

IT, engineering and manufacturing sectors drives office demand in India

Synopsis

The total gross leasing of commercial office spaces in H1 2021 declined 22% in the first half of 2021, to 10.1 million sq feet across the top six Indian cities as occupiers adopted a wait and watch attitude over the remaining year of 2021.



The **IT-BPM sector** followed by engineering and manufacturing sectors continues to drive the major **office space** demand in the country accounting for about 34% and 22% of the total leasing in the top six Indian cities, said a recent report by Colliers.

However, the total office leasing saw a downward movement due to the morbid impact of the second wave of COVID-19 pandemic and high probability of a third wave. The total gross leasing of commercial office spaces in H1 2021 declined 22% in the first half of 2021, to 10.1 million sq feet across the top six Indian cities as occupiers adopted a wait and watch attitude over the remaining year of 2021.

“Our recent study at an APAC level also suggests that tech occupiers, who contribute to the bulk of the demand, remain bullish on India’s long terms prospects and that are still committed to growing their overall footprints in the country,” said Siddhart Goel, Senior director and head, research at **Colliers India**.

According to the report, Bengaluru led the leasing activity with a share of about 43%, followed by Delhi-NCR and Mumbai with a share of 19% and 16% respectively. **Pune** witnessed the steepest decline at 74%, due to a prolonged covid-led lockdown in the city.

“Though South India markets may have witnessed a drop in y-o-y leasing, we are confident in the markets’ resilience to bounce back in H2 of 2021 as markets begin opening. South India remains a favourable market for technology occupiers who continue to commit to space in the market”, Arpit Mehrotra, **Managing Director, Office Services**, South India.

A downward revision of the expected GDP growth rate by various local and international agencies as well as the recent low services **PMI** have added to the cautious approach of occupiers. “Without the third wave, we could see 75% to 100 % attendance in the office. Residential sales have been at an all-time high, and office transactions are beginning to sneak up—an excellent time to invest in a lease for the times to come”, said Bhupindra Singh, MD, regional tenant representation (India).

While on the supply front, H1 2021 witnessed supply of about 12.1 million sq feet, a decline of about 53% from H1 2020. Although supply halved this year, it was still higher than the demand seen during the period, contributing to a further increase in vacancy levels in addition to space rationalisation by occupiers across cities, it mentioned.

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