

WORKPLACE INSIGHTS REPORT

Understanding workspace trends
that lead to a brighter CRE future



**May
2022**



Contents

1. Prelude to the discussion	2
2. Reflecting on the rise, descent, and rise of the CRE industry	3
• Pre-pandemic years that promised a bright CRE future	4
• How pandemic blurred the future of the CRE industry?	5
• Post-pandemic Recovery	6
3. Trends that will redefine the CRE industry: What do the experts say?	7
• Anurag Mathur, CEO, Savills Into the future: Outlook for CRE in 2022	8
• Shubhankar Dongre, Co-Founder, Zapkey and Propstack CRE Tailwinds to watch out for in 2022	9
• Revant Bhate, Co-Founder & CEO, Mosaic Wellness- Flex Workspaces: The game changer for start-ups in 2022.	10
4. What future can we envision for the CRE?	11



Prelude to the discussion

The year 2020 brought unprecedented changes in everyone's life. The repercussions of the pandemic still lurk around us. The way we live, and work has undergone major transformations during these 2 years. CRE was one of those industries that were experiencing significant growth before the pandemic. The initial months of the pandemic were as challenging for the CRE industry as it was for many others. However, the industry revamped its strategies to accommodate gaps now created between new customer needs and the market's offerings.

As we look forward to the year 2022, the future of the CRE industry looks brighter than ever. To understand the outlook for the CRE industry in 2022 and what drives it, we invited industry leaders and experts to our podcast series- ThoughCast. During this series, we found answers to:

1

How does the future of the CRE industry look like in 2022 and the years following?

2

What workspace trends followed during the pandemic will remain the epicenter of post-pandemic workspace strategies?

3

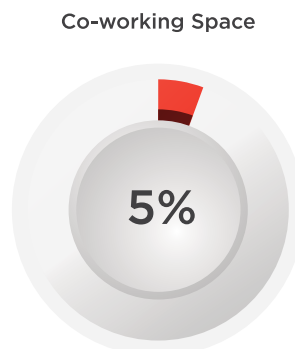
How will the workspace strategies implemented by start-ups redefine the CRE future?

Reflecting on
the rise, descent,
& rise of the
CRE industry

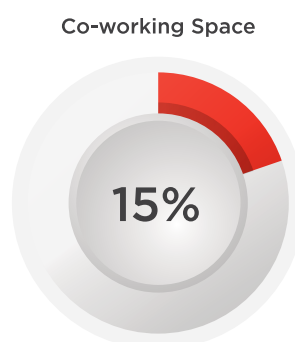
Pre-pandemic years that promised a bright CRE future

The CRE industry was in a strong position before the onset of COVID-19 and the following figures speak for themselves. The year 2019 witnessed a total Private Equity inflow of \$970 million into Indian retail, and commercial realty attracted the maximum private equity investments, totalling nearly \$3 billion in the first three quarters!¹

Talking about co-working, it had grown from having a 5 percent share in overall office leasing activity in 2016-17 to about 15 percent in 2019.² The demand for office space from the IT/ ITeS sector and co-working operators were driving the leasing of workspace to an all-time high at 60.6 million sq ft across India.³ Out of this huge space, co-working operators had leased 8.1 million sq ft office space alone across six major cities- **Delhi-NCR, Mumbai, Bengaluru, Hyderabad, Chennai, and Pune.**⁴



Overall office
Leasing Activity 2016-17



Overall office
Leasing Activity 2019

This accelerated growth of the CRE industry was not only led by the growing consumer demands but also due to the government initiatives, such as Make in India, and other reforms in the realty sector, such as the introduction of the Real Estate Regulatory Authority (RERA) and GST. At this point, the industry leaders were only eyeing higher growth given the favourable market trends and government aid. Only little did they know about the storm that would freeze their goals.



How pandemic blurred the future of the CRE industry?

The pandemic significantly slowed down the growth of the CRE sector. The demand in the CRE industry went down to the lowest in 4 years' time. The demand for new office space in six cities in India, which were the major contributors, went down by 30% in 2020 from the previous year.¹

With offices shut down, businesses condensing, and the end of the pandemic nowhere near, co-working spaces remained stranded for months. However, after a few months, the CRE industry felt a respite.

At a time when companies were struggling to find businesses, it was important to cut costs to survive in the market. As a result, organizations were compelled to relook at their workspace strategies.

Work from home model helped them achieve it to a great extent. But this model had its own drawbacks overpowering its advantages. Employees now craved in-person collaboration & teamwork. As a result, hybrid work culture originated.

However, organizations did not want to own money-draining permanent offices but rather rent workspaces that could be used as per their needs. With multiple benefits offered to both- organizations and employees equally, flex workspaces became the new trend in the market. And that's when the CRE industry started gaining its lost growth momentum back.

Post-pandemic Recovery

As the world was slowly recovering and gradually unlocking economic activities, there was an increased demand for co-working space by offices. In fact, the first two quarters of 2021 saw increasing demand for office spaces from major cities. Then India was hit by the second wave that turned out to be innocuous for the CRE industry. The transaction volume by the end of quarter 2 of 2021 stood at 39% YoY growth compared to last year.¹

Cities that majorly contributed to CRE growth again saw an increase in demand for new office space supply between January- June 2021. But the demand generation was not only limited to these cities.

One surprising trend that the post-covid CRE industry noticed was an increasing demand for office spaces (co-working & flex) from tier-2 and tier-3 cities of India. Hybrid work culture now offered organizations and employees to work from anywhere. Expanding co-working spaces in tier-2 and tier-3 cities now allowed organizations to diversify their talent pool in a cost-effective manner. While employees enjoyed working from their homes or centers nearest to their homes.

Flex workspaces were one of the major factors responsible for boosting demand in the CRE industry. The co-working space leasing activity showed a tremendous increase of 42 percent YoY in 2021, with co-working offices reckoning for 15 percent of all India office spaces by year-end.²

Source: 1. Mordor Intelligence 2. Savills India 3. Savills India



The year 2021 witnessed a gross absorption of approximately **1,75,000 seats** pan-India, which in the year 2022 was projected at **2,50,000 seats**. Co-working spaces are also expected to grow with a CAGR of **29 percent since 2017**, crossing **3,000 co-working centers** with a million workstations by the end of 2022.³

A close-up photograph of a person's hand holding a dark pen, pointing at a bar chart on a document. The chart features several blue bars of varying heights. The background is slightly blurred, showing what appears to be a person's shoulder and part of a white shirt. A dark grey rectangular box is overlaid on the left side of the image, containing the main title text.

**Trends that will
redefine the CRE
industry: What do
the experts say?**

Into the future: Outlook for CRE in 2022



Anurag Mathur
CEO
Savills India

Anurag Mathur is the CEO of Savills India, a full-service real estate consultancy specialising in services across a wide range of asset classes in India, including commercial, office, residential, and industrial, among others. He has an extensive experience of 24 years of working in the CRE industry across various managerial roles and leading teams.

1. Positive signs shown by economy:

After the havoc created by the second wave, Indian businesses were all poised to reopen in full swing, making it necessary for CRE to swiftly adapt and rethink the way they operate. With the economy showing increased signs of recovery, majority of the population fully vaccinated and the workforce returning to offices, CRE's growth was expected to go only higher from 2022.

2. Investors regaining confidence in the CRE industry:

As the country was recovering from the consequences of the second wave, it was hit by another one. Fortunately, the severity of the third wave was low and businesses got a chance to breathe after repeatedly being hit by two devastating covid waves. Since then, even the investor sentiments remained positive and investor confidence in the CRE industry and economy has only grown optimistically.

3. Organizations revising their workspace priorities for the future:

Pandemic introduced businesses to new ways of working. Organizations now realized that they need not provide just a space to work but a place that fosters creativity, productivity, and safety for their employees. Many organizations re-prioritized their workspace objectives and revised the strategies to suit not only them but also their employees.

CRE Tailwinds to watch out for in 2022



Shubhankar Dongre

*Co-Founder & CEO,
Zapkey and Propstack*

Shubhankar Dongre is the Co-Founder and CEO of Zapkey, a unique digital platform that facilitates online trading of homes; and Propstack, a leading real estate, and finance tech, data, and workflow solutions platform. He is a data enthusiast and real estate expert. He successfully married his passion and expertise to create innovative digital applications that simplify the lives of CRE customers through data.

1. Response to uncertainty by different scales of organizations:

Pandemic was an unprecedented event for every business yet, large organizations were privileged enough to be a spectator of what this crisis unfolded. The major blow was suffered by small and medium-sized businesses.

2. Introducing new ways of working amidst pandemic:

As a response to the pandemic, workspace strategies across organizations underwent significant changes. Hub and flex workspace became the top choice among organizations, leading to a reduced footprint of permanent offices. Businesses could now save operational costs and spend only when and if workspaces were necessary.

3. The growing popularity of flex workspaces:

Upon realizing that work from home isn't sustainable in the long run due to a lack of human touch, organizations then began exploring flex workspaces like never before. As a result, not only did SMEs prefer flex workspaces, but even large organizations hopped on the bandwagon. The organizations' priorities changed, and they were now looking at providing flexibility to their employees as well as to themselves in the long run. The conclusion? Flex workspaces were here to stay even after the pandemic and will continue to remain a major part of workspace strategies.

Flex Workspaces: The game changer for start-ups in 2022



Revant Bhate
Co-Founder & CEO,
Mosaic Wellness

Revant Bhate is the Co-Founder and CEO of Mosaic Wellness, a family of purposeful health platforms that provide personalized solutions. He previously worked with Rebel Foods, Elara Capital and Yes Bank before kick-starting his own venture in the year 2020. He is an IIM alumnus and completed his BE in Computer Science.

1. Increasing importance of startups in shaping CRE's future:

Start-ups in India are growing exponentially. With 61,400 start-ups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT) and still counting, we can expect an upward trend in employment opportunities. Moreover, data suggests that Indian start-ups have been able to create an estimated 40,000 new jobs since 2020, taking total jobs in the start-up ecosystem to 1.6- 1.7 lacs! These figures prove how workspace strategies rolled out by start-ups are crucial for the CRE industry's future.

2. Startups' response to the pandemic:

Start-ups tweaked their workspace strategies to combat covid. During government-imposed lockdowns, working from home was the only way. However, when mandatory lockdowns were lifted, start-ups wanted to introduce a more employee-friendly work model that was also cost-efficient for them.

3. An ideal work model for every startup:

Start-ups being financially constrained were open to exploring options. They wanted to shift from contemporary office spaces that would only add up to their costs at a time when business was uncertain. Flex workspaces were their instant solution. These workspaces were beautiful, had all the necessary amenities and facilities, offered the flexibility of use, and were cost-efficient. All these attributes made flex workspaces an ideal workplace for start-ups, even in the long run.

**What future can
we envision for
the CRE?**

An unprecedented crisis revolutionized the way we worked. Technology, safety, and flexibility were the core values of workspace strategies devised during the pandemic. These values not only helped organizations navigate through a tough time but also looked promising enough to remain a major part of workspace strategy in the long run. As more organizations (small, medium, and large) rely on shared and flex workspaces, not just in tier-1 but also in tier-2 and tier-3 cities, the demand is likely to increase. It's time for office workspace

providers to prepare themselves to serve this growing demand in the market. With the right amalgamation of technology, safety, and flexibility offered, the workspace solution providers will pioneer the growth of the CRE industry going forward.







awfis

14 CITIES | 131 CENTRES | 77,500 SEATS

All the opinions expressed by the experts are their own and do not reflect the opinions of Awfis Space Solutions Private Limited. The participants' opinions are based upon information they consider reliable, but Awfis Space Solutions Pvt Ltd does not warrant its accuracy, and it should not be relied upon as such.