Colliers Quarterly
Q1 2018

INDIA | OFFICE

30 April 2018

2018 to witness stronger demand

Surabhi Arora | Senior Associate Director | India

The Indian economy recovered sharply with 7.2% YOY growth in Q4 2017, echoing a positive outlook. Most economic forecasters have maintained their projections of growth of above 7% over the next two years. In our opinion, the commercial real estate market is likely to remain robust with increased investor activity, sustained demand from technology companies and growing interest from various industry occupiers like manufacturing, flexible workspace, logistics and warehousing.

Forecast at a glance

Demand
Demand from technology and finance sectors should remain consistent; flexible workspaces should gain prominence across cities.

Supply
Nearly 117.0 million sq ft (10.9 million sq m) of Grade A office supply is scheduled for completion over 2018-2020; 46% of the upcoming supply is sited in multi-tenanted Special Economic Zones (SEZs).

Vacancy rate
Grade A vacancy rates in key micromarkets of Bangalore, Pune, Chennai likely to remain low at 6-9% over 2018-2020

Rent
We expect 3-5% YOY increase in average rents over the next three years; Premium buildings in strategic locations should contribute to the bulk of these rent increases.

Price
Active investments in commercial office market should support prices with a 2-3% YOY increase over 2018-2020.

Limited Grade A vacancy to drive flexible workspace demand

The first quarter of 2018 has started on a positive note with a 23% YOY increase in the gross office take-up in India. We recorded approximately 11.4 million sq ft (1.02 million sq m) of gross absorption in Q1 2018. Representing 34% of total leasing volume, Bengaluru (Bangalore) continued to account for the highest share of absorption followed by the National Capital Region (NCR) on 26%, Pune on 16%, Mumbai on 10%, Chennai on 9%, Hyderabad on 4% and Kolkata on 1%.

The technology and finance sectors remained the major contributors to office demand across Indian cities with 36% and 17% shares respectively of the total office take-up in Q1 2018. In line with our earlier forecasts, demand from flexible workspace operators and the manufacturing sector has started gaining momentum in 2018, accounting for 13% and 12% respectively of pan-Indian leasing volume.

In our opinion, demand for flexible workspace should further increase over the coming years. For building owners targeting the smaller occupiers, this could mean more competition as occupiers may prefer these flexible, strategically located sites.

We also expect demand from manufacturing and logistics companies to grow in the coming years. The recent award of infrastructure status to the logistics sector that includes industrial parks, cold chains and warehousing facilities should boost private investments in these sectors.

Although more than 30.0 million sq ft (2.7 million sq m) of Grade A supply is scheduled for completion in 2018; in our opinion, developers should adhere to the planned timelines to maximise the benefit of the present supply crunch in technology-driven cities. Developers should gear up to build future-proof buildings with up-to-date amenities and maximum technology intervention to command premium rents. We advise large occupiers looking for state-of-the-art buildings with modern amenities and facilities for their employees to pre-commit in advance, especially in low vacancy markets such as Bengaluru, Pune and Hyderabad.

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Q1 2018

MUMBAI | OFFICE

30 April 2018

Infrastructure needs to improve

Surabhi Arora Senior Associate Director | India

We expect demand to solidify in the long term. The massive outlays for infrastructure projects in the Union and state budget should ensure Mumbai's appeal among occupiers, however timely completion of these projects is key. We strongly recommend all involved stakeholders to push the state government for faster completion of these projects.

Forecast at a glance

Demand
Likely to improve with several occupiers looking for new space primarily in technology and financial sector

Supply
We project a supply pipeline of 9-10 million sq ft (0.8-0.9 million sq m) over 2018-2020. Of this total, we project 2.1 million sq ft (0.2 million sq m) to materialise by end- 2018

Vacancy rate
We expect the vacancy level to drop from the current 13% to 9-10% by end-2020

Rent
We expect rents to rise by 4-5% over 2018-2020 in preferred micromarkets such as BKC, Andheri and Lower Parel

Price
We expect capital values to edge up due to increased interest from occupiers to buy offices

Leasing activity likely to pick up

Gross absorption in Q1 2018 amounted to 1.1 million sq ft (0.1 million sq m) in Mumbai. Although about 37% YOY decline was noted in absorption, we witnessed several high-value outright purchases indicating continued investor confidence in the Mumbai office market. Notable transactions included the purchase of 60,000 sq ft (5,575 sq m) by Manappuram Finance in Wallstreet in Andheri. Also, Mahindra & Mahindra purchased two floors in Worli-based Mahindra Towers.

The demand was driven by the financial sector, accounting for about 28% of the gross absorption followed by flexible workspace on 19%, engineering and manufacturing on 14%, healthcare on 13% and others on 26%. Driven by affordable rents, Andheri took the lion's share of office leasing on 23%, closely followed by BKC on 21%, Central Suburbs on 20%, Navi Mumbai and the Western Suburbs on 16% each. The flexible workspace operators have started spreading in Peripheral Business District (PBD). In Q1 2018, the large international flexible workspace operator, WeWork, leased 0.12 million sq ft (0.01 million sq m) of office space in Commerz II in Goregaon. We expect, restricted new supply to further push the demand for flexible workspace in preferred locations.

Rental Values

Micromarkets	Rental Values[1]	QOQ change	YOY change
CBD	200-250	0.0%	0.0%
Andheri East	90-130	0.0%	0.0%
BKC	225-330	0.0%	1.8%
Lower Parel	140-195	0.0%	0.0%
Malad	80-100	0.0%	0.0%
Navi Mumbai	70-100	0.0%	0.0%
Powai	110-130	0.0%	-4.0%
Worli/Prabhadevi	170-210	0.0%	-2.6%
Goregaon / JVLR	100-130	0.0%	-6.5%
Kalina	150-180	0.0%	-5.8%
Thane	70-80	0.0%	-3.3%
LBS	95-125	0.0%	-3.4%

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

Fig 1. Rental Value Trend (INR per sq ft per month)

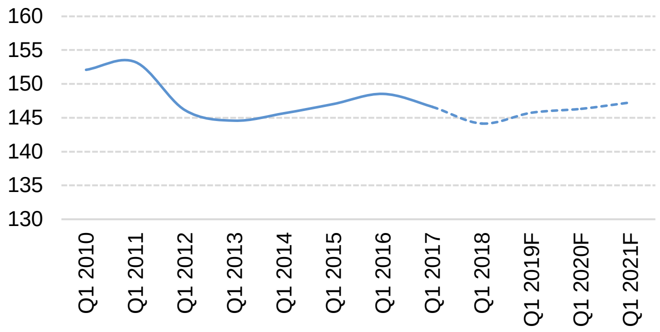
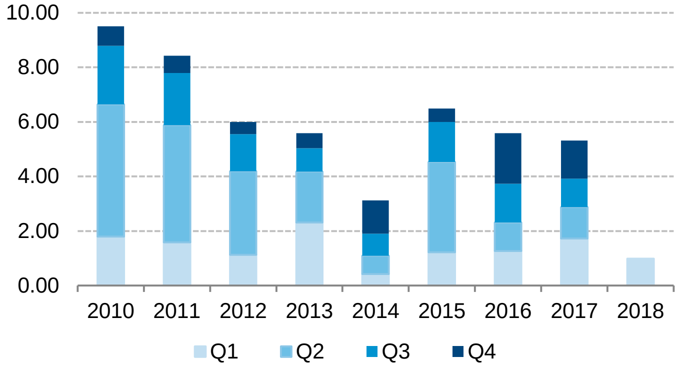


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
WeWorks	Commerze II	125,000	Goregaon
Novartis	Inspire	110,000	BKC
GEP	Gigaplex	65,000	Airoli
GPRO Services	Prudential	65,000	Powai
Schindler	Chemtex House	58,000	Powai

Source: Colliers International India Research
Note: All figures are based on market information as on 25 March 2018

Limited new supply to push up rents

No new supply was infused into Mumbai's Grade A office inventory in Q1 2018. With a few projects slated for completion, we can see a supply pipeline of 2.1 million sq ft (0.2 million sq m) in 2018. Most of this supply is concentrated in Western Suburbs locations such as Andheri (E) and Navi Mumbai. We foresee completion of 9-10 million sq ft (0.8-0.9 million sq m) of new supply in total over 2018-2020.

Although most premium establishments are unwilling to compromise on asking rents, we expect average rents to remain largely stable over 2018. We expect average rents to rise by 4-5% over 2018-2020 in the main Mumbai city. Satellite towns in the periphery of Mumbai such as Navi Mumbai and Thane are likely to witness more demand from technology occupiers in view of a robust supply pipeline and affordable rents.

Colliers' View

In the long term, we foresee a significant infrastructure improvement in Mumbai. The Union and state budget 2018-2019 have allocated funds for infrastructure projects such as the metro, the construction of the Worli-Hajiali and Bandra-Versova sea-link and improvement of suburban rail connectivity. These projects are likely to produce pressure on existing infrastructure, ease the traffic congestion and further fuel the real estate market in Mumbai. Phase Two of the monorail between Wadala and Jacob Circle is slated to start in H1 2018. With an ambitious completion timeline of one year finally, we have seen the commencement of the construction of Navi Mumbai International Airport. In our opinion, timely completion of these projects is key. Therefore, we strongly recommend all involved stakeholders to push the government for faster completion of these projects.

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Constrained activity due to narrowing space

Saif Lari Assistant Manager | NCR

Delhi witnessed a gross absorption of only 0.26 million sq ft (0.02 million sq m) with no new supply addition in Q1 2018. Amid low vacancy and higher rents, we advise occupiers to hasten their deal closure to secure space at their preferred assets in the Central Business District (CBD) and Aerocity. Developers should understand the pulse of the market and subsequently redevelop their obsolete office spaces in prime micromarkets to take advantage of the high demand for such assets.

Forecast at a glance

Demand
Absorption likely to be remain stable due to dearth of large floorplates.

Supply
With little supply in the sight in the short term, we predict an inventory influx of about 3 million sq ft (0.3 million sq m) over 2018-2020

Vacancy rate
Vacancy rate likely to remain in the range of 10-11% over 2018-2020

Rent
Rents of premium building to increase by 5% annually over the next three years. However, average rents are likely to remain stable over 2018-2020

Price
Capital values look set to remain stable as there is hardly any retail and instituition investment sales activity

Demand remains concentrated in CBD and Aerocity

Leasing activity remained subdued during Q1 2018, as only 0.26 million sq ft (0.02 million sq m) of gross absorption was recorded marking a 21% decline YOY. The reduction in the absorption levels can be attributed to the limited Grade A space in key micromarkets like the CBD and Aerocity as well as higher rents in Grade A and well-located buildings.

Breaking the conventional trend, the Engineering & Manufacturing Sector took up most of the office space, accounting for a 38% share of the total leasing volume, wheras the traditional office demand driver, Banking, Financial Services and Insurance (BFSI), became the second highest source of leased office space with a 28% share. Finance was followed by IT-ITeS on 9%, and the rest was represented by various other sectors. The premium office space market of Delhi relies highly on the CBD and Aerocity micromarkets, which cumulatively gathered a share of about 40% in the total office transactions. Most of the deals in Q1 were a mix of small to mid-sized transactions, with an average transaction size of 12,000 sq ft (1,100 sq m).

We foresee that the vacancy levels in the preferred developed micromarkets will go down further due to consistent demand and limited new supply for Grade A office space. The continued interest from occupiers may allow rents of premium building to increase by 5% annually over the next three years. However, average rents are likely to remain stable over 2018-2020.

Rental Values

Micromarkets	Rental Values[1]	QOQ Change	YOY Change
Connaught Place (CBD)	140 - 425	0%	10.8%
Nehru Place	150 - 200	0%	-2.8%
Saket	110 - 180	0%	-6.5%
Jasola	80 - 115	0%	2.6%
Okhla	40 - 87	1.6%	10.4%
Aerocity	180 - 200	9%	11.8%

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

Fig 1. Rental Value Trend (INR per sq ft per month)

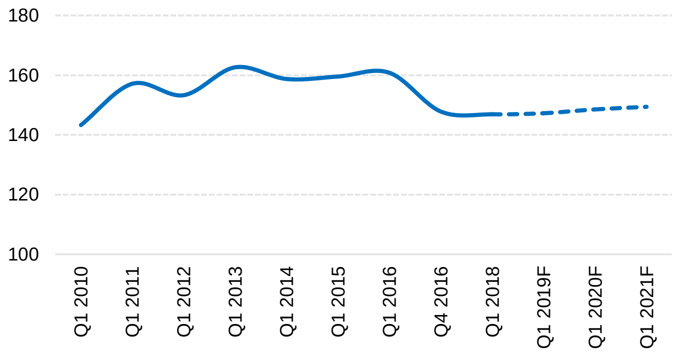
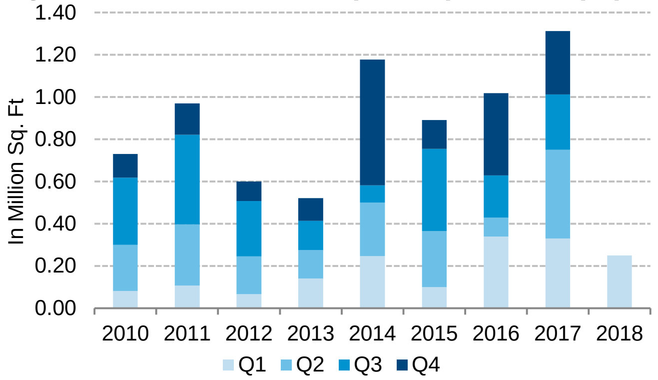


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
Mitsubishi	Bharti Worldmark	60,000	Aerocity
Rotary India	Caddie	15,000	Aerocity
Kart Rocket	Individual	13,000	Delhi Other
Azure Power	Bharti Worldmark	10,000	Aerocity
AWFIS	Great Eastern Center	8,600	Nehru place

Source Colliers International India Research

Notes: All figures are based on market information as on 25th March 2018

We expect the commercial office space market will remain favourable for developers especially in Grade A properties. In the recently announced fiscal budget 2018-19 for the National Capital, the government focused on the construction of an underpass connecting Aerocity with Mahipalpur and an elevated flyover running parallel to the Yamuna River to decongest the traffic. The Delhi government proposes to digitise land records of 192 villages situated within the border of Delhi to resolve the persisting issue of land titles in the unregulated areas.

Limited supply may lead to occupier drain to neighbourhoods

The shortage of quality office space continues even in the Q1 of 2018, with no new addition to the existing stock. We expect new supply momentum to pick up only after the completion of NBCC's Nauroji Nagar redevelopment of commercial buildings which is in various stages of construction. However, as most of this space has already been acquired by government, semi-government and public-sector units, it may not help in addressing the supply crunch in the long term.

Colliers View

We expect leasing activity to remain constrained due to the constantly declining space available in Grade A buildings. Interestingly, we noted that most of the occupiers taking up space in Q1 were domestic enterprises, implying that the demand from MNCs seems to be shifting towards the neighbouring cities in search of large contiguous Grade A space. We recommend the landlords to redesign office spaces to attract those occupiers rushing towards peripheral cities. In light of single digit vacancy rates in Aerocity and the CBD, we advise occupiers to close deals in their preferred assets quickly. Our outlook for the office market in the long term for Delhi is positive due to constant demand from the occupiers.

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Colliers Quarterly

Q1 2018

GURUGRAM | OFFICE

30 April 2018

Demand for Grade A buildings

Surabhi Arora Senior Associate Director | India

Tenants whose lease expiry is underway are exploring grade A premium buildings in decentralised locations for relocation and consolidation to hedge against the increase in market rents. With substantial new supply scheduled for completion along Golf Course Extension Road over 2018-2020, we expect this corridor to become the next hotspot for Information Technology and Information Technology enabled Service (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 set to remain firm with several occupiers looking for new space primarily in the technology sector

Supply
11 million sq ft (1 million sq m) of office space should be added to Grade A inventory over 2018-2020 representing a 14% increase in the total grade A stock

Vacancy rate
Vacancy likely to remain high above 25% with significant supply pipeline in peripheral micromarkets over 2018-2020

Rent
Rents likely to remain under pressure in decentralised locations, while premium locations may see 4-5% increase over 2018 to 2020

Price
Capital Values may go up slightly 4-5% over 2018-2020 due to increased interest from Institutional Investors

Robust absorption in Q1 indicates healthy market outlook

Demand for office space has regained momentum and the overall gross office uptake stood at 1.72 million sq ft (0.16 million sq m) in Q1 2018. Expansionary office space requirements primarily drove the leasing demand. Occupiers' interest remained tilted towards Grade A buildings. However, occupiers were exploring options in Off-CBD micromarkets such as Sohna Road and Golf Course Extension Road to consolidate and optimise their real estate portfolio. In our opinion, more tenants started to feel the pressure from increasing rents in the CBD and other preferred locations. We expect the relocation trend across Gurugram to continue in 2018. The Golf Course Extension Road is becoming more widely accepted due to factors such as the significant cost savings from the huge rental gap 25%-35%, and limited availability for expansion space in preferred micromarkets.

In Q1 2018, Gurugram witnessed one of the largest land deals when DLF bought an 11.76-acre plot for INR15 billion (USD235 million). The land parcel is strategically located near Cyber City, one of the preferred business destinations in Gurugram. (Source: ET Realty | 27, Feb 2018). Once developed, this project should entice occupiers looking for prime office space in this low vacancy micromarket.

Rental Values

Micromarkets	Rental Values[1]	QOQ Change	YOY Change
MG Road	105 - 140	0.0%	6.5%
Golf Course Road	110-200	0.0%	10.7%
Institutional Sectors (Sectors 44, 32 and 18)	60 - 90	0.0%	0%
Golf Course Extension/Sohna Road	45 - 75	0.0%	-7.7%
National Highway 8	40 - 130	0.0%	5.6%
Udyog Vihar and Industrial Sectors	50 - 70	0.0%	5.9%
Manesar	25 - 35	0.0%	-8.7%
DLF Cyber City (IT)	118 - 120	2.6%	5.8%

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

Fig 1. Rental Value Trend (INR per sq ft per month)

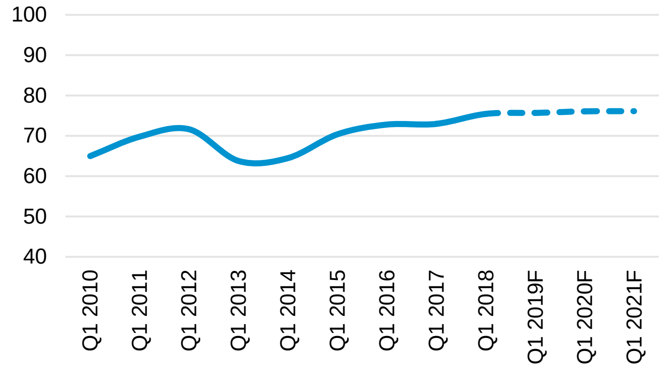
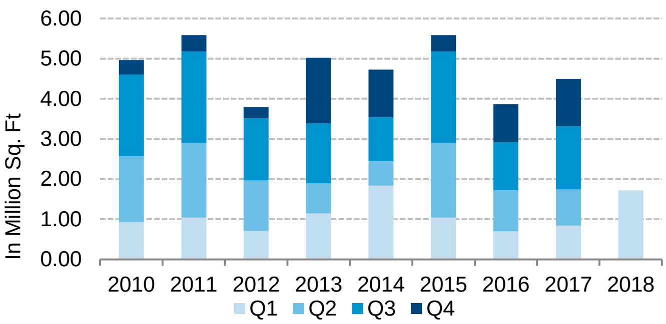


Fig 2. Gross Office Absorption (million sq ft)



Major Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
Xcedence	Candor Techspace	100,000	Sohna Road
One.com	DLF Cyber city	100,000	Cyber City
Dentsu	Individual	96,000	Huda Sector
Saxo Bank	Candor Techspace	90,000	Sohna Road
Prius	DLF Cybercity	90,000	Cyber City

Source Colliers International India Research
All figures are based on market information as on 25 March 2018

Rents to remain under pressure in high vacancy micromarkets

As projected in our Q4 2017 report, rents witnessed an average decline of about 7-9% YOY in Q1 2018 in high vacancy micromarkets such as Golf Course Extension Road, Sohna Road and Manesar. Rents in the preferred markets such as MG Road and Cyber City inched up by 5-7% YOY due to limited vacancy (5-10%) and popularity among occupiers.

In our opinion, premium buildings in preferred locations such as Cyber City, MG Road, Golf Course Road will continue to command premium rents and may see 4 to 5% increase in rents over 2018-2020. In contract, rents will remain under pressure especially in grade B buildings due to high vacancy levels and robust under-construction developments in the pipeline, especially in micromarkets such as Sohna Road, Southern Peripheral Road, Golf Course Extension Road and NH-8. We advise property owners to remain flexible in negotiations to kick-start leasing in newly completed buildings.

Colliers' View

We expect demand to remain strong in the coming quarters backed by Technology and BFSI firms. Tenants' demand is likely to remain tilted towards grade A buildings. We recommend big occupiers looking for large floor plates in Special Economic Zones (SEZs) to consider this Golf Course Extension Road for future expansion. Although Gurgram has about 11 million sq ft (1 million sq m) of new supply in the pipeline, we do not expect vacancy to increase further. This is because we expect developers to remain cautious about adding more speculative supply given the current high vacancy rate of about 28%. The improved road infrastructure will help Gurugram to continue dominating the NCR market in coming years.

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Colliers Quarterly

Q1 2018

NOIDA | OFFICE

30 April 2018

Q1 absorption sets record

Saif Lari Assistant Manager | NCR

We expect demand for prime office space to remain upbeat, with occupiers' interest remaining inclined towards Grade A developments. Improving Infrastructure is catching the eye of both investors and occupiers. We advise developers to proceed with their Grade A buildings quickly to harness the demand from cost-conscious large occupiers.

Forecast at a glance

Demand

NOIDA Expressway micromarket to increase its share of overall city-level absorption. Institutional sector (Sector 62) to remain a fore-runner.

Supply

About 13 million sq ft (1.2 million sq m) to come online over the next three years representing up 44% increase in the total stock

Vacancy rate

To decrease in the year to come with increased office uptake but average vacancy rate to remain high at above 25% over 2018-2020 due to a robust supply pipeline

Rent

Grade A office spaces are expected to command premium rents; City level average rents to remain static due to huge upcoming supply and high vacancy levels over 2018-2020

Price

Capital values to remain stable over the next three years

Great start for the year, improved infrastructure driving the demand

In line with our expectations, the NOIDA commercial market witnessed a spike in occupier interest during Q1 2018. The market recorded about 1.01 million sq ft (0.09 million sq m) of gross absorption which was almost double then the Q1 2017 absorption levels. We also witnessed a couple of pre-commitments in the market which is an indication of healthy demand in coming years NOIDA continues to be a favoured destination amongst technology occupiers which accounted for 25% of total absorption, followed by Financial sector which accounted for 20% of the take-up followed by the Engineering and Manufacturing sector with 19% of take-up and the Healthcare & Pharma sector accounting for 8%.

The Sector 62 to 65 along with NH24 recorded for more than half of the total absorption in Q1 2018. The completion of the civil works of metro rail construction (NOIDA city center to Sector 62 stretch) and the opening of several underpasses have drastically improved traffic conditions. The NOIDA expressway micromarket accounted for about 32% of the total demand. We expect the NOIDA expressway micromarket to gain prominence in the long term due to the huge supply pipeline and upcoming metro connectivity. In Q1 2018, the trail-run of the NOIDA - Greater NOIDA metro rail corridor commenced, the total length of which is 29 km with 21 metro stations between Sector 71 and the Delta Depot station in Greater NOIDA. This is seen as a continued endeavour from the authorities to improve inter-city connectivity.

Rental Values

Micromarkets	Rental Values1	QOQ Change	YOY Change
Commercial Sectors	65 - 90	0.0%	- 13.6%
Institutional Sectors (Non IT)	75 - 95	0.0%	- 5.6%
Industrial Area (IT)	35 - 45	0.0%	-5.9%
NOIDA Expressway	55 - 60	0.0%	0.0%

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

Fig 1. Rental Value Trend (INR per sq ft per month)

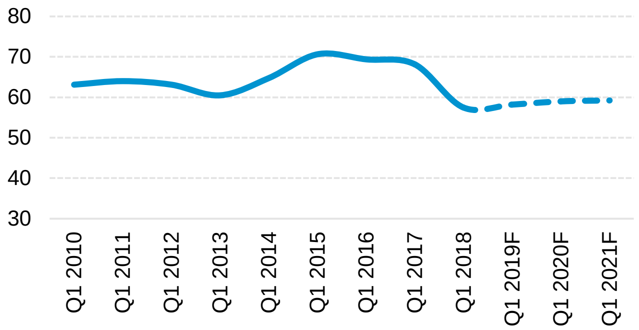
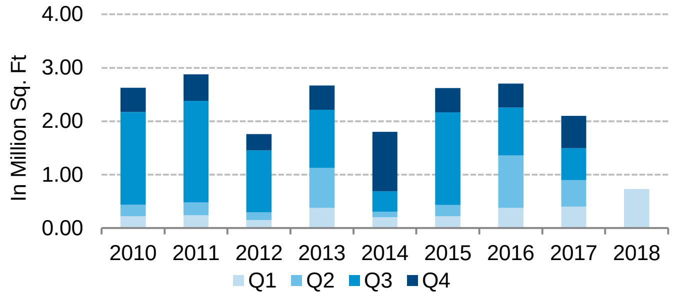


Fig 2. Gross Office Absorption (million sq ft)



Major Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
Conduent	Candor Tech Space	100,000	NOIDA Expressway
Nokia	Assotech Business Cresterra	100,000	NOIDA Expressway
EXL	Galaxy IT Park	75,000	Sector 62
Kalpatru	Okaya Blue Silicon	50,000	Sector 62
Cargil	Individual	30,000	Sector 62

Source Colliers International India Research
Notes: All figures are based on market information as on 25 March 2018

In Q1 2018, during the Uttar Pradesh Investor's Summit, YEIDA (Yamuna Expressway Industrial Development Authority) signed MoUs with several companies worth INR100 billion (USD1.5 billion) to develop various manufacturing facilities along the Yamuna Expressway. Investors seem to be stimulated by the active infrastructure developments such as the upcoming airport at Jewar, metro connectivity and other multi-modal means of transport. We expect cumulative investment in the range of INR 130 billion to 150 billion (USD1.6-1.7 billion) to be pumped in by both the domestic and multi-national companies, which have already started scouting for suitable land parcels for establishing their manufacturing units.

Double-digit vacancy deterred landlords from new launches

Amid high vacancy rates, developers have deferred the completion of projects under construction and refrained from launching new projects in Q1 2018. However, looking ahead, around 13 million sq ft (1.2 million sq m) of robust supply pipeline is scheduled to be completed over 2018-2020, which should subsequently increase the overall office stock of NOIDA by almost 44%. We expect the developers to remain cautious in while launching the supply, especially in the high-vacancy micromarkets.

Colliers' View

The NOIDA market is poised to rise in the coming years with its excellent infrastructure and affordable rents. However, in our opinion, developers need to improve the quality of their developments along with Grade A building management systems to seize a bigger share of the absorption pie.

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Colliers Quarterly
Q1 2018

BENGALURU | OFFICE

30 April 2018

New projects to aid supply issues

Teni Alice Abraham Analyst | Bengaluru

Office leasing momentum in Q1 2018 remained robust driven by primarily by expansions. We advise occupiers looking for large floorplates to act fast and firm up their real estate requirements to expand operations in the prime IT corridors as most new supply is either pre-committed or quickly taken up by occupiers. In our opinion, flexible workspace will gain popularity, as more occupiers are exploring these strategically located office spaces.

Forecast at a glance

Demand
Demand set to outstrip supply over 2018-2020. We forecast gross absorption of 14 million sq ft (1.3 million sq m) in 2018

Supply
Q1 witnessed the addition of 3.7 million sq ft (0.3 million sq m) of new supply. Considering new launches, we have revised our new supply forecast over 2018-2020 to 23.7 million sq ft (2.2 million sq m), representing a 16% increase in total stock

Vacancy rate
We expect vacancy to inch down to 9% by end-2018 from the current 9.4% and to 7% by end-2020

Rent
RENT

Rents should go up in 2018 by 4-5%; We forecast them to increase by 10-12% over 2018-2020

Price
We forecast that capital values will remain stable in 2018. However, we expect them to increase by 8-10% over 2018-2020.

Expansion by technology occupiers to continue driving demand

Bengaluru's total absorption in Q1 2018 stood at 3.9 million sq ft (0.35 million sq m), up by 7% YOY. We expect the absorption to pick up pace in the coming quarters as various medium to large sized transactions should be concluded in 2018. Demand should remain robust in the long-term, driven by the availability of a huge talent pool. We forecast about 35-40 million sq ft (3.2-3.7 million sq m) of gross absorption over 2018-2020.

ORR remained the epicentre of the office market with a 44% share of total office leasing volume followed by the Secondary Business District (SBD) on 12%, Whitefield on 11%, the Central Business District (CBD) on 11%, North Bengaluru on 10% and other locations (12%).

Rapid expansion by technology occupiers drove the demand in Q1 2018 with a 49% share of total gross absorption, followed by flexible workspace on 13%, finance on 12%, engineering and manufacturing on 9% and other sectors on 17%. In line with our earlier prediction, flexible workspace continued to flourish due to high demand in the CBD and Off-CBD areas. We expect the trend to pick up due to lower vacancy levels in strategic locations such as the CBD, Off-CBD and SBD areas.

Rental Values

Micromarkets	Rental Values[1]	QOQ change	YOY change
CBD	110 - 190	0.0%	25.0%
SBD (Indiranagr-Koramangala)	90 - 150	4.3%	14.3%
Outer Ring Road (Sarjapur - Marathahalli)	80 - 90	0.0%	6.3%
Outter Ring Road (K.R. Puram - Hebbal)	75 - 85	3.2%	12.7%
Bannerghatta Road	65 - 90	6.9%	26.0%
Hosur Road	32 - 42	0.0%	5.7%
EPIP Zone/Whitefield	35 - 45	0.0%	11.1%
Electronic City	35 - 45	0.0%	17.6%
North (Hebbal - Yelahanka)	45 - 72	0.0%	3.5%

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

Fig 1. Rental Value Trend (INR per sq ft per month)

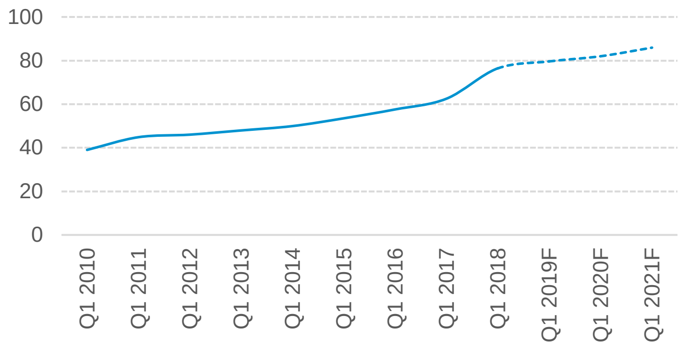
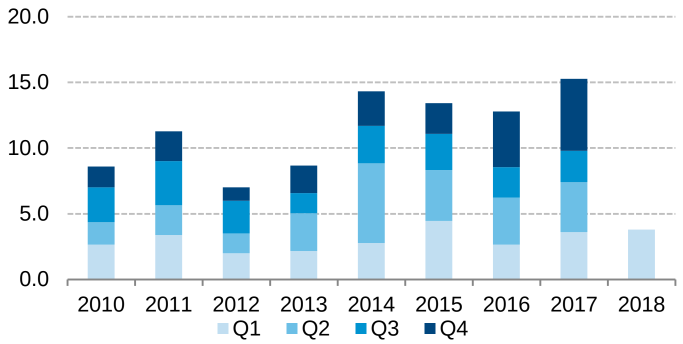


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
HSBC	Embassy Tech Village	200,000	ORR
Robert Bosch	Stand Alone	158,980	Hosur Road
CSG Systems International	Embassy Tech Village	150,000	ORR
Future Group	Stand Alone	145,000	CBD
Rolls Royce	Manyata Embassy Business Park	145,000	ORR

Source: Colliers International India Research
Note: All figures are based on market information as on 25 March 2018

New launches inflated new supply forecast over 2018-2020

New supply of about 3.7 million sq ft (0.3 million sq m) was infused into Bengaluru's Grade A office inventory in Q1 2018, representing a 22% increase YOY. However, 2.5 million sq ft (0.2 million sq m) was pre-committed, leaving only 1.2 million sq ft (0.1 million sq m) for further leasing.

Considering the demand supply dynamics of the city, developers launched around 4.5 million sq ft (0.4 million sq m) of new projects in Q1 2018. To profit from the demand, the developers have promised an aggressive completion timeline of two years by incorporating modern construction technologies such as pre-casting. Accordingly, we revised our new supply forecast as mentioned in our latest report 'The changing Bengaluru office market dynamics' dated 6 March 2018, to 23.7 million sq ft (2.2 million sq m) by 2020, considering all materialised projects, new launches, stalled and under-construction projects in Q1 2018.

The average rents grew by 1.6% QOQ in Q1 2018, due to an increase in rents in micromarkets such as ORR, SBD and Bannerghatta Road. We anticipate the supply crunch and single digit vacancy levels in preferred locations to push the average rents up by 10-12% over 2018-2020.

Colliers' View

We expect the infrastructure developments such as allocation of funds in the Karnataka Budget 2018-2019 for the improvement of fourteen roads connecting Whitefield and the completion of the metro rail project by 2020 to shift occupier preference to Whitefield and North Bengaluru. Lower rents and robust supply pipeline will further support this tilt in preference. We recommend occupiers to pre-commit spaces in advance in these locations to avail the benefit of lower rents.

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CHENNAI | OFFICE

30 April 2018

New supply to drive demand

Karthiga Ravindran Analyst | Chennai

In line with our forecasts in 2017, the Old Mahabalipuram Road (OMR) post-toll micromarket has started enticing occupiers' interest in 2018. Considering the upcoming new supply and its advantageous location, Mount Poonamalle High (MPH) Road is also likely to emerge as another key growth corridor over the next three years. We recommend that occupiers looking for large floor plates start engaging with developers in these emerging micromarkets.

Forecast at a glance

Demand
Likely to shift to alternative micromarkets like OMR post-toll including Pallavaram Thoraipakkam Road (PTR), MPH Road and Off CBD

Supply
About 13 million sq ft (1.2 million sq m) of Grade A supply to see completion over 2018-2020, representing a 24% increase in total stock; however, some projects may get deferred due to the sand crisis

Vacancy rate
Overall city vacancy rate to remain about 10% in 2018. OMR pre-toll likely to see the lowest vacancy rate of less than 4% due to a lack of new supply until Q4 2019.

Rent
Overall average annual rent likely to increase 3-4% over the next three years

Price
Capital Values should see steady increase in line with rents and consistent demand

Low vacancy levels likely to hold down the demand for OMR pre-toll

In Q1 2018, Chennai recorded about 1 million sq ft (0.09 million sq m) of gross office leasing, a similar trend to that seen in Q1 2017. While office demand in Chennai was driven by relocations and expansion in 2017, Q1 2018 witnessed an increase in the number of new entrants from the IT-ITeS, BFSI and automobile sectors. Many market entrants have taken space in new Grade A buildings in micromarkets such as OMR post-toll, MPH Road and Off CBD. Special Economic Zones (SEZs) in the city's south and west precincts retained consistent traction due to high demand.

In line with our earlier forecasts, occupiers started shifting their focus towards OMR post-toll owing to the rising rents and limited space availability in the OMR pre-toll micromarket. In Q1 2018, OMR post-toll contributed to the highest share (23%) of total office leasing followed by OMR pre-toll accounting for 19%, Off CBD 16%, GST Road 15%, CBD 13%, MPH Road 12% and Ambattur 2%.

In our opinion, OMR pre-toll is likely to witness limited transaction volume in 2018 due to absence of any immediate new supply and the lower vacancy levels. Guindy in Off CBD should entice occupiers looking for small to medium floor plates. OMR post-toll and MPH Road to remain in preference for occupiers looking for large office spaces due to the upcoming new supply scheduled for completions.

Rental Value Trends

Micromarkets	Rental Values[1]	QOQ Change	YOY Change
CBD	70 - 90	0.0%	0.0%
Off-CBD	60 - 75	0.0%	0.0%
GST Road	35 - 45	0.0%	0.0%
MPH Road	50 - 65	0.0%	0.0%
OMR Pre-Toll	55 - 80	1.5%	5.5%
OMR Post-Toll	30 - 42	2.9%	2.9%
Ambattur	30 - 45	0.0%	0.0%

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

Fig 1. Rental Value Trend (INR per sq ft per month)

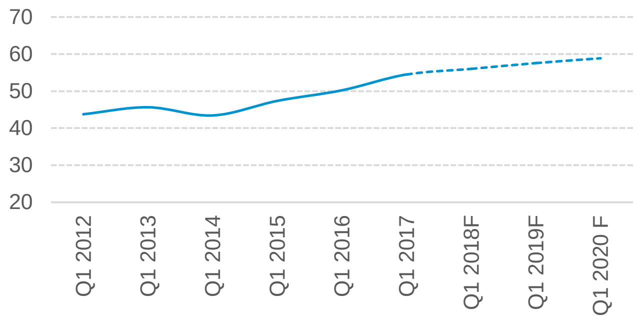
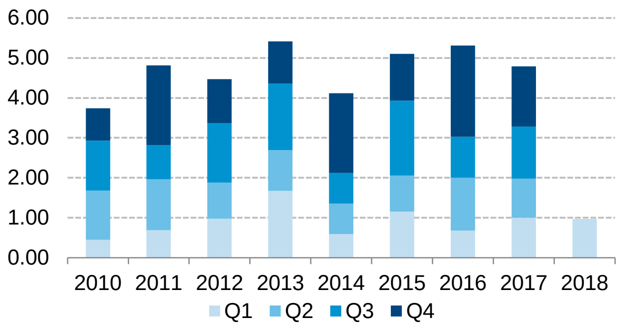


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
Accenture	Gateway office parks	150,000	Perungulathur
DHL	Chennai One	93,000	Pallavaram Thoraipakkam Road
TransUnion	DLF Cybercity	88,000	Manapakkam
Double Negative	Tek Meadows	41,500	Sholinganallur
Workenstein	Tek Meadows	41,000	Sholinganallur

Source: Colliers International Research

Note: All figures are based on market information as on 25 March 2018

Special Economic Zones (SEZs) gaining supply momentum

A few projects deferred in 2017 were completed in Q1 2018 and about 0.7 million sq ft (0.07 million sq m) of new Grade A supply was added to the market. Nearly 78% of the new supply was concentrated in Special Economic Zones (SEZs) in Grand Southern Trunk (GST) Road and MPH Road.

Based on the scheduled timelines of Grade A developers in the city, we expect about 13 million sq ft (1.2 million sq m) of new supply to see completion over 2018-2020, which will increase the city's total stock by 24%. However, considering the challenges faced in construction activities due to the sand crunch in Chennai as a result acute scarcity of river sand, we believe some projects may suffer delays.

OMR pre-toll is expected to remain with the present quoting rents over 2018. However, overall city rents are likely to increase steadily till 2020; we forecast a 3-4% annual increase in overall average rents over the next three years.

Colliers' View

While premium commercial developers have recently been showing interest in Chennai, the lack of adequate infrastructure remains a challenge in most of the key micromarkets. The 2018 Tamil Nadu State Budget has proposed various initiatives to boost the infrastructure including the Metro rail phase 2, Peripheral Ring Road and flood mitigation measures. Although the proposed measures are likely to boost the city's economy in the long term, a favourable investment environment can be achieved only if the state can establish a stable political climate in the near future. This in turn will make Chennai more attractive in competing with the other fast developing cities in India.

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Colliers Quarterly
Q1 2018

HYDERABAD | OFFICE

30 April 2018

Flexible workspace to gain popularity in 2018

Karthiga Ravindran Analyst

Although the Hyderabad office market continued to witness positive demand, low vacancy levels in Grade A office space remained a challenge. We noted high demand for flexible office space due to the space crunch in preferred micromarkets. With deferment expected in a few projects, we expect about 7 million sq ft (0.6 million sq m) of new supply to see completion over 2018. We advise developers to track occupiers' changing needs and keep to planned timelines. As flexible workspace is gaining traction, developers should lead the way in adopting new strategies in flexible offices and provide premium amenities to guard against the competition in future.

Forecast at a glance

Demand
Cheaper rents, occupier-friendly state government policies and robust supply pipeline are likely to invite cost-conscious occupiers to Hyderabad

Supply
Scheduled completions of 33 million sq ft (3.1 million sq m) over 2018-2020 looks hard to achieve

Vacancy rate
Overall vacancy rate is at an all-time low at 6% in Q1 2018. The vacancy rate is likely to increase sharply to 15% over the next three years.

Rent
Looking the robust upcoming supply, average rents are likely see only a marginal 2-3% rise over 2018-2020

Price
Falling strata sales volume in commercial buildings likely to keep capital values stable across micromarkets

Space crunch leads to demand for flexible workspace

In Q1 2018, the gross absorption was recorded as 0.5 million sq ft (0.05 million sq m), almost the same as in Q1 2017. The SBD micromarket remained the preferred location among occupiers and grabbed the maximum share of about 91% in total office leasing in Q1 2018. Other micromarkets such as the Central Business District (CBD) and Off-CBD accounted for a 5% and a 3% share of total leasing respectively.

Due to continuous expansion by Information Technology and Information Technology Enabled Services (IT-ITeS) companies, the sector contributed about 62% of the total office demand in Q1 2018. Flexible workspace operators such as Table Space, Isprout and Workafella accounted for about 35% of total office absorption.

In our opinion, the increasing footprint of the flexible workspace sector is likely to persist in Hyderabad over 2018. This reflects the lack of readily available Grade A office space for immediate occupancy. We have seen limited transactions of large floor plates above 50,000 sq ft (4600 sq m) in Q1 2018 primarily due to low vacancy levels. The average deal size came down to 22,000 sq ft (2000 sq m) in Q1 2018 compared to the annual average of 40,000 sq ft (3,700 sq m) in 2017.

We expect occupiers to be proactive in 2018 as a few IT-ITeS companies are already planning to pre-commit large office spaces in key upcoming new projects. Therefore, we advise developers to expedite construction of ongoing projects, in order to gain maximum benefit from present low vacancy levels.

Rental Value Trends

Micromarkets	Rental Values[1]	QOQ Change	YOY Change
CBD	45 - 50	0.0%	0.0%
Off-CBD	45 - 50	0.0%	0.0%
SBD	58 - 65	2.5%	10.8%
PBD	25 - 30	0.0%	0.0%

Source: Colliers International India Research

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

Fig 1: Rental Value Trend (INR per sq ft per month)

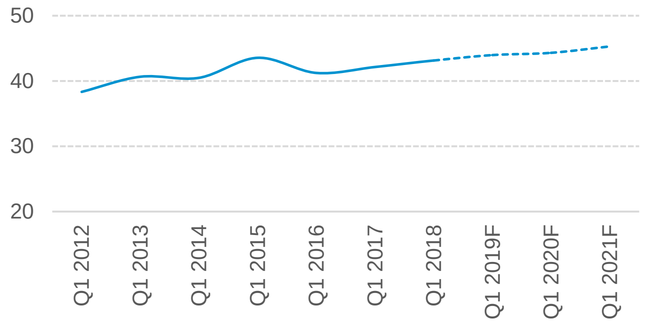
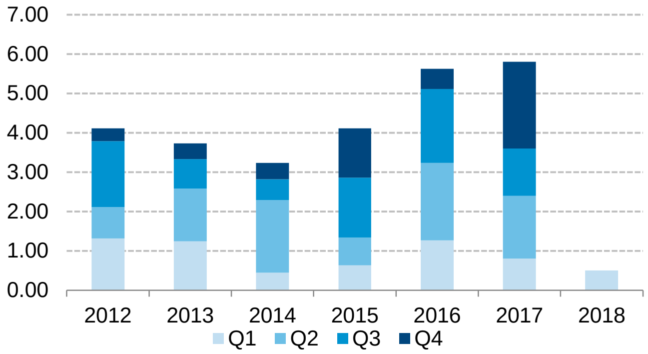


Fig 2: Gross Office Absorption (million sq ft)



Major Lease Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
Table Space	Western Aqua	100,000	Hitech City
Prime Era	CV Towers	70,000	Kavuri Hills
Isprout	Purva Summit	42,000	Hitech City
Girish Global Holdings	Mahveer Towers	38,000	Madhapur
Karvy	Independent Building	30,000	Madhapur

Source: Colliers International Research
Note: All figures are based on market information as on 25 March 2018

Upcoming supply completions likely to be deferred slightly

The low vacancy rate of 6% remains a big challenge for occupiers looking to take up space for immediate needs. Based on the construction schedule of developers, about 33 million sq ft (3.1 million sq m) of Grade A supply is due to be completed over the next three years. Rightly targeting the increasing demand developers are primarily building in SBD, resulting in 95% of the total upcoming supply concentration in this micromarket.

However, with only 1.1 million sq ft (0.1 million sq m) of space completed in Q1, the scheduled completion of 33 million sq ft (3.2 million sq m) over 2018-2020 looks challenging. In our opinion, only 7 million sq ft (0.6 million sq m) of new supply is likely to see completion by end-2018 against the scheduled completion of 12 million sq ft (1.1 million sq m).

Looking the robust upcoming supply, average annual rents are likely see only a marginal 2-3% rise over 2018-2020. Owing to limited Grade A options readily available in SBD, we expect an uptick of about 3% in SBD rents in 2018.

Colliers' View

Rising traffic congestion remains a major challenge for occupiers in the SBD micromarket. To address the rising concerns, Telengana's state government is strengthening the infrastructure developments in and around the key IT destinations in the SBD with construction of flyovers, underpasses and a cable-bridge. In the State Budget 2018, the state government allocated more than INR10 billion (USD0.15 billion) of funds to infrastructure developments such as metro rail connectivity to the airport, the Multi-Modal Transport System (MMTS) and revamping major roads in Hyderabad. We expect that these initiatives will ease the challenges and further enhance the investment climate in the city in the medium to long term.

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Colliers Quarterly
Q1 2018

PUNE | OFFICE

30 April 2018

New SEZ supply to drive demand

Surabhi Arora Senior Associate Director | India

The Special Economic Zones (SEZs) in Pune are gaining renewed interest among occupiers as new supply comes onstream, especially in locations like Kharadi and Hinjewadi. A few developers have converted earlier launched residential projects into commercial developments. Large occupiers in Pune are looking for pre-commitments in state-of-the-art buildings with modern amenities and facilities for their employees. Hence, we advise developers to collaborate with such occupiers to try to accommodate their requirements in the planning stages, gaining long-term benefits.

Forecast at a glance

Demand
Demand to remain upbeat, pre-commitments are likely to continue in upcoming projects due to the low vacancy

Supply
The city is slated for completion of 9.0 million sq ft (0.8 million sq m) of new Grade A supply over 2018-2020; 30% of new supply will be concentrated in SEZs

Vacancy rate
Vacancy likely to remain low at 5-6% over next three years due to consistent demand and the level of pre-committed future supply

Rent
After a double digit increase in rents over last two years, rents are likely to stabilise over 2018; however we expect 8-10% increase in rents over 2018-2020.

Price
Likely to see upward trend with rising investor interests in the city. We forecast 5-7% increase in prices over 2018-2020

Kharadi and Hinjewadi to remain preferred among occupiers

Although the Pune office market has seen low vacancy since 2017, the city recorded about 1.8 million sq ft (0.17 million sq m) of gross office absorption in Q1 2018. This is an increase of about 131% in gross absorption YOY. About 57% of total leasing was concentrated in SEZs, driven by a couple of transactions larger than 100,000 sq ft (9290 sq m).

Office demand continued to be driven by technology occupiers with the sector accounting for about 87% of the total leasing volume in the city. Companies like Credit Suisse Services, Tata Consultancy Services (TCS), Deutsche Bank and Bajaj Finserve leased large office spaces for expansion purposes in Q1 2018. We expect the leasing momentum to continue with the influx of new supply.

We expect Kharadi and Hinjewadi to remain the most popular locations among occupiers. In our opinion, new supply should continue to entice technology occupiers' focus towards micromarkets such as Kharadi and Hinjewadi in the next three years.

Rental Value Trends

Micromarkets	Rental Values1	QOQ Change	YOY Change
Baner	57-65	0.0%	4.3%
Bund Garden	55-70	0.0%	0.8%
Airport Rd/Pune Station	65-90	0.0%	3.3%
Aundh	60-65	0.0%	9.6%
Senapati Bapat Road	65-125	0.0%	2.7%
Bavdhan	45-50	0.0%	3.3%
Kalyani Nagar	55-65	0.0%	2.6%
Nagar Road	55-65	0.0%	2.6%
Hinjewadi	45-55	0.0%	1.0%
Hadapsar/Fursungi	68-75	0.0%	2.1%
Kharadi	55-105	-3.0%	5.3%

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

Fig 1. Rental Value Trend (INR per sq ft per month)

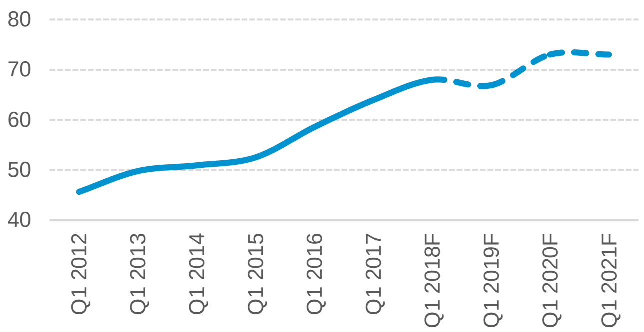
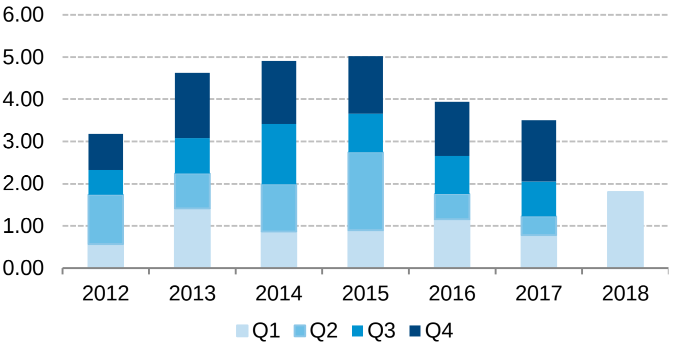


Fig 2. Gross Office Absorption (million sq ft)



Major Lease Transactions in Q1 2018

Client,	Building Name	Area (sq ft)	Location
Credit Suisse Services	EON Phase II	450,000	Kharadi
Tata Consulting Services	ITTP Phase II- Juniper	430,500	Hinjewadi
UBS India	World Trade Centre	120,000	Kharadi
Michelin India	World Trade Centre	100,000	Kharadi
Deutsche Bank	Quadra 1	72,000	Hadapsar

Source: Colliers International Research
Note: All figures are based on market information as on 25 March 2018

Rents likely to stabilise in 2018

In line with our projections, about 2.1 million sq ft (0.2 million sq m) of new supply was added to Grade A office stock in Q1 2018 representing a 4% increase in total stock. The new supply was primarily concentrated in existing SEZs located in the Kharadi micromarket. Most of the new supply was pre-committed and was absorbed quickly by the occupiers looking for expansion in the same premises.

We expect the supply scenario to improve in coming years with about 9.0 million sq ft (0.8 million sq m) of projects under construction scheduled for completion over 2018-2020. About 30% of the new upcoming supply is concentrated in SEZs in Kharadi and Hinjewadi. There are several SEZ projects with development potential of about 6.0 million sq ft (0.55 million sq m). Considering the high demand and limited new supply in the city, we think that new occupiers with large size requirements will find it hard to lock in long-term leases. We advise small and mid-size occupiers to consider flexible workspace to exploit their location and ease of operation that it offers.

In our opinion, pre-commitments are likely to continue in upcoming projects due to the low vacancy. Rents should remain firm over 2018 with new supply infusion and also as the market has already witnessed double-digit increases in rents over the last two years. However, we cannot rule out the rental increase of 8-10% over the next three years

Colliers' View

Allocation of only INR1.3 bn (USD19 million) for Pune metro rail versus the expected amount of INR16 bn (USD245 million) in the 2018 state budget has created uncertainty among metro rail officials whether progress can be sustained. As some of the infrastructure projects under 'The Smart City' scheme are likely be delayed (as the proposals are still being prepared for about 22 projects) should to some extent negatively impact the city's real estate in the next three years.

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Colliers Quarterly
Q1 2018

KOLKATA | SECTOR

30 April 2018

New investments to drive demand

Saif Lari Assistant Manager

We expect the office market to gain momentum in the next 3-5 years majorly driven my government's policies. The ease of doing business, increased focus on infrastructure development and renewed private investment are likely to boost the expansion of the commercial office market in the city. Due to the high vacancy levels in peripheral locations, we advise developers to remain flexible in rents and leasing terms to retain and attract new occupiers.

Forecast at a glance

Demand
Demand looks promising over the next 3-5 years due to an expected increase in investments driven by proactive government policies

Supply
We project a supply pipeline of 2.2 million sq ft (0.2 million sq m) over 2018-2020

Vacancy rate
Average city-level vacancy rate set to remain high in the range of 25%-28% over the next 3 years.

Rent
RENT

High vacancy rates to keep rents stable in most micromarkets except the CBD which is likely see annual average increase of 2-3% over 2018-2020

Price
Capital values likely to see a 4-5% increase over 2018-2020 due to renewed interest from the domestic investors

Despite restricted supply in coming quarters, rents to remain stable

In Q1 2018, Kolkata's office market maintained the status quo with 0.2 million sq ft (18,000 sq m) of gross absorption, similar to absorption in Q4 2017. We observed a marginal improvement in enquiries mostly by domestic occupiers for their expansion requirements. Occupier demand was largely driven by relocations and expansion in the peripheral areas. The bulk of leasing volume, 60%, was concentrated in Sector V while New Town and Rajarhat accounted for a 36% share. The remaining 4% of the transaction volume was observed in CBD locations. In Q1 2018, Banking, Finance and Insurance Services (BFSI) dominated the overall leasing market, accounting for 44%. The Information Technology sector accounted for a 26% share followed by Engineering and Manufacturing (17%), Healthcare and Pharmaceutical (12%) sectors.

In the recently held Bengal Investment Summit 2018, the state of West Bengal received a huge INR2,200 billion (USD33.8 billion) worth of overall investment proposals from various industries. Prominent companies including Reliance Industries and Adani Group promised to invest INR 50 billion (USD764 million) and INR15 billion (USD230 million) respectively. These future investments are expected to positively impact the office market over the next 3-5 years.

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	40 - 45	6%	14%
PBD[4]	28 - 32	0%	1%

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

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

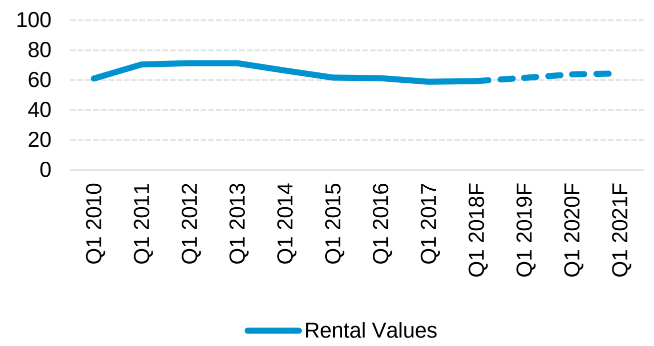
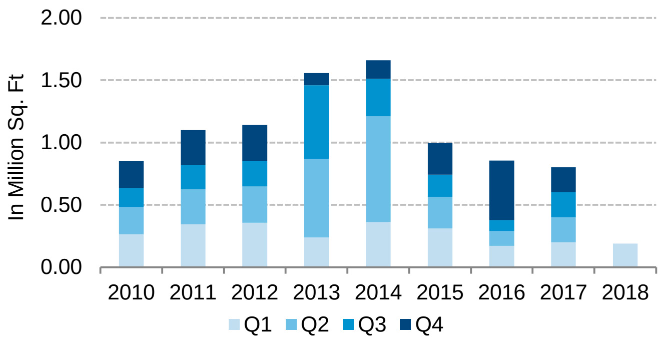


Fig 2. Gross Office Absorption (million sq ft)



Major Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
Tega Industries	Godrej Waterside	40,000	Sector V
BYJU	Srijan IT park	16,000	Rajarhat
Chaeil	DLF IT park 1	6,500	New Town

Source Colliers International India Research
Notes: All figures are based on market information as of 25 March 2018

Rents to remain stable in view of high vacancy rate

No major Grade A supply witnessed completion in Q1 2018. We project a meager new supply of around 0.3 million sq ft (0.03 million sq m) in 2018. Around 2.2 million sq ft (0.2 million sq m) of new supply is likely to add to the city's Grade A inventory over 2018-2020. Most of the new supply will be in peripheral micromarkets such as Sector V, New Town and Rajarghat.

With increased enquiries in Kolkata, 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 in their respective assets. Peripheral locations are driving the growth in the office leasing market. However, sustained transaction volume should maintain the average city vacancy at 25%. Rents and capital values should not change significantly owing to stable demand.

Colliers' View

The West Bengal government has shown signs of being proactive and the private sector seems to be responding to it optimistically. In the recent "Ease of Doing Business" report published by the World Bank, West Bengal bagged the topmost spot among the 29 states and 7 Union territories. We see this as a positive outcome of the recent policy initiatives taken by the state government. The ease of doing business, increased focus on infrastructure development via the construction of three flyovers connecting major micromarkets and renewed private investments in the city give high hopes for the expansion of the commercial market in the city.

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Canada: 28

Latin America: 23

Asia Pacific: 86

EMEA: 131

$2.7
billion in
annual revenue

2
billion square feet
under management

15,400
professionals
and staff

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