

India - H1 2020

SPOTLIGHT
Savills Research

India Market Watch Office



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World Economic Features

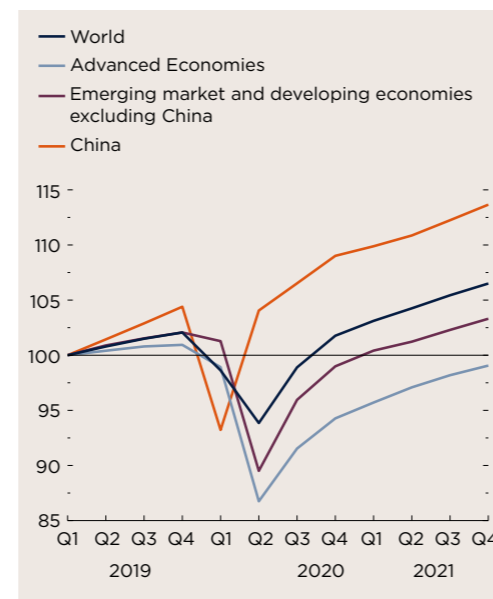
The world entered 2020 with expectations of steady GDP growths across geographical pockets, with significant improvements in emerging economies.

The projections and estimates, however, were deeply dented by the entirely unforeseen event – the Black Swan – COVID-19. IMF's World Economic Outlook Update June 2020 (A Crisis Like No Other, An Uncertain Recovery) highlights a few things, which are important indicators. The chart below encapsulates the summary of the update.

The key features are:

1. Global growth is projected at -4.9% in 2020.
2. China may remain the only economy in the positive-growth zone at the end of 2020.
3. Emerging economies may require the complete 2020 calendar year to stage a recovery.
4. The advanced economies, however, may face a greater uphill task and for longer.
5. Despite the damage, it still conveys, as of June 2020, a hope for V-shaped recovery, as has abundantly been evidenced.

Quarterly World GDP (2019:Q1 = 100)



Source IMF staff estimates

India's Economy & Real Estate

The same report, projects India's real GDP growth to tread into the negative zone (at -4.5%) during the 2020 fiscal year. However, the recovery is expected to be sharp in the following year, i.e. in 2021 fiscal year, at 6%.

The Reserve Bank of India, on May 22nd 2020, estimated that the impact of the COVID crisis may last till the mid-2021.

The exemplary lockdown which stretched to nearly 50 days, before the unlocking process began towards the close of H1-2020, was one of the largest implemented lockdowns. Amidst the crisis and the resultant slowdown, the central government announced an economic package of approx. USD 265 billion, which was approx. 10% of the country's GDP. It is

reckoned to be among the largest financial supports globally.

Overall, the economic recovery is rivetted strongly on a scientific solution to the current problem. The hopes of a breakthrough have consistently risen as the first half of 2020 ended.

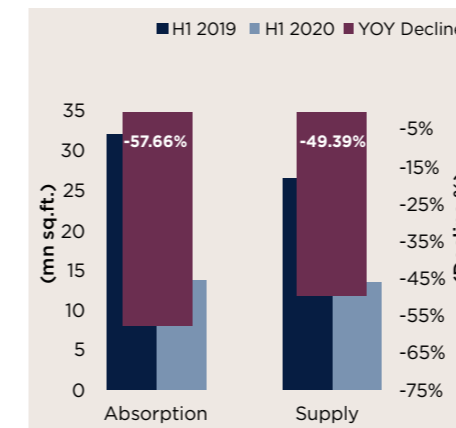
India's Office Real Estate in H1-2020

The office markets have clearly mirrored the overall economic pattern in the country.

For the top 6 markets of Delhi NCR, Mumbai, Bangalore, Chennai, Pune & Hyderabad (which we reported in Office Market Watch Year-end 2019) Office absorption and supply recorded significant Y-O-Y declines, as shown here.

From nearly 32.3 mn sq. ft. of space absorbed in H1-2019, the H1-2020 absorption fell to approx. 13.7 mn sq. ft. Similarly, the cumulative supply addition was 13.5 mn sq. ft. in H1 2020, compared to 26.6 mn sq. ft. in H1 2019.

H1 2019 vs H1 2020



Citywise Demand Split & Comparisons

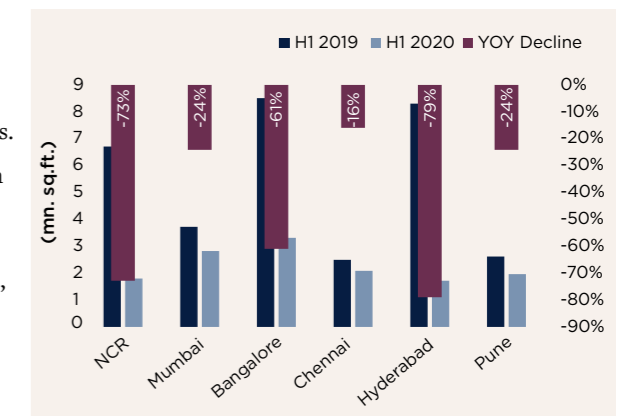
It is important to take a quick view of the mid-year demand patterns and present a brief year-on-year comparison for each of the six cities.

The demand continues to be driven by BFSI and IT across all the cities, with Mumbai experiencing a substantial 36% from Consulting firms (incorporated within 'Others' in the chart below).

A broader and macro look reveals an interesting pattern. Except Mumbai, all other markets in the COVID & lockdown phase remained dependent on three core sectors, namely, BFSI (Banking Financial Services & Insurance), Technology and Manufacturing. While this pattern may change during the second half, if the pandemic led crisis persists, India's focus on its traditional sectors may need to increase, necessitating vital policy initiatives as well.

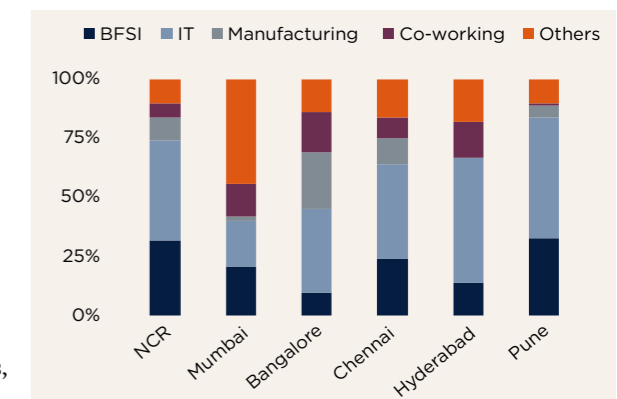
This section has presented a top-level summary of office markets' performance on the national scale. Further details on absorption, stock and supply, rentals, vacancies, sectoral splits, etc. are provided in each city section.

Demand Comparisons: H1 2019 vs H1 2020



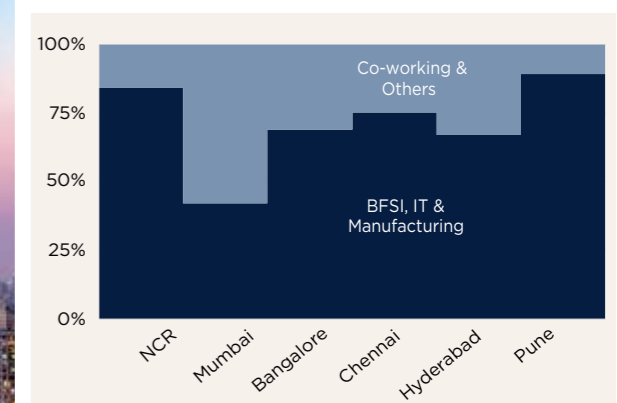
Source Savills India Research

Demand Sectors in H1 2020



Source Savills India Research

Core Demand Sectors in H1 2020



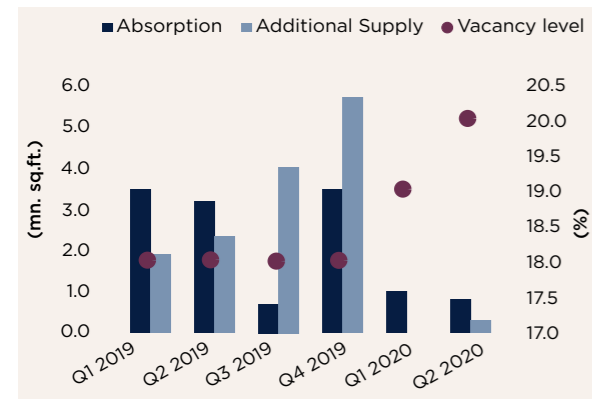
Source Savills India Research





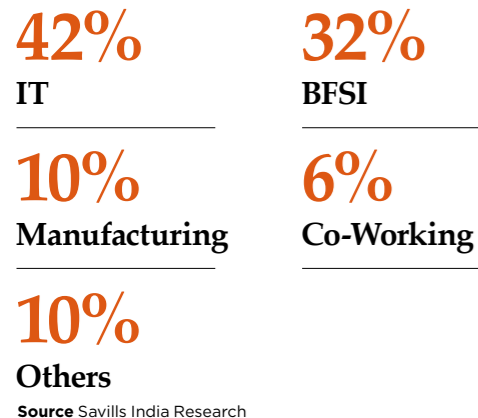
Delhi NCR

Delhi NCR Absorption, Additional Stock and Vacancy, Q1/2019 to Q2/2020



Source Savills India Research

H1-2020: Absorption demand split sector wise



DELHI NCR COMMERCIAL OVERVIEW

Demand:

In terms of leasing activity, 2019 was exemplary for Delhi NCR; absorption stood at 10.9 mn. sq. ft. Strong traction in demand was expected to continue in 2020 as well. But the pandemic and consequential lockdowns acted as dampeners to the strong momentum in the first half of 2020. Delays in decision making process on the part of occupiers, have culminated into lesser absorption for the entire capital city and adjoining areas. H1 2020 leasing activity stood at 1.8 mn sq. ft., an annual decline of over 70%. Interestingly, Noida has overtaken Gurgaon in terms of overall absorption because of lower rents, quality supply and robust infrastructure including metro connectivity, prominent location for office occupiers include micro markets like Sector 62, Sector 16B and Noida expressway.

Supply:

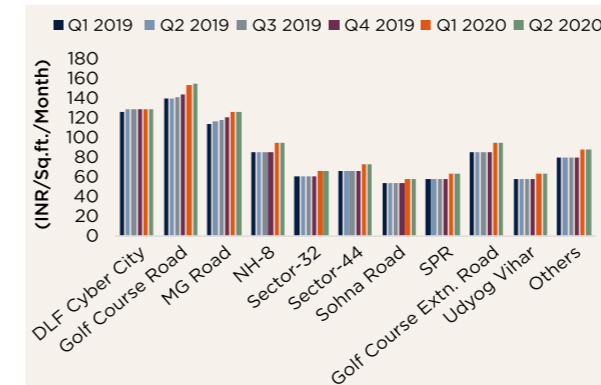
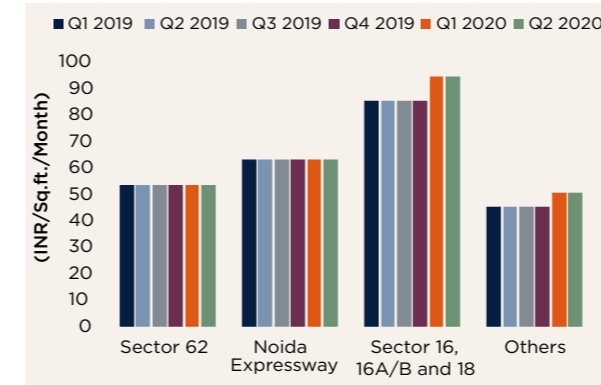
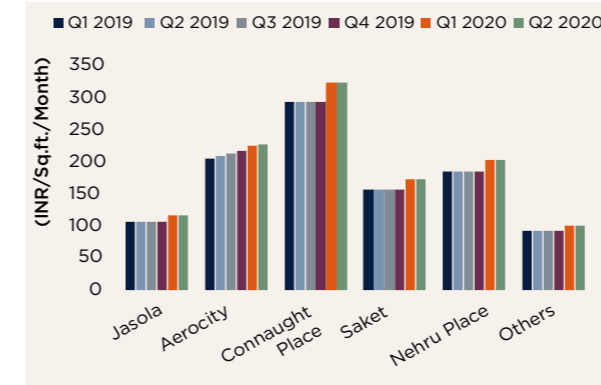
On the supply front, in H1 2020, only 0.3 mn sq. ft. of additional supply came up in Delhi NCR. Compared to H1 2019, this is a massive drop in addition of incremental stock. The reasons for the negligible addition were quite understandable- Delays in building completion on account of closure of construction sites and lack

of adequate labour even after easing of lockdown restrictions. The minimal supply addition was spread across micro markets like Golf course road extension, NH8 in Gurgaon and Noida expressway. Golf course road extension saw a growth and interest in last few years and will see some new completion in upcoming quarters. At the end of H1 2020, the total stock stood at around 118 mn sq.ft for Delhi NCR.

Vacancy, Rentals and Segmental Demand:

Vacancy levels have gone up to 20% in H1 2020 as there have been a few exits in key micromarkets both in Gurgaon and Noida. Despite the pandemic, resultant low leasing activity and termination of few rental agreements, rentals in H2 2020, have remained stable compared to H1 2019. However, in the short to medium term (next 6 to 9 months), rentals are expected to be under pressure and might witness corrections and realignments. In terms of sectoral split, technology sector emerged as the biggest contributor with a share of 42% in the overall leasing volume of H1 2020. The technology sector was followed by financial services at a 32% market share. The overall demand from co-working sector has curtailed by almost 50%; Flexispaces had a 6% share in the demand pie chart in H1 2020.

Rental Trends - Micro market Wise, Q1/2019 to Q2/2020



Source Savills India Research

IMPACT OF COVID-19 AND OVERALL OUTLOOK

COVID-19 has adversely impacted the growth cycle of majority of businesses and hence has had a major negative impact on the overall absorption in the market from the previous year benchmark numbers. Additionally, it has also impacted the project deliveries scheduled for 2020. In the next half year of 2020 there will be huge pressure on companies to cut costs and the work from home (WFH) element is likely to

impact the new space commitments in the short term. However, recovery of the office leasing market is expected to start in the early part of 2021. The current pandemic has opened conversations around contractual obligations, lock-in periods, exit notices, force majeure clauses amongst other terms from both a developer and occupier perspective. In the short to medium term of 6-12 months, there will be good quality stock available to occupiers and hence the market may lean towards being a tenant favourable market.



Key Office Transactions, H1-2020

Building	Tenant	Micro-market	Sq ft*
Lotus Isle, Sector 98	Paytm	Noida	550,000
Plot no. A-2B, Sector 125	TCS	Noida	150,000
DLF Atria, NH-8	Facebook	Gurgaon	150,000
Berger Tower, Sector 16, 16A/B and 18	Thales	Noida	150,000
Bharti Worldmark, Golf Course Extension Road	Sprinklr	Gurgaon	80,000

Source Savills India Research

DELHI NCR MICROMARKETS:

Gurgaon - DLF Cyber City, Golf Course Road, MG Road, NH-8, Sector-32, Sector-44, Sohna Road, SPR, Golf Course Extn. Road and Udyog Vihar

Noida - Sector 62, Noida Expressway, Sector 16, 16A/B and 18

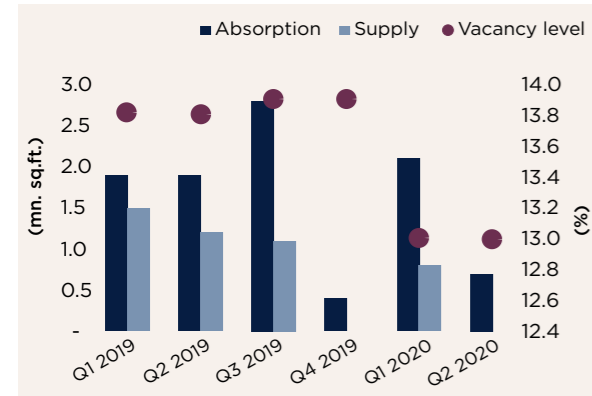
Delhi - Jasola, Aerocity, Connaught Place, Saket and Nehru Place

*Approximate and indicative area only



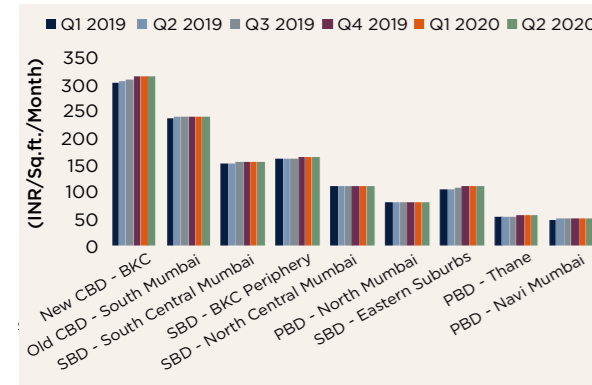
Mumbai

Mumbai Absorption, Additional Stock and Vacancy, Q1/2019 to Q2/2020



Source Savills India Research

Rental Trends - Micro market Wise, Q1/2019 to Q2/2020



Source Savills India Research

MUMBAI COMMERCIAL OVERVIEW

Demand:

The office market of Mumbai Metropolitan Region (MMR) has been performing well since the last 5 years. 2019 particularly witnessed strong leasing activity with transactions of over 6.9 mn sq.ft taking place. The momentum continued into 2020; with space take up remaining buoyant till the nation-wide lockdown towards the end of Q1- 2020. As MMR remained under lockdown for an extensive period in response to the COVID-19 outbreak, office leasing stood at 2.8 mn sq. ft. in the H1 2020, a decline of nearly 24% YoY. Micromarkets like PBD – North Mumbai accounted for nearly 40% of the leasing activity, followed by New CBD – BKC and SBD – Eastern Suburbs with 15% and 12% share respectively.

Supply:

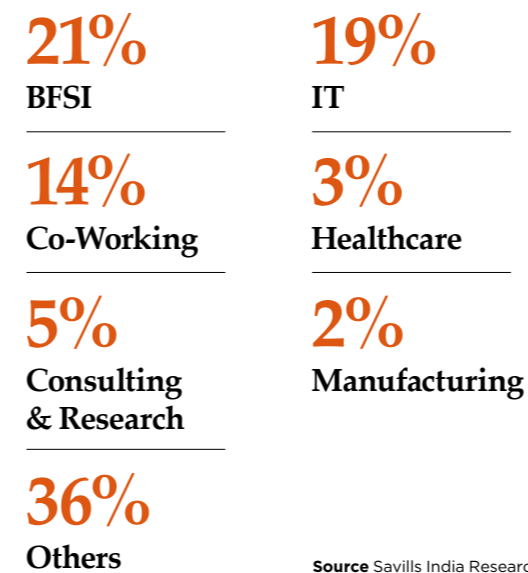
As supply chain disruptions and labour issues became real bottlenecks in construction related activities for most of April, May and June 2020, incremental office stock creation was negligible. H1-2020 witnessed 0.8 mn sq.ft of additional stock creation- a decline of 70% YoY. Micromarkets like Navi Mumbai, PBD – North Mumbai and SBD – Eastern Suburbs saw bulk

of the additional supply creation, and at the end of H1 2020, the total stock stood at around 125 mn sq.ft for MMR. Commencement of Unlock 1.0 & 2.0 indicates a revival of sorts, though putting a number to it still remains difficult.

Vacancy, Rentals and Segmental Demand:

Vacancy levels have been around 13% in H1 2020. Despite a drop in the leasing activity, the weighted average rental grew by 2% YoY in H1 2020. We do not anticipate an increase in rents in the next few quarters due to the economic and demand uncertainty. As far as the sectoral demand is concerned, Financial Services and Technology segments were the biggest contributors -21% and 19% respectively. Co-working operators accounted for 14% of the market activity in H1 2020. We foresee reduction in fresh leasing activity by co-working operators in the near term.

H1-2020: Absorption demand split sector wise



Source Savills India Research

IMPACT OF COVID-19 AND OVERALL OUTLOOK

Leasing activity and additional supply has been affected by the COVID-19 pandemic. Many transactions were deferred by 3-6 months as businesses took a hit, on account of stringent lockdown. Many companies have put their expansion plans on hold. We expect gradual recovery in fresh leasing activity for the rest of the year. Infact, the overall recovery of commercial office market is expected to be highly contingent on how businesses react to the ever-evolving and dynamic COVID-19 situation. In the near term the tenants focus is expected to be clearly on cost optimization and creation of safe and secure workplaces. Demand generated by the healthcare segment is expected to remain favourable in the medium term.



Key Office Transactions, H1-2020

Building	Tenant	Micro-market	Sq ft*
Lodha i-Think - Tower A	Deloitte Shared Services India Limited Liability Partnership	PBD - Thane	180,000
Akruti Business Port	HDFC Bank Limited	SBD - North Central Mumbai	140,000
Prism Tower A (Mindspace)	Tech Mahindra Business Services Limited	PBD - North Mumbai	120,000
Prism B (Mindspace)	Tech Mahindra Business Services Limited	PBD - North Mumbai	120,000
247 Park	Future Retail Limited	SBD - Eastern Suburbs	110,000

Source Savills India Research

MUMBAI MICROMARKETS:

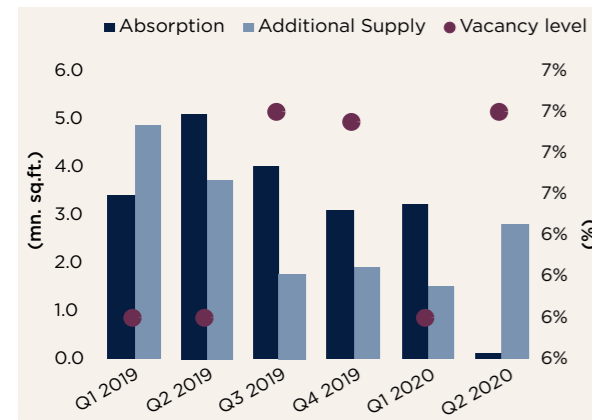
- Old CBD (South Mumbai) - Nariman Point, Cuffe Parade, Ballard Estate, Fort and Churchgate
- New CBD (BKC) - G Block and Other than G Block
- SBD - I (SBD - South Central Mumbai) - Mahalaxmi, Worli, Lower Parel, Prabhadevi, Dadar West, Dadar East and Parel
- SBD - II (SBD - BKC Periphery) - Bandra E, Bandra W, Kalina, Vakola, Khar E, Khar W, Kurla, Santacruz E and Santacruz W
- SBD - III (SBD North Central Mumbai) - Vile Parle E, Vile Parle W, Andheri E, Andheri W, Jogeshwari E, Jogeshwari W, Goregaon E and Goregaon W
- SBD - IV (SBD - Eastern Suburbs) - Sion, Chembur, Ghatkopar, Mulund, Kanjurmarg, Powai and Vikhroli
- PBD - I (North Mumbai) - Malad East, Malad W, Kandivali E, Kandivali W, Borivali E and Borival W
- PBD - II (Thane) - Thane
- PBD - III (Navi Mumbai) - Airoli, Vashi, CBD Belapur, Mahape and Turbhe

*Approximate and indicative area only



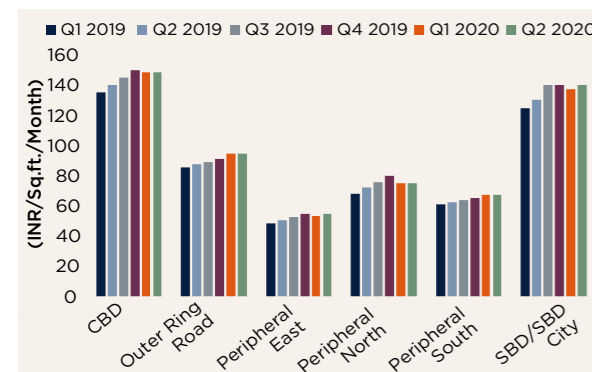
Bangalore

Bangalore Absorption, Additional Stock and Vacancy, Q1/2019 to Q2/2020



Source Savills India Research

Rental Trends - Micro market Wise, Q1/2019 to Q2/2020



Source Savills India Research

BANGALORE COMMERCIAL OVERVIEW

Demand:

Bangalore has been the frontrunner in office space demand for years. The market witnessed an all-time high absorption of 15.6 mn sq. ft. in 2019, highest in the country (~ 27% of pan India leasing activity) and the trend continues in H1-2020 with 3.3 mn sq. ft. of activity, which represents almost 35% of office space demand in the top 6 cities of the country.

Of the overall city-wide absorption, approximately 75% was concentrated in East Bangalore- Whitefield, Brookefield and Outer Ring Road (ORR). This trend was observed in H1-2019 as well.

Despite Bangalore's comparatively healthy leasing activity in H1-2020 on a country wide level, there has been a drop of over 60% demand when compared to H1-2019. (3.3 mn sq. ft. vs 8.5 mn sq. ft.). The lower demand was on account of business uncertainties during the period of complete lockdown.

Few interesting trends have emerged in the city in the first six months of the year. While over 70% of the leasing activity came from captive clients, there was a drop in SEZ space take up by about 85%.

Supply:

On the supply front, on account of the COVID-19 pandemic related issues, there has been an understandable reduction

in additional supply in H1-2020, as compared to H1-2019. Around 4.3 mn sq. ft. of additional stock was delivered in the city market in H1-2020, with a majority of this supply being completed in Q2-2020.

Of the total incremental supply, 3.5 mn sq. ft. was added in East Bangalore- ORR, Brookefield and Whitefield. This is in line with the micromarket wise demand for office space as well. At the end of H1-2020, the total stock in the city stood at around 162 mn sq. ft.

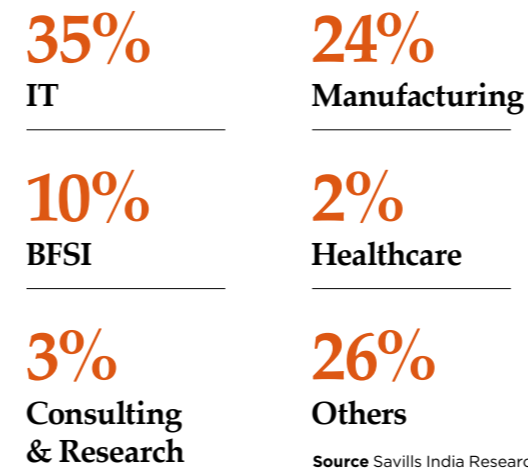
In the beginning of the year, Bangalore market was projected to have an additional stock of 17.3 mn sq. ft. However, a shortfall is expected due to the current pandemic- the supply addition in 2020 is expected to be in the range of 10-13 mn sq. ft.

Vacancy, Rentals and Segmental Demand:

Vacancy levels have been rangebound between 6-7%. ORR, Central and Secondary Business Districts continue to have negligible vacancy (less than 3%) due to demand of premium grade buildings in these micromarkets. Average rentals have remained steady across all areas of the city.

As far as sectoral demand is concerned, manufacturing and BFSI sectors increased their space take-up during this period. IT and co-working sectors continue to occupy the top 2 positions at 35% and 17% respectively.

H1-2020: Absorption demand split sector wise



Source Savills India Research

IMPACT OF COVID-19 AND OVERALL OUTLOOK

The adverse impact of COVID-19 was felt both on supply and demand of commercial office spaces in the city. While many projects were almost nearing completion, suspension of construction activities and shortage of labour during the period of total lockdown has pushed the delivery timelines. H2-2020 is expected to be much better in terms of completions and leasing activity continues to be dominated by captives, companies from BFSI, IT security, cloud computing verticals and niche development clients. Flexi-space players, which form a significant portion of demand in the city, will have to remain agile and adaptable to the changed landscape in the post-covid world. Major operators offering enterprise space solutions are expected to remain competitive in the altered scenario also.



Key Office Transactions, H1-2020

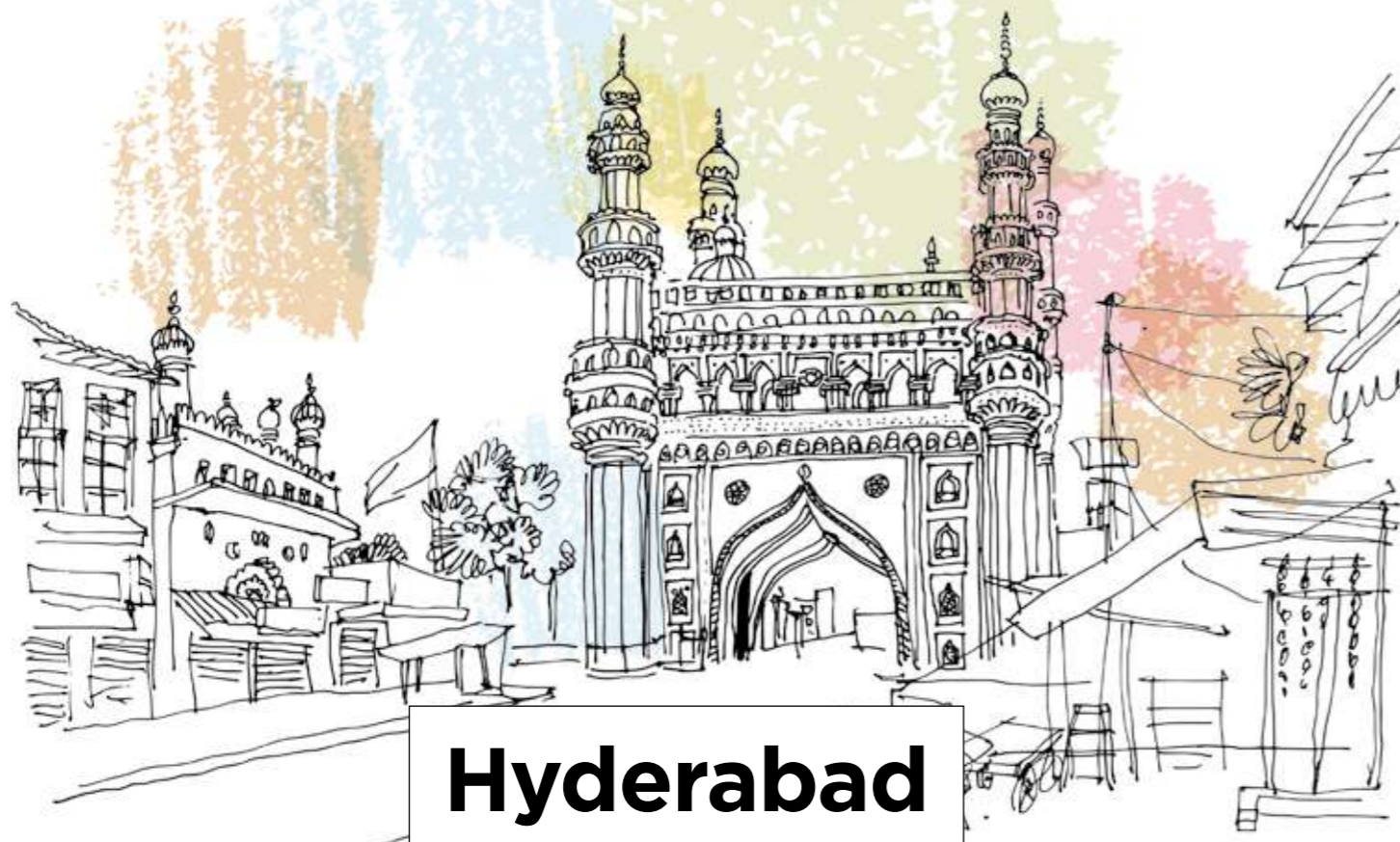
Building	Tenant	Micro-market	Sq ft*
Bagmane Capital - Kyoto	Google	ORR	400,000
Bagmane Solarium City	Baker Hughes (GE)	Peripheral East	100,000
Bagmane Capital - Luxor	First Bank of Abu Dhabi	ORR	100,000
Standalone Building	We Work India Management Private Limited	CBD	100,000
RGA Tech Park	Accenture	ORR	90,000

Source Savills India Research

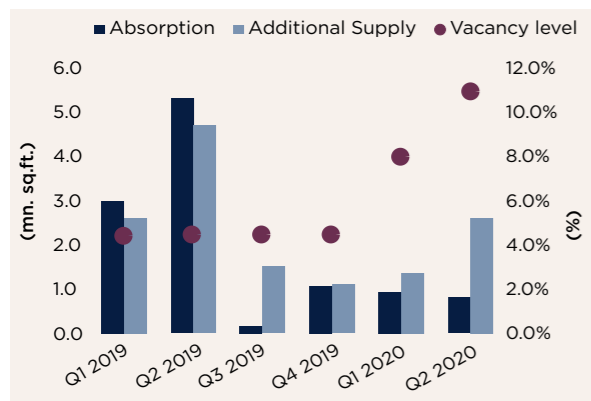
BANGALORE MICROMARKETS:

Central Business District (CBD) - MG Road, Millers Road, Vittal Mallya Road and Residency Road
Outer Ring Road (ORR) - Zone1: Sarjapur to Marathahalli, **Zone2:** Marathahalli to KR Puram, **Zone3:** KR Puram to Hebbal
Secondary Business District (SBD) City - Indira Nagar, Old Airport Road, CV Raman Nagar, Koramangala, Jayanagar, Domlur, Bannerghatta Road, Rajaji Nagar and Malleshwaram
Peripheral East - Whitefield
Peripheral South - Electronic City, Hosur Road and Mysore Road
Peripheral North - Bellary Road, Thanisandra Road, Tumkur Road and Hebbal to Yelahanka

*Approximate and indicative area only

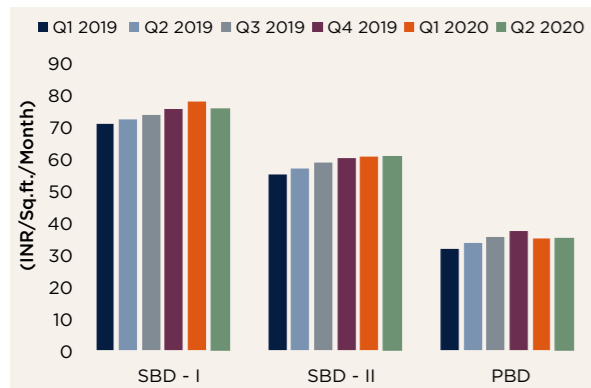


Hyderabad Absorption, Additional Stock and Vacancy, Q1/2019 to Q2/2020



Source Savills India Research

Rental Trends - Micro market Wise, Q1/2019 to Q2/2020



Source Savills India Research

HYDERABAD COMMERCIAL OVERVIEW

Demand:

Hyderabad, in 2019 had recorded historic leasing activity, registering close to 10 mn. sq. ft. of area in terms of office space transactions. As witnessed in major Indian cities, the first half of 2020 could not replicate the success story of 2019. Hyderabad witnessed slow office leasing and accounted for close to 12% share.. H1-2020 witnessed leasing activity to the tune of 1.7 mn. sq. ft., significantly less transactions compared to similar timeframe, a year back. In terms of location, the activity was evenly distributed across HiTech City, Madhapur and Gachibowli.

Supply:

New completions have also taken a hit. Additional stock creation in the city office market has reduced by over 45% to 4 mn. sq. ft. in H1-2020 as compared to H1-2019. At the end of first half of 2020, the total stock in the city stood at around 61 mn. sq. ft.

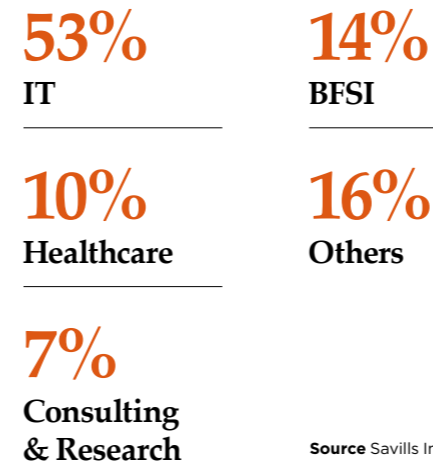
Vacancy, Rentals and Segmental Demand:

Hyderabad market has been subject to an oversupply of premium grade office buildings for the last few quarters. Demand, though high, has not been able

to match the supply. Consequentially vacancy levels across the city have seen a rising trend. Exits and terminations of leases by few players, a result of COVID-19 related financial stress, have also contributed to the high vacancy levels in the city. The current vacancy levels are beyond 10%, a significant increase from sub 5% levels a year ago.

Weighted average rentals across micromarkets, riding on the demand momentum of 2019, are currently at a 5-10% premium as compared to H1-2019. As far as sectoral demand is concerned, leasing activity in Hyderabad is traditionally dominated by IT industry. The service sector continues to drive the office space take-up in 2020 as well with more than 50% sectoral share in H1-2020. Financial services, healthcare and flexispace operators were the other significant demand generators.

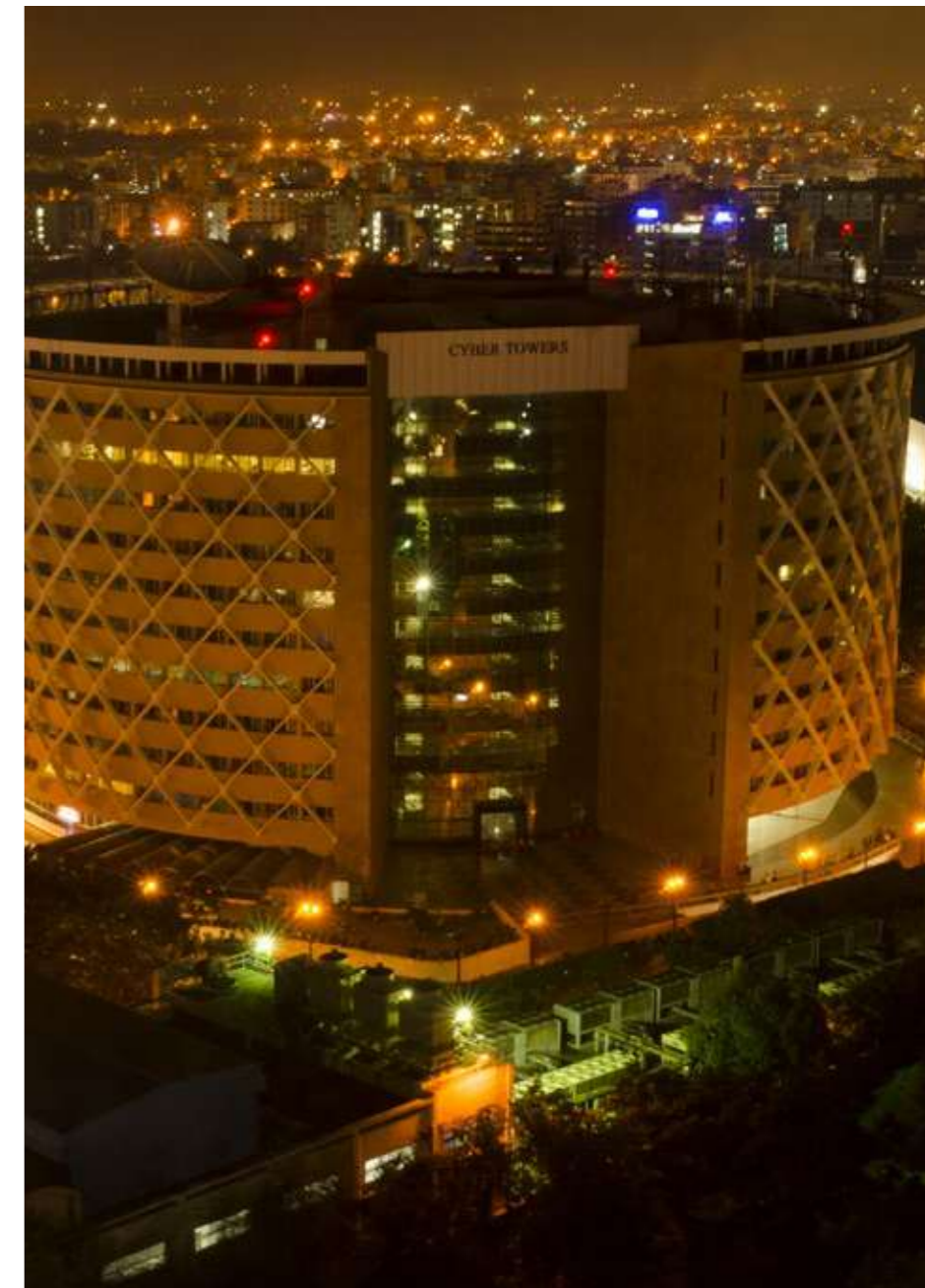
H1-2020: Absorption demand split sector wise



Source Savills India Research

IMPACT OF COVID-19 AND OVERALL OUTLOOK

Hyderabad's momentum, in terms of demand of quality grade-A office space, has definitely slowed down. The demand recovery will strongly correlate with the response of the IT and BPO world, the major demand generator of office space in the city. Intermittent lockdowns, even during the unlock phase have resulted in lack of clarity for businesses operating in the city. This has disrupted the bounce back of normal economic activity and office space demand to a large extent. Developers are also walking a tight rope and have put buildings with precommitments on priority, in terms of revised completion timelines. In terms of rentals, the market is slowly but steadily shifting towards a tenant driven market, from a landlord driven market few years back, when quality supply was limited. Landlords are expected to be increasingly flexible, specially with large occupiers in the post pandemic world.



Key Office Transactions, H1-2020

Building	Tenant	Micro-market	Sq ft*
Knowledge City (Parcel-2)	Microsoft India Research and Development Private Limited	SBD - I	300,000
Mindspace - Building 12A	Cognizant Technology Solutions India Private Limited	SBD - I	300,000
Mindspace - Building 12A	Cognizant Technology Solutions India Private Limited	SBD - I	200,000
Sohini Techpark	Microsoft India Private Limited	SBD - II	100,000
BSR IT	American Medical Devices Co.	SBD - I	100,000

Source Savills India Research

HYDERABAD MICROMARKETS:

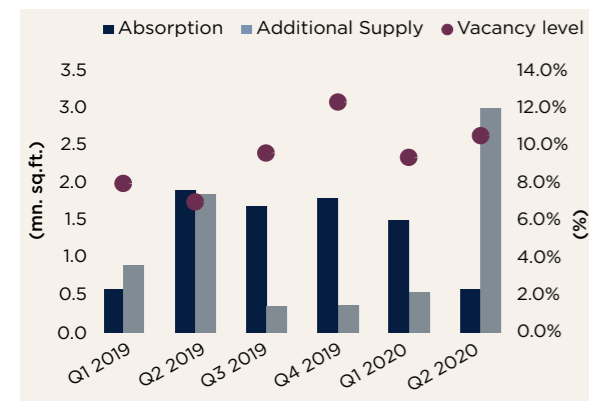
Secondary Business District I (SBD-I) - Madhapur- Madhapur, Kondapur and Raidurg
 Secondary Business District II (SBD II) - Gachibowli- Gachibowli, Nanakramguda and Manikonda
 Peripheral East - Pocharam and Uppal

*Approximate and indicative area only



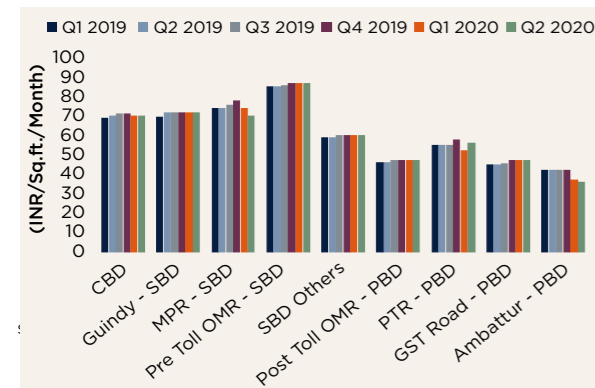
Chennai

Chennai Absorption, Additional Stock and Vacancy, Q1/2019 to Q2/2020



Source Savills India Research

Rental Trends - Micro market Wise, Q1/2019 to Q2/2020



Source Savills India Research

CHENNAI COMMERCIAL OVERVIEW

Demand:

Chennai has trailed only Bangalore & Mumbai in terms of total transactions in H1-2020. The city witnessed 2.1 mn. sq. ft. of leasing activity, which translates to approximately one-fifth of the all India activity. The number of office space deals have decreased in H1-2020 as compared to H1-2019; in terms of area, there has been a 16% reduction- the least in the top 6 cities of the country. Interestingly, the average deal size in H1-2020 has increased by around 50% as compared to H1-2019, indicating a larger space take-up at an individual deal level. Guindy, Mount Poonamalle Road (MPR) and Pre-Toll Old Mahabalipuram Road (OMR) saw healthy leasing activity.

Supply:

On the supply front, lockdown and labour issues resulted in temporary halt in construction activities for a significant portion of the first half of the year. H1-2020, however, witnessed an increase in additional office stock as compared to the first half of 2019- 3.5 mn sq. ft. vis a vis 2.8 mn sq. ft. This can be attributed to the pre-ordained plans for phased launch of quality office spaces by developers in the city to meet the expected demand from multinational

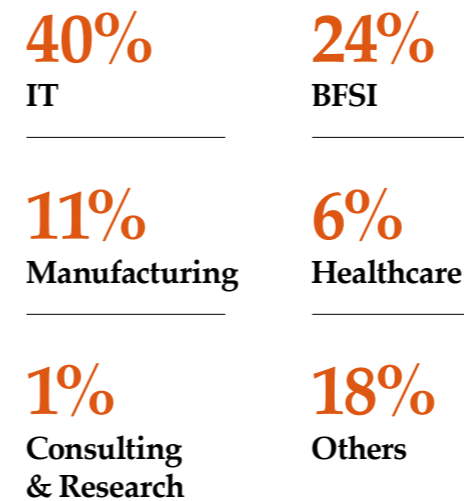
companies. Most of the stock catering to the anticipated demand, had come into the market before the pandemic struck construction related activities with full force. Completion certificate receipt has however spilled from Q1-2020 to the end of Q2-2020 in quite a few buildings. At the end of H1-2020, the total stock in the city stood at around 75 mn. sq. ft.

Vacancy, Rentals and Segmental Demand:

As supply outpaced the demand across major micromarkets in Q2-2020, vacancy levels have increased to around 10.5% in Chennai city. Certain micromarkets have witnessed a slight drop in average rentals which can be attributed to a combination of over-supply in these micromarkets and simultaneous sluggish demand in Q2-2020.

As far as sectoral demand is concerned, space take up in Chennai was led by firms related to information technology and allied services. Companies from the financial services domain have followed. The overall quantum of leasing by co-working operators, however, has reduced by 50% in H1-2020 as compared to H1-2019.

H1-2020: Absorption demand split sector wise



Source Savills India Research

IMPACT OF COVID-19 AND OVERALL OUTLOOK

As a pandemic shaped world looks forward to social distancing at workplaces and increased prevalence of work from home option amongst IT employees, community driven and social interaction based shared spaces have arguably faced tougher times as compared to other sectors. The co-working sector has taken a fair amount of hit in Q2-2020 on account of multiple lockdowns in the city. However, the city has started witnessing a slow and steady resurgence of demand by occupiers for flexi spaces. One of the key impacts of COVID-19 pandemic, has been the request for rental realignment from occupiers. This has become a focal point of discussion between landlords, co-working operators and end tenants.



The state government has created a task force which is pro-actively reaching out to Indian and foreign investors. MoUs for industrial investments of approximately INR 250 billion were recently signed, which in turn is expected to generate over 50,000 jobs in the medium term as and when the economy bounces back from the pandemic driven fallout.

The state government in its budget had allocated INR 1 billion for the Chennai peripheral ring road project. Phase II of the city metro has also received significant fund allocation. The infrastructure boost could be key to increased space take up by offices in the longer term, when things bounce back to normalcy.

Key Office Transactions, H1-2020

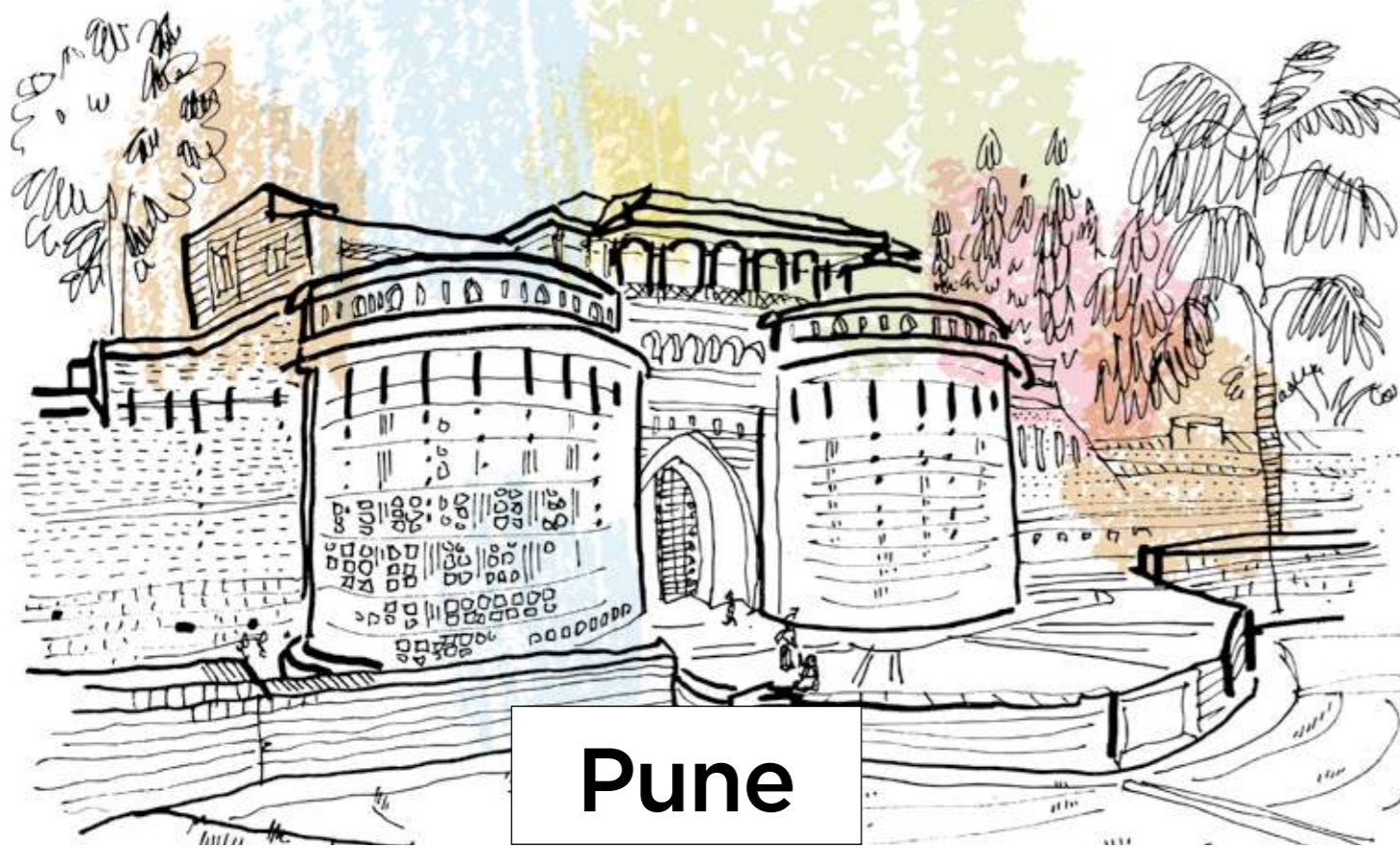
Building	Tenant	Micro-market	Sq ft*
DLF Cybercity	Cognizant	SBD -MPR	400,000
Embassy Splendid Tech Zone	BNY Mellon	PBD- PTR	300,000
Chennai One	Fiat Chrysler Automobiles	PBD -PTR	100,000
Baashyaam Willow Square	WorxEZ Coworking	SBD- Guindy	60,000
Gateway Office Parks	Hinduja Tech Limited	PBD - GST	40,000

Source Savills India Research

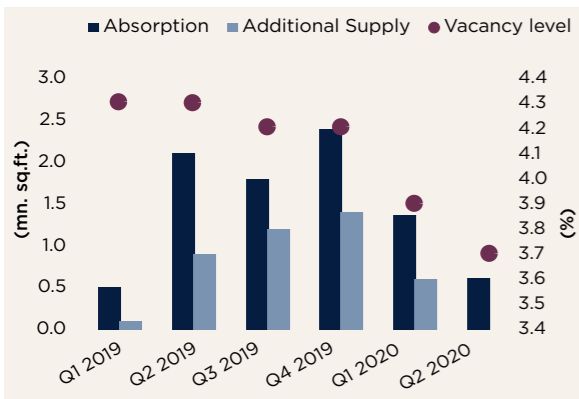
CHENNAI MICROMARKETS:

CBD - Anna Salai, Nungambakkam, R K Salai, Egmore, T Nagar and Gream Road
 SBD - Guindy & MPR - Guindy Estate, Little Mount, Ekathangal, Mount Poonamalle Road and Manapakkam
 SBD - Pre Toll OMR - Tharamani, Perungudi and MGR Salai
 SBD Others - Velachery, Arcot Road, Arumbakkam and Anna Nagar
 PBD - Post Toll OMR - Thoraipakkam, Shollinganallur, Navalur and Siruseri
 PTR - PBD - Pallavaram Link Road
 GST Road - PBD - Perungalathur and Maraimalai Nagar

*Approximate and indicative area only

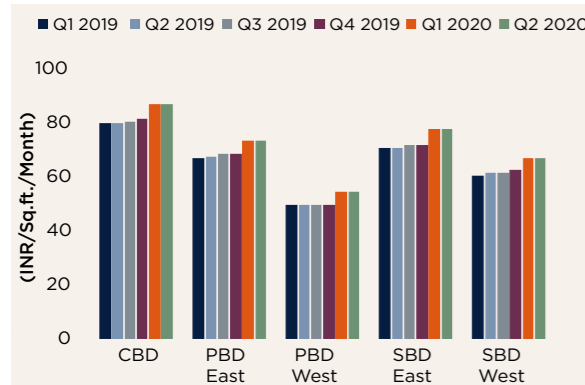


Pune Absorption, Additional Stock and Vacancy, Q1/2019 to Q2/2020



Source Savills India Research

Rental Trends - Micro market Wise, Q1/2019 to Q2/2020



Source Savills India Research

PUNE COMMERCIAL OVERVIEW

Demand:

After witnessing strong leasing activity for the past few years, commercial space demand was adversely impacted in H1 2020 and stood at 2 mn sq. ft., a decline of 24% YoY. SBD - East accounted for 68% of the leasing activity and followed by SBD - West with 24% share respectively. Not surprisingly, grade A building leasing activity was negligible as most occupiers looked to reduce operational overheads. The prominent location for office occupiers includes Kharadi in SBD - East and Baner in SBD - West.

Supply:

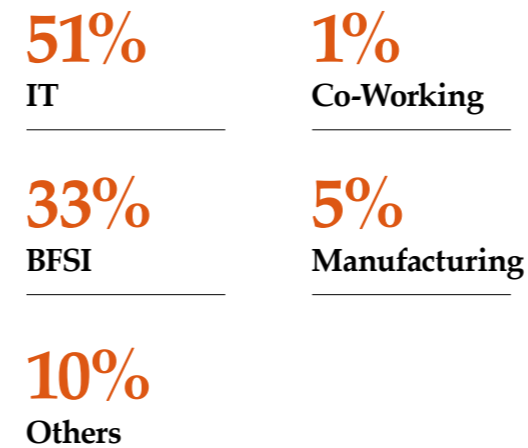
Due to lockdown and consequential labour issues arising out of migration to rural areas, additional supply of office space declined by 40% in H1 2020 as compared to H1 2019. Only 0.6 mn sq. ft. of incremental stock creation happened in the first 6 months of the year, with the second quarter being a virtual washout. Major supply came from micro markets like SBD - East and PBD - West with around 55% and 45% share respectively. Developers are expected to slowly resume construction activity, once they see a significant revival in demand. At the end of H1 2020, the total

stock in the city stood at around 50 mn sq. ft.

Vacancy, Rentals and Segmental Demand:

As demand outpaced the limited supply across major micro markets in H1 2020, vacancy levels decreased to 3.7% in the city. Although rental growth across the micro markets was around 5% in H1-2020 as compared to last year, rental adjustments are expected to be almost certain in the near to medium term, as tenants and landlords evaluate the business scenario and arrive at mutually agreeable lease terms. As far as sectoral demand is concerned, technology sector continues to occupy the top position with a 51% share, followed by Financial Services with 33% share. Demand from co-working operators declined drastically in H1 2020; the sector contributed 1% towards the city's leasing activity.

H1-2020: Absorption demand split sector wise



Source Savills India Research

IMPACT OF COVID-19 AND OVERALL OUTLOOK

Covid-19 pandemic has created an adverse impact on office demand and supply dynamics with the lockdown and construction sector facing challenges in the form of labour and raw material shortage.

Both demand and supply in the next few quarters will have to be watched closely, as many occupiers are likely to postpone discretionary expansion plans and developers remain wary of the uncertain demand prospects. Rentals across the city might witness a marginal reduction, if demand for office leasing remains muted over the next few quarters. Similarly, developers are likely to remain cautious with respect to new launches.



Key Office Transactions, H1-2020

Building	Tenant	Micro-market	Sq ft*
Gera Commerzone G1	Barclays Global Service Centre	SBD East	417,927
Panchshil Business Park Phase 2 - Tower 2	Qualys	SBD West	280,000
Gera Commerzone G2	Barclays Global Service Centre	SBD East	226,600
Gera Commerzone R4	British Petroleum	SBD East	210,000
Gera Commerzone R4	MindCrest	SBD East	112,000

Source Savills India Research

PUNE MICROMARKETS:

CBD - Laxmi Road Camp, Bund Garden, Boat Club, Koregaon Park, Dhoel Patil Road, Pune station, Shivaji Nagar, FC Road, JM Road, Wakdedwadi, SB Road, Model Colony and Ganeshkhind Road
 SBD West - Aundh, Baner, Pashan, Kothrud, Karve Nagar, Khadki and Paud Road
 PBD East - Phursungi, Wagholi, Charoli, Solapur Road and Saswad Road
 PBD West - Hinjewadi, Wakad, Pimpri, Bhosari, Chinchwad, Bavdhan Mulshi, Talewade, Tathewade, Nanded City, Pimple Saudagar and Katraj
 SBD East - Kalyani Nagar, Kharadi, Mundhwa, Yerwade, Nagar Road, Viman Nagar, Hadapsar and Kondhwa

*Approximate and indicative area only



Terms & Acronyms

Recovery Shapes

Harvard Business Review suggested various possible recoveries from the Corona crisis. Three of those are commonly used, namely V, U & L shapes. V-Shaped is a strong recovery after the debacle, U-shaped is a slower and long-drawn recovery, while an L-shaped aftermath is where the previous peak is not recovered.

BFSI

Banking, Financial Services and Insurance

DELHI NCR

National Capital Region. For our report purposes, we include New Delhi, NOIDA & Gurgaon (however, in general parlance it is meant to include several others like Ghaziabad, Dwarka, Faridabad, etc.)

BKC

Bandra Kurla Complex, now the established main business district of Mumbai, supplanting the erstwhile Central Business District of Nariman Point



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Savills is India's premier professional international property consulting firm. Savills began its India operations in early 2016 and has since seen significant growth. With offices in Bengaluru, Mumbai, Delhi NCR, Chennai, Pune and Hyderabad; and also having serviced clients in Kolkata, Chandigarh, Guwahati, Bhubaneswar, Vadodara and Indore, Savills India has a strong pan-India platform to deliver to our clients.

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