


3.11 msf GROSS LEASING (Q1 2020)

2.25 msf NEW COMPLETIONS (Q1 2020)

15.41 msf UPCOMING SUPPLY
(2020F – 2022F)

Gross leasing activity remained strong during Q1 2020; uncertainty ahead due to COVID outbreak

Gross leasing volumes were quite robust at 3.11 msf in Q1, up 66.9% y-o-y, though down by 35.0% on a q-o-q basis. The strong numbers are backed by new leasing of 1.90 msf and 1.03 msf of term renewals along with 0.17 msf of pre-commitments recorded during the quarter.

The Central Suburbs, Thane-Belapur Road, BKC, Thane and Lower Parel submarkets contributed the most towards Q1 leasing activity. Looking at the fresh leasing activity and pre-commitments, captive centres (GCCs) held the maximum share (25%), followed by IT-BPM and BFSI with respective shares of 15% and 14%. Flex workspace operators accounted for a 7% share. The BFSI segment led term renewals with a 27% share, followed by IT-BPM and Engineering & Manufacturing sector with 23% and 15% shares, respectively.

The overall net absorption was 0.86 msf during the quarter, a marginal q-o-q drop of 5.5%. In the uncertainty on account of the COVID-19 outbreak, we anticipate that fresh leasing activity is likely to be sluggish over next 1-2 quarters or till end of the year based on how the situation evolves. Occupiers are busy with BCP measures and looking at expected economic headwinds are deferring on-going transaction closures till there is clarity on business growth and direction. We expect that renewals will gather more steam aid intense negotiations and relocation decisions may be fuelled by cost control to peripheral office locations. Nonetheless, strong pre-commitments in the projects which are expected to get operational during 2020 shall support healthy net absorption figures for 2020 as well.

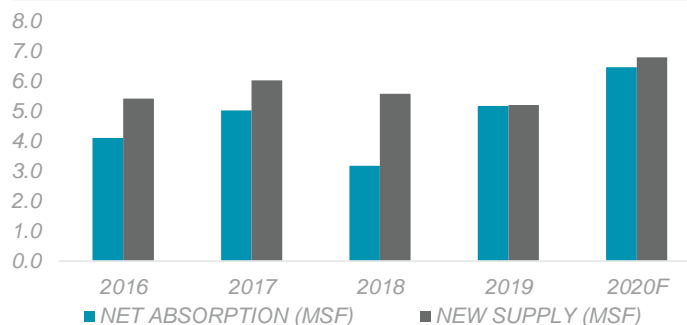
Quality supply with pre-commitments to be added in 2020

Supply of 2.25 msf was added during Q1, with the Thane-Belapur Road, Thane, Lower Parel and BKC submarkets recording project completions. The overall vacancy stands at 19.8%, a rise of 100 bps q-o-q. We expect an additional supply of 4.56 msf to be added by end-2020, of which nearly 60% is already pre-leased. The COVID outbreak has brought construction activity to a complete halt and this might be prolonged going forward as well. We expect delays of at least 1-3 quarters in the anticipated completions as project deferments and supply control measures will push supply forward. There is a total of 15.41 msf of supply pipeline by end-2022 with Thane-Belapur Road (Navi Mumbai), Lower Parel-Worli, Thane and Central Suburbs submarkets likely to contribute a lion's share. Going forward, we expect occupiers from IT-BPM and captive centres of BFSI and healthcare & pharma companies along with BFSI and professional services sector to drive the overall demand keeping in mind the changing economic dynamics, across major submarkets.

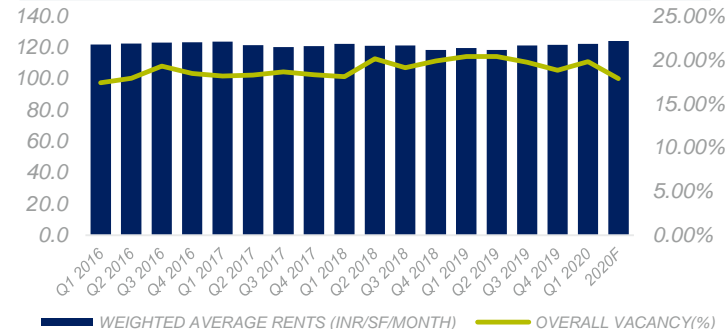
Rents rises marginally in select submarkets; to remain subdued in near future

Select submarkets - Lower Parel, BKC, Thane and Central suburbs witnessed marginal rental growth of 0.9% -1.4% during the quarter, with rents rising in key projects which continue to see healthy demand from occupiers. We expect rents to remain stable as occupier activity is slow during the coming quarters, though occupiers are expected to negotiate hard on commercial terms in renewals and ongoing deals.

NET ABSORPTION & NEW SUPPLY



OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT



MARKET INDICATORS OVERALL Q1 2020

	Q1 2019	Q1 2020	12 month Forecast
Overall Vacancy	19.9%	19.8%	▲
Weighted Average Net Asking Rents SBD (INR/sf/month)	259.0	265.7	▲
YTD Net Absorption (sf)	1,165,204	861,580	▲



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
CBD	1,962,814	7.4%	19,695	0	0	-1,258	245.0	38.5	35.9
SBD	9,595,713	15.4%	486,440	1,462,755	120,000	103,404	265.7	41.78	38.9
Worli	1,604,000	13.4%	25,994	0	0	0	222.3	35.0	32.6
Lower Parel	8,438,703	16.1%	446,752	3,451,618	500,000	179,705	182.4	28.7	26.7
Andheri-Kurla	13,742,300	18.2%	212,683	975,000	0	-13,672	132.0	20.8	19.4
Powai	6,325,576	8.7%	16,906	0	0	-148,732	142.0	22.3	20.8
Malad/Goregaon	13,514,084	18.3%	346,496	1,200,000	0	141,554	110.0	17.3	16.1
Central Suburbs	10,696,532	25.7%	523,436	1,530,000	0	870	146.1	23.0	21.4
Vashi	1,619,500	11.1%	65,040	0	0	1,505	94.5	14.9	13.9
Thane-Belapur Road	20,827,416	28.3%	515,869	4,442,428	925,000	218,331	67.0	10.5	9.8
Thane	8,464,977	18.9%	446,369	2,350,000	700,000	379,873	70.1	11.0	10.3
TOTAL	96,791,615	19.8%	3,105,680	15,411,801	2,245,000	861,580	122.1	19.2	17.9

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:

CBD – Ballard Estate, Colaba, Churchgate, Fort & Nariman Point; SBD – Bandra-Kurla Complex, Bandra East, Kalina; Lower Parel includes Lower Parel, Parel and Dadar

US\$ 1 = INR 76.30 € 1 = INR 81.85

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

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Lodha I Think Tower A – Kolshet Road	Thane	Deloitte	183,322	Fresh Lease
Nirlon Knowledge Park, Phase I (B1, B2, B3)	Malad – Goregaon	BNP Paribas	155,752	Fresh / Relocation
Godrej 2	Central Suburbs	Amazon	100,000	Pre-commitment
Q Park – Q1	Thane – Belapur Road	ICICI Bank	70,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Rupa Renaissance	Thane – Belapur Rad	NA	1,400,000	Q2 2021
TCS Olympus – 2	Thane	TCS	1,300,000	Q3 2020
Nirlon Knowledge Park – Phase V	Malad – Goregaon	JP Morgan Chase	1,200,000	Q4 2020
Godrej 2	Central Suburbs	Amazon	1,100,000	Q3 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.