

MARKETBEAT

**3.2 msf**GROSS LEASING INCLUDING
PRE-COMMITMENTS (Q3 2019)**5.54%**VACANCY RATE
(Q3 2019)**13.3 msf**UPCOMING SUPPLY
(Q4 2019-Q4 2020)WHAT'S
NEXT

HIGHLIGHTS

Leasing activity maintains steady pace

Leasing momentum in the office market maintained a steady pace in Q3, with the previous year numbers likely to be surpassed by the year-end. With quarterly gross lease volume of 3.2 msf and around 35-40% pre-leasing levels recorded in the upcoming supply by end 2019, the YTD gross leasing has already reached 13.2 msf, in comparison to 14.4 msf of space leased in the entire year of 2018. The YTD net absorption has also recorded a 46% growth y-o-y indicating robustness in business expansion activity. The CBD, Peripheral East and Outer Ring Road submarkets contributed significantly to the quarterly gross leasing, with the ORR accounting for a 53% share by itself. Peripheral East with its upcoming supply of 3.4 msf (by 2020) has already recorded a 22-25% pre-commitment rate indicating its increasing demand among occupiers in the short to medium term. IT-BPM followed by BFSI and engineering remained the biggest occupier categories with Dell, VMware, Verifone and First Abu Dhabi Bank being some of the major tenants which have taken up space during the quarter.

Tightening of vacancy levels

City level vacancy rates have continued to trend in low single digits with a downward bias, with the supply coming on-stream just about keeping pace with the space take-up activity in the city. Despite a healthy supply pipeline, we expect tight vacancy levels to sustain in the medium to short-term with similar demand-supply dynamics likely to prevail. While pre-leasing levels are modest at 12-15% of the upcoming supply till 2020 (13.3 msf), leasing activity in the city has tended to pick up pace near a project's expected completion timeline. We thus expect that most of the projected supply shall find healthy occupancy levels.

Rents on an upward journey

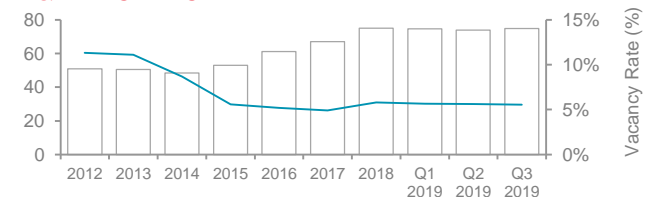
The dropping vacancy levels amid healthy occupier demand have seen rents clock an 8.2% y-o-y growth. Rents also rose by 1.1% q-o-q in the current quarter. Tight vacancy levels and improving connectivity via the metro is likely to see rental growth sustaining in the office corridors of CBD, Outer Ring Road and Whitefield.

MARKET INDICATORS

| | Q3 2018 | Q3 2019 | 12 month Forecast |
|--|-----------|-----------|-------------------|
| Overall Vacancy | 5.9% | 5.54% | ▼ |
| Weighted Average Net Asking Rentals (INR/sf/month) | 69.07 | 74.83 | ▲ |
| YTD Net Absorption (sf) | 5,945,353 | 8,667,472 | ▲ |

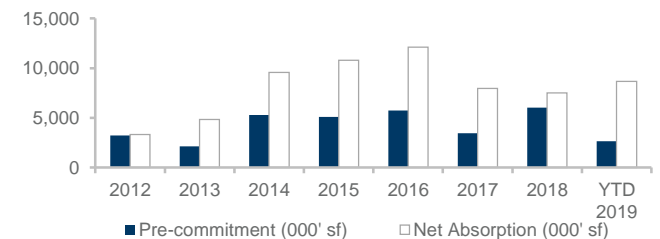
Source: Cushman and Wakefield Research

GRADE A OVERALL RENT & VACANCY RATE



Net Asking Rental (INR/sf/mo) — Vacancy Rate (%)

GRADE A PRE COMMITMENT AND NET ABSORPTION



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| SUB MARKET | INVENTORY (SF) | VACANCY RATE | YTD LEASING ACTIVITY (SF) | 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 |
| CBD / Off-CBD | 6,513,322 | 2.7% | 1,423,369 | 619,519 | 680,534 | 1,536,477 | 142.00* | 24.07 | 21.90 |
| Outer Ring Road | 67,339,945 | 1.0% | 4,986,544 | 8,815,040 | 2,635,000 | 4,230,764 | 93.00 | 15.76 | 14.34 |
| Peripheral East | 27,346,019 | 12.1% | 2,831,714 | 5,615,990 | 3,494,565 | 1,744,731 | 62.75 | 10.64 | 9.68 |
| Peripheral North | 5,795,654 | 35.2% | 569,694 | 4,054,215 | 380,000 | 302,176 | 72.35 | 12.26 | 11.16 |
| Peripheral South | 8,842,839 | 1.6% | 494,372 | 2,150,000 | - | 164,000 | 62.78 | 10.68 | 9.72 |
| Suburban East | 19,452,232 | 3.4% | 1,831,080 | 1,570,400 | - | -38,388 | 89.10** | 15.10 | 13.74 |
| Suburban North West | 1,100,000 | 0.9% | - | 580,000 | - | -9,600 | 156.0 | 26.60 | 24.20 |
| Suburban South | 6,803,675 | 13.5% | 1,076,260 | 1,300,000 | 1,593,933 | 737,312 | 88.21 | 14.95 | 13.60 |
| TOTALS | 143,193,686 | 5.54% | 13,213,033 | 24,705,164 | 8,784,032 | 8,667,472 | 74.83 | \$12.68 | €11.54 |

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.

^ 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

*CBD/Off-CBD- Weighted average rents, submarket includes certain outperformers where quoted rentals are above INR 150-160/Sf/Month

**Suburban East - Weighted average rents, submarket includes certain outperformers where quoted rentals are above INR 110-120/Sf/Month

Key to submarkets:

CBD/Off-CBD – M.G. Road, Millers Road, Vittal Mallya Road, Residency Road, etc.; Peripheral South – Electronic City, Hosur Road, Mysore Road; Outer Ring Road – Sarjapur, KR Puram, Hebbal; Suburban East – Indira Nagar, Old Airport Road, C.V. Raman Nagar; Peripheral East – Whitefield; Suburban South – Koramangala, Bannerghatta Road, Jayanagar; Peripheral North – Bellary Road, Thanisandra Road, Tumkur Road; Suburban North West – Rajaji Nagar, Malleshwaram.

US\$ = INR 70.79 AND € = INR 77.81

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

KEY LEASING TRANSACTIONS – Q3 2019

| PROPERTY | SUBMARKET | TENANT | SF | LEASE TYPE |
|------------------------------------|------------------|------------|---------|-------------|
| Global Technology Park (Bock D&E) | Outer Ring Road | VMware | 200,000 | Fresh Lease |
| Brigade Tech Gardens (B3) | Peripheral East | Mercedes | 300,000 | Fresh Lease |
| Embassy Golf Links (Crystal Downs) | Suburban East | Dell | 205,000 | Fresh Lease |
| RMZ Azure | Peripheral North | Alcon Labs | 150,000 | Fresh Lease |

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | COMPLETION DATE |
|---------------------------|-----------------|--------------|---------|-----------------|
| Bagmane Capital- Kyoto | Outer Ring Road | NA | 850,000 | Q4 2019 |
| Karle Town Centre Block 4 | Outer Ring Road | NA | 500,000 | Q2 2020 |
| MEBP NXT | Outer Ring Road | NA | 700,000 | Q1 2020 |

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