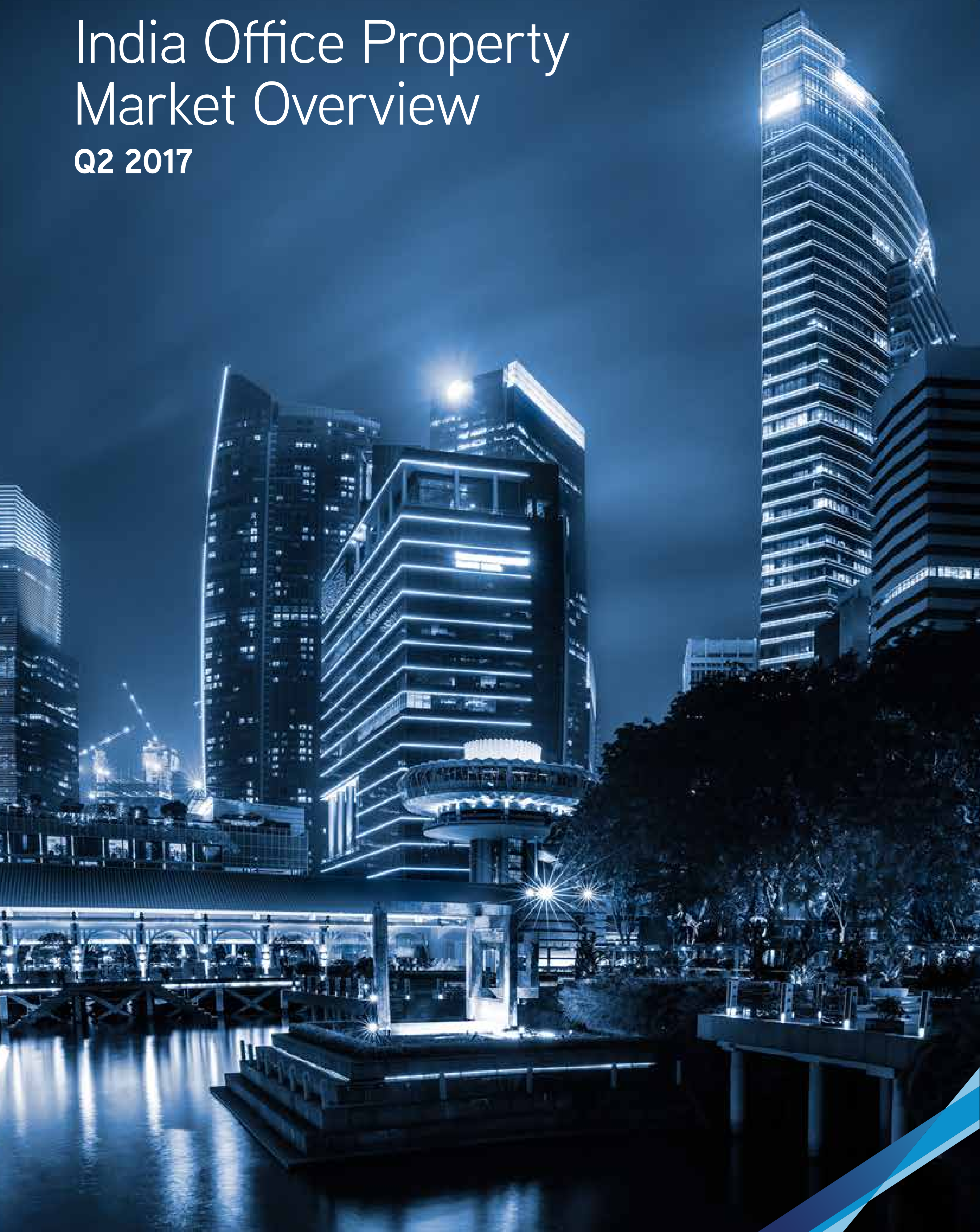
India Office Property Market Overview

Q2 2017



Steady increase in rents on cards

Surabhi Arora Senior Associate Director | India

Reflecting the delayed impact of demonetisation, India's real GDP grew by only 6.1% in Q1 2017. Considering this modest slowdown to be temporary, most economic forecasters have maintained their projections of growth above 7% over the next two years. Despite recent concerns over layoffs in the technology sector due to automation, we expect the commercial market to remain resilient backed by the sustained expansion plans of major occupiers. The influence of the recent adoption of the Goods and Services Tax (GST) and the increasing interest of investors in the warehousing sector are events to watch for in H2 2017.

Forecast at a glance

Demand
Continues to be dominated by technology and the financial sector. Tenant appetite set to remain focused on Grade A developments

Supply
Supply remains a concern in technology-driven cities; about 90 million sq ft (9 million sq m) is scheduled for completion by 2020

Vacancy rate
Likely to remain under pressure in south cities; other cities set to see stable vacancy levels

Rent
Bengaluru, Hyderabad, Chennai likely to drive rental values; we expect an average 5% yearly increase in rents over the next three years

Price
Set to remain stable as retail investors have remained cautious following demonetisation

Government reforms and foreign investments to influence the market

Gross office take-up in India amounted to 9.6 million sq ft (890,800 sq m) in Q2 2017 representing a nominal 3% increase q-o-q. Despite recent concerns over layoffs due to automation, the technology sector continued to dominate the demand for office spaces across most cities, representing 60% of total absorption in Q2. Banking Financial Services and Insurance (BFSI), healthcare and manufacturing also played a prominent role in overall leasing.

Representing 34% of total leasing volume, Bengaluru (Bangalore) continued to account for the greatest share of absorption. Bengaluru was followed by the National Capital Region (19%) Hyderabad (17%), Mumbai (13%), Chennai (11%), Pune (4%) and Kolkata (2%).

From July onwards, India has adopted a multi-tiered GST structure. According to the new structure, the service tax (15%) applicable on commercial leases now will be replaced by GST (18%). Although this will result in a marginal increase in occupancy costs, we do not expect any adverse impact on demand. In our opinion, GST implementation should improve operational efficiency and widen the tax base, leading to higher revenues, infrastructure spending and more investment in the country. According to Oxford Economics, the improved investment outlook could help boost India's growth rate by an average of 0.6% over the next fifteen years relative to the pre-GST baseline. *(India: The GST is a game changer, multiple rates or not, 30 June 2017)*

We expect a steady demand in H2 2017 and beyond in the main cities driven by the IT-ITeS (Information Technology and Enabled Services) and BFSI sectors. Considering the augmented FDI participation, significant investment announcements by various global players and the expectation that Real Estate Investment Trust (REITs) will become a reality shortly, we anticipate that the commercial sector will become more organised and transparent in coming years. We are witnessing increased interest among investors in the organised warehousing sector. Canada Pension Plan Investment Board (CPPIB), Ascendas Singbridge, Wanda Group, e-Shang Redwood are some of the investors looking to invest in India's industrial logistics and warehousing market to capitalise on increasing demand.

Contents

Colliers Quarterly

MUMBAI | OFFICE

Q2 2017
10 July 2017

Leasing demand set to solidify

Uttara Nilawar Manager | Mumbai

Although the leasing momentum slowed down in Q2 2017, we expect the demand to solidify in the subsequent quarters. There are several deals in the pipeline amounting to 0.75 million sq ft (70,000 sq m) which are likely to close in upcoming months. Demand will be underpinned by banking and fintech companies, coworking operators, data centres along with the logistics and warehousing sector. We recommend occupiers looking for consolidation and large floor plates to consider peripheral locations.

Forecast at a glance

Demand
Demand is robust from pharmaceutical, banking sectors, coworking operators and data centres; demand from logistics and warehousing looks set to pick up in the wake of GST

Supply
Improvement in the supply scenario; upcoming supply of 9-10 million sq ft (0.84-0.93 million sq m) by 2020

Vacancy rate
Average vacancy rate is likely to rise from 13% to 15% by 2020

Rent
Q-o-q decline between 2-6% observed in a few micromarkets owing to a strong supply pipeline; overall rental values set to remain stable over the next two years

Price
Capital values are likely to remain stable due to the subdued interest of retail investors in the commercial segment

Data centres, logistics and warehousing firms to pick up pace

Gross absorption was recorded at 1.2 million sq ft (0.1 million sq m) in Q2 2017. Except for a few large transactions, the average deal size remained low at 15,400 sq ft (1,430 sq m). Despite a 29% decline in transaction volume from Q1 2017, we expect absorption to improve in Q3, with a few large size transactions in the pipeline totalling to 0.75 million sq ft (70,000 sq m).

Banking and financial services sector accounted for the largest footprint in the Mumbai leasing market with 23% of the total absorption pie. It was closely followed by healthcare and pharmaceutical sector with a 22% share, technology sector (20%) and other companies in education, shipping, logistics, tourism, etc. (20%), engineering & manufacturing (9%) and consulting (6%).

We expect future demand to be reinforced by data centres, coworking operators, logistics and warehousing companies looking at the increased enquiries from these sectors. With the GST (Goods and Services Tax) in place, the companies have started gearing up to meet this demand. As per media sources, Ascendas-Singbridge, which recently formed a logistics and warehousing platform through a joint venture with the real estate firm Firstspace Realty, plans to invest in projects aimed at the development of logistics and factory spaces in several cities including Mumbai.

Rental Values

Micromarkets	Rental Values[1]	q-o-q Change	y-o-y Change
CBD[2]	200-250	0.0%	0.0%
Worli/Prabhadevi	170-210	-2.6%	-2.6%
Lower Parel	140 -190	-1.5%	-1.5%
BKC	225-320	0.0%	0.0%
Kalina	140-170	-4.2%	-4.2%
Goregaon/JVLR	90-130	-5.1%	-5.1%
Andheri East	90-130	0.0%	0.0%
Malad	80-100	0.0%	0.0%
Powai	110-130	-4.0%	-4.0%
Navi Mumbai	70-100	0.0%	0.0%
Thane	70-80	-6.3%	10.0%
LBS[3]	90-140	-2.1%	9.0%

Source Colliers International India Research
[1]Indicative Grade A rentals in INR per sq ft per month (non IT-ITeS)
[2]Nariman Point, Ballard Estate and Fort
[3]Lal Bahadur Shastri Marg

Fig 1. Rental & Capital Values (INR per sq ft per month)

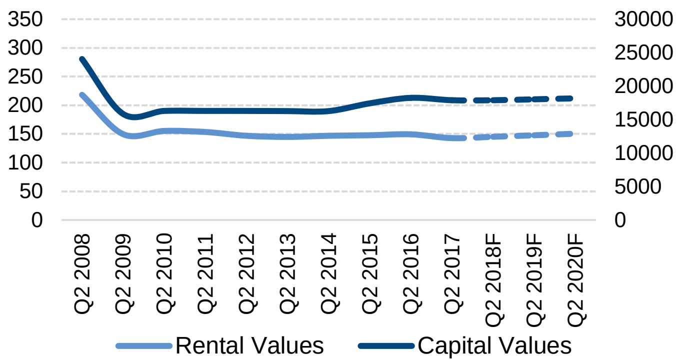
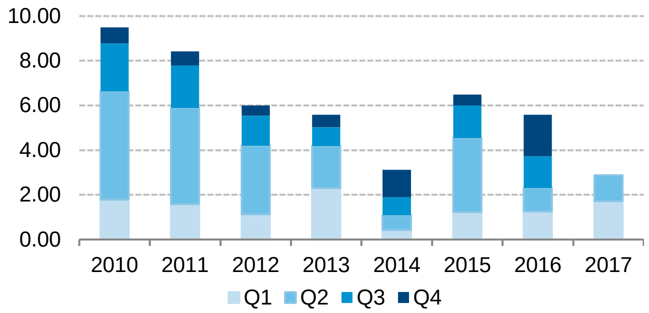


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
Teva Pharma	L&T Seawoods Grand Central	1,50,000	Seawoods
Bureau Veritas	72 Business Park	100,000	Andheri E
Apotex Research	Godrej One	40,000	Vikhroli
GE	Kensington	39,900	Powai
TBSS	Reliable Tech Park	30,000	Airoli

Source Colliers International India Research
Notes: All figures are based on market information as on 25th June 2017

Supply pipeline set to improve

Availability of healthy supply led to increased leasing momentum in the Western suburbs which accounted for 33% of total leasing. Within Western suburbs, occupiers focused on the Andheri micromarket. Other preferred locations like Navi Mumbai, Central suburbs, and Central Mumbai accounted for 22%, 21% and 14% respectively; while the CBD and BKC both represented an 10% share.

With major projects such as Times Square Tower D, Rustomjee Central Park, Codename Smash Hit, Gigaplex Tower 3, etc. slated for completion in 2017, we can see a strong supply pipeline of 4 million sq ft (372,000 sq m) in upcoming quarters. Most of this supply is concentrated in locations such as Andheri, Navi Mumbai and LBS. In a bid to consolidate and move to affordable locations, a few companies have recently vacated their office spaces in locations such as Andheri, Goregaon and LBS. As a result, some office stock has become available at these locations. We forecast an increase in average vacancy from 13% to around 15% by 2020.

Though most premium establishments are unwilling to compromise on asking rents, we expect average rental values to remain largely stable. Similarly, as investor activity in the commercial segment remains stable, we do not foresee any significant increase in capital values.

Colliers' View

We expect leasing activity to remain concentrated in locations like Andheri, Navi Mumbai, Central suburbs and BKC. Amidst the backdrop of stable supply and tenant favourable market, rents should remain stable. On the infrastructure front, construction for Mumbai Metro III has finally commenced after a long period of disputes and legal hassles. As this metro route passes through most major micromarkets in Mumbai and the central government is pushing for an FSI (Floor Space Index) of 4.00 along all metro corridors, completion of this route is likely to change the face of commercial real estate in Mumbai.
Although the Maharashtra Real Estate Regulatory Authority has picked up the pace in Mumbai, we do not foresee any major impact on the commercial segment.

For more information:

Surabhi Arora
Senior Associate Director | Research
+91 124 456 7500
surabhi.arora@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

17th Floor, Indiabulls Finance Center, Tower 3, Elphinstone (W), Mumbai - 400013 | India

Colliers Quarterly

DELHI | OFFICE

Q2 2017

10 July 2017

Colliers INTERNATIONAL

Accelerating success.

Rents to remain stable in 2017

Surabhi Arora Senior Associate Director | India

We expect demand to revive in coming quarters as international financial institutions and companies which need to remain in close proximity to embassies should remain active in the CBD. We expect rents for Grade A buildings to inch up in coming quarters in the CBD and Aero City while average rents are likely to remain stable.

Forecast at a glance

Demand

Demand for Grade A office space should remain firm driven mainly by banking and finance and public sector undertakings

Supply

In 2017, only 0.3 million sq ft is likely to be added to Grade A inventory. Nonetheless, the city is gearing up for redevelopment of 7 colonies with about 3 million sq ft (0.28 million sq m) of planned commercial supply by 2020

Vacancy rate

Vacancy set to decrease by the end of 2017 due to restricted new supply in CBD and SBD

Rent

RENT

Likely to increase by 2 to 3% over the year in the CBD and south-east areas in grade A buildings due to restricted new supply.

Price

Likely to remain stable in the CBD, while the SBD location in south Delhi may see upward pressure on prices due to the recent e-auction of a commercial tower that fetched more than CBD capital values

Leasing rebounded in Q2, expected to remain firm in H2

In Q2 2017, new corporate leasing activity remained stable with gross absorption standing at only about 0.42 million sq ft (39,000 sq m), up by 27% q-o-q. Connaught Place accounted for a 23% share of total leasing followed by off-CBD locations with 18% and Aero City with 30%. Other locations such as Jasola, Saket, Nehru place and Okhla contributed about 29% of total absorption. The average deal size has continued to decline, and stood at 14,500 sq ft (1,350 sq m) in Q2 2017 versus 18,550 sq ft (1,700 sq m) in Q1 2017.

In contrast to previous quarter, Banking, Financial Services and Insurance (BFSI) and Information technology and information technology enabled services (IT-ITeS) sector derived the demand in Q2 2017 with 24% and 23% share respectively.

In line with our expectation, Grade A buildings in the CBD and Aerocity continued to attract tenants due to their preference for Grade A quality office space in prime locations. Due to limited availability of Grade A office space, rents have increased 3-6% q-o-q in these areas. As the supply pipeline is likely to remain narrow in both locations, we expect further upward pressure of 2 to 3% on rents over the year. However, rents are likely to stablise in long term.

Rental Values

Micromarkets	Rental Values[1]	q-o-q Change	y-o-y Change
Connaught Place (CBD)	140 - 400	6%	-19%
Nehru Place	150 - 200	-3%	-16%
Saket	110 - 170	-10%	-6%
Jasola	80 - 110	0%	-14%
Netaji Subhash Place	55 - 90	-6%	-18%
Okhla	40 - 90	13%	-12%
Aero City	160 - 190	3%	3%

Source Colliers International India Research

[1]Indicative Grade A rentals in INR per sq ft per month (non IT-ITeS)

Fig 1. Rental & Capital Values (INR per sq ft per month)

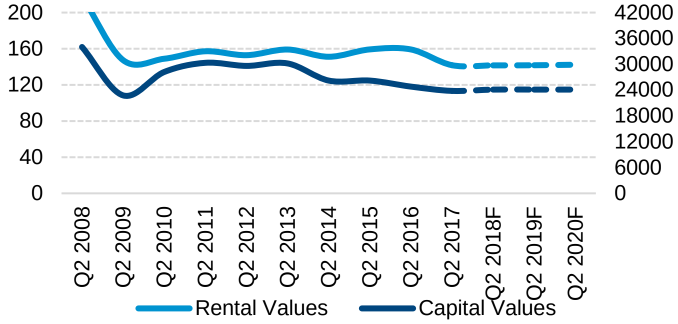
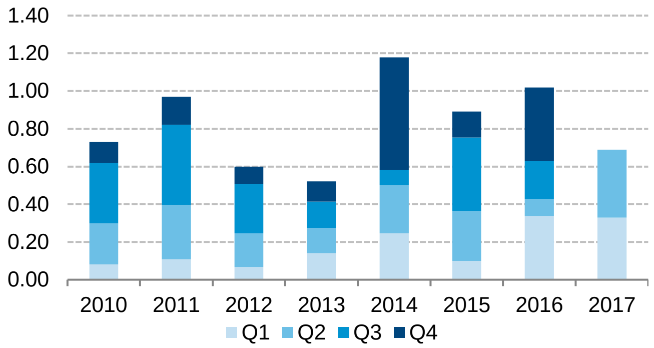


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
Chegg India	Baani Corporate One	32,000	Jasola
NSDC	Bharti World Mart 1	60000	Aerocity
Times of India	Express Tower	23,000	ITO
World Health Organization	Redfort Capital	52,000	Connaught Place
Facebook	Redfort Capital	24,000	Connaught Place

Source Colliers International India Research
Notes: All figures are based on market information as on 25th June 2017

Redevelopment to boost supply over next three years

We expect about 0.3 million sq ft (27,900 sq m) of grade A supply infusion in CBD zone in the next six months. Major projects scheduled for completion in CBD area are Parsvanath One on KG Marg and Skipper House on Barakhamba Road with a total built-up area of 0.3 million sq ft (23,200 sq m).

Besides, about 3 million sq ft (743,200 sq m) of Grade A office space is planned in the three colonies in South Delhi which are to be redeveloped by NBCC (India) Ltd. NBCC on behalf of Ministry of Urban Development (MoUD), has launched the sale of commercial/office spaces on a freehold basis via e-auction. In the first auction, NBCC sold nearly 0.28 million sq ft (26,300 sq m) office space in an upcoming commercial project at Nauroji Nagar. Although market analysts were sceptical about the success of this auction, NBCC was able to sell the entire space within one day at INR38,000 (USD587) per sq ft that is even higher than the CBD capital values in the city. Companies such as PFC, HDFC, HPCL, SIDBI and Energy Efficiency Services have bought office spaces.

Colliers' View

In our opinion, the redevelopment of these colonies should give a significant boost to the Delhi commercial market. We suggest long term investors take advantage of the strategic location of these redevelopment colonies. In coming quarters, we expect more such auctions as NBCC is looking to raise funds via the sale of 12 commercial towers comprising about 3 million sq ft (278,700 sq m) in Nauroji Nagar. In the short term, rents are likely to remain stable in most of the micromarkets with an upward bias in Grade A office building with state-of-the-art amenities.

For more information:

Surabhi Arora
Senior Associate Director | Research
+91 124 456 7500
surabhi.arora@colliers.com

Vaibhav Mahurkar
Director | Office Services
vaibhav.mahurkar@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

Statesman House, 4th Floor, Barakhamba Road, Connaught Place, New Delhi - 110001
India

GURUGRAM (GURGAON) | OFFICE

Q2 2017
10 July 2017

Upcoming SEZ supply likely to drive demand

Surabhi Arora Senior Associate Director | India

With significant new supply scheduled for completion along Golf Course Extension Road by 2020, we expect this corridor to become the next hotspot for Information Technology and Information Technology enabled Services (IT-ITeS) occupiers. We recommend big occupiers looking for large floor plates in Special Economic Zones (SEZs) to consider this micromarket for future expansion.

Forecast at a glance

Demand
Demand likely to improve with several occupiers looking for new space primarily in the technology and financial sectors

Supply
About 0.5 million sq ft (46,400 sq m) of new supply is likely to see completion in in H2 2017. By 2020 the market is likely to see addition of about 11 million sq ft (1.02 million sq m)

Vacancy rate
Overall vacancy set to remain high at around 30% due to continuous addition of new supply in emerging corridors

Rent
Average rents likely to remain stable in long term. Cyber City and Golf Course Road should see increases of 2-3% due to restricted new supply in H2 2017.

Price
With not many transactions lined up, capital values are likely to remain stable across the micromarkets throughout 2017

Emerging micromarkets to gain traction in coming quarters

Driven by a handful of mid-sized space requirements (less than 100,000 sq ft), gross leasing volume was recorded at nearly 0.9 mn sq ft (83,600 sq m) marginally up from last quarter numbers. As forecasted in our earlier report, Golf Course Extension Road started witnessing traction. In Q2 2017, Golf Course Extension Road gained a significant share of total leasing volume, accounting for 37%. This was followed by National Highway 8 (NH8) with 18%, Udyog Vihar with 14%, MG Road (12%) Cyber City (9%) Golf Course Road (7%) and other micromarkets (3%).

By Sector, the IT-ITeS and telecom sectors together accounted for 51% of leasing volume in Q2. This was followed by coworking operators sharing 20% of the total. Apart from this, the Banking, Financial Services and Insurance (BFSI) sector, coupled with engineering and consulting firms looking to expand or enter the market, leased smaller office spaces that formed the bulk of transactions. We expect, Golf Course Extension Road, NH8 and Udyog Vihar to attract interest from occupiers, especially from those looking for large floorplates in affordable rents for consolidation and expansion. Premium occupiers will continue to prefer Cyber City and Golf Course Road due to enhanced connectivity by completion of the rapid metro corridor and a few underpasses. However, we expect the share of centralised locations to decline further in coming quarters due to restricted supply.

Rental Values

Micromarkets	Rental Values[1]	q-o-q Change	y-o-y Change
MG Road	105 - 135	4%	-4%
Golf Course Road	110 - 220	4%	4%
Institutional Sectors (Sectors 44, 32 and 18)	60 - 90	0%	0%
Golf Course Extension/Sohna Road	55 - 80	0%	0%
National Highway 8	50 -130	0%	0%
Udyog Vihar and Industrial Sectors	35-40	0%	0%
Manesar	35 - 45	-4%	-4%
DLF Cyber City (IT)	115 - 120	4%	12%

Source Colliers International India Research
[1]Indicative Grade A rentals in INR per sq ft per month (non IT-ITeS)

Fig 1. Rental & Capital Values (INR per sq ft per month)

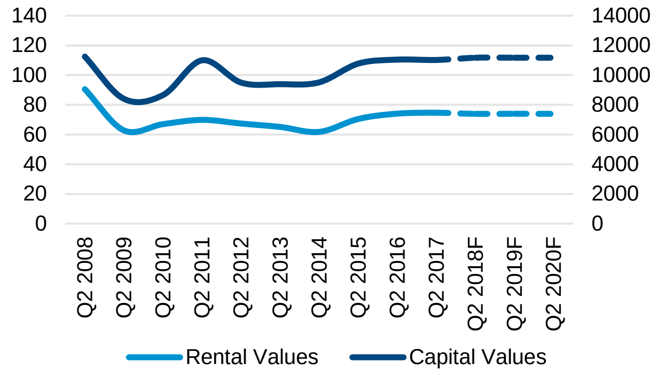
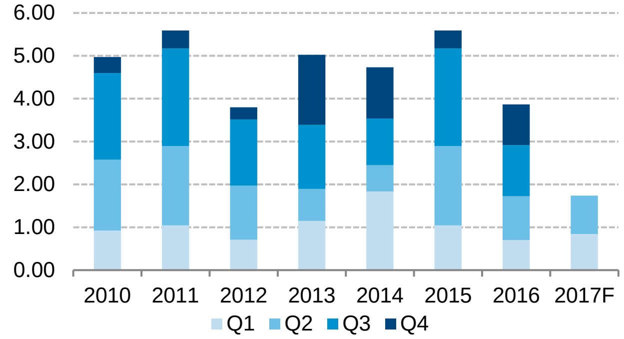


Fig 2. Gross Office Absorption (in million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
Incedo	Individual Building	63,000	Udyog Vihar
Tower Research	Two Horizon Centre	60,000	Golf Course Road
Scooter	Building no. 9B	50,000	Cyber City
Insta Office	Good Earth Business Bay	25,000	Golf Course Ext. Road
WDTS	Enkay Tower	26,000	Udyog Vihar

Source Colliers International India Research
Notes: All figures are based on market information as on 25th June 2017

About 11 million sq ft new supply scheduled for completion by 2020

During Q2 2017, 1.1 million sq ft (102,200 sq m) of new supply was released into the market. Major completions included M3M Urbana and M3M Cosmopolitan in sector 67 and 66 respectively. We foresee completion of about 11 million sq ft (1 million sq m) of new supply by 2020, mainly in the Golf Course Extension Road and NH-8 micromarkets. The Ascendas-Singbridge Special Economic Zone (SEZ) Phase IA consists of about 0.475 million sq ft (44,130 sq m), and is likely to be ready for fit outs by October 2017. Located near Sector 59, Gurgaon, the 60-acre SEZ will provide 8 million sq ft (743,200 sq m) of international standard business space when fully developed. The new supply is likely to draw the attention of large IT occupiers due to low vacancy in other SEZs in the NCR (National Capital Region).

Despite high vacancy of about 28% and continuous supply addition, average rents increased by 0.9% q-o-q in Q2 2017. A few premium buildings continued to command a premium over market average rates in supply-restrained locations such as Cyber City and Golf Course Road exerting upward pressure on rents. However, the continuous supply addition is likely to keep rents under check in peripheral locations.

Colliers' View

We expect urban infrastructure to get a boost as work on widening of NH8 is going on in full swing and the Hero Honda Chowk Flyover is likely to see completion in 2017. The entire stretch of Southern Peripheral Road and Golf Course Extension Road has been declared as National Highway 248, and it is planned that these will be made into a single free corridor on the lines of the upgraded Golf Course Road. These infrastructure initiatives will significantly augment connectivity of this region with the NCR and further boost the commercial real estate.

For more information:

Surabhi Arora
Senior Associate Director | Research
+91 124 456 7500
surabhi.arora@colliers.com

Prashant Garg
Senior Associate Director | Office Services
prashant.garg@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

1st Floor, Technopolis Building, Golf Course Road, Sector 54
Gurgaon 122002
India

Colliers Quarterly

NOIDA | OFFICE

Q2 2017
10 July 2017

Enhanced metro connectivity to drive demand

Surabhi Arora Senior Associate Director | India

We expect demand to rebound in the coming quarter on the back of improved infrastructure, affordability and availability of large talent pool. Despite high vacancy, options remained limited in Grade A buildings. We suggest that tenants with large space needs should consider making pre-commitments to spaces in the upcoming projects as operational Grade A well-maintained buildings have low vacancy rates and command a premium over average rents.

Forecast at a glance

Demand
Enhanced metro connectivity likely to drive demand in micromarkets such as Sector 62 and NOIDA Expressway

Supply
Most scheduled supply in 2017 is likely to be deferred in view of high vacancy; about 13 million sq ft (1.2 million sq m) is scheduled for completion by 2020

Vacancy rate
Vacancy likely to remain stable in long term; set to decline marginally in H2 2017 due to lack of major completions

Rent
Despite upward bias for grade A buildings, average city rents are likely to remain stable over next three years in view of robust supply pipeline

Price
Likely to remain under pressure due to lower transaction activity in medium term

0.5 million sq ft gross absorption recorded in Q2 2017

The NOIDA commercial market witnessed sustained interest from occupiers in Q2 2017, resulting in absorption of about 0.5 million sq ft (46,400 sq m) of Grade A office space; marginally up from the previous quarter. About 70% of this demand was contributed by the technology sector, including e-commerce and fintech companies. Notable headline transactions included the lease of 0.12 million sq ft (11,150 sq m) office space by ITPL in sector 63, the lease of 0.12 million sq ft (11,150 sq m) and 0.15 million sq ft (13,900 sq m) by Ameriprise Financials and Amazon in sector 65 and sector 62 respectively.

Most of the demand was concentrated in the institutional and industrial sectors 62 to 65 and the area represented about 60% of the total absorption while NOIDA Expressway remained the second most popular market during the quarter with 35% share. These two micromarkets are getting occupier preference due to expected enhanced metro connectivity and other infrastructure projects such as the underpass at NOIDA Ghaziabad junction and overbridge at Kalidi Kunj. The completion of these projects by 2018 will greatly enhance the connectivity of the area by providing alternative access to Delhi, Ghaziabad and NOIDA Extension. We expect that cost-conscious tenants looking for large floorplates in affordable rents will prefer the Institutional sector 62 and nearby industrial sectors while occupiers looking for quality Grade A spaces are likely to stay at NOIDA Expressway.

Rental Values

Micromarkets	Rental Values[1]	q-o-q Change	y-o-y Change
Commercial Sectors[2]	70 - 110	0%	0%
Institutional Sectors (Non IT)[3]	80 - 100	0%	0%
Institutional Sectors (IT)[3]	45 - 80	25%	32%
Industrial Sector (IT)[4]	35 - 50	0%	-6%

Source Colliers International India Research
[1]Indicative Grade A rentals in INR per sq ft per month
[2]Sector 18 (hotels, shopping centres, banks, cinemas)
[3]Sector 16 A,62, 125,126,127,132,135,136,142,143,144,153,154 (Educational, healthcare, technology & Government offices)
[4]Sector 1-9,57-60, 63-65 (factories, warehouses and IT services)

Fig 1. Rental & Capital Values (INR per sq ft per month)

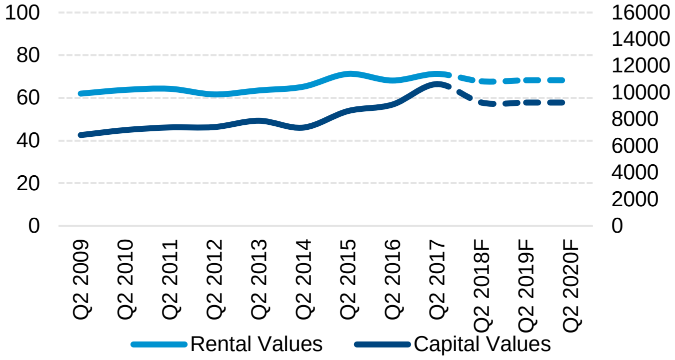
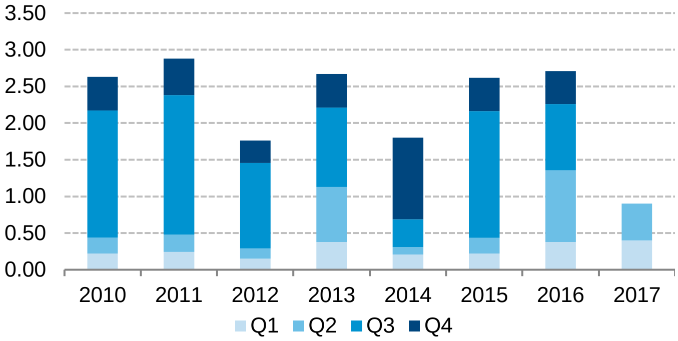


Fig 2. Gross Office Absorption (in million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
Amazon	Brookfield	150,000	Sector 62
Ameriprise Financial	Individual Building	120,000	Sector 65
ITEL	Individual Building	120,000	Sector 63
Willey India	World Trade Tower	27,000	Sector 16
ITBD	Tapasya Corporate Heights	12,000	Expressway

Source Colliers International India Research
Notes: All figures are based on market information as on 25th June 2017

Supply deferment to check rising vacancy levels

In line with our earlier forecast, amid high vacancy and lack of strata sales in new projects, developers continued to defer the completion of projects under construction and refrained from launching new projects. We maintain our view on further deferment of the scheduled completion of about 2.2 million sq ft (204,400 sq m) to the next year as developers are likely to complete these buildings only if they get pre-commitments.

In NOIDA, private equity investors' interest remained tilted towards residential developments nearing completion. However, in Q2, ASK Property Investment Advisors invested INR200 crore (USD0.3 billion) in 'Knights Bridge' a 3 million sq ft (278,700 sq m) mixed-use project by ATS Infrastructure located at sector 124. ATS Infrastructure is a premium residential developer in NOIDA market which is marking its first bet in the commercial real estate space with this project

Colliers' View

Overall rents are likely to remain stable amid high vacancy rates of above 30%. Such high vacancy rates in NOIDA are primarily the result of low occupancy in a number of strata-titled developments, which are not very well maintained. In our opinion, tenants with large space needs should consider making pre-commitments to spaces in the upcoming projects as already operational Grade A buildings have low vacancy and command a premium over average market rents. We expect demand to rebound over Q3 2017 on the back of improved infrastructure, affordability and availability of large talent pool. The Central Government's approval of the second airport in NCR at Jewar, which is located near NOIDA, should further boost occupiers' confidence.

For more information:

Surabhi Arora
Senior Associate Director | Research
+91 124 456 7500
surabhi.arora@colliers.com

Gopeshwar Srivastava
Associate Director | Office Services
Gopeshwar.srivastava@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

Suite No. 6, Ground Floor,
Quest Offices Pvt. Ltd.,
Logix Techno Park, Plot No. 5, Sector 127
NOIDA - 201301
India

Colliers Quarterly

BENGALURU | OFFICE

Q2 2017

10 July 2017

Colliers INTERNATIONAL

Accelerating success.

Average city rents to increase by 8 to 10% until 2020

Surabhi Arora Senior Associate Director | India

We expect occupier demand to remain strong in coming quarters. However, in the short term the future new supply is unlikely to meet the rising demand, especially on Outer Ring Road (ORR). We advise occupiers looking for large floor plates to act fast and firm up their real estate requirements to expand operations in the prime information technology corridors as most of the new supply is either pre-committed or quickly taken up by occupiers.

Forecast at a glance

Demand
Demand set to stay firm, big occupiers likely to prefer built-to-suit options

Supply
In short term new supply is unlikely to meet the future demand; supply pipeline of about 26 million sq ft (2.4 million sq m) until 2020

Vacancy rate
Vacancy likely to inch up in short term; however, we expect vacancy to stay in a range of 8-10% over next three years

Rent
Likely to remain stable in H2 2017. We expect average city rents to increase by 8 to 10% over next three years

Price
In line with rental increase, capital values are also set to increase to the tune of 10% over next three years.

Sustained demand momentum to continue

With approximately 3.25 million sq ft (0.3 million sq m) of gross absorption, Bengaluru remained the most active office market in India. Although the q-o-q numbers represent a marginal decrease of about 7% in gross absorption, we expect the leasing momentum to continue in coming quarters. About 43% of the total leasing was concentrated in Special Economic Zones (SEZs) driven by a couple of large size (above 100,000 sq ft/9,200 sq m) transactions.

We expect Outer Ring Road (ORR) to remain the preferred location among occupiers. In Q2 2017, ORR represented 43% of the total gross absorption followed by the CBD (13%), Bannerghatta Road (9%) and EPIP Zone/Whitefield (6%), with other micromarkets constituting the remaining share.

In Q2 2017, average city rents moved up to 4.2% driven by rental increases in locations such as the CBD, Whitefield/EPIP Zone and the Outer Ring Road (KR Puram to Hebbal). Rents to see upward pressure until Q4 2017; however, we expect an average 8 to 10% increase in rents over next three years considering the significant scheduled new completions.

Rental Values

Micromarkets	Rental Values[1]	q-o-q Change	y-o-y Change
CBD	110 - 170	17%	17%
Outer Ring Road (Sarjapur - Marathahalli)	75 - 85	0%	3%
Outer Ring Road (K.R. Puram - Hebbal)	68 - 78	3%	4%
Bannerghatta Road	55 - 68	0%	0%
Hosur Road	30 - 40	0%	8%
EPIP Zone/Whitefield	35 - 42	7%	10%
Electronic City	30 - 40	3%	9%

Source Colliers International India Research
[1]Indicative Grade A rentals in INR per sq ft per month

Fig 1. Rental & Capital Values (INR per sq ft per month)

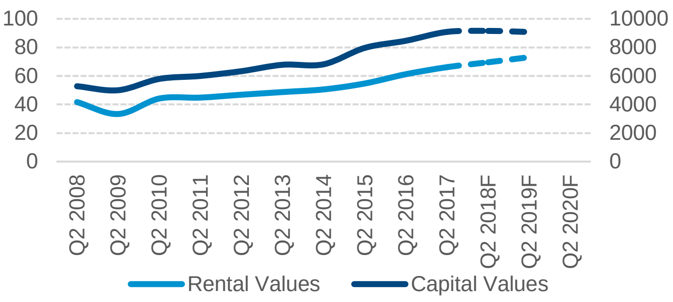
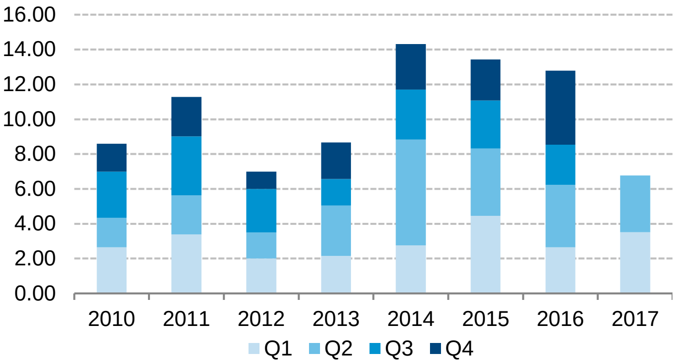


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
Lowe's Services	Manyata Tech Park	4,89,074	ORR
CSC	RGA Tech Park	3,00,000	Sarjapur Road
Shell IT	RMZ Eco World	1,70,660	ORR
Analog Devices	Salarpuria Nova	1,65,364	Old Madras Road
Deloitte	Prestige Trade Tower	1,40,000	Palace Road

Source Colliers International India Research
Notes: All figures are based on market information as on 25th June 2017

26 million sq ft (2.4 million sq m) new grade A supply likely to be added by 2020

In line with our projections, about 5.1 million sq ft (0.5 million sq m) of new supply was added into the city Grade A office stock. However, only 3.6 million sq ft (0.3 million sq m) was available for lease as the total included about 1.5 million sq ft (0.1 million sq m) supply pre-committed by occupiers such as Goldman Sachs and ITC. About 50% of the new supply was concentrated in Outer Ring Road followed by the SBD (27%), the CBD (10%) and Electronic City (9%). As a result of the new supply, the average vacancy level inched up from 8% in Q1 2017 to 8.5% in Q2 2017.

According to our survey, the city is maintaining a healthy supply pipeline and is expected to add about 26 million sq ft (2.4 million sq m) by 2020 to fulfil the high demand, which excludes 24 million sq ft (2.2 million sq m) of built-to-suit (BTS) buildings taken by major occupiers. We expect demand and supply to stay balanced in the long run as developers are likely to remain cautious in adding speculative supply in view of technology disruption and automation that may affect demand adversely.

Colliers' View

In line with our earlier projections, we expect leasing activity to be dominated by small and mid-size transactions as we expect built-to-suit options to remain the preferred choice among occupiers with large size requirements in prime corridors. Despite a supply pipeline of nearly 3.0 million sq ft (0.3 million sq m) in H2 2017, new occupiers with large size requirements may find it difficult to lock in long-term leases. We advise the small and mid-size occupiers to consider flexible workspace in order to benefit from their location and the ease of operation it provides.

For more information:

Surabhi Arora
Senior Associate Director | Research
+91 124 456 7500
surabhi.arora@colliers.com

Goutam Chakraborty
Senior Director | Office & Integrated Services
goutam.chakraborty@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

Prestige Garnet, Level 2
Unit No. 201/202,
36 Ulsoor Road
Bengaluru - 560042
India

Colliers Quarterly

CHENNAI | OFFICE

Q2 2017

10 July 2017

Colliers INTERNATIONAL

Accelerating success.

Rents set to move upwards

Karthiga Ravindran Analyst | Chennai

With increasing expansion and relocation of existing occupiers, we expect rents to move upwards. We recommend developers to adhere to scheduled completion timelines in order to entice key tenants in active micromarkets. We also suggest that up-to-date amenities and services will be the key for landlords to retain their existing tenants and to serve the needs of new occupiers as well.

Forecast at a glance

Demand

The Information Technology and Information Technology enabled Service (IT-ITeS) sector continues to dominate with a share of about 75% of gross leasing volume. The strong demand from the sector is likely to be sustained

Supply

3 million sq ft (279,000 sq m) of supply is likely be added to city inventory in H2 2017; more than 7 million sq ft (650,000 sq m) scheduled in the Special Economic Zones (SEZs) by 2020

Vacancy rate

Likely to remain stable at 11% towards the year end

Rent

Set to rise by 4-5% in preferred micromarkets over 2017 and overall city rents to increase up to 12% in next 3 years

Price

Capital values are likely to increase gradually with increasing leasing activities

Old Mahabalipuram Road (OMR) - Post Toll belt gaining traction

As in the previous quarter, Q2 2017 recorded about 1.1 million sq ft (102,000 sq m) of gross absorption. In line with our earlier forecasts, the market witnessed a shift in occupier focus towards the OMR-Post Toll belt, which increased its share in gross leasing to 33% in Q2 2017 with large deals sealed in the Navalur, Sholinganallur and Pallavaram-Thoraipakkam Road regions. With sturdy expansion and relocations, OMR-Pre Toll accounted for 26% of the market, while the inner city locations such as Central Business District (CBD) and Off-CBD micromarkets accounted for 12% and 16% respectively. Moreover, with sizeable transactions in Ambattur, the micromarket represented 7% of gross absorption and the remaining 6% was recorded in Mount Poonamalle High (MPH) Road.

Although commercial leasing was almost negligible in Grand Southern Trunk (GST) Road in Q2 2017, we expect leasing volume to improve in coming quarters considering a few deals that are likely to close in upcoming months. We also observed that the SEZ spaces concentrated in OMR micromarkets accounted for 16% of gross leasing volume, indicating constant occupiers' inclination towards the available SEZ supply along the corridor. As the momentum picks up pointedly in OMR and Ambattur micromarkets, we expect an increase in rents of about 4-5% in upcoming quarters and overall city rents to increase up to 12% in next 3 years.

Rental Values

Micro-markets	Rental Values[1]	q-o-q Change	y-o-y Change
CBD	70 - 90	0%	7%
Off-CBD	60 - 75	0%	13%
GST Road	35 - 45	0%	0%
MPH Road	50 - 65	0%	5%
OMR-Pre Toll	55 - 75	2%	8%
OMR-Post Toll	30 - 40	0%	8%
Ambattur	30 - 45	0%	7%

Source: Colliers International India Research

[1]Indicative Grade A rentals in INR per sq ft per month (non SEZ)

Fig 1. Rental & Capital Values (INR per sq ft per month)

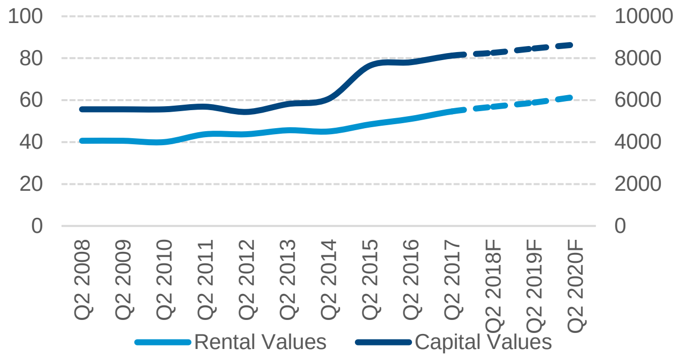
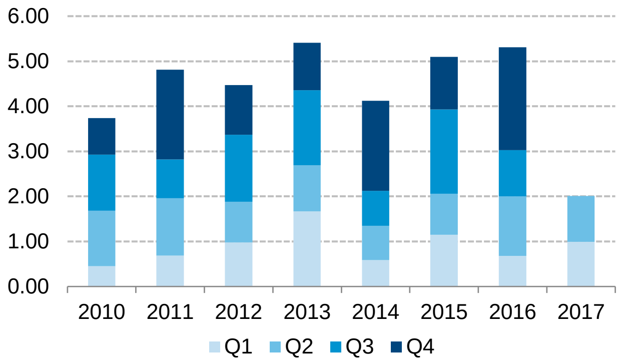


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
Valeo India	Cee Dee Yes IT Park	200,000	Navalur
XM Software	DLF IT SEZ	63,000	Manapakkam
Kone Elevators	One India Bulls	50,000	Ambattur
HDFC Bank Ltd.	Nelson Tech Park	50,000	Aminjikarai
Paragon Digital	Tyche Towers	46,000	Taramani

Source Colliers International India Research

Notes: All figures are based on market information as on 25th June, 2017

Supply schedules to maintain vacancy rate at 11%

H1 2017 witnessed a supply of about 1.1 million sq ft (102,000 sq m) and we are expecting an addition of 3 million sq ft (279,000 sq m) to the city inventory in H2 2017 with notable supply schedules at SEZs in OMR-Post Toll, MPH Road and GST micromarkets. Considering the upcoming and available supply, we predict the present vacancy rates to hover around 11% in 2017.

The city has been persistent in enticing premium developers recently. For example, the Brigade group has launched its remarkable project World Trade Centre (WTC) at Perungudi in the OMR-Pre Toll micromarket. The project is likely to add about 2 million sq ft (186,000 sq m) of SEZ supply to city inventory by 2020. Moreover, with foreign investment accelerating institutionalisation in the market, the global investment firm Xander Group signed a key deal worth INR23 billion (USD350 million) to acquire the SEZ owned by Shriram Properties on GST Road as per media reports. In our opinion, such augmented FDI participation combined with expected Real Estate Investment Trusts (REITs) in the near future will enhance the corporate governance and embrace professional practices in the sector.

Colliers' View

Though the OMR-Post Toll corridor is gaining momentum with IT-ITeS expansions and increasing supply, we believe that the corridor will be overburdened unless the existing infrastructure facilities are improved. With significant investment announcements by automobile giants like Hyundai, CEAT and Groupe PSA accounting for about INR13 billion (USD2,016 million), we expect the automobile sector to represent an increasing share of office demand in forthcoming years.

For more information:

Surabhi Arora
Senior Associate Director | Research
Tel: +91 124 456 7500
surabhi.arora@colliers.com

Shaju Thomas
Director | Office Services
shaju.thomas@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

7th Floor, Infinite Tower
A 21-22, Thiru-Vi-Ka
Industrial Estate
Guindy, Chennai - 600032
India

Colliers Quarterly

HYDERABAD | OFFICE

Q2 2017
10 July 2017

Colliers INTERNATIONAL
Accelerating success.

Office demand on revived progress

Karthiga Ravindran Analyst | Chennai

We expect demand to strengthen in coming quarters driven mainly by technology and healthcare firms. Significant new supply over 2017 should keep rents in check in the Secondary Business District (SBD). We advise developers to construct more futuristic, technology equipped buildings with efficient space utilisation, flexibility and green certification to upturn tenants' inclinations towards the upcoming supply.

Forecast at a glance

Demand
Likely to be dominated by the technology, electronics, telecom, healthcare and e-commerce sectors

Supply
About 3.3 million sq ft (307,000 sq m) supply likely to be added to the city's inventory in H2 2017; 17 million sq ft (1.6 million sq m) by 2020

Vacancy rate
Scheduled completions to serve the demand and likely to maintain the vacancy levels at 8-9% by year end

Rent
RENT
We expect overall city rents to rise by 3-4% over 2017 and up to 9-10% in next 3 years

Price
Capital values are likely to see upward trends due to constant absorption and supply for office spaces

Demand to gradually broaden horizons for more sectors

Commercial leasing revived with about 1.6 million sq ft (149,000 sq m) of gross absorption in Q2 2017 versus just 0.51 million sq ft (47,000 sq m) gross leasing activity in Q1 2017. Regardless of the anxieties about lay-offs and automation in the technology sector, the sector continued to expand and accounted for 92% of overall office leasing in the city. Flexible office operators such as Awfis, Workenstein and Spacion contributed about 4% of total absorption while the other sectors like healthcare, banking and finance, consulting, power, e-commerce and law shared the remaining 4%.

We expect that the commercial hub of the city in SBD should continue to attract tenants with availability of quality Grade A supply. In Q2 2017, 89% of total leasing volume was concentrated in this area. Service Now, JP Morgan and Awfis sealed deals in the range of 0.04 million sq ft (4,000 sq m) to 0.14 million sq ft (13,000 sq m) in the buildings in the SBD primarily in Hitech city location. The Central Business District (CBD), Off-CBD and Peripheral Business District (PBD) micromarkets recorded 5%, 4% and 2% of the remaining share in gross leasing respectively with deals noted primarily in Ameerpet, Banjara Hills, Begumpet. Somajiguda and Uppal.

In our opinion, since Hyderabad benefits from a favourable political environment, re-energised growth is likely to widen the opportunities for start-ups and other sectors including electronics, telecoms, healthcare, e-commerce, defence and animation in the near future.

Rental Values

Micromarkets	Rental Values[1]	q-o-q change	y-o-y change
CBD	45 - 50	0%	0%
Off-CBD	45 - 50	0%	0%
SBD	55 - 60	4%	10%
PBD	25 - 30	0%	0%

Source Colliers International India Research
[1]Indicative Grade A rentals in INR per sq ft per month

Fig 1. Rental Values (INR per sq ft per month)

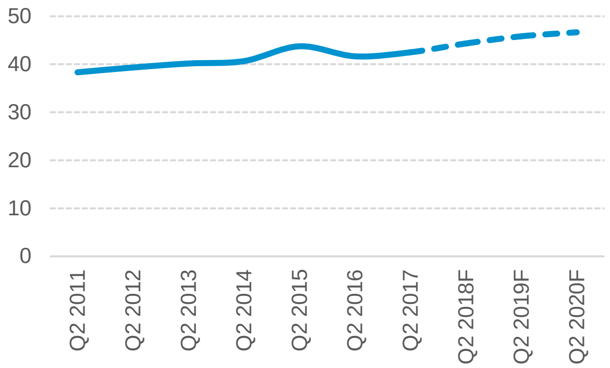
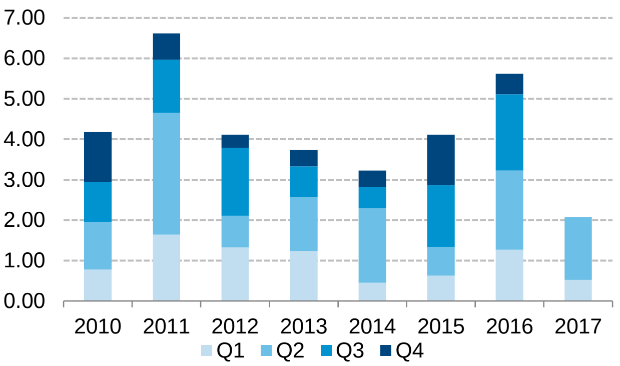


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
Service Now	Knowledge City	136,000	Hitech City
TATA AIG	Imperial Towers	50,000	Ameerpet
JP Morgan	Knowlegde City	46,000	Hitech City
Awfis	Reliance Communication	40,000	Hitech City
Smart Drive	My Home Tycoon	30,500	Begumpet

Source Colliers International India Research
Notes: All figures are based on market information as on 25th June 2017

Upcoming supply to maintain vacancy levels at 8-9%

While new supply was very limited in preceding quarters, Q2 2017 witnessed completions of 2.13 million sq ft (198,000 sq m) of office supply concentrated in the SBD. This new supply is already being taken up, largely by tenants in the IT-ITeS sector. Consequently the vacancy level in Q2 dropped as low as 3% for Grade A buildings in IT parks whereas the city average remained at 8%. We also noticed that the increasing green-certified buildings in the SBD micromarket are attracting attention, with such buildings enjoying higher occupancy rates.

For Q4 2017, we estimate an additional 3.3 million sq ft (307,000 sq m) of Grade A building to reach completions out of which 1.3 million (121,000 sq m) is already pre-committed. Thus considering the prevailing market demand the new buildings are likely to be taken up by tenants much faster. We expect the overall city vacancy to be maintained at 8-9% in 2017.

Colliers' View

Recent notable investments by major developers like RMZ Corp, Embassy, Phoenix and Salavpuria Satva and financial arms like Piramal Finance Ltd offering INR 450 crore (USD 69.7 million) for the SEZ developments in the city, highlight the keen interest of private equity players in Hyderabad's property sector.

However, recent land fraud in the city that stung major investors such as Google, Microsoft and Lanco may create doubt about the sector in the near term. We also anticipate the operation of metro rail from Miyapur to Hitech city by the middle of next year to further boost the city's commercial market in the SBD.

For more information:

Surabhi Arora
Senior Associate Director | Research
Tel:+91 124 456 7500
surabhi.arora@colliers.com

Hari Prakash
Senior General Manager | Office Services
hari.prakash@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

Level 7, Maximus Towers
Building 2A, Mindspace
Complex, HITEC City
Hyderabad - 500081
India

Colliers Quarterly

PUNE | OFFICE

Q2 2017

10 July 2017

Accelerating success.

Stagnation to persist due to low supply

Akshay Jawale Analyst | Mumbai

Low supply is likely to weigh down absorption over the rest of 2017. We expect the market to start picking up by mid-2018 due to the addition of quality new supply. We advise developers to expedite the construction of projects under construction in order to stimulate untapped demand.

Forecast at a glance

Demand
Demand is likely to remain subdued due to the lack of quality supply in upcoming quarters

Supply
We expect a new supply infusion of 0.6 million sq ft (59,350 sq m) by end-2017; 3.0 million sq ft (278,700 sq m) supply infusion over the next 3 years

Vacancy rate
We expect vacancy to slip from 7% to 6% in upcoming quarters due to sluggish supply and to stabilise in 2018

Rent
Limited supply is leading to market stagnation resulting in stable rents

Price
In view of lower demand, values are likely to remain stable across all the micromarkets

Delayed completions affecting the leasing activity

In line with our expectations, the unavailability of quality supply further affected the overall leasing volume in Q2 2017. Gross leasing was recorded at only 0.4 million sq ft (37,800 sq m) in Q2, which represents a 48% decrease from Q1. With no supply pipeline visible in 2017, we expect the absorption rate to remain low in coming quarters.

Although Pune is one of the major information technology and information technology enabled services (IT-ITeS) markets in India, banking, financial services and insurance (BFSI) accounted for a 30% share of total absorption, followed by IT-ITeS (27%), other industries (23%), engineering and manufacturing (13%) and healthcare (7%). Growing digitisation in the BFSI sector is driving demand for fintech companies and they are expanding their operations in Pune.

While commercial real estate activity remained low, manufacturing and engineering companies continued to increase their footprint in decentralised locations. In Q2 2017, elevator-manufacturing company ThyssenKrupp set-up a multi-purpose elevator facility at Chakan. Despite the supply crunch and low vacancy levels; BFSI, manufacturing and engineering continue to lay down strong foundation in the city.

Rental values

Micromarkets	Rental Values[1]	q-o-q Change	y-o-y Change
Baner	55 - 62	0%	6.4%
Bund Garden	55 - 69	0%	3.3%
Airport Road/Pune Station	60 - 90	0%	4.9%
Aundh	50 - 65	0.9%	0.9%
Senapati Bapat Road	65 - 120	0%	5.7%
Bavdhan	42 - 50	0%	3.4%
Kalyani Nagar	52 - 65	0%	0%
Nagar Road	52 - 65	0%	0%
Hinjewadi	44 - 55	0%	2.1%
Hadapsar/Fursungi	65 - 75	0%	10.2%
Kharadi	52 - 100	0%	10.1%

Source Colliers International India Research

[1]Indicative Grade A rental in INR per sq ft per month

Fig 1. Rental & Capital Values (INR per sq ft per month)

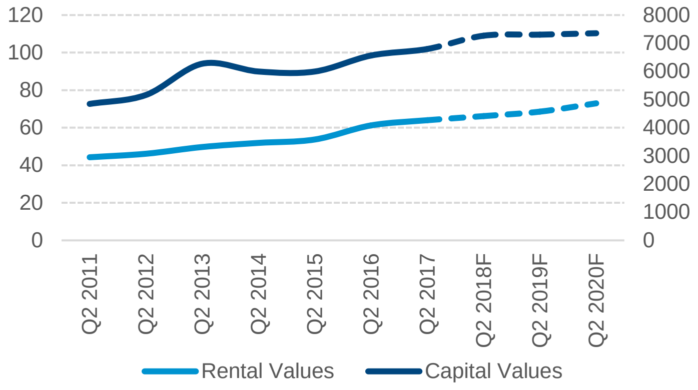
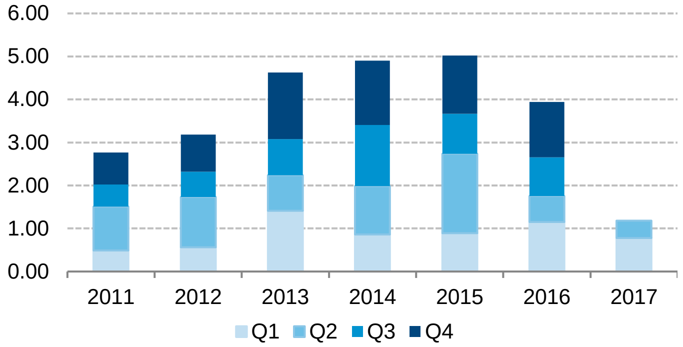


Fig 2. Gross Office Absorption (in million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
HSBC	Manikchand Icon Wing - C	120,000	Dhole Patil Road
Jade Global	Nyati Tech Park	72,000	Vadgaon Sheri
Shipco IT	Sai Radhe	20,125	RBM Road
Kohler	Pentagon P5	29,810	Hadapsar
XDBS Pvt Ltd	World Trade Centre - 2	14,239	Kharadi

Source Colliers International India Research
Notes: All figures are based on market information as on 25th June 2017

Upcoming quarters likely to see minimal supply addition

New supply remained low in Q2 and only 0.2 million sq ft (24,500 sq m) was added in the city office inventory. We expect addition of about 0.6 million sq ft (59,350 sq m) of quality office spaces in H2 2017. Most of the new supply is pre-committed, thus we expect average vacancy rate to decline slightly by the end of the year.

There is another 1 million sq ft (92,900 sq m) of projects under construction, which are stalled due to either developers' internal issues or approval-related hurdles. Looking at the scarcity of space in the city, we advise developers to complete such projects in order to stimulate untapped demand. The market has witnessed an average 4% increase in rents since last year. However, the lack of quality supply has reduced both leasing and sales transactions, resulting in stable rents and capital values.

Colliers' View

Over the past two years, amid the supply crunch, rents have increased more than 20% in the Pune market. We do not expect rental and capital values to increase further in the short term due to low transaction activity.

Industrial areas like Chakan and Ranjangaon are likely to witness some traction driven by improving activity in the industrial and warehousing sector.

On the infrastructure front, road-widening work in Dapodi has picked up the pace, which will reduce traffic congestion on the road and ease connectivity between Pune city and its suburb Pimpri-Chinchwad. A new Bus Rapid Transport Service (BRTS) route is also under construction in Pimpri-Chinchwad. These developments may boost the commercial activity in some micromarkets in the long term.

For more information:

Surabhi Arora
Senior Associate Director Research
Tel: +91 124 456 7500
surabhi.arora@colliers.com

Rishav Vij
Director | Office Services
rishav.vij@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

5th Floor, Suyog Platinum Tower, Naylor Road, Off Mangaldas Road
Pune - 411001
India

Colliers Quarterly

KOLKATA | OFFICE

Q2 2017
10 July 2017

Colliers INTERNATIONAL
Accelerating success.

Demand set to revive in H2 2017

Uttara Nilawar Manager | Mumbai

H1 2017 has witnessed more enquiries over the preceding two years, so we expect leasing activity to intensify in coming quarters. So far, the conversion ratio has remained low due to expectation mismatch in terms of rents, thus we advise landlords to remain flexible on rents to capitalise on the occupier interest.

Forecast at a glance

Demand
Demand to surge in upcoming quarters at the back of increased enquiries especially from banking and finance, telecom and the education sector

Supply
There is no new supply scheduled for completion in 2017; but we are expecting a supply infusion of 1 million sq ft (92,900 sq m) in Q1 2018 in Sector V

Vacancy rate
Average city vacancy set to remain stable at 25%; we may witness a rise between 3-5% in CBD locations in the long term as several companies are relocating to peripheral areas

Rent
Stability in rental values should prevail as the lease term for most occupiers is not likely to expire for the next two years

Price
Prices should remain stagnant in most locations; however capital values are under pressure in CBD areas due to subdued occupier interest and may witness a dip of 2-5% in the next two years

Increased enquiries may intensify leasing momentum in the long term

Sustained leasing momentum was observed in Q2 2017 with 0.2 million sq ft (18,500 sq m) of gross absorption, similar to absorption in Q1. A large built-to-suit (BTS) transaction by Cognizant inflated the absorption number in Q1 2017, but Q2 was marked by small transactions with an average deal size of 9,000 sq ft (830 sq m). Occupier demand was driven by relocations and expansions. The bulk of leasing volume equating to 79% was concentrated in Sector V while peripheral areas like New Town and Rajarhat accounted for an 18% share. The remaining 3% of the transaction volume was observed at CBD locations.

We have witnessed increase in the number of enquiries over the last few quarters. However, the enquiry to conversion ratio has remained low due to an expectation mismatch on asking rents between landlords and tenants, particularly in peripheral areas.

Unlike Q1 2017, transactions in Q2 were dominated by a mix of logistics, retail, real estate and telecoms companies with a 44% share in overall leasing volume. Other sectors like banking, financial services and insurance (BFSI) sector accounted for a 26% share followed by engineering and manufacturing (17%), the technology sector (11%) and the healthcare and pharmaceuticals (2%) sectors.

One of the major coworking players in India, Awfis, has entered Kolkata by leasing office space of 20,000 sq ft (1,800 sq m) at Globsyn Crystals in New Town.

Rental Values

Micromarkets	Rental Values[1]	q-o-q Change	y-o-y Change
CBD[2]	80 - 110	0%	-5%
SBD[3]	60 - 70	0%	0%
Sector V	38 - 45	0%	-2%
PBD[4]	34 - 35	0%	0%

Source Colliers International India Research
[1]Indicative Grade A rentals in INR per sq ft per month
[2]Park Street, Camac Street, Chowranghee Road, AJC Bose Road
[3]EM Bypass, Topsia, Ruby
[4]Salt Lake, New Town, Rajarhat

Fig 1. Rental & Capital Values (INR per sq ft per month)

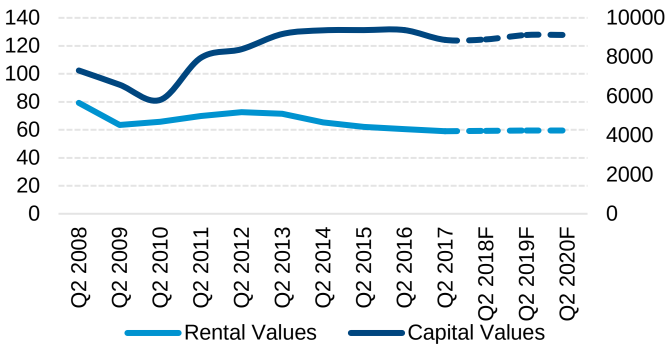
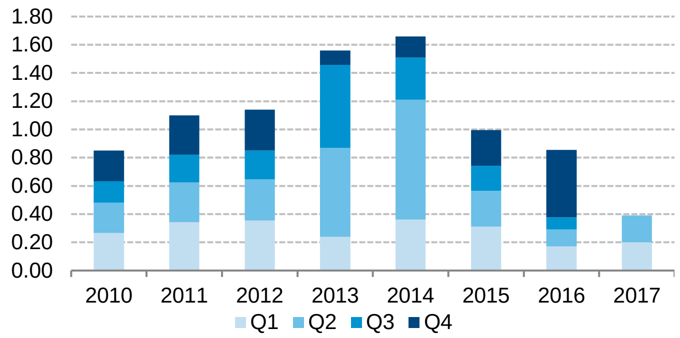


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q2 2017

Client	Building Name	Area (sq ft)	Location
Tech Mahindra	PS Srijan Tech Park	30,000	Sector V
Bandhan Bank	PS Srijan Tech Park	30,000	Sector V
Awfis	Globsyn Crystals	20,000	New Town
Shapoorji Pallonji	PS Srijan Corporate Park	19,000	Sector V
Richards	PS Srijan Corporate Park	10,000	Sector V

Source Colliers International India Research
Notes: All figures are based on market information as on 25th June 2017

Stable rent scenario despite no supply infusion in 2017

No Grade A supply is scheduled for completion in 2017; however, there are a few Grade B establishments totalling 0.4 million sq ft (37,000 sq m) that will be added to the inventory in 2017.

We do not expect any major lease renewals for the next few years and current office transactions are taking place in accordance with prevailing asking rents. Although we expect demand to intensify in the coming quarters, the availability of ample supply in peripheral areas is likely to keep rental values stable in H2 2017.

Similarly, capital values should remain stable in most micromarkets except the CBD. As several buildings at CBD locations are old and lacking modern facilities, owners are looking to sell these assets. Hence, we are likely to witness a decline of 2-5% in capital values over the next two years.

Colliers' View

With increased enquiries in the Kolkata commercial real estate market, we expect demand to pick up in coming quarters. Hence, we advise landlords to remain flexible on rents to close deals and boost occupancy levels.

As several tenants are moving to peripheral locations, we may see an increase of 3-5% over the next few years in vacancy levels at CBD locations. However, sustained transaction volume should maintain the average city vacancy at 25%. Rents and capital values should not change significantly owing to a stable leasing scenario.

For more information:

Surabhi Arora
Senior Associate Director | Research
+91 124 456 7500
surabhi.arora@colliers.com

Ravi Ahuja
Executive Director | Office Services & Investment Sales
ravi.ahuja@colliers.com

PS Srijan Corporate Park,
14th Floor, GP-2, Block EP & GP, Salt Lake, Sector V,
Kolkata 700091
India

396 offices in
68 countries on
6 continents

United States: **153**
Canada: **29**
Latin America: **24**
Asia : **36**
ANZ: **43**
EMEA: **111**

$2.6

billion in
annual revenue

2

billion square feet
under management

15,000

professionals
and staff

Primary Authors:

Surabhi Arora
Senior Associate Director
+91 124 456 7500
surabhi.arora @colliers.com

Regional Authors:

Uttara Nilawar | Manager

Akshay Jawale | Analyst

Karthiga Ravindran | Analyst

Contributors:

Amit Oberoi
National Director
Knowledge Systems | India

Andrew Haskins
Executive Director
Research | Asia

For more information, please contact:

Ravi Ahuja
Executive Director
Office Services & Investment Sales | Asia

Colliers International | India
Indiabulls Finance Centre, 17th Floor, Unit No. 1701,
Tower 3, Senapati Bapat Marg, Elphinstone (W)
Mumbai - 400 013 | India
+ 91 224 050 4500

About Colliers International Group Inc.

Colliers International Group Inc. (NASDAQ: CIGI; TSX: CIG) is an industry leading global real estate services company with more than 15,000 skilled professionals operating in 68 countries. With an enterprising culture and significant employee ownership, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include strategic advice and execution for property sales, leasing and finance; global corporate solutions; property, facility and project management; workplace solutions; appraisal, valuation and tax consulting; customized research; and thought leadership consulting.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice that help clients accelerate their success. Colliers has been ranked among the top 100 outsourcing firms by the International Association of Outsourcing Professionals' Global Outsourcing for 11 consecutive years, more than any other real estate services firm.

colliers.com

Colliers INTERNATIONAL

Accelerating success.