

“‘RETURN TO OFFICE’ IS PLAYING OUT IN INDIA AS WELL”

Mindspace Business Parks REIT (real estate investment trust) offers one of the largest, grade A office portfolios in India spread across Mumbai, Hyderabad, Pune and Chennai. Mindspace REIT is managed by K Raheja Corp Investment Managers LLP. **VINOD ROHIRA**, CEO, Mindspace REIT shares with **ASHISH SINHA** of BW Businessworld how the hiring done after the pandemic is leading to a renewed demand for grade A office spaces that conform to compliance, governance, health, and safety protocols. Excerpts:

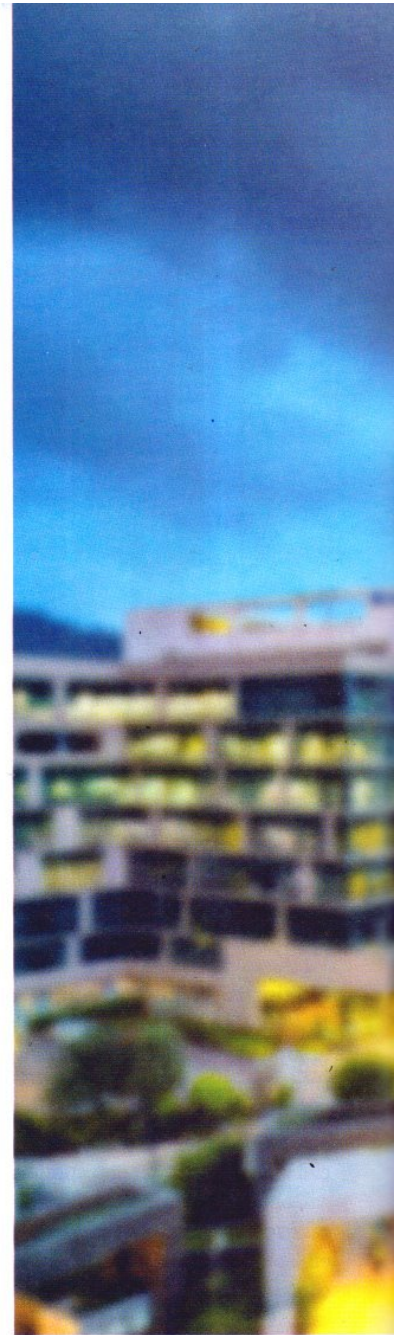
How was the last quarter for Mindspace REIT?

We continue to witness strong leasing activity across our portfolio with over 2.1 million square feet (msf) leased in the first half of this financial year. We remain increasingly confident of the commercial market outlook, buoyed by record tech hiring and growth trends, improved GCC prospects, vaccination coverage in our gateway cities as employees return to the office. We are excited about the robust demand cycle re-emerging.

The REIT has recorded robust gross leasing of 9 lakh sq ft, with an average rent of Rs 88 per sq ft a month across 11 deals concluded during the quarter. It has also concluded another build-to-suit lease of 5 lakh sq ft at Mindspace Juinagar in Mumbai region. Over the last two quarters, it has leased 2.1 million sq ft in total.

The REIT has raised around Rs 400 crore through issue of debentures at project level at 6.1 per cent helping the reduction in average cost of debt further by 15 basis points to 6.9 per cent as of September end.

The July-September quarter has already witnessed a sharp uptick in the absorp-





tion of office space led by leasing activity in the information technology and IT-enabled services sector.

The commercial real estate sector is on the path of gradual recovery with majority of companies announcing end of WFH. How do you see the demand and leasing activity in the coming few months?

The demand revival has started, and we expect it to grow stronger in the coming years. India has already administered over 1.1 billion doses and the entire eligible population is expected to be vaccinated in the next few months. As per recent reports, countries in the west are seeing around 40 per cent of their staff back in office. We are seeing this trend of 'return to office' playing out in India as well. Post vaccinations, we

are witnessing a substantial shift in the 'work from home' to 'work from office' mindset.

Global multi-nationals are increasingly looking at India as an innovation and technological hub. As per a recent Nasscom report, currently, only 15 per cent of the Forbes Global 2,000 companies and 26 per cent of Fortune 500 companies have set up GCCs in India. This underscores the immense potential of GCC expansion in India considering the talent pool the country offers. We anticipate these strong underlying trends to translate into a demand upswing towards the best managed asset ecosystems.

The recent hiring across IT/ ITes sector is a positive aspect for CRE. What trends are you observing with regard



to IT companies leasing office space?

We continue to see increased activity for evaluation and assessment of new and consolidation needs of large technology occupiers. Technology companies in India have seen their business prospects improve further in recent quarters and have revised their hiring numbers upwards which is in addition to the record hiring done over the past 12 months.

This new hiring done post the pandemic is leading to a renewed demand for grade A office spaces that are built with compliance, governance, health, and safety protocols.

How has FY22 been so far compared to the previous year?

FY'22 has witnessed increased activity for assessment of new leases or consolidation in the needs of large technology occupiers. With a large percentage of employees receiving both doses of vaccines, the return to office plans has gathered momentum and we are seeing clients gear up for increased physical occupancy. In the first half of this financial year, we have achieved gross leasing of 2.1 million sq ft. across our REIT portfolio. Our BKC asset is now fully leased with the addition of a marquee BFSI tenant. On the ROFO side, in addition to the pre-leasing of 1.8 msf during the last quarter at Commerzone Madhapur in Hyderabad, this quarter saw pre-leasing activity at our other ROFO asset, Mindspace

Juinagar, located in Mumbai region, where we successfully concluded another build-to-suit (BTS) lease deal of 0.5 million sq ft with an IT tenant.

What are the expansion plans for Mindspace Business Parks REIT?

On the organic side, we expect to add approximately 1.8 msf to our completed portfolio in the next financial year which comprises of two under-construction buildings at Mindspace Airoli West, Mumbai Region and Gera Commerzone Kharadi, Pune.

In our endeavour to maximise stakeholder value throughout the lifecycle of assets, we have firmed our plans to proceed with re-development for two wings at Mindspace Madhapur (subject to requisite approvals). This shall potentially increase the leasable area of the building under re-development from 0.36 million square feet to c. 1.3 million sq ft, subject to final designs and approvals. We also have an additional c. 1 million sq ft to build in Pune.

We also have ROFO pipeline of 8.6 msf across Mumbai region, Hyderabad and Chennai. In addition, we continue to evaluate various inorganic opportunities which are value accretive and match the DNA of the portfolio.

Like China is the manufacturing hub for the world, what

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opportunities you see with India emerging as the 'technological hub' for the world?

India has demonstrated its resilience despite the pandemic and delivered services in technology to the rest of the world. That has strengthened India's position as a destination for companies to set shop and grow and increased belief in the tech capabilities of the country. As the world is moving towards a digital economy, Indian IT sector is poised for a robust decade. Several Indian IT companies are also going up the value chain in terms of type of services delivered such as data analytics, automation, artificial intelligence, machine learning and much more.

These companies are also seeking to establish their own research and development centres in India, thereby providing a further fillip to the office demand.

SEBI has recently revised the minimum subscription

and trading lot for publicly issued REITs. What impact have you observed with the change in regulation?

Both these amendments have encouraged a wider retail investor participation and enhanced liquidity for the instrument. We have seen the unitholders in our REIT increase by over 31 per cent in less than a quarter.

When we look around the world, all stabilised markets operate through REITs for commercial real estate. Whereas, REITs are still at a nascent stage here in our country.

But REITs are poised to evolve as a strong asset class for alternative investments. The recent legislation on REITs is very forward-looking and safeguards investors, while building the REIT space within the right framework.

Mindspace REIT recently announced their commitment to climate group's carbon neutrality agenda. Why do you feel it is so integral to business?

At Mindspace REIT, our endeavour to emerge as a responsible organization motivates us to implement sustainable business practices across our operations. We are firmly committed to sustainable value creation for the environment, society, and our organisation by integrating sustainable approach into the business. Our commitment is guided by our purpose and vision to create a lasting value for all our stakeholders.

Our vision is to be a sustainability leader in the realty industry by creating long-term value for stakeholders through ESG-focused business strategy.

We are mindful of the emissions generated through our business operations. We are committed to implement required measures to decarbonise our business activities to transition towards a low carbon economy. In this effort, our focus is directed towards reducing GHG emissions, adopting renewable sources of energy, and improving energy efficiency, amongst other initiatives. The RE100 and EV100 initiatives will give us a path to fulfil our sustainability objectives.

The government is banking on REIT/Invit to drive the NMP or National Monetisation Pipeline. How do you see the move for the private players?

The move has good potential. I feel, this needs to be evaluated further on how best to explore this with REITs / InvITs. **BW**

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