


New leasing of office, retail spaces may take hit in short-term due to lockdown

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India's commercial real estate, which has been performing well for last few years despite slowdown in the property market, is likely to be impacted due to nationwide lockdown as market experts see short-term affect on demand-supply of office and retail spaces, besides pressure on rentals values.

Corporates and retailers, both global and domestic, are expected to delay their decisions on fresh leasing of commercial spaces by at least a quarter.

The commercial real estate market is already witnessing re-negotiations of existing rentals and rent waivers from landlords as businesses have been affected due to the ongoing nationwide lockdown to check spread of coronavirus disease, according to property consultants and developers.

"The impact of COVID-19 in India is likely to be short-lived providing the virus remains relatively contained," said Anshuman Magazine, Chairman & CEO - India, South East Asia, Middle East & Africa, CBRE.

"Office leasing demand as of now has been unaffected due to a sustained appetite amongst US and EU based corporates for India as an outsourcing destination. The evolving global situation could only potentially result into delayed decision-making in the short term," he told PTI.

JLL India MD (Retail Services) Shubhranshu Pani said leasing of retail space in shopping malls is at a standstill because of the lockdown.

"Retailers have already started communicating to mall developers about their inability to pay rentals," he said.

Samantak Das, Executive Director and Head of Research, REIS, JLL India, said, "In the current lockdown scenario, occupiers have suspended decision making on lease acquisitions. However, it is temporary in nature."

Das, however, said the market fundamentals continue to remain strong low vacancy and low supply - and therefore a drop in demand for a short-term is sustainable.

"Few large occupiers have begun re-negotiating their lease contracts for lower rents," he added.

Embassy group COO Aditya Virwani said, "Leasing decisions are on hold or will be re-evaluated and supply will take a big hit as construction is not happening. The cost of labour remobilisation, interest etc will all build up."

However, Salarpuria Sattva MD Bijay Agarwal said it is too early to comment on the impact on demand-supply and rentals in commercial segment.

"India has so far been able to manage the threat of coronavirus. If we are able to contain the spread of coronavirus over the next 15-20 days, then India will emerge as superpower. I am very optimistic," he said.

Agarwal said there could be demand for deferment or waiver of rentals on commercial properties.

Embassy and Salarpuria Sattva, both based out of Bengaluru, are leading developers of commercial real estate in India.

Cushman and Wakefield India Country Head and MD Anshul Jain expects office leasing to pick up in second half of the year on the back of stimulus from governments globally.

"The COVID-19 pandemic has exacerbated office market cycles, with most key markets becoming more occupier-friendly. As seen in all major territories, governments and central banks around the region have been responding to the situation with policy measures and financial aid to mitigate the economic impact.

"Assuming this scenario holds, and the global economy experiences a stimulus-fuelled rebound and business activity gradually resumes, we can expect office leasing activity to pick up in H2," Jain said.

Anurag Mathur, CEO, Savills India, said, "Fresh office supply could see significant delay as construction gets impacted due to the nationwide lockdown."

"Similarly, as businesses move at a slow pace, we see commitments on fresh leasing getting deferred by at least a quarter, if not more. However, these are temporary disruptions and demand for grade A office will remain strong when things get back to normal as the growth fundamentals of this country still remain intact," he added.

Anarock Head - Research Prashant Thakur said, "Commercial and retail leases are under considerable pressure and we are likely to see a lot of re-strategizing on the ground. This pressure will persist over the short-to-mid term, until commercial and retail activity regain normalcy".

Arpit Mehrotra, MD, Office Services (South India) at Colliers International, said: "We believe that leasing principles do not fluctuate customarily, however, at some point it will exhibit the sum of the accumulated market trends as a new benchmark price which in current scenario looks on the downward side."

The impact of the pandemic will slow down the decision making in both US/European and Indian corporates which could retrench capital expenditures, he added.

"For retailers, renegotiations of rentals is definitely on the cards as we foresee retailers seeking a deferment of rents from landlords during this closedown period," Mehrotra said.

Shrinivas Rao, CEO-APAC-Vestian Global Workplace Solutions, said there has been a tremendous impact on leasing of commercial properties due to the Covid-19 impact.

"Most clients have deferred their space take up by a quarter and even the firms that had signed the leases are now asking for an extension of the rent-free periods. This is definitely bound to impact the landlord revenues," he said.

Abhishek Bansal, ED, Pacific Group, said: "Malls offer safe and hygienic ambience and hence, the pandemic may end up boosting it at the end of the crisis, but there will be some temporary pain for the time being."

Bhutani Infra CEO Ashish Bhutani said there would not be much impact on Grade-A office space.

Bhumika group MD Uddhav Poddar said the market dynamic is unlikely to undergo a massive change in tier II & III cities that require organised retail and office assets.

Khetsi Barot, ED, The Guardians Real Estate Advisory, said the lockdown would lead to deferment of investment decisions, impacting outright sales of commercial real estate. However, he said the leasing of office space might not be affected.