

India | June 2022

Q
SPOTLIGHT
Savills Research

Dollar-Edge Rental Office Markets in Delhi-NCR



Contents

Foreword	03
Golf Course Extension Road & Southern Peripheral Road: The Next Real Estate Hotspot of Gurugram	04
NOIDA Expressway: Augmenting the Real Estate Activity in NOIDA	16
Afterword	30

Foreword

After the COVID-19 induced economic slowdown in 2020, the bounce back was evidently brisk in 2021. Supported by accelerated vaccination coverage, business sentiments improved significantly, despite the second and third wave of infections. Occupiers are reassessing their real estate portfolio requirements and as employees return to offices in calibrated measures, office space take-up is expected to be on the rise in the coming months. Developers, too, are expected to infuse quality supply within stipulated timelines, fast-tracking the brisk revival of the sector.

2021 witnessed the six¹ major cities of the country registering a 15.5% YOY increase in gross office space absorption at 36.9 mn sq. ft. For an extensive coverage on commercial real estate activity in each of the six cities, we urge you to go through our year-end report '[India Office Market Watch 2021](#)'. Interestingly, these cities have expanded to newer suburbs and catered to the demand of cost-conscious occupiers over a period. This has gained more importance in the pandemic as select occupiers look to rationalise real estate costs. *Moreover, each city has its own unique and promising office micro market, which we have elaborated in this report 'Dollar-Edge Office Markets in India'. The report covers specific micro markets in each city where the unit rental outflow has remained within a dollar over a long timeframe, owing to exchange rate movements and other factors, and hence, a unique value proposition has been established for occupiers.* In addition to the office market trend in each location, the report covers aspects ranging from infrastructure to housing options and other real estate verticals.

This report profiles the following:



Golf Course Extension Road & Southern Peripheral Road, and NOIDA Expressway from the National Capital Region

¹ Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai, and Pune

Golf Course Extension Road & Southern Peripheral Road:

The Next Real Estate Hotspot of Gurugram

Golf Course Extension Road (GCER) & Southern Peripheral Road (SPR): Extending the Real Estate Hotspots of Gurugram

In the just liberalised economy of the 90s, Delhi's shrinking land supply and rising real estate prices made Gurugram attractive for urban dwellers in search of alternative options closer to the national capital. The outsourcing hubs flagged off the growth trajectory we witness today. Investment and employment opportunities attracted people from across the country to the buzzing city. It is the combination of these factors which resulted in the spurt of business activity despite infrastructure challenges. By the early 2010s reputed developers like DLF, Vatika to name a few, and the IT-BPM industry, had catapulted Gurugram into one of the fast-emerging real estate markets of the country. State-of-the-art offices, retail buildings and multi-storey apartments dotting the city skyline were the new norm.

DLF Cyber City and subsequently Golf Course Road had emerged as the real estate hotspots of

Gurugram. As expansion of the central areas of Gurugram became constrained due to availability of quality spaces and increasing real estate price points, peripheral areas like GCER & SPR started gaining prominence in the mid-2010s. Apart from sub-dollar office rentals, comparatively affordable housing options, presence of reputed educational institutes, hospitals, retail malls and high street outlets and overall infrastructure upgrade in these areas resulted in the micro markets complementing the overall economic activity of Gurugram. Furthermore, GCER and SPR have a unique proposition in the Gurugram real estate market owing to proximity to the Delhi International Airport and easy connectivity with NH-8. The area is well integrated with the entire Delhi-NCR market through major expressways such as Gurugram-Faridabad and the upcoming Dwarka Gurugram Expressway.

GCER & SPR: Real Estate Market Overview

As with Delhi-NCR, 2019 was a landmark year for the GCER and SPR micro market. The micro market witnessed strong leasing activity to the tune of 2.1 mn sq. ft., the highest in a decade. In terms of supply, developers infused 4.4 mn sq. ft. of Grade A office space. This was also the highest supply infusion in the past 5 years. The market was poised for increased traction in 2020, but the COVID-19 pandemic derailed the growth story significantly. As lockdowns of varying degrees came into effect, the confidence in economic activity was hit to a large extent. Consequently, leasing activity in GCER and SPR witnessed a sharp decline of 57%; 2020 culminated with office space take-up of 0.9 mn sq. ft. only.

With strong progress on the vaccination front, 2021, however was earmarked by a strong resurgence in business confidence and office demand as well. The year ended with a gross absorption of 1.26 mn sq. ft., a significant 40% YOY growth. The leasing momentum significantly picked up after the second wave in H2 2021. Higher developer confidence and limited construction activity disruption was reflected in new completions of 1.35 mn sq. ft. As of Q1 2022, the total stock of grade A office buildings in GCER and SPR stood at around 15.0 mn sq. ft. Vacancy levels remained high at around 46.6% on account of supply exceeding demand by almost 1.5 times in the last 3 years.

GCER & SPR: Key Statistics at a Glance



Source: Savills India Research

As employees gradually return to office and occupiers adopt a hybrid working model, we expect a cumulative demand of 5.1 mn sq. ft. office space in the next three years. Developers in anticipation of high traction in leasing activity, are likely to infuse around 6.3 mn sq. ft. of supply by 2024. Average rentals in the micro markets are expected to remain rangebound and within a dollar per month.

Interestingly, despite the ongoing pandemic GCER and SPR witnessed a significant spurt in residential activity in recent times. In terms of units sold, 2021 witnessed 10-15% YOY growth. Historically low interest rates and attractive promotional offers by developers drove preference of end-users for bigger and spacious

homes across Delhi-NCR including GCER and SPR. Premium products by reputed developers, however, witnessed 5-6% YOY growth in average prices in 2021 as compared to the pre-pandemic era. On the rental housing front, as employees returned from their hometowns, the rental housing market in GCER and SPR witnessed significant traction as well.

Anticipated infrastructure upgrade, high traction in office and residential real estate and significant upside potential have strengthened the retail market of GCER and SPR to a large extent. Despite the pandemic and its adverse impact on retail segment in general, these micro markets have witnessed new retail developments like WorldMark in the past few

years. As of December 2021, the area had a retail stock of 1.2 mn sq. ft. including reputed shopping malls like M3M Urbana, WorldMark, Emaar Colonnade, M3M Cosmopolitan and Emerald Plaza to name a few. The upcoming Hyatt hospitality project and mixed-use projects like M3M International Financial Centre, AIPL Joy Square, Emaar Business District, Elan Empire among others will enhance the retail real estate in this micro market.

Savills India opines that the overall real estate market of GCER and SPR will consolidate its momentum and drive the real estate activity of Gurugram in the coming years.

Affordability Driving the Real Estate Quotient of GCER & SPR

The uptick in recent activity can be attributed to a variety of factors including comparatively low real estate price points and well-developed social infrastructure. The ensuing demand from IT-BPM occupiers in the office space has shaped the demand across other real estate asset classes such as residential and retail to a large

extent. Developers with pre-committed leases and confident of increased demand in the near term have pumped in build-to-suit and tailor-made office complexes.

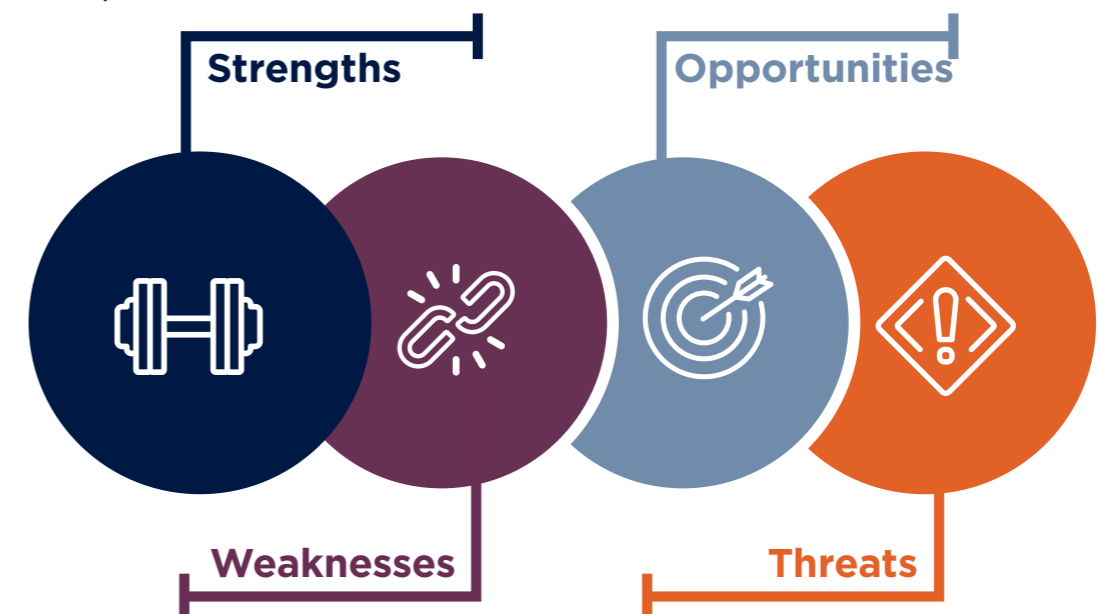
However, these micro markets have certain drawbacks like last-mile connectivity issues in public transportation. A quick snapshot of the

strengths, weaknesses, opportunities, and threats of the area is depicted below. It is also important to note that the strengths and opportunities outweigh the weaknesses and threats, thus positioning GCER and SPR quite favourably.

SWOT Analysis of GCER & SPR

- Dollar-edge office rents
- A sizeable IT SEZ mix in the supply of grade A office buildings
- Relatively affordable residential options
- Connectivity with Golf Course Road and NH-8
- Well developed social infrastructure

- Investments in under-construction projects including BTS facilities



- Last-mile connectivity issues in public transportation
- Long distance from central areas of Delhi

- Non-receipt/delay of requisite statutory approvals in certain commercial buildings

Source: Savills India Research

Savills India foresees GCER and SPR gaining prominence in the coming years owing to the enabling factors mentioned below. Most of these have a strong correlation with the affordability of real estate products including office and residential. Demand from cost conscious occupiers especially from the IT-BPM sector, availability of grade-A quality stock and infrastructure upgrade are highly relevant factors in the real estate growth of GCER and SPR.

Factors Driving Growth of GCER & SPR



Rapid Infrastructure Development



Sub-Dollar Office Rentals



Occupier Demand across Sectors



A Sizeable IT SEZ Mix in the Supply of Grade A Office Buildings



Wide Variety of Residential Options

Rapid Infrastructure Development

Delhi Mumbai Infrastructure Corridor (DMIC): The upcoming stretch of DMIC passing in proximity to GCER and SPR is expected to be completed by 2024. Once fully operational, the stretch will fast-track the further development of the locality in all real estate segments including retail and entertainment zones. Development of integrated townships and model cities, already

underway in anticipation of the DMIC project will augment the existing real estate activity of the locality and open up newer investment opportunities.

Metro expansion, a significant real estate boost: Significant progress is underway with respect to the extension of Rapid Metro from Sector 56 to Vatika Chowk, via SPR. Once completed by 2025, the project will provide a

significant boost to the mobility of residents of both GCER and SPR. The project will also provide an alternative link to NH-8, connecting many residential areas on its way. Integration of these localities with the central areas of Gurugram and ultimately Delhi-NCR is pivotal to the real estate growth story of the area.

Key Existing & Upcoming Developments



Shifting of Kherki Daula Toll Plaza & Construction of Dwarka Expressway Cloverleaf Interchange

The Kherki Daula toll plaza connects Gurugram to Manesar. As the Gurugram district expanded, new residential sectors have come up on the other side of the toll plaza. This causes long traffic jams and queues at the toll. SPR intersects NH-8 near Kherki Daula. Therefore, shifting of the toll outside the district, scheduled to be done by Aug 2022 as per the media reports, will ease the traffic between Gurugram and Delhi and improve connectivity of sectors located on either side of SPR. This is expected to benefit commuters and provide better livability quotient. The cloverleaf interchange will link SPR with Dwarka Expressway, which will allow traffic between SPR and Dwarka Expressway without touching NH-8.

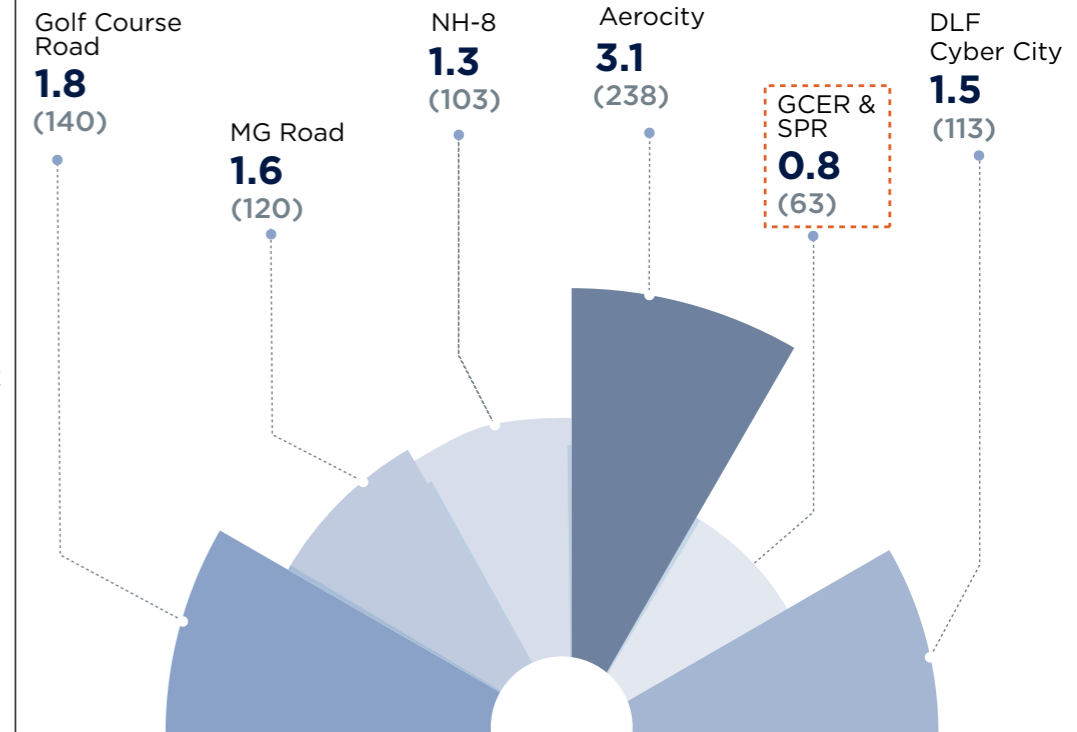
Educational Institutes	Hospitals	Retail Malls
1. DPS International Edge	1. W Pratiksha Hospital	1. M3M Urbana
2. St. Xaviers' High School	2. Park Hospital	2. Emaar Colonnade
3. Shalom Presidency School	3. CK Birla Hospital	3. M3M Cosmopolitan
4. Lotus Valley International School	4. Suryadeep Hospital	4. Emerald Plaza
5. Orchids The International School	5. Artemis Hospital	5. WorldMark
6. The Paras World School		
7. Windsor International School		

Sub-Dollar Office Rentals

Significant rental arbitrage as compared to other prominent locations: Given the ongoing pandemic and impact on business profitability for companies across segments in the initial few months, occupiers are reevaluating their office portfolios with significant focus on competitive pricing. This is where locations such as GCER and SPR with sub-dollar office rentals and availability of quality office space hits the right chords from an occupier perspective. In times of a hybrid work model across sectors, these micro markets fit most of the shortlisting criteria of cost-conscious organisations in search of office space, suitable for relocation and/or expansion. As of Q1 2022, GCER and SPR provided rental arbitrage of approximately 74% as compared to premium locations such as Aerocity, which are closer to the Delhi International Airport. In fact, all other key micro markets of Delhi-NCR including MG Road and DLF Cyber City have surpassed the one dollar monthly rental mark.

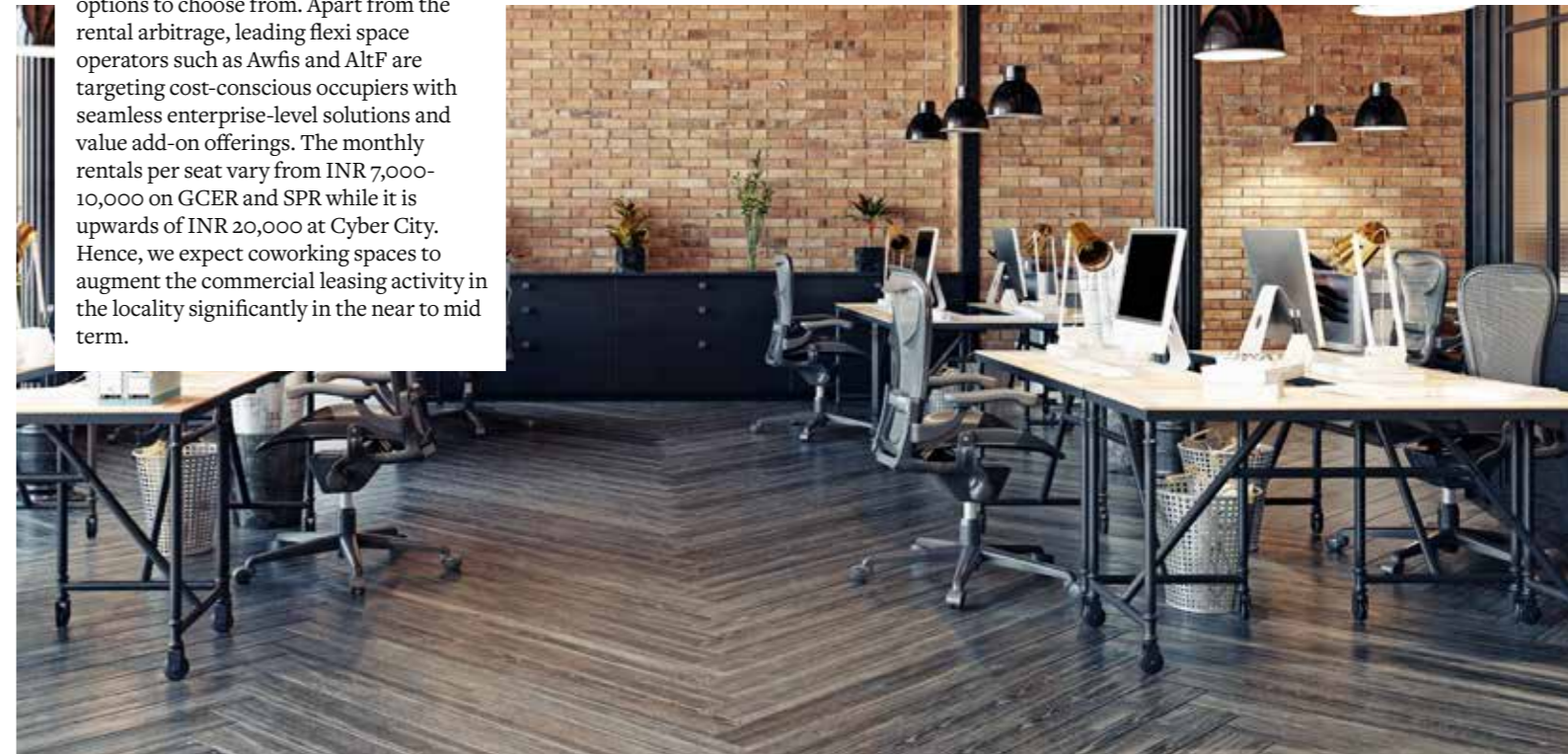
Plethora of coworking options: Given the increasing dynamic real estate requirements, organisations are adopting a flexible work model suitable for quickly scaling up or down as per business requirements. GCER and SPR offer such companies a wide array of coworking options to choose from. Apart from the rental arbitrage, leading flexi space operators such as Awfis and AltF are targeting cost-conscious occupiers with seamless enterprise-level solutions and value add-on offerings. The monthly rentals per seat vary from INR 7,000-10,000 on GCER and SPR while it is upwards of INR 20,000 at Cyber City. Hence, we expect coworking spaces to augment the commercial leasing activity in the locality significantly in the near to mid term.

Commercial Office Average Asking Rents in Q1-2022 USD/sq. ft./month (INR/sq. ft./month)



Note: This is the average asking rate for majority Grade-A buildings, however, there are developments with higher/lower asking rents.

Source: Savills India Research

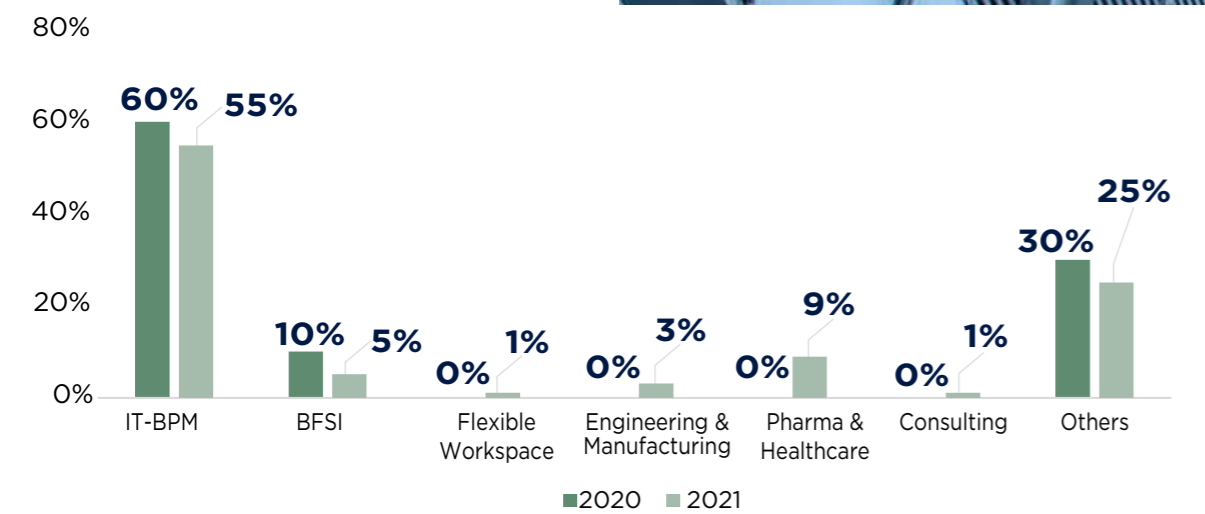


Occupier Demand across Sectors

IT-BPM driven demand: Much like other micro markets of Delhi-NCR, the office leasing activity of GCER and SPR is driven by occupiers from the IT-BPM sector. Though the share of IT-BPM in the office space uptake declined from 60% in 2020 to 55% in 2021, leasing in absolute terms increased marginally from 0.6 mn sq. ft. in 2020 to 0.7 mn sq. ft. in 2021. Noteworthy, Global Capability Centres (GCC) occupiers have been taking advantage of the rental arbitrage in the locality and expanding their operations in the country. MNCs like Stryker, Grupo Bimbo and many more have taken up office spaces in the recent years in GCER and SPR, benefitting from the comparatively low rentals and talent disposal of all Delhi-NCR simultaneously.

Manufacturing, pharma and consulting increase their footprint: Companies from sectors such as pharma and healthcare and consulting and manufacturing, have all taken note of the cost-effectiveness of the GCER and SPR area. The manufacturing segment particularly draws strength from the nearby industrial clusters in Manesar and NH-8. The three sectors contributed to around 13% of the leasing activity in 2021 as opposed to a mere 1% in 2020. Start-ups including ed-tech and fintech companies such as Chqbook, Valtech, Faircent, etc., have all made GCER and SPR the hub of their operations.

GCER & SPR: Office Leasing Sectoral Share



Source: Savills India Research

A Sizeable IT SEZ mix in the Supply of Grade-A Office Buildings

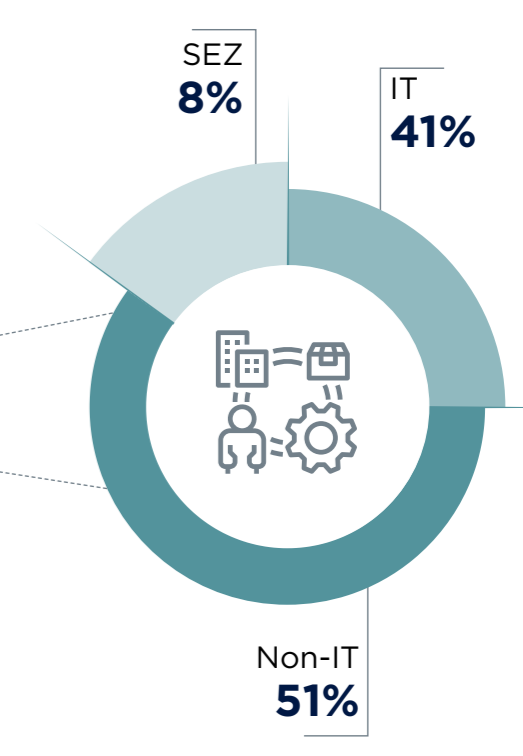
Developers reciprocate to mimic the segmental demand: In the last 3 years, Delhi-NCR witnessed a cumulative supply of around 25 mn sq. ft. of grade A office buildings. Interestingly, GCER and SPR contributed to almost 25% of these completions, mimicking the demand share of 20% of the localities in the past 3 years. Given that almost 60% of the demand in GCER and SPR comes from companies in the IT-BPM segment, developers have consciously built buildings specifically for such tenants. More than 50% of the buildings delivered between 2019-21

are categorised as IT or SEZ buildings. Thus, the proposed amendments to the existing IT SEZ law become quite critical from a locality development perspective. Also, recently delivered buildings like International Tech Park Gurugram (ITPG) by Ascendas and TRIL Centre by Tata Realty and Infrastructure Limited (TRIL) are witnessing more activity as occupiers consolidate or relocate their portfolios in Grade A buildings with better wellness standards.

Cumulative office supply 2019-21 (mn sq. ft.)



Supply composition of GCER & SPR 2019-21



Source: Savills India Research

IT SEZ driven real estate quotient: Presence of dedicated IT and SEZ buildings such as TRIL IT City, Candor T11, ITPG, etc., and a huge workforce working within or from these premises have led to increased demand of housing and retail in the catchment areas of

GCER and SPR. Infrastructure within the important neighbourhoods of the locality has received a significant boost from the local authorities in recent times, vastly improving the overall real estate quotient of the locality as compared to the overall scenario a decade ago.

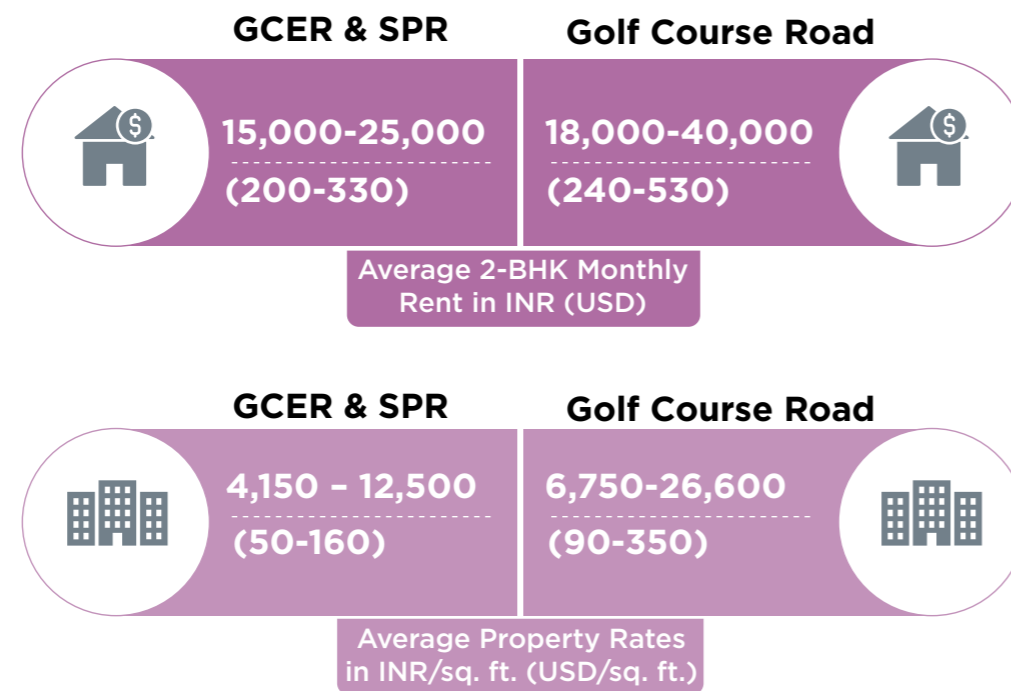


Wide Variety of Residential Options

A self-sustaining locality at a relatively low price point: GCER and SPR benefit from the availability of a wide range of relatively affordable residential products specifically targeted at millennials, working professionals, business persons, and corporates as well. Average property prices in the locality are 30-40% lower than nearby established areas like Golf Course Road. When analysed in tandem with existing social infrastructure like educational institutes, hospitals, retail malls and entertainment avenues, GCER and SPR feature as a self-sustaining locality to reside and work. Some of the prominent residential projects in the area include Ireo Victory Valley, Adani Brahma Samsara Vilasa, Ansal API Esencia, M3M Merlin, Emaar Digi Homes and Birla Estates Navya Gurugram.

Prominent shared living micro market: As far as rental accommodation is concerned, GCER and SPR continue to have the cost-advantage. Average 2-BHK rentals in these areas are 15-20% lower as compared to mature markets in the immediate vicinity such as Golf Course Road. Various organised shared living spaces have witnessed encouraging adoption by students and young professionals in recent years. For instance, coliving players such as Stanza Living, Housr, Blossom Stayz, etc., have managed to operate successfully from GCER and SPR, passing on the benefit of lower rentals to the end users.

Residential Affordability Comparison



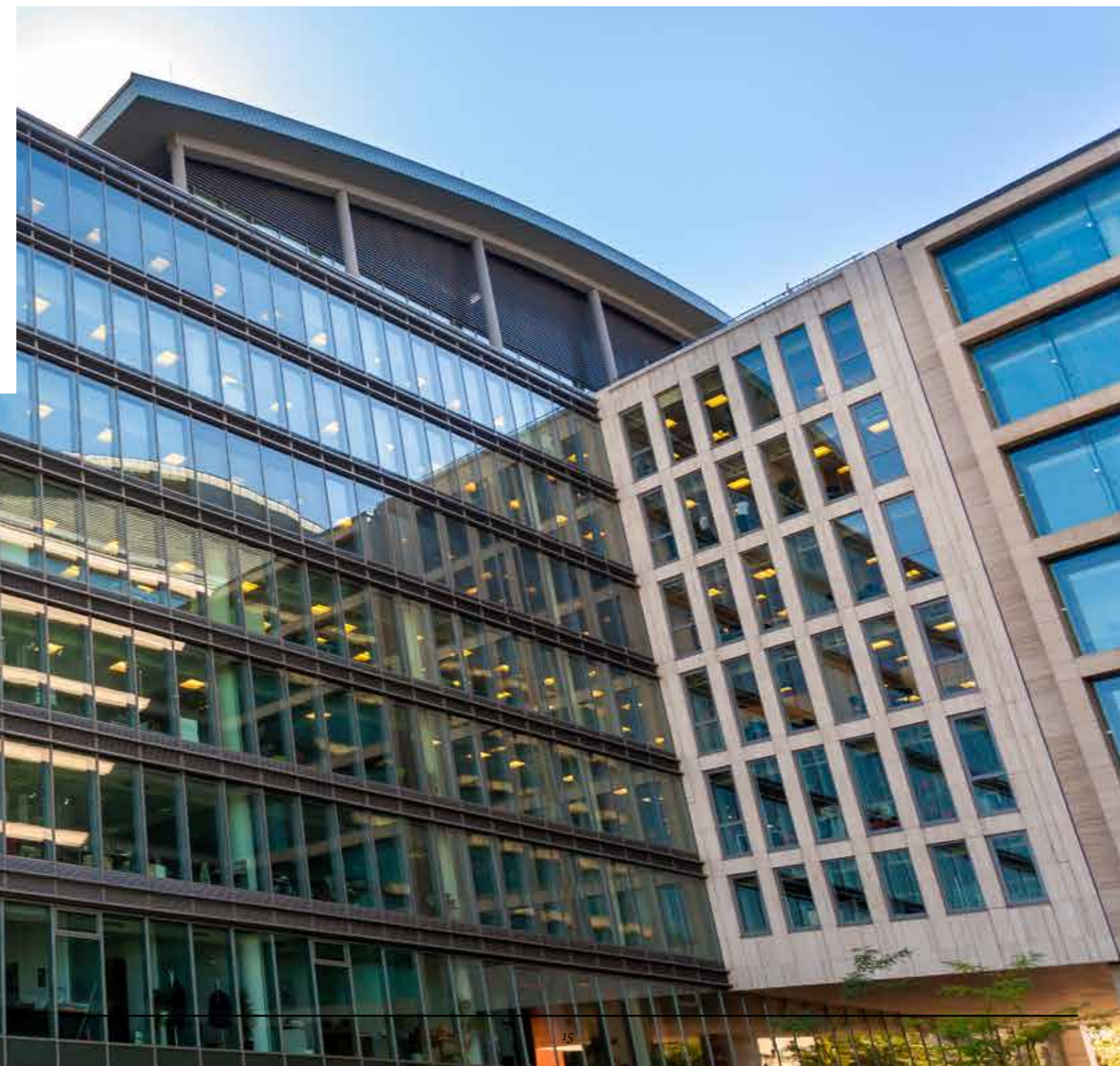
Source: Property Search Portals

GCER and SPR: The New Epicenter of Gurugram Real Estate

With modest beginnings as a fringe area of Gurugram, GCER and SPR have fast turned into an epicentre of real estate activity. Sub-dollar rentals have driven the emergence of the areas as commercial hubs of Gurugram. Furthermore, good connectivity to the Delhi International Airport and state-of-the-art amenities including

social infrastructure have all catapulted GCER and SPR as a sought-after destination for homebuyers in Gurugram. Of all the localities in Gurugram, Savills India foresees the maximum upside real estate potential in these micro markets. Completion of DMIC and expansion of metro lines will further cement

the area as a preferred destination for organisational use by companies across segments and retail developers, self-use by end consumers in the housing segment, and for investors in search of profitable ventures as well.



NOIDA Expressway: Augmenting the Real Estate Activity in NOIDA



NOIDA Expressway: Augmenting the Real Estate Activity in NOIDA

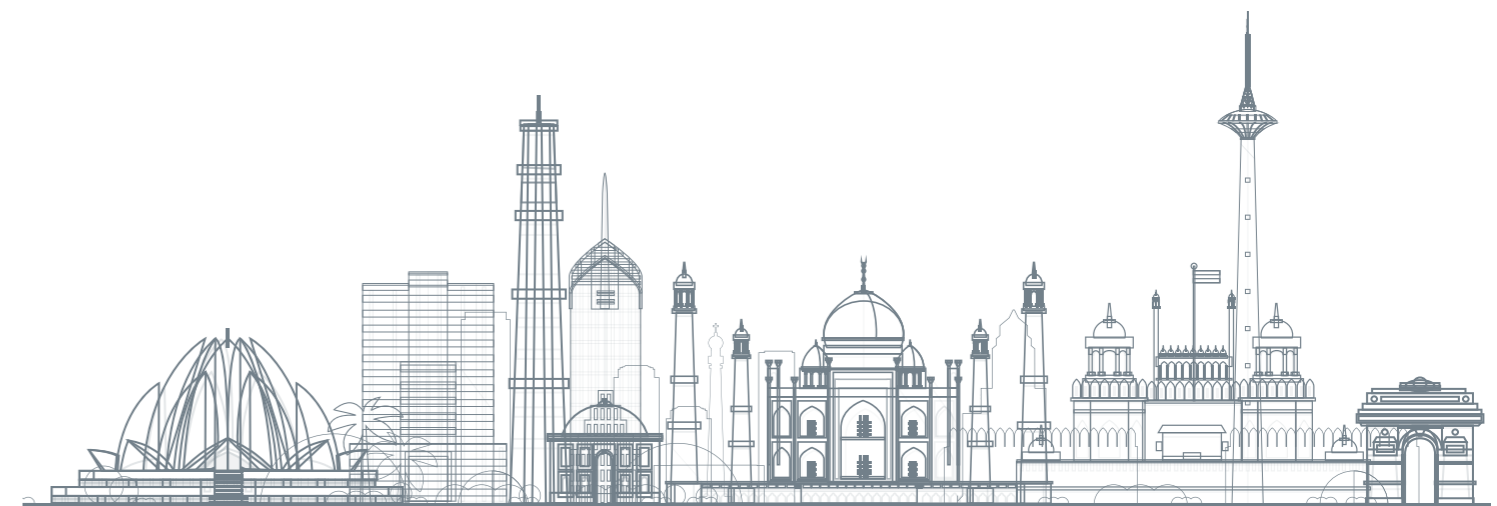
In the mid-70s, the idea of New Okhla Industrial Development Area (NOIDA) took shape, emerging from the need to decongest Delhi, especially by relocating the factories and industrial output centres. Underdeveloped real estate, across the river Yamuna towards the east of the national capital, was identified as the potential site for industrial zone development, and thus the remarkable journey of urban development in an area we now know by an acronym began.

As per the initial plan, NOIDA was meant to be an exclusive industrial area. In fact, in the initial years, any other kind of economic activity was not encouraged in the first few sectors of the city. However, by the 80s, such restrictions were removed, and residential areas started coexisting with industrial clusters. Affordable

real estate price points and infrastructure progress all contributed to the overall urban agglomeration development in NOIDA. Improved connectivity with central areas of the national capital through the Delhi-NOIDA-Delhi (DND) flyover and expansion of metro services in recent years have increased appetite of investors in the real estate market of NOIDA.

As central business district areas of NOIDA gained prominence, real estate products became less affordable as compared to peripheral areas such as the localities around the stretch of NOIDA Expressway, connecting NOIDA and Greater NOIDA. These areas have far greater upside potential in terms of urban development. Commercial office leasing activity driven by the IT-BPM sector has matured significantly in the NOIDA Expressway micro

market. Even through the ongoing pandemic, the locality has maintained its stronghold and preference amongst small, mid as well as large-sized occupiers. In 2021, NOIDA Expressway accounted for 19% of the overall leasing activity in the entire Delhi-NCR region. Presence of reputed educational institutes, hospitals, and entertainment avenues all along the expressway have made the area a fore runner of real estate activity and development in NOIDA. Upcoming infrastructure projects such as the international airport at Jewar, the metro from Greater NOIDA to Jewar and multi-modal logistics and transport hubs as well as data centres in Greater NOIDA will further supplement the city's economic activity.



Note: USD 1 = INR 76.3 on 10th March 2022

NOIDA Expressway: Real Estate Market Overview

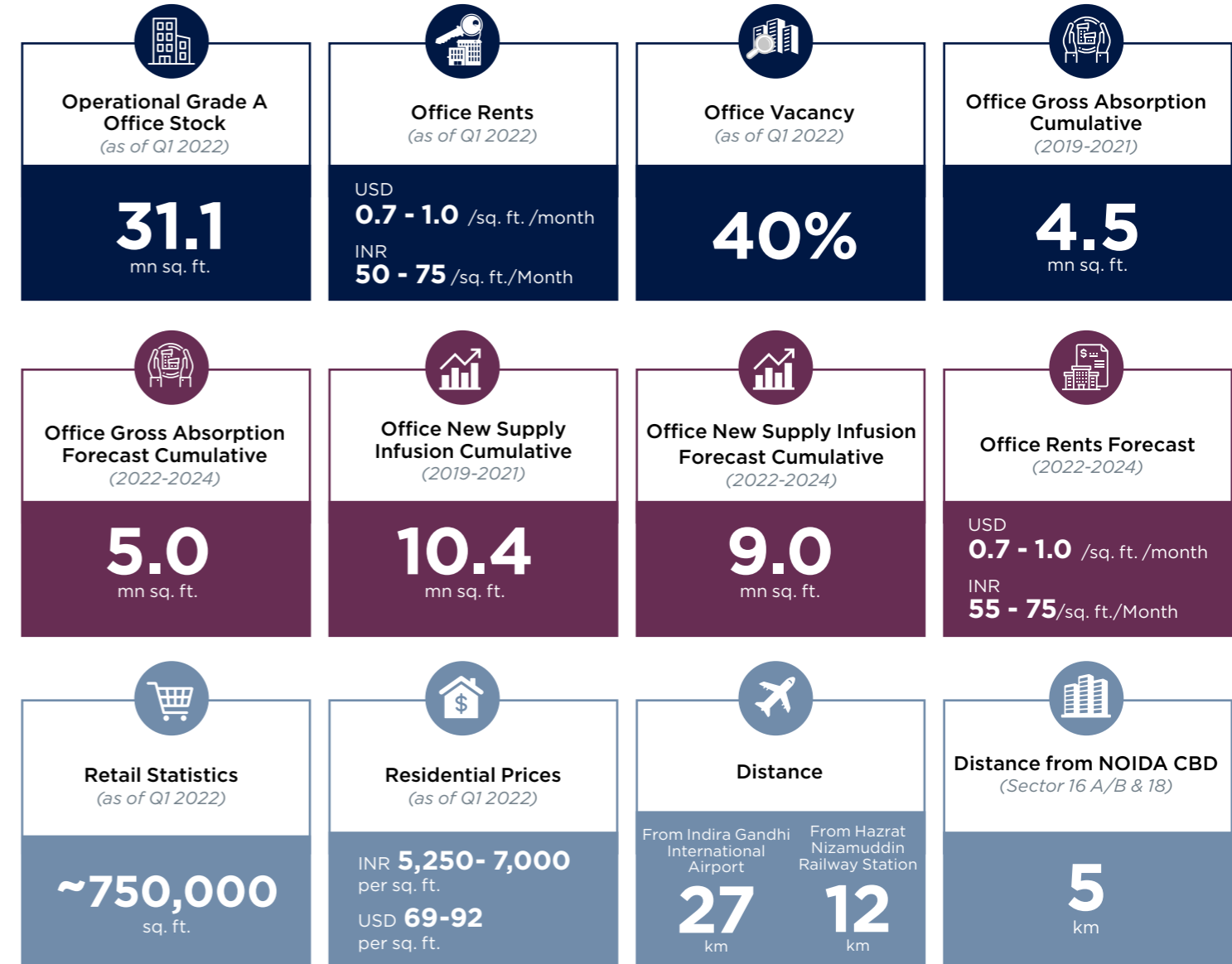
NOIDA Expressway, with an average share of 20% in the gross leasing of Delhi-NCR in 2019-21, has been driving the office leasing activity of the city. In 2019, the micro market witnessed office transactions of around 1.8 mn sq. ft.; out of these 30% were large-sized deals of 100,000 sq. ft. or more. The increased activity of the past few years, however, remained muted in 2020, on account of the COVID-19 pandemic and the uncertainty around businesses for a significant portion of the year. Consequently, office space absorption in 2021 fell by 19% as compared to 2019.

Despite the second and third wave of infections, vaccination coverage and business sentiment improved throughout 2021. Employees resumed working from offices in a measured manner and occupiers adopted a hybrid model combining the benefits of working from physical offices, and remote working. 2021 culminated with gross absorption of 1.5 mn sq. ft., which in turn was a YOY increase of 17% and highlighted the resurgence of NOIDA Expressway micro market in particular. At the end of Q1 2022, the overall stock of grade A office space and vacancy levels in the micro market stood at 31.1 mn sq. ft. and 40% vacancy. The confidence in economic

activity across sectors is likely to become more evident in 2021 and beyond. Savills India Research estimates NOIDA Expressway to witness leasing activity of around 5 mn sq. ft. from 2022-2024. The monthly average rental range, meanwhile, is expected to inch upwards towards pre-pandemic levels of INR 50-75 given in Q1 2022 per sq. ft. That being said, average office rentals will continue to remain within a dollar, which is the biggest advantage of the locality as compared to other premium locations in NOIDA and close commercial hubs of Delhi such as NOIDA Sector 16 A/B and 18, Jasola and Saket.



NOIDA Expressway: Key Statistics at a Glance



Source: Savills India Research

Similar to the uptick in office activity in 2021, the residential segment also witnessed increased traction in terms of both sales and launches. NOIDA Expressway benefitted from the reductions in home loan interest rates throughout 2020 and witnessed a YOY growth

of 15% and 30% in sales and launches respectively in 2021. Average residential prices in the area have remained stable, as developers offered discounts to clear up the inventory. Furthermore, upcoming infrastructure projects such as the international airport at Jewar and

metro line expansion from Botanical Garden to Greater NOIDA, combined with the overall affordability of NOIDA Expressway, have upped the real estate potential of the micro market be it residential, office or retail.

Infrastructure and Affordability: Drivers of Real Estate Activity in NOIDA Expressway

Well-developed existing infrastructure and an improving public transport system have played a critical role in increasing the real estate value of NOIDA Expressway. In addition to this, sub-dollar office rentals have attracted occupiers in taking up incremental spaces in the micro market. Office space demand specially from the IT-BPM sector has in a way shaped the residential demand of the locality. A combination of quality existing infrastructure and lower real estate price points have uniquely

placed NOIDA Expressway in the real estate market of Delhi-NCR.

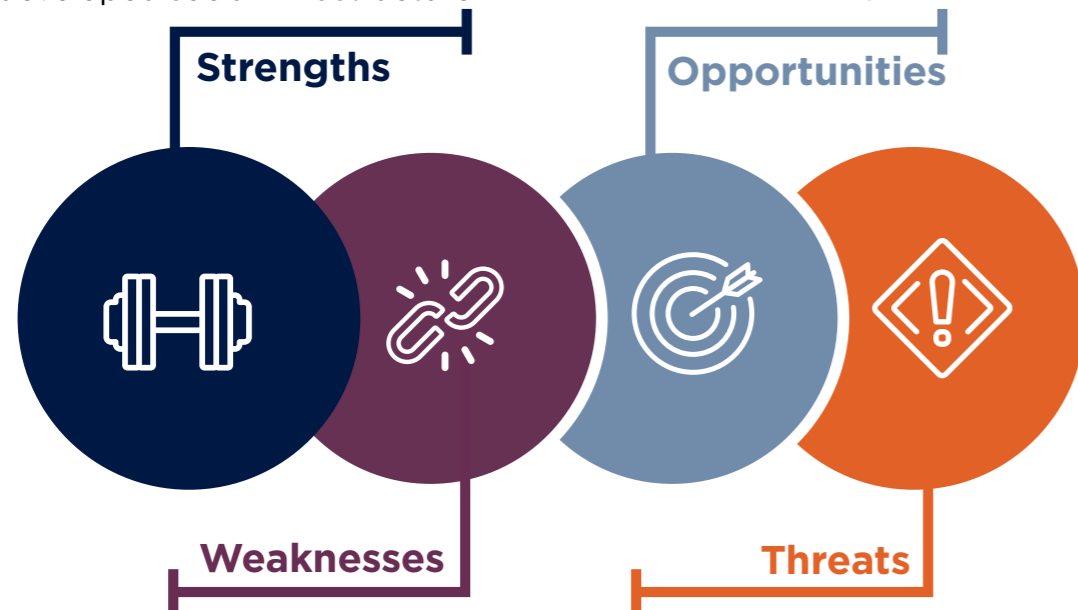
However, the locality does have certain limitations like long commute from the existing Indira Gandhi International Airport of Delhi and a limited organised retail market. Interestingly, organised demand for the retail market is catered by malls in nearby areas of NOIDA Sector 18 and 62. DLF Mall of India, The Great India Place Mall, Wave Mall and Shipra

Mall witness high footfall and are preferred by residents in and around NOIDA Expressway. A quick snapshot of the strengths, weaknesses, opportunities, and threats of the area is illustrated below. It is also important to reiterate that the strengths and opportunities outweigh the weaknesses and threats considerably and elevate the entire potential of NOIDA Expressway substantially.

SWOT Analysis of NOIDA Expressway

- Sub-dollar office rents
- Affordable residential options
- Robust existing infrastructure and public transportation system
- Planned internal as well as access roads
- Well developed social infrastructure

- Building up on the presence of IT-BPM occupiers in IT SEZs



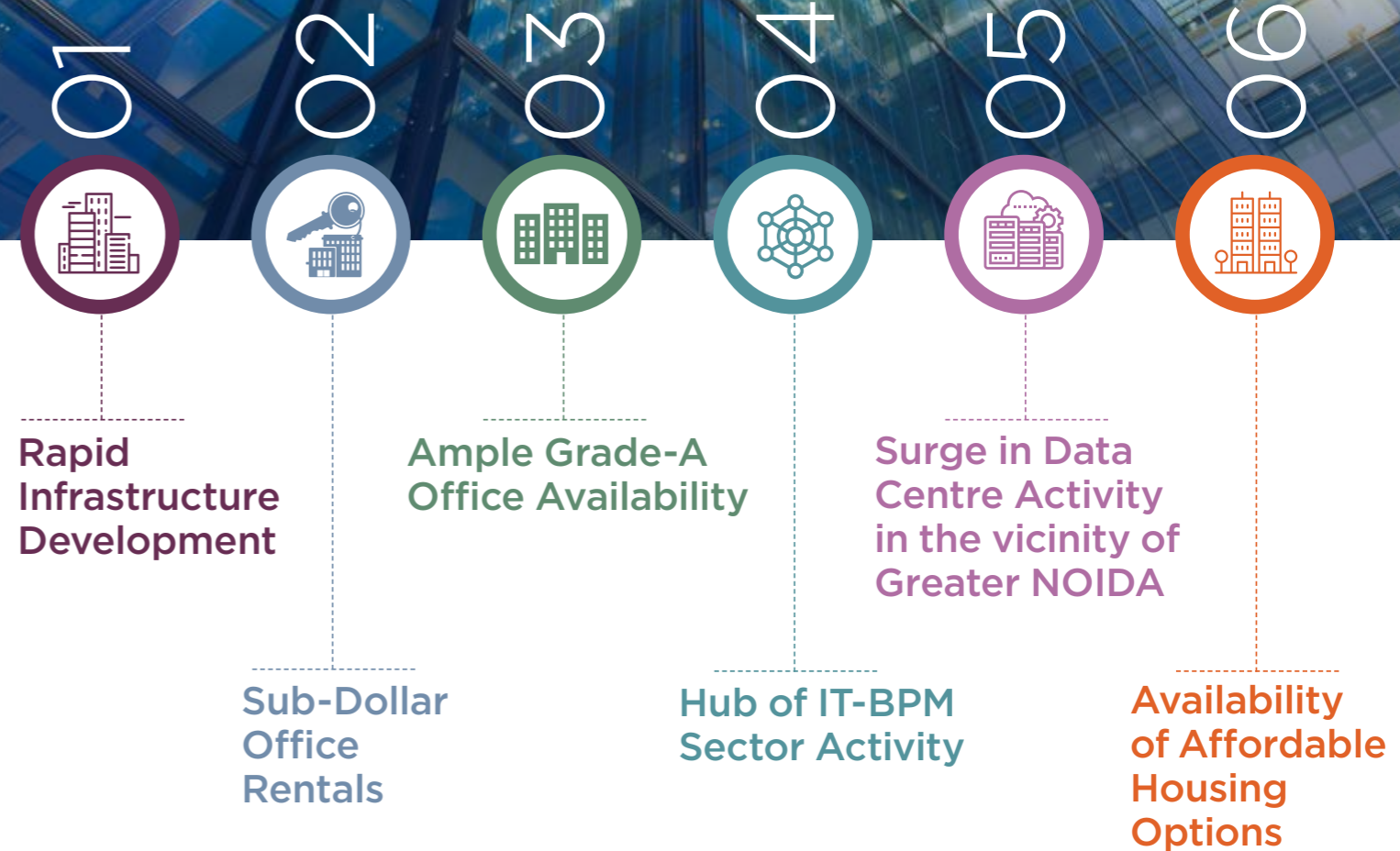
- Limited organised retail landscape
- Long commute from Delhi airport and Gurugram
- Last-mile connectivity

- Limited land availability for real estate development in the future
- Security & safety

Source: Savills India Research

Savills India foresees NOIDA Expressway to further gain prominence in the coming years owing to the enabling factors mentioned below. Most of these factors have a strong correlation with the affordability of real estate products including office and residential. Demand from cost conscious occupiers especially from the IT-BPM sector, availability of affordable housing options, gaining prominence of data centres in the vicinity of Greater NOIDA, and infrastructure upgrade are critical factors which will further accelerate the growth of the real estate market of NOIDA Expressway in the mid to long term.

Factors Driving Growth of NOIDA Expressway





Rapid Infrastructure Development

NOIDA (Jewar) International Airport: The upcoming international airport in proximity to NOIDA Expressway is expected to be completed by 2024. Once fully operational, the airport will have a multiplier effect on business activities and employment opportunities in nearby areas. The quantum impact of real estate development of NOIDA Expressway can be similar to the prolific real estate upgrade in areas of North Bengaluru close to the Kempegowda International Airport.

Upcoming UP Film City: Along with the upcoming Jewar Airport, the proposed Film City is expected to be another landmark event in the real estate development of the locality. The UP Film City is bound to be a shot in the arm for NOIDA Expressway and its economic activity sustaining capability. The project will not only attract the skilled talent involved in the film-making process but also significant support staff and workers in search of accommodation in the vicinity of the project. Apart from boosting the residential market, the thriving economic hotspot will bring in organised retail players in a market which is currently fragmented.

Educational Institutes

1. Amity International School
2. Delhi Public School, GB Nagar
3. Amity University
4. Sharda University
5. Lloyd Law College
6. Govt. Institute of Medical Sciences
7. Pt. Deendayal Upadhyay Institute of Arcaheology

Hospitals

1. Jaypee Hospital
2. Felix Hospital
3. Yatharth Super Speciality Hospital
4. Neo Hospital
5. Prayag Hospital & Research Centre

Retail Malls

1. Ansal Plaza
2. The Grand Venice Mall

Key Existing & Upcoming Developments

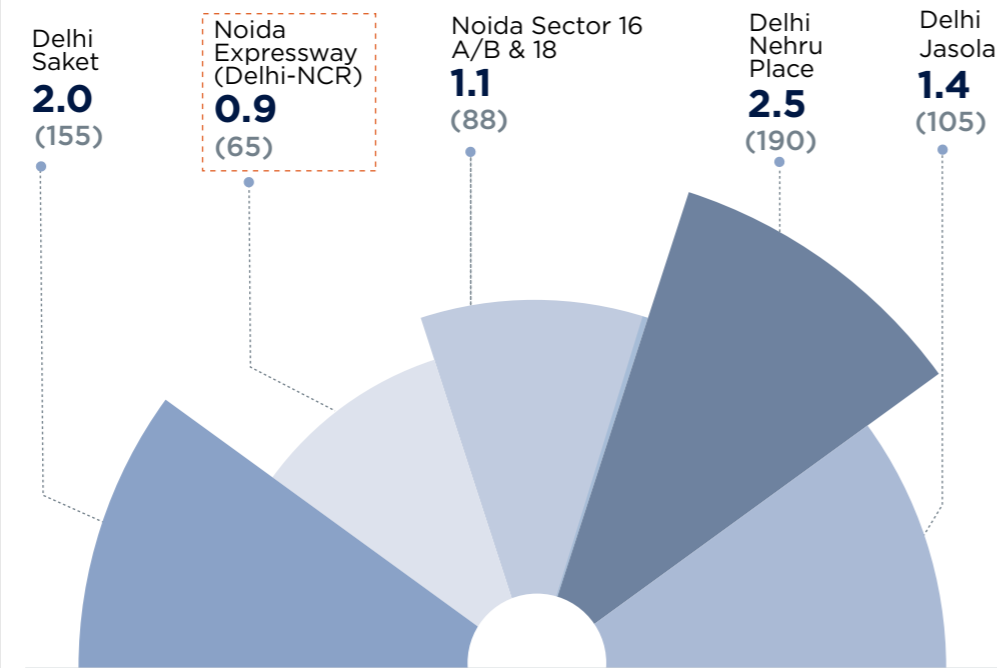


Sub-Dollar Office Rentals

Rental arbitrage: One major factor which drives the leasing activity in NOIDA Expressway is the cost advantage the locality enjoys over other thriving micro markets of Delhi-NCR. In these times of turbulence and financial prudence, several occupiers have realigned their real estate portfolio with a conscious presence along the NOIDA Expressway corridor rather than having a footprint elsewhere in premium locations of Delhi-NCR. As on 2021-year end, NOIDA Expressway offers rental arbitrage of approximately 66% as compared with upmarket central localities like Nehru Place. In fact, key micro markets of Delhi-NCR including Saket, Jasola and NOIDA Sector 16A/B and 18 have all surpassed the one-dollar monthly rental mark, whereas NOIDA Expressway, since its emergence on the office market of the capital city, has always remained a sub-dollar market.

Ample Coworking Options: NOIDA Expressway has emerged as a hotbed of coworking activity in recent times. The rental arbitrage evident in traditional office spaces of the micro market has percolated to shared spaces as well. Leading operators have targeted cost-conscious occupiers with monthly rentals per seat ranging from INR 6,000-12,000; a discount of 30% as compared to similar shared working experiences in NOIDA Sector 16 A/B. Reputed coworking players such as Regus, AltF, Table Space, Simpliwork, CoWrks and Smartworks have already tapped the NOIDA Expressway market providing holistic and curated solutions to end-users across demand sectors simultaneously.

Average asking rents as per Q1 2022
USD/Sq. ft./month (INR/sq. ft./month)



Note: This is the average asking rent for majority Grade-A buildings, however, there are developments with higher/lower asking rents.

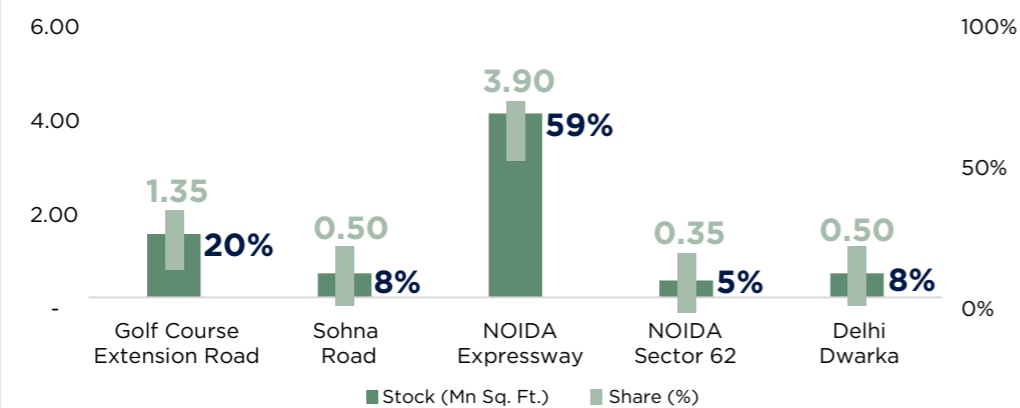
Source: Savills India Research

Ample Grade-A Office Availabilities

Maximum Grade A Supply in 2021: In 2021, Delhi-NCR witnessed grade A office supply of 6.6 mn sq. ft. Interestingly, NOIDA Expressway contributed to almost 60% of these completions. Given that the locality offers quality office spaces at relatively lower price points, NOIDA Expressway is on the radar of occupiers in search of cost-effective quality rental premises for their

organisations. Another aspect worth highlighting is the LEED certification and Platinum ratings of newer buildings in the micro market such as Assotech Business Cresterra, BPTP Capital City and Advant Navis Business Park. Such buildings are specially targeted at occupiers with well-defined ESG (Environmental, Social, and Corporate Governance) and wellness parameters.

Micro Market Wise Supply (Mn sq. ft.) & Share (%)



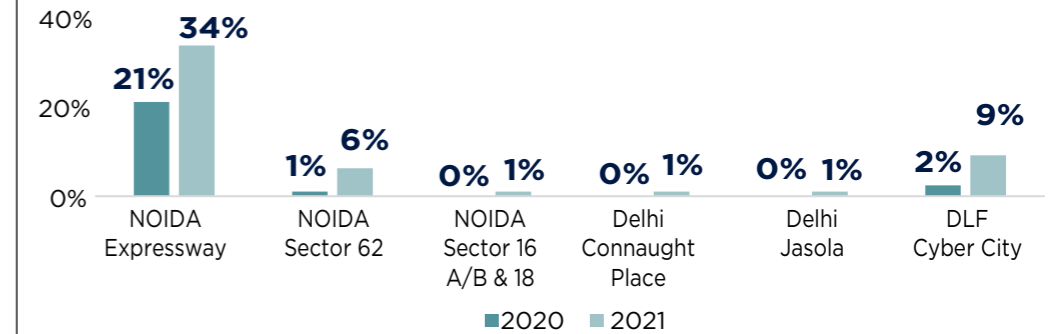
Source: Savills India Research

Hub of IT-BPM Sector Activity

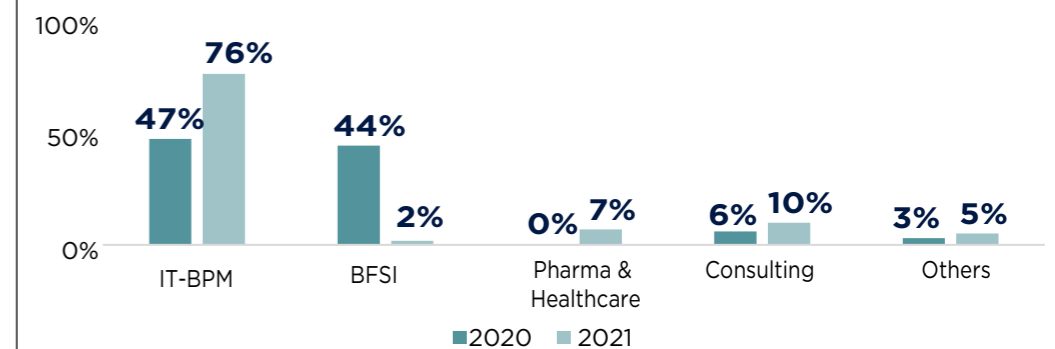
Preferred Destination for IT-BPM Sector: Since the onset of the pandemic in 2020, the resilience displayed by the office market of the country is largely on account of the impressive adaptability of the IT-BPM sector in a vastly altered and dynamic working environment. Within the IT-BPM landscape of Delhi-NCR, NOIDA Expressway has remained a driving force of the strong resilience of 2020 and subsequent resurgence of 2021. In fact, the share of the locality in IT-BPM leasing has increased from 21% in 2020 to 34% in 2021.

Noteworthy, large-sized deals of 100,000 sq. ft. or more have driven this dominance; around 82% of the 2.7 mn sq. ft. of office space transactions in the last two years in NOIDA Expressway have been large-sized and around 65% of them belong to the IT-BPM sector. In addition, MNCs like Netmagic, Samsung R&D, Ernst and Young among others have taken up office spaces in the recent years in NOIDA Expressway, benefitting from the comparatively low rentals and talent disposal of all Delhi-NCR simultaneously. Savills India expects the IT-BPM sector to remain the driver of office space take-up in 2022 and beyond. Significant demand is likely to come from other sectors such as e-commerce, healthcare and consulting in the near term.

Micro Market Wise Share of IT-BPM Office Space Demand in Delhi-NCR



NOIDA Expressway: Office Leasing Sectoral Share



Source: Savills India Research



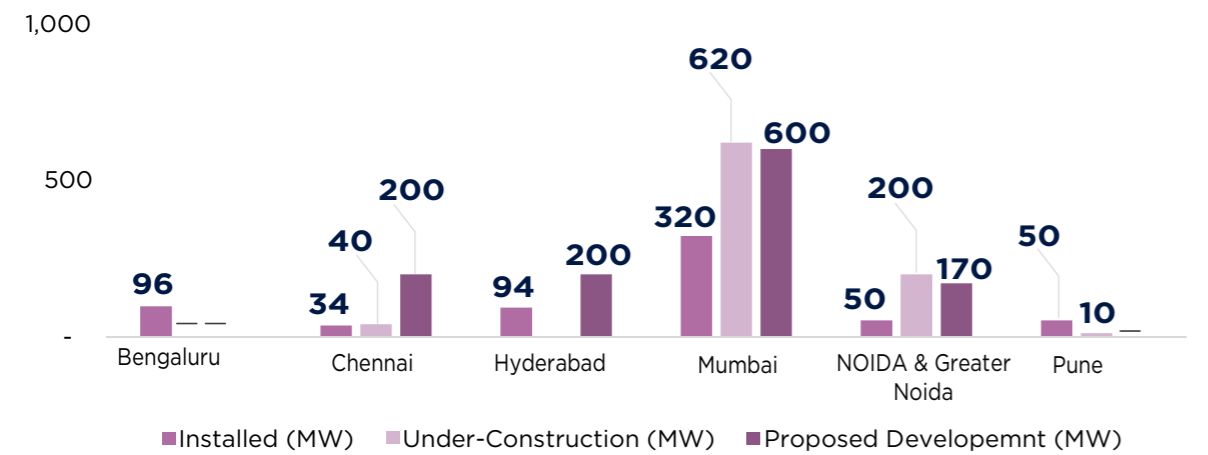
Presence of IT SEZs and STPIs (Software Technology Parks of India): Presence of established IT SEZs and STPIs in NOIDA Expressway is one of the major reasons of the IT-BPM-dominated office leasing activity in the micro market. As of December 2021, the locality has an IT SEZ stock of around 14 mn sq. ft. including prominent ones like Oxygen Business Park, Candor TechSpace, Artha SEZ, Assotech Business Cresterra and Advant IT Park. In addition to the IT SEZs, NOIDA Expressway also features exclusive Software Technology Parks. In the three-year period 2015-18, NOIDA Software Technology Parks had contributed to around 5% of the total STPI exports in the country. These IT SEZs and STPIs have all played a very critical role in the real estate demand from all stakeholders in the catchment areas including NOIDA Expressway.

Surge in Data Centre Activity in the vicinity of Greater NOIDA

Exponential growth potential: Given the exponential growth potential, the data centre industry in the country has been in focus in the recent times. The sector was recently accorded infrastructure status, which means access to cheaper financing and massive surge in investor appetite for the sector. NOIDA, especially the stretch along the NOIDA Expressway with its comparatively lower rentals, recent improvements in infrastructure including power supply and virtue of being in a hub of high data usage, has enormous potential to become the nucleus of data centre activity in the northern part of the country. Furthermore, an established IT-BPM industry in Delhi-NCR and massive government push with respect to data localisation have set the tone for thriving data centre activity in and around NOIDA Expressway.

Some of the prominent data centre operators in NOIDA and Greater NOIDA are Ctrl S, NTT, Yotta, Nxtra Data, Sify, ST Telemedia and Web Werks. As of May 2021, NOIDA and Greater NOIDA had a data centre stock of 50 MW, which translated into a real estate footprint of 0.5 mn sq. ft. Additionally, data centres with a capacity of around 370 MW corresponding a footprint of 3.5 mn sq. ft. of leasable area, are under various stages of development. The upcoming projects have an investment potential of around INR 15,000 Crore and aim to provide direct employment to around 2,500 people upon completion by 2024¹². Moreover, these employment opportunities will have a cascading effect on the real estate growth story of NOIDA including NOIDA Expressway.

City Wise Data Centre Stock in India



Source: Savills India Industrial Research

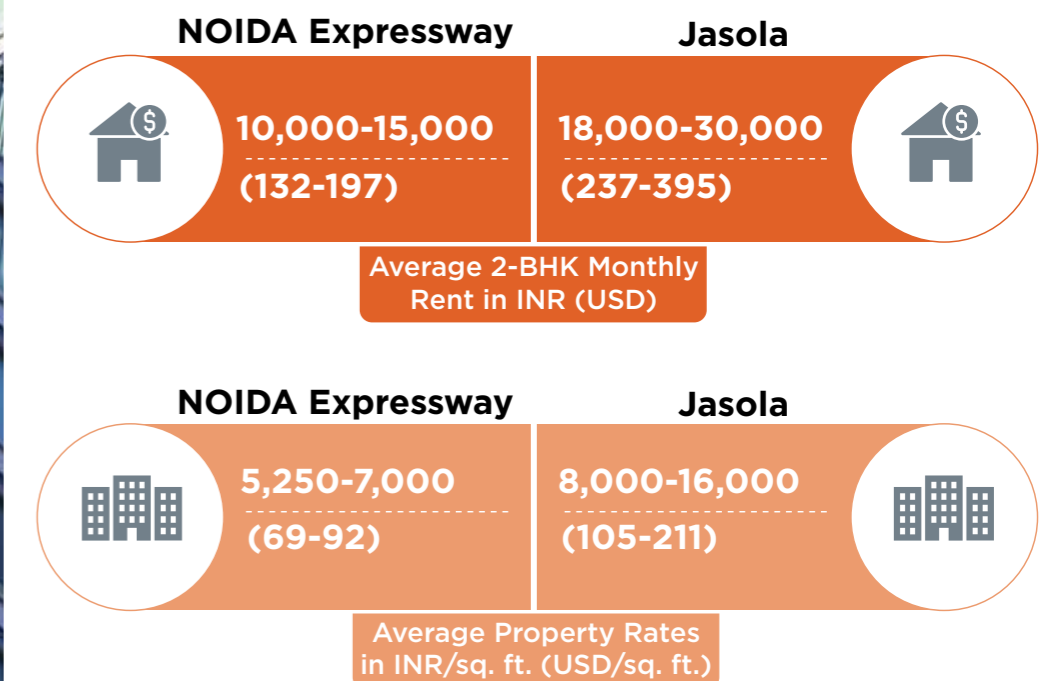
¹² <https://timesofindia.indiatimes.com/city/NOIDA/construction-of-two-more-data-centres-at-ydc-to-begin-in-jan/articleshow/88039085.cms>

Availability of Affordable Housing Options

Comparative low housing prices: NOIDA Expressway is not only on the radar of occupiers and MNCs to set up their offices, but also residents who are trying to take advantage of the wide array of affordable housing options the locality has on offer. Average property prices in the locality are 40-50% lower than nearby established areas like Jasola. Some of the prominent gated residential projects in the area include Gulshan Ikebana, Mahagun Meadow, ATS Pristine, Jaypee Greens Kalypso Court and Grand Omaxe. NOIDA Expressway is attractive for residents not only in terms of relatively low housing cost but also lower overall cost of living. These factors along with other added elements such as talent mobility from Delhi and nearby cities, good employment opportunities and better infrastructure ecosystem including social infrastructure make NOIDA Expressway ideal for people from all walks of life to settle in.

Well-developed social infrastructure: Presence of reputed educational institutes like Amity International School, Delhi Public School, Lotus Valley International, etc., and medical facilities like Jaypee Hospital, Felix Hospital, etc., have provided an ecosystem which is self-sufficient for the people residing in NOIDA Expressway. The overall social infrastructure of the area is likely to develop rapidly once connectivity improves further with the proposed Jewar International Airport and UP Film City. Affordable price points and well-developed social infrastructure have made NOIDA Expressway a particular favourite across a variety of end-users including young professionals and investors in search of maximum upside potential on a probable exit in the long term.

Residential Affordability Comparison



Source: Property Search Portals

NOIDA Expressway: A Vital Cog in Real Estate Development of NOIDA

Almost half a century ago, NOIDA was set up as an industrial town to encourage small industries and as an outreach to Delhi's lack of space for industrial areas. Today, it has become one of the fastest growing cities in the National Capital Region of Delhi. Interestingly, this strong pace of growth is more so evident in the areas in close proximity of the NOIDA Expressway, as the city itself first grew inwards and thereafter began developing rapidly radially outwards. NOIDA Expressway with its sub-dollar office rentals, IT SEZ

centric activity, data centre development in the vicinity, affordable and wide variety of housing options and planned existing infrastructure has become a vital cog in the overall real estate growth story of NOIDA. With newer infrastructure projects such as the international airport being undertaken on a war footing basis, NOIDA Expressway is destined to lead the economic as well as real estate development of not just NOIDA, but all of Delhi-NCR.

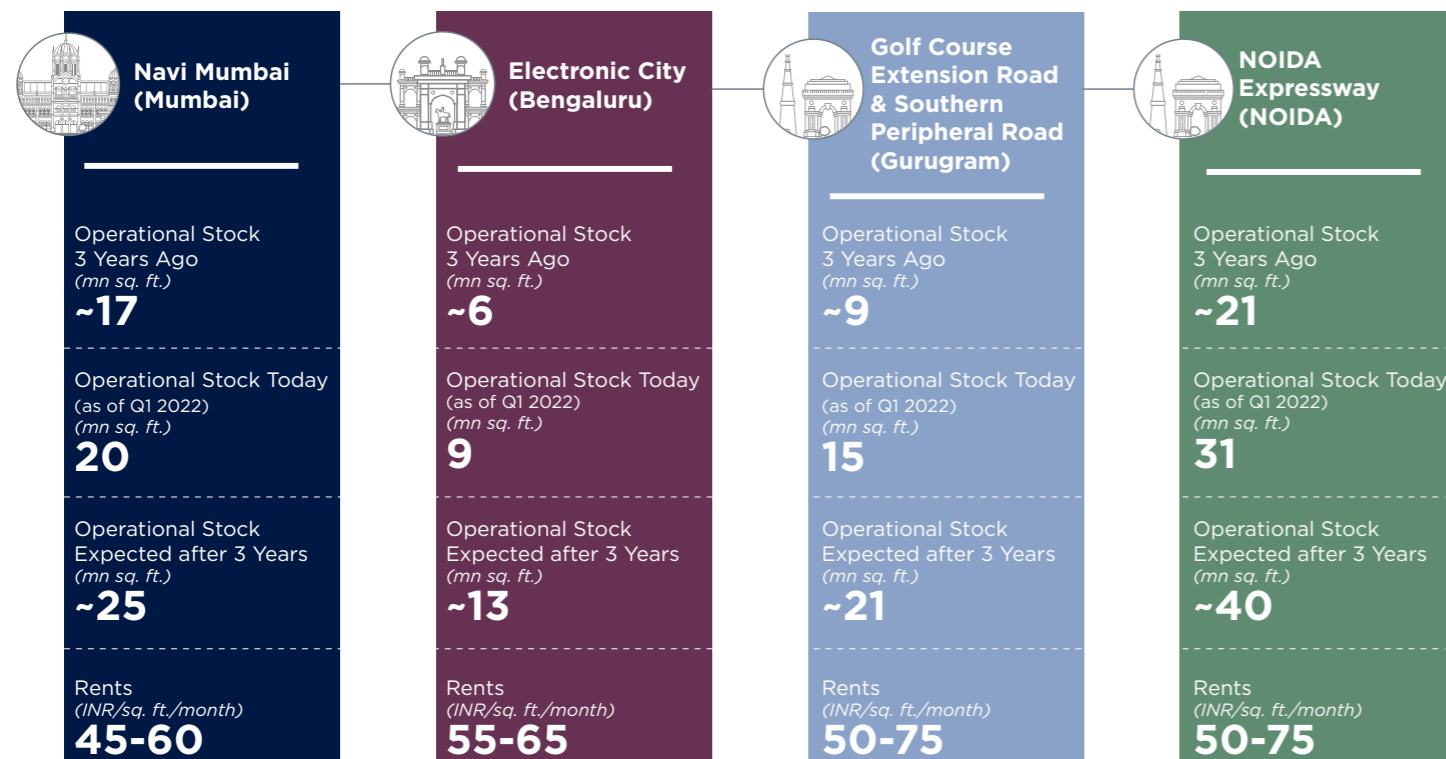
Over the last 3 years, the overall office stock in the dollar-edge micro markets of Mumbai, Bengaluru and the NCR has together grown by about 42%; and is expected to expand by about 32% over the next 3 years

Afterword

Sustained sub-dollar office markets have created immense growth opportunities for all real estate stakeholders including occupiers, developers, as well as investors. Office occupiers continue to benefit from attractive sub-dollar outflows, when global balance sheets are consolidated, whereas the developers are benefiting from lower land prices and thereby equipped to cater to the needs of large occupiers. The investors continue to find the yields attractive in office, retail, logistics and data centre assets in these markets.

Along with the growth of commercial real estate activity, these markets are showcasing inclusive development in the form of robust infrastructure, residential development, logistics expansion, and data centre opportunities, among others. We feel the stakeholders will continue to consider these sub-dollar office markets for reaping the benefits that these markets offer. We expect these 'dollar-edge' office markets to continue to register healthy growth in the near future.

Sub-Dollar Rent Office Markets' Potential to Grow



Source: Savills India Research



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 India is a group company of Savills PLC and is a premier professional international property consulting firm. With full-service offices in Ahmedabad, Bengaluru, Chennai, Hyderabad, Delhi-NCR, Mumbai and Pune, the firm serves occupiers, investors and developers of real estate.

Savills India provides services across office leasing, project management, capital markets, valuations, research, consulting, industrial and logistics, and residential services. Started in India in 2016, the company employs over 450 professionals.

Authors

Megha Maan

Director
Research & Consulting
megha.maam@savills.in

Suryaneel Das

Assistant General Manager
Research & Consulting
suryaneel.das@savills.in

Diksha Gulati

Assistant General Manager
Research & Consulting
diksha.gulati@savills.in

Shashwat Srivastava

Assistant Manager
Research & Consulting
shashwat.srivastava@savills.in

Arvind Nandan

Managing Director
Research & Consulting
arvind.nandan@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

City Leadership

Shweta Sawhney

Managing Director
Delhi-NCR
shweta.sawhney@savills.in

Media Queries

Nitin Bahl

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

Regional Management

Bhavin Thakker

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

Sarita Hunt

Managing Director
Bengaluru
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

Gurugram

3-A, Second Floor, Building 9B
DLF Cyber City, Phase 3
Sector 24, Gurugram 122 002
Haryana, India

Chennai

Savills, 5th Floor, North Wing
Harmony Square, New No. 48 & 50
Praksam Street, T. Nagar
Chennai 600 017
Tamil Nadu, India

Ahmedabad

INC-02, The first Commercial Complex
B/S Keshavbaug Party Plot, Vastrapur,
Ahmedabad 380 015
Gujarat, 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

Bengaluru

15th Floor, SKAV SEETHALAKSHMI
Corporation No.21, Kasturba Road
Bengaluru 560 001
Karnataka, India

Hyderabad

Office No. 06B-106, 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 2022.