

GURUGRAM

MARKET VIEW REPORT

Q3 2023

The Global Stage: How India's Momentum in Real Estate Echoes Worldwide Dynamics

In the realm of global affairs, India's response to the ongoing Gaza crisis has drawn cautious attention. As the situation in the Middle East simmers, concerns arise about its potential impact on the India – Middle East-European Economic Corridor (IMEEC). This ambitious project, hailed as the 'generation's most ambitious' initiative by the European Commission, aims to weave India into Europe via a multifaceted route cutting through strategic regions.

The IMEEC, announced during the G20, isn't merely an infrastructural endeavour; it's a strategic move in the geopolitics chessboard—a perceived counter to China's Belt and Road Initiative. China's decade-long, trillion-dollar investment narrative through the BRI stands juxtaposed against this emerging corridor that aims to redefine connectivity, supply chains, and geoeconomics.

India's economic canvas, notably the recent IPO frenzy, paints a picture of exuberance. The IPO market saw a surge in activity, witnessing a staggering 230 IPOs hitting the streets since November 2022. The primary market, bolstered by mainboard and SME IPOs, raised substantial capital, reflecting an appetite for investment and growth. Oversubscription ratios further signal the fervour of investors eyeing India's burgeoning market.

Notably, Morgan Stanley's upgraded ratings, predicting India's ascent to the third-largest global economy by 2027, underscore the nation's potential amidst this whirlwind of economic activities.

Simultaneously, the global landscape undergoes seismic shifts in AI governance. From Joe Biden's executive order to the EU's AI Act, the world is awakening to the need for comprehensive AI regulation. Concerns voiced by global leaders, including Rishi Sunak and former CEO Sam Altman, underscore the urgency for international collaboration in navigating AI's multifaceted challenges, from deepfakes to cybersecurity threats.



Amidst these global tides, India's real estate narrative echoes a different story. While the West grapples with vacancies and the fallout of WeWork's bankruptcy, India's real estate market emerges as a beacon of resilience.

The WeWork bankruptcy, is a stark reminder of the challenges facing traditional coworking spaces in a post-pandemic world. With over 600 locations in major cities, WeWork's demise has left a significant glut of empty offices, particularly in the United States.

The US, in particular, is facing a glut of empty offices. More than one-fifth of offices across the country remain vacant, a staggering 1.5 times the amount at the end of 2019. This excess supply is projected to reach a staggering 1 billion square feet by the end of this decade, a figure that dwarfs the entire office footprint of India.

This oversupply of office space is putting immense pressure on commercial real estate lenders, who face the prospect of a surge in defaults. Around \$270 billion in commercial real estate loans held by banks came due in 2023, adding to the vacancy pain.

In contrast to the US, India's office real estate market is a bright spot. India is emerging as the "office to the world". The disparity between the US and India's office real estate markets highlights the divergent trajectories of the global workplace. While the US is grappling with oversupply and defaults, India is experiencing a surge in demand, fueled by a growing economy and a burgeoning workforce.

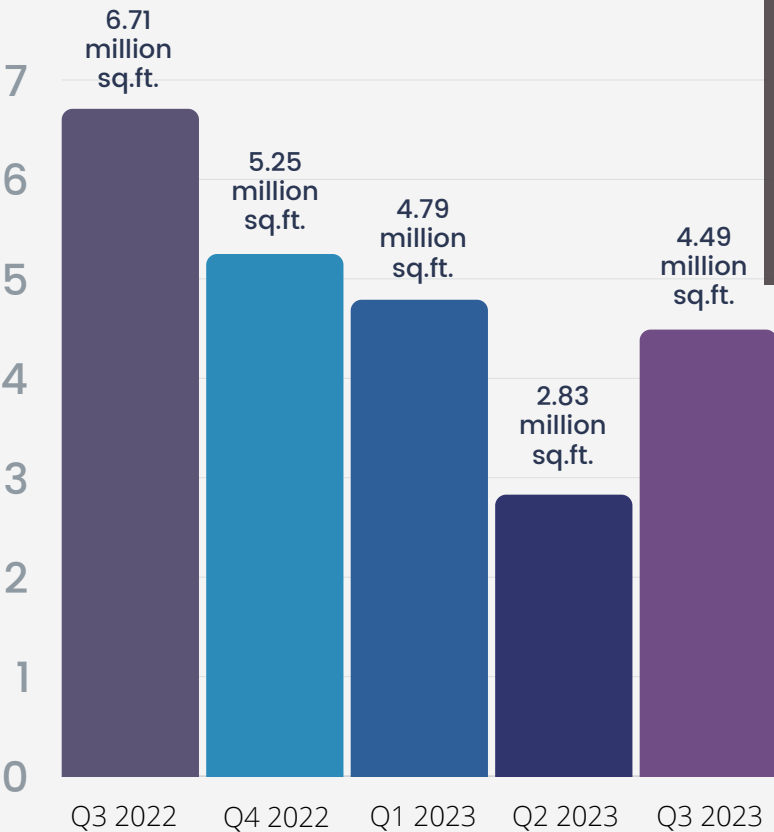
DECODING GROSS LEASING ACTIVITY

Q3 2023



The Gross leasing volume figures (across office, retail & industrial stock) stands at 4.49 million sq.ft. for Gurugram

This translates to an overall growth of 59% over Q2 2023 for Gurugram



Gurugram witnesses a robust upswing in Gross Leasing Volume following four consecutive quarters of decline

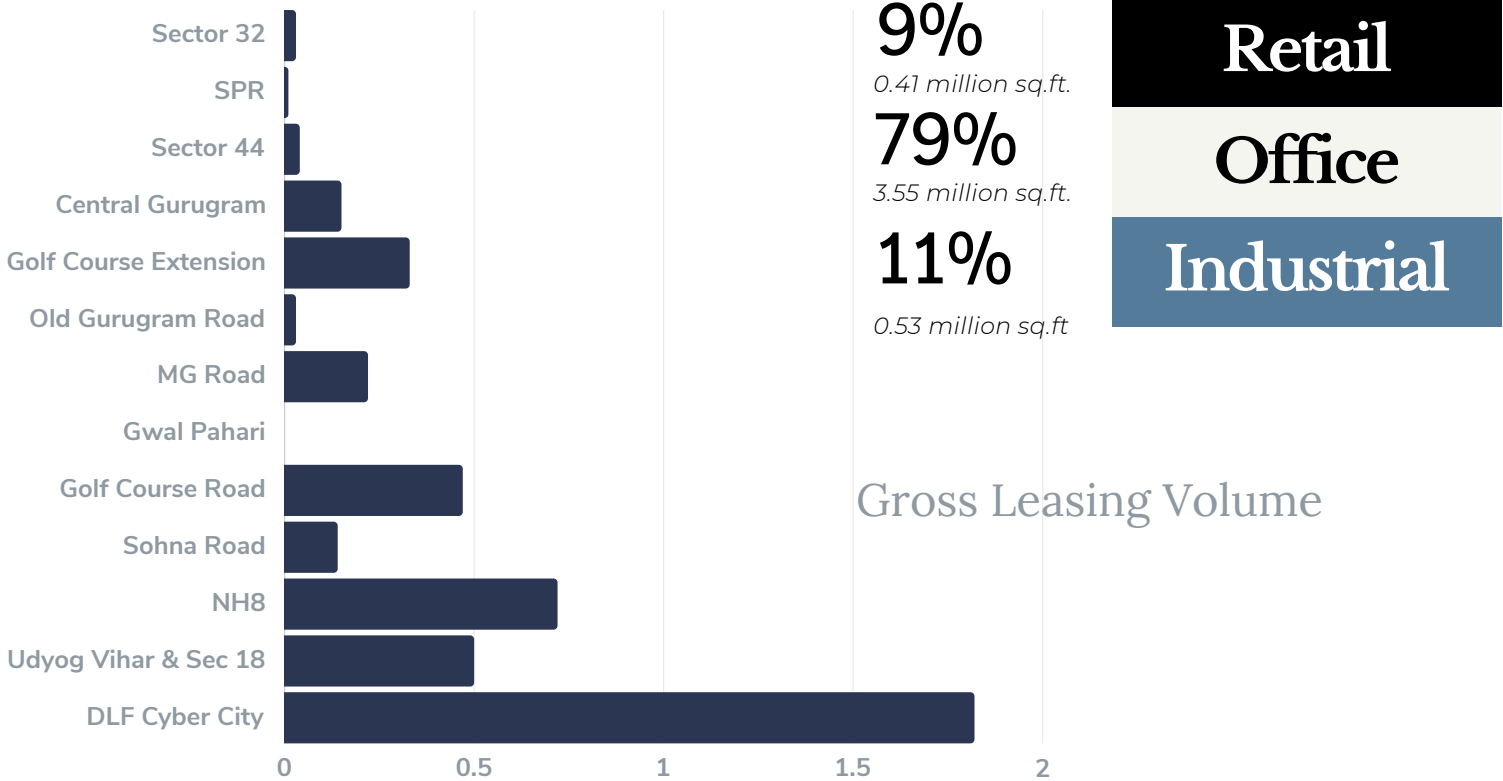


DISTRIBUTION OF TRANSACTION SIZE

76% Share of Pie by Volume - Transactions done within Q3 2023 with area size 10,000+ sq.ft. or more

01 Gurugram Q3 2023 figures

Drilldown - Total Leasing Volume - 4.49 million sq.ft.



OFFICE

Occupancy & Vacancy Trends



Buildings located in Sectors 27,39,41,43,45,47, 49,50,51,52 & 57

■ Vacant
 ■ Occupied

The decline in DLF Cyber City's vacancy rate to below 10% signifies a notable shift in the Gurugram commercial real estate landscape. The surge in gross leasing activity, particularly evident in prime micromarkets such as DLF Cyber City, National Highway 8, and Golf Course Road, indicates a marked increase in occupier interest. This trend emphasizes a clear preference for superior-quality and strategically located real estate, indicating a departure from a price-driven decision-making approach. Additionally, the pre-commitment of a dozen occupiers to DLF Downtown 4, despite its ongoing construction, reflects a level of preleasing akin to pre-COVID-19 levels, underscoring a renewed confidence among tenants in the evolving market landscape

Flex is the buzz real?

Over 850,000 sq.ft. of flex space on Golf Course Road alone

The sentiment on flex & managed office space in India is overwhelmingly positive. This is reflected in the fact that the share of flex space in the overall office market is increasing. In 2023, flex space accounted for 10% of the total office space in India, and this is expected to rise to 20% by 2028. The positive sentiment on flex, managed office space is also reflected in the fact that there is a lot of investment in the sector. A number of new flex space providers have entered the market in recent years, and there has been a significant increase in funding for flex space companies.

Gurugram emerges as a focal point in this flex movement, witnessing a flurry of activity from established and emerging players. Examples abound, such as **Smartworks** securing over 250,000 sq.ft in prime locations like Golf View Towers and DLF Cyber City, capitalizing on & pre-leasing spaces vacated by industry giants like EY and Reliance Jio.

Notably, key players like **The Executive Centre** and **Simpliwork** are expanding their portfolios, with significant additions in spaces such as Horizon Centre and DLF Cyber City. Meanwhile, **MQDC** and **91Springboard** are transcending micro-market boundaries, adding 40,000 sq.ft centers on Golf Course Road and DLF Cyber City, respectively. Additionally, smaller managed space solutions are gaining prominence, evident in **Realsta's** provision of a 3,238 sq.ft space at Vatika Triangle for Visit Health, complementing their non-flex space in Noida.

This trend signifies a substantial shift in occupier preferences towards adaptable flex solutions, indicating a trajectory likely to continue its upward ascent.

02 Key Transactions

Gurugram | Q3 2023



MQDC Whizdom Club

Tapasya One (40,348 sq.ft.)

Also Energy

Building No 10B (41,811 sq.ft.)

LEK Consulting

Cyber Greens - Block C (21,383 sq.ft.)

Bank of America

Building No 7B (80,310 sq.ft.)

Smartworks

Golf View Towers (144,626 sq.ft.)

Maersk

Building No 5C (36,871 sq.ft.)

IBRS IT Advisory

Plot No 867, Udyog Vihar V (25,831 sq.ft.)

Air India

Vatika One on One (180,750 sq.ft.)

Key Office Takeups

Key Transactions

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Croma

JMD Suburbio II (8,405 sq.ft.)

Downtown

Suncity Business Tower (7,110 sq.ft.)

Cosy Box

One Horizon Centre (11,276 sq.ft.)

Kozeba

M3M IFC (6,907 sq.ft.)

Haldiram's

Reach Airia (6,124 sq.ft.)

Studio XO

AIPL Joy Central (13,160 sq.ft.)

FTV Bar & Lounge

Global Foyer (11,066 sq.ft.)

Unico

Global Foyer (8,146 sq.ft.)

Key Retail Takeups

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