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Exhibiting exuberance

Backed by strong resilience and positive sentiments, industry experts believe that the office space segment is likely to continue with healthy demand and new supply ahead.



TOP STOREY
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The office market in the top seven cities of India has shown exuberance as per few recent survey reports. The reports reflect the market's strong resilience and positive sentiments leading to the vigorous growth graph. According to the JLL's report, the office space market across the cities, including Bengaluru, Mumbai, Hyderabad, Chennai, Delhi-NCR, Pune and Kolkata, witnessed three years high in net absorption in 2022. As per the JLL's report, Delhi-NCR emerged as one of the biggest markets in 2022 concerning the full year 2022 gross leasing activity.

It further indicates that the improved economic activity, companies' robust expansion plans and strengthened market sentiments are backing the growth of the country's office space segment. "The rise in office occupancy levels has been creating a healthy demand for Grade-A office space across cities. Segments like manufacturing,

industrial, BFSI, and start-up are driving the growth of the office space market," says Kaustubh Chandra, manager, marketing and leasing, Brahma Group.

The Vestian's quarterly report 'The Connect Q4 2022' says that absorption of 52.8 million sq.ft. of office space in 2022 has surpassed the previous year's figure by a whopping 33 per cent. The absorption in 2022 fell short of the landmark figure achieved in pre-pandemic 2019 by a mere margin of 8 per cent, apprehensions brought by the global headwinds and economic constraints curbing its buoyancy in the fourth quarter. Bengaluru continued to lead the way with 31 per cent share of the total absorption, followed by the Delhi-NCR office market accounting for 19 per cent share as per the report. The report shows that the IT/ITeS sector drove market traction during the year with 31 per cent share of absorption, followed by the flexible space operators at 16 per cent share.

Also, CBRE reports that the office market in India has expanded by 66 per cent year-over-year absorbing a total of 42.1 mn. sq.ft. in past nine months. "Leasing momentum was boosted by the relaxation of Covid-19



limitations, the release of stagnated demand, and occupiers' steady acceleration of return-to-office (RTO) plans in 2022. We expect a robust supply pipeline and persistent occupant interest in investment-grade buildings by top developers and institutional owners in strategic locations will lead to an increase in development completions in 2023," says Anshuman Magazine, chairman & CEO - India, South-East Asia, Middle East & Africa, CBRE.

Vineet Taing, chief executive officer, Vatika Business Centres also expects this growth to reflect in the business centres and co-working spaces segment. "Currently, the modus operandi is 'hybrid' and the requirements have been reduced to half but, this half share has provided a good growth ratio in the current market vis-à-vis last year and as the transition is gradually happening from hybrid to 100 per cent operational offices the demand in the market would be on a continuous rise," observes Taing.

Despite the inherent benefits of working from home, the arrangement lacks general infrastructure and a conducive environment for working hassle-free. This is

mulling organisations and business owners to implement back-to-office initiatives. Nakul Mathur, MD, Avanta India updates, "In most of the major business parks, footfall has reached 50-75 per cent compared to the pre-pandemic levels. As major corporates will keep bringing the workforce back to the office, the upswing in office demand will continue in 2023 marked by a sharp decline in vacancy rates. The average rental rates are also expected to grow stemmed by solid foundations and structural parameters."

Meanwhile, there will be headwinds in the market such as escalating geopolitical tensions, deceleration in global liquidity flow, and a shift in employee expectations. This will also entail growth in managed and shared office spaces. A sizable number of clients comprising both start-ups as well as large enterprises will opt for the segment. "Shared offices can help all entities to optimise their costs and enhance overall employee efficiency and productivity," adds Mathur.

Ankit Jain, director & co-founder, Skootr too highlights that with continued recovery in leasing and persistent demand for Grade-A offices, global corporates and large PSUs would remain committed to Indian markets, owing to the advantage of its cost, scale and pool of talent. "Owing to the increase in office space demand, Skootr plans to continue expansion in Delhi-NCR,

Hyderabad and Bengaluru markets and is looking to foray expansion in Mumbai, Pune and Chennai market in 2023," asserts Jain.

Vaishnavi Group is also at the forefront of supporting the growth of companies by working closely with top global companies and startups in meeting their evolving requirements and offering robust and sustainable office space solutions. "We are highly bullish on the sector and have made significant investments over the last decade. The next decade looks extremely promising for the sector as well," avers Darshan Govindaraju, director, Vaishnavi Group.

Anand Shukla, MD, Ocean Infraheights (Golden I) emphasises that office demand in 2023 will be driven by segments such as flex working spaces, healthcare-life sciences, GCCs (global capability centres) and manufacturing/industrial along with technology and digitisation. "According to industry data around 53-58 million sq.ft. is lined up with average pre-commitment levels of 14-17 per cent over the next 12 months. Developers need to focus on construction productive workplaces which encourage collaboration, with an increased emphasis on sustainability and technology to build better portfolios," accentuates Shukla.

So, backed by the strong growth momentum, experts believe that the office space segment is likely to continue with healthy demand and new supply ahead.