


1.15 msf GROSS LEASING (Q1 2021)

0.28 msf NET ABSORPTION (Q1 2021)

13.8 msf UPCOMING SUPPLY
(2021 – 2023)

**MARKET INDICATORS OVERALL
Q1 2021**

	Q1 2020	Q1 2021	12 month Forecast
Overall Vacancy	4.5%	6.9%	▲
Weighted Average Net Asking Rents (INR/sf/month)	70.6	70.6	■
YTD Net Absorption (sf)	173,026	276,531	▲

Demand softened in Q1; recovery impacted by the second wave

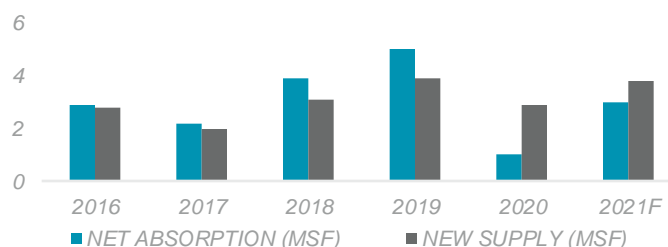
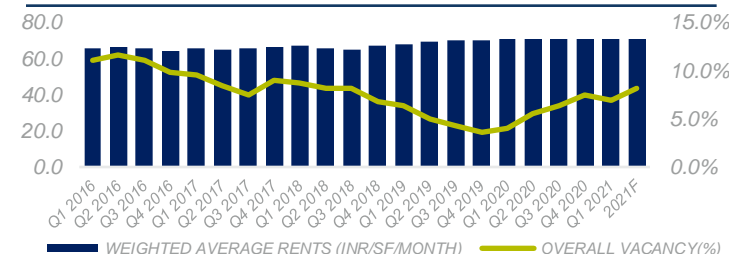
Pune office market has recorded a gross leasing of about 1.15 msf, a 22% q-o-q decline (35% y-o-y) during Q1. The second wave of COVID-19 has impacted occupiers' sentiments and the market recovery, as several occupiers deferred their return to office / space take-up plans and chose to adopt a cautious 'wait and watch' approach. Pre-leases and fresh demand together have accounted for nearly 60% of the activity and the rest were term renewals. SBD East dominated the activity with a 73% share followed by PBD West at 18% with IT-BPM, engineering and manufacturing & professional services sectors being the major occupiers. No new completions were reported during the first quarter of 2021. Weak occupier demand in addition to limited pre-leasing in properties that are in the final stages of completion have impacted the new supply. Although supply has been outstripping demand since the last two quarters, vacancy rates across most submarkets and at the city level are still tight and the headline rentals have largely remained stable. Over the last few quarters, developers have remained strategic in offering discounts / concessions and occupiers are increasingly restructuring leases through early renewals to take advantage of the current market conditions. Net absorption was recorded at 0.28 msf during Q1, a decline of 51% q-o-q, which was mainly due to limited demand for immediate occupation coupled with occupier exits on the back of weak market conditions. The overall vacancy rate at the city level has declined by 50 bps q-o-q to 6.9%.

Demand for managed office spaces on the rise

With companies exploring hybrid work models and considering core+flex strategies, the demand for managed office spaces in the city is steadily on the rise. Over the last 6 months, several occupiers who were exploring conventional space options prior to COVID, have revised their strategy and are considering flex for their short-mid term space requirements. Key transactions from flex space operators recorded during the quarter include Awfis at Ganga Trueno & Tablespace at Phoenix Fountainhead 2, while major enterprise clients who have acquired spaces in co-working setups include Square yard, SLK Global, Abzooba India, MAN truck & Bus, SecurView, Byju's, Ocwen, Anderson Business Solutions etc. Major flex space operators are looking to expand their footprint further to solidify their market position and capture the growing enterprise demand.

Vacancy levels likely to increase in the short-term

With several projects in the final stages, approximately 3.8 msf of fresh supply is estimated to be delivered in 2021, of which just 27% of the supply is pre-committed. Thus, we expect vacancy levels to rise further over the next 6-12 months mainly due to limited pre-commitments and the delayed decision-making from the occupiers. Moreover, the COVID-19 resurgence and lockdown-like restrictions are also likely to impact Pune's office market recovery significantly in the short term. We anticipate demand to remain sluggish until the business confidence is restored as many occupiers have deferred their plans once again. Headline rentals could largely remain stable, but market will continue to remain tenant favourable.

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%	43,210	12,09,250	-	-	125.20	20.6	17.2
SBD East	3,01,61,222	4.5%	8,46,752	61,68,056	-	2,25,531	90.85	15.0	12.5
SBD West	60,30,858	4.4%	60,648	26,95,000	-	-	89.49	14.8	12.3
PBD East	19,50,209	2.0%*	-	-	-	-	64.07	10.6	8.8
PBD West	1,28,44,002	13.7%	2,01,766	37,29,312	-	51,000	53.96	8.9	7.4
TOTAL	5,50,25,786	6.7%**	11,52,376	1,38,01,618	-	2,76,531	70.60	11.6	9.7

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 newspace 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 69%.

***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 72.8; € 1 = INR 87.5.

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
The Square	SBD East	ADP	2,25,000	Fresh Lease
Panchshil Business Park	SBD East	Snowflake	1,00,000	Pre-commitment
Embassy Quadron	PBD West	Telstra	51,000	Fresh Lease
Magarpatta Cybercity - Tower 6	SBD East	Ellie Mae	44,325	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	Developer	SF	COMPLETION
Sky One Corporate Park (Building A)	SBD East	Lunkad Realty	7,50,000	Q3 2021
Agile M	SBD West	Malpani Estates	7,70,000	Q3 2021
Amar Madhuban Tech Park	SBD West	Amar Builders	4,35,000	Q2 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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