



MANGAL ANALYTICS AND
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MARC Insights

Growth of Co-working Spaces in Tier-2 Cities in India

2025



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Overview of Co-working Office spaces in India


Introduction of Co-working spaces

A Co-working space is an office space where working professionals across different companies, startups, or freelance backgrounds come together to work in a communal setting.


Amenities and Facilities Provided




High speed Internet




Round the Clock Security




Office equipment and accessories




Managed Workspace




Cafeteria Facility



Meeting rooms and conference rooms



4,806
Co-working spaces in India



28.63%
Co-working spaces in India that operate under larger brands

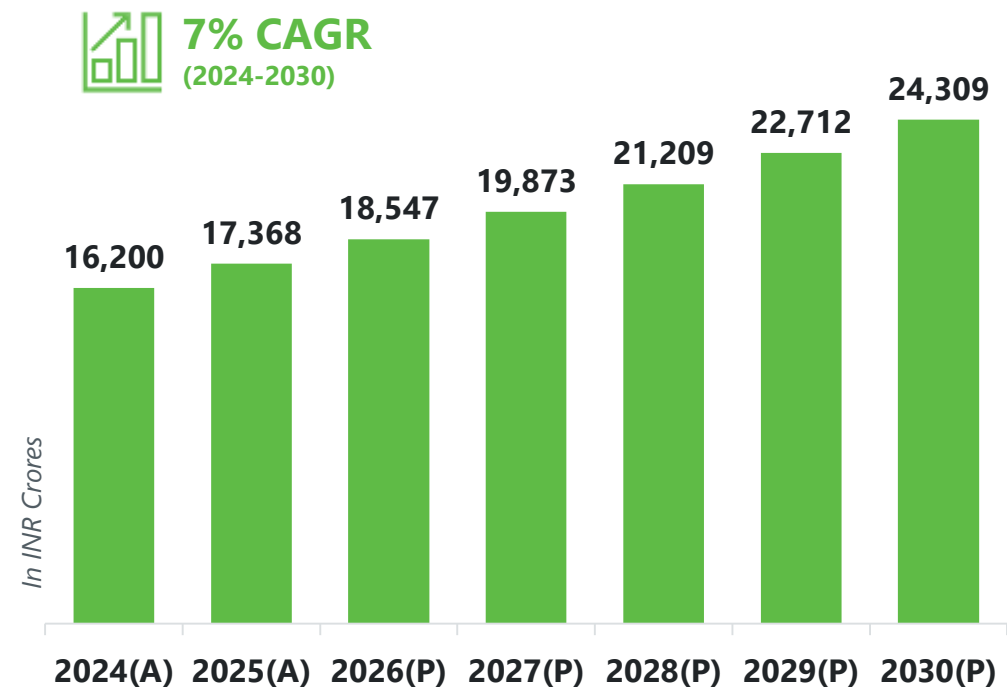
As of May 2025, there are 4,806 Co-working spaces in India, representing 6% increase from 2023, according to Smartscrapers.

As of May 2025, 1,376 co-working spaces in India are operated under larger brands while the remaining 71% are single-owner operated.

Source: [redartworks](#), [theofficepass](#), [rentechdigital](#), [rentechdigital](#), [mordorintelligence](#)

Indian Co-Working Space Market Size

Indian Co-working Space Market is expected to witness an annual growth rate of 7% to reach INR 24,309 Crores by 2030, from INR 16,200 Crores in FY24.



The Rise and Expansion of Co-working in India



INR 10,400

Average seat price per desk

Average seat price per desk rose from INR 9,200 in FY23 to INR 10,400 in FY24, reflecting rising workspace demand.



75% to 90%

Occupancy Rates surged in FY24

Occupancy rates in India's Co-working spaces jumped from 75% in FY23 to 90%, in FY24, driven by rising demand.



27%

Of India's Total office space

As of 2024, Co-working demand in India has grown 95% since pre-COVID and now forms 27% of total office spaces in India.



20%

India's gross office leasing in 2024

Co-working spaces contributed to 20% of India's gross office leasing in 2024.



Co-working Seats

India's co-working space market in 2024 accommodated over 680,000 operational seats across the country according to Aventus Capital report.



Bengaluru Hosts 30% of India's Co-Working Spaces

As of 2024, Bengaluru leads with nearly 30% of India's Co-working spaces.



Beyond the Metros

Co-working spaces is rising in Tier-2 and Tier-3 cities like Surat, Jaipur, and Kochi, offering sleek, metro-grade offices with less hassle.



Enterprise-Led Growth

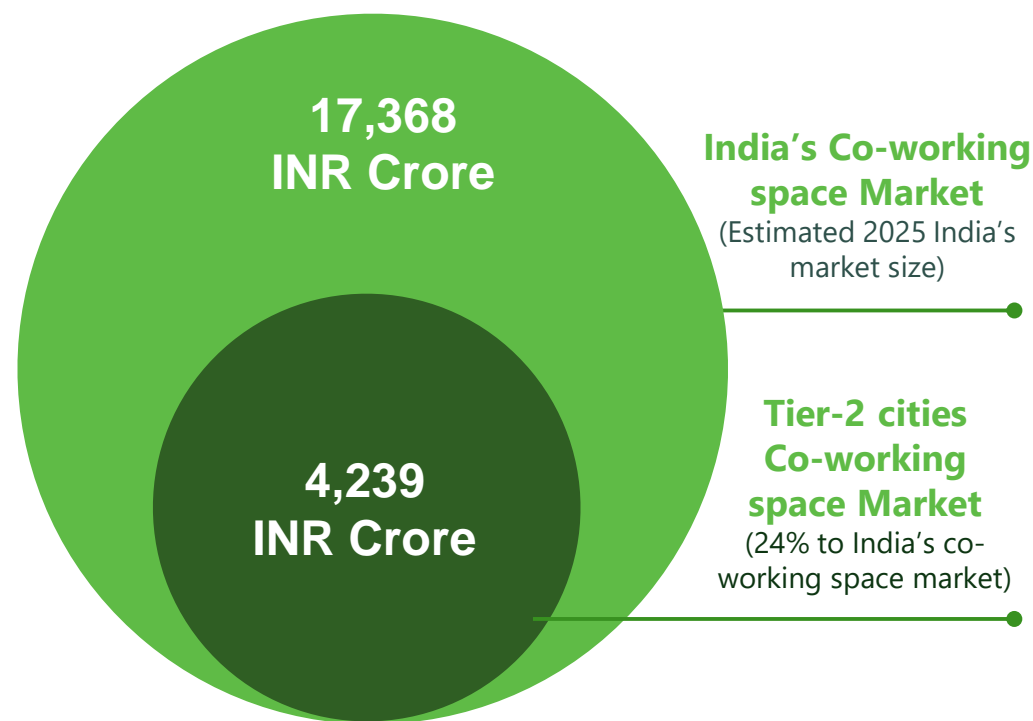
Initially led by startups, Co-working demand now comes mainly from large enterprises (40–45%) and SMEs (35–40%), driving broad-based growth.

Source: [mordorintelligence](#), [co-offiz](#), [innov8.work](#), [studioasa](#), [india-briefing](#), [studioasa](#), [karmaworkspaces](#), [getveris](#)

Overview of Co-working Office spaces in Tier-2 cities

Market size of Co-working spaces in Tier-2 cities in 2025

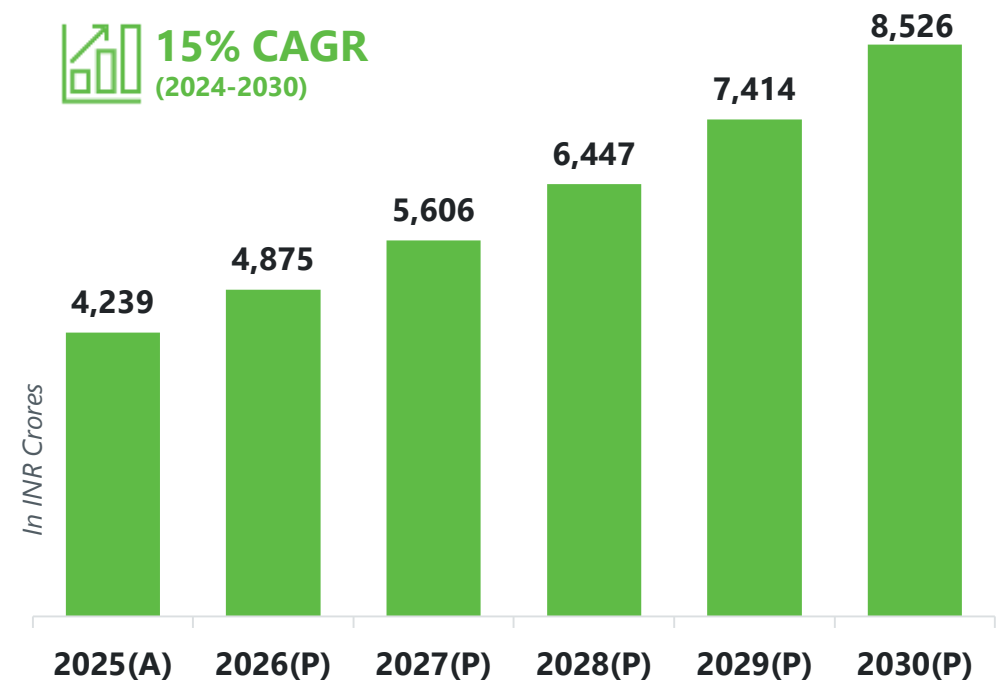
As of 2025, Tier-2 cities account for approximately 24% of India's co-working space market, with Jaipur, Ahmedabad, and cities in Maharashtra emerging as the leading contributors.



Source: [mktgdocs](#), MARC Analysis

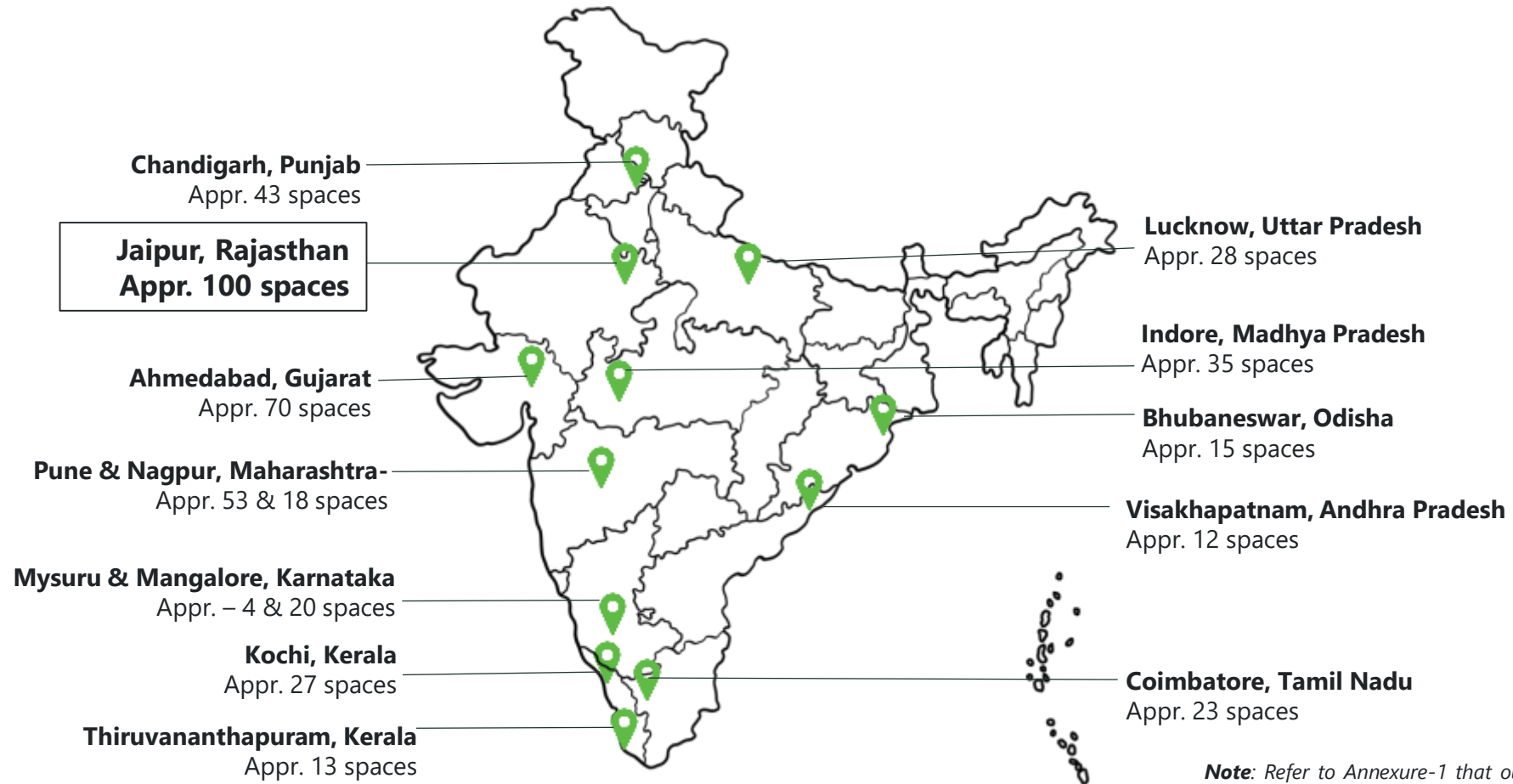
Market Size of Co-working Spaces in India's Tier-2 Cities

Market is expected to witness an annual growth rate of 15% to reach INR 13,281 Crores by 2030, from INR 5,742 Crores in FY24.



Co-working clusters in Tier-2 cities

Jaipur, the vibrant 'Pink City' of Rajasthan, is one of India's fastest-growing Tier-2 hubs, attracting IT, e-commerce, and financial services firms, with nearly 100 co-working spaces thriving as of August 2025.




Note: Refer to Annexure-1 that outlines the key sectors driving the growth of co-working spaces in Tier-II city clusters.

Source: [Lucknow](#), [Indore](#), [Bhubaneswar](#), [Visakhapatnam](#), [Coimbatore](#), [Chandigarh](#), [Jaipur](#), [Ahmedabad](#), [Nagpur](#), [Pune](#), [Mysore](#), [Mangalore](#), [Kochi](#), [Thiruvananthapuram](#)

The Rising Co-working Opportunity in Tier-2 Cities


Tier-2 locations offer significantly lower real estate costs for operators and users compared to cities like Bengaluru or Mumbai. This makes it financially feasible for small businesses and startups to operate from quality office environments.



3x

Rise in flexible workspaces

The flexible workspace market in Tier-2 cities has grown 3x, expanding from nearly 1.7 million sq. ft. in 2019 to about 5.7 million sq. ft. by 2023.




31%


Surge in Job share

Between April 2024 and April 2025, Tier-2 cities witnessed a sharp rise in job share. This shift is fueling strong growth in the demand for co-working spaces.


Emergence of Co-Working in Tier-2 Cities




Tier-2 cities are evolving from feeder markets to key destinations. Post-pandemic lifestyle shifts, improved digital infrastructure, and changing work preferences are driving professionals to move back by choice.



Freelancers and gig workers like designers, writers, consultants, and tech professionals form a large share of co-working users in Tier-2 cities, seeking flexible spaces for productivity, networking, and collaboration.

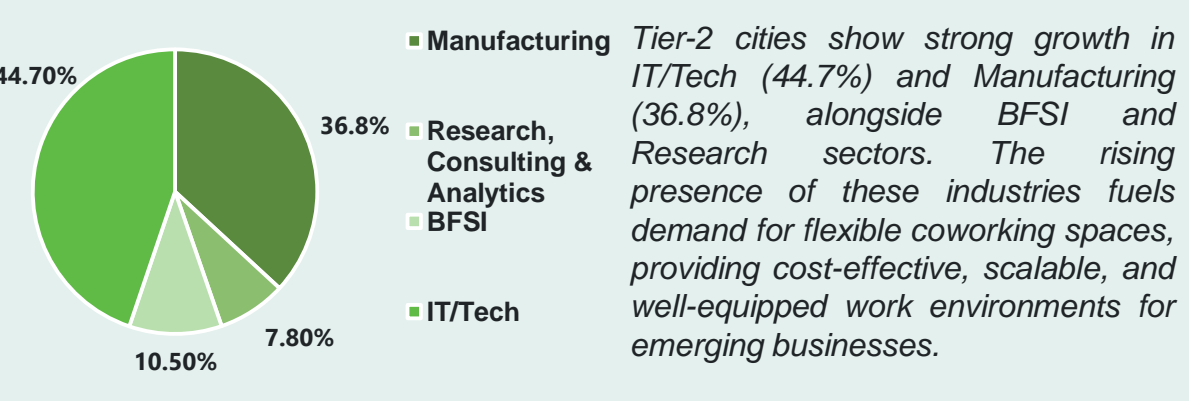


Tier-2 co-working demand is largely driven by IT/Tech and BFSI, with notable contributions from consulting, e-commerce, and emerging clusters in media, aviation, and manufacturing.



Between 2017 and 2025, incorporations in Tier-2 cities grew steadily, fueling co-working demand and strengthening entrepreneurial ecosystems, with hiring rising 11%, led by cities such as Kochi, Coimbatore, and Jaipur.

Industry Distribution Across Tier-2 Cities

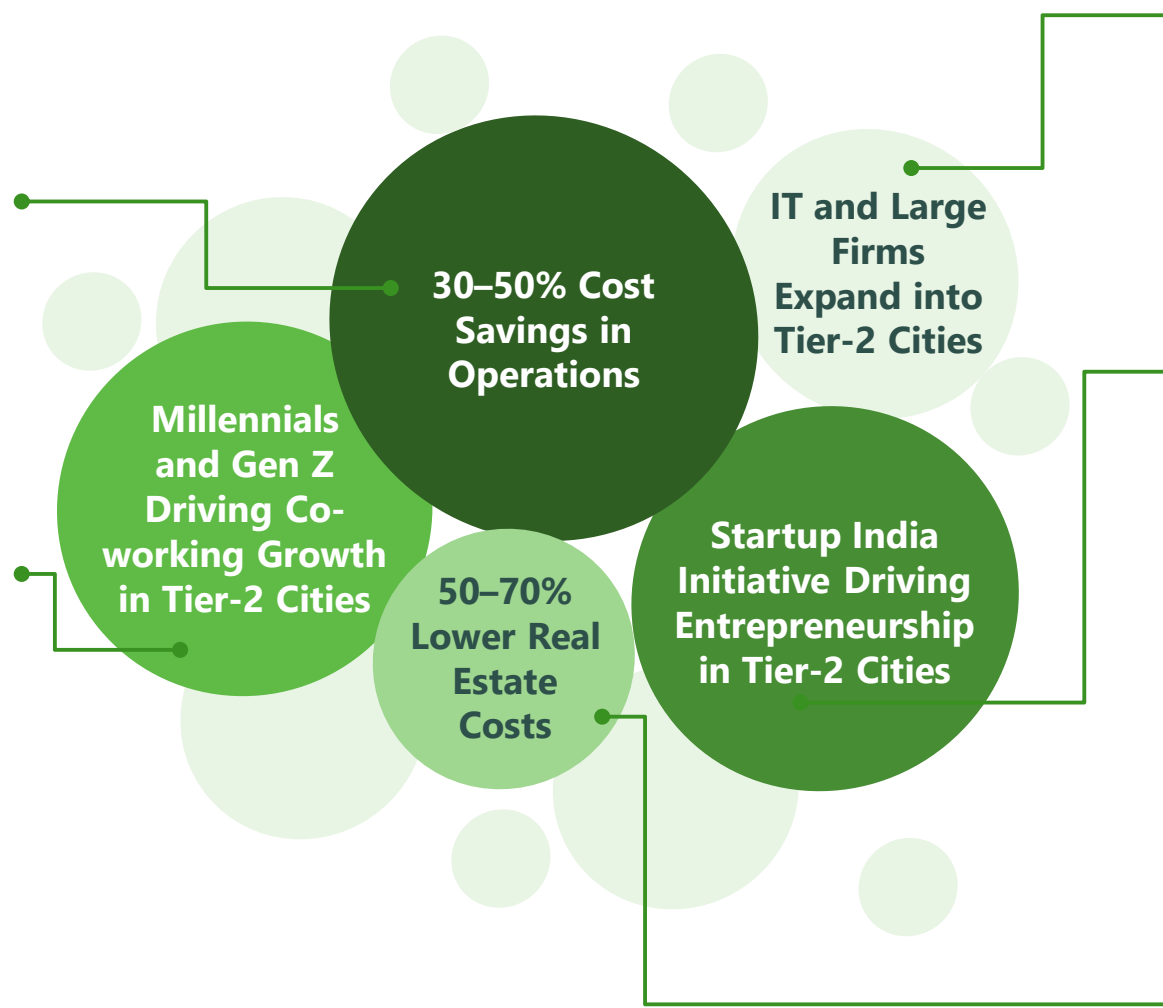


Source – [insights.qdesq](#), [ey](#), [scribd](#), [awfis](#), [foundit](#), [visionspaces](#), [insights.qdesq](#), [awfis](#), [blog.privatecircle](#), [hindustantimes](#)

Growth drivers in Tier-2 cities

Flexible workspaces in Tier-2 cities benefit from **significantly lower rentals and operational costs—30–50% less** than metros—making them an economical and practical choice for startups and SMEs.

Millennials and Gen Z, who form the majority of today's workforce, prioritize community, creativity, and work-life balance over traditional cubicles. Co-working spaces in Tier-2 cities meet these preferences through flexible setups and vibrant communities, fostering collaboration, productivity, and a dynamic work culture.



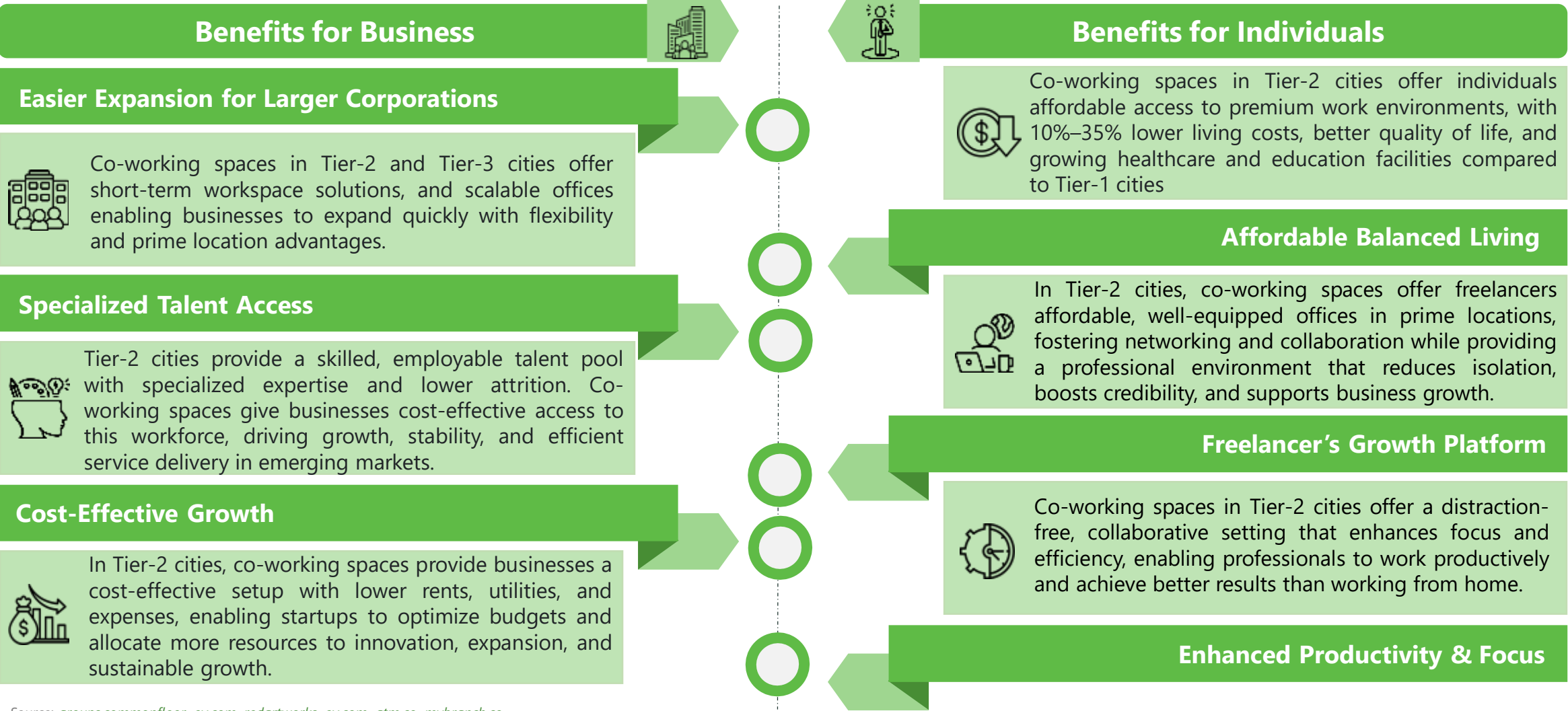
Large enterprises and IT firms are moving from centralized metro hubs to multi-city operations, leveraging satellite offices and co-working partnerships in Tier-2 cities to access local talent, reduce costs, and scale quickly through ready-to-use, fully equipped workspaces.

The Startup India initiative fosters entrepreneurship in Tier-2 cities through funding, mentorship, and incubation support. This supportive ecosystem fuels co-working demand by enabling startups to access affordable, well-equipped spaces for collaboration and innovation.

Significantly lower real estate costs, 50–70% less than metro rates in Tier-2 cities, are driving the expansion of co-working spaces and offering SMEs and freelancers a highly cost-effective workspace solution.

Source: [hindustantimes](#), [karmaworkspaces](#), [ey](#), [insights.qdesq](#), [timesproperty](#), [blogs.stylework.city](#), [blogs.stylework.city](#)

Benefits of Co-working spaces in Tier-2 cities



Source: [groups.commonfloor](#), [ey.com](#), [redartworks](#), [ey.com](#), [gtm.co](#), [mybranch.co](#)

Challenges faced by Co-working spaces in Tier-2 cities

Resistance to Co-working Adoption

Many businesses in Tier-2 cities still prefer traditional leases over co-working space due to concerns over brand identity, privacy, and customization, making co-working adoption slower.



Inconsistency in Service & Amenities Delivery

In Tier-2 cities, co-working spaces face the challenge of maintaining consistent quality, as service delivery and amenities often vary across locations. Ensuring standardized experiences is crucial to building trust and attracting long-term clients.



Attractiveness Gap Persists

Despite improving infrastructure, Tier-2 cities often lack reliable transport and nearby restaurants, reducing the attractiveness of co-working spaces compared to metros.



Source – [meetnwork](#), [office-hub](#), [franchiseindia](#)

Regulatory framework supporting Co-working spaces

Tax Benefits and Compliance

Business Expense Deductions:

The monthly or annual cost of operating a co-working space (rent, utilities, maintenance, furniture, etc.) is generally tax-deductible as a business expense. This reduces the overall taxable income for the co-working space owner.

GST Input Tax Credit (ITC):

Co-working space providers levy GST on their services. Businesses can claim ITC on eligible purchases and expenses like rent, utilities, and maintenance, which reduces their overall GST liability. It's crucial for co-working spaces to ensure proper GST registration and compliance.

Depreciation on Assets:

Investment in furniture, fixtures, IT equipment, and other assets for the co-working space can be depreciated over time, reducing taxable income.

Source – [indiqube](#), [kruzeconsulting](#), [captainbiz](#), [thomsonreuters](#), [pib](#)

Note: REIT - Real Estate Trusts

MSME Schemes

Credit Guarantee Scheme for Micro & Small Enterprises (CGTMSE):

This scheme provides collateral-free or third-party guarantee-free credit facilities to new and existing MSMEs. Co-working space owners, if registered as MSMEs, might be able to avail of such loans for setting up or expanding their facilities.

Amendment to SEBI (REIT) Regulations, 2014






As per the Amendment in REIT March 2024:

- The Securities Exchange Board of India has introduced the Small and Medium Real Estate Trusts (SM REITs) Framework, to provide due regulatory oversight, adequate disclosures, and an investor grievance redressal mechanism.
- This amendment allows investors to invest in completed and rent-yielding real estate with a minimum investment of INR 1 million across assets with a size of INR 500 million to INR 5 billion as against minimum asset size of INR 5 billion in REIT.
- The maximum asset value for SM REIT is the minimum asset value mandated for REITs, thereby facilitating the way for smaller asset owners to monetize their real estate investments.

Case Studies

Vertex Managed Workspace [1/2]



	Establishment date	2021
	Established in	Mangaluru
	No. of Branches	5
	Current capacity	1,900+ seats
	No. of employees	400



Founders

Mr. Gurudatta Shenoy
Mr. Mahesh Shetty
Mr. Mangaldeep A R



No. of Branches

- I. Vertex One
- II. Vertex Square
- III. Vertex Treo
- IV. Vertex Quad
- V. Vertex Five
- VI. Ajanta Business Centre
- VII. Ashoka Business Square

Business Performance Highlights



150+



4x growth

Enabled creation of 150+ tech clusters and backend support operations.

Grew professional capacity 4x over three years, showcasing accelerated organizational expansion.

Key Clients



All-in-One Workplace Services.

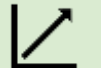


Collaborative Community.

Business



Smart and Tech-Driven Co-working spaces.



Flexible and Ready Solutions.

Growth-



Services

- Co-working Space
- Private Office Space
- Virtual Office Services
- Meeting Room Facilities

Source: [Vertex Cowozo](#)

Vertex Managed Workspace [2/2]

Problem Statement



Businesses in Mangaluru struggled with the absence of scalable, professional, and technology-enabled workspaces.

Traditional office setups proved costly, inflexible, and inadequate in offering modern infrastructure, digital tools, and networking opportunities.

Approach to Overcoming Challenges



The solution generated was Vertex's flexible workspace model, designed to help businesses scale up or down as per their requirements.






By providing cost-effective access to premium amenities, integrated IT and smart infrastructure, along with community-driven initiatives like the Wall of Inspiration and networking events, Vertex created a modern, collaborative, and scalable workspace solution aligned with evolving business needs.

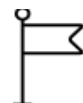
Value Delivered

This integrated approach built a strong tech ecosystem in Mangaluru by combining infrastructure, talent strategies, and government partnerships. It removed barriers to expansion, supported startups, and created environments where professionals and businesses can thrive. As a result, companies benefited from cost efficiency, access to skilled talent, and vibrant industry networks—driving distributed growth while sustaining productivity and innovation across locations.

Mikro Grafeio [1/2]



	Establishment date	2021
	Established in	Coimbatore
	Geographic Presence	22+ Cities
	Current capacity	3,000+ seats
	Centres	45+



Key Milestones



Named among Top 10 Most Promising Co-working Space Providers by Silicon India Magazine.



Within ~18 months: Delivered 2 lakh sqft workspace across 22 Indian cities, generating 1,000+ jobs.

Business Performance Highlights



**128%
CAGR**



**INR 19.6
Crore**

Company has recorded compounded annual growth rate over the past 2 years.

The company has raised a total of INR 19.6 Crore in funding over two rounds in 2024.

Key Clients



ADITYA BIRLA GROUP



3i Infotech™
SIMPLIFY YOUR BUSINESS



Hamamaka Digital
Economy Mission



UNITED BREWERIES LIMITED



ClubMahindra

Founders >



Mr. Santhosh Mahalingam
Mr. Mohan V Mathew
Mr. Jaishankar Seetharaman
Mr. Ranchu Nair
Mr. Shyam Kumar



- Operates on Cost effective *Hub and spoke model.
- Technology-enabled platform for booking.
- Administration and analytics.
- Focus on Tier 2 & 3 Cities.
- Integrated workspace-plus-workforce model.

Source: [mikrografeio](https://mikrografeio.com), [ians](https://ians.com)

***Note:** Hub & Spoke Model- -A hybrid approach where a central, larger co-working space (the "hub") is complemented by smaller, satellite spaces or other flexible workspaces (the "spokes") in different locations, often closer to employees' homes. Co-working

Mikro Grafeio [2/2]

Problem Statement



Businesses aiming to expand into non-metro cities face significant barriers, including unreliable infrastructure, limited access to skilled talent, and complex administrative processes. These challenges often deter organizations from setting up operations outside major metros, despite the cost benefits and untapped opportunities available. Mikro Grafeio identified this gap as the growing need for reliable co-working solutions in Coimbatore, a key Tier-2 city.

Approach to Overcoming Challenges








Mikro Grafeio addressed this challenge by offering a zero-capex Managed Service Agreement (MSA) that seamlessly integrated real estate setup, workforce acquisition, and comprehensive operational support. They proactively upgraded properties as needed and collaborated closely with local institutions and agencies to efficiently source and train talent for businesses, ensuring smooth and scalable operations.

Value Delivered

This comprehensive model simplified expansion into smaller cities, reduced operational hurdles, and provided businesses with cost efficiency, reliable talent pools, and smooth operations. As a result, companies could confidently embrace distributed growth while maintaining productivity and operational consistency across locations.

Ideashacks [1/2]



	Establishment date	2016
	Established in	Faridabad
	Geographic Presence	4 Cities
	Current capacity	600+ seats
	Centres	4



Key Milestones

IDEASHACKS ventures operates marquee Innovation Hubs and provides Business Support Services to communities of startups.

Initiative to build the pillars of entrepreneurship in the local economies of Tier 2 and 3 towns of India and Beyond by helping to get funds.

Business Performance Highlights

1 Crore



15%

Surpassed INR 1 crore in revenue within its first year of launch.

Monthly growth rate in space utilization.

Key Clients



Founder >
Mr. Arjun Veer Chadha



- Sustainable, Eco-Conscious Workspaces
- Provide in-house advisory services across HR, accounting, marketing, and training

Source: [ideashacks](#), [linkedin](#), [techcareer.hashnode](#), [siliconindia](#)

Ideashacks [2/2]

Problem Statement



Faridabad's ranking among India's most polluted cities has created a negative perception, discouraging businesses from viewing it as a viable work destination. To counter this, Ideashacks identified the need for modern, well-designed co-working spaces that offer a healthier and more attractive environment, encouraging companies to establish a presence in the city.

Approach to Overcoming Challenges



Ideashacks addressed this challenge by designing green and sustainable workspaces. They introduced natural ventilation, indoor plants, and sunlight-friendly layouts to improve air quality inside the office. Additionally, they positioned Faridabad's cost advantage and proximity to Delhi as strong incentives.

Value Delivered

This strategy turned a citywide weakness into their unique selling point. By branding themselves as healthy, eco-friendly, and affordable, they attracted companies seeking low-cost offices without compromising on employee well-being. It differentiated Ideashacks from competitors and helped establish trust with clients.

Annexure - 1

- 1. Chandigarh, Punjab:** With its planned infrastructure and affluent consumer base, Chandigarh is seeing a rise in flexible workspace demand.
- 2. Jaipur, Rajasthan:** Referred to as the "Pink City," Jaipur is one of India's fastest-growing Tier-II cities. It's attracting a mix of IT, e-commerce, and financial services companies.
- 3. Ahmedabad, Gujarat:** A major economic hub with a strong entrepreneurial spirit, attracting various industries.
- 4. Pune & Nagpur, Maharashtra:** Pune continues to experience strong co-working growth, acting as a bridge between metros and smaller cities. Multi-modal International Cargo Hub and Airport at Nagpur is a key employment hub.
- 5. Mysuru, Karnataka:** A popular choice due to its proximity to Bengaluru, lower costs, and a good quality of life. It's attracting tech companies and startups.
- 6. Kochi, Kerala:** A thriving port city with a growing IT and business ecosystem. Infopark and Smart City Kochi are major employment hubs..
- 7. Thiruvananthapuram, Kerala:** Technopark is a significant IT hub, contributing to the demand for flexible spaces.
- 8. Lucknow, Uttar Pradesh:** Once known for its heritage, Lucknow is now a growing destination for IT and other sectors, leading to increased demand for co-working.
- 9. Indore, Madhya Pradesh:** A key commercial center in Central India with developing infrastructure and a burgeoning startup scene.
- 10. Bhubaneswar, Odisha:** Infocity is a major driver of office space demand, attracting IT companies.
- 11. Visakhapatnam, Andhra Pradesh:** Emerging as a fintech valley, drawing interest from financial and technology firms.
- 12. Coimbatore, Tamil Nadu:** Known for its industrial base and educational institutions, city is seeing significant office space leasing. It's a hub for IT and allied sectors.



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RESEARCH CONSULTING[®]

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Contact



+91-9359628675



contact@marcglocal.com



www.marcglocal.com



Head Office - 2nd floor, CMM bldg. Rua
de Ourem, Panaji Goa 403001



Mangaluru Office - #413, Ajantha
Business Centre, Bejai-Kapikad Rd,
Mangaluru, Karnataka 575003.