

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

**0.2 msf** NET ABSORPTION (Q3 2020)

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

**MARKET INDICATORS OVERALL Q3 2020**

	Q3 2019	Q3 2020	12 month Forecast
Overall Vacancy	4.8%	6.4%	▲
Weighted Average Net Asking Rents (INR/sf/month)	69.9	70.6	▼
YTD Net Absorption (sf)	3,268,010	447,100	▲

**Gradual recovery in leasing led by term renewals**

The effect of the COVID spread in Pune in terms of cases, the lockdown and economic activity impact has had an adverse impact on the city's office market as well, which was otherwise witnessing robust leasing activity before the pandemic outbreak. Gross leasing in Pune was recorded at 1.4 msf in Q3, with pre-commitments (20%) and term renewals (50%) accounting for major share in Q3 activity. The SBD East submarket dominated a major portion of the leasing activity (98%) during the quarter followed by PBD West submarket (2%) with BFSI, engineering & manufacturing, coworking and professional services sectors being the primary space takers. A 'wait and watch' mode on emerging trends, a strategic call to curtail expenditure, Work From Home extension till end of the year or early next year in certain cases plus an assessment of business impact caused postponement as well as scaling down of expansion plans by many BFSI (Banking, Financial Services & Insurance) and IT/TeS companies, which are the principal drivers of commercial real estate demand in Pune. Many large RFPs which were active pre-COVID have been deferred as well by around 3-6 months, but importantly conversations of future space planning have started again, albeit slowly. Though the overall situation is starting to improve with occupier site visits picking up pace, transactions continue to remain in early documentation stages, as decision making remains slow from the occupiers' side. The quoted Grade A office rentals across major submarkets in Pune continued to exhibit stability during the quarter. However, considering the current market conditions, developers are now showing increased flexibility during discussions while also offering certain incentives like longer rent free periods, lower deposits, preferential rentals etc. to attract as well as retain clients. World Trade Centre - Tower E with significant pre-commitments was completed during the quarter, thereby giving push to quarterly net absorption in Q3, which remained in the positive territory.

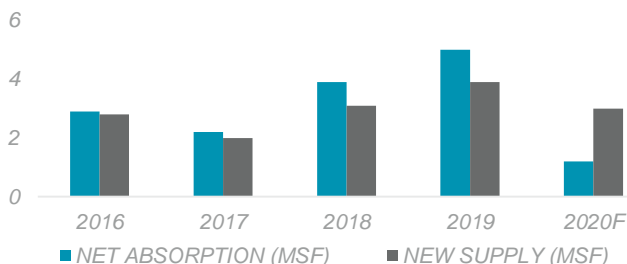
**Vacancy rate increases to 6.4%**

The office vacancy rates in Pune have significantly increased in the last two quarters from 4.8% in Q1 to 6.4% in Q3. Vacancy in prime office corridors like SBD East submarket (29.3 msf stock) has increased to 3.7% (from 2.2% in Q1) while for PBD West submarket (12.7 msf stock) it has increased to 14.1% (from 11% in Q1). Limited fresh leasing activity, relocations, space downsizings and delayed transaction closures have caused vacancy rates to inch up. A weak net absorption of just 0.2 msf in Q3 is a result of the current market conditions. The average occupancy levels within coworking spaces have also decreased significantly over the last couple of quarters from 85% in Q1 to 65% in Q3. This has prompted coworking players to offer discounts on quoted prices, presently ranging between 15-20%.

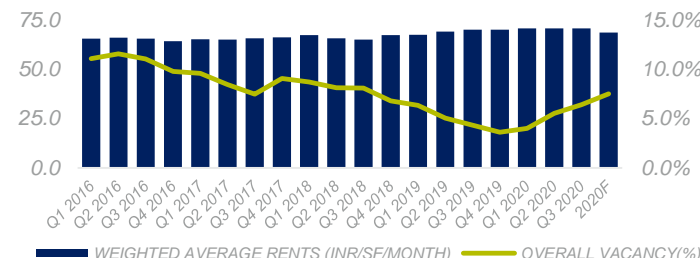
**Rents may face pressure in key submarkets**

Around 1.3 msf of new supply is expected to be added in the last quarter of 2020, with prominent projects like Shanti One and Amar Madhuban Tech Park anticipated to get completed. The delivery of significant new office supply with limited pre-commitments and delayed decision-making will continue to push up vacancy rates in the next few quarters. In addition, as tenants surrender space as part of downsizing or relocations, additional vacancy may also enter the market. Amid delayed decision-making by occupiers and rising vacancy levels, some softening of rents might be expected in the short term across all submarkets. That said, some in-discussion transactions fructifying over the next couple of quarters will keep vacancy in prominent projects under check and may prevent substantial rental discounts. Key locations like Baner & Balewadi in SBD West submarket and Kharadi & Viman Nagar in SBD East submarket will continue to remain the most preferred corridors by occupiers. Large BFSI captives, managed space operators & e-commerce occupiers are expected to drive the office demand going forward. We expect pent up demand to find expression once the current uncertainty eases, with the vaccine announcement a key element in determining demand recovery.

**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	39,54,495	2.0%	73,700	11,89,250	-	-42,493	125.20	20.4	17.4
SBD East	2,93,38,222	3.7%	20,66,890	58,43,056	12,40,000	814,235	90.85	14.8	12.6
SBD West	58,98,858	3.7%	7,27,200	24,55,000	-	-1,48,734	89.49	14.6	12.4
PBD East	19,50,209	0.7%*	-	-	-	-13,000	64.07	10.5	8.9
PBD West	1,27,22,002	14.1%	6,95,500	34,11,312	5,21,000	-1,62,936	53.96	8.8	7.5
<b>TOTAL</b>	<b>5,38,63,786</b>	<b>5.9%**</b>	<b>35,63,290</b>	<b>1,28,98,618</b>	<b>17,61,000</b>	<b>447,072</b>	<b>70.60</b>	<b>11.5</b>	<b>9.8</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.

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 6.4%.

\*\*\*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: 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, Yerwade, 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 73.5; € 1 = INR 86.3.

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Tech Park One - B	SBD East	IBM India Private Limited	103,746	Renewal
Gera Commerzone – R4	SBD East	British Petroleum	168,000	Fresh
Gera Commerzone – R4	SBD East	Mindcrest	110,000	Fresh
Sky One Corporate Park (Building A)	SBD East	Vertiv	30,000	Pre-commitment

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	Developer	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
Panchshil Business Park 2	SBD East	Panchshil Realty	1,008,000	Q4 2022
Amar Madhuban Tech Park	SBD West	Amar Builders	435,000	Q4 2020
AP 81	CBD	Amar Builders	800,000	Q1 2022
Ascendas ITPP – Tower 1	SBD East	Ascendas Singbridge	1,150,000	Q4 2021

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