Mumbai the Best Place for Commercial Property by Vinay Jain

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Unsure about the global economic sentiments and rising borrowing prices, there's some excellent news for tenants wanting to lease commercial area in Mumbai.

Probably for the primary time in Mumbaiâ€™s commercial property market there are not any takers for nearly 1.1 million sq ft or eleven lakh sq ft of ready commercial property in Mumbai, the highest level of vacancy within the town. The high vacancy in turn, has placed pressure on commercial rental rates that currently bit 2006 levels as per property consultants.

Global property consultant, Jones Lang Lasalle, Director, Mr. Ramesh Nair, stated that the highest quantum of commercial property lying vacant in Mumbai.

While unsure economic conditions have firms shying faraway from leasing area, one more reason is that the oversupply. In a bid to maximise use of the present land space, developers rushed to avail the inducement floor area index given by authorities beneath varied schemes like Info Technology Parks. With the result that there's a large quantity of area lying unsold and this has imposed pressure on leasing rates that is currently equal to the level of 2006. Before 2006, the number of Grade-A commercial areas was twenty nine million sq ft.

While the common vacancy across town is 20.5%, it varied in individual business districts. Nariman Point surrounds a vacancy of 100%, Lower Parel, Worli, Andheri, Borivali and Vikhroli have pure 24 percent vacancy, Bandra-Kurla advanced has sixteen percent and therefore the Thane-Belapur region has twenty eight percent vacancy.

Though rentals are fraught, several property developers who are underneath money stress are increasingly opting to selling their commercial areas. But, the developers are selective in selling their commercial property in Mumbai. If 100 percent possession are needed, they're going to sell forty percent and keep the sixty percent with them; otherwise they're going to lose management of the building. notwithstanding they sell half of their buildings, some consumers might not like that.

Ackruti City one of the well established developer of Mumbai is selling its three commercial property â€”Ackruti Star, Ackruti Viva and Ackruti Solaris in Andheri through a reduced deferred payment theme.

Wadhwa Group, one in all the most important unlisted realty firms in Mumbai, has lowered its rental rate moreover as selling floors in its soon-to-be finished â€˜The Capitalâ€™ project within the Bandra-Kurla Complex.

You can see the overgrown demand in Mumbaiâ€™s commercial property. Mumbai has witnessed the supply of commercial area exceeding demand by the maximum amount as 200 percent. The vacancy levels have increased from 14 percent to 20.6 percent in Q1 2012.

The developers are experiencing the price pressure as a result of increase within the costs of cement and steel bars that increased by about twenty percent and twenty six percent, respectively. The shortfall of labour partially caused by Governmentâ€™s numerous employment schemes is keeping cost of labour high. Plus, the parallel rise within the interest rates led to higher price of borrowings for the developers.

This is the most effective time for corporates to barter on rentals as several corporations are seen putting on hold their growth plans. If the area take-up is huge, developers are giving additional rent-

free periods and free parking slots to the renter, aside from discounts in their expected rentals. On an average, builders are holding commercial units starting from 30-65%.

The development of commercial property in Mumbai, reeling beneath the pressure of vacant commercial units, huge debts and relaxing demand from the company sector are currently launching reasonable offices and enticing schemes. The mood is that of â€˜withdrawalâ€™ instead of growth for hug corporates.

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