

(0.02) msf NET ABSORPTION (Q3 2020)

0 msf NEW COMPLETIONS (Q3 2020)

1.69 msf UPCOMING SUPPLY (2020 - 2022)

MARKET INDICATORS OVERALL Q3 2020

	Q3 2019	Q3 2020	12 month Forecast
Overall Vacancy	37.1%	32.5%	▲
Weighted Average Net Asking Rents (INR/sf/month)	47.1	47.2	■
YTD Net Absorption (sf)	704,896	569,066	▲

Fresh leasing activity remains constrained due to market uncertainty

Kolkata recorded a gross leasing of 0.44 msf in Q3, compared to 0.16 msf in the last quarter. Despite a 2.7X q-o-q increase, fresh leasing was less than a fourth of the quarterly leasing with term renewals constituting a majority share of 78% of the space take-up. Leasing during the quarter was led by the IT-BPM segment accounting for a majority share of 67%, followed by engineering & manufacturing and professional services with shares of 27% and 6%. Similar to the last quarter, Rajarhat attracted interest from occupiers and the submarket constituted a 94% share in the quarterly leasing while the balance was recorded in Salt Lake. Net absorption for the quarter was negative (0.02) msf compared to 0.11 msf in the previous quarter with a few occupiers downsizing their office footprint. COVID-19 is expected to have a continued impact on expansion plans and business decisions of corporates over the short to medium term. In a key trend witnessed in the city, occupiers are contemplating giving up larger conventional office spaces and moving towards flexible workspaces that have a lesser lock-in commitment while saving on capital expenditure and leverage cost advantages especially in higher rental markets. This has also led to some landlords contemplating conversion of unused spaces in their projects to co-working spaces. Occupiers are also renegotiating current rentals, especially in cases where the escalated rents have exceeded the market average and this trend is expected to continue. The upcoming quarters are likely to see some more space reduction by occupiers, while the leasing is likely to remain subdued on the back of only smaller space requirements being active currently. Occupiers will continue to explore relocation as a strategy to optimize costs in the current environment with some of them moving towards flexible workspaces.

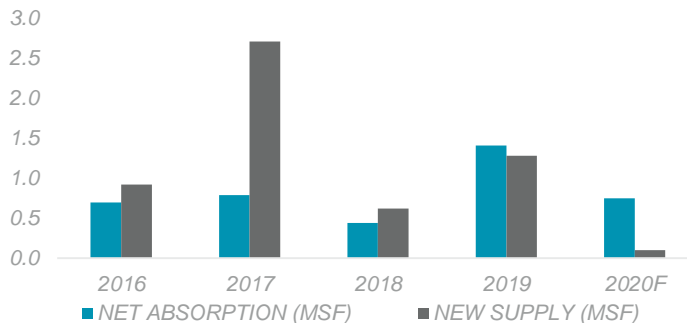
No new supply addition; stable rentals during the quarter

No new supply was added to the city's inventory during the quarter and the city level vacancy was recorded at 32.5%. While overall rents remained largely stable, developers continued to offer benefits like reduced common area maintenance charges and higher rent-free period to rationalize the overall expense of occupiers, who have taken a severe hit on their businesses due to the pandemic outbreak, subsequent lockdown and resultant economic uncertainty. The trend is likely to persist in the next few quarters with a number of corporate occupiers going through a phase of business continuity planning and evaluating the impact of structural shifts such as 'work from home' on their office space requirements. Small and medium enterprises continue to suffer from capital depletion and low cash reserves, which will adversely impact office space demand from this segment going forward.

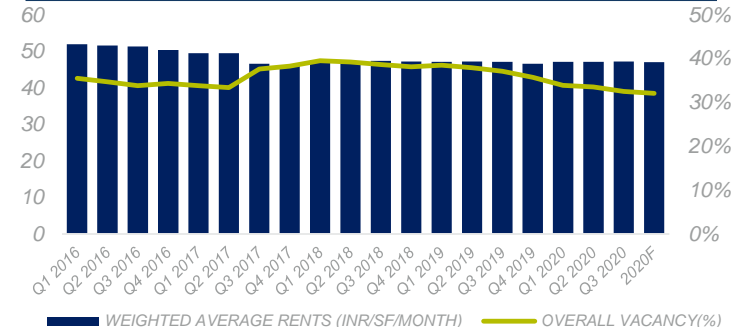
Delays expected in scheduled supply

Project timelines have already been impacted by construction delays along with the overall muted market sentiment, with upcoming supply being deferred to the next year. Labor and raw material shortages have been a challenge for developers though gradual normalcy is being restored with resumption of construction activities. While the new supply in Park Circus Connector submarket was already deferred to 2021, the limited supply addition in the CBD area is also likely to be completed by early 2021. The city is expected to witness supply addition of 0.11 msf in the Salt Lake micro-market in the next quarter.

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	1,375,174	25.0%	0	110,500	0	(10,000)	106.26	17.35	14.77
Park Circus Connector	710,260	22.5%	0	600,000	0	(3,544)	89.85	14.67	12.49
Rashbehari Connector	1,413,780	39.9%	16,720	0	0	16,720	77.82	12.70	10.82
Rajarhat	10,287,434	23.7%	1,012,933	0	0	476,010	37.29	6.09	5.19
Sector-V, Salt Lake*	12,199,650	40.6%	90,822	977,360	0	89,880	43.11	7.04	5.99
TOTAL	25,986,298	32.5%	1,120,475	1,687,860	0	569,066	47.20	7.71	6.56

The report highlights Grade A details only.

^ 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 – Park Street, Camac Street, AJC Bose Road, Theatre Road

*Grade A inventory in Salt Lake has been adjusted by excluding a project which does not fit into the definition of Grade A.

US \$ 1 = INR 73.5 € 1 = INR 86.3

Numbers for the third quarter are based on market information collected until 20th September 2020

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
DLF IT Park I	Rajarhat	Lexmark	78,000	Renewal
DLF IT Park I	Rajarhat	Lafarge	40,000	Expansion
DLF IT Park I	Rajarhat	Hyland Software Solutions	28,600	Expansion
Millennium City	Sector-V, Salt Lake	Zacks	20,000	New Lease
Kariwala Towers	Sector-V, Salt Lake	Fast Info Legal Services	7,320	New Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Aurora Waterfront	Sector-V, Salt Lake	NA	110,000	Q4 2020
Unimark Asian	CBD	NA	110,500	Q1 2021
Ideal Unique Centre	Park Circus Connector	NA	600,000	Q2 2021
Arch Square	Sector-V, Salt Lake	NA	167,360	Q2 2021
Imagine Tech Park	Sector-V, Salt Lake	NA	700,000	Q4 2022

Rohan Sharma

Director, Research Services

+91 124 4695555 / rohan.sharma1@cushwake.com

Kapil Kanala

Senior Associate Director, Research Services

+91 40 40405555 / kapil.kanala@ap.cushwake.com

cushmanwakefield.com

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