



## Foreign Investors Pump \$7 Billion into Indian Real Estate

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## Secondary Business Districts Rise in Prominence across Office Markets

Secondary business districts (SBDs) are emerging as hot favorites among occupiers across most key Indian office markets. In major cities such as Bengaluru, Mumbai and Pune, more corporates are opting for SBDs due to the availability of larger floor plates, infrastructure and better amenities. Slowly but surely, SBDs are emerging as the new avenues for companies to set up shop.

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## The Future of the Workplace: Activity-Based Working

In the competitive corporate world, organizations must constantly innovate and adapt to change in order to stay relevant. With a growing number of millennials in the workforce, the dynamics of the workplace environment are transforming to accommodate their specific needs. According to research, one of the game changers in better engaging and retaining millennial workers is to create a flexible work environment.

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## Rising Demand for Co-Working Spaces in Metro Cities

India is home to thousands of startups, small businesses and millennials who are seeking new work environments. In this scenario, co-working has come up as a popular business model that is redefining office spaces. Co-working spaces are in great demand in metro cities as they provide the necessary support, infrastructure, networking opportunities and office facilities to entrepreneurs who are just starting out.

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IT cities continue to outdo non-IT cities in office absorption.

GST has raised cost of agri-warehousing and cold chains.

Reports suggest Bengaluru leads office absorption in Q2 2017.



A report by a leading CRE services provider suggests the total net absorption dipped 11% in H1 of 2017.



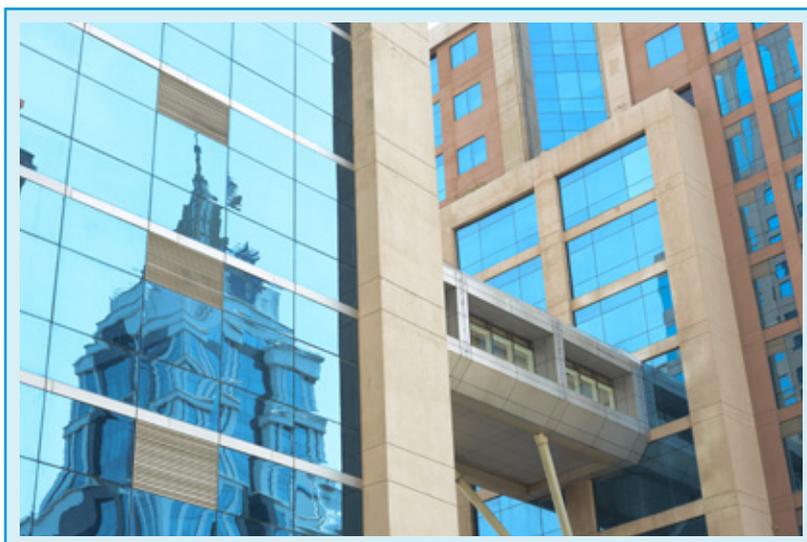
## Foreign Investors Pump \$7 Billion into Indian Real Estate

Indian real estate is coming out of the shadows and gaining distinction on the world stage. Foreign investments in Indian realty have significantly shot up from \$3.2 billion during 2011-13 to a whopping \$7.6 billion in 2015-2017, recording a staggering surge of 137 percent. Policy reforms, political stability, liberalization of the FDI policy and improvement in investment sentiment have set the stage for Indian real estate's new chapter of growth.

### First among emerging markets

According to reports, India has attracted the highest interest of global investors among all emerging markets. Economic and political stability and big bang reforms such as the Goods and Services Tax (GST) and Real Estate Regulation Act (RERA) and Real Estate Investment Trusts (REITs) have lent credence to India's reputation as an emerging financial superpower.

Among major cities, Mumbai was the hot favorite of foreign investors and took the largest piece of the pie with 39 percent of capital flow in Indian realty. India's IT capital Bengaluru topped the charts among other metros with 11 percent foreign investment followed by Chennai at 10 percent and Delhi at 4 percent respectively.



### CRE and affordable housing attract investment

A slow-down in residential demand has not dampened the spirit of foreign investors that are focusing on profitable asset classes. Commercial real estate, affordable housing, logistics parks and warehouses have caught their fancy.

In fact, the total investment in the real estate sector crossed Rs.16,000 crore in the first six months of 2017, the highest ever for the first half in any year. Major foreign investors backing India's realty story include Canadian Pension Plan Investment Board (CPPIB), Caisse de Depot et Placement du Quebec, Brookfield Asset Management, Singapore's sovereign wealth fund GIC and the Blackstone Group.



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## **Big bang reforms boost investment**

Pro-investment policy decisions made by the government have had a big role to play in boosting investor confidence. With the implementation of the new Companies Act, sectoral reforms such as GST, RERA and revised accounting standards, Indian real estate is being perceived as a mature and transparent industry.

## **Conclusion**

The launch of REITs in the near future is likely to bode well for Indian realty as it will attract further private equity from abroad. Experts estimate that India's real estate market will go from strength to strength with foreign investments increasing to \$10 billion by 2020.

## Secondary Business Districts Rise in Prominence across Office Markets

Secondary business districts (SBDs) are emerging as hot favorites among occupiers across most key Indian office markets. In major cities such as Bengaluru, Mumbai and Pune, more corporates are opting for SBDs due to the availability of larger floor plates, infrastructure and better amenities. Slowly but surely, SBDs are emerging as the new avenues for companies to set up shop.

### Limited new supply in CBDs

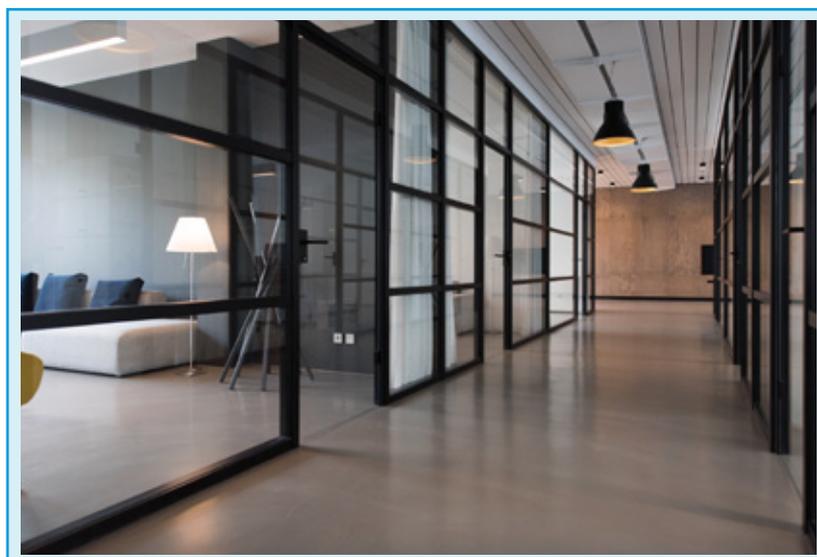
Major demand drivers for commercial real estate such as IT companies require large land parcels to set up their operations. These companies are leaning in favor of SBDs due to a lack of available space in central areas. The larger office spaces in secondary business districts is more ideal for corporate occupiers. For example, the average floor plate size in SBDs in Mumbai is around 22,000 sq. ft. as compared to 12,000 sq. ft. in CBD.

SBDs such as Sarjapur Road in Bengaluru, Kharadi in Pune have outshone central commercial hubs with fresh grade-A supply and superior infrastructure. Mumbai's Bandra Kurla Complex (BKC) is regarded as a de-facto CBD and has gained prominence due to its central location, development and A-list occupiers.

### Providing better work environment

In an effort to provide a better work environment, companies are setting up their front-office functions in SBDs and moving back-office activities to the suburban markets. Larger spaces, more parking facilities, better amenities and proximity to residential areas are top priorities for corporates scouting for commercial space. SBDs meet all these requirements and also offer multiple options to develop built-to-suit spaces and customized offices.

SBDs are coming to the fore also because of sufficient residential development in the vicinity. This coupled with social infrastructure such as educational institutions, healthcare facilities and retail complexes in proximity to airport are expediting the shift to SBDs.





## **Government support for SBDs**

Several state governments are planning to support the development of peripheral areas to improve efficiency of labor by locating businesses closer to suburban residential clusters. While SBDs boast of newer and better-quality buildings, some of these areas suffer from a growing scarcity of car parks. The government's initiatives could augment the growth of SBDs and also ease peak-hour traffic congestion and over-crowded transit infrastructure.

## **Conclusion**

Going forward, around 8.3 million sq. ft. of fresh office stock is likely to come up in Mumbai's SBD while Pune is likely to see an addition of 13.5 million sq. ft. of fresh office stock by 2020. Furthermore, the future of these SBDs looks promising with the advent of real estate investment trusts (REITs) that are about to be launched in the country. With their growing prominence, suburban areas are likely to catch the fancy of institutional investors.

## The Future of the Workplace: Activity-Based Working

In the competitive corporate world, organizations must constantly innovate and adapt to change in order to stay relevant. With a growing number of millennials in the workforce, the dynamics of the workplace environment are transforming to accommodate their specific needs. According to research, one of the game changers in better engaging and retaining millennial workers is to create a flexible work environment. The pursuit for higher productivity has led to the rise of a new workplace strategy called Activity-Based Working (ABW). Touted as the future of the workplace, ABW enables people to choose where, when, and how they want to work most effectively at the office.

### What is Activity-Based Working?

The primary idea governing ABW is that no employee 'owns' or has an assigned workstation. Opposed to a rigid workplace design, employees are provided a broader workspace with a variety of predetermined activity areas to help them learn, focus, collaborate and socialize.

ABW should not be confused with hot-desking, remote-or home-based working as it goes a step further by providing employees with an experiential working environment. It gives them the choice of inhabiting the ideal work setting within the office to effectively collaborate and interact with their peers.

### Transforming the office space

As concepts like ABW gain ground, the office as we know it, will transform in design and functionality. Organizations are recognizing the need for aligning workplace design with business strategy. The new office layout consists of separate zones to suit different working styles and aims to reinforce flexible working as a way of life for its employees.

This realigning of workplace strategy and design is paying off with ABW finding acceptance among employees and managers. The result is a healthier and more sustainable workplace that thrives on employee satisfaction, organizational flexibility, better collaboration and cost saving.

### Conclusion

ABW may be the flavor of the season but it should not be mistaken for a one-size fits-all concept. For this concept to truly work within your organization, it must be relevant to the workforce and their activities. ABW is a good choice for a workforce and leadership that is mobile or is keen to adopt flexible styles of working.



## Rising Demand for Co-Working Spaces in Metro Cities

India is home to thousands of startups, small businesses and millennials seeking new work environments. In this scenario, co-working has come up as a popular business model that is redefining office spaces. Co-working spaces are in great demand in metro cities as they provide the necessary support, infrastructure, networking opportunities and office facilities to entrepreneurs who are just starting out.

### Investment pouring in for co-working spaces

The year 2016-17 has witnessed a massive uptick in the growth of the co-working industry to the tune of 40-50 percent. The sector is also expected to receive \$400 million in investments by 2018 and cross the 1 million sq. ft. of leased co-working space. According to research, by 2025, 42 percent of India's population will be living and working in its urban centers, and there will be far greater demand for accessible and affordable shared workspaces.

Industry experts peg the potential demand for the co-working segment across India in the range of 12-16 million seats. Apart from freelancers and startups, co-working spaces are catching the fancy of small emerging businesses as well as large corporate offices looking to maximize their productivity.

### Huge scope for expansion

The co-working story has barely begun in India as there are about 300 co-working operators in the country with less than 1,000 centers. Among the branded operators is New York-based co-working startup WeWork that recently launched its India hub called WeWork Galaxy in Bengaluru offering co-working space for up to 2,200 members.

There is tremendous scope for expansion and profit with occupancy levels for co-working spaces run by branded operators already reaching a hundred percent. Moreover, most operators have been breaking even within 5 months of launching new spaces. Mumbai has shown the highest demand and potential for co-working spaces in the country followed closely by NCR. On the other hand, Bengaluru, Chennai and Hyderabad, along with Pune account for a demand of about half a million co-working spaces.





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## **Conclusion**

More and more companies are opting for co-working spaces as they offer 20-25 percent cost savings as compared to working in conventional office spaces. The trend of co-working spaces is more than a flash in the pan and has already begun to disrupt traditional office set-ups. As this concept gains popularity, the total space leased by co-working operators in the major cities could expand to 7–9 million sq. ft. by 2020.



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## About Citadel Propcon Pvt. Ltd.

Citadel Propcon, with over a decade of experience and a pan-India presence, is a leader in real estate services. With our passion for property and creative solutions and an exuberant team, we put our best forward to exceed client expectations. We integrate the resources of real estate specialists for our clients ranging from major corporates to individual private investors, to accelerate their business goals.

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