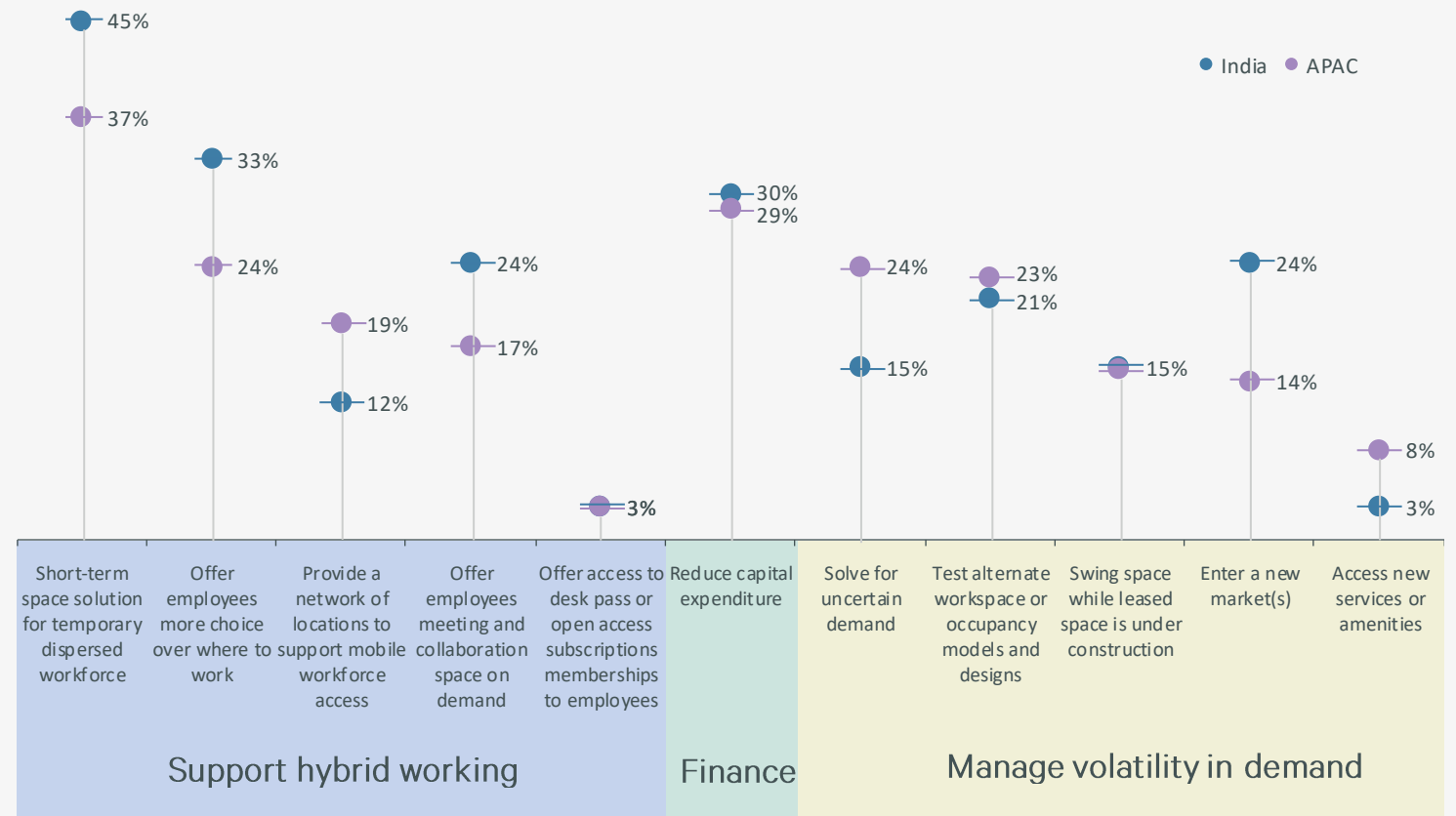
# Flexible Spaces to Support Hybrid Working

The need for agility is greater than ever before, as workforce behaviors have been transformed during the pandemic and are unlikely to ever return to pre-pandemic norms. As occupiers plan real estate portfolios amid such uncertainty, flexible spaces are becoming a useful solution.

Enterprise occupiers are reengineering their portfolio and workplace strategies, largely with the goal of accommodating hybrid working arrangements. The **need to support hybrid and distributed working** has replaced CapEx savings as the primary demand driver for flexible spaces. Providing interim solutions for a dispersed workforce; expanding locational options to staff; and offering on-demand meeting and collaboration spaces for employees are some of the other key drivers.

**Companies that continue to adopt flexible spaces would be better positioned to embrace hybrid working arrangements, support their employees and remain agile in their real estate strategies.**

FIGURE 2.2: Top reasons for using flexible spaces in India



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.

Source: \*CBRE APAC Research; The India Office Occupier Survey, Q2 2022



# Flexible Spaces are Here to Stay

Companies are likely to view flex as a hedge against headcount uncertainty, providing them with options to avoid committing to fixed locations and high upfront fit-out costs. Post COVID-19, higher fit-out costs in India could further dampen relocation demand in the short term, leading some occupiers to renew leases, seek turnkey solutions or commit to fully-fitted and flexible spaces as budget approvals become harder to secure.

Flexible spaces provide them with the flexibility to swiftly expand and contract when needed to accommodate business needs and use as a tool to attract and retain talent. Most companies, among whose hiring intentions are positive, are likely to lean towards the **diverse locations** and **cost-effective** nature of the flexible space solutions.



As occupiers in India prepare and arrange for employees to return to the workplace, the provision of well-managed flexible spaces supported by amenities, enabled by technology and featuring personalized services could act as a major enabler.

Source: CBRE Research, Q3 2022

# Occupiers Test Driving Strategies with Flex

Occupiers are reengineering their portfolio and workplace strategies, largely with the goal of accommodating hybrid working arrangements. They anticipate that space would be utilized differently on the other side of the pandemic but exactly how it would happen is still evolving. Occupier office portfolios need to evolve to enable and accommodate new workstyles viz., an office-centric future, a virtual-first future or a balanced approach. Ongoing discussions with occupiers indicate an emphasis towards **limiting the amount of underutilized space** to achieve cost efficiencies and create better engagement within the existing space.



Source: CBRE Research, Q3 2022



# Occupiers are Exploring ‘Core + Flex’

‘Core + Flex’ is a popular strategy that offers occupiers a way to seamlessly integrate traditional leased space and flexible office agreements in their portfolios. ‘Core + Flex’ allows occupiers to be more financially efficient while still providing employees with a consistent experience and company culture. This is an attractive strategy for occupiers to manage lease expirations and minimize under-utilization of space.



Source: CBRE Research, Q3 2022

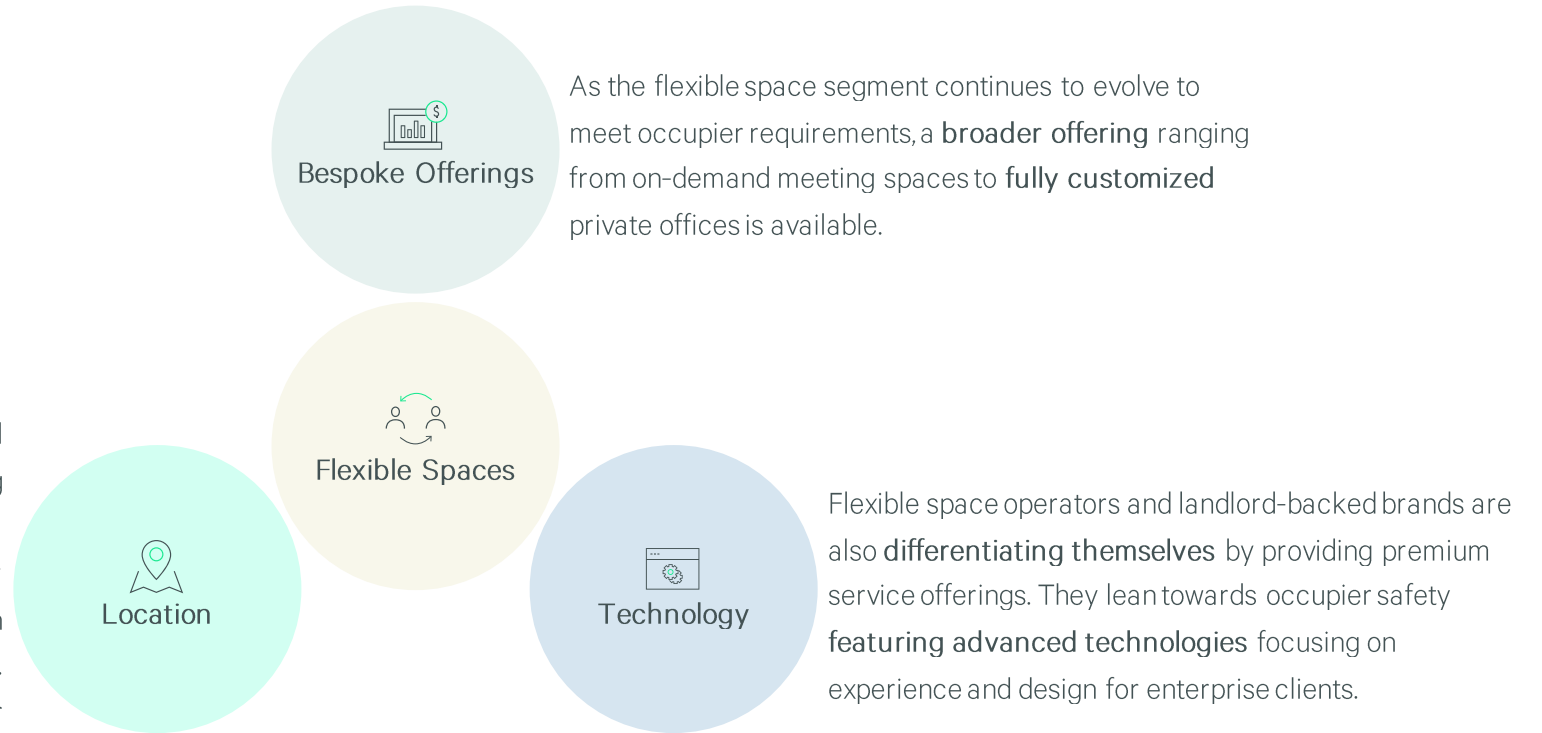


# Future Situation – Operator Strategies



# New Trends in Product Innovation

Although providing interim space solutions for a dispersed workforce and CapEx savings are key motivators for choosing flexible spaces, another driver is the need to support hybrid working. Most companies are now using flexible spaces to enter a new market, offer on-demand meeting and collaboration spaces for employees and test alternate workspaces or designs. Therefore, operators are now focusing on **enhancing their portfolios and location networks**



# Common Membership Features in India

An expansionary appetite among flexible space operators has been recorded over the past few years in India. While these operators are already providing a range of solutions to occupiers seeking greater flexibility, the spectrum is widening even further. A **major value-add** for an occupier would be in the **customization options** that the operators provide.



## Smart booking

- Smart scheduling / apps to manage seats / rostering technology / pre-booking of seats
- Booking of board rooms, meeting rooms / smart meeting rooms



## F&B services

- Vending / coffee machines
- Services store for retail and F&B tie-ups



## Client services

- Client engagement activities and events - scheduling and enrolment



## Concierge and travel services

- Concierge services
- Parking management / valet parking
- Transportation and airport taxis



- Air quality management
- Temperature controls
- Housekeeping and security services
- Building management systems



## Customer support

- Automated bot for customer support on websites
- Feedback and support / QR code-based feedback system / ticket-raising system for complaints / customer care helpdesk



- Digitization of the design process through an app or web-based platform from layouts to material selection, tracking progress, etc.
- AR / VR tours of centres, remote inspections and site visits
- Physical set-up of rooms to make the wireless video conferencing experience easier



- Small private offices / corner spaces where one can work productively and creatively
- Outdoor spaces with comfortable seating used for dining and relaxation



- Space utilization / space tracking
- Space mapping across centres and cities, multi-city approach
- Visitor management / pre-authorized visitors
- Track-and-trace

- Services for occupiers / employers
- Services for employees / end-users
- Services for admin / FM teams

Source: CBRE Research, Q3 2022



# Continued Growth of On-Demand and Subscription-Based Membership Structures



Subscription-based membership structures allow employees to access all spaces in the provider network on demand and pay as per use.

The trend towards a more distributed workforce is placing less dependence on centralized hubs and more reliance on a larger network of spaces to get work done. While urban-core locations still play an important role, they would only be a part of a larger ecosystem of locations. Flexible spaces would be one component of this ecosystem and would offer a **readymade network of locations** that employees can **seamlessly access** through mobile technology.

On-demand and subscription-based memberships are highly configurable models that allow providers to cater to real-time demand and manage it using technology-driven apps and dashboards.

Source: CBRE Research, Q3 2022

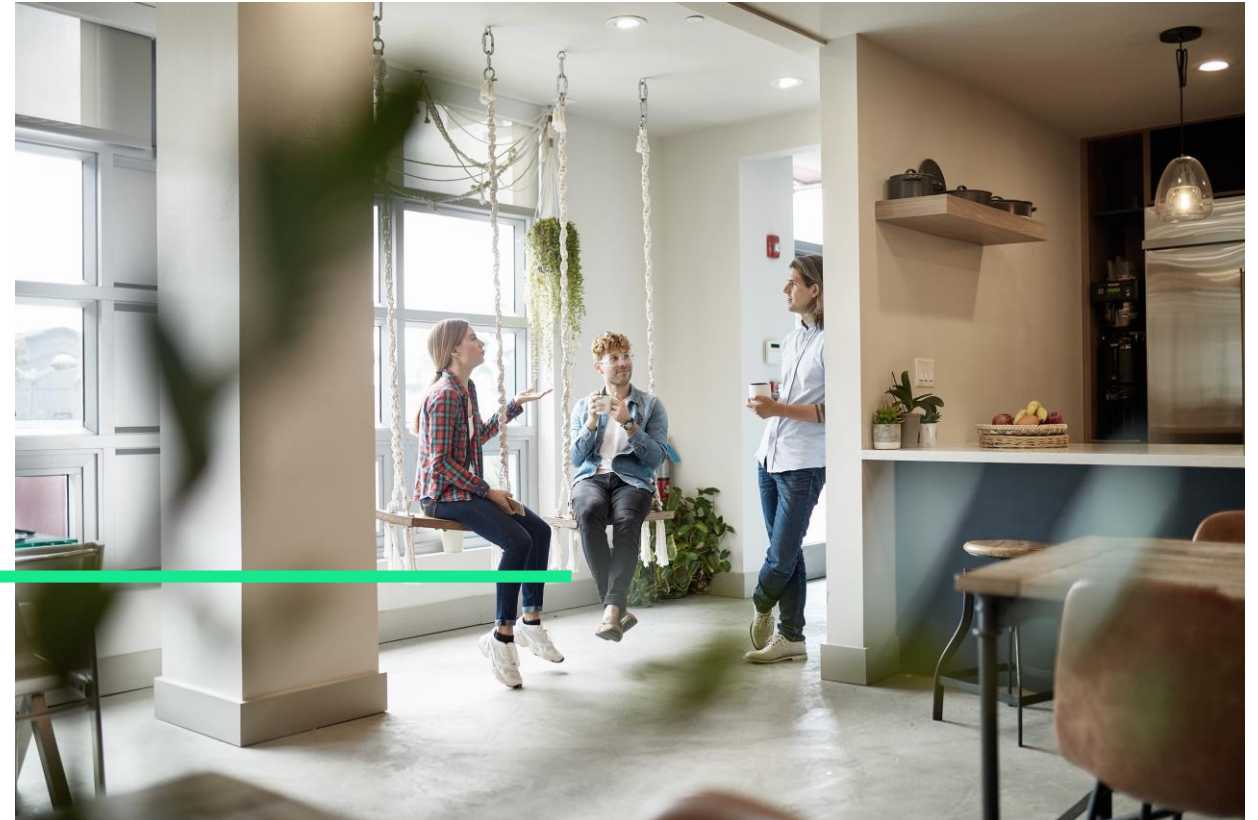
# Operators are Designing the Next Generation of Flexible Spaces

While first-generation coworking remains appealing to individual consumers, it is the medium- and large-sized team requirements that helped the flexible office industry evolve and scale. In a hybrid working arrangement, the office represents a place for collaboration that links the **physical and digital world via technology**. As a result, flexible space designers are required to develop the right mix of private and open spaces to meet occupier needs.

Privacy may be needed for a team meeting, a Zoom call or for individually focused work, so offering the right mix of spaces is important. Medium- and large-sized team requirements also value data security, company branding and highly agile space that can be reconfigured easily. They also value **access to shared amenities and services**, such as conference rooms and catering, that can be purchased on demand when needed.

---

While flexible space offerings continue to evolve, designing them in a way that makes it easy for occupiers to engage is more important than ever.



Source: CBRE Research, Q3 2022

# Disclaimer

- There is a significant risk that COVID-19 may directly or indirectly result in a period of economic uncertainty which could impact the Indian real estate market. The real estate sector has been impacted due to the response by the government and local authorities including home quarantine, restriction on travel and closing of borders. The longer the pandemic continues, the greater (and yet unknown or quantifiable) impact it will have on most, if not all, segments of the real estate sector. However, since the situation remains fluid for now despite the ongoing vaccination drive, it is tough to accurately estimate the extent of impact this will have on the commercial real estate market and will largely depend on both the scale and longevity of the pandemic in India and across the world. This inherent risk factor should be considered before relying on our report. Caution is advised in this regard. We, therefore, recommend that the report be kept under regular review and that specific market advice be obtained should you wish to effect a future transaction.
- CBRE may have adopted certain assumptions for the purpose of providing the report because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. To the extent that the report includes any statement as to a future matter, that statement is provided as an estimate and / or opinion based on the information known to CBRE at the date of this document. All statements and implications thus included in this report constitute our judgment as of the date of publishing. They are subject to change without notice, and transactions should not be entered into on the basis of information, opinions and estimates set out herein. There may be differences between projected and actual results because events and circumstances frequently do not occur as predicted. CBRE specifically excludes any responsibility or liability whatsoever in connection with any purchases, disputes, developments or loss of profits for the reader or any other person on account of this report.
- 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 post discovery of new variants, infection spikes, lockdown restrictions or any other adverse event which may lead to varying results in the future.
- Given the unknown future impact that COVID-19 might have on the real estate market and the difficulty in differentiating between short-term impact and long-term structural changes, we recommend that the reader keeps the results of this report under frequent review. Occupier sentiments and thereby behavior may change more rapidly and significantly than during standard market conditions in these uncertain times. Consequently, less certainty – and a higher degree of caution – should be attached to our report than would normally be the case. In this environment, we have considered / relooked at several performance parameters and have adopted heuristic / careful analysis of our projected trends based on our view as of this date. For the avoidance of doubt, the inclusion of the above disclaimers does not mean that this report cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the results than would otherwise be the case. This material uncertainty is to serve as a precaution and thus does not invalidate the results.
- © Copyright 2022. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence-based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change. Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.



# Advisory & Transaction Services Overview

310+

MSF area transacted

2,500+

Clients represented

500+

Transaction advisors

5,000+

Transactions closed

27+

Years of establishment

200+

City coverage

## Services offered

Advisory | Transaction / Account Management | Office Services

Industrial Land & Logistics | Lease Administration | Technology | Retail Services

Data Centre Solutions | Flexible Workspaces / Agile



# Flexible Workspace Capability

49 MnSF+

Flex Data Bank

~380

Operator Portfolio Records

180+

Operators Represented

1,100+

Occupier Clients Represented

210+

Closed Supply Deals

1,900+

Closed Demand Deals

~10 MnSF

Supply Acquisition for Top Operators

130,000+

Workstations Leased



Market Coverage



Experienced Professionals



Thought Leadership



Industry Intelligence



Domain Expertise

## ADVISORY CAPABILITY

### Occupiers

Comprehensive Market Studies  
BCP Strategies  
Hub and Spoke Advisory  
Flex Portfolio Optimization  
Operator Selection Advisory  
Flex Variants Advisory  
Flex Product Selection Advisory

### Operator

Comprehensive Market Studies  
Expansion Strategy  
Market Selection Strategy  
Market Demand Analysis  
Occupancy Trends/Analysis  
Competition Analysis  
Landlord Partnership Models

### Landlord

Comprehensive Market Studies  
Product Mix Advisory  
Portfolio Analysis and Advisory  
Partner Selection Services  
Strategic Operator Partnerships  
Deal Modelling

## TRANSACTION CAPABILITY

### Occupiers

Fitted Out Transactions  
Managed Office Deals  
Swing Space Solutions  
Turnkey Managed Deals  
Reverse Officing  
On demand Solutions

### Operator

Demand Backed Structures  
Variable Rental Deals  
Fitted Out Transactions  
Turnkey Managed Deals  
Reverse Officing  
Portfolio Tie Ups

### Landlord

Revenue Share  
Profit Share  
Management Contracts  
Reverse Leasing  
Fit out Tie Ups  
Portfolio Partnerships

## SPECIALIZED FLEX TECH

### Flexical

A sophisticated analytics tool that helps create, compare and analyse complex flex and conventional cashflows while enabling real time output generation in currency of choice

### Flexpert

A unique visualization and intelligence tool that helps view and filter multiple flex options across the country in a single view on an interactive map along with operator portfolios, city commentaries, centre details, etc

# Contacts

## Research

### Abhinav Joshi

Head of Research - India, Middle East & North Africa

[abhinav.joshi@cbre.co.in](mailto:abhinav.joshi@cbre.co.in)

### Sachi Goel

Associate Director, Head of Operations, South India

[sachi.goel@cbre.co.in](mailto:sachi.goel@cbre.co.in)

### Pradeep Nair

Senior General Manager

[pradeep.nair@cbre.com](mailto:pradeep.nair@cbre.com)

### Sarath Chandra Praveen Chilukuri

Assistant Manager

[chilukuri.sarathchandrapraveen@cbre.com](mailto:chilukuri.sarathchandrapraveen@cbre.com)

## Advisory & Transactions

### Ram Chandnani

Managing Director, Advisory & Transaction Services, India

[ram.chandnani@cbre.co.in](mailto:ram.chandnani@cbre.co.in)

### Pulkit Bakshi

Head Flexible Workspace Solutions, India

[pulkit.bakshi@cbre.co.in](mailto:pulkit.bakshi@cbre.co.in)

### Anmol Girdhar

Deputy General Manager,  
Flexible Workspace Solutions, India

[anmol.girdhar@cbre.com](mailto:anmol.girdhar@cbre.com)

## Follow Us

CBREalty



© Copyright 2022 All rights reserved. Information contained herein, including projections, has been obtained from sources believed to be reliable, but has not been verified for accuracy or completeness. CBRE, Inc. makes no guarantee, warranty or representation about it. Any reliance on such information is solely at your own risk. This information is exclusively for use by CBRE clients and professionals and may not be reproduced without the prior written permission of CBRE's Global Chief Economist.

This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change. Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

**CBRE**