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India's commercial realty market resilient amid global headwinds: Experts

Blow to office market due to slowdown, mass layoffs, slow hiring in tech sector is temporary, they say; sector has fared better than other global markets earlier, will do so this time too

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Despite layoffs, the banking crisis and other global headwinds, the Indian commercial real estate market stands adaptive and resilient in the face of such odds. It is expected to deliver robust growth and higher returns in the coming years, say experts.

Though the office sector in India has been hit temporarily by global slowdown, mass layoffs and slow hirings in the tech sector, experts opined that this is for a very short period as the Indian real estate sector has fared better than other global markets earlier, and this time also, it will outperform.

In fact, experts said that such adverse times provide scope for innovative ideas to come to the forefront. India's commercial real estate, which is likely to reach a market size of \$90 billion by 2030, will continue to evolve in response to changing market conditions and shifting consumer preferences.

Yashank Wason, managing director, Royal Green Realty, said, "We have to look deeper into the current global banking crisis and ensuing layoffs by some big corporations as it is the start of a new era."

Wason also believes the new world order created will, in the coming years, increase the demand for commercial real estate as businesses may cut down on the bloated number of employees and invest more in expansion in operations.

“We have noticed through global trends that companies will need to have all hands on deck and the days of work-from-home are over, which indicates ensuing demand for commercial real estate,” said Wason.

However, some experts said the current scenario does not point to cutting down on expansion plans. In fact, global companies are looking to rely more on outsourcing, something India is the best known for. “The technology will pave way for newer employment opportunities for the rightly skilled people, which requires opening up of businesses that cater to the requirement to impart those skills which in turn will increase the demand for commercial real estate,” said Harsh V Bansal, co-founder, Unity group.

However, he did not rule out the short hitch, but said it isn't certain that it will come. Bansal is hopeful about more opportunities for commercial real estate on the horizon.

Although the first quarter of 2023 has seen a slight dip in office leasing activity, experts believe that it is too early to conclude that the office market is sluggish.

According to the JLL's analysis, gross office leasing activity across the top seven cities in India was recorded at 12.8 million sq ft in the first quarter of the calendar year 2023, down 8.7 per cent quarter-on-quarter.

Rahul Arora, head, office leasing advisory, India, and MD, Karnataka and Kerala, at JLL India, said, “In fact, this quarter saw the highest leasing activity compared to the same periods in 2021 and 2022.”

The analysis showed India's net absorption in its top seven cities decreased to a six-quarter low of 7.63 million square feet due to reduced expansion activity, delayed space plans, and a hybrid workplace strategy that is still evolving.

Arora also believes that the growth story driven by GCCs in various sectors such as BFSI, new tech, engineering R&D, along with segments like flex (flexible space), healthcare-life sciences and manufacturing/industrial occupiers, is expected to propel office markets' activity.

Slowdown in the tech sector amid low hiring and mass layoffs are some other factors concerning the office sector's growth in the short run. However, developers are optimistic about the sector's revival. Vineet Taing, chief executive officer, Vatika business centres believes that with innovation, collaboration, and a willingness to embrace change, the office sector will continue to flourish in the face of uncertainty.

Another developer, Navdeep Sardana, chairman & managing director, Whiteland Corporation said, “We have to be committed to create exceptional office environments, and should remain confident in the future of this sector and our ability to provide cutting-edge solutions to meet the evolving needs of the clients.