

WHAT'S TRENDING

# Commercially speaking

Did you know that the annual office space absorption was the highest last year since 2012? Not only were big deals sealed across the sector, but also vacancy levels dipped drastically. We got a few experts aboard to discuss the future potential of the commercial realty sector

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**K**night Frank India released its flagship half yearly report - *India Real Estate*, which focused on the performance of the residential sector and the office space during the period between July and December 2015 (H2 2015). While Part-1 of the story published last week shed light on how the residential sector performed, Part-2 delves into the performance of the office space. Did the office market underperform or overperform in the MMR during H2 2015? Did it perform better than the residential space? Will it show steady trends in the coming six months? We picked four key takeaways from the report, and sought inputs from our experts on the current standing of the sector and its way ahead.

Here are four pivotal pointers picked from the report that defined the performance of the office market in the MMR during H2 2015:



**DEMAND EXCEEDS SUPPLY** in MMR for the first time since 2008; office absorption witnesses a continued growth pattern since 2015

▣ **Vinod Rohira**

MD - commercial real estate & REIT, Raheja Corp



It's vital that we segregate the office market into two segments - IT/ITes space and pure commercial office space. While the demand in the former segment has been steady, the demand in the latter has been low with very few transactions taking place. There is a lack of quality A grade office space in the market due to the scarcity in supply. There is an imbalance in the demand-supply dynamics in the quality office space too; however, the micro-market has been seeing steady trends with an optimistic 2016 ahead.

▣ **Rubi Arya**

Executive vice chairman, Milestone Capital Advisors



The government is taking several initiatives to boost business and investments in Indian real estate and construction sector. Under such circumstances, industry experts are optimistic about the return on investments from commercial entities. Green shoots are being witnessed in commercial real estate. Improving business sentiments and economic recovery have led to a higher demand for office spaces in the last few quarters. Given the enhanced corporate performance and industrial growth, quality commercial properties will be in high demand in Mumbai, thus making it one of the highest yield-producing markets globally in the next three years.



**IT/ITes industry emerged as the TOP OCCUPIER OF OFFICE SPACE** in the MMR region, thus contributing 46 per cent of the demand in H2 2015 surpassing BFSI

▣ **Pankaj Kapoor**

MD, Liases Foras



IT/ITes has been doing well for quite some time. Thus, it has naturally emerged as a top office occupier. Besides, upcoming infrastructure developments planned in the MMR and fringe areas have also contributed to office absorption. To add to it, the market observed very big deals across the IT/ITes space and the latest one to garner attention was the one where in TCS leased out 1.9 million sq ft of office space in Hiranandani, Thane, which is quite massive and is said to drive the absorption for the said period. However, it remains to be seen whether this trend continues in the future as well.

▣ **Mayur Shah**

MD, Marathon Group



Yes, it is true, that IT companies have witnessed an increased presence in MMR, thanks to the massive infrastructural development across various pockets of MMR. Besides, various upcoming infrastructural developments such as Thane Metro, new airport in Navi Mumbai, proposed Vadoradra-Vada-Manor-Bhiwandi-Badlapur national highway will improve connectivity in Thane, Navi Mumbai and other fringe cities in the MMR. To accommodate the growth and additional workforce, there is a need for vast office spaces that can shelter its employees under one roof. MMR not only provides large office spaces to accommodate them but also provides ease in doing business. This has attracted large IT companies that are setting up offices in Mumbai, Navi Mumbai and Thane.



**With an 83 PER CENT JUMP IN DEMAND**, e-commerce took the lead. The sector generated 122,000 sq ft of office demand in H2 2015 led by major players

▣ **Ashish Shah**

Founder and COO, Pepperfry.com



Innovation is the new buzzword with the e-commerce companies introducing enhanced customer experiences and focusing on expanding their customer base. This rise in demand has resulted in players widening their offerings in terms of product selection, customer experience, etc, to capture a larger share in the e-commerce market. The e-commerce companies want to focus on increasing their reach and distribution. Moreover, it also helps in creating more brand awareness. Hence, e-commerce players are betting big on offline stores and expansion.

▣ **Anuj Srivastava**

CEO and co-founder, Livspace



The growth that e-commerce companies in India are facing is unprecedented. All the well-known e-commerce companies are doubling the capacity across the board almost every quarter. The new-age real estate companies have been nimble to facilitate this humongous growth and are offering developed spaces with a host of amenities, which comply with the most exacting requirements for power, water and connectivity, etc. When we started off in Bangalore last year, we had one small office; soon we moved to a larger office with multiple floors. This shows the role e-commerce has played towards the growth of commercial real estate.



**Due to the demand-supply dynamics, VACANCY LEVELS HAVE COME DOWN** to 20 per cent in H2 2015 as compared to 22.6 per cent in H2 2014

▣ **Dhaval Ajmera**

Director, Ajmera Realty



The scenario is definitely better than what it was in 2014 because there is a positive sentiment around the market. The vacancy levels have come down with regards to the commercial real estate market with the market being on a high for a while; it is facing a lot of fluctuations with recent deals and witnessing a healthy pipeline indicating early signs of recovery, especially with large transactions picking up. While big institutional investors have been investing in commercial properties for some time, even big corporate occupiers are returning to the market, thus giving rise to improvement in the business demand and the need for expansion.

▣ **Kamal Khetan**

CMD, Sunteck Realty Ltd



This positive demand indicates there is an improvement in ease of doing business. Coupled with that, many corporates are planning to increase their headcount and the supply in the commercial space has been limited as very few developers have launched commercial project in the last three-four years. All these are very positive indicators and we hope that corporate office occupiers will continue to be bullish through 2016.