

10.7 msf GROSS LEASING (2019)**10.1 msf** NEW COMPLETIONS (2019)**5.80 msf** PRE-LEASING ACTIVITY (2019)**MARKET INDICATORS OVERALL
Q4 2019**

	Q4 2018	Q4 2019	12 month Forecast
Overall Vacancy	6.4%	5.5%	▲
Weighted Average Net Asking Rents SBD (INR/sf/month)	56.7	62.0	▲
YTD Net Absorption (sf)	6,010,673	10,010,158	■

Office markets hit an all-time high; momentum to sustain in 2020

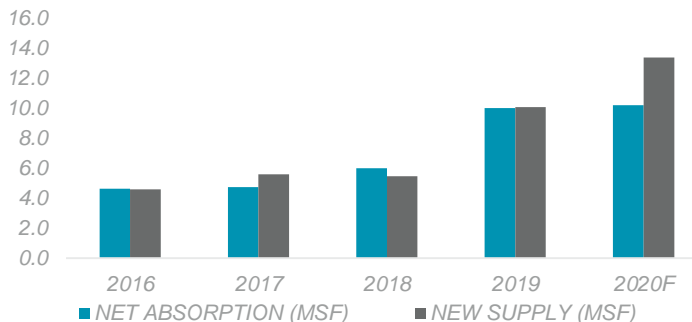
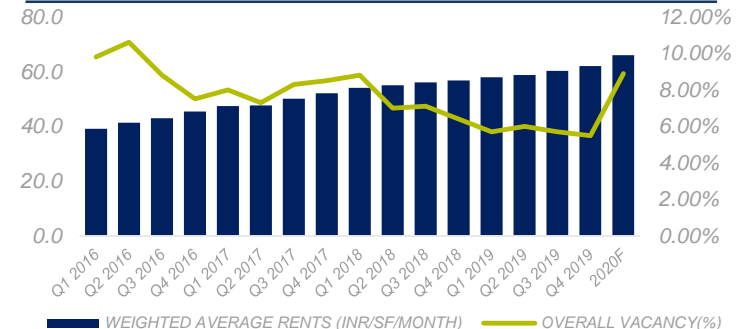
Hyderabad office market hit an all-time high in 2019, with all indicators surpassing previous peaks. Gross leasing activity was recorded at 10.7 msf, higher by 13.0% y-o-y. Net absorption has improved by 67% y-o-y to touch 10.0 msf for the full year, driven by large pre-leases from 2018 becoming operational during the year. For Q4, gross space take-up was 5.8 msf with several tenants like Google, HCL, Cognizant, Legato and ZF actively pre-leasing large spaces to the tune of 4.2 msf in upcoming projects across Madhapur and Gachibowli. Net absorption in Q4 was 1.1 msf. Unlike previous quarters, Captive centres dominated larger leases during the quarter, accounting for nearly 52% of the transacted space. IT-BPM remains a leading demand driver with a 32% share in Q4 (50% for the full year). Demand for flexible workspaces has grown substantially amidst tight vacancies. As such, flexible workspace operators have leased 2.1 msf. (including grade B) during the year, a 3X rise on an annual basis. Meanwhile, office stock in the city has grown by nearly 21% y-o-y with new completions of about 10.0 msf during the year (1.1 msf in Q4). Further strengthening the momentum, nearly 1/3rd of the upcoming supply in 2020 is already pre-leased even as several occupiers are actively exploring other space options.

Gachibowli overtakes Madhapur, office market actively spreading across ORR

Gachibowli out-ranked Madhapur in Q4, with nearly 4 times the space take-up in the latter, driven by large expansionary demand coupled with the rental arbitrage and prevailing tight vacancies in Madhapur. For the full year, office demand in Gachibowli was at 6.4 msf and has surpassed Madhapur by 57%. In terms of space leased by larger deals (>100,000 sf) as well, Gachibowli led Madhapur by 10X during the quarter, an indication that occupiers are no longer bound by distance and social infrastructure. With the core financial district and the immediate surroundings filling up fast, office market is rapidly expanding along the ORR towards Kokapet and Manikonda – Khajaguda. Tenants are also actively considering such space options given a cost arbitrage of up to 20-25% as compared to Madhapur and Gachibowli. Nearly 25% of the future supply (until 2022) in these upcoming submarkets is already pre-leased.

Tight vacancies and strong demand fuels rental growth, rents to go up further in 2020

Overall vacancy at the city level has further tightened to 5.5% during Q4, down by 28 basis points q-o-q. Madhapur's vacancy remained extremely low at 2% levels but Gachibowli witnessed a steeper drop of about 230 basis points during the quarter. With the robust demand and tight vacancies, rentals in Madhapur and Gachibowli rose by 5.2% and 4.5% q-o-q. Overall rents at the city level have increased by about 3% during the quarter, while the annual growth is steeper at 9.3% on an overall basis. Rents are likely to inch up further in 2020 driven up by quality project completions, tight vacancies and strong demand momentum.

NET ABSORPTION & NEW SUPPLY**OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT**



MARKET STATISTICS

SUBMARKET	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	2.3%	4,088,116	16,218,931	7,061,403	7,270,797	78.04	13.14	11.87
Gachibowli	13,269,193	10.8%	6,426,493	19,102,598	1,974,000	1,879,451	61.10	10.29	9.29
Peripheral East	2,048,000	31.5%	95,000	0	700,000	160,000	38.63	6.51	5.87
TOTAL##	58,575,985	5.5%	10,740,065	36,367,149	10,079,023	10,010,158	62.00	10.44	9.43

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 and term renewals

^ Includes planned & under construction projects until 2022

Net absorption refers to the incremental new space take-up

*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.

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

Key to submarkets:

Madhapur includes Madhapur, Kondapur, Raidurg; Gachibowli includes Gachibowli, Nanakramguda, Manikonda Peripheral East includes Pocharam and Uppal;

US\$ 1 = INR 71.26 € 1 = INR 78.92

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
Laxmi Infobahn Tower - 5	Suburban (Gachibowli)	Cognizant	900,000	Pre-commitment
Salarpuria Sattva Knowledge Capital Block 2	Suburban (Gachibowli)	Google	612,500	Pre-commitment
Laxmi Infobahn Tower – 9	Suburban (Gachibowli)	Legato	325,000	Pre-commitment
Q-City	Suburban (Gachibowli)	Vodafone	85,300	Fresh lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
KRC Mindspace Building # 12D	Suburban (Madhapur)	Schneider Electric, Vitech	1,250,000	Q2 2020
Phoenix Aquila Tower - B	Suburban (Gachibowli)	UBS, Hyundai Mobis	750,000	Q2 2020
DivyaSree Orion, Block 3	Suburban (Madhapur)	Salesforce, Mindtree	598,930	Q3 2020
My Home Twitza	Suburban (Madhapur)	NA	1,180,000	Q3 2020

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