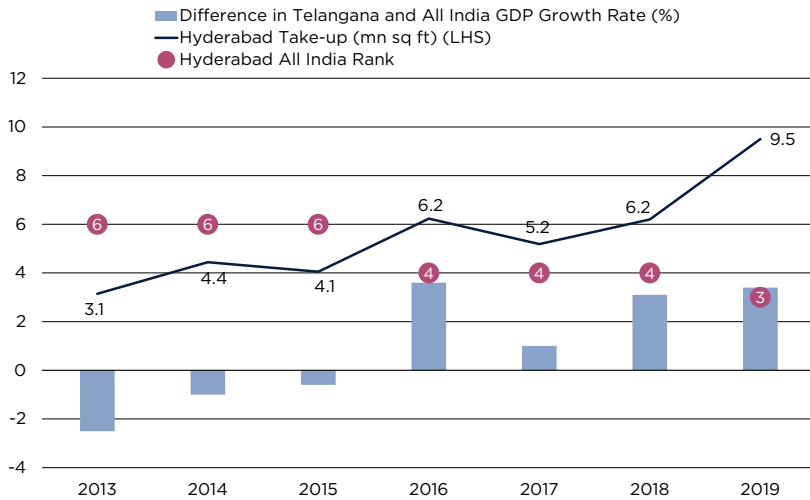


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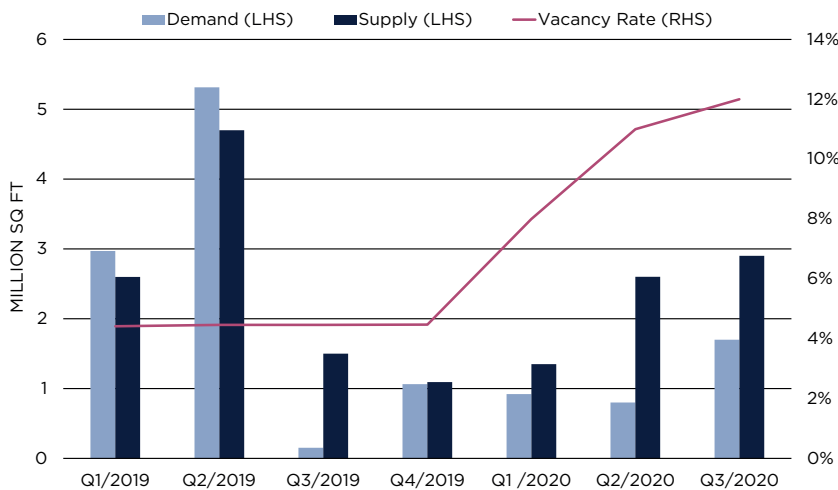
The rise of Hyderabad - India's second tech-hub

GRAPH 1: Hyderabad's Leasing Dominance Coincides With The City's Rise In Economic Performance, 2013 to 2019



Source Savills Research, Telangana Socio Economic Outlook 2020
Note: Years are fiscal in case of GDP comparison, calendar otherwise.

GRAPH 2: Hyderabad Office Demand, Supply And Vacancy Rate, Q1/2019 to Q3/2020



Source Savills Research & Consultancy

OVERVIEW

Hyderabad has steadily risen to a position among the top three office markets of the country. In terms of office leasing volumes, it has progressed from being a distant sixth to its current position in a span of just three years. In 2019, the city registered record transaction activity of approximately 9.5 million sq ft, just behind Bangalore and the National Capital Region (NCR).

The rise in commercial leasing activity can be attributed to a variety of factors. These include government support by way of investor friendly policies and infrastructure growth matching urban agglomeration expansion; as well as enabling demographics which has created an abundant and skilled talent pool. Also, the influx of MNCs over the last two decades has been instrumental in setting up large campuses and office

complexes in the city. In recent landmark legislation, the state government announced a single window portal facilitating faster clearances and self-certification for real estate construction on land parcels of a specific size. Such enabling regulations have provided an important boost to the real estate sector in the city.

The evidence of the strong economic performance lies in the state's GDP growth rate. Telangana, the newly formed state, has consistently exceeded the national growth rate since 2015. Hyderabad's home state has also consistently secured a top three position in the state level "Ease of Business" rankings. Beyond economic prosperity, the city has demonstrated holistic progress in education, health, lifestyle and living standards. The city has constantly topped the Quality of Living Index released by Mercer from 2015 to 2019.

COVID-19, THE SPEED-BREAKER IN 2020

On account of the ongoing pandemic, business sentiment and leasing activity were largely muted through most of the first half of 2020. Until the third quarter of the year, the city registered transactions to the tune of 3.4 million sq ft, a sharp decline from the historic high achieved in 2019. Quarter-on-quarter comparison, however, shows notable traction with Q3/2020 registering more than twice the absorption in Q2/2020. The systematic, though gradual, unlocking of the economy is understood to have played a major part in this recovery in commercial office demand.

Vacancy levels have consistently increased over the last few quarters, as incremental supply has outpaced demand. However, the current high vacancy rates augur well for the demand side as businesses are expected to regain confidence in the post pandemic phase. Rents across major micro-markets have remained stable throughout the year.

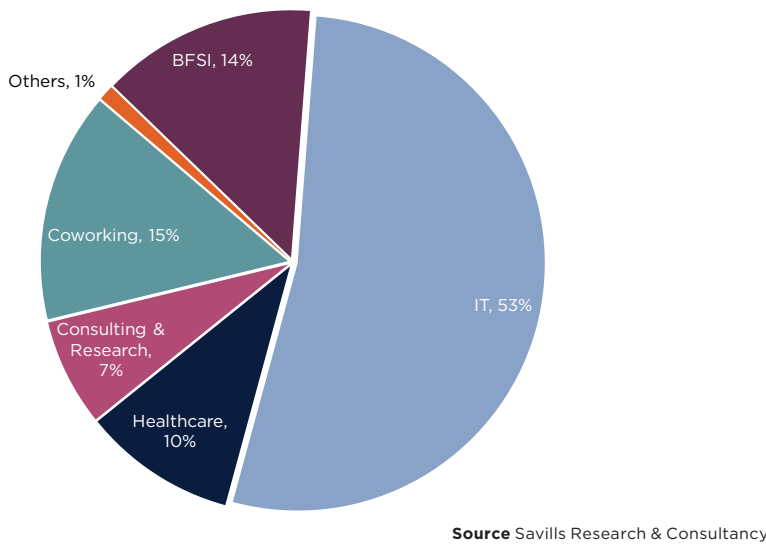
GROWTH STORY FUELLED BY INFORMATION TECHNOLOGY, SHARED SPACES AND PHARMA

As far as the demand make-up is concerned, Hyderabad has firmly established itself as the second most preferred technology hub of the country, following Bangalore.

A large number of MNCs prefer to have their back offices and outsourcing hubs in the city. Favourable average rents compared with other large cities coupled with abundant talent have contributed in making Hyderabad a preferred destination for global tech-giants including Facebook, Apple, Amazon and Microsoft. More than 50% of the leasing activity in the year so far has originated from the IT and allied sectors. To further the contribution of the sector towards the economic growth of Hyderabad, the state government recently launched a Growth in Dispersion (GRID)

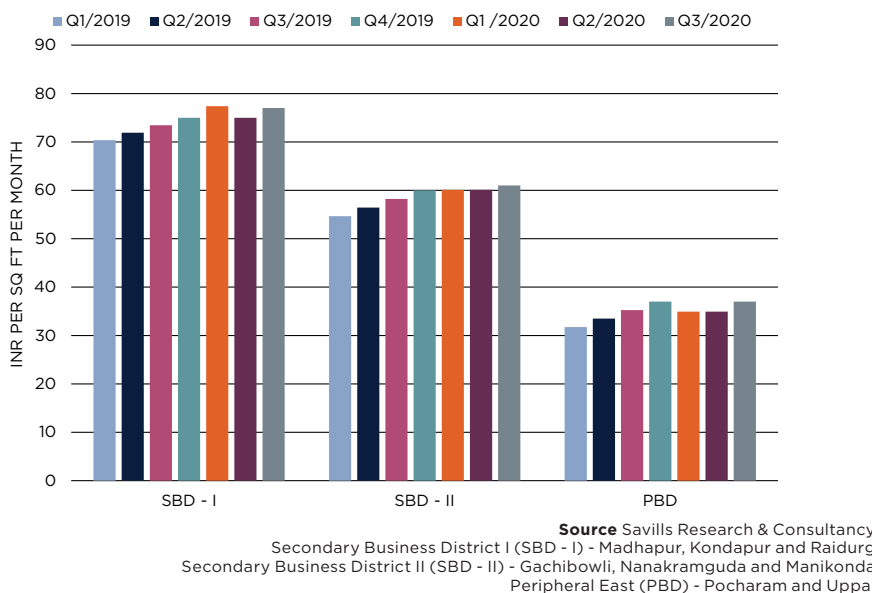
The city has now firmly established itself in the elite club of India’s commercial real estate markets. It will continue to be one of the most preferred office destinations among tech occupiers.

GRAPH 3: Hyderabad Take-up By Sector, January to June 2020



policy to promote IT corridors around the city, especially in non-traditional areas. Such proactive measures have increased Telangana’s share of India’s IT exports, from 10.6% in FY2019 to 11.6% in FY2020. Coworking or shared spaces comprise around 15% of this year’s demand. Companies from banking and financial services, healthcare and manufacturing are other important constituents of leasing demand in the city. Healthcare in particular is expected to drive the economy and ultimately office space demand in the near future. The city has around 35% share of the country’s pharmaceutical production. With both the central and state governments announcing a wide array of incentives for the healthcare sector under the “Make in India” and “Self-Reliance” programmes, the segment is likely to contribute significantly to Hyderabad’s commercial real estate demand.

GRAPH 4: Hyderabad Office Rents By Micro-market, Q1/2019 to Q3/2020



OVERALL OUTLOOK

Hyderabad has a substantial pipeline of under-construction projects, which is estimated at 15-20 million sq ft over the next 15 to 18 months. Though the oversupply situation with rising vacancies is not yet alarming, developers will need to acknowledge the pandemic induced resets, which includes space re-assessment by various occupiers, whether micro-industries, small and mid-sized operators or even large players. The picture is yet to emerge and is highly contingent upon a strong post-COVID economic revival. It is however, established that the emergence of Hyderabad as a key commercial market in 2019 was well-founded. It is expected to hold its position as one of the top tech-destinations in India, and consequently, to remain a key office market in India.

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TABLE 1: Key Transactions, 2020 YTD

| TENANT | BUILDING | MICRO-MARKET* | AREA (SQ FT)# |
|---|------------------------------|---------------|---------------|
| Google, LLC | Salarpuria Knowledge Capital | SBD-II | 1,300,000 |
| Wells Fargo & Company | Divya Sree Orion | SBD-I | 1,200,000 |
| Micron Technology, Inc. | Phoenix Aquila Tower A | SBD-II | 1,020,000 |
| Providence Health & Services | RMZ Nexity | SBD-I | 370,000 |
| Smartworks Coworking Spaces Private Limited | Aurobindo Galaxy | SBD-I | 240,000 |

Source Savills Research & Consultancy
* Secondary Business District I (SBD - I) - Madhapur, Kondapur and Raidurg
Secondary Business District II (SBD - II) - Gachibowli, Nanakramguda and Manikonda
Indicative and approximate numbers only



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