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Co-working to dominate the future of workspaces in 2022

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'Flexibility' has become the new buzzword in the office space industry during this pandemic. Companies are now constantly mapping emerging trends and changing preferences, to make the right choice for their office investments.

The hybrid work model, rise of the entrepreneurial culture, the boost in startups and boutique firms have been pushing the demand for co-working spaces in India. Even in IT/ITeS and BFSI (banking, financial services, and insurance) sectors, companies are finding these offerings to work best for their expansion plans and also add up to the ecosystem of their workforces. These sentiments are further reflected in a recent CII-Anarock report 'Workplaces of the Future' that predicts that the market size of co-working spaces would double in the coming 5 years at a CAGR of 15 percent.

The current market share of flexible workspaces against the total office space market stands at 3 percent and this is expected to go up to 4.2 percent by 2023, as per a recent report by JLL. The report also estimates that the flexible space segment would grow at an average of 15-20 percent year on year. Owing to benefits such as shorter tenures, low capital investment, facility management, safety, wellness and security, and low maintenance, the corporates are increasingly investing in co-working spaces. They are focusing on cost optimization to avoid the pandemic-related risks of the future such as movement restrictions, lockdowns, etc. The pandemic has completely redefined how companies look at these spaces in these volatile times, the cost advantage of using a co-working space also gives them an edge and makes it more attractive for the corporates willing to invest across cities and geographies.

Moreover, co-working spaces also are a great help in decentralizing office spaces and reducing long-term lease commitments. These offerings also support them to set up an entire network of satellite and regional offices which was difficult for them earlier. In addition, the companies now find co-working spaces the best-suited options to support their workforces who choose to continue working remotely.

The rise of entrepreneurial spirit especially in youth, enhanced infrastructure development, improved internet services, large-scale technology deployment, and ease of doing business have made India the third-largest startup hub in the world. The emergence of startups has led to an increase in demand for co-working spaces. Subsequently, most founders have started looking for affordable, hi-end, and well-managed office spaces for their enterprises, and the demand for flexible workspaces grew three-folds.

A Cushman & Wakefield report mentions that co-working operators expanded their portfolio aggressively last year and took on lease 21 percent more office area adding up to 4.91 million sq.ft. in 2021 in comparison to 4.05 million sq.ft. in the previous year – across the top eight cities of Bengaluru, Hyderabad, Pune, Mumbai, Delhi-NCR, Chennai, Kolkata, and Ahmedabad to meet the rising demand for flexible workspaces from corporates amid the pandemic.

The style of operating business and working have changed and companies will seek flexibility as the key factor in the future too. The co-working spaces will support them in developing different work environments to maintain a healthy work-life balance. On the other hand, employees looking for hybrid work models have increased and continuous efforts will be made in this direction to cater to the rising needs. These flexible offerings will dominate the future of workspaces in 2022 and would be critical in adapting to the operational changes to yield better results.

(By Vineet Taing, President, Vatika Business Centre)