



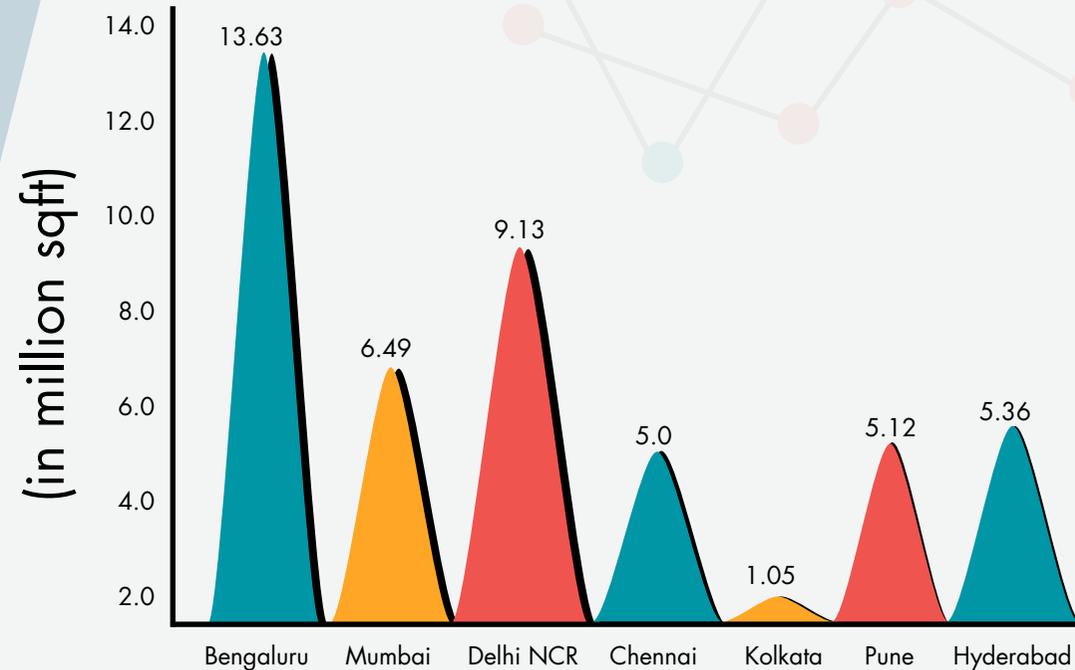
India Office Report



The commercial space market has finally hit the ball out of the park to score a winning ton. India arrived on the global scene in 2015 and emerged as a major office destination for many corporates. Riding on the back of steady economic growth and consistent demand, 2015 was a landmark year for the Indian commercial space market. The economy grew to 7.4 per cent in 2015 supported by low inflation, low interest rates and growth in investments. The year registered about 40.21 million sqft office space lease transactions excluding pre-commitment of another 3 million sqft in India's seven major cities.

Significantly, office users absorbed more amount of space, than what was added to new supply indicating dropping vacancy rates. Bengaluru, with about 13.43 million sqft of office absorption and 12.85 million sqft of new construction retained its numero uno position across all major cities. The demand was primarily driven by technology sector while e-commerce emerged as a significant contributor of this demand within this sector.

Office space absorption in 2015



While commercial space absorption reached new heights, private equity activity in the commercial sector continued to gain traction. At the same time, institutional investors, both domestic and overseas, are also showing a renewed interest in the commercial space sector. Here's a look at how the segment fared in India's seven major cities:

Bengaluru

The Bengaluru commercial space market has continued its strong position with more than a third of the share in total absorption across seven major cities. The city's traditional primary office demand driver IT/ITeS shared more than half of the total absorption, followed by BFSI, manufacturing and other sectors. In terms of micro markets, Outer Ring Road was the most preferred commercial space destination, followed by Whitefield, Electronic City and CBD. Bengaluru has ample commercial space, approximately 21 million sqft in the pipeline. This is likely to keep vacancy levels the same in the coming years, due to high occupier demand.



Bengaluru Office Rentals Q4 2015



Micro Market	Monthly Rental Value for Grade A (INR/sqft)
CBD	95-110
SBD	75-85
ORR	65-75
PBD	35-45
Bengaluru North	55-65

Key Lease Transactions Q4 2015



Property	Tenant	Micro Market
RMZ Eco World (4A & 4B)	Shell Technology Center	Outer Ring Road
Embassy Golf Links Business Park	JP Morgan Services India	Suburban East

Key Projects under construction Q4 2015



Property	Completion Date	Micro Market
RGA Tech Park	Q1 2016	Outer Ring Road
Pritech SEZ (XIV)	Q1 2016	Outer Ring Road

Outlook

Over the next one year, the outlook for office market looks strong with companies, such as HCL, ABB, Thomson Reuters, Mercedes, Netmagic, and GE, keen on expanding operations in Bengaluru. However, vacancy rates are expected to remain flat, as new supply is likely to supplement the demand. Rents are likely to rise marginally in select micro markets such as ORR – Marathahalli – Sarjapur and North Bengaluru due to limited Grade A vacant stock.

Mumbai

The Mumbai commercial space market has come of age with absorption totaling 6.49 million sqft. Sector wise, BFSI led the demand followed by IT/ITeS and Pharma. Western suburb micro markets including Andheri (E), Malad, Goregaon (E), Jogeshwari (E) accounted for a third of the total absorption, followed by Bandra Kurla Complex (BKC), Navi Mumbai, Central suburb, Central Mumbai and Thane.

In a move that's likely to give commercial space a huge impetus, the Maharashtra government has approved the new IT/ITeS policy. The policy aims at making the state an IT, animation and gaming industry hub by attracting INR 50,000 crore of investment and creating 1 million jobs by 2020.



Mumbai Office Rentals Q4 2015



Micro Market	Monthly Rental Value for Grade A (INR/sqft)
CBD	170-200
Off CBD	180-225
BKC	225-320
Western suburbs	125-150
Eastern suburbs	85-115
Navi Mumbai	75-90

Key Lease Transactions Q4 2015



Property	Tenant	Micro Market
Nesco	Endurance	Malad/Goregaon
Kalpataru Prime	CMA CGM Group	Thane
Oberoi Commerz 2	Drager India	Malad/Goregaon

Key Projects under Construction Q4 2015



Property	Completion Date	Micro Market
Lodha Supremus	Q2 2016	Thane

Outlook

With favourable policies for Mumbai's real estate and major infrastructure projects, the city is likely to perform well in 2016. Over the next six months, the demand for commercial space is likely to rise with tenants seeking quality office space. In the second half of 2016, approximately 11 million sqft office supply is expected to hit the market, which will help to keep rents stable during the year.

Delhi NCR

The commercial space market in Delhi remained muted with 1.3 million sqft of Grade A office supply this quarter. The IT/ITeS sector had the highest share in commercial leasing activity, followed by consulting and BFSI. Despite the dip in net absorption, the decline in supply during the quarter led to a marginal increase in overall vacancy levels in Grade A developments. The average Grade A rentals in Gurgaon Others submarket has been strengthened by approximately 11.75 per cent amidst increasing demand in the submarket.



Delhi NCR Office Rentals Q4 2015



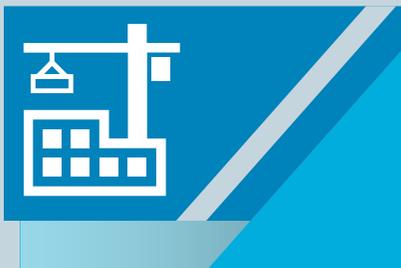
Micro Market	Monthly Rental Value for Grade A (INR/sqft)
Delhi CBD	220-235
South East Delhi	115-121
Delhi International Airport	212
Gurgaon CBD	105-113
Gurgaon Others	60-64
Noida	50-57

Key Lease Transactions Q4 2015



Property	Tenant	Micro Market
Infospace	Barclays	Noida
Spaze Palazzo	OYO Rooms	Gurgaon Others

Key Projects under Construction Q4 2015



Property	Completion Date	Micro Market
Noida One	Q2 2016	Noida
Infospace	Q1 2016	Gurgaon Others

Outlook

Going forward, commercial space absorption is likely to go up with demand from BFSI, IT/ITeS, media and entertainment and Government sectors. Micro markets like Connaught Place, Aero City, Saket and Okhla will continue to witness traction. Rental values in Delhi CBD and Delhi International Airport submarket are expected to increase due to healthy demand and limited availability.

Chennai

Technology sector continues to drive the demand for commercial space in Chennai. IT/ITeS firms lead the pack, followed by BFSI, pharma, manufacturing and engineering sectors. Old Mahabalipuram Road remained the most preferred micro market, followed by CBD, off CBD, GST Road and Mount Poonamallee Road (MPR), Ambattur and Manapakkam. In 2015, Chennai witnessed about 3.16 million sqft of new office supply. Most of this new supply was concentrated in Rajiv Gandhi Salai (IT Corridor).

In a private equity investment, Brookfield Asset Management has picked up 80 per cent stake in an upcoming 200 acres industrial park in Sriperumbudur which, as the buzz goes, is being developed by Bengaluru-based realty developer Embassy Group.



Chennai Office Rentals Q4 2015



Micro Market	Monthly Rental Value for Grade A (INR/sqft)
CBD	70-80
Off CBD	65-70
SBD	35-40
OMR	28-38
GST	25-35

Key Lease Transactions Q4 2015



Property	Tenant	Micro Market
One Indiabulls Park	Yes Bank	North-West
SP Infocity	Ericsson	Suburban South

Key Projects under Construction Q4 2015



Property	Completion Date	Micro Market
High Street IT Park	Q1 2016	CBD

Outlook

Chennai commercial market is expected to gain demand by IT/ITeS and BFSI sectors. OMR and CBD, being preferred locations, will see more traction and are likely to witness elevated rentals. The rentals for select micro markets, especially in suburban south, are expected to increase in the short term due to sustained demand.

Kolkata

Office absorption in Kolkata declined to 1 million sqft in 2015, down by about 60 per cent from the previous year of 1.66 million sqft. However, IT /ITeS continued to drive the demand followed by pharma, BFSI and engineering, manufacturing and logistics, FMCG, media and entertainment sectors. In terms of location, Sector V/New Town witnessed maximum demand followed by CBD, New CBD and SBD. In 2015, both capital values and rents plunged in most micro markets except CBD and PBD. Vacancy levels have escalated due to decline in absorption and increase in new supply.



Kolkata Office Rentals Q4 2015



Micro Market	Monthly Rental Value for Grade A (INR/sqft)
CBD	85-115
SBD	80-100
Sector V	40-48
PBD	34-35

Key Lease Transactions Q4 2015



Property	Tenant	Micro Market
Martin Burn Business Park	Cerner	Sector V, Salt Lake
Infospace	Capgemini	Rajarhat

Key Projects under Construction Q4 2015



Property	Completion Date	Micro Market
Mani Casadona	Q1 2016	Rajarhat
Eco Centre	Q1 2016	Sector V, Salt Lake

Outlook

Technology majors such as IBM and PWC have shown interest to set up shop in Kolkata again. If this comes through, the city is likely to see increase in absorption in the next 12 months. Rents are likely to remain stable in CBD and SBD locations. However, micro markets like Salt Lake and New Town may witness a decline on account of piled up inventory. While some of the upcoming supply may get deferred due to elevated vacancy levels, rentals may further plunge in Salt Lake micro market.

Pune

With strong leasing from IT/ITeS sector, Pune registered office absorption of 5.12 million sqft in 2015. Locations in the East, such as Viman Nagar, Yerwada, Station Road and towards West Hinjewadi drove this demand, followed by Bavdhan, Hadapsar and CBD. This year, HDFC PMS has exited its investment in a commercial project and six residential projects of Marvel Realtors worth over for over INR 152 crore. A few large projects, such as Magarpatta Cybercity and Marval Edge Phase II, became operational which led the total supply to 2.9 million sqft. Overall vacancy levels have reduced to 18.8 per cent despite significant supply due to an increase in absorption.



Pune Office Rentals Q4 2015



Micro Market	Monthly Rental Value for Grade A (INR/sqft)
CBD	65-74
Off CBD West	75-85
Off CBD East	57-62
Suburban West	55-59
Suburban East	50-56
Extended Suburban	55-60
Peripheral West	35-45
Peripheral East	45-50

Key Lease Transactions Q4 2015



Property	Tenant	Micro Market
Panchshil Business Park	Siemens India	Suburban West
RMZ Icon	Veritas	Suburban West

Key Projects under Construction Q4 2015



Property	Completion Date	Micro Market
World Trade Centre Tower C	Q1 2016	Suburban East
Marvel Fuego	Q1 2016	Extended Suburban

Outlook

With its affordable rents and availability of talent, Pune will continue to attract the interest of tech companies. Rents and capital values are expected to rise marginally across micro markets for Grade A buildings. Net absorption is likely to be steady in the upcoming quarter as almost a quarter of Grade A supply is pre-committed by consulting companies.

Hyderabad

The city's office landscape has been the direct beneficiary of a stable political environment and economic growth. Hyderabad has witnessed an increase in office space absorption by 60 per cent compared to previous years. Rental values across all micro markets remained stable except the SBD, which witnessed an appreciation of 11 per cent. The suburban market of Madhapur, remained the preferred destination of occupiers and attracted the entire Grade A net absorption during the quarter. The pharmaceutical sector was the highest contributor to Grade A leasing activity, followed by the IT/ITeS sector.



Hyderabad Office Rentals Q4 2015



Micro Market	Monthly Rental Value for Grade A (INR/sqft)
CBD	45-55
SBD	50-55
PBD (West)	45-50
PBD	22-25

Key Lease Transactions Q4 2015



Property	Tenant	Micro Market
Salarpuria Sattva Knowledge City	Novartis	Suburban Madhapur
Mindspace Buildings 6 & 11	Qualcomm, JP Morgan	Suburban Madhapur

Key Projects under Construction Q4 2015



Property	Completion Date	Micro Market
KRC Mindspace	Q1 2016	Suburban Madhapur

Outlook

Nearly 2.5 million sqft of Grade A supply is expected to become operational in the first quarter of 2016. The majority of this supply is concentrated in suburban Madhapur submarket. Moreover, almost three quarters of this upcoming supply is pre-committed by IT/ITeS companies. As a result of this strong absorption, vacancy levels are expected to dip in the short term.

Trends for 2016

The commercial space segment has had a dream run and this positive sentiment is likely to prevail in 2016. The ideal mix of positive economy, job growth, and targeted construction activity will bring down vacancy levels further. While office absorption is likely to remain constant, capital and rental values are also expected to remain stable. However, for Grade A office space, rents are expected to strengthen in almost all the micro markets.

Here's how the commercial space market is likely to shape up across major cities in 2016:

Bengaluru: The sector looks strong on account of many large lease deals that are likely to be finalized. While ORR will continue to register high absorption, North Bengaluru is likely to emerge as a prime market for commercial space. Rental values for both these micro markets are likely to escalate due to high demand.

Mumbai: The announcement of several infrastructure projects is likely to bode well for commercial space in the Maximum City. The micro markets of Navi Mumbai and Western suburbs will witness high absorption. Rents are likely to remain stable on account of continuous demand and supply.

Delhi NCR: After a tepid year, the commercial space market is expected to fare better in 2016. The micro markets of Golf Course Road and Cyber City in Gurgaon and Noida Expressway and Sector 62 in Noida are likely to sustain the interest of occupiers.

Chennai: The city is unlikely to witness major new launches due to current vacancy levels. The upcoming state elections may also slow down the approval process. However, demand for office space is likely to remain robust due to steady demand from IT/ITeS and BFSI sectors.

Kolkata: Most of the Grade A supply is expected to come up in the micro markets of Salt Lake and Rajarhat. High vacancy levels may push down rents in Salt Lake to the advantage of occupiers.

Pune: In the absence of fresh supply of office space, vacancy levels may slide down further in the city. At the same time, rentals and capital values may escalate in areas with Grade A supply.

Hyderabad: The office market is likely to continue its strong performance in the upcoming quarters. Rental values are expected to escalate in the micro markets of HITEC City, Gachibowli and Madhapur.

Across all major cities, traditional demand drivers, such as IT/ITeS and BFSI will continue to create traction. The dream run of e-commerce is also expected to continue this year along with the industrial and warehousing sectors. Also, if REITs become a reality this year, the commercial space market will see more foreign investment chasing limited premium office developments.

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