

1.06 msf GROSS LEASING (Q2 2021)

1.96 msf SUPPLY/COMPLETION (Q2 2021)

9.3% VACANCY (Q2 2021)

MARKET INDICATORS OVERALL Q2 2021

	Q2 2020	Q2 2021	12 month Forecast
Overall Vacancy	6.56%	9.3%	▲
Weighted Average Net Asking Rent (INR/sf/month)	81.60	82.70	■
YTD Net Absorption (sf)	2,610,063	3,092,752	▲

Project completion witnessed higher momentum than first wave

Unlike the first wave of the pandemic in Q2 2020, when completion of new projects had been adversely impacted due to labour and resource constraints, Q2 2021 added a supply of 1.96 msf (a 9X growth y-o-y) to Bengaluru's grade A office inventory. However, a q-o-q decline of 45% has been recorded largely due to pending occupancy certificates for some of the ready projects. Nearly 3.0 msf of supply which was earlier scheduled for completion in 2021 has been deferred by 3-6 months since developers are focusing on projects that are already pre-leased. Nearly 4.0 msf. of supply with pre-leasing of up to 38% is slated for completion in H2 2021 and ORR submarket accounts for approx. 70% of this upcoming supply. Despite there being a delay in project completions due to the pandemic, the city's office sector is likely to record a total Grade A office supply of approx. 9.5-10.0 msf during 2021.

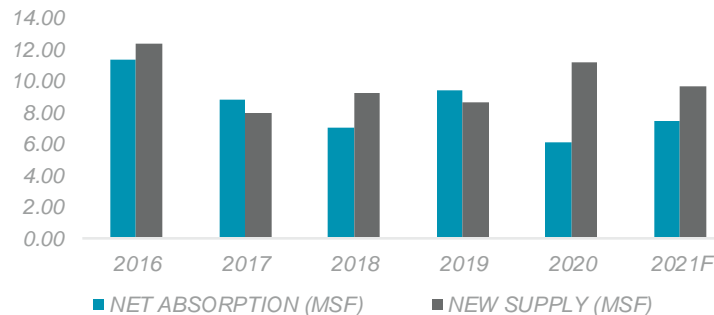
Leasing activity muted; ongoing space requirements continue to remain active

The second wave and subsequent lockdown restrictions have disrupted office market recovery witnessed during early 2021. Gross leasing was recorded at 1.06 msf, a 57% and 43% decline on a q-o-q and y-o-y basis, respectively. While the corresponding quarter in 2020 witnessed a higher lease volume with most deals being a spill over from Q1 2020, the widespread disruption caused by the second wave brought commercial activity to a pause and impacted the leasing momentum which was recovering from the impact of the first wave. However, the projects that were completed during the quarter had more than 60% occupancy levels. Nearly 1.5 msf of net absorption was recorded in Q2 2021, marginally down (8%) compared to Q1 but is significantly higher on a y-o-y basis. Vacancy rate inched up marginally by 20 bps to 9.3% with the addition of new supply and some occupier exits driven by space optimization strategies. Office demand is likely to pick up pace gradually in H2 2021 and rebound in 2022 as vaccinations pick up pace, business sentiments improve, and occupiers start to revisit their return to office and space strategies. Despite the second wave, several RFPs and ongoing deals remained active suggesting that demand is expected to bounce back as conditions improve over the next 6-12 months.

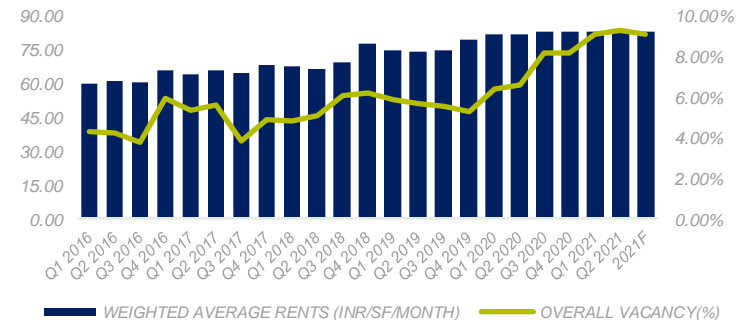
Headline rentals remained stable

Rentals across the city remained stable during the quarter as most developers remained unperturbed by gradually rising vacancy levels. Furthermore, the relevant vacancy in institutionally owned office parks and key submarkets is still at an average of 6-7% suggesting that demand – supply conditions are still balanced. Though rents remained stable, landlords were accommodative on the lease terms. We expect rents to remain stable for the rest of 2021 and for 2022 and a strong rebound in demand could bring back rental growth, especially in submarkets such as ORR, Suburban East and CBD/Off CBD where vacancies are still in single digits.

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	5.3%	139,277	400,000	60,000	16,418	161.00*	26.08	21.86
Outer Ring Road	71,121,180	3.2%	939,164	14,767,498	1,607,835	1,183,863	107.00	17.33	14.53
Peripheral East	31,185,019	16.2%	968,501	5,213,764	1,100,000	872,322	68.00	11.02	9.23
Peripheral North	7,945,654	48.6%	540,000	5,013,215	1,863,000	361,226	75.00	12.15	10.18
Peripheral South	11,992,839	13.5%	7,775	1,650,000	650,000	46,848	65.00	10.53	8.83
Suburban East	20,373,292	3.8%	500,631	996,000	266,000^^	300,058	127.00**	20.58	17.24
Suburban North West	1,100,000	4.2%	15,030	2,148,000	-	2,470	158.00	25.60	21.45
Suburban South	7,747,833	8.3%	405,410	350,000	-	309,548	93.00	15.07	12.63
TOTALS	158,199,139	9.3%	3,515,788	30,538,477	5,546,835	3,092,752	82.7	13.33	11.17

The report highlights Grade A project details only. Certain historical numbers may have been corrected through addition / deletion of older / and or refurbished projects, basis grade A building classification. It might also have been revised to account for changes in built-up / and or leasable area and modifications in tenant leases, in order to reflect accurate market conditions.

#YTD gross leasing activity includes pre commitments and term renewals

^ Includes planned & under construction projects until 2023

^^ A refurbished project

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 74.07 AND € = INR 88.38

Numbers for second quarter, 2021 are based on market information collected until 20th June 2021

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Modern Asset North Gate Phase II- Wing B	Peripheral North	Collins Aerospace	315,000	Fresh Lease
Kalyani Magnum	Suburban South	TE Connectivity	170,000	Fresh Lease
Bagmane Constellation Business park (Virgo Block)	Outer Ring Road	Archwell	49,000	Fresh Lease
Vaswani Centropolis	CBD / Off CBD	Cloudtail India Private Limited	25,500	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Bagmane Solarium City Xenon (North Block)	Peripheral East	Legato	500,000	Q3 2021
Embassy Tech Village Sector B (block 9) Front parcel 1	Outer Ring Road	JPMC	550,000	Q4 2021
Bagmane World Technology Centre (Opal Block)	Outer Ring Road	-	636,000	Q4 2021

Srija Banerjee

Senior Manager, Research Services

+91 080 40465555 / srija.banerjee@cushwake.com

Kapil Kanala

Director, Research Services

+91 40 40405555 / kapil.kanala@ap.cushwake.com

cushmanwakefield.com

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