

Rebound ahead in the commercial space

In Bangalore, recovery in the commercial space market has been pretty slow. But a pick up in demand is expected after June.

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Following the upswing in the residential real estate market in Bangalore now, it was only in the residential segment that the market was seeing most activity. Industry experts now believe that post-June, the commercial space would also start seeing uptake.

"Post-June, the commercial space market is expected to pick up. This could be attributed primarily to the US economy looking up," says Mr M. R. Jaishankar, Chairman and Managing Director, Brigade Group. The demand, he adds, would be driven by the IT and ITeS sectors, the primary contributors to real estate demand in Bangalore. However, other sectors such as research and development, and aerospace would be fuelling the growth in the future, say industry experts.

DEMAND RISING

Recovery has been pretty much slow in the commercial space market, points out Mr Prakrut Mehta, National Director - Office and Industrial Agencies, Knight Frank India, a real estate consultancy firm. According to him, there is a lot of demand for space from both MNCs - tier-I and tier-II companies - and Indian corporates.

The Outer Ring Road micro-market, which contains a strong pipeline of SEZ space, is emerging as a focal area for companies evaluating long-term expansions and consolidation opportunities, says a recent CB Richard Ellis' 'India Office Market View' report.

Currently, the Bangalore commercial market is facing tough times with a scenario of oversupply. The CBRE report



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says that the peripheral business district micro-market - including Outer Ring Road, Whitefield, Electronic City and North Bangalore - remained oversupplied in the first quarter of 2010 as developers were forced to complete projects in order to comply with government undertakings and investor commitments, despite low level of end-user interest.

MORE ROOM

Mr Jaishankar points out that the Whitefield-Electronic City belt alone would have vacant space of about 5 million sq ft. "And next year, another two or three million sq. ft space is expected to be added to this belt," he adds.

However, the good news is that the market has not seen any new launches of office spaces in the past year. "In the next 18 months, we expect substantial office space to be

absorbed," says Mr Jaishankar. He points out that his company recently transacted lease of up to 2.5 lakh sq. ft office space at its Brigade Metropolis project in Whitefield. According to a recent research report from First Call Research, Sobha Developers has 34 contractual projects in progress, with 88 per cent contributed by IT major Infosys Technologies.

Mr Shrinivas Rao, CEO - Asia Pacific, Vestian Workplace Services, says that the Bangalore market would see absorption of 5-6 million sq. ft space this year alone.

According to him, at a pan-India level, about 22 million sq. ft was absorbed last year. "This year, 6 million sq. ft has already been absorbed in the first quarter. And we expect about 30 million sq. ft to be absorbed in 2010," he says.

And if corporates go ahead with their expansion plans,

about 35-40 million sq. ft is expected to be absorbed in 2011 driven mostly by investments from the US and Europe. And Bangalore is expected to contribute significantly to this pie, he adds. His company is already talking about 20 companies who want to either expand their operations in India or enter the Indian market.

EXPLORING OPPORTUNITIES

"And most of these companies are tier-II companies wanting to explore opportunities in India," says Mr Rao.

These companies want to come to India either for outsourcing or captive units. "Either way, the real estate market would see a lot of absorption," he adds.

In the current scenario, requirements for companies have quadrupled in the past five years, and "we see demand picking up," he adds.

Mr Rao points out that more businesses in the US want to invest in India, and MNCs want to penetrate the Indian marketplace better.

"These organisations want to move in quickly because the quicker they move in faster would be the revenue generation per seat. And occupier services companies help organisations get faster revenues per seat," he adds.

In fact, it is the growth potential that the Indian market holds that has encouraged the US-based Vestian Global to launch its India operations in Bangalore recently. As an occupier services company, Vestian Global plans to replicate its successful business model in India.

"There is a need for standardisation; so we plan to replicate proven models so that we are able to ensure swifter implementation and cost predictability," explains Mr Rao.