

HYDERABAD



Office Q2 2023

23.8% VACANCY (Q2 2023)

5.43 msf NEW COMPLETIONS (Q2 2023)

1.45 msf NET ABSORPTION (Q2 2023)

MARKET INDICATORS OVERALL Q2 2023

| | Q2 2022 | Q2 2023 | 12 month Forecast |
|--|---------|-----------|-------------------|
| Overall Vacancy | 19.6% | 23.8% | ▲ |
| Weighted Average Net Asking Rents (INR/sf/month) | 61.0 | 61.0 | ▬ |
| YTD Net Absorption (sf) | 304,842 | 3,078,121 | ▼ |

Hyderabad office leasing activity shows robust growth in Q2 2023

Hyderabad continued to witness momentum in office demand in Q2 2023, with gross leasing volume (GLV) of 2.65 msf, a 61% growth on a q-o-q basis. The total GLV stands at 4.3 msf as of H1 2023, an 8% growth over H1 2022 and at par with H1 2019 (Pre-COVID) level. Quarterly leasing was largely driven by fresh leases (80%), whereas pre-commitments contributed to 20% of the GLV. Expansions of existing offices contributed to 56% of total leasing in Q2, followed by 23% of relocations and 21% from new office set-ups. IT-BPM (34%) continues to be the largest contributor to the quarterly leasing activity closely followed by the BFSI sector at 31% share. In Q2 2023, flexible workspace accounted for 14% share in total leasing activity, with a 56% increase in space take up by operators in H1 2023, in comparison to H1 2022.

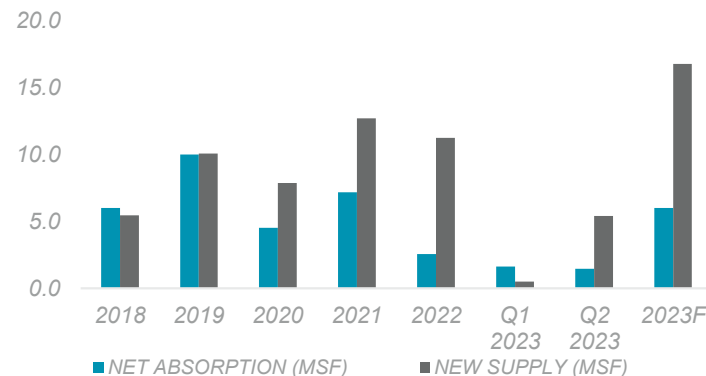
Large upcoming supply may lead to a steep rise in vacancy levels

New completions hit a peak in Q2 2023 touching a six-quarter high of 5.4 msf, of which Madhapur accounted for 59% share followed by Gachibowli submarket with a 41% share. The Q2 supply is a 2X rise on a y-o-y basis in which 20% (approx. 1 msf) of this new supply got absorbed in the same quarter. With close to 4.4 msf of new supply being vacant the vacancy levels have increased by 300bps on a quarterly basis. In addition to this, exits from certain properties have also contributed to increasing vacancy levels. For the rest of the year 2023, the upcoming supply has close to 12% pre-commitments, and this number is likely to grow owing to increased enquiries from IT-BPM companies.

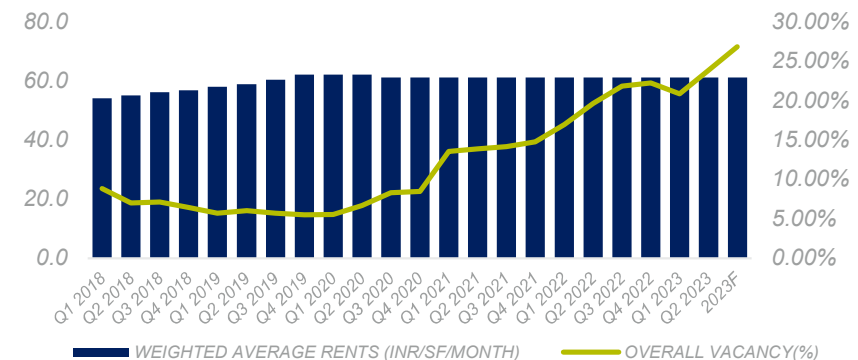
Marginal rental growth in Q2; landlords to remain flexible with larger occupiers

Despite the vacancy spike in both Madhapur and Gachibowli, headline rents saw a marginal hike in this quarter. Landlords remained accommodative with restructured lease terms in Gachibowli, creating an opportunity for new potential occupiers who are exploring prime markets in the city. Overall, market conditions continued to remain tenant favourable, and are expected to remain so for another 12-18 months given higher vacancies and large-scale future supply.

NET ABSORPTION & NEW SUPPLY



OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT



MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | VACANCY RATE (%) | YTD 2023 GROSS LEASING ACTIVITY# (SF) | PLANNED & UNDER CONSTRUCTION (SF)^ | YTD 2023 CONSTRUCTION COMPLETIONS (SF) | YTD NET ABSORPTION (SF) | GRADE A WTD. AVG. RENT* | | |
|-----------------|-------------------|------------------|---------------------------------------|------------------------------------|--|-------------------------|-------------------------|-------------|-------------|
| | | | | | | | INR/SF/MO | US\$/SF/YR | EUR/SF/YR |
| Madhapur | 59,469,166 | 13.21% | 3,336,865 | 13,936,805 | 3,701,350 | 2,708,617 | 74 | 10.37 | 9.53 |
| Gachibowli | 31,451,595 | 42.54% | 963,474 | 23,546,829 | 2,238,021 | 370,964 | 66 | 8.91 | 8.19 |
| Peripheral East | 2,258,000 | 41.77% | 0 | 0 | 0 | 0 | 41 | 5.64 | 5.18 |
| Total ## | 94,989,400 | 23.79% | 4,300,339 | 38,323,924 | 5,939,371 | 3,078,121 | 65 | 8.91 | 8.19 |

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 82.17 € 1 = INR 89.43

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

Srija Banerjee

Assistant Vice President, Research Services

+91 080 40465555 srija.banerjee@cushwake.com

Suvishesh Valsan

Director, Research Services

+91 22 67715555 Suvishesh.Valsan@cushwake.com

KEY LEASE TRANSACTIONS Q2 2023

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|----------------------------|---------------------|-----------------------------------|---------|----------------|
| RMZ Nexity Tower 10 | Suburban (Madhapur) | HSBC | 448,000 | Pre Commitment |
| KRC Mindspace Building 12C | Suburban (Madhapur) | High Radius Corporation | 351,874 | Fresh Lease |
| New Auriga, The V | Suburban (Madhapur) | London Stock Exchange Group (TCS) | 179,600 | Fresh Lease |
| New Auriga, The V | Suburban (Madhapur) | UST Global | 175,000 | Fresh Lease |

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | COMPLETION DATE |
|-------------------------|-----------------------|--------------|-----------|-----------------|
| Prestige Skytech | Suburban (Gachibowli) | NA | 2,300,000 | Q3 2023 |
| BSR Tech Park Tower –II | Suburban (Gachibowli) | NA | 1,300,000 | Q3 2023 |

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