

25.1% VACANCY (Q1 2024)

2.8 msf NEW COMPLETIONS (Q1 2024)

1.6 msf NET ABSORPTION (Q1 2024)

MARKET INDICATORS OVERALL Q1 2024

Q1 2023 Q1 2024 12 month Forecast

Overall Vacancy	20.74%	25.18%	▲
Weighted Average Net Asking Rents (INR/sf/month)	61	68	▲
Gross leasing volume (sf)	1,113,736	2,509,316	▲

Office leasing was good in Q1 with 125% growth y-o-y

During the first quarter of the year, the Hyderabad office market witnessed a healthy gross leasing of 2.5 msf, recording a significant 125% growth on a y-o-y basis, although it was a 19% decline q-o-q. The leasing activity observed in Q1 surpassed the average quarterly leasing activity recorded in 2023 by 11%, primarily driven by occupiers expansion initiatives. Notably, more than 60% of deals involved smaller-sized office spaces with area requirements below 50,000 square feet, a trend that remained consistent with the quarterly figures recorded in 2023. Net absorption in the Hyderabad office market remained relatively stable at 1.6 msf, with a slight y-o-y decline of 2%.

Demand for office space was primarily fueled by the BFSI sector, commanding a 36% share of gross leasing, followed by IT sector with 23% share. Flexible workspace operators accounted for a significant 20% of the leasing activity in Q1, nearly doubling from the average quarterly volume recorded in the previous year. The prime submarket of Madhapur dominated leasing activity, accounting for 89% of quarterly office space leasing.

Consistent influx of supply results in vacancy rising in Q1

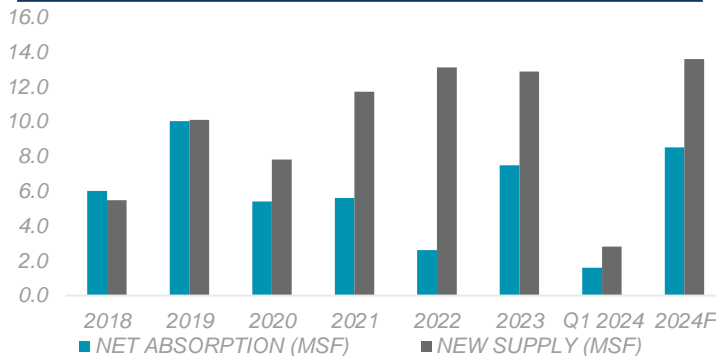
In Q1, nearly 2.9 msf of new supply came into the market, recording a q-o-q decline of 36%. As a result, the overall vacancy rate saw a minor uptick of 57 basis points during the quarter. With no supply in Madhapur submarket in Q1, its vacancy (12.24%) dropped by 253 bps on q-o-q basis. The estimated influx of ~7-8 msf of new supply expected in 2024 is anticipated to cater to the growing demand in Madhapur submarket. The entire supply in Q1 was concentrated towards Gachibowli submarket, leading to a 367 basis points rise in vacancy, which stood at 45.92%. Nearly 5.8 msf of new supply is expected in Gachibowli for the rest of 2024, thus pushing the vacancy rate to an expected 47% by end of 2024.

Rental values slightly elevated in key markets

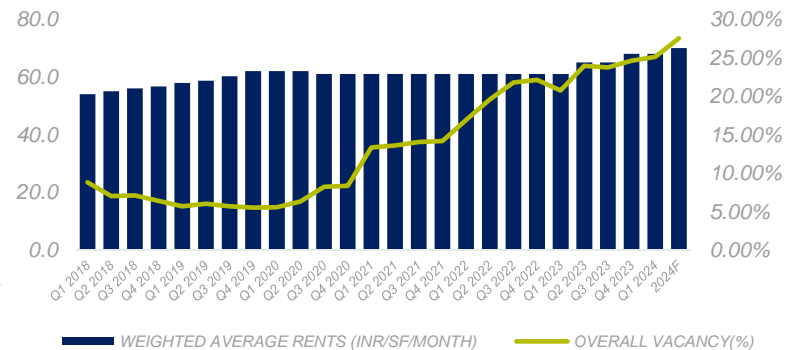
In Q1 2024, weighted average rents in Gachibowli remained stable, while Madhapur saw a slight increase. Overall, city-wide market rentals witnessed a slight uptick compared to the previous quarter, and also marked a 4% growth compared to the same period last year.

Over the next three quarters, approx. 13 msf of new supply is anticipated in Madhapur and Gachibowli combined, indicating a further increase in vacancy rates. In Gachibowli submarket, which is already facing a high vacancy rate of ~45%, tenants enjoy favorable rental terms. On the contrary, in Madhapur, Grade-A landlords command premium rentals as demand remains active, leading to relatively balanced leasing terms.

NET ABSORPTION & NEW SUPPLY



OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE (%)	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
Madhapur	64,266,064	12.24%	2,241,602	11,572,805	0	1,628,044	77	11.15	10.26
Gachibowli	35,798,085	45.92%	267,714	26,946,829	2,921,073	371,798	66	9.55	8.79
Peripheral East	2,258,000	41.77%	0	0	0	0	41	5.93	5.46
Total ##	104,973,078	25.18%	2,509,316	38,519,634	2,921,073	1,605,953	68	9.84	9.06

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 82.9 € 1 = INR 90.1

Numbers for the first quarter are based on market information collected until 20th March 2024

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KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Sattva Knowledge Park Tower 2	Suburban (Madhapur)	Cigna Healthcare	586,160	Fresh Lease
Sattva Knowledge Park Tower 2	Suburban (Madhapur)	Lloyds Bank	213,166	Fresh Lease
RMZ Nexity Tower 30	Suburban (Madhapur)	Merilytics	168,405	Fresh Lease
Phoenix Aquila Tower B	Suburban (Gachibowli)	OpenText	46,635	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	Q2 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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