

HYDERABAD

Office Q2 2024

25.5% VACANCY (Q2 2024)

2.7 msf NEW COMPLETIONS (Q2 2024)

1.7 msf NET ABSORPTION (Q2 2024)

MARKET INDICATORS OVERALL Q2 2024

Q2 2023 Q2 2024 12 month Forecast

Overall Vacancy	23.95%	25.45%	▲
Weighted Average Net Asking Rents (INR/sf/month)	65	69	▲
Gross leasing volume (sf)	2,476,259	2,505,857	▲

Strong Demand Fuels Gross Leasing Volume Surge; BFSI demand on the rise

While quarterly gross leasing volume (GLV) remained at around 2.5 msf, the city's office market witnessed a significant surge in the overall first half of 2024. H1 2024 GLV reached an impressive 5.0 msf, a remarkable 40% increase compared to the same period in 2023. Interestingly, H1 2024 saw a significant shift in deal size preferences. Mid-sized office spaces (25,000-99,999 sq ft) accounted for 48% of all deals, compared to just 26% in H1 2023.

While the IT-BPM sector continued to hold the top spot with a 36% share in gross leasing, the BFSI sector emerged as a strong contender, capturing 29% of the market share in H1 2024. This substantial rise can be attributed to the influx of major BFSI organizations establishing a presence in Hyderabad. Flexible workspaces followed closely with a 17% market share. The prime submarket of Madhapur continued its dominance, accounting for an 83% of overall leasing activity in H1 2024. However, due to limited supply in HITEC City, Gachibowli market is expected to see rise in demand for next 2-3 years.

New Supply Meets Rising Demand, Vacancy Rate Stable

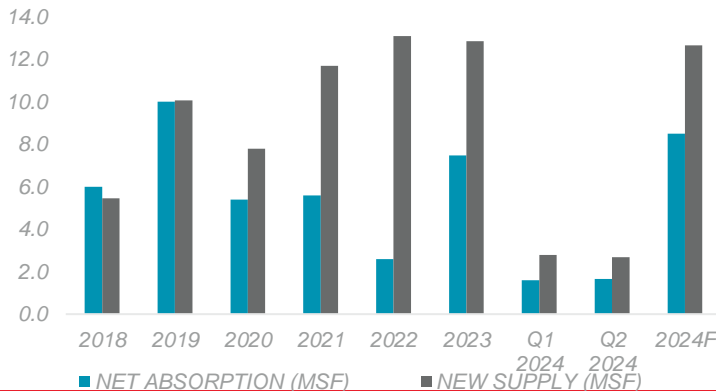
While the Hyderabad office market witnessed a significant influx of new office space in Q2 2024 with nearly 2.7 msf entering the market, the city's robust leasing activity helped mitigate any major impact on vacancy rates. Overall, the city-level vacancy rate remained stable despite the influx of new supply, demonstrating a well-balanced market.

Fueled by healthy leasing activity, Madhapur's vacancy rate is expected to dip into single digits within the next two quarters. This would be a first for the submarket since the pandemic and signifies a strong recovery. While Gachibowli's overall vacancy rate remains high at around 47%, premium developments in the submarket are experiencing a faster decline in vacancy levels.

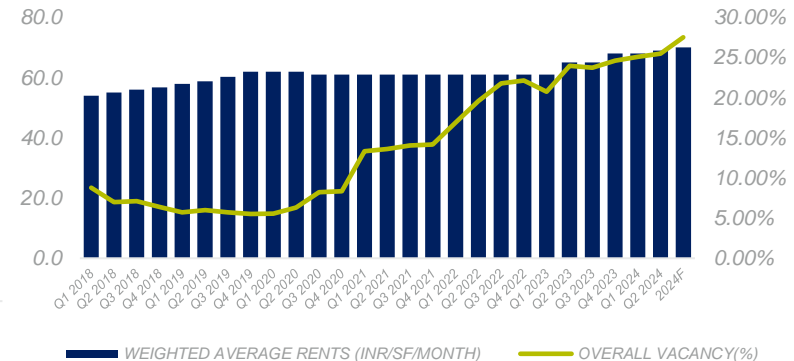
Uptick in Rentals

Rental trends in the Madhapur office market during Q2 2024 displayed a significant increase, driven by considerable ongoing demand activity. Some premium developments in Madhapur have even witnessed rental hikes reaching up to 10% compared to the previous quarter. Rentals in Gachibowli remained stable during Q2, but a slight upward adjustment is expected in the coming quarters as the market adjusts to increasing demand.

NET ABSORPTION & NEW SUPPLY



OVERALL VACANCY & WEIGHTED AVERAGE ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE (%)	YTD GROSS LEASING ACTIVITY# (SF)	PLANNED & UNDER CONSTRUCTION (SF)^	YTD CONSTRUCTION COMPLETIONS (SF)	YTD NET ABSORPTION (SF)	GRADE A WTD. AVG. RENT*		
							INR/SF/MO	US\$/SF/YR	EUR/SF/YR
Madhapur	65,658,869	12.32%	4,173,278	11,030,000	1,392,805	2,780,141	78	11.22	10.41
Gachibowli	37,098,085	46.61%	762,637	29,536,829	4,221,073	820,061	65	9.35	8.68
Peripheral East	2,258,000	41.77%	0	0	0	0	43	6.19	5.74
Total ##	107,665,883	25.45%	5,015,173	40,566,829	5,613,878	3,302,513	69	9.93	9.21

The report highlights Grade A details only. Certain indicators are historically corrected by the addition/deletion of older / refurbished projects as per grade A classification and accounting for changes in built-up/leasable areas besides adjusting tenant leases to reflect accurate market conditions.

^ Includes planned & under-construction projects until 2026

Net absorption refers to the incremental new space take-up

*Weighted average asking rental rates for vacant spaces that provide the core facility, high-side air conditioning, and 100% power backup

Totals include a smaller portion of grade A properties outside the above-mentioned submarkets.

IT-BPM – Information Technology – Business Process Management, BFSI – Banking, Financial Services, and Insurance

Key to submarkets:

Madhapur includes Madhapur, Kondapur, and Raidurg; Gachibowli includes Gachibowli, Nanakramguda, Manikonda Peripheral East includes Pocharam and Uppal;

US\$ 1 = INR 83.4 € 1 = INR 89.9

Numbers for the second quarter are based on market information collected until 20th June 2024

Aloka Majumder

Manager, Research Services

+91 22 67715555/ aloka.majumder@cushwake.com

Suvishesh Valsan

Director, Research Services

+91 22 67715555 Suvishesh.Valsan@cushwake.com

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
KRC Commerzone	Suburban (Madhapur)	HCL	319,186	Fresh Lease
Sattva Knowledge City Parcel 2	Suburban (Madhapur)	AT&T	178,778	Fresh Lease
Phoenix Aquila Tower A	Suburban (Gachibowli)	Micron	143,710	Fresh Lease
Palnadu Aster	Suburban (Gachibowli)	Value Momentum	110,569	Fresh Lease

SIGNIFICANT PROJECTS PLANNED AND UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	COMPLETION DATE
Aparna Technopolis	Suburban (Madhapur)	NA	1,700,000	Q3 2024
Kalyani IT Tower	Suburban (Gachibowli)	NA	1,470,000	Q3 2024
Phoenix Equinox T1	Suburban (Madhapur)	NA	1,170,000	Q3 2024

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