LET'S CO-WORK INDIA!
The new office anthem
With the emergence of the start-up culture, demand for office space has seen a significant rise in the last few years. Over a period of time, multiple start-ups have grown into entities that fit the SME definition. These newly formed entreprises, with tight fiscal position, often faced a tough time in zeroing down on affordable work space. This kept getting tougher with rising real estate prices in key business districts. Apart from lease, the newly formed companies were also required to take up the burden of security deposit, which is approximately six months to one year’s lease in India, and additional seats for probable expansion in the future. Thus, the necessity to have a cost effective and economically viable office space solution gave birth to the concept of shared office spaces or more commonly referred to as co-working spaces. This phenomenon allowed these small businesses to lease out only as much space as they needed at prominent addresses in the CBD. Moreover, a shared space offered businesses the flexibility to shrink or expand as per their requirement without worrying about the space.

The flexibility advantage has attracted the attention of larger corporates as well which wanted to improve upon operating efficiencies. Even established enterprises like IBM, Facebook, EY, Cisco have taken up co-working spaces. In fact, irrespective of whether it was a start-up, SME or larger enterprise that has chosen a shared space or co-working environment over a traditional office space, the millennial workforce has also been a contributor towards this trend. Many firms believe that the vibrant environment offered by a cowork space or shared offices are a huge motivating factor for the younger workforce.

Before taking an organized shape, the concept of shared work space existed in the form of cafes and pubs which allowed their loyal customers to sit and work for as long as they needed. People would also use hotel lobbies and malls as free work spaces. Eventually, cafes and pub operators converted this into a business model by leasing out seats during first half of the day when the footfalls were low. However, the need for proper services and support system, offered by a regular office space, coupled with economy and flexibility gave rise to the modern day dedicated shared office companies we see today. Today, the segment has grown into several co-segments which cater to a wide range of specific office space requirements. These requirements can vary according to the industry type, industry size, project duration etc.

Each of this segment has a distinct way of operating, culture, target audience and pricing strategies. Today, multinational players are aggressively opening their branches throughout the world. Shared spaces have penetrated in almost every type of real estate from coffee shops to residential apartments to independent villas and even hotels.

Today, shared offices spaces have received global acceptance. Indian co-working industry is undergoing significant growth. Many of the multinational brands are increasingly setting branches across top CBDs of India. Not just this, many of India’s homegrown co-working operators are standing as strong as the international names. To say, India has come a long way in the evolution of this very important commercial real estate (CRE) phenomenon.

Objective of this paper is to firstly understand the evolution of the co-working space industry so far using a timeline and a SWOT analysis. The SWOT analysis will help in arriving at the possible risks associated with shared office spaces. Subsequently, the paper will try to define the various co-segments and chart out their characteristics across parameters such as privacy, community, location, pricing and commitment among others. Lastly, the paper will put light on the most highlighting trends that are taking place in the industry, and the way forward. The team would like to mention their gratitude towards various industry experts who have keenly provided their inputs on the subject matter without which this study would not have been possible.
INTRODUCTION

Among the various types of shared office space concepts, co-working space has gained the highest popularity. This could be credited to the aggressive innovations that are happening around this segment. These innovations have made a huge difference to the overall in-built environment of a work space. Play zones, indoor auditoriums, green zones, discussion hubs and effervescent themes are some of the features in modern day co-working spaces.

However, the most significant facet of today's co-working spaces is the sense of being part of a community. Co-working operators ensure that it is not just individuals working separately under a roof but community members, who often come together to collaborate on a project, event or even go together for a hiking trip. So, how did this phenomenon begin? While, in India co-working might still be in its nascent stages of development as a profound form of office space, the term has been prevalent in the global commercial office jargon. Let us take a look at the brief timeline of co-working spaces globally.
Individual hackers come together to work in an collaborative environment called hackerspace communities in order to share skills, resources and host events. Founded in 1995, C Base is considered as one of the first such hackerspaces. This is considered as one of the first recorded history of cowork spaces. Though, the term cowork was yet to be coined.

42west24 starts in new york offering flexible spaces to individuals and freelancers from various professions.

The next benchmark event in the timeline of cowork space occured in 2002 with the establishment of Schraubenfabrik. At that time, the term co-working was yet to attain widespread usage. Hence, it was initially described as an entrepreneurs centre. Created out of a manufacturing centre, Schraubenfabrik offered a collaborative work environment for architects, PR consultants, cooperatives, freelancers or micro-enterprises. Today, it has become a part of a larger community called KONNEX co-working communities comprising its 'brother spaces': Hutfabrik and Rochuspark.

San Francisco based software engineer, Brad Neuberg, sets up the San Francisco co-working space with the objective of "the freedom and independence of working along with the structure and community of working with others". Chris Messina and Tara Hunt create online communities: co-working Google Group, co-working Wiki, and co-working Blog to help connect co-working spaces. The events popularized the term co-working. Same year saw the founding of St. Oberholz cafe in Berlin. This cafe plus co-working space offered free internet for its members. It is still operational and has expanded to one more branch in the vicinity.

San Francisco co-working Space closes down in a year's time making way for the Hat Factory co-working spaces (co created by Brad, Tara and Chris) which remained operational till 2010. Another landmark event that set the ground for the co-working revolution was 'Jellies'. Initiated by NY roommates Amit and Luke, the event involved providing free co-working spaces for freelancers and individuals for a day. The event proved instrumental in introducing the concept of co-working to a wider audience and creating more and more co-working communities.

co-working first time becomes a trending topic on Google for the first time.

Around 160 co-working spaces come up around the world.
Germany witnesses the opening of Betahaus which became the first popular co-working space in the country. The total number of co-working spaces reaches 310 across the globe.

The first ever International co-working day is celebrated on August 9th. Co-working truly became a phenomenon. The first ever co-working conference was held in Belgium.

As of 2017, co-working spaces has become a major phenomenon in the global economy. As per GCUC (Global co-working Unconference Conference), there were a total of around 1.7 million co-working members around the globe in 2017, which is expected to grow to around 2.3 million in 2018 and by 2022 it is expected to touch the 5 million mark. With its 203 locations across 50 cities, WeWork is one of the biggest names in the industry and its market valuation is estimated to be around USD 18 billion.
CO-WORKING IN INDIA

With a GDP growth rate of around 7%, India is a service sector driven economy. The service sector has an estimated contribution of 54 per cent to the country’s GVA (Gross Value Added) and employs around 28 per cent of the population.

India has one of the highest office space requirements in the world. The total annual office space absorption in India stood at around 41 million sq.ft. in 2017. On the other hand, the country is also experiencing growth in the number of startups and freelancer population. As per the report published by NASSCOM, India had around 4,200 startups in 2015, which is poised to grow by 2.2% to reach 11,500 by 2020. Total funding received by Indian Tech Startup in 2017 was around USD 13 billion.

These statistics point towards a huge scope for the co-working industry. However, popularity of co-work spaces in India is comparatively recent. It was only during the early phase of the ongoing decade that the trend of co-working started catching up in India. Launched in 2013, 91Springboard was one of the earliest well known organised co-working space in India. Until then, the only well known shared office space provider was Regus, which rather than a co-working space was more focused on business centre and virtual office space services. While WeWork, the global industry leader opened up its first India centre at Delhi in the mid of 2017 and is currently operational with around 16 centers across Mumbai, Gurgaon and Bengaluru.

Today, Indian commercial market space has the presence of Awfis along with homegrown biggies such as Innov8, Skootr, Instaoffice, Bhive and Cowrk. As of 2018, India has around 350 to 400 co-working spaces, as against around 17,000 spaces across world, managed by around 200 operators. Mumbai, Bengaluru and NCR (National Capital Region) are the major co-working hubs in India.

Looking at the growth potential in India, co-working spaces have started to attract significant level of investments. WeWork’s India arm is in talks with Goldman Sachs and Warburg Pincus to raise around USD 200 millions. Indiqube, which has around 21 workspaces spread across 1.4 million sq ft in Bengaluru, has raised USD 15 million from PE firm WestBridge Capital. One of the major capital infusion witnessed last year, in 2017, was the USD 20 million investment by Sequoia Capital in Awfis.

This was just the organised side of the market. Popularity or demand of a business or an industry can be also gauged on the basis how strong the unorganised market is! Cafes or restaurants which allowed people to occupy their table and work for long hours actually existed even before the likes of 91Springboard. Delhi, Mumbai and Bengaluru had many such makeshift co-working spaces even in the late 2010s.

This work spaces were free to use, provided the client spends a stipulated amount on food or beverages. Such joints were popular among freelancers working in IT and creative fields. Owing to their unorganised nature, their origins cannot be tracked definitely. Western Suburbs of Mumbai, South and central Delhi had many such rest-o-workspaces such as Doolally, Bhive, Socials to name a few.

However, as the co-working industry has grown stronger, the unorganized sector has not just remained limited to restaurants. Today, residential apartments, bungalows, warehouses across Mumbai, NCR and Bengaluru are being converted to co-working spaces. Co-working spaces housed in apartments usually have very basic facilities and are priced lower. However, they have a captive market of their own. On the other hand, warehouse based co-working spaces get lot of spaces for innovative interiors and activity areas making them at par with the co-working spaces located in commercial buildings.
**CO-WORKING IN NUMBERS**

- **Number of coworking spaces in world**
  - **2007**: 14
  - **2017**: ~14 K
  - **2020 (estimate)**: 24 K

- **Number of coworking spaces in India**
  - **2017**: ~800 nos.
  - **Total sqft**
    - **2017**: 2.5 to 3 mn
    - **2020 estimate**: 10 mn

- **Number of coworkers in world**
  - **2015**: 0.5 mn
  - **2018**: 2.3 mn
  - **2020 (estimated)**: 3.8 mn

- **Number of spaces in India**
  - **2017**: ~800 nos.

- **Total office space absorption in India**
  - **2017**: 41 mn sqft

- **Number of spaces in Asia Pacific & India**
  - **2017**: ~4000

- **Number of spaces in US**
  - **2017**: ~3,200

**Typical desk cost range** - INR 5,000 - INR 23,000

**Average cost saving as compared to traditional spaces** - 25-30%
Co-Working - The evolution from cafes to being a service

In the initial days, the purpose of a co-working space was primarily limited to being a low cost office space alternative. The most common ‘co-workers’ were startups, freelancers, entrepreneurs and professionals who usually worked individually and boutique firms that had limited capital and needed smaller office spaces.

The concept of co-working in India started mushrooming in cafes and pubs probably a decade ago. These offered its users basic requirements such as a desk to work on, wifi, stationary and plug points. This was followed by small time players entering the co-working business with limited set-ups, typically offering a work environment conducive for freelancers and start-ups with a focus on collaboration, networking and open spaces.

As the concept became popular even business centres and serviced office providers started adapting the term co-working as ultimately whether it is a serviced office space, business centre or a co-working space, all of them shared certain common demand drivers. Thus, the term co-working started getting used to connote all types of serviced office spaces. In fact, today most of the large scale or established co-working operators in the Indian market position themselves as offering workspace as a service.

Now, what led to this exponential growth and enhanced demand for co-working spaces? There were not one but multiple features that led to the significant growth of this concept.

Flexibility, for instance, was something very exceptional about the co-working spaces. In conventional setups, the tenant is required to commit a minimum lock-in period, varying anywhere between 1 year to 3 years or even more, in addition to the burden of security deposit. Co-working spaces came without any such obligations. One could take space for a year, a month or even for few hours with no need of a security deposit.

Apart from time flexibility, co-working spaces offer space flexibility. Companies often struggle to get an optimally sized office space at preferred locations. At times, the space is too large or too small with respect to the requirements. With co-working spaces, companies can take up as many desks as they need without compromising on the location preference. Furthermore, desks could be added or removed, that too whenever and wherever needed. Moreover, some co-working operators also offer its client the choice of working at any of its branches, if needed. As the co-working industry grew mature, it went through a significant metamorphosis with respect to aspects such as consumer profile, location, service offerings and business objectives.

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Increasing market size and competition led to the evolution in service offerings. Co-working spaces have come a long way from making office spaces with simple interiors and basic furniture. Well designed interiors, state-of-art conferencing facilities, in house social-networks, app based space booking, entertainment zones, wellness rooms, data analytics, libraries, etc. have become the must have amenities. Now, co-working spaces take care of everything from pantry to stationary to preparation of meeting rooms, conferences and business events, allowing its clients to focus on their work. So much so that co-working has now evolved into space as a service model. This is yet another aspect that has attracted organizations of all sizes and backgrounds.

In contrast to the early days of co-working, centers are served by highly capable teams with well defined responsibilities. In this aspect, the community managers take the centre stage. Community managers are the face of co-working space. Key responsibilities include growth of community, popularising his/her community on social media and other channels, maintaining harmoniums and collaborative atmosphere within the community members, organising regular events which bring community members together etc. Community manager is supported by operations manager and events manager to ensure the smooth functioning of a co-working space.
Co-working spaces operate on multiple business models. These largely include Sub-lease model, revenue sharing model, own and lease model. In India, the most commonly adopted models are the Sub-lease and revenue sharing models. Let’s discuss these in details:

**Sub-Lease:** This is one of the most common models used by co-working companies in India. In this model, the co-working operator signs a long-term lease with the property owner and then sub-leases the property to different tenants. This model might lead to a negative cash flow for the operator to begin with. This is due to the fact that there is an initial capital investment involved for the fit outs which is borne by the operator. Also, there might be a time gap between start of the rent payment cycle for the owner and the leasing/sale schedule of the clients. The owner earns direct rent from the operator and has no share in the profit. However, operators opting for this model claim limited interference from the property owner/developer entity and hence provide smoother working and more freedom to operate.

**Revenue Sharing:** In this model, the property owner and the operator sign a joint venture wherein the former takes the maximum load of initial investments for fit outs while the latter takes up the responsibility of managing the operations. Thus, in this case the owner and the operator work as business partners. Though, it completely depends upon the terms and conditions of the contract signed, it is usually the owner who gets the larger share of the profit earned as the initial capital is invested by him. Usually, small time co-working operators, who cannot take the load of investing huge capital upfront opt for a revenue-sharing model. The most important characteristic of such a model is that both partners benefit in case the business flourishes and both share the burden in case of a loss.

**Owner-Operator Model:** In this model, the owner of the property converts it into a co-working space himself and operates it on his own. However, in India, this model is not very common as most property owners either lack the expertise to operate a co-working space or are too big to get into such a business model.

For instance, established developers such as DLF, have leased put properties to multiple co-working operators but are yet to venture into the business themselves. This is because they do not feel the need to diversify their business in this direction yet. In this model, the owner of the property converts it into a co-working space himself and operates it on his own. However, in India, this model is not very common as most property owners either lack the expertise to operate a co-working space or are too big to get into such a business model.
Currently, there are approximately more than 300 co-working operators in India. However, not all of these are similar in their offerings, or modus-operandi. In order to have an in-depth understanding about the co-working industry and various micro and macro level factors that differentiate one co-working set-up from another, Quikr Realty met with some of the major players in the market. As a result of these discussions, we have devised a model that segments different co-working operators on the basis of two key parameters- Community and Privacy.

**COMMUNITY ORIENTED**

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**PRIVACY ORIENTED**

Community: For the purpose of this model, a co-working space is considered to be high on the community parameter if there is a conscious intent to create networking opportunities while it is taken as low on the community parameter if there are no conscious intent towards building an environment conducive for networking.

Privacy: For the purpose of this model, a co-working space is considered to be high on the privacy parameter, if there is a conscious effort to avoid open spaces and maintain the exclusivity of the clients while it is taken as low on the privacy parameter if there is a larger focus on open seating and hot desking options.

These definitions do not imply that these two parameters are inversely proportional to each other.

The model will facilitate in defining general characteristics of each co-working segment in terms of pricing, location, business models, consumer profile etc. (Refer Fig above). Another key objective of the exercise is to differentiate co-working spaces from the business centres. Hence the model also encompasses the entire serviced office space industry and just not co-working spaces.

For the purpose of the study and our analysis we have considered these two factors to be critical in defining the characteristics of a co-working space. On this basis, we have done the following segmentation.

**Segment A1:** This segment corroborates to those co-working companies that are high on the community angle but low on privacy. This implies that the company strictly follows the model of a typical co-working space wherein the occupiers are given ample opportunities to network. This happens with the help of conscious community efforts in the form of multiple events, outings, employee engagement activities, membership benefits etc.

These set-ups usually have open seating with both hot-desking/flexi seats as well as fixed seat options. These spaces are characterised by factors like no or flexible lock in periods, no or very limited customisation and relatively lower pricing. The pricing usually varies from Rs 4,000-20,000 per month/seat.

**Segment A2, A3:** These segments include those co-working spaces that fulfill just the basic requirement: a workstation or a seating area. They offer limited or no community angle and primarily target clients who have restricted budgets but are looking for a space to operate from apart from their homes. These are usually not organised set-ups and many a times operate out of residential...
apartments, independent houses and cafes. However, following increased demand, several cafes and pubs across cities now operate as co-working spaces during non-peak hours. They usually offer hot desking and basic facilities such as wifi, printer, plug points, stationary, and discounts on food and drinks. Pricing is usually lower than a typical office set up and can range anywhere between Rs 400 per day to Rs 5000 per seat per month approximately.

**Segment B1:** This segment refers to those co-working companies that are high on community but also understand the importance of providing some level of privacy to their clients. This is probably the most common type of co-working space out of the lot that is working in an organised manner. This type of space also offers their members all advantages of a community environment. In fact the community angle is so well developed that a lot of players have their own apps to keep all members connected. This is in addition to the events and networking activities that are undertaken on a regular basis.

What differentiates this segment from A1 is that apart from open seating and hot-desking options, these players also offer private cabins to their players. These are usually occupied by clients who have a requirement for larger number of seats and need a demarcated area for the same. However, even though seating for these members is cordoned off, they are still party to the various community building exercises.

The clientele for this segment is usually dominated by freelancers, start-ups and SMEs. However, in line with the market trend and due to the increased need for sustainability, these operators are now open towards taking up larger enterprises also. A few exceptional cases are global players like WeWork who already are dealing with MNCs and enterprises.

**Segment B2:** Operators in this segment are neither too community nor privacy oriented. These players try to maintain a fine balance between both the aspects as they form the mid-segment of co-working pyramid in the country. While, the premises offer both private cabins for teams as well as individual seats, the community angle is still at a developing stage. However, unlike operators who fall in the A3, B3 and C3 segments, operators in the B2 segment show an intent of developing a community angle.

As these players represent the mid-level of the co-working pyramid, they usually lease out non-premium properties. This reflects in their pricing as well which ranges between Rs 4000-8000 per month/seat approximately.

**Segment B3:** This segment would include players who are low on the community aspect but are trying to offer some level of privacy to their client. This implies that the offering would include both open area seating as well as closed seating but the operator takes no interest in community initiatives. This could either be because of a lack of demand for community activities from the clients or simply because the operator does not feel the need to offer the same as per its business model.

**Segment C1:** As per our model and the definitions of community and privacy, this segment seems almost impossible to exist. This segment would ideally include operators whose prime focus is on both community as well as privacy. This is sort of a contradiction if we refer to the definitions of community and privacy. Not a single workspace that were visited by our team comply to this segment. However, it cannot be said with 100% surety that such cases do not exist, but it would definitely be rare.

**Segment C2:** This segment too is rare as it includes those co-working operators who are high on privacy but show no intent towards developing some sort of community angle. Privacy is considered to be high as no open seats are on offer. All seats are within cabins of different sizes depending upon the requirement of the teams. At the same time, on the community front, activities are kept very selective and cater to specific clients only. For instance, clients who do not wish to be involved in these activities are...
kept away while events are organised specifically for those clients seeking networking opportunities. Membership discounts and perks through different company ties are offered to all.

**Segment C3:** This segment largely includes those operators who want to or have already branded themselves as serviced offices or business centres. They are highly privacy oriented and the value proposition of such operators is usually the infrastructure and services they offer. Community is usually not a prime concern as the members want exclusivity. Their motive is to offer to their clients an office space that meets all their requirements in terms of location, seating, operations and administration. Target group for such operators are primarily MNCs and enterprises who want a space for their regional teams or sales teams to operate from. Also, larger enterprises approach such serviced offices as it helps them focus on their job without bothering about operational or admin issues. It also gives them the flexibility of expanding or reducing the team size as when required without having to lock-in huge capital, which is the case with leased spaces.

The pricing in this case might be slightly higher than a conventional co-working space as these usually operate out of premium properties with luxurious interiors and provide high end facilities. The prices range anywhere between Rs 8,500 per month/seat to Rs 50,000 per month/seat depending upon the location and extent of customisation offered. The extent of customisation offered varies from operator to operator and also depends on the client requirements. Spaces falling in this segment, to a large extent, have the vibe of a traditional office.

Unlike the co-working spaces, business centres are very much focused on the commitment aspect and demand longer lock-in periods.
Co-working Landscape—Current and Future Trends

The commercial office space is one of the key alternative asset classes which has a significant impact on the economy of a country. Thus, it is only natural that the emergence of any new product-category could have an impact, both negative or positive, on not the just commercial office segment but also on the entire real estate fabric of a country. Serviced offices or flexi-offices or co-working spaces are all such by-products of the commercial office space born out of changing demands of the modern day office goers. Some of these concepts have been prevalent for a very long time while, others are relatively new in the market. If we talk of India, serviced offices has been a fairly old concept in the form of business centres. Today, the likes of Vatika Business Centres and Regus have become prominent names in the commercial office fabric of India. However, with the advent of the start-up culture, came the growing need for office spaces for smaller teams or even individuals. Young entrepreneurs were on the lookout for a space that would offer them just a table-chair and internet connection. This led to the growth of co-working spaces.

Co-working, in spite being a fairly new addition to the serviced office space, has grown significantly in popularity. There are multiple layers to the phenomenon of co-working. As a result, co-working has become an umbrella term for all sort of serviced office spaces. However, whether it is a cafe offering co-working environment or a Regus offering a premium office space or anything that fits in between, what is interesting is the emergence of the need for workspaces as a service.

For the purpose of the study, we delved deep into the working of each of different types of co-working segments (Refer Model). It was found that all the different formats that we studied had one thing in common-customer demand. The idea of having a managed office space was very lucrative for clients. There was no dearth of demand; the catch was bucketing the different types of demand coming from clients of all sizes and capital worth and then deciding which type you would want to cater to. This led to the multiple layers of co-working and the idea of workplaces as a service.

This idea is also reflected and reinforced by the fact that more and more co-working or serviced office space operators have either moved towards or are moving towards enterprises as opposed to start-ups or freelancers. Most of the operators had started off their business keeping the start-up bubble in mind. However, soon enough it was realised that the start-up ecosystem, amounting to approximately 2 million people, was too small to sustain a business in the long run. Thus, these operators started opening up to SMEs and MNCs/Enterprises as well.

The whole serviced office/co-working industry is still a growing phenomenon and its almost impossible to predict with accuracy the future of the same. However, as part of this study we have tried to document some of the key findings about the industry and what the future holds for the same.

Key Findings

• Current Trends
  a. Savings: One of the prime reasons that led to the mushrooming of co-working spaces was the cost factor. As per industry experts, cost savings usually amounts to 15-25%. On an average, a requirement of upto 50 seats leads to savings of about 25% while 50-100 seats lead to about 15% savings. Clients that take up more than 100 seats take space with the objective of avoiding the operational hassles and CAPEX.
  b. Boon for SMEs: While, the co-working bug has bitten both start-ups as well as enterprises, it is the SME sector that seems to have benefitted the most. This is because, there was a demand and supply mis-match as far commercial requirements in this sector was concerned. For instance, a SME looking for a 3,000-6,000 sq ft space would usually have to settle for local landlords or Grade B and C buildings as established developers who own most of the Grade A buildings have large floor plates. Serviced offices or co-working operators bridge this gap.
  c. Regional offices for corporates: Co-working has been a boon for larger corporates as it gave them the opportunity to expand their geographical presence with limited capital investment. Now, larger companies could have their regional offices without actually investing in a complete office set up. All they need to do is take up the required number of workstations.
  d. Branding and image building: Although not very common yet, a budding trend in the co-working space came to the fore through our multiple interactions in the industry. Largely restricted to the business centres and premium serviced office.
**SWOT ANALYSIS**

**STRENGTHS**
- Flexibility to scale up and scale down
- Serves multiple industries, implying low risk
- Scope for alternate sources of revenues apart from space

**WEAKNESS**
- Potential data and intellectual property threat
- Limitation on customization depending on terms of lease contract
- Over-exposure of work

**OPPORTUNITIES**
- Strong economic growth
- Rising numbers of startups
- Increasing demand from corporates

**THREAT**
- Low entry barriers, implies strong competition
- Developers may start offering co-work spaces directly bypassing the operators.
**Market Drivers**

- **IMF (International Monetary Fund)** predicts India’s economic growth at 7.4% in FY 18 and 7.8% in FY 20 to grow by 7.4% in FY 18 and 7.8% in FY 20.
- Structural reforms, rise in private investment and GST implementation to be the key growth drivers. This will further boost the office space requirement in the country.
- The number of startups in India is expected to grow by 2.2 times till 2020 to reach a figure of about 10,000 from around 4,200 in 2015.
- **Increasing involvement of landlords.** Office space developers and owners have started showing keen interest in partnering with co-working space operators.
- **Co-working operator associations.** Larger players will show keen interest in smaller co-work spaces with strong communities to ease expansions in new markets. This will give rise to the concept of community as an asset.
- **Technological advancements and innovations will improve the service levels of co-working spaces.** This will make co-working even more lucrative.
- **Increasing demand from corporates.** Companies such as BMW, Honda, Bridgestone, Hugo Boss, Toshiba, Cisco have already taken up co-working spaces. This trend is expected to get stronger.
Co-working Landscape—Current and Future Trends

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spaces, it dealt with image building for the client. It is believed that certain clients who cannot, at present, afford to have larger number of seats in a premium location, opt for lesser number of seats to accommodate their top management. This helps them build a good impression among their clients and business associates who visit their swanky conference rooms. As one of the serviced office operators put it “Our job is to make our clients look good”.

e. **Boon for distressed properties:** The advent of the co-working culture has actually worked in favour of a lot of property owners and landlords who were struggling to get their properties leased out. For instance, co-working operators who belong to the mid-segment of the co-working pyramid, and do not target premium locations and properties, often approach landlords with distressed properties. This is a win-win situation for both parties as the landlord gets to lease out his distressed asset and earn either rent or revenue while, the co-working operator gets an affordable space. Recently, operators have started targeting malls that are well located, yet under-performing. The informal settings of the mall combined with abundant parking space and access to recreational activities provides appropriate offerings to coworkers.

f. **Role of the broker:** Brokers are playing a key role in the growth of this industry. They are the catalyst in educating the clients about the entire serviced office space. It is a win-win situation for both the broker as well as the co-work operator. While the operator gets business the broker gets access to a market which as more frequent transactions.

**Future Trends**

a. **Role of the developer/owner entity:** At present, the property owner or the developer entity have largely stayed away from playing an active role in the co-working industry. Their role is limited to just leasing out their property. However, with the rate at which the industry is growing, it may not be too late before the owners and developers get directly involved in the operations. Quikr Realty spoke to multiple co-working operators to understand their opinion and got some interesting point of views. On contrary to the popular belief, most industry experts believe that developers will not enter this segment as they do not have the expertise that is required to run a co-working set up. Especially, in the case of developers who are involved in much larger business formats, co-working space would be too much of micro management. Moreover, as long as their properties are getting leased out, it is very unlikely that they would get into the hassles of managing a space. In fact, it is believed that in the next 5 years, approximately 40% of the inventory with giants like DLF would be leased out by co-working or serviced office spaces. Another hypothesis that came up was that, the future would see some level of collaboration between the co-work operator and the developers where clients leasing out co-working space would automatically move to the developer’s property once the co-working operator is no longer able to meet the requirements of the clients in terms of size. The rationale behind such a thought was that once the client is used to being in a certain kind of property, say for instance a DLF property, they would like to maintain the similar kind of infra even on expansion. Thus, we would just have to wait and watch if developers would directly enter this space in the future or not.

b. **Rise of specialised verticals:** As the industry is being run by people with varied backgrounds, different people have different takes on how the future of co-working would shape in India. However, one common hypothesis that was raised by multiple experts was the rise of specialised verticals. At present, operators are catering to different target groups under the same roof. It usually depends upon the demand that come in. However, going forward, there is a possibility that operators would segregate their businesses depending upon the type of clients. For instance, the requirements of a start-up might significantly differ from that of a larger enterprise. Thus, as opposed to the trend of consolidation that exists in the real estate sector today, the co-working landscape might disintegrate into different verticals for start-ups, SMEs, MNCs, boutique clients etc. “As the demand is so varied, there is space for all operators to co-exist”, exclaims most experts.

c. **Market share:** While a few optimistic players in the co-working business believe that serviced office spaces would be the norm in the future, most predict it to form only 20-40% of the entire commercial office space market in the next 5-10 years.

d. **Reduced role of HR and admin:** Another hypothesis that came to the fore during our discussions in the market was the reduced role of HR and admin teams. In a serviced office or co-working set up all operational and admin issues are taken care by the operator. This reduces the burden on the individual HR and admin teams of the clients to a large extent.

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e. **Other avenues of revenue:** Another interesting trend that might become common in the future is the alternate avenues of revenue for the co-working operators. For instance, it is not uncommon to find co-working operators converting their open seating areas into an event zone over the weekend. While some of these events are for the employees, the space is lent out for external events too. Personality development sessions, Yoga sessions, business skill development sessions are some of the common events that are hosted by the operators. Co-working spaces with attractive interiors are often lent to studios for shooting films and TV interviews.

This trend is more common for spaces falling under the B1 segment. Another common trend for alternate or additional revenue that is being adopted by several operators is virtual offices. Virtual offices is a budding concept wherein co-working operators offer an address, email id and landline number to clients who do not need a physical space. Another expected alternate revenue stream is data analytics through which members will be provided with statistical reports and business insights to achieve better outcomes.

It is amply clear that co-working is here to stay whether in the form of serviced offices, business centres or through cafes and pubs. The flexibility offered in terms of pricing, type of services offered and comfort is unparalleled in the commercial office market in India. As it is still a mushrooming sector, it is hard to predict what the future holds for the segment. However, robust demand in the last couple of years has led to companies doubling their sizes and re-thinking or accelerating their expansion plans. The most fascinating thing about the entire phenomenon is that there is no one way of expansion or growth. The growth trajectory is completely unpredictable and will purely depend upon market demand in the future. However, operators have started gearing up for the future growth. Operators may not want to be restricted in their offerings in the future. For instance, Regus, which started and operated as a business centre for a very long time, now want to offer a dedicated package with typical co-working environment. This trend was visible among other players as well. This indicates that players would want to achieve a situation where they would fall in the C1 segment. As seen in the above sections, this segment is not very common at present.

However, achieving high level of community while maintaining privacy is not very easy. In fact, a lot of operators in the market also predict that co-working in India is drastically different from that of global markets. This is so because, in India, even though community living is prevalent, people, particularly the millenials, cherish their privacy. Thus, there is also an assumption that open spaces in office setups may stop to exist all together. These may become limited to cafes and to operators falling in the A3 segment.

Thus, the future of co-working in India will shape purely on the basis of what type of demand is generated. The younger workforce and the growing need to keep them motivated and satisfied in the work environment might be a crucial factor in the coming years. Many large companies, who either own office spaces or are still operating through conventional leased-out buildings, are also approaching co-working operators in order to provide flexibility of location and a more vibrant and creative workplace to their younger employees.
The co-working resolution has caught on in the country and stake-holders in the market are not leaving any stones unturned to make the most of it. While there are some players in the market, who missed the co-working bandwagon, there are others who are giving innovative twists to co-working to make the most of the opportunity.

**MyHQ**

**What is it:** MyHQ is an aggregator for cafes and pubs that want to operate as part-time co-working spaces. Cafes can register with MyHQ and get clients through their app. MyHQ provides all the basic facilities such as stationary and plug points in the cafes. The customer can choose from the multiple packages available which vary from a day pass starting at Rs 450 to monthly packages at Rs 5,000. Almost 90% of this cost is redeemable in the form of food and beverages. While, the cafe earns from this, MyHQ gets a decided percentage of sales from the cafe.

**USP:** Customers are not restricted to a certain location. They can access the MyHQ app and check for availability of seats in whichever location they are. They can book a seat depending upon the availability irrespective of which package they opt for.

40-50% more economical than other conventional co-working spaces.

**Target Audience:** Ideal for freelancers, individual workers, entrepreneurs or even for client meetings as there is no location restriction.

**Pricing Strategy:** Day pass: Rs 450, 5 visits: Rs 1300, 22 visits: Rs 5000 (valid for a year)

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**Monkey Business**

**What is it:** Monkey Business is a one of kind co-working space that doubles up as a creche. It is the first of its kind in Asia.

**USP:** It is exclusively for parents, particularly working mothers, who have young children who cannot be left alone. Monkey Business provides a creche and play area just adjacent to the working area. This gives the parent an opportunity to work from close vicinity of their child.

**Target Audience:** New mothers, single parents or parents who have children within the age group of 0-6 years. Parents who are into freelancing or working independently are most common customers, even though companies have also started to allow their employees to operate from such sets ups.

**Pricing Strategy:** Varies from Rs 200 per day to Rs 11,000 per month
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