



RECOVERY REBOUND OF COMMERCIAL REALTY

A Whitepaper By

360 REALTORS
COMMERCIAL

DELHI NCR

2019 was a milestone year for the NCR office market, as it recorded the highest decadal growth in supply and occupancy levels.

Despite the infusion of supply and robust demand, the pandemic (COVID-19) in 2020 altered the scenario.

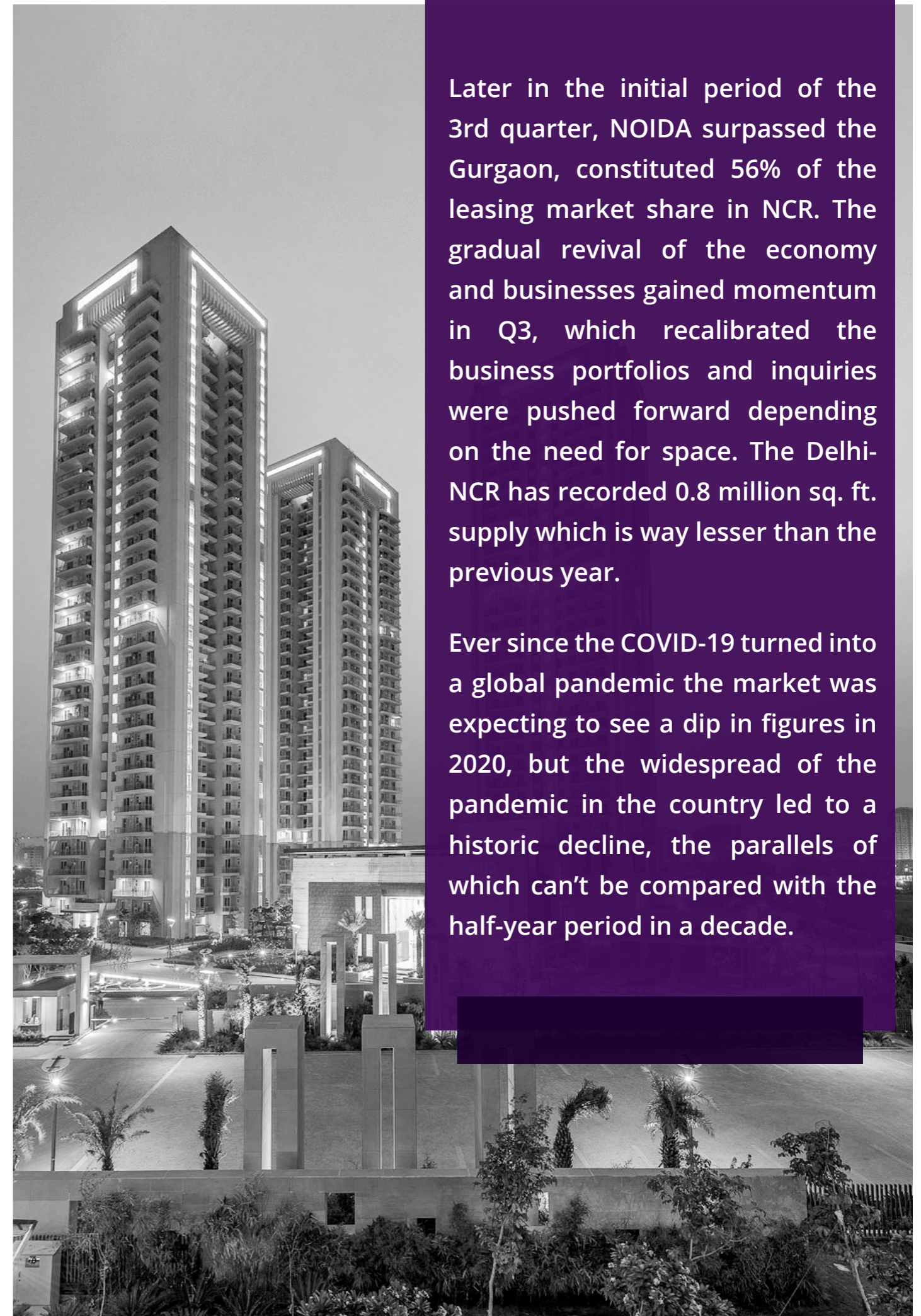
The first quarter of 2020 was witnessing sturdy demand in the city but then in the last week of March (25th March 2020) the nationwide lockdown was levied and the businesses thrust came to a standstill.

The second quarter witnessed an 80% downfall in the leasing market but the third quarter (Till H1-20) started witnessing a minimal uprise in demand.

As per the past trends, Gurgaon and NOIDA were the leading commercial markets, in line with the leasing trend Gurgaon was the leading market in NCR till Q1'20.

Later in the initial period of the 3rd quarter, NOIDA surpassed the Gurgaon, constituted 56% of the leasing market share in NCR. The gradual revival of the economy and businesses gained momentum in Q3, which recalibrated the business portfolios and inquiries were pushed forward depending on the need for space. The Delhi-NCR has recorded 0.8 million sq. ft. supply which is way lesser than the previous year.

Ever since the COVID-19 turned into a global pandemic the market was expecting to see a dip in figures in 2020, but the widespread of the pandemic in the country led to a historic decline, the parallels of which can't be compared with the half-year period in a decade.



Investment



The investors are showing interest in new commercial markets or peripheries where rentals are affordable or competitive such as SPR, Golf Course Extension Road, Sohna Road, etc. The NH-8, Cyber City, Udyog Vihar have also recorded huge demand in the Millenium city.

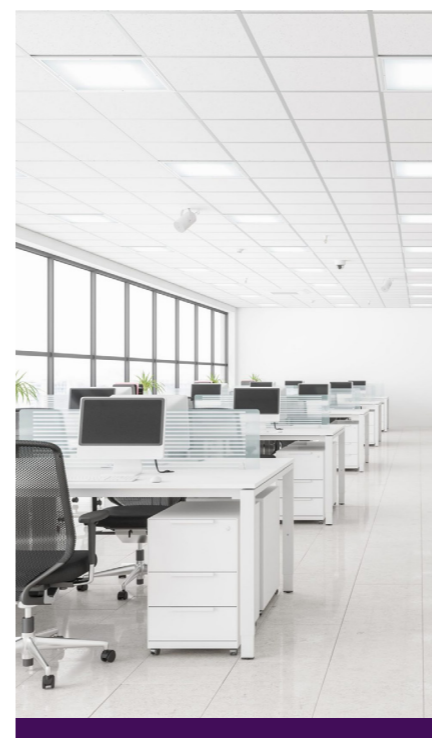
Mostly the Grade-B & Grade-C buildings (Pre-Leased properties) are the center of attraction for the investors with the ticket size ranging between INR 50 lacs to INR 1.5 Cr.



Retail

The retail industry has been badly impacted by the pandemic. The stringent countrywide lockdown which continued for almost 50 days had a major impact on the retail sector almost halting the juggernaut for the sector.

H2 onwards the malls have started re-opening gradually. The F&B sector in the initial phase of the fourth-quarter 2020, witnessed a growth trend owing to the burgeoning Cloud Kitchen concept.



Demand for community shops and mixed land use properties are also witnessing an upward trend in both sales and leasing activities. In Noida and Gurgaon, the occupiers are searching for the mid-way to overcome the situation in line with landlords to operate the business on the revenue sharing model.

The e-tailing businesses have lifted the demand during the pandemic. The buyers have also shifted to the online market which outpaced the growth momentum.

High-streets are also riding out the sector which resulted in a marginal decline in on-demand and rentals in NCR. PE investors have also shown their interest in shopping mall assets those are capable of resurrecting with the passage of time.

We are anticipating that by Mar'21 the retail sector would witness better recovery. Till the end of this year pan India has constituted for 20-40% recovery in the sector. We might witness the revenue sharing model as the emerging model in the short term in the retail market.

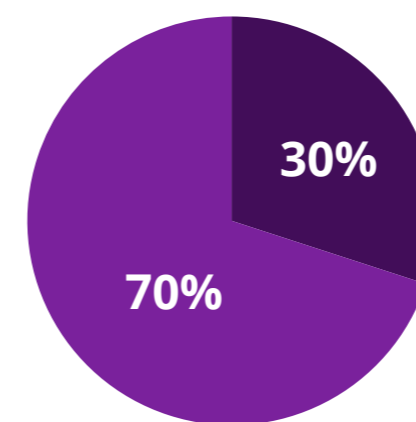


Co-working

Co-working demand is accelerating in the NCR market in the last two quarters. As per a poll conducted by 360 Realtors, most of the respondents preferred remote working as their preference for office space (Approx. 70%).



We are anticipating that the co-working demand would revive shortly in tier-2 & tier-3 cities. Most of the IT firms are assessing their business to adopt a work from the home culture which will accelerate the demand for small spaces.



- Traditional Office Sapace
- Co-working/Business Centre

Source- 360 Commercial Poll Result

Role of Artificial INTELLIGENCE

The COVID-19 has changed the way businesses were operated, now the technology has taken a centre stage in business operations and AI is ruling the roost.

Artificial Intelligence has brought disruption to the market. We have witnessed in the last 2 quarters that businesses/industries that have adopted Artificial Intelligence, reached a milestone albeit the pandemic such as EdTech industries, cloud kitchen ((F&B sector shifted its gear to remain digitally relevant), health care companies, medical devices, etc.

In line with the trend, commercial Real Estate sector has also augmented Artificial Intelligence in their business model. Traditional offline marketing has shifted to new online marketing and campaigns, client meetings, and other business processes have also witnessed the need for Artificial Intelligence.



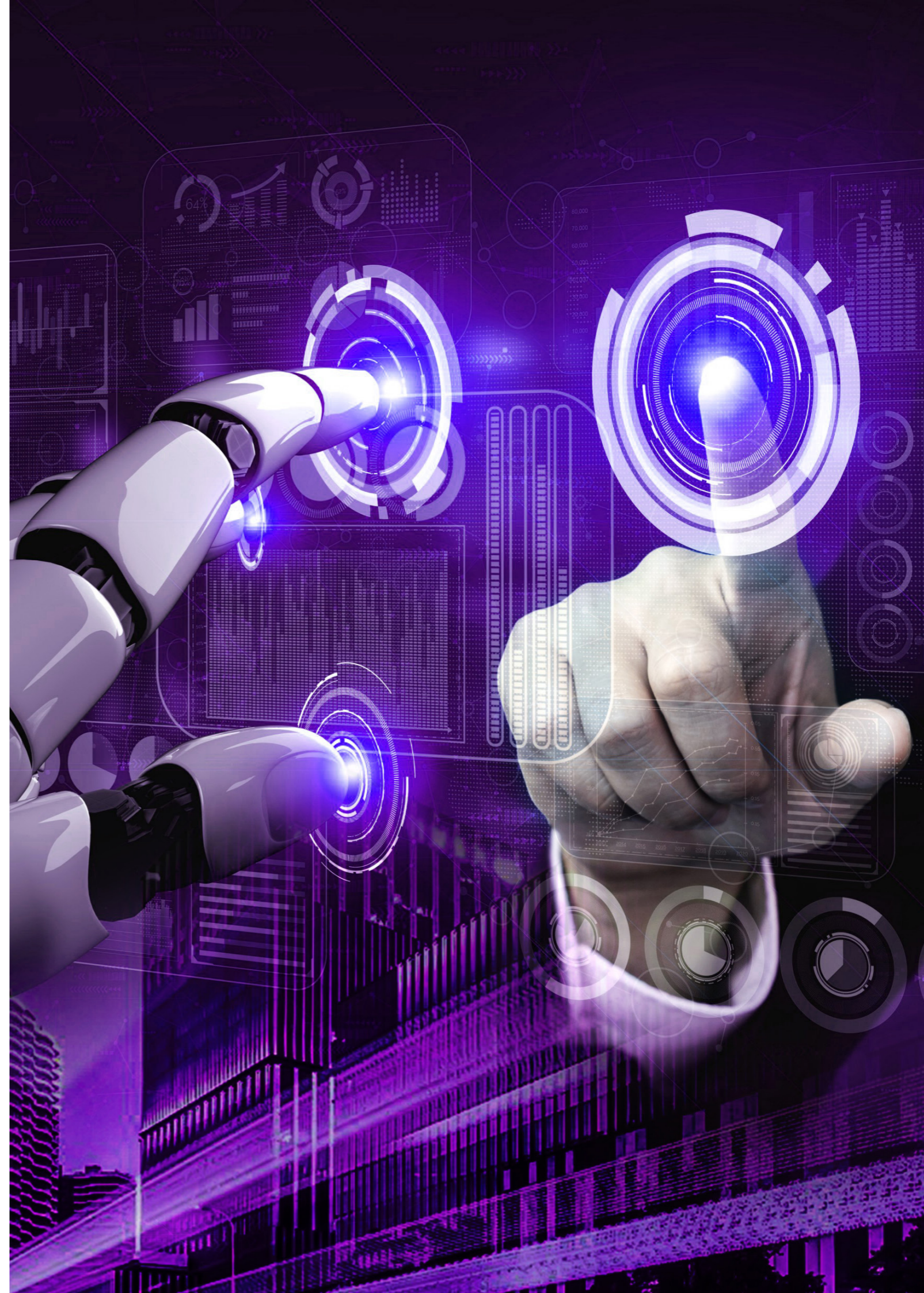
Chat Bots



Investor Analytics



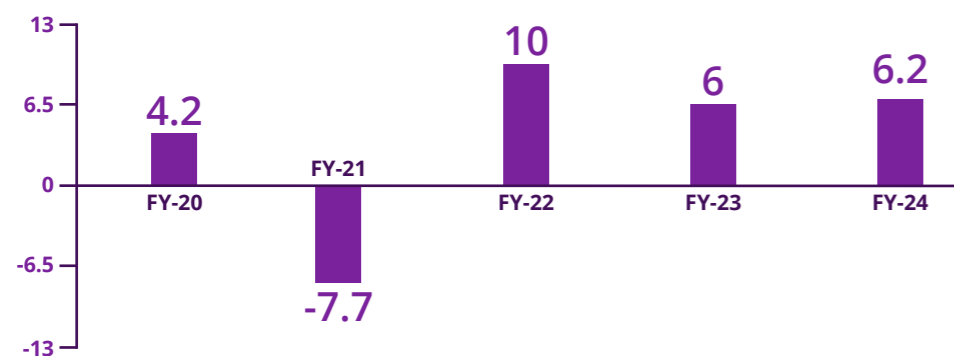
Data Analytics



Economic Slowdown

This pandemic has constrained global GDP. Most of the developed global and developing nations' GDP have recorded huge dearth till Q2'FY21.

CRISIL has projected that GDP growth will shoot up to 10.0%. Services sector will take longer to recover than manufacturing. Growth is seen averaging at 6.2% annually between 2023-2025. India will witness faster growth than the rest of the world.



Source - S&P Global Ratings, CRISIL

Govt. Policies



A stimulus package of INR 21 lakhs crore (Equivalent to 10% of GDP) in which the fiscal spending is around 1% of the GDP.



The RBI has also cut down the repo rate by 115 bps in March '20 and announced a long-term moratorium (6 months to 1 year) for all term loans.



The government may come out with additional upgraded stimulus depending on the crisis unfolds.

Office Scenario

Coronavirus constrained organizations to change to distant working rapidly. Despite the fact that this movement went sensibly well in a brief timeframe, there are a couple of traps that business should know about.

All things considered, the execution of distant working is more extensive and more profound than most associations figure it out. To be fruitful in the long haul, an organized methodology is required, along with a critical venture to change corporate culture.

Simultaneously various challenges are accumulating such as data confidentiality, real-time support, network security, employee's mental wellbeing, performance appraisal, and monitoring, etc.

In the third quarter of 2020, Companies started assessing their business model and accelerated the inquiry for space as per their need.

360 Commercial as the leading institutional channel partner conducted a poll to know the sentiments as what employees would prefer in the new normal office environment. Approximately 73% of respondents preferred hybrid office work culture with safety measures such as creating open space to maintain the social distancing norms, restructuring the spaces, etc.

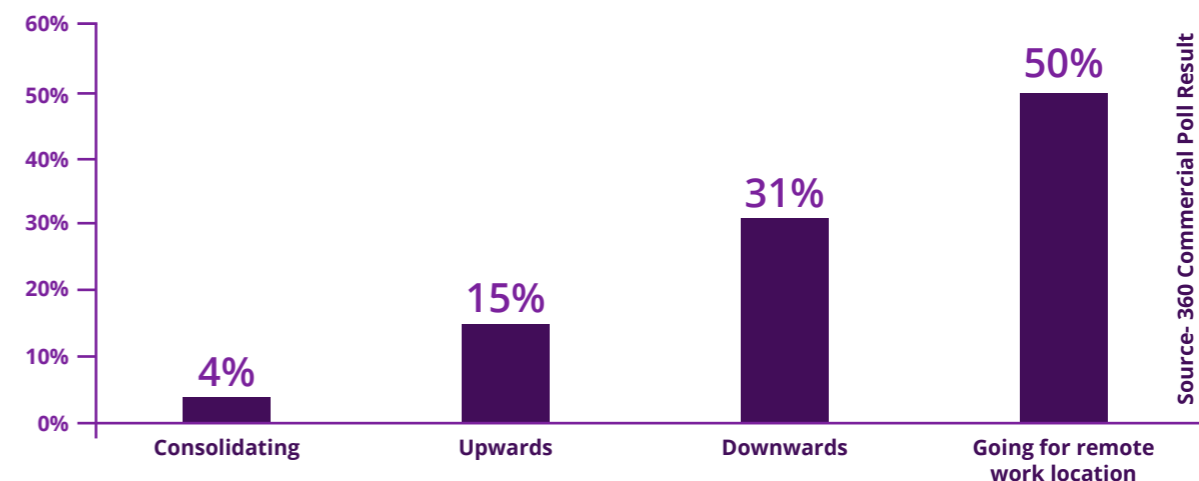


Source- 360 Commercial Poll Result




73%

Post Pandemic Working Culture Preference (Hybrid (2-3 days/ week of each))



Source- 360 Commercial Poll Result



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