

NCR office market strengthens with robust leasing activity marked by occupier confidence

Delhi NCR recorded a staggering 55% y-o-y growth in gross leasing during Q1 which stood at 3.18 msf. This second highest quarterly leasing since the start of pandemic was led by professional services and e-commerce segments with respective shares of 17% and 13%. Healthcare & pharma was another sector that recorded traction with a 11% share in leasing. Fresh leasing, including expansion and consolidation by occupiers, constituted 91% share of the quarter's leasing. Pre-commitments formed 7% of quarterly leasing. Flexible workspaces have seen renewed interest by occupiers with healthy occupancy levels. Both co-working and managed workspace are seen favourably by occupiers, including large enterprises. Gurugram led this quarter's leasing with a 63% share and core markets within Gurugram constituted a significant 40% share in overall leasing. Noida Expressway was the other prominent micro-market with a 21% share in overall leasing. A third of the quarter's leasing comprised of large transactions (above 100,000 sf) across micro-markets in Gurugram and Noida with some occupiers also locking hard options for future expansion plans. Employee wellness remained a high priority for corporates which drove leasing momentum in well-managed and quality buildings. Net absorption for Q1 was recorded at 1.3 msf, a slight reduction of 7% on a q-o-q comparison. Strong demand fundamentals with large space take-up by even new-age firms is likely to keep Delhi NCR's office space on a strong footing in the quarters ahead.

Healthy supply addition in Q1; vacancy levels decline marginally

The city recorded a supply addition of 1.6 msf during the quarter, largely across the micro-markets of Noida. Majority of this supply addition was in Noida Expressway. Despite the high additional supply, overall vacancy level declined by 10 basis points q-o-q as demand remained strong. Core markets continued to have tight vacancy levels, largely in single digits, which declined during Q1 on the back of strong demand. The overall vacancy level of 26.6% was mainly on account of relatively limited traction in strata sold buildings, particularly in the peripheral markets of Gurugram and Noida. City-level market rents stabilized as demand has picked pace with improved occupier confidence.

Strong pipeline of upcoming supply, accelerated execution in select projects in the city

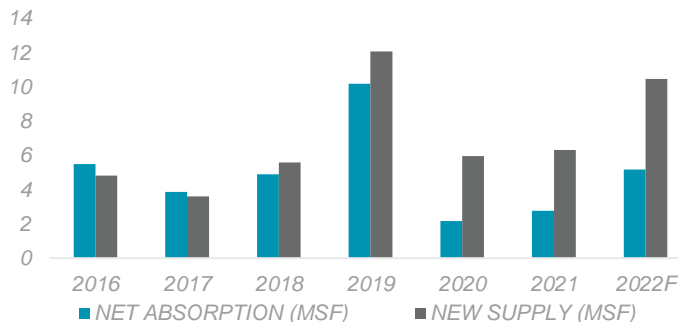
More than half of the supply pipeline of 20 – 25 msf scheduled for completion over the next 3 years is likely to be added in two key micro-markets of Golf Course Extension Road and Noida Expressway. A few marquee developments across both these markets are already witnessing accelerated construction activity in expectation of leveraging from traction in the office sector. The core area of Cyber City is expected to add new space in the year ahead with significant pre-leasing already in place. Engineering & manufacturing and professional services segments are likely to be important demand drivers for office space in the coming quarters.

MARKET INDICATORS OVERALL Q1 2022

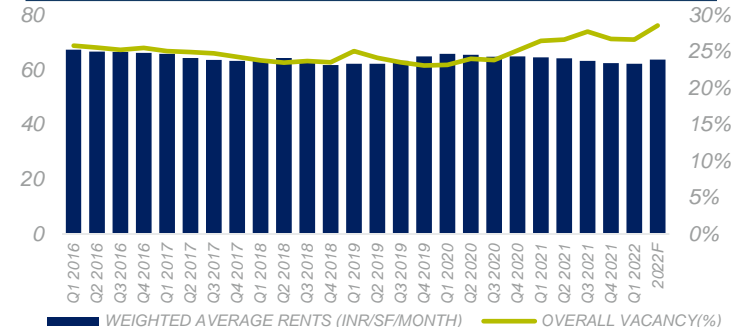
Q1 2021 Q1 2022 12 month
Forecast

Overall Vacancy	26.4%	26.6%	▲
Weighted Average Net Asking Rents (INR/sf/month)	64.4	62.1	■
Net Absorption (sf)	428,469	1,307,206	▲

NET ABSORPTION & NEW SUPPLY



OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY	LEASING ACTIVITY# (SF)	PLANNED & UNDER CONSTRUCTION (SF)^	CONSTRUCTION COMPLETIONS (SF)	NET ABSORPTION (SF)	GRADE A WTD. AVG. RENT*		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
Delhi CBD	1,483,547	24.2%	7,641	50,000	0	22,641	282.41	45.15	40.43
South-East Delhi	6,825,653	18.9%	87,000	105,000	0	89,543	104.53	16.71	14.96
Delhi International Airport	1,366,825	10.6%	15,000	0	0	2,394	194.32	31.07	27.82
Cyber City	13,985,813	6.5%	657,153	1,500,000	0	106,918	117.74	18.82	16.86
MG Road	3,331,886	19.3%	149,669	0	0	(84,759)	118.71	18.98	16.99
NH8 – Prime	14,540,638	13.8%	317,129	2,054,118	0	6,219	82.05	13.12	11.75
Golf Course Road	5,757,262	9.4%	153,938	962,000	0	6,550	90.13	14.41	12.90
Gurugram Others	42,831,323	37.1%	724,908	11,673,478	130,000	451,319	53.23	8.51	7.62
Noida	36,653,491	32.4%	1,068,216	8,627,921	1,486,687	706,381	50.52	8.08	7.23
TOTAL	126,776,438	26.6%	3,180,654	24,972,517	1,616,687	1,307,206	62.08	9.92	8.89

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

#YTD gross leasing activity includes pre commitments and term renewals

*Weighted average 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:

Gurugram Others – includes Sohna Road, Golf Course Extension Road, Udyog Vihar, NH-8 Non Prime, Gurgaon-Faridabad Road and Southern Peripheral Road and excludes Manesar

Noida – excludes Greater Noida

US\$ 1 = INR 75.06 € 1 = INR 83.82

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

Few vacancies were revised based on instances of leases being renewed after renegotiations in cases of occupiers planning to exit earlier in 2020.

Inventory that is undergoing refurbishment has been withdrawn from Golf Course Road submarket

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Skymark One	Noida	Network 18	210,000	Relocation
Capital City Scape	Gurugram Others	Pristyn Care	150,000	Pre-commitment
Capital Business Park	Gurugram Others	Spinny	150,000	New Lease
DLF World Tech Park	NH8-Prime	ZS Associates	100,000	Expansion

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION
DLF Downtown	Cyber City	Amazon	1,500,000	Q2 2022
TRIL IT City Tower 2	Gurugram Others	NA	530,000	Q2 2022
Casa Picasso	Gurugram Others	NA	265,500	Q3 2022
M3M Urbana Premium	Gurugram Others	NA	249,027	Q2 2022
NSL Techzone	Noida	NA	750,000	Q3 2022

Purnima Kumar

Senior Manager, Research Services

+91 124 4695555 / Purnima.kumar@cushwake.com

Suvishesh Valsan

Director, Research Services

+91 22 67715555 / Suvishesh.valsan@cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.