

15.1 % VACANCY (Q4 2021)

4.5 msf NEW COMPLETIONS (Q4 2021)

5.6 msf NET ABSORPTION (2021)

**MARKET INDICATORS OVERALL
Q4 2021**

	Q4 2020	Q4 2021	12 month Forecast
Overall Vacancy	8.4%	15.1%	▲
Weighted Average Net Asking Rents (INR/sf/month)	61.0	61.00	▬
YTD Net Absorption (sf)	4,431,037	5,581,838	▲

Flex space operators and IT-BPM sectors drive leasing activity in Q4

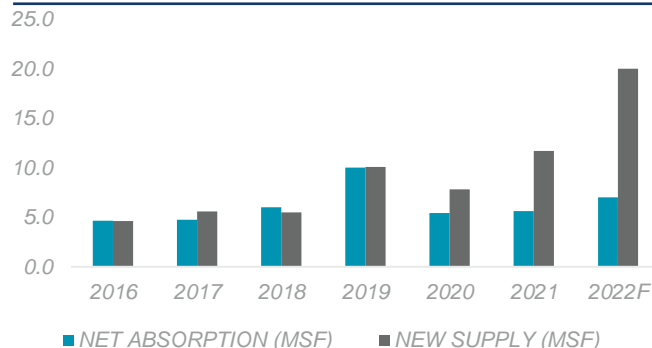
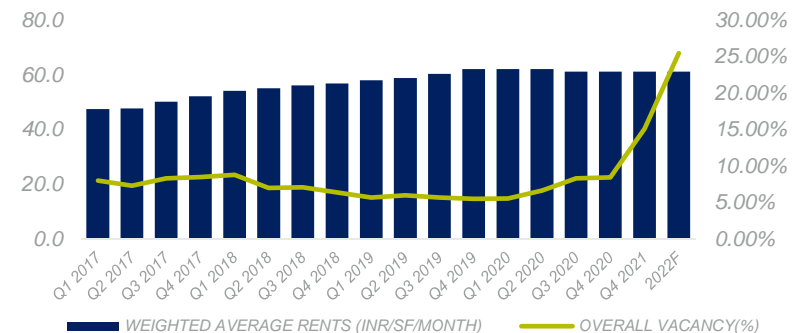
Hyderabad's grade A office sector recorded a gross lease activity of around 1.6 msf during Q4 2021, registering a growth of 105% on a q-o-q basis indicating a strong revival as expected. Fresh office demand recorded a 2X jump to 1.5 msf in Q4 compared to Q3 2021. City recorded a y-o-y growth of 60% in fresh leasing volume. For the full year 2021, gross leasing activity of 7.1 msf has been registered, which is a growth of around 3% over 2020. In Q4 2021, flexible workspace operators were biggest contributors to gross leasing volume with a 55% share, followed by IT-BPM (31%) sector. Driven by high enterprise demand, leasing of flex spaces stood at 2X in H2-2021 compared to demand recorded in H1-2021. Madhapur continued to remain occupiers' preferred submarket and accounted for 76% and 86% of quarterly and yearly fresh gross leasing volumes, respectively. Yearly net absorption stood second highest in India at 5.6 msf, growing by 26% y-o-y, signalling a healthy recovery in occupier sentiment.

Large quantum of supply enters in Q4, but with high pre-commitment levels

In Q4 2021, nearly 4.5 msf of new office space entered the market, which has been the highest in last ten quarters. This amounted to a total of 11.7 msf of supply entering the market in year 2021, a 48% y-o-y growth. Despite 78% of the Q4 supply pre-leased and a healthy leasing activity observed during the quarter, city's vacancy rate saw an increase from 13.3% in Q3 to 15.1% at end-2021. The higher vacancy has been caused by influx of new supply. Also, select occupiers resorted to optimizing their portfolios and, in few cases, moved to better-quality office spaces to consolidate their presence in the city. Interestingly, Madhapur recorded 2.1 msf of project completions in Q4 2021, all of which has been pre-leased. Hence, the submarket witnessed a contraction in its q-o-q vacancy levels from 9.4% in Q3 to 8.8% by end of Q4 2021.

Large supply pipeline to sustain tenant favourable condition and pressurise rents

Asking rentals for all sub-markets have largely remained unchanged as of Q4 2021. However, developers of select few projects with high vacancy levels have taken an accommodative stance by offering perks such as higher rent-free periods and lesser security deposits in order to attract or retain tenants. Hyderabad city is likely to witness large quantum of supply, anticipated at 15 msf of average new supply each year for the next three years. Therefore, despite significant on-going and anticipated leasing activity, market is likely to remain somewhat favourable towards tenants, with possibility of rents softening in the medium-term.

NET ABSORPTION & NEW SUPPLY

OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT




MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE (%)	2021 GROSS LEASING ACTIVITY# (SF)	PLANNED & UNDER CONSTRUCTION (SF)^	2021 CONSTRUCTION COMPLETIONS (SF)	YTD NET ABSORPTION (SF)	GRADE A WTD. AVG. RENT*		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
Madhapur	50,159,019	8.8%	6,284,358	22,032,459	4,682,594	2,932,133	71.00	11.62	10.14
Gachibowli	22,946,524	25.6%	662,725	22,909,265	6,812,158	2,449,040	61.00	9.99	8.71
Peripheral East	2,258,000	32.7%	64,573	0	0	-92,500	38.60	6.32	5.51
TOTAL##	77,185,766	15.1%	7,131,247	45,203,724	11,670,752	5,581,838	61.00	9.83	8.68

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 2024

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

Includes Term Renewals of 1.1 msf recorded during 2021.

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 73.30 € 1 = INR 84.04

Numbers for the fourth quarter are based on market information collected until 25th Dec 2021

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KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
KRC Mindspace 3A & 3B	Suburban (Madhapur)	Smartworks	444,000	Fresh Lease
One West	Suburban (Gachibowli)	ADP	97,500	Fresh Lease
Aurobindo Galaxy	Suburban (Madhapur)	TableSpace	79,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Knowledge Park - Phase – III – Tower 1&2	Suburban (Madhapur)	NA	3,200,000	Q1 2022
Jyothi Tech Park	Suburban (Gachibowli)	NA	1,600,000	Q1 2022

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