

India Office, Q3 2017

TRANSACTION ACTIVITY CONTINUED TO REMAIN STRONG

 Rents Up
23 Markets

 Rents Stable
66 Markets

 Rents Down
2 Markets

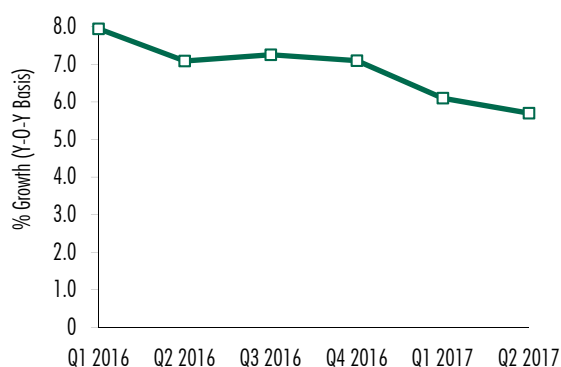
 Demand (Y-O-Y)
11%

 Supply (Y-O-Y)
3%

The quarterly estimates for GDP growth continued to show a decline during the quarter ending June 2017, touching 5.7%, as compared to 6.1% in the previous quarter. This dip was mainly attributed to a slowdown in the manufacturing sector, in anticipation of the rollout of the Goods and Services Tax (GST). Further, the quarter's growth was led by sectors such as trade, hotels and transport (11.1%), public administration, defense & other services (9.5%) and electricity, gas, water supply & other utility services (7.0%). Both the real estate services (along with financial and professional services) sector and the construction sector recorded an improved performance, growing by 6.4% and 2%, respectively. With a drop in quarterly growth, the Central Bank revised its GVA growth estimates from 7.3% to 6.7% for FY 2018.

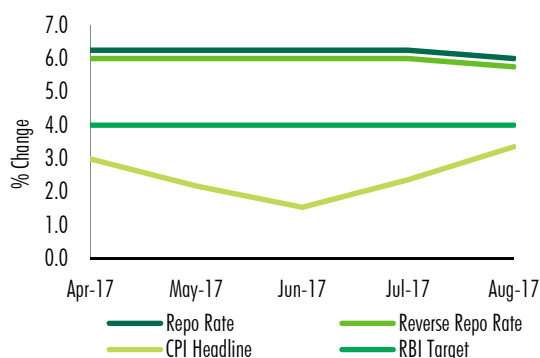
Post witnessing a continuous dip for the past three months, retail inflation (measured by consumer price inflation - CPI), touched a low of about 1.54% in June 2017, mainly driven by a drop in food prices and a slowdown in industrial production. In June 2017, the Monetary Policy Committee (MPC) lowered inflation expectations to about 2-3.5% for Q2-Q3 2017 and about 3.5-4.5% for Q4 17-Q1 18. The dipping inflation paved the way for another rate cut, with the Central Bank lowering the lending rate from 6.0% from 6.25% in their third bi-monthly policy review. After hitting a low in June, CPI began to rise and touched 3.36% in August 2017, due to an increase in food and fuel prices, however,

Chart 1: GDP Growth Rates



Source: MOPSI, Q3 2017.

Chart 2: Key Rates



Source: MOPSI, RBI, Q3 2017.

remaining well within RBI's medium-term target of 4%.

BANGALORE, MUMBAI AND DELHI NCR LED QUARTERLY LEASING ACTIVITY, WITH A SHARE OF MORE THAN 60%

Leasing activity remained strong during the quarter, with office space take-up rising marginally by 2% q-o-q to touch 10.4 million sq. ft. While Bangalore and Delhi NCR

continued to remain the key drivers, Mumbai overtook Hyderabad in terms of office leasing during the present quarter. Apart from Bangalore, Hyderabad, and Kolkata, all the other cities witnessed a rise in space take-up on a q-o-q basis. Achieving flexibility as a part of their workplace solutions continued to be a key consideration for occupiers, in addition to the usual emphasis on consolidation/expansion efforts.

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

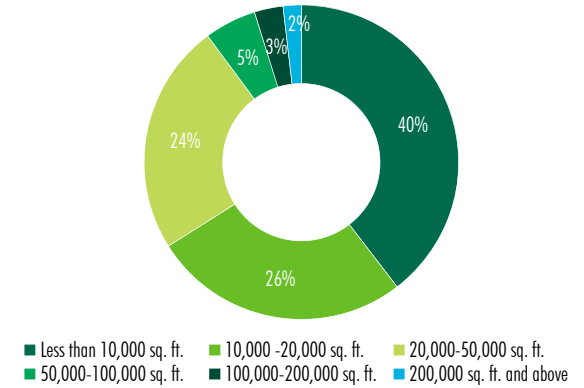
Similar to previous quarters, the office space take-up was dominated by small and medium-sized transactions. Small-sized transactions (less than 10,000 sq. ft.) comprised of about 40% of all the transactions reported during the quarter; while half of the deals concluded ranging between 10,000 – 50,000 sq. ft. The share of large-sized deals (greater than 100,000 sq. ft.) remained the same (as compared to the previous quarter) at about 5%.

Bangalore and Mumbai dominated large-sized deal closures, along with a few deals closed in Gurgaon, Chennai and Hyderabad. These were mainly from occupiers belonging to sectors such as IT/ITeS, research, consulting and analytics and infrastructure, real estate and logistics. Key large-scale transactions included, space take-up by corporates such as Lowes, Atos, Tata Consulting and XM Software.

IT/ITES CONTINUED TO DRIVE TRANSACTION ACTIVITY

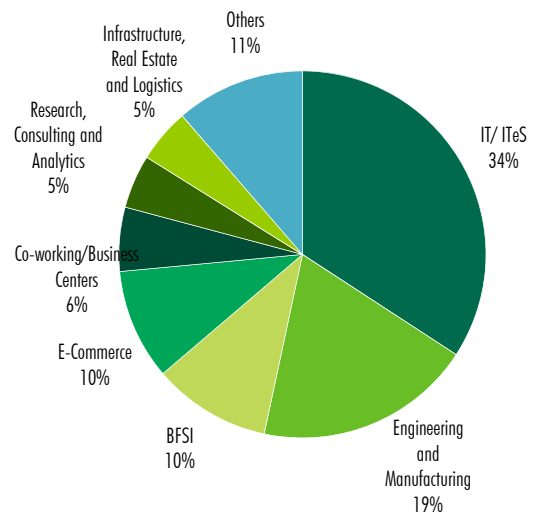
Office space take-up continued to be driven by IT/ITeS corporates, garnering about 34% share in the overall space leased during the quarter. The share of other sectors such as engineering and manufacturing (19%) and Banking, Financial services and Insurance (BFSI) (10%) marginally fell on a quarterly basis. Co-working operators remained active, with both global and domestic players expanding their operations in Mumbai, Bangalore, Delhi NCR and Pune.

Chart 3: Segmentation of Transaction Activity as per Transaction Size



Source: CBRE Research, Q3 2017.

Chart 4: Segmentation of Transaction Activity as per Industry



Source: CBRE Research, Q3 2017.

RISE IN PRE-LEASING ACTIVITY

Occupiers continued to future proof their portfolios and hedge against future rental escalations by pre-leasing space across various cities. Pre-leasing activity picked up during the quarter, mainly reported in Bangalore, Mumbai and Hyderabad. These pre-commitments were driven by a mix of IT/ITeS, BFSI, e-commerce, research, consulting and analytics firms.

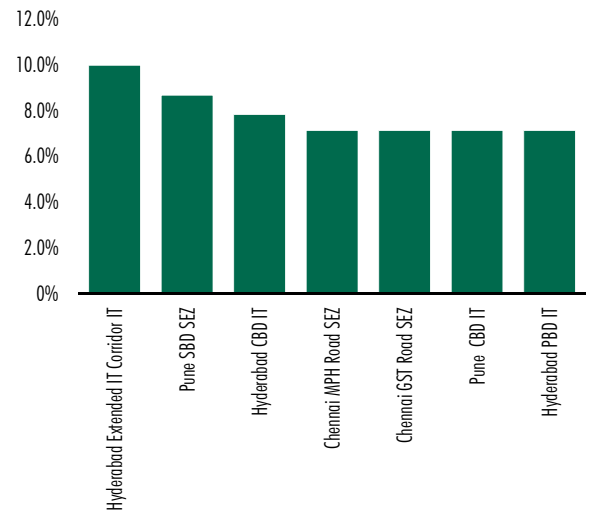
QUARTERLY SUPPLY ADDITION OF ABOUT 7.2 MILLION SQ. FT.; MUMBAI FOLLOWED BY BANGALORE AND DELHI NCR LED DEVELOPMENT COMPLETIONS

Supply addition dipped marginally by about 12% q-o-q during Q3 2017, with about 7.2 million sq. ft. of development completions reported during the quarter. The top three cities, Mumbai, Delhi NCR and Bangalore accounted for almost 80% of the supply addition; followed by Chennai and Hyderabad. In case of Delhi NCR, supply addition primarily took place due to the receipt of the delayed completion certificates. This resulted in a release of the pent-up supply.

SUSTAINED RENTAL MOMENTUM WITNESSED ACROSS BANGALORE, HYDERABAD AND PUNE

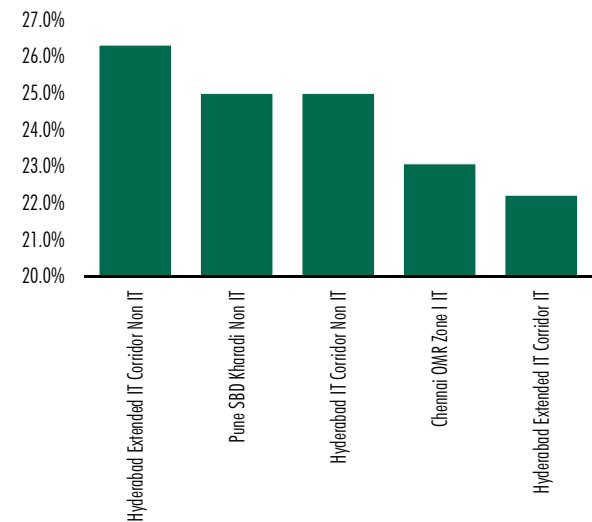
Sustained occupier interest resulted in rental values rising by about 1 – 10% q-o-q across most micro-markets in the cities of Bangalore, Hyderabad and Pune. Rental values remained broadly stable in Mumbai, Kolkata and Kochi, with rental growth restricted to certain locations in Delhi NCR and Chennai during the quarter.

Chart 5: Strongest Office Rental Growth, Q3 2017 vs Q2 2017



Source: CBRE Research, Q3 2017.

Chart 6: Strongest Office Rental Growth, Q3 2017 vs Q3 2016



Source: CBRE Research, Q3 2017.

MARKET SUMMARY

- Gurgaon dominated leasing activity, absorption grew on a q-o-q basis in Noida
- Rental growth witnessed in DLF Cybercity (SEZ); dipped marginally in SBD

NEW COMPLETIONS

An increase in quarterly supply addition was witnessed primarily in Gurgaon. The receipt of delayed completion certificates resulted in development completions in the form of a large-sized IT development and a medium-sized non-IT development in Golf Course Extension. Additionally, a medium-sized non-IT development was also completed on NH-8.

SPACE TAKE-UP

Sustained occupier interest resulted in NH-8, Main Noida and DLF Cybercity driving more than half of the region’s leasing activity. Leasing activity mainly occurred in non-IT spaces in developments on NH-8, SBD (Aerocity) and Main Noida.

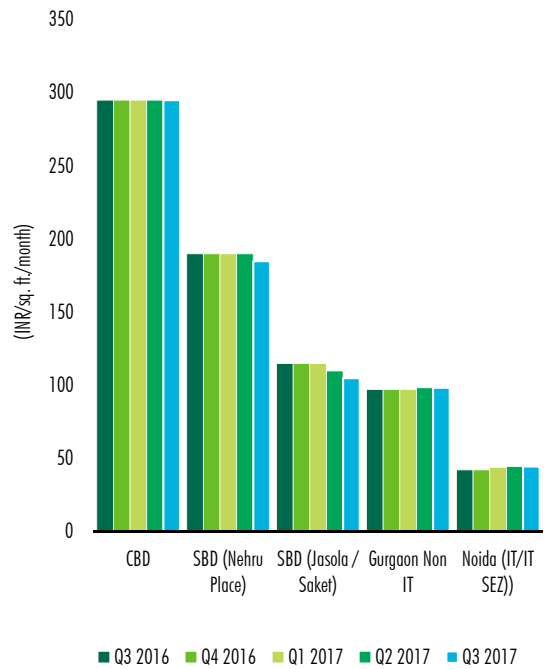
OCCUPIER TRENDS

IT/ITeS corporates dominated the leasing activity, followed by engineering and manufacturing firms. Leasing activity continued to be driven by small to medium-sized transactions. However, the quarter also witnessed a large-sized deal (greater than 100,000 sq. ft.), with the culmination of a pre-commitment in a prime development on NH-8.

PRICING TRENDS

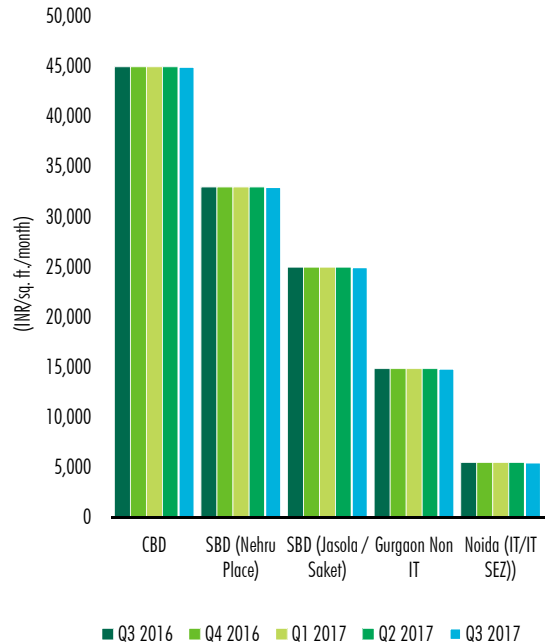
Sustained occupier interest resulted in a rental growth of about 3 – 5 % q-o-q in DLF Cybercity (SEZ). Rising vacancy levels in select developments resulted in a marginal dip in rentals of about 2-4% q-o-q in SBD-Nehru Place and Jasola, New Delhi.

Chart 7: Rental Value Movement



Source: CBRE Research, Q3 2017.

Chart 8: Capital Value Movement



Source: CBRE Research, Q3 2017.

Micro-market	Key Highlights	Demand Q-o-q	Supply Q-o-q	Rent Q-o-q
CBD	Small and medium-sized transactions were noted with stability in rental growth	▲	▶	▶
Gurgaon	Leasing activity remained broadly steady, occupier focus continued to be on core micro-markets	▲	▲	▶
Noida	Leasing activity reported in recently completed developments in Main Noida	▲	▶	▶

Table 1: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Orris Floreal	NH-8	40,000	Giant
Worldmark	Aerocity	25,000	Hitachi
World Trade Tower	Main Noida	25,000	Willey India

Source: CBRE Research, Q3 2017.

Table 2: Sub-market Key Stats

Micro-market	Average Rent in Q3 2017 (INR/sq. ft. / month)	Average Rent in Q2 2017 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Connaught Place) Grade A	295	295	0.0	0.0
CBD (Connaught Place) Grade B	160	160	0.0	0.0
Secondary Market (Nehru Place) Grade A	185	190	-2.6	-2.6
Secondary Market (Jasola) Grade A	105	110	-4.5	-8.7
Secondary Market (Saket) Grade A	160	160	0.0	0.0
Gurgaon Grade A (Non IT)	97	97	0.0	1.3
Gurgaon Grade A (IT)	80	80	0.0	3.4
NOIDA Grade A (IT/IT SEZ)	46	46	0.0	8.3

Source: CBRE Research, Q3 2017.

MARKET SUMMARY

- Leasing activity increased on a quarterly basis
- Supply addition witnessed in PBD - Navi Mumbai and ABD
- Rental values remained stable

NEW COMPLETIONS

An increase in quarterly supply addition was reported in the form of a large-sized IT development in Airoli and a small-sized SEZ development in Juinagar in PBD - Navi Mumbai. Additionally, two small-sized non-IT developments were also completed in Belapur, PBD - Navi Mumbai and BKC, ABD.

SPACE TAKE-UP

Office space take-up was largely concentrated in PBD - Navi Mumbai, Thane; which accounted for almost half of the city’s leasing activity reported during this quarter. Occupier interest in the newly completed development in PBD - Navi Mumbai thus, resulted in the micro-market dominating primary leasing activity. Secondary leasing, on the other hand, mainly occurred in Andheri, SBD and ABD.

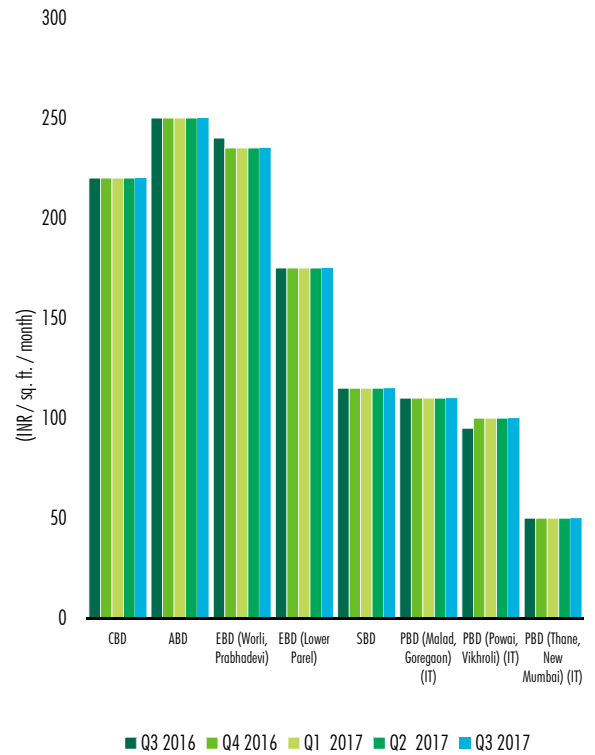
OCCUPIER TRENDS

BFSI companies continued to dominate space take-up, followed by IT/ITeS/BPO/KPO companies. Both global and domestic co-working operators continued to be active, leasing small to medium-sized spaces across various micro-markets in the city.

PRICING TRENDS

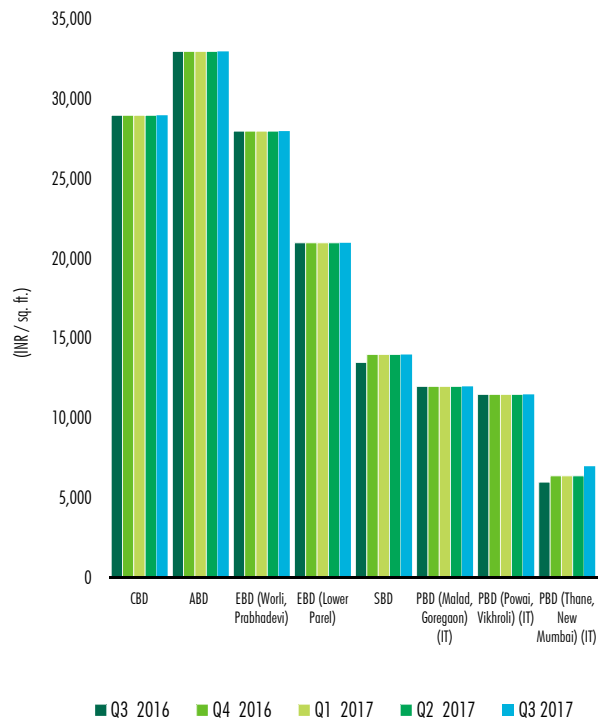
Rental values remained stable across all segments in all micro-markets of the city.

Chart 9: Rental Value Movement



Source: CBRE Research, Q3 2017.

Chart 10: Capital Value Movement



Source: CBRE Research, Q3 2017.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
PBD – Thane, Navi Mumbai	Leasing activity grew on a quarterly basis; mainly driven by engineering and manufacturing and IT/ITeS firms taking up small to large-sized spaces	▲	▲	▶
SBD	Leasing activity increased on a quarterly basis; mainly driven by BFSI and IT/ITeS firms	▲	▼	▶
ABD	Various small to medium-sized deals by engineering and manufacturing and infrastructure, real estate and logistics firms were concluded which led to a rise in quarterly leasing activity	▲	▶	▶

Table 3: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Mindspace Building - 2	PBD - Thane, Navi Mumbai	180,000	IDFC
Seawoods Grand Central - Tower II (Wing D, E & F)	PBD - Thane, Navi Mumbai	150,000	Teva Pharma
Mindspace (West) Building 3	PBD - Thane, Navi Mumbai	120,000	Atos
Empire Tower (Reliable Tech Park - Ph. II)	PBD - Thane, Navi Mumbai	115,000	Tata Consulting Engineering

Source: CBRE Research, Q3 2017.

Table 4: Sub market Key Stats

Micro-market	Average Rent in Q3 2017 (INR/sq. ft. / month)	Average Rent in Q2 2017 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Nariman Point, Fort, Cuffe Parade) Grade A	220	220	0.0	0.0
CBD (Nariman Point, Fort, Cuffe Parade) Grade B	170	170	0.0	0.0
EBD (Lower Parel) Grade A	175	175	0.0	0.0
EBD (Worli, Prabhadevi) Grade A	235	235	0.0	-2.1
ABD (Bandra Kurla Complex, Kalina) Grade A	250	250	0.0	0.0
ABD (Bandra Kurla Complex, Kalina) Grade B	195	195	0.0	0.0
SBD (Andheri, Vile Parle, Jogeshwari) Grade A	115	115	0.0	0.0
SBD (Andheri, Vile Parle, Jogeshwari) Grade B	80	80	0.0	0.0
PBD (Malad, Goregaon) Grade A (IT)	110	110	0.0	0.0
PBD (Powai, Vikhroli) Grade A (IT)	100	100	0.0	5.3
PBD (Thane, New Mumbai) Grade A (IT/IT SEZ)	50	50	0.0	0.0

Source: CBRE Research, Q3 2017.

MARKET SUMMARY

- Leasing activity fell marginally on a q-o-q basis
- Supply addition witnessed in Northern Bangalore (NBD) and ORR

NEW COMPLETIONS

Supply completions dipped on a quarterly basis, owing to delays in receiving completion certificates across micro-markets. Supply addition was in the form of three large-sized SEZ developments in prominent tech parks in NBD and ORR.

SPACE TAKE-UP

Office space take-up remained largely concentrated in non-SEZ developments; with leasing activity witnessed across Sarjapur-Outer Ring Road (ORR), followed by NBD, PBD-Whitefield and EBD. Both primary and secondary leasing activity remained strong, with primary leasing largely driven by the culmination of large-sized pre-commitments across ORR and NBD.

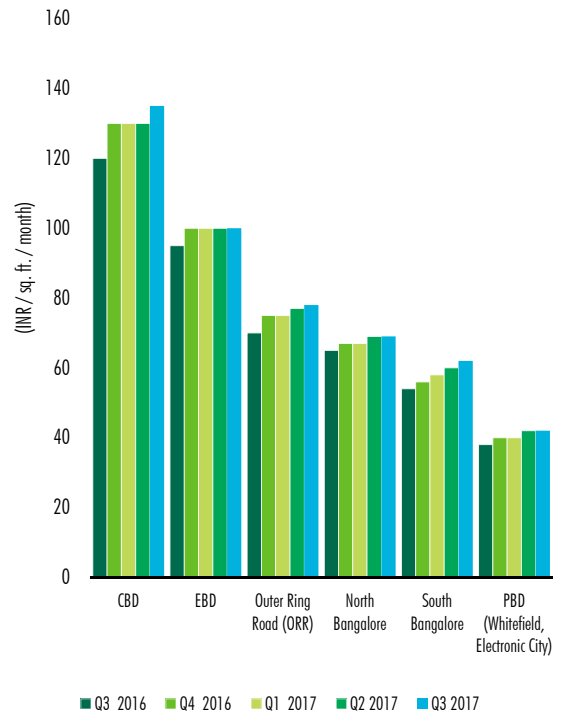
OCCUPIER TRENDS

Office space demand was mainly driven by engineering and manufacturing, IT/ITeS and e-commerce firms which took up large-sized spaces (greater than 100,000 sq. ft.) in Whitefield, ORR and NBD. Co-working operators continued to be active with a prominent global player leasing more than 100,000 sq. ft. in EBD.

PRICING TRENDS

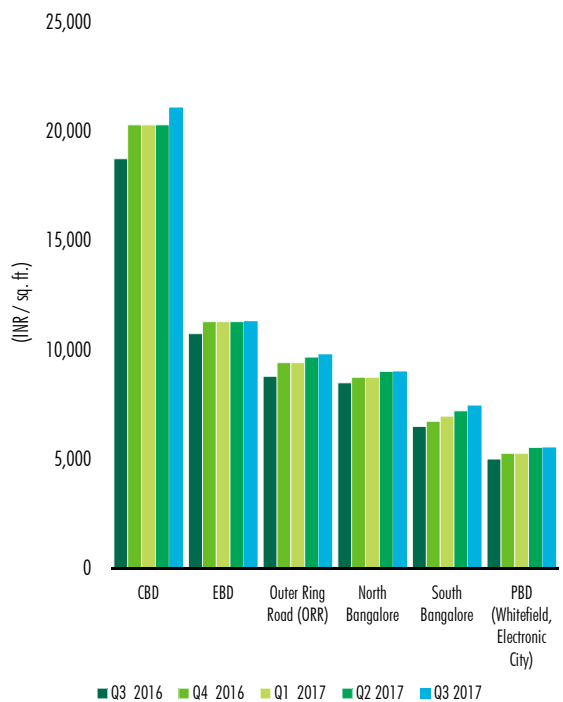
Sustained occupier demand coupled with limited space availability resulted in rental values escalating by about 1 – 4% q-o-q across CBD, SBD and ORR.

Chart 11: Rental Value Movement



Source: CBRE Research, Q3 2017.

Chart 12: Capital Value Movement



Source: CBRE Research, Q3 2017.

Micro-market	Key Highlights	Demand Q-o-q	Supply Q-o-q	Rent Q-o-q
ORR	Sustained occupier interest coupled with low vacancy levels resulted in an increase in rentals by about 1-2% q-o-q	▼	▼	▲
PBD	Leasing activity dipped on a quarterly basis; rental values remained fairly stable	▼	▼	▶
NBD	Leasing activity grew on a quarterly basis; rental values remained stable on a quarterly basis	▲	▲	▶

Table 5: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Manyata Tech Park - L2 Block	NBD	500,000	Lowes
Bagmane World Technology Centre - Taurus 2	ORR	480,000	Leading e-commerce company
RMZ Centennial	PBD	280,000	Atos
Embassy Golf Links	EBD	120,000	Leading co-working operator

Source: CBRE Research, Q3 2017.

Table 6: Sub-market Key Stats

Micro-market	Average Rent in Q3 2017 (INR/sq. ft. / month)	Average Rent in Q2 2017 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (MG Road, Residency Road) Grade A	135	130	3.8	12.5
CBD (MG Road, Residency Road) Grade B	87	87	0.0	2.4
EBD (Koramangala, Indira Nagar) Grade A	100	100	0.0	5.3
EBD Koramangala, Indira Nagar) Grade B	82	80	2.5	5.1
Outer Ring Road Grade A	78	77	1.3	11.4
PBD (Whitefield, Electronic City) Grade A	42	42	0.0	10.5
South Bangalore Grade A	62	60	3.3	14.8
North Bangalore Grade A	69	69	0.0	6.2

Source: CBRE Research, Q3 2017.

MARKET SUMMARY

- Leasing activity fell on a q-o-q basis
- Supply addition witnessed in IT and Extended IT Corridor
- Rental values continued to grow across IT and SEZ developments

NEW COMPLETIONS

The city witnessed supply addition in the form of a large-sized IT development in Nanakramguda, Extended IT Corridor and two small-sized non-IT developments in Kondapur and Kavuri Hills in IT Corridor.

SPACE TAKE-UP

About half of the city’s leasing activity was witnessed in IT buildings in IT Corridor. Deals in non-IT spaces, on the other hand, were mainly in CBD and SBD; while SEZ deals were mostly in IT and Extended IT Corridor.

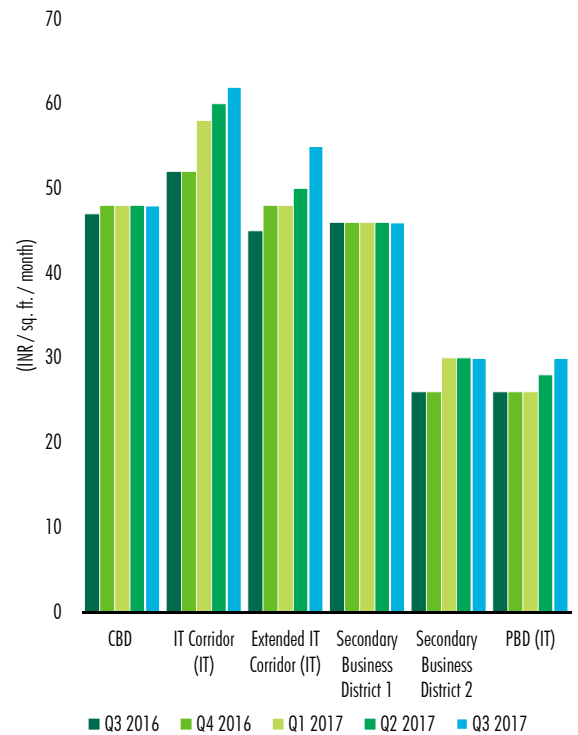
OCCUPIER TRENDS

Similar to the previous quarter, IT/ ITeS corporates dominated leasing activity, followed by BFSI, research, consulting and analytics corporates. Prominent instances of large-sized deals (greater than 100,000 sq. ft.) included space take-ups by an American IT/ITeS firm in Raidurg, IT Corridor and a domestic real estate company in Nanakramguda, Extended IT Corridor.

PRICING TRENDS

Sustained demand and limited space availability in IT Corridor resulted in an appreciation of about 2-4% q-o-q in rentals across all segments. Further, rising occupier demand coupled with low vacancies in the IT Corridor led to an increase in rentals in the Extended IT Corridor, with both the IT and non-IT segments recording a growth of about 4 – 10% q-o-q.

Chart 13: Rental Value Movement



Source: CBRE Research, Q3 2017.

Chart 14: Capital Value Movement



Source: CBRE Research, Q3 2017.

Micro-market	Key Highlights	Demand Q-o-q	Supply Q-o-q	Rent Q-o-q
CBD (Begumpet/Rajbhavan Road, Banjara Hills (Road No. 1,2,10,12))	Sustained occupier interest led to rentals rising by about 1-3% on a y-o-y basis	▼	▼	▶
IT Corridor (HITEC City, Madhapur, Kondapur, Gachibowli)	Limited availability of space resulted in a rental appreciation of 2-4% q-o-q and 18-20% y-o-y	▼	▼	▲
Extended IT Corridor (Nanakramguda, Raidurg, Manikonda, Kukatpally)	Rising occupier demand resulted in rental values growing by 5-15% q-o-q and 20 - 25% y-o-y	▲	▲	▲

Table 7: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Lanco Hills	Extended IT Corridor	66,000	Cyient
ILabs	IT Corridor	27,500	Wisemen Consulting Services
Accord Blue	CBD	12,500	Ebreez Software Pvt Ltd

Source: CBRE Research, Q3 2017.

Table 8: Sub-market Key Stats

Micro-market	Average Rent in Q3 2017 (INR/sq. ft. / month)	Average Rent in Q2 2017 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Begumpet, Punjagutta, Somajiguda and parts of Banjara Hills)	48	48	0.0	2.1
Secondary Business District 1 (Parts of Banjara Hills, Jubilee Hills)	46	46	0.0	0.0
Secondary Business District 2 (Ameerpet, Himayathnagar, Kukatpally)	30	30	0.0	15.4
IT Corridor (HITEC City, Madhapur, Kondapur, Raidurg) Grade A (IT)	62	60	3.3	19.2
IT Corridor (HITEC City, Madhapur, Kondapur, Raidurg) Grade A (SEZ)	62	60	3.3	19.2
Extended IT Corridor (Nanakramguda,, Manikonda, Gachibowli) Grade A (IT)	55	50	10.0	22.2
PBD (Shamshabad, Pocharam, Uppal) Grade A (IT)	30	28	7.1	15.4

Source: CBRE Research, Q3 2017.

MARKET SUMMARY

- Leasing activity grew on a q-o-q basis; mainly concentrated in OMR Zone I and Mount Poonamallee Road (MPH Road)
- Rental growth witnessed in OMR Zone I (IT) and GST and MPH Road (SEZ)

NEW COMPLETIONS

There was an increase in the supply addition in the city on a q-o-q basis, with the completion of an additional block in an existing SEZ on MPH Road.

SPACE TAKE-UP

Office space take-up was largely concentrated in SEZ developments; mainly in the newly completed SEZ on MPH Road, followed by a leading development in OMR Zone I.

Culmination of pre-commitments, along with sustained occupier interest towards these SEZ spaces resulted in primary space take-up dominating leasing activity in the city.

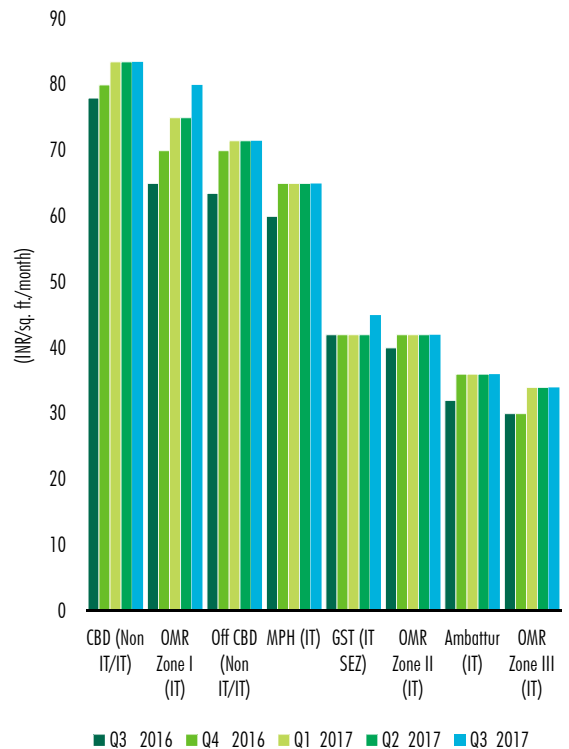
OCCUPIER TRENDS

Office space demand was mainly driven by e-commerce, IT/ITeS and BFSI firms which took up several large-sized spaces (greater than 100,000 sq. ft.) in SEZ developments.

PRICING TRENDS

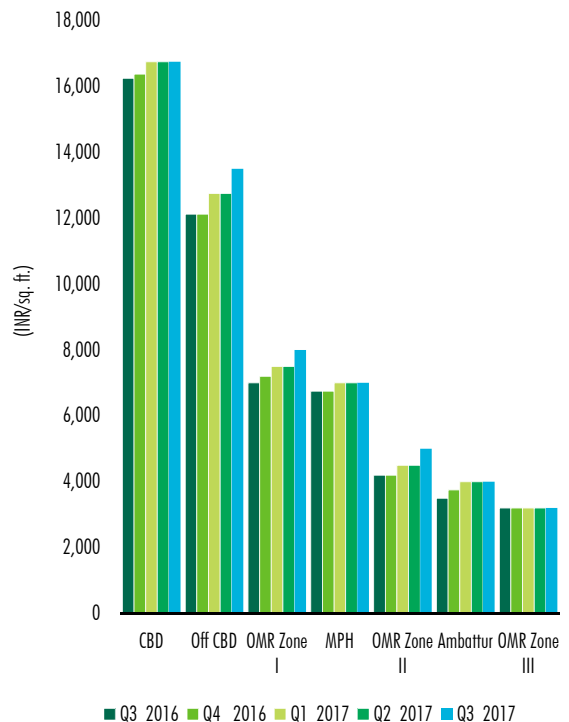
Sustained occupier demand and limited space availability resulted in rental values growing by about 5 – 7% q-o-q in IT developments in OMR Zone I. Occupiers continued to show an interest towards large-sized space formats in SEZs, leading to a 6 – 8% q-o-q growth in rental values across GST and MPH Road.

Chart 15: Rental Value Movement



Source: CBRE Research, Q3 2017.

Chart 16: Capital Value Movement



Source: CBRE Research, Q3 2017.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
OMR Zone II	Leasing activity marginally dipped on a q-o-q basis	▼	▶	▶
OMR Zone I	The micro-market witnessed increase in leasing activity, which coupled with occupier interest led to a strong rental momentum across all segments on a y-o-y basis	▲	▼	▲
MPH Road	Occupier demand rose on a q-o-q basis, with an increase in rentals by about 5-10% y-o-y	▲	▲	▲

Table 9: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Ramanujan IT SEZ	OMR Zone I	400,000	Leading e-commerce company
DLF IT SEZ	MPH	120,000	XM Software
TVH Belicia Towers	Off CBD	29,000	CAMS

Source: CBRE Research, Q3 2017.

Table 10: Sub-market Key Stats

Micro-market	Average Rent in Q3 2017 (INR/sq. ft. / month)	Average Rent in Q2 2017 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Anna Salai, Nungambakkam, RK Salai, T Nagar, Egmore, Alwarpet) Grade A (Non IT/IT)	84	84	0.0	7.1
Guindy, Ekkaduthangal, Vadapalani, Santhome & MRC Nagar Grade A (NonIT/IT)	72	72	0.0	12.6
Mount Poonamallee High Road (IT SEZ)	65	65	0.0	8.3
GST Road (SEZ)	36	42	0.0	12.5
Ambattur, Ambattur Industrial Estate and Padi Grade A (IT)	45	36	7.1	7.1
OMR 1 - Taramani to Perungudi Toll Grade A (IT)	80	75	6.7	23.1
OMR 2 - Perungudi toll up to Sholinganallur Grade A (IT)	42	42	0.0	5.0
OMR 3 - Sholinganallur to Padur Grade A (IT)	34	34	0.0	13.3

Source: CBRE Research, Q3 2017.

MARKET SUMMARY

- Leasing activity increased on a quarterly basis
- New supply added in SBD
- Rental values saw an increase on a quarterly basis across most micro-markets

NEW COMPLETIONS

Supply addition dropped on a quarterly basis, with only one small-sized non-IT development completed in Viman Nagar, SBD.

SPACE TAKE-UP

Primary space take-up dominated leasing activity, mainly concentrated in PBD, followed by SBD. Secondary leasing on the other hand, was largely concentrated in CBD. About half of the leasing activity was witnessed in IT developments in SBD and PBD; followed by SEZ developments in PBD.

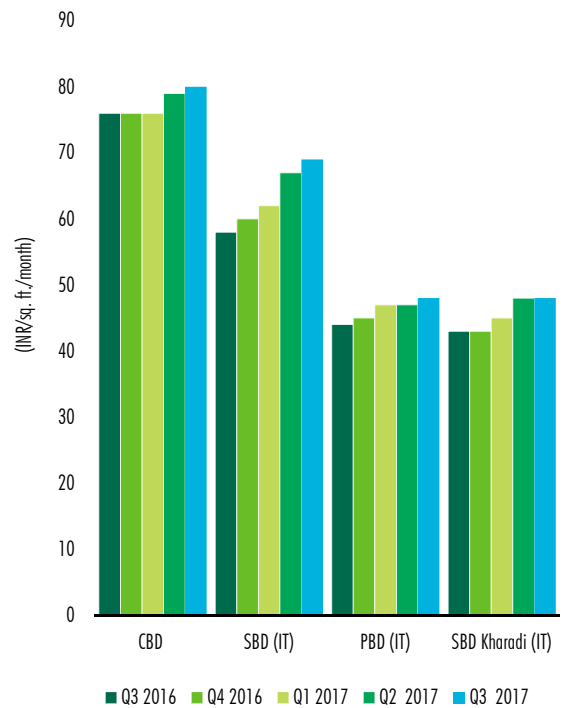
OCCUPIER TRENDS

Office space demand was mainly driven by IT/ITeS firms which took up several small to medium-sized spaces. Consulting, research and analytics and engineering and manufacturing firms were the other prominent occupiers in the market. Co-working operators continued to remain active in the city, taking up space in quality developments in SBD.

PRICING TRENDS

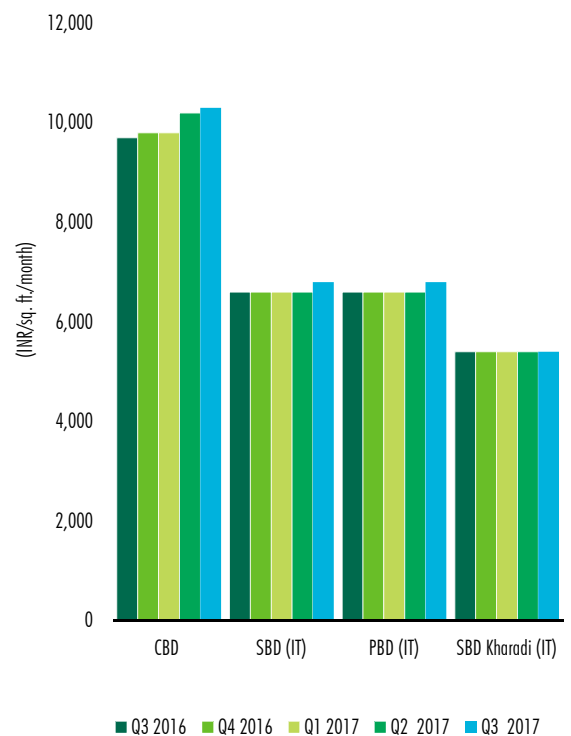
Limited space availability resulted in rental values increasing by about 1-7% q-o-q across IT and non-IT developments in CBD and SBD and IT developments in PBD. Rental values increased by 3 - 9% q-o-q in SEZ developments in SBD-Kharadi, PBD and SBD, due to sustained demand coupled with low vacancies.

Chart 17: Rental Value Movement



Source: CBRE Research, Q3 2017.

Chart 18: Capital Value Movement



Source: CBRE Research, Q3 2017.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
PBD	Leasing activity grew on a quarterly basis; mainly driven by several medium-sized deals in SEZs	▲	▼	▲
SBD	Leasing activity increased on a quarterly basis; Sustained occupier interest coupled with low vacancy levels resulted in an increase in rentals by about 2-4% q-o-q	▲	▼	▲
CBD	Leasing activity witnessed a growth on a quarterly basis; rentals in both IT and non-IT segments grew by 1-7% q-o-q	▲	▶	▲

Table 11: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Business Bay	CBD	90,000	Western Union Services India Private Limited
Embassy Techzone - SEZ (Block 2) Mississippi	PBD	87,000	Access Healthcare Services Private Limited
Nyati Tech Park	SBD	72,000	Jade Global
Raheja Commerzone (Tower 4)	CBD	56,000	TIBCO

Table 12: Sub-market Key Stats

Micro-market	Average Rent in Q3 2017 (INR/sq. ft. / month)	Average Rent in Q2 2017 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Koregaon Park, Kalyani Nagar, Camp, Wakdevadi, Shivajinagar, Yerwada) Grade A	80	79	1.3	5.3
SBD (Aundh, Baner (till Sadanand), Pashan, Karve Nagar, Kothrud, Balewadi, Pune B'lore Highway (till SUS Road), Viman Nagar, Nagar Road (from Agakhan Junction), Mundhwa, Magarpatta City, Hadapsar (till Mundwa Bridge) Wanowrie.) (IT)	69	67	2.9	19.0
PBD (Talawade, Pimpri- Chinchwad, Wakad, Hinjewadi, Bavdhan, Pashan, Narhe, Undri, Phursungi, Wagholi, Charoli) (IT)	48	47	2.1	9.1

Source: CBRE Research, Q3 2017.

MARKET SUMMARY

- Leasing activity was mainly led by PBD
- Supply addition observed in SBD and PBD; rental stability witnessed

NEW COMPLETIONS

The city witnessed supply addition in the form of a medium-sized IT development in Rajarhat, PBD and a small-sized non-IT development on Bentinck Street, CBD.

SPACE TAKE-UP

Leasing activity was mostly concentrated in Salt Lake V and Rajarhat, followed by developments in SBD. Primary space take-up dominated leasing activity, mainly closed across small to medium-sized deals.

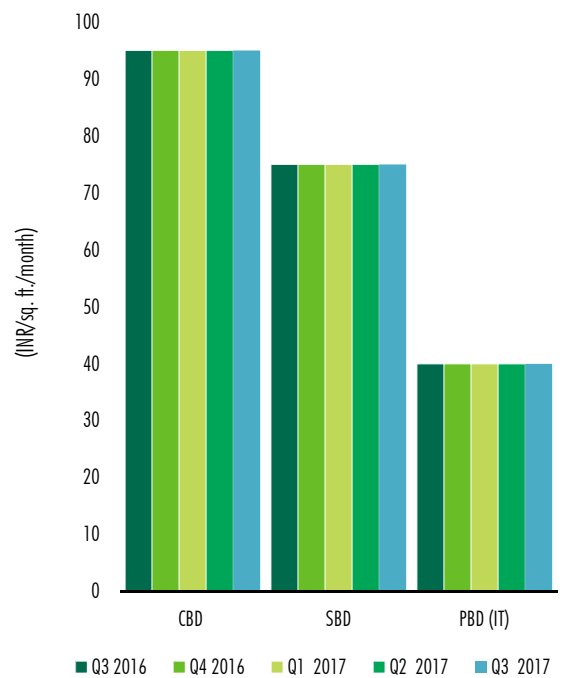
OCCUPIER TRENDS

Electronics corporates followed by media, research, consulting and analytics firms led demand. Bulk of the demand was concentrated in IT developments, owing to ample availability of space in recently completed, quality developments. Occupier preference continued to be towards quality developments in the city.

PRICING TRENDS

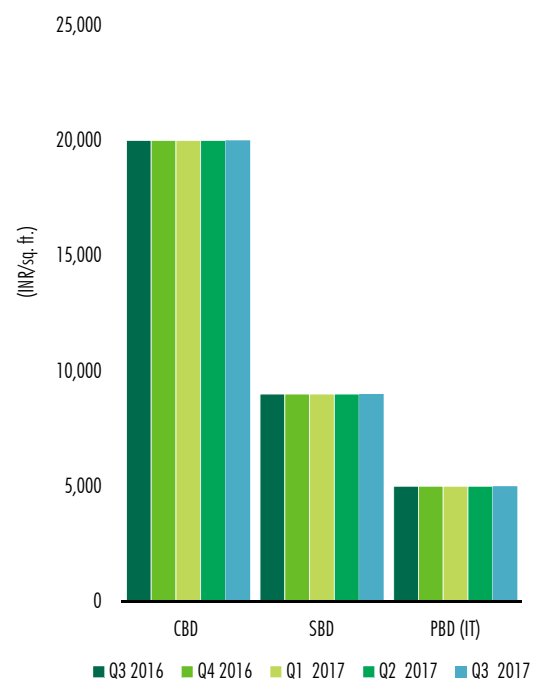
Rental values maintained stability during the quarter across micro markets.

Chart 19: Rental Value Movement



Source: CBRE Research, Q3 2017.

Chart 20: Capital Value Movement



Source: CBRE Research, Q3 2017.

Micro-market	Key Highlights	Demand Q-o-q	Supply Q-o-q	Rent Q-o-q
CBD	Leasing activity grew on a quarterly basis; mainly driven by a leading research, consulting and analytics firm taking up space in a newly completed development	▲	▲	▶
SBD	Leasing activity saw an increase on a quarterly basis; primarily driven by medium sized space take-up by a prominent media firm	▲	▶	▶
PBD	Leasing activity declined on a quarterly basis; with space take-up mainly in quality developments	▼	▲	▶

Table 13: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
DLF IT Park	PBD	40,000	Samsung
Rudramani	PBD	26,000	Times of India
22, Camac Street	CBD	15,500	Ernst & Young
Martinburn Business Park	PBD	8,300	Colgate

Source: CBRE Research, Q3 2017.

Table 14: Sub-market Key Stats

Micro-market	Average Rent in Q3 2017 (INR/sq. ft. / month)	Average Rent in Q2 2017 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD (Park Street, Camac Street, Theatre Road) Grade A	95	95	0.0	0.0
Secondary Business District Grade A	75	75	0.0	0.0
Peripheral Business District (Salt Lake, Rajarhat) (IT) Grade A	40	40	0.0	0.0
Peripheral Business District (Salt Lake, Rajarhat) (SEZ) Grade A	38	38	0.0	0.0

Source: CBRE Research, Q3 2017.

MARKET SUMMARY

- Leasing activity increased on a quarterly basis; mainly concentrated in SBD
- Rental values remained fairly stable

NEW COMPLETIONS

The city witnessed negligible supply addition during the quarter.

SPACE TAKE-UP

Leasing activity was mainly driven by a medium sized deal in a leading SEZ development in SBD.

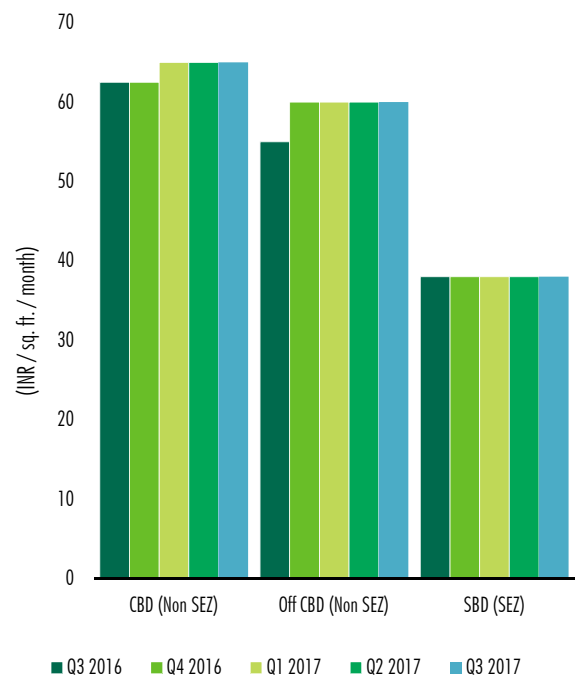
OCCUPIER TRENDS

Leasing activity in the city was driven by the research, consulting and analytics sector, followed by IT/ITeS corporates.

PRICING TRENDS

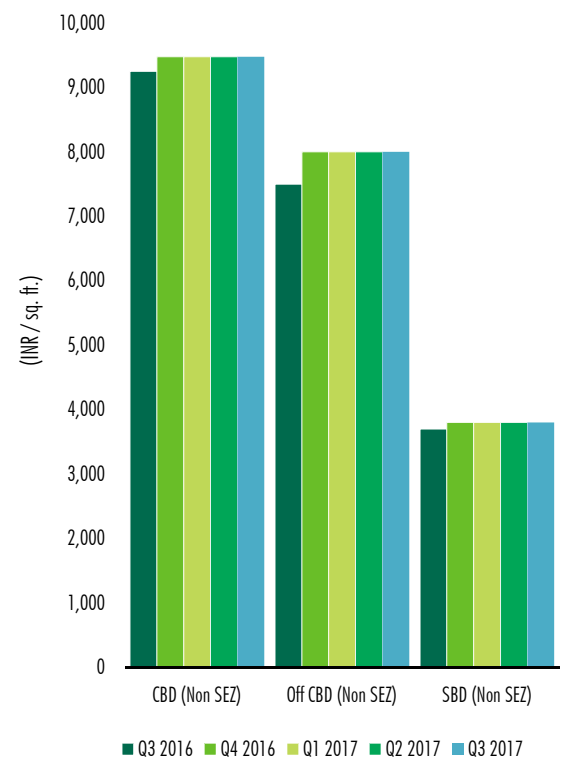
Rental values were observed to be stable during the review period across micro-markets.

Chart 21: Rental Value Movement



Source: CBRE Research, Q3 2017.

Chart 22: Capital Value Movement



Source: CBRE Research, Q3 2017.

Micro-market	Key Highlights	Demand q-o-q	Supply q-o-q	Rent q-o-q
CBD	Limited demand for space led to stability in rental growth	▼	▶	▶
SBD	Ample availability of investment grade space led to rental values remaining stable on y-o-y basis	▲	▶	▶

Table 15: Selected Leasing Transactions

Property	District	Size (in sq. ft.)	Tenant
Smart City	SBD	45,000	EY
Brigade WTC	SBD	6,000	Say One Tech

Source: CBRE Research, Q3 2017.

Table 16: Sub-market Key Stats

Micro-market	Average Rent in Q3 2017 (INR/sq. ft. / month)	Average Rent in Q2 2017 (INR / sq. ft. / month)	Q-o-Q change (%)	Y-o-Y Change (%)
CBD & Ext CBD (MG Road, Kaloor, Kadavanthara, Marine Drive) Grade A (Non SEZ)	65	65	0.0	2.4
Off CBD (Vytilla, Pallarivattam, Edapally) Grade A (Non SEZ)	60	60	0.0	6.7
SBD (Kakkanad) (SEZ)	38	38	0.0	0.0

Source: CBRE Research, Q3 2017.

POLICY REFORMS TO IMPACT THE SECTOR

Disruptions in the IT/ITeS sector, largely led by rising automation of processes, may lead to a slowdown in headcount growth, the impact of which is expected to trickle down to the office sector as well. However, the easing of US's protectionist stance along with the commencement of the issuing of H-1B visas may subdue the adverse impact of automation in the coming quarters. Moreover, we anticipate that other prominent sectors such as BFSI, engineering and manufacturing, research and consulting are likely to constitute a larger share in the leasing activity. Occupier demand is also expected from other sectors, including co-working, pharmaceuticals, telecommunications and e-commerce, which is likely to provide an impetus to the demand for commercial space.

MULTIPLE THEMES LIKELY TO DRIVE LEASING ACTIVITY

Office leasing activity is expected to sustain in the short-term, backed by companies looking at expanding or consolidating their operations. However, we expect leasing activity to be marginally impacted in the medium to long-term. Due to paucity of space in the core micro-markets, we expect occupiers to continue moving towards supply-laden peripheral locations. With all cities under various stages of development, the rising traffic congestion has become an important factor impacting location strategies adopted by various occupiers. We anticipate that infrastructure initiatives (such as completion of new highways, introduction of MRTS services, etc.) would influence occupier preferences and their decision making in the coming quarters.

Occupiers, while expanding their footprint across the country are also expected to keep a strong check on space utilization ratios and innovations in workplace strategies. The use of 'co-working spaces' is expected to rise, with the concept being adopted not only by start-ups and individuals, but also by organizations with fluid expansion/occupation plans. Occupier focus on

business operations over RE decisions, increasing occupier awareness of co-working as an alternate option, the rising acceptance of 'remote' working and an increased preference towards flexible leasing terms will be factors that are likely to drive demand for co-working spaces. Going forward, a rise of both domestic and international co-working operators offering such solutions is anticipated. Pre-commitments in projects which are nearing completion are also expected to continue in the coming months, mainly due to the limited availability of 'ready-to-move-in' space in the coming quarters.

SUPPLY COMPLETIONS MAINLY IN PERIPHERAL/SUB-URBAN MICRO-MARKETS

On the supply front, a significant quantum of space is expected to be released in the decentralized locations of leading cities over the next few quarters. In case of Bangalore and Delhi NCR, the upcoming developments in 2017 would consist of pent-up supply, scheduled for completion in the earlier quarters.

RENTAL GROWTH EXPECTED TO CONTINUE ACROSS CITIES

With supply slippages recorded across most cities, we expect a supply-demand gap over the next few quarters, likely to drive rental growth. However, while this growth is likely to be witnessed across most peripheral and sub-urban micro-markets, we expect growth to continue to be tapered in the coming quarters.

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