

AHMEDABAD

Office Q2 2020

0.054 msf NET ABSORPTION (Q2 2020)

0.38 msf NET COMPLETION (Q2 2020)

7.48 msf UPCOMING SUPPLY (2020F – 2022F)

Leasing activity in freeze mode due to the COVID-19 induced lockdown

The Ahmedabad office market recorded a net absorption of just 0.054 msf in Q2 2020, which was at less than 10% levels of the previous quarter. The lockdown in the wake of the COVID-19 pandemic virtually brought market activity to a standstill during the entire duration of the quarter. The stringent lockdown measures, and creation of several containment zones across the city led to widespread restrictions in free movement of workforce within the city. This resulted in large tenants looking to re-align their office space holdings and explore a hub and spoke model to enable shorter commute distances for employees. However, this is likely to be a short term provision as the corporates continue to hold their original space and are renegotiating rents/other commercial terms with their respective landlords. While some small firms have vacated office spaces, the market situation remains fluid and Q3 2020 is expected to provide a clearer picture about leasing activity on ground. A definite decline in office space demand since the imposition of the lockdown has been driven by a cautious 'wait and watch' approach by several occupiers. Going ahead, tenants in the IT-BPM, healthcare and pharma sectors are likely to remain more active over the next few quarters as they resume their operations. On the other hand, activity from export oriented trading companies as well as firms in the travel and construction sectors, which make up a significant proportion of local demand, will remain muted. Within the co-working space, operators have been managing their operations largely with reduced occupancy. The government has allowed 100% occupancy in private offices but with strict adherence to social distancing norms. However, in the near term, many firms will continue to implement work-from-home (WFH) for their employees, thereby leading to muted demand for office space and re-evaluation of space requirements.

Lockdown results in supply deferral and higher vacancy

Q2 2020 saw the completion of 0.36 msf office space, across SG Highway South and North Ahmedabad submarkets. However, office space uptake was negligible in the quarter, thereby increasing vacancy rate by around 80 bps q-o-q to 41.3%. Completions totalling 1.41 msf of ready to occupy properties were deferred to the third quarter as the Building Use (BU) certificates were delayed. Completion of another 1.0 msf is likely to be pushed beyond 2022 with the lockdown and labour availability issues impacting on-ground activity. In the medium term, the tight liquidity situations of some developers could affect the upcoming supply of 7.48 msf, which will impact office occupancy and vacancy rates as well.

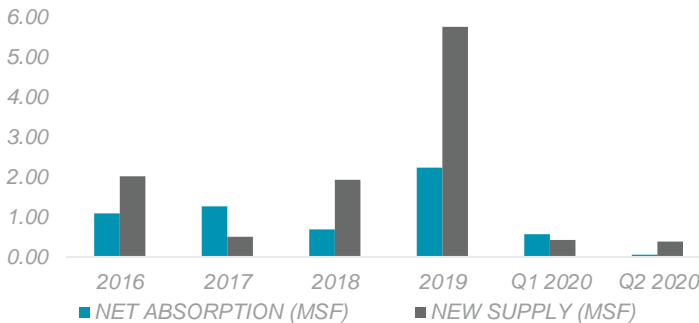
Rents under pressure due to over-supply

While the quoted rents were unchanged across the city in Q2, in the changing demand-supply dynamics, certain landlords have shown willingness to reduce rents by 10-20% during actual transaction negotiations. The lockdown has severely impacted corporate business and some developers have been accommodative towards existing tenants through rent abatements as well. In the short to medium term, rents are likely to stagnate with downward pressure due to the continuing uncertainty in the office market

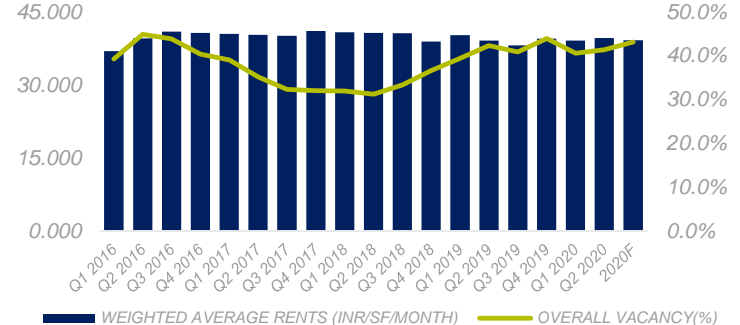
MARKET INDICATORS OVERALL Q2 2020

	Q2 2019	Q2 2020	12 month Forecast
Overall Vacancy	41.4%	41.3%	▲
Weighted Average Net Asking Rents Overall (INR/sf/month)	38.9	39.57	▬
YTD Net Absorption (sf)	1,056,531	621,839	▼

NET ABSORPTION & NEW 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
SG Highway South	9,253,701	23.94%	74,600	1,679,374	272,197	66,175	42.39	\$6.73	5.96
SG Highway North	6,887,360	41.78%	340,205	2,843,660	426,695	358,509	38.70	\$6.14	5.44
North Ahmedabad	3,690,196	77.04%	99,716	1,329,912	111,230	104,030	38.66	\$6.14	5.44
TOTAL#	20,532,077	41.29%	604,624	7,479,891	810,122	631,839	39.58	\$6.2	5.57

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 2022

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 75.6; € 1 = INR 85.3

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

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
World Trade Center – A Block	North Ahmedabad	Undisclosed	50,000	Fresh
Satya One	SG Highway North	Ascendum	22,000	Fresh
Ratnakar Nine square – Phase 1	SG Highway North	Jalpesh Shah & Co.	2,500	Fresh
Ratnakar Nine square – Phase 1	SG Highway North	Diagnos Consultant	1,500	Fresh
Ratnakar Nine square – Phase 1	SG Highway North	i-Overseas	1,500	Fresh

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Shivalik Shilp II	SG Highway North	NA	184,645	Q4 2020
Sankalp Square III	SG Highway North	NA	146,740	Q3 2020
Binori Bsquare 2	SG Highway South	NA	143,140	Q3 2020

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