

Top Indian cities witness growth in Prime Office Rental; Connaught Place is the 4th most expensive office market in Asia Pacific: Knight Frank Survey

Bengaluru sees highest year-on-year growth in India

Mumbai and Delhi also witness an upward swing

May 29, 2019, Mumbai – Knight Frank, an independent global property consultancy, has launched its **Asia-Pacific Prime Office Rental Index for Q1 2019** - that tracks prime office rental movement across key markets of Asia. The index recorded a decline of 0.4% quarter-on-quarter in Q1 2019, though it remains up 6.2% year-on-year basis. Index decline was attributed to continued heightened global uncertainties led by US-China trade tension re-escalation, Brexit and various major elections across the region.

However, bucking the trend and despite the recently concluded elections, Indian cities like Bengaluru, Mumbai and the National Capital Region (NCR) see a promising growth with a stable to increase in Prime Office Rental forecast. In terms of year-on-year growth, prime office rentals in Bengaluru, Mumbai and Delhi rose positively by 17%, 5% and 1.4% respectively, with gross effective rents in the markets standing at USD 31.2 /sq.m/month, USD 75.1/sq.m/month and USD 82.5/sq.m/month.

Indian office rents were mostly flat in Q1 with Bengaluru and Mumbai following a strong 2018 performance stemming from chronic undersupply in both markets, solid demand from IT/ITeS tenants in Bengaluru and aggressive co-working expansions in Mumbai. Delhi saw a 1.4% quarter-on-quarter rise in rents, the first growth registered in over 12 months on the back of increasing co-working space demand.

KEY FINDINGS

- Of the 20 Asian cities tracked by the index, 15 recorded either stable or increased rents; two less than the 17 reported in the previous quarter.
- **New Delhi's Connaught Place** recorded gross effective rents of USD 82.5 /sq.m/month which stacked up as the **fourth most expensive office location in Asia Pacific** behind Hong Kong, Tokyo and Singapore. Mumbai BKC with effective rents of USD 75.1 /sq.m/ month was the seventh most expensive office location.
- In terms of year-on-year growth, prime office rentals in Bengaluru and Mumbai grew positively by 17% and 5%, with gross effective rents in the markets standing at USD 31.2/sq.m/month and USD 75.1/sq.m/month.
- NCR Prime Office space denoted by Connaught Place saw a 1.4% quarter-on-quarter rise in rents. The office rental for the prime market currently stands at USD 82.5/sq.m/month, making it the 4th most expensive office market in Asia.

- Prime office rental forecasted to increase in **Bengaluru** and **Mumbai**. **NCR** set to maintain the current market tone

INDIA PRIME OFFICE RENTAL

| City | Submarket | Q1 2018 | Q4 2018 | Q1 2019 | % change (Q-o-Q) | % change (y-o-y) |
|--|-----------------|---------|---------|---------|---------------------|---------------------|
| Rental Values (INR / Sq.ft / Month) | | | | | | |
| Bengaluru | CBD | 107 | 125 | 125 | 0% | 17% |
| Mumbai | BKC | 286 | 300 | 300 | 0% | 5% |
| New Delhi | Connaught Place | 326 | 326 | 330 | 1.4% | 1.4% |

“The office space demand witnessed record growth in 2018 with over 47 million square feet (msf) of leasing, while new office space supply rose by 13% in the same period. Prime office markets are already operating with very low vacancy which is slowing down new transactions. Strong demand trends have put upwards pressure on rentals, especially in prime markets, a trend that is expected to continue,” said **Shishir Baijal, Chairman & Managing Director, Knight Frank India**.

ASIA-PACIFIC PRIME OFFICE RENTS

| City | Submarket(s) | 12 months % change (Q1 2018 – Q1 2019) | 3-month % change (Q4 2018 – Q1 2019) | Forecast next 12 months |
|-----------|--------------------|--|--|----------------------------|
| Brisbane | CBD | 2.9% | 0.3% | Increase |
| Melbourne | CBD | 17.1% | 2.8% | Increase |
| Perth | CBD | 0.7% | 0.0% | Increase |
| Sydney | CBD | 8.3% | 1.1% | Increase |
| Tokyo* | Central 5 Wards | 10.6% | -1.9% | Same |
| Beijing | Various | -1.1% | -1.4% | Decrease |
| Guangzhou | CBD | 2.5% | 0.0% | Same |
| Shanghai | Puxi, Pudong | -1.0% | -2.1% | Decrease |

| | | | | |
|--------------|---------------------------|--------|-------|----------|
| Hong Kong | Central | 3.2% | -1.6% | Decrease |
| Taipei | Downtown | 1.8% | 1.0% | Increase |
| Seoul | CBD, GBD, YBD | -0.2% | 0.2% | Same |
| Bengaluru | CBD | 17.0% | 0.0% | Increase |
| Mumbai | BKC | 5.0% | 0.1% | Increase |
| NCR | Connaught Place | 1.4% | 1.4% | Same |
| Phnom Penh | City Centre | 0.6% | 0.5% | Same |
| Jakarta | CBD | -16.0% | 0.0% | Same |
| Kuala Lumpur | City Centre | -1.4% | -0.3% | Decrease |
| Singapore | Raffles Place, Marina Bay | 23.7% | 1.5% | Increase |
| Bangkok | CBD | 11.6% | 6.1% | Increase |
| Manila | Various | 9.4% | 3.5% | Decrease |

Source: Knight Frank Research / *Sanko Estate

The Report also highlights that 9 Asia Pacific markets are set to witness an increase in prime office rental while 6 markets are likely to stay stable.

END

About Knight Frank

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 18,170 people operating from over 523 offices across 60 markets. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.

In India, Knight Frank is headquartered in Mumbai and has more than 1,000 experts across Bangalore, Delhi, Pune, Hyderabad, Chennai, Kolkata and Ahmedabad. Backed by strong research and analytics, our experts offer a comprehensive range of real estate services across advisory, valuation and consulting, transactions (residential, commercial, retail, hospitality, land & capitals), facilities management and project management. For more information, visit www.knightfrank.co.in

For further information, please contact:

Piyali Dasgupta (Knight Frank India)

Urvi Bhanushali (White Marquee Solutions)

+91 9833571204

piyali.dasgupta@in.knightfrank.com

+ 91 9879791928

urvi@whitemarquesolutions.com