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PUNE MEANS BUSINESS

The city has an immense potential ready to be unlocked in the commercial realty space

Amit Sethi

Tp.Pune@timesgroup.com

Pune offers a great opportunity to the looking to buy a commercial property in 2015. With the support of IT, financial services and industrial work force, Pune has an immense potential ready to be unlocked in the commercial realty space.

"Pune has robust fundamentals in the commercial real estate market and has witnessed stability in the rentals over the last two to three years. Proximity to Mumbai has always added to the advantages of the commercial realty market in Pune. Pune is primarily considered as an IT/ITeS destination; however, recently, financial services firms have also shown keen interest in the city. This has increased the overall attractiveness of Pune city as a destination for commercial realty investments. A well-developed talent pool in the city has also been a key factor for the growth of commercial spaces, especially those catering to technology firms", says Rishav Vij (associate director - office services), Colliers International.

Experts believe that the primary demand driver for commercial realty market of Pune is the IT/ITeS sectors. Their performance is a major determinant of demand for commercial space and future outlook for rentals. Certain micro-markets towards the city's west enjoy the dual benefits of demand from IT/ITeS as well as location advantages of proximity to the Pune-Mumbai expressway giving it access to the financial capital of India.

"India has attracted investments from major countries owing to the core competencies and strengths in IT/ITeS domains. According to data released by the Department of Industrial Policy and Promotion (DIPP), software and hardware sectors attracted foreign direct investment (FDI) worth USD 13,238.58 million between April 2000 and September 2014. IT/ITeS sectors are also major drivers for commercial real estate in the major cities of the country, one of them being Pune," avers Rohit Kumar, Head of Research, DTZ India.

COMMERCIAL INVESTMENT PROSPECTS

Experts point out that Pune witnessed office space absorption of about five million sq ft in 2014 as compared to 2013 figures of 4.63 million sq ft. Take-up/con-



solidation by financial services firms such as HSBC, Deutsche Bank, MasterCard has added a new segment of BFSI companies that looks at Pune favorably for growing their operations. Given the reduction in proposed commercial supply in 2015, it would be a challenging affair for both developers as well as occupiers to time their delivery and take-ups respectively. Investment in commercial realty in the city continues to be positive with investors from not just Maharashtra but also from locations across India wanting to evaluate Pune as a favorable investment destination. Given that the developer expectations on rentals are still very much within the market range, this trend helps Pune retain the competitive edge against similar competing markets such as Hyderabad, Bengaluru and so on. Also Pune's positioning as a business-friendly city with no major untoward incidents reported in the recent past has added to the comfort factor for investors wanting to make investments in the city. The institutional investors also perceive Pune as a high growth business market with investment grade assets as well as good real estate developers. Availability of high quality assets in Pune fits the institutional investors target cap-rate. The strong demographic fundamentals of Pune city make it a good investment choice.

"The western part of Pune - primarily Hinjewadi and parts of Aundh and Baner - has been a major contributor to the city's commercial real estate market. With the completion of the EON IT SEZ in Kharadi, an additional one million sq ft of commercial office space has been added to the existing stock. The most ac-

tive areas in terms of leasing activity are being seen in the off-central business district (CBD) micro markets of Yerwada, Hadapsar, Kharadi, Kalyani Nagar, Viman Nagar and Nagar Road. This can be attributed to multiple factors such as good availability of Grade-A office spaces which offer proximity to good social infrastructure and connectivity to various key nodes of Pune. The major demand for commercial office space comes from the IT/ITeS segment and as well as the banking sector. With diminishing Grade-A office stock and increased availability of Grade-B and C projects, rentals are scaling up. Meanwhile, large players with commercial projects in the pipeline are focussing primarily on non-IT projects such as World Trade Centre (WTC) by Panchshil Realty, Sky Vista on Airport Road, Edge and Juno in Viman Nagar by Marvel Realtors and Central and Fuego in Hadapsar, also by Marvel Realtors. This trend suggests that the availability of non-IT commercial space in Pune is bound to rise. Simultaneously, this focus by Pune's leading commercial developers will result in a decrease of IT space availability, indicating that rentals in available IT stock are set to rise," suggests Sanjay Bajaj, Managing Director - Pune, JLL India.

FAST FACT

Besides being a potential commercial real estate market, Pune has witnessed stability in the rentals over the last two to three years

LOCATIONS TO FOCUS ON

Bajaj adds, "The prime localities for commercial space investment in Pune are Aundh, Baner, Bund Garden Road, Hadapsar, Hinjewadi, Kalyani Nagar, Kharadi, Nagar Road, Viman Nagar, Yerwada and Shivaji Nagar. These locations are seeing the highest demand in different categories including IT/ITeS, BFSI and the services sectors."

Realty experts suggest that Magarpatta City, Hadapsar and Kharadi towards the east of the city are prominent IT hubs and micro-markets to look at from the perspective of investment in Pune commercial real estate. Presence of Grade-A office space in these locations work in favour from an investment point of view. Occupiers like Sybase, Aviva, I Gate, HCL, Accenture Services Pvt. Ltd., WNS Global Services, Patni Computer System Ltd., Amdocs, Clarion Technologies, SAS Research and Development have presence in these areas.

"The western micro-markets of Hinjewadi, and parts of Aundh and Baner are the other sought-after areas. Apart from being IT hubs, these have a location advantage of being located close to the expressway and being a three hour drive from Mumbai. Prominent occupiers of space in these regions are Infosys, Wipro, Cognizant, KPIT Cummins, Persistent Software, TCS, Credit Suisse, IBM, Barclays, Tech Mahindra," adds Kumar.

(The writer is economic, finance and real estate expert, CEO-www.wealthguide.in)