

**(0.31) msf** NET ABSORPTION (Q2 2020)

**0.90 msf** NEW COMPLETIONS (Q2 2020)

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

**MARKET INDICATORS OVERALL Q2 2020**

Q2 2019      Q2 2020      12 month Forecast

Overall Vacancy	24.1%	23.99%	■
Weighted Average Net Asking Rents (INR/sf/month)	62.1	65.4	■
YTD Net Absorption (sf)	2,304,850	1,285,858	▼

**COVID-19 brings the office market to a standstill; leasing activity slows down considerably**

The COVID-19 pandemic and the lockdown in its wake defined much of Q2, and the associated discussions were largely centred around business continuity planning and thereafter shifted to cost optimisation measures. Business environment is now in uncharted waters marked by VUCA (Volatility, Uncertainty, Complexity, Ambiguity) and real estate portfolio strategies are being redefined across the remote working experiment, cost control, employee health and wellbeing and portfolio optimization. Many occupiers have looked to renegotiate their existing rent agreements while others have sought to relocate to smaller premises or surrender space towards reducing their overall space footprint. Leasing activity, recorded at 0.9 msf was at 20% levels of Q1 numbers and driven by the IT-BPM sector constituting a 45% share followed by engineering & manufacturing with a 24% share. Flexible workspaces segment which has been among the key demand drivers in the last few years had a 6% share of the quarterly leasing. Noida saw significant occupier interest with a majority share of 70% in the Q2 leasing; this included a couple of large-sized transactions including a pre-commitment of 0.37 msf. However, muted fresh leasing coupled with occupier exits resulted in net absorption turning negative in Q2. In an uncertain business environment, delayed decision making has impacted some transaction closures in key Gurugram corridors. With demand deferment and space re-assessments driving most occupier conversations, leasing activity is likely to remain sluggish till normalcy is restored.

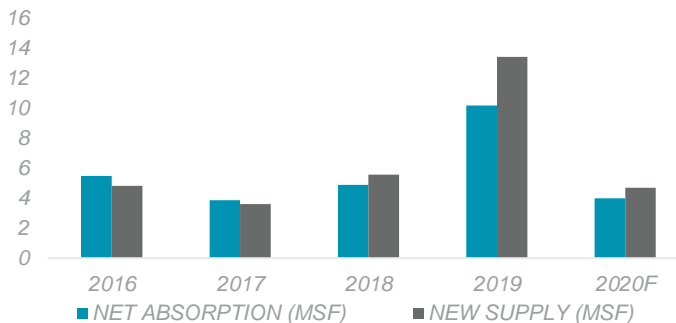
**Limited completions in Q2, vacancy levels rise**

Supply additions totalling 0.9 msf were recorded in Q2 and were spread across the micro-markets of Golf Course Extension Road and NH8 in Gurgaon and Noida Expressway. With negative net absorption, vacancy rose by 86 bps q-o-q to 24%. Grade A projects in core markets have not seen any headline rent reductions so far. However, renegotiations are underway with an objective to restructure commercial terms as occupiers push for cost reduction. Benefits like higher rent free period subject to a lock-in period commitment, changes in rent escalations agreed earlier and reduction in common area maintenance charges have been offered. Overall market rents are likely to come under pressure going forward in a slow leasing scenario and pressure of rising vacancy. The market is already witnessing some softening of quoted rentals in higher vacancy corridors.

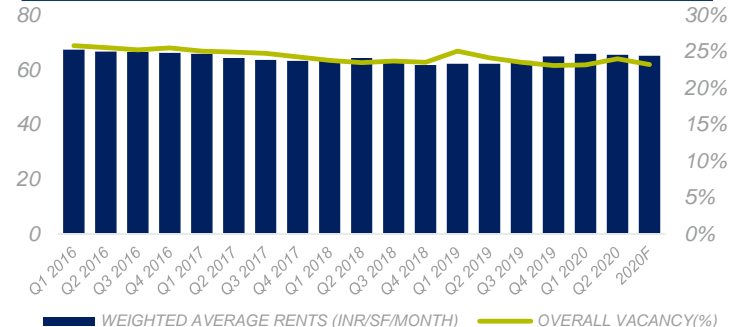
**Development activity expected to remain muted in second half of 2020**

Completion timelines for several projects are expected to be deferred even as construction activity has resumed in a gradual manner. Construction projects continue to face challenges with labour shortages, supply chain disruption & tight liquidity conditions while also having to adhere to the new standard operating procedures issued by the government. With construction sites still not functioning at optimum capacity, we expect new supply addition of around 1.5 - 2 msf in H2 2020, with substantial supply already been deferred to 2021. Micro-markets including Golf Course Extension Road, MG Road and Noida Sector 62 will see new completions in H2 2020 from projects which were in close-to-completion stage or awaiting occupancy certificates.

**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
Delhi CBD	1,483,547	24.8%	31,666	50,000	0	(35,045)	302.22	47.97	42.52
South-East Delhi	6,720,653	20.5%	261,628	0	0	(58,330)	107.33	17.04	15.10
Delhi International Airport	1,366,825	5.7%	35,782	0	0	(4,958)	195.00	30.95	27.43
Cyber City	13,985,813	7.9%	326,811	1,500,000	0	(551,356)	123.77	19.65	17.41
MG Road	3,031,886	25.9%	156,399	300,000	188,703	117,979	125.46	19.91	17.65
NH8 – Prime	13,894,638	15.9%	426,001	646,000	0	(16,966)	85.05	13.50	11.96
Golf Course Road	5,877,262	7.4%	158,458	0	0	(23,886)	95.31	15.13	13.41
Gurugram Others	39,947,056	36.1%	1,408,734	8,495,533	1,235,668	915,158	52.12	8.27	7.33
Noida	29,769,416	23.7%	2,273,786	9,853,977	1,639,310	943,262	49.67	7.88	6.99
<b>TOTAL</b>	<b>116,077,096</b>	<b>23.99%</b>	<b>5,079,265</b>	<b>20,845,510</b>	<b>3,063,681</b>	<b>1,285,858</b>	<b>65.39</b>	<b>10.38</b>	<b>9.20</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 75.6 € 1 = INR 85.3

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

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
DLF Cyber Park	Noida	ST Telemedia	370,000	Pre-commitment
Delhi One Tower A	Noida	Thales	151,682	Consolidation
DLF Plaza Tower	Golf Course Road	Simpliwork	49,000	Expansion
Global Gateway	MG Road	Sterlite	48,000	Relocation
Logix Infotech Park	Noida	Max Bupa Health Insurance	32,000	Expansion

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Candor TechSpace Building 8	Gurugram Others	NA	828,380	Q1 2021
Candor TechSpace Building 11	Noida	Newgen	650,000	Q1 2021
Vatika One on One Towers 2, 3, 4, 5	NH8 - Prime	Google	646,000	Q2 2021 – Q1 2022
TRIL IT City Tower A	Gurugram Others	NA	500,000	Q4 2020
Delhi One Tower C	Noida	LG	350,000	Q4 2020

**Rohan Sharma**

Director, Research Services

+91 124 4695555 / [rohan.sharma1@cushwake.com](mailto:rohan.sharma1@cushwake.com)

**Kapil Kanala**

Associate Director, Research Services

+91 40 40405555 / [kapil.kanala@ap.cushwake.com](mailto:kapil.kanala@ap.cushwake.com)

[cushmanwakefield.com](http://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.