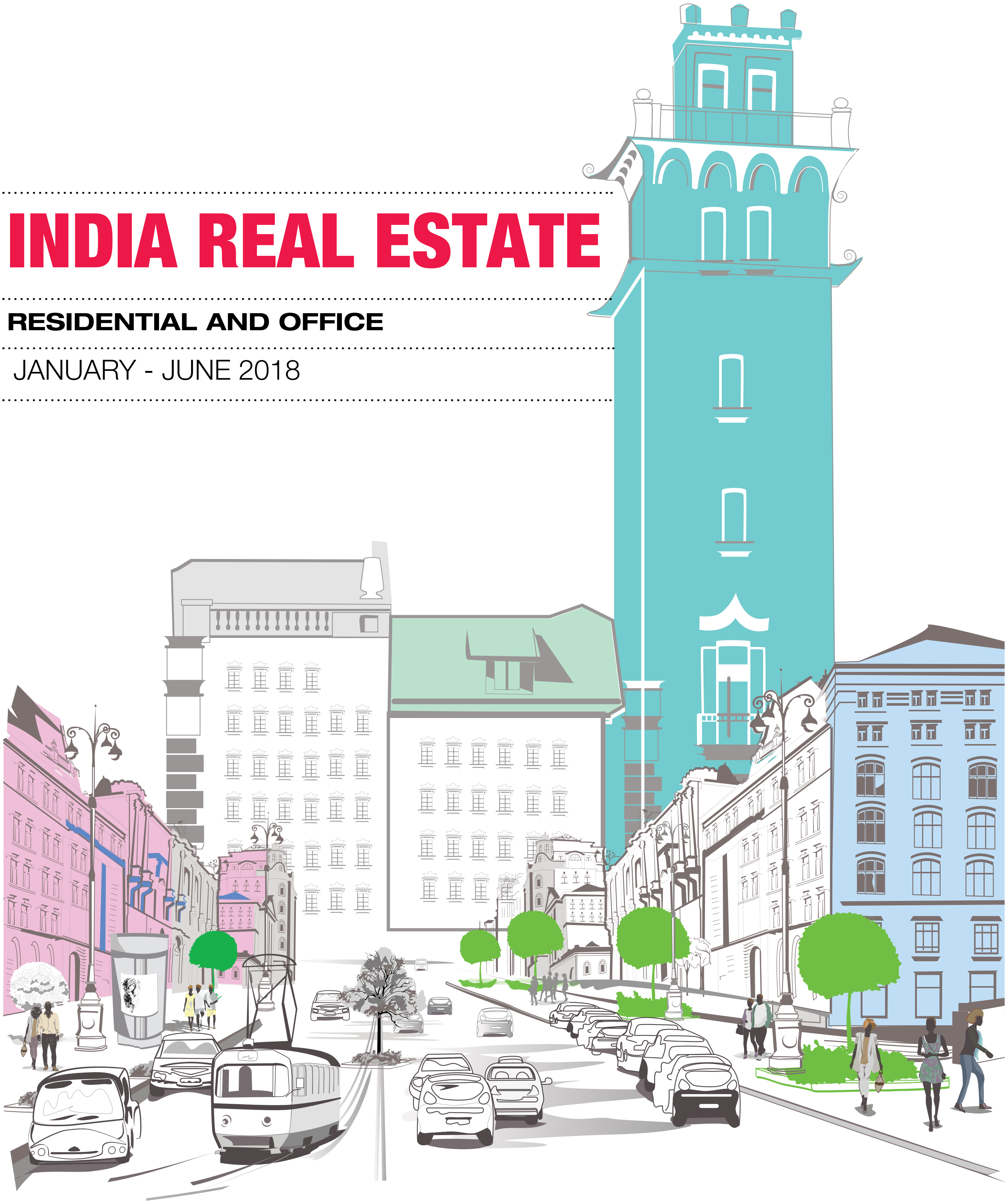
RESEARCH

Knight Frank

INDIA REAL ESTATE

RESIDENTIAL AND OFFICE

JANUARY - JUNE 2018



AHMEDABAD | BENGALURU | CHENNAI | HYDERABAD | KOLKATA | MUMBAI | NCR | PUNE

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TABLE OF CONTENTS

RESIDENTIAL MARKET

46%

YoY increase in units launched during H1 2018

INDIA MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	91,739	46%
Sales (housing units)	124,288	3%
Unsold inventory (housing units)	497,289	-17%
Quarters to sell (QTS)	11.2	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

3%

YoY increase in sales during H1 2018

Both sales and launches have grown over the past 18 months and are at their highest level since the demonetisation period at approximately 124,000 and 92,000 units respectively.

- The Indian residential market volumes have been spiralling down and breaching new lows in terms of supply and sales for practically every successive year in this decade. An investor frenzy in the early part of this decade inspired a prolonged focus of developers in launching lifestyle projects targeted at the premium segment at progressively higher prices. These prices eventually reached unsustainable levels causing end-user demand to crack and price growth to taper down and head into negative territory as end-users and investors alike stayed away from the market over the past 3 years.
- Developers, in cognizance of this weakening demand scenario and mounting unsold inventories, have been concentrating on freeing up capital locked in inventory, at increasingly lower prices and holding off new launches to alleviate mounting financial stress. There has also been a more concerted effort by this community to decrease ticket sizes by constricting unit sizes and reducing prices in response to the market's demands.
- This redirected focus of developers on increasingly launching and re-pricing projects at lower ticket-sizes, that cater to the needs of the bulk of the home-buyers, has been paying dividends.

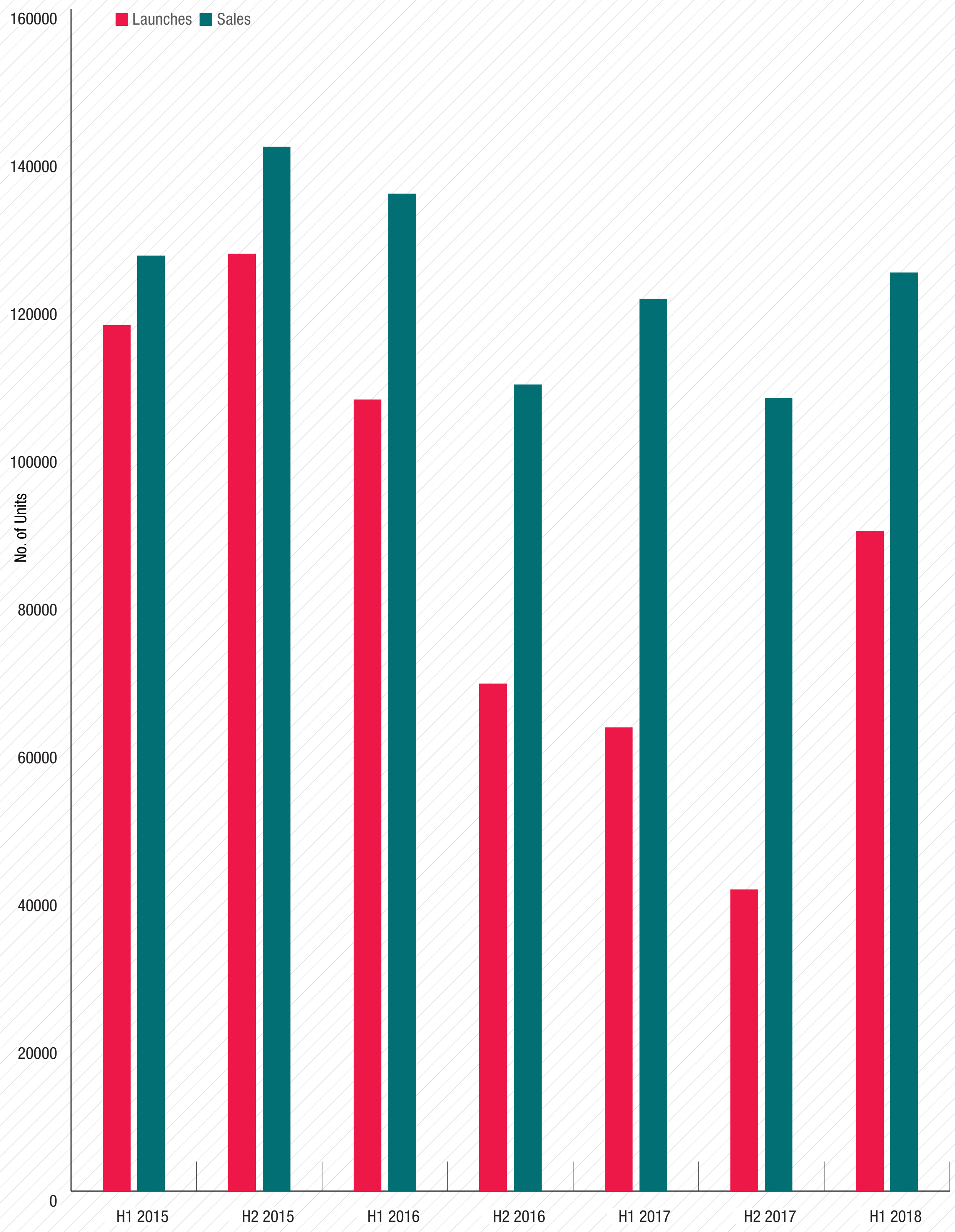
17%

YoY drop in unsold inventory levels

Growing at 128% YoY, the Mumbai residential market accounted for a massive 40% of the total units launched in the 8 cities under coverage during H1 2018. This surge is primarily due to the temporary lifting of the ban on new constructions since March 2018 in the Mumbai municipal area

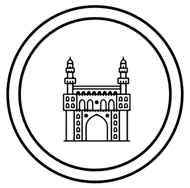
- The government has aggressively pushed a culture of transparency through measures such as Demonetisation, Goods and Services Tax (GST) and the Real Estate (Regulation and Development) Act, 2016 (RERA) that have helped shore up home-buyer confidence. The government's 'Housing for All scheme by 2022 and the granting of infrastructure status to the affordable housing sector have also been aimed at boosting housing supply for the low and mid-income segments, and improving affordability of the home-buyer.
- While these measures have helped home-buyer sentiment, they have irrevocably changed the business of real estate for the developer. The developers' community is coming to terms with these unprecedented events and just beginning to stabilise and find its footing.
- This period of stabilisation, right-sizing and right-pricing of new residential product and improving home-buyer sentiment due to increased transparency have culminated in a 45% YoY growth in units launched during H1 2018 and a more modest 3% YoY growth during the same period for sales. The YoY growth in supply is especially exceptional considering that the preceding 3 periods have averaged an equally steep 43% YoY drop in supply volumes due to the reasons detailed above.
- Both sales and launches have grown over the past 18 months and are at their highest level since the demonetisation period at approximately 124,000 and 92,000 units respectively.
- Growing at 128% YoY, the Mumbai residential market accounted for a massive 40% of the total units launched in the 8 cities under coverage compared to 25% in the previous period. This surge in launches is primarily due to the temporary lifting of the ban on new constructions since March 2018 in the Mumbai municipal area. Notably, Pune and Hyderabad also saw the number of units launched grow by 78% and 44% respectively, a growth number that looks inordinately large due to the low base of H1 2017.
- While the Mumbai residential market also experienced the largest sales volume among all the cities, the most YoY growth was experienced by Bengaluru at 22%. The home-buyer in this city has been especially receptive to the relaxations in the qualification criteria for projects under the PMAY, such as interest subsidies and increase of the extent of carpet area to 160 square metres for MIG – I and 200 square metres for MIG – II.
- The current QTS level stands marginally lower at 11.3 quarters at the end of H1 2018, ame as the previous year; however one must also consider the entire time taken by a developer from launch to the complete sale of a project that is considered the life cycle of a project from the developer's perspective. The project life cycle for the 8 cities under review has increased from 24.4 to 27.4 quarters which shows that in H1 2018, it takes more time for a developer to exit a project compared to a year ago. All cities show a worsening trend based on this parameter, with the exception of Hyderabad and Chennai where the market downturn seems to be easing off.

INDIA MARKET ACTIVITY



Source: Knight Frank Research

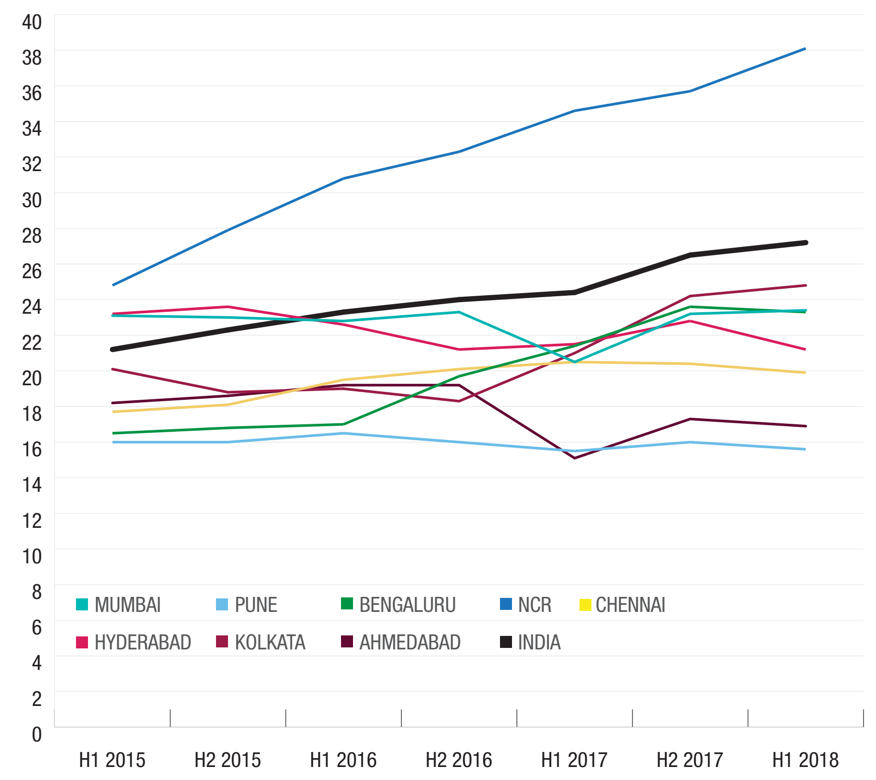
- Weighted average prices have fallen an average of 3% across cities with Mumbai seeing the most decline at 9% YoY. Hyderabad saw prices move up 8% due to record sales during this period, most of which took place in the higher priced, ready to move in stock. This effectively also caused unsold inventory levels in Hyderabad to fall 44% YoY, the highest among all cities under coverage.
- During the last four years, the growth in residential prices in most of the top eight cities of India has been below retail inflation growth and the gap has progressively increased since H1 2016, with exception of Hyderabad. The long-awaited drop in prices is a healthy step toward market recovery as this along with other measures such as reduction in unit sizes across cities will boost home-buyer affordability and eventually get buyers back to the market. The pace at which developers continue to align themselves to the market's regulatory norms and launch new products in the right ticket sizes that appeal to the homebuyer's interests, will determine the trajectory of the market going forward.



8%

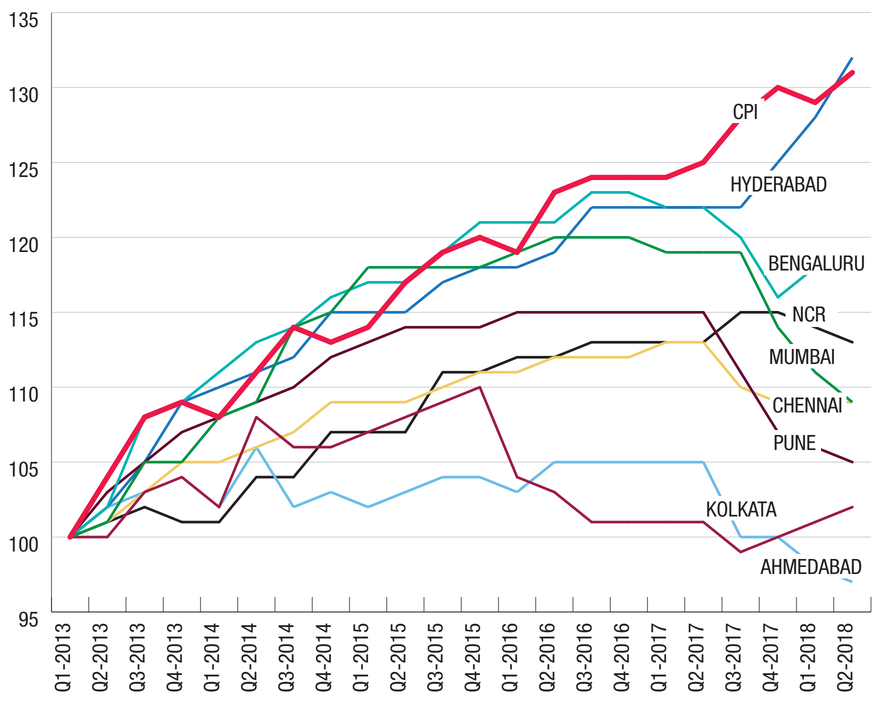
Hyderabad the only city showing significant price growth in India

PROJECT LIFE CYCLE



Source: Knight Frank Research

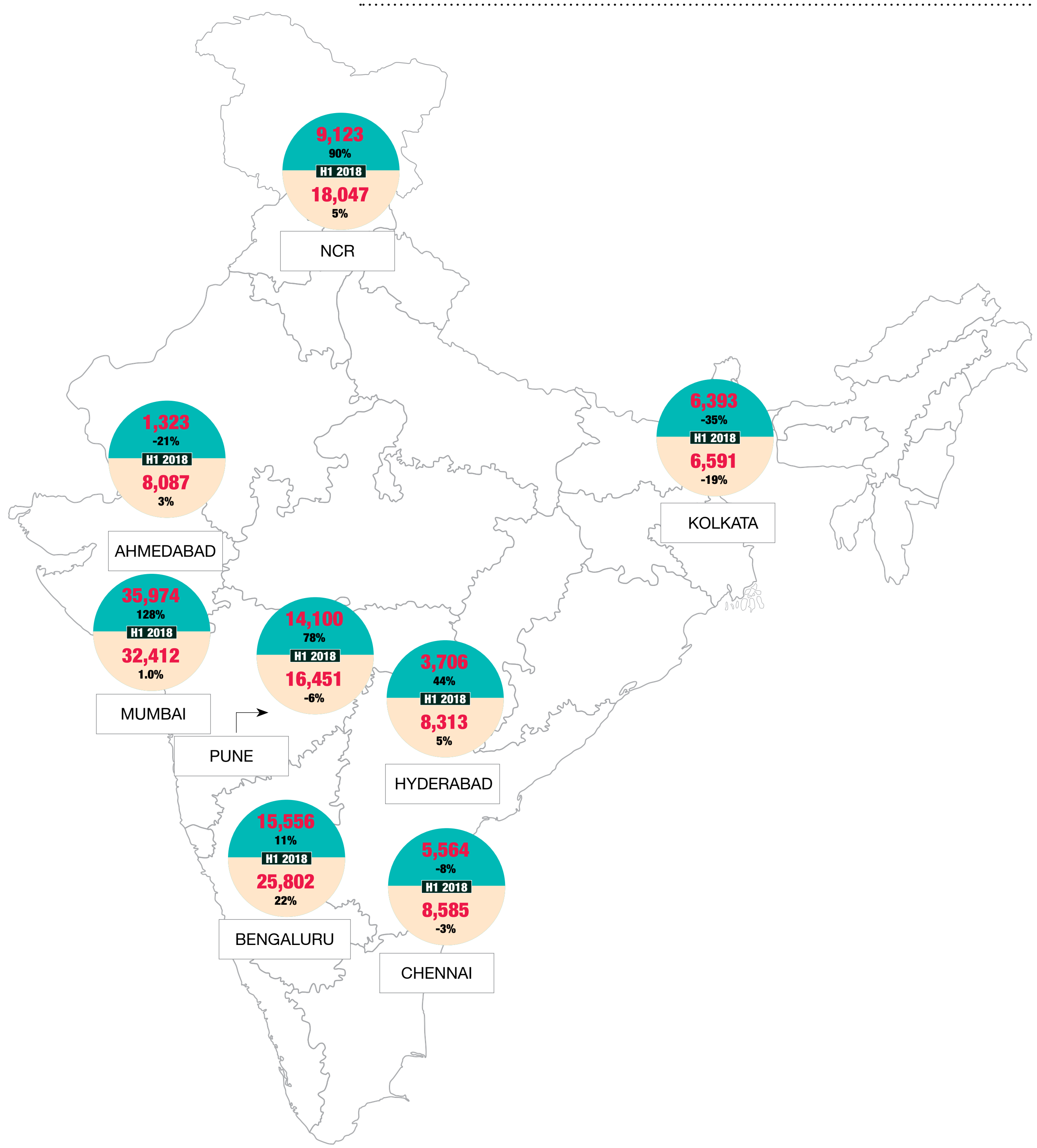
CONSUMER PRICE INFLATION ABOVE REAL ESTATE PRICE GROWTH FOR MOST MARKETS



Source: Knight Frank Research

RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) Sales (housing units) % Change (YOY)



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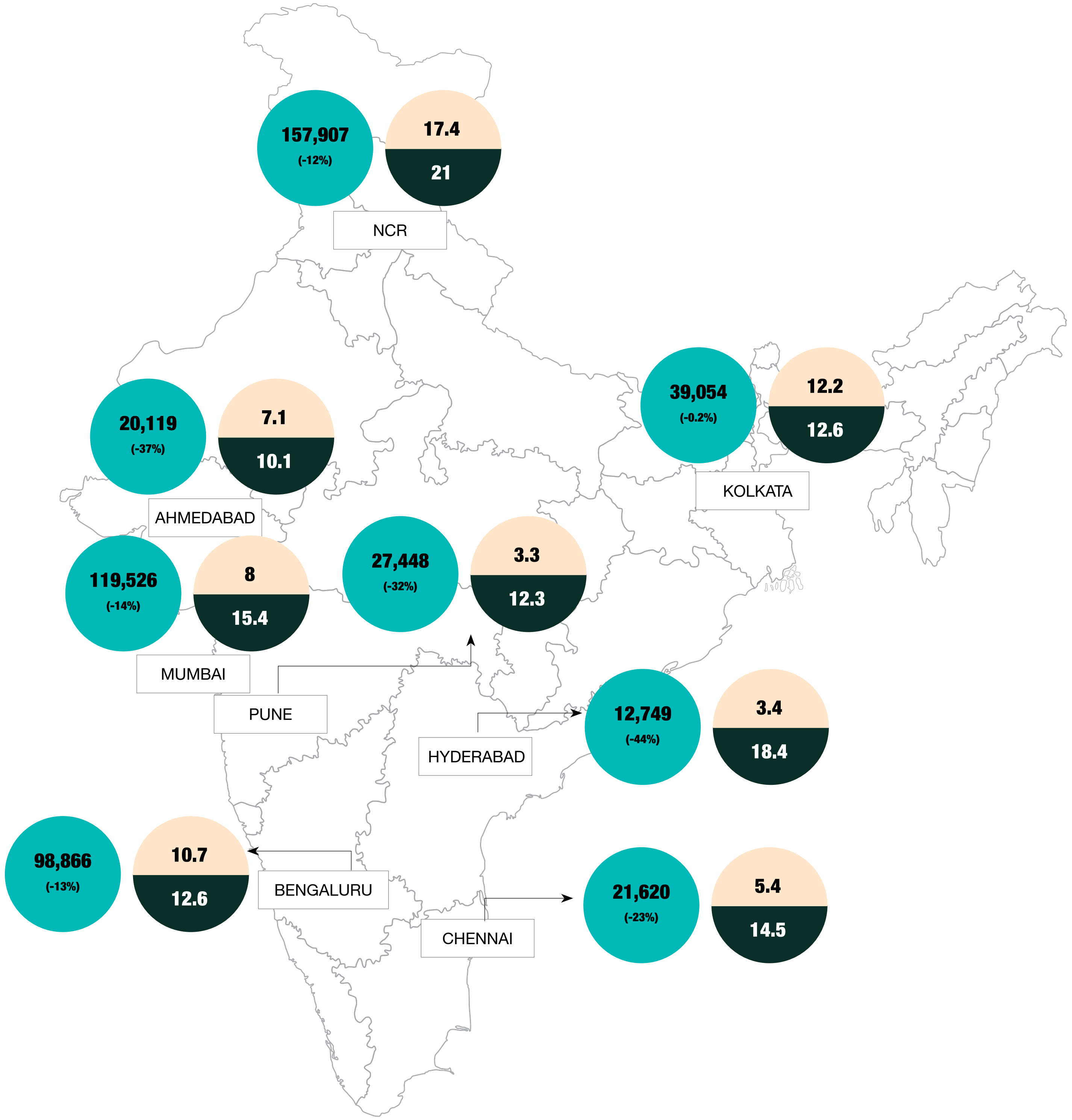
RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) QTS (in quarters) Age of inventory (in quarters)



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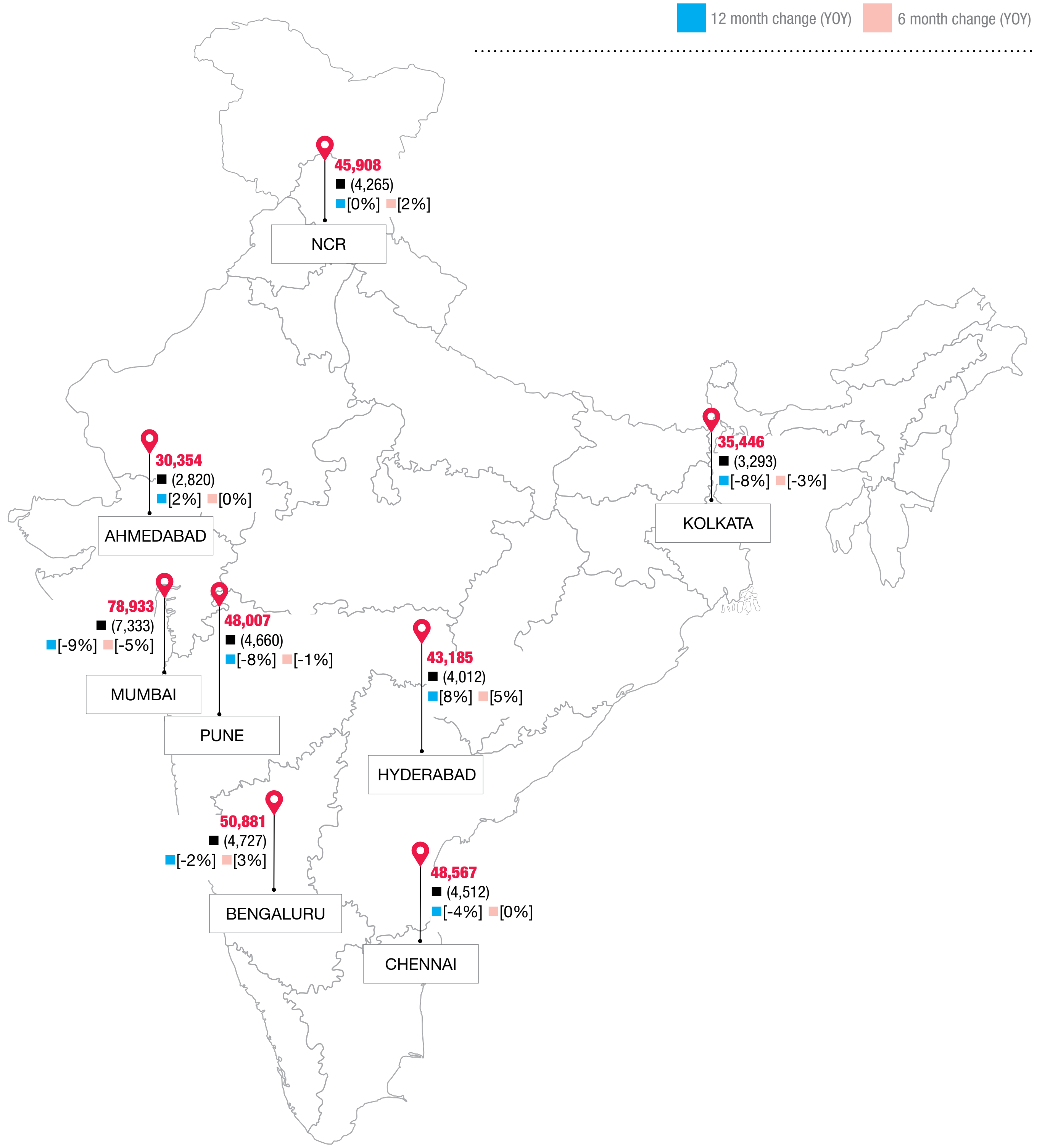
RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m Price range in H1 2018 in (₹/sq ft)

12 month change (YOY) 6 month change (YOY)



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OFFICE MARKET

5%

YoY Growth in rental levels during H1 2018

The Indian office space market saw 2.0 mn sq m (21.7 mn sq ft) of transactions registering a healthy 13% growth YoY while 1.7 mn sq m (18.2 mn sq ft) of office space came online during the same period.

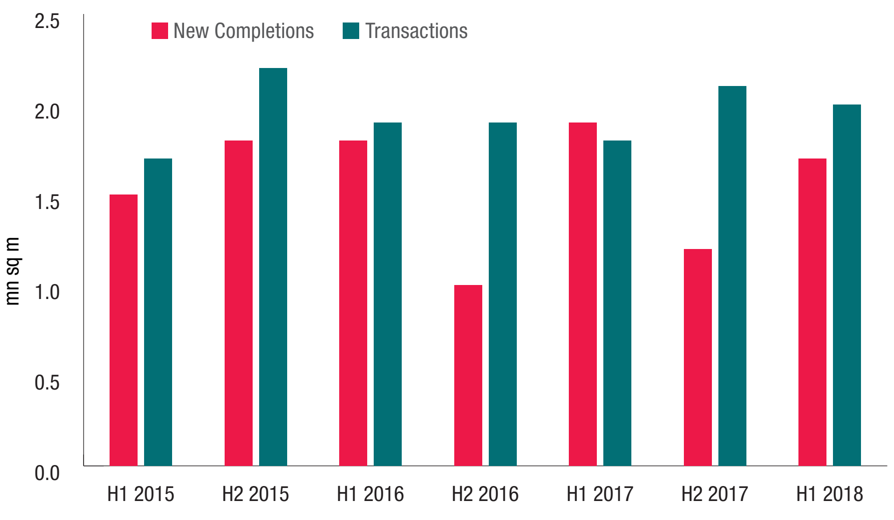
INDIA MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	1.7 (18.2)	-10%
Transactions mn sq m (mn sq ft)	2.0 (21.5)	12%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	779 (72)	5%
Stock mn sq m (mn sq ft)	60.4 (650)	-
Vacancy (%)	12.1%	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

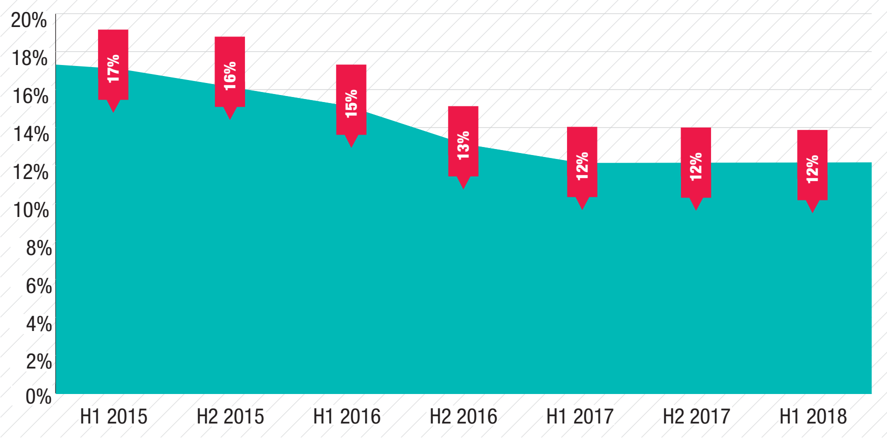
- Supply of quality office space has been the bane of the Indian office space market in recent years as occupiers have been hard pressed to find viable options across markets. A steady demand scenario in the face of consistently low supply volumes has pushed down vacancy levels from 19.4% in H1 2013 to 12.1% in H1 2018.
- Consistently falling since H1 2013, the vacancy level is close to its decadal low. The lack of fresh office space is most visible in the IT/ITeS sector dominated markets of Bengaluru, Pune and Hyderabad that currently have single digit vacancy levels at 3.5%, 5.7% and 6.8% respectively while Chennai stands precariously poised at 11%.
- Office space development has traditionally lost out to residential development due to the much longer gestation period that an office property requires to stabilize and achieve its full market valuation. Comparatively, a residential developer can look forward to exit from his investment over a much shorter time horizon. Even private equity investors have been more inclined to acquire stabilized assets as an overwhelming 89% of their investments have been routed toward the acquisition of already matured assets.

INDIA OFFICE MARKET ACTIVITY



Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

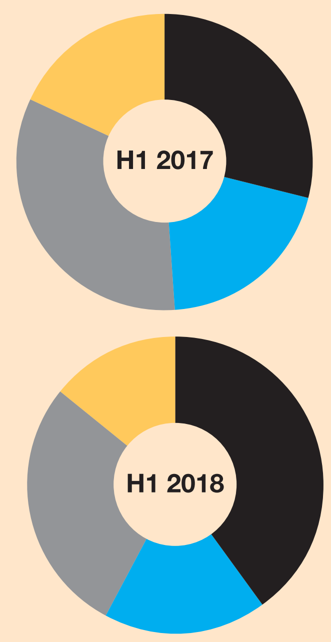
INDIA OFFICE MARKET VACANCY



Source: Knight Frank Research

- The Indian office space market saw 2.0 mn sq m (21.7 mn sq ft) of transactions registering a healthy 13% growth YoY hile 1.7 mn sq m (18.2) mn sq ft) of office space came online during the same period. The highest spurt in transactions was experienced by the Pune office market that grew at 118% YoY, primarily due to a 0.1 mn sq m (1.1 mn sq ft) lease inked by a BFSI sector major during H1 2018.
- Strong transactions growth also spurred rentals during the period that grew at a robust 5% YoY during H1 2018. Led by the Bengaluru office market, all markets with the exception of Mumbai experienced healthy growth in rentals during the period. With the lowest vacancy levels among all markets, the Bengaluru office market saw rentals vault by a remarkable 17% thanks largely to corporates taking up space in the higher priced CBD and Off-CBD business districts. Companies have also been entering en masse into pre-commitments to lock in prime office space in this extremely supply constrained market.
- The IT/ITeS sector share in transactions has increasingly been showing signs of weakening in recent periods due to macro headwinds in the form of a slowdown in spending as well as an inclination to insource by the USA and several European countries. Losing ground since H2 2016, it accounted for 28% of the transacted volume during H1 2018 compared to the 33% in the previous period.
- The share of the Other Services sector has been consistently growing and has eclipsed that of the IT/ITeS sector during H1 2018 by taking up 40% of the in the recently concluded period on the back of increased take-up by ecommerce and co-working companies.
- The co-working sector took up 0.3 mn sq m (2.8 mn sq ft), which translates to a significant 32% of the space transacted by the other services sector or 13% of the total space transacted during H1 2018.

SECTOR-WISE SPLIT OF TRANSACTIONS

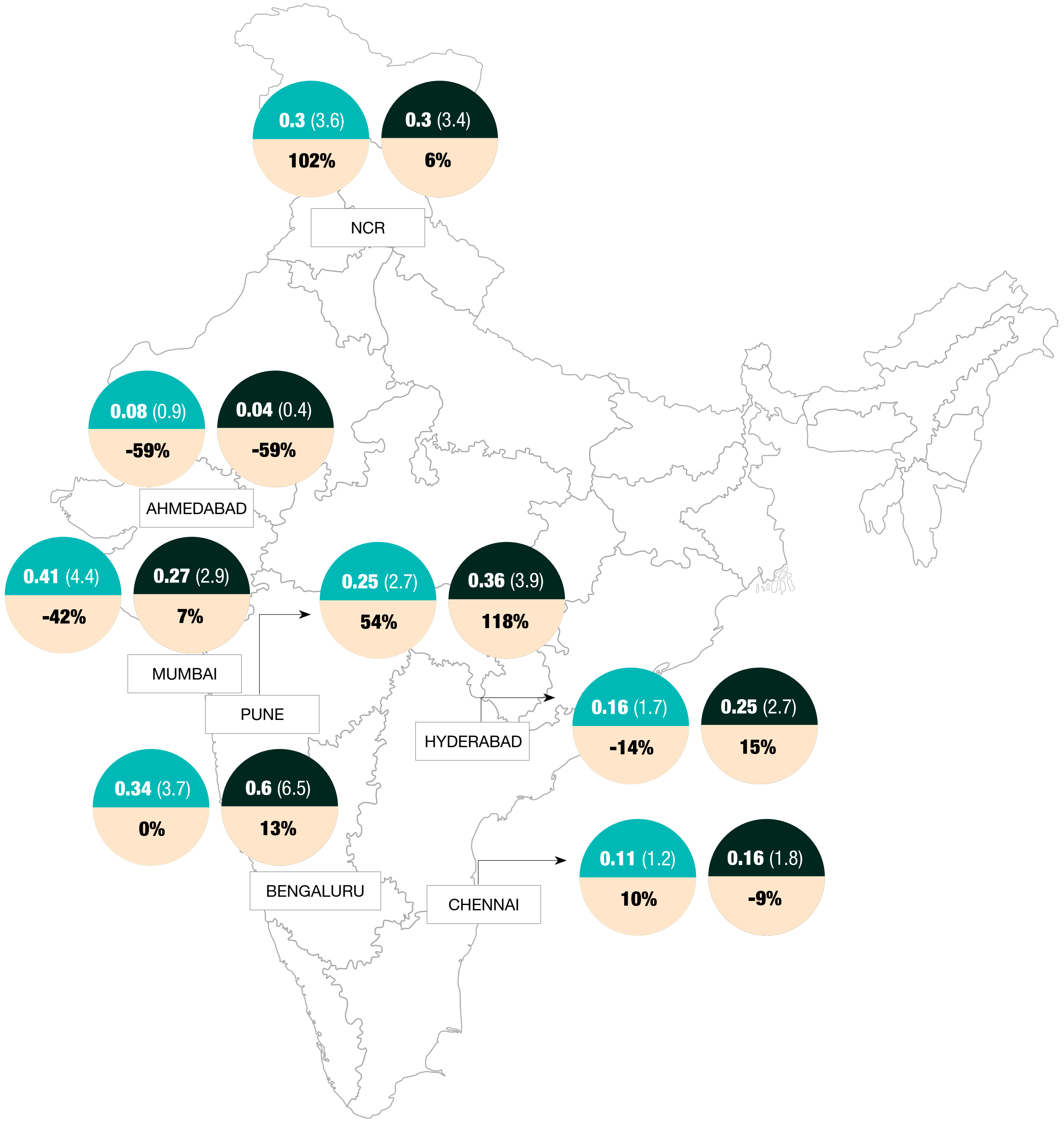


Industry	H1 2017	H1 2018
BFSI	20%	18%
IT/ITES	33%	28%
Manufacturing	18%	14%
Other Services	29%	40%

Note: BFSI includes BFSI support services

OFFICE TRANSACTIONS H1 2018

Completions mn sq m (mn sq ft) Transactions mn sq m (mn sq ft) YoY change



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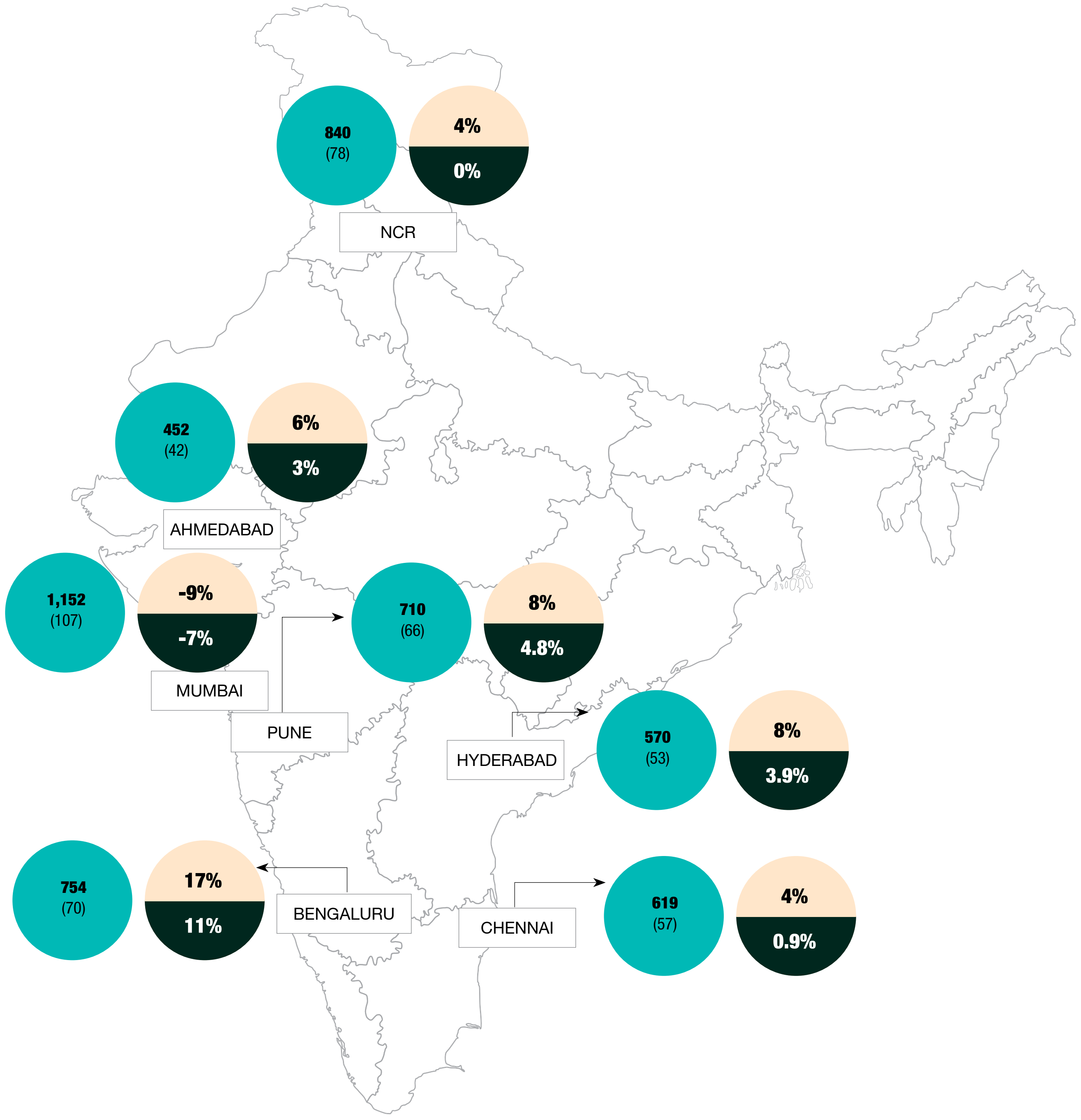
OFFICE RENTAL H1 2018

Rental value range in H1 2018 in ₹/sq m/month (₹/sq ft/month) 12 month change 6 month change



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AHMEDABAD

RESIDENTIAL MARKET

95%

Drop in new launches in H1 2018, from the peak levels during H1 2018

AHMEDABAD MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	1,323	-29%
Sales (housing units)	8,087	2%
Price (weighted average)	₹30,354 sq m (₹2,820/sq ft)	2%
Unsold inventory (housing units)	20,119	-37%
Quarters to sell	7.1	
Age of unsold inventory (in quarters)	10.1	

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

52%

Drop in sales in H1 2018, from the peak levels during H1 2011.

> The drop in new launches has more to do with the market trying to adjust to the new policies rather than any fundamental flaw in the market.

- "This time around there have been very few new launches. Advertisements of new projects that used to be in your face, in the past, is missing this time around," stated one of the major players in the city's real estate market. The spark is missing with regards new launched units in the city in H1 2018.
- New launches in H1 2018 were a mere 1,323 units, which is 29% less than the number of units in H1 2017. The numbers do paint a sorry figure but the drop in new launches has more to do with the market trying to adjust to the new policies rather than any fundamental flaw in the market.
- There are a couple of reasons that could be attributed to the drop in new launches in the city. First, under RERA the time taken to launch a project has increased considerably. Further, passing of project plans, both by Ahmedabad Municipal Corporation (AMC) and Ahmedabad Urban Development Authority (AUDA), has been made available online. This initiative is facing teething problems. One, the major stakeholders in the city went to the extent of stating that ever since passing of plans has been made online, no developer has been able to get the necessary approvals. These 2 issues we believe is a passing phase and things should get sorted out soon.
- The western part of the city continued to remain the hotbed for new launches in the city. Of the total launches, in H1 2018, close to 60% happened in West Ahmedabad. During H1 2018 locationsalong Sindhu Bhavan Road, Bopal Ambli Road saw action. Further South Bopal and Sela remained one of the preferred locations in West Ahmedabad. North and East

Ahmedabad, which are comparatively affordable markets in the city, are the other areas that witnessed new launches in H1 2018.

- A major chunk of the new units launched in H1 2018 have been in the affordable housing segment. 71% of the units launched in the city were priced below ₹5 mn. Further, close to 40% of the new launches in the city were priced below ₹2.5 mn. The major reason for the bulk of new launches, in the affordable housing segment, in the city, is the government's initiative to make the land available for such projects.
- The government's initiative is apparent in the General Development Control Regulations, 2021, which came out in late 2014. In order to enhance the supply of affordable housing, a new residential zone for affordable houses (Residential Affordable Housing Zone) was identified within a one-km-wide stretch on the outer side of SP Ring Road covering 76 sq km of area. This overlay zone shall be applicable only for development of affordable housing with unit sizes up to 80 sq m. Apart from this, the area cleared by 38 mill closures in Ahmedabad will also be utilised for affordable housing schemes.

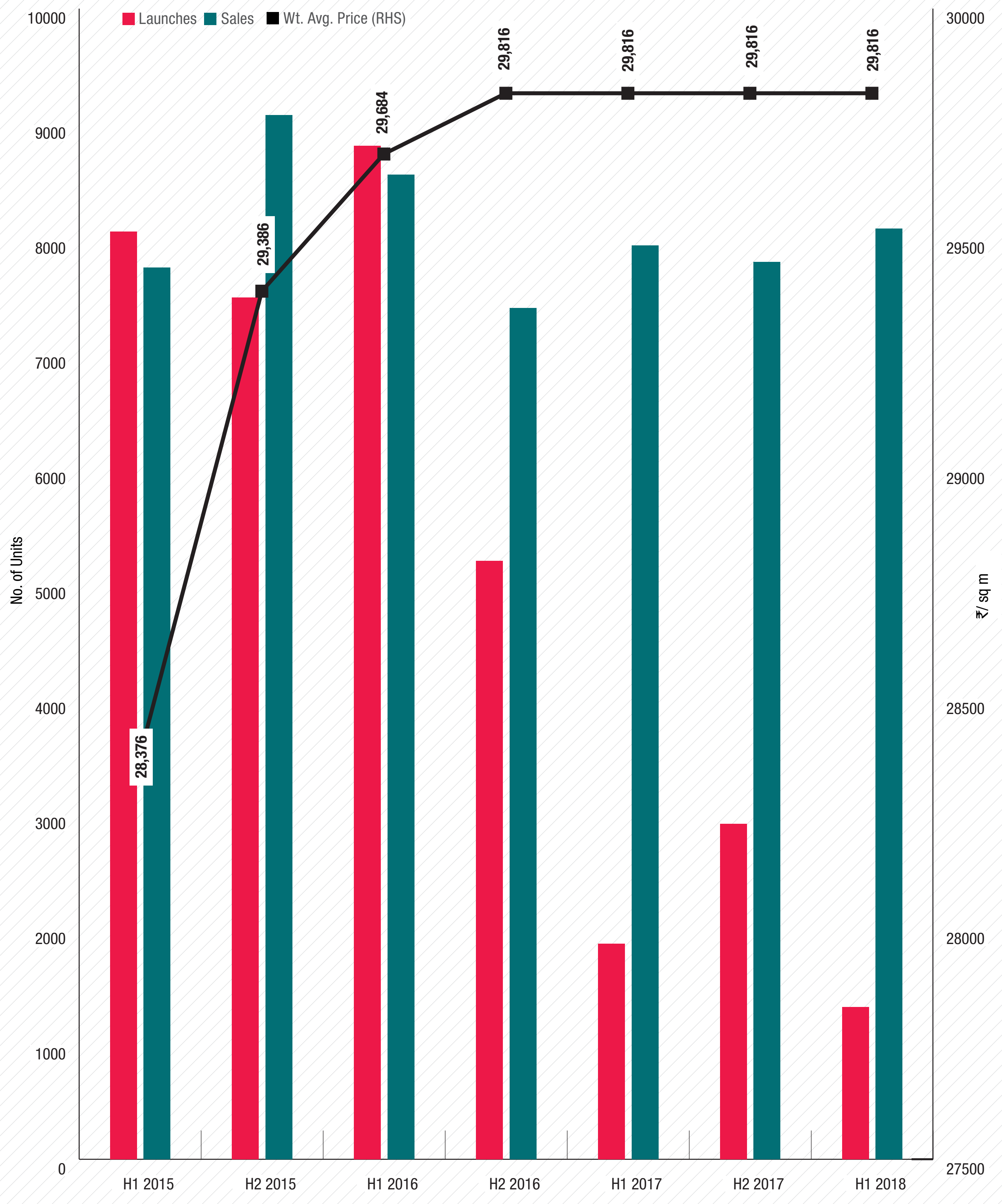
Close to 40% of the new launches in the city were priced below ₹ 2.5 mn. The major reason for the bulk of new launches, in the affordable housing segment, in the city, is the government's initiative to make the land available for such projects.

- While there is not much to cheer about new launches, sales remained steady in H1 2018 compared to H1 2017. In fact, sales in H1 2018 increased by 2% over H1 2017. Prospective homebuyers who were in a wait-and-watch mode have moved in and this, to a great extent, had managed to push up sales marginally in H1 2018.
- Due to subdued market conditions, homebuyers were expecting a reduction in prices. This however, has not happened. In fact, prices have largely remained stable in H1 2018, and compared to H1 2018 have moved up marginally. Most importantly, the dust around policy initiatives like the Real Estate (Development and Regulation) Act, 2016 (RERA) and the Goods and Services Tax (GST) has settled, which has emboldened homebuyers to go head and arrive at the "BUY" decision.
- The affinity of homebuyers towards affordable housing projects is very evident in Ahmedabad. Markets of East and North Ahmedabad, which are largely considered hubs for affordable housing projects, witnessed close to 56% of the sales in H1 2018.
- Due to its proximity to business districts along SG Highway and Sanand, West Ahmedabad in recent years has been a favourite among homebuyers, especially from those with white-collar jobs. Of the total sales in the city, the share of West Ahmedabad in H1 2018 was 28%, which is the same as in H1 2017.
- "This is one of the best times for anyone who wants to buy a house in the city," stated one of the developers. The reasoning is simple, capital values of housing units has not witnessed any change compared to H1 2017, there are various options that one can choose from and most importantly, the interest rate on home loans are still low.
- The low level of new launches and steady sales has had a bearing on the quarters to sell (QTS) and the existing unsold inventory. In H1 2017, the QTS stood at 7.7 and this has come down to 7.1 in H1 2018. At present, the city has more than 20,000 unsold units, which are in various stages of construction.
- East Ahmedabad is one of the better performing markets in the city, which attests the homebuyers' affinity towards affordable houses. This micro market has a low QTS of 6.5 and its age of inventory is 9.6. Affordable pricing coupled with easy access to major employment hubs and integrated development has helped this micro market in attracting homebuyers.
- In H1 2018, North Ahmedabad has the highest level of inventory. This however, should not be much of a concern because its QTS is only 7.5 and the age of inventory is only 9.0. This micro market along with East Ahmedabad has emerged as a major hub for affordable housing projects and as already indicated earlier is a favourite among homebuyers.
- Like North Ahmedabad, the western part of the city too has a high level of unsold inventory but in the recent past this micro market has witnessed a lot of traction. It is a preferred location for people working in GIDC Sanand and companies located along SG Highway.

29%

Drop in new launches in H1 2018 compared to H1 2017

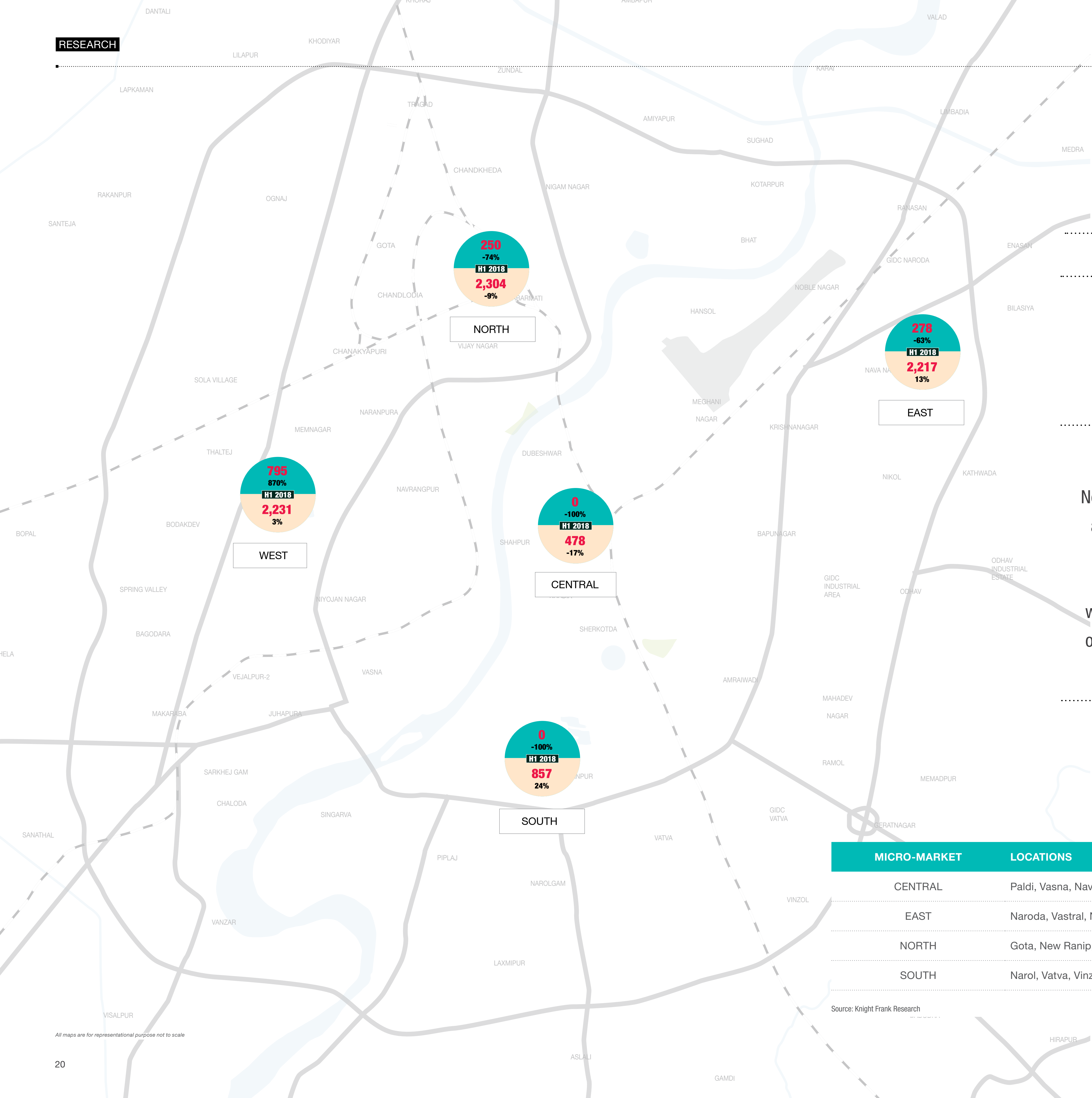
AHMEDABAD MARKET ACTIVITY



Source: Knight Frank Research

RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) Sales (housing units) % Change (YOY)



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Markets of East and North Ahmedabad, which are largely considered hubs for affordable housing projects, witnessed close to 56% of the sales in H1 2018.

02%

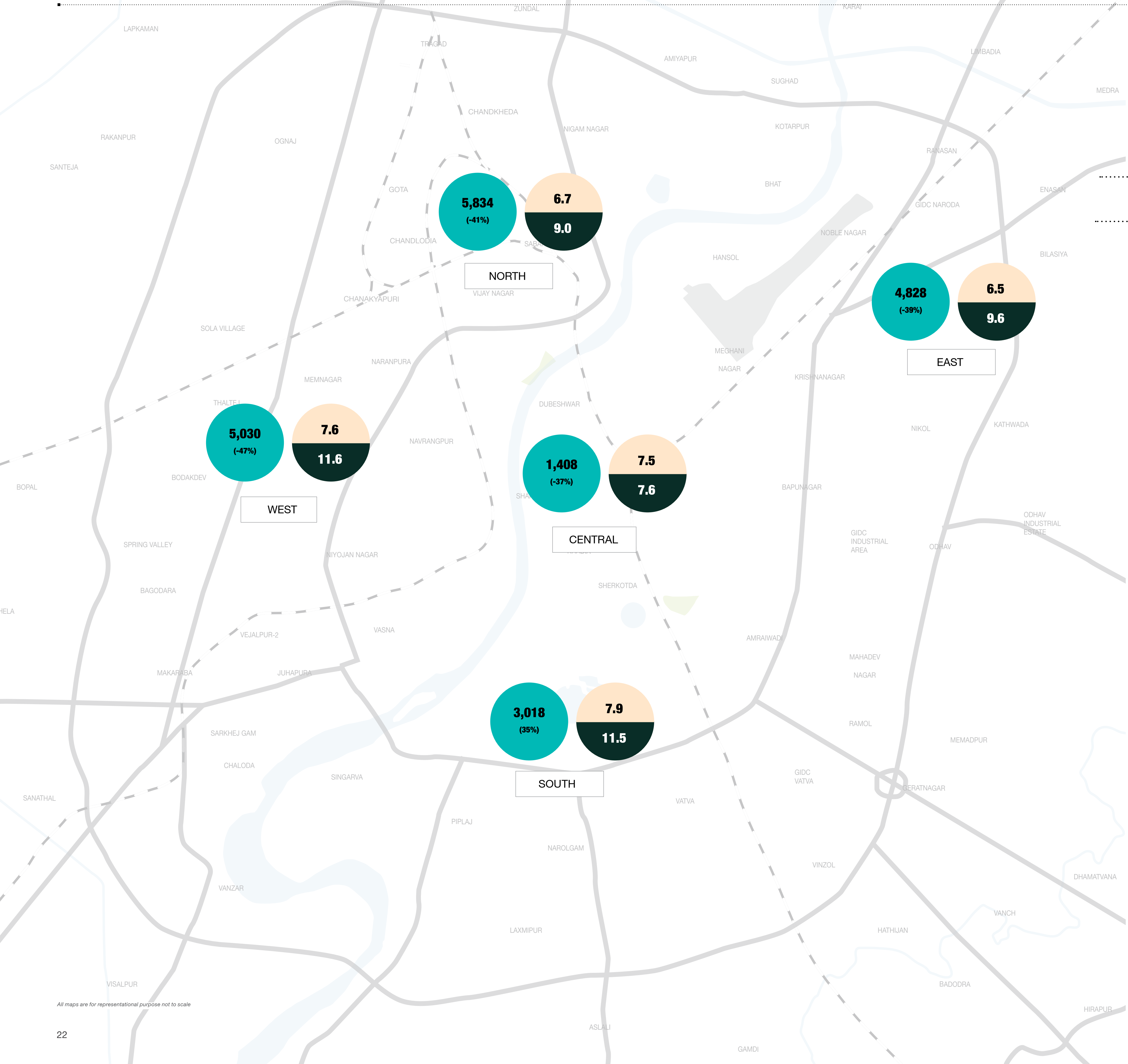
Increase in sales in H1 2018, compared to H1 2017

MICRO-MARKET	LOCATIONS
CENTRAL	Paldi, Vasna, Navrangpura, Maninagar, Dudheshwar, Ambawadi
EAST	Naroda, Vastral, Nikol, Kathwada Road, Odhav
NORTH	Gota, New Ranip, Tragad, Chandkheda, Motera
SOUTH	Narol, Vatva, Vinzol, Hathijan

Source: Knight Frank Research

RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) QTS (in quarters) Age of inventory (in quarters)



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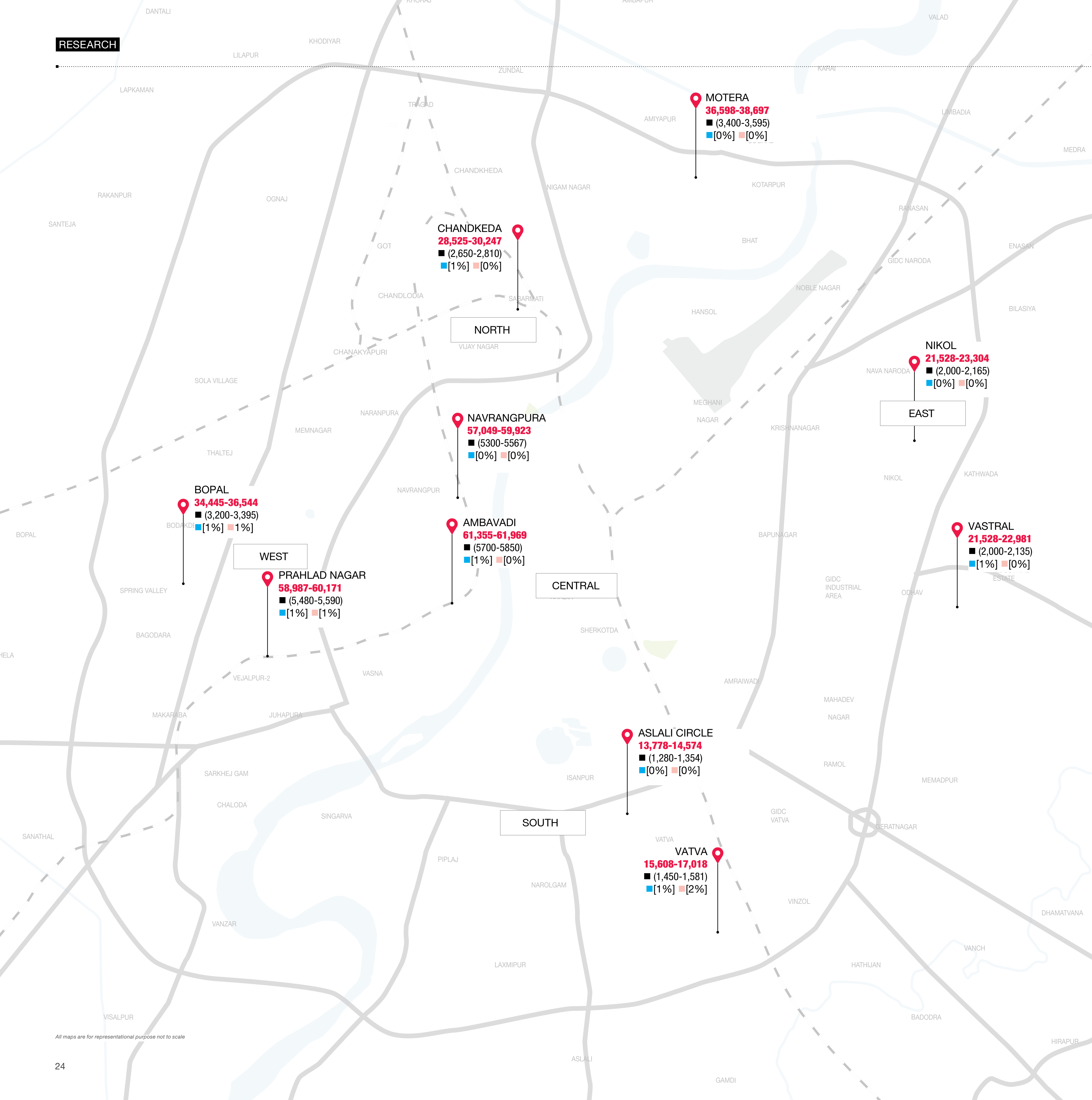
37%

Drop in unsold inventory in H1 2018 compared to H1 2017

The western part of the city too has a high level of unsold inventory but in the recent past this micro market has witnessed a lot of traction.

RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m
Price range in H1 2018 in (₹/sq ft)
12 month change (YOY)
6 month change (YOY)



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Due to subdued market conditions, homebuyers were expecting a reduction in prices. This has however, not happened.

59%

Drop in transactions in H1 2018 compared to H1 2017

The Ahmedabad office market witnessed office space transaction of 0.04 mn sq m (0.47 mn sq ft) in H1 2018, which is 59% lower than the space transacted in H1 2017. While it is indeed a substantial fall in office space transaction, it needs to be looked at with a pinch of salt.

OFFICE MARKET

AHMEDABAD MARKET SNAPSHOT

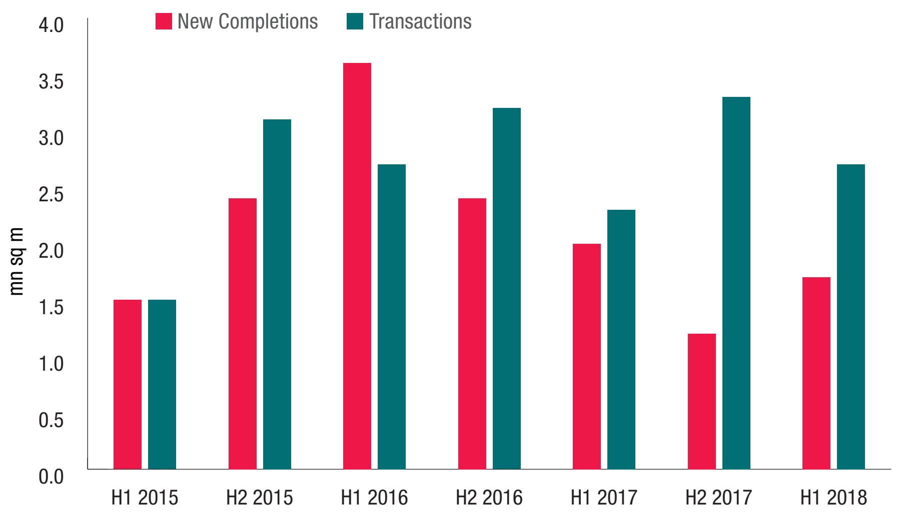
PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	0.08(0.9)	-59%
Transactions mn sq m (mn sq ft)	0.04(0.4)	-59%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	452 (42)	6%
Stock mn sq m (mn sq ft)	1.8 (19.4)	9%
Vacancy (%)	24.63	

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

- The Ahmedabad office market witnessed office space transaction of 0.04 mn sq m (0.47 mn sq ft) in H1 2018, which is 59% lower than the space transacted in H1 2017. While it is indeed a substantial fall in office space transaction, it needs to be looked at with a pinch of salt.
- H1 2017 witnessed a new record, in the amount of office space transacted in Ahmedabad. For the first time office space transaction, in the city, touched 0.11 mn sq m (1.14 mn sq ft). When compared to H1 2016, the fall in transacted office space in H1 2018 is 37%.
- This is a worrying factor because office space transaction in the second half of the year typically falls compared to the first half. This has been the trend since 2016. If this same trend continues in 2018, then it certainly is a cause of worry.

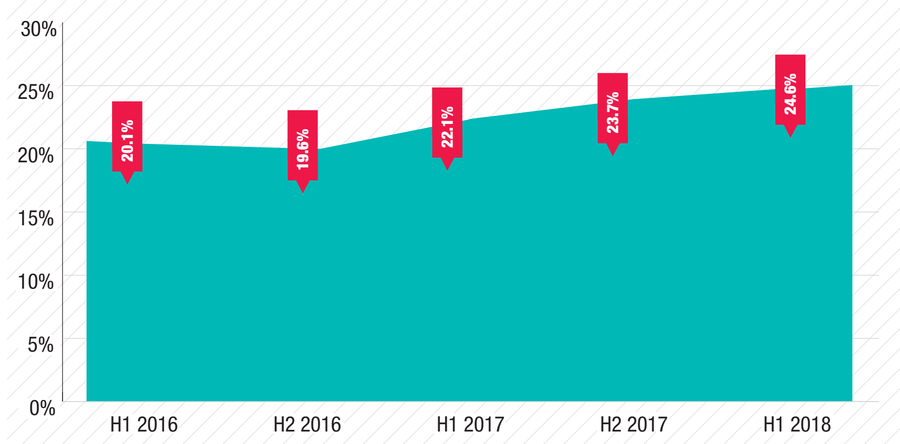
AHMEDABAD OFFICE MARKET ACTIVITY



Note- 1 square meter (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

AHMEDABAD OFFICE MARKET VACANCY



Source: Knight Frank Research

- The steep fall in the amount of office space transacted in H1 2018 can be attributed to the fact, that there were no large transactions. The largest transaction was that of Claris Lifesciences, which took up 0.01 mn sq m (0.1 mn sq ft) of office space. The next largest transaction to happen in H1 2018 was that of Home Credit, which took up 0.006 mn sq m (0.065 mn sq ft) of space.
- New completions on the other hand witnessed a dip of 59% in H1 2018 compared to H1 2017. During H1 2018, only 0.08 mn sq m (0.9 mn sq ft) of office space entered the market compared to 0.2 mn sq m (2.2 mn sq ft) in H1 2017. During H1 2018, new office completions were completed in only 12 projects, largely in the central business district (CBD) and CBD West.
- Major part of the new supply that got added to the stock came in CBD West along SG Highway, Corporate Road, off CG Road, Drive In Road and Science City Road. Close to 86% of the new supply came up along these locations. The balance 14% came up at Ellis Bridge.

59%

Drop in new completions in H1 2018 compared to H1 2017

Major part of the new supply that got added to the stock came in CBD West along SG Highway, Corporate Road, off CG Road, Drive In Road and Science City Road. Close to 86% of the new supply came up along these locations.

9%

Increase in office stock in H1 2018 compared to H1 2017

Unlike other real estate markets, like Bengaluru and Hyderabad, the office market in Ahmedabad is not driven by the IT/ ITeS sector. The Banking, Financial services and Insurance (BFSI) sector had been the major driver for office space in the city till H2 2017. This has however, changed in H1 2018.

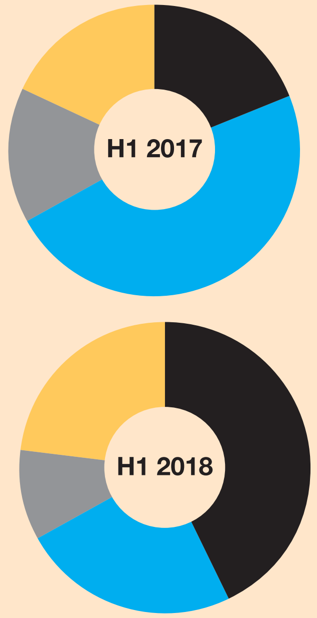
- The office market in Ahmedabad is still in its infancy, compared to urban centres like Mumbai, Bengaluru and Delhi NCR. The necessary infrastructure is in place, and of late, developers have moved in to meet the requirements of companies either moving into the city or expanding their presence in the city. In the present day, this has led to a situation where the supply outstrips demand. This explains the double digit vacancy rates in the city, which has increased slightly since H1 2016. In H1 2018, the vacancy rate in the city is 24.63%, up from 22.16% in H1 2017.
- Unlike other real estate markets, like Bengaluru and Hyderabad, the office market in Ahmedabad is not driven by the IT/ITeS sector. The Banking, Financial services and Insurance (BFSI) sector had been the major driver for office space in the city till H2 2017. This has however, changed in H1 2018. The major driver for office space in the city in H1 2018 is the Other Services sector. Its share in the total transacted office space, in the city, has increased from 19% in H1 2017 to 43% in H1 2018. The interesting part is that co-working space, which is making its presence felt in more mature markets, also made its entry in Ahmedabad, in H1 2018. While there is only one transaction for co-working space in the city, the important point is that a beginning has been made.
- The share of the manufacturing sector has improved from 18% in H1 2017 to 23% in H1 2018.
- The share of BFSI has fallen to 24% in H1 2018. In H1 2017, the BFSI sector accounted for 48% of the transacted space in the city. The share of IT/ ITeS sector has also fallen in H1 2018 compared to H1 2017. Its share fell from 15% in H1 2017 to 10% in H1 2017.
- The average deal size in H1 2018 is reported to be 1,064 sq m (11,457 sq ft), which is 47% lower than the average deal size in H1 2017. The number of deals done in H1 2018 also fell to 42 from 54 in H1 2017.
- The drastic dip in the average deal size coupled with lesser number of deals in H1 2018 compared to H1 2017 has resulted in the drop in transacted office space.
- CBD West garnered the largest amount of office space within the city. Of the total transacted office space in the city, CBD West accounted for 97%, thereby making it one of the most preferred business districts in the city. Further within CBD West, SG Highway accounted for 32% of the total transacted office space. This further attests the growing fondness of occupiers towards this part of Ahmedabad. The other micro market that could be a star of the future is Sindhu Bhavan Road. Even though this micro market witnessed only one large transaction, its share in the total transacted space stood at 22%. This area is fast becoming one of the most preferred locations for occupiers and residential developments, which certainly augurs well for this micro market.
- Even though the office market in Ahmedabad is in its infancy, among the early signs of this market steadily growing is that rentals are firming up both in CBD West and the peripheral business district (PBD). Lack of quality office space is creating an upward pressure on rentals in the city.
- Though the office market in the city is considered to be in its nascent stage, there are a couple of transactions where rents have been above ₹ 538/ sq m/month (₹50 per sq ft per month). To give an example, there were a couple of transactions on SG Highway where the rents were above ₹ 646/sq m/month (₹60 per sq ft per month). There was also a transaction on SG Highway which was done at ₹ 700/ sq m/month (₹65 per sq ft per month). Elsewhere, on Corporate Road there were transactions done at ₹ 624/sq m/ month (₹58 per sq ft per month).

BUSINESS DISTRICT CLASSIFICATION

BUSINESS DISTRICT	MICROMARKETS
CBD West	Bodakdev, Keshav Baug, Prahladnagar, Satellite, SG Highway, Thaltej
PBD	Gandhinagar, GIFT City
CBD	Ashram Road, Ellis Bridge, Paldi

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



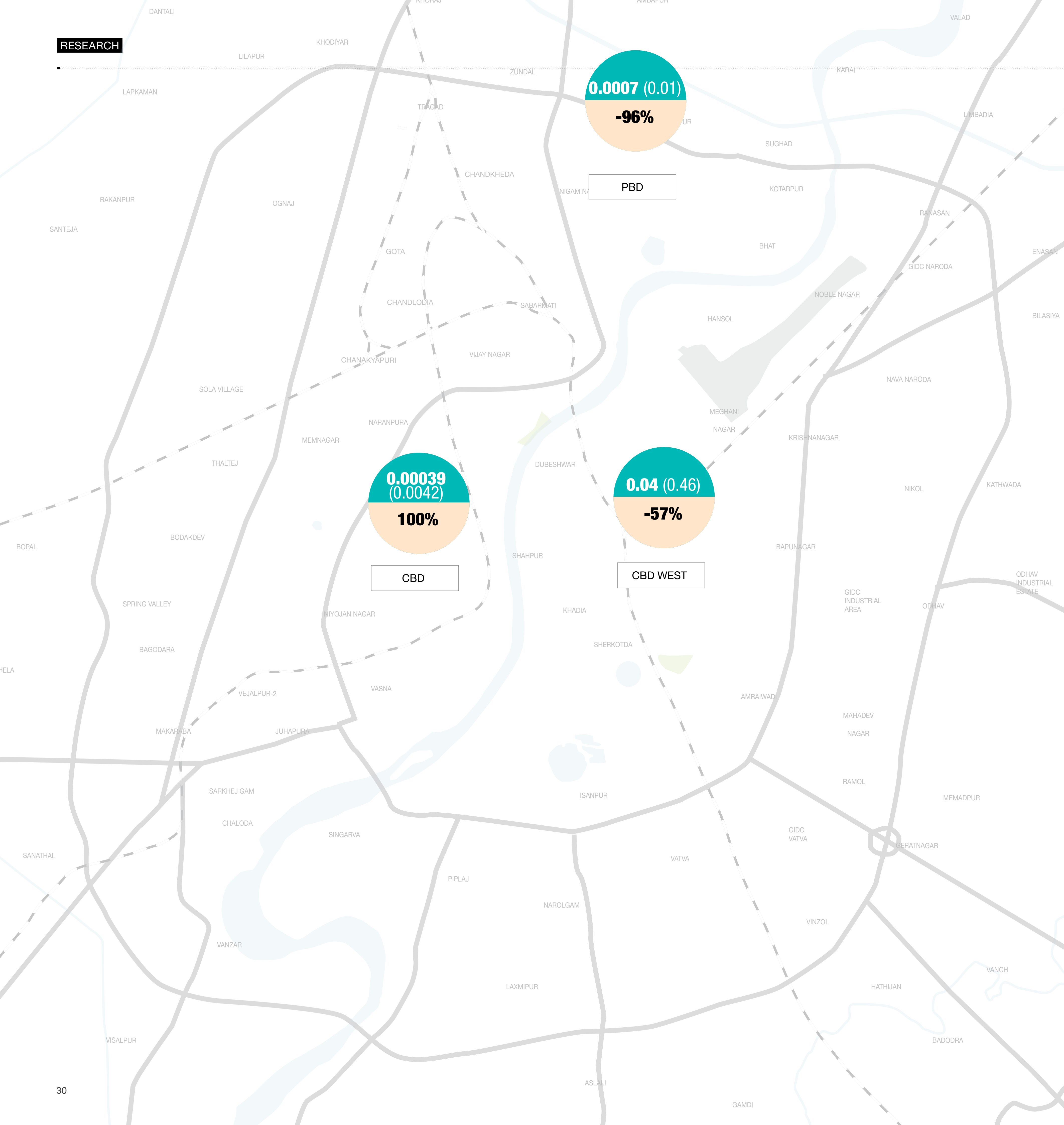
Industry	H1 2017	H1 2018
BFSI	48%	24%
IT/ITES	15%	10%
Manufacturing	18%	23%
Other Services	19%	43%

Note: BFSI includes BFSI support services

AVERAGE DEAL SIZE AND NUMBER OF DEALS

1,990 (21,417)
Average Deal Size in sq m (sq ft)
H1 2017
54
Number of Deals

1064 (11,457)
Average Deal Size in sq m (sq ft)
H1 2018
42
Number of Deals



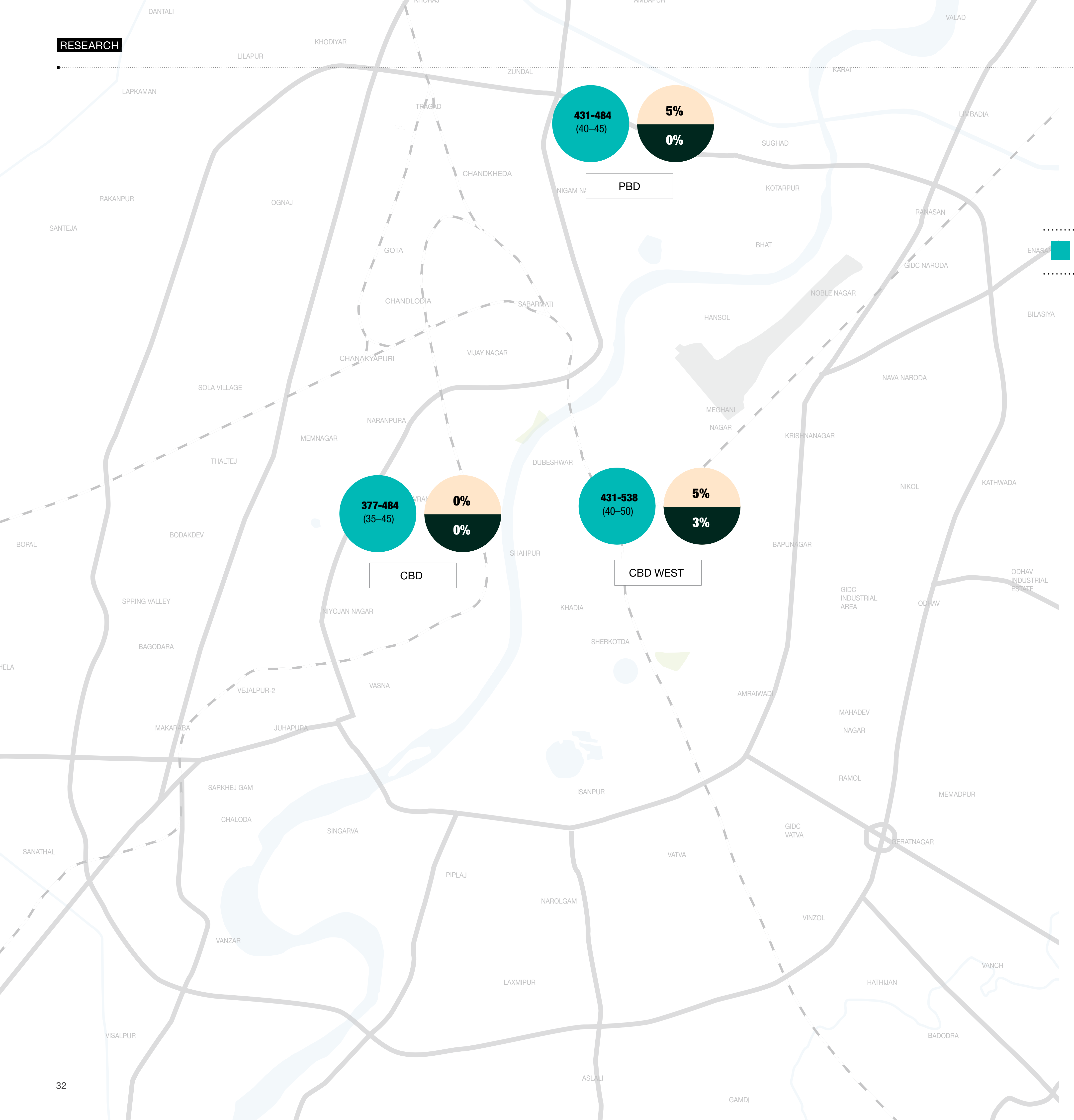
OFFICE TRANSACTIONS H1 2018

Transactions mn sq m (mn sq ft) YoY change

32%

Within CBD West, the share of office space transacted along SG Highway

CBD West garnered the largest amount of office space within the city. Of the total transacted office space in the city, CBD West accounted for 97%, thereby making it one of the most preferred business districts in the city.



OFFICE RENTAL H1 2018

Rental value range in H1 2018 in ₹/sq m/month (₹/sq ft/month) | 12 month change | 6 month change

06%

Increase rentals in H1 2018 compared to H1 2017

Even though the office market in Ahmedabad is in its infancy, among the early signs of this market steadily growing is that rentals are firming up both in CBD West and the peripheral business district (PBD).

BENGALURU

RESIDENTIAL MARKET

13%

Year-on-Year drop in unsold inventory in H1 2018

BENGALURU MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	15,556	11%
Sales (housing units)	25,802	22%
Price (weighted average)	₹50,880/sq m (₹4,727/sq ft)	-2%
Unsold inventory (housing units)	98,866	-13%
Quarters to sell	10.7	-
Age of unsold inventory (in quarters)	12.6	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

07%

Drop in Sales in H1 2018, from the levels during H2 2015

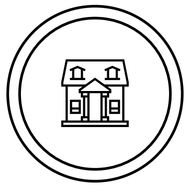
Post the implementation of the Karnataka Real Estate (Regulation and Development) Rules, 2017 in July 2017, the operating model of residential real estate development is fast undergoing a transformation with visible signs of consolidation amongst developers and development management gaining popularity.

- With residential launches and sales both having bottomed out in H2 2017, Bengaluru's residential market witnessed a remarkable comeback in H1 2018 on both parameters. Post the implementation of the Karnataka Real Estate (Regulation and Development) Rules, 2017 in July 2017, the operating model of residential real estate development is fast undergoing a transformation with visible signs of consolidation amongst developers and development management gaining popularity. Due to the Real Estate (Regulation and Development) Act, 2016 (RERA) enactment, the opportunities available for dispute resolution has brought the fence sitters back who are once again instilling trust in Grade A developers.
- H1 2018 can aptly be regarded as the period of sales rebound, as not only did the residential market recover from its previous low but also witnessed a 22% year-on-year (YoY) growth with nearly 25,802 units sold. Comparing the healthy sales volume in H1 2018 with the same in H1 2016, presents a 2% sales drop. Though not a positive trend, during this period Bengaluru's residential segment traversed through sequential periods of declining sales volume in the light of market slowdown followed by policy changes intermittently and can be seen recovering in 2018.

- Pent-up demand from end-users for quality projects has translated into heightened sales volume in selected projects on Sarjapur Road, Kanakpura Road, Thanisandra, Kannur and Devanahalli. With the right mix of developer credibility and affordability, units in these locations have witnessed better sales traction in H1 2018. Of the total sales volume in H1 2018, South Bengaluru accounted for 48% of the whole pie, followed by North Bengaluru at 20%.
- The demand-side intervention facilitated by the government's multiple relaxations for projects under Pradhan Mantri Awas Yojana (PMAY), such as interest rate subsidies and second time increase of the extent of carpet area to 160 square metres for MIG – I and 200 square metres for MIG – II, has enabled more MIG end-users to qualify for interest rate subsidy benefits. Simultaneously, the dust has settled on the aftermath of RERA implementation giving a fillip to sales of RERA registered projects, as all micro markets reported sales growth solidifying in H1 2018. As a result, the unsold inventory reduced by 13% YoY to 98,866 units during this period.

The implementation of the nationwide scheme of PMAY and according infrastructure status to the affordable sector has attracted a lot of private equity (PE) funding for this sector, which is expected to continue growing. Of the total new launches in Bengaluru in H1 2018, 60% catered to the ₹ 25–50 lakh bracket

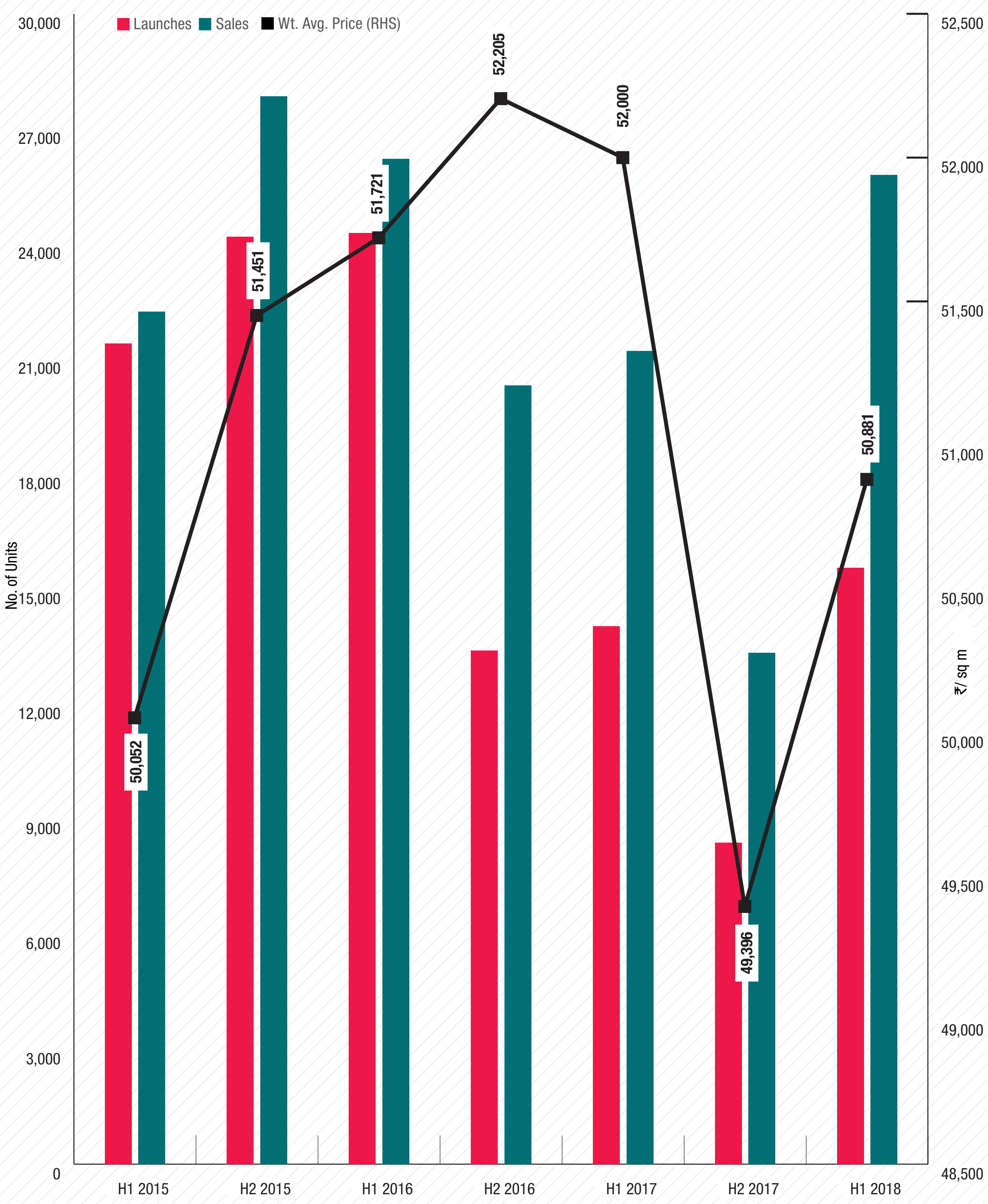
- During H1 2018, a marketing blitzkrieg has been unleashed on Bengaluru's residential segment with developers competing aggressively to highlight RERA compliancy, availability of occupation certificate (OC), PMAY eligibility and ready-to-move-in projects to gain a larger market share, especially of the ₹ 40–75 lakhs pricing segment.
- Many have upped the ante by throwing in waiver of parking charges, clubhouse fees, infrastructure charges and GST. Free wardrobes, kitchen, vanity, zero maintenance costs, assured rentals and No Pre-EMI schemes are in vogue and are being used to lure homebuyers. Innovative marketing strategies such as home exchange plans, homefests showcasing OC received projects and price discovery methods, which were earlier unheard of, have been successful in winning the buyers' trust in a recovering market.
- The buoyancy in sales volume coupled with RERA compliance processes largely being streamlined at the developers' end has encouraged many developers to foray afresh in the market and bring to life plans of launching projects, which were forever simmering on the backburner. For the first time in the past 18 months, new residential launches strengthened as 15,556 units were launched in H1 2018. This represents a 11% YoY growth.
- Despite healthy sales volume and reduction in unsold inventory, the quarters to sell (QTS) increased from 10.0 in H1 2017 to 10.7 in H1 2018. Though projects nearing completion and under RERA continue to lure buyers, it is the under-construction projects that are struggling to attract buyers impacting the overall city's QTS leading it to rise continuously.
- The western micro market, which has historically witnessed fewer launches, emerged a surprise frontrunner noting a 142% YoY growth in launches as few projects with large number of units were launched. New launches also increased by 30% YoY in South Bengaluru with many new projects being concentrated on Kanakpura Road, Sarjapur Road and Attibele.
- The implementation of the nationwide scheme of PMAY and according infrastructure status to the affordable sector has attracted a lot of private equity (PE) funding for this sector, which is expected to continue growing. Of the total new launches in Bengaluru in H1 2018, 60% catered to the ₹ 25–50 lakh bracket.
- Developers are in no hurry to reduce the base selling prices, as affordable and RERA registered projects are yielding good end-user response. Aggressive marketing strategies and residential projects nearing completion are helping the developers win the confidence of end-users. In the light of improving market health, weighted average residential prices remained stagnant with only 2% YoY marginal dip coming to fore in H1 2018.
- Though sales have picked up momentum and new project launches have also commenced, a growing concern amongst Non-Banking Financial Companies (NBFCs) cannot be ignored as several developers' loans are in distress and possibility of defaults and pile up of incremental costs for refinancing can mar the prospects for many residential players. The sector is not out of the woods yet as the financial health of developers is vital for execution and delivery.



36%

Drop in launches in H1 2018 from the levels during H1 2016

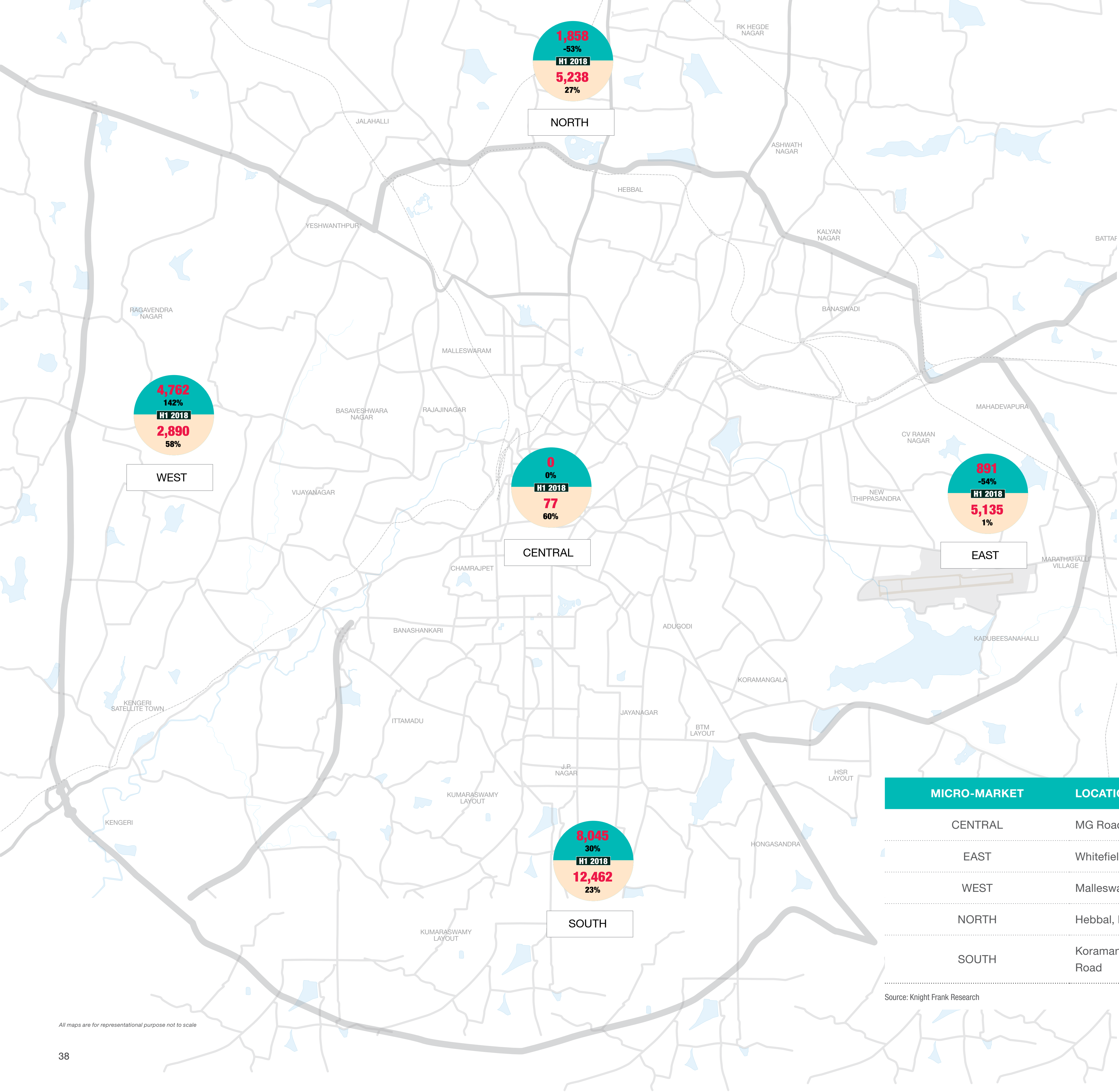
BENGALURU MARKET ACTIVITY



Source: Knight Frank Research

RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) Sales (housing units) % Change (YOY)



All maps are for representational purpose not to scale

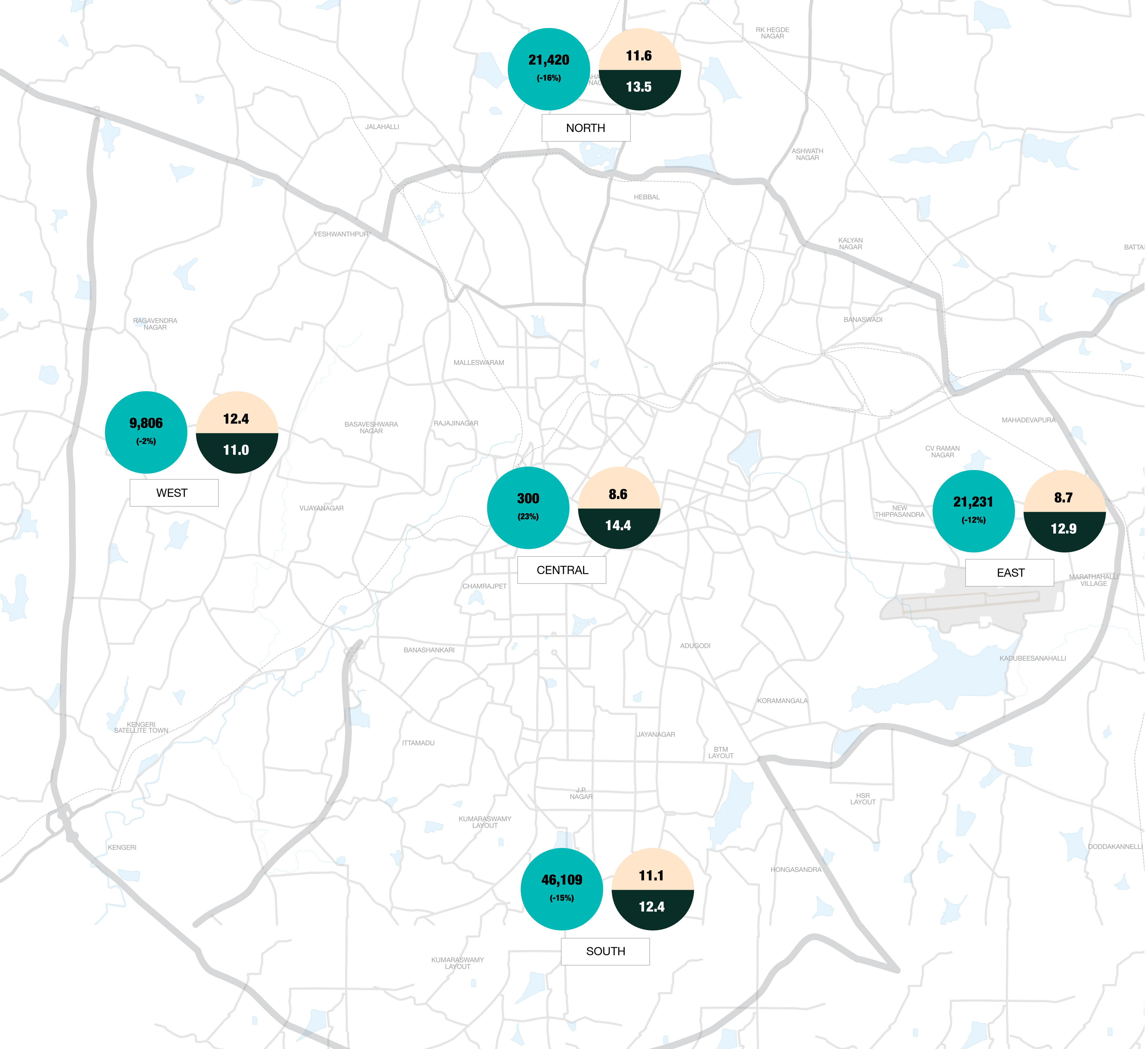
Of the total sales volume in H1 2018, South Bengaluru accounted for 48% of the whole pie, followed by North Bengaluru at 20%.

30%

YoY increase in launches in South in H1 2018

MICRO-MARKET	LOCATIONS
CENTRAL	MG Road, Lavelle Road, Langford Town, Vittal Mallya Road, Richmond Road
EAST	Whitefield, Old Airport Road, Old Madras Road, KR Puram, Marathahalli
WEST	Malleswaram, Rajajinagar, Yeshwantpur, Tumkur Road, Vijayanagar
NORTH	Hebbal, Bellary Road, Hennur, Jakkur, Yelahanka, Banaswadi
SOUTH	Koramangala, Sarjapur Road, Jayanagar, JP Nagar, HSR Layout, Kanakpura Road, Bannerghatta Road

Source: Knight Frank Research



All maps are for representational purpose not to scale

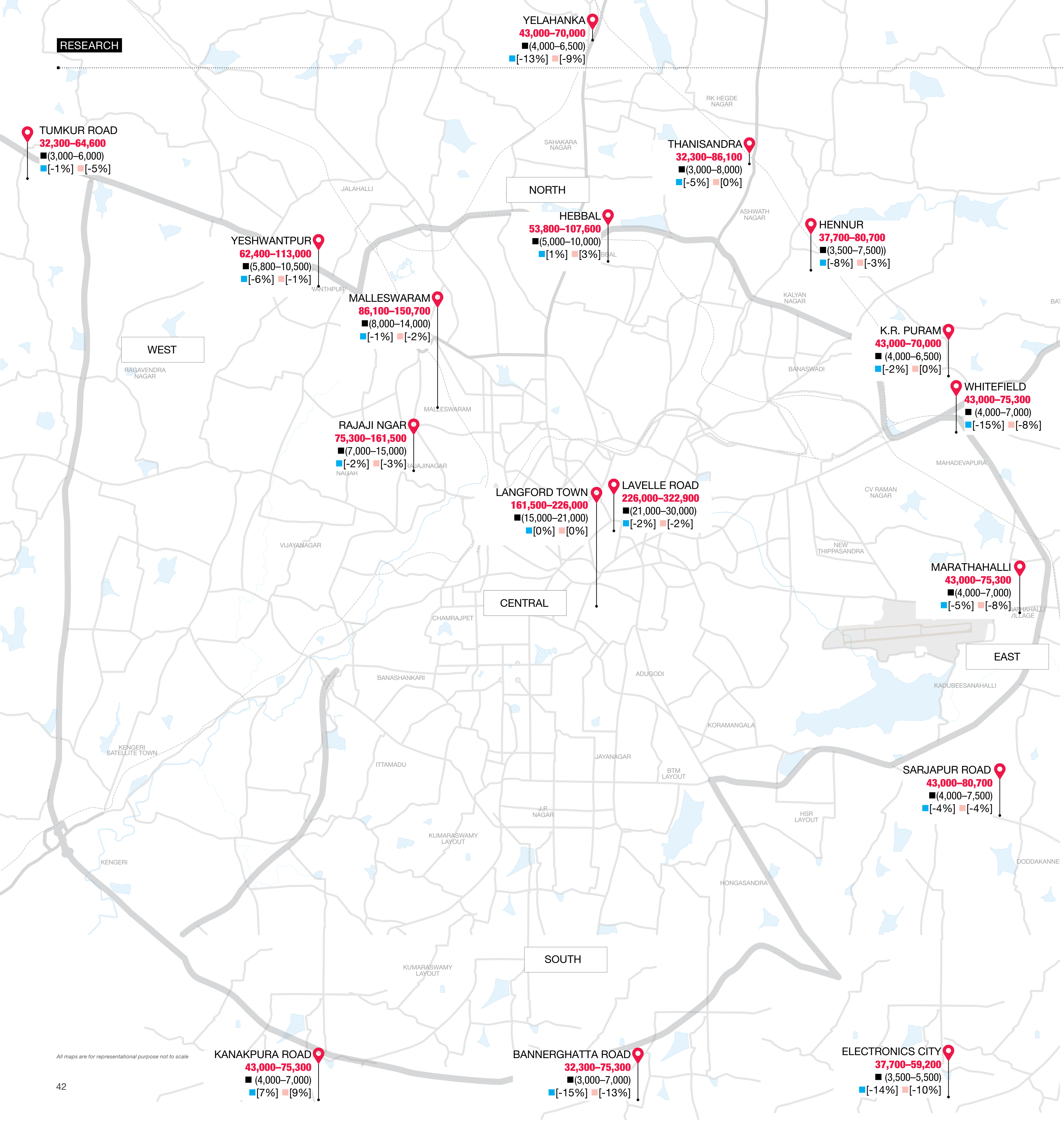
RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) | QTS (in quarters) | Age of inventory (in quarters)

15%

Annual decline in unsold units in South Bengaluru during H1 2018

Though projects nearing completion and under RERA continue to lure buyers, it is the under-construction projects that are struggling to attract buyers impacting the overall city's QTS leading it to rise continuously.



RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m
Price range in H1 2018 in (₹/sq ft)
12 month change (YOY)
6 month change (YOY)

15%

YoY decline in prices in Whitefield and Bannerghatta Road

Aggressive marketing strategies and residential projects nearing completion are helping the developers win the confidence of end-users.

33%

Bengaluru's share in H1 2018 leasing across top seven cities

In the first six months of 2018, strong occupier demand translated into 0.61 mn sq m (6.5 mn sq ft) overall leasing for Bengaluru, registering a 13% year-on-year (YoY) growth.

OFFICE MARKET

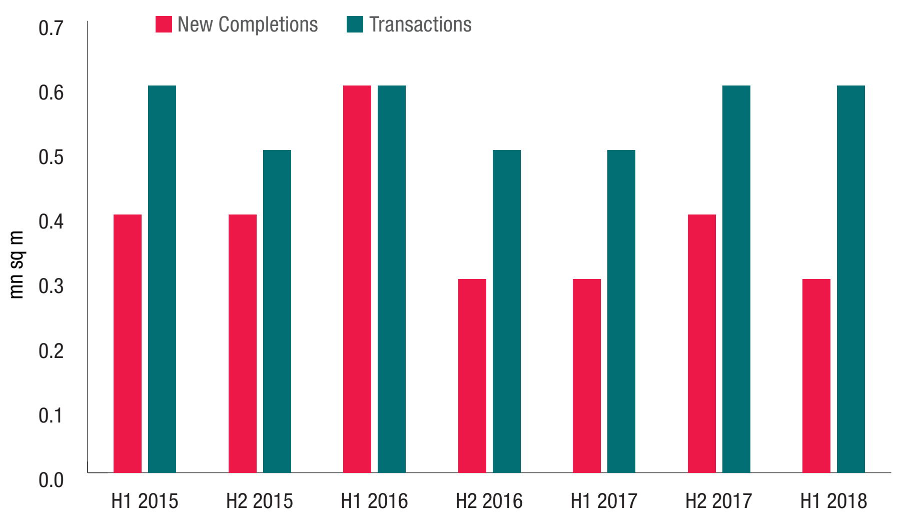
BENGALURU MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	0.34 (3.7)	0%
Transactions mn sq m (mn sq ft)	0.61 (6.5)	13%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	754.55 (70.1)	17%
Stock mn sq m (mn sq ft)	13.37 (144.5)	6%
Vacancy (%)	3.5	-

Source: Knight Frank Research

- In the first half of 2018, Bengaluru retained its top position amongst India's top 8 cities with its total leasing volume accounting for 33% share. Healthy pre-commitments, entry of new foreign and domestic occupiers and expansion of real estate footprint by emerging sectors largely contributed to the strong office space demand for Bengaluru, a city which has inherently remained tenant-favourable due to its intrinsic location attractiveness.
- In H1 2018, Bengaluru noted 0.34 mn sq mt (3.7 mn sq ft) of new supply infusion which is at par with H1 2017. ORR and PBD East witnessed a large chunk of this total supply with 38% and 25% respectively. Though the new supply remains in line with H1 2017, the infusion of many projects which deferred completions in 2017 will ease the supply pressure in some micro-markets, such as ORR where vacancy continues to remain minimal.
- In the first six months of 2018, strong occupier demand translated into 0.61 mn sq m (6.5 mn sq ft) overall leasing for Bengaluru, registering a 13% year-on-year (YoY) growth. Strong occupier demand and pre-commitments catalysed office space consumption in the city in H1 2018, amongst other factors.
- Buoyed by demand from IT/ITeS and co-working operators, Outer Ring Road (ORR) as a micro market continued to outperform the others accounting for 43% of Bengaluru's total leasing volume. It is interesting to note that the average deal size for all transactions concluded in ORR alone admeasures nearly 8,732 sq m (94,000 sq ft), indicative of large office formats dominating occupier interest in this belt.

BENGALURU OFFICE MARKET ACTIVITY



Note- 1 square meter (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

- The central business district and Off central locations (CBD and Off CBD,) garnered the second highest share in Bengaluru's leasing with a 16% share, with co-working operators and IT/ITeS comprising majority of demand. The presence of many co-working operators is also giving a chic makeover to the old CBD buildings and attracting new age tenants, a trend we expect to continue.
- Unlike H2 2017, when the average deal size in Bengaluru had shrunk by 37% YoY, H1 2018 noted a relatively lesser 12% YoY decline in average deal size. Whilst it is premature to say that large-sized deals are back in vogue, the current trend is indicative of occupiers in some sectors no longer shying away from committing to large-sized office spaces and scaling up hiring plans. Against the backdrop of rising concern about automation, this is good news. With India on the brink of emerging as the fastest growing economy in the world, a positive impact can be expected on the real estate footprint of the ever-growing occupier segment in Bengaluru.
- For the past year and a half, the share of the IT/ITeS sector in Bengaluru's leasing volume has constantly been weakening. From a 57% share in H1 2017 leasing, the share of this sector has dropped to 38% of the total leasing volume in H1 2018. While the challenges posed by the global political environment still loom large for Indian IT companies, new technological innovations in the form of big data analytics and machine learning will open new doors for job seekers. With Bengaluru retaining its spot as the top tech job market in the country, continuous evolution of companies in IT/ITeS should help this sector gain ground in the long term.
- Co-working operators (classified as a sub-sector in Other Services Sector) accounted for 0.11 mn sq m (1.27 mn sq ft) leasing in H1 2018 garnering a 19% share of the total pie. This is a phenomenal 199% annual upswing in leasing by this category of occupiers over H1 2017 as activity-based working and community spaces become the norm for modern day office occupiers seeking a collaborative eco-system.
- In only a year's time, intense expansion by existing co-working operators and entry of new co-working operators such as WeWork, Kafnu, Indiqube and Workshaala has changed the landscape of flexible office space formats in the city. In H1 2018, ORR and CBD & Off CBD micro markets remained popular for co-working operators who leased 45% and 28%

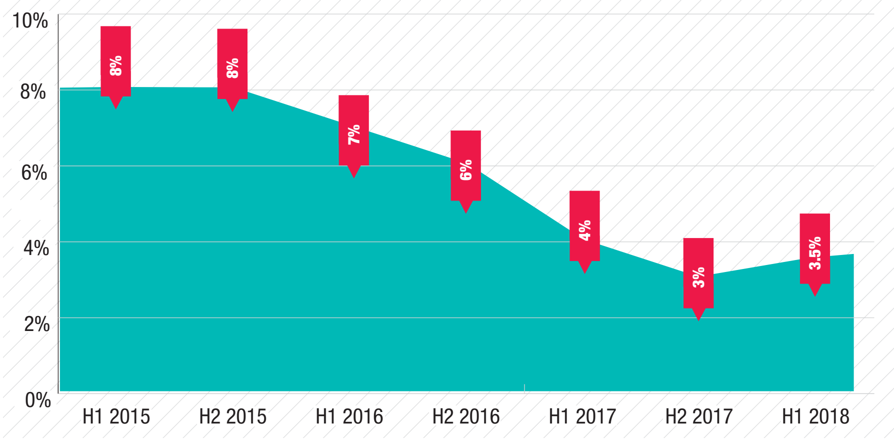
Co-working operators (classified as a sub-sector in Other Services Sector) accounted for 0.11 mn sq m (1.27 mn sq ft) leasing in H1 2018 garnering a 19% share of the total pie. This is a phenomenal 199% annual upswing in leasing by this category of occupiers over H1 2017 as activity-based working and community spaces become the norm for modern day office occupiers seeking a collaborative eco-system.

3.5%

Vacancy in H1 2018

Unlike H2 2017, when the average deal size in Bengaluru had shrunk by 37% YoY, H1 2018 noted a relatively lesser 12% YoY decline in average deal size. Whilst it is premature to say that large-sized deals are back in vogue, the current trend is indicative of occupiers in some sectors no longer shying away from committing to large-sized office spaces and scaling up hiring plans.

BENGALURU OFFICE MARKET VACANCY



Source: Knight Frank Research

of the total leasing volume of the co-working category respectively during this period.

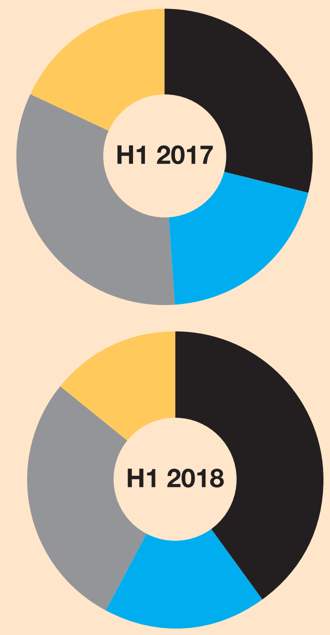
- In the backdrop of transformation of India's Banking, Financial services and Insurance (BFSI) sector, its share in Bengaluru office space consumption jumped from 9% of total leasing in H1 2017 to 13% in H1 2018. As technology penetration in the BFSI sector is increasing, newer companies and job roles are being created to prepare the sector for a technological shift in the coming years, which has started reflecting in the BFSI sector's office space leasing in Bengaluru already.
- Led by e-commerce occupiers' expansion, primarily in the suburban business district (SBD) locations, the share of this category accounted for 12% of the total leasing volume in H1 2018.
- As strong occupier demand has continually outpaced new supply, the vacancy in the city's office market has been on a decline. From 4% in H1 2017, it continues to remain low at 3.5%. Addition of huge quantum of new supply in subsequent quarters is the need of the hour as the tech capital of the country is expected to attract large volume of deals. In H1 2018, an 8% YoY growth in total deal volume was noted, a trend likely to strengthen in the second half of 2018.
- Infusion of limited supply in the past 12 months has fostered rental growth across many micro markets leading to a 17% YoY upswing in weighted average rentals at the city level in H1 2018. Acute shortage of quality spaces in CBD & Off CBD and ORR led to a 17% and 15% YoY rental growth in both these micro markets, respectively.
- A robust pre-commitments pipeline, strong foothold of IT/ITeS giants, new emerging sectors' rapid office space consumption, heightened interest in the city's CBD will keep the occupier demand strongly glued to Bengaluru. Developers should focus on constructing large tracts of new office stock and timely completion of under-construction projects to fulfil the demand wave that is largely a mix of both traditional and new emerging sectors.
- On the office development front, recent market interactions indicate that few leading commercial developers are reinventing themselves and apportioning nearly 60–70% of their future development potential on creating co-working environments and millennial-friendly workspaces. Going forward, co-working as a sub-sector will attract a major chunk of upcoming supply over traditional office formats.

BUSINESS DISTRICT CLASSIFICATION

BUSINESS DISTRICT	MICROMARKETS
Central business district (CBD) and off CBD	MG Road, Residency Road, Cunningham Road, Lavelle Road, Richmond Road, Infantry Road
Suburban business district (SBD)	Indiranagar, Koramangala, Airport Road, Old Madras Road
Peripheral business district (PBD) East	Whitefield
Peripheral business district (PBD) South	Electronics City, Bannerghatta Road
Peripheral business district (PBD) North	Thanisandra, Yelahanka, Devanahalli
Outer Ring Road (ORR)	Hebbal ORR, Marathahalli ORR, Sarjapur Road ORR

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Industry	H1 2017	H1 2018
BFSI	9%	13%
IT/ITES	57%	38%
Manufacturing	8%	8%
Other Services	26%	41%

Note: BFSI includes BFSI support services

AVERAGE DEAL SIZE AND NUMBER OF DEALS

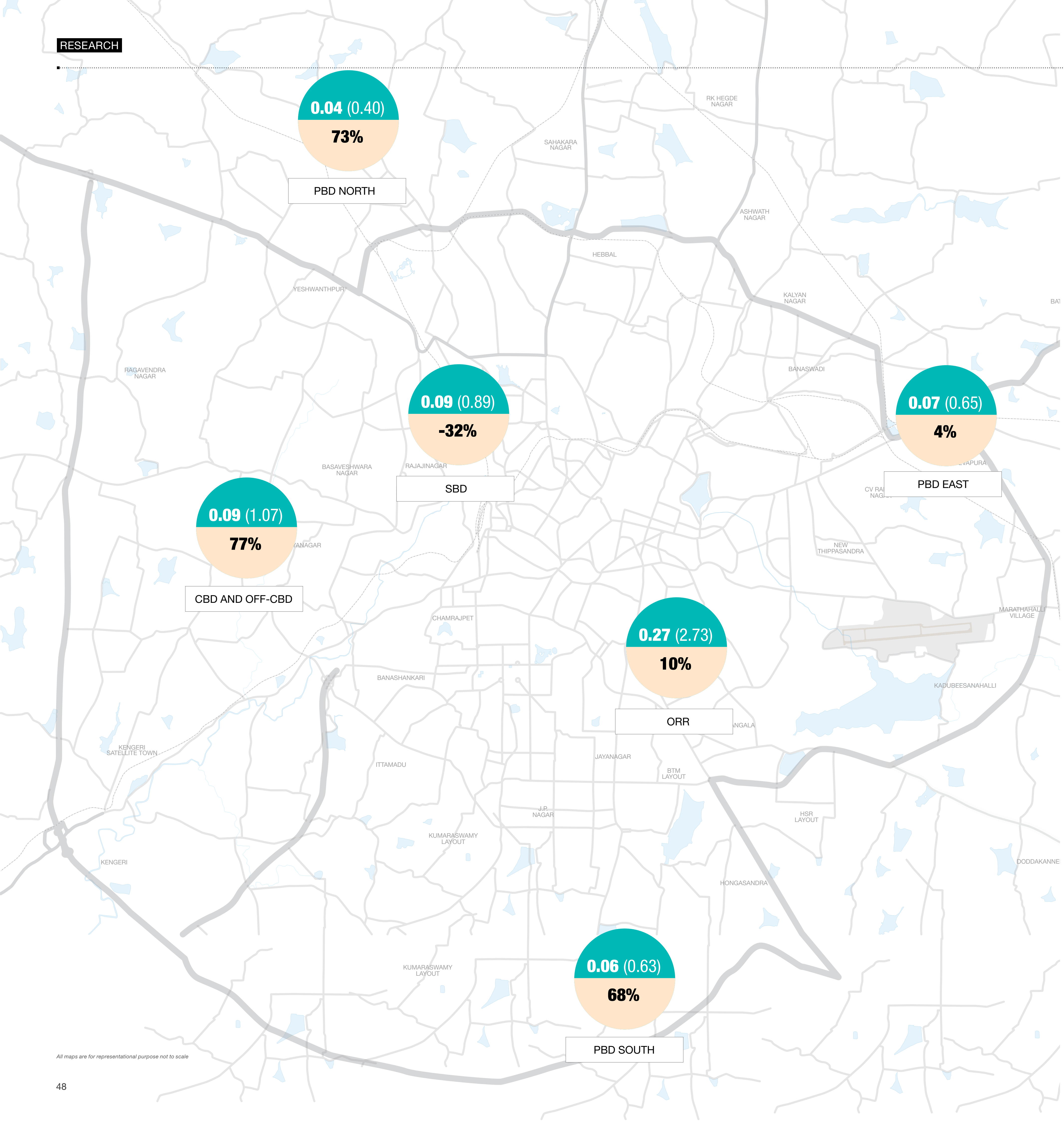
4,925 (53,014)
Average Deal Size in sq m (sq ft)
H1 2017
131
Number of Deals

4,312 (46,420)
Average Deal Size in sq m (sq ft)
H1 2018
141
Number of Deals

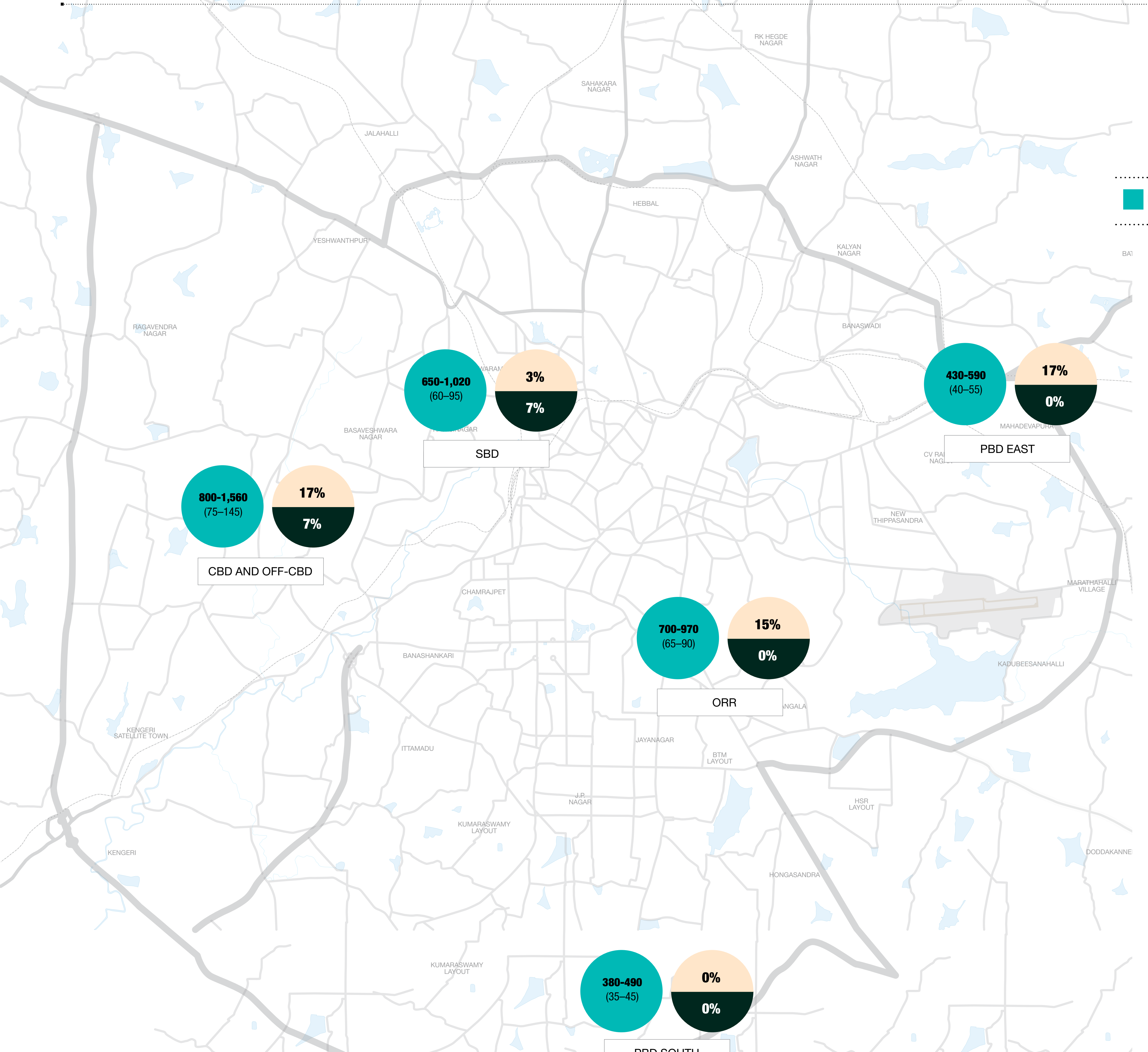
Source: Knight Frank Research

OFFICE TRANSACTIONS H1 2018

Transactions mn sq m (mn sq ft) YoY change



Buoyed by demand from IT/ITeS and co-working operators, Outer Ring Road (ORR) as a micro market continued to outperform the others accounting for 43% of Bengaluru's total leasing volume. It is interesting to note that the average deal size for all transactions concluded in ORR alone admeasures nearly 8,732 sq m (94,000 sq ft), indicative of large office formats dominating occupier interest in this belt.



All maps are for representational purpose not to scale

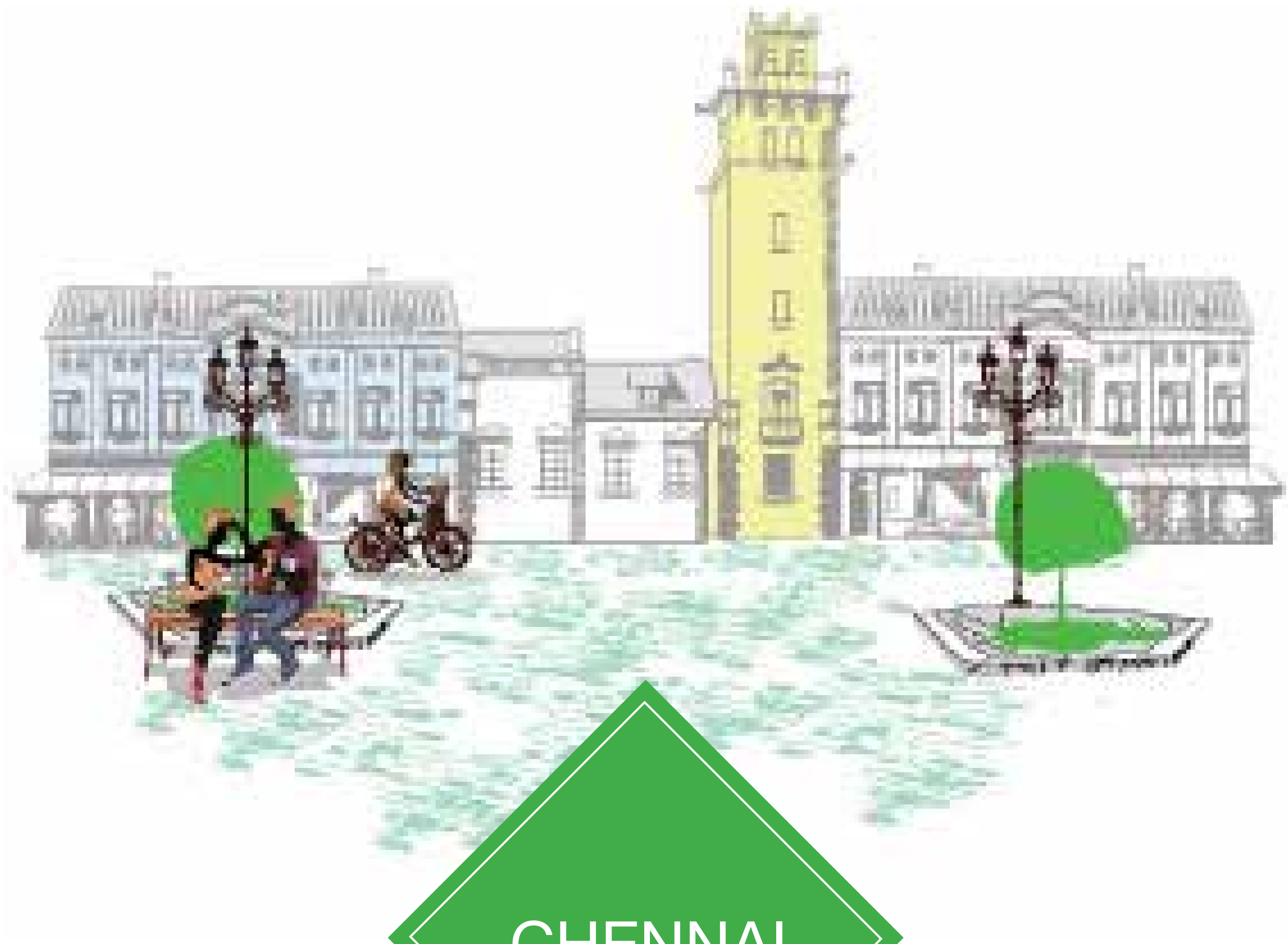
OFFICE RENTAL H1 2018

Rental value range in H1 2018 in ₹/sq m/month (₹/sq ft/month) | 12 month change | 6 month change

17%

YoY increase in weighted average rentals across the city.

Infusion of limited supply in the past 12 months has fostered rental growth across many micro markets leading to a 17% YoY upswing in weighted average rentals at the city level in H1 2018. Acute shortage of quality spaces in CBD & Off CBD and ORR led to a 17% and 15% YoY rental growth in both these micro markets, respectively.



CHENNAI

RESIDENTIAL MARKET

28%

decline in launches from H1 2011

CHENNAI MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	6,520	8%
Sales (housing units)	8,580	-3%
Price (weighted average)	₹48,500/ sq m (₹4,510/ sq ft)	-4%
Unsold inventory (housing units)	22,579	-20%
Quarters to sell	5.7	-
Age of unsold inventory (in quarters)	14.5	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

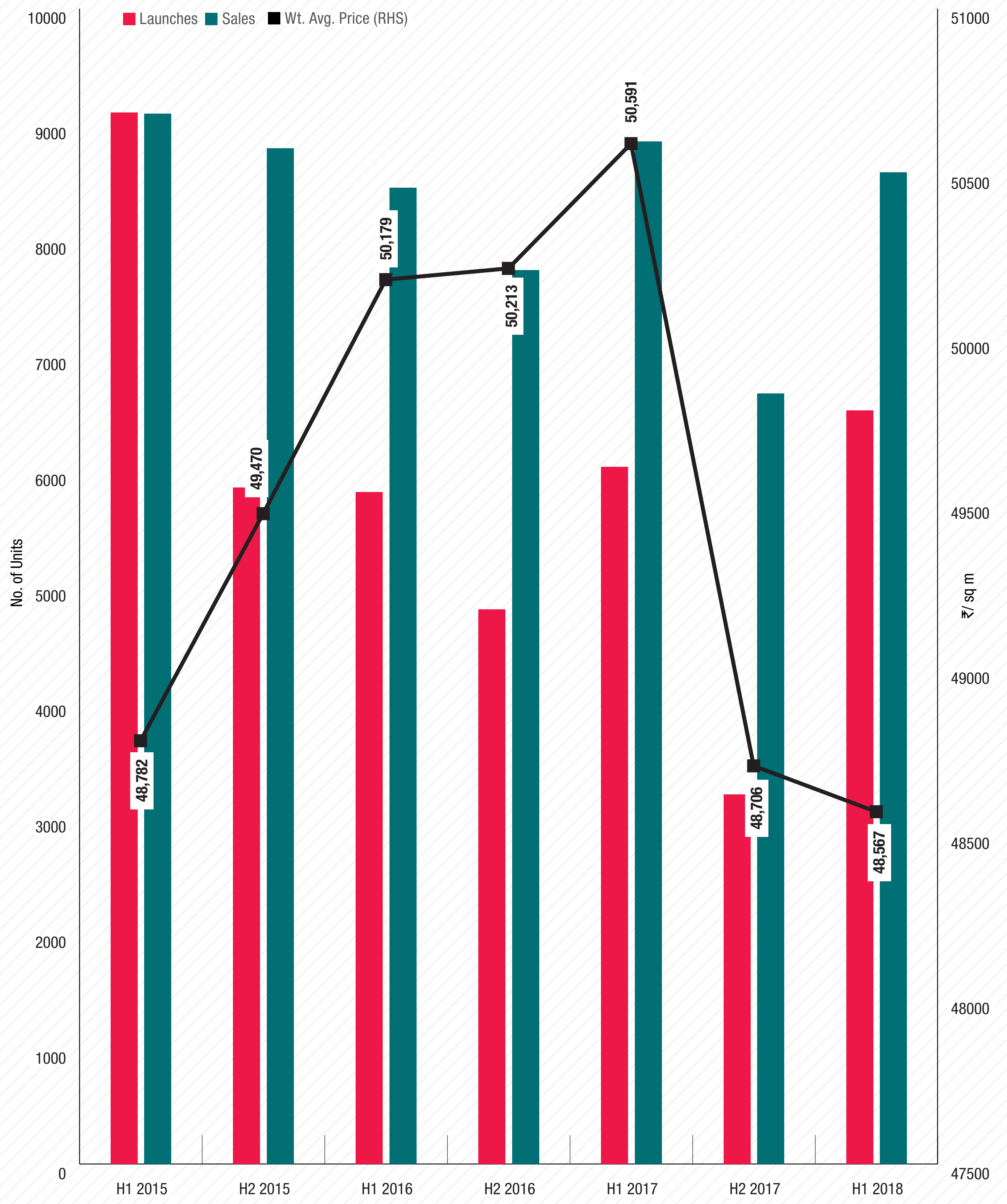
The 6,520 units launched in H1 2018 were the highest number of launches in the past 3 years

- 2017 was a volatile year for the Chennai real estate market with the first half showing some promise of a recovery while the second half broke new lows in terms of sales and supply numbers. The current year has begun on a similar note with H1 2018 seeing the highest number of units launched in a single period during the past 3 years and the persistent drop in sales was largely muted as well, compared to the preceding period.
- This significant ramp up in supply and shoring up of demand is heartening for the Chennai real estate market that has been bogged down by the ongoing slowdown in the country. Additionally, its own issues ranging from political uncertainty, building collapses (due to flouting development norms) and the near catastrophic floods have beaten down the market over the past 3 years.
- The implementation of RERA and the launch of buyer-friendly schemes such as the Pradhan Mantri Awas Yojana in 2017 have not yet boosted, significantly. Factors such as the falling prices and the current bleak investment outlook for real estate, due to prevailing high prices and ticket sizes, have had a much greater impact on demand. The unstable employment scenario, especially in the IT sector, has also hurt sentiments and encouraged the deferment of the homebuyer's purchase decision.

- The developer community that had gone into a virtual stasis during the preceding period due to the above factors made a comeback of sorts during H1 2018 and launched 6,520 units during the period, a modest 8% growth year-on-year (YoY) but a massive 104% more units launched over the preceding period that was a new low for the market.
- The larger supply at lower prices also saw buyer interest increase during the period and stemmed the fall in sales from 14% YoY during H2 2017 to just 3% YoY during the current period.
- While both supply and sales for the Chennai residential market saw increased activity, they still represent a 77% and 44% drop, respectively, from peak levels during H1 2011.
- While the number of units launched increased, developers continued to focus on offloading existing inventories during H1 2018 by re-launching old products at lower prices and smaller configurations, wherever possible, to entice the buyer by bringing down the ticket size. This has resulted in a 4% YoY reduction in the average asking prices in the Chennai residential real estate market and a further 10–15% reduction on the negotiating table for the aggressive buyer.
- Casagrand was the most active developer by far and accounted for nearly a third of the units launched and nearly all the 363 units launched in the Central Chennai micro market, during H1 2018.
- Further to the elevated sales and supply numbers during the period, many developers reported a progressive increase in enquiries during the second quarter of the year. Home loan approvals as well, have been steady if not increasing, according to major retail banks in the city, signifying a latent interest from the homebuyer who has not yet committed to purchase.
- Buying interest was more inclined toward properties that are closer to completion and significantly more so in the more affordably-priced properties priced between ₹2.5 mn to ₹4 mn in locations such as Kolapakkam, Madhuravoyal, Kelambakkam and Siruseri toward the western and southern periphery of the Chennai residential market. The South and West Chennai micro markets accounted for 88% of the total units absorbed during H1 2018.
- The Chennai residential market now effectively holds approximately 6 quarters of inventory compared to the 7 quarters held previously, which is indicative of an improving state of the market. The age of this unsold inventory has also held steady over the same period at approximately 14 quarters as the older inventory that is closer to possession finds many more buyers compared to the recently launched units.
- Massive structural changes ranging from the demonetisation drive to the GST Act and RERA have irrevocably altered the fabric of the market. Homebuyer interest has been observed to rise with falling prices and lower ticket sizes. The pace at which developers align themselves to the new regulatory norms and launch new products in the right ticket sizes that appeal to the homebuyer's interests, will determine the trajectory of the market going forward.

> The larger supply at lower prices also stemmed the fall in sales from 14% YoY during H2 2017 to just 3% YoY during the current period.

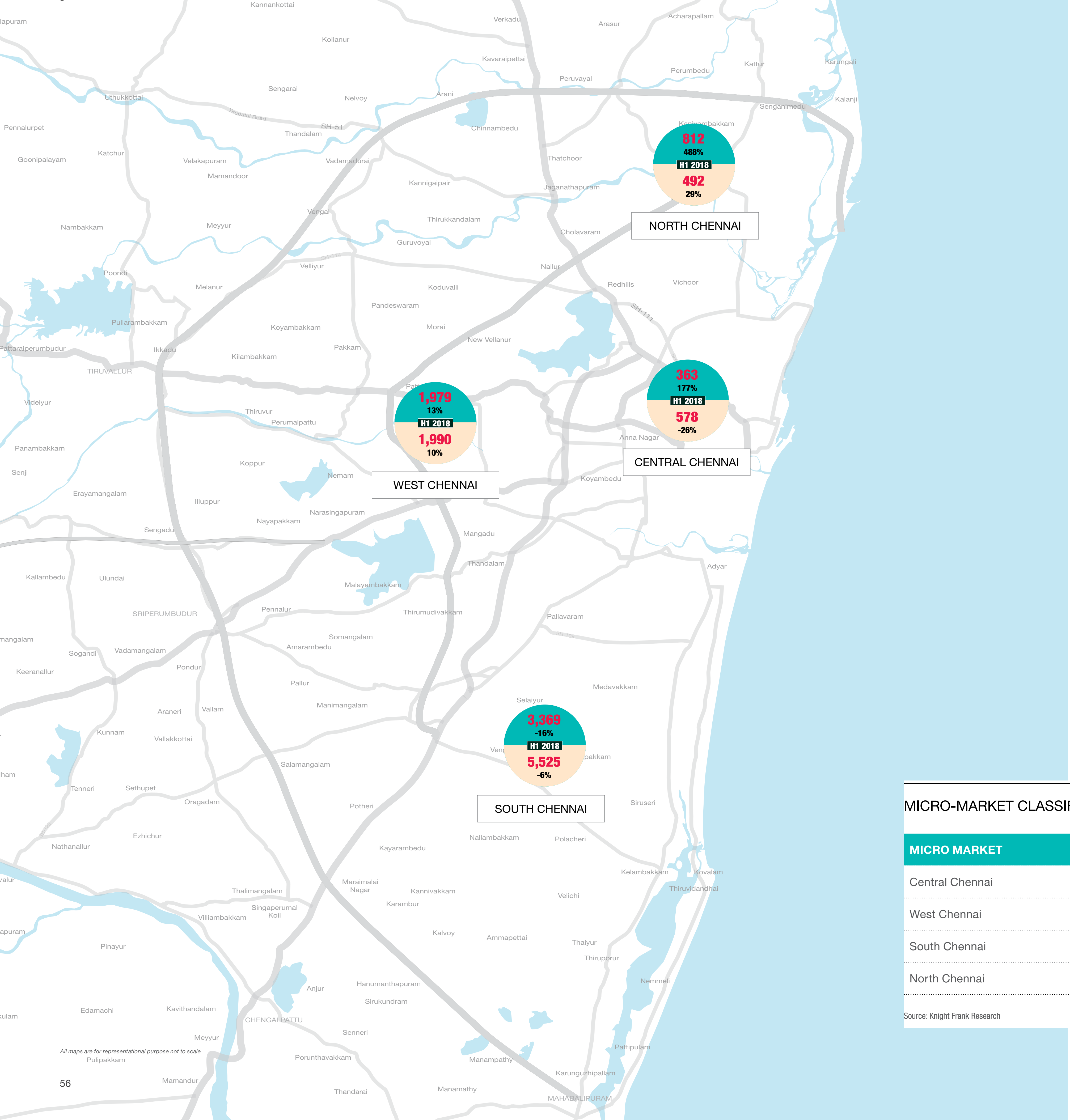
CHENNAI MARKET ACTIVITY



Source: Knight Frank Research

RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) | Sales (housing units) | % Change (YOY)



All maps are for representational purpose not to scale

The South and West Chennai micro markets accounted for 88% of the total units absorbed during H1 2018.

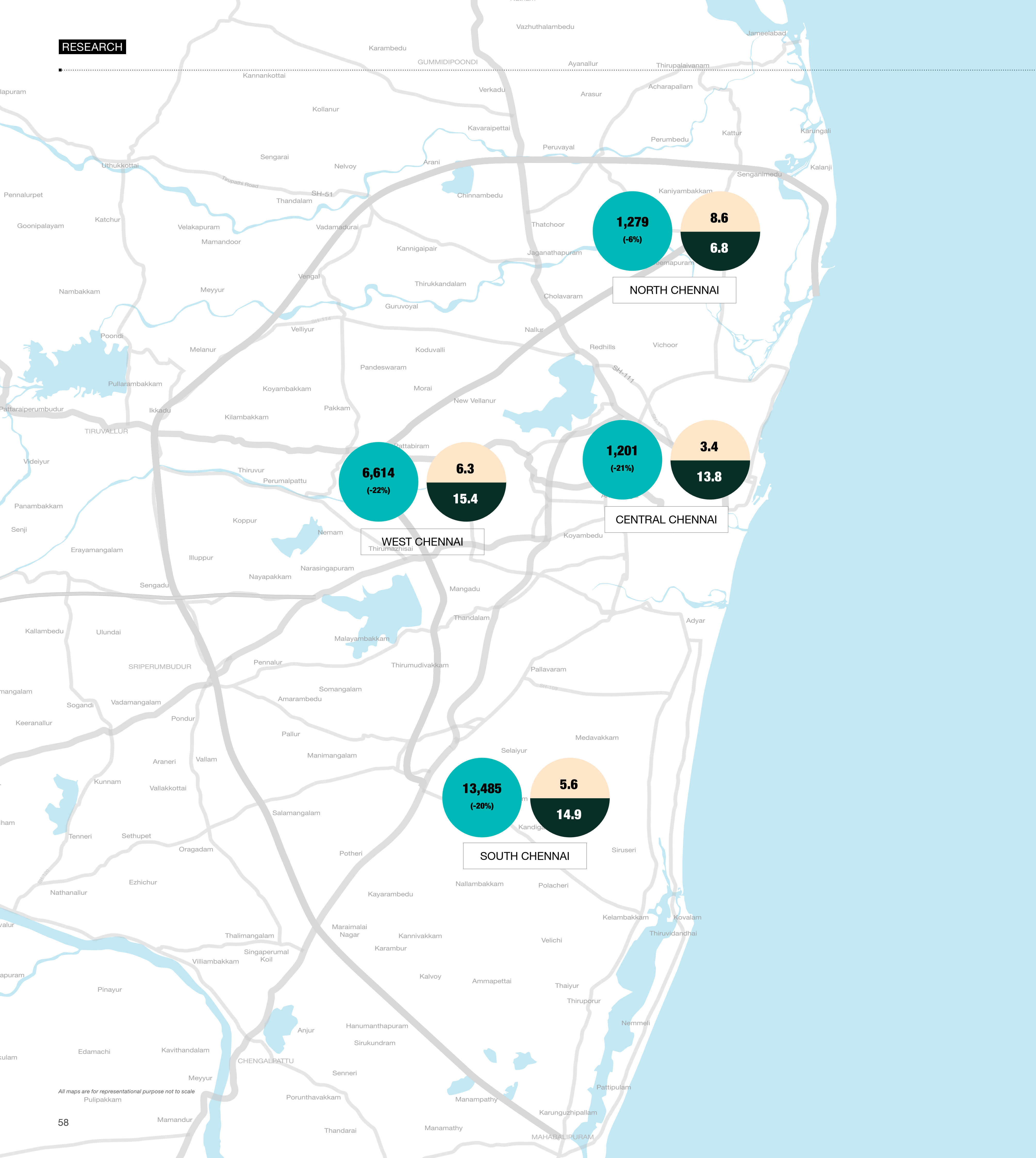
10%

YoY rise in sales during H1 2018

MICRO-MARKET CLASSIFICATION

MICRO MARKET	LOCATIONS
Central Chennai	T. Nagar, Alandur, Nungambakkam, Kodambakkam, Kilpauk
West Chennai	Porur, Ambattur, Mogappair, Iyyappanthangal, Sriperumbudur
South Chennai	Perumbakkam, Chrompet, Sholinganallur, Guduvancheri, Kelambakkam
North Chennai	Tondiarpet, Kolathur, Madhavaram, Perambur

Source: Knight Frank Research



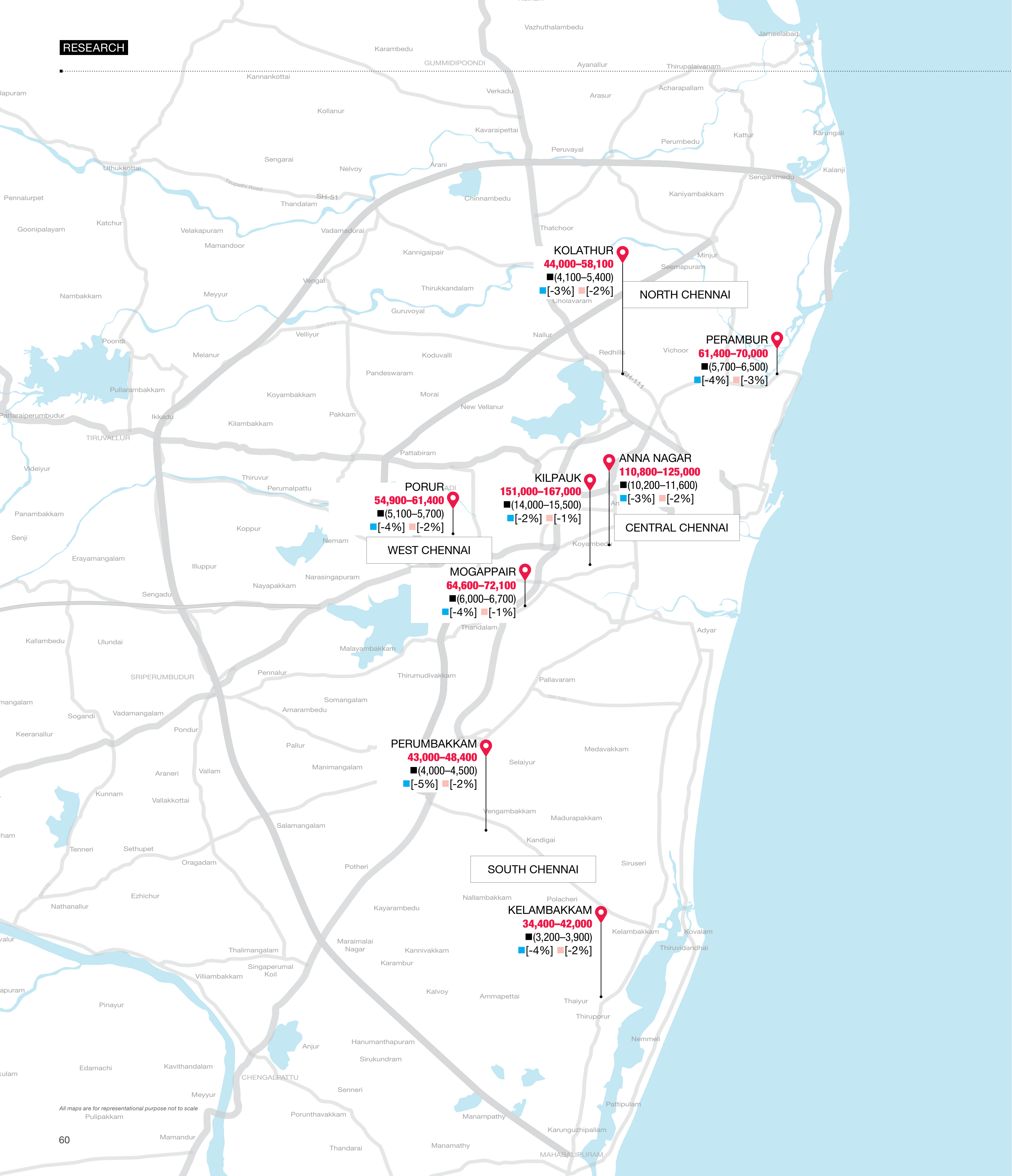
RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) QTS (in quarters) Age of inventory (in quarters)

Unsold inventory level continues to drop despite growth in launches as sales outstrip supply during H1 2018

20%

YoY drop in unsold inventory level during H1 2018



RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m | Price range in H1 2018 in (₹/sq ft) | 12 month change (YOY) | 6 month change (YOY)

4%

YoY decline in prices during H1 2018

Buying interest was more inclined toward properties that are closer to completion and significantly more so in the more affordably-priced properties priced between ₹2.5 mn to ₹4 mn

OFFICE MARKET

11%

Vacancy levels remain steady in H1 2018 compared to H1 2017

CHENNAI MARKET SNAPSHOT

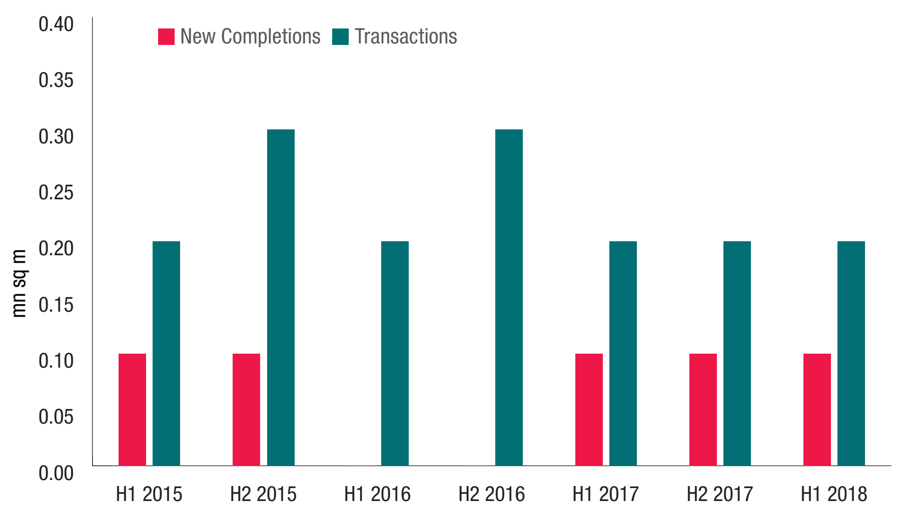
PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	0.11 (1.2)	10%
Transactions mn sq m (mn sq ft)	0.17 (1.8)	-8%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	619 (57.5)	4.5%
Stock mn sq m (mn sq ft)	6.61 (71.1)	-
Vacancy (%)	11%	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

- The Chennai office space market that has been reeling under an acute supply crunch over the past 3 years finally saw some respite with 0.11 mn sq m (1.2 mn sq ft) coming online during H1 2018.
- The fact that the city saw just 0.42 mn sq m (4.5 mn sq ft) of supply since H1 2015, compared to the 1.4 mn sq m (14.6 mn sq ft) of transaction volume, had pushed down vacancy levels from 22.5% in H1 2015 to 10.2% H2 2017. The 0.11 mn sq m (1.2 mn sq ft) delivered during H1 2018 are the highest in any half-year period since 2015 and edged the vacancy curve up marginally to 11%.
- The transaction volumes during H1 2018 were subdued during the period and fell almost 9% year-on-year (YoY) compared to the healthy 10% growth in supply.

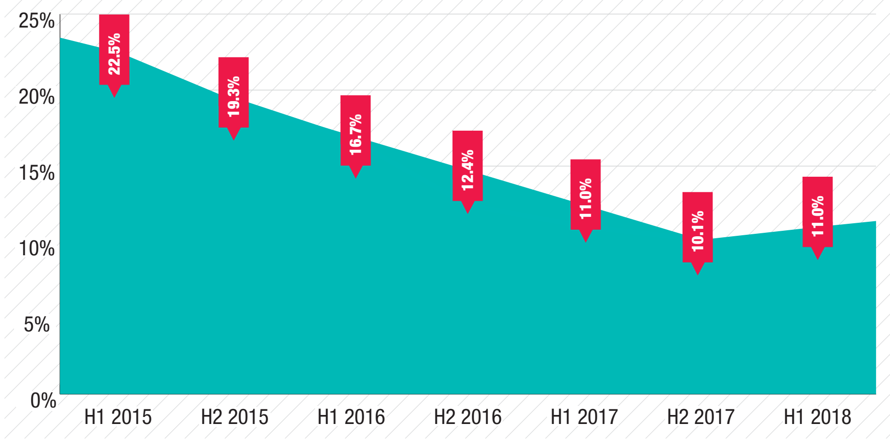
H1 2018 saw the IT/ITeS sector take up only 0.04 mn sq m (0.47 mn sq ft), which translates to 27% of the total space transacted during H1 2018, a significant and steady drop from the 43% during H2 2016

CHENNAI OFFICE MARKET ACTIVITY



Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

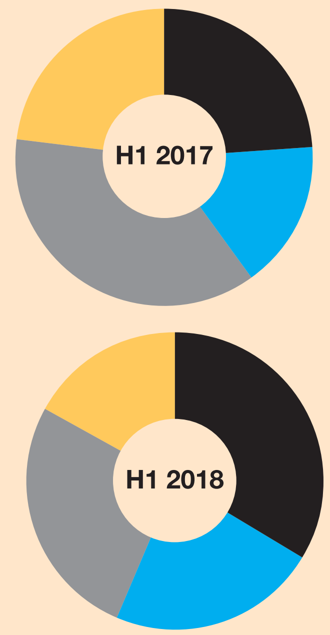
CHENNAI OFFICE MARKET VACANCY



Source: Knight Frank Research

- The IT/ITeS sector that has been the largest consumer of office space in the city, is currently undergoing a slowdown in growth and the effects are apparent in its consistently reducing share of the total transactions pie.
- H1 2018 saw the IT/ITeS sector take up only 0.04 mn sq m (0.47 mn sq ft), which translates to 27% of the total space transacted during H1 2018, a significant and steady drop from the 43% during H2 2016.
- However, the BFSI and Other Services Sector have consistently taken up an increasing amount of space over the past 18 months and vastly increased their share in total transactions during an analysis period, filling up the vacuum left by the IT/ITeS sector, to an extent.
- The Other Services Sector accounted for almost 0.06 mn sq m (0.6 mn sq ft) of the total office space transacted during H1 2018, thanks largely to the consulting major Accenture's massive lease of 0.02 mn sq m (0.18 mn sq ft) lease in Gateway office parks at Perungulathur, which was also the largest lease signed during the period.
- Notwithstanding the comparative scarcity of large format office spaces required by the back offices of BFSI sector companies, the current analysis period saw its share increase substantially due to three large leases being taken up by D&B TransUnion, Barclays Bank and Citibank amounting to more than half of the 0.04 mn sq m (0.39 mn sq ft) space transacted by this sector.
- The 2 suburban business districts (SBDs) accounted for 63% of the transaction activity during H1 2018 as most of the stock that has come online since H2 2017 has been in these business districts. This firmly reiterates the case for the SBDs being the most sought after office locations despite their comparatively higher priced supply.
- The peripheral business district (PBD) OMR and Grand Southern Trunk Road (GST) business district that cornered the largest share of the transacted volume till H1 2017 by virtue of having a substantially larger and lower priced stock of vacant office space, only attracted 24% of the transacted volume during H1 2018.
- The sustained decline in vacancy levels along with a steady interest by lessors looking to consolidate or expand their real estate footprint within the city, has kept rental growth strong at 4.5% YoY in H1 2018. Rental growth was healthy across micro markets, and SBD locations such as Perungudi, Guindy and Taramani continue to witness above-average rental growth, particularly as vacancy levels are still as low as 6% in the SBD and 11% in the SBD OMR. Weighted average rentals now stand at ₹619/sq m/month (₹57.5/sq ft/month) for the Chennai office space market.

SECTOR-WISE SPLIT OF TRANSACTIONS



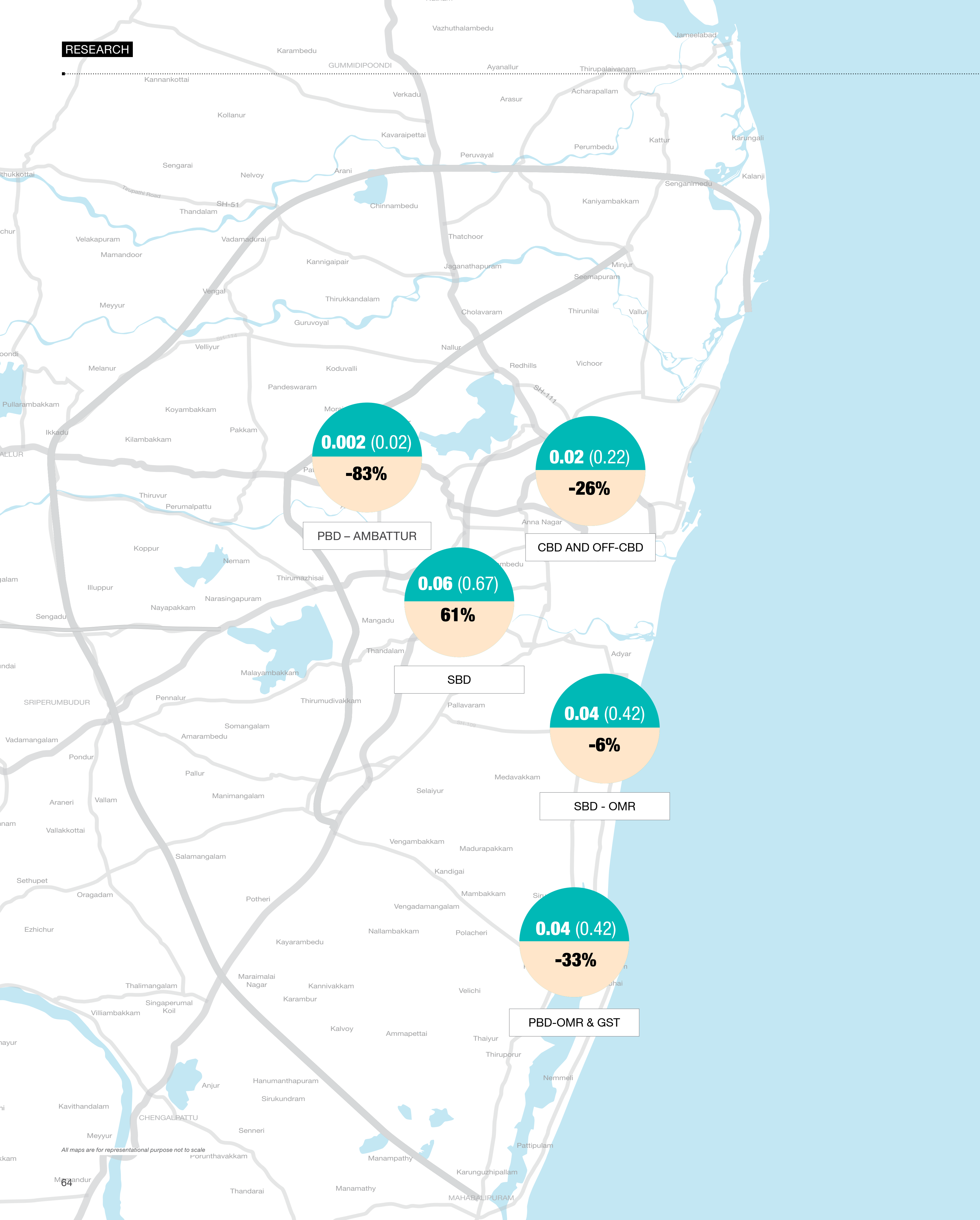
Industry	H1 2017	H1 2018
BFSI	16%	23%
IT/ITES	37%	27%
Manufacturing	23%	17%
Other Services	24%	34%

Note: BFSI includes BFSI support services

AVERAGE DEAL SIZE AND NUMBER OF DEALS

2,044 (22,004)
Average Deal Size in sq m (sq ft)
H1 2017
87
Number of Deals

1,891 (20,355)
Average Deal Size in sq m (sq ft)
H1 2018
86
Number of Deals



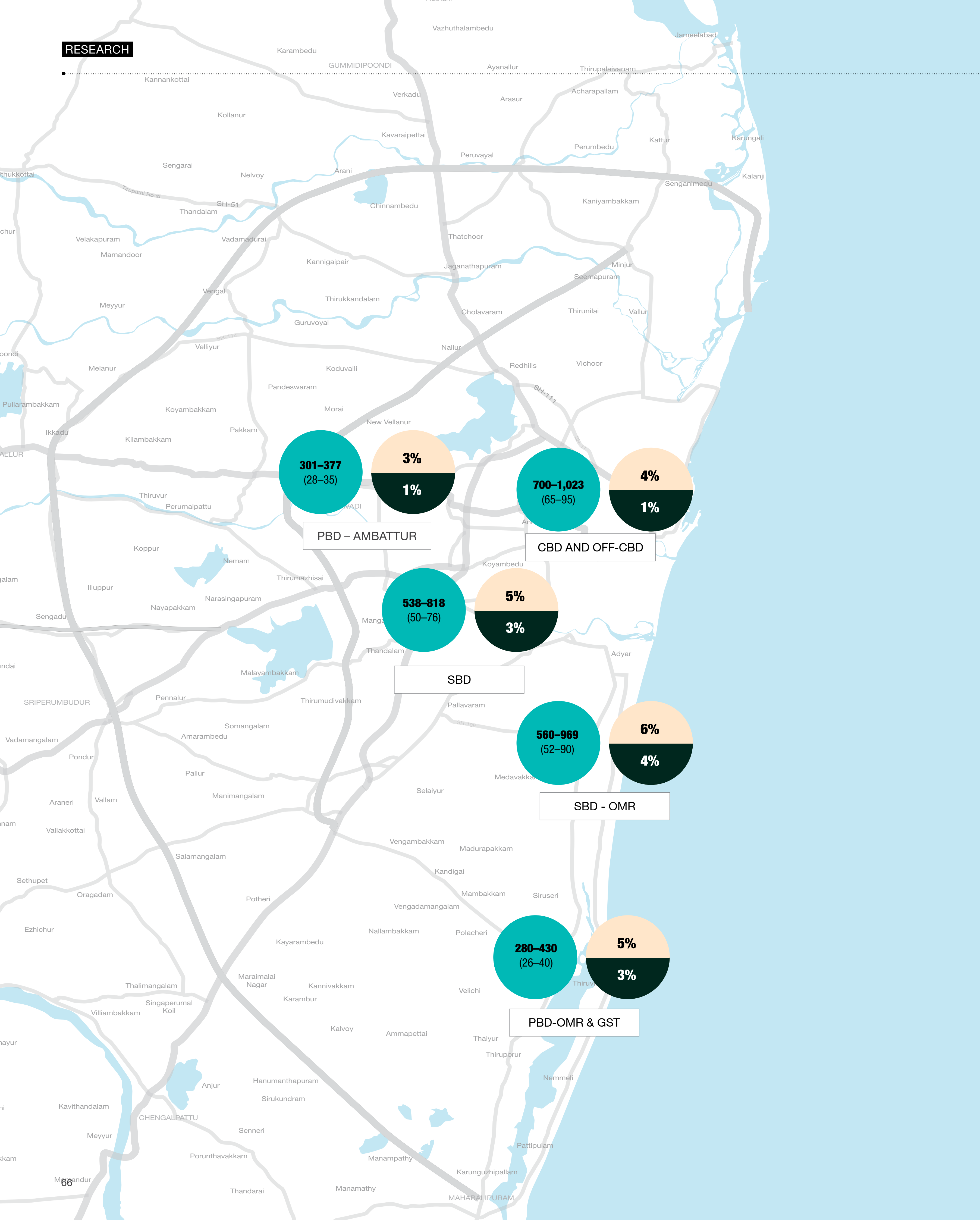
OFFICE TRANSACTIONS H1 2018

Transactions mn sq m (mn sq ft) YoY change

The Chennai office space market that has been reeling under an acute supply crunch over the past 3 years finally saw some respite with 0.11 mn sq m (1.2 mn sq ft) coming online during H1 2018

10%

YoY growth in office space supply during H1 2018



OFFICE RENTAL

Rental value range in H1 2018 in ₹/sq m/month (₹/sq ft/month) | 12 month change | 6 month change

The sustained decline in vacancy levels along with a steady interest by lessors looking to consolidate or expand their real estate footprint within the city, has kept rental growth strong

4.5%

YoY increase in rental growth

HYDERABAD

RESIDENTIAL MARKET

69%

Drop in new launches in H1 2018, from the peak levels during H1 2011

HYDERABAD MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	3,706	44%
Sales (housing units)	8,313	5%
Price (weighted average)	₹43,185/ sq m (₹4,012/sq ft)	8%
Unsold inventory (housing units)	12,749.00	-44%
Quarters to sell	3.4	
Age of unsold inventory (in quarters)	18.4	

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

17%

Drop in sales in H1 2018, from the peak levels in H1 2017

> While the state had notified its RERA rules in the fag end of July 2017, the necessary body to implement those rules was not appointed till the end of 2017.

- The worst seems to be behind Hyderabad, especially with regards new launches, of residential units, in the city. The inability of the state administration to ensure a smooth implementation of its RERA rules put the brakes on new launches in the city. It is worth noting that H1 2017 witnessed the second lowest number of units launched in the city since 2010.
- H1 2018, on the other hand, started on a bright note for the real estate sector in the state. While the state had notified its RERA rules in the fag end of July 2017, the necessary body to implement those rules was not appointed till the end of 2017. The absence of the necessary body to implement RERA rules in the state put the brakes on new launches in the city, almost bringing it to a halt. In January 2018, however, the state appointed the RERA Appellate Tribunal and its Authority.
- What it did for the developers however, is that it did give them a window to start work on the projects, which had all the necessary approvals, except the RERA registration. "We have gone ahead and started work on the projects, for which we had the necessary approvals. We have submitted the necessary documents at the office of the Appellate Authority for the said project. We will however, start marketing the project once we get the RERA registration for the same, which we hope, will happen very soon," stated a developer. The RERA website for Telangana is expected to be up and running from 1 August 2018.
- As a result, new launches in H1 2018 witnessed a major spike compared to the same period last year. New launches in H1 2018 were 44% higher

than in H1 2017. West Hyderabad continued to be in the thick of action during H1 2018. Of the total launches, in H1 2018, 71% happened in West Hyderabad. Some of the micro markets which were in the thick of action, during H1 2018, are Nallagandla, Narsingi, Kokapet and Serilingampally. Ameerpet in Central Hyderabad also witnessed a couple of launches.

- While new launches in H1 2018, is a major improvement over H1 2017, the number of units launched is still below 4,000 units. It is worth noting that Hyderabad, post bifurcation of the state, used to consistently witness launch of more than 5,000 units every 6 months.
- A noticeable trend with regards new launches is the fact that of the total launches close to 47% of the units launched were in the price bracket of ₹7.5–10 mn. Further, during H1 2018 none of the housing units launched were priced below ₹2.5 mn. A few units catering largely to the luxury segment were also launched in the western part of the city. 3% of the units launched were priced between ₹20–40 mn.

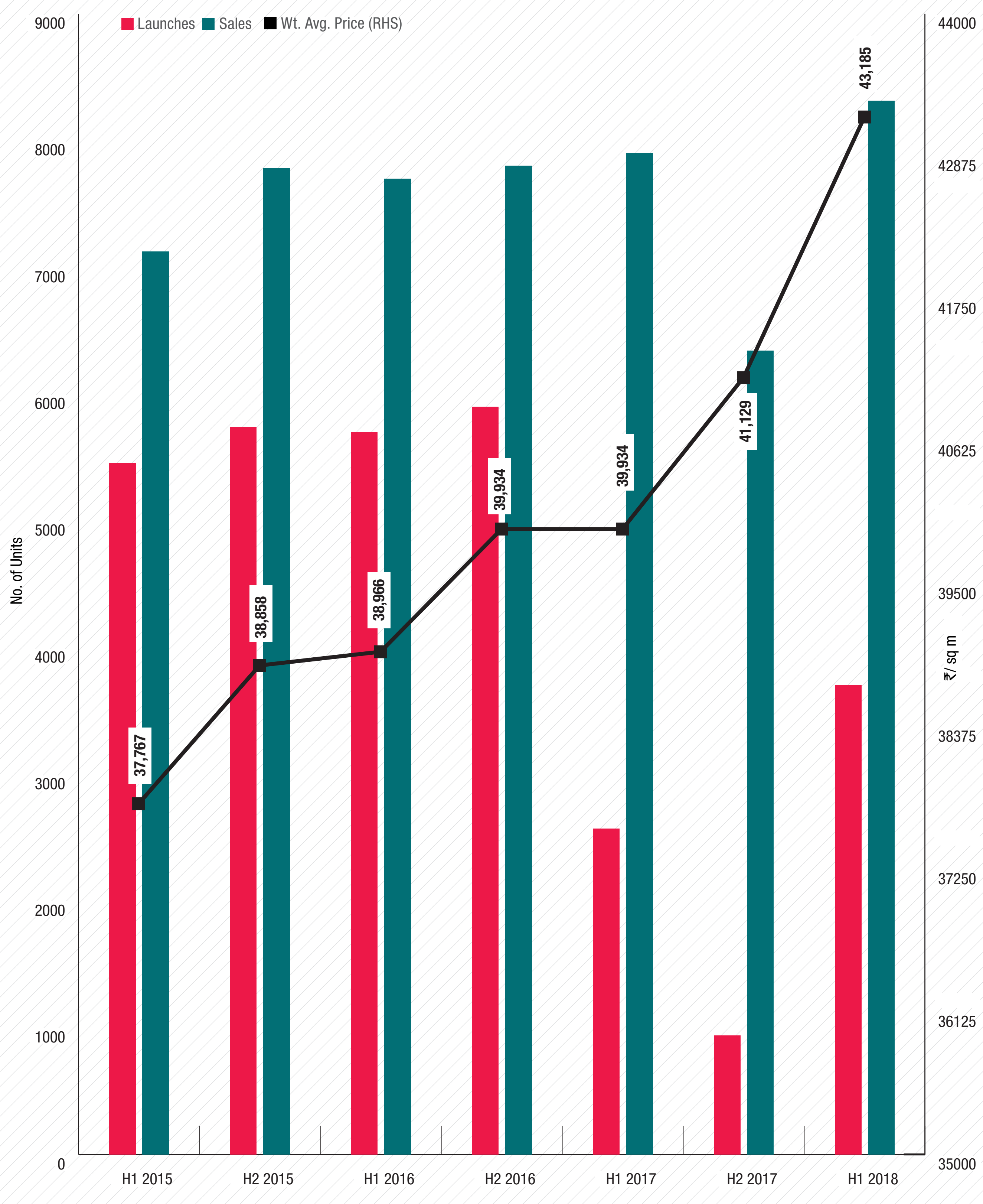
A noticeable trend with regards new launches is the fact that of the total launches close to 47% of the units launched were in the price bracket of ₹ 7.5–10 mn. Further, none of the housing units launched were priced below ₹ 2.5 mn.

- Sales in H1 2018 were 5% up compared to H1 2017. During our field surveys, it was apparent that there was a clear preference, among homebuyers, for ready-to-move-in units or those housing units where the possession was within the next 6 months. Further, housing units by reputed developers too were being preferred by the homebuyers.
- Despite the setback to new launches in 2017, sales have largely been steady in Hyderabad. Post bifurcation of the state, sales in Hyderabad, have for the first time crossed 8,000 units. H1 2018 witnessed sales of 8,313 units, which is 5% more than H1 2017. The steady sales of residential units, is a direct result of the good performance of the commercial space in the city. “It normally takes about 2 years for the results of the good performance of the commercial space to show in the residential property market,” opined a developer during one of the meetings.
- The western part of the city continued to hold sway even with regards sales of housing units in the city. Of the total sales in H1 2018, 69% happened in western Hyderabad. West Hyderabad’s proximity to office locations like Financial District, Madhapur, Gachibowli and Kondapur coupled with good infrastructure have been the major pull factors for homebuyers.
- The share of sales of East and North Hyderabad, which are the more affordable markets, has remained steady in H1 2018 compared to H1 2017. The share of South Hyderabad has however marginally increased to 8% due to the availability of housing units at attractive price points.
- The quarters to sell (QTS) of unsold inventory is the number of quarters required to exhaust the existing unsold inventory in the market. The existing unsold inventory is divided by the average sales velocity of the 8 preceding quarters in order to arrive at the QTS number for that particular quarter. A lower QTS indicates a healthier market.
- With drastic reduction in launches and steady sales, the QTS has further reduced in H1 2018 compared to H1 2017. In H1 2017, the QTS was 6 quarters and now it stands at 3.4 quarters.
- The markets of the north and south are however, under pressure as their QTS and age of inventory is very high. The age of inventory of the west is also high but it has a healthy sales velocity. The high sales velocity could be attributed to the fact that it is the preferred market in the city. A high sales velocity in the east could be an indication of a certain section of homebuyers looking for more affordable options.
- Due to a clear mismatch between demand and supply of housing units, in the city, prices have started to firm up. In H1 2018, prices moved up by 8% compared to H1 2017. Ready-to-move in homes continue to command a premium and so do housing units at a good location from reputed developers.
- The mismatch created in demand and supply, because of new launches, is further expected to push up prices in Hyderabad in the coming days.

44%

Increase in new launches in H1 2018 compared to H1 2017

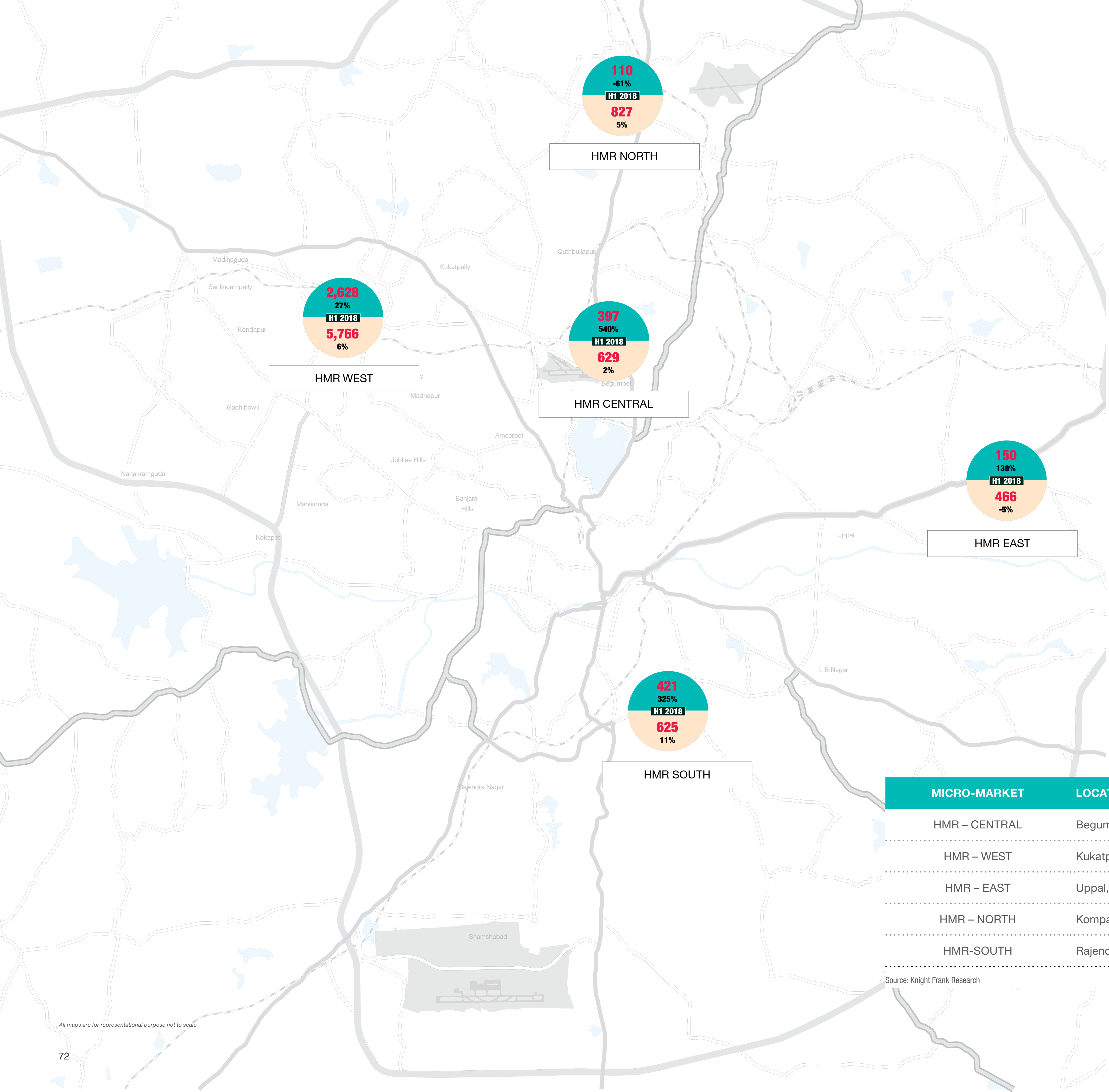
HYDERABAD MARKET ACTIVITY



Source: Knight Frank Research

RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) | Sales (housing units) | % Change (YOY)



All maps are for representational purpose not to scale

West Hyderabad's proximity to office locations like Financial District, Madhapur, Gachibowli and Kondapur coupled with good infrastructure have been the major pull factors for homebuyers.

69%

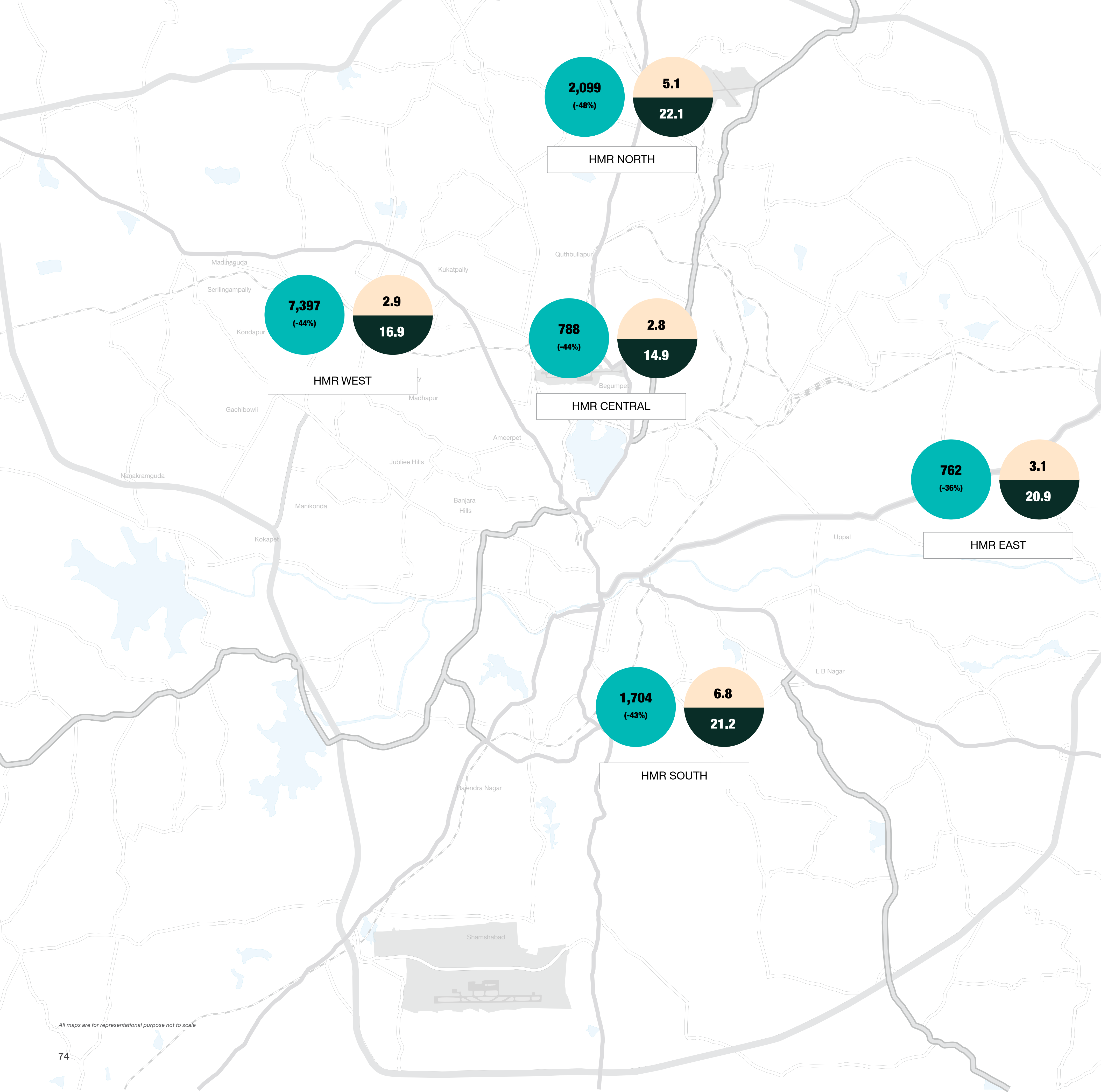
Share of West Hyderbad in the overall sales, in H1 2018

MICRO-MARKET	LOCATIONS
HMR – CENTRAL	Begumpet, Banjara Hills, Jubilee Hills, Panjagutta, Somajiguda
HMR – WEST	Kukatpally, Madhapur, Kondapur, Gachibowli, Raidurgam, Kokapet
HMR – EAST	Uppal, Malkajgiri, LB Nagar
HMR – NORTH	Kompally, Medchal, Alwal, Quthbullanpur
HMR-SOUTH	Rajendra Nagar, Shamshabad

Source: Knight Frank Research

RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) | QTS (in quarters) | Age of inventory (in quarters)

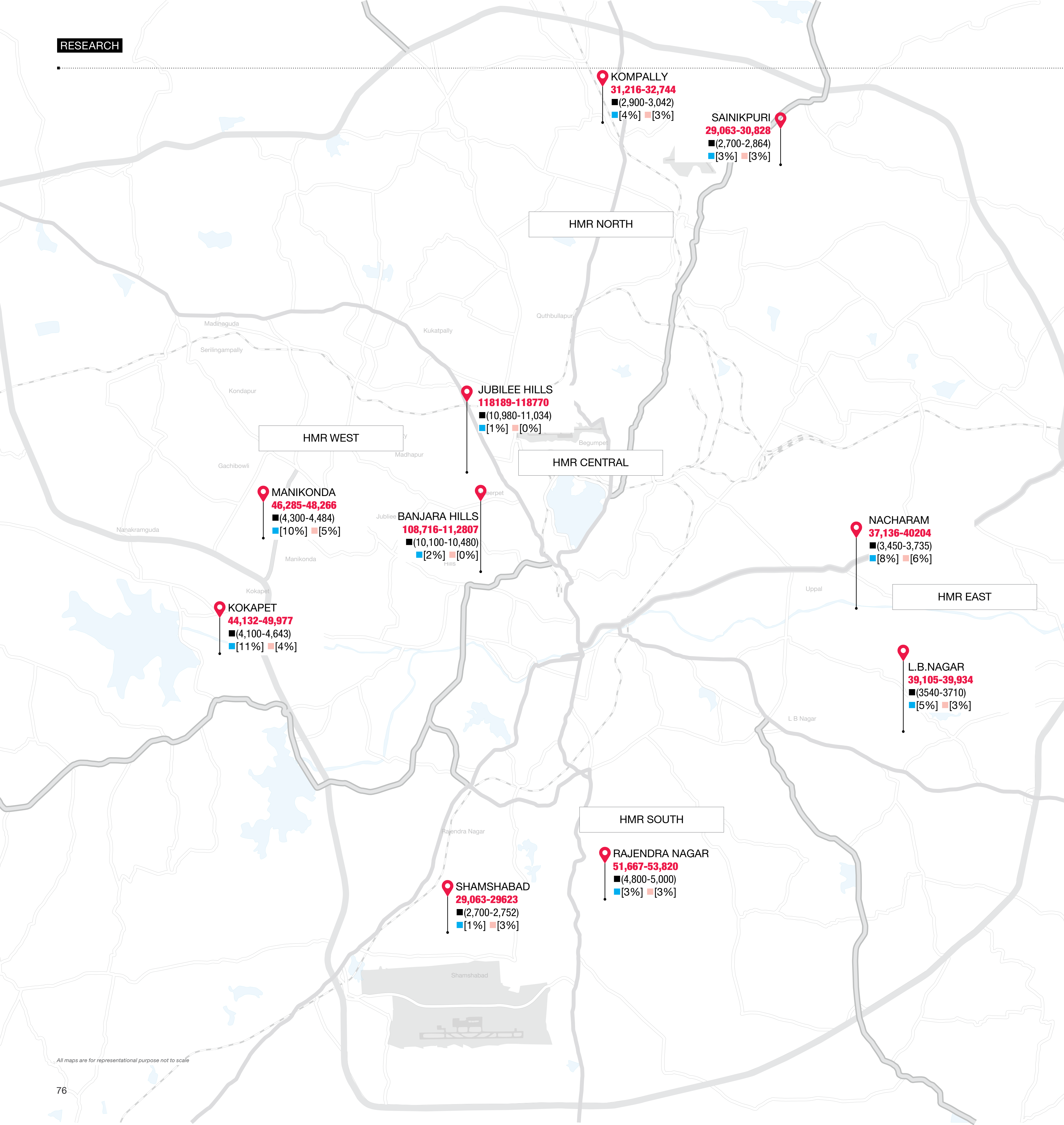


All maps are for representational purpose not to scale

The markets of the north and south are under pressure as their QTS and age of inventory is very high. The age of inventory of the west is also high but it has a healthy sales velocity.

44%

Drop in unsold inventory in H1 2018 compared to H1 2017



All maps are for representational purpose not to scale

RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m · Price range in H1 2018 in (₹/sq ft)

12 month change (YOY) · 6 month change (YOY)

Due to a clear mismatch between demand and supply of housing units, in the city, prices have started to firm up.

08%

Increase in prices in H1 2018 compared to H1 2017

14%

Drop in new completions in H1 2018 compared to H1 2017

The fact that the city has witnessed healthy transaction of office space in the first half of the year, chances are very high that 2018 may turn out to be another good year for the office market, as office space transactions typically gather further steam in the second half of the year.

OFFICE MARKET

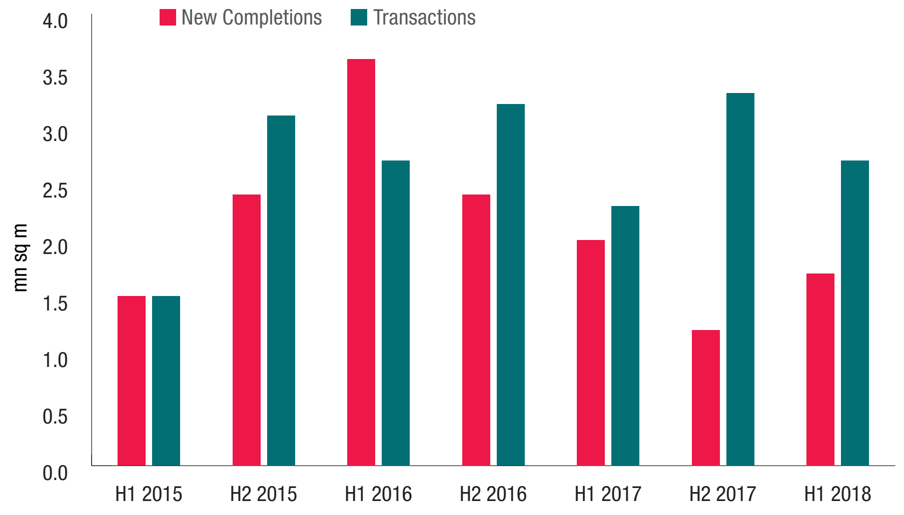
HYDERABAD MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	0.16 (1.7)	-14%
Transactions mn sq m (mn sq ft)	0.25 (2.7)	15%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	570 (53)	8%
Stock mn sq m (mn sq ft)	5.78 (62.26)	5%
Vacancy (%)	6.76	

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

- The Hyderabad office market witnessed a 15% uptick in office transaction in H1 2018 compared to the same period in H1 2017. The city, in H1 2018, witnessed office space transaction of 0.25 mn sq m (2.69 mn sq ft) compared to H1 2017 when 0.22 mn sq m (2.33 mn sq ft) of office space was transacted in Hyderabad.
- The amount of office space transacted in H1 2018 is only 2% less compared to the record office space transaction witnessed in the city in the first half of the year. Hyderabad witnessed the highest office space transaction in the first half of the year in 2016 when 0.26 mn sq m (2.75 mn sq ft) of office space was transacted in the city. The fact that the city has witnessed healthy transaction of office space in the first half of the year, chances are very high that 2018 may turn out to be another good year for the office market, as office space transactions typically gather further steam in the second half of the year. Considering that Hyderabad is slowly turning out to be one of the preferred cities, in the country, by occupiers, the same trend in all likelihood is expected to be maintained in the second half of 2018.
- As has been the case in the city, in the last couple of years, even in H1 2018 new completions were unable to keep pace with the demand for office space. During H1 2018, 0.16 mn sq m (1.73 mn sq ft) of office supply made its way into the market. This is 14% less than the office space that was added to the stock, in H1 2017.

HYDERABAD OFFICE MARKET ACTIVITY



Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

- There has been a marginal increase in vacancy, in H1 2018 compared to H1 2017 but it still remains in the low single digits. Vacancy levels in the city have moved up marginally from 5.16% in H1 2017 to 6.76% in the H1 2018. In fact low vacancy is one of the biggest challenges for Hyderabad as occupier interest continues to be on the rise and there is not enough supply to meet the same. Vacancy levels in markets like Madhapur, HITECH City, Gachibowli and Nanakramguda area as low as 2–4%.
- Another visible trend in Hyderabad is that companies have now started to develop their own campus.
- The IT/ITeS sector has traditionally dominated the office transaction pie in Hyderabad. However, in H1 2018, the share of the IT/ITeS sector has fallen to 36%. This is largely due to the unavailability of good quality office space with large floorplates, which are preferred by the companies in the IT/ITeS sector. In H1 2018, the largest amount of space was taken up by companies from the Other Services sector. Companies in this sector picked up 43% of the office space transacted in H1 2018, which is significantly higher than in H1 2017, when their share stood at 23%. Even within this particular category, 25% space was taken up by companies in the co-working space.
- After the Other Services sector, the manufacturing sector has been the other major gainer in H1 2018. Its share in the total transacted office space, in the city, stood at 15%, compared to 5% in H1 2017.
- The share of Banking, Financial services and Insurance (BFSI) companies has fallen in H1 2018 to 7% compared to 21% in H1 2017.
- The average deal size in H1 2018 was reported to be 2,079 sq m (22,377 sq ft), which is 20% higher than in H1 2017.
- H1 2018 witnessed 120 deals, which is marginally lower than H1 2017, which had recorded 126 deals. The marginal fall in the number of deals and the rise in average deal size can be attributed to companies like Amazon, S&P Global and ShoreIT taking up large amount of space in the city.
- Even though the share of the suburban business district (SBD), in the total office space transacted, in the city, has fallen by 19% compared to H1 2017, it continues to garner the largest share of office space in the city, even though by a whisker. In H1 2018, SBD just about managed to beat the peripheral

15%

Increase in transacted space in H1 2017 compared to H1 2018

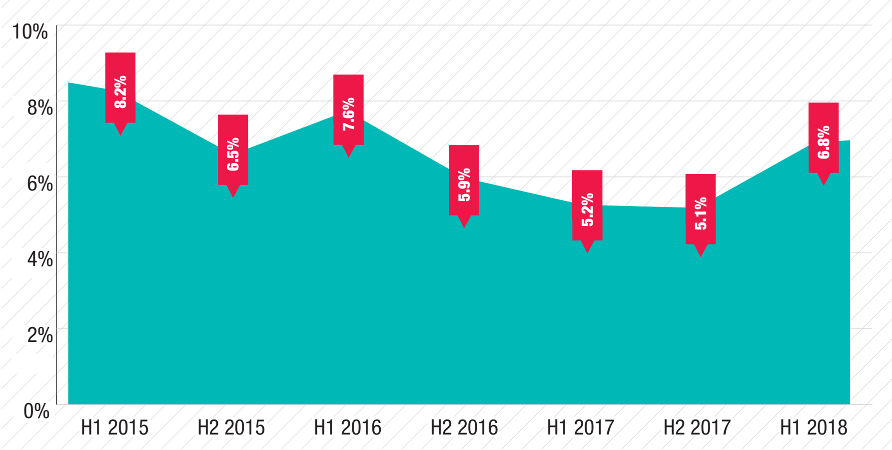
Companies in the other service sector picked up 43% of the office space transacted in H1 2018, which is significantly higher than their share in H1 2017. Within this particular category 25% space was taken by companies in the co-working space.

43%

Share of PBD West in the total transacted office space in H1 2018

The share of PBD West increasing by leaps and bounds can be attributed to availability of quality office space at a competitive cost. This trend is also an indication of drying up of quality office space in SBD.

HYDERABAD OFFICE MARKET VACANCY



Source: Knight Frank Research

business district (PBD) West as the most preferred business district in Hyderabad. SBD accounted for 43.36% of the transacted office space in the city while PBD's share was 42.71%.

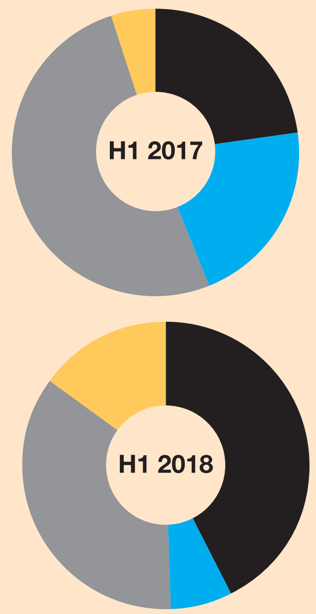
- It must be noted that till the very recent past SBD used to account for the lion's share of transacted office space in the city. For example, in the H1 2017, the share of SBD was 62% and in H2 2017 the figure stood at 71%. The share of PDB West on the other remained in the mid-20s. In H1 2017, the share of PBD West was 23% and in H2 2017, its share stood at 24%. As mentioned earlier, in H1 2018, its share increased astronomically to 42.71%. The share of PBD West increasing by leaps and bounds can be attributed to availability of quality office space at a competitive cost. This trend is also an indication of drying up of quality office space in SBD.
- Within PBD West, Gachibowli emerged as the most preferred micro market accounting for 60% of the transacted space in the business district.
- Going forward it is expected that office space will further expand in the west, thereby increasing the attractiveness of micro markets like Kokapet, Narsingi and Puppalguda. In fact, companies have already started moving their offices to Kokapet. Of the total transacted office space in H1 2018, in PBD West, 29% happened in Kokapet.
- PBD East, which typically accounts for a miniscule share of the transacted office space, in the city, did not see any transactions in H1 2018. In H1 2017, it accounted for only 3% of the transacted space of the city and did not see transactions in H2 2017. It is another indication that the western part of the city continues to be the preferred location for occupiers.
- Lack of vacant office stock coupled with steady demand has pushed the weighted average rentals in the Hyderabad office market to ₹570/sq m/month (₹53 per sq ft per month) at the end of H1 2018, a growth of 4% year-on-year (YoY).
- H1 2018 witnessed rentals move up across micro markets compared to H1 2017. The upward movement in rentals can be gauged from the fact that rentals in Madhapur in SBD witnessed few transactions at ₹700/sq m/month (₹65 per sq ft per month). Rentals in Gachibowli, in PBD West, too reached ₹700/sq m/month (₹65 per sq ft per month). Elsewhere, in Nanakramguda there was a transaction at ₹700/sq m/month (₹65 per sq ft per month).

BUSINESS DISTRICT CLASSIFICATION

BUSINESS DISTRICT	MICROMARKETS
CBD & off CBD	Banjara Hills, Jubilee Hills, Begumpet, Ameerpet, Somajiguda, Himayat Nagar, Raj Bhavan Road, Punjagutta
SBD	Madhapur, Manikonda, Kukatpally, Raidurg, Kothaguda
PBD West	Gachibowli, Kokapet, Nanakramguda, Nanakramguda, Serilingampally,
PBD East	Uppal, Pocharam

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



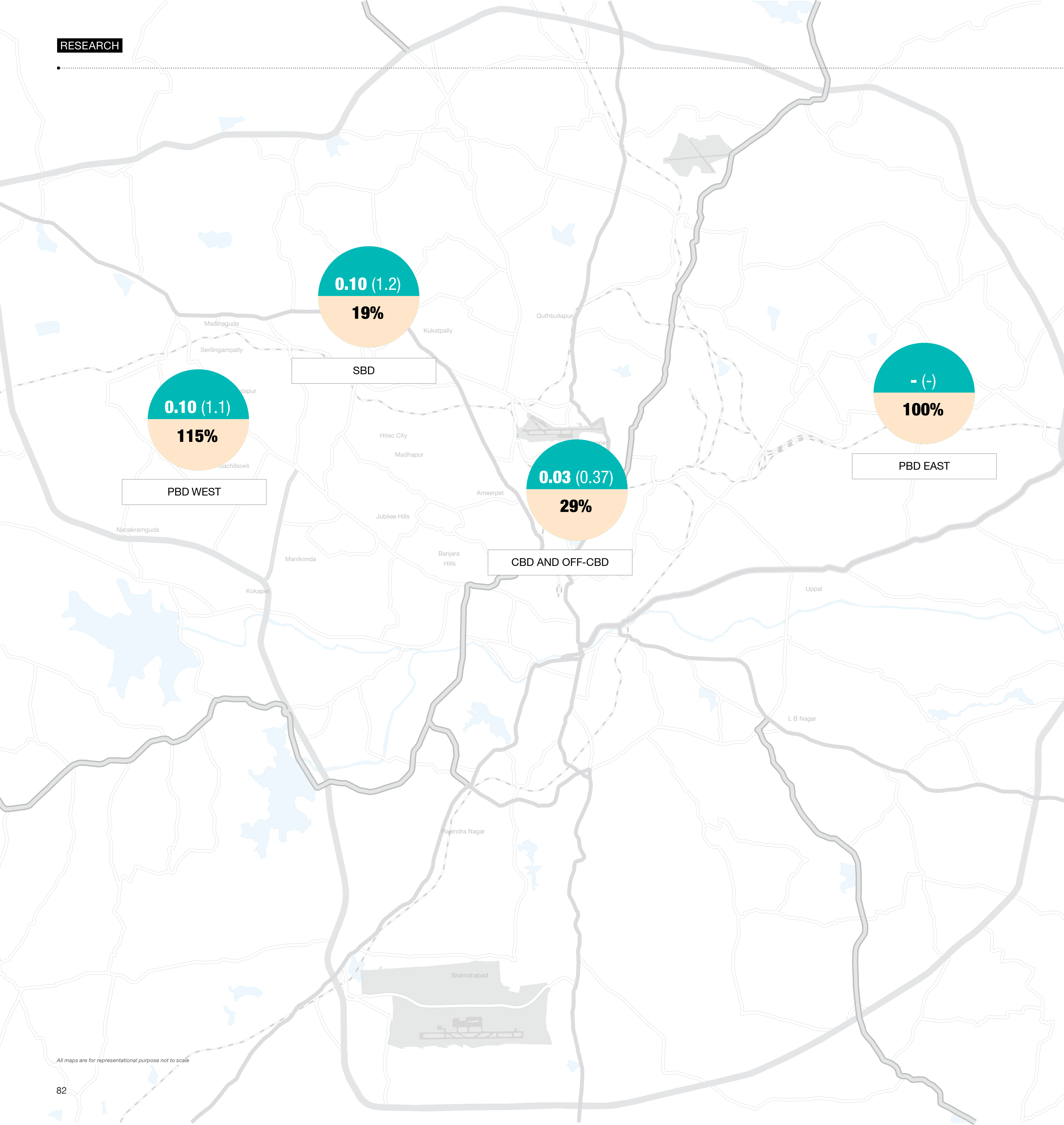
Industry	H1 2017	H1 2018
BFSI	21%	7%
IT/ITES	51%	36%
Manufacturing	5%	15%
Other Services	23%	43%

Note: BFSI includes BFSI support services

AVERAGE DEAL SIZE AND NUMBER OF DEALS

1,720 (18,516)
Average Deal Size in sq m (sq ft)
H1 2017
126
Number of Deals

2,079 (22,377)
Average Deal Size in sq m (sq ft)
H1 2018
120
Number of Deals



All maps are for representational purpose not to scale

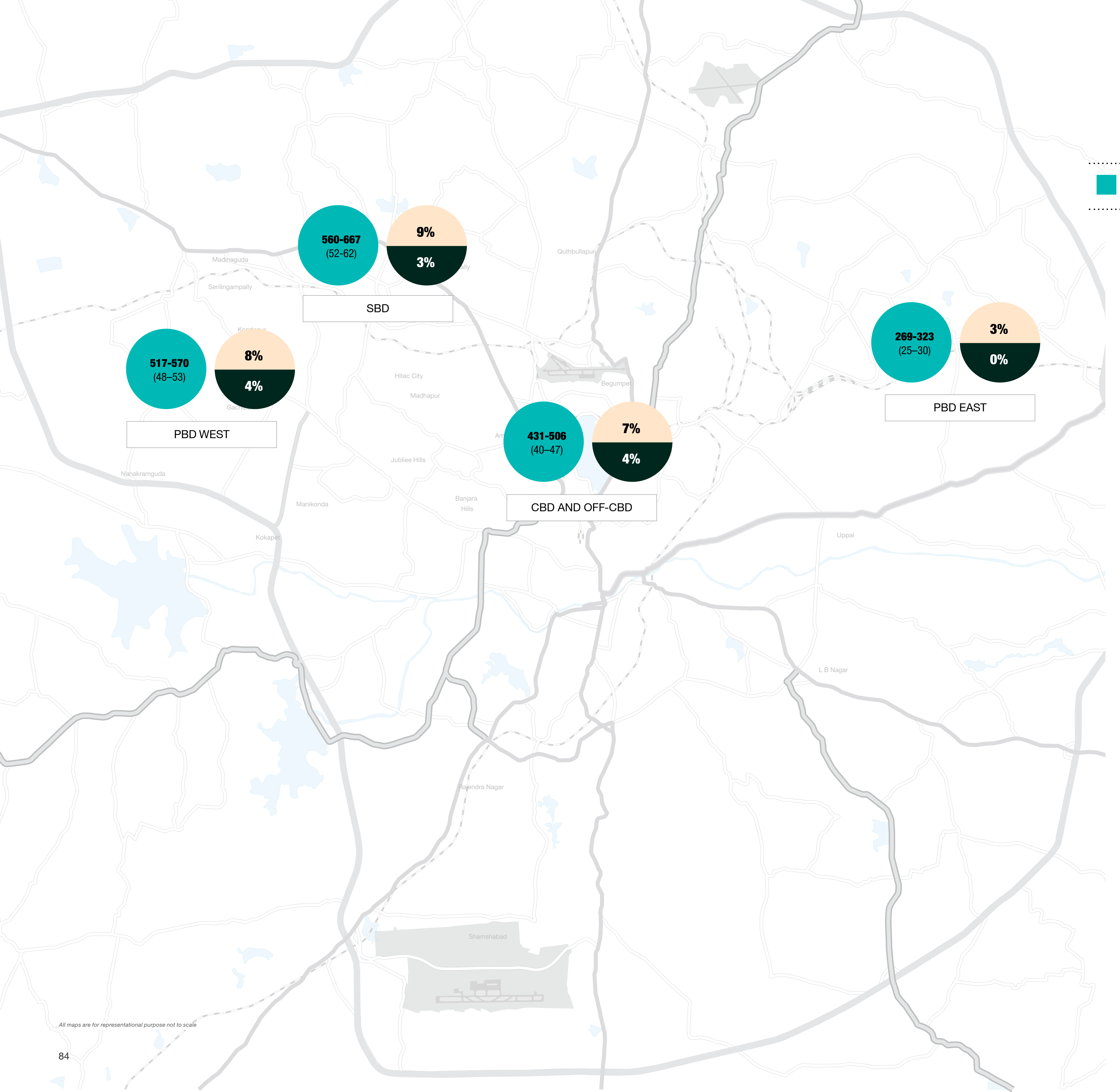
OFFICE TRANSACTIONS H1 2018

Transactions mn sq m (mn sq ft) | YoY change

60%

Share of Gachibowli in the total transacted office space in PBD West, in H1 2018

Within PBD West, Gachibowli emerged as the most preferred micro market accounting for the lions share of transacted space in the business district.



All maps are for representational purpose not to scale

OFFICE RENTAL H1 2018

Rental value range in H1 2018 in ₹/sq m/month (₹/sq ft/month) | 12 month change | 6 month change

08%

Increase in rentals in H1 2018 compared to H1 2017

H1 2018 witnessed rentals move up across micro markets compared to H1 2017. The upward movement in rentals can be gauged from the fact that rentals in Madhapur in SBD witnessed few transactions at ₹ 700/sq m/month (₹ 65 per sq ft per month).

KOLKATA

RESIDENTIAL MARKET

47%

Decline in launches in H1 2018 from levels during H1 2015

KOLKATA MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	6,393	-35%
Sales (housing units)	6,591	-19%
Price (weighted average)	₹35,446/sq m (₹3,293/sq ft)	-8%
Unsold inventory (housing units)	39,054	0%
Quarters to sell	12.2	-
Age of unsold inventory (in quarters)	12.6	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

42%

Decline in sales in H1 2018 over levels during H1 2015

> Even after one year of the Goods and Services Tax (GST) implementation, Kolkata's residential market has not resurrected as end-user sentiment towards residential property purchase is at an all-time low.

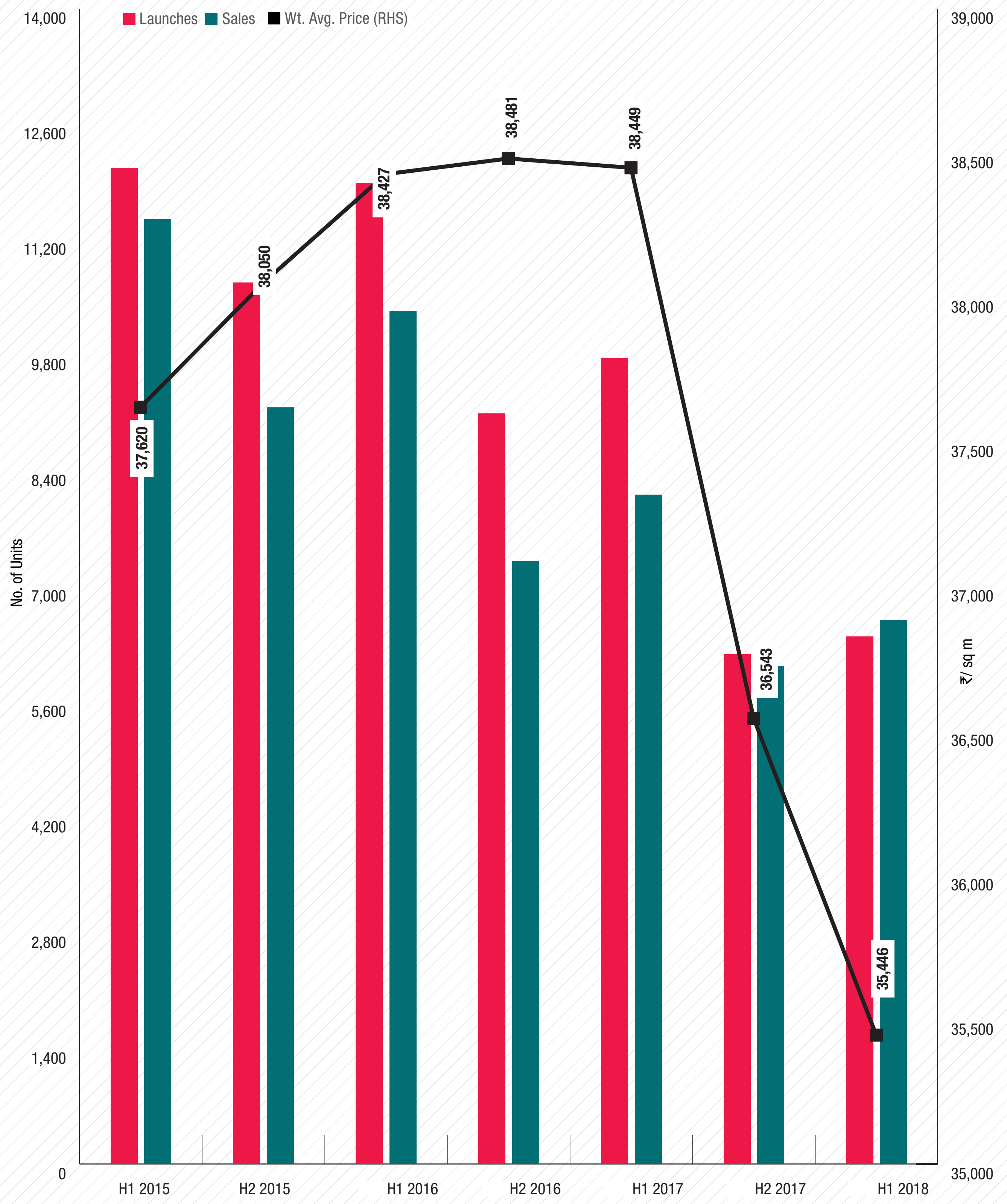
- Kolkata's office leasing segment has remained subdued with the city garnering less than 0.09 mn sq m (1 mn sq ft) average transactions annually. Despite Kolkata Metropolitan Region being India's third most populous metropolitan area after Delhi and Mumbai, the occupier interest in Kolkata has not witnessed any spike or revival in recent years. Kolkata Metropolitan Region's population is 14.7 million, which is nearly 69% more than Hyderabad Metropolitan Area. Despite a huge population pool, the office market in the city lags far behind Hyderabad where average absorption trends between 2014-2017 indicate 0.48 mn sq m (5.19 mn sq ft) leasing volume annually. Even for Pune Metropolitan Region, with half the population of Kolkata, the average annual leasing recorded during this period is 0.43 mn sq m (4.57 mn sq ft).
- In the absence of a well developed services sector which attracts occupiers to core and non-core micro-markets, there are no drivers to push residential sector's growth and give impetus to sales and launches.
- Even after one year of the Goods and Services Tax (GST) implementation, Kolkata's residential market has not resurrected as end-user sentiment towards residential property purchase is at an all-time low. Due to buyers' uncertainty about the extent of input tax credit, which will eventually be passed on to them, residential sales have remained subdued.
- During H1 2018, residential sales noted a 19% year-on-year (YoY) decline and stood at 6,591 units. Homebuyers have largely stayed away from under-construction properties in the expectation of a price correction in the

coming months. From its peak in H1 2015, sales have plummeted by 42% due to market slowdown aggravated in the wake of multiple regulatory reforms starting from demonetisation.

- Of the total sales volume, South Kolkata accounted for 33% share as far off peripherals such as Baruipur, Sonarpur, Garia and Narendrapur have witnessed good sales traction due to the affordable price tag of the projects. Affordable housing in these belts has witnessed a shot in the arm with the nationwide implementation of Pradhan Mantri Awas Yojana (PMAY).
- Bucking the trend in H1 2017, when Rajarhat accounted for 32% of total sales volume, the share of this micro market reduced to 23% of total sales in H1 2018. Rajarhat has lost its top slot in Kolkata's residential sales volume for the second time in the past 15 months with a substantial 38% drop in the past one year itself. Despite being the most sought after micro market in Kolkata and a planned township, the overall slump in the market is creeping into Rajarhat with sales slowing down despite strong fundamentals.
- Low sales volume has only worsened the unsold inventory situation in Kolkata. In H1 2018, unsold inventory remained stagnant over H1 2017. The fact that unsold inventory levels have not shrunk even marginally in the past year signal the stress in the market and have only led to an increase in the age of inventory to 12.6 quarters at the end of H1 2018.
- The unsold stock lying in the market has also impacted the quarters to sell (QTS), which has inched up from 10.6 quarters in H1 2017 to 12.2 quarters in H1 2018. The current age of inventory and QTS present an alarming picture, as the prolonged project lifecycle now stands at more than 6 years. Not a healthy scenario, as other cities have started showing signs of revival in the wake of a structural shift brought about by the implementation of the Real Estate (Regulation and Development) Act, 2016 (RERA).
- South Kolkata accounted for the maximum share of unsold inventory with 36% unsold units. Due to infusion of many large-sized township projects, the unsold units in this micro market surpass many others. With a 25% share in unsold units, Rajarhat still presents a better picture as sales momentum has slowed down but the micro market remains attractive due to its physical and social infrastructure and planned development.
- Low sales velocity and piling unsold inventory has forced developers to correct prices to bring the buyers back to the table. The weighted average residential prices have undergone a correction of 8% YoY, as discounts on box prices are prevalent in the market. Most developers are passing on a price benefit of 7–8% on base selling prices and have made their products cheaper for customers.
- Downturn in the residential sales cycle has forced many developers to curtail new launches. In H1 2018, 6,393 units were launched in Kolkata, which is a significant 35% YoY drop over H1 2017. The impending Housing Industry Regulatory Authority's (HIRA) implementation announcement momentarily improved new launches in Q2 2018 over Q1 2018, but they are nowhere close to the levels witnessed in H1 2015.
- During H1 2018, South Kolkata accounted for 27% share in new launches. Though South Kolkata accounted for 32% share of new launches in H1 2017, the number of units launched in H1 2018 have declined by 45% YoY. Joka in South Kolkata has particularly emerged as the flavour of the season for developers who are exploring future development possibilities in this locality due to the upcoming metro connectivity via Joka-Esplanade link. Many leading developers are aggressively expanding footprint in this location to take advantage of low real estate prices before the Metro arrives.
- Compared to H1 2017, Rajarhat witnessed a humungous 93% annual drop in new launches in H1 2018, which can be attributed to availability of large unsold inventory and slow progress on metro construction for the Airport-Garia link that passes through Rajarhat.
- In June 2018, the West Bengal state government announced the enactment of the Housing Industry Regulatory Authority in the state. However, the establishment of the regulatory authority, appointment of personnel and physical kick-start of operations of the newly created body are yet to take place. The definition of ''force majeure'' and ''garage'' under HIRA have irked many consumer groups who view HIRA, even though it has not been implemented in totality, as a major departure from the Central RERA. Clarity on HIRA implementation is eagerly awaited. If expedited, it can act as a catalyst to revitalise Kolkata's residential market and bring the homebuyers back.

During H1 2018, residential sales noted a 19% year-on-year (YoY) decline and stood at 6,591 units. Homebuyers have largely stayed away from under-construction properties in the expectation of a price correction in the coming months.

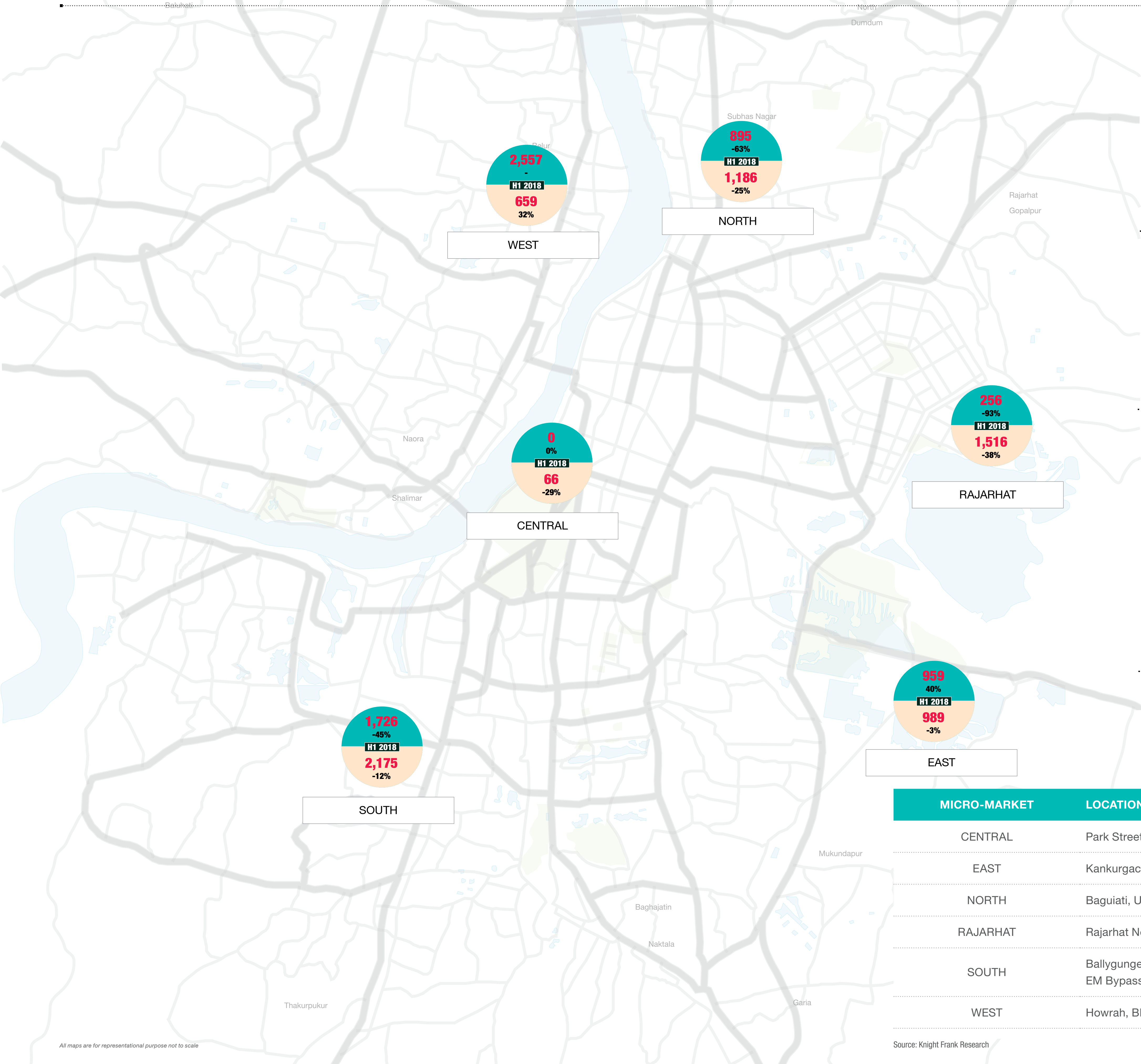
KOLKATA MARKET ACTIVITY



Source: Knight Frank Research

RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) Sales (housing units) % Change (YOY)



All maps are for representational purpose not to scale

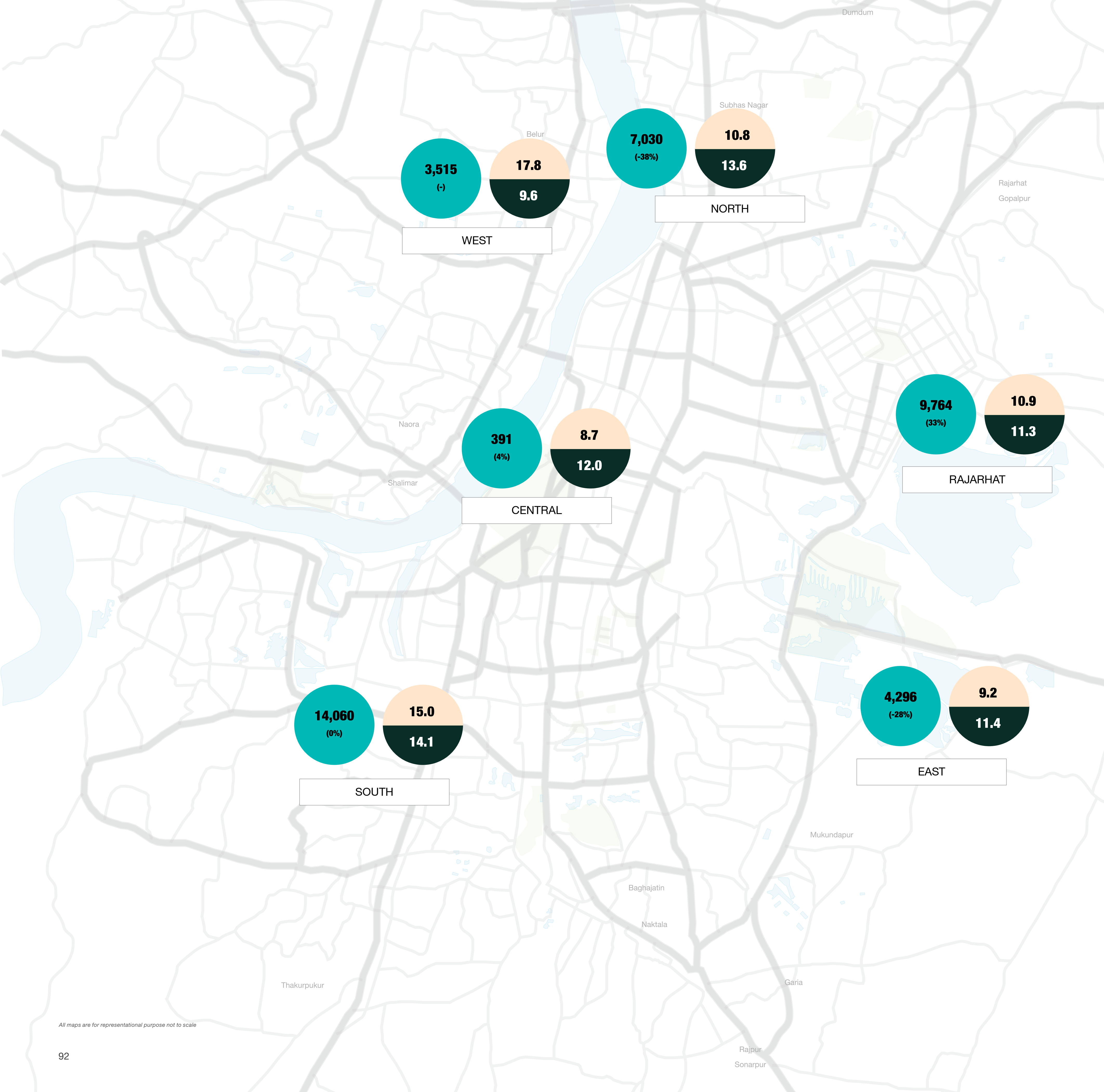
Bucking the trend in H1 2017, when Rajarhat accounted for 32% of total sales volume, the share of this micro market reduced to 23% of total sales in H1 2018.

35%

YoY decline in launches in H1 2018 in Kolkata

MICRO-MARKET	LOCATIONS
CENTRAL	Park Street, Rawdon Street, AJC Bose Road, Minto Park, Elgin Road
EAST	Kankurgachi, Beliaghata, Salt Lake, Narkeldanga, Keshtopur, EM Bypass (eastern parts)
NORTH	Baguiati, Uttadanga, Jessore Road, Shyambazar, Lake Town, BT Road, VIP Road
RAJARHAT	Rajarhat New Town
SOUTH	Ballygunge, Alipore, Tollygunge, Narendrapur, Behala, Garia, Maheshtala, EM Bypass (southern parts)
WEST	Howrah, BBD Bagh

Source: Knight Frank Research



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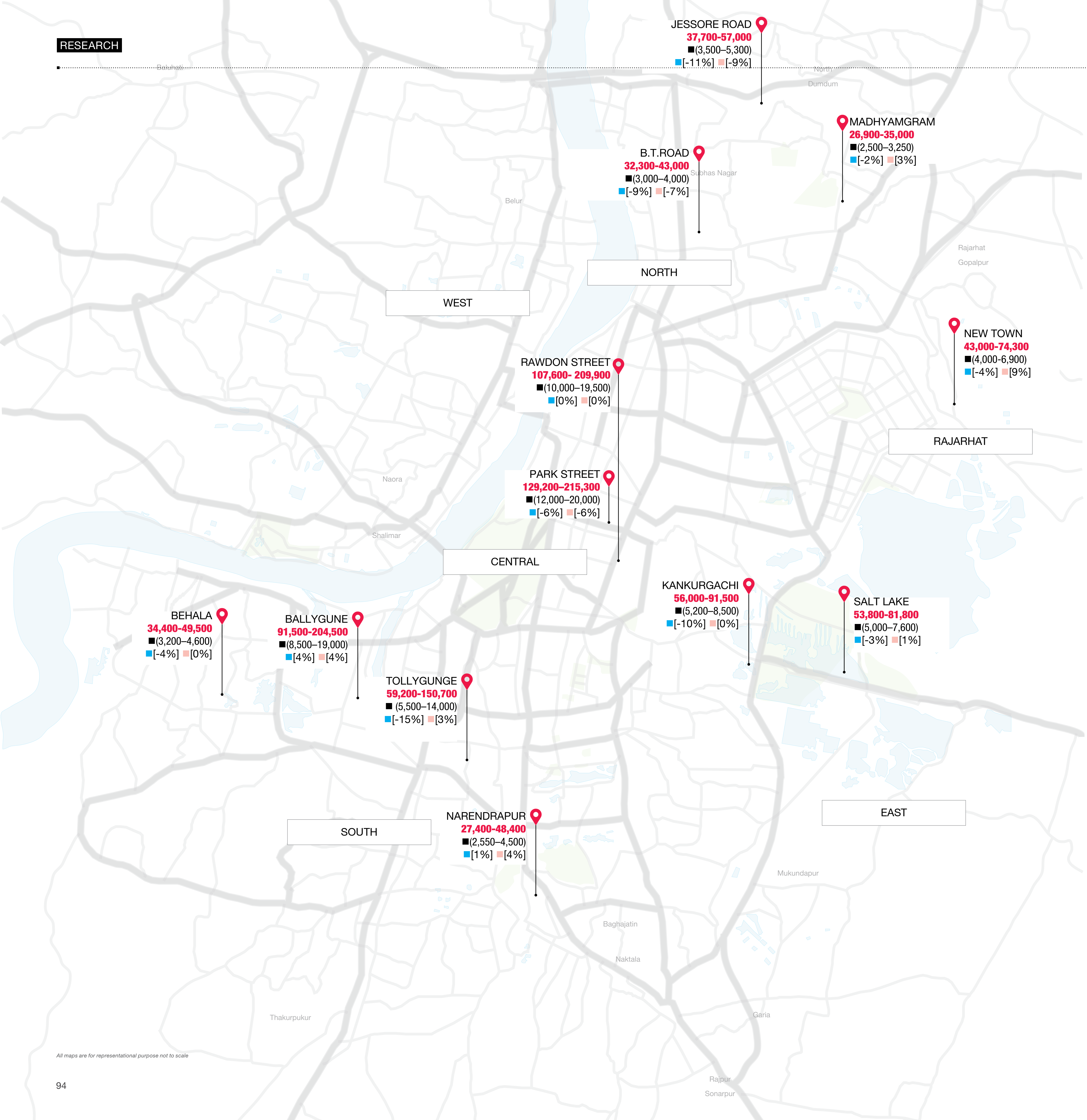
RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) QTS (in quarters) Age of inventory (in quarters)

12.6

Age of Inventory in Kolkata in H1 2018

The current age of inventory and QTS present an alarming picture, as the prolonged project lifecycle now stands at more than 6 years. Not a healthy scenario, as other cities have started showing signs of revival in the wake of a structural shift brought about by the implementation of the Real Estate (Regulation and Development) Act, 2016 (RERA).



RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m

Price range in H1 2018 in (₹/sq ft)

12 month change (YOY)

6 month change (YOY)

The weighted average residential prices have undergone a correction of 8% YoY, as discounts on box prices are prevalent in the market. Most developers are passing on a price benefit of 7–8% on base selling prices and have made their products cheaper for customers.

8%

YoY decline in weighted average residential prices

MUMBAI

RESIDENTIAL MARKET

> The launches in H1 2018 were higher on account of: the temporary lifting of construction ban in BMC limits, low base of H1 2017 and large scale project launches in the affordable segments in the peripheral markets.

MMR MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	35,974	128%
Sales (housing units)	32,412	1%
Price (weighted average)	₹78,933/sq m (₹7,333/sq ft)	-9%
Unsold inventory (housing units)	119,526	-14%
Quarters to sell	8	-
Age of unsold inventory (in quarters)	15.4	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

- Mumbai saw a significant jump in new launches, at 35,974 units, recording a growth of 128% year-on-year (YoY). The following reasons can be attributed to this significant rise: temporary lifting of the construction ban in Brihanmumbai Municipal Corporation (BMC) region, low base effect created by the disturbances of demonetisation, Real Estate (Regulation and Development) Act, 2016 (RERA), Goods and Services Tax (GST), developers launching smaller units with lower ticket size to cater to market demand and large-scale affordable housing projects being undertaken in the peripheral suburbs.
- The Bombay High Court had ordered a stay on construction of new buildings in the BMC region (Mumbai city) in March 2016 owing to the growing unscrupulous dumping hazard. The ban was imposed to address the over-saturation of the city's landfills due to construction debris. This verdict affected all new launches in the BMC region resulting in a significant slump in the overall launch numbers for Mumbai during the ensuing period. In March 2018, the country's Supreme Court lifted the ban for a period of 6 months, giving a breather to the developer community. Consequently, to maximise the benefit of this temporary relief, developers have been launching projects rampantly. This has resulted in a significant rise in the overall launches for Mumbai in Q2 2018 and in H1 2018 overall. A similar momentum of launches can be expected in H2 2018 and H1 2019, as many developers are expediting the process of taking approvals of new project launches and preparing a launch pipeline for the next 6–12 months. The developers fear that when this window of reprieve shuts down, it is likely that the ban would be enforced again. Considering the past track record of the action on the dumping ground issue and unavailability of a land parcel within city limits, the issue is likely to persist over a longer period. This in effect will impact approvals for new launches.
- Low base effect during H1 2017, created by disturbances of demonetisation, RERA and GST, was the other major reason for the jump in new project launches during H1 2018. H1 2017 witnessed a major lull as far as launches are concerned. Q1 2017 was reeling under the effects of the high value currency demonetisation policy of November 2016 and this is reflected in the very poor number of launches in that period. In Q2 2017, as the market was recovering slowly, come mid-April RERA fears gripped the market. Developers were not allowed to sell flats in their under-construction projects without RERA registration. Most developers waited till the end of the RERA registration window to get their projects registered. As a result, the market took a downturn again and new launches took a hit resulting in poor launch numbers for H1 2017 overall. Comparing those numbers to the H1 2018 launches has resulted in a whopping 128% (YoY) growth.
- Mumbai real estate is widely known for its sky-high prices, also the disconnect for the purchasing power of the homebuyers and the house value. A significant portion of the populace is salaried and for most of them owning a house remains a distant dream. In response to this disconnect, developers are now launching smaller-size units to be able to bring down the ticket size. This way, houses become affordable for the populace and developers benefit from the increased number of transactions. Launch of the Housing for All by 2022 scheme has given a further boost to projects with smaller ticket sizes, as the eligible consumers can now avail the various incentives offered under this scheme.
- The Pradhan Mantri Awas Yojana (PMAY) has brought the affordable housing product on most developers' agenda. Consequently, many projects have been launched with smaller ticket sizes and at lower prices in the suburbs so that the buyers purchasing a flat in that project are eligible for the benefits under the PMAY scheme.

Some of these projects had more than 1,000 units and therefore, have significantly contributed to the surge in overall Mumbai launches. Some of the noteworthy launches include Neptune group's project Ramrajya in Kalyan, Wadhwa's Wise City in Panvel, new launches by Lodha in Thane and Ruparel Realty's Optima in Kandivali.

- Flexi-payment options and bank loan schemes are riding high on the affordable housing wave. Home loan schemes like 5:95 require that customers pay only 5% while booking a house and the remaining 95% at the time of possession. In the interim period, the bank would make construction-linked payments to the developer and the developer would service the interest on the home loan. This way the consumer can buy a house at a small token amount, avoid the EMI-burden and continue to stay on rent. The banks will have more loans on their books and the developer will receive construction finance at a cheaper rate than usual – a win-win situation for all. Such schemes are well-suited for salaried employees who wish to purchase a lower ticket size product in the peripheral markets. As customers are responding to lower ticket size projects in the peripheral markets, they have fuelled the need of such projects.

- Unlike launches, the sales numbers of the Mumbai residential market still depict the lull of H1 2017. While sales have gone up compared to last year, the growth is negligible at 1% YoY. The sales in H1 2018 are lower than the sales in H1 2016, a period when the real estate market of MMR was showing very early signs of revival. This marginal growth cannot be interpreted as the market is out of the doldrums.

- Like launches, when we compare the sales of H1 2018 with the sales numbers of H1 2017, we should consider the disruptions due to demonetisation and RERA. The sales in the first 2 months of H1 2017 were affected due to the demonetisation hangover and towards mid-April till end of H1 2017, developers were not allowed to market flats in under-construction projects sans RERA registration. As a result, like launches, even the sales numbers for H1 2017 were lower compared to H1 2016. Despite a stable period, devoid of any such disturbances, H1 2018 sales grew by a meagre 1% YoY. There was a slew of price benefit led project marketing activities along with reduction in base prices, which together cemented the sales numbers of H1 2018. Else, the numbers could have been worse.

- A major contributor to this marginal 1% YoY growth in sales is the increased number of new launches, especially in the affordable housing segment. Many new launches offered lower prices compared to the prevailing prices in the catchment even as they lure end-users with a plethora of amenities. To fit into the consumer's budget, lower apartment sizes, resulting in smaller ticket size, became a mainstay. Such apartments witnessed significant interest from buyers. Additionally, government incentives under PMAY, subvention schemes and flexi-payment options have made home-buying attractive for lower ticket size projects.

- More than 70% of the total sales volume came from the low to mid-segment markets like Peripheral Central Suburbs, Peripheral Western Suburbs, Thane and Navi Mumbai. The highest sales were observed in the Peripheral Central Suburbs with sales of 9,200 units out of the total 35,974 units sold in H1 2018 in MMR.

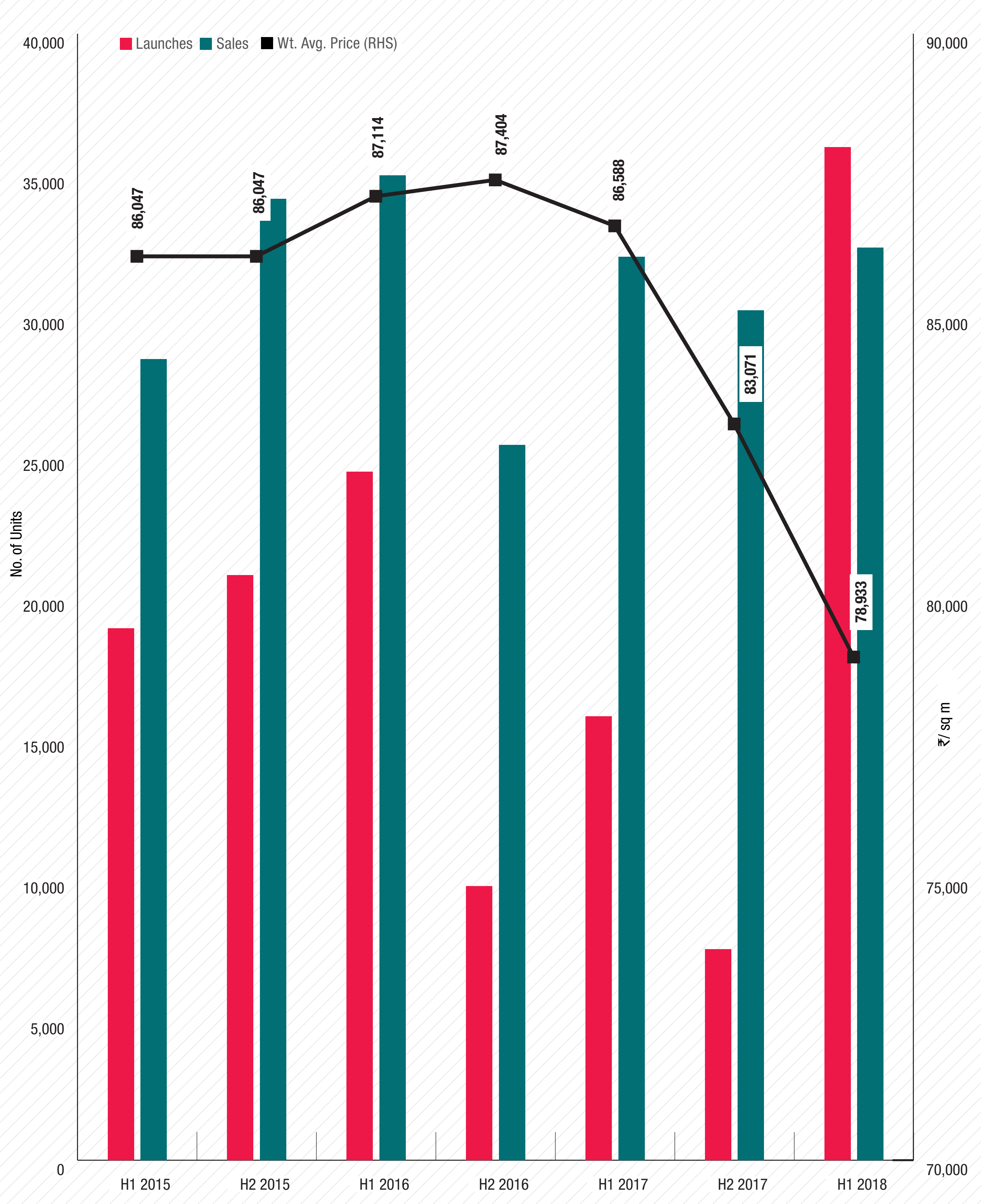
- As per our field visits and interaction with stakeholders, in the premium markets, buyers are opting to make the purchase only in Occupation Certificate (OC) received projects. This helps them avoid the 12% GST, which adds up to a significant amount for luxury and premium residences. As a result, it makes sense for the buyers to postpone their purchase till the project is complete, as GST is not applicable on OC-ready projects. This trend is also common for mid-segment apartments, as the buyers are looking to avoid the 12% GST burden, invariably forcing the developers to offer a lower price on under-construction units.

- As the market is reeling under pressure, there has been a constant focus by developers to make the process of purchase less strenuous on buyers. Developers are offering a host of discounts such as – developer subvention schemes, bank subvention schemes, flexi-payment options (5:95, 20:40:40, 20:80 payment schemes), smaller-sized apartments to reduce the overall ticket size, free appliances, gifts, other indirect discounts like absorbing – GST, clubhouse charges, maintenance charges, floor rise premium and stamp duty charges. Such discounts are the order of the day and is found in almost every project in the MMR region. There are few instances where reputed developers are offering flexi-payment options even for OC-ready projects, which was unimaginable a few years ago.

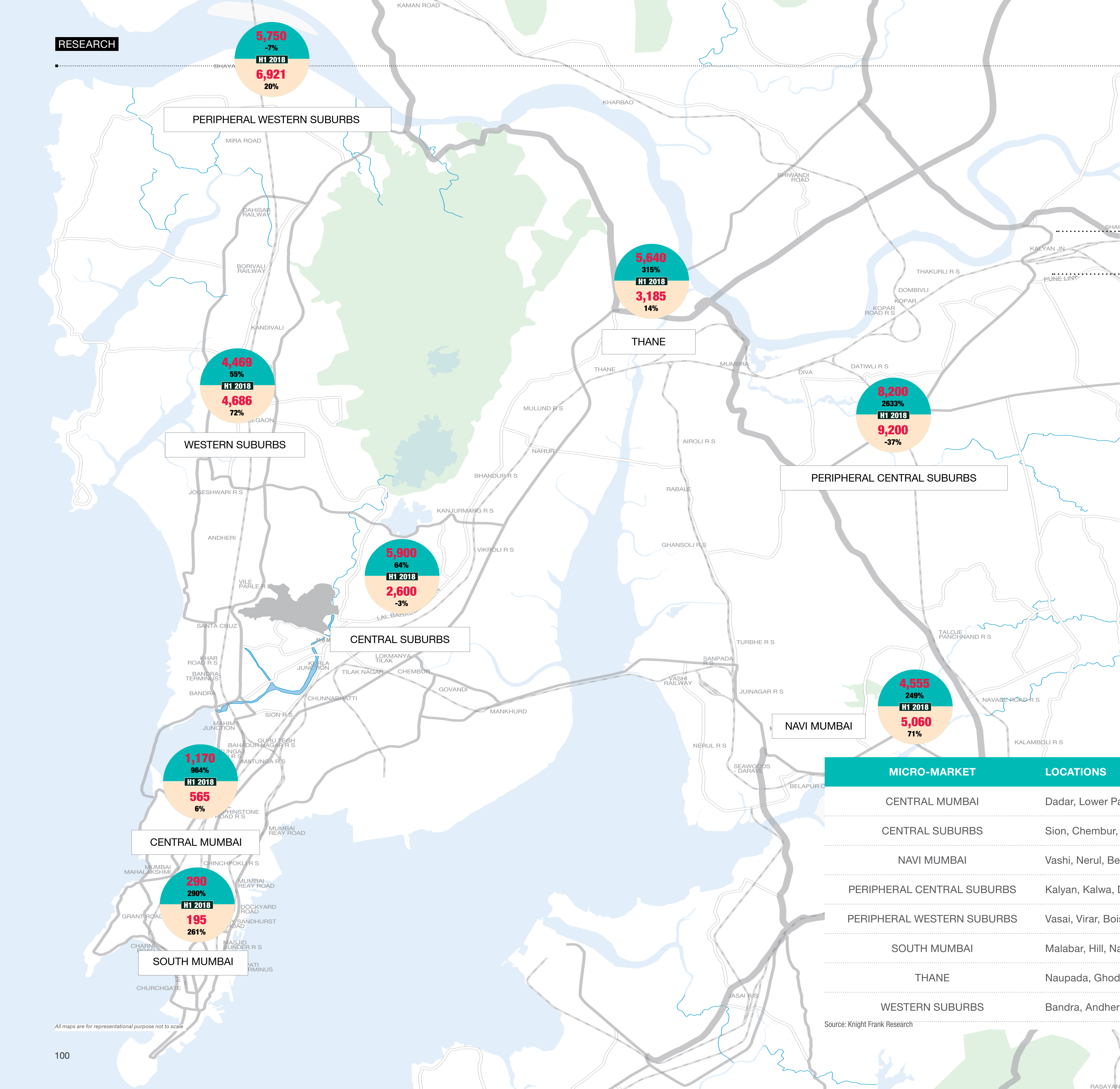
- Earlier, the discounts were offered only to buyers who could negotiate very well, but now these discounts have become the order of the day. Most of the discounts are indirect discounts, as developers refrain from reducing the quoted prices and do not want to admit that they have reduced prices. However, there are also instances where the quoted prices have also been reduced. The weighted average prices for the city is down by 9% YoY.

- The unsold inventory count for MMR stands at 119,526 units as of H1 2018. In H1 2018, quarters-to-sell (QTS) for the Mumbai market was 8 quarters (or 2 years) and the age of inventory was 15.4 quarters or close to 4 years. This implies that the unsold inventory has been in the market for 4 years and will take another 2 years to sell. While the QTS has declined over the past few years, this decline has not come on back of rising sales, but due to significant decline in launches, which indicates that the market health has been weak. The launches have constantly lagged the sales since H2 2014 and as the periods progressed, the gap between launches and sales kept on increasing till H2 2017. This led to the decline in QTS.

MMR MARKET ACTIVITY



Source: Knight Frank Research



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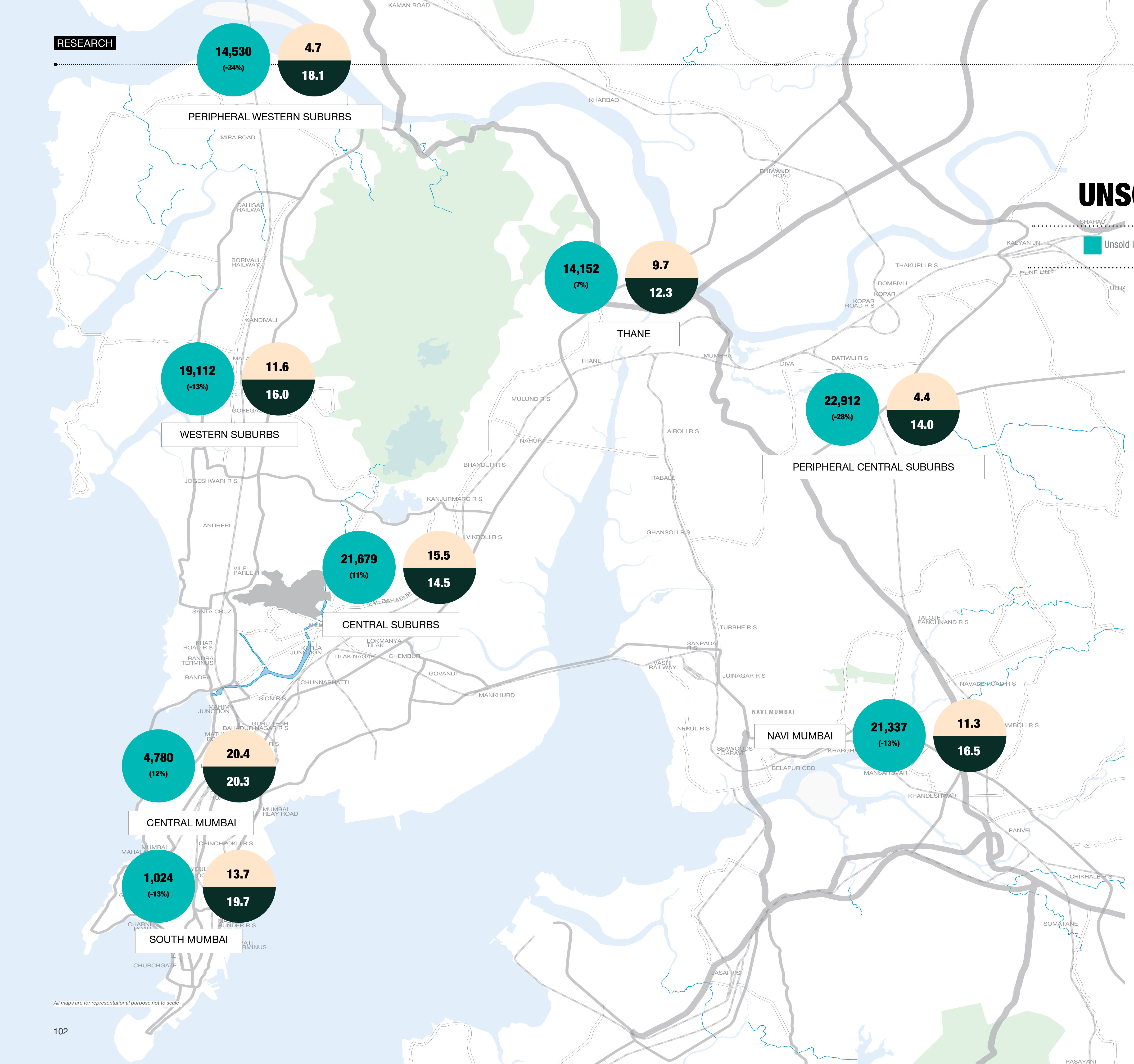
RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) Sales (housing units) % Change (YOY)

A strong momentum in launches can also be expected in H2 2018 and H1 2019 as a large number of developers are expediting the process of taking approvals of new project launches and are preparing a launch pipeline for the next 6-12 months. The developers fear that when this window of reprieve comes to an end, it is likely that the construction ban would be enforced again.

MICRO-MARKET	LOCATIONS
CENTRAL MUMBAI	Dadar, Lower Parel, Mahalaxmi, Worli, Prabhadevl
CENTRAL SUBURBS	Sion, Chembur, Wadala, Kurla, Ghatkopar, Vikhroli, Bhandup, Mulund
NAVI MUMBAI	Vashi, Nerul, Belapur, Kharghar, Airoli, Panvel, Ulwe, Sanpada
PERIPHERAL CENTRAL SUBURBS	Kalyan, Kalwa, Dombivli, Ambernath, Bhiwandi, Mumbra, Karjat
PERIPHERAL WESTERN SUBURBS	Vasai, Virar, Boisar, Palghar, Bhayandar, Nalasopara
SOUTH MUMBAI	Malabar, Hill, Napean Sea Road, Walkeshwar, Altamount Road, Colaba
THANE	Naupada, Ghodbunder Road, Pokhran Road, Majiwada, Khopat, Panchpakhadi
WESTERN SUBURBS	Bandra, Andheri, Goregaon, Kandivali, Borivali, Santacruz, Vile Parle

Source: Knight Frank Research



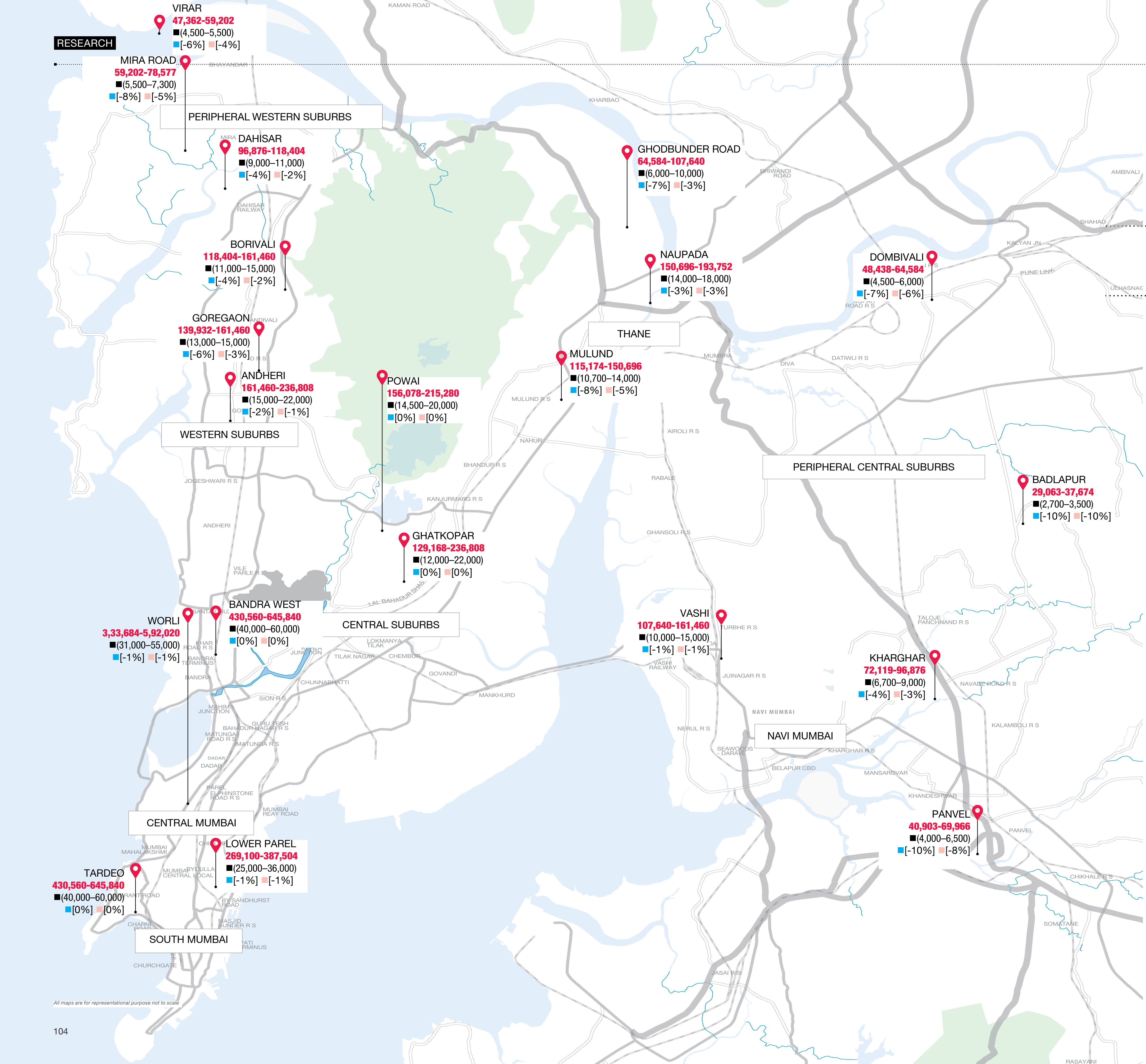
RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) QTS (in quarters) Age of inventory (in quarters)

The QTS and age of inventory for Central Mumbai is 20.4 quarters and 20.3 quarters respectively. The existing unsold inventory in Central Mumbai has been languishing for over 5 years and it will take another 5 years to sell this inventory assuming no new stock is launched in that period.

-14%

YoY change in unsold inventory in MMR



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RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m | Price range in H1 2018 in (₹/sq ft)

12 month change (YOY) | 6 month change (YOY)

Earlier, the discounts were offered only for buyers who could negotiate very well, but now these discounts have become the order of the day. Most of the discounts are indirect discounts, as developers refrain from reducing the quoted prices.

-9%

YoY change in weighted average prices across Mumbai

OFFICE MARKET

-42%

YoY change in new completions in H1 2018

MUMBAI MARKET SNAPSHOT

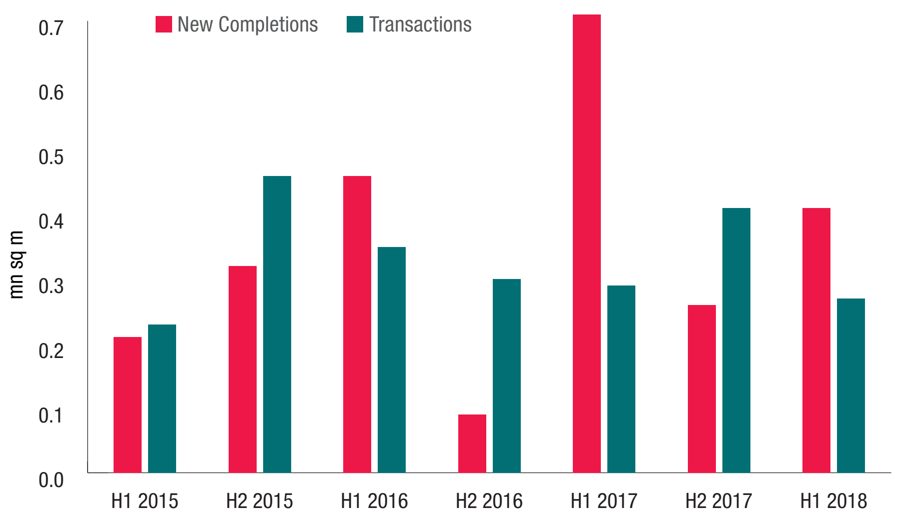
PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	0.41 mn sq m (4.4 mn sq ft)	-42%
Transactions mn sq m (mn sq ft)	0.27 mn sq m (2.9 mn sq ft)	-7%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	1,169 (109)	-8%
Stock mn sq m (mn sq ft)	12.8 mn sq m (138 mn sq ft)	-
Vacancy (%)	21.5%	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

- Office space supply hits the market in lots and the completion numbers are highly volatile. In H1 2018, the new completions were lower by 42% year-on-year (YoY) at 0.49 million square metres (4.4 million square feet). 60% of that supply was delivered in the peripheral business district (PBD) where the vacancy levels are already high.
- In H1 2018, transactions were lower by 7% YoY. Even though Mumbai had vacancy levels of 21.5%, the shortage of good quality office space supply was one of the primary reasons for lower transaction volumes in H1 2018.
- Occupiers are going slow on their consolidation and relocation plans, as they are not able to find office space in good quality buildings that matches their requirements. But this latent demand would reflect in the transaction volumes of the next 12–18 months.
- The markets of the suburban business district SBD West, PBD and SBD Central garnered 81% share of the transactions in H1 2018 and their shares were 33%, 30% and 19%, respectively.

> Even though Mumbai had vacancy levels of 21.5%, the shortage of good quality office space supply was one of the primary reasons for lower transaction volumes in H1 2018.

MUMBAI OFFICE MARKET ACTIVITY



Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

-7%

YoY change in transactions in H1 2018

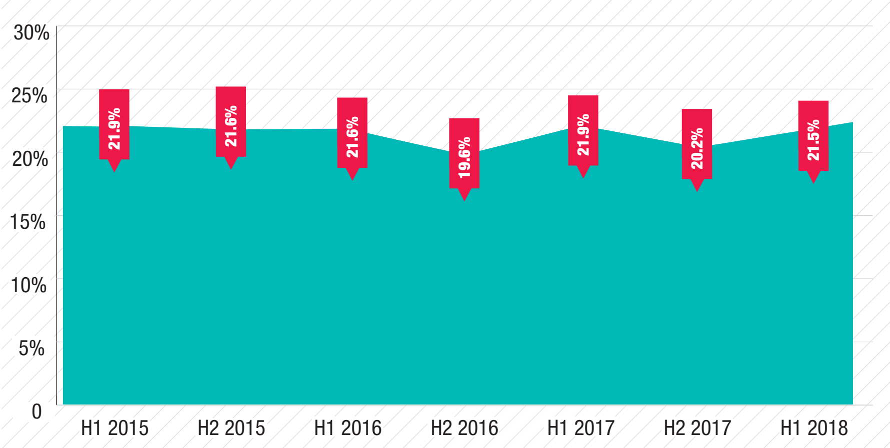
- Office space occupancy in Mumbai, unlike some of the other metros of India, is not driven by IT/ITeS occupiers; hence, it is relatively unaffected by the slowdown happening in the IT sector. While the Banking, Financial services and Insurance (BFSI) sector's share in the total transactions was steady around 20%, there was a significant rise in the share of the Other Services sector. The share of other services sector increased from 42% of the transactions in H1 2017 to 53% of the transactions in H1 2018. This rise was driven by the increasing demand from co-working players who constituted to around 30% of the transactions by other services sector in H12018.
- Over the past 12 months, intense expansion by co-working operators such as WeWork, Regus, Coworks, Spaces and many more has changed the landscape of flexible office space formats in the city. The presence of many co-working operators is also giving a chic makeover to office buildings and attracting new-age tenants, a trend we expect to continue.
- While the average size of deals increased from 2,217 sq m (23,866 sq ft) in H1 2017 to 2,548 sq m (27,429 sq ft), the number of deals declined from 130 in H1 2017 to 105 in H1 2018. The fall in deal volumes is just the reiteration of the fall in the area transacted.
- In H1 2018, the supply was higher than the transactions, which resulted in increase in vacancy levels. PBD had the highest vacancy of over 30% followed by SBD West at 25.4%. The pressure of high vacancy levels was visible on rental growth.
- The rental growth across micro markets increased at a lower rate, as the demand from occupiers in this half of the year was not as strong as what had been witnessed in H2 2017, leading to high vacancy levels. Amongst all micro markets, Central Mumbai recorded the highest rental growth of 5% YoY. The erstwhile CBDs and off-CBD areas like Nariman Point, Fort, Ballard Estate, etc. witnessed negative growth in rentals as these business districts have lost their appeal to the newer business districts of Central Mumbai and Bandra Kurla Complex (BKC). The vacancy levels in CBD and off-CBD areas was around 12% and its share of the overall transactions decreased from 9% in H1 2017 to 3% in H1 2018.
- The weighted average transacted rentals were lower by 8% YoY in H1 2018. This was primarily due to the fact that majority (81%) of the transactions of H1 2018 happened in the relatively inexpensive markets of PBD, SBD West and SBD Central.

21.5%

Vacancy in MMR office market

Occupiers are going slow on their consolidation and expansion plans, as they are not able to find office space in good quality buildings which matches their requirements. But this latent demand would reflect in the transaction volumes of the next 12-18 months.

MUMBAI OFFICE MARKET VACANCY



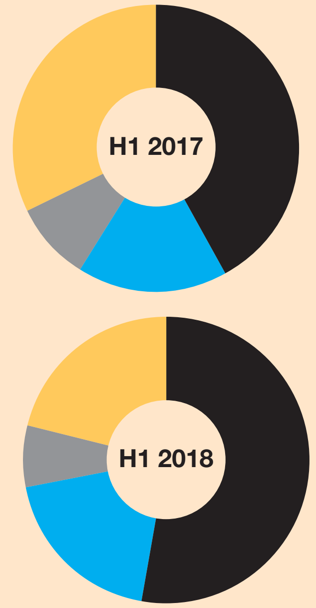
Source: Knight Frank Research

BUSINESS DISTRICT CLASSIFICATION

BUSINESS DISTRICT	MICROMARKETS
CBD & Off CBD	Nariman Point, Cuffe Parade, Ballard Estate, Fort, Mahalaxmi, Worli
Bandra Kurla Complex & Off-Bandra Kurla Complex (BKC & Off-BKC)	BKC, Bandra (E), Kalina and Kalanagar
Central Mumbai	Parel, Lower Parel, Dadar, Prabhadevi
SBD West	Andheri, Jogeshwari, Goregoan, Malad
SBD Central	Kurla, Ghatkopar, Vikhroli, Kanjurmarg, Powai , Bhandup, Chembur
PBD	Thane, Airoli, Vashi, Ghansoli, Rabale, Belapur

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



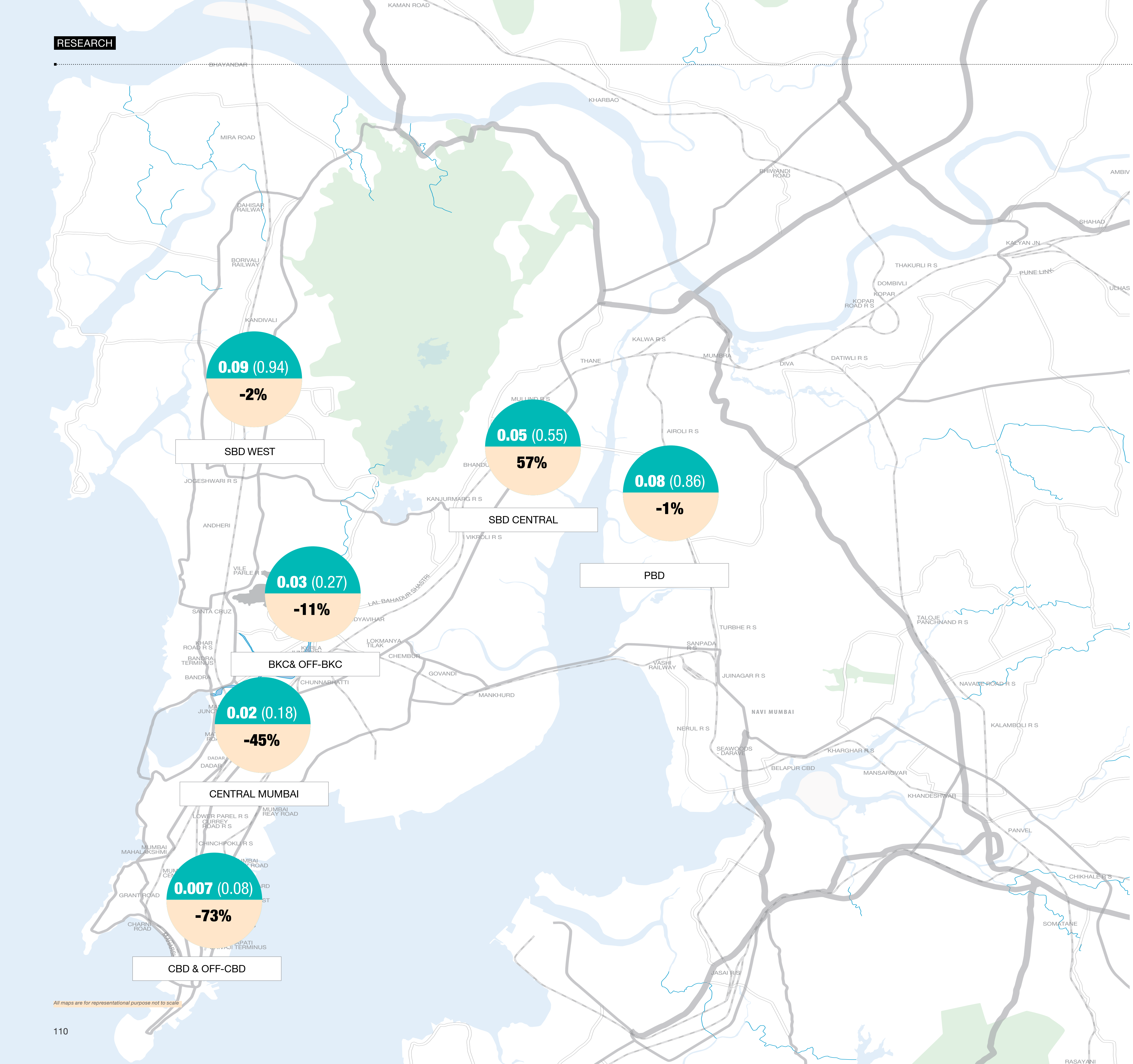
Industry	H1 2017	H1 2018
BFSI	17%	19%
IT/ITES	9%	7%
Manufacturing	32%	21%
Other Services	42%	53%

Note: BFSI includes BFSI support services

AVERAGE DEAL SIZE AND NUMBER OF DEALS

2,217 (23,866)
Average Deal Size in sq m (sq ft)
H1 2017
130
Number of Deals

2,548 (27,429)
Average Deal Size in sq m (sq ft)
H1 2018
105
Number of Deals



All maps are for representational purpose not to scale

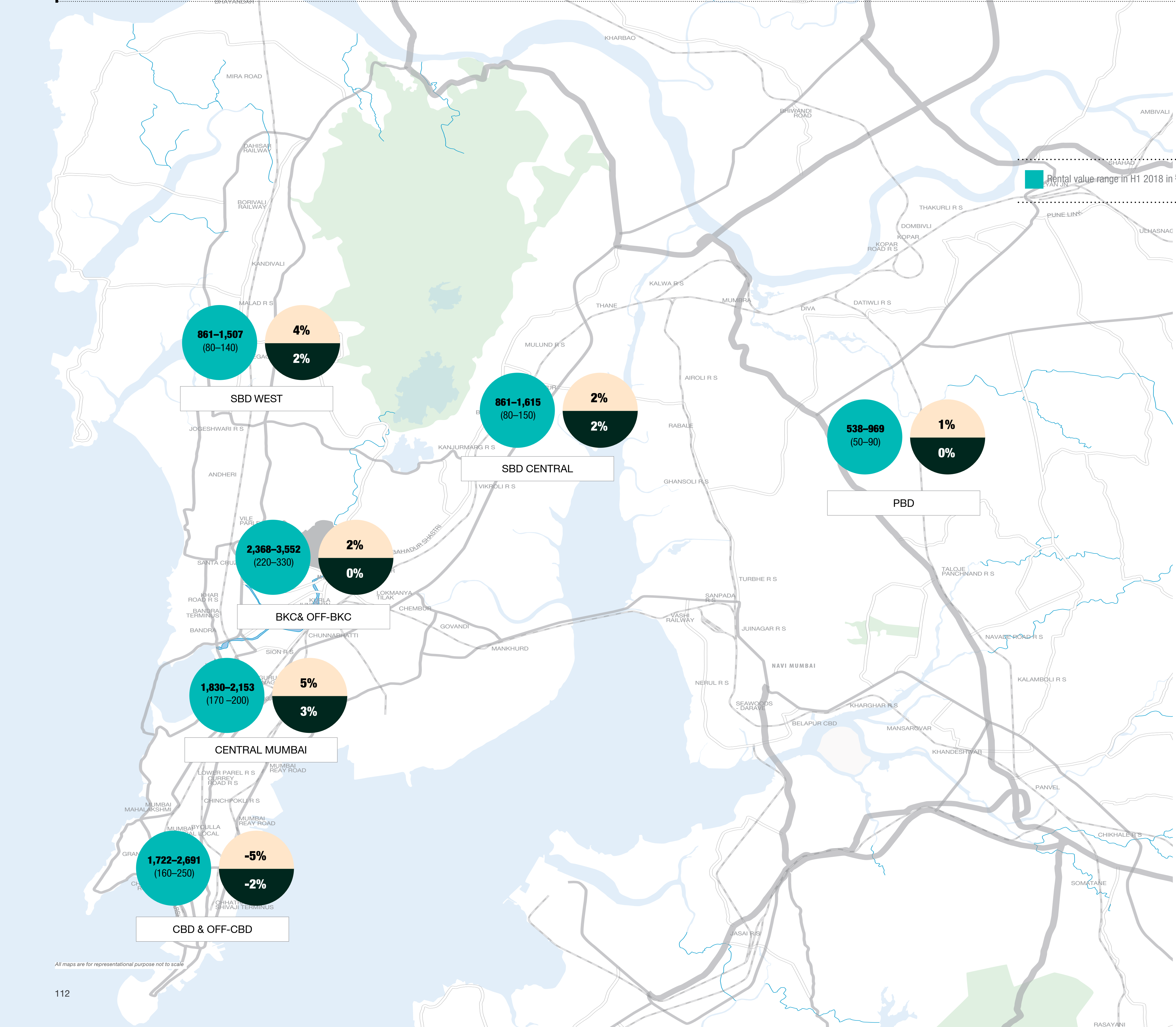
OFFICE TRANSACTIONS H1 2018

Transactions mn sq m (mn sq ft) | YoY change

The share of other services sector increased from 42% of the transactions in H1 2017 to 53% of the transactions in H1 2018. This rise was driven by the increasing demand from co-working players who constituted to around 30% of the transactions by other services sector in H1 2018.

OFFICE RENTAL H1 2018

Rental value range in H1 2018 in ₹/sq m/month (₹/sq ft/month) | 12 month change | 6 month change



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-5%

YoY change in rents in CBD & Off-CBD

5%

YoY rental growth in Central Mumbai

RESIDENTIAL MARKET

5%

Increase in sales compared to H1 2017

NCR MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	9,123	90%
Sales (housing units)	18,047	5%
Price (weighted average)	₹4,265	0%
Unsold inventory (housing units)	157,907	-12%
Quarters to sell	17	0%
Age of unsold inventory (in quarters)	21	25%

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

90%

Increase in new supply from the bottomed out first half of 2017.

> With the attraction towards ready to move in projects and the structural change in the Indian Real Estate market becoming a reality, developers are cautious in launching new projects and are concentrating on completing their existing portfolios.

- The first half of 2018 has started on a positive note for the NCR residential market. New launches that were on a downward spiral since 2010 reached their nadir in 2017. In the first half of 2018, the market seems to be coming out of the woods. New launches in H1 2018 have gone up by 90% compared to the same period last year.
- On an average, NCR's six- monthly new launches have been between 40,000–50,000 units but this average started to decline down since 2015. Factors such as slow sales velocity, piling up unsold inventory, litigations coupled with the policy initiatives such as demonization, implementation of Real Estate (Regulation and Development) Act, 2016, and the Goods and Services tax (GST) have adversely affected the new project launches in NCR.

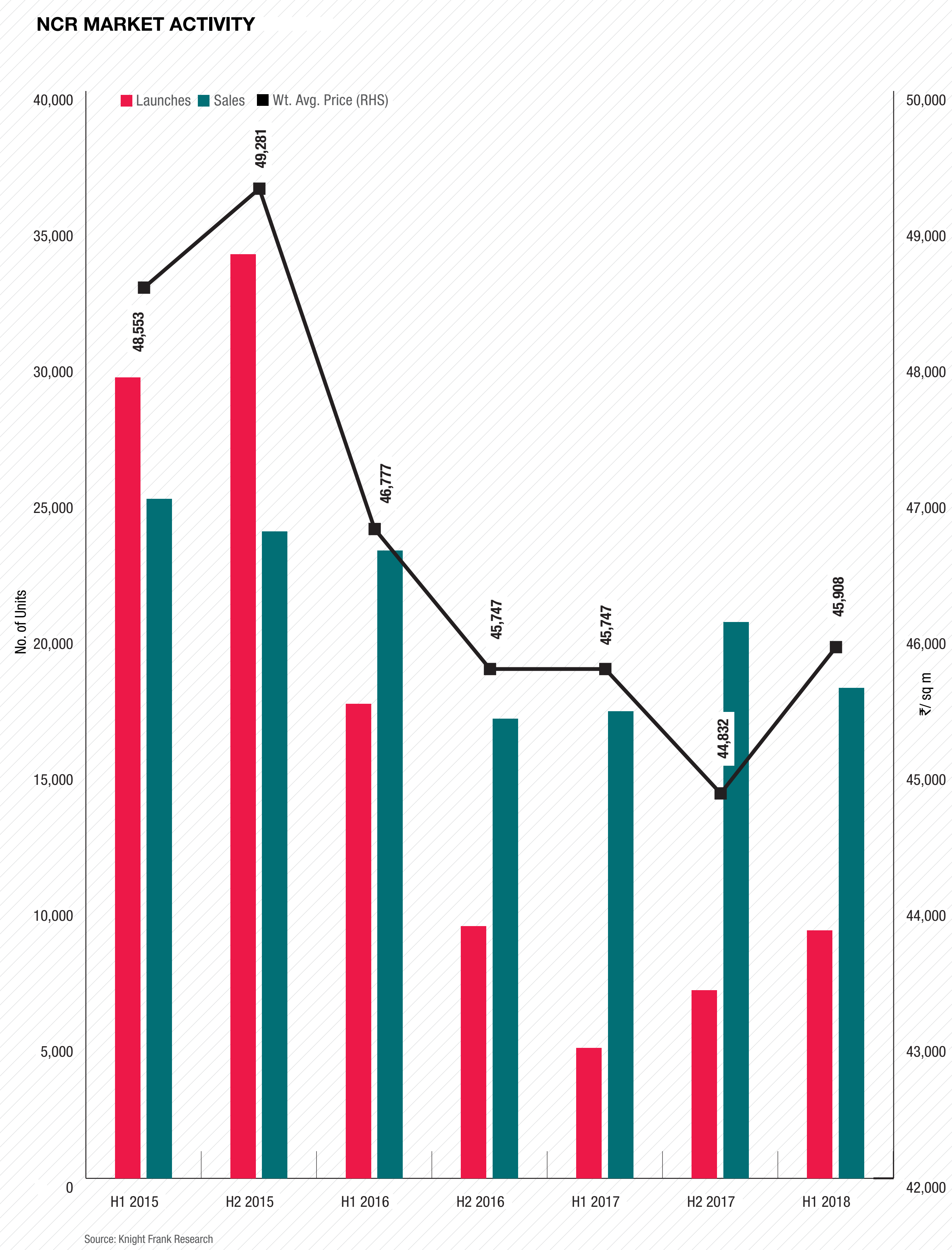
- Gurugram contributed significantly to the new launches in NCR in H1 2018, yet again taking up 47% of the overall pie. Notable developers were seen to launch projects in Sector 33, 106, 65 and 77 in Gurugram. The first half of 2018 also saw new launches in Noida and Greater Noida, along the Noida Greater Expressway and in Greater Noida West, which saw negligible launches in the same period in 2017.
- Demand for newly launched projects in NCR has been moving at a snail's pace and is almost in the same range as in H1 2017. The first half of 2018 saw 18,050 units being sold compared to 17,188 units in H1 2017, registering a YoY increase of 5%. The slow sales velocity suggests that the buyers are still wary of the market dynamics and even the stagnant prices have failed to bring them back. Factors such as the sluggishness in the implementation of RERA in states of Haryana and Uttar Pradesh for redressal unlike Maharashtra and continued delays in delivery of major infrastructure projects such as the Dwarka Expressway in Gurugram have led to the buyers holding on to their sentiments.
- Our market survey with various stakeholders suggest that only ready-to-move-in projects are garnering interest from buyers, as they safeguard the buyer and gives him confidence for the delivery of the project. This proposition is made more lucrative with the implementation of GST, which is applicable only on under-construction projects.

Gurugram contributed significantly to the new launches in NCR in H1 2018, yet again taking up 47% of the overall pie. Notable developers were seen to launch projects in Sector 33, 106, 65 and 77

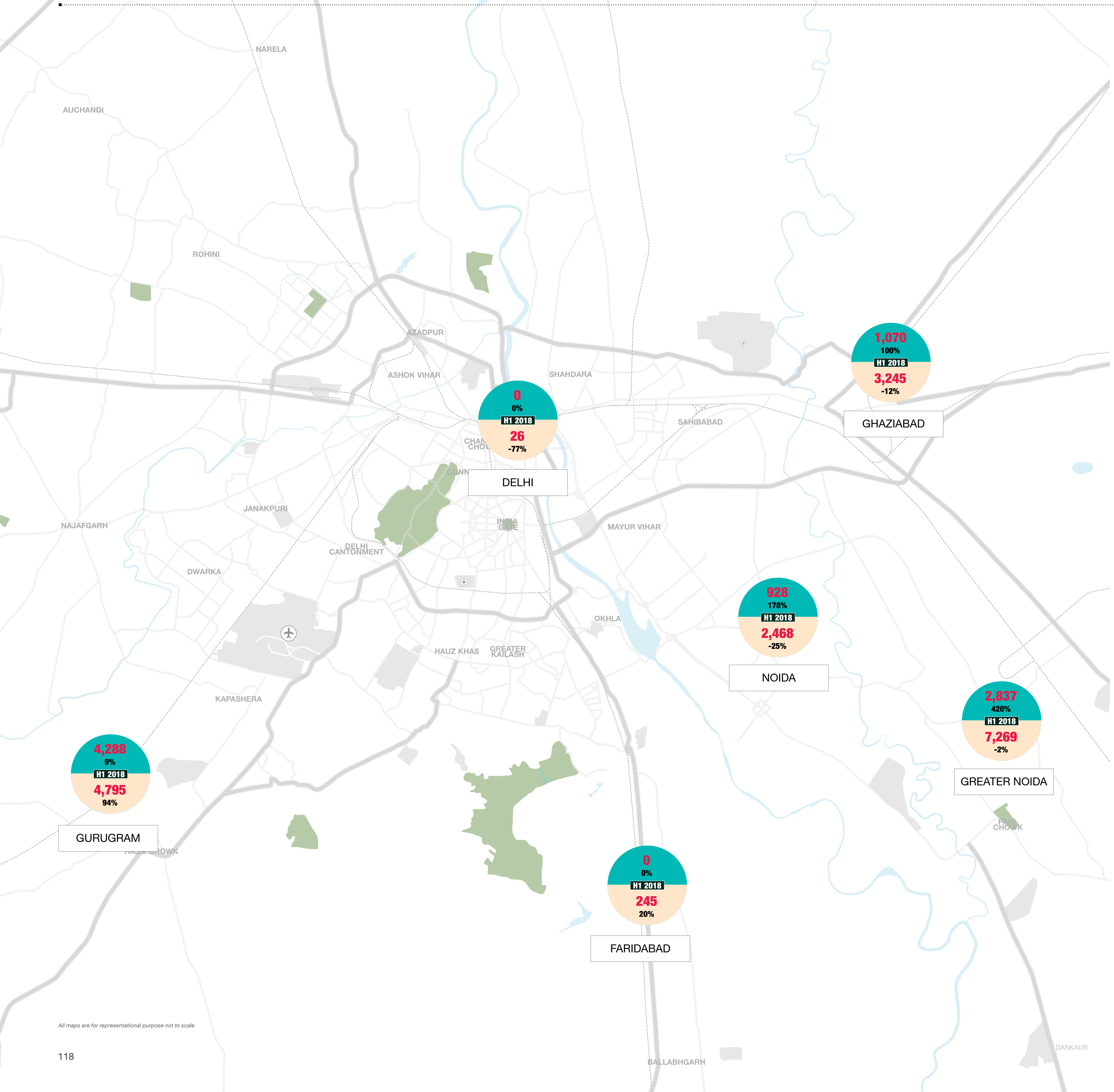
- Demand in Greater Noida has always been on the back of an affordable option within the price bracket of ₹ 2.5–5 mn. More than half of the total inventory in Greater Noida falls within this price bracket. Sales in Gurugram, on the other hand, have been on the back of availability of quality ready-to-move-in properties and also the push to the affordable housing sector. Our market survey suggests that micro markets such as New Gurgaon, Golf Course Extension and Southern Peripheral Road, which were once seen as uninhabitable due to lack of social and physical infrastructure, have slowly started taking shape, thus attracting the buyers especially the fence-sitting end users. However, the micro market is still way below its sales volumes of 2010–2011.
- Demand in Noida remains dull in H1 2018 and registers a YoY de-growth of 25%. In spite of a spurt in infrastructure development, such as the metro connectivity, expressways and entertainment options, residential sales in Noida have failed to inspire. This stagnation in sales comes on the back of an inventory pile up and a correction in the secondary market.
- The quarters to sell (QTS) of unsold inventory is the number of quarters required to exhaust the existing unsold inventory in the market. The existing unsold inventory is divided by the average sales velocity of the preceding 8 quarters in order to arrive at the QTS number for that particular quarter. The QTS of NCR has moved within close ranges in the past 7 quarters and has remained at 17 quarters at the end of June 2018. Cautious new launches and a dull sales velocity has kept the quarters to sell at a constant since 2015.
- This means that with the current sales velocity, the market will take close to 5 years to offload the current inventory, which is extremely high.
- Slow sales coupled by lean new launches has consequently brought down the unsold inventory by 12% in H1 2018 compared to the same period in 2017. The unsold inventory stands at approximately 157,907 units as of June 2018. Greater Noida and Gurugram account for approximately 63% of the unsold inventory in NCR followed by Ghaziabad and Noida.
- Gurugram saw a significant improvement in its quarters to sell in H1 2018. The QTS of Gurugram has gradually come down from 19 quarters in 2017 to 13 quarters in the first half of 2018. The dominance of Gurugram as a corporate hub, continued improvement in infrastructure and the availability of ready-to-move-in residential options are all contributing towards improving the sentiments for Gurugram. The sustained office demand in the micro markets of NH-8, DLF CyberCity, and the upcoming IT SEZs on Golf Course Extension have also contributed to the facelift of Gurugram.
- There has been no change in the weighted average prices in the NCR residential market in H1 2018. The prices that had seen a correction for the second time in 2017 have remained muted, signaling the price resistance in the market.

12%

Drop in unsold inventory from H1 2017.



Source: Knight Frank Research



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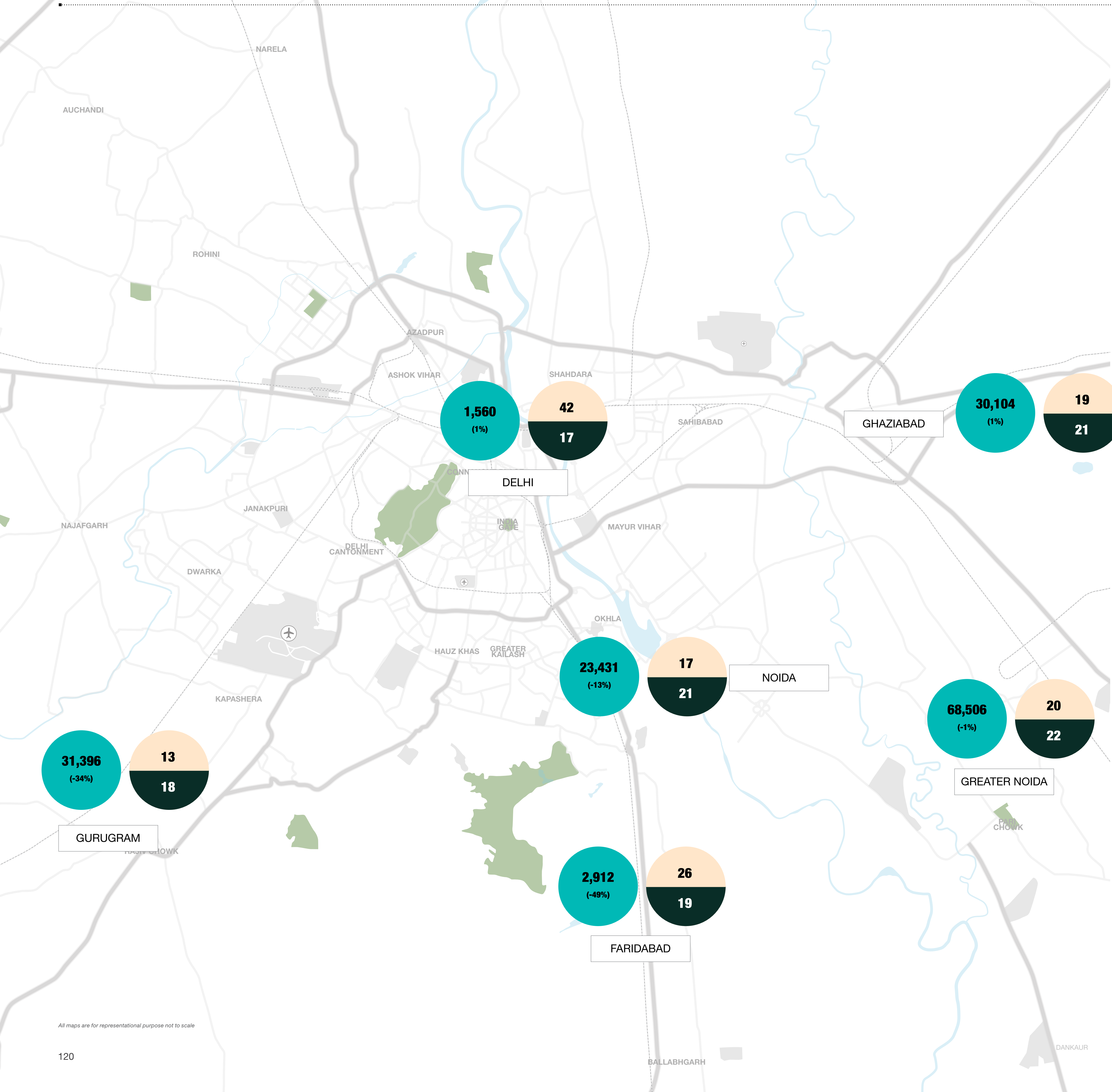
RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) Sales (housing units) % Change (YOY)

Our market survey with various stakeholders suggest that only ready-to-move-in projects are garnering interest from buyers, as they safeguard the buyer and gives him confidence for the delivery of the project. This proposition is made more lucrative with the implementation of GST, which is applicable only on under-construction projects.

RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) | QTS (in quarters) | Age of inventory (in quarters)



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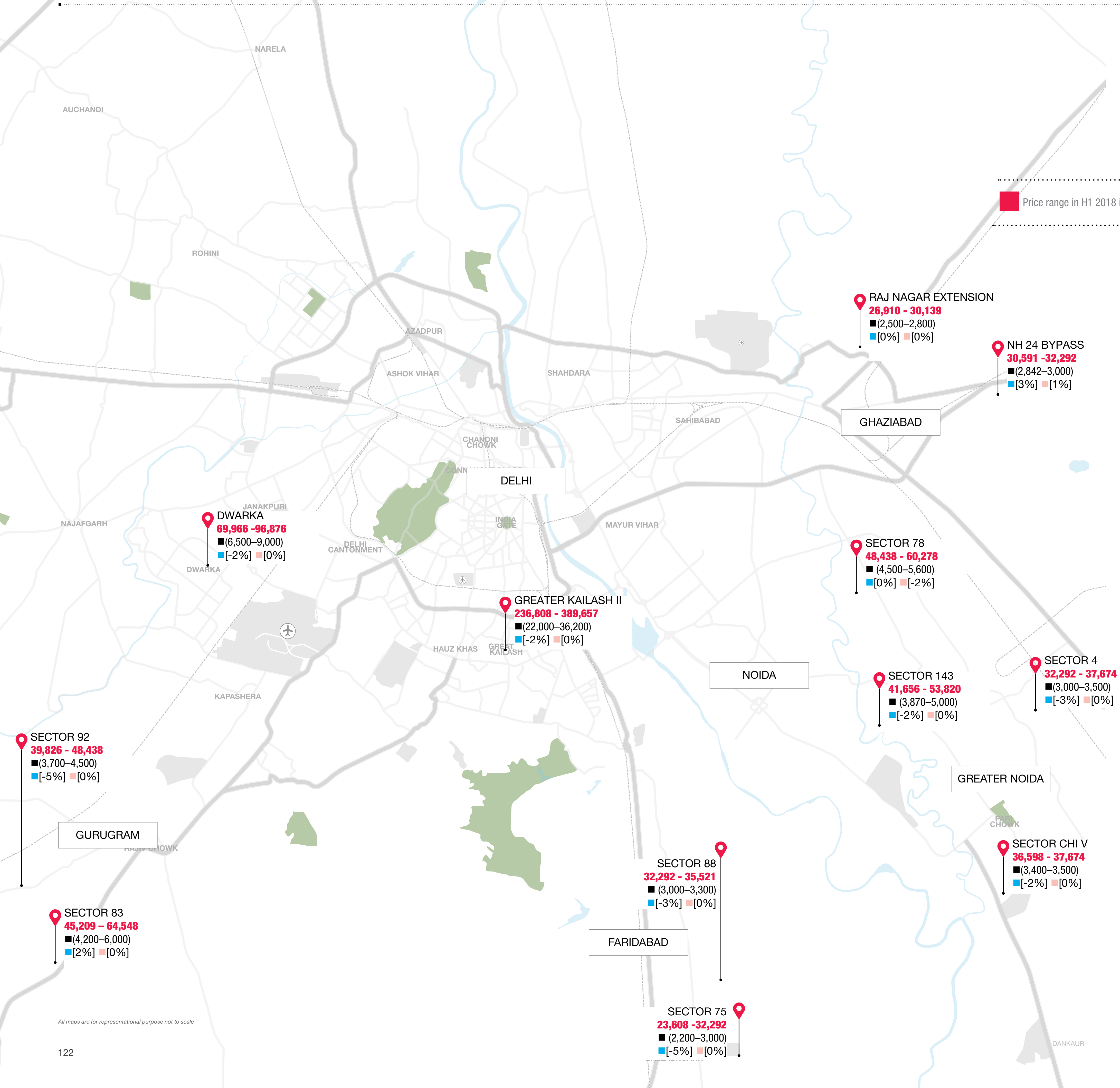
Slow sales coupled by lean new launches has consequently brought down the unsold inventory by 12% in H1 2018 compared to the same period in 2017.

34%

Drop in unsold inventory levels in Gurugram.

RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m | Price range in H1 2018 in (₹/sq ft) | 12 month change (YOY) | 6 month change (YOY)



All maps are for representational purpose not to scale

Having seen a price correction in 2017, the weighted average prices remain muted in H1 2018 signaling a price resistance in the market.

OFFICE MARKET

102%

Increase in new supply compared to H1 2017

The first half of 2018 fared well for the NCR office market with closing of some large deals. New supply outshone demand with approximately 0.33 mn sq m (3.6 mn sq ft) entering the market in H1 2018.

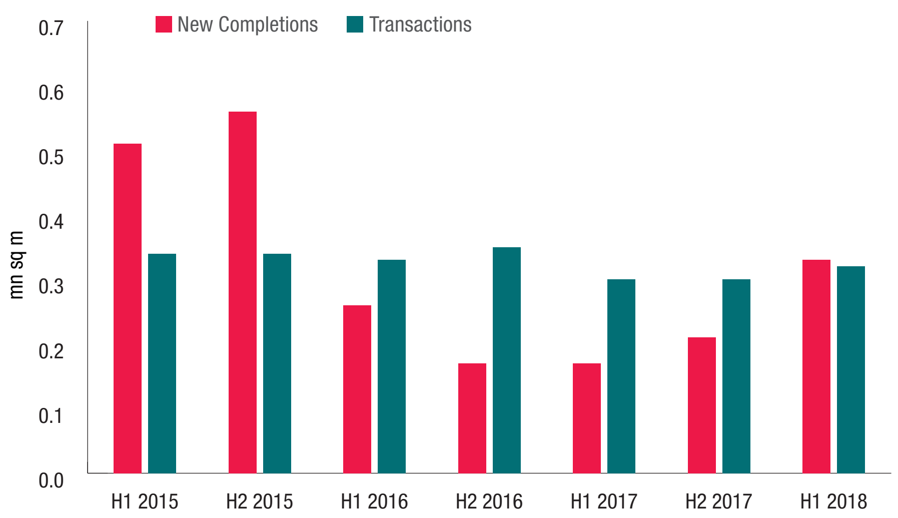
NCR MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	0.33 (3.6)	102%
Transactions mn sq m (mn sq ft)	0.32 (3.4)	7%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	840 (78)	4%
Stock mn sq m (mn sq ft)	13.9 (149.9)	
Vacancy (%)	16.5%	

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

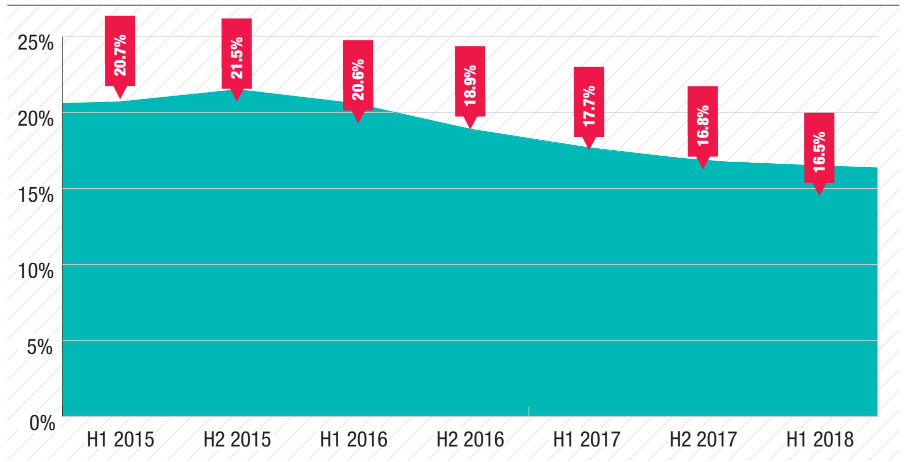
- The first half of 2018 fared well for the NCR office market with closing of some large deals. The region clocked 0.31 mn sq m (3.4 mn sq ft) in H1 2018 registering a single digit growth of 4% from the same period in 2017.
- Supply on the other hand outshone the transaction activity and approximately 0.33 mn sq m (3.6 mn sq ft) of new office supply entered the market in H1 2018 as opposed to 0.17 mn sq m (1.8 mn sq ft) in the same period in 2017. New completions in NCR were on a downward spiral since 2015 due to the overall slump in the real estate market, however the first half of 2018 has brought the much-needed fresh supply in key locations of Gurugram.
- The pressure on quality office space can be gauged from the fact that the market has seen an increase in the pre-commitment transactions in recent times, especially in the micro market of Gurugram. We expect considerable pent up supply of commercial office space and Special Economic Zones (SEZs) to enter the micro markets of Gurugram and Noida in the coming 2 years.

NCR OFFICE MARKET ACTIVITY



Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

NCR OFFICE MARKET VACANCY



Source: Knight Frank Research

- Steady leasing has nudged the overall vacancy levels down to 16.5% in H1 2018 compared to 17.7% in H1 2017. However, vacancies in the micro markets of Gurugram, such as DLF CyberCity and Golf Course Road, remain in single digit, which has put an upward pressure on rentals.
- Gurugram outperformed the other markets yet again and took up a considerable percentage (66%) of the total transaction pie in H1 2018. With this, Gurugram registers a year-on-year (YoY) growth of 28% from the same period in 2017.
- Locations such as Golf Course Road and Golf Course Extension Road in Gurugram saw major leasing activity by occupiers such as Sun Life Financials , WeWork, MobiKwik and ReNew Power. Approximately 27% of the total transacted space of 0.21 mn sq m (2.3 mn sq ft) was in these locations. Golf Course Extension Road (GCER) that is a natural extension of Golf Course Road has lately garnered interest from occupiers looking to save on the escalating rentals in key locations. Where rentals on Golf Course Road and DLF CyberCity range between ₹ 1,076–2,152 per sq m (100–200 per sq

Locations such as Golf Course Road and Golf Course Extension Road in Gurugram saw major leasing activity by occupiers such as Sun Life Financials , WeWork, MobiKwik and ReNew Power. Approximately 27% of the total transacted space of 0.21 mn sq m (2.3 mn sq ft) was in these locations.

4%

Increase in YoY weighted average rents in H1 2018.

Co-working dominated leasing activity in NCR in H1 2018 with occupiers such as WeWork, CoWrks, Spacesworks and AltF taking up significant space. The popularity of this office segment is such that co-working space demand in the first half of 2018 has surpassed the annual tally of 2017.

ft), rentals on GCER are in the range of ₹ 484–807 per sq m (45–75 per sq ft) for a good quality office space, thus enticing the occupiers.

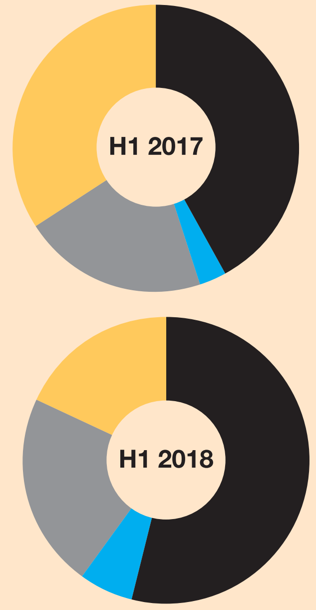
- Office leasing in Noida registered a YoY 5% growth in H1 2018 compared to the same period in H1 2017. Large occupiers, such as Genpact, Landis+Gyr, Conduent, were seen to prefer the Noida–Greater Noida Expressway and Sector 62 for setting up operations. Noida has always been a preferred office market for IT companies looking for cost effective rents, large campuses and good connectivity for their workforce and the city is faring well on all these parameters. Latterly, the Noida–Greater Noida belt has also been chosen by industrial investors and corporate giants, like Samsung, to expand their business footprints.
- Placing Noida on the world map, Samsung Electronics has set up the world's largest mobile factory in Noida with an investment of USD 727 million. The 35-acre facility at Sector 81 in Noida, Uttar Pradesh will help the South Korean tech giant to make mobile phones at a lower cost due to the scale. The new plant will help Samsung double its manufacturing output from the current 68 million smartphones annually to 120 million units a year. The company intends to adopt the "Make in India" campaign and export the smartphones globally. This development is expected to create a ripple effect and create approximately 15,000 local jobs.
- Demand from large IT/ITeS occupiers pushed the percentage share of IT/ITeS in H1 2018 to 22%, from 21% in H1 2017, of the overall pie. This demand was largely concentrated in Noida with occupiers such as Genpact, Syscom Solutions and Conduent taking up large spaces.
- Gaining on the back of the IT/ITeS sector, the Other Services sector yet again takes up a lion's share of 54% from the overall transaction pie. Some of the major transactions in this sector in H1 2018 are from co-working occupiers such as WeWork, CoWrks, Spacesworks and AltF in Gurugram. Co-working spaces or flexible work spaces have contributed significantly to NCR's office space demand since 2017. The popularity of this office segment is such that co-working space demand in the first half of 2018 has surpassed the annual tally of 2017. Our interactions with various stakeholders suggest that "CoWorking" as a trend will only gain momentum in the coming times due to pressure on demand and the lack of quality office supply.
- The average transacted space in H1 2018 has increased to 3,023 sq m (32,538 sq ft) compared to 2,536 sq m (27,301 sq ft) in the same period in 2017. The market in the first half of the year was characterised by 105 deals, of which 24 were above 4,645 sq m (50,000 sq ft). Some of the large deals in H1 2018 include WeWork, SpiceJet, Ericsson and Sun Life Financials.
- The rental values have inched up in the locations of Gurugram and Noida in H1 2018 while being stable for the other micro markets. The weighted average rental has increased from ₹ 807/sq m/month (75/sq ft/month) in H1 2017 to ₹ 840/sq m/month (78/sq ft/month) in H1 2018. Though quality office space in the micro markets of DLF CyberCity and Golf Course Road in Gurugram witnessed a pressure on rentals due to limited supply and saw rental appreciation to the tune of 4–5%.

BUSINESS DISTRICT CLASSIFICATION

BUSINESS DISTRICT	MICROMARKETS
CBD Delhi	Connaught Place, Barakhamba Road, Kasturba Gandhi Marg and Minto Road
SBD Delhi	Nehru Place, Saket, Jasola, Bhikaji Cama Place, Mohan Cooperative and Aerocity
Gurugram Zone A	MG Road, NH-8, Golf Course Road and Golf Course Extension Road
Gurugram Zone B	DLF CyberCity, Sohna Road, Udyog Vihar and Gwal Pahari
Gurugram Zone C	Manesar
Noida	Sectors 16, 18, 62, 63 and Noida–Greater Noida Expressway
Faridabad	Sector Alpha, Beta, Gamma and Tech Zone

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS

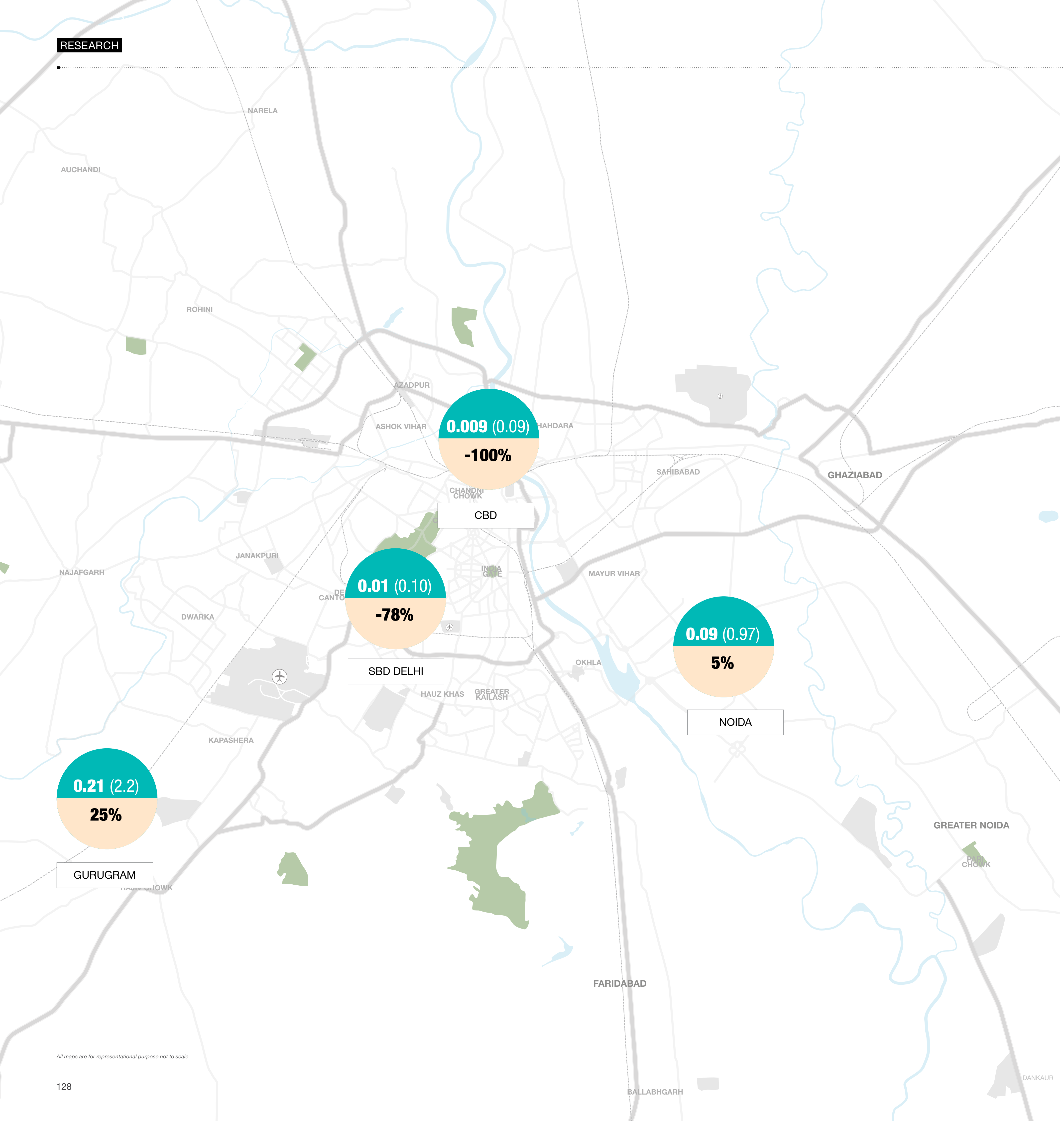


Industry	H1 2017	H1 2018
BFSI	3%	6%
IT/ITES	21%	22%
Manufacturing	34%	18%
Other Services	42%	54%

Note: BFSI includes BFSI support services

AVERAGE DEAL SIZE AND NUMBER OF DEALS

2,536 (27,301) Average Deal Size in sq m (sq ft)	**3,023 (32,538)** Average Deal Size in sq m (sq ft)
H1 2017	**H1 2018**
105 Number of Deals	**105** Number of Deals



All maps are for representational purpose not to scale

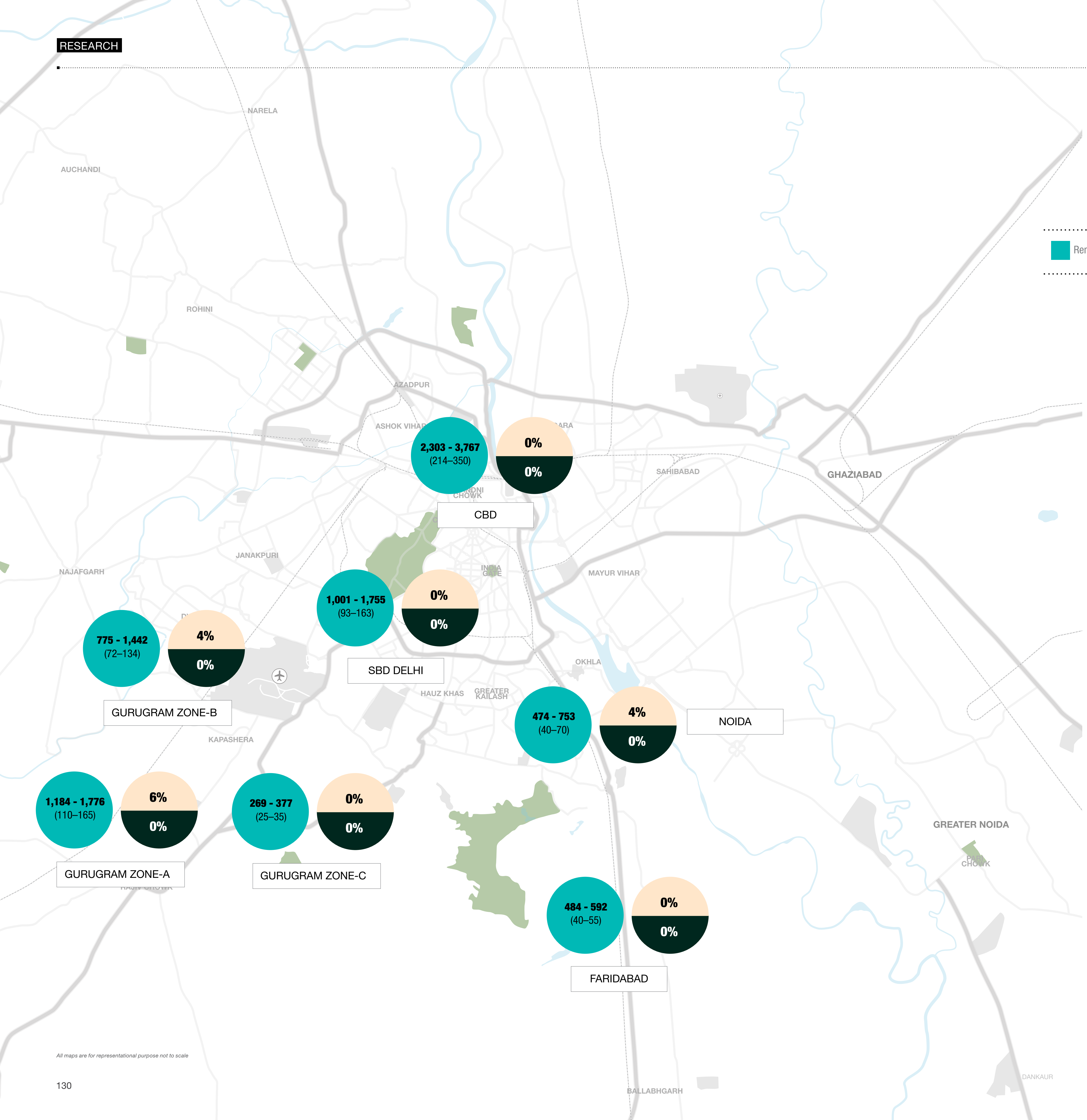
OFFICE TRANSACTIONS H1 2018

Transactions mn sq m (mn sq ft) | YoY change

25%

Increase in YoY transacted space in Gurugram in H1 2018.

Gurugram outperformed the other markets yet again and took up a considerable percentage (66%) of the total transaction pie in H1 2018. While Noida registered a 5% uptick in leased space compared to the same period in 2017.



All maps are for representational purpose not to scale

OFFICE RENTAL H1 2018

Rental value range in H1 2018 in ₹/sq m/month (₹/sq ft/month) | 12 month change | 6 month change

The rental values have inched up in the locations of Gurugram and Noida in H1 2018 while being stable for the other micro markets. Quality office space in the micro markets of DLF CyberCity and Golf Course Road in Gurugram witnessed a pressure on rentals due to limited supply and saw rental appreciation to the tune of 4–5%.

PUNE

RESIDENTIAL MARKET

78%

YoY growth in launches in H1 2018

PUNE MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	14,100	78%
Sales (housing units)	16,451	-6%
Price (weighted average)	₹48,007/sq m (₹4,460/sq ft)	-5%
Unsold inventory (housing units)	27,448	-32%
Quarters to sell	3.3	-
Age of unsold inventory (in quarters)	12.3	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

-6%

YoY change is sales in H1 2018

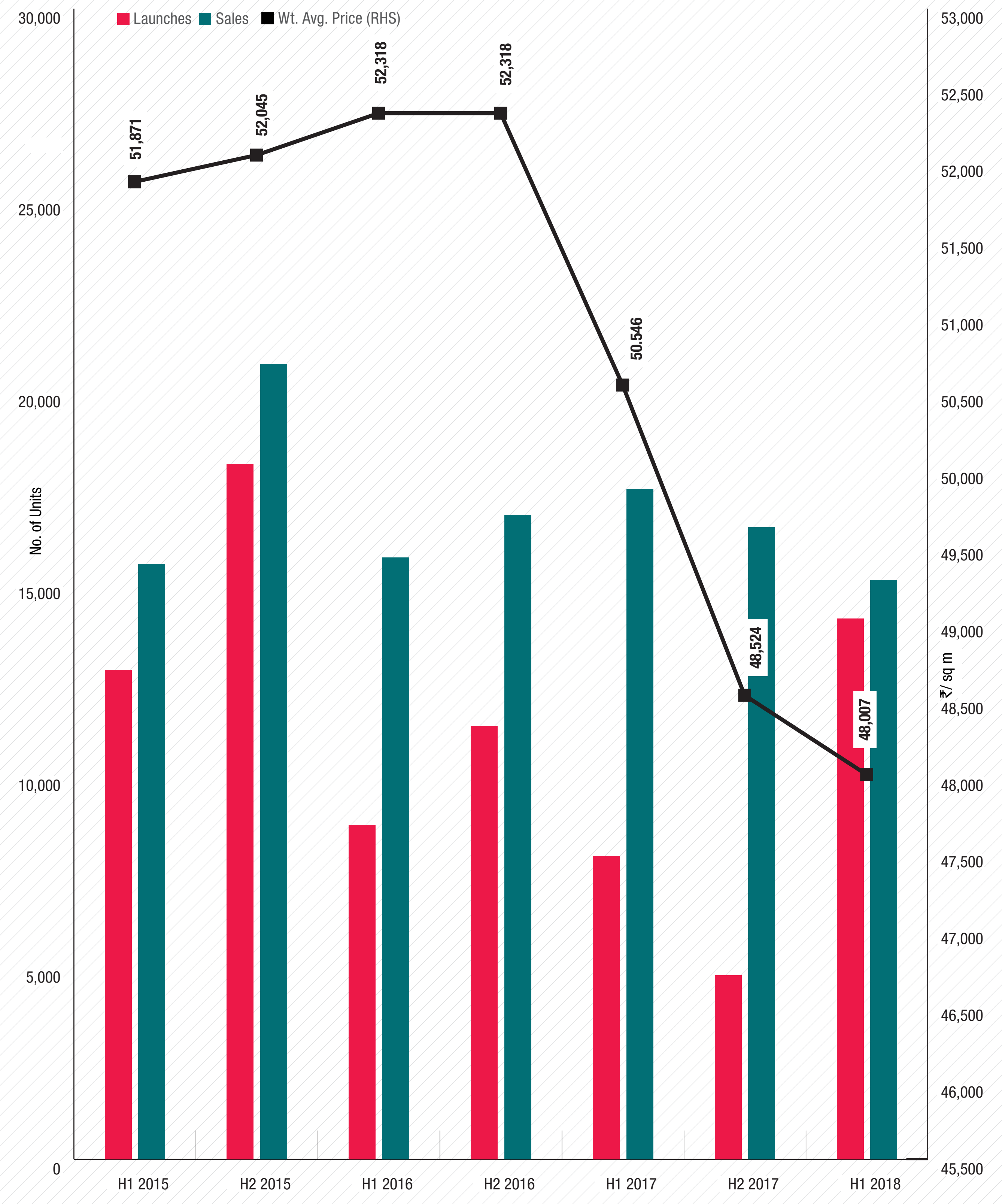
Pune market witnessed strong growth in launches during H1 2018 after many years of subdued launches. However, a point of caution on the strong launches number is that this number looks large as it comes on the back of a low base of H1 2017.

- The Pune residential market witnessed a strong growth in launches during H1 2018 after many years of subdued launches. The launches grew 78% year-on-year (YoY).
- However, a point of caution, the strong number of launches is that this growth comes on the back of a low base of H1 2017. The first half of 2017 witnessed a major lull, as far as launches are concerned, as Q1 2017 was reeling under the effects of the demonetisation policy of November 2016 and this reflected in the very poor number of launches. In Q2 2017, as the market was recovering slowly, the Real Estate (Regulation and Development) Act, 2016 (RERA) fears gripped the market around mid-April. As a result, post May, the market took a downturn again and launches took a hit. As a result, H1 2017 overall witnessed poor launch numbers. Comparing those launch numbers to the existing ones presents a very high 78% YoY growth.
- Affordability of apartments has been a problem across the major cities of India and Pune was no different. As a result, these new launches have come at a lower price per square metre (or price per square feet) and as the unit size of the apartments were smaller, it led to a lower ticket size. As the residential market performance has been weak over the past few years, there has been an increasing focus by developers to make the process of purchase less strenuous on buyers. Since the unit size of ongoing and ready-to-move-in apartments cannot be changed, new launches are the only way to fulfil the objective. Developers are hoping to benefit out of interest subsidy offered under the PMAY scheme for affordable housing units to drive sales. Moreover, affordable housing projects attract a lower GST rate of 8% against 12%, this is another incentive which developers have taken cognisance of.

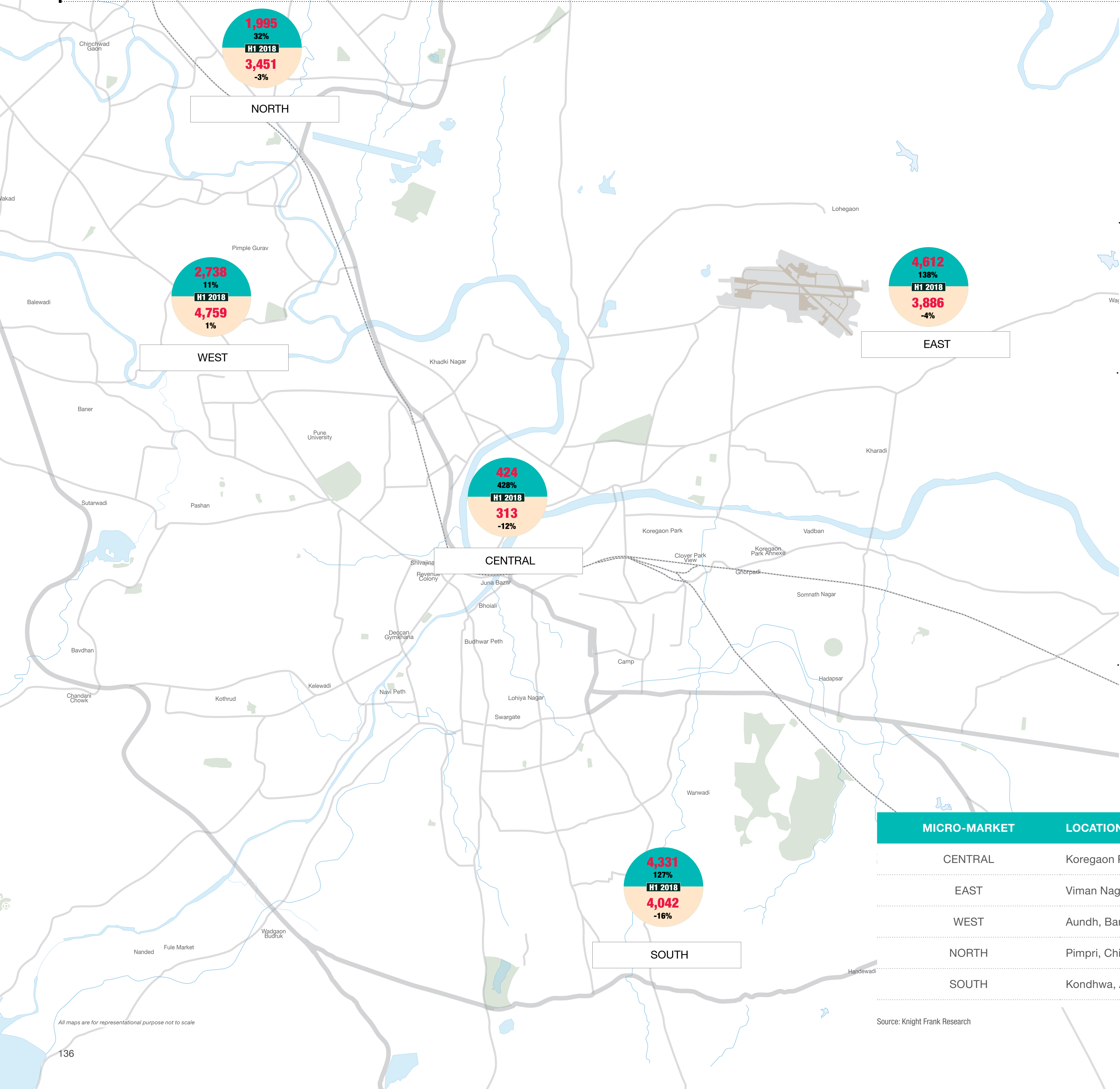
- During H1 2018, sales in Pune were lower by 6% YoY at 16,451 units. Pune market has been witnessing a slowdown in sales, as the buyers are finding the existing prices to be high. The decline in sales is also attributable to negative sentiment in the IT sector due lower salary increments and poor job prospects.
- For under-construction properties, buyers are reluctant to pay the 12% Goods and Services Tax (GST). As a consequence, a significant proportion of the sales is happening in Occupation Certificate (OC) ready projects, leading to the sales velocity in the under-construction properties significantly slowing down. Almost the entire demand is driven by end-users. Real estate investors are shying away from investing in residential properties, as they are not expecting any appreciation in prices.
- During the field visits and interactions with the stake holders, we observed that – in some of the projects where there is a combination of OC ready and under-construction buildings in the complex, the buyer is not even ready to have a look at the under-construction property.
- On the pricing front, several developers have reduced the quoted prices for their properties. The weighted average prices for Pune is down by 5% YoY.
- In addition to the discount on quoted prices, many developers have upped the ante by throwing in waivers like – block prices for the entire flat irrespective of floor, which also includes maintenance and clubhouse charges, various subvention plans, free appliances, GST waivers and a host of other indirect discounts. Pre-EMI schemes are in vogue and are being used to lure homebuyers to make a site visit. The actual discount offered in the market would be higher, as when the buyer sits at the table for negotiation, the developer is more than happy to negotiate on the pricing to ensure that the deal is closed.
- Floor rise and preferential location charges have become a thing of the past in the Pune market. Floor rise, if charged, is charged as a part of the block deal. For example, floors 5–10 will have the same price irrespective of the floor on which the purchase is made. Flats on floors 11–15 will have a slightly higher price than the flats from floors 5 to 10, but the flat on the 15th and 11th floor would be priced the same. Even the developers concur with the view that without reduction in prices even the current level of sales would have been difficult to achieve.
- The western residential markets of Pune are gaining traction due to new office space supply and occupiers taking up space in those regions. The rise in number of office occupiers is driving up demand for residential real estate in that area as employees prefer to purchase homes closer to office. In the other markets of Pune, if the apartment is available at the right price and at a good location, it sells. This has forced developers to introduce their new launches at lower prices and smaller sizes at good locations, as it is difficult to modify the existing under-construction or ready projects.
- Unsold inventory levels have come down as new launches have lagged sales by a significant margin from H2 2014 to H2 2017. H1 2018 was no different, the new launches lagged the sales. The quarters-to-sell (QTS) for the Pune market was 3.3 in H1 2018. However, a QTS of 3.3 should not be interpreted as a sign of a healthy market. The Pune residential market has arrived at this QTS number on account of significant contraction in launches over the past few years. The launches have constantly lagged the sales since H2 2014 till H1 2018. This led to decline in QTS. If we look at the QTS in conjunction with the age of inventory of 12.3 quarters, then the sum of the age of inventory and QTS results in 15.6 quarters or 3.5 years. This implies that the existing unsold inventory has been languishing in the market for more than 3 years and it will take almost another six months to sell.
- The cheer in new launches does not translate into a similar story for sales yet. Several sales support measures during the period limited the decline in sales. Clearly, the sector is not out of the woods yet. Smaller developers are having a tough time managing their cash flows post implementation of RERA and are either selling their projects or entering into a joint venture (JV) with larger developers to complete the project.

> For under-construction properties, buyers are reluctant to pay the 12% Goods and Services Tax (GST). As a consequence, a significant proportion of the sales is happening in Occupation Certificate (OC) ready projects, leading to the sales velocity in the under-construction properties significantly slowing down.

PUNE MARKET ACTIVITY



Source: Knight Frank Research



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RESIDENTIAL LAUNCHES AND SALES

Launches (housing units) | Sales (housing units) | % Change (YOY)

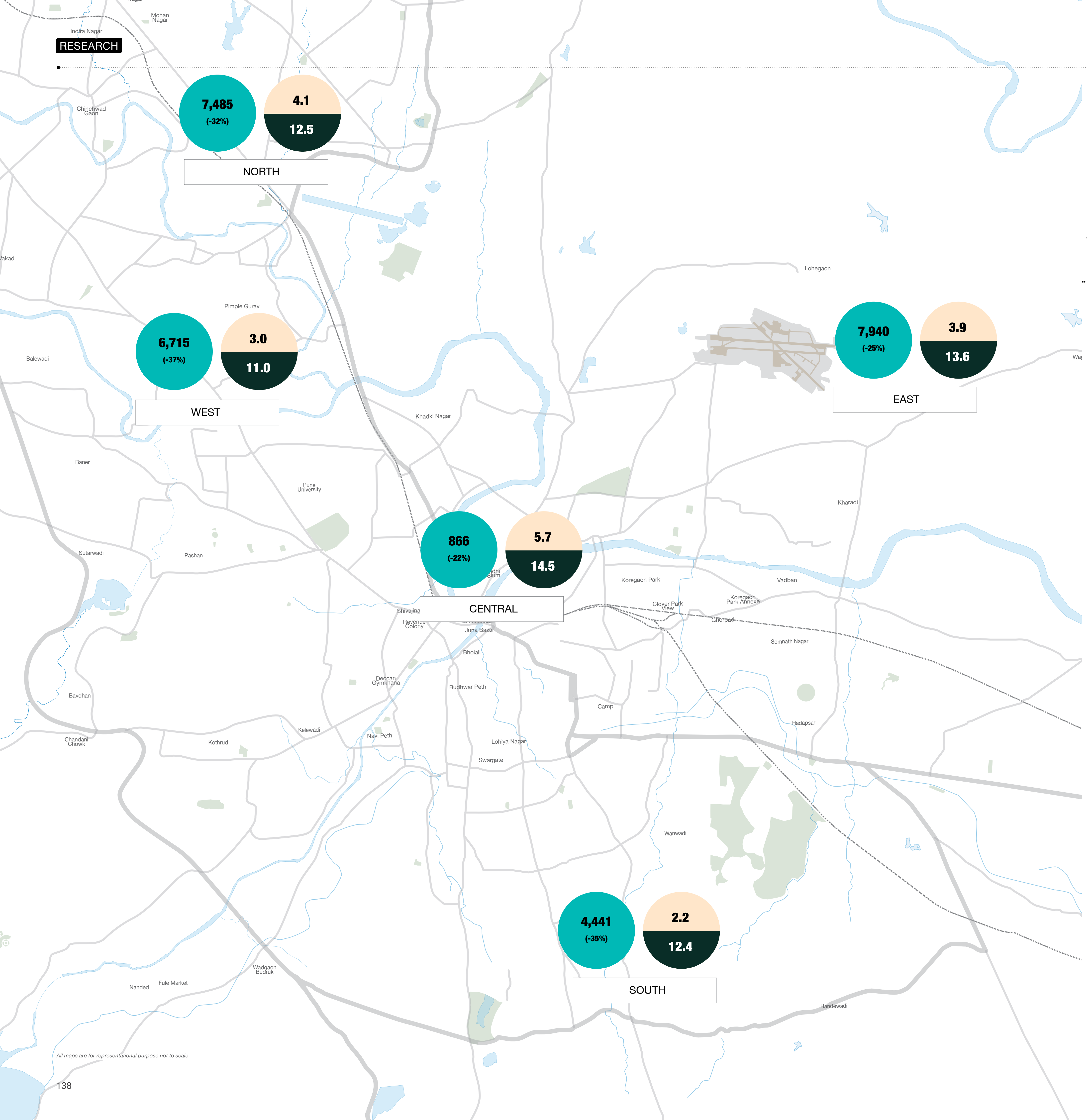
Sales contracted in almost all micro-markets except for West, where the sales growth was marginal at 1%. The quantum of supply was the highest in the east and south.

-16%

YoY change in sales in the South

MICRO-MARKET	LOCATIONS
CENTRAL	Koregaon Park, Boat Club Road, Erandwane, Deccan, Kothrud, Model Colony
EAST	Viman Nagar, Kharadi, Wagholi, Hadapsar, Dhanori,
WEST	Aundh, Baner, Wakad, Hinjewadi, Bavdhan, Pashan
NORTH	Pimpri, Chinchwad, Moshi, Chikhali, Chakan, Talegaon
SOUTH	Kondhwa, Ambegaon, Undri, Dhayari, Warje, Sinhgad Road

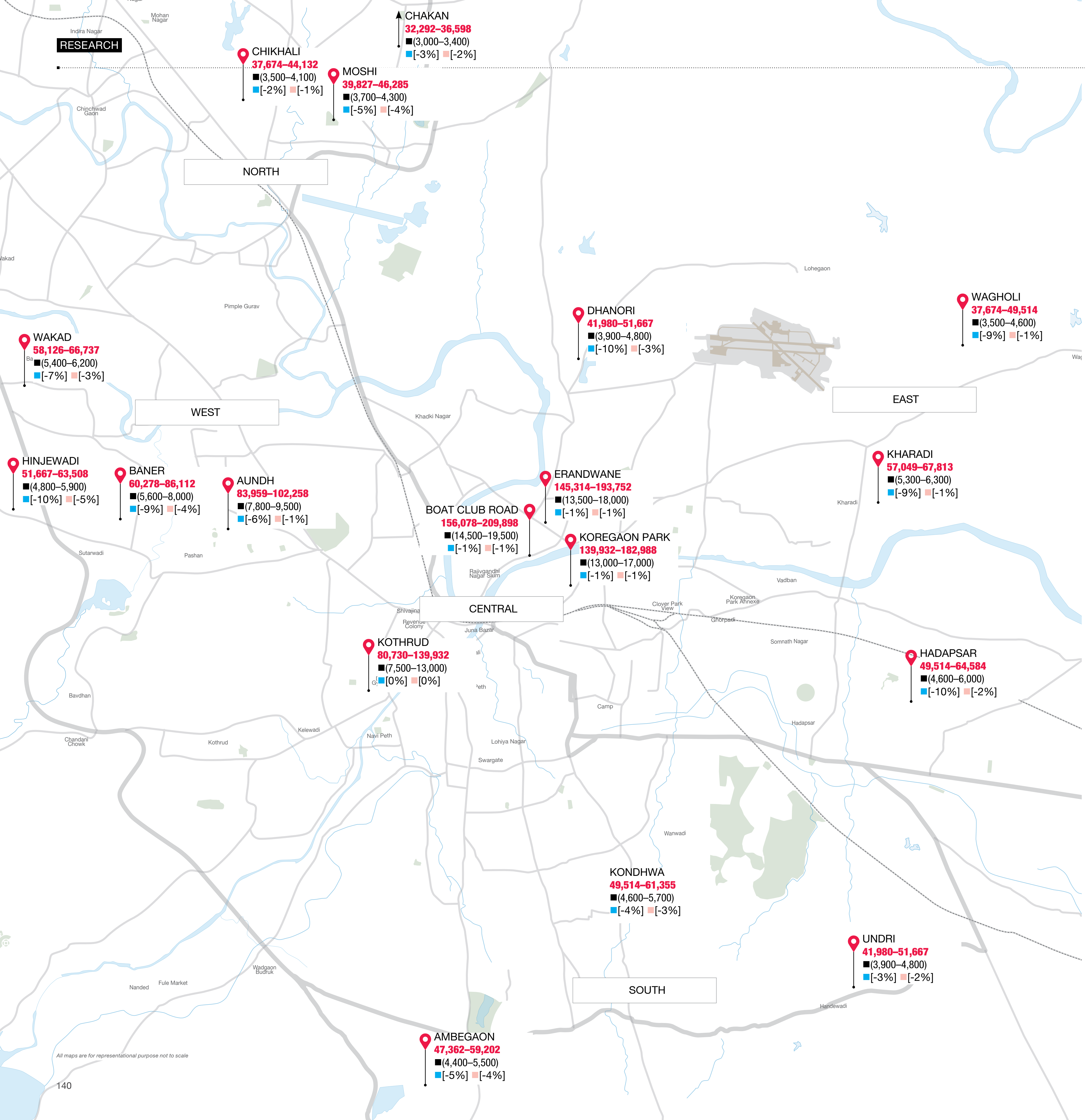
Source: Knight Frank Research



RESIDENTIAL UNSOLD INVENTORY H1 2018

Unsold inventory (YoY growth) | QTS (in quarters) | Age of inventory (in quarters)

The unsold inventory levels have dropped across all micro-markets as the launches have been lagging sales. The launches have constantly lagged the sales since H2 2014 till H1 2018.



RESIDENTIAL PRICING H1 2018

Price range in H1 2018 in ₹/sq m | Price range in H1 2018 in (₹/sq ft)

12 month change (YOY) | 6 month change (YOY)

In addition to the reduction in quoted prices developers are offering a host of indirect discounts in the form of GST waivers, no-floor rise charges, subvention plans, free club house memberships, free appliances, gifts, etc.

-5%

YoY change in quoted prices in Pune

5.7%

Vacancy levels in Pune office market

The Pune office space market has been reeling under an acute supply crunch over the past 3 years with supply not keeping up with the demand. This demand-supply gap had pushed down vacancy levels from 15% in H1 2015 to around 5.7% in H12018.

OFFICE MARKET

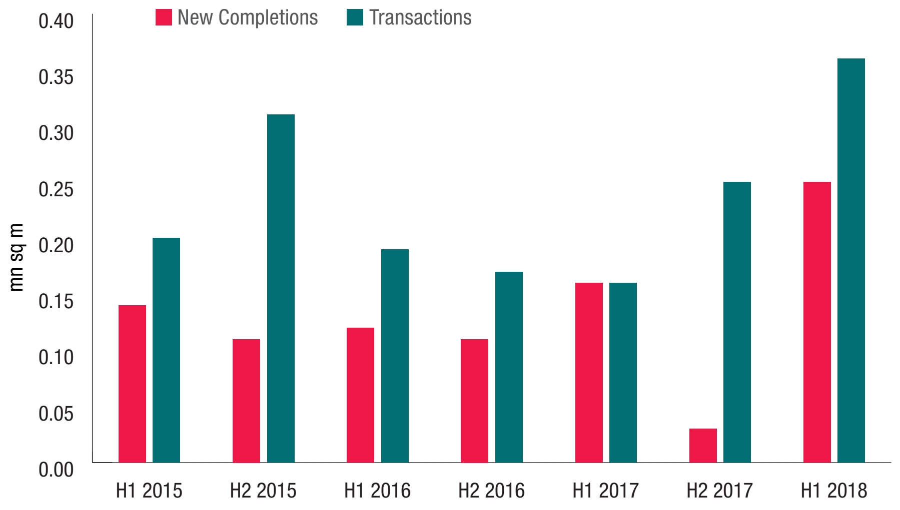
PUNE MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	0.25 (2.7)	54%
Transactions mn sq m (mn sq ft)	0.36 (3.9)	118%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	707 (66)	8%
Stock mn sq m (mn sq ft)	6.0 (64.7)	-
Vacancy (%)	5.7%	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

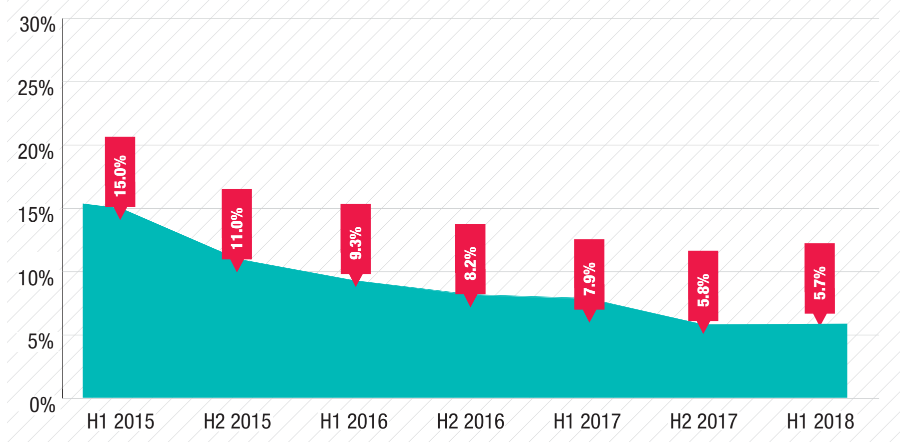
- The Pune office space market has been reeling under an acute supply crunch over the past 3 years with supply not keeping up with the demand. H1 2018 witnessed the addition of 0.25 mn sq m (2.7 mn sq ft) of supply, but this was inadequate compared to the transaction volumes in H1 2018.
- The fact is that the city saw just 0.92 mn sq m (9.9 mn sq ft) of supply since H1 2015, compared to the 1.64 mn sq m (17.7 mn sq ft) of transaction volume. This demand-supply gap had pushed down vacancy levels from 15% in H1 2015 to around 5.7% in H1 2018. The 0.25 mn sq m (2.7 mn sq ft) delivered during H1 2018 was the highest in any half-year period, but it could not mitigate the pressure on vacancy levels.
- The transaction volumes during H1 2018 outstripped the supply and rose by 118% year-on-year (YoY) to 0.36 mn sq m (3.9 mn sq ft) compared to the healthy 54% growth in supply. The growth in transaction volumes was high as the volumes also included pre-commitment (pre-lease) deals. The presence of large pre-commitments reflects the impact of supply shortage in the Pune office market.

PUNE OFFICE MARKET ACTIVITY



Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

PUNE OFFICE MARKET VACANCY



Source: Knight Frank Research

- The IT/ITeS sector has been the largest consumer of office space in the city. H1 2018 saw the IT/ITeS sector take up only 0.11 mn sq m (1.1 mn sq ft), which translates to 30% of the total space transacted during H1 2018, a significant and steady drop from the 60% during H1 2017.
- The Banking, Financial services and Insurance (BFSI) sector has consistently taken up an increasing amount of space over the past 18 months and vastly increased its share in total transactions during the analysis period, filling up the vacuum left by the IT/ITeS sector, to an extent. The BFSI sector also dominated the pre-commitment transactions space.
- The CBD & off-CBD, PBD East and PBD West markets witnessed the largest growth in transaction volumes.
- The BFSI sector accounted for almost 0.14 mn sq m (1.5 mn sq ft) of the total office space transacted during H1 2018. The volumes were high on account of a major pre-commitment deal by BFSI occupiers.
- The two peripheral business districts accounted for 67% of the transaction

118%

YoY growth in transactions (includes pre-commitments)

The Banking, Financial services and Insurance (BFSI) sector has consistently taken up an increasing amount of space over the past 18 months and vastly increased its share in total transactions during the analysis period, filling up the vacuum left by the IT/ITeS sector, to an extent. The BFSI sector also dominated the precommitment transactions space.

54%

YoY growth in new completions

The sustained decline in vacancy levels coupled with a steady interest by occupiers looking to consolidate or expand their real estate footprint within the city, has kept rental growth strong at 8% YoY in H1 2018. Weighted average rentals now stand at ₹707/sq m/month (₹66/ sq ft/month) for the Pune office market

activity during H1 2018, which included the pre-commitment deals as well. The transaction volumes in these business districts was higher on account of available supply and lower rentals.

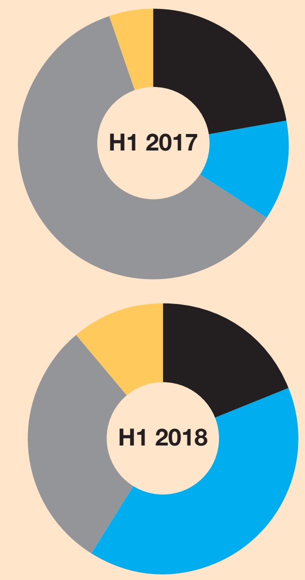
- The sustained decline in vacancy levels coupled with a steady interest by occupiers looking to consolidate or expand their real estate footprint within the city, has kept rental growth strong at 8% YoY in H1 2018. Weighted average rentals now stand at ₹707/sq m/month (₹66/sq ft/month) for the Pune office market.
- Even though the average size per deal declined, the number of deals more than doubled in H1 2018 when compared to H1 2017. This growth in number of deals reflects the strong demand for office space in the Pune market.

BUSINESS DISTRICT CLASSIFICATION

BUSINESS DISTRICT	MICROMARKETS
CBD and off-CBD	Bund Garden Road, S B Road, Camp, Deccan, University Road, Shankar Sheth Road
SBD East	Kalyani Nagar, Yerwada, Nagar Road, Hadapsar
PBD East	Kharadi, Phursungi, Wanowrie
SBD West	Wakdewadi, Aundh, Baner, Kothrud, Balewadi
PBD West	Hinjewadi, Bavdhan, Wakad

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Industry	H1 2017	H1 2018
BFSI	12%	40%
IT/ITES	60%	30%
Manufacturing	6%	11%
Other Services	22%	19%

Note: BFSI includes BFSI support services

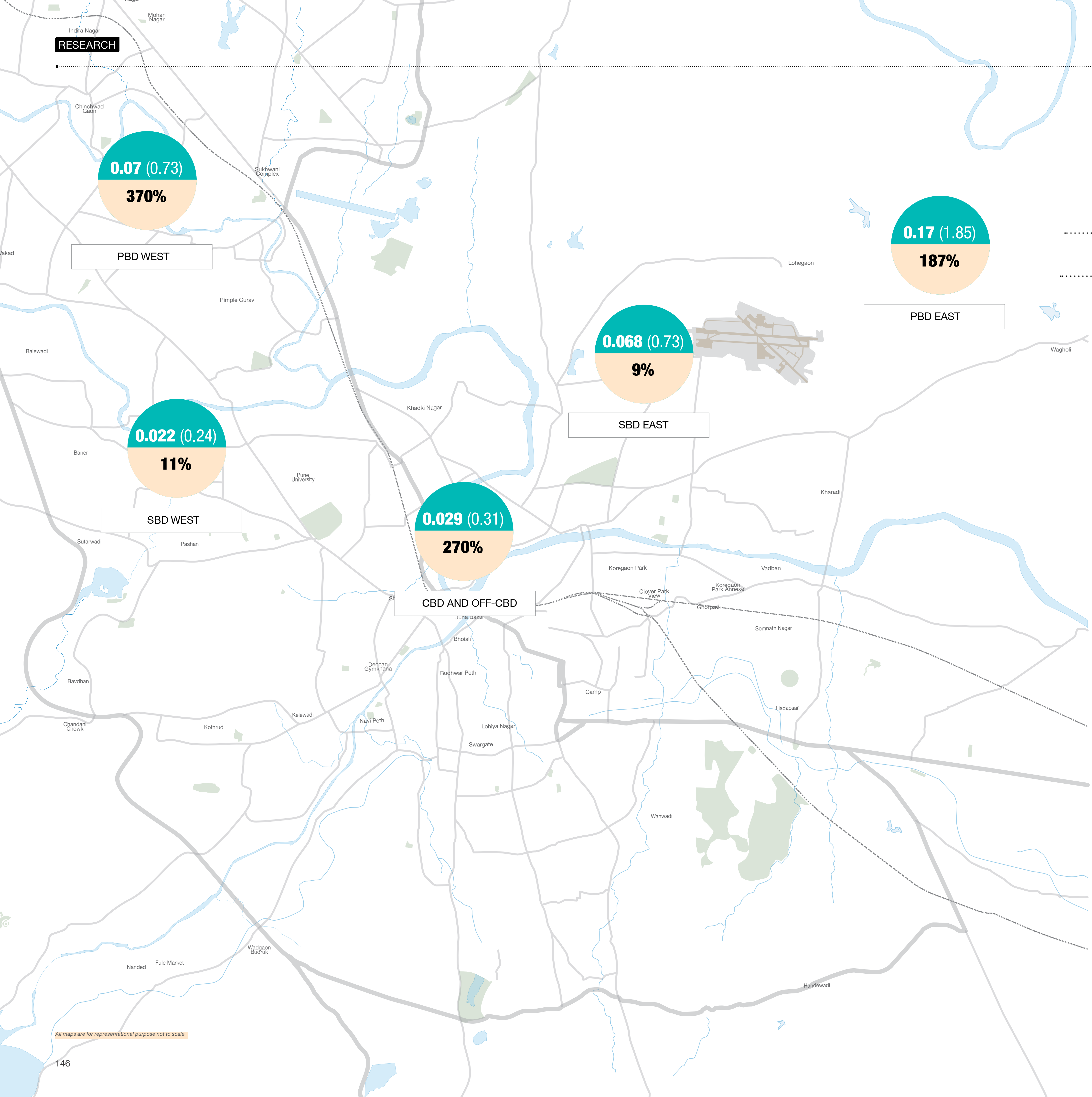
AVERAGE DEAL SIZE AND NUMBER OF DEALS

4,442 (47,816)
Average Deal Size in sq m (sq ft)
H1 2017
37
Number of Deals

4,166 (44,844)
Average Deal Size in sq m (sq ft)
H1 2018
86
Number of Deals

OFFICE TRANSACTIONS H1 2018

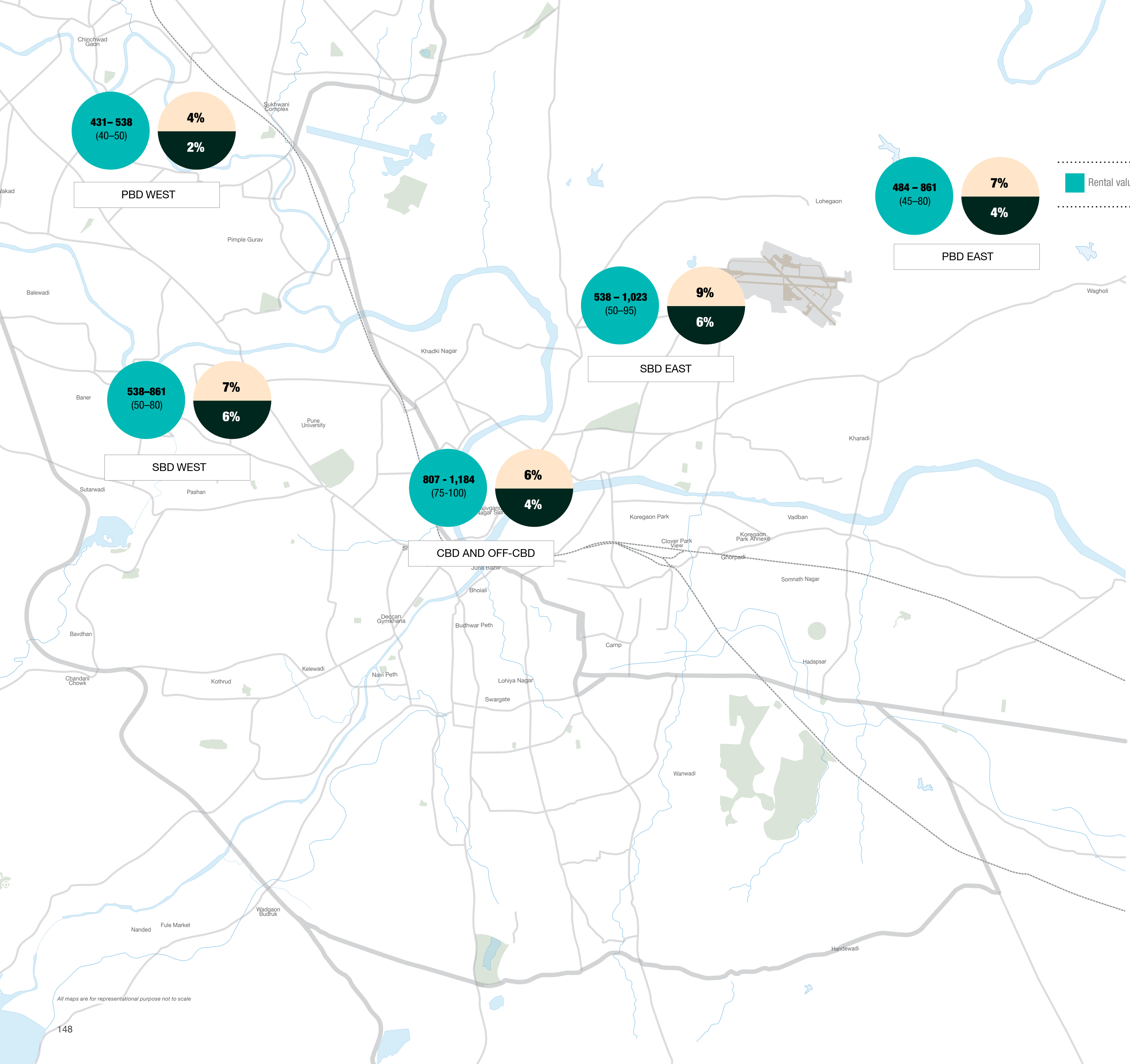
Transactions mn sq m (mn sq ft) YoY change



The two peripheral business districts witnessed strong growth in transactions on account of available supply and lower rentals.

OFFICE RENTAL H1 2018

Rental value range in H1 2018 in ₹/sq m/month (₹/sq ft/month) 12 month change 6 month change



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7%

YoY rental growth in PBD East and SBD West

9%

YoY rental growth in SBD EAST

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Supported by research and information experts, our consultants work with government authorities, infrastructure companies, developers, landlords, investors and occupiers to help them make the best use of their property.

We offer the following services to developers, government projects, PE funds and industrial development corporations:

- Valuation
- Development consultancy
- Strategic consultancy
- Government and infrastructure

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Our experts evaluate and structure investments on behalf of high-net-worth individuals, leading institutions, developers and private equity funds. We provide acquisition and divestment services for all asset classes such as commercial, residential, hospitality, retail, and industrial entities.

We offer the following services to fund houses, developers, corporates and developers:

- Fundraising
- Land transactions
- Core Asset Sale

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Our team assists and advises tenants and landlords / property owners on leasing, acquisition or disposition of property. We assist corporates on location selection, sourcing, financial analysis, structuring transactions, due diligence and negotiations. For landlords, we source tenants, market the project, structure the transaction and manage all the documentation.

We offer the following services to corporate, landlords and investors:

- Space Acquisition / Disposal
- Workspace Consulting
- Lease Administration
- Renegotiations / Re-gear
- Renewal Management
- Commercial Space / Project Marketing

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- Industrial land acquisition
- Warehousing
- Industrial asset disposal
- Industrial investment opportunities
- Built-to-suit facilities

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With a thorough knowledge of current market rentals and leasing trends, our team works with clients to build an entry strategy based on the brand's requirements, conducts location analysis and negotiates the best deal. From national chains to institutions and retailers of international luxury goods, our clients receive the widest range of transactional services for acquisition or disposition of property.

We offer the following services to retailers, high streets, developers and schools:

- Advisory
- Business Development
- Landlord Representation for Mall Owners

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Our residential team specialises in new homes, resale, leasing and international properties. Working with corporates, MNCs and high-net-worth individuals, we offer comprehensive services to the buyers, sellers, tenants and landlords.

We offer the following services to corporates, investors and individual buyers.

- Primary Sale
- Resale
- Leasing
- International Property
- Second Homes

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We understand the complex requirements of facilities management and offer customised solutions backed with international best practices to help our clients maximise operational efficiencies at optimum costs. We lay strong emphasis on sustainability measures while ensuring superior service delivery, quality and safe working environments.

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- Facilities Management
- Asset Management

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Our team of qualified architects, engineers and construction professionals help clients with technical due diligence, audit management, programme management and construction management services. Our Engineering, Procurement & Construction (EPC) model provides a one-stop shop for all services from start to close-out.

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- Project Management
- EPC – Design & Build
- Other Services

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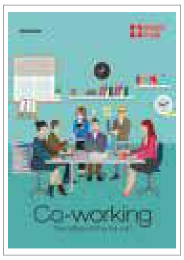

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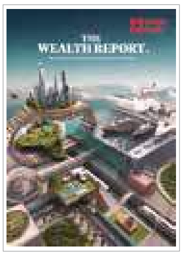

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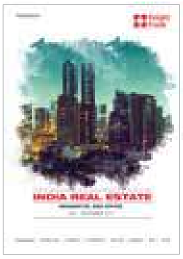

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