

2.2 msf GROSS LEASING (Q1 2020)

0.4 msf NEW COMPLETIONS (Q1 2020)

19.5 msf UPCOMING SUPPLY (2020F – 2022F)

MARKET INDICATORS OVERALL Q1 2020

	Q1 2019	Q1 2020	12 month Forecast
Overall Vacancy	6.3%	4.0%	▲
Weighted Average Net Asking Rents (INR/sf/month)	67.4	70.6	▬
YTD Net Absorption (sf)	344,000	173,100	▲

Strong leasing activity in Q1 with COVID-19 uncertainty looming

Leasing activity in Q1 was recorded at 2.2 msf, a healthy 45% q-o-q increase, backed by large space take-ups by IT-BPM & Flex space operators. Pre-commitments of 0.9 msf were also quite robust while contributing to the strong leasing activity during the quarter. A significant 67% share of the gross leasing activity was concentrated in the prime office markets of SBD East & SBD West. IT-BPM occupiers led with a 41% share, followed by flex space operators who accounted for a 33% share. Net absorption saw a dip during the quarter, as fresh leasing was restricted to the limited vacancy in Grade A stock and impact of exits by large occupiers as part of their relocation/consolidation plans. Q1 also saw significant investments in Grade A office developments, as 0.43 msf of commercial space in AP83 project at Koregaon Park was bought by an Indian conglomerate, of which a large part is pre-committed by Smartworks.

On an overall basis, the vacancy stands at 4.0%; however, this excludes a yet-to-be exercised hard option in the PBD East submarket.

Rentals rise in SBD East; stable elsewhere

There was a q-o-q rental appreciation of 3% in the SBD East submarket, as newly completed developments here continued to see rent growth while commanding higher than the market average due to scarcity of Grade A office space. The increase in the SBD East submarket was also driven by locations like Magarpatta & Hadapsar, which continue to witness healthy leasing activity since last few quarters. The overall rentals across other submarkets remained range-bound during the quarter.

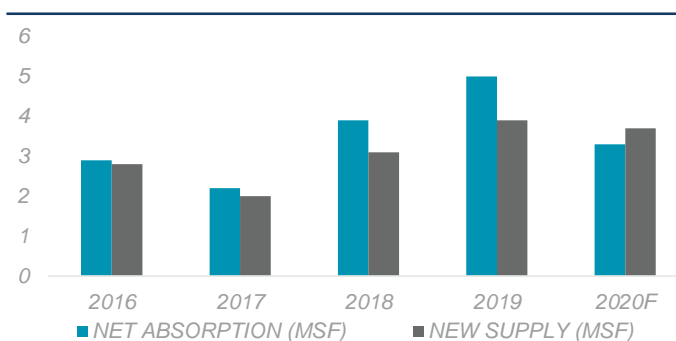
Due to the COVID outbreak, we expect occupier activity to temporarily slow down and large, active requirements deferred by 1-2 quarters which is likely to keep rents stable for the rest of the year. As it is, most of the submarkets continue to remain at historically high rental levels.

Short-term impact on leasing activity

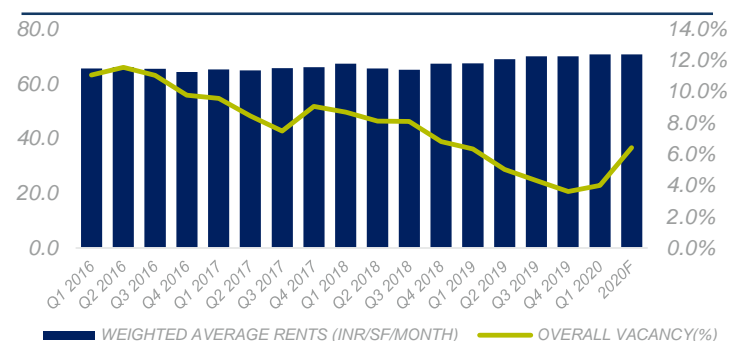
Around 3.3 msf of supply is expected over the remainder of the year, of which 1.7 msf is pre-committed. In the current situation, we anticipate leasing to be impacted in the short term, as many large occupiers are expected to defer space take-up while they address the more immediate impacts to their business. As a result, we anticipate closure of several large transactions sized 0.5-1msf across key submarkets getting deferred to the second half of the year. Demand for coworking spaces is also likely to be impacted, but the enterprise demand is expected to remain strong. Developers are likely to remain cautious for new project launches over the remainder of the year focusing more on immediate completions and planning for future projects based upon trends visible over the next 2-3 quarters. Ongoing construction activity may face delays as well in the wake of the lockdown and the subsequent mobilisation resources and labour going forward.

While the pre-leasing activity is expected to keep vacancy tight, the SBD East & PBD West submarkets are likely to be the most active in terms of future demand. We also expect an increase in demand from healthcare, pharmaceutical, bio-technology & allied professional service firms.

NET ABSORPTION & NEW SUPPLY



OVERALL VACANCY & WEIGHTED AVERAGE 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	3,954,500	0.9%	57,200	1,589,300	0	-1,000	125.20	19.7	18.4
SBD East	28,098,200	2.2%	701,600	10,149,000	0	34,200	90.85	14.3	13.3
SBD West	5,898,900	0.8%	727,200	2,915,000	0	23,200	89.49	14.1	13.1
PBD East	1,950,200	0.7%*	0	1,000,000	0	-13,000	64.07	10.1	9.4
PBD West	12,607,000	11.0%	672,500	3,869,300	406,000	1,29,700	53.96	8.5	7.9
TOTAL	52,508,800	4.0%**	2,158,500	19,522,600	406,000	173,100	70.60	\$11.1	€10.4

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.

Net absorption refers to the incremental new space take-up

#YTD gross leasing activity includes pre commitments and term renewals

^ Includes planned & under construction projects until 2022

*The vacancy excludes hard option exercised by an IT major

**Excludes a yet-to-be exercised hard option by an IT major in the PBD East submarket. On an overall basis, vacancy stands at 4.5%.

***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: Laxmi Road, Camp, Bund Garden, Boat Club, Koregaon Park, Dhole Patil Road, Pune Station, Shivaji Nagar, FC Road, JM Road, Wakdewadi, SB Road, Model Colony, Ganeshkhind Road; SBD East: Kalyani Nagar, Kharadi, Mundhwa, Yerwada, Nagar Road, Viman Nagar, Hadapsar, Kondhwa; SBD West: Aundh, Baner, Pashan, Kothrud, Karve Nagar, Khadki, Paud Road; PBD East: Phursungi, Wagholi, Charoli, Solapur Road, Saswad Road, Katraj; PBD West: Hinjewadi, Wakad, Pimpri, Bhosari, Chinchwad, Bavdhan, Mulshi, Talawade, Tathawade, Nanded, Pimple Saudagar

US\$ 1 = INR 76.30; € 1 = INR 81.85.

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Agile - M	SBD West	Smartworks	560,000	Pre-lease
Ascendas (ITPP) - Angsana	PBD West	Infosys	406,000	Expansion
Gera Commerzone - R4	SBD East	Cognizant	108,000	Pre-lease
Gera Commerzone - R4	SBD East	UPS Logistics	105,000	Pre-lease
Blue Ridge IT 6	PBD West	Larsen And Toubro Infotech	76,000	Expansion

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SELLER / BUYER	SF	COMPLETION
Agile M	SBD West	Malpani Estates	770,000	Q1 2021
Sky One Corporate Park (Building A)	SBD East	Lunkad Realty	750,000	Q4 2020
WTC – Tower E	SBD East	Panchshil Realty	270,000	Q3 2020
Ascendas (ITPP) - Tower 1	SBD East	Ascendas Singbridge	1,150,000	Q4 2021
AP83	CBD	Amar Builders	800,000	Q1 2022

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