

NOIDA

MARKET VIEW REPORT

Q4 2023

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Resilient India and Unfolding US Real Estate Crisis: Navigating Global Economic Tides

In the current global economic landscape characterized by uncertainties and challenges, India stands out as a beacon of relative resilience and optimism. Despite facing the headwinds of a worldwide slowdown, projections from the International Monetary Fund (IMF) indicate that India's economy is poised to grow at a robust rate of 6.5% in 2024. This projection not only surpasses estimates for major economies but also solidifies India's position as one of the fastest-growing large economies worldwide.

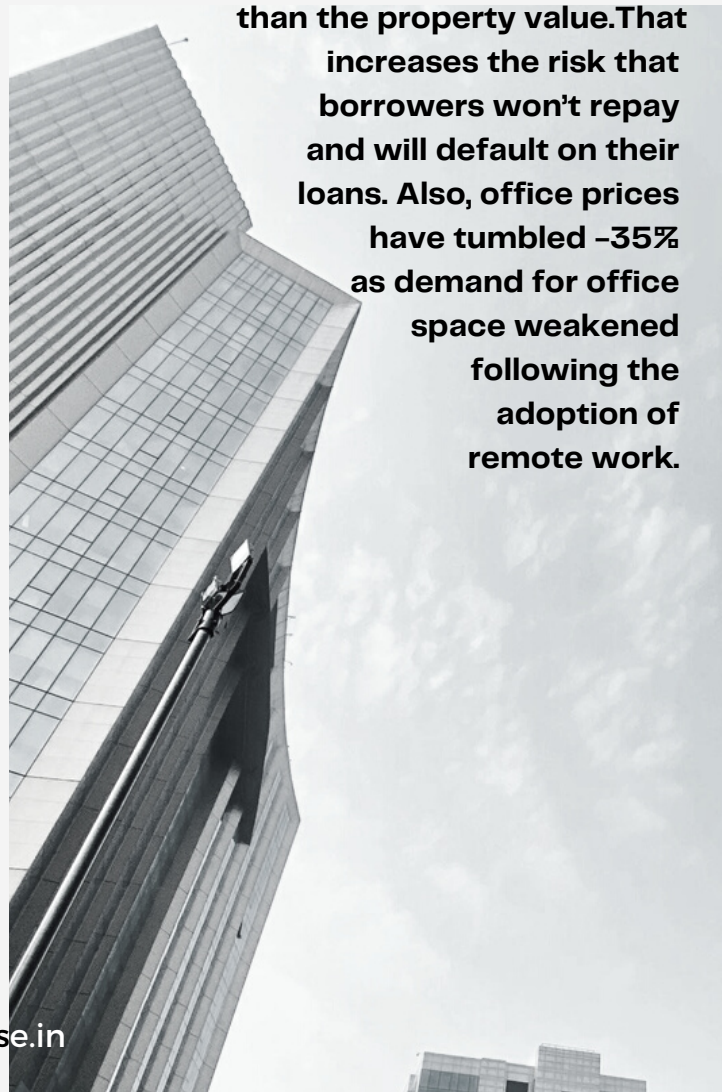
Several recent developments further bolster this positive outlook for India. The surge in the Sensex, India's key stock market index, surpassing the 63,000 mark in February 2024, reflects a growing investor confidence in the Indian economy. Additionally, India's Information Technology (IT) exports have reached a record high of ₹19.7 lakh crore (USD 246.25 billion) in FY23, underscoring the sustained global demand for Indian IT services and expertise.

Furthermore, India's demographic dividend, characterized by its youthful population with

a median age of 28.4 years, presents a significant opportunity for economic growth. By 2030, India's working-age population is projected to reach 950 million, offering a vast pool of skilled labor that can potentially fuel further economic expansion and development.

Amidst the prevailing optimism, it's crucial to recognize and delve into the unfolding commercial real estate crisis in the United States, particularly considering its close ties to the trajectory of Indian commercial real estate growth, where overseas markets serve as a pivotal source of funding.

According to the NBER report, about 14% of all commercial real estate loans and 44% of loans on office buildings appear to be in a negative equity position, meaning the debt is greater than the property value. That increases the risk that borrowers won't repay and will default on their loans. Also, office prices have tumbled -35% as demand for office space weakened following the adoption of remote work.



Key Indicators of Turbulence

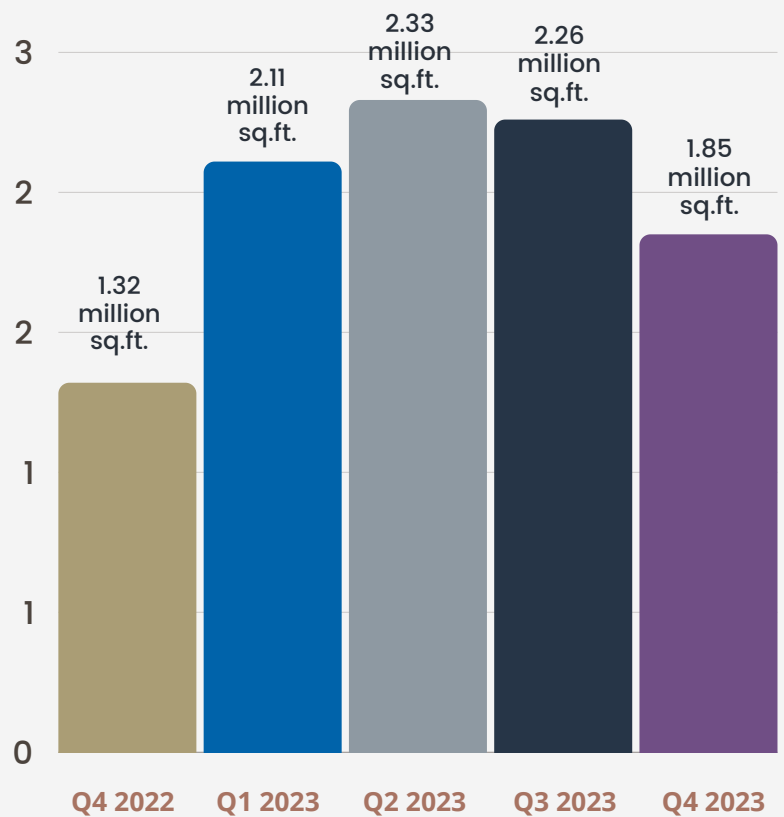
- **Vacancy Rates:** Office vacancy rates in major US cities have soared in recent years. According to CBRE data, the national office vacancy rate reached 17.4% in Q4 2023, a historic high. Retail vacancy rates have also increased, reflecting the ongoing shift towards e-commerce.
- **Declining Property Values:** The Green Street Commercial Property Price Index indicates a decline of over 20% in commercial property values since the Federal Reserve began raising interest rates in 2022. This decline represents a significant erosion of wealth for CRE investors.
- **Loan Delinquencies:** Rising interest rates have increased debt servicing costs for CRE borrowers. Delinquencies on commercial real estate loans are rising, particularly for properties like office buildings and retail centers, signaling increasing financial distress.
- **Bank Exposure:** US banks hold approximately \$2.7 trillion in commercial real estate loans. Increased delinquencies and declining collateral values could expose banks to significant losses, potentially exacerbating the crisis. According to a report from Trepp, banks are facing roughly \$560 billion in commercial real estate maturities by the end of 2025. According to JPMorgan Chase, commercial real estate loans account for 28.7% of assets at small banks, compared with just 6.5% at bigger banks.

Looking ahead, the future of the US commercial real estate market remains uncertain. Innovations such as office-to-residential conversions and the repurposing of vacant retail spaces may be essential for long-term viability and resilience in navigating the evolving landscape of commercial real estate amidst the current crisis.

Decoding Gross Leasing Activity

The Gross leasing volume figures (encompassing office, retail & industrial stock) stands at 1.85 million sq.ft. for Noida in Q4 2023.

In comparison to Q3 2023, the gross leasing volume dipped by ~ 18%.



Following three consecutive quarters of robust performance, the final quarter of 2023 witnessed a notable downturn in gross leasing activity within Noida's real estate market. This decline becomes more apparent when excluding the two largest transactions: Smartworks' acquisition of 326,162 sqft of space and NDTV's commitment to 127,864 sqft at Max Square, bringing the Q4-2023 figures in line with those of Q4-2022. This shift prompts a closer examination of the market dynamics at play, highlighting the significance of understanding both short-term fluctuations and broader trends



01 NOIDA Q4-2023 FIGURES

Drilldown - Total Leasing Volume
~ 1.85 million sq.ft.

Zone of focus for this study of Noida is limited to Sector 16A (Film City), Sector 16B, Sector 62 & Noida Expressway (Sectors 98, 125, 126, 127, 129, 132, 135, 136, 142, 144A)

4%
0.08 million sq.ft.

96%
1.77 million sq.ft.

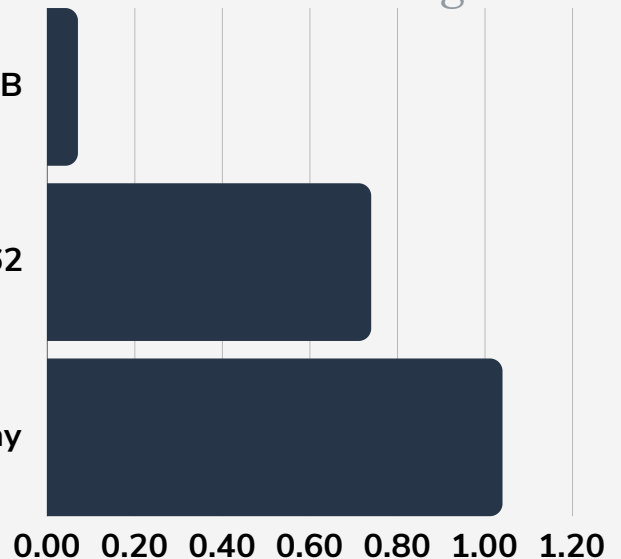
Retail
Office

Gross Leasing Volume

Film City & Sec 16B

Sector 62

Noida expressway



Occupancy & Vacancy View

KEY MICROMARKETS | NOIDA



84%

4.2 million sq.ft. - Occupied

Film City & Sector 16



64%

18.5 million sq.ft. - Occupied

Noida Expressway



80%

12.2 million sq.ft. - Occupied

Sector 62

In Q4-2023, once again, **Noida Expressway** emerged as the predominant zone in terms of gross leasing activity across Noida. **Notably, it is observed that merely 7 complexes within Noida Expressway contributed to an impressive 87% share of the total gross leasing activity in this micro-market.** While the established complexes such as Oxygen Business Park, Tech Boulevard, and Windsor IT Park, with approximately 600,000 sq. ft., continued to attract tenants due to their longstanding client relationships, the remaining traction was garnered by newer developments including Max Square, Windsor Grand, BPTP Capital City, and Skymark One, totaling around 300,000 sq. ft.

02 Key Transactions

Noida | Q4 2023



Smartworks

Logix Cyber Park (326,162 sq.ft.)

Arietis Healthcare

Knowledge Boulevard (22,500 sq.ft.)

Startek

Plot No C24, Sector 62 (65,000 sq.ft.)

NDTV

Max Square (127,864 sq.ft.)

ZS Associates

BPTP Capital City (46,396 sq.ft.)

Air Liquide

Windsor IT Park (17,000 sq.ft.)

Propelor

Plot No 8, Sector 127 (18,500 sq.ft.)

LTIMindtree

Candor, Sector 62 (86,778 sq.ft.)



Key Office Takeups

Key Transactions

Noida | Q4 2023



AI Generated Image

Haldirams

Binge Central (9,203 sq.ft.)

Xero Degrees

Advant Uptown (1,991 sq.ft.)

Anardana

Max Square (4,002 sq.ft.)

McDonalds

DLF Mall of India (4,740 sq.ft.)

Bruncheese

Max Square (1,800 sq.ft.)

Khubani

Skymark One (37,853 sq.ft.)

Bikanervala

Urbtech NPX (11,800 sq.ft.)

Toyota Showroom

Berger Tower (3,200 sq.ft.)

Key Retail Takeups

ABOUT FIRSTLEASE

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www.firstlease.in
+91 97 7388 0555

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