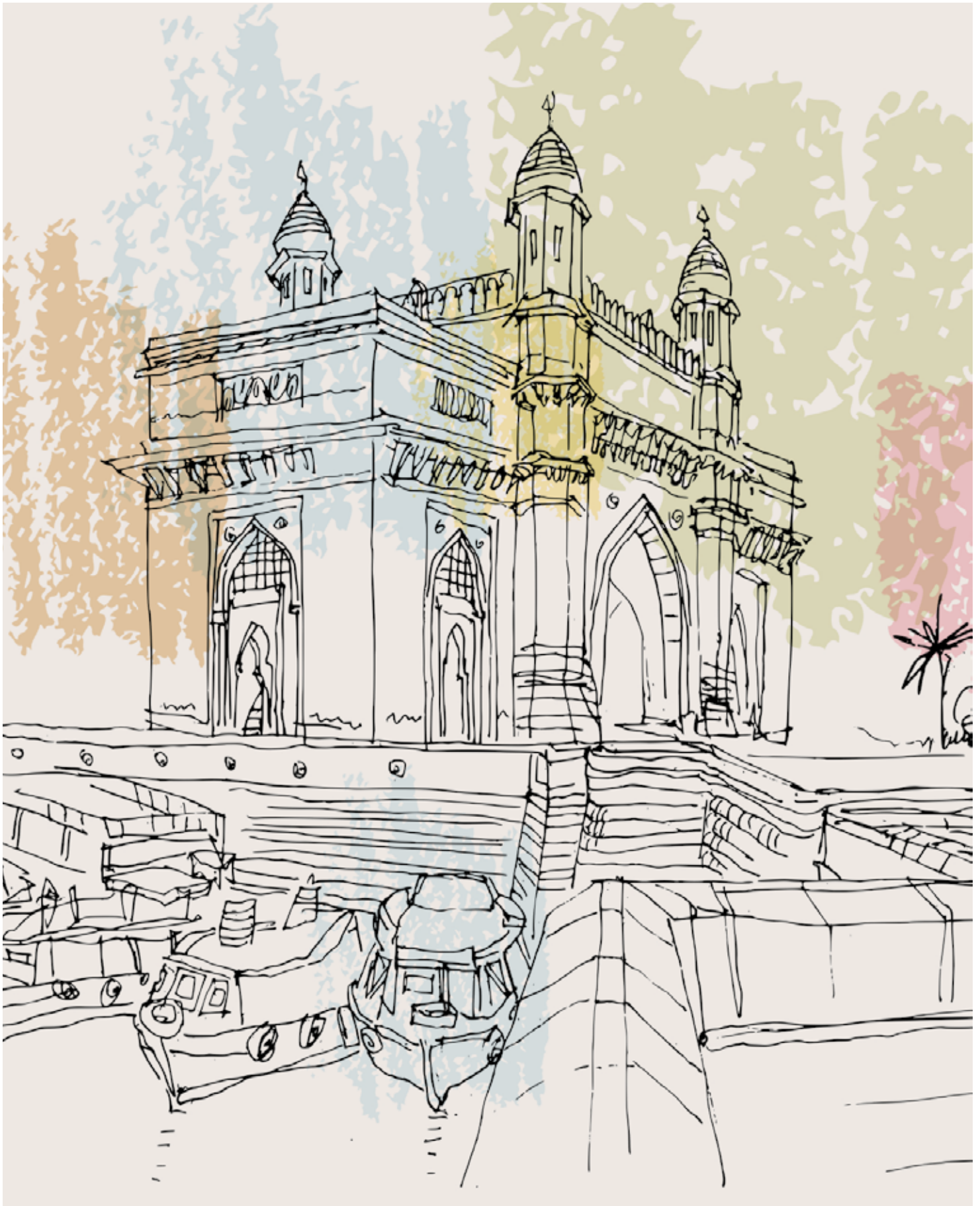


India - H1 2020

Q  
SPOTLIGHT  
Savills Research

# Mumbai Market Watch Office







## World Economic Features

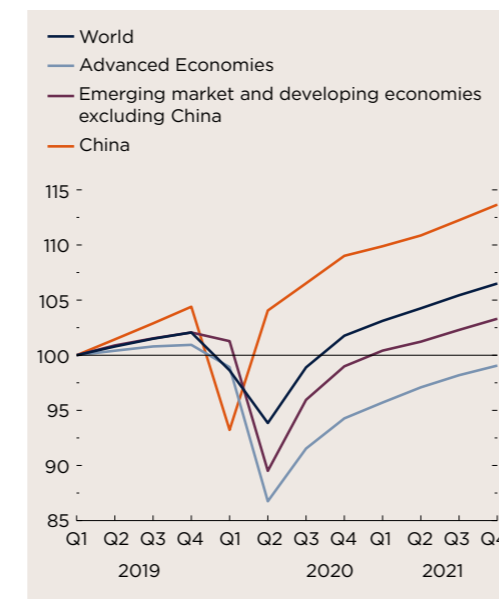
The world entered 2020 with expectations of steady GDP growths across geographical pockets, with significant improvements in emerging economies.

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.

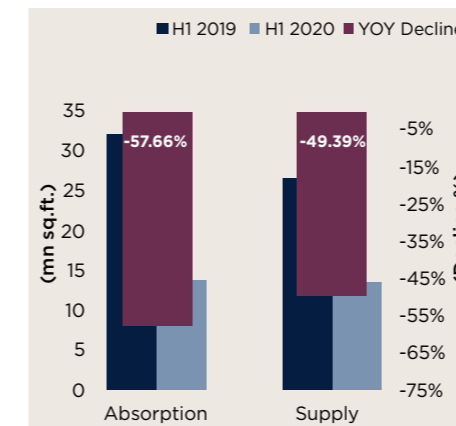
### India’s Office Real Estate in H1-2020

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

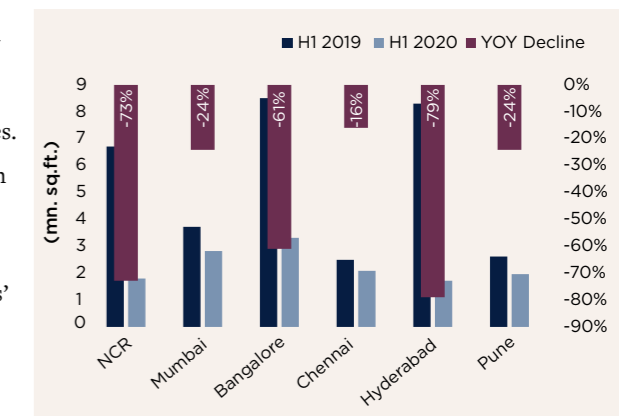
It is important to take a quick view of the mid-year demand patterns and present a brief year-on-year comparison for each of the six cities.

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.

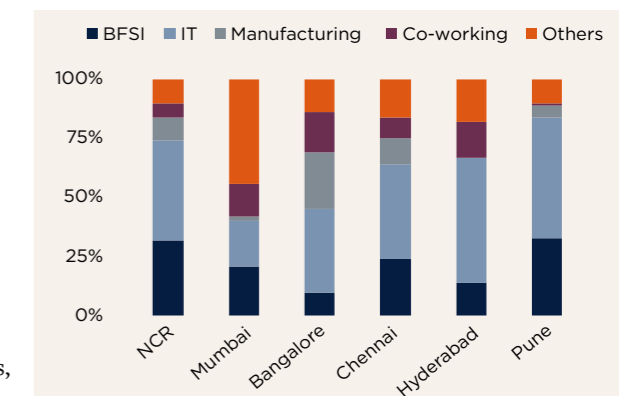
This section has presented a top-level summary of office markets’ performance on the national scale. Further details on absorption, stock and supply, rentals, vacancies, sectoral splits, etc. are provided in each city section.

**Demand Comparisons: H1 2019 vs H1 2020**



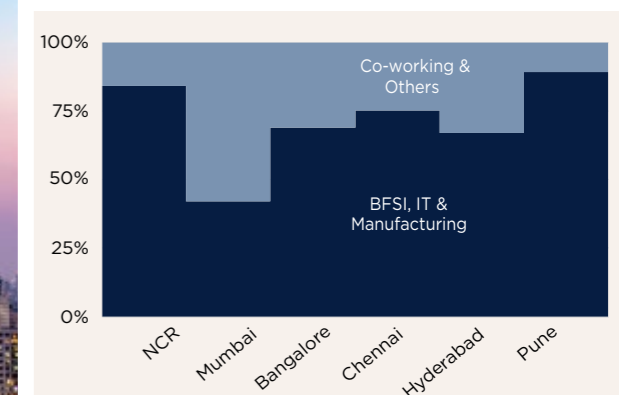
Source Savills India Research

**Demand Sectors in H1 2020**



Source Savills India Research

**Core Demand Sectors in H1 2020**



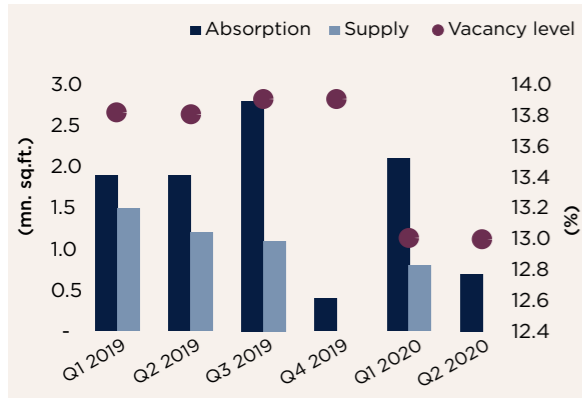
Source Savills India Research





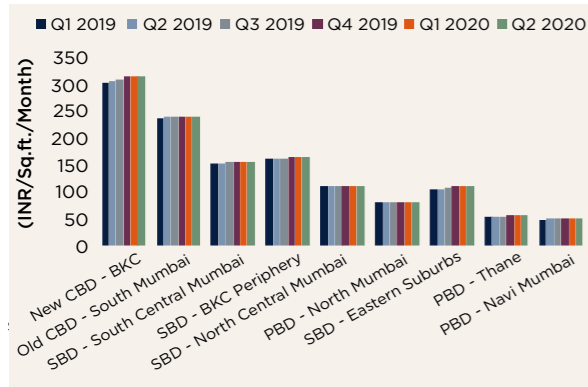


Mumbai Absorption, Additional Stock and Vacancy, Q1/2019 to Q2/2020



Source Savills India Research

Rental Trends - Micro market Wise, Q1/2019 to Q2/2020



Source Savills India Research

### MUMBAI COMMERCIAL OVERVIEW

#### Demand:

The office market of Mumbai Metropolitan Region (MMR) has been performing well since the last 5 years. 2019 particularly witnessed strong leasing activity with transactions of over 6.9 mn sq.ft taking place. The momentum continued into 2020; with space take up remaining buoyant till the nation-wide lockdown towards the end of Q1- 2020. As MMR remained under lockdown for an extensive period in response to the COVID-19 outbreak, office leasing stood at 2.8 mn sq. ft. in the H1 2020, a decline of nearly 24% YoY. Micromarkets like PBD – North Mumbai accounted for nearly 40% of the leasing activity, followed by New CBD – BKC and SBD – Eastern Suburbs with 15% and 12% share respectively.

#### Supply:

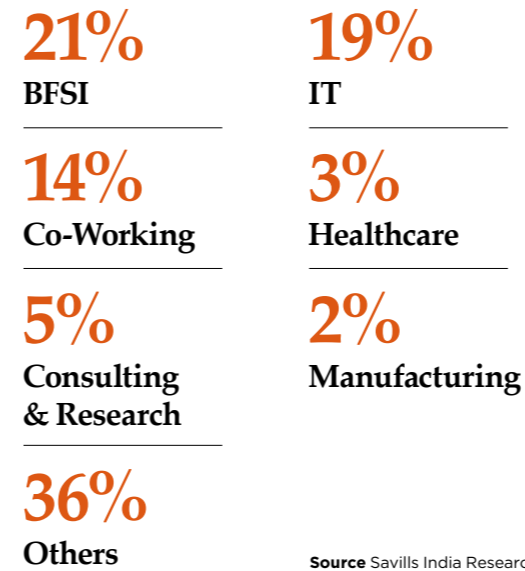
As supply chain disruptions and labour issues became real bottlenecks in construction related activities for most of April, May and June 2020, incremental office stock creation was negligible. H1-2020 witnessed 0.8 mn sq.ft of additional stock creation- a decline of 70% YoY. Micromarkets like Navi Mumbai, PBD – North Mumbai and SBD – Eastern Suburbs saw bulk

of the additional supply creation, and at the end of H1 2020, the total stock stood at around 125 mn sq.ft for MMR. Commencement of Unlock 1.0 & 2.0 indicates a revival of sorts, though putting a number to it still remains difficult.

#### Vacancy, Rentals and Segmental Demand:

Vacancy levels have been around 13% in H1 2020. Despite a drop in the leasing activity, the weighted average rental grew by 2% YoY in H1 2020. We do not anticipate an increase in rents in the next few quarters due to the economic and demand uncertainty. As far as the sectoral demand is concerned, Financial Services and Technology segments were the biggest contributors -21% and 19% respectively. Co-working operators accounted for 14% of the market activity in H1 2020. We foresee reduction in fresh leasing activity by co-working operators in the near term.

H1-2020: Absorption demand split sector wise



Source Savills India Research

### IMPACT OF COVID-19 AND OVERALL OUTLOOK

Leasing activity and additional supply has been affected by the COVID-19 pandemic. Many transactions were deferred by 3-6 months as businesses took a hit, on account of stringent lockdown. Many companies have put their expansion plans on hold. We expect gradual recovery in fresh leasing activity for the rest of the year. Infact, the overall recovery of commercial office market is expected to be highly contingent on how businesses react to the ever-evolving and dynamic COVID-19 situation. In the near term the tenants focus is expected to be clearly on cost optimization and creation of safe and secure workplaces. Demand generated by the healthcare segment is expected to remain favourable in the medium term.



### Key Office Transactions, H1-2020

Building	Tenant	Micro-market	Sq ft*
Lodha i-Think - Tower A	Deloitte Shared Services India Limited Liability Partnership	PBD - Thane	180,000
Akruti Business Port	HDFC Bank Limited	SBD - North Central Mumbai	140,000
Prism Tower A (MindSpace)	Tech Mahindra Business Services Limited	PBD - North Mumbai	120,000
Prism B (MindSpace)	Tech Mahindra Business Services Limited	PBD - North Mumbai	120,000
247 Park	Future Retail Limited	SBD - Eastern Suburbs	110,000

Source Savills India Research

### MUMBAI MICROMARKETS:

Old CBD (South Mumbai) - Nariman Point, Cuffe Parade, Ballard Estate, Fort and Churchgate  
 New CBD (BKC) - G Block and Other than G Block  
 SBD - I (SBD - South Central Mumbai) - Mahalaxmi, Worli, Lower Parel, Prabhadevi, Dadar West, Dadar East and Parel  
 SBD - II (SBD - BKC Periphery) - Bandra E, Bandra W, Kalina, Vakola, Khar E, Khar W, Kurla, Santacruz E and Santacruz W  
 SBD - III (SBD North Central Mumbai) - Vile Parle E, Vile Parle W, Andheri E, Andheri W, Jogeshwari E Jogeshwari W, Goregaon E and Goregaon W  
 SBD - IV (SBD - Eastern Suburbs) - Sion, Chembur, Ghatkopar, Mulund, Kanjurmarg, Powai and Vikhroli  
 PBD - I (North Mumbai) - Malad East, Malad W, Kandivali E, Kandivali W, Borivali E and Borival W  
 PBD - II (Thane) - Thane  
 PBD - III (Navi Mumbai) - Airoli, Vashi, CBD Belapur, Mahape and Turbhe

\*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.