

From The CEO's Desk

Inflexion Point: Recovery to Resurgence

India's office market continues its path towards recovery and the residential sector across most cities witnessed brisk movement in terms of increase in project launches, sales and prices during 2010. India's strong GDP growth last year on the back of improving domestic demand will remain a key driving factor for foreign investment in the future. The festive season in India, in the previous quarter, ushered in higher confidence among key stakeholders of the country's real estate sector. However, the rise of capital values in the residential sector exerted a short term pressure on absorption rates in 2H10. Going forward, we see 2011 as the inflexion point when India's office real estate market would take a paradigm shift from recovery to resurgence.

Overall, we believe that year 2011 will offer a strategic window of opportunity for occupiers and investors of India's office sector as rents and capital values in most of the micro-markets have reached their cyclical bottom towards end of 2010 since the recent downturn. Our latest research indicates that India would approximately double its office absorption across the country's leading metros during 2011 versus 2009. However, such a healthy trend is expected to sustain in the future only if the developers continue to implement proactive strategies with cautious optimism.

A sustained focus on infrastructure development by the Indian government in the coming year combined with improving occupier confidence will lead to a gradual and sustained evolution of the suburban precincts of India's cities. The fact that the office occupiers have been keen to execute their expansion plans, capitalizing on the undervalued office market, further indicates a positive outlook for the office sector and also acts as a key driver for overall investment activity in the nation's residential and retail markets, as well.

¹ GDP growth at constant prices: 8.2% in 2010 as opposed to 6.7% in 2009 (Source: Global Insight)

