

India Office, Q4 2019

LEASING SURPASSES THE HISTORIC 60 MN. SQ. FT. MARK IN 2019; SUPPLY CROSSES 50 MN. SQ. FT.

▲ Rents Up
14 Markets

▶ Rents Stable
52 Markets

▼ Rents Down
0 Markets

▲ Demand (Y-O-Y)
26%

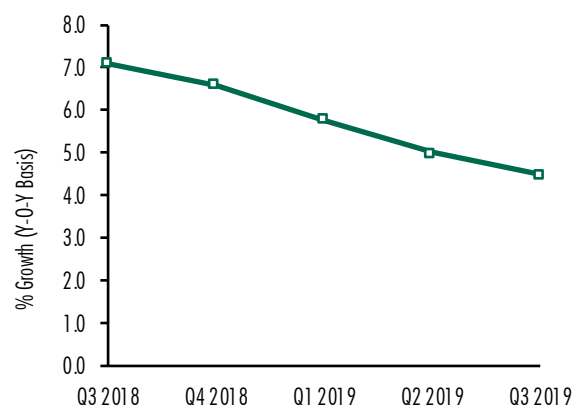
▲ Supply (Y-O-Y)
48%

A GLIMPSE OF THE ECONOMY

Indian economic growth remained subdued in the quarter ending Q3 2019, slowing from 5.0% during the previous quarter to 4.5% presently. This dip in growth was mainly attributed to slowing consumption across various industry sectors. Economic growth achieved in Q3 2019 was largely attributed to sectors such as public administration, defense and other services (11.6%) and trade, hotels, transport, communication and services related to broadcasting (4.8%). When compared with other sectors, real estate services (along with financial and professional services) fared well, although its growth declined from 7.0% in the previous year to 5.8% during the review period. On the other hand, the construction sector – which is one of the largest employment generators of the country – also slowed down considerably to 3.3%.

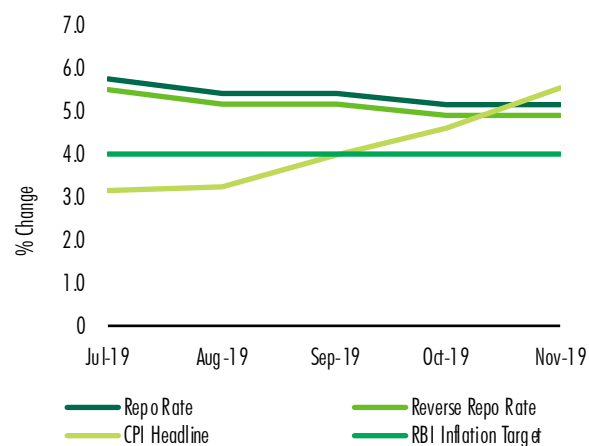
The bearish market prospects prompted the RBI to cut its estimate for economic growth in the current fiscal (FY 2019-20) to 5.0% from its October estimate of 6.1%, largely due to sluggish domestic and external demand. According to the International Monetary Fund (IMF), the Indian economy requires ‘urgent policy actions’ in order to stem the current downturn. Looking ahead, the Indian market remains exposed to risks of a slowing private consumption, rising inflation

Chart 1: GDP Growth Rate



Source: MOSPI, Q4 2019.

Chart 2: Key Interest Rates



Source: MOSPI, RBI, Q4 2019.

and a sharp rise in funding costs. As a result, the IMF has also lowered India's GDP projection for 2019 from 7% to 6.1% and for 2020 from 7.2% to 7%. We expect that the weakness in the economy is unlikely to persist longer, although recovery is expected to be gradual.

Retail inflation (measured by consumer price inflation or CPI) increased steadily across the quarter. From 4% in September 2019, the CPI increased to 4.6% in October 2019 and further to 5.5% in November 2019. The rise was mainly due to a sharp increase in food prices, leading to a surge in household expenses. The Reserve Bank of India's (RBI) Monetary Policy Committee revised its inflation projections upwards to 4.7-5.1% for the second half of FY 2019-20 and to 3.8-4.0% for the first half of FY 2020-21. Hence the RBI kept the repo rate unchanged at 5.15% in December to keep inflation within a certain range. However, the central bank has decided to maintain an 'accommodative' monetary stance in order to revive economic growth in the short- to medium-term.

Meanwhile, the government had gone into a reform mode in Q3 2019 to stem the slowdown by announcing a slew of measures to infuse positivity. These measures included rollback of surcharge for foreign portfolio investors, reduction of corporate tax, infusion of funds into public banks, merger of 27 public sector banks into 12 and introduction of a Liquidity Coverage Ratio for NBFCs in a bid to ease liquidity pressures. Continuing from the previous quarter, in Q4 2019 the government gave a much-needed boost to the residential sector by announcing an Alternative Investment Fund (AIF) to complete stalled housing projects.

With an initial corpus of INR 25,000 crore, the fund is expected to benefit close to 1,600 projects with 4.58 lakh units, especially in the affordable and mid income category. These measures will assist a large number of stalled projects to get last-mile funding, ease inventory pressures and provide relief to developers and financiers. The fact that the government is involved is a sentiment booster for the sector as a whole and this will open up additional funding avenues as well.

OVERALL SPACE TAKE-UP TOUCHED 61.6 MILLION SQ. FT. IN 2019; BANGALORE, FOLLOWED BY HYDERABAD, NCR AND MUMBAI LED ANNUAL LEASING

The office sector remained buoyant in 2019, driven by demand from global multinationals, domestic firms and a healthy supply infusion in cities such as Hyderabad and Bangalore. By the end of 2019, gross leasing activity crossed 60 million to touch a historic high of 61.6 million sq. ft., growing by more than 25% y-o-y. Bangalore, followed by Hyderabad, NCR and Mumbai dominated office leasing on an annual basis, together accounting for almost 75% of the overall space take-up. Meanwhile, annual space take-up increased across all cities except Kochi. SEZ spaces accounted for almost one-third of the leasing activity, mainly led by Bangalore, Hyderabad, Pune and Chennai.

Due to a quarterly dip in supply, leasing activity also dropped marginally by almost 5% on a quarterly basis to touch 14.5 million sq. ft. during Q4 2019. NCR and Pune led quarterly space take-up, followed by Bangalore, Hyderabad and Chennai – all of which accounted for almost 85% of the leasing activity.

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

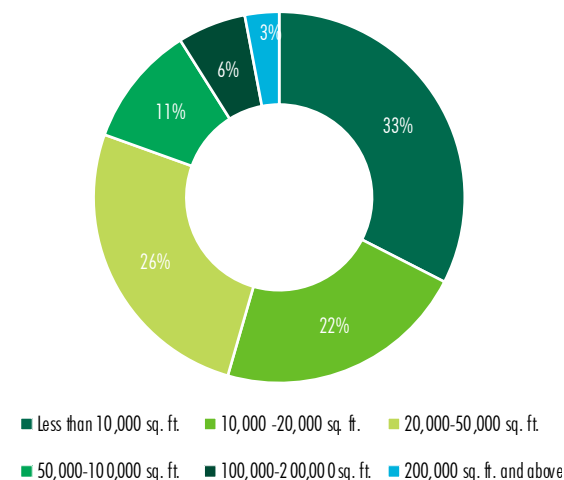
As in the previous quarters, office space take-up in Q4 2019 was dominated by small- to medium-sized transactions implying that occupier sentiment continues to be strong. Small-sized transactions (less than 10,000 sq. ft.) accounted for a third of the transaction activity in the quarter, while medium-sized transactions (ranging between 10,000 sq. ft. and 50,000 sq. ft.) formed about half of the overall leasing. The share of large-sized deals (greater than 100,000 sq. ft.) was about 9%. In 2019, the share of large-sized deals in overall space take-up rose from about 6% in 2018 to almost 10%.

NCR followed by Bangalore dominated large-sized deal closures in Q4 2019, while a few large deals were also reported in Hyderabad, Chennai and Pune as well. Large-scale deal closures were mostly dominated by tech firms, BFSI corporates and flexible space operators. Firms belonging to sectors such as engineering & manufacturing and telecommunications also closed large-sized deals. Key transactions involved corporates / operators such as Barclays, T-Systems ICT, Fiserv and Tata Consultancy Services as well as flexible space operators for instance Table Space and Smartworks.

TECH FIRMS LED INDIA'S OFFICE LEASING ACTIVITY; BFSI CORPORATES AND FLEXIBLE SPACE OPERATORS WERE ACTIVE AS WELL

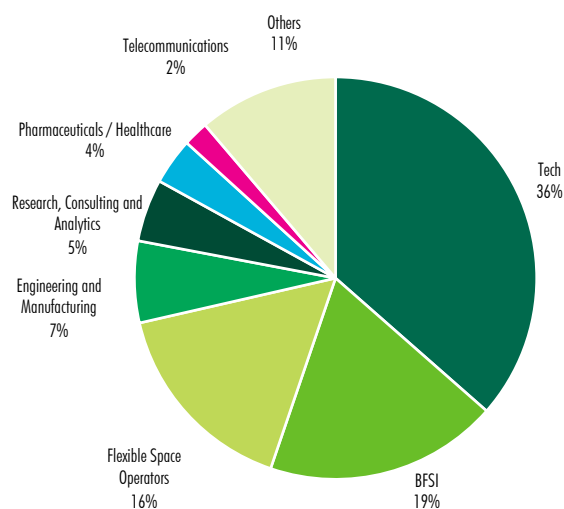
Tech corporates, accounting for more than a third of the leasing activity, led office space take-up in the country during Q4 2019, followed by BFSI corporates (19%) and flexible space operators (16%). Continued expansion by flexible space operators across almost all cities resulted in a largely stable quarterly growth of this sector. These operators took up both primary and secondary spaces in mostly core locations across cities. Other sectors such as engineering & manufacturing (7%) and research, consulting & analytics (5%) also contributed to the demand.

Chart 3: Segmentation of Transaction Activity as per Transaction Size



Source: CBRE Research, Q4 2019.

Chart 4: Segmentation of Transaction Activity as per Industry



Source: CBRE Research, Q4 2019.

In 2019, the share of the tech sector in overall space take-up rose from about a third in 2018 to almost 40%; with overall space take-up by such firms rising by more than 45% on an annual basis. This growth was primarily driven by global multinationals, which accounted for more than 70% of the overall space take-up by tech firms this year. The share of research, consulting & analytics firms has increased to 5% in 2019 from 4% in 2018.

The collective share of sectors such as engineering & manufacturing, BFSI, e-commerce and research, consulting & analytics, dropped from almost 36% in 2018 to 31% in 2019. Several of these corporates continued to show interest in SEZ spaces despite the upcoming sunset clause deadline; as a result, SEZs accounted for about one-third of the leasing activity in 2019.

Meanwhile, occupiers continued to opt for flexible spaces, with the share of the segment rising from 12% in 2018 to about 14% in 2019.

RISE IN PRE-LEASING ACTIVITY

Occupiers continued to future-proof their portfolios and hedge against future rental escalations by pre-leasing space across various cities. Pre-leasing activity increased by almost 20% on a quarterly basis, largely led by Mumbai, Pune and Hyderabad. It was driven primarily by corporates from sectors such as BFSI, tech and engineering & manufacturing. In 2019, more than 20 million sq. ft. of pre-leasing activity was recorded mainly in Bangalore, Hyderabad, Pune and Mumbai.

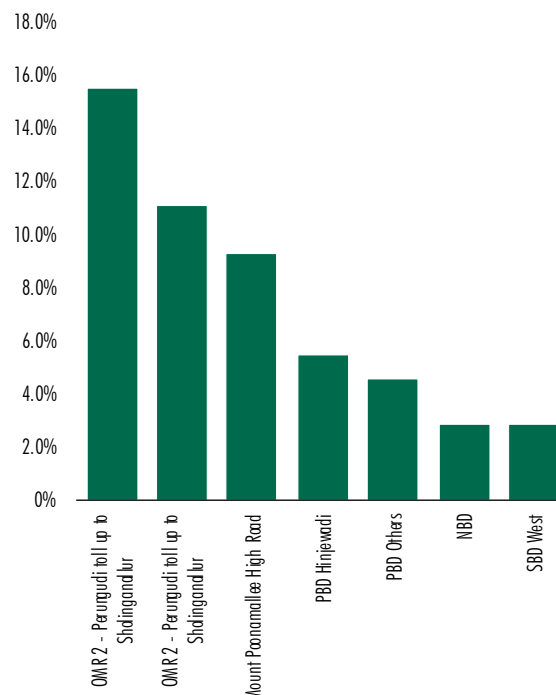
MORE THAN 52 MILLION SQ. FT. OF NEW OFFICE SUPPLY ADDED IN 2019; LED BY HYDERABAD, FOLLOWED BY NCR, BANGALORE AND PUNE

Supply addition in Q4 2019 reduced by more than 50% on a quarterly basis to about 7.8 million sq. ft. NCR, Pune, Hyderabad and Chennai accounted for more than 80% of the quarterly supply addition. Except Mumbai and Ahmedabad, all cities reported a dip in development completions on a quarterly basis.

In 2019, supply addition rose by about 50% y-o-y to touch 52.4 million sq. ft., mainly due to buildings receiving much-awaited occupation certificates across cities.

Hyderabad followed by NCR, Bangalore and Pune dominated development completions, accounting for almost 80% of the overall annual supply. As compared to 2018, the share of SEZs in supply dipped from 40% to 27% during 2019; mainly led by Hyderabad, followed by Bangalore, Pune and Chennai.

Chart 5: Strongest Office Rental Growth, Q3 2019 vs Q4 2019



Source: CBRE Research, Q4 2019.

SUSTAINED RENTAL MOMENTUM WITNESSED ACROSS BANGALORE, HYDERABAD AND NCR

Sustained occupier interest and limited quality supply resulted in rental values rising by 1-6% on a quarterly basis across several micro-markets in Bangalore, Pune, Chennai and NCR. A few locations in Chennai witnessed a rental increase of 9-16% on a quarterly basis. In 2019, all southern cities (Bangalore, Chennai and Hyderabad) witnessed rental increment across almost all micro markets.

**CONTINUED GROWTH IN OFFICE DEMAND
STRENGTHENED INVESTOR INTEREST ACROSS CORE
ASSETS**

The real estate sector attracted both institutional investors and developers, with nearly USD 1.5 billion worth of capital being deployed in Q4 2019. Hyderabad dominated overall quarterly investments followed by Chennai and Mumbai.

The overall quantum of investment for 2019 reached about USD 6.1 billion, out of which more than 40% was in the office sector. Mumbai dominated investments in office in 2019, followed by NCR and Hyderabad. Investment-grade office assets and land parcels continued to garner the highest share, especially from foreign

players and local developers respectively.

While the former was mostly led by private equity and other institutional investors, the latter was driven by developers aiming at strengthening their presence in cities such as NCR, Mumbai and Chennai. Developers focusing on expanding their footprint to other key markets across India have also seen momentum, with a few preparing to list Real Estate Investment Trusts (REIT) on the Indian Stock Exchange. India's second such listing – known as Mindspace Business Parks REIT – is likely to be issued soon, with a leading developer and a prominent PE fund jointly planning to offer about USD 0.42 billion (about INR 3,000 crore) in its initial public offering (IPO).

MARKET SUMMARY

- Quarterly space take-up led by Gurgaon and Noida
- Supply addition on Extended Golf Course Road, Main Noida, MG Road and Noida Expressway
- Rental values increased by 1-3% in Main Noida on a quarterly basis

NEW COMPLETIONS

Extended Golf Course Road in Gurgaon dominated supply addition, with the completion of two large-sized IT developments. It was followed by Main Noida where two medium-sized projects – one each in IT and non-IT segments – became operational. Further, MG Road and Noida Expressway each witnessed the completion of medium-sized developments in the non-IT and IT segments respectively.

SPACE TAKE-UP

Occupier interest in NH-8 in Gurgaon and Noida Expressway dominated leasing activity during the quarter. Space take-up on Noida Expressway was mainly concentrated in secondary spaces in IT and SEZ developments, while NH-8 witnessed demand mainly in non-IT and SEZ segments.

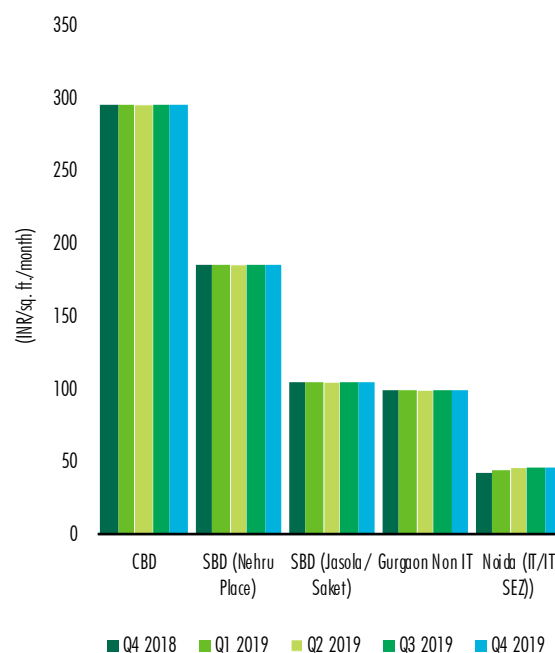
OCCUPIER TRENDS

Tech firms followed by research, consulting & analytics companies led the leasing activity. BFSI firms and flexible space operators also contributed to the demand. Medium-sized deals (20,000 – 100,000 sq. ft.) led space take-up, although a few large-sized deals (greater than 100,000 sq. ft.) were also witnessed in Gurgaon and Noida.

PRICING TRENDS

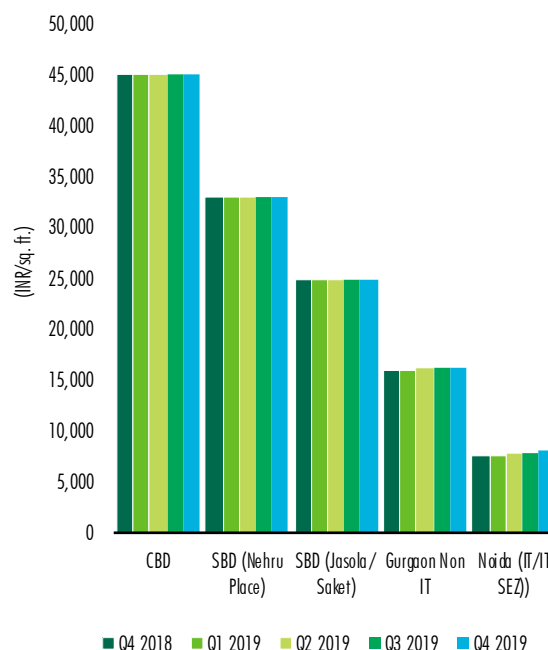
Rental values witnessed a 1-3% quarterly increase in Main Noida across IT and non-IT developments due to higher quotes in recently completed projects.

Chart 6: Rental Value Movement



Source: CBRE Research, Q4 2019.

Chart 7: Capital Value Movement



Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
Delhi	Growth in leasing was led by research, consulting & analytics firms and flexible space operators.	▲	▶	▶
Gurgaon	IT developments on Extended Golf Course Road led new supply. NH-8 led leasing activity, owing to a large-sized deal by a global tech giant.	▼	▼	▶
Noida	Strong leasing momentum was witnessed in IT and SEZ developments along the Noida Expressway.	▲	▲	▲

Source: CBRE Research, Q4 2019.

Table 1: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Candor Techspace (Tower 1)	Expressway	200,000	MetLife
Delhi One Berger Tower	Main Noida	150,000	Gemalto
ASF Centre (Tower B)	NH-8	112,000	Vedanta
Good Earth Business Bay	Extended Golf Course Road	70,000	Mercer

Source: CBRE Research, Q4 2019.

Table 2: Sub-market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR / sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
CBD (Connaught Place) Grade A	295	295	0.0	0.0
CBD (Connaught Place) Grade B	160	160	0.0	0.0
Secondary market (Nehru Place) Grade A	185	185	0.0	0.0
Secondary market (Jasola) Grade A	105	105	0.0	0.0
Secondary market (Saket) Grade A	160	160	0.0	0.0
Gurgaon Grade A (non-IT)	100	100	0.0	1.0
Gurgaon Grade A (IT)	87	87	0.0	7.0
NOIDA Grade A (IT / SEZ)	49	49	0.0	4.5

Source: CBRE Research, Q4 2019.

MARKET SUMMARY

- Leasing activity remained largely stable on a quarterly basis
- Supply addition in Thane, New CBD (BKC) and Mulund in Eastern Suburbs
- Rental values remained stable across micro-markets

NEW COMPLETIONS

The city witnessed the addition of three small-sized non-IT developments in Thane, New CBD (BKC) and Mulund in Eastern Suburbs.

SPACE TAKE-UP

Secondary space take-up accounted for a majority of the leasing activity and was led by Western Suburbs 2, followed by Navi Mumbai and New CBD (BKC). Primary space take-up was mainly witnessed in Thane and New CBD (BKC). Leasing activity in IT developments was mainly witnessed in Western Suburbs 2 and in non-IT developments primarily in New CBD (BKC).

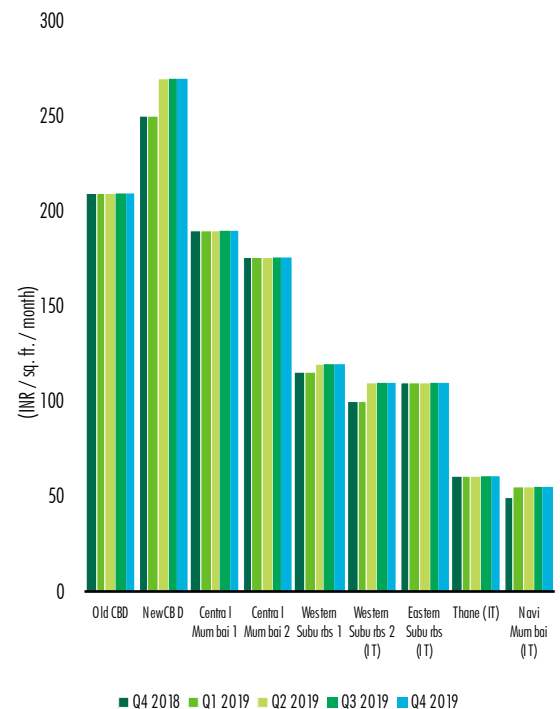
OCCUPIER TRENDS

Small- to medium-sized deals (20,000 – 100,000 sq. ft.) continued to dominate leasing activity, although a few large-sized deals (greater than 100,000 sq. ft.) were also recorded. Leasing activity was primarily driven by tech firms, closely followed by BFSI and engineering & manufacturing companies.

PRICING TRENDS

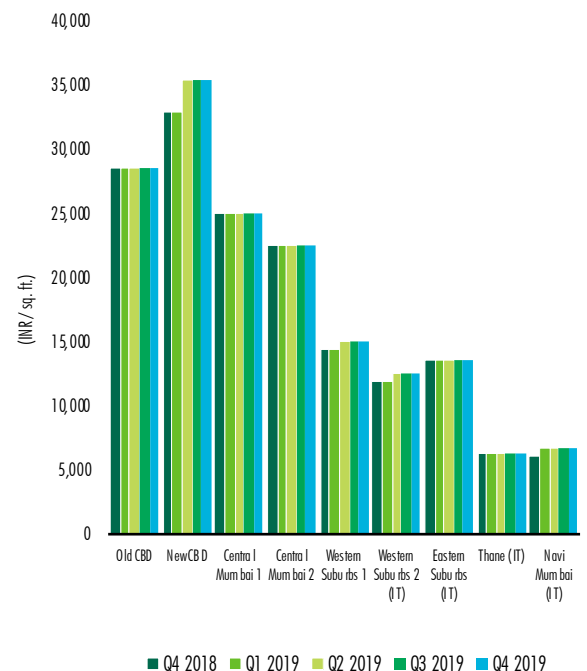
Despite a rise in pricing across a few premium developments, average rentals remained largely stable across all micro-markets.

Chart 8: Rental Value Movement



Source: CBRE Research, Q4 2019.

Chart 9: Capital Value Movement



Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
Western Suburbs 2	Space take-up was driven primarily by tech firms, followed by BFSI companies.	▼	►	►
New CBD (BKC)	Leasing activity increased on a quarterly basis driven by a healthy mix of primary and secondary leasing. BFSI firms led the leasing activity, closely followed by tech firms.	▲	▲	►
Navi Mumbai	Leasing activity increased on a quarterly basis, primarily driven by tech and BFSI firms.	▲	►	►

Source: CBRE Research, Q4 2019.

Table 3: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Infinity Bldg 4 (TRIL)	Western Suburbs 2	210,900	Tata Consultancy Services
MBC Park - Phase II (Tower C) - Phase I (Upto 7th floor)	Thane	67,500	Tata Strive
MindSpace (West) Building 2 (Gigaplex)	Navi Mumbai	65,000	Here Solutions

Table 4: Sub market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR / sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
Old CBD (Fort, Nariman Point, Churchgate, Ballard Estate, Cuffe Parade, Fort, Colaba) Grade A (non-IT)	210	210	0.0	0.0
Central Mumbai 1 (Worli, Mahalakshmi, Prabhadevi) Grade A (non-IT)	190	190	0.0	0.0
Central Mumbai 2 (Parel, Lower Parel, Dadar, Elphinstone Road, Byculla) Grade A (non-IT)	175	175	0.0	0.0
New CBD (BKC all blocks) Grade A (non-IT)	270	270	0.0	8.0
BKC Periphery (Kurla, Kalina, Kalanagar, Santacruz East, Bandra East and Bandra West) Grade A (non-IT)	150	150	0.0	0.0
Western Suburbs 1 (Vile Parle, Andheri East & West) Grade A (non-IT)	120	120	0.0	4.3
Western Suburbs 2 (Jogeshwari, Goregaon, Malad, Kandivali, Borivali) Grade A (IT)	110	110	0.0	10.0
Eastern Suburbs (Sion, Chembur, Ghatkopar, Vidyavihar, Vikhroli, Powai, Kanjurmargin, Bhandup, Mulund, Wadala) Grade A (IT)	110	110	0.0	0.0
Navi Mumbai Grade A (non-IT)	100	100	0.0	0.0
Navi Mumbai Grade A (IT)	55	55	0.0	10.0
Thane (Thane City) Grade A (IT)	60	60	0.0	0.0

Source: CBRE Research, Q4 2019.

MARKET SUMMARY

- Bangalore continued to be one of the leading drivers of leasing in the country
- Supply addition in ORR, EBD and PBD
- Rental values increased in PBD, SBD, ORR and NBD on a quarterly basis

NEW COMPLETIONS

Supply addition was witnessed primarily in the non-SEZ space, with one large-sized development on ORR; two medium-sized developments in Whitefield in PBD and Koramangala in EBD; and one small-sized development on Hosur Road in PBD.

SPACE TAKE-UP

ORR and EBD dominated leasing activity, followed by PBD. Primary space take-up led leasing activity, owing to the culmination of pre-commitments in recently completed developments. Secondary space take-up was predominantly witnessed in PBD, CBD and ORR.

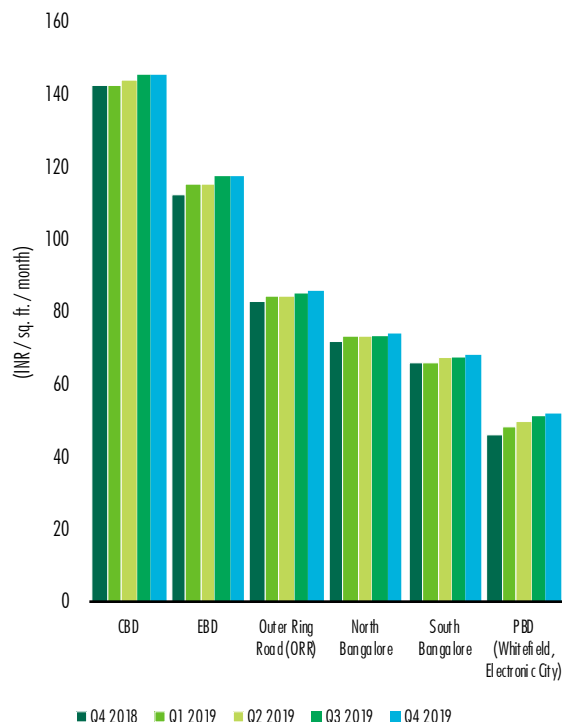
OCCUPIER TRENDS

Leasing activity was primarily driven by tech firms, followed by flexible space operators and research, consulting & analytics firms. Small- to medium-sized transactions (20,000–100,000 sq. ft.) dominated leasing activity, although a few large-sized deals (greater than 100,000 sq. ft.) were also recorded across the city.

PRICING TRENDS

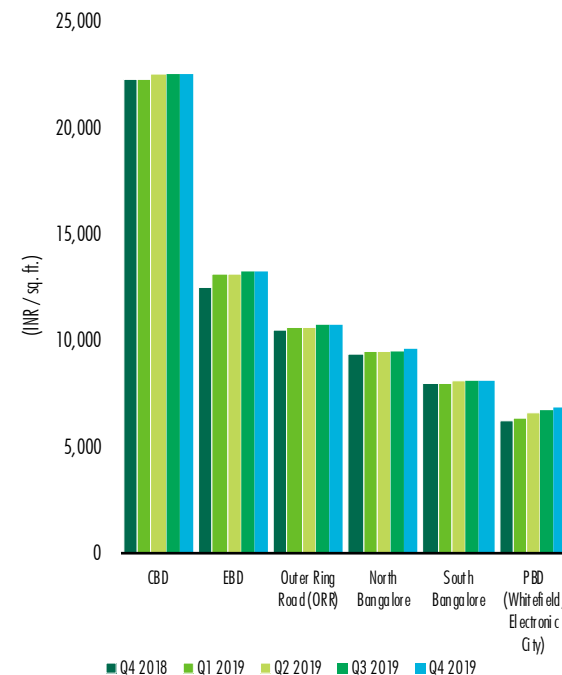
Limited availability of quality space led to rental values increasing by 1-2% on a quarterly basis across non-SEZ developments in PBD, SBD, NBD and ORR and by 2-3% on a quarterly basis across SEZs in NBD and ORR.

Chart 10: Rental Value Movement



Source: CBRE Research, Q4 2019.

Chart 11: Capital Value Movement



Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
ORR	Leasing activity was mostly concentrated in primary spaces and were led by tech firms; followed by research, consulting & analytics companies and flexible space operators.	▲	▼	▲
PBD	Flexible space operators led the leasing activity, followed by research, consulting & analytics firms.	▼	▼	▲
NBD	Leasing activity was primarily driven by pharmaceuticals / healthcare companies; closely followed by media and aviation firms.	▲	▶	▲

Source: CBRE Research, Q4 2019.

Table 5: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Bren Optimus	EBD	237,700	Fiserv
RMZ Azure	NBD	138,000	Alcon Labs
DSR Techno Cube	PBD	110,000	Smartworks

Source: CBRE Research, Q4 2019.

Table 6: Sub-market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR/sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
CBD (MG Road, Residency Road) Grade A (Non-SEZ)	145	145	0.0	2.0
CBD (MG Road, Residency Road) Grade B	99	99	0.0	4.2
EBD (Koramangala, Indira Nagar) Grade A (Non-SEZ)	117	117	0.0	4.5
EBD (Koramangala, Indira Nagar) Grade B	85	83	2.4	4.9
Outer Ring Road Grade A (Non-SEZ)	86	85	1.2	3.6
Outer Ring Road Grade A (SEZ)	86	84	2.4	7.5
PBD (Whitefield, Electronic City) Grade A (Non-SEZ)	52	51	2.0	13.3
PBD (Whitefield, Electronic City) Grade A (SEZ)	52	52	0.0	4.0
South Bangalore Grade A (Non-SEZ)	68	67	1.5	3.0
South Bangalore Grade A (SEZ)	46	46	0.0	2.2
North Bangalore Grade A (Non-SEZ)	74	73	1.4	2.8
North Bangalore Grade A (SEZ)	72	70	2.9	2.9

Source: CBRE Research, Q4 2019.

MARKET SUMMARY

- Hyderabad continued to be one of the leading drivers of leasing in the country
- Supply addition in Extended IT Corridor
- Rental values remained stable across micro-markets

NEW COMPLETIONS

The city witnessed supply addition in the form of two medium-sized non-IT developments in Nanakramguda in Extended IT Corridor.

SPACE TAKE-UP

Extended IT Corridor dominated space take-up, followed by IT Corridor II. Primary space take-up continued to drive leasing activity, owing to the availability of space in recently completed investment-grade developments in Extended IT Corridor, IT Corridor II and PBD.

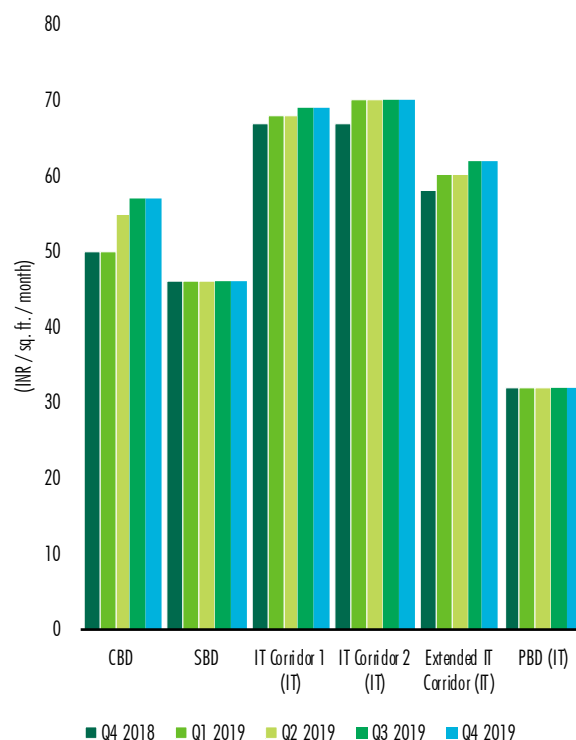
OCCUPIER TRENDS

Flexible space operators dominated space take-up, followed by tech and BFSI firms. Small- to medium-sized transactions (less than 50,000 sq. ft.) by domestic and US-based firms dominated leasing activity.

PRICING TRENDS

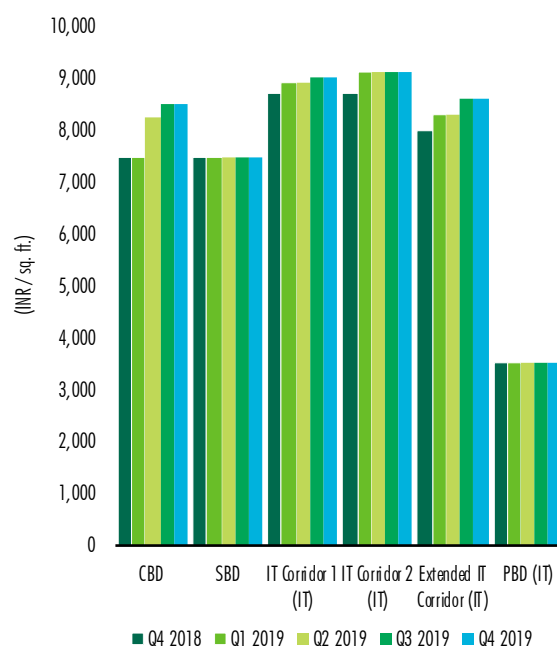
Rental values remained largely stable across all micro-markets.

Chart 12: Rental Value Movement



Source: CBRE Research, Q4 2019.

Chart 13: Capital Value Movement



Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
IT Corridor I (HITEC City, Madhapur)	Leasing activity was led by domestic and US-based tech firms.	▼	▶	▶
IT Corridor II (Kondapur, Gachibowli)	Absorption was mainly in primary spaces. Flexible space operators led the space take-up, followed by BFSI firms.	▼	▼	▶
Extended IT Corridor (Nanakramguda, Raidurg, Manikonda, Kukatpally)	Primary space take-up by domestic flexible space operators dominated leasing activity.	▼	▼	▶

Source: CBRE Research, Q4 2019.

Table 7: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Sohini Techpark	Extended IT Corridor	144,000	Table Space
NSL Arena	PBD	36,000	Inventures
The Skyview - Block 20 — SEZ	IT Corridor II	23,000	TTEC

Source: CBRE Research, Q4 2019.

Table 8: Sub-market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR / sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
CBD (Begumpet, Somajiguda, Punjagutta) Grade A (non-IT)	57	57	0.0	14.0
SBD (Banjara Hills, Jubilee Hills, Ameerpet, Himayath Nagar) Grade A (non-IT)	46	46	0.0	0.0
IT Corridor I (HITEC City, Madhapur) Grade A (IT)	69	69	0.0	3.0
IT Corridor I (HITEC City, Madhapur) Grade A (SEZ)	70	70	0.0	4.5
IT Corridor II (Kondapur, Gachibowli, Raidurg - region between IT Corridor 1 & Old Bombay Highway) Grade A (IT)	70	70	0.0	4.5
IT Corridor II (Kondapur, Gachibowli, Raidurg - region between IT Corridor 1 & Old Bombay Highway) Grade A (SEZ)	70	70	0.0	4.5
Extended IT Corridor (Nanakramguda, Raidurg- region at south of Old Mumbai Highway, Manikonda, Kukatpally) Grade A (IT)	62	62	0.0	6.9
PBD (Shamshabad, Pocharam, Uppal) Grade A (IT)	32	32	0.0	0.0

Source: CBRE Research, Q4 2019.

MARKET SUMMARY

- Leasing activity remained broadly stable on a quarterly basis
- Supply addition observed in Pallavaram-Thoraipakkam in OMR Zone 2
- Rental values increased across prominent micro-markets

NEW COMPLETIONS

The city witnessed the completion of two blocks of a large-sized SEZ development on Pallavaram-Thoraipakkam Road in OMR Zone 2.

SPACE TAKE-UP

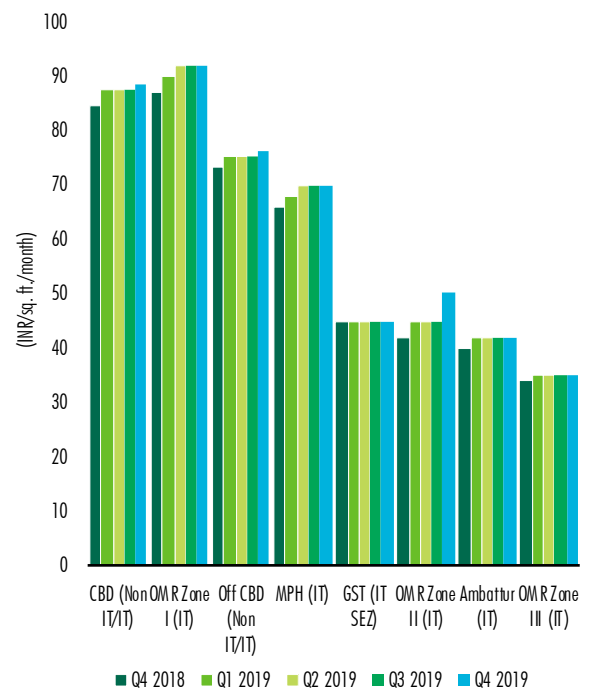
OMR Zone 2 dominated leasing activity due to the culmination of pre-commitments in newly completed SEZs, followed by CBD and OMR Zone 1. Leasing activity was primarily driven by occupier interest in investment-grade IT and SEZ developments along the OMR stretch, Mount Poonamallee Road and CBD. In divergence from the previous quarters, deal closures were reported in both primary and secondary spaces.

OCCUPIER TRENDS

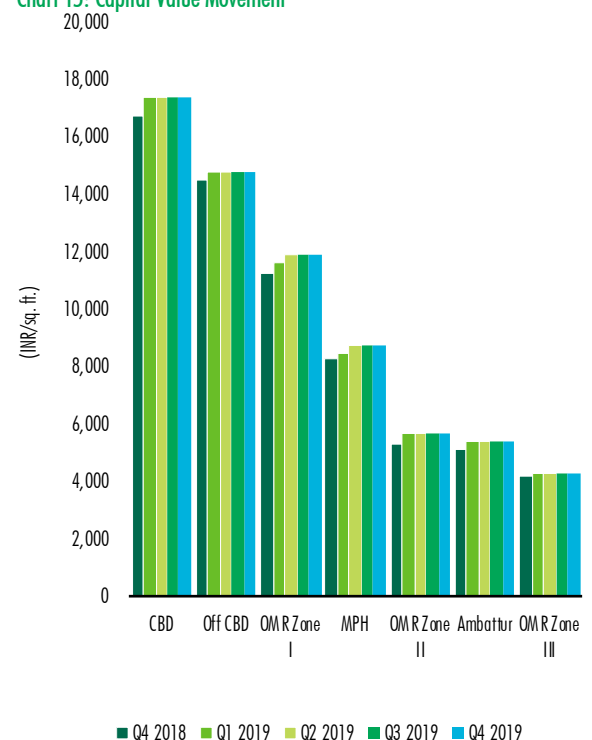
The city witnessed the closure of several medium- to large-sized deals (greater than 50,000 sq. ft.) by prominent tech, BFSI and engineering & manufacturing firms. Flexible space operators and pharmaceutical / healthcare companies were also quite active in the city.

PRICING TRENDS

Sustained occupier interest and limited availability of quality space in investment-grade buildings resulted in rental values of IT developments to rise by 10-11% along OMR Zone 2 and by 1-2% in CBD and Off-CBD regions on a quarterly basis. Sustained demand for SEZ space led to a quarterly rental increase of about 15-17% in OMR Zone 2 and 8-12% on Mount Poonamallee Road and GST Road.

Chart 14: Rental Value Movement

Source: CBRE Research, Q4 2019.

Chart 15: Capital Value Movement

Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
OMR Zone 2	Supply-led absorption dominated the leasing activity.	▲	▼	▲
OMR Zone 1	Leasing activity was dominated by tech firms followed by engineering & manufacturing companies.	▼	▶	▶
CBD	Availability of fresh investment-grade spaces, coupled with high occupier interest in core locations, led to increased absorption.	▲	▼	▲

Source: CBRE Research, Q4 2019.

Table 9: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
ASV Hansa Tech Park	CBD	100,000	Workeasy
Greeta Tech Park	OMR Zone 1	45,000	Workflo
Gateway IT Park	GST Road	37,500	Hinduja Global Solutions

Source: CBRE Research, Q4 2019.

Table 10: Sub-market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR / sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
CBD (Anna Salai, Nungambakkam, RK Salai, T Nagar, Egmore, Alwarpet) Grade A (non-IT/IT)	89	88	1.1	4.7
Off-CBD (Guindy, Ekkaduthangal, Vadapalani, Santhome & MRC Nagar) Grade A (non-IT/IT)	76	75	1.3	2.7
Mount Poonamallee High Road (IT)	70	70	0.0	6.1
Mount Poonamallee High Road (SEZ)	82	75	9.3	9.3
Ambattur, Ambattur Industrial Estate and Padi Grade A (IT)	42	42	0.0	5.0
GST Road (SEZ)	50	45	11.1	11.1
OMR 1 - Taramani to Perungudi Toll Grade A (IT)	92	92	0.0	5.7
OMR 1 - Taramani to Perungudi Toll Grade A (SEZ)	100	100	0.0	0.0
OMR 2 - Perungudi toll up to Sholinganallur Grade A (IT)	50	45	11.1	19.0
OMR 2 - Perungudi toll up to Sholinganallur Grade A (SEZ)	67	58	15.5	15.5
OMR 3 - Sholinganallur to Padur Grade A (IT)	35	35	0.0	2.9
OMR 3 - Sholinganallur to Padur Grade A (SEZ)	45	45	0.0	0.0

Source: CBRE Research, Q4 2019.

MARKET SUMMARY

- Leasing activity increased on a quarterly basis
- Supply addition in SBD Kharadi, PBD Others and SBD West
- Quarterly increase in rental values across few micro-markets

NEW COMPLETIONS

Supply addition was witnessed in the form of two medium-sized IT developments in Balewadi in SBD West and Phursungi in PBD Others, along with a large-sized SEZ development in SBD Kharadi.

SPACE TAKE-UP

Primary space take-up continued to drive leasing activity, owing to the availability of space in recently completed investment-grade developments in SBD Kharadi, PBD Others and SBD West. Secondary space take-up was primarily witnessed in CBD and SBD East. Transaction activity was driven by SEZ developments in SBD Kharadi, followed by PBD Others.

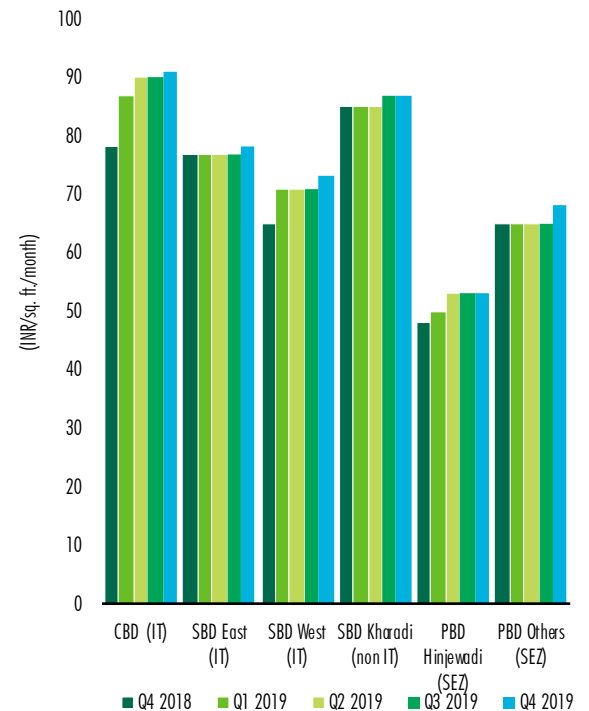
OCCUPIER TRENDS

Tech firms primarily drove space take-up, closely followed by BFSI firms. Small- to medium-sized transactions (less than 50,000 sq. ft.) mainly drove leasing activity. The city also witnessed the closure of a few large-sized deals (greater than 100,000 sq. ft.) in SEZ and IT developments.

PRICING TRENDS

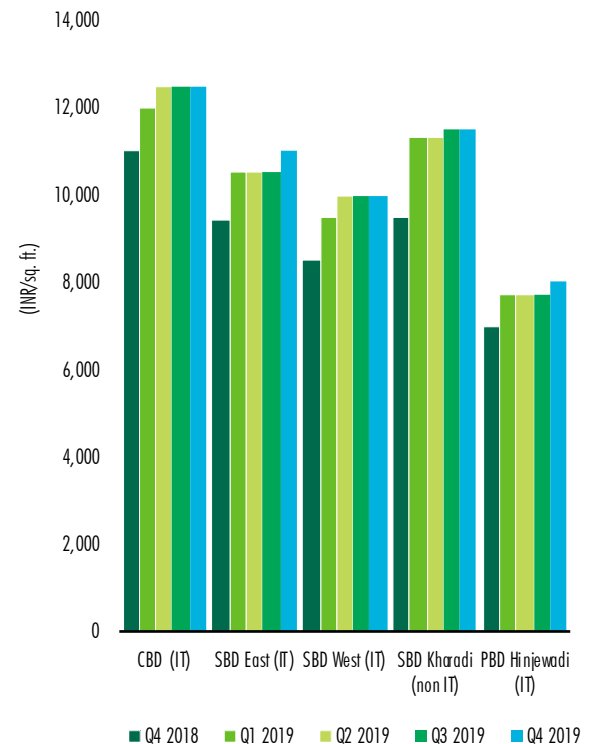
Limited availability of space across preferred IT developments led to an increase of about 1-6% in rental values on a quarterly basis across PBD Hinjewadi, SBD West, SBD East, CBD and PBD Others. SEZ rents in PBD Others increased by 4-6% on a quarterly basis due to higher quotes by recently completed developments.

Chart 16: Rental Value Movement



Source: CBRE Research, Q4 2019.

Chart 17: Capital Value Movement



Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
SBD Kharadi	Leasing activity increased on a quarterly basis, owing to the culmination of a pre-commitment in a newly completed development. Space take-up was primarily driven by BFSI firms.	▲	▼	▶
SBD West	Leasing activity was primarily driven by recently completed IT developments. Strong demand led to 2 – 4% rental growth across IT developments.	▲	▲	▲
PBD Others	Space take-up rose on a quarterly basis and was primarily driven by telecom operators, followed by tech firms and e-commerce operators.	▲	▼	▲

Source: CBRE Research, Q4 2019.

Table 11: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Gera Commerzone SEZ - Phase II (R1)	Secondary Business District (SBD) - Kharadi	550,000	Bardays
Panchshil Balewadi Tech Park - Phase II (Tower A)	Secondary Business District (SBD) - West	385,000	T-Systems ICT
SP Infocity (SEZ) - Block 5A & B	Peripheral Business District (PBD) - Others	150,000	Vodafone

Table 12: Sub-market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR / sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
CBD (Bund Garden, Boat Club Road, Koregaon Park, Koregaon Park Extn., Shivaji Nagar, Erandwane, Law college road, Dhole Patil Road, Wakdewadi, Camp, Keneddy Road, Naylor Road, Sangamwadi; Kalyani Nagar, Senapati Bapat Road, FC Road, Ganeshkhind/ University Road, Salisury Park, Satara Road, Yerwada, Old Airport Road, Shastri Nagar, Nagar Road (till Shastri Nagar), Swargate) (IT)	91	90	1.1	16.7
SBD - West (Aundh, Baner, Bavdhan, Pashan, Karve Road, Paud Road, Balewadi, Sinhagad Road, Baner-Pashan, Bangalore-Mumbai Highway (Till Sus Road), Baner Phata (Non-IT))	75	75	0.0	11.9
SBD East (Hadapsar, Mundhwa, Viman Nagar, Keshav Nagar, New Airport Road, Nagar Road, NIBM, Mohammadwadi, Wanowrie) (IT)	78	77	1.3	1.3
SBD Kharadi (Non-IT)	81	81	0.0	8.0
SBD Kharadi (SEZ)	101	101	0.0	-12.2
PBD Hinjewadi (SEZ)	53	53	0.0	10.4
PBD Others (Phursungi, Wagholi, Charoli, Nanded, Wakad, Tathawade, Mahalunge, Pimpri Chinchwad, Talawade) (SEZ)	68	65	4.6	4.6

Source: CBRE Research, Q4 2019.

MARKET SUMMARY

- Leasing activity increased on a quarterly basis
- Negligible supply addition
- Rental values remained stable across micro-markets

NEW COMPLETIONS

The city witnessed negligible supply addition.

SPACE TAKE-UP

Locations such as Salt Lake sector V and Rajarhat in PBD primarily drove leasing activity in the city. Primary space take-up dominated transaction activity, with most deals being closed in small- to medium-sized formats (less than 10,000 sq. ft. and 10,000 - 200,000 sq. ft.). The city also witnessed the closure of a large-sized deal (greater than 200,000 sq. ft.) in PBD.

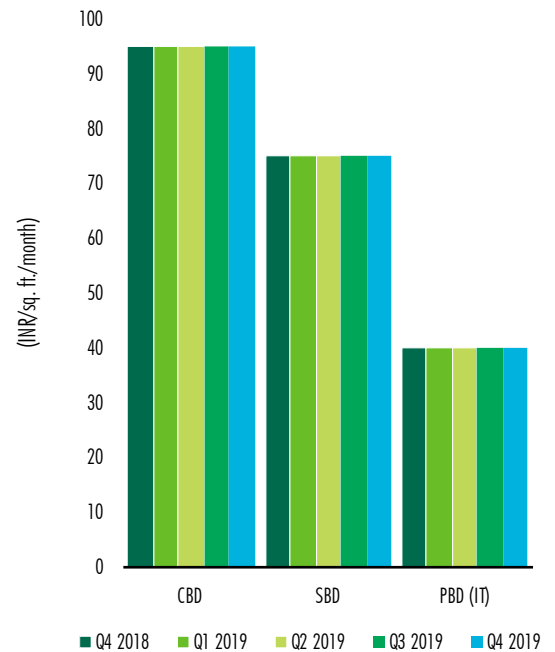
OCCUPIER TRENDS

Demand was largely driven by occupiers from tech firms, followed by flexible space operators and engineering & manufacturing companies. One of the prominent deals involved a tech firm leasing a large-sized space in Rajarhat in PBD.

PRICING TRENDS

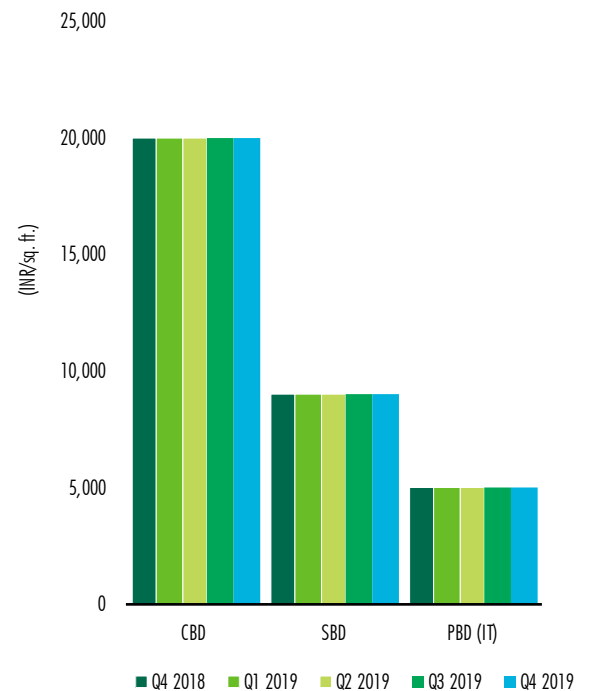
Rental values remained stable across all micro-markets.

Chart 18: Rental Value Movement



Source: CBRE Research, Q4 2019.

Chart 19: Capital Value Movement



Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
CBD	The micro-market witnessed negligible transaction activity as several occupiers deferred their leasing decisions.	▶	▶	▶
SBD	Leasing activity rose on a quarterly basis following the finalization of few ongoing deals that were under various stages of negotiation.	▲	▶	▶
PBD	Leasing activity rose significantly on a quarterly basis due to the closure of a large-sized transaction.	▲	▶	▶

Source: CBRE Research, Q4 2019.

Table 13: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
DLF IT Park	PBD	22,000	Concentrix
Millennium City	PBD	20,000	OYO
Godrej Waterside I	PBD	16,600	Awfis

Source: CBRE Research, Q4 2019.

Table 14: Sub-market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR / sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
CBD (Park Street, Camac Street, Theatre Road) Grade A	95	95	0.0	0.0
Secondary Business District Grade A	75	75	0.0	0.0
Peripheral Business District (Salt Lake, Rajarhat) (IT) Grade A	40	40	0.0	0.0

Source: CBRE Research, Q4 2019.

MARKET SUMMARY

- Leasing activity increased on a quarterly basis
- Negligible supply addition
- Rental values increased in SBD the SEZ segment

NEW COMPLETIONS

The city witnessed negligible supply addition.

SPACE TAKE-UP

Space take-up was primarily concentrated in Kakkanad in SBD, mainly driven by the closure of small- and medium-sized deals (less than 20,000 sq. ft. and 20,000 - 50,000 sq. ft.).

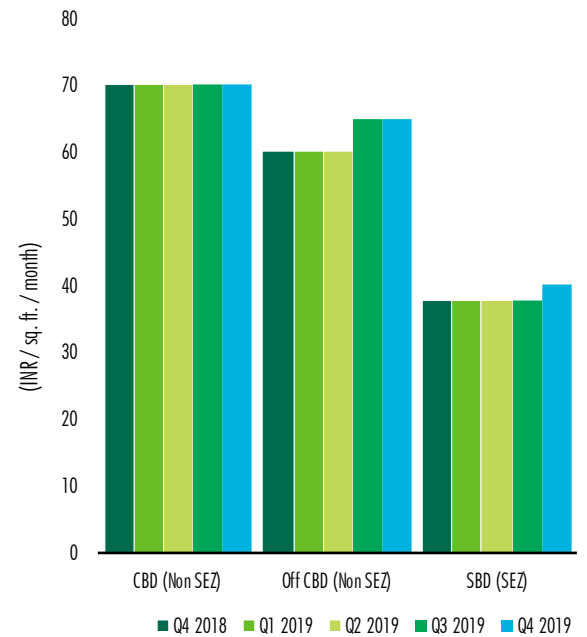
OCCUPIER TRENDS

Tech firms dominated leasing activity, followed by BFSI firms.

PRICING TRENDS

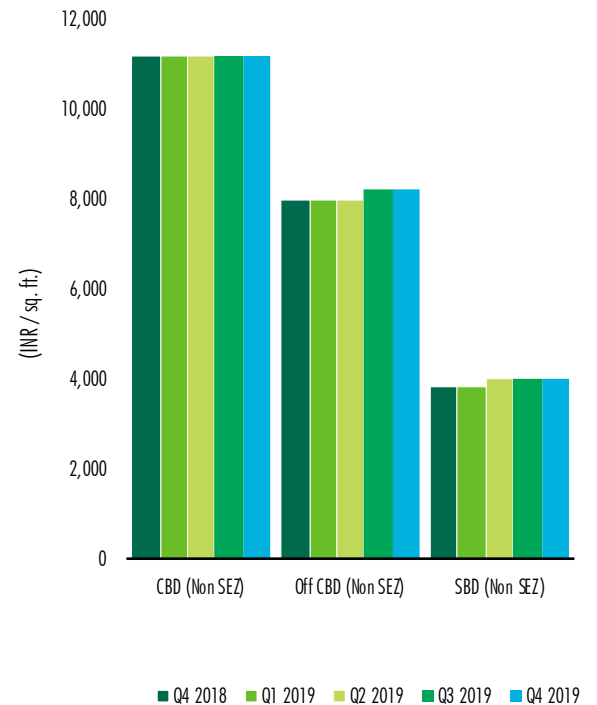
Due to increase in occupier interest towards quality spaces, rental values increased in SEZs in SBD by 5-6% on a quarterly basis.

Chart 20: Rental Value Movement



Source: CBRE Research, Q4 2019.

Chart 21: Capital Value Movement



Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
SBD	Tech firms primarily drove leasing activity.	▲	▼	▲
Off CBD	Limited demand by occupiers led to stable rental values.	▼	▶	▶

Source: CBRE Research, Q4 2019.

Table 15: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Carnival Infopark - Phase III	SBD	20,000	Federal Bank
Trans Asia	SBD	14,600	HTIC Global

Source: CBRE Research, Q4 2019.

Table 16: Sub-market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR / sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
CBD & Ext CBD (MG Road, Kaloor, Kadavanthara, Marine Drive) Grade A (Non SEZ)	65	65	0.0	0.0
Off-CBD (Vytilla, Pallarivattam, Edapally) Grade A (Non SEZ)	65	65	0.0	8.3
SBD (Kakkanad) (SEZ)	40	38	5.3	5.3

Source: CBRE Research, Q4 2019.

MARKET SUMMARY

- Leasing activity increased on a quarterly basis
- Supply addition witnessed in CBD and PBD
- Rental values remained stable across micro-markets

NEW COMPLETIONS

The city witnessed supply addition in the form of a large-sized SEZ in Gandhinagar in PBD along with three small-sized non-IT developments in Navrangpura and University Road in CBD.

SPACE TAKE-UP

Space take-up was primarily concentrated in SBD, closely followed by PBD. Although SEZs in PBD led leasing activity, transactions were also witnessed in non-IT developments in SBD.

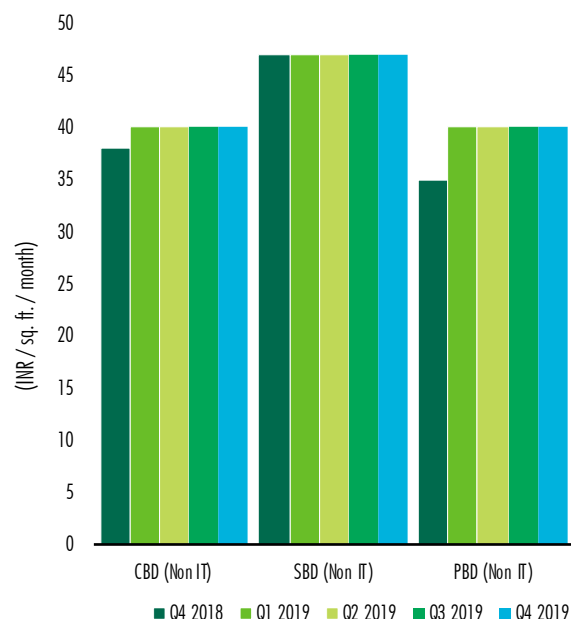
OCCUPIER TRENDS

Small- to medium-sized deals continued to dominate leasing activity and one large-sized deal (greater than 100,000 sq. ft.) was also recorded. Leasing activity was dominated by BFSI corporates, followed by tech and engineering & manufacturing firms.

PRICING TRENDS

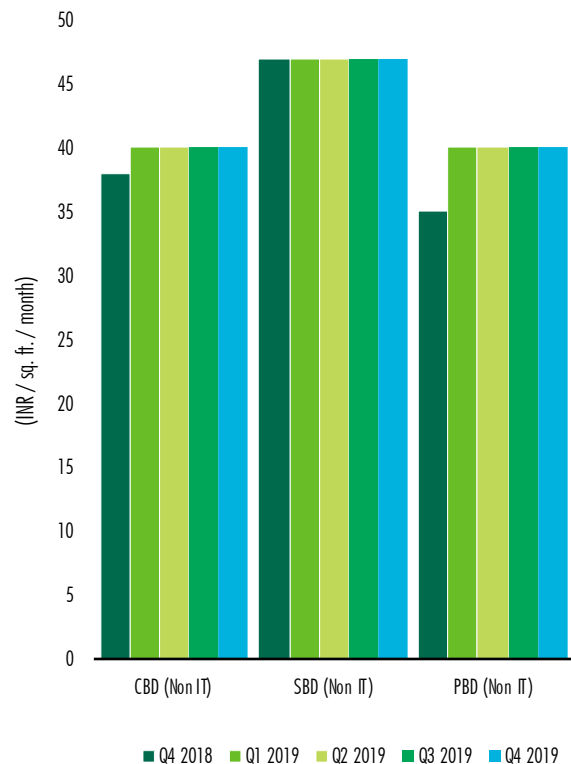
Rental values remained largely stable across micro-markets.

Chart 22: Rental Value Movement



Source: CBRE Research, Q4 2019.

Chart 23: Capital Value Movement



Source: CBRE Research, Q4 2019.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
CBD	Space take-up remained largely stable on a quarterly basis, driven by BFSI firms.	▶	▲	▶
SBD	Space take-up witnessed an increase on a quarterly basis and was driven by BFSI and tech firms.	▲	▶	▶
PBD	Leasing activity was driven by a large-sized deal recorded by a global BFSI firm, also resulting in increased space take-up.	▲	▲	▶

Source: CBRE Research, Q4 2019.

Table 17: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Saavy Pragya	PBD	150,000	Bank of America
The Acropolis	SBD	57,000	Axis Bank
Privilon	SBD	10,500	Trowbridge India

Source: CBRE Research, Q4 2019.

Table 18: Sub-market Key Statistics

Micro-market	Average Rent in Q4 2019 (INR / sq. ft. / month)	Average Rent in Q3 2019 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y change (%)
CBD	40	40	0.0	5.3
SBD	47	47	0.0	0.0
PBD	40	40	0.0	14.3

Source: CBRE Research, Q4 2019.

OUTLOOK

SUSTAINED OCCUPIER SENTIMENT GOING FORWARD

- Growth in supply additions in 2019 was a result of buildings receiving much-awaited occupation certificates across cities leading to space take-up scaling a historic high. The upcoming supply is likely to normalize in 2020, resulting in absorption growth in the coming year to plateau and be in line. We expect Bangalore and Hyderabad to continue leading demand, mainly driven by the culmination of large-sized pre-commitments. The gap between Bangalore and Hyderabad is expected to reduce in terms of both leasing and supply. We also expect that occupiers would close several deals in the much-awaited supply in Chennai, Pune and NCR.
- Absorption is expected to be mainly driven by India's position as a preferred outsourcing destination and growing need for space among corporates from sectors such as tech, BFSI, engineering & manufacturing and research, consulting & analytics. Other sectors such as pharmaceuticals / healthcare, telecommunications and e-commerce are also likely to report higher occupier demand. Space take-up by tech corporates would be largely dominated by foreign players, especially US- and APAC-based firms.
- Occupiers would continue to assess agility in their real estate portfolios with the 'core + flexi' strategy finding more takers. Several occupiers are likely to adopt newer workplace strategies to realign their portfolios by trying to find the right mix of agility within their core workplaces along with adding external flexible options (especially managed spaces).
- Tech and workplace transformation will continue to be high on occupiers' priorities, thus putting employees at the center of all real estate strategies. Additionally, real estate technologies involving artificial intelligence (AI), internet of things (IoT), augmented reality/ virtual reality (AR/ VR) and robotic process automation (RPA) are anticipated to revolutionize space utilization.
- We anticipate that occupiers would continue to consolidate / expand operations and prefer locations within cities where infrastructure initiatives are to be completed. Furthermore, proactive government support towards developing an ecosystem that complements commercial growth, eases traffic, keeps pollution in check and promotes investment is likely to further improve occupier sentiment.
- Occupiers are expected to become more conscious about the well-being of their employees, the communities they operate in and the broader environment. As a result, they are likely to adopt programs that focus on employee wellness at the workplace. This would involve green features that utilize natural lighting, sufficient ventilation and functions to improve the indoor environment to safeguard their health.
- Further, occupiers are expected to implement several sustainability measures to reduce facilities management costs. They are becoming increasingly aware of the long-term cost savings that can be achieved by efficient utilization of resources. We anticipate occupiers to make great strides towards integrating sustainability into their supply chains, particularly in the area of procurement. The current evolution of supply chains from linear models to next-generation ecosystems would result in the greater alignment of business goals with environmental and social objectives.

INCREASED SUPPLY ADDITION LIKELY IN 2020

- Bangalore, Hyderabad and NCR are expected to dominate supply addition in 2020. Development completions are likely to be concentrated in peripheral / suburban micro-markets. However, NCR and Hyderabad in particular are likely to witness supply addition in core locations as well.
- We also anticipate that landlord priorities would shift from just LEED certifications to delivery of International WELL Building Institute's (IWBI) WELL Building Standard™ (WELL) certifications.
- Increased usage of tech and focused refurbishment of business parks by developers is likely to positively impact the valuations of such developments in the medium- to long-term. Along with increased investment in developments, landlords are also expected to improve available amenities, such as increased F&B offerings; thereby improving the quality of space offered.
- We also expect that office assets would continue to be a part of future REIT portfolios in India, thus further boosting investor and developer interests going forward.

RENTAL GROWTH EXPECTED TO BE DRIVEN BY SPACE QUALITY

- As new buildings become operational, residual spaces along with higher quality of new spaces are likely to drive rental growth across major cities. We also expect that older developments would observe rental growth when they are appropriately refurbished and equipped with adequate amenities.
- We also anticipate rental growth due to continued pre-leases in under-construction developments and limited availability of ready-to-move-in spaces.
- Strong demand for space in quality developments and planned infrastructure upgrades are likely to result in a marginal increase of 1-2% in rentals.

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