

**21.1%** VACANCY (Q4 2022)

**1.4 msf** NEW COMPLETIONS (Q4 2022)

**1.5 msf** NET ABSORPTION (Q4 2022)

**MARKET INDICATORS OVERALL Q4 2022**

YTD 2021    YTD 2022    12 month Forecast

Overall Vacancy	14.7%	21.1%	▲
Weighted Average Net Asking Rents (INR/sf/month)	61.0	61.00	▬
YTD Net Absorption (sf)	3,443,537	5,514,641	▲

**Healthy demand in 2022, leasing driven by immediate space requirements in Q4**

Office leasing activity in Q4 was recorded at 1.15 msf, a q-o-q drop of 25%. However, at 6.7 msf, annual demand was 13% higher compared to 2021. Leasing activity has been broad-based with Professional Services, IT-BPM, Engineering, and Healthcare sectors together accounting for nearly 85% of the overall demand during the year. Professional Services was the largest contributor with a share of around 35%, followed by IT-BPM, and Engineering & Manufacturing, and Healthcare & Pharma sectors at 29% and 20%. Smaller deals (<50,000 Sf) were on par with larger transactions (>100,000 Sf) suggesting a cautious optimism in the market where tenants are evaluating space needs with immediate requirements in focus. As such, leasing activity in Q4 was completely driven by fresh leases with active space needs. In the Flex space segment, robust enterprise demand continued with a take-up of nearly 19,000 seats, a 60% growth on an annual basis. Madhapur remained the most active submarket with 91% of the GLV in Q4 2022 (82% in 2022). A couple of large transactions in Madhapur that were in the final stages were delayed in Q4 and are due for closure in H1 2023. Annual net absorption has added up to 5.5msf, the third largest at the pan-India level.

**Completions in Q4 lesser than anticipated but supply in 2022 at a record high**

Hyderabad has witnessed 13.1 msf of new completions in 2022, a record high for the city's office market. 1.36 msf of new supply was recorded in Q4, lesser than anticipated as some of the properties were pushed to Q1 2023. Supply surge is likely to continue in 2023 with nearly 13-15 msf of new completions anticipated in the next 3-4 quarters. Large-scale new completions have driven the vacancy over the last 12 months, reaching 21.1% at the end of 2022 (a 600 bps rise y-o-y). Vacancy in Madhapur has reached 10.7% with a continued flight to quality among occupiers. Vacancy in Gachibowli has almost reached 40%, with physical unoccupied space nearly doubling up in 2022. A robust supply pipeline in 2023 indicates a further rise in vacancy in the Gachibowli submarket, especially in the emerging locations in Nanakramguda along ORR.

**Rentals unchanged in Q4; strong supply pipeline indicates stable rents in 2023**

Asking rentals have remained stable yet another quarter on the back of higher vacancies and robust supply. We expect stable rents to continue in 2023 as well with prevailing tenant favorable market conditions, especially in Gachibowli where landlords in general are flexible with leasing terms and are providing additional incentives. Nearly 7-8 msf of new supply is expected in Gachibowli over the next 9-12 months, suggesting increasing pressure on landlords to lease out the vacant space. It is an opportune time for tenants with larger / longer-term space requirements to explore Gachibowli (and the emerging catchment along ORR) for substantial rental savings. Higher pre-leasing and a robust deal pipeline indicate tenants may not have the same flexibility in Madhapur though.

**NET ABSORPTION & NEW SUPPLY**



**OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT**



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE (%)	YTD 2022 GROSS LEASING ACTIVITY# (SF)	PLANNED & UNDER CONSTRUCTION (SF)^	YTD 2022 CONSTRUCTION COMPLETIONS (SF)	YTD NET ABSORPTION (SF)	GRADE A WTD. AVG. RENT*		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
Madhapur	56,666,828	10.70%	5,493,331	18,875,742	6,911,482	5,350,888	71	10.35	10.19
Gachibowli	29,183,789	39.59%	779,389	31,316,370	6,129,265	197,587	61	8.89	8.75
Peripheral East	2,258,000	41.77%	390,882	0	0	-205,436	38.6	5.62	5.54
<b>Total ##</b>	<b>89,919,256</b>	<b>21.06%</b>	<b>6,663,602</b>	<b>51,032,402</b>	<b>13,040,747</b>	<b>5,514,641</b>	<b>61</b>	<b>8.89</b>	<b>8.75</b>

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 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

# Includes Term Renewals of 0.45 msf recorded during Q1-Q4 2022.

## 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 82.3 € 1 = INR 83.6

Numbers for the fourth quarter are based on market information collected until 22<sup>nd</sup> December 2022

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## KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
New Auriga, The V	Suburban (Madhapur)	E&Y	281,400	Fresh Lease
KRC Mindspace Maximus 2B	Suburban (Madhapur)	BA Continuum Solutions India Pvt Ltd	145,301	Fresh Lease
KRC Mindspace Building 9	Suburban (Madhapur)	WeWork	104,000	Fresh Lease

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
BSR Tech Park Tower-2	Suburban (Gachibowli)	NA	1,300,000	Q1 2023
Orbit	Suburban (Madhapur)	NA	1,100,000	Q1 2023

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