

RESEARCH



INDIA REAL ESTATE OUTLOOK

RESIDENTIAL AND OFFICE
JULY – DECEMBER 2014



BENGALURU | CHENNAI | HYDERABAD | MUMBAI | NCR | PUNE

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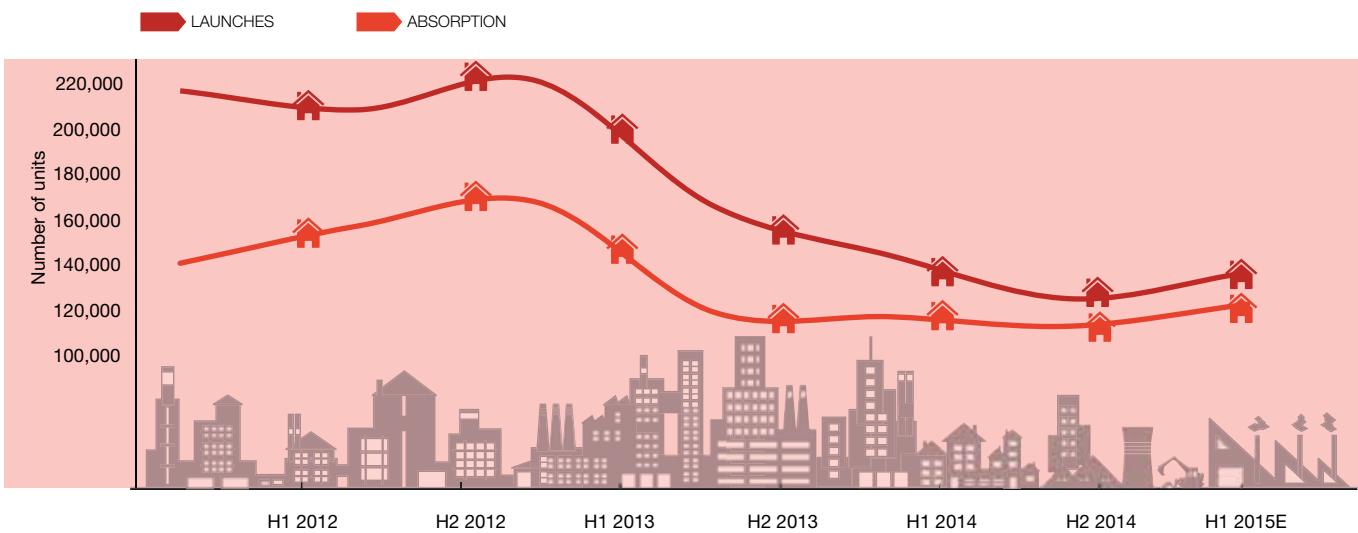


ALL INDIA

RESIDENTIAL AND OFFICE MARKET

RESIDENTIAL MARKET

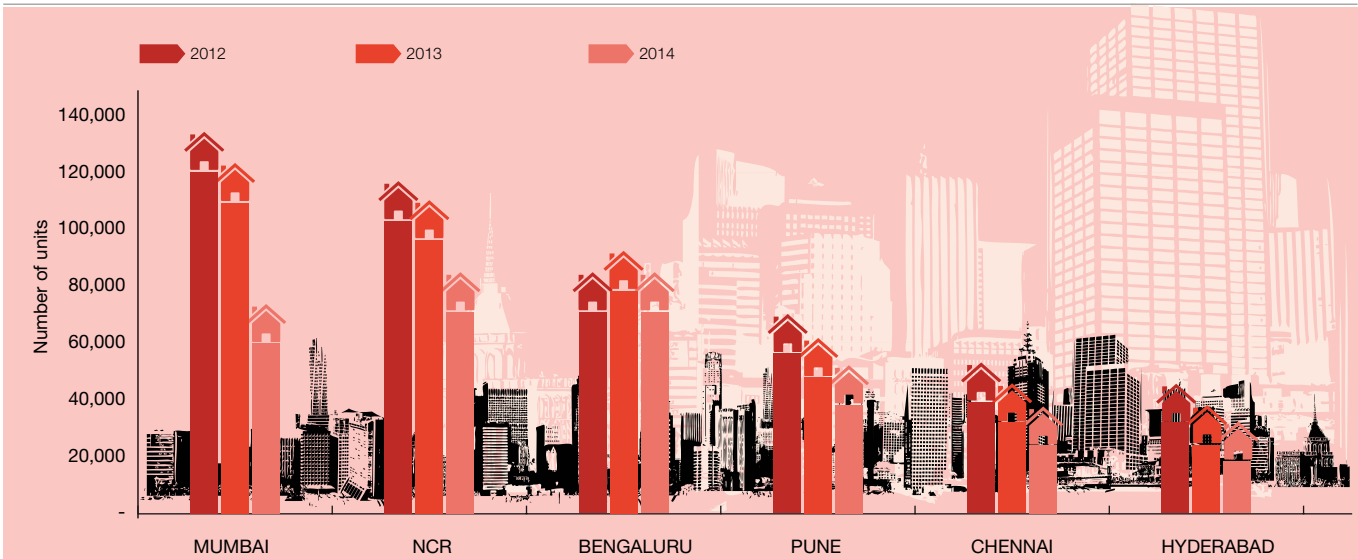
FIGURE 1
HALF-YEARLY LAUNCHES AND ABSORPTION TREND (TOP SIX CITIES)



Note: The top six cities are Mumbai, NCR, Bengaluru, Pune, Chennai and Hyderabad
Source: Knight Frank Research

- Residential sales were at a three-year low in H2 2014 across the top six cities in India.
- While the sales volume during H2 2014 dropped by 4% compared to H2 2013, new launches fell by a whopping 22% during the same period.
- For the year 2014, the sales volume fell by 17% and new launches were lower by 28% compared to 2013.
- A total of 234,930 units were sold during 2014 compared to 284,550 units in 2013. Similarly, 268,950 units were launched in 2014, against 372,160 units in 2013.

FIGURE 2
YEAR-WISE NEW LAUNCHES IN THE TOP SIX CITIES

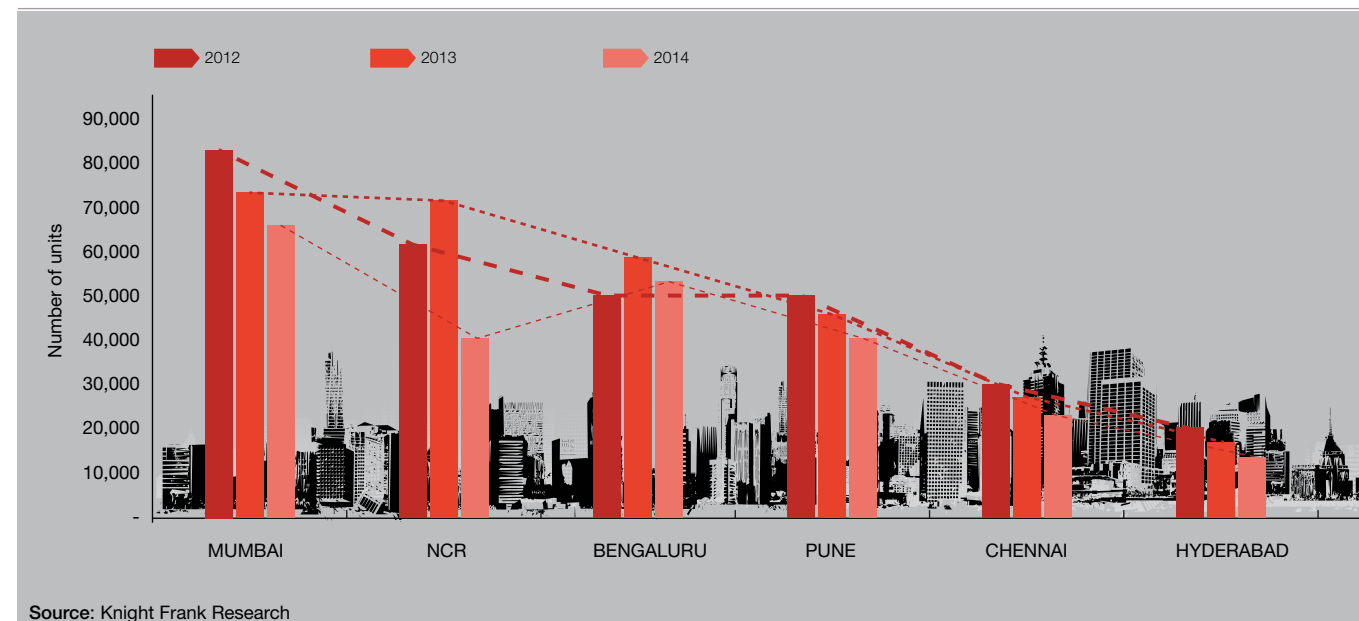


Source: Knight Frank Research

- New residential unit launches have fallen across all the top six cities of India during 2014.
- Mumbai witnessed the sharpest decrease in new launches, at 43% during 2014. This was followed by Hyderabad, with a 30% drop.
- NCR has surpassed Mumbai in 2014 in terms of the highest number of new launches.

FIGURE 3

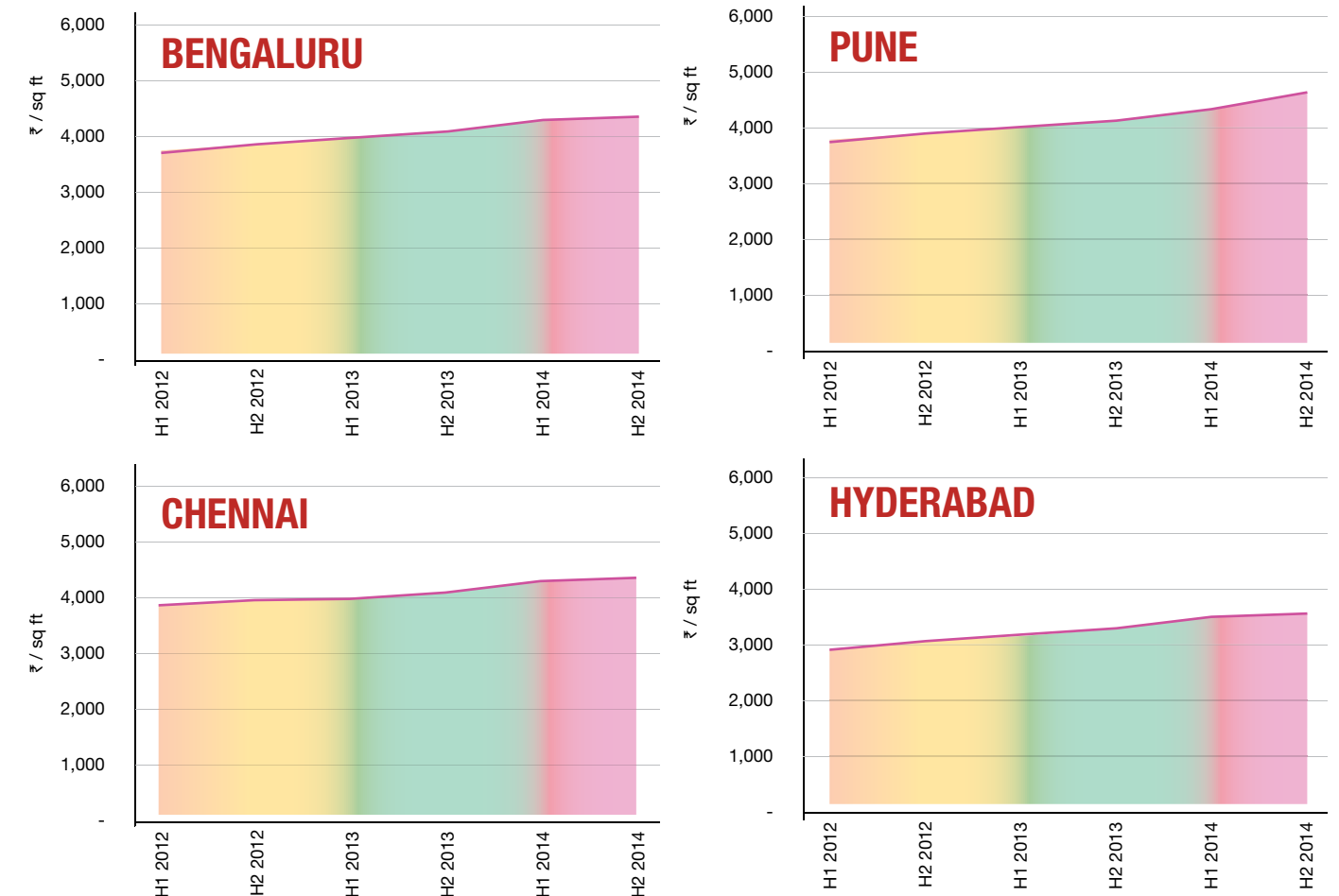
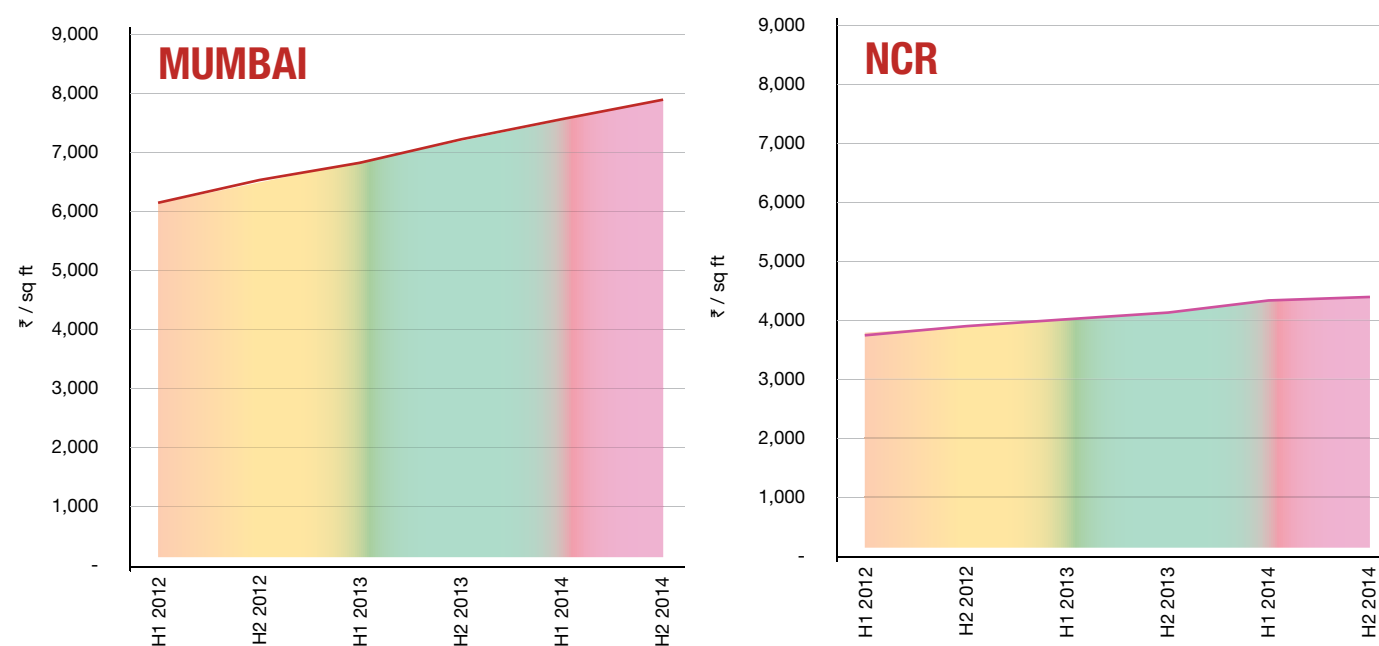
YEAR-WISE NEW SALES IN THE TOP SIX CITIES



- Residential sales have fallen across all the top six cities of India during 2014.
- NCR witnessed the sharpest decrease in sales volume, at 43%, during 2014. This was followed by Hyderabad, with an 18% drop.
- Mumbai continues to retain the top slot among the top six cities for achieving the highest sales volume in 2014. This was followed by Bengaluru.

FIGURE 4

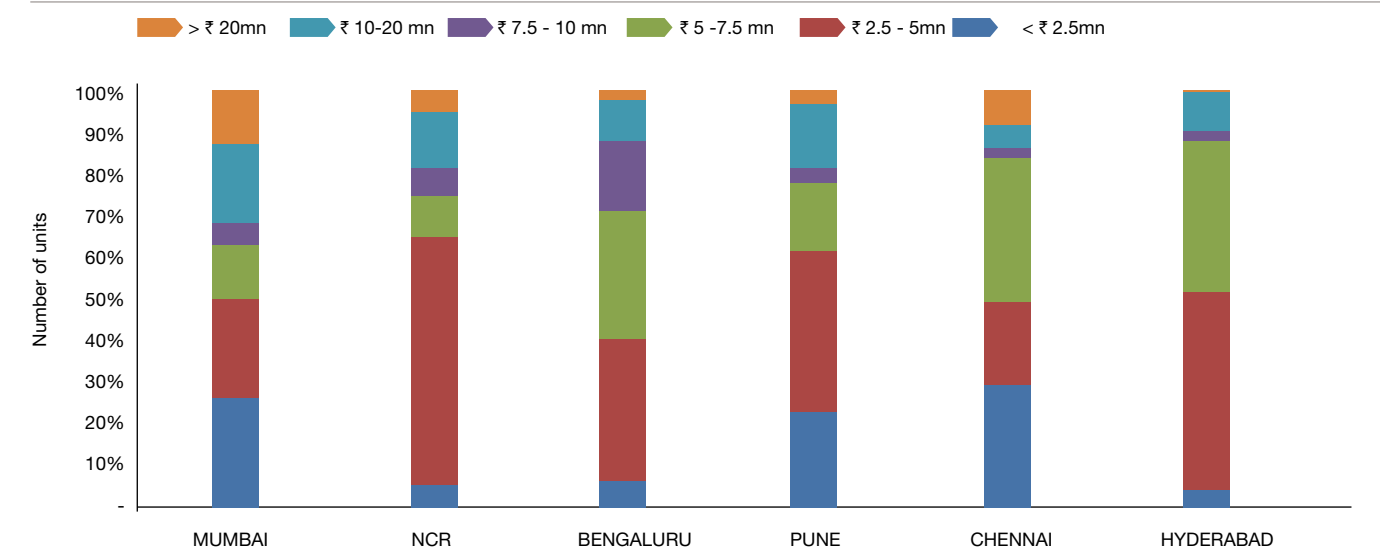
WEIGHTED AVERAGE PRICE MOVEMENT IN TOP SIX CITIES



- Prices in Mumbai continued to grow at a quick pace at 10% in 2014. Prices in Bengaluru grew at 7%, which was the second-fastest growth rate.
- NCR observed the lowest price rise during 2014, at just 3%.

FIGURE 5

TICKET SIZE SPLIT OF LAUNCHED UNITS DURING H2 2014



Source: Knight Frank Research

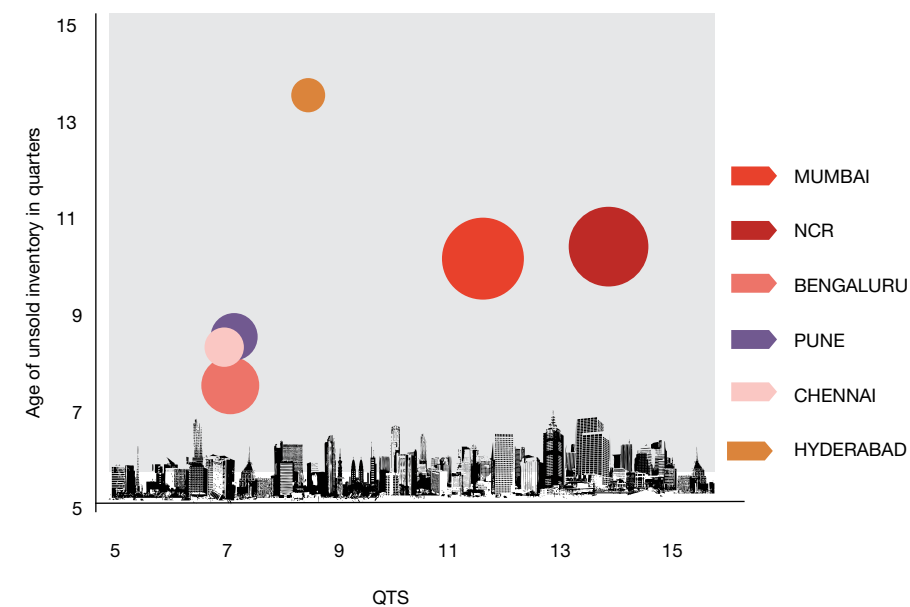
- Chennai is the most affordable market among the top six cities in India, as 30% of all the new launches in H2 2014 were below the ticket size of ₹ 2.5 mn.
- Despite having the lowest weighted average price of ₹ 3,500/sq ft, Hyderabad witnessed only 4% of new launch-

es below ₹ 2.5 mn in H2 2014.

- Nearly half of all the new launches in Mumbai in H2 2014 were below the ticket size of ₹ 5 mn. This is despite the fact that Mumbai has the highest weighted average price, at ₹ 7,800/sq ft.

FIGURE 6

RELATIVE HEALTH OF RESIDENTIAL MARKETS IN SIX CITIES



Note: The size of the bubble indicates the quantum of unsold inventory. QTS is Quarter to Sell Unsold Inventory

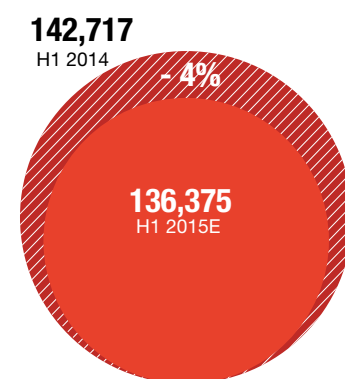
Source: Knight Frank Research

- Mumbai has the highest number of unsold units in India, at more than 200,000 as of December 2014. However, the NCR market will take the maximum time in liquidating its existing unsold inventory. While the QTS for Mumbai is 11.5, it is 13.8 for NCR.
- Bengaluru is currently the healthiest market, with the lowest QTS and minimum age of unsold inventory. Chennai and Pune follow closely.
- Despite having a relatively lower QTS, Hyderabad currently suffers with a very high age of unsold inventory. In other words, a large number of previously-launched projects still remain unsold in the city.

FIGURE 7

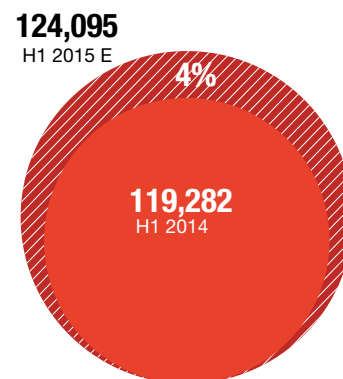
OUTLOOK FOR THE NEXT SIX MONTHS

Launches (Units)



H1 2014 H1 2015 E GROWTH

Absorption (Units)



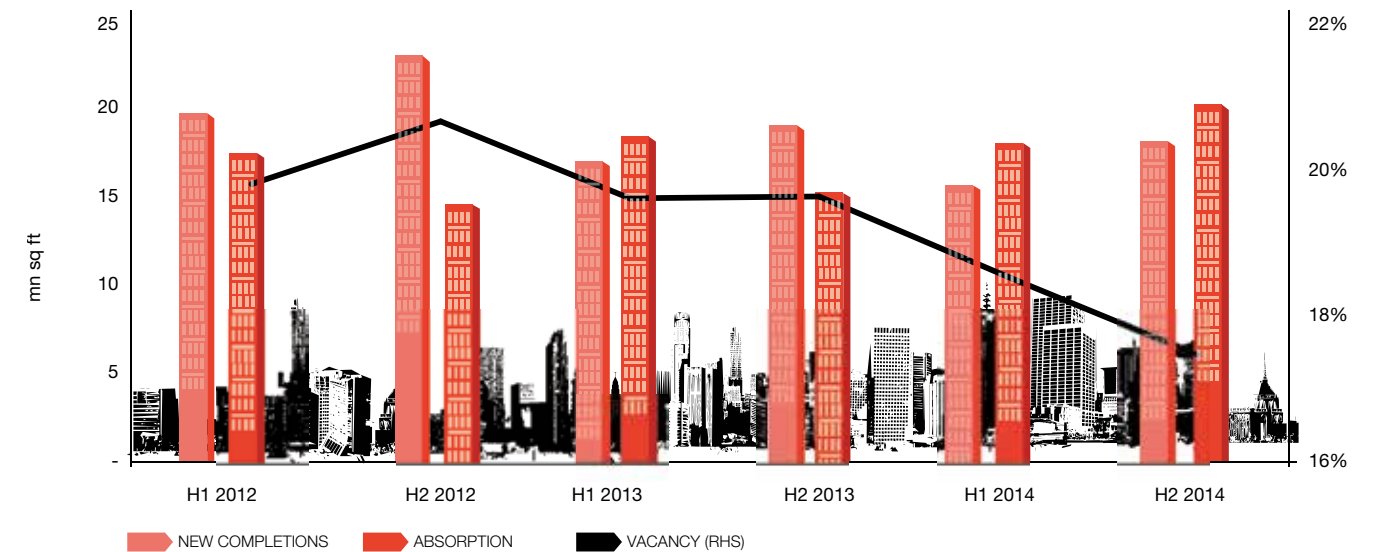
H1 2014 H1 2015 E GROWTH

- Going forward, the sales volume is expected to witness a moderate growth of 4% in H1 2015. However, new launches will continue to fall by 4% during the same period.
- Price growth in most of the cities will continue to remain moderate between 2%-6% during H1 2015. However, Mumbai will witness a double digit growth in the weighted average price at 10% during the same period.

OFFICE MARKET

FIGURE 1

NEW COMPLETIONS, ABSORPTION AND VACANCY LEVEL (TOP SIX CITIES)

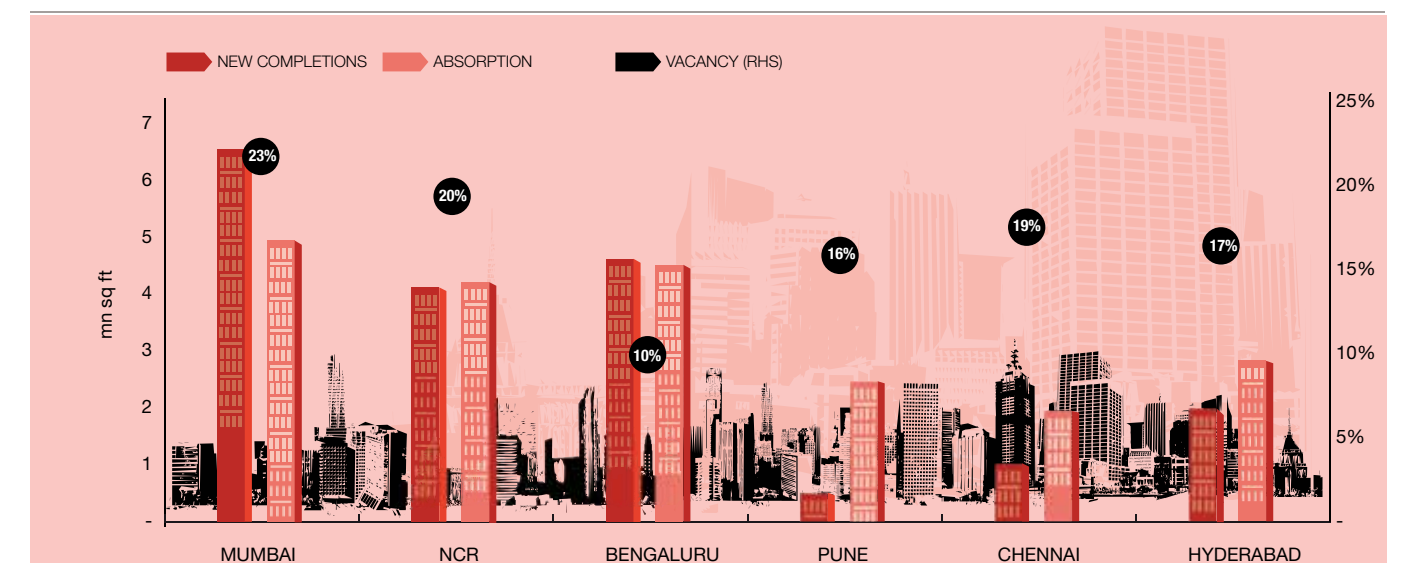


Source: Knight Frank Research

- Vacancy levels in India are on a downward spiral since 2013, as the recovery in the domestic market is fuelling higher demand for office space. Vacancy levels have dropped to 17.5% in H2 2014 from 19.6% a year ago.
- While absorption increased by 14% in 2014, new completions contracted by 6%.
- Although the NCR office market has the largest office space stock, at 126 mn sq ft, the Bengaluru market leads in terms of occupied space, at 102 mn sq ft.

FIGURE 2

CITY-WISE NEW COMPLETIONS, ABSORPTION AND VACANCY LEVELS DURING H2 2014

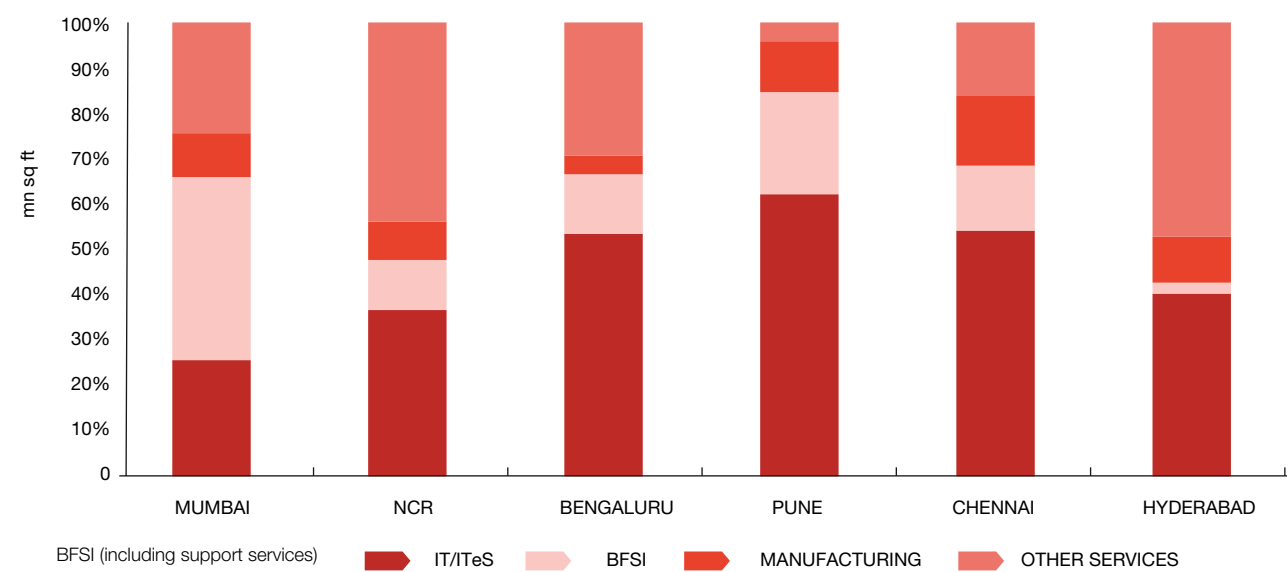


Source: Knight Frank Research

- Mumbai currently has the highest vacancy level, at 23%, followed closely by NCR. At 10%, vacancy levels in Bengaluru are the lowest among these cities.
- During 2014, Hyderabad witnessed the highest growth

in absorption, at 26%, followed by Mumbai, at 18%. However, new completions in Chennai fell at the sharpest rate of 57% during the same period, followed by Pune, at 29%.

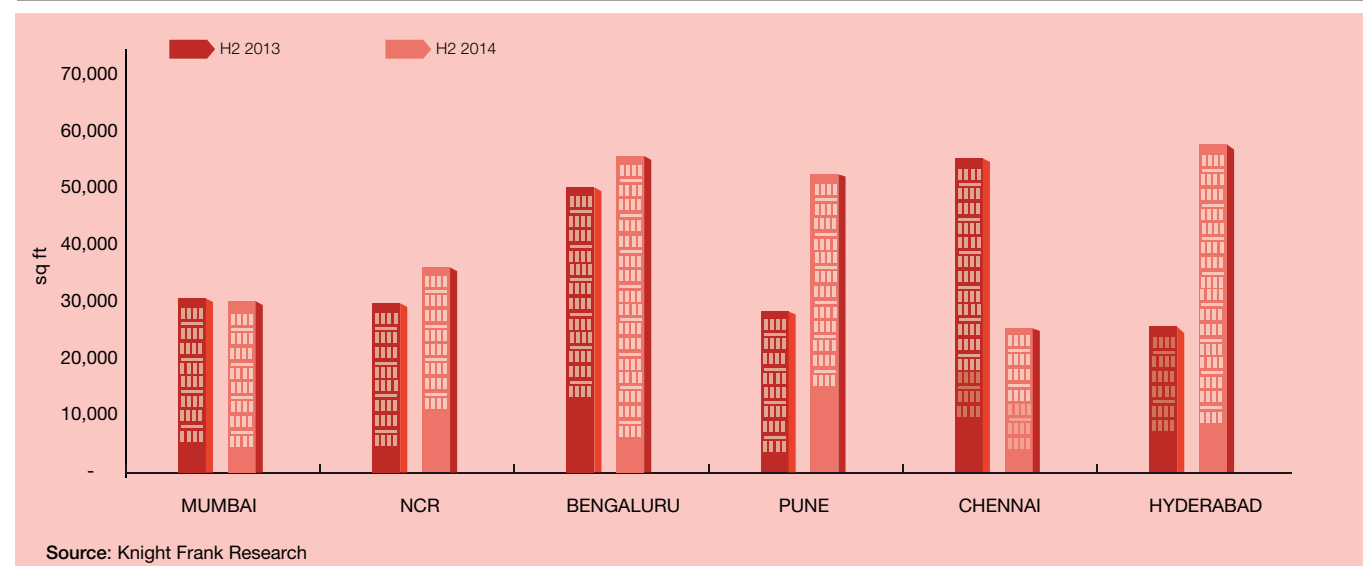
FIGURE 3
SECTOR-WISE ABSORPTION SPLIT DURING H2 2014



- The share of the IT/ITeS sector was the highest in Pune, at 62%, followed by Chennai, at 54% during H2 2014.
- The IT/ITeS sector accounted for just 40% the total space

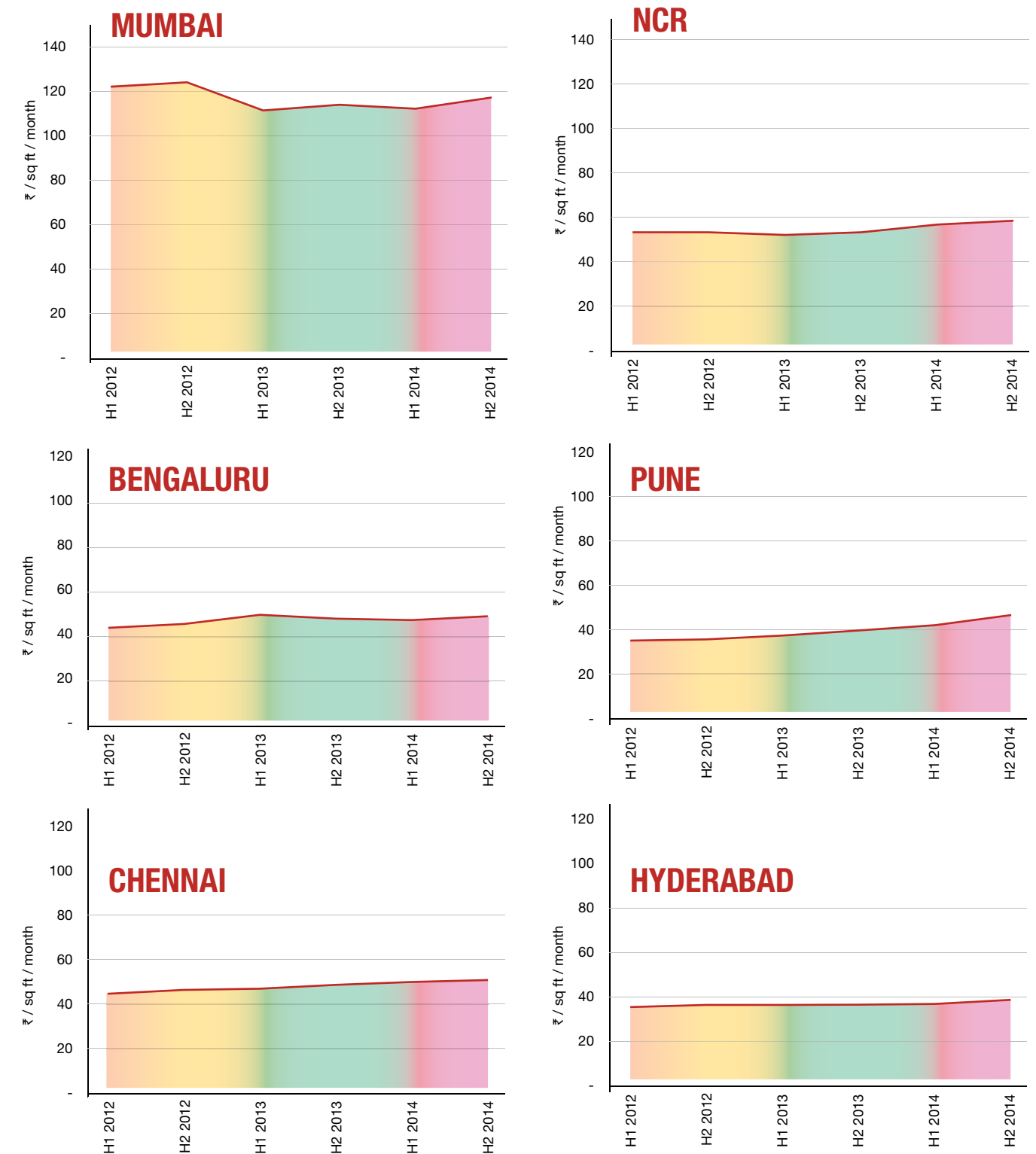
demand in Hyderabad, as nearly half of the space was absorbed by the other services sector.

FIGURE 4
DEAL SIZE ANALYSIS



- While the average deal size increased in most of the cities during H2 2014, it fell by 55% in Chennai, compared to H2 2013.
- Hyderabad was leading in terms of the average deal size during H2 2014, followed closely by Bengaluru.

FIGURE 5
WEIGHTED AVERAGE RENTAL MOVEMENT IN TOP SIX CITIES

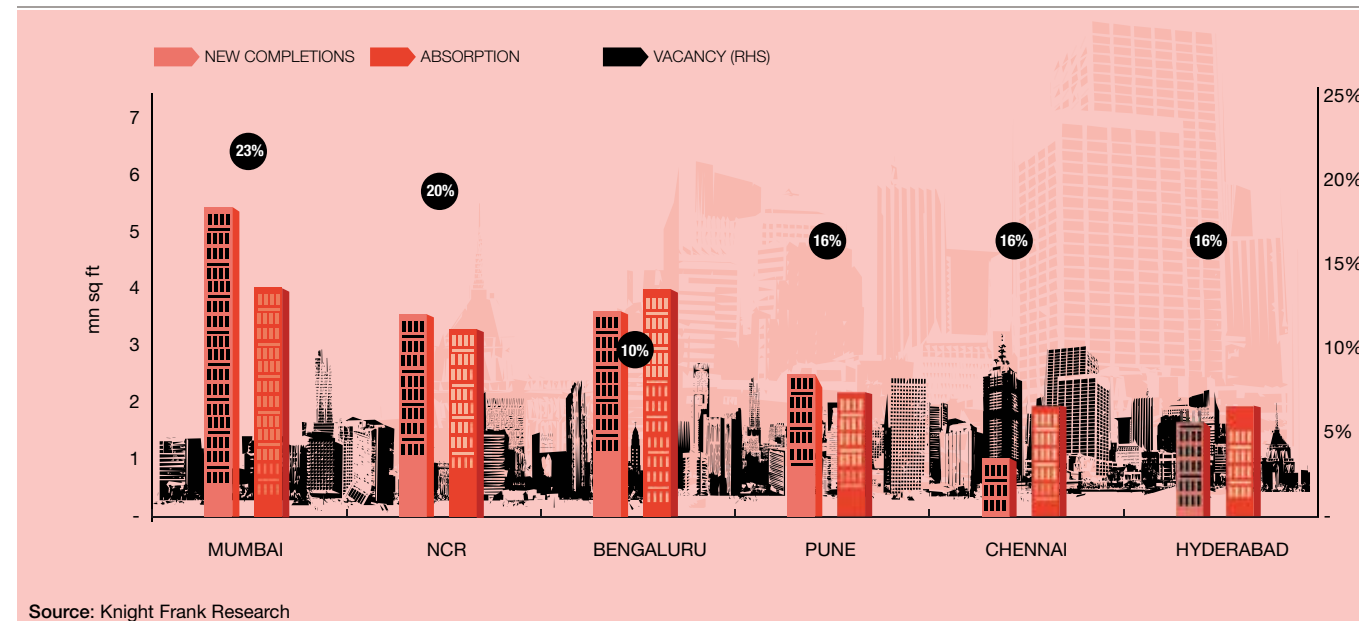


- At 15%, rents in Pune increased at the fastest pace compared to the other cities during H2 2014.
- Bengaluru witnessed the slowest growth rate in rent, at

- 2% during H2 2014.
- The weighted average rents in Mumbai have still not reached the H1 2012 levels.

FIGURE 6

CITY-WISE NEW COMPLETIONS, ABSORPTION AND VACANCY LEVELS FORECASTED FOR H1 2015



- While new completions across the top six cities are expected to witness a 12% year-on-year growth in the next six months, absorption is estimated to fall marginally by 3%.
- However, the vacancy levels across these cities are expected to fall, to 16.9% in H1 2015 from 18.5% in H1 2014.
- Going forward, vacancy levels during H1 2015 will continue to hold steady in most of the cities except for Chennai and Hyderabad, where it is estimated to drop marginally.

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
New completions (mn sq ft)	15.8	17.6	12%
Absorption (mn sq ft)	18.2	17.6	-3%
Vacancy	18.5%	16.9%	

Source: Knight Frank Research





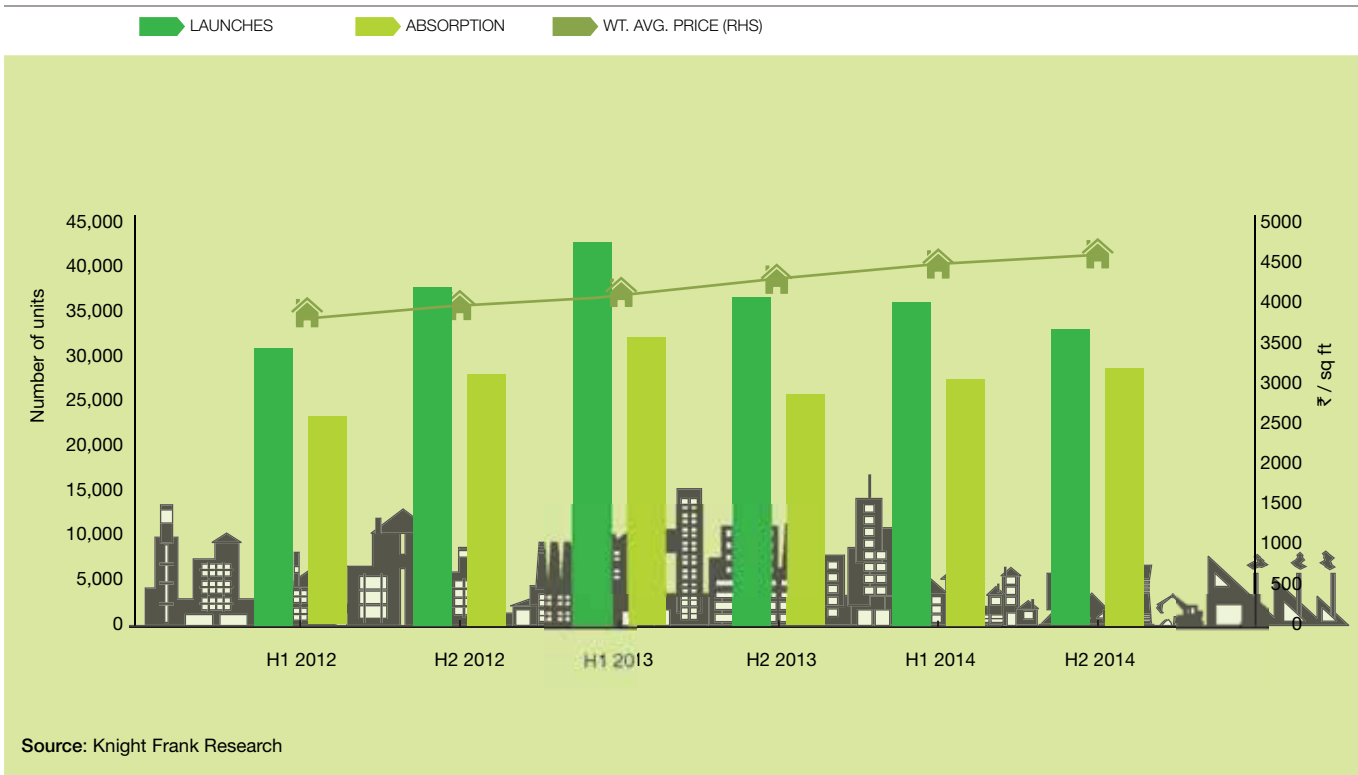
AUTHOR
Sangeeta Sharma Dutta
Lead Consultant - Research

BENGALURU

RESIDENTIAL AND OFFICE MARKET

RESIDENTIAL MARKET

FIGURE 1
BENGALURU RESIDENTIAL MARKET LAUNCHES, ABSORPTION AND PRICE TRENDS



- New launches in Bengaluru took a plunge of 8% in H2 2014 against H1 2014. This came as a dampener to the projected rise of 3% that was envisaged for the period, thereby proving that the initial enthusiasm post the general elections did not quite impact the city’s residential market.
- New launches in H2 2014 plummet further when compared to the corresponding period in 2013 – a decline of 10%.
- The total number of new launches for 2014 thus stands at a subdued 68,134 units – a significant drop of 13% from the 78,300 units launched in 2013.
- On the other hand, despite the decline witnessed in new launches, absorption in H2 2014 moved ahead of H1 2014 at a snail’s pace – a marginal appreciation of 4%, while it was an improvement of 11% over the figure in H2 2013.
- At the same time, total absorption in 2014 witnessed a dip of 3% compared to the total absorption in 2013.
- Meanwhile, the weighted average price continued to scale up in H2 2014, clocking a rise of 7% over H2 2013.

MICRO-MARKET SPLIT OF RESIDENTIAL LAUNCHES

Micro-markets	Locations
Central	MG Road, Lavelle Road, Langford Town, Vitthal Mallya Road, Richmond Road
East	Whitefield, Old Airport Road, Old Madras Road, KR Puram, Marathahalli
West	Malleswaram, Rajajinagar, Yeshwanthpur, Tumkur Road, Vijayanagar
North	Hebbal, Bellary Road, Hennur, Jakkur, Yelahanka, Banaswadi
South	Koramangala, Sarjapur Road, Jayanagar, JP Nagar, HSR Layout, Kanakapura Road, Bannerghatta Road

BENGALURU METROPOLITAN REGION MAP

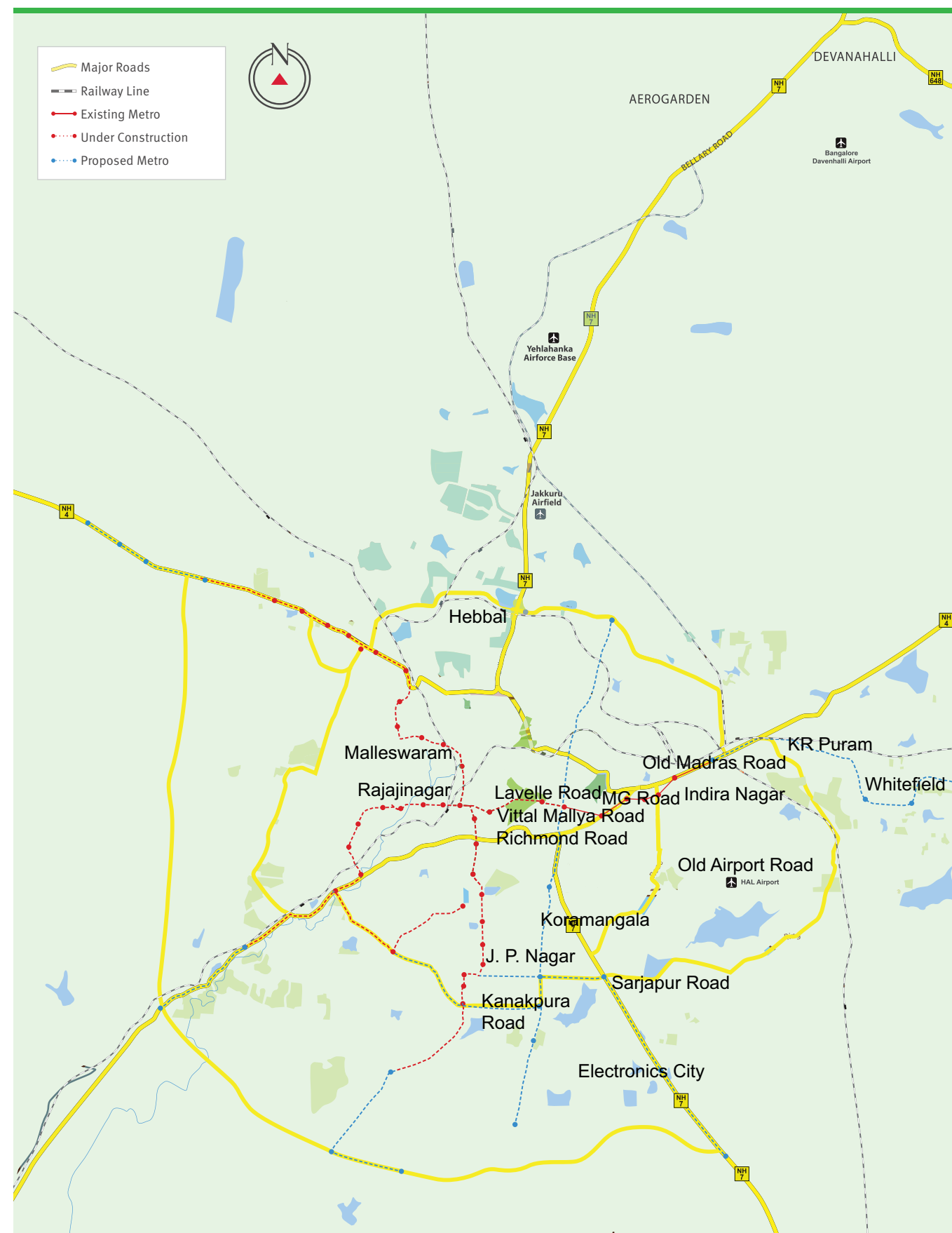
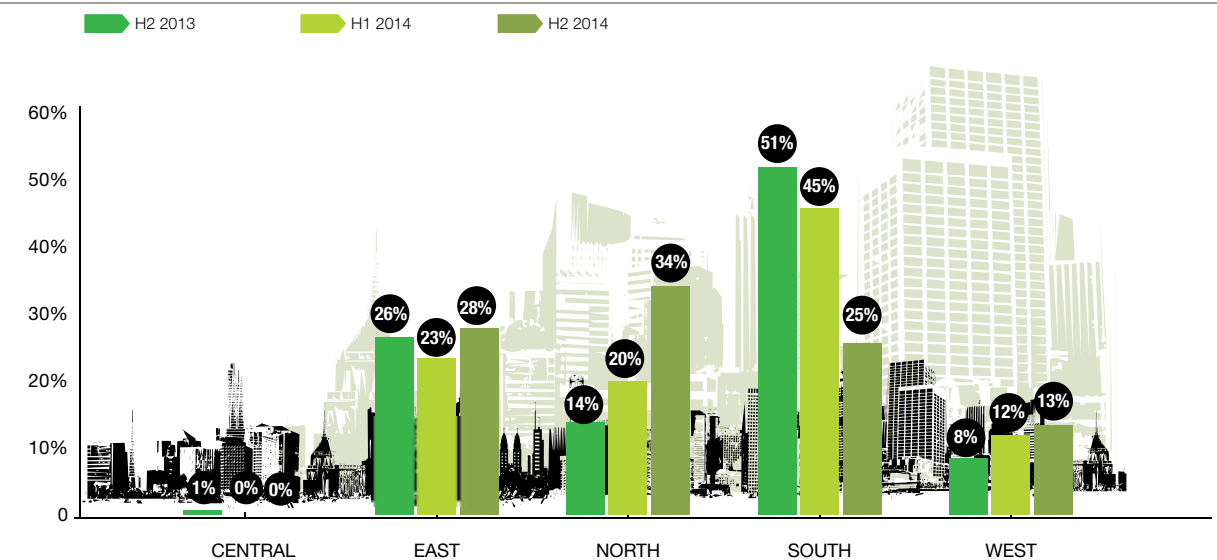


FIGURE 2

MICRO-MARKET SPLIT OF LAUNCHED UNITS



Source: Knight Frank Research

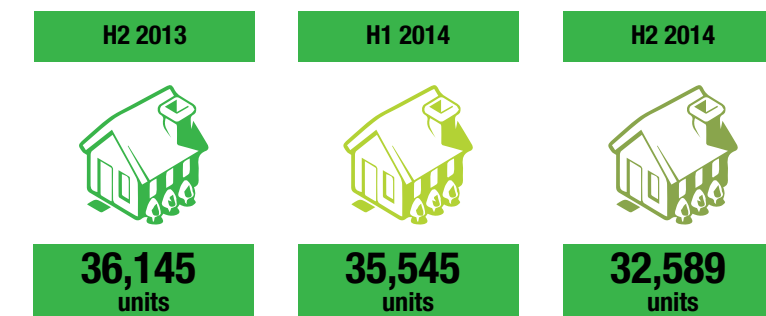
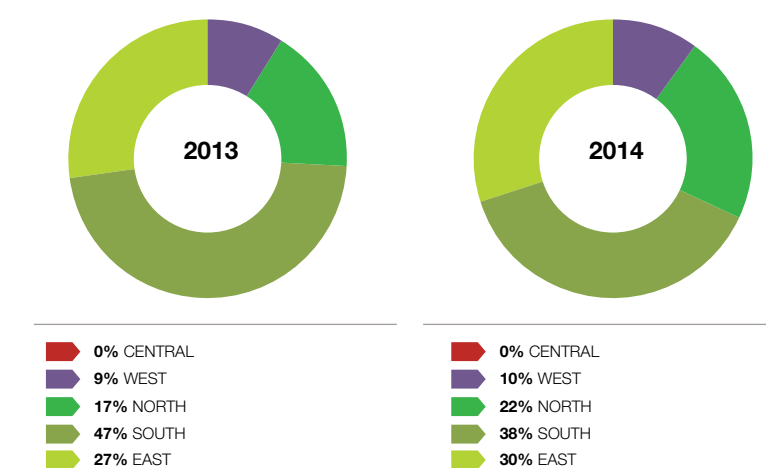


FIGURE 3

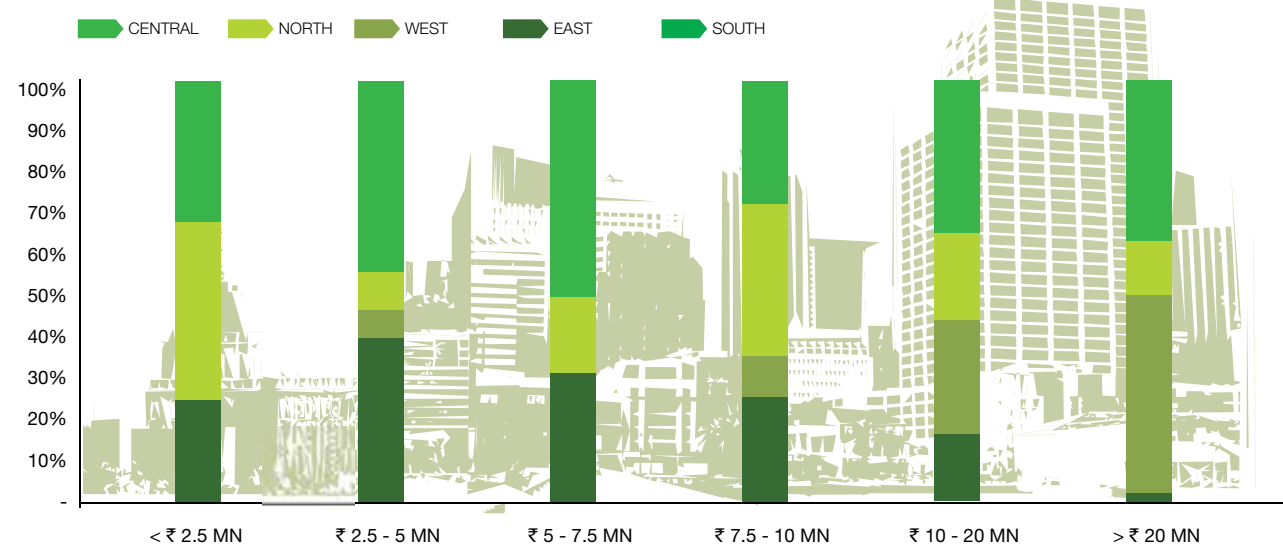
SHARE OF NEW LAUNCHES: 2013 VS 2014



Source: Knight Frank Research

- South Bengaluru witnessed a severe decline in new launches, a marked fall from a share of 51% in H2 2013 to just half of that in H2 2014. This region has typically been responsible for recording the highest number of new launches, primarily owing to the presence of the IT sector that drives housing demand in the region.
- The decline in new launches in South Bengaluru can be attributed to the considerable unsold inventory build-up in the region that has deterred developers from launching further projects.
- Conversely, North Bengaluru increased its share of new launches in H2 2014 by over twice its share in H2 2013. This can be attributed to the good momentum observed in infrastructure projects in the region.
- Overall, in 2014, East and North Bengaluru saw a rise in new launches compared to 2013, while South Bengaluru saw a dip of 20%.
- The eastern region continued to witness a steady quantum of new launches, eluding any drastic upswing or decline, while West Bengaluru has been observed to step up its share of new launches gradually.
- Central Bengaluru did not see the launch of a significant number of residential units, thereby keeping its share at almost nil.

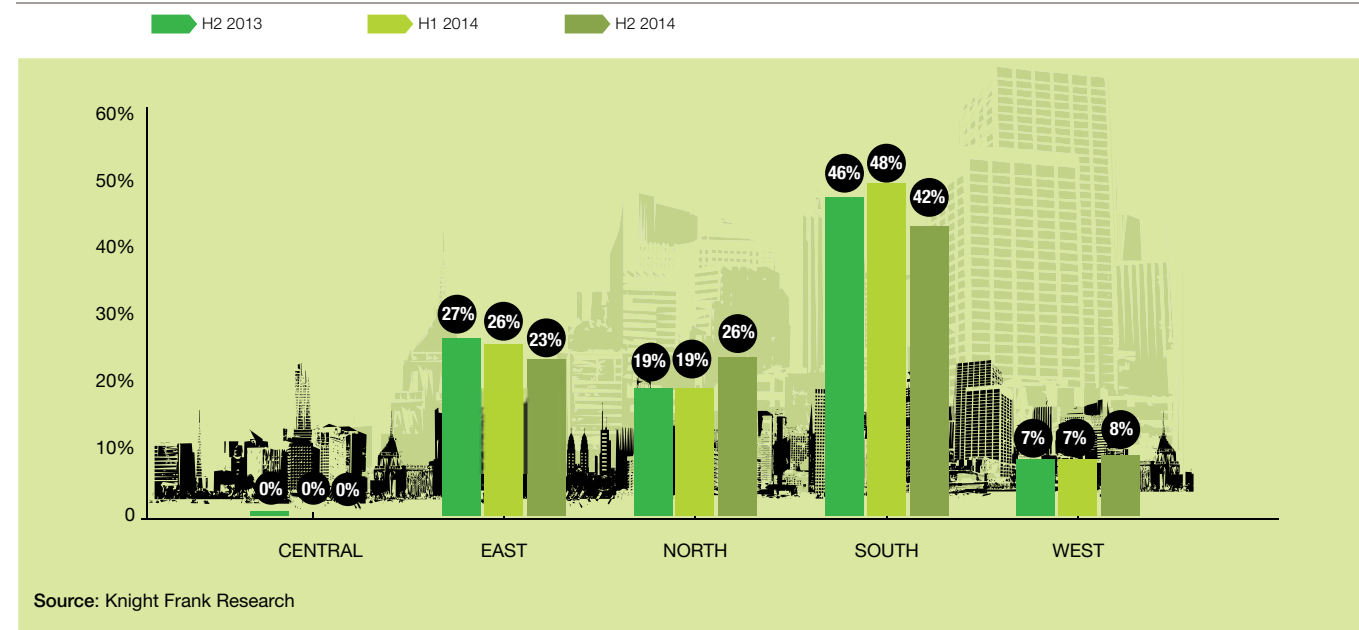
FIGURE 4
TICKET SIZE SPLIT OF LAUNCHES DURING H2 2014



Source: Knight Frank Research

MICRO-MARKET-WISE RESIDENTIAL SALES

FIGURE 5
MICRO-MARKET SPLIT OF SALES



Source: Knight Frank Research

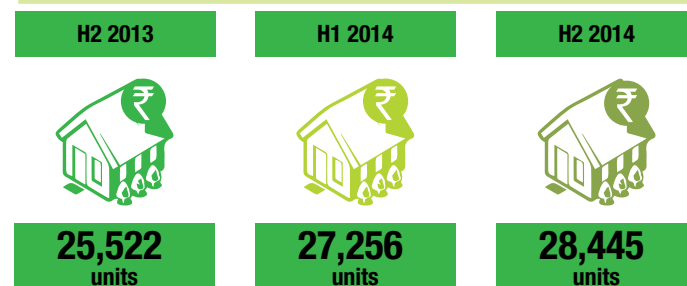
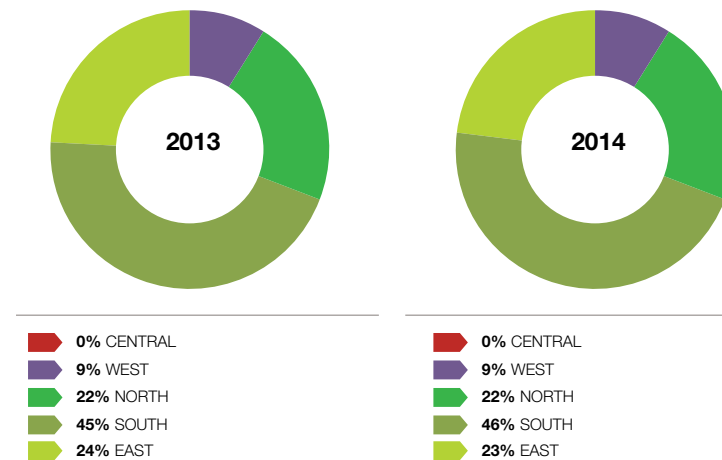


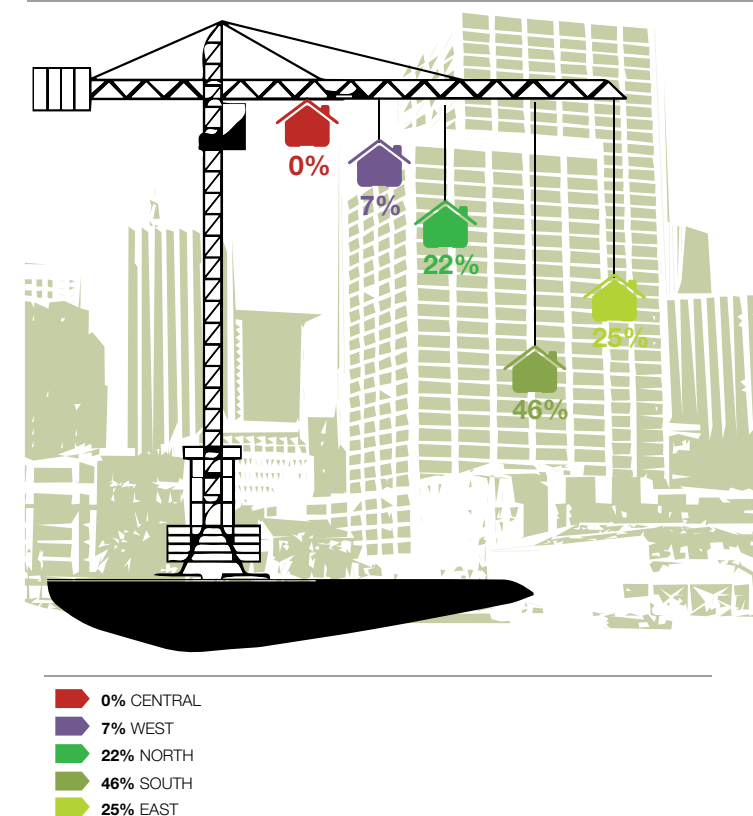
FIGURE 6
SHARE OF SALES: 2013 VS 2014



Source: Knight Frank Research

MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014

FIGURE 7
MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014



Source: Knight Frank Research

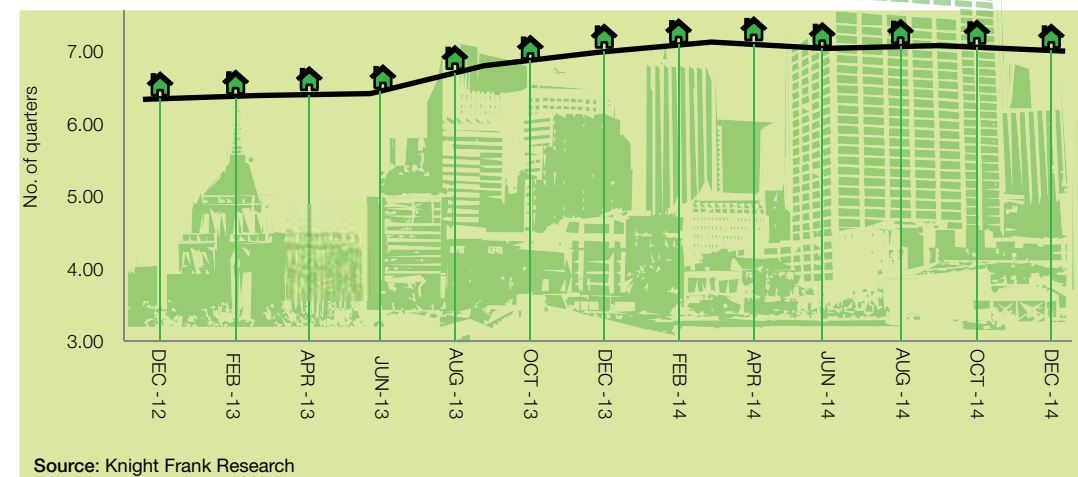
- Despite the fall in new launches, South Bengaluru maintained its trend of accounting for the highest share of absorption in H2 2014. However, there was a drop of 12% observed vis-à-vis the absorption share in H1 2014.
- While North Bengaluru observed a higher share in absorption during H2 2014, in sync with the higher share of new launches, the eastern zone saw a slight decline in its share of absorption in H2 2014.
- On the whole, there was not much of a difference in the share of absorption during the years 2013 and 2014, notwithstanding the marginal dips and appreciation witnessed in the regions.

- Not surprisingly, South Bengaluru accounts for the major share of the total number of units under construction, given the fact that the region is largely preferred by potential buyers due to its good social infrastructure and the presence of employment hubs. Additionally, property prices are relatively cheaper in the peripheral locations in the south, compared to the other micro-markets.
- The northern and eastern markets have fairly uniform shares of the units under construction, while West Bengaluru has yet to catch up on the residential market scene.

BENGALURU MARKET HEALTH

FIGURE 8

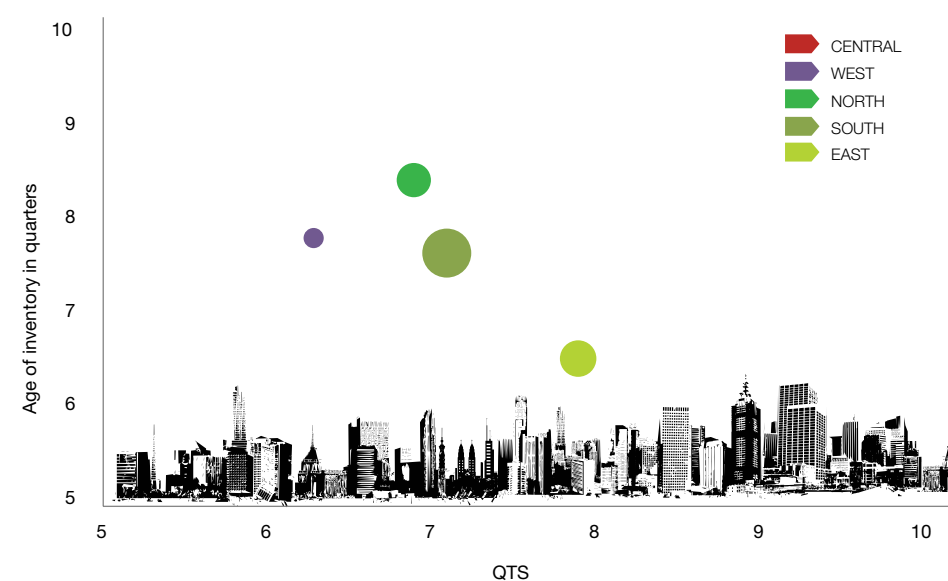
QUARTERS TO SELL (QTS) UNSOLD INVENTORY ANALYSIS



- The quarters to sell unsold inventory (QTS) has been on a constant rise since June 2013, increasing from 6.4 in June 2013 to 7.05 in December 2014. In other words, it will take 7.05 quarters to exhaust the existing unsold inventory in Bengaluru.
- A somewhat consistent sales volume during H2 2014 seems to have stabilised the QTS number. With an expectation of a better sales volume in H1 2015, the QTS is estimated to fall in the forthcoming months, thereby indicating signs of market recovery.

FIGURE 9

MICRO-MARKET QTS VS AGE OF INVENTORY ANALYSIS



- Currently, West Bengaluru is the healthiest micro-market, as it has the lowest QTS and the lowest quantum of unsold inventory. This implies that the increment in new launches was matched by a similar increase in absorption.
- On the other hand, East Bengaluru, whose health was relatively the best in H1 2014, did not maintain its position in H2 2014, running up a high QTS of 7.8. This can be attributed to the glut of new launches that the region witnessed in the recent past and the slackening of the absorption rate. Meanwhile, North and South Bengaluru's health continued to suffer, the south accounting for the largest quantum of unsold inventory and the north, with the highest age of inventory. This problem has been compounded by the increase in new launches in the last few years.

PRICE MOVEMENT DURING H2 2014

- Hebbal witnessed the highest price rise, at 12% in the last 12 months. Several infrastructure initiatives, good connectivity with the city centre and the presence of large office projects such as Manyata Tech Park has helped this location emerge as one the most preferred locations in the northern region of the city.
- Langford Town and Lavelle Road continue to remain the most premium locations of the city, and a dearth of ready residential properties has contributed towards the 10% price rise in these locations over the last twelve months.
- The momentum in price rise seems to have lost its steam in the last six months, as the IT industry, whose health is closely related to the sale of homes, failed to offer sufficient pay hikes to its employees, thereby bringing down market enthusiasm.
- Presently, most of the developers in inventory-overburdened regions are holding onto their prices and trying to attract the maximum number of buyers in order to offload their projects.

Price movement in select locations

Location	Micro-market	Price range in H2 2014 (₹/sq ft)	12-month change	6-month change
Langford Town	Central	15,000–20,000	10%	6%
Lavelle Road	Central	22,000–30,000	10%	4%
K.R. Puram	East	4,000–6,500	8%	5%
Whitefield	East	4,500–8,000	11%	4%
Marathahalli	East	4,500–6,800	7%	5%
Indiranagar	East	9,000–12,000	5%	0%
Yeshwanthpur	West	6,500–9,500	6%	0%
Malleswaram	West	9,000–12,000	6%	0%
Rajajinagar	West	8,500–13,500	6%	0%
Tumkur Road	West	4,000–4,700	10%	3%
Yelahanka	North	4,500–7,000	8%	0%
Hebbal	North	5,000–9,500	12%	4%
Hennur	North	4,200–6,000	8%	5%
Thanisandra	North	4,000–7,000	8%	0%
Sarjapur Road	South	4,200–7,000	7%	0%
Electronics City	South	4,000–6,300	11%	3%
Kanakapura Road	South	4,300–6,000	10%	6%
Bannerghatta Road	South	4,200–7,000	9%	0%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
Launches (units)	35,545	34,216	-4%
Absorption (units)	27,256	30,121	11%
Weighted average price (₹ /sq ft)	4,473	4,610	3%

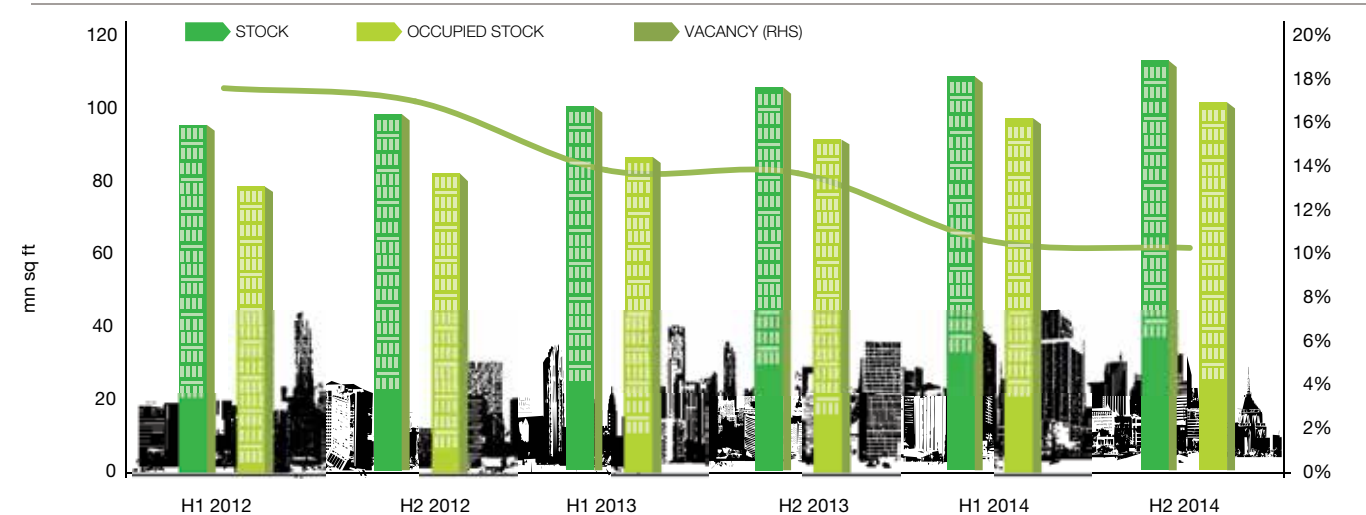
- With the residential market in H2 2014 in a relatively subdued mode, we expect the number of new launches to drop slightly by 4%, to 34,216 units, during H1 2015 as compared to 35,545 units launched in H1 2014. Developers are expected to adopt cautiousness before launching new projects in the Bengaluru market.
- However, the market, being primarily driven by end-users, will continue to witness buyer demand for mid-end residential properties. We envisage the sales volume to

increase by 11% in H1 2015, to 30,121 units compared to 27,256 units in H1 2014.

- A relatively constricted supply coupled with moderate growth in the absorption is expected to push prices up marginally. We expect weighted average prices for Bengaluru residential to increase by 3% in H1 2015.
- Going forward, demand for residential units is likely to be concentrated in and around North and South-East corridor in the forthcoming months.

OFFICE MARKET

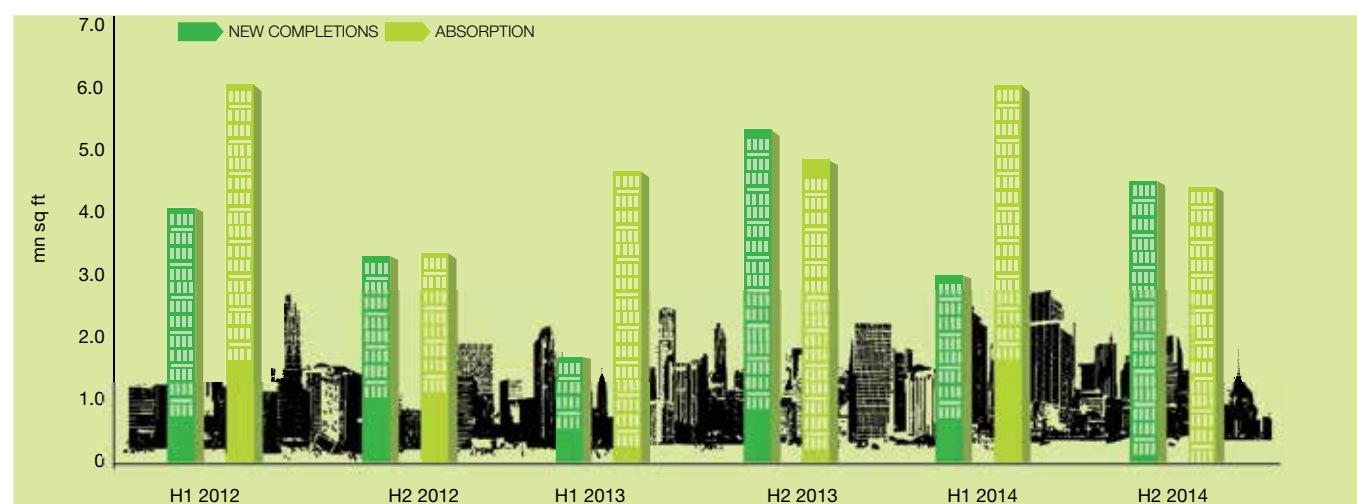
FIGURE 1
BENGALURU OFFICE SPACE STOCK AND VACANCY LEVELS



Source: Knight Frank Research

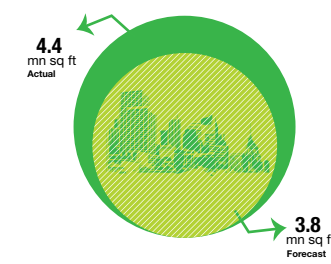
- Bengaluru continues to be the bearer of the second highest office space inventory in the country after NCR, with 114 mn sq ft of office space currently operational.
- To add to the laurels, Bengaluru also breached the 100 mn sq ft-mark to become the office market with the highest occupied stock in the country. In H2 2014, the occupied stock of Bengaluru stood at an impressive 102.3 mn sq ft.
- Consistent absorption over the last three years has been responsible for vacancy rates dipping steadily every year, leading to a level of just 10% in H2 2014, which signified a drop of 25% against the vacancy rate observed in H2 2013.
- As a notable estimate, the vacancy level is projected to drop to a single-digit figure of 9.6% in H1 2015.

FIGURE 2
NEW COMPLETIONS AND ABSORPTION

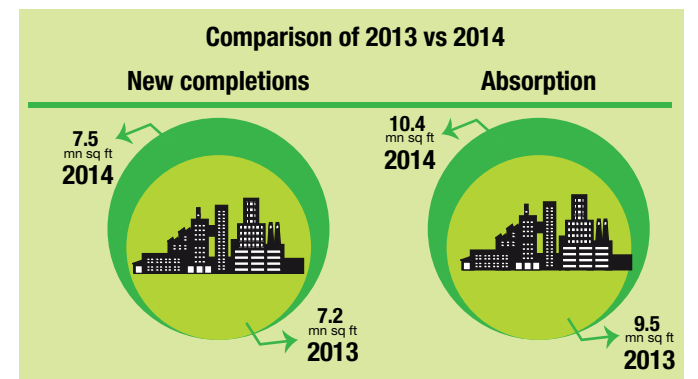
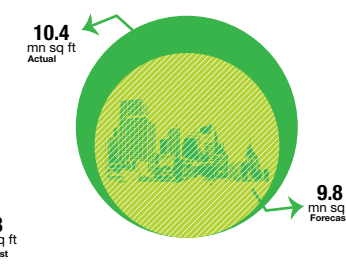


Source: Knight Frank Research

Forecast vs actual absorption in H2 2014

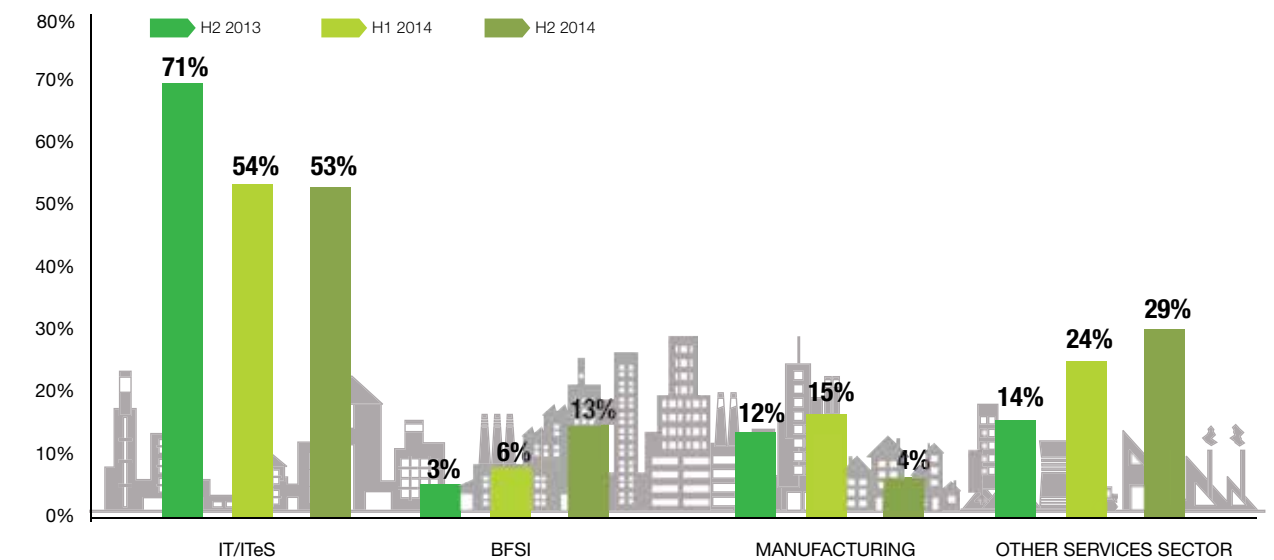


Forecast vs actual absorption in 2014



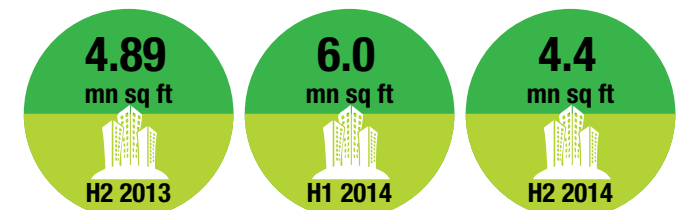
SECTOR ANALYSIS

FIGURE 3
SECTOR-WISE SPLIT OF ABSORPTION



Source: Knight Frank Research

- Although the IT/ITeS sector continues to drive the demand for office space in Bengaluru, the share of this sector took a considerable beating in H2 2014. In H2 2014, the sector's share witnessed a substantial decline of 25% compared to its share in H2 2013.
- This can be attributed primarily to the increasing consolidation of space by the e-commerce sector, which comes under the umbrella of 'other services sector', as well as the rise of alternative IT hubs in the country.
- An analysis of the absorption trends in 2013 and 2014 reveals that while the actual transacted volume of IT/ITeS remained almost constant in both periods, 2014 still managed to outperform the total absorption witnessed in 2013. This brings to the fore the fact that the city is

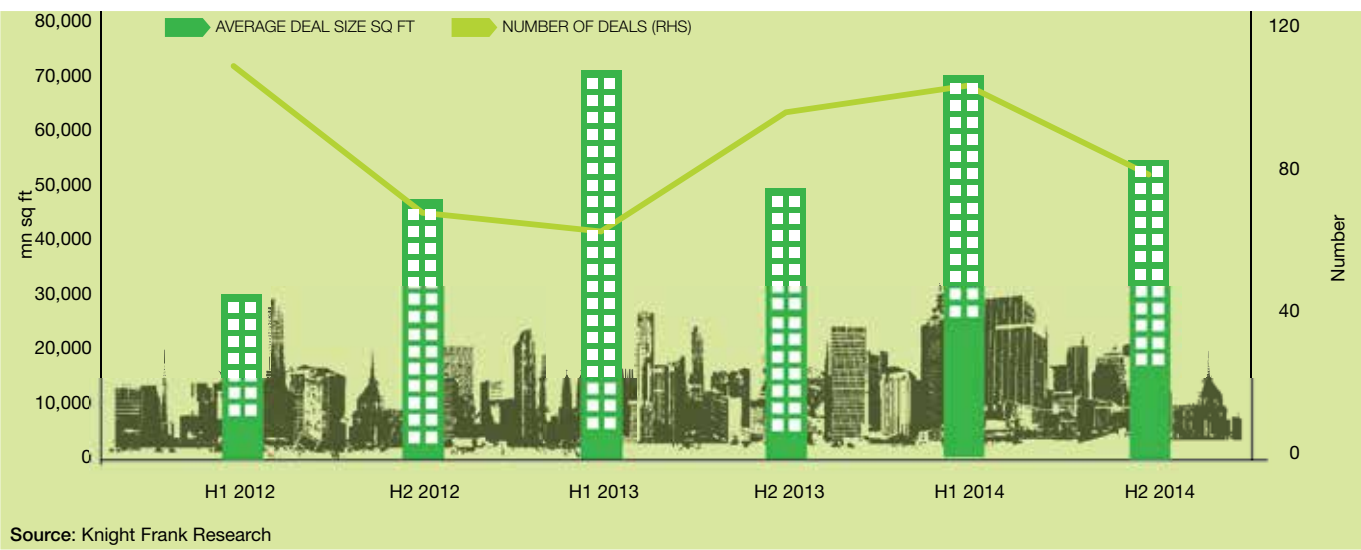


increasingly being viewed in a favourable light by non-IT companies as well.

- Meanwhile, the BFSI sector made a remarkable comeback, having secured 13% of the total absorption in H2 2014, up from just 3% in H2 2013. Large-size deals by companies such as JPMorgan Chase and Danske Bank augmented this sector's share.

DEAL SIZE ANALYSIS

FIGURE 4
AVERAGE DEAL SIZE AND NUMBER OF DEALS



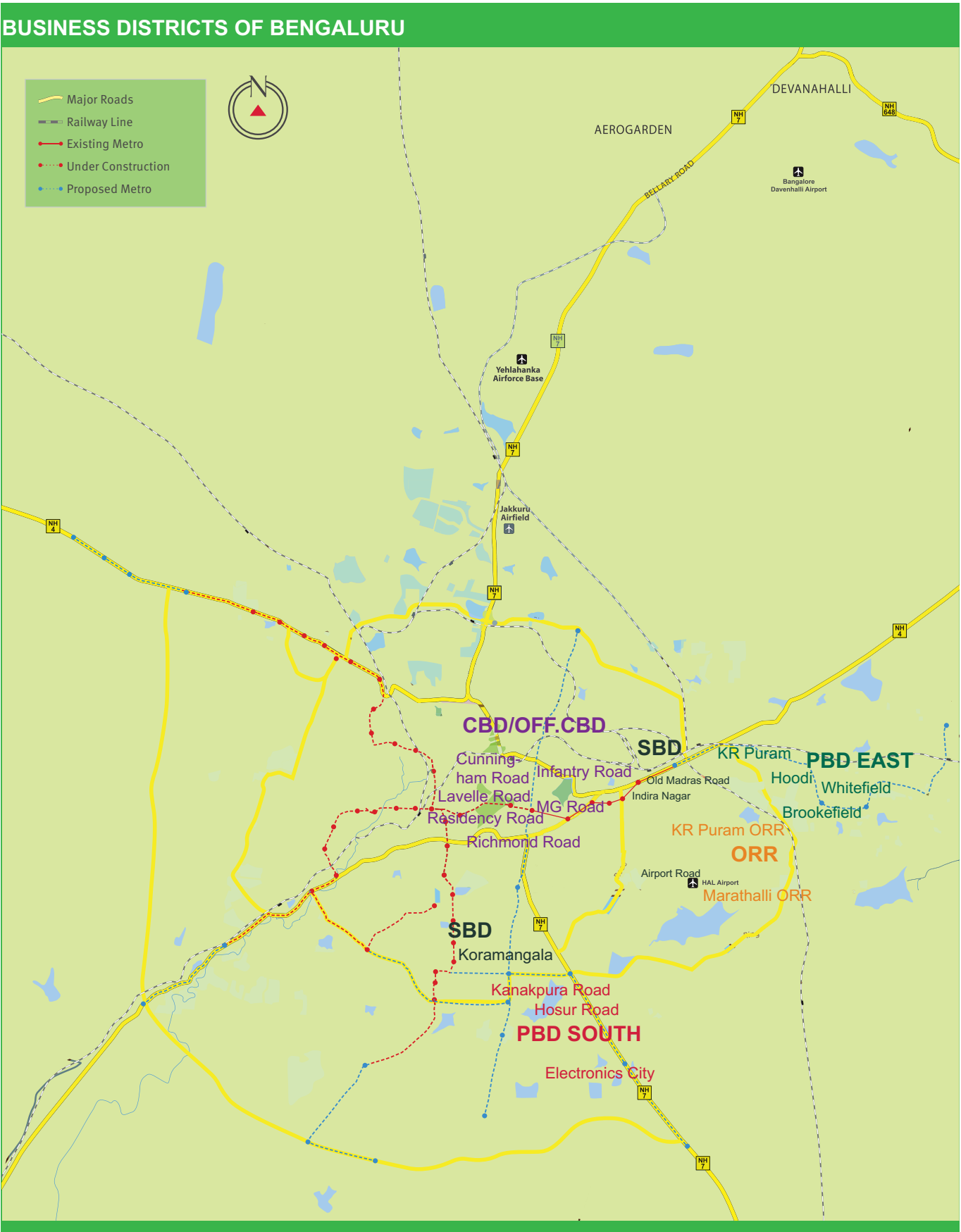
- The average ticket size in Bengaluru decreased during H2 2014, with the number of leased deals also reducing from 106 in H1 2014 to 81 in H2 2014.
- This justifies the lesser quantum of absorption in H2 2014 (4.4 mn sq ft) as against the absorption witnessed in H1 2014 (6.0 mn sq ft).

SELECT TRANSACTIONS

Building	Company	Location	Approx. area (sq ft)
Salarpuria Tower II	Taxi For Sure	Koramangala	20,000
Subramanya Arcade	ANI Technologies	Bannerghatta Road	24,500
Paranandani Wellshire	Flipkart	Sarjapur Outer Ring Road	240,000
Prestige Tech Park (Valence Block)	Oracle	Sarjapur Outer Ring Road	180,000
RMZ Ecoworld (Block 4A & B)	British Telecom	Sarjapur Outer Ring Road	300,000
RMZ Ecoworld (Block 5B)	Danske Bank	Sarjapur Outer Ring Road	140,000
Prestige Tech Platina 3	JPMC	Sarjapur Outer Ring Road	176,850
DivyaSree Technopark	Accenture	Whitefield	155,000
Mfar Manyata Embassy Business Park (Phase 4)	SABMiller	Hebbal Outer Ring Road	140,000
World Technology Center (Block Aquamarine)	Visa Inc.	Sarjapur Outer Ring Road	110,000

Source: Knight Frank Research

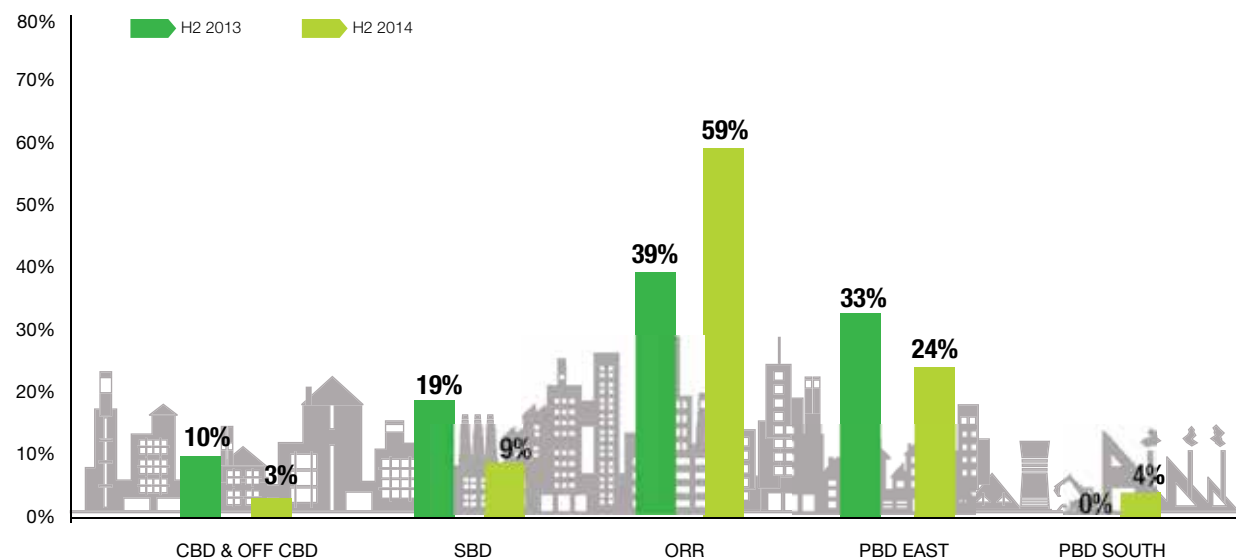
BUSINESS DISTRICT ANALYSIS



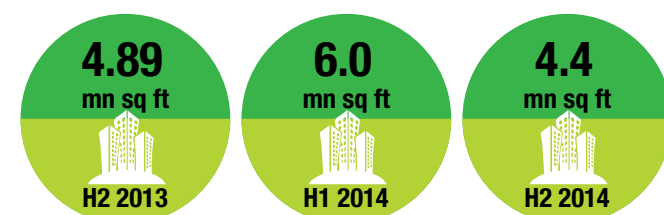
Business District Classification	Locations
Central Business District (CBD) and Off-CBD	MG Road, Residency Road, Cunningham Road, Lavelle Road, Richmond Road, Infantry Road
Suburban Business District (SBD)	Indiranagar, Koramangala, Airport Road, Old Madras Road
Peripheral Business District (PBD) East	Whitefield
Peripheral Business District (PBD) South	Electronics City, Bannerghatta Road
Outer Ring Road (ORR)	Hebbal ORR, Marathahalli ORR, Sarjapur Road ORR

FIGURE 5

BUSINESS DISTRICT-WISE ABSORPTION SPLIT



Source: Knight Frank Research

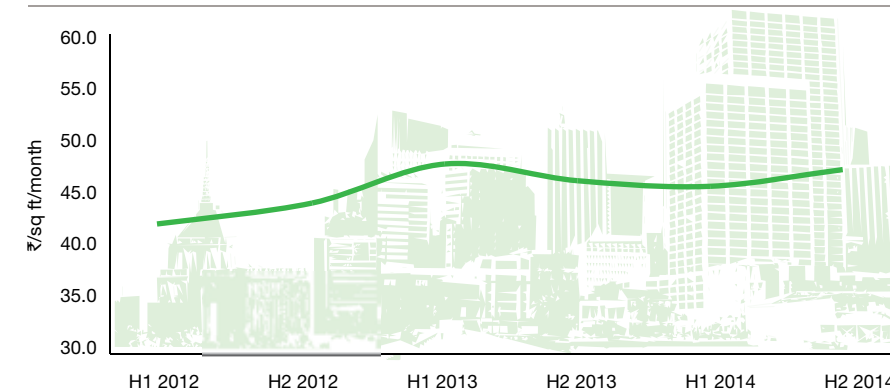


- The Outer Ring Road (ORR) office market continued to maintain its lead in the total absorption, increasing its share from 39% in H2 2013 to 59% in H2 2014. In H1 2014, its share of absorption was a whopping 71%. The ORR has progressively been preferred by corporates due to factors such as proximity to the CBD and major residential markets, access to large talent pools, availability of contiguous land parcels, connectivity to the airport and the presence of hotel and retail projects.
- Another notable observation is the re-surfacing of PBD South in H2 2014, compared to its minimal presence in H2 2013.

SELECT TRANSACTIONS

FIGURE 6

WEIGHTED AVERAGE RENTAL MOVEMENT



Source: Knight Frank Research

Business district-wise rental movement

Business district	Rental value range in H2 2014 (₹ / sq ft /month)	12-month change	6-month change
CBD & Off-CBD	75–85	0%	2%
SBD	48–78	4%	3%
PBD East	30–45	5%	2%
PBD South	30–45	3%	0%
ORR	45–56	6%	4%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
New completions (mn sq ft)	3.00	3.50	17%
Absorption (mn sq ft)	6.01	4.00	-33%
Vacancy (%)	11	9.6	-9%
Weighted average rental (₹/sq ft/month)	47	52	11%

Source: Knight Frank Research

- Office absorption in Bengaluru is expected to reduce in H1 2015, as compared to the quantum of office space leased out in H1 2014. However, this should not be considered as weakening of the market as H1 2014 had witnessed a surge in office space transactions owing to the pent up demand in the market post a cautious 2013. Thus, 2015 is envisaged to be a stable market.
- Besides, a number of large lease deals, particularly by the e-commerce sector, are on the cards and the completion of the transaction procedures can spill over to the second half of 2015.
- This will be complemented by an increase in new completions, an improvement of 17% in H1 2015 as against the figure in H1 2014.
- Overall vacancy level is projected to decrease to 9.6% in H1 2015, the lowest level in the country, that can be attributed to the staggered new completions and steady absorption rate.
- Going forward, the demand envisaged in the forthcoming period will have a direct impact on rentals. We expect weighted average rentals to appreciate by 11%, from ₹ 47/sq ft/month in H1 2014 to around ₹ 52/sq ft/month by H1 2015.



AUTHOR

Hitendra Gupta
Consultant - Research

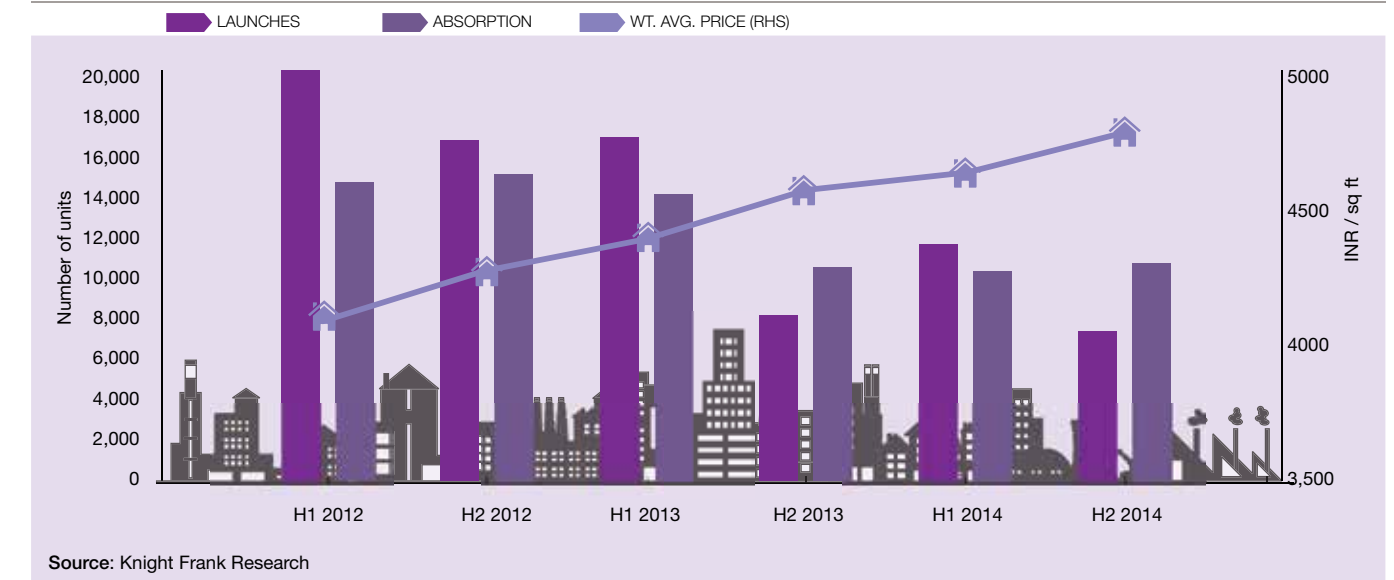
CHENNAI

RESIDENTIAL AND OFFICE MARKET

RESIDENTIAL MARKET

FIGURE 1

CHENNAI MARKET TRENDS

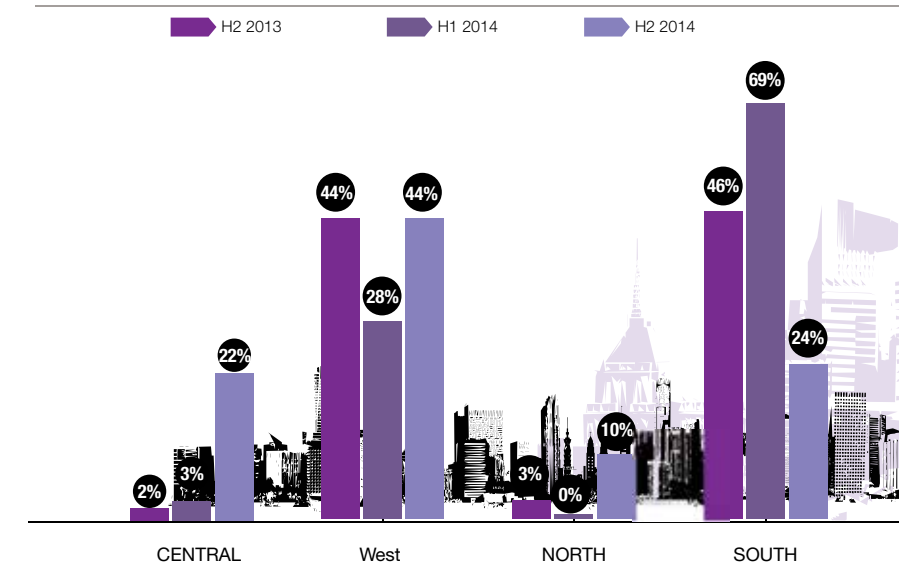


- 2014 witnessed a sharp drop in demand for residential properties in Chennai. The total units absorbed fell by 14%, from 24,444 units in 2013 to 20,960 units in 2014.
- Taking cognizance of the declining sales volume, Chennai developers slowed the pace of new residential launches. New launches dropped by 25% to 18,700 units in 2014 from 24,850 units in 2013.
- The weighted average prices in Chennai increased moderately, by 4%, despite a fall in sales volume. The increase in price was on account of the calibrated move of the developers of limiting new launches.
- H2 2014 recorded the lowest volume of half-yearly launches since H1 2010. H2 2014 witnessed new launches at 7,320 units as compared to 7,560 units launched in H1 2010, while it nosedived by 67% compared to the peak volume achieved in H1 2011, at 22,300 units.

MICRO-MARKET SPLIT OF RESIDENTIAL LAUNCHES

FIGURE 2

MICRO-MARKET SPLIT OF LAUNCHED UNITS



Source: Knight Frank Research

H2 2013

8,015
units

H1 2014

11,380
units

H2 2014

7,320
units

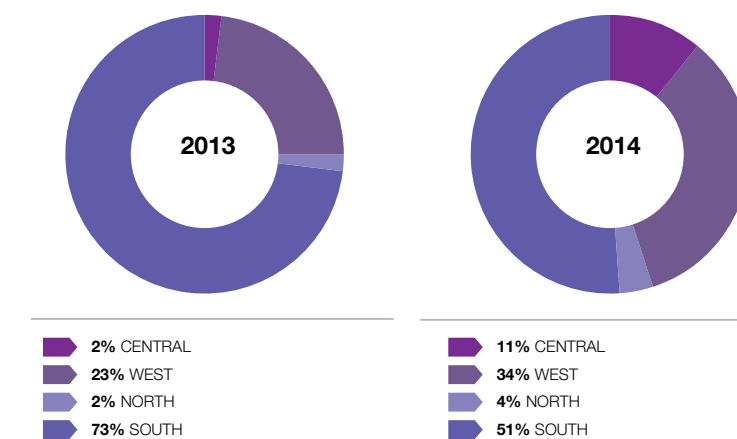
CHENNAI METROPOLITAN REGION MAP



Micro-market	Locations
Central	Nungambakkam, Boat Club, Anna Nagar, Kilpauk, T. Nagar, Mylapore, R.A.Puram, Adyar
West	Sriperumbudur, Ambattur, Poonamallee, Korattur, Mogappair, Porur, Manapakkam
North	Tondiarpet, Madhavaram, Perambur, Ayanavaram, Puzhal
South	Old Mahabalipuram Road (OMR), GST Road, East Coast Road

FIGURE 3

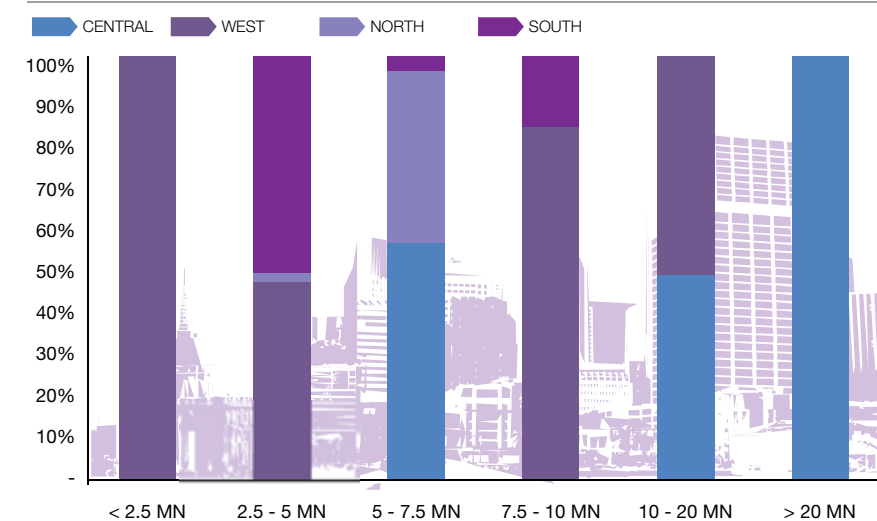
SHARE OF NEW LAUNCHES: 2013 VS 2014



Source: Knight Frank Research

FIGURE 4

TICKET SIZE SPLIT OF LAUNCHES DURING H2 2014

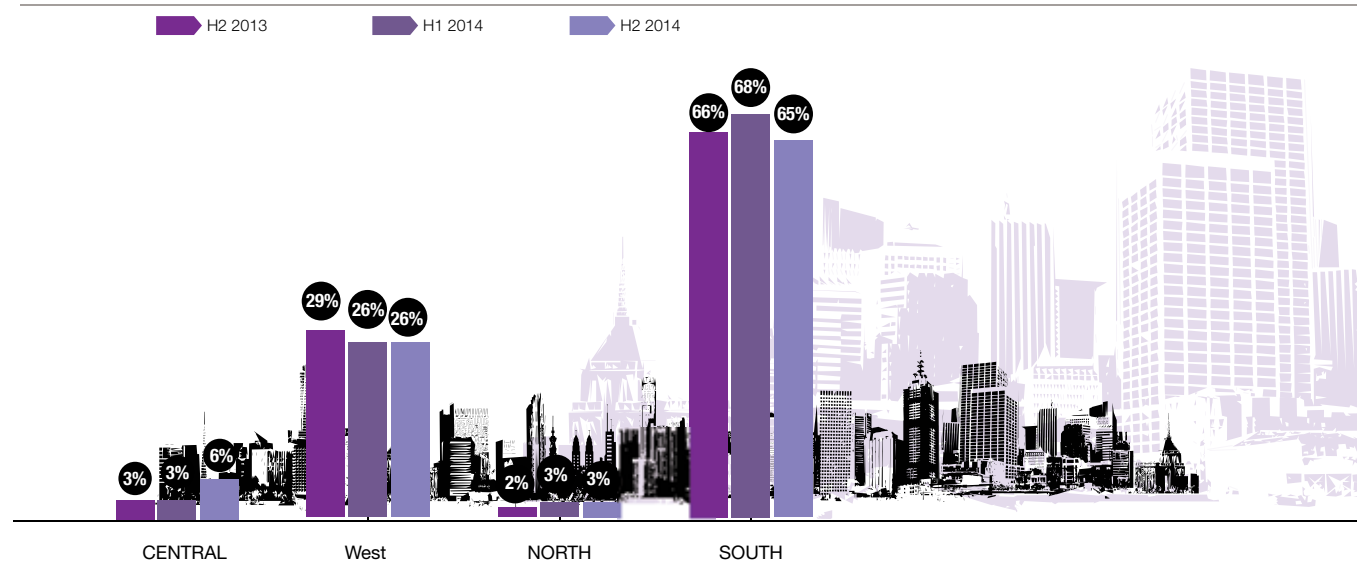


Source: Knight Frank Research

- The huge unsold inventory from the previous quarters and the gloomy outlook for the South Chennai residential market have made developers rethink their new launches strategy. The share in new launches for the South Chennai market shrank from 69% in H1 2014 to 24% in H2 2014.
- Central and North Chennai's shares witnessed a significant jump during H2 2014. Good physical infrastructure and well-developed social infrastructure attracted various developers to launch new projects here. The 'Smart City' tag on Ponneri in North Chennai has renewed developer interest, due to which the share of new launches grew from 3% in H2 2013 to 10% in H2 2014.
- West Chennai is the steadiest market among all the zones. Its share of new launches was 44%, 28% and 44% during H2 2013, H1 2014 and H2 2014 respectively.
- The number of new launches in 2014 that we had projected in our previous report was 14% higher than what has actually materialised. As indicated in our H1 2014 report, the collapse of the under-construction building at Moulivakkam in West Chennai made the approving authority cautious about giving construction permissions for new multi-storey projects. The changed approval process led to further delay in the already elongated process of obtaining approvals. This has resulted in lower-than-expected new launches during H2 2014.

MICRO-MARKET-WISE RESIDENTIAL SALES

FIGURE 6
MICRO-MARKET SPLIT OF SALES



Source: Knight Frank Research

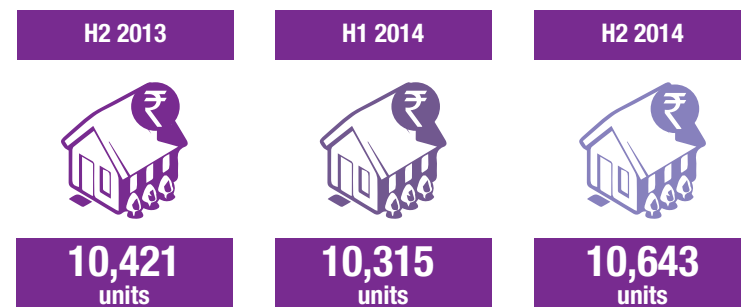
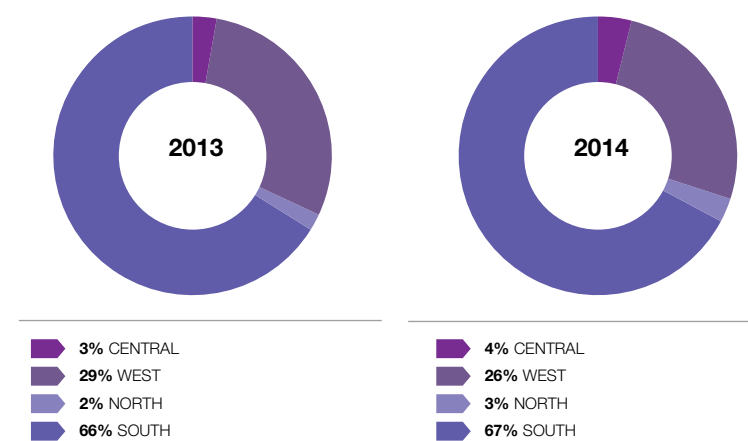


FIGURE 5
SHARE OF SALES: 2013 VS 2014

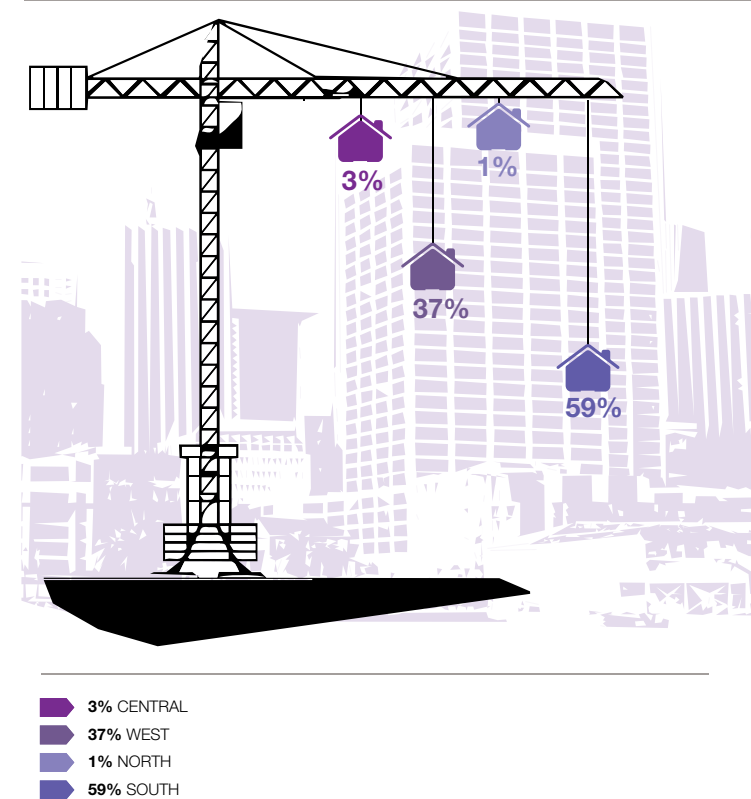


Source: Knight Frank Research

- The micro-market split of absorption has not witnessed any significant change in the last year. The shares of Central and North Chennai have increased marginally since H2 2013, while the shares of the rest of the micro-markets have reduced slightly.
- This is in line with the share of new launches of all the micro-markets, except West Chennai. The Central and North Chennai micro-markets have observed an increase in their share in new launches as well as in absorption during H2 2014, while South Chennai micro-markets witnessed a fall in their shares of absorption and new launches alike in H2 2014.
- The only exception to this trend is West Chennai, where launches increased while its share in absorption has fallen. Such a trend has resulted in a higher amount of unsold inventory in this micro-market.
- The actual sales volume in 2014 differed slightly from our estimate in our H1 2014 report. While we projected 22,244 units, the actual sales volume closed at 20,960 units.
- A moderate hike of 4% in prices seems to have continued the momentum in sales volume during H2 2014.

MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014

FIGURE 6
MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014

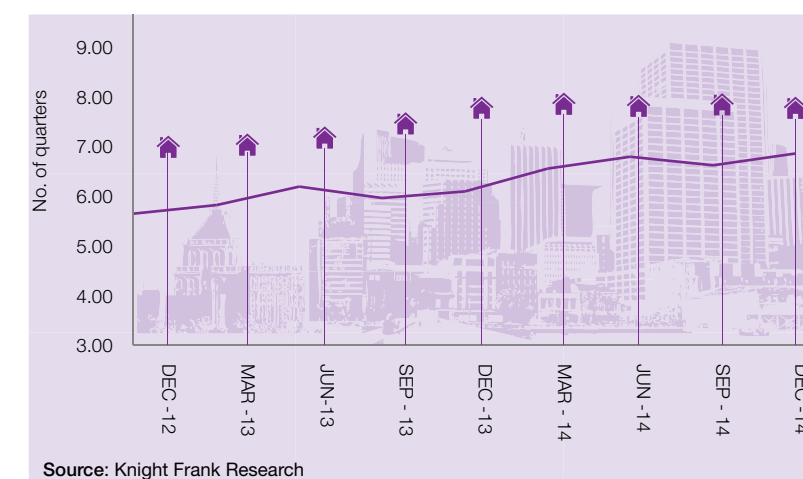


Source: Knight Frank Research

- The Central and South Chennai micro-markets account for 97% of the under-construction units in Chennai. The North and West Chennai micro-markets did not catch the fancy of the end-users; hence there are a relatively insignificant number of new launches there.
- South Chennai has the maximum number of under-construction units as of December 2014. This micro-market has emerged as a preferred destination for home buyers in Chennai due to its strategic location between the two major IT/ITeS employment hubs of OMR and GST Road. Additionally, property prices are relatively cheaper in the south compared to the west. These factors have attracted the attention of developers to South Chennai.

CHENNAI MARKET HEALTH

FIGURE 8
QUARTERS TO SELL (QTS) UNSOLD INVENTORY ANALYSIS

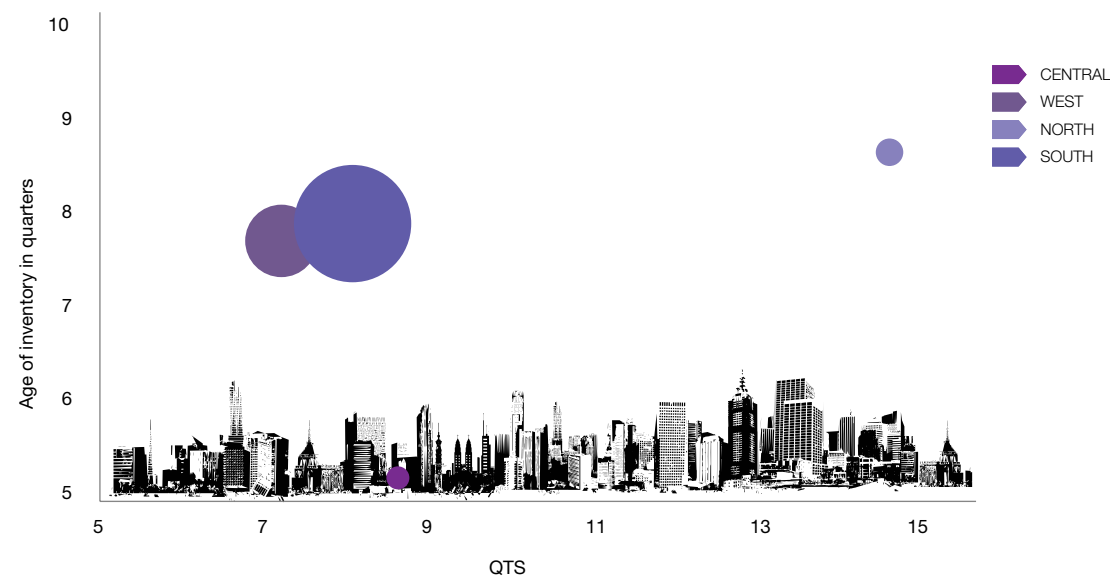


Source: Knight Frank Research

- The quarters to sell unsold inventory (QTS) has been on a constant rise since December 2012, increasing from 5.7 in December 2012 to 6.9 in December 2014. In other words, it will take 6.9 quarters to exhaust the existing inventory in Chennai.
- The improvement in sales volume during H2 2014 seems to have stabilised the QTS number, which has remained constant since the last two quarters. Going forward, we expect the QTS to be slightly higher on account of the not-so-good expected sales volume in Chennai.

FIGURE 9

MICRO-MARKET-WISE QTS VS AGE OF INVENTORY



Source: Knight Frank Research

- With an inventory of seven quarters and an inventory age of eight quarters, West Chennai is one of the best performing micro-markets. Relatively affordable residential prices and its proximity to employment hubs seem to be attracting home buyers to this micro-market.
- Developers in North Chennai have launched projects ahead of time: the residential demand in this micro-market is yet to pick up. With an inventory of 15 quarters and an inventory age of nine quarters, the North Chennai micro-market fares the worst in the city.
- The Central Chennai micro-market is the third best market in terms of health, with a QTS of nine and an inventory age of five. The quantum of inventory, however, is the lowest in this market.
- The South Chennai micro-market has the highest quantum of inventory and is facing problems of high

unsold inventory. However, this is the second best market in Chennai, based on the parameter of a seven-quarter inventory that was launched eight quarters ago.

PRICE MOVEMENT DURING H2 2014

- At 5%, Alandur has witnessed the highest price rise in the last 12 months. As is indicated in our H1 2014 report, the commissioning of the Chennai Metro Rail Phase I will impact the Koyambedu and Alandur markets positively, as these are the locations where trial runs of the metro are underway.
- Anna Nagar, T. Nagar and Adyar in Central Chennai continue to remain the most premium locations of the city. Hence, residential prices in these locations have stayed robust, registering a growth in prices, despite being on a higher base, in the range of 1% to 3%.
- During the last six months, Ponneri in North Chennai is witnessing a price increase, primarily due to the Indian

government's vision to develop this location under its Smart City project.

- We expect the weighted average prices in Chennai to increase by a moderate 4% rate in the coming six months on the back of a relatively improved sales volume.

Price movement in select locations

Location	Micro-market	Price range in H2 2014 (₹/sq ft)	12-month change	6-month change
Anna Nagar	Central Chennai	10,500-11,600	3%	1%
Adyar	Central Chennai	16,500-17,500	2%	1%
Kilpauk	Central Chennai	14,800-15,500	1%	0%
T. Nagar	Central Chennai	18,000-19,000	1%	1%
Alandur	Central Chennai	7,000-7,500	5%	4%
Porur	West Chennai	5,200-5,500	5%	4%
Ambattur	West Chennai	4,100-4,600	2%	3%
Mogappair	West Chennai	6,200-6,700	2%	2%
Iyyappanthangal	West Chennai	4,000-4,500	3%	2%
Sriperumbudur	West Chennai	2,700-3,200	3%	2%
Perumbakkam	South Chennai	4,100-4,500	2%	2%
Chrompet	South Chennai	4,200-4,700	5%	0%
Sholinganallur	South Chennai	4,500-5,500	4%	1%
Guduvancheri	South Chennai	3,200-3,700	2%	1%
Kelambakkam	South Chennai	3,500-3,900	3%	1%
Tondiarpet	North Chennai	4,500-4,800	2%	2%
Kolathur	North Chennai	4,800-5,500	4%	1%
Madhavaram	North Chennai	4,500-5,000	2%	0%
Perambur	North Chennai	6,200-6,500	3%	3%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
Launches (units)	11,377	9,158	-20%
Absorption (units)	10,315	11,357	10%
Weighted average price (Rs /sq ft)	4,407	4,603	4%

- We expect the number of new launches to drop further, by one-fifth, to 9,158 units during H1 2015 as compared to 11,377 units launched in H1 2014. The huge unsold inventory of the previous quarters will impede developers from launching new projects in the Chennai market.

- However, for a price-conscious Chennai home buyer, the cut in policy rate by the Reserve Bank of India (RBI) and further, the dovish stance of the RBI governor, are expected to have a positive impact on the residential market. We forecast that the sales volume will increase by 10% in H1

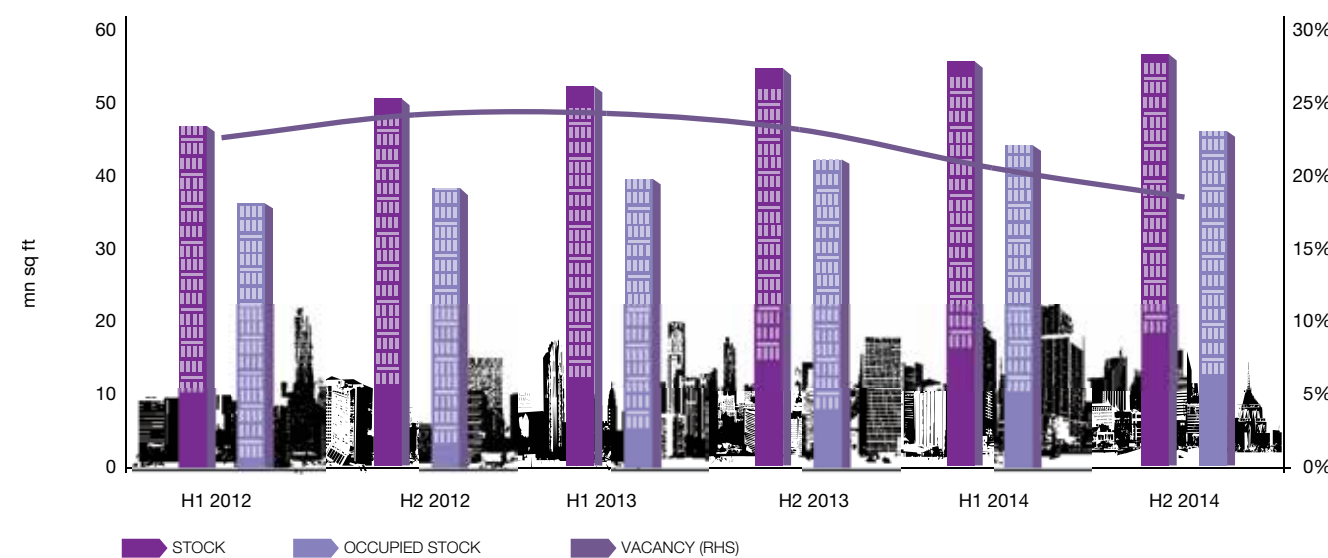
2015, to 11,357 units compared to 10,315 units in H1 2014.

- Constricted supply coupled with moderate growth in the absorption will push prices up. We expect weighted average prices for Chennai residential to increase by 4% in H1 2015.

OFFICE MARKET

CHENNAI OFFICE MARKET STOCK, NEW COMPLETIONS, ABSORPTION AND VACANCY TRENDS

FIGURE 1
CHENNAI OFFICE SPACE STOCK AND VACANCY LEVELS

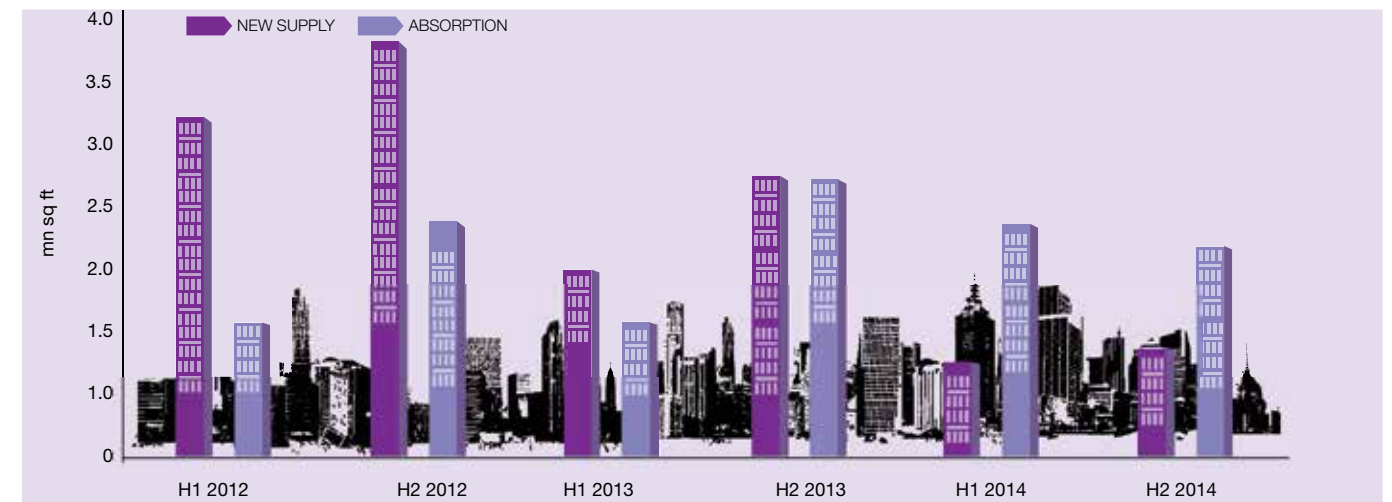


Source: Knight Frank Research

- The vacancy levels in the Chennai office market have fallen drastically, from 24% in H1 2013 to 19% in H2 2014. Currently, the total office stock stands at 56.5 mn sq ft, of which 46.1 mn sq ft is occupied.
- The record 18-month-low vacancy levels can be attributed to the robust leasing activity during 2014 as well as the dearth of ready-to-occupy office spaces.
- The total absorption during H2 2014 was 1.91 mn sq ft, while new office space came online only to the tune of 0.98 mn sq ft, thereby bringing the vacancy level below 20%.
- The number of new completions continued its downfall even in the year 2014: new supply witnessed a fall by 57%, from 4.21 mn sq ft in 2013 to 1.83 mn sq ft in 2014. However, absorption registered a 7% growth YOY, from 3.74 mn sq ft in 2013 to 4.01 mn sq ft in 2014.
- The improvement in global sentiment, especially in the US—a

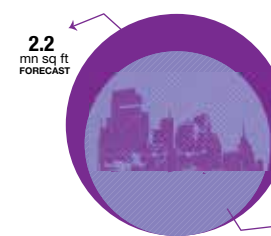
major market for Indian IT/ITeS companies—along with the relatively stable domestic economy, has bolstered the recovery of the Indian IT/ITeS sector. This is emphasised by the surge in the leasing activity of the city's IT/ITeS sector, whose share has jumped to 54% in H2 2014 from 42% in H1 2014.

FIGURE 2
NEW COMPLETIONS AND ABSORPTION

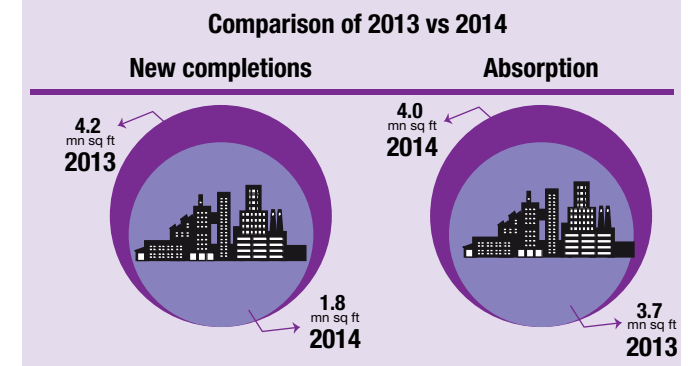


Source: Knight Frank Research

Forecast vs actual absorption in H2 2014

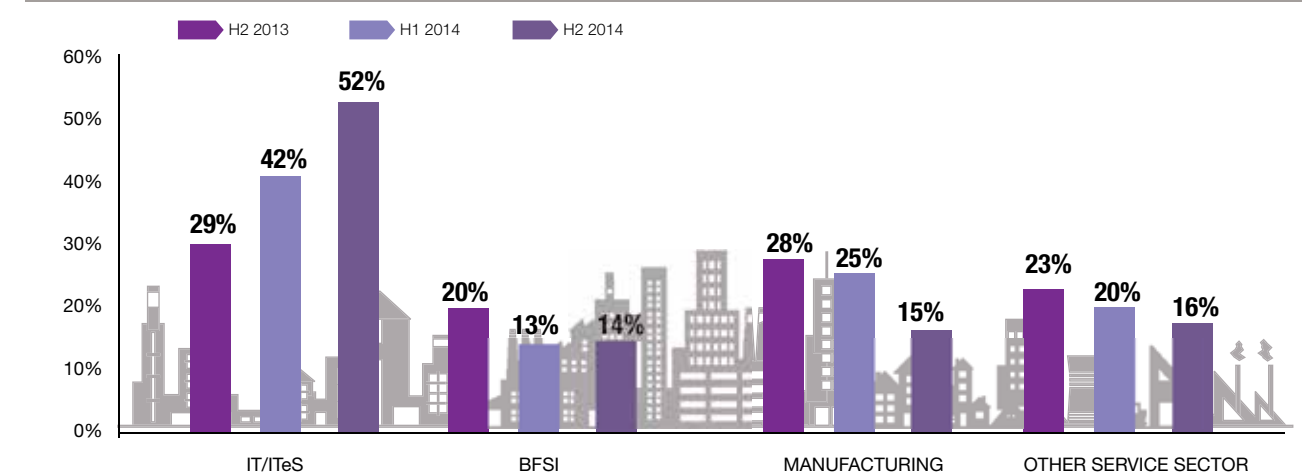


Forecast vs actual absorption in 2014

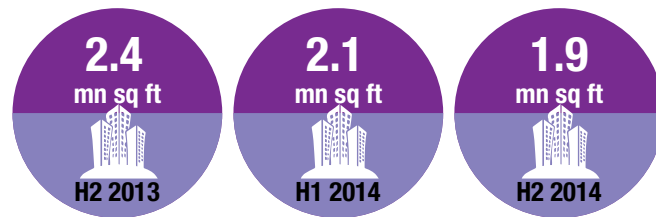


SECTOR ANALYSIS

FIGURE 3
SECTOR-WISE SPLIT OF ABSORPTION



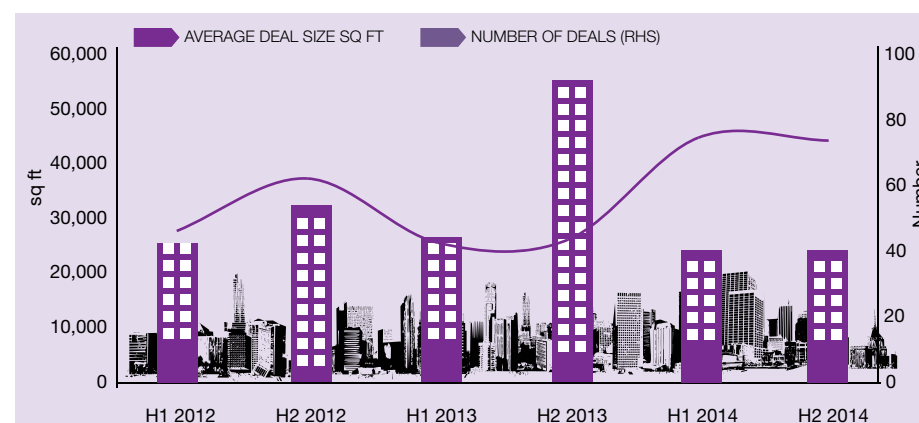
Source: Knight Frank Research



- The IT / ITeS sector continues its dominance in the overall office absorption activity of the city. Its share is continuously on the rise, having improved from 29% in H2 2013 to 54% in H2 2014.
- The share of all other sectors declined considerably from their peaks in H2 2013. The share of the manufacturing sector has almost halved from its peak of 28% in H2 2013 to 15% in H2 2014. The IT/ITeS sector, with the lion's share, caused the city's office space market to register healthy leasing activity.

DEAL SIZE ANALYSIS

FIGURE 4
AVERAGE DEAL SIZE AND NUMBER OF DEALS



Source: Knight Frank Research

SELECT TRANSACTIONS

Building	Company	Location	Approx. area (sq ft)
Centre point	BNP Paribas	Guindy	190,000
Futura Tech	Scope International	Sholinganallur	90,000
SP infocity	Ford	Perungudi	68,000
RMZ Millennia	Chrysler	Kandanchavadi	66,764
RMZ Millennia	Ford	Kandanchavadi	62,000
DLF IT Park	Plintron	Mt. Poonamallee Road	60,000
Prince Infocity II	Thinksoft SQS	Perungudi	58,000
TVH Agnitio Park	Kotak	Perungudi	58,000
DLF IT Park	Thirdware Tech	Mt. Poonamallee Road	56,000
DLF IT Park	Photon Infotech	Mt. Poonamallee Road	55,000
Ramanujan IT Park	Latentview	Taramani	51,792
India land	Ajuba Solutions	Ambattur	50,000
Prince Infocity II	AGS Health	Perungudi	42,000
RMZ	Ford	Kandanchavadi	42,000
RMZ	Microsoft	Kandanchavadi	40,000
Futura Tech	Scope International	Sholinganallur	38,000
Seethakathi Business centre	Siemens	Anna Salai	36,617
Akdr	CMA CGM Shipping India	Thurapakkam	35,000

Source: Knight Frank Research

BUSINESS DISTRICTS OF CHENNAI

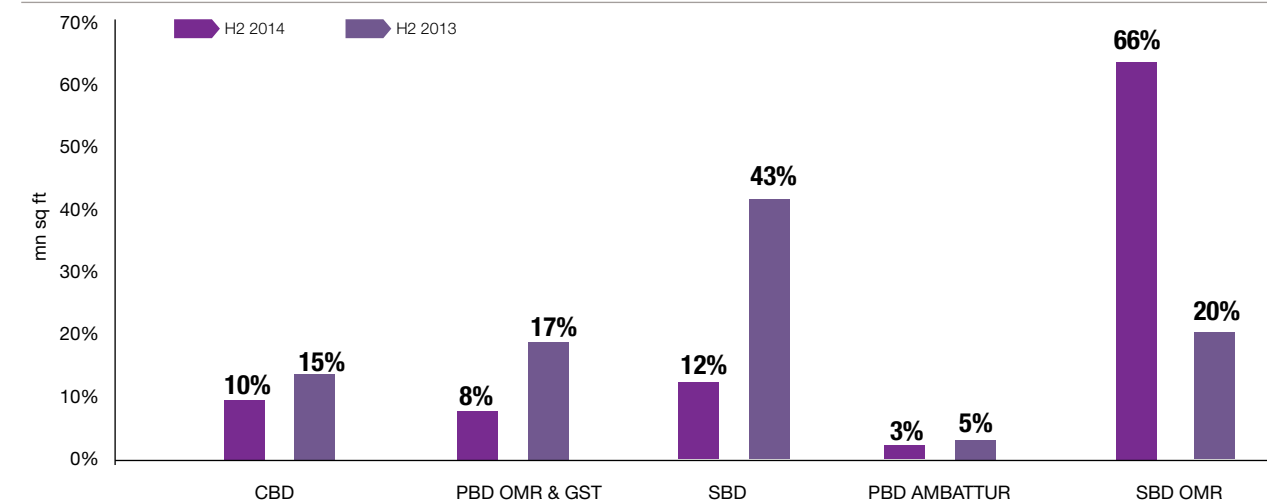


BUSINESS DISTRICT ANALYSIS

Business District	Locations
Central Business District (CBD and off-CBD)	Anna Salai, RK Salai, Nungambakkam, Greams Road, Egmore, T. Nagar
Suburban Business District (SBD)	Mount-Poonamallee Road, Porur, Guindy, Nandanam
SBD-OMR	Perungudi, Taramani
Peripheral Business District (PBD) - OMR and GST	OMR beyond Perungudi Toll Plaza, GST Road
PBD - Ambattur	Ambattur

FIGURE 5

BUSINESS DISTRICT-WISE ABSORPTION SPLIT



Source: Knight Frank Research

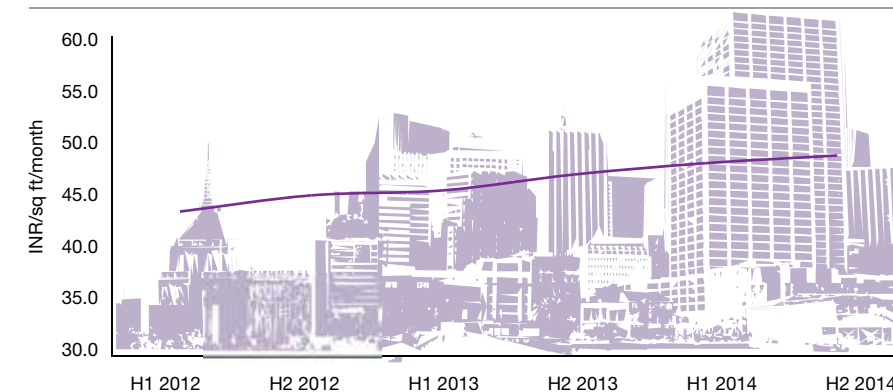


- All the business districts gained in market share during H2 2014 at the expense of SBD OMR.
- Among all the business districts, SBD led the city in terms of share of absorption. Its share increased 3.6 times, from 12% in H2 2013 to 43% in H2 2014. Its strategic location and large floor plates could be the reasons attributed to this trend.
- During the same period, the share of SBD OMR fell drastically, from 66% in H2 2013 to 20% in H2 2014.

RENTAL TREND

FIGURE 6

WEIGHTED AVERAGE RENTAL MOVEMENT



Source: Knight Frank Research

- Restricted supply, along with strong demand during H2 2014, has helped the weighted average rents to jump by 4%, from ₹ 47/sq ft/month in H2 2013 to ₹ 49/sq ft/month in H2 2014.
- During H2 2014, CBD and off-CBD witnessed the maximum rise in rentals when compared on an annual basis. This is followed by SBD and PBD Ambattur.

Business district-wise rental movement

Business district	Rental value range in H2 2014 (₹ / sq ft / month)	12-month change	6-month change
CBD	60–75	5%	3%
PBD OMR & GST Road	30–37	1%	-1%
SBD	50–60	2%	1%
PBD Ambattur	25–30	2%	1%
SBD OMR	45–55	1%	1%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
New supply (mn sq ft)	0.85	0.93	10%
Absorption (mn sq ft)	2.10	1.99	-5%
Vacancy (%)	21	16	
Weighted average rental (INR/sq ft/month)	48	50	3%

Source: Knight Frank Research

- Office absorption in Chennai is expected to maintain its current half yearly run-rate of 2 mn sq ft. We expect 1.99 mn sq ft of office space to be absorbed in H1 2015, resulting in a 5% decline compared to H1 2014. This will be complemented by a higher increase in new completions, we expect 0.93 mn sq ft to be completed in H1 2015.
- Overall vacancy level is projected to decrease to 16% in H1 2015 as compared to 21% in H1 2014.
- Going forward, we expect that the current absorption momentum will continue. This will have a direct impact on rentals. We projected rentals to grow by 3%, from ₹ 48/sq ft/month in H1 2014 to more than ₹ 50/sq ft/month by H1 2015.



AUTHOR

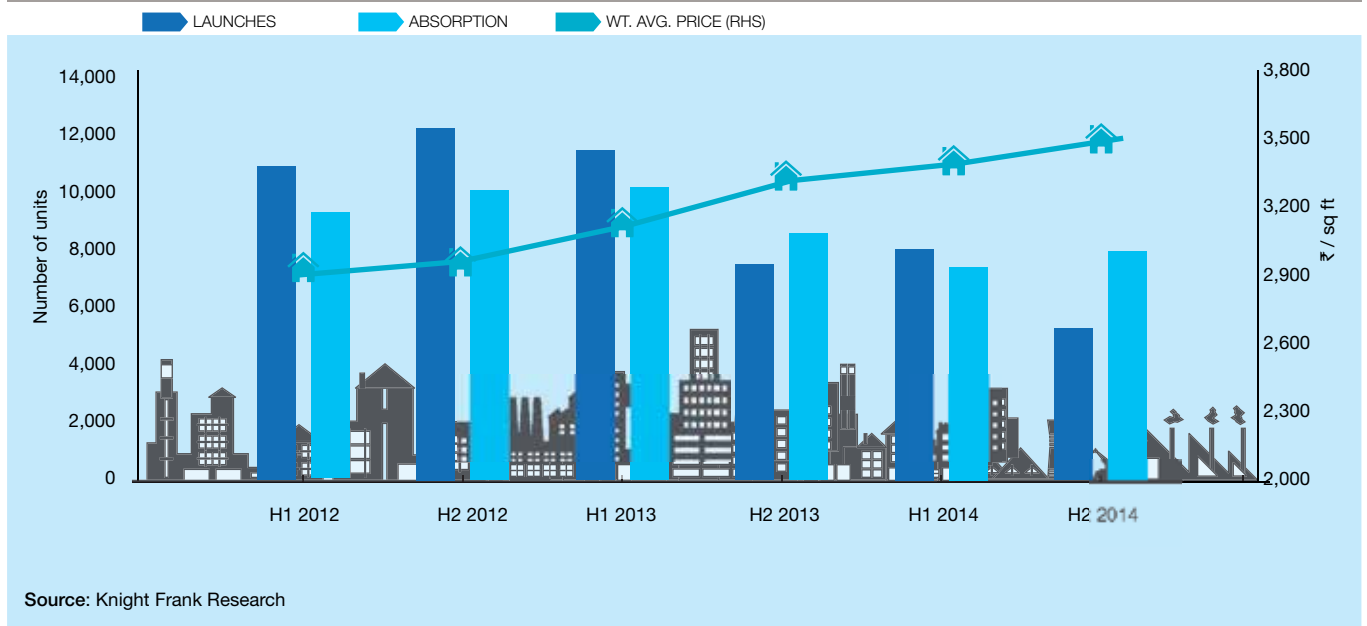
Yashwin Bangera
Lead Consultant - Research

HYDERABAD

RESIDENTIAL AND OFFICE MARKET

RESIDENTIAL MARKET

FIGURE 1
HYDERABAD MARKET TRENDS



- The Hyderabad residential market continues to lose steam despite the political scenario easing out.
- Though higher than H1 2014 levels, YOY absorption levels are still down 7% in H2 2014.
- The YOY fall in new launches is even more exacerbated at 30% YOY in H2 2014 as developers focus on unwinding current positions in terms of unsold inventory before launching new projects.
- Just 5,150 units were launched during H2 2014 – the lowest ever in any half-yearly period since 2010.
- Bucking the overall trend, prices have grown by 5.6%, as cost pressures do not give developers much leeway to reduce them. Also, helping prices stay buoyant is the fact that new supply has fallen at a much greater rate than absorption.
- Launches and absorption levels dropped 30% and 18% YOY respectively in 2014
- The steeper drop in launches has helped reduce unsold inventory levels marginally by 5.5% YOY to 35,200 units
- We do not expect this steep de-growth in launches and absorption to continue, because the easing of the political situation, and initiatives such as the recent rate cut by the RBI will pay dividends in time to come.
- We believe that launches and absorption will approach H1 2014 levels and see a deficit of 5% and 2% YOY respectively by the end of H1 2015. Prices are also expected to grow by 5% during the same period.

MICRO-MARKET SPLIT OF RESIDENTIAL LAUNCHES

Micro-market Analysis

Micro-market	Location
HMR-Central	Begumpet, Banjara Hills, Jubilee Hills, Panjagutta, Somajiguda
HMR-West	Kukatpally, Madhapur, Kondapur, Gachibowli, Raidurgam
HMR-East	Uppal, Malkajgiri, L.B. Nagar
HMR-North	Kompally, Medchal, Alwal, Qutubullapur
HMR-South	Rajendra Nagar, Shamshabad

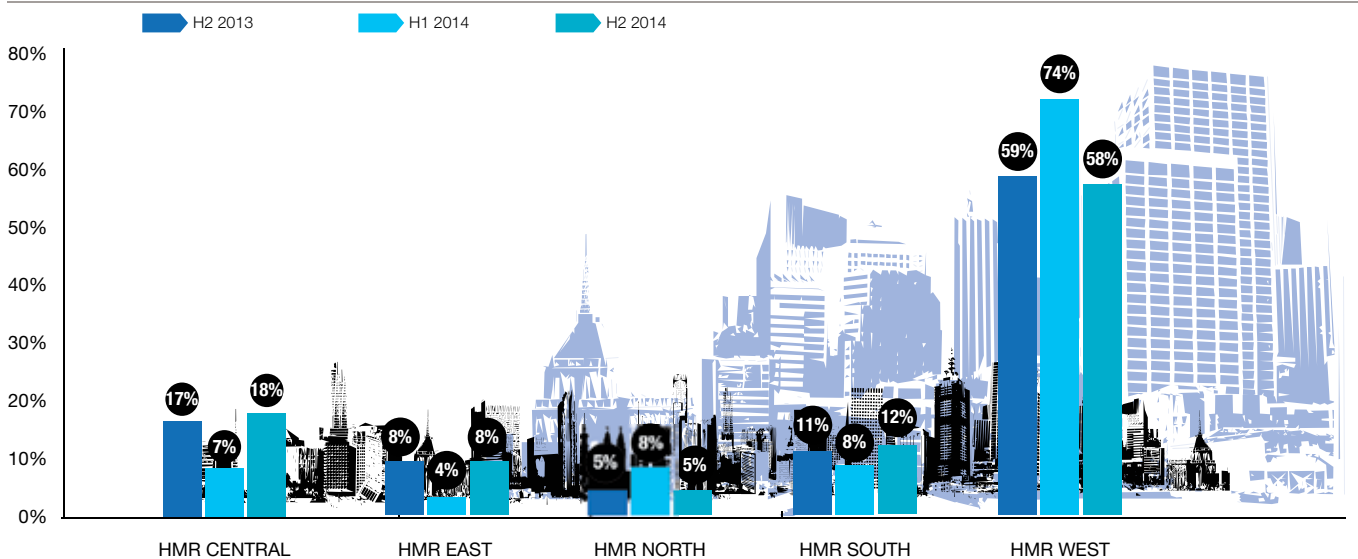
HMR refers to Hyderabad Metropolitan Region

HYDERABAD METROPOLITAN REGION MAP



FIGURE 2

MICRO-MARKET SPLIT OF LAUNCHED UNITS



Source: Knight Frank Research

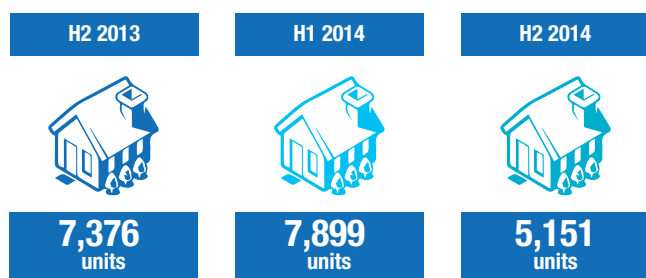
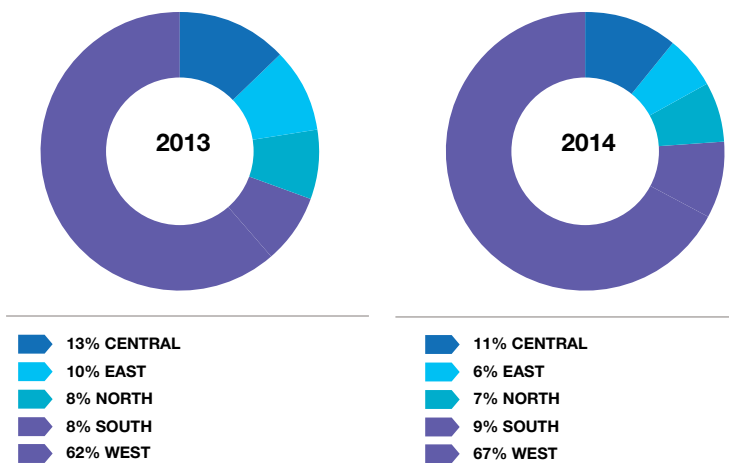


FIGURE 3

SHARE OF NEW LAUNCHES: 2013 VS 2014

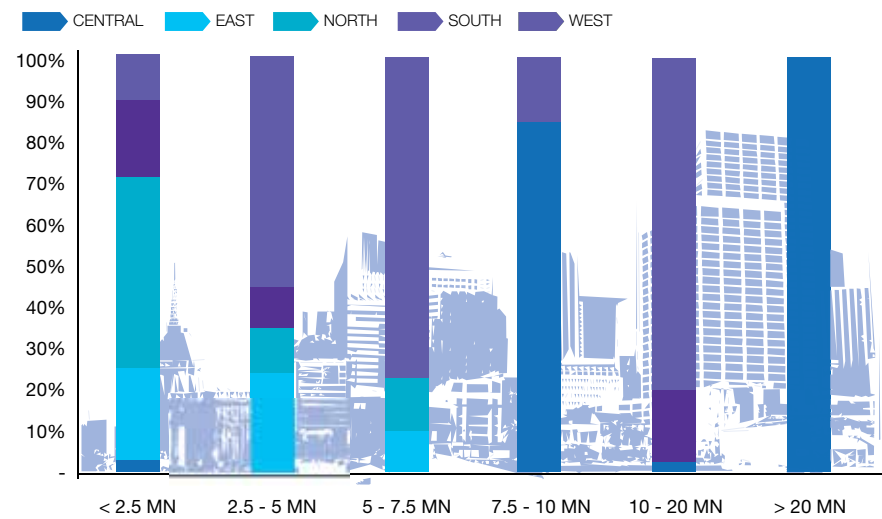


Source: Knight Frank Research

- Locations in West Hyderabad continue to see the most interest in development as developers hedge their bets on the residential market.
- All the markets have held on to their relative market shares in H2 2014 and show very little deviation YOY.
- However, the shares of the West and North Hyderabad micro-markets have dropped compared to the preceding period, while the shares of Central, East and South Hyderabad have increased during the same period.
- Actual launches were 44% less than our initial projections, as it seems that developers are still waiting for demand to pick up significantly before upping the ante on new supply.
- In the long term, East Hyderabad should see more traction in terms of launches, especially along the Warangal highway, as the completion of the ORR and the metro connecting it to the western locations is completed.

FIGURE 4

TICKET SIZE SPLIT OF LAUNCHES DURING H2 2014



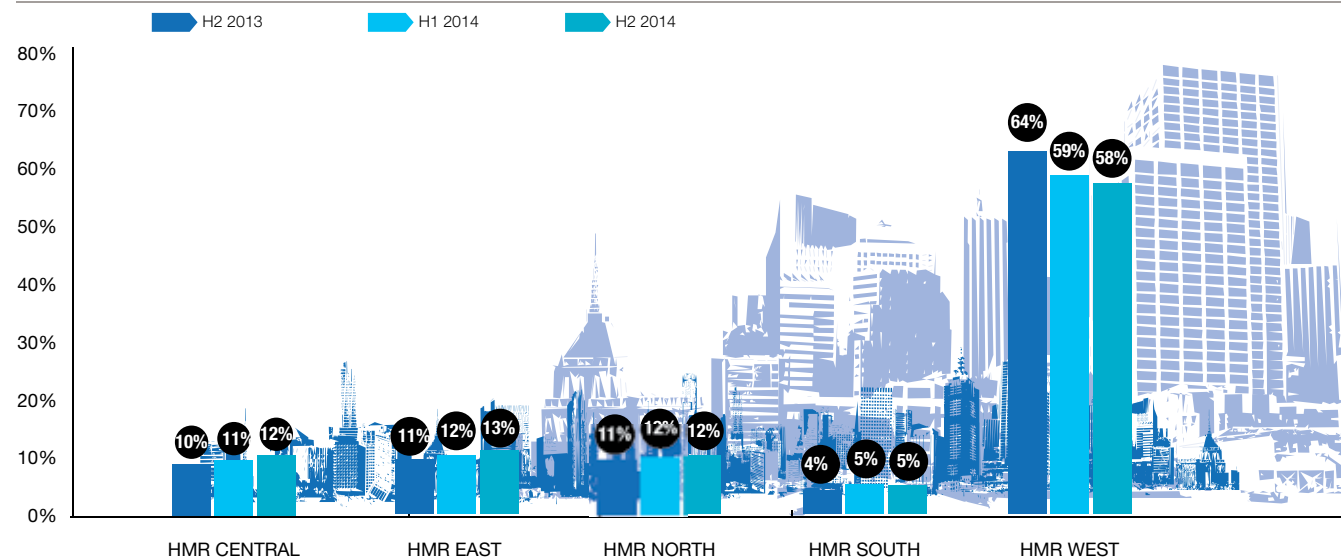
Source: Knight Frank Research

- Projects with average ticket sizes above ₹ 10 mn were launched largely in the West and Central markets during H2 2014.
- West Hyderabad saw projects launched in all ticket sizes, the highest being in the ₹ 5.0 mn to 7.5 mn ticket size.
- Over half of the units launched during H2 2014 were priced under ₹ 5 mn, while almost 90% were priced under ₹ 7.5 mn.

MICRO-MARKET-WISE RESIDENTIAL SALES

FIGURE 5

MICRO-MARKET SPLIT OF SALES



Source: Knight Frank Research

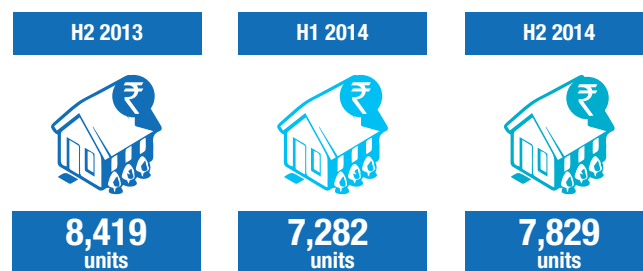
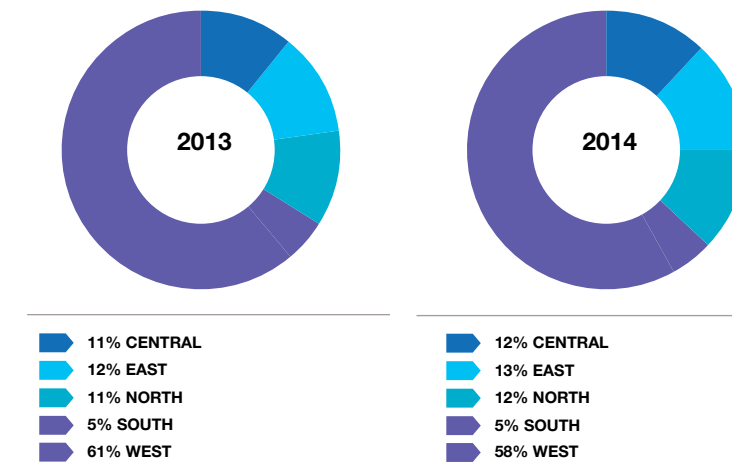


FIGURE 6

SHARE OF SALE: 2013 VS 2014



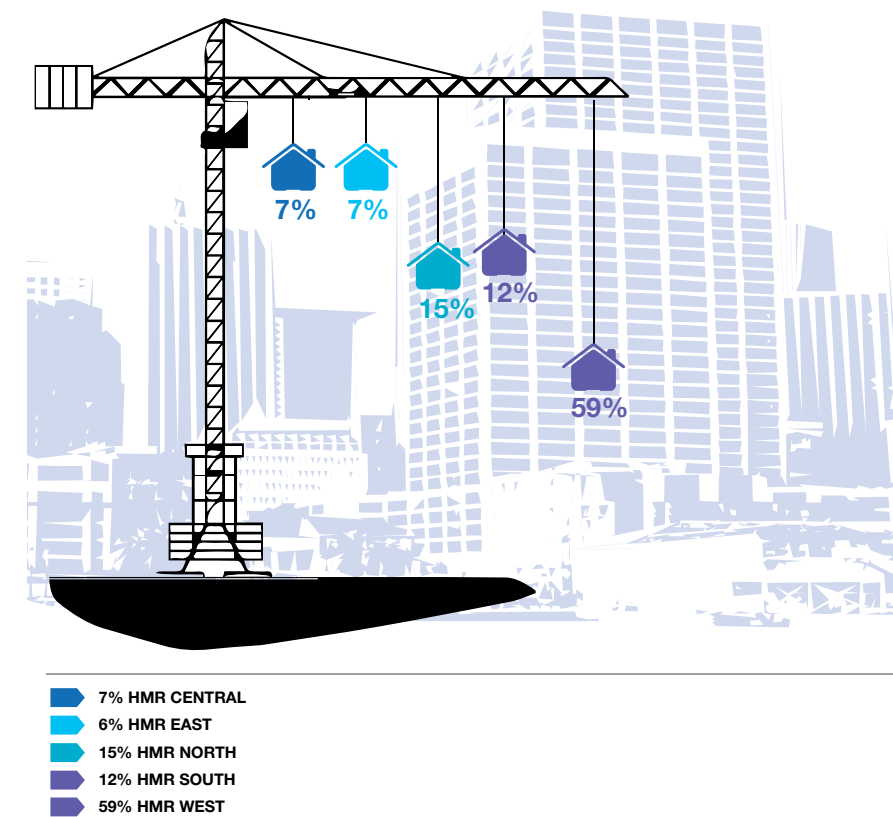
Source: Knight Frank Research

- In line with the share of launches, West Hyderabad dominates the absorption pie as well.
- However, it can be observed that the share of the western market has been declining since H2 2013, while other markets have been gaining over the same period.
- The actual year-end and half year absorption volumes were 11% and 13% less than the initial estimates made in our H1 report. While we projected 16,953 units, the actual sales volume closed at 15,111 units.

MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014

FIGURE 7

MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014



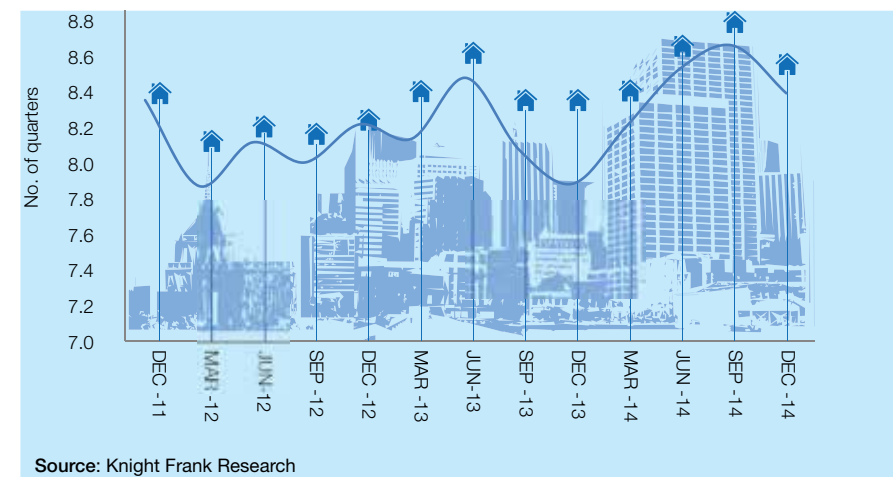
Source: Knight Frank Research

- West Hyderabad accounts for the largest share of under-construction inventory, followed by the north, south, central and eastern markets respectively.
- Central Hyderabad's share has been declining consistently over time and will continue to do so, as the residential core of the city has shifted to the western locations. The growth of the IT corridor and the financial district, together with the growth of an organised retail market, has enhanced the residential appeal of West Hyderabad and will ensure its standing as the most sought-after zone in the city in time to come.

HYDERABAD MARKET HEALTH

FIGURE 8

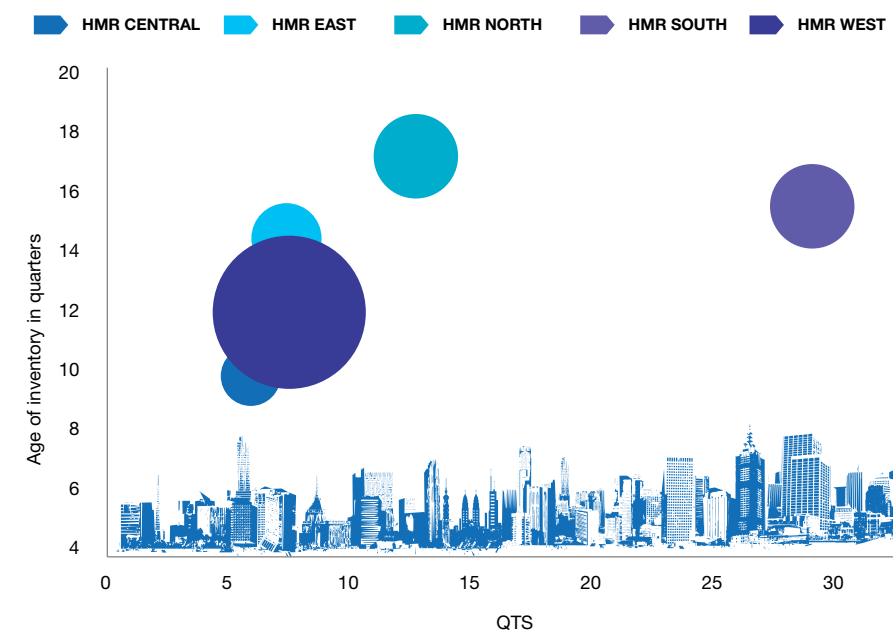
QUARTERS TO SELL (QTS) UNSOLD INVENTORY ANALYSIS



- We have observed this indicator breach the 8.6 level during H2 2014 and then come back down within the range.
- The steep fall in launches has helped the QTS level stay range bound, as there have not been significant additions to the unsold inventory due to a rise in launches.
- We expect the QTS to continue in this range during H1 2015 as the market consolidates in this period.

FIGURE 9

MICRO-MARKET-WISE QTS VS AGE OF INVENTORY



- Central Hyderabad is the healthiest market today, in terms of age of inventory and QTS. This can be attributed to the limited inventory and inherent supply constraints in the market.
- West Hyderabad follows close behind on the same parameters. Its relative health can be gauged quite clearly from the fact that it has a lower QTS and that its inventory also gets liquidated much quicker than other markets despite it having the largest unsold inventory.
- North Hyderabad holds the oldest inventory, while South Hyderabad will take the most time to liquidate its existing unsold inventory.

PRICE MOVEMENT DURING H2 2014

Location	Micro-market	Price range in H2 2014 (₹ /sq ft)	12 month change	6 month change
Begumpet	Central	4,500 - 6,000	8%	3%
Banjara Hills	Central	7,000 - 9,000	7%	5%
Jubilee Hills	Central	4,500 - 6,200	8%	2%
Madhapur	Central	5,800 - 7,800	5%	0%
Uppal	East	2,600 - 2,800	4%	3%
L B Nagar	East	2,500 - 2,900	7%	4%
Nacharam	East	2,200 - 2,800	7%	3%
Kompally	North	2,200 - 3,100	2%	6%
Qutubullapur	North	2,100 - 2,600	-3%	3%
Shamirpet	North	2,000 - 2,400	1%	1%
Shamshabad	South	2,300 - 3,000	2%	2%
Bandlaguda	South	2,200 - 3,100	3%	2%
Rajendra Nagar	South	2,100 - 3,100	-1%	2%
Kondapur	West	4,000 - 5,200	2%	2%
Gachibowli	West	3,800 - 4,700	9%	4%
Manikonda	West	3,400 - 4,500	5%	3%
Kukatpally	West	2,800 - 3,900	4%	3%
Madeenaguda	West	2,600 - 3,300	7%	5%

Source: Knight Frank Research

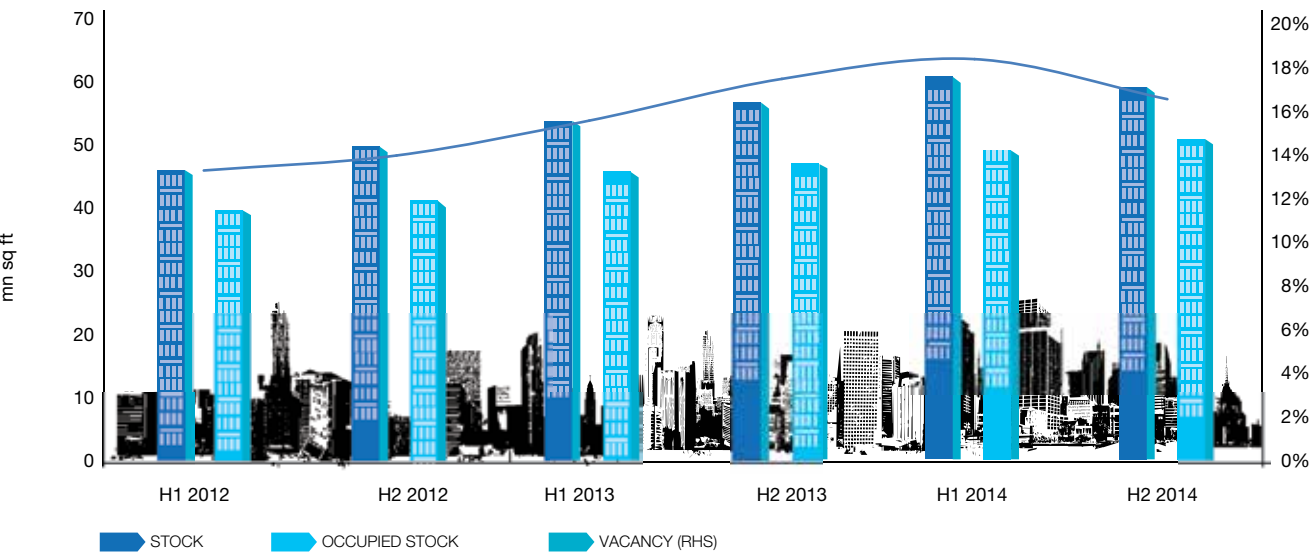
OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
Launches (units)	7,899	7,520	-5%
Absorption (units)	7,281	7,100	-2%
Weighted average price (Rs /sq ft)	3,502	3,594	3%

- We do not expect the steep de-growth in launches and absorption to continue, because the easing of the political situation, and initiatives such as the recent rate cut by the RBI will pay dividends in time to come.
- We believe that launches and absorption will approach H1 2014 levels and see a deficit of 5% and 2% YOY respectively by the end of H1 2015.
- Prices are also expected to grow by 5% during the same period.

HYDERABAD OFFICE MARKET

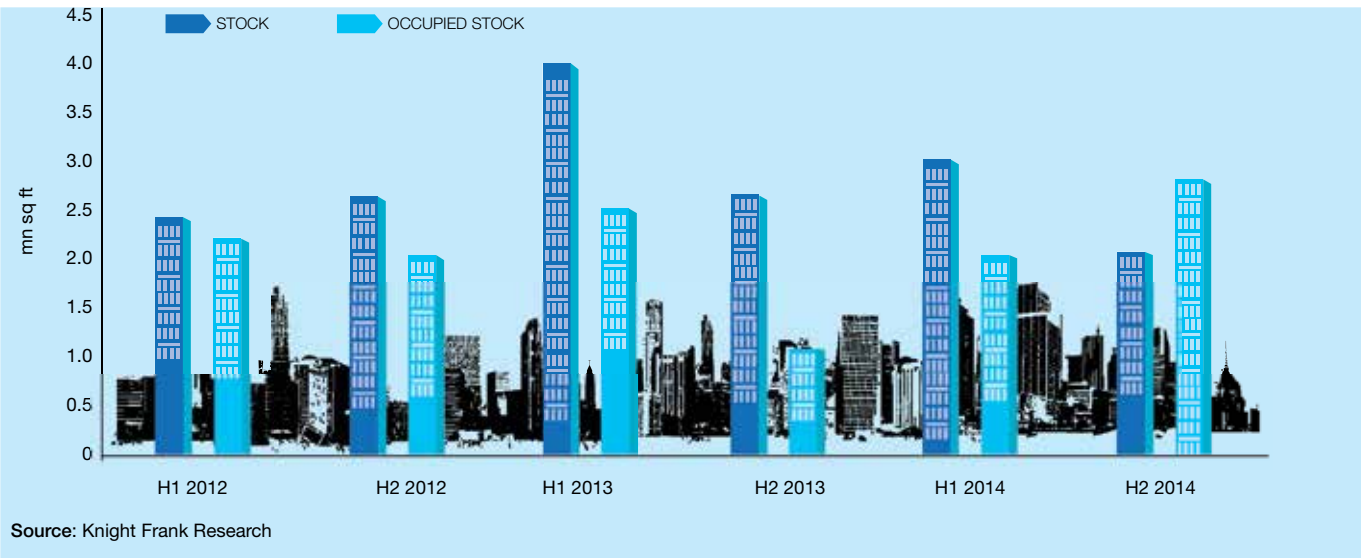
FIGURE 1
HYDERABAD OFFICE SPACE STOCK AND VACANCY LEVELS



Source: Knight Frank Research

- Vacancy levels have dropped for the first time since 2012, to 17% in H2 2014.
- The change in the political regime has reduced the perceived political risk of operating businesses in the city considerably, and the corporate sector has reacted by expanding its real estate footprint in the erstwhile neglected office market.
- Hyderabad has an office stock of approximately 61 mn sq ft of office space today, with a vacancy of 17%.

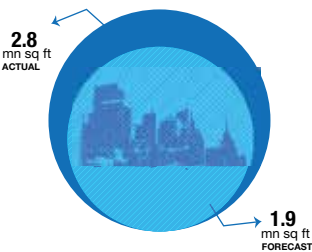
FIGURE 2
NEW COMPLETIONS AND ABSORPTION



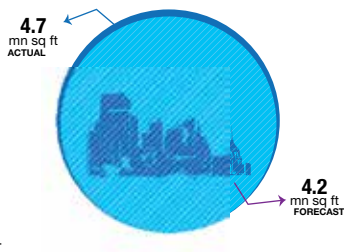
Source: Knight Frank Research

- Absorption levels have shot up by 140 % YOY in H2 2014. Albeit, 28% of the absorption in 2014 was accounted for by a single lease signed by Deloitte.
- Absorption levels have far exceeded our forecasts for H2 2014 and 2014, by 47% and 12% respectively.
- Almost 95% of the absorption during H2 2014 took place in HITEC City.

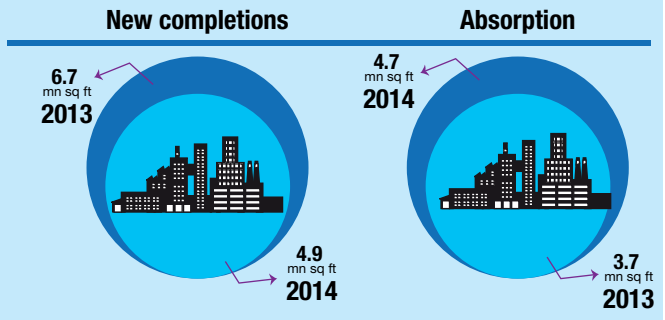
Forecast vs actual absorption in H2 2014



Forecast vs actual absorption in 2014

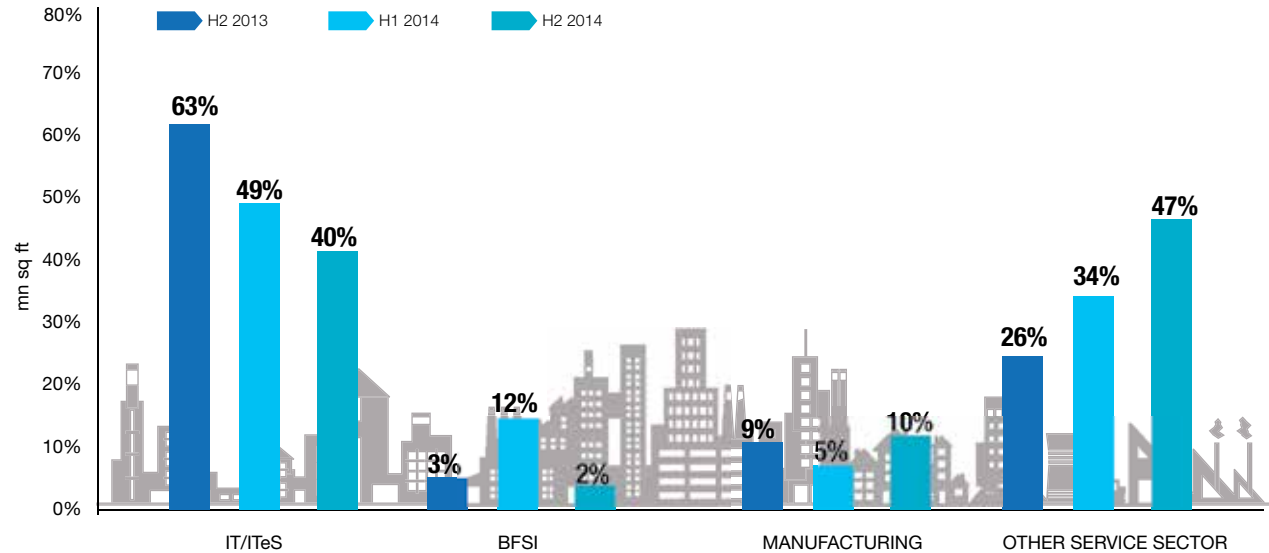


Comparison of 2013 vs 2014



SECTOR ANALYSIS

FIGURE 3
SECTOR-WISE SPLIT OF ABSORPTION



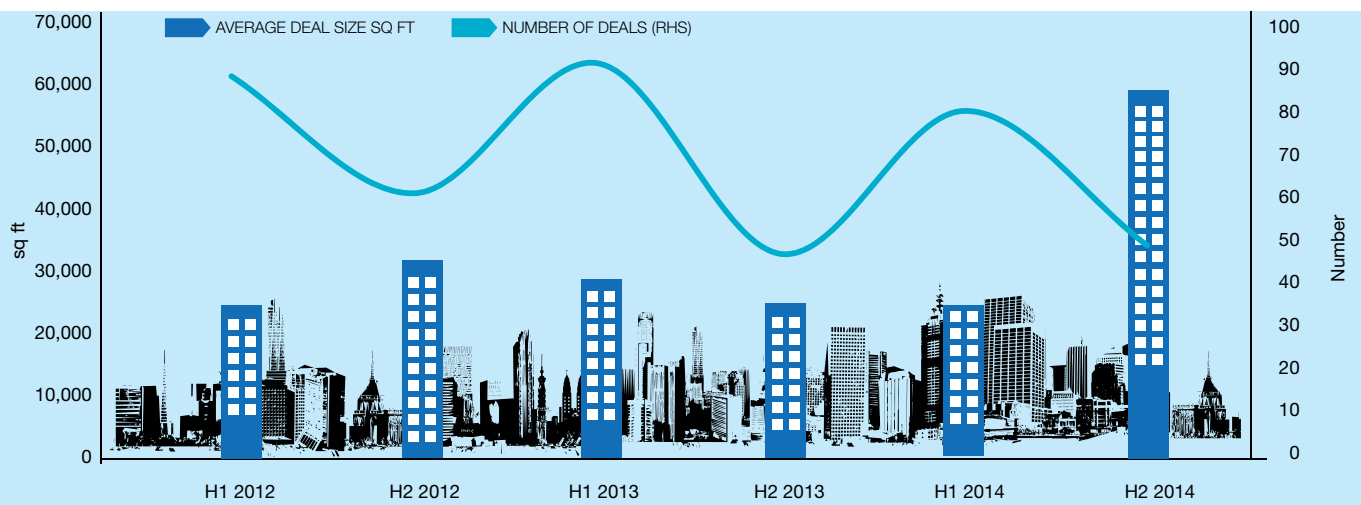
Note: BFSI includes support services
Source: Knight Frank Research



- The share of the other services sector has been increasing over the past 18 months and has eclipsed that of the IT/ITeS sector in H2 2014.
- A 1.3 mn sq ft lease inked by consulting major Deloitte from the other services sector was the largest deal during H2 2014, and made up 46% of the total area absorbed during this period.
- The receding share of the IT/ITeS sector has not affected overall absorption volumes, as consulting, designing and media companies from the other services sector have been gaining a share at the same time.

DEAL SIZE ANALYSIS

FIGURE 4
AVERAGE DEAL SIZE AND NUMBER OF DEALS



Source: Knight Frank Research

- The average deal size has spiked nearly 130 % YOY in H2 2014 despite a nominal increase in the number of transactions for the same period.
- This indicates that big ticket transactions are increasing, and bodes well for the market.

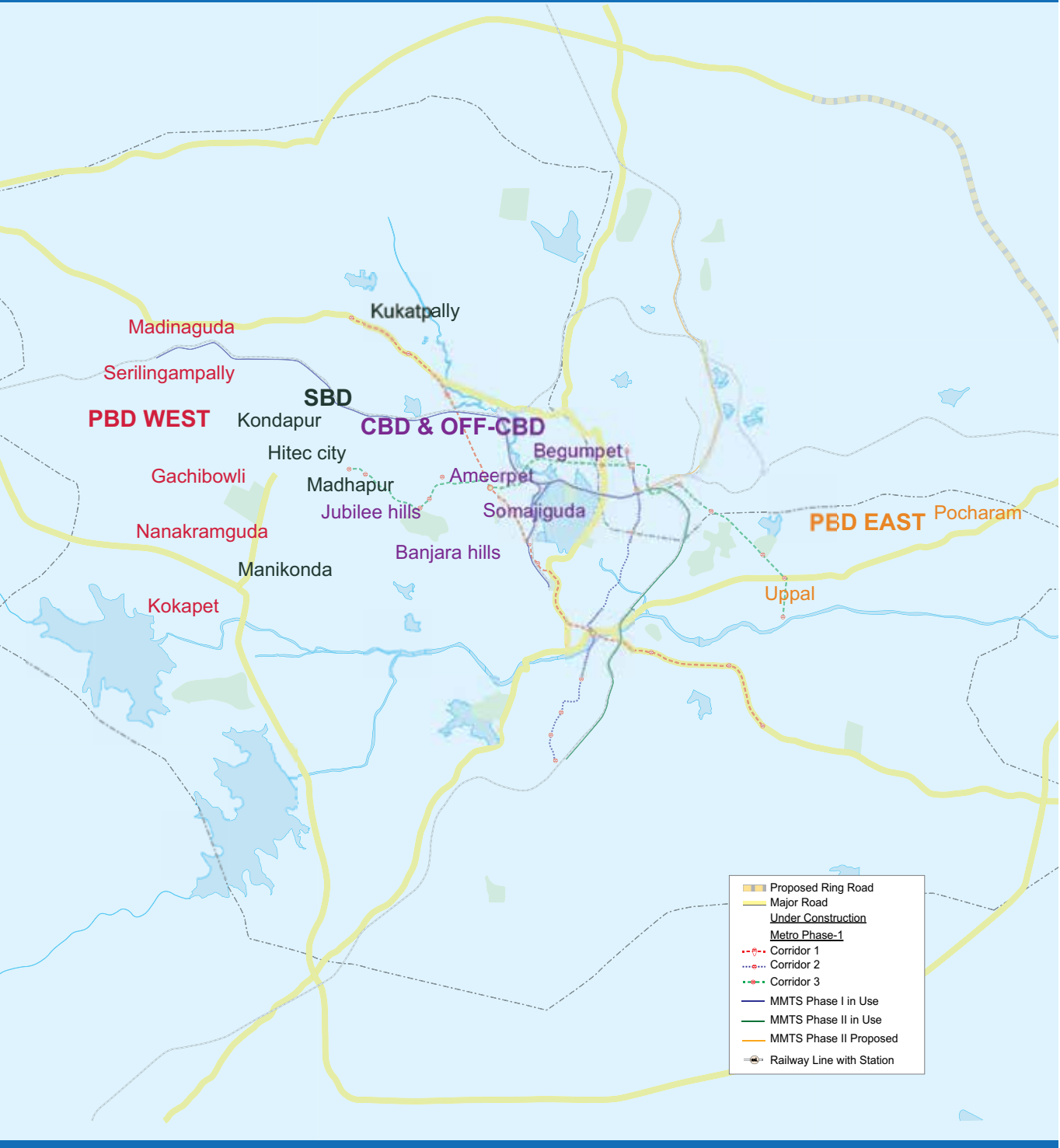
SELECT TRANSACTIONS

Building	Company	Location	Approx. area (sq ft)
Meenakshi	Deloitte	HITEC City	1,300,000
DivyaSree Omega	Google	HITEC City	180,000
Raheja Mindspace	Hyundai MOBIS	HITEC City	102,000
Avance Business Hub	Kony	HITEC City	90,000
Hitech Commercial	Mylan	HITEC City	90,000
TSI Business Park	Birlasoft	Gachibowli	80,000
Raheja Mindspace	CDK Global	HITEC City	75,000
DLF	Unisys	Gachibowli	40,000

Source: Knight Frank Research

BUSINESS DISTRICT ANALYSIS

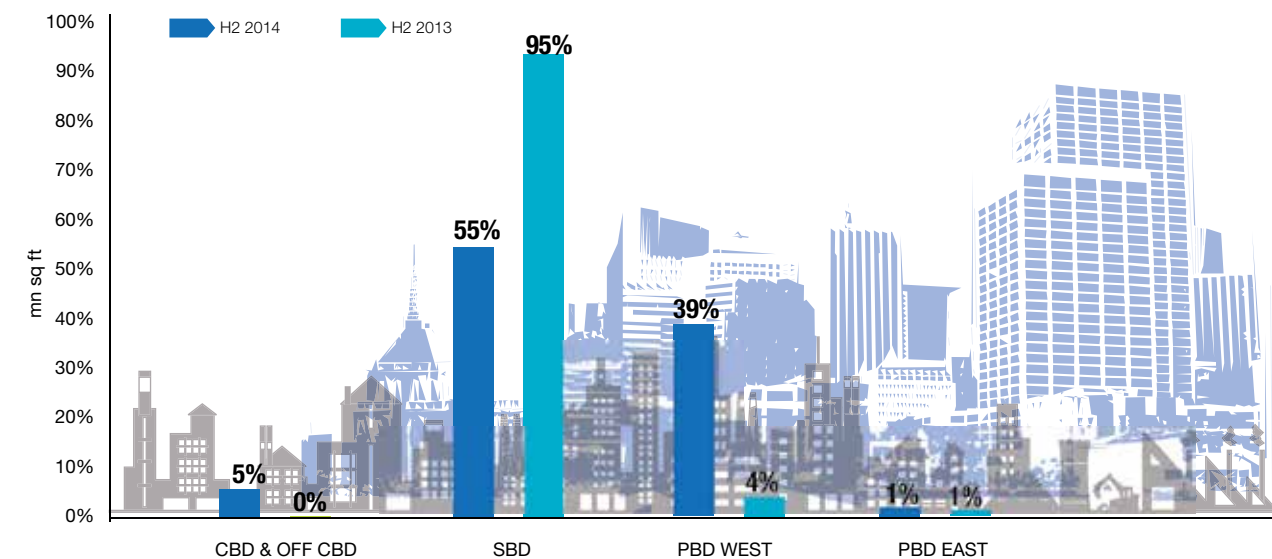
BUSINESS DISTRICTS OF HYDERABAD



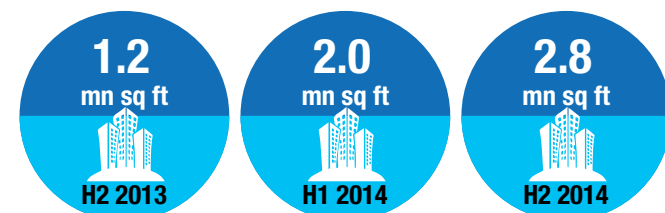
Business District	Micro-markets
CBD & Off-CBD	Banjara Hills, Jubilee Hills, Begumpet, Ameerpet, Somajiguda, Himayat nagar, Raj Bhavan Road, Punjagutta
SBD	HITEC City, Kondapur, Madhapur, Manikonda, Kukatpally, Raidurg
PBD West	Gachibowli, Kokapet, Madinaguda, Nanakramguda, Serilingampally
PBD East	Uppal, Pocharam

FIGURE 5

BUSINESS DISTRICT-WISE ABSORPTION SPLIT



Source: Knight Frank Research

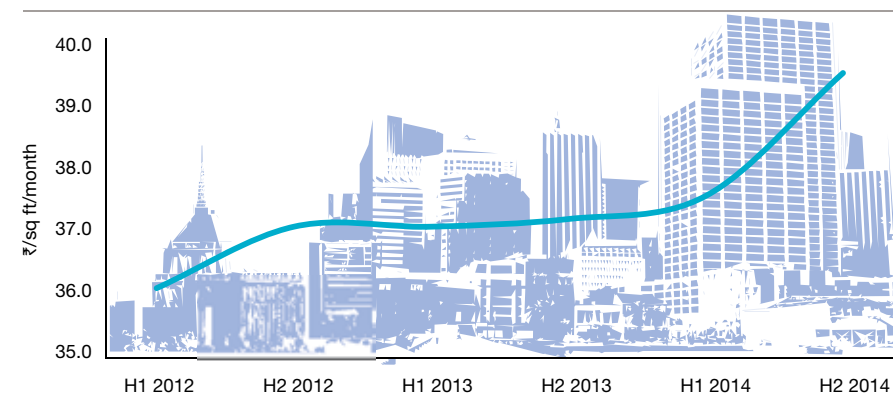


- The SBD business district accounts for practically all the space absorbed during H2 2014.
- As a consequence, the fast-growing PBD West business district has seen a steep drop in market share, from 39% in H2 2013 to 4% during H2 2014.

RENTAL TREND

FIGURE 6

WEIGHTED AVERAGE RENTAL MOVEMENT



Source: Knight Frank Research

- Rentals in the Hyderabad office market, which had stagnated over the past two years, are seeing some growth post the change in political regime.
- The weighted average rentals have grown 5% YOY in H2 2014 and are expected to grow at the same rate during H1 2015.

Business district-wise rental movement

Business district	Rental value range in H2 2014 (₹ / sq ft / month)	12-month change	6-month change
CBD & off-CBD	40-45	-1.0%	0.5%
SBD	38-44	6.0%	4.0%
PBD WEST	32-36	2.5%	1.8%
PBD EAST	26-31	0.5%	0.5%

Source: Knight Frank Research

- The SBD locations have grown the fastest, registering a 6% YOY growth during H2 2014.
- Rental growth in the PBD West business district has also been promising, at 2.5% YOY.
- CBD and Off-CBD rentals have been languishing and have dropped marginally by 1% YOY as occupiers show a definite preference for the large-format quality office spaces available in the SBD and PBD West markets.
- The PBD East business district has seen little interest from occupiers and developers alike, as the current requirements are being fulfilled by the SBD and PBD West business districts.

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
New supply (mn sq ft)	3.04	1.80	-41%
Absorption (mn sq ft)	1.94	2.11	9%
Vacancy (%)	19%	16%	
Weighted average rental (₹/sq ft/month)	37.4	40.0	7%

Source: Knight Frank Research

- There are no significant office space additions expected during H1 2015. Approximately 1.8 mn sq ft of office space is expected to come online during this period which is a 41% drop compared to H1 2013.
- Absorption levels are expected to see a 9% growth YOY during H1 2015.
- 2015 on the back of incremental demand and completion of deals already on the verge of closure.
- Decreasing supply and a sustained increase in absorption is bound to push vacancy levels down further to an estimated 16% by the end of H1 2015, consequently driving average rents up to achieve a growth of 7% YOY for the same period.



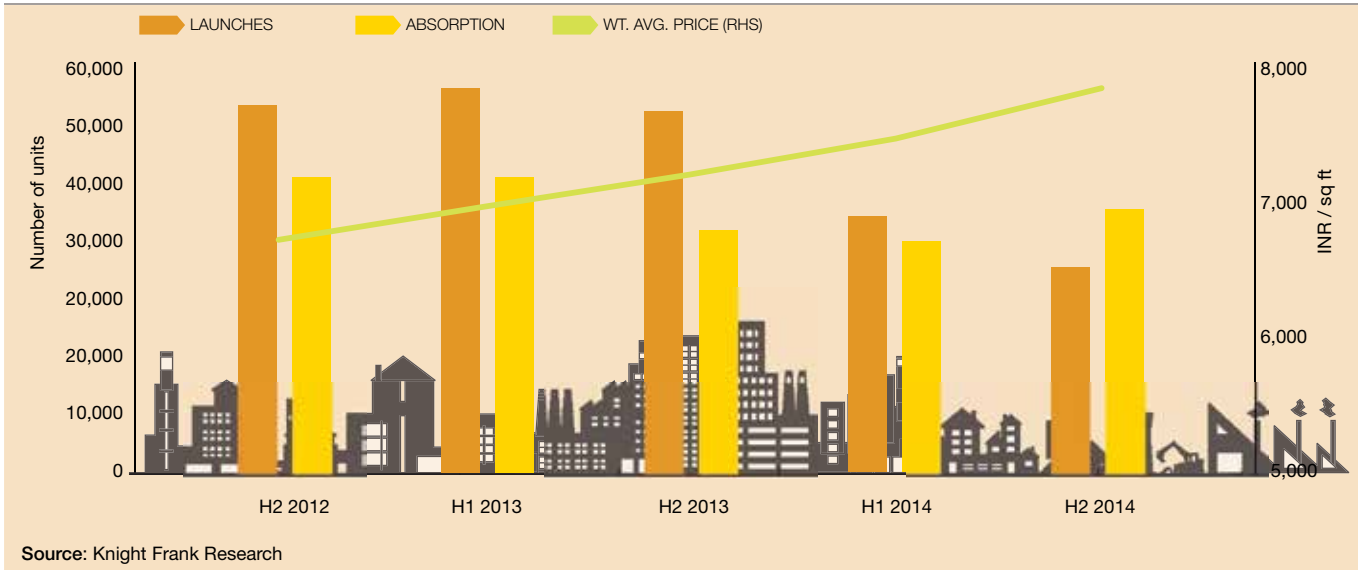
AUTHOR
Vivek Rathi
Assistant Vice President - Research

MUMBAI

RESIDENTIAL AND OFFICE MARKET

MMR RESIDENTIAL MARKET

FIGURE 1
MMR MARKET TRENDS



- With launches declining 43% to a five-year low of 62,345 units, the year 2014 proved to be dismal for the MMR residential market. Absorption at 67,715 units recorded a 9% de-growth over last year.
- In H2 2014, launches declined by 49% to 26,833 units compared to the same period last year. However, absorption grew by 12%, to 36,505 units.
- On the back of better consumer sentiments, absorption improved moderately in H2 2014 compared to the same period last year. Additionally, taking cognizance of the lower-than-anticipated pick-up in sales, launches were curtailed significantly. Together, these factors led to improving the demand-supply equilibrium, and a marginally lower unsold inventory level in H2 2014.

MICRO-MARKET SPLIT OF RESIDENTIAL LAUNCHES

Micro-market classification

Micro-markets	Location
Central Mumbai	Dadar, Lower Parel, Mahalakshmi, Worli, Prabhadevi
Central Suburbs	Sion, Chembur, Wadala, Kurla, Ghatkopar, Vikhroli, Bhandup, Mulund
Navi Mumbai	Vashi, Nerul, Belapur, Kharghar, Airoli, Panvel, Ulwe, Sanpada
Peripheral Central Suburbs	Kalyan, Kalwa, Dombivli, Ambernath, Bhiwandi, Mumbra, Karjat
Peripheral Western Suburbs	Vasai, Virar, Boisar, Palghar, Bhayandar, Nalasopara
South Mumbai	Malabar, Hill, Napean Sea Road, Walkeshwar, Altamount Road, Colaba
Thane	Naupada, Ghodbunder Road, Pokhran Road, Majiwada, Khopat, Panchpakhadi
Western Suburbs	Bandra, Andheri, Goregaon, Kandivali, Borivali, Santacruz, Vile Parle

Mumbai Metropolitan Region Map



FIGURE 2

MICRO-MARKET SPLIT OF LAUNCHED UNITS

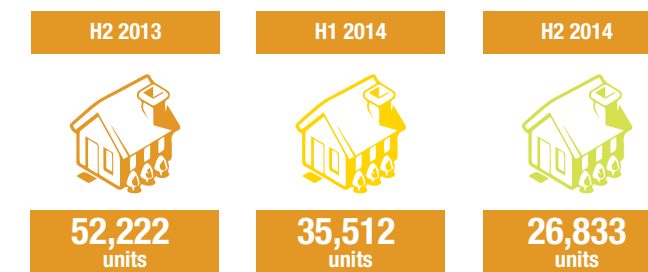
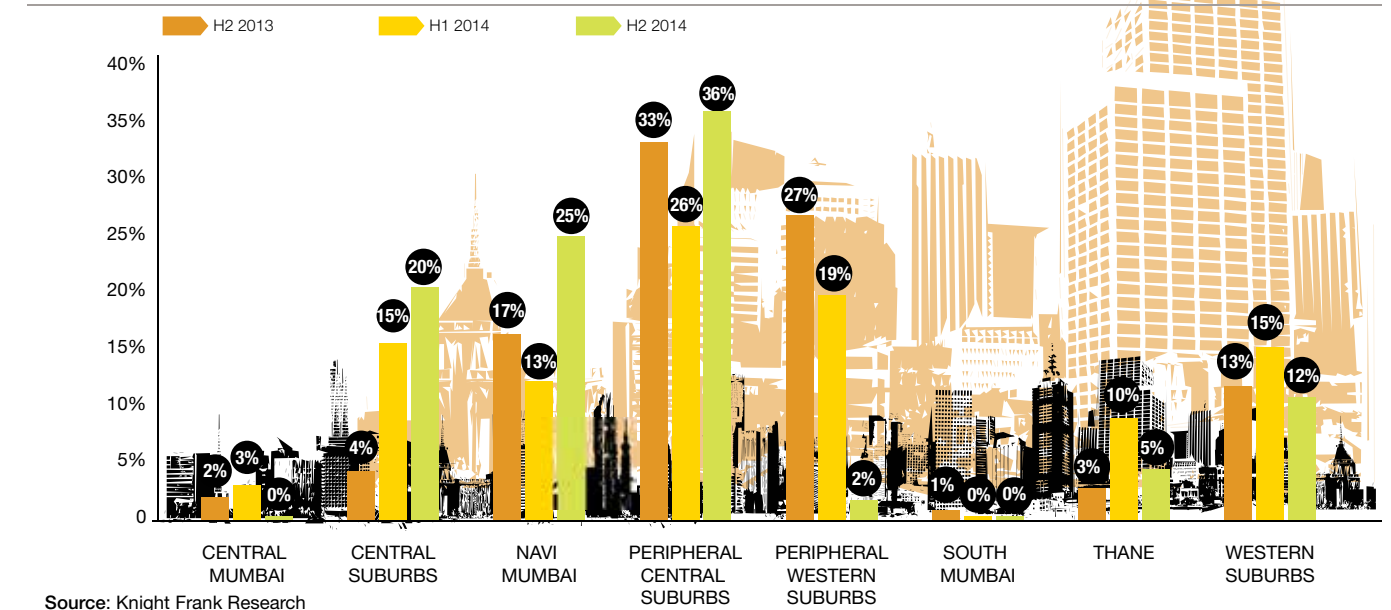
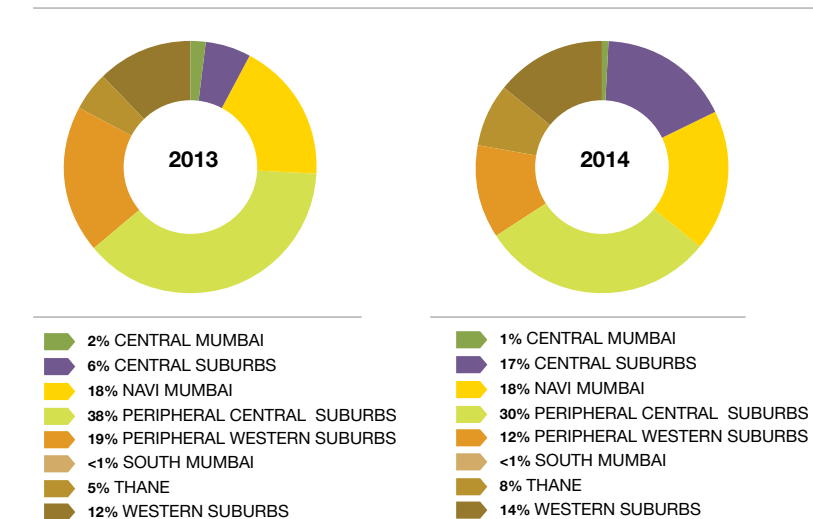


FIGURE 3

SHARE OF NEW LAUNCHES: 2013 VS 2014

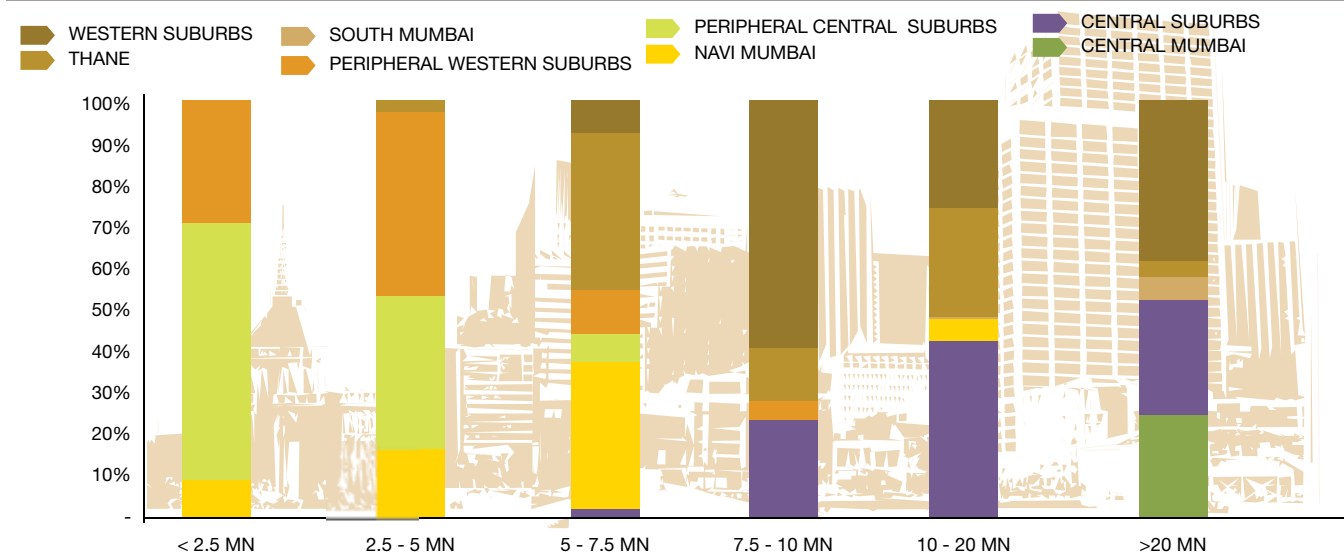


Source: Knight Frank Research

- The Peripheral Central Suburbs contribute 50% of the units in the MMR in the price category of up to ₹ 5 mn. On account of the affordable property offerings in locations like Kalyan and Dombivli, the Peripheral Central Suburbs micro-market has continued to be the largest market in terms of launches in H2 2014.
- The Peripheral Western Suburbs, a market that was among the top two residential markets, has lost a major share in launches in H2 2014. Unsold inventory pressure and slow sales momentum prevented developers from launching large projects in localities like Vasai and Virar during this period.

FIGURE 4

TICKET SIZE SPLIT OF LAUNCHES DURING H2 2014

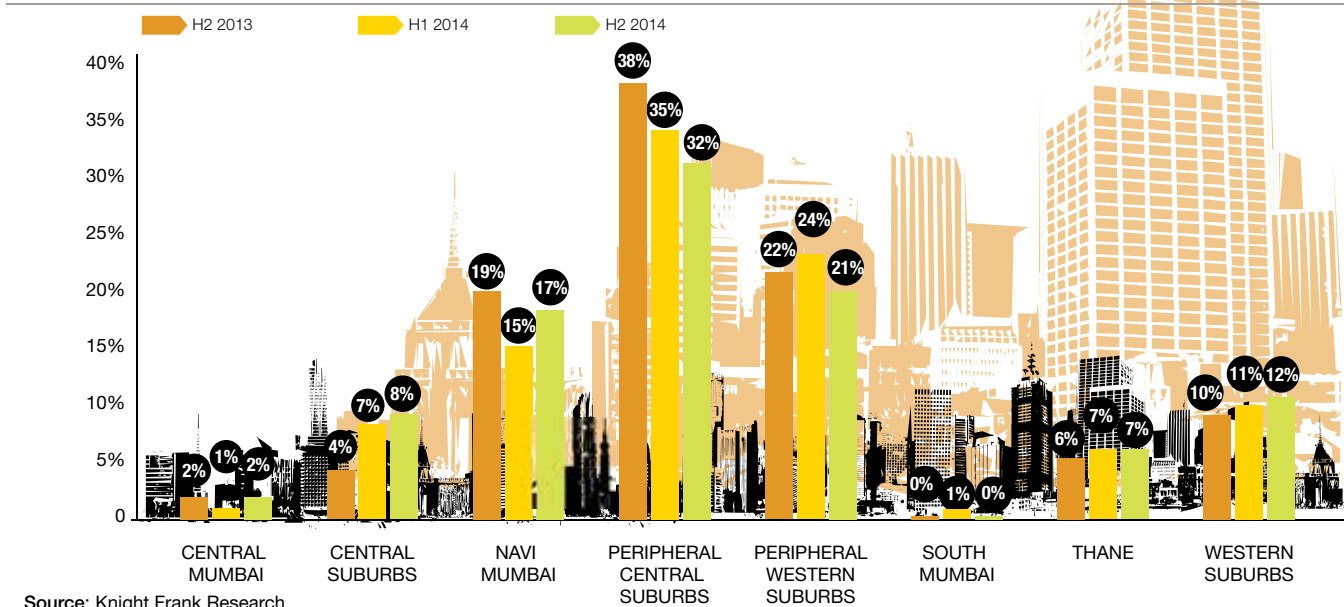


Source: Knight Frank Research

MICRO-MARKET-WISE RESIDENTIAL SALES

FIGURE 5

MICRO-MARKET SPLIT OF SALES



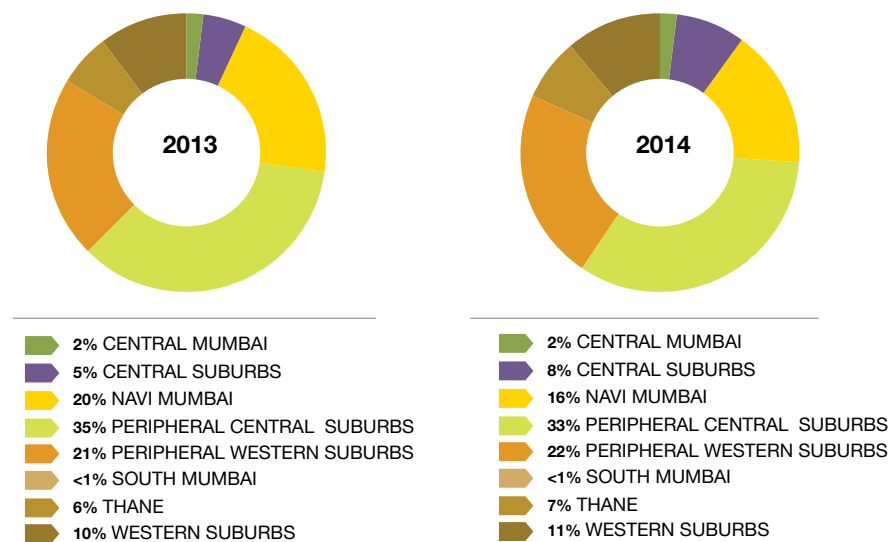
Source: Knight Frank Research

H2 2013	H1 2014	H2 2014
32,717 units	31,210 units	36,505 units

- Consumer interest continues to be high in the peripheral markets although these markets lost some of their share during the last 12 months.
- Thane witnessed an improvement in its absorption share, from 6% in H2 2013 to 7% in H2 2014.
- South Mumbai's share in absorption continued to remain less than 1% in H2 2014.

FIGURE 6

SHARE OF SALES: 2013 VS 2014

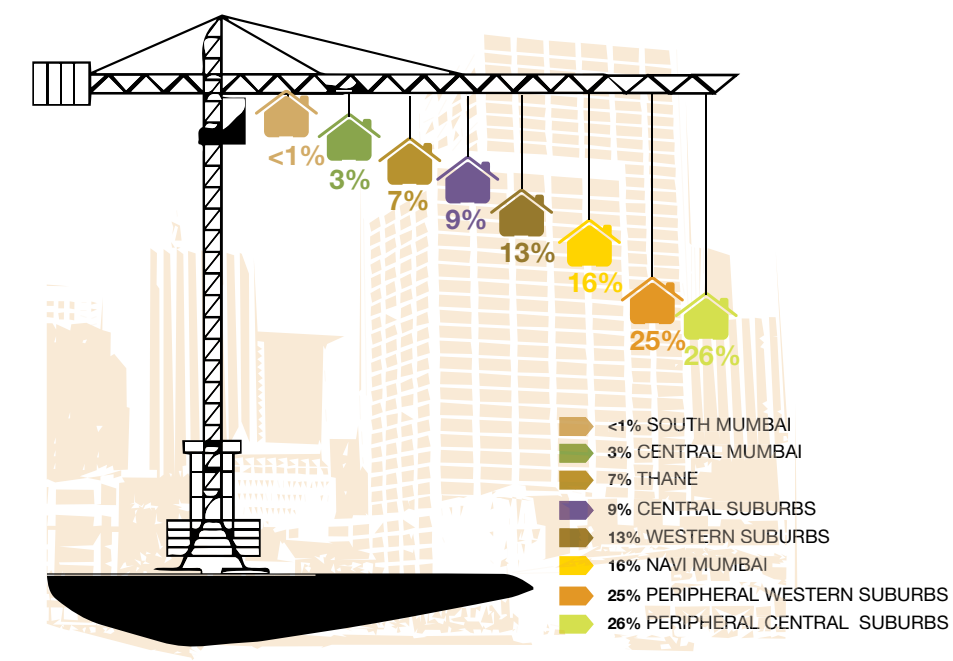


Source: Knight Frank Research

MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014

FIGURE 7

MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014



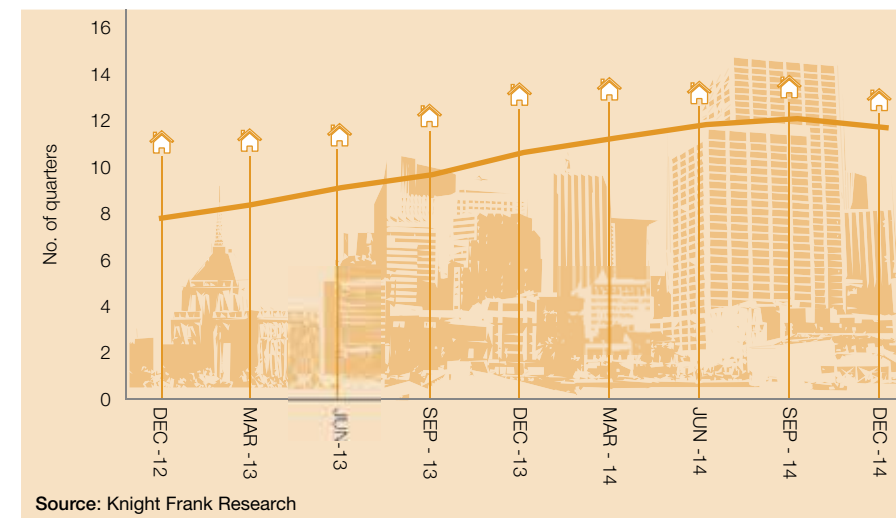
Source: Knight Frank Research

- Together, the Peripheral Central Suburbs and Peripheral Western Suburbs account for more than half of the under-construction units in the MMR. Affordability, coupled with improving connectivity with employment hubs in the city, drives house buyers to these markets.
- Navi Mumbai, a planned satellite city of Mumbai, is the third largest market in terms of construction activity.

MMR MARKET HEALTH

FIGURE 8

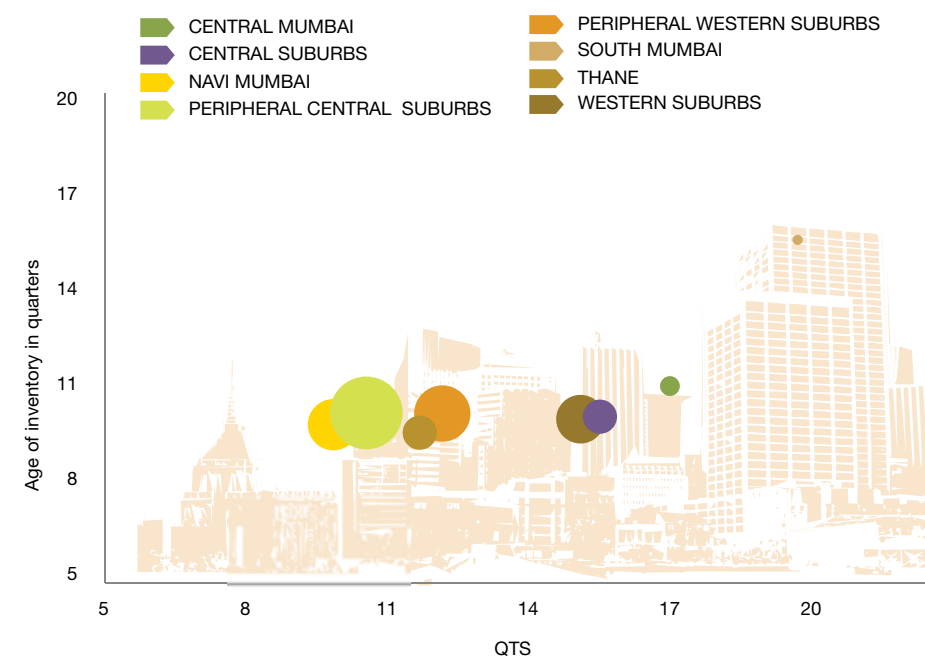
QUARTERS TO SELL (QTS) UNSOLD INVENTORY ANALYSIS



- The fact that the MMR residential market has shrunk sequentially over the last five years has dampened the sentiments of stakeholders. The absorption of 67,715 units in 2014 is a five-year low and fares poorly in comparison to the 1,08,680 units sold in 2010.
- High property prices and the weakening investment rationale for residential property in the MMR prevented many end users and investors from committing to residential property.
- However, a big response came from the real estate industry in terms of a sharp reduction in new launches. On account of a 43% reduction in new launches to 62,345 units in 2014, a five-year low, the QTS for the MMR has started to taper. From 11.9 quarters in September 2014, it was marginally lower, at 11.5 in December 2014.

FIGURE 9

MICRO-MARKET-WISE QTS VS AGE OF INVENTORY



- Despite a low inventory count of 1,386 units, high property prices and large ticket sizes of housing units weighed heavily on the South Mumbai market. The QTS and age of inventory analysis reveals that the South Mumbai market fares the worst. The inventory has been in the market for around four years and will take another five years to sell.
- The inventory in Central Mumbai has been in the market for around three years and will take more than four years to sell, making it the next poorly performing market.
- On account of relatively lower prices and improving connectivity with the office markets in the city, the Peripheral Central Suburbs and Navi Mumbai are the best performing markets, with a 2.5-year-old inventory that will take the same amount of time to sell.

PRICE MOVEMENT DURING H2 2014

- Despite the demand slowdown, most markets witnessed higher residential property prices in H2 2014 compared to H2 2013. The momentum, however, has weakened during this period.
- A slew of major infrastructure projects became operational in H1 2014, improving the fortunes of many residential localities.

Price movement in localities like Ghatkopar and Andheri were influenced significantly by this improvement in connectivity.

Price movement in select locations

Location	Micro-market	Price range in H2 2014 (₹ /sq ft)	12 month change	6 month change
Lower Parel	Central Mumbai	24,000–36,000	2%	1%
Worli	Central Mumbai	31,000–55,000	-6%	9%
Ghatkopar	Central Suburbs	12,000–21,000	19%	0%
Mulund	Central Suburbs	10,000–14,000	-3%	2%
Powai	Central Suburbs	13,000–20,000	6%	-3%
Panvel	Navi Mumbai	4,500–6,500	-1%	-5%
Kharghar	Navi Mumbai	6,500–9,500	-1%	-6%
Vashi	Navi Mumbai	10,000–15,000	2%	1%
Badlapur	Peripheral Central Suburbs	2,800–3,500	4%	2%
Dombivali	Peripheral Central Suburbs	4,500–6,000	2%	0%
Mira Road	Peripheral Western Suburbs	5,500–7,500	3%	2%
Virar	Peripheral Western Suburbs	4,500–5,500	6%	3%
Tardeo	South Mumbai	40,000–60,000	5%	0%
Ghodbunder Road	Thane	6,000–10,000	4%	1%
Naupada	Thane	13,000–18,000	4%	0%
Andheri	Western Suburbs	14,000–21,000	9%	8%
Bandra(W)	Western Suburbs	40,000–60,000	3%	2%
Borivali	Western Suburbs	11,000–15,000	5%	5%
Dahisar	Western Suburbs	8,000–10,000	6%	2%
Goregaon	Western Suburbs	13,000–15,000	6%	4%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

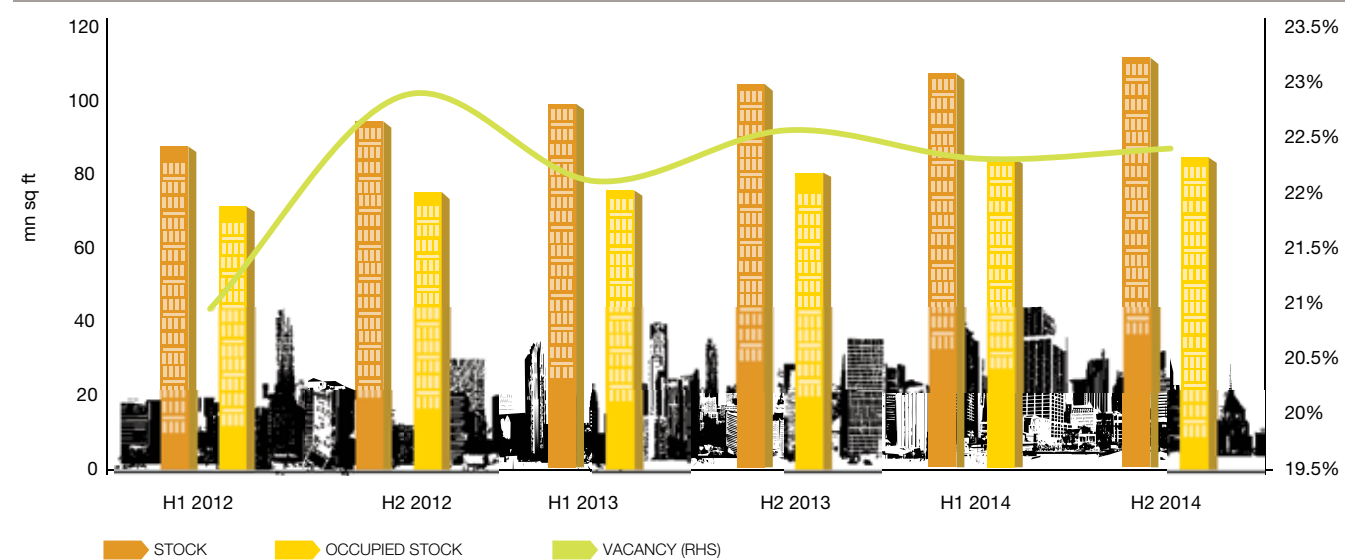
Projections	H1 2014	H1 2015E	Growth
Launches (units)	35,512	34,289	-3%
Absorption (units)	31,210	38,936	25%
Weighted average price (₹ /sq ft)	7,382	8,106	10%

- Going forward, we expect further improvement in demand, even though launches would be marginally lower. In H2 2015, absorption is projected to improve by 25%, to 38,936 units, and launches, to decline marginally by 3%, to 34,289 units compared to H1 2014.
- Notwithstanding the slowdown in sales, the weighted average prices in the MMR inched up 10% during 2014, moving from ₹ 7,085/sq ft to ₹ 7,796/sq ft. Even as demand

will improve going forward, the magnitude of price growth will be low. H1 2015 will witness price growth at 4%, reaching ₹ 8,106/sq ft.

MMR OFFICE MARKET

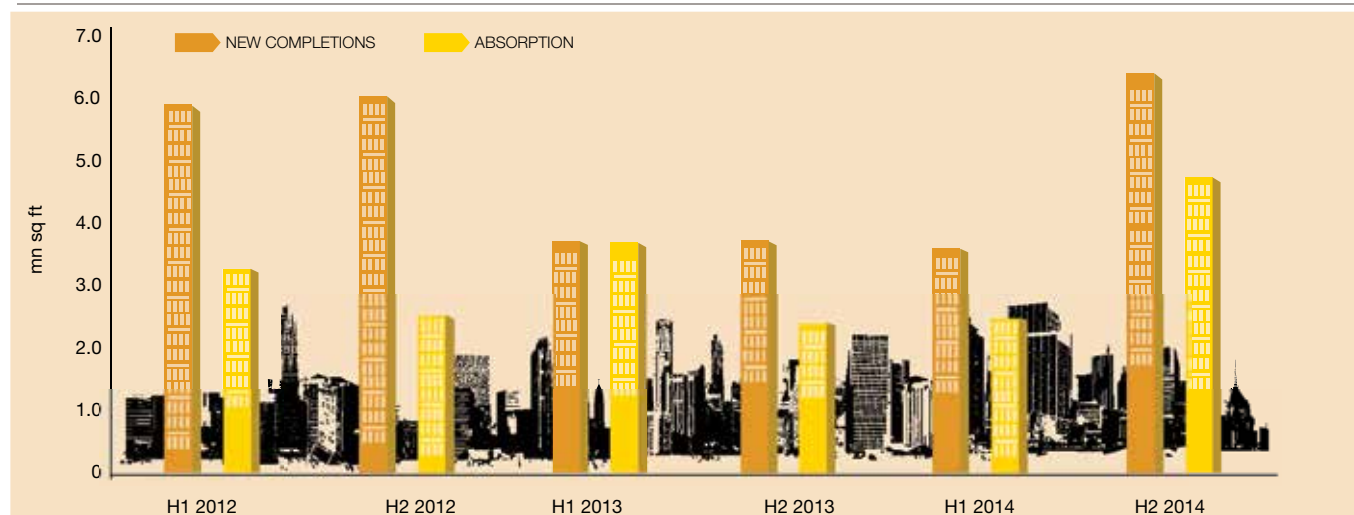
FIGURE 1
MMR OFFICE SPACE STOCK AND VACANCY LEVELS



Source: Knight Frank Research

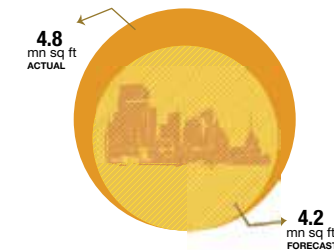
- The renewed economic sentiment has started to reflect on the MMR office absorption numbers. At 7.3 mn sq ft, the MMR office space absorption is at a three-year high and 18% stronger than last year.
- In H2 2014, absorption doubled to 4.8 mn sq ft and project completions increased 67% to 6.4 mn sq ft compared to H2 2013.

FIGURE 2
NEW COMPLETIONS AND ABSORPTION

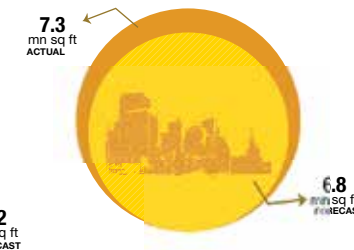


Source: Knight Frank Research

Forecast vs actual
absorption in H2 2014

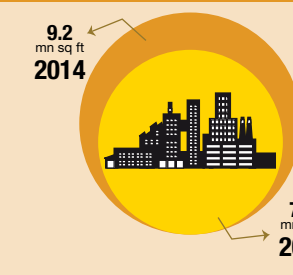


Forecast vs actual
absorption in 2014

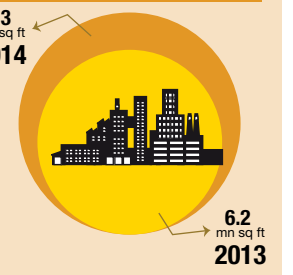


Comparison of 2013 vs 2014

New completions

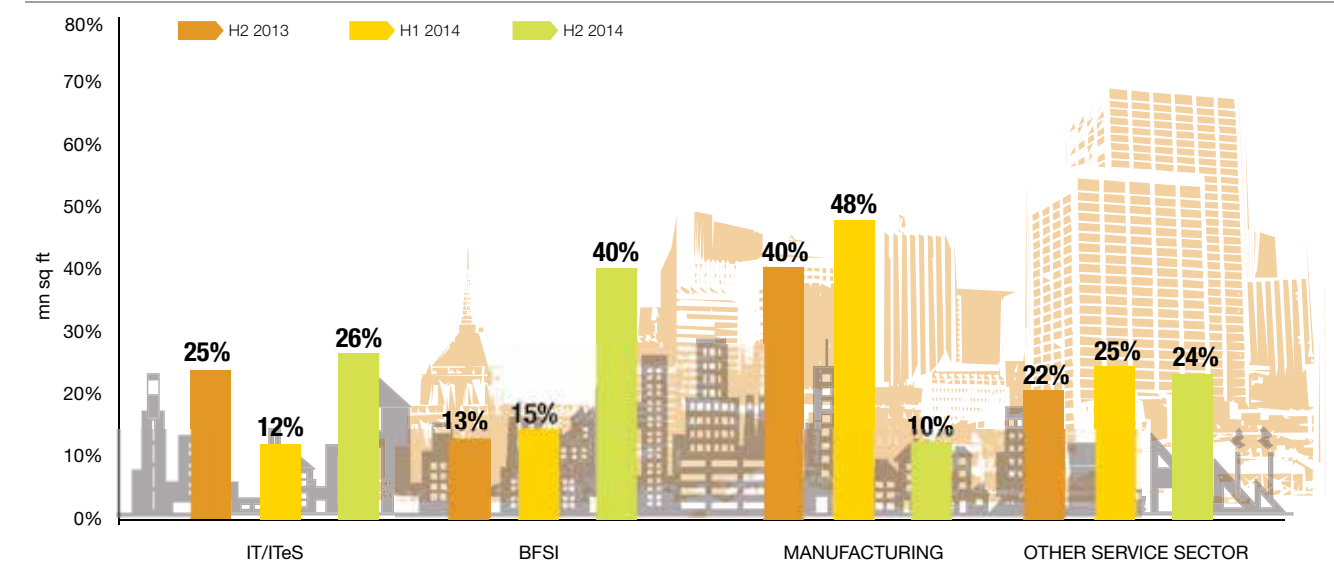


Absorption

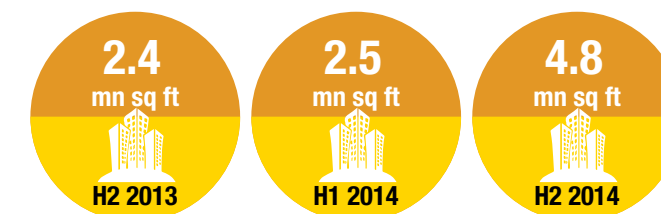


SECTOR ANALYSIS

FIGURE 3
SECTOR-WISE SPLIT OF ABSORPTION



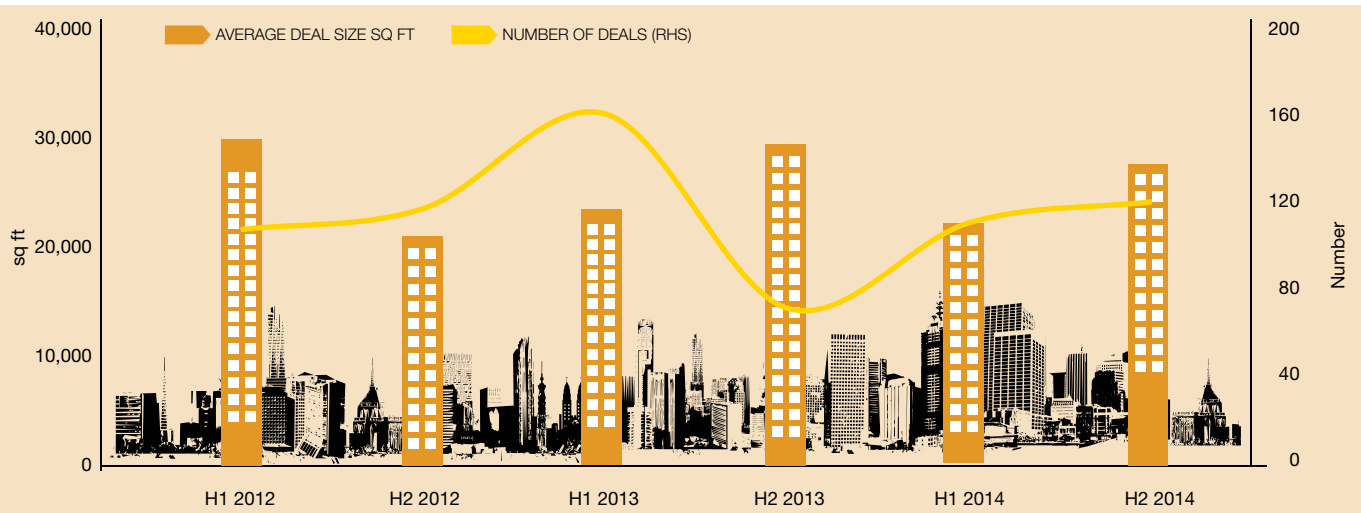
Source: Knight Frank Research



- The BFSI sector has made a remarkable comeback in H2 2014 by contributing 40% of the MMR absorption. Corporates such as Reliance Capital, Deutsche Bank, ICICI Prudential and Société Générale have taken up space in this period.
- Even as the Prime Minister's 'Make in India' thrust continues, the manufacturing sector is not enthused. From being the top occupier in the last two periods, it tanked to the bottom position in H2 2014, with a dismal 10% share.

DEAL SIZE ANALYSIS

FIGURE 4
AVERAGE DEAL SIZE AND NUMBER OF DEALS



Source: Knight Frank Research

- The deal scenario in H2 2014 can be characterised by the large improvement in deal numbers without much compromise on the size when compared to H2 2013.
- In sync with the improved business outlook, 57% more transactions were recorded in H2 2014 compared to H2 2013.

SELECT TRANSACTIONS

Building	Company	Location	Approx. area (sq ft)
Gigaplex	Accenture	Navi Mumbai	320,000
Kalpataru Prime	Reliance Capital	Thane	250,000
Marathon Futurex	Zee Group	Lower Parel	200,000
Lodha I Think	Willis	Thane	130,000
Godrej One	RPG	BKC	120,000
Gigaplex	Capgemini	Navi Mumbai	100,000
One Indiabulls	Trafigura	Lower Parel	100,000
Nirlon Knowledge Park	Deutsche Bank	Goregaon	90,000
Lodha I Think	Uhde (Thyssenkrupp)	Kanjurmarg	60,000
GYS Infinity	Viacom 18	Vile Parle	30,000

Source: Knight Frank Research

BUSINESS DISTRICT ANALYSIS

BUSINESS DISTRICTS OF MUMBAI METROPOLITAN REGION

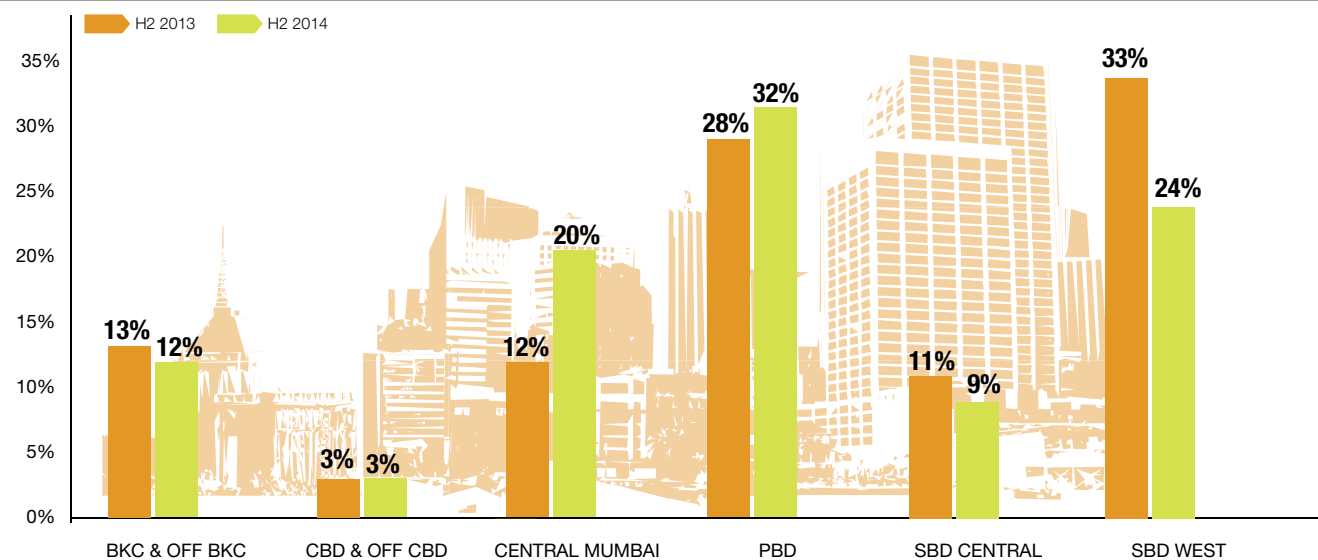


Business district classification

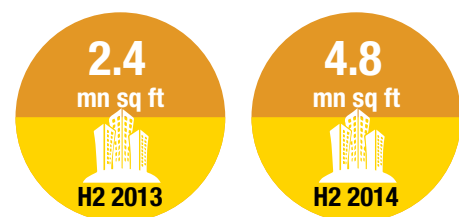
Business District	Location
CBD & Off CBD	Nariman Point, Cuffe Parade, Ballard Estate, Fort, Mahalaxmi, Worli
Bandra Kurla Complex & Off-Bandra Kurla Complex (BKC & Off-BKC)	BKC, Bandra (E), Kalina and Kalanagar
Central Mumbai	Parel, Lower Parel, Dadar, Prabhadevi
SBD West	Andheri, Jogeshwari, Goregoan, Malad
SBD Central	Kurla, Ghatkopar, Vikhroli, Kanjurmarg, Powai, Bhandup, Chembur
PBD	Thane, Airoli, Vashi, Ghansoli, Rabale, Belapur

FIGURE 5

BUSINESS DISTRICT-WISE ABSORPTION SPLIT



Source: Knight Frank Research

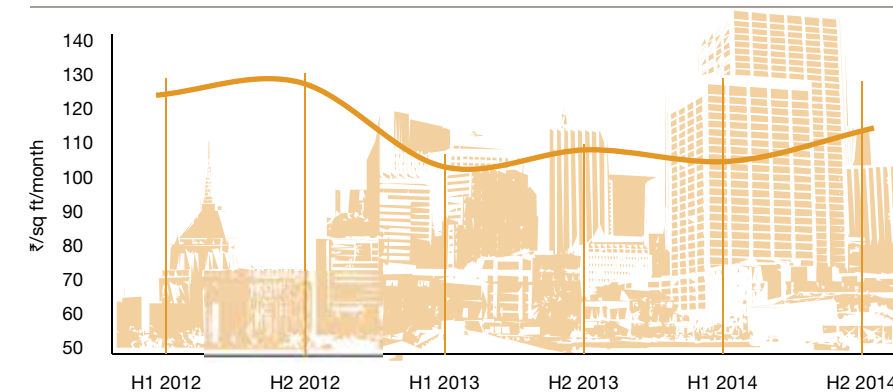


- Contributing 32% of the absorption in the MMR, the PBD business district strengthened its lead even further in H2 2014. While corporates from the IT/ITeS sector already favoured this business district, a trump card has emerged in the form of a strong demand from occupiers representing the BFSI sector.
- Among the premium office markets, Central Mumbai improved its tally from 12% in H2 2013 to 20% in H2 2014. Top corporates from the BFSI, media and consulting sectors have evinced interest in the Lower Parel locale.

RENTAL TREND

FIGURE 6

WEIGHTED AVERAGE RENTAL MOVEMENT



Source: Knight Frank Research

- Improved demand outlook, coupled with premium business districts such as CBD & Off-CBD and BKC & Off-BKC maintaining their turf in the absorption share, and Central Mumbai improving its tally, the weighted average rent in the MMR increased by 4% during H2 2013 and H2 2014.
- The receding supply pipeline in Central Mumbai and the controlled supply environment in BKC translated into an increase in rent in these markets.

Business district-wise rental movement

Business district	Rental value range in H2 2014 (₹ / sq ft / month)	12-month change	6-month change
BKC & Off-BKC	200–310	8%	6%
CBD & Off-CBD	160–270	-5%	-5%
Central Mumbai	150–190	7%	5%
PBD	40–70	3%	1%
SBD Central	80–130	5%	5%
SBD West	90–130	2%	1%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
New supply (mn sq ft)	2.9	5.3	85%
Absorption (mn sq ft)	2.5	4.0	60%
Vacancy (%)	22.5	22.7	
Weighted average rental (₹ /sq ft/month)	112	122	9%

Source: Knight Frank Research

- Going forward, we believe the improving economic momentum and easing monetary policy stand will revitalise business prospects of driver industries in the MMR. The absorption in H1 2015 is projected to improve by 60% to 4 mn sq ft, and project completions to improve by 85% to 5.3 mn sq ft compared to H1 2014. The vacancy level will move in a narrow range, from 22.5% to 22.7% during this period.
- With the business outlook improving for driver industries of the MMR

office market, demand and consequently, rents, will improve further. By H1 2015, the weighted average rent will be ₹ 122/sq ft/month, up by 9% compared to H1 2014.



AUTHOR

Ankita Sood
Consultant - Research

NATIONAL CAPITAL REGION (NCR)

RESIDENTIAL AND OFFICE MARKET

NCR RESIDENTIAL MARKET

NCR performs the worst in over a decade – sales nosedived by 43%, while new launches took a 24% hit in the dismal residential market of NCR

- The National Capital Region (NCR) market has been in a state of inertia for quite some time now, but 2014 is seen as the worst year in terms of residential demand and supply.
- Factors such as stagnant growth in income, high interest rates and late project deliveries are cumulatively holding back buyers.
- Developers, on the other hand, are restricted by the increasing burden of construction cost and land and

labour costs, which are not allowing for the cutting down of prices, thus resulting in an inventory overhang.

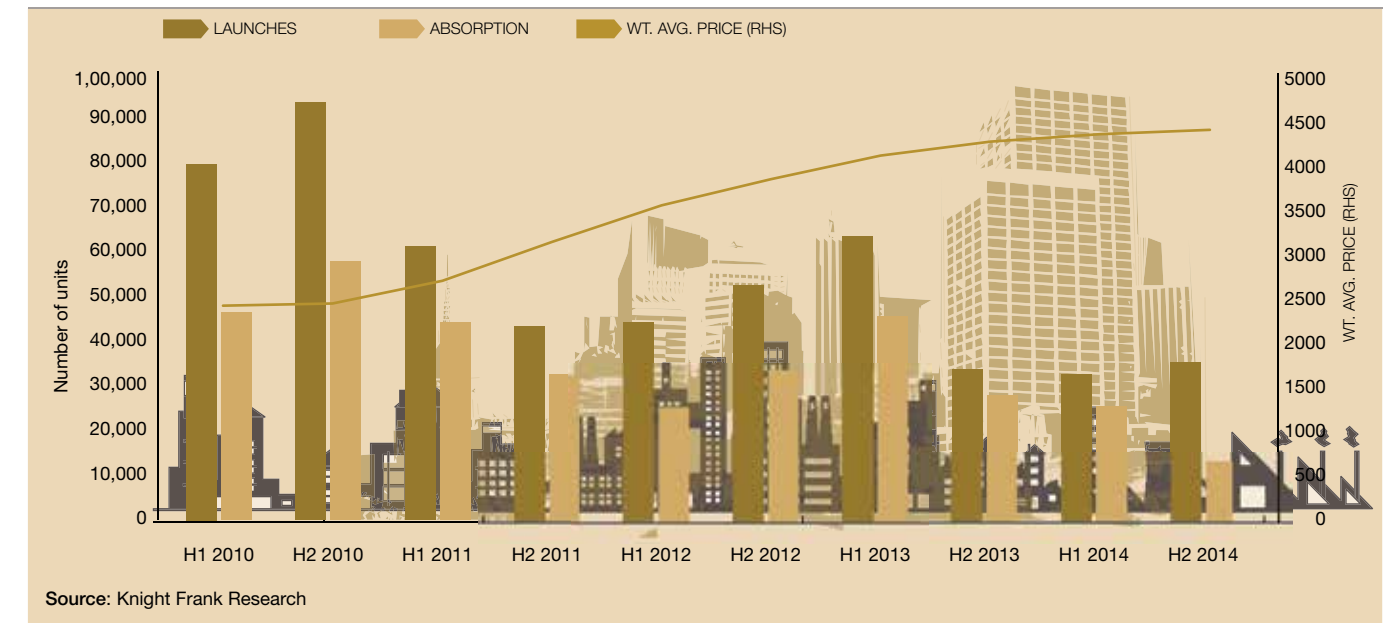
- With the current pace of sales, the QTS of NCR reached 14 by December 2014, in a mere of four quarters, implying that the market is slowly crumbling under the piling inventory pressure and will take approximately 3.5 years to get fully absorbed.
- New project launches in NCR have plunged by 24% to 73,143 units in 2014 compared to 95,768 units in 2013.
- However, if compared to H2 2013, there is a 12% increase in new

property launches in H2 2014. The new launches in NCR are in sync with Knight Frank's forecast for H2 2014 and the year 2014.

- Even with improved industry sentiment and an increase in the number of enquiries, the year 2014 quotes the lowest share of residential sales in NCR since 2010, with 40,575 units sold till December 2014. Residential sales in NCR nosedived by a massive 43% on a YOY comparison with 2013.

FIGURE 1

NCR MARKET TRENDS



MICRO-MARKET SPLIT OF RESIDENTIAL LAUNCHES

Greater Noida

- Enjoying the luxury of large, contiguous land parcels and affordable housing in the range of ₹ 2,700– ₹ 4,000 per square foot, Greater Noida, or the erstwhile Noida Extension, contributed 42% to the units launched in H2 2014 – a marked de-growth from the same period in 2013. However, if compared with H1 2014, the share shows a good uptick.

Gurgaon

- The Gurgaon micro-market is seen to register a moderate drop in its share of new launches in H2 2014, with Sector 68, Sector 34 on Sohna Road, Sector 70 A and Sector 37 contributing to its share. The affordable housing segment on Sohna Road is seeing increased movement.

Noida

- New project launches in Noida have been on the lower side in the past quarters and H2 2014 sees a further downward trend, with its share decreasing to 13%. It is to be noted that most of the new projects in Noida were launched around 2009, and there has been very limited fresh supply in the market, pushing this micro-market into a state of stagnation.

NATIONAL CAPITAL REGION MAP

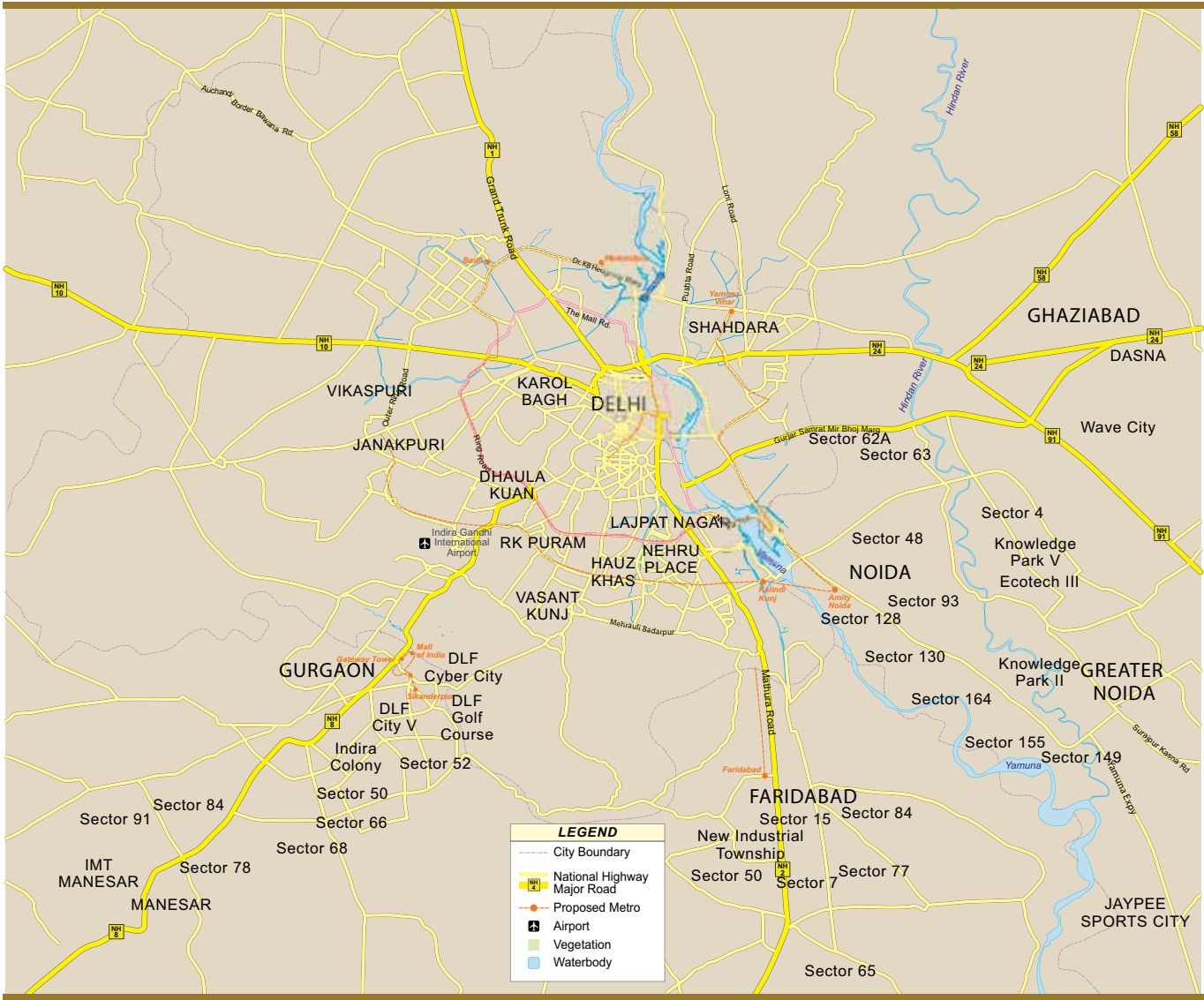
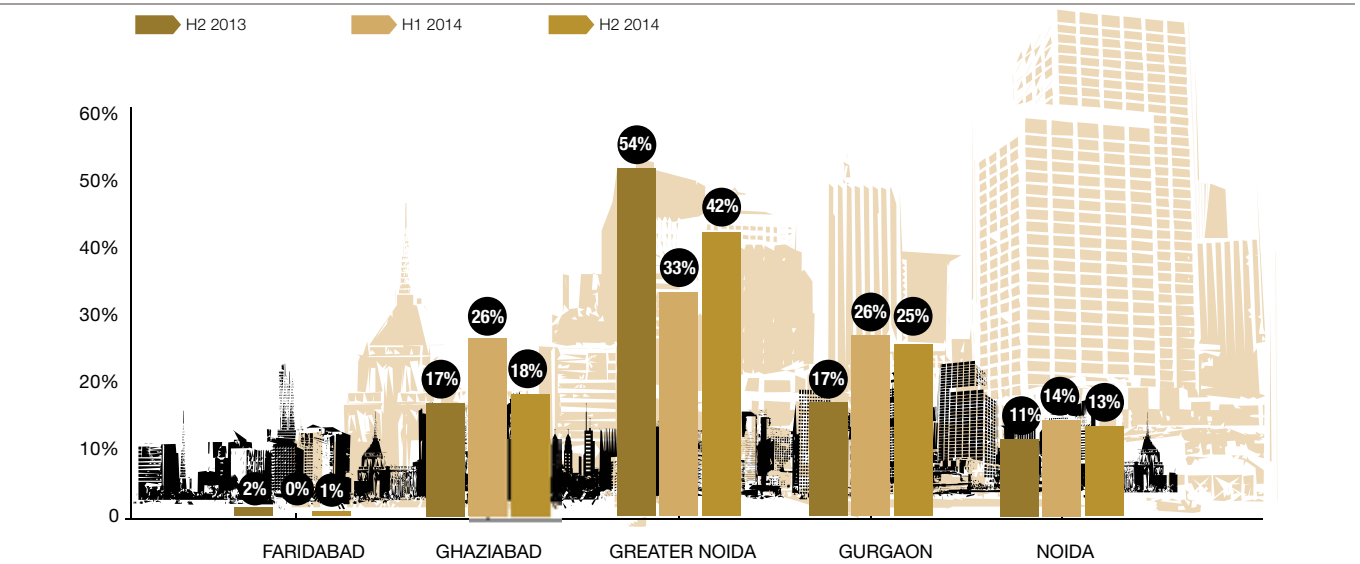


FIGURE 2
MICRO-MARKET SPLIT OF LAUNCHED UNITS



Source: Knight Frank Research

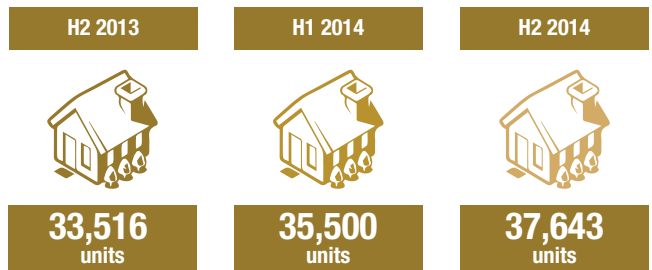
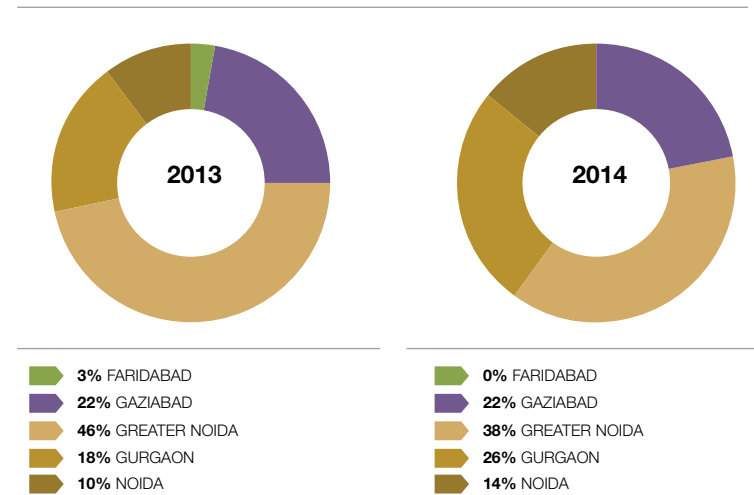


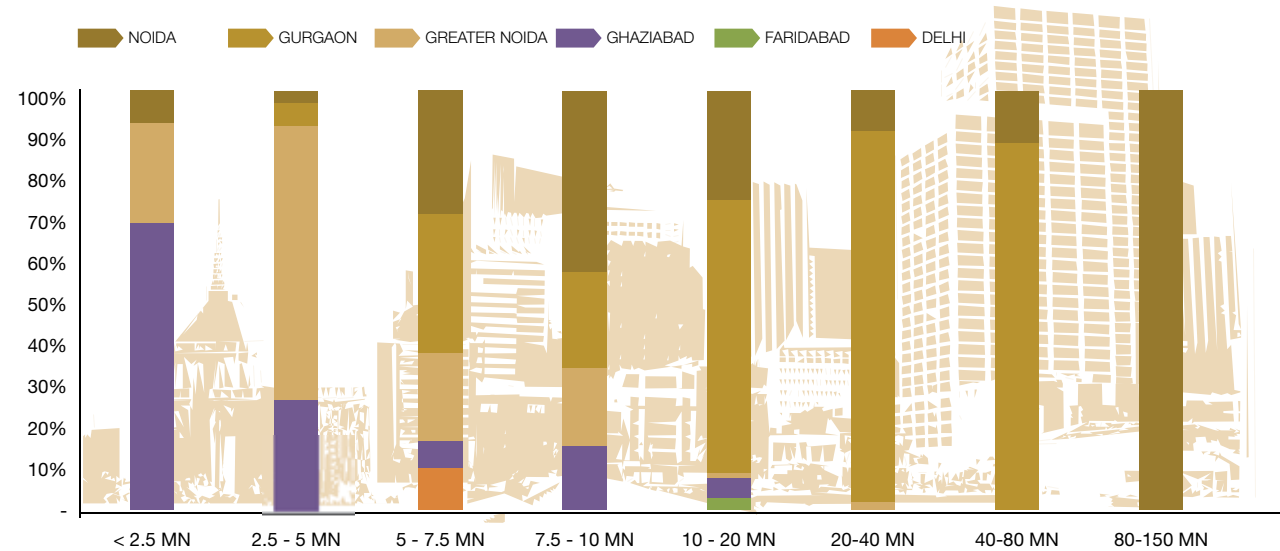
FIGURE 3
Share of new launches: 2013 vs 2014



Source: Knight Frank Research

FIGURE 4

TICKET SIZE SPLIT OF LAUNCHES DURING H2 2014



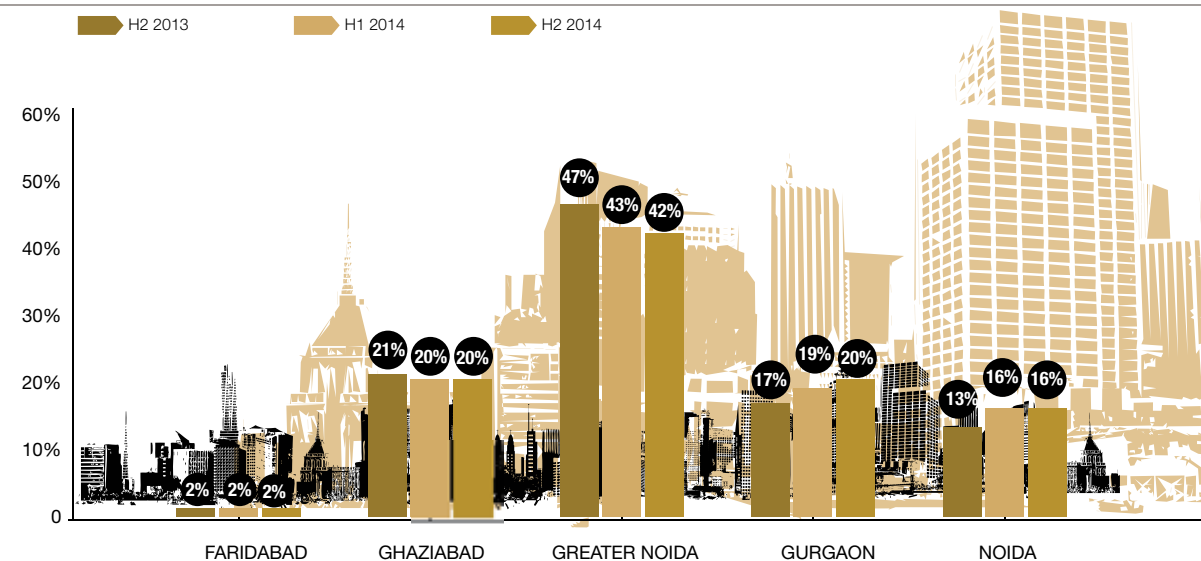
Source: Knight Frank Research

- Greater Noida and Ghaziabad saw 70% to 90% of the project launches falling in the affordable and mid-segment range with a ticket size less than ₹ 5 million.
- The major micro-markets of Gurgaon and Noida maintained their dominance over the ticket size bracket between ₹ 10–₹ 20 million.

MICRO-MARKET-WISE RESIDENTIAL SALES

FIGURE 5

MICRO-MARKET SPLIT OF SALES



Source: Knight Frank Research

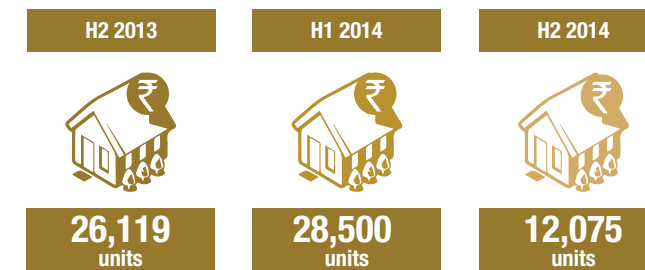
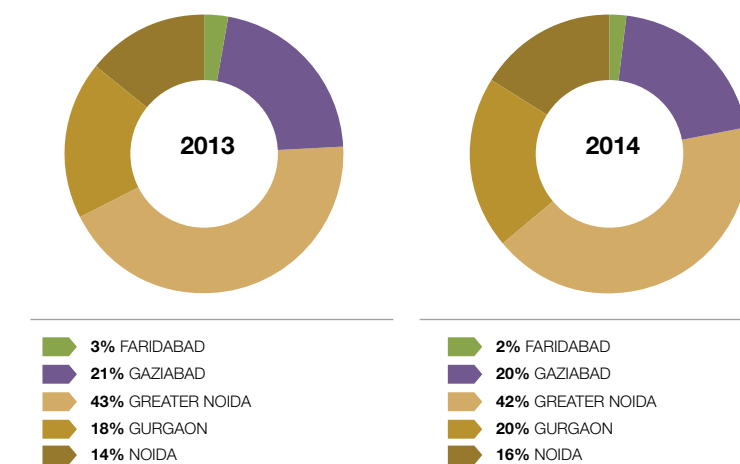


FIGURE 6

Share of sales: 2013 vs 2014



Source: Knight Frank Research

Sales in the micro-markets of Gurgaon and Noida are at their lowest since 2010

- In the gloomy sales canvas of NCR, the percentage share of micro-market absorption shows negligible deviation from the preceding quarters of 2013 and 2014.

Greater Noida

- Termed as a market for low-ticket investors owing to the low prices per square foot, Greater Noida takes up a 42% share of the overall NCR sales.
- Being only five years old, Greater Noida offers quality residential options in affordable prices, and since the area is new and has

negligible economic drivers, majority of this market is investor driven

Noida

- Currently, Noida can be termed as a 'desperate market' for residential sales.
- With negligible fresh project launches and a wait-and-watch buyer approach, absorption levels in Noida dropped to 6,466 units in 2014 from 9,842 units in 2013, registering a steep dip of 34%
- The market is seen to drop to a level wherein even developers with attractive offers, such as complimentary studio apartments on Yamuna Expressway and possession-linked payment plans, are finding it hard to attract buyers in

the Noida market.

- The market is also abuzz with buyback schemes, through which developers are trying to infuse confidence in buyers.

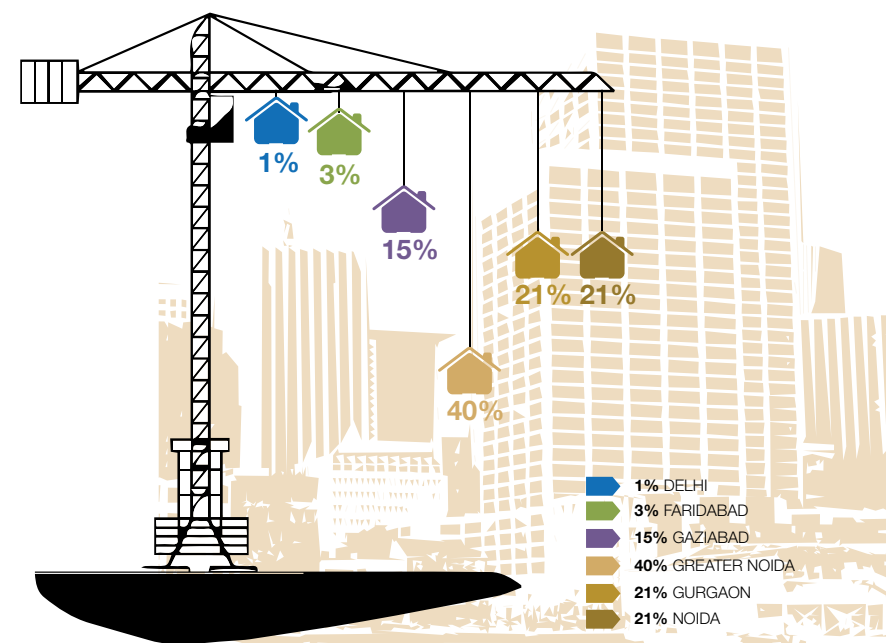
Gurgaon

- Gurgaon saw a steep 40% YOY descent in sales volumes in 2014, with the market moving only on the shoulders of the end users.
- Being a highly investor driven market, Gurgaon is seeing a marked slump in sales due to the ever-increasing prices of residential property and the emergence of peripheral areas, such as Bhiwadi and Dharuhera, which has shifted the focus of investors away from this micro-market.
- Lately, the Gurgaon residential market had been hyped as unaffordable, with most of the projects catering to mid- and high-end segment buyers. However, this notion is seen to be broken by the opening up of areas such as New Gurgaon and Sohna Road, which are giving buyers a number of options to choose from.
- Buyers in Gurgaon are seen to be more inclined towards re-sale, and that partly explains the slump in sales.

- Dwarka Expressway, also known as Northern Peripheral Road (NPR), which is coming up to ease traffic on the Delhi Gurgaon Expressway, is currently experiencing a slow pace of fresh sales. Since developers in this zone are reliable and dependable, buyers are getting into resale in this market. As of now, most of the upside has already been factored; thus, sales momentum on Dwarka Expressway is unhurried.

MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014

FIGURE 7
MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014

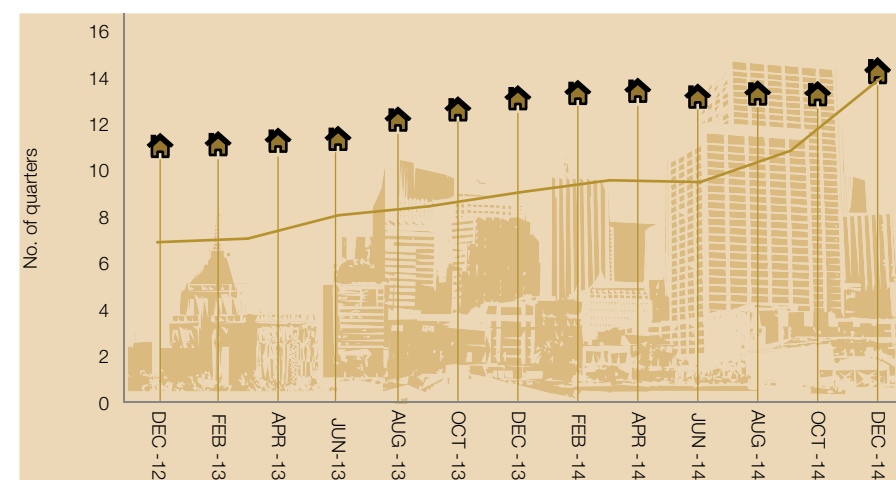


Source: Knight Frank Research

- As on December 2014, there are 192,568 units under various stages of construction in NCR.
- A significant 40% of the under-construction units are in Greater Noida, followed by 21% each in Gurgaon and Noida as on December 2014.

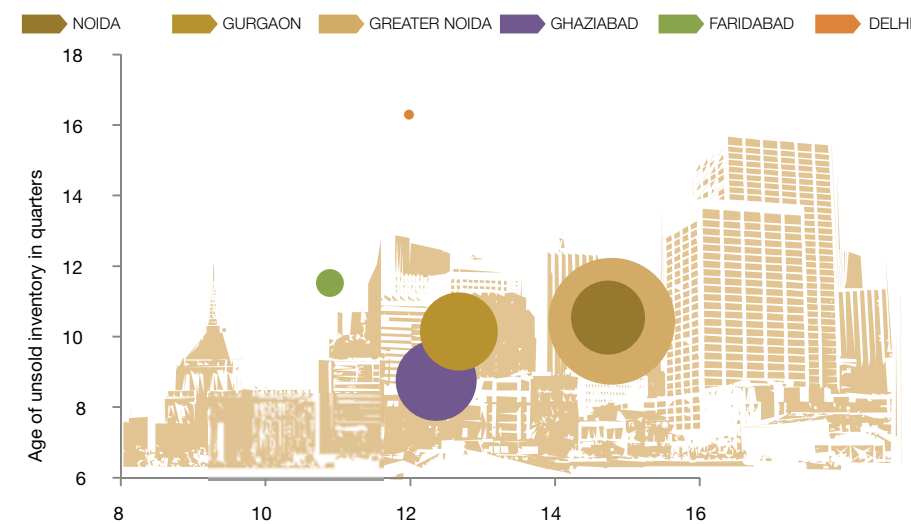
NCR MARKET HEALTH

FIGURE 8
QUARTERS TO SELL (QTS) UNSOLD INVENTORY ANALYSIS



Source: Knight Frank Research

FIGURE 9
MICRO-MARKET-WISE QTS VS AGE OF INVENTORY



Source: Knight Frank Research

- The NCR market is collapsing slowly under the pressure of piling up inventory. The QTS of one of India's largest residential market stands at 14 quarters till December 2014.
- Even with a drop in new launches in NCR, the worst-ever year for residential demand has pushed the QTS level from 9 to 14 in mere four quarters.
- Noida and Greater Noida are the unhealthiest residential markets in NCR, with 15 quarters of inventory overhang, which will take more than three years to be exhausted.
- Gurgaon, on the other hand, does slightly better than the two major micro-markets of Noida and Greater Noida, with a QTS of 13 quarters.

PRICE MOVEMENT DURING H2 2014

Location	Micro-market	Price range in H2 2014 (₹ /sq ft)	12 month change	6 month change
Yamuna Expressway	Greater Noida	3,295–3,324	4%	1%
Sector Chi V	Greater Noida	3,503–3,514	1%	0%
Sector Pi	Greater Noida	3,418–3,545	1%	-2%
Sector 16 B	Greater Noida	3,363–3,444	0%	-2%
Sector 78	Noida	5,446–5,544	2%	1%
Sector 70	Noida	4,000–4,083	0%	0%
Sector 117	Noida	4,850–4,905	0%	0%
Sector 131	Noida	5,900–6,000	2%	0%
Sector 2	Gurgaon	4,383–4,340	2%	0%
Sector 37	Gurgaon	5,243–5,257	3%	1%
Sector 63A	Gurgaon	9,649–9,666	1%	0%
Sector 67	Gurgaon	9,222–9,255	2%	1%
Sector 82	Gurgaon	7,297–7,264	2%	0%
NH-24 Bypass	Ghaziabad	2,760–2,779	3%	1%
Raj Nagar Extension	Ghaziabad	2,800–3,000	6%	1%
Crossings NH24	Ghaziabad	3,200–3,234	4%	2%
Mathura Road	Faridabad	7,000–7,250	12%	0%
Sector 37	Faridabad	7,900–8,000	3%	0%

Source: Knight Frank Research

- The micro- markets of NCR mostly observed stagnation in prices of residential apartments in 2014.
- The residential market does not allow for a cut in prices due to the ever-increasing cost of land, cost of construction and other attached cost heads. However,

- developers are increasingly offering freebies, attractive payment plans, buyback options and assured rental schemes to attract buyers.
- NCR's weighted average prices show negligible deviations per square foot in H2 2014.

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
Launches (units)	35,500	37,000	7%
Absorption (units)	28,500	19,000	-30%
Weighted average price (₹ /sq ft)	4,400	4,488	2%

Source: Knight Frank Research

- The worst is behind us – post the depression of the worst-ever residential sales in NCR, H1 2015 promises an uptick in this residential market. Knight Frank estimates that the sales volume will pick up in the first half of 2015, but will stay subdued to under 20,000 units.
- The coming quarters indicate green shoots of recovery in the real estate market, and policy developments such as land pooling are being observed keenly by stakeholders in NCR.
- Business confidence looks positive, with the office market already looking up in 2014. This positivity is expected to translate into increased hiring, thus creating a strong leasing and residential demand.
- Coupled with the above factors, the recent rate cut by the RBI is taken as a strong indicator towards the revival of the real estate industry.
- Further, the much-awaited clarification on taxation and regulatory framework of REITs will be vital to boost market confidence.
- Insights suggest that pro development expectations from the Union Budget 2015 are slowly translating into an increase in the number of project enquiries, especially in Gurgaon and Noida Expressway, in the recent period.

Gurgaon

- **New Gurgaon is the next hotspot** for residential sales in Gurgaon. This sub-zone offers buyers better civic and social infrastructure, good connectivity and good quality projects to choose from. Falling in the price range of ₹ 5,500–₹ 8,000 per square foot, many projects in this zone are expected to deliver in the coming quarters.
- Gurgaon is expected to see a drop in pre-launch sales, with buyers looking for properties that are either ready for possession or fall in the affordable segment.
- The once-hyped Dwarka Expressway has now reached stability, but will continue to see movement on the back of resale and rental housing schemes.
- Golf Course and Golf Course Extension Road are currently slow with sales. The completion of the metro and the delivery of commercial projects on Golf Course Extension Road are seen to be vital for these areas to pick up once again.

Noida

- Due to no land allotment foreseen in the coming year, very few new project launches will happen in Noida, though project deliveries will

start taking shape in the coming quarters, which might attract buyers.

- The Noida–Greater Noida Expressway will start witnessing project deliveries in 2015.
- Ticket sizes between ₹ 30 lakh and ₹ 60 lakh will attract buyers to Greater Noida, while the more budget-conscious buyers will be looking towards Yamuna Expressway.

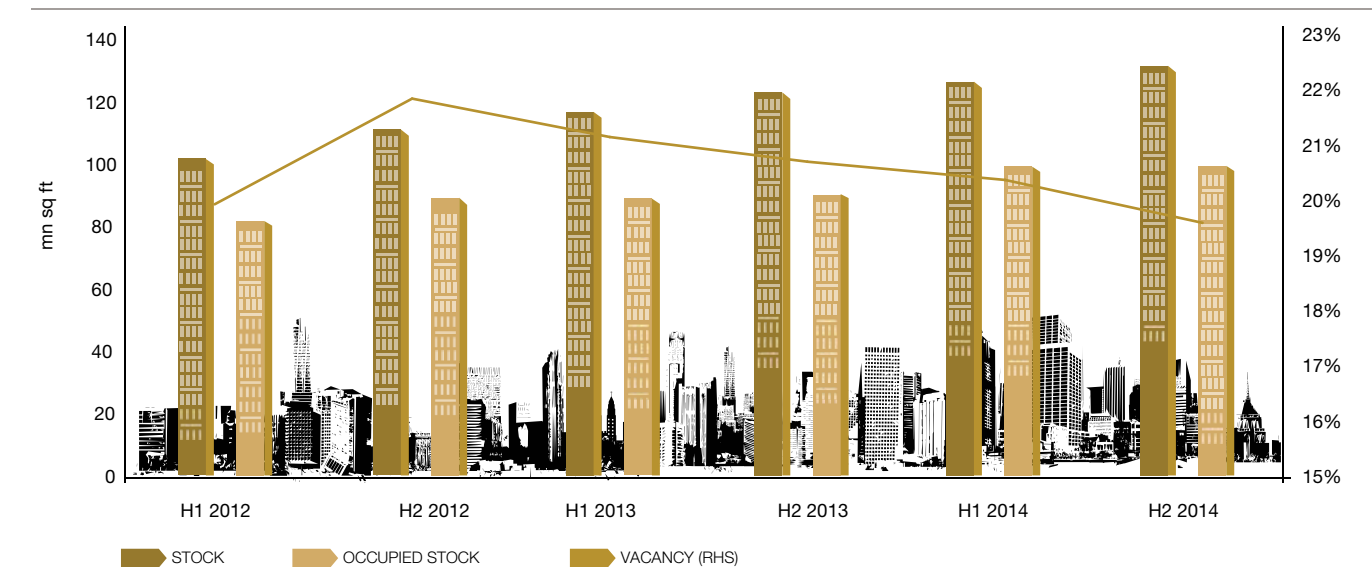
NCR OFFICE MARKET

2014 was a fantastic year for NCR's office market. As projected by Knight Frank Research, the year 2014 proved to be one of the best years for the office market in NCR, with the agglomeration clocking 7.6 mn sq ft – the highest since 2011.

- Office space leasing in NCR took a 14% leap in 2014, pulling the vacancy levels down to 20%.
- Key micro-markets in Gurgaon, such as Cyber City, trended towards 0% vacancy levels in H2 2014.

FIGURE 1

NCR OFFICE SPACE STOCK AND VACANCY LEVELS



Source: Knight Frank Research

BUSINESS DISTRICT ANALYSIS

Business District	Micro-markets
CBD Delhi	Connaught Place, Barakhamba Road, Kasturba Gandhi Marg and Minto Road
SBD Delhi	Nehru Place, Saket, Jasola, Bhikaji Cama Place, Mohan Cooperative and Aerocity
PBD Gurgaon Zone A	MG Road, NH-8, Golf Course Road and Golf Course Extension Road
PBD Gurgaon Zone B	DLF Cyber City, Sohna Road, Udyog Vihar and Gwal Pahari
PBD Gurgaon Zone C	Manesar
Noida	Sector 16, 18, 62, 63 and Greater Noida Expressway
Faridabad	Sector Alpha, Beta, Gamma and Tech Zone

- Office stock at the end of December 2014 stood at 126 mn sq ft, of which 101 mn sq ft is occupied stock.
- Due to this spike in demand and limited new completions in H2 2014, vacancy levels in some micro-markets of NCR have neared zero.
- However, vacancy levels in NCR's overall market, including peripheral areas like Manesar, stand at 20% at the end of H2 2014 – the lowest since 2012.
- As projected by Knight Frank Research, the year 2014 proved to be one of the best years for the office market in NCR, with the agglomeration clocking 7.6 mn sq ft – the highest since 2011.
- The market registered a 14% YOY jump in absorption, while a 26% spike was registered compared to H2 2013.
- Policy initiatives such as REITs and the flow of FDIs in the second half of 2014 were instrumental in pushing leasing activity in NCR.

BUSINESS DISTRICTS OF NCR

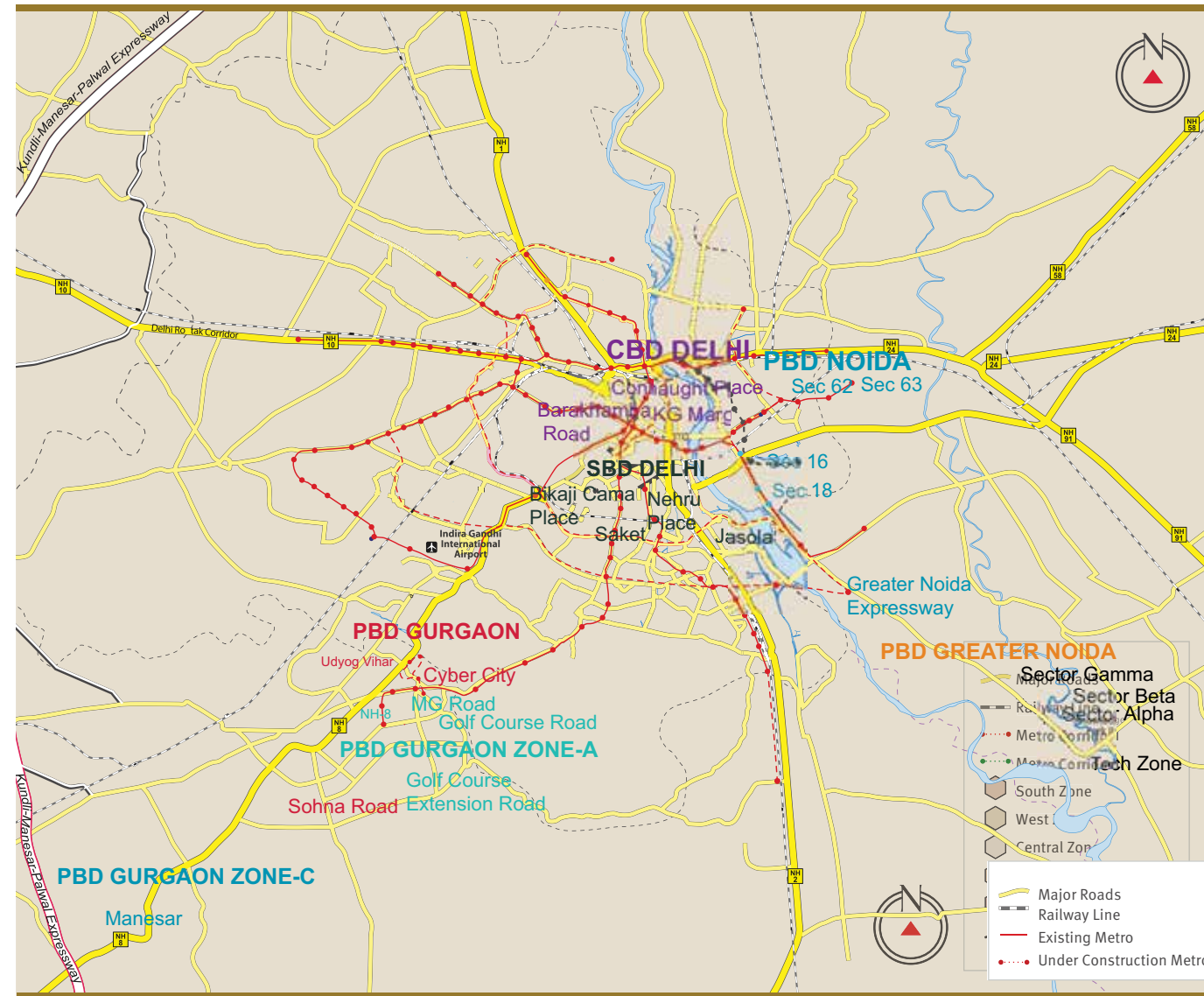
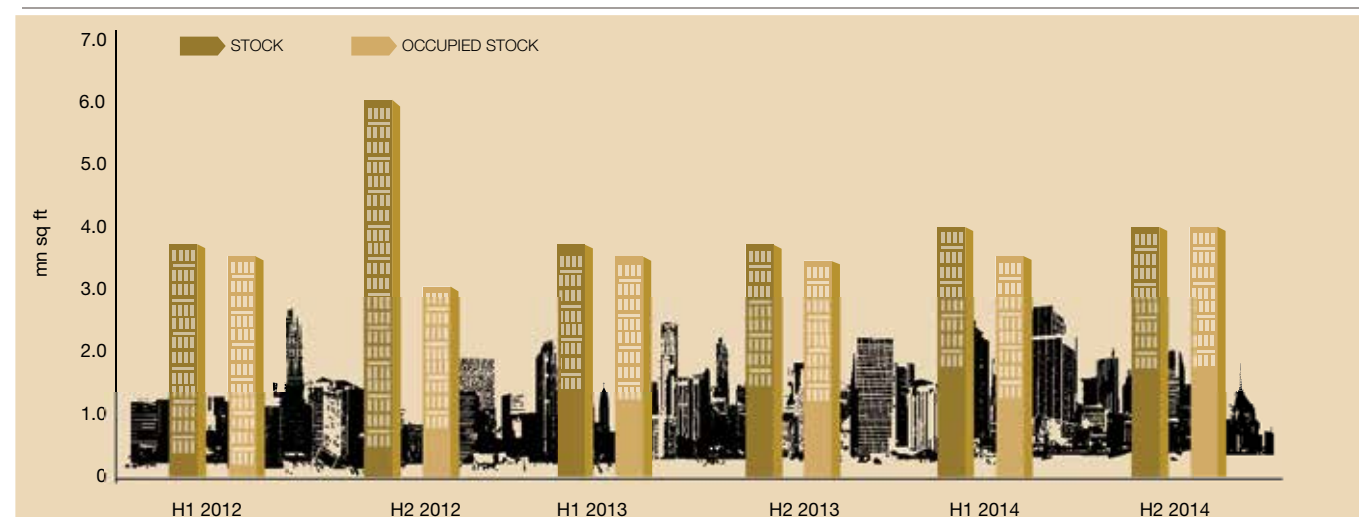


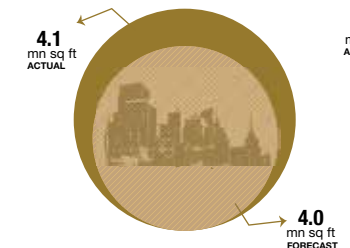
FIGURE 2

NEW COMPLETIONS AND ABSORPTION

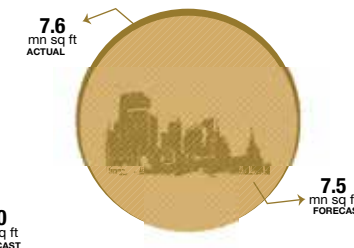


Source: Knight Frank Research

Forecast vs actual absorption in H2 2014



Forecast vs actual absorption in 2014

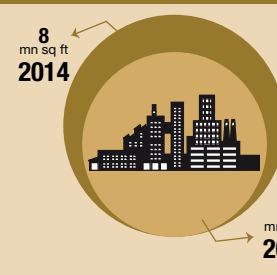


- Peaking at 4 mn sq ft in H2 2014, new completions in NCR's office market have been running in close ranges of 3.5–3.6 mn sq ft in the first half of each calendar year.

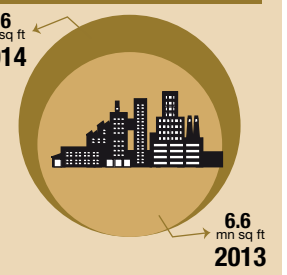
- With supply catering mostly to the built-to-suit category, it is estimated that new completions in H1 2015 would continue to be less than 4 mn sq ft.

Comparison of 2013 vs 2014

New completions



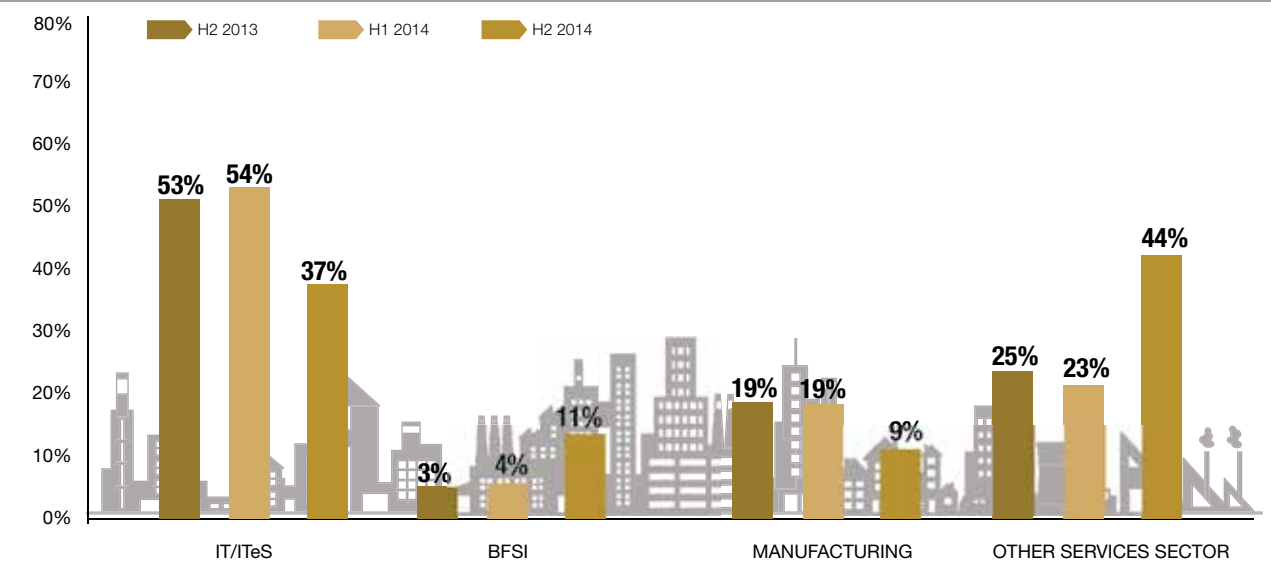
Absorption



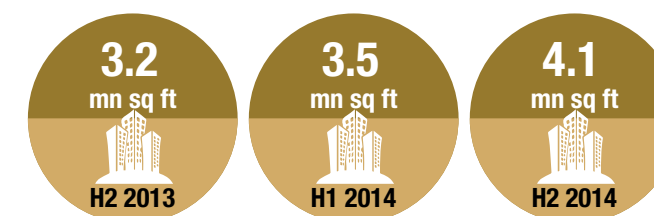
SECTOR ANALYSIS

FIGURE 3

SECTOR-WISE SPLIT OF ABSORPTION



Source: Knight Frank Research

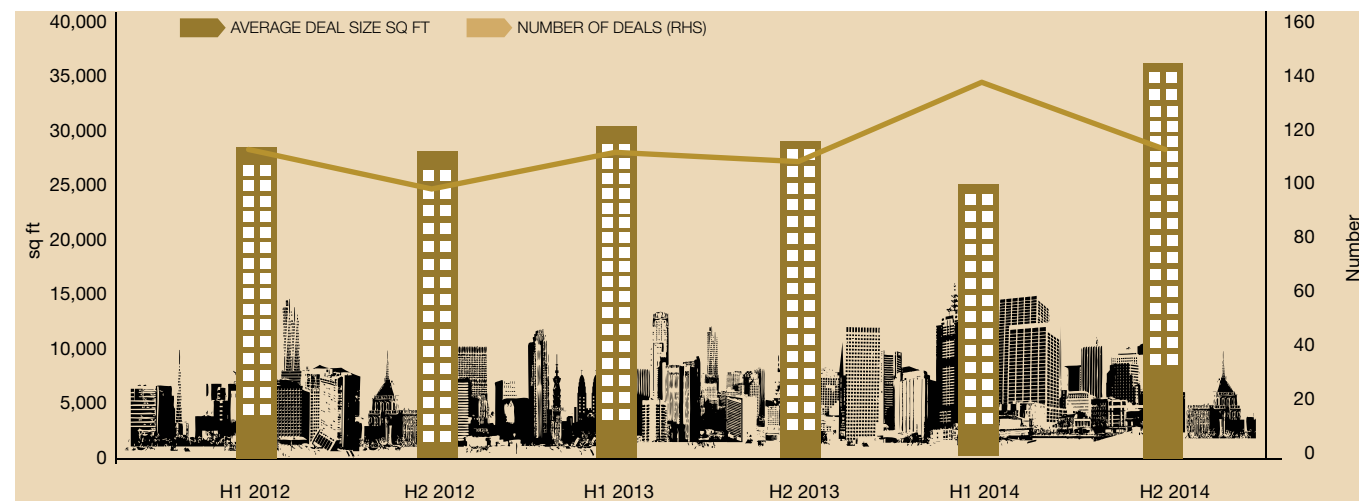


- IT/ITeS loses sheen when compared to the other services sector in H2 2014, with a drastic 20% drop in absorption compared to H1 2014.

- The share of the other services sector saw a threefold jump in absorption in H2 2014, taking up 44% of the overall NCR market and clocking its best-ever performance.
- E-commerce jumped threefold to rule the other services sector in NCR, taking up a whopping 54% of the other services absorption levels as compared to a 32% share in H1 2014.
- While the share of BFSI was pushed up through active leasing by financial institutions such as BlackRock, SBI and HSBC, the percentage share of leasing activity by the manufacturing sector came down to 9% in H2 2014.

DEAL SIZE ANALYSIS

FIGURE 4
AVERAGE DEAL SIZE AND NUMBER OF DEALS



Source: Knight Frank Research

- Large-size deals are back to NCR – with a 16% drop in the total number of deals in H2 2014, NCR saw a significant upward trend in the average deal size, which moved to 35,600 sq ft in H2 2014 from 25,622 sq ft in H1 2014.
- The average size of e-commerce transactions shot up to 48,322 in H2 2014 from the average size of 20,657 in H1 2014.

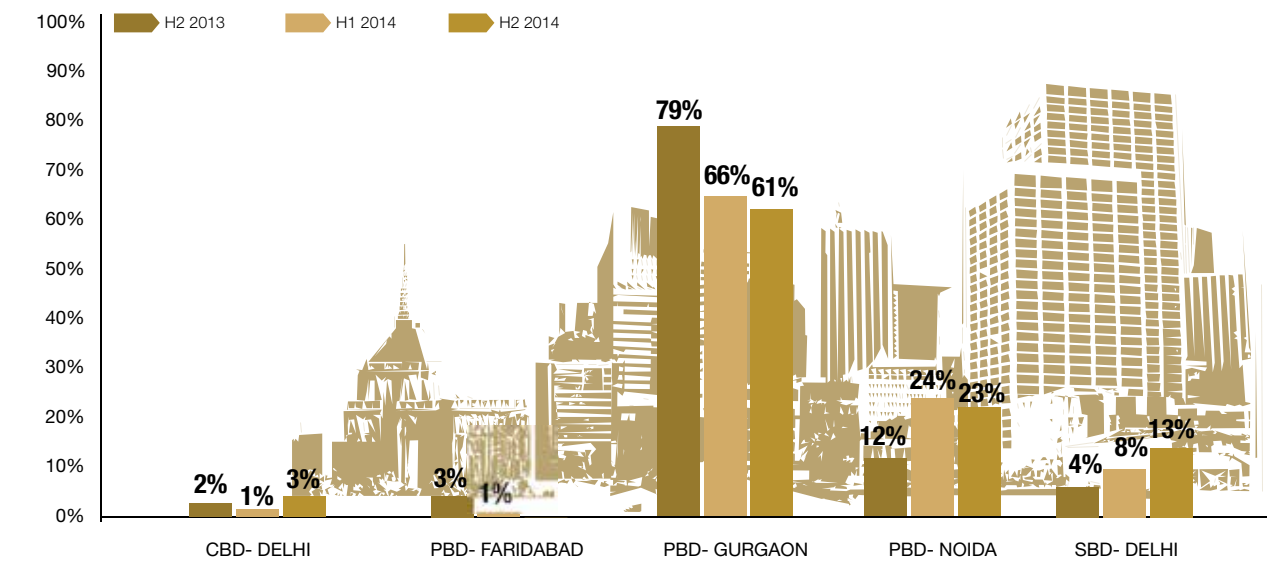
SELECT TRANSACTIONS IN H2 2014

Building	Occupier	Business district	Area leased (sq ft)
DLF IT Park	TCS	PBD Noida	420,000
Red Fort Capital	Axis Bank	CBD Delhi	27,700
Red Fort Capital	SBI	CBD Delhi	45,000
Independent building	Snapdeal	SBD Delhi	115,000
Hines – One Horizon Center	Oracle	PBD Gurgaon	100,000
Independent Building	Jabong	PBD Gurgaon	120,000
DLF Building 14	BlackRock	PBD Gurgaon	166,954
DLF Building 14	Concentrix Corporation	PBD Gurgaon	284,000
DLF Infinity Tower	Fluor Daniel	PBD Gurgaon	142,045
Independent building	Paytm - One97	PBD Noida	100,000
Stellar 135	Genpact	PBD Noida	90,000

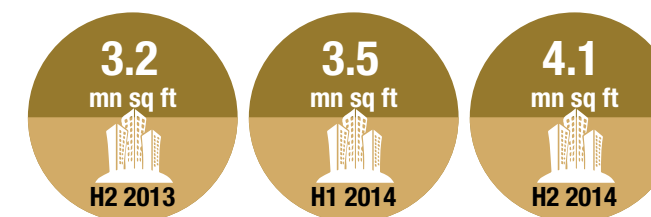
Source: Knight Frank Research

BUSINESS DISTRICT ANALYSIS

FIGURE 5
BUSINESS DISTRICT-WISE ABSORPTION SPLIT



Source: Knight Frank Research



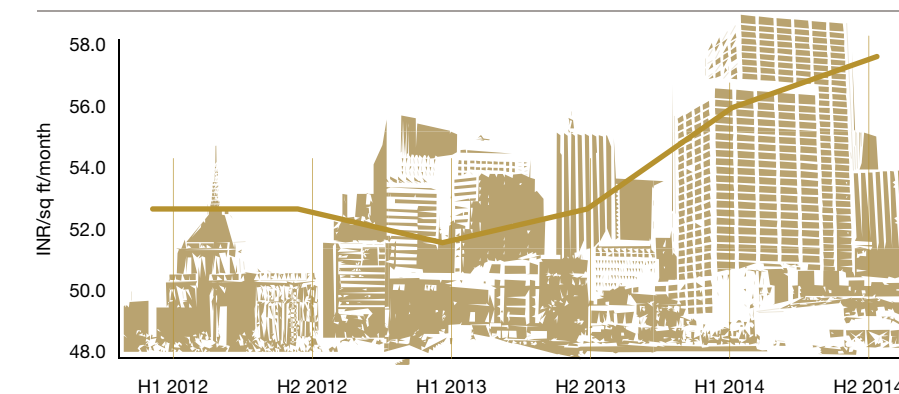
- PBD Gurgaon dominated the total absorption levels in NCR, with a 61% share in H2 2014. However, there is a dip in the percentage share compared to H1 2014.
- An upward trend is observed in the absorption levels of

CBD Delhi and SBD Delhi compared to the preceding quarters. CBD Delhi recorded a twofold jump in the number of transactions in H2 2014 compared to H2 2013 and H1 2014, while the number of transactions in SBD Delhi grew by 22% compared to the same period in 2013.

- Janpath and Barakhamba Road saw most of the office traction in CBD Delhi, while Okhla, Saket and Jasola were among the favoured micro-markets in the Secondary Peripheral Market (SBD) of Delhi.
- Leasing activity in Aerocity remained subdued in 2014 compared to 2013.

RENTAL TREND

FIGURE 6
WEIGHTED AVERAGE RENTAL MOVEMENT



Source: Knight Frank Research

- Limited new completions and a strong demand base are putting upward pressure on rentals in key micro-markets in NCR.
- Weighted average rentals in H2 2014 stood at ₹ 58 per sq ft, registering a 9% increase from H2 2013.
- The upward pressure in rentals is expected to continue in micro-markets such as Sohna Road and Golf Course Road in PBD Gurgaon, while the other business districts will see negligible movement in prices.

Business district-wise rental movement

Business district	Rental value range in H2 2014 (₹ / sq ft /month)	12-month change	6-month change
CBD Delhi	200–350	3%	2%
SBD Delhi	90–160	3%	2%
PBD Gurgaon Zone A	90–135	5%	1%
PBD Gurgaon Zone B	60–125	10%	5%
PBD Gurgaon Zone C	25–35	1%	0%
Noida	40–60	1%	0%
Faridabad	45–55	1%	0%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
New supply (mn sq ft)	4	3.5	-13%
Absorption (mn sq ft)	3.5	3.3	-6%
Vacancy (%)	20.6%	19.6%	
Weighted average rental (/sq ft/month)	56	59	5%

Source: Knight Frank Research

- The office market across the country is looking up. With positive signals of a recovery in the domestic and global economy, the leasing activity in 2014 signalled the building of market confidence.
 - Though projections for new completions register a 13% drop when compared to H1 2014, we estimate office absorption levels to remain within a fair range of 3–3.5 mn sq ft in H1 2015.
- Weighted average rentals in NCR are forecasted to inch upwards by 3% to 4%, and PBD Gurgaon’s Zone A and B are expected to see the steepest rise, with rentals appreciating by 6% to 7%, outpacing the other business districts.





AUTHOR

Hetal Bachkaniwala

Assistant Vice President - Research

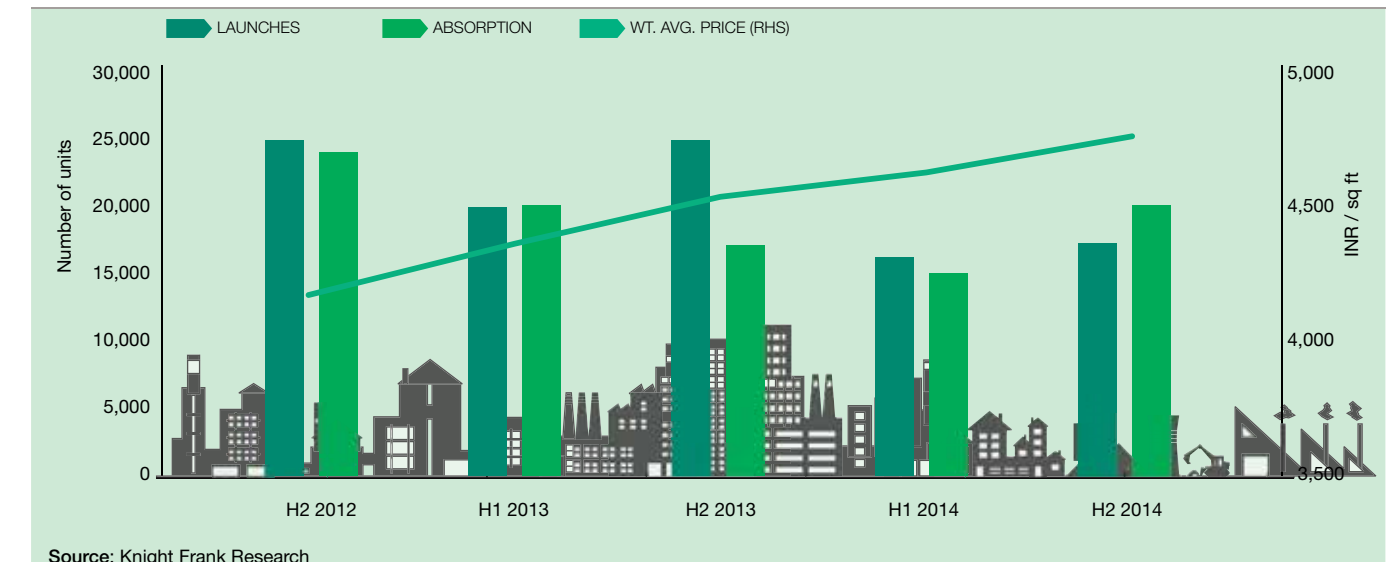
PUNE

RESIDENTIAL AND OFFICE MARKET

PUNE RESIDENTIAL MARKET

FIGURE 1

PUNE MARKET TRENDS

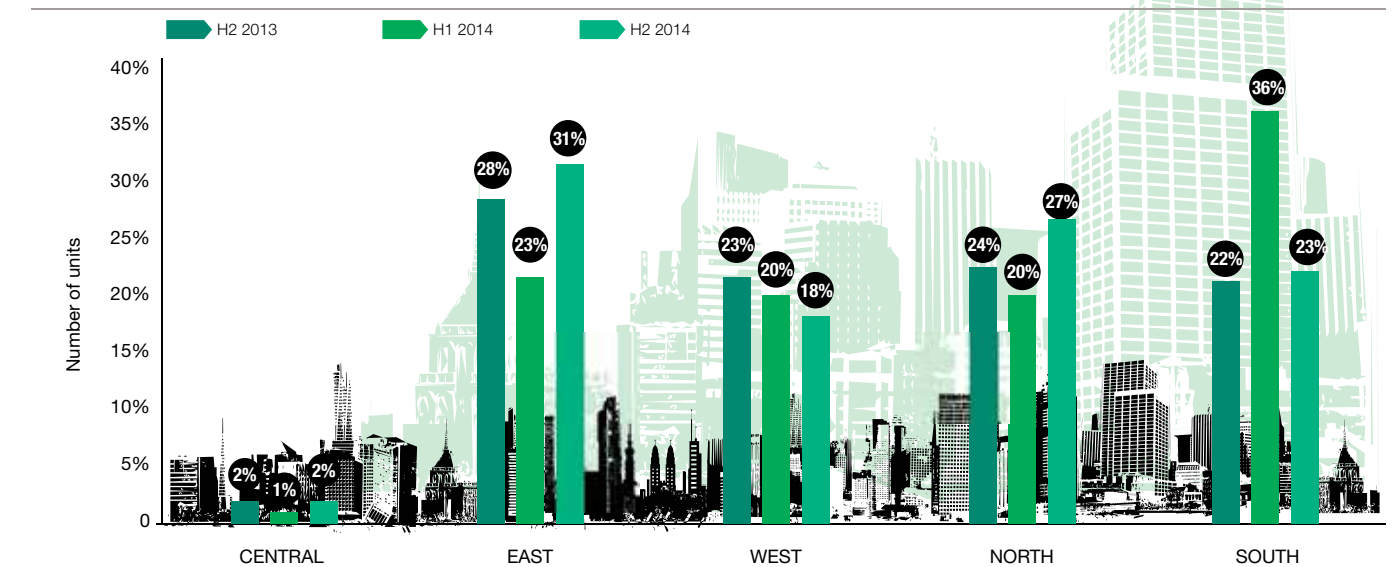


- 2014 witnessed a sharp drop in the demand for residential properties in Pune. The total units absorbed fell by 11% from 38,795 units in 2013 to 34,720 units in 2014.
- However, the drop in sales volume was compensated by a sharper fall in new launches during the same year.
- New launches dropped by 26% from 45,370 units in 2013 to 33,580 units in 2014.
- Hence, despite a fall in sales volume, the weighted average prices in Pune increased moderately, by 5%, on the back of limited new launches.
- H2 2014 recorded the lowest volume in terms of half-yearly launches, at 16,700 units. This is nearly half of what was achieved at the peak of H1 2012, at 31,500 units.

MICRO-MARKET SPLIT OF RESIDENTIAL LAUNCHES

FIGURE 2

MICRO-MARKET SPLIT OF LAUNCHED UNITS



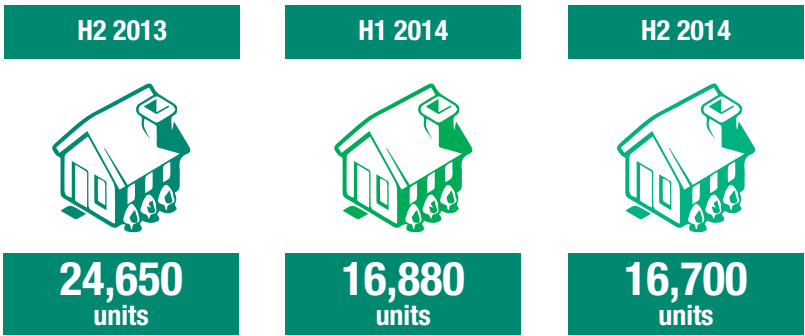
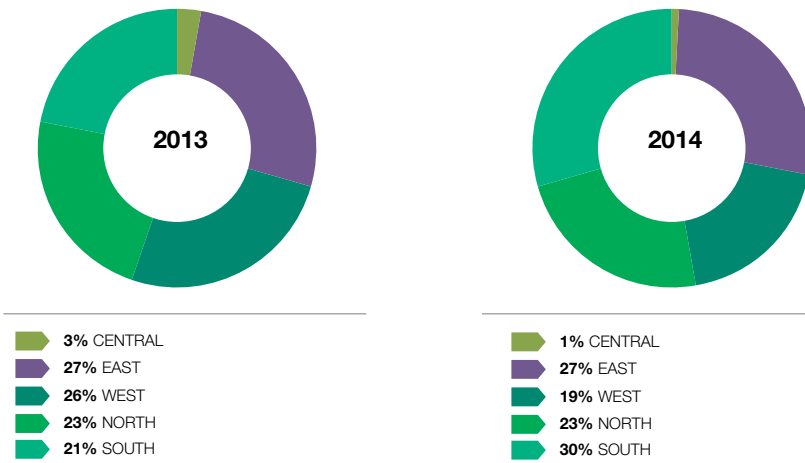
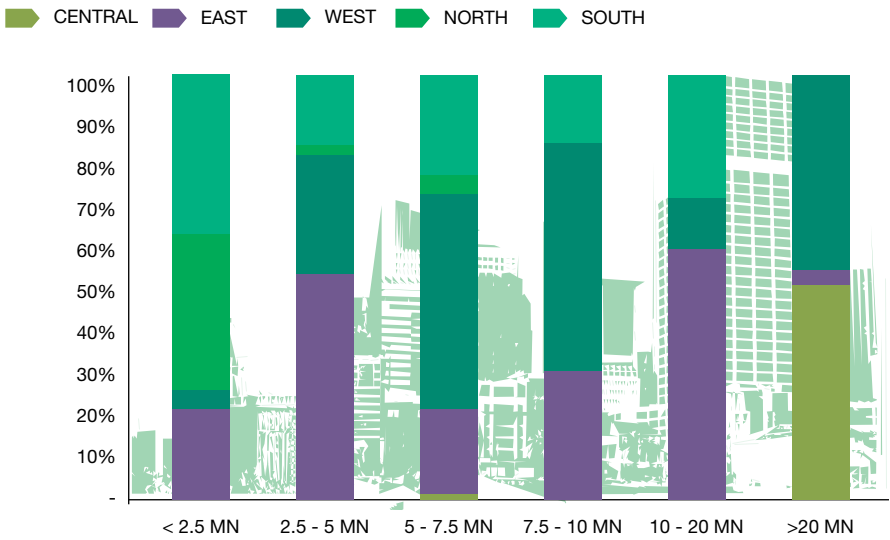


FIGURE 3
SHARE OF NEW LAUNCHES: 2013 VS 2014



Source: Knight Frank Research

FIGURE 4
TICKET SIZE SPLIT OF LAUNCHES DURING H2 2014

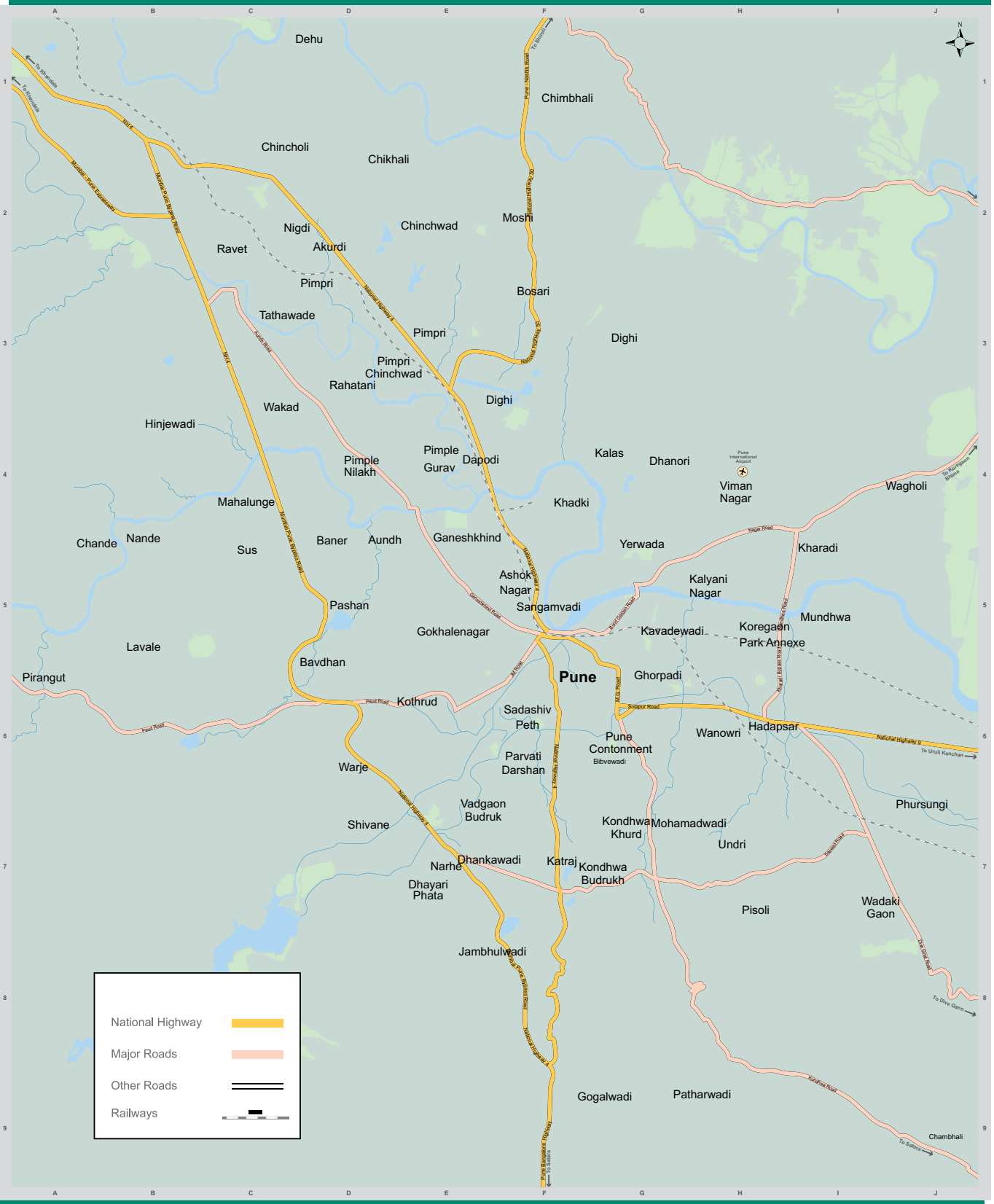


Source: Knight Frank Research

- East Pune accounted for the largest share — 31% — of the new launches during H2 2014. This is in contrast to the trend witnessed during H1 2014, when South Pune recorded the highest number of new launches.
- The share of new launches in West Pune has declined steadily since last year, from 23% in H2 2013 to less than 18% in H2 2014.
- North Pune’s share witnessed a significant jump during H2 2014, as relatively affordable prices and good connectivity to the manufacturing hub of Chakan attracted various developers to launch new projects here.
- Central Pune’s share continues to remain minuscule compared to the other micro-markets of the city. Most of the new launches are redevelopment projects of old societies, with a limited number of units for sale in the open market.
- The developer community in Pune seems to have deliberately delayed the launch of several new projects in order to liquidate the existing inventory. This has resulted in lower-than-expected new launches during H2 2014.
- In the premium residential category, where the ticket size breaches ₹ 20 mn, West Pune accounted for nearly half of the total launches during H2 2014. The rest were launched in Central Pune.

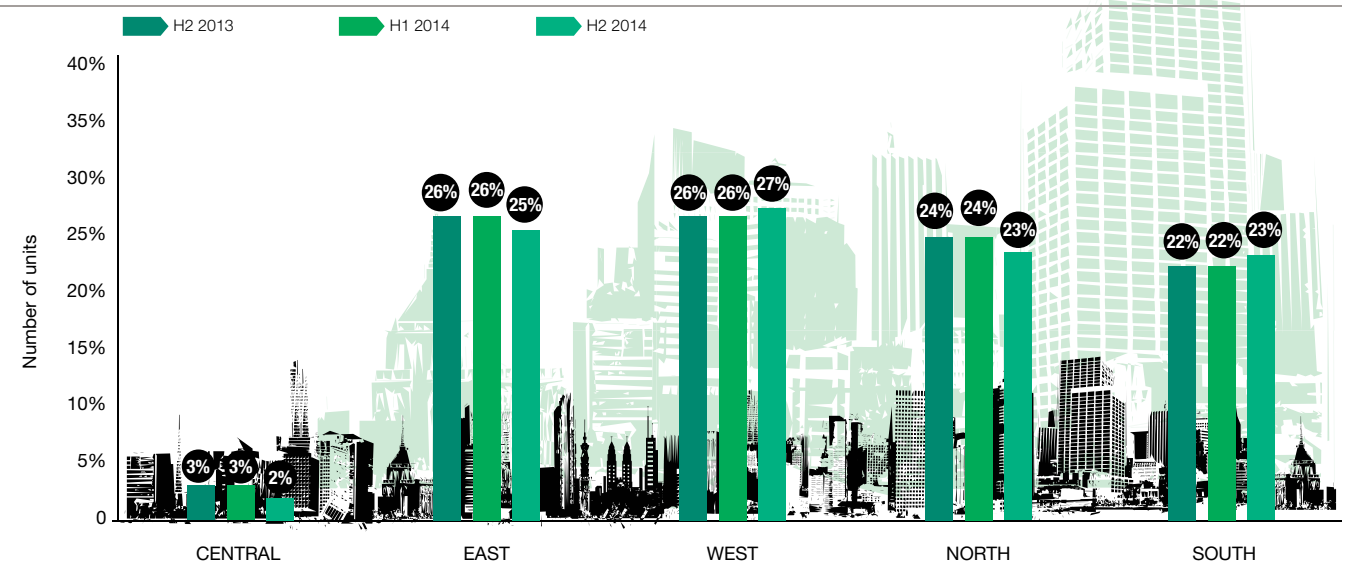
MICRO-MARKET-WISE RESIDENTIAL SALES

PUNE METROPOLITAN REGION MAP

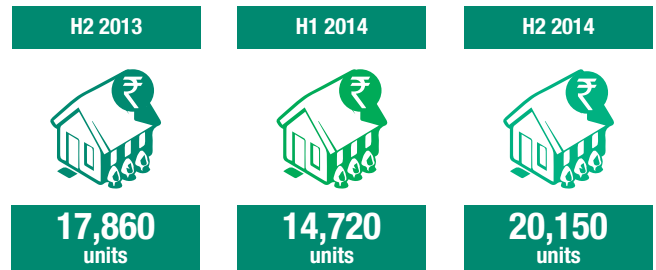


Micro-markets	Locations
Central	Koregaon Park, Boat Club Road, Erandwane, Deccan, Kothrud, Model Colony
East	Viman Nagar, Kharadi, Wagholi, Hadapsar, Dhanori
West	Aundh, Baner, Wakad, Hinjewadi, Bavdhan, Pashan
North	Pimpri, Chinchwad, Moshi, Chikhali, Chakan, Talegaon
South	Kondhwa, Ambegaon, Undri, Dhayari, Warje, Sinhgad Road

FIGURE 5
MICRO-MARKET SPLIT OF SALES

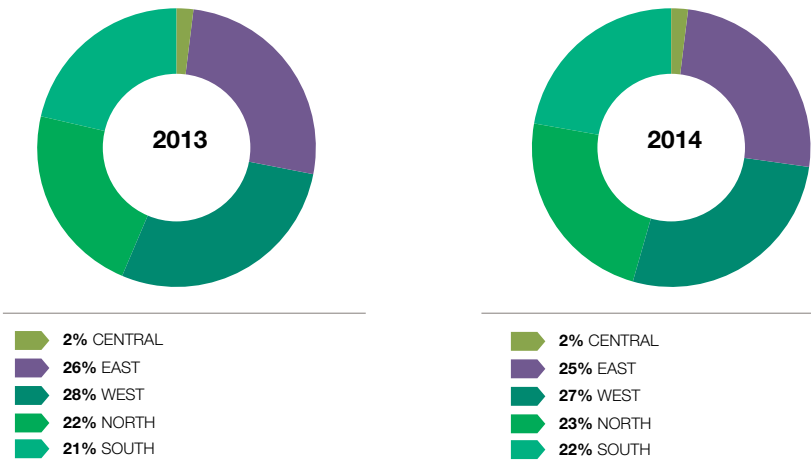


Source: Knight Frank Research



- The micro-market split of absorption has not witnessed any significant change in the last year. While the shares of East and South Pune have increased marginally since H2 2013, the shares of the rest of the micro-markets have reduced slightly.
- This is in contrast to the share of new launches. While micro-markets such as Central, East and North Pune have observed a higher share in new launches during H2 2014, their share in absorption has fallen. This trend has resulted in a higher amount of unsold inventory in these locations.
- The actual sales volume in 2014 has marginally surpassed our previous estimate reported in our H1 2014 report. While we projected 34,520 units, the actual sales volume closed at 34,720 units.
- Despite a moderate hike of 5% in prices, the momentum in sales volume during H2 2014 seems to have continued.

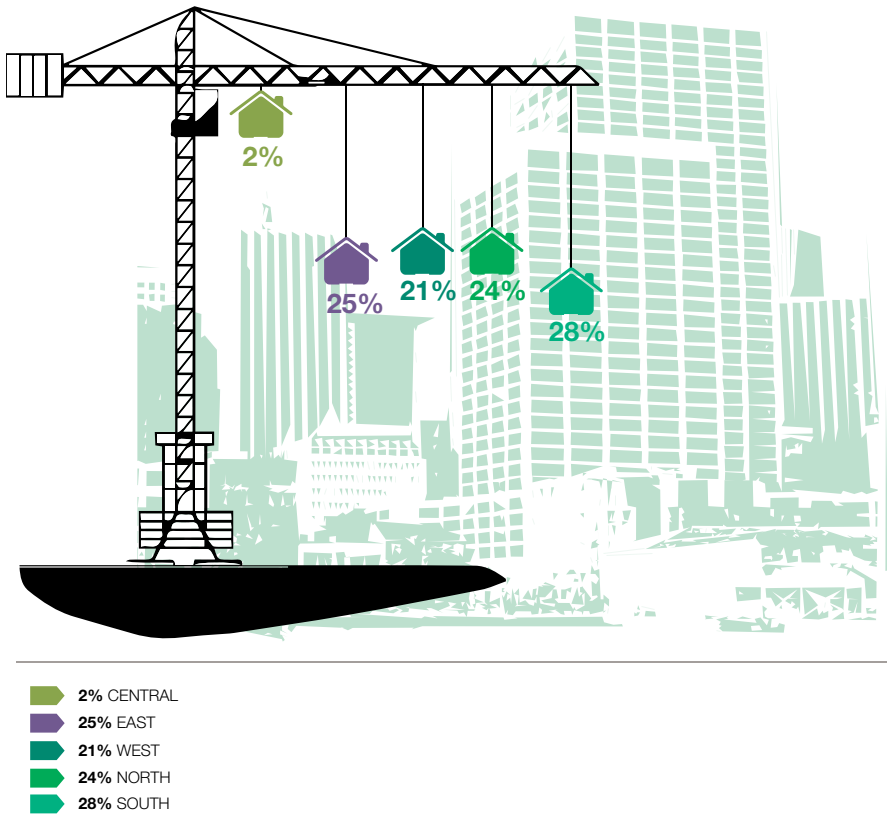
FIGURE 6
SHARE OF SALES: 2013 VS 2014



Source: Knight Frank Research

MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS AS OF DECEMBER 2014

FIGURE 7
MICRO-MARKET SPLIT OF UNDER-CONSTRUCTION UNITS IN DECEMBER 2014



Source: Knight Frank Research

- While Central Pune currently accounts for only 2% of the total under-construction units, the rest is spread evenly across the other four micro-markets of the city.
- South Pune has the maximum number of under-construction units as of December 2014. This micro-market is slowly emerging as a preferred destination for home buyers in Pune due to its strategic location between the two major IT/ITeS employment hubs of Hinjewadi in the west and Kharadi in the east, with areas such as Kondhwa, Ambegaon, Undri and Dhayari being equidistance from both. Additionally, property prices are relatively cheaper in the south, compared to the west and east. These factors have drawn the attention of developers to South Pune.

FIGURE 8
QUARTERS TO SELL (QTS) UNSOLD INVENTORY ANALYSIS

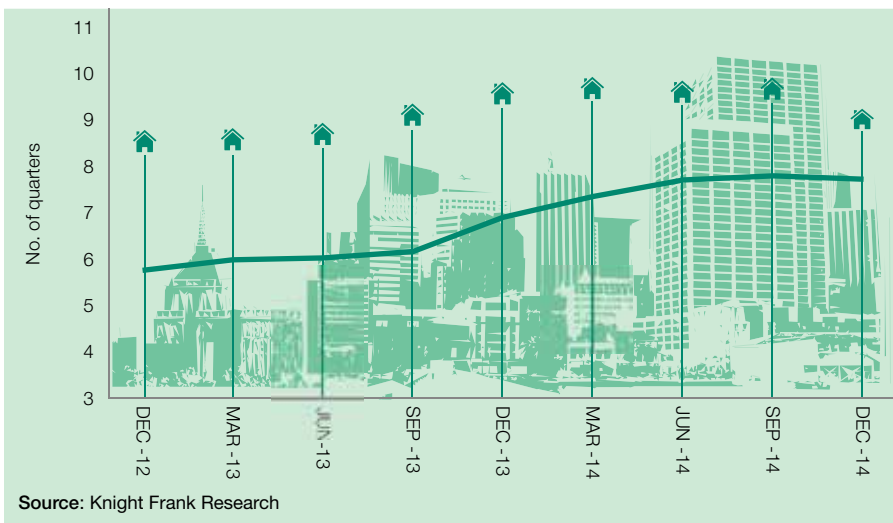
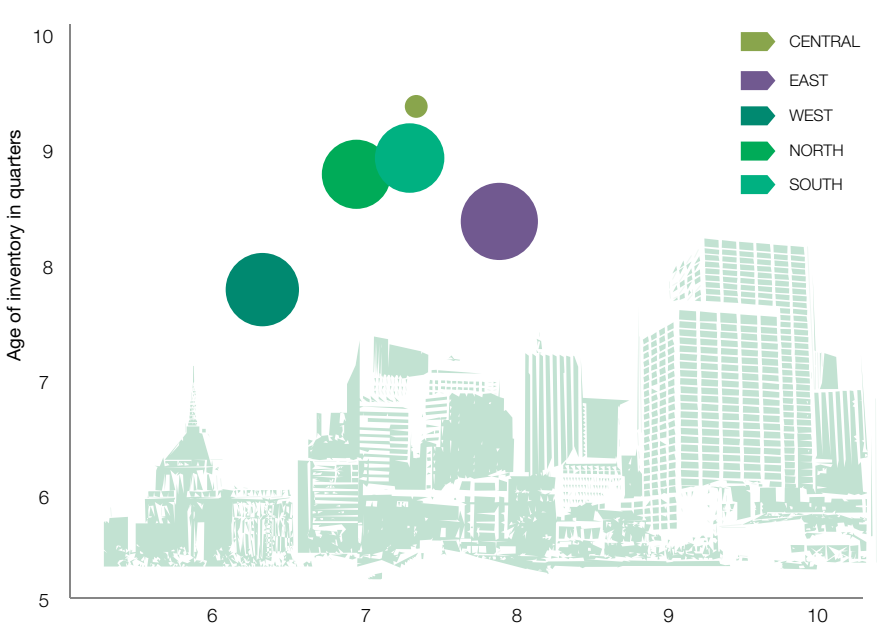


FIGURE 9
MICRO-MARKET-WISE QTS VS AGE OF INVENTORY



PRICE MOVEMENT DURING H2 2014

- Aundh has witnessed the highest price rise in the last twelve months – at 18%. Factors such as the presence of excellent physical and social infrastructure, good connectivity with the city centre and a higher penetration of modern retail has helped this location emerge as the most preferred location in the western region of the city.
- Koregaon Park and Boat Club Road continue to remain the most premium locations in the city, and this has contributed towards the unabated price rise in these locations over the last 12 months.
- The momentum in price rise seems to have tapered down in the last six

- The quarters to sell unsold inventory (QTS) has been rising consistently since December 2012, increasing from 5.8 in December 2012 to 7.8 in December 2014. In other words, it will take 7.8 quarters to exhaust the existing unsold inventory in Pune.
- West Pune is currently the best performing market, with the lowest QTS and minimum age of unsold inventory. The large number of incremental jobs being created due to the Hinjewadi IT park, and the relatively affordable residential prices seem to be attracting home buyers in West Pune.
- Central Pune is the worst performing market in Pune, as it has a high QTS and maximum age of unsold inventory. Unaffordable prices have affected this market negatively in the last few quarters.
- The large number of new launches in East Pune during H2 2013 and H1 2014, along with a tepid growth in sales volume, has pushed the QTS in this market to 8, which is the highest in the city.

months, as developers are trying to attract the maximum number of home buyers in order to get rid of their existing inventory.

Price movement in select locations

Location	Micro-market	Price range in H2 2014 (₹ /sq ft)	12 month change	6 month change
Koregaon Park	Central	13,000 - 17,000	7%	2%
Kothrud	Central	7,500 - 13,000	6%	3%
Boat Club Road	Central	14,500 - 19,500	1%	1%
Kharadi	East	5,300 - 6,300	2%	2%
Wagholi	East	3,500 - 4,600	3%	1%
Dhanori	East	3,900 - 4,800	2%	2%
Hadapsar	East	4,600 - 6,000	4%	1%
Aundh	West	7,800 - 9,500	18%	2%
Baner	West	5,600 - 8,000	3%	2%
Hinjewadi	West	4,800 - 5,900	2%	1%
Wakad	West	5,400 - 6,200	6%	3%
Moshi	North	3,700 - 4,300	3%	2%
Chikhali	North	3,500 - 4,100	6%	3%
Chakan	North	2,900 - 3,400	5%	2%
Ambegaon	South	4,400 - 5,500	3%	1%
Undri	South	3,900 - 4,800	3%	0%
Kondhwa	South	4,600 - 5,700	4%	2%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

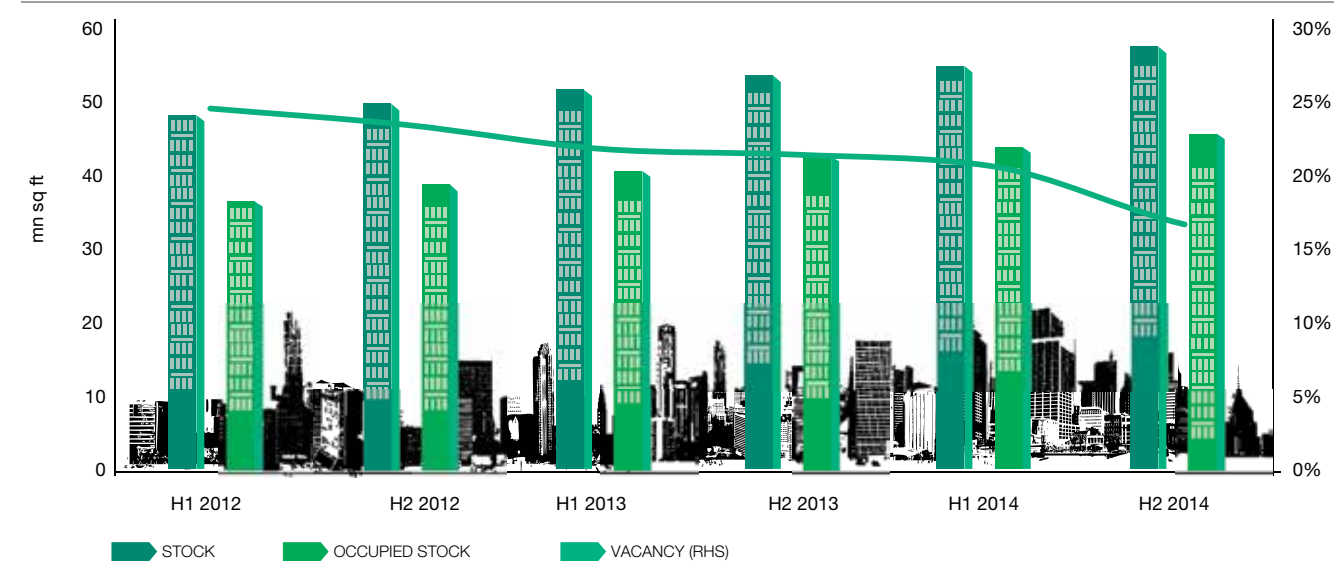
Projections	H1 2014	H1 2015E	Growth
Launches (Units)	16,700	13,300	-20%
Absorption (Units)	14,700	16,560	13%
Weighted average price (₹ /sq ft)	4,614	4,803	4%

Source: Knight Frank Research

- We expect the number of new launches to drop further, to 13,300 units during H1 2015. The huge amount of unsold inventory of the previous quarters will compel developers to restrict the number of new projects in the coming quarters in order to liquidate the existing unsold inventory.
- However, the positive sentiment in the residential market due to the cut in policy rate by the Reserve Bank of India (RBI) is expected to usher in a double-digit growth in the sales volume during H1 2015. We forecast that the sales volume will increase by 13% in H1 2015, to 16,560 units, compared to 14,700 units in H1 2014.
- We expect the weighted average prices in Pune to increase by a moderate 4% rate in the coming six months, on the back of the improved sales volume.

PUNE OFFICE MARKET

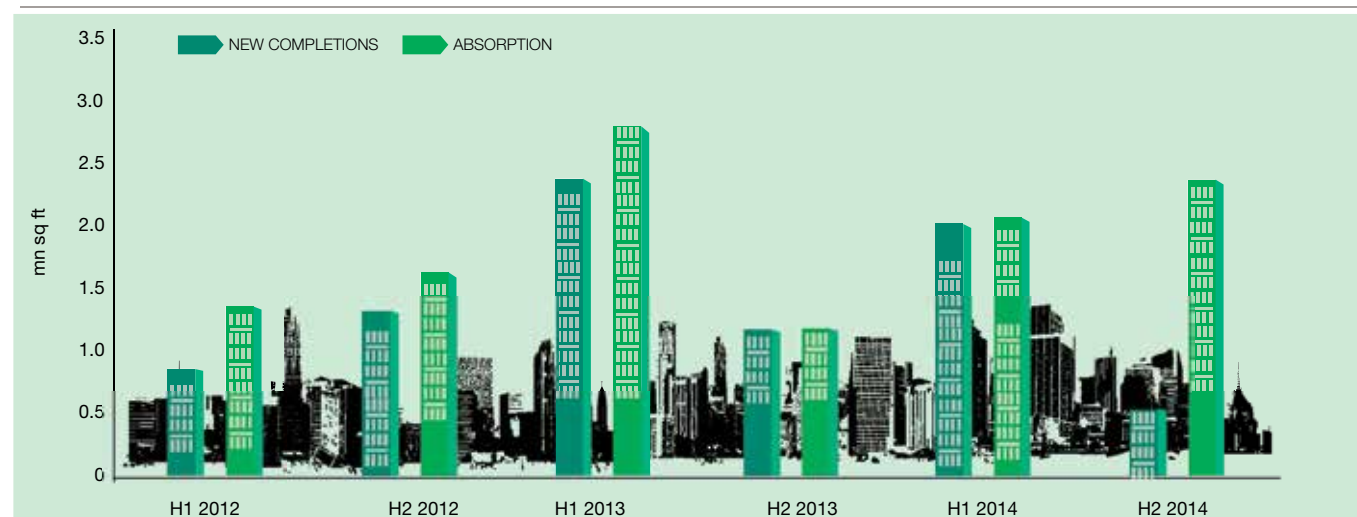
FIGURE 1
PUNE OFFICE SPACE STOCK AND VACANCY LEVELS



Source: Knight Frank Research

- Vacancy levels in the Pune office market have fallen drastically, from 20.1% in H1 2014 to 16.5% in H2 2014. Currently, 45.8 mn sq ft of space is occupied in Pune, out of the total stock of 54.8 mn sq ft.
- The shortage of ready-to-occupy office space and robust leasing activity during H2 2014 helped in pulling down the vacancy levels to the current rate of 16.5%. While the absorption recorded during H2 2014 was 2.4 mn sq ft, only 0.5 mn sq ft of new office space came online.
- 2014 has been an exceptional year for office space developers in Pune, as it witnessed a fall in new supply by 29% from 3.6 mn sq ft in 2013 to 2.5 mn sq ft. In contrast to this, absorption achieved a double-digit growth of 13% from 4 mn sq ft to 4.5 mn sq ft during the same period.
- The strengthening of the US economy, a weak US dollar and the revival in the domestic economy appear to have fuelled the recovery of the IT/ITeS sector. This has contributed to a significant rise in the leasing activity of the city's IT/ITeS sector, whose share has jumped from 39% in H1 2014 to more than 60% in H2 2014.

FIGURE 2
NEW COMPLETIONS AND ABSORPTION



Source: Knight Frank Research

Forecast vs actual
absorption in H2 2014



Forecast vs actual
absorption in 2014

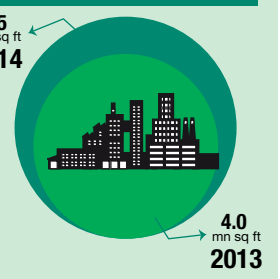


Comparison of 2013 vs 2014

New completions

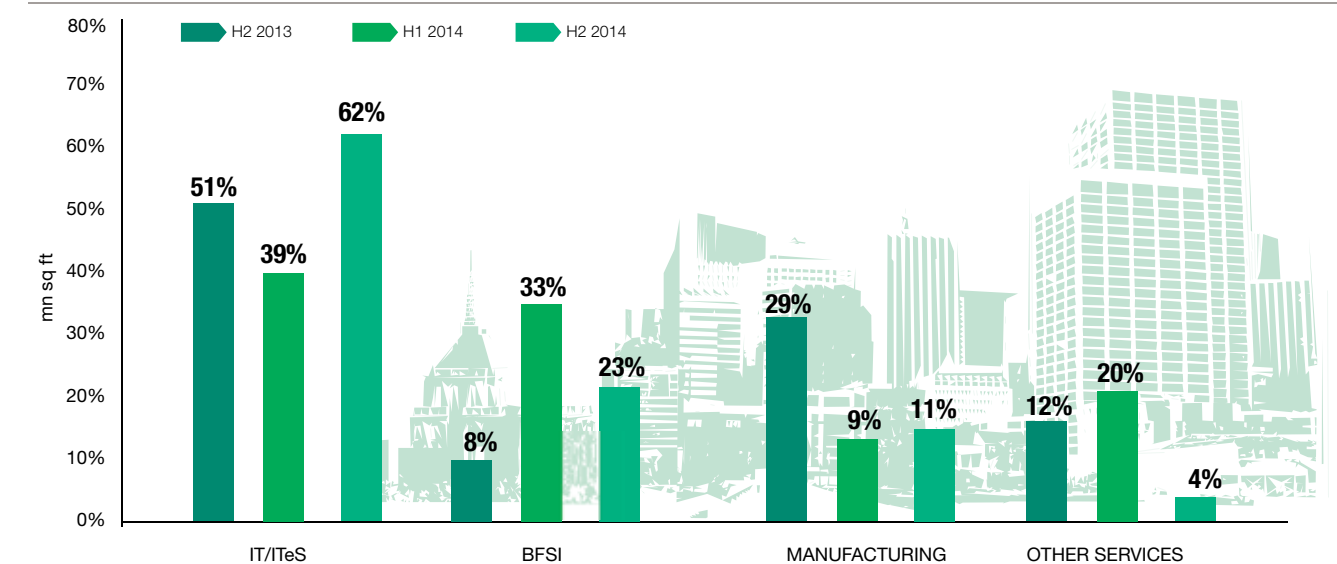


Absorption

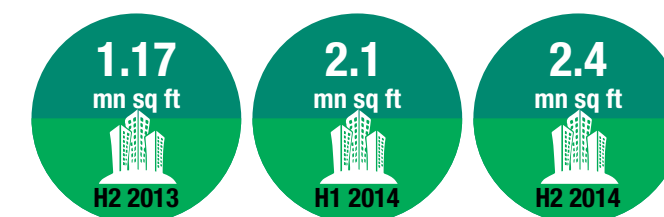


SECTOR ANALYSIS

FIGURE 3
SECTOR-WISE SPLIT OF ABSORPTION



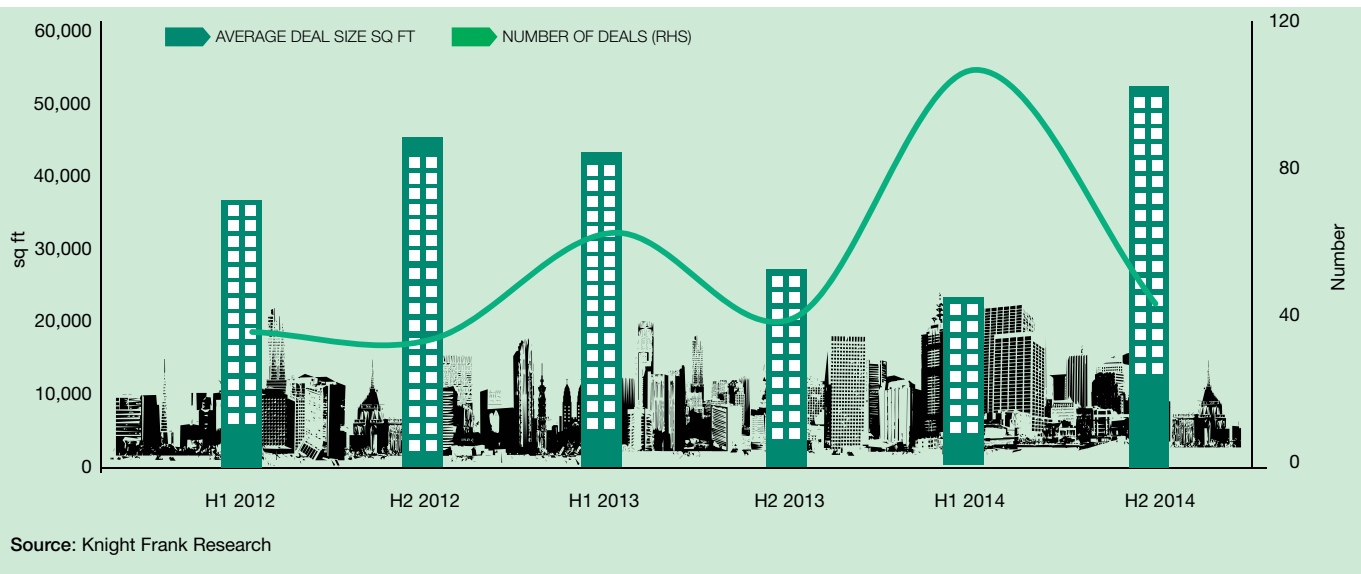
Source: Knight Frank Research



- The IT/ITeS sector continues to dominate absorption activity in the Pune office market, with its share rising to 62% in H2 2014 from 51% in H2 2013.
- The shares of the manufacturing and other services sectors have witnessed a significant drop in the last year, as the recovery in the IT/ITeS sector has led to its comeback in the city's office space market.
- The shares of the BFSI sector continues to hold steady above 20%, although this is much lower compared to the 33% share it reported during H1 2014. However, the majority of the deals in the BFSI sector are support services, which, in other words, are closely linked to the IT/ITeS sector.

DEAL SIZE ANALYSIS

FIGURE 4
AVERAGE DEAL SIZE AND NUMBER OF DEALS

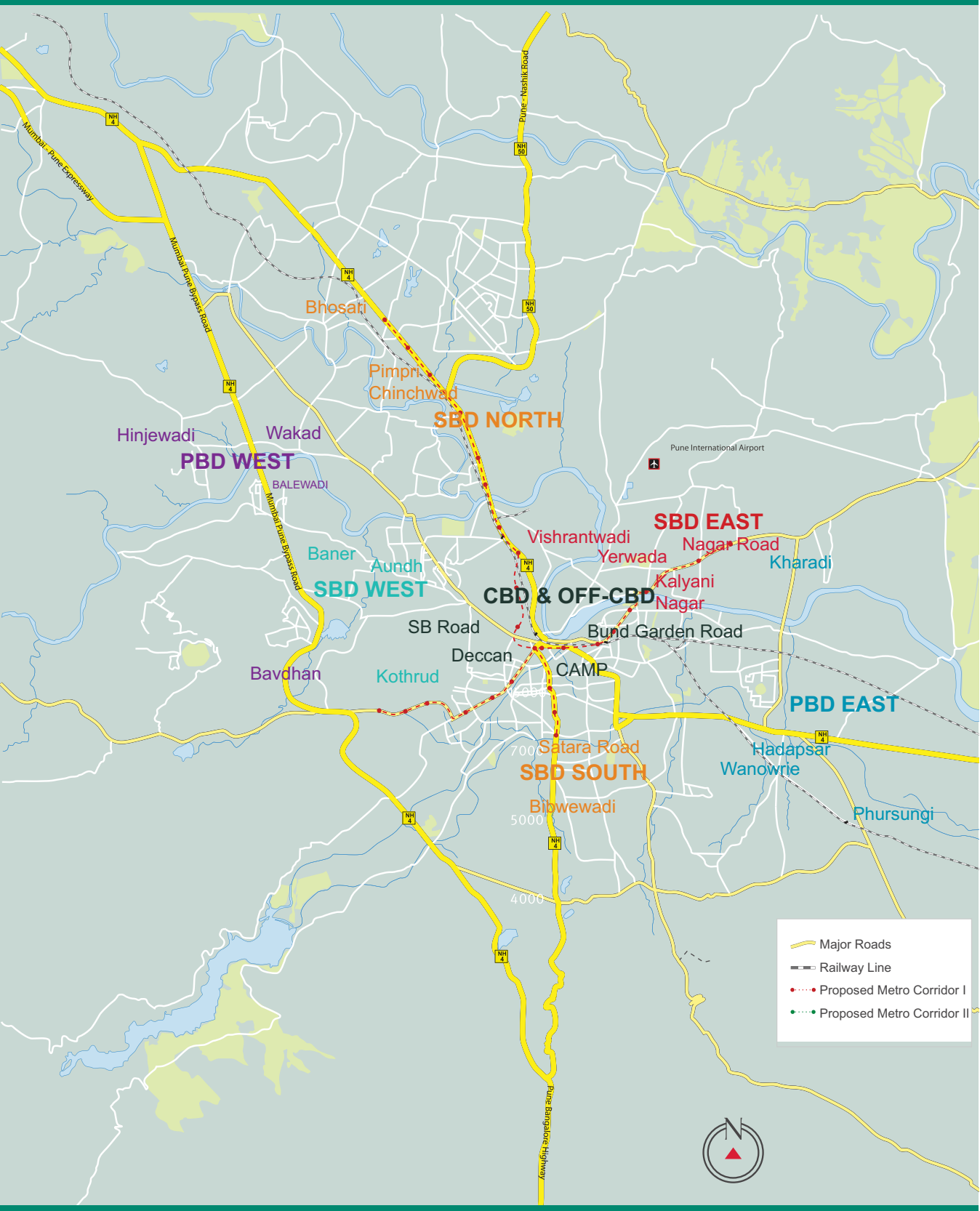


SELECT TRANSACTIONS IN H2 2014

Building	Occupier	Location	Approx. area (sq ft)
Onyx	Fedex	Koregaon Park	20,000
ICC Tech Park – Tower A	Yardi	SB Road	21,000
Business Bay	Deutsche Bank	Yerwada	75,000
Binarius	ADP	Yerwada	75,000
Westend Centre	One Network Enterprises	Aundh	15,000
Amar Apex	AgreeYa Mobility	Baner	23,200
EON	Credit Suisse	Kharadi	340,000
SP Infocity	Accenture	Phursungi	200,000
Radius IT Park	Cognizant	Hinjewadi	150,000
Blue Ridge	KPIT	Hinjewadi	100,000

Source: Knight Frank Research

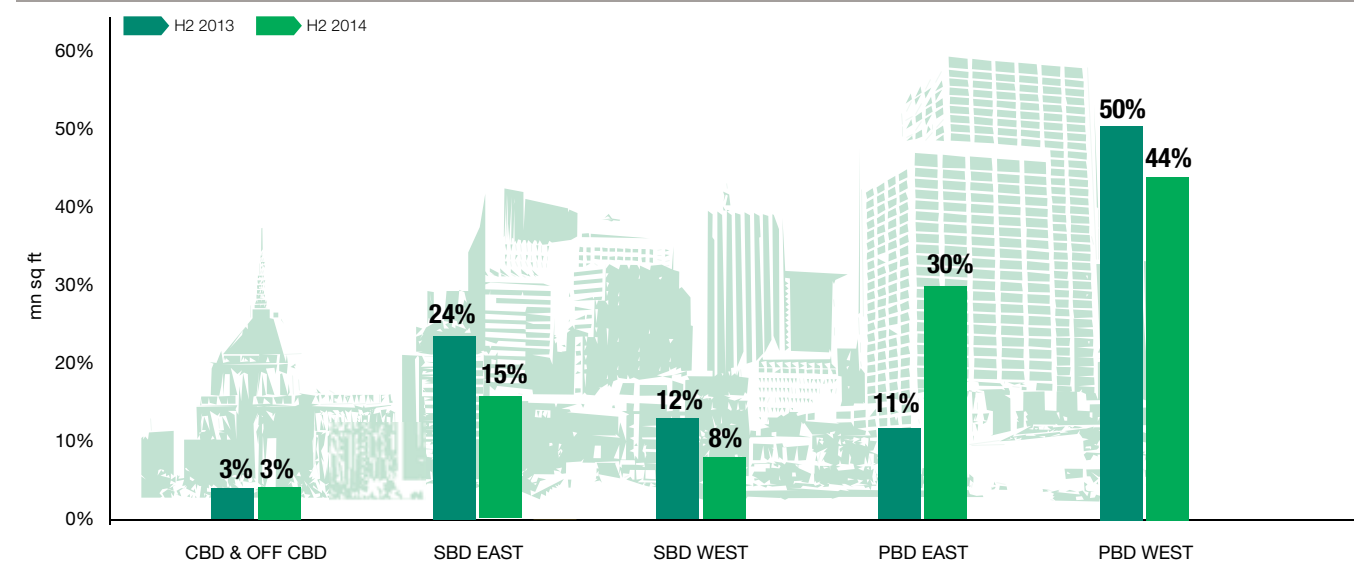
BUSINESS DISTRICTS OF PUNE



BUSINESS DISTRICT ANALYSIS

Business District	Micro-markets
CBD and off-CBD	Bund Garden Road, S B Road, Camp, Deccan, Pune Station Road
SBD East	Kalyani Nagar, Airport Road, Yerwada, Nagar Road, Vishrantwadi
PBD East	Hadapsar, Kharadi, Phursungi, Wanowrie
SBD West	Wakdewadi, Aundh, Baner, Kothrud, University Road
PBD West	Hinjewadi, Bavdhan, Wakad, Balewadi
SBD North and South	Pimpri, Chinchwad, Bhosari, Bibvewadi, Satara Road

FIGURE 5
BUSINESS DISTRICT-WISE ABSORPTION SPLIT



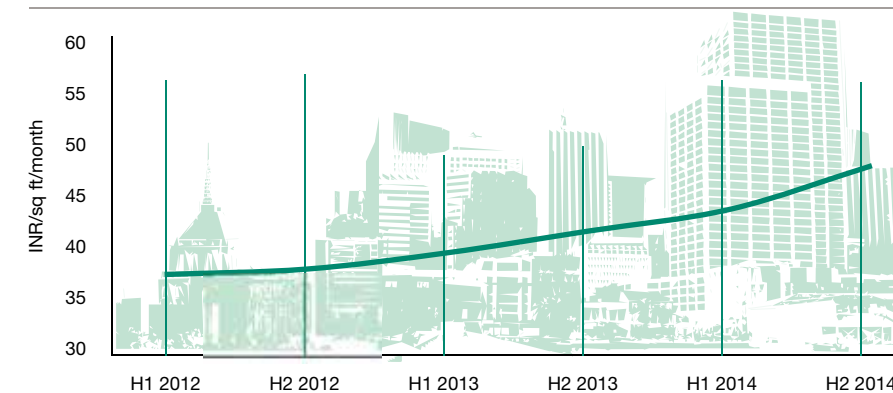
Source: Knight Frank Research



- PBD West has regained its dominance in the total absorption, with 44% in H2 2014. However, SBD East's share has fallen drastically during H2 2014.
- PBD East's share has been increasing gradually over the last year and accounted for nearly a one-third share during H2 2014.

RENTAL TREND

FIGURE 6
WEIGHTED AVERAGE RENTAL MOVEMENT



Source: Knight Frank Research

- Restricted supply, along with a strong demand during H2 2014, has helped the weighted average rents jump by 15%, from ₹ 41/sq ft/month in H2 2013 to ₹ 47/sq ft/month in H2 2014.
- During H2 2014, SBD East witnessed the maximum rise in rentals, followed by PBD East and SBD West.

Business District-wise Rental Movement

Business District	Rental Value Range in H2 2014 (₹/Sq ft/month)	12-month change	6-month change
CBD & off-CBD	60 - 90	7%	5%
SBD East	45 - 65	16%	11%
SBD West	45 - 60	14%	10%
PBD East	40 - 60	15%	9%
PBD West	36 - 50	12%	8%

Source: Knight Frank Research

OUTLOOK FOR THE NEXT SIX MONTHS

Projections	H1 2014	H1 2015E	Growth
New completions (mn sq ft)	2.03	2.61	28%
Absorption (mn sq ft)	2.10	2.21	5%
Vacancy	20.1%	16.4%	
Weighted average rent (₹ /sq.ft./month)	43	51	19%

Source: Knight Frank Research

- H1 2015 will witness a jump in new completions as more than 2.61 mn sq ft of new space will become operational during this period. However, absorption will maintain its previous year's momentum will a marginal improvement of 5% at 2.21 mn sq ft during H1 2015.
- Vacancy will fall to 16.4% in H1 2015 compared to more than 20% during H1 2014.
- The upswing in rentals will continue during H1 2015, as the weighted average rent in the city is projected

to jump by 19%, from ₹ 43/sq ft/month in H1 2014 to more than ₹ 51/sq ft/month by H1 2015.

Key Contacts

NAUSHAD PANJWANI

Senior Executive Director
naushad.panjwani@in.knightfrank.com

GULAM ZIA

Executive Director - Advisory, Retail & Hospitality
gulam.zia@in.knightfrank.com

ADVISORY AND VALUATION

Saurabh Mehrotra
Director
saurabh.mehrotra@in.knightfrank.com

CAPITAL MARKETS

Rajeev Bairathi
Executive Director
rajeev.bairathi@in.knightfrank.com

FACILITY MANAGEMENT

Nellie Samuel
Joint CEO - Knight Frank Property
Services Private Limited*
nellie.samuel@in.knightfrank.com

HOSPITALITY & LEISURE

Abhijeet Umathe
Associate Director
abhijeet.umathe@in.knightfrank.com

INDUSTRIAL & ASSET SERVICES

Balbirsingh Khalsa
National Director
balbirsingh.khalsa@in.knightfrank.com

LAND AGENCY (Mumbai)

Fali Poncha
Director
fali.poncha@in.knightfrank.com

OFFICE AGENCY

Viral Desai
Director
viral.desai@in.knightfrank.com

PROJECT MANAGEMENT

Deben Moza
Joint CEO - Knight Frank Property Services
Private Limited*
deben.moza@in.knightfrank.com

RESIDENTIAL AGENCY

Mudassir Zaidi
National Director
mudassir.zaidi@in.knightfrank.com

RESEARCH

Dr. Samantak Das
Chief Economist and Director
samantak.das@in.knightfrank.com

RETAIL AGENCY

Aditya Sachdeva
Director
aditya.sachdeva@in.knightfrank.com

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RESEARCH

Dr. Samantak Das

Chief Economist and Director – Research
samantak.das@in.knightfrank.com

RESIDENTIAL AGENCY

Mudassir Zaidi

National Director, Residential
mudassir.zaidi@in.knightfrank.com

OFFICE AGENCY

Viral Desai

Director, Occupier Solutions Group
viral.desai@in.knightfrank.com

CAPITAL MARKETS

Rajeev Bairathi

Executive Director & Head,
Capital Markets
rajeev.bairathi@in.knightfrank.com

CITIES

Mumbai (Corporate Office)

Shishir Baijal
Chairman & Managing Director
shishir.baijal@in.knightfrank.com

Bengaluru

Satish BN
Executive Director, South
satish.bn@in.knightfrank.com

Chennai

Kanchana Krishnan
Director, Chennai
kanchana.krishnan@in.knightfrank.com

Hyderabad

Vasudevan Iyer
Director, Hyderabad
Vasudevan.Iyer@in.knightfrank.com

NCR

Rajeev Bairathi
Executive Director – North
rajeev.bairathi@in.knightfrank.com

Pune

Shantanu Mazumder
Director – Pune
shantanu.mazumder@in.knightfrank.com

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