

India Office, Q3 2018

LEASING CROSSED 32 MN SQ. FT. IN FIRST THREE QUARTERS OF 2018; TECH DROVE ALMOST HALF OF QUARTERLY LEASING

 Rents Up
7 Markets

 Rents Stable
61 Markets

 Rents Down
0 Markets

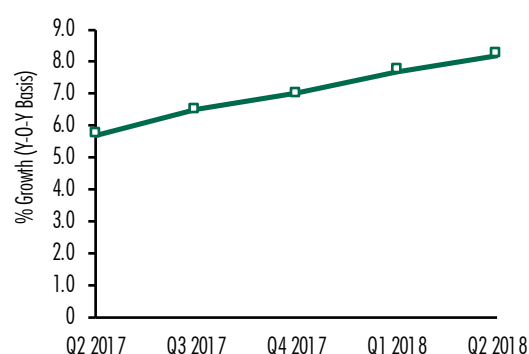
 Demand (Y-O-Y)
12%

 Supply (Y-O-Y)
7%

India's economic growth continued on its upward trajectory and reached a high of 8.2% during the quarter ended June 2018, compared with 7.7% in the previous quarter. The upward momentum was largely attributed to sectors such as manufacturing (13.5%); public administration, defence and other services (9.9%); construction (8.7%); and electricity, gas, water supply & other utility services (7.3%). The real estate services (along with financial and professional services) sector also contributed to this economic surge as it grew from 5% in the previous quarter to 6.5% during the review period.

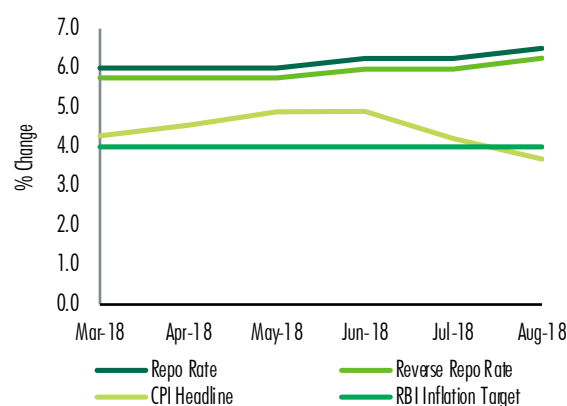
Retail inflation (measured by consumer price inflation or CPI) reached a high of 4.9% in June 2018, thanks to increasing fuel and food prices across the country. However, it declined to 4.2% in July 2018 and further to 3.7% in August 2018, on the back of a sharp slowdown in food prices. Belying industry expectations, the Reserve Bank of India (RBI) decided to keep the repo rate unchanged at 6.5% in October 2018 and adopt a neutral stance. Additionally, the filing of the initial offer document of India's first REIT, primarily comprising office assets, is likely to improve investor interest in the commercial real estate sector and impart further stability in the coming quarters.

Chart 1: GDP Growth Rate



Source: MOSPI, Q3 2018.

Chart 2: Key Interest Rates



Source: MOSPI, RBI, Q3 2018.

TRANSACTION VOLUME CROSSED 10 MILLION SQ. FT. IN Q3 2018; BANGALORE, FOLLOWED BY MUMBAI, HYDERABAD AND NCR, LED LEASING ACTIVITY

Due to sustained occupier interest, leasing activity improved by 12% on a quarterly basis to touch about 10.9 million sq. ft. during Q3 2018. Bangalore, Mumbai, Hyderabad and NCR accounted for about 80% of the leasing activity. Quarterly space take-up increased across all cities except NCR, Chennai and Hyderabad. Overall, the first three quarters of the year have recorded a take-up of more than 32 million sq. ft., an increase of about 7% y-o-y.

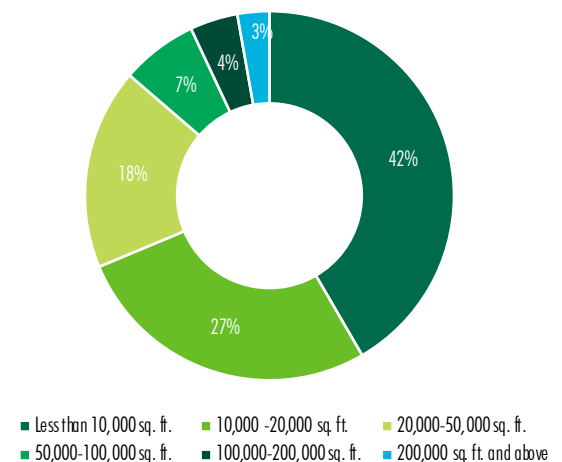
More than 30% of the transaction activity during Q3 2018 was reported in SEZ space; with mid-sized to large-sized deals reported in Bangalore, Hyderabad, Pune and Gurgaon. The SEZ segment recorded lease transactions worth more than 8 million sq. ft. in the first nine months of the year; an increase of about 21% y-o-y. Nearly 60% of the activity was driven by tech corporates. Most corporates interested in the SEZ scheme are keen to start operations in an SEZ by Q3/Q4 2019, in order to avail tax benefits before the sunset date of 31st March 2020.

SMALL-TO-MEDIUM SIZED TRANSACTIONS (LESS THAN 50,000 SQ. FT.) DOMINATED SPACE TAKE-UP

As in the previous quarters, office space take-up was dominated by small- and medium-sized transactions in Q3 2018. Mid-sized transactions (ranging between 10,000 sq. ft. and 50,000 sq. ft.) accounted for about 45% of the transaction activity, while small-sized transactions (less than 10,000 sq. ft.) had a 42% share. The share of large-sized deals (greater than 100,000 sq. ft.) increased to 7% during the quarter.

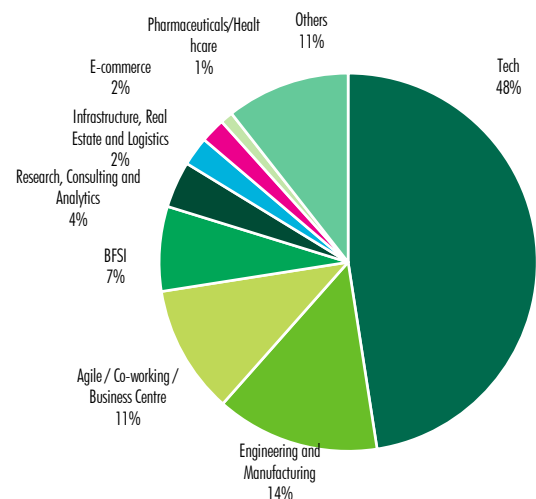
Bangalore, followed by Hyderabad, dominated large-sized deal closures, while a few such deals were also reported in Mumbai, Pune and Chennai. Corporates from sectors such as

Chart 3: Segmentation of Transaction Activity as per Transaction Size



Source: CBRE Research, Q3 2018.

Chart 4: Segmentation of Transaction Activity as per Industry



Source: CBRE Research, Q3 2018.

technology, engineering and manufacturing and agile/ co-working / business centers dominated large-scale deal closures.

TECH REMAINS THE BIGGEST DEMAND DRIVER; ENGINEERING AND MANUFACTURING, AGILE/ CO-WORKING / BUSINESS CENTER WERE OTHER ACTIVE SECTORS

Tech corporates (with a share of 48%) drove

office space take-up in the country during Q3 2018. They were followed by engineering and manufacturing companies (14%) and agile/ co-working / business center operators (11%). These operators took up both primary and secondary spaces in primarily core locations. Other sectors such as BFSI (7%) also contributed to the increase in leasing activity.

The agile workspace sector continued to witness a strong growth momentum, with global and Indian majors expanding their footprint in tier 1 and tier 2 cities. Agile/ co-working / business centers operators leased about 3.3 million sq. ft. of space in the first three quarters of the year, almost doubling their take-up reported in the first three quarters of 2017.

RISE IN PRE-LEASING ACTIVITY

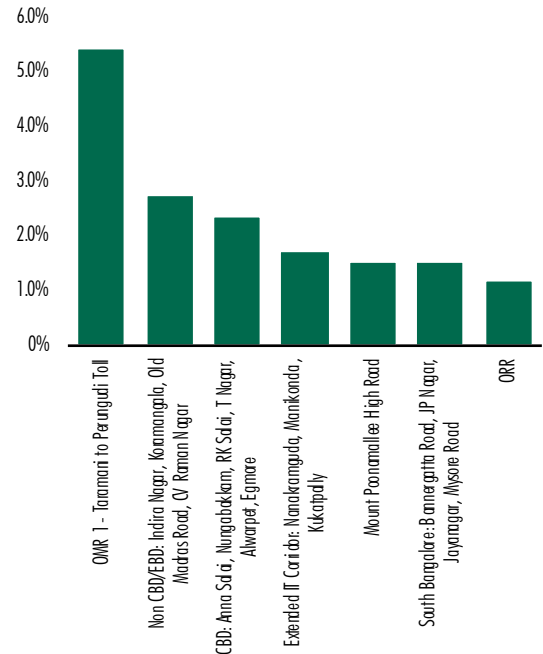
Occupiers continued to future-proof their portfolios and hedge against future rental escalations by pre-leasing space across various cities. Pre-leasing activity rose in the third quarter, largely in Bangalore and Hyderabad; it was driven primarily by tech and BFSI corporates. Overall, we have witnessed more than 12 million sq. ft. of pre-commitment transactions in mostly under-construction assets in the first three quarters of the year.

MORE THAN 7 MILLION SQ. FT. OF SUPPLY ADDED IN Q3 2018; ADDITIONS LED BY BANGALORE, FOLLOWED BY KOCHI, MUMBAI AND HYDERABAD

Supply addition in Q3 2018 dipped marginally by about 7% q-o-q to touch about 7.1 million sq. ft. Bangalore and Kochi accounted for 60% of the quarterly supply addition, followed by Mumbai and Hyderabad. Except Pune, Kolkata and Kochi, all cities reported a dip in development completions on a quarterly basis. Slippages were reported in cities such as Delhi NCR, Mumbai and Hyderabad.

SEZ supply accounted for a higher share of supply addition, especially in cities such as

Chart 5: Strongest Office Rental Growth, Q2 2018 vs Q3 2018



Source: CBRE Research, Q3 2018.

Bangalore, Kochi and Mumbai. In the wake of the sunset clause, developers continue to focus on delivering pre-committed / built-to-suit supply while being cautious of launching any speculative development in this segment.

SUSTAINED RENTAL MOVEMENT ACROSS CHENNAI AND BANGALORE

Narrowing supply demand gap resulted in rental values rising by about 1-6% on a quarterly basis across several micro-markets in Chennai and Bangalore. Rental growth remained limited to core locations in Hyderabad, while remaining flat in other cities.

MARKET SUMMARY

- Marginal slowdown in absorption as compared to previous quarter
- Gurgaon dominated leasing activity
- Rents remained largely stable across all micro-markets

NEW COMPLETIONS

The region witnessed supply addition in the form of two towers of a medium-sized IT development in Peripheral Noida.

SPACE TAKE-UP

Sustained occupier interest resulted in Noida Expressway, Extended Golf Course Road and DLF Cybercity accounting for nearly half of the region's leasing activity. A majority of the deals were closed in secondary spaces.

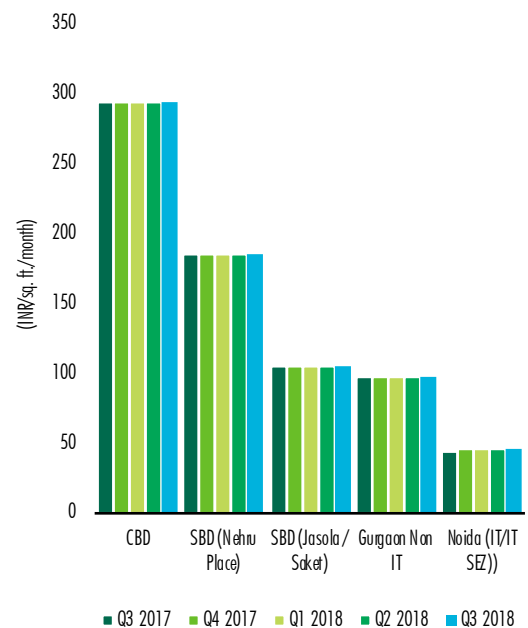
OCCUPIER TRENDS

Engineering and manufacturing companies dominated leasing activity, followed by occupiers from the tech, BFSI, research, consulting and analytics and e-commerce sectors. Agile/ co-working/business center operators continued to lease space in the region. Leasing activity continued to be driven by small-to-medium-sized transactions, although the quarter did witness the completion of one large-sized deal (greater than 100,000 sq. ft.) in Noida.

PRICING TRENDS

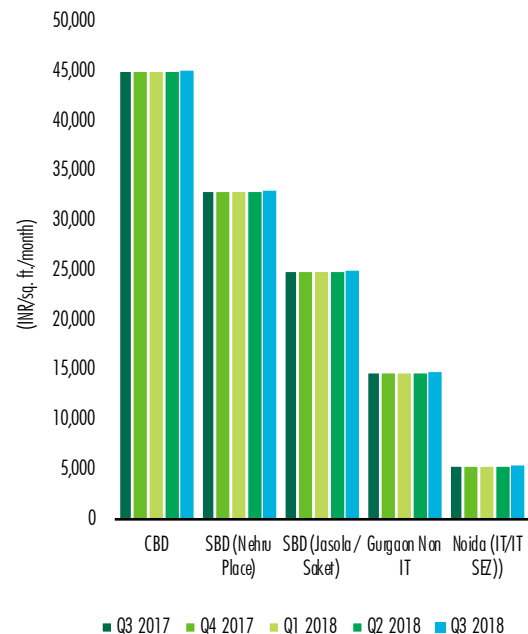
Rental values remained stable across all micro-markets in NCR.

Chart 7: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 8: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand Q-o-q	Supply Q-o-q	Rent Q-o-q
Delhi	Engineering and manufacturing firms accounted for almost half of the leasing activity in the micro-market, with most of the transactions being witnessed in SBD.	▼	▶	▶
Gurgaon	Occupier focus continued to be on core micro-markets even as IT, non-IT and SEZ sectors accounted for a similar share in the overall leasing activity	▼	▼	▶
Noida	Leasing activity was witnessed in both primary and secondary spaces, with the Noida Expressway emerging as the key driver of office space take-up.	▼	▲	▶

Source: CBRE Research, Q3 2018.

Table 1: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Axis House	Expressway	200,000	GE Alstom
ASF Insignia	Extended Golf Course Road	50,000	IBM
One Horizon Center	Golf Course Road	32,000	Uber Technologies

Source: CBRE Research, Q3 2018.

Table 2: Sub-market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Connaught Place) Grade A	295	295	0.0	0.0
CBD (Connaught Place) Grade B	160	160	0.0	0.0
Secondary Market (Nehru Place) Grade A	185	185	0.0	0.0
Secondary Market (Jasola) Grade A	105	105	0.0	0.0
Secondary Market (Saket) Grade A	160	160	0.0	0.0
Gurgaon Grade A (Non IT)	99	99	0.0	0.0
Gurgaon Grade A (IT)	81	81	0.0	1.3
NOIDA Grade A (IT/IT SEZ)	47	47	0.0	3.3

Source: CBRE Research, Q3 2018.

MARKET SUMMARY

- Quarterly increase in leasing activity
- Supply addition in Navi Mumbai and Western Suburbs 1
- Stable rental values across all micro-markets

NEW COMPLETIONS

The city witnessed two medium-sized supply additions in the form of one SEZ development in Navi Mumbai and a non-IT development in Western Suburbs 1.

SPACE TAKE-UP

Space take-up was concentrated in Navi Mumbai and Western Suburbs 1 and 2. Primary space take-up dominated leasing activity, owing to the availability of space in recently completed investment-grade developments. Secondary space take-up was witnessed in Western Suburbs 1 Andheri and Eastern Suburbs Powai.

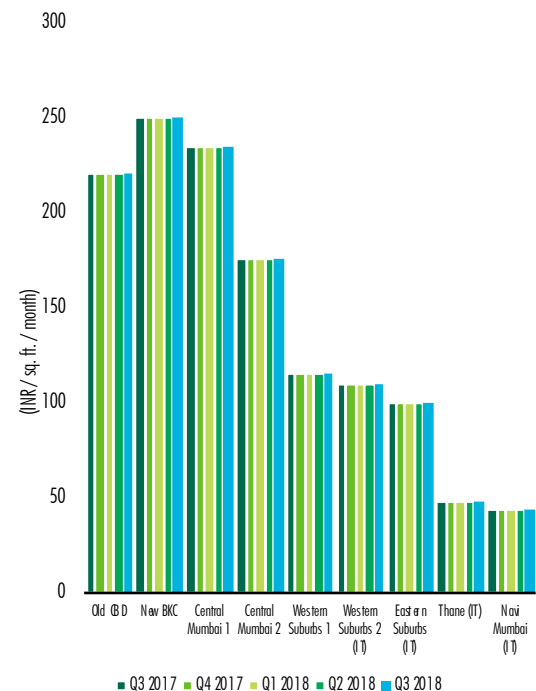
OCCUPIER TRENDS

Agile/ co-working / business center operators continued to drive leasing activity across the city, followed by tech and BFSI firms. Small-to-medium-sized deals dominated leasing activity, with a few large-sized deals (greater than 100,000 sq. ft.) closed in Navi Mumbai.

PRICING TRENDS

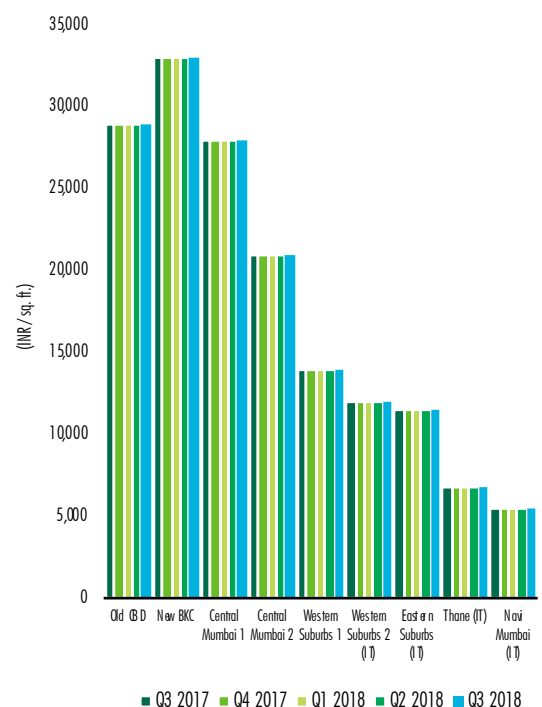
Rental values remained stable during the review period across all micro-markets.

Chart 9: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 10: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
Navi Mumbai	Supply addition increased on a quarterly basis owing to the completion of an SEZ development. The availability of investment-grade space in this micro-market led to stable rental values.	▲	▲	▶
Western Suburbs 1	Leasing activity, which dipped on a quarterly basis, was primarily driven by agile/ co-working / business center operators.	▼	▲	▶
Western Suburbs 2	Leasing activity increased on a quarterly basis, primarily driven by small-to-medium-sized transactions largely in non-IT buildings.	▲	▶	▶

Source: CBRE Research, Q3 2018.

Table 3: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Seawoods Grand Central - Tower I	Navi Mumbai	200,000	WeWork
Mindspace (West) Building 4 - Phase I (Up to 6th Floor)	Navi Mumbai	195,000	Accenture
Kanakia Wall Street (Grafty) - Phase I	Western Suburbs 1	56,000	Spaces

Source: CBRE Research, Q3 2018.

Table 4: Sub market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
Old CBD (Fort, Nariman Point, Churchgate, Ballard Estate, Cuffe Parade, Fort, Colaba) Grade A	220	220	0.0	0.0
Central Mumbai 1 (Worli, Mahalakshmi, Prabhadevi) Grade A (non-IT)	175	175	0.0	0.0
Central Mumbai 2 (Parel, Lower Parel, Dadar, Elphinstone Road, Byculla) Grade A (non-IT)	235	235	0.0	0.0
New CBD (BKC all blocks) Grade A	250	250	0.0	0.0
BKC Periphery (Kurla, Kalina, Kalanagar, Santacruz East, Bandra East and Bandra West) Grade A	150	150	0.0	0.0
Western Suburbs 1 (Vile Parle, Andheri East & West) Grade A (non-IT)	115	115	0.0	0.0
Western Suburbs 2 (Jogeshwari, Goregaon, Malad, Kandivali, Borivali) Grade A (IT)	110	110	0.0	0.0
Eastern Suburbs (Sion, Chembur, Ghatkopar, Vidyavihar, Vikhroli, Powai, Kanjurmarg, Bhandup, Mulund, Wadala) Grade A (IT)	100	100	0.0	0.0
Navi Mumbai Grade A (non-IT)	100	100	0.0	0.0
Navi Mumbai Grade A (IT)	44	44	0.0	0.0
Thane (Thane City) Grade A (IT)	48	48	0.0	6.7

Source: CBRE Research, Q3 2018.

MARKET SUMMARY

- Increase in leasing activity on a quarterly basis
- Supply addition in NBD, PBD and CBD
- Marginal increase in rental values in EBD, SBD and ORR on a quarterly basis

NEW COMPLETIONS

Supply addition was witnessed in the form of medium-to-large-sized non-SEZ and SEZ developments in NBD Yelahanka, Thanisandra and Bellary Road; and PBD Whitefield, along with a small-sized non-SEZ development in CBD Off-Infantry Road.

SPACE TAKE-UP

PBD and EBD dominated leasing activity, followed by NBD. Absorption in PBD was primarily led by culmination of pre-leases in newly completed developments. Quarterly SEZ absorption increased due to primary leasing in NBD and PBD.

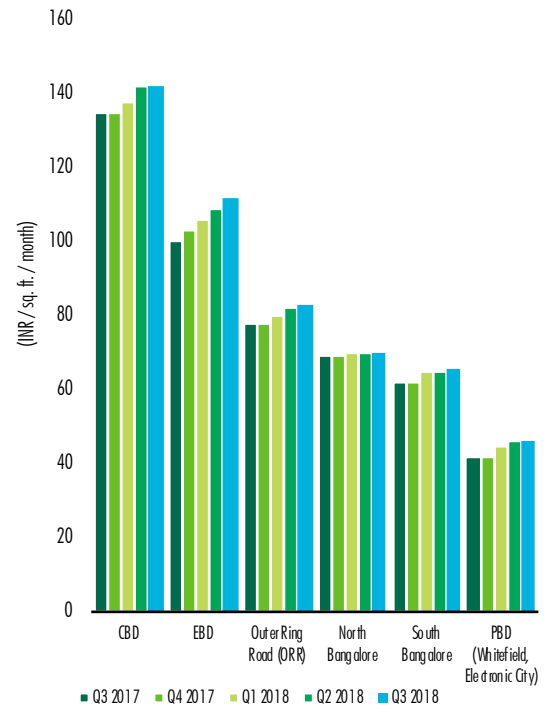
OCCUPIER TRENDS

Tech corporates dominated leasing activity, followed by engineering and manufacturing, and agile/ co-working / business center operators. Small-to-medium-sized deals dominated leasing activity, with a few large-sized deals being closed in PBD.

PRICING TRENDS

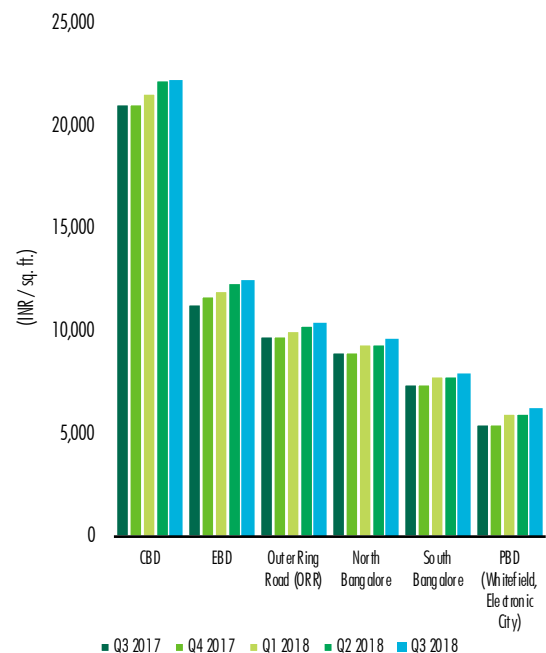
Lack of available supply led to a 1-3% growth in rental values on a quarterly basis across non-SEZ buildings in EBD, ORR and SBD.

Chart 11: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 12: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand Q-o-q	Supply Q-o-q	Rent Q-o-q
ORR	Leasing activity declined on a quarterly basis and was mainly led by engineering and manufacturing, and tech firms.	▼	▼	▲
PBD	Continued space take-up by tech, and engineering and manufacturing firms drove the rise in leasing activity.	▲	▲	▶
NBD	Occupier demand rose on a quarterly basis, mainly led by tech, and engineering and manufacturing firms.	▲	▼	▶

Source: CBRE Research, Q3 2018.

Table 5: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Bhartiya City Block 2	NBD	390,000	Synechron
Embassy Crest II	PBD	276,000	Mercedes Benz
Cessna Business Park Block 9	ORR	114,100	Micron Technology

Source: CBRE Research, Q3 2018.

Table 6: Sub-market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (MG Road, Residency Road) Grade A	142	142	0.0	5.3
CBD (MG Road, Residency Road) Grade B	95	95	0.0	11.8
EBD (Koramangala, Indira Nagar) Grade A	112	109	2.8	12.0
EBD (Koramangala, Indira Nagar) Grade B	81	81	0.0	8.0
Outer Ring Road Grade A	83	82	1.2	6.4
PBD (Whitefield, Electronic City) Grade A	46	46	0.0	9.3
South Bangalore Grade A	66	65	1.5	6.5
North Bangalore Grade A	72	72	0.0	4.3

Source: CBRE Research, Q3 2018.

MARKET SUMMARY

- Marginal decline in leasing activity on a quarterly basis
- Supply addition witnessed in IT Corridor
- Rental value increase recorded in Extended IT Corridor

NEW COMPLETIONS

Due to delays in receiving completion certificates, supply addition declined on a quarterly basis. The sole supply addition during the quarter was one medium-sized non-IT development in Kondapur in IT Corridor.

SPACE TAKE-UP

Office space take-up declined marginally due to limited supply addition. The culmination of pre-commitments in completed developments primarily drove leasing activity. Space take-up was mainly observed in Extended IT Corridor and IT Corridor.

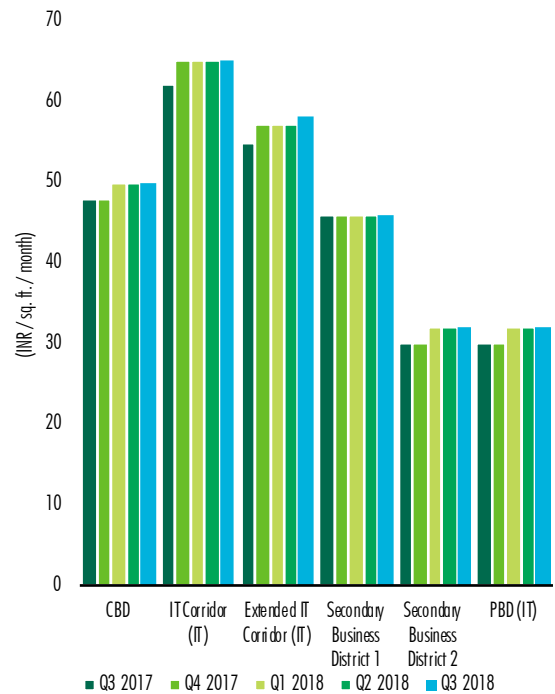
OCCUPIER TRENDS

Companies operating in the tech sector led leasing activity, followed by agile/ co-working/ business center operators. Although small-to-medium-sized deals dominated leasing activity, the quarter also witnessed the closure of several large-sized deals.

PRICING TRENDS

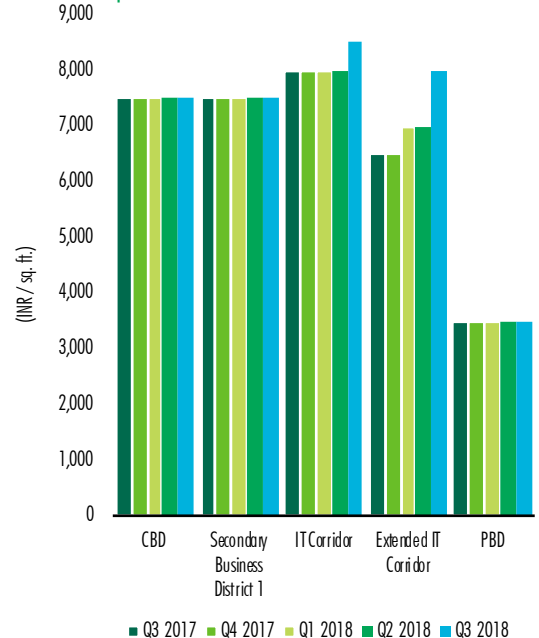
Increased occupier interest towards locating in recently completed developments resulted in rental values rising by 1-2% q-o-q in IT developments in Extended IT Corridor.

Chart 13: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 14: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand Q-o-q	Supply Q-o-q	Rent Q-o-q
CBD	Secondary leases dominated space take-up as negligible supply addition led to a decline in leasing activity on a quarterly basis.	▲	▶	▶
IT Corridor	Leasing activity rose due to the closure of deals in recently completed buildings in HITEC City.	▲	▲	▶
Extended IT Corridor	Despite negligible supply addition, the micro-market dominated leasing activity in the city owing to availability of ample space.	▼	▼	▲

Source: CBRE Research, Q3 2018.

Table 7: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Western Aqua	IT Corridor	100,000	Table Space
Purva Summit	IT Corridor	80,000	Uber
Western Aqua	IT Corridor	15,000	Zee Digital

Source: CBRE Research, Q3 2018.

Table 8: Sub-market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Begumpet, Punjagutta, Somajiguda and parts of Banjara Hills)	50	50	0.0	4.2
Secondary Business District 1 (Parts of Banjara Hills, Jubilee Hills)	46	46	0.0	0.0
Secondary Business District 2 (Ameerpet, Himayathnagar)	32	32	0.0	6.7
IT Corridor (HITEC City, Madhapur, Kondapur, Raidurg) Grade A (IT)	65	65	0.0	4.8
IT Corridor (HITEC City, Madhapur, Kondapur, Raidurg) Grade A (SEZ)	65	65	0.0	4.8
Extended IT Corridor (Nanakramguda, Manikonda, Gachibowli) Grade A (IT)	58	57	1.8	5.5
PBD (Shamshabad, Pocharam, Uppal) Grade A (IT)	32	32	0.0	6.7

Source: CBRE Research, Q3 2018.

MARKET SUMMARY

- Leasing activity concentrated in Mount Poonamallee Road (MPH road), Off-CBD and OMR Zone III
- Supply addition in OMR Zone I and Off-CBD
- Nearly 1-3% quarterly increase in rental values in core areas

NEW COMPLETIONS

Supply addition in the city consisted of three small-sized IT developments in Off-CBD Guindy, and one small-sized IT development in OMR Zone I.

SPACE TAKE-UP

IT and SEZ developments in core locations such as Off-CBD and MPH road dominated space take-up, followed by OMR Zone III. Most of the leasing activity in CBD, Off-CBD and OMR Zone I was concentrated in second-generation space.

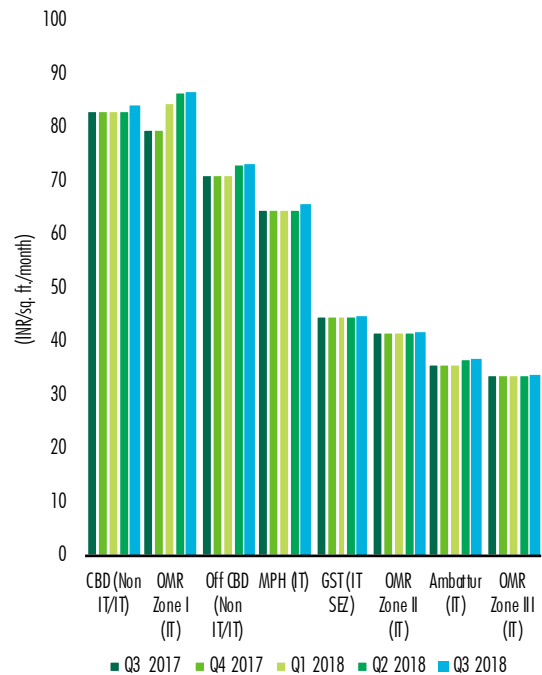
OCCUPIER TRENDS

Tech corporates continued to lead demand, followed by engineering and manufacturing; and BFSI firms. In addition, several small-to-medium-sized deals were closed during the quarter, along with two large-sized deals in OMR Zone III and Mount Poonamallee Road.

PRICING TRENDS

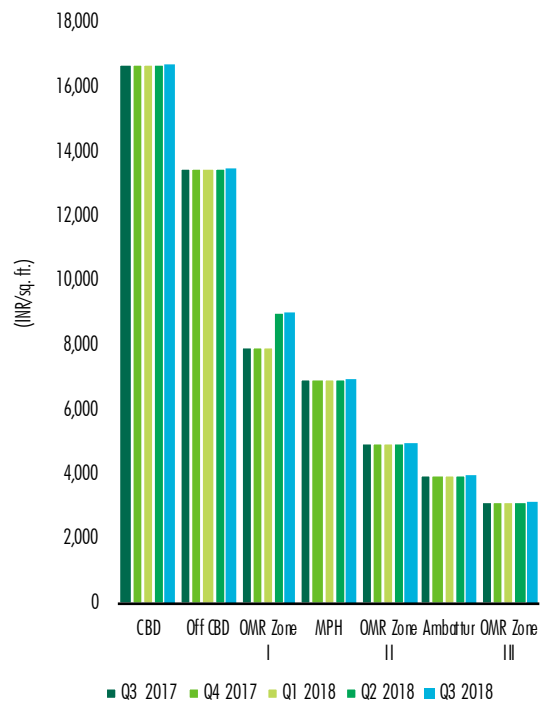
Rents increased by about 1-3% on a quarterly basis in IT buildings in CBD and Mount Poonamallee Road, on account of sustained corporate interest.

Chart 15: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 16: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
OMR Zone I	Leasing activity declined owing to limited vacancies in prominent developments due to which most of the leasing took place in second-generation spaces.	▼	▼	►
OMR Zone III	Leasing activity rose, led by a large-sized transaction by an engineering and manufacturing firm.	▲	►	►
MPH Road	Tech firms drove leasing activity during the quarter.	▼	▼	▲

Source: CBRE Research, Q3 2018.

Table 9: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Cee Dee Yes	OMR Zone III	180,000	Valeo
Chennai One	OMR Zone II	32,000	Ensono
Kochar Jade	Off CBD	11,000	Denodo Technologies

Source: CBRE Research, Q3 2018.

Table 10: Sub-market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Anna Salai, Nungambakkam, RK Salai, T Nagar, Egmore, Alwarpet) Grade A (Non IT/IT)	85	84	1.2	1.2
Guindy, Ekkaduthangal, Vadapalani, Santhome & MRC Nagar Grade A (Non IT/IT)	74	74	0.0	2.8
Mount Poonamallee High Road (IT)	66	65	1.5	1.5
Mount Poonamallee High Road (SEZ)	75	75	0.0	0.0
GST Road (SEZ)	45	45	0.0	0.0
Ambattur, Ambattur Industrial Estate and Padi Grade A (IT)	37	37	0.0	2.8
OMR I - Taramani to Perungudi Toll Grade A (IT)	87	87	0.0	8.8
OMR I - Taramani to Perungudi Toll Grade A (SEZ)	95	95	0.0	0.0
OMR II - Perungudi toll up to Sholinganallur Grade A (IT)	42	42	0.0	0.0
OMR II - Perungudi toll up to Sholinganallur Grade A (SEZ)	55	55	0.0	0.0
OMR III - Sholinganallur to Padur Grade A (IT)	34	34	0.0	0.0
OMR III - Sholinganallur to Padur Grade A (SEZ)	40	40	0.0	0.0

Source: CBRE Research, Q3 2018.

MARKET SUMMARY

- Increase in leasing activity on a quarterly basis
- Supply addition witnessed in CBD and SBD
- Stable rental values across all micro-markets

NEW COMPLETIONS

Medium-sized non-IT developments in CBD SB Road and SBD Hadapsar comprised the supply additions in the quarter.

SPACE TAKE-UP

Space take-up remained concentrated across PBD and CBD. Primary leasing continued to dominate space take-up, owing to availability of space in recently completed investment-grade developments.

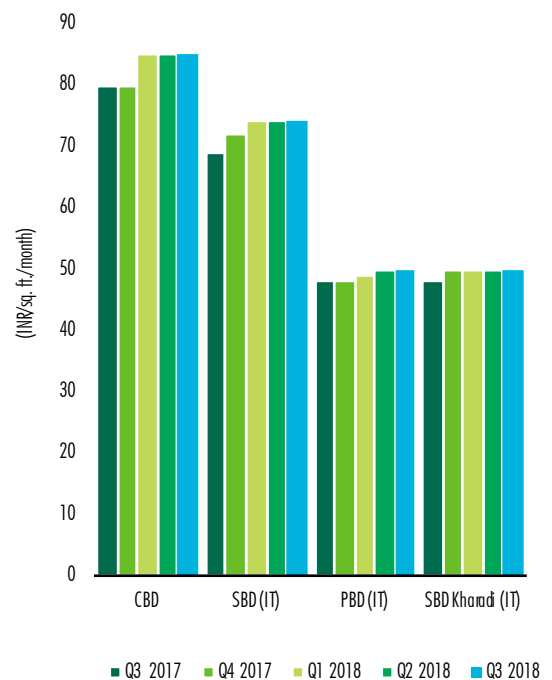
OCCUPIER TRENDS

Tech firms continued to dominate space take-up, followed by agile/ co-working / business center operators. Small-to-medium-sized transactions drove leasing activity in the current review period. The city also witnessed the closure of a few large-sized deals (greater than 100,000 sq. ft.) in SEZs.

PRICING TRENDS

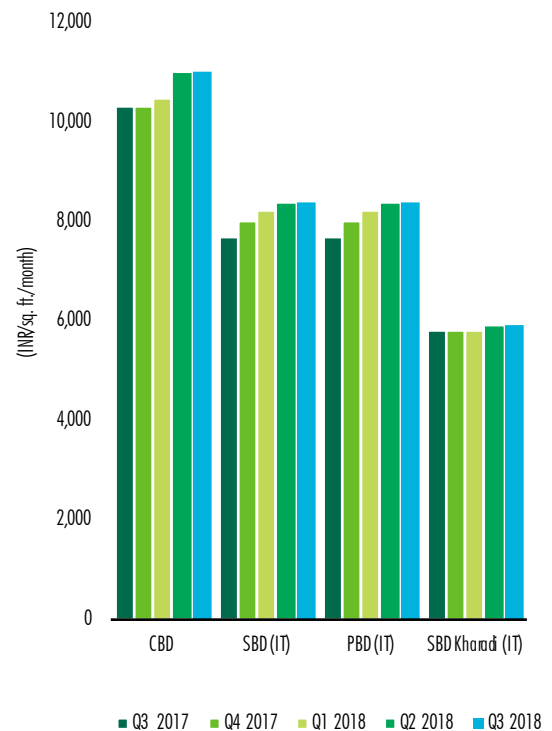
Rental values remained stable across all micro-markets during the review period.

Chart 17: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 18: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
PBD	The exponential growth in leasing activity was mainly driven by tech firms.	▲	▶	▶
SBD	Small-to-medium-sized tech companies primarily drove space take-up, followed by agile/ co-working/business center operators.	▲	▲	▶
CBD	Leasing activity declined despite supply addition, and was primarily driven by tech companies.	▼	▲	▶

Source: CBRE Research, Q3 2018.

Table 11: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
International Tech Park Phase-III Cypress	PBD	400,000	Infosys
Quadron Business Park	PBD	175,000	Eclerx
The Pavilion	CBD	42,000	Druva Software

Source: CBRE Research, Q3 2018.

Table 12: Sub-market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Koregaon Park, Kalyani Nagar, Camp, Wakdevadi, Shivajinagar, Yerwada) Grade A	85	85	0.0	6.3
SBD (Aundh, Baner (till Sadanand), Pashan, Karve Nagar, Kothrud, Balewadi, Pune B'lore Highway (till SUS Road), Viman Nagar, Nagar Road (from Agakhan Junction), Mundhwa, Magarpatta City, Hadapsar (till Mundwa Bridge) Wanowrie.) (IT)	74	74	0.0	7.2
PBD (Talawade, Pimpri- Chinchwad, Wakad, Hinjewadi, Bavdhan, Pashan, Narhe, Undri, Phursungi, Wagholi, Charoli) (IT)	50	50	0.0	4.2
SBD Kharadi (From Mundhwa Bridge to Nagar Road Junction)	75	75	0.0	21.0

Source: CBRE Research, Q3 2018.

MARKET SUMMARY

- Increase in leasing activity on a quarterly basis
- Supply addition observed in PBD
- Stable rental values across all micro-markets

NEW COMPLETIONS

The city witnessed supply addition in the form of two medium-sized IT developments in PBD Salt Lake Sector V.

SPACE TAKE-UP

Leasing activity was primarily concentrated in PBD Salt Lake V and Rajarhat. Most of the closed transactions involved primary space take-up across small-to-medium-sized space formats.

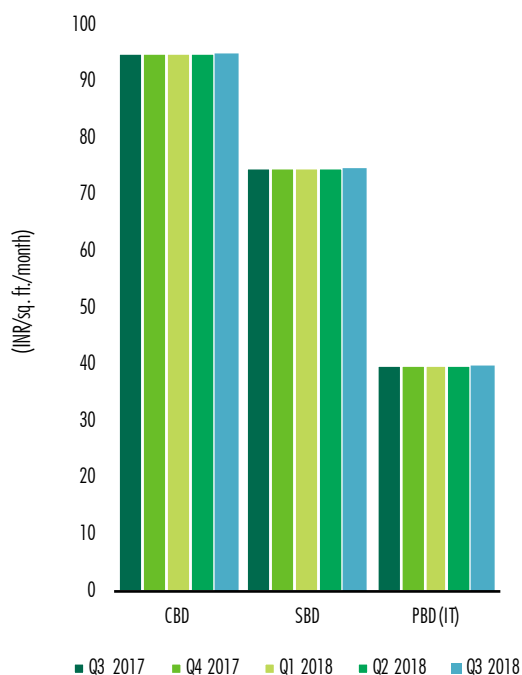
OCCUPIER TRENDS

Demand was largely driven by occupiers from the tech sector, followed by engineering and manufacturing, and BFSI firms. IT developments drove leasing activity, owing to availability of sufficient space in quality developments.

PRICING TRENDS

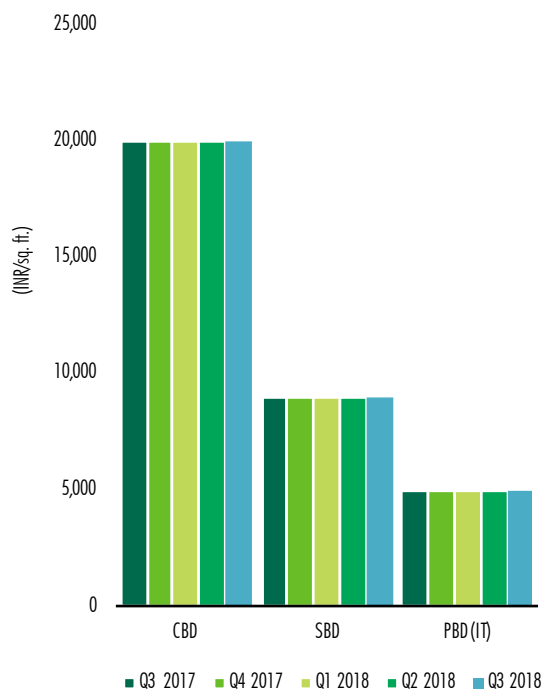
Rental values remained stable during the review period across all micro-markets.

Chart 19: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 20: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand Q-o-q	Supply Q-o-q	Rent Q-o-q
CBD	Leasing activity declined on a quarterly basis due to the deferment of leasing decisions by some occupiers and lack of new development completions.	▼	►	►
SBD	Leasing activity rose on a quarterly basis, mainly driven by a medium-sized space take-up by a prominent BFSI firm.	▲	►	►
PBD	Multiple medium-sized transactions in investment-grade developments led to a rise in leasing activity on a quarterly basis.	▲	▲	►

Source: CBRE Research, Q3 2018.

Table 13: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
DLF IT Park	PBD	42,000	Sifi Technologies
DLF IT Park	PBD	13,400	Hyland Software
Bio-Wonder	SBD	12,000	Anand Rath

Source: CBRE Research, Q3 2018.

Table 14: Sub-market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Park Street, Camac Street, Theatre Road) Grade A	95	95	0.0	0.0
Secondary Business District Grade A	75	75	0.0	0.0
Peripheral Business District (Salt Lake, Rajarhat) (IT) Grade A	40	40	0.0	0.0
Peripheral Business District (Salt Lake, Rajarhat) (SEZ) Grade A	95	95	0.0	0.0

Source: CBRE Research, Q3 2018.

MARKET SUMMARY

- Leasing activity increased on a quarterly basis
- Supply addition witnessed in SBD
- Rental values remained stable

NEW COMPLETIONS

The city witnessed the completion of a small-sized and two medium-large sized SEZ developments in SBD Kakkanad.

SPACE TAKE-UP

Space take-up was primarily concentrated in SBD Kakkanad and Off-CBD Edapally. Leasing activity was mainly driven by the conclusion of small-to-medium-sized deals in newly completed developments.

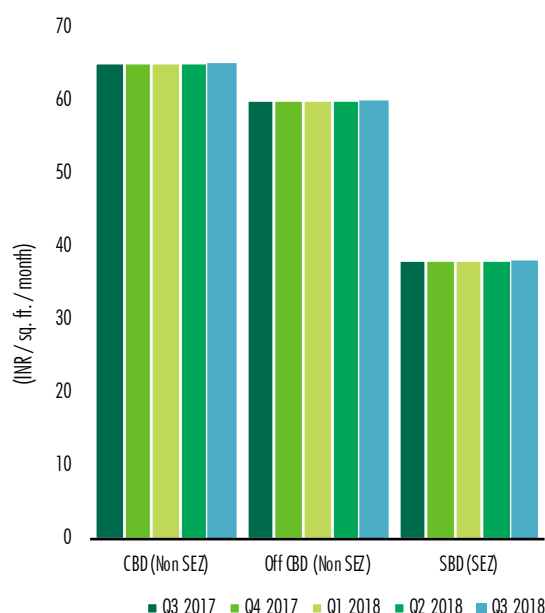
OCCUPIER TRENDS

Tech companies dominated leasing activity, followed by BFSI corporates.

PRICING TRENDS

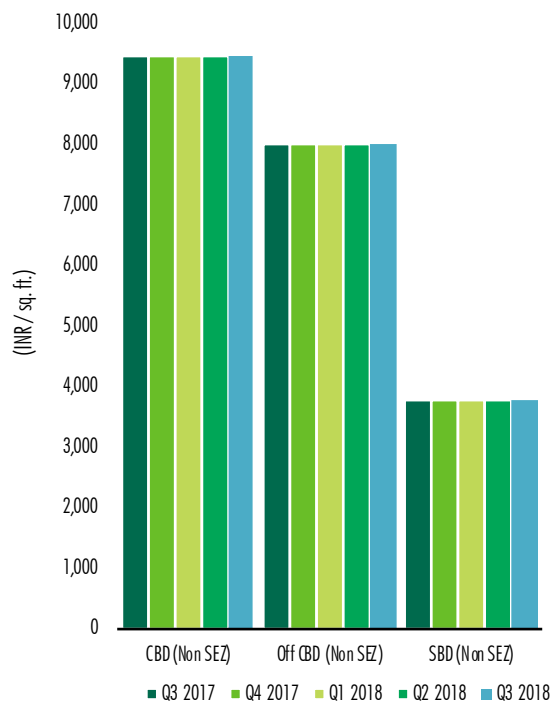
Rental values remained stable across all micro-markets during the review period.

Chart 21: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 22: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
CBD	Limited demand for space led to stability in rental growth.	▲	▶	▶
SBD	Ample availability of investment-grade space was offset by increased leasing activity, leading to stable rental values on a quarterly basis.	▲	▲	▶

Source: CBRE Research, Q3 2018.

Table 15: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Noel	SBD	12,000	Innovation Technologies
Athulya	SBD	10,000	Mar Labs

Source: CBRE Research, Q3 2018.

Table 16: Sub-market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD & Ext CBD (MG Road, Kaloor, Kadavanthara, Marine Drive) Grade A (Non SEZ)	65	65	0.0	0.0
Off CBD (Vytilla, Pallarivattom, Edapally) Grade A (Non SEZ)	60	60	0.0	0.0
SBD (Kakkanad) (SEZ)	38	38	0.0	0.0

Source: CBRE Research, Q3 2018.

MARKET SUMMARY

- Quarterly increase in leasing activity
- Rental values remained stable across all markets

NEW COMPLETIONS

The city witnessed negligible supply addition as the completion of several buildings was deferred to upcoming quarters.

SPACE TAKE-UP

Space take-up was primarily witnessed in CBD, followed by PBD. It was mainly concentrated in non-IT developments.

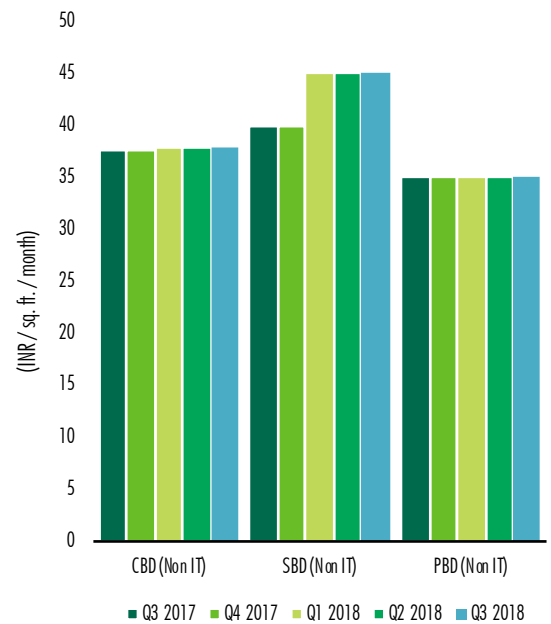
OCCUPIER TRENDS

BFSI firms continued to dominate leasing activity across micro-markets, followed by engineering and manufacturing firms.

PRICING TRENDS

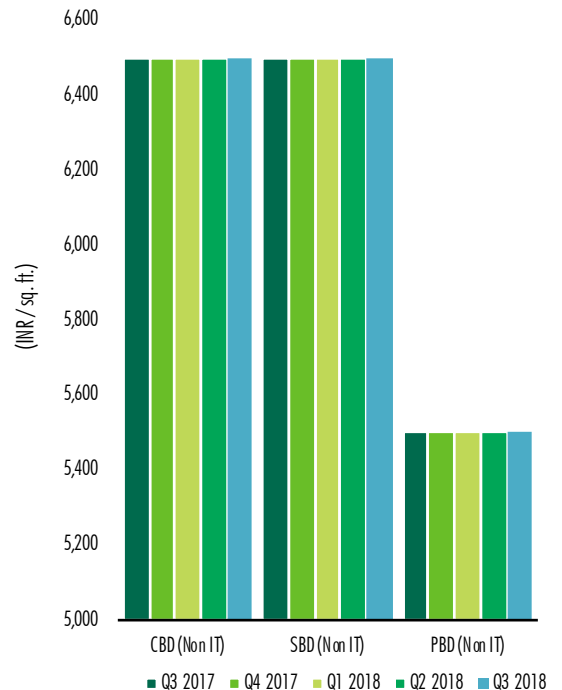
Rental values remained stable across all micro-markets during the review period.

Chart 23: Rental Value Movement



Source: CBRE Research, Q3 2018.

Chart 24: Capital Value Movement



Source: CBRE Research, Q3 2018.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
CBD	The increase in leasing activity was primarily driven by a mid-sized transaction by a BFSI firm.	▲	▶	▶
SBD	Demand declined on a quarterly basis. Small sized deals were concluded in primary spaces in non-IT buildings.	▼	▶	▶
PBD	Small-to-medium-sized transactions led to an increase in leasing activity in the micro-market.	▲	▶	▶

Source: CBRE Research, Q3 2018.

Table 17: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Emerald	CBD	65,000	Home Credit
WestGate	SBD	4,000	Huntsman Corporation

Source: CBRE Research, Q3 2018.

Table 18: Sub-market Key Statistics

Micro-market	Average Rent in Q3 2018 (INR/sq. ft. / month)	Average Rent in Q2 2018 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD	38	38	0.0	1.3
SBD	45	45	0.0	12.5
PBD	35	35	0.0	0.0

Source: CBRE Research, Q3 2018.

THEMES THAT WILL DRIVE OFFICE SPACE DEMAND

Disruptions in the tech sector, led by rising automation, may lead to a slowdown in headcount growth, which is expected to affect the office sector adversely. However, we anticipate that other prominent sectors, such as BFSI, engineering and manufacturing, research and consulting and agile/ co-working / business centers, are likely to account for a larger share in leasing activity on a yearly basis. This is also likely to be boosted by demand for insourcing operations via Global Inhouse Centers (GICs). Other sectors such as pharmaceuticals, telecommunications and e-commerce are also likely to report higher occupier demand, potentially giving impetus to the demand for commercial space.

SEZs are expected to account for a larger share of the upcoming supply over the next few quarters. Given the approaching sunset date, we anticipate an increase in demand for SEZ s space.

Additionally, India's first REIT listing is expected to take place in the next couple of weeks. As the listing consists of premium office properties, its success is expected to lead to positive investor sentiment.

Office leasing activity is expected to remain stable in the short term, backed by corporates looking to expand or consolidate their operations. With all cities at various stages of development, rising traffic congestion has become an important factor impacting the location strategies of various occupiers.

We expect infrastructure initiatives (such as completion of highways and introduction of Mass Rapid Transport System (MRTS) services, etc.) to influence occupier preferences and decision-making in the coming quarters.

Occupiers are expected to maintain checks on space utilisation ratios and workplace strategies while expanding their footprint across the country. The use of 'agile spaces' is expected to rise, with the concept being adopted not only by start-ups and individuals but also by well-established corporates with fluid expansion / occupation plans. This is expected to push up the share of agile spaces in overall space leasing; even though established corporates might be using agile spaces for addressing their short-term requirements only.

SUPPLY COMPLETIONS MAINLY IN PERIPHERAL/ SUB-URBAN MICRO-MARKETS

A significant amount of space is expected to be released in decentralised locations of leading cities over the next few quarters. In case of Bangalore and NCR, upcoming developments in 2018 would consist of withheld supply, scheduled for completion in the previous quarters. However, given the supply slippages reported in the first three quarters of 2018 in cities such as NCR and Hyderabad, we can expect availability of investment grade space to remain a key challenge for corporates (particularly those looking for large-scale consolidation / expansion).

RENTAL GROWTH EXPECTED TO CONTINUE

With supply slippages recorded across most cities, we expect a supply-demand gap to appear over the next few quarters, which is likely to drive rental growth. Although rents are likely to increase across most peripheral locations, we expect this growth to be relatively slower compared to previous quarters. While rents in cities such as Hyderabad and Bangalore are expected to increase across several micro-markets; cities such as Pune, Chennai and NCR are expected to witness mostly demand-led rental growth in select locations only.

CONTACTS**Abhinav Joshi***Head of Research, India*

+91 124 465 9700

abhinav.joshi@cbre.co.in

Please visit the Global Research Gateway at**<http://www.cbre.com/research-and-reports>****Sachi Goel***General Manager, India*

+91 80 4074 0000

sachi.goel@cbre.co.in

Priya Verma*Senior Manager, India*

+91 124 465 9700

priya.verma@cbre.co.in

Mohamed Atif Khan*Analyst, India*

+91 22 4069 0100

mohamedatif.khan@cbre.co.in

Ram Chandnani*Managing Director, Advisory and Transaction
Services, India*

+91 80 4074 0000

ram.chandnani@cbre.co.in