



# SHOP-CUM-OFFICES (SCO)

## 2022

A thriving business configuration in Gurgaon's Commercial Real Estate



A report by

**360** REALTORS

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# Foreword

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Gradually Shop-cum-Office (SCO) is emerging as a popular configuration in Gurgaon's real estate. Recent years have seen a rise in SCO projects, as it is drawing the attention of everyone from developers to investors to occupiers and end users.

In an SCO, there is scope for maximum utilization of land. One can buy a piece and develop a multi-story setup (however, one has to maintain the overall design configuration). It is one of the most attractive investment option with an annual appreciation potential up to 25%. This literally means doubling down on the investment in 4 years' time.

SCOs are also very attractive as it offers a wide range of services under one roof. The ground floors generally comprise numerous retail options such as grocery, supermarkets and departmental stores, high street retail, fine dining, cafes, and other retail set-ups. Offices are generally on the higher floors as it offers a calm environment. SCOs also have numerous other facilities such as Night clubs & cafes, healthcare centers, banks, gyms, etc which makes it a complete ecosystem in itself. As everything is available, it can save a lot of time on the commute. This is one of the reasons, these are highly popular amongst the visitors, as they can

avail most of the things without much travel. Both bachelors and families alike are liking the idea of SCO.

Strong appreciation potential and popular configuration, naturally make SCOs a favorite asset class amongst the developer community. The developers are naturally lured toward SCOs. In Delhi-NCR, which is one of the fastest-growing SCO markets in India, major developers such as Emmar, Spaze, Raheja, M3M, Adani, Bestech, Vatika, etc. have launched their SCO units in recent months.

In the coming years, the concept of SCOs will continue to become popular in other Indian cities as well. As a business configuration, it can redefine commercial real estate. Moreover, post-pandemic, office-goers now want workstations from where they can avail multiple facilities and activities, thereby striking the right work-life balance. People want to work from popular destinations and well-known locations, not just another 9-5 workstations. This will naturally make SCOs a favorite destination.



# An Internationally Acclaimed Concept

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SCOs are not just a recent Indian idea but their genesis is rooted in the thriving business districts in the world. At the onset of the current century, across the major metropolises in the globe, the concept of business districts started breaking ground, both across the CBDs as well as suburban regions. These business districts were themselves an extension of city centers and city squares of the past, where city residents used to come for important commercial activities.

In London there are host of business hubs such as Canary Wharf, City of Westminster, London Dockland, etc. In New York, there are thriving business and retail hubs such as Downtown, Lower Manhattan, Downtown Brooklyn, etc. In Dubai, there is Downtown Dubai whereas in Shanghai there is Bund, Lujiazui, etc. In MMR, there are popular commercial hubs such as Nariman Point, Lower Parel, BKC, etc. In NCR, there are popular destinations such as Connaught place, Nehru Place, Sec-29, etc.

The scope of the business district was not just limited to retail, fashion & lifestyle, and commercial office spaces. Rather it also became a leading ground for artists, lawyers, doctors, writers, government officials, technology enthusiasts, and much more. In a way, business districts were complete ecosystems in themselves. They synergized bustling economic activities as well as cultural heritage, making it a highly desirable place for both individuals as well businesses.

In one single place, residents could find retail, electronic shops, hospitals, government offices & banks, nightlife and bars, and much more. Businesses and entrepreneurs started gravitating to such places as they gave them access to quality manpower and networking opportunities. Gradually these business districts also became cultural epicenters with shows, concerts, musical nights, etc. further making them an attractive proposition.

## Factor(s) Driving Popularity of SCOs in Gurgaon

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- SCOs are a potential investment with an average appreciation of close to 25% annually. It is believed that SCOs can double their value in four-year time span.
- Wide range of retail, commercial, shopping, and entertainment options are available under one roof, which makes it a very popular concept.
- Due to the growing popularity of SCO plots, the occupancy rate is high leading to elevated rental yields. The rental yield in SCO plots in India is close to 5-6%.
- The buyer has 100% ownership of the land parcel. They can build up to 4 storey property over it (Rule in Haryana)

- It is becoming a hangout hub for the affluent and rising middle class in Indian cities.
- SCOs are instrumental in cohesively integrating the culture, lifestyle, trade

& commerce, business, retail, food & nightlife, daily convenience, and a host of other facilities into a single unified configuration.

## SCOs in Gurgaon – Key Statistics

The average size of SCO plots in Gurgaon	2.5- 17 Acres
The total size of the SCO Plots (FY 22)	71.6 Acres
CAGR of SCO	32.5%
Average annual capital appreciation	25%
Rental Yields	5-6%
Major developers active in the space	Emmar, Raheja, M3M, Bestech, Adani, Vatika
Major catchments with SCOs	Sec-84, 88, sec- 113, sec- 65, sec-29
Popular configuration	G+ 4
Avg Plot Size (Tentative)	550-1400 sq ft

## Key Success Factors of SCOs

- A thorough analysis of the lifestyle, aspirations, and demands of the neighborhood is suggested. This will help in bringing the right goods and service mix.
- A SCO is not just another piece of real estate. It is a community project and should instill a strong sense of cohesiveness and camaraderie in the neighbourhood.

- Through the use of simple but efficient structural design, an SCO should encourage healthy social interaction. Likewise ample facility for pedestrian walk should be incorporated and avenue for open spaces should be there.
- Every individual SCO should have its unique positioning. To accomplish the same, it is advisable to use symbols, art, and design concepts.
- An SCO project pinned on strong sense of community and right goods & service mix, will eventually have high repeat visits. This will positively impact capital value, lease, occupancy, rentals, etc.
- Connectivity to a SCO is paramount. SCOs should be built across expressways and highways. Likewise, it is add-on if a mass transit system such metro line or suburban transit lines are in the vicinity.

## Factor(s) driving the growth of SCOs in the future

<p><b>Corporate Occupier's Perspective</b></p>	<ul style="list-style-type: none"> <li>• Opting for office space in an SCO can bring a business closer to clients and new opportunities</li> <li>• It will give access to good quality talents and human resources</li> <li>• It will enable employees to engage in numerous activities apart from work such as fitness and recreation</li> <li>• SCOs are easily accessible from other parts of the city.</li> </ul>
<p><b>Retail Occupier Perspective</b></p>	<ul style="list-style-type: none"> <li>• As SCOs are popular destinations, it enjoys higher footfall</li> <li>• It enables retail businesses to experience better branding</li> <li>• It offers a healthy ecosystem for retail shops to operate their business</li> <li>• High demand from thriving neighborhoods nearby</li> </ul>
<p><b>Misc. service providers such as healthcare, fitness, etc</b></p>	<ul style="list-style-type: none"> <li>• Higher footfalls can result in increased inquiry.</li> <li>• This will eventually result in more business</li> <li>• Opportunity for a better branding</li> <li>• Easily accessible</li> </ul>
<p><b>Developers Perspective</b></p>	<ul style="list-style-type: none"> <li>• Offers an opportunity for high utilization of the land parcel</li> <li>• The developer has the flexibility to develop the project as per their own will and convenience</li> </ul>
<p><b>Investors Perspective</b></p>	<ul style="list-style-type: none"> <li>• Investors can earn capital appreciation of up to 25% annually</li> <li>• Due to high occupancy, one can enjoy a rental yield of up to 6%</li> <li>• It has ready-made top-quality infrastructure</li> </ul>

SCO will continue to evolve in India. Presently, most of the SCOs are concentrated in Gurgaon. However, in the foreseeable future, as the concept of mixed-use commercial real estate will grow, SCOs will continue to expand into other cities as well.

There are inherent benefits with SCOs, which makes it a compelling asset to get involved. Investors can buy plots and can build as per their own convenience, budget, and business perspective. Although an SCO project needs to adhere to a certain degree of architectural and design harmony, developers still have some space to experiment and

accordingly proceed.

Corporate & businesses will also prefer SCOs to lease offices as it offers well-built and developed infrastructure. All the basic facilities such as shops, eateries, fitness centers, healthcare centers, banks & ATMs are all available within the same complex. Thus office goers can enjoy a comfortable stay, keep their productivity high and do various activities without long commutes. As all the essentials are available, one can do the shopping after office hours from the premise itself. This also drives growth for the retail business, as they can get a stream of customers for their goods and services.

