

BENGALURU



Office Q2 2023

3.04 msf GROSS LEASING (Q2 2023)

2.6 msf NEW SUPPLY (Q2 2023)

10.8% VACANCY (Q2 2023)

Office GLV falls in Q2 y-o-y, although a wider H1-23 leasing volume remains largely intact

Bengaluru's office sector recorded gross lease volume of 3.04 msf during Q2, a 35% growth q-o-q. Though the GLV was 56% lower than the same quarter last year, it would be noteworthy to mention that Q2-22 recorded the historic high leasing volume (6.9 msf) for the city. Fresh demand for space contributed nearly 94% of the quarterly GLV volume which is a positive trend, but net absorption of space was still low at 0.56 msf in Q2-23 owing to low pre-commitments in the newly added supply. Few exits in the market as well resulted in lower Q2 net absorption. Healthy fresh leasing during H1 2023 however helped Bengaluru record a YTD net absorption of 2.1 msf. Like other tier-1 cities, Bengaluru too witnessed a lower share of large-sized deals (>100,000 SF), and most deals and enquiries were for mid-sized deals by occupiers. H1 2023 recorded a total GLV of 5.3 msf, a 45% drop than H1 2022, the latter having witnessed a record high lease volume in Q2 2022.

Peripheral East submarket accounted for a major share (40%) in quarterly GLV, closely followed by Outer Ring Road with 35% share. Engineering & Manufacturing sector accounted for highest share in GLV at 39%, while IT-BPM followed with 24% share. Flex space operators continued to expand their footprint in the city as the sector contributed 13% share to Q2 GLV.

1H-23 supply remains strong; overall vacancy rises by 100 bps in Q2

Bengaluru witnessed project completion of 2.6 msf in Q2, a 23% q-o-q rise and nearly similar to that seen in Q2 2022. ORR was the sole contributor to Q2 completions. Bengaluru accounted for 2nd largest quantum of supply (22-25%) in Q2 as well as in YTD-23, standing next to Hyderabad. YTD-23 supply has touched 4.8 msf and a healthy pipeline of supply is due for completion in the second half of 2023. Steady construction momentum driven by anticipated revival in demand for quality space, is likely to keep the upcoming supply volume healthy. Full year supply is expected at ~15 msf, which would be the highest volume for the city in recent period history.

The Q2 supply additions came with limited pre-commitments (~25%) as a result of which the vacancy rate in the city rose sharply by ~100 basis points to 10.8% during the quarter. Despite this, though, the city continues to enjoy lowest vacancy rate (along with Pune) in the country. With an estimated supply addition of 11-12 msf during H2 2023, we anticipate vacancy to rise further in the coming quarters.

Rents remain unchanged, and is expected to remain range-bound

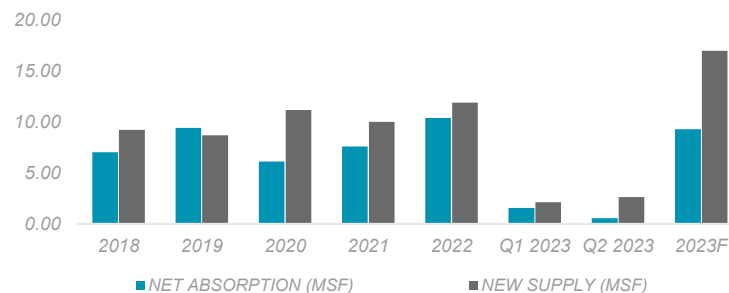
Interestingly, the entire supply that came in Q2 was in the ORR submarket, as a result of which the ORR vacancy rate rose sharply. However, other submarkets such as Peripheral East, Peripheral North, and Suburban South witnessed vacancies fall owing to no new supply during the quarter. Despite a q-o-q vacancy increase at the city level, rentals remained range bound, and this momentum is likely to sustain in the near-term.

MARKET INDICATORS OVERALL Q2 2023

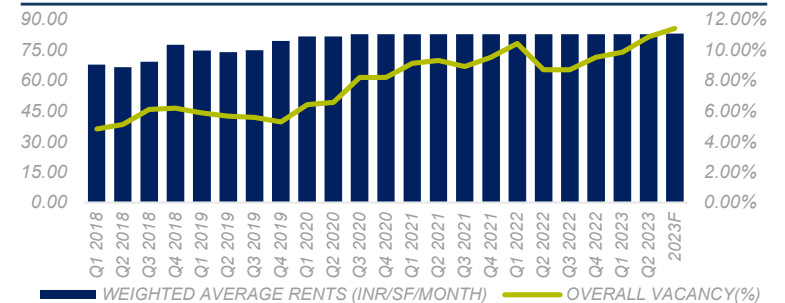
Q2 2022 Q2 2023 12 month Forecast

Overall Vacancy	8.7%	10.8%	▲
Weighted Average Net Asking Rent (INR/sf/month)	82.7	82.7	■
YTD Net Absorption (sf)	6,604,113	2,129,167	▼

NET ABSORPTION & SUPPLY



OVERALL VACANCY & ASKING RENT



Office Q2 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	3.0%	71,624	427,584	135,000	78,536	161.00*	23.51	21.60
Outer Ring Road	82,418,228	10.0%	1,993,861	14,693,126	2,630,262	304,193	107.00	15.63	14.36
Peripheral East	35,798,753	14.2%	1,899,404	9,963,326	1,663,734	1,443,698	68.00	9.93	9.12
Peripheral North	9,545,654	25.9%	476,188	8,012,212	-	654,331	75.00	10.95	10.06
Peripheral South	12,327,410	16.8%	120,000	1,213,993	334,571	-49,423	65.00	9.49	8.72
Suburban East	21,369,292	4.0%	283,178	1,727,185	-	-526,097	127.00**	18.55	17.04
Suburban North West	1,100,000	0.0%	25,900	4,408,985	-	12,280	158.00	23.07	21.20
Suburban South	8,869,904	5.4%	420,065	2,060,198	-	211,649	93.00	13.58	12.48
TOTALS	179,092,563	10.8%	5,290,220	42,506,609	4,763,567	2,129,167	82.7	12.08	11.10

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 (Q1 202023) and term renewals of 0.18 msf (Q2 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 82.17 AND € = INR 89.43

Numbers for second quarter are based on market information collected until 20th June 2023

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Bagmane Solarium City-Argon North Tower	Peripheral East	Schneider	633,000	Fresh Lease
Subramanya Arcade	Suburban South	Indiqube	169,000	Fresh Lease
RMZ Eco World Campus 31	Outer Ring Road	Scale Facilitation Partners	70,356	Fresh Lease
Brigade Tech Gardens	Peripheral East	JLR	57,572	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Embassy Tech Village- Iris 3A	Outer Ring Road	Empower Retirement, Great West Global	1,080,000	Q3 2023
Embassy Business Hub 1	Peripheral North	Undisclosed client (entire building)	600,000	Q4 2023
Bagmane Solarium City-Helium Block	Peripheral East	-	1,000,000	Q3 2023

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