

PRESS RELEASE
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Total addressable market for flex office spaces in India is estimated to rise to 240 msf, surpassing Rs. 600 billion in value by March 2027: ICRA

- **Share of flex space operators to more than double to 12.5%-13.5% by March 2027**
- **India's flexible workspace sector is set to witness five major IPOs, to raise over Rs. 7,000 crore**

ICRA expects India's flexible (flex)/co-working office supply to increase at a healthy CAGR of 21-22% during FY2025-FY2027 and reach ~125 million square feet (msf) by March 2027 (from ~80 msf as of December 2024) for the top six cities (Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai Metropolitan Region (MMR) and Pune). This segment, which has seen one successful initial public offer (IPO) in 2024, is set to witness five major IPOs in the next 12-18 months, which are projected to raise over Rs. 7,000 crore.

Giving more insight, **Anupama Reddy, Vice President and Co-Group Head, Corporate Ratings, ICRA**, said: *"The flex office supply for top six cities has more than doubled to over 67 msf as of March 2024 from 32 msf as of March 2020. ICRA projects it to further expand to 121-125 msf by March 2027. The demand for such spaces has increased at a brisk pace - driven by flexibility, short-lease tenures and lower upfront cost in terms of capex for tenants. The share of flex workspaces in the commercial office segment (non-SEZ) is expected to double to 12.5-13.5% in FY2027 from 5.3% in FY2020. While several flex office operators entered the space in recent years, the market remains organised with the top five players accounting for 40% of the flex office space in FY2024."*

Leasing activity remained strong for flex workspaces with absorption of ~13 msf against supply of ~14 msf in FY2024, supported by healthy demand from enterprise clients, start-ups and domestic corporates. This trend reduced the vacancy levels by 300 bps to 17% as of March 2024 from 20% as of March 2023. Despite the influx of a huge supply of 17-19 msf in the flex workspace each from FY2025 to FY2027, ICRA expects vacancy to remain range-bound at 16.5-17% by March 2025 and improve to 15.5-16.5% by March 2026 and March 2027.

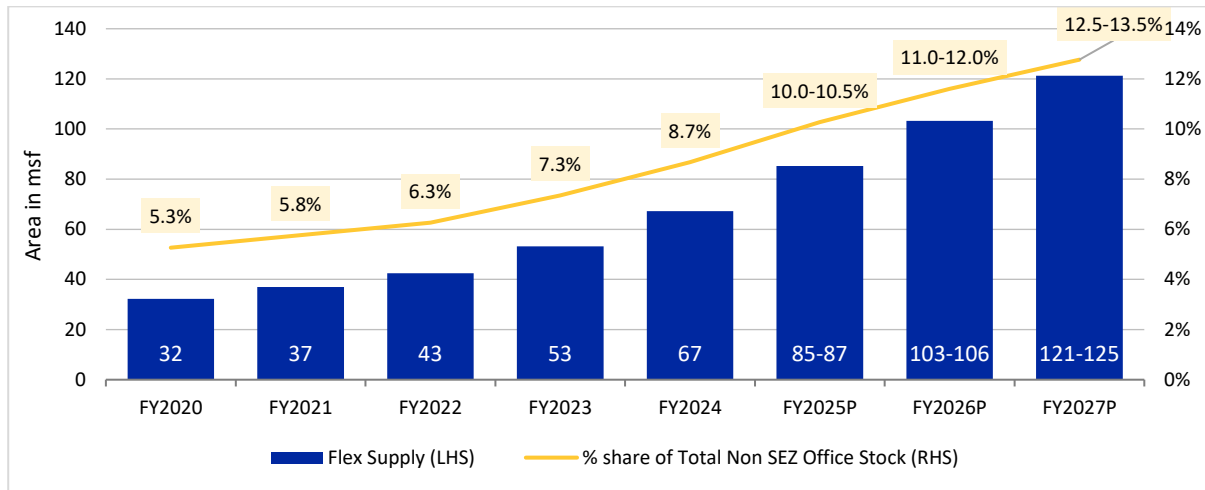
The business model of flex workspaces in India started in 2017. During 2018 and 2019, many operators aggressively launched new centres as flex workspaces became popular with start-ups and small and medium enterprises (SMEs) and became established proof of concept. However, with the onset of the Covid-19 pandemic, flex operators were among the worst hit with significant decline in occupancies due to large exposure to retail tenants and implementation of work-from-home policies. Post pandemic, the rise of hybrid work models and desire for diverse work settings saw a significant revival of the flex segment in 2023 and 2024. As of December 2024, there are over 450 flex operators in India with more than 2,000 unique centre locations. The top five players account for 40% of the total flex supply. Bengaluru has the highest supply of both commercial office and flexible workspace markets in India, accounting for 32% of the total flexible workspace supply across the top six cities.

The segment is poised for healthy growth in the medium term due to its ability to meet the evolving needs of businesses, offering flexibility, cost-effectiveness, and a range of amenities. Notwithstanding handsome growth witnessed by flex office operators, the segment remains exposed to the high lease renewal risk (given short tenure leasing), increasing competitive intensity, availability of quality supply of office spaces at attractive locations and exposure to cyclicity in the real estate sector.

IT/ITeS firms have been the leading demand contributors for flexible workspaces in India, followed by engineering and manufacturing, and start-up companies over the last two to three years. The top three segments – IT/ITeS, engineering & manufacturing and start-ups accounted for around 67% of the flex-space leasing in 2024. *"This segment has seen one*

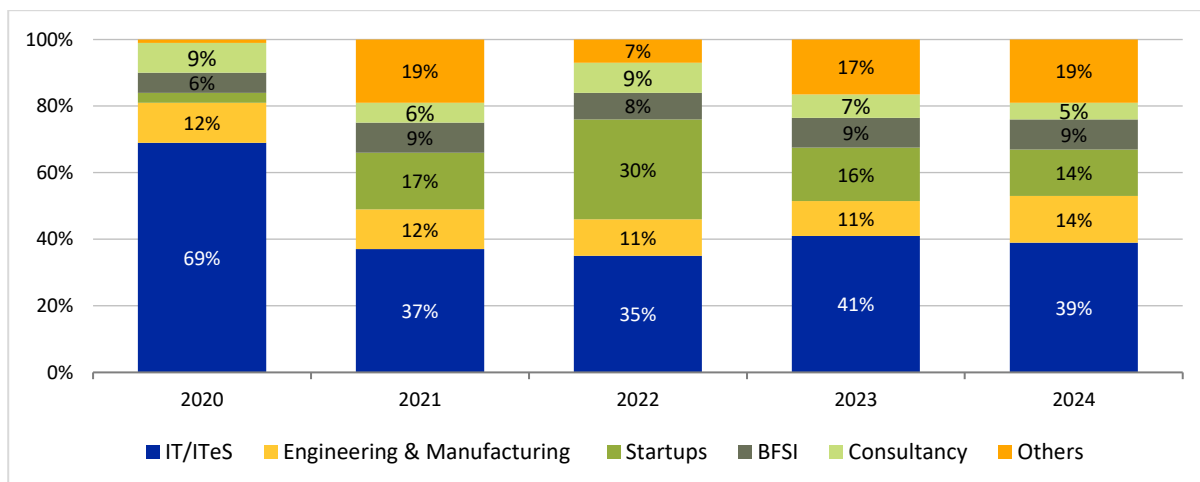
successful IPO via the Awfis and is set to witness five major IPOs in the next 12-18 months, which are projected to raise over Rs. 7,000 crore,” Reddy added.

EXHIBIT 1: TRENDS IN CUMULATIVE SUPPLY OF FLEX OFFICE SPACES FOR TOP SIX CITIES



Source: ICRA Research; P-Projected

EXHIBIT 2: SEGMENT-WISE LEASING TRENDS IN FLEXSPACE



Source: DRHP, ICRA Research

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