


**1.78 msf** GROSS LEASING (Q3 2020)

**0.91 msf** NEW COMPLETIONS (Q3 2020)

**11.56 msf** UPCOMING SUPPLY  
(Q4 2020 – 2022)

**MARKET INDICATORS OVERALL  
Q3 2020**

	Q3 2019	Q3 2020	12 month Forecast
Overall Vacancy	19.8%	19.8%	▲
Weighted Average Net Asking Rents SBD (INR/sf/month)	261.5	265.7	■
YTD Net Absorption (sf)	4,266,106	2,169,521	▲

**Improved Leasing activity in Q3 2020 as the city gradually reopens**

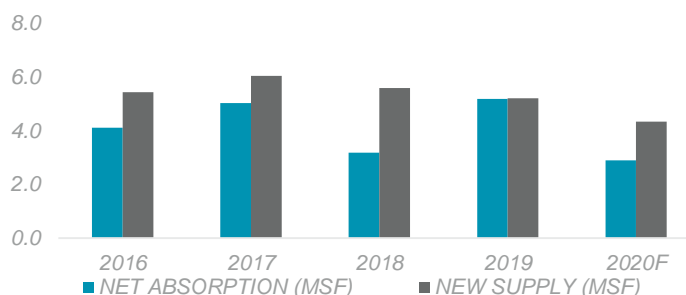
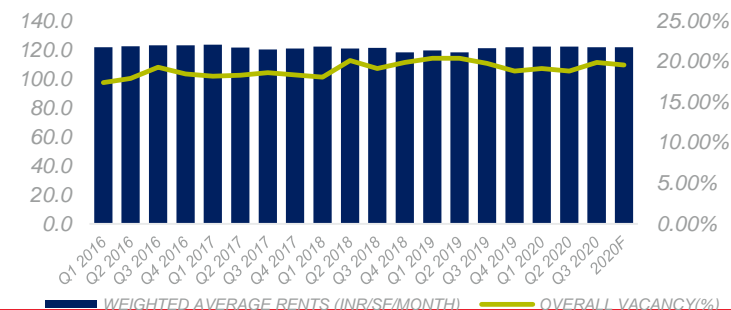
Gross leasing volume stood at 1.78 msf, a growth of around 80% q-o-q in Q3 2020, as Mumbai opened after the lockdown and corporates started their offices in line with guidelines issued by the government. This translated into decision-making for new office space take-up, relocation and expansion or renewals during the quarter. However, on an annual basis, gross leasing activity is down by 54%. The Q3 improvement is backed by 1.2 msf of term renewals and around 0.54 msf of fresh leasing during the quarter. The Malad-Goregaon submarket was the most active with a 24% share of leasing activity in Q3, followed by Central Suburbs, Andheri-Kurla Road and Thane-Belapur submarkets with 21%, 18% and 14% shares, respectively. The Engineering & Manufacturing and IT-BPM sectors accounted for the highest proportion of leasing demand with shares of 24% and 22% respectively, while BFSI captive centres accounted for 14% of the quarterly leasing activity. Even with improved leasing activity, overall vacancy increased during the quarter with several occupiers scaling down their current footprint or vacating existing space and relocating with downsizing to a new space leased during the previous quarter. In certain cases, occupiers have closed their operations completely in select locations. All these factors resulted in a 19.8% vacancy rate; a 100 bps rise from the previous quarter. Consequently, net absorption at the end of the quarter stood at -0.28 msf, as most of the submarkets witnessed negative absorption barring Central Suburbs, Malad-Goregaon, and Thane. We expect fresh leasing activity to remain muted during the remainder of 2020 with a recovery anticipated by the first half of 2021 depending on how the COVID situation evolves over the next few quarters. Discovery of a vaccine early next year will also bring back much required positivity in the office market.

**Limited new supply during Q3 2020**

New supply of 0.91 msf spread across three projects was added during the quarter with Central Suburbs and Andheri-Kurla Road the only submarkets witnessing project completions. We expect an additional supply of 0.67 msf to be added by end-2020. A total supply of nearly 2.0 msf, which was expected to be completed in the current year, has been deferred to 2021. Though construction activities have started post lockdown, all major developers across all submarkets are facing labour shortages and operating with just 30-40% of labour requirement on project sites. A completion delay of at least 3-6 months is expected by most developers. An additional 11.56 msf of supply is expected by end-2022 with Thane-Belapur Road (Navi Mumbai), Lower Parel-Worli, and Malad-Goregaon submarkets contributing the most to the upcoming supply. Going forward, the overall leasing demand scenario is expected to remain muted in the near future even though office space take-up by BFSI, engineering & manufacturing, professional services and IT-BPM segments along with BFSI and professional services GCCs is likely to hold up. The Thane-Belapur Road, Malad-Goregaon, Central Suburbs and BKC submarkets will remain the preferred locations for new occupier demand.

**Short term rental correction witnessed in select sub-markets**

Rents across all submarkets have been stable over the last two quarters, owing to the lockdown and lack of clarity regarding phased reopening of the city and its economy. However, there has been a short-term correction of 5-10% in rental values in submarkets which have witnessed significant increase in vacancy levels. However, institutional landlords have demonstrated an aversion to rent reductions through this period. Capital values across all submarkets also remained subdued on the back of lower sales activity during the quarter. We expect the sluggishness in demand to keep financial indicators muted over the next few quarters.

**NET ABSORPTION & NEW SUPPLY**

**OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT**


## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE (%)	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	1,962,814	7.4%	38,902	0	0	-403	242.6	39.6	33.7
SBD	9,660,713	15.9%	736,377	800,755	120,000	118,927	265.7	43.4	36.9
Worli	1,604,000	15.8%	25,994	0	0	-38,339	220.1	36.1	30.6
Lower Parel	8,568,703	21.3%	627,013	2,486,618	630,000	-155,250	177.0	29.5	24.6
Andheri-Kurla	14,209,800	20.4%	765,075	700,000	467,500	52,138	126.7	21.1	17.6
Powai	6,325,576	9.2%	74,324	0	0	-184,679	140.6	23.0	19.5
Malad/Goregaon	13,514,084	18.2%	910,985	1,159,000	0	158,371	110.0	18.0	15.3
Central Suburbs	11,340,532	27.2%	960,073	716,000	644,000	311,455	146.1	23.9	20.3
Vashi	1,619,500	11.5%	94,227	0	0	-4,532	91.7	15.1	12.7
Thane-Belapur Road	19,902,416	26.0%	806,631	4,645,019	0	6,962	65.6	10.8	9.1
Thane	9,764,977	14.1%	796,637	1,050,000	2,000,000	1,904,871	70.1	11.5	9.8
<b>TOTAL</b>	<b>98,473,115</b>	<b>19.8%</b>	<b>5,836,238</b>	<b>11,557,393</b>	<b>3,861,500</b>	<b>2,169,521</b>	<b>120.4</b>	<b>19.8</b>	<b>16.7</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:

CBD – Ballard Estate, Colaba, Churchgate, Fort & Nariman Point; SBD – Bandra-Kurla Complex, Bandra East, Kalina; Lower Parel includes Lower Parel, Parel and Dadar

US\$ 1 = INR 73.5 € 1 = INR 86.3

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

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Godrej 2 – Phase I	Central Suburbs	Maersk Shipping Solutions	125,703	Fresh Lease
Boomerang – Wing A	Andheri – Kurla	FedEx Express	112,512	Term Renewal
Nesco IT Park – Building 4 (Phase 2)	Malad-Goregaon	Blackrock	100,000	Fresh Lease
Equinox Tower 2	Central Suburbs	State Street Capital	39,000	Fresh Lease

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Rupa Renaissance	Thane – Belapur Road	NA	1,400,000	Q2 2021
Nirlon Knowledge Park – Phase V	Malad – Goregaon	JP Morgan Chase	1,159,000	Q1 2021
Indiabulls Finance Centre – Tower 4	Lower Parel	NA	850,000	Q1 2021
Q Park – Q2 (Loma IT Park)	Thane – Belapur Road	NA	850,000	Q2 2021

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