



14.0 % VACANCY(Q2 2021)

1.8 msf NEW COMPLETIONS (Q2 2021)

1.5 msf YTD NET ABSORPTION (H1 2021)

Leasing activity driven by large pre commitments in Q2 2021

The second wave of COVID-19 had a limited impact on office demand in Hyderabad. Gross leasing for Q2 was recorded at 2.8 msf, a substantial jump (2X) as compared to Q1 driven by sizeable pre-leasing activity. Large occupiers such as Legato and Qualcomm have pre-leased nearly 2 msf., a sign of occupier confidence and their commitment to long term growth in the city. Nearly 800,000 Sf. was also leased by various occupiers for immediate requirements. Some of these deals were in the pipeline for more than 12 months suggesting that the demand is slowly but gradually coming back to the market as business sentiments start to improve as vaccination gains pace and companies start relooking at gradual return to work strategies. Madhapur accounted for more than 90% of the overall leasing during the quarter. Increasing availability of older, furnished spaces have helped smaller occupiers to who were looking to take advantage of the market conditions. IT-BPM, Engineering and Healthcare sectors have dominated the space take-up. Meanwhile, flexible workspaces have continued to grow albeit at a slower pace as compared to the last quarter.

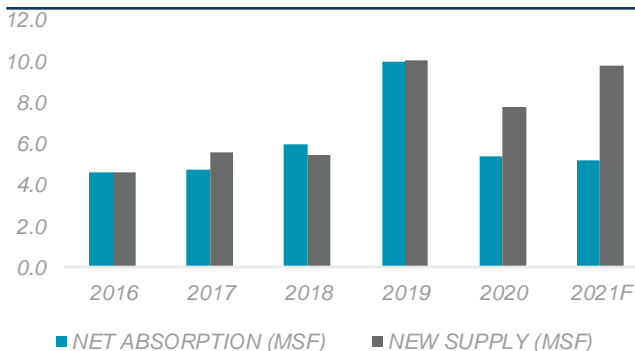
Supply surge continues, vacancy rises again

Nearly 1.8 msf of new supply has entered the market during Q2, of which nearly 72% was already pre-leased. Despite higher pre-commitments in new supply and additional leasing, vacancy rate still inched up by more than 100bps to 14% during the quarter, driven by sizeable exits from several occupiers. Over the last 12 months, vacancy rate at the city level has more than doubled driven by a steady stream of new supply besides large scale addition of churn space as tenants continued to recalibrate space strategies. New supply of about 4.0 msf is expected in H2 2021 and about two thirds of it has already been pre-leased. We expect vacancies to go up further by another 100-200 bps and fluctuate at around 15-18% over the next 12-18 months with supply exceeding the demand.

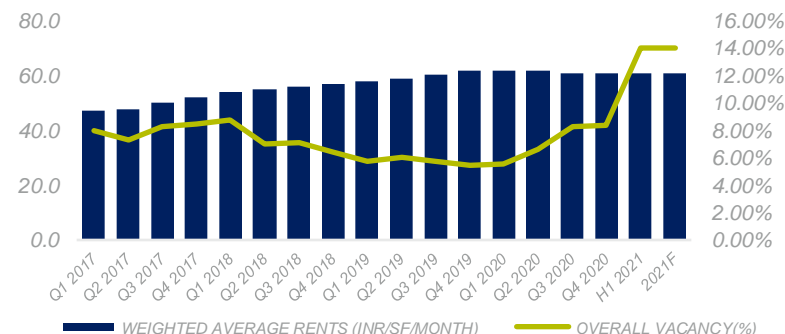
Headline rents stable, market remains tenant favorable, new supply negates rental growth

Despite rising vacancies both in Madhapur and Gachibowli, headline rents have largely remained stable over the last 3 months. Though rents remained stable, landlords were accommodative on the lease terms. Besides early renewals, landlords were also willing to restructure some of the existing commercial terms. Overall, market conditions continued to remain tenant favorable, and we expect them to remain so for another 12-18 months given higher vacancies and large-scale upcoming supply. Going forward, we expect stable rents and tenant favorable conditions will help the market to bounce back faster.

NET ABSORPTION & NEW SUPPLY



OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT



MARKET INDICATORS OVERALL Q2 2021

	Q2 2020	Q2 2021	12 month Forecast
Overall Vacancy	6.5%	14.0%	▲
Weighted Average Net Asking Rents (INR/sf/month)	62.0	61.00	■
YTD Net Absorption (sf)	2,143,159	1,475,687	▲



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE (%)	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
Madhapur	48,223,601	9.5%	3,492,541	10,635,989	2,554,176	890,185	71.00	11.50	9.64
Gachibowli	19,416,788	21.1%	289,290	12,565,000	3,209,923	671,482	61.00	9.88	8.28
Peripheral East	2,258,000	32.7%	49,500	0	0	-92,500	38.60	6.25	5.24
TOTAL##	71,660,210	14.0%	3,884,331	23,462,989	5,974,099	1,475,687	61.00	9.88	8.28

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.

^ 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

* Term Renewals recorded during H1 - 1 msf. Total Gross Leasing activity in H1 2021 including term renewals - 4.8 msf

Totals include a smaller portion of grade A properties outside the above-mentioned submarkets.

IT-BPM - Information Technology - Business Process Management, BFSI - Banking, Financial services and Insurance

Key to submarkets:

Madhapur includes Madhapur, Kondapur, Raidurg; Gachibowli includes Gachibowli, Nanakramguda, Manikonda Peripheral East includes Pocharam and Uppal;

US\$ 1 = INR 74.07 € 1 = INR 88.38

Numbers for the first quarter are based on market information collected until 25th Jun 2021

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Avance H09	Suburban (Madhapur)	Legato	290,000	Pre Lease
KRC Commerzone	Suburban (Madhapur)	Qualcomm	1,500,000	Pre Lease
GMR Aero Tower - 2	Peripheral South	OSI Systems	46,000	Fresh lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Phoenix Trivium Phase 3	Suburban (Madhapur)	Genpact	343,620	Q3 2021
Divyasree Orion Block 8	Suburban (Madhapur)	Wells Fargo	1,100,000	Q4 2021

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