



India Real Estate

RESIDENTIAL AND OFFICE

JANUARY - JUNE 2020



***NATIONAL
CAPITAL
REGION***

*Office
Market*

*Significant
new
completions in
Gurugram and
Noida add to
fresh supply in
2019*

*Flexible
workspaces
account for
22% of the
other service
sector*

Lockdown disrupts office market dynamics

1

- Lockdown derails NCR leasing in Q2 2020 as occupiers put expansion strategies on hold

2

- Co-working's share in leasing reduces in the wake of Covid-19 induced lockdown

3

- Landlords and tenants engaged in intense lease renegotiations

4

- Tenants demand rent waivers and deferments on rent payments to tide over the crisis

5

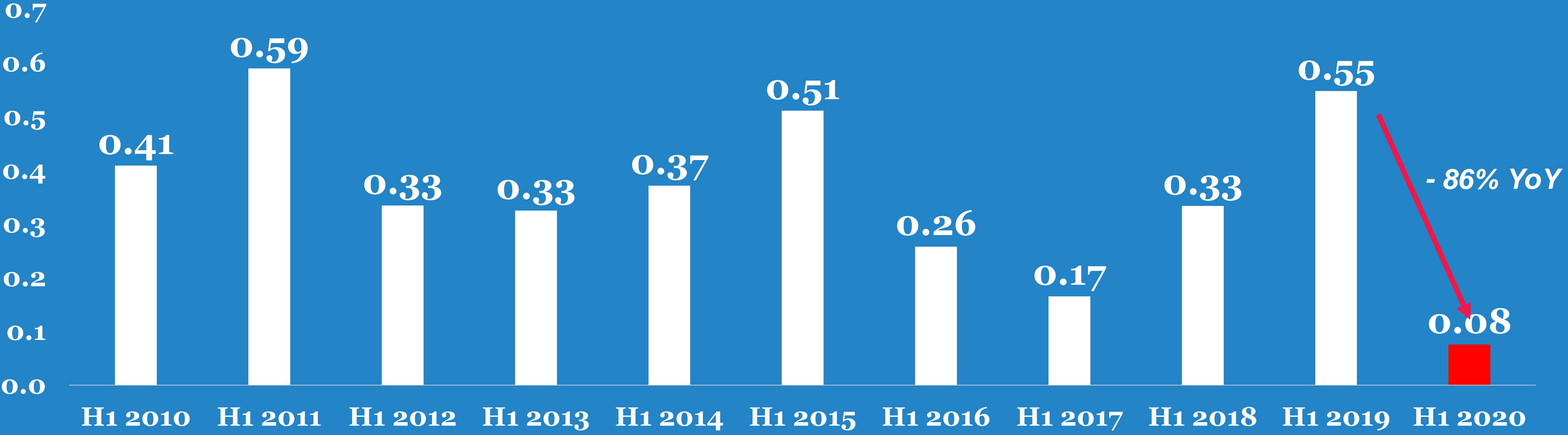
- Surrendering of office spaces emerges as a trend in Q2 2020

6

- Surrendering of office spaces a short term phenomenon which may continue in Q3 and Q4 2020 also

Maximum YoY change in supply since H1 2010

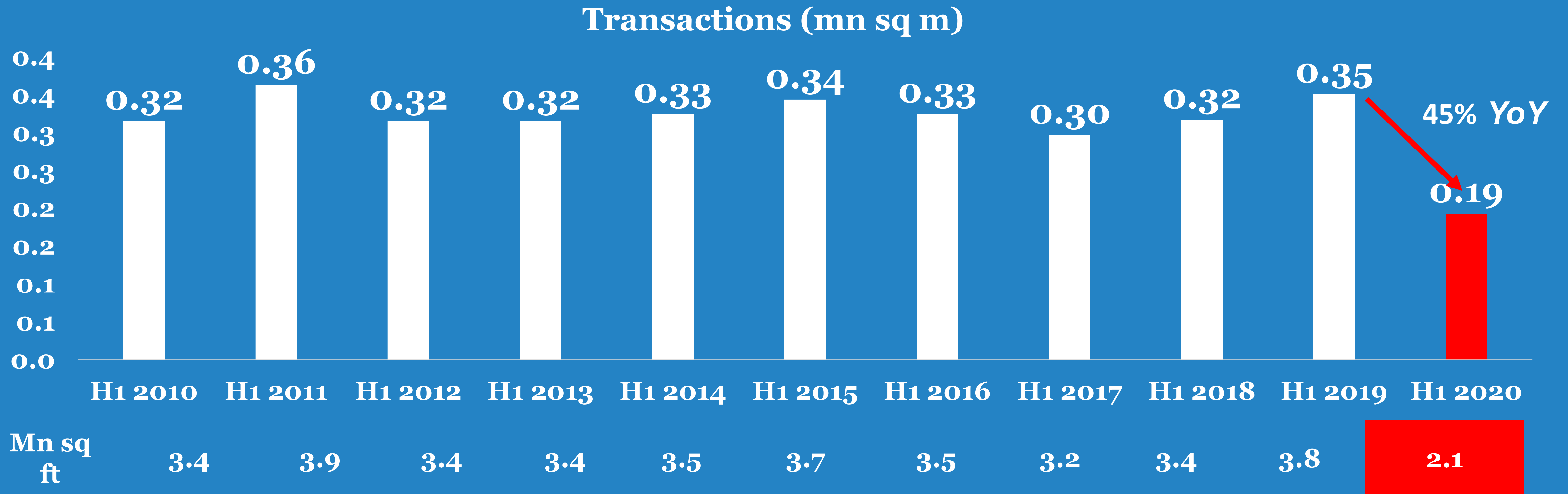
New completions (mn sq m)



| Mn sq ft | H1 2010 | H1 2011 | H1 2012 | H1 2013 | H1 2014 | H1 2015 | H1 2016 | H1 2017 | H1 2018 | H1 2019 | H1 2020 |
|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 4.4 | 6.3 | 3.6 | 3.5 | 4.0 | 5.5 | 2.8 | 1.8 | 3.6 | 5.9 | 0.8 |

- Deferment of scheduled completions due to site closures

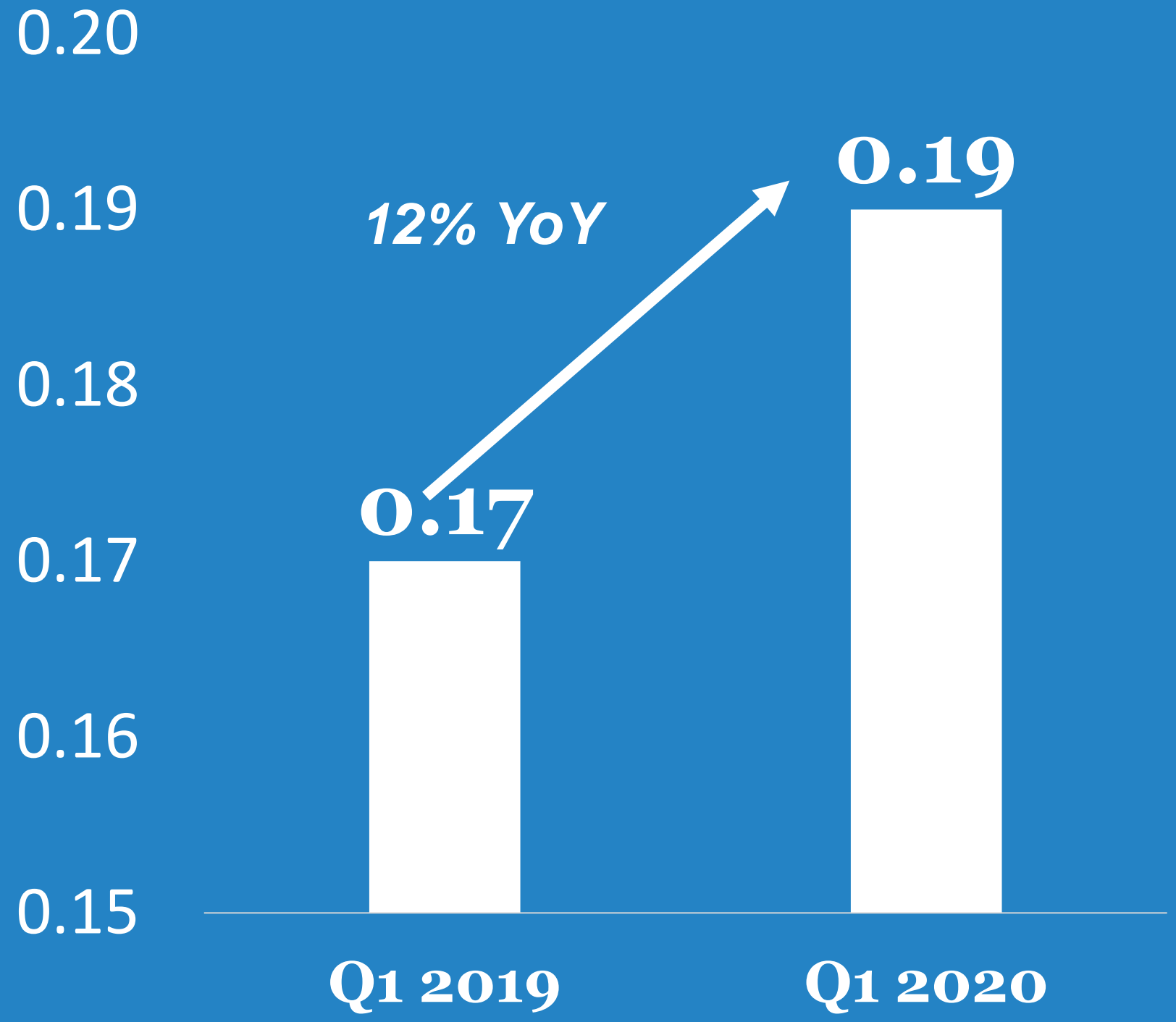
Lockdown limits gross leasing; YoY decline of 45% over H1 2019



- Decision making at corporates' abruptly halted
- Planned real estate space take-ups put on hold with negligible activity in Q2 2020
- Demand for office spaces hits all time low

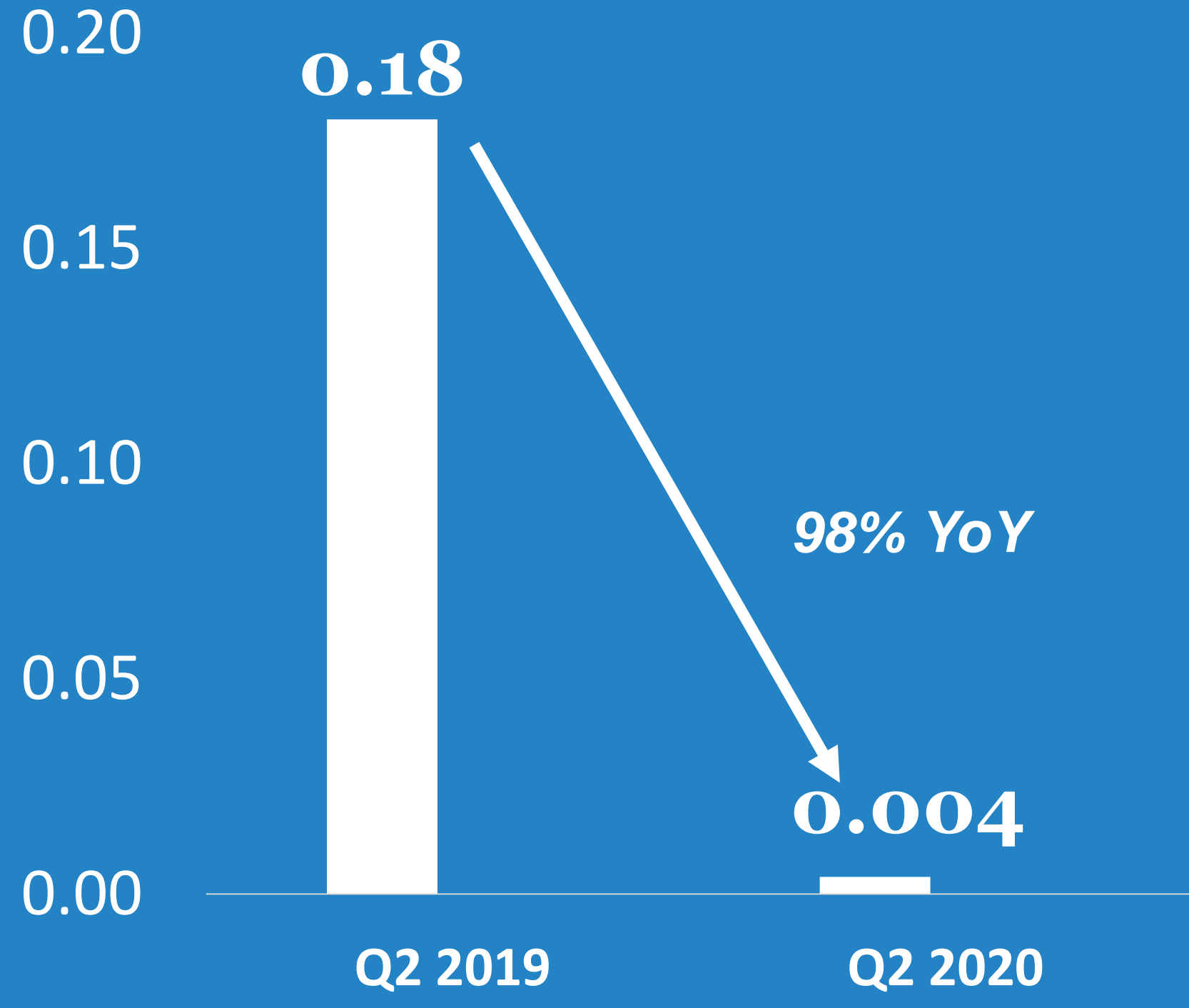
98% drop in transactions in Q2 2020

Transactions (mn sq m)



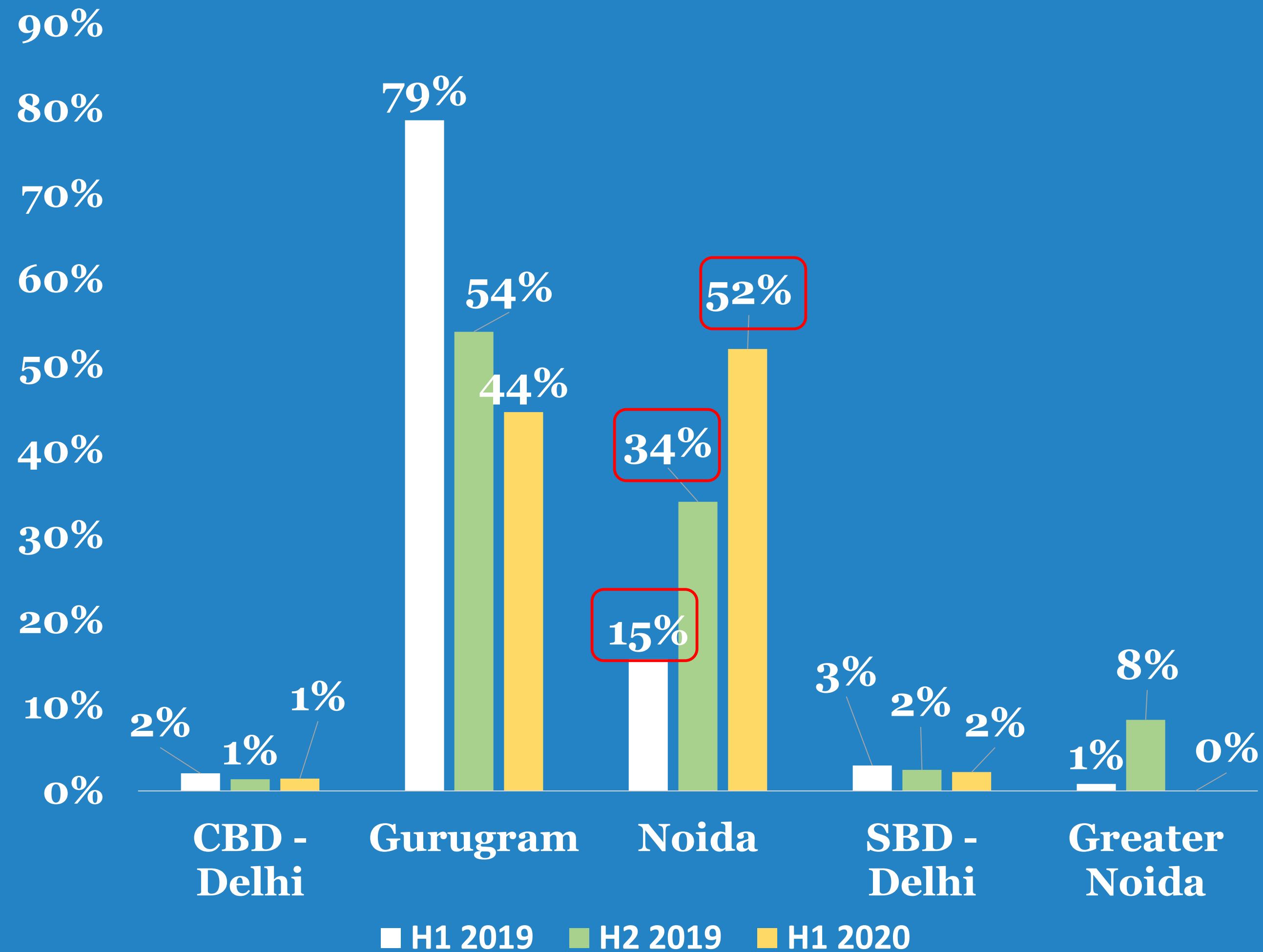
Mn sq ft 1.82 **2.04**

Transactions (mn sq m)



Mn sq ft 1.97 **0.04**

Noida takes the lion's share of leasing



- Demand by IT occupiers in Q1 2020 helps Noida take highest share in past 18 months
- Transaction activity of 0.10 mn sq m (1.08 mn sq ft) outpaced Gurugram for the first time in a decade
- Gurugram's share slides due to lack of leasing by co-working sector
- Competitive rents in prominent locations such as Sector 16B, 62, 135 and Noida-Greater Noida Expressway attractive to occupiers

Information Technology gains in a tough H1 2020

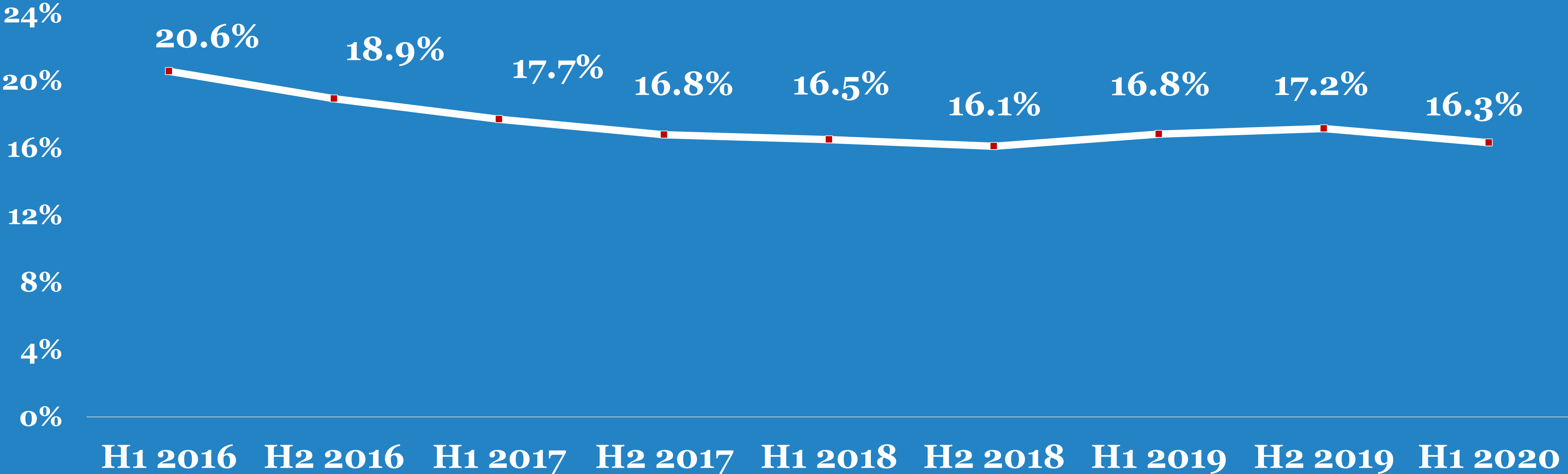
| | H1 2020 (mn sq m) | Change YoY |
|--|----------------------|-------------|
| Information Technology | 0.12 | 150% |
| Co-working | 0.01 | -86% |
| BFSI | 0.01 | -85% |
| Manufacturing | 0.01 | -78% |
| Other Services Sector (includes media, consulting, e-commerce, telecom, etc.) | 0.05 | -46% |

Rent decline across most business districts

| Business district | Rent (INR/sq m/month) | Rent (INR/sq ft/month) | YoY growth |
|-------------------|-----------------------|------------------------|------------|
| CBD Delhi | 2,303–3,767 | 214-350 | 0% |
| SBD Delhi | 1,065–1,938 | 99-180 | -9% |
| Gurugram Zone A | 1,076–1,722 | 100-160 | 0% |
| Gurugram Zone B | 861–1,453 | 80-135 | - |
| Gurugram Zone C | 269–377 | 25-35 | -8% |
| Noida | 560–829 | 52-77 | -3% |

- Rents under downward pressure as landlords fear exits from existing tenants
- Tenants at an advantage in the near term when they revisit expansion strategies
- Double-digit vacancy of 16.31%; rents may be further rationalized

Marginal decline in vacancy



- No new supply in H1 2020 pushes vacancy downwards

Flexibility with rentals and deferrals to help retain tenants

Lockdown impacts office leasing; more hurdles ahead

Co-working badly hit; share reduces to 3% in H1 2020

***Residential
Market***

*New launches
revive in 2019*

*End users drive
demand.
Ready to move in
inventory and
infrastructure
major drivers*

*Developers
cautious of over
supply. Push sales
of existing
inventory to
generate
cash flow*

Residential scene post Covid-19 outbreak

1

- **Developers lean on digitization of sales processes to ensure sales velocity if pandemic continues**

2

- **Period after moratorium ends on August 31st, 2020 to define the trajectory in H2 2020**

3

- **Developers in NCR struggling with cash flows as Covid-19 puts a break on sales recovery witnessed in H2 2019**

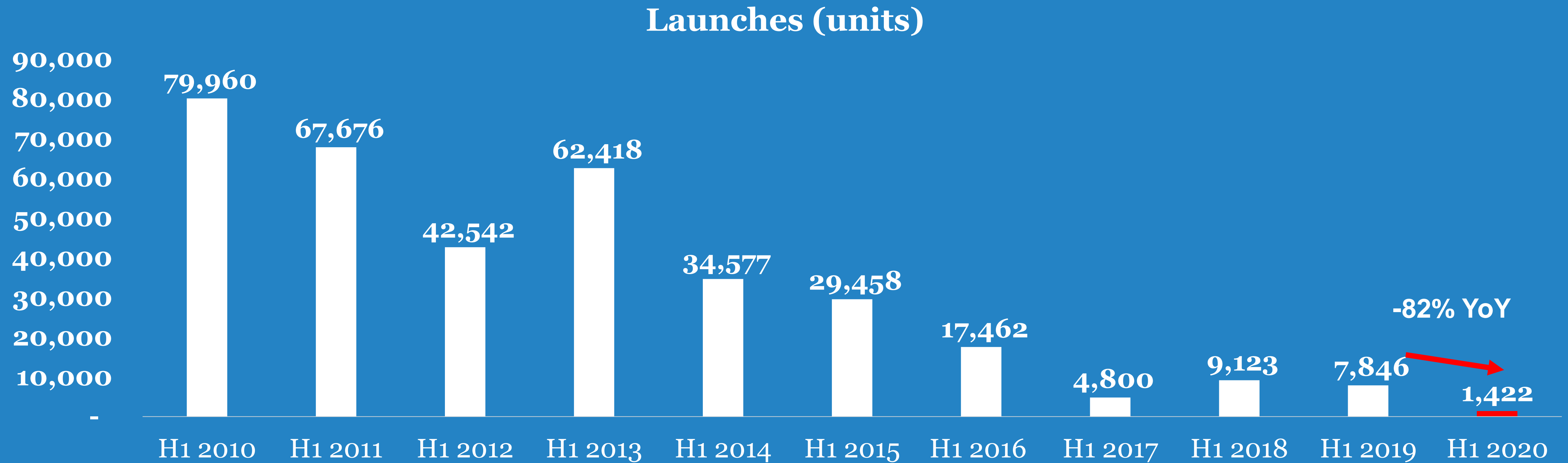
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- **Construction sites operational with 25-30% of workforce as labor migrates back**

5

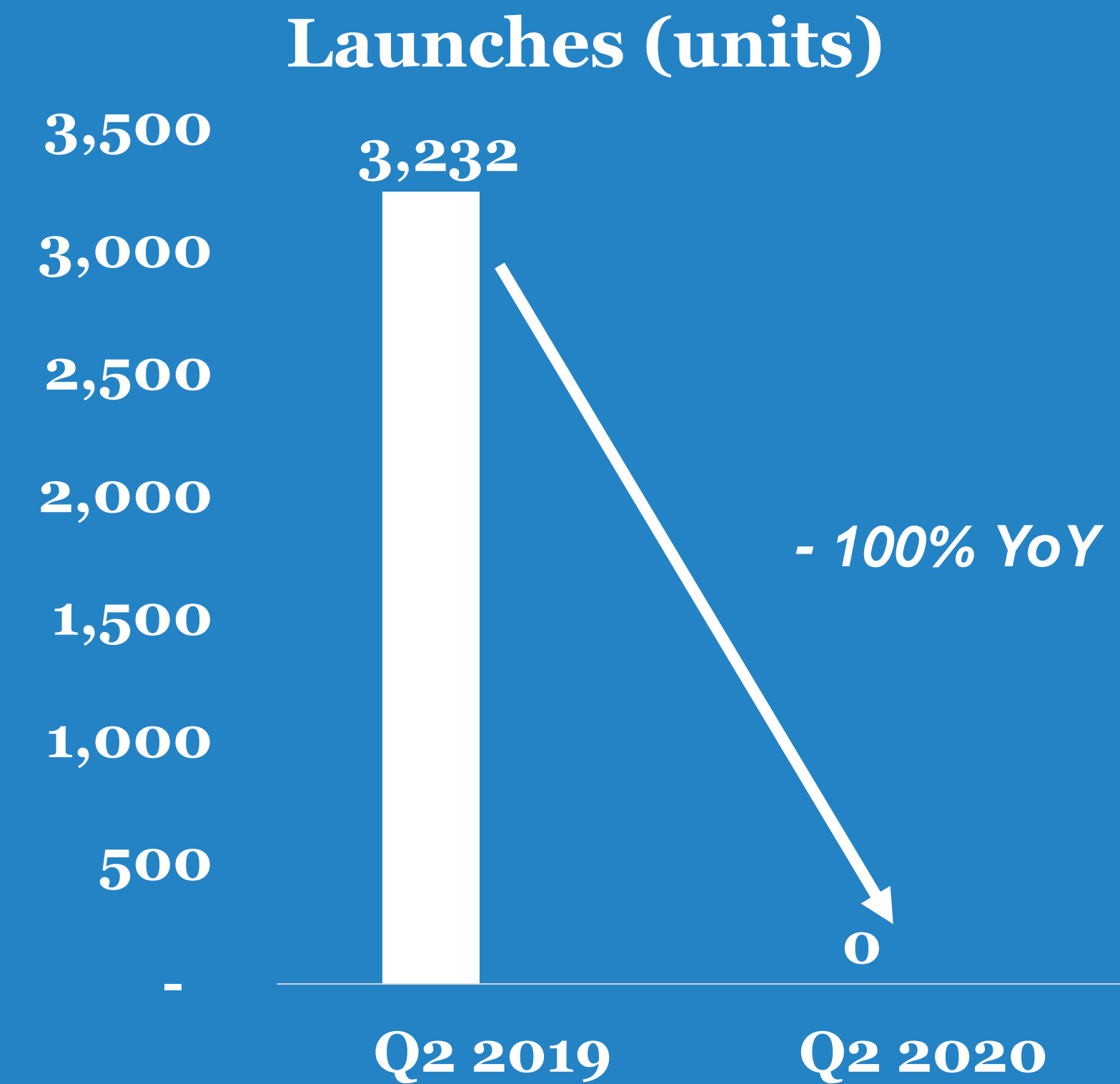
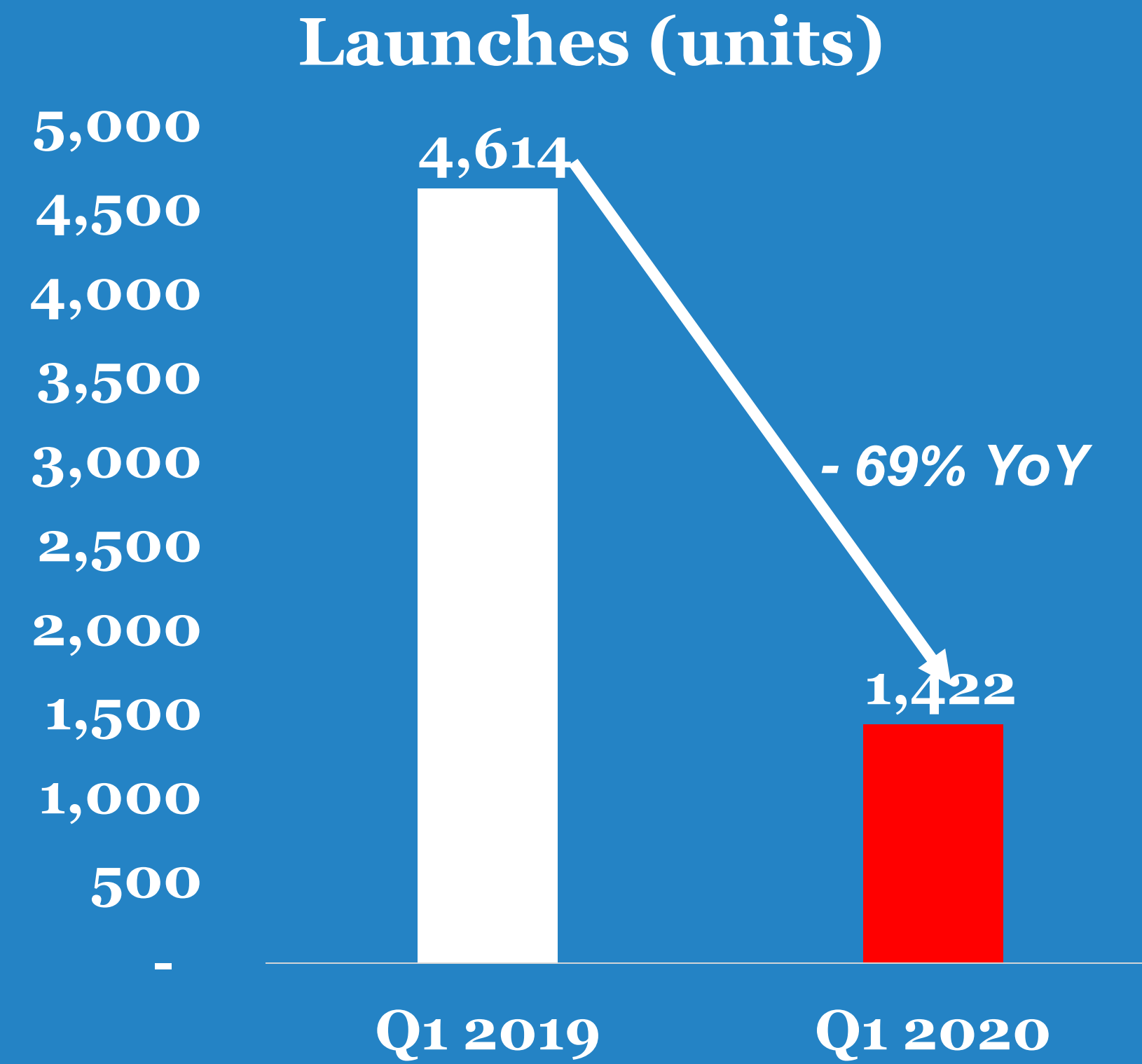
- **Delay in delivery of residential projects by 15-18 months expected**

Record-low in new launches in H1 2020

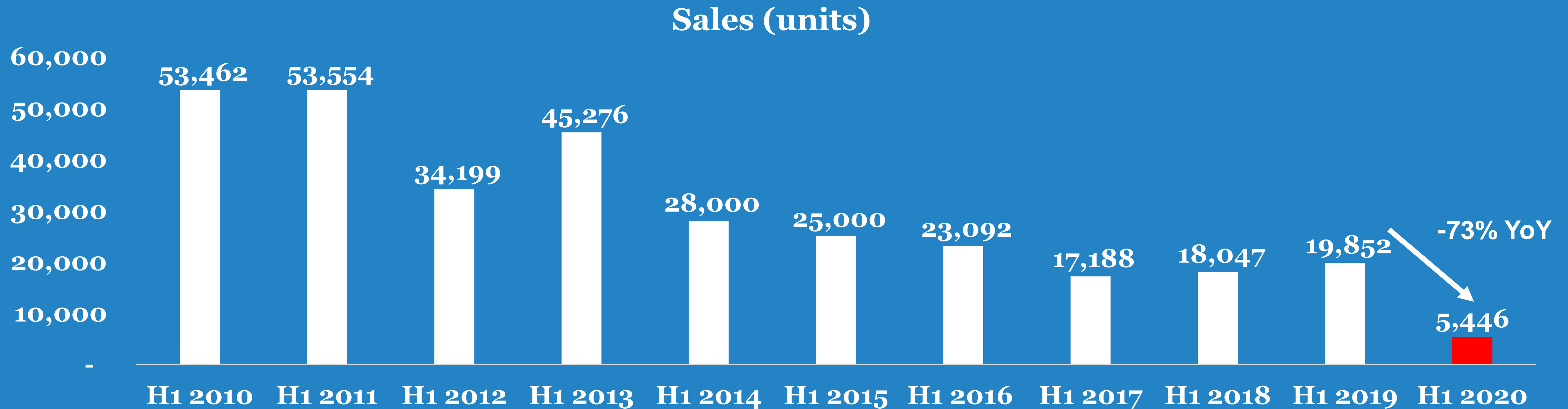


- No new launches post lockdown in March 2020
- Developers hit hard due to new set of challenges; previous construction ban lifted in Dec 2019 only
- Uttar Pradesh, Haryana and NCT of Delhi extend project registrations by 6 months

No new launches in Q2 2020

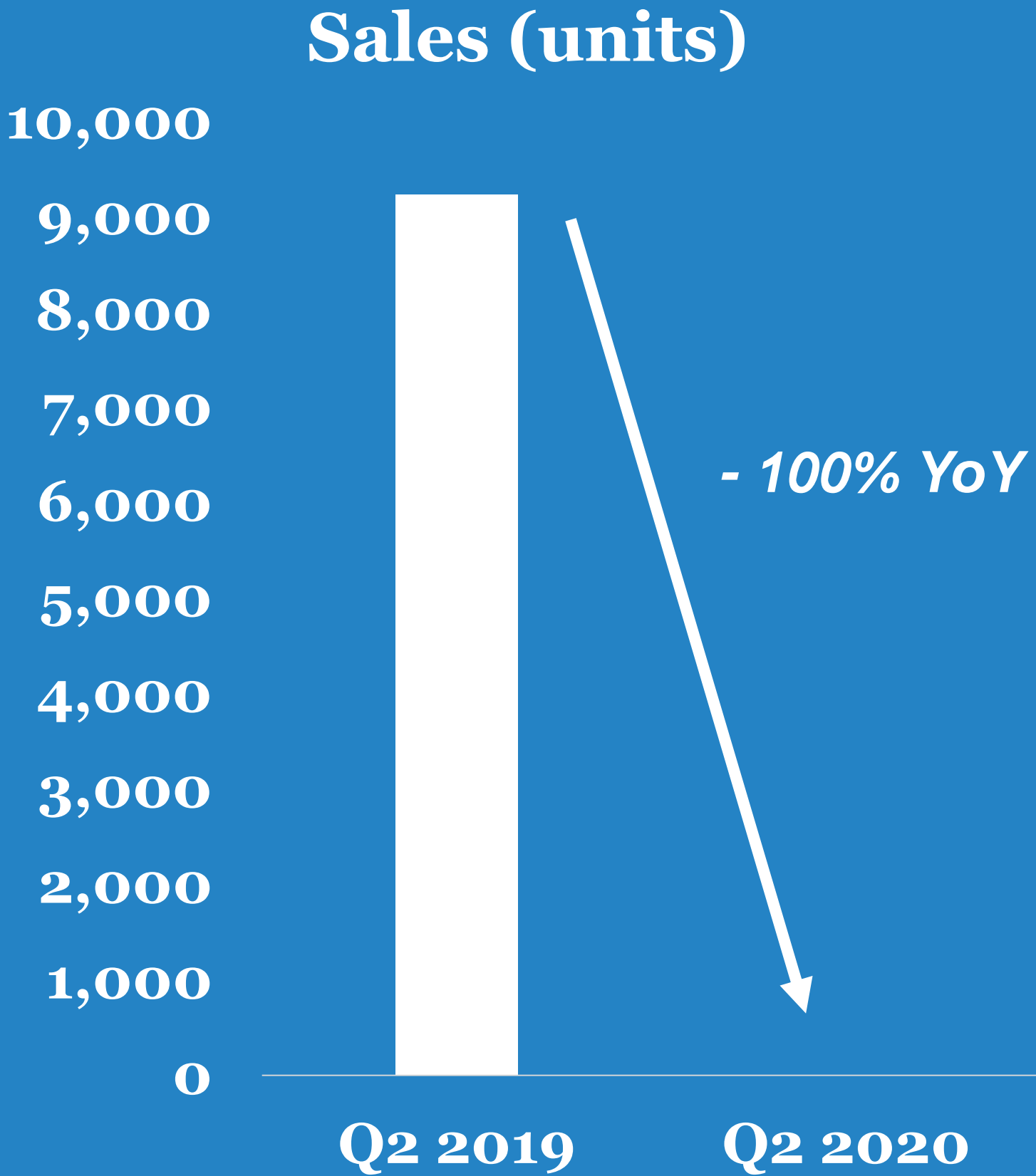
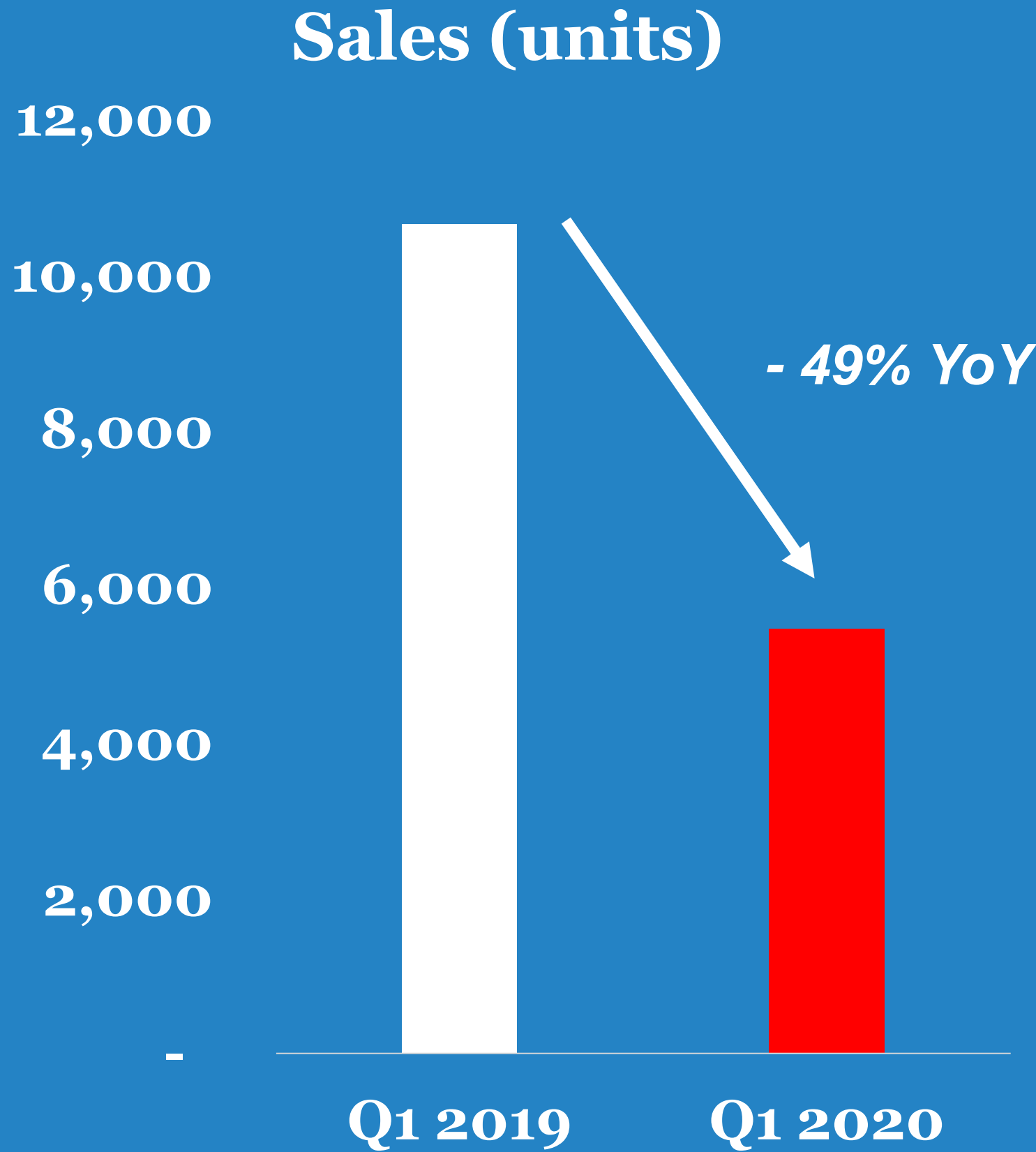


Lowest sales in more than a decade



- Buyers cautiously optimistic amidst the turmoil in Q1 2020
- Q2 2020 a washout in terms of new demand
- Future uncertainty as no visibility on earnings will lead buyers to take a backseat

Lockdown halts sales in Q2 2020



- 40 days lockdown (25th March – 3rd May 2020)

Greater Noida registers highest drop in sales across micro-markets

NCR H1 2020 Sales – 5,446 units (-73% YoY)

GURUGRAM
1,456 units
-69% YoY

DELHI
63 units
-62% YoY

FARIDABAD
79 units
-62% YoY

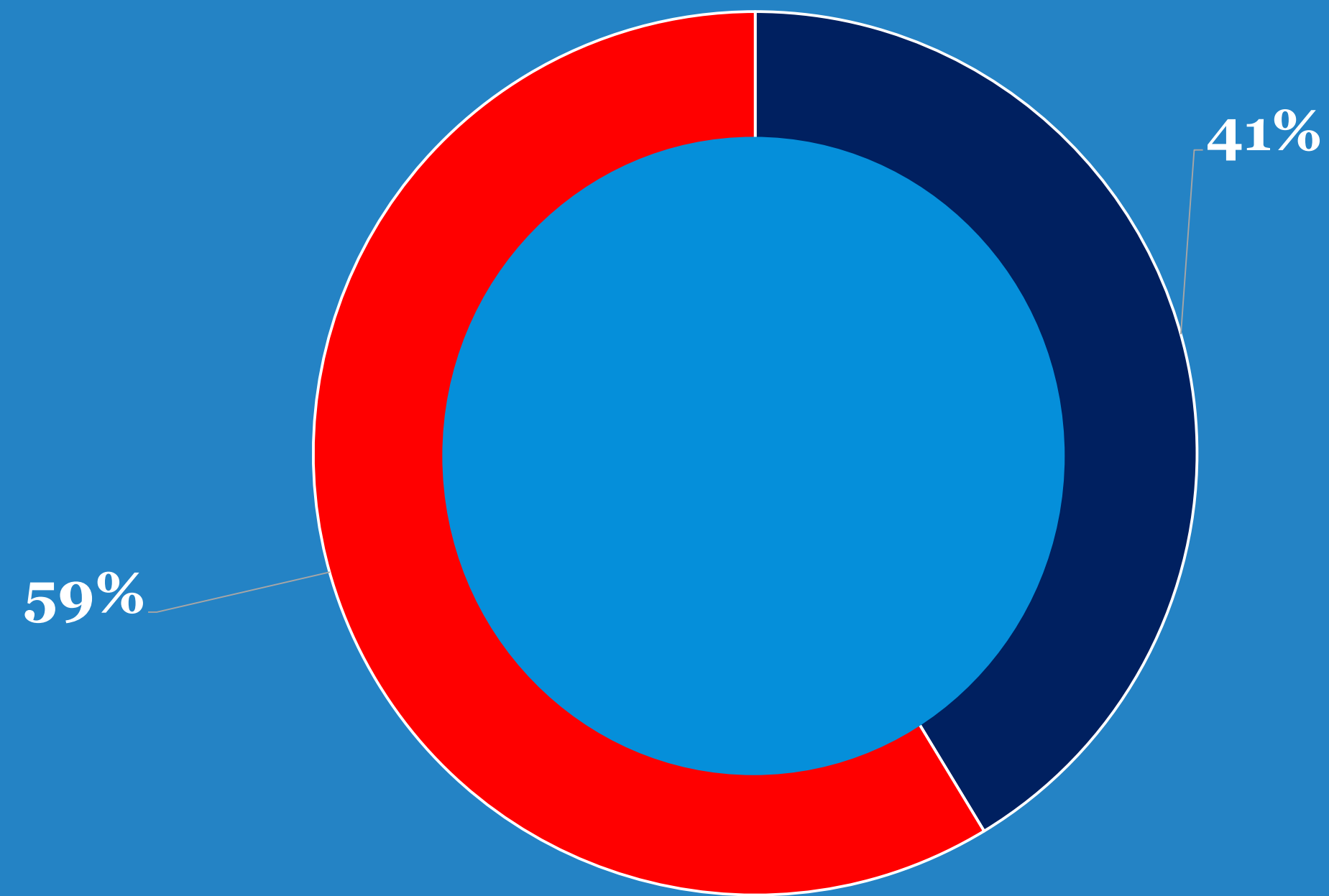
NOIDA
1,008 units
-66% YoY

GHAZIABAD
955 units
-69% YoY

GREATER NOIDA
1,885 units
-78% YoY

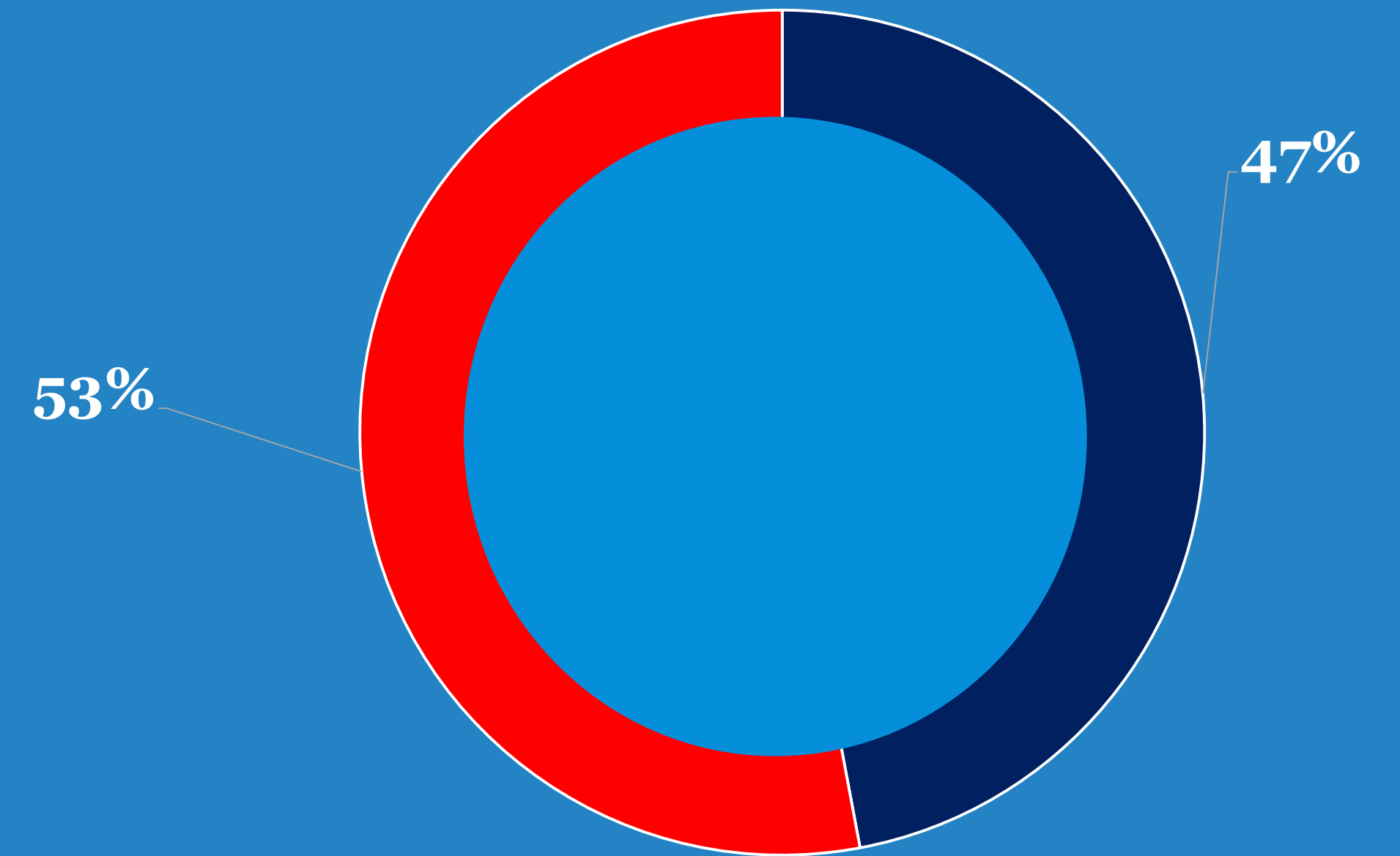
Share of products <INR 5 mn in sales declines

H1 2020



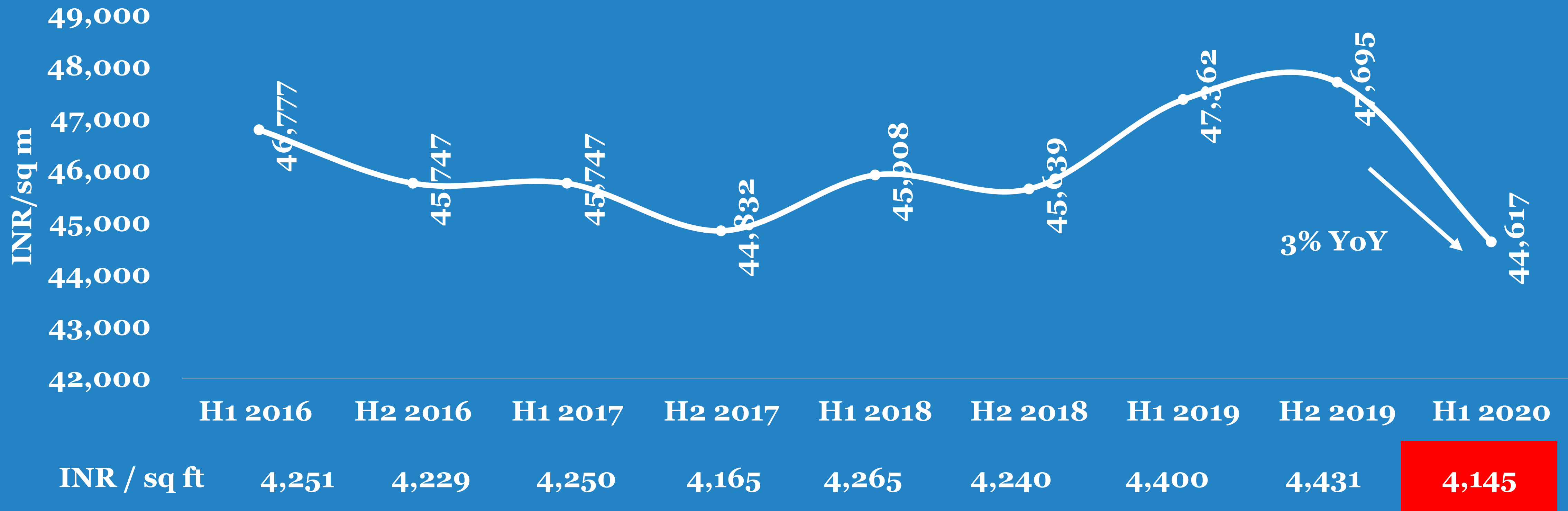
■ <5 mn ■ >5 mn

H1 2019



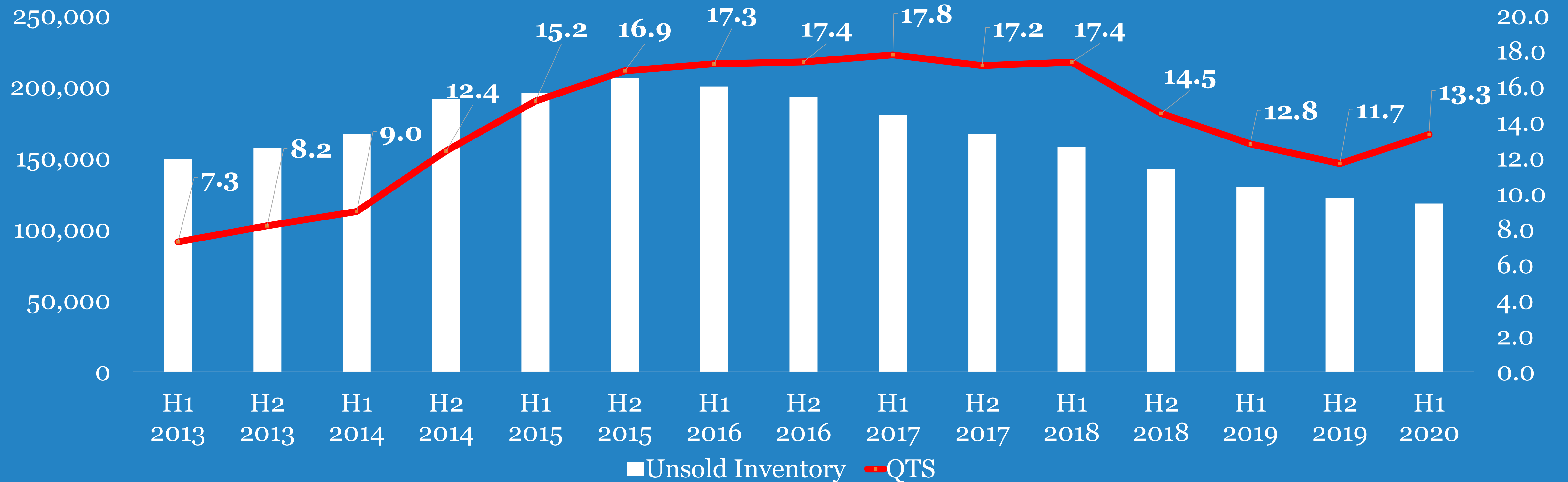
■ <5 mn ■ >5 mn

Weighted average residential prices decline



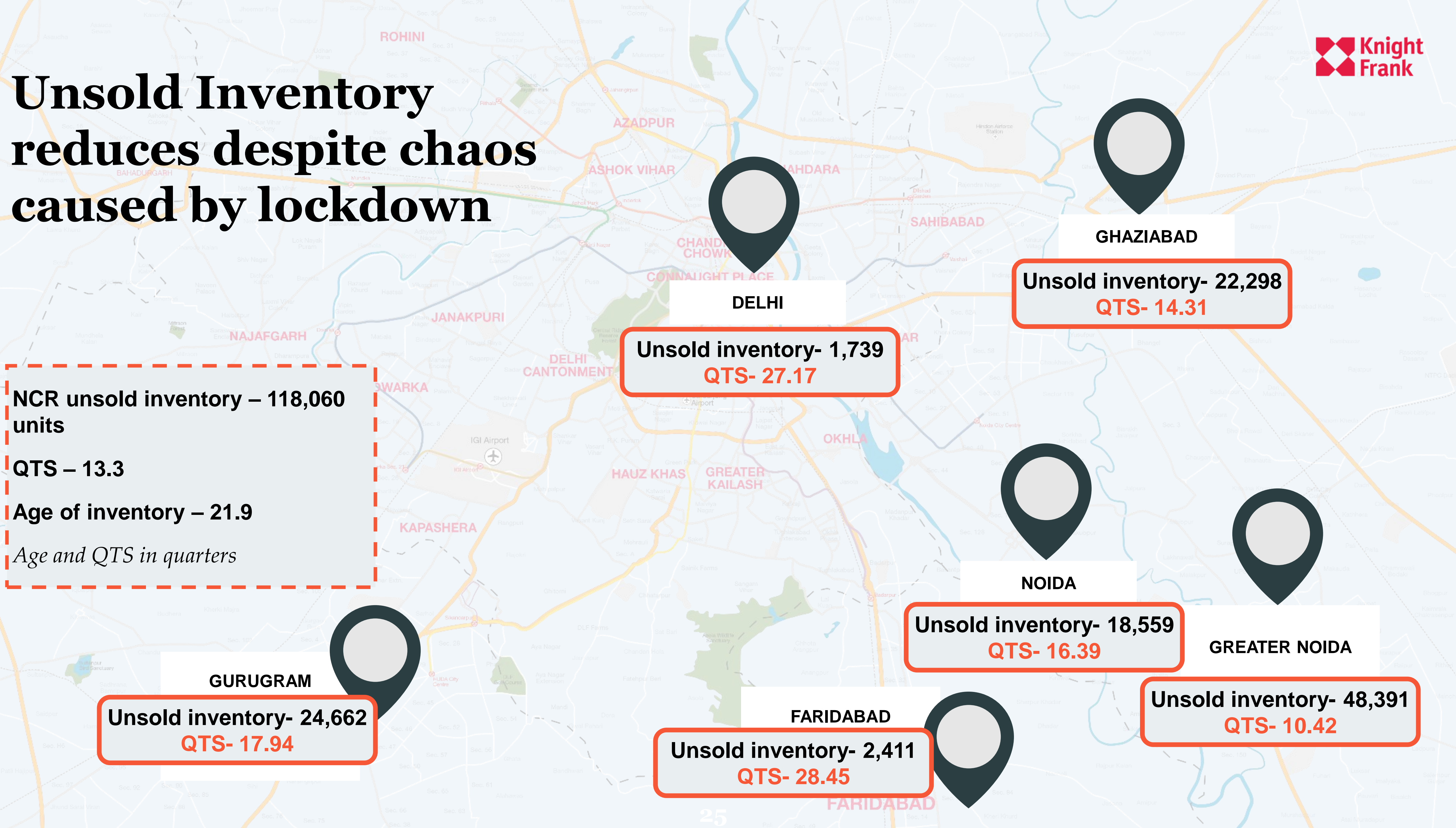
- No change in quoted prices but cash discounts at the negotiation stage in the range of 10-20%
- Possession-linked payment plans (PLPs) such as 10:90 ratio offer indirect discounts and surety especially in these challenging times

Unsold inventory continues to decline in chaotic 2020; QTS changes course



Unsold Inventory reduces despite chaos caused by lockdown

NCR unsold inventory – 118,060 units
QTS – 13.3
Age of inventory – 21.9
Age and QTS in quarters



Key Findings

Launches decline

Sales adversely impacted by lockdown; EOI conversion the major hope for developers

Discount being offered on a case to case basis; quoted prices decline marginally

