


593,908 sf GROSS LEASING (Q4 2021)

26.27 msf INVENTORY (Q4 2021)

1.55 msf UPCOMING SUPPLY (2022 - 2024)

**MARKET INDICATORS OVERALL
Q2 2021**

	Q4 2020	Q4 2021	12 month Forecast
Overall Vacancy	32.7%	31.1%	▼
Weighted Average Net Asking Rents (INR/sf/month)	48.1	48.1	■
Net Absorption (sf)	610,604	451,369	▲

Healthy growth in leasing with market recovery gaining momentum

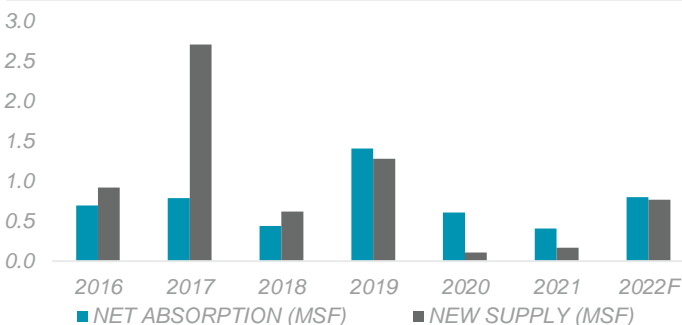
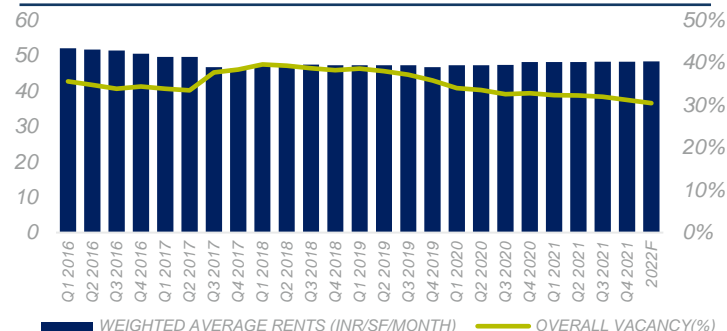
Kolkata's office market ended the year on a positive note with robust growth in leasing activities reflecting the improvement in business sentiments and market activity. The momentum in office demand that was witnessed in Q3 continued in the last quarter of the year with gross leasing of 0.59 msf, a sharp rise of over 5x on a qoq basis and a 66% growth as compared to Q4 2020. Net absorption stood at 0.18 msf in Q4, higher by around 124% on a qoq basis and a jump of over 4x as compared to the same period in 2020. Fresh leasing accounted for all the lease transactions in the quarter, showing that demand for office space has returned with occupiers moving ahead with their near to medium term space strategies and completing deals in a largely occupier-friendly market. Salt Lake Sector V and Rajarhat accounted for most of the quarterly leasing with shares of 57% and 39% respectively. Despite the office market being firmly on the recovery track in the second half of the year, the figures for the full year were below that of 2020 primarily because of the adverse impact of the second Covid wave in Q2. Gross leasing in 2021 stood at 0.97 msf, down by around 34% from the previous year while net absorption for the year was recorded at 0.45 msf, a 26% decline as compared to 2020. IT-BPM remained the key driver of leasing activities in the city with a share of 59% in quarterly leasing. Flexible workspaces accounted for around 19% of lease transactions in Q4 in keeping with occupiers' preference for flexibility, cost optimization and risk management that flex spaces deliver. For the year as a whole, IT-BPM accounted for around 43% of gross leasing followed by flexible workspaces and engineering & manufacturing with shares of 18% and 15% respectively. Office enquiries have increased in H2 2021 and market recovery is expected to continue in 2022 with any uncertainty related to the unfolding Covid situation likely to be a temporary phenomenon.

Limited new supply amid rising demand for premium office space

New supply of 64400 sf was added at Park Street in the CBD micromarket in Q4 bringing the total supply in 2021 to 0.17 msf. New supply of 0.77 msf that was supposed to become operational in Q4 in the submarkets of Park Circus Connector and Salt Lake, Sector V have now been deferred to Q3 2022. In what is an encouraging sign for the city, Q4 saw new leases signed by leading global and Indian IT occupiers. Moving forward, as the bigger players scale up their city-specific expansion plans, it is likely to improve market sentiments further and drive leasing activities by mid-sized IT occupiers as well. However, the recovery in office demand is also accompanied by limited Grade A supply which could push up rents over the next year. Some developers have commenced construction of new projects to increase supply in the market and meet rising demand for Grade A office space over the medium term.

Stable rentals, vacancy trends down due to better leasing traction

City-wide rentals remained stable in Q4 even as rental negotiations were reported in some properties, particularly those where occupancy is low. A prominent IT occupier was engaged in lease restructuring with the developer and such negotiations are likely to continue over the next couple of quarters given that the market is occupier-friendly and will remain so in the short term. However, rental negotiations and the quantum of incentives depend on factors such as type of tenant, scale of requirement, type of property etc. City wide vacancy stood at 31.1% in Q4, a decline from 31.9% in the previous quarter on the back of healthier leasing activity. With market activity on the rebound, vacancies could witness a gradual fall in the next couple of quarters.

NET ABSORPTION & NEW SUPPLY

OVERALL VACANCY & WEIGHTED AVERAGE 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	1,550,074	27.9%	30,222	84,500	64,400	22,186	110.40	18.07	15.76
Park Circus Connector	710,260	22.5%	0	600,000	0	0	80.00	13.09	11.42
Rashbehari Connector	1,413,780	37.2%	28,000	0	0	28,000	75.00	12.28	10.71
Rajarhat	10,287,434	23.6%	348,579	0	0	64,990	37.35	6.11	5.33
Sector-V, Salt Lake*	12,309,650	37.5%	558,248	867,360	110,000	336,193	42.00	6.88	5.99
TOTAL	26,271,198	31.1%	965,049	1,551,860	174,400	451,369	48.11	7.88	6.87

The report highlights Grade A details only.

^ Includes planned & under construction projects until 2024

Net absorption refers to the incremental new space take-up

#YTD gross leasing activity includes pre commitments and term renewals

*Weighted average asking rental rates for vacant spaces that provide core facility, high-side air conditioning and 100% power back up

IT-BPM – Information Technology – Business Process Management

Key to submarkets:

CBD – Park Street, Camac Street, AJC Bose Road, Theatre Road

*Grade A inventory in Salt Lake has been adjusted by excluding a project which does not fit into the definition of Grade A.

US \$ 1 = INR 73.30 € 1 = INR 84.04

Numbers for the fourth quarter are based on market information collected until 20th December 2021

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Candor Techspace	Rajarhat	Capgemini	230,000	Lease restructuring
Adventz Infinity	Sector V, Salt Lake	Mindtree	57,000	Fresh Lease
Technopolis	Sector-V, Salt Lake	Awfis	48,000	Fresh Lease
Merlin Infinite	Sector-V, Salt Lake	L&T Infotech	60,000	Fresh Lease
Godrej Waterside	Sector V, Salt Lake	E&Y	40,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
Ideal Unique Centre	Park Circus Connector	NA	600,000	Q3 2022
Arch Square	Sector-V, Salt Lake	NA	167,360	Q3 2022
Imagine Tech Park	Sector-V, Salt Lake	NA	700,000	Q1 2023

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