

## Shared Economy- Co-Working -India

### Update: Impact of COVID 19 and Recent Developments

May 2020



The Coworking Industry has recently established foothold in India with over a dozen players having established meaningful footprints and with over 400 players in the market. The sector attracted over USD 200 Mn in the last 3 years and represents an estimated total area of 8-9 mn sq. ft out of the of the 525 mn sq ft of commercial real estate space in Top 7 Tier I cities in India. The sectors leaders are outlined in Table 1.

Many large enterprises have been gradually making coworking centres integral to their workplace plans driven by flexibility, convenience of locations and the ability to optimize capex to opex. This shift by large enterprises coupled with inherent attractiveness of smaller players, freelancers and some compelling unit economics made co-working an attractive business.

With the onset of COVID 19, as workplaces have been impacted by the lockdown resulting in a significant impact on the sector. We have tried to put this in perspective through this update, impact of COVID 19 and emerging trends forward.

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## Table 1: Leading Co-Working Players in India

Company	No. of Centres	No. of Seats	Pricing	Investors	Liquidity/Financial Strength
WeWork - India	37	60K	Upper-premium segment	Embassy Group	Dependent on group support/standing
IWG (Regus) - India	48	NA	Upper- premium segment	IWG Plc	Strong - Dependant on parent support /standing
Awfis	67	35K	Mid-premium to value segment	ChrysCapital, Sequoia Capital	Strong
Smartworks	29	35K	Mid-premium	Keppel Land	Strong
Cowrks	23	27K	Upper-premium segment	RMZ Group	Dependent on group support/standing
IndiQube	39	25K	Mid-premium	WestBridge Capital	Moderate
91 Springboard	28	20K	Value segment	3One4 Capital and VCs- Anthill, Axilor, Abstract,Powai Lake, Eagle10 and Omphalos Ventures	Moderate
Innov8	20	18K	Value to mid premium	OYO Group	Dependent on group support/standing
Workafella	11	14K	Mid premium	Ratha Group	Dependent on group support/standing
Table Space	12	10k	Upper- premium segment	NA	NA

Source: Maple research, Bain, Knight Frank, globenewswire, psmarketresearch and news articles, JLL & Techsci Research, Vccedge, Dealroom and company websites. Apart from the above companies, players such as GoHive, The Hive, Beehive, Alt+ Co-Working, Skootr, Workie, etc. have established regional footprints.

## COVID 19 Impact

- Significant landscape of the economy has been impacted from COVID lockdowns. Hospitality, Airlines, Film Exhibition, Restaurants, Retail, Shared Mobility, Coworking etc. have been significantly impacted while some sectors have gained traction e.g. EdTech, Telecom, Online Payments, Video Streaming and Gaming and others have maintained traction like and Food and Pharma.
- The phenomenon is global so IT services companies serving the west are equally impacted.
- The Coworking centres have been impacted by the COVID led lockdowns. With most centres shut, the managements are working on both demand and supply side to cut costs and optimize as there is significant cash flow impact owing to the lockdowns:
  - Supply Side: Co-working players are negotiating with landlords to waive or seeking rent moratoriums
  - Demand Side: Co-working players are trying to maintain occupancy especially with larger clients given the lock-ins are typically longer, while engaging with SME and freelancers with future credits rather than refunds of security deposits.
  - Operations: Streamlining workforce at centres and fixed costs.
- Health and hygiene is taking centerstage as new norms on social distancing and workplace hygiene are coming up and will alter usage dynamics of coworking spaces.
- Work from Home(WFH) is getting attention and corporates are seriously taking cognizance of how this trend can be incorporated going forward in normal work practice.

- While WFH has given very interesting and positive results in certain jobs and domains, the need for physical office space remains important especially to conclusively execute tasks, manage organisations, transactions, conduct actual business in many sectors and various organizational aspects like training etc.
- On a positive note coworking centres as per initial feedback with players operating in big cities in mainland China are filling up back to pre COVID levels.

## Emerging Trends

- With focus on conserving cash given the systemic nature of the pandemic, highly uncertain operating environment, clients big and small will focus more on flexible workspaces for their workspace requirements apart from adapting aggressive WFH concepts as against traditional commercial leases.
- Closer to home workplace and flexibility will become key office selection criterion.
- Coworking players may act as facilitators for WFH offices as support centres.
- Coworking may be acting as network/IT hub for highly dispersed workspace environment.
- Based on emerging office regulations on social distancing provisions multi shift operations and 24X7 operations may become the norm as against office reconfigures.
- Workplace hygiene compliance may make coworking spaces better equipped to address and standardize as against small offices.
- Rentals are likely to soften and landlords flexible given expected overall softening in commercial real estate.
- Coworking players lacking the capability (cash and resources) to address the clients, landlords and operating costs in the short term are likely to struggle and may not survive. In respect to leading players outlined in Table 1, we see group support will play an extremely important role in survival for many and those with high debt and/or limited cash position are likely to face strong headwinds.
- Co-working players with higher asset light (managed aggregation) portfolio will emerge stronger given lower fixed rental exposures and thereby related liabilities.
- Handling clients and Landlords under current conditions will be key. Expect significant negotiations and perhaps changes in requirements going forward and the best negotiators will emerge winners.
- Sector will churn to well-funded players, having the ability to provide flexibility, large network, closer to home options and strong operating procedures.
- Co-working spaces are likely to be preferred against traditional commercial leases given inherent convenience, no capex, flexibility, service and network benefits as companies will strive to conserve cash and flexibility in uncertain environments.
- As we go to print, we understand centres have started opening up in India. The silver lining is, and we hope as in China coworking will spring back as seen in China post pandemic lockout opening up.

Overall, while an extremely challenging phase for the co-working industry as for many other sectors, we believe select strong leaders will emerge that will define the next phase of coworking in India that will be highly client oriented, likely to take faster share from traditional commercial real estate and define the future of workplace solutions for corporates.

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