

Office Q1 2023

20.7% VACANCY (Q1 2023)

0.5 msf NEW COMPLETIONS (Q1 2023)

1.5 msf NET ABSORPTION (Q1 2023)

MARKET INDICATORS OVERALL  
Q1 2023

	Q1 2022	Q1 2023	12 month Forecast
Overall Vacancy	17.3%	20.7%	▼
Weighted Average Net Asking Rents (INR/sf/month)	61.0	61.0	▬
Q1 2023 Net Absorption (sf)	599,408	1,554,632	▲

## Office leasing in Q1 backed by BFSI and IT-BPM sectors

The Hyderabad office market witnessed a positive start to the year with GLV touching 1.58 msf. While this resulted in a q-o-q growth of 38%, on a y-o-y basis there was a drop of 16% in GLV. BFSI sector was dominant and contributed to 35% leasing, and together with IT-BPM sector accounted for more than 50% of quarterly leasing. In Q1, more than half of the deals were small-sized deals (with area requirement of <50,000 sf) of which approx. 55% were driven by office expansion plans. The leasing activity in Q1 was completely driven by fresh leases as was observed during Q4 2022. While Madhapur remained the most active submarket with a 67% share in quarterly GLV, Gachibowli submarket witnessed a y-o-y drop of 30% in gross lease volume.

Though the market has been witnessing consistent growth, developers are getting a bit conscious and are trying to prevent large supply in the market, particularly given the pipeline of under-construction projects.

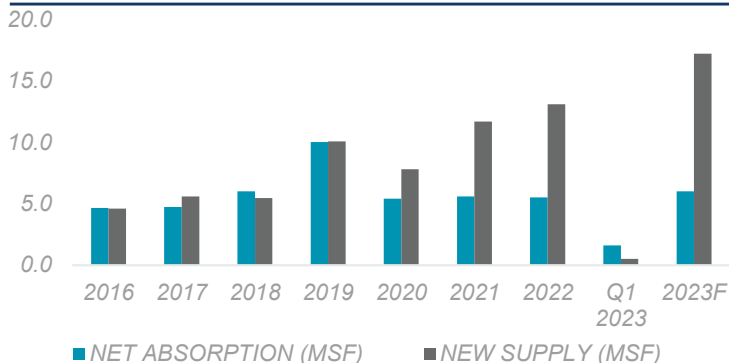
## Supply slowdown in Q1, but likely to gain pace in the subsequent quarters

First quarter construction activity witnessed some slowdown as delays were observed in project completions. This came particularly after a record number of projects that were delivered in year 2022. Due to lower supply inflow and 1.58 msf of fresh leasing, overall office market vacancy fell by 50 bps q-o-q to 20.7%. The new supply that got added during the quarter (0.5 msf) was entirely pre-leased and as well helped in stabilizing vacancy in the market. Vacancy in Madhapur (10.5%) remained unchanged q-o-q amid ongoing enquiries for quality space from occupiers. With no supply in Q1, Gachibowli vacancy (38.9%) dropped by 60 bps q-o-q. However, vacancy in Gachibowli is likely to increase in the coming quarters with approx. 8-9 msf of supply expected in 2023. Furthermore, space surrender by tenants mainly induced by adaptation of hybrid working models is also likely to result in higher vacancy levels in the office market.

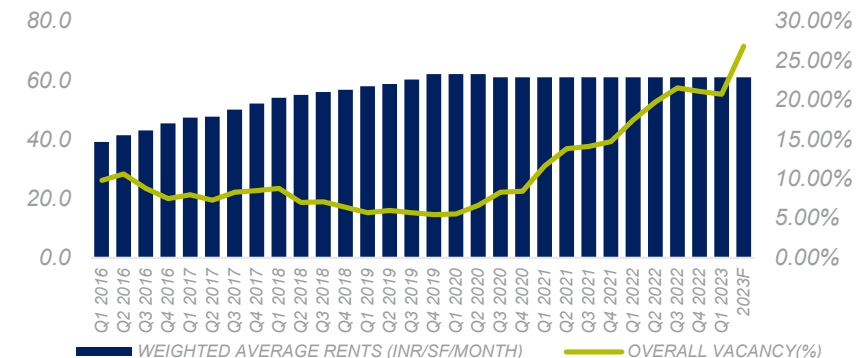
## Market to remain tenant-favourable on the back of stable rents

The prevailing vacancy levels as well as high estimated supply is culminating into city-wide asking rentals to remain unchanged q-o-q. Even though broader rents remained stable, negotiations in the market seem to be ongoing with few landlords offering flexibility in commercial leasing terms. Gachibowli submarket with its existing high vacancy rate of ~40% and huge supply pipeline, is providing tenants with negotiation power to enter at attractive rentals. On the other hand, landlords in Madhapur are more secured as demand continues to remain active, and terms of leasing are relatively more balanced.

## NET ABSORPTION &amp; NEW SUPPLY



## OVERALL VACANCY &amp; WEIGHTED AVERAGE ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE (%)	Q1 2023 GROSS LEASING ACTIVITY# (SF)	PLANNED & UNDER CONSTRUCTION (SF)^	Q1 2023 CONSTRUCTION COMPLETIONS (SF)	Q1 NET ABSORPTION (SF)	GRADE A WTD. AVG. RENT*		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
Madhapur	57,145,359	10.51%	1,065,114	18,367,808	507,934	1,364,275	71	10.36	9.67
Gachibowli	29,079,289	38.95%	523,798	31,316,370	0	190,357	61	8.90	8.30
Peripheral East	2,258,000	41.77%	0	0	0	0	39	5.69	5.31
<b>Total ##</b>	<b>90,293,287</b>	<b>20.7%</b>	<b>1,588,912</b>	<b>50,524,468</b>	<b>507,934</b>	<b>1,554,632</b>	<b>61</b>	<b>8.90</b>	<b>8.30</b>

The report highlights Grade A details only. Certain indicators are historically corrected by the addition/deletion of older / refurbished projects as per grade A classification and accounting for changes in built-up/leasable areas 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 the core facility, high-side air conditioning, and 100% power backup

## 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, and Raidurg; Gachibowli includes Gachibowli, Nanakramguda, Manikonda Peripheral East includes Pocharam and Uppal;

US\$ 1 = INR 82.27 € 1 = INR 88.15

Numbers for the first quarter are based on market information collected until 22<sup>nd</sup> March 2023

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## KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Meenakshi Tech Park Block D	Suburban (Madhapur)	HDFC	257,881	Fresh Lease
Meenakshi Tech Park	Suburban (Madhapur)	HDFC	130,984	Fresh Lease
New Auriga, The V	Suburban (Madhapur)	VXI Global solutions	119,800	Fresh Lease
Meenakshi Tech Park	Suburban (Madhapur)	RIL - Reliance Industries Limited	65,492	Fresh Lease

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Prestige Skytech	Suburban (Gachibowli)	NA	2,300,000	Q4 2023
Phoenix Business Hub - Tower-2	Suburban (Gachibowli)	NA	1,360,000	Q3 2023

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