

**5.02 msf** GROSS LEASING (2020)

**1.01 msf** NET ABSORPTION (2020)

**13.1 msf** UPCOMING SUPPLY (2021 – 2023)

### Office leasing activity shows improvement in Q4

In Q4, office leasing was recorded at 1.46 msf of which fresh transactions and pre-commitments accounted for 0.95 msf with the rest coming from term renewals. Fresh office leasing improved significantly in Q4 as compared to previous quarters, as decisions delayed earlier on relocation/consolidation and in some cases expansion plans were executed during the quarter. A significant 59% share of gross leasing activity during the quarter was concentrated in the SBD East submarket followed by PBD West (16%) & PBD East (11%) submarkets. Global Captive Centres led with a 29% share of leasing activity, followed by IT-BPM & professional services occupiers with 25% & 24% shares, respectively. Interestingly, the gross leasing volumes in Pune have remained quite steady even in 2020 with 5.0 msf in the year comparing very favourably to the 5-year average (2015-2019) of 4.8 msf and being similar to the last year numbers as well.

However, occupier exits as part of their relocation/consolidation plans, vacancies created due to new completions and delayed decision-making for ongoing transactions have impacted overall net absorption numbers for the city. Net absorption was recorded at 0.57 msf during the quarter with the annual number for 2020 at 1.0 msf, a decline of 80% y-o-y. Going forward, Baner & Balewadi in SBD West Submarket and Kharadi & Viman Nagar in SBD East submarket are expected to be most active in catering to future demand coming from IT-BPM, BFSI captives & E-commerce segments who are expected to be the key occupier sectors likely to drive space take-up.

### Significant supply deferred to 2021

Pune witnessed supply additions of 1.16 msf during the quarter with Phoenix Fountainhead 2, Kalpataru Infinia, Shanti One and The Orchid Centre being key projects which were completed. New office space supply during the year was recorded at 2.9 msf, a decline of 25% y-o-y, with significant supply getting deferred to 2021, largely due to construction delays of around 3-6 months on the back of labour and raw material shortages. Around 3.8 msf of fresh supply is expected to hit the market in 2021, concentrated in suburban and peripheral submarkets.

Overall vacancy levels hit 7.4%, an increase of 95 bps q-o-q, which was largely due to new completions coming onstream with low occupancy levels. Vacancies in coworking spaces also continued to remain high during the quarter, leading to discounts on quoted prices. With a healthy supply pipeline and limited pre-commitments and slowly improving demand momentum, vacancy rates are likely to rise further in the short-term. Going forward, developers are also likely to be cautious by ensuring that upcoming supply is aligned with the ongoing demand situation.

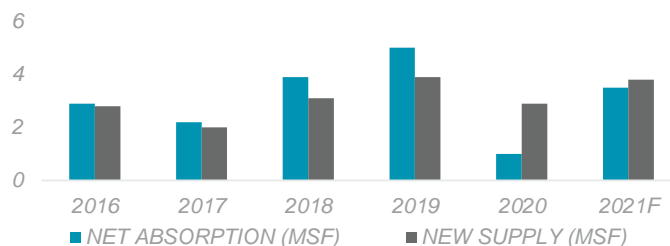
### Rentals likely to remain under pressure in the short term

Overall rents were largely range-bound across all submarkets during the quarter. With rising vacancies and slow demand in the current market conditions, select developers continued to offer incentives like longer rent free periods, lower deposits, preferential rents etc. The possible introduction of COVID vaccine in Q1 2021 is expected to have a positive impact on business sentiment and consequently office demand over the next couple of quarters. However, overall office leasing, especially in terms of fresh transactions, is expected to improve significantly only by H2 2021, as many large occupiers are likely to adopt a cautious wait and watch approach in the short term. A widening supply demand gap is likely to keep rentals under pressure across most of the submarkets.

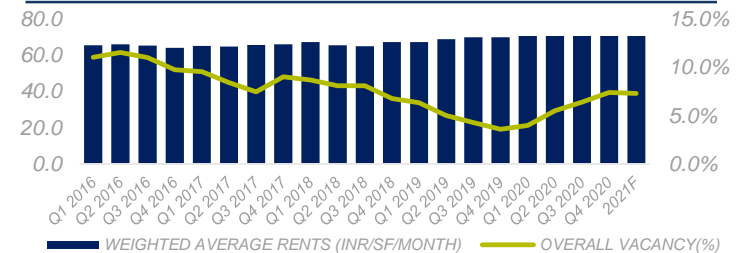
#### MARKET INDICATORS OVERALL Q4 2020

	Q4 2019	Q4 2020	12 month Forecast
Overall Vacancy	4.1%	7.4%	▲
Weighted Average Net Asking Rents (INR/sf/month)	70.6	70.6	▼
YTD Net Absorption (sf)	5,063,213	1,014,264	▲

#### 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	40,39,495	6.2%	1,40,200	15,09,250	85,000	-1,32,474	125.20	20.4	17.2
SBD East	3,01,61,222	5.2%	29,32,487	54,05,056	20,63,000	11,48,400	90.85	14.8	12.4
SBD West	60,30,858	4.4%	8,55,198	24,55,000	1,32,000	-65,625	89.49	14.6	12.3
PBD East	19,50,209	2.0*	1,66,000	0	0	1,28,500	64.07	10.5	8.8
PBD West	1,28,44,002	14.1%	9,30,500	37,29,312	6,43,000	-64,537	53.96	8.8	7.4
<b>TOTAL</b>	<b>5,50,25,786</b>	<b>7.2**%</b>	<b>50,24,385</b>	<b>1,30,98,618</b>	<b>29,23,000</b>	<b>10,14,264</b>	<b>70.60</b>	<b>11.5</b>	<b>9.7</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.

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 2023

\*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 7.4%.

\*\*\*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 87.6.

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
SP Infocity - Building 5	PBD East	Accenture	1,66,000	Fresh
Panchshil Tech Park RVS	CBD	Medline	32,500	Fresh
Sky One Corporate Park (Building A)	SBD East	Piaggio	62,000	Pre-commitment
Sky One Corporate Park (Building A)	SBD East	Sincro	26,000	Pre-commitment

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	Developer	SF	COMPLETION
Sky One Corporate Park (Building A)	SBD East	Lunkad Realty	7,50,000	Q2 2021
Agile M	SBD West	Malpani Estates	7,70,000	Q2 2021
Amar Madhuban Tech Park	SBD West	Amar Builders	4,35,000	Q1 2021
AP 81	CBD	Amar Builders	8,00,000	Q2 2022
Ascendas ITPP – Tower 1	SBD East	Ascendas Singbridge	11,50,000	Q1 2022

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