

Green shoots - Office space in fast lane



Delhi/NCR

Office space across India is registering a sustained activity, as net absorption continues to rise year on year, which is riding on the back of a slow and steady economic revival.

Residential demand has remained muted in most Indian cities over the last few months. However, demand for office space continues to improve across most towns, a recent JLL India report said.

For instance, the office sector saw steady demand from end users in Kolkata in recent months. A similar trend is visible in Ahmedabad, Delhi NCR,

and Hyderabad. However, residential sales were tepid in Ahmedabad, Chennai, Delhi NCR, and Hyderabad, with the exception of Mumbai, Kolkata, and Pune. So, what goes?

Ramesh Nair, CEO and country head of JLL India, says: "Residential demand and concurrent supply usually lags behind commercial office space creation. As new office hubs are created or existing ones expand,

residential demand invariably follows."

"This is a well-established dynamic in real estate markets across the world. Today, the sentiment for office space uptake is high on the back of proactive policy reforms by the Centre. RERA and GST are creating a new level of transparency, which appeals to global corporates, which may have postponed entry or expansion in India until a more favourable market environment is manifest."

There has also been an overall positive growth in the office space with increasing job opportunities, alongside optimum market rates making the commercial sector a sure-shot stake.

"An increasing number of employees and workers are looking at remote working and freelancing opportunities, holding an interest for flexible work spaces like business centres and cowork stations. Additionally, the widely inclusive start-up culture has contributed substantially to the office space demand," Vineet Relia, Managing Director of SARE Homes, said.

Pankaj Bansal, Director of M3M Group, says: "With companies hiring more people to drive their expansion, the demand for office space has registered substantial increase in the recent past. With a slew of structural reforms planned and in various stages of implementation, India is expected to remain one of the fastest-growing economies in the short to medium term. This is expected to drive the demand for office space. What is more, office space demand is generally considered a leading indicator for residential demand. With more and more jobs coming online, coupled with low interest rates for home loans, demand for residential space is bound to follow suit."

India has also seen a surge in startups and e-commerce businesses in recent years. "There were as many as 15.27 lakh registered companies between April 2016 and January 2017, with a majority of them in the private sector. All of this has raised demand for office space. While 30 million sq ft of space was absorbed annually from 2012 to 2014, the figure rose to around 35 million sq ft in 2015. In 2017, India's net office space absorption is expected to cross this figure," Vineet Taing, President of Vatika Business Centre, says.

Some developers say that office space is currently registering growth with so many projects being delivered now. "Cities with new residential units are registering office space demand, as a lot of people are opening up offices near newly-built colonies. Also, many startups are coming up and need office space to operate, which in many cases is the shared office space. As far as residential demand is concerned, it is currently muted only because in many places there is not adequate supply. However, in areas where supply is as per demand, the residential segment is doing well," Deepak Kapoor, President of Credai Western UP, said.

Whatever be the case, industry experts say that office space has shown stability in rental and capital values and only modest variation upwards, compared to its residential counterpart.

"With political and economic revival, we are seeing sustained activity levels for office, as net absorption continues year on year. Given the recent water flooding and political environment in Chennai, we also see demand reducing and diverting to cities like Hyderabad and Pune," says Ravi Ahuja, ED (office services & investment sales) at Colliers International India.