

**4.8 msf** GROSS LEASING (Q3 2021)\*

**0.5 msf** SUPPLY/COMPLETION (Q3 2021)

**8.9%** VACANCY (Q3 2021)

**MARKET INDICATORS OVERALL Q3 2021**

	Q3 2020	Q3 2021	12 month Forecast
Overall Vacancy	8.2%	8.9%	▲
Weighted Average Net Asking Rent (INR/sf/month)	81.60	82.70	▲
YTD Net Absorption (sf)	4,172,218	4,199,901	▲

## Recovery in leasing momentum; term renewals contribute a larger share

After a slowdown in leasing activity during the previous quarter, the city's office sector has started showing momentum, with gross leasing volume of approx. 4.8 msf recorded in Q3. Though the second COVID wave and subsequent lockdown restrictions disrupted office market activity in Q2, a recovery in Q3 was seen at nearly 4X growth q-o-q. A y-o-y comparison also indicates a healthy 67% growth, indicating a clear revival. Renewals accounted for a major share (~60%) of the quarterly gross lease volume amid ongoing re-negotiations for pre-renewals (coming up in the next 6-9 months). This points towards developers/landlords' willingness to retain tenants and the latter's intention to try securing deals at lower rates. With a ~1.3 msf of fresh space take up during the quarter, net absorption on a YTD basis saw a marginal growth (1%). With almost 40% of the upcoming supply due for completion in Q4 2021 being pre-committed, we anticipate a healthy net absorption for the full year. While there are instances of occupiers vacating spaces either due to relocation/consolidation or business reasons, many of the occupiers are still in "wait-and-act" mode deferring consolidation/expansion requirements and having plans to return to the workplace by Q1 2022. However, enquiries/RFPs for large spaces (>100,000 sf) continue unabated besides the demand for mid sized (40,000-50,000 sf) office spaces. Therefore, market seems to be anticipating a recovery in business sentiments over the next 6-12 months.

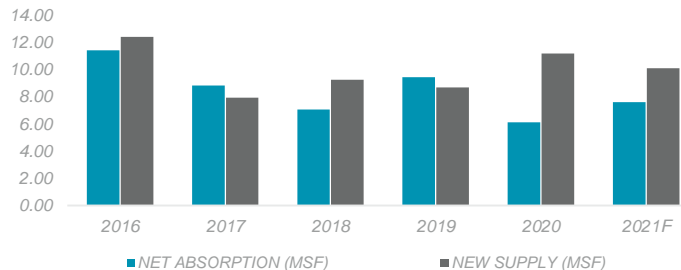
## Project completion slowed down during Q3, year -end supply likely to be healthy

Quarterly project completion witnessed a slowdown with only 0.5 msf of office space getting added to the city's Grade A office inventory. This q-o-q decline of ~70% was due to developers holding back release of new supply. Unlike the previous quarter when a large share of new supply was pre-leased, some projects slated for Q3 have been moved forward in anticipation of higher demand from occupiers for completed projects in the next quarter. Pending occupancy certificates for some of the ready projects too affected the quarterly supply. However, nearly 4.0 msf. of supply with pre-leasing of up to 40% is slated for completion in Q4 2021. This would add up to a total of 9.5-10.0 msf Grade A office supply during 2021. With few project completions likely to get pushed to the next year, we anticipate a healthy supply of ~12.0 msf during 2022.

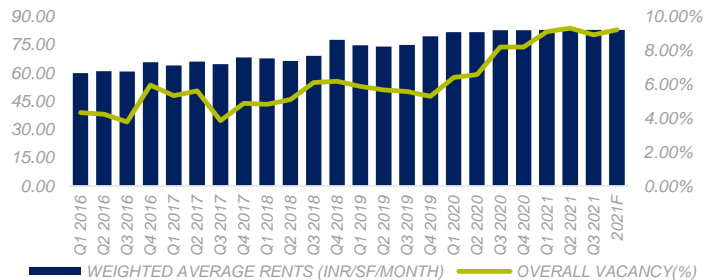
## Rentals remain resilient, unlikely to witness change in the short term

Majority of the developers/landlords of Grade A office space continued to hold the rentals stable from previous quarters. The quarterly vacancy fluctuations have always been nominal with the overall city and prominent submarket (Outer Ring Road, CBD/Off CBD and Suburban East) vacancies being recorded in single digits. While landlords continue to remain accommodative in modifying the lease terms, basis certain occupier requests, a healthy supply in the near term is unlikely to have an impact on the city rentals, which may remain stable over the next 6-8 months.

### 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	4.8%	237,150	750,000	60,000	51,389	161.00*	26.02	22.42
Outer Ring Road	71,646,180	3.2%	4,494,992	13,875,830	2,132,835	1,710,980	107.00	17.30	14.90
Peripheral East	31,185,019	14.9%	1,470,864	7,113,764	1,100,000	1,281,321	68.00	10.99	9.47
Peripheral North	7,945,654	47.1%	659,258	5,013,215	1,863,000	480,484	75.00	12.12	10.45
Peripheral South	11,992,839	13.0%	64,775	1,200,000	650,000	103,848	65.00	10.51	9.05
Suburban East	20,373,292	4.2%	825,913	996,000	266,000^^	232,058	127.00**	20.53	17.69
Suburban North West	1,100,000	3.1%	27,530	2,148,000	-	14,970	158.00	25.54	22.01
Suburban South	7,747,833	8.1%	518,410	350,000	-	324,851	93.00	15.03	12.95
<b>TOTALS</b>	<b>158,724,139</b>	<b>8.9%</b>	<b>8,298,892</b>	<b>31,446,809</b>	<b>6,071,835</b>	<b>4,199,901</b>	<b>82.7</b>	<b>13.37</b>	<b>11.52</b>

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 new space 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, submarket includes certain outperformers where quoted rentals are above INR 220-250/Sf/Month

\*\*Suburban East - Weighted average rents, submarket 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 Northwest – Rajaji Nagar, Malleshwaram.

US\$ = INR 74.24 AND € = INR 86.16

Numbers for third quarter, 2021 are based on market information collected until 30<sup>th</sup> September 2021

## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Helios Business Park	Outer Ring Road	Western Digital	680,000	Fresh Lease
RMZ Ecospace	Outer Ring Road	ZEE5	120,000	Fresh Lease
Bagmane Tech Park	Suburban East	Informatica	150,000	Renewal
Primeco Towers	Suburban South	Paychex	67,000	Fresh Lease

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Bagmane Solarium City Xenon (South Block)	Peripheral East	Legato	500,000	Q4 2021
Embassy Tech Village Sector B (block 9) Front parcel 1	Outer Ring Road	JPMC	550,000	Q4 2021
Bagmane Capital -Rome (North Block )	Outer Ring Road	Amazon	510,000	Q4 2021

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