

Bengaluru, Hyderabad Still Most Active in Office Space Led by IT

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Bengaluru: IT hubs such as Bengaluru and Hyderabad remained the most active office markets in India in the second quarter of 2017, despite deferment of supply, subdued business sentiments and recent layoffs by technology companies.

According to property consultant JLL India, the Karnataka and Telangana capitals accounted for about 47% of the total office space leased among the country's top seven cities in the April-June period.

"Outsourcing work continues to come to India. There was deferment of plans earlier, but now that has settled down," said Raj Menda, corporate chairman of RMZ Corp, a Bengaluru-based real estate firm. Over the next two quarters, leasing activity is expected to be dominated by small and mid-size transactions.

According to data from JLL India, Hyderabad witnessed a 98% jump

in net absorption of office space at 1.9 million sq ft. In Bengaluru, the growth was marginal at 0.4% to 1.7 million sq ft.

Overall, office space absorption was marginally down. Total office space absorption in the second quarter was 7.9 million sq ft as compared with 8 million sq ft the year before, due to lower supply hitting the market. In comparison to the first half of last year, supply had fallen to half in the January-June period of this year.

Indian cities are heavily dependent on IT-ITeS for job generation and office space demand. Many IT firms in India have followed the principle of 'one-dollar real estate cost' and typically lease quality spaces that charge rents below ₹65 (\$1) per sq ft a month.

"Certainly, in my numerous interactions with the C-Suite leadership of our occupiers over the past weeks, I hear a consistent and repeated message of continuing growth and transition to higher value addition and more sophistica-

ted services. The demand for quality offices continues to be strong," said Mike Holland, the chief executive of Embassy Office Parks.

Indian IT and IT-enabled services sector has been leading the pack of commercial real estate occupiers for long, albeit the proportion of this has been easing of late as other sectors such as banking, financial services and insurance have started to absorb more office space. According to Cushman & Wakefield, the share of IT-ITeS has reduced from over 70% to about 50-55% of total demand consistently over the past three years.

"Last year, the pace of growth of top technology firms was in single digit due to global uncertainty and technological disruption. There is a fear that leasing by IT companies could plateau out due to clients' digital transformation, automation, artificial intelligence and protectionism due to a tighter visa regime under the current US government," said Ramesh Nair, CEO & country head at JLL India.