

Tata Realty aims to build 45 m sq ft office space in 7-10 years

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TATA REALTY IS planning to build a strong office space portfolio. Its plans are in stark contrast to the rather bleak outlook on office real estate right now, given that more and more companies are willing to make work from home (WFH) a permanent feature, thus impacting office space demand.

Tata Realty MD and CEO Sanjay Dutt, who is looking to build 45 million sq ft of office space over the next 7-10 years, believes otherwise. According to Dutt, the current scenario is similar to the global financial crisis when despite all the turmoil 19 million sq ft of office space was taken up by companies. "This year, between January and June around 11 million sq ft of commercial space has been committed and I believe another 10 million sq ft plus will be committed in the rest of the year, which means 20 million sq ft — despite lockdown and concerns around WFH will still get committed in India, especially when there is no supply, which is great," Dutt told *FE*.

Though this will be just about half of the 47 million sq ft of office space that was absorbed in the top eight cities of India in 2019, Dutt said the scenario will look up once the lockdown situation eases because the demand for quality A grade office space is intact, while there is a shortage of supply.

Tata Realty has around six million sq ft of office space ready and leased and another one million sq ft is under construction and will be ready by November in Gurgaon. Dutt added that the company has plans approved for another 1.3 million sq ft of commercial space in Mumbai, and as the lockdown situation improves, the company will start construction there.

He further said the company already has a large residential portfolio while 100% of commercial real estate is leased and the



Tata Realty MD and CEO Sanjay Dutt

company needs to do more there. "If I already have 13 sites and a large construction, there is no need for me to do more residential right now. However, it is not that we are stopping residential launches, it is just that we are also focusing on commercial," Dutt said.

He added that a further 16 million sq ft of office space development will be done through existing land bank available with the company. In addition, Dutt said the company has signed term sheets across multiple cities which will give additional 22 million sq ft. "Because of the lockdown, due diligence has slowed down. Our goal will be to reach 45 million sq ft in the next 7-10 years," he said.

Dutt added that the company is receiving almost 100% of rentals and lease rentals have increased by around 14.8% in FY20.

While the jury is still out on the future of office space demand, analysts believe that demand will undoubtedly be subdued in the near term but are sceptical about the dire projections regarding office space emanating from certain quarters. "The average space available per office employee has plummeted 56% over the past decade; this will have to reverse in the post-Covid-19 world, boosting office space demand," analysts at Edelweiss Securities said.