Research

India Real Estate

Residential and Office - July - December 2020

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Foreword

Shishir Baijal
Chairman and Managing Director

The year 2020 had reflections of both COVID-19 pandemic associated disturbances in the beginning as well as resurgence of pent-up demand in the later part of the year. A lot happened during the year, which was hitherto unprecedented and that changed the natural course of business uniquely impacting the way real estate sector moved in 2020. The first half of the year witnessed a complete standstill of activities due to the forced lockdown starting March 2020, followed by encouraging government and central bank interventions at rapid intervals and tryst of the medical fraternity for vaccine development, which holds the potential to bring stability.

As we embark upon 2021, market developments in the last few months have enthused strong hope among market stakeholders. With gradual unlocking of cities in Q3 2020, office occupiers and homebuyers alike reactivated their property consumption plans. Further, in Q4 2020, as demand returned conclusively, the period recorded performance that far exceeded those achieved in the previous quarters of the year. Resumption of business activities and improvement in sentiments with news of potential vaccines, ensured that office transaction volume for the top 8 cities grew by a massive 271% QoQ in Q4 2020 and reached an impressive 115% of the pre-COVID-19 level (2019 quarterly average).

This performance underscores both the latent demand in the Indian markets and the potential impact of a timely and meaningful push by the government and central bank in a pandemic period. The Indian office market also benefitted by the resilience of its key occupier group – the Information Technology sector. Encouraged by the flexibility offered by landlords, occupiers conclusively made a comeback. Besides, large occupiers, confident about their long-term plans, have made forward commitment for office spaces still under construction.

Similarly, in case of the residential sector, a significant amount of latent demand came to market during the festive season in Q4 2020 and as a result, with 84% QoQ jump, housing sales reached an exact 100% of the pre-COVID-19 level. In case of the residential market, latent demand was rekindled by a multi-decade low home loan interest rate and flexible price and payment terms offered by developers. These two catalysts ensured that the consumers enjoyed the best house purchase affordability in a decade. A greater need for home ownership was seen as people spent more time indoors on account of restricted mobility during the pandemic. This translated into strong demand for bigger and better houses. The strongest movement in demand was seen in Mumbai and Pune markets, due to a limited-period 300 basis point cut in stamp duty rate by the Maharashtra state government. We believe more stimulus measures like this are the need of the hour for other markets too to reinvigorate the country's housing market to its true potential.

With the vaccine development and easing of COVID-19 fear, there is a lot to look forward to in the Indian market and we expect 2021 to pan out better than the preceding one, both for the economy and real estate sector, with cautious optimism and a heightened level of preparedness for socio-economic challenges, as faced in 2020. The fundamental changes to the business milieu brought about by the experiences of the pandemic will define the course of growth of our economy and the sector.

With wishes of a safe and healthy new year, we present to you this **14th edition** of our flagship half-yearly report **'India Real Estate'**. The report captures key developments and themes for the residential and office markets of the top 8 cities[1] in the country. With our persistent effort to provide you a comprehensive market analysis, I hope you will find this report version too an insightful and encouraging connect with the Indian market.

[1]Ahmedabad, Bengaluru, Chennai, Delhi – NCR, Hyderabad, Kolkata, Mumbai, Pune,

Contents

2021: A year of cautious optimism

Rajani Sinha
Chief Economist & National Director - Research

With the COVID infection rate in India reducing and cities unlocking in phases, the Indian economy is on its path to recovery. After slumping by a sharp 24% in April-June 2020, the GDP contraction was relatively muted at 7% in July-September 2020. Most economic parameters are now inching closer to the pre-COVID levels and some indicators have also started recording growth compared to the previous year. Index of Industrial Production recorded a strong growth of 3.6% in October 2020 (eight month high), while PMI (Purchasing Managers Index) for both Manufacturing and Services have entered the positive zone indicating an expansion in the economy. Some of the other economic indicators like railway freight, petroleum consumption, GST collection, e-way bills collection, auto sales, cement production have also seen a rebound in the last few months, reflective of the pick-up of growth momentum in the economy. With the economy moving towards normalcy, the displaced labour has started getting re-absorbed, helping to improve the employment scenario. As per CMIE, the monthly unemployment rate in India has dropped to 6.5%

for November 2020, lower than the pre-COVID level of around 7%. Business sentiments have also started improving as reflected in the latest Industrial Outlook survey conducted by RBI.

Supportive measures from RBI and the Government have aided the economic revival. RBI has cut policy interest rates, while announcing various other measures for liquidity infusion, one-time loan restricting and targeted supportive measures for NBFCs, MSMEs, real estate sector and other stressed sectors. The government has also come up with measures to aid demand revival, support stressed sectors, generate employment opportunities, while also increasing budgetary allocation for capital expenditure. Additionally, the government has announced measures to boost the manufacturing sector and attract higher FDI, while introducing some long-pending reform measures for the labour and agriculture sector. Structural reforms were announced for sectors like coal mining, power distribution, atomic energy, defense and aviation. These structural reforms will have a positive impact in the medium to long-run.

In the midst of all this turbulence and uncertainty, India has recorded healthy capital inflows. FDI inflows during April-September 2020 was at a high of USD 40 billion, 11% higher than the corresponding period of previous year. FII inflows during the fiscal year so far (till 28th December 2020) has been USD 27.5 billion compared to an outflow of USD 3 billion during the previous fiscal year. Strong capital inflows have helped push India's forex reserves to a high of ~ USD 580 billion. This is a comforting factor in the current times of volatility and uncertainty.

In order to support growth, the RBI has cut repo rate by 115 bps in 2020. However, a further cut in policy interest rate in the near-term is unlikely given the inflationary pressure in the economy. Even with weak demand, CPI inflation in the economy has remained above RBI's comfort zone (2%-6%) for the last 11 months. While the inflationary pressure was initially due to supply side bottlenecks and mainly in food inflation, core inflation also inched up in the last few months. With supply bottlenecks easing and Kharif harvest coming into the market, RBI expects inflation to ease to sub-6% in Q4 FY21.

Further meaningful fiscal stimulus looks difficult given the pressure on Government's finances. The government's Gross tax revenue collection has fallen by a sharp 17% in April-October 2020. Non-tax revenue collection was also adversely impacted by the pandemic. The Centre's fiscal deficit is likely to surge to a high of around 7% in FY21 against the budgeted target of 3.5%, given the slump in revenue collection due to the slowdown in economy.

We have started seeing substantial rebound in economic parameters specifically in Q3 FY21. A lot of this demand revival was supported by the pent-up demand and festive demand. Some high frequency economic indicators for November 2020 are showing signs of moderation. Hence, the critical question is how much of this growth momentum will be sustained in 2021. As the economy moves further towards normalcy and people get more confident of their future income stream, consumption in the economy should improve, resulting in an improvement in capacity utilization and subsequent pick-up in private investment demand. The availability of COVID vaccine in 2021 should provide a further impetus to sentiments and economic growth. RBI has projected India's GDP growth to move to positive territory in the third and fourth quarters of FY21, while projecting a GDP contraction of 7.5% for the full fiscal year. With the low base of FY21, GDP growth is projected to jump up to around 9% in FY22.

2020 was an unprecedented year that saw huge demand destruction, instability and uncertainties due to the COVID pandemic. We are beginning 2021 with lingering uncertainties around the pandemic. Going by the experience of some of the other countries, there is a threat of further waves of COVID infection. However, with the infection rate in India reducing and the vaccine around the corner, the worst seems to be behind us. 2021 will be a year of cautious optimism and rebound in business and economic activities.

INDIA

RESIDENTIAL AND **OFFICE** MARKET

India Residential Market

INDIA MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	146,628	-34%	86,139	-23%	55,033	77%
Sales (housing units)	154,434	-37%	94,997	-19%	61,593	84%
Unsold inventory (housing units)*	437,920	-2%	-	-	-	-
Quarters to sell*	10.1	-	-	-	-	-
Age of unsold inventory (in quarters)*	16.7	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*
Unsold inventory, QTS and Age of Inventory are end of period parameters and the same for 2020, H2 2020 and Q4 2020.
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	49,905	9,632	33,403	61,593
Sales as % of 2019 Quarterly average	81%	16%	54%	100%
Launches (housing units)	54,905	5,584	31,106	55,033
Launches as % of 2019 Quarterly average	98%	10%	56%	99%

Source: Knight Frank Research

- At the end of 2019, the residential market was already battling lacklustre sales, stagnating prices, falling investor demand and large unsold inventories across markets. With the RBI having tightened lending norms to the real estate sector and customer advances being prohibited by RERA, NBFCs had become a major source of funding for real estate developers over the course of this decade. However, the NBFC crisis at the end of 2018 left the industry with very few options, as investor demand had reduced dramatically in the past few years and the stagnating prices afforded potential homebuyers an opportunity to delay their decision while hunting for better bargains.

- While developers were grappling with the liquidity crisis and slack demand scenario, they had also been increasingly aligning themselves to the needs of homebuyers by reducing ticket-sizes and unit-sizes in a bid to encourage sales. This market aligned strategy coupled with a much more transparent regulatory environment effected by the RERA authority had prevented homebuyer sentiments from declining and led to a steadying, if not an increase, in sales numbers, since H1 2018.

- Just as it seemed like the residential market was finding its footing, the COVID-19 pandemic nearly stalled the market by the end of H1 2020 and the subsequent economic fallout was expected to keep the market similarly subdued for the rest of the year. However, contrary to majority sentiment at the time, the market has in fact clawed its way back from the lows seen in Q2 2020. Sales volumes during Q2 2020 had plummeted to just 16% of the average quarterly sales observed in 2019. This number saw a steep recovery to 54% during Q3 2020 and reached exactly 100% of the pre-COVID-19 level (2019 quarterly average) in Q4 2020.

- The resumption of economic activity, reducing likelihood of further stringent lockdowns and the increasing chances of the availability of a viable vaccine in 2021 allayed some of the fears associated with the pandemic. Developers also pursued aggressive sales strategies by being extremely flexible on prices and payment terms by allowing refundable deposits (on booking) and facilitating homebuyer financing to tide over the ongoing crisis. There was a significant amount of latent demand that came to market during the festive season in Q4 2020 and in fact exceeded even the sales volumes seen in Q4 2019 by 5%. The six-month moratorium on term loans till the end of August 2020 and a similar extension on RERA completion dates for all registered projects, also helped alleviate some of the pressure on developers and help them focus on sales.

- Sales momentum has been particularly strong in the Mumbai and Pune markets, where sales in Q4 2020 exceeded their 2019 quarterly average by a comparatively vast margin of 46% and 47%, respectively. This strength in sales can be attributed to a large extent to a limited-period 300 basis points cut in stamp duty that the Maharashtra state government introduced in Q3 2020.

- Construction activity had also been similarly crippled during Q2 2020 due to the lockdown and the sheer exodus of construction workers from the cities to their hometowns. However, workers started returning to the cities from Q3 2020 as construction sites were allowed to resume operations. As a result, new supply volumes also experienced a similar trajectory as sales with new launch volumes in Q4 2020, finishing just shy of 2019 average quarterly volumes at 99%.

- The COVID-19 pandemic has brought about a fresh appreciation for the need for more personal space. The pandemic forced employees to work from home during the lockdown and the practice has continued over the year with varying degrees of flexibility depending on the city of residence and company they worked for. However, the homebuyer's increasing need for the provision of a quiet and ergonomic working environment at home has been a factor observed by developers during H2 2020.

- Buyers were more inclined to look for larger apartments while upgrading from current accommodations. This was increasingly true for first-time buyers as well and this reflected in the fact that apartments priced over INR 5 mn had a larger share of sales at 57% compared to apartments priced under INR 5 mn at 43% during H2 2020.

- Weighted average residential prices have fallen significantly across markets in H2 2020 as developers did their best to push sales. Prices fell the most in Chennai at 9% YoY followed by Pune and NCR at 5% and 4%, respectively. Developers' continued focus on liquidating existing inventory pushed down unsold inventory volumes for the sixth consecutive year to 437,920 units at the end of 2020, down 2% from 2019.

- The year 2020 proved to be a lot more resilient than most stakeholders had expected. Low home loan rates, regulatory interventions such as the further relaxations in RERA completion deadlines and more aggressive measures such as the stamp duty cut by the Maharashtra government will help the market survive and sustain this difficult period. The near-term outlook on sales remains cautiously optimistic, as buyers increasingly hunt for good deals in the backdrop of a slowly stabilising economic environment.

Knight Frank Affordability Index

Affordability has improved over the years across all markets with income growing and housing prices correcting. The Knight Frank Affordability Index, that tracks the EMI (Equated Monthly Instalment) to income ratio for households, fell further in 2020 across all cities. In fact, affordability has improved dramatically since 2015 as the combined impact of slowing price growth and falling interest rates was much greater in this period. Not only have housing prices reduced further in 2020, the home loan interest rate is at a decadal low, aiding housing affordability. For instance, in Ahmedabad, the affordability index has improved to 24% in 2020 from 46% in 2010. This implies that on an average a household in Ahmedabad needs to spend 24% of its income to pay EMI for housing loan. Mumbai remains the most expensive market, but even in Mumbai the affordability has improved by 32 percentage points since 2010. Mumbai is the only market with an EMI to income ratio above 50%, a level beyond which banks rarely underwrite a mortgage. Ahmedabad is India's most affordable market today followed by Pune and Chennai, with affordability ratio at 26% for both the cities. For NCR and Bengaluru, the affordability ratio is at 38% and 28%, respectively in 2020.

AFFORDABILITY MATRIX

EMI to Income Ratio

City	2010	2015	2020
Mumbai	93%	94%	61%
NCR	53%	51%	38%
Bengaluru	48%	48%	28%
Pune	39%	38%	26%
Chennai	51%	43%	26%
Hyderabad	47%	39%	31%
Kolkata	45%	44%	30%
Ahmedabad	46%	36%	24%

Note: City-wide average affordability statistics are useful but they cannot highlight disparities in housing costs within sub-markets or across the income spectrum

Source: Knight Frank Research

Methodology

The Knight Frank Affordability Index indicates the proportion of income that a household requires, to fund the monthly instalment (EMI) of a housing unit in a particular city. So, a Knight Frank Affordability index level of 40% for a city implies that on an average, households in that city need to spend 40% of their income to fund the EMI of housing loan for that unit. An EMI/Income ratio over 50% is considered unaffordable as it is the limit beyond which banks rarely underwrite a mortgage

Assumptions

- EMI, housing unit size and price/ sq ft represent city-level averages.
- EMI:

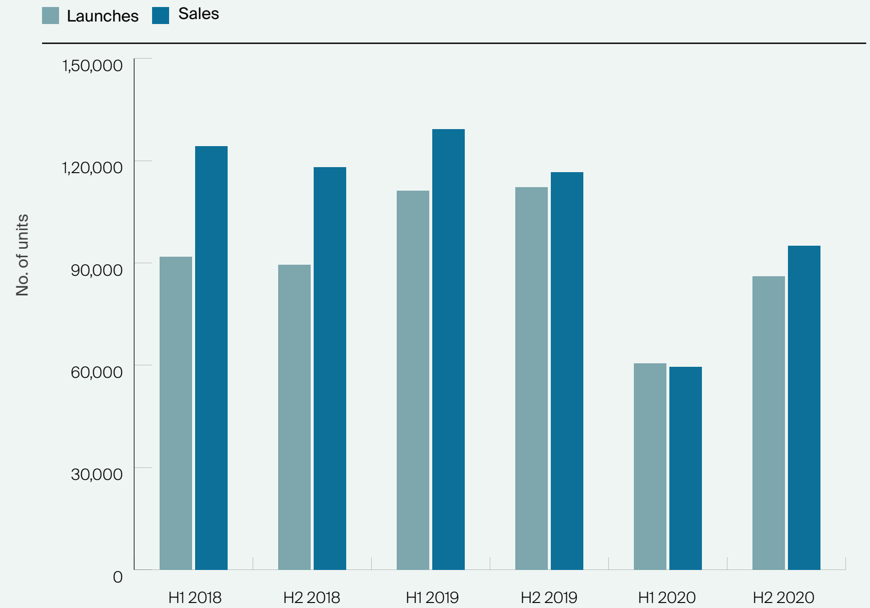
  Loan Tenure – 20 years

  Loan to Value – 80%

  Home loan interest rate - Average home loan rates of the State Bank of India (SBI)
- Area of housing unit: House size is fixed for each city across the years, but varies within different cities taking into account the average size preference for each city.
- Housing Price: Median housing price for that city

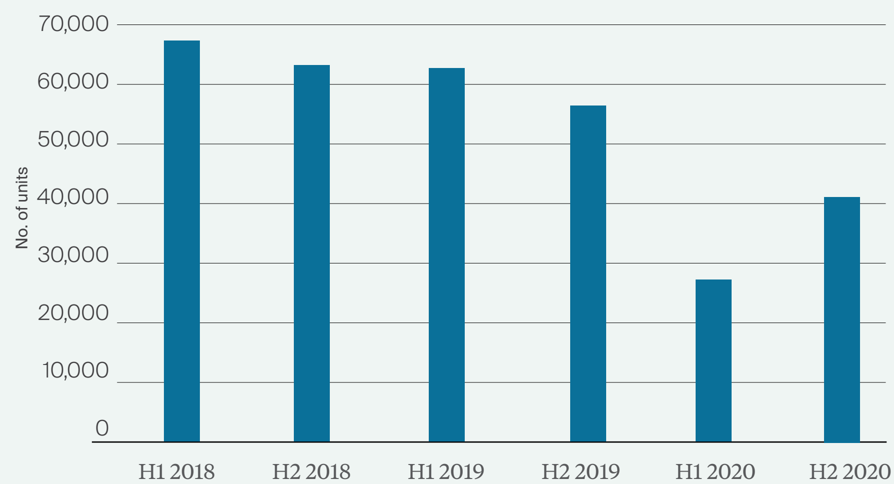
Sales volumes during Q2 2020 had plummeted to just 16% of the average quarterly sales observed in 2019. This number saw a steep recovery to 54% during Q3 2020 and reached exactly 100% of the pre-COVID-19 level (2019 quarterly average) in Q4 2020

INDIA RESIDENTIAL MARKET

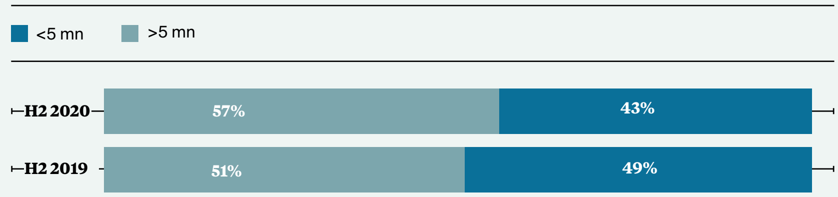


Source: Knight Frank Research

INDIA AFFORDABLE MARKET ACTIVITY (UPTO INR 5 million segment)



TICKET SIZE SPLIT OF SALES



Source: Knight Frank Research

Residential Launches and Sales

Launches (housing units)	Sales (housing units)	% Change (YOY)

NCR

Period	Launches	% Change (YOY)	Sales	% Change (YOY)
H2 2020	8,402	-44%	15,788	-31%
2020	9,824	-57%	21,234	-50%

Ahmedabad

Period	Launches	% Change (YOY)	Sales	% Change (YOY)
H2 2020	4,745	-41%	3,986	-53%
2020	7,372	-36%	6,506	-61%

Kolkata

Period	Launches	% Change (YOY)	Sales	% Change (YOY)
H2 2020	3,290	-35%	5,975	-11%
2020	4,148	-27%	8,912	-21%

Mumbai

Period	Launches	% Change (YOY)	Sales	% Change (YOY)
H2 2020	26,904	-25%	30,042	10%
2020	50,303	-37%	48,688	-20%

Hyderabad

Period	Launches	% Change (YOY)	Sales	% Change (YOY)
H2 2020	8,404	4%	5,260	-34%
2020	12,826	-5%	10,042	-38%

Pune

Period	Launches	% Change (YOY)	Sales	% Change (YOY)
H2 2020	21,557	-7%	16,870	9%
2020	34,992	-22%	26,919	-18%

Chennai

Period	Launches	% Change (YOY)	Sales	% Change (YOY)
H2 2020	3,714	-2%	5,673	-29%
2020	7,234	-37%	8,654	-49%

Bengaluru

Period	Launches	% Change (YOY)	Sales	% Change (YOY)
H2 2020	9,123	-29%	11,402	-43%
2020	19,929	-41%	23,579	-51%

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Unsold Inventory

Unsold inventory (housing units), YoY Change | QTS (in quarters) | Age of inventory (in quarters)

City	Period	Unsold inventory	YoY Change	QTS	Age of inventory
NCR	H2 2020	110,674	-9%	13.8	23.5
Ahmedabad	H2 2020	10,494	9%	3.6	10.1
Kolkata	H2 2020	28,160	-14%	11.2	15.2
Mumbai	H2 2020	146,916	1%	10.7	14.6
Hyderabad	H2 2020	7,180	63%	2.2	11.5
Pune	H2 2020	47,542	20%	6.4	13.5
Chennai	H2 2020	12,190	-10%	3.8	15.5
Bengaluru	H2 2020	74,764	-5%	8.3	15.0

Source: Knight Frank Research
All maps are for representational purpose not to scale

India Office Market

INDIA MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Completions mn sq m(mn sq ft)	3.3 (35.5)	-42%	1.59 (17.2)	-54%	0.93 (10.0)	41%
Transactions mn sq m (mn sq ft)	3.66 (39.4)	-35%	2.06 (22.2)	-33%	1.63 (17.5)	271%
Stock mn sq m (mn sq ft)*	73.5 (791.7)	5%	-	-	-	-
Vacancy (%)*	15.50%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	1.4 (14.6)	0.2 (2.6)	0.4 (4.7)	1.6 (17.5)
Transactions as % of 2019 Quarterly average	96%	17%	31%	115%
New completions mn sq m (mn sq ft)	1.2 (13.2)	0.5 (5.2)	0.7 (7.1)	0.9 (10)
New Completions as % of 2019 Quarterly average	86%	34%	47%	65%

Source: Knight Frank Research

- 2019 was a year of record highs for the Indian office space market as transactions grew at a decade high of 27% and crossed 5.6 mn sq m (60 mn sq ft) during the year. The supply crunch that plagued the market in preceding years had also alleviated, with new completions also growing at a decade high of 61% to exceed annual transactions for the first time since 2013. The Embassy Office Parks REIT, India's first, had listed in April 2019 and delivered 50% returns before the end of the year, underscoring the bullish trend in the office space market. 2019 ended on a cautiously positive note in the backdrop of a slowing economy where the substantial supply expected to come online in subsequent periods was sufficient to satiate growing demand but could put rental growth under pressure.

- However, the near stoppage of business activity across all markets because of COVID-19 during Q2 2020 and its phased resumption in a weak economic environment weighed heavily on occupier demand in 2020. Transactions fell 35% YoY to a six-year low of 3.7 mn sq m (39.4 mn sq ft) in 2020, while new completions dropped 42% YoY.

- However, transactions have gathered momentum toward the end of the year as business activity resumed and sentiments improved with news of at least four potential vaccines inundating popular media. Transaction volume for the eight cities under review grew by a massive 271% Quarter-on-Quarter (QoQ) in Q4 2020 and has reached an impressive 115% of the pre-COVID-19 level (2019 quarterly average).

- Without exception, all markets experienced a resurgence in QoQ transaction volumes during Q4 2020. Among the Information Technology sector dominated markets; Bengaluru, Hyderabad, Pune and Chennai saw an unprecedented spike in QoQ transacted volumes during Q4 2020 at 459%, 640%, 919% and 227%, respectively.

- Of the total transacted volumes of 1.63 mn sq m (17.5 mn sq ft) in Q4, a significant 24% (4.2 mn sq ft) was contributed by pre-commitments to Built-to-Suit and under-construction properties. This shows that with the economy moving toward normalcy, the businesses have re-initiated their expansion plans.

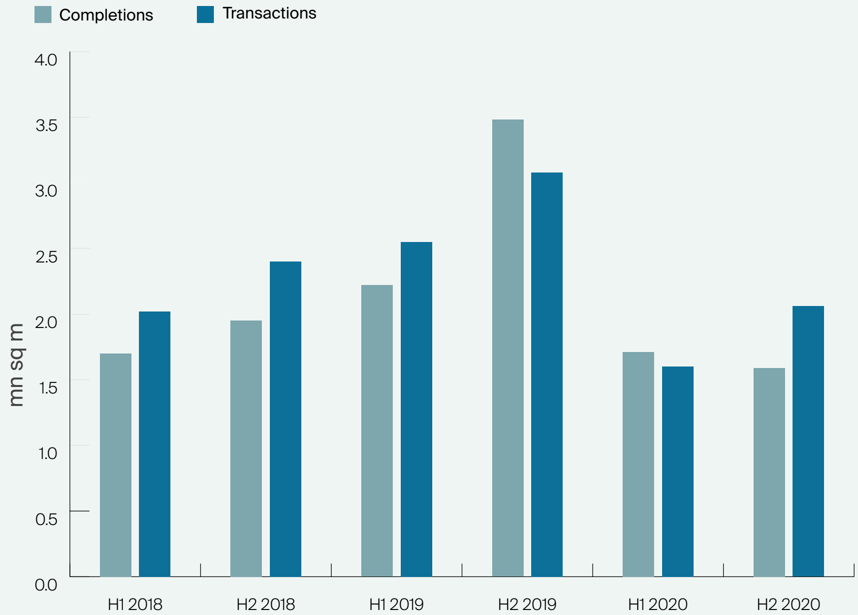
- With transaction volumes growing at 8% YoY, the Bengaluru office market accounted for over a third of the total transactions (Top 8 cities) during H2 2020 and was the only market to register growth on a YoY basis. Large occupiers in Bengaluru have been particularly confident about their long-term plans and have made forward commitments for office spaces still under construction. Almost 33% of the total space transacted in Bengaluru during the period was pre-committed by the likes of global technology giants such as Google and Amazon.

- Even during this pandemic, rents have remained stable in Bengaluru, Chennai and Hyderabad in 2020 (YoY basis). However, rents have declined by approximately 6% YoY in Mumbai and Pune and by 7% YoY in Kolkata. The sectoral share of transactions has remained comparatively intact for the Banking, Financial Services and Insurance (BFSI) and Information Technology sectors during H2 2020. A significant 33% of the area transacted by BFSI sector companies occurred in Hyderabad, while Bengaluru accounted for the highest share of the transactions executed by Information Technology, manufacturing and co-working sector companies at 35%, 39% and 45%, respectively. The transactions claimed by the Other Services sector and co-working companies fell marginally in H2 2020 compared to the previous period.

- The year 2020 saw occupiers adapting to the pandemic induced restrictions by being much more flexible about their need for location, normal work hours and their need for physical interactions. However, with definite visibility of a viable vaccine being made available next year, occupiers have again begun scouting for expansion opportunities, as evidenced by the strong transaction activity in Q4 2020.

- We believe that while the events in 2020 will probably hasten the evolution of the office space into a more flexible and wellness-oriented environment in the long run, it is unlikely that the need for a traditional office space will reduce in the foreseeable future. The intensity of the pandemic and the time required to make its vaccine available to the masses will determine the trajectory of economic growth, as well as office space demand in 2021.

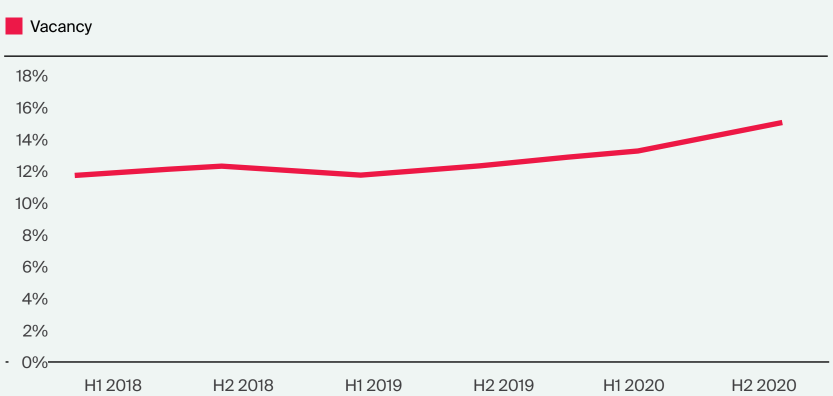
INDIA OFFICE MARKET



Source: Knight Frank Research

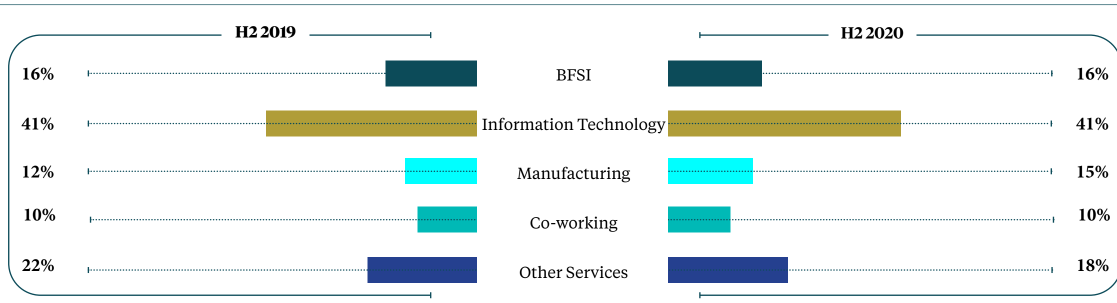
Transaction volume for the eight cities under review grew by a massive 271% Quarter-on-Quarter (QoQ) in Q4 2020 and has reached an impressive 115% of the pre-COVID-19 level (2019 quarterly average).

INDIA OFFICE MARKET VACANCY



Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services
Source: Knight Frank Research

Office Transactions

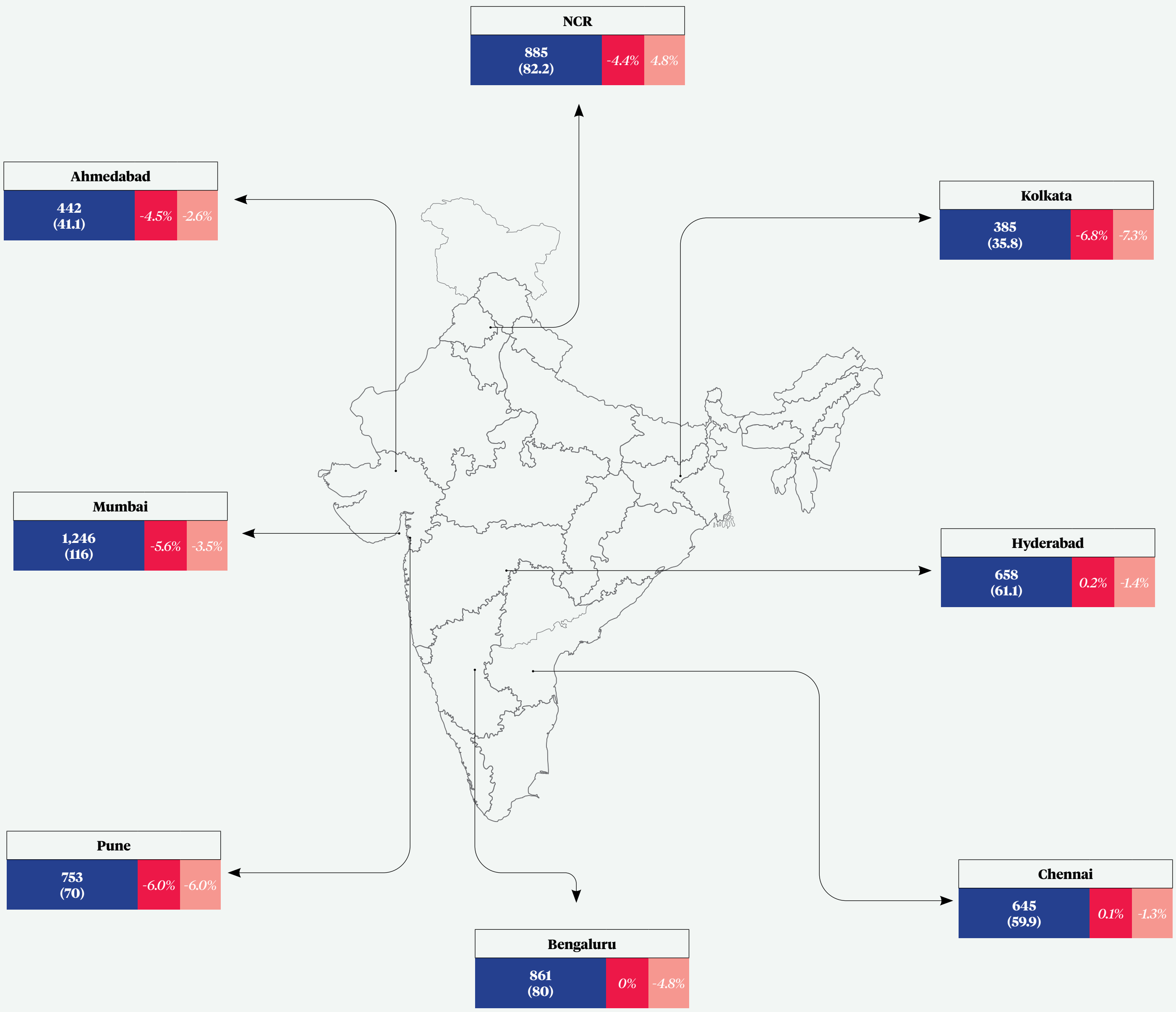
H2 2020 Transactions mn sq m (mn sq ft), YoY Change | 2020 Transactions mn sq m (mn sq ft), YoY Change

City	H2 2020	H2 2020 YoY Change	2020	2020 YoY Change
NCR	0.2 (2.6)	(-46%)	0.4 (4.5)	(-46%)
Ahmedabad	0.1 (0.8)	-15%	0.1 (1.3)	-15%
Kolkata	0.04 (0.4)	-38%	0.1 (0.9)	-32%
Mumbai	0.2 (2.1)	(-58%)	0.6 (6.0)	(-38%)
Hyderabad	0.4 (3.8)	-58%	0.6 (6.0)	-53%
Pune	0.2 (1.7)	-30%	0.3 (3.7)	-40%
Chennai	0.3 (3.2)	-5%	0.4 (4.5)	-13%
Bengaluru	0.7 (7.5)	8%	1.1 (12.3	-19%

Source: Knight Frank Research
All maps are for representational purpose not to scale

Office Rental

Rental value in H2 2020 in INR/sq m/month (INR/sq ft/month) | 12-month change | 6-month change



Source: Knight Frank Research
All maps are for representational purpose not to scale

AHMEDABAD

RESIDENTIAL AND **OFFICE** MARKET

Balbirsingh Khalsa
National Director Industrial & Logistics and Branch Director - Ahmedabad

The COVID crisis hit us at a time when the Indian economy was already slowing down. The GDP growth of 4.1% recorded in Q3 2020 was the lowest in a decade. The pillars of India's growth i.e. consumption, investment and exports were all slowing down. Subsequent disruptions in the economy caused by the pandemic-imposed lockdown and a complete shutdown of all activity in the real estate industry ensured that sales plummeted to near inconsequential levels in Q2 2020.

Residential demand in Ahmedabad has been adversely impacted by the loss of livelihood and the threat on potential income disruption, despite being one of the most affordable markets among the top eight cities. Post unlocking on 18th May 2020, adjustment to the 'new normal' and the lack of availability of workers, did not allow the market to recover quickly. Construction activities started picking up from July to mid-August with local construction workers and some migrant workers returning from their villages.

Demand has started to pick up since the festive season, as some latent demand came back to the market and developers are more open to negotiate. Factors like low home loan interest rates and increase in the maximum area for affordable housing units from 80 to 90 sq mt (BUA) have helped improve sentiments. New launches continue to be curtailed in general, except in the lower ticket sizes toward the eastern and western periphery of the city. Due to the emergence of an alternate business district and increasing office space consumption near SG Highway, nearby locations such as South Bopal, Shela and Thaltej have become strategically important in the western quadrant of the city for continued residential development.

The office market has been more adversely impacted by the pandemic compared to the residential market, as occupiers have largely refrained from taking up space since March due to the bleak business environment. Significant supply additions in the recent past along with flagging demand have kept rents and vacancy levels under pressure. However, the last quarter of 2020 has been encouraging for the office market as occupier interest has started showing signs of improvement.

Ahmedabad Residential Market

AHMEDABAD MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	7,372	-36%	4,745	-41%	3,294	127%
Sales (housing units)	6,506	-61%	3,986	-53%	2,810	139%
Price (wt avg)*	30,215/sq m (2,807/sq ft)	-3.10%	-	-	-	-
Unsold inventory (housing units)*	10,494	9%	-	-	-	-
Quarters to sell*	3.6	-	-	-	-	-
Age of unsold inventory (in quarters)*	10.1	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	2,268	252	1,176	2,810
Sales as % of 2019 Quarterly average	54%	6%	28%	67%
Launches (housing units)	2102	525	1451	3294
Launches as % of 2019 Quarterly average	73%	18%	51%	115%

Source: Knight Frank Research

- Priced the lowest among the eight cities under coverage, Ahmedabad is among the most affordable residential real estate markets in India. Residential prices here have changed very little compared to the other markets, while the cost of land has risen much more in proportion to the end-product prices. This has made the business of residential development increasingly difficult as margins have gotten progressively thinner over the decade. The industry had just come to terms with the sweeping regulatory changes of RERA, GST and the state government's Online Development Permission System (ODPS) for granting building permissions to real estate developers, while the funding crisis intensified in 2019. The COVID-19 pandemic that struck in full force during Q2 2020 has only exacerbated an already dire situation.

- Sales had just started showing some signs of strength at the end of last year with H2 2019 experiencing the highest half yearly sales since H2 2016 and the market seemed to be on the recovery path. However, the pandemic-induced lockdown forced sales, as well as new launches, to hit a historic low in H1 2020 with few stakeholders optimistic about a meaningful recovery in the short term.

- The resumption of business activity in June 2020 along with innovative strategies by developers such as conducting virtual site visits, aggressive homebuyer financing, price cuts and allowing refundable deposits on booking, have kept homebuyers in play during the second half of the year. While sales have still fallen steeply by 53% YoY in H2 2020, it is heartening to note that volume growth has been encouraging in Q3 and Q4 2020. Q4 2020 has shown a sequential growth of 139% over the preceding quarter, compared to the 84% growth seen in all the eight cities during the same period. If not for an abrupt rise in COVID-19 infections toward the end of Q4 2020, sales volumes could have been significantly higher.

- The under INR 5 mn ticket size, which has always seen the most demand in Ahmedabad, claimed 69% of sales in H2 2020 as well. The INR 2.5–INR 5 mn sub-segment made up 43% of the total sales, while properties sold in the ticket size under INR 2.5 mn constituted approximately 26% of the same.

- 34% of total sales in H2 2020 occurred in the North zone. Locations such as Nana Chiloda, New Ranip, Gota and Chandkheda, which have a high concentration of affordable projects, fared well in terms of attracting end users largely comprising the blue-collared working population. 24% of the sales during the period were booked in western micro-markets such as South Bopal, Shela, Shilaj and Thaltej and Science City Road due to rapidly developing social infrastructure and improved road connectivity.

- The scarcity of labour, adverse liquidity environment and weakening homebuyer sentiment weighed heavily on residential supply as well with volumes falling 41% YoY to 4,745 units in H2 2020. 66% of the launches occurred in the ticket sizes under INR 5 mn, and the INR 2.5–INR 5 mn ticket size saw 44% of the total launches in H2 2020. 23% of the units were launched in the INR 5–INR 7.5 mn ticket size, while 5% were launched between INR 7.5–INR 10 mn.

- The western quadrant of the city continues to gain prominence due to the proliferation of office projects along the SG Highway; this has vastly improved the prospects of nearby residential locations such as South Bopal, Shela and Thaltej. Smooth connectivity to the commercial hubs of Central Business District – West (CBD West) and numerous infrastructure upgrades along the SG Highway have led to intensified new residential construction in these locations.

- The unsold inventory level has fallen almost 67% since 2017, as developers have made a conscious effort to reduce existing inventory. This has caused the Quarters to Sell (QTS) level to also fall in tandem with steady sales and falling unsold inventory levels from 7.7 in H1 2017 to 3.6 quarters in H2 2020.

- Ahmedabad has a very price-sensitive market, as evidenced by the price movements in this decade, and the pandemic has forced developers to negotiate hard on pricing and payment terms to push sales during the year. This has caused the average price level to drop 3% YoY in H2 2020.

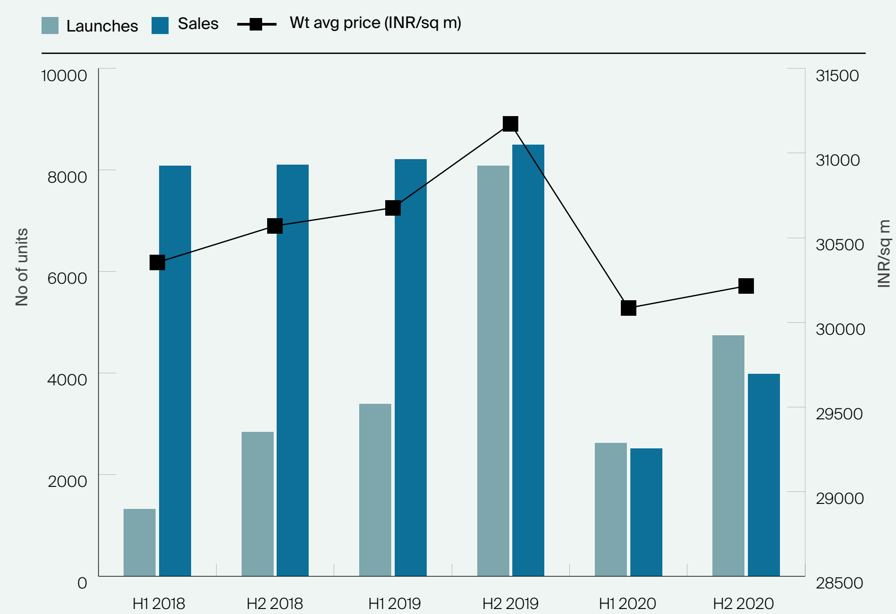
- The Gujarat government took some measures during Q4 2020 to support the sector such as increasing the maximum carpet area limit for affordable housing from 80 sq m to 90 sq m and enabling the purchase of agricultural land for affordable housing development. While these steps are beneficial for upcoming projects and will have an impact over the longer term, it is unlikely that they will affect the immediate concerns of the sector. More aggressive steps such as the temporary stamp duty cut in Maharashtra are probably the need of hour today.

53%

Drop in units sold during H2 2020 compared to H2 2019

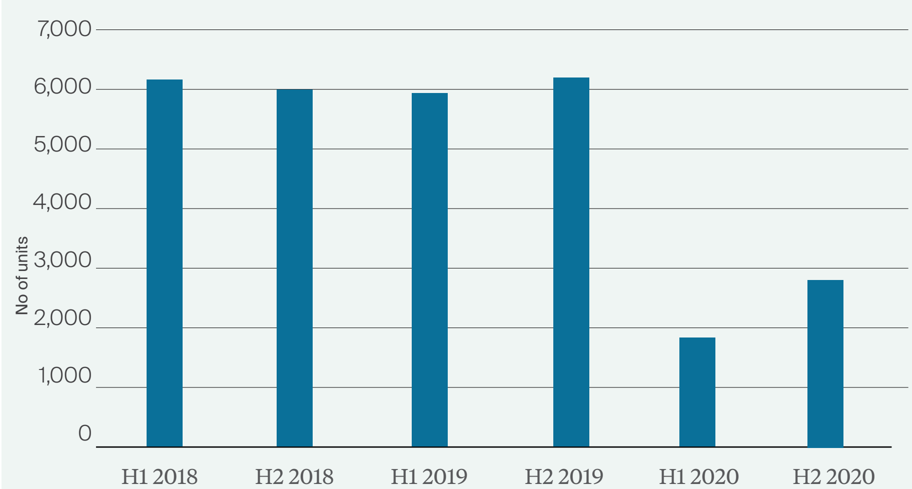
Sales volume in Q4 2020 has grown 139% compared to the preceding quarter. This is much greater than the 84% growth seen in all the eight cities during the same period.

AHMEDABAD RESIDENTIAL MARKET

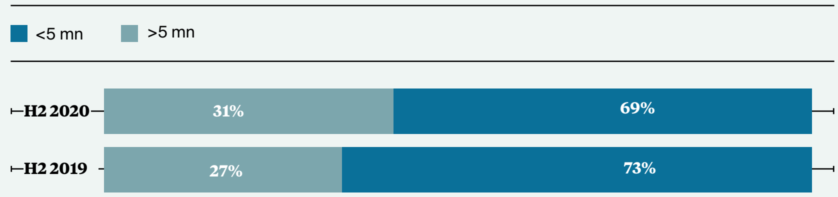


Source: Knight Frank Research

AHMEDABAD AFFORDABLE MARKET ACTIVITY (UPTO INR 5 million segment)



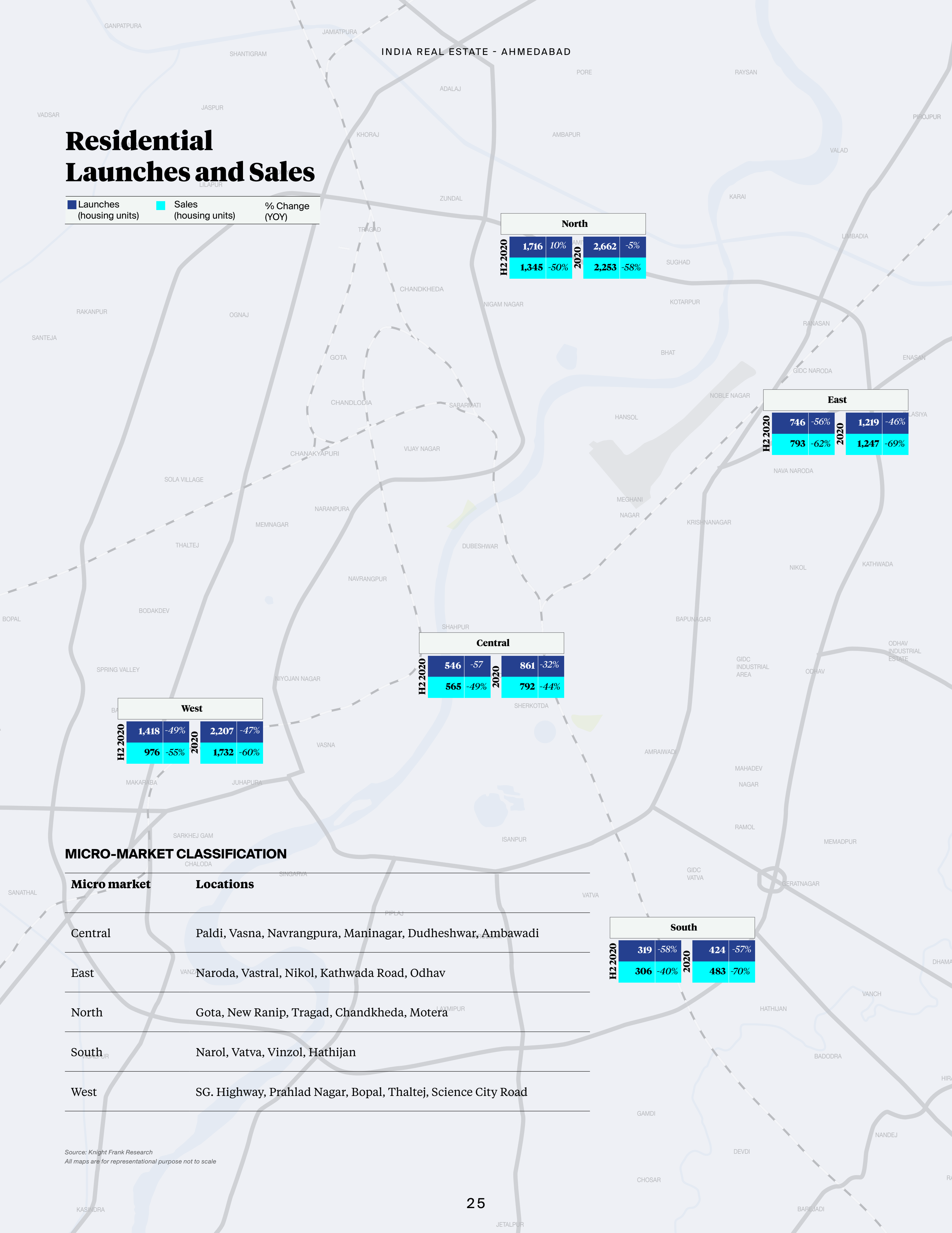
TICKET SIZE SPLIT OF SALES



Source: Knight Frank Research

Residential Launches and Sales

Launches (housing units)	Sales (housing units)	% Change (YOY)



Micro market	Period	Launches	% Change	Sales	% Change
North	H2 2020	1,716	10%	1,345	-50%
North	2020	2,662	-5%	2,253	-58%
East	H2 2020	746	-56%	793	-62%
East	2020	1,219	-46%	1,247	-69%
Central	H2 2020	546	-57	565	-49%
Central	2020	861	-32%	792	-44%
West	H2 2020	1,418	-49%	976	-55%
West	2020	2,207	-47%	1,732	-60%
South	H2 2020	319	-58%	306	-40%
South	2020	424	-57%	483	-70%

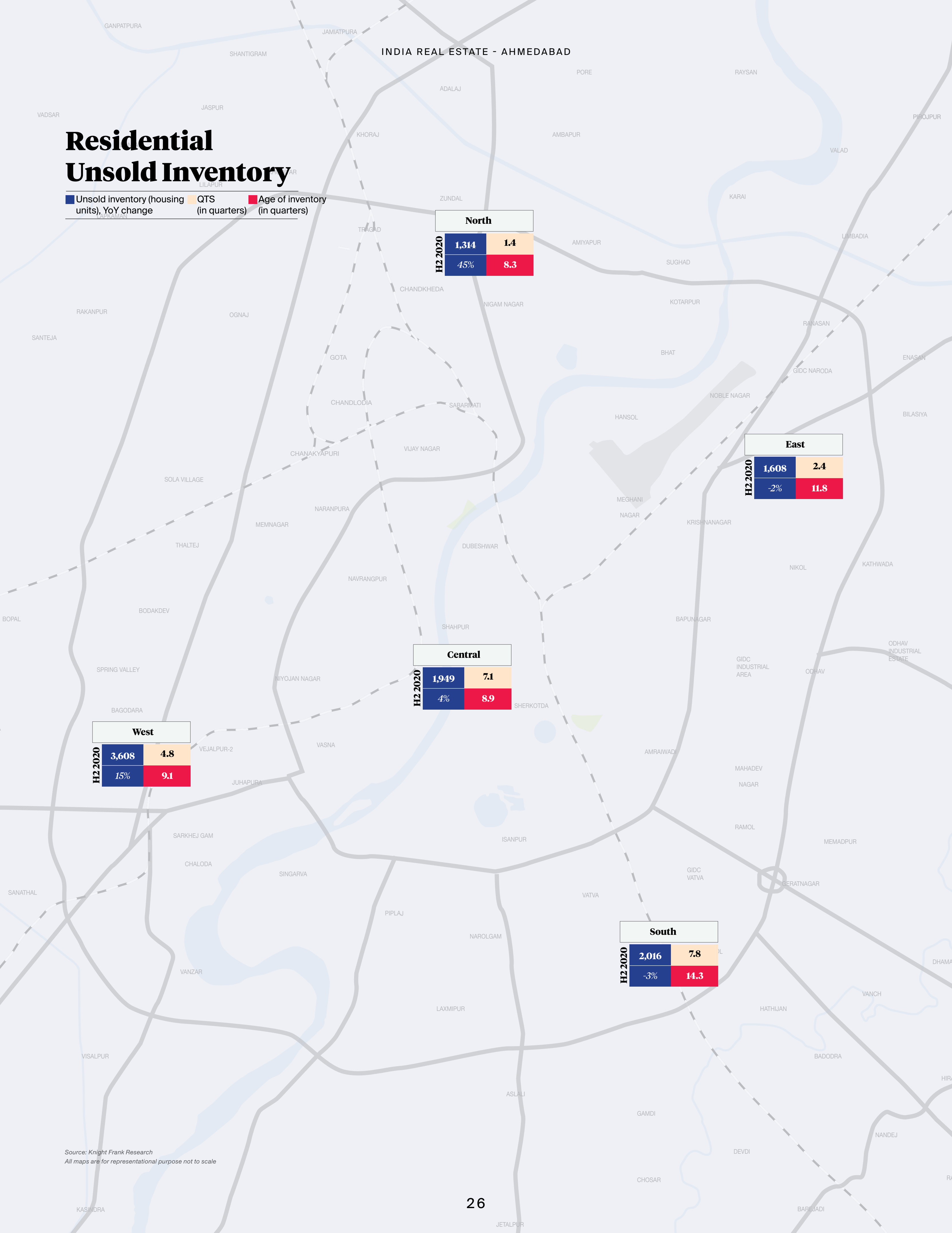
MICRO-MARKET CLASSIFICATION

Micro market	Locations
Central	Paldi, Vasna, Navrangpura, Maninagar, Dudheshwar, Ambawadi
East	Naroda, Vastral, Nikol, Kathwada Road, Odhav
North	Gota, New Ranip, Tragad, Chandkheda, Motera
South	Narol, Vatva, Vinzol, Hathijan
West	SG. Highway, Prahlad Nagar, Bopal, Thaltej, Science City Road

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Unsold Inventory

Unsold inventory (housing units), YoY change | QTS (in quarters) | Age of inventory (in quarters)



North

H2 2020		
Unsold inventory	1,314	QTS: 1.4
YoY change	*45%*	Age: 8.3

East

H2 2020		
Unsold inventory	1,608	QTS: 2.4
YoY change	*-2%*	Age: 11.8

Central

H2 2020		
Unsold inventory	1,949	QTS: 7.1
YoY change	*4%*	Age: 8.9

West

H2 2020		
Unsold inventory	3,608	QTS: 4.8
YoY change	*15%*	Age: 9.1

South

H2 2020		
Unsold inventory	2,016	QTS: 7.8
YoY change	*-3%*	Age: 14.3

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Pricing

Micro Market	Location	Price range in H2 2020 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Ambavadi	63,500-68,900 (5,900-6,400)	-2%	-1%
	Navrangapur	53,800-64,600 (5,000-6,000	-3%	-2%
East	Nikol	16,100-30,700 (1,500-2,850)	-2%	-1%
	Vastral	19,400-26,900 (1,800-2,500)	-3%	-2%
North	Chandkheda	25,800-36,600 (2,400-3,400)	-2%	-1%
	Motera	32,300-45,200 (3,000-4,200)	-3%	-2%
South	Aslali Circle	12,900-16,100 (1,200-1,500)	-3%	-2%
	Vatwa	10,800-21,500 (1,000-2,000)	-2%	-1%
West	Bopal	34,400-36,600 (3,200-3,400)	-4%	-1%
	Prahlad Nagar	59,200-61,300 (5,500-5,700)	-4%	-1%

Source: Knight Frank Research

Ahmedabad Office Market

AHMEDABAD MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
New completions mn sq m(mn sq ft)	0.48 (5.1)	4.90%	0.23 (2.52)	12.9%	0.09 (1.0)	-34%
Transactions mn sq m (mn sq ft)	0.12 (1.3)	-15.1%	0.08 (0.82)	-14.5%	0.07 (0.8)	1174%
Weighted average transacted rental INR/sq m/month (INR/sq ft/month)*	442 (41)	-4.50%	-	-	-	-
Stock mn sq m (mn sq ft)*	2.93 (31.54)	19%	-	-	-	-
Vacancy (%)*	45.20%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft), *End of period number.*
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	0.05 (0.5)	- (-)	0.01 (0.1)	0.07 (0.8)
Transactions as % of 2019 Quarterly average	127%	0%	15%	197%
New completions mn sq m (mn sq ft)	0.24 (2.6)	-(-)	0.14 (1.5)	0.09 (1.0)
New Completions as % of 2019 Quarterly average	213%	0%	125%	82%

Source: Knight Frank Research

- Ahmedabad is the smallest of the eight office markets under coverage and constitutes just under 4% of their total stock. It also has a relatively shallow lease market with sale transactions constituting a higher share of primary market activity compared to most other markets. Traditional office space buyers in Ahmedabad typically view it as an investment play in the potential economic growth story of Ahmedabad and as a more attractive investment opportunity compared to the residential segment which has not delivered meaningful capital appreciation during this decade.

- Cognizant of the changing investment appetites and steady office space demand, developers added nearly 70% incremental office space to the Ahmedabad market between H2 2016 and H2 2019. While this led to an increase in transaction activity that was close to 0.1 mn sq m (1 mn sq ft) during H2 2019, the vacancy level also rose sharply to 35.9% at that time. The COVID-19 induced lockdowns put further pressure on office transactions during H1 2020, but new completions continued at a growing rate as a bulk of the construction workers returned by the end of September 2020.

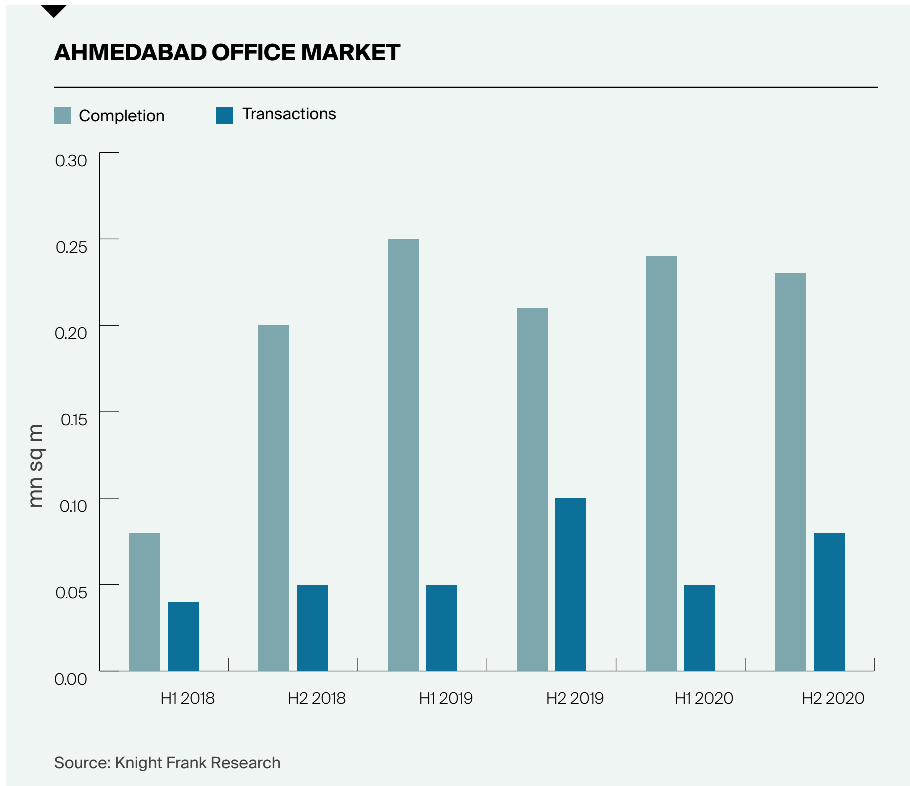
This caused new office completions to rise 13% YoY during H2 2020 and 5% YoY for the year 2020.

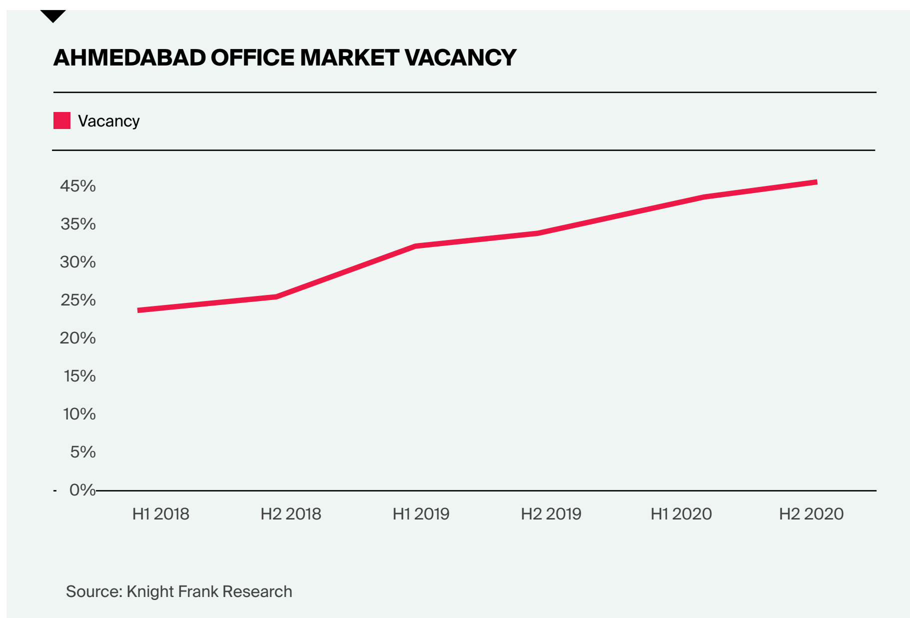
- Of the 2.5 mn sq ft of office space completed during H2 2020, close to 90% was located on CBD West locations such as Sindhu Bhavan Road and Science City Road. Satyamev Eminence, Sankalp Square 3, One World West and Epitome were among the largest projects that attained completion during this period.

- 2020 has unarguably been the most volatile year on record due to the abrupt stoppage of all business activity in the first half of the year. Transaction activity was severely curtailed due to the pandemic and resulted in near negligible volumes during Q2 2020. There was a vast amount of uncertainty about how office market demand would play out by the end of the year. However, with business activity resuming and picking up pace since June 2020, sentiments have improved and transaction activity has gathered momentum to culminate in the highest quarterly transacted volumes over the past two years during Q4 2020. The 0.07 mn sq m (0.8 mn sq ft) transacted in Q4 2020 was nearly twice the average quarterly transacted volume in 2019.

- Transacted volumes which were down approximately 15% on an annual basis, nearly equaled the average transacted volumes of the trailing three years at 0.1 mn sq m (1.31 mn sq ft), and belied the expectations of a drastic drop in demand for 2020 that seemed to dominate market opinion just a few months ago.

- The BFSI and Information Technology sectors have largely sustained their share of total transactions during H2 2020 compared to H2 2019. Two of the largest transactions in H2 2020 amounted to 51% of the total transacted area during the period and represented both these sectors. The largest transaction was a 0.02 mn sq m (0.2 mn sq ft) lease signed by the Bank of America at Savvy Pragya in GIFT City.





- The two transactions also caused the PBD to claim 66% of total transactions during H2 2020 compared to 40% in H2 2019. The CBD West business district which usually dominates the transactions pie, saw only 0.27 mn sq ft or 33% of transactions during the period. However, almost 75% of transactions during the period still took place in CBD West.

- The Manufacturing sector experienced a substantial increase in take-up due to a 0.01 mn sq m (0.08 mn sq ft) lease signed by Baxter Pharmaceuticals at Navratna Corporate Park on Bopal-Ambli Road in CBD West.

- While the movement in transacted volumes during the year was encouraging, the vacancy level rose over nine percentage points in the same period as fresh office space completions amounted to almost four times the transacted volumes during 2020. The vacancy level stands at 45.2% at the end of 2020, the highest among the eight markets under coverage.

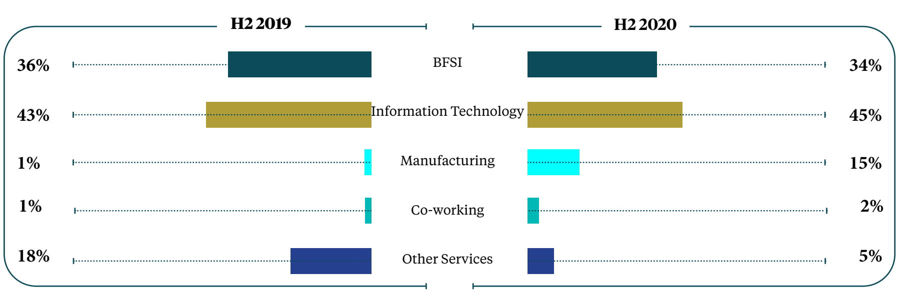
- Ahmedabad is still a fledgling office market, compared to cities like Mumbai, Bengaluru and Delhi NCR. However, with mounting vacancy levels, rents have been under pressure in the market and have fallen by 4.5% YoY to INR 442 per sq m per month (INR 41 per sq ft per month) in H2 2020. While transaction activity has held reasonably steady in this pandemic impacted environment, the market will be hard pressed to maintain equilibrium if the rate at which new office spaces have been coming online, continues to persist.

BUSINESS DISTRICT CLASSIFICATION

Business district	Micro markets
CBD West	Bodakdev, Keshav Baug, Prahladnagar, Satellite, SG Highway, Thaltej
PBD	Gandhinagar, GIFT City
CBD	Ashram Road, Ellis Bridge, Paldi

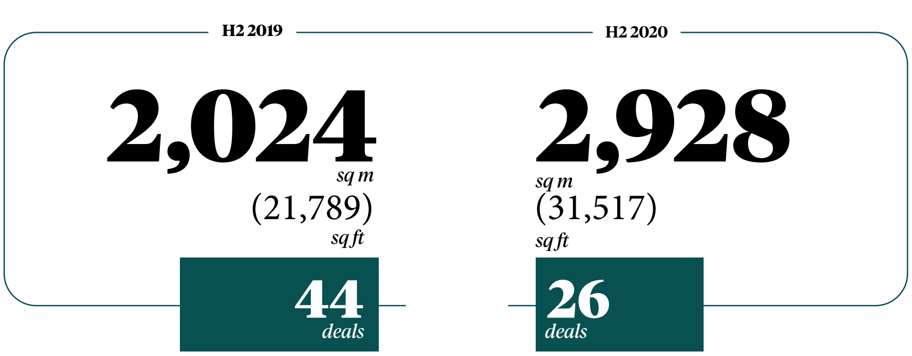
Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services
Source: Knight Frank Research

AVERAGE DEAL SIZE AND NUMBER OF DEALS

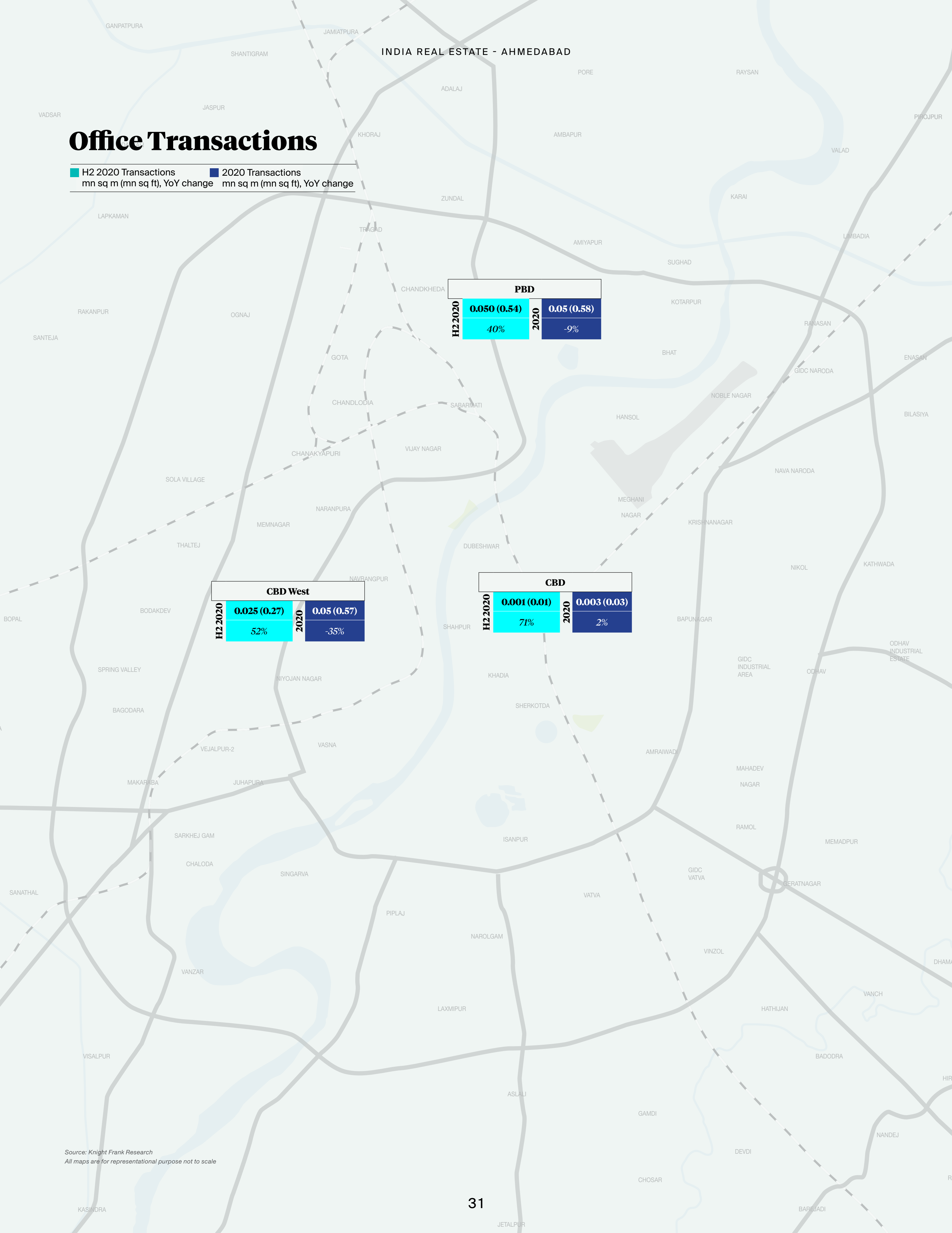


Source: Knight Frank Research

With business activity resuming and picking up pace since June 2020, sentiments have improved and transaction activity has gathered momentum to culminate in the highest quarterly transacted volumes over the past two years during Q4 2020.

Office Transactions

H2 2020 Transactions mn sq m (mn sq ft), YoY change
2020 Transactions mn sq m (mn sq ft), YoY change



PBD

	H2 2020		2020
	0.050 (0.54)		0.05 (0.58)
	40%		-9%

CBD West

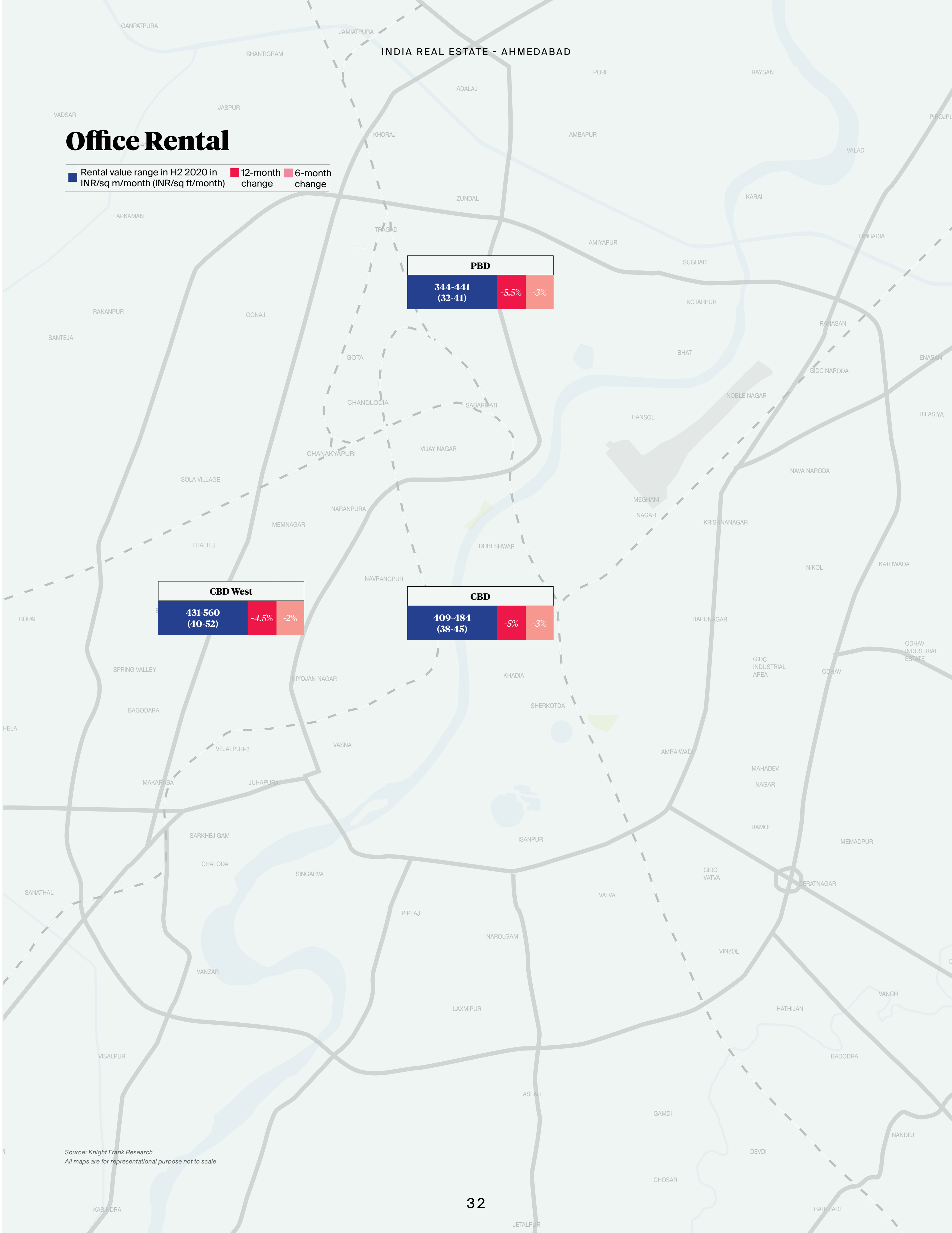
	H2 2020		2020
	0.025 (0.27)		0.05 (0.57)
	52%		-35%

CBD

	H2 2020		2020
	0.001 (0.01)		0.003 (0.03)
	71%		2%

Source: Knight Frank Research
All maps are for representational purpose not to scale

Office Rental



Source: Knight Frank Research
All maps are for representational purpose not to scale

Government stimulus for real estate in Q4 2020

- YASHWIN BANGERA VICE PRESIDENT - RESEARCH

The real estate sector has been undergoing a transformation in the past five years. It is evolving from an opaque, slow moving business that heavily favoured the developer to a well-regulated, transparent business that fosters an increasingly buyer friendly environment and helps the long-term health of the market. Central government measures such as the Real Estate (Regulation and Development) Act (RERA), 2016, Benami Transactions Amendment Act 2016, 'Housing For All' initiative and the granting of infrastructure status to affordable housing have radically impacted residential market dynamics in recent years.

While the real estate sector was adjusting to the new normal that these regulations imposed, the liquidity crisis of the previous year and the ongoing pandemic have put the sector under tremendous pressure. Stimuli such as the aggressive interest rate cuts by the RBI and state level measures such as the stamp duty cuts introduced by the Maharashtra government are proving to be an effective buffer for end-user demand, and helping the sector overcome the current crisis. The Gujarat government also took steps in the December 2020 quarter to alleviate some of the pressure on the real estate market.

The COVID-19 pandemic that caused a pronounced slump in the real estate market, has severely impacted the Ahmedabad real estate market as well. Sales volume as well as prices have stagnated during the period and further increased the financial stress on developers. Residential development is a low margin business in Ahmedabad as land prices are high compared to the prevailing price per sq ft of properties, which is the lowest among the top eight cities under our coverage. Due to the already low margins, developers have little leeway to compromise further on prices to attract buyers. Hence, the focus needs to be on optimising or reducing costs to improve margins or allow for flexibility on prices.

Recent measures taken by the state government in Q4 2020 such as enabling developers to acquire land for affordable housing at lower costs and increasing the maximum size of apartments to qualify as affordable housing, are ostensibly aimed at lowering overall costs and being better attuned to home-buyer preferences in Ahmedabad. Here are some of the prominent measures considered:

Agricultural land can now be acquired for affordable housing: Real estate developers will now be allowed to purchase agricultural land for affordable housing under Section 63AAA of the Gujarat Tenancy Act. This section allows purchase of agricultural land for bona fide industrial purposes. With this, a developer will be able to acquire agricultural land in the name of his company and then initiate the process to convert land into non-agricultural land after the acquisition. This is aimed at reducing the overall project cost and ensuring faster execution of realty projects.

Carpet area limit for affordable housing units raised: The carpet area limit for affordable housing units has been raised from 80 sq mt to 90 sq mt. Earlier, projects with apartment units exceeding 80 sq mt could not qualify as affordable housing projects as defined by RERA. With the raising of the threshold, housing units of 90 sq mt will be included in affordable housing making it more attractive for prospective buyers. Home-buyers in Ahmedabad have a definite preference for larger houses and this need for more space has only increased since the pandemic. The additional 10 sq mt or 106 sq ft will effectively allow developers to plan for an additional room in affordable housing projects. This move is more attuned to the market and will help boost residential demand.

Interest relief on chargeable FSI: The state government will also provide interest relief on payment of chargeable FSI (Floor Space Index). Developers have to pay charges for additional FSI above the permissible base FSI. An interest is charged if the amount is paid in instalments. The government is considering waiving off the interest on these instalments to provide financial relief to developers and to introduce a uniform policy with regard to chargeable FSI. This will reduce project costs significantly.

Same day approval to low-rise building plans: Steps are being taken to further simplify the building plan approval process under the Online Development Permission System (ODPS). The government is working towards granting final building plan approvals to low-rise buildings on the same day.

While these measures are aimed at reducing development costs, streamlining approval processes and increasing unit sizes, their influence will only be felt on upcoming or future projects and not in the short term. The sector requires measures that will also influence the near term such as the stamp duty cut as done by the Maharashtra government. A measure like this with immediate impact on demand will help the real estate sector in Gujarat tide over the ongoing crisis more effectively.

BENGALURU

RESIDENTIAL AND **OFFICE** MARKET

Expert take

Shantanu Mazumder
Senior Branch Director - Bangalore

At the beginning of 2020, no one ever thought how challenging this year would turn out to be. The COVID-19 pandemic compelled real estate stakeholders to rethink their strategy, be it the supply side or demand side. Bengaluru has been the most resilient real estate market of the country when it comes to commercial, residential, retail or any other real estate asset class. The presence of top-grade developers helps the market in positioning products in the most appropriate way be it product quality, pricing, product mix, sizing, while timely delivery of product always helps in pushing the buyer's confidence. This time around, the Government spur, lower interest rates, GST/stamp duty reduction and an overall improvement in the economic environment continues to propel the demand in the city.

Bengaluru is the fourth richest city in India and largely an end-user driven market which has the largest share of commercial office and IT space in the country. Furthermore, the IT segment is the largest employer, and the start-up ecosystem pulls people from other parts of the country. Prior to Bengaluru becoming the Silicon Valley of India, it was also amongst the top destinations providing quality education, therefore, that became the direct feeder to the IT segment. The large presence of top developers of the country in Bengaluru city, healthcare facilities and beautiful climate give an edge to the city over others. The city offers various categories of products like globally benchmarked business parks, green buildings, residential products catering to LIG, MIG, HIG, Luxury and plotted developments, thus catering to a wide spectrum of demand.

Due to the pandemic, the concept of Work-From-Home became the need of the hour during the lockdown; post lockdown, maintaining social distancing became a part of the protocol for everyone. Work-From-Home has had a positive impact for the housing sector as it brought out the need for better housing facilities. Today, the need for private space in the home has been altered to accommodate WFH, hence newer projects are focused on this inclusion, giving flexibility and feasibility to end users along with the wellness concept. In the established micro-markets, there is a surge in demand for such homes which allows flexibility, and customers are willing to pay a premium for it. Furthermore, employees need not be closer to their work location anymore and can choose to stay wherever they feel is more apt for them from a price or social infrastructure point of view. This trend is quite evident when we look at the drop in unsold inventory in the second half of 2020, meeting the post-pandemic demand requirement of the customers.

As a new normal emerges out of this pandemic, technology is playing a significant role in acting as the first touchpoint towards driving real estate sales. 4D walk-throughs, Virtual Reality and different digital media platforms are the new brushed up tools being used by the residential sales team to engage with their clients.

In the corporate real estate world, work-from-home, social distancing, employee well-being, cost optimization and weathering the pandemic were the topmost priorities during the lockdown, but post lockdown, with the vaccine in sight, the strategy has changed to become more forward looking. Though the commercial space take-up plan has got delayed during the year, fresh take-up of significant sizes is happening, thus indicating that the demand has started to pick up. During the year, we witnessed large institutional investors picking up commercial stock, showing the strength of this asset class with its strong-rooted fundamentals. These private equity deals brought significant capital to the developer which will help them weather the pandemic situation and come back strong.

Bengaluru Residential Market

BENGALURU MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	19,929	- 41%	9,123	-29%	4,403	-7%
Sales (housing units)	23,576	-51%	11,402	-43%	6,490	32%
Price (wt avg)*	53,120/sq m (4,935/sq ft)	-0.8%	-	-	-	-
Unsold inventory (housing units)*	74,764	-5%	-	-	-	-
Quarters to sell*	8.3	-	-	-	-	-
Age of unsold inventory (in quarters)*	15.0	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft), *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	8,693	3,484	4,912	6,490
Sales as % of 2019 Quarterly average	72%	29%	41%	54%
Launches (housing units)	8,963	1,843	4,720	4,403
Launches as % of 2019 Quarterly average	106%	22%	56%	52%

Source: Knight Frank Research

- Over the last decade, the Bengaluru residential market has meaningfully scaled up its performance and now stands amongst the foremost markets in the country. In 2019, the city ranked second in terms of sales performance among the top 8 cities of India and continues to enjoy the active participation of global institutional players on both demand as well as supply side. With this backdrop, the unannounced COVID-19 crisis, which initially shook the market, now reinforces the strength of the market.

- Given the pandemic shock to market activity in the latter part of Q1 2020 and the full blown impact of lockdown in Q2 2020, on a full year basis – 2020 saw the lowest sales performance in a decade. 23,576 units were sold in 2020 compared to 28,318 units sold in 2010. Q3 2020 saw another city-wide lockdown in the month of July 2020. These events impacted both consumer ability and sentiment to purchase a house. The supply side was disrupted too as construction activity was hampered by constraint on labour and finance. Influenced by these upheavals, the housing sales were down 51% in 2020 compared to 2019. Down 43% in H2 2020 compared to H2 2019, the impact was expectedly visible on the half year performance too. Launches too fell by 41% YoY in 2020 and 29% YoY in H2 2020.

- Although the COVID-19 fear still looms large, the city has seen a marked improvement in sales performance in the last 4-5 months and this is visible in quarterly numbers. Q4 2020 recorded 32% QoQ growth on the back of 41% QoQ growth in Q3 2020. Residential sales in the city reached 54 % of the pre-COVID level, with Q4 2020 sales measured as a % of 2019 Quarterly average sales. A host of factors contributed to this improvement even as the prolonged pandemic continues to keep economic activities constrained.

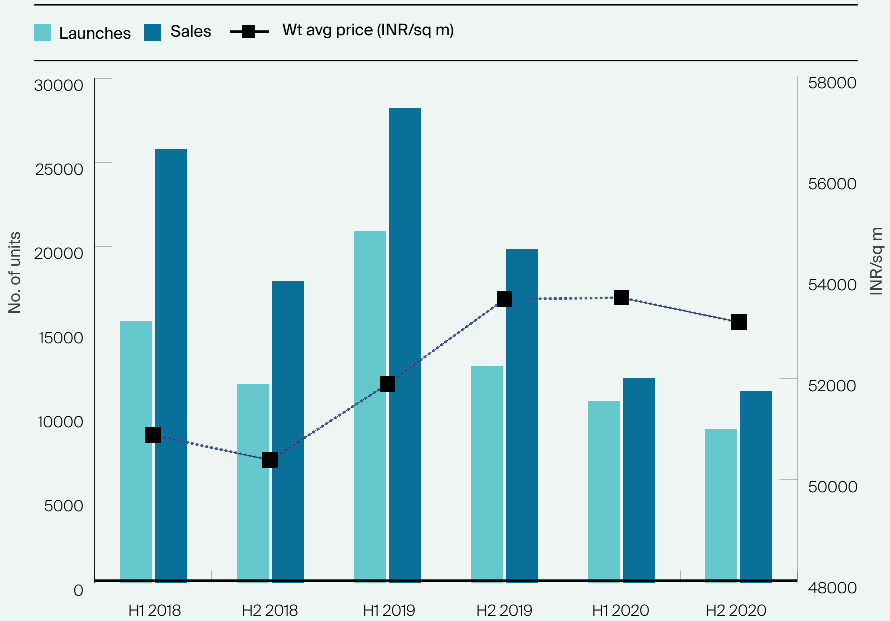
- As a direct result of the pandemic related experiences, there is an improved consumer perception for owning bigger and better houses. Consumers are looking to buy ready to move houses with better amenities. This, in effect, has helped bigger developers with gated community projects.

- Additionally, unlike other industries which saw significant income disruption during the pandemic, the Information Technology sector, a key employment driver in Bengaluru, was relatively better placed and largely maintained jobs and income scales compared to their pre-COVID level. This lent further resilience to the city's housing market during these uncertain times.

- The residential property prices which were increasing in the beginning of 2020, have now softened a bit. However, because of the underlying characteristics of the market and improved sales performance, the pricing power in the city has been maintained, with only marginal price cuts or freebies amounting to 2-3% of the property value. Multi-decade low home loan interest rate and relatively affordable price dynamics in the city have helped the cause of demand revival even during these pandemic times. At the city level, weighted average prices declined by 1% YoY during 2020. Few developments have also recorded a marginal price increase in the last 2-3 months.

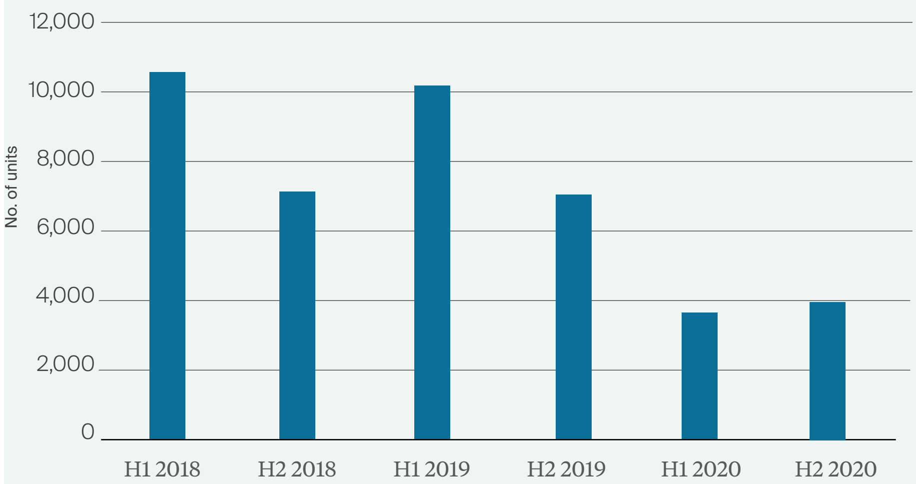
- With consumer preference shifting towards ready to move houses, developers have restrained new project launches in this year and reoriented operational and financial bandwidth towards completion of ongoing projects. The recurring spate of sales compared to launches have affected a gradual decline in the inventory level in the city. On an annual basis, unsold inventory is down 5% to 74,764 housing units as at end of 2020.

BENGALURU RESIDENTIAL MARKET



Source: Knight Frank Research

BENGALURU AFFORDABLE MARKET ACTIVITY (UPTO INR 5 million segment)



32%

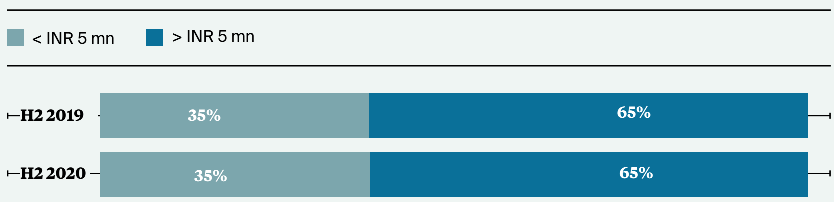
Increase in sales in Q4 2020 compared to Q3 2020

MICRO-MARKET CLASSIFICATION

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

Source: Knight Frank Research

TICKET SIZE SPLIT OF SALES

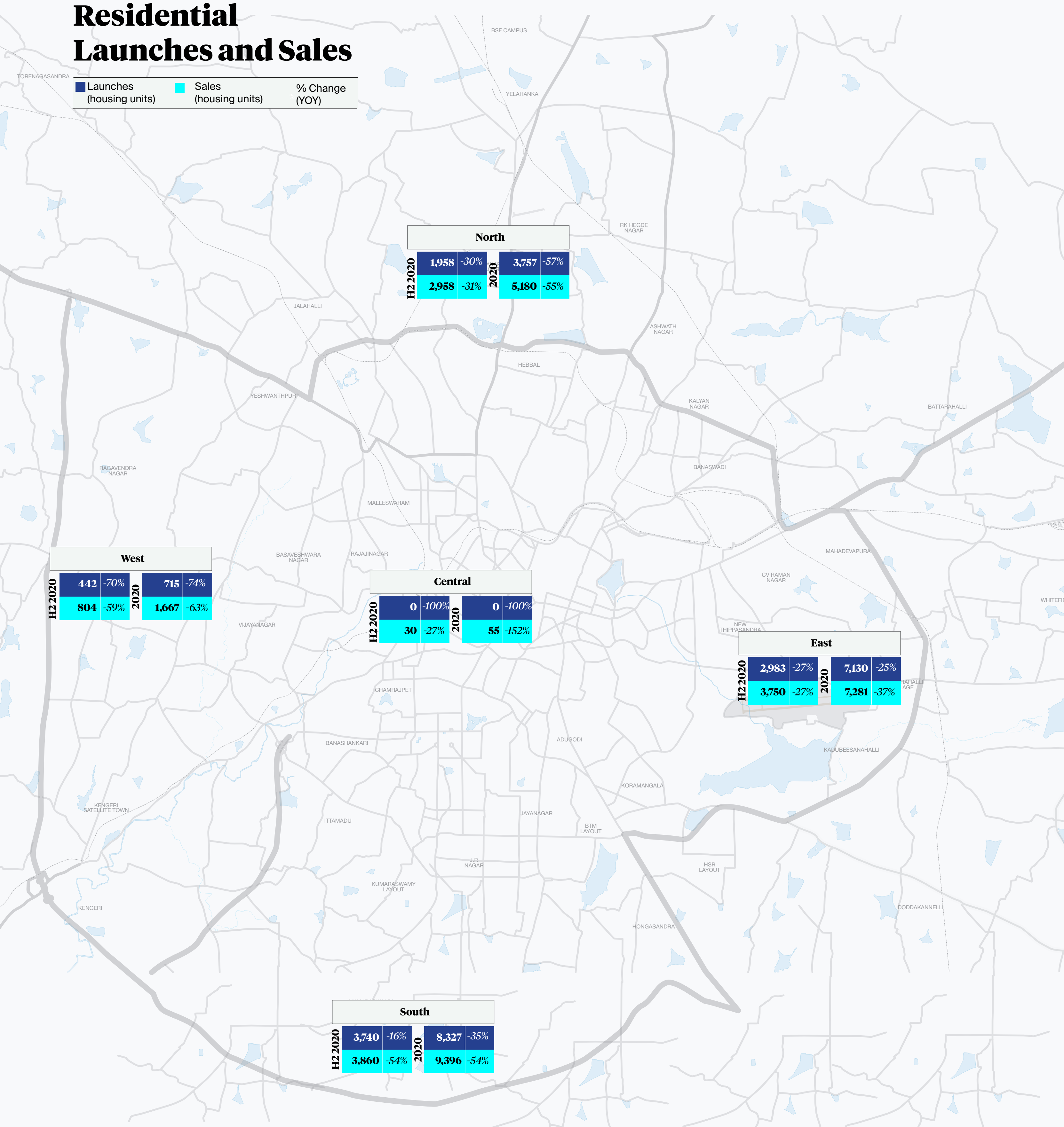


Source: Knight Frank Research

Unlike other industries which saw significant income disruption during the pandemic, the Information Technology sector, a key employment driver in Bengaluru, was relatively better placed and largely maintained jobs and income scales compared to their pre-COVID level.

Residential Launches and Sales

Launches (housing units)	Sales (housing units)	% Change (YOY)



North

Period	Launches	% Change	Sales	% Change
H2 2020	1,958	-30%	2,958	-31%
2020	3,757	-57%	5,180	-55%

West

Period	Launches	% Change	Sales	% Change
H2 2020	442	-70%	804	-59%
2020	715	-74%	1,667	-63%

Central

Period	Launches	% Change	Sales	% Change
H2 2020	0	-100%	30	-27%
2020	0	-100%	55	-152%

East

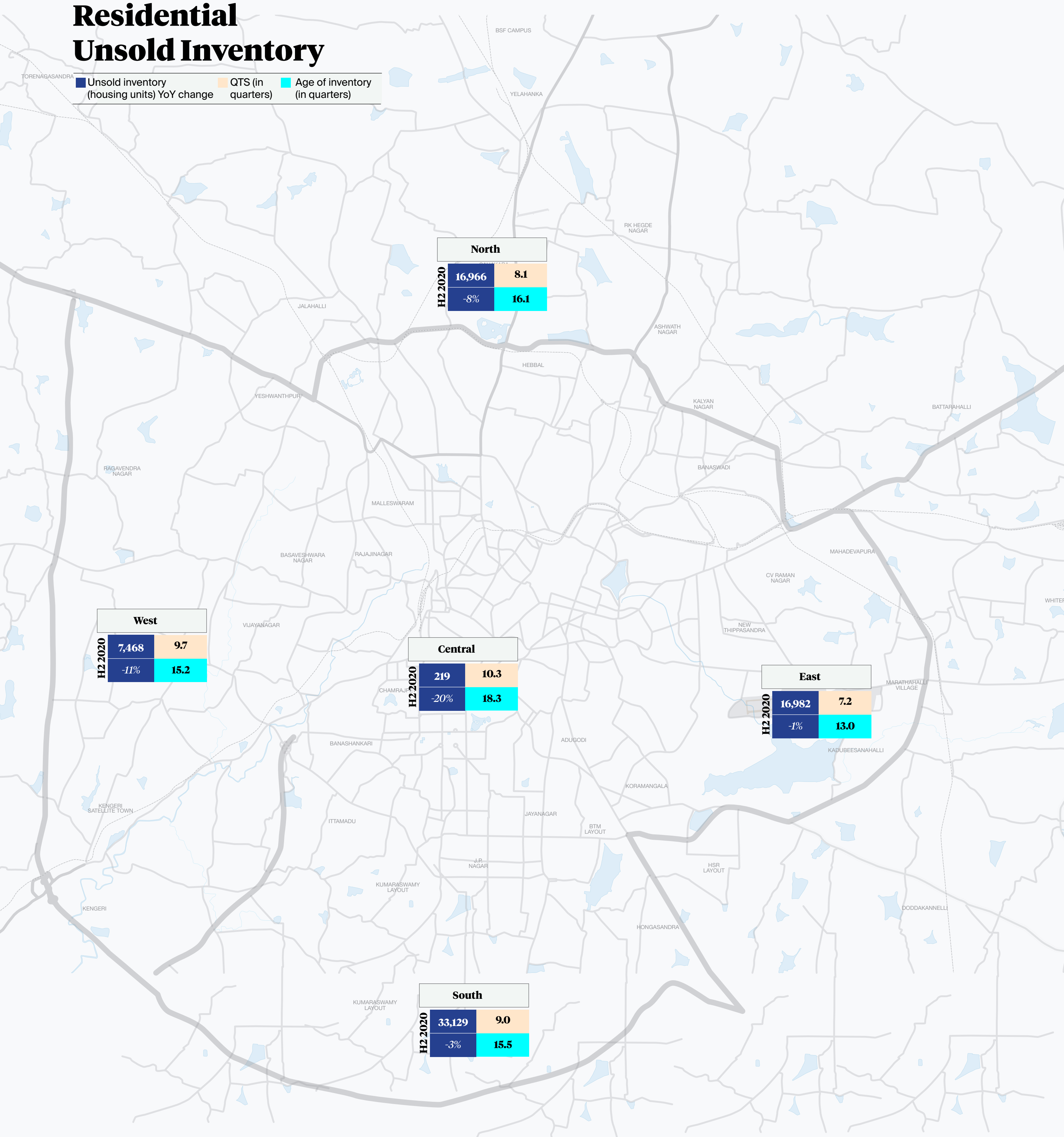
Period	Launches	% Change	Sales	% Change
H2 2020	2,983	-27%	3,750	-27%
2020	7,130	-25%	7,281	-37%

South

Period	Launches	% Change	Sales	% Change
H2 2020	3,740	-16%	3,860	-54%
2020	8,327	-35%	9,396	-54%

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Unsold Inventory



Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Pricing

Micro Market	Location	Price range in H2 2020 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Langford Town	161,460-220,662 (15,000-20,500)	-1%	-1%
	Lavelle Road	226,044-322,920 (21,000-30,000)	0%	0%
East	KR Puram	40,903-72,119 (3,800-6,700)	2%	0%
	Whitefield	48,438-78,577 (4,500-7,300)	2%	-1%
	Marathahalli	45,209-75,348 (4,200-7,000)	0%	-1%
North	Hebbal	59,202-109,793 (5,500-10,200)	1%	0%
	Yelahanka	43,056-75,348 (4,000-7,000)	2%	-1%
	Thanisandra	43,056-86,112 (4,000-8,000)	2%	0%
	Hennur	43,056-86,112 (4,000-8,000)	3%	0%
South	Sarjapur Road	43,056-80,730 (4,000-7,500)	0%	0%
	Kanakpura Road	43,056-69,966 (4,000-6,500)	-3%	-2%
	Electronic City	37,674-59,202 (3,500-5,500)	-2%	-1%
	Bannerghatta Road	37,674-75,348 (3,500-7,000)	-1%	-1%
West	Yeshwantpur	64,548-113,022 (6,000-10,500)	0%	0%
	Malleswaram	86,112-150,696 (8,000-14,000)	-2%	-1%
	Rajajinagar	75,348-161,460 (7,000-15,000)	0%	0%
	Tumkur Road	32,292-64,584 (3,000-6,000)	0%	0%

Source: Knight Frank Research

Bengaluru Office Market

BENGALURU MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
New completions mn sq m (mn sq ft)	0.88 (9.42)	-41%	0.50 (5.42)	-35%	0.40 (4.35)	307%
Transactions mn sq m (mn sq ft)	1.14 (12.32)	-19%	0.70 (7.54)	8%	0.59 (6.40)	459%
Weighted average transacted rental INR/sq m/month (INR/sq ft/month)*	861 (80)	0%	-	-	-	-4%
Stock mn sq m (mn sq ft)*	16.2 (174.2)	6%	-	-	-	-
Vacancy (%)*	9.3%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft),*End of period number.*
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	0.39 (4.19)	0.05 (0.58)	0.11 (1.15)	0.59 (6.40)
Transactions as % of 2019 Quarterly average	110%	15%	30%	168%
New completions mn sq m (mn sq ft)	0.37 (4.0)	-	0.10 (1.07)	0.40 (4.35)
New Completions as % of 2019 Quarterly average	105%	0%	28%	114%

Source: Knight Frank Research

- In 2019, the Bengaluru office market had a record year when transaction activity scaled an all-time high of 1.42 mn sq m (15.25 mn sq ft). Capturing 25% of the transaction share of the India office market, Bengaluru was on course to scale a new peak in 2020.

- The momentum was strong on both transaction volume and rents at the start of 2020 until March 2020, when the COVID-19 pandemic hit India and brought economic activity to a standstill. As an initial response to the pandemic and associated lockdowns, occupiers temporarily deferred space take-up decisions and office transaction activity was adversely impacted in Q2 2020.

- With gradual relaxation of the lockdown in Q3 2020 and better preparedness for the prolonged coronavirus outbreak, businesses - especially technology driven enterprises - made a strong come-back and actively began scouting for office spaces in line with their long-term business plans. As a result, transaction activity picked-up meaningfully in Q3 2020 as compared to the previous quarter.

- The most recent period of Q4 2020 has been a spectacular period for the Bengaluru office market – recording 6.4 mn sq ft of gross transactions, the volume of activity being far ahead of the Q3 2020 performance. This quarter turned out to be much better than the same quarter last year and surpassed the cumulative performance of first three quarters of 2020.

- A host of factors played a role in enabling this stupendous market performance in Q4 2020. Firstly, there was pent-up demand from occupiers who had put their space take up plans on hold earlier this year in the wake of the pandemic and associated lockdowns. Secondly, the office space sign-ups have been from global technology majors and other large corporates, who are taking a strategic, long-term view on their office occupancy plans. Large occupiers have been particularly confident about their long-term plans and have made forward commitment for office space which is yet under construction. Pre-commitment activity remained particularly strong with 2.47 mn sq ft of space being taken up in Q4 2020, which includes large deals by Google and Amazon.

- Developers too have shown increased flexibility in terms of rent as well as deal terms concerning rent free period, lock-in period, hard options, etc. These interventions resulted in closure of deals in quick succession in Q4 2020.

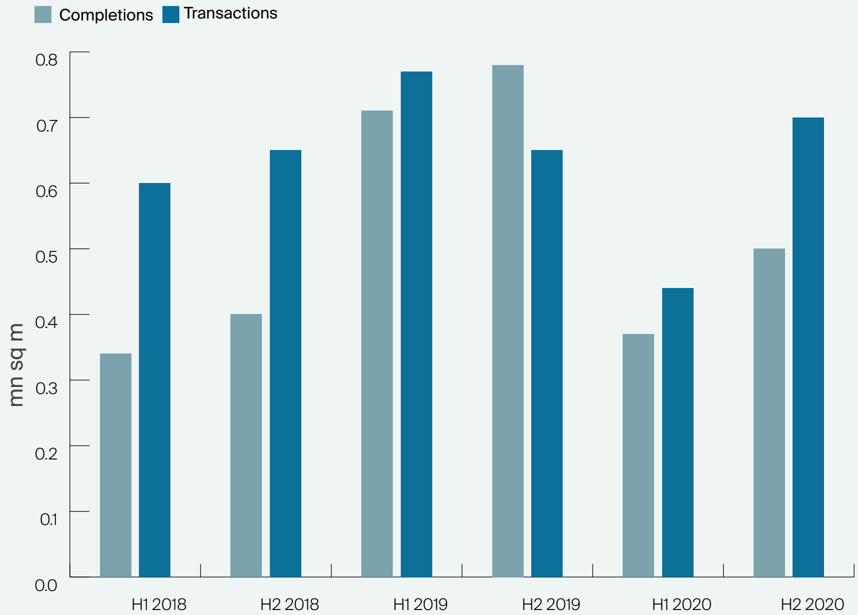
- These recent developments ensured that the annual transaction volume, recorded at 1.14 mn sq m (12.32 mn sq ft), was lower by just 19% YoY in 2020. The rent in the city which was escalating early this year softened in Q4 2020. The weighted average rent is lower by 4% QoQ in Q4 2020 and stable on an annual basis.

- Although the number of deals have come down compared to last year, with larger deals ruling the market, the average deal size has gone up 61% from 56,503 sq ft in H2 2019 to 90,890 sq ft in H2 2020. As regards the occupier profile, Information Technology industry maintained its place as the top consumer of office space with a 42% demand share in H2 2020 as against 51% in H2 2019, followed by the manufacturing industry which doubled its demand share to 25% in H2 2020 as compared to 12% in H2 2019.

- In terms of new completion, the return of on-site labour to pre-COVID levels as also a fully functional approval machinery ensured that projects which were stuck earlier this year are now being delivered. In Q4 2020, 4.35 mn sq ft of new office space, 307% QoQ higher, was delivered - making it the best quarter in 2020. On an annual basis, new completions were lower by 41% YoY in 2020.

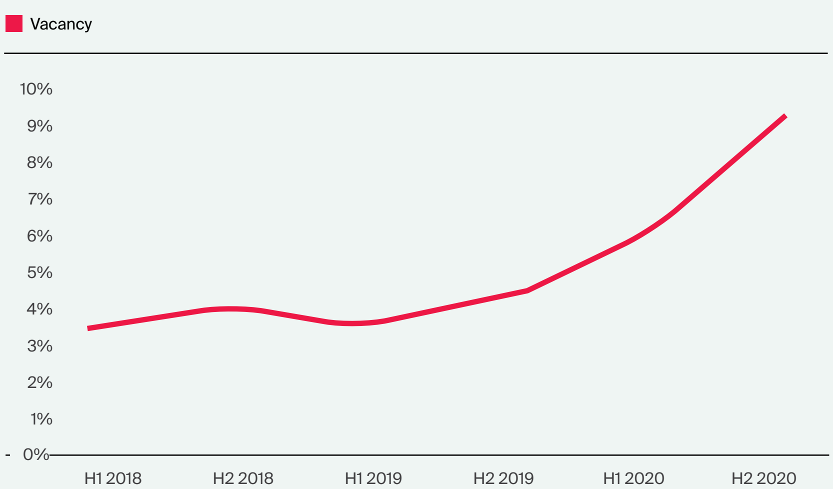
Office space sign-ups have been from global technology majors and other large corporates, who are taking a strategic, long-term view on their office occupancy plans. Large occupiers have been particularly confident about their long-term plans and have made forward commitment for office space which is yet under construction.

BENGALURU OFFICE MARKET



Source: Knight Frank Research

BENGALURU OFFICE MARKET VACANCY



Source: Knight Frank Research

459%

Jump in transactions in Q4 2020 compared to Q3 2020

Pre-commitment activity remained particularly strong with 2.47 mn sq ft of space being taken up in Q4 2020, which includes large deals by Google and Amazon

307%

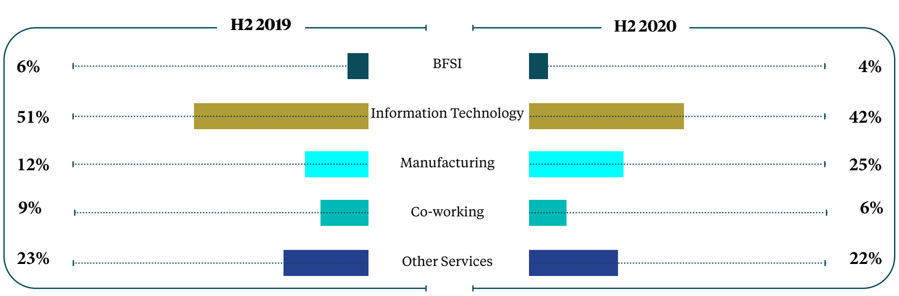
Jump in new completions in Q4 2020 compared to Q3 2020

BUSINESS DISTRICT CLASSIFICATION

Business district	Micro markets
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	Electronic City, Bannerghatta Road
Peripheral business district (PBD) North	Thanisandra, Yelahanka, Devanahalli
Outer Ring Road (ORR)	Hebbal ORR, Marathahalli ORR, Sarjapur Road ORR

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services

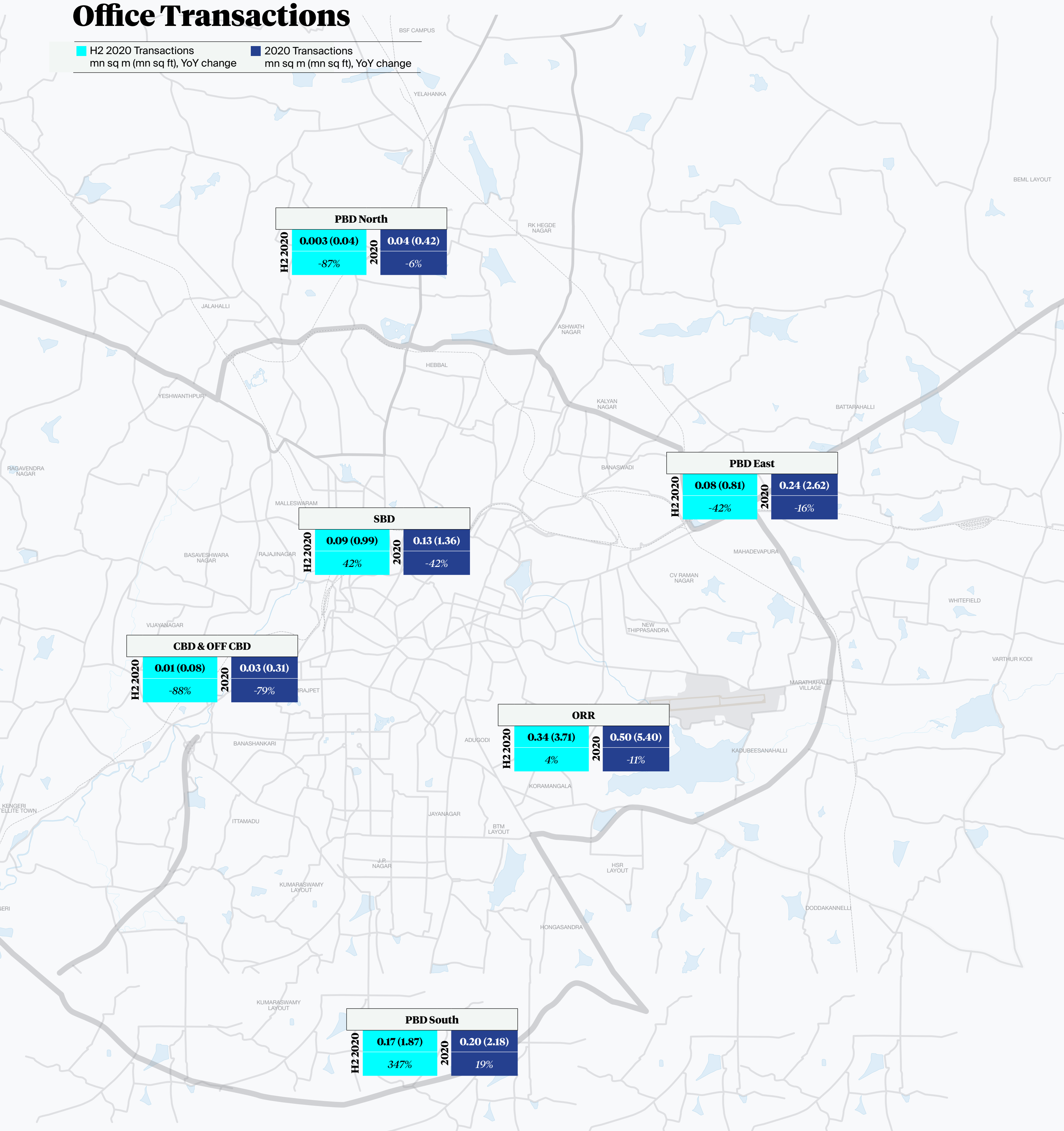
Source: Knight Frank Research

AVERAGE DEAL SIZE AND NUMBER OF DEALS

H2 2019	H2 2020
5,249 sq m	8,444 sq m
(56,503) sq ft	(90,890) sq ft
123 deals	83 deals

Source: Knight Frank Research

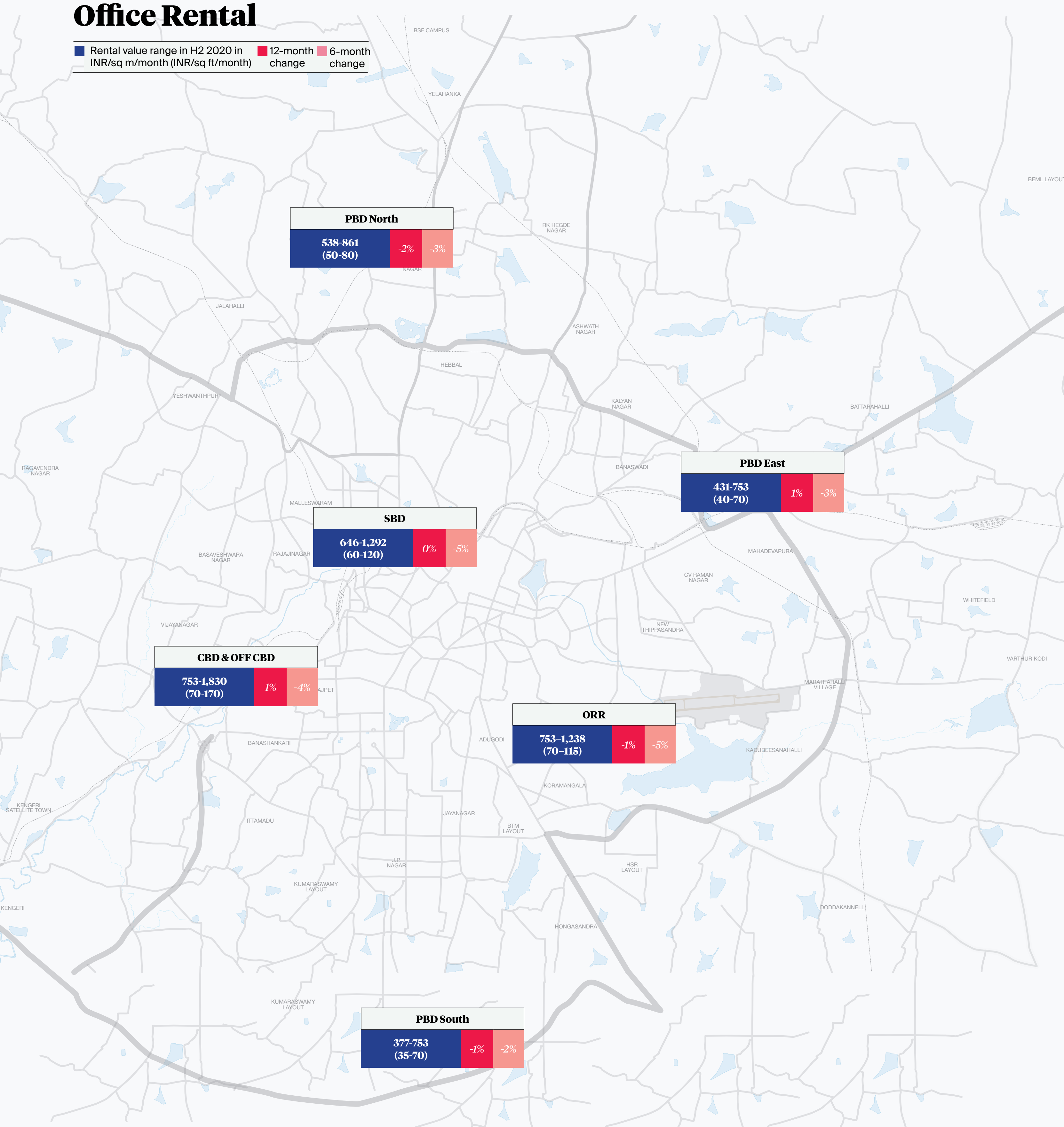
Office Transactions



Source: Knight Frank Research
All maps are for representational purpose not to scale

Office Rental

Rental value range in H2 2020 in INR/sq m/month (INR/sq ft/month) | 12-month change | 6-month change



Source: Knight Frank Research
All maps are for representational purpose not to scale

Resilience Of Bengaluru Real Estate Market

- VIVEK RATHI, DIRECTOR - RESEARCH

Bengaluru comes up as an important market on the real estate landscape of the country. One of the top 8 cities in the country, Bengaluru has maintained a steady pace of growth and charted its course amongst the foremost real estate markets in the country. Having exploited its unique position as a technology powerhouse, the city has established a strong foothold in the real estate market of the country. Over the last decade, Bengaluru has steadily improved its market share in residential sales. With Bengaluru's share in residential sales rising from 8% in 2010 to 15% in 2020, it now ranks among the top three. In terms of office transaction volume, Bengaluru has succeeded in being the foremost market in the country in each successive year since 2010.

Table: Resilience of Bengaluru real estate market
(Market share and rank of Bengaluru among Top 8 cities in the country based on residential sales volume and office transactions volume)

	Residential		Office	
Period	Market share	Rank	Market share	Rank
2010	8%	4	28%	1
2011	11%	4	31%	1
2012	14%	3	31%	1
2013	17%	3	28%	1
2014	20%	2	27%	1
2015	19%	2	26%	1
2016	19%	2	27%	1
2017	15%	3	27%	1
2018	18%	2	28%	1
2019	20%	2	25%	1
2020	15%	3	31%	1

Source: Knight Frank Research,

Note: Top 8 cities include Mumbai, National Capital Region, Bengaluru, Hyderabad, Chennai, Pune, Ahmedabad and Kolkata.

In the backdrop of this performance is the development of an eco-system for highly educated and skilled technology talent and participation of global tech companies. Bengaluru has 961 university colleges, the highest in the country. Besides, it is a magnet for attracting technology talent from all over India. The city also has a high density of Fortune 500 company offices. Consequently, start-ups have favoured the city for both availability of skilled talent at a reasonable cost and due to the presence of business opportunities from larger corporates.

These factors have made the Bengaluru market resilient and underpinned the institutionalisation of the real estate market on the supply side. The city has a concentration of top developers of the country. As regards the institutional investors, the city has been preferred by private equity and Real Estate Investment Trust (REIT) vehicles alike. This institutionalisation of the Bengaluru real estate market has made it even more resilient to face temporary crisis like the coronavirus pandemic.

With the onset of COVID-19 pandemic and associated lockdowns, widespread demand destruction was seen across the major cities of the country. Bengaluru also suffered in the initial days of the lockdown with residential sales falling by 74% YoY and office transactions declining by 86% YoY in the June 2020 quarter. The city had a second lockdown in the September 2020 quarter. However, despite all odds, the city has seen residential sales and office transactions improve meaningfully, in the September 2020 quarter and then further in the December 2020 quarter.

While many other cities have recorded improvement in sales in H2 2020, a key trigger for the same came in the form of lower property acquisition cost for homebuyers such as a cut in stamp duty rates or meaningful price reductions from the developers. However, in the case of Bengaluru, the market has made a strong comeback without such interventions. The stamp duty cut in Karnataka, which was announced in the initial days of the pandemic, covered only a limited segment of the housing market. On the pricing front, prices largely remained resilient with developer interventions limited to payment period flexibility. These factors highlight the resilience of the Bengaluru real estate market and build confidence for a stronger trajectory when normalcy returns post pandemic.

CHENNAI

RESIDENTIAL AND **OFFICE** MARKET

Srinivas Anikipatti
Senior Director – Tamil Nadu and Kerala

Known as the Detroit of India, Chennai offers a unique combination of robust infrastructure, easy international connectivity, rich talent pool, enabling policy environment, affordable cost of living, low levels of air pollution and high levels of safety.

Globally, 2020 has been a challenging year on account of the ongoing COVID-19 pandemic. Chennai too had its share of challenges, including those in the real estate sector. However, two positives seem to have emerged from this one-of-a-kind, unprecedented calamity. First, owing to the strict lockdowns, expenditures have gone down and savings have considerably increased. Second, housing prices seem to have reached an all-time low during this crisis. Coupled with multi-decadal low home loan interest rates, residential demand is slated to pick up speed.

Chennai's residential real estate demand is already in recovery mode in H2 2020 and the ready-to-move-in projects are seeing good traction. The affordable housing segment, the mainstay of Chennai's residential market, is seeing the highest rate of conversion. Further, more than 300 projects have received approval from the Chennai Metropolitan Development Authority (CMDA) indicating a positive trend in launches for 2021.

The Chennai commercial office real estate market has seen a steady annual demand of around 4 mn sq ft for more than a decade. In 2019, this demand peaked to a record high of around 6 mn sq ft. The city is home to global bigwigs such as Wells Fargo, New York Bank (NYB) and the latest entrant Apple. The IT sector, which is the primary driver of Chennai's office market, largely adopted a work from home policy during the lockdowns and continues to do so for now. However, after the advent of the COVID vaccine, these companies have plans to operate with a hybrid model – a mix of employees working from office and home on a rotational basis. However, even with this new model, the IT sector office space requirement will continue to remain the same, as de-densification and social distancing norms have increased the per employee sq ft area. Thus, the floorplate requirement of offices will even out and be the same as pre-COVID times, and so will their demand momentum. H2 2020 also saw increased activity among coworking operators as they offer flexibility in leasing and provide managed office services. In terms of supply, the city is gearing up for a planned new supply of 35 mn sq ft which is expected to come online in phases, in 2 to 3 years.

With regards to infrastructure, the government has just announced the launch of the third-phase of the Chennai Metro and a second commercial airport in Chennai. These projects will enhance connectivity and boost the city's commerce. The new sunrise sectors in Chennai are data centres, electric vehicles (EV), defence, aerospace, renewable energy (wind and solar), tech textile and pharmaceuticals.

Chennai has thus shown resilience during the testing times of the pandemic and has bounced back to almost pre-COVID levels of activity. It is therefore no surprise that Chennai has emerged as an attractive city in South India for working as well as for living.

Chennai Residential Market

CHENNAI MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	7,234	-37%	3,714	-2%	1,167	-54%
Sales (housing units)	8,654	-49%	5,673	-29%	2,588	-16%
Price (wt avg)*	40,843/sq m (3,794/sq ft)	-9%	-	-	-	-
Unsold inventory (housing units)*	12,190	-10%	-	-	-	-
Quarters to sell*	3.8	-	-	-	-	-
Age of unsold inventory (in quarters)*	15.5	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	2,981	-	3,085	2,588
Sales as % of 2019 Quarterly average	70%	0%	73%	61%
Launches (housing units)	3,520	-	2,547	1,167
Launches as % of 2019 Quarterly average	122%	0%	88%	40%

Source: Knight Frank Research

Note: Q2 2020 market activity: COVID-19 disruptions in market activity led to a standstill in sales activity at residential project sites and registration offices during Q2 2020. In some cases, customers paid nominal amounts on application for housing units, which could be identified and allotted later. Such instances of transactions with limited details on booking have not been considered in the Q2 2020 numbers. With more details awaited on certainty of such transactions, the recording was deferred and the same was captured during the subsequent reporting period.

- The COVID pandemic has had a significant impact on Chennai's residential market this year. Launches and sales are at their decadal lows and prices have seen a considerable fall in 2020.
- After struggling for 2 to 3 years, the residential market in Chennai had just begun to see stability in 2019. But this recovery was short-lived as with the onset of the pandemic in March 2020, the market lost its momentum. The nationwide lockdowns halted construction activity and slowed down sales.

- New project launches have dipped 37% Year-on-Year (YoY) in 2020. COVID-induced lockdowns and challenges stalled launches across cities including Chennai. During March-April 2020, construction activity was at a complete standstill, and from May-October 2020, challenges such as shortage of labour, high input costs and low demand kept new supply in check.

- Still, Q3 2020 launches showed a considerable revival, driven by clearances of pending project applications by local government authorities and the pent-up demand momentum.

- As of Q4 2020, most of the above challenges seem to have been addressed and launches appear to be getting back on track, albeit with a few months' delay in their original timelines. As a result, H2 2020 launches are only 2% YoY below the H2 2019 launches indicating a near restoration of the pre-COVID supply momentum. Q4 2020 launches show a 54% Quarter-on-Quarter (QoQ) dip and this is in line with the general trend of developers holding back launches for the local festive quarter of January-March every year, the Pongal season.

- With respect to ticket sizes, as conversion rate continues to be higher in the affordable housing segment, 61% of the H2 2020 launches were in the INR sub-5 mn ticket size segment. The increase in the share of launches in the INR 5 mn and above ticket sizes is largely a result of the increased need for larger homes to accommodate work from home and digital learning.

- On the demand front, numbers have plunged by a staggering 49% YoY in 2020 recording a decadal low. Sales dipped significantly in Q2 2020 as lockdowns and COVID-induced market uncertainties such as job losses and pay cuts arrested business activity. Sales picked up speed in Q3 2020 on account of the pent-up demand of Q2 2020, and because of the new demand that was set in motion with restoration of economic activities.

- Other factors contributing to the increase in demand include the attractive mix of multi-decadal low home loan interest rates, low residential prices and higher household savings. These factors together pushed the fence-sitters to implement their home purchase decisions in H2 2020.

- The demand for bigger homes has resulted in higher traction in the INR 10 mn and above ticket sizes. For the last few years, the affordable housing segment i.e. INR sub-5 mn ticket size has been the mainstay of residential demand in Chennai accounting for more than 50% of total sales. H2 2020 saw a trend reversal as the share of INR sub-5 mn sales in the total H2 2020 sales came down to 43% and that of the INR 5 mn and above went up to 57%.

- Q4 2020 sales show a 16% QoQ dip as homebuyers hold onto their purchase decisions for the auspicious festivities of Pongal in the month of January that bring attractive festive schemes and discounts.

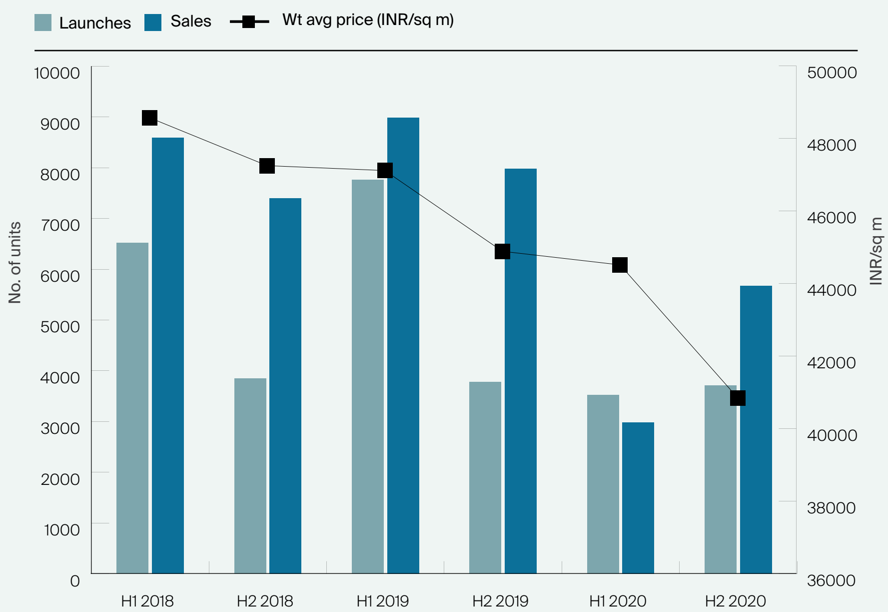
- In terms of geography, West Chennai was a favourite with both launches and sales in H2 2020. West zone launches doubled in 2020 and this region saw the lowest dip in sales volume this year. Popular locations in the west include Koyambedu, Mogappair, Porur and the upcoming Manapakkam neighbourhood. Besides these, Tambaram and Siruseri in South Chennai and Avadi and Thiruvallur in North Chennai are other popular residential catchments in the city, especially for the affordable housing segment. With office space demand picking up in the Old Mahabalipuram Road (OMR) belt, projects in Egattur, Shollinganallur and Navalur have also seen an increase in traction in H2 2020.

- Residential prices have been subjected to tremendous pressure this year with the COVID pandemic derailing the momentum of both sales and launches. The weighted average prices at the city level have seen a 9% YoY dip in 2020. On a positive note, these low prices have attracted significant demand and are helping boost the sales momentum in the city, particularly since Q4 2020.

- As demand continued to remain strong in the ready-to-move-in projects, unsold inventory numbers saw a 14% YoY dip from 14,149 units in H1 2020 to 12,190 units in H2 2020. Accordingly, the quarters to sell (QTS) also scaled down from 4.1 quarters in H1 2020 to 3.81 quarters in H2 2020.

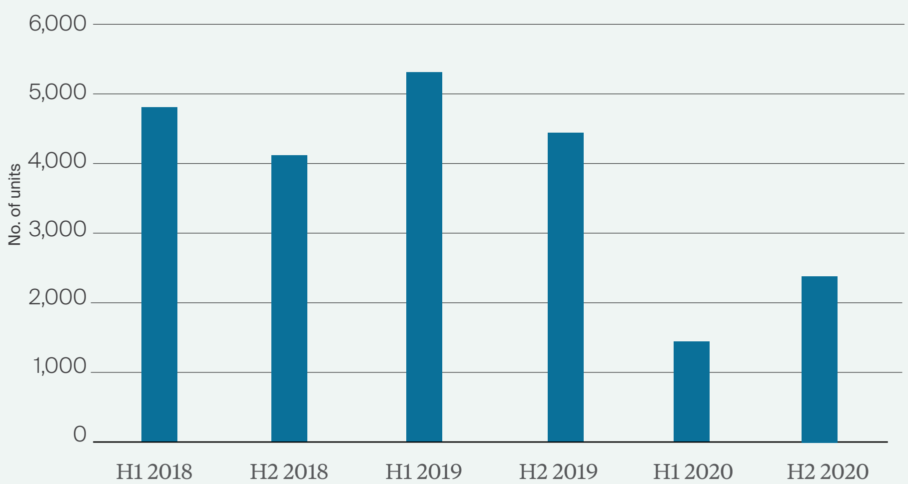
- The beginning of construction of the 119 km second phase of the Chennai metro in November 2020 is a welcome boost to the city's infrastructure. Phase 2 covers three corridors – Corridor 3 from Madhavaram to Sipcot, Corridor 4 from Poonamallee to Light House and Corridor 5 from Madhavaram to Shollinganallur – and will enhance inter-city connectivity. The Tamil Nadu state government has also been exploring options for the location of the proposed second Chennai international airport which will increase the city's air-passenger and air-cargo handling capacity.

CHENNAI RESIDENTIAL MARKET

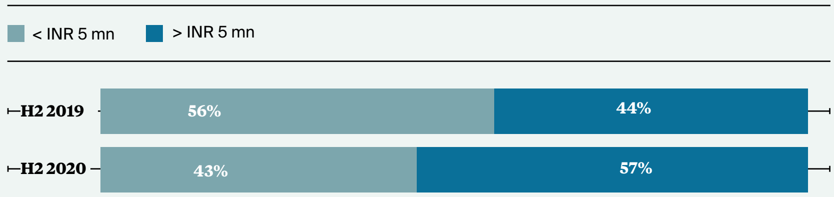


Source: Knight Frank Research

CHENNAI AFFORDABLE MARKET ACTIVITY (upto INR 5 million segment)



TICKET SIZE SPLIT OF SALES



Source: Knight Frank Research

2%

Dip in launches in H2 2020 compared to H2 2019

Sales in the INR 5 mn and above ticket sizes increased during H2 2020, a refreshing change in the affordable housing-dominated residential market of Chennai.

Residential Launches and Sales

Launches (housing units) | Sales (housing units) | % Change (YOY)

Micro market	Period	Launches	% Change	Sales	% Change
North Chennai	H2 2020	197	-16%	215	-27%
North Chennai	2020	197	-66%	252	-57%
Central Chennai	H2 2020	283	-9%	350	-23%
Central Chennai	2020	283	-19%	406	-50%
West Chennai	H2 2020	1,398	1444%	1,914	-12%
West Chennai	2020	2,960	102%	3,188	-23%
South Chennai	H2 2020	1,836	-42%	3,195	-37%
South Chennai	2020	3,794	-59%	4,807	-58%

MICRO MARKET CLASSIFICATION

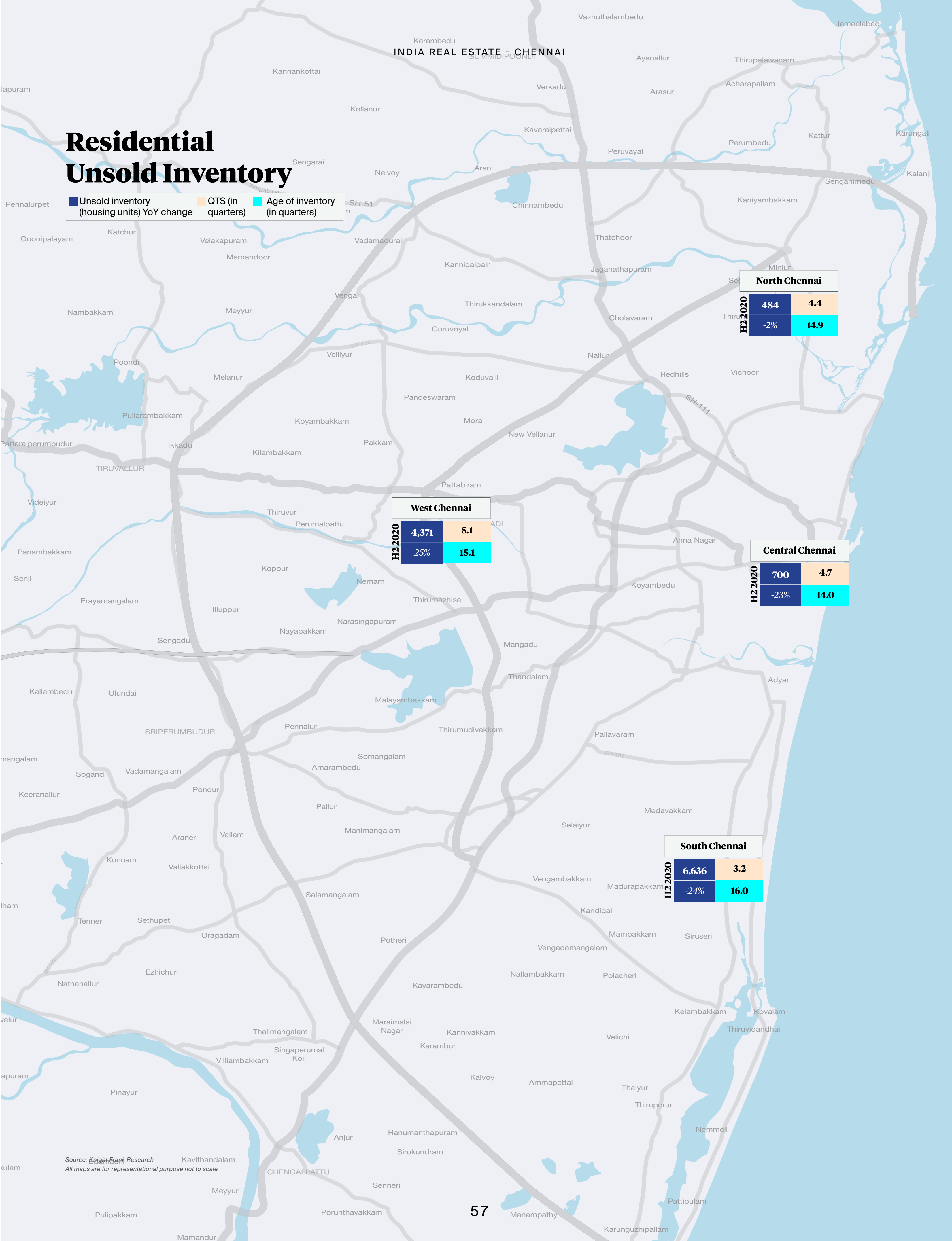
Micro market	Locations
Central Chennai	T. Nagar, Alandur, Nungambakkam, Kodambakkam, Kilpauk
West Chennai	Porur, Ambattur, Mogappair, Iyyappanthangal, Sriperumbudur
South Chennai	Perumbakkam, Chrompet, Sholinganallur, Guduvancheri, Kelambakkam
North Chennai	Tondiarpet, Kolathur, Madhavaram, Perambur

Source: Knight Frank Research

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Unsold Inventory

Unsold inventory (housing units) YoY change | QTS (in quarters) | Age of inventory (in quarters)



Region	H2 2020 Unsold inventory (housing units)	YoY change	QTS (in quarters)	Age of inventory (in quarters)
North Chennai	484	-2%	4.4	14.9
West Chennai	4,371	25%	5.1	15.1
Central Chennai	700	-23%	4.7	14.0
South Chennai	6,636	-24%	3.2	16.0

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Pricing

Micro Market	Location	Price range in H2 2020 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central Chennai	Anna Nagar	110,800–125,000 (10,200–11,600)	-11%	-6%
	Kilpauk	151,000–167,000 (14,000–15,500)	-10%	-5%
North Chennai	Kolathur	44,000–58,100 (4,100–5,400)	-8%	-4%
	Perambur	61,400–70,000 (5,700–6,500)	-9%	-5%
South Chennai	Perumbakkam	43,000–48,400 (4,000–4,500)	-9%	-5%
	Kelambakkam	34,400–42,000 (3,200–3,900)	-10%	-6%
West Chennai	Porur	54,900–61,400 (5,100–5,700)	-8%	-4%
	Mogappair	64,600–72,100 (6,000–6,700)	-7%	-3%

Source: Knight Frank Research

4%

Drop in prices in Q4 2020 compared to Q3 2020

The attractive mix of multi-decadal low home loan interest rates, low residential prices and higher household savings are helping boost the sales momentum.

Chennai Office Market

CHENNAI MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
New completions mn sq m(mn sq ft)	0.3 (3.3)	91%	0.01 (0.1)	-96%	-	-100%
Transactions mn sq m (mn sq ft)	0.4 (4.5)	-13%	0.3 (3.2)	-5%	0.2 (2.4)	227%
Weighted average transacted rental INR/sq m/month (INR/sq ft/month)*	645 (60)	0%	-	-	-	0%
Stock mn sq m (mn sq ft)*	7.1 (76.3)	5%	-	-	-	-
Vacancy (%)*	11.7%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	0.1 (1.3)	0.01 (0.1)	0.07 (0.7)	0.2 (2.4)
Transactions as % of 2019 Quarterly average	98%	4%	57%	187%
New completions mn sq m (mn sq ft)	0.3 (3.3)	-	0.01 (0.1)	-
New Completions as % of 2019 Quarterly average	750%	0%	15%	0%

Source: Knight Frank Research

- Chennai's office market has recorded a considerably healthy 2020 despite the serious challenges presented by the ongoing COVID-19 pandemic this year. Demand maintained its 10-year annual average of 0.4 mn sq m (4.3 mn sq ft), supply saw a significant jump and rentals remained stable.

- New completions recorded a 91% Year-on-Year (YoY) growth this year driven primarily by two large office buildings going live in Q1 2020 (Brigade WTC with 0.2 mn sq m / 2.1 mn sq ft and K Raheja Commerzone with 0.1 mn sq m / 1.1 mn sq ft, totalling 0.3 mn sq m / 3.2 mn sq ft). For the H2 2020 period, however, there is a 96% YoY fall in new supply.

- Supply had slowed down due to numerous COVID-induced challenges during the period April to September 2020. Stringent pan-India lockdowns during March and April 2020 brought all construction activity to a complete halt. Labour shortage and high cost of inputs kept the construction activity in check until

September 2020. As partial lockdowns continued in most cities, fit-outs and getting Occupancy Certificates (OC) was a challenge for ready buildings. Consequently, the planned new completions saw significant alterations in their delivery timelines and this has impacted the supply inflow in the market in H2 2020.

- As of Q4 2020, the labour challenges have mostly been addressed and construction activity has picked up significant momentum. Procedural delays have also reduced as government offices have started operations at full capacity. New supply plans are therefore back on track, albeit with a possible 8 to 9 month delay.

- On the transactions front, leasing activity maintained its decadal annual average with 0.4 mn sq m (4.5 mn sq ft) of transacted space in 2020. However, in terms of YoY performance, transactions were down 5% YoY in H2 2020 and 13% YoY in 2020. It is important to note here that 2019 was Chennai's peak year in terms of demand. Leasing activity had recorded an all-time high of 0.3 mn sq m (3.35 mn sq ft) in H2 2019 and of 0.5 mn sq m (5.2 mn sq ft) in 2019. It is in comparison to this stellar performance of last year that 2020 shows a 13% YoY dip in transaction activity.

- Also noteworthy is the fact that H2 2020 is the second highest performing half-year period, after H2 2019, with 0.3 mn sq m (3.2 mn sq ft) of transactions activity recorded. The Chennai office market has therefore had a healthy leasing business this year and the high demand momentum of last year has been muted only by the ongoing pandemic and the ensuing market uncertainties.

- Q4 2020 transactions show a significant 227%% Quarter-on-Quarter (QoQ) jump and this spike is a function of increased business activity, transaction spill-overs from Q3 2020 and the market rush of locking in deals before the close of the calendar year.

- With respect to industry wise demand split, 58% of the H2 2020 transactions were by Information Technology / Information Technology enabled Services (IT/ITeS) players, the primary driver of Chennai's office market. This is an increase not just in terms of the share, which was 53% in H2 2019, but also in terms of the total area transacted which is up by 4% YoY, from 0.16 mn sq m (1.8 mn sq ft) in H2 2019 to 0.2 mn sq m (1.8 mn sq ft) in H2 2020. This growth in activity is noteworthy, as most of the IT/ITeS sector companies continue to adopt the work from home policy for a bulk of their employees.

- While most IT companies have temporarily made work from home arrangements for their employees, with news of the vaccine coming in, these companies have started looking for and locking in office spaces in their desired markets for full-fledged operations when offices resume. This, coupled with the pent-up demand, has resulted in a strong demand momentum in H2 2020.

- Further, there has also been much talk about the hybrid model that global multi-national companies (MNCs) and IT players are gunning for in the post-vaccination world. In this hybrid model, companies are planning to operate with a mix of employees working from home and in offices. However, owing to the newfound emphasis on social distancing and de-densification, the square feet area per employee has gone up and this in turn has kept the floorplate requirement of offices the same, though for a lesser number of employees now. On the whole, in the post-COVID world, it appears that though the demand dynamics and considerations might have changed, the quantum of demand is likely to remain the same.

- The Banking, Financial Services and Insurance (BFSI) sector's share in total transactions went up from 13% in H2 2019 to 22% in H2 2020 with a 60% YoY increase in total transacted area. On the other hand, the share of manufacturing and co-working sector players in the total transactions pie of H2 2020 fell from 9% and 5% in H2 2019 to 3% and 2% in H2 2020, respectively.

- Within co-working players, enterprise model providers and managed office operators have seen increase in activity in H2 2020, particularly towards the latter part of Q4 2020. These companies are offering tenants the much desired flexibility in lease tenures, rentals and occupancy which has helped tenants maintain business continuity in these uncertain times. Further, the managed office solutions provided by some of the co-working players have seen significant demand in the last few months as companies have been able to ensure hygiene requirements and social distancing norms by outsourcing the management of their facilities to these operators. These upcoming dimensions of co-working businesses are expected to help revive the co-working sector demand in the coming quarters.

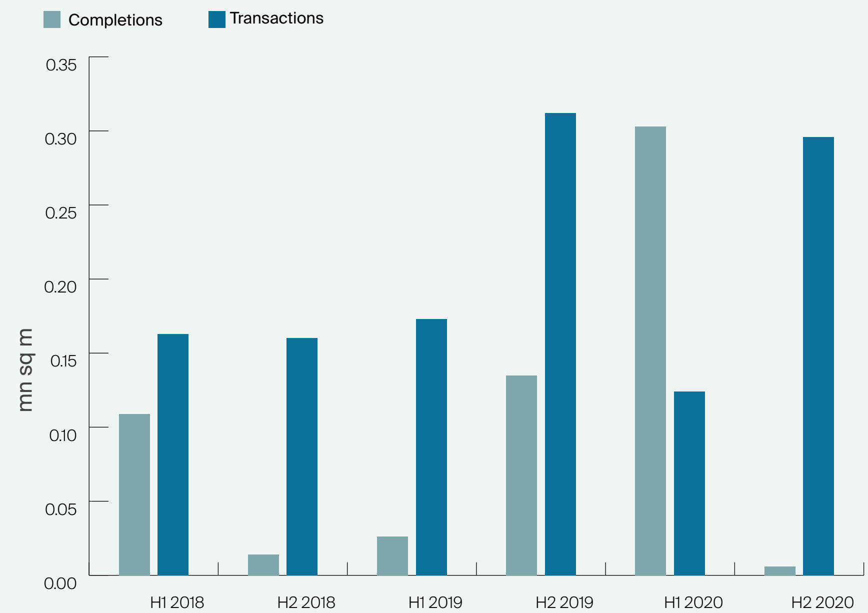
- In terms of location, the Suburban Business District (SBD) – Old Mahabalipuram Road (OMR) micro market accounted for 63%, the highest of the total H2 2020 transactions driven by the IT sector companies that dominate this zone. In terms of the total transacted area too, SBD-OMR saw a 186% YoY increase from 0.07 mn sq m (0.7 mn sq ft) in H2 2019 to 0.2 mn sq m (2.0 mn sq ft) in H2 2020.

- Developers and landlords have mostly refrained from increasing rentals this year to accommodate the present market uncertainties. This has helped developers in retaining present tenants and also in giving a boost to new business. Consequently, the rentals have remained stable this year with a marginal near 0% growth in the SBD-OMR business district driven by increased transaction activity.

- Vacancy levels scaled down from 12.2% in H1 2020 to 11.7% in H2 2020. The addition of bulk supply, to the tune of 0.3 mn sq m (3.3 mn sq ft) in Q1 2020, caused the vacancy level to rise from 8.8% in H2 2019 to 12.2% in H1 2020. As of H2 2020, the supply addition of Q1 2020 and a comparatively muted demand momentum due to COVID, have kept the vacancy levels in double digits.

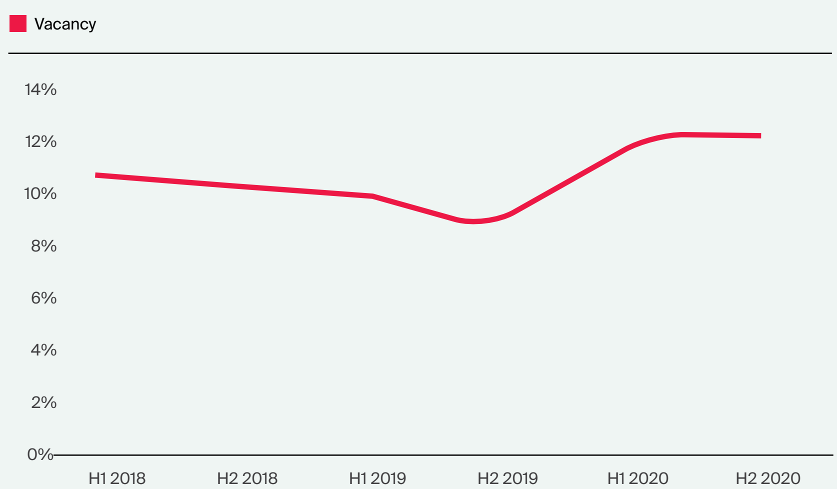
- On the whole, while the total number of deals in the Chennai office market has come down from 103 in H2 2019 to 64 in H2 2020, the average deal size has considerably increased from 3,026 sq m (32,567 sq ft) to 4,620 sq m (49,732 sq ft). The jump in the average deal size is a result of 9 large transactions (50,000 sq ft or 4,654 sq m and above) accounting for 77% of the total H2 2020 transactions volume.

CHENNAI MARKET SNAPSHOT



Source: Knight Frank Research

CHENNAI OFFICE MARKET VACANCY



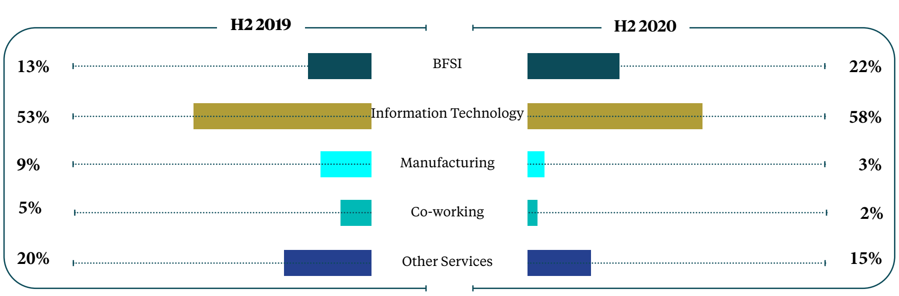
Source: Knight Frank Research

BUSINESS DISTRICT CLASSIFICATION

Business district	Micro markets
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 – Old Mahabalipuram Road (OMR)	Perungudi, Taramani
Peripheral Business District (PBD) – OMR and Grand Southern Trunk Road (GST)	OMR beyond Perungudi Toll Plaza, GST Road
PBD – Ambattur	Ambattur

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services
Source: Knight Frank Research

AVERAGE DEAL SIZE AND NUMBER OF DEALS

H2 2019	H2 2020
3,026 sq m (32,567) sq ft	4,620 sq m (49,732) sq ft
103 deals	64 deals

Source: Knight Frank Research

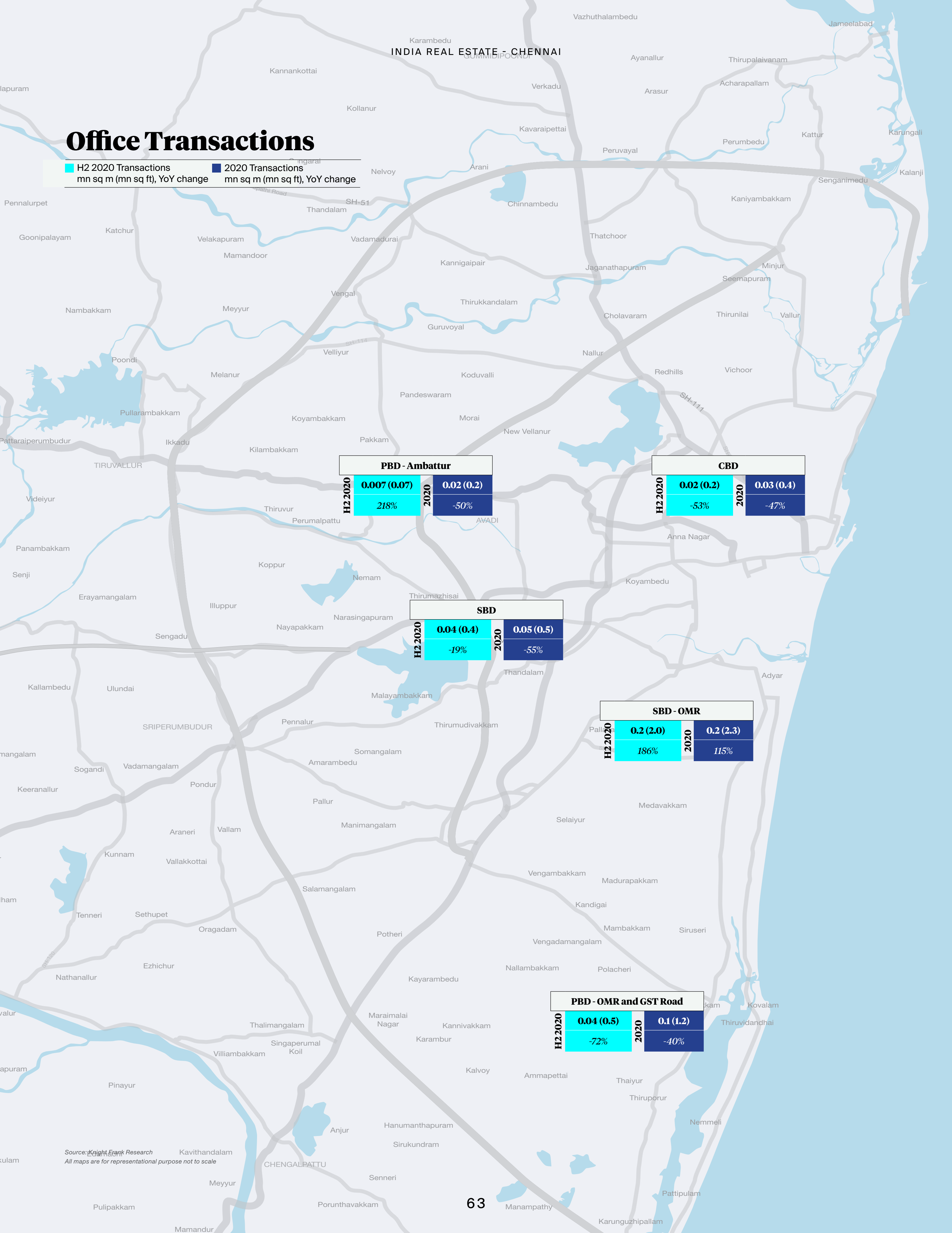
227%

Jump in transactions in Q4 2020 compared to Q3 2020

Office Transactions

H2 2020 Transactions mn sq m (mn sq ft), YoY change

2020 Transactions mn sq m (mn sq ft), YoY change



PBD - Ambattur

H2 2020	2020
0.007 (0.07)	0.02 (0.2)
218%	-50%

CBD

H2 2020	2020
0.02 (0.2)	0.03 (0.4)
-53%	-47%

SBD

H2 2020	2020
0.04 (0.4)	0.05 (0.5)
-19%	-55%

SBD - OMR

H2 2020	2020
0.2 (2.0)	0.2 (2.3)
186%	115%

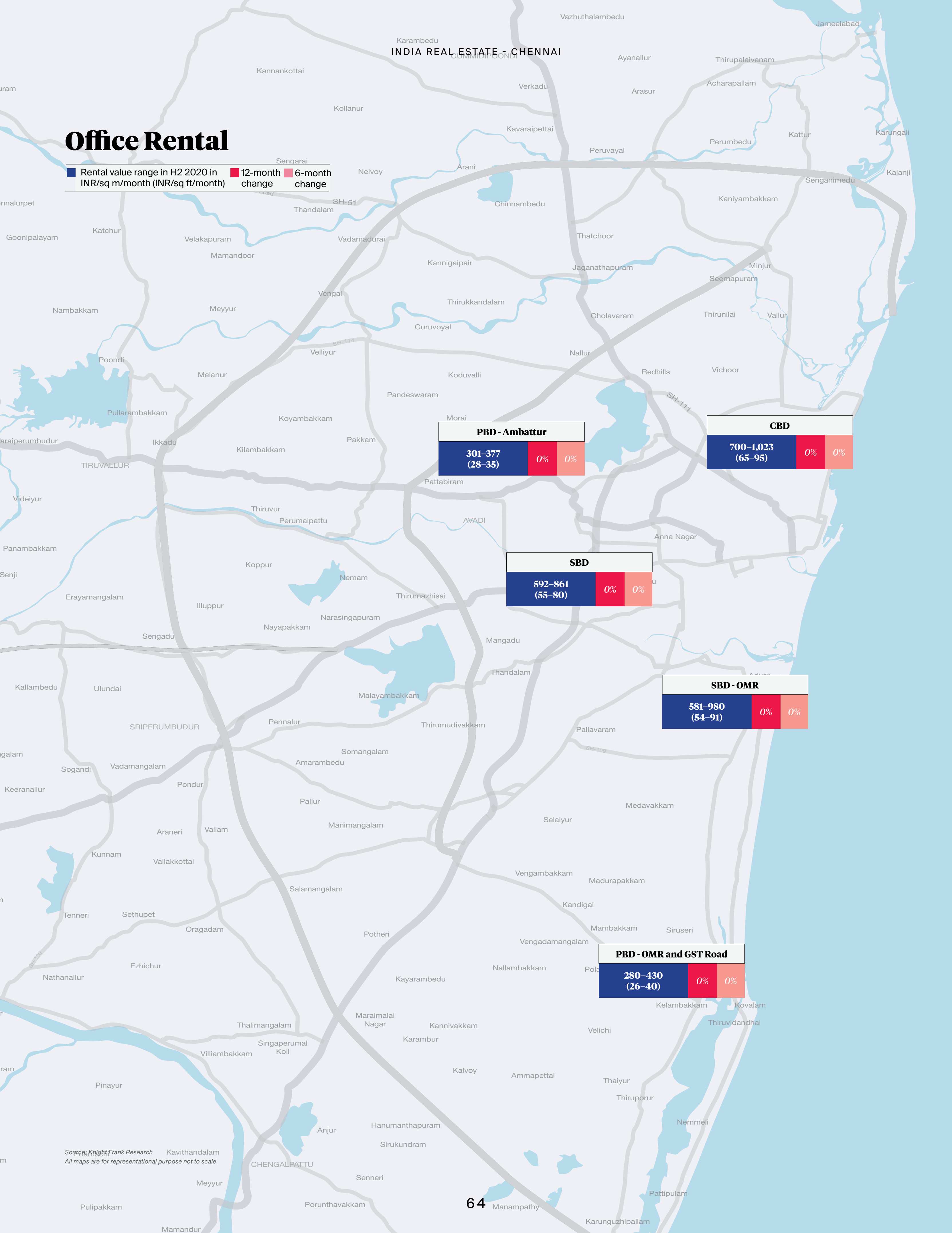
PBD - OMR and GST Road

H2 2020	2020
0.04 (0.5)	0.1 (1.2)
-72%	-40%

Source: Knight Frank Research
All maps are for representational purpose not to scale

Office Rental

Rental value range in H2 2020 in INR/sq m/month (INR/sq ft/month) | 12-month change | 6-month change



Source: Knight Frank Research
All maps are for representational purpose not to scale

Data Centres, the emerging asset class in Chennai

-PRADNYA NERKAR
ASSOCIATE CONSULTANT - RESEARCH

The increased pace of digitisation and the significant growth in data consumption enforced by the ongoing COVID-19 pandemic has resulted in an increased demand for data centres[1]. India's data usage has seen a significant rise after March 2020 and this increase can be attributed to remote working/work from home policy, online education, boom in e-commerce and app-based services, increase in usage of social media and higher Over The Top (OTT) consumption. The high data volume coupled with government regulations on data localisation and data privacy protection caused a growth spurt in data centres within India. As an asset class, data centres have very specific real estate requirements such as presence in low calamity risk zones (i.e. low seismic zone or area not prone to floods). Further, data centres are resource heavy, as they require a continuous supply of enormous amounts of high-quality electricity and high-scale availability of network connectivity. Chennai sufficiently fulfills all such specific real estate and infrastructural requirements of data centres and has thus emerged as the second largest data centre market in India.

India's data centre market has grown manifold in the last five years backed by the increasing market of mobile and internet users in the country. Within India, Mumbai and Chennai are the two most preferred locations for setting up data centres as both these cities have under-sea or submarine international cable landing stations[2].

Key advantages of Chennai as a location for setting up data centres

- Submarine international cable landing stations – At present, Chennai has four undersea cable landing stations that offer sound optic fiber network connectivity[3].
- Chennai is geographically the closest in India to the South-East Asia region thus facilitating easy international connectivity.
- Being a coastal location, it also ensures further scope of building new cable landing stations in the future.
- Tamil Nadu is a power surplus state and therefore Chennai offers uninterrupted and quality power supply.
- Easy availability of land and industrial parks in and around Chennai.
- Affordable real estate costs, especially when compared to Mumbai.
- Large presence of IT sector.
- Availability of required technical expertise and skilled manpower.
- Enabling policy environment and incentives to boost growth: While the Tamil Nadu state data centre policy is in the drafting stage, the government also has a few state data centres up and running. Further, the government has always encouraged IT infrastructure growth in the state.

Chennai's data centre market is presently estimated to be at a capacity of around 70 MW which occupies approximately 2 mn sq ft of real estate space (built-up area)[4]. With a large IT office market base, hyperscalers and large enterprises that prefer Tier IV[5] compliant data centres are the primary demand drivers in Chennai. Further, both the main data centres and the disaster recovery centres i.e. data back-up bases exist in the city. Within Chennai, the Ambattur and Siruseri micro markets have evolved into data centre and cloud hotspots, and key national and international players such as Netmagic, Adani and Yotta have established their base in the city.

In line with the present demand and supply trend, the Chennai data centre market is estimated to grow to a capacity of 174 MW by 2023 i.e. more than double in three years[4]. Investments worth INR 120 bn have already been announced by six players during April-October 2020. The proposed National Data Centre Policy will further boost data centre growth in the city, as proposals such as granting 'infrastructure' status, setting up Data Centre Economic Zones (DCEZs) and providing single-window clearance are on the cards. These, coupled with the impending roll-out of 5G technology, will strengthen the data centre growth trend in Chennai.

[1]Data centres are dedicated, centralized spaces (a room or a building or a group of buildings) where computing and networking equipment is housed for collecting, storing, processing and disseminating data.

[2]A submarine cable landing station helps accommodate and service the undersea data traffic coming in from the Pacific side. Intercontinental cables terminate at a cable landing point and network services then help carry the data further for dissemination or for termination into a data centre.

[3]https://www.submarinenetworks.com/stations/asia/india

[4]Knight Frank

[5]Data centre tiers are a system used to describe specific kinds of data centre infrastructure in a consistent way. Tier 1 is the simplest infrastructure, while Tier 4 is the most complex, completely fault tolerant and has the most redundant components.

HYDERABAD

RESIDENTIAL AND **OFFICE** MARKET

Samson Arthur
Branch Director - Hyderabad

Welcome to Hyderabad! A city where charming rich heritage converges with new-age vibrancy. Over the last two decades, Information Technology (IT) has continued to be the key driver of growth, both for the city and its real estate. Markets saw a strong Q1 until the pandemic made it difficult to make any predictions. Yet, by the end of year we are witnessing a resilience in office rentals and a strong Q4 in housing.

HOUSING

COVID has made homes dearer and city developers have responded with measured aggression to tap on the prevalent aspiration and future demand. Recognised as being amongst the most affordable cities, this sector saw a remarkable turnaround in Q3. Ready inventory moved briskly, encouraging developers to announce new launches which in turn met with positive outcomes.

OFFICE

Hyderabad's rank in all-India office transactions jumped from sixth place in 2015 to second place in 2019 with a record volume of 12.8 mn sq ft transacted.

Post lockdown, rentals have remained resilient and office demand is seeing a gradual shift from one of muted stance to recalibration of right-size, albeit with smaller volume. Developers responded with softening of terms as a retention tool. High, expansionary pre-commitments of previous year took a backseat during the peak of lockdown. Enterprising clients however, held on to their prime space with hard commitments, in view of limited ready space in the prime corridors of Raidurg & HITEC City. Work from Home (WFH) was adopted immediately and gave IT companies an opportunity to focus on their core area which continued to grow well. WFH productivity however, will be challenged once normalcy returns, with employees demanding a balanced work-live-play environment.

Managed Office Operators came to the rescue of serious office-takers who awaited sweet deals. With ease of capital investment on fitouts, flexible contract terms and bundled offering on operational needs, operators served the needs of both developers and occupiers equally. Flexibility is likely to be the order of the day even when offices resume fully.

WAREHOUSING

Warehousing remained an active sector right through the lockdown. Fast moving consumer goods (FMCG) and Third-party Logistics (3PLs) providers, driven primarily by ecommerce, absorbed most of the ready spaces. Larger firms consolidated their BTS (Build To Suit) plans for 2021-22. Active interest was seen for clusters of Medchal, Patancheru and Shamshabad.

INFRASTRUCTURE

With the *Growth in Dispersion (GRID)* policy intending to support geographical growth, both the industry and the government have to walk the path to enjoy its fruits collectively. The announcement of *Integrated Township Policy* envisions decongesting of the core city to build satellite townships 5 kms outside of the Outer Ring Road (ORR). Dharani Portal for online land digitization and bPass for single window clearance are landmark initiatives with unparalleled potential. Policies have been progressive; they now await successful implementation.

The outlook remains promising for Hyderabad's realty. The office segment got a booster with Goldman Sachs announcing its Hyderabad entry during COVID. With the presence of Amazon's Data Centre, inquiries in this sector have also been increasing. New sectors such as the automotive and electric vehicles segments show great promise. There is good reason why *#WorkFromHyderabad (WFH)* continues to look optimistic.

Hyderabad Residential Market

HYDERABAD MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	12,826	- 5%	8,404	4%	7,170	481%
Sales (housing units)	10,042	-38%	5,260	-34%	3,651	127%
Price (wt avg)*	48,535/sq m (4,509/sq ft)	0%	-	-	-	-
Unsold inventory (housing units)*	7,180	63%	-	-	-	-
Quarters to sell*	2.2	-	-	-	-	-
Age of unsold inventory (in quarters)*	11.5	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	3,808	974	1,609	3,651
Sales as % of 2019 Quarterly average	94%	24%	40%	90%
Launches (housing units)	3,002	1,420	1,234	7,170
Launches as % of 2019 Quarterly average	89%	42%	37%	213%

Source: Knight Frank Research

- Driven by the strong office market growth, Hyderabad's residential market had performed well in the past three to four years. Prices had grown at a Compounded Annual Growth Rate (CAGR) of 6% during 2014-2019. This growth momentum and the overall residential market performance was hampered by the onset of the pandemic in Q1 2020.

- New project launches took a significant hit in Q2 and Q3 2020, as they recorded only 42% and 37% launches respectively, of the 2019 quarterly average. During March-April 2020, stringent lockdowns halted construction activity and then from May-October 2020 challenges such as shortage of labour, high input costs and low demand kept new supply in check.

- By Q4 2020, with sales also picking up momentum, launches revived with full gusto. Launches grew by a stellar 481% Quarter-on-Quarter (QoQ) in Q4 2020 leading to a 4% Year-on-Year (YoY) growth in the total H2 2020 launches.

- With respect to ticket sizes, as the rate of conversion from inquires to purchases picked up in the affordable housing segment, launches in the INR sub-5 mn ticket size units grew by 45% YoY in H2 2020. Similarly, launches in the INR 10 – INR 20 mn ticket size grew by 55% YoY in H2 2020, on account of the COVID-induced need for larger homes.

- On the demand front, numbers have plummeted by a significant 38% YoY in 2020 recording a decadal low in annual sales. Sales dipped significantly in Q2 2020 as lockdowns and COVID-induced market uncertainties, such as job losses and pay cuts, stalled business activity pan-India, including Hyderabad. Sales revived marginally in Q3 2020 on account of the pent-up demand and because of the new demand set in motion with restoration of business activities. Q4 2020 sales grew by 127% QoQ; however, the total H2 2020 sales numbers still fell short by 34% YoY of the H2 2019 sales numbers.

- Key contributors to the increase in demand in H2 2020, particularly Q4 2020, include the festive season offers and discounts and the COVID-induced push for bigger and larger homes to accommodate the ongoing work from home and digital learning arrangements. There is also the attractive mix of multi-decade low home loan interest rates, low residential prices, and higher income savings.

- Attractive prices and interest rates have also boosted sales in the INR sub-5 mn ticket size segment in H2 2020, as their share in total sales increased from 15% in H2 2019 to 24% in H2 2020. This increase is noteworthy, as it indicates the growth of the affordable housing segment in a market where the buyer preference has always been stronger for the INR 5 – INR 10 mn segment.

- In terms of geography, the Hyderabad Metropolitan Region (HMR) – Central micro market was popular with both launches and sales in H2 2020. HMR-Central launches grew by 397% YoY in 2020, whereas its 2020 sales were relatively less affected at 19% YoY. Jubilee Hills continued to remain a preferred home destination while Shaikpet, Attapur and Somajiguda neighbourhoods saw increased activity during H2 2020. West Hyderabad continued to account for the highest share in launches, as well as sales, owing to its proximity to the Information Technology (IT) business districts. Serilingampally, Patancheru, Miyapur, Narsingi, Bachupally and Malkajgiri localities were among the other popular catchments during H2 2020.

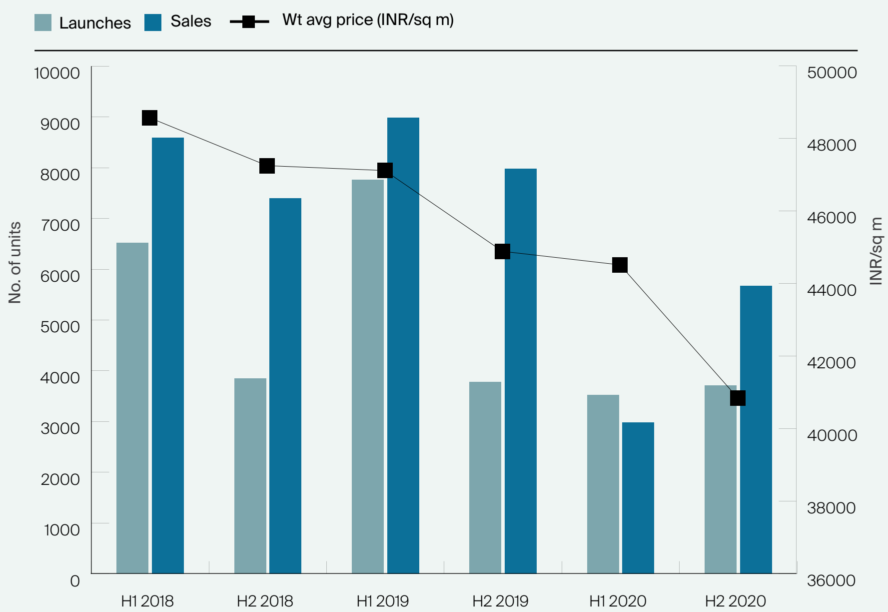
- The strong growth momentum of residential prices during earlier years was stalled this year by the negative impact of the pandemic on both sales and launches. As a result, the weighted average prices at the city level have receded to the 2019 levels with a near 0% YoY increase in 2020. Steady prices in an otherwise strong demand market are likely to incentivise homebuyers in executing their purchase decisions sooner.

- The spurt in launches coupled with the relatively muted sales volume have caused the unsold inventory numbers to rise 63% YoY from 4,397 units in H2 2019 to 7,180 units in H2 2020. Accordingly, the quarters to sell (QTS) has also scaled up from 1.1 quarters in H2 2019 to 2.2 quarters in H2 2020.

481%

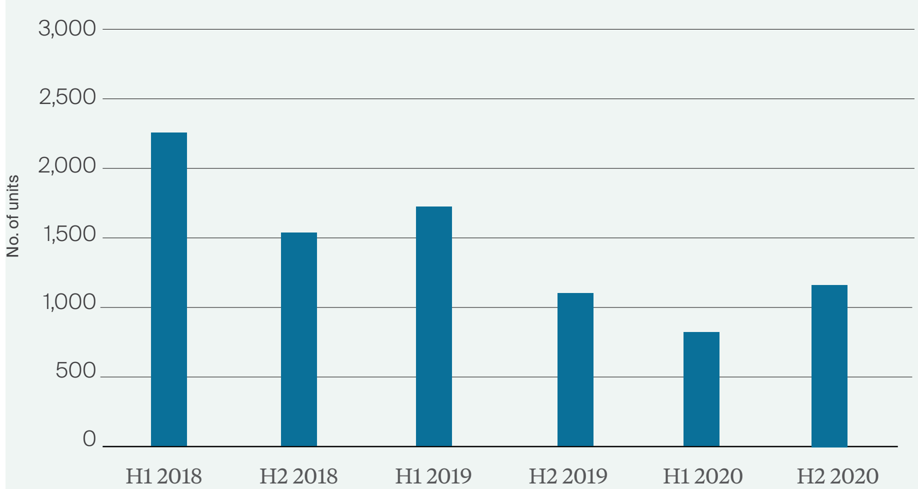
Jump in launches in Q4 2020 compared to Q3 2020

HYDERABAD RESIDENTIAL MARKET

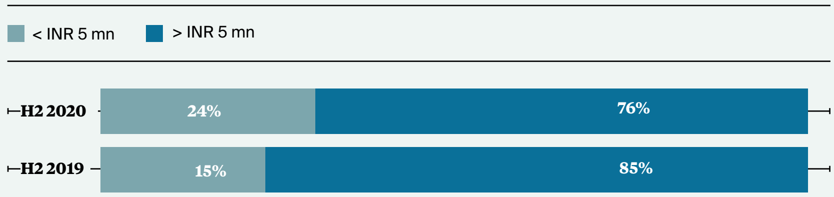


Source: Knight Frank Research

HYDERABAD AFFORDABLE MARKET ACTIVITY (upto INR 5 million segment)



TICKET SIZE SPLIT OF SALES



Source: Knight Frank Research

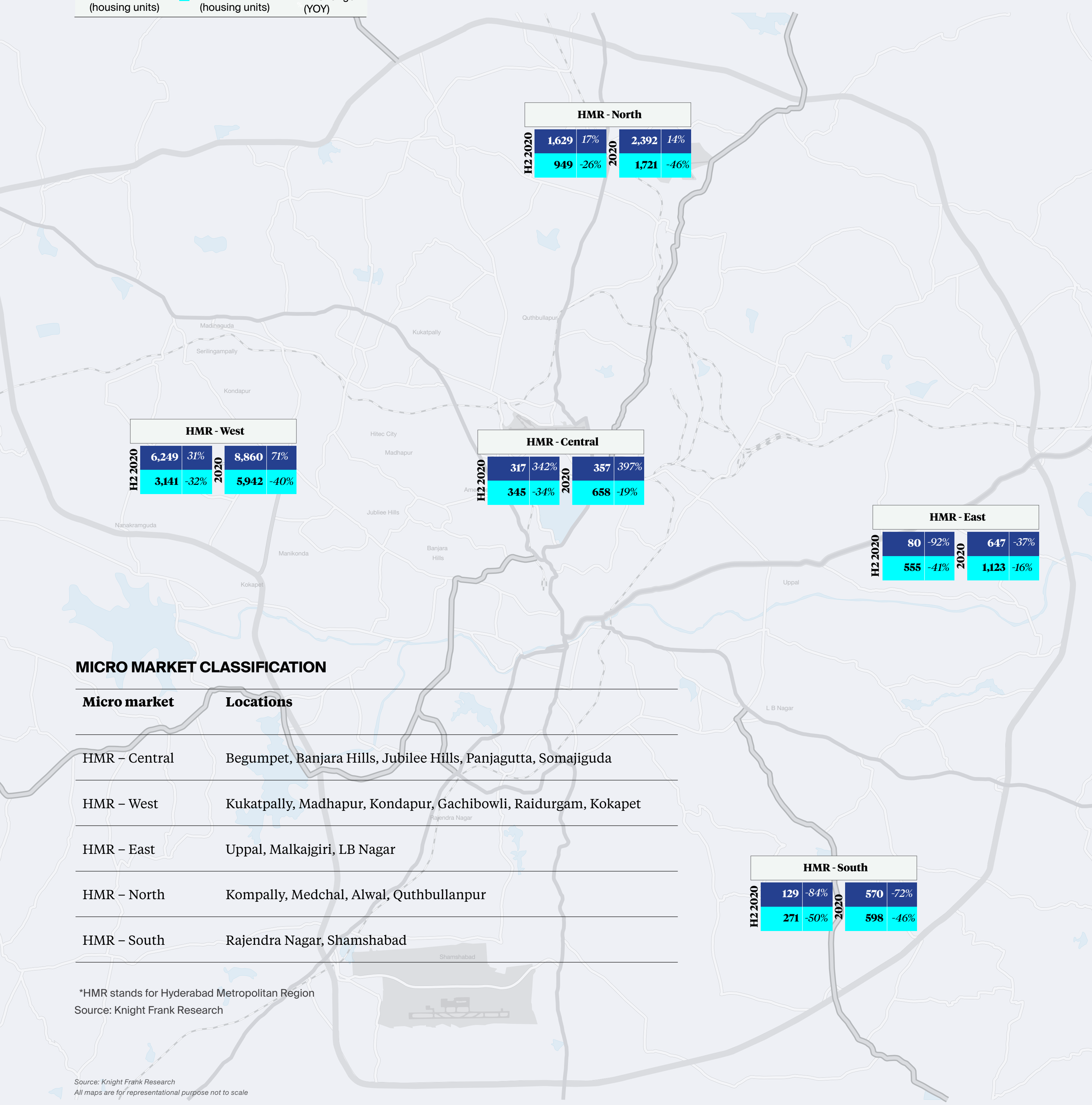
127%

Increase in sales in Q4 2020 compared to Q3 2020

The share of INR sub-5 mn ticket size sales in total H2 2020 sales has increased from 15% in H2 2019 to 24% in H2 2020. This increase is noteworthy as it indicates the growth of the affordable housing segment in a market where the buyer preference has always been stronger for the INR 5 – INR 10 mn segment.

Residential Launches and Sales

Launches (housing units)	Sales (housing units)	% Change (YOY)



HMR - North

	H2 2020	% Change	2020	% Change
Launches	1,629	17%	2,392	14%
Sales	949	-26%	1,721	-46%

HMR - West

	H2 2020	% Change	2020	% Change
Launches	6,249	31%	8,860	71%
Sales	3,141	-32%	5,942	-40%

HMR - Central

	H2 2020	% Change	2020	% Change
Launches	317	342%	357	397%
Sales	345	-34%	658	-19%

HMR - East

	H2 2020	% Change	2020	% Change
Launches	80	-92%	647	-37%
Sales	555	-41%	1,123	-16%

HMR - South

	H2 2020	% Change	2020	% Change
Launches	129	-84%	570	-72%
Sales	271	-50%	598	-46%

MICRO MARKET CLASSIFICATION

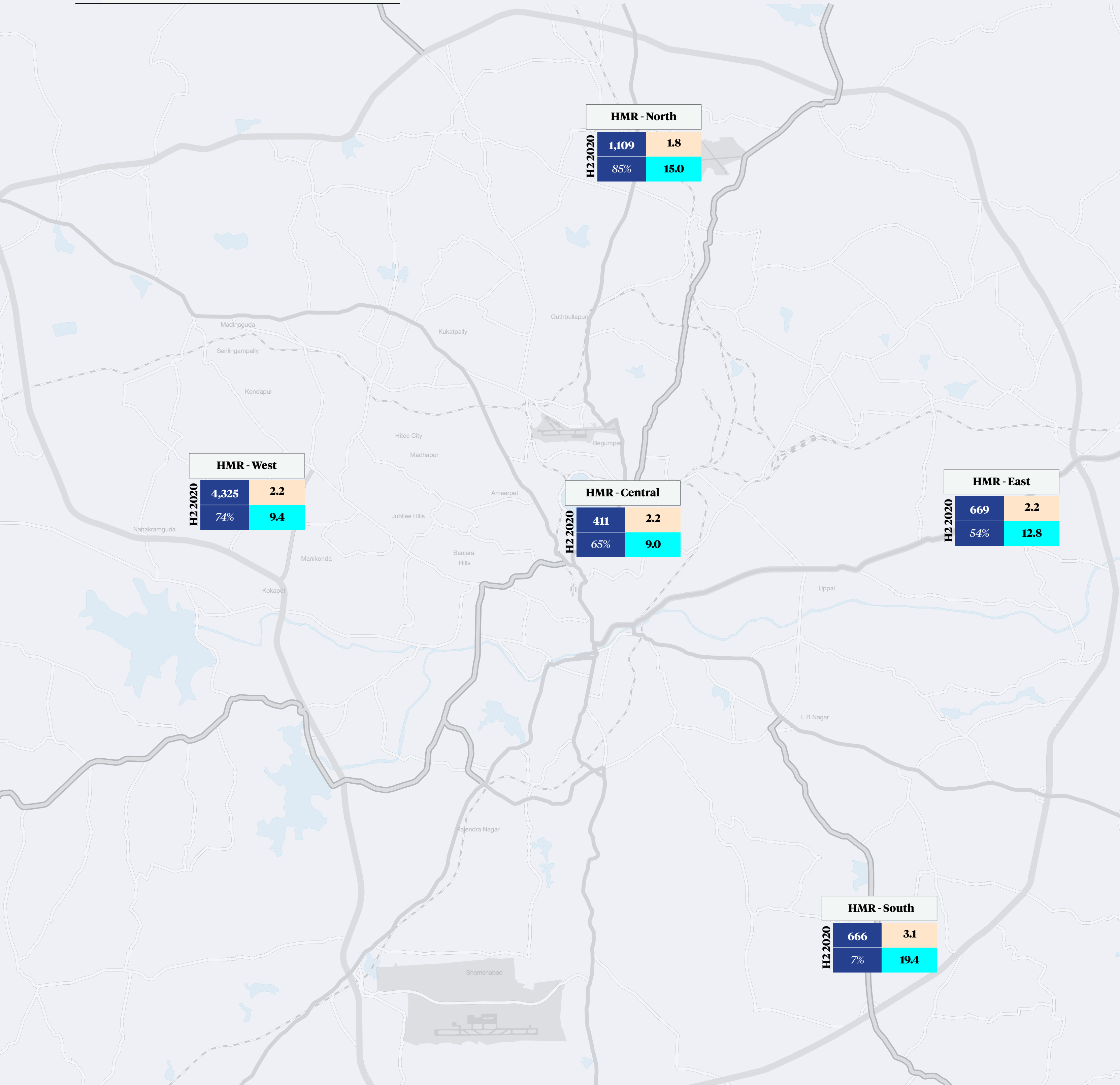
Micro market	Locations
HMR – Central	Begumpet, Banjara Hills, Jubilee Hills, Panjagutta, Somajiguda
HMR – West	Kukatpally, Madhapur, Kondapur, Gachibowli, Raidurgam, Kokapet
HMR – East	Uppal, Malkajgiri, LB Nagar
HMR – North	Kompally, Medchal, Alwal, Quthbullanpur
HMR – South	Rajendra Nagar, Shamshabad

*HMR stands for Hyderabad Metropolitan Region
Source: Knight Frank Research

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Unsold Inventory

Unsold inventory (housing units) YoY change | QTS (in quarters) | Age of inventory (in quarters)



Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Pricing

Micro Market	Location	Price range in H2 2020 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
HMR - Central	Banjara Hills	108,716-112,634 (10,200-10,600)	2%	-4%
	Jubilee Hills	118,296-119,373 (10,990-11,090)	1%	-3%
HMR - East	LB Nagar	44,132-48,007 (4,100-4,460)	2%	-5%
	Nacharam	40,451-42,938(3,578-3,989)	1%	-4%
HMR - North	Kompally	35,650-35,790 (3,312-3,325)	-2%	-2%
	Sainikpuri	29,063-29,999 (2,700-2,787)	-1%	-2%
HMR - South	Rajendra Nagar	51,990-53,583 (4,830-4,978)	-1%	-4%
	Bandlaguda	42,819-45,575 (3,978-4,234)	-2%	-3%
HMR - West	Kokapet	52,173-55,854 (4,847-5,189)	1%	-3%
	Manikonda	47,254-48,266 (4,390-4,484)	0%	-2%

Source: Knight Frank Research

0.2%

Near-zero growth in city level weighted average residential prices in 2020.

The spurt in launches coupled with the relatively muted sales volume have caused the unsold inventory numbers to rise to 7,180 units in H2 2020.

Hyderabad Office Market

HYDERABAD MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Completions mn sq m(mn sq ft)	0.8 (8.7)	-20%	0.4 (4.9)	-29%	0.1 (1.3)	-64%
Transactions mn sq m (mn sq ft)	0.6 (6.0)	-53%	0.4 (3.8)	-58%	0.3 (3.3)	640%
Weighted average transacted rental INR/sq m/month (INR/sq ft/month)*	658 (61)	0%	-	-	-	-1%
Stock mn sq m (mn sq ft)*	7.8 (83.9)	11%	-	-	-	-
Vacancy (%)*	9.4%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	0.2 (2.2)	-	0.04 (0.5)	0.3 (3.3)
Transactions as % of 2019 Quarterly average	68%	-	14%	104%
New completions mn sq m (mn sq ft)	0.02 (0.2)	0.3 (3.6)	0.3 (3.6)	0.1 (1.3)
New Completions as % of 2019 Quarterly average	8%	131%	132%	48%

Source: Knight Frank Research

- Hyderabad's office real estate market had been delivering a stellar performance since the last two years. In 2019, the annual leasing volumes recorded an all-time high of 1.2 mn sq m (12.8 mn sq ft) and climbed up to the second position in All India (All India includes the 8 cities, viz. Ahmedabad, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, National Capital Region - NCR and Pune) office leasing numbers. This robust demand momentum was well-supplemented by bulk addition of new supply in 2019 and was reflected in the strong growth in office rentals over the last two to three years.
- The demand continued to remain strong in the first quarter of 2020 until the global pandemic hit India and the country adopted stringent lockdowns and cautionary measures that expectedly impacted business activity.
- New completions stand at 0.8 mn sq m (8.7 mn sq ft) in 2020, a 20% Year-on-Year (YoY) fall. It is important to note here that

annual new completions numbers have been consistently below 0.5 mn sq m (6.0 mn sq ft) in the last decade, except for the outstanding 1 mn sq m (10.8 mn sq ft) recorded in 2019. It is in comparison to this outstanding supply number of last year that 2020's 0.8 mn sq m (8.7 mn sq ft) is showing a 20% fall. Otherwise, this year stands to be the second highest in annual new completions in the last 10 years and is much higher than the decadal average of 0.4 mn sq m (4.6 mn sq ft). This is a commendable feat given the numerous COVID-induced challenges that the market was weathering.

- Supply had slowed down during Q2 and Q3 2020. Pan-India lockdowns during March and April 2020 brought all construction activity to a complete halt. Labour shortage and high cost of inputs kept the construction activity constrained until September 2020. As partial lockdowns continued in most cities, fit-outs and getting Occupancy Certificates (OC) was a challenge for ready buildings. It is despite these challenges that Hyderabad's office market maintained its supply momentum in 2020.

- Labour challenges and procedural delays have been mostly addressed as of Q4 2020 and construction activity has picked up significant momentum. This has further boosted the supply momentum in the market.

- On the transactions front, annual leasing activity was down 53% YoY in 2020 with 0.6 mn sq m (6.0 mn sq ft) of office space transacted. Transaction volumes have fallen to the 2016-2017 levels owing mainly to the pandemic-induced business disruptions and market uncertainties.

- After a remarkable performance last year, office space demand continued to remain strong in Q1 2020 with 0.2 mn sq m (2.5 mn sq ft) of transactions estimated in this period. This strong demand momentum was severely hampered by the outbreak of the pandemic in India in March 2020. Lockdowns and market uncertainties pushed occupiers to put their lease plans on hold and even led some to cancel their pre-commitments. Consequently, by the end of H1 2020, only 0.2 mn sq m (2.2 mn sq ft) of transaction activity was recorded.

- Resumption of economic activities revived office demand to some extent in Q3 2020. Further, in Q4 2020, transactions show a significant 640% Quarter-on-Quarter (QoQ) jump, and this spike is a function of increased business activity, transaction spill-overs from Q3 2020 and the market rush of locking in deals before the close of the calendar year. The Q4 2020 demand spike is also indicative of a considerable recovery in the impeded demand momentum.

- Pre-commitments account for 21%, i.e. 0.1 mn sq m (1.3 mn sq ft) of the total transactions volume in 2020.

- With respect to the industry wise demand split, 49% of the H2 2020 transactions were by Information Technology / Information Technology Enabled Services (IT/ITeS) players, the primary driver of Hyderabad's office market. This is a drop in terms of not just the share, which was 58% in H2 2019, but also in terms of the total area transacted, which is down by a substantial 64% YoY from 0.4 mn sq m (5.2 mn sq ft) in H2 2019 to 0.1 mn sq m (1.8 mn sq ft) in H2 2020. This sharp fall in IT sector office space consumption can be attributed to the pandemic-induced wait-and-watch policy that most companies had adopted during 2020. Business continuity was managed through work from home arrangements for employees but these had their own challenges.

- With the news of the vaccine coming, these companies have started looking for and locking in office spaces in their desired markets for when offices shall resume full-fledged operations. The spike in transaction activity seen in Q4 2020 is, in part, an outcome of this trend.

- There has also been news of a hybrid model of working coming into play in the post-vaccination world. A hybrid model is where companies will operate with a mix of employees working from home and in offices. This posited arrangement will have no significant impact on the demand quantum of occupiers, as the newfound emphasis on social distancing and de-densification will increase the square feet area per employee and this in turn will keep the floorplate requirement of offices the same, just for lesser number of employees. Thus, it appears that demand dynamics and considerations might change in the post-COVID world but the quantum of demand is most likely to remain the same.

- On a positive note, the share of Banking, Financial Services and Insurance (BFSI) sector in total transactions went up from 4% in H2 2019 to 20% in H2 2020, which is also a 248% YoY increase in total transacted area. This increase is a result of two large BFSI deals that together account for 0.1 mn sq m (1 mn sq ft) of the total leasing activity in H2 2020.

- Besides the IT sector, the share of manufacturing and co-working sector players in the total transactions pie of H2 2020 has also fallen sharply. In terms of transacted area, these sectors show a sizeable 72% and 75% YoY dip respectively. Both these declines can be pre-dominantly attributed to the pandemic, as the manufacturing sector was a victim of slow business momentum, whereas co-working players were impacted by social distancing and safety concerns.

- An upcoming trend that warrants a mention here is the increasing demand for managed office operators, especially since the latter half of Q4 2020. Managed office solutions, mostly provided by co-working players, help companies outsource their hygiene requirements, social distancing norms and other such operational needs. This upcoming dimension of co-working businesses is expected to help revive the co-working sector demand in the coming quarters.

- Suburban Business District (SBD) with its Hyderabad Information Technology and Engineering Consultancy (HITEC) City continued its dominance with a sizeable 83% demand share, the highest, in the total H2 2020 transactions pie. The second highest share i.e. 16% was accounted for by the Peripheral Business District (PBD) West. Accordingly, West Hyderabad alone accounted for 99% of the total H2 2020 transactions volume which is indicative of the strong occupier preference for this location in the city. The Telangana government's Growth in Dispersion (GRID) policy announced in 2020 aims at diversifying occupier interest in other zones of the city to maintain a developmental balance.

- The weighted average transacted rentals have stabilised at 2019 levels this year with a near 0% YoY growth in annual rents and mainly driven by SBD transaction activity. Steady rentals in an otherwise strong demand market are likely to incentivise occupiers to execute their pending and planned office space deals earlier.

- Vacancy levels scaled up from 7% in H2 2019 to 9.4% in H2 2020 on account of high quantum of supply infusion and a much-muted transaction volume.

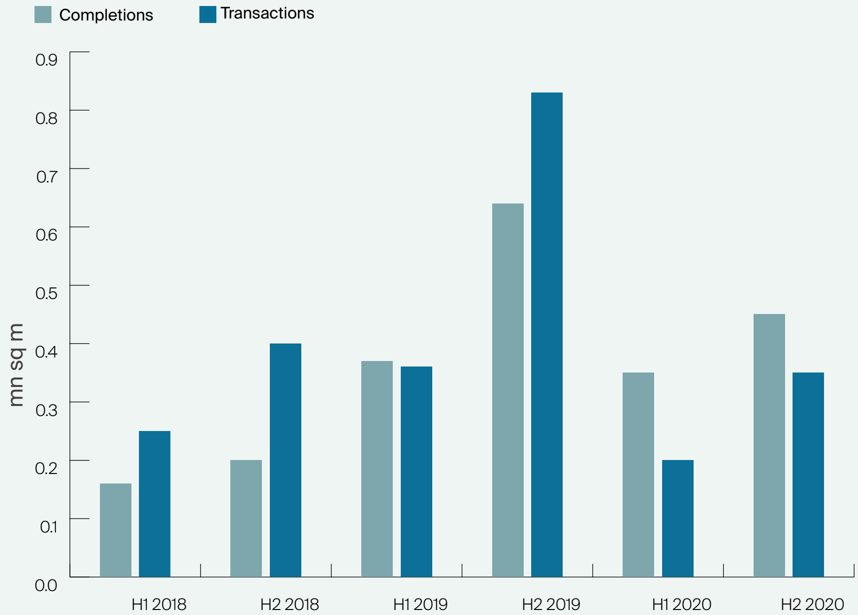
- On the whole, while the total number of deals in the Hyderabad office market has come down substantially from 112 in H2 2019 to 39 in H2 2020, the average deal size has increased by 22% YoY from 7,403 sq m (79,865 sq ft) to 9,063 sq m (97,554 sq ft). Large transactions (50,000 sq ft or 4,654 sq m and above) account for 45% of the total number of H2 2020 transactions causing the jump in the average deal size and indicating an increase in the average floorplate requirement of occupiers.

- On the infrastructure front, the Telangana state government launched multiple initiatives in 2020, particularly during the second half of the year. The government has taken a two-pronged approach to address the issues of infrastructure overload and congestion in the city – first is to improve public transport infrastructure within the city to ensure smooth connectivity via different modes, and the second is to encourage development of self-contained, integrated townships in the suburbs to avoid unnecessary city travel. For the first part, the government has undertaken measures such as the Strategic Road Development Plan (SRDP), the Metro Rail project and the Elevated Bus Corridor project. For the second part, the government has announced the Integrated Township Policy (ITP) and the Growth in Dispersion (GRID) policy. These proactive steps taken by the government are likely to give a boost to the city's infrastructure and help attract occupiers to other parts of the city.

640%

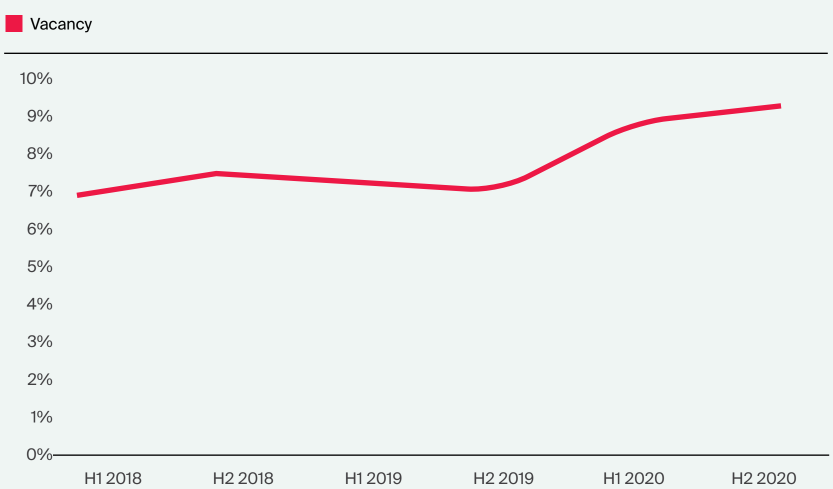
Jump in transactions in Q4 2020 compared to Q3 2020

HYDERABAD MARKET SNAPSHOT



Source: Knight Frank Research

HYDERABAD OFFICE MARKET VACANCY



Source: Knight Frank Research

0.2%

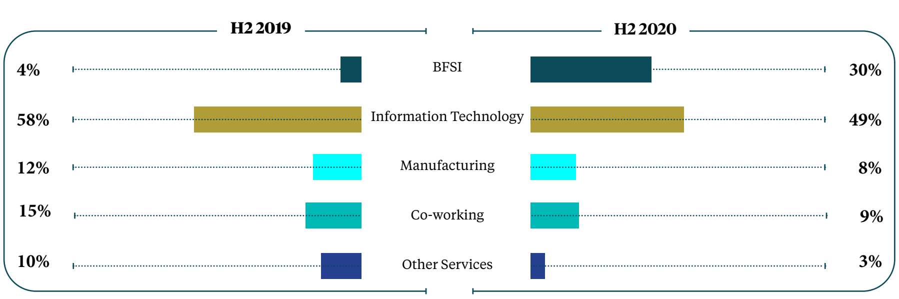
Near-zero increase in city level weighted average transacted rentals in 2020

BUSINESS DISTRICT CLASSIFICATION

Business district	Micro markets
Central Business District (CBD and off CBD)	Banjara Hills, Jubilee Hills, Begumpet, Ameerpet, Somajiguda, Himayat Nagar, Raj Bhavan Road, Punjagutta
Suburban Business District (SBD)	HITEC City, Kondapur, Manikonda, Kukatpally, Raidurg
Peripheral Business District (PBD) West	Gachibowli, Kokapet, Madinaguda, Nanakramguda, Serilingampally
Peripheral Business District (PBD) East	Uppal, Pocharam

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services
Source: Knight Frank Research

AVERAGE DEAL SIZE AND NUMBER OF DEALS

H2 2019	H2 2020
7,403 *sq m*	**9,063** *sq m*
(79,865) *sq ft*	(97,554) *sq ft*
112 *deals*	**39** *deals*

Source: Knight Frank Research

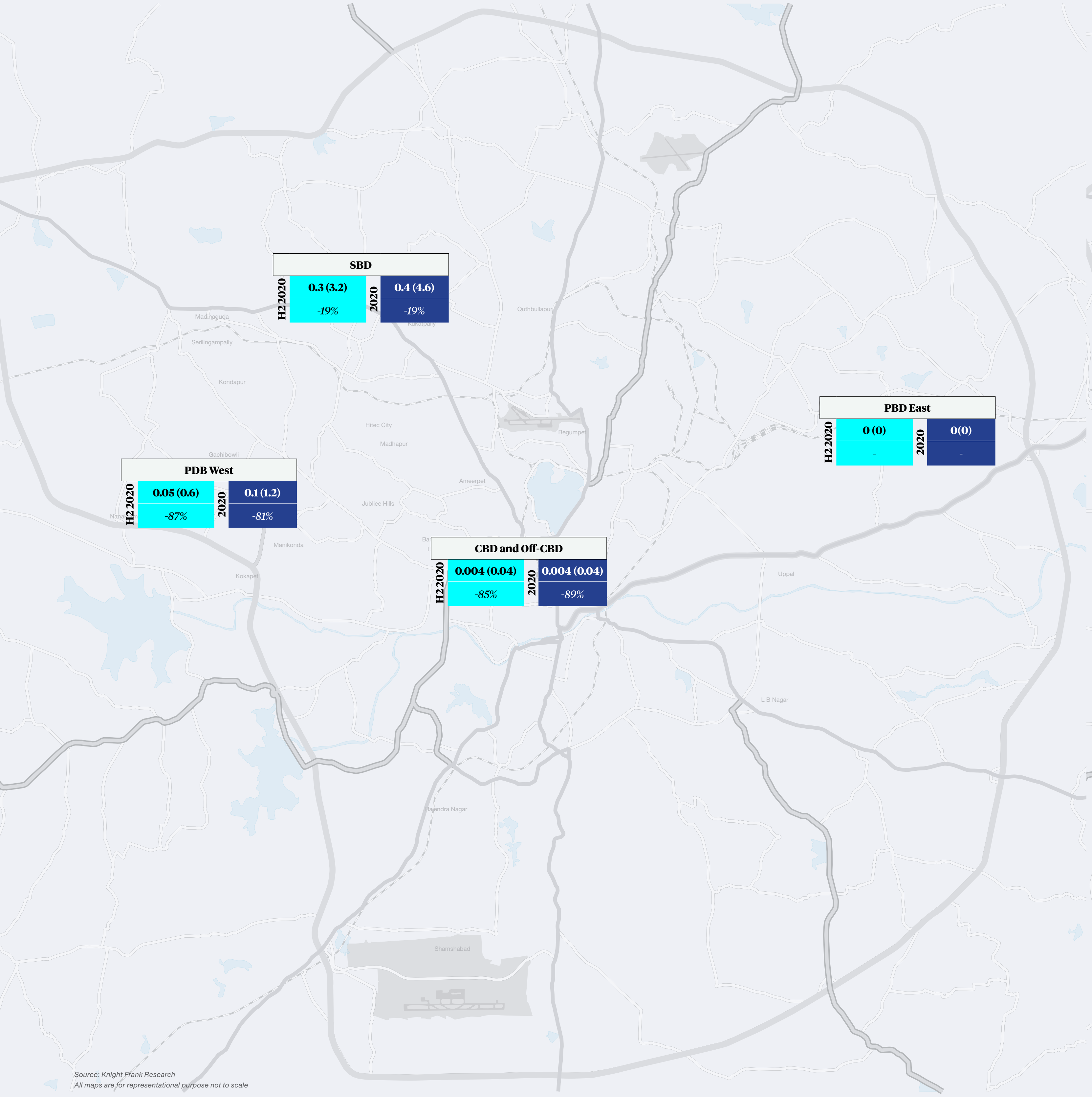
248%

Increase in BFSI sector transactions in H2 2020 compared to H2 2019

Office Transactions

H2 2020 Transactions mn sq m (mn sq ft), YoY change

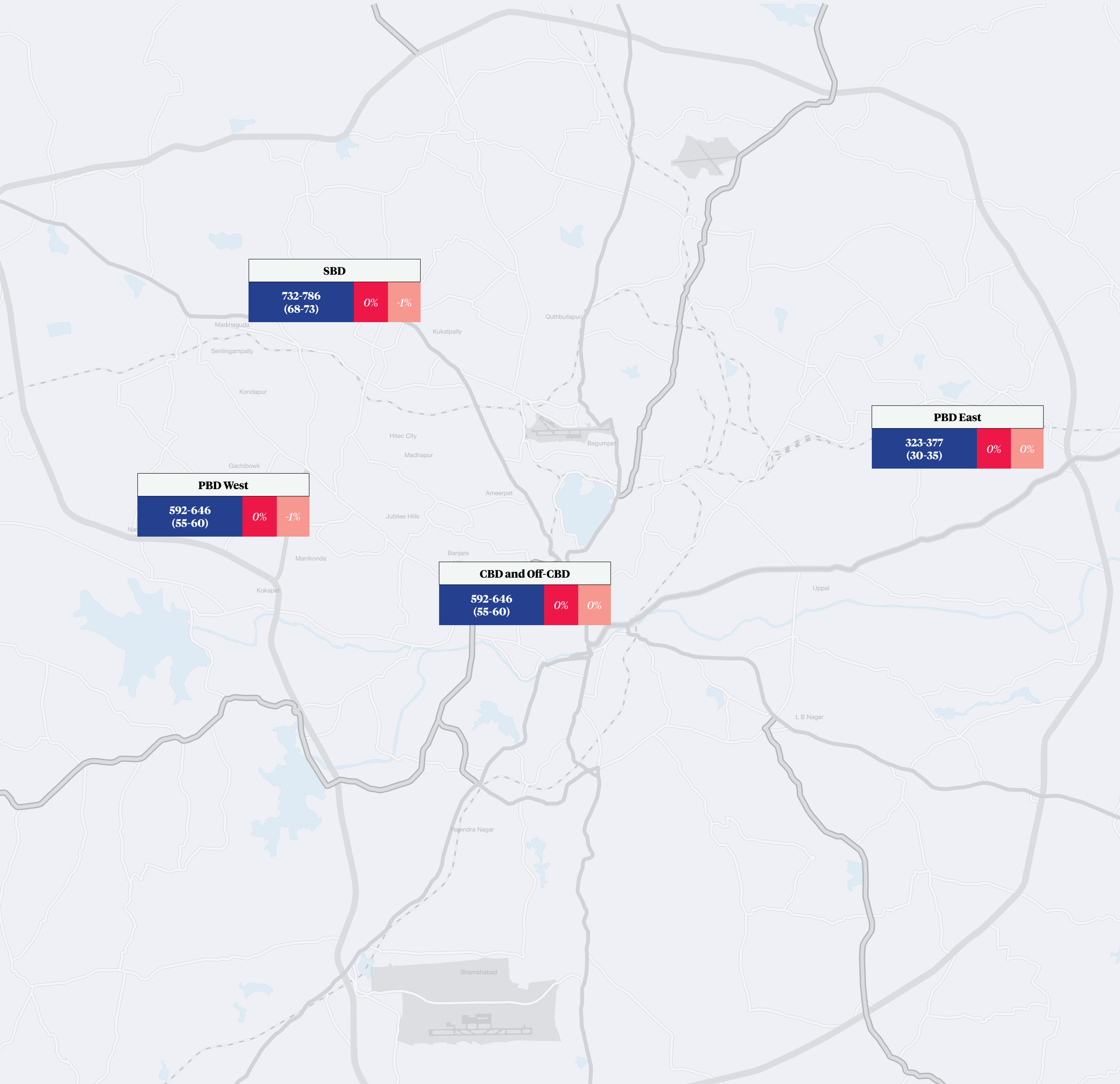
2020 Transactions mn sq m (mn sq ft), YoY change



Source: Knight Frank Research
All maps are for representational purpose not to scale

Office Rental

Rental value range in H2 2020 in INR/sq m/month (INR/sq ft/month) | 12-month change | 6-month change



Source: Knight Frank Research
All maps are for representational purpose not to scale

Integrated Township Policy, Hyderabad's experiment with urban planning

-PRADNYA NERKAR
ASSOCIATE CONSULTANT - RESEARCH

Hyderabad has garnered significant business momentum and investor interest in the last five years. The city boasts of global brand presence with the likes of Amazon, Google, Ikea, Facebook and Apple. It is therefore no surprise that the office space demand in Hyderabad has been booming. The city recorded an all-time high of office space absorption of 1.2 mn sq m (12.8 mn sq ft) in 2019 which, owing to the ongoing COVID-19 pandemic, came down to 0.6 mn sq m (6.0 mn sq ft) in 2020. As is the case with most metro cities, increased commercial activity has distorted the development balance of Hyderabad and is resulting in increased pressure on the existing infrastructure. Hyderabad's mainstay, the Information Technology (IT) sector, is heavily concentrated in the western part of the city i.e. in and around the Cyberabad district which includes the thriving Hyderabad Information Technology and Engineering Consultancy (HITEC) City. Consequently, West Hyderabad is more developed and frequented than other parts of the city resulting in the pressure on infrastructure in this part of the city. The Telangana state government, along with the local government agencies, has started taking steps to nip this problem of stressed infrastructure in its bud. A slew of measures and initiatives focusing on balanced development and decongestion of the city have been announced, most of them in H2 2020.

The government has taken a two-pronged approach - first is to improve public transport infrastructure within the city to ensure smooth connectivity via different modes, and the second is to encourage development of self-contained, integrated townships in the suburbs to avoid unnecessary city travel. For the first part, the government has undertaken measures such as the Strategic Road Development Plan (SRDP), the Metro Rail project and the Elevated Bus Corridor project. For the second part, the government has announced the Integrated Township Policy (ITP) and the Growth in Dispersion (GRID) policy.

The ITP was approved and notified in November 2020. The policy focuses on balanced and planned development for Hyderabad. To decongest the core city growth, ITP incentivises realtors to set up satellite townships, 5 km outside of the Outer Ring Road (ORR). These townships will be self-sufficient, large-scale real estate developments offering a mix of residential, office, retail, industrial, education (at least up to class 10), health and other such facilities. Their self-contained nature will discourage residents from unnecessarily traveling to the core city.

The proposed integrated townships have to be built over 100 acres (0.4 mn sq m / 4.3 mn sq ft) of land and are expected to cater to a population of 1 mn each. 10% of the gross area has to be mandatory green cover. These townships will be spread out in all four directions of the city, 5 km outside of the ORR. New townships can also be developed in other municipal corporation areas like Warangal, Karimnagar, Nizamabad and Ramagundam. The underlying principles of these proposed townships are 'Walk to Work' and 'Live, Work, Learn and Play' in the same township. These comprehensive, mixed development townships will help fuel real estate development, improve people's quality of living, reduce city travel as well as pollution levels, besides aid in planned and sustainable growth of new areas in and around Hyderabad.

The ITP is essentially a government offering to real estate developers focusing on large-scale real estate developments in different parts of the city. Numerous benefits and incentives have been offered in ITP to attract developers (see Table). Moreover, housing options in these townships are expected to be much more affordable than the core city residential projects as land rates in the suburbs would be cheaper. Thus, the ITP makes a strong case for developer participation.

Incentives for development of integrated townships

Incentive	Details
Exemption from development charges on land	90%
Exemption from development charges on built-up area	100% for EWS / LIG dwelling units 75% for MIG units 50% for HIG units
Property tax rebate	100% on common facilities 50% on all other properties
Exemption from capitalization charges	100%
Application clearance on priority basis	Within 60 days from the date of application

Source: GO 189 – The Telangana Comprehensive Integrated Township Policy Rules, 2020.
Note: The above list is indicative in nature; please refer to the source document for the complete list of incentives and their detailed provisions.

The ITP appears to be a promising solution to the city's congestion and infrastructure challenges, but it has its own limitations. For starters, this is not the first time that Hyderabad has explored the township approach to urban planning. In 2013, the Hyderabad Metropolitan Development Authority (HMDA) had suggested promoting satellite townships near the ORR in its master plan. The Tellapur Techno-city Project of 2007 accordingly suggested a township in 2014. 400 acres (1.6 mn sq m / 17.4 mn sq ft) of HMDA land was acquired for the same, however, only 100 acres (0.4 mn sq m / 4.3 mn sq ft) was permitted for development and later the project got stalled. Secondly, the ITP needs to facilitate anchors in the form of industries or clusters that will help create a resident base for the township. The responsibility of finding such interested, large scale, industries has been left to the developers of the township. If developers fail to acquire sufficient occupier interest, the resident base will be unsteady and the townships could end up as ghost towns. Thirdly, the ITP's success is heavily dependent on the effective implementation of the GRID policy. The GRID policy focuses on attracting IT sector interest in eastern parts of Hyderabad, specifically in Uppal and areas beyond, so as to decongest the dense IT hub in West Hyderabad. The IT sector is a primary driver of the Hyderabad office market and majority of working professionals in the city work in this domain. Unless IT players find merit in moving away from the western IT hub to these suburban townships, their employee base will continue to remain in the core city where the offices are. Thus, successful implementation of the GRID policy is key to the success of the ITP.

KOLKATA

RESIDENTIAL AND **OFFICE** MARKET

Swapan Dutta
Branch Director - Kolkata

Real estate in Kolkata is still in a subdued state primarily due to the situation ensuing post pandemic. However, as the market slowly starts opening up, the latent or held back demand could offer immense opportunities for the office leasing market. Movement in office spaces are true indicators of the future of the local real estate scenario. It is always the absorption of office space that reflects the potential of economic activity and job catchment areas, leading to the demand of residential units. That is precisely the reason why some of the traditional city centers across Kolkata are losing out to the newly developed locations on the outskirts.

Over the past few decades, Kolkata, the 'City of Joy', has witnessed significant infrastructure development and re-development. Now, with the real estate market in the main city reaching a saturation point, fresh development is taking place along the city's boundary. Development of the metro and improvements in road connectivity, have given a fillip to these peripheral areas. Previously, the infrastructure of the city did not allow seamless transportation from the suburbs to the central business hub of Kolkata which was the reason behind home buyers consolidating in the central areas. However, things have changed for the better. Now, improved infrastructure and transport facilities, especially in areas around EM Bypass and BT Road have encouraged potential investors to invest in the real estate market of this region. After a wait of several years, the government has finally awarded infrastructure status to the largely-neglected sector of affordable housing, which is encouraging for developers. Infrastructure status will ensure easier access to institutional credit and help in reducing developers' cost of borrowing for affordable projects.

In spite of the economic meltdown, investment in the real estate sector has always been regarded as profitable, yielding positive results over time. Kolkata, one of the most populated metros of India is not an exception to this trend. Home buyers in Kolkata have recently flocked to the Eastern Zone of Salt Lake and Rajarhat because of the immense benefits they offer in terms of luxury living, coupled with commuting facilities. New residential projects in Kolkata have been developed to satisfy the increasing demand for homes in this region. New Town also falls in this category with exceptional designs and large-scale amenities being provided at fairly affordable rates to real estate investors looking forward to inhabit this region.

Kolkata Residential Market

KOLKATA MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	4,148	-27%	3,290	-35%	1,356	-30%
Sales (housing units)	8,912	-21%	5,975	-11%	2,054	-48%
Price (wt avg)*	34,585/ sq m (3,213/sq ft)	-4%	-	-	-	-
Unsold inventory (housing units)*	28,160	-14%	-	-	-	-
Quarters to sell*	11.2	-	-	-	-	-
Age of unsold inventory (in quarters)*	15.2	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	2,937	-	3,921	2,054
Sales as % of 2019 Quarterly average	104%	-	139%	73%
Launches (housing units)	858	-	1,934	1,356
Launches as % of 2019 Quarterly average	61%	-	137%	96%

Source: Knight Frank Research

Note: Q2 2020 market activity: COVID-19 disruptions in market activity led to a standstill in sales activity at residential project sites and registration offices during Q2 2020. In some cases, customers paid nominal amounts on application for housing units, which could be identified and allotted later. Such instances of transactions with limited details on booking have not been considered in the Q2 2020 numbers. With more details awaited on certainty of such transactions, the recording has been deferred and the same were captured during the subsequent reporting period.

- The resumption of economic activities with the phase wise unlocking in the July-December 2020 period has proved beneficial for Kolkata's real estate market. The residential market witnessed resurgence of positive consumer sentiment in the H2 2020 period, as the sector slowly came back to normalcy with the restart of construction activities and the festive period.

- Since the Covid-19 outbreak, there has been a shift in the end-user preferences towards homebuying. As per our interactions with developers, there are a lot of enquiries for affordable and mid-segment ticket sized products. Enquiries in the luxury segment have also started resurfacing. The pent-up demand has translated into total sales of 5,975 residential units in the H2 2020 period. This represents an 11% Year-on-Year (YoY) decline over H2 2019.

- However, in 2020, there has been a decline of 21% annually due to negligible sales volume recorded in Q2 2020. Had the pandemic not derailed the economic activities, Kolkata's residential market may have continued its upward sales growth trajectory. In Q1 2020, the sector was at an inflection point with a 3% YoY increase driven largely by a good sales momentum for homes in the INR 2.5–INR 5.0 mn bracket.

- The homebuyers' preference is largely skewed towards projects that are within the price bracket of up to INR 5.0 mn and are either ready-to-move-in or nearing completion. As a result, ready-to-move-in inventory is gaining more traction which also resulted in heightened enquiries for products with ticket sizes up to INR 5.0 mn.

- South Kolkata continued to account for the highest share of sales volume in both percentage change and number of units sold in H2 2020. From a 35% share of total sales in H2 2019, the share of this micro market in Kolkata's total sales has steadily increased to 42% in H2 2020. South Kolkata has witnessed large-scale residential development in the past few years and peripheral locations such as Joka, Narenderpur, Sonarpur Road and DH Road are preferred by potential buyers due to its good social infrastructure. Joka, in particular, remains a hotbed for residential units' absorption due to the upcoming Metro connectivity.

- South Kolkata is followed by Rajarhat, with a 21% share of the total residential units sold in H2 2020. This zone, comprising several Action Areas, has observed frenetic residential activity in the last decade and with several projects nearing completion, buyers' appetite for residential units in this location has strengthened over a period of time. West Bengal Housing Infrastructure Development Corporation (HIDCO), which plans and executes development projects in Rajarhat, has the entire planning area divided into Action Area I, Action Area II and Action Area III.

- North Kolkata, recognised primarily as an industrial belt until a few years ago, has emerged as a preferred residential location since the Metro construction picked up pace on the Garia to Dum Dum Airport line. Areas such as Sodepur, BT Road, Madhyamgram and Jessore Road have a number of affordable and mid-income segment projects launched by reputed developers, accounting for 20% of the total residential units sold in the city.

- Western Kolkata accounted for 12% of the city's sales volume in H2 2020. The share of sales in this micro market has been steadily decreasing since H1 2019 due to lack of social infrastructure in this belt. The eastern and central micro markets have marginal shares of units sold, to the tune of less than 5% and 1%, respectively.

- Developers have been wary of launching new projects in Kolkata. With mounting unsold inventory pressures and demand being concentrated largely for the ready-to-move-in inventory, new residential project development remained curbed to some extent in 2020. The number of new launches continued to be under pressure in H2 2020 as well. New launches fell by 35% in H2 2020 compared to H2 2019.

- North Kolkata accounted for a 45% share of residential launches in H2 2020, owing to the new launches in locations such as Dum Dum and Sodepur. The region has gained prominence in recent years, owing to the existing and upcoming phases of the metro rail, impending infrastructure in and around VIP Road and Jessore Road, and its proximity to Rajarhat, as well as the international airport. The majority of the new launches in this micro market belong to the affordable housing sector.

- Rajarhat noted 23% of the total residential launches in H2 2020 due to continued interest from the developer community. In Rajarhat, new residential development is expected to continue in the forthcoming years, considering the scale of office sector development and the infrastructure underway in the region.

- South Kolkata has witnessed frenetic pace of new residential construction in the past few years. This micro market always accounted for atleast one-third share of new launches and has been a conventionally-preferred residential destination of the city. Due to launch of large-scale projects in locations such as Maheshtala, Joka and Diamond Harbour Road in the past, this micro market is now oversupplied with residential products. In H2 2020, new residential launches in this micro market accounted for only 7% of total launches.

- Of the total residential launches in H2 2020, products in the ticket size range of INR 2.5–INR 5 mn accounted for 62%. This was followed by products up to INR 2.5 mn at 16%. Developers continue to foray in the affordable property segment in a significant manner due to demand concentration in the affordable and mid-segment bracket. Products with ticket sizes of more than INR 5.0 mn accounted for the remainder 22% of the total launches.

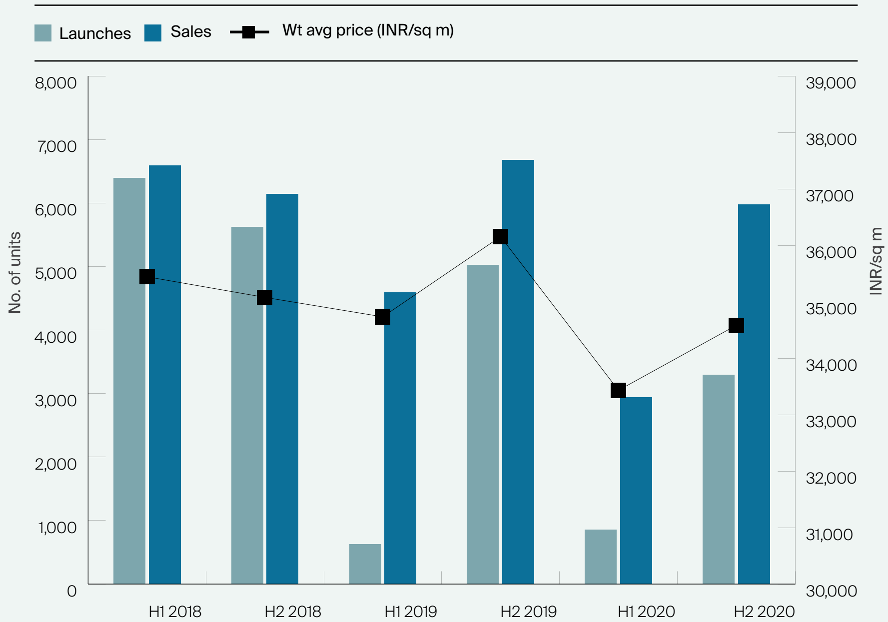
- Because of lower supply compared to demand, Kolkata's unsold residential inventory continued to decline for the third consecutive year. In 2020, the unsold inventory declined by 14% YoY.

- The quarters to sell (QTS) unsold inventory is the number of quarters required to sell the existing unsold inventory in the market. A lower QTS indicates a healthier market that is moving towards recovery. Despite a reduction in the unsold inventory size, the QTS inched up marginally from 11.0 in 2019 to 11.2 in 2020 due to low sales velocity in the H1 2020 period.

- However, the age of inventory remained high at 15.2 quarters, as many projects have remained under construction for prolonged periods, where buyer interest has waned in recent times. As developers are facing a liquidity crunch, this may derail the expected completion timelines of these projects making it difficult to find buyers.

- In H2 2020, the weighted average pricing of residential products in the city declined by 4% YoY and stood at INR 34,585/sq m (INR 3,213/sq ft). This is due to a slowdown in sales in the first half of 2020, and momentary curtailment of demand during the lockdown. With the pent-up demand translating into new bookings for developers and sentiment improving towards homebuying, residential prices could strengthen in 2021.

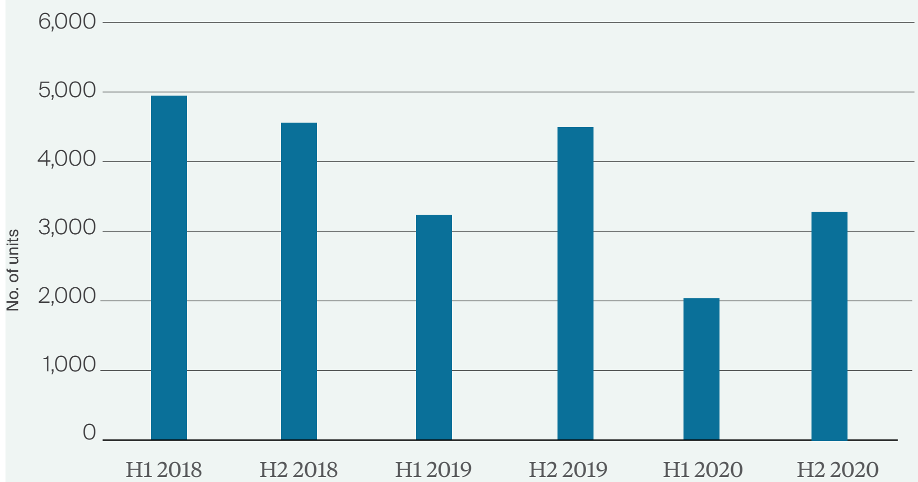
KOLKATA RESIDENTIAL MARKET



Source: Knight Frank Research

The residential market witnessed resurgence of positive consumer sentiment in the H2 2020 period, as the sector slowly came back to normalcy with the restart of construction activities and the festive period.

KOLKATA AFFORDABLE MARKET ACTIVITY (UPTO INR 5 mn segment)



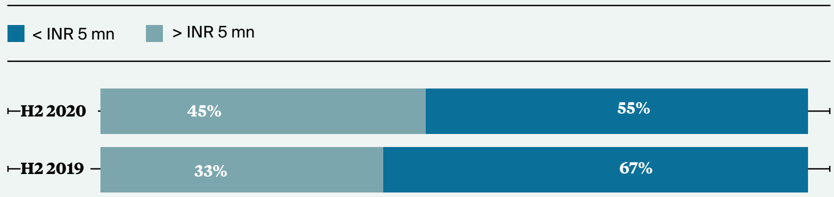
Source: Knight Frank Research

MICRO-MARKET CLASSIFICATION

Micro market	Locations
Central	Park Street, Rawdon Street, AJC Bose Road, Minto Park, Elgin Road
East	Kankurgachi, Beliaghata, Salt Lake, Narkeldanga, Keshtopur, EM Bypass (eastern parts)
North	Baguiati, Ultadanga, Jessore Road, Shyambazar, Lake Town, BT Road, VIP Road
Rajarhat	Rajarhat, New Town
West	Howrah, Rishra, Hooghly, Uttarpara, Chandan Nagar, Rajpur, Kona Expressway
South	Ballygunge, Alipore, Tollygunge, Narendrapur, Behala, Garia, Maheshtala, EM Bypass (southern parts)

Source: Knight Frank Research

TICKET SIZE SPLIT OF SALES

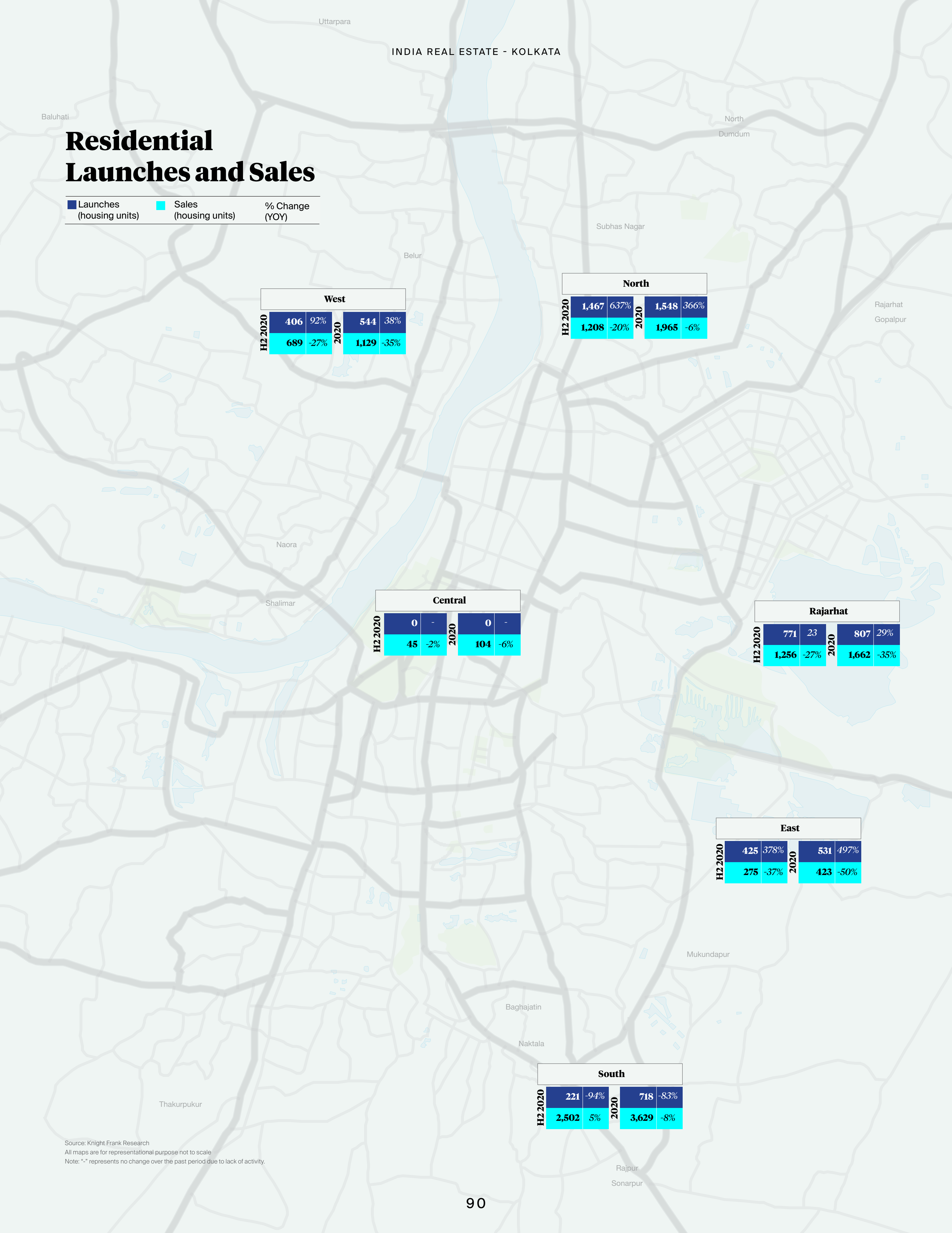


Source: Knight Frank Research

The homebuyers' preference is largely skewed towards projects that are within the price bracket of up to INR 5.0 mn and are either ready-to-move-in or nearing completion.

Residential Launches and Sales

Launches (housing units) | Sales (housing units) | % Change (YOY)

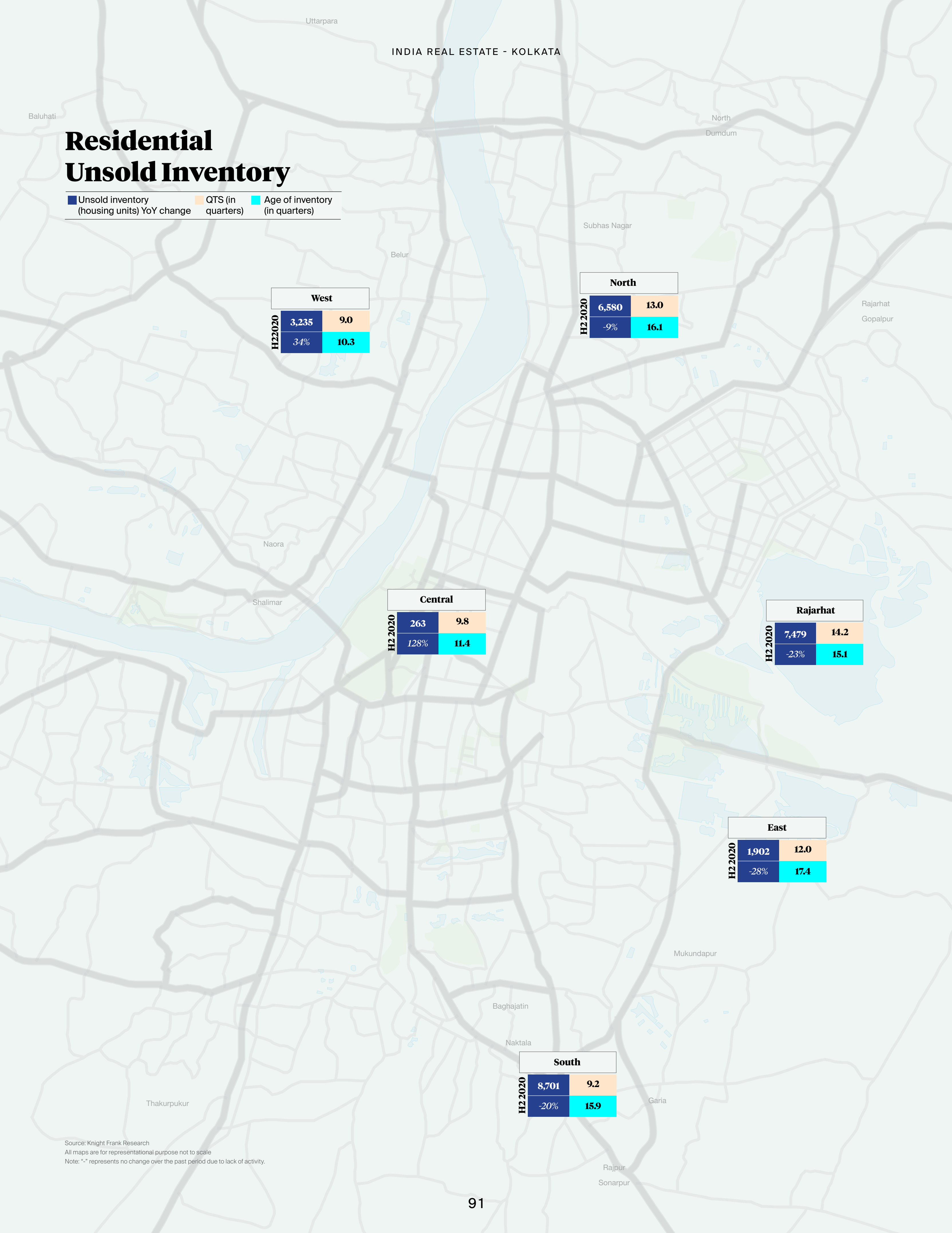


Region	Period	Launches	% Change	Sales	% Change
West	H2 2020	406	92%	689	-27%
West	2020	544	38%	1,129	-35%
North	H2 2020	1,467	637%	1,208	-20%
North	2020	1,548	366%	1,965	-6%
Central	H2 2020	0	-	45	-2%
Central	2020	0	-	104	-6%
Rajarhat	H2 2020	771	23	1,256	-27%
Rajarhat	2020	807	29%	1,662	-35%
East	H2 2020	425	378%	275	-37%
East	2020	531	497%	423	-50%
South	H2 2020	221	-94%	2,502	5%
South	2020	718	-83%	3,629	-8%

Source: Knight Frank Research
All maps are for representational purpose not to scale
Note: "-" represents no change over the past period due to lack of activity.

Residential Unsold Inventory

Unsold inventory (housing units) YoY change | QTS (in quarters) | Age of inventory (in quarters)



West

H2 2020	Unsold inventory / YoY change	QTS / Age of inventory
	3,235	9.0
	34%	10.3

North

H2 2020	Unsold inventory / YoY change	QTS / Age of inventory
	6,580	13.0
	-9%	16.1

Central

H2 2020	Unsold inventory / YoY change	QTS / Age of inventory
	263	9.8
	128%	11.4

Rajarhat

H2 2020	Unsold inventory / YoY change	QTS / Age of inventory
	7,479	14.2
	-23%	15.1

East

H2 2020	Unsold inventory / YoY change	QTS / Age of inventory
	1,902	12.0
	-28%	17.4

South

H2 2020	Unsold inventory / YoY change	QTS / Age of inventory
	8,701	9.2
	-20%	15.9

Source: Knight Frank Research
All maps are for representational purpose not to scale
Note: "-" represents no change over the past period due to lack of activity.

Residential Pricing

Micro Market	Location	Price range in H2 2020 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Park Street	129,167-215,278 (12,000-20,000)	0%	0%
	Rawdon Street	107,639-209,896 (10,000-19,500)	0%	0%
East	Kankurgachi	55,972-91,493 (5,200-8,500)	-1%	0%
	Salt Lake	51,667-81,806 (4,800-7,600)	-2%	0%
North	Madhyamgram	26,910-34,983 (2,500-3,250)	0%	0%
	BT Road	32,292-43,056 (3,000-4,000)	-1%	0%
	Jessore Road	37,674-57,049 (3,500-5,300)	-2%	0%
Rajarhat	Rajarhat New Town	37,674-74,271 (3,500-6,900)	-5%	0%
South	Ballygunge	86,111-204,514 (8,000-19,000)	0%	0%
	Tollygunge	55,972-150,695 (5,200-14,000)	0%	0%
	Behala	34,445-49,514 (3,200-4,600)	0%	0%
	Narendrapur	27,448-48,438 (2,550-4,500)	0%	0%

Source: Knight Frank Research

Kolkata Office Market

KOLKATA MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
New completions mn sq m (mn sq ft)	0.01 (0.10)	-98%	-	-	-	-
Transactions mn sq m (mn sq ft)	0.09 (0.92)	-32%	0.04 (0.45)	-38%	0.02 (0.23)	10%
Weighted average transacted rental INR/sq m/month (INR/sq ft/month)*	385 (35.8)	-7%	-	-	-	1%
Stock mn sq m (mn sq ft)*	2.94 (31.6)	0%	-	-	-	-
Vacancy (%)*	41.7%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	0.04 (0.47)	-	0.02 (0.21)	0.02 (0.23)
Transactions as % of 2019 Quarterly average	138%	-	62%	68%
New completions mn sq m (mn sq ft)	0.008 (0.09)	-	-	-
New Completions as % of 2019 Quarterly average	6%	-	-	-

Source: Knight Frank Research

- In 2020, Kolkata's office market recorded transaction volume of 0.09 mn sq m (0.92 mn sq ft). Compared to 2019, this is a 32% decline, caused primarily due to minimal leasing activity in Q2 2020, when the lockdown was imposed, and office leasing decisions were put on the backburner by occupiers. As normalcy started returning with the unlocking, office leasing in Q3 2020 noted 62% of 2019's quarterly average, further increasing up to 68% in Q4 2020.

- In H2 2020, office leasing of 0.04 mn sq m (0.45 mn sq ft) took place in Kolkata. This translates into a 38% Year-on-Year (YoY) decline as occupier demand is yet to recover to the pre-covid levels in comparison to 2019. Occupiers that had put decisions for fresh take-up of office spaces on hold are yet to close deals and this may reflect in the leasing numbers of 2021.

- In H2 2020, the Peripheral Business District-1 ([PBD-1] [Salt Lake City]) comprised a 48% share of the total gross leasing pie.

Compared to H2 2019, Salt Lake City witnessed a 51% decline in the office space transacted. Salt Lake City continues to remain the most popular business district amongst occupiers and the office spaces leased here largely determine the overall transaction volumes of the city.

- The Peripheral Business District-2 ([PBD-2] [Rajarhat New Town]) accounted for a 48% share in the city's overall leasing volume in the second half of 2020. Unlike Salt Lake City, which witnessed half of the transactions when compared to H2 2019, transaction volume in Rajarhat New Town declined by 12% YoY in H2 2020. Like the major business districts across Kolkata and other parts of the country, this decrease is largely attributed to delay in decision making by occupiers. With the economic environment moving towards improvement and return to normalcy, Rajarhat New Town will attract tenants for office space consumption in Kolkata.

- Despite the resumption in economic activities and occupiers rethinking their strategies for office spaces, the number of deals in H2 2020 largely remained at par with H2 2019. However, the average deal size shrunk by 36% YoY over H2 2019 to 1,338 sq m (14,400 sq ft). This is largely due to 71% of the transactions in this period being driven by smaller space office take-ups of up to 1,486 sq m (16,000 sq ft). Companies in pharma, advisory, telecommunications and media preferred smaller space -take-ups across micro markets, as they transition to working in the new normal.

- Kolkata attracted substantial occupier interest from companies in the Other Services sector in H2 2020. Advisory, telecommunications, media, pharma and consulting companies together accounted for 53% of the total transaction volume in this period.

- The Information Technology and Information Technology Enabled Services (IT/ITeS) sector accounted for 43% of the total leasing in H2 2020. On a YoY basis, total office space consumed by the IT/ITeS sector decreased by 44% in terms of square footage leased, as occupiers remained cautious of expanding office spaces.

- The share of Banking, Financial Services and Insurance (BFSI) sector in the total leasing has reduced drastically in the past one year. Whilst BFSI accounted for 14% of total office space leased in H2 2019, its share dropped to 1% of the total leasing in H2 2020. There is a 90% YoY decline in area leased due to the pandemic.

- The manufacturing sector accounted for 3% of office leasing in H2 2020, while no deals were reported in the co-working sector in this period. Due to high vacancy in Kolkata's office market, the co-working sector is yet to gain prominence as the concept of shared workspaces is still very novel for this market.

- In 2020, new office supply largely remained absent, except for 0.009 mn sq m (0.10 mn sq ft), which is a 98% decline over 2019. Due to a large office supply infusion of 0.56 mn sq m (6.0 mn sq ft) in 2019, it was expected to remain low this year and the outbreak of the pandemic led to a further deferment in construction activities.

- The absence of new office supply and limited office space leasing led to a marginal decrease in office space vacancy in 2020. Kolkata's office space vacancy continues to be the second highest amongst the vacancies recorded in India's top 8 markets.

- Weighted average rent in Kolkata declined by 7% YoY. This rental decline is the result of the turmoil in the first half of the year, which led tenants to relocate or resize office operations and led landlords to be flexible with leasing terms and concessions allowed to retain clients. PBD-1 (Salt Lake City), noted an 8% YoY decline in rents.

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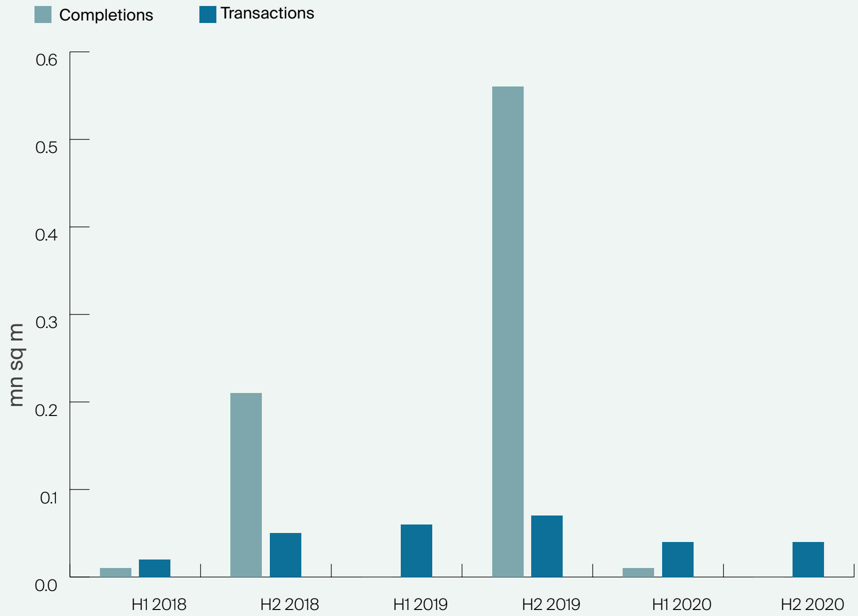
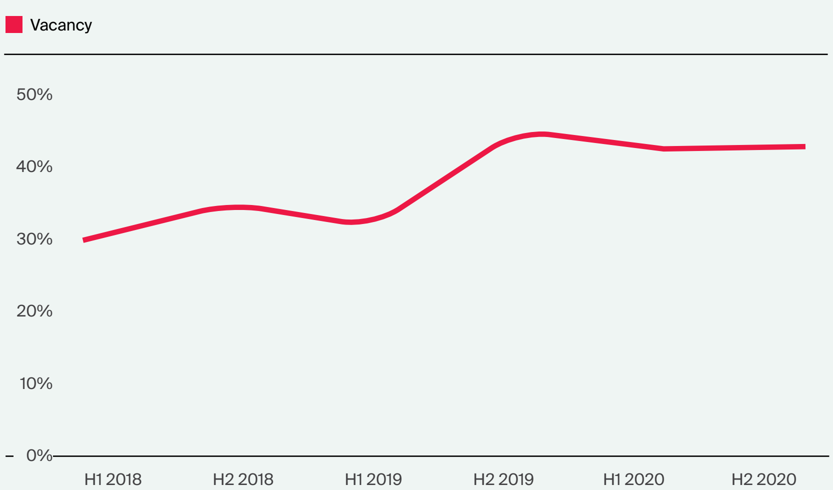
KOLKATA OFFICE MARKET



Source: Knight Frank Research

KOLKATA OFFICE MARKET VACANCY



Source: Knight Frank Research

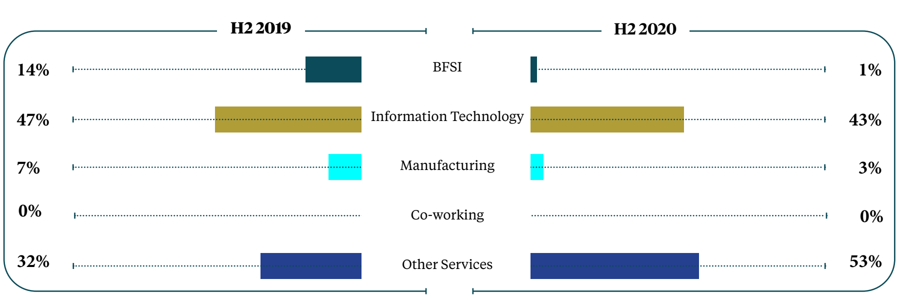
Despite the resumption in economic activities and occupiers rethinking their strategies for office spaces, the number of deals in H2 2020 largely remained at par with H2 2019. However, the average deal size shrunk by 36% YoY over H2 2019 to 1,338 sq m (14,400 sq ft).

BUSINESS DISTRICT CLASSIFICATION

Business district	Micro markets
Central Business District (CBD) and off CBD	Park Street, Camac Street, Theatre Road, AJC Bose Road, Elgin, Rabindra Sadan, Esplanade, Lenin Sarani, S N Banerjee Road, Central Avenue, Dalhousie Square, Mangoe Lane, Brabourne Road, Chandni Chowk, Rawdon Street, Loudon Street, Lee Road, Lord Sinha Road, Hastings, Hare Street, Kiran Shankar Ray Road, Upper Wood Street, Hungerford Street, Circus Avenue, Syed Amir Ali Avenue, Chowringhee
Suburban Business District (SBD-1) Park Circus Connector	Topsia, JBS Haldane Avenue, EM Bypass-Park Circus Connector
Suburban Business District (SBD-2) Rashbehari Connector	EM Bypass-Rashbehari Connector, Anandapur Main Road, Rajdanga, South Ballygunge, Ashutosh Mukherjee Road, Gariahat, Hazra, Chetla, Jessore Road, Nagerbazar
Peripheral Business District (PBD-1) Salt Lake City	Salt Lake Sector V
Peripheral Business District (PBD-2) Rajarhat New Town	Rajarhat New Town, BT Road, Bantala

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services

Source: Knight Frank Research

AVERAGE DEAL SIZE AND NUMBER OF DEALS

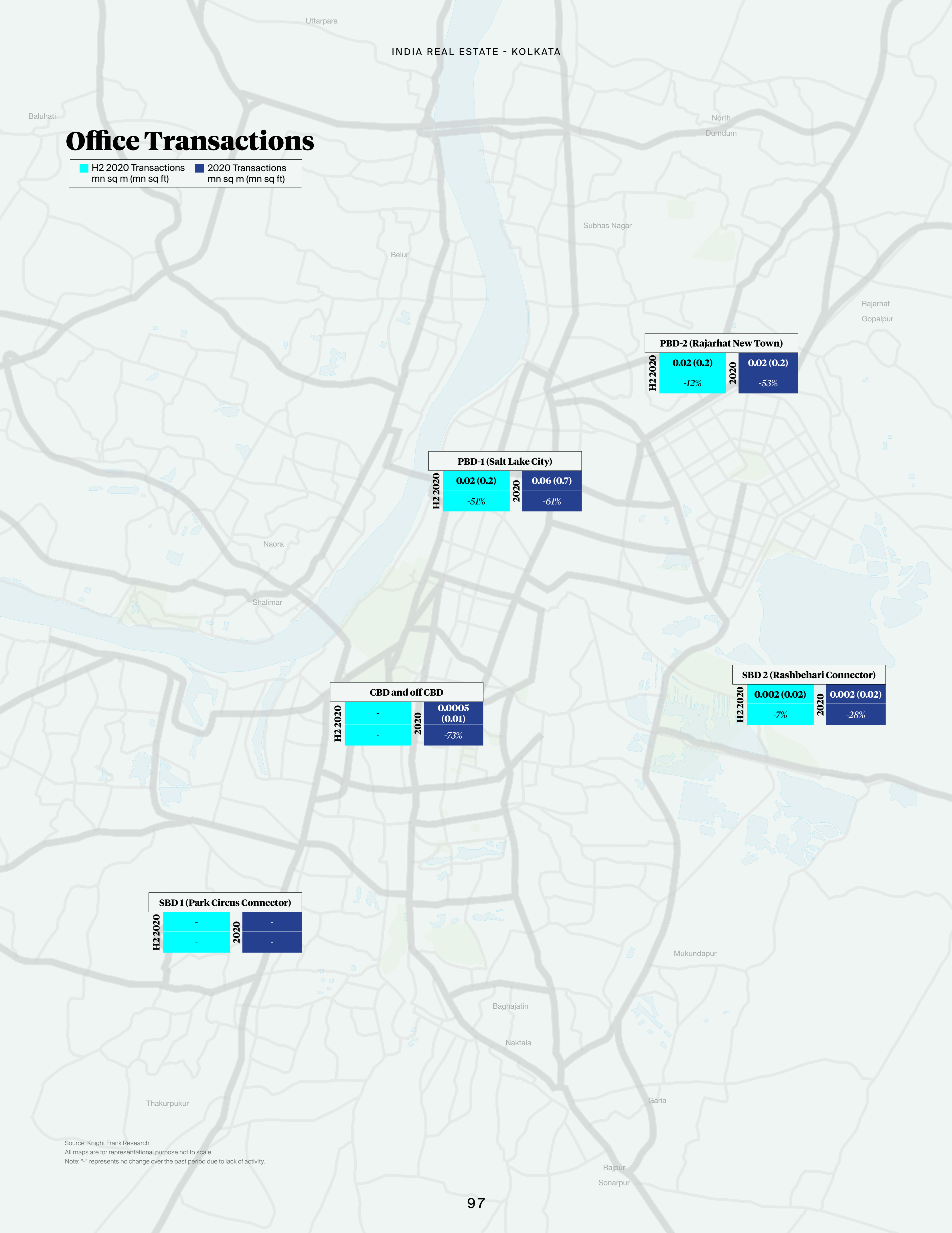
H2 2019	H2 2020
2,083 *sq m*	1,338 *sq m*
(22,417) *sq ft*	(14,400) *sq ft*
32 *deals*	31 *deals*

Source: Knight Frank Research

Limited office space leasing coupled with no new supply led to a marginal decrease in office space vacancy in 2020.

Office Transactions

H2 2020 Transactions mn sq m (mn sq ft) | 2020 Transactions mn sq m (mn sq ft)



PBD-2 (Rajarhat New Town)

	H2 2020	2020
Transactions	0.02 (0.2)	0.02 (0.2)
Change	-12%	-53%

PBD-1 (Salt Lake City)

	H2 2020	2020
Transactions	0.02 (0.2)	0.06 (0.7)
Change	-51%	-61%

CBD and off CBD

	H2 2020	2020
Transactions	-	0.0005 (0.01)
Change	-	-73%

SBD 2 (Rashbehari Connector)

	H2 2020	2020
Transactions	0.002 (0.02)	0.002 (0.02)
Change	-7%	-28%

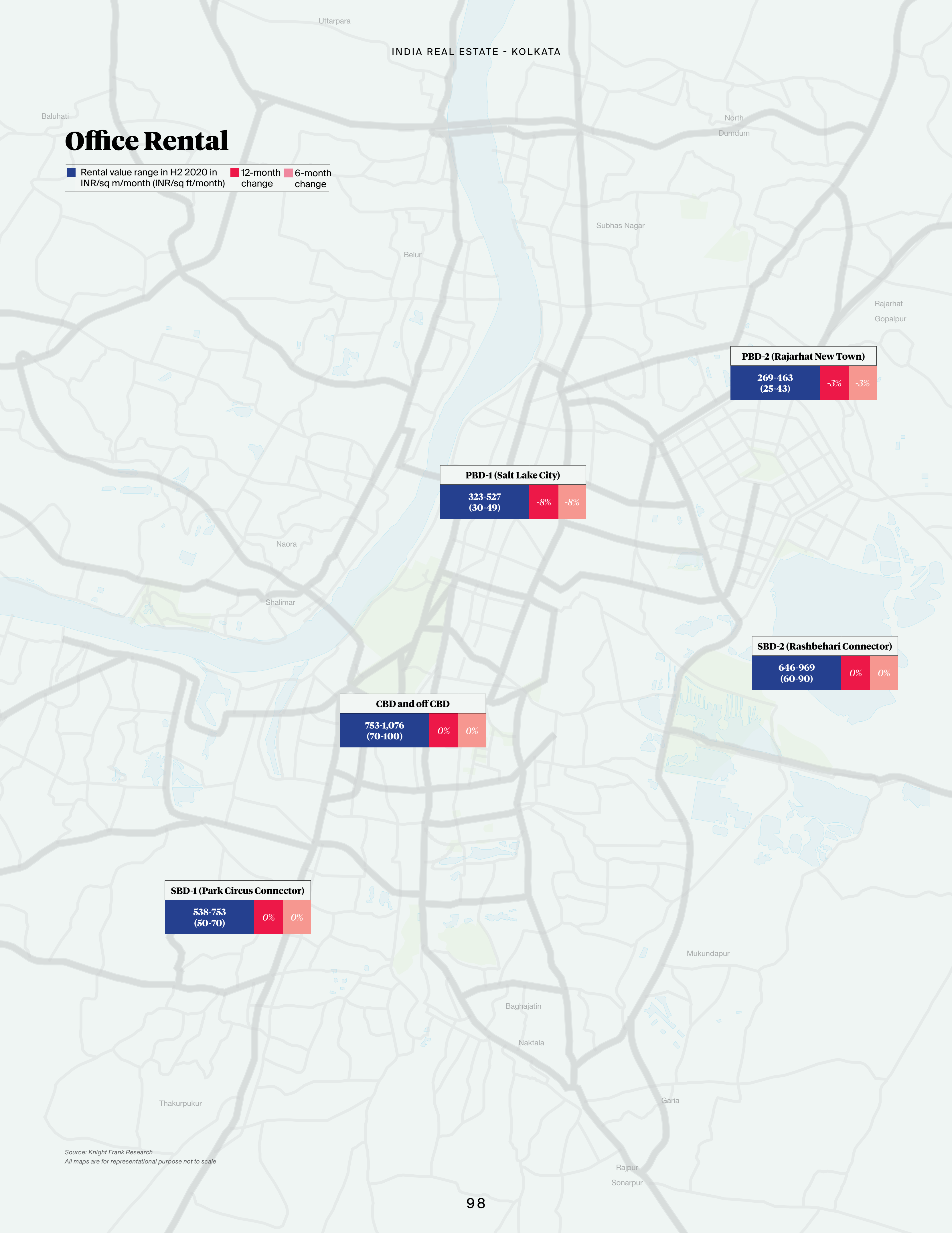
SBD 1 (Park Circus Connector)

	H2 2020	2020
Transactions	-	-
Change	-	-

Source: Knight Frank Research
All maps are for representational purpose not to scale
Note: "-" represents no change over the past period due to lack of activity.

Office Rental

Rental value range in H2 2020 in INR/sq m/month (INR/sq ft/month) | 12-month change | 6-month change



Source: Knight Frank Research
All maps are for representational purpose not to scale

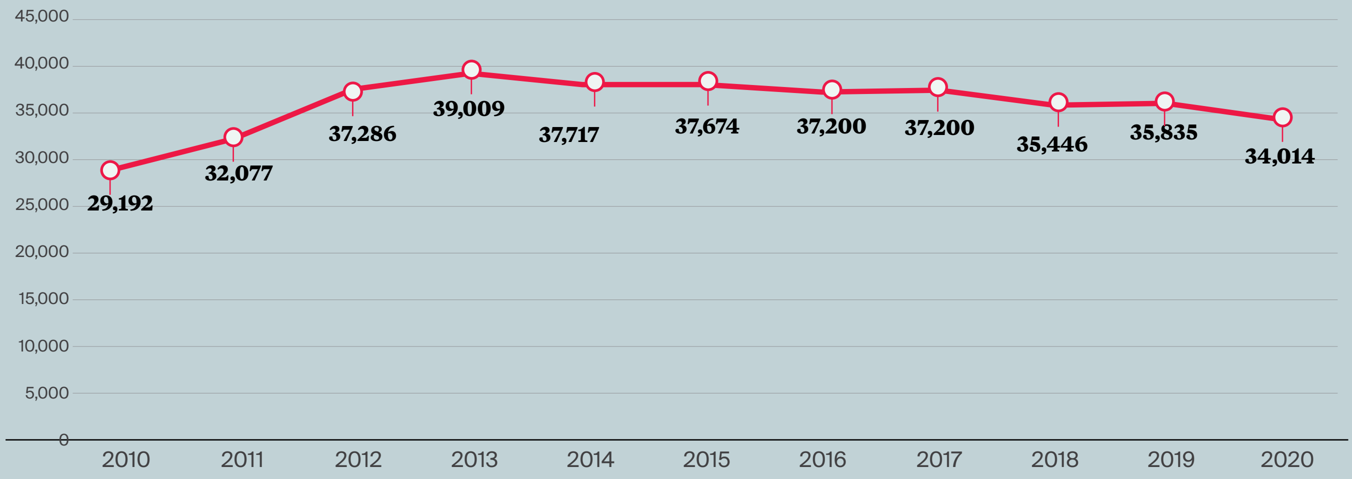
Affordable housing – the reason for joy in the City of Joy's realty market

- DIVYA GROVER
ASSISTANT VICE PRESIDENT – RESEARCH

Affordable housing has stood the test of time in Kolkata. The government's efforts to place significant importance to the promotion of the affordable housing segment in the past union budgets is bearing fruit now as homebuyers in Kolkata start house hunting again post the lockdown. The recent announcement, as part of COVID-19 stimulus measures, of extension of the Credit Linked Subsidy Scheme (CLSS) upto 31st March 2021, has only been the icing on the cake to channel pent-up demand in this property segment.

While affordable housing is a much sought-after asset class in other Indian cities too, Kolkata has an edge when it comes to the popularity of these products amongst homebuyers. The compounded annual growth of weighted average home prices in Kolkata has only been 2% in the period 2010 to 2020, which makes it the second most affordable market across the top eight cities. The continuous fall in Kolkata's weighted residential home prices from 2013 to 2018 has brought more products in the category of up to INR 4.5 mn. This has been a blessing in disguise in the year 2020 and has catalyzed the sentiment towards home purchases even in the new normal.

WEIGHTED AVERAGE RESIDENTIAL PRICES (INR PER SQ M)



Source: Knight Frank Research

In Kolkata, the end-user demand shift to the affordable property segment has been significant since 2017. Factors such as the structural and regulatory shift in the real estate sector and growth of northern and southern peripheral micro-markets due to construction of the upcoming metro led to a flurry of new launches for affordable projects. Aggressive marketing of these projects also catalyzed the end-user demand for this segment at a time when homebuyers were skeptical to invest in residential real estate as an asset class.

Homebuyers not loosening their purse strings for products that did not provide value for money made developers take note of the demand-supply mismatch as early as 2017. Leading developers' entry into the affordable housing play in the past three years has led to an increase in the stockpile of affordable homes nearing completion or ready to move in. As per our interactions with real estate developers in Kolkata, there has been a surge in enquiries and bookings in products less than INR 4.0 mn in the past six months. In and around North Kolkata, locations such as Barasat, Madhyamgram, Dunlop More, Sinthi More and Dum Dum have been garnering a lot of buyer interest for these products as there has been an aspirational shift for these locations supported by local demand. Even interior pockets of Rajarhat which were so far dominated by end-user demand for mid-segment products has garnered good enquiries for such under-construction projects in the last three months.

The upcoming metro project had already opened new micro-markets along the Joka – Dalhousie and Garia-Airport routes. Lower land costs in the peripherals along the metro corridor had supported the entry of pedigreed developers in affordable construction already. The pandemic has been instrumental in altering consumer behavior making the conservative property buyers reassess their aspirations in terms of savings and home buying. Affordable apartments from credible developers with good ventilation, amenities and safety in townships or condominium projects have become very popular with the younger lot during the lockdown. In addition to North Kolkata, Joka, Narenderpur and Sonarpur in the southern belt have also seen a skewed interest in affordable homes in 2020.

As the metro work nears completion, aspirational homebuyers are finding value in locking in good deals in affordable homes right now. Flexi payment plans, lower home loan interest rates and volatility in the stock market has made them relook at real estate. A few leading developers are also getting ready to launch new residential products to cater to the INR 3.0-4.0 mn bracket in early 2021 as they want to capture a bigger market share by increasing their footprint for this property segment. With job recovery underway and a latent demand for affordable homes, they have realized that this property segment is still the buyer's favorite and is recovering much faster even amid the pandemic.

MUMBAI

RESIDENTIAL AND **OFFICE** MARKET

Expert take

Rajani Sinha
Chief Economist & National Director - Research

Mumbai metropolitan region (MMR) is one of the most vibrant cities of India and amongst the major drivers of the Indian economy. It is the financial capital of India and boast headquarters of the biggest corporates. The vibrant nature and the culture of the city also makes it the mainstay for the media and entertainment industry.

MMR due to its high population density was one of the worst affected cities by the COVID-19 pandemic. Consequently, the lockdown imposed on March extended to over 9 months in the form of partial lockdowns. Several parts of the city had to go into a second lockdown after partial reopening in the month of June. Due to the high COVID-19 case load, MMR has been the slowest amongst the top cities to lift restrictions under the phase wise unlock process.

The lifeline of MMR, the local trains, which carried over 7.5 million residents of MMR every day is yet to open up for the entire population. There are also restrictions limiting the office occupancy at 30% when most other cities have done away with such restrictions on office usage. A large percentage of the workforce, as a result, is still on work-from-home mode which has adversely impacted the office demand in MMR. Given these restrictions, office occupiers in MMR have gone slow with their expansion plans and are currently negotiating with landlords to reduce the rentals. However, as the region moves towards normalcy, the local train services resume and permitted office occupancy moves to full capacity, we expect the office leasing to pick up.

The retail segment, battered the most by the pandemic, has slowly started to find its feet. Footfalls at malls and high streets are increasing gradually but are yet to reach pre-COVID levels.

In the midst of all this turbulence, the residential segment in MMR is basking in sunshine. The somber mood seen in residential segments in the last few years has turned exuberant in recent months. The stamp duty cuts effective from September 2020 for a limited period of 7 months has catalyzed the residential market, with sales jumping up sharply. Credit for revival in the residential segment goes to the Maharashtra State Government, which timed the stamp duty cut perfectly with the festive season and the lowest ever home loan rate regime. In addition to the indirect discounts/price cuts they had been offering earlier, most developers in MMR have offered to absorb the remaining stamp duty incidence. Enticed by these offers, fence sitters have also jumped onto the bandwagon and contributed to the sharp demand upswing. With the economy recovering and buyers getting more confident of their future income streams, we expect the residential sales momentum to continue as more homebuyers will try to make most of the lower stamp duty regime.

MMR Residential Market

MMR MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	50,303	-37%	26,904	-25%	18,515	121%
Sales (housing units)	48,688	-20%	30,042	10%	22,407	193%
Price (wt avg)*	73,053 / sq m (6,787/sq ft)	-3.2%	-	-	-	-
Unsold inventory (housing units)*	146,916	1%	-	-	-	-
Quarters to sell*	10.7	-	-	-	-	-
Age of unsold inventory (in quarters)*	14.6	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	15,959	2,687	7,635	22,407
Sales as % of 2019 Quarterly average	105%	18%	50%	147%
Launches (housing units)	22,388	1,031	8,389	18,515
Launches as % of 2019 Quarterly average	112%	5%	42%	93%

Source: Knight Frank Research

- The Mumbai Metropolitan Region (MMR) was amongst the worst affected cities in India by the COVID-19 pandemic. The resultant lockdown was amongst the longest and most stringent compared to other top cities. The nationwide lockdown imposed on March 26, 2020 has been extended in MMR in the form of a partial lockdown until the end of 2020.

- The real estate sector in this region was battered by the enforcement of a national lockdown. Sales came to a standstill in the month of April and construction labourers migrated back to their hometowns bringing construction activity to a complete standstill as well. Thus, sales in Q2 2020 was 18% of the 2019 quarterly average and launches dropped to 5% of 2019 quarterly average. Things started to improve gradually as the city was allowed to open up partially from June 8, 2020, and sales started to pick up marginally from Q3 2020, though the overall activity was low in July-August. The sales pick up was hit as some parts of MMR had to go into a second lockdown in July after reopening in June, due to a spike in COVID-19 cases.

- To help the sector survive this crisis, the State Government announced a reduction in stamp duty rates all over Maharashtra effective September 1, 2020 for a period of 7 months till March 31, 2021. The effective stamp duty rates were brought down by 300 basis points from 5-7% to 2-4% across various regions in MMR from September till December 31, 2020 and brought down by 200 bps from January 1, 2021 till March 31, 2021. Developer associations complemented the announcement by subsuming the remaining part of the stamp duty. These developments invigorated the market, housing sales picked up from September onwards and helped Q3 2020 sales reached 50% of the 2019 quarterly average. The sales momentum grew stronger in Q4 2020, which coincided with the festive period of Navaratri-Dussehra-Diwali and surpassed that of pre-COVID levels, reaching 147% of the 2019 average.

- The stamp duty cut gave a boost to homebuyer sentiments and kindled the MMR real estate market. Sales in Q4 2020 jumped by a whopping 80% Year-on-Year (YoY) and the strong performance in Q4 helped the city clock 10% YoY sales growth in H2 2020. On a Quarter-on-Quarter (QoQ) basis, sales jumped by 193% in Q4 2020. A host of other factors that helped improve homebuyer sentiments and provided tailwinds to demand include reduction in home loan rates to historic lows, increase in household savings during lockdown, fresh demand for upgrade and indirect discounts/incentives offered by developers.

- As per Maharashtra Government Department of Revenues and Stamp (IGR), monthly sales in Mumbai (Brihanmumbai Municipal Corporation) region grew by 39% YoY in September, 36% YoY in October, 67% YoY in November and over 190% YoY in December. As per IGR, sales in each month before the stamp duty cut (i.e April-August) was down by more than 50% compared to that recorded during the respective month last year.

- Due to high real estate prices, MMR had always been notorious for its matchbox sized compact and congested homes. During lockdown, families realised the need for having additional rooms in their homes as it was difficult to carry out school, college, office and regular household activities within the boundaries of the compact home. Thus, the lockdown created a fresh demand for upgrade which may not have been a necessity earlier.

- Over the past few years, a segment of serious homebuyers had deferred their decision to make a home purchase in anticipation of price cuts. Stamp duty cuts helped change the sentiments of such fence sitters and lured them to the market.

- The pandemic had hampered site visits as homebuyers were afraid to step outside their homes. To address this, many developers shifted to the digital medium for marketing their projects. This shift helped them close transactions faster after the stamp duty cut. In recent times, homebuyers have mostly turned to do their project shortlisting online and only serious homebuyers are visiting project sites. This has helped developers improve their conversion ratios and also bring down the sales turnaround time.

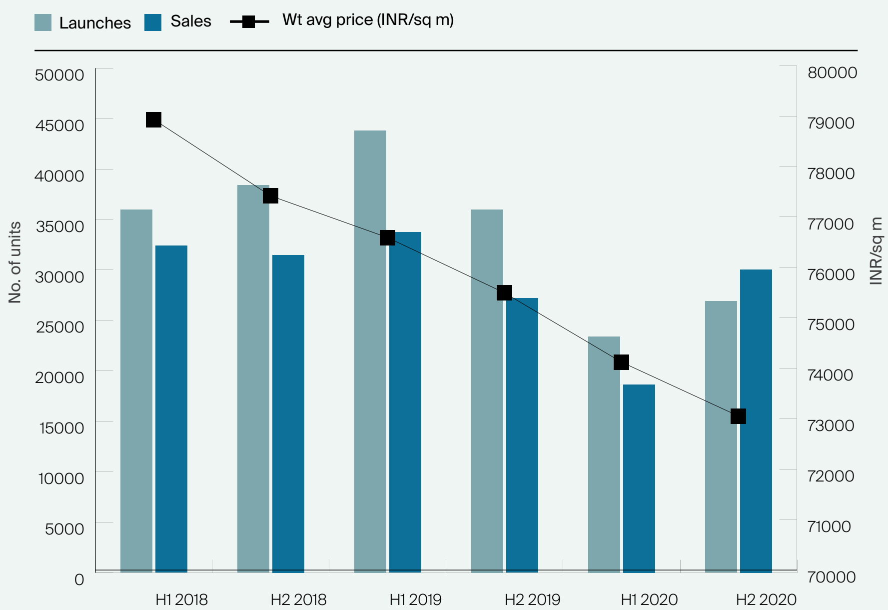
- In absolute terms, the savings from stamp duty reduction was higher in the expensive markets of MMR. Further, the relatively higher income groups had not taken much of a hit on their income streams and also had a big cushion of savings. As a result, the expensive markets of MMR and luxury segments which were languishing for the past few years witnessed a jump in sales. The relatively more expensive markets of MMR such as South Mumbai, Central Mumbai and Western Suburbs outperformed other markets of MMR in Q4 2020 and in H2 2020. South Mumbai witnessed the highest growth in sales of 112% during H2 2020, followed by Central Mumbai at 106% and Western suburbs at 76% during the same period. 57% of apartments sold in H2 2020 were priced above INR 5 million.

- Weighted average prices in MMR declined further by 3.2% YoY in H2 2020. While these are the reduction in quoted prices, the actual discount offered during negotiations was higher.

- The acute labour shortage due to migration of construction labour to their hometowns had a bearing on residential launches and completion of projects. The launches were nearly a washout in Q2 2020 and recovered gradually in Q3 and Q4. The residential launches in Q4 2020 reached 93% of 2019 quarterly average but were down 29% YoY in H2 2020. Acknowledging the severity of this problem, the regulator MahaRERA allowed an extension in completion date of projects by six months.

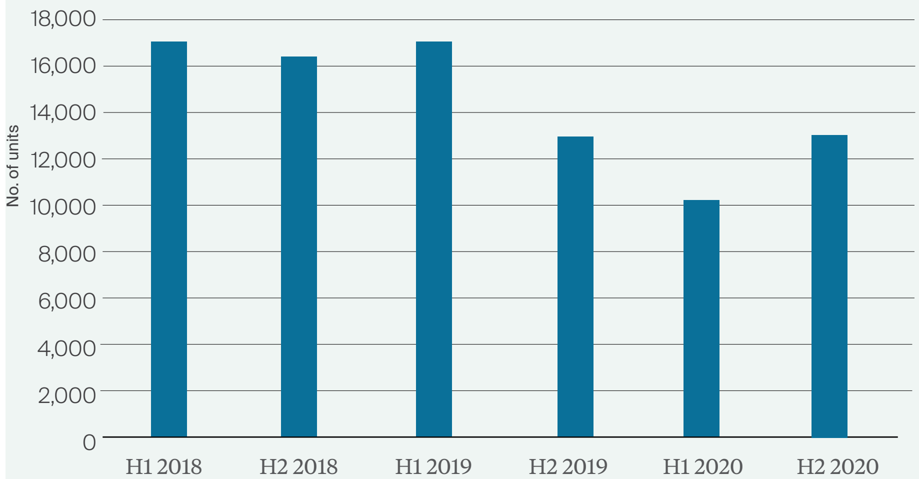
- If we compare numbers for launches and sales for the full year, it may not be an apt comparison as 2020 has been an aberration. Almost 1-2 quarters of real estate activity in 2020 was lost due to lockdown related issues. Despite the massive recovery in Q4 2020, the full year numbers for 2020 would therefore be lower compared to 2019. Annual launches were down 37% YoY and sales were down 20% YoY in 2020. As annual launches were still greater than sales, unsold inventory increased by 1% YoY. Quarters-to-Sell (QTS) increased marginally from 9.3 in 2019 to

MMR RESIDENTIAL MARKET

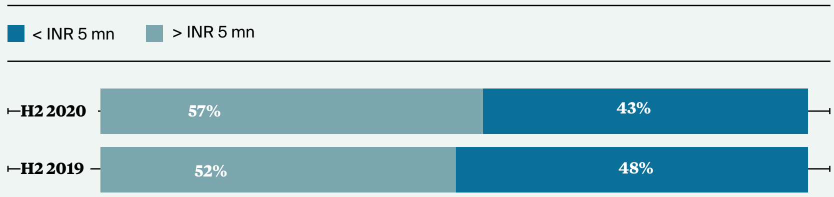


Source: Knight Frank Research

MMR AFFORDABLE MARKET ACTIVITY (UPTO INR 5 million segment)



TICKET SIZE SPLIT OF SALES



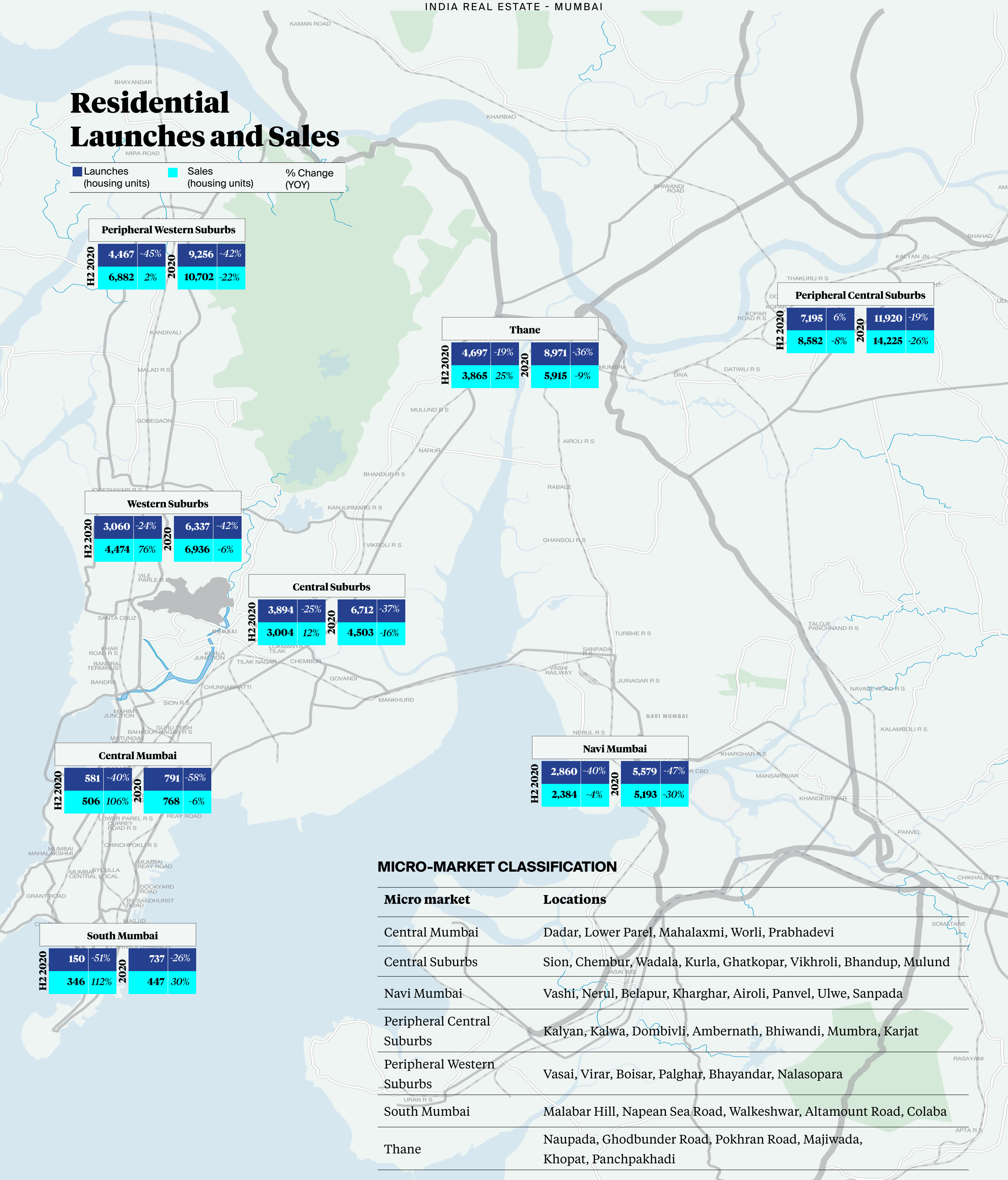
Source: Knight Frank Research

10.7 at the end of 2020 as annual launches were marginally greater than sales in 2020 and almost 1-2 quarter of sales were a near washout.

- Another interesting change in homebuyer behaviour was the willingness to explore under-construction property options. Over the past few years, most homebuyers were keen to buy only ready to move in apartments, however, in the latest period, homebuyers have started purchasing under-construction apartments as well, particularly in projects which are 12-18 months away from completion. Lower prices of under-construction apartments compared to ready to move apartments, flexible payment options and greater choice of apartments were the major factors for this shift in homebuyer behaviour.

Homebuyers in the mid and high income segments have made most of the stamp duty cut. As a result, the expensive markets of MMR and luxury segments which were languishing for the past few years have witnessed a jump in sales in the latest period.

Residential Launches and Sales

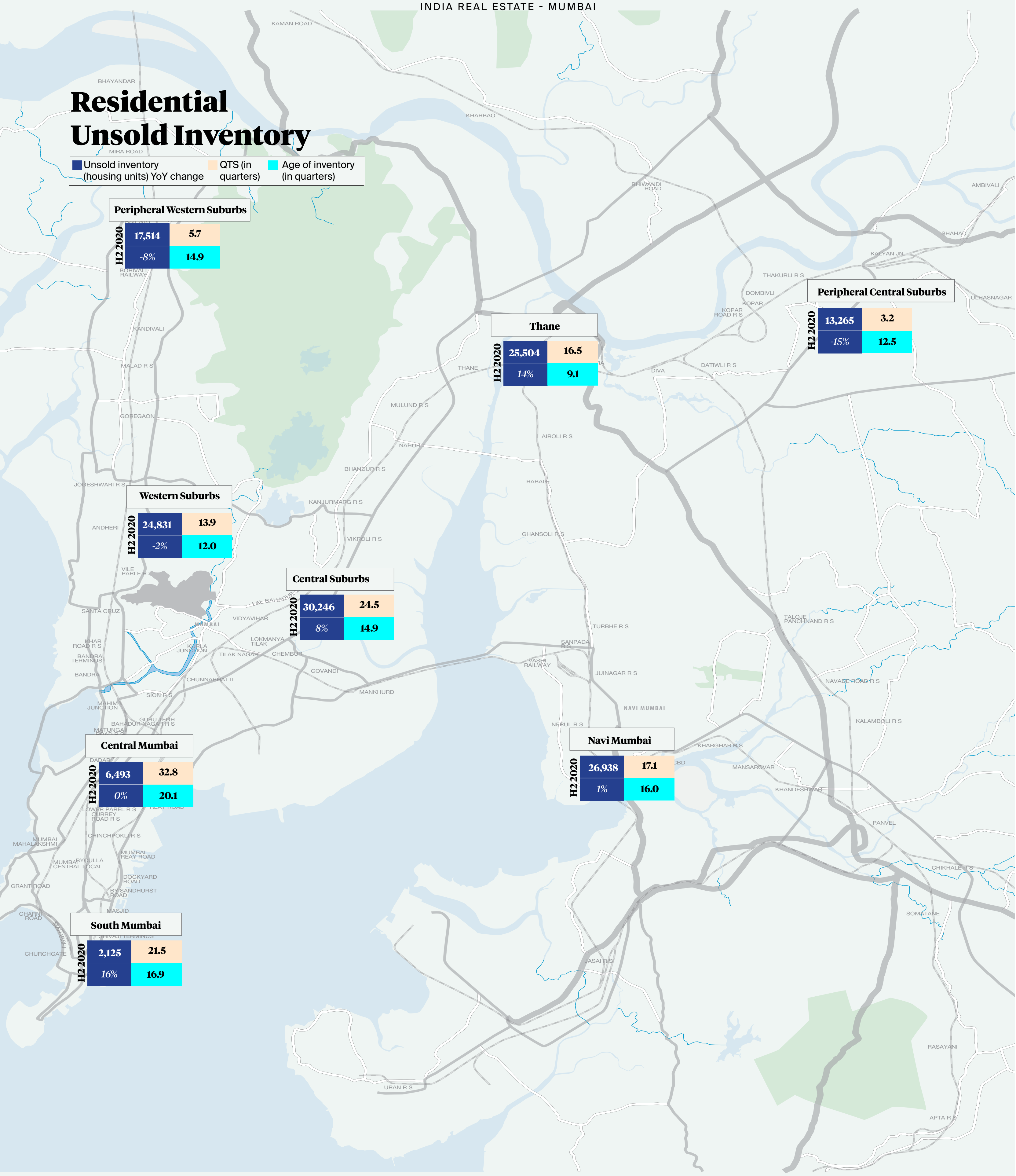


MICRO-MARKET CLASSIFICATION

Micro market	Locations
Central Mumbai	Dadar, Lower Parel, Mahalaxmi, 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

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Unsold Inventory



Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Pricing

Micro Market	Location	Price range in H2 2020 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central Mumbai	Lower Parel	269,100–387,504 (25,000–36,000)	-4%	-2%
	Worli	333,684–592,020 (31,000–55,000)	-3%	-1%
Central Suburbs	Ghatkopar	129,168–236,808 (12,000–22,000)	0%	0%
	Mulund	115,174–150,696 (10,700–14,000)	-6%	-5%
	Powai	156,078–215,280 (14,500–20,000)	-2%	-1%
South Mumbai	Tardeo	430,560–645,840 (40,000–60,000)	-4%	-3%
Peripheral Central Suburbs	Badlapur	29,063–37,674 (2,700–3,500)	-4%	-2%
	Dombivli	48,438–64,584 (4,500–6,000)	-2%	-1%
Navi Mumbai	Panvel	40,903–69,966 (3,800–6,500)	-4%	-3%
	Kharghar	72,119–96,876 (6,700–9,000)	-4%	-3%
	Vashi	107,640–161,460 (10,000–15,000)	-2%	-1%
Peripheral Western Suburbs	Mira Road	59,202–78,577 (5,500–7,300)	-3%	-2%
	Virar	47,362–59,202 (4,400–5,500)	-4%	-2%
Thane	Ghodbunder Road	64,584–107,640 (6,000–10,000)	-5%	-3%
	Naupada	150,696–193,752(14,000–18,000)	-6%	-5%
Western Suburbs	Andheri	161,460–236,808 (15,000–22,000)	-3%	-1%
	Bandra (West)	430,560–645,840 (40,000–60,000)	-3%	-1%
	Borivali	118,404–161,460 (11,000–15,000)	-4%	-3%
	Dahisar	96,876–118,404 (9,000–11,000)	-3%	-2%
	Goregaon	139,932–161,460 (13,000–15,000)	-5%	-5%

MMR Office Market

MMR MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Completions mn sq m(mn sq ft)	0.49 (5.3)	-2%	0.15 (1.7)	-52%	0.13 (1.4)	353%
Transactions mn sq m (mn sq ft)	0.56 (6)	-38.3%	0.2 (2.1)	-58%	0.1 (1.1)	8%
Weighted average transacted rental INR/sq m/month (INR/sq ft/month)*	1,246 (116)	-5.6%	-	-	-	-1%
Stock mn sq m (mn sq ft)*	14.05 (151.3)	4%	-	-	-	-
Vacancy (%)*	19.8%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	0.23 (2.5)	0.12 (1.3)	0.95 (1.0)	0.10 (1.1)
Transactions as % of 2019 Quarterly average	104%	55%	42%	46%
New completions mn sq m (mn sq ft)	0.23 (2.5)	0.10 (1.1)	0.03 (0.3)	0.13 (1.4)
New Completions as % of 2019 Quarterly average	104%	46%	12%	56%

Source: Knight Frank Research

- The Mumbai Metropolitan Region (MMR) office market has witnessed a tepid year in 2020. The transaction activity dropped 58% YoY during H2 2020 and 38% YoY during full year 2020. It is important to note that this drop was against a high base of H2 2019 and the whole of 2019, which had witnessed 2 large pre-commitment deals totalling ~0.2 mn sq m (2 mn sq ft).

- 2019 had been a historic year for MMR office market with transactions touching a record high of 0.9 mn sq m (9.7 mn sq ft), and hence a drop was expected in 2020 as large pre-commitment deals in MMR office market are rare, unlike those witnessed in low vacancy markets like Hyderabad, Pune or Bengaluru. However, in 2020, office leasing was majorly impacted on account of restrictions on permitted office space utilization and access to local trains in the wake of COVID-19 activity curbs placed by the Maharashtra government. MMR was badly affected by the pandemic and the nationwide lockdown enforced on March 26, 2020 was extended in the form of partial lockdown to over 9 months.

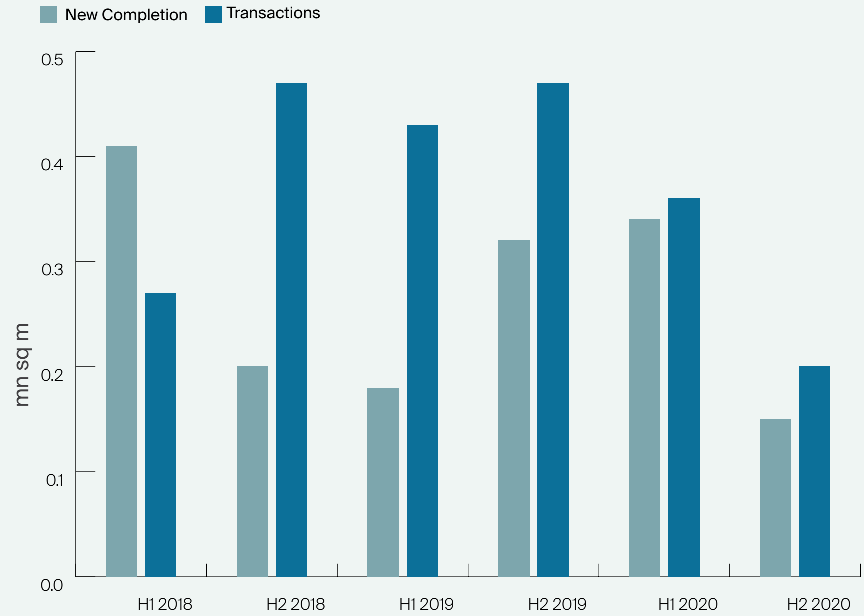
- As a result, employees have had to depend on the road network to reach their workplace. Further, offices in MMR have been permitted to operate at a maximum workforce capacity of 30%. On account of these two major hindrances, companies have been forced to keep a majority of their workforce on work-from-home (WFH) mode. Occupiers are looking to postpone new space take up as they will not be able to utilise it until the lockdown related restrictions remain, and this has curtailed demand. Having said that, occupiers with a long term view and better business prospects have taken up space for expansion, as they are finding good deals in the market.

- We believe that once restrictions on access to local trains and office space utilisation are removed, office demand will start to recover. Until then, occupiers are likely to renew leases which are on the verge of expiry or relocate to cheaper markets. On account of the business impact, some companies have relocated to less expensive business districts or less expensive buildings within the same business districts which has created downward pressure on rents during H2 2020.

- The weighted average rents at city level were down 5.6% YoY during 2020 and have corrected in varied proportions across business districts. While in tight vacancy markets like BKC & off-BKC, the rent correction was lower at around 4% YoY, PBD which had the highest vacancy level within the city witnessed rent correction to the tune of 11% YoY. Several occupiers have sought lower rents citing loss of business and restriction on office space utilisation.

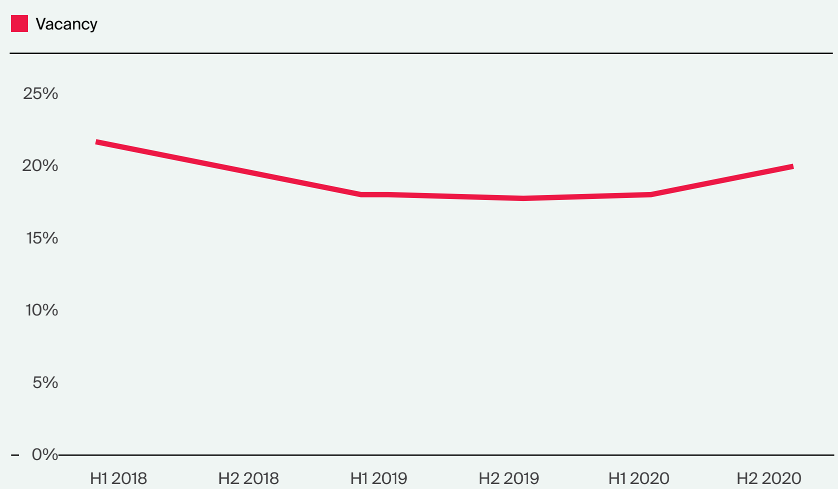
- In terms of occupier profile, manufacturing sector garnered the highest share of transactions during H2 2020 at 25%, followed by BFSI at 23%. Co-working operators continue to actively take up space and their share in overall transactions has more than doubled from 7% during H2 2019 to 18% during H2 2020. The number of deals declined from 138 during H2 2019 to 85 during H2 2020 and the average size of deal decreased from 3,404 sq m (36,639 sq ft) to 2,331 sq m (25,094 sq ft).

MMR MARKET SNAPSHOT



Source: Knight Frank Research

MMR OFFICE MARKET VACANCY

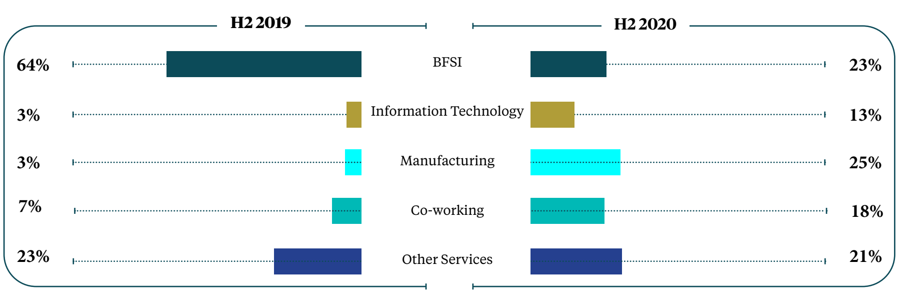


Source: Knight Frank Research

BUSINESS DISTRICT CLASSIFICATION

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

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services
Source: Knight Frank Research

AVERAGE DEAL SIZE AND NUMBER OF DEALS

	H2 2019	H2 2020
Average deal size (sq m)	3,404	2,331
Average deal size (sq ft)	(36,639)	(25,094)
Number of deals	138 deals	85 deals

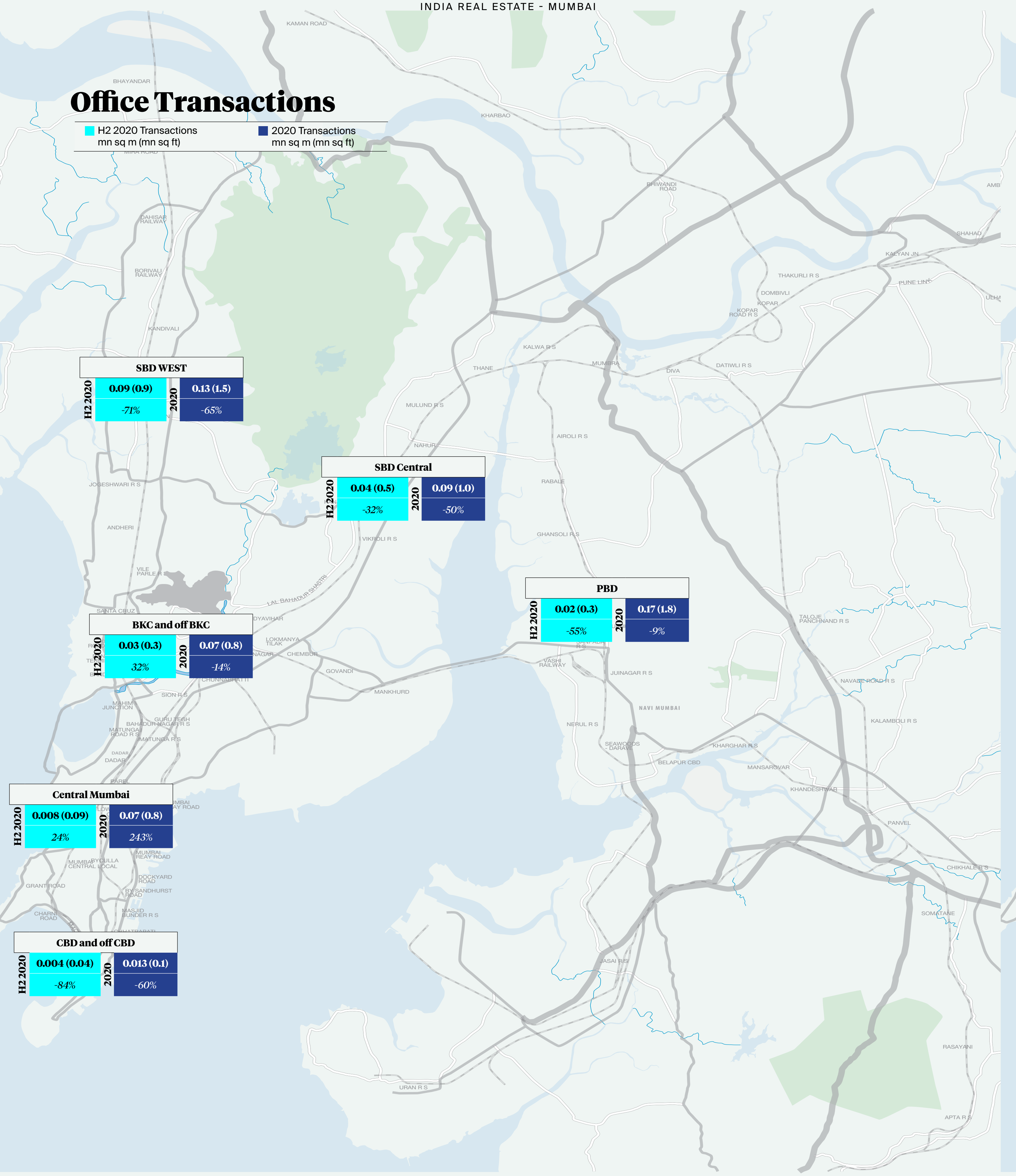
Source: Knight Frank Research

38%

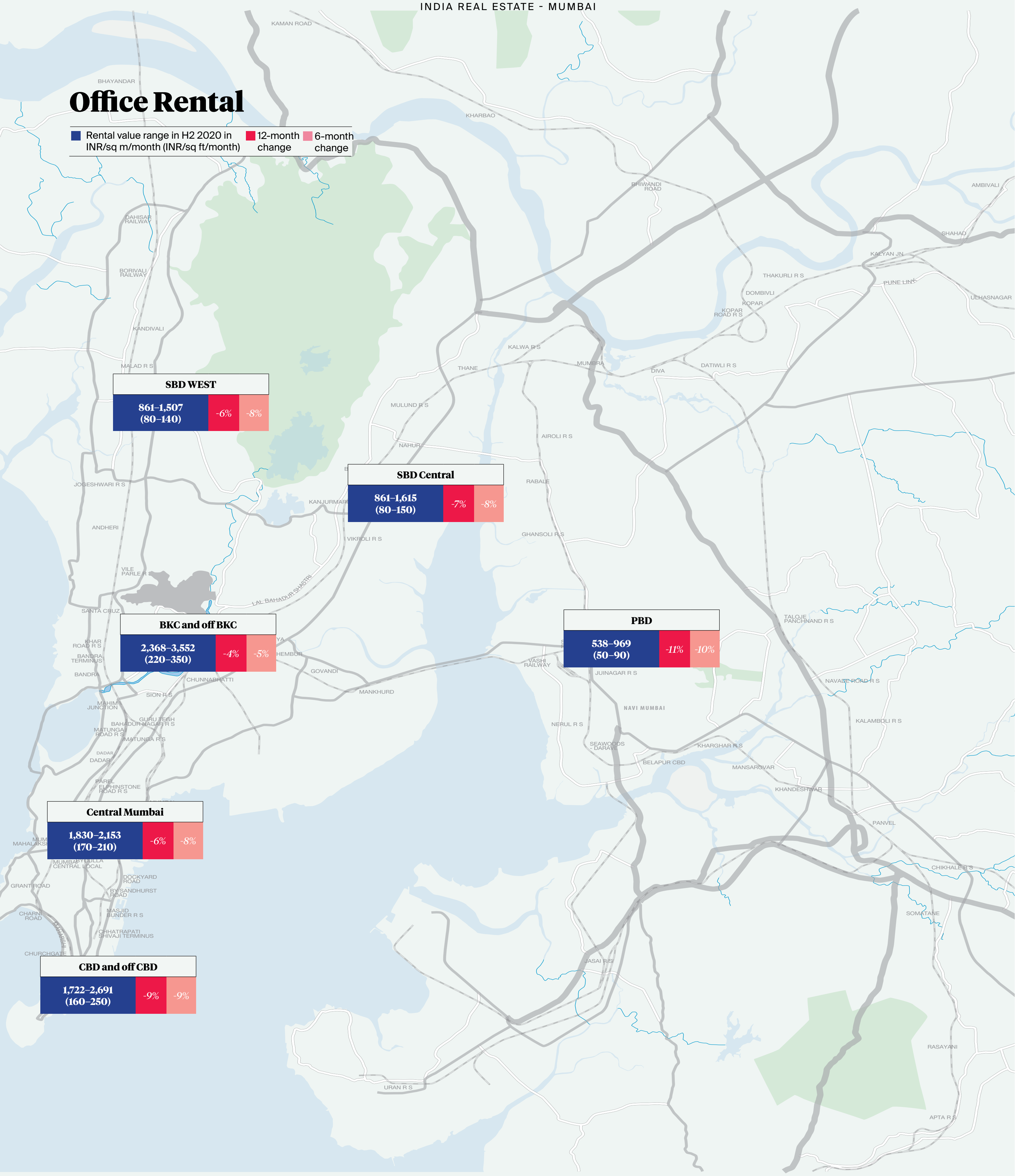
YoY drop in leasing activity in 2020 against a high base of 2019

Office Transactions

H2 2020 Transactions mn sq m (mn sq ft)
2020 Transactions mn sq m (mn sq ft)



Source: Knight Frank Research
All maps are for representational purpose not to scale



Source: Knight Frank Research
All maps are for representational purpose not to scale

COVID could reverse the trend of shrinking apartment sizes in MMR

- NIBODH SHETTY
CONSULTANT - RESEARCH

High cost of apartments in the Mumbai Metropolitan Region (MMR) has been a major deterrent to residential sales growth in recent years. High land prices due to the land locked nature of the city and the high cost of construction premiums have ensured that apartment prices continued to remain high despite the slowdown in sales in recent years. Developers tried to mitigate this by reducing the size of the apartment in order to bring down the ticket size and make it more affordable. Consequently, compact homes started becoming pervasive in MMR.

Over a 5-year period between 2014 and 2019, the apartment size in new launches has reduced by 25% at the MMR level. Homebuyers gravitated towards such compact homes as it fit within their affordability metrics and given the hectic pace of life in Mumbai, the time spent in the house had remained low.

The pandemic, however, has challenged this notion. The lockdown has forced school/college and office activities to come within the boundaries of the house, alongside regular household activities. Compact homes and the joint family culture in India have added chaos to this arrangement. This has made families come to recognize the need for additional rooms in the house.

The lockdown has made study rooms, half bedrooms and balconies an important part of the apartment, as they can be used for the purpose of work from home or study from home. As per our research, developers have taken note of this trend and started reconfiguring new launches to have larger rooms or additional bedrooms. Adding a study room or a balcony does not add significantly to the final cost of the apartment, but dramatically improves the marketability of the apartment in the current situation. If we refer to Table 1 below, the size of apartments in new launches post July were larger by 5% and 10% in the markets of Navi Mumbai and Peripheral Central Suburbs respectively, as compared to those launched in 2019.

Table 1:

Average size of apartments in new launches

Micro-market	2014 (in sq. ft.)	2019 (in sq. ft.)	Shrinkage (2014-19)	H2 2020 (in sq ft)	Increase (2019-H2 2020)
Navi Mumbai	857	685	-20%	722	5%
Peripheral Central Suburbs	768	611	-24%	671	10%

It is important to note that the planning of a project and designing of the layout of apartments is done several months before the project is formally launched. Hence, this trend is not very discernible now and is limited to two markets. However, it is likely to accelerate in the near future across most markets in MMR.

NCR

RESIDENTIAL AND **OFFICE** MARKET

Mudassir Zaidi
Executive Director - North

The second half of the year saw a decent recovery in both the residential and the office leasing sectors. The residential sector saw interventions from the RBI and Central government on the regulatory side, as well as initiatives from developers to push sales. Buyers reciprocated positively as there was a convergence of multiple favorable factors.

A significant increase in buying of ready to move inventory, near to completion inventory and plots were seen in the NCR market. Though the buyer has started taking decisions, he is still very risk averse at present. A perceptional trust deficit is playing on the buyer psyche, and therefore, developers having a better track record are being considered currently. The emergence of plots as a favored type of purchase, even though it requires upfront payment, is evidence of the risk averse mindset of the buyer.

Developers came up with innovative schemes to sell products, including some who were ready to consider existing inventory holdings of prospective buyers. However, the Haryana RERA's limitation on brokerage of 1% on new homes has created a challenge for pushing sales. Brokers were used to getting any where between 2% to 5% in the Gurgaon and Faridabad markets of Haryana.

New launches are not being preferred as the region is already reeling under substantial unsold inventory and developers prefer to offload existing stock. Most developers feel that the buying activity will last till the end of the festive season or at the most till the end of the first quarter of the new year, and a sustainable recovery can only take place when the economy starts performing better and the job scenario improves.

The Office leasing sector is beginning to come out of the effects of the COVID crisis. The lockdown from April to June in H1 2020 had put the brakes on decision making as corporates took time to assess the situation and take a call on their real estate strategy. Once the lockdown ended, some corporates started to put their real estate strategy into practice. However, the lack of substantial activity has certainly shown up in the numbers, as many corporates are putting space take up decisions on hold, with the Work from Home (WFH) option still being offered to their employees. Most organizations will wait for the availability of vaccine and inoculation before allowing the majority of employees to start coming in to the office.

The effect on the co-working sector was also stark during the lockdown period. However, many are now taking up space in co-working set ups to tide over short term requirements as corporates do not want to take a long term call on their real estate take up.

Gurgaon has been able to recover its market share to some extent as compared to the first half of the year. However, requirement of cost-effective real estate has led to Noida maintaining a sizeable share as compared to long term average space take up.

The emergence of data centers as a major opportunity especially in the Noida / Greater Noida region has fired up the office sector. Multiple DC operators are scouting for land for constructing build to suit facilities due to comparatively better power availability, reasonable land cost and better infrastructure. However, the introduction of a policy for data centers by the governments will help in further development of the same.

Warehousing as an opportunity continues to be in demand both by developers as well as lessees in NCR. The pandemic has helped E-commerce players to increase their market share and take up more warehousing space to service their requirements. Flipkart announced an acquisition of 140 acres of land and will build a 2+ mn sq ft facility as their north India hub for distribution. In-city warehouses are also gaining traction and the Delhi market is seeing attention from 3PL and e-commerce players.

Retail in the NCR region is still grappling with the effects of the pandemic. Footfalls have improved during weekends however, they are nowhere near the pre-CoVID levels. Most malls are trying to attract footfalls through discounts and some decent footfalls were observed during the festive season. However, the increase in CoVID positive cases after the Dussehra and Diwali period again acted as a dampener.

NCR Residential Market

NCR MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	9,824	-57%	8,402	-44%	4,292	4%
Sales (housing units)	21,234	-50%	15,788	-31%	9,641	57%
Price (wt avg)*	45,822/ sq m (4,257/ sq ft)	-4%	-	-	-	-
Unsold inventory (housing units)*	1,10,674	-9%	-	-	-	-
Quarters to sell*	13.8	-	-	-	-	-
Age of unsold inventory (in quarters)*	23.5	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	5,446	-	6,147	9,641
Sales as % of 2019 Quarterly average	51%	-	57%	90%
Launches (housing units)	1,422	-	4,110	4,292
Launches as % of 2019 Quarterly average	25%	-	72%	75%

Source: Knight Frank Research

Note: Q2 2020 market activity: COVID-19 disruptions in market activity led to a standstill in sales activity at residential project sites and registration offices during Q2 2020. In some cases, customers paid nominal amounts on application for housing units, which could be identified and allotted later. Such instances of transactions with limited details on booking have not been considered in the Q2 2020 numbers. With more details awaited on certainty of such transactions, the recording was deferred and the same was captured during the subsequent reporting period.

- During 2018 and 2019, the National Capital Region (NCR) recorded an increase in the number of residential units sold on a sequential basis. However, the upward momentum in sales growth was derailed as the Covid-19 induced lockdown in H1 2020 disrupted the market dynamics. Only to reset them and revive demand in H2 2020. With the phase wise unlocking in the second half of the year, serious homebuyers are back in the market hunting for deals.

- In 2020, 21,234 units were sold in NCR's primary residential market. While this represents a 50% decline over 2019, sales started picking up momentum from Q3 2020. This is largely due to pent-up demand during the lockdown converting into sales bookings for developers, as site visits resumed in the second half of the year. In Q3 2020, sales had recovered to 57% of 2019's quarterly average, which further increased to 90% in Q4 2020 indicating a strong demand comeback. The surprise sales recovery in the last quarter of 2020 was on the back of the festive season, families looking for bigger homes and risk-averse homebuyers taking advantage of historically low home loan interest rates in the new normal.

- In 2020, Greater Noida accounted for 39% of the total residential sales followed by Gurugram at 29%. These two cities continued to account for the maximum absorption of new residential units, much like the trends seen in the pre-Covid period. Ghaziabad comprised 16% of the residential sales whilst Noida accounted for 14% of the same. The remaining 2% came from Delhi and Faridabad.

- In H2 2020, nearly 58% of total sales belonged to the category of ticket sizes greater than INR 5 mn. There hasn't been much divergence in this trend when compared to the H1 2020 or H2 2019 period.

- In 2020, 9,824 residential units were launched across NCR, the lowest in the past 11 years. Due to the lockdown in H1 2020, developers refrained from introducing new residential supply in the market, which caused the annual launches to decline by 57% YoY. However, just like the trend witnessed with sales, new launches improved in H2 2020, mainly due to a steady recovery in both Q3 2020 and Q4 2020. In Q3 2020, new residential launches recovered to 72% of 2019's quarterly average strengthening to 75% of the same in Q4 2020.

- In line with past trends, Gurugram continued to account for the lion's share of new launches in 2020. It comprised 47% of the total, followed by Greater Noida at 20%, Ghaziabad at 19%, Noida at 11% and Faridabad at 3%. Interestingly, the share of Ghaziabad in NCR's new residential supply has been steadily inching up since 2018. From 16% of the total in 2018, it has inched up to 19% in 2020, despite the Covid crisis. This is largely due to developers trying to capitalize on the latent demand in locations such as Raj Nagar Extension, Siddhartha Vihar and Mohan Nagar where affordable and mid-segment products have been receiving good response from buyers.

- In 2020, the weighted average residential prices in NCR corrected by 4% over 2019. Developers continued to sweeten the deal for homebuyers by offering freebies such as gold coins, luxury car, waiver of maintenance for a few months and compensation in case of delay in project delivery to win buyers' trust and lock in deals in these challenging times. After the Covid-19 outbreak, some developers have also started offering innovative schemes such as property swaps or property exchange to allow homebuyers to swap a unit in a stalled project for another piece of property that is finished or nearly finished.

- While both sales and launches remained historically low in the wake of the pandemic, cheaper home loans, lower pricing and pent-up demand led to a faster recovery in sales leading to a decline in unsold inventory by 9% annually over 2019. In H2 2020, NCR's unsold inventory stood at 1,10,674 residential units.

- Despite a correction in unsold inventory, the quarters-to-sell (QTS) inched up from 11.7 in 2019 to 13.8 in 2020. This was mainly because of a dip in sales velocity during the pandemic. QTS is the number of quarters required to exhaust the existing unsold inventory in the market. The existing unsold inventory is divided by the average sales velocity of the preceding eight quarters to arrive at the QTS number for the current quarter. A lower QTS indicates a healthier market.

- The disruptions caused by the Covid-19 pandemic has made homebuyers reassess their preferences with regard to home purchases. Homebuyers are placing their trust only in projects from developers with a strong brand equity and good record of project delivery despite volatile market cycles. In the new normal, enquiries for bigger homes to accommodate work from home and online classes have been going up.

- The Special Window for Affordable and Mid Income Housing (SWAMIH) Investment Fund I has approved funding for housing projects in need of last mile funding. As part of this funding, 6 of the 18 projects that have received final clearance are in the NCR region; disbursement is currently awaited. This is a positive step by the government to help with completion of stressed residential projects.

GURUGRAM

- Gurugram continues to be a key location for new residential supply in 2020. Despite a tumultuous period, it accounted for 47% of the total residential launches in this year. Grade A developers who focused primarily on the luxury segment earlier have recognised the opportunity in these challenging times to embark on diversifying their portfolio to mid-income housing. Sector 19, 24, 36 as well as New Gurugram remained favourite locations for new projects such as independent floors and apartment complexes.

- In terms of residential sales, Gurugram accounted for 29% of total sales in NCR in 2020. However, in comparison to 2019, there was a YoY decline of 18% largely due to an activity standstill in Q2 2020.

- With a change in market dynamics due to Covid-19, Gurugram is slowly transforming into a real estate market with offerings for all income segments. In 2021, we expect demand for low-rise housing societies, mid-income housing and plotted developments to intensify once normalcy returns.

NOIDA AND GREATER NOIDA

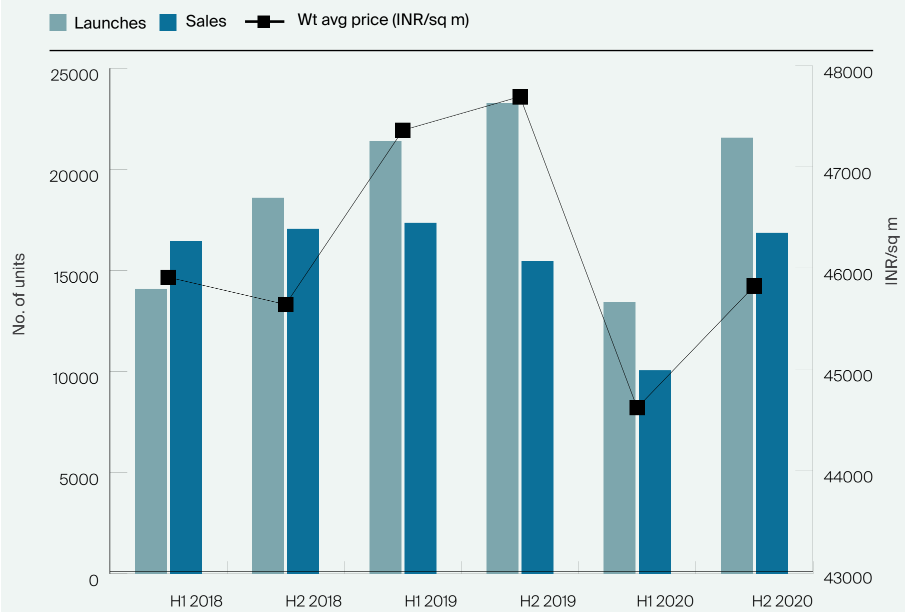
- In 2020, nearly one-third of total residential launches in NCR were attributed to Noida and Greater Noida. Locations such as Sector 16B, Tech Zone – IV and sectors along the Noida-Greater Noida Expressway and Yamuna Expressway witnessed new supply infusion in the form of apartment projects in affordable and mid-segment categories. However, due to the Covid outbreak, there has been a sharp decline of 69% YoY in new launches in other parts of Noida and Greater Noida.

- In 2020, Noida and Greater Noida absorbed more than 50% of the total residential units in NCR. While sales velocity remained low, optimism is returning slowly in this market for ready to move in inventory with a price tag of < INR 5 mn. With no random walk ins and window shoppers, developers have unleashed a slew of seasonal discounts and freebies to attract homebuyers and beat the Covid blues.

- With projects such as the New Film City, the upcoming Jewar International Airport and a Data Centre Park in the pipeline, employment opportunities will also increase acting as an anchor for the Noida, Greater Noida and Yamuna Expressway belt in the long-term and revive end-user sentiment.

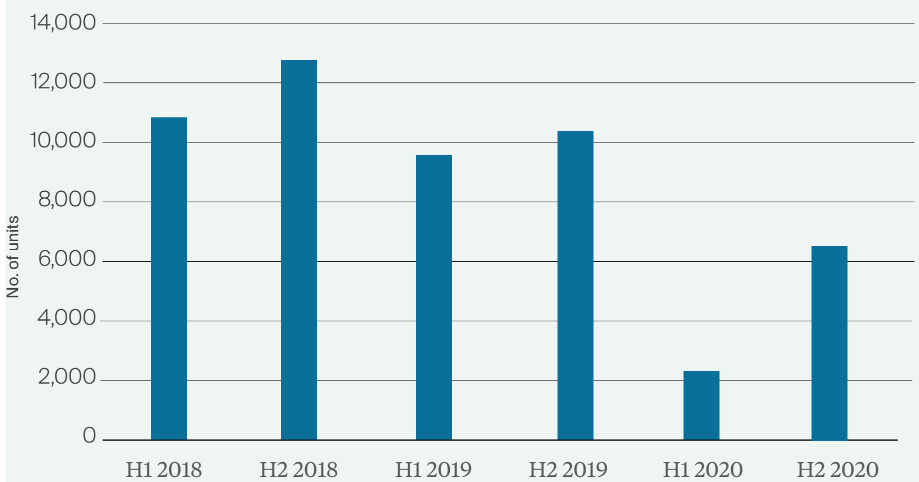
In NCR, end-users are also inclined towards plotted developments as they offer easy possession compared to under construction projects. Many established developers are foraying into plotted development schemes with vigour and have recently launched them in locations such Noida, Noida Extension, New Gurugram and Dwarka Expressway. Independent plots as well as plots in established townships are both becoming popular in the new normal, a trend which is here to stay.

NCR RESIDENTIAL MARKET



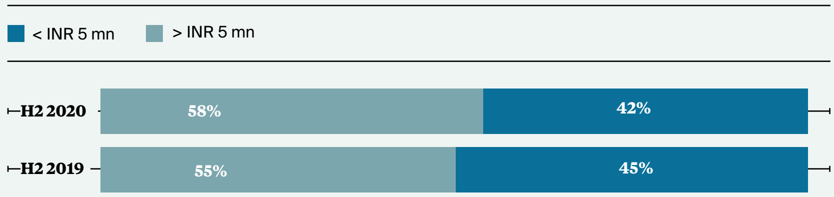
Source: Knight Frank Research

NCR AFFORDABLE MARKET ACTIVITY (UPTO INR 5 mn segment)



Source: Knight Frank Research

TICKET SIZE SPLIT OF SALES



Source: Knight Frank Research

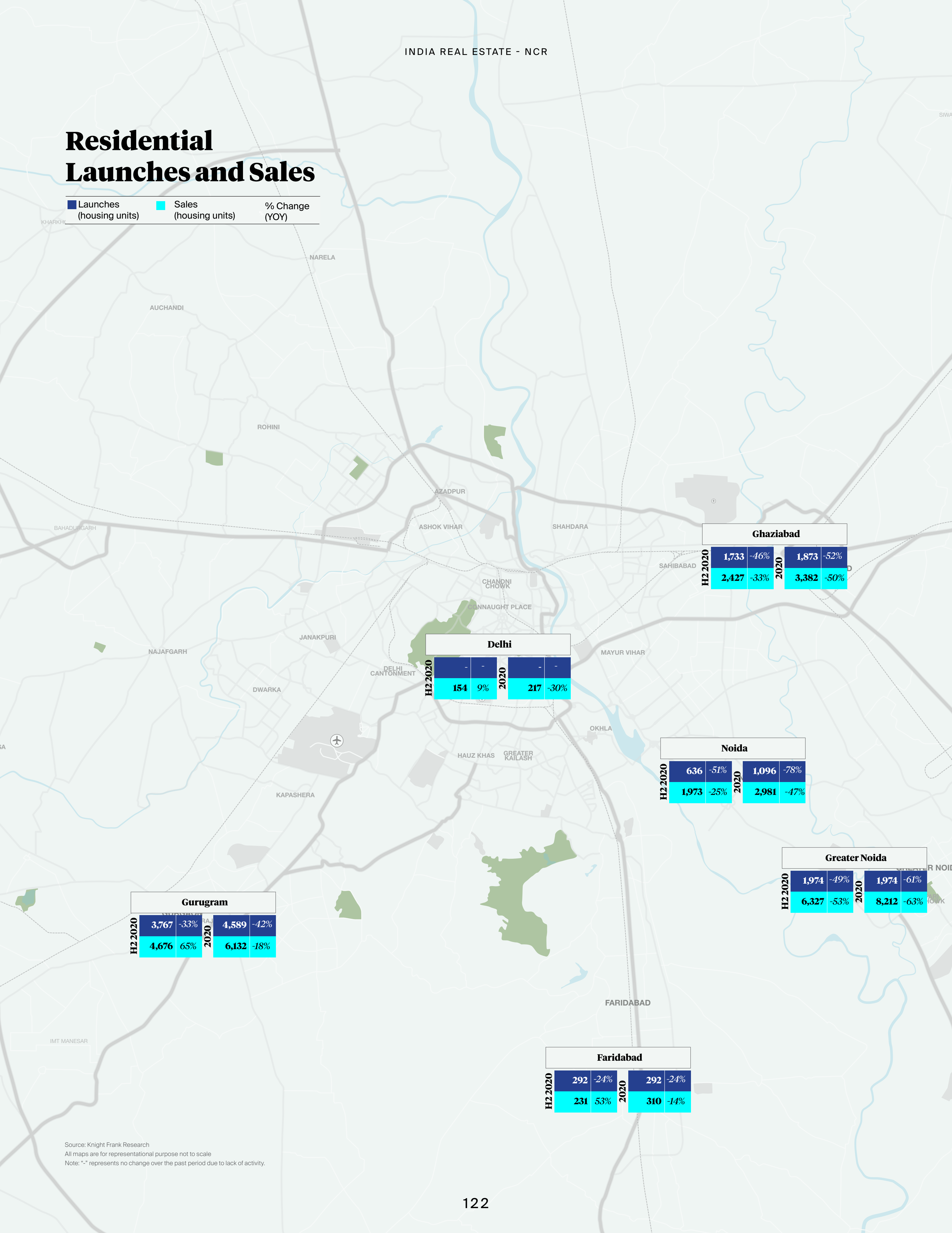
9%

annual decline in unsold inventory in 2020

The disruptions caused by the Covid-19 pandemic has made homebuyers reassess their preferences with regard to home purchases. Homebuyers are placing their trust only in projects from developers with a strong brand equity and good record of project delivery

Residential Launches and Sales

Launches (housing units) | Sales (housing units) | % Change (YOY)



Ghaziabad

	H2 2020	% Change (YOY)	2020	% Change (YOY)
Launches	1,733	-46%	1,873	-52%
Sales	2,427	-33%	3,382	-50%

Delhi

	H2 2020	% Change (YOY)	2020	% Change (YOY)
Launches	-	-	-	-
Sales	154	9%	217	-30%

Noida

	H2 2020	% Change (YOY)	2020	% Change (YOY)
Launches	636	-51%	1,096	-78%
Sales	1,973	-25%	2,981	-47%

Greater Noida

	H2 2020	% Change (YOY)	2020	% Change (YOY)
Launches	1,974	-49%	1,974	-61%
Sales	6,327	-53%	8,212	-63%

Gurugram

	H2 2020	% Change (YOY)	2020	% Change (YOY)
Launches	3,767	-33%	4,589	-42%
Sales	4,676	65%	6,132	-18%

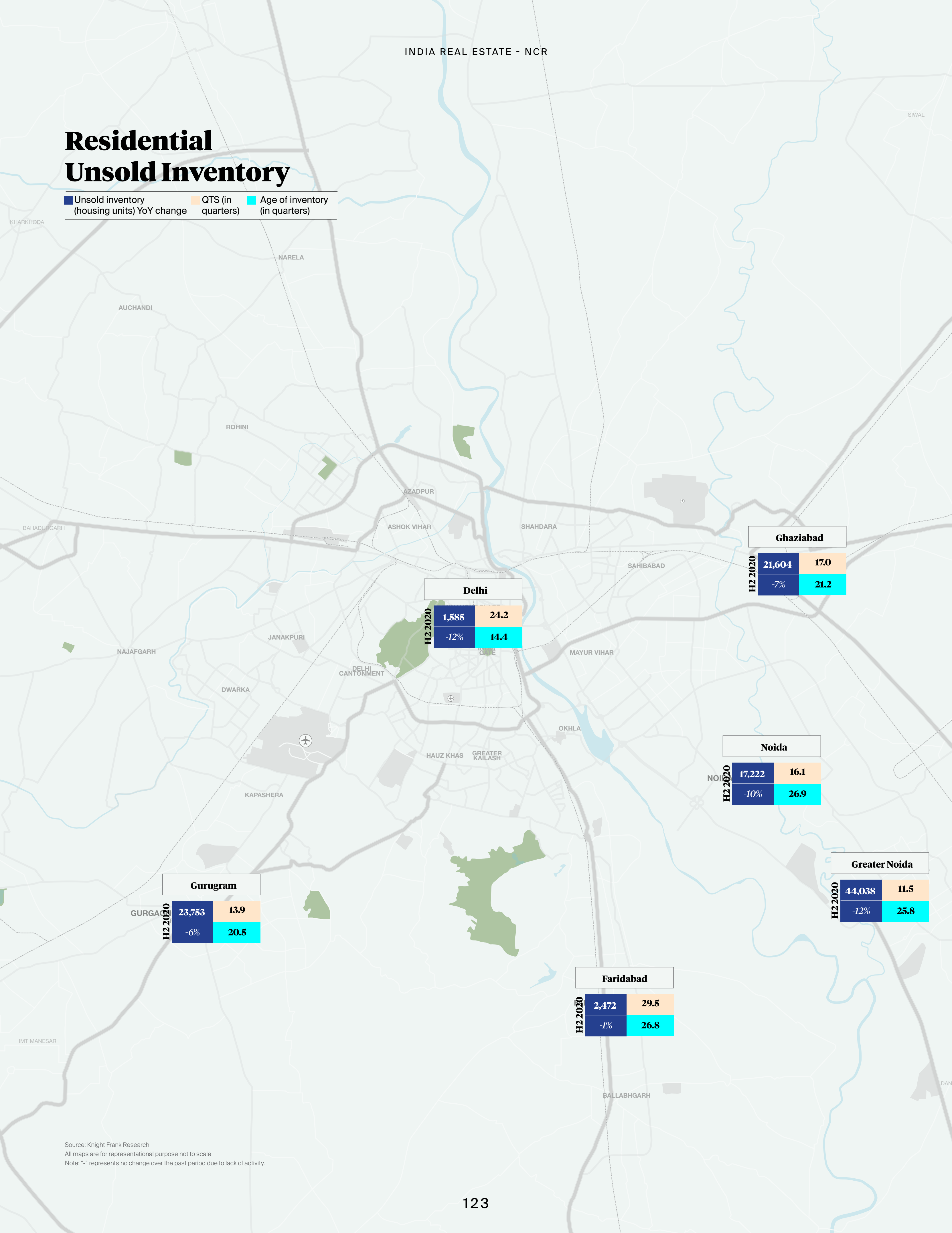
Faridabad

	H2 2020	% Change (YOY)	2020	% Change (YOY)
Launches	292	-24%	292	-24%
Sales	231	53%	310	-14%

Source: Knight Frank Research
All maps are for representational purpose not to scale
Note: "-" represents no change over the past period due to lack of activity.

Residential Unsold Inventory

Unsold inventory (housing units) YoY change | QTS (in quarters) | Age of inventory (in quarters)



Market (H2 2020)	Unsold inventory (housing units)	YoY change	QTS (in quarters)	Age of inventory (in quarters)
Delhi	1,585	-12%	24.2	14.4
Ghaziabad	21,604	-7%	17.0	21.2
Noida	17,222	-10%	16.1	26.9
Greater Noida	44,038	-12%	11.5	25.8
Gurugram	23,753	-6%	13.9	20.5
Faridabad	2,472	-1%	29.5	26.8

Source: Knight Frank Research
All maps are for representational purpose not to scale
Note: "-" represents no change over the past period due to lack of activity.

Residential Pricing

Micro Market	Location	Price range in H2 2020 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Delhi	Dwarka	67,813–96,876 (6,300–9,000)	-1%	-1%
	Greater Kailash II	236,808–389,657 (22,000–36,200)	0%	0%
Faridabad	Sector 82	33,368–37,674 (3,100–3,500)	-2%	-2%
	Sector 88	33,368–36,597 (3,100–3,400)	0%	0%
Ghaziabad	NH-24 Bypass	30,656–31,808 (2,848–2,955)	0%	0%
	Raj Nagar Extension	31,216–35,812 (2,900–3,327)	0%	0%
Greater Noida	Sector 1	35,683–38,750 (3,315–3,600)	0%	0%
	Omicron I	32,238–33,368 (2,995–3,100)	0%	0%
Gurugram	Sector 77	54,896–64,423 (5,100–5,985)	0%	0%
	Sector 81	53,820–61,613 (5,300–5,724)	0%	0%
Noida	Sector 78	49,407–58,233 (4,590–5,410)	0%	0%
	Sector 143	45,833–50,591 (4,258–4,700)	-2%	-2%

Source: Knight Frank Research

NCR Office Market

NCR MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
New completions mn sq m (mn sq ft)	0.27 (2.9)	-76%	0.20 (2.1)	-67%	0.14 (1.5)	153%
Transactions mn sq m (mn sq ft)	0.43 (4.7)	-46%	0.24 (2.6)	-46%	0.16 (1.7)	90%
Weighted average transacted rental INR/sq m/month (INR/sq ft/month)*	884.8 (82.2)	-4%	-	-	-	1%
Stock mn sq m (mn sq ft)*	15.3 (169.2)	2%	-	-	-	-
Vacancy (%)*	16.3%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	0.19 (2.0)	0.004 (0.04)	0.08 (0.9)	0.16 (1.7)
Transactions as % of 2019 Quarterly average	95%	2%	41%	79%
New completions mn sq m (mn sq ft)	0.03 (0.3)	0.04 (0.5)	0.06 (0.6)	0.14 (1.5)
New Completions as % of 2019 Quarterly average	11%	15%	20%	50%

Source: Knight Frank Research

- In 2020, 0.43 mn sq m (4.7 mn sq ft) of gross leasing was captured in NCR. Whilst this represents a 46% annual decline over 2019, the National Capital Region (NCR)'s office market witnessed the prevalence of positive occupier sentiment in H2 2020. The pandemic outbreak had led to a sharp fall in the leasing activities in NCR, the maximum brunt of which was borne in Q2 2020 when the lockdown was imposed. Gross leasing revived to 41% of 2019's quarterly average in Q3, and eventually rose to 79% in Q4 2020. The gradual return to normalcy has paved the way for a recovery in this asset class amidst cautious decision-making by occupiers.

- The office space demand comeback has reflected visibly in H2 2020 numbers. Gross leasing of 0.24 mn sq m (2.6 mn sq ft) in H2 2020 is 24% higher than the levels witnessed in H1 2020, when the pandemic had disrupted the demand dynamics and derailed decision making by occupiers.

- In keeping with past trends, Gurugram and Noida continued to dominate the overall leasing in H2 2020 with a 45% and 43% share respectively. Secondary Business District (SBD) of Delhi and Central Business District (CBD) of Delhi accounted for the remaining 10% and 2% share.

- In H2 2020, Gurugram recorded total leasing of 0.11 mn sq m (1.15 mn sq ft), registering a 56% YoY decline over H2 2019 levels. While occupiers are leasing office spaces in Gurugram continually, many are also relocating within Gurugram to locations offering cheaper rents to sustain operations. Relocation from prime office hubs of Gurugram to Udyog Vihar, Golf Course Extension Road and Sohna Road has been rampant in this half yearly period. Apart from Grade A, many Grade B office spaces which awaited tenants, are receiving a lot of occupier interest in the new normal.

- New supply of premium office assets and cheaper rentals in comparison to Delhi and Gurugram's prime business districts has increased occupier demand for office spaces in Noida. At 0.10 mn sq m (1.1 mn sq ft), Noida recorded a much lower decline of 32% YoY in leasing in H2 2020 when compared to Gurugram.

- In the wake of the pandemic, the trend of diversifying across multiple small offices is also emerging in NCR. Delhi's SBD has witnessed a sharp jump in leasing with a 116% YoY increase over H2 2019. Locations such as Mohan Cooperative, Okhla, Aerocity and Jasola attracted a lot of occupier interest from BFSI and co-working sectors.

- In H2 2020 period, the IT/ITeS sector accounted for 44% of the total office spaces leased. A 27% annual increase over the H2 2019 period was witnessed due to some large-sized deals. Most of the IT/ITeS sector occupiers took up space in Noida and select locations in Gurugram such as Sohna Road, Udyog Vihar and Gwal Pahari.

- The Other Services sector accounted for 20% of the total leasing in H2 2020 and largely comprised space take-up by companies in the consulting, fintech, telecommunications and media segments. More than 50% of such spaces leased were concentrated across Gurugram.

- The Banking, Financial Services and Insurance (BFSI) sector constituted 13% of the total leasing in H2 2020. Apart from Delhi's CBD and SBD, locations such as Nehru Place, Aerocity and Jasola, occupiers also preferred Noida and Golf Course Extension in Gurugram.

- Co-working operators took up spaces selectively across NCR in H2 2020. From a 3% share in H1 2020's total leasing, it increased to 12% in H2 2020. Co-working operators established office footprint in Delhi in locations such as Okhla and Defence Colony. In Gurugram, it was Udyog Vihar, Qutub Plaza and Sector-45 that attracted co-working players. The manufacturing sector constituted the remaining 11% of the leasing activity in H2 2020.

- With the resumption of economic activities and occupiers rethinking their strategies for office spaces, the deal count in NCR increased from 66 in H1 2020 to 104 in H2 2020. The deal volume increased due to 77% of the total deals in H2 2020 being in the smaller deal size bracket of upto 2,322 sq m (25,000 sq ft). However, in terms of area leased, the average deal size shrunk by 41% YoY to 2,301 sq m (24,765 sq ft) in H2 2020.

- Due to the large-scale supply infusion in 2019, new office supply remained limited in 2020. In H2 2020, 0.20 mn sq m (2.1 mn sq ft) new office spaces came on the block in NCR. Due to the pandemic, 71% of 2020's new supply infusion spilled over to the second half of the year. The pandemic and the abrupt lockdown led to deferment of scheduled building completions in H1 2020 to later periods as construction sites across the region were closed for almost two months. 73% of the total new supply in H2 2020 was concentrated in Gurugram, followed by Noida (21%) and SBD Delhi (6%).

- Revisions in real estate space requirements have led to a 4% YoY correction in weighted average rents in 2020. With a double-digit vacancy of 16.3% in NCR, tenants will have an advantage in the near term when they revisit real estate strategies.

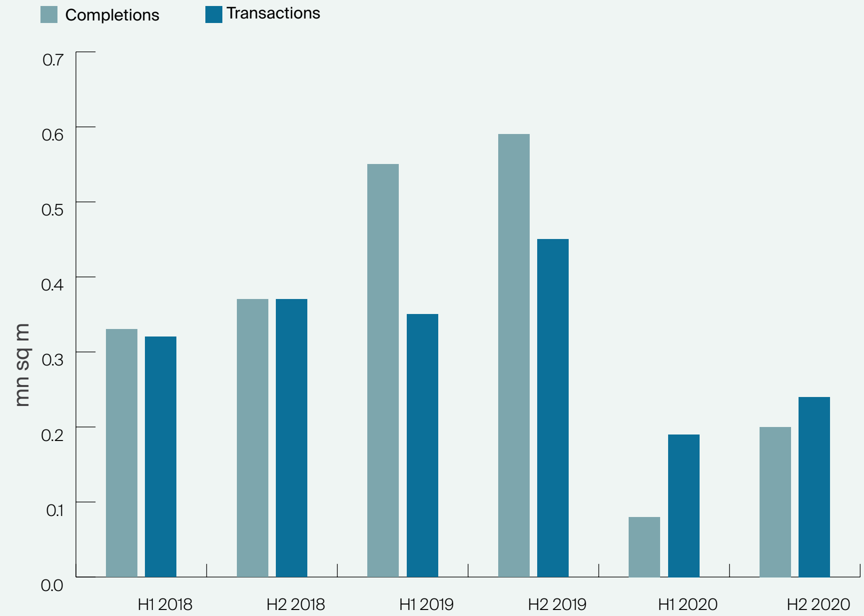
- Limited gross leasing of 0.19 mn sq m, (2.1 mn sq ft) was recorded in NCR in H1 2020 as decision making at corporate occupiers' end had come to an abrupt halt. However, the scenario is changing now. In Q4 2020, a 90% Quarter-on-Quarter (QoQ) improvement in leasing was noted. However, commercial real estate occupiers are treading through some very uncertain times and relooking at flexible office space solutions for their short term office requirements.

2%

annual increase in stock in 2020 over 2019

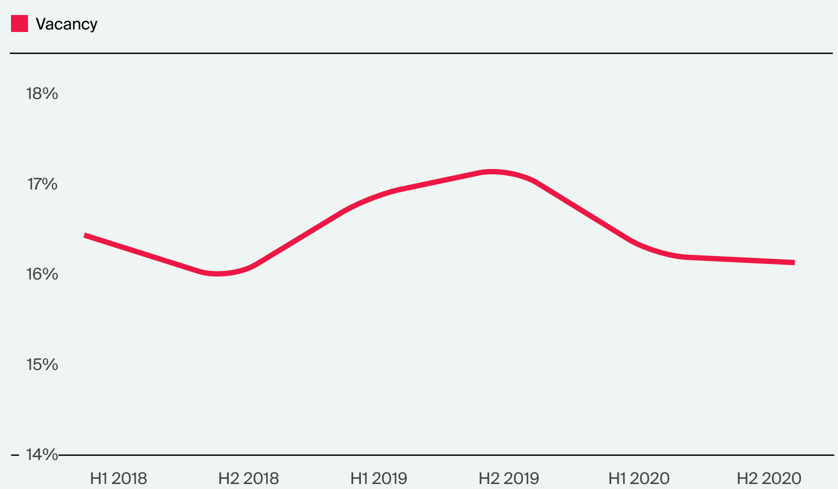
In the wake of the pandemic, the trend of diversifying across multiple small offices is also emerging in NCR. Delhi's SBD has witnessed a sharp jump in leasing with a 116% YoY increase over H2 2019.

NCR OFFICE MARKET



Source: Knight Frank Research

NCR OFFICE MARKET VACANCY



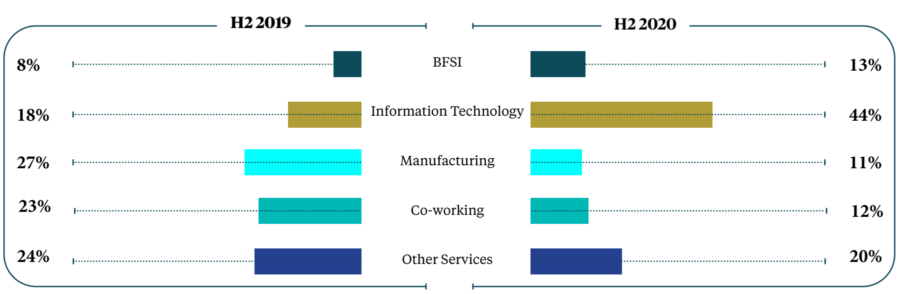
Source: Knight Frank Research

BUSINESS DISTRICT CLASSIFICATION

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, Okhla and Aerocity
Gurugram Zone A	M.G. Road, NH-8, Golf Course Road and Golf Course Extension Road
Gurugram Zone B	DLF CyberCity, Sohna Road, Udyog Vihar and Gwal Pahari
Gurugram Zone C	Manesar
Noida	Sectors 16, 18, 62, 63 and the Noida–Greater Noida Expressway
Faridabad	Sector Alpha, Beta, Gamma and Tech Zone

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services

Source: Knight Frank Research

AVERAGE DEAL SIZE AND NUMBER OF DEALS

H2 2019	H2 2020
3,872 *sq m*	**2,301** *sq m*
(41,677) *sq ft*	(24,765) *sq ft*
115 *deals*	**104** *deals*

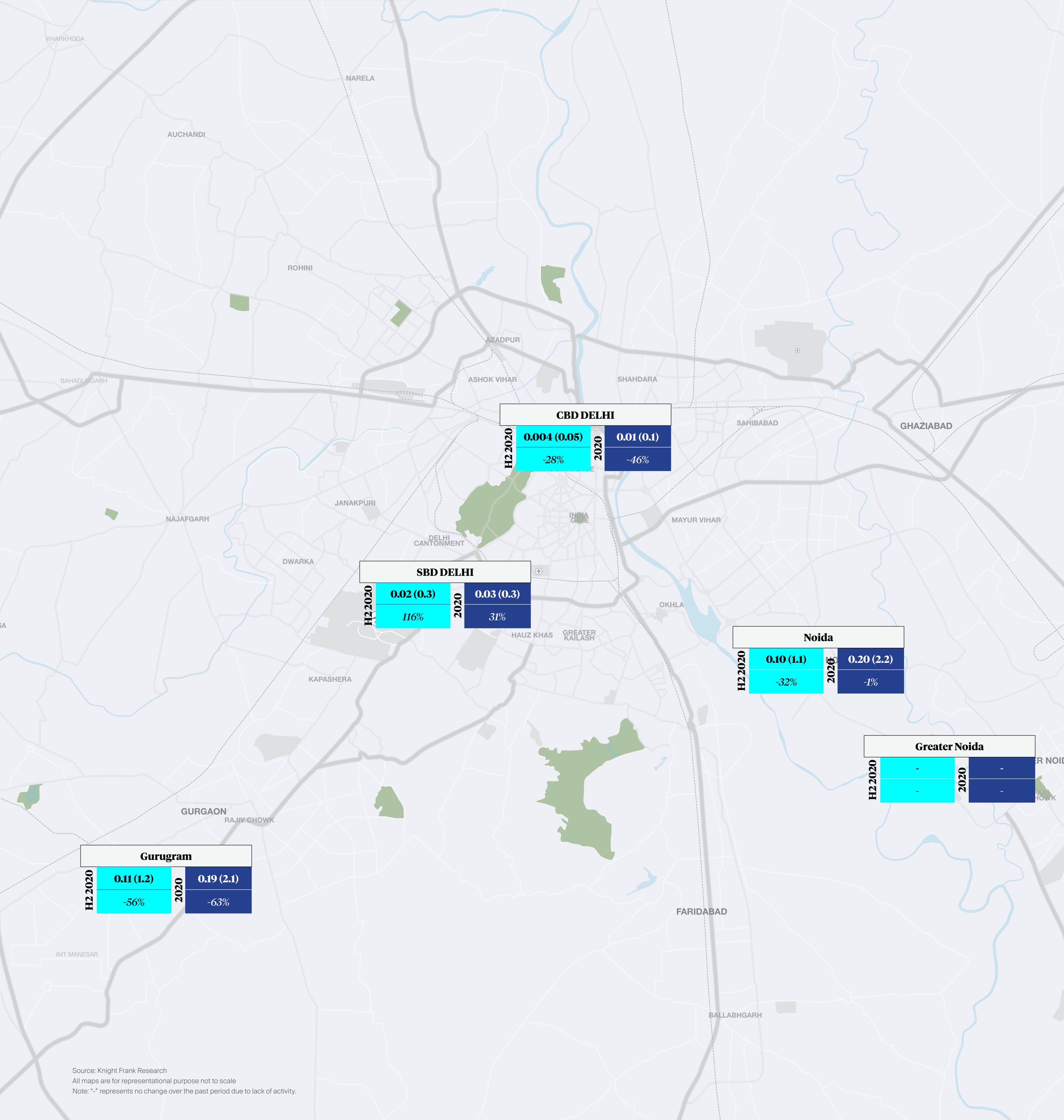
Source: Knight Frank Research

79%

Q4 2020 transactions as a % of 2019's quarterly average

Office Transactions

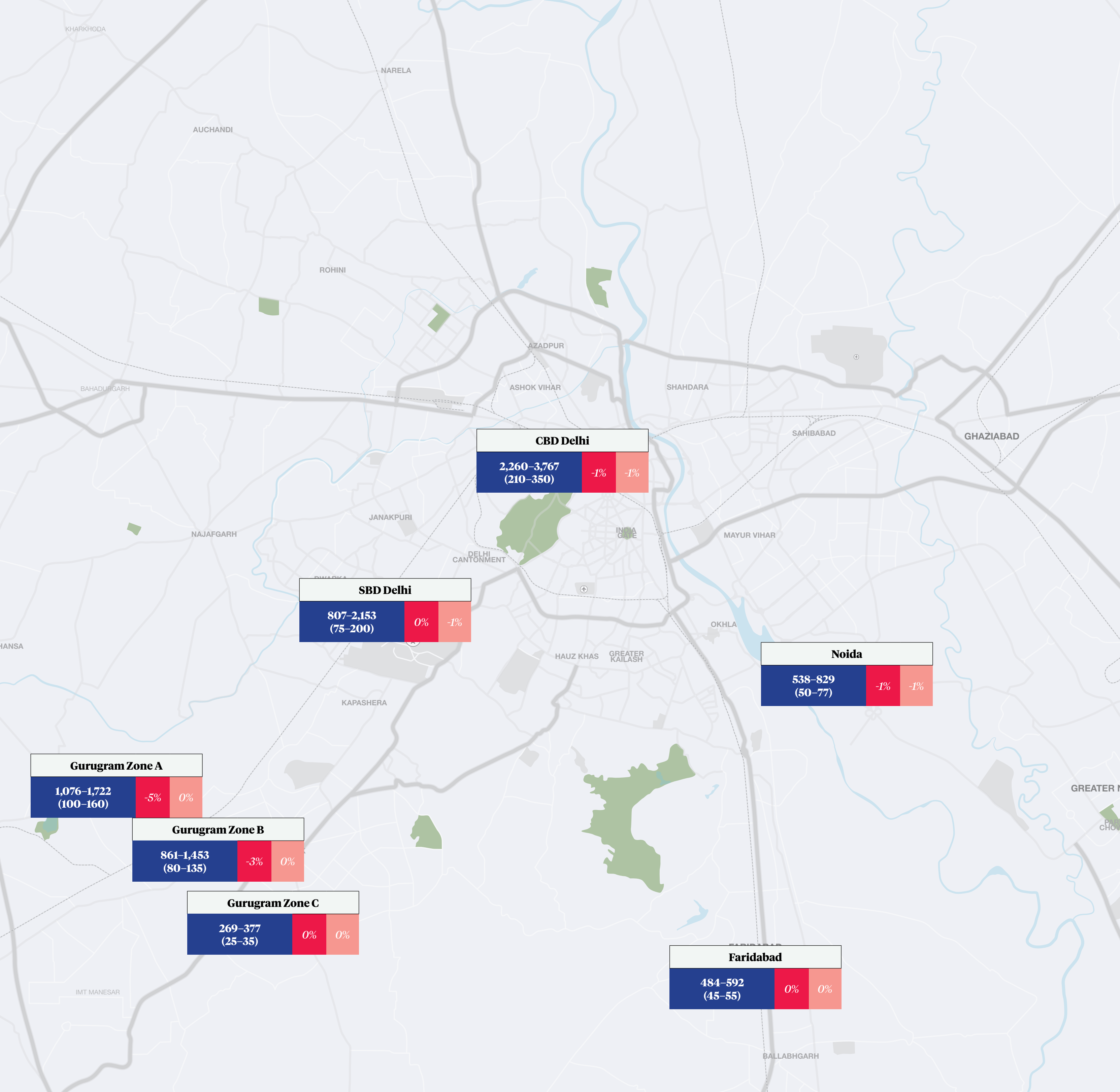
H2 2020 Transactions mn sq m (mn sq ft), YoY change
2020 Transactions mn sq m (mn sq ft), YoY change



Source: Knight Frank Research
All maps are for representational purpose not to scale
Note: "-" represents no change over the past period due to lack of activity.

Office Rental

Rental value range in H2 2020 in INR/sq m/month (INR/sq ft/month) | 12-month change | 6-month change



Source: Knight Frank Research
All maps are for representational purpose not to scale
Note: "-" represents no change over the past period due to lack of activity.

Developers in NCR adapting to altered consumer behavior in the new normal

- DIVYA GROVER, ASSISTANT VICE PRESIDENT – RESEARCH

2020 has been a year like no other. The Covid-19 pandemic has altered consumer behavior permanently leading to a major structural shift in the manner they look at how to live, where to live and their sentiment towards home ownership. There is no going back to the old normal. Cocooned in the comfort of their homes during the rigorous lockdown in the early stage of the pandemic, led many in NCR to reevaluate their priorities and cherish the sense of security that comes with owning a home. Baby boomers, DINK couples, families – all categories of consumers are reevaluating their current living arrangements. Even the home-ownership averse millennial consumers are slowly realizing that investing in a hard asset like land or real estate should be a priority in case of more black swan events like these in future.

India's stock exchange has witnessed some new highs in the past couple of months. The market rally, led by hopes of coronavirus vaccine availability, has led many to book profits in the past couple of months. This enhanced liquidity in the hands of the consumer, is getting deployed in real estate. Coupled with low home loan interest rates, the risk-averse consumers of NCR are selectively investing in residential products, especially in the well-connected locations of Gurugram and Noida. The lockdown has made space and stability in living arrangements the new buzzwords. In the new normal, the NCR consumers' wish list has well-ventilated houses, bigger spaces, bigger plots in a well-developed location with good medical infrastructure as priority items. Developers in NCR have been astute to take heed of this mindset shift and have started adapting to cash in on the pent-up demand in the past few months.

Getting innovative with product mix – Gurugram, Noida, Noida Extension and Dwarka Expressway have witnessed a surge in demand for builder floors. A product, which was so far popular within Delhi's luxury property segment, is slowly making its presence felt in its counter magnets. While established locations had an abundant supply of builder floors, satellite cities had fewer options and it was largely a Grade B developer play until now. A concept made popular by the redevelopment of old bungalows and independent houses is now enticing buyers in the primary residential market after a leading developer in Gurugram recently test marketed such a product which was lapped up by customers. Other leading developers are now shifting focus to this product instead of investing in township projects. For a developer, it offers a low risk opportunity with a shorter working capital cycle. A few developers in NCR have already applied for RERA licenses to launch such products. Consumers are also taking a keen interest in such products offered by pedigreed developers due to attractive payment plans and an interest in low-rise developments. The fact that builder floors can be constructed and handed over within 18-24 months has made buyers confident to close the deals. As NCR's top localities with excellent social infrastructure, Gurugram and Noida attract a lot of families and second-generation buyers from Delhi. There is a growing acceptance of this property type amongst families that decide to move to the peripherals but want to maintain their lifestyle, if the property comes with good surrounding infrastructure. Since such a product was earlier not available in the primary market, people usually preferred an apartment in a township project in the city's outskirts. However, after many property buyers burnt their fingers with projects still stuck in limbo, the introduction of such a property type in a 3 or a 4 BHK configuration has become the flavour of the season and brought the buyers back to the table, as the lockdown lifted.

Developers have also received good response from consumers for plotted developments within township projects. Plotted developments with basic infrastructure in Old Gurugram, New Gurugram, Dwarka Expressway, Sohna Road and Dharuhera have seen a surge in demand due to the low gestation period. Many leading developers in the NCR region have recently launched plotted development schemes with average plot sizes in the range of approximately 60-200 sq m (667- 2,250 sq ft) to attract buyers. Even larger plots with an average ticket size of INR 3.5 – 4.5 mn have been well received in the market as consumers have started preferring these products in the absence of residential options in the same price bracket in a location of their choice.

Developers in NCR are not only adapting to the consumers' product preferences, they are making a major shift towards implementing changes to the sales process. From aggressively tying up with local brokers to creating integrated tech platforms, they are leaving no stone unturned to get bookings. Some leading real estate portals have started outsourcing e-transaction platforms as a third-party offering in recent times to boost their cash flows. Instead of investing in building a tech platform, developers in NCR are buying these technologies across the counter. This will help them create and deliver a seamless experience to consumers for shortlisting, expression of interest and virtual walkthroughs. As buyers are back in the market now, developers are going the extra mile to keep them engaged digitally and market these new property types since builder floors and plotted developments are here to stay.

PUNE

RESIDENTIAL AND **OFFICE** MARKET

Paramvir Singh Paul
Branch Director - Pune

2020 is likely to be one of the most challenging and uncertain years in recent history. No one ever imagined that the 21-day national lockdown imposed from March 26th would prolong to over 9 months in the form of partial lockdowns. However, businesses across the board which had adversely been impacted by the pandemic induced lockdowns, have started reviving with gradual phase wise unlocking.

The second half of 2020 started with a second lockdown in July for Pune. In that period, construction activity in real estate was hindered due to the acute labour shortage. It resumed in September with the return of construction labour, starting around the end of August and reaching full capacity only by October.

Various stimulus measures announced by the Government and the RBI have been crucial in aiding the revival of the real estate sector in Pune. The biggest contributor was the reduction in stamp duty rates. However, besides a reduction in stamp duty, residential sales in Pune in H2 2020 were stirred up by a plethora of factors including the reduction of home loan rates to a historic low, release of pent-up demand, fresh demand for upgrading to larger homes, and a host of indirect/direct discounts offered by developers - all of them culminating during the festive period of Navratra-Dussehra-Diwali. The sales momentum in recent months has been much higher than last year giving a major relief to developers seeking to mitigate the impact of the pandemic.

During the initial months of the lockdown, developers were cautious about taking decisions and used the moratorium period to consolidate their finances. As the optimism has now improved, we are witnessing interest from developers to acquire new land parcels, and a few large land transactions have also concluded recently. The MRTS push has sharpened focus on the Pimpri-Chinchwad region and developers are taking up land positions there in anticipation of increased potential for real estate traction once the Metro Line 1 becomes operational.

While the residential market has witnessed strong resurgence in sales momentum, the recovery in commercial market has been sluggish. The extended lockdown in Maharashtra and restrictions on office space utilization has hindered demand and resulted in further delays in companies restarting their offices. Office occupiers are still evaluating their response to the ongoing pandemic and the employees continue to work from home. Having said that, the latest quarter has witnessed some resumption in leasing activity. Co-working operators have also started taking up new spaces in anticipation on renewed growth prospects.

The pandemic has had a positive impact on the warehousing segment. The warehousing space take up has witnessed renewed growth due to increased demand from e-commerce and 3PL segments.

The industrial demand has also received a boost due to the Government focus on '**Atmanirbhar Bharat'**. This vision of promoting self-reliance through the Make in India initiative and advocacy of 'Vocal for Local' will aid early economic revival and usher in a new cycle of economic growth for the nation.

The real estate sector has been dependent on China for the supply of key raw materials and products such as sanitary fittings, flooring tiles, machinery, pipes, etc. The emphasis on reducing import and increasing domestic procurement will lead to a greater industrial demand for such products and higher topline for the Indian companies, which in turn will lead to a fresh round of capex for building additional capacities and new employment generation.

The sentiments of the retail sector have been dampened by the lockdown. Footfalls in malls have been low as several activities within the malls such as food court, entertainment zones, theatres, etc. were allowed to restart much after the malls began operations. There has been a churn in some of the malls and talks are going on about a change in the business model of large retail formats. The High Street retail format has also been impacted by the pandemic with some of the larger stores giving up spaces or cutting down to smaller size formats. While other commercial segments have started to revive, we anticipate slow revival in the retail segment which will be dictated by containment of the pandemic and distribution of vaccines.

Pune Residential Market

PUNE MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Launches (housing units)	34,992	-22%	21,557	-7%	14,836	121%
Sales (housing units)	26,919	-18%	16,870	9%	11,952	143%
Price (wt avg)*	43,236 /sq m (4,017/sq ft)	-5.3%	-	-	-	-
Unsold inventory (housing units)*	47,542	20%	-	-	-	-
Quarters to sell*	6.4	-	-	-	-	-
Age of unsold inventory (in quarters)*	13.5	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*

Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (housing units)	7,813	2,235	4,918	11,952
Sales as % of 2019 Quarterly average	95%	27%	60%	146%
Launches (housing units)	12,650	785	6,721	14,836
Launches as % of 2019 Quarterly average	113%	7%	60%	133%

Source: Knight Frank Research

- Pune has been amongst the worst affected cities in India by the pandemic. The nationwide lockdown enforced on March 26, 2020 has extended over 9 months in the form of partial lockdown in Pune till the end of 2020. The city had to go into a second lockdown in July after reopening partially in June due to a spike in cases. Offices are still not allowed to operate at full capacity.

- The lockdown had impacted real estate activity in Pune. Both sales and launches in Q2 2020 were way below 2019 quarterly average. The situation improved in Q3 2020, with sales and launches reaching 60% of 2019 quarterly average. It started to pick up in the last month of Q3, i.e. from September 2020 onwards after the announcement of a reduction in stamp duty rates by the Maharashtra State Government.

- To shield the real estate sector from the impact of pandemic induced lockdowns, the State Government announced reduction of stamp duty rates by 300 bps for a period of 3 months i.e. from

September 1, 2020 till December 31, 2020 and by 200 bps from January 1, 2021 to March 31, 2021.

- The reduction in stamp duty rates had the desired impact and invigorated homebuyer sentiments in Pune. Residential sales started picking up from September onwards and jumped further in Q4 2020. Sales in Q4 2020 grew by 54% YoY and reached 146% of 2019 quarterly average. The strong performance in Q4 2020 made up for the tepid sales in Q3 2020 and helped half yearly sales grow 9% YoY during H2 2020.

- A host of other factors such as the demand for an upgrade, increase in savings due to lockdown, festive period of Navratri-Dussehra-Diwali, reduction in home loan rates to historic lows and direct/indirect discounts offered by developers dovetailed with the stamp duty cut and helped stimulate the overall demand.

- Households whose income streams were not affected during the pandemic witnessed their savings go up due to the lockdown. A number of avenues for discretionary spends such as leisure, entertainment, vacation, domestic help, travel, fuel, shopping, dining out, etc. were shut due to the lockdown and households ended up saving money which improved their ability to make down payment for homes.

- The lockdown created an entirely new online universe where offices, schools and colleges came together within the boundaries of the home. The joint family culture in India and regular household activities added to the chaos. Due to the extended lockdown in Pune, families bore the brunt of this and realised the need for having additional rooms within their house. Thus, an entirely new demand for upgrading to larger apartments was created during the lockdown which may not have been a necessity earlier. These homebuyers preferred to upgrade during this period because of the lower stamp duty window. Consequently, the sale of apartments in the above INR 5 million category in Pune increased from 39% during H2 2019 to 51% during H2 2020.

- During the lockdown, developers tried their best to revive residential sales and bring buyers back to the market. They enhanced their digital marketing capabilities and stayed in constant communication with potential buyers to do away with the need for multiple sites visits. This helped bring down the turnaround time. With only serious homebuyers stepping in for site visits during the pandemic, developers were able to clock higher conversion rates compared to pre-COVID times.

- In Q4 2020, markets in West Pune recorded the highest growth YoY in sales at 63%, followed by East at 58%, North at 47%, with South and Central Pune recording a growth of 40% YoY each.

- Apart from absorbing the remaining incidence of stamp duty, many developers continued to offer indirect discounts such as deferred-payment plans, floor rise waivers, GST waiver, gifts, cashbacks, assured rental plans, etc. The weighted average prices were down 5.3% YoY during H2 2020. While these are the reduction in quoted prices, the actual discounts offered during negotiations was higher.

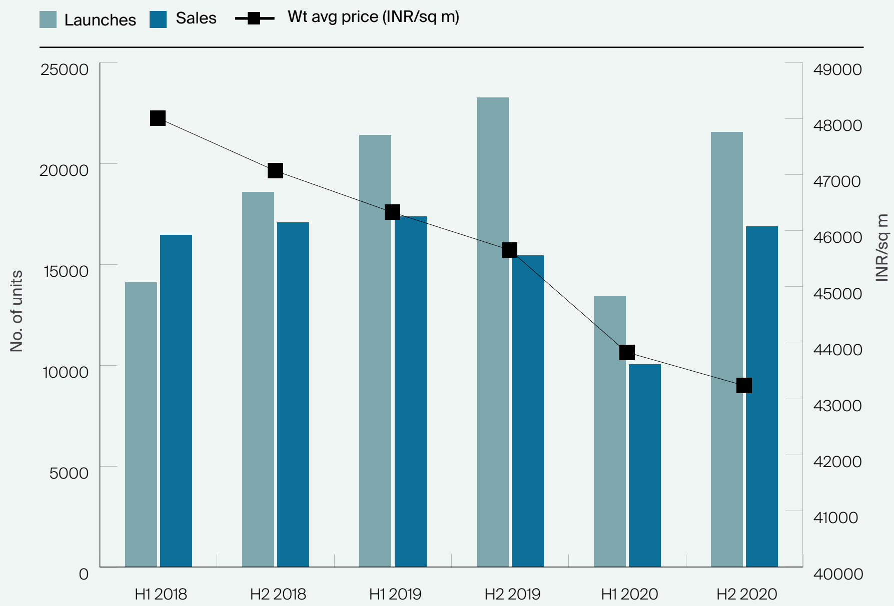
- Ready to move in apartments had been the mainstay of homebuyers over the past few years, however, H2 2020 witnessed a revival of demand in the under-construction segments as well. Several homebuyers who were looking to purchase an apartment in the near future have opted for apartments in under-construction projects. Flexi payment plans and a greater choice of apartments along with a host of direct and indirect discounts have helped lure this segment of homebuyers. This set of homebuyers preferred to close the purchase during this period and register their property in order to take advantage of the lower stamp duty window. To make the most of this inclination of homebuyer preference for under-construction apartments, developers launched several new projects in Q4 2020.

- Launches grew by 23% YoY in Q4 2020 but could not make up for the fall in Q3 and were down 7% YoY during H2 2020. Both annual launches and sales were down 22% YoY in 2020. As annual launches were greater than sales in 2020 due to the strong launch momentum in Q1 and Q4, the unsold inventory went up to 47,542 units and QTS increased to 6.4 quarters.

- If things had stayed the same as the previous year, the age of inventory would have increased by 4 quarters. However, the age of inventory in 2020 increased by only 0.5 quarters, i.e. from 13 quarters at the end of 2019 to 13.5 quarters at the end of 2020, which reflects the strong sales momentum in the Pune residential market.

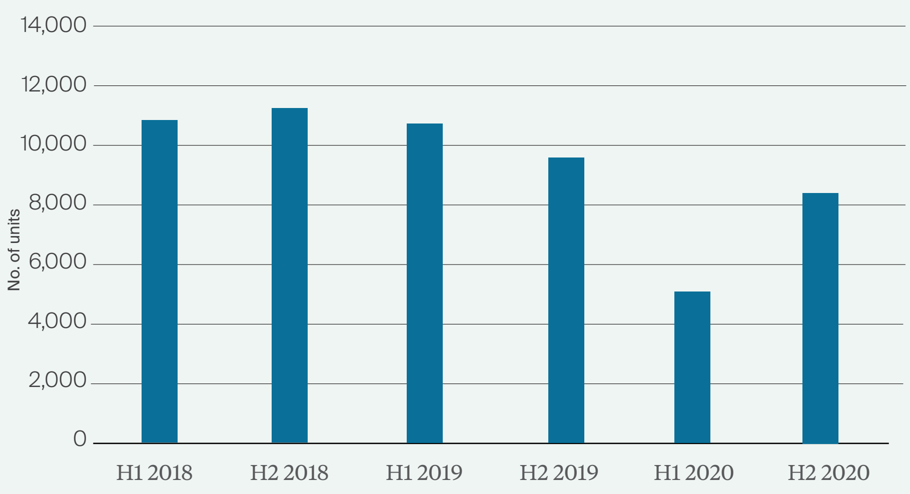
- As more homebuyers are now looking to purchase larger apartments, developers have tried to reconfigure their new launches by adding an additional room within the same layout or increasing the size of apartments. The average size of apartments in new launches increased across all micro-markets of Pune except one. At the city level, the average size of apartments in new launches has increased from 71.8 sq m (773 sq ft) to 73.2 sq m (788 sq ft) in 2020. 33% of the new launches during H2 2020 were above INR 5 million ticket size compared to 14% during H2 2019.

PUNE RESIDENTIAL MARKET

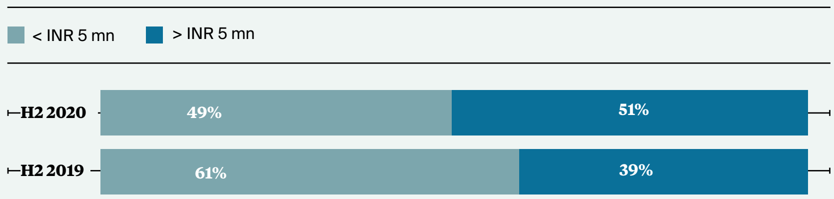


Source: Knight Frank Research

PUNE AFFORDABLE MARKET ACTIVITY (UPTO INR 5 million segment)



TICKET SIZE SPLIT OF SALES



Source: Knight Frank Research

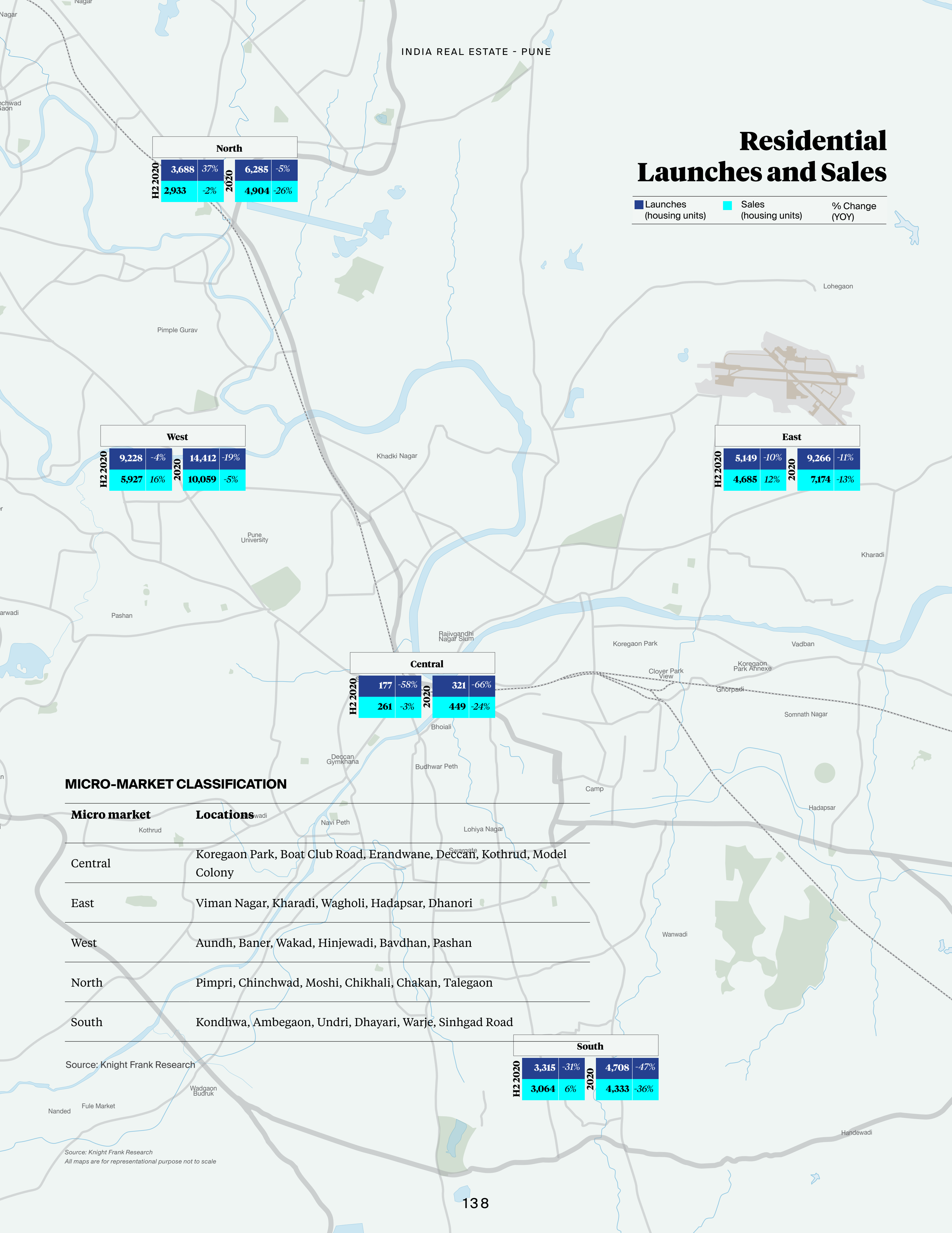
54%

YoY Jump in sales in Q4 2020

In Q4 2020, markets in West Pune recorded the highest growth YoY in sales at 63%, followed by East at 58%, North at 47%, with South and Central Pune recording a growth of 40% YoY each.

Residential Launches and Sales

Launches (housing units) | Sales (housing units) | % Change (YOY)



Micro market	H2 2020 Launches	% Change (YOY)	H2 2020 Sales	% Change (YOY)	2020 Launches	% Change (YOY)	2020 Sales	% Change (YOY)
North	3,688	37%	2,933	-2%	6,285	-5%	4,904	-26%
West	9,228	-4%	5,927	16%	14,412	-19%	10,059	-5%
East	5,149	-10%	4,685	12%	9,266	-11%	7,174	-13%
Central	177	-58%	261	-3%	321	-66%	449	-24%
South	3,315	-31%	3,064	6%	4,708	-47%	4,333	-36%

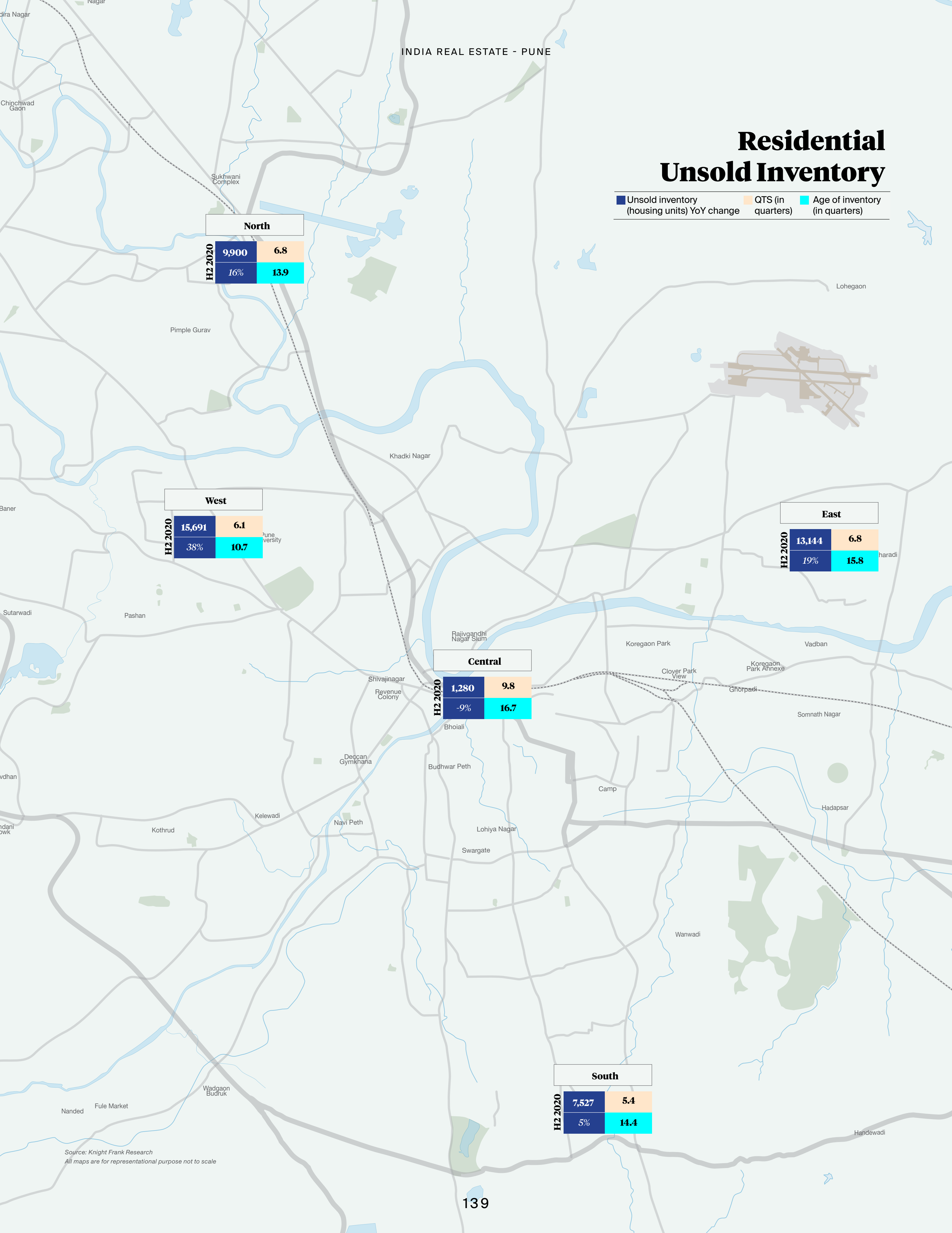
MICRO-MARKET CLASSIFICATION

Micro market	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

Source: Knight Frank Research

Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Unsold Inventory



Source: Knight Frank Research
All maps are for representational purpose not to scale

Residential Pricing

Micro Market	Location	Price range in H2 2020 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Koregaon Park	139,932–182,988 (13,000–17,000)	-5%	-2%
	Kothrud	80,730–139,932 (7,500–13,000)	-6%	-2%
	Erandwane	145,314–193,752 (13,500–18,000)	-3%	-3%
	Boat Club Road	156,078–209,898 (14,500–19,500)	-3%	-2%
East	Kharadi	57,049–67,813 (5,300–6,300)	-6%	-1%
	Wagholi	37,674–49,514 (3,500–4,600)	-7%	0%
	Dhanori	41,980–51,667 (3,900–4,800)	-4%	-1%
	Hadapsar	49,514–64,584 (4,600–6,000)	-6%	-3%
West	Aundh	83,959–102,258 (7,800–9,500)	-4%	-2%
	Baner	60,278–86,112 (5,600–8,000)	-6%	-1%
	Hinjewadi	51,667–63,508 (4,800–5,900)	-9%	-2%
	Wakad	58,126–66,737 (5,400–6,200)	-3%	-1%
North	Moshi	39,827–46,285 (3,700–4,300)	-5%	-3%
	Chikhali	37,674–44,132 (3,500–4,100)	-8%	-3%
	Chakan	32,292–36,598 (3,000–3,400)	-9%	-3%
South	Ambegaon	47,362–59,202 (4,400–5,500)	-5%	-1%
	Undri	41,980–51,667 (3,900–4,800)	-6%	-1%
	Kondhwa	49,514–61,355 (4,600–5,700)	-6%	-2%

Pune Office Market

PUNE MARKET SNAPSHOT

PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QOQ)
Completions mn sq m(mn sq ft)	0.07 (0.7)	-83%	0.05 (0.5)	-80%	0.05 (0.5)	100%
Transactions mn sq m (mn sq ft)	0.34 (3.7)	-40%	0.16 (1.7)	-30%	0.14 (1.5)	919%
Weighted average transacted rental INR/sq m/month (INR/sq ft/month)*	753.5 (70)	-6%	-	-	-	-4.4%
Stock mn sq m (mn sq ft)*	6.9 (73.7)	1.0%	-	-	-	-
Vacancy (%)*	5.9%	-	-	-	-	-

*Note – 1 square metre (sq m) = 10.764 square feet (sq ft) | *End of period number.*
Source: Knight Frank Research

QUARTER SNAPSHOT

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions mn sq m (mn sq ft)	0.13 (1.4)	0.06 (0.6)	0.01 (0.1)	0.14 (1.5)
Transactions as % of 2019 Quarterly average	91%	38%	10%	99%
New completions mn sq m (mn sq ft)	0.02 (0.2)	-	-	0.05 (0.5)
New Completions as % of 2019 Quarterly average	20%	-	-	49%

Source: Knight Frank Research

- The leasing volumes in Pune office market were down 30% YoY during H2 2020 and completions were down 80% YoY during the same period. While Q3 2020 was almost a washout, which dragged the numbers for H2 2020 down, the situation started to revert to normal in Q4 2020. In Q4 2020, the transactions jumped 919% QoQ over Q3 2020 and reached 99% of 2019 quarterly average.

- The city has been embroiled in the lockdown for over nine months since March 26, 2020 and had to enter into a second lockdown in July 2020 after partially reopening in June 2020. To ensure social distancing and to keep the COVID-19 pandemic in check, authorities have capped the private sector office attendance capacity at 30% in Pune. This limitation of 30% has been in force since September 1, 2020 and prior to that it was limited at 10% since June 2020. Due to these restrictions companies were forced to keep their employees on work-from-home (WFH) setup.

- In Pune, office demand has always been driven predominantly by the Information Technology (IT) companies. Companies in these sectors have been operating on a WFH mode. Several IT occupiers have put their expansion plans on hold till these restrictions on space utilisation are lifted. Thus, the share of IT in overall transactions has dropped from 54% during H2 2019 to 11% during H2 2020. Once the restrictions on office space utilisation are lifted, this demand is likely jump back.

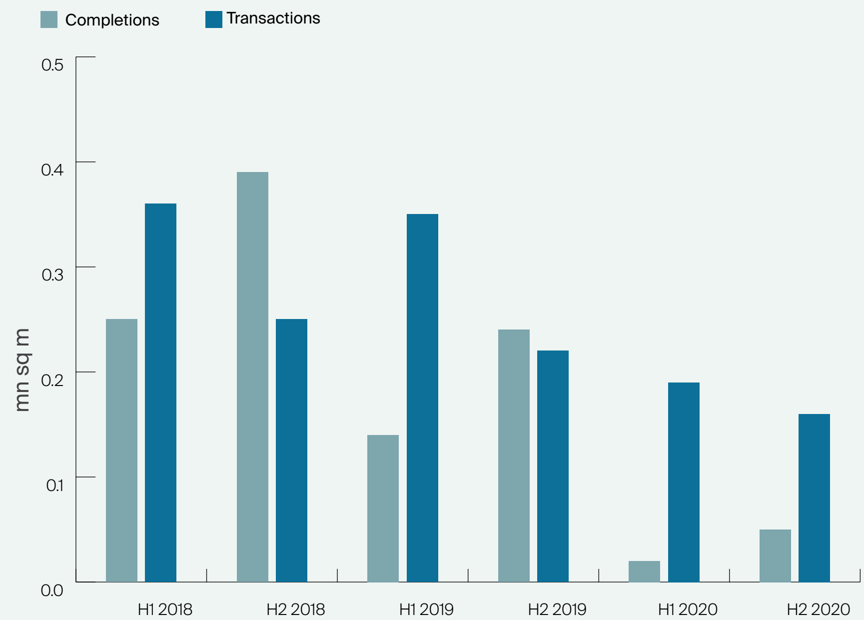
- Co-working operators are bullish about their business prospects and have been actively taking up spaces in the second half of 2020. Co-working had the highest share of transactions during H2 2020 and their share of transactions has grown from 31% during H2 2019 to 42% during H2 2020. The operators believe that once these limits of utilisation of office space are lifted, companies would avoid spending money on office capex due to business uncertainties and look at flexible office spaces with renewed vigour, as it can be scaled up or scaled down as required.

- Co-working operators made up for the fall in demand from IT segments. Aided by the robust demand from co-working operators, the city level quarterly transactions recovered from 10% of 2019 average in Q3 2020 to 99% of 2019 average in Q4 2020, registering a phenomenal 919% Quarter-on-Quarter (QoQ) growth in Q4 2020.

- In 2020, the weighted average rent at the city level declined by 5.4% YoY. The rents have corrected between 3%-7% YoY across business districts in Pune during 2020.

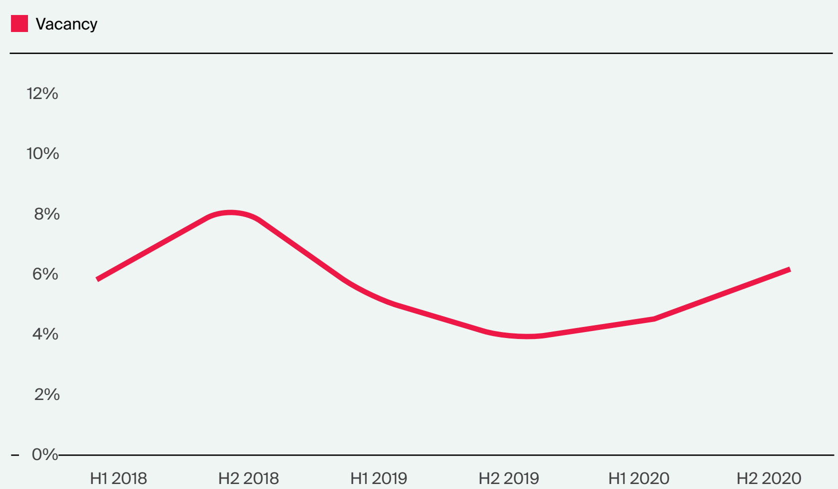
- The labour crisis induced by the pandemic had caused acute shortage of construction labour and disrupted supply chains for construction materials. This impacted the completion timeline of projects and the completions were lower by 83% YoY in 2020. Developers also went slow on project completions, as the demand environment was weak due to office space utilisation cap of 30%. Once the project receives Occupancy Certificate (OC), it will be subject to taxes and paying tax of unleased or marginally leased projects is a huge strain on finances.

PUNE MARKET SNAPSHOT



Source: Knight Frank Research

PUNE OFFICE MARKET VACANCY



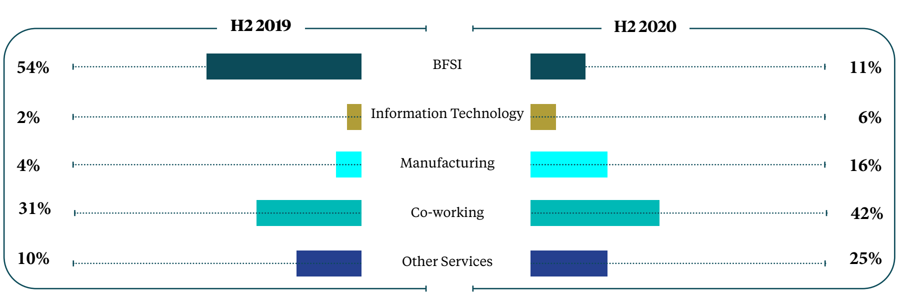
Source: Knight Frank Research

BUSINESS DISTRICT CLASSIFICATION

Business district	Micro-markets
CBD and off CBD	Bund Garden Road, S B Road, Camp, Deccan, University Road, Shankar Sheth Road
SBD East	Kalyani Nagar, Yerwada, Nagar Road, Hadapsar
PBD East	Kharadi, Phursungi, Wanowrie
SBD West	Wakdewadi, Aundh, Baner, Kothrud, Balewadi
PBD West	Hinjewadi, Bavdhan, Wakad

Source: Knight Frank Research

SECTOR-WISE SPLIT OF TRANSACTIONS



Note: BFSI includes BFSI support services
Source: Knight Frank Research

AVERAGE DEAL SIZE AND NUMBER OF DEALS

H2 2019

4,484 *sq m*
(48,262) *sq ft*
50 *deals*

H2 2020

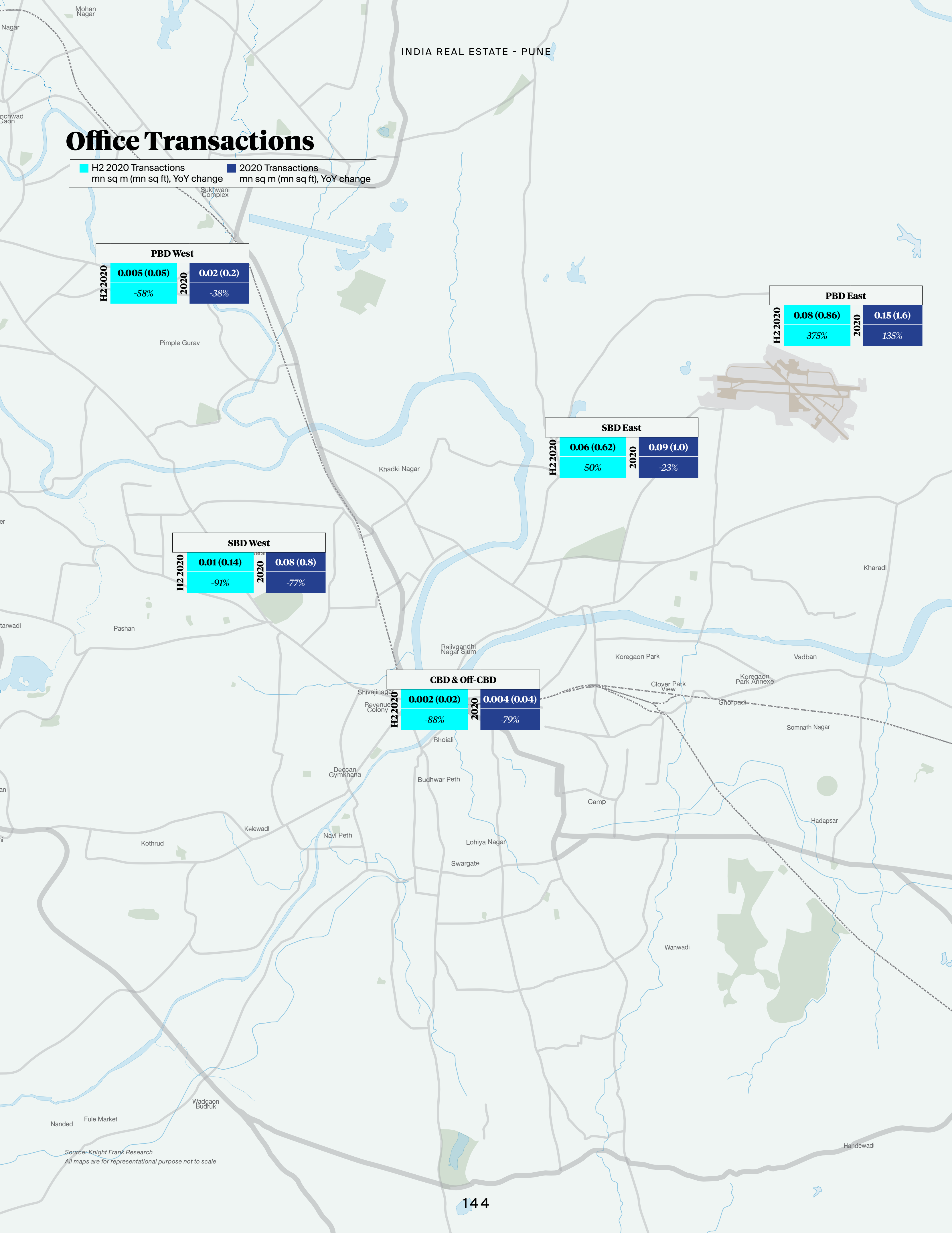
4,918 *sq m*
(52,937) *sq ft*
32 *deals*

919%
QoQ jump in transactions in Q4 2020

Office Transactions

H2 2020 Transactions mn sq m (mn sq ft), YoY change

2020 Transactions mn sq m (mn sq ft), YoY change



PBD West

	H2 2020	2020
Transactions	0.005 (0.05)	0.02 (0.2)
YoY change	-58%	-38%

PBD East

	H2 2020	2020
Transactions	0.08 (0.86)	0.15 (1.6)
YoY change	375%	135%

SBD East

	H2 2020	2020
Transactions	0.06 (0.62)	0.09 (1.0)
YoY change	50%	-23%

SBD West

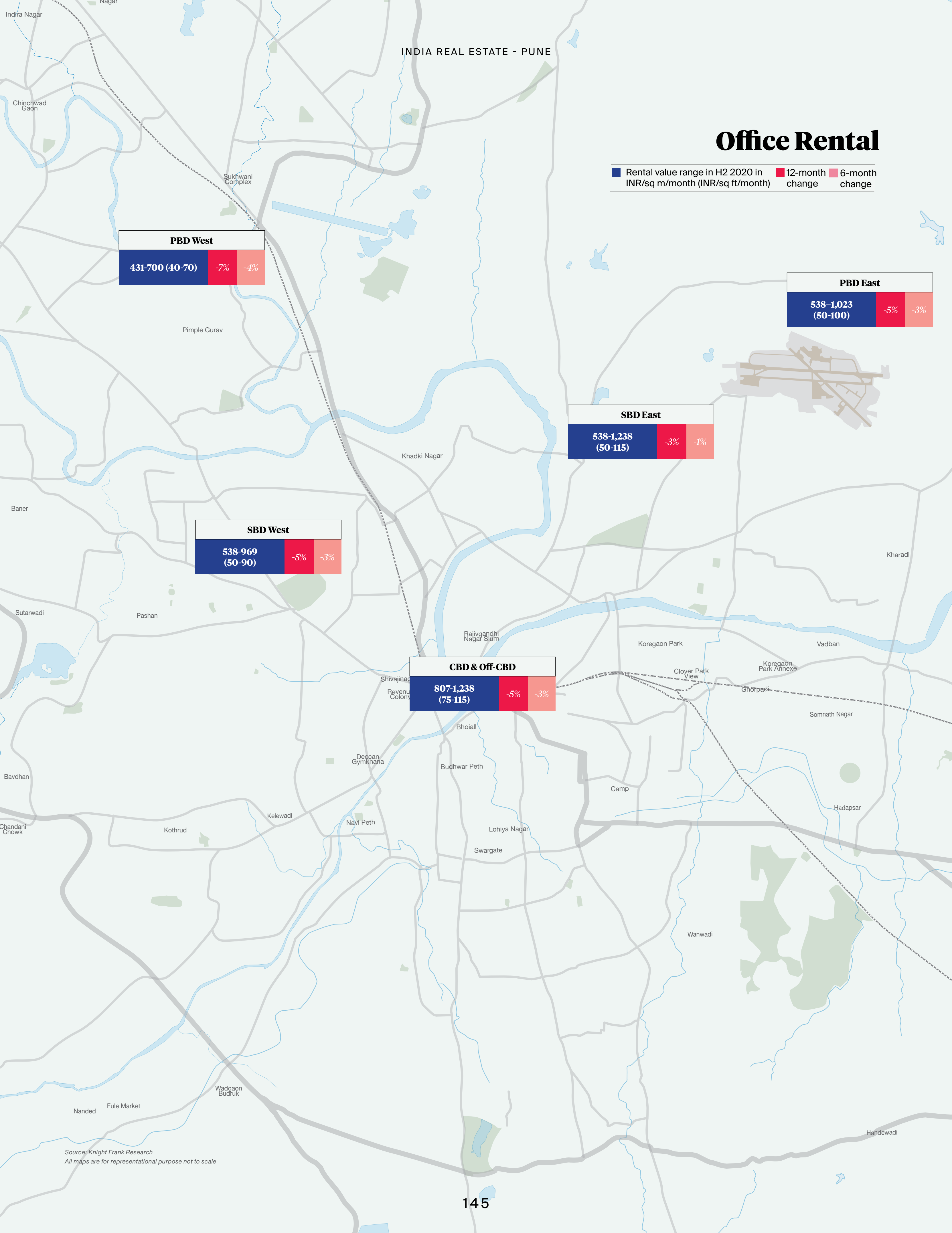
	H2 2020	2020
Transactions	0.01 (0.14)	0.08 (0.8)
YoY change	-91%	-77%

CBD & Off-CBD

	H2 2020	2020
Transactions	0.002 (0.02)	0.004 (0.04)
YoY change	-88%	-79%

Source: Knight Frank Research
All maps are for representational purpose not to scale

Office Rental



Source: Knight Frank Research
All maps are for representational purpose not to scale

MRTS push can unlock PCMC's real estate potential

- NIBODH SHETTY
CONSULTANT - RESEARCH

Pune city has lacked a Mass Rapid Transport System (MRTS) network along the lines of that which is available in major metros of India like Mumbai or NCR. Due to poor MRTS infrastructure, the vehicular density of the city has grown over the years, putting a strain on the city's road network, leading to traffic jams and increased air pollution levels. The tide is set to turn now as Pune has finally caught up with other metros of India in developing MRTS networks. The city's MRTS infrastructure is set to get a major boost with the completion of 3 metro lines currently under construction.

The Metro Line 1 – Pimpri Chinchwad Municipal Corporation (PCMC) to Swargate - will be amongst the first metro lines in Pune to become operational. Located towards the north of the city, the Pimpri-Chinchwad region was amongst the first industrial clusters to be developed by Maharashtra Industrial Development Corporation (MIDC) in the 1960s. As the manufacturing industries in PCMC grew, affordable residential apartments started coming up in PCMC to cater to the housing requirements of the blue collared workers. In those days, the office districts catering to the service sector were located in the central part of Pune.

The Information Technology (IT) boom in India increased demand for office spaces in Pune multifold. Due to the availability of private land parcels, along with better infrastructure development in the east, the office districts started developing towards the eastern part of the city along the Nagar Road to cater to this new demand. Later, with the Government's focus on promoting IT corridors, local infrastructure development and the construction of Mumbai-Pune Expressway, office districts started developing towards the western part of the city. Proximity to business districts ensured real estate development took place at a greater pace in the eastern and western parts of the city and residential prices in these catchments also appreciated.

As the city expanded towards the north, MIDC developed new manufacturing clusters at Chakan and Talegaon and factories started shifting out of PCMC into these clusters. Due to greater distance and longer travel time from PCMC to office markets in the eastern and western parts of the city compared to the catchments in the east and west, the real estate demand in PCMC remained lower and PCMC continued to remain an affordable housing destination. While the overall demand for residences from service sector employees in PCMC is low, a significant percentage of employees of fringe IT firms do reside in PCMC due to the affordable residential prices. Having separate municipal corporations for PCMC and Pune city also led to a difference in the level of infrastructure development. Although a few office spaces came up in the PCMC region as well, large office space occupiers still preferred the more developed business districts located in the eastern and western parts of the city. Despite affordable real estate prices, the lack of MRTS connectivity in Pune hindered real estate development in PCMC on the lines of that in the eastern and western parts of the city. However, things are set to change with the upcoming Metro Line 1.

Table 1:
Metro Line 1 details

Pune Metro Line 1 : PCMC to Swargate	
Length	16.59 km
Number of stations	14 stations (5 underground, 9 elevated)
Station names	PCMC, Sant Tukaram Nagar, Bhosari (N.F.), Kasarwadi, Phugewadi, Dapodi, Bopodi, Khadki, Range Hill, Shivaji Nagar, Civil Court, Budhwar Peth, Mandai, Swargate
Tentative date of completion	2021

Metro Line 1 will bring MRTS connectivity into PCMC and connect it to the business districts in the central part of the city. Using an interchange for metro lines, the residents of PCMC will be able to travel all the way up to Kothurd or Viman Nagar through Metro Line 2 (Vanaz to Ramwadi) and up to Hinjewadi through Metro Line 3 (Hinjewadi to Civil court). PCMC will get connected to most office and residential catchments in the eastern and western parts of the city through the affordable MRTS network which will bring down peak hour travel time considerably compared to the existing road networks. This MRTS connectivity can usher in an entirely new phase of real estate development in the PCMC region. It will also aid commercial development within PCMC, as residents in other parts of the city can use the MRTS network to reach PCMC, thereby increasing its acceptability as a commercial business district. Many developers have acquired or are trying to acquire land parcels and erstwhile industrial estates in PCMC in anticipation of the change there MRTS can bring about.

There are talks of extending metro line 1 till Chakan which will further increase traction in this belt.

ABOUT
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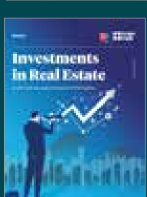
Co-working

Investments in Real Estate



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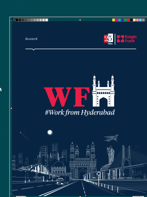
Work from Home

#Work from Hyderabad



We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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