

ITeS, banking sectors to drive office space demand in '12

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Mumbai, Mar 25: Continued growth in expansion plans of companies in the information technology enabled services (ITeS) and banking, financial services and insurance (BFSI) sectors is driving the demand for office space in India in 2012, real estate consultants say.

Delhi's national capital region (NCR) and Bangalore are being preferred by IT and ITeS firms, while Mumbai is BFSI's favourite. Tier-II cities of Bhubaneswar, Chandigarh and Jaipur are preferred by IT and ITeS, Ahmedabad is BFSI's favourite and Gurgaon is the preferred micro market in Delhi NCR, said a recent report from realty consultant DTZ Occupier Perspective: India Office Demand and Trends Survey.

According to DTZ, it held 75 in-depth discussions during the

last quarter of calendar year 2011 with senior executives from different industries including IT, ITeS, BFSI, healthcare, manufacturing, media, infrastructure, aviation and telecommunication to arrive at its findings.

The IT-BPO sector in India was estimated to aggregate revenues of \$88.1 billion in financial year 2011, data from Nasscom shows. The upbeat domestic IT-BPO spending trend will continue in FY12 as the industry is expected to grow at 16% to reach \$20 billion.

"Mumbai is seeing reasonable demand from both BFSI and ITeS segment," said Berinder Sahni, associate director (investment services), Colliers International, a global real estate consultant group. "Good amount of BFSI supply has been taken up in the Lower Parel and Bandra Kurla Complex (BKC) areas," he said.



"Leasing activity is good as most IT parks are seeing good occupancy there," he added.

However, corporates or large business houses are cautious on their office expansion plans

due to uncertain global economic conditions.

"Most corporates are adopting a 'wait-and-watch' policy, which will lead to a slowdown in expansion plans across indus-

tries and thus a more moderate overall take-up of office space in 2012," said Anshul Jain, chief executive officer, DTZ India.

Occupiers' sentiment has turned cautious particularly since the latter half of 2011 and is likely to remain so in 2012 and 2013, he added.

With foreign and domestic multinational companies going slow on their expansion plans, which is affecting commercial real estate, trend of small entrepreneurs, professionals and small and medium sized enterprises looking for quality office space is rising in India.

This segment, according to real estate consultants, is more interested in buying office spaces rather than going in for leases.

Recently, Hubtown, earlier known as Akruti City put three of its commercial projects - Solaris, Star and Viva - in the western suburban area of

Mumbai in Andheri for outright purchase by professionals and SMEs. The company is expecting between ₹11,000 and ₹18,000 per sq ft rate for occupying office space in these properties, said Vimal Shah, managing director, Hubtown.

However, some consultants feel that announcement of certain incentives in the Union Budget 2012-2013 would have given a further boost to occupancies in the commercial projects. Ramesh Nair, managing director (West), Jones Lang LaSalle India, said, "The Budget made no mention of re-introducing the 80 IB (10) tax benefit scheme for smaller-sized units. This would have helped developers reconfigure and offer smaller units." He added that new tax exemption schemes for IT/ITeS companies would have increased demand for the vacant IT parks.