

VESTIAN

THE CONNECT

Quarterly Report

Q3 2023

INVESTMENT & CONSULTANCY SERVICES

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Executive Summary

Economy

- The Indian economy continued to perform amidst global headwinds as GDP growth rate gradually increased in the past three quarters. It expanded by 7.8% in the first quarter of FY2024 on the back of robust domestic demand for consumption and investment. Moreover, RBI is bullish about India's future growth as it projected a growth rate of 6.5% for FY2024.
- The Gross Value Added (GVA) increased by 7.8% in Q1 FY2024 from 6.5% in the previous quarter and 11.9% in Q1 FY2023. Gradual upward trend in GVA in the past three quarters showcases the Indian economy's resilience amid global economic uncertainties.
- This increase in GVA can be primarily attributed to the expansion of financial, real estate, and professional services, which expanded by 12.2% in the first quarter of FY2024 compared to 8.5% in Q1 FY2023.
- In July 2023, retail inflation (CPI) surged to 7.44%, reaching the highest level in the past 15 months. However, it receded to 6.83% in August 2023 and 5.02% in September 2023. This decline in CPI is primarily attributed to a reduction in prices for food & beverages and fuel & light.
- Despite CPI exceeding the Reserve Bank of India's upper tolerance limit of 6% in July and August 2023, it kept repo rate unchanged at 6.50% as a measure to control retail inflation.
- In Q2 FY2024, SENSEX reached an all-time high and BSE Realty Index attained its highest point in the last decade. Additionally, Net Employment Outlook (NEO) in India remained largely stable at +37%.
- FDI inflows have been consistently declining since Q2 FY2023. However, this downward trend halted and FDI recovered in Q1 FY2024. It increased to USD 17.6 Bn in Q1 FY2024 from USD 15.5 Bn in the previous quarter, showcasing a potential turnaround.

Office Market

- Top seven cities of India reported absorption of 15.9 Mn sq ft in Q3 2023, the highest quarterly absorption since the onset of pandemic. It gradually increased in the past 3 quarters.
- Absorption registered a quarterly increase of 14% and a yearly rise of 21% on the back of strong demand from IT-ITeS, BFSI, and Manufacturing & Engineering sectors.
- Southern cities (Bengaluru, Hyderabad, and Chennai) accounted for nearly 58% of the total absorption witnessed during the third quarter of 2023. While Hyderabad dominated absorption in Q3 2023, Bengaluru followed closely.
- The share of Hyderabad in absorption increased significantly in the past year, from 8% in Q3 2022 to 23% in Q3 2023. On the other hand, the share of Bengaluru in overall absorption decreased to 23% from 38% in the same period stated above.
- IT-ITeS sector dominated leasing in Q3 2023 with 25% share. The share marginally decreased from 26% a quarter earlier. BFSI sector accounted for 20% of the total absorption in the current quarter, increasing from 16% in Q2 2023. Moreover, Manufacturing & Engineering and Flexible Space sectors accounted for 17% and 16% share, respectively, in Q3 2023.
- Despite global macroeconomic challenges and political tensions, India's office market sentiment remained bullish. Top seven cities of India witnessed new completions of 13.4 Mn sq ft in Q3 2023, the highest in the past five quarters. New completions increased by 19% over the previous quarter and 26% over the previous year.
- Hyderabad witnessed the highest-ever quarterly new completions of 5.5 Mn sq ft, accounting for around 41% of the total supply in Q3 2023. The share has increased significantly from 19% in Q3 2022. On the other hand, the share of Bengaluru in quarterly supply declined to 20% in Q3 2023 from 34% in Q3 2022.
- Despite significant supply addition in Q3 2023, overall vacancy declined by 60 bps over the previous quarter. Vacancy gradually declined over the previous quarters and reached 14.9% in the current quarter.
- Increased demand for quality office space led to an appreciation in rentals. Top seven cities of India witnessed a quarterly rental appreciation in the range of 0.7%-2.3%.



INDIA: ECONOMIC INDICATORS

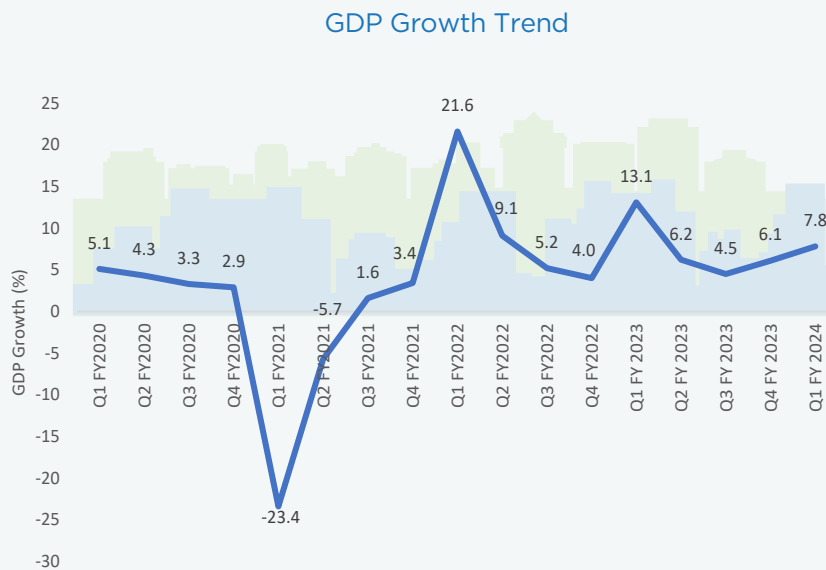
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Despite global macroeconomic challenges, India's GDP growth rate rose to 7.8%

India's GDP expanded by 7.8% in the first quarter of FY2024 on the back of robust domestic demand for consumption and investment. However, the growth rate was lower than RBI's growth forecast of 8%. While Q1 FY2024 exhibits growth, it's still lower than the 13.1% recorded in the same quarter of the previous year.

International Monetary Fund (IMF) reduced global economic growth forecast from 3.5% in 2022 to 3.0% for both 2023 and 2024. On the other hand, India's GDP is projected to grow at 6.6% in 2023 and 5.8% in 2024, almost double compared to the world economy. The anticipated decline in the world economy can be attributed to overall economic downturn along with factors such as geopolitical tensions, geoeconomic fragmentation, and volatility in financial markets.

While major developed economies of the world are facing severe economic challenges, India's GDP growth rate has increased compared to the previous quarter. These macroeconomic challenges may also impact India's future growth. However, RBI is bullish about India's future growth as it maintained its earlier projection of 6.5% for FY2024.

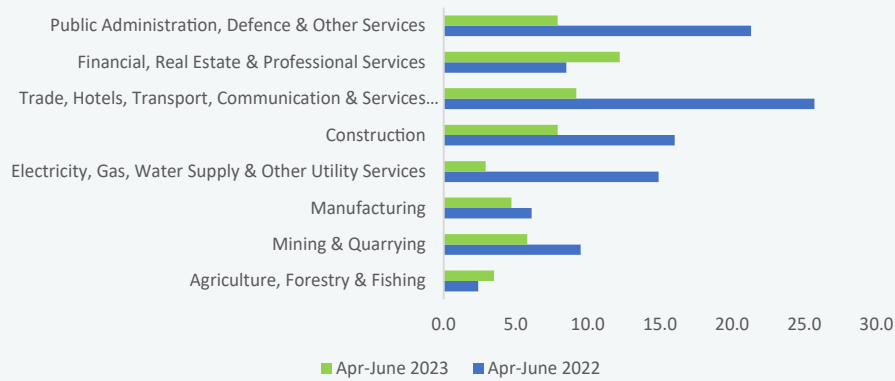


Source: The Ministry of Statistics and Programme Implementation, Compiled by Vestian Research

Gross Value Added (GVA) increased by 7.8% in Q1 FY2024 from 6.5% in the previous quarter and 11.9% in Q1 FY2023. Gradual upward trend in GVA in the past three quarters showcases Indian economy's resilience amid global uncertainties. This increase can be primarily attributed to the expansion of financial, real estate, and professional services, which expanded by 12.2% in the first quarter of FY2024 compared to 8.5% in Q1 FY2023. Following the same trend, growth rate for agriculture, forestry & fishing increased on year to 3.5% in Q1 FY2024 from 2.4% in Q1 FY2023.

Trade, hotels, transport, communication, and services related to broadcasting witnessed second-highest growth rate of 9.2% in Q1 FY2024. However, the growth rate declined for these sectors significantly from 25.7% in Q1 FY2023. Public administration, defence and other services witnessed a growth rate of 7.9% in Q1 FY2024 over 21.3% a year earlier. Construction sector also witnessed a decline in growth rate from 16% in Q1 FY2023 to 7.9% in Q1 FY2024.

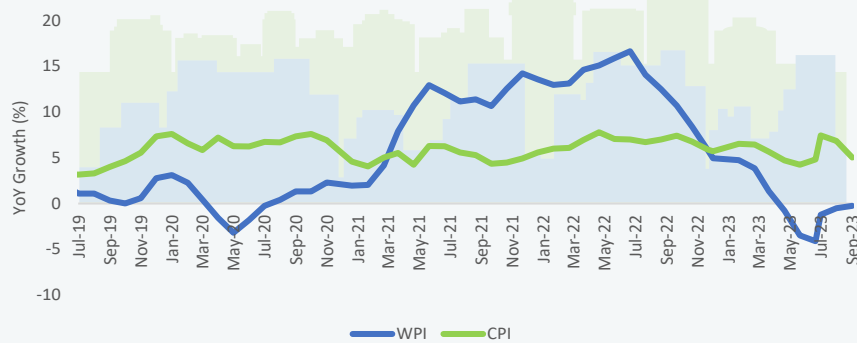
GDP Growth Contributors (%)



Source: The Ministry of Statistics and Programme Implementation, Compiled by Vestian Research

In July 2023, India's retail inflation (CPI) surged to 7.44%, reaching the highest level in the past 15 months. Significant rise in prices of vegetables, clothing & footwear, housing, and fuel & light contributed the most to the sudden increase in CPI. However, it receded to 6.83% in August 2023, though still exceeding the Reserve Bank of India's upper tolerance limit of 6%. It further reduced to 5.02% in September 2023, falling back within the RBI's upper tolerance limit. This decline in CPI is primarily attributed to a reduction in prices of food & beverages and fuel & light.

Inflation - WPI & CPI



Source: Reserve Bank of India, Compiled by Vestian Research

Wholesale Price Index (WPI) showed an increase in September 2023, albeit still in the negative zone at -0.26%. Notably, WPI has been on an upward trajectory since the beginning of the current quarter. This increase in WPI is primarily attributed to the elevated prices of crude petroleum & natural gas, non-food articles, mineral oils, and electricity.

Index of Industrial Production (IIP) exhibited a robust growth of 10.3% in August 2023 compared to the same period in the previous year, the highest growth in the past 14 months. This substantial increase was primarily attributed to the robust performance of fabricated metal products (except machinery and equipment), pharmaceuticals, medicinal chemicals, and botanical products sector. As per data released by the National Statistical Office (NSO), electricity and mining segments saw significant growth rates of 15.3% and 12.3%, respectively, in August compared to the same period in the previous year. Moreover, manufacturing sector registered an annual growth of 9.3% in the same period stated above.

RBI maintained status quo due to controlled inflation outlook

Despite a rise in headline inflation, the RBI kept repo rate unchanged at 6.50% since February 2023 as a measure to control retail inflation. Reverse repo rate, which represents the rate at which RBI borrows money from commercial banks, also remained unchanged at 3.35%. RBI projected CPI inflation to be at 6.4% for Q2 FY2024. Given the controlled inflation outlook, RBI is expected to maintain the current repo rate for a prolonged period. Additionally, Cash Reserve Ratio (CRR), which denotes the deposits that banks maintain with the RBI, remains unchanged at 4.50%. Prime lending rate from SBI has also remained stable during the current quarter.

Key Policy Rates

Key Rates	Jul-23	Aug-23	Sept-23
PLR*	14.85%	14.85%	14.85%
Repo Rate	6.50%	6.50%	6.50%
Reverse Repo Rate	3.35%	3.35%	3.35%
CRR	4.50%	4.50%	4.50%

Source: Reserve Bank of India, *State Bank of India

Sensex reached all-time high during the current quarter amid global headwinds

The Indian market stood out as one of the most robust stock markets globally, demonstrating strength and delivering favorable returns to investors. In Q2 FY2024, SENSEX reached an all-time high at 67,839 and continued to exhibit positive sentiments despite prevailing global macroeconomic uncertainties. It was 5% higher compared to the high of the previous quarter. On the other hand, the lowest SENSEX touched was 64,831 in Q2 FY2024. It was 10% higher compared to the lowest point in the previous quarter.

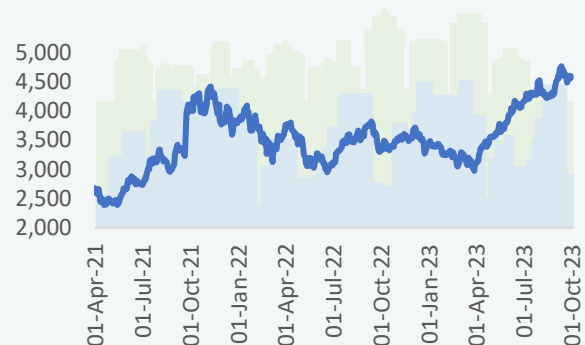
During Q2 FY2024, the BSE Realty Index reached 4,774, marking its highest point in the last decade. It was 14% higher than the peak of the previous quarter. Notably, the BSE realty index maintained its position throughout the second quarter of fiscal year 2024 and did not drop below the 4,000 mark at any point.

Performance of BSE Sensex



Source: www.bseindia.com

Performance of BSE Realty Index

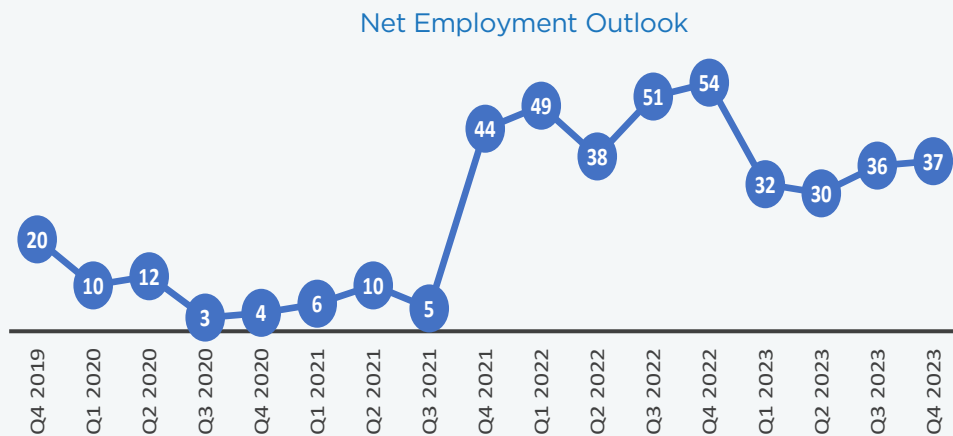


Source: www.bseindia.com

Net employment outlook remained stable at +37% in Q4 2023

As indicated in the Manpower Employment Outlook Survey for Q4 2023, employment landscape in India is exhibiting signs of improvement and optimism among employers. India captured 4th spot globally in terms of hiring expectations during Q4 2023. The survey reveals that the Net Employment Outlook (NEO) in India remained largely stable at +37%, demonstrating a slight improvement of 1% in comparison to the previous quarter. However, it decreased by 17% compared to the corresponding period from the previous year.

Notably, employers across all sectors are reporting favorable hiring intentions, with IT Industry leading the way with the most robust outlook at +44%. This is closely followed by Transport, Logistics, and Automotive sector at +43%, as well as Healthcare and Life Sciences industry with an NEO of +42%. Financials and real estate sector reported an NEO of +37% in Q4 2023. However, nearly 80% of employers reported difficulty in finding the talent they need in 2023. Geographically, the northern region of India emerged as a key player in job demand with an outlook of +40%, while the western region followed closely with an NEO of +38%.

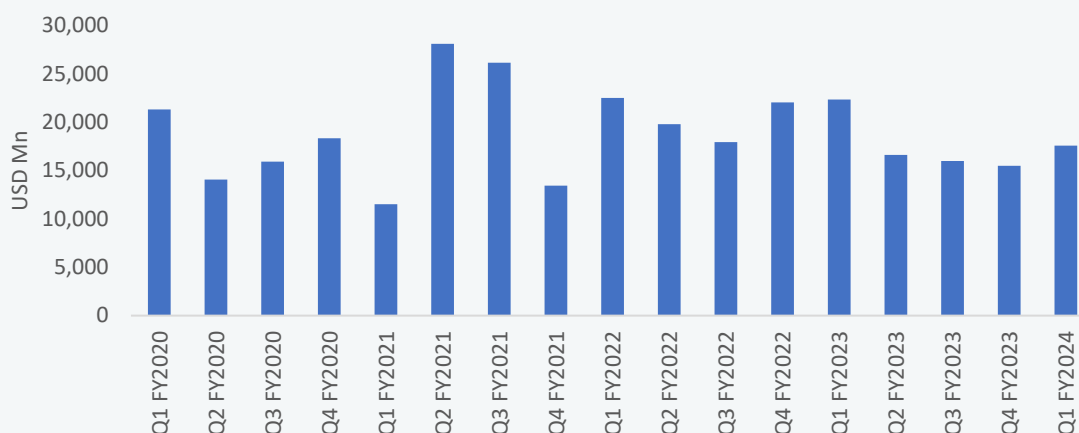


Source: Manpower India Q4 2023, Compiled by Vestian Research

FDI inflows recovered in Q1 FY2024 after declining for past 3 quarters

FDI inflows have been consistently declining since Q2 FY2023. However, this downward trend halted and FDI recovered in Q1 FY2024. It increased to USD 17.6 Bn in Q1 FY2024 from USD 15.5 Bn in the previous quarter. It showcases a potential turnaround and strengthens investor confidence in the Indian market. According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflows witnessed a quarterly growth of 13% but a yearly decrease of 21%. FDI equity inflows also rose by 18% on quarter, reaching USD 10.9 Bn in Q1 FY2024. However, it declined by 34% compared to the same quarter last year. Singapore contributed a substantial 27% to the total FDI equity inflows in Q1 FY2024, amounting to around USD 3 Bn. In terms of sectors, services sector attracted the highest FDI equity inflows of USD 2.5 Bn in the first quarter of FY2024, accounting for 23% of total inflows. Computer software and hardware sector followed closely, with investment inflows totaling USD 0.9 Bn.

Foreign Direct Investment Inflow



Source: Department for Promotion of Industry and Internal Trade, Compiled by Vestian Research

Residential sector prevailed as the top choice despite quarterly shift in institutional investments

During the third quarter of 2023, the Indian real estate sector attracted institutional investments totaling USD 0.7 Bn. This figure marked a substantial decline of 57% on quarter, primarily on account of significant reduction in foreign investments due to prevailing global macroeconomic challenges. Interestingly, institutional investments have shown the same trend in the past as well by slowing down in the third quarter of 2022 and 2021. However, institutional investments registered a yearly increase of 84% during the same period stated above.

Residential sector emerged as the top choice for investors in India, although its share of total investments dipped slightly to 44% in Q3 2023 from 47% in Q3 2022. On the other hand, share of commercial assets (office, retail, co-working, and hospitality projects) decreased significantly to 24% in Q3 2023 compared to 40% a year earlier. This indicates a change in investor preferences.

Domestic investors led investments in Q3 2023 with 71% share, registering a significant increase from 32% in Q3 2022. In terms of value, domestic investors invested nearly USD 485 Mn in the current quarter, which is four times more when compared to Q3 2022. This surge in investment is attributed to robust economic growth and rapid infrastructure development which boosted confidence of local investors.

Key Institutional Investments in Real Estate Sector: Q3 2023

Investor	Developer/Partner	Sector	Location	Approx. amount (in USD Mn)
HDFC Capital Advisors	The House of Abhinandan Lodha	Residential	Multi-city	182
Kotak Data Centre Fund	Sify Infnit Spaces	Commercial	Multi-city	81
Welspun One	NA	Industrial & Warehousing	Mumbai	72
CapitalLand India Growth Fund 2 (CIGF2)	ITPC-Radial Road	Commercial	Chennai	71

Source: Compiled by Vestian Research

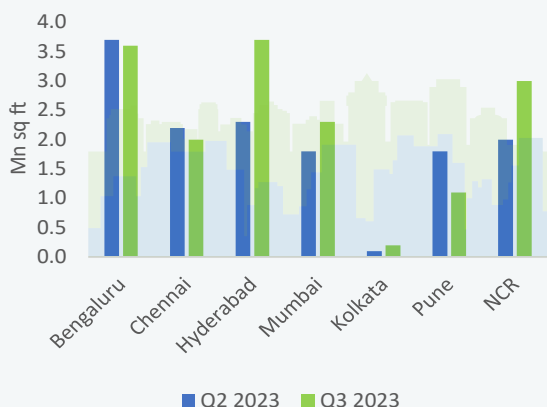


INDIA: OFFICE MARKET OVERVIEW

02

Real estate activities increased across the country, absorption peaked post-pandemic

Absorption Q3 2023 Vs Q2 2023



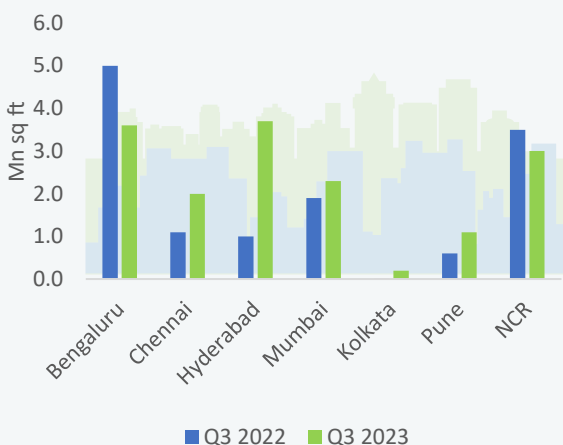
Source: Vestian Research

New Completions Q3 2023 Vs Q2 2023



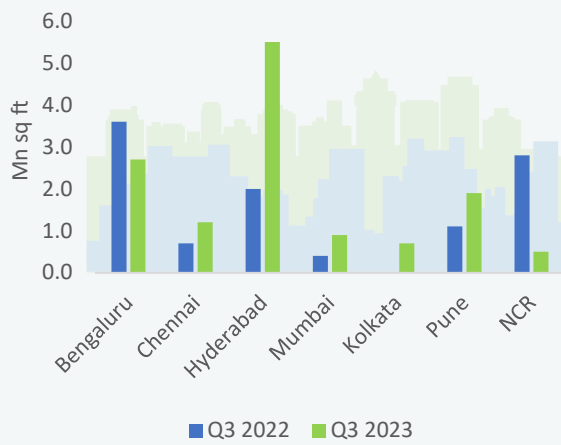
Source: Vestian Research

Absorption Q3 2023 Vs Q3 2022



Source: Vestian Research

New Completions Q3 2023 Vs Q3 2022



Source: Vestian Research

Office Market Summary: Q3 2023

Cities	Absorption (Mn sq ft)	YoY Change (%)	QoQ Change (%)	New Completions (Mn sq ft)	YoY Change (%)	QoQ Change (%)
Bengaluru	3.6	-28%	-3%	2.7	-25%	-23%
Chennai	2.0	82%	-9%	1.2	71%	-43%
Hyderabad	3.7	270%	61%	5.5	175%	34%
Mumbai	2.3	21%	28%	0.9	125%	200%
Kolkata	0.2	NA	100%	0.7	NA	NA
Pune	1.1	83%	-39%	1.9	73%	138%
NCR	3.0	-14%	50%	0.5	-82%	0%
Grand Total	15.9	21%	14%	11.3	26%	19%

Source: Vestian Research

- Top seven cities of India reported absorption of 15.9 Mn sq ft in Q3 2023, the highest quarterly absorption since the onset of pandemic. It gradually increased in the past 3 quarters.
- Absorption registered a quarterly increase of 14% and a yearly rise of 21% on the back of strong demand from IT-ITeS, BFSI, and Manufacturing & Engineering sectors.
- Southern cities (Bengaluru, Hyderabad, and Chennai) accounted for nearly 58% of the total absorption witnessed during the third quarter of 2023. While Hyderabad dominated absorption in Q3 2023, Bengaluru followed closely.
- Share of Hyderabad in absorption increased significantly in the past year, from 8% in Q3 2022 to 23% in Q3 2023. On the other hand, share of Bengaluru in overall absorption decreased to 23% from 38% in the same period stated above.
- IT-ITeS sector dominated leasing in Q3 2023 with 25% share. The share marginally decreased from 26% a quarter earlier. BFSI sector accounted for 20% of the total absorption in the current quarter, increasing from 16% in Q2 2023. Moreover, Manufacturing & Engineering and Flexible Space sectors accounted for 17% and 16% share, respectively, in Q3 2023.
- Despite global macroeconomic challenges and political tensions, India's office market sentiments remained bullish. Top seven cities of India witnessed new completions of 13.4 Mn sq ft in Q3 2023, the highest in the past five quarters. New completions increased by 19% over the previous quarter and 26% over the previous year.
- Hyderabad witnessed the highest-ever quarterly new completions of 5.5 Mn sq ft, accounting for around 41% of the total supply in Q3 2023. The share has increased significantly from 19% in Q3 2022. On the other hand, share of Bengaluru in quarterly supply declined to 20% in Q3 2023 from 34% in Q3 2022.
- Moreover, construction activities slowed down in Bengaluru and Chennai as new completions declined by 23% and 43%, respectively, in Q3 2023 compared to the previous quarter. While Pune accounted for 14% of quarterly supply, Mumbai captured only 7% share. However, supply tripled over the previous quarter in Mumbai owing to the low base effect.
- Interestingly, Kolkata reported a supply of 0.7 Mn sq ft in Q3 2023, the highest since Q2 2019.

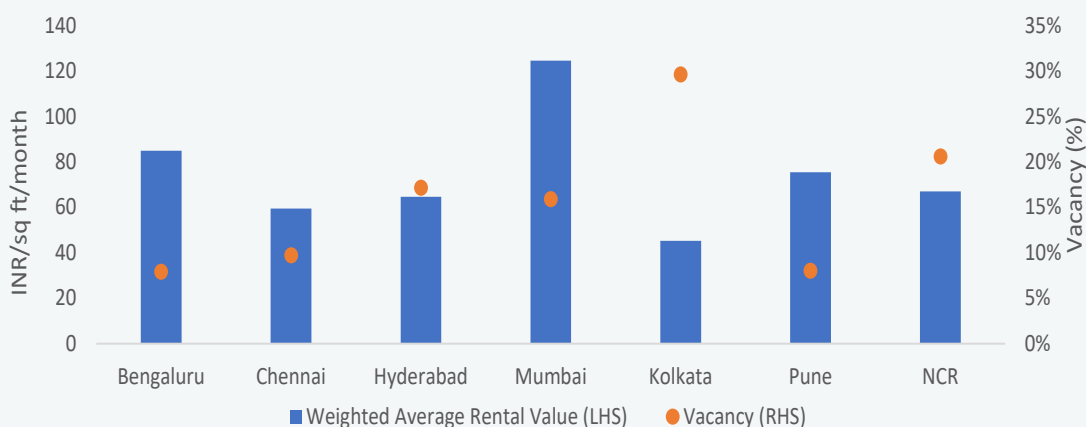


Despite several macroeconomic challenges and global geopolitical conflicts, Indian office sector continued to perform. The highest-ever absorption post-pandemic, five-quarter high new completions, and a healthy vacancy hint at robust demand-supply dynamics. Southern cities (Bengaluru, Chennai, and Hyderabad) reported heightened real estate activities in Q3 2023, accounting for 70% of total new completions and 58% of pan-India absorption. Demand for office spaces is expected to inflate in upcoming quarters as employees start working from offices.”

Weighted average rental values and vacancy in Q3 2023

- Despite significant supply addition in Q3 2023, overall vacancy declined by 60 bps over the previous quarter.
- Vacancy gradually declined over the previous quarters and reached 14.9% in the current quarter. However, it increased in Hyderabad, Kolkata, and Pune due to a higher number of new completions compared to absorption.
- Increased demand for quality office space led to an appreciation in rentals. Top seven cities of India witnessed a quarterly rental appreciation in the range of 0.7%-2.3%. Bengaluru registered the highest quarterly increase of 2.3% in rentals whereas key micro-markets of Kolkata reported the lowest increase of 0.7% in Q3 2023.
- Mumbai, which commands the highest average office rent of INR 124.5/sq ft/month, witnessed a quarterly increase of 2% in rentals.

Weighted Average Rental Values and Vacancy in Q3 2023



Source: Vestian Research

Weighted Average Rental Values: Q3 2023

Cities	Weighted Avg Rental Value	QoQ Change (%)
Bengaluru	84.9	2.3%
Chennai	59.5	1.5%
Hyderabad	64.7	1.1%
Mumbai	124.5	2.0%
Kolkata	45.3	0.7%
Pune	75.5	1.3%
NCR	67.0	1.5%

Source: Vestian Research

(INR/sqft/month)



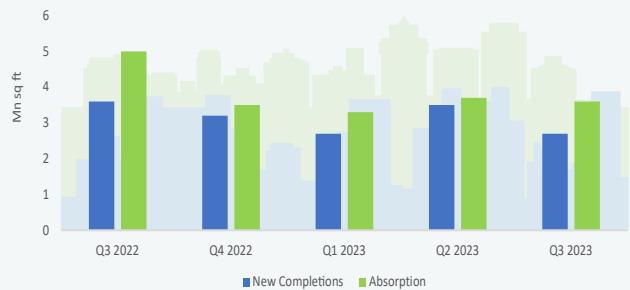
03

BENGALURU

Sustained leasing activities and controlled supply led to a healthy vacancy

- Bengaluru recorded an absorption of 3.6 Mn sq ft during Q3 2023, the 2nd highest after Hyderabad. However, it declined by 3% over the previous quarter and 28% over the same period in the previous year.
- The city accounted for 23% of pan-India absorption, however, the share has declined significantly from 38% in Q3 2022. Global slowdown in IT-ITeS sector impacted demand for office spaces in the city.
- Despite an overall slowdown in IT-ITeS sector, it continued to dominate absorption with 34% share in Q3 2023. While BFSI sector accounted for 21% share, Engineering and Manufacturing sector closely followed with 20% share.
- Micro-markets on ORR (Outer Ring Road) dominated absorption with 2.4 Mn sq ft, accounting for 66% of the total office space absorbed in Q3 2023.
- New completions decreased to 2.7 Mn sq ft during Q3 2023, registering a decline of 23% over Q2 2023 and 25% over Q3 2022. Despite a steep decline, Bengaluru accounted for 20% of the total new completions. However, the share of new completions declined from 34% in Q3 2022.
- The city holds the lowest vacancy of 7.9% amongst the top seven cities. It declined by 54 bps in Q3 2023 over the previous quarter. This consistent decline over the past three quarters indicates a developer-driven market.
- Due to sustained leasing activities and controlled supply, average rentals appreciated by 2.3% over the previous quarter. Currently, it stands at INR 84.9/sq ft/month.

Absorption and New Completions Trend



Source: Vestian Research

Bengaluru Office Rental Values: Q3 2023

Micro-market	Weighted Average Rental Value (INR/sq ft/month)
Central Business District	140
Suburban Business District	124
Outer Ring Road	107
PBD - East & South	65
PBD - Bengaluru North	77

Source: Vestian Research

Note: Office rentals mentioned are for Grade A spaces



Bengaluru is known as the ‘Silicon Valley of India’. IT companies contribute significantly to demand for office spaces across the city. Despite global slowdown in IT-ITeS sector, Bengaluru was able to secure 2nd spot in terms of absorption and new completions. While the city reported weak real estate activities compared to the previous quarter, upcoming quarters are expected to witness increased demand for office spaces as large IT companies are calling their employees back to the office.”



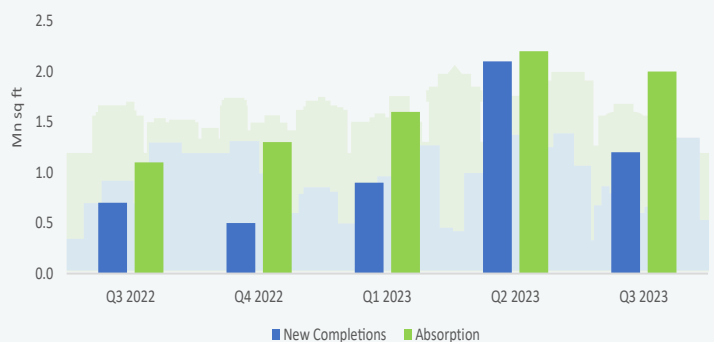
04

CHENNAI

Limited availability of grade-A office stock and controlled supply led to a decline in vacancy

- Chennai registered a quarterly decline of 9% in absorption during Q3 2023, ending the upward trend observed since Q4 2022. However, the city reported a yearly rise of 82% in absorption during the current quarter, reaching 2 Mn sq ft.
- The city accounted for 13% of pan-India absorption in Q3 2023, increasing from 8% in Q3 2022. However, the share has declined from 16% a quarter earlier.
- IT-ITeS sector continued to dominate absorption with 36% share in Q3 2023, which increased from 27% a quarter earlier. Engineering and manufacturing sector’s share in absorption remained largely stable at 24% compared to the previous quarter.
- While micro-markets of SBD-West led absorption with 38% share, PBD-OMR accounted for around 37% of the total absorption. Major IT-ITeS companies are concentrated in localities such as Guindy, Mt. Poonamallee Road, Tharamani, Thuraipakkam, Sholinganallur, Pallavaram, and Navalur.
- The city reported new completions of 1.2 Mn sq ft in Q3 2023, registering a sharp decline of 43% on a Q-o-Q basis. Despite the significant quarterly decline, new completions increased significantly by 71% on a yearly basis.
- Moreover, the city accounted for 9% of pan-India supply in the current quarter which declined significantly from 19% a quarter earlier.
- Despite reduction in absorption, vacancy declined from 10.8% in Q2 2023 to 9.7% in Q3 2023. It may further decline on the back of controlled supply and robust demand.
- Weighted average rentals registered 1.5% increase over the previous quarter, reaching INR 59.5/sq ft/month. This rise in rentals can be attributed to growing demand for office spaces and limited availability of grade-A buildings.

Absorption and New Completions Trend



Source: Vestian Research

Chennai Office Rental Values: Q3 2023

Micro-market	Weighted Average Rental Value (INR/sq ft/month)
CBD	80
SBD South	83
SBD West	76
SBD North West	40
PBD OMR (Post-toll)	52
PBD GST Road	53

Source: Vestian Research

Note: Office rentals mentioned are for Grade A spaces



Real estate activities slowed down during the current quarter, however, robust demand compared to limited new completions kept the market buoyant. Global macroeconomic uncertainties nudged occupiers to adopt a watchful and cautious approach, leading to an overall slowdown. However, the silver lining is that absorption increased by 53% in 9M 2023 compared to the same period in 2022.”



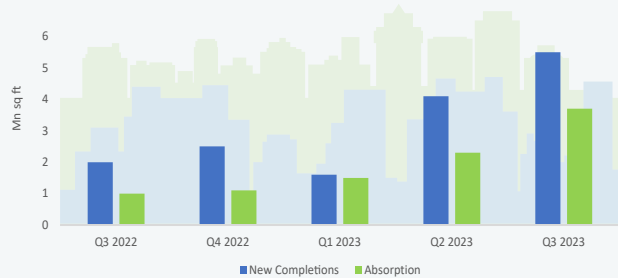
05

HYDERABAD

New completions peaked, opened new avenues of growth

- Hyderabad’s office market is on an upswing, driven by robust demand, affordable rentals, and well-established infrastructure. The city reported an absorption of 3.7 Mn sq ft in Q3 2023, the highest amongst top seven cities of India. It witnessed a quarterly increase of 61% and a yearly rise of 270%.
- Absorption has been on a continuous rise since Q4 2022, reaching 23% of pan-India absorption. The share has increased significantly from 8% in Q3 2022.
- IT-ITeS sector continued to dominate leasing activities with 31% share in Q3 2023. However, the share has declined from 40% a quarter earlier.
- While BFSI sector accounted for 21% share of the city’s absorption, flexible spaces held 13% share in Q3 2023.
- Most of the leasing activities were concentrated in the micro-markets of PBD-West due to concentration of quality office spaces in the vicinity. Upcoming metro corridors are expected to ease city commutes and unlock future pockets for office space development.
- The city witnessed the highest-ever new completions of 5.5 Mn sq ft in Q3 2023, accounting for 41% of pan-India supply. The share has increased from 19% in Q3 2022.
- New completions registered a quarterly increase of 34% and a yearly rise of 175% as large grade-A buildings were completed during the current quarter.
- Vacancy has been on the rise for the past two quarters, primarily due to significant supply and comparatively low absorption. Currently, vacancy stands at 17.2%, rising from 16.4% a quarter earlier.
- Despite an increase in vacancy levels, weighted average rentals increased by 1.1% on a quarterly basis. The rise was due to availability of quality office spaces at higher rents compared to average market rent. Currently, it stands at INR 64.7/sq ft/month.

Absorption and New Completions Trend



Source: Vestian Research

Hyderabad Office Rental Values: Q3 2023

Micro-market	Weighted Average Rental Value (INR/sq ft/month)
CBD	50
SBD	62
PBD (West)	77
PBD	37

Source: Vestian Research

Note: Office rentals mentioned are for Grade A spaces



Hyderabad outshined the top metro cities of India, leading in both absorption and new completions. The rise in real estate activities can be attributed to favorable government policies, affordable rentals compared to other metro cities, and well-established infrastructure. With a consistent increase in absorption and new completions, future of Hyderabad’s office market appears promising.”



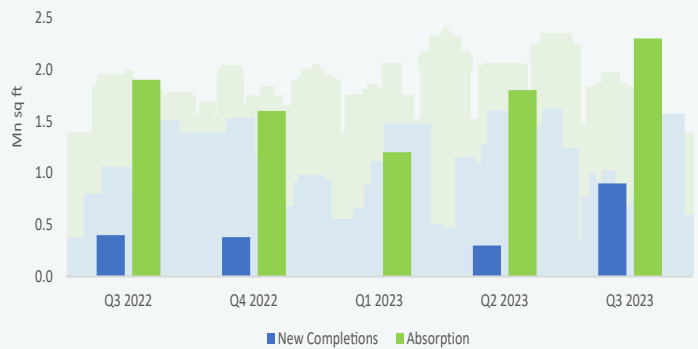
06

MUMBAI

Controlled supply post-pandemic may push office rentals northward

- Absorption increased for the past two consecutive quarters. The city recorded 2.3 Mn sq ft of absorption in Q3 2023, registering an increase of 28% over the previous quarter and 21% compared to the same period in 2022.
- The city contributed 14% to pan-India absorption in Q3 2023, which remained largely stable compared to Q2 2023 and Q3 2022.
- BFSI sector continued to dominate absorption in Q3 2023, accounting for the highest share of 38%. On the other hand, IT-ITeS sector contributed 19% to city’s absorption, declining from 22% a quarter earlier. Share of engineering and manufacturing sector has also declined from 16% in Q2 2023 to 12% in Q3 2023.
- The eastern suburbs of Mumbai dominated absorption with 38% share, closely followed by western suburbs at 29%. Powai and Andheri East micro-markets accounted for around 36% of the city’s absorption in the current quarter.
- New completions reached a five-quarter high at 0.9 Mn sq ft during Q3 2023 to meet growing demand for grade-A office spaces. However, it accounted for only 7% of pan-India supply.
- New completions tripled in Q3 2023 compared to the previous quarter and more than doubled over the same period in 2022.
- Vacancy dropped significantly by 140 bps to 15.9% in Q3 2023, primarily driven by sustained leasing activities and controlled new completions. Developers’ cautious approach towards supply amid probable demand slowdown due to global headwinds is a healthy move for the overall office market.
- A decline in vacancy and robust absorption during the current quarter led to a quarterly increase of 2% in weighted average rentals, reaching INR 124.5/sq ft/month.

Absorption and New Completions Trend



Source: Vestian Research

Mumbai Office Rental Values: Q3 2023

Micro-market	Weighted Average Rental Value (INR/sq ft/month)
CBD	218
Off-CBD	170
BKC	260
Western Suburbs	133
Eastern Suburbs	112
Navi Mumbai	84

Source: Vestian Research

Note: Office rentals mentioned are for Grade A spaces



Controlled supply post-pandemic reduced vacancy levels significantly in grade-A office stock across the city which can lead to exorbitant office rentals in future. This rise in rentals may push occupiers to explore city peripheries for their office expansion plans, leading to distribution of growth to outskirts.”



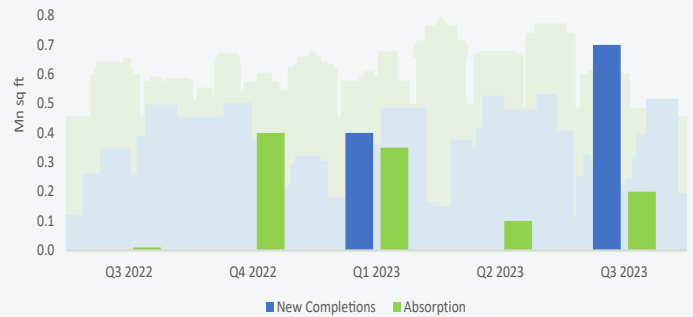
07

KOLKATA

Reported the highest new completions since Q2 2019, absorption may surge in future

- Kolkata recorded an absorption of 0.2 Mn sq ft in Q3 2023, double compared to the previous quarter. However, it accounted for only 1% of pan-India absorption.
- While IT-ITeS sector accounted for 55% of the city’s absorption in Q3 2023, flex spaces contributed 13%. Majority of the transactions were concentrated in the PBD area, which includes Salt Lake Sector - V and New Town.
- Kolkata witnessed 0.7 Mn sq ft of new completions in Q3 2023, the highest since Q2 2019. However, it accounted for a mere 5% of pan-India supply.
- Vacancy increased to 29.6% in Q3 2023 from 28.5% in Q2 2023 as new completions surpassed absorption during the current quarter. The city has the highest vacancy rate amongst the top seven cities.
- Despite an increase in new completions, weighted average rentals appreciated marginally by 0.7% in Q3 2023 compared to the previous quarter. Currently, it stands at INR 45.3/sq ft/month.

Absorption and New Completions Trend



Source: Vestian Research

Kolkata Office Rental Values: Q3 2023

Micro-market	Weighted Average Rental Value (INR/sq ft/month)
CBD	102
SBD	65
PBD	39

Source: Vestian Research

Note: Office rentals mentioned are for Grade A spaces



Kolkata’s office market remained stagnant for the past couple of years. However, there is optimism on the horizon as planned supply is anticipated to revive demand in coming quarters, potentially stabilizing the market.”



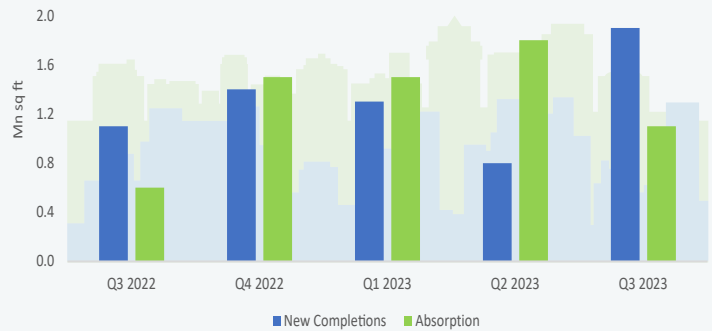
08

PUNE

Diversified economic base kept office market afloat amid global slowdown in IT-ITeS sector

- Absorption was on a continuous rise since Q4 2022 but registered a sudden quarterly drop of 39% in Q3 2023. However, absorption increased by 83% compared to the same period in 2022, reaching 1.1 Mn sq ft in the current quarter.
- The city accounted for 7% of pan-India absorption in the current quarter, reducing from 13% a quarter earlier.
- Flexible space sector continued to lead absorption with 26% share in Q3 2023, however, the share reduced from 33% a quarter earlier. Engineering and manufacturing sector accounted for 22% of the city's absorption, closely followed by IT-ITeS sector at 20% share.
- SBD-East micro-market which comprises Viman Nagar, Kharadi, Koregaon Park, Yerwada and Hadapsar dominated the city absorption with 54% share in Q3 2023, the highest amongst all the micro-markets. Micro-markets of PBD-West followed with 29% share during the same period stated above.
- After witnessing a significant drop in Q2 2023, the city reported new completions of 1.9 Mn sq ft in the current quarter. Additionally, new completions in Q3 2023 were at a six-quarter high.
- In Q3 2023, new completions increased by 138% compared to Q2 2023 and 73% over Q3 2022. Moreover, it accounted for 14% of pan-India supply in Q3 2023, increasing from 7% a quarter earlier.
- Vacancy increased by 100 bps during Q3 2023 as new completions surpassed absorption. However, it remained in single digit at 8%.
- Robust leasing activities complement rentals in the city. Weighted average rentals are at INR 75.5/sq ft/month during Q3 2023, up by 1.3% from Q2 2023.

Absorption and New Completions Trend



Source: Vestian Research

Pune Office Rental Values: Q3 2023

Micro-market	Weighted Average Rental Value (INR/sq ft/month)
CBD	125
SBD East	93
SBD West	90
PBD East	65
PBD West	56

Source: Vestian Research

Note: Office rentals mentioned are for Grade A spaces



Healthy pipeline of new supply, low vacancies, and sustained leasing activities are likely to keep the market buoyant in the long term. Leasing activities are expected to swell in the forthcoming quarters on the back of increased new completions. Moreover, rentals are expected to remain under pressure amid new supply.”



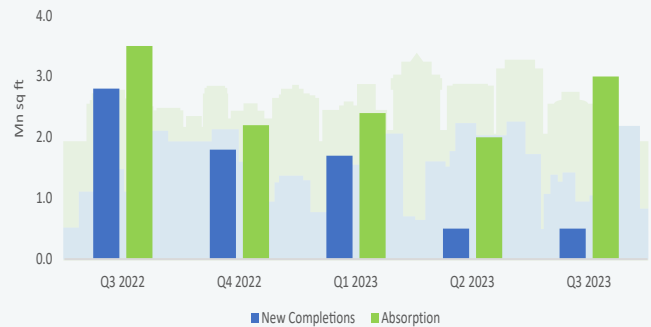
09

NICR

Sustained leasing and controlled supply likely to pave way for future growth

- Absorption reached a four-quarter high at 3 Mn sq ft in Q3 2023, accounting for 19% of pan-India absorption. However, the share has reduced from 27% in Q3 2022.
- Despite quarterly growth of 50% in Q3 2023, absorption registered an annual decline of 14%.
- IT-ITeS sector dominated absorption with 25% share in Q3 2023, up from 23% in the previous quarter. Moreover, share of flexible spaces dropped from 22% in Q2 2023 to 17% in Q3 2023.
- Gurugram-II micro-market reported the highest absorption of 2 Mn sq ft in Q3 2023, accounting for 69% of the total absorption in the NCR region. While Noida accounted for 17% of absorption, Gurugram-I had 14% share.
- New completions remained stable at 0.5 Mn sq ft in Q3 2023, depicting no change over the previous quarter. However, new completions were 82% less compared to Q3 2022.
- Vacancy decreased to 20.6% in Q3 2023 from 22.6% in the previous quarter. Robust leasing and limited supply during Q3 2023 contributed majorly to the reduction in vacancies.
- Weighted average rentals increased from INR 66/sq ft/month in Q2 2023 to INR 67/sq ft/month in Q3 2023, registering a moderate 1.5% Q-o-Q growth.

Absorption and New Completions Trend



Source: Vestian Research

NCR Office Rental Values: Q3 2023

Micro-market	Weighted Average Rental Value (INR/sq ft/month)
CBD Delhi	295
SBD Delhi	150
Gurugram I	121
Gurugram II	108
Gurugram III	28
Noida	63
Faridabad	49

Source: Vestian Research

Note: Office rentals mentioned are for Grade A spaces



Prime office markets of Gurugram and Noida are likely to witness increased traction in the forthcoming quarters on the back of planned supply. Rentals are likely to appreciate further amid limited supply and healthy absorption in the current quarter.”



10

OUTLOOK

Outlook

- Amidst global headwinds, India's office market is expected to grow on the back of robust GDP growth, a healthy pipeline of mega infrastructure projects, favourable government policies, planned grade-A developments, and competitive rental rates. This makes India an undisputable option for global businesses, seeking stability and growth amid global uncertainty.
- Southern cities (Bengaluru, Chennai, and Hyderabad) are expected to dominate office space absorption and supply in 2023. Hyderabad, which witnessed significant traction in recent past, may continue to garner traction on the back of structured physical infrastructure development.
- Flexible office spaces are gaining prominence over traditional options as several occupiers are seeking flexibility in leasing terms and payment plans amid demand uncertainty. Simultaneously, technology is likely to maintain its dominance as occupiers' preference for technologically advanced office spaces is growing.
- In the final quarter of 2023, we anticipate a surge in real estate activities in office space, primarily driven by upcoming supply. IT-ITeS and BFSI sectors are poised to expand their footprint nationwide.
- Abundance of grade-A office spaces at affordable rates compared to global markets along with skilled manpower is expected to lure MNCs to outsource their operations to India. This may significantly reduce their operational costs, which is the prime objective of several companies amid global uncertainty.
- A rise in 'Return to Office' is expected to increase utilization of office spaces and may lead to additional office space take-up to accommodate both new hires and existing workforce. Accommodation of modern and home-like design elements is likely to play a crucial role in luring employees back to the office.
- To achieve the Net Zero Carbon mission by 2070, strict Environmental, Social, and Governance regulations are likely to push businesses to adopt sustainable and eco-friendly office spaces. Sustainable and green office spaces are likely to be the first choice for several large conglomerates.
- Tier 2 cities gained prominence in the past couple of years on the back of affordable rentals compared to metro cities, access to new talent pool at competitive remuneration, and immense opportunities for business growth. The trend may continue to evolve by expanding to tier 3 cities as well.

Office: Location Master

City	Micro-market	Key Locations
Bengaluru	CBD	M.G. Road, Kasturba Road, Lavelle Road, V.M. Road, Ulsoor Road, Infantry Road
	SBD	Indiranagar, Koramangala, Inner Ring Road, Old Airport Road, Bannerghatta Road
	ORR	Stretch from Hebbal to Silk Board junction
	PBD - East & South	Whitefield, Electronics City, Mysore Road, Sarjapur Road
	Bengaluru North	Bellary Road (Hebbal to BIAL)
Chennai	CBD	Anna Salai, Cathedral Road, Dr. R. K. Salai, Nungambakkam, T Nagar, Alwarpet, Egmore
	SBD West	Guindy, Mt. Poonamallee Road, OMR (Madhya Kailash to Taramani)
	SBD South	Velachery, OMR Pre-toll (Taramani to Perungudi Toll)
	SBD - North & West	Ambattur, Koyambedu, Padi
	PBD	OMR (Post-toll) GST Road
Hyderabad	CBD	Begumpet, Somajiguda, Raj Bhavan Road & SP Road
	SBD	Banjara Hills, Jubilee Hills
	PBD (West)	Madhapur, Gachibowli, Raidurgam, Manikonda, Hi-Tech City
	PBD	Pocharam, Uppal, Shamshabad
Mumbai	CBD	Fort, Church Gate, Cuffe Parade, Colaba
	Off-CBD	Worli, Lower Parel, Prabhadevi
	BKC	Bandra Kurla Complex
	Western Suburbs	Andheri, Goregaon, Malad
	Eastern Suburbs	Vikhroli, Powai, Mulund, Thane
	Navi Mumbai	Vashi, Belapur
Kolkata	CBD	Esplanade, Park Street, Camac Street, AJC Bose Road, Dalhousie, Theatre Road, Shakespeare Sarani Road
	SBD	Sarat Bose Road, S.P. Mukherjee Road, Ashutosh Mukherjee Road, Rash Behari Connector & Park Circus Connector
	PBD	Salt Lake Sector-V, New Town
Pune	CBD	Bund Garden Road, S B Road, Camp, Deccan, Pune Station Road
	SBD (East)	Kalyani Nagar, Hadapsar, Kharadi, Airport Road, Viman Nagar, Yerwada, Nagar Road, Vishrantwadi
	SBD (West)	Wakdevadi, Aundh, Baner, Kothrud, Pashan, Paud Road, Khadki, University Road
	PBD (East)	Phursungi, Wanowrie, Wagholi, Saswad Road
	PBD (West)	Hinjewadi, Bavdhan, Wakad, Balewadi, Pimpri, Bhosari, Chinchwad, Pimple Saudagar

Office: Location Master

City	Micro-market	Key Locations
NCR	CBD Delhi	Connaught Place, Barakhamba Road, KG Marg, Minto Road
	SBD Delhi	Nehru Place, Saket, Jasola, Bhikaji Cama Place, Mohan Co-operative, Okhla, Aerocity
	Gurugram I	MG Road, NH-8, Golf Course Road, Golf Course Extn Road
	Gurugram II	DLF Cybercity, Sohna Road, Udyog Vihar, Gwal Pahari
	Gurugram III	Manesar
	Noida	Sectors 16, 18, 62, 63, Noida-Greater Noida Expressway
	Faridabad	Sector Alpha, Beta, Gamma, Tech Zone

About Vestian

Vestian, is a contemporary workplace solutions firm that specializes in providing occupier- focused solutions for commercial, residential, industrial, retail and hospitality sectors. Our service portfolio includes Integrated Service Delivery, Project Services, Investment & Consultancy Services, Transaction Advisory Services, Retail Business Solutions & Integrated Facilities Management Services.

We align and measure our key deliverables based on clients' strategic business goals. Our commitment to achieve excellence and consistency in our service delivery models has helped us attain high standards of quality and raise the bar for the industry. Our experienced team has the required expertise and exposure in different sectors. Combining global best practices and local knowledge, the team provides an integrated solution for all real estate requirements. Moreover, the belief in our corporate philosophy - Delivering Measurable Results - helps us to provide solutions, in keeping with global delivery standards.

Vestian is certified in both quality management systems and environmental health & safety standards - ISO 9001, ISO 14001, ISO 37001 and ISO 45001. We are also a member of the Indian Green Building Council.

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