

HYDERABAD

Office Q3 2023

23.8% VACANCY (Q3 2023)

2.2 msf NEW COMPLETIONS (Q3 2023)

1.8 msf NET ABSORPTION (Q3 2023)

MARKET INDICATORS OVERALL Q3 2023

	Q3 2022	Q3 2023	12 month Forecast
Overall Vacancy	20.6%	23.8%	▲
Weighted Average Net Asking Rents (INR/sf/month)	61.0	65.0	▲
Q3 2023 Net Absorption (sf)	1,586,816	1,849,658	▲

Highest net absorption recorded in recent history; GLV stable in Q3

The gross leasing volume (GLV) of 2.44 msf in Q3 has been largely stable when compared to the previous quarter, although it registered a 59.2% growth on a y-o-y basis. For YTD 2023, the GLV (6.7 msf) has been remarkably higher on an annualised basis, and we expect the momentum to continue going forward. In Q3 2023, Hyderabad has witnessed highest net absorption in the last seven quarters recording ~1.85 msf registering a 38.2% growth on a q-o-q basis and 16.6% on an annual basis. Net absorption for YTD 2023 stood at ~4.7 msf, a 2.5X leap over YTD 2022.

In Q3, the office market recorded a broad-based momentum across occupier segments, largely driven by FMCG (20%), IT-BPM (16%), logistics and flexible workplace players accounting for 13% each. As of YTD 2023, Tech and BFSI continue to dominate the city office demand with 28% and 23% shares, respectively, however, the city is observing a demand diversification amidst the return to office. For YTD 2023, activity from flexible workspace operators and engineering & manufacturing companies have recorded healthy growth of 63% and 24%, respectively, on an y-o-y basis.

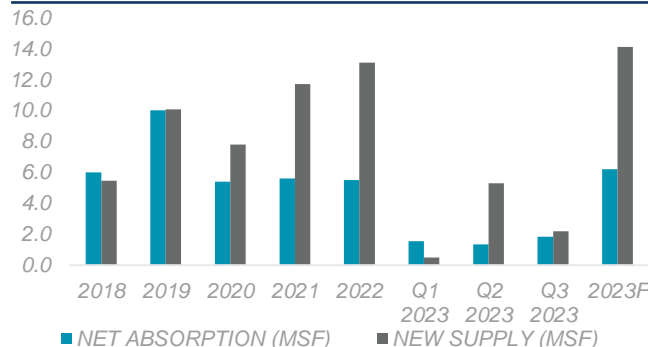
New supply lower than last year; vacancy in prime markets stable

In Q3 2023, nearly 2.2 msf of new office supply got added to the inventory, recording a q-o-q decline of 58%. For YTD 2023, the city recorded a supply addition of ~8.1 msf and we anticipate another 5 to 6 msf to enter the market in the next quarter. Healthy leasing momentum of ~1.6 msf in the prime micro market of Madhapur with almost 60% pre-commitment in quarterly completions resulted in keeping vacancy levels range bound from the previous quarter. This micro-market recorded a slight increase in vacancy levels by 1.2% over the previous quarter. On the other side, with no new completions and healthy leasing activity of 0.85 msf, Gachibowli micro-market recorded a slight decline in vacancy levels by 1.6%.

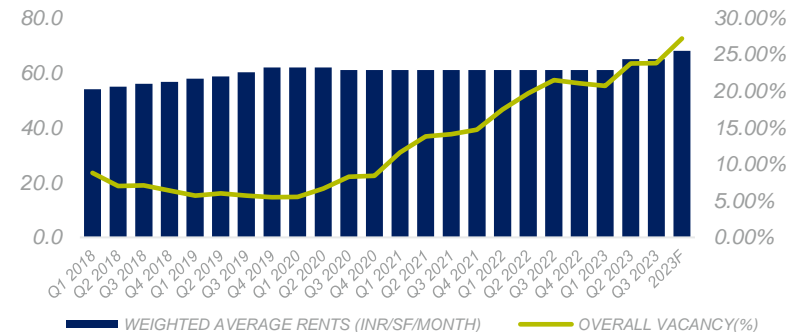
Rental upswing in Madhapur given tight vacancies in prime properties

Select locations likeHITEC City, Raidurg, and Madhapur witnessed rental growth during the quarter on the back of improved demand and low vacancy in prime properties. On an overall basis, Madhapur vacancy-weighted average rents also increased marginally during the quarter (1.4%). As demand continues with strong pre-commitments in some of the upcoming projects in the near term, rentals are likely to appreciate in Madhapur. On the contrary, we anticipate Gachibowli landlords to be accommodative as the market is likely to witness ~23 msf of supply in the next 24 to 36 months.

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	61,673,166	14.44%	4,922,346	11,732,805	5,842,937	3,658,101	75	10.95	10.26
Gachibowli	31,451,595	40.90%	1,821,516	23,546,829	2,168,041	1,084,249	66	9.63	9.03
Peripheral East	2,258,000	41.77%	0	0	0	0	41	5.98	5.61
Total ##	97,193,400	23.81%	6,743,826	36,119,924	8,010,978	4,742,350	65	\$9.49	€ 8.90

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 82.21 € 1 = INR 87.68

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

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KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Laxmi Infobahn	Suburban (Gachibowli)	PepsiCo	419,342	Fresh Lease
Phoenix Avance H10	Suburban (Madhapur)	Technic FMC	258,000	Pre Commitment
Knowledge Park Tower - 2	Suburban (Madhapur)	Sandoz	215,614	Fresh Lease
Phoenix Centaurus	Suburban (Gachibowli)	FedEx	207,000	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Prestige Skytech	Suburban (Gachibowli)	NA	2,300,000	Q1 2024
BSR Tech Park Tower –II	Suburban (Gachibowli)	NA	1,300,000	Q4 2023

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