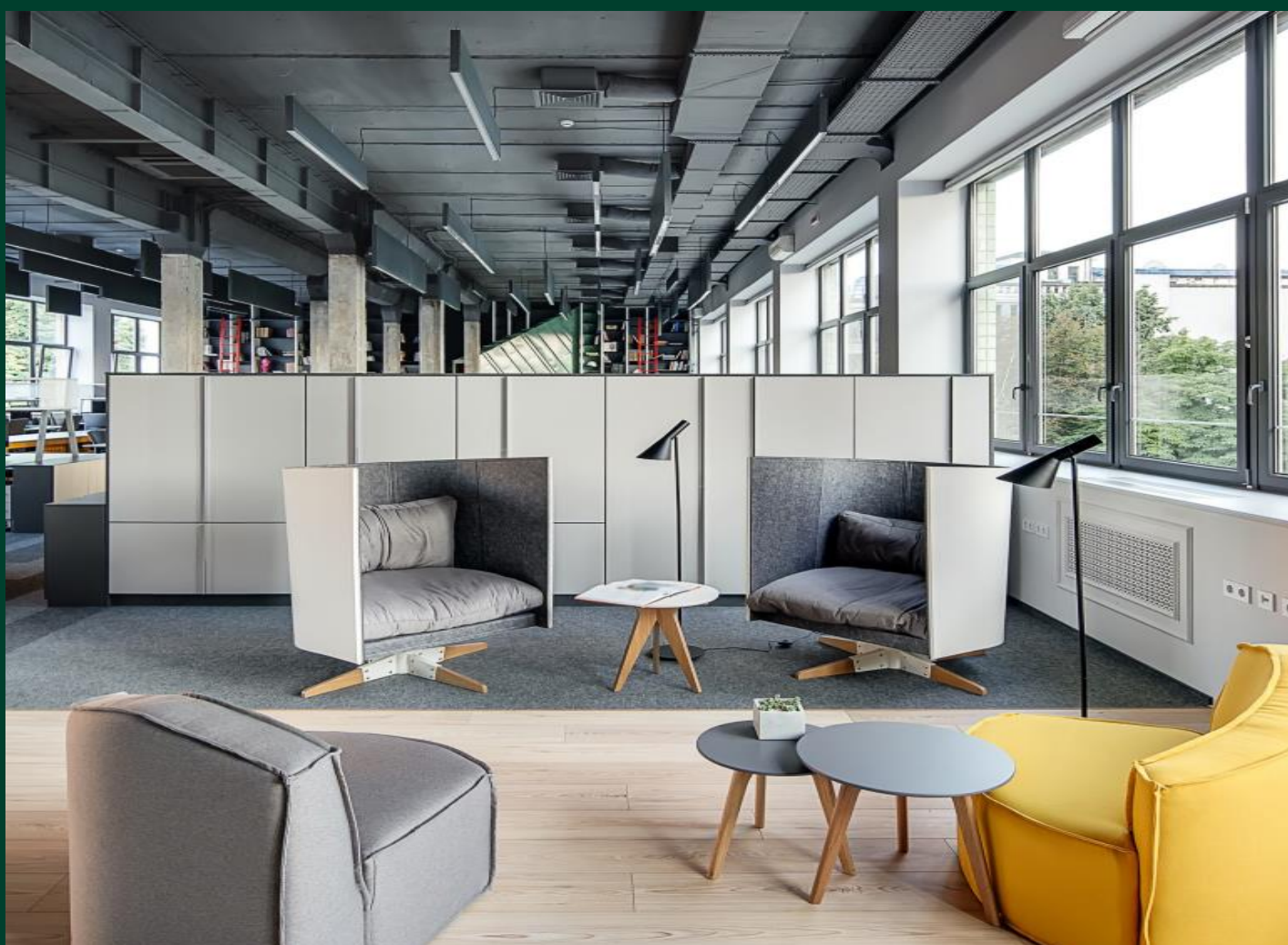


INDUSTRY REPORT ON FLEXIBLE WORKSPACES SEGMENT IN INDIA

Prepared for Indiqube Spaces Limited



December, 2024

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Overview of Commercial Real Estate & Flexible Workspace Sector in APAC

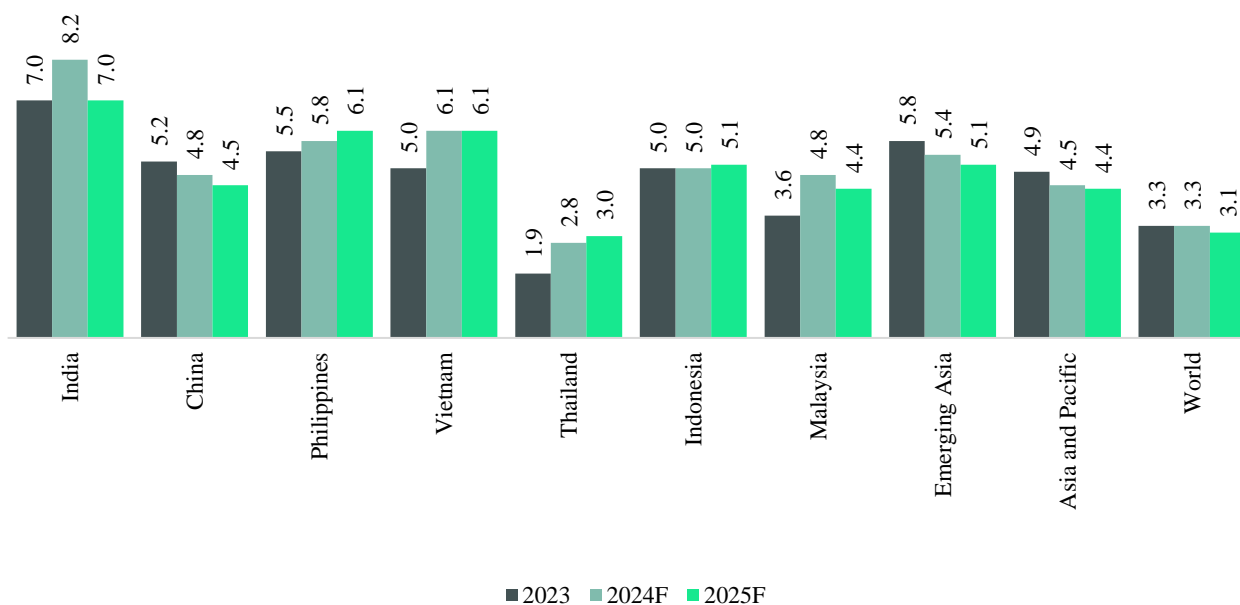
Asia Pacific (APAC) Economy Overview

Asia-Pacific (APAC) region¹ contributes approximately 35% of the world’s GDP and 57% to the world’s population in CY2023. (Source: IMF, Data Mapper, October 2024) With its diverse economies, ranging from developed markets such as Singapore and Japan to rapidly growing nations such as China and India, the growth of the economy in the APAC region has been resilient supported by domestic demand and consumption. (Source: IMF, Asia, and Pacific: Steady Growth and Diverging Prospects, April 2024) The APAC region recorded inflation (average consumer prices) at 4.9% in CY2023, a decrease from 6.3% inflation in CY2022. This decline is driven by reducing commodity prices and rising domestic demand surpassing pre-pandemic levels. (Source: IMF, Data Mapper, October 2024)

As per the IMF, the Asia Pacific region’s GDP is projected to grow by 4.5% in CY2024, outpacing the projected world growth rate of 3.3%. India is forecast to grow by 7.0% in FY2025 driven by continued investment and growing private consumption. (Source – IMF Data Mapper, World Economic Outlook, October 2024) The positive outlook is based on sustained growth of the Services Sector (including the expansion of Global Capability Centres (GCC)), and an expected strengthening of the manufacturing sector, supported by Government initiatives.² (Source: World Bank, India Development Update: India’s Trade Opportunities in a Changing Global Context, September 2024)

As per the IMF, India’s GDP growth rate is forecast to outpace the growth of Emerging Asia³, as highlighted below:

Emerging Asian Economies - GDP Growth Rates (%)



Source: IMF estimates, World Economic Outlook, October 2024

*Although the IMF provides data for the countries except India are for the Calendar Year (CY), the values for India are published for the Fiscal Year (FY). Here the growth rate shown in the 2023 bar reflects the growth rate of FY 2022/23 (starting in April 2022)

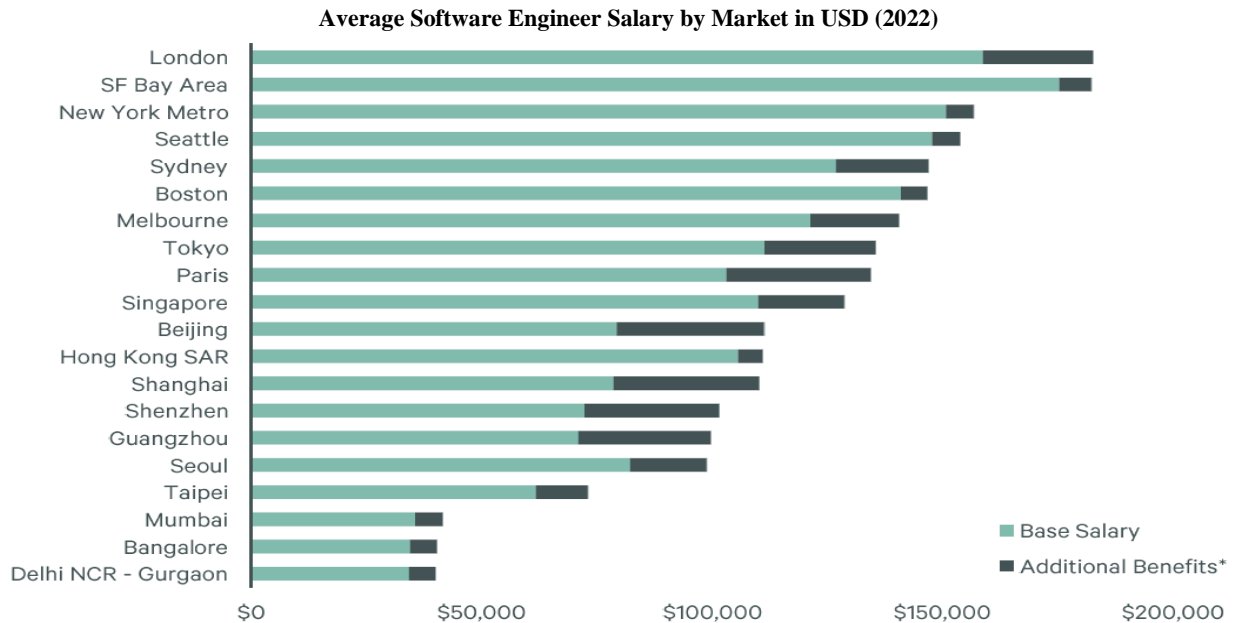
¹ APAC Region includes Australia, New Zealand, Japan, Hong Kong SAR, Korea, Taiwan Province of China, Singapore, Bangladesh, Brunei Darussalam, Cambodia, China (People’s Republic of), India, Indonesia, Lao PDR, Malaysia, Myanmar, Mongolia, Nepal, Philippines, Sri Lanka, Thailand, Vietnam and Pacific island countries – Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu (Source – IMF, Regional economic Outlook – Asia and Pacific)

² The PM Gati Shakti master plan to enhance logistics infrastructure, the Trade Infrastructure for Exports Scheme, and increased tax efficiency and rationalized tax rates to improve the business environment.

³ As per IMF analysis, emerging Asia includes – China, India, Philippines, Indonesia, Malaysia, Thailand, and Vietnam

Asia Pacific (APAC) - Position among Global Markets

Asia Pacific’s growing economy and diversity coupled with the wage differential and availability of the working population are facilitating the growth in hiring across the technology sector, thereby establishing the APAC region as one of the preferred locations for businesses. (Source: CBRE Research, Global Tech Talent Guidebook 2024 – Asia Pacific View, April 2024)



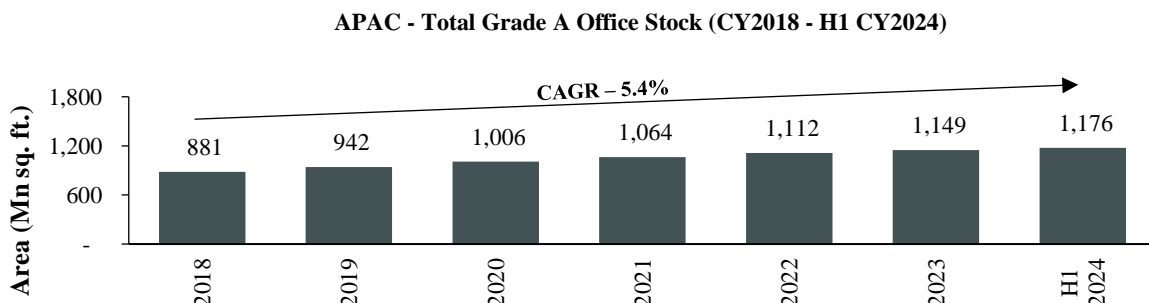
Note: Additional benefits vary by market and may include mandatory employer costs like disability insurance, social security and health care. (Source: CBRE Research, Global Tech Talent Guidebook 2024 – Asia Pacific View, April 2024, CBRE Labour & Analytics, local Government agencies, October 2023)

Capitalizing on labour cost arbitrage and availability of talent pool, India remains the global leader in offshoring with an estimated 5.4 Mn people employed directly through technology-related industries, forecast to contribute approximately 57-58% share in the global sourcing market in FY2024 as compared to a 55% share in FY2019. (Source: NASSCOM)

The infrastructure and business environments across key locations in the APAC region position it as a hub for technological innovation and corporates. This influx of businesses is subsequently leading to an increased demand for office space, as companies are establishing and expanding their physical presence in the APAC region.

APAC – Commercial Real Estate Overview

Supported by rising demand and supply completion, the APAC region had an overall net addition in stock of approximately 295.3 Mn sq. ft from CY2018 to H1 CY2024. The total recorded office stock in APAC has grown at a CAGR of 5.4% during the period CY2018 – H1 CY2024.



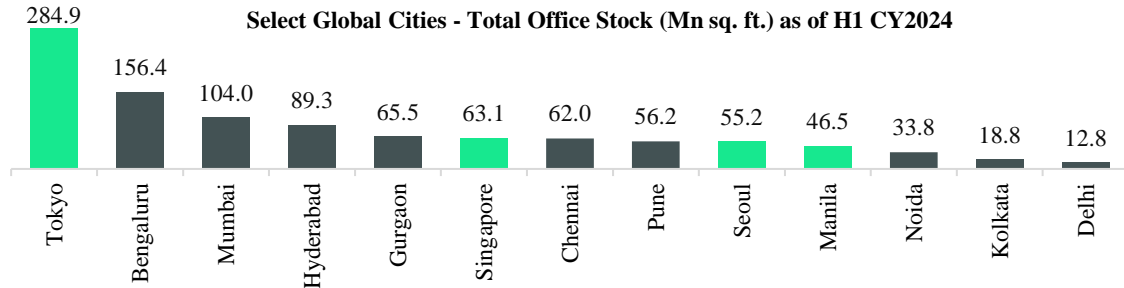
Source: CBRE Research, as of H1 CY2024
 Note: The overall commercial office stock for APAC shown includes only Grade A stock across the regions and is recorded based on Net Floor Area; Net floor area includes the whole space inclusive of shared walkways, server rooms, shared amenity areas, etc.; Grade A office stock includes following Asia Pacific markets: Beijing, Shanghai, Shenzhen, Guangzhou, Hong Kong SAR, Taipei, Seoul, Tokyo, Singapore, HCMC, Hanoi, Bangkok, Manila Makati and Fort Bonifacio, Delhi NCR, Bengaluru, Mumbai, Sydney, Melbourne and Auckland.

⁴ Good quality office developments with NFA normally >100000 sq ft; modern with high quality finishes; flexible layout; large floor plate (normally >5,000 sq ft); spacious, well decorated lobbies and circulation areas, effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available.

Comparison Between Key Indian and Selected APAC Cities⁵

Total Office Stock (as of H1 CY2024)

Tokyo is amongst the leading markets with a grade A office stock of 284.9 Mn sq. ft. Indian cities such as Bengaluru, MMR, and Hyderabad are amongst the leading markets after Tokyo in APAC with a total office stock of 156.4 Mn sq. ft., 104.0 Mn sq. ft., and 89.3 Mn sq. ft., respectively as of H1 CY2024.



Source: CBRE Research as of H1 CY2024

Notes: (1) For office stock in India, total office stock represents the total completed space (occupied and vacant) in the market at the end of the quarter/year across Grade A developments only.

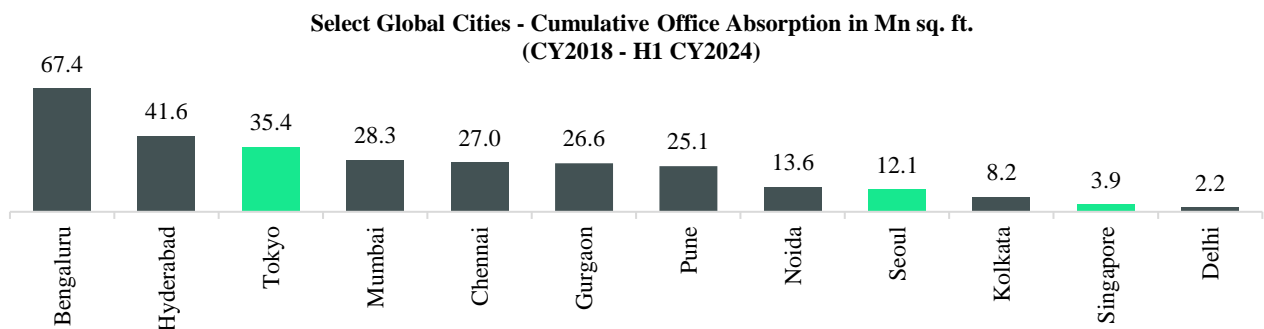
(2) For office stock outside India, Seoul includes only Grade A office stock; the remaining regions – Tokyo, Manila, and Singapore include total stock across all grades

(3) All the above-mentioned office stock figures are in Net Floor Area (NFA); Net floor area includes the whole space inclusive of common corridors, server rooms, shared amenity areas, etc.

The key office locations in India have witnessed increased interest from occupiers, indicating a growing demand for quality office spaces. The increasing preference for quality office spaces highlights the evolving expectations of occupiers and India's ability to meet those demands.

Cumulative Office Absorption (CY2018 – H1 CY2024)

A growing economy, domestic consumption, relatively affordable rentals and growing demand from domestic and Multinational Corporations (MNCs) globally have been critical factor in key Indian cities having the highest office absorption amongst selected global cities as highlighted in the below chart. Bengaluru, the largest market in APAC in terms of absorption, absorbed more office space than the selected APAC cities (Tokyo, Seoul, and Singapore) combined in CY2018 – H1 CY2024. (Source: CBRE Research)



Source: CBRE Research

Note: (1) The cumulative absorption figures are in Net Floor Area (NFA) including Grade A stock across all cities except – Tokyo, Seoul, and Singapore; Net floor area includes the whole space inclusive of common corridors, server rooms, shared amenity areas, etc; the absorption numbers for Seoul are inclusive of only Grade A stock

Backed by demand from domestic firms and multinational corporations, leasing activity in India remained robust, with absorption for Bengaluru as the highest amongst comparable regions, followed by Hyderabad as of H1 CY2024. In Tokyo, ongoing flight to quality and expansion by domestic occupiers in existing buildings supported the leasing activity.

⁵ To illustrate the key nuances of flexible workspace activity in the APAC region, four prominent cities, namely Seoul, Tokyo, Singapore, and Manila have been chosen for consideration below based on:

- Absolute quantum of flexible workspace stock depicting the market size.
- Nature of the economy; and
- Similarities with the Indian office market.

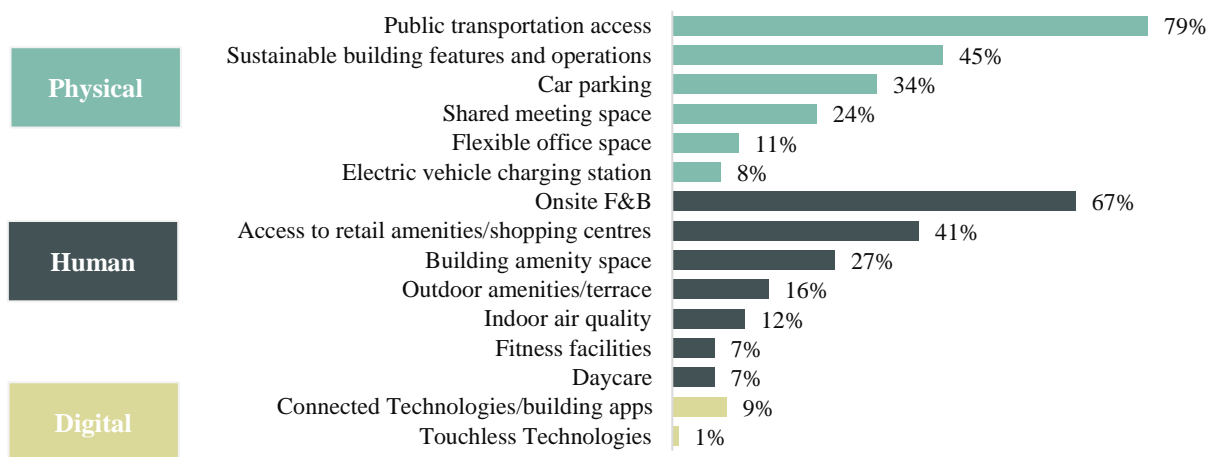
Changing Occupier Preferences

Amid growing awareness of the issue of wellness in the office and the need for collaboration and personal relationships, along with the limitations of working from home such as the unavailability of internet connections, constraints on household space and risk of data theft, many organizations have experienced a strategic shift from working from home to hybrid or completely in-office models. (Source: CBRE Research; *Why Asia Pacific offices are different and now is the time to invest, June 2023, Global Occupier Survey*) This has resulted in an increase in demand for high-quality spaces in the APAC region over the past few years, with occupiers seeking high-quality offices delivering an optimal combination of location, design elements, technology, services, and amenities.

With changing occupier preferences, employers are considering providing a greater variety of space within offices, including flexible seating arrangements, meeting rooms, breakout areas, F&B options, and better amenities to enhance the overall employee experience. As per CBRE's 2024 Asia Pacific Occupier Survey³³, occupiers' building preferences are skewed towards accessibility and convenience. Key features like public transportation, sustainability features and onsite F&B are the top three considerations among occupiers seeking to upgrade their office portfolios.

Prime assets in core locations continue to outperform; Environmental, Social and Governance (ESG) performance are increasingly sought after. As a result, leasing demand is expected to be concentrated in top-quality assets in core locations providing direct access to amenities and public transportation along with buildings with ESG credentials. (Source - CBRE Research; *August 2024, Investing in Asia Pacific Real Estate: Investment Strategies – Structural vs. Cyclical*)

Most Sought after Building Features, July 2024

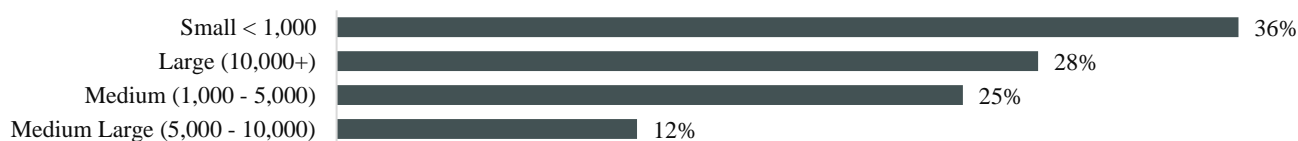


Source: CBRE Research; September 2024, 2024, Asia Pacific Office Occupier Survey

Note: Multiple options were allowed; the Survey was conducted between June 6, 2024, and July 12, 2024, ~ No. of respondents for the above is 128

Flexible Workspace as a Segment in Office: CBRE's 2024 Asia Pacific Occupier Survey³³ also indicates that more occupiers have incorporated or plan to integrate flexible office space into their portfolios. Over 25% of respondents stated that the flexible workspace comprises more than 10% of their portfolio. However, this proportion is expected to increase to 39% over the next three years.⁶ At an Asia Pacific Level, the survey indicates that smaller firms (with a number of staff less than 1,000) may allocate 36% of their offices to flex space for key reasons such as availability of prime location, access to shared amenities, and ease of managing fluctuations in headcount. (Source - CBRE Research; *September 2024, 2024, Asia Pacific Office Occupier Survey*)

Use of Flexible workspace over the next three years by company size (No. of staff)



Source: CBRE Research; September 2024, 2024, Asia Pacific Office Occupier Survey

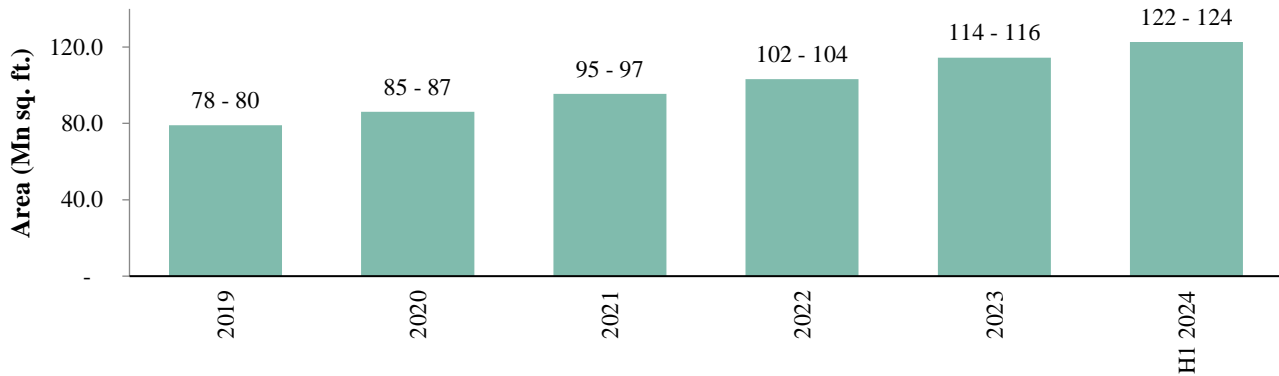
Note: The survey was conducted between June 6, 2024, and July 12, 2024, ~ No. of respondents for the above is 71

⁶ N – 71, some respondents selected unsure as the option

Flexible Workspaces – Asia Pacific (“APAC”) Overview:

The flexible workspaces⁷ market in the APAC region continued to display stable growth in the last few years. The Asia Pacific flexible workspaces market has remained steady, with the total volume of flexible space in the region reaching approximately 122 - 124 Mn sq. ft. as of 30th June 2024.

APAC - Total Flexible Workspace Stock (CY2019 - H1 CY2024)

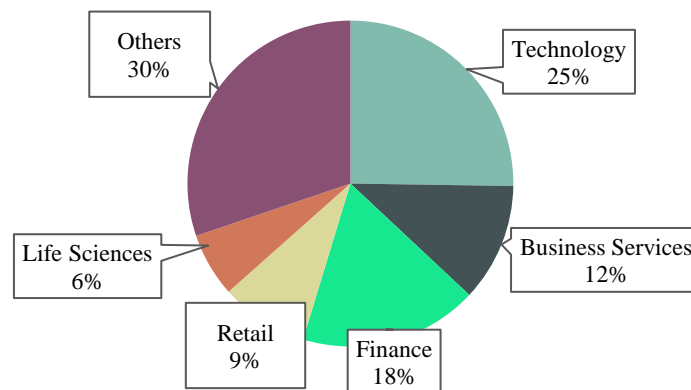


Source: CBRE Research, H1 CY2024

Note – Flexible Workspaces includes serviced offices and co-working space located in both office and non-office space; for India – Flexible Workspaces includes Flexible workspace centers located in both office and non-office space. The stock number above includes total stock across all grades; the stock includes 19 Asia Pacific markets: Beijing, Shanghai, Shenzhen, Guangzhou, Hong Kong SAR, Taipei, Seoul, Tokyo, Singapore, HCMC, Hanoi, Bangkok, Manila Makati and Fort Bonifacio, Sydney, Melbourne and Auckland and Indian markets – Bengaluru, Chennai, Delhi, Gurgaon, Noida, Hyderabad, Kolkata, Mumbai and Pune.

Major industry sectors driving demand for flexible workspace include technology and finance followed by the business services sector.

Tenant Sector Absorption - Flexible Office Space in Asia Pacific* (for Q2 CY 2024)



Source: CBRE Research, Q2 CY2024

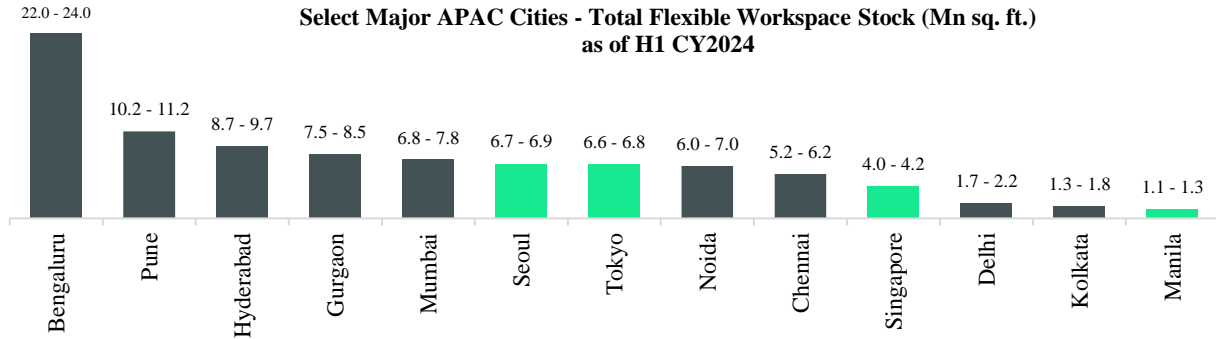
Note: The % highlighted above is based on enterprise customer contracts in Q2 CY2024; *The Market covered above includes Beijing, Shanghai, Hong Kong SAR, Tokyo, Seoul, Singapore, Delhi NCR, Bengaluru, Mumbai, Sydney CBD, and Melbourne CBD; Others above includes 3rd party space providers, Real estate, Transportation and logistics, Healthcare and life science, Resource, Education, Public/extraterritorial organizations, Industrial, Hotels, restaurants & Leisure and consumer products

⁷ Flexible workspace solutions primarily refer to fully furnished and serviced real estate offerings provided by Flexible Workspace Operators to end users with potential flexibilities built-in around aspects including but not limited to space design, tenure, area, location and product.

Comparison Between Key Indian and Selected APAC Cities

Total Flexible Workspace Stock (as of H1 CY2024)

Bengaluru, Pune, and Hyderabad are amongst the leading markets in APAC in terms of quantum of flexible workspace stock, with a total flexible workspace stock ranging between 22.0 – 24.0 Mn sq. ft., 10.2 – 11.2 Mn sq. ft., and 8.7 – 9.7 Mn sq. ft., respectively as of H1 CY2024.



Source: CBRE as of H1 CY2024; The flexible workspaces figures mentioned above include stock across all grades; Manila - Makati & Fort Bonifacio

India is one of the largest flexible workspaces markets in APAC with a total stock of over 72 Mn sq. ft. in Tier 1 cities as of H1 CY2024 (across the top 9 cities – Bengaluru, Mumbai, Hyderabad, Pune, Chennai, Kolkata, Delhi, Gurgaon & Noida)

As highlighted in subsequent sections, favourable demographics, availability of quality talent pool and relative competitive cost for talent may position India as a preferred destination for setting up bases for MNCs, and corporates for their Global Capability Centers (GCCs). These companies may prefer flexible workspaces to establish/expand their operations across India which may help in enabling them to outsource elements of their value chain i.e., office experience and run cost-efficient operations. This may lead to an increase in demand for flexible workspace solutions.

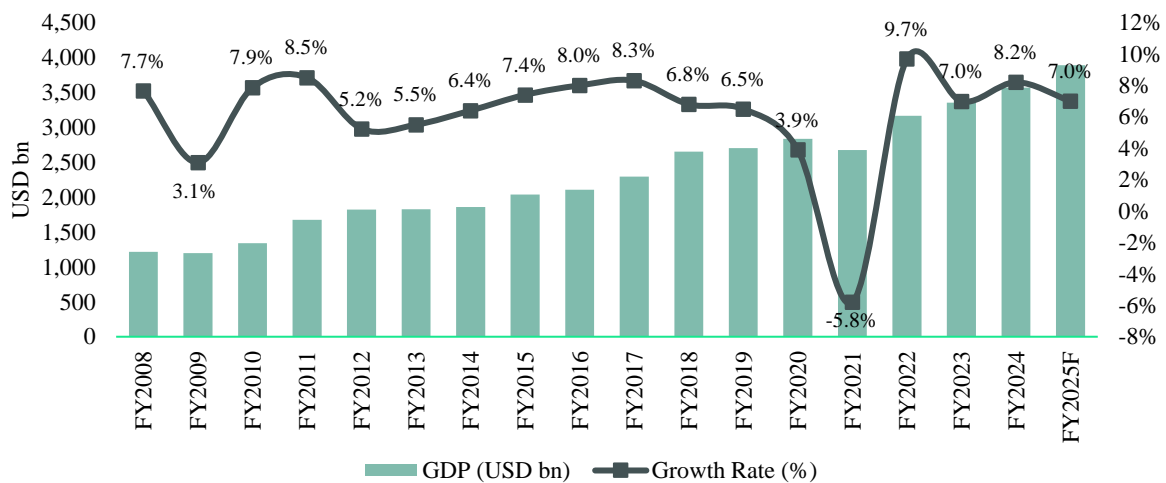
Indian Economy Overview

Overview of Indian Economy

India with a GDP of approximately USD 3.57 trillion (FY2024⁸) is one of the fastest-growing and the fifth-largest economy in the world after the US, China, Germany, and Japan (Source - World Bank ~ India Overview, IMF, Data Mapper October 2024). For FY2024, India had a Gross Domestic Product (GDP) growth rate of 8.2% compared to the world's growth of 3.2%, demonstrating a strong economic rebound post-COVID-19. This growth is driven by increasing domestic demand and employment surpassing pre-pandemic levels, rising service exports and the country's digital and Government infrastructure. India's economy is projected to grow by 7.0% in FY2025. (Source: IMF, October 2024)

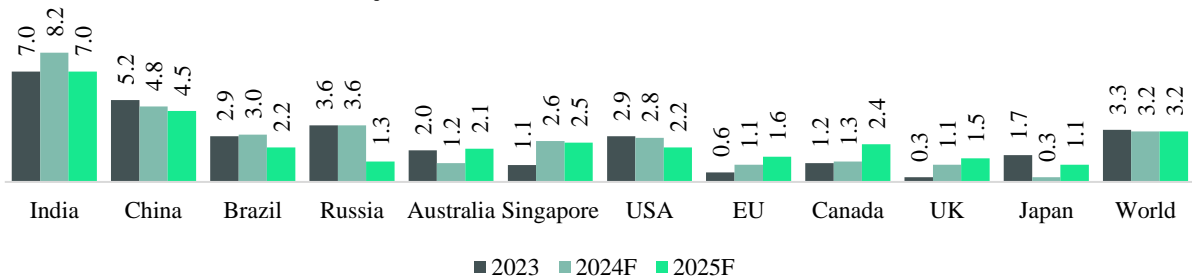
India is forecast to become the third-largest economy in the next five years with a projected GDP of USD 5.7 trillion in FY2029, surpassing Japan and Germany with forecast GDPs of USD 4.9 trillion & USD 5.4 trillion respectively for CY2028. (Source: IMF Data Mapper, October 2024, World Economic Forum, Jan 2024)

India GDP Size and Growth (FY2008 - FY2025F)



Source: IMF estimates,

Major World Economies - GDP Growth Rates (%)



Source: IMF estimates, World Economic Outlook, October 2024

* Although the IMF provides data for the majority of countries in the Calendar Year (CY), the values for India are published in the Fiscal Year (FY). Here the growth rate shown in the 2023 bar reflects the growth rate of FY 2022/23 (starting in April 2022).

The World Bank forecasts the Indian economy to grow in the medium term, assuming gradual improvements in the global environment, no major external shocks, and a positive boost from recently adopted policies. The positive outlook is based on sustained growth of the Services Sector (including the expansion of Global Capability Centers (GCC)), and an expected strengthening of the manufacturing sector, supported by Government initiatives.⁹(Source: World Bank, India Development Update: India's Trade Opportunities in a Changing Global Context, September 2024)

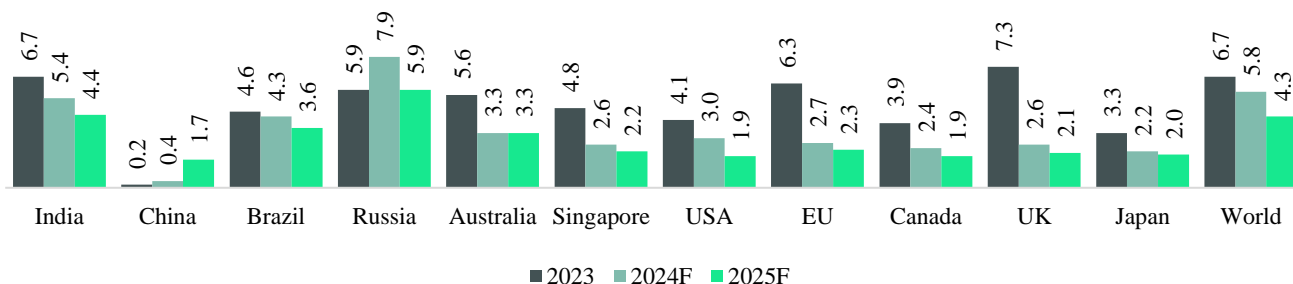
⁸ FY2024 – Fiscal Year 2024 ~ 1st April 2023 to 31st March 2024

⁹ The PM Gati Shakti master plan to enhance logistics infrastructure, the Trade Infrastructure for Exports Scheme, and increased tax efficiency and rationalized tax rates to improve the business environment.

Key Economic Indicators of India

Inflation Environment - Inflation has increased in most of the Western economies post-COVID-19, primarily due to the disruption in global supply chains, supply-demand imbalances post-pandemic and rising geopolitical conflicts. In FY2023, inflation in India went up to 6.7%. (Source: IMF Data Mapper, October 2024). In FY2024, Consumer Price Index (CPI) inflation for India was comparatively lower at 5.4% against the CPI inflation at 6.7% in FY2023. (Source: IMF Data Mapper, October 2024) Going forward, as per the Reserve Bank of India (RBI), CPI inflation for India is forecast to reduce to 4.4%¹⁰ by FY2025. (Source: IMF Data Mapper, October 2024).

Major World Economies - Inflation



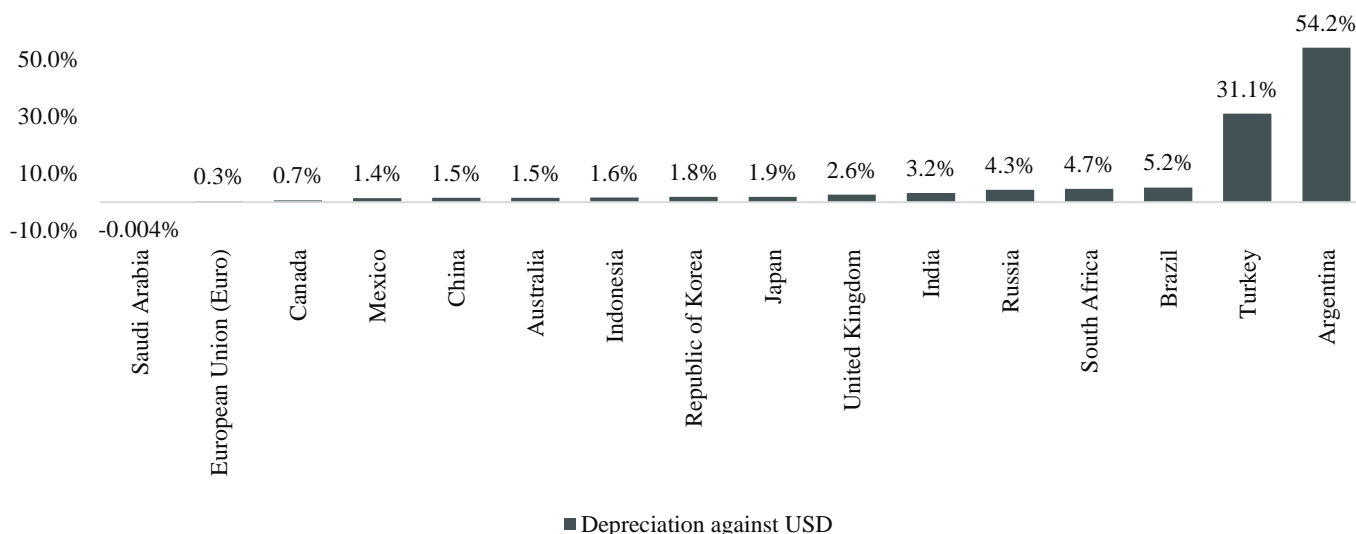
Source: IMF estimates, Data Mapper, October 2024

* Although the IMF provides data for the majority of countries in the Calendar Year (CY), the values for India are published in the Fiscal Year (FY). Here the inflation shown in the 2023 bar reflects the inflation of FY 2022/23 (starting in April 2022)

Interest Rates Environment - The RBI increased the repo rate (Repurchasing option rate) to 250 bps (in phases) from 4.0% in January 2022 to 6.5% in February 2023 as a measure to curb rising inflation. Since February 2023, the repo rate in India has been unchanged at 6.50% (as of 21st June 2024). The reverse repo rate continues to be stable at 3.35% from April 2023 to June 2024. (Source: RBI, Minutes of the Monetary Policy Committee Meeting, June 4 to 7, 2024, Press release June 21st, 2024)

Depreciation of Indian Currency against US Dollar - India's foreign exchange reserves recorded a figure of USD 692.3 billion, as of 27th September 2024. (Source: RBI Bulletin, October 2024) Following a significant contraction due to the COVID-19 pandemic, the Indian economy has exhibited recovery. The demand for services, domestic consumption, investments in public infrastructure, and technological advancements continued to fuel India's economic growth. (Source: World Bank, India Development Update: India's Trade Opportunities in a Changing Global Context, September 2024) The graph below illustrates the CAGR depreciation of the local currency of various countries against the USD.

Depreciation against USD
(CAGR - CY2015 - CY2023)



Source: Bilateral Exchange Rates,¹¹ October 2024

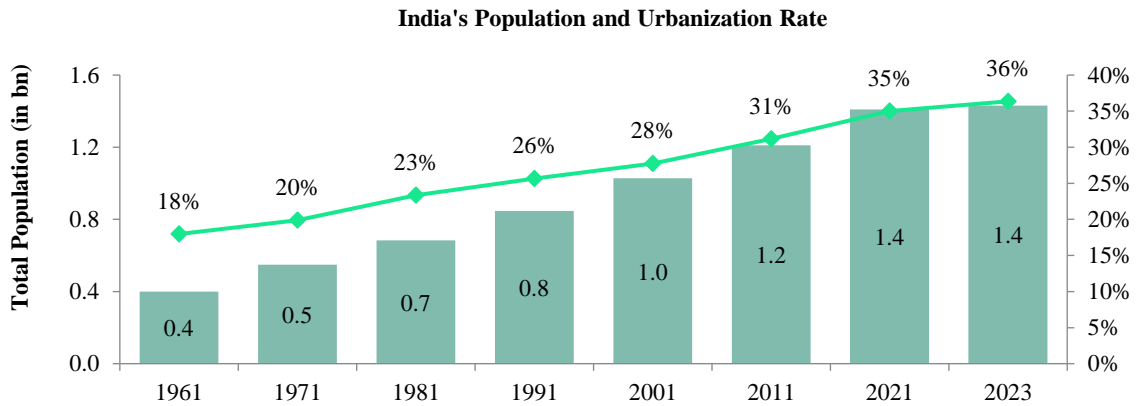
¹⁰ The forecasted inflation in FY2025 is 4.5% by RBI (Source: RBI, Government of India, Press Release, July 2024)

¹¹ Bank for International Settlements (2024), Bilateral exchange rates, BIS WS_XRU 1.0 (data set), <https://data.bis.org/topics/XRU/data> (accessed on 24 October 2024).

Key Demographic Indicators

India's Population - India's population grew from 1.26 billion people in 2011 to 1.43 billion in 2023, a CAGR of 1.07% over the period, and is now the largest population in the world. (Source: IMF, April 2024) Approximately 68.7% of the population is in the age group of 15-64, which makes it the country with the largest youth population globally as of 2024. (Source: UNFPA)

Urbanization - The share of the urban population in India grew from 31% in 2012 to 36% in 2023 and is forecast to increase to approximately 40% or 600 million people by 2036. (Source: World Bank Open Data)

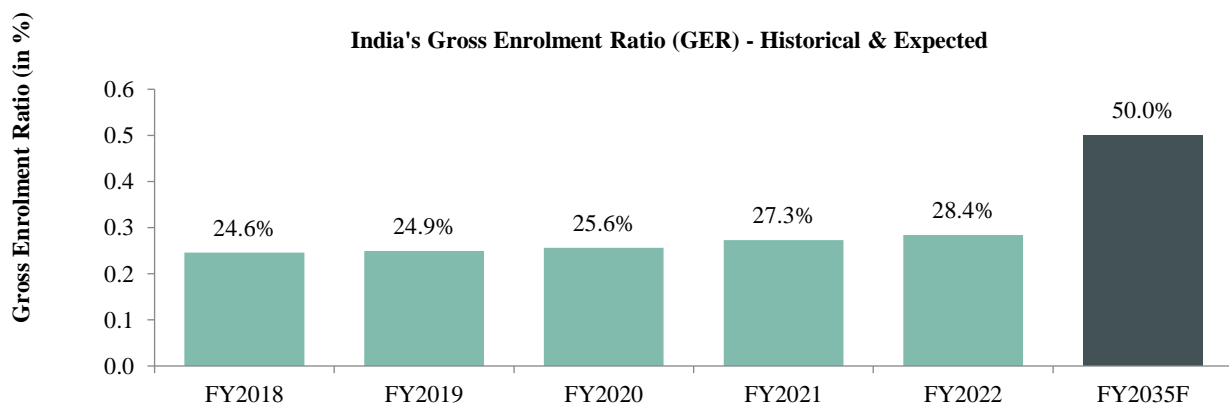


Source: World Bank – Data as of July 2024, IMF Data Mapper as at October 2024)

- Availability of Skilled Workforce** - India has one of the largest higher education systems in the world and is ranked second in terms of higher education¹² network. (Source: Ministry of Education, Study in India) India had approximately 265 million students across 1.5 million schools and 11.31 million graduates in FY2022. The total number of those enrolled in higher education increased to nearly 43.3 million in FY2022 from 34.2 million in FY2015, growing at a CAGR of 3.4% during the period. (Source: Ministry of Education, AISHE 2021-2022)

According to NASSCOM, in FY2023 India had one of the world's largest annual supply of Science, Technology, Engineering & Management (STEM) graduates at over 2.5 million. Based on the availability of technology-skilled workforce, India is ranked 2nd globally as per the 2023 AT Kearney Global Locations Service Index. (Source: NASSCOM, Strategic Review 2024)

- Gross Enrolment ratio** - India has an estimated gross enrolment ratio (GER)¹³ of 28.4% for higher education in India in FY2022. The National Education Policy implemented in 2020 has been designed to give a boost to GER with a target of 50% GER by FY2035. (Source: All India Survey on Higher Education, 2021-2022) The forecast GER is anticipated to increase the availability of the talent pool in India.



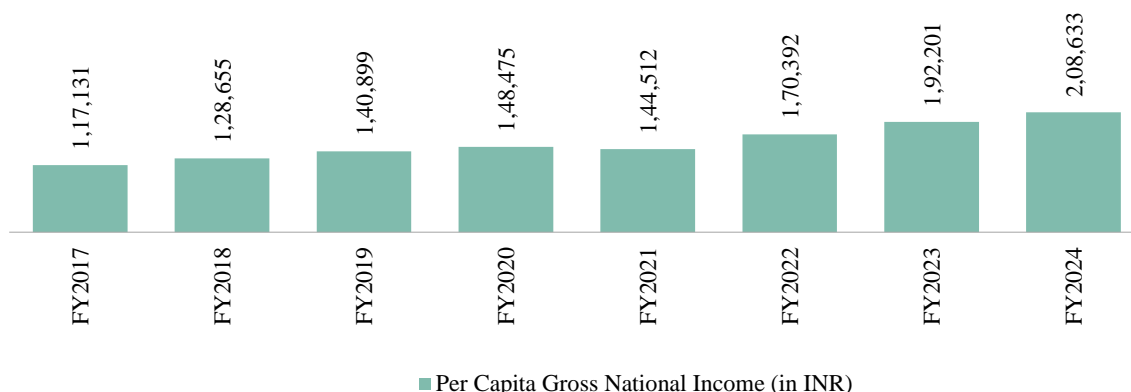
Source: All India Survey on Higher Education, 2021-2022

¹² The term 'higher education' with respect to India denotes the tertiary level education that is imparted after 12 years of schooling (10 years of primary education and 2 years of secondary education).

¹³ GER is a key indicator of the level of participation in higher education within a given population. Higher GER values indicate greater enrolment in higher education among the 18 – 24 years age group.

Growing per capita income in India - India's per capita income has witnessed growth over the past few years. The per capita Gross National Income in India grew from INR 1,17,131 in FY2017 to INR 2,08,633 in FY2024, registering a Compound Annual Growth Rate (CAGR) growth of 8.6% over this period. (Source: Provisional Estimates of Annual GDP for 2023-24 and quarterly estimates of GDP for Q4 of 2023-24, May 2024, Economic survey 2023-2024)

Per Capita Gross National Income in India at current prices (in INR)

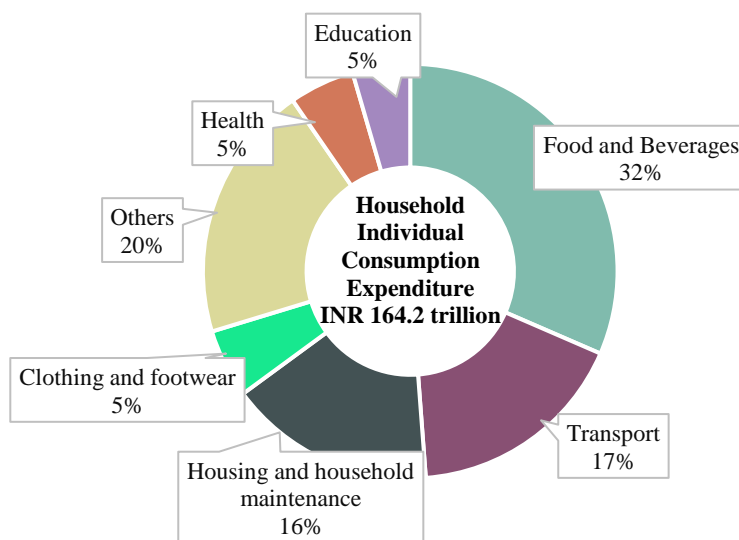


Source: Economic Survey, 2023 – 2024, Ministry of Statistics and Programme Implementation, May 2024

Growing income levels in India have led to an increase in the number of millionaires across the country. Approximately 326,400 individuals were classified as millionaires (USD 1 Mn+) as of December 2023, an 85% increase over the past decade. Mumbai and Delhi rank among the top 10 wealthiest cities in the BRICS¹⁴ nations for 2024.¹⁵ (Source: World Health, Henley & Partners, December 2023)

The household consumption expenditure in India has grown from INR 81.7 trillion in FY2016 to INR 164.2 trillion in FY2023, growing at a CAGR of 10.5% during the period. (Source: Ministry of Statistics and Programme Implementation, May 2024) India's per capita private final consumption expenditure¹⁶ has increased from INR 63,807 in FY2022 to INR 69,528 in FY2024.

Split of Household Individual Consumption Expenditure, FY2023



Source: Ministry of Statistics and Programme Implementation, May 2024

Note – The data is measured at current prices; Others include expenditure incurred on categories such as Communication, Recreation and Culture, Restaurants and Hotels and Miscellaneous goods and services.

The increase in income levels and disposable income is reshaping Indian consumer behaviour, as individuals now have the means to indulge in aspirational shopping, experiences, and purchases beyond necessities. (Source: CBRE Research, India's Luxury Real

¹⁴ BRICS nations includes Brazil, Russia, India, China & South Africa

¹⁵ Mumbai has an estimated 58,800 millionaires while Delhi has approximately 31,000 millionaires.

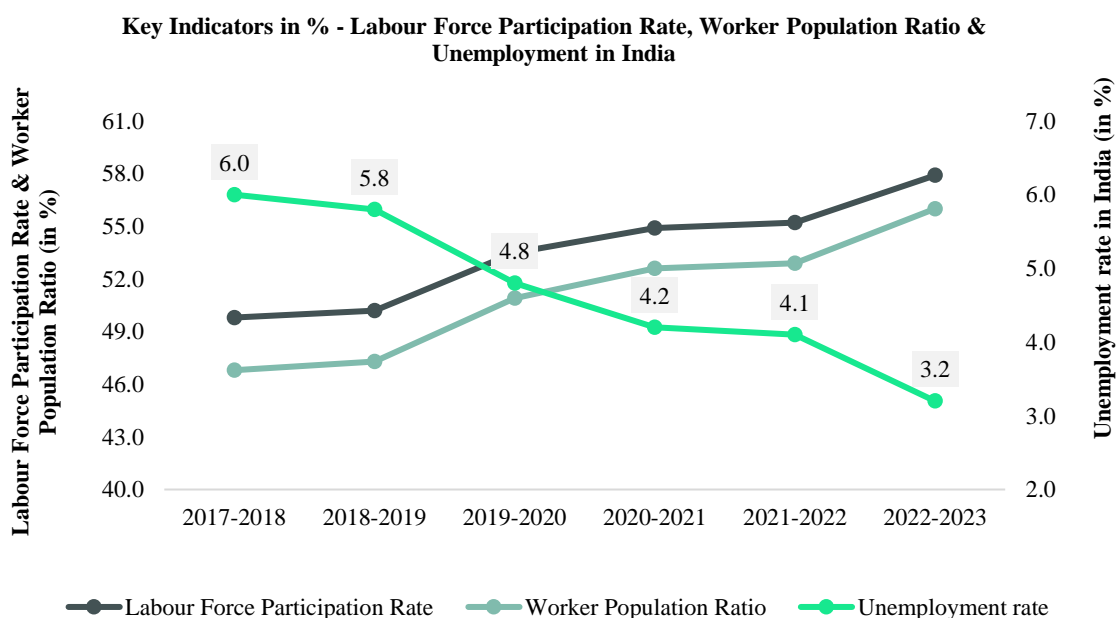
¹⁶ Private final consumption expenditure (PFCE) includes final consumption expenditure of (a) households and (b) non-profit institutions serving households (NPISH) like temples, gurdwaras. The final consumption expenditure of households relates to outlays on new durable as well as non-durable goods (except land) and on services.

Estate – Where Opulence Meets Opportunity, December 2023) Household Individual Consumption Expenditure incurred on Transport, Recreation and Culture, Restaurants and Hotels have grown at a CAGR of 13%, 10.4% and 10.1% respectively during the period FY2016 to FY2023. (Source: Ministry of Statistics and Programme Implementation, May 2024) This highlights a shift in the spending behaviour of Indian Households. With the increase in consumption expenditure across key segments such as F&B, Clothing, Transport, and Hotels supported by rising income levels, the Indian consumer tends to spend more on quality, variety, and convenience coupled with more experiential offerings. Capitalizing on the changing consumer behaviour, India has seen the emergence of international luxury brands established in the Indian market.

Labor Force Participation Rate and Employment

Key indicators such as India's worker population ratio, and labour force participation rate have shown a positive trajectory over the past 6 years. This has been supported by key Government initiatives such as Atmanirbhar Bharat Abhiyan¹⁷, Product Linked Incentive scheme¹⁸, Start-up India¹⁹, and Skill India Mission²⁰, which have been implemented to support job creation and creating a supportive environment for Small & Medium Enterprises SMEs/Startups.

The net payroll additions to the EPFO have grown from 6.11 million in FY2019 to 13.15 million in FY2024, highlighting the growth in hiring across organized sectors encompassing IT, Engineering & Manufacturing, Education, Banking, Financial Services and Insurance (BFSI) amongst others. (Source: Economy Survey, 2024, Department of Economic Affairs) The increase in jobs and labour force participation rate has coincided with an overall decrease in unemployment rate from 6.0% in 2017-2018²¹ to 3.2% in 2022-2023⁸. Youth participation in the labour force²² has also increased, the unemployment rate in the younger population (youth aged 15-29 years) has declined from 17.8% in 2017-2018 to 10% in 2022-2023⁸. (Source: The Indian Economy Review – January 2024, Economy Survey, 2024, Department of Economic Affairs)



Source: Periodic Labour Force Surveys, Employment and Unemployment Scenario of India, September 2023, Directorate of General Employment

Note – The survey period of PLFS surveys is from 1st July to 30th June of next year.

As per the Reserve Bank of India's latest KLEMS²³ Data, employment in the country has grown at a CAGR of 3.5% over the period FY2015 – FY2024, from 471.5 Mn in FY2015 to 644.4 Mn in FY2024. (Source: Ministry of Labour & Employment, Press Release, July 2024) This growth is supported by an increase in employment in the services sector from 141 Mn in FY2013 to 201 Mn in FY2023, a CAGR of 4% highlighting the sector's growth and a favourable shift towards white-collar jobs (Source: RBI,

¹⁷ Launched on 12 May 2020, with an aim is to make the country and its citizens independent and self-reliant in all senses by focusing on five pillars of Aatma Nirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand

¹⁸ A scheme launched to enhance India's manufacturing capabilities, increase in capital expenditure, and to promote worker welfare and attract investments in key sectors, bring economies of size and scale in the manufacturing sector and generate employment.

¹⁹ Launched on 16th January 2016, it is a flagship initiative of the Government of India, intended to catalyse startup culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India.

²⁰ Includes skill training initiatives.

²¹ The survey period of PLFS surveys is from 1st July to 30th June of next year.

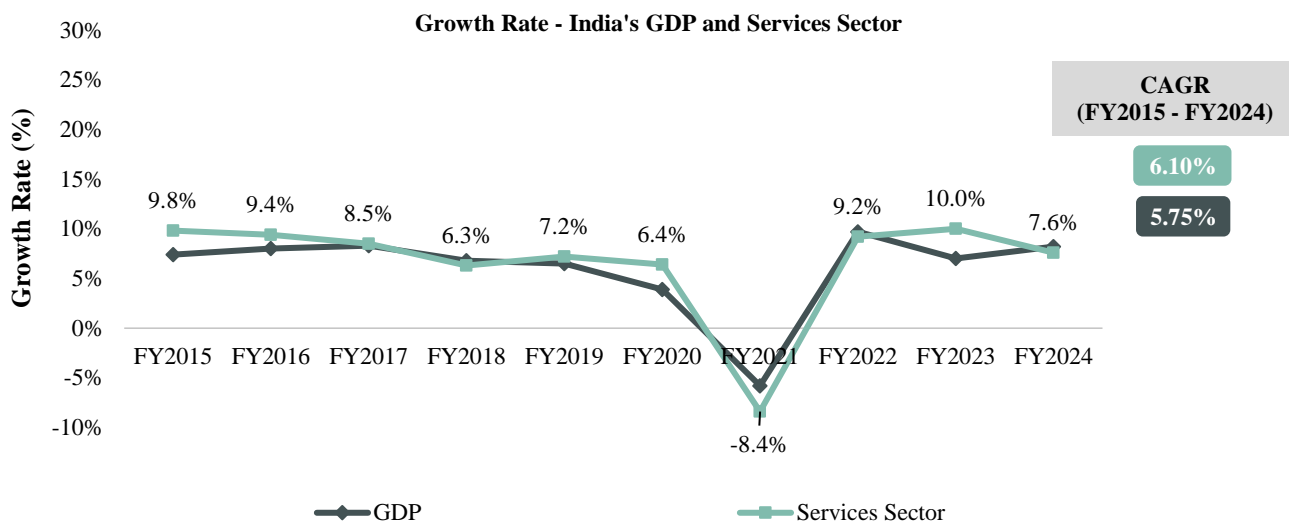
²² Approximately 2/3rd of the new subscribers in EPFO payroll have been from the 18-28 years age group.

²³ The KLEMS (K: Capital, L: Labour, E: Energy, M: Materials and S: Services) database published by Reserve Bank of India's (RBI) provides employment estimates at all India level including public and private sectors.

KLEMS employment Database, July 2024). This is supported by next generation industries across key sectors such as Information Technology, Sustainability, Healthcare, and Automobiles amongst others.

Services Sector

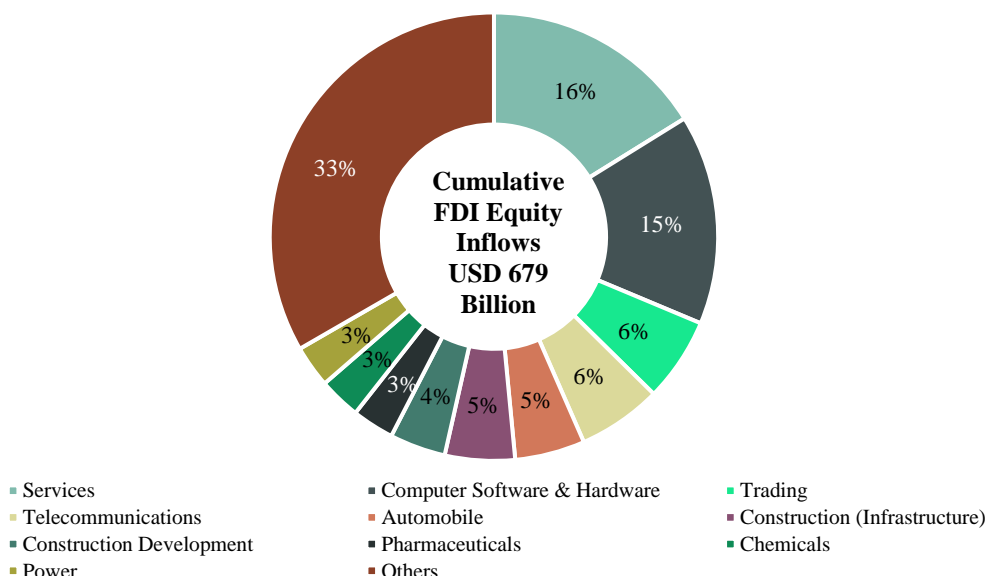
The Services Sector²⁴ continues to be one of the key contributors to India's growth, accounting for approximately 55 per cent of the total Gross Value Added²⁵ in FY24. (Source: Economic Survey, 2024). Supported by growth in business activity in the Service Sector²⁶ and increase in people employed within the sector, the Services Sector has outperformed GDP growth over the same period.



Source: Ministry of Commerce and Industry, April 2024, Ministry of Statistics and Program Implementation, May 2024, IMF estimates, World Economic Outlook, April 2024, Press Release, Ministry of Finance, July 2024

India's Services Sector was the largest recipient of Foreign Direct Investment (FDI) equity inflows worth USD 109.5 billion between April 2000 – April 2024, approximately 16% of the total FDI Equity inflow over the period. The Services Sector's FDI equity inflows have remained within the range of 14-17% of the total over the last 4 years.

Sectoral Split of FDI Equity Inflows (April 2000 - March 2024)



Source: Department for Promotion of Industry and Internal Trade, Factsheet, April 2024

Others include power, non-conventional energy, hotel & tourism, food processing industries, electrical equipment, information & broadcasting, education, consultancy services, and electronics amongst other sectors.

²⁴ According to the National Accounts classification, Services Sector covers a wide range of activities such as trade, hotels, and restaurants; transport storage and communication; financing, insurance, and real estate; and business services; and community, social and personal services. In the World Trade Organization (WTO) and Reserve Bank of India (RBI) list of services, construction is also included. (Source: Government of India)

²⁵ Gross value added at basic prices is defined as output valued at basic prices less intermediate consumption valued at purchasers' prices.

²⁶ In March 2024, services PMI increased to 61.2. (Source: Press Release, Ministry of Finance, 22nd July 2024)

As highlighted in the below table, over the past 10 years, the contribution of financing, real estate and professional services in the overall GVA has been within the range of 21 – 23%.

INR in bn	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 ¹	2022-23 ²	2023-24 ³
GVA at constant Prices	97,121	1,04,919	1,13,283	1,20,342	1,27,338	1,32,361	1,26,873	1,38,768	1,48,049	1,58,738
Non-Tertiary Sector	46276	49275	52930	56160	58553	59154	59780	65519	67464	72046
Non-tertiary sector as a % of Total GVA	48%	47%	47%	47%	46%	45%	47%	47%	46%	45%
Tertiary Sector	50,845	55,644	60,353	64,182	68,785	73,207	67,093	73,249	80,585	86,692
Tertiary sector as a % of Total GVA	52%	53%	53%	53%	54%	55%	53%	53%	54%	55%
Financing and Real Estate & Professional Services	20737	22948	24930	25372	27142	28982	29541	31228	34055	36916
Financing and Real Estate & Professional Services sector as a % of Tertiary Sector	41%	41%	41%	40%	39%	40%	44%	43%	42%	43%
Financing and Real Estate & Professional Services sector as a % of GVA	21%	22%	22%	21%	21%	22%	23%	23%	23%	23%

Source: National Statistical Office, Second Advance Estimates of National Income and Expenditure Components, May 2024, Provisional Estimates of Annual GDP 2023-24, May 2024.

Note – Non-Tertiary Sector includes the Primary and Secondary Sectors, where the Primary sector includes agriculture, forestry and fishing, mining, and quarrying; the Secondary sector includes manufacturing, construction, electricity, gas, and water supply; the Tertiary sector includes trade, hotels, transport and communication, Financing, real estate and professional services, public administration, defense, and other services.

¹2nd Revised Estimates; ²1st Revised Estimates; ³2nd Provisional Estimates at constant prices

*According to National Accounts Statistics, Real Estate Services includes all types of activities and dealers such as operators, developers and agents connected with real estate in India.

The Technology Industry²⁷ within the Services Sector

COVID-19 has accelerated the shift, towards the use and deployment of technology, especially cloud, data analytics, e-commerce, and digital transformation (Source: Ministry of Commerce & Industry, April 2024). The Indian technology sector continues to evolve as the focus is moving towards higher value-added services with Indian companies and Global Capability Centres (“GCCs”) of multinational corporations, providing end-to-end services to their clients.

With an estimated revenue of USD 245 billion in FY2023, the technology industry is forecast to grow by 3.8% reaching revenue of USD 254 bn in FY2024. The total revenue in the technology industry has witnessed a CAGR growth of 7.4% during the period FY2020 – FY2024. The positive outlook of this sector is further reflected in the forecast direct employment in the sector to be approximately 5.43 million in FY2024 with a net addition of 60,000 employees. ²⁸ (Source: Ministry of Electronics and Information Technology) India continues to be one of the preferred global sourcing locations, representing approximately 57-58% of global sourcing. ²⁹ (Source: NASSCOM) India has seen an increase in new-generation technology businesses with over 8,100 digital solution providers employing approximately 1.4 million employees. (Source: NASSCOM)

Concentrated initiatives³⁰ from the Government have been implemented with the aim for India to become one of the leading global hubs for tech talent. (Source: Invest India, Digital India: Revolutionising the Tech Landscape, Feb 2024)

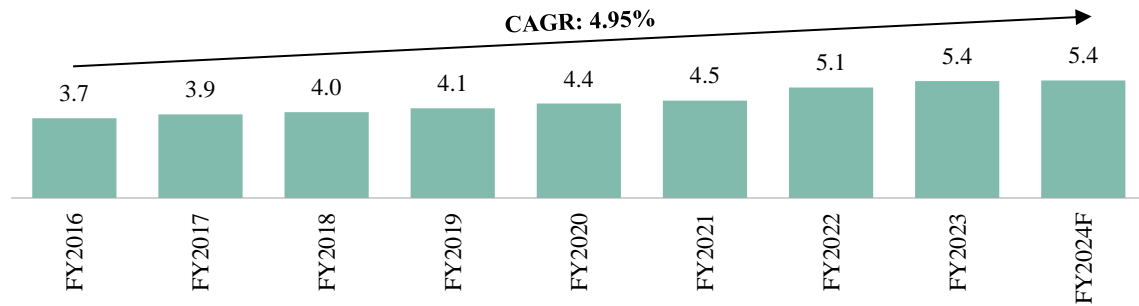
²⁷ The technology sector is the category of companies relating to the research, development, or distribution of technologically based goods and services.

²⁸ Digital talent refers to skills, skill sets, roles, and profiles required for executing digital transformation projects.

²⁹ Global Sourcing refers to the services sourced from a country/countries different from the country where the firm receiving services is located; It includes both offshoring and near-shoring.

³⁰ Such as PM Kaushal Vikas Yojana 4.0³⁰, National Digital Literacy Mission³⁰, Pradhan Mantri Grameen Digital Saksharta Abhiyan (PMGDisha)³⁰, the world's largest digital literacy program, Centre of Excellence for IoT and AI³⁰ along with forward-looking initiatives such as National Data Governance Policy,

Number of people employed in Indian Tech Industry (million)

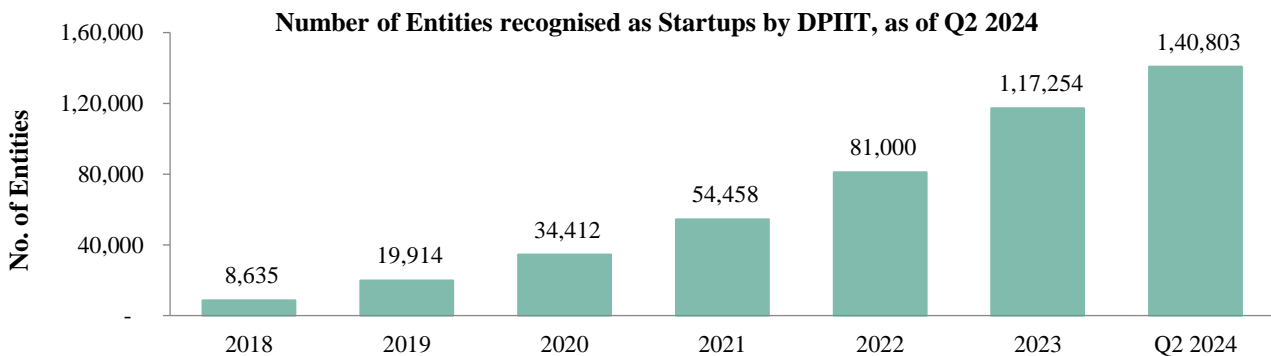


Source: Ministry of Electronics and Information Technology, NASSCOM

Macro-Economic Environment and Key Trends Assisting Real Estate in India

- 1. Startups:** The continued focus of the Indian Government on programs such as ‘Make in India (2014)’, ‘Startup India’, and ‘Atal Innovation Mission’ has assisted in fostering a supportive ecosystem for domestic enterprises. These initiatives are credited with strengthening India’s ranking in the Global Innovation Index (GII) from 81st in 2015 to 40th in 2023. Cumulative FDI inflows in the manufacturing sector have increased by 55% to USD 149 billion (FY2014–2023) from USD 96 billion (FY2005-2014), post incorporation of the Make in India initiative. (Source: Press Release, Ministry of Commerce and Industry, December 2023)

India is the 3rd largest ecosystem for startups globally with over 1,40,803 recognized startups generating over 1.6 million direct jobs. (Source: Ministry of Skill Development and Entrepreneurship, July 2024) This startup activity is supported by the growing Indian economy, enabling a favourable environment for innovative businesses.



Source: Department for Promotion of Industry and Internal Trade, February 2024

- 2. Digital Infrastructure in India:** India has a unique mix of distinctive digital public infrastructure, and technology ecosystem encompassing numerous start-ups, GCCs, SMEs and emerging tech hubs. Digital Public Infrastructure encompasses services like financial Unified Payments Interface (UPI)³¹, identity (Aadhaar³²), Government (GSTN³³), and healthcare (CoWIN³⁴) amongst others. (Source: NASSCOM) Supported by Government initiatives such as Digital India³⁵, PM Gati Shakti Yojana³⁶, Jan Dhan, Aadhaar and Mobile (JAM) Trinity³⁷. Universal Service Obligation Fund (USOF)³⁸, BharatNet Project³⁹, and technological advancements, India’s Digital Infrastructure has witnessed a positive shift in recent years. (Source: PIB, Universal Connectivity and Digital India Initiatives Reaching All Areas, August 6, 2024)

³¹ Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. (Source: Cashless India, Government of India)

³² Aadhaar is a 12-digit individual identification number which serves as proof of identity and proof of address for residents of India (Source: Cashless India, Government of India)

³³ Goods and Services Tax Network (GSTN) has built Indirect Taxation platform for GST to help taxpayers in India to prepare, file returns, make payments of indirect tax liabilities and do other compliances (Source: Cashless India, Government of India)

³⁴ CoWIN system is a comprehensive cloud-based IT solution for planning, implementation, monitoring, and evaluation of COVID-19 vaccination in India.

³⁵ Digital India is a programme of the Government of India with a vision to transform India into a digitally empowered society.

³⁶ An initiative to provide multimodal connectivity infrastructure to various economic zones.

³⁷ It refers to the Government of India initiative to link Jan Dhan accounts, mobile numbers and Aadhaar cards of Indians to plug the leakages of Government subsidies.

It refers to the Government of India initiative to link Jan Dhan accounts, mobile numbers and Aadhaar cards of Indians to plug the leakages of Government subsidies. such as hilly areas and dense forests.

³⁹ BharatNet, one of the largest rural telecom projects in the world, aims to provide Optical Fibre Cable (OFC) connectivity to all Gram Panchayats (GPs) in India, ensuring non-discriminatory broadband access for telecom service providers.

Key Statistics, as at Q1, CY2024:

Metric	March, 2014	March, 2024	Key Inferences
Broadband Definition	>= 512 Kbps	>=2 Mbps	300% increase
India's Ranking in Average Internet Download Speed	130	16	Ranked 43rd in terms of median mobile broadband speed
Total Subscribers (In Mn)	933	1199.28	CAGR (FY2014 – FY2024) – 3%
Average Data Cost/GB	INR 268.97	INR 9.18	Reduced by 96.58%
Average Data Consumption*	0.26 GB	20.27 GB	77 times more
Total Internet Subscribers (In mn)	251.59	954.40	Ranked 2nd globally after China#

Source: PIB, Universal Connectivity and Digital India Initiatives Reaching All Areas, August 6, 2024, Invest India – Telecom, last updated on October 24, 2024

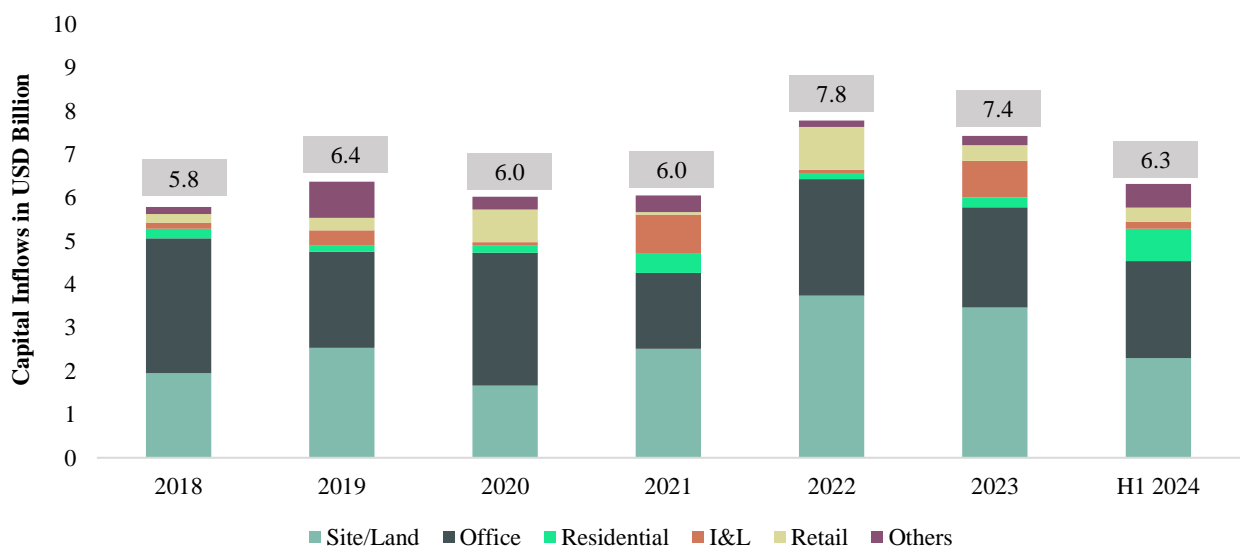
*Average Wireless Data Usage per wireless data subscriber per month

as of December 2023

- 3. Connectivity and Physical Infrastructure** – The Indian Government has launched several initiatives for the development of highways, railways, and airports with the aim of improving the overall connectivity within India. The National Highway (NH) network has expanded by 60% from 0.09 km in CY2014 to 0.15 km in CY2023 and 100+ Vande Bharat train services (51 trains) running across the Indian railways as at Q1 2024. (Source: Ministry of Information & Broadcasting, Press Release, March 2024). According to the Economic Survey 2023-24, Indian Railways, with over 68,584 route km and 12.54 lakh employees (as at Q12024), is the fourth largest network in the world under single management. (Source: PIB, Ministry of Finance, July, 2024) The aviation industry has witnessed an increase in domestic passenger traffic from 70.1 million passengers in FY2015 to 153.7 million forecast passengers during FY2024. (Source: Directorate of General Civil Aviation) India's airport infrastructure has expanded from 74 operational airports in 2014 to 157 airports in 2024. (Source: PIB, Ministry of Civil Aviation, July 2024)
- 4. Long-Term Foreign Investors** – FDI inflows in India grew from 55.6 billion in FY2016 to 71.0 billion during FY2024, registering a CAGR growth of 3.1% over the period. Total FDI inflows from April 2000 to March 2024 were USD 990.97 billion. The 2024 Kearney FDI Confidence Index⁴⁰ ranked India 4th in the Emerging Market Economy (EME) category. (Source: Department of Economic Affairs, Monthly Economic Review, April 2024)

The growing real estate sector has witnessed an increasing capital inflow from domestic and international investors. Since 2018, the real estate sector has received approximately USD 40.8 billion in equity capital, with average inflows of more than USD 6.0 billion each year.

Sectoral Analysis of Capital Inflows (CY2018 - H1 CY2024)



Source: Real Capital Analytics, VC Circle, Data as of H1, CY2024

⁴⁰ The Kearney FDI Confidence Index® is an annual survey of global business executives that ranks markets that are likely to attract the most investment in the next three years.

Acquisition of land parcels and office assets have remained the top investment areas amongst investors over the last 6 years. A similar trend was seen in H1 CY2024, with Development sites/land attracted approximately USD 2.3 billion, accounting for nearly 36% of the total capital inflows during H1 CY2024, followed by the office sector with capital inflows of approximately 2.2 billion accounting for nearly 35% as at H1 CY2024. The tier 1 cities remained gateway markets for capital inflows in the office segment accounting for a dominant share of over 90% as at H1 CY2024 (Source: RCA, VCC Edge)

Major Structural Reforms by the Indian Government to Assist Economic and Real Estate Growth

- 1. Amendment to SEBI (REIT) Regulations, 2014; March 2024:** The Securities Exchange Board of India has introduced the Small and Medium Real Estate Trusts (SM REITs) Framework, to provide due regulatory oversight, adequate disclosures, and an investor grievance redressal mechanism. This amendment allows investors to invest in completed and rent-yielding real estate with a minimum investment of INR 1 million across assets with a size of INR 500 million to INR 5 billion (as against minimum asset size of INR 5 billion in REIT). The maximum asset value for SM REIT is the minimum asset value mandated for REITs, thereby facilitating the way for smaller asset owners to monetise their real estate investments. This would make rent-generating assets of smaller configurations, such as standalone office/mixed use buildings/business parks, or a cluster of shops in a shopping centre typical in tier – I/II/III cities, storage sheds/warehouses of sizes less than 1,00,000 sq. ft. potential targets for SM REITs.
- 2. Amendment to Special Economic Zone (SEZ) Rules, 2006; De-notification, 2023:** In early 2023, the Union Ministry of Commerce and Industry amended the act allowing a floor-wise de-notification of the leasable area in SEZs into non-SEZ areas. This is expected to enable SEZ developers to attract more firms engaged in domestic activities, not just export-oriented firms in these developments. The changes in SEZ rules are also anticipated to allow corporations with an existing footprint in SEZs to expand /relocate to de-notified spaces in the same developments.
- 3. Real Estate Regulation and Development Act, 2016 (“RERA”):** RERA⁴¹ was introduced to protect the interests of buyers and enhance transparency and fair practices in the real estate sector. It aimed to ensure regulation and promotion of the real estate sector in an efficient and transparent manner and to protect the interest of home buyers, thereby encouraging investment in the sector.
- 4. Make in India, 2014:** The ‘Make in India’ initiative was launched to facilitate investment, promote innovation, build best-in-class infrastructure, and make India a hub for manufacturing, design, and innovation. The launch of this initiative has enabled significant progress in the manufacturing sector, infrastructure development, increased investments and job creation. The Indian real estate industry is expected to continue playing an important role in providing necessary infrastructure development for the manufacturing industry being set up by Indian and foreign businesses.
- 5. Pradhan Mantri Gati Shakti National Master Plan:** INR 100 trillion is designated to be invested into infrastructure, intended to support economic growth. The holistic infrastructure development program plans to improve employment opportunities and in turn is likely to drive demand for commercial real estate. The holistic infrastructure development program plans to improve employment opportunities. The mission aims to improve connectivity in the country. Economic Zones like textile clusters, pharmaceutical clusters, defence corridors, electronic parks, industrial corridors, fishing clusters, agri zones will be covered to improve connectivity. (Source: National Portal of India, Government of India) This, in turn, is likely to drive demand for commercial real estate spaces, especially across key logistic hubs and industry corridors.

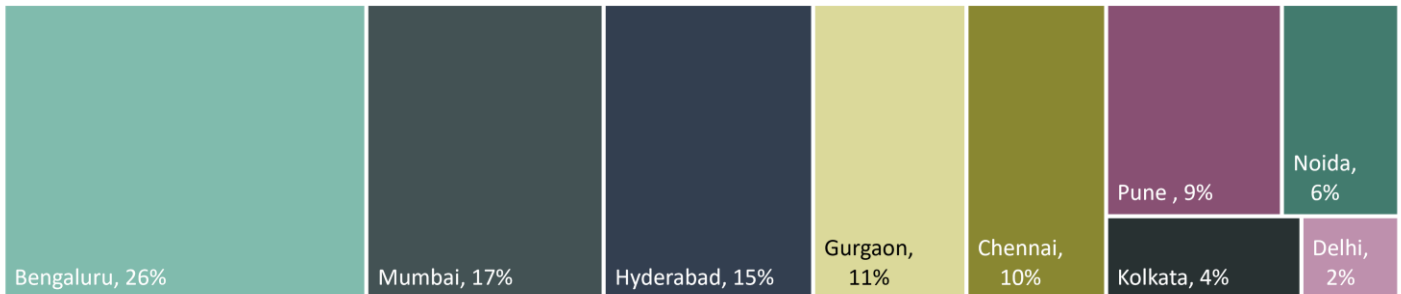
⁴¹ As at April 2024 RERA is implemented across all Top 9 cities, including Delhi, Gurgaon, Noida, Mumbai, Bangalore, Hyderabad, Chennai, Pune and Kolkata along with all states and UTs in India except Meghalaya, Mizoram, Nagaland, Sikkim and Ladakh. (Source: Ministry of Housing and Urban Affairs, Real Estate (Regulation & Development) Act, 2016 [RERA] Implementation Progress Report, as on 08-04-2024)

Overview of the Indian Office Market

Introduction

India's organized commercial office⁴² stock stands at an estimated 853 Mn sq. ft. as at June 30, 2024. It is concentrated in the top 9 cities comprising of Bengaluru, Mumbai Metropolitan Region ("MMR"), Hyderabad, Gurgaon, Chennai, Pune, Noida, Kolkata, and Delhi in order of size of market. (Source: CBRE Research)

Tier 1 Office Stock - as of H1 CY 2024 853 Mn Sft



Source: CBRE Research, as of CY2024

Evolution of Office Stock in India

India's office real estate landscape has changed in the past two and a half decades. India's office market has demonstrated strong growth, fueled by strong economic progress, an improved business environment and an evolving work culture. India's commercial office stock stands at an estimated 853 Mn sq. ft. as at June 30, 2024, and is projected to grow at a CAGR of 6.6% to 1,075 Mn sq. ft. by the end of 2027⁴³.

Since the early 2000s, India's office stock has grown more than 18 times from approximately 46 Mn sq. ft. as of pre-CY2003 to approximately 853 Mn sq. ft. as at June 30, 2024. Within the Indian real estate sector, the Indian office segment has emerged as one of the favoured investment asset class as highlighted in the above section. This is due to various intrinsic factors including the growth of the economy, demand-supply fundamentals, investor-friendly policies, competitive cost advantage and availability of quality talent.

Phase	Space Options	Office Demand Drivers
Pre 2000	<ul style="list-style-type: none"> ➤ Standalone buildings with relatively smaller floor plates ➤ Lack of amenities ➤ Developer owned buildings with limited lease options 	<ul style="list-style-type: none"> ➤ Government offices (PSUs) ➤ Trade and Commerce ➤ Industrial houses ➤ Banks ➤ Private corporate houses
2000 – 2008	<ul style="list-style-type: none"> ➤ Emergence of campus-style concepts ➤ Grade A facilities with basic amenities ➤ The presence of individual-owned developments ➤ Emergence of developer-led supply 	<ul style="list-style-type: none"> ➤ Emergence of technology and engineering services ➤ Growth of IT Industry in India and India's emergence as a hub for outsourcing ➤ Increase in corporate MNC occupiers
2009 – 2012	<ul style="list-style-type: none"> ➤ Grade A campus-style facilities with limited support amenities and parking facilities ➤ Large standalone developments in secondary locations 	<ul style="list-style-type: none"> ➤ Growth in Information Technology (IT) and Business Process Management (BPM) across prominent markets ➤ IT-focused policies and the emergence of SEZs ➤ Enhanced service offerings ➤ Emergence of the biotech sector
2013 – 2020	<ul style="list-style-type: none"> ➤ Emergence of large integrated developments with better but limited amenities ➤ Emergence of green buildings ➤ Proliferation of flexible workspaces 	<ul style="list-style-type: none"> ➤ MNCs focusing on high-end services ~ preference for large integrated parks ➤ Demand from domestic companies and local businesses ➤ Emergence of startups and incubation spaces
2021 - Onwards	<ul style="list-style-type: none"> ➤ Multiple types of flexible workspaces solutions exist in the market to solve for diverse occupier needs ➤ Emergence of Tier II Cities for office sector ➤ Shift towards large integrated campus-style developments with a focus on amenitization, technology integration and employee experience 	<ul style="list-style-type: none"> ➤ Return-to-office as a key driver for office demand ➤ Demand from GCCs and MNCs setting up their office campuses ➤ Adoption of hybrid/distributed working practices leading to more organizations evaluating flexible workspace solutions ➤ Increasing demand from domestic corporations ➤ Tenant sector diversification and the emergence of ~ offshore, R&D, e-commerce and startup ecosystem

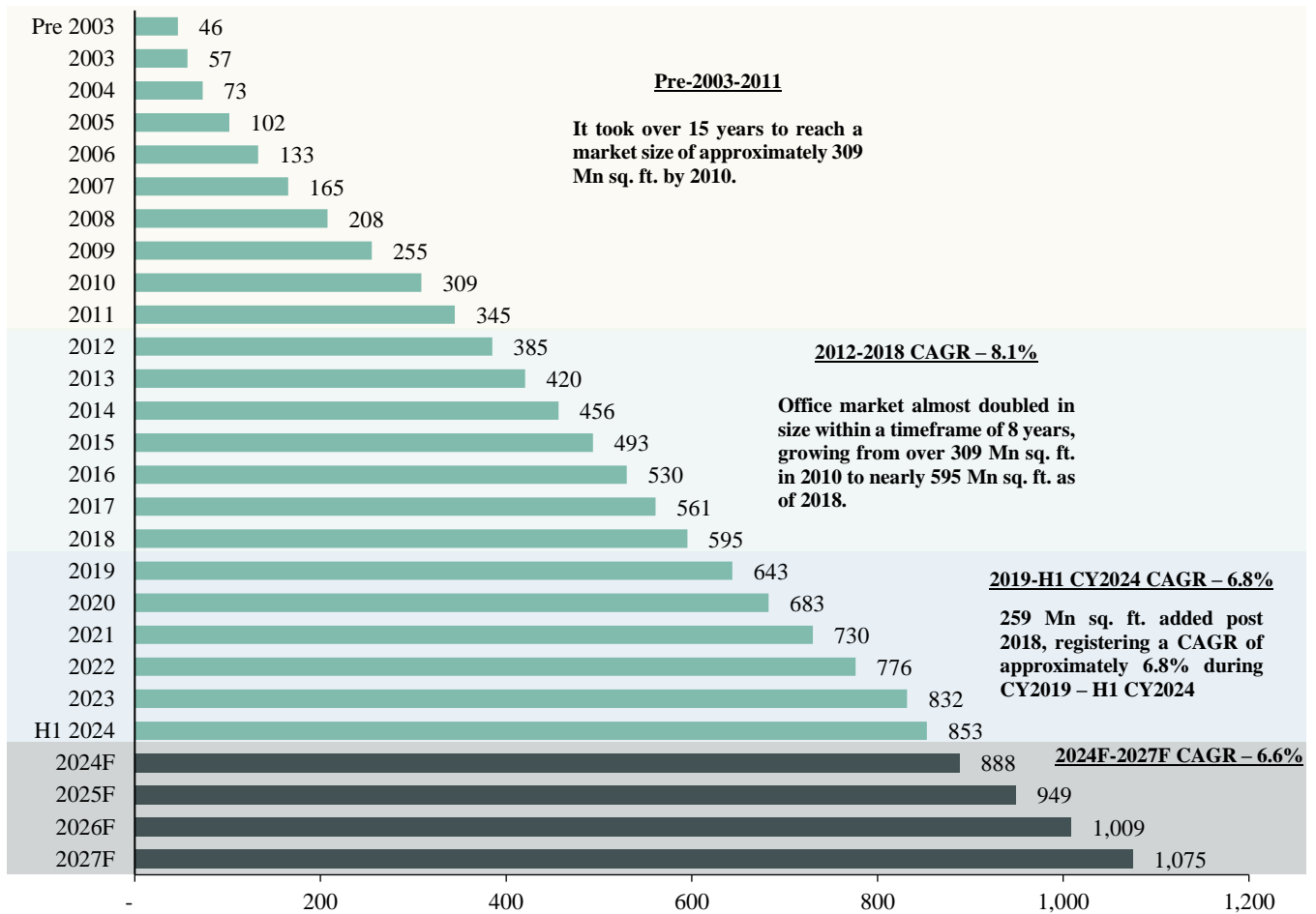
⁴² All commercial office references in the report pertain to organized stock unless otherwise stated.

⁴³ Future supply estimates are based on analysis of proposed and under-construction buildings, however, future absorption estimates are derived basis of past trends, current vacancy, and estimated supply. Historical data and projections provided for 2024, 2025, 2026 and 2027 across all indicators are based on CBRE's opinion of the current/historic market situation and availability of information in the public domain, any changes to the market situation may impact the forecasts. Several factors like global macroeconomic uncertainty, geopolitical climate, pace of construction, and developer profile/execution capability may have a significant impact on forecast estimates mentioned above. Considering the risk factors, forecasts are likely to change with periodic reviews given the evolving situation.

Source: CBRE Research, as at Q2 CY2024

The projections have been made based on ongoing market activity, and current development pipeline/under-construction projects that may have an impact on the upcoming supply in the commercial real estate market across Tier 1 cities i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata. Several factors like global macroeconomic uncertainty, geopolitical climate, pace of construction, and developer profile/execution capability may have a significant impact on forecast estimates mentioned above. Considering the risk factors, forecasts are likely to change with periodic reviews given the evolving situation.

India - Total Office Stock (Pre 2003 - 2027F)



Historically, the Indian office market had an increase in overall commercial office stock from an estimated 309 Mn sq. ft. in CY2010 to approximately 595 Mn sq. ft. in CY2018 growing at a CAGR of 8.1% during the period. The Indian office market had an estimated supply addition of approximately 259 Mn sq. ft. during the period CY2019 – H1 CY2024.

Going forward, an additional supply of approximately 187 Mn sq. ft. is forecast to be added by CY2027 (a CAGR growth of 6.8% during CY2024 – CY2027). This upcoming supply is driven by the demand for quality office space, availability of land and infrastructure initiatives focusing on improving connectivity and accessibility. Commercial supply is also driven by state-specific development plans and additional policies such as Transit Oriented Development Policy, REITs, and SM REITs that aims to support the developers to develop quality assets through funding. Developers are exhibiting a growing emphasis on building state-of-the-art facilities with amenities catering to the evolving requirements of occupiers and modern business. Factors such as convenient access to public transportation systems, a healthy mix of outdoor green spaces, optimum air quality and F&B options are poised to become increasingly prominent requirements in these newly completed developments. (Source: CBRE, Office Outlook, Q1 2024)

Indian Office Market - Overview

India had a peak gross absorption⁴⁴ of 63.2 Mn sq. ft. in CY2019. Office demand slowed across all cities post-March 2020 due to the impact of the global pandemic and local lockdowns in CY2020 and CY2021. Globally and in India, companies paused decisions on office take-up as management teams and corporate real estate decision-makers started focusing more on managing short-term business continuity priorities and thereafter assessing future growth plans and office accommodation strategies.

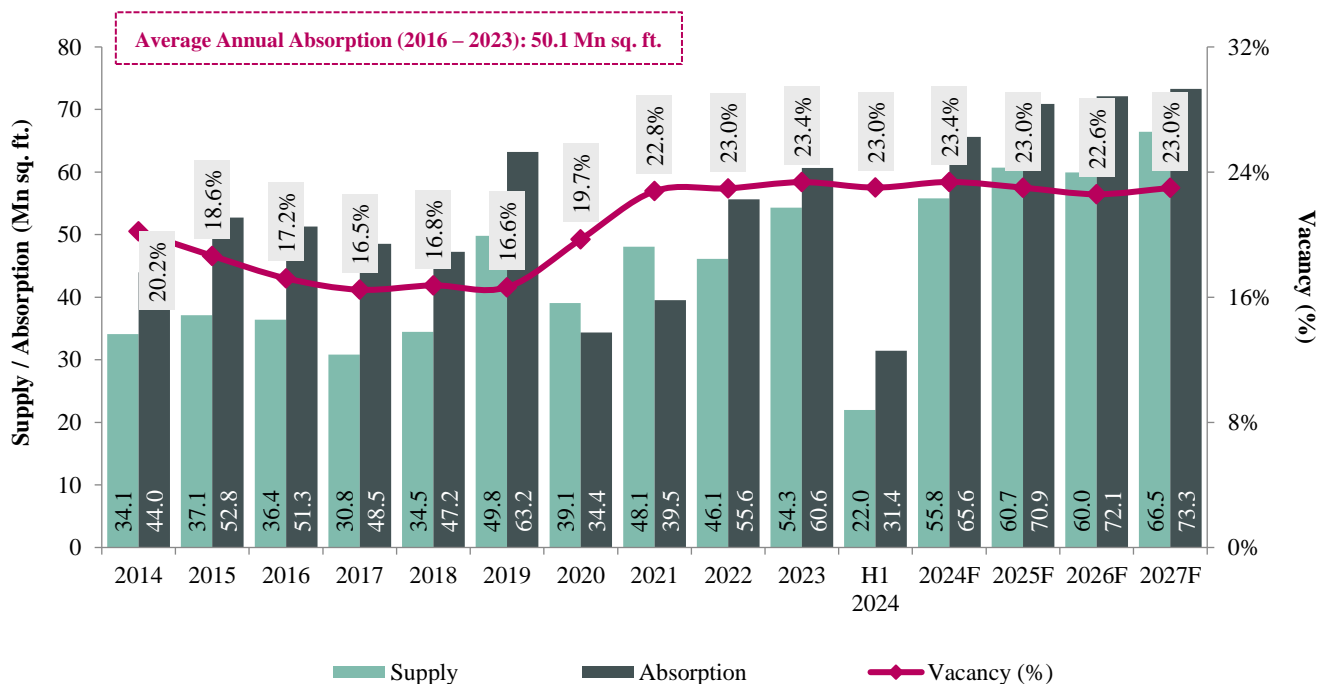
⁴⁴ Absorption represents the total office space known to have been let out to tenants or owner-occupiers during the survey period. A property is deemed to be taken-up only when contracts are signed, or a binding agreement exists.

The office sector in India exhibited recovery in H1 CY2022 as occupier sentiments improved with the relaxation of the pandemic led restrictions and a return to office driven by improved vaccination rates across regions. As a result, strong leasing performance was observed in CY2022 (55.6 Mn sq. ft. gross absorption) in comparison to CY2021 (39.5 Mn sq. ft. of gross absorption).

Led by a steady space take-up in CY2023, the office market in India had the second-peak gross absorption figures at 60.6 Mn sq. ft.⁴⁵, representing a y-o-y growth of 9% vis-à-vis the previous year and an increase of approximately 53% over CY2021.

Enhanced by domestic growth, improved mobility and increased leasing activity by both domestic and global corporates, the office sector in India witnessed an increase in absorption during H1 CY2024. The office absorption for H1 CY2024 stood at 31.4 Mn sq. ft. against the supply completion of 22.0 Mn sq. ft.

Top 9 Indian Cities - Supply, Absorption & Vacancy as of H1 CY2024



Source: CBRE Research, as at H1 CY2024

Future supply estimates are based on analysis of proposed and under-construction buildings, however, future absorption estimates are derived basis of past trends, current vacancy, and estimated supply. Historical data and projections provided for 2024, 2025, 2026 and 2027 across all indicators are based on CBRE's opinion of the current/historic market situation and availability of information in the public domain, any changes to the market situation may impact the forecasts. Several factors like global macroeconomic uncertainty, geopolitical climate, pace of construction, and developer profile/execution capability may have a significant impact on forecast estimates mentioned above. Considering the risk factors, forecasts are likely to change with periodic reviews given the evolving situation.

Going forward, the supply influx is anticipated to remain strong, with a significant portion of investment-grade office space forecast to enter the market in CY2024. Bengaluru, Hyderabad, and Delhi NCR are poised to remain at the forefront of project completions. The office sector is likely to witness continued demand for quality office space in H2 2024 as occupiers continue to expand and solidify their presence. (Source: CBRE Research, India Market Monitor, Q2 CY2024) This growth in leasing activity is forecast on the account of increasing average office utilisation rates and occupiers re-evaluating their leasing and portfolio strategies to accommodate their growth plans⁴⁶. (Source: CBRE Research, CBRE's India Office Occupier Survey 2024, India Market Monitor, Q2 CY2024)

Grade Classification of Office Stock

As at June 30, 2024, 85% of the commercial office stock (728 Mn sq. ft.) in India was categorized as Grade A and 15% (125 Mn sq. ft.) was categorized as Grade B. Grade A office stock registered a CAGR of 15%, from 58 Mn sq. ft. in 2005 to approximately

⁴⁵ After 63.2 Mn sq. ft. in CY2019

⁴⁶ As per CBRE's India Office Occupier Survey 2024, out of 79 respondents almost 70% of the occupiers surveyed intended to expand their office portfolio by 10% of more over the next two years. Note: This was a multiple-choice question in the survey. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

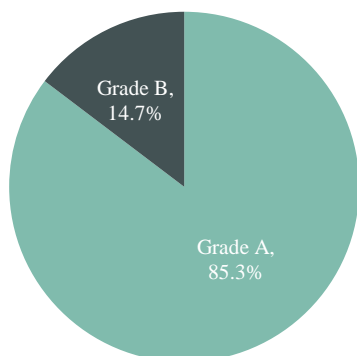
The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin - 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

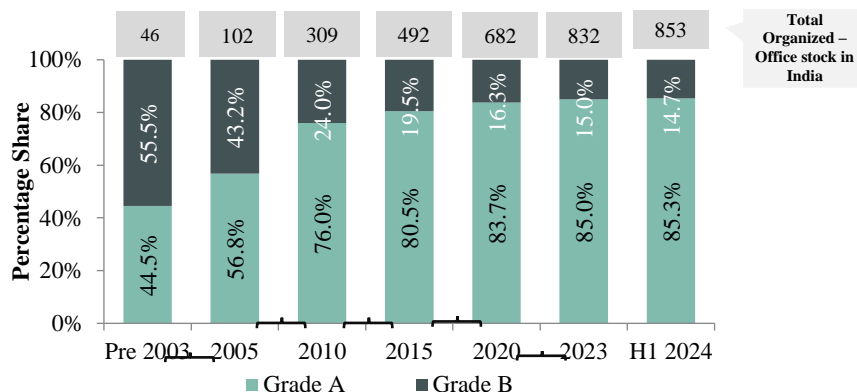
Portfolio Size - 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 - 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

728 Mn sq. ft. as at June 30, 2024, while Grade B stock had a CAGR of 6% from 44 Mn sq. ft. in 2005 to approximately 125 Mn sq. ft. as at June 30, 2024. Supported by the evolving nature of the sector and increasing demand for Grade A assets, the share of Grade B stock has seen a diminishing trend over the years as highlighted below.

India Grade A and B Share Split (as at H1 CY2024)



Share of Grade A and B Stock over the Years



Source: CBRE Research, as at Q2 CY2024

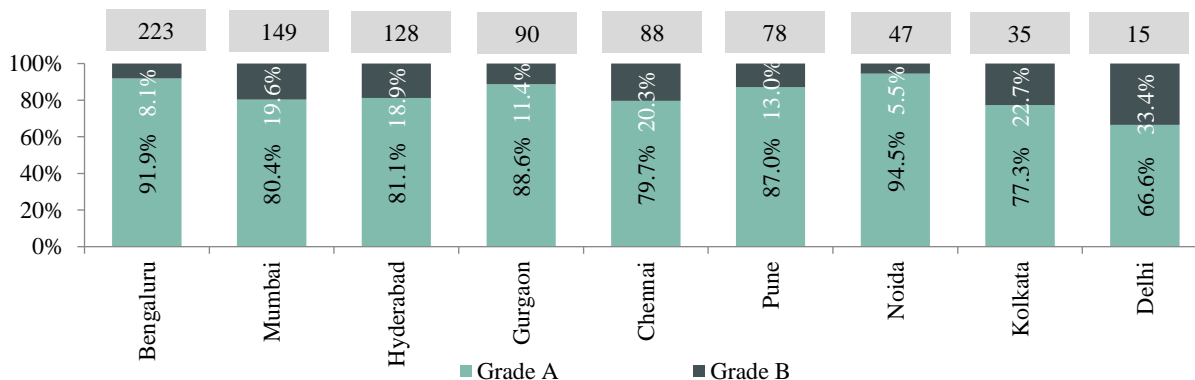
Note: The grading of the developments has been classified based on various factors such as quality of development, facilities and amenities provided, developer reputation, and disposition model (sale/lease).

Grade A: Refers to a development type; the tenant profile includes prominent multinational corporations, while the building area is not less than 10,000 sq. ft. It includes an open plan office with large size floor plates, adequate ceiling height, 24 X 7 power back-up, supply of telephone lines, infrastructure for access to the internet, central air-conditioning, spacious and well-decorated lobbies, circulation areas, good lift services, sufficient parking facilities and has centralized building management and security systems.

Grade B: Refers to a development type; the tenant profile includes mid to small-sized corporates, average floor plate sizes, flexible layout, adequate lobbies, provision of centralized or free-standing air-conditioning, adequate lift services and parking facilities. An integrated property management system might not be in place, while an external facade might be ordinary. Multiple ownership might be a norm.

The graph below highlights the quantum and share of Grade A and B stock⁴⁷ across key markets in India as at June 30, 2024:

Share of Grade A and B Stock across top 9 cities as of H1 CY2024












Source: CBRE Research, as at Q2 CY2024

With growing commercial real estate in India and a shift in occupier preferences, the office stock in India has seen redevelopment/refurbishment across assets in multiple micro markets. Redevelopment/refurbishment in the form of structural changes across the façade, specifications, and modifications pertaining to ESG compliances and inclusion of additional amenities have led to relatively higher tenant retention and potentially higher rentals across these developments. This redevelopment/refurbishment has primarily been facilitated by developers, and REITs. This opportunity may also be available to capable and interested flexible workspace operators who may want to evaluate redeveloping/refurbishing some of the ageing/aged/old assets in their portfolios. As of H1 CY2024, nearly 52% of the completed office stock (Mn sq. ft.) across Tier I cities is more than 10 years old. Further, nearly 65% of this is contributed by developments with a footprint of less than 5,00,000 sq. ft. The ageing stock has a large potential for asset upgradation and renovation as a lot of developments in city centres may require refurbishment to meet the requirements of the new-age workforce and changing occupier preferences.

⁴⁷ Across the key Top 9 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

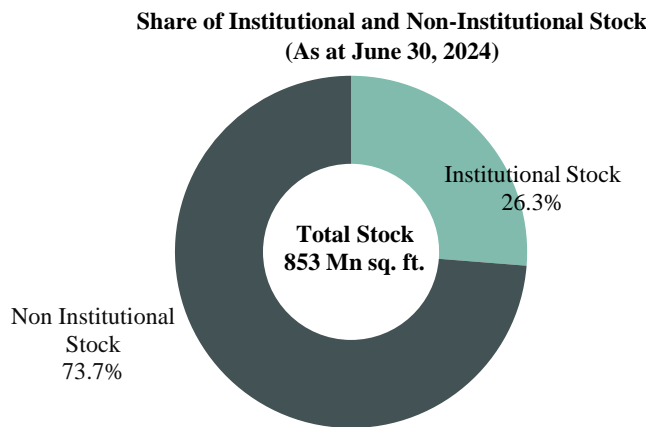
A number of examples below –

<p>Building 1</p>	<p>The refurbished development is located in Nariman Point, within Mumbai’s Central Business District. It is in a prime location in proximity to residential neighbourhoods and state infrastructure (such as the State High Court and State Legislative Assembly) along with the city’s Marine Drive, South Mumbai, and the Arabian Sea. The property underwent a major redevelopment and repositioning, including façade replacement to the entire building exterior and lobby, canopy installation, elevator revamp and enhanced security controls. It was built in 1970 and is now a green campus development with sustainable features such as rainwater harvesting, energy supply ~ Green Power Tariff Initiative, and Energy Efficient Air Handling Units amongst others. Subsequently, as at H1 CY2024, post its refurbishment the development commands a rental premium to the average rental in the Central Business District (current quoted rent of INR 340-350 psf / month compared to the average micro market rent of INR 210-230 psf/month)</p>	<div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Renovation across key elements</p> <ul style="list-style-type: none">  Facade  Lobby Height  Design Specifications  Elevators and Lifts  Enhanced Security System  Parking System  Sustainable Initiatives  Addition of Collaborative Spaces  Amenitization </div>
<p>Building 2</p>	<p>Located in Bandra Kurla Complex (BKC) within Mumbai’s Alternate Business District (ABD) the building underwent a complete redevelopment. Due to its location advantages and potential to command higher rentals, the building underwent redevelopment with respect to increasing the lobby height and refurbishment, updating the façade, amenities, lift and modification in common areas, sustainability initiatives and ESG compliance, introduction of flexible workspaces amongst other changes. Subsequently, as at H1 CY2024, the building commands a rental of approximately INR 250-280 psf/month compared to the commanded rentals of INR 150-170 psf/month before redevelopment (an increase by 60-65%)</p>	

Ownership Classification of Office Stock

Out of the overall commercial office organized stock across the top 9 cities⁴⁸ of India, approximately 26.3% is institutionally⁴⁹ held with the balance 73.7% being non-institutionally⁵⁰ owned as of June 30, 2024.

Institutional assets in India have grown at a CAGR of approximately 7%, from approximately 123 Mn sq. ft. in 2015 to approximately 224 Mn sq. ft. as at June 30, 2024. Prominent cities like Bengaluru, Chennai, Hyderabad and Mumbai, account for approximately 80% of the total institutionally held stock.



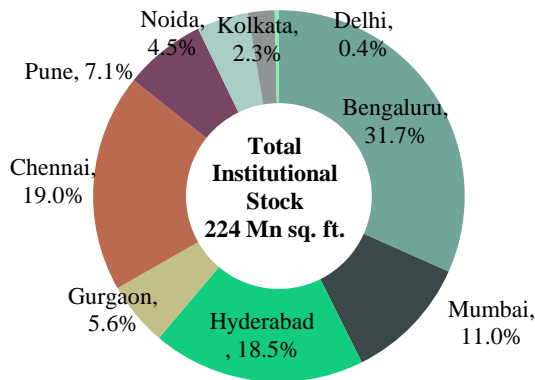
Source: CBRE Research, as at Q2 CY2024

⁴⁸ Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

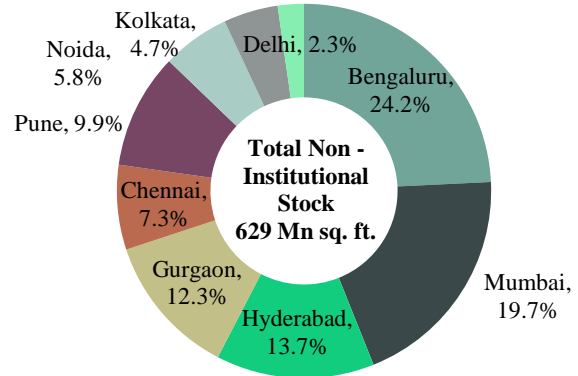
⁴⁹ Institutionally held stock / Institutional Stock refers to office assets which are majorly owned and have witnessed investment activity by institutional companies such as private equity (“PE”) funds, pension funds, sovereign wealth funds, insurance companies, and real estate investment trusts (“REITs”).

⁵⁰ Non-institutional refers to office stock that is held /owned by the developers themselves or has witnessed investment by individual investors and HNI and /or a combination of both.

City-wise share of Total Institutional Stock
(As at June 30, 2024)



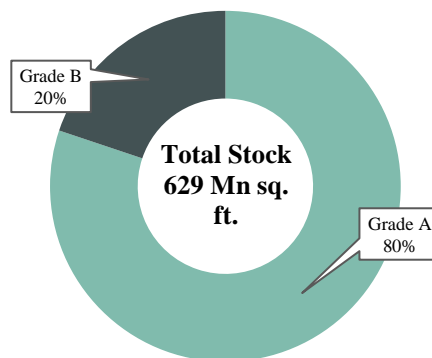
City-wise share of Total Non-Institutional Stock
(As at June 30, 2024)



Source: CBRE Research, as at Q2 CY2024

Some of the major institutional investors include Blackstone, Embassy REIT, Brookfield REIT, Mindspace REIT, GIC, CapitaLand, Mapletree Investments, Brookfield, CPPIB, Bain Capital, Godrej Fund and Hines amongst others. The graph represents the bifurcation of total non-Institutional stock into Grade A & Grade B as at June 30, 2024:

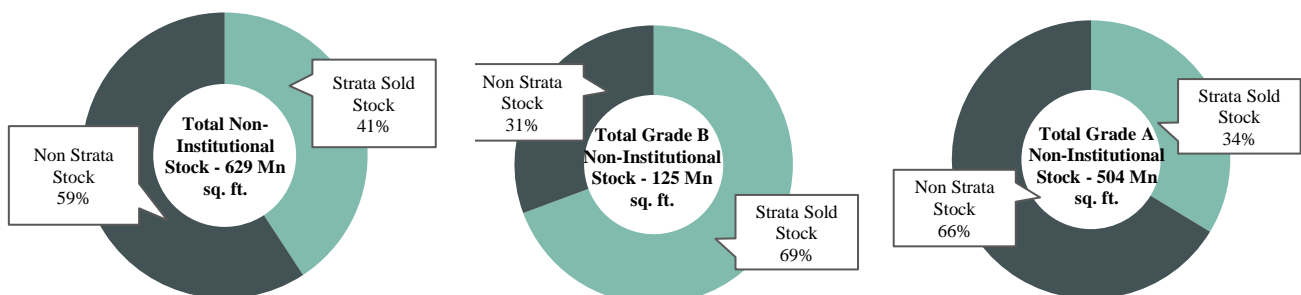
Split of Grade A and Grade B stock as a share of Non-Institutional Stock
(As at June 30, 2024)



Source: CBRE Research, as at Q2 CY2024

Non-institutional office stock is further classified as strata stock and non-strata stock. Strata stock refers to office space that has been sold by the developers during its marketing stage to Investors, HNIs, end users and individuals. Non-strata stock refers to office space that is held/owned by the developers themselves. Approximately 41% i.e., 256 Mn sq. ft. of the total non-institutional stock of 629 Mn sq. ft. has witnessed strata sale activity as at June 30, 2024.

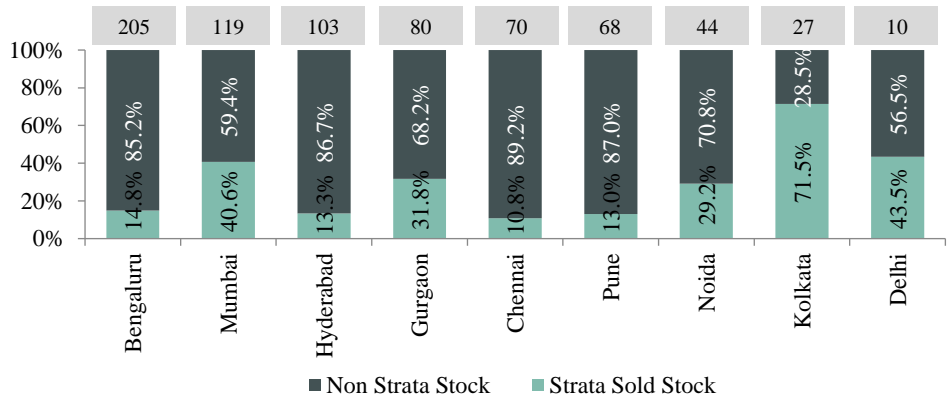
Bifurcation of non-Institutional Stock into Strata / Non-Strata stock and further delineation of Grade A and Grade B non-Institutional stock into Strata/Non-Strata stock



Source: CBRE Research, as at Q2 CY2024

The Indian office market has evolved from a fragmented market to a more organized and consolidated sector. In the early phase of growth, India's office sector was characterized by small, independent developers. However, with the emergence of larger corporate and institutional developers, the Indian office market has witnessed supply addition of Grade A developments across non-strata (lease) models benefitting occupiers as well as developers.

The graph highlights the share of Strata and Non-Strata in Grade A stock city-wise as at June 30, 2024:



Source: CBRE Research, as at Q2 2024

The graph highlights the share of Strata and Non-Strata in Grade B stock city-wise as at June 30, 2024:



Source: CBRE Research, as at Q2 2024

The dominance of institutional developers in the commercial real estate market has led to a significant increase in Grade A stock. As a result, the supply of Grade A commercial spaces is relatively higher in total organized commercial stock in India. However, the relatively limited supply of Grade B developments in organized commercial stock has resulted in less comprehensive coverage across Grade B office stock.

Key Drivers of Office Demand

1. Large, English-Speaking Talent Pool

The availability of English-speaking skilled manpower (second largest English-speaking population in the world)⁵¹, 11.31 million graduates (including 0.89 million engineers and 2.32 million commerce graduates as at FY2022) and the improving quality of multi-disciplinary educational institutions provide a large and skilled talent workforce. (Source: Ministry of Education, AISHE 2021-2022)

In FY2023, India had one of the world's largest annual supplies of STEM (Science, Technology, Engineering, and Mathematics) graduates at over 2.5 million, witnessing a CAGR of 12% during FY2021 – FY2023. (Source: NASSCOM) Additionally, India accounts for approximately 28% of the global STEM workforce. (Source: NASSCOM) This translates into a talent pool that attracts enterprises, startups, and MNCs and drives the growth of domestic enterprises. As at 2023, India is at a leading position in Artificial Intelligence skill penetration globally and has the lowest tech talent demand-supply gap at 25-27% compared to global tech leaders such as the USA, UK, Canada, and Australia. (Source: NASSCOM)

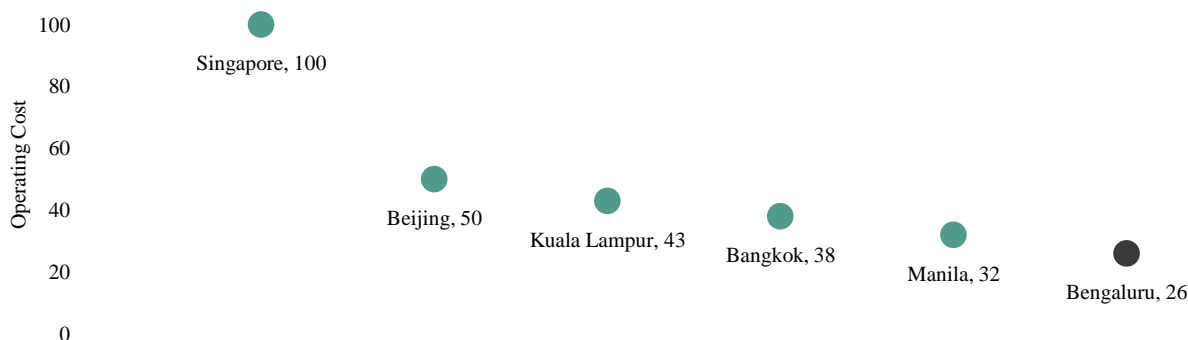
India's digital talent pool is estimated to account for approximately 38% of total talent in the technology industry i.e., over 2 million as at FY2024. This growth is supported by educational programs and upskilling initiatives such as PM Kaushal Vikas Yojana 4.0 and FutureSkills Prime, National Digital Literacy Mission and Pradhan Mantri Grameen Digital Saksharta Abhiyan (PMGDisha). This growing talent is anticipated to bridge the gap between demand and supply for skilled professionals, solidifying India's status as a leading global hub for tech talent. (Source: NASSCOM)

2. Competitive Cost Advantage

The availability of skilled talent at a relatively lower cost in comparison to other global cities (as highlighted below) is one of the leading contributors to India being an attractive offshoring hub. India has a cost advantage compared to many of its global counterparts. Further, the operating cost per full-time equivalent ("FTE") for Application Development and Management /Maintenance ("IT-ADM") services is relatively lower compared to alternative locations mentioned below. (Source: CBRE, NASSCOM)

The graph below highlights the cost of outsourcing services:

Operating Cost per FTE for IT - ADM services, 2023



Source: NASSCOM, Indexed to Singapore = 100

3. Global Capability Centres Charting a New Technology Era and Driving Growth

While the first two decades of India's growth in the technology industry were led by third-party service providers, the last decade has seen the emergence of Global In-House Centres ("GICs", also called captives or Global Capability Centres "GCCs")⁵².

Indian GCC ecosystem has become a sandbox⁵³ for global companies driving organization-wise transformative initiatives. From decentralization and diversifications of portfolios to creating innovation hubs, Indian GCCs are strategically restructuring and transitioning from their origins as cost arbitrage centres, to a hub for service transformation with a focus on value enhancement and skilled talent. (Source: NASSCOM, Zinnov, GCC 4.0 India Redefining Globalization Blueprint, June 2023)

⁵¹ Over 350 million English speakers making it 2nd largest English-speaking country in the world after US as of 2022

⁵² Note: GCCs are the captive hubs that include both MNC-owned units that undertake work for the parent's global operations and the company-owned units of domestic firms.

⁵³ A metaphorical boundary, imposed on an area in which you can freely test ideas and innovate.

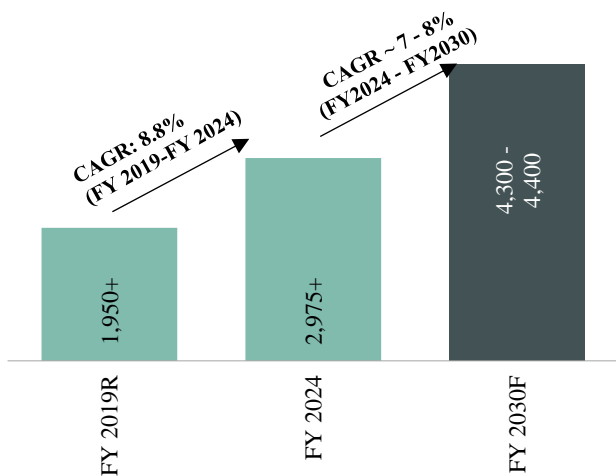
Wave 1.0	Wave 2.0	Wave 3.0	Wave 4.0 & beyond
GCC as on Outpost	GCC primarily a Satellite	GCC transitions to a Portfolio Hub	GCC transitions to a Transformation Hub
As at FY 2010 Total No. of GCCs: 700+ Revenues: USD 11.5 bn Total Installed GCC Talent: 400K+	As at FY 2015 Total No. of GCCs: 1,000+ Revenues: USD 19.4 bn Total Installed GCC Talent: 745K+	As at FY 2024 Total No. of GCCs: 1,700+ Revenues: USD 64.6 bn Total Installed GCC Talent: 1.9 million+	
1. Cost & Talent Arbitrage	1. Delivery Excellence 2. Innovation	1. Digital Transformation & Innovation 2. Transition to Global Business Services 3. Peer Collaboration 4. Portfolio Expansion & Ownership 5. Global Roles	1. Hub for as-a-Service Transformation 2. Customer-Centric Business Development 3. Accountability for Creating Newer Hubs 4. Monetizing Service Capability
Pre 2010	2011-2015	2015-current	Current onwards

Source: NASSCOM

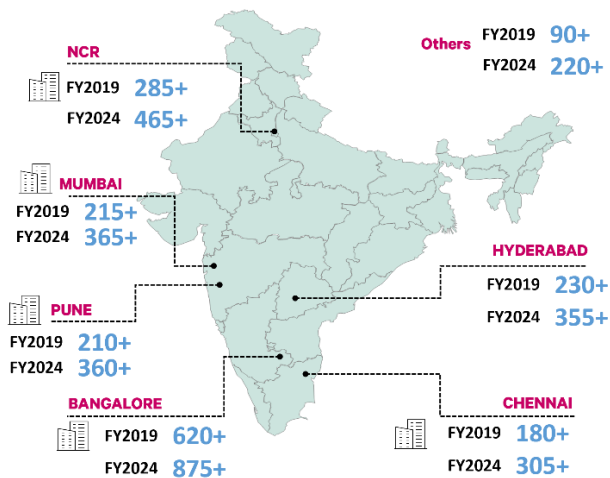
In the last 5 years, the GCC landscape in India has experienced growth. India is one of the preferred destinations for establishing GCCs amongst large global companies, with approximately 23% of the global 2000 MNCs setting up their GCCs in the country. (Source: NASSCOM, India GCC Landscape Report – The 5 Year Journey, September 2024)

In FY2024, India had 2975+ GCC units.⁵⁴ The number of GCC units in India is forecast to grow at a CAGR of 7 – 8% reaching more than 4,300 – 4,400 GCCs by FY2030. (Source: NASSCOM)

No. of GCC Units in India



Distribution of GCC Units Across India (FY2019 vs FY2024)



Source: NASSCOM – India GCC Landscape Report – The 5 Year Journey, September 2024
Others include Tier II & III cities in India.

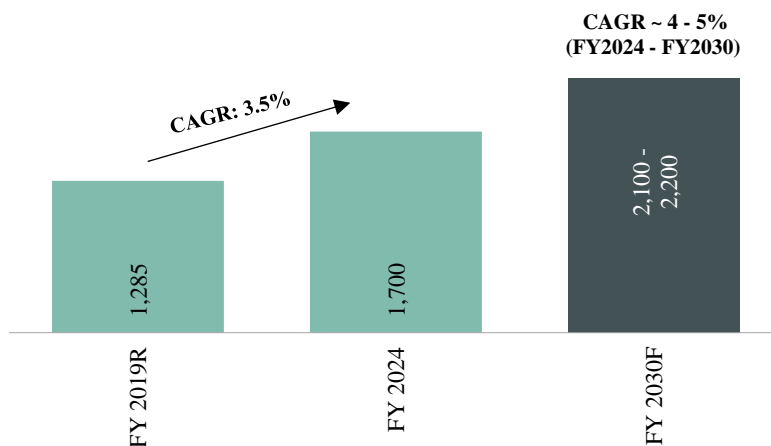
Bengaluru continues to lead in GCC setups with approximately 875+ GCCs in FY2024, followed by NCR and Mumbai with 465+ and 365+ GCCs respectively. Bengaluru & NCR accounts for 47% of the IT talent present in India’s GCC ecosystem. (Source: NASSCOM)

GCCs in India have evolved from support centres with 700+ GCCs in FY2010 to transformation hubs with over 1,700 GCCs in FY2024. The number of GCCs in India is forecast to grow at a CAGR of 4% reaching more than 2,100 – 2,200 GCCs by FY2030. (Source: NASSCOM)

This growth is supported by the availability of a skilled workforce at a relatively lower cost coupled with competitive rentals and Government reforms such as Startup India and Digital India. (Source: CBRE India’s Global Capability Centers Charting a New Technology Era, November 2023) Global roles in GCCs are experiencing exponential growth, with over 6,500 roles today and a forecast increase to over 30,000 roles by 2030 (Source: NASSCOM)

⁵⁴ A GCC unit is a single centre within a city or region, but a company can have multiple units across a country, all part of one GCC.

No. of GCCs in India

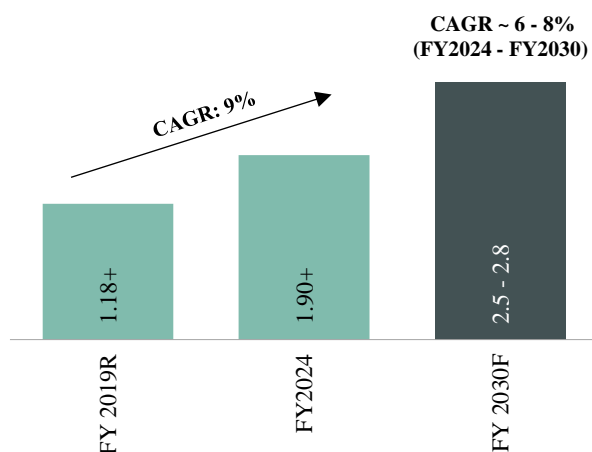


Source: NASSCOM – India GCC Landscape Report – The 5 Year Journey, September 2024

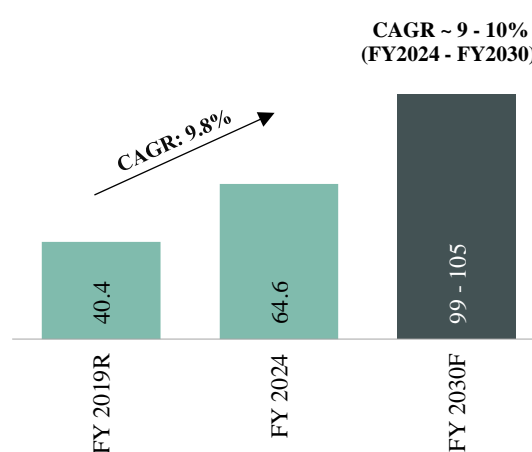
The GCC revenue has increased from USD 40.4 bn in FY2019 to USD 64.6 bn in FY2024 and is forecast to reach USD 99-105 bn by FY2030 growing at a CAGR of 12% during FY2015 – FY2025. (Source: NASSCOM).

Talent availability, digital skills and the presence of a strong industry ecosystem are some of the key drivers for GCCs to set up centres in India. The number of employees across GCCs in India has increased over the last 5 years, from 1.18+ million employees in FY2019 to over 1.9+ million in FY2024, registering a CAGR of 6.3% during the period.

No. of employees working in GCCs (million)



GCC Revenue (USD bn)

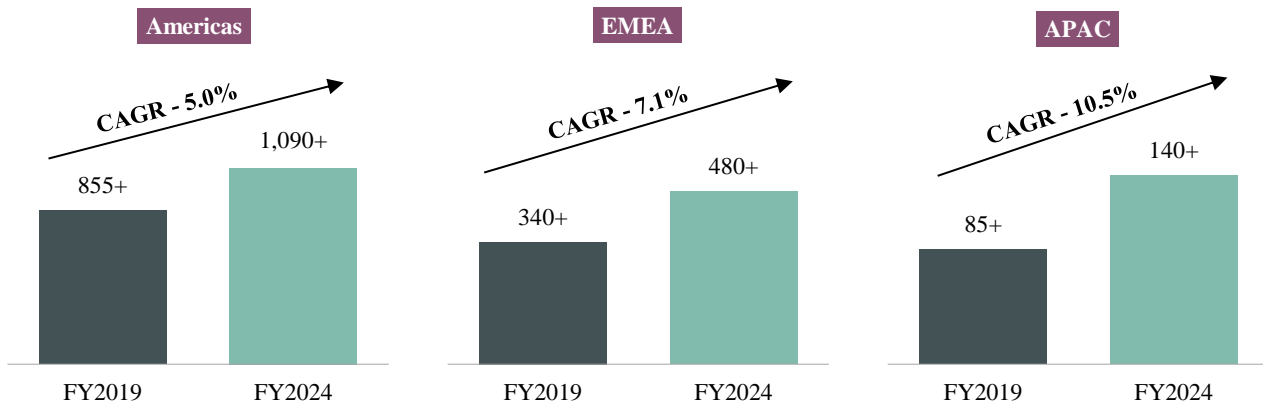


Source: NASSCOM – India GCC Landscape Report – The 5 Year Journey, September 2024

GCCs constitute a substantial office occupier within India's commercial real estate domain, often pioneering adaptation, and innovation for other tenant categories. A clear shift is being observed in India as most of the new GCCs entering the country are establishing multi-functional centres Engineering, Research & Development (ER&D), IT, and Business Process Management). GCCs in India are supporting their HQs with transformation initiatives such as building new products, creating technology enhancements, and becoming a business hub for their parent organization.

While North American MNCs continue to lead in terms of the number of GCCs in India, EMEA (Europe, the Middle East, and Africa) and Asia Pacific firms have added approximately 190 – 200+ GCCs in India during FY2019 – FY2024.

Distribution of GCCs in India based on HQ Location (FY2019 – FY2024)

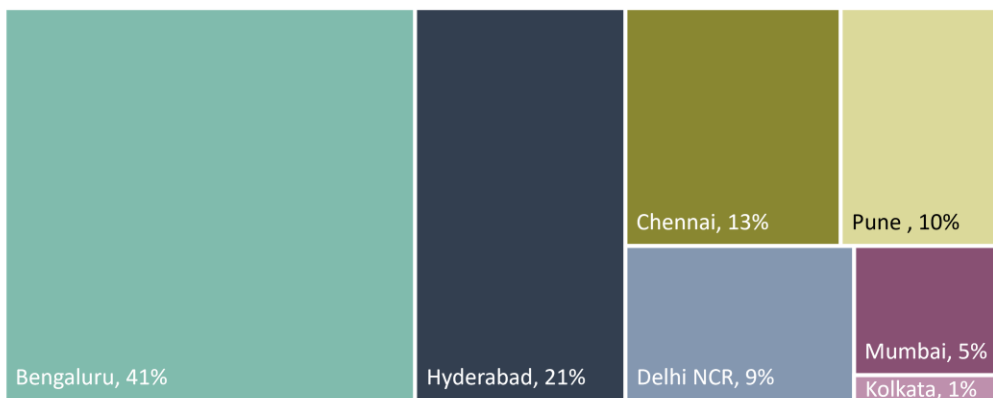


Source: NASSCOM, India GCC Landscape Report – The 5 Year Journey, September 2024

GCCs have steadily expanded their footprint in India and have become a critical driver of office demand across most markets. The overall GCC leasing in India has experienced a y-o-y growth of 19% from an estimated 19 Mn sq. ft. in CY2022 to 23 Mn sq. ft. in CY2023. GCC cumulative leasing in the top 9 cities in India for CY2022–H12024 was approximately 53 Mn sq. ft.

Within GCC leasing, Bengaluru accounts for approximately 41% of the overall office space leasing during CY2022 – H1 CY2024. This is driven by the growing IT sector, availability of skilled talent pool, and infrastructure attracting global enterprises seeking to establish/expand their footprint in the country. Other cities like Hyderabad, Chennai, and Pune have also seen increased traction. This is due to a trend amongst GCCs moving closer to their talent pool and the increased availability of quality office supply by large developers and institutional investors. The share of leasing activity by GCCs in overall leasing in India has been range bound 34 – 38% during CY2022 – H1 CY2024.

City wise share of office space leasing by GCC (CY2022 - H1CY2024) - 53 Mn Sft



Source: CBRE Research, Data as at H1 CY2024

Owing to the availability of new and experienced talent, a supportive regulatory framework coupled with the availability of quality grade and cost-effective real estate, India is becoming one of the preferred locations for multinational corporations and unicorns⁵⁵ to set up their GCC offices. The market is experiencing a dual trend - expansion of existing firms into multifunctional centres and entry of smaller players seeking digital and technological upgrades. A preference for high-quality, technology-driven workspaces is evident, with Grade A developments emerging as a focus for established players.

Companies are looking to increase their Indian footprint by establishing GCCs in India and maybe evaluating both conventional and flexible workspaces. An upcoming supply of office spaces is expected to cater to this growing demand from GCCs. During the period H2 CY2024 – CY2025F, leasing activity by GCCs in India is forecast to be approximately 30-35 Mn sq. ft.⁵⁶. Given these projections, India is poised to retain its status as a prominent market for GCCs bolstered by the availability of workforce, competitive cost advantages and conducive business environment. (Source: CBRE Research, The India GCC Revolution: Where Real Estate and Talent Converge, 2024)

⁵⁵ Unicorn refers to the companies with a market valuation of more than USD 1 bn.

⁵⁶ Forecast for GCC leasing activity is based on a set of assumptions including a) historical trend of overall office and GCC leasing b) NASSCOM estimates on growth, revenue of GCCs c) hiring announcements of GCCs.

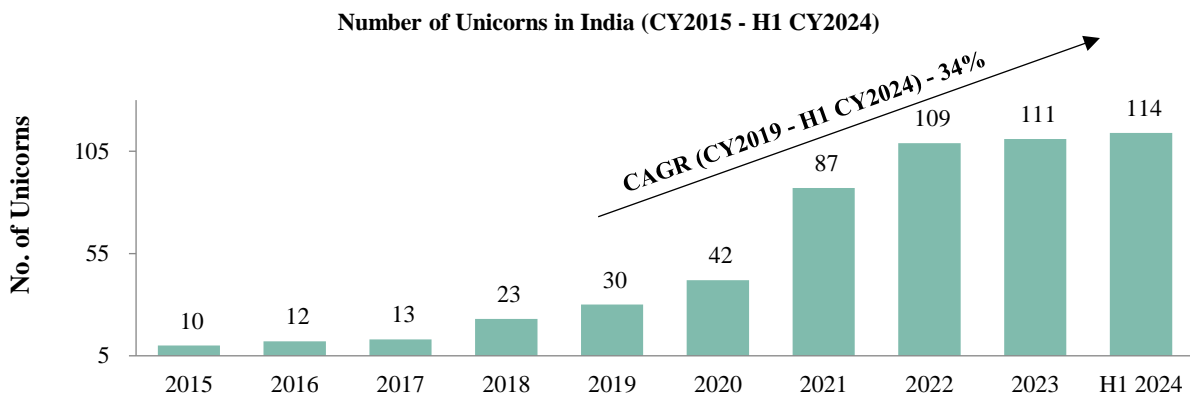
4. Domestic Firms Driving Leasing Across Major Cities:

Rise of Startups and Unicorns in India

India's startup ecosystem has led to an increase in demand for high-quality office spaces along with flexible workspace solutions.

India boasts a dynamic environment fostered by a growing start-up culture and the availability of the talent pool. The Indian start-up ecosystem is the 3rd largest start-up ecosystem globally. The number of recognized startups in India has grown at 13% during the period CY2023 – H1 CY2024, resulting in over 1,40,000 startups as at June 2024. These startups have created over 1.55 million direct jobs as at 30th June 2024. (Source: DPIIT, August 2024)

Supported by the Startup India Initiative, Innovations for Defence Excellence, Atal Innovation Mission, Innovation and Agri-Entrepreneurship Development Program, India has seen the emergence of 114 unicorns as at June 2024 (up from 30 unicorns in 2019 growing at a CAGR of 34% over the same period), shaping India's economy and innovation landscape.



Source: Indian Unicorn Landscape, Invest India Gov, Inc 42

Along with the increasing number of startups and unicorns in India, many Indian startups are expanding their operations beyond the domestic market and venturing into international markets by forging strategic partnerships or through acquisitions. This has increased international opportunities across sectors such as travel, brands, real estate, and SaaS enabling global expansion and growth. (Source: Indian Startups Go Global, Ministry of External Affairs, Government of India)

Subsequently, the growth in Indian startups has led to increased traction from multiple sectors including Technology and BFSI amongst others, resulting in growth in demand for office space. Indian technology startup ecosystem has witnessed 15x growth in the number of technology startups over the last decade (from 2,000 technology startups in 2014 to 31,000+ startups in 2023). This growth is supported by digital infrastructure, a conducive regulatory environment, and the emergence of startups in sectors like Health Technology and Education Technology. (Source: CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver, NASSCOM, Zinnov Insights, Weathering the Challenges – The Indian Tech Start-up Landscape Report 2023)

The technology sector accounted for 91+ unicorns and 31,000+ startups until 2023⁵⁷. (Source: CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver, NASSCOM, Zinnov Insights, Weathering the Challenges – The Indian Tech Start-up Landscape Report 2023) Technology firms have been the mainstay of office demand in India, fuelled by their innovation and expansion supported by digital transformation, availability of talent, innovation hubs and startup ecosystem in India. Over the coming years, technology firms in India are likely to expand into more locations to leverage operational benefits. (Source: CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver)

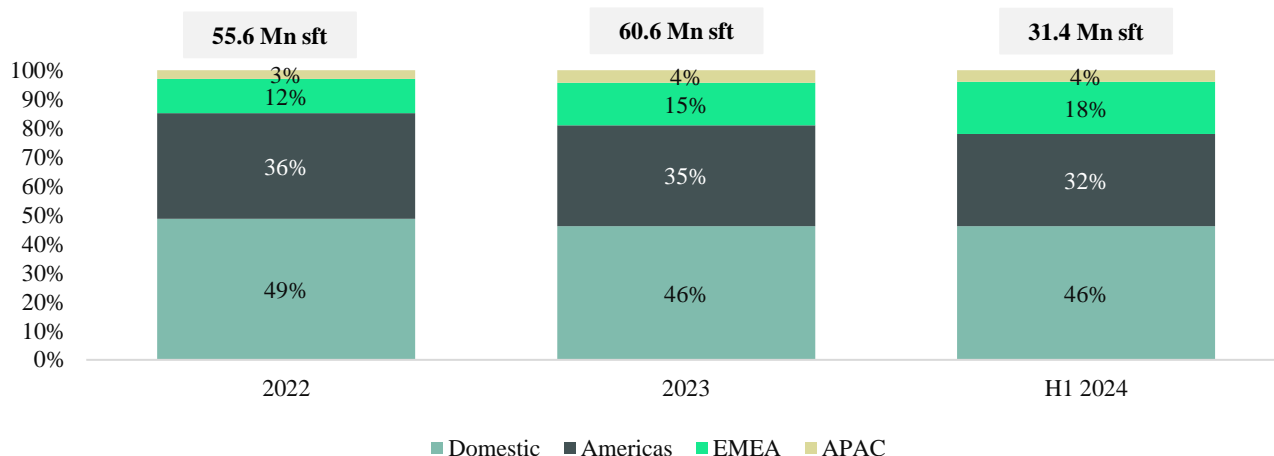
With a growing startup ecosystem, driven by the availability of quality talent, the need for flexible, scalable, and capital-efficient office solutions may also increase. In terms of workplace strategy, start-ups may prefer flexible workspace solutions as an option in their initial stage and may transition to traditional office spaces as they mature and expand. The rise of emerging technologies in India is forecast to create approximately 4.7 million technology-focused jobs over the next five years across manufacturing, retail, education, finance, and insurance sectors. This forecast increase is likely to drive demand for office infrastructure to support modern, collaborative work environments. (Source: CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver)

⁵⁷ Technology start-ups in India have grown from around 2,000 in 2014 to approximately 31,000 in 2023. (Source – PIB, Ministry of Finance, 22 July 2024)

Domestic Firms to Increase Overall Space Take-up

Before 2022, domestic companies consistently accounted for nearly a one-third share of the overall leasing. Supported by the country's steady economic growth, domestic companies are emerging as a strong force in the demand for office space in India accounting for 46% of the overall leasing in H1 CY2024. This demand is driven by a period of financial buoyancy and a well-capitalised financial system, availability of skilled workforce, startup-ecosystem, market diversification coupled with Government initiatives⁵⁸ enabling domestic companies to invest in expansion and enhance their market presence. (Source: CBRE Research, *India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver, 2024*)

Region wise Office Absorption Trends in India (CY2022 - H1 CY2024)

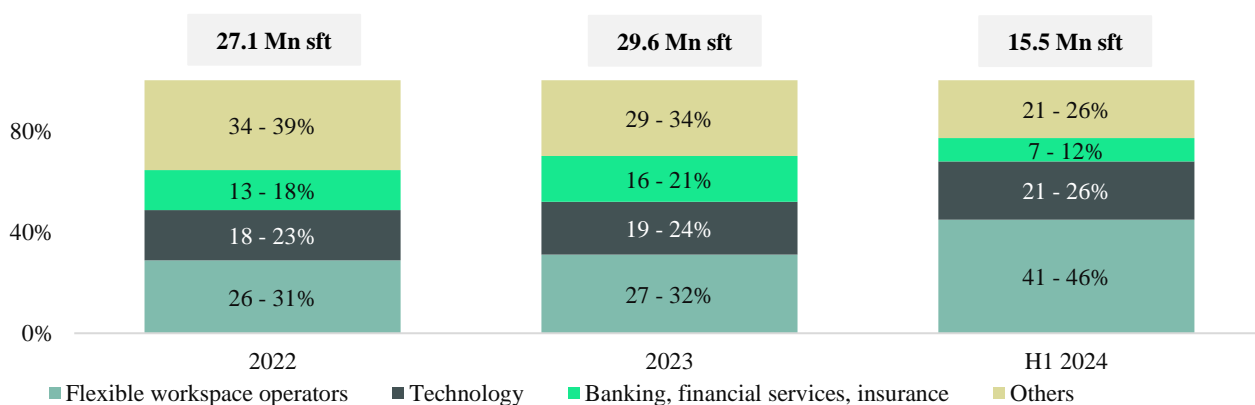


Source: CBRE Research, *India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver, 2024*

Note: The above numbers are across the Top 11 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, Kolkata, Ahmedabad, and Kochi

The expansion of domestic firms is further supported by the Government's emphasis on infrastructure development and the execution of several reform measures. Beyond traditional industry sectors, the office market may also benefit from the expansion of flexible workspace operators, research consulting & analytics, aerospace, and automobile firms. (Source: *India Office & Flex Outlook 2024*)

Sector wise Leasing Trends by Domestic Firms in India (CY2022 - H1 CY2024)



Source: CBRE Research, Data as at H1 CY2024

The numbers are mentioned as per space take up in Grade A developments and selected Grade B only across key micro markets. Thereby, it doesn't reflect all the deals in remaining Grade B developments. The above numbers are only for the top 9 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

Flexible Workspace operators, technology firms and banking, financial services, and insurance (BFSI) corporates have primarily dominated domestic leasing within office absorption in India. These trends highlight the robust expansion across the office

⁵⁸ Make in India 2.0, the Production Linked Incentive Scheme, Start-up India, Skill India, National Skill Development Mission, Pradhan Mantri Kaushal Vikas Yojana amongst other initiatives.

leasing market and the evolving landscape of the Indian economy and commercial office segment. *(Source: CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver)*

Going forward, the share of India in global IT services spending is forecast to be 22% by 2031 up from 15% in 2021, with the forecast Indian IT workforce to be around 12.2 million. This translates to the expansion of Indian technology firms to expand into more locations to leverage strategic and operational benefits and necessitates expanded office infrastructure to support modern, cultural, collaborative work environments. Thereby rising demand for office spaces. *(Source: CBRE Research, India Inc's Ascension: The Rise of Domestic Firms as an Office Demand Driver)*

Indian Office Market—Top 9 Cities

India's top nine cities account for approximately 853 Mn sq. ft. of office space. These cities house India's political capital, financial hub, and prominent technology centres. The table below includes key office statistics for the top nine office markets in India:

Particulars	Bengaluru	MMR	Hyderabad	Gurgaon	Chennai	Pune	Noida	Kolkata	Delhi	Total
Total Stock as at June 30, 2024 (Mn sq. ft.)	223	149	128	90	88	78	47	35	15	853
Occupied Stock as of June 30, 2024 (Mn sq. ft.)	186	115	94	62	74	63	31	22	11	657
Vacancy as of June 30, 2024 (%)	16.8%	22.6%	26.7%	31.4%	16.7%	20.0%	33.1%	36.7%	27.8%	23.0%
Average Annual Absorption CY2016 – H1 CY2024 (Mn sq. ft.)	14.9	6.6	8.8	5.4	5.7	5.4	2.6	0.9	0.5	50.8
Market Rents* as of June 30, 2024 (per sq. ft. / month)	90	137	67	98	82	78	59	56	202	92

Source: CBRE Research, as at H1 CY2024

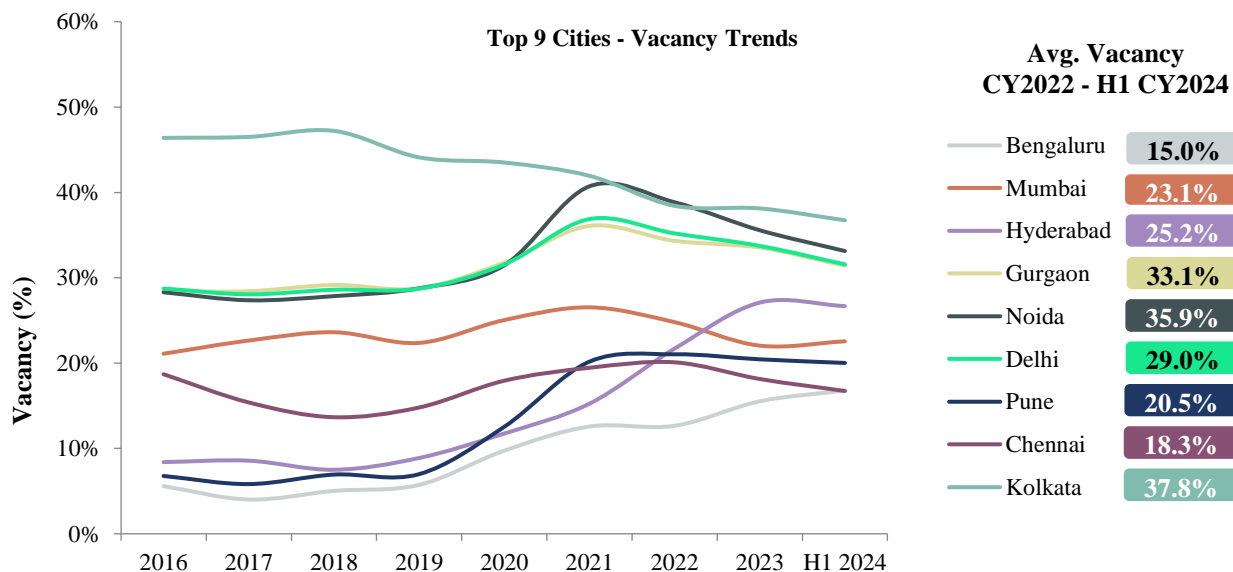
MMR represents the Mumbai Metropolitan Region, which includes Mumbai; *weighted average rents based on occupied stock.

Vacancy Trends

An increase in vacancy levels has been witnessed in major cities attributable to a slowdown in leasing activity on the back of the COVID-19 pandemic and supply completion during 2020 – 2021, leading to relatively higher vacancy levels. Further, due to relaxation in lockdown restrictions, improved mobility and occupier sentiments coupled with leasing activity by domestic corporations and GCCs in India, decline in vacancy levels were seen across regions such as Bengaluru, Mumbai, Gurgaon, Noida, Delhi and Chennai post 2021.

As of H1 CY2024, markets such as Delhi NCR (Gurgaon, Noida, Delhi) Hyderabad and Kolkata have witnessed relatively higher city-level vacancy, due to high vacancy in certain peripheral areas with limited infrastructure, across strata-owned buildings and buildings with design challenges. Whereas markets such as Chennai, Bengaluru, and Pune emerged as best-performing cities among Tier I cities in terms of current vacancy levels (H1 CY024).

Source: CBRE Research, as at H1 CY2024

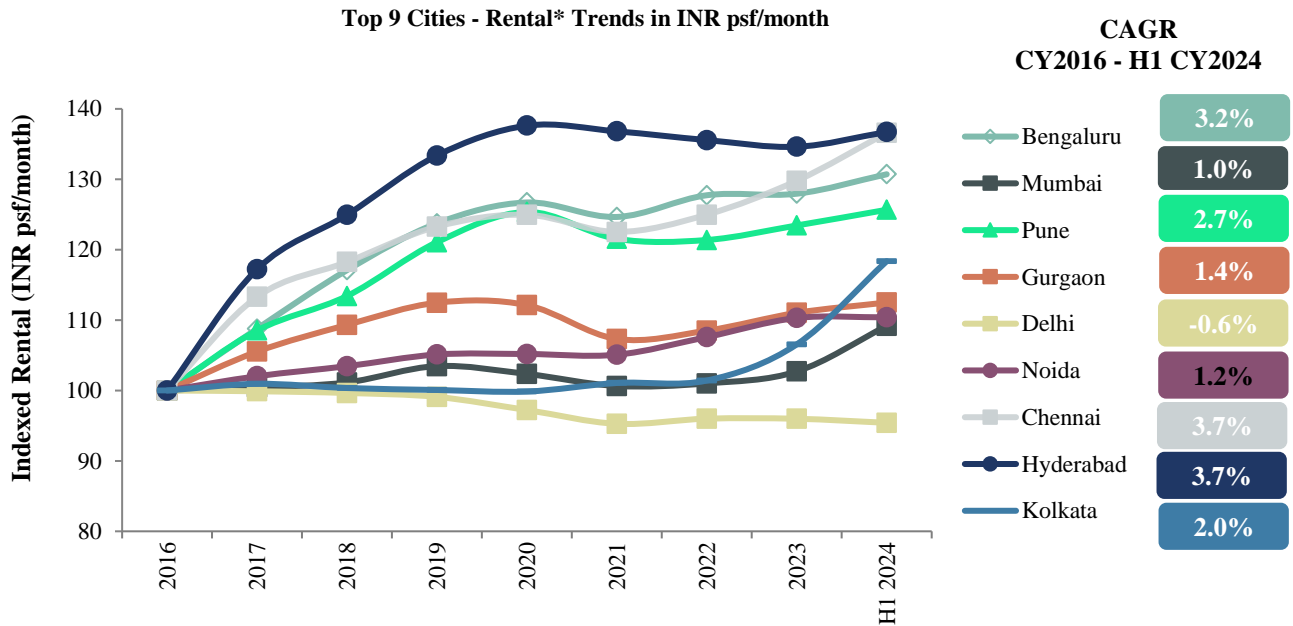


Rental Trends

Limited rental growth was witnessed during 2020-21 owing to the onset of the COVID-19 pandemic. From CY2022 onwards, the market has witnessed a sustained growth in leasing activity thereby moderating vacancy levels within key markets such as Bengaluru, Mumbai, Gurgaon, Chennai, Pune & Delhi.

Key markets such as Bengaluru, Pune, Hyderabad, and Chennai have consistently witnessed rent growth ranging between 2.7% - 3.7% during the period CY2016 – H1 CY2024, driven by sustained leasing activity, persistent demand for high-quality investment-grade assets and constrained supply levels in prime locations.

The rental outlook continues to be range-bound at a city level; however, established submarkets are expected to witness a marginal uptick in the medium term on the back of quality supply in prime locations. (Source: CBRE Research)



Source: CBRE Research, as at H1 CY2024

*Weighted average rents based on occupied stock.

Key Office Clusters Across Tier 1 Cities in India

CBRE has identified 29 key office micro markets across tier-I cities highlighted below. These key micro markets were identified after assessment of multiple parameters including total stock, occupied stock, level of vacancy across the micro markets, the share of the micro market as a % of total stock within the city and upcoming supply along with forecast vacancy levels across these key micro markets. The shortlisted micro markets account for approximately 77% of the total stock and 79% of the total occupied stock in tier I cities as at H1 CY2024.

The table below includes key office parameters for the identified clusters across Tier I cities in India:

Sn no.	City	Micro market	Total Stock (Mn sq. ft.)	Occupied Stock (Mn sq. ft.)	% share of overall stock	Market Rents* (INR/per sq. ft.)
1	Bengaluru	Outer Ring Road	72.4	63.1	8.5%	100 – 105
2	Bengaluru	PBD – Whitefield	47.5	38.2	5.6%	55 – 60
3	Hyderabad	Extended – IT Corridor	43.8	27.5	5.1%	55 – 65
4	Hyderabad	IT Corridor II	42.8	33.5	5.0%	70 – 75
5	Bengaluru	NBD	31.1	23.6	3.6%	75 – 80
6	Mumbai	NmBD	30.5	23.1	3.6%	55 – 65
7	Noida	Noida Expressway	28.5	17.6	3.3%	55 – 60
8	Hyderabad	IT Corridor I	27.4	23.9	3.2%	65 – 75
9	Bengaluru	EBD	26.7	24.8	3.1%	120 – 125

10	Mumbai	SBD	25.6	20.3	3.0%	110 – 115
11	Chennai	OMR Zone 1	25.5	22.3	3.0%	100 – 110
12	Mumbai	PBD – West	22.1	16.1	2.6%	125 – 135
13	Mumbai	PBD – East	21.9	16.9	2.6%	120 – 130
14	Mumbai	Ex-BD	18.4	13.2	2.2%	175 – 185
15	Bengaluru	CBD	16.2	14	1.9%	135 – 140
16	Pune	SBD – Northeast	16	13.2	1.9%	80 – 85
17	Gurgaon	NH8 (Before Rajiv Chowk)	15.7	12.9	1.8%	105 – 110
18	Pune	PBD – Northeast	15.4	12.5	1.8%	85 – 90
19	Chennai	OMR Zone 2	15.3	12.5	1.8%	60 – 65
20	Mumbai	ABD	14.3	12.3	1.7%	295 – 305
21	Gurgaon	Extended Golf Course Road	13.9	8.1	1.6%	60 – 65
22	Pune	PBD – Northwest	13.4	9.6	1.6%	50 – 55
23	Pune	SBD – Northwest	13.1	10.3	1.5%	80 – 90
24	Gurgaon	DLF Cybercity	12.4	11.7	1.5%	120 – 125
25	Chennai	Mount Poonamallee Road	12.2	10.6	1.4%	80 - 85
26	Chennai	CBD	10.6	8.8	1.2%	90 – 95
27	Chennai	Off CBD	10.2	8.8	1.2%	80 – 85
28	Gurgaon	Golf Course Road	9.2	8.5	1.1%	105 – 115
29	Pune	CBD	3.5	3.2	0.4%	75 - 85

Source: CBRE Research, as at H1 CY2024

*Weighted average rents based on occupied stock.

Recent Trends in the Indian Office Market

1. ‘Return-to-Office’ Witnesses Higher Pace

While the hybrid working model continues to be prevalent across sectors, occupiers are adopting a firmer stance on bringing employees back to the office with 90% of occupiers preferring at least 3 days in the office per week. This trend is primarily driven by the observed increase in office attendance owing to the limitations of working from home such as data theft, the unavailability of internet connections and constraints on space in the household. Growing occupancy levels in offices are expected to continue with corporates targeting approximately 75–80% physical occupancy in CY2024. Occupancy levels within the workspace have been rising across sectors as occupiers focus more on employee satisfaction, experience, and overall productivity. Sectors such as E-commerce, Engineering and Manufacturing, Banking and Financial Services, Research and Analytics have witnessed occupancy trends ranging between 80-95%. (Source: CBRE Research, 2024 India Office Occupier Survey, June, 2024⁵⁹)

Physical office spaces in India are likely to continue to play a central role given occupier preferences for providing high-quality digital infrastructure and collaborative spaces for employees and for driving team building, learning and business innovation through community and collaboration. This trend is likely to see occupiers invest in developing ‘experiential workplaces’ that promote brainstorming, enhance employee productivity, and prioritise well-being along with the integration of technology for a better experience. This approach entails the creation of high-quality assets equipped with desirable amenities, fostering a vibrant and engaging work atmosphere. (Source: CBRE Research Employee Experience – Pathway to Reimagining Workspaces, May 2024)

⁵⁹ Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78*

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis. The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services, and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

2. Changing Occupier's focus and preferences

Occupiers are focusing more on design integration, occupancy planning, employee well-being, and the curation of better experiences along with the integration of hospitality-centric amenities. Additionally, this experience is being generated by revising their internal design requirements to potentially reduce the space density along with increasing the focus on collaboration and community spaces. Developments by leading developers, particularly those who operate large-scale business parks as a whole with multiple employee amenities, are uniquely placed to adapt to these changing trends with superior portfolio quality assets to address the needs of potential occupiers with their high-quality, safety and wellness-oriented properties, including technological enhancements in common areas and property management. Supported by increasing occupancies coupled with a diverse multi-generational workforce, there is a growing need for placemaking⁶⁰ & hospitality-centric in-office environment with modern designs fostering enhanced employee experience. (Source: CBRE Consulting)

Occupiers have remained steady in pursuing long-term portfolio expansion indicating confidence in the Indian market's potential. Indian corporates deemed cost-conscious, are seen to be emphasizing the workplace and its upgradation. About 86% of the domestic occupiers in India are looking to pursue flight-to-quality leasing over the next two years, generating the need for quality spaces. (Source: CBRE Research, 2024 India Office Occupier Survey, June, 2024⁶¹)

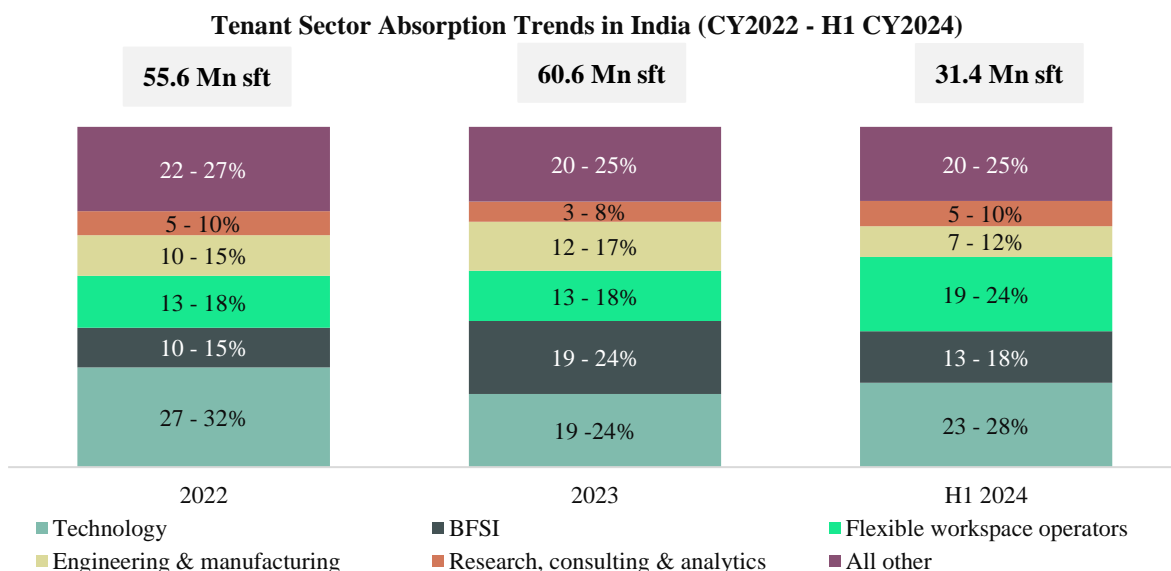
3. Long-Term Relevance of Office Spaces and Changing Profile of Occupiers

As occupiers are adapting to a hybrid set-up, physical offices are here to stay as they promote key operational themes of team connection and community, collaboration, provide access to tools and technology that are only primarily available in physical offices; and offer better physical setup.

Historically, Technology firms, BFSI and E&M sectors have been the mainstay of office demand in India, fuelled by innovation and expansion accounting for a higher share in leasing.

Beyond the traditional industry sectors, flexible workspace solutions have also seen an increase in end-user interest from organizations evaluating hybrid and distributed work policies amongst other potential use cases. Additionally, sectors such as life sciences have expanded across the top cities, driven by both domestic and global firms that leased large contiguous spaces for building their research and development capabilities. Going forward, this demand diversification trend is expected to grow and benefit from the expansion of RCA, aerospace, and automobile firms, thereby supporting the overall growth of the office sector.

During H1 2024, Technology firms held the highest share in leasing accounting for 23 - 28% of overall space take up followed by Flexible workspace operators accounting for 19 - 24% of overall space take up in the Top 9 cities. (Source: CBRE Research)



Source: CBRE Research as at H1 CY2024, The data is considered only from Top 9 cities

⁶⁰ Placemaking spans planning, designing, and managing spaces that inspire and promote social interactions and exchange, contributing to an elevated holistic experience.

⁶¹ Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78*

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis. The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services, and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

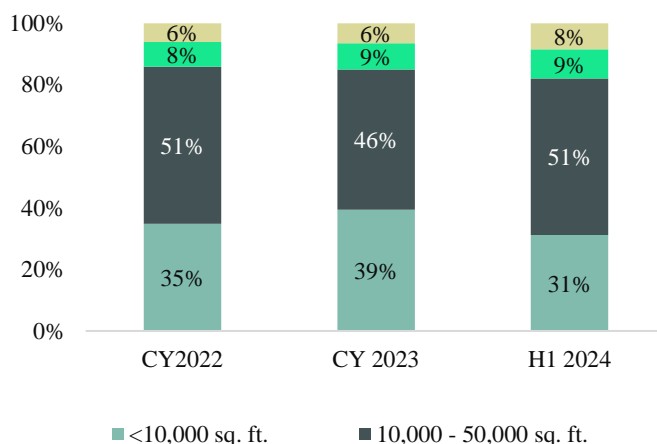
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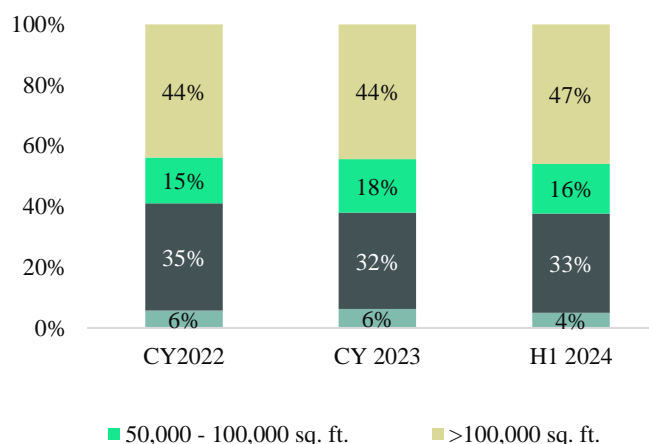
Note: FWS – Flexible Workspace Operators, RCA – Research, Consulting & Analytics, Others include: FMCG, Telecom; Healthcare & Pharmaceuticals; Media, Automobiles, Aviation; The numbers are mentioned as per space take up in Grade A developments and selected Grade B only across key micro markets. Thereby, it doesn't reflect all the deals. The above numbers are only for the top 9 cities in India i.e., Delhi, Gurgaon, Noida, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, and Kolkata.

In the last two years, approximately 95% of the overall office space take-up in tier-I cities was contributed by transactions of more than 10,000 sq. ft., based on space take-up. Further, in the last two years, transactions between 10,000-100,000 sq. ft. accounted for 50%, while 44% of the total space take-up was by larger space requirements i.e., greater than 100,000 sq. ft..

Category Wise Space Take-up by Deal Size – Count of Deals



Category Wise Space Take-up by Deal Size – Mn sq. ft.



Source: CBRE Research, Data as at H1 CY2024

4. Increasing Demand for Quality Grade Office Spaces offering quality experiences

With changing lifestyles, the need for a flexible work environment, a young workforce and a higher value-added nature of work, companies are looking for superior quality office spaces with state-of-the-art lifestyle amenities. These facilities and amenities include integrated offices, relaxation spaces, daycare centres, sports zones, support infrastructure (hotels, food, and beverages, onsite convenience stores, retail facilities) and tech-enabled workspaces. (Source: CBRE Research)

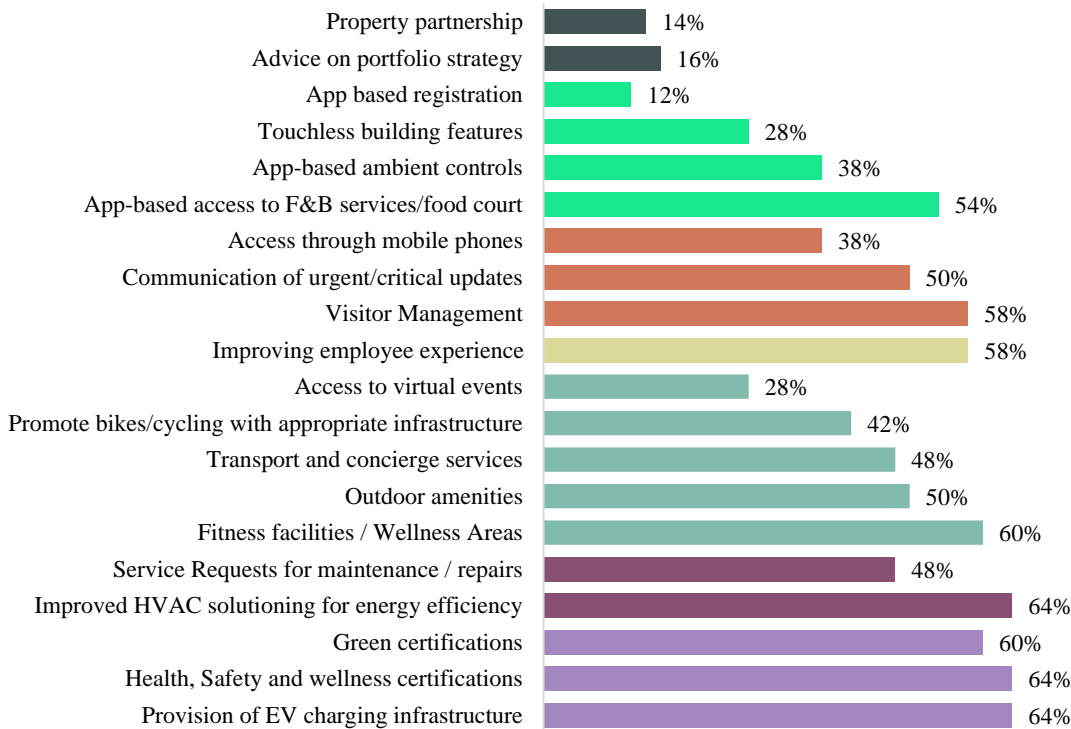
In reference to the below graph, the changes in employees' expectations are leading to a different requirement from occupiers. CBRE's Q1 2024 India Office Occupier⁶² survey reveals that approximately 58% of occupiers are more focused on improving employee experience. Occupiers are also looking to focus on amenities and services such as access to virtual events, fitness facilities/wellness areas, outdoor amenities, and transport services as highlighted in the graph below.

With technology integration, Occupiers in India responded favourably to app-based access to F&B services, touchless building features, app-based ambient controls along with access to admin through mobile phones as highlighted in the graph below. Technology integration and connectivity remains one of the key drivers of workplace efficiency and well-being. Technologies such as video conferencing equipment and adjustable work desks can enhance employee's workplace experience and encourage them to spend more time in the office. (Source: CBRE, 2024 Asia Pacific Occupier Survey)

The leasing activity in India has been driven by growing demand, growth of occupiers and return-to-office (RTO) plans. The continuing increase in office occupancies has prompted occupiers to renew their focus on workplace strategies and amenities to better enable RTO amidst new flexible working arrangements.

⁶² Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78* This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis. The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication. Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

Occupier's Requirements from Office Spaces



Source: CBRE Research – India Office Occupier Survey, June 2024

This was a multiple-choice question in the survey. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

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5. Sustainable Buildings Emerging as a pre-requisite for Occupiers

As highlighted in the above chart, approximately, 64% of respondents require provision for EV charging infrastructure, and 60% of respondents are more focused towards green-certified buildings, indicating an increasing shift in preference for Green Buildings and ESG (Environmental, Social and Governance) compliance and certifications. Supported by global tailwinds around transition to green buildings and ESG considerations have become critical factors in evaluating commercial assets. Occupiers have been prioritising sustainability through various measures such as green-certified buildings, sustainable procurement, water & waste management, and energy efficiency amongst others.

With benefits ranging from low operating costs, improved employee health and enhanced brand image, a higher number of occupiers are expected to prefer green-certified buildings for new leases. Key sustainable features such as Paperless Office, green commute, HVAC system, zero waste, energy-saving initiatives and green spaces foster a positive company culture, promoting innovation and commitment. (Source: CBRE Research, Employee Experience Pathway to Reimagining Workplaces)

As per CBRE’s India Office Occupier Survey, 2024, nearly one-third of companies occupied green-certified buildings in their office portfolios, reflecting a growing focus on environmental responsibility. This increase in demand is driving a shift in the development landscape, with leading office developers increasingly focusing on creating green-certified office spaces. For developers, green buildings are becoming a “must have” from “nice to have” amenities. (Source: CBRE Research, Sustainability: The Key to Future-Proofing Real Estate, February 2024)

To support the sustainability in Indian commercial real estate landscape, the Government has taken various measures.

2001	<ul style="list-style-type: none"> Formation of the Indian Green Building Council (IGBC) as part of the Confederation of Indian Industry (CII)
2009	<ul style="list-style-type: none"> Commencement of environmental and social responsibility reporting in India with the Ministry of Corporate Affairs issuing voluntary guidelines on corporate social responsibility
2012	<ul style="list-style-type: none"> The Security and Exchange Board of India (SEBI) mandates business responsibility Reporting filing to the top 100 listed companies by market capitalisation
2017	<ul style="list-style-type: none"> SEBI defines green debt securities funds raised for projects and assets falling under the set of categories to deliver environmental benefits.

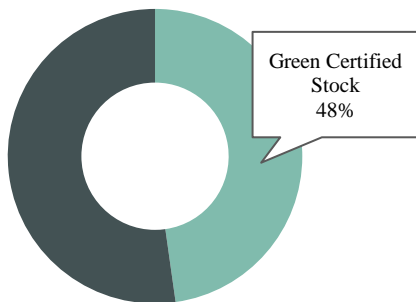
	<ul style="list-style-type: none"> Inclusion of energy efficiency under green debt securities.
2022	<ul style="list-style-type: none"> SEBI mandates ESG disclosures under business responsibility and sustainability reporting for the top 1,000 listed companies from FY2023. Government releases a framework for sovereign green bonds
2023	<ul style="list-style-type: none"> Government issues first tranche of its maiden sovereign green bond worth INR 80 billion (USD 980 Million)

Source: CBRE Research, Sustainability: The Key to Future-Proofing Real Estate, February 2024

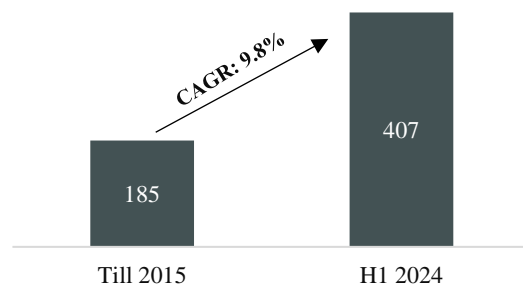
Further, green incentives such as additional FAR, preferential power tariffs, infrastructure subsidies, stamp duty waivers and tax breaks across key cities in India are intended to support green-certified developments.

As at H1 CY2024, approximately 48% of the total office stock is green-certified. Historically the share of green-certified buildings has increased from 185 Mn sq. ft. in 2015 to approximately 407 Mn sq. ft. as at H1 CY2024 growing at a CAGR of 9.8% during the period. Approximately 58 - 60% of the space take up during CY2023-H1 CY2024 (92.0 Mn sq. ft.) is across green certified buildings. (Source: CBRE Research, H1 CY2024)

Share of Green-Certified Buildings in Total Office Stock as at H1 CY2024



Increasing Share of Total Green Certified Stock (in mn sq. ft.)

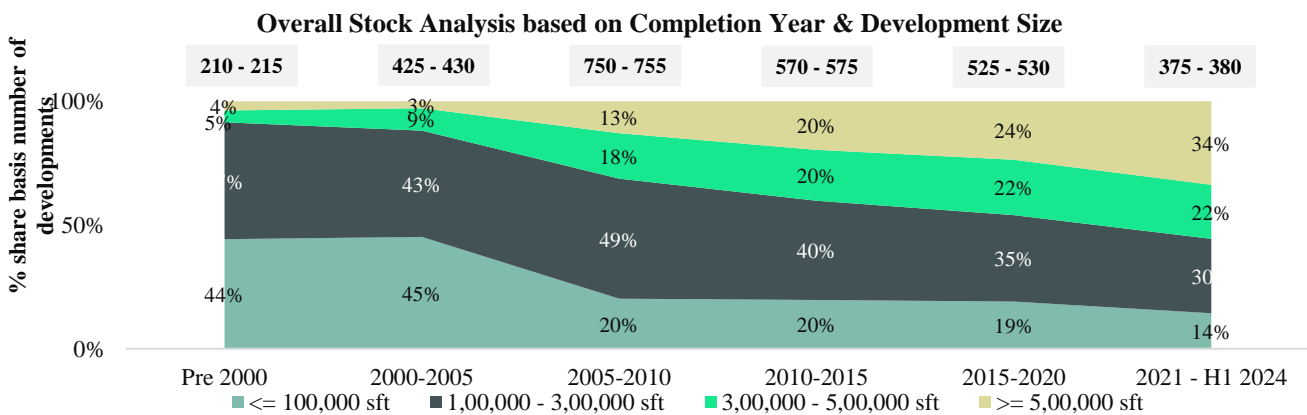


Source: CBRE Research, Data as at H1 CY2024

6. Consolidation with Specialized, Organized Office Developers ~ Shift towards large-scale buildings

The commercial office market in India has witnessed a shift from standalone small-size buildings (i.e., less than 1,00,000 sq. ft.) to large integrated developments. In the early phase of growth, India's office sector was characterized by built-to-suit, captive campuses of various Indian technology companies. These campuses were typically developed by unorganized players such as landowners taking up one-time developments with no linkages between enterprises, supply, and changing requirements of occupiers towards amenities and specifications. However, in the last decade, this fragmentation has given way to the emergence of organized and specialised office-focused developers. Such large developers benefit from economies of scale, diversity of tenant base and strong tenant relationships due to their focused business model.

With the introduction of campus-style developments, and integrated business parks, the share of large-size developments in overall stock has witnessed an increase over the last 15 years. As at H1 CY2024, approximately 34% of the number of developments completed during 2021 – H1 CY2024 were over 5,00,000 sq. ft. Over the past two decades, development with sizes ranging between 3,00,000 – 5,00,000 sq. ft. and \geq 5,00,000 sft has increased from 12% share during 2000-2005 to approximately 56% of the share during 2021 to H1 CY2024.



Source: CBRE, Data as at H1 CY2024,

Note – Developments launched in phases/multiple towers have been considered as different development to arrive at the number of development, developments that have been stalled/are under renovation have been excluded from the analysis.

7. Emergence of Office Space in Non-Tier I Cities –

India's Tier I cities have been prime employment hubs and key economic and office growth drivers. Consequently, India's Non-Tier I cities were primarily seen as industrial or residential centres, developing as hubs of the trade and services sector. Since 2006, commercial real estate across these non-Tier I cities in India has been in its early stages of development. The demand for real estate was mainly driven by Business Process Outsourcing Units, local startups, industries, and IT companies supported by the STPI policy⁶³ and IT/ITes policy across these cities.

A COVID-19 pandemic-induced reverse migration⁶⁴ enabled businesses to access a skilled and readily available workforce in these non-Tier I cities. Since 2020, these cities have witnessed an increase in service-based growth. The demand for commercial real estate in non-Tier I cities is driven by an influx of both domestic and selected global companies on account of cost-effective real estate and the availability of a talent pool. Post the COVID-19 pandemic, these non-Tier I cities have increasingly become relevant for companies to set up their satellite offices in. This trend is further supported by the rise of local startups, the expansion of established start-ups and Micro, Small, and Medium Enterprises into these smaller markets.

Traditionally, office spaces in these non-Tier I cities were dominated by sub-investment grade built-to-suit or campus style developments, characterised by smaller floor plates, and limited amenities across strata/lease disposition model. However, capitalising on the growing corporate appetite, non-Tier I cities have gradually transitioned towards the emergence of investment-grade office parks. Additionally, some interested flexible workspace operators are also evaluating these markets for expansion, in response to the demand from organizations looking to establish/expand their footprints in these cities. Cities such as Ahmedabad, Kochi, Vadodara, Coimbatore, Jaipur, and Indore have seen growth in multi-tenanted buildings (MTB) over the past few years. This growth is driven by the availability of land parcels, competitive rentals, developing infrastructure and connectivity, the presence of manufacturing hubs, service hubs and access to skilled talent.

⁶³ *The Software Technology Park Scheme is a 100% export-oriented scheme for the development and export of computer software, including export of professional services using communication links or physical media.*

⁶⁴ *Refers to the migration of people back to their sub-urban, rural communities from Tier I cities, due to the COVID-19 pandemic.*

Key drivers of real estate demand in non-Tier I cities at a glance:

PARTICULARS	AHMEDABAD	KOCHI	INDORE	VADODARA	JAIPUR	COIMBATORE
Regulatory Framework	✓ Gujarat IT/ITeS Policy (2022 - 2027), Industrial Policy (2020-2025)	✓ Kerala draft IT Policy (2023), Technology Startup Policy, 2014	✓ Madhya Pradesh IT Policy (2019), Startup Policy 2022, MSME Policy, 2021	✓ Gujarat IT/ITeS Policy (2022 - 2027), Industrial Policy (2020-2025)	✓ Rajasthan IT/ITeS Policy (2015-2025), Startup & Innovation Policy (2019-2026)	✓ Tamil Nadu Information Communication Policy (2018), Startup Policy (2018-2023)
Connectivity (Airport)	✓ Sardar Vallabhbhai Patel International Airport	✓ Cochin International Airport	✓ DAHB International Airport	✓ Vadodara Airport (Harni Airport)	✓ Jaipur International Airport	✓ Coimbatore International Airport
STEM Graduates*	✓ ~ 19,000 – 21,000	✓ ~ 5,700 – 6,300	✓ ~ 19,000 – 20,000	✗ NA	✓ ~ 16,000 – 17,500	✓ ~ 41,000 – 43,000
Prominent Colleges	✓ IIM Ahmedabad, MICA, Nirma University, CEPT	✓ SCMS Cochin, Jain University Kochi, Government Law College	✓ IIT Indore, IIM Indore, The Institute of Engineering & Technology	✓ Babaria Institute of Technology, GSFC University	✓ Malviya National Institute of Technology, Manipal University	✓ PSG College of Arts & Science, Coimbatore Institute of Technology
Prominent Office Spaces	✓ GIFT City, Mindspace, Gandhinagar, Hiranandani Signature	✓ Brigade World Tech Centre, Lulu Tech Tower, Prestige TMS Square, Cyber Green	✓ Brilliant Sapphire, C21 Business Park, Skye Corporate Park	✓ Alembic business park, 73 east avenue, Temenos business park, Notus IT	✓ Mahindra World SEZ, World Trade Park, Jaipur Centre, Mangalam Signature Tower	✓ Hanudev Infopark, KCT Tech Park, TIDEL Park, SVB Tech Park

Source: CBRE Research & Consulting, CBRE Research, *CBRE Research, *The Office Sector's Ascent: Tier II cities on the Horizon, January 2024*

Key non-Tier I cities⁶⁵ – Commercial Office Overview:

Ahmedabad: Ahmedabad is the largest and most populous city in Gujarat (Source: Ahmedabad District's Official Website, Government of Gujarat). Ahmedabad's twin cities (Business Capital & Gandhi Nagar) along with Gujarat International Finance Tec-City are prominent manufacturing and trading hubs in western India. Over the last decade, the city has attracted global and Indian firms and is a key hub for pharmaceutical and manufacturing.

Ahmedabad was initially recognized as an industrial and manufacturing hub. The city's office space demand was at an early development stage and relatively unorganized, driven primarily by local businesses and industries. However, in the last 3-4 years, the city has seen the emergence of startups and demand from Information Technology (IT) and Business Process Outsourcing (BPO) industries.

Key planned infrastructure initiatives such as the Ahmedabad – Mumbai High-Speed Rail⁶⁶, Ahmedabad Metro Rail Project – Phase II⁶⁷, Gujarat International Finance Tec-City (Phase II & III)⁶⁸, A greenfield – Dholera International Airport⁶⁹ and Delhi-Mumbai Industrial Corridor are intended to enhance the city's overall connectivity and attractiveness for businesses.

As at H1 CY2024, Ahmedabad has a total Grade A office stock of approximately 15.5 – 16.5 Mn sq. ft.. The city is forecast to see an additional supply of approximately 1.7 – 1.9 Mn sq. ft. during CY2025 based on existing under-construction projects. The key sectors driving demand across the city include BFSI and Technology and Engineering and Manufacturing firms.

Snapshot - Grade A Office stock in Ahmedabad:	
Total Stock as at June 30, 2024 (Mn sq. ft.)	15.5 – 16.5
Occupied Stock as at June 30, 2024 (Mn sq. ft.)	13.6 – 14.6
Vacancy as at June 30, 2024 (%)	11 - 13%
Average Market Rents as at June 30, 2024 (per sq. ft. / month)	INR 35-50 per sq. ft./month

⁶⁵ CBRE has identified these cities based on quantum of commercial real estate and flexible workspace.

⁶⁶ India's first high-speed rail project, a 500 km rail line proposed to connect Mumbai and Ahmedabad via Surat and Vadodara, aimed to reduce travel time between Ahmedabad and Mumbai from 7 hours to approximately 3 hours.

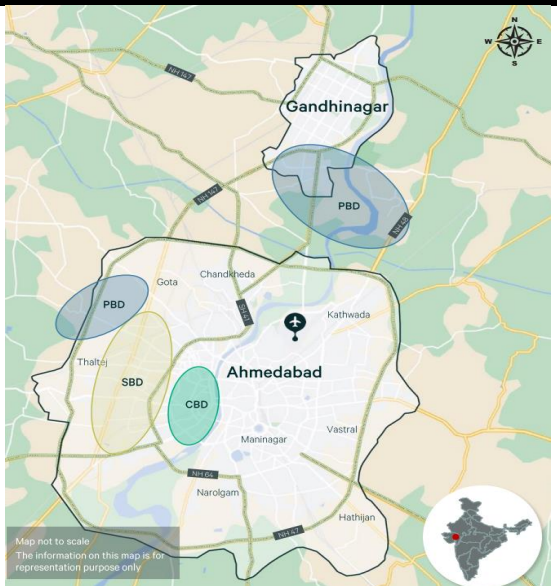
⁶⁷ Ahmedabad Metro Rail Project Phase II is a 20.8 Km long corridor of with 8 stations launched on 16th September 2024

⁶⁸ An integrated development across 886 acres – expected to act as a key real estate node in the city (Source: Ahmedabad – Tier II cities coming of age, CBRE Research)

⁶⁹ Planned to have an aerocity spread across ~ 185 acres with offices, retail developments and cargo handling facilities.

The city has 3 prominent office micro markets as highlighted below:

Key Office Micro-markets as at H1 CY2024:				
Micro-market	Details	Total Office Stock (In Mn sq. ft.)	Average Office Rent (INR/sq. ft./month)	Locations
CBD	A well-established office micro market that houses largely independent buildings	0.9 – 1.1 Mn sq. ft.	INR 35-45 /sq. ft./month	Ashram Road, Chimanlal Girdharlal Road
SBD	The most preferred micro-market among technology occupiers	11.5 – 11.7 Mn sq. ft.	INR 40 – 50 /sq. ft./month	SG Highway, Prahlad Nagar, Corporate Road, Iscon Ambli
PBD	An emerging office micro-market houses various global technology and BFSI occupiers	3.3 – 3.5 Mn sq. ft.	INR 40 – 50 /sq. ft./month	GIFT City, Mindspace SEZ, Sargasan, Science City



Kochi: The port city, Kochi is the second-largest urban conglomerate in Kerala. (Source: Government of Kerala) The city's economy is primarily driven by shipbuilding, chemicals, and tourism industries. It is a key commercial destination in Kerala supported by its connectivity to Tier 1 cities such as Bengaluru and Chennai.

Over the last few years, the city has seen a rise in demand from both domestic and global companies across sectors such as Technology and fin-tech. Key existing infrastructure such as Kochi Metro Rail (KMR), Kochi Water Metro and the proposed Industry Corridor (Kochi-Bengaluru Industrial Corridor) are aimed to enhance the city's overall connectivity and attractiveness for businesses.

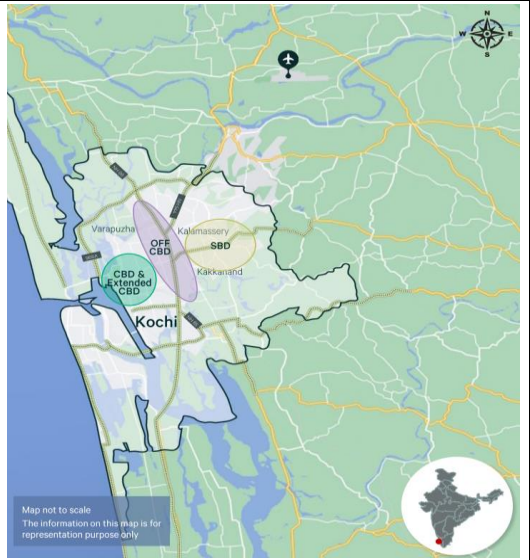
As at H1 CY2024, Kochi has a total office stock⁷⁰ of approximately 13.7 – 14.7 Mn sq. ft.. The city is forecast to see an additional supply of approximately 0.4 – 0.6 Mn sq. ft. during CY2025, based on existing under-construction projects. The key sectors driving demand across the city are Research, Consulting & Analytics, Technology and Aviation sector.

Snapshot - Office stock in Kochi:	
Total Stock as of June 30, 2024 (Mn sq. ft.)	13.7 – 14.7
Occupied Stock as of June 30, 2024 (Mn sq. ft.)	10.1 – 11.1
Vacancy as of June 30, 2024 (%)	25 - 27%
Average Market Rents as at June 30, 2024 (per sq. ft. / month)	INR 45-60 per sq. ft./month

The city has 3 prominent office micro markets as highlighted below:

Key Office Micro-markets as at H1 CY2024:				
Micro-market	Details	Total Office Stock (In Mn sq. ft.)	Average Office Rent (INR/sq. ft./month)	Locations
CBD and Extended CBD	The micro-market primarily houses client-facing corporate offices, and retail outlets.	1.1 – 1.3 Mn sq. ft.	INR 55 – 65 /sq. ft./month	MG Road, Kaloor, Kadavanthra, Panampilli Nagar, Thevara
Off CBD	This is an emerging office micro-market along the NH 66 bypass.	4.3 – 4.5 Mn sq. ft.	INR 60 – 70 /sq. ft./month	Vyttila, Pararivattom, Edappally

⁷⁰ Including Grade A, Grade B and Grade C

SBD	A well-established office market ~ this micro-market hosts several technology firms and corporate occupiers	8.5 – 8.7 Mn sq. ft.	INR 40 – 50 /sq. ft./month	Kakkanad, Seaport – Airport Road	
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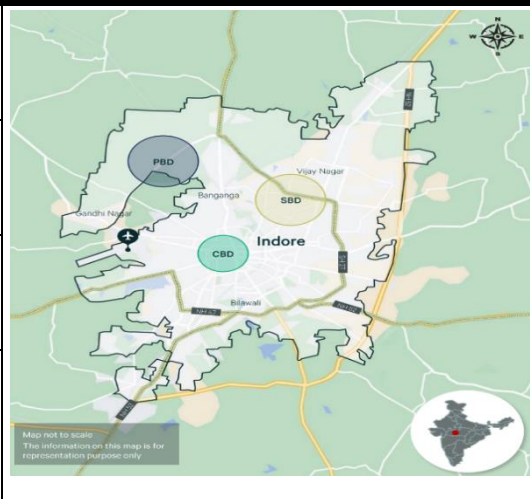
Indore: Located in Madhya Pradesh, Indore was one of the first 25 cities to be developed under the Central Government’s ‘Smart City Mission’. It functions as the commercial capital of the state and is a key education hub as it houses premium national colleges. With a skilled labour talent pool, led by the presence of top colleges in India, and with the presence of several Grade A office developments catering to numerous Indian IT companies, global technology firms and startups, Indore is emerging as a service hub for central India.

The city has been witnessing the growth of several startups. Key ongoing Infrastructure initiatives such as the Indore Metro Rail Project aim to enhance the city's overall connectivity and ease congestion across the key nodes in the city. The proposed Economic Corridor is planned to be developed as an ‘Investment Region’ for office spaces, retail outlets, green industries, data centres and hotels. The corridor is likely to house a Fintech City and an Aerocity to attract global/domestic investments and boost real estate across sectors. (Source: CBRE Research, Tier II cities: Coming of Age)

As at H1 CY2024, Indore has a total office stock⁷¹ of approximately 9.3 – 10.3 Mn sq. ft.. The city is forecast to witness an additional supply of approximately 1.2 – 1.4 Mn sq. ft. during CY2025, based on existing under-construction project.

Snapshot - Office stock in Indore:	
Total Stock as at June 30, 2024 (Mn sq. ft.)	9.3 – 10.3
Occupied Stock as at June 30, 2024 (Mn sq. ft.)	8.5 – 9.5
Vacancy as at June 30, 2024 (%)	8 - 10%
Average Market Rents as at June 30, 2024 (per sq. ft. / month)	INR 45 - 70 per sq. ft./month

The city has 3 prominent office micro markets as highlighted below:

Key Office Micro-markets as at H1 CY2024:					
Micro-market	Details	Total Office Stock (In Mn sq. ft.)	Average Office Rent (INR/sq. ft./month)	Locations	
CBD	The micro market is dominated by Government agencies and banks, client-facing and administrative offices	2.5 – 2.7 Mn sq. ft.	INR 50 – 70 /sq. ft./month	MG Road	
SBD	A dominant office micro-market and is witnessing continued demand from occupiers – houses technology occupiers	5.1 – 5.3 Mn sq. ft.	INR 45 – 65 /sq. ft./month	Vijay Nagar	
PBD	A growing residential catchment and a preferred micro market for large campuses	2.0 – 2.2 Mn sq. ft.	INR 35 – 55 /sq. ft./month	Super Corridor	

⁷¹ Including Grade A and Grade B

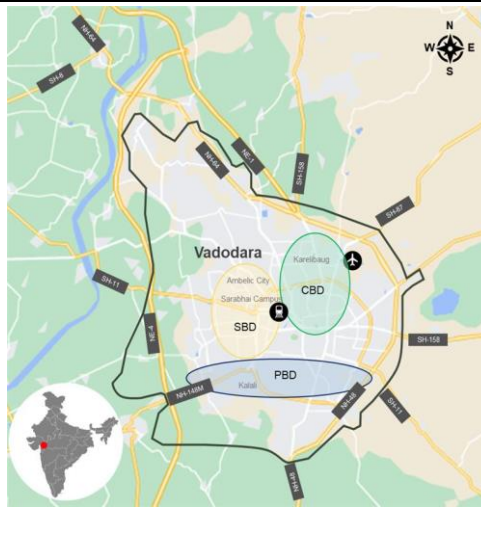
Vadodara: The city is an emerging engineering and manufacturing landscape across sectors such as pharmaceuticals, chemicals, biotechnology, engineering, auto and defence. Vadodara hosts large-scale public-sector enterprises such as Gujarat Alkalies & Chemicals Limited (GACL), Gujarat State Fertilizers and Chemicals (GSFC), Indian Oil Corporation (IOCL) and Oil & Natural Gas Corporation (ONGC) amongst others. (Source: Invest India, Vadodara – Bharuch-Ankleshwar Cluster – Country’s Power Engineering and Chemicals Cluster) Supported by the Government’s existing and planned initiatives across the IT/ITes sector, Special Economic Zones – Bio-Tech Park SEZ, Industrial parks, the city has witnessed a moderate increase in demand for real estate from startups and domestic corporations.

As at H1 CY2024, Vadodara has a total office stock⁷² of approximately 6.7 – 7.7 Mn sq. ft.. The city is forecast to witness an additional supply of approximately 1.9 – 2.1 Mn sq. ft. during CY2025, based on existing under-construction projects. In the past few years, the region has witnessed demand for commercial real estate primarily from the Engineering and Manufacturing sectors.

Snapshot - Office stock in Vadodara:	
Total Stock as at June 30, 2024 (Mn sq. ft.)	6.7 – 7.7
Occupied Stock as at June 30, 2024 (Mn sq. ft.)	5.1 – 6.1
Vacancy as at June 30, 2024 (%)	21 - 24%
Average Market Rents as at June 30, 2024 (per sq. ft. / month)	INR 30 - 60 ⁷³ per sq. ft./month

The city has 3 prominent office micro markets as highlighted below:

Key Office Micro-markets as at H1 CY2024:				
Micro-market	Details	Total Office Stock (In Mn sq. ft.)	Average Office Rent ⁷⁴ (INR/sq. ft./month)	Locations
SBD + Ex - SBD	This micromarket comprises major IT parks including IT and engineering & Manufacturing tenants amongst others	3.1 – 3.3 Mn sq. ft.	INR 45 – 60 /sq. ft./month	Sarabhai Campus, Alembic City
CBD	This is primarily the market for retail and comprises old city areas along with small standalone offices	1.9 – 2.1 Mn sq. ft.	INR 38 – 60 /sq. ft./month	Karelibaug
PBD	This is an emerging market with upcoming large-scale developments ~ modern buildings	1.9 – 2.1 Mn sq. ft.	INR 30 – 48 /sq. ft./month	Kalali



Jaipur: Jaipur’s economy is primarily led by tourism and the gems & jewellery industry. The city is part of the ‘Golden Triangle Tourist Circuit’⁷⁵ along with Delhi NCR and Agra (Source: Government of India). The city is home to Mahindra World City⁷⁶, spread across 3,000 acres.

Supported by the city’s connectivity to the National Capital Region the city has witnessed increased activity in the services sector. Jaipur has seen an increase in local startups and an expansion of IT Companies over the last three years. Key existing infrastructure initiatives such as the Jaipur Metro and Jaipur Ring Road Project have enhanced the overall connectivity within the city. Ongoing and planned infrastructure initiatives such as the Delhi-Mumbai Industrial Corridor via Jaipur and the proposed metro phase III along with Ring Road project III are aimed to enhance the city’s overall connectivity.

As at H1 CY2024, Jaipur has a total office stock⁷⁷ of approximately 7.1 – 8.1 Mn sq. ft.. The city is forecast to witness an additional supply of approximately 1.4 – 1.6 Mn sq. ft. during CY2025, based on current under-construction projects.

⁷² Including Grade A and Grade B

⁷³ Rentals are on carpet area.

⁷⁴ Rentals are on carpet area.

⁷⁵ A 700 km tourist circuit that connects Delhi NCR, Agra and Jaipur

⁷⁶ Mahindra World City - Spread across 3,000 acres this is 74:26 joint venture between Mahindra Group and Rajasthan State Industrial Development and Investment Corporation.

⁷⁷ Including Grade A and Grade B

Snapshot - Office stock in Jaipur:	
Total Stock as at June 30, 2024 (Mn sq. ft.)	7.1 – 8.1
Occupied Stock as at June 30, 2024 (Mn sq. ft.)	5.6 – 6.6
Vacancy as at June 30, 2024 (%)	19 - 21%
Average Market Rents as at June 30, 2024 (per sq. ft. / month)	INR 50 - 70 per sq. ft./month

The city has 4 prominent office micro markets as highlighted below:

Key Office Micro-markets as at H1 CY2024:					
Micro-market	Details	Total Office Stock (In Mn sq. ft.)	Average Office Rent (INR/sq. ft./month)	Locations	
CBD	The most preferred office micromarket with excellent connectivity ~ old buildings are occupied by BFSI firms and retail brands	0.3 – 0.5 Mn sq. ft.	INR 55 – 65 /sq. ft./month	C-Scheme, MI Road	
SBD	The micro-market is characterized by a host of scattered multi-storied and stand-alone buildings with excellent connectivity	3.6 – 3.8 Mn sq. ft.	INR 50 – 70 /sq. ft./month	Civil Lines, Tonk Road, JLN Marg, Vaishali Nagar	
PBD 1,2,3	The micromarket consists of standalone buildings with individual ownership.	0.6 – 0.8 Mn sq. ft.	INR 50 – 60 /sq. ft./month	Sitapura Vishwakarma Industrial Area, Durgapura	
Mahindra World City - SEZ	Spread across 3,000 acres this is a 74:26 joint venture between Mahindra Group and Rajasthan State Industrial Development and Investment Corporation.	2.7 – 2.9 Mn sq. ft.	INR 55 – 65 /sq. ft./month	NH-8 (Jaipur-Ajmer Highway) / Ajmer Raod	

Coimbatore: Coimbatore is the second-largest city in Tamil Nadu after Chennai and the 16th-largest urban agglomeration in India. (Source: Coimbatore City Municipal Corporation, District Profile, Government of Tamil Nadu) It is a key commercial hub for textile industries, engineering and manufacturing companies and technology firms in the state. Coimbatore is a prominent outsourcing destination for auto components and is a manufacturing hub for pumps, wet grinders, jewellery and gems.

Over the last few years, the city has seen demand from MNCs, GCCs, and local startups. Key proposed infrastructure initiatives such as the Coimbatore Metro Rail Line⁷⁸, Western Ring Road⁷⁹ and Industry Corridor⁸⁰ are aimed to enhance the city's overall connectivity.

As at H1 CY2024, Coimbatore has a total office stock⁸¹ of approximately 6.7 – 7.7 Mn sq. ft.. The city is forecast to witness an additional supply of approximately 0.2 – 0.4 Mn sq. ft. during CY2025, based on under-construction projects. The key sectors driving demand across the city are Research, Consulting & Analytics, and Technology.

Snapshot - Office stock in Coimbatore:	
Total Stock as at June 30, 2024 (Mn sq. ft.)	6.7 – 7.7
Occupied Stock as at June 30, 2024 (Mn sq. ft.)	5.9 – 6.9
Vacancy as at June 30, 2024 (%)	10-12%
Average Market Rents as at June 30, 2024 (per sq. ft. / month)	INR 45-60 per sq. ft./month

⁷⁸ The project is expected to reduce traffic bottlenecks and enhance connectivity between key commercial micro markets in the city.

⁷⁹ A 32.4 km long, four lane road proposed to reduce traffic congestion in the city.

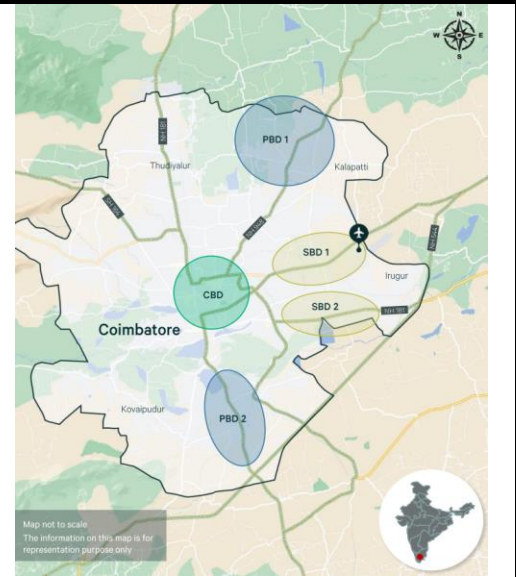
⁸⁰ Defence Industrial Corridor & Kochi-Bangalore Industrial Corridor, the two industrial corridors are likely to enhance the connectivity of Coimbatore with other key cities, promote industrial cluster developments aimed to attract global/domestic investments.

⁸¹ Including Grade A, Grade B and Grade C

The city has 4 prominent office micro markets as highlighted below:

Key Office Micro-markets as at H1 CY2024:

Micro-market	Details	Total Office Stock (In Mn sq. ft.)	Average Office Rent (INR/sq. ft./month)	Locations
CBD	The micro market comprises smaller offices for client-facing businesses such as banks	1.0 – 1.2 Mn sq. ft.	INR 50 – 70 /sq. ft./month	RS Puram, Gandhipuram, Avinashi Road till Lakshmi Mills
SBD	This comprises SBD1 (an upcoming commercial market with large IT occupiers) & SBD2 (characterized by small-sized offices)	2.4 – 2.5 Mn sq. ft.	INR 50 – 65 /sq. ft./month	Avinashi Road, TIDEL ⁸² Park, Airport, Trichy Road
PBD 1	The micro-market is dominated by MSMEs ⁸³	2.8 – 2.9 Mn sq. ft.	INR 30 – 40 /sq. ft./month	Saravanampatti, Kalapatti
PBD 2	A key IT location in the city comprising a SEZ campus and captive units along wit	0.7 – 0.8 Mn sq. ft.	INR 45 – 55 /sq. ft./month	Eachanari, Neelambur



Outlook for Office space across non-Tier I Cities in India -

Demand side – More than 45% of recognized startups are emerging out of non-Tier I cities. (Source: Economic Survey, 2023-2024, Government of India) Numerous start-ups would continue to be incubated in non-Tier I cities, powered by innovation across Education Technology, Health Technology, and Finance Technology supported by Government initiatives such as GENESIS⁸⁴ (Gen-Next Support for Innovative Startups). (Source: CBRE Research, The Office Sector’s Ascent: Tier II Cities on the Horizon, January 2024)

Out of the total installed GCC talent, approximately 4% is in non-Tier I cities. These non-Tier 1 cities account for approximately 220+ GCCs in FY2024, up from 90+ GCCs in FY2019. Ahmedabad, Coimbatore, and Vadodara are the key hubs in these non-Tier I cities with approximately 10% of GCCs either newly set up or expanded in the past year. The State Governments of Karnataka and Tamil Nadu are crafting GCC-specific policies such as the Startup Tamil Nadu Policy, and Karnataka Data Centre Policy intended to further support the growth of GCC in these regions. (Source: NASSCOM, India GCC Landscape Report – The 5 Year Journey, September 2024)

CBRE India Office Occupier Survey, 2024 indicated a preference amongst occupiers to expand in smaller cities over the next few years. Global and Indian firms are looking to explore these non-Tier I cities as the next growth cities. Technology and BFSI firms are expanding their businesses in these non-Tier I cities. The Survey also revealed that domestic companies are also evaluating expansion in these non-Tier I cities over the next one to three years. (Source: CBRE Research, 2024 India Office Occupier Survey, June, 2024⁸⁵)

Infrastructure development – Several Government initiatives are likely to enhance the infrastructure within non-Tier I cities. The ‘Smart Cities Mission’ launched on 25th June 2015, was designed to enhance the quality of life in 100 selected cities by providing efficient services, infrastructure, and a sustainable environment. (Source: Press Information Bureau, Ministry of Housing & Urban Affairs, September 2nd, 2024) As at August 2024, the Government has created 1,266 vibrant urban spaces, 815 social infrastructure projects and 805 economic infrastructure projects. Over 4,700 kilometres of roads have been constructed or upgraded and 580 kilometres of cycle tracks have been developed across 100 cities. Approximately 21 incubation centres

⁸² TIDEL is portmanteau of Tamil Nadu Industrial Development Corporation and Electronic Corporation of Tamil Nadu Limited

⁸³ Micro, Small & Medium Enterprises

⁸⁴ Scheme with a budgetary outlay of Rs. 490 Crore for a duration of 5 years to accelerate and enhance the fast-rising tech startup ecosystem. The Scheme aims to boost the startup ecosystem in Tier-II & Tier-III cities and upcoming towns in the country with emphasis on collaborative engagement among startups, Government and corporates. GENESIS envisages further scaling up and sustaining the tech ecosystem especially to discover, support, grow and make successful startups. The scheme aims to directly support 1500+ startups from Tier-II and Tier-III cities. (Source: Press Information Bureau, Delhi, Ministry of Skill Development and Entrepreneurship, July 2024)

⁸⁵ Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78*

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis. The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services, and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

and skill development centres have been established and over 56 market redevelopment projects have been completed. More than 8,000 multi-sectoral projects are being developed within 100 cities, with an approximate cost of INR 1.6 trillion. More than 90% of the total projects (7,244 projects amounting to INR 1.5 trillion) undertaken under the Smart Cities Mission have been completed. (Source: Press Information Bureau, Ministry of Housing & Urban Affairs, September 2nd, 2024)

Supply side – A few Prominent developers in India have commenced projects in non-Tier I cities over the last few years. Over the next few years, these non-Tier I cities are expected to witness a relatively higher number of grade A office developments likely also having flexible workspaces and amenities as per global and domestic occupiers. (Source: CBRE Research, *The Office Sector's Ascent: Tier II Cities on the Horizon*, January 2024)

Increasing investments in urban infrastructure such as airports, metros, and highways an improving economy, digital integration across the country and growing urbanization are likely to expand demand for economic centres in the country beyond the traditional metropolitan cities. Technology companies and GCCs are expected to drive this gradual shift towards select non-Tier I cities. However, the transition would depend on the sustained availability of skilled talent in these smaller markets. (Source: CBRE Research, *The Office Sector's Ascent: Tier II Cities on the Horizon*, January 2024)

Outlook for Office Space across Top 9 cities in India –

The office sector had meaningful gains in CY2023, supported by a resurgence in occupiers' sentiment and pent-up demand post-the-shift to return to office. As office occupancies improve and the workspace evolves into a hub for collaboration, firms are investing in creating bespoke and engaging experiences. Office occupiers are prioritising enhancing workplace experiences through a multi-faceted approach including redesigning their employee experience programmes, and tech integration to attract and retain talent. This trend is likely to see occupiers invest in developing experiential workplaces. (CBRE Research, *India Market Monitor*, Q2 2024)

Upcoming investment-grade supply – The H2 2024 is anticipated to have a consistent supply of high-quality office space. With a growing focus on employee experience, occupiers are looking to prioritise 'flight-to-quality' relocations/upgrades. Developers are demonstrating a shift towards constructing green-certified office facilities equipped with amenities that cater to the evolving needs of occupiers. (Source: CBRE Research, *India Office Figures Q2 2024*)

Leasing – During H1 CY2024, office space absorption had an increase driven by expansionary leasing by GCCs and domestic occupiers, including flexible workspace operators, BFSI and technology firms. The office sector is likely to have continued demand for quality office space in H2 2024 as occupiers continue to expand and increase their presence. As per CBRE 2024 India Office Occupier Survey, June 2024, almost 70% of the occupiers indicated their intention to increase the size of their office portfolio over the next two years⁸⁶. Companies may evaluate to expand their office footprint potentially through a mix of traditional and flexible workspaces. (Source: CBRE Research, *India Office Occupier Survey, 2024, India Office Figures Q2 2024*)

Diversification of demand – While the technology sector remains a dominant force in leasing activity, a more diversified demand base is anticipated in CY2024 with BFSI firms, Flexible Workspace operators, and Engineering & Manufacturing firms to exhibit growth in leasing. (Source: CBRE Research, *India Office Figures Q2 2024*)

GCCs remain a key driver of office demand – Supported by the availability of STEM graduates and competitive costs, India is likely to remain a prominent market for GCCs. The forecast increase in the number of GCCs at a CAGR of 4% by 2030 positions the Indian office market for growth. Established players in GCCs are likely to evaluate large-scale campuses across major cities, while new entrants may opt for flexible workspaces. Approximately 67% of the GCCs surveyed by CBRE are likely to increase their office portfolio by over 10% in the next two years. (Source: CBRE Research, *India Office Occupier Survey, 2024, India Office Figures Q2 2024*)

⁸⁶ Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78*

This was a single choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis. The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services, and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

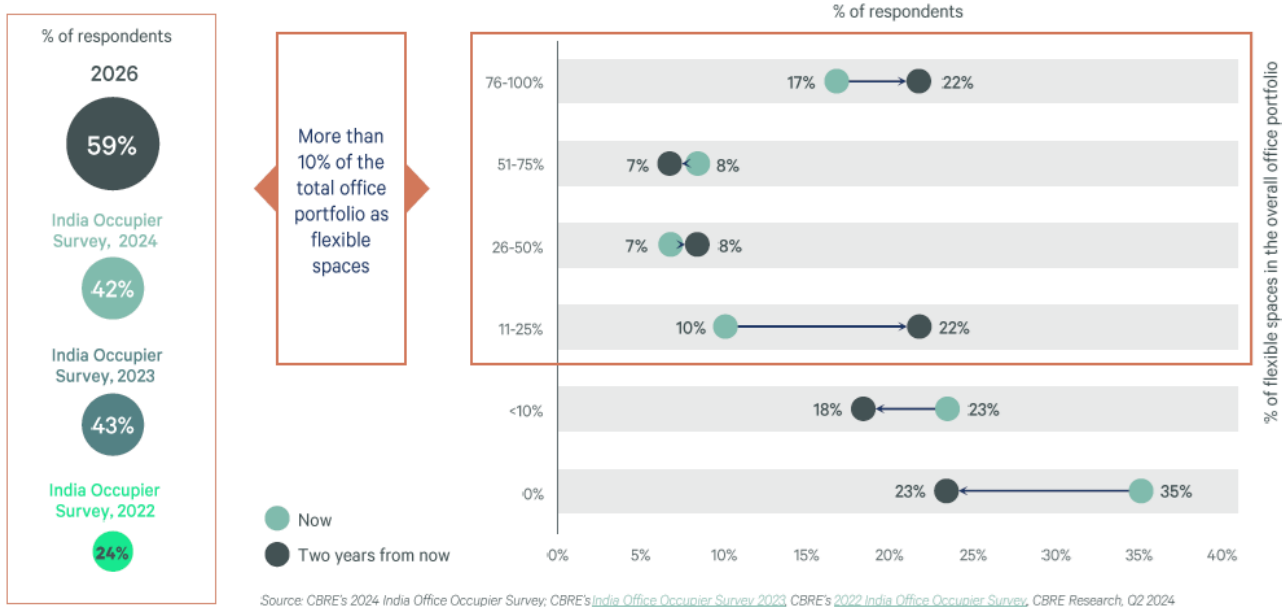
Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

The emergence of Flexible Workspaces as an important segment in the office sector:

Flexible workspaces are becoming an integral part of the commercial office market. The Flexible Workspace stock in the top 9 Tier 1 cities grew from more than 35 Mn sq. ft. by end of CY 2020 to over 72 Mn sq. ft. as of June 30, 2024.

According to the CBRE’s India Office Occupier Survey 2024, the number of companies with over 10% of their office space being flexible is expected to jump from 42% (Q1 2024) to 59% by 2026.



Source: CBRE Research’s India Office Occupier Survey, June 2024

Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78*

This was a single-choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

The rise of hybrid work models, prudence in the use of capital, the need for flexibility, workspace planning, and a shift in work culture are amongst the factors fuelling the demand for flexible workspaces. This has resulted in demand from diverse segments, from start-ups, and small and medium-sized enterprises (SMEs) to large corporations. These organizations are evaluating to integrate flexible workspaces into their office portfolios as part of their ‘Core+Flex’¹ strategies. ‘Core+Flex’ can allow organizations the opportunity to be more capital efficient, while providing employees the flexibility to work from different locations.

The increasing use cases of flexible workspaces, incoming investments in the sector, demand from both startups and large enterprises, increasing focus by companies around ESG and employee wellness and constant evolution of products and offerings by flexible workspace operators are amongst the key factors that may position this asset class and sector for growth in future as well.

¹ ‘Core + Flex’ is a strategy that offers occupiers a way to integrate traditional leased space and flexible office agreements in their overall real estate portfolios.

Flexible Workspace Industry Overview: India Story

What are Flexible Workspace Solutions?

Flexible workspace solutions primarily refer to fully furnished and serviced real estate offerings provided by Flexible Workspace Operators to end users with potential flexibilities built-in around aspects including but not limited to space design, tenure, area, location and product. Multiple leading operators have also now developed the capability to offer multiple value-added and ancillary products and services. End users may consider one or the other kind of flexible workspace solution for a diverse set of use cases including but not limited to:

- Support in implementing hybrid and distributed working policies
- Outsourcing non-core CRE operations
- To circumvent upfront investment in office fit-outs
- Converting capital expenditure to operating expenditure
- Acquiring small portions of large floorplates in buildings of preference
- Supporting multi-geography expansions

The popularity and adoption of flexible workspace solutions has witnessed an increase amongst both startups and corporate enterprises, owing to their increasing Use Cases and constant innovations by leading Flexible Workspace operators.

Evolution of Flexible Workspaces in India

Flexible workspace solutions are becoming an integral part of the modern work culture, catering to varied working styles and introducing flexibility to the commercial office market.

The table below illustrates the evolution of the flexible workspace sector in India:

	Details
Pre-2017	<ul style="list-style-type: none">• Prior to 2015, the flexible workspace offering was mostly limited to two kinds of solutions:<ul style="list-style-type: none">— Traditional business centers comprising a mix of private suites and meeting rooms catering mostly to short-term needs for small serviced offices and swing spaces from corporate organizations— Incubators and accelerators mostly providing early-stage startups with cost efficient, open-layout, shared workspace solutions. Some incubators and accelerators also supported their members with gaining access to mentors and investors <p>Around 2015, the co-working concept started to gain popularity in India, with the initial target audience for this offering being startups</p>
2017- 2019	<ul style="list-style-type: none">• Expansion by both existing domestic and international brand flexible workspace operators in India along with the emergence of new flexible workspace operators• Continual evolution of the existing startup-centric co-working format that also lead to the emergence of the enterprise co-working format that could better cater to the demand for flexible workspace solutions from enterprise customers/corporate organisations• Introduction of the 'Managed Office' offering by some flexible workspace operators in response to the emerging demand for customized, private/semi-private, serviced, and professionally managed workspaces with flexible terms by MSMEs and corporate organisations• These solutions became popular with enterprises looking to circumvent upfront capital expenditure in office fit-outs and to outsource the design, build, and management of their offices to a single vendor• The continuous evolution of flexible workspace formats in response to end-user demands also eventually led to the emergence of 'Managed Campus' concept that aimed to offer the privacy, flexibility, and customization of a managed office along with the advantages and experience of an amenitized and tech-enabled office campus
2020 – 2021 (Covid-19 impact & Recovery Period)	<ul style="list-style-type: none">• Owing to the COVID-19 pandemic, 'Work From Home' and 'Remote Work' protocols were implemented by many organisations• 'Remote first' became the dominant work policy adopted by most organizations, limiting the physical occupancies in both traditional offices and flexible workspaces

	Details
	<ul style="list-style-type: none"> Most leading flexible workspace operators used this period to review & reengineer their portfolios, rethink business strategies, upgrade facilities, optimize costs, tech enable, and amenitise their centres <p>Q2 2021 onwards</p> <ul style="list-style-type: none"> Careful reopening of Flexible workspace centres, with increased focus on EHS, ESG, and other COVID safety protocols, practices, and guidelines Introduction of novel solutions by flexible workspace operators like pay-per-use/day pass, reverse offices and fit-out as a service to name a few to try to support RTO and hybrid working initiatives for the end user occupiers
2022 onwards	<ul style="list-style-type: none"> Adoption of “core+flex” strategies by multiple startups and corporate enterprises resulted in increased demand for flexible workspaces Speculative space take-up by flexible workspace operators across the country in anticipation of demand from end users Adoption of distributed/hybrid working practices and a focus on capital optimization by enterprises became among the leading drivers for flexible workspace solutions Evaluating Non-Tier 1 cities started becoming a more integral part of the expansion strategy planning for multiple operators A growing investor interest in the flexible workspace sector

Key Growth Drivers & Salient Features of Flexible Workspace Solutions

The demand for flexible workspaces has been fueled further by an increasing focus on flexibility, capital efficiency, cost optimization, hybrid/distributed working, employee well-being, and a focus on core business activity amongst other things by end-users. Both startups and large enterprises have been increasingly evaluating flexible workspace solutions owing to their increasing Use Cases and the innovations by leading flexible workspace operators.

Below are some key growth drivers & salient features of flexible workspace solutions that in isolation or combination may tend to lean end users towards evaluating a flexible workspace solution:

- Capital Efficiencies:** Since in flexible workspace solutions the upfront capital required to build the facility is usually invested by the operator, flexible workspace solutions can support end user in circumventing the need for upfront capital investment in their office fit outs. This may provide an option to end user organizations to allocate the same capital towards their core business or another purpose of choice.
- Evolving Real Estate Strategies:** With the increasing adoption of hybrid / distributed working practices, large organizations may consider to further integrating flexible workspace solutions into their overall real estate portfolios. This might enable these organizations to have even more agile office portfolios while providing their employees with a consistent experience along with the flexibility to work from a network of locations.
- Flexibility:** If pre-negotiated with the operator during the structuring of the membership agreement, end users may have the opportunity to build in their contract flexibilities including but not limited to flexibilities around upsizing or downsizing the space, alternate locations, pricing.
- Variety of Offerings:** Some leading flexible workspace operators may have the ability to provide end users with a variety of solutions including but not limited to on-demand solutions/day passes, private suites, built-to-suite managed office solutions. Organizations can opt for a mix of these offerings to cater to diverse business/organizational needs based on factors including but not limited to location, team type, number of employees, purpose.
- Operational Outsource:** Real Estate is a non-core function for most organizations and managing their real estate requirements may take from their management’s bandwidth and resources. By opting for a flexible workspace solution, organizations are usually able to align with a solo vendor/provider and a single point of contact for all or most of their workspace related expenses, escalations, support requirements and other operational requirements allowing them to retain their focus on their core business.
- Customization and Bespoke Solutions:** When opting for a managed office solution, end user occupiers may have the flexibility to customize their workspace to their preference and have bespoke, private/semi private and dedicated office spaces with services that suit their specific needs.

Common flexible workspace offerings:

On Demand

- **Hybrid Digital Solution** - Pay per Use solutions allowing users to book open desks and meeting rooms on demand across locations with booking, payment, usage tracking enabled through technology

Pre-built, Shared & Serviced Spaces

- **Business Centre** - Small – Medium sized centres comprising of small private & serviced suites with shared meeting rooms and common amenities primarily catering to short term space needs from enterprises
- **Enterprise Coworking** - Small – Large sized centres with collaborative areas, meeting rooms, private suites, open desks and key amenities with the ability to cater to both startups and enterprises

Custom Built Managed Offices

- **Shared Managed Offices** - Custom built bespoke serviced offices with shared common amenities for medium to-long- term use by end users
- **Private Managed Offices** - Custom built & fully private bespoke serviced offices with dedicated amenities for medium to-long term use by end users
- **Managed Campus Centres** - Full building campus like flexible workspace centres providing the end user occupiers with the privacy, flexibility, and customization of a shared managed office solution along with experience analogous to an amenitized and tech enabled office campus.

Flexible Workspace Operators' Tech Stack:

In the evolving landscape of hybrid working, modern workplaces are also aiming to act as collaborative hubs merging the physical and digital worlds through the use of technology. Leading flexible workspace operators are also focusing on integrating technology into their offerings to further enhance end-user experiences. The integration of technology can support in streamlining operations, fostering collaboration and more.

A comprehensive flexible workspace operator tech stack may include the below technologies, platforms, enablement's and more:

- Tech enabled parking management systems
- Digitized meeting and conference rooms booking system
- Online ticket raising platforms
- Food ordering enablement's on member app
- Enablement on member app for networking and engagement
- Automated Visitor management and access control systems
- Space utilization tracking technology
- Technology to track and show fit-out project progress

Multiple flexible workspace operators are looking to increase focus on service quality, member wellness, compliance and safety, and customer experience. This increased focus may drive them to continually enhance and expand their technology offerings and invest in utilitarian and experience-oriented technologies to distinguish their services. A comprehensive technology stack can not only help an operator differentiate itself but also attract more customers and increase customer retention.

Flexible Workspaces | India Overview

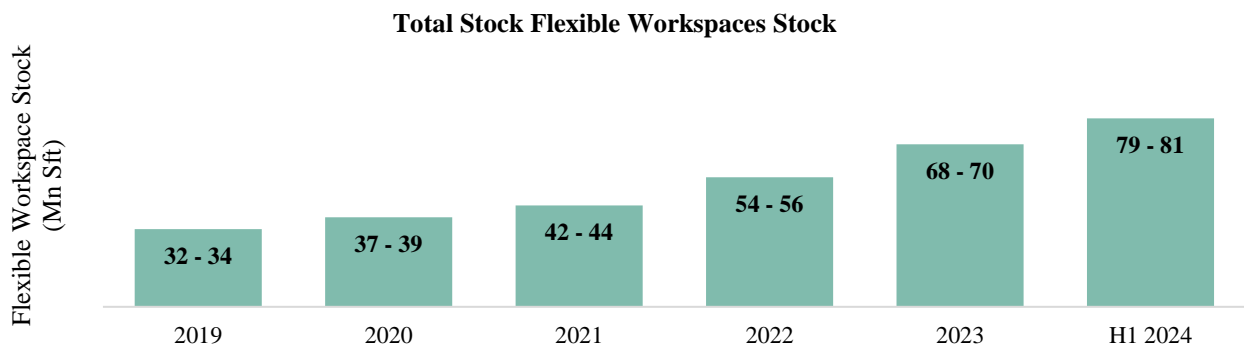
The flexible workspace stock in India currently stands over 79 Mn sq. ft. as of H1 CY2024. While over 85% of this stock is spread across key Tier 1 markets of India, demand for flexible workspaces in Non-Tier 1 cities has also been growing.

The table below provides key statistics on flexible workspaces across India (Tier 1 & Non-Tier 1 cities):

Flexible Workspace Stock in India (Pan India) *	
Operators	440+
Number of Unique Center Locations	1,950+
Flexible Workspace Stock	79 – 81 Mn Sq. ft.

*Data as of H1 CY2024.

The chart provides Y-O-Y total flexible workspaces stock across India (Tier 1 & Non-Tier 1 cities):

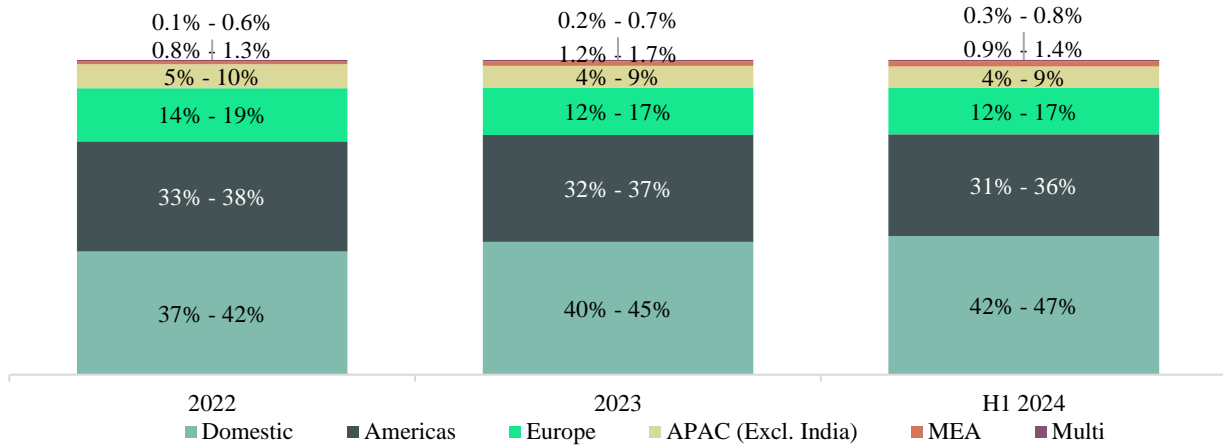


Tier 1 cities in India account for over 72 Mn sq. ft. of the total flexible workspace stock in India (H1 CY2024), with leading Flexible Workspace operators having a presence in most of these cities. The flexible workspace stock in these cities is expected to keep growing in response to the demand from a diverse set of organizations looking to establish or expand their presence in these cities.

The flexible workspace stock in Non Tier 1 cities currently stands over 6.4 Mn sq. ft. (H1 CY2024) and is expected to grow at least for the next few years to cater to the anticipated end-user demand for office spaces in these cities owing to factors such as the implementation of hybrid and distributed work policies by organizations, access to a skilled talent pool at competitive costs, increased focus on employee well-being and retention by organizations, improving infrastructure & connectivity, and the relatively lower cost of living and cost of real estate in these cities.

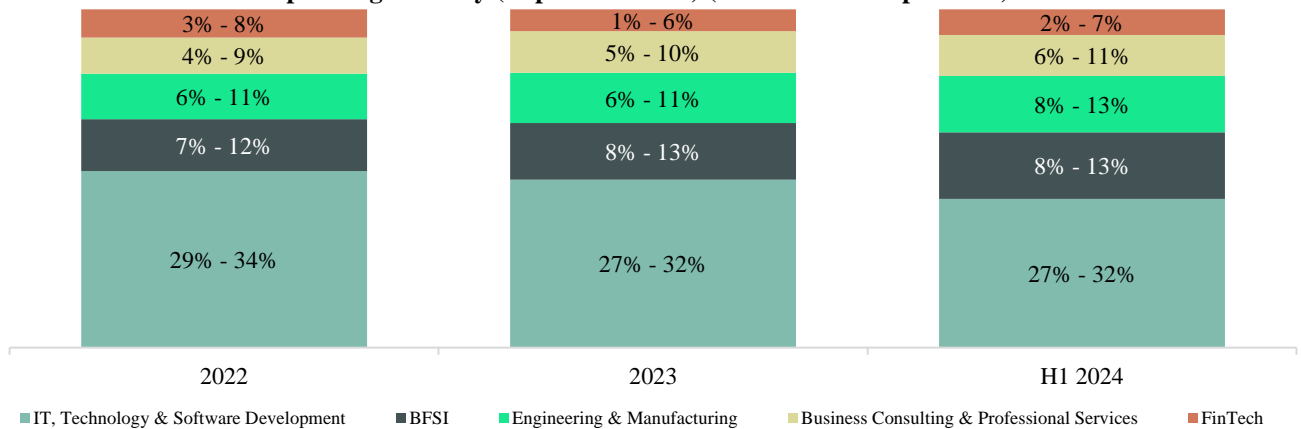
The growth in flexible workspace demand across both Tier 1 and Non-Tier 1 cities is driven by occupier demand across diverse segments including but not limited to large enterprises, MSMEs and, startups.

Percentage of Total Transactions closed in flexible workspaces analysed basis End User Corporate Headquarters (New deals & Expansions)



The demand for flexible workspaces in India has been well distributed between domestic and internationally headquartered organizations. Collectively, Domestic and American-headquartered organizations contributed over 70% of the key new/expansion transactions closed across prominent flexible workspace centers across India over the last 2-3 years.

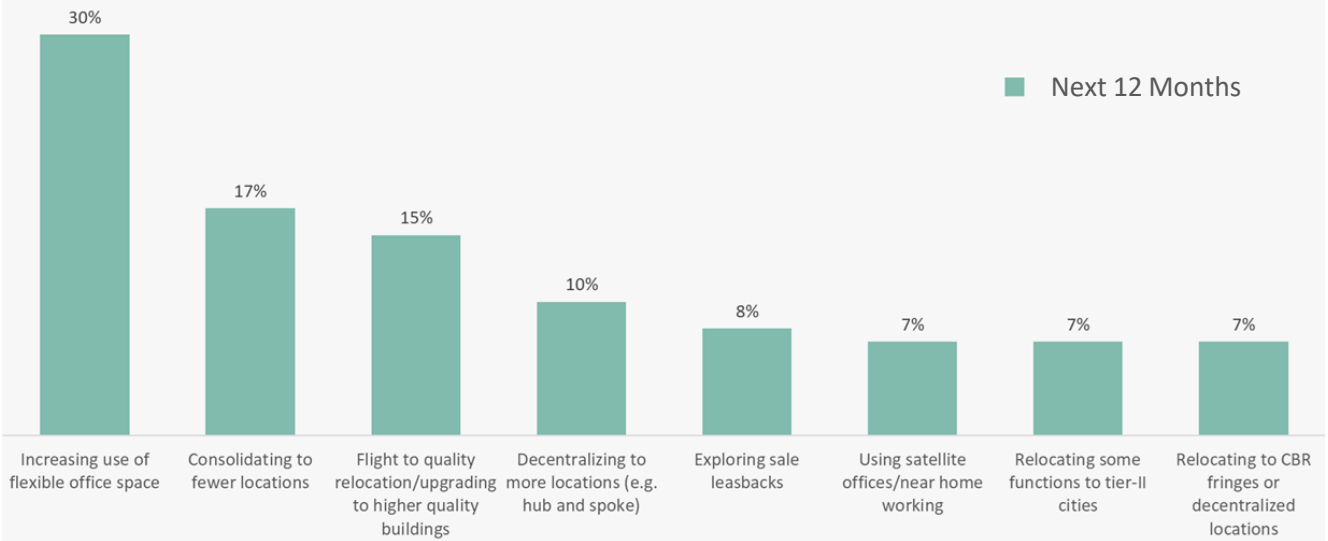
Percentage of Total Transactions closed in flexible workspaces analysed basis End User Operating Industry (Top 5 Industries) (New Deals & Expansions)



From a new/expansion transaction perspective, Technology companies have been the leading demand contributors for flexible workspaces in India followed by BFSI and E&M companies over the last 2 years.

According to the CBRE's India Office Occupier Survey 2024⁸⁷, the post pandemic environment has fostered a stronger emphasis on portfolio agility, driving an increased demand for flexible workspace solutions. Reflecting this trend, about 30% of occupiers identified "expanding their use of flexible office spaces" as their primary portfolio strategy approx. over the next 12 months. While companies across sectors indicated increased usage of flexible workspaces, domestic occupiers indicated a higher preference compared to American corporates.

Which portfolio strategies are you planning to pursue over the next 12 months?



Source: CBRE 2024 India Office Occupier Survey; CBRE Research Q2 2024

¹ Note: The survey was conducted during March-April 2024; Total number of respondents – 70-78*

This was a multiple-choice question. The results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-to-case basis due to their scale, type and location of business operations.

The tenant sector of the respondents are as follows: 36% as technology sector, 19% - banking, financial services and insurance, 10% - research, consulting & analytics, 10% - life sciences, 7% - flexible workspace operators, 5% - engineering and manufacturing, 5% - education, 2% - electronics, 2% - telecom, 2% - infrastructure, real estate & logistics, 2% - telecom & communication.

Region of Origin – 52% - Americas, 36% - Domestic, 10% - EMEA, 2% - APAC

Portfolio Size – 36% - Small (< 1,00,000 sq. ft.); 31% - Medium (1,00,000 – 5,00,000 sq. ft.); 33% - Large (> 5,00,000 sq. ft.)

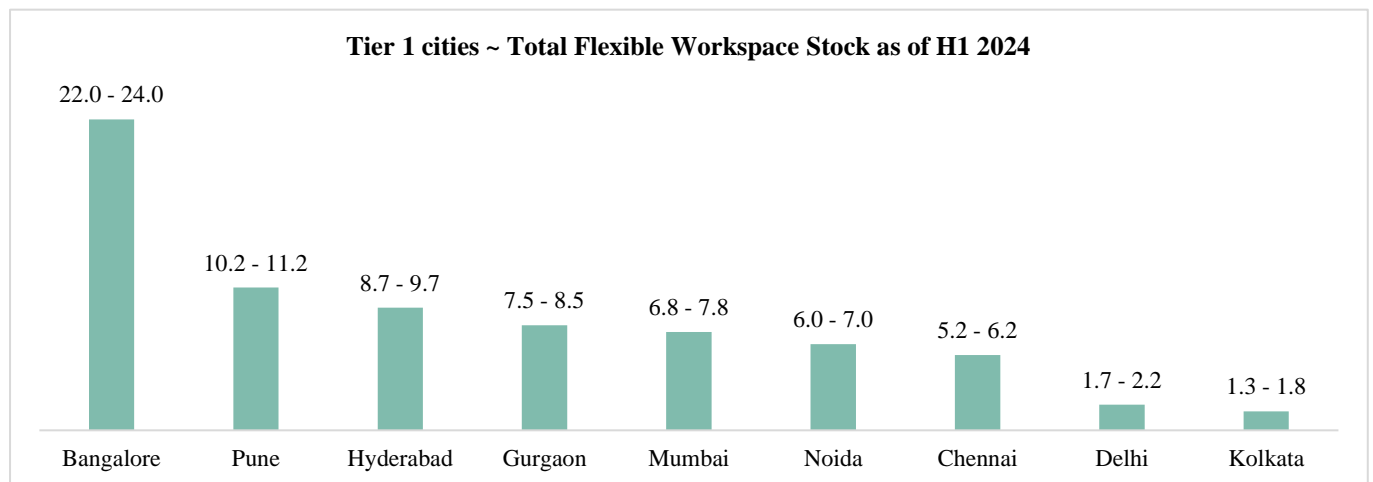
Flexible Workspace Sector Dynamics - Tier 1 Cities

The total flexible workspace stock in Tier 1 cities stands over 72 Mn Sq. ft. as of H1 CY2024. The stock grew from more than 35 Mn Sq. ft. by the end of CY2020 to over 63 Mn Sq. ft. by the end of CY2023. The 23 key clusters identified across Tier 1 cities account for over 70% of total flexible workspace stock in these cities.

Given the diversity of, clients, client requirements and nature of end-user demand, a fair share of the commercial office stock including both multi-tenanted & standalone buildings and Grade A & Non Grade A buildings in the identified key clusters could be considered as potentially relevant stock for existing Flexible Workspace operators in India.

Bengaluru currently is both the largest commercial office and flexible workspace market of India accounting for over 30% of the total flexible workspace stock amongst Tier 1 cities.

While the traditional hubs like Bengaluru, Gurgaon, Mumbai, and Hyderabad continue to be popular markets for flexible workspace operators, markets like Pune, Noida & Chennai have also gained traction in line with the end-user demand.



Tier 1 Cities – Overview of Flexible Workspace Segment (H1 CY2024)

BENGALURU:

Bengaluru serves as a key hub for India's information technology sector, hosting several technology companies, research & development centers, along with multiple emerging startups. It is currently the largest flexible workspace market in the country, with multiple operators having and expanding their presence in the city.

In line with office market trends, flexible workspace operators are looking to expand their footprint in prominent micro markets such as the Central Business District (CBD), Extended Business District (EBD), Outer Ring Road (ORR), and North Bengaluru. The CBD market is preferred for its central location, ease of mobility, and good connectivity, while the EBD is popular for its Grade A business parks, offering larger office spaces and competitive rental rates compared to the CBD. ORR is the city's largest micro-market for commercial real estate, and also has the largest flexible workspace stock in the city.

North Bengaluru is also becoming an increasingly significant market due to its location and the availability of Grade A office spaces, offering options for companies looking to expand or consolidate operations.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspace demand driving Sectors
22.0 – 24.0	16% - 18%	400+	IT/Tech Software development, BFSI, Business Consulting & Professional Services, Retail & E-commerce
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Central Business District <i>MG Road, Vasant Nagar, Residency Road, Ashok Nagar, Langford Road, Richmond Road, Ulsoor, Dickenson Road, Infantry Road, Lavelle Road, Kasturba Road, Vittal Mallya Road</i>		3.5 – 4.0	85+
Extended Business District <i>HSR Layout, Koramangala, Indiranagar, Domlur, Old Madras Road, Old Airport Road</i>		5.0 - 5.5	135+
Outer Ring Road <i>Outer Ring Road, Sarjapur Jn, Kadubesanahalli, Mahadevpura, Marathahalli</i>		6.6 – 7.1	60+
North Bengaluru <i>Bellary Road, Hebbal Road, Yelahanka, Kempapura, Thanisandra Road, Nagwara</i>		2.5 – 3.0	35+

PUNE:

Pune has emerged as a key commercial office market in West India, supported by sectors such as IT/ITeS, BFSI, manufacturing, automobiles, and pharmaceuticals. Pune is witnessing interest from flexible workspace operators owing to the end-user demand, particularly in micro-markets such as the Central Business District (CBD) and the Secondary Business Districts (SBD) East and West.

CBD offers a mix of residential, retail, and office developments, with good connectivity through public transport, including the operational metro. SBD East and West provide lower rental costs compared to the CBD and host several Grade A IT/ITES developments. With metro connectivity improving, these markets are expected to witness increased interest from technology companies and flexible workspace providers.

The city's proximity to financial center and high-quality office spaces contribute to its appeal and may further fuel the demand for flexible workspaces as various organizations look to establish and expand operations in the city.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspace demand driving Sectors
10.2 – 11.2	22% - 24%	155+	IT/Tech Software development, Engineering & Manufacturing, BFSI, Healthcare, & Pharmaceutical, automotive
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Central Business District <i>Koregaon Park, Bund Garden, SB Road, Yerwada, Kalyani Nagar, Shivaji Nagar, Erandwane</i>		2.8 – 3.3	45+
Secondary Business District – East <i>Viman Nagar, Nagar Road, Hadapsar, NIBM, Mundhwa, Wanowrie</i>		2.0 – 2.5	30+
Secondary Business District – West <i>Aundh, Baner, Bavdhan, Pashan, Balewadi, Bengaluru Highway, Kothrud</i>		4.2 – 4.7	50+

HYDERABAD:

Hyderabad has emerged as one of the leading commercial hubs in South India. The city is one of the largest flexible workspace markets in the country, with demand driven by industries such as IT/ITES, consulting, and BFSI. Hyderabad has also attracted new companies looking to set up offices, contributing to overall office space absorption.

IT Corridor is the most active market for corporate tenants, offering strong business and social infrastructure. Owing to the occupier demand, multiple flexible workspace operators have established/are looking to further expand their footprint in this market along with opportunistic expansion in the Ext IT Corridor. The Ext IT Corridor is the second most active micro market with respect to overall office leasing activity and is witnessing interest owing to relatively lower rental costs and large office campus developments.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
8.7 – 9.7	13% - 15%	145+	IT/Tech Software development, BFSI, Business Consulting and Professional Services, Engineering & Manufacturing
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
IT Corridor <i>Kondapur, Madhapur, Gachibowli, HITEC City, Raidurg, Kavuri Hills</i>		6.0 – 6.5	90+
Ext IT Corridor <i>Nanakramguda, Kukatpally, Kokapet</i>		2.1 – 2.6	20+

GURGAON:

Gurgaon is a prominent commercial/IT-ITES office location in Delhi NCR, with a large quantum of office stock serving as headquarters or back offices for multinational companies. Flexible workspace operators are also looking to expand their footprint especially in key locations such as Cyber City, Golf Course Road, and NH8.

Cyber City with its developed social and physical infrastructure, has become the central business district for Gurgaon, hosting multiple large companies and multiple flexible workspace operators.

Golf Course Road has multiple premium office spaces and residential developments, while NH8 has good connectivity via the Delhi-Gurgaon Expressway with prime commercial developments. Multiple Flexible workspace operators may evaluate these markets for expansion in response to the occupier demand.

These markets are expected to continue to witness new supply over the next 3-5 years and new developments in these markets especially Cyber City & abutting locations have been witnessing rising pre-commitments. Markets like Golf Course Extension and MG Road have also started to witness an interest from occupiers and Flexible workspace operators.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
7.5 – 8.5	15% - 17%	175+	IT/Tech Software development, Retail & E-commerce, BFSI, Business consulting & professional services
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Cyber City <i>DLF Cyber City</i>		1.3 – 1.8	20+
Golf Course Road		1.0 – 1.5	30+
NH-8 <i>(NH8 North & South)</i>		0.7 – 1.2	15+

MUMBAI:

Mumbai is considered the BFSI hub of India with demand for office space largely driven by BFSI companies and large corporates. There is occupier interest in flexible workspace solutions as multiple organizations look to optimize their real estate portfolios. Key markets such as Bandra Kurla Complex (BKC), the Western Suburbs, and Central and Eastern Mumbai are experiencing growth in flexible workspaces.

BKC, considered the new CBD, is a preferred market with large presence of clients such as BFSI clients, consulates and multinational technology conglomerates, however, rising rental rates owing to a low volume of Grade A supply are prompting some companies to explore more affordable alternatives in Central Mumbai.

A large part of the talent pool in the city travels from the Western and Eastern Suburbs. With 3 metro lines currently operational in the city giving metro connectivity within Western Suburbs, Andheri is one of the more active & popular choices for corporates considering its cost-effective rents. The maximum flexible workspace stock in Mumbai is currently present in the Western Suburbs 1 market.

Eastern Suburbs is a widely spaced micro-market. LBS Marg continues to be a back-office location with limited Grade A assets, offering cost-optimal solutions within the MMR while Powai is a self-contained township development with a balanced mix of front and back-office occupiers.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
6.8 – 7.8	6% - 8%	190+	BFSI, IT/Tech Software development, Engineering & Manufacturing
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
New CBD <i>Bandra Kurla Complex</i>		0.5 – 1.0	15+
Western Suburbs 1 <i>Vile Parle, Andheri East & West</i>		1.9 – 2.4	50+
Western Suburbs 2 <i>Jogeshwari, Goregaon, Malad, Kandivali, Borivali</i>		1.0 – 1.5	15+
Central Mumbai 2 <i>Parel, Lower Parel, Dadar, Elphinstone Road, Byculla</i>		0.3 – 0.8	15+
Eastern Suburbs <i>Sion, Chembur, Ghatkopar, Vidyavihar, Vikhroli, Powai, Kanjurmarg, Bhandup, Mulund, Wadala</i>		0.5 – 1.0	20+

NOIDA:

Noida is emerging as an important commercial hub in Delhi NCR, supported by improved connectivity and a growing supply of quality/graded office space. There has been an interest from flexible workspace operators in response to the demand from organizations, particularly for back-office operations.

Sector 16 has long been a key commercial market, Sector 16A also known as Film City houses multiple media & entertainment companies. Sector 16B has emerged as the provider of Grade A commercial offices while Sector 62 having standalone buildings along with few Grade A developments. by prominent developers and with the presence of residential catchments in proximity is usually preferred by low-cost IT firms for back-office operations. The market is well connected with NH-24 and the metro.

Noida Expressway, with its Grade A IT parks and SEZs, continues to draw corporate offices. Supported by good road and metro connectivity and owing to the occupier demand it is becoming a popular market amongst flexible workspace operators.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
6.0 – 7.0	24% - 26%	110+	IT/Tech Software development, Business consulting & professional services, BFSI
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Sector 16 & Vicinity <i>Sector 16, 16A, 16B, 18 and other nearby sectors</i>		1.4 – 1.9	30+
Sector 62 & Vicinity <i>Sector 62 and other nearby sectors</i>		1.9 - 2.4	45+
Expressway & Vicinity		2.7 – 3.2	35+

CHENNAI:

Chennai is one of the well-established office market in South India, with demand driven by a growing supply of Grade A buildings. There is demand for flexible workspaces, particularly in Guindy/Off CBD, OMR Zone 1, and the CBD, which are the more preferred markets for flexible workspace operators.

The Off CBD market has limited vacancy in high-quality office spaces and is one of the more preferred markets for SME's, MSME's, multinational and local firms for their front office operations. While demand for the Off CBD market is expected to be steady, especially amongst small to mid-sized offices and flexible workspace operators given the market's locational advantage and ease of commute, there is a limited pipeline of Grade A supply due to limited land availability.

OMR Zone 1 continues to be one of the preferred markets for both occupiers and flexible workspace operators given the availability of high-quality office campuses. Rents are expected to increase as supply remains limited over the next few years. Additionally, the MPH & PT Road markets are also becoming relevant due to the availability of Grade A spaces, attracting interest from occupiers across industries along with flexible workspace operators.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
5.2 – 6.2	10% - 12%	120+	IT/Tech Software development, Engineering & Manufacturing, BFSI
Cluster / Micro Market (Key Sub-Markets/Locations)		Flexible workspaces Stock (Mn sq. ft.)	Number of Unique Center Locations (approx.)
Central Business District <i>Anna Salai, T Nagar, RK Salai, Nungambakkam</i>		1.0 – 1.5	45+
Off Central Business District <i>Guindy, Vadapalani, MRC Nagar</i>		1.4 - 1.9	35+
OMR Zone 1 <i>Thiruvanmiyur, Perungudi, MGR Salai</i>		1.4 – 1.9	20+

DELHI -

Delhi is the oldest commercial hub within NCR, with demand from sectors such as BFSI, public sector organizations, and media. However, new supply has been limited due to a lack of available land, and growth of flexible workspaces has been slower compared to Gurgaon and Noida, owing to relatively limited availability of Grade A commercial office stock, strata sold buildings, high rentals and lower building efficiency, resulting in relatively less demand for office space from large enterprises.

In the coming years, the Aerocity micro-market is expected to see increased activity from occupiers driven by its developed infrastructure, strong connectivity, and proximity to IGI Airport and multiple flexible workspace operators are also evaluating this market for expansion.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible Workspaces demand driving Sectors
1.7 – 2.2	16% - 18%	115+	BFSI, Advertising marketing, and PR, Front/Sales offices for Business consulting/IT firms

KOLKATA -

As a commercial hub of Eastern India, Kolkata is a relatively smaller market compared to other Tier 1 cities in terms of the presence of large occupiers/corporates/MNCs with limited expected supply in the pipeline. Multiple flexible workspace operators are now also evaluating this market for expansion, particularly key locations like Salt Lake, Sector V, and Newtown Rajarhat, owing to demand from organizations looking to establish or expand operations in the city.

Flexible workspaces Stock (Mn sq. ft.)	Flex stock as a % share of Non SEZ occupied office stock (approx.)	Number of Unique Center Locations (approx.)	Flexible workspaces demand driving Sectors
1.3 – 1.8	6% - 8%	45+	Outsourcing and Offshore consulting, Business consulting and professional services, IT/Tech Software development, Engineering & Manufacturing

Flexible Workspace Sector Dynamics – Non-Tier 1 Cities

With over 6.4 Mn sq. ft. of flexible workspace stock as of H1 CY2024, non-Tier I cities are also garnering interest from flexible workspaces operators as these cities look to meet the evolving needs of global and domestic occupiers.

The top 6 non-Tier I cities including Ahmedabad, Kochi, Indore, Vadodara, Jaipur & Coimbatore collectively contribute to majority of the overall Flexible workspace stock in these cities.

Other non-tier 1 cities such as Lucknow, Chandigarh/Mohali, Bhubaneshwar, Trivandrum, Vijayawada, Madurai, Calicut and others may also witness further interest from flexible workspace operators.

Key non-Tier I cities – Overview of Flexible Workspace Segment (H1 CY2024)

Ahmedabad: Ahmedabad, the largest city in Gujarat, serves as an economic hub, hosting corporate offices, financial institutions, and IT companies.

In line with the overall office market activity, flexible workspace operators have also established their presence largely in the SBD market, on the S.G. Highway and Sindhubhavan Road to cater to the demand from IT and business consulting & professional services firms etc. Operators are also evaluating GIFT City for expansion owing to occupier demand from various sectors such as BFSI, Fintech and business consulting & professional service firms.

Number of Unique Center Locations (approx.)	Flexible workspaces Stock (Mn sq. ft.)	Flexible Workspace demand driving Sectors
50+	1.5 – 2.0	IT, Business Consulting & Professional Services, BFSI, Human Resource Services

Kochi: Kochi is considered as one of the key commercial hub of Kerala. Over the last few years, the city has seen the emergence of local startups across sectors such as Technology and FinTech. This, followed by different Government initiatives with a focus towards the office activity, and a growing ecosystem of startups and business has provided diverse opportunities for organizations.

Mirroring office trends, a large part of the Flexible workspace stock in the city is present in CBD - MG Road and SBD - Infopark, Smart City and Kakkanad markets in response to the occupier demand. With an increase in Grade A supply and occupier demand, multiple flexible workspace operators may continue to explore growth/expansion into this market.

Number of Unique Center Locations (approx.)	Flexible workspaces Stock (Mn sq. ft.)	Flexible Workspace demand driving Sectors
50+	0.5 – 1.0	BFSI, IT, Technology & Software Development, Business Consulting & Professional Services, Airlines, Aviation and Aerospace

Indore: Indore was one of the first 25 cities to be developed under the central Government’s ‘Smart City Mission’. (Source: Indore Municipal Corporation, City Overview) and is also a key education hub hosting top national colleges. Office activity in Indore has evolved over the years given its historical significance as a trading centre, its central location, connectivity, Government support for industrialization and infrastructure improvements.

Developers are actively launching new projects in and around Vijay Nagar, with a focus on creating Grade A mixed-use buildings that incorporate both retail and office spaces.

With the entry of corporates and IT companies into the city, Flexible workspaces may be a preferred solution. In response to the end-user demand, multiple flexible workspace operators may continue to explore growth/expansion into this market.

Number of Unique Center Locations (approx.)	Flexible workspaces Stock (Mn sq. ft.)	Flexible Workspace demand driving Sectors
30+	0.4 – 0.9	IT, Technology & Software Development, Business Consulting & Professional Services, BFSI

Vadodara: Vadodara is the third largest city in Gujarat. The city is well connected by rail, and road through NH-8 Highway connecting to Ahmedabad and also serves as an educational hub.

The SBD market, particularly the Sarabhai Campus, is a preferred location for occupiers from engineering and IT sectors, making it a sought-after business hub and multiple flexible workspace operators have also established/ are looking to establish presence in this location.

The evolving social infrastructure and convenient access to the rest of Gujarat enhances Vadodara’s position as a growing commercial destination and multiple flexible workspace operators may continue to explore growth/expansion into this market in response to the occupier demand.

Number of Unique Center Locations (approx.)	Flexible workspaces Stock (Mn sq. ft.)	Flexible Workspace demand driving Sectors
8+	0.4 – 0.9	IT, Engineering & Manufacturing, Business Consulting & Professional Services, BFSI

Coimbatore: Coimbatore is one of the key commercial hubs for textile, engineering & manufacturing companies, and technology firms in the state.

Avinashi Road and Saravanampatti are amongst the established micro-markets in the city with good connectivity, residential catchment, social infrastructure, and the presence of IT/ITeS companies in these locations. Apart from the growth of local companies in the city, new entrants are also opening back offices/satellite offices in the city which may also lead to an increase in the demand for flexible workspace solutions.

Number of Unique Center Locations (approx.)	Flexible workspaces Stock (Mn sq. ft.)	Flexible Workspace demand driving Sectors
30+	0.3 – 0.8	IT, Technology & Software Development, Business Consulting & Professional Services, BFSI, HealthTech

Jaipur: The city has seen the emergence of local startups and the expansion of IT Companies over the last few years driven by infrastructure initiatives, connectivity, and competitive prices.

Jaipur’s connectivity to the National Capital Region (NCR) further adds to its attractiveness for corporate occupiers.

Some of the micro-markets witnessing flexible workspace transactions in the city are Malviya Nagar, Tonk Road, JLN Marg, Airport Area (Sitapura Industrial Area near the airport Road). Owing to the occupier demand, multiple flexible workspace operators may continue to explore growth/expansion into this market.

Number of Unique Center Locations (approx.)	Flexible workspaces Stock (Mn sq. ft.)	Flexible Workspace demand driving Sectors
40+	0.3 – 0.8	Business Consulting & Professional Services, IT, Technology & Software Development, Retail & E – Commerce

Operator Overview – IndiQube

IndiQube is a managed office solutions company that has developed the capability to offer ammenitized and technology-driven workplace solutions of varied sizes ranging from small offices to full buildings along with the ability to provide diverse value-added services to their clients. IndiQube’s capabilities / services include:

- Fit out as a service
- Facility Management
- Asset Renovation
- F&B
- IT Services

IndiQube is amongst the leading Flexible workspace operators in India with presence across multiple cities. The larger share of IndiQube’s total footprint as of 30th June 2024 is in the cities of Bengaluru, Chennai and Pune as a group. (Source: IndiQube)

Bengaluru is the largest flex market in India by Flex Stock and IndiQube is amongst the leading operators in Bengaluru as of June 30th, 2024.

Competition and Benchmarking (Selected Operators in India)

There are over 440 Flexible workspace operators in India, and the top 10 operators (by portfolio size in area Mn sq. ft. H1 CY 2024) including the likes of Smartworks, WeWork India, Table Space, Awfis, and IndiQube, collectively contribute to majority of the total Pan India flexible workspace stock most of which is spread across multiple cities.

For the purpose of this exercise, we have picked the operators that are already listed or have filed DRHP/RHP for listing with the regulatory authorities and have a portfolio of around 5 Mn sq. ft. as of 31st March 2024 (basis information made public by the benchmarked operators). The operators currently meeting the aforementioned criteria are AWFIS and Smartworks. The operators have been benchmarked against IndiQube in the section below based on multiple financial and operational parameters.

Competitive Landscape – Key Operational Parameters

Parameters	IndiQube	Smartworks	Awfis
Total no. of Cities	12	13	17
Total no. of Tier I Cities	7 (Bengaluru, Chennai, Gurgaon, Hyderabad, Mumbai, Noida, Pune)	9 (Bengaluru, Chennai, Delhi, Gurgaon, Hyderabad, Kolkata, Mumbai, Noida, Pune)	9 (Bengaluru, Chennai, Delhi, Gurgaon, Hyderabad, Kolkata, Mumbai, Noida, Pune)
Total no. of Non-Tier I Cities	5 (Coimbatore, Jaipur, Kochi, Madurai, Vijaywada)	4 (Ahmedabad, Jaipur, Indore, Kochi)	8 (Ahmedabad, Bhubaneswar, Chandigarh, Guwahati, Indore, Jaipur, Kochi, Nagpur)
Total no. of Centres	85 [#]	41	181
Occupancy for mature centers (>12 months)	90.06%	86.77%	84.00%

Note: The data is provided as of March 31, 2024, basis information available in the public domain, DRHP/RHP Documents, Annual Reports, MCA and across company websites For IndiQube – All data points are received from IndiQube

[#]No. of centres for IndiQube are reflected basis number of individual buildings/ towers in their leased portfolio as of 31st March 2024.

Key Financial Parameters

Parameters	IndiQube	Smartworks	Awfis
Annual Revenue ⁸⁸ INR Mn FY 23-24	8,676.60	11,131.10	8,748.03
Operational Revenue INR Mn FY 23-24	8,305.73	10,393.64	8,488.19
Annual EBITDA (INR Mn) ⁸⁹	2,263.36	6,596.70	2,714*
Cash EBIT/Adjusted EBITDA (INR Crores) ⁹⁰	113.32	106.03	97

Note: The data is provided as of March 31, 2024, basis information available in the public domain, DRHP/RHP Documents, Annual Reports, MCA and across company websites For IndiQube – All data points are received from IndiQube.

⁸⁸ Inclusive of revenue from flexible workspaces, construction & fit-out projects, design and build solutions.

⁸⁹ EBITDA means earnings before interest, tax, depreciation, and amortization, calculated as restated profit / (loss) before tax plus finance costs, depreciation, and amortization expenses less other income.

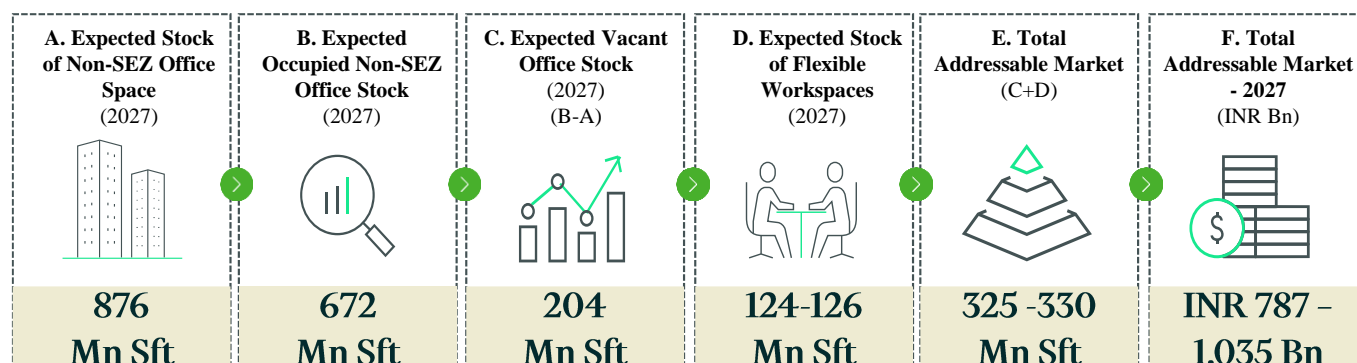
⁹⁰ 1 Crores = 10 Mn

*EBITDA for Awfis is inclusive of other income i.e. INR 259.8 Mn reported as part of the annual report. For other operators, EBITDA excludes other income.

Projections for Flexible Workspaces

Demand for flexible workspaces here refers to space taken up or stock addition by flexible workspace operators within the commercial office segment. An assessment of space take-up historically as well as space take-up projections by flexible workspace operators over the forecast period to 2027 has been undertaken.

The projections outlined are an estimate only, not a guarantee, and should not be relied upon. Future projections can be influenced by a wide variety of factors.



Supply Projections / Market Sizing Assessment Methodology

The total stock of approximately 853 Mn sq. ft. of office spaces in Tier 1 cities in India comprises both SEZ and non-SEZ office stock.

The below table provides an assessment of overall non-SEZ office supply trends in Tier 1 cities in India as well as projections for supply over the forecast period:

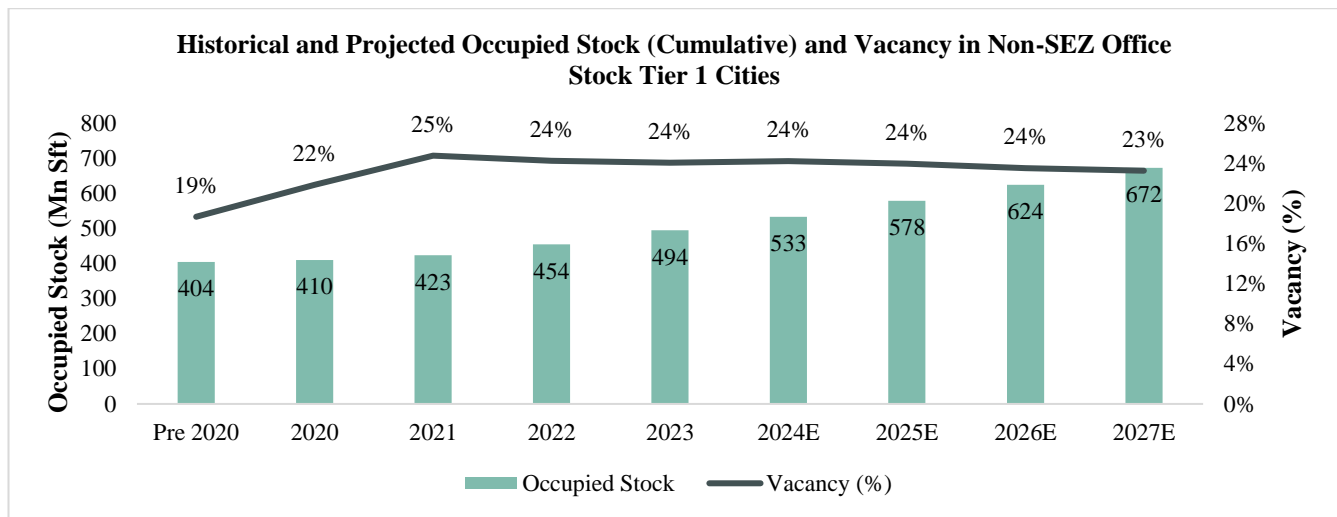
Y-o-Y Supply (Mn sq. ft.) at an India Tier 1 city level						Projected India Tier-1 city supply (Mn sq. ft.)			
City	Pre 2020	2020	2021	2022	2023	2024 E	2025 E	2026 E	2027 E
Non-SEZ Office Stock (Mn sq. ft.)	497	28	38	37	51	53	56	56	60
Cumulative Non-SEZ Office Stock (Mn sq. ft.)	497	525	563	599	651	703	760	816	876

The above estimates are based on the current and historic supply and demand trends for the office market. It assumes that the market continues to display similar characteristics over the forecast period. Forecasts are inherently uncertain, and not a guarantee.

The projections for the years 2024 – 2027 were estimated considering the growth rate of office witnessing during the recent years along with the current upcoming supply pipeline. The year-on-year growth rate of the cumulative stock of office ranged between 6% - 8% between pre 2020 to 2023. This assumes that similar growth is experienced over the forecast period, and market conditions remain stable.

Considering the above analysis, approximately 55 – 60 Mn sq. ft. of average annual supply addition of non-SEZ Office Stock is expected at an India level over the forecast period to 2027 and reach 876 Mn sq. ft. by 2027E, with the majority concentrated in the top 9 Tier 1 cities.

The graph below provides an assessment of overall non-SEZ office occupied stock and vacancy trends in Tier 1 cities in India as well as projections for the occupied stock/vacancy for the next 3 – 4 years:



Source: CBRE Research, H1 CY2024

Future supply estimates are based on analysis of proposed and under-construction buildings, however, future absorption estimates are derived basis of past trends, current vacancy, and estimated supply. Historical data and projections provided for 2024, 2025, 2026 and 2027 across all indicators are based on CBRE's opinion of the current/historic market situation and availability of information in the public domain, any changes to the market situation may impact the forecasts. Several factors like global macroeconomic uncertainty, geopolitical climate, pace of construction, and developer profile/execution capability may have a significant impact on forecast estimates mentioned above. Considering the risk factors, forecasts are likely to change with periodic reviews given the evolving situation.

Vacancy levels are expected to be range-bound to current market trends owing to the balance between the absorption of existing supply, the introduction of new supply in the market and estimated future demand in the short-medium term.

Projections for occupied stock are based on forecasted commercial office stock levels and vacancy percentages. There was an increase in vacancy levels in 2020-2021 witnessed largely due to the impact of the COVID-19 pandemic, higher levels of existing supply and consolidation of space by BFSI and IT tenants. In 2022, the sector recorded the highest leasing activity since the peak of 2019, leading to a marginal dip in vacancy levels. Since then, the vacancy levels have been range-bound as of H1 CY2024.

Outlook for Flexible Workspace Sector in India

India has witnessed growth in demand for flexible workspaces. Flexible workspace stock addition by operators has witnessed growth over the years and approximately 12 – 14 Mn sq. ft. of stock was added in 2023.

Features and benefits such as flexibility, capital efficiency, cost optimization, employee well-being and operational outsourcing are some of the key demand drivers of Flexible workspace solutions amongst both startups and corporate enterprises. Through a widespread network of centres across the country, a variety of different service offerings and with the assistance of various inhouse or aggregator owned hybrid digital products, leading flexible workspace operators possess the ability to support various organizations in a more effective implementation of their hybrid and distributed working policies.

Estimation of Future Additional Stock Expected in Flexible Workspace Segment

- Projections have been made for the overall flexible workspace stock until 2027 and the total expected market size (total stock for a particular year) of the flexible workspace segment in Tier 1 cities has been arrived at by summing up the expected net stock addition for all the Tier 1 cities.

The table below outlines the Y-o-Y trends and projections for stock under flexible workspaces for all Tier 1 cities in India:

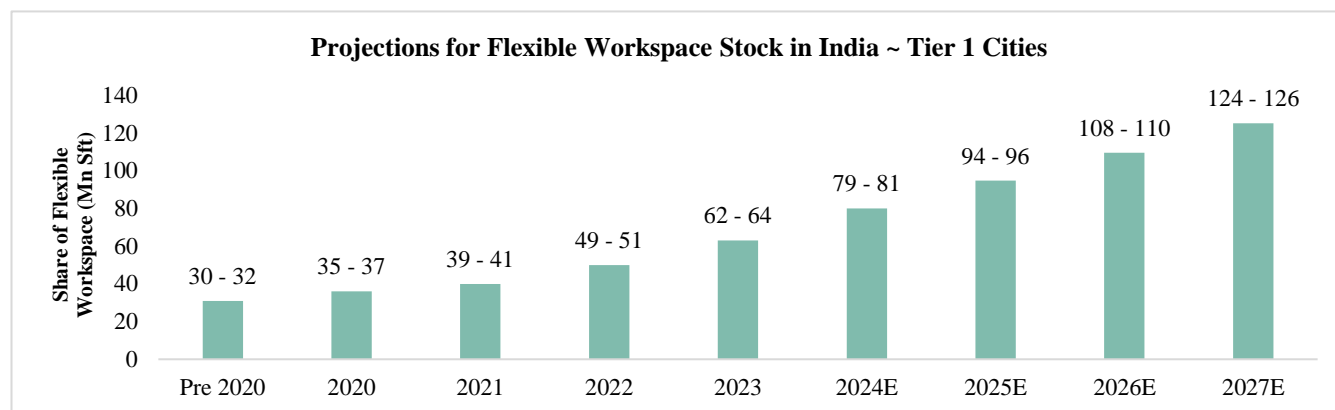
Y-o-Y additional supply and total Stock (Mn sq. ft.) of Flexible Workspaces for India Tier 1 Cities	Projections for stock addition (Mn sq. ft.)								
	Pre 2020	2020	2021	2022	2023	2024 E	2025 E	2026 E	2027 E
Total Stock (Mn sq. ft.)	30 – 32	35 – 37	39 – 41	49 – 51	62 – 64	79 – 81	94 – 96	108 – 110	124 – 126
Y-o-Y Stock Addition (Mn sq. ft.)	30 – 32	4 – 6	4 – 6	9 – 11	12 – 14	15 – 17	14 – 16	14 – 16	14 – 16

The above estimates are based on the current and historic supply and demand trends for the office and flexible workspace markets. It assumes that the market continues to display similar characteristics over the forecast period. Forecasts are inherently uncertain, and not a guarantee. Please note, a range of approx. 2 Mn sq. ft. has been considered for the above table with the purpose of represented / standardization across data projections.

The total flexible workspace stock ranging between 62 - 64 Mn sq. ft. by the end of CY2023 is forecast to grow to approximately 124 - 126 Mn sq. ft. across Tier 1 cities by the end of CY 2027. These forecasts are in line with the flexible workspace operator annual net stock addition trends over the past few years and aim to project the future stock addition from operators in line with the expected demand from end users and foreseeable office supply that could be available to Flexible workspace operators.

Projections for Flexible Workspaces Stock in India

The projection for market size for flexible workspaces in India for all the top 9 tier 1 cities is outlined below:



Total Addressable Market (TAM) for flexible workspace segment

TAM for flexible workspaces is defined as the existing/estimated area taken up by flexible workspace operators within the overall office inventory, plus the vacant stock of non-SEZ office spaces that is available for take-up in the market both by flexible workspaces and other CRE end users/companies.

As illustrated above, the total office stock of non-SEZ office space is expected to be approximately 876 Mn sq. ft. while the occupied stock is expected to be approximately 672 Mn sq. ft. by 2027E.

It is also known that the current stock of flexible workspaces within the office stock is over 72 Mn sq. ft. (H1 CY 2024) across Tier 1 cities which is estimated to be approximately 124 - 126 Mn sq. ft. by end of CY2027E.

The Total Addressable Market for the flexible workspace segment is expected to be approximately 325 - 330 Mn sq. ft. by 2027.

Parameters	2027E
Total Stock (Non-SEZ Office) by 2027E – Mn sq. ft.	876
Total Occupied Stock (Non-SEZ Office) by 2027E- Mn sq. ft.	672
Vacant Stock (Non-SEZ Office) by 2027E- Mn sq. ft.	204
Expected Stock of Flexible Workspace in 2027 E (Tier 1)	124 – 126
Total Addressable Market for Flexible Workspace by 2027E – Mn sq. ft.	325 – 330
Total Addressable Market for Flexible Workspace by 2027E – ₹ Bn	787 – 1,035
TAM Calculation (₹ Bn)	
Weighted Average Rent for Non-SEZ Stock (India Level) – ₹/sq. ft./month	105.6
Space owner Rent to Seat Price Multiple (Lower End)	1.9
Space owner Rent to Seat Price Multiple (Upper End)	2.5
Total Addressable Market (Lower End) – ₹ Bn	787
Total Addressable Market (Upper End) – ₹ Bn	1,035

The above estimates are based on the current and historic supply and demand trends for the office and flexible workspace markets. It assumes that the market continues to display similar characteristics over the forecast period. Forecasts are inherently uncertain, and not a guarantee.

With expected vacancy of approximately 204 Mn sq. ft. within the non-SEZ office stock and estimated level of total stock occupied by flexible workspaces (124 - 126 Mn sq. ft.) by 2027E, the total addressable market (“TAM”) for the flexible workspace operators represents a sizeable opportunity of 325 - 330 Mn sq. ft. (in terms of area) and ₹ 787 – 1,035 Bn* (in terms of value) by 2027.

*Calculated basis the average revenue per sqft that a mature facility managed by a leading operator is usually able to realize in India in an average Grade A building priced around a weighted average rent of Non-SEZ Stock mentioned above in key cluster, times the total TAM.

Potential Threats and Challenges associated with the Flexible Workspace Sector

The flexible workspace industry has witnessed considerable growth over the past few years. However, despite the consistent growth, there are inherent risk factors associated with this segment:

- **Market Saturation Risk:** As more players enter the flexible workspace market, the risk of market saturation increases. This can lead to heightened competition, downward pressure on pricing, and challenges in attracting and retaining clients, potentially reducing profitability for operators.
- **Economic Uncertainty:** General economic conditions have the ability to impact the demand for office and flexible workspaces. A downturn in economic conditions could impact on demand for flexible workspace. Events like COVID-19 may force companies to impose work-from-home protocols and reduce their usage of office spaces which may directly impact the revenues and occupancies for flexible workspaces.
- **Client Churn Risk:** Since most of the clients/end users sign up for flexible workspace solutions for the short-medium term, operators have to pre-empt client churn/exits and identify new customers that shall acquire the churned/vacated space. During economic downturns or during a market slowdown, it may become difficult for flexible workspace operators to retain existing short-term customers and find new replacement customers for the vacated space. This may lead to risks associated with vacancy including strained cashflows for the facility.
- **Supply Limitation:** In times of high demand for office spaces by both end users and flexible workspace operators, it may get difficult for the operators to be able to acquire quality supply and scale at pace due to supply crunch. This could impact or delay the flexible workspace operators' expansion plans.
- **Operational Risk:** As the operator is relying on a number of factors to drive a facility's revenue and profitability, variations across critical metrics such as market rentals for office space, cost of utilities and operations and the cost of fit-outs may have the potential to significantly impact the overall pricing dynamics and profitability. These variations or fluctuations may have an impact on the overall occupancy cost, timelines and stabilization period and can impact key operational metrics for a facility such as the Payback period and operational revenues.
- **Asset Liability Mismatch:** Coworking operators usually sign up long-term leases with landlords to provide short – medium-term flexible office solutions to some of their end-user clients. A high concentration of such short-term commitments in the operator's client mix creates risks associated with asset-liability mismatch. Such risks can be mitigated to some extent by having a larger proportion of an operator's portfolio offered to enterprise grade customers on a medium to long-term basis.
- **Concentration Risk:** In some cases, it has been observed that operators may offer their entire facility to a single or small number of end-user clients. This is usually observed in cases of demand-led managed office transactions. This can lead to concentration risk where if the solo or any major customer leaves or defaults, it may significantly impact operator cashflows for that facility. This risk can be mitigated or circumvented to some extent by offering a facility to multiple clients where a single client or a few clients may not have the ability to impact the facility's revenue, profits and cashflows consequentially.
- **Rent Variations:** Flexible workspace operators like any other space lessee, may face the risk of an upward movement in the building lease rental post the expiry of their original lease tenure. This is more likely to happen in markets/buildings facing high demand for commercial office space with limited supply. In case the operator wants to continue in the same space for another term post the expiry of the original tenure in a high-demand market, the operator may face the demand for a higher rent from the landlord which may make it unviable for the operator to continue in the same space. This risk may impact business continuity planning for any lessee. To mitigate this risk, the operators can try to incorporate renewal/extension terms in the primary lease agreement with the landlord, if possible.

Understanding Unit Economics for a Typical Managed Office

To assess the operating dynamics for a typical managed office, CBRE studied a facility with a leasable area of approximately 70,000 sq. ft. Further, a seat density of 60 sq. ft. on a leasable area has been considered for evaluating the expected number of seats for the centre. All assumptions provided below have been taken as per typical market standards seen for a speculative centre providing a quality experience in an established micro-market of a Tier I city. The overall assessment has also been carried out using the above assumptions for the centre occupancy for a short to medium-term horizon.

Operator Side – Key Assumptions

All the values in the subsequent tables are in INR as of H1 CY2024.

S No.	Parameters	Comments
Capital Expenditure		
A	Cost of Fit-out	INR 2,300 per sq. ft. on leasable area based on cost benchmarks for fit-out for a typical flexible workspace center
B	Total Upfront Cost	Total upfront payment including fit-out cost and 5 months security deposit to the landlord
Recurring Expenditure		
C	Rentals to the space owner	Rentals of INR 98 / sq. ft. / month (basis market standards)
D	CAM charges to space owner	CAM Charges of INR 15 / sq. ft. / month (based on market standards)
E	Operating expenses	OPEX Charges of INR 36 / sq. ft. / month (based on market standards)
Revenue		
F	Revenue from Seats	Based on per-seat prices at a 2.4x multiple of the operator-to-owner rentals, 85% stabilized occupancy
G	Other Revenues	Typically ranges between 1-10%. Net revenue of 4-5% has been considered after adjusting for associated cost

Notes:

- All the charges mentioned above are on the leasable area
- Typical space owner rent-to-seat price multiple seen in the range of 1.9 – 2.5; Multiple has also been ratified using the cost plus margin approach. Additionally, an assessment of 2-3 stabilized centers across Tier 1 cities has been carried out to ratify the multiple ranges.
- Occupancy assumptions based on occupancy levels and timeframe to achieve occupancy seen in a successful center in an established micro-market. Occupancy at the time of commencement of operations is to the tune of 20-25%, and steady-state occupancy is 85%. The stabilization period of 11-12 months has been considered as per market standards.
- Average seat density of 60 sq. sft. Per seat has been considered for the center on leasable area
- Developer's Rent-free period of 4 months has been considered for assessment. Escalations in revenue have been considered at 5% annually. Rental payout to the developer undergoes a 15% escalation every three years.
- It is assumed that 70% of the transactions for the center have been carried out by IPCs leading to a weighted average brokerage of 3-5% of Total Contract Value against an average lock-in period of 24-36 months
- Asset Rental represents the weighted average India-level rentals for Non-SEZ stock across Tier 1 cities
- A fitout refresh cycle of 5 years has been considered, post which the operator is expected to incur 30-40% of fit-out cost as a refurbishment expense every 5 years
- The overall assessment excludes any impact of interest and taxation.
- Kindly note the sample unit economics model prepared is solely for representation purposes for a single centre and might not reflect portfolio level averages for the industry

The assumptions illustrated above have been utilized for assessing the expected cashflows for the operator under a straight lease model. The average EBITDA margin for the operator after factoring in refurbishment cost and other costs such as marketing and brokerage is approximately 24-25%. Further, the payback period for the operator is expected to be 48-49 months from the fit-out commencement cycle and nearly 45-46 months from the date of operations.

The Importance of Value-Added Service

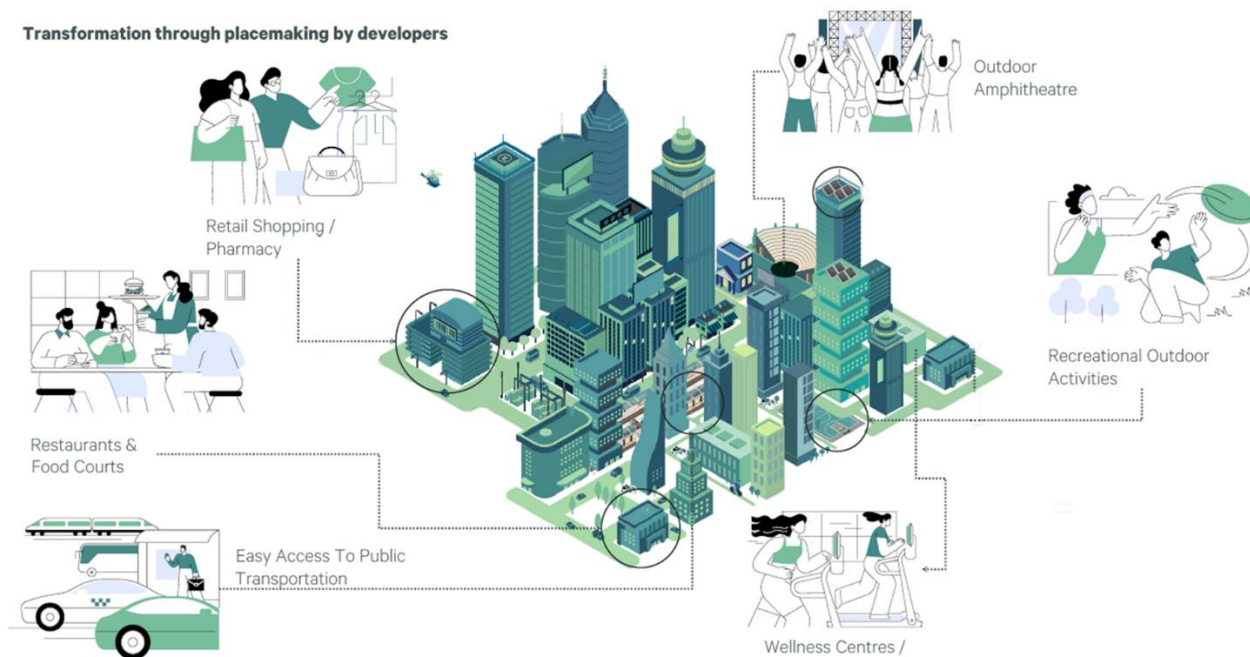
Over the last two decades, the segment of commercial real estate has evolved. Previously, the market was dominated by traditional landlords developing and managing standalone buildings tailored to the basic requirements of occupiers. However, rising demand for investment-grade office space and changing occupier preferences, have led to the emergence of developers creating campus-style office developments designed to meet evolving needs of occupiers.

Further, post-COVID-19 there has been a shift in occupiers' preferences and employees' expectations with the rising need for modern workplaces supported by improved technology and enhanced workplace experiences that enable hybrid working policies. Office parks have started focusing on amenitization and the creation of collaborative environments; supported by technology interventions to create better in-office experiences.

The flexible workspaces segment has also seen growth and evolution over the last few years. There has been an upscaling of centres and a shift towards highly amenitized formats for office developments, with the multiple operators' increasing focus on value-added services and amenities across their centres.

Amenitization of Commercial Office Buildings: Shift Towards Campus Style Developments

Developers are increasingly focusing on placemaking and incorporating amenities that enhance overall occupiers' experiences by going beyond the functional utility of office spaces. The amenities in these parks are diverse, comprising of support retail including various F&B options, banks, creches, gyms, and clubhouses. This evolution in office development shows the importance of holistic tenant-centric planning in the commercial real estate sector.



The image above has been provided for visual representation purposes only and is not intended to resemble any actual office park/commercial development.

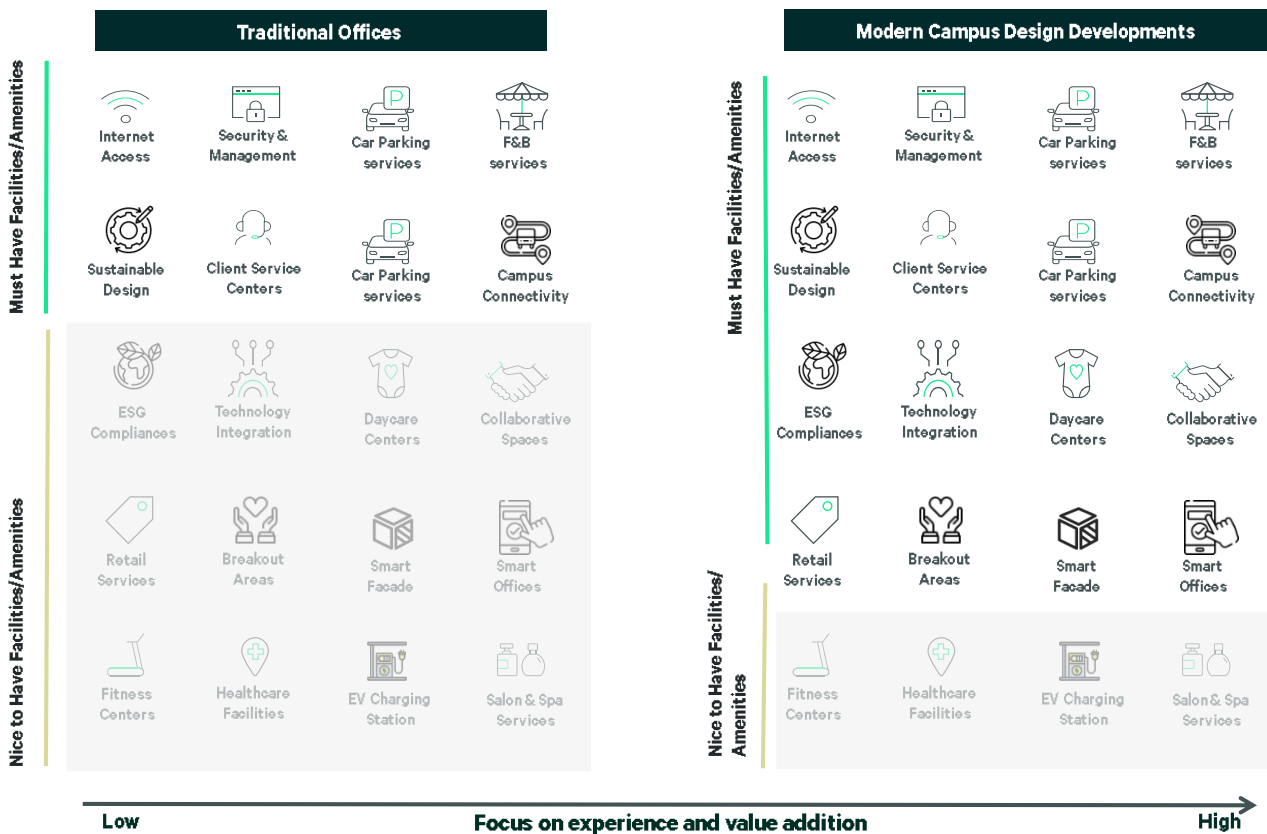
Level of Integration of Facilities and Amenities for a Commercial Office

Level of Integration	Enablers	Implications
Ecosystem Level	<ul style="list-style-type: none"> • Social infrastructure • Physical infrastructure • Ease of commute and connectivity • Digital interventions 	Delivers quality experience for both occupiers and employees and boosts the attractiveness and marketability of the development
Cluster Level	<ul style="list-style-type: none"> • Retail and F&B area allocation • Campus aesthetics and landscaping • Seamless block connectors • Sustainability and compliance 	Facilitates ease of access and better circulation fostering communities to connect, collaborate, and thrive

Building Level	<ul style="list-style-type: none"> • Drop-off and arrival areas • Green spaces and façade • Parking and break-out spaces • Building efficiency and design features 	Enhances the overall user experience and assists in delivering an efficient asset that is in line with the needs of the occupiers
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Modern commercial offices are being developed with a focus on placemaking, aiming to deliver quality-grade experiences. This approach integrates elements such as modern and sustainable designs, and hospitality experiences combining both work and leisure at the same time. Preference and acceptance of such formats have been seen with the introduction of such integrated commercial development.

Occupiers are now evaluating a holistic and sustainable commercial asset that caters to their changing needs and fosters enhanced employee experience. This has led to developers/landowners accommodating additional nice-to-have facilities and amenities as part of their portfolios to meet the growing needs for a modern office by occupiers.



Integration of value-added services and amenitization has enabled the developers to enhance user experience and the overall marketability of the product. In addition to food and beverage, developers are looking to integrate other retail offerings such as supermarkets, electronics stores, daycare centres and banks along with other support retail amenities.

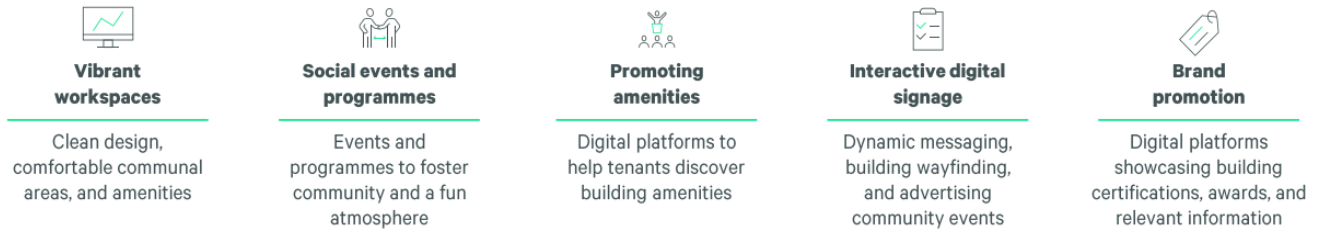
Further, developers are not only focusing on the aesthetic utilitarian buildings and campuses but starting to intently focus on the aspects of placemaking across small-medium scale developments. Placemaking spans planning, designing, and managing spaces that inspire and promote collaborative spaces contributing to an elevated employee experience.

Employee Experience as a Key Focus

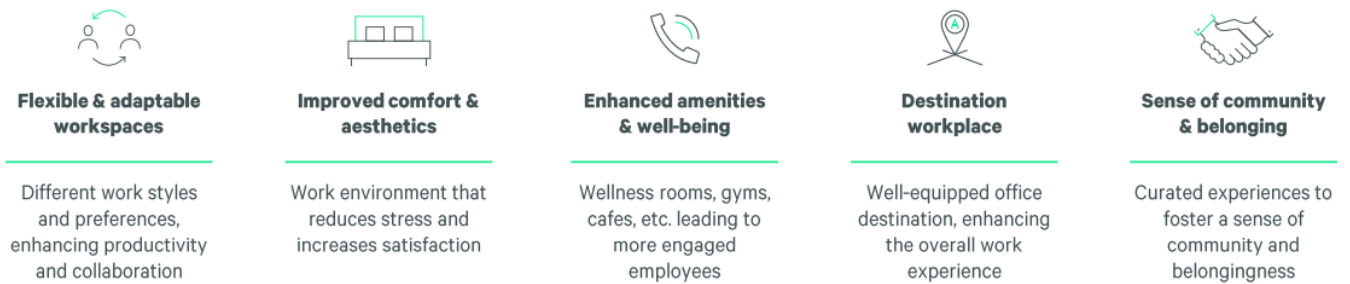
As discussed in previous sections, Occupiers are likely to emphasize enhancing employee experience⁹¹ to attract and retain a quality workforce. Occupiers are looking for offices with dedicated areas to connect, create and focus along with support amenities enabling more collaboration, training, food, and beverage options and dedicated social spaces. Along with employee wellbeing, experience curation and hospitality-centric facilities and services are key elements of employee experience, as elaborated below.

⁹¹ Employee experience encompasses the overall individual's journey within an organization. It considers all touchpoints – from onboarding and business engagement to role satisfaction and leadership support to exit process.

1) **Experience Curation – Space Activation and Community Building:** Space activation at the workplace aims to develop vibrant and engaging workspaces that create community, encourage collaboration and are likely to enhance employee experience. This is achieved through the integration of collaborative areas spread across the offices aimed to promote social interaction.



2) **Hospitality Integration – Service-led Delivery:** Integration of hospitality-centric services and amenities enables good design aiming to enhance user experience, to prioritise service, comfort and convenience. Developers are looking to focus on enhanced experiences by introducing augmented services and amenities. These can include flexible workspaces, concierge services, better aesthetics, dedicated tenant lounges and bars, onsite food and beverages, and wellness programs.



Source: CBRE Research, *Employee Experience – Pathway to Reimagining Workspaces*, July 2024

Impact of Rising Consumer Expenditure on Commercial Real Estate

The shift in the developer strategy to focus on providing an experience that is driven by the evolving consumer behaviour in India. With increasing income levels, Indian consumers are now looking to enhance their lifestyle and are directing some share of their household expenditure to retail and experiences.

India’s per capita income has shown a consistent upward trajectory, with increased consumer purchasing power. The per capita Gross National Income in India grew from INR 1,17,131 in FY2017 to INR 2,08,633 in FY2024, registering a Compound Annual Growth Rate (CAGR) growth of 8.6% over this period. (Source: Ministry of Statistics & Programme Implementation, Government of India, Provisional Estimates of Annual GDP for 2023-24 and quarterly estimates of GDP for Q4 of 2023-24, May 2024, Economic survey 2023-2024)

The household consumption expenditure in India has grown from INR 81.7 trillion in FY2016 to INR 164.2 trillion in FY2023, growing at a CAGR of 10.5% during the period. India’s per capita private final consumption expenditure has increased from INR 63,807 in FY2022 to INR 69,528 in FY2024. The rise in per capita private final consumption expenditure reflects improved living standards. (Source: Ministry of Statistics and Programme Implementation, May 2024)

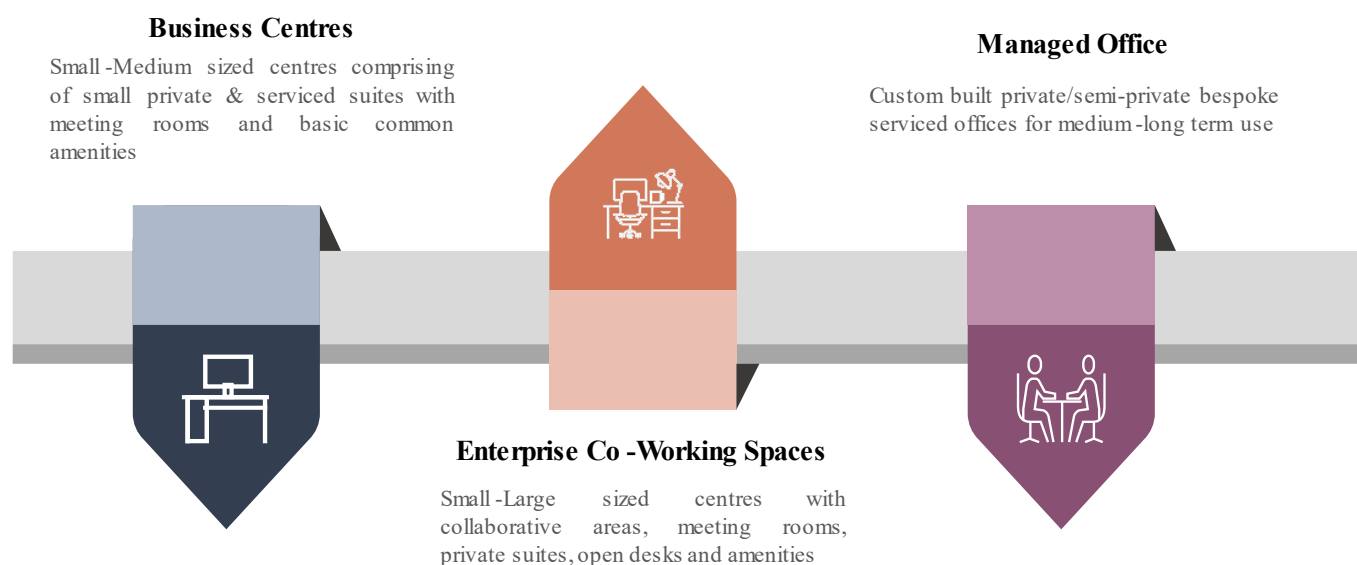
With the increase in consumption expenditure across key segments such as F&B, Clothing, and Transport, the Indian consumer is likely to spend more on quality, variety, and convenience coupled with more experiential offerings. Subsequently, brands are offering experiential services and products to consumers catering to their needs.

Evolution and Ancillary Revenues in Flexible Workspace Offerings

Flexible space offerings in India have evolved significantly over the years. In its early days, the sector was mostly dominated by business centres, which primarily consisted of small private suites, meeting rooms, and basic functional amenities such as vending/coffee machines, printing machines, and stationery.

With the introduction of enterprise coworking solutions, the operators started designing and building larger, more amenitized and technology-enabled centres. Along with private suites and offices, these centres also have open-layout seating and larger common areas to encourage and enable collaboration, networking, and community events.

While business centres and enterprise coworking spaces continued to co-exist and grow, managed office solutions i.e., custom-built, private, and fully serviced office space solutions also started becoming popular with enterprise customers, eventually laying the foundation for the origination of the Managed Campus concept. Managed Campuses aim to combine the privacy, flexibility, and customization of a managed office solution with the benefits and experience of an amenitized and technology-enabled office campus.



Ancillary revenues are revenues that the operator generates from its clients over and above the standard membership fee by providing additional value-added services. Some common sources of ancillary revenue for flexible workspace operators can be:

- **Meeting rooms, conference rooms:** Additional revenue generated from meeting/conference room usage by members and non-members.
- **Event Space:** Revenue from providing space, services, and infrastructure within the operator's facility for hosting events for members and non-members.
- **Training Rooms:** Additional revenue generated from training room usage by members and non-members.
- **Parking Charges:** Revenue generated from providing parking facilities to members.
- **On-demand or Hybrid Digital Solutions:** Revenue generated by providing hot desks and meeting rooms on an hourly or daily basis while providing access to common amenities of the center.
- **Virtual office:** Revenue generated from selling virtual office packages to enterprises and entrepreneurs
- **Sale of additional credits:** Revenue from selling additional credits to existing members that enable them to book meeting rooms, conference rooms, take printouts, etc.
- **Non-standard Internet/ IT services:** Revenue from providing additional IT services like dedicated Internet.
- **Revenue from chargeable amenities like gym, creche, and retail stores, within the facility:** Revenue from providing members access to paid on-site amenities such as gymnasiums, creche/daycare centers, retail shops, etc.

As per the industry average, these ancillary revenue categories provided by the operators have been observed to usually range between 0% <= Ancillary revenue <=10 % of the overall revenue generated by the centre. However, the proportions of ancillary revenue may vary across the operator's portfolio of centres depending upon the product format i.e., managed office, business centre, enterprise coworking, along with the nature of space take-up i.e., demand-backed built-to-suit offices or speculative space take up, the scale of centre, the focus on and scale of amenities being offered and the client mix in a centre i.e. startups, free-lancers or enterprises.

These value-added services may help improve the customer experience and may help enable customer retention. Higher focus by operators on their value-added services may enhance their competitiveness. These ancillary revenue sources allow the opportunity to flexible workspace operators to diversify their income and enhance the value proposition for their clients. Some flexible workspace operators have also developed the capability to provide design & build, F&B and facility management-related services to clients for their self-leased/owned offices.

Fit-out as a Service (FaaS)

The value proposition of the Fit-out-as-a-Service solution by flexible workspace operators is that multiple leading flexible workspace operators have designed, built, and managed multiple customized offices for their clients, that take managed office solutions from them. This experience may help them create and deliver well designed, compliant and cost-efficient offices for organisations that may be looking to have an own/self-leased whose fitouts are executed and managed by a third party.

The fact that the core business of flexible workspace operators is to design, build, and manage offices for multiple customers may allow them the ability to hold fit-out inventory, have well-negotiated vendor contracts along with having set templates and processes in place. Additionally, a grip over compliances, full-time delivery teams on payroll, etc. assist in building cost and design efficient offices at a quick pace, enabling these flexible workspace operators to effectively compete with other service providers. Certain FaaS providers may also have partnerships enabling fitout financing for their clients.

The market size of Fit out-as-a-Service segment comprises the total quantum of net absorption⁹² excluding leasing from flexible workspaces along with the expected refurbishment⁹³ throughout the year.

Mentioned below are few potential advantages and disadvantages of opting for FaaS from an occupier perspective:

Advantages	Disadvantages
<p>End-to-End Integration and Single Point of Contact: The service provider⁹⁴ streamlines the fit-out process by serving as the single point of contact between vendors and occupiers, facilitating seamless integration of all services. This approach ensures comprehensive management and coordination of the entire project thereby, making the whole process hassle free for the occupiers.</p> <p>Economies of Scale and Cost Efficiency: The service provider may be able to capitalize on economies of scale to secure better procurement deals. This may result in cost-effective fit outs that maintain high standards of quality. Their extensive industry experience and relationships ensure competitive pricing and superior service delivery.</p> <p>Quick Delivery of Large Spaces: Leveraging reserve stock/inventory and extensive experience, the service provider may be able to deliver large-scale spaces quickly and efficiently. Their established relationships with contractors and vendors can enable honoring of short delivery timelines without compromising on quality.</p>	<p>Restricted Control: Businesses may have control on certain design aspects; however, the overall delivery timeline and output quality depends upon the service provider. Occupiers can overcome this by clearly outlining the design requirements, quality, expectations, delivery timelines in the contract and by including provisions for regular progress reports and reviews.</p> <p>Integration Challenges: Ensuring seamless integration of the design with existing infrastructure and accommodating future modifications can be challenging, requiring meticulous planning and coordination for both the occupier and the service provider. This can be mitigated by having detailed planning sessions, encouraging designs that allow for future modifications, scheduling regular coordination and meetings between the team and service provider.</p> <p>Dependency on Providers: Reliance on external service providers can lead to potential issues of quality control, timelines, and alignment with business objectives. Can be mitigated by conducting a thorough research and vetting before selecting a service provider by checking their track record, references, and portfolio to ensure reliability and quality.</p>

⁹² Net Absorption represents total office space known to have been let out to tenants or owner-occupiers excluding the space that has been vacated, during the survey period.

⁹³ Refurbishment includes the quantum of supply that is available for re-leasing, churn and renewals throughout the year. Further, it has been observed that the quantum/scale of refurbishment might vary depending on the nature of wear and tear of the space during lease period. Refurbishment refers to the process of renovating and improving a property to enhance its functionality and value. This includes structural repairs, updating electrical and plumbing systems, modernizing interiors, enhancing energy efficiency, and improving exterior features with a goal to restore and upgrade the property to meet current standards and market demand.

⁹⁴ The service provider includes developers, project management consultants, flexible workspace operators and third-party vendors.

This service enables companies to delegate the non-core task of designing, building and managing their office spaces to specialized providers.

The emphasis on retail areas across the commercial office segment along with the changing nature of expenditure and consumer preferences are also expected to continue the transformation witnessed in the real estate sector. This may drive demand for developments emphasizing holistic consumer experiences with hospitality-centric amenities and facilities. To capitalize on changing dynamics, developers and operators may also evaluate to strategically align their offerings in response to consumer preferences for convenience and quality experience.

Annexure

Company Definition

Company Type	Definition
Start-up	Indian company, with < 5 years of existence and <500 employees
SME	Indian company, with >5 years of existence and <500 employees
Corporate/MNC	Indian company, with >500 employees OR Company headquartered outside India, irrespective of years of existence and no. of employees
Freelancer	Individuals

Abbreviations:

Term	Description
APAC	Asia Pacific
BFSI	Banking, Financial Services and Insurance
CAGR	Compounded Annual Growth Rate
CAM	Common Area Maintenance
CPI	Consumer Price Index
CY	Calendar Year
DRHP	Draft Red Hearing Prospectus
EMEA	Europe, Middle East, and Africa
ESG	Environmental Social Governance
F&B	Food & Beverage
FaaS	Fit-out-as-a-Service
FAR	Floor Area Ratio
FDI	Foreign Direct Investment
Flex	Flexible Workspace
FY	Financial Year
GCC	Global Capability Centre
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GST	Goods and Services Tax
HNI	High Net-worth Individuals
IMF	International Monetary Fund
INR	Indian National Rupee
MMR	Mumbai Metropolitan Region
Mn	Million
MNC	Multinational Corporations
NCR	National Capital Region
OMR	Old Mahabalipuram Road
ORR	Outer Ring Road
PMAY	Pradhan Mantri Aawas Yojana
psf	per sq. ft.
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SEBI	Securities s& Exchange Board of India

SEZ	Special Economic Zone
SME	Small-Medium-Enterprises
sq. ft. or sf or sft	sq. ft.
Stats	Statistics
TAM	Total Addressable Market
USD	United States Dollar
Y-o-Y	Year-on-Year