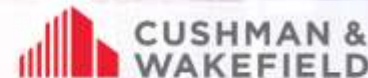


MARKETBEATS

**1.8%**GRADE A MADHAPUR VACANCY
(Q2 2019)**4.25 msf**YTD GRADE A GROSS
LEASING ACTIVITY**8.73 msf**YTD GRADE A
NET ABSORPTION

WHAT'S NEXT

HIGHLIGHTS

Leasing activity gathers increased pace

Hyderabad continued to gather increasing pace in office demand, with gross leasing of 2.57msf in this quarter, increasing by 54% q-o-q. H1 2019 is 4X times H1 2018 numbers, indicative of the sustained and strengthening market activity. Quarterly leasing was largely driven by IT players such as Google, TCS and Oracle with the IT-BPM sector contributing around 70% of the total with flex operators and professional services being the other major contributors. Coworking operators such as WeWork, Innov8, Q.hub and Simpliworks have entered the city leasing about 1.5 msf across all grades in the suburban office markets. Vacancy in Madhapur at 1.8% is the lowest over the last three years. A significant 6 msf of new supply was added during the quarter, with nearly 90% already pre-leased by large-scale captive centers and tech companies. This led to an increase in the overall net absorption to about 5.8 msf, a two fold increase q-o-q and five times increase on annual basis.

Peripheral East to gain traction with Look East policy

With the state government working consistently to finalize the Look East Policy (LEAP), targeted at encouraging IT growth towards the Eastern parts of the city through financial incentives, we expect fresh activity towards the Eastern areas such as Uppal, Pocharam, Nagole etc. New supply of 0.7 msf also became operational in Uppal during the quarter. Rents have gradually increased by about 15% y-o-y in the Eastern quadrant and we expect rentals to go up further on the back of growing enquiries and newer projects with better specifications. However, they are still 30%-40% lower as compared to Madhapur and Gachibowli submarkets.

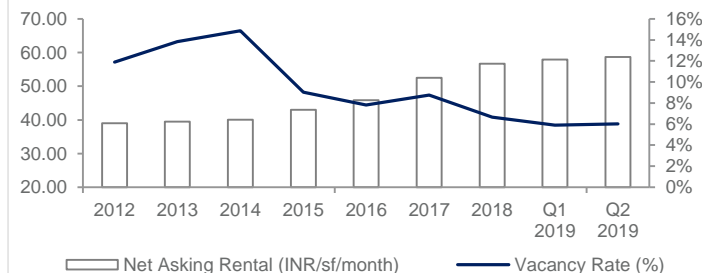
SEZ supply pipeline in Gachibowli submarket

With SEZ Sunset clause nearing its deadline (March 2020), SEZ supply pipeline of about 7.0 msf is expected in the next 10 months coming up in Gachibowli and Madhapur areas. About 34% of this SEZ supply is already pre-committed and we expect the occupiers to expand more swiftly in the next three quarters. Occupiers are finding ways to start operations before the deadline to avail tax benefits and the developers are also expediting projects to meet the Sunset clause timelines.

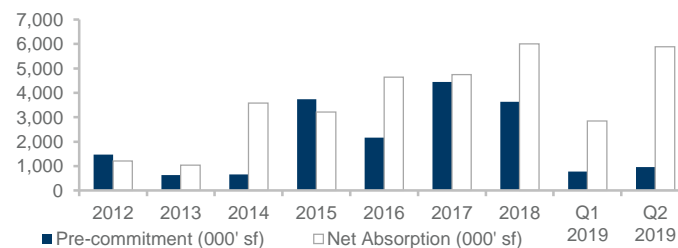
MARKET INDICATORS - MADHAPUR

	Q2 2018	Q2 2019	12 month Forecast
Overall Vacancy	2.49%	1.8%	▲
Weighted Average Net Asking Rental (INR/sf/month)	63.36	71.48	▲
YTD Net Absorption (msf)	1,591,288	7,465,326	▲

GRADE A OVERALL RENT & VACANCY RATE



GRADE A PRE COMMITMENT AND NET ABSORPTION



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SUB MARKET	INVENTORY (SF)	VACANCY RATE	YTD GROSS LEASING ACTIVITY# (SF)	PLANNED & UNDER CONSTRUCTION (SF)*	YTD CONSTRUCTION COMPLETIONS (SF)	YTD NET ABSORPTION (SF)	GRADE A WTD. AVG. RENT*		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
Madhapur	41,588,351	1.8%	2,684,946	14,371,171	7,061,403	7,465,326	71.48	12.33	10.84
Gachibowli	12,499,113	12.8%	1,436,222	14,463,878	1,204,000	946,016	55.53	9.58	8.42
Peripheral East	2,048,000	34.4%	35,000	0	700,000	204,000	34.33	5.92	5.21
Total^	57,462,365	6.0%	4,249,280	29,537,049	8,965,403	8,737,844	58.72	\$10.13	€8.91

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.

#YTD gross leasing activity includes pre commitments;

* Includes planned & under construction projects until 2021

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

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

^Totals include a smaller portion of grade A properties outside the above-mentioned submarkets.

BFSI - Banking, Financial services and Insurance, IT-BPM – Information Technology – Business Process Management

Key to submarkets:

Madhapur includes Madhapur, Kondapur, Raidurg; Gachibowli includes Gachibowli, Nanakramguda, Manikonda,

Peripheral East includes Pocharam and Uppal;

US\$ 1 = INR 69.55 ; € 1 = INR 79.10

Numbers for the second quarter are based on market information collected until 20th June 2019

KEY LEASE TRANSACTIONS – Q2 2019

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Knowledge Capital Block 2	Gachibowli	Google	612,600	Pre-commitment
Mantri Cosmos	Gachibowli	TCS	209,300	Fresh Lease (Expansion)
Salarpuria Sattva Knowledge City Parcel - 2	Madhapur	Oracle	164,974	Fresh Lease (Relocation/Expansion)

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Laxmi Infobahn Tower 8	Gachibowli	Capgemini	1,600,000	Q2 2020
My Home Twitza	Madhapur	NA	1,100,000	Q2 2020

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Research Publication

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