CORNER SPACE

April 2016, Vol 3

Five benefits of hiring a tenant representative

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> *"According to Proptigers report - Realty Decoded Q3 FY16, the real estate market in Indian cities including Kolkata, Bangalore and Hyderabad have witnessed increased launches compared to that in Q3 FY15."*

Five out-of-the-box design trends for offices

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Deciphering the value of commercial real estate

Real estate appraisals play a decisive role in today's business scenario. The evaluation of commercial property is essential to many aspects of the business such as financing, listing, investment analysis, insurance and taxation.

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Bharti Realty Ltd, the real estate arm of Bharti Enterprises, is looking to create world class office spaces. The project has taken off with a million square feet development in Gurgaon.

With 100 per cent FDI in the e-commerce industry, office and warehouse space is likely to witness rising demand in the top four metros. Most skilled professionals are based in either of these cities.

CBRE findings report, Bangalore has led the country's corporate real estate market among leading cities over the last five years in terms of office space stock and office space absorption trends.

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.

**The information, references and quotes in this newsletter are collected from media reports and sources available on the public domain.*

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Five benefits of hiring a tenant representative

The process of securing the right commercial space is complex and time consuming. It can be simplified with the help of an experienced tenant representative who navigates you through this maze and helps to optimize your business goals. Here are five compelling reasons:

1. Ease in relocation

As your business grows, you need a bigger space and a tenant representative makes this transition seamless. They assess availability of spaces, infrastructure and other factors that relate to renewal or relocation.

2. Selection of best commercial space

Leasing commercial space is not easy. A tenant representative is aware of options and helps you locate, evaluate the right property and determine the optimal amount of space and appropriate layout required to set up an office.

3. Evaluation of commercial infrastructure

A tenant representative will help you assess factors such as access to public transportation, parking and building amenities – crucial points before you sign the dotted line.

4. Negotiation skills

Most clients prefer to negotiate on the direct lease terms, whereas a reputed tenant representative can assist a client in negotiating commercial terms which helps the client save substantially over the lease period.

5. Coordination with other participants

Leasing of commercial space involves architects, interior designers, engineers, contractors and lawyers. As value additions, a reputed tenant representative can assist you to deal and coordinate with all of them.

For tenants, time is money. A tenant representative can be your companion through this journey of expanding, consolidating, relocating, renewing or restructuring commercial leases.

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Budget push for Real Estate Investment Trusts

All decks are being cleared to make Real Estate Investment Trusts (REITs) in India a reality. The removal of dividend distribution tax (DDT) on REITs in Budget 2016-17 has emerged as the biggest highlight for the real estate sector. Developers are hoping this move will help them unlock the value of their income earning commercial portfolio.

Unlocking the potential of REITs

Real Estate Investment Trusts (REITs) are similar to mutual funds and allow small investors to invest in real estate. While investors get a chance to participate in commercial real estate's growth, developers get the much-needed liquidity through a new source of capital.

However, REITs which invest in leased offices and retail assets haven't made much headway in India largely due to tax-related issues. While in the previous Budget, the government did away with capital gains tax, sponsors continue paying DDT. Currently, this is applicable at 15 per cent on special purpose vehicles owning the assets and is seen as a hindrance.

The removal of DDT will now result in a rush of investment in REITs and this could prove to be decisive for the commercial sector. It will also help developers raise funds and address issues pertaining to transparency, liquidity and execution of commercial property development.

Making way for foreign funding

The removal of DDT is likely to appeal to institutional investors who view India as an untapped market for this asset class. The move is also expected to bring foreign funds into India's financial markets. However, there are issues that need to be addressed to see any rush for REIT listing. Exemption from capital gains tax and state governments' stamp duty while transferring assets to REIT holding company would seal their success.

The road ahead for REITs

Real estate sector experts are looking forward to the first REIT listing as a reference point for others to follow. While REITs will succeed over the longer term, they need to pass through the challenging phase ahead of them over the next two years.

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Five out-of-the-box design trends for offices

Changing work styles, technology and a younger workforce has evolved work places like never before. Latest design trends are expected to create a place where employees are enabled to work more productively and collaborate with ease. Here are the top five office design trends that will redefine work spaces:

1. Flexible layouts

Traditional office spaces with rigid layouts are giving way to the needs of a changing work landscape. Going forward, workspaces will be customizable. For instance, instead of fixed desks, offices are opting for touchdown spaces.

2. Allow work collaboration

The fishbowl concept is expanding beyond the corner office. Furniture that helps promote collaboration are also becoming popular. An example would be monitor arms that let people turn and show their screen to others nearby are in.

3. Bring the outdoors in

There is a growing trend to bring the home into the office by creating a natural feeling within the workplace. Plants, green spaces and natural colours help in breaking the drab monotony of office interiors.

4. Design for better health

From sit-stand desks to the placement and design of staircases, architects and designers will use such methods to encourage movement throughout the day. Offices are also creating specific lounge areas to help workers relax and interact.

5. De-clutter the desk top

The proliferation of multiple devices has cluttered the average desk top. Workplaces will continue to adopt solutions such as the FUSE desktop module allowing workers to connect devices quickly.

Companies are realising the impact workplace design has on productivity and the bottom line. By incorporating these design trends, they can create vibrant work spaces with happy and productive employees.

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Deciphering the value of commercial real estate

Real estate appraisals play a decisive role in today's business scenario. The evaluation of commercial property is essential to many aspects of the business such as financing, listing, investment analysis, insurance and taxation.

The value of any commercial real estate is based on the amount of net operating income the property creates each year. There are three common valuation techniques prevalent in commercial real estate:

1. Cost Approach

The primary assumption of this method is that the value is the same as the cost to construct the property. This method involves separate estimates of value for the building and the land, considering the depreciation. The estimates are then added for a value of the entire property. This approach is useful when the property being appraised does not change hands frequently.

2. Sales Comparison Approach

This method involves selecting properties with similar characteristics in the same area that have recently been sold. Those properties are compared to the property in question and a professional appraiser will deduct value from the subject property for comparative deficiencies and increase value for advantages. Typically, this method comes handy if the investor is seeking conventional financing.

3. Income Capitalization Approach

This valuation method is based on the relationship between the rate of return and the net income a property generates and is used to estimate the value of income-generating properties. The investor must know the prevailing capitalization rates in a given market for that type of property. He can then divide the income generated by the property by the capitalization rate and come up with a sale value.

There is immense value attached to property appraisals by lenders, investors, insurers, buyers and sellers in any market. These appraisals are generally performed by trained professionals, yet a basic understanding of these methods can help anyone land a good deal.

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