


4.52 msf NEW COMPLETION (Q1 2020)

11.44 msf SUPPLY (Q2 - Q4 2020)

3.74 msf GROSS LEASING (Q1 2020)

**MARKET INDICATORS
OVERALL Q1 2020**

	Q1 2019	Q1 2020	12 month Forecast
Overall Vacancy	5.63%	6.34%	▲
Weighted Average Net Asking Rents (INR/sf/month)	74.67	81.60	■
YTD Net Absorption (sf)	4,795,916	2,626,452	▲

Leasing activity loses steam towards the end of Q1

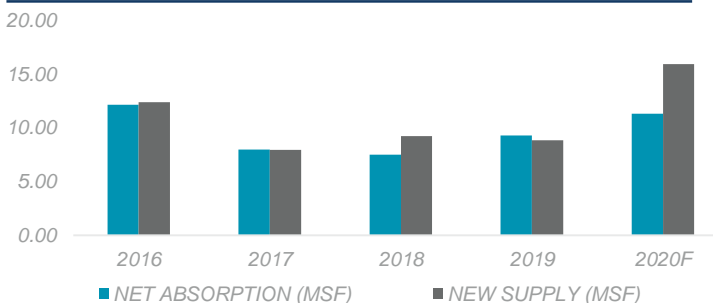
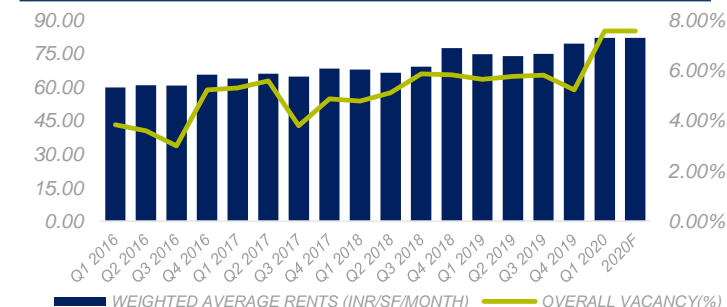
The year started on a bright note, mirroring the close of the previous year with healthy leasing activity during the first two months, before the COVID-19 outbreak and subsequent lockdown put a pause to occupier activity. With the COVID-19 declared a global pandemic, activity tapered off from mid-March and as a result, gross leasing volumes of 3.74 msf in Q1 were actually lower by 19% y-o-y. Similar to the previous quarters, the Outer Ring Road and Suburban East submarkets were the most significant contributors to the quarterly gross leasing with a share of 43% and 33%, respectively while Peripheral East submarket too had a 19% share in the Q1 leasing activity. Global Capability Centres (GCCs) and the IT-BPM sector accounted for more than half of the quarterly transaction activity, followed by Engineering & Manufacturing, BFSI and flex space occupiers who were the other segments active during the quarter. With 46% of the quarterly project completions (4.52 msf) getting leased, the quarterly vacancy rose by 47 bps q-o-q (from 5.22% in Q4 2019 to 6.34% in Q1 2020). We are experiencing a deferment in occupier decision-making with a huge focus understandably on BCP response and implementing remote working measures during the lock-down. Thereby we anticipate that given the headwinds for global economy and its impact on office demand, consolidation strategies may take a backseat and demand from medium enterprises and start-ups may see reduction in space requirements. Relocation strategies driven by cost control measures are also being considered even as term renewals will stay on track.

Construction slippages expected for ongoing projects

In addition to 4.52 mn sf of completion in Q1, we forecast a supply of 11.44 msf by end 2020 considering only those projects which are in very advanced stages of construction, have pre-commitments or had applied for Operational Certificate (OC) before the lockdown started. However, the lockdown and the subsequent impact on supply chains of raw materials and labour availability is expected to cascade in to project completion slippages and the rest of the year might see delays in the timelines of under-construction projects with a slow-moving recovery towards resumption of normal services. With pre-leasing activity likely to be constrained as occupiers refocus on business growth in the wake of the changed economic climate, projects in advanced stages of construction with no pre-commitments may also go slow for the next couple of quarters. We also anticipate that institutional landlords shall strategically focus on project completions in line with this being a short to medium-term disruption, while smaller landlords may be more flexible in their commercial negotiations with occupiers. Thereby taking into consideration the above possibilities and also the fact that 31% of the 11.4 msf of supply has been already pre-leased, we shall continue to monitor our supply projections over the next quarters.

Marginal rental appreciation in select submarkets

Prevailing low vacancy levels in Q1 and steady demand for quality space in the city's office market saw marginal q-o-q rental growth (1-2%) in the key submarkets of CBD/Off CBD, ORR, Peripheral East and Suburban East. Despite an anticipated decline in occupier activity in the short-term, the pre-leasing in upcoming supply, supply deferments and tight vacancy levels are likely to ensure that there is no decline in rents. The disruption is more likely to cause rent stability and key commercial terms renegotiation for ongoing transactions. However, considering the evolving situation, we shall continue to keep a close watch on the rental movement over the next few quarters.

NET ABSORPTION & SUPPLY

OVERALL VACANCY & ASKING RENT




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
CBD / Off-CBD	6,638,322	3.1%	59,550	660,000	125,000	88,592	161.00*	25.32	23.60
Outer Ring Road	70,395,985	1.6%	1,600,651	17,260,642	2,631,040	2,152,181	107.00	16.83	15.69
Peripheral East	29,105,019	15.4%	701,669	7,409,764	1,759,000	607,903	68.00	10.69	9.97
Peripheral North	5,795,654	36.6%	86,024	5,823,215	-	-124,265	75.00	11.80	11.00
Peripheral South	8,842,839	1.4%	50,000	2,450,000	-	50,000	65.00	10.22	9.53
Suburban East	19,452,232	3.3%	1,232,182	2,376,460	-	-115,559	102.00**	16.04	14.95
Suburban North West	1,100,000	0.0%	10,780	1,520,000	-	9,600	158.00	24.85	23.16
Suburban South	6,429,742	10.6%	-	2,500,000	-	-42,000	93.00	14.63	13.63
TOTALS	147,759,793	6.34%	3,740,856	40,000,081	4,515,040	2,626,452	81.60	12.83	11.96

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 2022

Net absorption refers to the incremental new space take-up;

#YTD gross leasing activity includes pre commitments 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 76.30 AND € = INR 81.85

Numbers for the fourth quarter are based on market information collected until 20th March 2020

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Bagmane Capital-Kyoto West Tower	Outer Ring Road	Google	425,000	Fresh Lease
Prestige Techno Star	Peripheral East	Aptiv	200,000	Fresh Lease
Embassy Tech Village block 2A & 2B	Outer Ring Road	Wells Fargo	112,000	Fresh Lease
Bagmane Capital-Luxor	Outer Ring Road	First Abu Dhabi Bank	128,000	Fresh Lease
Prestige Techno Star	Peripheral East	Kantar	100,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Salarpuria Sattva South Gate	Peripheral South	Continental	850,000	Q4 2020
Brigade Southfield	Peripheral East	ABB	350,000	Q4 2020
Bagmane Quay	Suburban East	Commvault (70,000 sf)	655,060	Q2 2020

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