

BENGALURU

Office Q3 2023

2.21 msf GROSS LEASING (Q3 2023)

3.2 msf NEW SUPPLY (Q3 2023)

11.4% VACANCY (Q3 2023)

MARKET INDICATORS OVERALL Q3 2023

	Q3 2022	Q3 2023	12 month Forecast
Overall Vacancy	8.7%	11.4%	▲
Weighted Average Net Asking Rent (INR/sf/month)	82.7	82.7	■
YTD Net Absorption (sf)	9,897,952	3,923,279	▲

Lower GLV but robust quarterly growth in net absorption

Bengaluru witnessed Gross Leasing Volumes (GLV) of 2.2 msf in Q3, a 27% decline on a quarterly basis. However, net absorption jumped by over 3x as compared to the previous quarter and stood at 1.8 msf on the back of steady fresh leasing and operationalization of few projects that enjoyed healthy precommitments. Office absorption is likely to remain strong in the near term as several developments with pre-committed spaces are expected to enter the market over next couple of quarters. Large transactions (>100,000 SF) accounted for around 50% of the quarterly GLV, pointing towards a reversal from trend observed in last quarter where smaller transactions were dominant. The quantum of active deals in the city remains high though some deal closures could be delayed with occupiers navigating through impacts from ongoing business uncertainty. The YTD GLV stood at 7.5 msf, a 44% drop as compared to the same period last year, largely due to the high base effect (record high GLV in 2022). In a continuation of trend seen in previous quarters, fresh leasing remained dominant with a share of 83% in quarterly GLV, followed by term renewals (11%) and pre-commitments (6%).

The Outer Ring Road (ORR) submarket accounted for around 50% share in quarterly GLV, followed by the Peripheral East and Peripheral North submarkets with shares of 25% and 13%, respectively. IT-BPM sector accounted for over 40% of quarterly GLV, followed by BFSI with a share of 21%. Engineering & manufacturing held a 16% share while flex space operators contributed 11% to Q3 GLV.

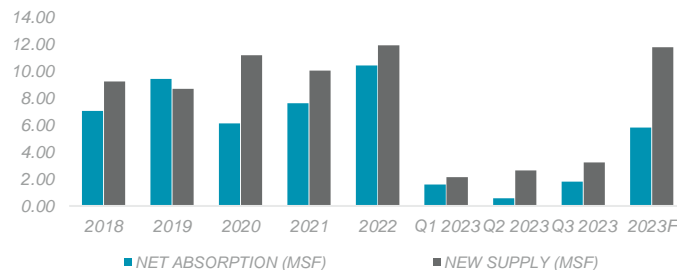
Highest pan India quarterly supply; increase in city-wide vacancy

Bengaluru recorded new supply addition of 3.2 msf in Q3, a 23% growth on a quarterly basis. The city accounted for ~30% share in pan India supply in the quarter, highest amongst all in the top 8 cities. YTD supply stood at around 8 msf, which is second only to Hyderabad. Supply pipeline remains healthy for Q4 2023 for the next couple of years, with nearly 3.8 msf of supply likely to hit the market in Q4-23 alone, bringing the total supply for 2023 close to the 12 million mark. City wide vacancy rate increased by 60 bps over the previous quarter and stood at 11.4% largely due to the new supply addition. The vacancy is expected to rise in the near term due to estimated robust supply addition and slower approval process expected in the remainder of the current year.

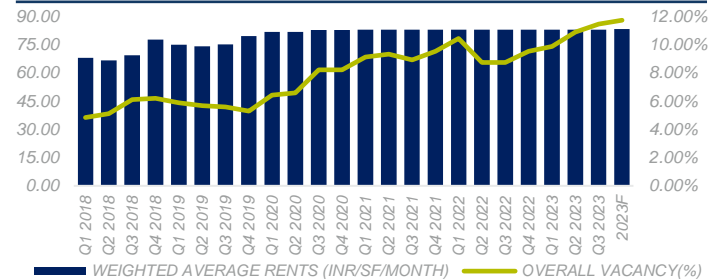
Rentals remain stable and are likely to remain range-bound in the near term

City-wide average rentals remained unchanged on a quarterly basis and is likely to remain stable over the next few quarters due to new supply addition and relatively slower take-up of space. However, certain Grade A properties across submarkets such as ORR and Peripheral East with high demand and tight vacancies will continue to command premium rentals.

NET ABSORPTION & SUPPLY



OVERALL VACANCY & ASKING RENT



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	2.5%	152,483	427,584	135,000	98,895	163.00*	23.79	22.31
Outer Ring Road	83,418,228	9.8%	3,107,998	12,063,126	3,630,262	1,248,020	107.00	15.62	14.64
Peripheral East	37,640,714	16.6%	2,461,191	5,681,365	3,505,695	1,870,311	68.00	9.93	9.31
Peripheral North	9,545,654	29.0%	752,694	6,362,212	-	786,211	75.00	10.95	10.26
Peripheral South	12,327,410	16.0%	188,000	1,213,993	334,571	-17,423	65.00	9.49	8.89
Suburban East	21,369,292	3.7%	395,543	1,727,185	-	-526,097	129.00**	18.83	17.66
Suburban North West	1,100,000	0.0%	25,900	3,969,825	-	12,280	159.00	23.21	21.76
Suburban South	9,249,337	6.8%	420,065	880,765	379,433	451,082	95.00	13.87	13.00
TOTALS	182,313,957	11.4%	7,503,874	32,326,055	7,984,961	3,923,279	82.7	12.07	11.32

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.

^ 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 82.21 AND € = INR 87.68

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

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Embassy Manyata Tech Park – M3	Outer Ring Road	Kyndryl	243,897	Fresh Lease
RMZ Eco World (8B)	Outer Ring Road	Morgan Stanley	136,148	Term Renewal
MEBP (D3 – Redwood)	Outer Ring Road	Wework	120,000	Fresh Lease
Bagmane Solarium City	Peripheral East	Schneider Electric	100,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Sattva Spectrum	Outer Ring Road		734,898	Q4 2023
Embassy Business Hub 1	Peripheral North	Undisclosed client (entire building)	600,000	Q4 2023
Kalyani - Camellia	Peripheral East	-	484,278	Q4 2023

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