

METRO PUSH FOR COMMERCIAL SPACE DEVELOPMENT

The growth in this segment will be linked to the Metro route, says Deepti Ganapathy

The commercial and retail growth story will tag along with the Metro lines in various parts of the city. The Reach III, comprising 3, 3A and 3B is in the final stages of completion and commercial activity is thriving along the route, especially in the Yeshwanthpur stretch.

According to Dr Samantak Das, Director, Research and Advisory Services, Knight Frank India, "Bangalore retained the top slot for the highest office space absorption in the country in the financial year 2012 despite global uncertainties looming large on the horizon. The city's office market clocked an absorption rate of almost 12 million sqft during this time, translating into an increase of 10 percent over the absorption witnessed in financial year 2011. The IT and ITeS industry which has been responsible for the rise in Bangalore's office market space consumption remained the key demand driver for office space during this year as well. With an inventory of around 90 million sqft of office space currently operational, Bangalore remains one of the most preferred office space destinations in the country."

IT drives demand

The limited availability of quality office spaces in the suburban micromarkets as well as the fact that locations such as Whitefield, Outer Ring Road and Electronic City have more office spaces available at relatively lower lease values, is one of the factors driving demand. "Notable transactions in 2012 include office spaces taken up on the Inner Ring Road and at a prominent commercial space located in Rajajinagar," says Das.

The peripheral business district (PBD) micro-markets accounted for most of the office space transactions that took place in Bangalore in both the halves of the financial year 2012. The share of office space absorption in this region increased from 72 percent in the first half of 2012 to 75 percent in the second half, altogether adding up to an area of around 8.8 million sqft.

Peripheral locations like Whitefield, Electronic City, Outer Ring Road and Bannerghatta Road were primarily responsible for the high take-up in the region.

Outlook

Going forward, the office market here is expected to witness a cautious delivery of projects in the financial year 2013 on account of the present economic scenario. Projects which have already received pre-commitments or confirmed interest from companies are expected to be taken up by developers on a priority basis.

As a result, rentals are expected to remain stable in the forthcoming quarters. In terms of market trends, smaller office sizes in the range of 8,000-12,000 sqft, mostly favoured by non-IT companies, will continue to be in demand. Further, Whitefield and Outer Ring Road will continue to be preferred office market destinations due to Grade A space availability and competitive values in the leasing market, according to a Knight Frank research report.