

### Moderate fresh leasing coupled with term renewals drive office markets in Q4

With gross leasing volumes of 0.36 msf in Q4, Kolkata closed 2020 with office space leasing activity of 1.48 msf. Similar to the previous quarter, term renewals constituted a majority share of 61.5% of the quarterly market activity. IT-BPM segment was the main contributor to leasing with a share of 62.4%, followed by engineering & manufacturing and flexible workspaces constituting equal shares of 14% each. Following previous trends, quarterly leasing activity was driven by the Rajarhat submarket which accounted for a majority share of 61.6% followed by the Salt Lake submarket with 34% share. While net absorption during the fourth quarter was marginal with only 0.04 msf, the year closed at 0.61 msf led by a strong first quarter. This corresponded to a 56.7% decline in annual net absorption on a y-o-y basis, clearly indicating the growth-averse approach for most of the corporates during the year. Even as COVID induced changes are expected to have a continued impact on expansion plans of corporates over the short to medium term, there is some traction being witnessed in the demand for flex spaces, especially for managed workspaces. The quarter saw instances of enterprise clients relocating from conventional office space to co-working space, a trend that is likely find more traction in the medium term. The upcoming quarters are likely to see a few more spaces getting vacated by occupiers, especially as work-from-home continues in some domains. Office space leasing is likely to remain subdued in the short term with smaller space requirements by corporates largely driving fresh demand in the market.

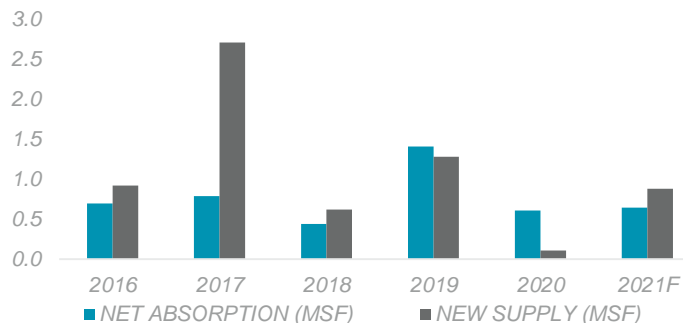
### CBD recorded new supply addition; rents maintain status quo during the quarter

New supply of 0.11 msf was added to the city's inventory in Q4, primarily in the CBD market, with city level vacancy recording 15 bps q-o-q increase to stand at 32.7%. Addition of new Grade A supply in the CBD area will present opportunities for corporates looking to upgrade amidst the dearth of quality supply in this area. Developers continued to offer benefits like reduced common area maintenance charges and higher rent-free period to support occupier push for cost optimisation, while keeping the quoted rents unchanged. The trend is likely to persist in the next few quarters as occupiers continue to evaluate the impact of 'work from home' on their office space requirements and workplace strategies. However, landlords were more accommodating in rent discounts for non-Grade A spaces in the central office corridors.

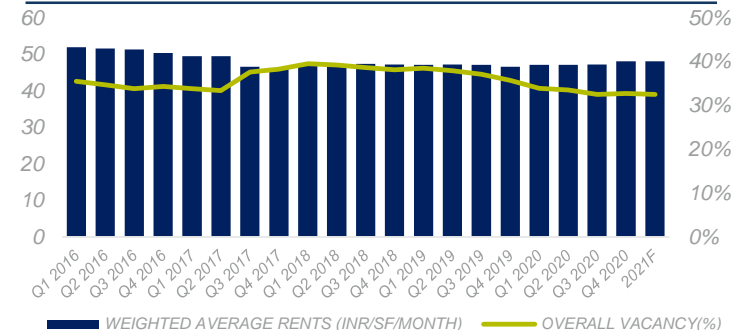
### Robust new supply expected in 2021

Kolkata is expected to witness new supply addition of 0.6 msf in Park Circus Connector and 0.28 msf in Salt Lake in 2021. The IT-BPM sector is likely to continue playing a pivotal role in the office market of the city. With large IT players such as Infosys and ITC Infotech building their greenfield campuses and TCS expected to commit a significant investment on a second campus at Rajarhat, the city's technology sector is being looked at with renewed optimism. Investments by large corporates is likely to have a positive spillover effect on the office sector in the medium term and attract other smaller IT companies. We expect a gradual pickup in office leasing over the medium term once the impact of COVID recedes further and business sentiments improve, though the city is likely to lag behind other major cities at least in the short to medium term.

### NET ABSORPTION & NEW SUPPLY



### OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT



### MARKET INDICATORS OVERALL Q4 2020

Q4 2019    Q4 2020    12 month  
Forecast

Overall Vacancy	35.7%	32.7%	▼
Weighted Average Net Asking Rents (INR/sf/month)	46.6	48.1	■
YTD Net Absorption (sf)	1,411,700	610,604	▲



## 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	1,485,674	30.6%	5,500	0	110,500	(4,500)	110.81	18.09	15.18
Park Circus Connector	710,260	22.5%	0	600,000	0	(3,544)	89.85	14.67	12.31
Rashbehari Connector	1,413,780	39.1%	26,720	0	0	26,720	77.87	12.71	10.67
Rajarhat	10,287,434	24.3%	1,233,168	0	0	417,950	37.33	6.09	5.11
Sector-V, Salt Lake*	12,199,650	39.9%	212,918	977,360	0	173,978	43.05	7.03	5.90
<b>TOTAL</b>	<b>26,096,798</b>	<b>32.7%</b>	<b>1,478,306</b>	<b>1,577,360</b>	<b>110,500</b>	<b>610,604</b>	<b>48.12</b>	<b>7.86</b>	<b>6.59</b>

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 87.6

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

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
DLF IT Park I	Rajarhat	IBM	190,235	Term Renewal
Godrej Waterside	Sector-V, Salt Lake	Awfis	50,000	Expansion
Millennium City	Sector-V, Salt Lake	Oyo	22,000	Expansion
Infinity IT Lagoon	Sector-V, Salt Lake	Worley Parsons	22,000	New Lease
PS Arcadia Central	Camac Street	Aditya Birla Group	5,500	Expansion

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Aurora Waterfront	Sector-V, Salt Lake	NA	110,000	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

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