

AHMEDABAD

Office Q4 2019

2.23 msf NET ABSORPTION (2019)

5.76 msf NET COMPLETION (2019)

8.19 msf UPCOMING SUPPLY (2020F – 2022F)

Strong leasing underpinned by IT-BPM & local trading firms

The Ahmedabad office market recorded a net absorption of 2.2 msf in 2019, which is significantly higher on a y-o-y basis and translates to a threefold increase. A significant portion was contributed by occupancy of 1.7 msf among the newly completed buildings during the year. Evidently, the renewed traction is attributable to the availability of quality supply through new completions during the year. The recently completed S&P Global House, a 0.35 msf premises which is fully leased out to S&P Global in Makarba comprises a significant chunk of this newly occupied area which contributed to the net absorption for the year. The leasing activity in Q4 was otherwise driven by occupiers in the IT-BPM and BFSI segments as well as by domestic trading companies mostly from the travel, edutech & logistics industry sectors. Despite the significantly high vacancy levels, coworking operators are gaining momentum, which is visible on account of their leasing share of 4% in 2019.

In terms of activity corridors, SG Highway South (Pralhadnagar, Makarba & part of SG Highway south to Ambli road) dominated with a 63% share of leasing, followed by the SG Highway North (portion along SG highway north to Ambli road upto Science City Road) with a 25% share. We expect that IT-BPM and BFSI firms shall remain active along with trading firms, while it remains to be seen how coworking operators manage to maintain their occupancy levels in a market with granularized space and high vacancy.

Strong supply addition adds to the vacancy pains; similar situation likely to prevail going ahead

Despite the strong leasing momentum during the current quarter, vacancy has increased by around 310 bps q-o-q to 43.9%, aided by a new completion of 2.2 msf in Q4 2019 which remains largely unoccupied as of now. The total 2019 completions added to a significant 5.76 msf of which only 1.7 msf has been currently occupied, pushing vacancy by 730 bps on a y-o-y basis. The new supply in Q4 was concentrated in the submarkets of SG Highway South & North and North Ahmedabad (Gift City, Chandkheda & Sabarmati). Going forward, SG Highway North & SG Highway South submarkets are likely to account of nearly two-thirds of new supply lined up till 2022 with the remaining located in the North Ahmedabad submarket. The projected supply pipeline till 2022 adds upto 8.2 msf. Even at current demand levels, vacancy is likely to rise given the projected supply. With weak macroeconomic indicators, it is expected that demand is likely to remain slow and this may cause a deferment in future completions. With older projects struggling with high vacancy levels, new supply shall further tilt the scales in the favour of occupiers.

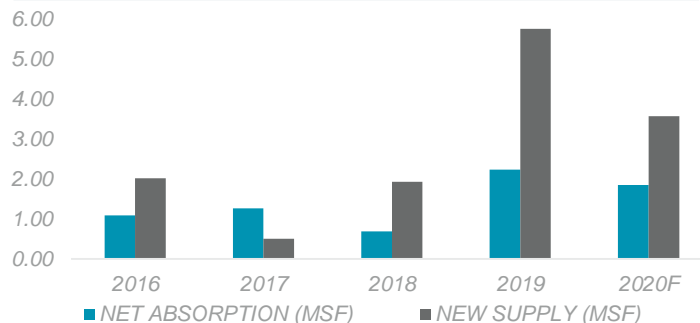
Rents remain unchanged across the city

Quoted rents were unchanged across city in Q4, except Sindhu Bhavan Road, where new completions though being unoccupied, are quoting higher rents which has influenced the overall rents slightly. With high vacancy levels likely to prevail, rents may stagnate in the near term.

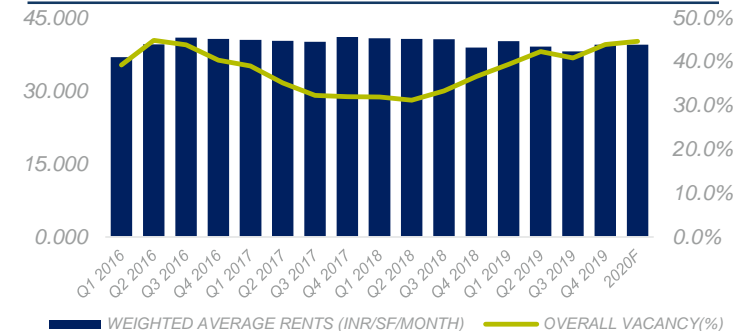
MARKET INDICATORS OVERALL Q4 2019

	Q4 2018	Q4 2019	12 month Forecast
Overall Vacancy	36.45%	43.9%	▲
Weighted Average Net Asking Rents SBD (INR/sf/month)	39.0	39.5	▬
YTD Net Absorption (sf)	692,474	2,238,801	▼

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q4 2019

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY (%)	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
SG Highway South	86,27,339	20.17%	7,69,451	21,43,590	16,01,614	10,00,513	40.34	6.79	6.13
SG Highway North	63,02,725	50.26%	5,77,189	31,56,033	24,40,109	10,15,561	39.68	6.68	6.03
North Ahmedabad	35,78,966	79.23%	91,393	12,71,142	11,27,301	1,63,391	38.62	6.5	5.87
TOTAL#	1,93,23,800	43.90%	15,18,919	81,97,709	57,61,384	22,38,800	39.46	6.64	6.00

The report highlights Grade A details only. Certain indicators are historically corrected by addition / deletion of older / refurbished/poorly managed 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

Total figures contain submarkets not mentioned above

New Sub-Market boundary:

CBD: central Ahmedabad west of Sabarmati river and east of 132ft Ring road, includes micro-market of CG Road, Ashram Road, Paldi, navrangpura, Ambawadi, Usmanpura, Naranpura

East Ahmedabad: Entire city on east of Sabarmati river, includes micro-market of Shahi Baug, Vatva, Maninagar, Vastral, Odhav, Naroda, Narol

North Ahmedabad: includes micro-market of GIFT City, Motera, Sabarmati, Chandkheda.

SG Highway North: North side of Ambli road, includes submarket of Ambli, Bopal, Thaltej, Bodakdev, Vastrapur, Memnagar, Science City.

SG Highway South: South of the Ambli road till SP ring road, includes micro-market of Prahladnagar, Makarba, South Bopal

US\$ 1 = INR 71.26; € 1 = INR 78.9

Numbers for the fourth quarter are based on market information collected until 20th December 2019

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Indraprasth Business Park	SG Highway South	IMS	84,073	Fresh Leasing
West Gate – Block A & B	SG Highway South	The Address	35,000	Fresh Leasing
Westgate Business Bay - A	SG Highway South	Mott Macdonald	16,000	Fresh Leasing
Privilon	SG Highway North	Bank Novo India	16,000	Fresh Leasing
ATS Savvy Pragya	North Ahmedabad	Bank of America	16,000	Fresh Leasing

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Fortune Business Hub	SG Highway North	NA	290,690	Q2 2020
Prestige	North Ahmedabad	NA	210,000	Q1 2020
City Gate	SG Highway South	NA	192,000	Q1 2020
World Trade Center – Tower D	North Ahmedabad	NA	111,230	Q1 2020

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