

Delhi NCR witnessed a decent pick up in the net absorption due to new supply of Grade A office space during Q4 2016. Around one million square feet (msf) Grade A absorption has improved in the fourth quarter of 2016 and showed a decent increase from the previous quarter. IT-Business Process Management and e-commerce sectors were the major contributors to Grade A office space absorption during the fourth quarter with an average deal size of approximately 150,000 square feet (sf). Noida market has witnessed a decent Pre-commitments of approximately 200,000 sf during the fourth quarter. Rentals are expected to be a mix match of stable and a little increased rentals depending on the availability and preference interest shown by occupiers for various micro markets.

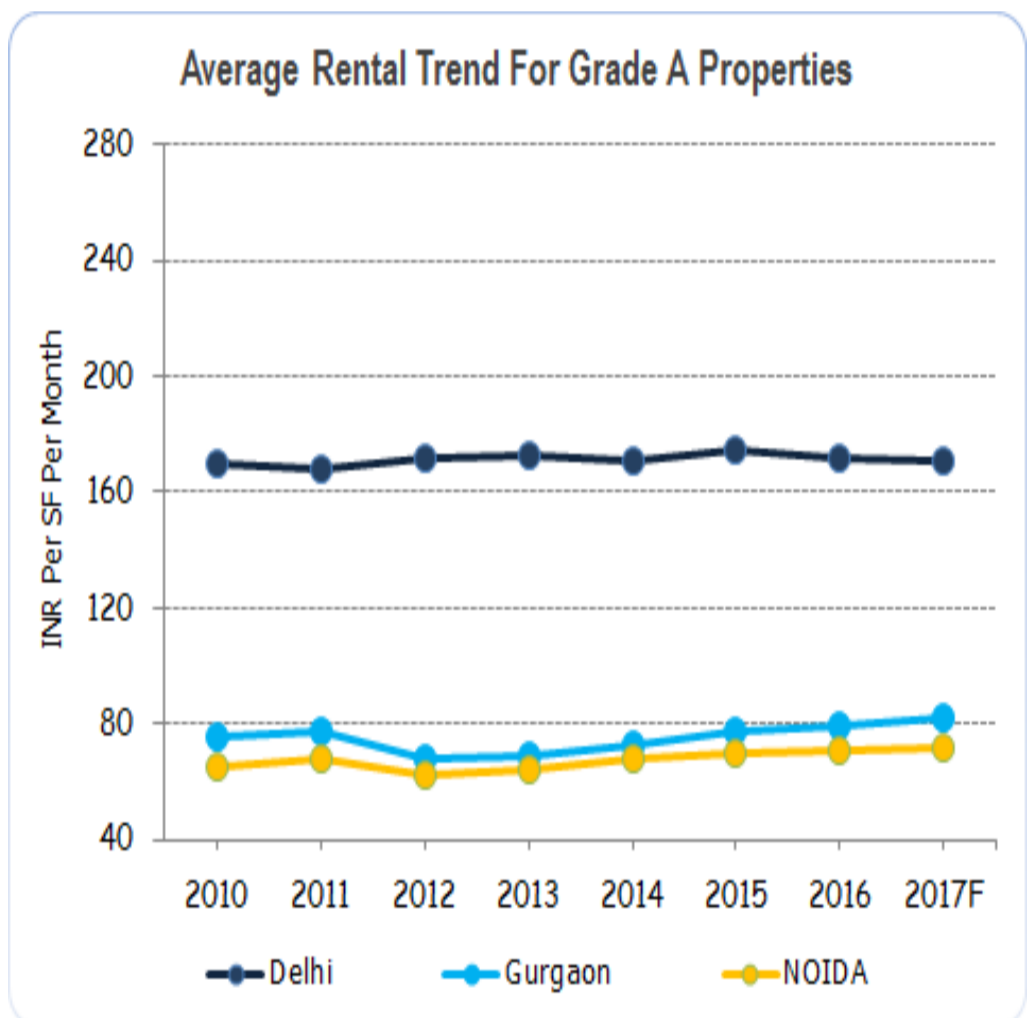
Outlook

It is expected for Delhi NCR to witness an addition of around 2 msf of new supply which is scheduled for completion during the second quarter of 2017 in the submarkets of Delhi NCR. New Projects which were supposed to be delivered in the first quarter of 2017 has got deferred to the following quarters. We are expecting a solid improvement in absorptions of Grade A office space in the third quarter of 2017.

Looking at the overall vacancy rate in Delhi NCR during the fourth quarter, it has dipped marginally (little less than 1 per cent) as compared to the previous quarter. Decline in the average rentals of the market was also seen during fourth quarter. It was good to see Noida doing well in terms of rent increment in Grade A office spaces unlike other micro markets in NCR due to added supply of Grade A facilities in the city.

MICRO MARKETS	RENTAL VALUE*	% CHANGE		
		QOQ	YOY	
GURGAON	MG Road	110 - 140	0%	0%
	DLF Cyber City (IT)	100 - 115	6%	12%
	Golf Course Road	110 - 190	5%	1%
	Golf Cr Rd Ext./Sohna	60 - 80	2%	3%
	NH 8	50 - 130	0%	0%
	Udyog Vihar	30 - 45	0%	5%
NOIDA	Non IT Institutional sector	80 - 100	0%	9%
	Noida Sec 16A, 62, 125-142	45 - 75	12%	5%
	Noida Sec 124, 57-60, 63-75	35 - 55	-5%	-5%
DELHI	CBD	140 - 450	-6%	-12%
	Nehru Place	160 - 225	0%	-6%
	Saket	120 - 200	7%	-10%
	Jasola	80 - 135	-1%	-2%
	Okhla	40 - 90	-4%	-6%

* Indicative Grade A rentals in INR/ sq ft/Month



Top Transactions in 2016

CLIENT	BUILDING NAME	AREA (sq ft)	LOCATION	LEASE / SALE
Amazon	World Trade Tower	300,000	Noida Sec-16	Lease
Vivo Mobile	World Trade Centre	250,000	Greater Noida	Lease
Make My Trip	Cyber City	150,000	Cyber City Gurgaon	Lease
Home Credit	Sewa Corp. Park	150,000	Udyog Vihar Gurgaon	Lease
HDFC Bank	Ambience Corp Tower	100,000	Rohini, Delhi	Lease
National Skill Council	Bharti World Mark	65,000	Aerocity, Delhi	Lease

IndusCresa View:

In Delhi, we are expecting dip in rentals due to movements of companies to other satellite cities like Noida and Gurgaon. However, Delhi will continue to be the first choice for occupiers from Financial, IT and manufacturing sectors utilizing the advantage of being national capital. Gurgaon is well prepared to keep the rentals stable due to the expected new supplies in coming months. Demand for small office spaces by new entrants and startups will help Gurgaon to fill up co-working and shared spaces vacancies. Noida is expected to witness major movements concentrated in SEZs and Institutional sector only due to availability and affordable rentals in the micro market.

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