



2.39 msf GROSS LEASING (Q1 2021)

3.58 msf SUPPLY/COMPLETION (Q1 2021)

8.95% VACANCY (Q1 2021)

MARKET INDICATORS OVERALL
Q1 2021

	Q1 2020	Q1 2021	12 month Forecast
Overall Vacancy	6.34%	8.95%	▲
Weighted Average Net Asking Rents ORR (INR/sf/month)	107.00	107.00	■
YTD Net Absorption (sf)	2,746,079	1,724,456	▲

Healthy supply addition amid steady demand for quality space

The year started on a bright note in terms of healthy supply addition to the city's office inventory despite slippages in project completion timelines during H2 2020. The first quarter of the year recorded a healthy supply of 3.58 msf with a remarkable q-o-q growth of 67%, but a decline by 21% y-o-y. Peripheral East contributed the highest (31%) share in quarterly supply, closely followed by ORR at 27%. Other peripheral submarkets in the north and south quadrants have also accounted for a healthy share of 23% and 18% respectively. With construction having regained pace, we anticipate a healthy supply of ~12.0 msf by end of 2021. The new supply got operational with approx. 30% occupancy levels driven by pre-commitments during previous years.

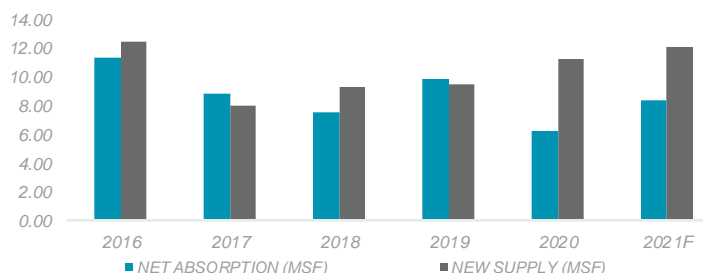
Continued recovery in demand despite uncertainty over return-to-work timelines

A rise in COVID infection levels since the middle of the quarter has resulted in occupiers adopting a cautious approach in deciding their return-to-work timelines. The uncertainty over return to work has had a negligible impact on the leasing momentum in the city's office sector, which recorded a gross lease volume of 2.39 msf during Q1 2021, a 27% decline q-o-q but still healthy considering the slowdown witnessed in 2020. Net absorption was recorded at 1.72 msf, a 7% decline q-o-q but a 37% drop on an annual basis on the back tenant exits as a part of portfolio optimisation strategies. Vacancy has increased to 8.9%, by 82 bps during the quarter. As occupiers are rethinking their planned exits amidst improving business scenario, mid (30,000-40,000 sf) and large (>100,000 sf) office spaces continue to remain in demand as evident from space take-ups by occupiers like Teva Pharma, LAM Research and Mobileum, among others. Ongoing renegotiations for pre-renewals combined with pre-leasing which accounted for 33% of the overall demand also signal a gradual recovery in occupier sentiments. While IT-BPM sector continues to account for a higher share (38%) of leased space during the quarter, Healthcare & Pharma and Engineering & Manufacturing sectors followed with contribution of 30% and 11% respectively. Flexible workspace operators, who at present have stopped exiting their signed spaces, accounted for a 6% quarterly share on the back of increasing demand from enterprises with 50-100 seat requirements, with the preference for customised workspaces witnessing a healthy growth.

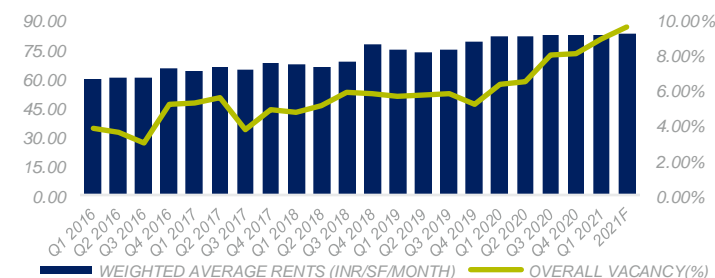
Rentals remain range bound with low flexibility on offer for the occupiers

Headline rentals across most submarkets have remained stable during the quarter. Some landlords who were flexible until Q3-Q4 2020, are currently less willing to offer rental discounts and instead are proposing CAM reductions and higher rent-free periods. Despite increase in vacancy levels, rising investor interest and steady supply with higher pre-lease volume is likely to restrict any rental decline over the short to medium term. Furthermore, an early revival of the city's office sector may even support a marginal appreciation of rents in the medium term given the tight vacancies and steady demand.

NET ABSORPTION & SUPPLY



OVERALL VACANCY & 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 / Off-CBD	6,733,322	5.1%	55,505	400,000	60,000	28,547	161.00*	26.54	22.08
Outer Ring Road	70,463,345^	3.1%	799,666	14,678,333	950,000	622,918	107.00	17.64	14.67
Peripheral East	31,185,019	16.4%	865,122	5,213,764	1,100,000	823,300	68.00	11.21	9.33
Peripheral North	6,905,654^^	46.9%	225,000	4,979,248	823,000^^	-56,000	75.00	12.36	10.29
Peripheral South	11,992,839	13.4%	-	1,650,000	650,000	57,000	65.00	10.71	8.91
Suburban East	20,107,292	4.3%	328,758	1,262,000	-	70,811	127.00**	20.93	17.42
Suburban North West	1,100,000	4.2%	12,500	2,728,000	-	2,470	158.00	26.04	21.67
Suburban South	7,747,833	7.0%	100,000	350,000	-	175,410	93.00	15.33	12.75
TOTALS	156,235,304	8.95%	2,386,551	31,945,345	3,583,000	1,724,456	82.7	13.63	11.34

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.

^Reduction in inventory due to project area sf) modification in ORR

^^completion of 823,000 sf in Q1 2021. Net supply addition of 516,000 sf in total inventory due to stock withdrawal of 307,000 sf

#YTD gross leasing activity includes pre commitments and term renewals

*** Includes planned & under construction projects until 2023

Net absorption refers to the incremental newspace take-up;

Weighted average asking rental rates for vacant spaces that provide core facility, high-side air conditioning and 100% power back up

*CBD/Off-CBD - Weighted average rents, sub market includes certain outperformers where quoted rentals are above INR 220-250/Sf/Month

**Suburban East - Weighted average rents, sub market includes certain outperformers where quoted rentals are above INR 150-160/Sf/Month.

Key to submarkets:

CBD/Off-CBD - M.G. Road, Millers Road, Vittal Mallya Road, Residency Road, etc.; Peripheral South - Electronic City, Hosur Road, Mysore Road; Outer Ring Road - Sarjapur, KR Puram, Hebbal; Suburban East - Indira Nagar, Old Airport Road, C.V. Raman Nagar; Peripheral East - Whitefield; Suburban South - Koramangala, Bannerghatta Road, Jayanagar; Peripheral North - Bellary Road, Thanisandra Road, Tumkur Road; Suburban North West - Rajaji Nagar, Malleshwaram.

US\$ = INR 72.8 AND € = INR 87.5

Numbers for the fourth quarter are based on market information collected until 20th March 2021

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Brigade Senate	Peripheral North	Teva Pharma	200,000	Fresh Lease
Prestige RMZ Startech	Suburban South	Navi Technologies	100,000	Fresh Lease
Embassy Prime	Suburban East	Mobileum	100,958	Fresh Lease
Bagmane Tech Park Quay	Suburban East	Cardinal Healthcare	72,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Helios Business Park-Block E	Outer Ring Road	-	567,723	Q2 2021
Bagmane Solarium City Xenon (North Block)	Peripheral East	Legato	500,000	Q3 2021
Bagmane Capital Rome	Outer Ring Road	Amazon	510,000	Q3 2021

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