

'Exciting days for real estate sector in India'

Anshuman Magazine, managing director,
CB Richard Ellis India, in conversation with **Aradhana**

CB RICHARD ELLIS India, which is part of the Los Angeles-based global leader in real estate services (with combined revenues of \$5 billion, and 2006 transaction value of over \$225 billion), has been in the news in recent months for all the right reasons.

Last year, the international realty giant acquired another global consultancy, Trammell Crow. CB Richard Ellis Group, Inc, also acquired a majority interest in CB Richard Ellis South Asia Pte Ltd (CBRE India). The India operation, which has over a thousand employees, has executed over 22 million sq ft of leasing transactions and about 30 million sq ft in project management assignments. It manages 40 million sq ft of commercial properties and corporate facilities, and has arranged lease transactions for the likes of Goldman Sachs, Cisco Systems, JP Morgan Chase and Hewlett-Packard.

The company recently came out with its report on the office rent market in the country, which places Mumbai and New Delhi among the world's 10 costliest locations for setting up an office. Excerpts from the interview:

The latest CBRE India report places Mumbai and Delhi among the most expensive office locations in the world. Could you elaborate on this?

Finance minister P Chidambaram recently declared that though the Indian economy had expanded to a trillion dollars last year, it is actually worth \$4 trillion dollars when measured in terms of purchasing power parity. This accounts for 6.3 per cent of the total global economy.

Today a Grade A space in Mumbai's Central Business District (CBD) is available for around \$189.51 per sq ft per annum while a similar property in Delhi's CBD would be available for \$126.73. This is

largely because availability of ready office supply remained extremely low in most of the key micro-markets across India.

As a result, in line with the trend witnessed for most of the past 12 months, enhancement in rental values showed no abatement in the last quarter also. A negative fall-out of this has been many instances where companies have put their expansion plans on hold, either due to lack of space or unaffordable values. This obviously does not augur well for the real estate market in general, and respite for end users is not expected in the short term at least.

However with construction on an upswing and new projects being announced in all major locations in the country with a completion time-frame of the next 12-18 months there should be an ease of pressure on the supply.

How do you perceive the trends in the real estate market in India today?

The real estate industry in India is at one of its most exciting points today. Foreign direct investment (FDI) has been allowed, the sector is growing at a very fast pace, investments are happening, infrastructure that can aid additional investments is improving and really the only challenge that one can foresee is the lack of trained manpower to cater to this sector.

The situation today is a far cry from that of the mid nineties when there was virtually no demand, and supply was constrained. The contribution of the information technology (IT) and the IT enabled services (ITES) sectors to the success of real estate in the country cannot be appreciated enough, for not only did they lead to an increase in office space requirement, but the higher salaries they offered meant that their employees were looking



ANSHUMAN MAGAZINE: The real estate industry is at one of its most exciting points today



STRONG DEMAND: Demand for retail and commercial space continues to grow across urban India

for residential space, hotels etc. It is these two sectors that are now responsible for the growth of malls and different retail formats.

What more should be done to spur the sector's growth?

India needs to move towards becoming a consumption economy. This will help control inflation and will mean that everyone can scale-up. I believe that we are on course towards achieving this. The fact that FDI has been allowed in the sector is a huge step forward as it implies that the supply side will improve. It also ensures greater transparency and improves the deliverability criteria. India is now the flavour of the world with the Singaporeans, the Americans and investors from the Middle East all wanting to be a part of its stupendous growth story.

What are the main challenges facing the real estate industry today?

There are two main challenges facing

the industry. The infrastructure needs to improve and there is lack of trained manpower to deal with the growth that the sector is witnessing.

One of the biggest reasons for our success is our people and ironically this is what the sector really needs today to realise its full potential. At CBRE we've had people with us for 10 years, which is virtually unmatched in the industry. Apart from good pay packages we've ensured that individuals are provided with a platform to grow and this has resulted in them staying with us.

What is the outlook for the sector in 2008, particularly the Delhi and Mumbai office markets?

I believe the real estate sector will continue to witness buoyant growth. Today about 80 per cent of real estate development is in housing, not surprising given that the government has said demand outstrips supply by 24 million units.

In Delhi we expect that infrastructure

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and connectivity to Gurgaon and Noida – the two satellite cities – will improve so that we have a truly integrated national capital region.

The demand for space is expected to remain strong in the short to medium term across the region with bulk of demand for IT / ITES sectors.

In Mumbai too with the vacancy levels continuing to hover around all-time lows, we expect the trend of high rentals to continue. Low vacancy levels have led to an increased demand for fully furnished and serviced offices / business centres. As a result, a number of operators, both global and domestic, are expanding aggressively in this space.

What are your plans for CBRE India?

We are set to triple turnover in the next five years. The employee strength is also set to double. In the past we have been involved in some of the largest and most prestigious advisory assignments in the post liberalisation era in India, including the privatisation of the international airports and disinvestment exercise for a portfolio of 26 government-owned hotel properties.

We have also successfully delivered several projects across India to provide effective real estate solutions for a diverse range of projects including IT parks, Special Economic Zones, optimum utilization of real estate assets, urban infrastructure development, commercial and housing projects, hotels, retail and entertainment. 🌟