

HYDERABAD

Office Q4 2023

24.6% VACANCY (Q4 2023)

4.6 msf NEW COMPLETIONS (Q4 2023)

2.6 msf NET ABSORPTION (Q4 2023)

MARKET INDICATORS OVERALL Q4 2023

	Q4 2022	Q4 2023	12 month Forecast
Overall Vacancy	22.1%	24.6%	▲
Weighted Average Net Asking Rents (INR/sf/month)	61.0	67.0	▲
YTD Gross leasing volume (sf)	6,663,602	9,101,068	▲

Both, gross leasing and net absorption at post-Covid highs in Q4

In Q4 2023, there was a notable upswing in gross leasing, surging to 3.08 msf, a q-o-q increase of 32%. This marked the highest quarterly gross leasing volume in the past three years. The quarter also recorded the highest net absorption in the past eight quarters reaching 2.6 msf, a notable 39% q-o-q increase. The IT-BPM sector dominated with a 53% share, while the Healthcare & Pharmaceutical sector stood second with a 23% share. For the full year 2023, gross leasing reached 9.0 msf, marking a 35% y-o-y increase suggesting sustained growth in office demand. The 2023 GLV volume includes 2.1 msf leases that happened in SEZ spaces, underpinning the significance of the new SEZ rules in Q4. The annual leasing momentum was driven by IT-BPM with a 34% share, while BFSI followed with a notable 16% and Healthcare & Pharma with a 12% share. Overall net absorption for 2023 stood at 7.5 msf owing to healthy demand for new space take up.

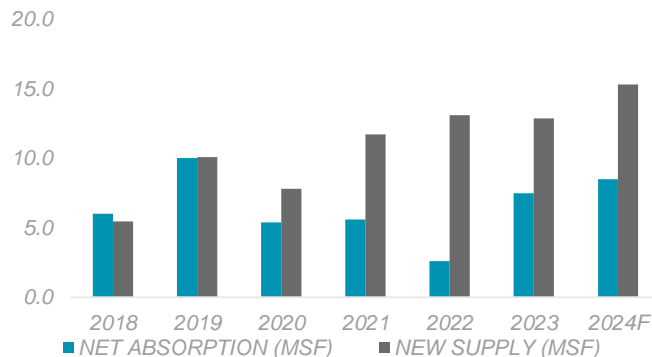
Q4 supply propels Hyderabad's office inventory past the 100 msf mark

In Q4 2023, Hyderabad witnessed a robust supply of 4.6 msf, reflecting an impressive 2X q-o-q growth. With the addition of supply in Q4, Hyderabad's Grade A Office inventory has surpassed the 100msf milestone. The annual supply reached 12.9 msf (up by 13% y-o-y), the highest ever recorded in the city. The supply surge is likely to continue in 2024, with nearly 14-15 msf of new completions anticipated in the next 3-4 quarters, largely concentrated around Raidurg, Madhapur & Gachibowli. Vacancy rates in Madhapur and Gachibowli saw a minor increase, standing at 14.77% and 42.25%, respectively, driven by the significant influx of new supply in these two submarkets. The city registered an overall vacancy rate of 24.6% at the end of Q4, up by 248 bps on an annual basis.

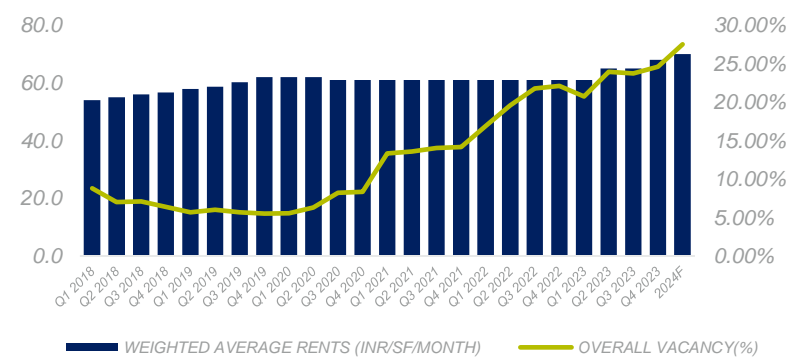
Marginal rental growth in select submarkets

In Q4 2023, the weighted average rents in Madhapur and Gachibowli remained unchanged compared to the previous quarter. City-wide rents saw a 5% growth from the same period last year. We anticipate stable rents to continue in Gachibowli over the next 12 months, given the prevailing tenant favourable market conditions. It is an opportune time for tenants with large space requirements to explore Gachibowli & the emerging catchment along ORR for rental savings as well as flexibility with lease terms. With a relatively tighter vacancy, Madhapur is expected to witness a 3-5% rental growth due to limited availability in new projects, growing enquiries and a robust deal pipeline.

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	64,266,064	14.77%	7,197,987	11,572,805	8,364,062	5,730,622	75	10.86	10.10
Gachibowli	32,877,012	42.25%	1,812,081	29,746,829	3,653,821	1,273,832	66	9.53	8.86
Peripheral East	2,258,000	41.77%	0	0	0	0	41	6.36	5.91
Total ##	102,052,005	24.61%	9,010,068	41,319,634	12,858,173	7,483,284	67	\$9.80	€ 9.11

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 2026

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 83.3 € 1 = INR 89.6

Numbers for the fourth quarter are based on market information collected until 20th December 2023

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
L&T Metro Next Avenue Tower 1	Suburban (Madhapur)	LTIMindtree	322,637	Fresh Lease
ITPH Block A	Suburban (Madhapur)	Bristol Myers Squibb (BMS)	317,799	Fresh Lease
RMZ The Spire Tower 100	Suburban (Madhapur)	Sanofi	231,395	Fresh Lease
BSR Tech Park Tower 1	Suburban (Gachibowli)	Medtronic	62,611	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
BSR Tech Park Tower -II	Suburban (Gachibowli)	NA	1,300,000	Q1 2024
Aparna Technopolis	Suburban (Madhapur)	NA	1,700,000	Q2 2024
The Spire Tower 110	Suburban (Madhapur)	NA	1,020,000	Q4 2024

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