

Secondary Business Districts a Preferred Choice for Offices Now

Better infra, larger floor plates, seamless connectivity major attractions for cos

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Mumbai | Bengaluru: Secondary business districts (SBDs) are emerging as the new favourites of occupiers across most key Indian office markets due to the availability of larger floor plates and infrastructure that suit their requirements, besides offering them options in superior grade-A assets with better amenities.

In the more traditional markets such as Mumbai and Delhi, more occupiers are moving into SBDs rather than Central Business Districts. For instance, Bank of America had recently moved from Mumbai's CBD to SBD — Bandra-Kurla Complex — while Bank of Tokyo and Philip Morris have moved from the New Delhi's CBD to the SBD.

"CBDs are largely losing out to SBDs due to lack of project — and precinct — level infrastructure and hardly any new grade-A supply. What bodes well for the future of these SBDs is that their grade-A universe is set to expand with real estate investment trusts (REITs) that are about to be launched in the country," said Ramesh Nair, CEO, JLL India.

Nair reckons the supply that is supposed to come in from 2016 to 2020 in these CBDs shows negligible addition in Mumbai, Delhi-NCR and Chennai; and very little supply in Hyderabad and Kolkata. However, Pune's supply pipeline shows slightly lesser than 0.5 million sq ft of new office stock. Only Bengaluru is expected to witness a supply of around 2 million sq ft in its CBD.

Given the rising prominence of SBDs, even institutional investors have started to prefer investing here. For instance, private equity player Milestone Capital Advisors recently acquired office space in The Capital building and has also leased it out to one of the co-working space provider.

"Businesses are moving to BKC, occupiers are keen to operate out of this market and this preference would lead to higher rentals. I would not be surprised if this market surpasses its earlier highs



SLOWING DEMAND

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both in terms of capital and rental values," said Rubi Arya, executive vice-chairman of Milestone Capital Advisors.

On the back of declining interest in the traditional central business district (CBD), several corporations are establishing their front-office functions in the secondary business districts (SBDs) and moving back-office activities to suburban markets.

"For occupiers, better infrastructure, security and seamless connectivity are key factors that play a crucial role in deciding their office address. Newly-built office complexes score high on these counts and therefore have been able to attract more occupancy," said SK Sayal, MD, Bharti Realty, developer of Worldmark in New Delhi's Aerocity.

Given its proximity to the Delhi international airport, Millennium City and the centre of the capital, the developer has already leased 85% of the office space to several large multinational companies such as Bank of Tokyo, Mitsubishi, Sumitomo, and OCS that are operating from here.

Henceforth, developers and funds are expected to refurbish and upgrade certain buildings in their portfolio.