Co-Working

Reshaping Indian Workplaces

June 2019



Preface

The global financial crisis made it mandatory for corporates to bring in efficiencies in space management. The important trends that impacted the corporate world were Capex and a thriving start-up ecosystem. Moreover, the growing demand from freelancers, consultants and corporates led to co-working spaces growing like never before. Supplemented by the needs and wants of the new generation, the budding popularity of such spaces is expected to only increase further.

Co-working spaces, today, are not confined to small businesses or start-ups. Even large corporates are gung-ho about the concept and occupy a significant share of the pie. The flexibility intertwined with superlative amenities and a community driven ecosystem are attracting occupiers to co-working spaces.

In fact, co-working space is rapidly emerging as a vital player in the commercial real estate sector of India. According to the estimates, there are approximately 325 to 330 co-working operators in the top seven cities in India. Some of the major players dominating this space include WeWork, Awfis Space Solutions, The Hive, CoWrks etc.

The average size of transactions in the co-working segment increased from 52,000 sq. ft. (2018) to 77,000 sq. ft. (1Q2019). The cumulative space take-up by co-working segment from 2017 to 1Q2019 is 6.9 mn sq. ft. While Mumbai had the highest proportion (14%) of co-working space to total office leasing in 2018, Chennai emerged as a frontrunner in the percentage increase in co-working space leased between 2017 and 2018. Its share in total office leasing in the co-working segment increased 5 times from 2% in 2017 to 10% in 2018.

Today, millennials constitute a majority of India's workforce. They are adaptive but expect a drastic change to occur in the way people work. Agile workplaces and a vibrant ambience helps the new workforce deliver better. While the concept has readily been accepted in the metros, Tier II cities are also opening up to this new concept, including Indore, Ahmedabad, Bhubaneshwar, Kochi and Jaipur.

This concept has brought relief to both employees and the employer. With cost reduction and shared amenities, an overall sustainable working ecosystem seems to have been created. This trend is expected to continue and provide new opportunities to developers. Data security and privacy are a few concerns the industry needs to address to make co-working successful.



Co-working spaces are expected to redefine the entire approach towards commercial property design and offer a brand new spectrum of opportunities for developers.

Sanjay Dutt
Chairman, FICCI Real Estate Committee and
MD and CEO, Tata Realty and Infrastructure Ltd.

Demands from millennials for vibrant, flexible, technologically advanced yet cost effective work environments led to the co-working revolution in recent times. Today, co-working is moving beyond meeting the needs of millennials in start-up spaces, to creating new work environments for mainstream corporates. It now provides multiple options of customized spaces to established firms and plays a key role in corporate real estate strategy.

Co-working operators have seized the opportunity to offer medium and large-scale corporates flexible workspaces with uber-cool facilities at economical rates. Demand from corporates, start-ups and entrepreneurs has resulted in a huge jump in the co-working share in total office leasing which increased from 5% in 2017 to 8% in 2018. In 1Q 2019, it increased further to 12% and we expect the trend to only move upwards.

With the growing importance of this segment in office markets, we thought it was pertinent to review the key trends in this sector. This report presents a holistic picture of emerging business models, spatial distribution of operators and the volume of investments finding their way to the sector. Operators are providing multiple options to occupiers ranging from entire buildings dedicated to co-working spaces to co-working offices within conventional work environments. They are now also offering built-to-suit co-working spaces. Managed Offices is a new trend gaining popularity in co-working as large developers are establishing separate divisions or entities to handle the co-working business.

Apart from presenting key trends, the report showcases some of the major leasing transactions in co-working, explores the city-wise absorption of space in this asset class and throws light on some of the major Tier II cities where co-working office spaces are growing. While the market is currently at a nascent stage, we expect to witness an increase in operators and the spaces they provide. A healthy mix of offerings viz. viable rentals, superior infrastructure, technologically advanced facilities and amenities along with proximity to work will soon become the order of the day.



We hope this report provides operators, developers and occupiers with insights on co-working markets and bolsters the existing knowledge base of occupiers and operators.

Ramesh Nair
CEO & Country Head, India, JLL
Rn.Office@ap.jll.com

The **Co-Working** Story in Numbers

Space take-up by the co-working segment has doubled to **3.9 mn sq. ft.** in 2018 compared with 2017.

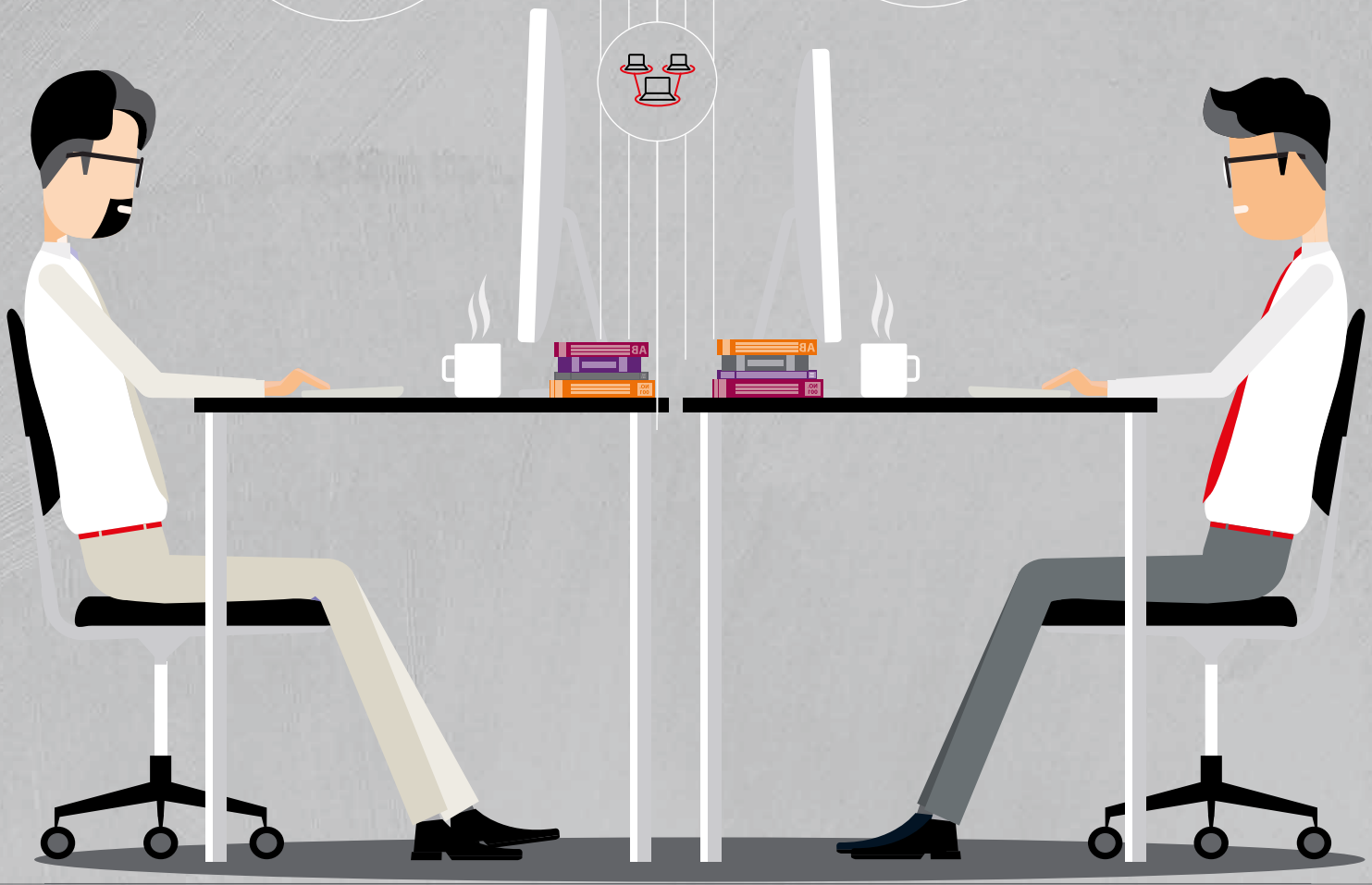
Cumulative space take-up by co-working segment from 2017 to 1Q19 is **6.9 mn sq. ft.**

The average size of transactions in the co-working segment increased from **37,000 sq. ft. (2017) to 52,000 sq. ft. (2018) to 77,000 sq. ft. (1Q19).**

Chennai was the frontrunner in percentage increase in co-working space leased between 2017 and 2018. Its share in total office leasing in the co-working sector increased **five times from 2% in 2017 to 10% in 2018.**

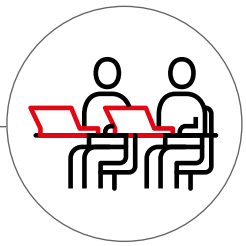
The co-working share in office leasing in the top seven cities of India increased from **5% (2017) to 8% (2018) and this moved up further to 12% in 1Q2019.**

In 2018, **Mumbai had the highest proportion (14%) of co-working space to total office leasing.**





Introduction



A steaming cup of coffee in hand, seated on a reclining chair, favourite music plugged to the ears, a skype meeting with a colleague, multiple data files open on the laptop and work is being done for the day…

This is a scene from the life of a young software engineer working in a typical co-working office space. Co-working, the new age way of working, is the biggest disruptor of the way people live, work and play in India today. It has transformed the way businesses function allowing for the emergence of new commercial tenancy models and a recalibration of financial and human capital. More importantly, it has created a conducive ecosystem for the growth of start-ups and proliferation of small and medium enterprises (SMEs).

Co-working provides increased mobility and flexibility of scaling up or downsizing office space. Apart from this, it provides a platform for the evolution of a 'community' concept. It allows like-minded individuals to connect with each other in a professional setting. While business centres have always been a part of the commercial real estate offering, the rapid rise in start-ups led to the need for collaborative spaces.

Factors such as technological innovation and digital transformation have further fuelled this trend. Unlike the traditional business centres, co-working offices offer unique amenities such as a gymnasium, spa, a food court, gaming zones, sleeping pods, crèche service etc. These attributes have helped popularize co-working spaces among employees, entrepreneurs and corporates alike.

Over the last few years, co-working spaces have gained popularity not only with start-ups and SMEs but with large corporates as well. An analysis of leasing trends in the top seven cities in India, clearly reflects the rising proportion of mainstream corporates and established entities from different sectors in the total co-working space leased.

The segment is evolving rapidly in India and the last two years have seen strong demand drivers and healthy supply push provided by the aggressive expansion of co-working operators. Flexibility, plug-and-play simplicity, the need to introduce innovation and a sense of community for employees are sparking corporate interest in flexible space solutions. For property owners providing this supply of flexible space is becoming an attractive option enabling the creation of vibrant offices, which will stand apart from conventional workspaces. For tenants this means even greater options to choose from when taking up space and for commercial real estate markets, it propels the evolution of workspace as a service.

Growth has been witnessed in the number of operators as well as the flexible space take-up in top seven cities of India. The stock of flexible office space is expected to grow in 2019 as operators are expanding to newer markets and scaling up to match the changing needs of the occupiers.

As the concept is gaining popularity, we witness the emergence of different business models. Joint ventures or management contracts between property owners and flexible space operators are coming up. Some real estate developers are also creating their own flexible space offerings. By doing so, they are adding value to their buildings and offering a diverse portfolio of core and flex spaces to meet changing needs of the occupiers.

In the light of these interesting trends, we aim to capture through this paper, the demand drivers of the co-working space in India and our views on the potential of this sector going forward.



Co-working segment act as a catalyst for modern workspaces in India

The co-working segment has seen impressive growth in recent years and is acting as a catalyst for modern workspaces. This has been possible due to the adoption of innovations and hybrid offerings by the co-working operators. Their networking events, community initiatives and creative designs promote a sense of community and encourage collaboration. The business model adopted by some of the flex space operators is that of hybrid usage offering both managed offices and co-working. Success of co-working can also be attributed to the operator's ability to respond to the needs of today's agile and collaborative workforce. Experience oriented office space; superlative amenities and community driven ecosystem are some of the benefits that are attracting office space occupiers to co-working centres.

Co-working operators are adapting their space according to the needs of occupiers. They are providing a mix of private offices, fixed seats/flexible seats and more recently even customising the centres specifically for their clients. The operators provide a seamless platform for an enterprise to outsource the sourcing, designing, building and managing of their office space thus allowing them to entirely focus on running their business.

With the emergence of these innovative spaces, new business models for providing such spaces have also emerged.

> Experience oriented office space, superlative amenities and a community driven ecosystem are attracting occupiers to co-working spaces

Emerging Business Models

As supply of co-working is increasing across the country, many new players have entered the market with different business models.

EMERGING BUSINESS MODELS OF FLEX SPACE OPERATORS

Own and Operate
Example: Real Estate Developers

Developing and operating **customised workspaces (built-to-suit)** for enterprises

Managed aggregator model that includes **revenue sharing** or **management contracts with property owners**

The major benefits of co-working spaces from the occupier perspective are:

- Spatial proximity between companies of various segments leads to communication and networking amongst members
- Enables occupiers to take up space quickly if they need a temporary space or access to a new market
- Increased flexibility in adopting lease tenure terms and deciding upon scale of operation
- Provides access to various in-house facilities under one roof and acts as a common link between hospitality, administration and other support services, which turns out to be beneficial mainly for small scale and newer companies
- Reduction of fixed overheads and cost savings of 20-25% compared with leasing a traditional office space



Due to these inherent advantages, co-working spaces are gaining popularity and acting as a major growth driver in office leasing markets.

Co-working as a growth driver in office leasing market

The last few years have seen an exponential growth of co-working as a concept across major office markets in India. A comparison of the cumulative co-working space leased (in Grade A office space) by different service providers across top seven cities during 2017 and 2018 indicates a marked increase. While in 2017, the space leased was 1.9 million sq. ft., it increased more than two times to 3.9 million sq. ft. in 2018. In 1Q 2019 space leased by co-working operators has already reached 1.1 million sq. ft. and therefore it is expected that in 2019 it will surpass the area leased recorded in 2018.

The growing demand of co-working space is due to the aggressive expansion by existing players and entry of new operators. If we consider the top seven cities, the co-working share in office leasing has increased from 5% in 2017 to 8% in 2018. In 1Q 2019, it increased further to 12% demonstrating a healthy demand for office space from this sector. According to our estimates, there are approximately 325-330 co-working operators in the top seven cities of India. (This number does not account for smaller operators existing in these cities).

The share of co-working spaces in office leasing has increased exponentially

SPACE LEASED BY CO-WORKING SEGMENT (IN GRADE A OFFICE SPACE)RISES MORE THAN TWOFOLD TO 3.9 MN SQ. FT. IN 2018(2017-2018)



Cumulative space leased by co-working operators has more than **doubled** from **2017 to 2018 and is expected to exhibit a remarkable increase in 2019**

Source: JLL REIS

While total space leased has increased, it is also is interesting to evaluate the geographical penetration of co-working spaces in India.

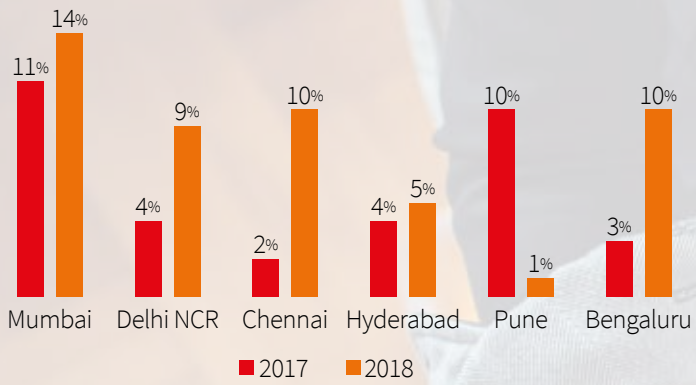
Spatial distribution of co-working sector

As depicted in the graph shown above, the contribution of co-working space to the total office occupier distribution/ office leasing has grown significantly. An in-depth analysis of the changing proportion of co-working space to total office leasing in Grade A office space in each of the top six cities of India for the period between 2017 and 2018 has been carried out. It shows that Chennai, Bengaluru and Delhi NCR have exhibited the maximum increase in co-working space as a proportion of total office leasing.

Chennai's share in total office leasing in co-working sector increased by five times from 2% to 10%. Bengaluru also recorded a jump of more than 3 times from 3% to 10% over a period of one year from 2017 to 2018. Delhi NCR experienced large transactions by co-working operators, increasing the co-working share in office leasing by two times from 4% to 9%. All the cities had a rise in share of co-working space except Pune. In 2018, Mumbai had the highest proportion (14%) of co-working space to total office leasing. Chennai and Bengaluru follow next with 10% of co-working space to total office leasing.

Chennai leads the pack in percentage increase in co-working space leased between 2017 and 2018

CO-WORKING SECTOR PROPORTION (%) IN TOTAL OFFICE LEASING IN GRADE A OFFICE SPACE ACROSS TOP 6 CITIES DURING 2017 AND 2018



In 2018, Mumbai had the highest proportion of co-working space to total leasing

The penetration of co-working spaces is likely to increase further in cities such as Bengaluru, Hyderabad, Chennai, Mumbai, Pune and Delhi NCR as we can see from the future expansion plans of prominent operators.

Future expansion plans of prominent operators

- WeWork is aiming to double the co-working space, it offers in India to 6 million sq. ft. in 2019 and expand its presence to cities including Chennai, Pune and Hyderabad by the end of this year.
- Awfis is looking at making an entry into five tier 2 cities including Indore, Ahmedabad, Bhubaneshwar, Kochi and Jaipur.
- IndiQube is planning to expand another 1.5 million sq ft in FY2019-2020.
- 315 Work Avenue aims to bolster its network across Bengaluru and expand to other cities such as Hyderabad, Pune & Mumbai.

Source: Compiled from Primary, Secondary Sources and news articles

For corporates, co-working spaces are forming a key component of their corporate real estate (CRE) strategy, underlining the greater role they are now playing in CRE.

Co-working emerging as a critical component of Corporate Real Estate strategy

While individual professionals, freelancers and start-ups generated the initial demand for the co-working sector in India, it has caught the attention of corporate occupiers and big enterprises as well. Demand for co-working space is driven by the changing nature of work environment that is now based upon agility, collaboration and flexibility. Companies in order to support the wider strategic agenda (based on collaboration, innovation, flexibility as well as talent attraction and retention) are seeking co-working spaces. To cater to this rising demand, co-working operators are leasing larger spaces, taking the contiguous floors or entire building in many cases. The new generation of flexible space is attracting corporate occupiers towards them as they provide high quality and amenity-rich workspaces.

Some prominent recent transactions in India are listed below:

- Skootr has leased 22,000 sq. ft. prime office space at Gurugram to cater to rising demand of flexible office space
- Smartworks picked up 82,000 sq. ft space on lease at Fleet House, a commercial property on Andheri-Kurla Road in Mumbai. It also took an entire building (Maple Corporate Park) on lease in Noida.
- WeWork has leased over 400,000 sq. ft. office space in Bengaluru and Mumbai to expand its operations. The facilities will be spread across three locations in Bengaluru and Mumbai. The addition of new office space will see the co-working operator add over 6000 desks to existing 35000 desks across major cities in the country.
- GoHive has leased 50,000 sq. ft. designed for over 800 co-workers at Udyog Vihar in Gurugram.
- Co-working firm IndiQube has leased 200,000 sq. ft. of office space at Prestige Lexington in Bengaluru.
- IWG has taken on lease 50,000 sq ft office space in Max Group's commercial tower at Noida for its premium brand 'Spaces'

Source: Secondary sources and news articles



The key benefits associated with co-working spaces in India are predominantly lower operational costs, better infrastructure and networking opportunities. However, the benefits associated vary according to the needs of the occupier set and their scale of operations. While freelancers are primarily focused on the cost factor, start-ups and SMEs focus both on cost and infrastructure. For large corporates, on the other hand, travel or regular commute convenience is a top priority, and hence prime office location is as important as infrastructure. In India's top cities, National Capital Region (NCR), Mumbai, Bengaluru and Pune, a co-working space is likely to lead to cost savings in the range of 20-25% when compared with leasing a traditional office space. Corporates are taking space in co-working centres in addition to their own traditional offices, to station some of their teams in newer markets.

Currently mainstream corporates contribute a substantial chunk of the co-working space demand across cities. In case of Cowrks for instance about 80% of the clientele are corporates and the balance 20% are start-ups and SMEs. Indiqube also has 85% of their space occupied by corporates. Co-working player Awfis has also launched 'Awfis Enterprise Solutions' in which it provides customised workspaces. Smartworks also caters mainly to enterprise clients.

For the corporate workforce, while cost and location continue to be the dominant parameters, providing a different work experience to its employees is also high on priority. The workforce, much of it comprising millennials, benefits from the vibrant design and ambience that such flexi-spaces offer.

'The occupier set's needs determine the space and location offered to them

Examples of Corporates operating out of co-work spaces

- Clix Capital has recently taken space at a co-working centre of Skootr at Connaught Place in Delhi.
- Expedia, The Economist Group among others are present in Skootr centres.
- Data science and Artificial Intelligence Company Tathastu founded by Kishore Biyani has picked up an entire floor at CoWrks' co-working centre in Mumbai.
- Swedish watch company Daniel Wellington has taken space in WeWork, Bandra Kurla Complex (BKC), Mumbai, to focus on expansion strategies with the help of cost-efficient solutions.
- Fujitsu occupies space in Table Space co-working centre at Kondapur in Hyderabad.

Source: Secondary Sources and News Articles

Unlike in the past, today large corporates are increasingly taking up co-working spaces

With a growing number of companies looking to tap into the benefits of co-working spaces, it is only a matter of time before coworking becomes an integral part of the corporate real estate strategy.

The sector is already witnessing a rise in investments.

Rising investments in the co-working sector

Given the opportunities in the sector, large scale investments are pouring in. This is enabling further propagation of the concept as shared space providers are utilizing the funds for scaling up further. This scaling up is in terms of geographical expansion as well as technological innovations.

It is interesting to note that the co-working segment is not only playing a pertinent role in office leasing markets in India but is also supporting the growth strategy of start-ups and enabling initiation of accelerator programmes for them. On one hand, it is catering to the requirements of large enterprises and on the other hand, it provides start-ups and SMEs a well-configured office space from where they can operate. For instance, co-working player Incuspaze recently announced its collaboration with Small Industries Development Bank of India (SIDBI) to support micro and small enterprises (MSEs) and start-ups with a well-managed space to meet their office requirements. Whilst, Incuspaze will develop and operate the co-working space, SIDBI will provide support to the start-ups to grow further.

Earlier this year, the CoWrks Foundry partnered with the Yale Institute for Global Health (YIGH), supported by RMZ Foundation, to announce the collaborative Sustainable Health Initiative (SHI).

> Co-working operators today are not only providers of physical spaces, they are enablers of accelerator programmes for start-ups

INVESTMENTS AND ACQUISTIONS BENEFITTING THE COWORKING SEGMENT IN INDIA



Geographical Expansion by capturing newer cities and varied locations



Technological Augmentation



Upgraded facilities and amenities



Rising client base including corporates



Strengthening the platform of startups and accelerator programmes

Co-working operator	Fund/Investor/JV Partner	Year
Innov8	OYO Hotels & Homes: acquired Innov8	2019
Incuspaze	Small Industries Development Bank of India (SIDBI)	
Workspace	SmartOwner Capital Growth Fund	
91Springboard	FreakOut	2018
IndiQube	WestBridge Capital Partners	
Creator's Gurukul	A group of individual investors	
Corporatedge	SIDBI India Opportunities Fund	
Awfis Space Solutions	Sequoia India, Innoven Capital and The Three Sisters: Institutional Office	
WeWork India	Embassy Group - JV Partner	2017
BHIVE	Blume Ventures	
Innov8	LetsVenture & Venture Catalysts	
The Office Pass	A group of individual investors	
91Springboard	Sandway Investment Ltd, Pearl Brook Holdings, AMA Holdings, Silo Holdings and Al Nour	
InstaOffice	Globevestor and other angel investors	

Source: Secondary Sources and News Articles

Evolving flexi office space ecosystem

We expect that supply of flexi office space will grow massively across India thanks to the ambitions of existing global and national operators as well as entry of new players backed by strong funding.

EVOLVING CO-WORKING ECOSYSTEM IN INDIA

JV between Indian Real Estate Company and international Co-working player

↓

WeWork has a JV with **Embassy Group** in India

Real Estate companies formulating own Co-working arm

↓

CoWrks is a unit of Real Estate developer **RMZ Corp**

Ascendas-Singbridge launched its first co-working space at **Bridge+ at Park Square mall in ITPB**

Brigade Group forayed into co-working with the launch of **"BuzzWorks"**

Acquisitions by Co-working players

↓

'AltF CoWorking' acquired **'Daftar India'**

OYO acquired co-working space provider **Innov8**

PE backed retail developers/operators setting up own Co-working spaces

↓

Virtuous Retail (the retail development arm of Xander) has set up a collaborative workspace **'The Hive'**

Hospitality player venturing into co-working segment

↓

Hospitality player OYO launched its fully managed workspace by the name of **'Powerstation'**





We have presented below the evolution of flexi-space segment as it is defining the future course for office leasing market:

- **Entry of new players:** There are now a greater number of operators entering the co-working segment and traditional real estate developers have begun to enter the market as well. Few real estate developers and hospitality players are launching their own co-working centres in order to tap into the growing popularity of this segment. Real Estate developer Ascendas-Sinbridge has launched its co-working platform known as "Bridge+" in Bengaluru. Real Estate developer 'Brigade Group' also ventured into co-working segment through the launch of 'BuzzWorks'. Amongst the other new entrants, OYO has ventured into the co-working sector by opening its first centre known as PowerStation at Golf Course Extension Road in Gurugram. International co-working players are also entering India. Garage Society, a Hong Kong-based flexible coworking space provider, entered India launching its first co-working space in Cybercity, Gurugram. It has expanded further, opening more centres in Gurugram.
- **Acquisitions and Joint ventures:** Co-working operators are entering into Joint ventures or acquiring smaller operators to either enter this segment or venture into new geographies. For instance, recently, 'OYO' had acquired 'Innov8', which it will continue to operate as a separate brand. 'AltF CoWorking' acquired 'Daftar India' to expand in Delhi NCR; international shared workspace company 'WeWork' forayed into India in partnership with Indian real estate developer Embassy Group, leveraging the combination of best in class technology and real estate expertise and prominent developer RMZ Corp launched its own co-working arm 'CoWrks'.
- **Custom designed managed offices:** Another trend that is emerging is the growing popularity of 'Managed Offices'. These are customised tailor made options for the occupiers, which is build according to their specific requirements. Co-working operators meet all the real estate requirements of the occupiers including workspace planning, flexibility, managing cafeterias, reception & concierge services, conference rooms, internet lines, power backups, security etc. In this way, the corporate occupiers can focus on their core business operations and growth. For example: 50% of the flex space portfolio of Cowrks is of managed offices. In order to tap the corporate demand, Awfis has launched a new product called Awfis Enterprise Solutions (AES) to provide exclusive and fully customised offices for companies across the country.
- **Venturing into tier II cities:** Besides the top seven cities, co-working operators are venturing into tier 2 cities such as Jaipur, Goa, Chandigarh and Lucknow. It is expected that smaller cities would further see the growth of co-working spaces as they are witnessing a spurt of start-ups and incubation spaces. Recently Awfis launched its co-working space at Chandigarh spread across 15,000 sq. ft.

Customized office spaces by co-working operators are helping corporates get exactly what they want

In addition, smaller cities are not the only places where co-working is spreading its wings. Operators are now fast focusing on unique spaces like shopping malls, hotels and metro stations.

A new paradigm of **Co-working** spaces

Co-working operators are not limiting themselves to office complexes but expanding their horizons beyond and venturing into shopping malls, hotels and metro stations, as well. The co-working and retail/hospitality mix is benefitting all stakeholders since it is successfully integrating work and play.

This move toward shared office space and resources is part of the larger sharing economy trend. Millennials, who value access to many goods and services over ownership, are the main catalysts driving demand for shared products and services. Further, co-working spaces that act as retail incubators, provide higher exposure to smaller, nascent brands, while enjoying the flexibility of compact and modular space and short-term leases. Co-working presents a viable solution for vacant retail space as it helps reduce vacancy and drives additional footfalls.

BENEFITS OF CO-WORKING SPACES TO DIFFERENT STAKEHOLDERS IN ALTERNATIVE ASSET CLASSES

Mall Developers/Hotel Operators

- Additional Revenue stream
- Draws additional footfalls from co-working spaces

Co-working space operators

- Readymade infrastructure and amenities
- Low Rentals

Clients/Employees in Co-working spaces

- Availability of F&B and recreational facilities
- Easy accessibility to Parking spaces

Recently, Ascendas-Sinbridge launched their co-working platform 'Bridge +'at Park Square mall at International Tech Park Bangalore (ITBP) in Bengaluru. Some other examples of co-working centres operating in asset classes other than conventional office spaces are mentioned below:

Co-working operator	Co-working centre	Asset Class
Ascendas-Sinbridge (Bridge+)	Park Square Mall, Bengaluru	Mall
Awfis	Ambience Mall, Gurugram	
Awfis	Raghuleela, Mumbai	
Awfis	Nucleus Mall, Pune	
The Hive	VR Bengaluru, VR Chennai	
Awfis	Taj Deccan Hotel, Hyderbad	Hotel
Indiqube	Marriot, The Courtyard, Bengaluru	
The Circle	HUDA Metro Station, Gurugram	Metro Station



Source: Secondary Sources and news articles

We expect further growth in these hybrid spaces where the synergy between coworking and retail is maximized.

We take a look below at what some industry experts say about co-working spaces in India.

What industry experts **say**?

Rishi Das
Co-founder & Chairman, **IndiQube**

How did the co-working industry change over the years?	The industry started offering co-working spaces with the concept of "short size -short stay". However this model was not very sustainable from the business point of view. Slowly co-working spaces evolved into more managed office spaces for corporates.
Who are the major takers of managed office spaces?	Corporates, Outsource Development Centres with less than USD 2 billion market cap and funded start-ups.
Why are corporates choosing co-working spaces?	Corporates are choosing co-working spaces for the flexibility of scaling up or down. Also amenities are very important for employee retention. Employees need break-out areas, food court, coffee and cultural events.
What percentage of your clients are corporates?	85% are corporates and the balance 15% are SMEs and start-ups.
Security and privacy is a concern of many corporates. How is IndiQube addressing this?	Mostly for tenants who take more than 100 seats, the facility is customized to suit their requirements. Security and privacy are part of it. They have a lock in period of 3 years with the operator and not the space. This means that they can expand or consolidate within any space of IndiQube.
What is the USP of IndiQube business model over others?	IndiQube is focused on providing customized interiors. IndiQube communes are largely full buildings rather than one or two floors. Another USP is the renovation and up-gradation of Grade B and C buildings to a level of Grade A amenities and experience.
What kind of investments are you seeing in the co-working space industry?	Investor interest in this sector is high.
What are your expansion plans in terms of location?	IndiQube is planning to expand in all the top cities in India. Bengaluru, continues to remain a large part of our portfolio as SME activity is high in this city.
What are your expansion plans in terms of sq. ft.?	IndiQube already has 1.5 mn sq. ft. of operational space and they are planning to add another 1.5 mn sq. ft. of co-working space to their stock in FY 2019-2020.
What is your outlook on this industry?	Managed office spaces is the future of flexi office spaces. Also there is lot of potential for development outside the business parks especially for the SMEs.



Sidharth Menda
Founder & Vice Chairman, **CoWrks**

How did the co-working industry change over the years?	Historically, the value proposition that flexible workspaces spaces offered entailed flexibility, scalability, and the convenience that comes with plug and play spaces - which appealed to Freelancers, Start-ups and SMEs. Today the industry has evolved, with a myriad operators offering differentiated solutions that serve a plethora of needs - from managed offices that serve one end user with a bespoke space, to niche spaces that serve one industry. At CoWrks, 50% of our portfolio is managed offices while the other half is co-working spaces.
Why are corporates choosing co-working spaces?	Today's business cycles have become shorter. Therefore it is difficult for large enterprises to continue with a real estate strategy that relies only on long-term leases. They need flexibility built into their approach. Flexible workspaces enable tenants to scale up or down based on their needs. This allows the occupiers to focus on their core business, while the operator manages the spaces and all the operational challenges. Furthermore, today's workforce is dominated by the Millennial generation - who prefer a work culture that promotes community, flexibility and individuality - all discernible traits of co-working spaces
What percentage of your clients are corporates?	About 80% of our clientele are corporates. The rest 20% are start-ups and SMEs.
Security and privacy is a concern of many corporates. How is Cowrks addressing this?	CoWrks provides the tailor made solutions for tenants. If security and privacy are of utmost importance then the spaces are designed and provided accordingly. However, the corporates also have the flexibility to use the common facilities in the co-working space. For example - in our larger locations, individual tenants may opt for an isolated floor or wing.
What is the USP of Cowrks business model over others?	CoWrks offers the widest possible array of workspace solutions - catering to an individual on the move; all the way to a company that needs workspace for 20000 employees. We focus relentlessly on the highest standards for quality in product and service. Our member base that consists of several marquee clients from Airbus, Standard Chartered, Whatsapp, HSBC is a testament to this.
What kind of investments are you seeing in the co-working space industry?	FY2019-20 will likely see the flexible workspace industry attracting over USD 1 billion in investment. This is fuelled in part by the sleuth of large enterprises that have started moving into flexible workspace solutions - validating the industry. This has also resulted in commercial real estate markets seeing a larger shift - wherein flexible workspaces account for a larger share of absorption.
What are your expansion plans? In terms of locations'	We are currently present in 6 cities in India - namely Bengaluru, Chennai, Hyderabad, Mumbai, Gurugram and Delhi-NCR. This year we intend to foray into Tier II cities such as Pune, Ahmedabad and Chandigarh as well as explore international markets. The growth into Tier II cities as well as foreign expansion is being fuelled by relationships with the same customers who ask us for solutions in other countries.
What are your expansion plans in terms of sq ft?	CoWrks endeavours to close the year with 5 million square feet across 9 cities.
What is your perception about tier II cities?	We see strong demand coming up from the corporates or start-ups for tier II cities as well. However, quality supply of office space is a challenge in these cities.
What is your outlook on this industry?	We expect the flexible workspace industry to account for at least 40% of all annual commercial real estate absorption by 2021.

Challenges and Way Forward

The prospect of co-working space in the future looks bright with demand drivers fuelling the need for high quality workspace with amenities. However, a certain amount of consolidation is expected as the co-working sector matures. Some of the limitations being witnessed currently are:

Data security and privacy issues: Perhaps the greatest barrier to co-working is related to security. For companies dealing with high volumes of confidential data, sharing space with external organisations or easing the rules for using personal devices can be potentially challenging. However, effective policy frameworks and procedures can help mitigate risks.

Potential impact on branding and culture of the corporates, particularly brand dilution.

Orthodox attitude of Stakeholders: Land and property owners who have not been able to understand and accept the co-working model, may remain cautious about leasing their assets to co-working operators and miss significant revenue opportunities.

However, the pickup in activity in the co-working sector in India is expected to continue, with service providers offering newer and better-equipped co-work spaces and occupiers continuing to have notable interest in flexible office space. Co-working is a cost-efficient way of creating a flexible environment, but, most importantly, it can provide a range of intangible benefits for companies looking to improve their competitive position. The ability to maintain strong relationships with existing tenants and attract new tenants will be increasingly important for developers/ property owners and service providers.

Conclusion



Co-working spaces have now moved beyond their initial role of acting as providers of flexible, vibrant workspaces. Today, they are acting as business enablers for start-ups as well as large corporates. The massive increase in space leased by large corporates as highlighted in this report is an indication of their growing importance in Corporate Real Estate.

While concerns on data security remain, the operators are fast trying to address these through additional security measures adopted in areas tailor-made for meeting this requirement. Co-working operators are enabling corporates and entrepreneurs to focus on their core competencies by taking away from them the load of managing real estate.

The large segment of millennials, (India is the youngest start-up nation where 75% of the founders are below 35 years), offer key opportunities for co-working operators. Millennials are hard-wired to change, demand agile workspaces and vibrant ambience. While much of this is already in place in metros, co-working operators are now also gearing themselves up for geographical expansion to fast evolving tier II cities.

We hope to see this sector play an increased role in corporate real estate as well as in the start-up community, balancing these varied demand drivers, which will assure continuous growth.

About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies. A not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 250,000 companies. FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

For more about FICCI, please contact:

Neerja Singh
Director
Infrastructure
Telephone: +91 11 2348 7326
neerja.singh@ficci.com

Sachin Sharma
Senior Assistant Director
Real Estate, Urban Infrastructure & Smart Cities
Mobile: +91 96431 58335
sachin.sharma@ficci.com

Shaily Agarwal
Senior Assistant Director
Real Estate, Urban Infrastructure & Smart Cities
Mobile: +91 9911477779
shaily.agarwal@ficci.com

About JLL

JLL (NYSE: JLL) is a leading professional services firm that specialises in real estate and investment management. Our vision is to reimagine the world of real estate, creating rewarding opportunities and amazing spaces where people can achieve their ambitions. In doing so, we will build a better tomorrow for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of $16.3 billion, operations in over 80 countries and a global workforce of over 90,000 as of December 31, 2018. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit jll.com

About JLL India

JLL is India's premier and largest professional services firm specialising in real estate. With an estimated revenue for FY 2018-19 expected to be approx. INR 4,000 crore, the Firm is growing from strength to strength in India for the past two decades. JLL India has an extensive presence across 10 major cities (Mumbai, Delhi NCR, Bengaluru, Pune, Chennai, Hyderabad, Kolkata, Ahmedabad, Kochi and Coimbatore) and over 130 tier II & III markets with a cumulative strength of close to 11,000 professionals.

The Firm provides investors, developers, local corporates and multinational companies with a comprehensive range of services. This includes leasing, capital markets, research & advisory, transaction management, project development, facility management and property & asset management. These services cover various asset classes such as commercial, residential, industrial, retail, warehouse and logistics, hospitality, healthcare, senior living and education.

JLL India won the Five Star Award for 'Best Property Consultancy at the International Property Awards Asia Pacific 2018 -19. The Firm was also recognised amongst the 'Top 100 Best Places to Work in India' in 2017 & 2018 in the annual survey conducted by Great Place to Work® and The Economic Times. It has also been acknowledged as 'Property Consultant of the Decade' at the 10th CNBC-Awaaz Real Estate Awards 2015. For further information, please visit jll.co.in

About Real Estate Intelligence Service

Real Estate Intelligence Service is a subscription based research package by JLL. This package is designed to provide in-depth insight on the real estate market and aims to empower businesses with detailed and timely market data. It also covers forecast and analysis for all real estate indicators and asset classes such as office, retail and residential.

Authors

Shweta Kakkar
Senior Manager
Research & REIS
shweta.kakkar@ap.jll.com

Trivita Roy
Director
Research & REIS
trivita.roy@ap.jll.com

Research Enquiries

Dr. Samantak Das
Chief Economist and Head
Research & REIS
samantak.das@ap.jll.com

Editor

Niharika Bisaria
Chief Editor
Research Publications
niharika.bisaria@ap.jll.com

Design

Sunita Rajeev
Senior Manager
Marketing
sunita.rajeev@ap.jll.com

Special contribution: **Sumedh Gadgil**

JLL | *Achieve Ambitions*

jll.co.in

This report is published for general information only and not to be relied upon as a sole source for any investment decision. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever shall be accepted by JLL for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of JLL in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of JLL to the form and content within which it appears.