

Commercial real estate trends to watch for in 2021

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As the economy transitions to recovery post the COVID-19 outbreak, we review five commercial real estate trends that are likely to prevail in 2021 and beyond. Also, here are some action steps that the investors and tenants can take to capitalise on new opportunities.



Over the past century, external shocks such as an epidemic or a pandemic accompanied by an economic downturn have had an immediate to short-term effect on asset prices in case of **commercial real estate** (CRE). While these have had limited impact on transaction activities, the outburst of novel Coronavirus was different altogether. The expansiveness, depth, and unprecedented reach of the COVID-19 pandemic impacted the commercial real estate industry much sooner as trade activities and businesses were shut down for a prolonged time. In the future, each CRE company will have to chart its path to react, recover and survive.

Given the changing circumstances, here are some commercial real estate trends that we are likely to witness in 2021.

Technology to shape industrial space

The Government's Atma Nirbhar Bharat-Production Linked Incentive scheme (PLI) will play a major role for companies to become an integral part of global supply chains, possess core competence and cutting-edge technology. Technologies such as artificial intelligence, machine learning, advanced manufacturing, robotics, and drones will transform every link in the supply chain. As the new businesses continue to grow, we can expect heightened demand in the market for industrial space.

Life sciences drive demand for specialised real estate

The year 2021 is primarily determined towards strengthening the basic Government healthcare infrastructure with the introduction of critical care hospital blocks, public health units, and health emergency centres. As the industry grows, we may witness the development of highly specialised spaces to promote research and development as well as production activities.

Expansion of office spaces

As companies reassess their real estate needs, the role of office space is changing drastically-shifting away from a productivity-based model and evolving more to focus on the people. In order to meet the changing demand for office space requirements, a hybrid model is likely to emerge where businesses will focus more on **flexible workspace solutions** and working practices to enhance their pre-existing work culture and balance the efficiencies gained by remote work.

Faster deliveries and industrial leasing

The demand for quicker delivery is forcing the e-commerce operators to adjust their modus operandi accordingly. One-day delivery, using the distribution model in both warehouses and stores illustrates the rising importance of stockroom operations. As e-commerce and online grocery transactions pick up the pace, retailers and food distributors would need larger distribution centres with better cold storage facilities to scale up their customers last-mile delivery capabilities. Large distribution centres are rapidly breaking ground as developers are looking for accessible storage facilities and land near ports and interstate highways, particularly in gateway market.

Growth of the medical retail industry

The COVID-19 crisis has propelled the masses to work towards improving their immunity and personal hygiene. This has resulted in the rapid expansion of medical care service providers who have forayed into retail spaces, including malls, shopping centres and urban shops. Indeed, the increase in demand for better quality healthcare and focus on wellness is now single-handedly driving up the growth of organised retail pharmacy in India.

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