

PUNE

Tech-tonic shift to flex

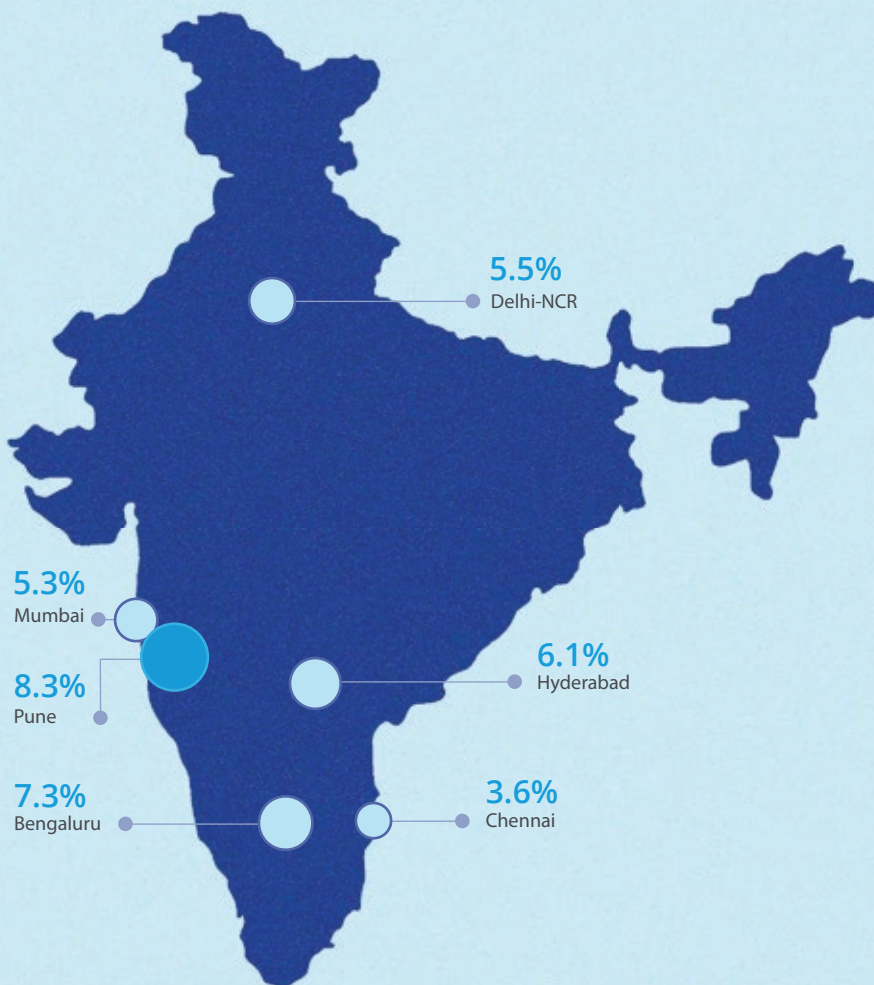
India | July 2023



Pune witnessed highest growth in flex space Pan India

Pune's flex space market has seen significant growth during the last five years, led by burgeoning young population, presence of large tech corporates, and proliferation of numerous startups. Occupiers' hybrid workstyles have further accelerated the demand for flex spaces in the city, especially post pandemic. Flex space operators have captured the essence of evolving work culture and have been offering more affordable, curative, and flexible work-space options to occupiers. Over the last 5 years, top flex space operators have expanded rapidly in the city, clustering around the areas with strong accessibility and an established economic ecosystem. As a result of flex space operators' large-scale expansions in recent years, flex space stock in Pune has witnessed four-fold rise since 2018 and stands at 5.4 mn sq ft as of June 2023. While Bengaluru remains the largest flex space market Pan India in terms of flex stock, Pune has shown exponential growth in recent years.

Flex Penetration as of Q2 2023



Source: Colliers
Data pertains to Grade A Buildings. | Flex space penetration pertains to the share of flex stock in total Grade A office stock of the city

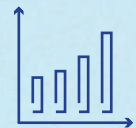
Pune flex space market - a snapshot

5.4



Flex Stock Q2 2023 in mn sq ft

4.0x



Growth in flex stock since 2018

13%



Share of Pune in Pan India flex stock



An enabling ecosystem for flex space



One of the largest IT-hubs in India

Pune is one of the top 5 major IT hubs in India, employing about 4 lakh IT employees as of 2023¹



One of the top 100 startup destinations in the world

One of the leading startup destinations in the world. Pune ranked 78th Globally in Global Startup Ecosystem Index²



An affordable market for living & business

Pune ranked 14th least expensive globally and 1st in India as per Mercer's Cost of Living city ranking 2023⁵

Pune is an attractive sub-dollar market for businesses with 50% lower average office rentals than Mumbai⁶



Holds 10-11% share in India's digital talent pool

One of the mature Tech Hubs housing 10-11% of India's Digital Talent⁴



2nd in Ease of Living Index⁶

Pune is a popular location for young professionals, owing to its employment opportunities, improving infrastructure and superior quality of living at affordable costs

Pune competes amongst the top in cleanliness and ease of living standards³.

Pune offers an affordable, stable & reliable business environment for entrepreneurs. Growth of flex space in the city is driven by tech companies, young entrepreneurs and engineering & manufacturing professionals.

Source:

1 - Wiki, Indian Staffing Federation

2 - Global Startup Ecosystem Report 2023

3 - Ease of Living, Ministry of Housing & Urban Affairs, 2021

4 - NASSCOM report 2022

5 - Mercer's Cost of Living City Ranking 2023

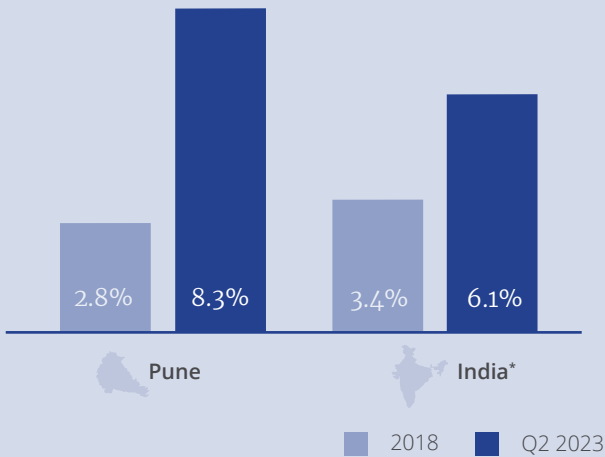
6 - Colliers



Flex space taking up larger pie in mainstream commercial office

Flex Space Penetration

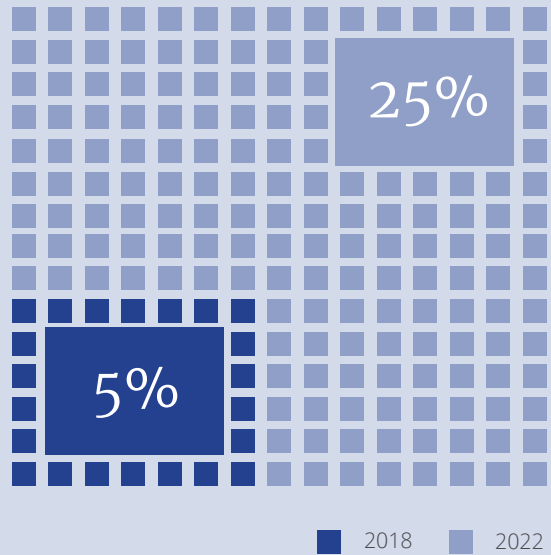
Pune's flex penetration grew 5.5pp from 2.8% in 2018 to 8.3% at the end of Q2 2023, faster than growth in India's penetration of 2.7pp. As of Q2 2023, Pune has the highest flex space penetration Pan India at 8.3%, followed by Bengaluru at 7.3%



*Includes top 6 cities - Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai, Pune

Pune grabbed 1 out of every 4 flex deals Pan India during 2022

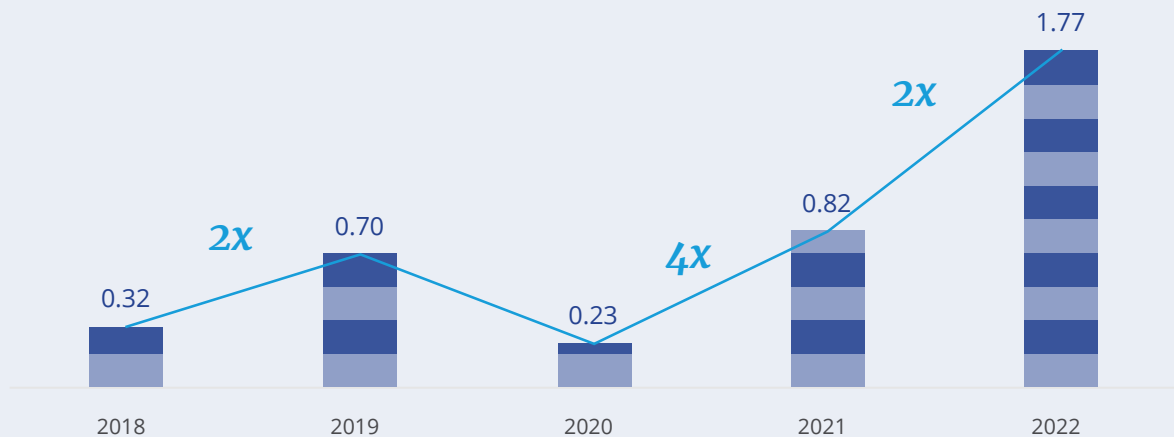
Pune's share in total flex leasing Pan India has risen 5X, from 5% in 2018, to 25% in 2022.



Source: Colliers
Note: Data pertains to Grade A buildings only

Flex space supply grew multifold post pandemic

Leasing by flex space operators in Pune (mn sq ft)



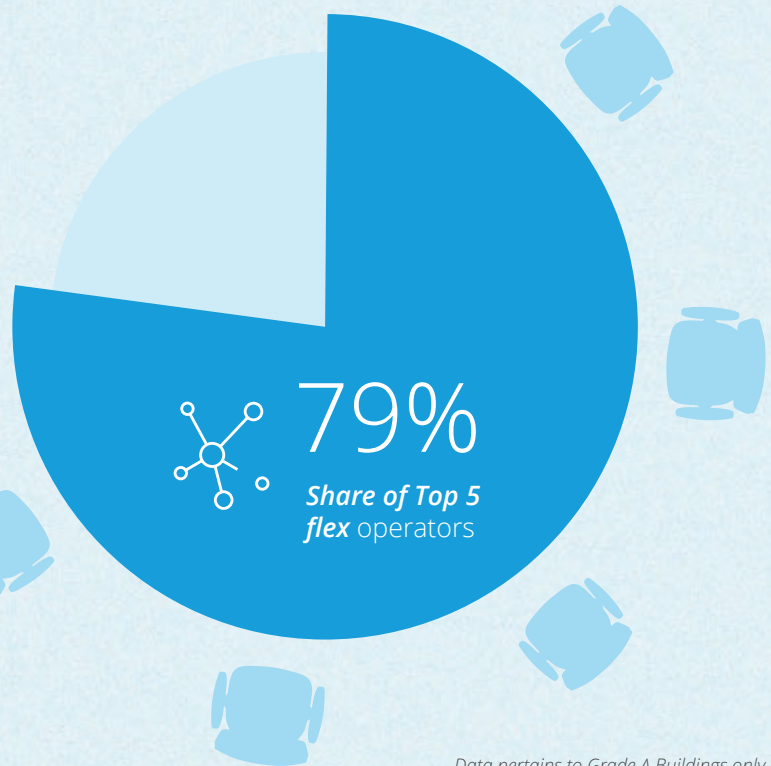
Flex spaces have been instrumental in enabling new workspace models such as Flex + Core, distributed workplace strategy and digital campuses for occupiers, leading to a significant growth especially post pandemic. Top operators in the city have expanded rapidly over the last two years, with annual space uptake rising multifold each year. During 2022, flex space operators leased 1.77 million sq feet of office space, accounting for 35% of the total leasing of the city. The first half of 2023 also witnessed robust leasing by the flex space operators at 0.57 million sq feet, about 22% of the total leasing during the period.

Source: Colliers
Note: Data pertains to Grade A only.



Players gaining scale, aiding consolidation

As of Q2 2023, top 5 operators hold about 79% of Pune's total flex space stock. It has increased from 74% in 2018 to 79% in 2022 indicating growing trust on brand value and increased preference for flight to quality. While smaller operators will continue to foray into the space, market will continue to remain consolidated with greater thrust on providing enhanced offerings with increased customization and amenities across locations.

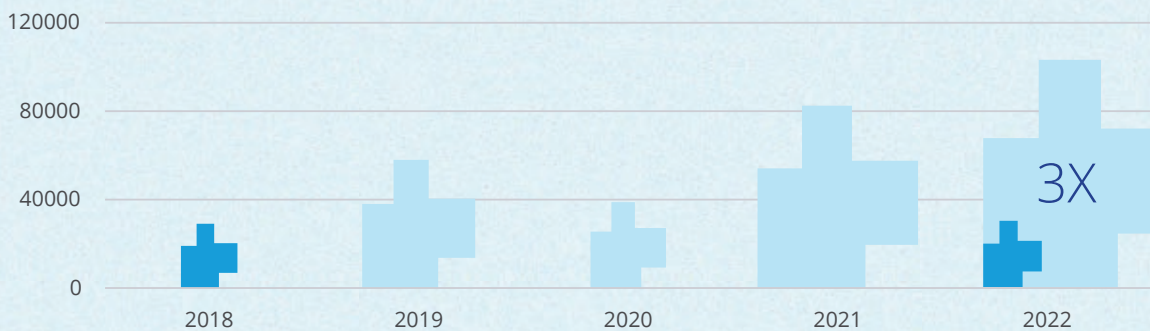


*Data pertains to Grade A Buildings only
Top 5 Grade A operators include Smartworks, IndiQube, Tablespace, Redbrick, Simpliwork*

Transaction sizes are growing bigger

3X Rise in average transaction size during 2022, from 2018

Average transaction size (sq ft)



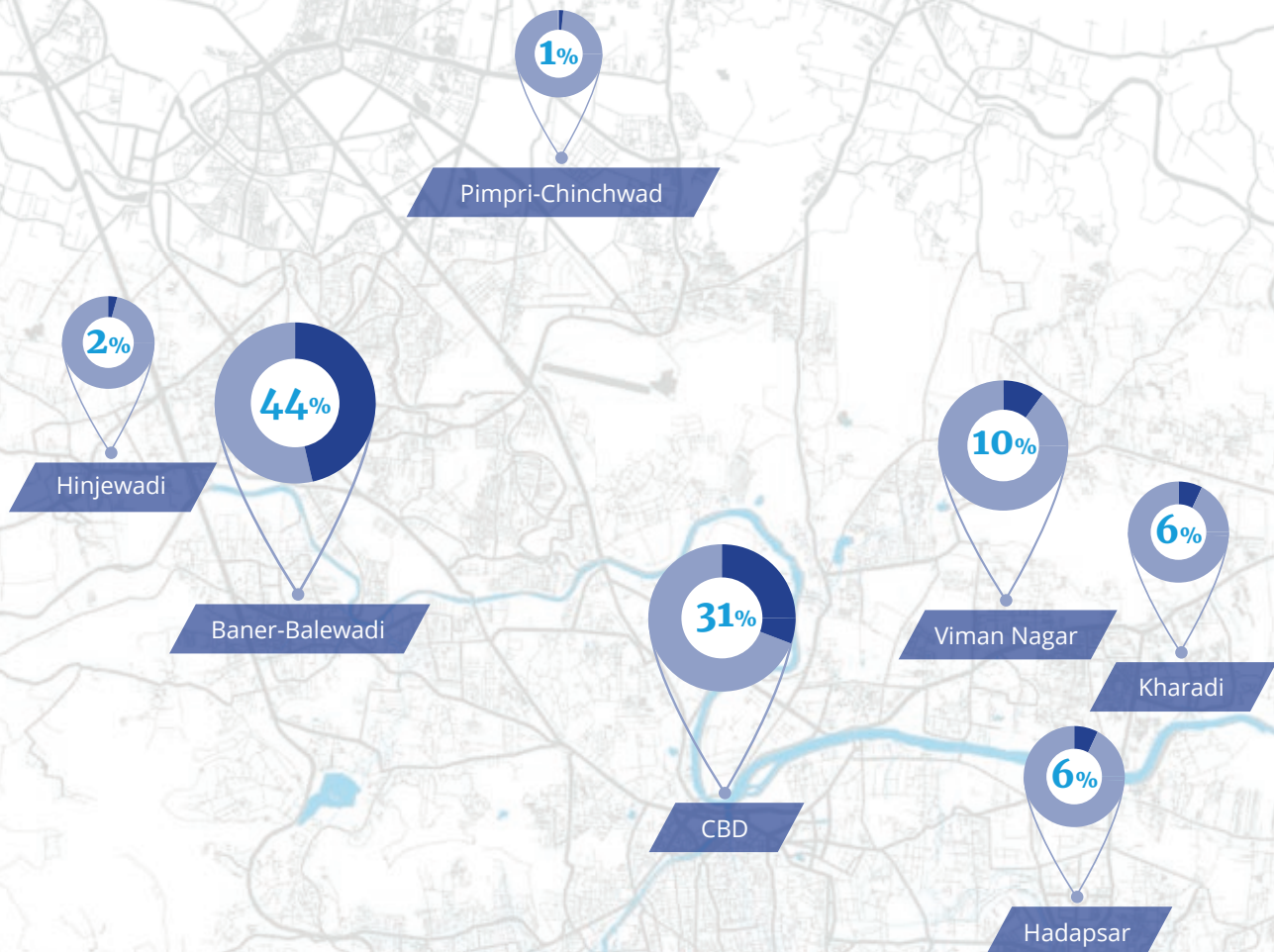
*Source: Colliers
Note: Data pertains to Grade A buildings only*

With large enterprises blending flex space in their real estate footprint, the average space take up by flex space operators have also gone up. Compared to 2018, the average transaction size has surged 3X in 2022, as Grade A operators are leasing larger floor plates to accommodate top occupiers' larger space requirements for office space.



Baner-Balewadi and CBD hold 75% of Pune's total flex stock

Distribution of flex space in Pune (% of total flex stock)



Source: Colliers
Note: Data pertains to Grade A only.

Pune's Baner-Balewadi and CBD are among the top 10 flex micro-markets Pan India competing with ORR & SBD 1 in Bengaluru and SBD in Hyderabad. As of Q2 2023, Baner-Balewadi accounts for 44% of Pune's total flex stock followed by CBD at 31%. Kalyani Nagar, Mundhwa and Yerwada are some of the popular flex locations within CBD. Going forward, Viman Nagar and Kharadi also hold significant scope for flex space expansion in next 2-3 years due to robust supply pipeline and infrastructure development in the region.








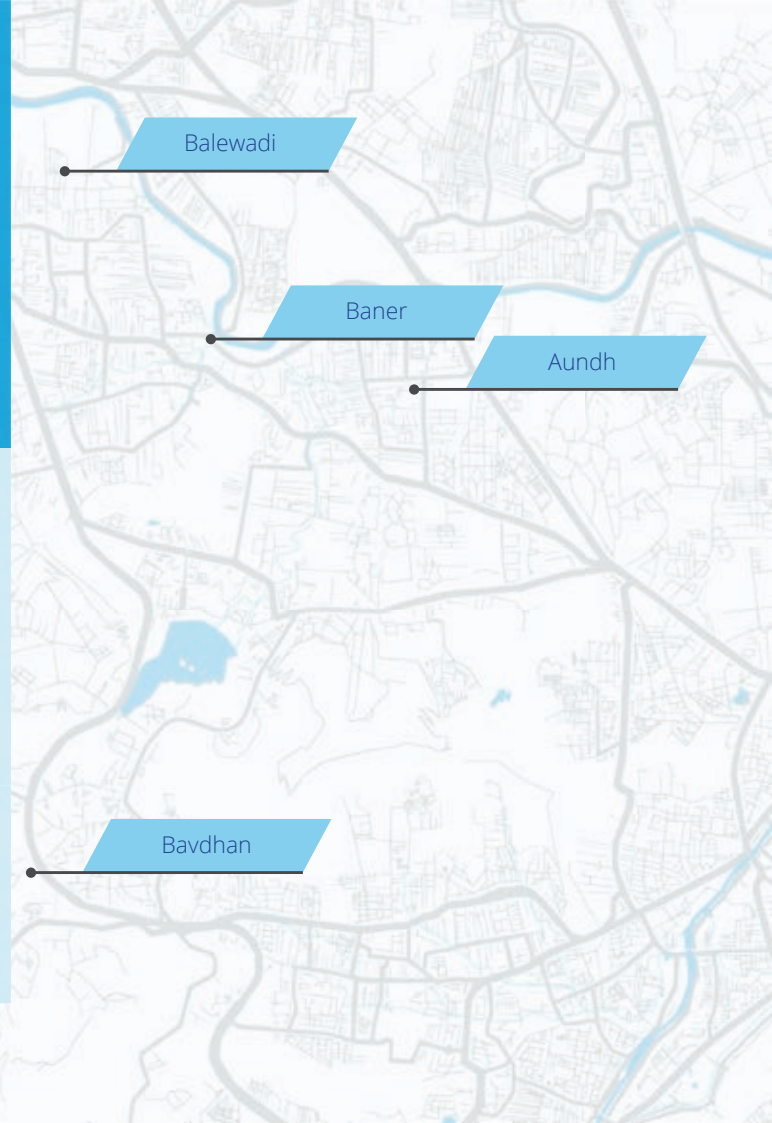
Baner - Balewadi

28%

 Flex space penetration*

* Flex space penetration pertains to the share of flex stock in total Grade A office stock

-  Proximity to residential catchment
-  Robust physical and social infrastructure
-  Upcoming metro corridor
-  Availability of new premium Grade A supply
-  Younger talent pool







CBD

14%

 Flex space penetration*

* Flex space penetration pertains to the share of flex stock in total Grade A office stock

-  Centrally located
-  Superior road connectivity
-  Upcoming metro corridor
-  Presence of premium office buildings and offices

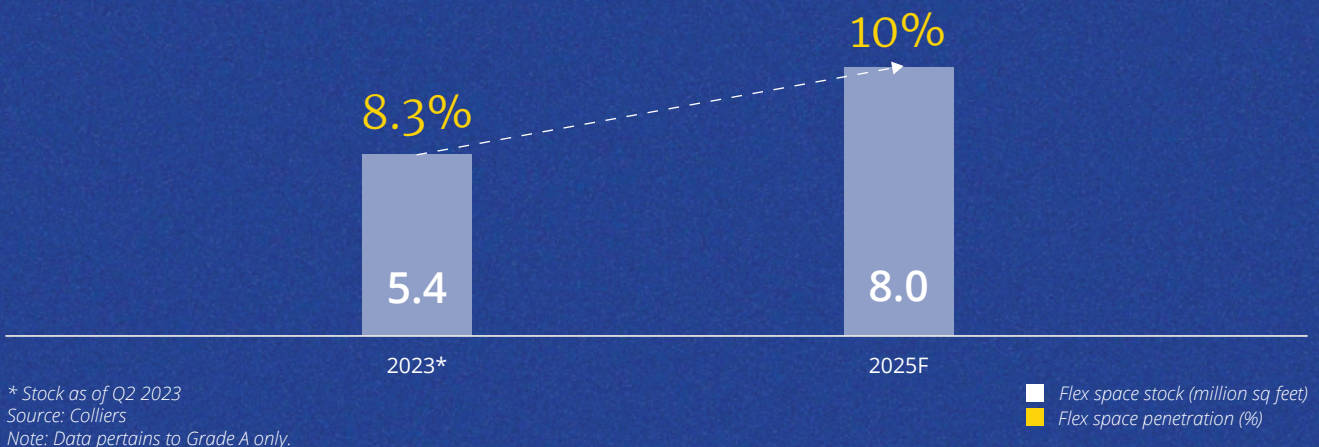


Flex stock to touch 8 million sq feet by 2025

Fuelled by healthy investments and robust demand from Technology and other mainstream sectors, flex space operators will continue to expand their footprint across the region. Over the next 3 years, Pune's flex space stock is expected to cross 8 million sq feet, occupying 10% of the total office space in the city.

At the same time, operators will continue to innovate and improve their offering by providing an array of flex space solutions to cater to diverse workspace needs of the occupiers in order to remain competitive.

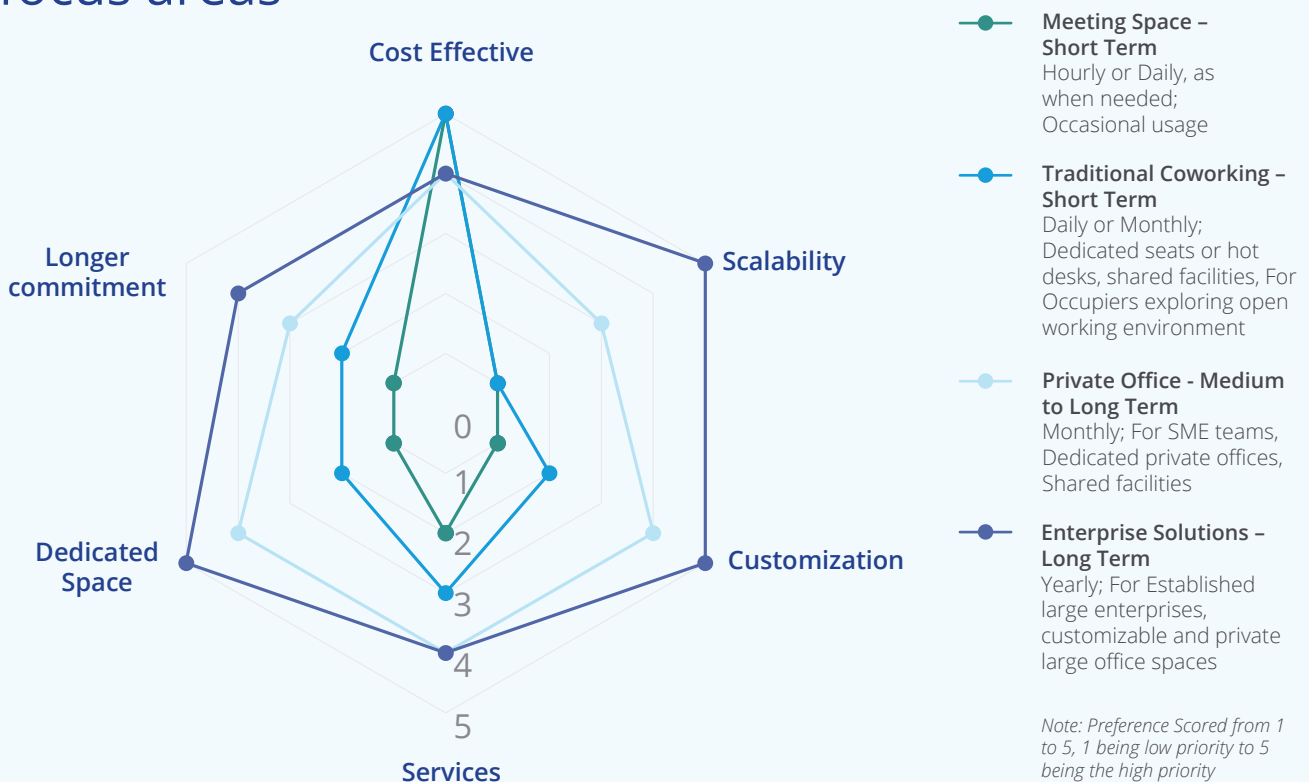
Flex stock and penetration



Agility in flex– a major advantage over traditional office for occupiers

Operators are presently providing several flexible workspace options to occupiers with varied degree of customization, services and scalability options. Occupiers are selecting a range of these solutions to create a balanced workplace strategy to suit their hybrid workstyle set-ups. Going forward, scalability, customization, privacy and best-in-class services will be the key factors that will drive occupancies in flex spaces. For example, an occupier looking for maximum customization, private spaces and services along with scalability options, should opt for an enterprise solution (refer below chart).

Flex space model guide for occupiers based on focus areas



Lock-in periods increased as occupiers go for tailor made managed space solutions

Increasingly, occupiers are incorporating flex space in their long term real estate strategy, resulting in higher number of enterprise deals. As a result, operators are in turn leasing large spaces typically with lease tenures of 5 years with landlords. While their lease tenures with landlords have largely remained unchanged, typical lock-in periods have now increased to 3 years from being 1 year in 2019 and 2020.

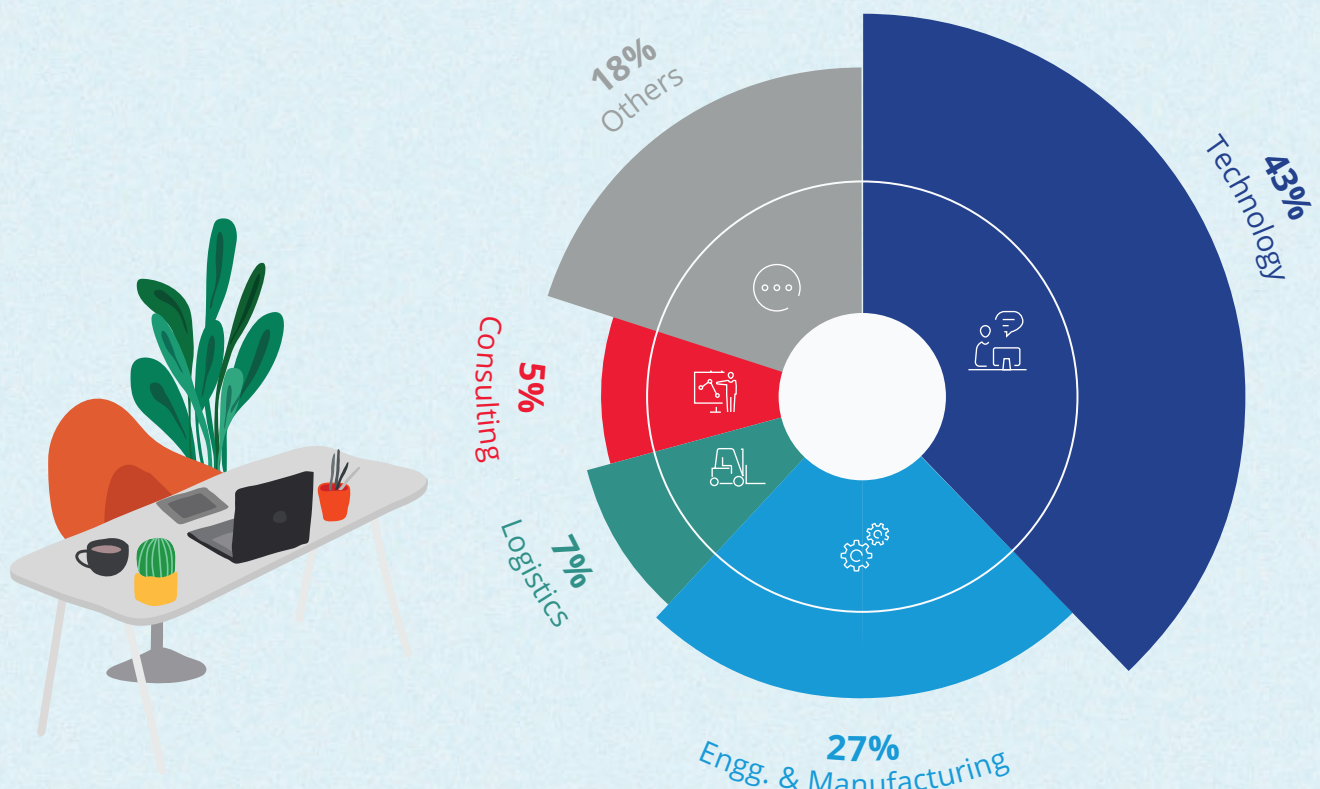


Technology – Largest occupier of flex space

Over **30,000 seats**

leased since 2020, led by **Technology at 43% share**

Share in total space uptake during 2020-23



Source: Colliers
Note: Others include Healthcare, BFSI, E-Commerce etc
Data includes enterprise transactions in Grade A properties only

Seat uptake by Technology sector rose 6X during H12023 vs 2020

Technology sector remains the top occupier of flex space, occupying nearly 43% of the existing flex space in Pune*. As majority of Technology occupiers have adopted Hybrid working as a long term strategy, flex spaces have become an integral part of Tech occupiers' portfolio. Share of flex space in occupiers' portfolio has risen over the years, from 5-8% in 2019, to 10-12% in 2023. Seat uptake by Technology sector also is on the rise, and increased 6X in H1 2023 compared to whole year 2020.

Engineering & Manufacturing also remains a prominent occupier with 27% share, owing to Pune's huge industrial base. IT departments of Healthcare, BFSI and other occupiers are also establishing offices across flex spaces.

*Includes transactions during 2020-H1 2023

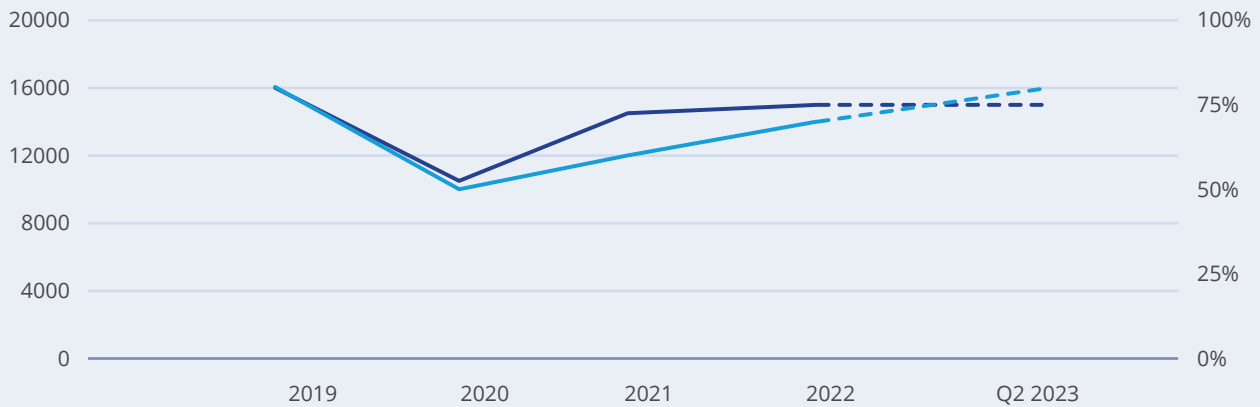


Key factors driving Tech occupiers to flex spaces



Outlook

Flex space sees rental recovery as occupancy levels get back to pre-pandemic levels



Source: Colliers
Notes: Numbers are estimated based on market insights

— LHS: Rent (INR/seat/month) — RHS: Occupancy (%)

Occupancy levels are currently on the rise as occupiers have firmed up their expansion plans within flex spaces. After facing a dip during the pandemic, the average occupancy levels across Grade A flex spaces within the city are at 75%, back to pre-pandemic levels. Average per seat prices have also recovered post pandemic and have stabilized.

Flex stock to cross 8 msf by 2025



Flex space stock in Pune is expected to touch 8 mn sq ft by 2025, from 5.4 mn sq ft in Q2 2023. Flex penetration will also likely rise from 8.3% in Q2 2023 to 10% in 2025

Technology will continue to lead demand



Technology will continue to lead flex space seat uptake, followed by engineering services firms due to the innovative, cost-effective and fully serviced attributes of alternative workspace solutions, thus increasing the overall demand for flexible workspace centres across the region

Operators to focus on better market coverage



In line with occupiers' distributed hub and spoke strategy, operators will expand to multiple locations closer to established residential catchments to occupiers while promoting collaboration, interaction and networking. While Baner-Balewadi and CBD will continue to remain key markets, Kharadi and Viman-Nagar will also witness more flex space growth in next 2 years

Various business models to co-exist



Amidst an evolving and a dynamic economic environment, occupiers will seek more scalability options with operators. Operators are seeking longer commitments with occupiers, while providing scalability options to occupiers across multiple locations

Enhanced service offerings to secure higher rentals



Enhanced service offerings customized to each tenant could provide a rationale for increasing rents progressively. As operators' tenant profile continue to diversify, operators are expected to expand their service offerings to accommodate and retain both new and existing tenants



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