

Office Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The office real estate market is expected to record a CAGR of over 3.5% during the forecast period, 2022-2027. The market is anticipated to regain normalcy by 2022.

The COVID-19 outbreak led to the closure of offices, resulting in a decrease in demand for traditional office spaces. Beyond its immediate consequences, the pandemic also impacted the outlook for office real estate due to the declining demand for traditional offices as work-from-home policies gained traction. The pandemic's impact also reveals that price misalignments have increased. The misalignment is likely to decrease as the economy gains momentum. However, the sector will be challenged by potential structural changes in the office real estate market due to changing societal preferences.

Occupiers are likely to focus more on integrating traditional leased spaces, remote working options, and flexible spaces within real estate portfolios to develop a hybrid workplace model. Cost and portfolio optimization are expected to be the goals of the plan to decentralize the workplace and provide more locations to meet the needs of a more mobile workforce.

Globally, there is a huge demand for coworking spaces. India is on the verge of a co-working revolution, with several major players competing for dominance across the country. It is also estimated that the number of coworking spaces in the United States will double or triple in the next five years.

Office Real Estate Market Trends

Rise in Demand for Coworking Spaces

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The coworking space market is expected to record a CAGR of 2.1%, from USD 7.97 billion in 2020 to USD 8.14 billion in 2021. At a CAGR of 12%, the market is expected to reach USD 13.03 billion in 2025.

Companies are resuming operations and adapting to the new normal as they recover from the COVID-19 impact, which had previously resulted in restrictive containment measures such as social distancing, remote working, and the closure of commercial activities.

India is on the verge of a co-working revolution, with several major players competing for dominance across the country. Currently, there are nearly 3.7 lakh seats in tier 1 and tier 2 cities across the country, with a CAGR of 15% expected over the next five years. The Executive Centre's occupancy and foot traffic increased from 75% in 2020 to 90% in October 2021 in major cities in India.

It is estimated that the number of coworking spaces in the United States will double or triple in the next five years. By 2030, JLL predicts that 30% of all office space will be consumed flexibly. According to the Global Coworking Growth Study, approximately 5 million people will be working from coworking spaces by 2024, up 158% from 2020.

Increasing Demand for Data Centres Driving the Market

Demand for data center capacity is at an all-time high, with end-user spending on global data center infrastructure approximately hitting USD 200 billion in 2021, up by 6% from 2020. Furthermore, Microsoft's announcement of a plan to build up to 100 new data centers per year suggests that this trend will continue, and other companies may soon follow.

Increased demand for data centers was fueled by lifestyle changes prompted by the pandemic throughout 2021, and this growth is expected to continue through at least 2024. As remote work becomes more common and more activities move to the digital realm, internet usage has risen and will continue to rise, implying that data creation will increase as more users seek cloud-based services.

In addition, the purchase of internet-of-things (IoT) devices increased. IoT devices will generate 73.1 zettabytes by 2025. About 1,000 data centers will be required to store one zettabyte at the current capacity. Predicted data storage needs are high, and data center operators must make sure they are maximizing every square inch of their facilities to meet current data needs and handle the future ones.

The data center industry will need to be equipped to store increasingly large amounts of data due to increased demand. On the surface, building more data centers may appear to be a solution. However, lockdowns in 2020 caused the postponement of more than 60% of new data center construction.

Though server CPUs are still plentiful, recent supply chain shortages worsened the data center construction situation as the industry struggled with absurdly high construction material prices. As a result, data center construction will most likely take years to catch up to pre-pandemic levels, which will still make it difficult to match current demand.

Office Real Estate Market Competitor Analysis

The office real estate market is relatively fragmented. The market is anticipated to regain normalcy by 2022. Companies are gearing up to meet future needs, and many companies are entering the market for further opportunities. Some office real estate companies are Cushman & Wakefield, Colliers, CBRE Group, and JLL.

Additional Benefits:

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The market estimate (ME) sheet in Excel format
3 months of analyst support

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