

Flex Spaces: **Reshaping** the New-Age India Office Market

September 2024



Workplace reimagination and tailwinds across most economic segments have ushered in the new-age India office market. The concept of workspaces has already witnessed a paradigm shift – The “Office” is now viewed as an essential place for employees to come **together** for much-needed bonding. Additionally, the new-age office, especially **flex spaces** are catering simultaneously to multiple employee and employer/occupier needs. The all-encompassing new-age flex space fosters **collaboration, innovation, wellbeing** and **sustainability**. With heightened adoption of flex spaces and leading operators well placed to meet evolving demand-side requirements, India is primed to establish itself as one of the best performing flex market in APAC region over the next few years.

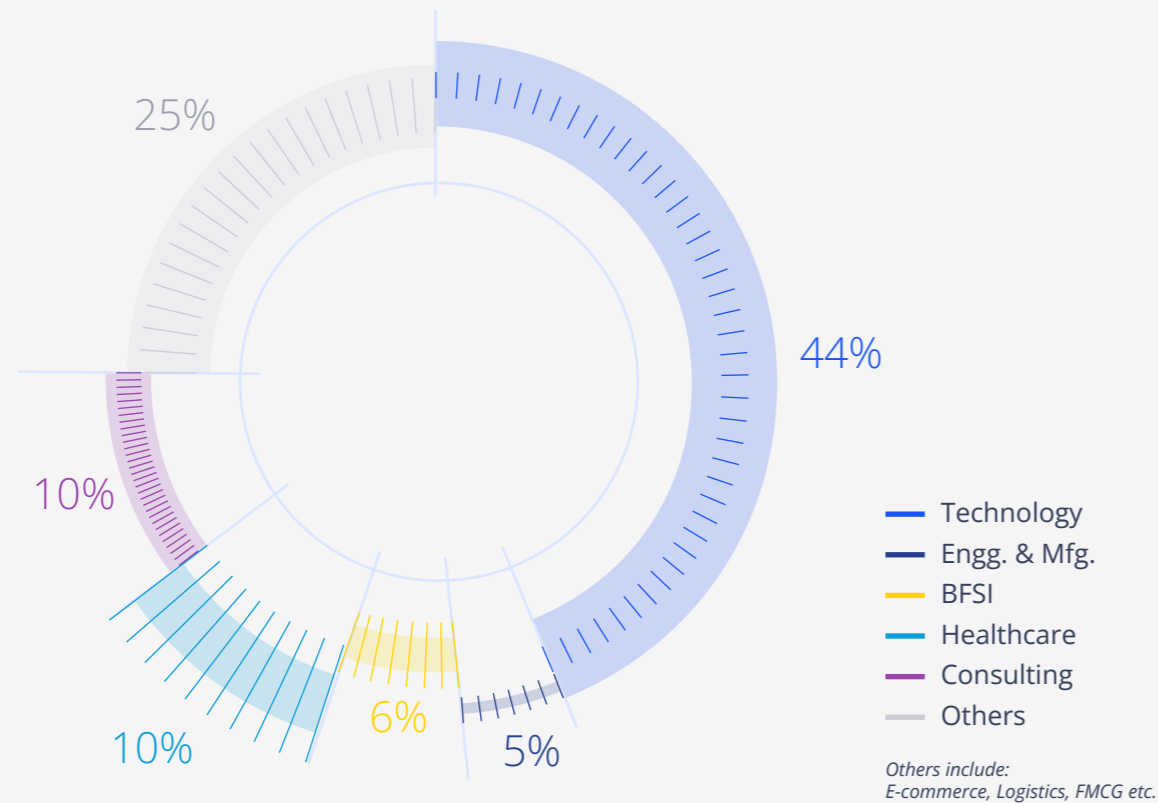


ABOUT THE REPORT

The report reviews Flex Spaces as an integral component and a holistic solution amidst occupiers’ flight to quality through a survey. The report hinges on the survey conducted during the first half of the year with occupiers across sectors such as technology, engineering & manufacturing, BFSI etc., and included a varied spectrum of start-ups, MNCs and GCCs. Around 100 responses were received from senior management personnel including key decision makers in the areas of real estate, administration, corporate strategy, etc. The report also re-imagines future office portfolios across varied occupier segments.

Colliers analyzed the survey outcomes to draw detailed inferences, overlay with broader industry trends and in-house expertise and provide an outlook for the sector. Increased adoption of flex spaces benefitting employers and employees alike, has been the key theme emerging out of survey. As occupiers disclose their future portfolio expansion plans, the survey trends are indicative of a high growth trajectory for flex spaces in India.

Sector wise classification of respondents



Company size (no. of employees)

SMALL-SIZED

0-100

28%

MEDIUM-SIZED

100-500

33%

500-1000

6%

LARGE-SIZED

1000-5000

19%

>5000

14%

Key takeaways

Share of flex spaces in occupiers' portfolio to rise



With reimagining of their workspaces, occupiers anticipate a flex dominated or flex inclined real estate portfolio in next 3-5 years.

Increased adoption of flex spaces



With changing perceptions and enterprise-level offerings, majority of occupiers plan to expand in flex spaces in future.

Changing perspective for flex spaces:



Improved occupier perception includes various aspects like technology, security, complementing real estate requirement, employee productivity, etc

Central locations, well-designed layouts, wellness amenities, sustainable elements etc. will increasingly distinguish flex space operators

Leading operators will continue to innovate and differentiate:

Flex spaces to evolve into core operation hubs:



Occupiers have started using flex spaces beyond support and ancillary centres. Businesses will be increasingly using flex spaces for their core operations

Going ahead, the average lease tenure is likely to increase further across occupier segments and operational scale of companies

Occupier commitment periods with flex spaces will increase:

Flex spaces pivotal in distributed work model implementation:

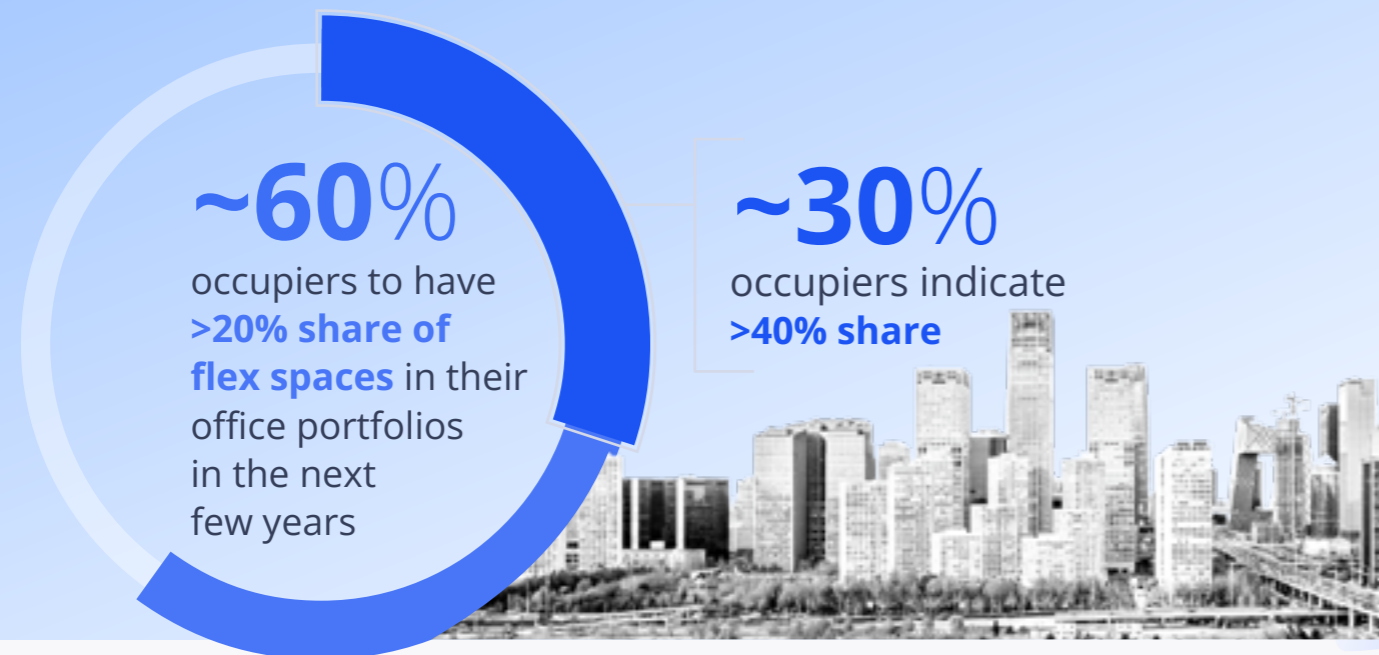


Occupiers will increasingly adopt flex spaces across cities and incorporate them as hub as well as spoke offices



FLEX SPACE: ADOPTION TO GROW MULTIFOLD

Survey Highlights



Over

80% occupiers

to expand their office portfolios through adoption of flex spaces in the next few years

*Flex space adoption is likely to grow at an accelerated pace and has the potential to fully complete the **transformative journey (niche to mainstream)** across major office markets of the country. Even though, there is a greater emphasis on return to work, dynamic real estate requirements have ensured flex space momentum continuity.*

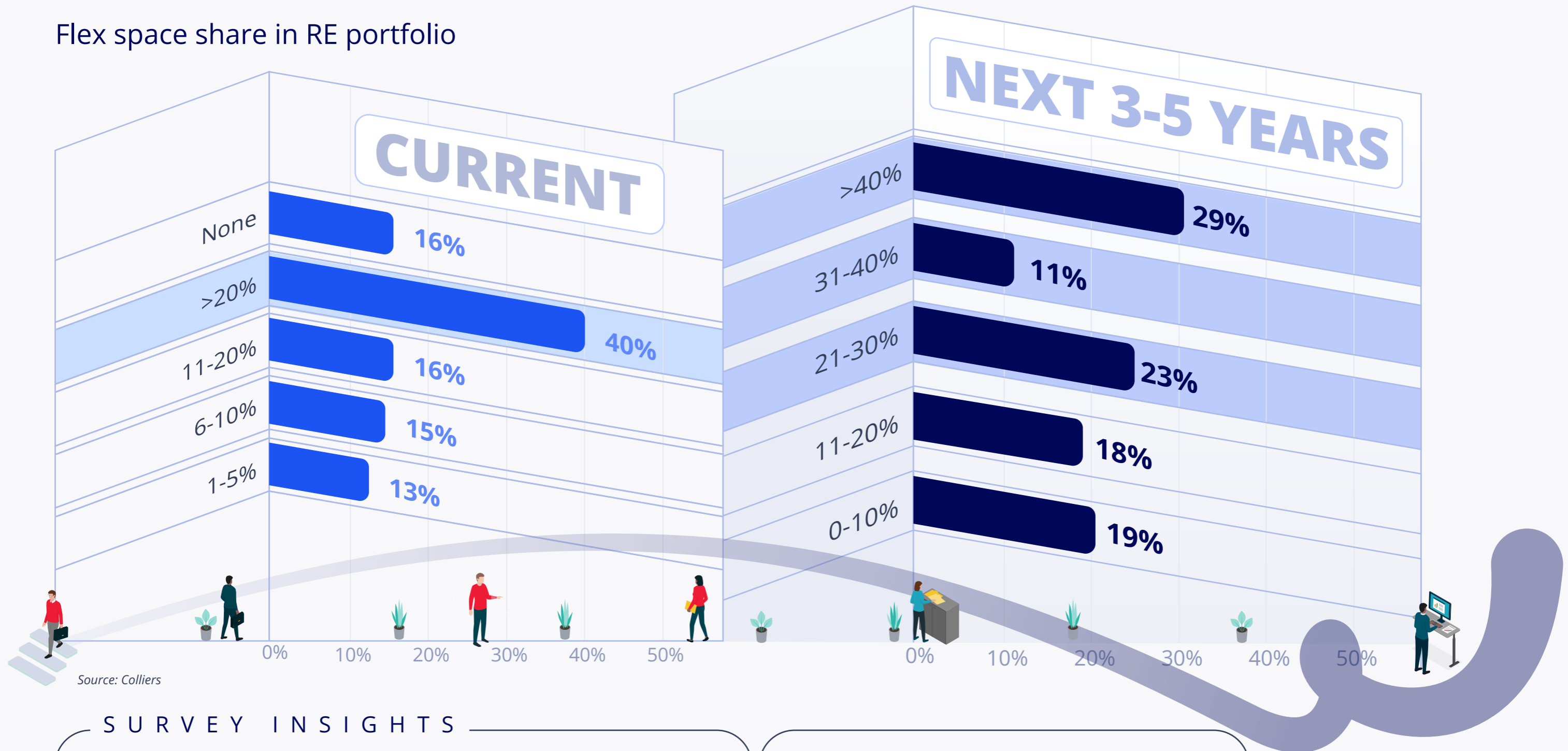
*Across **occupier segments**, more than **two-thirds of the real estate expansion will be through flex spaces**. Flex space adoption is likely to grow multifold across corporates in **different life-cycle stages**.*

*In fact, heightened **implementation of flex strategies** adds credibility to the notion that flex space leasing will witness **quantum growth in the years to come**.*

Flex space adoption to be **~2X** by 2030



Flex space share in RE portfolio



Source: Colliers

SURVEY INSIGHTS

Overall flex adoption is set to **increase significantly** in the mid-long term; **40% currently, vis-à-vis 63% in the next 3-5 years.**

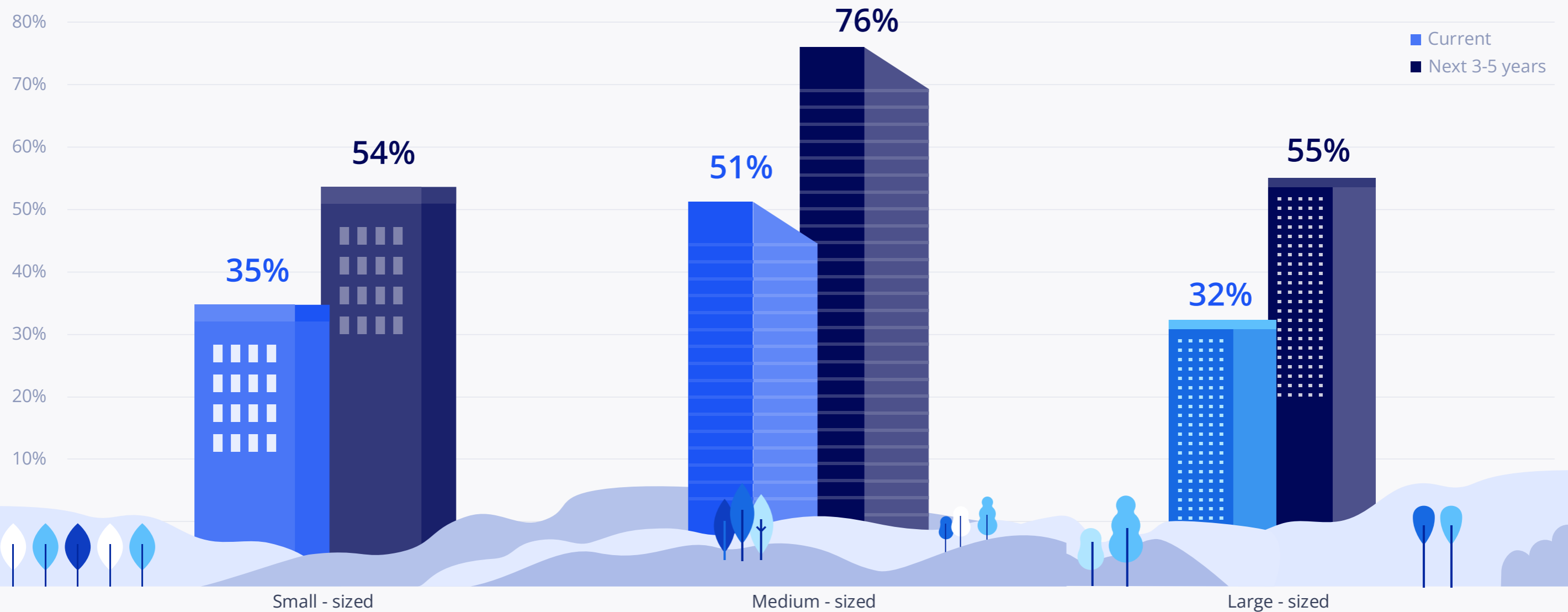
Flex space adoption levels for **Engg & Mftg, BFSI & Technology** sectors at **40-70% by 2030.**

Note: Flex space adoption/endorsement indicates 20% or more flex space share in real estate portfolio

Flex space endorsement to **amplify across corporate spectrum**



> **20%** flex space share across occupier spectrums



Source: Colliers

SURVEY INSIGHTS

More than half of small & large-sized occupiers and **more than two-thirds** of mid-sized occupiers are likely to adopt flex spaces in the mid-long term.

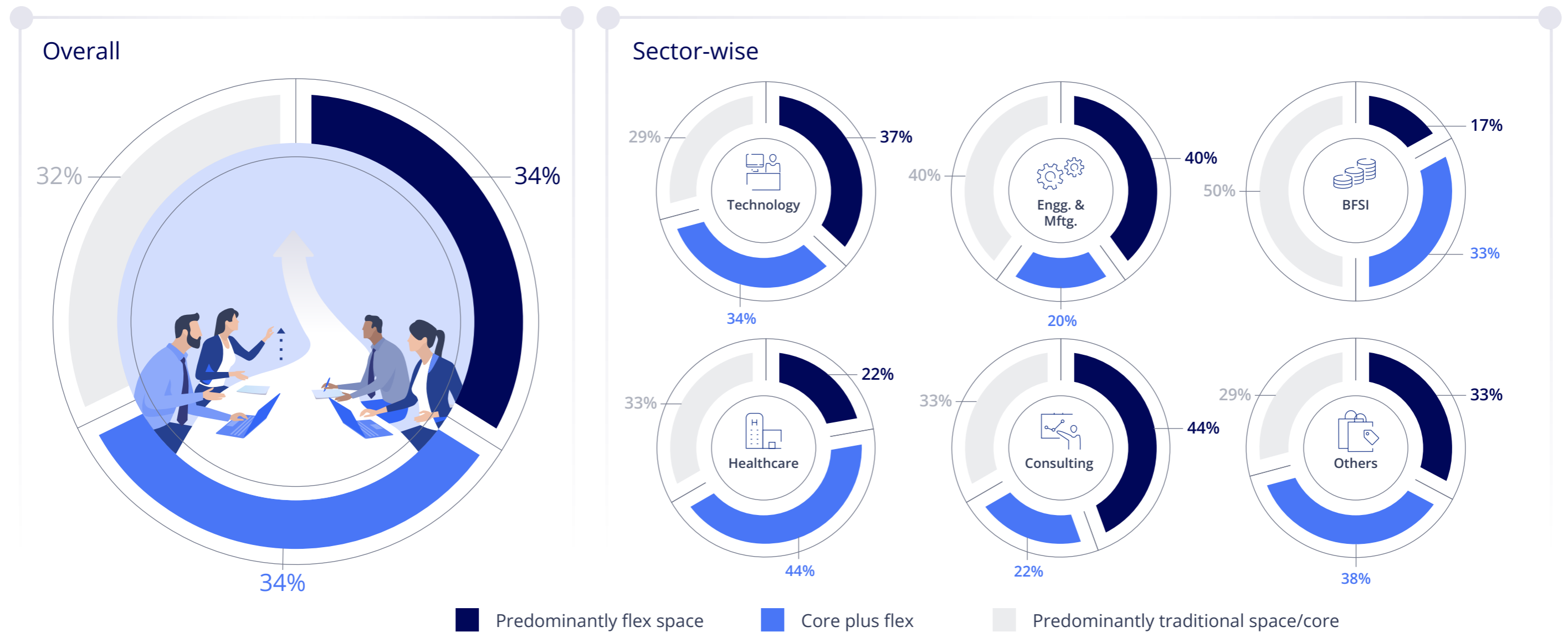
Growth in flex space endorsement to be highest amongst **MNCs; 3-4X times current levels by 2030.**

Note: Flex space adoption/endorsement indicates 20% or more flex space share in real estate portfolio

Flex space adoption highest in **Technology sector**



Current real estate footprint



Source: Colliers

SURVEY INSIGHTS

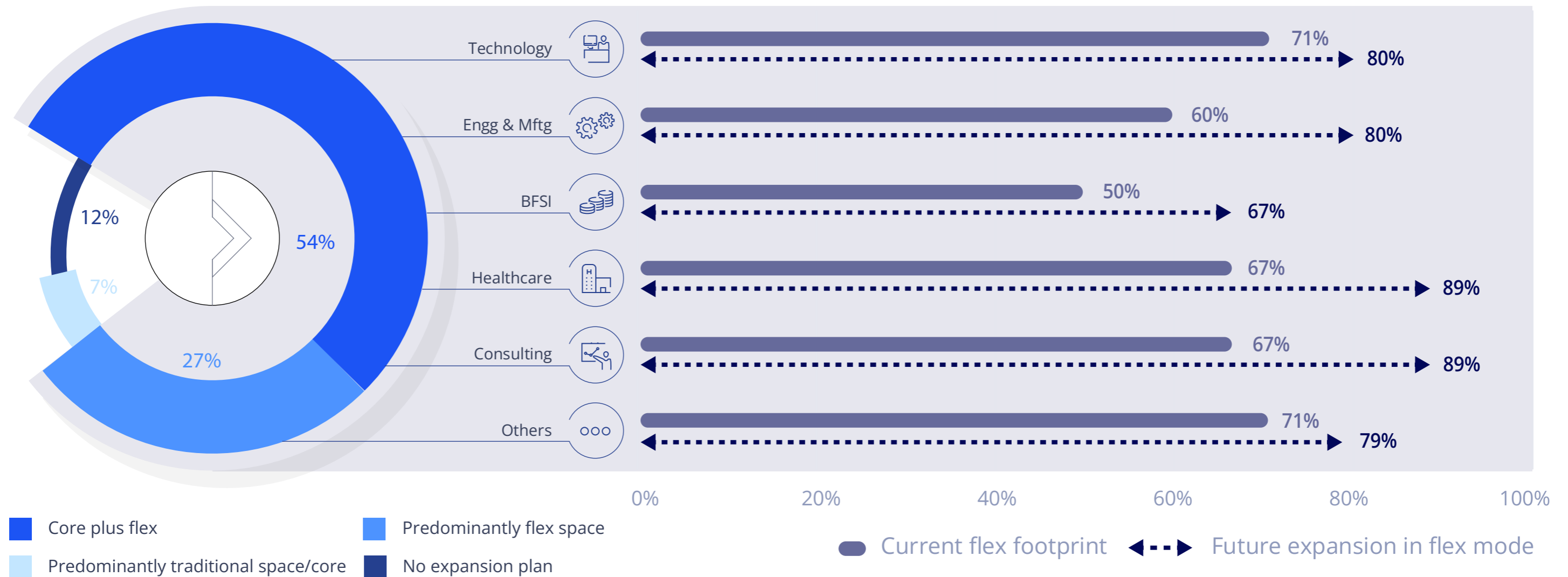
More than 65% of occupiers in technology and healthcare sectors already have a flex inclined real estate portfolio

With enterprise-level offerings, BFSI and Engg & Mftg. exposure to flex spaces will increase significantly in the future.

>80% occupiers plan portfolio expansion through flex spaces



RE expansion strategy across occupier segments

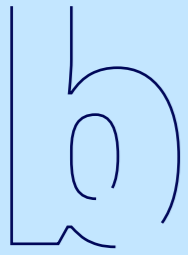


Source: Colliers

SURVEY INSIGHTS

81% of occupiers will expand through a mix of core plus flex or flex dominant office space in next 3-5 years, resulting in a **flex space favouring real estate portfolio** across most segments

Expansion through flex spaces **highest** for **Technology, Engg & Mftg** and **healthcare** sectors



FLEX SPACES: HOLISTIC SOLUTION PROVIDER AMIDST OCCUPIER FLIGHT TO QUALITY

Survey Highlights



~60% occupiers
feel flex spaces are
complementing real estate
requirements, increasing **flexibility**
and **scalability** of operations.

~40% occupiers
occupiers envisage flex spaces
as centers of **core business**
operations.

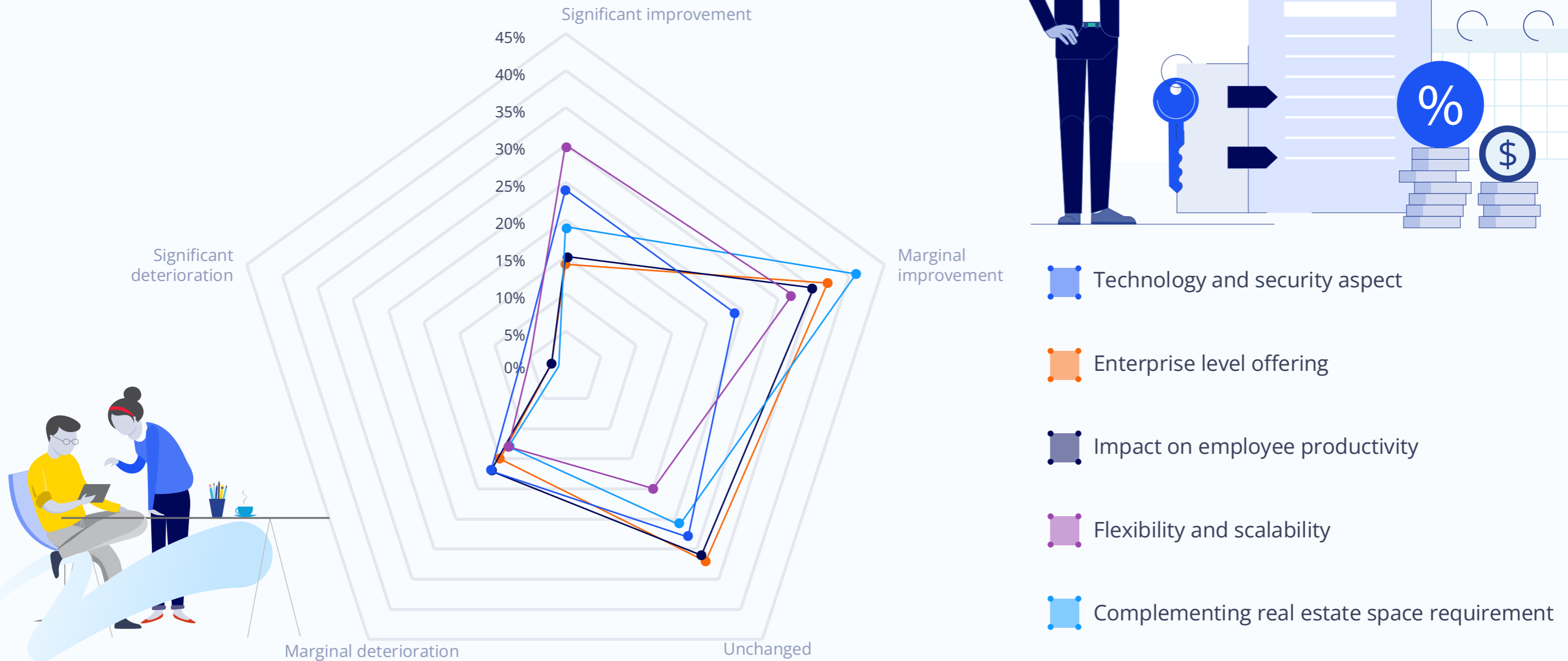


The way occupiers perceive flex spaces has constantly evolved. The **uptick in flex space occupancy levels** has been driven by an overall **flight to quality**. This involves perception improvement in varied aspects ranging from technology & security to enhancement in employee productivity levels. Although certain parameters such as **location** and commute convenience for employees hold higher significance, other factors such as **tech-integration, collaborative work environment, health, wellness and sustainable elements** will help in **differentiating flex space operators**.

Flex spaces are now being repurposed and fulfilling roles beyond support centres. With both **cost-arbitrage** and **enterprise-level offerings** coming into play, occupiers are increasingly embracing flex spaces for their **core business operations**.

Catering to **evolving** occupier requirements

Flex space perception enhancement in post-pandemic era



- Technology and security aspect
- Enterprise level offering
- Impact on employee productivity
- Flexibility and scalability
- Complementing real estate space requirement

Source: Colliers

SURVEY INSIGHTS

Around **50%** respondents acknowledged **notable improvements** in flex space offerings – **flexibility, scalability, enterprise level solutions and complementing real estate requirements.**

An overwhelming **80%** and **67%** of **Engg & Mftg** and **BFSI** respondents have reiterated improvements related to **technology and security aspects** in the past few years.

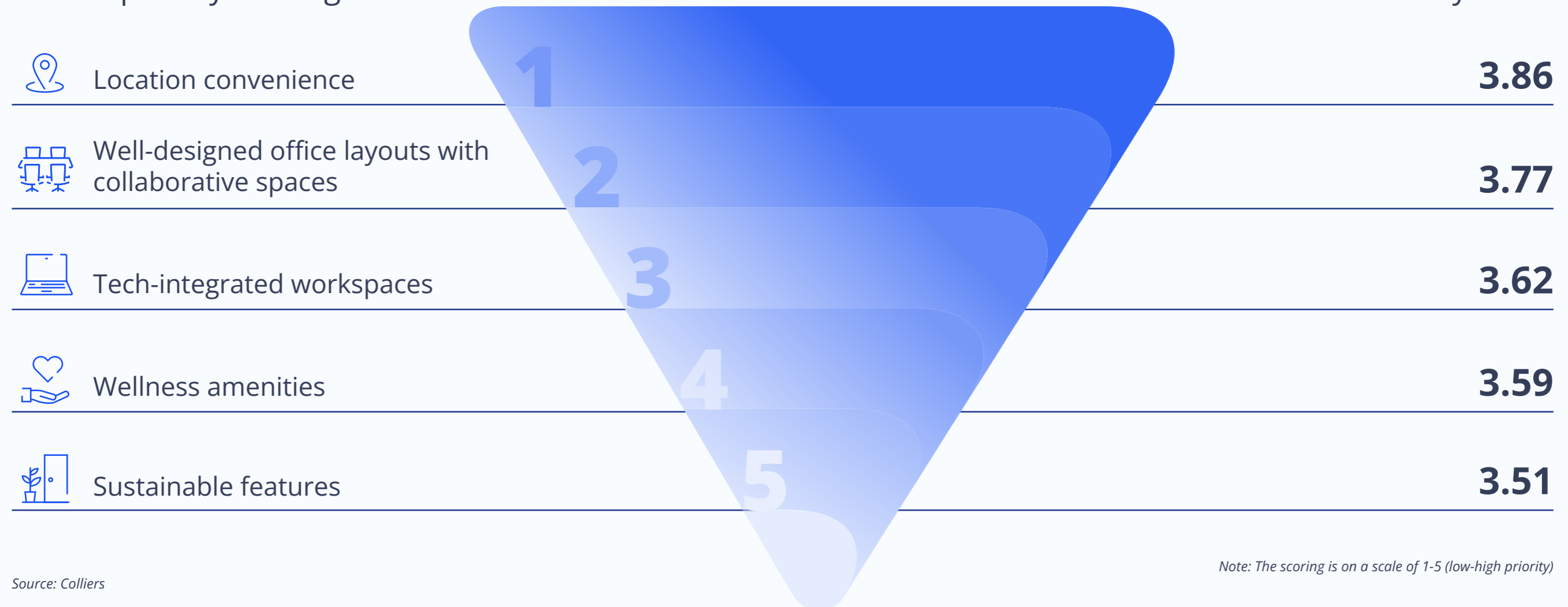
Location, layout and amenities differentiate flex spaces



Top occupier priorities in flex space uptake

Overall priority ranking

Survey score



Source: Colliers

SURVEY INSIGHTS

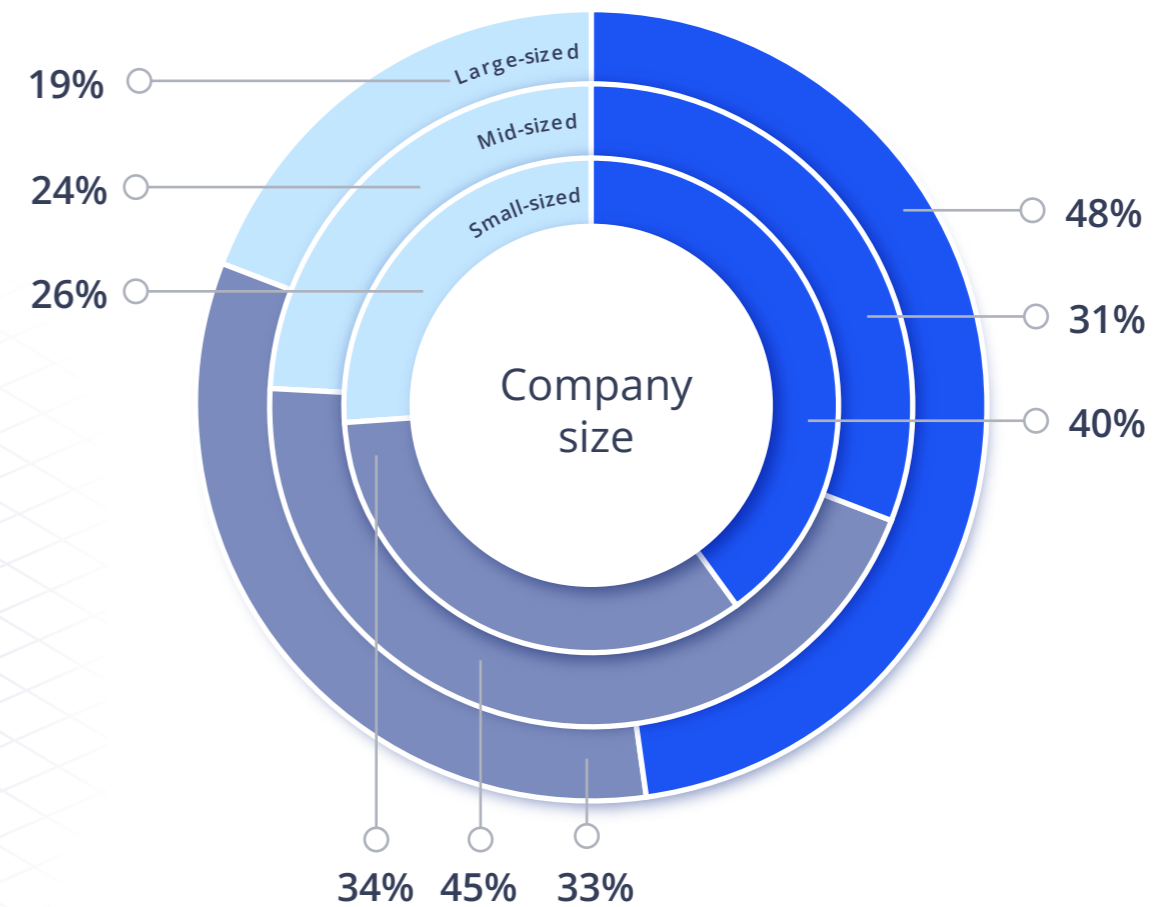
~60% occupiers consider **location** as most important flex space parameter. Location consideration is followed by **office layout analysis** and is indicative of heightened collaboration in workspaces.

61% of respondents from the **technology sector** opt for flex spaces which promulgate work environment with seamless integration of AI, cloud computing, machine learning and tech-enabled design elements.

>1/3rd flex space function as **core business centers**



Operational profile of flex spaces



Source: Colliers

■ Business support services
 ■ Core business operations
 ■ HR, Finance & Admin services

SURVEY INSIGHTS

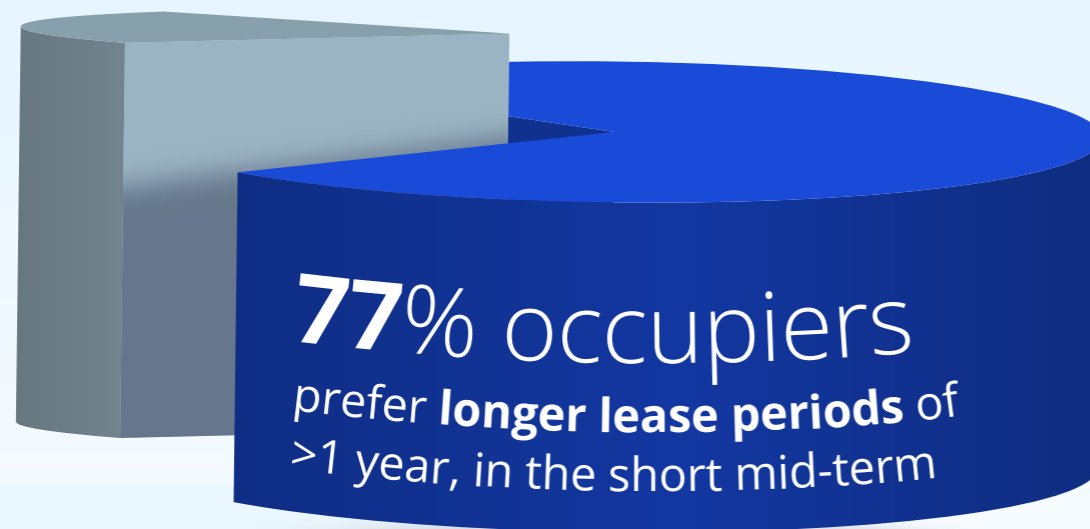
About 40% of the technology companies use flex spaces for **core business operations** while **67%** of **BFSI** companies use flex spaces for **business support services**

In **ancillary flex spaces** used primarily for HR, admin and finance purposes, almost **one-third** is occupied by companies yet to fully scale up including **start-ups**.



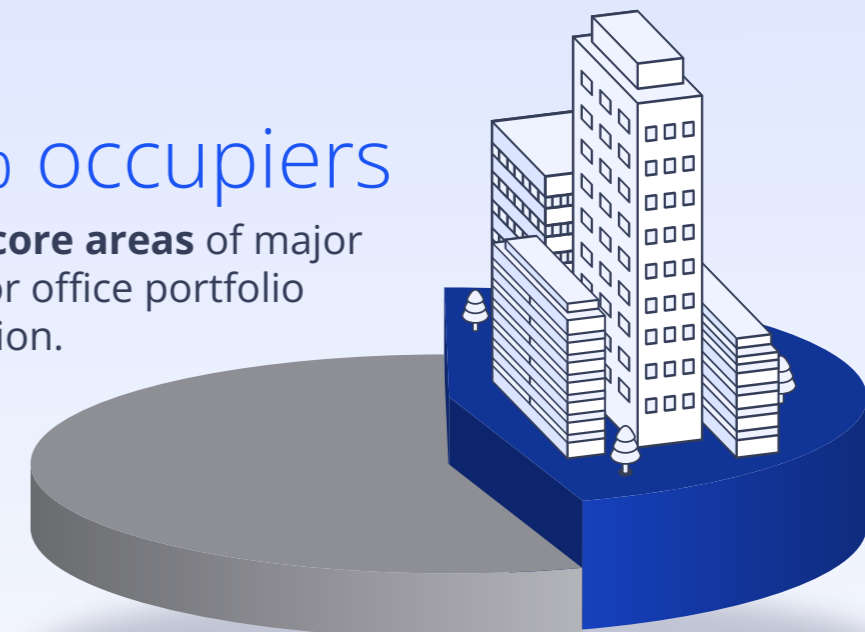
FLEX SPACE: ROADMAP FOR THE FUTURE

Survey Highlights



~45% occupiers

prefer **core areas** of major cities for office portfolio expansion.



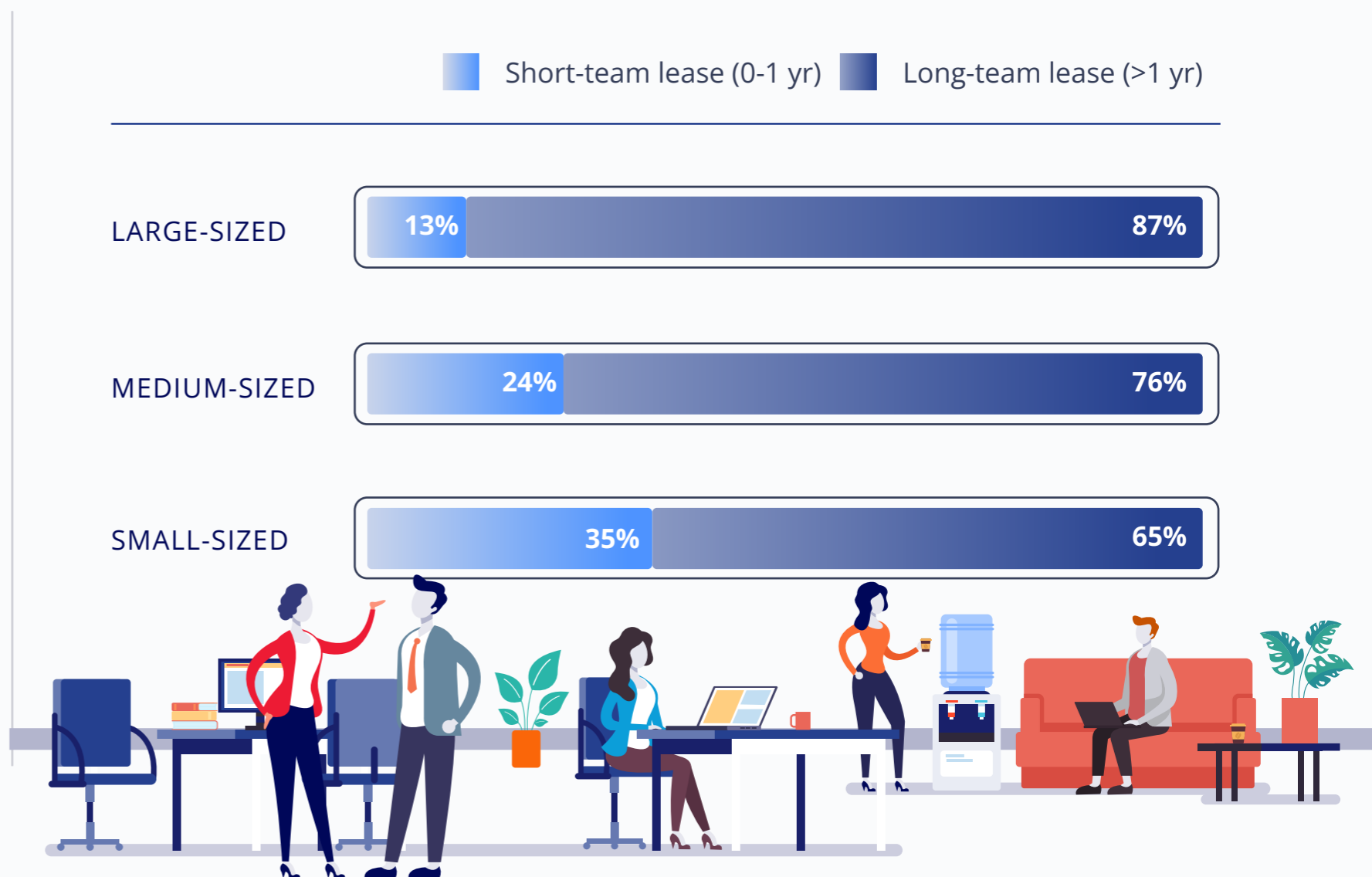
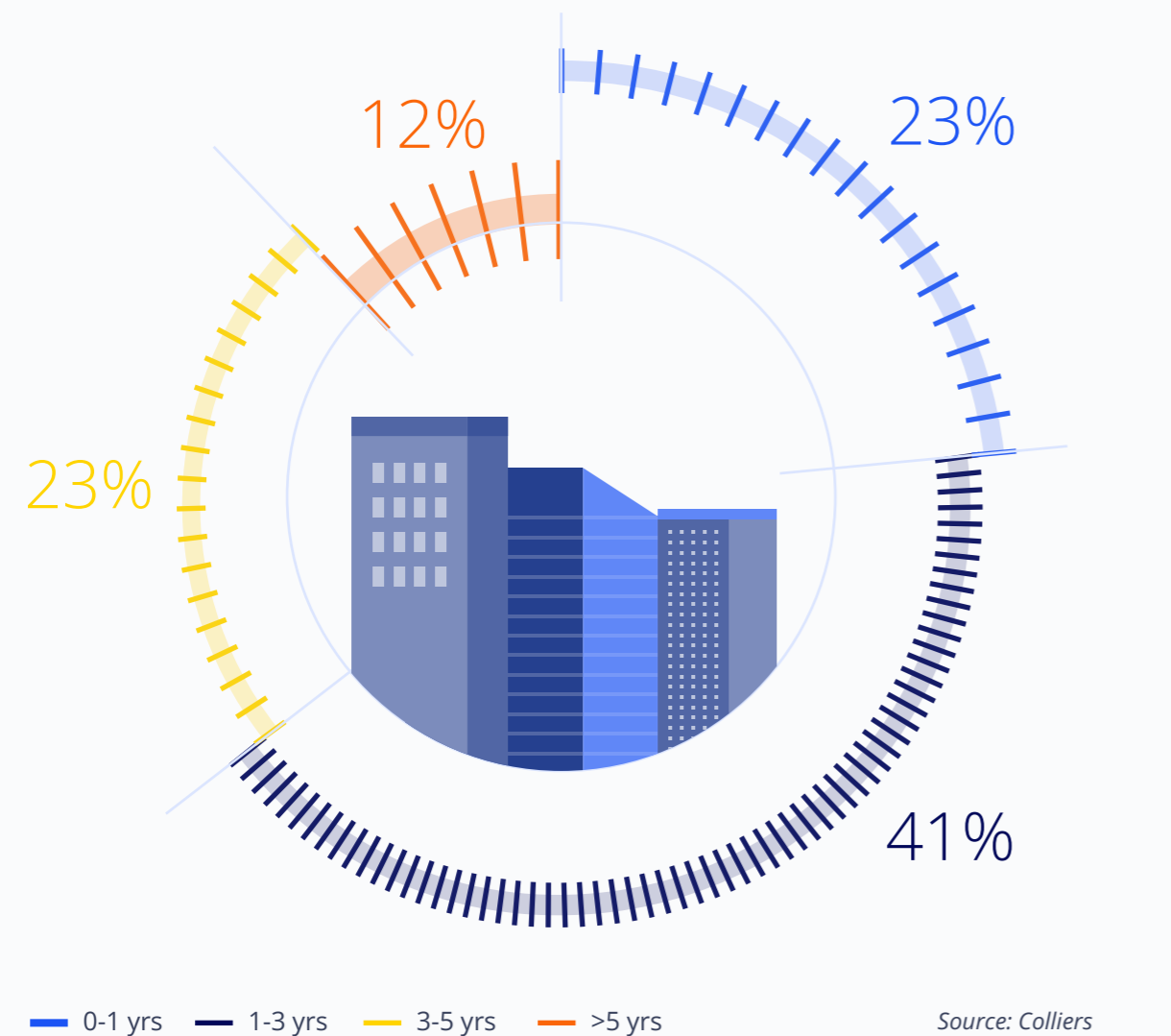
*Flex spaces, particularly in the early growth phase of the flex market were preferred for temporary work arrangements. Occupiers were primarily attracted by the rental arbitrage, seat-basis monthly rental payout and shorter lease tenures in general. With the **maturity of flex** market, leading operators have been able to reassure occupiers with **longer commitment periods**. Interestingly, few occupiers are open to **negotiate lock-in periods** as well.*

*With a large number of companies preferring **distributed work strategies**, flex centres are perfectly positioned to serve as both **primary hubs and satellite offices**. Interestingly, while expanding, occupiers are likely to lean towards flex space operators with attractive offerings in **central areas** as compared to facilities in peripheral areas.*

Average **commitment period** will reach close to 3 years



Lease tenures in the future



SURVEY INSIGHTS

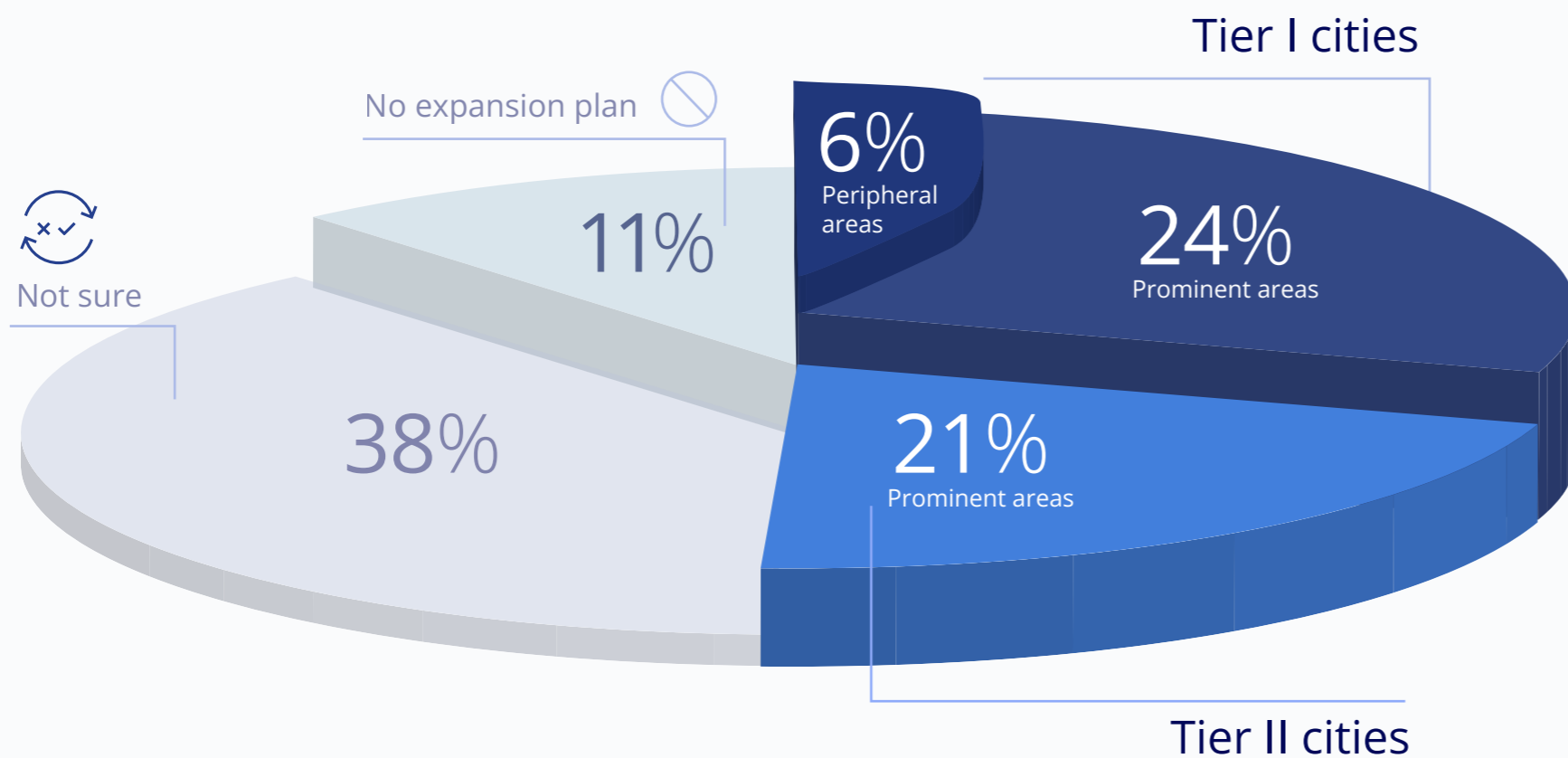
With holistic solutions on offer, occupiers see flex spaces meeting multiple demand requirements. Average lease tenures consequentially will **increase from 2.6 to ~3 years** in the mid-long term.

Overall, about **77% occupiers** feel positively inclined for **relatively longer commitment periods (>1 year)**. The acceptance of longer commitment periods in flex spaces is typically higher for large sized companies.

Flex spaces to champion **distributed** work models

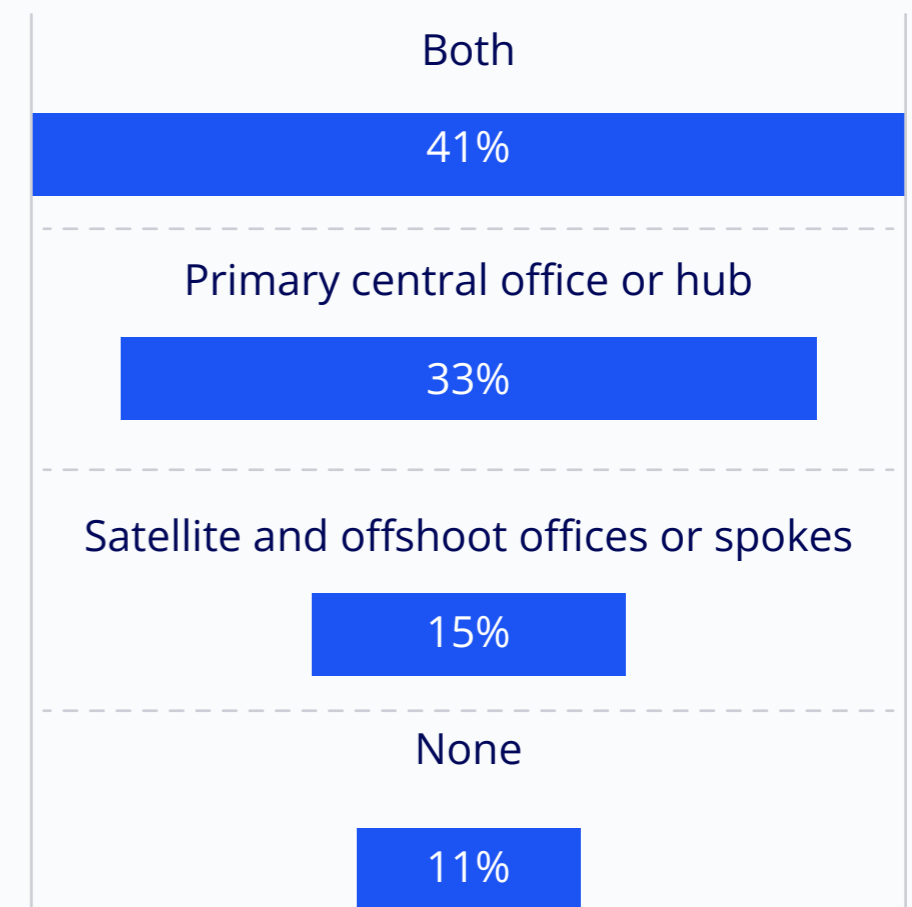


Flex space expansion strategy in mid-long term



Source: Colliers

Typical flex space fitment in organization



SURVEY INSIGHTS

Underscoring the importance of intra-city connectivity, **about 45%** occupiers would opt for future expansion through flex spaces in **prominent locations of tier I or tier II cities**.

About half of large companies including GCCs and MNCs envisage flex spaces to act as **both hub and spoke offices**. On the contrary, about **42%** of the smaller firms including start-ups see flex spaces as their **primary office space**.

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