

# DELHI NCR

Office Q1 2020

**1.59 msf** NET ABSORPTION (Q1 2020)

**2.16 msf** NEW COMPLETIONS (Q1 2020)

**24.37 msf** UPCOMING SUPPLY (2020F – 2022F)

## MARKET INDICATORS OVERALL Q1 2020

	Q1 2019	Q1 2020	12 month Forecast
Overall Vacancy	25.0%	23.13%	▼
Weighted Average Net Asking Rents (INR/sf/month)	62.1	65.7	■
YTD Net Absorption (sf)	1,352,083	1,597,003	▼

### Strong leasing momentum in Q1; slower occupier activity moving forward

Delhi NCR office market recorded robust gross leasing volumes of 4.19 msf in Q1. This was still lower by 15% q-o-q, indicative of the strong momentum carried forward from the previous year. Leasing momentum in Q1 was largely driven by the IT-BPM sector which held a 37% share, followed by professional services with a share of 17%. Flexible workspaces segment witnessed a drop in its leasing share accounting for just 5% compared to its previous peak-level space take-up. Non-CBD Gurugram led gross leasing with a 48% share with transaction activity in the NH8 Prime, Golf Course Extension Road and Sohna Road micro-markets. Noida Expressway saw significant occupier interest by technology and e-commerce firms, with the micro-market crossing the 1 msf mark for space take-up and a 27% share in gross leasing. Net absorption in Q1 stood at 1.59 msf. Going forward, delays in decision making and transaction closures in the prevailing market conditions are likely to impact leasing volumes for a couple of quarters as occupiers grapple with their BCP strategies. We also expect that expansion plans may be put on hold and occupiers look at relocations and term renewals as effective strategies from a cost control perspective as they adopt a cautious approach.

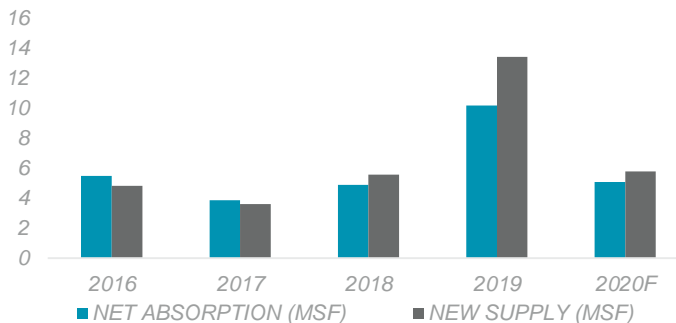
### Q1 marked by marginal rise in vacancy and robust addition of supply

Q1 recorded supply addition of 2.16 msf with Noida Expressway accounting for a 47% share. This was followed by non-CBD Gurugram with a 29% share driven by project completions in the Southern Peripheral Road. Vacancy was largely unchanged with a meagre 6 bps q-o-q increase to 23.13%, with the healthy net absorption countering the supply additions. Overall market rents were up by 1.3% q-o-q, driven by rental growth in select projects in key micro-markets like Cyber City as well as some notable SEZ developments in both Gurugram and Noida. Given a slower than usual demand scenario to prevail, rents are likely to remain range-bound in the upcoming quarters. In case of lingering effects and longer lockdown we could see a potentially evolving situation with developers and occupiers engaging in discussions around rent and CAM waivers.

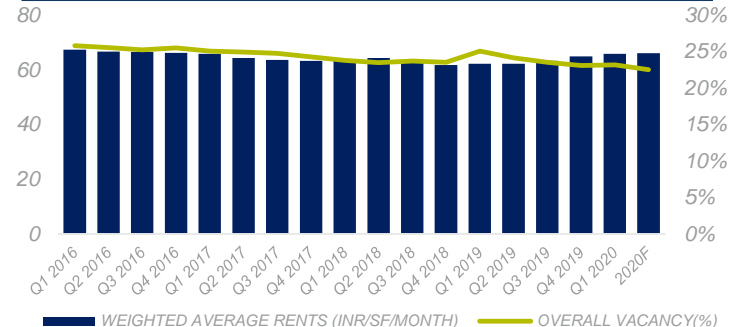
### Development activity to suffer slippages; may resume in second half of 2020

Supply pipeline is likely to take a hit with a halt on construction activity during the country-wide lockdown. The time spent on remobilisation of labour and materials will pose challenges even as the COVID-19 situation is evolving. We expect new supply additions of over 3.6 msf in the remaining part of the year with considerable supply getting deferred to 2021. Micro-markets including Golf Course Extension Road, Sohna Road, Noida Expressway & Sector 62 will see new completions in H2 2020 from projects which were in close-to-completion stage or awaiting occupancy certificates. Managed space providers could see higher interest from occupiers seeking new space as they look to reduce capex and retain flexibility in tenures.

### NET ABSORPTION & NEW SUPPLY



### OVERALL VACANCY & WEIGHTED AVERAGE 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
Delhi CBD	1,483,547	24.3%	31,666	50,000	0	(26,359)	299.72	47.14	43.94
South-East Delhi	6,720,653	19.4%	226,163	0	0	19,216	101.93	16.03	14.94
Delhi International Airport	1,366,825	5.4%	9,000	0	0	0	195.00	30.67	28.59
Cyber City	13,985,813	5.2%	288,811	1,500,000	0	(183,031)	123.52	19.43	18.11
MG Road	3,031,886	26.8%	105,399	300,000	188,703	92,979	126.51	19.90	18.55
NH8 – Prime	13,894,638	16.1%	441,126	646,000	0	(49,202)	88.39	13.90	12.96
Golf Course Road	5,877,262	7.9%	93,458	0	0	(49,076)	95.91	15.08	14.06
Gurugram Others	39,346,006	34.7%	1,344,609	10,459,491	634,618	1,108,226	52.12	8.20	7.64
Noida	29,469,416	23.8%	1,649,204	11,412,121	1,339,310	684,250	52.64	8.28	7.72
<b>TOTAL</b>	<b>115,176,046</b>	<b>23.13%</b>	<b>4,189,436</b>	<b>24,367,612</b>	<b>2,162,631</b>	<b>1,597,003</b>	<b>65.68</b>	<b>10.33</b>	<b>9.63</b>

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

IT-BPM – Information Technology – Business Process Management

Key to submarkets:

Gurugram Others – includes Sohna Road, Golf Course Extension Road, Udyog Vihar, NH-8 Non Prime, Gurgaon-Faridabad Road and Southern Peripheral Road and excludes Manesar

Noida – excludes Greater Noida

US\$ 1 = INR 76.30 € 1 = INR 81.85

Numbers for the first quarter are based on market information collected until 20<sup>th</sup> March 2020

## KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Lotus Isle Tower D / Skymark One	Noida	Paytm	300,000	Consolidation
DLF Downtown	Gurugram Others	IBM	120,000	Pre-commitment
Assotech Business Cresterra	Noida	Genpact	100,000	Pre-commitment
Candor TechSpace Building 11	Gurugram Others	Moody's Analytics	90,462	Expansion
Candor TechSpace Building 2B	Gurugram Others	Accenture	76,339	Expansion

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Candor TechSpace Building 8	Gurugram Others	NA	828,380	Q4 2020
TRIL IT City Tower A	Gurugram Others	NA	500,000	Q4 2020
Sovereign Corporate Tower	Noida	NA	300,000	Q4 2020
Candor TechSpace Building 11	Noida	Newgen	650,000	Q1 2021
Vatika One on One Towers 2, 3, 4, 5	Gurugram NH8 - Prime	Google	646,000	Q1 – Q3 2021

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