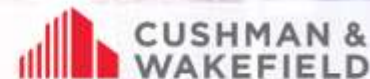


MARKETBEAT


1.5%

 GRADE A MADHAPUR VACANCY
(Q3 2019)

8.89 msf

 YTD GRADE A NET
ABSORPTION

2%

 INCREASE IN CITY
RENTALS (q-o-q)

WHAT'S NEXT

HIGHLIGHTS

Tight vacancies prevail; demand pipeline remains strong

Immediate space requirements are being impacted by the tight vacancy rates prevailing in key office markets. With some major transaction closures slipping, leasing activity this quarter at 1.2 msf was almost lower by half on a q-o-q basis. Nearly 1/3rd of the demand during the quarter was driven by pre-leasing and term renewals, indicative of ongoing space crunch in the city. Occupiers with immediate space requirements were chasing any upcoming space in older buildings for immediate occupancy. Recent examples include Oppo, Sunera Technologies, Ivy Comptech and Value Momentum etc. who all leased about 50,000 sf. on average as part of their expansion plans. We expect vacancy rates to remain low with nearly 75% of the upcoming supply within the next 6 months being already pre-leased. There are several large-scale expansion and consolidation led transactions adding up to 3-4 msf, which are in advanced stages of negotiation. Occupiers are moving on to exploring upcoming supply in the H2 2020-2021 period in this frenetic leasing activity environment.

Rents continue to strengthen in Madhapur and Gachibowli

Overall rents were up by 2% q-o-q as the strong demand levels in a tight vacancy environment continue to create an upward pressure on rents. With vacancy falling to a four-year low, Madhapur/Hitech City recorded a 3% q-o-q increase in rents, with Gachibowli seeing a stronger 5% q-o-q rental growth with growing occupier interest in the latter. Amazon recently opened its largest office campus (outside the US) of 2.9 msf in Gachibowli. The HMDA has also announced plans to auction nearly 150-200 acres land in Kokapet to push commercial development beyond the financial district to the emerging ORR office corridor.

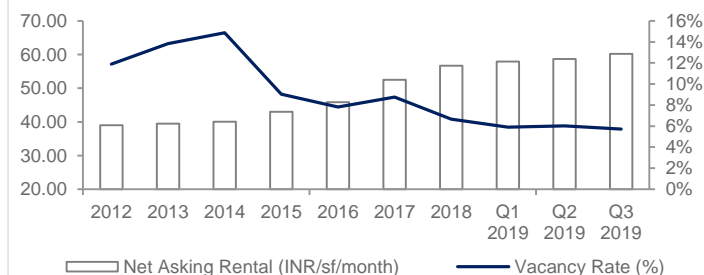
Upcoming supply to support demand in medium-term

Office space supply has not grown at par with demand over the last 3 years, but with the new wave of ongoing construction, an average of 10-13 msf. of new supply per annum is expected during 2020-22, equally concentrated in Madhapur and Gachibowli. This is expected to support the leasing momentum in the city as developers scramble to deliver projects to keep pace with the demand levels.

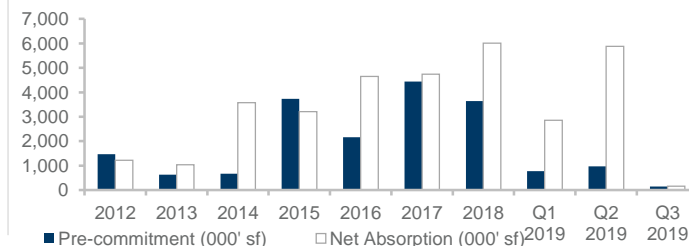
MARKET INDICATORS - MADHAPUR

	Q3 2018	Q3 2019	12 month Forecast
Overall Vacancy	2.95%	1.5%	
Weighted Average Net Asking Rental (INR/sf/month)	63.36	73.68	
YTD Net Absorption (msf)	1,827,073	7,583,818	

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	1.5%	3,334,615	14,571,171	7,061,403	7,583,818	73.68	12.49	11.36
Gachibowli	12,499,113	13.1%	1,916,041	14,463,878	1,204,000	909,941	58.50	9.91	9.02
Peripheral East	2,048,000	33.2%	60,000	0	700,000	229,000	36.33	6.15	5.60
Total^	57,462,365	5.73%	5,462,112	29,737,049	8,965,403	8,898,605	60.22	\$10.20	€9.28

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 2022

Net absorption refers to the incremental new space take-up; renewals not included in leasing activity statistics

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

*Weighted average asking rentals for the city exclude Peripheral East; Rentals quoted higher for new projects in Peripheral East

*Planned & U/C supply captured until 2021

^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 70.79 ; € 1 = INR 77.81

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

KEY LEASE TRANSACTIONS – Q3 2019

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Phoenix Aquila Tower B	Gachibowli	UBS	141,000	Pre-commitment
Meenakshi Techpark	Gachibowli	Ivy Comptech	135,000	Fresh Lease (Relocation / Expansion)
KRC Mindspace 9	Madhapur	Oppo	76,593	Fresh Lease (Expansion)

SIGNIFICANT PROJECTS PLANNED & UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
KRC Mindspace 12D	Madhapur	NA	1,200,000	Q2 2020
BSR Techpark Tower - 1	Gachibowli	NA	1,140,000	Q4 2020

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Research Publication

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