
Flex-space market size expected to touch 126 million sqft, addressing a USD 9 billion market by 2028: Avendus Capital

Mumbai, March 22, 2024

Avendus Capital, India's leading Investment Bank for private equity advisory, released a comprehensive report on how flex workspaces are disrupting the Indian office market. According to the report, India's commercial real estate market will see strong demand to push adoption of flex workspaces, leading the sector to grow up to ~126 million sqft at a 15% CAGR, addressing a USD 9 billion market by 2028. This growth is expected to garner the attention of all categories of investors – growth capital, private equity, real estate, HNIs and family offices, venture debt and structured credit.

The flex workspace market in India is dominated by product-led operators offering flexible office solutions across the spectrum. Sectors like IT & ITeS, BFSI, consulting, e-commerce, manufacturing, and new-age startups, along with the continuous influx of global captive centers (GCCs) are driving demand. Taking up space from a flex workspace operator can lead to ~15%-20% cost savings for the occupier, as compared to traditional leasing. Enterprises moving to a location-agnostic, asset-light real estate strategy and work-from-anywhere policies will drive the growth of flex workspaces in India.

On unveiling the report, **Prateek Jhavar, Managing Director and Head, Infrastructure and Real Assets Investment Banking, Avendus Capital** commented, "The Indian office market has remained largely immune to global macro & sectoral headwinds. As more enterprises explore the remote workplace policy, we are seeing a broad shift towards flexible and modern office solutions. With demand being robust, the biggest challenge for flex workspace operators could turn out to be locking-in quality real estate supply in the central business districts of the top 7 cities at favourable rents. We expect at least 4 mature players to list in the next 2-3 years."

While there is high flex penetration across the top 7 Indian cities, the sector is poised for pan-India expansion, as there is rising demand across all major office markets at different price points. Large enterprises are looking for satellite offices. MSMEs, unicorns and startups are looking for cost-effective office solutions and are opting for flex workspaces in peripheral business districts of Tier I and some tier II cities, owing to their affordable prices. Average per desk cost in prominent micro-markets of Tier I metro cities like Mumbai, Bengaluru and Delhi NCR are >50% higher than the prominent micro-markets of other cities.

REPORT RELEASE

Release Date: March 22, 2024

Contact: Lynette D'souza

Tel: + 91 9920847823

Email: lynette.dsouza@avendus.com

Avendus Capital

Regd. Office: 901, Platina, 9th Floor, Plot No. C-59,
Bandra Kurla Complex, Bandra (E), Mumbai-400 051,
India

Currently, flex workspace operators are enjoying 30%-35% stable-state, center-level IRRs in both co-working and managed offices. As the industry matures, the returns profile of the industry is expected to gradually stabilize more towards 20% - 25% IRR levels, which would still be much higher than what some other real asset classes provide.

The industry is at an interesting juncture. Operators of scale will keep scouting for inorganic opportunities to enter newer micro-markets, scale up faster and build a pan-India presence. Quite a few of them are expected to hit the market and tap patient growth capital from institutional investors.

This report is part of a series of thought leadership pieces from Avendus on emerging real asset derivatives like flex workspaces, co-living, student housing, education infra and life science assets, among others.

About Avendus

Avendus Group is a leading financial services firm with a presence in the areas of Investment Banking, Institutional Equities, Wealth Management, Credit Solutions and Asset Management. Established in 1999 in Mumbai, India, Avendus is today present in 10 cities across India, US and Singapore. Avendus partners with the Indian entrepreneur ecosystem to provide differentiated solutions that enable clients to meet their strategic aspirations.

Avendus Capital, the investment banking arm, is consistently ranked among the top investment banks in the country on the back of its in-depth domain understanding and a best in the class track record of domestic and cross-border transactions. Avendus' wide range of clients is testimony to its ability to serve its corporates throughout their life cycle – growth stage funding, large-sized transactions, M&A advisory and access to public markets.

Avendus Capital Inc located in New York is an Avendus Group entity offering M&A and Private Equity syndication services to clients in the US. For more information, please visit www.avendus.com

REPORT RELEASE

Release Date: March 22, 2024

Contact: Lynette D'souza

Tel: + 91 9920847823

Email: lynette.dsouza@avendus.com

Avendus Capital

Regd. Office: 901, Platina, 9th Floor, Plot No. C-59,
Bandra Kurla Complex, Bandra (E), Mumbai-400 051,
India