

BENGALURU

Office Q1 2022

2.9 msf GROSS LEASING (Q1 2022)

3.1 msf SUPPLY/COMPLETION (Q1 2022)

9.6% VACANCY (Q1 2022)

MARKET INDICATORS OVERALL Q1 2022

	Q1 2021	Q1 2022	12 month Forecast
Overall Vacancy	9.1%	9.6%	▲
Weighted Average Net Asking Rent (INR/sf/month)	82.70	82.70	▲
YTD Net Absorption (sf)	1,600,462	1,819,134	▲

Gross leasing sustains momentum from last 2 quarters

Bengaluru recorded a healthy 2.9 msf of gross leasing during Q1 2022, rising by 7% y-o-y although tapering off a bit from the highs of the immediately preceding quarter. The city continues to be a significant contributor, with a share of 20-25% in quarterly leasing across top-8 Indian cities. Q1 2022 leasing activity was led by fresh leasing which accounted for 53% share in quarterly gross leasing. Pre-leasing accounted for 30% of overall gross leasing activity during the quarter, indicating a recovery in occupier sentiments. IT-BPM sector accounted for a higher share (37%) of leased space during the quarter, followed by Engineering & Manufacturing and Telecom & Media sectors with contributions of 22% and 16% respectively. Flexible workspace sector, which has been witnessing rise in demand, accounted for approx. 12% share in quarterly gross leasing. Among submarkets, Outer Ring Road continued to lead with a 42% share in quarterly gross leasing, followed by Peripheral South with 27% share. Bengaluru recorded net absorption of 1.82 msf in Q1, a 14% growth y-o-y. This was backed by high fresh lease volume and healthy pre-leasing in projects that got completed during the quarter. A reasonably healthy net absorption has also resulted in a marginal rise in the q-o-q vacancy level by 60 bps, from 9.0% in Q4 2021 to 9.6% in Q1 2022.

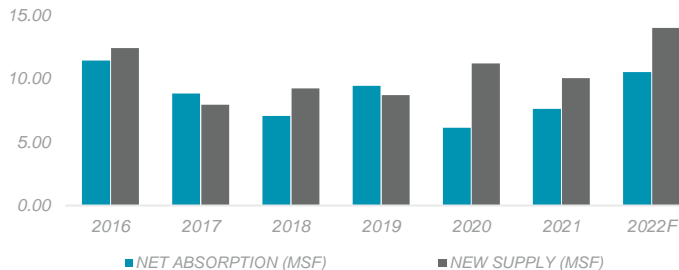
Supply addition remains robust, healthy pre-commitment in upcoming supply

Bengaluru witnessed healthy supply addition of 3.1 msf to the office inventory during the first quarter. Outer Ring Road accounted for the highest (57%) share in quarterly supply, followed by Peripheral East at 42%. New supply got operational with approx. 38-40% occupancy, driven by pre-commitments in previous years. We anticipate a supply of 10.0 -11.0 msf hitting the market in remaining quarters of 2022. With a healthy 40% pre-commitment recorded for this upcoming supply during Q2-Q4 2022, net absorption by end 2022 is expected to remain healthy.

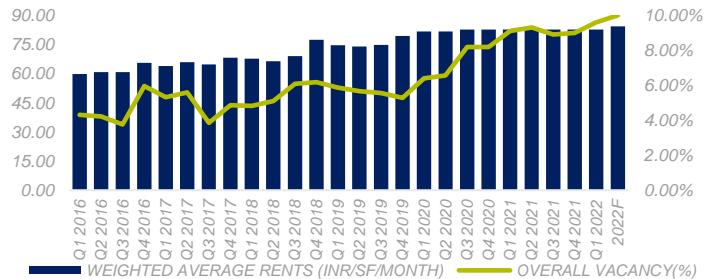
Rentals remain unchanged, tight vacancies likely to reflect in rental growth

Headline rentals across most submarkets have remained unchanged during the quarter. However, prime submarkets like Outer Ring Road, Suburban East and CBD/Off CBD which continue to enjoy relatively tight vacancy levels are likely to witness some rental appreciation in the coming quarters. Furthermore, given the likelihood of markets overcoming any adversities from Covid and in the aftermath of the on-going geopolitical risks, these tighter vacancies may reflect in the form of rising rentals in these key submarkets.

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	7,083,322	4.1%	13,500	962,584	-	17,038	161.00*	25.74	23.05
Outer Ring Road	75,283,612	4.9%	1,235,948	16,901,015	1,773,709	1,233,172	107.00	17.11	15.32
Peripheral East	33,485,019	18.3%	255,246	6,184,902	1,300,000	26,584	68.00	10.87	9.74
Peripheral North	8,685,654	36.1%	358,000	6,067,705	-	431,350	75.00	11.99	10.74
Peripheral South	11,992,839	12.2%	790,000	1,170,000	-	17,078	65.00	10.39	9.31
Suburban East	20,409,292	3.1%	246,000	1,935,000	36,000	75,912	127.00**	20.30	18.18
Suburban North West	1,100,000	1.1%	18,000	3,928,000	-	18,000	158.00	25.26	22.62
Suburban South	7,747,833	7.7%	-	1,763,156	-	-	93.00	14.87	13.31
TOTALS	165,787,571	9.6%	2,916,694	38,912,362	3,109,709	1,819,134	82.7	13.22	11.84

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 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

*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 75.06 AND € = INR 83.82

Numbers for first quarter, 2022 are based on market information collected until 20th March 2022

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
RBD Olympus	Outer Ring Road	AltioStar	379,948	Fresh Lease
Manyata Embassy Business Park	Outer Ring Road	Nokia	511,000	Term Renewal
Bhartiya Centre of Information Technology	Peripheral North	Seven Eleven	116,000	Fresh Lease
Brookfield Azure	Peripheral North	Alcon Labs	80,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Embassy Tech Village Phase 2 (block 9) Front parcel	Outer Ring Road	JPMC	550,000	Q2 2022
Divyasree Technopolis (77 town centre), Block 7	Suburban East	Deloitte	960,000	Q2 2022
Prestige Minsk Square	CBD/ Off CBD	Apple	400,000	Q4 2022

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