

For Immediate Release

Bengaluru set to witness 6.6% office rental growth in 2019, third highest globally: Knight Frank Global Outlook Report

- With office rental growth forecast at 6.5%, Delhi stands on No.4 globally
- Mumbai to remain stable with growth of only 0.3% y-o-y in prime office rentals in 2019

Mumbai, February 14, 2019: In the latest report by Knight Frank - ‘Global Outlook 2019’, Bengaluru has emerged as the **third fastest growing office market** in terms of prime rental values for office space globally. The estimated growth in **office rental values in Bengaluru** by end of 2019 is expected to be **6.6%** over 2018. **New Delhi**, which is **expected to see a rise of 6.5%** in prime rental values in 2019, was recorded as **the fourth fastest growing office market globally**. The annual report evaluates the upcoming year of 2019, to state that there will be a shift in focus for property investors as they respond to a more uncertain global economy and the rising cost of debt. The report evaluates 33 global cities and gives insight on office rental growth, office occupier forecast, industrial and retail outlook along with other alternate sectors such as logistics, healthcare and hotels.

Bengaluru, which saw a prime rental values of INR 125 per square foot (psf)/ month in 2018, is expected to see a growth in rental value in the range of 6.6% y-o-y by the end of 2019, on account of low Grade A supply in prime markets. With demand remaining buoyant in the market from the IT/ITeS and the start - up sectors, the lack of quality space in key markets is pushing the rentals northwards. Mirroring the same trend, New Delhi with prime rental values of INR 326 psf /month, is also expected to see a rise of approximately 6.5% on the back of constricted fresh supply in 2019.

Key findings from the Report

- Bengaluru emerges amongst the top cities worldwide to witness a steep growth in office rentals at 6.6% for 2019.
- Mumbai prime rental values to remain stable at 0.3% possible growth in 2019
- Bengaluru (13.2%), Mumbai (11.5%) and Delhi (10.1%), to be Global Hotspots in terms of office rental growth with forecasts by 2021
- Vacancy rate to improve in New Delhi and Mumbai with current 16.5% (2018) and 19.8% (2018) to 15% (2021) and 14% (2021), indicating an increase in employment generation, whereas Bengaluru remains the same at 3.2%.

Office Rental Growth Forecast in 2019 (Global Top 10)

S. No.	City	Growth Forecast
1	Melbourne	10.1%
2	Sydney	8.6%
3	Bengaluru	6.6%
4	Delhi	6.5%
5	Hong Kong	6.4%
6	Amsterdam	5.3%
7	Berlin	5.1%
8	Moscow	5.0%
9	Singapore	4.9%
10	Dublin	4.0%

Source: Knight Frank Global Outlook 2019

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Shishir Bajjal, Chairman and Managing Director, Knight Frank India, said “Commercial segment continues to show growth in 2019, much like the year past when leasing activities breached the 46 million square feet and touched a historic high. However, the supply side has not been as robust, keeping rental growth positive in the same time. The trend of rental growth in prime markets is expected to continue in 2019 for prime Bengaluru and New Delhi markets, due to continued supply crunch. This rental growth is also the prime reason for increased interest from institutional investors in acquiring income yielding assets in the commercial segment.”

Mumbai prime office rentals are expected to remain largely stable with an estimated growth of only 0.3% in 2019. The recorded rental for prime markets in the city is approximately INR 300 psf/month. This is largely due to demand which is routing itself to secondary and peripheral locations due to high rental values in prime markets. The prime office market of Bandra Kurla Complex (BKC) is at the verge of witnessing a growth in supply in the upcoming year.

The report highlights that **Melbourne and Sydney** will see the largest rental growth in 2019 with rents rising **10.1%** and **8.6%** respectively. Both are experiencing tight supply in their office markets due to the sustained strength of employment growth and relatively low levels of development completions in recent years. Prime rents have been rising rapidly in both markets, up by **13% in Sydney** and **6% in Melbourne** over the past year.

Across the global markets, uncertainty surrounding trade tensions and political events has led to a pause in the development pipeline, causing low vacancy rates and driving rental growth up. Over the next three years, global markets, generally short of high quality supply, will see further demand from both tech and co-working occupiers as new waves of the digital revolution maintain growth momentum for office demand in tech-orientated global cities.

William Beardmore-Gray, Head of Occupier Services and Commercial Agency, Knight Frank “Occupiers face two contradictory pressures in 2019. The geo-political threats, like BREXIT and the US/China trade war, make it difficult for firms to plan the future. However, business pressures to expand market share, recruit talent and enter new markets, are pushing them to address their property needs. Limited supply of new offices, following years of under development, mean that many occupiers will feel compelled to enter the market in 2019, and acquire space before someone else takes their preferred option for a future headquarters building.”

As a part of the report Knight Frank also risks and opportunities keeping the global economy at centre

RISKS	OPPORTUNITIES
US-China Trade War	5G
Tech Growth Sector	The Grey Workforce
Brexit	People in Finance
Rising interest rates	Co-working

Knight Frank’s 10 key opportunity areas for investors in 2019:

- **European logistics:** The sector is already very popular with the past two years seeing record investment volumes.
- **Second tier office markets:** The likes of Madrid and Warsaw, where occupier markets have been slower to hit the expansion phase offer a compelling investment and development opportunity.
- **Global R&D hubs:** Tight development pipelines mean that locations such as Boston, the San Francisco Bay Area, Amsterdam and London will deliver strong future rental growth.
- **Senior Living:** The biggest global demographic trend underpins this sector, which is still embryonic in most markets.
- **Private Rental Sector/Multifamily:** Where the US has led, the UK and Europe have followed with burgeoning pipelines of stock delivered in 2018.

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- **Flexible Offices:** Office occupiers from all sectors and of all sizes are seeking product that better aligns real estate to their disrupted, fast moving operational reality.
- **Healthcare:** Western European countries including the UK, France, Germany, Spain, The Netherlands and the Nordics are expected to lead the way in terms of attracting capital into healthcare in 2019.
- **Hotels:** Hotel operators who can leverage technological innovation, and capitalise on data capture will deliver enhanced performance and returns.
- **Retail:** The rise of online has turned sentiment against retail and pricing has in many markets moved accordingly.
- **True mixed-use:** The retreat of retail from CBDs demands a radical approach to mixed-use and place-making opportunities.

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About Knight Frank:

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