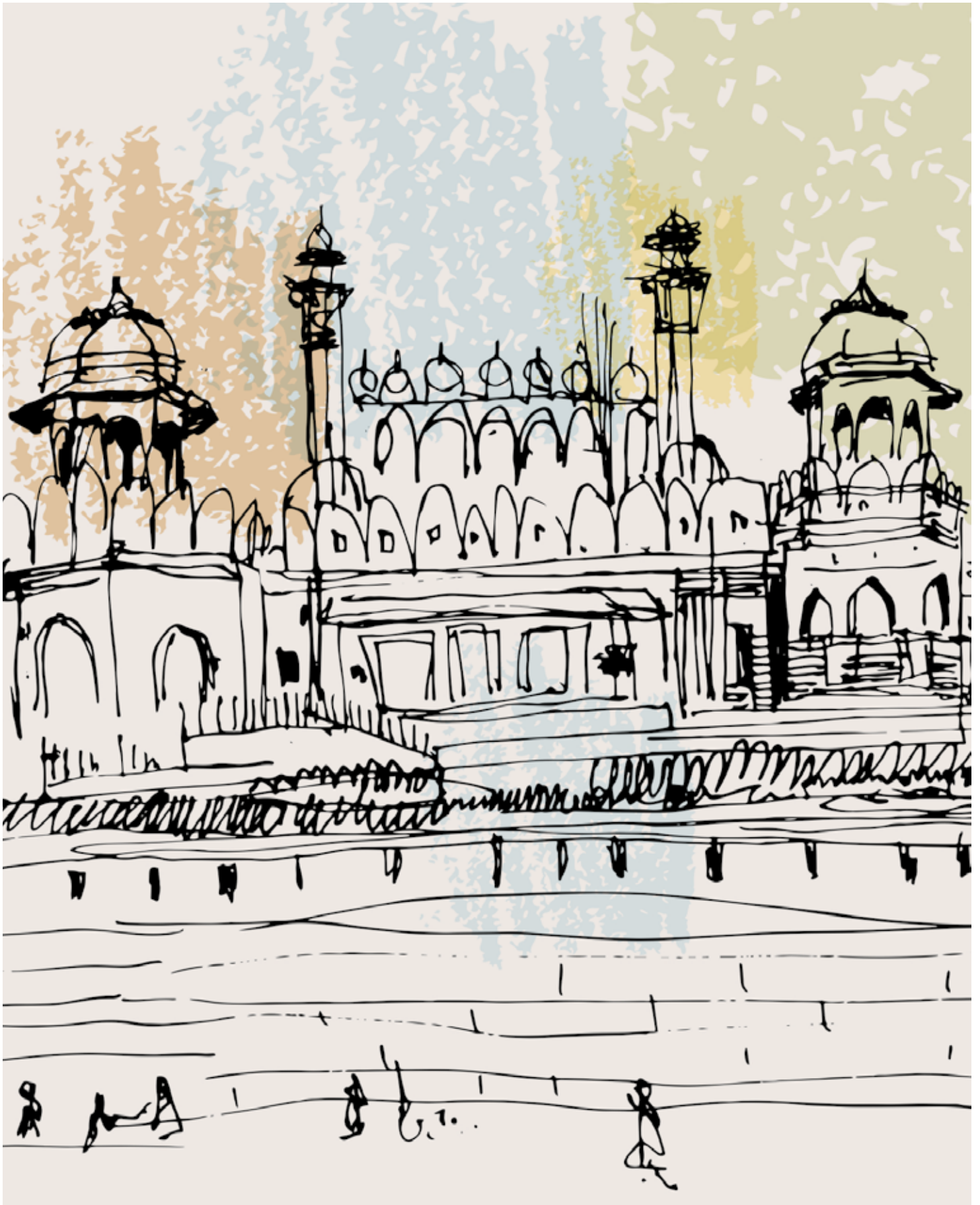


India - H1 2020

SPOTLIGHT
Savills Research

Delhi NCR Market Watch Office





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.

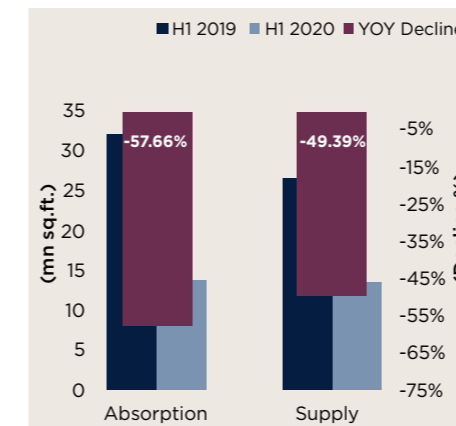
India’s Office Real Estate in H1-2020

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

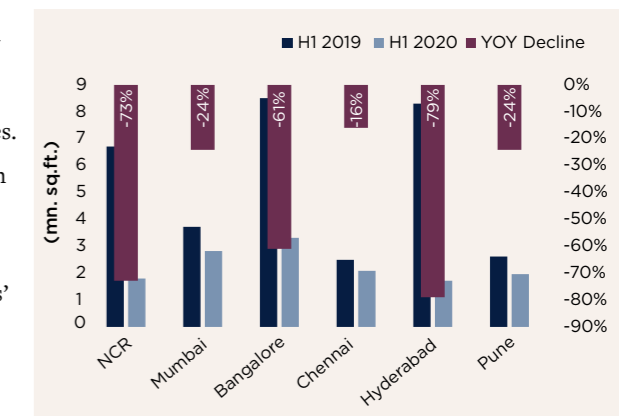
It is important to take a quick view of the mid-year demand patterns and present a brief year-on-year comparison for each of the six cities.

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.

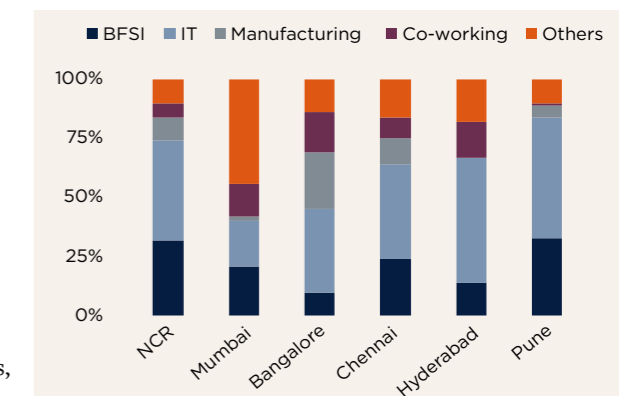
This section has presented a top-level summary of office markets’ performance on the national scale. Further details on absorption, stock and supply, rentals, vacancies, sectoral splits, etc. are provided in each city section.

Demand Comparisons: H1 2019 vs H1 2020



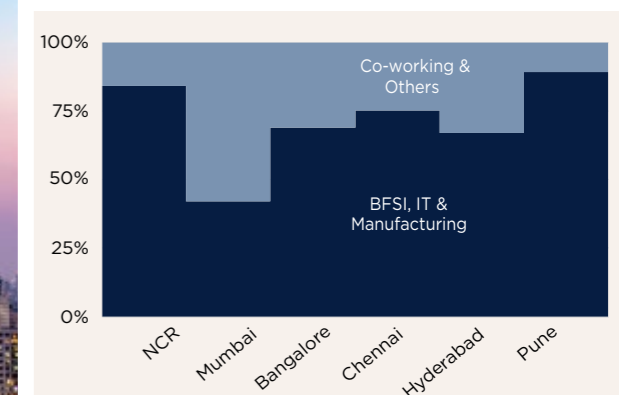
Source Savills India Research

Demand Sectors in H1 2020



Source Savills India Research

Core Demand Sectors in H1 2020



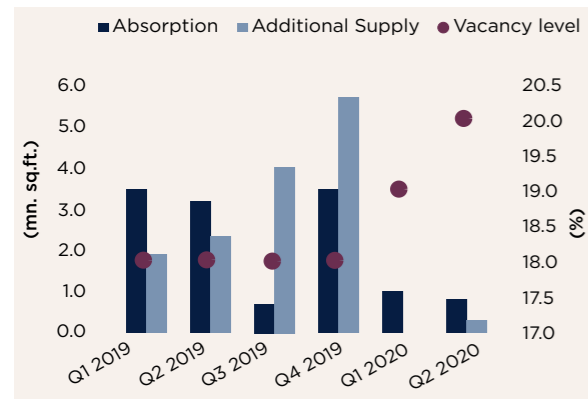
Source Savills India Research





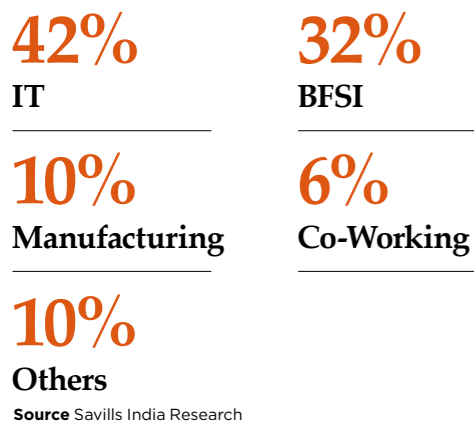
Delhi NCR

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



Source Savills India Research

H1-2020: Absorption demand split sector wise



Source Savills India Research

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:

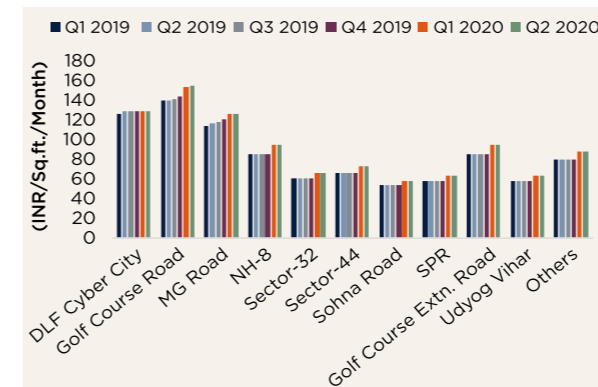
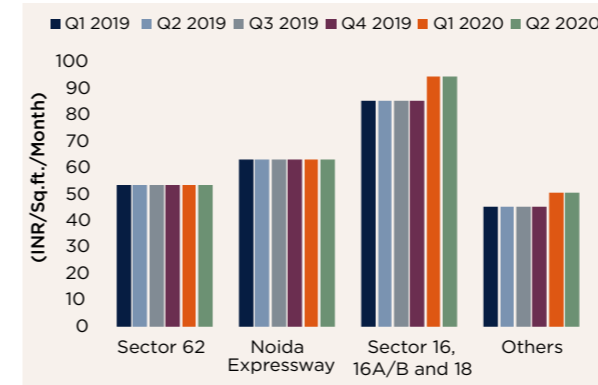
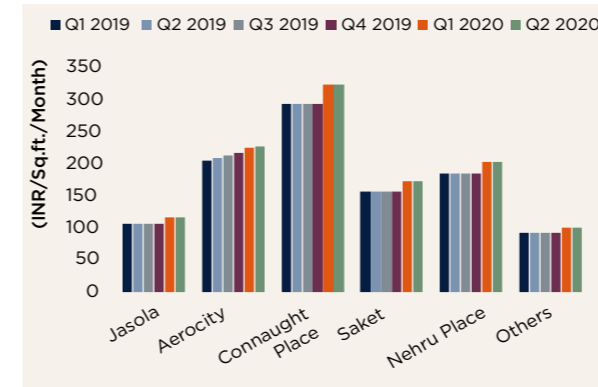
On the supply front, in H1 2020, only 0.3 mn sq. ft. of additional supply came up in Delhi NCR. Compared to H1 2019, this is a massive drop in addition of incremental stock. The reasons for the negligible addition were quite understandable- Delays in building completion on account of closure of construction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



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



Savills

Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and 39,000 associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

Savills India

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.

Savills in India is a full-service advisor offering Commercial Advisory & Transactions, Project Management, Capital Markets, Valuations & Professional Services, Research & Consulting, Industrial & Logistics and Residential services. The blend of in-depth, sector specific knowledge with entrepreneurial spirit gives clients access to unique and innovative real estate solutions backed up by the highest quality of service delivery.

Research

Arvind Nandan

Managing Director
Research & Consulting
arvind.nandan@savills.in

Dipali Gandhi

Director
Research & Consulting
dipali.gandhi@savills.in

Suryaneel Das

Senior Manager
Research & Consulting
suryaneel.das@savills.in

Abhinav Pal

Assistant Manager
Research & Consulting
abhinav.pal@savills.in

Media Queries

Nitin Bahl

Director
Marketing, Sales and Strategy
nitin.bahl@savills.in

Central Management

Anurag Mathur

Chief Executive Officer
Savills India
anurag.mathur@savills.in

Kaustuv Roy

Managing Director
Business Solutions
kaustuv.roy@savills.in

Naveen Nandwani

Managing Director
Commercial Advisory & Transactions
naveen.nandwani@savills.in

Regional Management

Bhavin Thakker

Managing Director - Mumbai
Head - Cross Border Tenant Advisory
bthakker@savills.in

Sarita Hunt

Managing Director
Bangalore
sarita.hunt@savills.in

Shweta Sawhney

Managing Director
Delhi NCR
shweta.sawhney@savills.in

Praveen Apte

Managing Director
Pune
praveen.apte@savills.in

Anup Vasanth

Managing Director
Chennai
anup.vasanth@savills.in

Sesha Sai

Managing Director
Hyderabad
sesha.sai@savills.in

Gurgaon

3-A, Second Floor, Building 9B
DLF Cyber City, Phase 3
Sector 24, Gurgaon 122002
Haryana, India

Chennai

Savills, 5th Floor, North Wing
Harmony Square, New No. 48 & 50
Praksam Street, T. Nagar
Chennai 600017
Tamil Nadu, India

Mumbai

403, Tower B, Level 4, The Capital
Street 3, G Block, Bandra Kurla Complex
Bandra East, Mumbai 400 051
Maharashtra, India

Pune

WeWork Futura
Magarpatta Road
Pune 411 028
Maharashtra, India

Bangalore

15th Floor, SKAV SEETHALAKSHMI
Corporation No.21, Kasturba Road
Bangalore 560001
Karnataka, India

Hyderabad

Office No. 02A114, WeWork
Krishe Emerald, Hitech City
Hyderabad 500081
Telangana, India



Savills, the international real estate advisor established in the UK since 1855 with a network of over 600 offices and associates globally.

This document is prepared by Savills for information only. Whilst the information shared above has been shared in good faith and with due care with an endeavour to keep the information up to date and correct, no representations or warranties are made (express or implied) as to the accuracy, completeness, suitability or otherwise of the whole or any part of the deliverables. It does not constitute any offer or part of any contract for sale.

This publication may not be reproduced in any form or in any manner, in part or as a whole without written permission of the publisher, Savills.

© Savills India 2020.