

13.3% VACANCY (Q3 2021)

1.2 msf NEW COMPLETIONS (Q3 2021)

3.1 msf YTD NET ABSORPTION

MARKET INDICATORS OVERALL  
Q3 2021

	Q3 2020	Q3 2021	12 month Forecast
Overall Vacancy	8.4%	13.3%	▲
Weighted Average Net Asking Rents (INR/sf/month)	61.0	61.00	■
YTD Net Absorption (sf)	3,395,085	3,065,145	▲

## Supply with healthy pre-commitment keeps a check on vacancy

Completion of Salarpuria Knowledge Capital Block III in Gachibowli submarket added 1.2 msf (approx.) of new supply to the city's Grade-A office inventory in Q3. With the entire new supply being pre-committed to Google and with lower number of tenant exits observed this quarter city level vacancies recorded a q-o-q decline of ~75 bps (from 14.1% in Q2 to 13.3% in Q3). However, city level vacancy has increased on an annual basis in Q3 2021 by ~500 bps due to large scale addition of churn space since tenants vacated spaces and chose to optimize their portfolios depending on business requirements, during the entire span of the pandemic. Despite an additional supply of about 3.3 msf being expected in Q4 2021, around 45% of it is pre-leased and with active enquiries for ready space from occupiers, we expect vacancies to remain range bound by end 2021. However, with another ~10.0 msf supply being due for 2022, city level vacancy may witness an increase over the next 12-18 months with supply exceeding the demand.

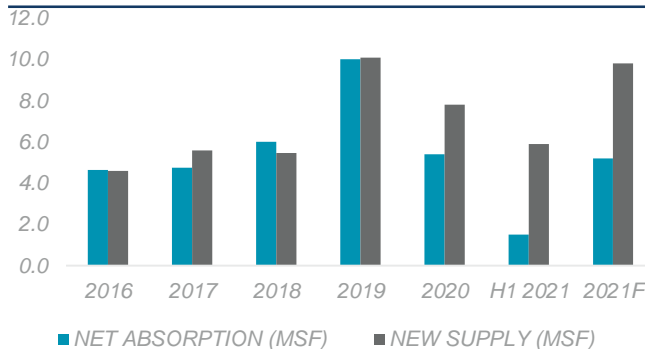
## Pre- leasing activity slowed down in Q3; immediate space requirements remain active

Unlike in the previous quarter, pre-leasing demand was muted during Q3 with occupiers intending to keep a watch on the project construction status and any likely delay, before committing to a space. During Q2, pre-commitment had been a significant contributor (72%) to gross leasing but has slowed down in the current quarter accounting for just 17% of quarterly leasing. The overall gross leasing volume in Q3 2021 (0.7 msf) has recorded a 70-75% drop both on a q-o-q and y-o-y basis. While quarterly fresh leasing has declined by ~25% in line with the broader slowdown in gross leasing activity in the quarter, but active enquiries for completed projects have been gradually improving which augurs for market recovery going forward. A comparison between YTD 2020 and YTD 2021 fresh lease volume shows a 22% increase, thereby indicating healthy demand for immediate space requirements. Despite the adverse impact of the pandemic in the past six quarters, a rise in YTD fresh lease volume talks about signs of recovery and occupier confidence in the city's office space. Further as vaccination gains pace companies are expected to start relocating at gradual return to work strategies. Madhapur continued to witness majority of leasing traction, accounting for 90% of quarterly gross leasing and Gachibowli accounted for 5% share during Q3. IT, Engineering and Healthcare occupiers continued to dominate the space take-up with 38%, 27% and 17% shares respectively in quarterly gross leasing.

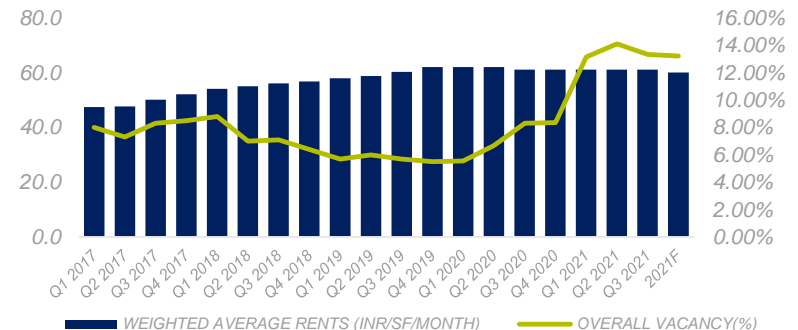
## Rentals remain range bound, likely to remain unchanged in the mid-term

Despite vacancy fluctuations in the city's office market in 2021, Grade A office space rents have largely remained range bound. Madhapur and Gachibowli submarkets, where demand for quality space remains healthy, vacancy changes has had no impact on the rentals. Though there was no decline in broader city-wide rents in the quarter, few landlords were supportive in terms of modifying the commercial terms, basis requests from occupiers. With a healthy supply pipeline slated for completion during the next 12-18 months, we anticipate the rentals to remain unchanged and the overall Hyderabad office market conditions to remain attractive for the tenants..

## NET ABSORPTION &amp; NEW SUPPLY



## OVERALL VACANCY &amp; WEIGHTED AVERAGE ASKING RENT





## 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	9.4%	4,107,422	11,735,989	2,554,176	963,665	71.00	11.48	9.89
Gachibowli	20,616,788	17.9%	322,427	12,465,000	4,409,923	2,277,593	61.00	9.86	8.50
Peripheral East	2,258,000	31.3%	79,543	0	0	-62,457	38.60	6.24	5.38
<b>TOTAL##</b>	<b>72,907,210</b>	<b>13.3%</b>	<b>4,569,276</b>	<b>24,462,989</b>	<b>7,174,099</b>	<b>3,065,145</b>	<b>61.00</b>	<b>9.86</b>	<b>8.50</b>

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 from Q4 2021-2023

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

#Term Renewals recorded during YTD 2021 - 1 msf. Total Gross Leasing activity in YTD 2021 including term renewals - 5.5 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 74.24 € 1 = INR 86.16

Numbers for the first quarter are based on market information collected until 25<sup>th</sup> Sep 2021

## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
KRC Mindspace Block 11	Suburban (Madhapur)	AMD	182,147	Fresh Lease
Salarpuria Sattva Parcel-5 Opel Block	Suburban (Madhapur)	Citco	118,115	Pre Lease
The Skyview - Tower 10	Suburban (Madhapur)	Facebook	91,167	Fresh lease

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

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

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