

Strong gross leasing driven by high term renewals; Pre-commitments with a sizeable share of lease volumes

Pune's quarterly gross leasing volume (GLV) stood at 3.2 msf in Q2 2024, a 1.6X jump from last quarter. However, it remained consistent with the same period last year, as both Q2 2023 and Q2 2024 witnessed higher term renewal deals. Q2 2024 witnessed term renewals of 1.3 msf which is 1.2X the quarterly average of term renewals for past 5 years. Fresh Leasing of 0.97msf was recorded this quarter which is in line with what was recorded last quarter, however 21% less on Y-o-Y basis. Pre-commitments of 0.95msf was recorded this quarter. Some large pre-commitments(>100,000 sf) were recorded in the projects that will be completed by end of 2024. SBD East remained the most active submarket in the quarter commanding 50% of the quarterly leases. SBD West stood second with 33% of overall leasing due to a large pre-commitment by a flex space operator. In terms of sectors, Flex space emerged at the top with 32% of quarterly leasing (largely due to the pre-commitment in SBD West), followed by BFSI sector (20.4%) and Engineering & Manufacturing sector (18.22%).

In H1 2024, 4.4 msf GLV was recorded, 29% less than H1 2023 due to record high number of term renewals witnessed during the same period last year. SBD East remained the most active submarket in terms of leasing for the first half of the year with 54% share of GLV. The first half of the year saw Engineering & Manufacturing, Flexible workspace and BFSI sectors emerge at the top with equal shares in GLV (24%), unlike last year when IT-BPM dominated.

Pune's Q2 net absorption stood at 0.4 msf, a 67% drop on q-o-q basis and 65% drop on y-o-y basis, as a large proportion of fresh leases included churn. However, net absorption numbers are bound to go up in the next couple quarters due to large pre-commitments in the upcoming supply. Pune's H1 2024 net absorption stood at 1.7msf, 38% down from same period last year.

Headline vacancy dipped in Q2; robust near-term supply outlook

For Q2 2024, Pune recorded no new supply. On the back of steady fresh leasing activity the headline city-wide vacancy dipped by 60bps to 10.47%, on a qoq basis. Supply of ~7.8 msf is expected in 2024, the majority of which (57%) will be in the SBD East submarket, followed by CBD (29%); both of which have low vacancy rates. Over long-term, city is anticipated to see a healthy supply pipeline of over 23.msf over Q3-2024 to 2026, most of which (58%) is again concentrated in the SBD East submarket.

City-wide rentals unchanged from last quarter

Headline rentals have remained stable on a qoq basis. Rental values are expected to rise in the coming quarters due to consistent demand, as evidenced by large pre-commitments and ongoing deals and space enquiries in upcoming supply.

3.2 msf GROSS LEASING VOLUME (Q2 2024)

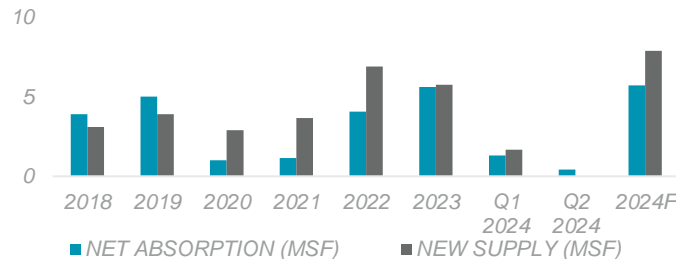
1.3 msf TERM RENEWALS (Q2 2024)

23.15 msf UPCOMING SUPPLY (Q3 2024 - 2026)

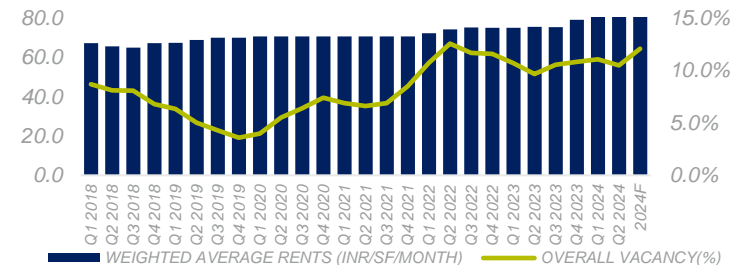
MARKET INDICATORS OVERALL Q2 2024

	Q2 2023	Q2 2024	12 month Forecast
Overall Vacancy	9.68%	10.47%	▲
Weighted Average Net Asking Rents (INR/sf/month)	75.15	80.53	▲
YTD Net Absorption (sf)	2,796,129	1,729,092	▲

NET ABSORPTION & NEW SUPPLY



OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY (%)	YTD GROSS LEASING ACTIVITY(SF)	PLANNED & UNER CONSTRU (SF) ^{^^}	YTD CONSTRUCTION COMPLETIONS (SF)	YTD NET ABSORPTION (SF)	GRADE A WTD. AVG. RENT**		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
CBD	4,649,600	0.85%	173,166	3,970,000	-	23,393	110.42	16.17	15.05
SBD East	37,683,136	7.44%	2,338,117	13,377,000	1,666,000	1,154,237	99.17	14.50	13.45
SBD West	9,659,858	6.97%	1,224,963	2,300,000	-	218,756	88.32	12.67	11.75
PBD East	2,866,209	36.49%	16,597	--	-	17,000	73.05	10.52	9.76
PBD West	16,404,139	17.67%	649,578	3,500,000	-	315,706	63.28	9.05	8.35
TOTAL#	71,262,942	10.47%	4,402,421	23,147,000	1,666,000	1,729,092	81.26	11.69	10.84

The report highlights Grade A details only. Certain indicators are historically corrected by addition/deletion of older / refurbished projects as per grade A classification and accounting for changes in built-up/leasable area besides adjusting tenant leases to reflect accurate market conditions.

Net absorption refers to the incremental new space take-up

#YTD gross leasing activity includes pre-commitments and term renewals

^{^^}Includes planned & under-construction projects until 2026

**Weighted average asking rental rates for vacant spaces that provide core facility, high-side air conditioning, and 100% power backup

IT-BPM – Information Technology – Business Process Management

Key to submarkets:

CBD: Laxmi Road, Camp, Bund Garden, Boat Club, Koregaon Park, Dhole Patil Road, Pune Station, Shivaji Nagar, FC Road, JM Road, Wakdewadi, SB Road, Model Colony, Ganeshkhind Road; SBD East: Kalyani Nagar, Kharadi, Mundhwa, Yerwada, Nagar Road, Viman Nagar, Hadapsar, Kondhwa; SBD West: Aundh, Baner, Pashan, Kothrud, Karve Nagar, Khadki, Paud Road; PBD East: Phursungi, Wagholi, Charoli, Solapur Road, Saswad Road, Katraj; PBD West: Hinjewadi, Wakad, Pimpri, Bhosari, Chinchwad, Bavdhan, Mulshi, Talawade, Tathawade, Nanded, Pimple Saudagar

US\$ 1 = INR 83.40; EUR€ 1 = INR 89.9

Numbers for the second quarter are based on market information collected until 20th June 2024.

KEY LEASE TRANSACTIONS Q2 2024

Property	Sub-market	Tenant	SF	Type
43 EQ	SBD West	Smartworks	613,451	Pre-Commitment
EON Free Zone Phase 2	SBD East	UBS	275,183	Renewal
Panchshil Avenue	SBD East	Rebdrick	200,000	Pre-Commitment
Shanti One	SBD East	Coforge LTD	94,811	Fresh

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	TENANT SECTOR	SF	COMPLETION DATE
Panchshil Avenue	SBD East	IT/ ITeS	450,000	Q3 2024
CapitaLand ITPP Block 2	SBD East	IT/ITeS	1,500,000	Q3 2024

Arun P Nair

Manager, Research Services

+91 22 67715555/ arun.nair@cushwake.com

Suvishesh Valsan

Director, Research Services

+91 22 67715555 / suvishesh.valsan@cushwake.com

[cushmanwakefield.com](https://www.cushmanwakefield.com)

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