

0.09 msf GROSS LEASING (Q2 2020)

0.9 msf NEW COMPLETIONS (Q2 2020)

15.9 msf UPCOMING SUPPLY (2020F – 2022F)

MARKET INDICATORS OVERALL Q2 2020

	Q2 2019	Q2 2020	12 month Forecast
Overall Vacancy	5.0%	5.5%	▲
Weighted Average Net Asking Rents (INR/sf/month)	68.9	70.6	■
YTD Net Absorption (sf)	1,929,400	233,800	▼

COVID-19 impact felt in Q2 office market activity

Leasing activity in Pune was adversely impacted in Q2, as many large occupiers deferred their space take-up and chose to adopt a cautious 'wait and watch' approach. Gross leasing in Q2 for Grade A office spaces was recorded at just 90,000 sf with a number of key transactions getting delayed by 3-6 months and further, going upto 9 months to a year. The quarter also witnessed a few deal cancellations, mainly by engineering, manufacturing and co-working occupiers. SBD East submarket accounted for a major portion of the leasing activity (81%) followed by the PBD West submarket (19%) with IT-BPM, engineering and manufacturing sectors being the major occupiers. Net absorption during the quarter was recorded at 60,000 sf (-65% q-o-q), due to limited fresh leasing and impacted by a few occupier exits as part of their business plans. Despite the exits, net absorption remained positive as 0.9 msf of new completions came on-stream with pre-commitments of 0.3 msf during the quarter. Even as they were still evaluating the business impact of COVID, many occupiers approached landlords for possible rental rebate or deferrals. However, the rentals remained stable in Q2.

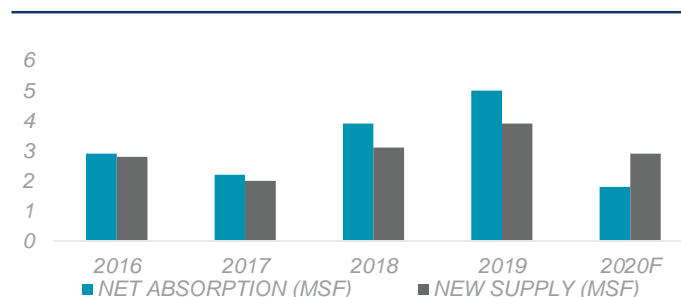
Significant supply deferments on the cards

Pune registered a supply of 0.9 million sf in Q2, as compared to 0.4 million sf in the previous quarter, with around 87% of the supply concentrated at Kharadi in the SBD East submarket. Vacancy rates increased to 5.5% in Q2, as against 4.0% in the previous quarter, due to infusion of fresh supply with limited pre-commitments and voluntary space surrender by some occupiers. Going ahead, Pune is expected to witness delays in construction of around 3-6 months for majority of the ongoing projects and we anticipate around 3.5 msf of supply getting deferred to the next year. The COVID-19 pandemic will continue to have an adverse impact on office demand and supply dynamics throughout 2020 with the construction sector facing challenges in the form of labour and raw material shortages. However, Pune is expected to witness significant supply of around 15.9 msf upto 2022. Going ahead, developers are likely to remain cautious on new launches and might look at a phased implementation of their projects in keeping with the evolving demand situation.

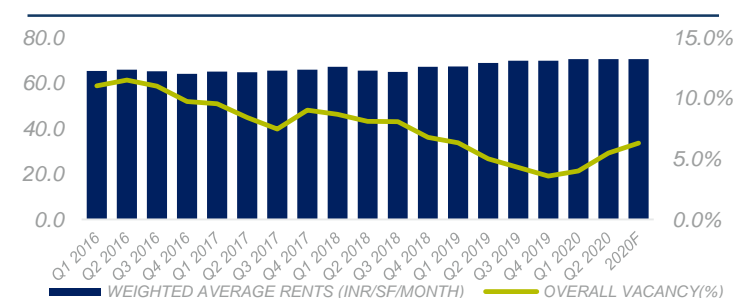
Leasing to remain sluggish in H2 2020, gradual recovery expected from 2021

Near-term demand outlook for office space remains uncertain until COVID-19 is contained and business confidence is restored. A gradual recovery is expected from 2021. We anticipate demand to remain sluggish during the remainder of the current year as many occupiers are likely to postpone major relocation or expansion decisions. Rentals across most of the submarkets will be under pressure in the short term, with occupiers increasingly looking to reduce operational costs through rental renegotiations and possible exits as part of their strategy and business planning. We also anticipate small to mid-sized demand to reduce in the near-term, especially from start-ups and medium sized enterprises. Within the coworking space, the larger operators are expected to benefit from higher enterprise demand on the back of flexible pricing plans and greater private office formats. Key locations like Baner and Balewadi in SBD West Submarket and Kharadi and Viman Nagar in SBD East submarket are expected to be most active in office leasing. Large BFSI captives, flex space operators (catering to enterprise demand) and professional services occupiers will drive the Pune market going forward with office space demand likely to regain its footing in 2021. However, if the demand for office space remains subdued over the next few quarters, we expect a marginal reduction in rentals as the demand supply mismatch starts to widen.

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	39,54,500	1.5%	73,700	15,89,300	0	-22,800	125.20	19.9	17.6
SBD East	2,88,88,200	3.7%	6,64,400	66,00,000	7,90,000	3,97,800	90.85	14.4	12.8
SBD West	58,98,900	0.8%	7,27,200	29,15,000	0	23,200	89.49	14.2	12.6
PBD East	19,50,200	0.7%*	0	9,16,000	0	-13,000	64.07	10.2	9.0
PBD West	1,27,22,000	14.0%	6,72,500	38,69,300	5,21,000	-1,51,400	53.96	8.6	7.6
TOTAL	5,34,13,800	5.5%**	21,37,800^	1,58,89,600	13,11,000	2,33,800	70.60	\$11.2	€9.9

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.

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 6.0%.

***Weighted average asking rental rates for vacant spaces that provide core facility, high-side air conditioning and 100% power back up

^Pre-commitment of 108,000 sf recorded in Q1 has got cancelled during the quarter. It has been removed from gross leasing numbers from Q1

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 75.60; € 1 = INR 85.30.

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Quadra 1	SBD East	Signify Innovations India Limited	39,500	Fresh
Commerzone B1	SBD East	Nuance India Private Limited	26,200	Renewal
Sai Radhe	CBD	IDIADA Automotive Technology India Private Limited	16,500	Renewal
World Trade Center Tower - A	SBD East	Hyundai	5,144	Renewal

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	SELLER / BUYER	SF	COMPLETION
Shanti One	SBD East	G Corp	438,000	Q4 2020
Sky One Corporate Park (Building A)	SBD East	Lunkad Realty	750,000	Q1 2021
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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