



MARKET OUTLOOK

HYDERABAD, the capital city of Telangana with about 10 million people, is one of India's largest metropolitan cities. Hyderabad is the 2nd largest urban development area in India. Over the last 15 years, Hyderabad has transformed into one of the most developed cities in the country. It has emerged as one of the prime IT/ITES hubs of India. It is also home to the Pharma & infrastructure sectors.

The major multinational IT firms located in Hyderabad are Microsoft, Google, Facebook, Apple, Tata Consulting, Infosys, Wipro, Cap Gemini, Amazon, IBM, Uber, Oracle, Salesforce, Motorola, Samsung, ADP, Dell, Texas Instruments.

MARKET SUMMARY

- Quarterly increase in leasing activity, led by IT Corridor II.
- Supply addition in IT Corridor II, Extended IT Corridor and PBD.
- Rental values are stable in IT Corridor I, IT Corridor II and Extended IT Corridor.

NEW COMPLETIONS

Supply addition witnessed in the form of one large-sized and many IT projects development in Raidurg and Kondapur in IT Corridor II, few medium-sized in Kokapet in Extended IT Corridor and some medium sized IT projects in PBD.

SPACE TAKE-UP

Space take-up was concentrated in IT Corridor II and Extended IT Corridor, driven by the new supply influx and culmination of pre- commitments. Primary leasing dominated overall demand, constituting of medium- to-large-sized deals in IT developments in Raidurg and Kondapur in IT Corridor II. Leasing in IT Corridor I was limited to small- sized deals in secondary spaces across IT and non-IT developments.

OCCUPIER TRENDS

Tech corporates lead demand Large-sized deals (more than 100,000 sq. ft.) by American corporates dominated space take-up, especially in IT Corridor II.

MARKET HIGHLIGHTS

- Hyderabad's Hitec city area has progressed from being the cheapest IT office location in India in early 2014 to being one of the costly locations in South India. This location has seen rentals increase by 40-60%.
- The real estate market in Hitec City is facing a demand-supply imbalance with more demand chasing a very limited supply. This situation is expected to continue till mid 2022.
- Hitec City market comprises of area from Madhapur to Financial District. Over the years the rental gap between these areas has been narrowing down.
- Some companies looking for value for money options close to Hitec City are now exploring offices in Kukatpally & Hafeezpet. These locations are abutting Hitec City on its north side.
- Non-SEZ's BTS campus developments have re-emerged in the past few years. Novartis, Deloitte and Genpact are companies who have used this route to consolidate in & around Hitec City.



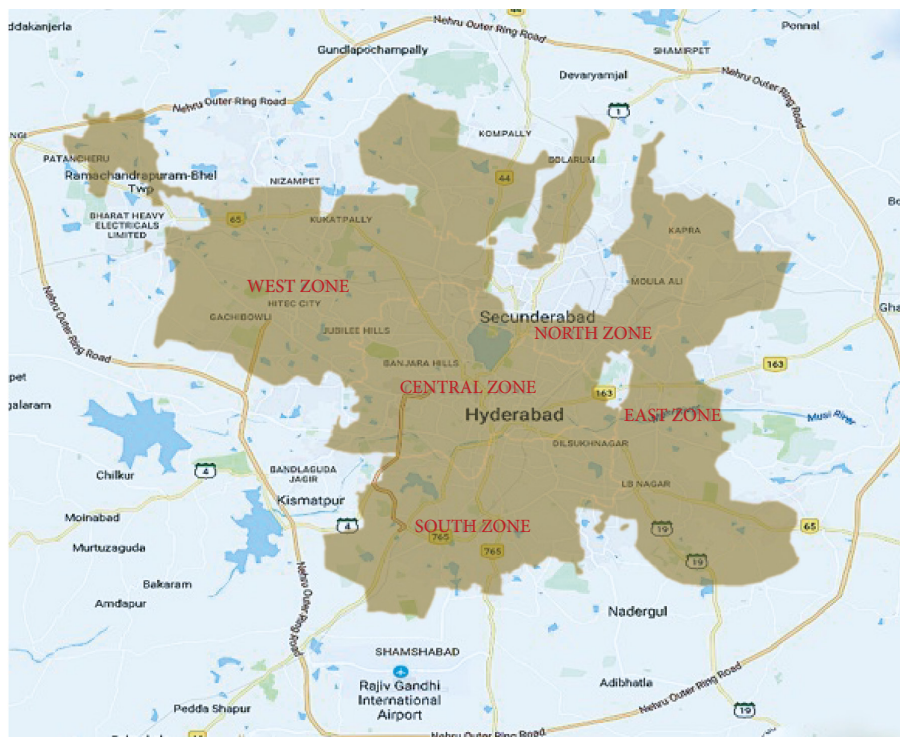
MARKET OVERVIEW

PRICING TRENDS

Rents are stable across all segments in IT Corridor II and

Extended IT Corridor respectively owing to increased occupier interest towards recently completed developments.

GROWTH ZONES OF CORPORATES



West Zone (IT CBD)

Madhapur, Hitec City, Kondapur, Gachibowli, Raidurg, Financial District, Kukatpally

Central Zone (IT Non-CBD)

S. P. Road / Begumpet, Somajiguda / Punjagutta, Banjara Hills, Jubilee Hills

East Zone (IT Non-CBD)

Uppal, Pocharam, Nacharam, Secunderabad

MARKET OBSERVATIONS

■ In terms of office space take-up, the city has a visible uptick in leasing activity in recent times and has firmly established itself as a top three contender in the country's office market.

■ Since last 5 years, a lot of new companies have set up operations in Hitec city. Majority of the IT companies spread across the city have also moved towards Hitec city.

■ Current occupancy levels in good IT parks such as Raheja Mindspace / Ascendas etc. are close to 90%.

■ Hitec City is now a full-fledged integrated city with commercial, IT, residential, malls, hotels etc. all having been developed successfully here. Hitec City is home to a lot of leading schools and higher educational institutions. Financial District is the current growth centre in Hitec City.

■ Road congestion is starting to become an irritant in Hitec City. Metro connectivity is only for Madhapur, Cyber Towers and Raheja Mindspace locations.



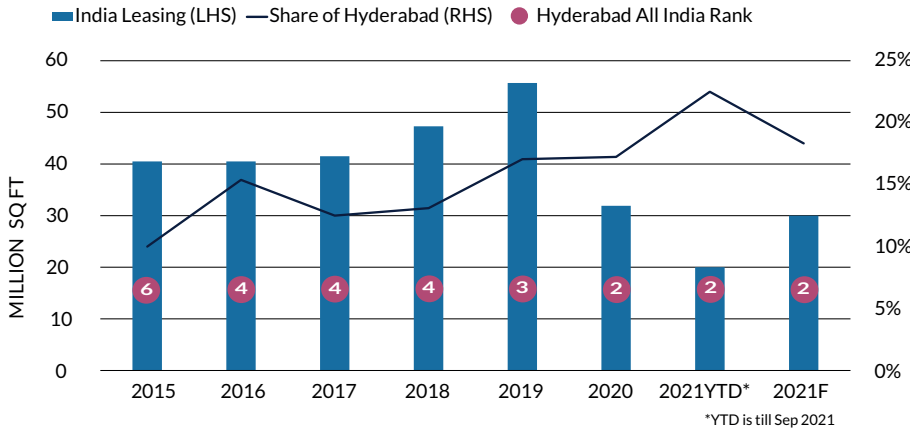
RENTAL VALUES Q1, 2022

Micro Markets	INR /Sft/Month	\$ US/Sft/Month	QOQ %	YOY %
CBD includes micro markets such as Banjara Hills Road, Begumpet, Somajiguda, Jubilee Hills, Ameerpet, Himayath Nagar, Punjagutta)	55 - 75	0.7 - 1.1	0.0 %	0.0 %
IT Corridor I (includes Madhapura, HITECH city)	55 - 75	0.7 - 1.0	1.5 %	4.6 %
IT Corridor II (includes Gachibowli, Kondapur, Raidurg)	65 - 75	0.9 - 1.0	4.5 %	7.7 %
Extended IT Corridor (Nanakramguda, Manikanda, Kukatpally)	55 - 65	0.7- 0.9	3.4 %	5.3 %
PBD includes micro markets such as Pocharam, Uppal and Shamshabad	30 - 40	0.4 - 0.6	0.0 %	0.0 %

KEY RECENT LEASE TRANSACTIONS

COMPANY	BUILDING	LOCATION	SIZE (SFT)
Wells Fargo	DivyaSree Orion	IT CBD	1 million
Qualcomm	KRC Commercezone	IT CBD	1 million
SmartWorks	KRC Mindspace	IT CBD	400,000
Legato Health Tech	Avance Business Hub	IT CBD	300,000
Greenko	L & T Futura	IT CBD	235,000
ADP	One West	IT CBD	98,000
TableSpace	Aurobindo Galaxy	IT CBD	80,000

LEASING ACTIVITY ON A STRONG RECOVERY PATH



PRO-ACTIVE GOVERNMENT POLICIES AND REFORMS POWERING GROWTH

The real estate growth story in Hyderabad has not fructified suddenly; it has been in the making for a major portion of the last decade and continues to evolve. Steady infrastructure upgrades, including the expansion of metro rail and the implementation of a Strategic Road Development Plan (SRDP), has ensured excellent connectivity in and around the city, thereby enhancing core real estate potential. Other planned infrastructure developments include the Regional Ring Road (RRR) and monetisation of six national highways of the state. Additionally, investor friendly policies such as the Information Communication Technology (ICT) Policy 2.0 have contributed significantly in tapping the interest of MNCs. The new IT policy focusses on digital empowerment of citizens, innovation and entrepreneurship.

The GRID policy has incentivised IT companies to embrace the proposed IT parks in non-western locations of the city. Similarly, TS-ipass, a single window portal for obtaining required permissions within stipulated timelines is a forward-looking initiative.

DEMAND DRIVERS

IT and shared spaces

IT and allied sectors remain the drivers of leasing activity in the city. The sector has a share of around 70% in the leasing activity of the city in the current year. Interestingly Flexible Spaces seem to have managed to weather the pandemic's impact and have contributed to around 25% of the leasing activity during the year 2021. The confidence of small, mid and large sized occupiers in the coworking model is evident in the closure of more than 8,000 seats alone in 2021. This is a rise of about 20% over the previous year.

Monthly rents per seat have ranged from around INR 5,000 in peripheral areas to INR 15,000 in prominent buildings of the city. Companies from financial and pharmaceuticals segment have also shown their conviction in the economic performance of the city, by taking up incremental space across major micromarkets in Hyderabad.

OUTLOOK 2022

Hyderabad has clocked an impressive transaction activity of 6 million sq ft in 2021, despite the second wave disrupting business activity in early parts of the year. 2022 is expected to be the year of almost complete bounce back, attaining pre-pandemic level of transaction volumes. However, notwithstanding the hope of continued robust revival of office markets in the city, the risks from new variants and unforeseen events needs to be factored into business plans.

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