

# BENGALURU

Office Q4 2023

**8.33 msf** GROSS LEASING (Q4 2023)

**5.3 msf** NEW SUPPLY (Q4 2023)

**11.2%** VACANCY (Q4 2023)

## MARKET INDICATORS OVERALL Q4 2023

|   | Q4 2022    | Q4 2023    | 12 month Forecast |
|---|------------|------------|-------------------|
| Overall Vacancy                                 | 9.5%       | 11.2%      | ▲                 |
| Weighted Average Net Asking Rent (INR/sf/month) | 82.7       | 83.0       | ■                 |
| YTD Net Absorption (sf)                         | 10,416,574 | 11,973,545 | ▲                 |

### Robust pickup in Q4 leasing activity; net absorption hits all-time high

Bengaluru office market finished the year on a high note on the back of sharp pickup in leasing activity in Q4. Gross leasing volumes (GLV) stood at 8.3 msf in Q4, a record high for the city and a nearly 4x jump as compared to the previous quarter. Several large deals across multiple sectors are under negotiation and could likely see closure in the near term. Therefore, leasing activity is set to maintain its strong momentum in the first half of 2024. Large deals (>100,000 sf) contributed nearly 75% of quarterly GLV, with occupiers across BFSI, engineering & manufacturing and IT-BPM sectors looking to expand operations.

Engineering & manufacturing and BFSI occupiers led leasing activity in the quarter with contributions of 33% and 28% in quarterly GLV respectively followed by IT-BPM with a share of 19%. Fresh leasing accounted for over 60% of quarterly GLV, precommitments picked up pace with a one-third share in leasing volumes. Outer Ring Road (ORR) dominated quarterly leasing with a dominant share of 65% in GLV; this micro market contributed over half to the annual GLV too. Peripheral East's contribution in quarterly and annual GLV stood at 15% and 24% respectively. The GLV for the full year 2023 stood at 15.8 msf, which is 15% lower than the record-high volume seen in 2022.

Net absorption stood at 8.1 msf in Q4, a record high and nearly 5x jump as compared to the previous quarter. Healthy fresh leasing momentum coupled with operationalization of projects with high pre-commitments could be attributed for this robust absorption levels during the quarter. For the full year, net absorption stood at ~12 msf, again a record high, surpassing the previous peak of 2022 by ~15%.

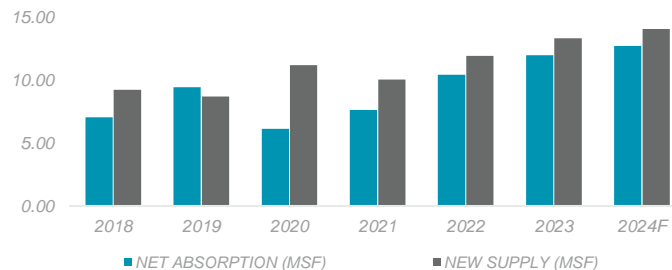
### Record high quarterly supply; headline vacancy rate declines

Bengaluru recorded new supply of 5.3 msf, the highest in a quarter so far, and it was 65% growth over the previous quarter. The city accounted for nearly 30% of pan India quarterly supply. Supply stood at 13.3 msf in 2023, again the highest on record, with a number of projects witnessing good demand. Around 30 msf of supply is expected to enter the market in the next couple of years, with expected pickup in activity incentivizing project completions. While headline city-wide vacancy rate declined by 20 bps to 11.2% in the quarter, the ORR micromarket stood out for a sharp 170 bps fall in its vacancy, driven by robust fresh leasing activity. Going forward, the headline vacancy rate is likely to remain rangebound on the back of near parity in supply and demand.

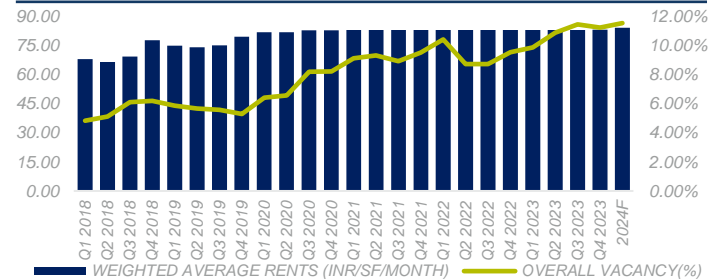
### City-wide rentals remain stable in the quarter

City-wide average rentals remained unchanged on a qoq basis and is likely to remain stable in the near term. Premium properties, particularly at ORR, which report high demand amidst low vacancy, might continue to command above market 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          | 2.3%         | 217,112                          | 707,584                            | 135,000                           | 533,419                 | 163.00*                | 23.48        | 21.83        |
| Outer Ring Road     | 84,980,846         | 8.1%         | 9,106,739                        | 17,547,232                         | 5,226,663                         | 6,347,428               | 107.00                 | 15.41        | 14.33        |
| Peripheral East     | 39,521,714         | 18.6%        | 3,792,804                        | 8,193,734                          | 5,386,695                         | 3,201,924               | 68.00                  | 9.79         | 9.11         |
| Peripheral North    | 10,848,293         | 25.5%        | 910,736                          | 7,062,129                          | 1,302,639                         | 1,553,645               | 75.00                  | 10.80        | 10.04        |
| Peripheral South    | 12,327,410         | 15.8%        | 397,412                          | 1,213,993                          | 334,571                           | 191,989                 | 65.00                  | 9.36         | 8.71         |
| Suburban East       | 21,369,292         | 3.8%         | 850,695                          | 2,027,185                          | -                                 | -431,400                | 129.00**               | 18.58        | 17.28        |
| Suburban North West | 1,684,000          | 30.0%        | 79,900                           | 3,860,985                          | 548,000                           | 66,280                  | 159.00                 | 22.91        | 21.29        |
| Suburban South      | 9,249,337          | 6.3%         | 479,243                          | 3,285,607                          | 379,433                           | 510,260                 | 95.00                  | 13.69        | 12.72        |
| <b>TOTALS</b>       | <b>187,608,214</b> | <b>11.2%</b> | <b>15,834,641</b>                | <b>43,898,449</b>                  | <b>13,313,001</b>                 | <b>11,973,545</b>       | <b>83.0</b>            | <b>11.96</b> | <b>11.12</b> |

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 2026

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 83.3 AND € = INR 89.6

Numbers for fourth quarter are based on market information collected until 20<sup>th</sup> December 2023

## KEY LEASE TRANSACTIONS Q4 2023

| PROPERTY                             | SUBMARKET       | TENANT         | SF        | TYPE          |
|--------------------------------------|-----------------|----------------|-----------|---------------|
| Embassy Spectrum                     | Outer Ring Road | Morgan Stanley | 1,000,000 | Precommitment |
| Bagmane Capital - Angkor             | Outer Ring Road | Qualcomm       | 621,813   | Fresh Lease   |
| Bagmane Solarium City – Helium Block | Peripheral East | Tekion         | 160,000   | Fresh Lease   |
| Bagmane Solarium City                | Peripheral East | Omnicom        | 122,770   | Fresh Lease   |

## SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

| PROPERTY           | SUBMARKET       | MAJOR TENANT        | SF      | COMPLETION DATE |
|--------------------|-----------------|---------------------|---------|-----------------|
| Sattva Spectrum    | Outer Ring Road |                     | 734,898 | Q1 2024         |
| Mfar 37 Cunningham | CBD/Off CBD     | Columbia Sportswear | 227,584 | Q1 2024         |
| Kalyani - Camellia | Peripheral East | -                   | 484,278 | Q1 2024         |

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