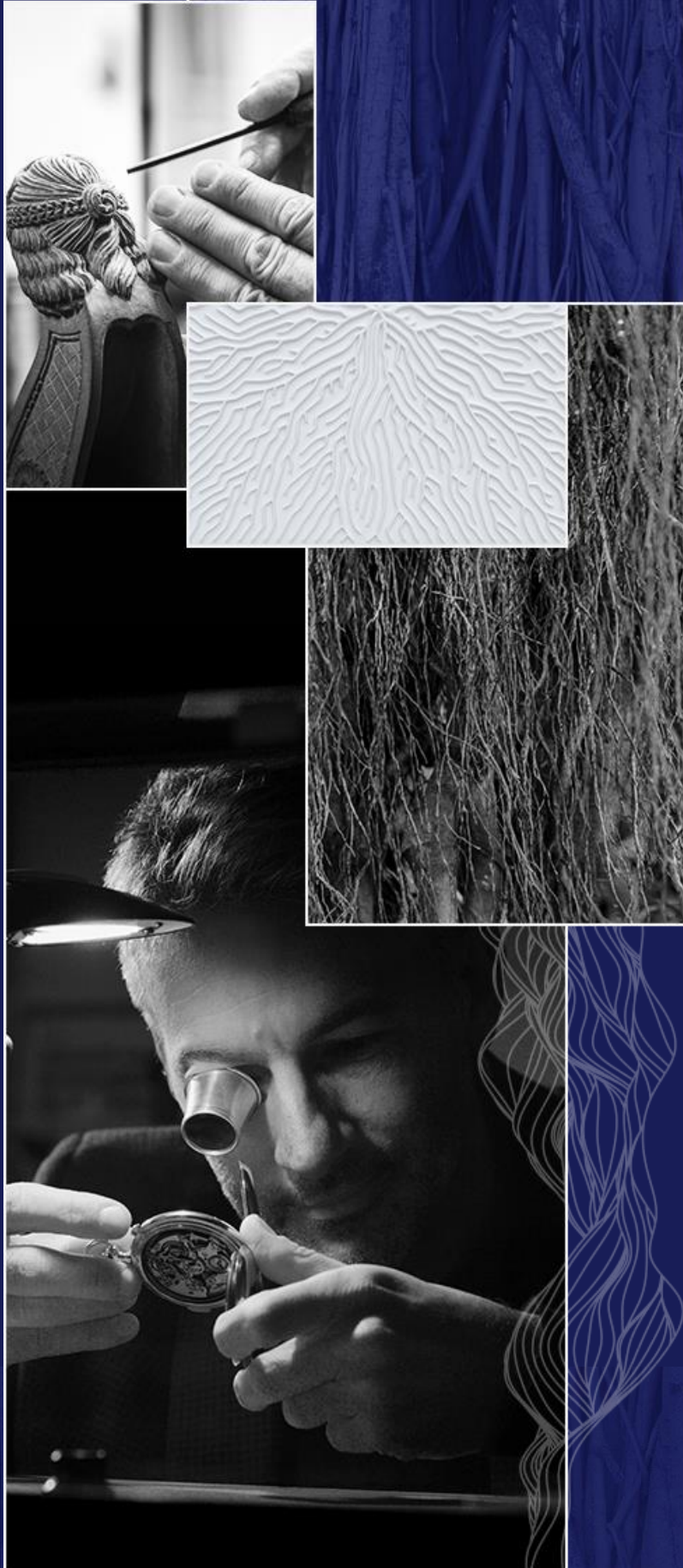


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NEWSLETTER
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W.I.N.
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Flexi Workspaces

Introduction - Flexi Workspaces

A Flexible Workspace is usually referred to as a shared office space or flexispace. The space comes with a dynamic design to suit the needs of various types of tenants by offering various services under one workspace thereby achieving reduced cost, increased flexibility and improving overall coordination between employees of a particular tenant yet still providing a professional work environment.

Flexi workspaces can be divided into two broad categories 1) Co-working Spaces and 2) Managed Office Spaces.

- 1) **Co-working Spaces:** In its initial phases, these were preferred by start-ups and freelancers who can use it for rent for a specific period of time with an all-inclusive cost structure.
- 2) **Managed Office Space:** A Managed Office is a much more customized solution offered to a corporate or a group of individuals.

Flexible workspace segment has grown substantially over the past few years and has now become of enhanced strategic importance for occupiers, either enterprises/ corporates or a group of individuals, as part of their real estate portfolio vis-à-vis purchasing or leasing.

Stock - Q2 2023
680.4 msf

Vacancy - Q2 2023
17.4%

Average rent - Q2 2023
INR 95/sf/month

Outlook for next quarter	Gross Absorption	New Supply
Q2 2023	14.6 msf ▲ YoY 2%	12.4 msf ▲ YoY 32%
YTD 2023	24.8 msf ▼ YoY -8%	22.0 msf ▼ YoY -8%

Pan India Office Market Snapshot

(Source: India Office Market Snapshot Q2 FY 23, Colliers)

Pandemic and an acceleration of Managed Office Workspaces

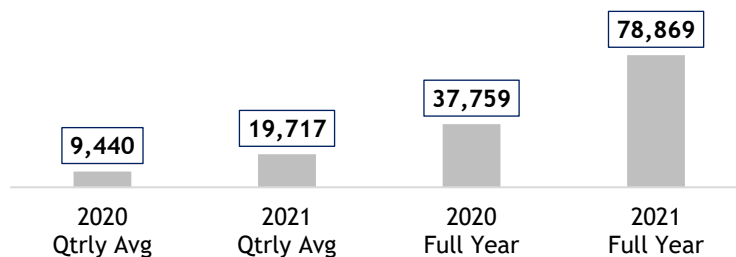
Even before the pandemic, certain corporates had started leasing office spaces in co-working facilities in order to avail various services under one roof that these spaces offered without substantial capex, which usually needs to be incurred. Initially, when the pandemic struck, there was naturally a significant dip in need of co-working spaces. The pandemic pushed most corporates to rethink about their real estate strategy. As real estate formed a large chunk of their capex and

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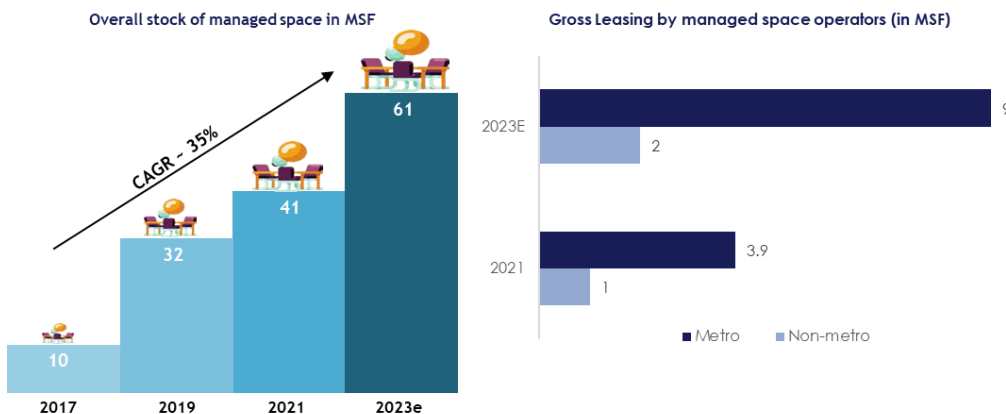
opex, there arose a greater need for flexi spaces, which would provide a safe environment with the adaptation of the hybrid model of work. This need was also precipitated by corporates being unsure of their real estate capex. This led to a resurgence of leasing Managed Office space.

In CY2021, the Indian Managed Office space saw a leasing of approximately 80,000 seats, almost double from the previous. The final quarter of which saw almost 28,000 seats addition. By the end of the year, managed office space segment became the third largest occupier of Grade-A listed commercial office space behind IT-ITeS and Manufacturing.



Growth of managed space leasing activity in 2021

(Source: Managed Offices - March 2022, Cushman & Wakefield)

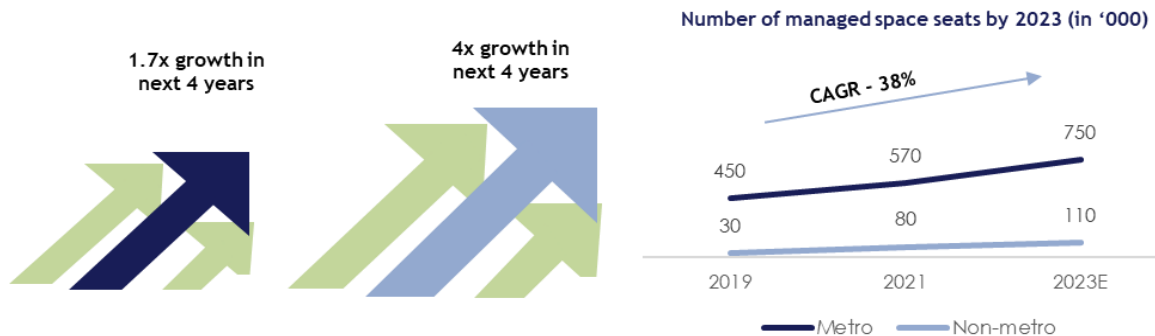


Managed Office Services - The Growth Engine for office leasing

(Source: Future Flex report, Colliers)

The Managed Office space providers became one of the early adopters of technology in the leasing of commercial real estate and were effectively remodeling their business by adopting smart business solutions and add-on services. With corporates looking to upsize with increased economic activity, Managed Office space providers are now looked more often as partners. It has also granted the corporates the flexibility in case they need to downsize or add on geographies.

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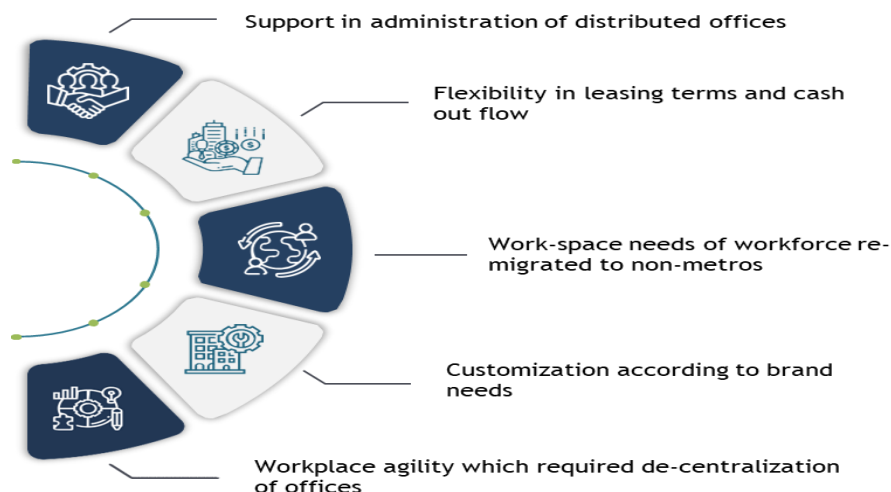


Managed Office Services - The Growth Engine for office leasing

(Source: Future Flex report, Colliers)

Key considerations in favour of leasing Managed Office space

- End-to-End solutions provided by the Managed Office space provider. This usually includes custom interior design support, facilities management, IT infrastructure, catering etc.
- Single payment mechanism, leading to a reduction in up-front capex cost for all the services provided.
- Single agreement for various services with a single provider.
- To support the hybrid model, taking advantage of the increased economic activity in tier-II cities and availability of Grade-A assets in tier-II cities.



Managed Office services segment suitable for changing needs of organizations











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The above few pointers in favour have led to a streamlining of a few operational challenges, allowing corporates to concentrate on their core business.

Key players in the Managed Office space

(Source: WCA Analysis)

Operator	Market presence
 TABLE SPACE	Bengaluru, Hyderabad, Mumbai, Pune, Delhi NCR, Chennai
	Bengaluru, Hyderabad, Mumbai, Delhi NCR, Kolkata, Pune, Chennai, Chandigarh, Indore, Ahmedabad, Bhubaneswar
	Ahmedabad, Vadodara, Mumbai, Pune, Hyderabad, Noida, Jaipur, Rajkot, Indore, Raipur, Gandhinagar
	Bengaluru, Mumbai, Delhi NCR, Pune, Chennai, Hyderabad, Kolkata
	Bengaluru, Pune, Chennai, Hyderabad, Mumbai, Delhi NCR
	Bengaluru, Hyderabad, Mumbai, Delhi NCR, Pune, Chennai
	Bengaluru, Mumbai, Delhi NCR, Chennai, Hyderabad, Pune
	Bengaluru, Mumbai, Chennai, Delhi NCR, Pune, Hyderabad
	Mumbai, Bengaluru, Delhi NCR, Hyderabad, Pune
	Bengaluru, Delhi NCR, Mumbai, Pune, Goa, Hyderabad

Emergence of Tier-II Cities

The pandemic led to a reverse migration of not just blue collar workers but also white collar workers, who were given a work-from-home option where the work could be done remotely. Most of the workers were originally from tier-II and tier-III cities i.e., non-metro. Stress of the pandemic led to realization of better work-life balance, which included reduced travel time and costs, family time, safe working environment and lower rentals. Employee retention became the priority for most corporates.

As with evolving times, the corporates too were evolving to accept a more decentralized workforce. Flexible workspaces began to be seen as a more viable option. The model has begun resembling more like a 'hub and spoke' model with corporate and satellite offices.

Some of the key reasons for expanding in tier-II cities are:

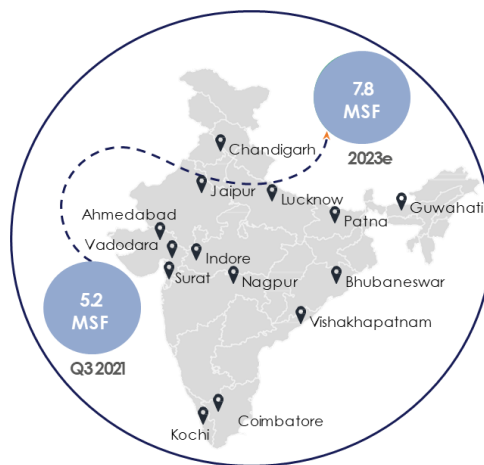
- Possible hub-and-spoke models

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- Expansion of leading companies from tier-I cities to tier-II cities
- Expansion of companies already based in tier-II cities
- Easier partnerships with local operators
- Rising demand from SMEs
- Demand-led entry/ expansion of BFSI and tech companies, including healthtech, edtech, fintech, etc.

Expected growth in managed office stock in non-metro cities



"India flex space is expected to see major expansion in non-metro cities in coming years"

- JLL Awfis Report

"... non-metro cities are gaining momentum with occupiers looking to enhance their presence, given the business opportunity in the interiors and talent availability in these cities with the reverse migration seen post COVID"

-Dr. Samantak Das, Chief Economist & Head of Research & REIS (India), JLL

Corporates are seeing a shift in how the office space is perceived with no more need for a big, centralized office to accommodate majority of the workforce. Managed office space has given them the option of flexibility.

With the availability of Grade-A assets and infrastructure on a par with metros, demand in tier-II cities is expected to show a significant growth in the coming years.

Ahmedabad and Coimbatore are emerging as key markets for Managed Office space in tier-II cities, closely followed by Jaipur, Indore and Visakhapatnam.

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Preferred tier-II cities for expansion

(Source: Insights H1 CY 2023, Awfis)



Key Sectoral Growth Drivers

○ The New Core + Flex model

The increased adaptation of “Core + Flex” model that combines the traditional long-term lease offices with flexible workplaces on short-term renewable leases.

○ Hub and Spoke

Employee retention and achieving resource efficiency for corporates will be the key factors, going forward, and lead to adopting the hub and spoke model.

○ Services

Regular addition of value-add services, which enhance the workplace experience such as health and wellness centres, nurseries, game zones etc.

○ Technology

Adoption of technology into their services like smart passes, apps for usage of other services, touchless vendor management, and digital cafeteria are a few new options being provided by the Managed Space providers.

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Recent Investments in Managed Office Space Providers

Date	Trade Name	Investors/ Buyers	Deal Size (Rs in cr)
Jul-23	Lets work	Angel Investors	Undisclosed
Apr-23	DevX	Urmin Group Family Office, Bidiwala Family Office, Navneet Education Limited & others	25
Dec-22	Awfis	Havells Family Office, Emerge Capital & others	40
Dec-22	DevX	Undisclosed Buyers	Undisclosed
Dec-22	Wework	Baring Private Equity Asia	550
Nov-22	TableSpace	Hill House Capital	2453
Nov-22	Awfis	ChrysCapital	15
Oct-22	91 Springboard	V. Srinivas, R. Giridhara	Undisclosed
Jun-22	Awfis	Ashish Kacholia, ChrysCapital	65
Jun-22	BHIVE	Agility Ventures, Karmya Advisors Private Limited & others	2
May-22	91 Springboard	CP Storage Studio LLP	1
Apr-22	BHIVE	Gruhas PropTech, Blume Ventures & others	1
Apr-22	Myhq	Anarock	125
Apr-22	Innovent Spaces	Westbridge Capital Partners, Careernet Technologies Private Limited, & others	225

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Road ahead

The need for agile workplaces, hassle-free administration and limited expenditure have forced the corporates to give importance to managed office spaces as part of their real estate strategies. Demand for tech-enabled workplaces will keep growing as the employee wellness and smooth transition back to office, or even in a hybrid form, are one of the key focus areas of the corporates. Larger-funded players in this segment will continue to grow as they have the resources to occupy whatever Grade-A assets are available.

Tier-II cities will be at the forefront of such growth. With improving infrastructure in these cities, metro cities will no longer be considered as the only option for the workforce.

However, the challenges to their growth are plenty like competition, technical issues, client retention and supply of Grade-A assets especially in the tier-II cities. Mitigating these challenges must be in the players' focus.

With increasing Private Equity investment, increased competition, and technological advancements, the managed office space segment is expected to grow and proliferate in the time ahead. By some estimates, the managed office space segment in India will grow from approximately 5% - 6% of the total Grade-A office inventory to about 15% - 16% over the next decade.

Sources:

Industryreports

News Articles

WCA Proprietary Analysis

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How can Wodehouse Capital Advisors help?

Wodehouse Capital Advisors has extensive network and prior experience across each of the service vertical



Family Office Services

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- Succession Planning
- Real Estate Advisory
- Business Consulting
- India Entry Strategy



Merger & Acquisitions

- Buy Side Representation
- Sell Side Representation
- Bolt- On- Acquisitions



Debt

- Structured Finance
- Refinancing
- Additional Funds for Set-up



Equity

- Growth Capital
- Strategic Capital

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