

BENGALURU



Office Q1 2023

2.3 msf GROSS LEASING (Q1 2023)

1.7 msf SUPPLY/COMPLETION (Q1 2023)

9.5% VACANCY (Q1 2023)

MARKET INDICATORS OVERALL Q1 2023

	Q1 2022	Q1 2023	12 month Forecast
Overall Vacancy	10.4%	9.5%	▲
Weighted Average Net Asking Rent (INR/sf/month)	82.70	82.70	■
YTD Net Absorption (sf)	1,408,201	1,541,569	▼

Leasing activity relatively muted in Q1; Net absorption records q-o-q growth

Bengaluru's office sector recorded gross lease volume of 2.3 msf during the first quarter of the year. This has resulted in a perceptible q-o-q drop in GLV when compared to high volume seen in Q4 2022. However, leasing activity in Q1 was largely driven by new demand for space with fresh leases contributing around 95% of quarterly GLV, and this points at healthy demand coming from occupiers. Outer Ring Road continued to account for a major share (41%) in quarterly GLV, followed by Peripheral East with 30% share. Peripheral North submarket held a share of 19% in quarterly leasing volume.

Professional Services sector accounted for highest share in GLV at 32%, followed by Captives accounting for 18% share. A total of 2-3 large sized (>100,000 sf) deals in these sectors led to the sector's highest contribution in quarterly GLV. IT-BPM and Engineering & Manufacturing sectors accounted for 16% and 13% shares, respectively. Though there were lower number of large-sized deals recorded when compared to previous quarters, the market has remained active in terms of space take-ups and good enquiries happen from mid-sized occupiers. In addition to prominent occupiers, new tenants have entered the Bengaluru market and taken up space during the quarter. Healthy share of fresh leasing in Q1 GLV and higher pre-lease (~45%) in delivered projects helped Bengaluru record a quarterly net absorption of 1.5 msf, which is a 3x growth q-o-q.

Quarterly supply sees a dip, though 2023 supply pipeline is strong

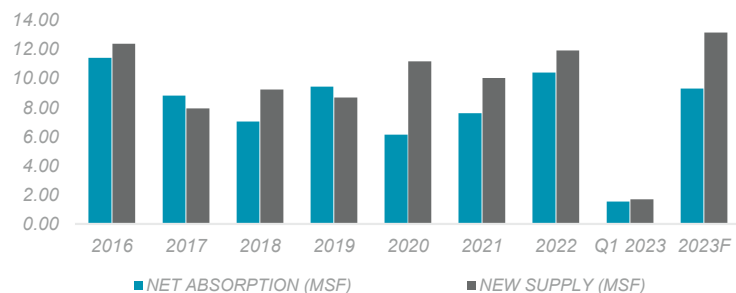
Bengaluru witnessed project completion of 1.7 msf during Q1 2023, a 32% drop on a q-o-q basis. Despite moderate supply during the first quarter, full year supply is expected to reach around 12-13 msf, higher than annual average of last 3 years. Rising demand for quality space has resulted in faster construction of speculative projects in the city and this is likely to keep the upcoming supply volume healthy. Bengaluru accounted for highest share (26%) in pan India Q1-23 supply, closely followed by Delhi-NCR.

Peripheral East submarket held the highest share (72%) in quarterly completions. With new supply in Q1 getting operational with around 57% of the space being leased (total of pre-commitments & fresh leases during Q1), vacancy remained steady at around 9.5% in the quarter. However, with an estimated supply addition of 12-13 msf during the year, we anticipate rise in vacancy levels in the forthcoming quarters.

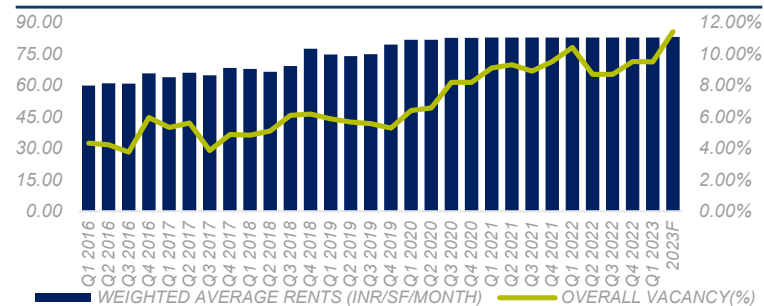
Rents remain unchanged; vacancy tightens in select markets

Office rentals remained unchanged in the quarter. Driven by active leasing and no supply addition during the quarter, vacancy tightened across select submarkets of Outer Ring Road, Peripheral North and Suburban East, on a q-o-q basis. However, Peripheral East has witnessed a rise in vacancy due to supply addition even though the submarket accounted for the second highest share in GLV. Despite a q-o-q vacancy increase in few of the submarkets, we anticipate rentals to remain range bound going forward, backed by sustained leasing momentum.

NET ABSORPTION & SUPPLY



OVERALL VACANCY & ASKING RENT



Office Q1 2023

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	7,663,322	2.8%	21,939	427,584	135,000	89,563	161.00*	23.48	21.92
Outer Ring Road	79,787,966	6.2%	921,219	17,327,359	-	825,331	107.00	15.61	14.57
Peripheral East	35,356,157	15.8%	681,646	9,079,851	1,221,138	494,656	68.00	9.92	9.26
Peripheral North	9,545,654	27.9%	433,000	8,397,621	-	465,084	75.00	10.94	10.21
Peripheral South	12,327,410	17.3%	50,000	1,213,993	334,571	-113,000	65.00	9.48	8.85
Suburban East	21,369,292	1.4%	66,092	1,746,000	-	43,303	127.00**	18.52	17.29
Suburban North West	1,100,000	2.3%	3,470	4,408,985	-	-12,720	158.00	23.05	21.51
Suburban South	8,869,904	8.9%	76,500	940,000	-	-250,648	93.00	13.57	12.66
TOTALS	174,136,298	9.5%	2,253,866	43,541,393	1,690,709	1,541,569	82.7	12.06	11.26

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 of 0.12 msf for Q1 2023

^ 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 82.27 AND € = INR 88.15

Numbers for first quarter are based on market information collected until 22nd March 2023

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Umiya Velociti	Peripheral North	HDFC Bank	400,000	Fresh Lease
Prestige Tech Park-Velocity	Outer Ring Road	Deloitte	385,384	Fresh Lease
Brigade Tech Gardens	Peripheral East	Mercedes	171,000	Fresh Lease
SJR Primeco Union City	Peripheral East	Marlabs Innovations	51,645	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Embassy Business Hub - Block 1	Peripheral North	Undisclosed client (entire building)	600,000	Q2 2023
Embassy Tech Village- Iris 3A	Outer Ring Road	Empower Retirement, Great West Global	1,080,000	Q2 2023
RMZ Ecoworld 30 Series	Outer Ring Road	Simpliworks, Booking.com	970,000	Q4 2023

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