CUSHMAN & WAKEFIELD | Table Space

FROM FLEX TO MANAGED

Evolution of the Flex Space Industry

August 2024

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"While the flex sector started with a clientele comprising largely startups, freelancers and SMEs, the evolution of the sector over the past decade has been truly transformational. Managed office solutions are the drivers of this growth wave with the confluence of flexibility, premiumization, cost optimization and employee welfare serving as tailwinds for the sector."

RAMITA ARORA
Managing Director, Bangalore & Head – Flex, Leasing Tenant Representation – Industrial

Managed space operators are expanding their footprint across prime office corridors and investing in high quality properties. The focus is on providing best experiences to enterprises and their employees combining world class amenities, innovative office designs and built in sustainability and technology."

Nitish Bhasin
Chief Sales Officer, Table Space

Introduction

The evolution of the flexible workspace category, within the Indian commercial real estate market, has been a story of rapid transformation driven by changing occupier needs. The category has grown rapidly over the past decade and is now firmly entrenched as one of the dynamic segments of Indian commercial real estate. As of H1 2024, the flexible workspace stock stood at around 7-8% of India's total Grade A office supply (top 8 cities), up from less than 1% a decade back. Moreover, the stock has doubled since 2019 with leading operators expanding footprint rapidly in response to surging enterprise demand. Office space leased by flexible workspace operators has jumped from 6% of pan India gross leasing volumes (GLV) in 2017 to ~13% of GLV by H1 2024, firmly establishing the category as one of the leading Grade A occupiers in the country.

The wide gamut of high-quality services and value addition has revolutionized the flexible workspace category. While the category started-off as a preferred workplace option for freelance professionals and small occupiers, it is now rapidly gaining preference in India amongst enterprise clients because of the multiple benefits it provides through comprehensive products like the Managed Office. The Managed Office Solution (MOS) has grown rapidly in recent years on the back of its intrinsic premium and end to end solution offering.

It is an end-to-end custom solution, managed and owned by a single vendor but with the occupier having complete control over the services brief. Success of this segment in India has resulted in intensification of competition amongst service operators, including from those newly entering the segment. Innovations like MOS have helped get larger clients to prefer flex as a real estate solution and such innovations have helped the overall commercial real estate industry to mature.

Leading office occupiers, both domestic and international, have been gradually resorting to "Conventional + Managed office" leasing strategy. This involves creating an office portfolio with a blend of conventional office leasing from developers alongside leasing spaces through managed office operators, and it has experienced strong tailwinds in the post-COVID era. MOS as a model has been instrumental in facilitating this strategy, thereby altering the way occupiers visualize or utilize their office premise.

In this paper, our objective is to trace the evolution of the flex space industry over the years, the transition from traditional co-working preferred by startups to end-to-end customized Managed Office Solution (MOS) preferred by enterprises and GCCs. We focus on the key growth drivers and trends that are driving the MOS category and how operators are adapting to the rapidly evolving occupier preferences.

Towards the end of the paper, we present insights from our survey responses of those occupiers who recently (in last 12-24 months) leased-out space from MOS operators thereby offering us a glimpse of their decision-making process and rationale. The survey also helps gain a perspective of occupiers with respect to the role of MOS in furthering their purpose of having an optimal Conventional+Managed office spaces.

CHAPTER 1

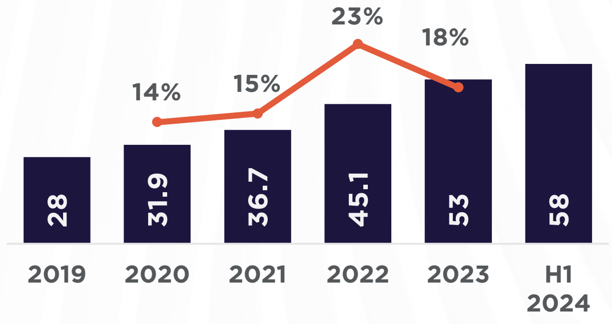
OVERVIEW OF FLEX SECTOR

Surge in Pan India Flex Stock

The overall flexible office segment has relentlessly pursued healthy growth over the last two years, with capacity additions of 8-9 MSF happening in 2022 and 2023 each. The total Grade A footprint of the flex space operators across India's top-8 cities stands at 58 MSF as of H1 2024, and this constitutes nearly 7-8% of the overall Grade-A office inventory. In just five years, the total footprint of the flex space operators in India has doubled. Annual growth rates in footprint of 23% and 18% witnessed during two years (2022 and 2023) was the sharpest rise seen in history, as the sector managed to garner a lot of interest from real estate stakeholders in the post-pandemic era. With H1-24 already adding about 5 MSF to the total inventory, year 2024 appears to have sustained the momentum.

Top-8 cities Grade A stock of flex space operators

(2019-H1 2024, in MSF)



Top-8 cities: Flex space inventory and its city-wise split (%)

Total 58 MSF

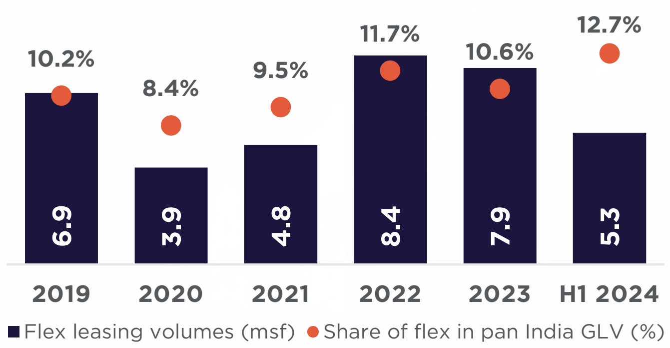
Bengaluru	31%
Delhi NCR	16%
Pune	14%
Hyderabad	14%
Mumbai	11%
Chennai	9%
Ahmedabad	3%
Kolkata	2%

Source: C&W Research

About 11-13% of the overall demand for grade-A office spaces across top-8 cities is now coming from flex space operators, often making this segment count amongst Top 3 or 4 largest consumers of leased office space in India.

Flex segment is now prominent consumer of Grade-A built space in India

Share of flex leasing in India gross lease volume (2019-H1 2024)



Source: C&W Research

As of today, over 300 flex space operators are present across top-8 cities and also some tier-II cities of India. However, the market is gradually moving in favour of those operators who have demonstrated the ability to efficiently manage end-to-end solutions towards space requirement of tenants. Out of the 300+ operators, the top 5% command more than 50% share in Grade A flex stock, and most of these players have Managed Space Solutions (MOS) as their core solution offering.

85,000+
Seats taken-up in flex workspace across the top-8 cities in 2021

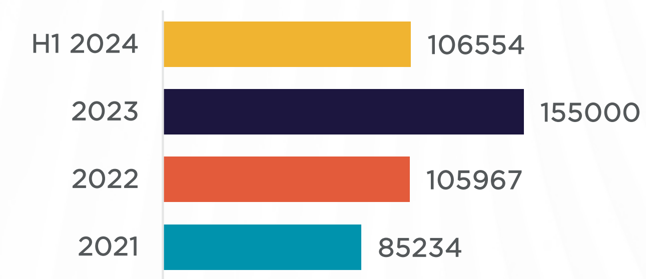
155,000+
Seats taken-up in flex workspace across the top-8 cities in 2023

35%
CAGR growth witnessed in the last three years

Absorption of flex seats reach record high levels

Adoption of flex spaces by enterprises, both domestic and foreign, has been on a consistent rise post pandemic. From 85,000+ seats taken-up in flex workspace across the top-8 cities in 2021, that number has consistently and significantly gone up to 155,000+ seats take-up in year 2023. That's an encouraging 35% CAGR growth witnessed in the last three years, rendering it the fastest growing segment within commercial office real estate. Given that number of flex seats leased in H1 2024 has already reached nearly 70% of full year 2023, the annual number this year is likely to record a new high, highlighting the robust absorption trend.

Seats take-up by firms across top-8 cities, 2021-H1 2024



City-wise share of flex seats absorbed 2021 - H1 2024

~4.5 lakh Total flex seats leased **2021 - H1 2024**

Bengaluru 43%	Pune 17%	Hyderabad 12%	Delhi NCR 9%
Mumbai 7%	Chennai 7%	Ahmedabad 3%	Kolkata 2%

Source: C&W Research

IT-BPM sector dominates with 40-50% share of seats absorption during 2023 and H1 2024

Amongst the biggest occupier clients for flex, the IT-BPM sector dominates with 40-50% share of seats absorption during 2023 and H1 2024. Following the IT-BPM sector, the Engineering & Manufacturing (E&M), and Professional Services complete the list of top-3 sectors that have accounted for largest shares in flex seat leasing in the recent years.

Sector-wise share in flex seat leasing, 2023 & H1 2024

Sector	2023	H1 2024
IT-BPM	40%	50%
Engineering & Manufacturing	14%	18%
Professional Services	12%	11%
BFSI	9%	12%
Healthcare & Pharma	4%	2%
E-Commerce	4%	4%
Telecom & Media	2%	0%
Others	15%	3%

Source: C&W Research

CHAPTER 2

A DECADE OF EVOLUTION: FROM CO-WORKING TO MANAGED OFFICE SPACES (MOS)

Flex offices as a specialised service within the commercial office real estate sphere started coming into mainstream nearly a decade ago in India. Until then, the segment was largely operating under the guise of business centers, with only few niche players such as Regus and The Executive Center (TEC) having presence in select locations. Over time, operators with differentiated business models and with a gamut of services entered the market. Today, this sector continues to evolve with the addition of 'managed offices'. Evolution of flex as a segment can be seen through three distinct phases

Evolution of Flex

Pre 2015

Business Centre Model

During the early days of flex sector, business centres were the dominant category with the presence of a few players such as Regus and TEC. Business centres provided a formal corporate environment through private cabins largely for startups and SMEs. Range of services were limited, with typically less than 50 seats being leased to occupiers on average. Short leases of less than a year and ready-to-move-in facility were other key features of this category, which attracted smaller occupiers.

2015 - 2019

The Co-working Model

One of the prime reasons leading to the rise of coworking sector in India during the last decade was the need to reduce real estate costs for those who could not afford setting up their own office. Small & medium enterprises (SMEs), startups and freelance professionals found the concept of coworking quite attractive, given the focus on lower costs compared to conventional office spaces as well as a community-driven environment that it offered. This period also coincided with the entry and expansion of WeWork in India with its distinctive vison to create shared workspaces for people of varied work backgrounds.

In the coworking model, most operators leased conventional office spaces and sub-leased them to a variety of clients. Interestingly, the period also coincided with the success of India's Start-up mission (introduced in 2014) as a plethora of new start-ups witnessed robust growth while some were even making it to the list of Unicorns (i.e., firms reaching USD 1 billion market valuation).

Coworking's product offerings included hot desks, dedicated desks, and private meeting rooms. Rentals were flexible and could be paid monthly or even daily depending on individual clients' requirement. The attractiveness of this model was clear – tenure flexibility, avoid big contractual hassles of conventional office spaces, access to quintessential office facilities such as uninterrupted broadband, printing machines, pantry, housekeeping etc. on a shared basis. This concept started gaining momentum and gradually it was not just SMEs and start-ups but also larger enterprises that were warming-up to its benefits.

2019-2020

Rising Share of Enterprise Leasing

Towards end of the last decade, enterprise leasing gained significant momentum within the traditional coworking model with operators such as Table Space steadily expanding their offerings within this space. Operators reworked their business models to attract domestic and multinational enterprises, who were looking for agile workspaces, with a cost-effective bouquet of solutions that could complement with their conventional office. In this model, operators leased space and sub-leased it to enterprises, with the latter signing shorter leases (usually 3-5 years) as compared to the relatively longer lease tenures in conventional offices.

Gradually, corporate enterprises became mainstay for most leading co-working operators, as they commanded dominant share in leasing of space within flex. Apart from the regular features offered, i.e., tech support, F&B, gym, creche etc. – some more services were getting introduced to enhance the overall experience. These included branding incorporation, customised IT solutions, multiple shifts management etc. as setting-up these would generally consume a lot of time and resources of occupier clients. Innovative office design, efficient usage of office space to enhance employee collaboration and productivity, and a broader culture of employee wellbeing became integral to this business model. Some pro-active and large flex operators even started offering HR, tax services, fitness solutions etc. as subscription-based features bundled into the deal.

By now, the benefits were evident to enterprises looking to set-up new offices or expand to newer locations. The flexibility of upscaling or downscaling business operations depending on economic cycles could now be matched by an equivalent cost-effective response from office spaces as well.

2021 - present

The Emergence of Managed Office Solution (MOS)

The genesis of the MOS revolution began towards the end of the previous decade with the rapid growth of enterprise leasing. Large office spaces were being leased by multinationals and domestic enterprises. In the post-COVID world, enterprise leasing model further evolved in response to changing occupier preferences. Proactive and innovative operators could see the opportunity to foster partnership with large occupiers who were trying to manage return-to-office of employees after lockdowns. Some large enterprises who had given-up a part of their conventional office spaces during the lockdown had to manage setting-up new office space while also ensuring proper employee roster and post-COVID health guidelines.

The MOS model offered enterprises a suite of end-to-end customized service offerings based on their requirements. Dedicated offices were provided for a single large client and the client had complete control over the services brief, which was completely customized by the operator as per client demand. In recent years, a few large pure play managed space operators specialised in providing such curated office space solutions to enterprises. This includes search for the right location & project, mapping of exact space requirement, complete office design & fitouts, facility management, clients' branding, etc. Multinational occupiers could have additional demands related to technology integration including touchless technologies, app-based meeting room booking, tech-based monitoring of space utilisation, internet of things (IOT) and sustainability-oriented features. MOS operators, therefore, are bridging the gap in terms of offering end-to-end real estate solutions for a seamless business operation for the client.

Highly curated offerings help in developing enterprise trust in the operator. Enterprises benefit from a 100% custom-built office which gives them the ability to control all sections of their workplace. Lease tenures are shorter as it provides flexibility to tenants and technology helps in developing an office that greatly enhances productivity at work.

At Table Space, our sole focus is on serving enterprise clients. We proudly cater to some of the largest names in the industry, including Fortune 500 companies and multinational corporations, for their capability and innovation centers. Since our inception in 2017, we have been transforming the commercial real estate sector with our dedicated managed office solutions. Our commitment to providing fully customized, premium solutions through a single-cheque facility and advanced technology has established us as pioneers in the Managed Office Solutions category. As enterprises recognized the advantages of flexible workspaces over conventional ones, there was a clear demand for products tailored to their specialized needs. We have been meeting this demand with an unwavering commitment to speed and quality.

-Nitish Bhasin

Segment Definitions

Business Centres

1. Private cabins, typically less than 50 seats leased to clients
2. Clients include startups and SMEs
3. Formal office setting and low rentals, compared to conventional offices
4. Low lock in period of less than a year
5. No capex costs incurred by clients
6. Ready-to-move-in facility
7. Basic service offerings

Traditional Co-working

1. Monthly and annual membership based solution
2. Occupiers can also avail services on a daily basis
3. Services include hot desks, dedicated decks and private offices
4. Key clientele include startups, freeelancers, small and medium enterprises (SMEs)
5. Social working environment
6. Leasing by larger enterprises has increased in recent years with operators expanding their offeings to attract larger clents
7. Shorter lease tenures as compared to conventional offices for enterprises
8. Wider gamut of services inclluding branding, customized IT solutions, F&B, creche, gym memberships, tax and payroll services etc

Managed Office Solution

1. Dedicated office for a single client
2. Fully customized single cheque solution
3. Shorter lease tenures with flexibility to occupiers to expand or downsize as per requirement
4. Office in a premium Gtade A buildimg with world class amenities
5. Owned and managed by a single vendor
6. Client has complete control over the services brief
7. Operator provides capex for fitouts; client avails upfront capex cost savings
8. Occupiers can stagger itout cocts over
9. longer period, thereby saving
10. capital for business expansion at the onset
11. Operators provide compiance services, enabling occupiers to focus on their core business
12. Latest tech platform to provide employees a superior office experience
13. Sustainability features incorporated to help occupiers meet their net carbon emission targets.

The flex space sector has seen fastest transformation within the commercial office real estate ambit, largely keeping pace with the rapidly evolving preferences of office occupiers. The advent of Managed Office Solution (MOS) within flex has led to enhanced level of innovation within the overall flex space, and clients are increasingly adopting this format. In a dynamic business environment, the complexities involved in leasing of commercial space and its quality up-keep requires skills and resources that MOS operators have been investing in over the years. Going forward, to manage health & safety expectations along with employee wellbeing & talent retention will require efficient management of office spaces, and clients leaning towards flex will opt for MOS alone to ensure their holistic workplace requirements are met.

CHAPTER 3

KEY DRIVERS OF MANAGED OFFICE SOLUTIONS (MOS) FOR ENTERPRISE CLIENTS

01 Rising Demand for All-Encompassing Real Estate Solution

02 Divergent Needs of Diversified Occupiers

03 Speed to Delivery & Flexible Office Use

04 Enterprise Expanding into Newer Geographies

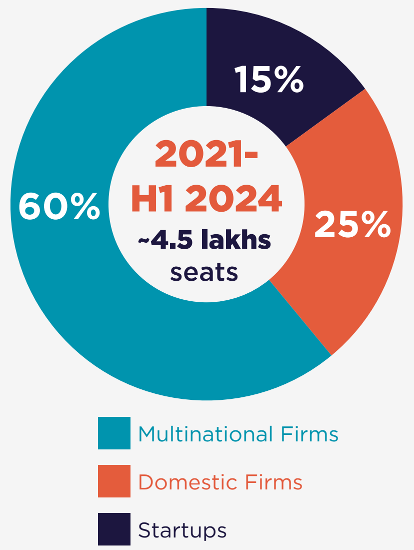
05 Providing a Gamut of Office Solutions

Rising Demand for All-Encompassing Real Estate Solution

India's advantage as a preferred destination for global corporations to offshore innovation and technology-backed services is getting a huge spur. The nation's large, young talent pool, who can be readily hired/trained into new age technology fields such as artificial intelligence (AI), machine learning (ML), Internet of Things (IoT) etc, provides a massive advantage for corporations to execute R&D/innovation/design functions from India. Therefore, MNCs are turning to India for offshoring through GCCs, and such enterprises have been looking for a reliable partner to help them navigate through local real estate solutions.

Enterprise's rising share in the overall flex space seat leasing is a testimony of this trend catching-up amongst multinational companies. In the chart, we look at the break-up of flex seat leasing volume in the post COVID period, and multinational corporations have been dominating in recent years. This trend appears to continue going forward as well.

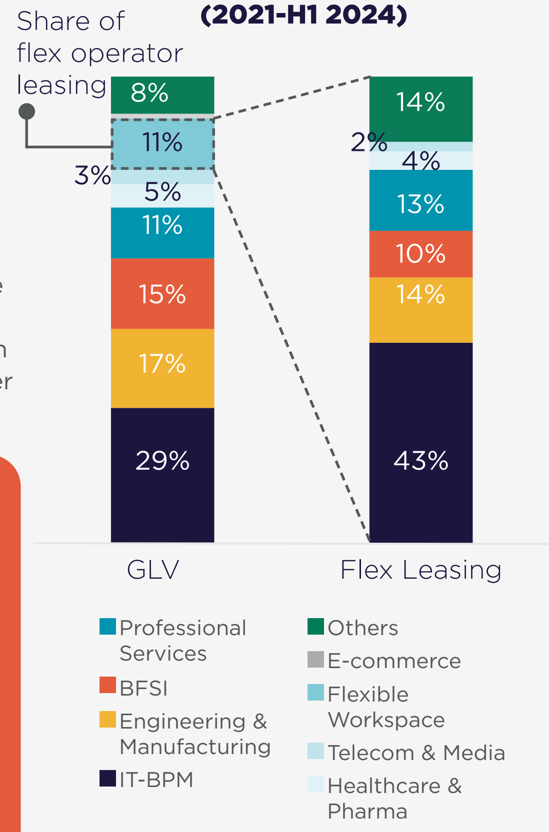
Enterprise categorization within flex seat absorption



Divergent Needs of Diversified Occupiers

MOS operators are witnessing strong demand for curated spaces / managed offices not just from tech companies or offshoring enterprises, but a plethora of other sectors. While IT remains a dominant driver of demand, other sectors such as Engineering & Manufacturing, BFSI and Professional Services are also contributing immensely to demand for curated offices. Dedicated management teams, premium Grade A properties with world class amenities for global multinational clients and the latest technology platform and sustainability gives MOS model a distinct edge over the traditional co-working solution.

Client segments diversifying within Managed Office Spaces (2021-H1 2024)



> "The flex occupier base is diversifying, and occupier preferences are evolving constantly. Each requirement is unique and needs an expert team to deliver the solution the client is seeking. Managed space operators like Table Space are built to meet these varied needs at scale as we launched with MOS as a product and understand that there is no one size fits all when it comes to enterprise workspace requirements.
> -Nitish Bhasin

Speed to Delivery & Flexible Office Use

A key advantage of MOS is the speed at which offices are delivered to clients after meeting all demands pertaining to office design, fitWhhvhvouts, amenities, legal requirements, technology solutions etc. Managed offices are set up much faster than conventional offices, which means there is negligible downtime when enterprises occupy the space.

MOS also provides immense flexibility to scale up downsize as per the business needs of an enterprise. With many enterprises looking to deploy hybrid work models, in keeping with a dynamic business environment, flexibility in office usage is a key attraction of the MOS model. Moreover, MOS enables office space optimization and provides more meeting rooms and collaboration areas in order to enhance employee engagement and productivity.

Enterprise Expanding into Newer Geographies

One of the main USPs of MOS service providers is the value-added services that they offer to enterprises. There is a strong urge amongst occupiers to adopt digitisation of workplace alongside other aspects such as superior facility management and employee well-being initiatives. Office space has now become a dynamic environment that needs to keep pace with emerging technologies and changing preferences.

MOS operators serve as comprehensive solution providers, offering a range of services including advanced digital solutions (touchless entry/exit systems, monitoring devices, IoT integration, occupancy sensors, and indoor air quality monitoring), sophisticated concierge services, specialized accounting and legal support, childcare facilities, and more, tailored to specific needs of their clients. Furthermore, these providers also address various aspects related to health, leisure, and fitness by incorporating amenities like gaming zones, coffee and snack bars, fitness centres, and retail outlets into their designs. By partnering with the right service provider, businesses can ensure a globally compliant office setup.

Providing a Gamut of Office Solutions

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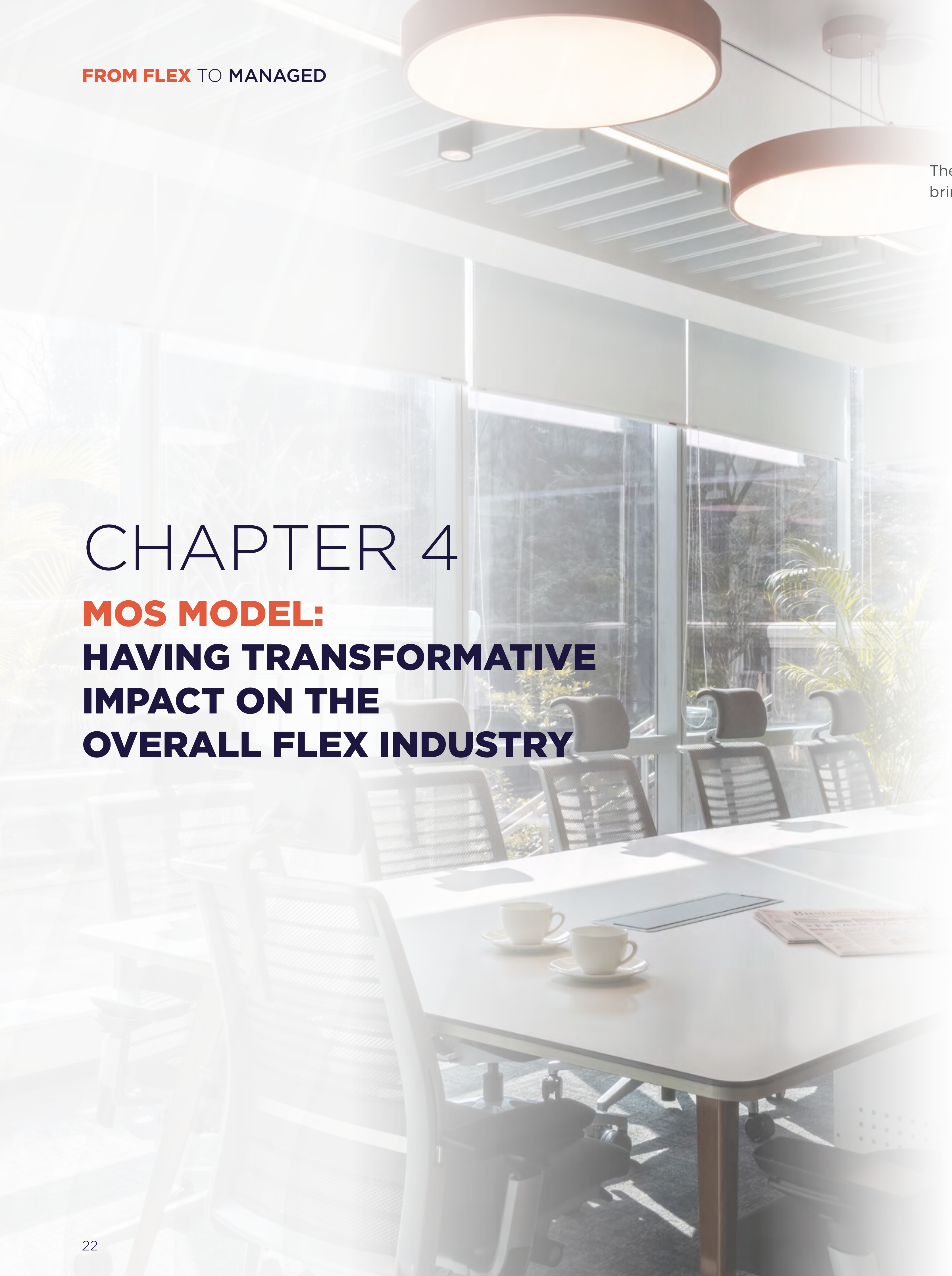


CHAPTER 4

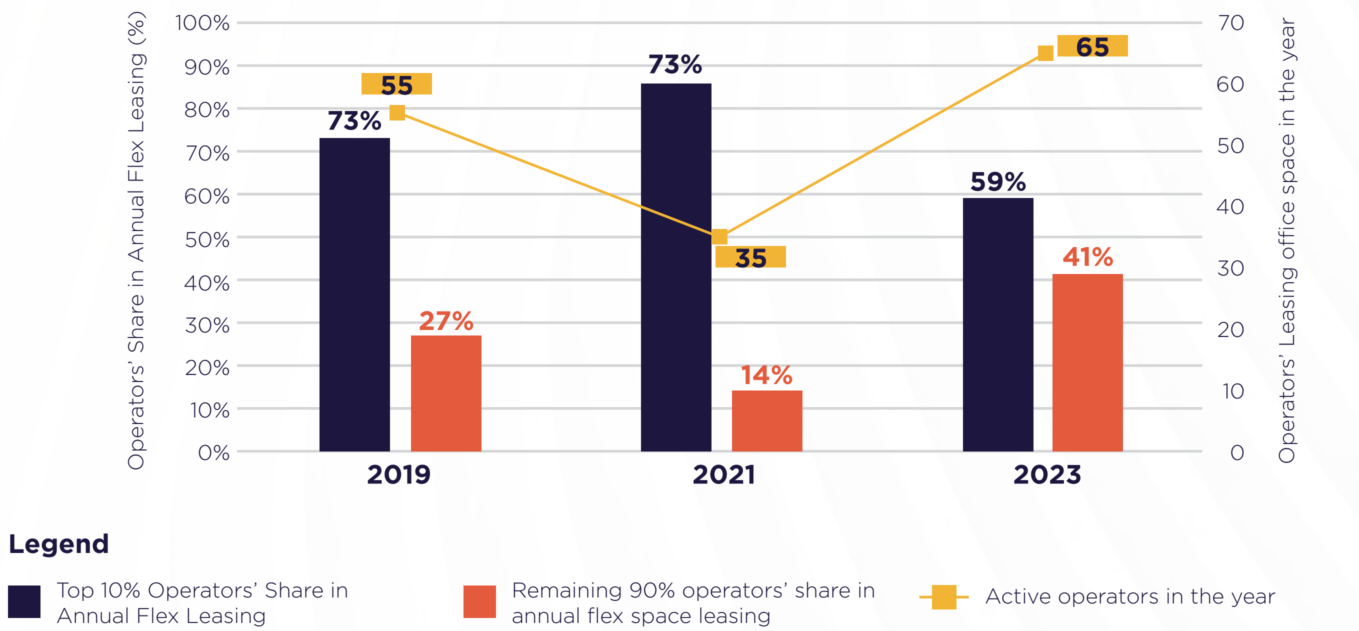
MOS MODEL: HAVING TRANSFORMATIVE IMPACT ON THE OVERALL FLEX INDUSTRY

The MOS Model has become the primary driving force behind the broader flex industry and it is bringing about some long-term implications / changes into the flex sector.

01 MOS Operators are focused on product differentiation

The growing success of India's flex office market has garnered significant interest, thereby prompting an influx of new operators into the sector post-Covid. In the graph below, we can see that the number of active operators in the market during 2023 has surged to 65 from merely 35 in the immediate aftermath of the pandemic. This suggests the increased attractiveness of this sector given the healthy demand shown by enterprise clients in last few years. As a consequence, the share of top-10 players in the annual flex leasing has fallen from a dominant 86% around 2021, to under 60% as of 2023. However, many new entrants in the segment have been attracted towards the MOS model as bulk of the enterprise demand sits in that space and it has been evolving rapidly. The MOS segment provides an opportunity to differentiate service offerings as opposed to the co-working model where the services have become standard or commoditised. Consequently, MOS has resulted in a lot of innovation and tech-infusions into the commercial office real estate segment.

Pre & post COVID operator's leasing volume share and number of "active operators"



Source: C&W Research

Note: Active operators = those operators who were active in office leasing activity during the year

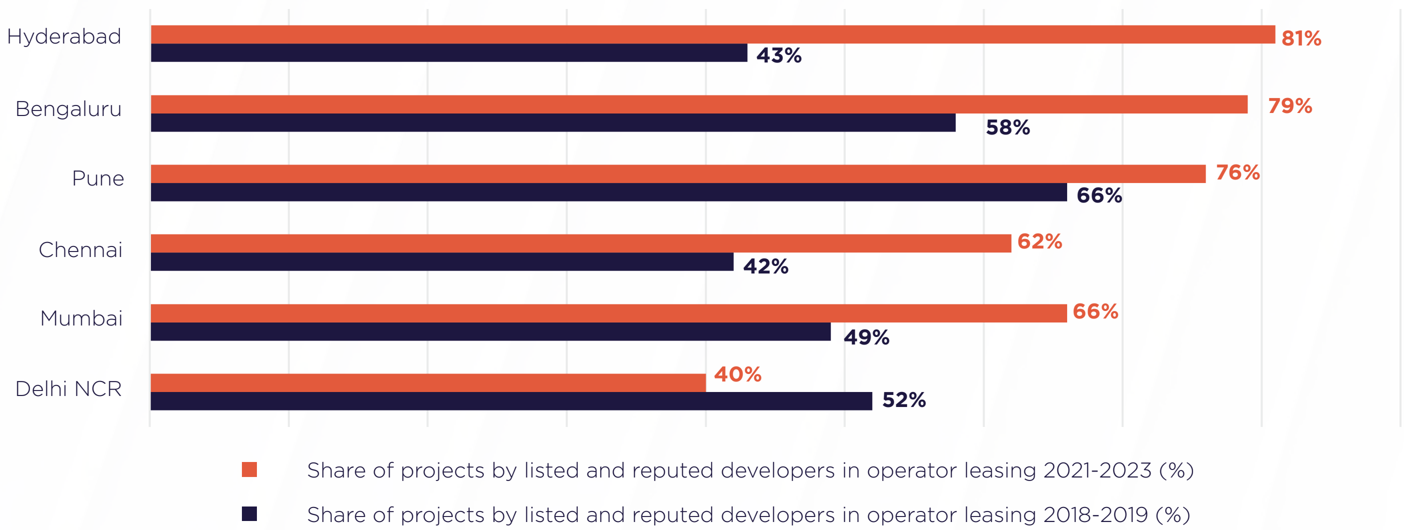
02 'Flight to Quality' through MOS – from value-capturing to premium Grade A assets

Increased share of enterprise leasing within the flex space segment owing to rising influence of MOS operators has resulted in a rise in share of flex leasing across top quality buildings. Most major cities in India have seen a rise in share of institutional grade assets in space leased by flex operators, including MOS operators. This rise in share of institutional grade assets, which is either owned by financial institutions or reputed developers, has been particularly steep in prominent flex markets such as Bengaluru, Hyderabad, Chennai and Pune.

This trend largely reflects occupiers' increasing preference for quality offices, reflecting a broader 'Flight to Quality' leasing strategy

> Managed space operators are expanding their footprint across prime office corridors and investing in high-quality properties. The focus is on providing best experiences to enterprises and their employees, combining world class amenities, innovative office designs and built in sustainability and technology.
>
> Nitish Bhasin

MOS operators leasing in assets owned by institutional / reputed developers – 2018-19 vs. 2021-23



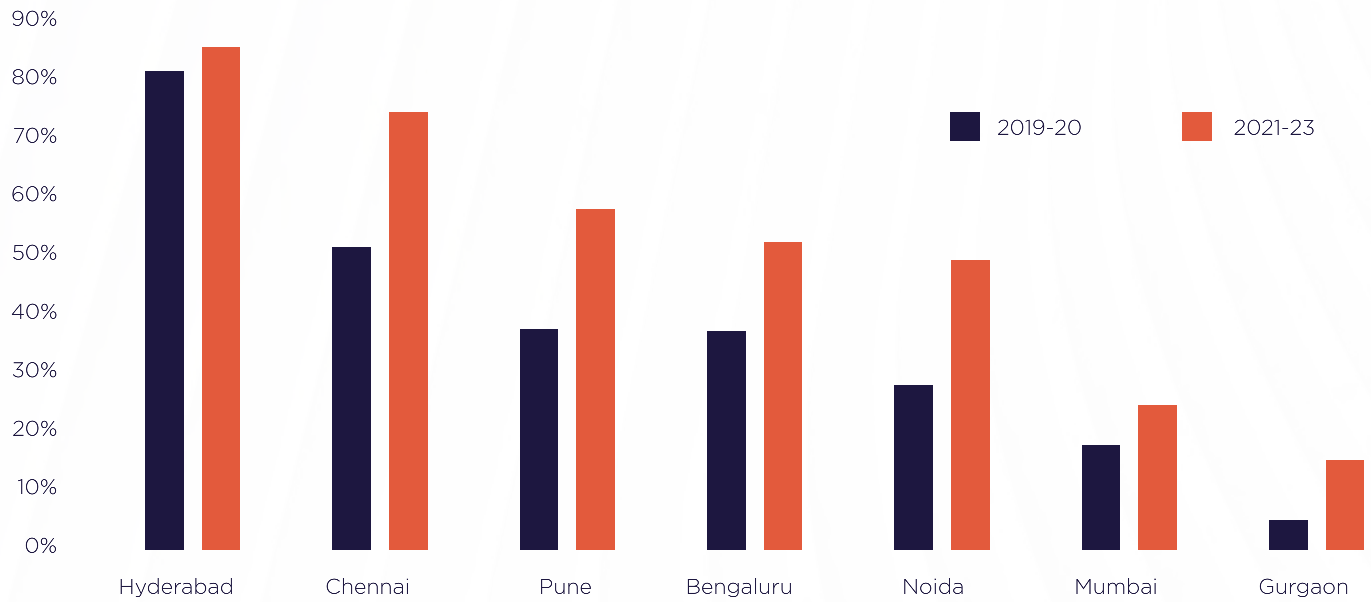
Source: C&W Research

03 Cost arbitrage paves way for people-centric approach

Post-Covid, there has been a massive shift of occupiers towards quality Grade-A projects with the best infrastructure amidst a singular focus on employee well-being, maximization of productivity and fostering a culture of innovation. Interestingly, prime submarkets across most metropolitan cities in India have the largest concentration of institutional grade quality assets and, therefore, large occupiers prefer to look for space in these submarkets.

In the most recent period post-Covid (2021-23), MOS operators ramped-up leasing in Prime submarkets across major cities. As the chart below shows, operators' lease volume across prime submarkets during this period was much higher than the pre-Covid period.

Share of prime submarket in total flex space leasing across cities - Pre and Post COVID



Note: Prime micro markets include – ORR (Bengaluru), BKC-Worli-Lower Parel (Mumbai), Sub. South & Southwest (Chennai), SBD East (Pune), Madhapur (Hyderabad), Gr. Noida, Gurgaon CBD

04 MOS pivots from rental arbitrage to superior value proposition

Having presence across prime assets and prime locations, MOS operators are clearly not in the business of trading of office spaces for rental arbitrage. Rather, they lease spaces from top developers at near-market rentals across most prime submarkets. As against that, erstwhile strategy of co-working operators and other flex segments was to take office spaces in bulk or within Grade-A assets and turn it around.

> "MOS tends to command a premium rent, although enterprises now see it as a value-added service, considering the holistic approach provided for office leasing solutions. Wide gamut of services provided by MOS has attracted some of the largest global enterprises to chose this product, and this is a trend that is guaranteed to continue.
>
> Nitish Bhasin

01

Bengaluru
Micromarket: Outer Ring Road

91 Average Grade-A office rental (INR/sf/month)

86 Average Rents of MOS spaces in Grade-A (INR/sf/month)

02

Delhi NCR
Micromarket: Gurugram (Others)

73 Average Grade-A office rental (INR/sf/month)

72 Average Rents of MOS spaces in Grade-A (INR/sf/month)

03

Hyderabad
Micromarket: Madhapur

70 Average Grade-A office rental (INR/sf/month)

68 Average Rents of MOS spaces in Grade-A (INR/sf/month)

04

Delhi NCR
Micromarket: Noida

55 Average Grade-A office rental (INR/sf/month)

65 Average Rents of MOS spaces in Grade-A (INR/sf/month)

Top 10 Micromarkets – Average lease rentals (Cumulative 2019-2023)

The managed office space model within the flex space segment has completely altered the way operators lease spaces from developers. Pro-active operators are now looking at office space more from a people-centric approach rather than cost-arbitrage on rents. Therefore, MOS operators leasing activity has increased in quality grade-A assets across prime submarkets. Similarly, their dealings with institutional or listed developers have increased over the years as such developers provide quality assets in a variety of locations.

05

Pune
Micromarket: SBD East

86 Average Grade-A office rental (INR/sf/month)

83 Average Rents of MOS spaces in Grade-A (INR/sf/month)

06

Bengaluru
Micromarket: Peripheral East

59 Average Grade-A office rental (INR/sf/month)

50 Average Rents of MOS spaces in Grade-A (INR/sf/month)

07

Pune
Micromarket: SBD West

83 Average Grade-A office rental (INR/sf/month)

80 Average Rents of MOS spaces in Grade-A (INR/sf/month)

08

Chennai
Micromarket: Suburban South

78 Average Grade-A office rental (INR/sf/month)

66 Average Rents of MOS spaces in Grade-A (INR/sf/month)

09

Ahmedabad
Micromarket: SBD

52 Average Grade-A office rental (INR/sf/month)

54 Average Rents of MOS spaces in Grade-A (INR/sf/month)

10

Chennai
Micromarket: Southwest

75 Average Grade-A office rental (INR/sf/month)

71 Average Rents of MOS spaces in Grade-A (INR/sf/month)

Source: C&W Research

05 Technology and Sustainability

Technology is increasingly becoming one of the key evaluation criteria for enterprises as they seek to provide world class office infrastructure for their employees. MOS operators have moved ahead with a host of initiatives such as Smart Digital Pass for touchless entry/exit, Digital Pantry & Cafeteria Solution, Parking Management System, Digital Cafeteria Solution, touchless visitor management system etc. Artificial intelligence (AI) is being actively deployed for a superior employee experience. Consequently, there is constant innovation happening within the commercial real estate space as MOS operators have been exploring newer ways to upgrade the experience quotient of clients.

Moreover, MOS operators are looking to differentiate themselves by integrating 'green' features to support occupiers' sustainability targets. Air purifiers, water recycling, waste management, rainwater harvesting are increasingly common in managed office spaces.

> “Attempts to retain talent in a high-growth environment and increased return-to-office post-Covid has led to massive change in occupiers' leasing strategy. Parameters such as employee well-being, sustainability, technology integration etc. are being considered by occupiers which have put the focus on premium, customized services by prominent managed space operators.
>
> Ramita Arora

Conclusion and Outlook

India is at the cusp of an economic upheaval, and real estate sector has already started to see the benefits of that. In 2022 and 2023, commercial office real estate saw historic high levels of gross lease volumes, largely fuelled by foreign entities (GCCs) entering or expanding in India, alongside domestic companies and start-ups participating in the same. Factors such as return-to-office of remote employees post-Covid also helped drive volumes higher.

Businesses are evolving very differently today as they adapt to newer technologies such as AI, IOT, AR/VR and Data Science. As a result, the required talent and their productivity at work becomes increasingly critical, and so is the firm's ability to retain them through constant engagement and collaboration. The role of an office plays a critical role in fostering higher collaboration, deeper connectivity through technology, efficient installation of sustainability parameters and superior facility management. Given a complex web of parameters involved, we believe there is a need for deep-dive innovation in the manner real estate solutioning is done for occupier clients.

This is where the flex industry, and in particular the MOS model, has had a transformative impact on the office market. The flex industry has grown significantly from a small segment within office real estate space to a segment that today consumes between around 13% of the gross leasing volumes. Given that India has a large start-up ecosystem and has been attracting GCCs into the country, the market could soon start placing a higher value for services that offer quick and comprehensive real estate solutions. MOS operators will have a large role to play in enabling high value-added services to occupier clients in future, and we foresee their market share to rise significantly in the coming years.

Office real estate market has been witnessing this transition within the flex space segment, as MOS operators are operating differently as opposed to the rental cost arbitrage model followed by other flex operators. Today, MOSs are in top grade assets delivered by reputed developers, and they are also looking at finding space in prime micro-markets for their occupier clients.

Both new as well as existing office occupiers who have taken the service find certain aspects of MOS imperative – flexible tenure that makes the firm CAPEX light, assistance in managing hybrid working, assistance in meeting sustainability targets, assistance in looking for new office spaces for expansion etc.

In the annexure, we reveal results of an insightful survey of 20 office occupiers who have, in recent years (~2 years), taken the service of MOS operators. That said, conventional offices will not lose their relevance, but MOS will complement conventional offices through a variety of additional benefits, as is already happening at present.

Annexure

Survey: 20 Occupiers share experiences & preferences from Managed Office Spaces

While we have spoken about evolving preferences of occupiers in India with regards to office space requirements, C&W India did a survey of some key occupiers who have recently (in last 1-2 years, as per a Feb-24 survey) leased space with an MOS operator. In this survey, we wanted to learn about the underlying rationale behind their decision to choose Managed Office Space over conventional leasing. The survey covered companies that represent a variety of industries such as IT-BPM, Ed-Tech, Chemical, VFX/Animation, Consumer Electronics etc. Respondents of our survey were holding senior level designations such as Partner, Vice President, Head Operations, Global TA Partner, Head Administration & Procurement etc. Key survey findings pertaining to evolving occupier preferences and trends are presented below:

Survey Questionnaire & Responses

Annexure

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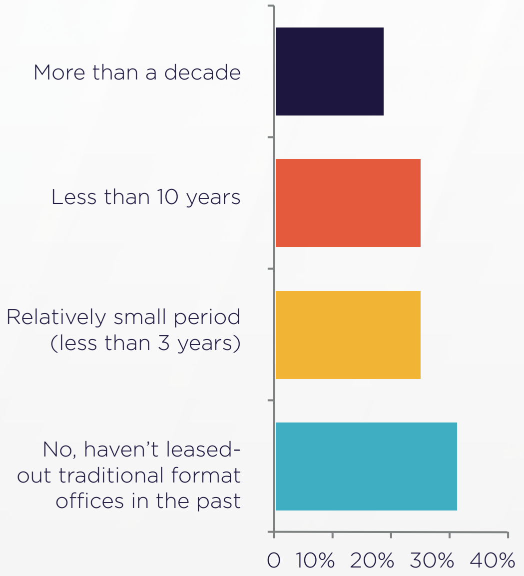
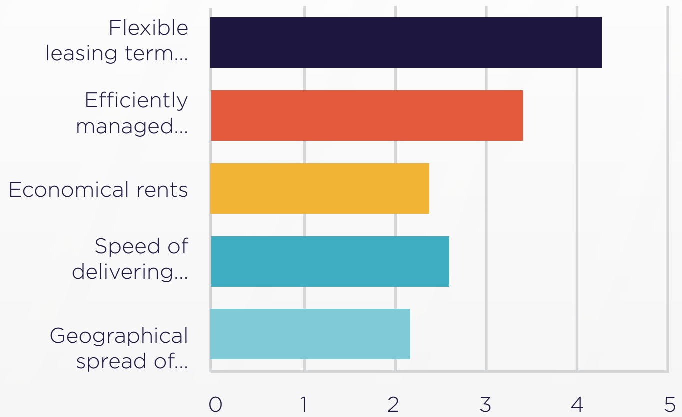
Q1 Prior to choosing managed space as an alternative, for how many years has your organization leased-out office space the conventional way in India?



Takeaway

Majority of occupiers we surveyed who have moved into managed space offices were either leasing office space for the first time, or previously had conventional office spaces but for a limited period. This suggests that occupiers are commencing their office leasing journey with MSOs. This suggests widespread acceptance of MSOs and the market dynamics becoming favourable towards an assisted leasing strategy.

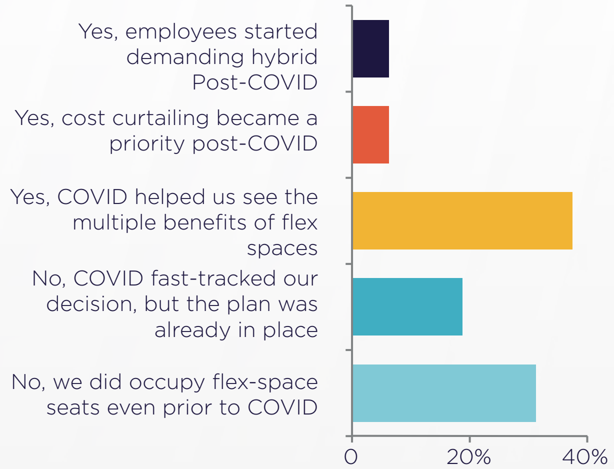
Q2 Please rank below-mentioned options in the order of your priority: Reasons that made you choose a flex space format for your office needs:



Takeaway

Prime reasons for choosing managed space office over conventional office among surveyed occupiers were flexible lease terms. Interestingly, respondents also valued aspects such as multiple vendor management and speed of delivering customized workspaces. In the post pandemic world, most occupiers have been looking for flexibility in real estate and the survey result corroborates this. Additionally, occupiers value service providers with good track record of execution.

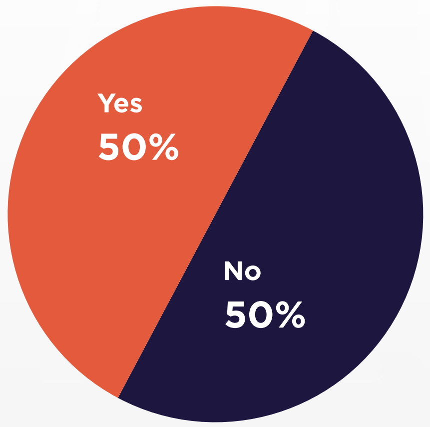
Q3 Was pandemic a trigger for considering flex space offices or was the transition planned?



Takeaway

Many occupiers revealed that the plan to go for managed space office was in-place prior to pandemic, but probably it was moving a bit slowly. For many occupiers, the pandemic helped realize the multiple benefits that MSOs offer. Managed offices became a key part of real estate strategy for many occupiers in the post pandemic era.

Q4 Has your firm adopted a 'conventional + managed space' strategy?



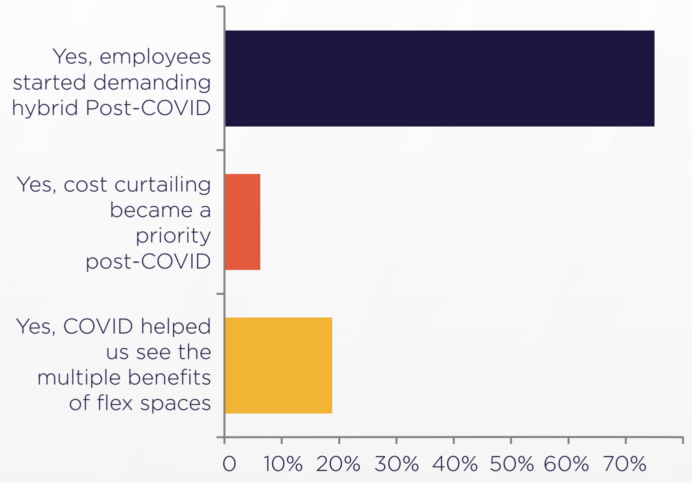
Takeaway

Half of the respondents revealed that they have in place conventional + managed office strategy already. This suggests that the readiness to accept managed space offices is high among occupiers, which bodes well for the flex industry. Amongst those enterprises who do not have a "conventional + managed" leasing strategy as of now, nearly a third plan to have a strategy in place in near future, as revealed by participants.

Survey Questionnaire & Responses

Annexure

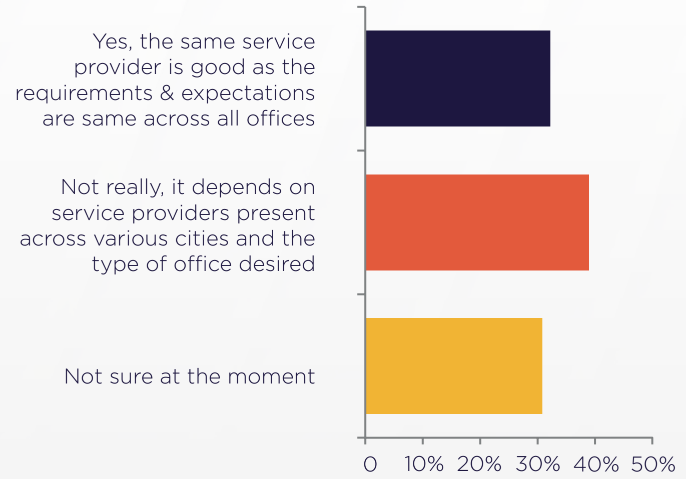
Q5 If your company is planning to expand to newer locations / cities, do you see MOSs as good option to explore in those cities?



Takeaway

A large proportion of respondents we surveyed are open to exploring partnership with managed space operators while looking at newer geographies for expansion of their office footprint. Occupiers are looking to partner with operators having a pan India presence and those who can offer a unified set of solutions across multiple locations. Consistently, superior service offerings and a track record of excellence are key differentiators for operators.

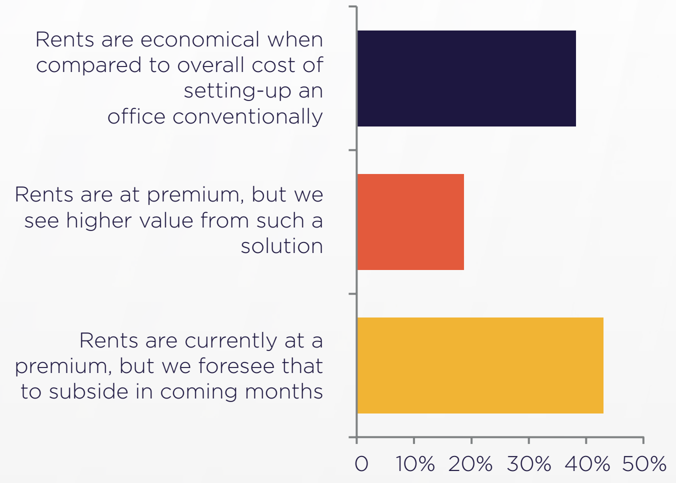
Q6 When expanding to newer locations or cities, will it help to have existing Managed Office Space operator deliver solutions across all locations? Why?



Takeaway

Managed space operators have an immense opportunity to build long-term partnerships with potential occupier clients. At present, limited presence across multiple geographies could be one limiting factor. Pro-active managed space operators would look for opportunities to gain expertise across multiple geographies in the coming years.

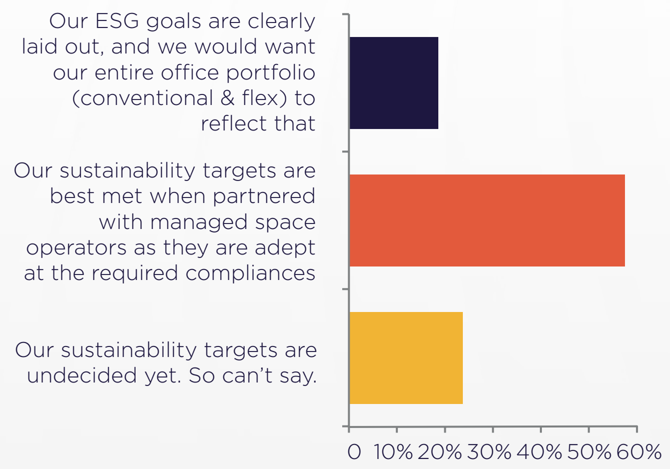
Q7 How do you look at cost of leasing MOSs versus the conventional office space?



Takeaway

Survey respondents differed in their view on whether rents in MSOs are economical when compared to conventional office spaces. Most of them think rents are at premium but it will taper-off a bit in coming years as more specialized operators intensify market competition. For some respondents, rents appear economical when compared with overall cost of setting-up an office conventionally. A small proportion of respondents believe that even if rents are at premium, there is good value in tailored office services.

Q8 As against your firm's ESG goals, how do you see office space playing a role in achieving them?



Takeaway

Occupiers are increasingly looking for solutions to improve their sustainability scores and built environment (read office space) is a significant contributor. Many occupiers are seeing managed space service providers as partners who could help them with required compliances to obtain green certifications. Operators who specialize in or have significant ESG expertise stand to benefit from this trend.

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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit **www.cushmanwakefield.com.**

About Table Space

Table Space is one of the leading flexible workspace solution providers in the country and a leader in providing enterprise-managed workspace solutions. Founded in 2017, Table Space has built over 9.5 million sq. ft (90.5 lakh) of custom workspaces, with 60+ centres across 7 cities in India. Table Space offers a unique solution-based approach to client's workspace needs by providing a complete spectrum of offerings from ready-to-move-in premium workspaces with TS Suites to fully customised end-to-end Managed office solutions delivered through an in-house Design Studio, and future first Enterprise Workspace as a Service (WaaS). For more information visit: **www.tablespace.com**