

# Builders focus on office projects amid falling home sales despite capital-intensive nature of assets

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**BENGALURU:** Real estate firms are shrinking their residential project portfolios and moving towards office projects as uncertainty looms over the housing sector owing to tepid sales and cash flow issues.

In India's largest property market Delhi-National Capital Region (NCR), which has been affected the worst in the ongoing slowdown, many developers are taking up office development, which has seen continued interest from both institutional and individual investors.

It also helps that vacancy levels in places such as Bengaluru and NCR are low while demand for good office space remains high.

This year, Noida-based developer Logix Group plans to finish constructing and handing over its four residential projects, and then focus on its commercial office projects. It has two new

commercial projects, an information technology (IT) park and a retail-cum-office project, coming up.

"Office development has a lot of scope. We will do residential but very selectively. One needs to be careful in choosing residential projects, as it is price sensitive," said Shakti Nath, chairman and managing director, Logix Group.

Another NCR developer, Alpha Corp. Development Pvt. Ltd, which has a residential portfolio, is planning to build equal number of residential and commercial projects.

Ashish Sarin, director and chief executive, Alpha Corp., said one needs to have a balanced portfolio, and be present across segments than focus on only one.

"Size of the projects is key. We don't want to buy land for office projects but will develop through joint development and asset or development management model. There is good

demand for office space but we don't want to do very large projects and will stick to 750,000-800,000 sq. ft for each project," said Sarin.

The residential sector has been deeply impacted by the ongoing slowdown, leading to significant distress in the market. Comparatively, commercial real estate has performed better, pushing residential developers to expand into office projects.

Bengaluru's Century Real Estate Holdings Pvt. Ltd, is building a commercial office portfolio of around 7 million sq. ft to build an annuity base. It plans to launch a million sq. ft office project in March.

Managing director Ravindra Pai said the company will focus on building a new office platform along with affordable housing projects selectively and may bring in an investor.

Salarpuria Sattva Group, a Bengaluru-based developer of residential and office projects,

plans to convert a 10-acre land in Yeshwantpur, which was earlier planned for a residential project, to an office project.

Bijay Agarwal, managing director, Salarpuria Sattva Group said the plan is to ramp up the commercial office portfolio and almost double it from the current 14 million sq. ft. "There is more potential in the lease model."

Pune's Panchshil Realty will launch 5 million sq. ft office space across two projects with investor partner Blackstone Group Lp in 2018 with an investment of around Rs2,000 crore, said chairman Atul Chordia.

In February, Indiabulls Dual Advantage Commercial Assets Fund bought a commercial office tower in Gurugram from Hines India Ltd, marking the first transaction from its new office fund.

"There aren't many opportunities to buy Grade A office assets but there are many buyers including domestic and for-

ign investors, and HNIs. We are looking to buy in the Rs200-400 crore price range, and there is not much competition there," said Ambar Maheshwari, chief executive officer (private equity), Indiabulls Asset Management Co. Ltd.

Property consultants remain sceptical due to the capital-intensive and specialized nature of developing office assets.

"Whether these developers will succeed is also a function of their track record, their ability to lease space to corporates, project location and funding. The office sector has already consolidated towards a few larger developers, but it's a good opportunity given steady rentals, better revenue quality and low vacancy levels are low. In NCR, there is a lot of appetite for new office developments due to high demand and low supply," said Rajeve Bairathi, executive director and head of capital markets at property advisory Knight Frank India.