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Title : Startups Consolidate Their Ops into One Office to Save on Costs

Author : Sobia Khan, Kailash Babar & Ravi Teja Sharma

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# Startups Consolidate Their Ops into One Office to Save on Costs

Move may help cos save as much as 25% of operational costs, say experts

Sobia Khan, Kailash Babar & Ravi Teja Sharma

**Bengaluru | Mumbai | New Delhi:** After building up their market shares and making their presence felt, several startup companies in India are now in consolidation mode on the real estate front.

Many of them, operating from premises scattered around the city, are now moving into a single office or shedding excess space they may have leased during their years of dramatic growth as they seek to optimise their real estate portfolios, become more efficient operationally and save costs.

Flipkart has signed a 2 million sq ft office deal with the Embassy Group in Bengaluru, of which the first phase of 1.5 million sq ft will be delivered by 2017.

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**Realty Check**

For cost efficiency, startups shedding excess office space they leased during the last few years

**FLIPKART SIGNED A 2 m sqft OFFICE DEAL WITH EMBASSY GROUP IN BENGALURU**

It'll bring offices spread in multiple locations under one roof when first phase of 1.5 m sq ft is delivered in 2017

Industry experts say cos can save 25% of operating costs by rationalising office spaces

Snapdeal consolidated multiple offices in NCR into one 4.5 lakh sqft office in Gurgaon

# Cos Moving to Single Office Spaces

►► From Page 1

Flipkart will use this space to bring its various offices spread across Bengaluru under one roof.

The country's largest ecommerce company, which has offices in Bengaluru's Koramangala area, is consolidating into a single space on the city's Outer Ring Road, as is a global ecommerce company.

Last year, Snapdeal consolidated several of its offices in the National Capital Region into one central office spread over 4.5 lakh sq ft in the Udyog Vihar area of Gurgaon.

As they grow, many startups have begun to assimilate corporate real estate strategies such as consolidation, expansion and focus on peripheral locations to save costs. According to industry experts, a company can save as much as 25% of operational costs by simply rationalising office spaces, which usually implies a shift to the suburbs or the outskirts of town.

"Due to limited availability of resources, an increasing number of ecommerce players have been focusing on peripheral locations providing large spaces at rather cost-effective terms," said Ram Chandnani, MD-transaction services, at CBRE South Asia.

Apart from costs, relocating results in a higher snob value of addresses. Ecommerce companies have been observed to move from semi-investment grade developments to quality properties, even though they are in peripheral locations.

"In earlier times, many firms took up grade-B properties, as per their requirements then," said Anuj Puri, Country Head of Jones Lang LaSalle in India, adding that this led to the creation of multiple offices scattered across the city. In recent times, companies have found it challenging to operate from different offices and have also sought to expand. For them, moving to single offices with larger floor plates is the best option, said Puri. "Many such firms will look for grade-A options that meet their new requirements – even if they come at slightly higher rents – as there is also a value attached to the new addresses," Puri added. In some cases, companies are giving up real estate that they took up in a zeal during the days of pursuing heady growth. Housing.com has surrendered 1.5 lakh sq ft of of-

fice space it had leased in the Powai suburb of Mumbai in 2015. An email query to the company remained unanswered at the time of going to press.

Currently, Bengaluru leads in rentals and leases by ecommerce companies, followed by Gurgaon and Mumbai, according to CBRE. The share of ecommerce firms taking up office space in the leading cities rose from 2% in 2014 to 6% last year, CBRE said.

"We are receiving enquiries from startups in media, animation and related industries for large office spaces for consolidating their presence at one location to improve efficiency and also to rationalise their real estate costs. Some of these have also requested us to combine two-three offices into one large office," said Vipul Shah, MD of the Parinee Group, a developer with a commercial project in Mumbai's Andheri suburb.

Some startups are caught in a dilemma after taking up larger spaces in new locations because their current leases haven't run out.

Zomato took up 1.2 lakh sq ft at the One Horizon Center building on Golf Course Road in Gurgaon after realising that the 50,000 sq ft office leased in Sector 44 of the city about two years ago wasn't adequate. Zomato continues to pay for the Sector 44 property, although people familiar with its plans said the company is considering surrendering the excess

space. Zomato did not respond to an email questionnaire sent by ET.

Such consolidation of office space by ecommerce and startup companies typically involves areas larger than 1 million sq ft, helping to curb vacancy levels in the market. Many of these transactions take place as pre-commitments in projects that are under construction and when the fresh supply of office space is ready, it is already occupied. Pre-leased office projects also help developers to receive funding from lenders and institutions.

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