

## **Pandemic Boosts A New Real Estate Asset Class**

Ashwini Priolker @ashupriolker Bookmark September 10 2020, 1:46 PM September 10 2020, 9:43 PM

When both commercial and housing property markets suffered during the pandemic, work from home increased interest in one category of real estate: data centres. Immediately after India went into a lockdown mode due to Covid-19, there was a 25-35% increase in data centre capacity usage as companies began to overhaul their digital infrastructure to deal with the new work environment, according to Anarock Research. It expects that to boost growth of data centres as a real estate asset.

Data centres were classified as an essential service and there has been a huge surge in cloud usage because of schools, e-commerce or streaming applications such as Netflix and Amazon Prime Video, said Shard Sanghi, chief executive officer at NTT-Netmagic, a provider of hosting and cloud services. “You need to have more physical servers to be able to support demand from these places. So absolutely it is a factor in the growth in data centres.”

To be sure, developers were warming up to the idea of building their own data centres—dedicated space to house internet servers and other data applications. The pandemic will only aid this newly emerging asset class when owners of commercial real estate, so far immune to slowdowns, are also feeling the pain.

Apart from the Data Protection and Privacy Bill that calls for localisation, multinational companies coming to India are also driving demand, according to Sanghi. “If they have sensitive and critical data, it has to be hosted and processed in India itself.”

Anarock estimates that additional 10 million square feet of data centre space is likely to be added over the next two to three years. Currently, data centres in top eight cities occupy 7.5 million sq. ft. space, with Mumbai, Chennai, Bengaluru and Hyderabad seeing maximum demand.

“Work-from-home compulsions, online education, video-based medical consultations, a huge increase in e-commerce and business-related video conferencing and webinars are increasing the demand for data centres,” said Shobhit Agarwal, managing director and chief executive officer Anarock Capital. “The government’s move to make data

localisation mandatory ensures a promising future for data centres in the country.” Adani Group, Hiranandani Group and Salarpuria Sattva have already rolled out investment plans for building data centres.

## India’s Data Centre Investments

Announced since 2018

Company	Future Plans And Region	Investment (Rs Crore)
Adani Group & U.S.-Based Digital Realty	Solar-powered data parks in AP over next 20 years	70,000
Hiranandani Group (Yotta)	Data centres in 5-7 years in Mumbai, Panvel, Chennai	15,000
Salarpuria Sattva	Data centres in Bengaluru, Hyderabad, Mumbai	N.A.
CtrlS	4 million sq. ft. tier-4 data centres by 2021 in Hyderabad, Mumbai, Chennai	<2000
NTT	Targeting more than double its capacity in the next 3 years through the investments	11,000

Source: Anarock Research

**Bloomberg** | *Quint*

Companies are refurbishing their digital infrastructure to deal with new ways of working while maintaining agility during Covid-19, said, Mahesh Khaitan, director of Salarpuria Sattva group. “Even post normalcy, newly accustomed work patterns will continue to be data centre-driven and demand in its growth will endure.”

In July, Hiranandani group launched Yotta Infrastructure at Hiranandani Fortune City Panvel Township in Navi Mumbai. This scalable 20-acre data park is Asia’s largest and the world’s second-largest with highest Tier-IV uptime certification.

Data centre demand has grown during the pandemic, said Niranjan Hiranandani, chairman, Yotta Infrastructure, and chairman and managing director, Hiranandani Group. “Existing data centers have had to ramp up capacity, while new data centers which were on the drawing board are looking at quick implementation”.

Yet, only a few real estate players have shown interest despite increased interest. There are two major reasons for that, according to Hiranandani. First, the capex involved is huge, he said. Second, according to him, the capability of handling the technical requirements of creating and maintaining a data centre.



Another aspect is that data centres need to be large—the growing trend is data centre parks, and not just a standalone data centre.

**Niranjan Hiranandani, Chairman, Yotta Infrastructure**

But that was till the pandemic struck. Data localisation initiative by the government combined with the immense importance of data in a digital post-Covid world has prompted many developers to explore the opportunity, said Raja Seetharaman, co-founder, Propstack. “I see a data centre REIT within the next five years in India and that will be the tipping point for this asset class.”