

MARKETBEATS

**10%**GRADE A VACANCY
(Q2 2019)**1.44msf**GROSS LEASING
(Q2 2019)**11msf**UPCOMING SUPPLY
(H2 2019-2021)WHAT'S
NEXT

HIGHLIGHTS

Sustained leasing momentum

Gross leasing was healthy at 1.44 msf during the second quarter, driven by occupier expansions and pre-commitments. Tech occupiers were the most active, accounting for 55% of space take-up followed by professional services and media and telecom firms. With tight vacancies in suburban corridors and the peripheral locations offering flex spaces at affordable rents, occupier activity is picking up pace along the post-toll OMR corridor. Flex space operators continue to expand as they see the opportunity afforded by the tight vacancy conditions, leasing another 0.22 msf during the quarter. They were seen refurbishing existing buildings to cater to immediate occupier needs.

SEZ demand soars as sunset clause nears

With the SEZ sunset clause nearing even as the industry waits for government clarity in the Central Budget, enquiries for SEZ spaces are soaring in the city. Around 6.4 msf of SEZ space is slated for completion over the next two years. Corridors such as Perungudi, Pallavaram-Thoraipakkam corridor, Guindy and Manapakkam are likely to witness increased tenant activity for SEZ space. Around 0.25 msf has been pre-leased in SEZs in H1 2019 across the suburban south and peripheral south west submarkets. Core markets such as southwest and suburban south continue to see tight vacancy conditions as they remain preferred locations by occupiers for space take-up even as demand is picking up in the peripheries as well.

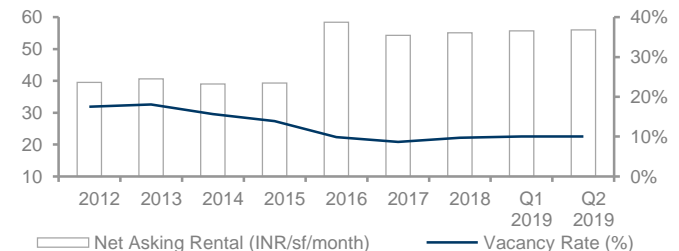
Rental upswing in peripheral locations

With rents having risen previously, core markets saw stable rents despite the tight vacancy conditions. Rents in peripheral markets have grown by about 2-3% y-o-y on the back of growing occupier demand for quality projects. Occupiers evaluating peripheral locations may keep in mind a potential 3-5% rental increase in the next couple of quarters as well, with increasing occupier activity and recent development investments by prominent developers.

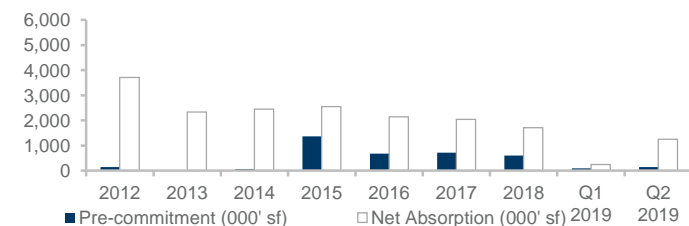
MARKET INDICATORS OVERALL

	Q2 2018	Q2 2019	12 Month Forecast
Overall Vacancy	10.07%	10.00%	▲
Weighted Average Net Asking Rental (INR/sf/month)	54.73	56.03	■
YTD Net Absorption (sf)	700,762	1,510,711	▲

GRADE A OVERALL RENT & VACANCY RATE



GRADE A PRE COMMITMENT AND NET ABSORPTION



Source: Cushman & Wakefield Research

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SUBMARKET	INVENTORY (SF)	VACANCY RATE	YTD LEASING ACTIVITY	PLANNED & UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS	YTD NET ABSORPTION	GRADE A WTD. AVG. RENT*		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
CBD	2,363,551	11.51%	179,000	629,673	86,783	169,500	78.39	13.53	11.89
Off-CBD	482,636	20.57%	10,157	61,474	0	0	73.09	12.61	11.09
South-west	10,979,740	2.67%	335,503	3,542,299	90,000	316,485	71.70	12.37	10.88
North-west	3,232,000	20.57%	284,576	0	360,000	-142,720	45.00	7.76	6.83
Suburban South	16,409,412	1.87%	577,668	1,850,000	0	181,946	71.27	12.30	10.81
Peripheral South	11,882,105	18.71%	845,500	1,400,000	1,087,450	845,500	50.89	8.78	7.72
Peripheral South-west	4,222,000	25.63%	240,000	3,472,754	0	140,000	57.57	9.93	8.73
TOTALS	49,571,444	10.00%	2,472,404	10,956,200	1,624,233	1,510,711	56.03	\$ 9.67	€ 8.50

The report highlights Grade A details only. Certain indicators are historically corrected by addition / deletion of older / refurbished projects as per grade A classification and accounting for changes in built-up / leasable area besides adjusting tenant leases to reflect accurate market conditions.

Net absorption refers to the incremental new space take-up; leasing activity includes fresh transactions and term renewals

Includes planned & under construction projects until 2021

*Weighted average asking rental rates for vacant spaces that provide core facility, high-side air conditioning and 100% power back up

IT-BPM – Information Technology – Business Process Management

Key to submarkets:

CBD – Anna Salai, Nungambakkam, RK Salai; Off-CBD – T.Nagar, Alwarpet, Kilpauk, Egmore, Chetpet, Royapettah, Kotturpuram; Peripheral South- Sholinganallur, Thoraipakkam, Navalur, Siruseri, Padur; Suburban South – Perungudi, Taramani, Thiruvanniyur, Velachery; South West – Guindy, Ashok Nagar, Vadapalani, Manapakkam, Ekkaduthangal; North West – Ambattur, Padi, Annanagar, Koyambedu, Arumbakkam; Peripheral South-west – Singaperumalkoil, Tambaram, Guduvanchery, Perungalathur, Pallavaram.

US\$ 1 = INR 69.55 € 1 = INR 79.10

Numbers for the Second quarter are based on market information collected until 10th June 2019

KEY LEASING TRANSACTIONS – Q2 2019

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Ozone Techno park	Peripheral south	Cognizant Technology Services	300,000	Fresh Lease
Karuna Conquest	Northwest	Tata Communications Transformation Services Limited	133,589	Fresh Lease
Ozone Techno park	Peripheral south	HCL	100,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
DLF Taramani	Suburban south	NA	1,000,000	Q4 2021
DLF IT Park - Block 11	South west	NA	550,000	Q3 2020

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