

AHMEDABAD

Office Q1 2020

0.56 msf NET ABSORPTION (Q1 2020)

0.42 msf NET COMPLETION (Q1 2020)

7.98 msf UPCOMING SUPPLY (2020F – 2022F)

Strong leasing underpinned by IT-BPM & local trading firms

The Ahmedabad office market recorded a net absorption of 0.56 msf in the first quarter of 2020, which is higher by 30% on a y-o-y basis. A significant portion was contributed by occupancy of 0.4 msf in the newly completed buildings in 2019. Evidently, the firms are moving from old grade B properties to the newer ones due to the availability of small to medium size units as per their requirement in the projects offering better construction and services quality. This is likely to be an influencing factor to net absorption in coming quarters as well. The leasing activity in Q1 was driven by occupiers in the IT-BPM, Engineering & Manufacturing and professional services segments as well as by domestic trading companies mostly from the import/export & logistics industries. Despite the significantly high vacancy levels, coworking operators are still occupying space, with one or two leases being every quarter.

In terms of activity corridors. SG Highway North, in particular the Bodakdev, Thaltej & Science City Road micro-markets dominated with a 60% share of leasing, followed by the CBD and SG Highway South with 17% & 13% share, respectively. In the wake of the nationwide lockdown due to Covid-19 and its subsequent impact on economy, we expect that demand will be significantly impacted as firms are adopting a wait and watch strategy, although IT-BPM, healthcare and pharma sector firms are likely to remain active, whereas operations and/or expansion of export oriented trading companies as well as firms in travel and construction sector which make up a significant portion of occupier activity will be muted for the coming few quarters. Also it remains to be seen how coworking operators manage to maintain their occupancy levels amid the economic headwinds and which may impact their growth plans as well.

Healthy Demand with restricted supply amid the lockdown causes vacancy to decline

With the strong leasing momentum in the first couple of months and comparatively lower supply of only 0.426 Msf during the current quarter, vacancy dropped by around 340 bps q-o-q to 40.5%. But this reduction is uneven among the sub-markets; for example SG Highway North and CBD saw a significant drop due to firms occupying newly completed properties whereas firms moved out from old properties in the SG Highway South submarket. The new supply in Q1 was concentrated in the submarket of SG Highway North. Due to the nation wide lockdown of 21 days announced on 23th March, completions got delayed for few ready to move properties as the BU certificate was not issued during this quarter. This 21 day lockdown and an additional time addition for resource mobilisation required to restart construction activity is likely to shift completion timelines by at least on-two quarters for the under construction projects earlier slated to come in 2020. It is likely that the weak demand sentiment even amid supply deferrals shall keep the vacancy at the current high levels.

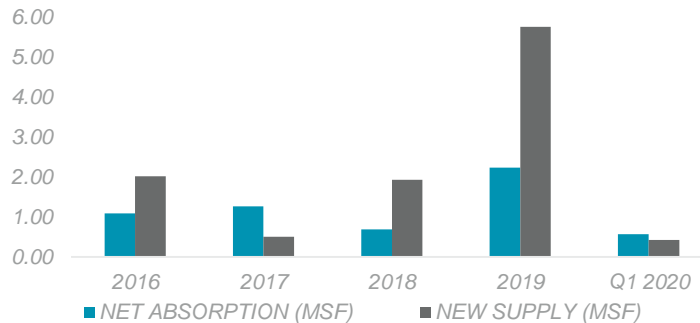
Rents under pressure due to over-supply and uncertain lockdown

Quoted rents were unchanged across the city in Q1, barring some projects showing greater flexibility in rents to remain competitive in the current market conditions. With the uncertainty around the impact of Covid-19 on demand and overall economy, rents are likely to stagnate in the near term.

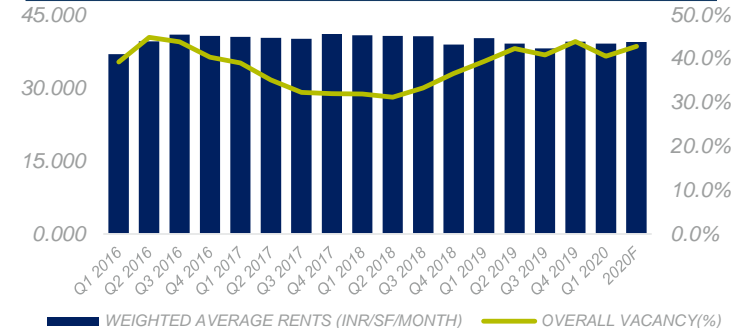
MARKET INDICATORS OVERALL Q1 2020

| | Q1 2019 | Q1 2020 | 12 month Forecast |
|--|---------|---------|-------------------|
| Overall Vacancy | 39.4% | 40.5% | ▲ |
| Weighted Average Net Asking Rents SBD (INR/sf/month) | 40.9 | 39.07 | ▬ |
| YTD Net Absorption (sf) | 438,766 | 566,939 | ▼ |

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Office Q1 2020

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 | 3,578,966 | 77.72% | 49,716 | 1,441,142 | 0 | 54,030 | 38.67 | \$6.08 | 5.67 |
| SG Highway North | 6,887,360 | 42.0% | 325,305 | 2,963,661 | 426,695 | 343,609 | 38.70 | \$6.09 | 5.67 |
| North Ahmedabad | 8,981,504 | 21.62% | 74,600 | 1,951,571 | 0 | 66,175 | 40.62 | \$6.39 | 5.96 |
| TOTAL# | 20,148,650 | 40.50% | 539,724 | 7,983,319 | 426,695 | 566,939 | 39.07 | \$6.14 | 5.73 |

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 76.30; € 1 = INR 81.85

Numbers for the fourth quarter are based on market information collected until 25th March 2020

KEY LEASE TRANSACTIONS Q1 2020

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|---------------------------|------------------|---------------------|--------|---------------|
| Binori Bsquare 1 | SG Highway North | Azilan Technologies | 23,230 | Fresh Leasing |
| Ratnaakar Nine Square | SG Highway North | Manubhai & Shah LLP | 20,000 | Fresh Leasing |
| West Gate - B | SG Highway South | Byju's | 19,000 | Fresh Leasing |
| BVR Ek | CBD | EIE Instruments | 8,900 | Fresh Leasing |
| Indraprasth Business Park | SG Highway South | Craft Silicon | 8,050 | Fresh Leasing |

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | COMPLETION DATE |
|-------------------|------------------|--------------|---------|-----------------|
| Satyamev Eminence | SG Highway North | NA | 194,300 | Q2 2020 |
| One World West | SG Highway South | NA | 158,000 | Q2 2020 |
| Sun Central Park | SG Highway North | NA | 128,800 | Q2 2020 |

Rohan Sharma

Director, Research Services

+91 124 4695555 / rohan.sharma1@cushwake.com

Kapil Kanala

Associate Director, Research Services

+91 40 40405555 / kapil.kanala@ap.cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.