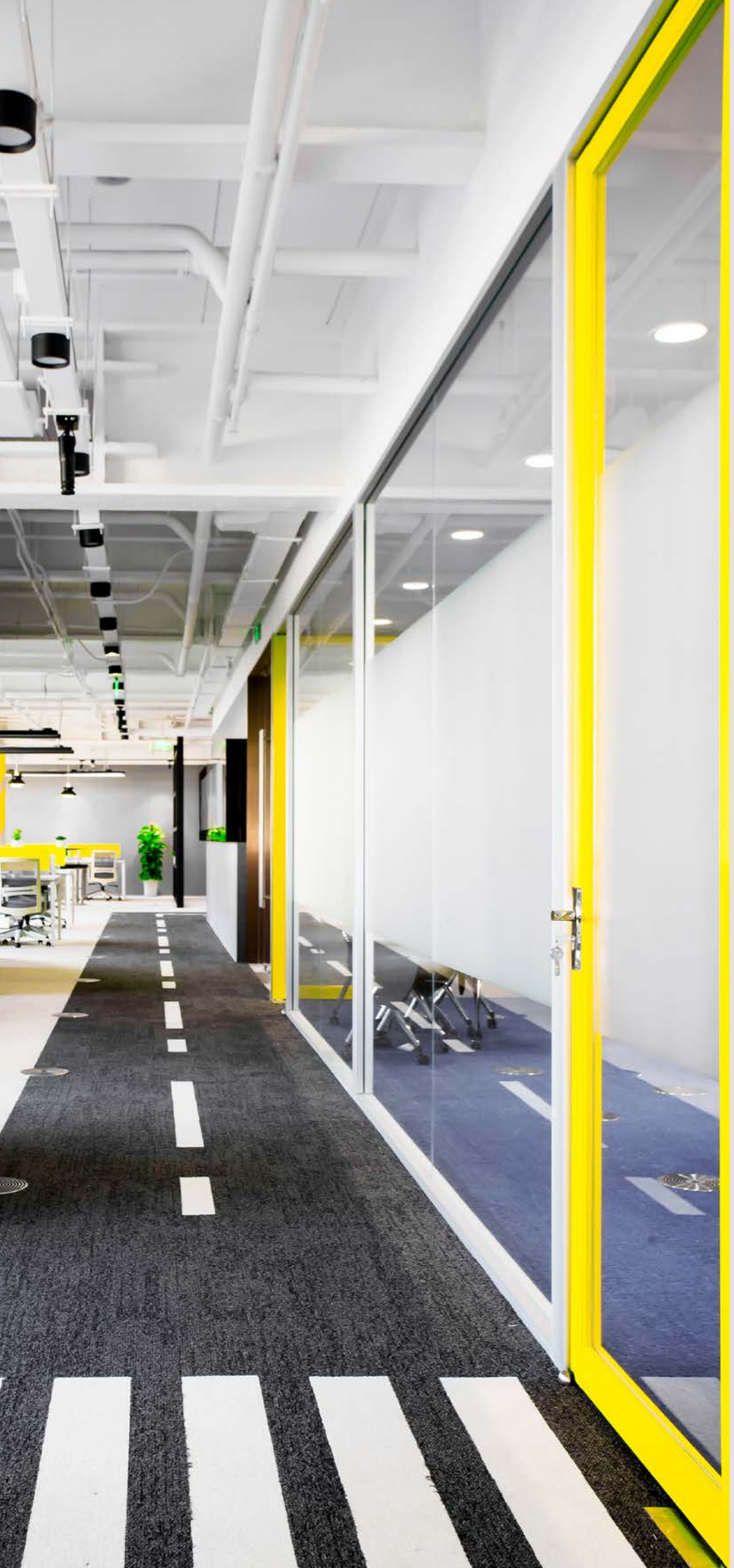
SPOTLIGHT
Savills Research

Year-End 2022

India Market Watch
Office

savills





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INDIAN ECONOMY: 2022

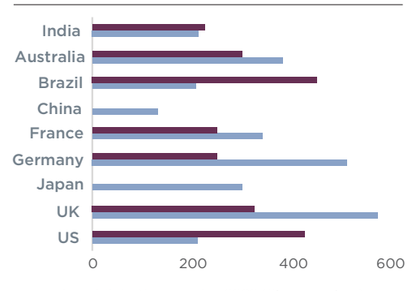
As 2022 ended, it became obvious that this was perhaps the third successive year of remarkably distinct and unforeseen events. We present a brief account, in this section, of key events that shaped the economy and real estate sector in India this year.

Successfully riding out the short-lived third wave of the pandemic in January, the country watched from a distance as the war broke out in Europe next month. It disrupted supply chains globally and sent crude prices soaring. Consequently, inflation shot above the comfort zone of central banks. Predictably, interest rates shot up around the world (*Chart-1*).

Soon, the Indian economy too began experiencing the ripple-effect of this black swan event.

GLOBAL CONCERN AREA: INFLATION

Chart-1: Central Banks' Responses to High Inflation



Source: FxEmpire, Savills India Research

1. Times of India, 8th Nov 2022
2. Trading Economics
3. CMIE

'OASIS OF STABILITY & CALM'

Inflation remained above the 6% tolerance level of Reserve Bank of India (RBI) for 10 consecutive months in 2022, only to ease towards the end, in November. The RBI, in its response, has increased the benchmark lending rate by a cumulative 225 bps since the start of FY23. However, the repo rate increases were neither too sudden nor steep to have a retarding impact on the economic resurgence. While the near-term growth prospects have been recalibrated since the beginning of 2022, India continues to be the fastest growing major economy. The IMF, in its October 2022 World Economic Outlook Report, projected a 6.1% GDP growth rate for India in FY23.

The confidence emanates from several macro-economic indicators.

For the first time since the onset of the pandemic, we witnessed a complete calendar year of manufacturing and services PMI remaining in expansionary mode (*Chart-2*). At 57.8, the manufacturing PMI was at a 26-month high in December 2022. Similarly, services PMI was at an 11-year high of 59.2 in June 2022. This happened despite the IT industry (a significant services constituent) grappling with attrition, work force realignments, moonlighting, etc., throughout 2022. Monthly GST collections crossed INR 1.4 lakh crore mark for 10 months consecutively, highlighting a strong consumption driven economic resurgence (*Chart-3*).

In another remarkable event, India surpassed the UK to become the world's fifth largest economy in the third quarter of 2022.

Union Finance Minister's proclamation **"India seems to be an oasis of stability and calm, and the challenges are being carefully firewalled"**,[1] seems to sum up the overall picture succinctly.

Potential Pitfalls

The economic rebound, however, needs to be viewed with ample caution, as potential pitfalls may lie ahead. The Indian Rupee depreciated steadily through 2022, breaching the 80/Dollar mark in September. Current Account Deficit (CAD) at 4.4% of GDP, rose to a 9-year high in Q2 FY23. In order to stabilise the Rupee, the RBI had to dip into its forex reserves. As a result, the reserves hit a 2-year low of USD 524 Bn in October. Notably though, it has since improved to USD 564 Bn.[2] The unemployment rate, though relatively manageable at 6-9%[3] throughout 2022, needs close monitoring given the volatile global economic environment.

Click here to read #SavillsRoundUp: A bi-monthly reporting of economic and real estate news



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Note: This section contains figures in Indian system of lakhs and crores (refer Appendix for international conversions)

1 USD = Approx. 82.75 INR on Dec 31, 2022

Note: FY refers Fiscal Year (Apr-Mar)

POLICY ACTION

It was the monetary policy of RBI and its regular interventions that made the headlines through most of 2022. Inflation and Rupee depreciation were tackled with several measures, namely, withdrawal of accommodative stance, consecutive repo rate increases and liquidation of forex reserves.

Policy statements and socio-political messaging retained a sense of occasion in celebrating 2022 as the **75th year of India's independence;** as also, in laying a foundation for the lead-up to the 100th anniversary in a quarter century.

Budgetary Announcements
Union Budget 2022-23, like the previous year's budget, focused on keeping the economy on an accelerated growth path, thereby progressively nullifying the devastating impact of 2020.

Landmark announcements included creation of **multi modal logistics parks** and replacement of the SEZ policy with a revamped **Development of Enterprise & Services Hub** (**DESH**) law, of which, the finer details are awaited. Unveiling of the **National Logistics Policy** in September further cemented the intent to make India a global logistics hub.

Real Estate Specific Announcements
Other direct real estate announcements included infrastructure status to data centres, unique Land Parcel Identification Number to facilitate IT-based management of records, enhanced allocation to Pradhan Mantri Awas Yojana (PMAY) and steps aimed at urban capacity development.

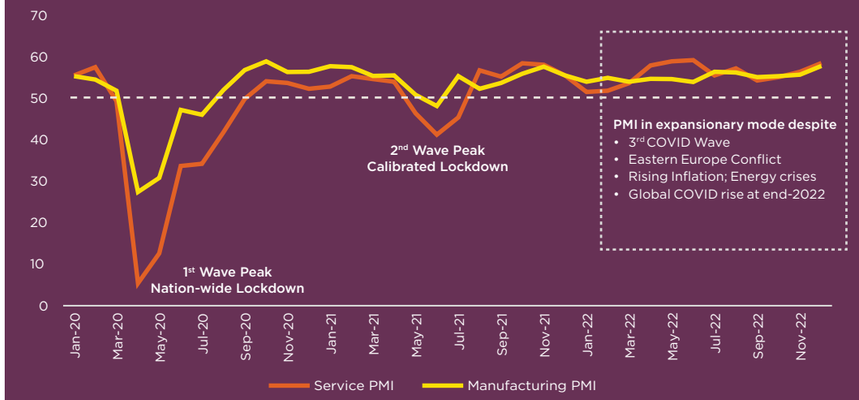
(*Refer annexure for detailed real estate specific announcements and their impact on various real estate verticals*).

InvITs and REITs were also allowed to issue commercial papers. A robust regulatory framework with considerable importance to consultative process has strengthened the stakeholder confidence in relatively nascent REITs. In November 2022, global investment firm Blackstone filed an IPO to launch India's first retail REIT.

The other notable announcement in 2022 was widening the scope of 'Real estate business' under FDI policy to include dealings in land and immovable property with a view to earn profit.

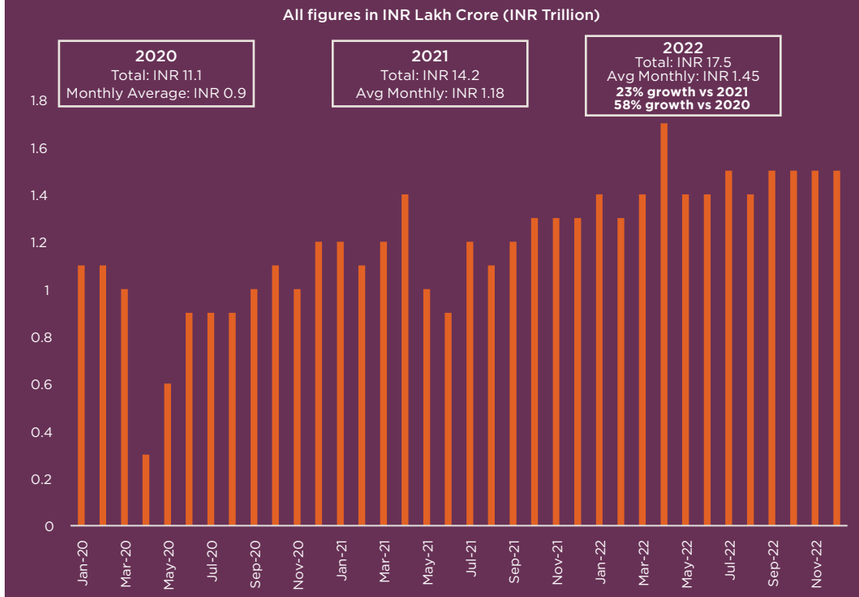
Chart-2: India: Purchasing Manager's Index (PMI) Performance

PMI is an indicator of business activity - both in the manufacturing and services sectors. A figure above 50 denotes expansion in business activity. Anything below 50 denotes contraction. The higher the difference from the mid-point (50), the greater the expansion or contraction.



Source: FxEmpire, Savills India Research

Chart-3: GST Collections



Source: pib.gov.in, Savills India Research

GLOBAL HEADWINDS & GROWTH

With the emergence of new virus variants towards the end of 2022 and the war in Eastern Europe dragging on, experts and analysts have cautioned of an imminent global economic slowdown in 2023. India is also likely to feel the impact – as is reflected in revisions of growth forecasts.

However, inherent domestic macro-economic strengths, as well as room for fiscal and monetary maneuverability, give India some advantage against upcoming uncertainties. Given that monetary policy actions take a few quarters to show the desired impact, inflation is likely to remain in controlled levels in the near term. Foreign investor confidence is also likely to remain unperturbed, in view of complex geopolitical situations in other larger economies. A watchful H1 could eventually pick up speed as 2023 progresses, is what most businesses will hope.

India Market Watch | Office Year-End 2022



In the 75th year of independence, India became the 5th largest economy (by nominal GDP) and is widely expected to reach the top 3 by 2030.

India received USD 26.9 Bn FDI Equity investments in the first two quarters of FY23 (April-September 2022). Key sectors attracting maximum FDI include the services segment, computer software & hardware, telecommunications, trading, construction development, automobile, chemicals and pharmaceuticals.



INDIA
OFFICE MARKET UPDATE

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2022 has emerged as the year of resurgence for office markets. With a 48.5% annual jump in demand, it has clearly shaken off the shackles of the COVID-induced demand drought of 2020 and 2021.

However, 2022 proved to be a year of two distinct halves. While the first half established a new record for office absorption for any H1 over the years (30 mn sq. ft.); the second half ended up lower than anticipated. Conventionally, the second half – especially the last quarter (October-December) – records high demand, which was not the case in 2022. This slowing down in the latter half of 2022 does not merely reflect new global economic uncertainties, but also holds vital clues for the near term.

In this report, we present a detailed account of the office market performance in 2022.

4. Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai and Pune

ALL-INDIA DEMAND NEARLY EQUALS PRE-PANDEMIC RECORD; NEW PEAK IN 3 CITIES

The six[4] key office markets of India recorded a gross demand of 54.8 mn sq. ft., which was only 0.9 mn sq. ft. short of the 2019 historic peak.

As noted in our half-year report for H1-2022, the demand is now broad-based, and not as heavily reliant on the IT-BPM sector as it was during the pandemic years of 2020-21. Flexible workspaces, noticeably, have rebounded from a near knock-out situation in 2020, to become a strong driver of office demand once again.

Interestingly, Chennai made an entry in the top 3 markets in 2022, positioning itself at the third place. The top two markets, Bengaluru and Delhi-NCR (in that order), have retained their spots for several years now. Together, the top 3 accounted for 66% of gross leasing activity in 2022.

Bengaluru created its own record of 17.3 mn sq. ft. gross leasing in a single year. In the process, it accounted for about 31.5% share of the overall India market in 2022. Similarly, Delhi-NCR registered a historic peak of 11.3 mn sq. ft.

Pune, was spectacular as it more than doubled last year's absorption; falling only marginally short of the 2019 peak.

Similarly, this year, Mumbai had a reassuring absorption growth after several years. In 2020, the financial capital had slipped to the bottom rank, but has grown remarkably in 2022 at approximately 46% YOY.

Hyderabad, previously a top performing market, slid to sixth rank. However, it remained steady with respect to its own 2021 performance, as the demand grew by a small margin.

KEY STATISTICS: 2022

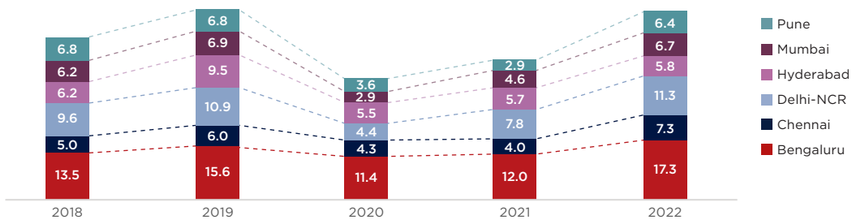
RECORD ABSORPTIONS
mn sq. ft.

Bengaluru: 17.3
Delhi-NCR: 11.3
Chennai: 7.3

New Supply	YOY change
53.4 mn sq. ft.	45.1%
Gross Absorption	**YOY change**
54.8 mn sq. ft.	48.5%

Gross absorption represents fresh leases and occupier sale, excludes renewals and pre-commitments

Gross Absorption (mn sq. ft.): Last 5 Years

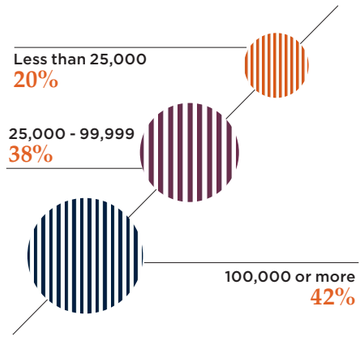


LARGE DEALS DOMINATE

Deals of large and medium sizes (over 100,000 sq. ft. and 25,001-99,999 sq.ft. respectively) accounted for 80% of the market. Large deals were clearly the most dominant (42% share), owing to IT sector's prevalence. Bengaluru's large deals comprised an overwhelming 62% of its deal-size pie. Similarly, Delhi-NCR and Pune markets were also dominated by large deals.

Mid-sized deals prevailed in Mumbai and Hyderabad; whereas Chennai was the only market which had a majority share of small size deals (below 25,000 sq.ft. apiece).

Deal Size Distribution
(size categories in sq. ft.)



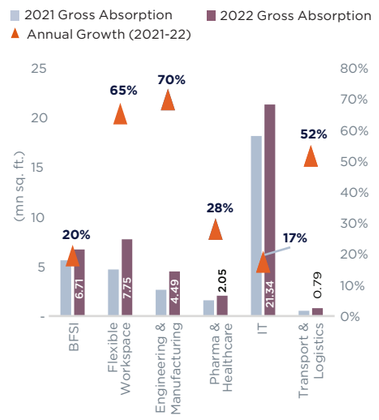
6 KEY SECTORS IN HIGH-GROWTH MODE

Annual office demand (YOY) rose in all sectors.

The growth recorded by six key sectors of high promise is shown in the chart below. IT, the largest of these, witnessed 17% YOY increase, while the second largest constituent, Coworking (Flexible spaces), grew by 65% over the last year.

Apart from these, Consumer Goods & Services, Consulting & Research and Real Estate sectors grew by over 2-3 times in 2022.

Sectorwise YOY Growth



SUPPLY & VACANCY

New supply infusion in 2022 was strong at 53.4 mn sq. ft., which was 45.1% higher than the supply infused in 2021. However, the rate of addition was higher in H1 – similar to the pattern noticed for demand.

Hyderabad remained at the forefront of new completions, recording around 16.5 mn sq. ft. of additions. It was followed by Bengaluru (12.7 mn sq. ft.) as the second placed supply infusing market. It must be noted, however, that Bengaluru's pace of supply addition slowed in 2022 compared to the previous year, when it had added over 15 mn sq. ft. Delhi-NCR also slowed in 2022, by a barely noticeable 1%.

On a pan-India scale, though, with the rise in new completions and relocations by some occupants, average vacancies increased to 18.9% from 18.3% last year.

In 2022, Bengaluru and Delhi-NCR added less quantum to office stock than they did in 2021. All other cities added more compared to last year.

RENTALS

All markets, barring Hyderabad, witnessed an increase in average rentals in 2022. However, the spectrum of disparity was clearly in evidence.

While Gurugram in Delhi-NCR reported double-digit rise in certain micromarkets, Bengaluru and Pune reported a nominal 2% average increase. Chennai at 5% and Mumbai with 8% were placed somewhere in the middle of the spectrum.

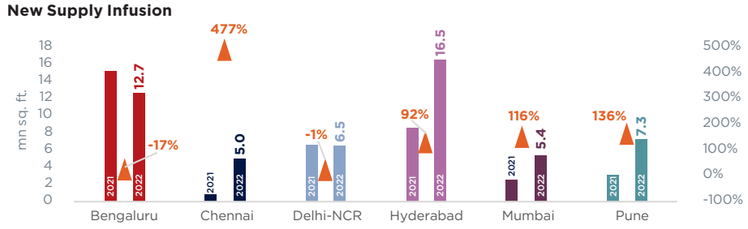
On the evidence of these data points, Bengaluru, yet again, appears to be relatively well-balanced, where the supply infusion is much controlled, as is the rental growth.

On account of aggressive supply infusions in Hyderabad and Pune, coupled with a moderate pace of absorption in the former, vacancies rose noticeably. Most other cities did not witness any major change in vacancy levels.

Share of Top Demand Drivers (2022)

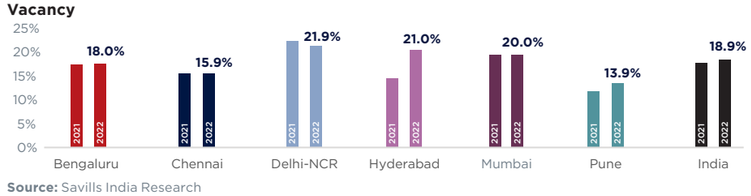
IT 38.9%	Flexible Workspace 14.1%	BFSI 12.2%	Engineering & Manufacturing 8.2%
Pharma & Healthcare 3.7%	Transport & Logistics 1.4%		

New Supply Infusion



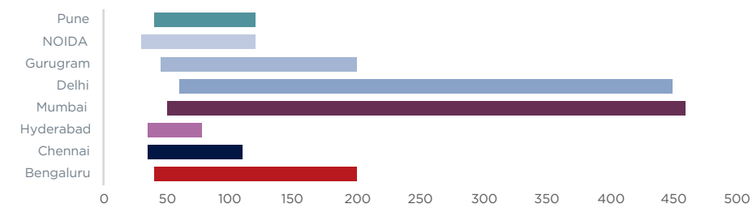
Source: Savills India Research

Vacancy



Source: Savills India Research

Average Rental Range (INR / sq. ft./ month)



*Rental ranges are indicative of year-end average values in the given market and may vary from the indicated band at other times

Source: Savills India Research



BENGALURU
OFFICE MARKET UPDATE

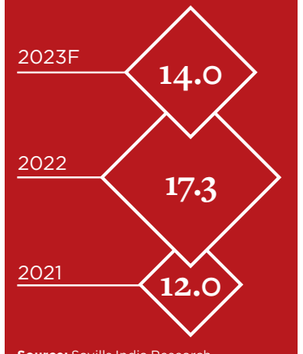
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KEY HIGHLIGHTS

Remains flag bearer of office market: Bengaluru continued to dominate office leasing activity in the country. With 17.3 mn sq. ft. of gross absorption in 2022, the city accounted for almost one-third of the office space demand in the top 6 cities of the country. With COVID cases under control for a major portion of the year and organisations encouraging a gradual return to offices, occupier demand for commercial real estate witnessed a 44% YOY growth in 2022. 2022's office market performance is even more remarkable, as demand has comfortably surpassed the pre-pandemic high of 15.6 mn sq. ft. leasing in 2019. In terms of new incremental supply, although Hyderabad witnessed the maximum completions in 2022, Bengaluru had a significant 24% contribution towards the 53.4 mn sq. ft. of supply addition in India.

Metro connectivity to bolster office market dynamics: Fast-tracking of Phase-II metro connectivity is expected to improve the overall real estate quotient including the office market in key localities of the city. Peripheral East, primarily compromising of Whitefield and Brookefield areas is likely to witness amplified office space activity, once the metro stretch from Whitefield to Baiyappanahalli becomes fully operational in 2023. The micromarket, by virtue of being an IT hub, is already the second most active office micromarket in the city, after ORR. Furthermore, developers have already identified areas closer to the international airport as the future real estate hotspot of Bengaluru. With the PBD North micromarket having a supply pipeline of 8-10 mn sq. ft. in the next two years and fast-tracking of metro connectivity to the airport, office space activity in the area is likely to witness a strong upward trajectory in the coming years.

Office Absorption (mn sq. ft.)



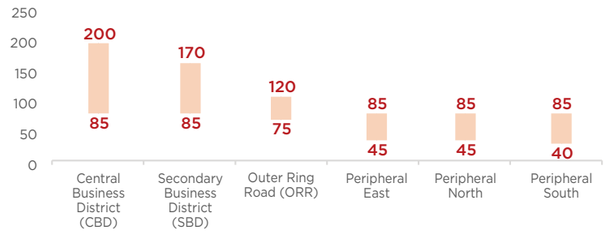
Source: Savills India Research

Key Statistics: 2022

New Supply	12.7 mn sq. ft.	YOY Change	-17%
Gross Absorption	17.3 mn sq. ft.	YOY Change	44%

Gross absorption represents fresh leases and occupier sale, excludes renewals and pre-commitments

Rental Range 2022 (INR/sq. ft./month)



Source: Savills India Research

India Market Watch | Office Year-End 2022

LEASING AND COMPLETIONS

Absorption: 17.3 mn sq. ft. of gross absorption in 2022, has meant the city has registered an all-time high demand for office spaces. However, a slowdown was evident in second half of the year on account of apprehensions related to an impending global economic slowdown. Office space uptake decreased by 38% in H2 compared to H1 2022. ORR continued to drive the commercial real estate market of the city. The micromarket contributed 43% of the city's leasing activity in 2022. This was followed by Peripheral East and SBD micromarkets, which had 21% and 13% shares, respectively. Interestingly, the share of large-sized (100,000 sq. ft. or more) deals increased from 50% in 2021 to 62% in 2022. Of the 10.7 mn sq. ft. large-sized deals, 52% came from the IT-BPM sector, reflecting the preference for Bengaluru amongst MNCs in the country.

Sector Split: IT-BPM continued to be the leading demand generator with a 49% share. The sector's share, however, decreased from 62% in 2021. This can be attributed to increased adoption of hybrid as well as a hub-and-spoke model of work. A conditional 100% remote work allowance for IT units in SEZs has also contributed to the decline in share. Interestingly, despite all these, in absolute terms, the sectoral leasing activity increased from 7.5 mn sq. ft. in 2021 to 8.4 mn sq. ft. in 2022. Flexible workspaces came in second with a 13% demand share in 2022. Momentum in the segment is evident as occupiers continue to prefer an asset-light dynamic real estate model with shorter commitment periods and cost-effective agile solutions at the core of the decision-making process.

Occupiers from the BFSI segment also contributed significantly towards the city's leasing activity; their share increased from 5% in 2021 to 11% in 2022.

Supply: In terms of fresh supply infusion, the year witnessed completions to the tune of 12.7 mn sq. ft. Contrary to the leasing activity, which registered an increase, the annual supply infusion in Bengaluru, as compared to the annual addition in 2021, was 17% less in 2022. Interestingly, almost 60% of the supply additions in the city came from ORR micromarket's. This further cements the micromarkets position in the country's office market. With around 90 mn sq. ft. of Grade-A office stock, ORR alone has a greater concentration of quality developments than entire cities like Chennai and Pune.

VACANCY RATE

Overall city vacancy levels were at 18.0%, similar to the levels registered at the end of 2021. Although the demand for office space outpaced the supply addition considerably, portfolio reallocations meant occupancy levels largely remained stable.

RENTS

Average rentals in the city remained range-bound with the only exception of ORR where rentals increased by up to 5% as compared to 2021. Prime office buildings in the Central Business District continued to command monthly base rentals in the range of INR 180-200 sq. ft.

MARKET OUTLOOK

DEMAND

Gross office space absorption in 2023 is expected to be around 14.0 mn sq. ft. The forecast factors in global economic headwinds and a possible surge in COVID infections. ORR, Brookefield, and Whitefield will continue to be preferred by occupiers across demand segments.

SECTORS

Leasing activity in 2023 will continue to be driven by the IT-BPM sector. Flexible workspaces and BFSI segments are likely to be other significant demand generators. Global Captive Clients (GCC) are expected to continue preferring Bengaluru, indicating the willingness of MNCs to set up and expand service capabilities in the city.

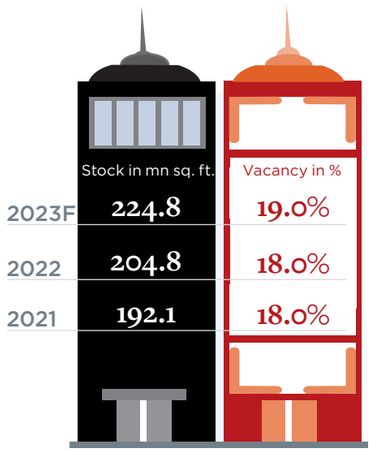
RENT & VACANCY

With occupiers likely to postpone their growth plans in the near term and adopt a more cautious approach, rentals are expected to remain largely stable. Meanwhile, vacancy levels are expected to increase marginally to 19% by the end of 2023.

SUPPLY

About 20.0 mn sq. ft. of new supply is anticipated to come up in 2023. At 80%, a significant majority of the incremental supply is likely to be concentrated in ORR, PBD East, and PBD North micromarkets. With the supply addition, the overall Grade-A office stock in the city is expected to increase by 10% and be at around 225 mn sq. ft. towards the end of 2023.

GRADE-A OFFICE STOCK & VACANCY



Source: Savills India Research

Major Transactions 2022

TENANT | Micromarket | *Building*
Transacted Area* (sq. ft.)

GOOGLE
ORR
Bagmane Rio
13,50,000

DELOITTE
SBD
Divyasree 77 Town Center
7,43,800

AMAZON
ORR
Bagmane Capital
6,00,000

JP MORGAN
ORR
Embassy Tech Village
5,32,000

AMD
Peripheral East
Prestige Technostar
4,87,000

*Approximate and indicative areas only

BENGALURU MICROMARKETS

Central Business District (CBD) - MG Road, Millers Road, Vittal Mallya Road, Residency Road

Outer Ring Road (ORR) - Zone 1: Sarjapur to Marathahalli, Zone 2: Marathahalli to KR Puram, Zone 3: KR Puram to Hebbal

Secondary Business District (SBD) - Indira Nagar, Old Airport Road, CV Raman Nagar, Koramangala, Jayanagar, Domlur, Bannerghatta Road, Rajaji Nagar, Malleswaram

Peripheral East - Whitefield, Brookefield

Peripheral South - Electronic City, Hosur Road, Mysore Road

Peripheral North - Bellary Road, Thanissandra Road, Tumkur Road, Hebbal to Yelahanka

Source: Savills India Research



CHENNAI
OFFICE MARKET UPDATE

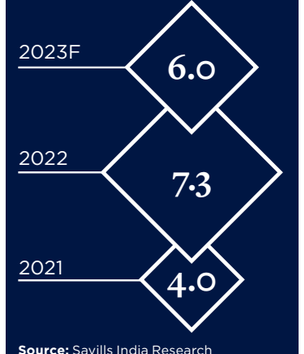
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KEY HIGHLIGHTS

Record-breaking leasing activity: 2022, remarkably, has been the year of very strong demand from occupiers across sectors, propelling the city into the top 3 list in office absorption across the country. A 7.3 mn sq. ft. of gross absorption in the year has also meant Chennai comfortably crossed the pre-pandemic high of 6.0 mn sq. ft. leasing activity in 2019. This can be attributed to pent-up demand and consolidation by relocating to better-quality supply. Organisational expansion decisions, that were put on hold for the last two years have materialised this year, resulting in 2022's record-breaking office space demand.

Strong demand from flexible workspaces: With real estate requirements becoming more dynamic and the increasing adoption of a hybrid work model, flexible spaces have contributed significantly to the city's office space demand in 2022. Many conventional occupiers have chosen flex spaces for their growth and relocation owing to the flexibility this model provides. Enterprise-level offerings have played a crucial part in flexible workspaces increasing their share in office space demand from 8% in 2021 to 12% in 2022. 2022 witnessed around 12,500 coworking seats taken up across micromarkets of the city. Interestingly, Guindy has positioned itself as a preferred micromarket and contributed to around one-third of the flex-seat demand of Chennai.

Office Absorption (mn sq. ft.)



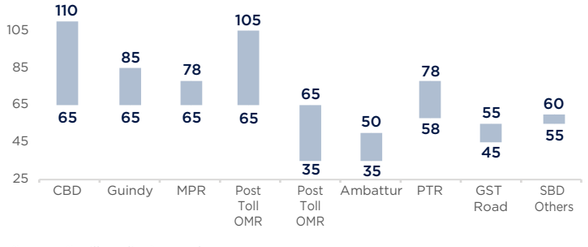
Source: Savills India Research

Key Statistics: 2022

New Supply	5.0 mn sq. ft.	YOY	5.8x
Gross Absorption	7.3 mn sq. ft.	YOY Change	82%

Gross absorption represents fresh leases and occupier sale, excludes renewals and pre-commitments

Rental Range 2022 (INR/sq. ft./month)



Source: Savills India Research

LEASING AND COMPLETIONS

Absorption: Chennai witnessed leasing activity of 7.3 mn sq. ft. in 2022, a YOY increase of 82%. 2022's record-breaking demand meant Chennai had a 13% share of office space demand in the country. Of the 7.3 mn sq. ft. city-wide gross absorption, Pre-Toll OMR with a 28% market share drove the commercial real estate space uptake in 2022. CBD, MPR, and Guindy also witnessed strong traction and had a 22%, 17%, and 14% share, respectively. Leasing activity in 2022 was dominated by small (less than 25,000 sq. ft.) and mid-sized deals (25,000-99,999 sq. ft.). The cumulative share of such deals increased from 72% in 2021 to 79% in 2022.

Interestingly, the relative slump in H2 demand as compared to H1 2022, was not much evident in Chennai. Office space taken up in the second half of the year was almost like H1 2022, contrary to a 30-40% decrease in cities like Pune and Bengaluru.

Sector Split: IT-BPM occupiers continued to be the major demand drivers of commercial real estate in the city. Despite the prevalence of an overall cautious atmosphere in the IT-BPM sector, the segment's market share increased from 51% in 2021 to an impressive 64% in 2022. Flexible spaces came in second with a 12% market share, while BFSI occupiers came in third with a 6% contribution to the city's overall leasing activity.

Supply: With a fresh supply of 5.0 mn sq. ft. of office spaces, the annual supply infusion in 2022 was almost 6 times as compared to that in 2021. However, one must note that around 3-4 mn sq. ft. of supply came from buildings that were completed in 2021 and received their construction completion certificates in early 2022. The micromarkets of MPR and GST saw the maximum project completions, contributing to more than 70% of the overall supply of 2022. The upcoming Development of Enterprise and Services Hub (DESH) bill is likely to be crucial for SEZ developers. Of the 5.0 mn sq. ft. of fresh supply in Chennai, around one-third came from SEZ developments.

VACANCY RATE

Overall vacancy levels in 2022 have increased marginally to 15.9%. Despite gross absorption outpacing new supply significantly, portfolio realignments have meant vacancy levels remained rangebound. While high-demand micromarkets like Guindy had sub 5 % vacancy levels, certain peripheral micromarkets like GST Road had over 40% vacancy levels as of Dec 2022.

RENTS

As compared to 2021, the average city rentals grew by around 5% in 2022. While the rental growth was high at around 10% in areas like Pre-Toll OMR and CBD, average rentals remained stable in micromarkets like GST Road and Ambattur.

MARKET OUTLOOK

DEMAND

With an imminent global economic slowdown in the near term, occupiers especially large MNCs, are bound to have a cautious approach with respect to real estate space requirements in 2023. The city is likely to witness leasing activity of 5-6 mn sq. ft. in the coming year. Existing precommitments of 2-3 mn sq. ft. will be critical in the office space demand of 2023. With the anticipation of Metro Phase II completion in 2025, peripheral areas are likely to witness a surge in demand in the medium to long term.

SECTORS

While leasing activity is likely to be driven by the IT-BPM sector, flex spaces are expected to have a more significant contribution in 2023. Financial services and engineering & manufacturing sectors are expected to feature as prominent demand drivers in 2023 as well.

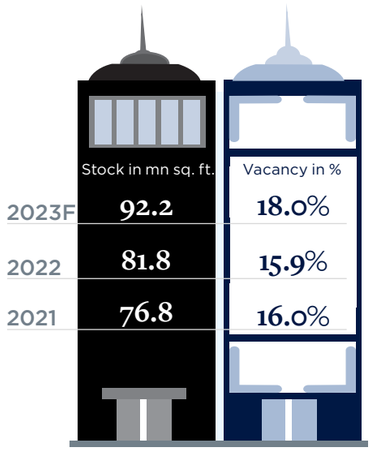
RENT & VACANCY

Vacancy rates across micromarkets are likely to increase with the anticipation of Grade-A office supply outpacing demand by nearly 2 times in 2023. Average city-wide rentals, meanwhile, are expected to be resilient and are unlikely to witness any significant change in the near term.

SUPPLY

Developers are expected to infuse around 10.5 mn sq. ft. of supply in the market in 2023, taking the Grade-A stock of commercial office space in the city beyond 90 mn sq. ft. More than 40% of the anticipated supply is coming up in the PTR micromarket wherein some of this supply has already been pre-committed.

GRADE-A OFFICE STOCK & VACANCY



Source: Savills India Research

Major Transactions 2022

TENANT | Micromarket | *Building*
Transacted Area* (sq. ft.)

NIELSEN
MPR
RMZ One Paramount
2,42,000

HDFC
CBD
Spencer Plaza
2,00,000

BANK OF AMERICA
Pre Toll OMR
ITPC Capitaland
1,50,000

HP
CBD
Prestige Metropolitan
1,39,000

MAERSK
MPR
RMZ One Paramount
1,36,000

*Approximate and indicative areas only

CHENNAI MICROMARKETS

CBD - Anna Salai, Nungambakkam, R K Salai, Egmore, T Nagar, Gream Road

SBD-Guindy & MPR - Guindy Estate, Little Mount, Ekatuthangal, Mount Poonamalle Road, Manapakkam

SBD-Pre Toll-OMR - Tharamani, Perungudi, MGR Salai

SBD Others - Velachery, Arcot Road, Arumbakkam, Anna Nagar

PBD-Post Toll OMR - Thoraipakkam, Shollinganallur, Navalur, Siruseri

PTR-PBD - Pallavaram Link Road

GST Road-PBD - Perungalathur, Maraimalai Nagar

Ambattur-PBD - Ambattur

Source: Savills India Research



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DELHI-NCR
OFFICE MARKET UPDATE

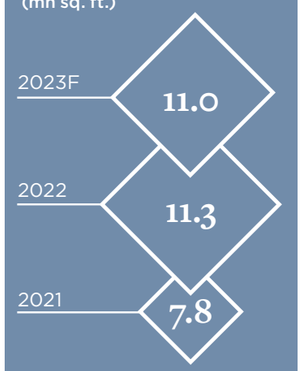
KEY HIGHLIGHTS

Leasing activity at all-time high: Delhi-NCR has consistently maintained its position in the top pack in terms of leasing activity. In the year 2022 as well, with 11.3 mn sq. ft. of gross absorption, the region not only surpassed the pre-pandemic demand of 10.9 mn sq. ft. but also registered an all-time high office space leasing activity. This can be attributed to the subsiding after-effect of the pandemic, expansion in business activities and realisation of pre-commitments.

IT-BPM sector drives leasing activity: IT-BPM sector with a 24% share, remains the topmost contributor to leasing activity in 2022. However, it is important to take a note here that the leasing quantum in this sector has decreased from 3.3 mn sq. ft. in 2021 to 2.7 mn sq. ft. in 2022. Interestingly, flexible workspaces registered a remarkable increase in the leasing share; from 4% in 2021 to 10% in 2022. This is testimony to rising interests of occupiers in shared spaces owing to the flexibility and rental arbitrage shared spaces offer.

BFSI and E-commerce turned out to be other prominent sectors with 10% contribution from each in the overall leasing activity. Engineering and manufacturing and research and consulting with 9% and 8% share respectively registered a marginal growth in the leasing activity as compared to 2021.

Office Absorption (mn sq. ft.)



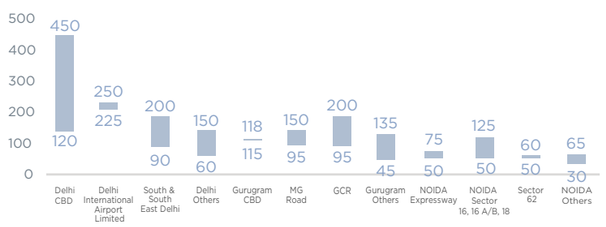
Source: Savills India Research

Key Statistics: 2022

New Supply	6.5 mn sq. ft.	YOY Change	-1%
Gross Absorption	11.3 mn sq. ft.	YOY Change	46%

Gross absorption represents fresh leases and occupier sale, excludes renewals and pre-commitments

Rental Range 2022 (INR/sq. ft./month)



Source: Savills India Research

LEASING AND COMPLETIONS

Absorption: Gross absorption in the region was recorded at 11.3 mn sq. ft. in 2022, a YOY increase of 46%. The two halves of the year witnessed almost identical traction, with 5.6 mn sq. ft. being absorbed in H1 2022 and the remaining 5.7 mn sq. ft. being taken up in H2 2022.

Continuing the trend from 2021, Gurugram drove the office space demand in Delhi-NCR, with 69% share in gross absorption. This was followed by NOIDA with 29% share. Within Gurugram, 71% of the leasing activity was witnessed alone in the Gurugram Others micromarket while the CBD contributed only 20% share in the leasing activity. This skewed pattern of leasing was noticeable in NOIDA as well. While 68% of leasing was concentrated on the NOIDA Expressway alone, Sector 62 came in second with 17% share.

Demand driven by large-sized deals: Large-sized deals of more than 100,000 sq. ft. drove leasing activity in the Delhi-NCR region, constituting 39% of the total commercial space absorption in 2022. NOIDA Expressway and Gurugram Others were the two prominent micromarkets which witnessed large-sized transactions. On the other hand, mid-sized deals (25,000-99,999 sq. ft.) and small-sized deals (<25,000 sq. ft.) contributed to 37% and 24% share, respectively.

Supply: Contrary to the leasing activity, which registered an increase, the annual supply infusion in Delhi-NCR, as compared to the annual addition in 2021, was 1% less in 2022. Gurugram Others micromarket with 75% of the overall supply witnessed the maximum new completions. 65% of the new completions are categorised as commercial projects whereas 21% were IT-Non SEZ and 14% were IT-SEZ projects.

VACANCY RATE

Delhi-NCR's overall vacancy levels have decreased from 23.0% in 2021 to 21.9% in 2022, as a result of leasing activity outpacing new completions during the year.

RENTS

Average rentals in the NCR region have witnessed an annual increase of 8%. MG Road & NOIDA Expressway micromarkets witnessed the highest growth in rentals with 23% and 14% YOY increase, respectively. While other micromarkets in the region reported a YOY increase in rentals in the range of 3-13%, NOIDA Sector 16, 16A/B, 18 micromarket witnessed a marginal dip of 2% in rentals in 2022 as compared to 2021.

MARKET OUTLOOK

DEMAND

Higher number of working professionals are returning to offices. Increased need of commercial office space would translate to higher transaction in the leasing activity. However, this may get dampened by the slowdown in global market affecting the outsourcing business among global corporates. Thus, the prospective office leasing in the region is expected to stand at around 11 mn sq. ft. in the upcoming year.

SECTORS

The IT-BPM sector is anticipated to drive the commercial market of Delhi-NCR in 2023 as well. The second biggest contribution in the leasing activity is likely to come from flexible workspaces. Evolving sectors like E-commerce, edtech, media & advertising, and travel & tourism are expected to have a considerable share in the overall leasing.

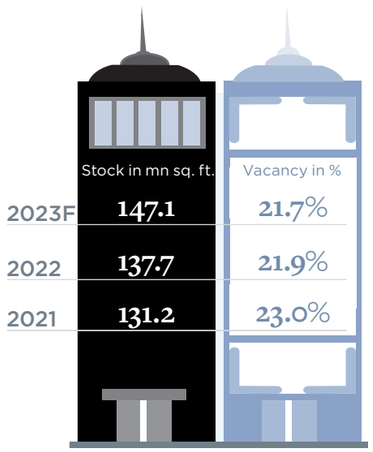
RENT & VACANCY

Delhi-NCR is expected to witness a strong supply infusion to the tune of 9.4 mn sq. ft. in 2023. However, with anticipated demand almost matching supply, city vacancy levels in 2023 are likely to remain range-bound. Average rentals are expected to be stable except in certain pockets which may see a hike owing to limited fresh supply.

SUPPLY

Delhi-NCR has a pipeline of around 9.4 mn sq. ft. in 2023. Approximately 70% of the new completions will be concentrated in the micromarkets of Gurugram Others and NOIDA Expressway.

GRADE-A OFFICE STOCK & VACANCY



Source: Savills India Research

Major Transactions 2022

TENANT | Micromarket | *Building*
Transacted Area* (sq. ft.)

HDFC
NOIDA Expressway
Ace Capital
4,00,000

ZOMATO + BLINKIT
Gurugram Others
Pioneer Square
3,50,000

AIR INDIA
Gurugram Others
Vatika One on One
3,50,000

RELIANCE GROUP
Gurugram Others
Splendor Trade Tower
2,50,000

LEVERAGE EDU
NOIDA Expressway
Windsor Grand
2,00,000

*Approximate and indicative areas only

DELHI-NCR MICROMARKETS

Delhi CBD - Connaught Place

South & South East Delhi - Jasola, Nehru Place & Saket

Delhi Others - New Friends Colony, Okhla & Shastri Park

Gurugram CBD - Cyber City

Gurugram Others - Golf Course Extension Road (GCER), Southern Peripheral Road (SPR), Sohna Road, Udyog Vihar, NH-8, Dundahera, Gurugram-Faridabad Road, South City, Sectors- 32/34/38/39/44 &45

NOIDA Others - Sector 1 to 11, 32, 57 to 68 (except 62)

Source: Savills India Research



HYDERABAD
OFFICE MARKET UPDATE

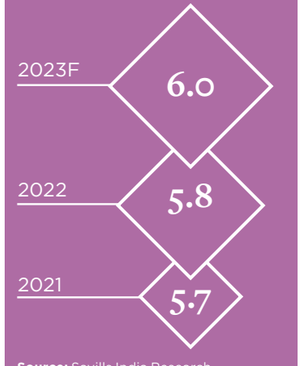
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KEY HIGHLIGHTS

Steady leasing activity: With gross absorption of 5.8 mn sq. ft. in 2022, the city has witnessed steady leasing activity. It registered an annual growth of 2% this year, whereas other major cities reported yearly growth upwards of 40%. However, office space demand in Hyderabad has remained steady in the last 6-7 years, even during the pandemic-affected years of 2020 and 2021. Except for 2019, the city has witnessed 5-6 mn sq. ft. of office space demand each year since 2016. With a high concentration of MNC occupiers, a subdued global economic environment has affected office space demand in the city significantly. Hyderabad's share in the overall leasing activity of the country has reduced from 15% in 2021 to 11% in 2022.

Supply outpaces demand by almost 3 times: Hyderabad had an 11% demand share vis-à-vis a 31% new supply share at an all-India level in 2022. In fact, of the 16.5 mn sq. ft. of new completions in the city, the second half witnessed 66% higher supply infusion as compared to H1 2022. The city's office market has historically created surplus stock which was further witnessed in 2022 as supply outpaced demand by almost 3 times. Vacancy levels have thus risen sharply and breached the 20% mark. A demand-supply rationalisation for the city is on the cards, or else rentals across micromarkets might get impacted, on account of a heavily tenant-favoured office market.

Office Absorption (mn sq. ft.)



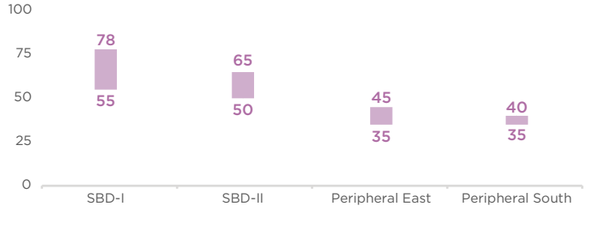
Source: Savills India Research

Key Statistics: 2022

New Supply **16.5** mn sq. ft.	YOY Change **92%**
Gross Absorption **5.8** mn sq. ft.	YOY Change **2%**

Gross absorption represents fresh leases and occupier sale, excludes renewals and pre-commitments

Rental Range 2022 (INR/sq. ft./month)



Source: Savills India Research

India Market Watch | Office Year-End 2022

LEASING AND COMPLETIONS

Absorption: A volatile economic environment has meant occupiers postponing their real estate decisions and adopting a 'wait-and-watch' policy. The caution is reflected in Hyderabad's leasing activity of 5.8 mn sq. ft. in 2022. However, despite global headwinds in the second half of 2022, the city's commercial real estate market largely remained stable. H2 2022 witnessed a marginal 7% decrease in leasing activity as compared to the first half.

SBD-I continued to be the most preferred micromarket and had an 80% share in the city-wide office space demand. Interestingly, nearly 57% of the space uptake came from mid-sized (25,000-99,999 sq. ft.) deals. This is a stark deviation from 2021, where large-sized (100,000 sq. ft. or more) deals had a 68% share and dominated the leasing activity.

Sector Split: The IT-BPM sector continued to drive the city's office space demand. However, a watchful IT-BPM segment grappling with workforce realignments and gradual return to office meant the sector's share decreased from 58% in 2021 to 35% in 2022. Engineering and manufacturing, and research and consulting occupied the second and third positions with a market share of 14% and 11% respectively. Flexible workspaces had a 9% share in the leasing activity of 2022; with a seat uptake of around 13,000 seats, the sector witnessed high occupier interest across verticals.

Supply: With 16.5 mn sq. ft. of supply infusion, Hyderabad has eclipsed Bengaluru in terms of new completions in 2022. A 31% all-India share and 92% YOY growth in 2022 reflects strong developer confidence in the city's commercial real estate market. Incremental supply was almost equally split between the two major micromarkets of the city. SBD I and SBD II had a 53% and 47% share respectively in 2022. High supply infusion in the current year has taken the overall Grade-A office stock of the city beyond 100 mn sq. ft. for the first time.

VACANCY RATE

Overall vacancy levels have increased sharply from 15% in 2021 to 21% at the end of 2022. The 600-bps increase can be attributed to the continued demand-supply mismatch in Hyderabad. If not planned carefully, the upcoming supply could result in high vacancy levels across certain micromarkets.

RENTS

Although vacancy levels have increased significantly in 2022, average rentals in the city largely remained stable. This can be attributed to the fact that within preferred micromarkets, occupiers have continued to prefer premium buildings. Developers have been able to hike rentals in these select buildings of HITEC City and Madhapur by 5-10% in 2022.

MARKET OUTLOOK

DEMAND

Occupiers' confidence and decision-making in 2023 is expected to be impacted by the imminent global economic slowdown. However, despite a subdued environment, the city is likely to witness 5-6 mn sq. ft. of gross absorption in the upcoming year.

SECTORS

The IT-BPM sector will continue to drive the city's leasing activity. However, MNCs and tech giants are likely to analyse expansion decisions with strict vigilance on account of a volatile macro economic environment. Flexible workspaces are expected to witness significant growth in 2023. In these times of hybrid work, organisations prefer flexibility and adaptability over commitment to fixed real estate space over a longer tenure.

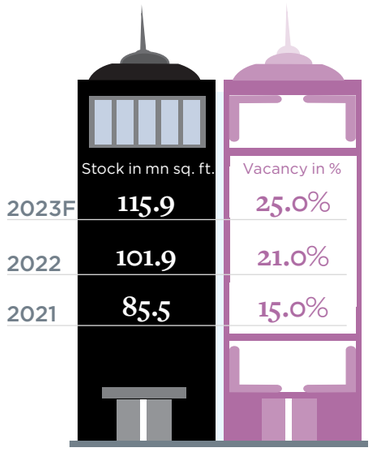
RENT & VACANCY

The demand for office space from captive clients in Grade-A developments of the city is expected to be driven by rental arbitrage in comparison to similar developments in other major Southern cities. Rentals might however get corrected in the near to medium term if a tenant-favoured office market persists. Vacancy rates in the city, meanwhile, are forecasted to further increase to 25% in 2023.

SUPPLY

Developers are expected to inject 14 mn sq. ft. of new supply in 2023. By the end of 2023, the city's Grade-A stock of office space is anticipated to be close to 116 mn sq. ft.

GRADE-A OFFICE STOCK & VACANCY



Source: Savills India Research

Major Transactions 2022

TENANT | Micromarket | *Building*
Transacted Area* (sq. ft.)

LEGATO
SBD I
Avance Business Hub H 09
2,86,000

BOSCH
SBD I
Sattva Knowledge Park Tower - 1
2,36,000

PWC
SBD I
My Home Twitza
2,32,000

NETCRACKER
SBD I
DivyaSree Techridge
2,11,000

IDFC FIRST BANK
SBD I
Aurobindo Galaxy
1,52,000

*Approximate and indicative areas only

HYDERABAD MICROMARKETS#

Secondary Business District I (SBD I) - HITEC City, Madhapur, Kondapur, Raidurg

Secondary Business District II (SBD II) - Gachibowli, Nanakramguda, Kokapet

Peripheral East (PBD East) - Pocharam, Uppal

Peripheral South (PBD South) - Shamshabad, Adibatla

#Central Business District areas like Jubilee Hills, Banjara Hills, and Begumpet are not considered on account of historically low absorption volumes. PBD South has been included for the first time in 2022.

Source: Savills India Research



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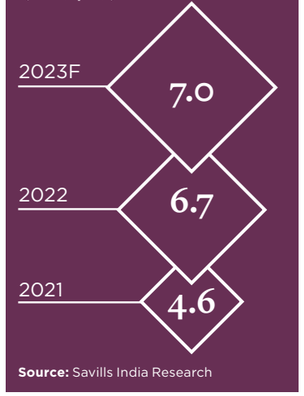
MUMBAI
OFFICE MARKET UPDATE

KEY HIGHLIGHTS

BFSI occupiers preferred large-sized deals; other leasing mainly driven by mid-sized deals: Mid-sized deals (25,000-99,999 sq. ft.) accounted for 52% of Grade-A gross absorption during 2022. Larger deals of over 100,000 sq. ft., accounting for about 22% share, were mainly signed by BFSI (Banking, Financial Services and Insurance) occupiers in the micromarkets of Thane and Navi Mumbai.

Significant lease renewals: Reflective of positive occupier sentiment, term renewals complemented the leasing activity generously. Term renewals by occupiers that were approaching lease expiry supported maintaining the leasing momentum. In addition to fresh leases of 6.7 mn sq. ft., the city witnessed renewals amounting to 2.7 mn sq. ft. during 2022. The renewals were recorded mainly in the micromarkets of Navi Mumbai, New CBD BKC and Central Mumbai, reflecting sustained confidence in the city, especially by BFSI occupiers.

Office Absorption (mn sq. ft.)



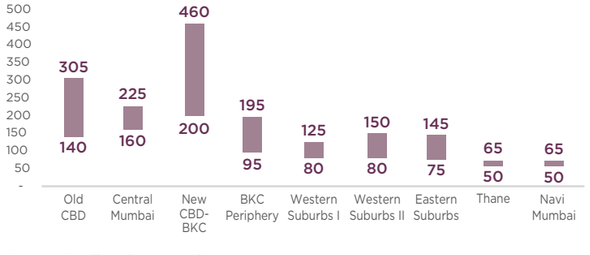
Source: Savills India Research

Key Statistics: 2022

New Supply	5.4 mn sq. ft.	YOY Change	116%
Gross Absorption	6.7 mn sq. ft.	YOY Change	46%

Gross absorption represents fresh leases and occupier sale, excludes renewals and pre-commitments

Rental Range 2022 (INR/sq. ft./month)



Source: Savills India Research

LEASING AND COMPLETIONS

Absorption: Mumbai recorded Grade-A gross absorption of 6.7 mn sq. ft. during 2022, registering a YOY increase of 46%. Favoured by sub-dollar rents, the micromarket of Navi Mumbai attracted a majority (22%) of the overall demand mainly by occupiers in the BFSI and technology segments as well as flexible workspace operators. This was followed by New CBD BKC (15%), Central Mumbai (14%) and Thane (13%).

Sector Split: The BFSI segment continued to be the demand driver during 2022, garnering a 38% share in Grade-A gross absorption followed by technology occupiers garnering a 16% share. Consulting occupiers, engineering & manufacturing occupiers and flexible workspace operators accounted for a 7% share each in gross absorption. Flexible workspace operators rebounded strongly after taking a massive hit during the pandemic. In 2022, their share was almost 2.5x the absorption recorded during 2021, when the segment had accounted for a 4% share in overall leasing.

Supply: Mumbai witnessed 5.4 mn sq. ft. of Grade-A supply infusion during 2022, more than double of that witnessed during 2021. The majority of the new supply was in the form of Non-IT developments in the micromarkets of Central Mumbai and Navi Mumbai.

VACANCY RATE

Amidst significant gross absorption and new supply infusion, overall vacancy levels in the city rose to 20.0% at the end of December 2022. The increase in vacancy can be partly attributed to considerable relocations by occupiers owing to space recalibration.

RENTS

In the backdrop of robust leasing, citywide Grade-A quoted rental values strengthened by about 8% YOY. Rental values in the micromarkets of Central Mumbai, New CBD BKC and BKC Periphery contributed to this increase. The rent increase in the micromarkets of BKC Periphery, Eastern Suburbs and Central Mumbai can be attributed to institutional landlords commanding rents higher than the existing market average.

MARKET OUTLOOK

DEMAND

On the back of steady return of employees to workplaces that has aided in building occupier confidence in the market, we expect Mumbai to sustain similar momentum in 2023 as witnessed in 2022. We estimate 2023 to clock in Grade-A gross absorption of about 7.0 mn sq. ft.

SECTORS

We expect the conventional demand driver of the BFSI segment, along with technology occupiers, to drive office leasing demand in 2023. The flexible workspace segment is likely to sustain similar levels of leasing momentum in 2023. We may witness increased momentum from the media and advertising segment that recorded 8x space take-up during 2022 as compared to 2021.

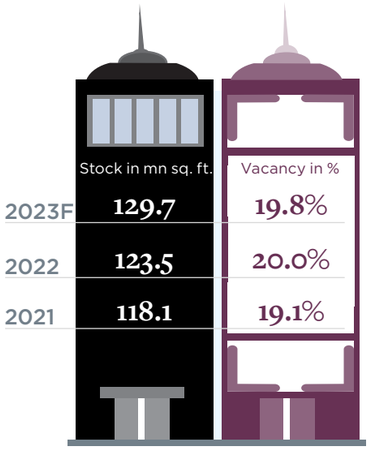
RENT & VACANCY

Amidst significant supply infusion that will likely be matched by sustained occupier interest, vacancy rates will likely hover around 19%-20% by the end of December 2023. Overall Grade-A rental values may marginally appreciate on account of new supply being introduced at prices higher than the existing market average.

SUPPLY

Significant new supply of 6.2 mn sq. ft. is scheduled to be completed during 2023. This planned supply will likely be concentrated in the micromarkets of Central Mumbai (35%), Thane (32%) and Eastern Suburbs (27%).

GRADE-A OFFICE STOCK & VACANCY



Source: Savills India Research

Major Transactions 2022

TENANT | Micromarket | *Building*
Transacted Area* (sq. ft.)

IDFC FIRST BANK
Thane
Quantum
448,000

MAHINDRA & MAHINDRA FINANCIAL SERVICES
BKC Periphery
Piramal Agastya
275,000

AVENDUS CAPITAL
New CBD BKC
Platina
100,000

BCG
New CBD BKC
Maker Maxity
99,200

TECHNICOLOR
Central Mumbai
One International Centre
97,900

*Approximate and indicative areas only

MUMBAI MICROMARKETS

Old CBD - Nariman Point, Cuffe Parade, Ballard Estate, Fort, Churchgate, Colaba

Central Mumbai - Mahalaxmi, Worli, Lower Parel, Prabhadevi, Dadar West, Dadar East, Parel

New CBD BKC - Bandra-Kurla Complex (BKC)

BKC Periphery - Bandra E, Bandra W, Kalina, Vakola, Khar E, Khar W, Kurla, Santacruz E, Santacruz W

Western Suburbs I - Vile Parle E, Vile Parle W, Andheri E, Andheri W, Jogeshwari E Jogeshwari W

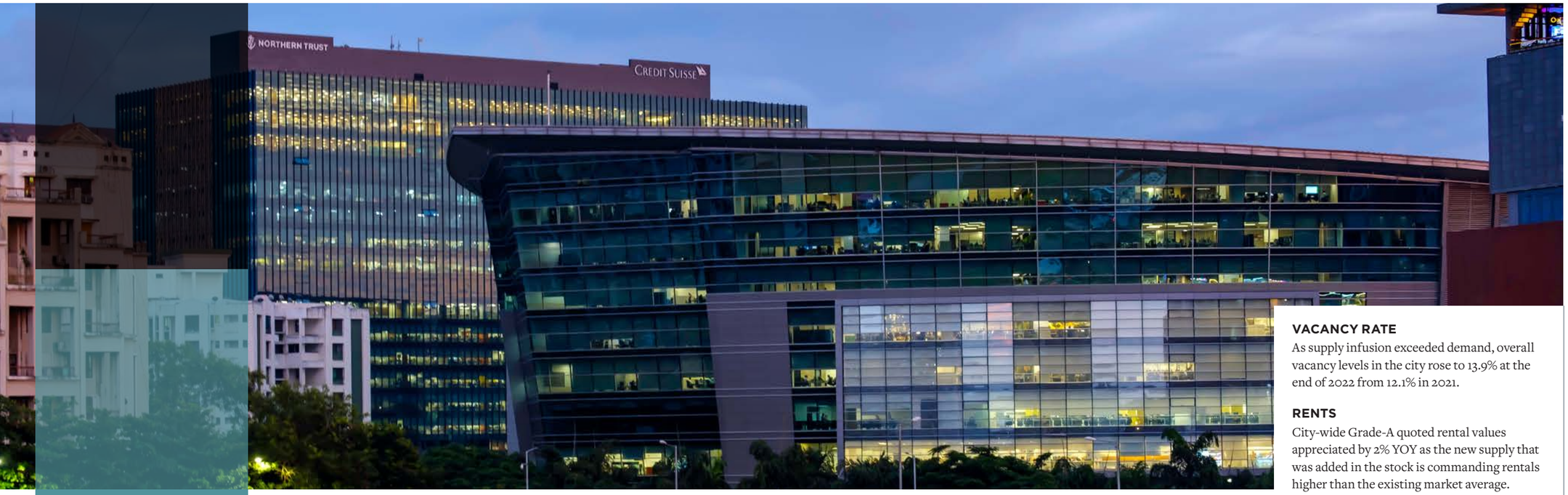
Western Suburbs II - Goregaon E, Goregaon W, Malad E, Malad W, Kandivali E, Kandivali W, Borivali E, Borivali W

Eastern Suburbs - Sion, Wadala, Chembur, Ghatkopar, Mulund, Kanjurmarg, Powai, Vikhroli

Thane - Thane

Navi Mumbai - Airoli, Vashi, CBD Belapur, Mahape, Turbhe, Ghansoli, Thane-Belapur Road

Source: Savills India Research



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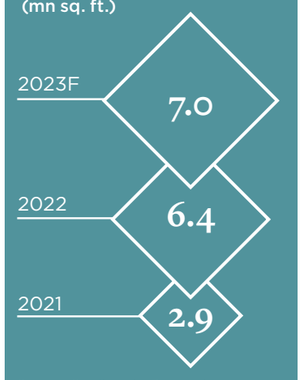
PUNE
OFFICE MARKET UPDATE

KEY HIGHLIGHTS

Flexible workspace operators expanding significantly: Since the pandemic began in 2020, the trend of remote working was prevalent. In 2021 and 2022, 'Work From Home' and 'Work From Anywhere' further gained significance. To tap the opportunity wherein occupiers were looking for dynamic options to expand or realign, flexible workspace operators implemented their expansion plans. They accounted for a considerable 40% share in the overall Grade-A leasing in the city during 2022. For reference, this was almost 2.4x the absorption recorded during 2021, when the segment accounted for a 37% share in overall leasing.

Significant pre-commitments: On account of limited quality supply in completed buildings, occupiers requiring large spaces pre-committed spaces to meet their expansion needs. During 2022, the city witnessed 1.7 mn sq. ft. of pre-commitments driven by technology occupiers and flexible workspace operators mainly in the micromarkets of SBD East and SBD West.

Office Absorption (mn sq. ft.)



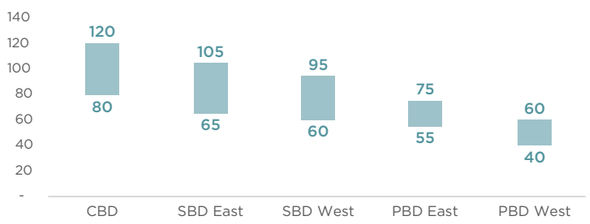
Source: Savills India Research

Key Statistics: 2022

New Supply	7.3 mn sq. ft.	YOY Change	136%
Gross Absorption	6.4 mn sq. ft.	YOY Change	121%

Gross absorption represents fresh leases and occupier sale, excludes renewals and pre-commitments

Rental Range 2022 (INR/sq. ft./month)



Source: Savills India Research

LEASING AND COMPLETIONS

Absorption: Pune witnessed Grade-A gross absorption of 6.4 mn sq. ft. during 2022, more than double the absorption witnessed during 2021. Majority (38%) of Grade-A gross absorption was concentrated in the micromarket of SBD East, followed by 27% in SBD West, 21% in the CBD and the remaining in PBD West. Owing to improvement in vaccination drive and business sentiments, occupiers had started gaining confidence in the market during H2 2021. The momentum in leasing activity continued during H1 2022 but slowed down slightly during H2 2022 due to apprehensions with respect to global growth prospects that have put real estate decision-making on hold. The absorption was split as 58:42 between H1 and H2 2022.

Sector Split: During 2022, flexible workspace operators replaced the long-standing demand driver of the IT-BPM segment from its pivotal position. Flexible workspace operators dominated the leasing activity accounting for 40% of the Grade-A gross absorption. The IT-BPM segment garnered a 38% share, followed by the engineering and manufacturing segment with a 13% share.

Supply: Pune witnessed Grade-A supply infusion of 7.3 mn sq. ft. during 2022, more than double of that witnessed in 2021. This was a testament to the confidence of developers in the recovery of the city's office market. Additional supply mirrored the robust office demand in the micromarkets of SBD East and SBD West, as 68% of the overall supply in the city was concentrated in these micromarkets. The new supply was split as 70:30 between IT and Non-IT developments.

VACANCY RATE

As supply infusion exceeded demand, overall vacancy levels in the city rose to 13.9% at the end of 2022 from 12.1% in 2021.

RENTS

City-wide Grade-A quoted rental values appreciated by 2% YOY as the new supply that was added in the stock is commanding rentals higher than the existing market average.

MARKET OUTLOOK

DEMAND

Against the backdrop of continued return of employees to workplaces, we expect the city's office market to continue building the momentum during 2023. Driven by pre-commitments of 1.1 mn sq. ft. that are likely to get absorbed during 2023, we expect 2023 to clock in Grade-A gross absorption of around 7.0 mn sq. ft.

SECTORS

We expect continued interest from technology occupiers as well as flexible workspace operators to drive office leasing demand during 2023. The micromarkets of SBD East, SBD West and the CBD are likely to attract occupier attention due to expected infusion of quality supply offering large contiguous spaces.

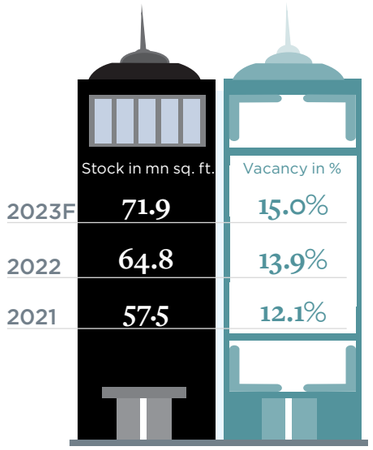
RENT & VACANCY

Given the situation of supply exceeding demand, Grade-A quoted rental values are likely to remain stable across all micromarkets in 2023. Amidst significant supply infusion and robust leasing activity, we expect the vacancy rate to hover around 15%-16% by the end of December 2023.

SUPPLY

New supply of 7.0 mn sq. ft. is scheduled to be completed during 2023. This planned supply will likely be concentrated in the micromarkets of SBD East (59%) and SBD West (16%).

GRADE-A OFFICE STOCK & VACANCY



Source: Savills India Research

Major Transactions 2022

TENANT | Micromarket | *Building*
Transacted Area* (sq. ft.)

SMARTWORKS
CBD
AP 81
450,000

ZS ASSOCIATES
SBD East
ITPP
350,000

SNOWFLAKE
SBD East
Panchshil Business Park
121,900

UST GLOBAL
SBD East
ITPP
120,000

BOSCH
SBD West
Panchshil Business Park
104,000

*Approximate and indicative areas only

PUNE MICROMARKETS

CBD - Laxmi Road, Camp, Bund Garden, Boat Club, Koregaon Park, Dhole Patil Road, Pune Station, Shivaji Nagar, FC Road, JM Road, Wakdewadi, SB Road, Model Colony, Ganeshkhind Road, Kalyani Nagar, Yerwada

SBD East - Kharadi, Mundhwa, Nagar Road, Viman Nagar, Hadapsar, Kondhwa

SBD West - Aundh, Baner, Balewadi, Pashan, Kothrud, Karve Nagar, Khadki, Paud Road

PBD East - Phursungi, Wagholi, Charoli, Solapur Road, Saswad Road, Katraj

PBD West - Hinjewadi, Wakad, Pimpri, Bhosari, Chinchwad, Bavdhan, Mulshi, Talawade, Tathawade, Nanded City, Pimple Saudagar

Source: Savills India Research

ANNEXURE:

REAL ESTATE KEY POLICY ANNOUNCEMENTS 2022

Q1 - 2022

Infrastructure Status to Data Centres - The government announced infrastructure status for data centres with more than 5MW capacity in the FY23 budget. This would enable better access to foreign funding, refinancing of the existing loans at lower interest rates and overall enhanced credit availability from domestic investors for development of data centres.

Implementation of Multimodal Logistics Park through PPP - This was announced by the government to significantly reduce the logistics cost in the next few years. The push will lead to active participation of investors to set up industrial plants including manufacturing, warehousing as well as other social infrastructure.

Development of Enterprises and Services Hub (DESH) Bill, 2022 - The bill, formulated to create development hubs to focus on exports and to cater to the domestic markets, proposes to integrate existing industrial estate by converting them into developmental hubs and promotes the expansion of the scope or service sector units in SEZs.

Unique Land Parcel Identification Number to Facilitate IT-based Management of Records - This was launched under the Digital India Land Records Modernization Programme. It provides uniform process for registration of deeds and documents, facilitating transparency in ownership and transactions.

INR 48,000 Cr. Allocation for 80 Lakh Houses to be Built Under PMAY (both Rural and Urban) - The initiative was taken to promote affordable housing supply for middle class and EWS. An additional benefit would be reduction in time required for land and construction related approvals.

Property Tax Waiver by Maharashtra Government - The government approved a property tax waiver for residential units up to 500 sq. ft. located within the Mumbai municipal area limits. It aimed to improve sales in the affordable housing segment and boost house ownership among the lower income group.

Dual Use Permission to Gujarat's GIFT City - The government allowed developers to offer premises to non-SEZ entities to buy properties. This would help attract more investments from real estate developers.

Various state governments have announced other policies as well as certain relaxations from time to time. These have had an impact on the overall real estate sector in the country in 2022.



India Market Watch | Office Year-End 2022

Q2 - 2022

New Data Centre Policy For Karnataka - The Karnataka government rolled out a new data centre policy targeting INR 10,000 Cr. investments by offering attractive incentives and concessions for investing in data centres.

Concession Period Extended From 30 to 45 Years Under Proposed Multi-Modal Logistics Parks (MMLPs) Scheme – The government has planned to build 35 mega freight and transport hubs under the Bharatmala scheme. This would smoothen freight mobility, improve efficiency and reduce logistics cost. Increased concession would help in raising more investments as a larger concession window would help investors recoup their investments and create surplus.

Q3 - 2022

National Logistics Policy Unveiled - The policy was launched to facilitate the movement of goods and strengthen the trade sector. The aim is to reduce the logistics cost from 14-18% of GDP to global best practices of 8% by 2030. The policy is likely to spur growth of commercial real estate, including warehouses and industrial parks.

Airport Authority of India Eases Building Height Restrictions around Navi Mumbai International Airport Area - AAI relaxed the restrictions within a radius of 20 km from the upcoming Navi Mumbai International Airport and permitted to build up to 160 metres (46-48 floors) from 55 metres (15-16 floors) earlier. This would allow full utilisation of the FSI by developers and enable redevelopment projects in the area which were perceived unviable by developers owing to height restrictions.

InvITs and REITs Eligible to Issue Commercial Paper - SEBI allowed Infrastructure Investment Trusts (InvIT) and Real Estate Investment Trusts (REIT) with a net worth of at least INR 100 Cr. to issue commercial papers subject to certain conditions.

Tamil Nadu Govt. Allows up to 50% Discount on Premium FSI Charges - The government allowed discount on premium for properties within 500 mtr. from the central line of proposed Phase 2 Metro Line. This would lead to huge development of commercial and residential projects along the metro corridor.

Q4 - 2022

Government slashes FSI rates in Pune, Maharashtra - The government reduced FSI rates from 60% to 30% for residential properties of the ready reckoner rates to give a boost to real estate development in the Transit Oriented Development (TOD) zone of Pune.

West Bengal Govt. Extends Stamp Duty Reduction - The government extended 2% stamp duty reduction and 10% circle rate rebate until March 2023 in a bid to maintain momentum in the realty market.

APPENDIX

Glossary

Development of Enterprise and Service Hubs (DESH) Bill
Through this bill, the government seeks to create development hubs to focus on exports and to cater to domestic markets as well. The final notification may allow de-notification of empty SEZ spaces so that the same can be used for other authorised operations. The bill provisions for the custom duty to be paid on the inputs used and not on the final goods. It proposes to integrate existing industrial estate by converting these into developmental hubs and promotes the expansion of the scope or service sector units in SEZs.

National Logistics Policy
The policy was launched to facilitate the movement of goods and strengthen the trade sector. The aim is to reduce the logistics cost from 14-18% of GDP to global best practices of 8% by 2030. It is likely to spur growth of commercial real estate, including warehouses and industrial parks.

Gati Shakti National Multi Modal Connectivity Plan
It is an INR 100-trillion national master plan for the development of multi modal connectivity to economic zones of the country boosting last mile connectivity. It seeks to transform Indian infrastructure and logistic connectivity and aims to maximise inter-ministerial coordination and minimise decision-making time.

Abbreviations & Acronyms

Bn - Billion
GDP - Gross Domestic Product
GST - Goods & Service Tax
InvITs - Infrastructure Investment Trusts
INR - Indian Rupee
IT - Information Technology
IMF - International Monetary Fund
IPO - Initial Public Offering
Mn - Million
MoSPI - Ministry of Statistics & Programme Implementation
PE - Private Equity
PLI - Production Linked Incentive
PMI - Purchasing Manager's Index
RBI - Reserve Bank of India
REIT - Real Estate Investment Trust
Sq. ft. - Square Feet
SEBI - Securities and Exchange Board of India
YOY - Year over Year

Key Definitions

Term	Definitions – Office Sector
Stock/Inventory	• This includes area of existing buildings plus new completions (supply) in each quarter/half year/full year
Supply	• New office buildings that have received their certificates of completion/occupancy within the quarter/half year/full year or • Buildings that have their structure ready and have occupier/s operating out of it or fit-outs being carried out
Gross Absorption/Gross Leasing/ Leasing Activity	• Sum of all leases including expansion, relocation and consolidations • Does not include full-term renewals which are after the nine-year lease expiry • Includes leasing of entire tower by an occupier within an IT park/development
Average Rental Values/ Rents	• A fair estimation of asking rent and deal closure rent
Vacancy	• Total vacant space as a percentage of inventory/stock

Term	Definitions – General
Crore	• Ten Million (10,000,000)
Lakh	• One Hundred Thousand (100,000)

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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 600 professionals.

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