

Mumbai witnessed slower leasing activities in H1 2016 but gradually it accelerated in H2 2016 with multiple large deal closures. The overall leasing volume for 2016 was recorded a little more than 5 million sq ft, around 15% -18% percent decrease from 2015.

The key occupier's demand driver was affordability, resulting in maximum new leasing in Andheri in the Western suburbs and Navi Mumbai due to high availability of affordable office spaces. Central suburbs and Bandra Kurla Complex (BKC) also contributed in total leasing with giants like Apple and Google preferring these premium locations despite higher rents. Central Mumbai, CBD and Thane also contributed little share in total leasing. The co-working & shared space trend is also getting popular among start-ups to large companies and this trend to expected to continue in coming years. Few big players have already started adopting this trend in Mumbai.

### Outlook

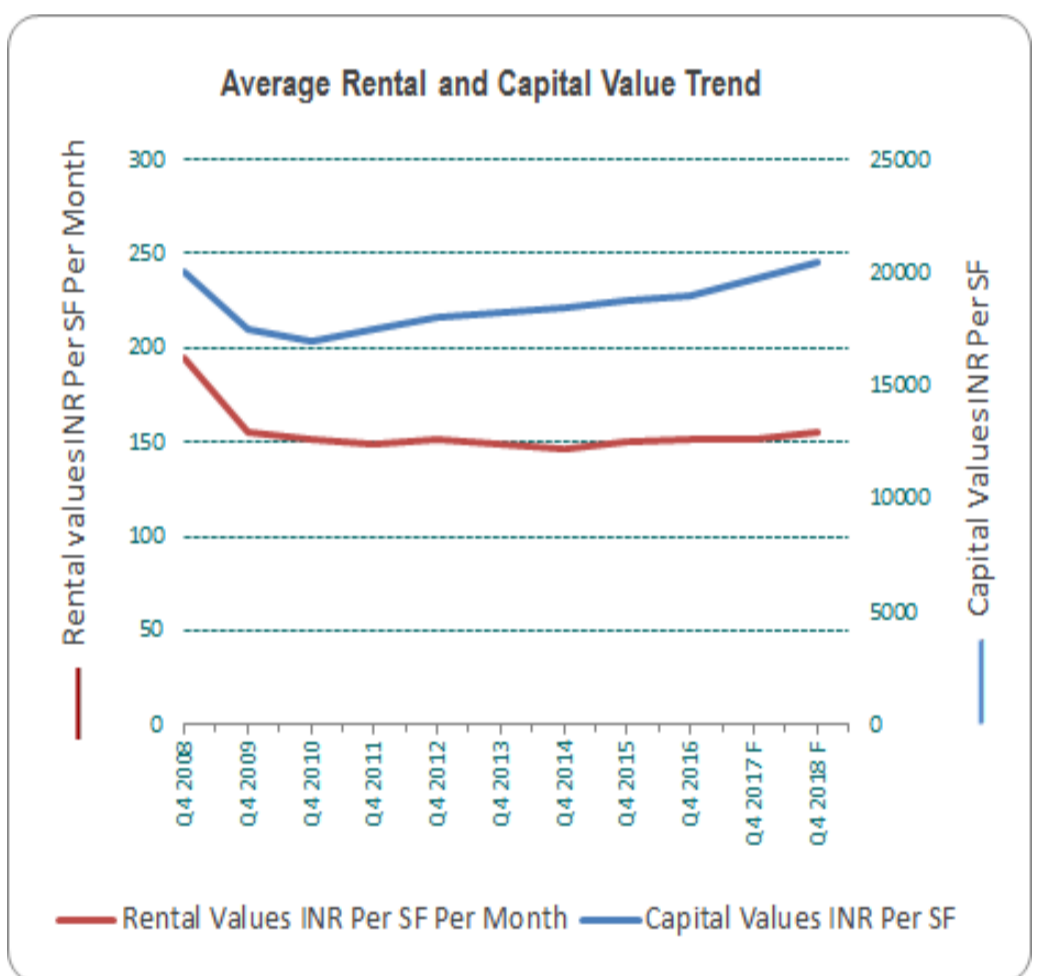
Demand would remain focused towards quality Grade A office spaces, therefore, the alternative workspace solutions are likely to gain momentum. New office supply in de-centralised areas offers opportunities for relocation or split back-office functions for big companies. Vacancy should see a decent rise in peripheral locations as compared to premium markets where shrinkage of vacancy is expected. Rent should remain stable with the exception of a few premium establishments and capital values may increase marginally if sales transactions gain momentum in 2017.

Rental values remained stable throughout the year in most micro markets facilitating lease renewals and expansion in existing locations. However, few micro markets such as Goregaon/JVLR, Thane and Kalina witnessed significant increase in asking rents in a few premium buildings due to a dearth of quality supply. Institutional investments remained active in 2016 and Mumbai recorded its largest institutional sale deal where Brookfield Asset Management purchased Hiranandani Group's commercial portfolio at Powai. Essar Group sold its commercial project Equinox Business Park in BKC to RMZ Corp.

MICRO MARKETS	RENTAL VALUES *	% CHANGE	
		QoQ	YoY
CBD**	200 - 250	0%	0%
Worli/Prabhadevi	180 - 210	0%	0%
Lower Parel	145 - 190	0%	0%
BKC	225 - 320	0%	0%
Kalina	150 - 210	0%	5%
Goregaon / JVLR	120 - 140	0%	22%
Andheri East	90 - 130	0%	0%
Malad	80 - 100	0%	0%
Powai	120 - 130	0%	0%
Navi Mumbai	70 - 100	0%	0%
Thane	65 - 85	0%	18%
LBS	130 - 150	0%	0%

\*Indicative Grade A rents in INR per sq ft per month

\*\*Nariman Point, Ballard Estate & Fort



Top Transactions in 2016				
CLIENT	BUILDING NAME	AREA (sq ft)	LOCATION	LEASE / SALE
UBS	Gigaplex	130,000	Airoli	Lease
Teva Pharma	Oberoi Commerz 2	100,000	Goregaon	Lease
Duck Creek Technologies	Godrej IT Park	100,000	Vikhroli	Lease
Tata Communications	Crescenzo	100,000	BKC	Lease
DBS	Express Tower	100,000	Nariman Point	Lease
NCR Corporation	Mind Space	90,000	Airoli	Lease

### IndusCresa View:

We expect that in 2017, Andheri, Navi Mumbai, Lower Parel, Central suburbs will remain as most focused locations because majority of the upcoming supply will be in these locations only. Though Mumbai leasing has primarily been dominated by financial services, but other sectors like technology, engineering and manufacturing are also marking their presence in Thane, Navi Mumbai, Andheri and Eastern suburbs. We expect this trend to continue in 2017 also. Although we believe that rents will remain stable across most micro markets, availability of Grade A buildings at an affordable rent will be a major concern for upcoming years.

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