

BENGALURU

Office Q4 2022

5.3 msf GROSS LEASING (Q4 2022)

2.5 msf SUPPLY/COMPLETION (Q4 2022)

9.5% VACANCY (Q4 2022)

MARKET INDICATORS OVERALL Q4 2022

	Q4 2021	Q4 2022	12 month Forecast
Overall Vacancy	9.5%	9.5%	▲
Weighted Average Net Asking Rent (INR/sf/month)	82.70	82.70	■
YTD Net Absorption (sf)	6,777,641	10,416,574	▼

Leasing activity remains strong in Q4; GLV & Net absorption hits new peak in 2022

Bengaluru's office sector continues to witness strong leasing momentum with gross lease volume of 5.3 msf during Q4, a 45% growth on a q-o-q basis. Leasing activity in Q4 was driven by new demand for space, with fresh leases contributing around 75% of quarterly GLV. Term renewals were recorded at 1.2 MSF during the quarter, which was highest seen in 4-5 quarters. It probably indicates the keen interest of occupiers in retaining space in quality assets given the tight vacancies in prime markets of Bengaluru. Outer Ring Road continued to account for majority share (44%) in quarterly GLV, followed by Peripheral East with 25% share. Likewise, IT-BPM accounted for 31% share in Q4 GLV, followed by Flexible workspace and Engineering & Manufacturing sectors with 16% and 13% shares, respectively.

Sustained leasing activity that continued into the last quarter added up to a total GLV of 18.7 msf for 2022, recording highest-ever annual GLV for the city. Full year lease volume for 2022 surpassed 2019 levels by ~20%. Increasing demand from occupiers across all sectors resulted in a 65% y-o-y growth in GLV over 2021. The record-breaking leasing activity in Bengaluru helps in retaining its top contribution (26-30%) to pan India GLV, both on a quarterly and yearly basis. Fresh leases accounted for highest share in annual GLV (73%), while pre-commitments came in with 16% share in 2022 GLV. On an annual basis, IT-BPM continued to dominate with 36% share in GLV, while Engineering & Manufacturing and Flexible workspace sectors accounted for a reasonable 22% and 15% shares, respectively. Healthy fresh leasing and higher pre-lease in delivered projects helped Bengaluru record a net absorption of 10.4 msf in 2022. As estimated earlier, 2022 net absorption volume has been a 1.5x growth over entire 2021 and approx. 11% higher than 2019 net absorption levels.

2022 supply at a five-year peak; supply pipeline remains strong

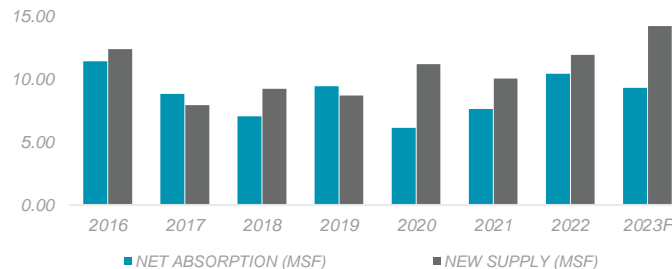
Bengaluru witnessed healthy project completion of 2.5 msf during last quarter of the year. Despite a 32% drop on a q-o-q basis, annual project completion stood at ~12 msf, a record high since 2017. Backed by fast-paced construction and healthy pre-commitments that were signed during previous years, 2022 supply surpassed 2021 levels by 19%, while growth over 2019 was higher of ~31%. Rising demand for quality space has resulted in faster construction of speculative projects in the city. With ~12 msf supply during 2022, Bengaluru ranked second in pan India supply with 23% share, after Hyderabad.

Outer Ring Road continued to account for majority share (82%) in quarterly supply. At annual level, ORR and Peripheral East accounted for 56% and 16% shares, respectively. New supply in Q4 got operational with only 10-11% of the space being leased, resulting in an impact on city level vacancy which stood at 9.5% by end 2022 (~80 bps rise q-o-q). We anticipate a robust supply of 4.5-5 msf during H1 2023; which is likely to cause a further rise in vacancy levels.

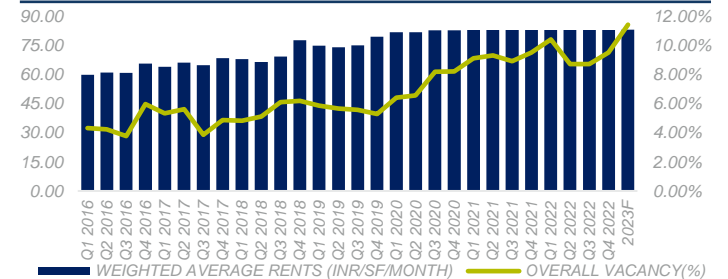
Rents remain unchanged; vacancy tightens across majority markets

Office rentals remained unchanged during the quarter. Driven by healthy leasing, vacancy tightened across most submarkets on a q-o-q basis. Outer Ring Road has been an exception. Despite strong leasing in its earlier existing projects, healthy completions (2.0 msf) during Q4 with relatively low occupancy levels resulted in a q-o-q rise in the submarkets' vacancy levels. However, despite a q-o-q vacancy increase in ORR and at the city level, we anticipate rentals to remain range bound going forward, backed by healthy leasing momentum.

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	7,528,322	2.3%	476,130	887,714	445,000	578,536	161.00*	23.48	23.11
Outer Ring Road	79,754,183	7.3%	6,694,905	17,014,742	6,683,718	3,576,220	107.00	15.60	15.36
Peripheral East	34,135,019	14.3%	5,590,111	9,555,989	1,950,000	1,926,356	68.00	9.91	9.76
Peripheral North	9,545,654	32.8%	2,695,931	8,897,621	860,000	2,033,378	75.00	10.94	10.77
Peripheral South	11,992,839	14.1%	1,235,080	3,613,406	-	-210,475	65.00	9.48	9.33
Suburban East	21,369,292	1.6%	1,506,908	2,185,160	996,000	1,469,325	127.00**	18.52	18.23
Suburban North West	1,100,000	1.1%	51,220	3,969,825	-	17,720	158.00	23.04	22.68
Suburban South	8,710,989	6.2%	468,963	940,000	963,156	1,025,515	93.00	13.56	13.35
TOTALS	174,136,298	9.5%	18,719,247	47,064,457	11,897,874	10,416,574	82.7	12.06	11.87

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, which add up to 1.9 msf for 2022

^ Includes planned & under construction projects until 2025

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 79.4 AND € = INR 80.2

Numbers for fourth quarter 2022 are based on market information collected until 22nd December 2022

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
SJR Primeco Union City	Peripheral East	Tablespace	450,000	Fresh Lease
Bhartiya Centre for Information Technology	Peripheral North	IBM	267,576	Fresh Lease
Manyata Embassy Business Park	Outer Ring Road	Pretium Enterprise	55,341	Fresh Lease
Kalyani Magnum	Suburban South	Arris Global	46,771	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Embassy Manyata (M3)-Phase I	Outer Ring Road	Undisclosed client	400,000	Q1 2023
Embassy Business Hub - Block 1	Peripheral North	Undisclosed client (entire building)	600,000	Q2 2023
Bagmane Solarium City - Argon-South Tower	Peripheral East	Zebra Technologies, Symbol Technologies	530,000	Q1 2023

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