India Real Estate

Residential and Office Market - January - June 2023

H1 2023

Knight Frank's ultimate guide to the India real estate market performance and opportunities in the world's most exciting subcontinent.

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Shishir Baijal
Chairman and Managing Director

Foreword

The Indian economy powered through 2022 despite a shaky geopolitical environment and the threat of a looming recession in large, developed economies. India emerged as the fastest-growing large economy in the world and was one of the few bright spots in an otherwise bleak global economic environment during the year. While the outlook on the global economy did not improve significantly as we stepped into 2023, global sentiment on the Indian economy continued to strengthen due to its growing stature as a potential alternative to China and its standing as the world's largest democracy.

Economic momentum has been encouraging so far during the year, with the GDP growth estimates for FY 2023 - 24 being revised upward. In early 2023, as inflation levels started falling, the central bank also shifted its stance to support growth. While the real estate market had recovered well in 2022, it remained to be seen if it had enough steam to sustain the momentum it had gained in the previous year.

In 2022, residential real estate demand in India scaled a nine-year high, while the office market posted a robust recovery compared to markets in the developed world, which were still trying to find their feet. We are happy to convey that the real estate market has achieved levels close to those seen last year.

While headline demand levels during H1 2023 indicate the resilience of the market, their underlying components are undergoing a significant amount of churn, possibly pointing to a pivotal point in its evolution. For instance, in the office space, the occupier's preference for flex spaces scaled a historic high, while in the residential market, the sales volumes of the erstwhile dominant affordable segment have been convincingly eclipsed by those of the mid-segment.

I invite you to read the 19th edition of Knight Frank India's flagship half-yearly report – 'India Real Estate H1 2023,' which tracks the ongoing developments that have impacted the residential and office segments across the top 8 cities. I hope that you will find it insightful and interesting.

All India

Residential Market

All India Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	328,129	41%	173,364	8%	86,065	4%
Sales (housing units)	312,666	34%	156,640	-1%	77,514	-3%

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Unsold inventory (housing units) H1 2023
471,573

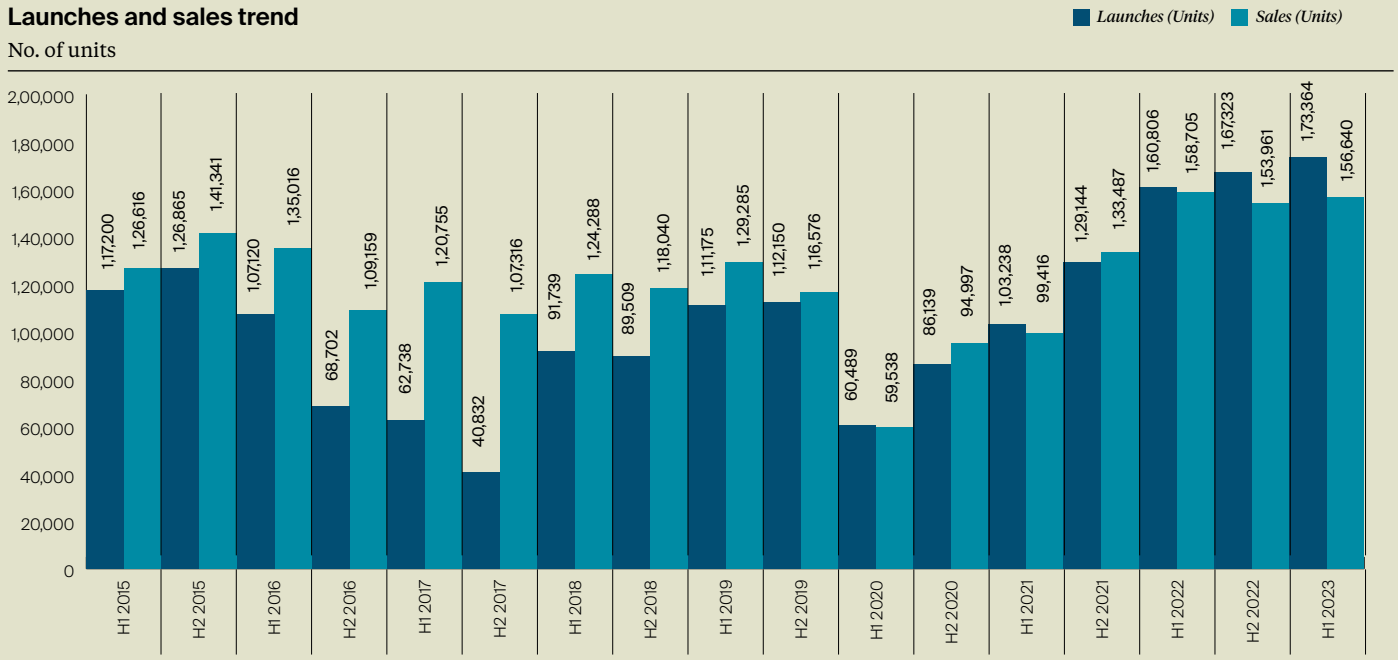
Change (YoY)
7%

6.7
Quarters to sell (in quarters) H1 2023

16.6
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend

No. of units



Source: Knight Frank Research

- The residential market has been on a strong recovery path as the economy emerged from the pandemic's shadow. While low interest rates and comparatively low residential prices sparked the revival in demand, the momentum in residential sales sustained even as interest rates rose. The residential market breached a nine-year high in terms of annual residential sales in 2022 in an inflationary environment that caused increasing concerns on economic growth across the world. Thus, while the momentum looked strong, it remained to be seen if it would sustain in 2023.

- The RBI has hiked the repo rate by 250 bps since May 2022 and the last 25 bps hike in Q1 2023 pushed home loan rates within striking distance of those existing in pre-pandemic 2019. Regardless, the residential market stepped into 2023 on a relatively stable footing with the first half of the year registering sales of 0.16 mn units, 1% lower in YoY terms. While this is the second highest sales volume in almost 10 years, the YoY growth has plateaued in H1 2023 compared to the strong double-digit growth seen in the preceding four half yearly periods. This can be read as an indicator of market consolidation or as saturation but given the Indian economy's relative outperformance in FY 2024 as well, we believe this pause in growth is probably transient in nature.

- The relative stability in sales was sustained across all markets with the YoY percentage change in sales levels not exceeding single digits for any. Sales grew the most in the Hyderabad market at 5% YoY while slipping in the larger markets of Mumbai and Bengaluru at -8% and -2% YoY.

- The consistent sales volumes have spurred intense development activity over the past two years. The volume of units launched has exceeded that of sales in the past three half yearly periods, an event that has not occurred since H2 2014. 0.17 mn units were launched during H1 2023 which translates to an 8% growth in YoY terms.

- The share of sales in the <INR 5 mn ticket size price segment reduced from 43% in H2 2020 to 32% in H1 2023. While its share of sales has reduced over time, it was still the largest segment in terms of sales volumes till H1 2022. H1 2023 marks the second half-yearly period in which this this segment's volumes have been eclipsed by the mid-size segment.

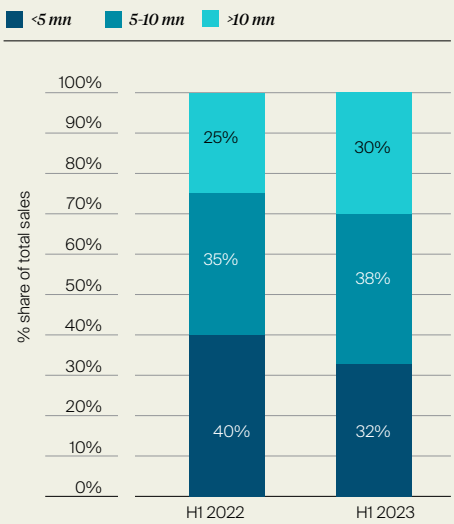
- Conversely, during the same reference period, the share of annual sales in the INR 5-10 mn and >10 mn ticket-size categories grew from 36% to 38% and 21% to 30% respectively. The higher income segments were not as impacted by income disruptions caused by pandemic exigencies as was initially expected. Besides, the high savings rate due to the initial weak sentiments and lockdown periods played their part in fueling the current wave of demand.

- While sales volumes have been stable in H1 2023, prices have grown in the range of 2% to 10% across all markets with Mumbai, Bengaluru and NCR growing by 6%, 5% and 5% YoY respectively. This also marks the third consecutive half-yearly period of YoY growth in prices across all markets. Even in sequential terms, prices have either stayed steady or grown across markets during the period.

- With the supply of units exceeding that of sales during H1 2023, the unsold inventory grew by 7% YoY to 0.47 mn units. And while the market is carrying more inventory, the consistently high sales volumes in H1 2023 have pushed down the Quarters to Sell (QTS) level from 7.8 to 6.7 quarters during this period. QTS measures the number of quarters required to exhaust the unsold inventory and is calculated by dividing the existing unsold inventory by the average sales of the eight trailing quarters from the analysis period to avoid seasonal volatility. Generally, a lower QTS level denotes greater sales traction and better market health.

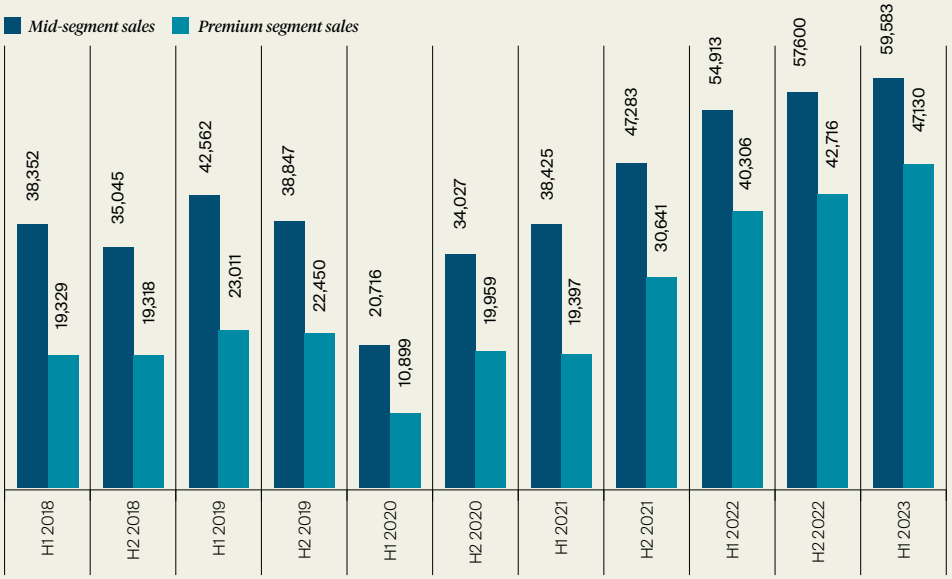
- Demand remained consistently high in H1 2023 even as annual growth slipped marginally. The industry continues to consolidate with residential developments steadily shifting into the hands of stronger developers who have been able to weather the economic storm created by the pandemic. While ready inventory remains a strong preference for homebuyers, developers are also finding takers for their under-construction inventory. With inflationary forces subsiding, the RBI has shifted its stance to prioritise economic growth by maintaining liquidity which is supportive of real estate demand and bodes well for the market for the remainder of the year.

India ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

India mid and premium market activity (INR 5 – 10 mn and above inr 10 mn)



Residential launches and sales

	LAUNCHES		SALES	
	H1 2023 (YoY change)	2022 (YoY change)	H1 2023 (YoY change)	2022 (YoY change)
Mumbai	50,546 (6%)	90,434 (29%)	40,798 (-8%)	85,169 (35%)
NCR	29,738 (4%)	63,233 (207%)	30,114 (3%)	58,460 (67%)
Bengaluru	23,542 (11%)	43,420 (42%)	26,247 (-2%)	53,363 (40%)
Pune	21,234 (22%)	38,640 (-5%)	21,670 (-1%)	43,410 (17%)
Chennai	22,851 (7%)	43,847 (23%)	15,355 (5%)	31,046 (28%)
Hyderabad	10,556 (2%)	20,809 (42%)	7,982 (-3%)	14,062 (58%)
Kolkata	6,776 (1%)	12,330 (64%)	7,324 (3%)	12,909 (-10%)
Ahmedabad	8,122 (7%)	15,416 (21%)	7,150 (3%)	14,248 (19%)
All India	**173,364 (8%)**	**328,129 (41%)**	**156,640 (-1%)**	**312,666 (34%)**

Source: Knight Frank Research

Residential market health

City	Unsold inventory (YoY change)	QTS
Mumbai	169,577 (7%)	8.4
NCR	100,583 (5%)	7.2
Bengaluru	56,693 (-8%)	4.4
Pune	45,604 (-2%)	4.3
Hyderabad	38,896 (54%)	5.3
Ahmedabad	24,926 (35%)	7.3
Kolkata	20,138 (-3%)	5.5
Chennai	15,156 (11%)	4.4
All India	**471,573 (7%)**	**6.7**

Source: Knight Frank Research

Residential price movement

City	H1 2023 in INR/sq m (INR/sq ft)	12 month change	6 month change
Mumbai	81,730 (7593)	6%	3%
NCR	49,923 (4638)	5%	3%
Bengaluru	60,739 (5643)	5%	2%
Pune	47,205 (4385)	3%	2%
Chennai	46,823 (4350)	3%	1%
Hyderabad	58,234 (5410)	10%	9%
Kolkata	36,899 (3428)	2%	2%
Ahmedabad	32,367 (3007)	4%	4%

Source: Knight Frank Research

Office Market

All India Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	3.59 (49.4)	28%	1.67 (18.0)	-25%	1.30 (13.5)	10%
Transactions in mn sq m (mn sq ft)	4.80 (51.6)	36%	2.43 (26.1)	3%	1.38 (14.8)	2%

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Stock mn sq m (mn sq ft) in H1 2023

83.4 (897.5)

H1 2023 Change (YoY)

5%

H1 2023 Vacancy

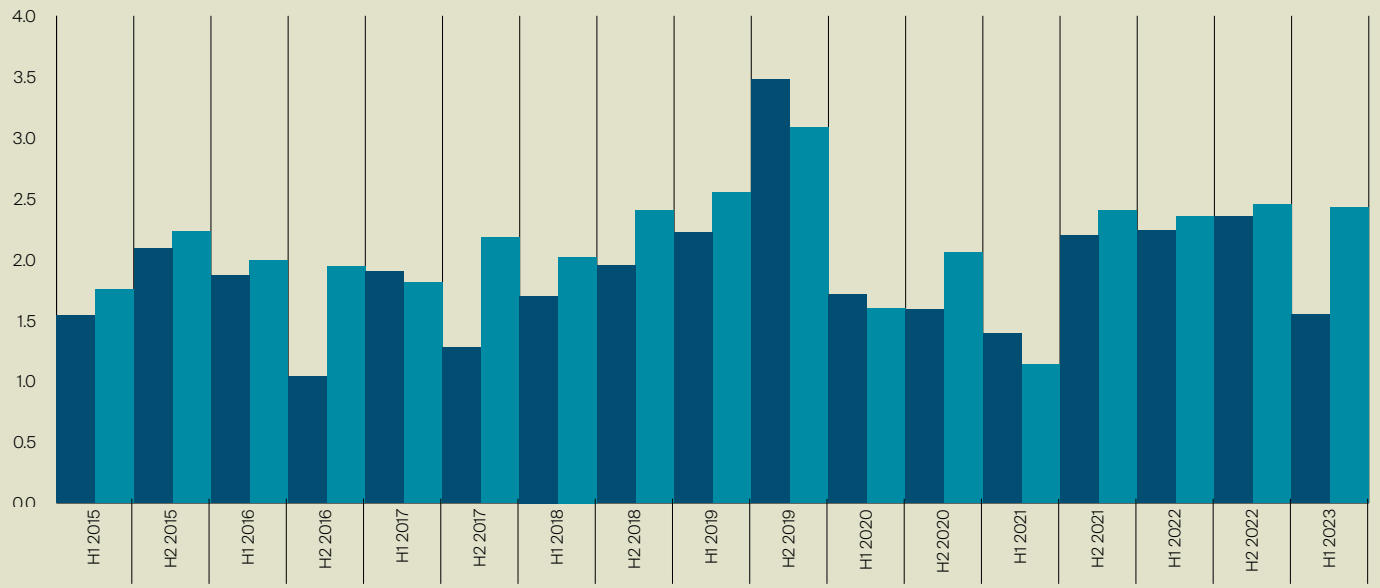
16.4%

H1 2023 Change (YoY)

59

bps decrease

All India Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- Most office markets around the world have been grappling with the adverse impact of a slowdown in economic activity caused by unrelenting inflation and the threat of a looming recession. While the Indian economy has not been completely insulated from inflationary forces, timely rate hikes and other interventions by the Central Bank have ensured that inflation has not spiraled out of control and the economy has stayed on the growth path. With the GDP forecasted by the RBI to grow at 7% for FY 2023 and 6.5% for FY 2024, India has emerged as the fastest growing large economy in the world. This undercurrent of economic stability and growth is also reflected in the relatively stable occupier activity seen in the Indian office market.

- Transaction volumes which have ranged within a tight band of 25 – 26 mn sq ft over the past four half-yearly periods showcase the resilience of the Indian office market in the backdrop of a turbulent economic and geopolitical environment across the globe. Additionally, the Indian office market was not as impaired by the remote working phenomenon as the rest of the world, due to the greater influence that employers have here and their willingness to adopt flexible working options to address contemporary concerns.

- While demand has been resilient and range bound, the 2.43 mn sq m (26.1 mn sq ft) transacted during H1 2023 represents a modest 3% YoY growth in volumes. In fact, momentum seemed to be increasing toward the end of the period as the 1.38 mn sq m (14.8 mn sq ft) transacted in Q2 2023 was the highest quarterly tally since Q1 2021.

- Transaction volumes in Chennai and NCR grew the most at 107% and 25% YoY respectively during the period. Bengaluru with 0.65 mn sq m (7.0 mn sq ft), constituted 27% of the area transacted. NCR with 0.47 mn sq m (5.1 mn sq ft), is a distant second and Chennai and Mumbai follow with 0.42 mn sq m (4.5 mn sq ft) and 0.30 mn sq m (3.2 mn sq ft) respectively.

- India facing businesses have been gaining traction in recent times as growth capital is increasingly finding its way into the country, due to relatively favorable economic environment here. This is reflected in the increasing volume of office space taken up by such businesses which have amounted to 35% of the total volume transacted in H1 2023. Other service sector companies such as those from the healthcare, education and e-commerce segments constituted approximately 49% of these India facing businesses while BFSI and manufacturing companies accounted for 28% and 13% of the same.

- The occupier's perspective of office space as an enabler of productivity rather than just an asset continues to solidify and favours the increasing demand for flex space operators as they are acknowledged as experts in the domain of workspace delivery. The demand for flex spaces which has been rising consistently over the past few years has only received an added boost by the pandemic. The share of flex spaces has scaled a new high of 26% in H1 2023 and depicts the accelerated growth vector that this segment has firmly stepped on.

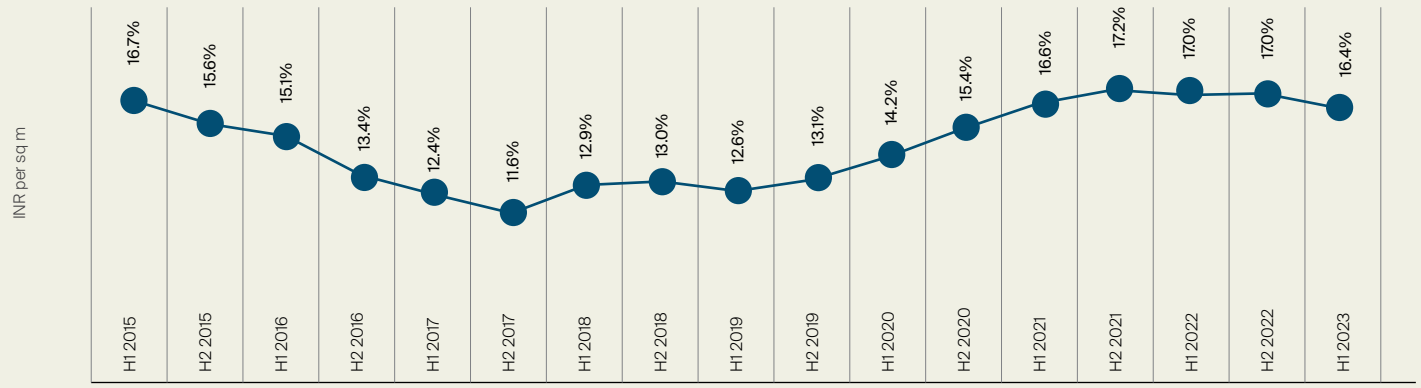
- India has established itself firmly among the top destinations for outsourcing due to the high quality of work delivery at a comparatively lower cost. While this premise continues to be strong, the share of the volume of space transacted to set up Global Capability Centres and Third Party Outsourcing businesses has been impacted due to the adverse global economic environment.

- While office space demand has remained extremely resilient, the supply volumes have dropped approximately 25% YoY in H1 2023. The comparatively lower 1.67 mn sq m (18 mn sq ft) delivered during the period have pulled down vacancy level from 17% in H1 2022 to the 16.4% currently. The lower volume of office completions has thus helped the market maintain a healthy equilibrium considering the global headwinds that could still pose a material threat. Bengaluru and NCR accounted for 57% of the total space delivered during H1 2023.

- Rental levels were stable or grew across all markets in H1 2023, marking it as the third half-yearly period since H1 2019 that this has occurred. Bengaluru and Pune office markets grew the most during H2 2022 at 11% and 7% YoY respectively.

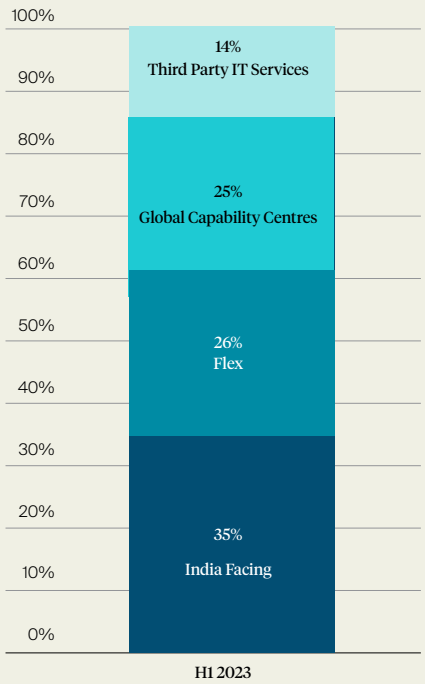
- With the pandemic almost completely in the rear-view mirror, it is the broader economic forces of inflation and GDP growth that have taken center-stage in shaping the fortunes of office markets around the world. The resilience depicted by the Indian office space market reflects the relatively stronger economic environment existing in the country today. 2023 has begun on a good note for the Indian office market, and the improving physical occupancy levels observed across the eight markets, also reported by REITs, are an encouraging portent for the year ahead. However, the evolving story of global economic growth could still have a significant bearing on market traction going forward.

All India Office Market Vacancy



Source: Knight Frank Research

End-use split of transactions in H1 2023



Source: Knight Frank Research

Notes:

1. India Facing: These refer to such transactions whose lessees/ buyers are businesses which have an India focused business. I.e:
2. Third party IT services: These refer to transactions whose lessees/ buyers are focused on providing IT and IT enabled services to offshore clients. They service multiple clients and are not necessarily owned by any of their clientele.
3. Global Capability Center (GCC): These refer to transactions whose lessees/ buyers are focused on providing various services to a single offshore company. The offshore company has complete ownership of the entity that has transacted the space.
4. Flex space: These refer to transactions by companies that specialise in providing comprehensive office space solutions for other businesses along with the benefits of flexibility of tenure, extent of services provided and the ability to scale higher or lower as required.

Office transactions and completions

	OFFICE TRANSACTIONS in mn sq m (mn sq ft) (YoY changes %)		OFFICE COMPLETIONS in mn sq m (mn sq ft) (YoY changes %)	
	H1 2023	2022	H1 2023	2022
Mumbai	0.3 (3.2) (9%)	0.59 (6.4) (69%)	0.13 (1.4) (37%)	0.19 (2) (-59%)
NCR	0.47 (5.1) (24%)	0.83 (8.9) (39%)	0.37 (4) (58%)	0.73 (7.9) (53%)
Bengaluru	0.65 (7) (-10%)	1.35 (14.5) (19%)	0.59 (6.4) (10%)	1.45 (15.6) (31%)
Pune	0.22 (2.3) (-30%)	0.57 (6.2) (61%)	0.24 (2.6) (-49%)	0.62 (6.7) (-8%)
Ahmedabad	0.05 (0.5) (-59%)	0.2 (2.2) (88%)	0.02 (0.3) (-81%)	0.13 (1.4) (-42%)
Chennai	0.42 (4.5) (107%)	0.52 (5.6) (44%)	0.21 (2.3) (-26%)	0.41 (4.4) (150%)
Hyderabad	0.27 (2.9) (-8%)	0.62 (6.7) (12%)	0.12 (1.3) (-76%)	1.04 (11.2) (145%)
Kolkata	0.05 (0.6) (-3%)	0.11 (1.1) (42%)	0 (0) (-100%)	0.02 (0.2) (-70%)
Total	**2.43 (26.1) (3%)**	**4.8 (51.6) (36%)**	**1.67 (18.0) (25%)**	**4.59 (49.4) (28%)**

Source: Knight Frank Research

Market-wise rental movement

	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
Mumbai	1,199 (111)	1%	1%
NCR	904 (84)	3%	0%
Bengaluru	893 (83)	2%	2%
Pune	779 (72)	2%	1%
Ahmedabad	437 (41)	1%	1%
Chennai	662 (62)	3%	0%
Hyderabad	702 (65)	2%	0%
Kolkata	410 (38)	10%	9%

Ahmedabad

Residential Market

Ahmedabad Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	20,809	42%	10,556	2%	5,207	-4%
Sales (housing units)	14,062	58%	7,982	-3%	3,757	-8%
Average price in INR/sq m (INR/sq ft)	INR 31,216 (INR 2,900)	3.6%	INR 32,044 (INR 3,007)	4.4%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Unsold inventory (housing units) H1 2023
24,926

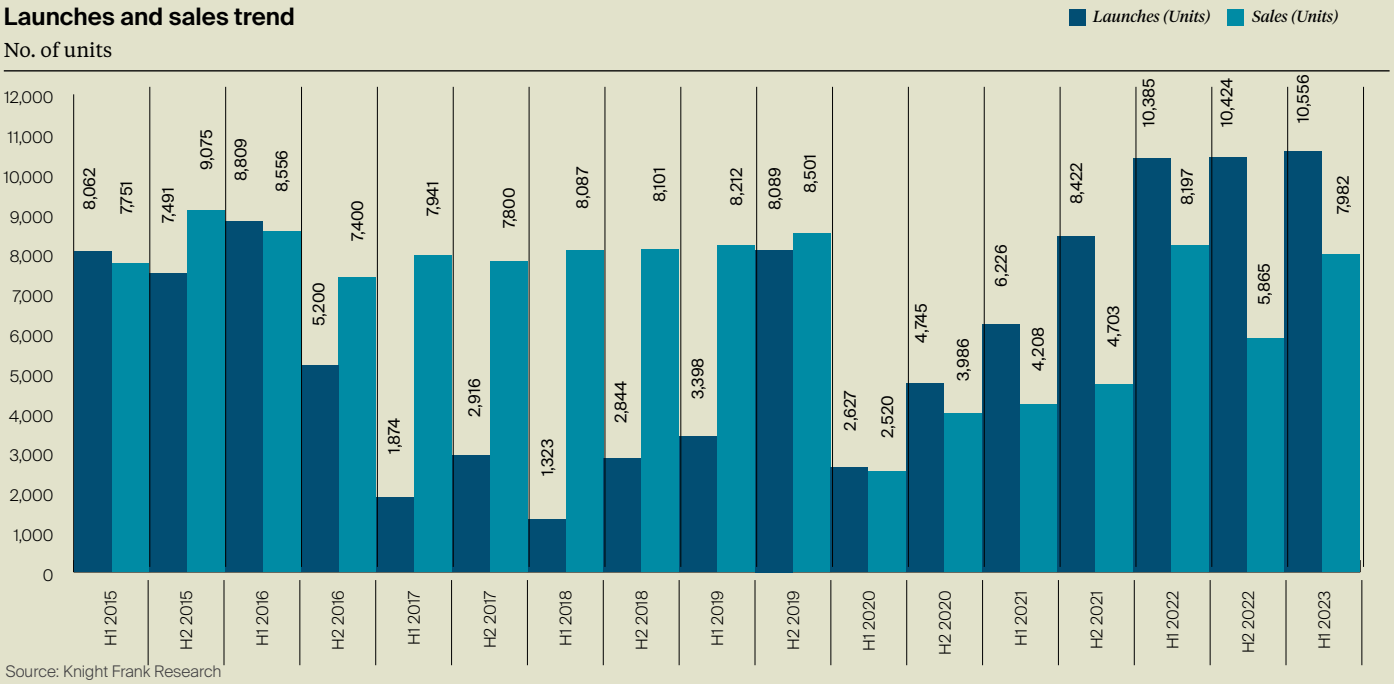
Change (YoY)
35%

7.3
Quarters to sell (in quarters) H1 2023

7.5
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend

No. of units



Source: Knight Frank Research

- Ahmedabad has historically been the most affordable market among the top eight cities under our coverage. This can largely be attributed to the exemplary planning that has gone into housing the city's growing population. The city's municipal area has expanded since 2006, from 186 sq km to the current 466 sq km, which has effectively sustained a healthy balance between population growth and its built-up area. This has also helped keep the city-center relatively less congested compared to other Indian cities and avoided low-density sprawl in its periphery.

- The Ahmedabad residential market has recovered well from the pandemic lows with sales volumes increasing steadily, almost reaching pre-pandemic levels in 2022. Supply levels also increased dramatically with developers looking to capitalize on the resurgence in demand having aggressively launched projects with larger areas and better amenities, at price points that have steadily increased during this period. These buoyant market volumes pushed prices up across the market, especially in the premium segments which have outperformed other segments across the country.

- With the strong recovery in demand and prices seen over the past two years, it remained to be seen if market momentum continued in 2023. However, sales levels have remained relatively stable with 7,982 units sold during H1 2023, approximately 3% lower than the levels seen a year ago. Home loan rates are now almost back at the levels existing before the pandemic and could have been a factor in demand growth taking a pause.

- While demand has been largely stable, supply levels remain elevated even if marginally so. 10,556 residential units were launched in Ahmedabad, approximately 2% higher in YoY terms.

- The state government's encouragement to the development of skyscrapers by increasing FSI limits in the city have also resulted in a spate of such projects being launched, especially along the SG Highway. These products are priced significantly higher than the average residential project due to the greater cost of construction, and in equal measure due to the highly elevated prices at which the land parcels have been acquired. This is a significantly differentiated premium/luxury product offering compared to what the market has been used to. The response has been encouraging thus far and will be tested further in times to come.

- The need for a lifestyle upgrade especially after the pandemic, had caused a spike in demand and prices in plotted developments, which was observed to have been waning towards the end of 2022, and this continued in H1 2023 as well. However, homebuyer enquiries in the segment continue to be strong, though conversions are occurring increasingly at prices that offer better value.

- The shift in demand over the past few years in the INR 5-10 mn ticket size, from 15% in H1 2018 to 35% in H1 2023, has been significant. This trend has been observed across locations due to the need for upgrading the family's primary residence and to accommodate increasing lifestyle requirements. Demand in this mid-segment has also been driven by a significant trend of in-migration from rural Gujarat to its frontline cities such as Ahmedabad and Surat. The > INR 10 mn ticket-size has also seen its share of sales increase from 8% in H2 2021 to 11% in H1 2023. However, instances of resistance to the increasing prices in this premium segment have been observed in Q2 2023. While the mid and high ticket-sizes have seen a consistent increase in market share, there has been a gradual decrease in the share of sales with ticket sizes < INR 5 mn since 2018. The share of sales in this category has shrunk from 76% in H1 2018 to 54% in H1 2023.

- The average age of inventory has reduced consistently over the past six years signifying the increasing rate at which ready inventory is getting consumed in the market. The age of inventory currently stands at 7.5 quarters compared to 8.8 quarters in H2 2021.

- Among the eight markets under our review, Ahmedabad is the cheapest in per square foot terms. However, the healthy recovery in demand and the increased cost of steel and cement over the past two years have caused prices to increase significantly. While the costs of most input materials have cooled over the past year, price growth has continued to be encouraging in H1 2023 at 4% YoY.

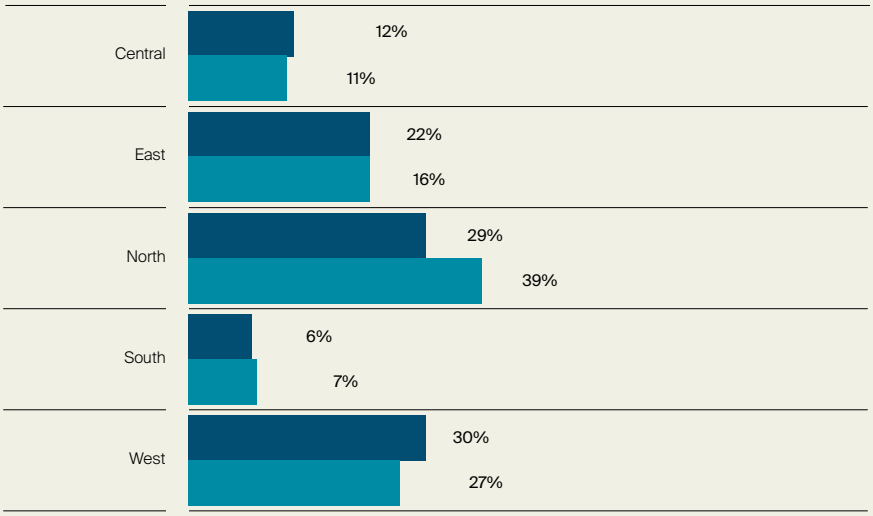
- While unsold inventory levels have increased, the market still holds less than two years of inventory, a level which has remained steady over the past two years. The Ahmedabad municipal corporation usually reserves 40% of the total town planning area for roads, public utilities and other infrastructure. However, a recent move by the city civic body's town planning (TP) and estate management committee to approve TP Scheme 32 at Shahwadi-Behrampur with a 25% reduction could set an undesirable precedent which could lead to more congested development in the city. However, high affordability, comparatively lower prices per square foot, and an improving local economic environment remain compelling drivers for the Ahmedabad residential real estate market and should help support market volumes in the remainder of the year.

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

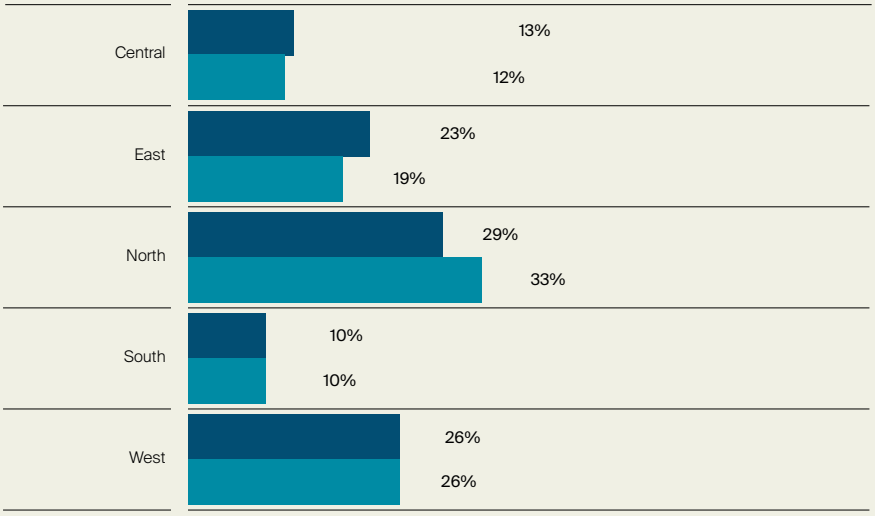
Source: Knight Frank Research

Micro-market split of new launches in H1 2022 and H1 2023



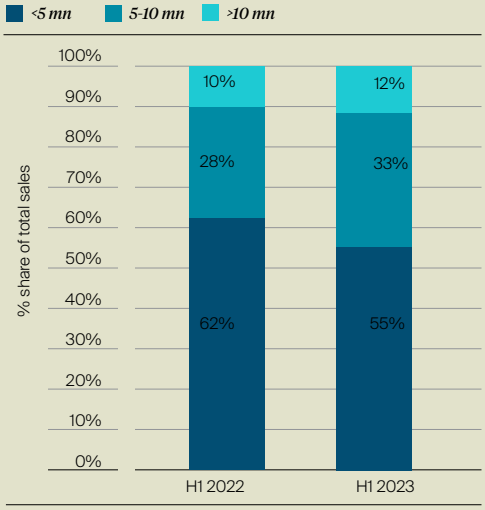
Source: Knight Frank Research

Micro-market split of Sales in H1 2022 and H1 2023



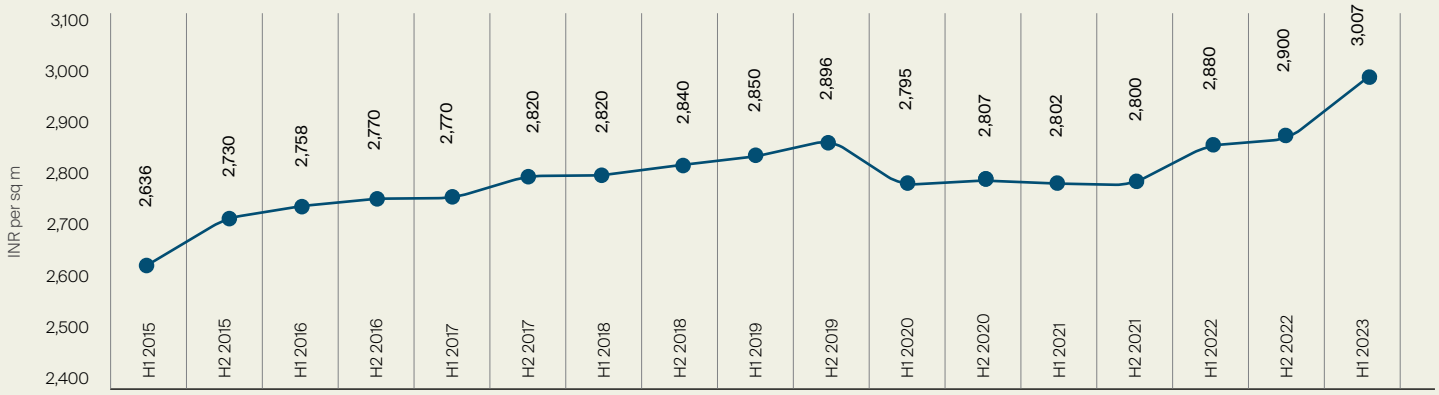
Source: Knight Frank Research

Ahmedabad ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

Ahmedabad ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

Residential price movement in select locations

Micro Market	Location	Price range in H1 2023 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Ambavadi	64,000-69,800(5,950-6,490)	5%	1%
	Navrangpura	55,400-65,600(5,150-6,100)	4%	2%
East	Nikol	26,900-34,400 (2,500-3,200)	4%	2%
	Vastral	23,700-30,100(2,200-2,800)	3%	1%
North	Chandkheda	27,900-36,900(2,600-3,430)	3%	2%
	Motera	37,600-45,200(3,500-4,200)	4%	2%
South	Aslali Circle	16,100-19,300 (1,500-1,800)	4%	2%
	Vatwa	18,300-22,600(1,700-2,100)	3%	2%
West	Bopal	35,500-44,100 (3,300-4,100)	4%	3%
	Prahlad Nagar	59,200-61,300 (5,500-5,700)	5%	1%

Source: Knight Frank Research

Micro-market Health

Micro-market	Unsold Inventory (housing units) (YoY Change)	Quarters-to-sell (QTS)
Central	3,427 (18%)	7.4
East	3,480 (54%)	5.7
North	6,278 (71%)	6.0
South	3,289 (13%)	9.8
West	9,077 (36%)	10.2

Source: Knight Frank Research

Office Market

Ahmedabad Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	0.13 (1.4)	-42%	0.02 (0.3)	-81%	-	-
Transactions in mn sq m (mn sq ft)	0.20 (2.2)	88%	0.05 (0.5)	-59%	0.01 (0.1)	-84%
Average transacted rent in INR/sq m/month (INR/sq ft/month)	432 (40)	0%	437 (41)	1%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

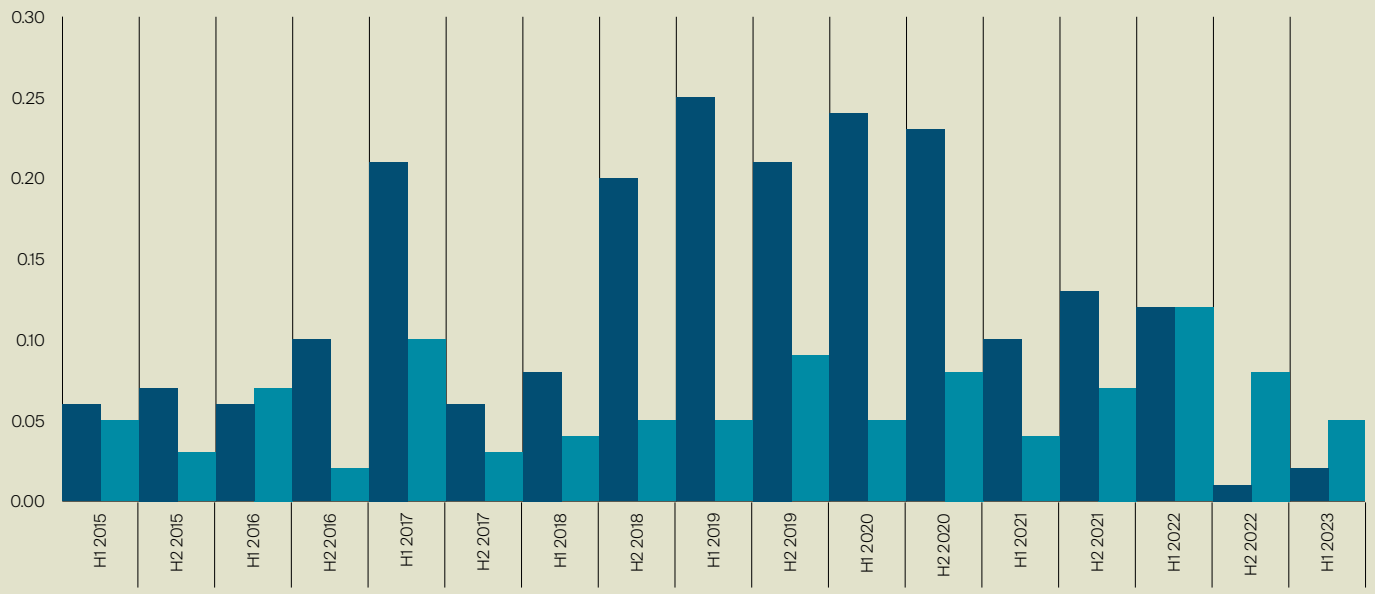
Stock mn sq m (mn sq ft) in H1 2023
3.32 (35.7)

H1 2023 Change (YoY)
1%

H1 2023 Vacancy
41.8%

H1 2023 Change (YoY)
330
bps decrease

Ahemdabad Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- Ahmedabad is among the smallest office markets in the country with annual transaction volumes rarely exceeding 0.1 mn sq m (1 mn sq ft). However, 2022 was a year of robust recovery for the Ahmedabad office market with occupier demand rebounding from pandemic lows and scaling up to 0.2 mn sq m (2.2 mn sq ft) during the year.

- The demand has not sustained, however, as the market stepped into 2023 with occupier activity taking a pause after registering the highest annual transaction volumes in the history of the Ahmedabad office market. Part of the occupier inertia can be attributed to very little Grade A space being available between CG Road and SG Highway which have seen the most occupier interest in recent times. 0.05 mn sq m (0.5 mn sq ft) of office space was transacted during H1 2023 which translates to a sharp drop of 59% YoY in sharp contrast to the heightened volumes seen during 2022.

- While transaction volumes were depressed, the completions were even more so, as just 0.02 mn sq m of office space came online during H1 2023, an 81% drop in YoY terms. The exacerbated drop in supply caused the vacancy level to fall to 41.8% in H1 2023 from 45.1% in H1 2022. The high vacancy level can give the impression of a glut in the market, but the much higher level of investment led transactions (not leading to occupancy) also tends to inflate this metric in the Ahmedabad office market. Despite the relatively low traction in the market, rent levels continued to remain resilient, growing marginally by 1% YoY during the period.

- Over 99% of space transacted was concentrated in the CBD West business district during H1 2023. The comparatively higher grade of office spaces being developed here along with the growing infrastructure has continued to attract the occupiers' focus in recent times. Locations on Bopal-Ambli Road, SG Highway and Shivranjani accounted for most of the transactions in CBD West.

- The largest transaction in H1 2023 took place on Bopal Ambli Road in the CBD West. This 0.01 mn sq m (0.9 mn sq ft) lease was inked by Information technology major Apexon.

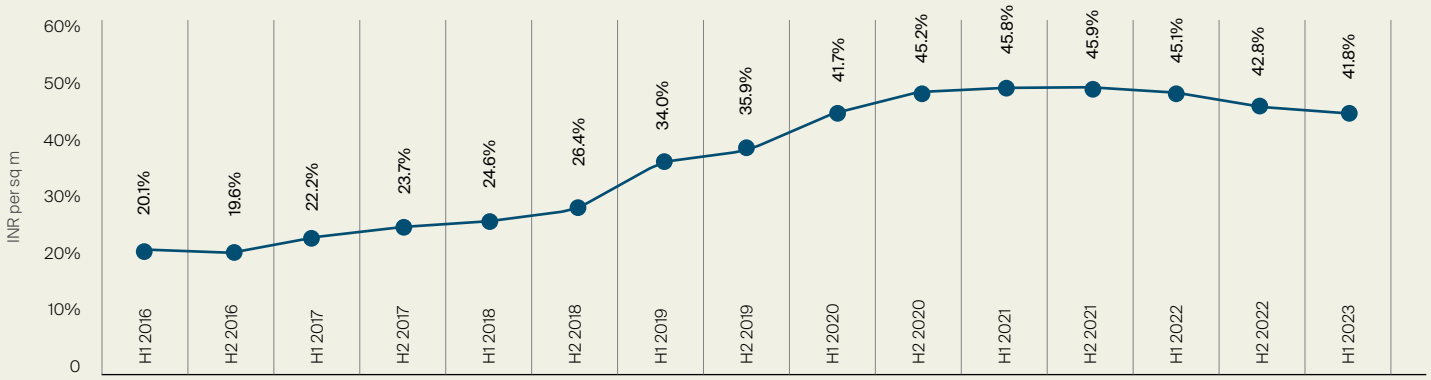
- India facing businesses continued to drive volumes in the market and accounted for 52% of the transacted volume during the year. Other Services sector companies from the healthcare, education and consulting segments leased over half the area transacted by the India facing businesses during the period.

- The share of flex spaces has been growing consistently in Ahmedabad as occupiers as well as developers and investors, are increasingly preferring these workplace management experts. While occupiers have opted for the flexibility and productivity enhancements that the flex operator provides, it is the operator's operational expertise and ability to monetise assets in a market with high vacancy that is a real value proposition for the developer/investor. Flex spaces constituted 0.01 mn sq m (0.16 mn sq ft) or 30% of the transacted space in H1 2023. 32% of these flex transactions were managed offices while 68% were leased by co-working players.

- The remaining 17% of the transacted volume was accounted for by third party IT services whose share has been growing steadily in the Ahmedabad office market.

- While the demand in H1 2023 has fallen considerably, it must be noted that the fall in transacted volume seems more precipitous due to a pronounced base effect, given that H1 2022 had experienced the highest transaction volumes ever. Also, the long-term average transacted volume for a half-yearly period even during pre-pandemic times was 0.06 mn sq m (0.6 mn sq ft), not much higher than the volume seen in H1 2023. The upcoming supply of Grade A properties in the areas of high demand such as CG Road and SG Highway is expected to aid demand in the coming months. The dedicated push by the state and central governments to make Ahmedabad an economic hub, low real estate costs and abundant connectivity infrastructure within the city continue to make it an attractive destination for office occupiers.

Ahmedabad Office Market Vacancy

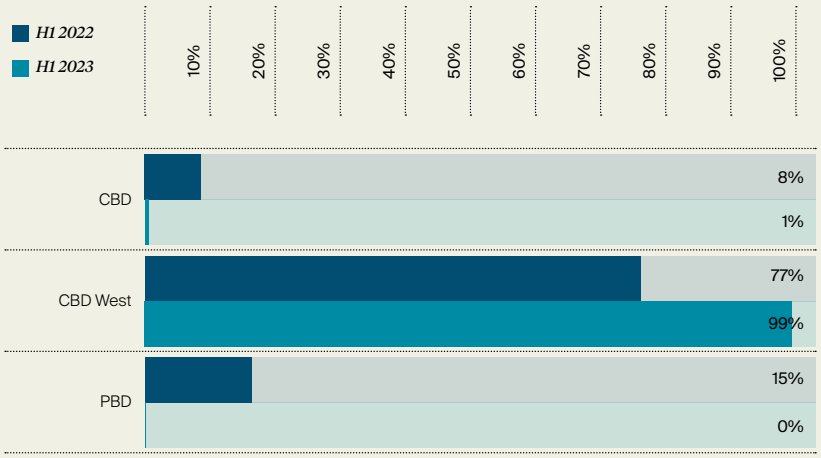


Business District Classification

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

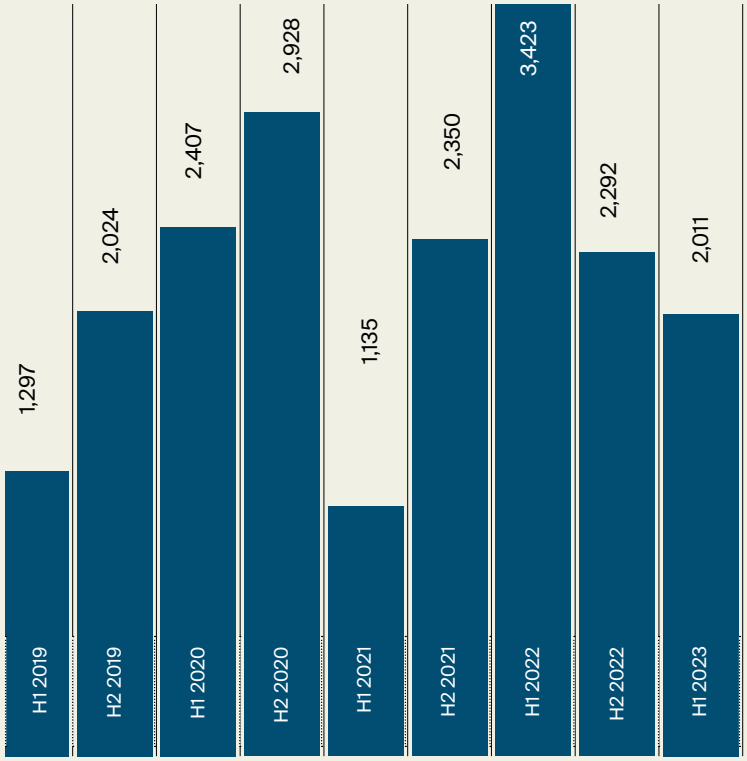
Source: Knight Frank Research

Business district wise transactions split in H1 2022 and H1 2023

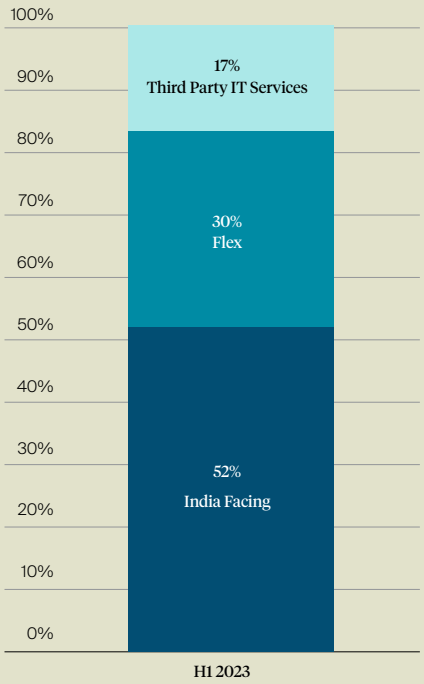


Source: Knight Frank Research

Average deal size trend (SQ M)



End-use split of transactions in H1 2023



Source: Knight Frank Research

Business district-wise rental movement

Source: Knight Frank Research	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
CBD	488-452 (36-42)	-1%	1%
CBD West	420-538 (39-50)	0%	1%
PBD	323-431 (30-40)	1%	0%

Source: Knight Frank Research

Bengaluru

Residential Market

Bengaluru Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	43,420	42%	23,542	11%	11,469	3.2%
Sales (housing units)	53,363	40%	26,247	-2%	12,857	-1.2%
Average price in INR/sq m (INR/sq ft)	INR 59,320 (INR 5,511)	7%	INR 60,741 (INR 5,643)	5%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Unsold inventory (housing units) H1 2023
54,693

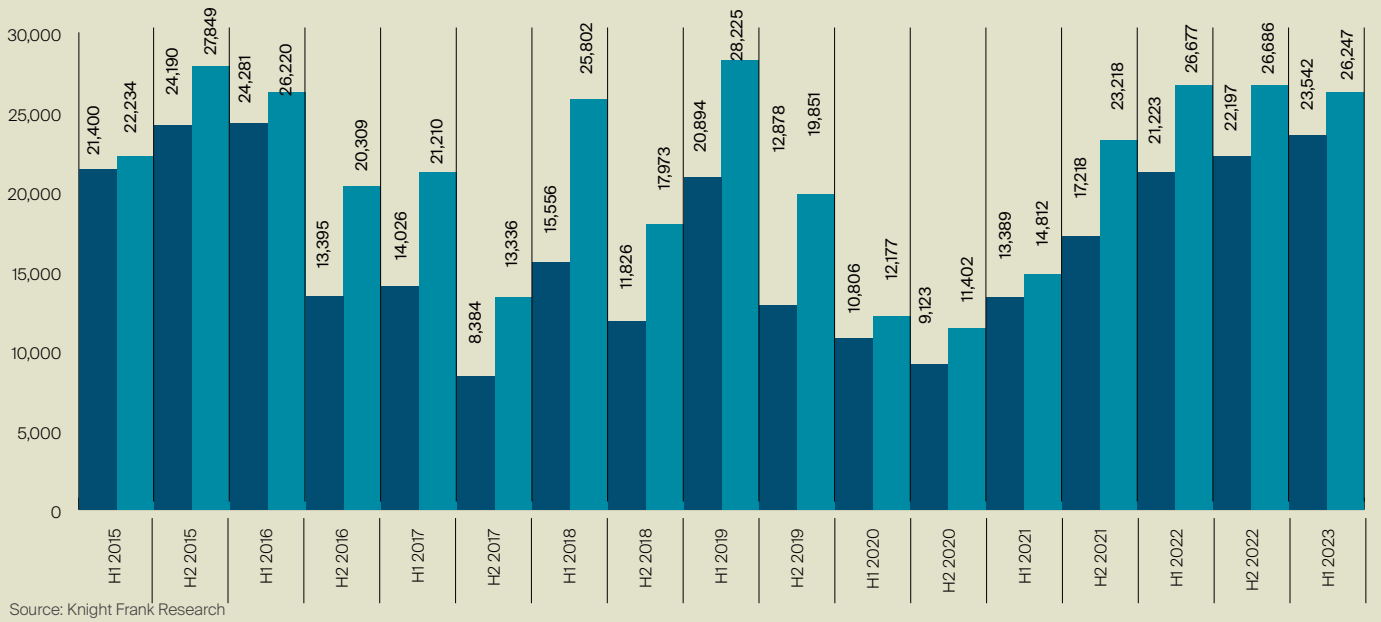
Change (YoY)
-12%

4.4
Quarters to sell (in quarters) H1 2023

17
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend

No. of units



Source: Knight Frank Research

- Bengaluru residential market continued to remain steady in H1 2023, despite facing multiple headwinds in the last one year arising from the sharp rise in borrowing costs, volatility in IT/ITeS job market, increase in construction costs etc. During H1 2023, Bengaluru registered residential sales volume of 26,247 units, a moderate 2% de-growth compared to the corresponding period in 2022. Notably, the moderation in sales is primarily due to the exhaustion of ready to move in inventory which is failing to cater to the growing demand. However, residential launches have remained buoyant, as developers continue to capitalize on the rising demand. During H1 2023, Bengaluru registered 23,542 units of residential launches, an 11% growth over the previous year.

- Segment-wise, there has been a substantial shift across the price categories. Sales of INR 5mn house segment, being relatively more sensitive to interest rates, witnessed a significant contraction of 38% YoY in H1 2023. The share of residential sales in this category also diminished to 20% in H1 2023 from 31% a year ago. The mid segment residential sales continue to dominate the demand comprising a share of 50% of the total sales in the city with sales growth of 10% YoY in H1 2023. Owing to the improving economic profile of the city, there has been a significant increase in the inclination of consumers towards luxury housing in Bengaluru. The sale of residential units in the price range of INR 10-20 mn grew by 17% YoY, and the sale of units priced above INR 20 mn spiked sharply by 46% YoY during H1 2023.

- Compared to the overall market, the share of luxury residential units ranging between INR 10-20 mn has increased from 10% in 2018 to 22% in H1 2023. Similarly, the share of high-end residential units priced above INR 20 mn, has doubled from 4% in 2018 to 8% in H1 2023.

- In line with past trends, South Bengaluru continued to lead with 39% of the total residential sales in the city. The residential demand in South Bengaluru is primarily from end-users as the micro-market is in proximity to key tech parks, start-up hubs and employment clusters located in and around Koramangala, Electronic City and Outer Ring Road (ORR). The development of an elevated metro-corridor on Bannerghatta Road, Hosur Road etc. connecting the cluster with the rest of the city further enhances the growing residential demand in the micro-market. The presence of end-user-based consumer profile continues to support the demand for mid-segment residential units in South Bengaluru.

- The residential market in East Bengaluru continued to gain traction comprising 31% of sales in the city during H1 2023. East Bengaluru is a prime IT hub of the city with the presence of quality Grade A tech parks in Whitefield, ITPL etc. This, along with the metro connectivity of KR Puram to Whitefield and the development of KR Puram to Byppanahalli metro line extending connectivity to other parts of the city, adds impetus to the residential market demand in East Bengaluru. In addition to end use, the residential demand in Whitefield is also led by investment purposes. Due to its relatively strong economic profile compared to other micro markets in the city, it provides a boost for the developers to launch high end luxury projects in this micro-market. East Bengaluru has a presence of some prominent luxury and ultra-luxury projects with an average ticket price of above INR 50 mn by Grade A developers such as Embassy, Prestige, DivyaSree, Total Environment etc. The cluster witnessed 39% of all the residential launches during H1 2023 to cater to the residential demand in East Bengaluru.

- The North Bengaluru cluster too has been expanding to accommodate the growing real estate demand of the city. During H1 2023, North Bengaluru registered residential sales of 5,978 units, 27% higher than the previous four half yearly period average. The cluster has been witnessing an expansion beyond the regions of Hebbal and Yelahanka. The growth and operation of Kempegowda International Airport Terminal 2 has led to massive infrastructure investment in the region. In recent years, it has witnessed the development of Aerospace Park, Devanahalli Business Park and other SEZ and non SEZ development. Furthermore, the Karnataka government has made an announcement in the FY 2023-24 budgetary statement, to set up a start-up park in Devanahalli. Currently, North Bengaluru and its peripherals have about 11 mn sq ft of commercial office stock, and about 13 mn sq ft is expected to be added by 2025, providing an opportunity for growth of residential projects in the region. Factors such as the presence of quality transport and social infrastructure such as schools, hospitals etc. and the ongoing construction of the blue line metro connecting K R Puram to KIAL airport expected to be launched in 2026, boost the prospects of residential demand enhancing its value in North Bengaluru.

- Moreover, the developers are also taking advantage of the lush green surroundings in the cluster and have been launching luxury and ultra-luxury residential villas with modern exclusive designs, and plotted developments in North Bengaluru. Such projects have been attractive to the HNI and UHNI investors and are being sold out within a very short span of

Micro-Market Classification

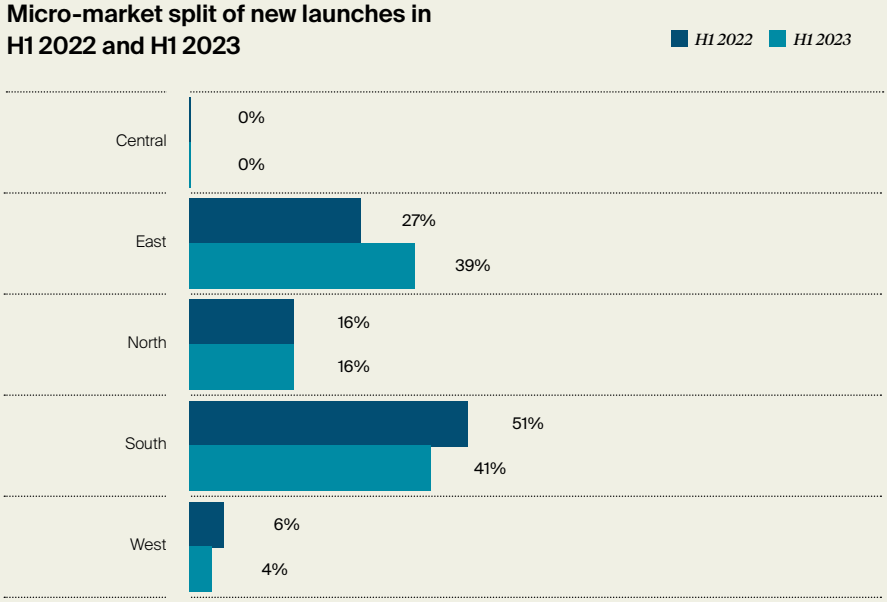
Micro market	Locations
Central	MG Road, Lavelle Road, Langford Town, Vittal Mallya Road, Richmond Road
East	Whitefield, Old Airport Road, Old Madras Road, KR Puram, Marathahalli
West	Malleshwaram, Rajajinagar, Yeswanthpur, Tumkur Road, Vijayanagar
North	Hebbal, Bellary Road, Hennur, Jakkur, Yelahanka,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

Source: Knight Frank Research

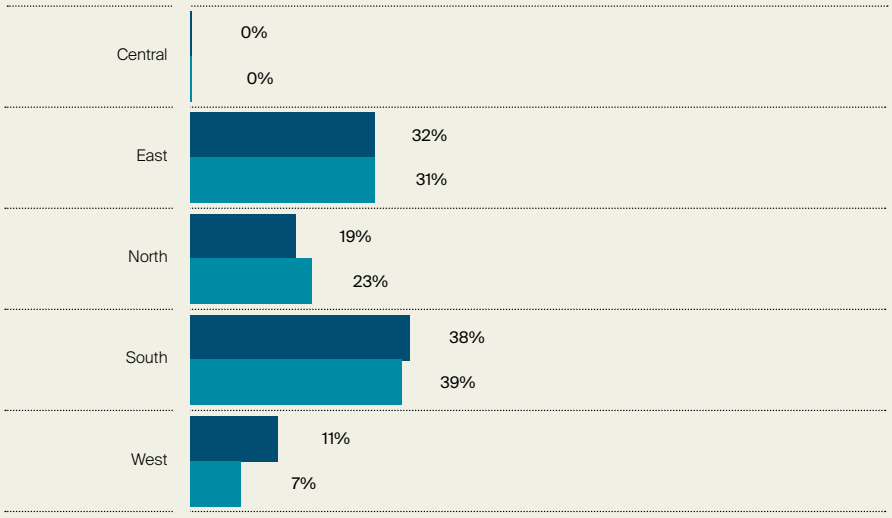
time from the launch.

- During H1 2023, the weighted average residential price in Bengaluru was INR 60,741 per sq m (INR 5,643 per sq ft), a 5.3% growth over the last one year. The incremental rise in the cost of construction and the lending costs have been transferred to the consumers gradually over the last few quarters. However, despite the increase in prices, affordability continues to remain high and is expected to support demand for the remainder of the year.

Micro-market split of new launches in H1 2022 and H1 2023

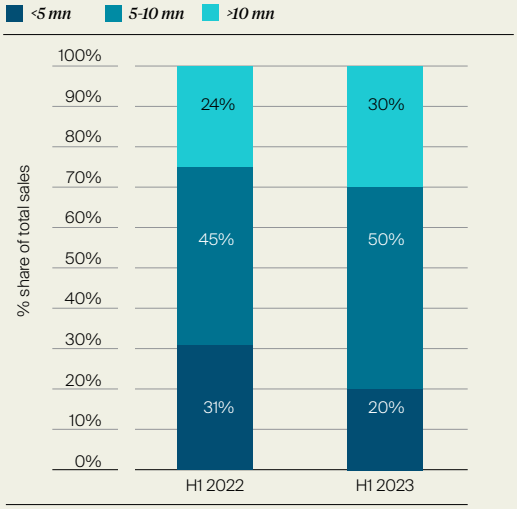


Micro-market split of Sales in H1 2022 and H1 2023



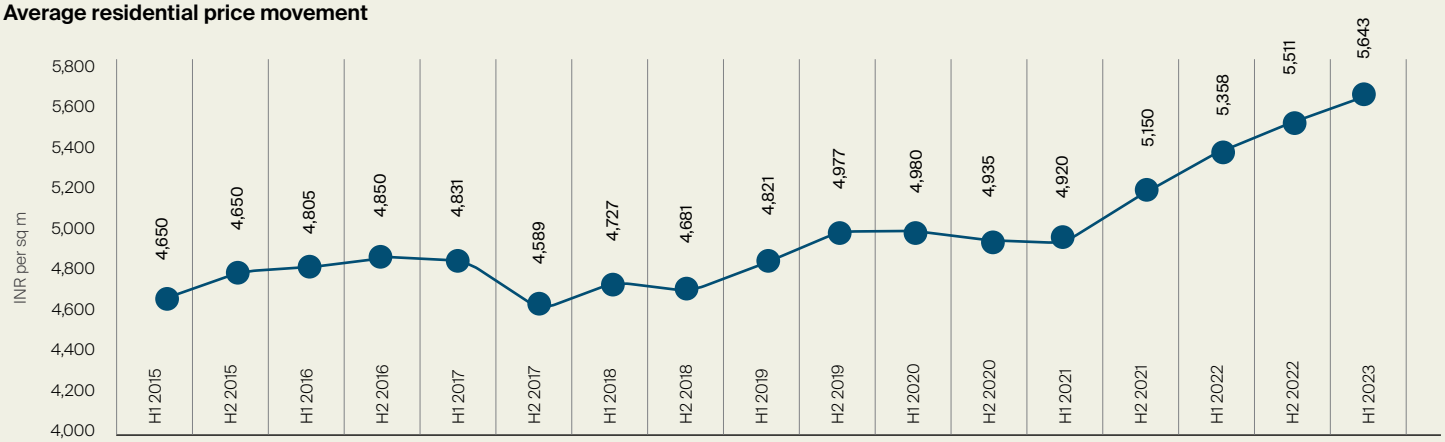
Source: Knight Frank Research

Bengaluru ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

Average residential price movement



Source: Knight Frank Research

Residential price movement in select locations

Micro Market	Location	Price range in H1 2023 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Langford Town	1,61,460-2,36,808 (15,000-22,000)	0%	0%
	Lavelle Road	2,26,044-3,22,920 (21,000-30,000)	0%	0%
East	KR Puram	(48,438-76,424(4,500-7,100)	5%	4%
	Whitefield	52,744-91,494 (4,900-8,500)	6%	4%
	Marathahalli	46,285-86,112 (4,300-8,000)	3%	2%
North	Hebbal	64,584-1,33,474 (6,000-12,400)	5%	4%
	Yelahanka	49,514-85,036 (4,600-7,900)	4%	3%
	Thanisandra	51,667-96,876 (4,800-9,000)	5%	4%
	Hennur	51,667-97,952 (4,800-9,100)	5%	4%
South	Sarjapur Road	52,744-92,570 (4,900-8,600)	5%	4%
	Kanakpura Road	48,438-82,883 (4,500-7,700)	4%	3%
	Electronic City	38,750-73,195 (3,600-6,800)	4%	3%
	Bannerghatta Road	50,591-78,039 (4,700-7,250)	4%	3%
West	Yeshwantpur	64,584-1,20,557 (6,000-11,200)	3%	2%
	Malleswaram	88,265-1,56,078 (8,200-14,500)	4%	2%
	Rajajinagar	89,341-1,74,377 (8,300-16,200)	2%	2%
	Tumkur Road	41,980-68,890 (3,900-6,400)	3%	3%

Source: Knight Frank Research

Micro-market Health

Micro-market	Unsold Inventory (housing units) (YoY Change)	Quarters-to-sell (QTS)
Central	74 (-59%)	2.3
East	10,412 (-8%)	2.7
North	10,913 (-20%)	4.1
South	29,674(-8%)	5.7
West	3,620 (-19%)	3.5

Source: Knight Frank Research

Office Market

Bengaluru Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	1.45 (15.6)	31%	0.59 (6.4)	10%	0.46 (5.0)	53%
Transactions in mn sq m (mn sq ft)	1.35 (14.5)	19%	0.65 (7.0)	-10%	0.32 (3.4)	-19%
Average transacted rent in INR/sq m/month (INR/sq ft/month)	872 (81)	11%	893 (83)	2.5%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

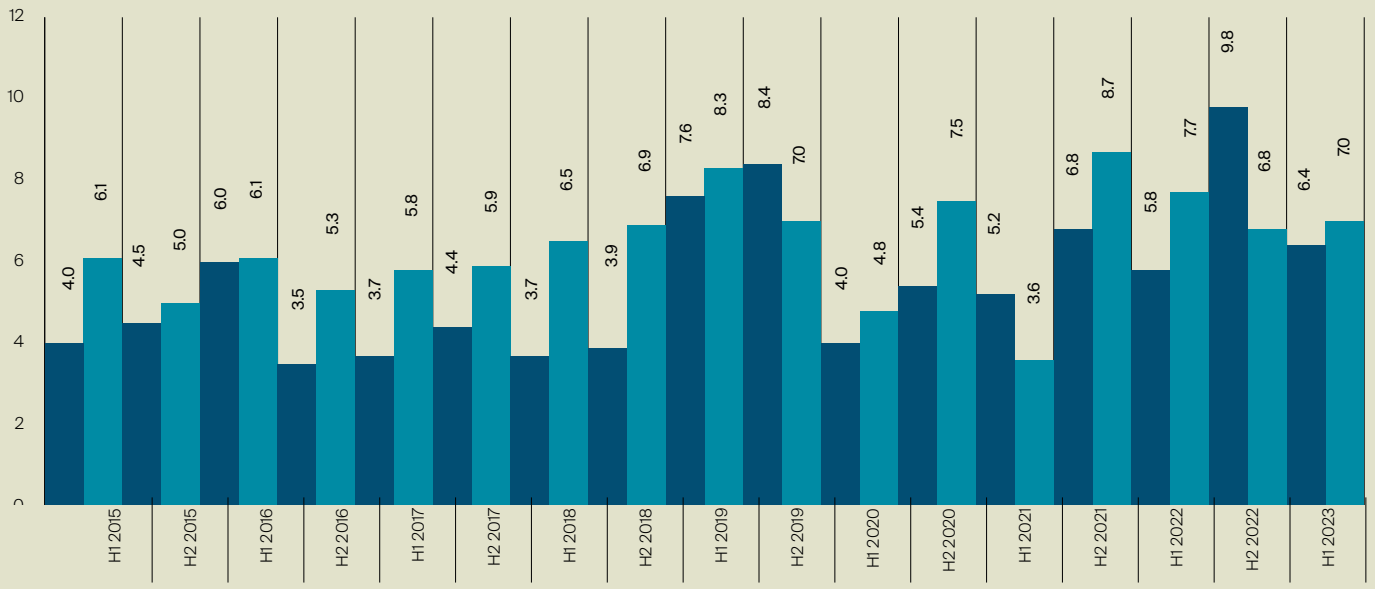
Stock mn sq m (mn sq ft) in H1 2023
19.3 (208)

H1 2023 Change (YoY)
8%

H1 2023 Vacancy
14.5%

H1 2023 Change (YoY)
220
bps increase

Bengaluru Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- Bengaluru continued to be the most favored market of occupiers during H1 2023, accounting for 27% of the overall transactions across the top 8 cities. However, there has been a moderation in the office leasing activity owing to factors such as volatility in the IT/ITeS sector, continuation in work-from home policies and the funding crunch for startups. During H1 2023, Bengaluru registered 0.65 mn sq m (7 mn sq ft) of office leasing volume, a 10% contraction from a year ago. The moderation primarily emerged from third party IT services.

- During H1 2023, the leasing volume by the third-party IT services, who are the key enablers of commercial real estate in Bengaluru, shrank to 0.09 mn sq m (1 mn sq ft) from 0.21 mn sq m (2.1 mn sq ft) a year ago. However, this slowdown in tenancy is only transient, as over the long term, investments in technology and innovations will continue to drive the demand for IT businesses and a workforce to cater to the same. Besides, companies have also begun to accelerate their return to office.

- The shrinkage in leasing by the IT sector was compensated by the flex occupiers and Global Capability Centers (GCC). During H1 2023, the leasing volume by flex occupiers stood at 2.9 mn sq ft, comprising 41% of the overall transaction volume in the city, recording the highest volume in the last ten half yearly periods. The demand for flex spaces is growing as companies, especially in the volatile IT/ITeS and start-up ecosystem, are opting to operate from co-working and managed offices as a revenue saving mechanism, as they provide more flexibility and reduce operating expenses such as those incurred on office layouts and fit-outs. Although Bengaluru's office market is predominantly led by third party IT services, GCCs also hold the potential to be significant drivers of the market. The availability of strong technology platforms, along with the diverse talent pool of Bengaluru is an attractive focal point for the GCCs to set up their offices in Bengaluru. In H1 2023, GCCs comprised 29% of the transaction volume in Bengaluru, registering 0.19 mn sq m (2 mn sq ft) of leasing volume. Firms such as D E Shaw and Burns & McDonnell started their GCC operations from Bengaluru during H1 2023, while the existing occupiers such as Deloitte, Mercedes and Novonordisk expanded their office space.

- Amongst the business districts, ORR accounted for the largest share, i.e., 38% of the total office space leasing volume during H1 2023. ORR continues to be an attractive micro-market as the business district includes established Grade A business parks with quality space. Owing to its attractiveness to occupiers as well as the development of new infrastructure such as the under construction metro line connecting Silk Board to Hebbal, developer sentiment continues to remain strong in the ORR market. During H1 2023, ORR witnessed a supply infusion of 0.2 mn sq m (2.4 mn sq ft), primarily as an addition in the existing tech parks, backed by prominent Grade A developers.

- PBD East registered 33% of the transactions in H1 2023. From a mere 10% leasing share in 2017, the demand for office space in this region has significantly increased in the last 5 years. The recent commencement of operation of the elevated purple line metro corridor connecting K R Puram and Whitefield has enhanced connectivity in the micro-market, boosting occupier interest in this micro-market. To capitalize on the growing occupier interest, PBD East witnessed a supply infusion of 0.18 mn sq m (1.9 mn sq ft), equivalent to 30% of the total new supply infusion in H1 2023.

- PBD North is a growing market which has been expanding in the last few years to accommodate the growing needs of Bengaluru city. H1 2023 witnessed 0.2 mn sq ft of transactions, a miniscule volume as the market is still at a nascent stage. However, large scale infrastructure investment such as the expansion of Kempegowda International Airport (KIA), and the construction of phase 2 and 3 of the blue line metro connecting KIA with the rest of the city has encouraged the developers to acquire large land banks in the region and develop high scale tech parks in this cluster. The office stock in this region has increased from 0.51 mn sq m (5.5 mn sq ft) in 2019 to 1.02 mn sq m (11 mn sq ft) at present, with a maximum concentration by the Grade A developers. Additionally, 12 mn sq ft of new office supply is under construction by developers such as L & T, Prestige, Salarpuria and Sattva, to be completed by 2025 tentatively. Improved connectivity along with quality workspace, would easily add to occupier interest in this micro-market.

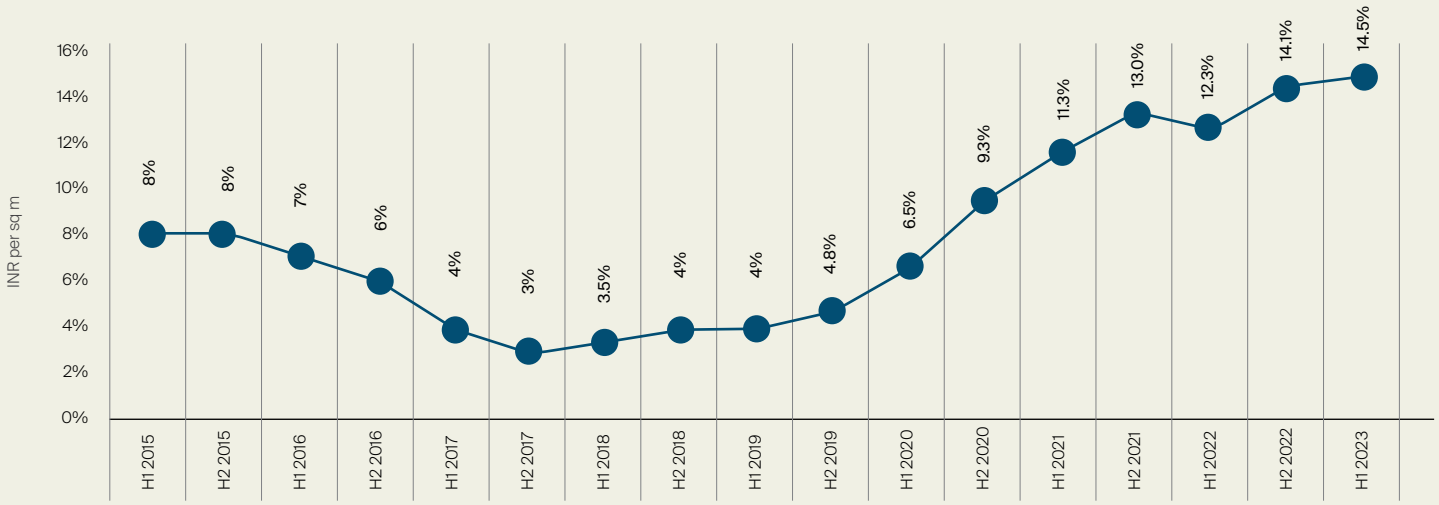
- Overall, Bengaluru witnessed new supply infusion of 0.59 mn sq m (6.4 mn sq ft) during H1 2023 accumulating a stock of 19 mn sq m (208 mn sq ft). The vacancy level has increased by 220 bps to 14.5% in H1 2023 compared to a year ago and the market contains adequate inventory to fulfill occupier demand in the near future.

- The weighted average transacted rentals in Bengaluru grew by 2.5% YoY to INR 893/sq m/month (INR 83/sq ft/month) in H1 2023. The comparable office demand and supply has led to stable rentals across the micro markets except for the moderate growth in ORR and PBD East. Overall, barring short-term discrepancies, Bengaluru's office market fundamentals remain strong. The acceleration of return to office by the firms and the growth in India facing businesses along with stable business inflow from the western developed markets into India, should support the growth in the office market demand in the near future.

Business District Classification

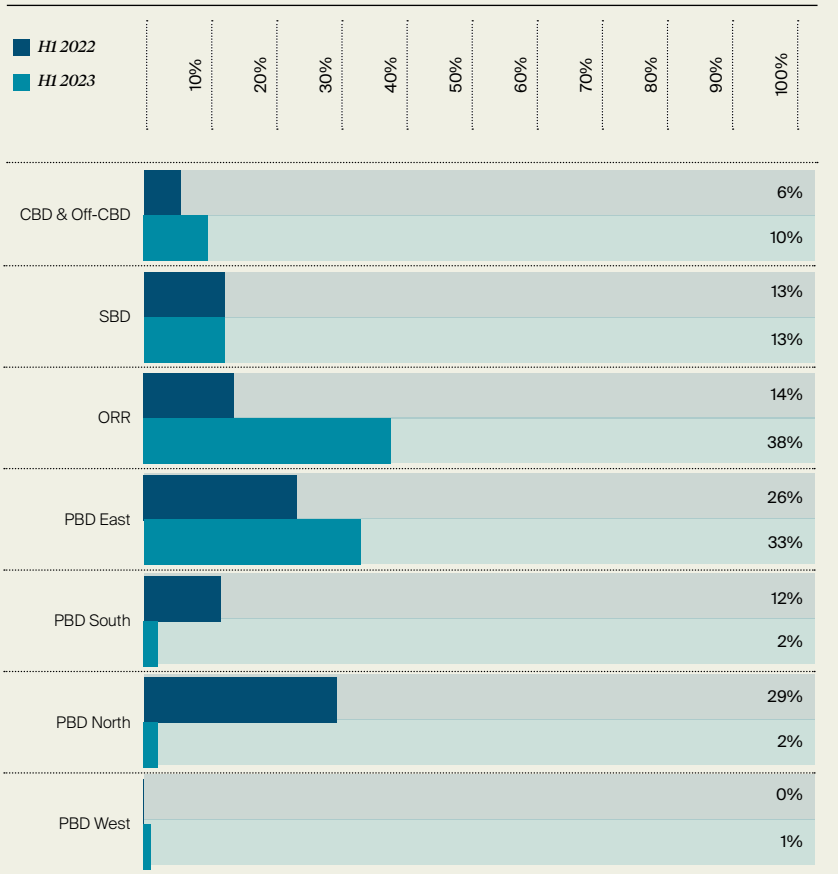
Business district	Micro markets
Central Business District (CBD) and Off CBD	MG Road, Residency Road, Cunningham Road, Lavelle Road, Richmond Road, Infantry Road
Secondary Business District (SBD)	Indiranagar, Koramangala, Airport Road, Old Madras Road
Peripheral Business District (PBD) East	Whitefield
Peripheral Business District (PBD) South	Electronic City, Bannerghatta Road
Peripheral Business District (PBD) North	Thanisandra, Yelahanka, Devanahalli
Peripheral Business District (PBD) West	Vijaynagar, Tumkur Road, Mysore Road
Outer Ring Road (ORR)	Hebbal ORR, Marathahalli ORR, Sarjapur Road ORR

Bengaluru Office Market Vacancy



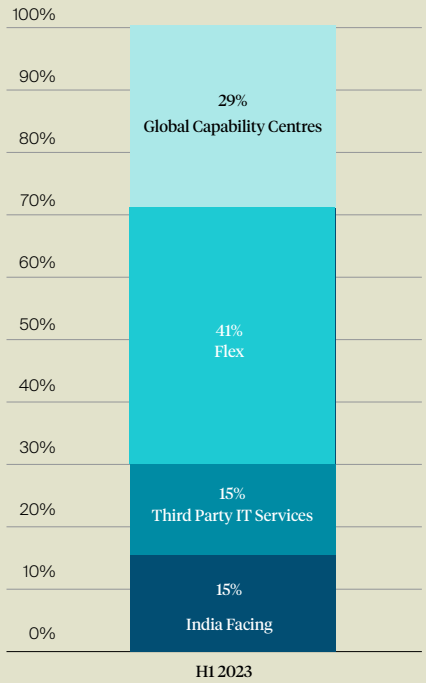
Source: Knight Frank Research

Business district wise transactions split in H1 2022 and H1 2023



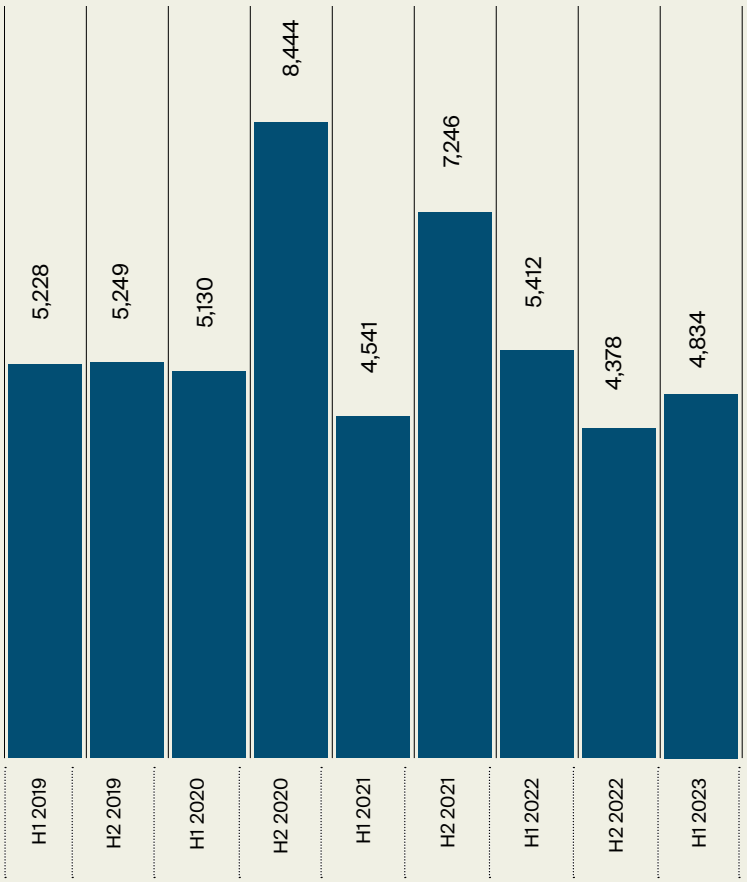
Source: Knight Frank Research

End-use split of transactions in H1 2023



Source: Knight Frank Research

Average deal size trend (SQ M)



Source: Knight Frank Research

Business district-wise rental movement

	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
CBD & Off-CBD	1184-2045 (110-190)	0%	0.0%
SBD	861-1722 (80-160)	0%	0.0%
PBD East	645-807 (60-75)	2.5%	0.0%
PBD South	538-915 (50-85)	2.3%	0.0%
PBD North	538-915(50-85)	0%	0.0%
ORR	1023-1292 (95-110)	2.8%	0.0%

Source: Knight Frank Research

Chennai

Residential Market

Chennai Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	15,416	21%	8,122	7%	4,170	8%
Sales (housing units)	14,248	19%	7,150	3%	3,500	-2%
Average price in INR/sq m (INR/sq ft)	INR 46,285 (INR 4,300)	6.2%	INR 46,823 (INR 4,350)	2.5%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

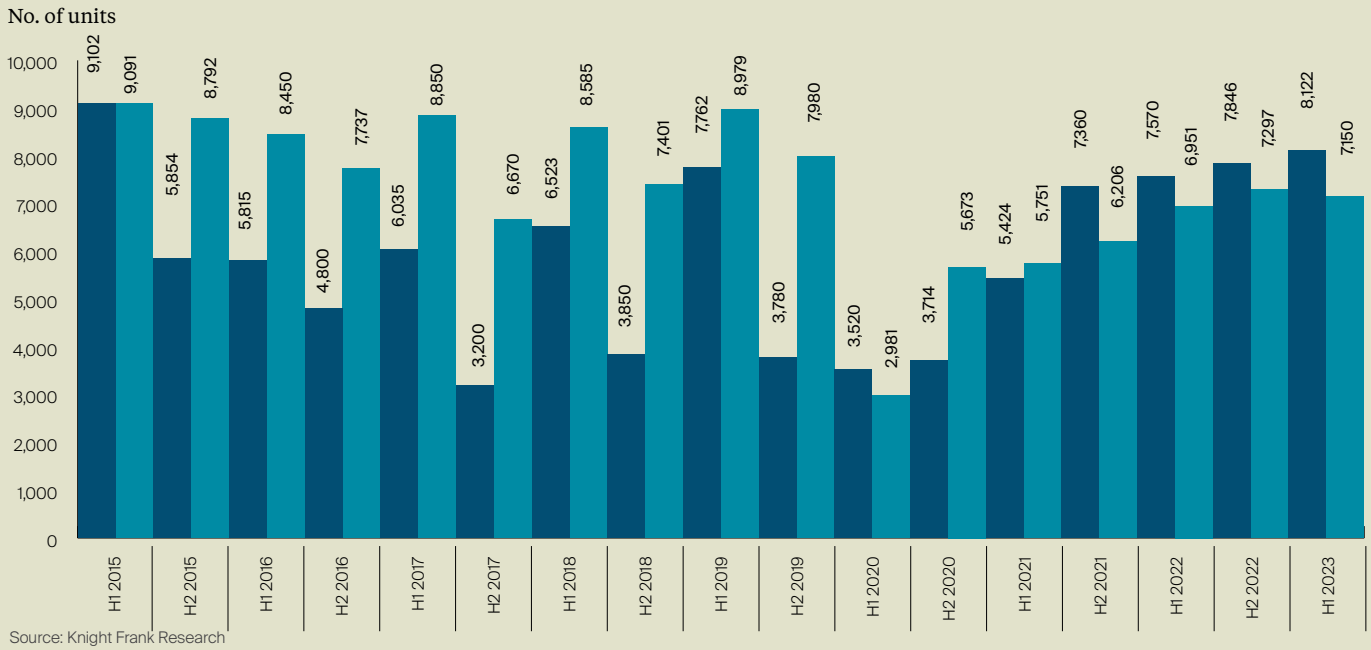
Unsold inventory (housing units) H1 2023
15,156

Change (YoY)
11%

4.4
Quarters to sell (in quarters) H1 2023

10.0
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend



Source: Knight Frank Research

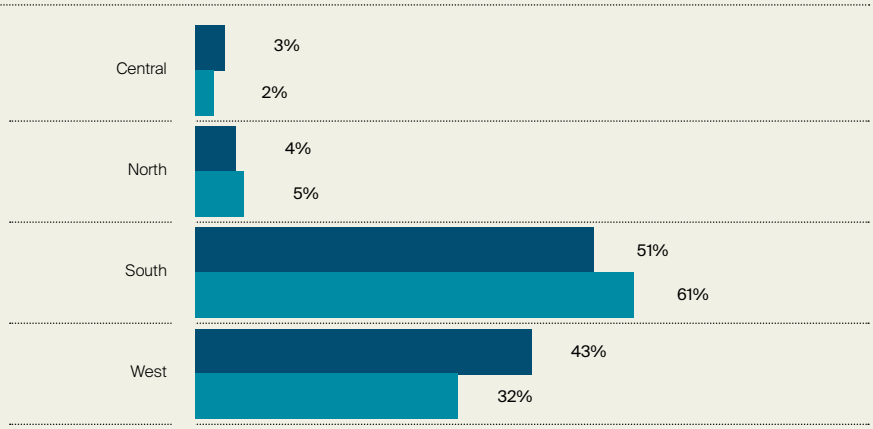
- The Chennai residential market has been on a recovery path since H2 2020. Sales increased by 3% YoY during H1 2023 to 7,150 units.
- Sales were largely concentrated in the south and west micro-markets, which cumulatively accounted for 89% of the total sales during the period. The south micro-market locations along the OMR and GST Roads have continued to garner most homebuyer interest comprising a total share of 64%, while the more affordable locations such as Porur, Valasaravakkam and Poonamalle toward the west accounted for 25% of the total share.
- The mid segment of INR 5-10 mn, as always, constituted the bulk of sales and accounted for 40% during H1 2023 as compared with 44% in H1 2022. The share of <INR 5 mn segment followed closely behind and accounted for 39% of the overall sales as compared with 31% during H1 2022. Chennai is witnessing a growth in the number of students and job seekers, which has created scope for the development of affordable housing in several parts of the city. This has led to an increase in the demand for affordable housing.
- During H1 2023, 21% of the overall sales took place for apartments with ticket sizes of > INR 10 mn. The need of homebuyers to upgrade their lifestyle by acquiring houses with larger spaces and better amenities has led to the sale of luxury apartments.
- Developers launched 8,122 units in the first half of 2023, a 7% increase from the same period last year. Locations such as Medavakkam, Navalur (OMR), Siruseri SIPCOT (OMR), Thoraipakkam (OMR) and Pallavaram saw increased development activity during the period. Launches were largely concentrated in the southern and western micro-markets, which accounted for 61% and 32% of the total launches respectively during H1 2023.
- While the growth in sales has been stable in H1 2023, it has been accompanied by a price growth of 3% YoY. The increase in price post COVID-19 in a calibrated manner is an encouraging sign and can be viewed as an indicator that the market is on its way to recovery.
- The average age of inventory in Chennai has reduced to 10.0 quarters in H1 2023 from 12.6 quarters in H1 2022 while the Quarters-to-Sell (QTS) has largely remained stable at 4.4 quarters in H1 2023 as compared with H1 2022.
- Chennai is a major commercial and industrial hub and its emergence as an IT hub has generated abundant job opportunities, thereby stimulating the demand for residential properties within Chennai. Going forward, with improved market conditions and a considerable number of upcoming projects, the city will continue to see a healthy rise in housing demand over the upcoming quarters.

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

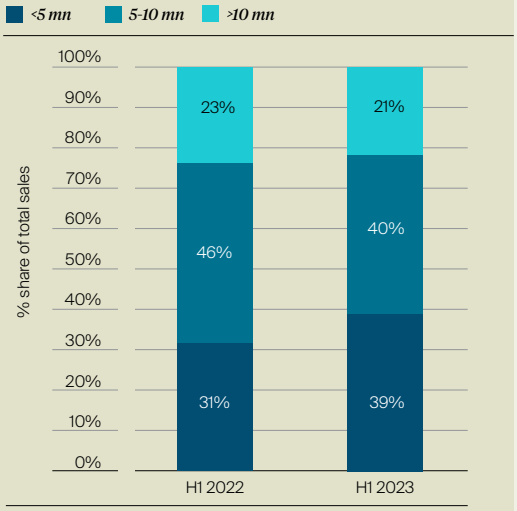
Source: Knight Frank Research

Micro-market split of new launches in H1 2022 and H1 2023



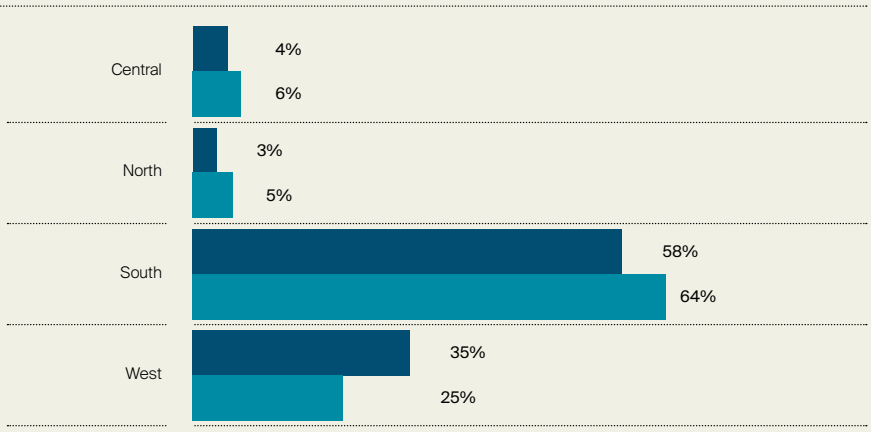
Source: Knight Frank Research

Chennai ticket size split comparison of sales during H1 2022 and H1 2023



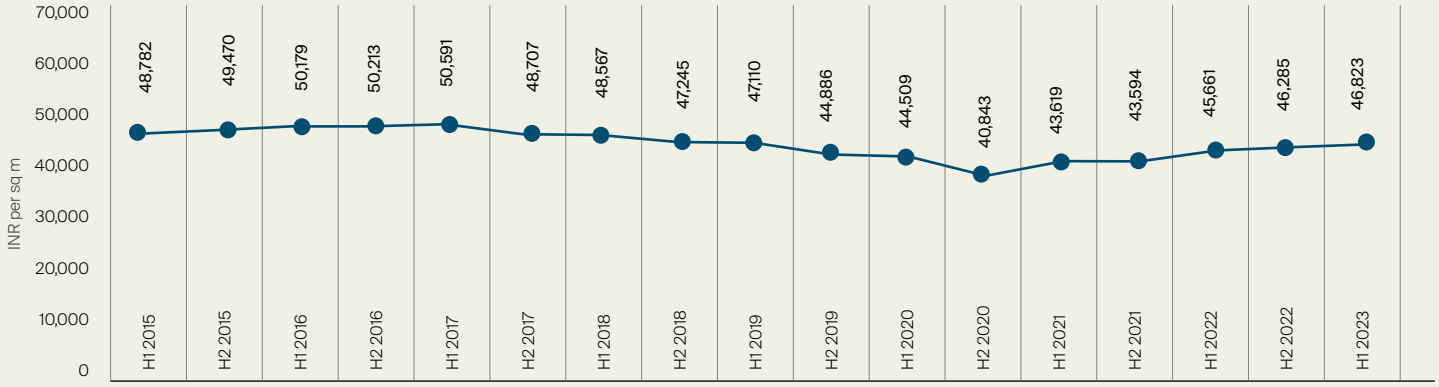
Source: Knight Frank Research

Micro-market split of Sales in H1 2022 and H1 2023



Source: Knight Frank Research

Average residential price movement



Source: Knight Frank Research

Residential price movement in select locations

Micro Market	Location	Price range in H1 2023 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Anna Nagar	119,050 -120,557 (11,060-11,200)	5%	1%
	Kilpauk	1119,050 - 121,633 (11,060-11,300)	5%	2%
North	Kolathur	62,431- 62,442 (5,800-5,801)	4%	2%
	Perambur	70,171 -71,247 (6,519-6,619)	3%	0%
South	Perumbakkam	48,782- 57,049 (4,532-5,300)	4%	1%
	Kelambakkam	43,056 – 44,821 (4,000-4,164)	3%	1%
West	Porur	60,278 – 69,966 (5,600-6,500)	5%	1%
	Mogappair	68,890 – 76,963 (6,400-7,150)	5%	1%

Source: Knight Frank Research

Micro-market Health

Micro-market	Unsold Inventory (housing units) (YoY Change)	Quarters-to-sell (QTS)
Central	59 (-84%)	0.4
North	537 (18%)	4.0
South	5,895 (-1%)	2.9
West	8,665 (26%)	7.9

Source: Knight Frank Research

Office Market

Chennai Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	0.41 (4.4)	150%	0.21 (2.3)	-26%	0.18 (2.0)	149%
Transactions in mn sq m (mn sq ft)	0.52 (5.6)	44%	0.42 (4.5)	107%	0.34 (3.7)	213%
Average transacted rent in INR/sq m/month (INR/sq ft/month)	659 (61.2)	5%	662 (61.5)	3%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Stock mn sq m (mn sq ft) in H1 2023

7. 87 (84.7)

H1 2023 Change (YoY)

4%

H1 2023 Vacancy

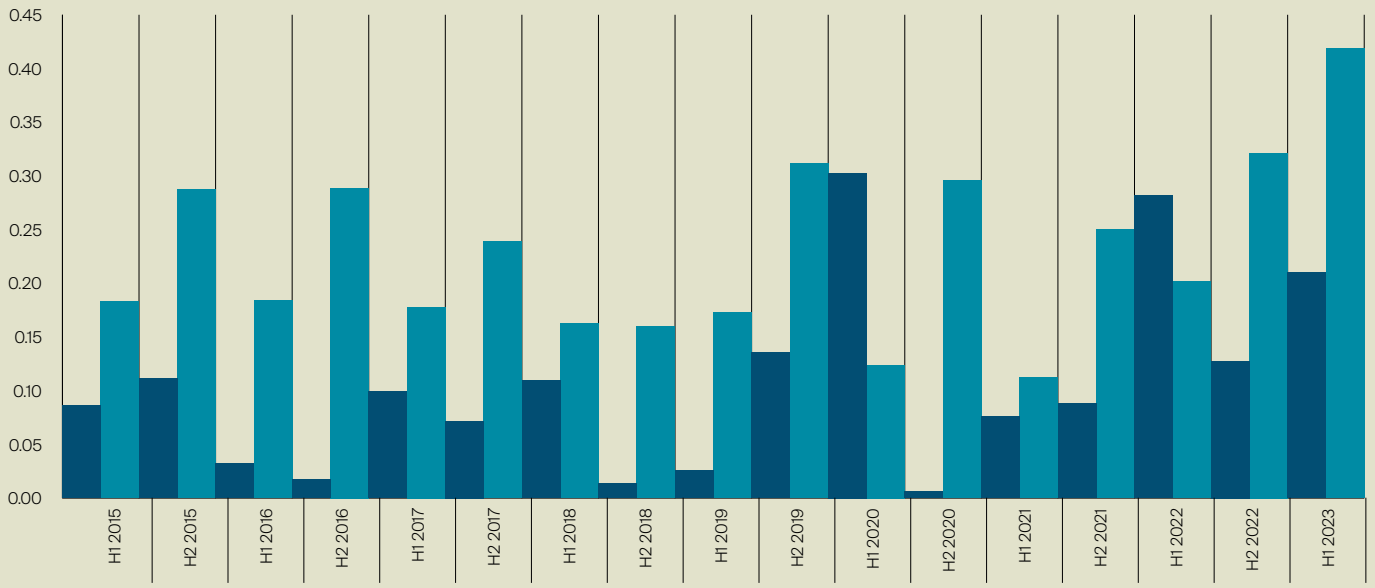
11.5%

H1 2023 Change (YoY)

241

bps decrease

Chennai Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- The Chennai commercial real estate has been on a strong trajectory as the city has recorded an all-time high of office leasing during H1 2023. Transaction volumes have increased sharply by 107% YoY to 0.42 mn sq m (4.5 mn sq ft), driven by a strong leasing momentum by multinationals. The market has also fostered a broad tenant base during this period.

- The offshore units of multinational corporations that operate across the globe i.e., Global Capability Centers (GCC), accounted for the majority of transactions in Chennai during H1 2023. Around 47% of the overall transactions were leased by GCCs occupiers with major tenants including Shell, Qualcomm and Hitachi ABB. The Chennai offices of Shell, Qualcomm and Hitachi ABB provide support to the company's global IT operations.

- Companies whose operations are mainly catered towards the Indian markets i.e., businesses which have an India focused business accounted for 28% of the office space leased during H1 2023. Within these set of companies, tenants in the BFSI space were the most dominant and accounted for bulk of the transactions followed by tenants in the Other Services sectors such as engineering, logistics and healthcare.

- The demand for flex spaces continued to remain strong, accounting for 13% of space taken up in H1 2023. Indiqube and Symbyont were the most active flex space operators during this time and accounted for bulk of the transaction in this segment.

- Chennai has an upcoming IT and ITES industry. Companies which are mainly into outsourcing services to clients abroad i.e., players in the Third Party IT services domain accounted for 12% of the total transactions' pie during H1 2023. Key tenants in this category are WNS, Babcock and Spectrum.

- Office completions in H1 2023 have decreased by 26% YoY to 0.21 mn sq m (2.3 mn sq ft). The fall in new completions can be attributed to the high base effect of the previous comparative period, which saw high supply volumes reported in H1 2022.

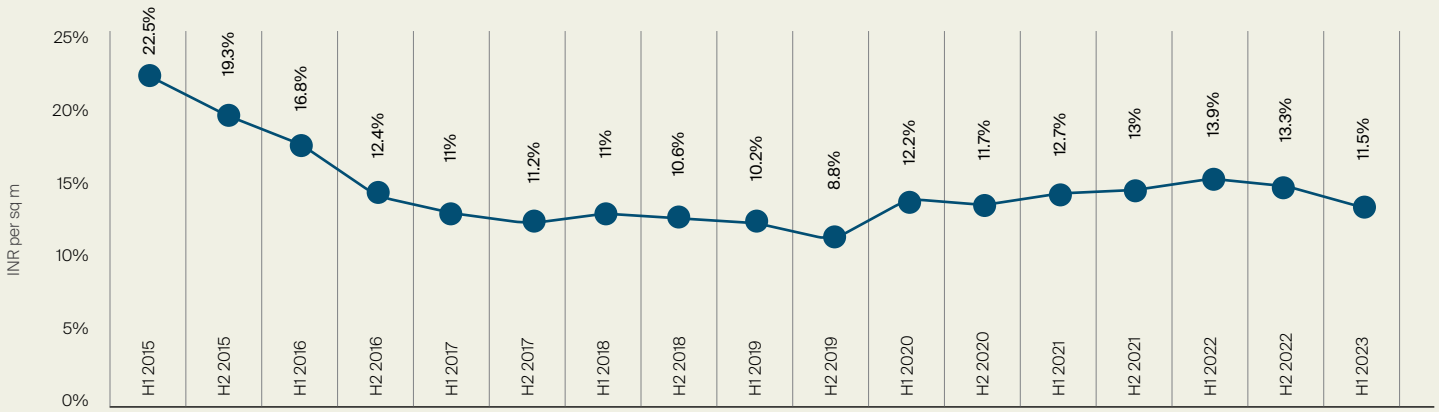
- The share of leasing in the SBD zone increased in H1 2023 to 54% as compared with 43% leased during H1 2022. Most of the leasing in SBD in H1 2023 occurred in Manapakkam, Guindy and Porur. The SBD OMR zone accounted for 25% of the overall leasing volumes. Most of the leasing in SBD OMR in H1 2023 occurred in Kandanchavadi, Taramani, and Kottivakkam.

- Rentals increased by 3% YoY during H1 2023. Business districts such as CBD and SBD OMR experienced an increase in rentals. The key causes for the increase in rentals were healthy leasing momentum, increased occupier confidence, and lower volume of completions during the period. Also, new office spaces with better specifications and higher rents are also raising the rent profile of the market. In terms of INR/sq ft/month, the Chennai office market remains affordable compared to peer markets.

- Chennai's vacancy rate declined in H1 2023 to 11.5% as compared with 13.9% in H1 2022. In addition to the fall in office space completions, the drop in vacancy in H1 2023 can be attributed to the remarkably strong transaction volumes during the period. The heightened traction, especially by GCCs played a big part in the record transaction volumes experienced by the market during H1 2023.

- The Chennai office market is backed by a strong underlying economy, talented workforce, well-developed infrastructure, and comparatively lower occupancy costs. The following factors continue to be a big draw for the occupier.

Chennai Office Market Vacancy



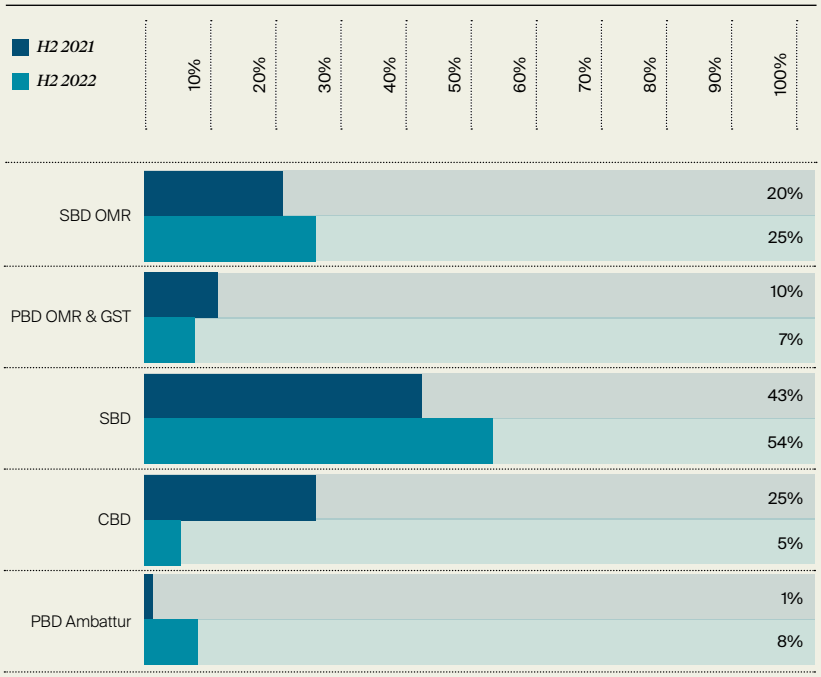
Source: Knight Frank Research

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, Nandambakkam
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

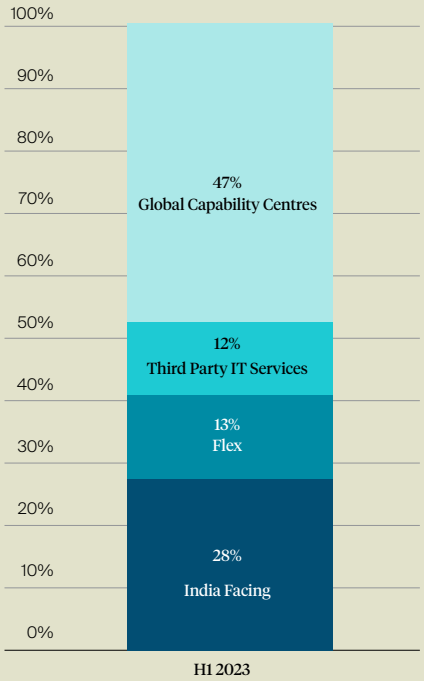
Source: Knight Frank Research

Business district wise transactions split in H1 2022 and H1 2023



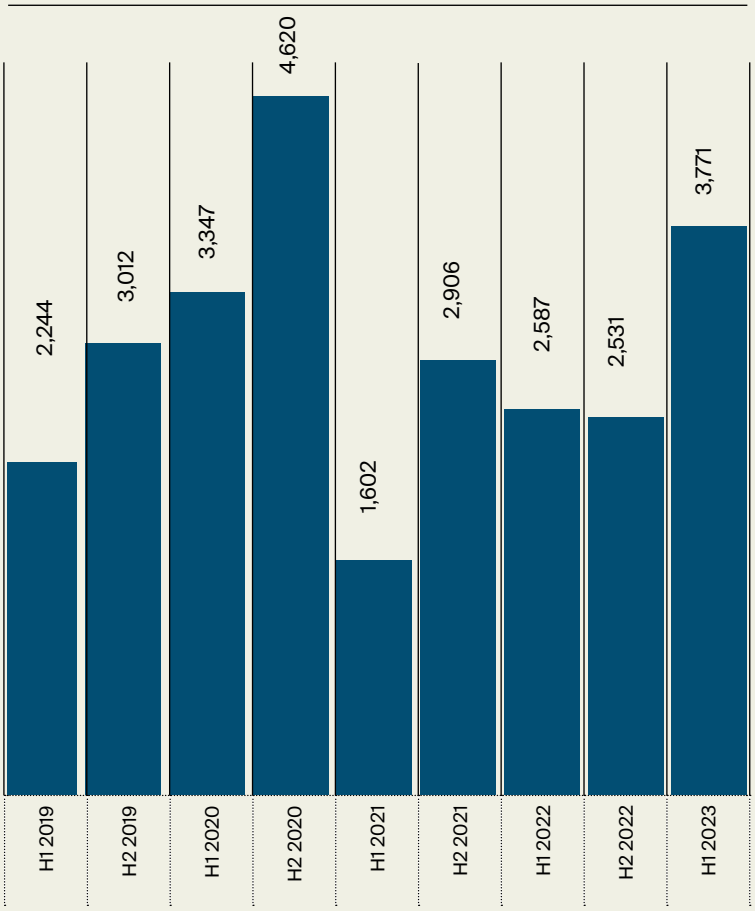
Source: Knight Frank Research

End-use split of transactions in H1 2023



Source: Knight Frank Research

Average deal size trend(SQ M)



Source: Knight Frank Research

Business district-wise rental movement

	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
CBD	700–1,023 (65–95)	8%	4%
SBD	646–969 (60–90)	2%	-9%
SBD OMR	592–1130 (55–105)	5%	7 %
PBD OMR and GST Road	431–592 (40–55)	-2%	-4%
PBD Ambattur	409–484 (38–45)	-5%	-5%

Source: Knight Frank Research

Hyderabad

Residential Market

Hyderabad Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	43,847	23%	22,851	7%	11,865	7%
Sales (housing units)	31,046	28%	15,355	5%	7,055	-8%
Average price in INR/sq m (INR/sq ft)	INR 53,651 (INR 4,984)	6%	INR 58,234 (INR 5,410)	10%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Unsold inventory (housing units) H1 2023
38,896

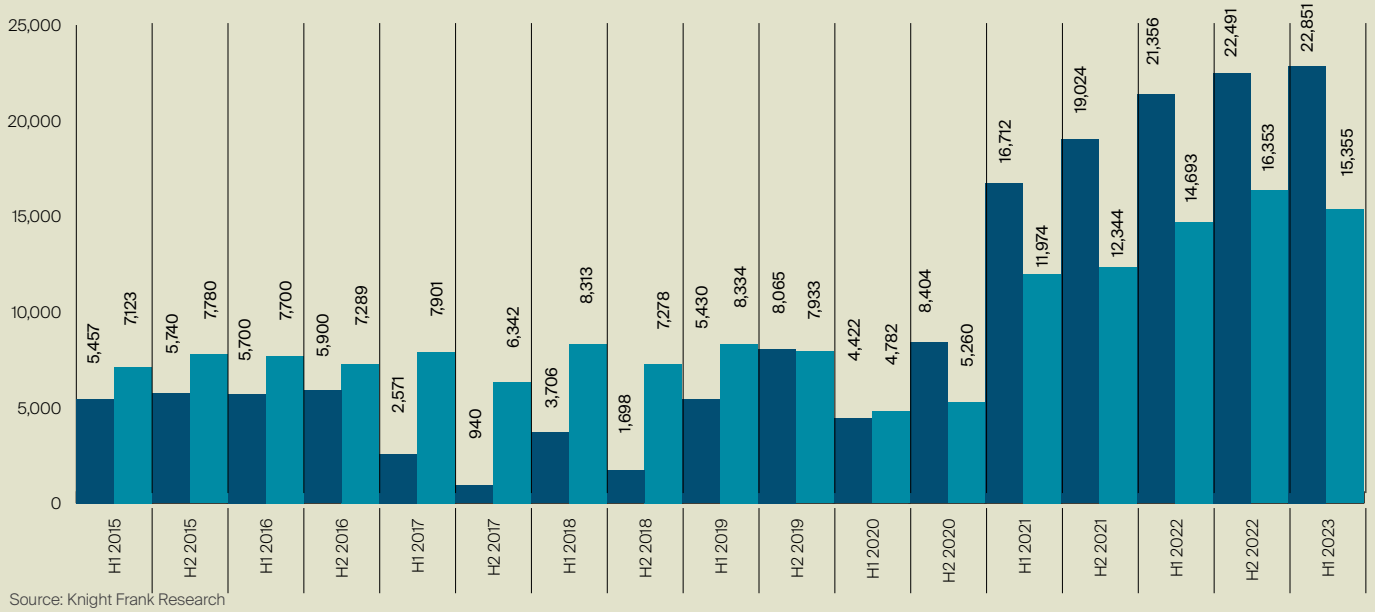
Change (YoY)
54%

5.3
Quarters to sell (in quarters) H1 2023

6.5
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend

No. of units



Source: Knight Frank Research

- Residential sales for Hyderabad continue to grow despite the state facing the highest consumer price inflation in the country during the period under review. Sales have increased by 5% YoY during H1 2023 to 15,355 units, which is the highest growth recorded by a city amongst the top eight cities under our coverage for the period under review. During COVID-19 and post the ebbing of the pandemic, the sale volume continued to remain relatively steady in Hyderabad as home-buyer sentiments remain sanguine.

- West Hyderabad continues to dominate the preference of homebuyers in H1 2023 and accounted for a significant 60% of the total sales activity. Proximity to office locations like HITEC City, Financial District, Madhapur, Gachibowli, Nanakramguda and Kondapur coupled with the presence of robust infrastructure have been the major pull factors for homebuyers in West Hyderabad.

- A longer-term trend indicates a gradual fall in the share of the <INR 5 mn segment from 29% in H1 2018 to 13% in H1 2023. The mid segment of INR 5-10 mn constituted 42% of the overall sales during H1 2023. Since H1 2018, this segment's share has remained within the range of 42% to 52%.

- The proportion of sales in the high-value segment which constitutes homes valued >INR 10 mn has increased from 18% in H1 2019 to 45% in H1 2023. The bulk of sales has taken place in this segment, and this trend is expected to continue in the coming years as the city's economy continues to grow and the demand for luxury housing remains strong.

- In accordance with the shift in preference, developers have launched 22,851 units during H1 2023, of which 42% of the launches were for homes valued >10mn. 58% of the overall launches took place in West Hyderabad with My Home Constructions, Rajapushpa Properties, Honer Homes and Candeur Constructions featuring prominently among developers active in West Hyderabad. Locations such as Tellapur, Kukatpally, Nanakramaguda and Kokapet saw most of the development activity.

- Hyderabad's residential prices rose by 10% YoY during H1 2023. Since the past few years there has been a sharp appreciation of land prices which has led to the increase in residential prices as well. Despite the price rise, the city continues to remain a desirable location for investors as well as end users.

- After a period of decline, the average age of inventory in Hyderabad has increased from 5.6 quarters in H1 2022 to 6.5 quarters in H1 2023.

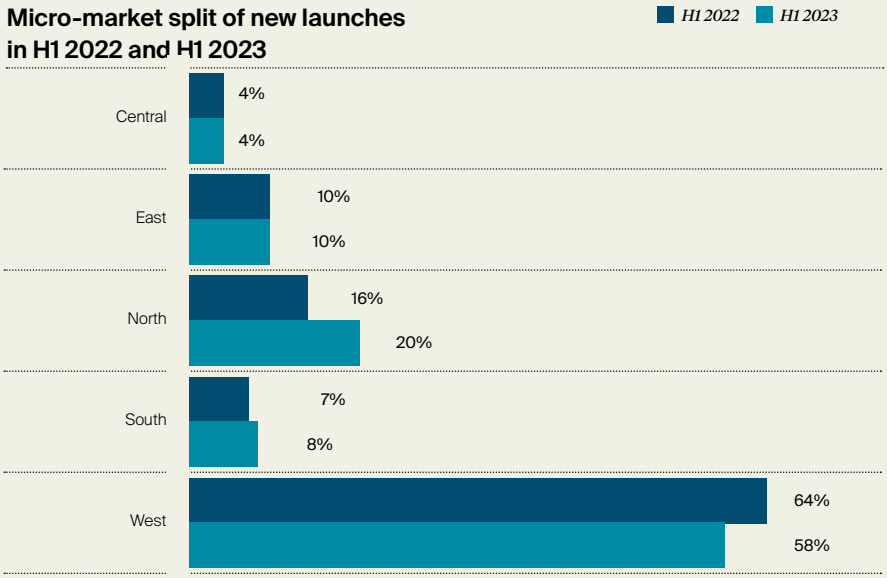
- The need to upgrade the family's primary dwelling to apartment complexes which offer more space and amenities has lately been the mainstay for Hyderabad's residential markets. The city has a sound and well-planned network of roads, flyovers, under-passes and wide ring roads, and the government is also investing further in the development of infrastructure projects, such as the Hyderabad Metro Rail and the Outer Ring Road. These projects are expected to make Hyderabad an even more attractive place to live and work in, which will further boost the demand for housing.

Micro-Market Classification

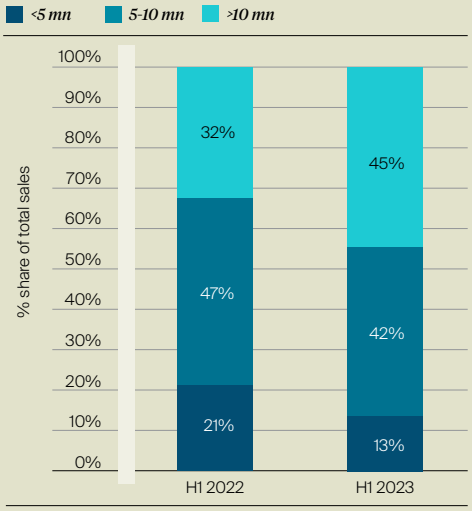
Micro market	Locations
HMR – Central	Begumpet, Banjara Hills, Jubilee Hills, Panjagutta, Somajiguda
HMR – West	Kukatpally, Madhapur, Kondapur, Gachibowli, Raidurgam, Kokapet
HMR – East	Uppal, Malkajgiri, LB Nagar
HMR – North	Kompally, Medchal, Alwal, Quthbullanpur
HMR – South	Rajendra Nagar, Shamshabad

Source: Knight Frank Research

Micro-market split of new launches in H1 2022 and H1 2023

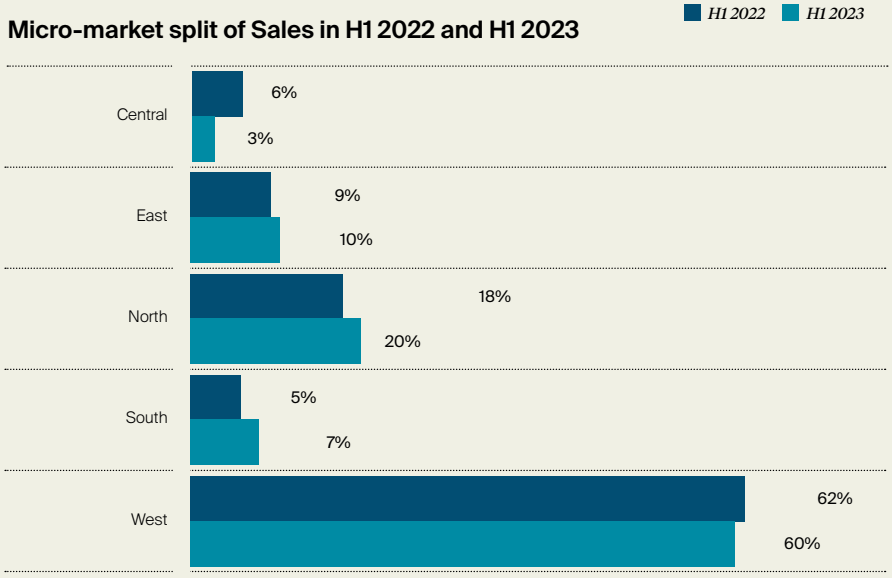


Hyderabad ticket size split comparison of sales during H1 2022 and H1 2023



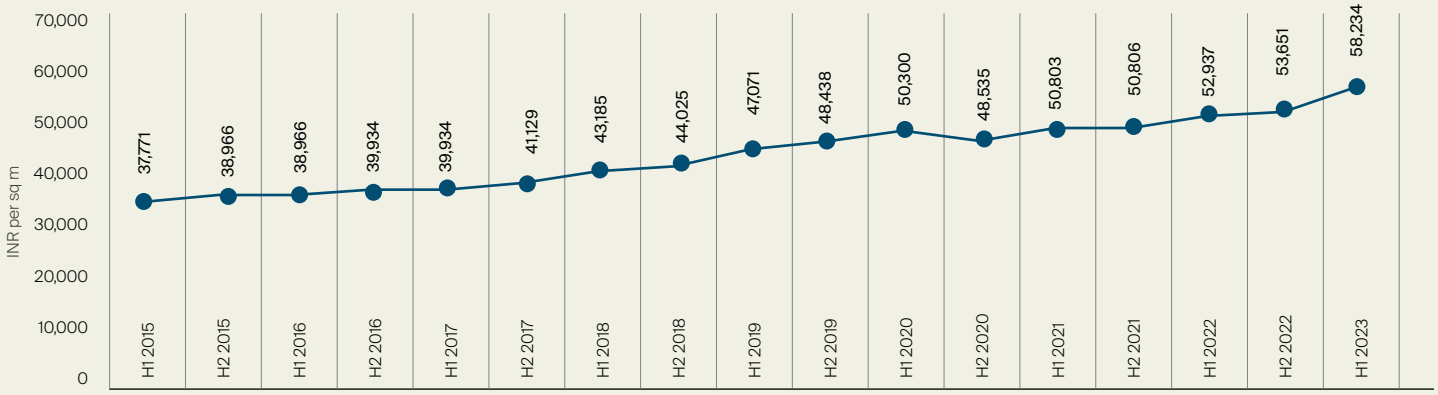
Source: Knight Frank Research

Micro-market split of Sales in H1 2022 and H1 2023



Source: Knight Frank Research

Average residential price movement



Source: Knight Frank Research

Residential price movement in select locations

Micro Market	Location	Price range in H1 2022 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Banjara Hills	146,939 – 155,044 (13,651 – 14,404)	12%	1%
	Jubilee Hills	143,161 – 160,232 (13,300 – 14,886)	2%	1%
East	LB Nagar	66,736 – 68,351 (6,200 – 6,350)	22%	1%
	Nacharam	57,049 – 63,507 (5,300 – 5,900)	16%	2%
North	Kompally	51,667 – 59,933 (4,800– 5,568)	11%	1%
	Sainikpuri	54,896 – 56,715 (5,100 – 5,269)	38%	1%
South	Rajendra Nagar	55,197 – 56,715 (5,128– 5,269)	-12%	2%
	Bandlaguda	71,505 – 83,840 (6,643 –7,789)	33%	2%
West	Kokapet	80,740 – 89,567 (7,501– 8,321)	28%	3%
	Manikonda	80,471– 80,956 (7,476– 7,521)	39%	4%

Source: Knight Frank Research

Micro-market Health

Micro-market	Unsold Inventory (housing units) (YoY Change)	Quarters-to-sell (QTS)
Central	1,238 (78%)	3.3
East	3,777 (63%)	5.5
North	6,439 (79%)	4.7
South	3,072 (65%)	7.4
West	24,369 (45%)	5.4

Source: Knight Frank Research

Office Market

Hyderabad Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	1.04 (11.2)	145%	0.12 (1.3)	-76%	0.12 (1.3)	-68%
Transactions in mn sq m (mn sq ft)	0.62 (6.7)	12%	0.27 (2.9)	-8%	0.20 (2.1)	27%
Average transacted rent in INR/sq m/month (INR/sq ft/month)	700 (65.0)	6%	702 (65.3)	2%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

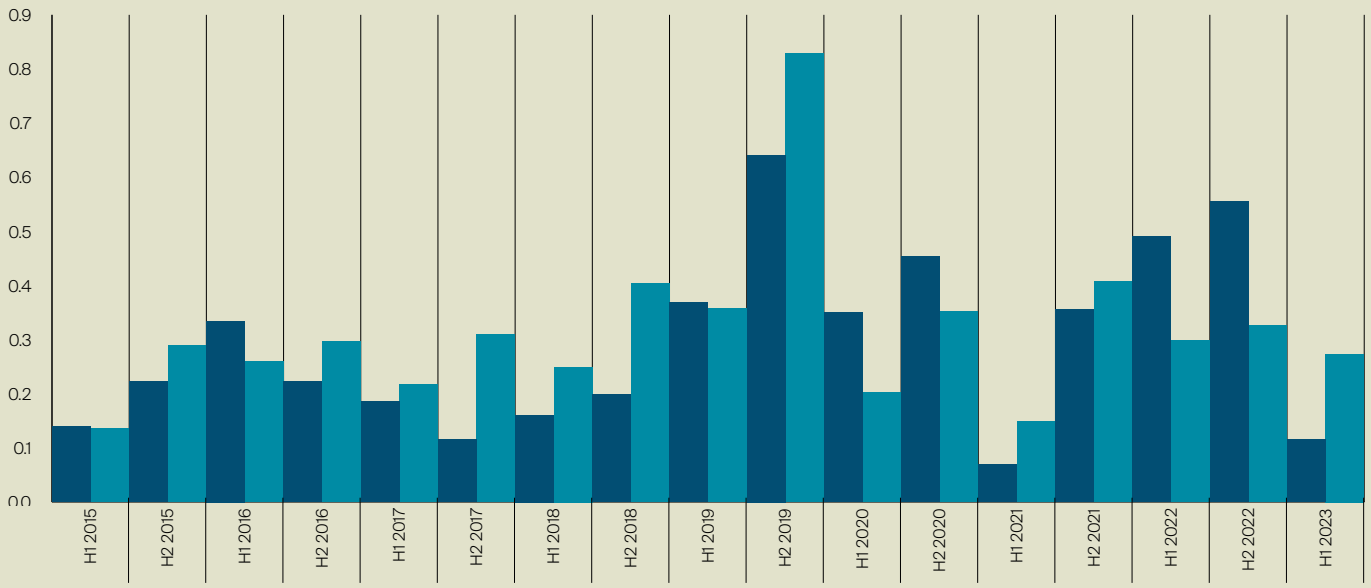
Stock mn sq m (mn sq ft) in H1 2023
9.38 (101)

H1 2023 Change (YoY)
8%

H1 2023 Vacancy
14.0%

H1 2023 Change (YoY)
21
bps increase

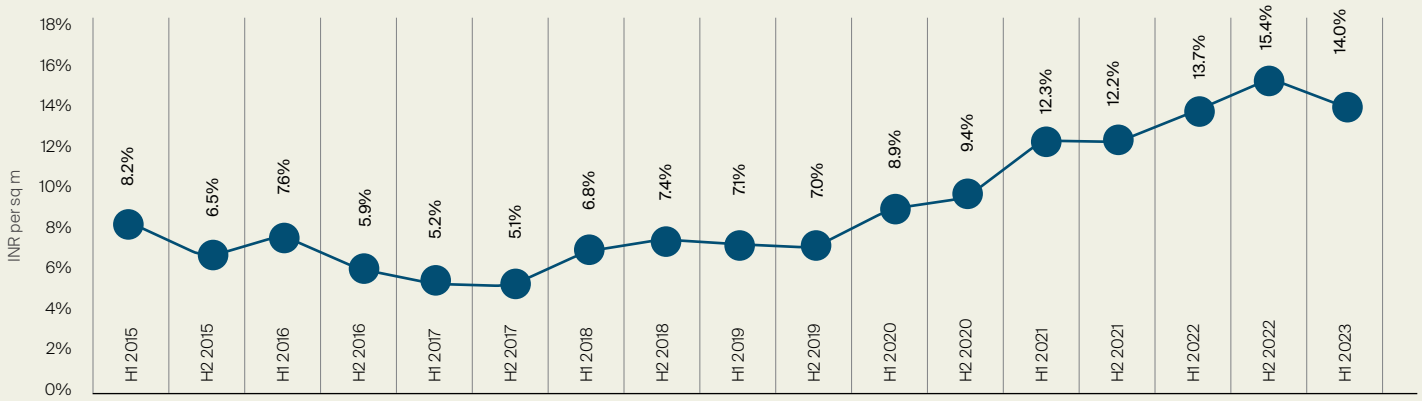
Hyderabad Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- The Hyderabad office market experienced an 8% YoY degrowth with a total of 0.27 mn sq m (2.9 mn sq ft) transacted during H1 2023. The fall in transactions can be attributed to subdued office leasing during Q1 as the IT industry, which is the mainstay of the state, was facing global headwinds. However, there has been a significant recovery in transaction volumes to the tune of 27% YoY during Q2 2023.
- In a market which has traditionally been anchored by the Information Technology (IT) sector, companies which are mainly into outsourcing services to clients abroad i.e., Third Party IT services players, accounted for 52% of the total transactions' pie during H1 2023.
- Companies whose business operations mainly cater to the Indian markets i.e., businesses which have an India focus, accounted for 25% of the office space leased during H1 2023. Within this set of companies, tenants in the BFSI space were the most dominant and accounted for the bulk of transactions.
- Offshore units of multinational corporations that operate across the globe i.e., Global Capability Centers (GCC), accounted for 6% of the office space leased during H1 2023. Warner Brothers was one of the key tenants in this segment.
- The proliferation of start-up incubators and accelerators in Hyderabad has led to the growing popularity of flex spaces which provide the much-needed flexibility of scale as well as tenure to these fledgling businesses. Flex spaces accounted for 18% of the total space leased during H1 2023 as compared with the 6% leased during H1 2022. Red Bricks, Isprout and Symbyont were the most active players during the period.
- Office completions in H1 2023 fell sharply by 76% YoY to 0.12 mn sq m (1.3 mn sq ft). This decline can be attributed to the high base effect of the previous period when high supply volumes were reported in H1 2022. Annual office completions in 2022 reached their highest level since 2014. However, new completions in Hyderabad are slated to be realized in the upcoming quarters.
- Leasing of office spaces in the SBD zone was most preferred by occupiers as it accounted for 77% of the overall transactions during H1 2023. HITEC City remains the focal hub of the Hyderabad office market, accounting for 68% of all office space transacted.
- Rentals remained steady and increased by 2% YoY during H1 2023. HITEC City and the Financial District where most of the office leasing takes place, experienced a higher growth in rentals during H1 2023.
- Hyderabad remains one of the fastest growing cities in the country, which offers a quality of life and general infrastructure that continues to attract the best human talent and an increasing number of corporates. Its growth focused state policies and relatively favourable execution record cements its stature as one of the most business friendly cities in the country.

Hyderabad Office Market Vacancy



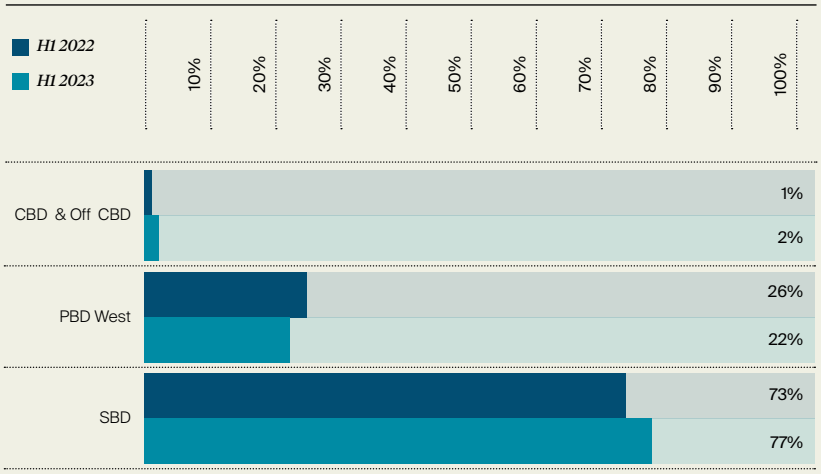
Source: Knight Frank Research

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

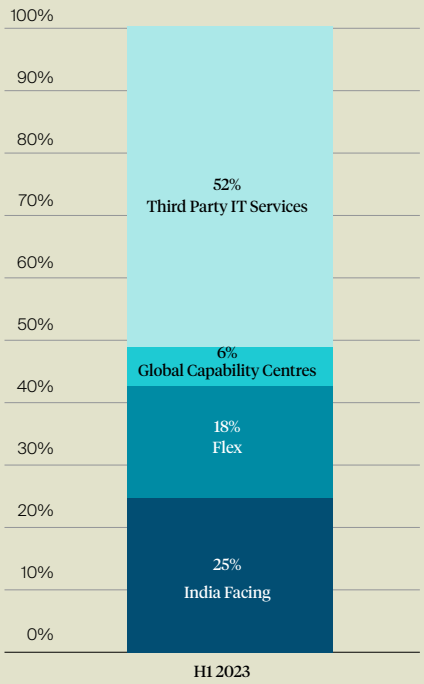
Source: Knight Frank Research

Business district wise transactions split in H1 2022 and H1 2023



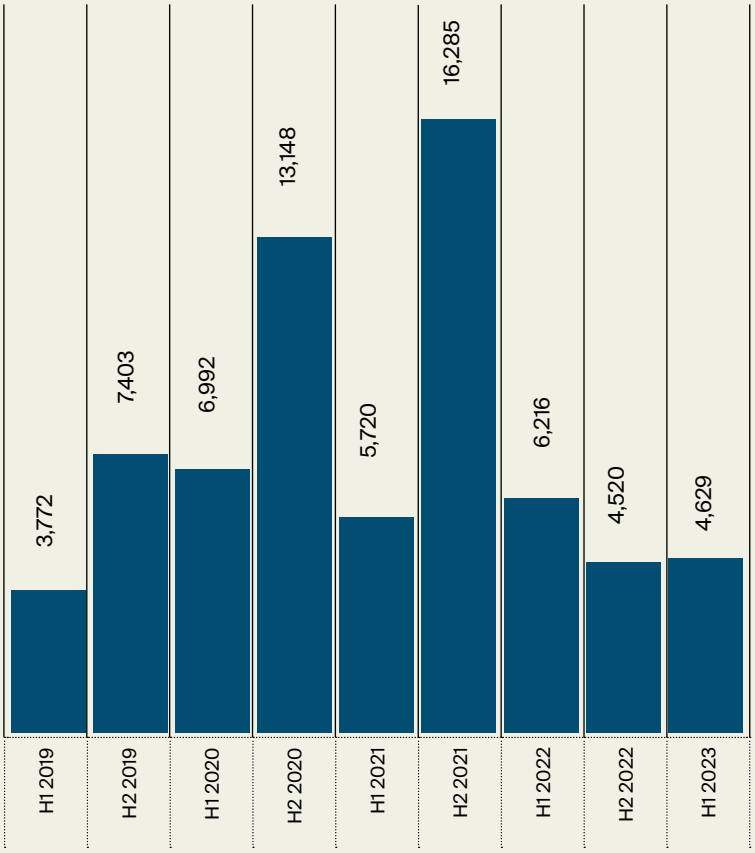
Source: Knight Frank Research

End-use split of transactions in H1 2023



Source: Knight Frank Research

Average deal size trend(SQ M)



Source: Knight Frank Research

Business district-wise rental movement

	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
CBD and Off-CBD	592-646 (55-60)	0%	0%
SBD	753-807 (70-75)	5%	1%
PBD West	592-646 (55-60)	-1%	0%
PBD East	323-377 (30-35)	0%	1%

Source: Knight Frank Research

Kolkata

Residential Market

Kolkata Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	12,330	64%	6,776	1%	3,598	12%
Sales (housing units)	12,909	-10%	7,324	3%	3,823	10%
Average price in INR/sq m (INR/sq ft)	INR 36,070 (INR 3,351)	4%	INR 36,899 (INR 3,428)	2%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Unsold inventory (housing units) H1 2023
20,138

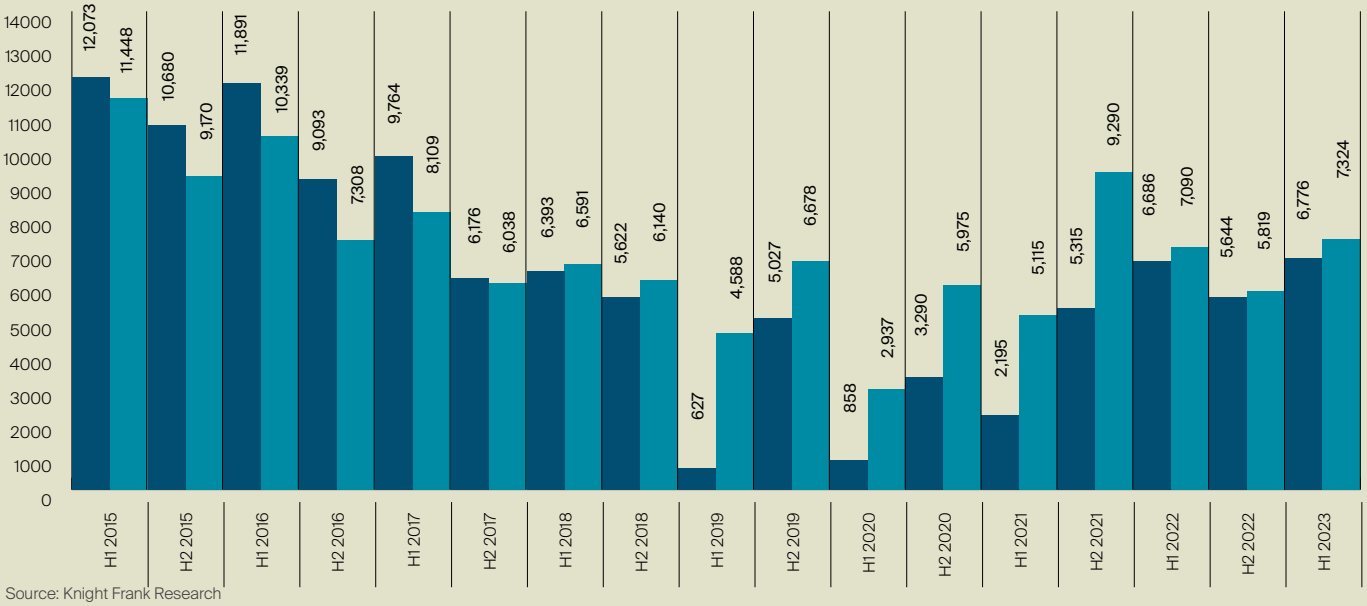
Change (YoY)
-3%

5.5
Quarters to sell (in quarters) H1 2023

12.9
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend

No. of units



Source: Knight Frank Research

- The residential real estate market in Kolkata continues to benefit from the 2% stamp duty rebate and the 10% rebate in circle rates which have been further extended to 30th September 2023 as per the State Budget announcement earlier this year. Continuation of incentives such as these has been helpful to advance buying decisions for completed and ongoing projects in a price sensitive market like Kolkata. In H1 2023, 7,324 residential units were sold in Kolkata registering a 3% YoY growth. A pause in the repo rate hike cycle in 2023 has also been a pivotal factor in this annual growth.

- In line with past trends, South Zone of Kolkata accounted for the highest share in the city's overall sales volume. South Zone's share expanded from 34% in H1 2022 to 40% in H1 2023. Locations along the metro corridor in this part of the city have remained a buyer favorite with rapidly developing neighborhoods for affordable and 'affordable luxury' real estate due to the upcoming metro connectivity all the way to Joka. Rajarhat accounted for the second highest share with a 25% share in the total sales volume, followed by North Zone with a 17% share.

- In contrast to past trends, the share of ticket sizes < INR 5 mn in Kolkata's total sales volume reduced substantially from 62% in H1 2022 to 49% in H1 2023. This is largely attributed to the high home loan rates in the past six months due to previous repo rate hikes which impacted the homebuyer affordability for the buyer profile in this segment. The share of projects with ticket sizes of INR 5-10 mn largely remained stable at 24% over the past one year. However, the share of residential products in > INR 10 mn category rose from 13% in H1 2022 to 17% in H1 2023.

- Sustenance of the homebuying demand led to a robust upswing in new residential supply in the market in 2021 and 2022. However, the momentum can be seen slowing down now as launches in H1 2023 largely remained stable recording a marginal 1% YoY uptick over H1 2022 as many new projects have already been launched. In H1 2023, 6776 residential units were launched in Kolkata.

- Of all the micro-markets, Rajarhat constituted 33% of the total units launched in H1 2023. New Town and surrounding areas in Rajarhat, near Eastern Metropolitan Bypass saw many launches in the mid and luxury segments during this period. Being a planned satellite town, Rajarhat is home to many innovative residential projects. South Zone accounted for 30% of the total launches after Rajarhat with locations such as Joka, Maheshtala, Narendrapur, Sonarpur and Garia witnessing new launches.

- Stable residential demand coupled with high input costs have led to a 2% YoY increase in average residential prices in H1 2023. While there are concerns regarding the inflationary pressures on home loan interest rate and property prices, the stamp duty rebate opportunity for homebuyers continues until 30th September 2023 and will help cushion this price rise to some extent for homebuyers.

- Due to healthy sales velocity in the past one year, the unsold inventory has declined 3% YoY to 20,138 units at the end of H1 2023. The age of inventory has also scaled down from 14.3 quarters in H1 2022 to 12.9 in H1 2023 which is indicative of improving health of the market.

- The decline in Kolkata's unsold inventory has also led the quarters-to-sell (QTS) for the city to inch down from 6.1 in H1 2022 to 5.5 in H1 2023. 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.

3%

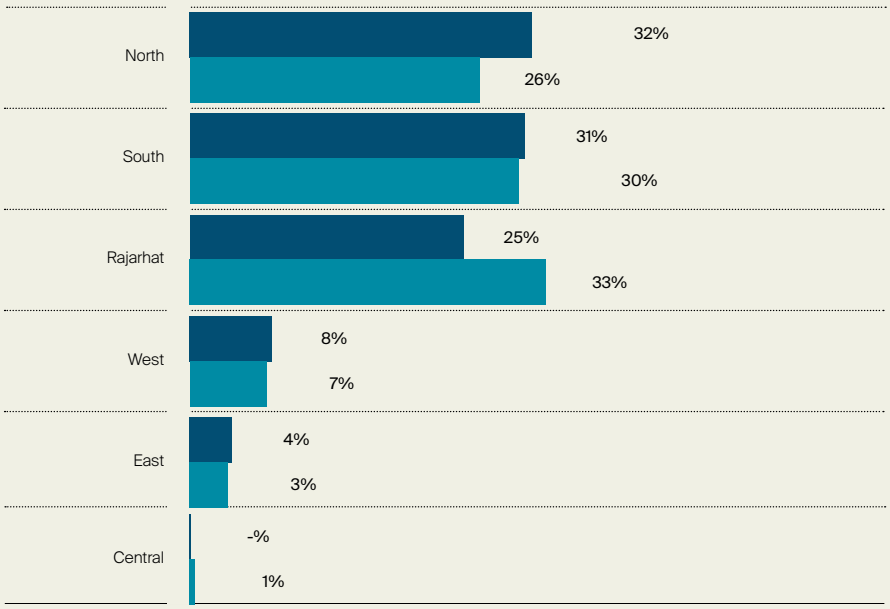
In H1 2023, 7,324 residential units were sold in Kolkata registering a 3% YoY growth. A pause in the repo rate hike cycle in 2023 has also been a pivotal factor in this annual growth.

Micro-Market Classification

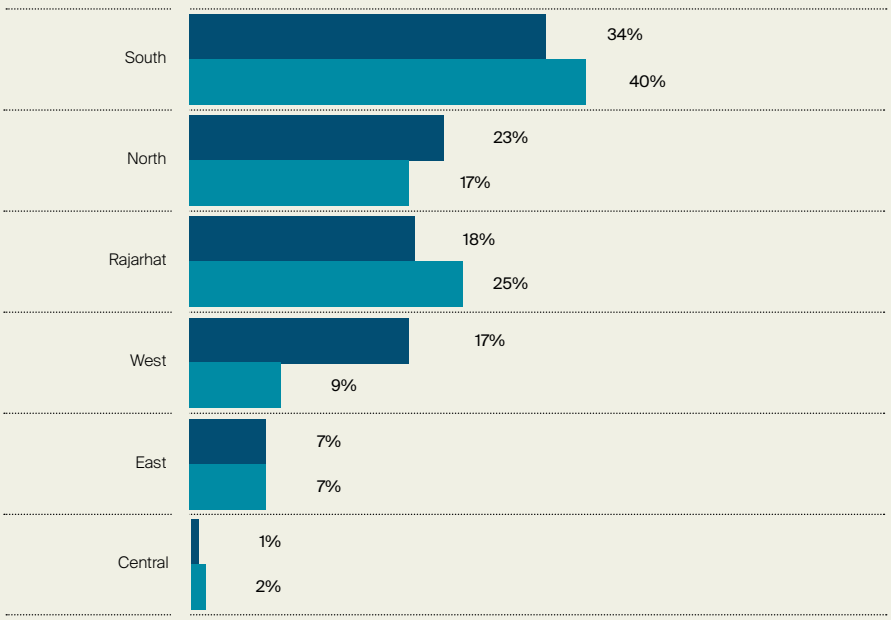
Micro market	Locations
Central	Park Street, Rawdon Street, AJC Bose Road, Minto Park, Elgin Road
East	Kankurgachi, Beliaghata, Salt Lake, Narkeldanga, Keshtopur, EM Bypass (eastern parts)
North	Baguiati, Ultadanga, Jessore Road, Shyambazar, Lake Town, BT Road, VIP Road
Rajarhat	Rajarhat New Town
West	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

Micro-market split of new launches in H1 2022 and H1 2023

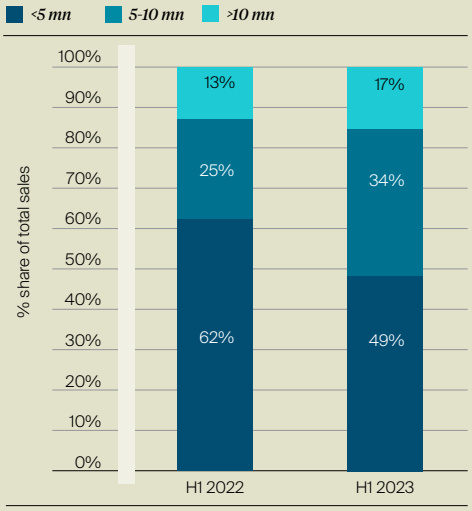


Micro-market split of sales in H1 2022 and H1 2023



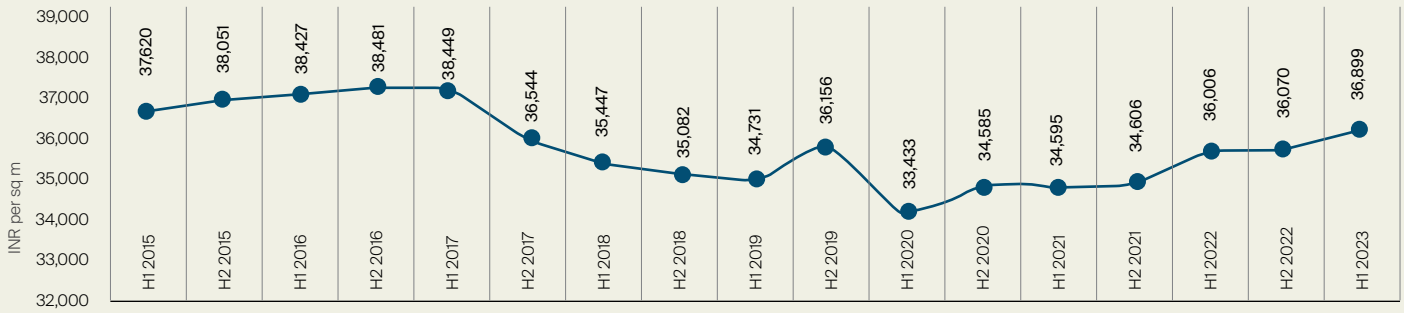
Source: Knight Frank Research

Kolkata ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

Average residential price movement



Source: Knight Frank Research

Residential price movement in select locations

Micro Market	Location	Price range in H1 2023 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Park Street	130,244-215,278 (12,100-20,000)	0%	0%
	Rawdon Street	107,639-209,896 (10,000-19,500)	0%	0%
East	Kankurgachi	55,972-91,493 (5,200-8,500)	0%	0%
	Salt Lake	51,667-82,883 (4,800-7,700)	1%	1%
North	Madhyamgram	27,448-36,598 (2,550-3,400)	2%	0%
	BT Road	32,292-43,056 (3,000-4,000)	0%	0%
	Jessore Road	37,674-57,049 (3,500-5,300)	2%	0%
Rajarhat	Rajarhat New Town	37,674-76,424 (3,500-7,100)	3%	0%
South	Ballygunge	87,188-206,669 (8,100-19,200)	1%	1%
	Tollygunge	55,972-156,078 (5,200-14,500)	3%	3%
	Behala	34,445-49,514 (3,200-4,600)	0%	0%
	Narendrapur	27,986 -48,976 (2,600-4,550)	0%	0%

Source: Knight Frank Research

Micro-market Health

Micro-market	Unsold Inventory (housing units) (YoY Change)	Quarters-to-sell (QTS)
Central	105 (88%)	1.8
East	688 (-43%)	2.5
North	5,499 (-2%)	6.7
Rajarhat	8,213 (23%)	10.6
South	4,945 (-13%)	3.8
West	689 (-57%)	1.5

Source: Knight Frank Research

Office Market

Kolkata Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	0.02 (0.2)	-70%	-	-	-	-
Transactions in mn sq m (mn sq ft)	0.11 (1.1)	42%	0.05 (0.6)	-3%	0.03 (0.4)	-20%
Average transacted rent in INR/sq m/month (INR/sq ft/month)	374 (34.8)	0%	410 (38.1)	10%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

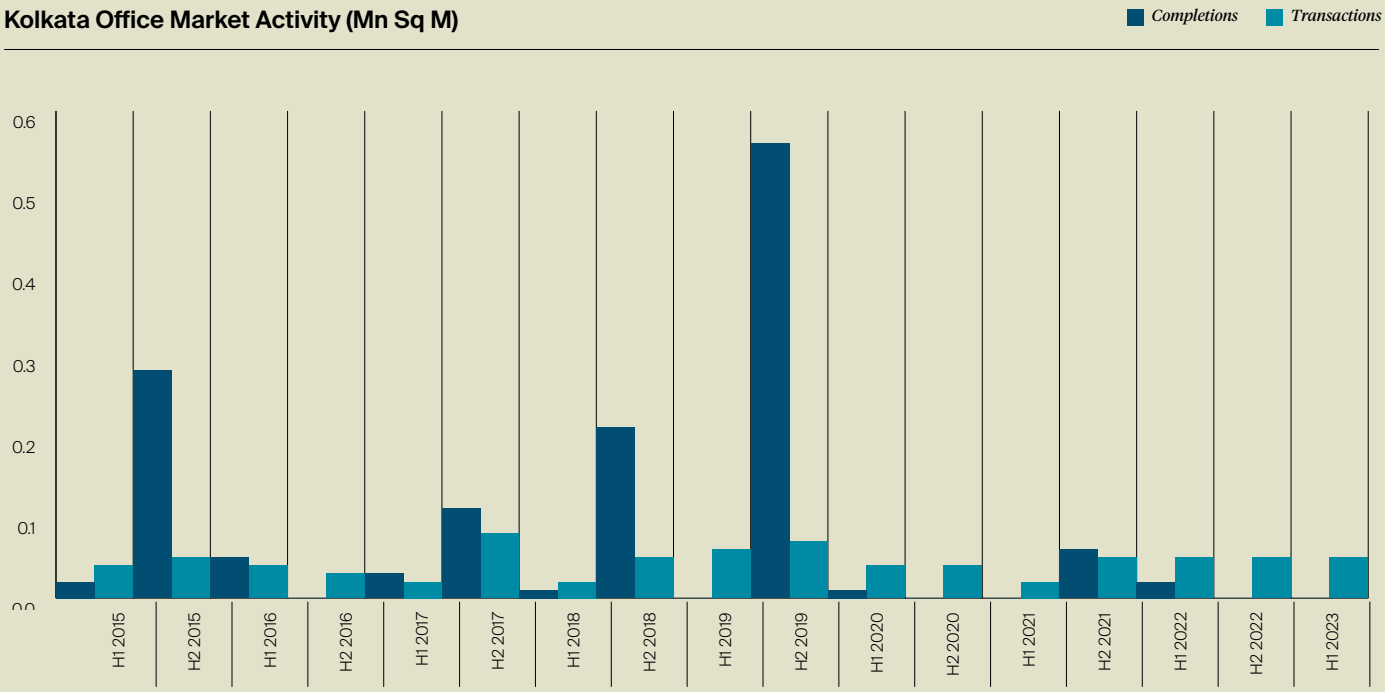
Stock mn sq m (mn sq ft) in H1 2023
3.02 (32.5)

H1 2023 Change (YoY)
0%

H1 2023 Vacancy
40.3%

H1 2023 Change (YoY)
219
bps decrease

Kolkata Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- In H1 2023, the office space demand in Kolkata remained at par with H1 2022, albeit with a marginal 3% YoY decline. The current half yearly period witnessed the transaction volume of 0.05 mn sq m (0.6 mn sq ft). For Kolkata, this is the second highest transaction volume recorded in the past two years. During the pandemic years, the transaction volumes had reduced due to mobility restrictions. However, with the pandemic fear a thing of the past, office space enquiries have been resurfacing.

- The total office space transaction volume in H1 2023 is also the second highest in the past seven half yearly periods starting with the Covid-19 impacted quarter in H1 2020. H1 2022 clocked the highest transaction total in Kolkata a year ago and the base effect led to a marginal reduction in annual change on this parameter, despite sustained demand for office spaces.

- Kolkata's most sought after peripheral business district of Salt Lake City (PBD-1) dominated the occupier interest during H1 2023 as two-thirds of all office spaces transacted during this period were in this business district. PBD-2 Rajarhat New Town comprised 26% of the city's office leasing volume. Rajarhat's share has swelled from 3% in H1 2022 to 26% in H1 2023 as this business district benefits from availability of premium office space stock and good connectivity and infrastructure. CBD & Off CBD and PBD-2 accounted for 7% of the office space leasing.

- In terms of the end-use split of office spaces transacted in H1 2023, 79% of the space was leased for India facing businesses whilst 21% was for flexible spaces comprising co-working and managed office spaces.

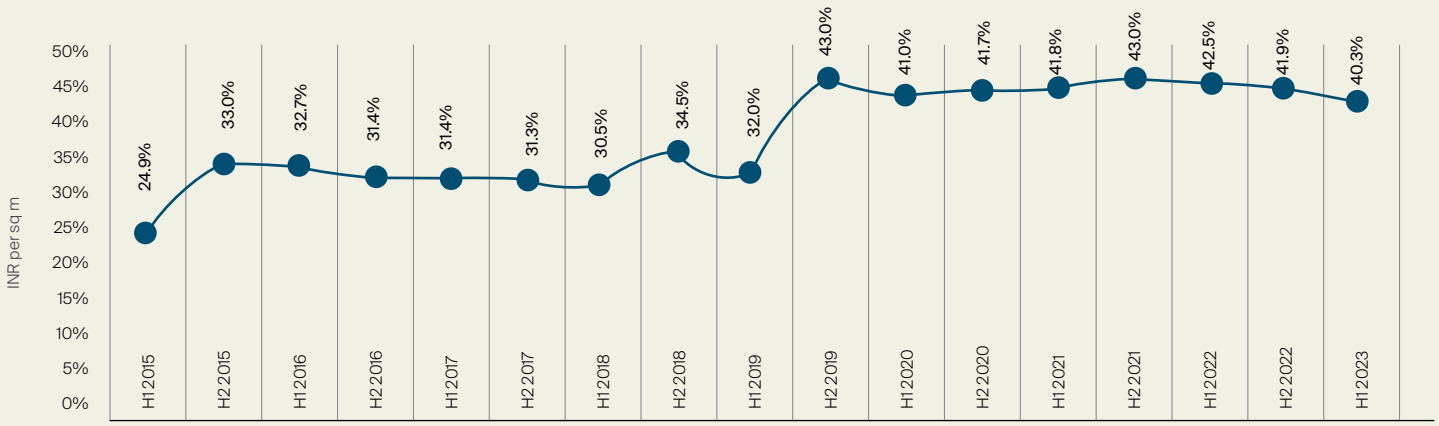
- The share of flex spaces has increased from 14% to 21% in the past one year. This is largely due to expansion by some co-working operators in Salt Lake city during this half yearly period. In particular, demand for managed office spaces has been growing in Kolkata.

- In H1 2023, no new office space completions became available in Kolkata. This is in line with H2 2022 as the city has been struggling with high vacancy levels. This has led developers to be cautious with their plans for office space construction. In the current environment, the existing office space formats and growing flexible spaces cater to occupiers hunting for office spaces in the city, besides, no speculative office space developments are foreseen in the near future.

- Compared to the year ago period, Kolkata's office space vacancy declined by 219 basis points to 40.42% in H1 2023. Despite this significant decrease, it continues to be the second highest amongst the vacancies recorded in India's top eight markets, after Ahmedabad. If office leasing holds steady in H2 2023 and new office completions remain absent, the office space vacancy may lower further by the end of 2023.

- Despite high vacancy, the average office space rents have shot up by 10% YoY in H1 2023 largely due to high demand for office spaces in Salt Lake City Sector V which comprises substantial volume of office space leasing sequentially. As vacant office spaces remain very limited in this micro-market, rents have scaled up which is visible in average transacted rents at the city level too.

Kolkata Office Market Vacancy



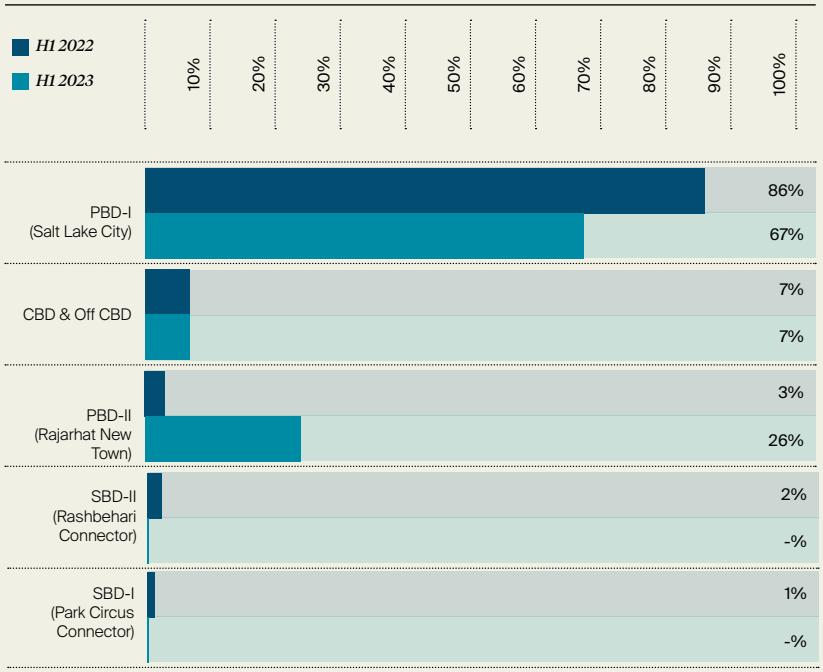
Source: Knight Frank Research

Business district classification

Business district	Micro markets
Central Business District (CBD) and Off CBD	Park Street, Camac Street, Theatre Road, AJC Bose Road, Elgin Road, 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

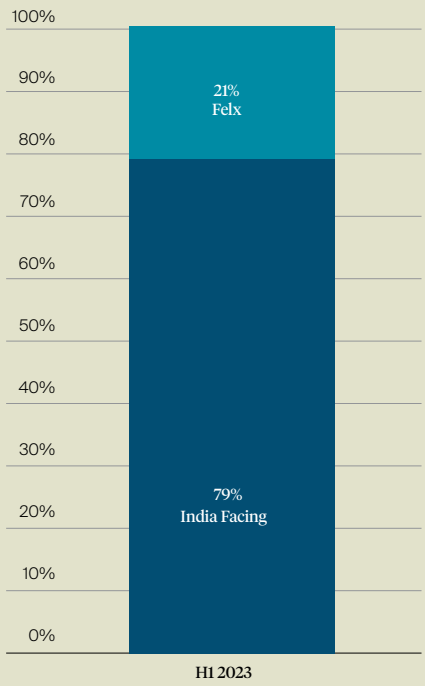
Source: Knight Frank Research

Business district wise transactions split in H1 2022 and H1 2023

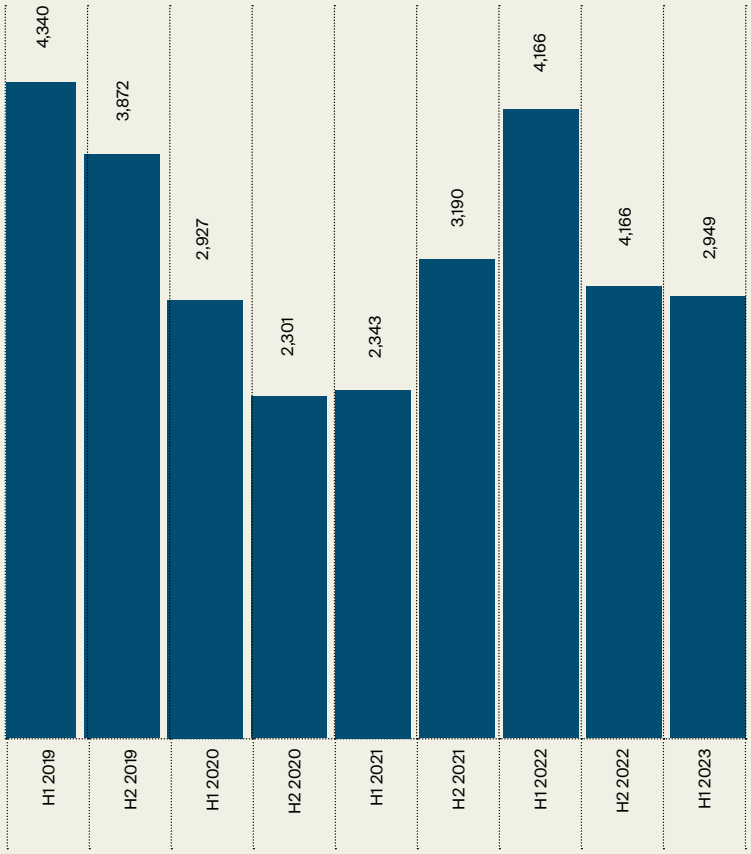


Source: Knight Frank Research

End-use split of transactions in H1 2023



Average deal size trend (SQ M)



Source: Knight Frank Research

Kolkata's most sought after peripheral business district of Salt Lake City (PBD-1) dominated the occupier interest during H1 2023 as two-thirds of all office spaces transacted during this period were in this business district.

Business district-wise rental movement

	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
CBD & Off CBD	700-1,023 (65-95)	0%	0%
SBD-I (Park Circus Connector)	538-753 (50-70)	0%	0%
SBD-II (Rashbehari Connector)	538-915 (50-85)	0%	0%
PBD-I (Salt Lake City)	323-592 (30-55)	10%	10%
PBD-II (Rajarhat New Town)	258-484 (24-45)	4%	4%

Source: Knight Frank Research

Mumbai

Residential Market

Mumbai Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	90,434	29%	50,546	6%	24,811	4%
Sales (housing units)	85,169	35%	40,798	-8%	20,498	-10%
Average price in INR/sq m (INR/sq ft)	INR 79,297 (INR 7,367)	7%	INR 81,730 (INR 7,593)	6%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Unsold inventory (housing units) H1 2023
169,577

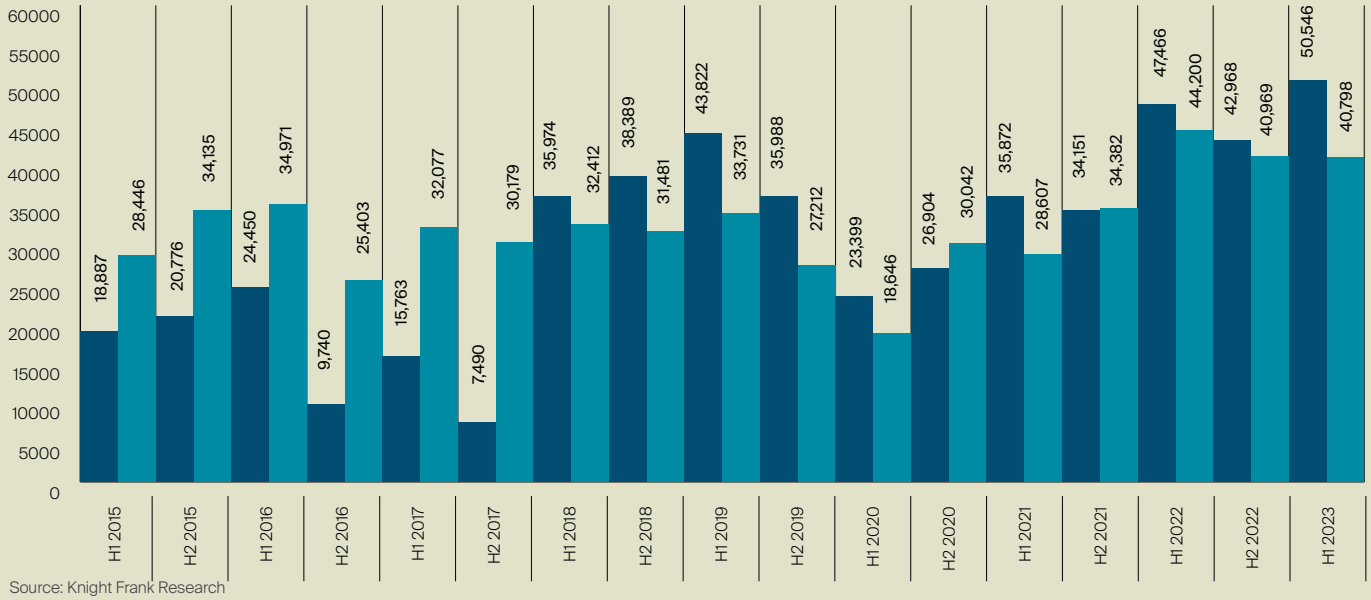
Change (YoY)
7%

8.4
Quarters to sell (in quarters) H1 2023

17.8
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend

No. of units



Source: Knight Frank Research

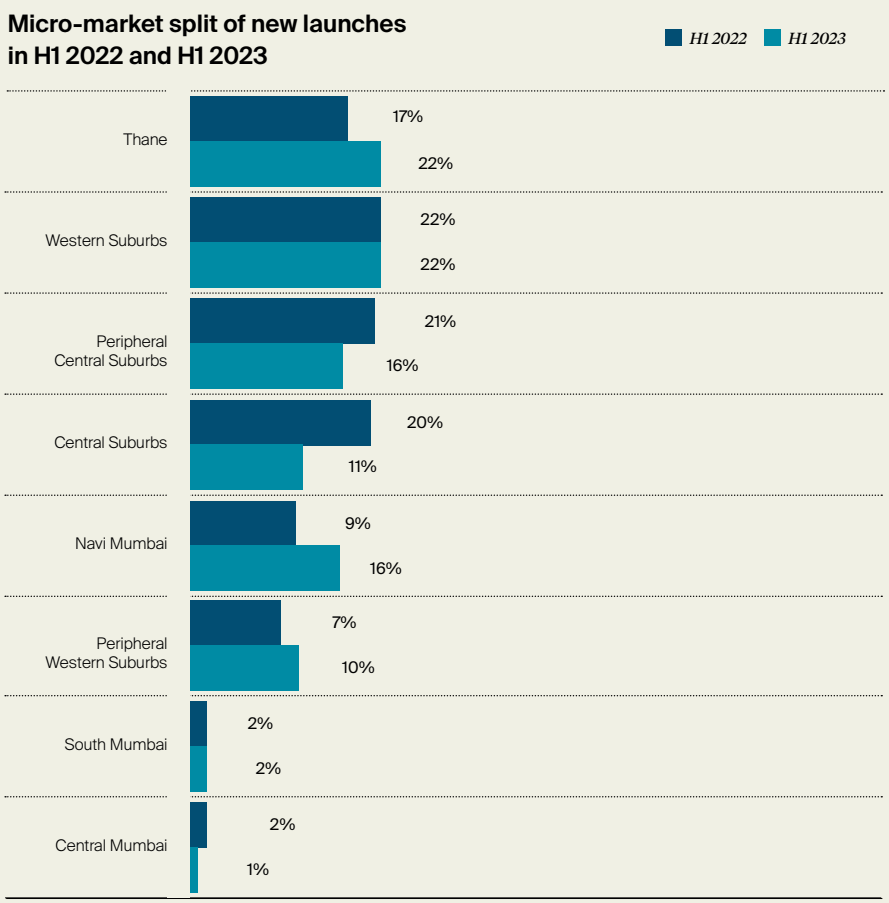
- Mumbai continues to maintain its position as the largest market in terms of real estate sales with sale of 40,798 units in the first half of 2023. While the growth in sales remained steady compared to the second half of 2022, the city has witnessed an 8% YoY decline in the total sales during the first half of 2023. The market has maintained the elevated sales level even as the growth rate is tapering.
- The optimism for sales momentum to improve continues to remain high supported by factors such as the expected rise in income levels and the strong desire for homeownership, which continue to be key drivers for residential sales in the Mumbai market.
- Although there was a minor dip in residential market transactions, the number of new project launches continued to remain robust. In H1 2023, a substantial supply of 50,546 units was added, marking the highest number since the first half of 2014. Nonetheless, developers remain cognizant of consumer sentiment and affordability. 70% of the supply added in 2022 are in suburban markets like the Western Suburbs, Thane, Peripheral Central Suburbs and Central Suburbs.
- In the first half of 2023, a significant proportion of the properties transacted in Mumbai remained within the less than INR 5 mn ticket size range. Although their share has decreased from 50% in H1 2022 to 46% in H1 2023, it still continued to represent a significant portion of the market. Meanwhile, the INR 5-10 mn ticket size category has experienced growth, accounting for 37% of the market share in H1 2023 compared to 22% in H1 2022. This shift towards the INR 5-10 mn category can be attributed to the rise in property prices and value mix of homes sold during this period.
- The weighted average residential property prices have recorded an upward movement in H1 2023 by 6% YoY. The increased raw material prices coupled with strong demand were the primary drivers for developers to opt for price rise.
- The unsold inventory has risen by 7% YoY in H1 2023 on account of the massive supply added in the market. However, the Quarters-to-Sell has reduced from 12 quarters in 2021 to 8.4 quarters in H1 2023. This reduction indicates a faster pace of property sales and suggests that the market is absorbing the available inventory more efficiently.
- Despite several headwinds, strong consumer demand continues to drive the market. However, any further rise in mortgage rates and property prices will have an impact on consumer sentiment.

Micro-Market Classification

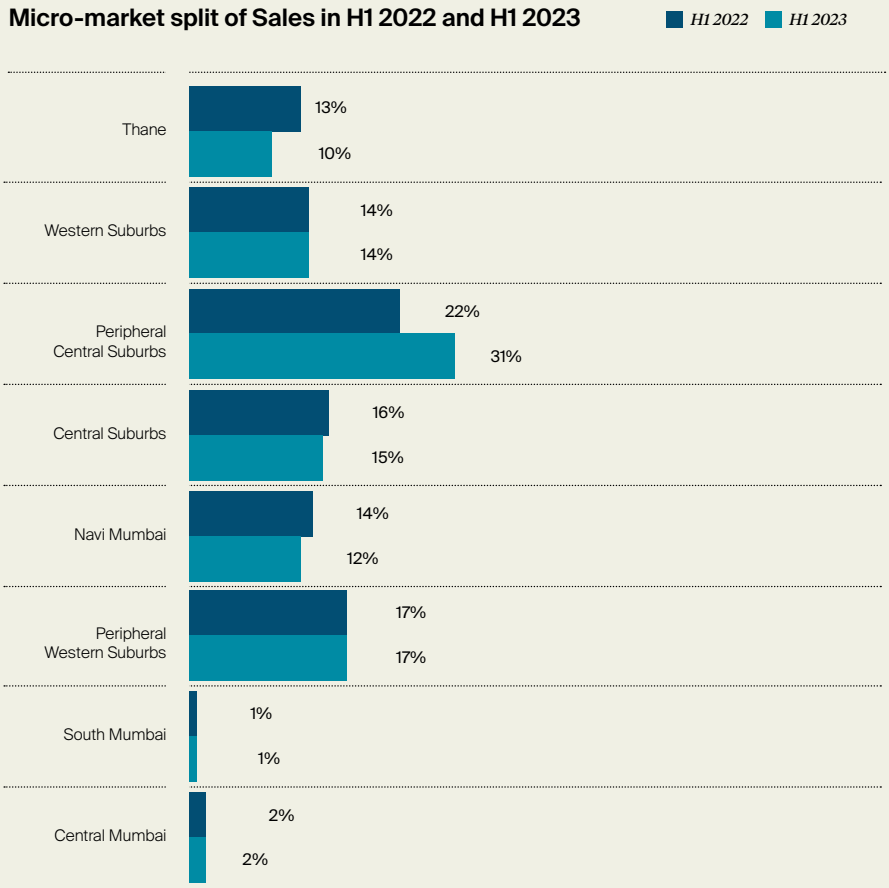
Micro market	Locations
Central Mumbai	Dadar, Lower Parel, Mahalaxmi, Worli, Prabhadevi
Central Suburbs	Sion, Chembur, Wadala, Kurla, Ghatkopar, Vikhroli, Bhandup, Mulund
Navi Mumbai	Vashi, Nerul, Belapur, Kharghar, Airoli, Panvel, Ulwe, Sanpada
Peripheral Central Suburbs	Kalyan, Kalwa, Dombivli, Ambernath, 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

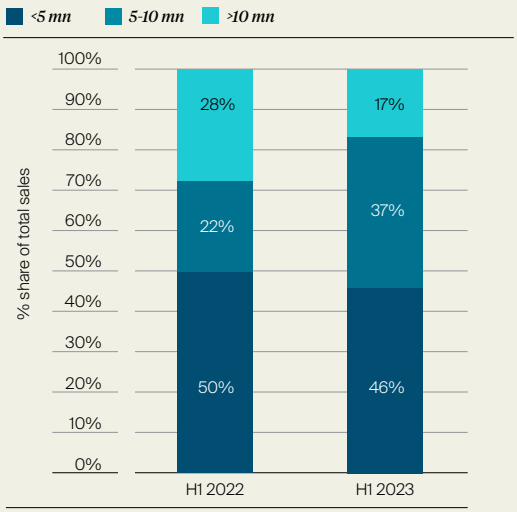
Micro-market split of new launches in H1 2022 and H1 2023



Micro-market split of Sales in H1 2022 and H1 2023

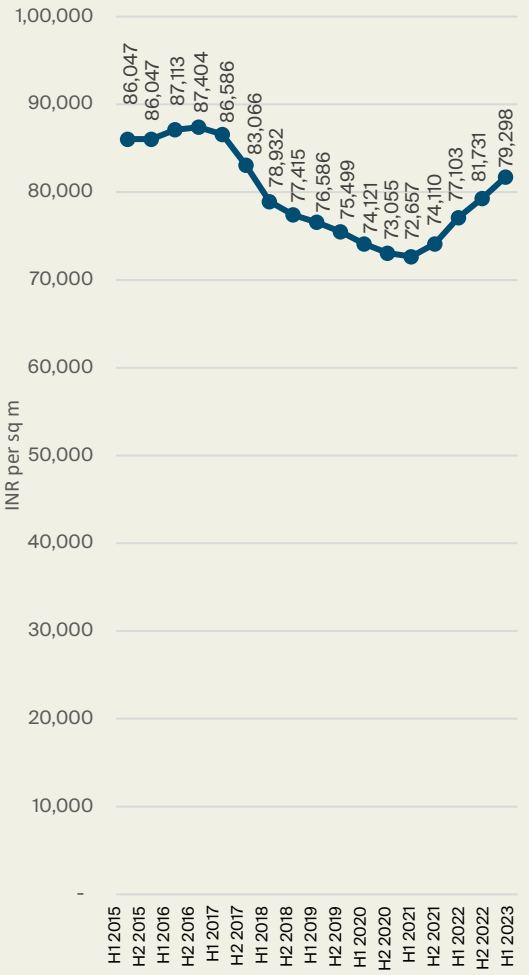


Mumbai ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

Average residential prices



Residential price movement in select locations

Micro Market	Location	Price range in H1 2023 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central Mumbai	Lower Parel	269127-387543 (25003-36004)	1%	1%
	Worli	592198-807542 (55017-75023)	3%	3%
Central Suburbs	Ghatkopar	129233-236855 (12006-22004)	5%	2%
	Mulund	129220-236879 (12005-22007)	4%	3%
	Powai	183098-322985 (17010-30006)	6%	2%
Navi Mumbai	Panvel	40928-80754 (3802-7502)	6%	3%
	Kharghar	75393-99049 (7004-9202)	6%	2%
	Vashi	129207-258388 (12004-24005)	3%	2%
Peripheral Central Suburbs	Badlapur	30160-48448 (2802-4501)	7%	2%
	Dombivali	53852-91512 (5003-8502)	6%	2%
Peripheral Western Suburbs	Mira Road	64623-99059 (6004-9203)	6%	3%
	Virar	53852-77516 (5003-7201)	6%	2%
South Mumbai	Tardeo	430818-645905 (40024-60006)	6%	1%
Thane	Ghodbunder Road	64623-129181 (6004-12001)	6%	1%
	Naupada	150756-258388 (14006-24005)	4%	2%
Western Suburbs	Andheri	161557-279948 (15009-26008)	6%	3%
	Bandra(W)	538361-753631 (50015-70014)	3%	2%
	Borivali	150801-269181 (14010-25008)	7%	3%
	Dahisar	96944-172276 (9006-16005)	7%	3%
	Goregaon	140030-258414 (13009-24007)	7%	3%

Source: Knight Frank Research

Micro-market Health

Micro-market	Unsold Inventory (housing units) (YoY Change)	Quarters-to-sell (QTS)
Central Mumbai	7,225 (-2%)	22.6
Central Suburbs	33,637 (0)	11.0
Navi Mumbai	29,371 (12%)	11.2
Peripheral Central Suburbs	8,030 (-36%)	1.6
Peripheral Western Suburbs	7,858 (-17%)	2.3
South Mumbai	6,074 (13%)	38.9
Thane	38,119 (23%)	15.9
Western Suburbs	39,263 (16%)	13.7

Source: Knight Frank Research

Office Market

Mumbai Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	0.19 (2.0)	-60%	0.13 (1.4)	37%	0.13 (1.4)	172%
Transactions in mn sq m (mn sq ft)	0.59 (6.4)	69%	0.30 (3.2)	9%	0.10 (1.1)	-48%
Average transacted rent in INR/sq m/month (INR/sq ft/month)	1,184 (110)	2.8%	1,199 (111.4)	1%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

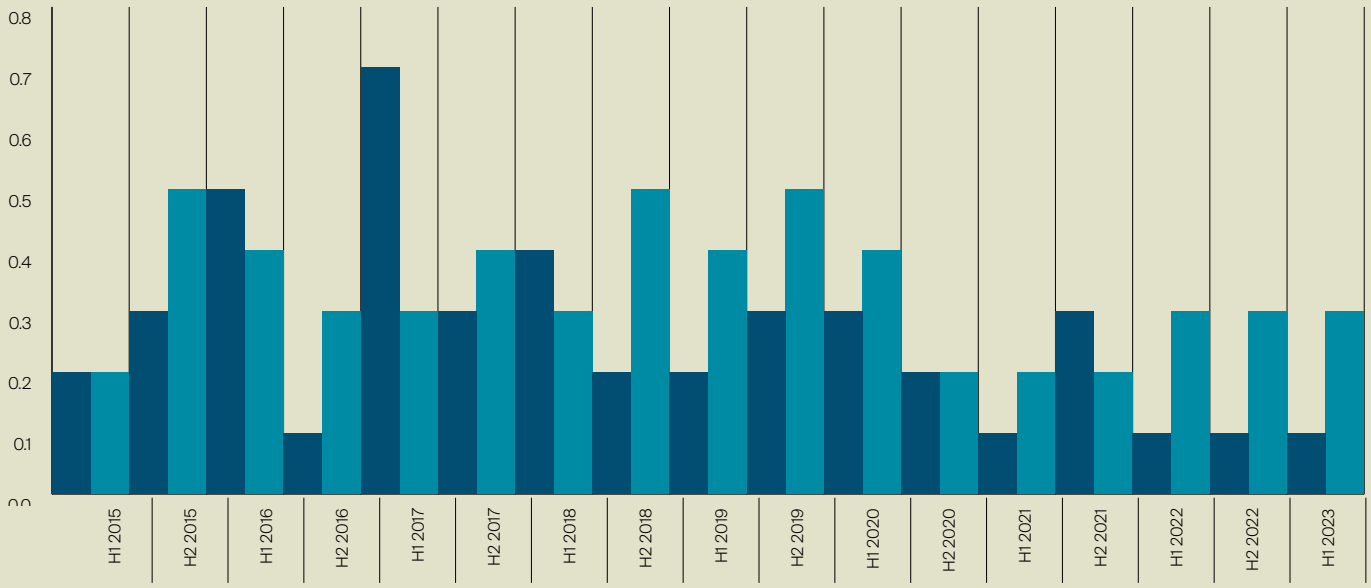
Stock mn sq m (mn sq ft) in H1 2023
14.84 (159.7)

H1 2023 Change (YoY)
2%

H1 2023 Vacancy
19.1%

H1 2023 Change (YoY)
114
bps decrease

Mumbai Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- In the first half of 2023, Mumbai experienced a steady growth in transactions thanks to a stable domestic economic environment. Transaction volumes in this period increased by 9% compared to the previous year, reaching 0.30 mn sq m (3.2 mn sq ft). The growth was primarily seen in the Peripheral Business District (PBD) and Secondary Business District (SBD) West micro markets which constituted 29% and 27% respectively of the total transactions in the first half of 2023.

- There was a significant increase in new supply in Mumbai driven by increased office transactions and developer confidence. The total supply added during this period reached 0.13 mn sq m (1.4 mn sq ft), representing a strong YoY increase of 37%. With transaction volumes steadily rising, it is expected that developers will continue to introduce new supply in the future. The majority of new supply was observed in the PBD micro market accounting for 44% of the total, followed by SBD Central with 31%, and SBD West with 25%. The development of new infrastructure and positive business prospects across various sectors have motivated developers to contribute to the market supply.

- In terms of transactions, relocation and expansion deals accounted for 16% and 12% respectively of the total transaction volume. Many companies are actively reviewing their current space utilization and expansion plans, with tenants increasingly adopting hybrid working models to optimize the utilization of their office spaces.

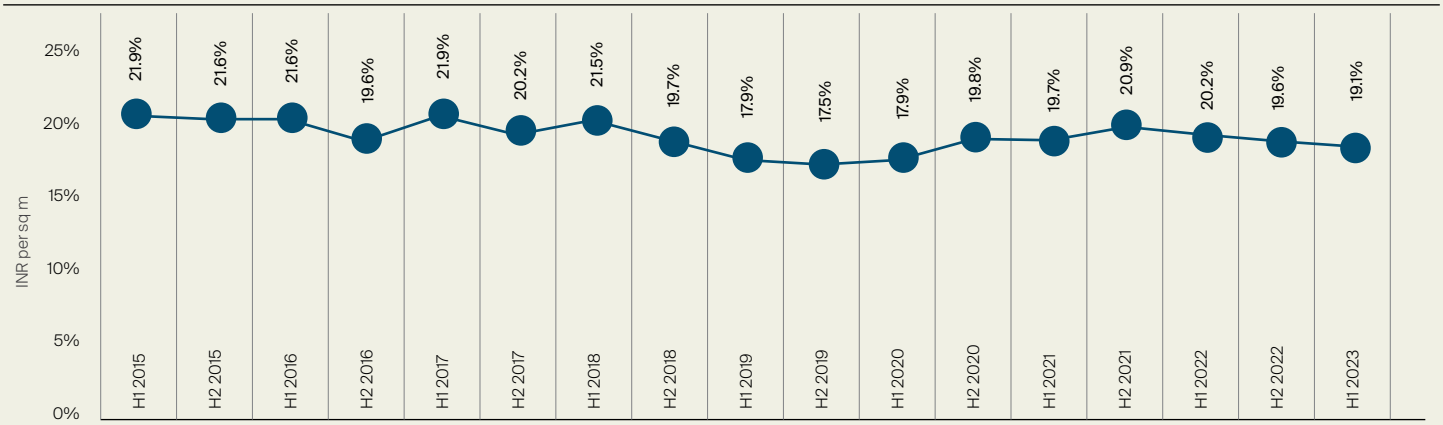
- The majority of transactions concluded in H1 2023 were concentrated in the Lower Parel location with a total area of 0.04 mn sq m (0.43 mn sq ft). This was followed closely by Andheri which recorded transactions for an area of 0.04 mn sq m (0.49 mn sq ft). Additionally, Goregaon and BKC each accounted for transactions of 0.03 mn sq m (0.44 mn sq ft).

- When considering the end use of transactions, India facing businesses accounted for the highest share in H1 2023 amounting to 76% of total transactions. Following closely behind was the share of coworking spaces, which accounted for 10% of the transactions.

- In the first half of 2023, rents in the Mumbai office market experienced a marginal growth of 1% YoY. The average rental rates remained stable during the last two quarters. However, due to a higher number of transactions compared to the available supply, the vacancy rate decreased by 114 bps, from 20.2% in H1 2022 to 19.1% in H1 2023.

- The increase in interest rates on a global and regional scale is expected to have a direct impact on the cost of capital, leading companies to reassess their business plans. However, despite this factor, the Mumbai office market is expected to maintain its path of recovery, supported by a growth in domestic demand.

Mumbai Office Market Vacancy



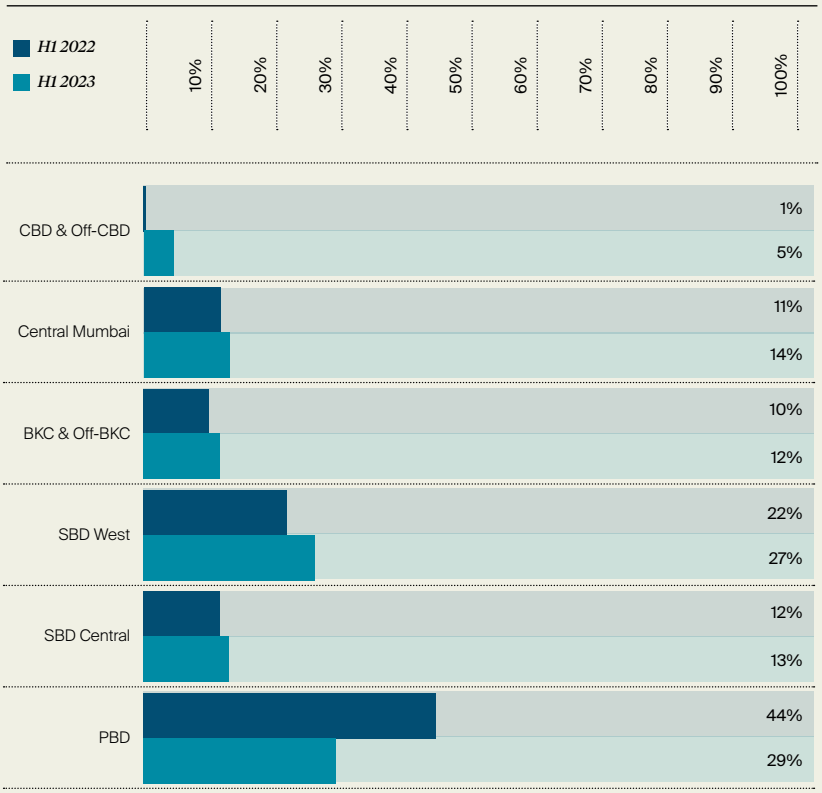
Source: Knight Frank Research

Business district classification

Business district	Micro markets
Central Business District (CBD and Off CBD)	Nariman Point, Cuffe Parade, Ballard Estate, Fort, Mahalaxmi, Worli
Bandra Kurla Complex & Off-	HITEC City, Kondapur, Manikonda, Kukatpally, Raidurg
Bandra Kurla Complex (BKC	Gachibowli, Kokapet, Madinaguda, Nanakramguda, Serilingampally
& Off-BKC)	BKC, Bandra (E), Kalina and Kalanagar
Central Mumbai	Parel, Lower Parel, Dadar, Prabhadevi
Secondary Business District (SBD) West	Andheri, Jogeshwari, Goregoan, Malad
Secondary Business District (SBD) Central	Kurla, Ghatkopar, Vikhroli, Kanjurmarg, Powai, Bhandup, Chembur
Peripheral Business District (PBD)	Thane, Airoli, Vashi, Ghansoli, Rabale, Belapur

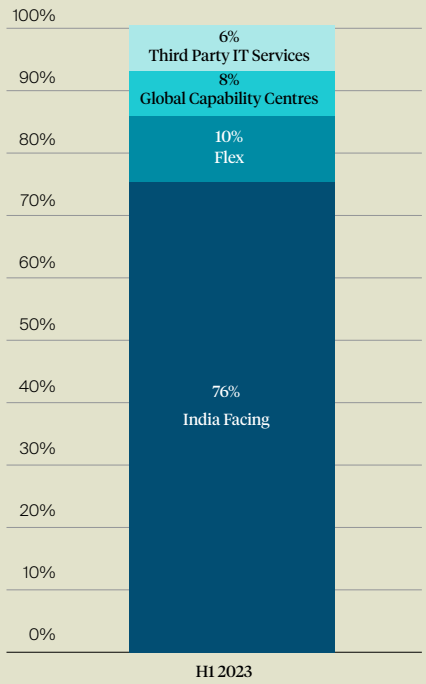
Source: Knight Frank Research

Business district wise transactions split in H1 2022 and H1 2023



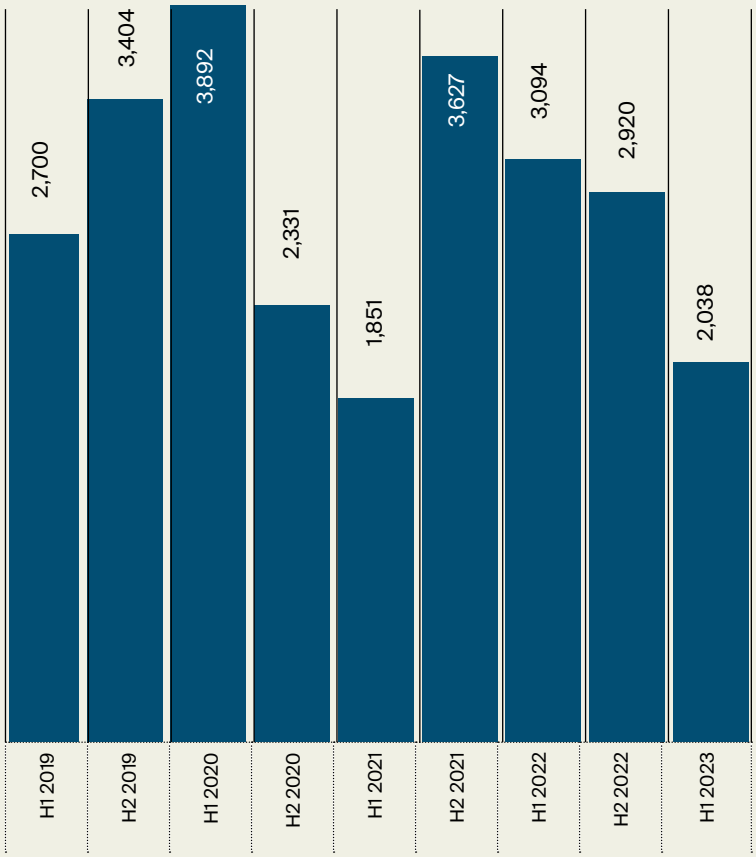
Source: Knight Frank Research

End-use split of transactions in H1 2023



Source: Knight Frank Research

Average deal size trend (SQ M)



Source: Knight Frank Research

Business district-wise rental movement

	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
BKC & Off-BKC	1776 - 3229 (165-300)	0.5%	0%
CBD & Off-CBD	1453-2422 (135-225)	1%	0%
Central Mumbai	1615-2153 (150-200)	1%	0%
PBD	484-861 (45-80)	1%	1%
SBD Central	807-1615 (75-150)	0.5%	0%
SBD West	807-1345 (75-125)	1%	1%

Source: Knight Frank Research

NCR

Residential Market

NCR Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	63,233	207%	29,738	4%	15,252	-4%
Sales (housing units)	58,460	67%	30,114	3%	14,722	5%
Average price in INR/sq m (INR/sq ft)	INR 48,330 (INR 4,490)	7%	INR 49,923 (INR 4,638)	5%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Unsold inventory (housing units) H1 2023
100,583

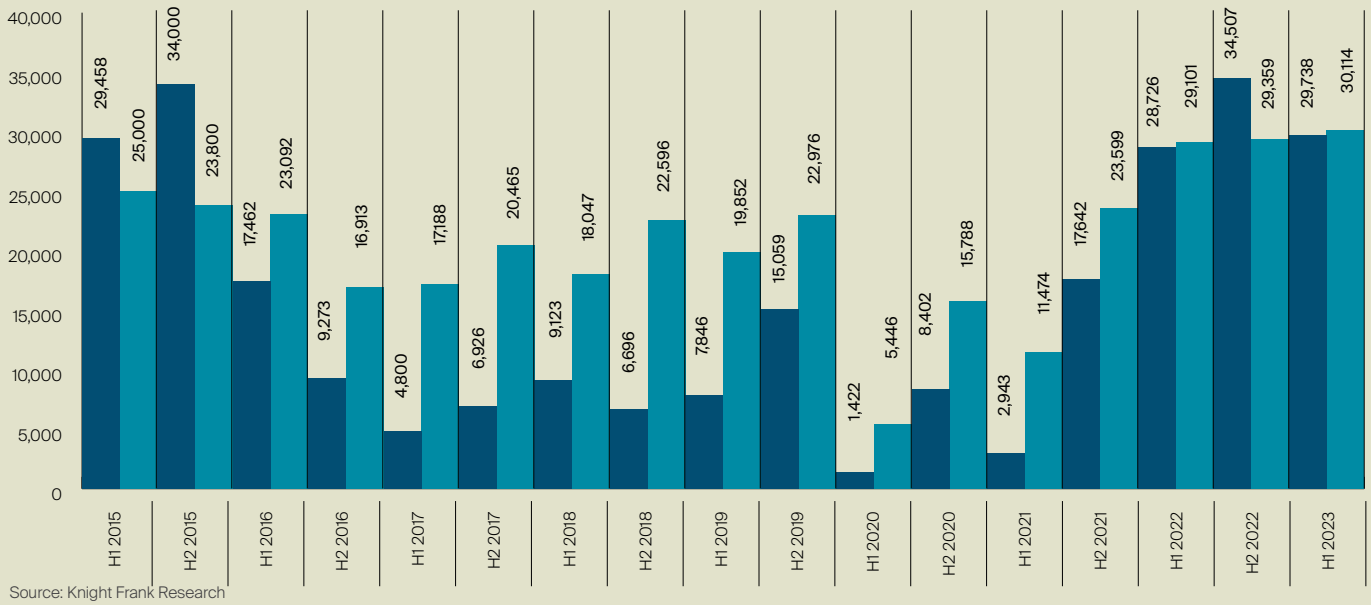
Change (YoY)
5%

7.2
Quarters to sell (in quarters) H1 2023

24.6
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend

No. of units



Source: Knight Frank Research

- In H1 2023, the National Capital Region (NCR)'s primary residential market witnessed steadfast homebuying demand. However, the conspicuous annual growth in demand and supply parameters in the half yearly periods of 2021 and 2022 due to the pandemic softened during this review period as the market seems to have stabilized. This is largely due to the cumulative repo rate hike of 250 basis points since 2022 which did not derail the homebuying spree but played a role in slowing down the upward sales momentum in certain segments. Despite the annual growth rate slowing down, half yearly sales volume in absolute terms closed at a decadal high at 30,114 units.

- H1 2023's residential sales volume represents a 3% YoY growth over H1 2022. Surpassing the previous sales high of H2 2022 has been possible due to two primary reasons: a) a pause in the repo rate hike cycle in 2023 which brought relief to homebuyers, and b) new inventory coming to the market that has been well received by interested buyers. Due to a lack of ready to move in inventory by credible developers, any new inventory introduced by such developers has found takers in the market as it comes out of the shadow of the pandemic. Post pandemic, buyers' confidence in timely delivery of new projects has been reinstated to some extent. These factors have contributed to making H1 2023 the strongest half yearly period since H1 2013.

- Of the total units sold in H1 2023, Gurugram accounted for more than half the units sold with a 52% share. Noida and Greater Noida cumulatively accounted for a 32% share of the total pie. Ghaziabad accounted for 12% share whereas Delhi and Faridabad accounted for 2% share each.

- In contrast to housing sales, new launches moderated from 34,507 units in H2 2022 to 29,738 units in H1 2023. However, on a YoY basis, H1 2023 launch volume surpassed that of H1 2022 by 4%. Though developers continued to launch new projects to meet the latent homebuying demand, many have simultaneously intensified efforts for new land acquisition in preparation for a future pipeline of projects. NCR's key peripheral belts are witnessing new launches comprising amenities-rich group housing, independent floors and gated plotted developments which meet the demands of the new age homebuyer. In NCR, Gurugram accounted for a mammoth 82% of the total half yearly launches as its growing peripherals, supported by upcoming infrastructure improvements, have given a major boost to connectivity.

- The share of residential products with ticket sizes > INR 10 mn in the total sales volume has consistently surged in NCR since H2 2021. From 37% in H2 2021, the share of this category expanded to 41% in H1 2022. In H2 2022, this ticket size category comprised half of the region's total sales volume before rising to 65% in H1 2023. In absolute terms also, there has been a gradual expansion in sales for products priced upwards of INR 10 mn. The fact that homebuyers looking at premium residential products largely remained unaffected by the interest rate hike contributed to steady sales for such products. Ownership of spacious and independent homes by high-net-worth individuals and affluent families is driving the homebuying spree for this ticket size category.

- However, the sales volume in INR 5-10 mn and <INR 5 mn categories continues to reduce as homebuyers considering purchases for these products are more price sensitive to escalating borrowing costs in the wake of previous repo rate revisions. For the INR 5-10 mn category, the percentage share in total sales volume has declined from 33% in H1 2022 to 22% in H1 2023. For products priced < INR 5 mn, the percentage share has shrunk from 25% to 13% in the same period. In particular, this category has been the hardest hit by the repo rate revisions as the buyer profile for such products usually look at affordable options for home ownership and any changes to lending costs and EMIs hampers their decision-making much sooner.

- For the third consecutive half yearly period, an upward price revision in average residential prices across NCR was noted. In H1 2023, the average residential prices rose by 5% YoY over H1 2022. Steady homebuying demand coupled with new inventory launched at higher prices led to this price growth. However, this price rise is less compared to the YoY percentage growth noted in H2 2022 and H1 2022 over previous periods.

- The healthy growth in NCR's residential launches led to a 5% YoY rise in unsold inventory to 100,583 units. A dearth of ready to move in inventory led to many new projects being launched in the market giving a fillip to the available units.

- Notwithstanding a 5% annual growth in the unsold inventory, the quarters-to-sell (QTS) inched down from 9.6 in H1 2022 to 7.2 at the end of H1 2023. This is attributed to high sales velocity in the review period as the homebuying demand has sustained despite inflation. 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. NCR's QTS in H1 2023 is indicative of a healthy demand cycle and is the lowest since H2 2013.

- Real estate developers in NCR have been acquiring land through outright purchases and also tying up with landowners to develop new residential projects as the homebuyer demand has not only remained higher than the pre-pandemic peak of 2019 but grown manifold. Additionally, multiple upcoming infrastructure upgrades such as the Dwarka Expressway, the Delhi-Mumbai Expressway and the Gurgaon Metro from HUDA City Centre to Cyber City are expected to fuel the growth of the real estate sector in NCR and boost demand in the coming years.

Gurugram

- In line with past trends, Gurugram remains a key hub for primary residential sales in NCR. Since H2 2019, Gurugram's share in NCR's total sales volume has only expanded with each half-yearly period. From a 12% share in H2 2019, Gurugram's share has grown to 52% in H1 2023. New launches in multiple formats such as independent floors, gated plotted developments and high-rise apartment projects from credible developers have ensured healthy sales velocity in its various locations. Large township projects on Golf Course Extension Road, New Gurugram and along the Dwarka Expressway are witnessing healthy sales velocity now that the expressway's completion is visibly imminent.

- Gurugram's high rise living resonates well with both first generation and second-generation homebuyers looking for a lifestyle upgrade, a trend that has only picked up post the pandemic outbreak. Connectivity between the main areas of Gurugram and its developing peripherals is being enhanced continually to support its real estate boom. Gurugram Metropolitan Development Authority (GMDA) has invited bids for construction and upgradation of the Southern Peripheral Road (SPR). This upcoming infrastructure upgrade will take place on the Golf Course Extension

Road and the present Southern Peripheral Road from Vatika Chowk to Kherki Daula and ease congestion in 25 sectors along this stretch, which will benefit the residential projects over the long haul.

- A high residential demand has also revitalized the new launches activity in Gurugram. In H1 2023, new launches in Gurugram comprised 82% of NCR's total launch pie. From a mere 19% share in H1 2021, Gurugram's share has swelled to 82% in the current review period as many new projects have been launched in the developing peripherals. Robust homebuying demand supported by enhanced connectivity has been instrumental in developers taking exposure on Golf Course Extension Road, New Gurugram and Dwarka Expressway. In H1 2023, new residential launches took place in Sector 53, 63, 76, 77, 79, Badshahpur, 37D, 93, 103 and 111.

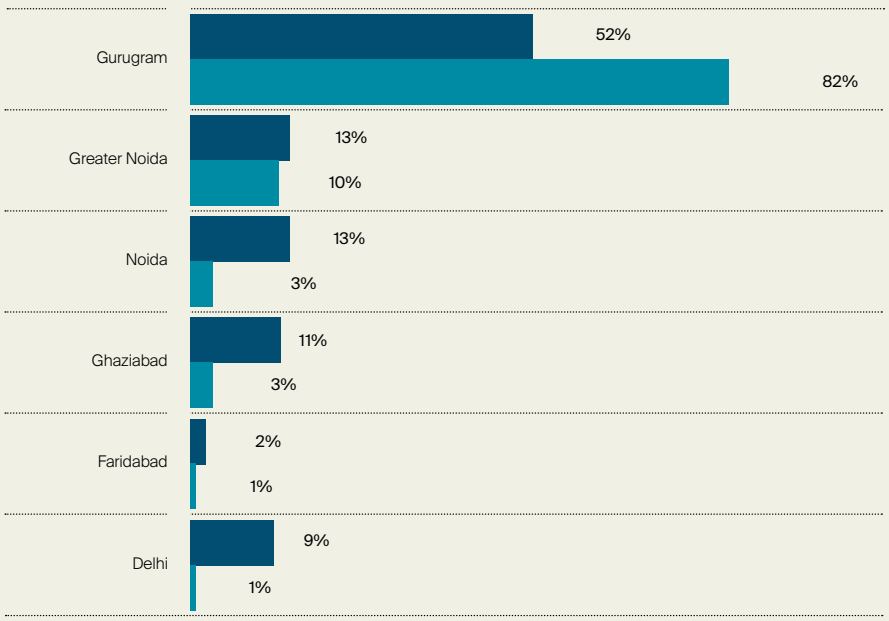
Noida and Greater Noida

- Since H2 2019, Noida and Greater Noida's share in NCR's total sales volume has been declining sequentially. From 71% in H2 2019, the share declined to 42% in H1 2022 before further reducing to 32% in the current half-yearly period. The non-availability of ready to move in inventory in key micro-markets of Noida situated closer to Delhi and a dearth of new launches by credible developers in both these cities have been key factors behind the rationalizing of its share in NCR's total sales. The lack of new residential inventory by credible developers has created a vacuum of preferred residential projects for homebuyers which has impacted the sales volume adversely.

- During H1 2023, Noida and Greater Noida's cumulative share in NCR's new launches remained limited at 13%, although in H1 2022, it had accounted for a 26% share in NCR's new launches. During H1 2023, new launches took place in Techzone IV, Sector 12 and Sector 16 B in Greater Noida. In Noida, Sector 94 and Sector 150 witnessed a few new projects being introduced in the market.

- The dearth of new inventory in these cities has motivated a few developers who were previously not present in this region to launch new projects here to capitalise on the inherent demand. In H1 2023, a couple of regional developers who were not present in Noida before, announced new residential projects here. With a multitude of large-scale infrastructure development schemes such as the Noida International Airport, multi-modal logistics park and expansion of the metro link between Noida and Greater Noida, the market is set for a gradual revitalisation. The extension of Metro's Aqua Line between Noida-Greater Noida (West) will also benefit Sector 51 and Knowledge Park V in Greater Noida (West) and propel real estate development in Sectors 122, 123, 4, 2, Sector 12 Ecotech, Greater Noida Sectors 10, 12 and Greater Noida Knowledge Park.

Micro-market split of new launches in H1 2022 and H1 2023

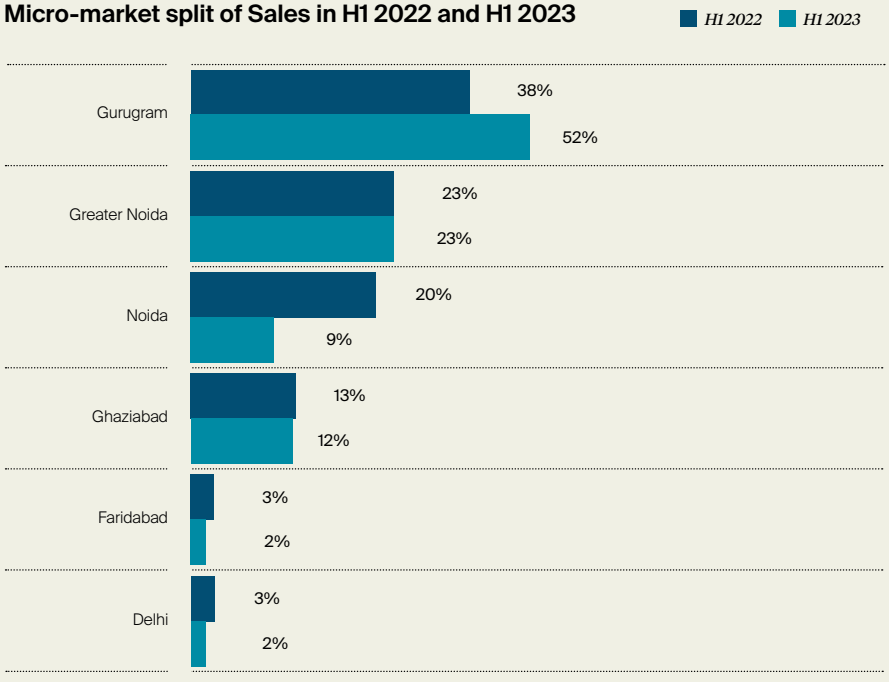


Source: Knight Frank Research

5%

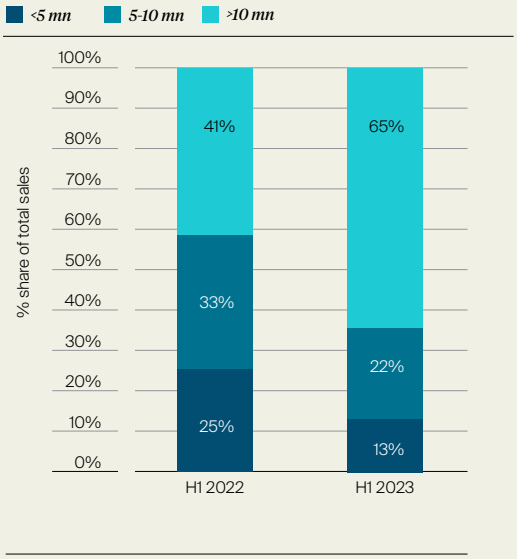
YoY growth in average residential prices in H1 2023

Micro-market split of Sales in H1 2022 and H1 2023



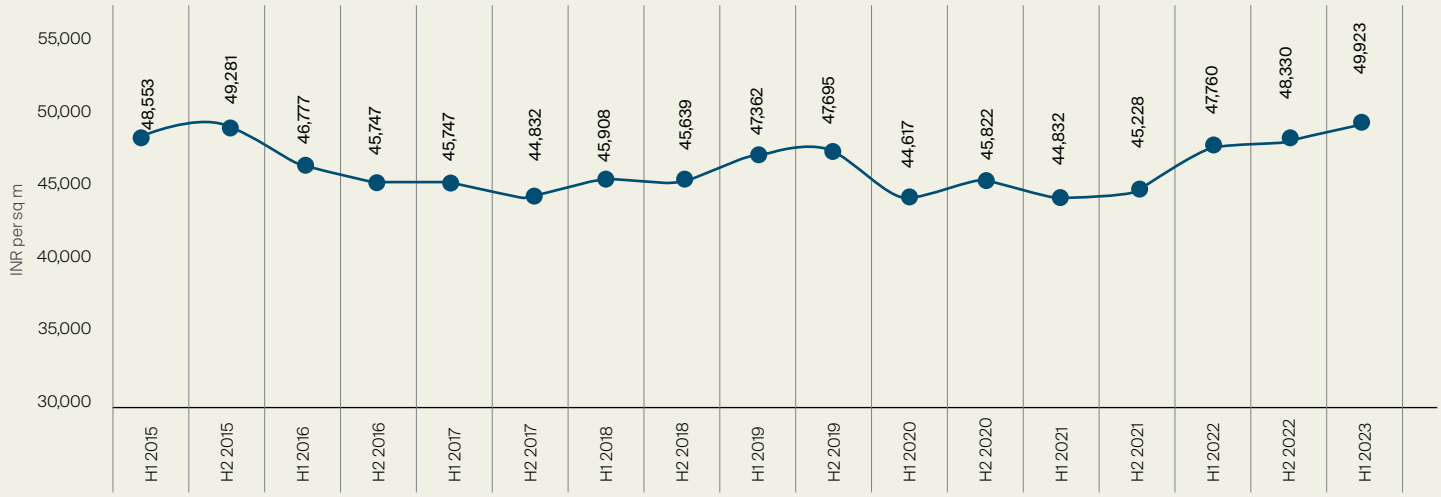
Source: Knight Frank Research

NCR ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

Average residential price movement



Source: Knight Frank Research

Residential price movement in select locations

Micro Market	Location	Price range in H1 2023 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Delhi	Dwarka	69,966–112,770 (6,500–10,500)	6%	3%
	Greater Kailash -II	247,572–395,039(23,000–36,700)	2%	1%
Faridabad	Sector 82	34,445–38,750 (3,200–3,600)	0%	0%
	Sector 88	33,368–36,597 (3,100–3,400)	0%	0%
Ghaziabad	NH-24 Bypass	31,217–33,960 (2,900–3,155)	3%	0%
	Raj Nagar Extension	31,754–35,812 (2,950–3,327)	0%	0%
Greater Noida	Sector 1	34,606–46,286 (3,215–4,300)	10%	4%
	Omicron 1	32,238–39,827 (2,995–3,700)	10%	3%
Gurugram	Sector 77	56,511–74,272 (5,250–6,900)	5%	3%
	Sector 81	58,126–74,272 (5,400–6,900)	6%	4%
Noida	Sector 78	49,514–63,058 (4,600–5,900)	1%	0%
	Sector 143	45,209–52,747 (4,200–5,000)	1%	0%

Source: Knight Frank Research

Micro-market Health

Micro-market	Unsold Inventory (housing units) (YoY Change)	Quarters-to-sell (QTS)
Delhi	2,992 (4%)	10.1
Faridabad	2,846 (0%)	9.1
Ghaziabad	12,602 (-25%)	6.6
Greater Noida	29,869 (-13%)	8.4
Gurugram	43,962 (69%)	7.6
Noida	8,312 (-35%)	3.8

Source: Knight Frank Research

Office Market

NCR Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	0.7 (7.9)	53%	0.4 (3.9)	58%	0.2 (1.9)	40%
Transactions in mn sq m (mn sq ft)	0.8 (8.9)	39%	0.5 (5.1)	24%	0.2 (2.5)	29%
Average transacted rent in INR/sq m/month (INR/sq ft/month)	901 (83.7)	2%	901 (83.7)	0%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

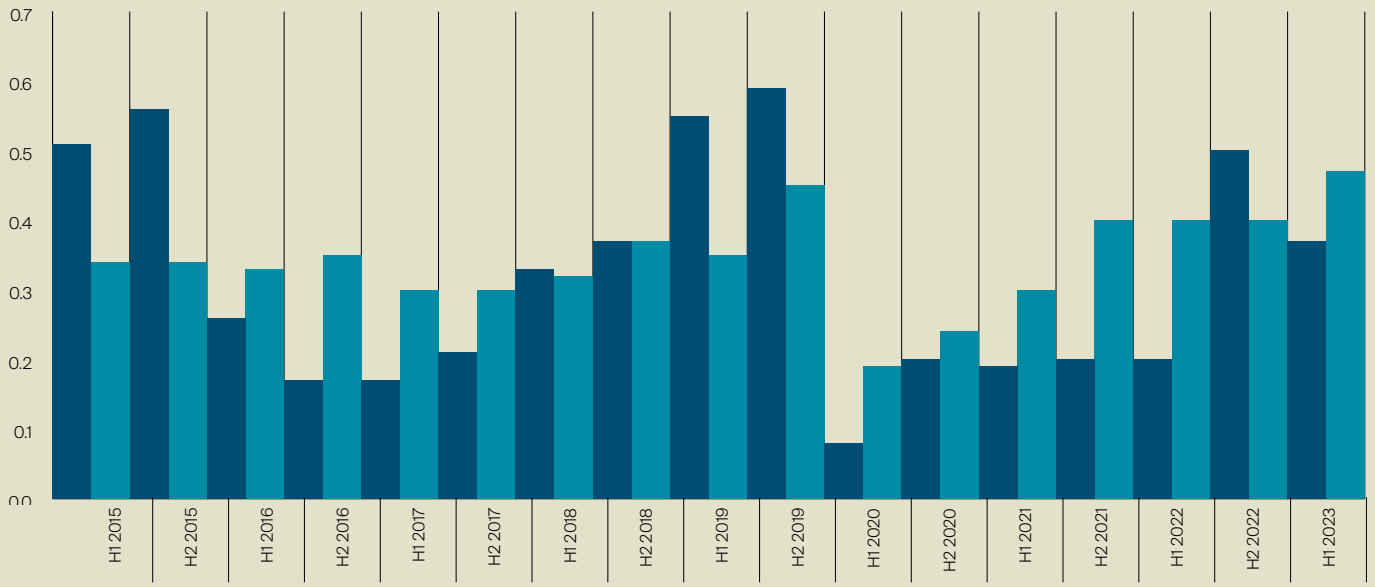
Stock mn sq m (mn sq ft) in H1 2023
17.3 (185.8)

H1 2023 Change (YoY)
5%

H1 2023 Vacancy
13.6%

H1 2023 Change (YoY)
83
bps decrease

NCR Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- The National Capital Region (NCR) office market has been witnessing a growth in office leasing volume every half yearly period sequentially since H1 2021. The looming threat of recession in developed markets and inflationary pressures has not been a challenge for the growth of NCR's office market as every half yearly period has been setting a new record high of office spaces transacted, ever since the mobility restrictions started ebbing in 2021. In fact, the pandemic years unleashed not just the pent-up demand in the market but also office space requirements from many emerging sectors, which have a strong footprint in NCR.

- In H1 2023, NCR witnessed a 14 year high in office spaces leased in its various business districts. Surpassing all previous records of even pre-covid years, 0.5 mn sq m (5.1 mn sq ft) of office spaces were leased in the region, registering a healthy upswing of 24% YoY over H1 2022. Despite the continuation of hybrid work model, mainly in the IT sector, the emergence of office space requirements from other sectors and expansion by the flexible spaces sector has been instrumental for the upward growth trajectory of the office market.

- Of the total volume of office spaces leased during this half yearly period, Gurugram accounted for 57% share of the total pie, followed by Noida at 33%. Delhi accounted for 10% of total office spaces transacted, with Secondary Business District (SBD) comprising 9% of Delhi's total.

- In terms of end-use of spaces, office spaces catering to India facing operations comprised 49% of the total, whilst flexible spaces held 25% of the total pie. Global capability centres (GCCs) accounted for 22% of the end usage and the remaining 4% was used by third party IT services. Proliferation of GCCs across the BFSI, consulting and IT sectors accelerated during the pandemic in key cities in NCR and this is a trend which we foresee continuing as global organisations scale up India operations to adjust for cost optimization.

- In H1 2023, office space demand for flexible working space formats strengthened compared to the year ago period. From a 18% share in H1 2022, this sector's share expanded to 25% in H1 2023. Flexible space operators largely leased co-working seats in various locations of Gurugram, followed by Noida. However, few managed office spaces were also transacted during this period. As the pandemic is now a thing of the past, co-working operators are scaling up operations to keep serving a growing segment of enterprise clients.

- In H1 2023, new office space completions of 0.4 mn sq m (3.9 mn sq ft) became operational in NCR. This is indicative of a 58% YoY growth as many office buildings received occupancy certificates during this half yearly period. Of the total new completions, Noida comprised 64% of the total share, followed by Gurugram at 23%. This was followed by the Secondary Business District (SBD) of Delhi which accounted for 11% of the share.

- Healthy office space leasing led to an 83 basis points decrease in NCR's office vacancy to 13.6% at the end of H1 2023. Preference for NCR's well developed business districts as a hotspot for corporate occupiers has helped keep demand for office spaces buoyant in the region.

- In this half yearly period, NCR's average transacted office rents remained at par with H1 2022. Despite transaction volumes for office leasing reaching a new high, rents remained stable due to weak global economic environment and inflationary pressures faced by occupiers.

- The average area transacted shrunk from 4,166 sq m (44,841 sq ft) in H1 2022 to 2,949 sq m (31,739 sq ft) in H1 2023. However, the office space demand has grown in H1 2023 as the number of deals closed increased from 91 to 160 during the same period.

Gurugram

- During H1 2023, Gurugram accounted for 0.3 mn sq m (2.9 mn sq ft) of office space leasing which represents 57% of NCR's total transaction volume. Of the 160 deals closed in NCR in H1 2023, Gurugram accounted for 58% share which is the highest across all cities in the region.

- Whilst Gurugram's share in NCR's overall leasing decreased from 71% in H1 2022 to 57% in H1 2023, it remains at par with H1 2022 in terms of absolute volume. Steady office space demand despite significant macroeconomic challenges globally, is a testament to the strength of Gurugram's office space market.

- Gurugram Zone A remained a favorite with occupiers in H1 2023 which also comprises 35% of NCR's total leasing. Golf Course Extension Road and MG Road are two hotspots in Gurugram Zone A where occupier interest has been on a continual rise due to availability of available Grade A spaces at relatively cheaper rents compared to the main locations in Gurugram.

- Steady office space demand led to a minor uptick in average rents for office spaces in Gurugram Zone A. The average rents in Gurugram Zone A inched up by 1% YoY over H1 2022 as rents for key Grade A properties have witnessed a modest upward revision.

- In H1 2023, new office space completions in Gurugram accounted for 23% of NCR's total as some office buildings in Gurugram Zone A in Sector 44, 59 and 71 received occupancy certificate during this period.

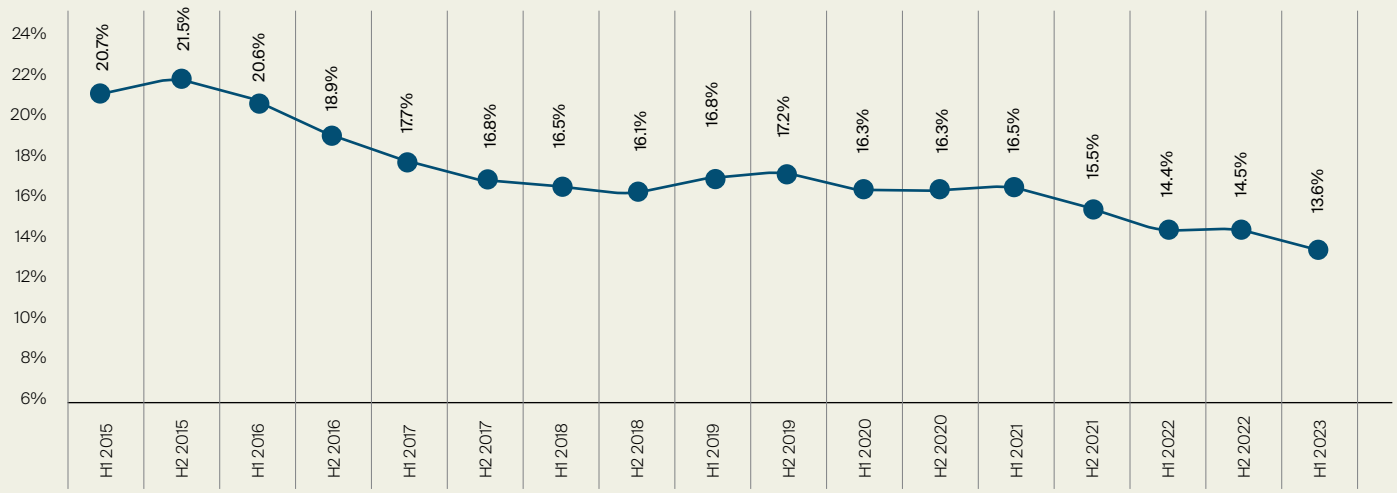
Noida

- In H1 2023, Noida accounted for 0.15 mn sq m (1.6 mn sq ft) office space leasing, which is 33% of NCR's total office spaces leased. In the past one year, Noida's share in the region's total leasing has increased from 25% in H1 2022 to 33% in H1 2023. This represents a 60% YoY jump witnessed during this period in this city. Sectors 16B, 62, 129 and 135 attracted a lot of occupier traction in this period.

- Noida accounted for 64% of NCR's new office space completions in H1 2023. Sectors 129, 132, 143A and 144 witnessed infusion of new Grade A supply which can evince a lot of occupier interest going forward.

- Growing occupier demand in Noida resulted in a 4% YoY increase in average rents for office spaces in in H1 2023.

NCR Office Market Vacancy

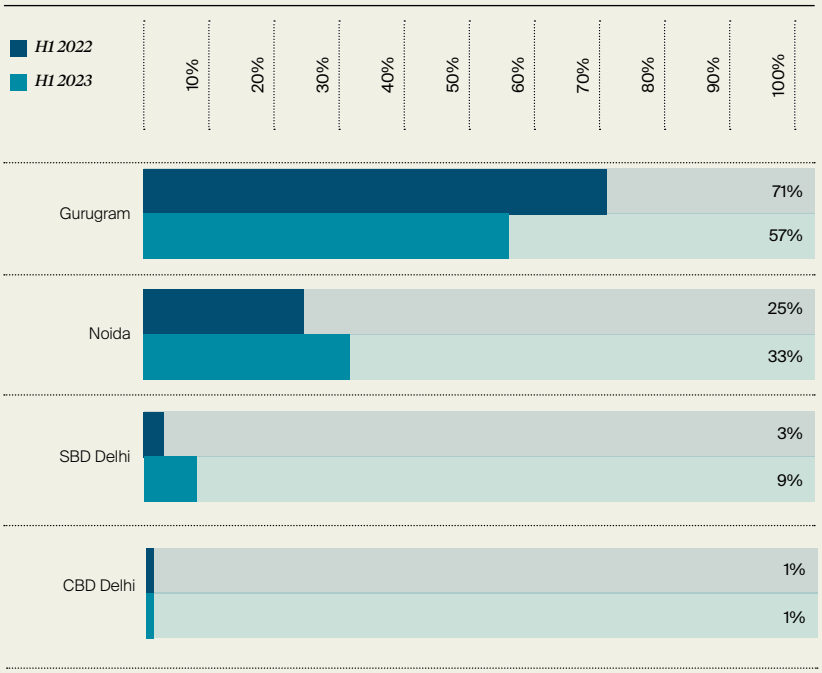


Source: Knight Frank Research

Business district classification

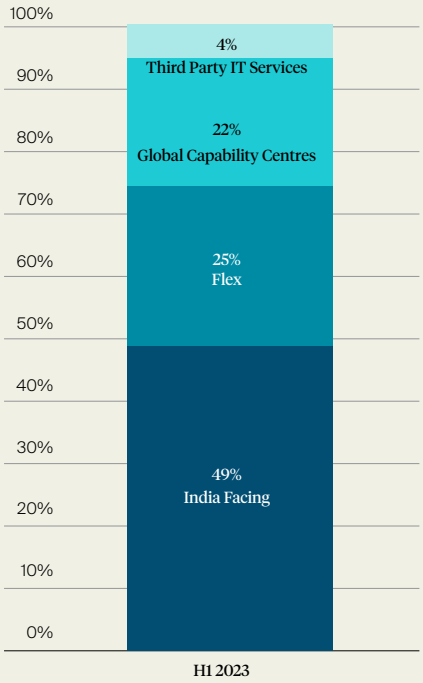
Business district	Micro markets
CBD Delhi	Connaught Place, Barakhamba Road, Kasturba Gandhi Marg and Minto Road
SBD Delhi	Nehru Place, Saket, Jasola, Bhikaji Cama Place, Mohan Cooperative, Okhla and Aerocity
Gurugram Zone A	M G Road, NH-8, Golf Course Road and Golf Course Extension Road
Gurugram Zone 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
Greater Noida	Sector Alpha, Beta, Gamma and Tech Zone

Business district wise transactions split in H1 2022 and H1 2023

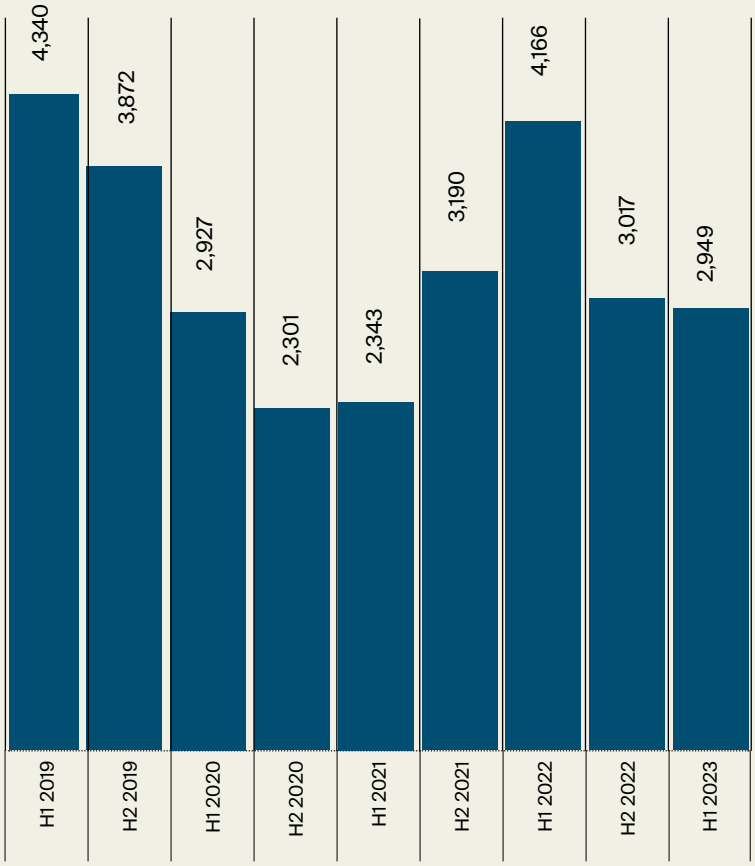


Source: Knight Frank Research

End-use split of transactions in H1 2023



Average deal size trend (SQ M)



Source: Knight Frank Research

In H1 2023, NCR witnessed a 14 year high in office spaces leased in its various business districts. Surpassing all previous records of even pre-Covid years, 0.5 mn sq m (5.1 mn sq ft) of office spaces were leased in the region, registering a healthy upswing of 24% YoY over H1 2022.

Business district-wise rental movement

	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
CBD Delhi	2,347–3,767 (218–350)	0%	0%
SBD Delhi	915–2,153 (85–200)	0%	0%
Gurugram Zone A	1,184–1,744 (110–162)	1%	0%
Gurugram Zone B	915–1,453 (85–135)	0%	0%
Gurugram Zone C	269–377 (25–35)	0%	0%
Noida	538–915 (50–85)	4%	0%
Faridabad	484–592 (45–55)	0%	0%

Source: Knight Frank Research

Pune

Residential Market

Pune Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Launches (housing units)	38,640	-5%	21,234	22%	9,694	19%
Sales (housing units)	43,410	17%	21,670	-0.6%	11,302	-2%
Average price in INR/sq m (INR/sq ft)	INR 46,204 (INR 4,293)	7%	INR 47,205 (INR 4,385)	3%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Unsold inventory (housing units) H1 2023
45,604

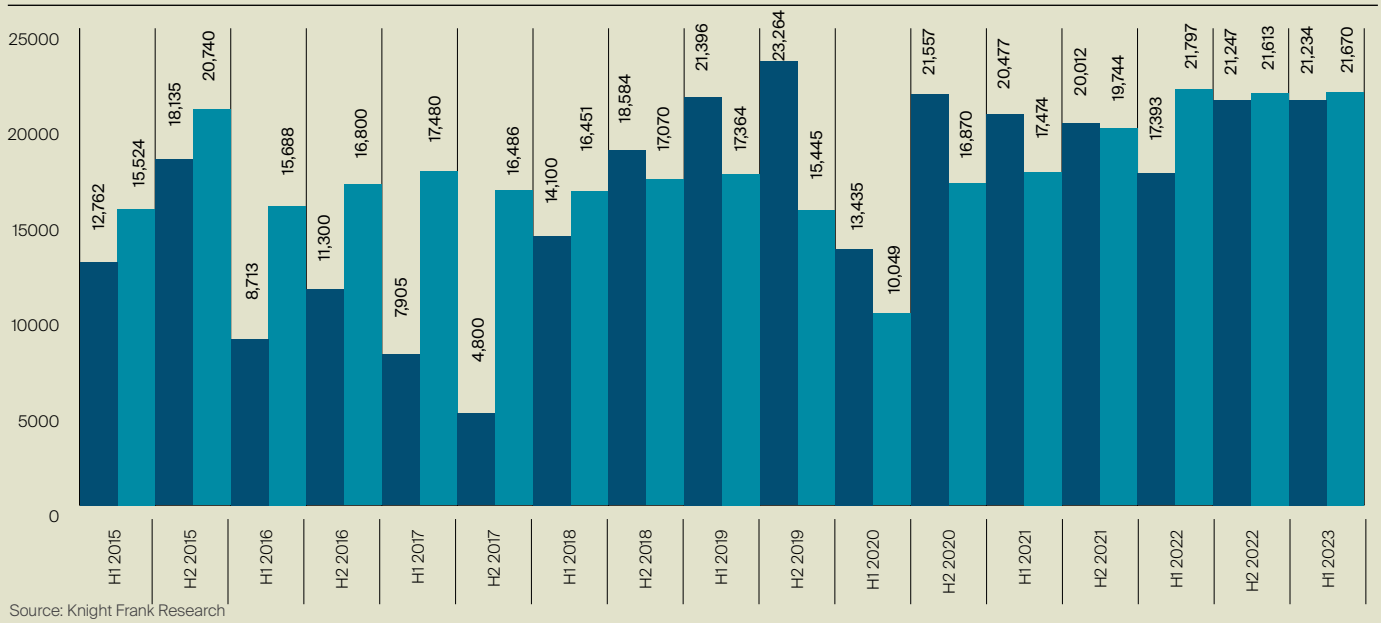
Change (YoY)
-2%

4.3
Quarters to sell (in quarters) H1 2023

10.9
Age of unsold inventory (in quarters) H1 2023

Launches and sales trend

No. of units



Source: Knight Frank Research

- In the first half of 2023, the residential market in Pune remained stable as it recorded total sales of 21,670 units, experiencing a slight decline of 0.6% YoY. Despite facing various challenges, the market demonstrated resilience, as reflected in the steady sales figures for the first half of the year. While a significant portion of homebuyers consists of migrant workers, particularly salaried employees seeking housing mortgages, their perception of the market remains positive, even in the face of consecutive increases in mortgage rates which have impacted consumers' purchasing capacity.

- During H1 2023, the real estate market in Pune witnessed significant expansion in project launches, demonstrating a YoY rise of 22%, resulting in a total of 21,234 new units. Of all the markets, Pune stood out as the sole market to achieve substantial double-digit growth in project launches during this period. The city's emergence as a thriving IT and ITeS hub, coupled with the government's emphasis on infrastructure development, has positioned Pune as a crucial destination for housing. As a result, prominent developers are actively pursuing this as a significant opportunity.

- The first half of 2023 witnessed a notable shift in the share contribution of new project launches across different zones in Pune. The Central, Western, and Northern Zones experienced significant increases, accounting for 20%, 26%, and 10% of the total launches, respectively. On the other hand, the share contribution of the South and East Zones contracted, comprising 20% and 24% of the total launches, respectively. With the growing trend of return to office-based work, residential properties located near key employment hubs such as Hinjewadi and Baner in the West Zone are expected to experience a surge in sales momentum. These areas, known for their proximity to major workplaces, are expected to attract homebuyers seeking convenient access to their workplaces, leading to increased demand and sales activity.

- During H1 2023, the sales volumes in the Pune real estate market were predominantly concentrated in the South, East, and West markets, accounting for significant shares. The South market held the largest share with 31% contribution to the total sales volume, followed by the East market with 23%, and the West market with 28%. These regions emerged as the key areas where substantial residential property transactions took place, indicating high demand and market activity in those zones.

- In the first half of 2023, sale of properties with ticket sizes ranging from INR 5-10 mn experienced an increase in share, rising from 41% in H1 2022 to 46% in H1 2023, while sale of properties with ticket sizes below INR 5 mn witnessed a decline in share, decreasing from 50% in H1 2022 to 42% in H1 2023. This shift can be attributed to an overall increase in the value mix and price of properties. Furthermore, properties with ticket sizes exceeding INR 10 mn also saw a rise in share, increasing from 9% in H1 2022 to 12% in H1 2023. This indicates a growing demand for high-value properties in the market during the given period.

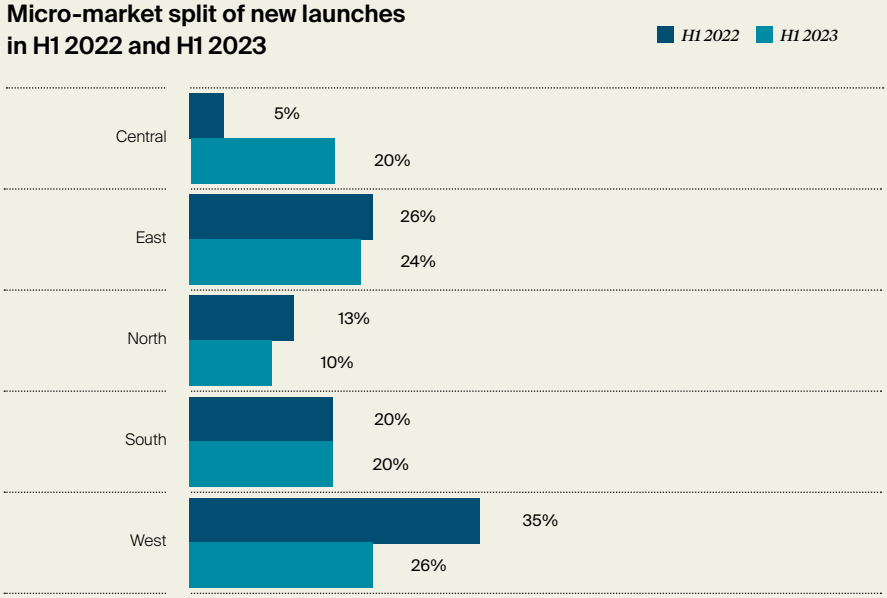
- In H1 2023, residential prices in the Pune real estate market experienced a YoY growth of 3%. The robust demand for properties in the Pune residential market has allowed developers to adjust prices accordingly.

Micro-Market Classification

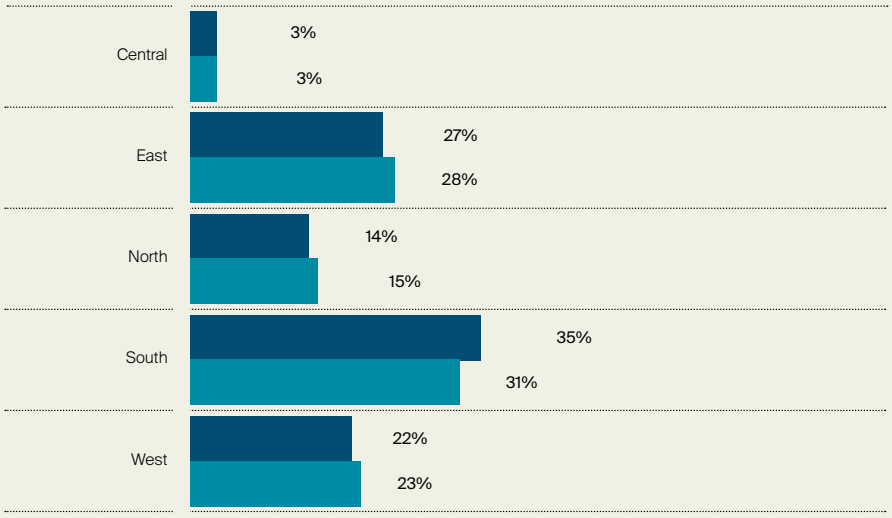
Micro market	Locations
Central	Koregaon Park, Boat Club Road, Erandwane, Deccan, Kothrud, Model Colony
East	Viman Nagar, Kharadi, Wagholi, Hadapsar, Dhanori
West	Aundh, Baner, Wakad, Hinjewadi, Bavdhan, Pashan
North	Pimpri, Chinchwad, Moshi, Chikhali, Chakan, Talegaon
South	Kondhwa, Ambegaon, Undri, Dhayari, Warje, Sinhgad Road

Source: Knight Frank Research

Micro-market split of new launches in H1 2022 and H1 2023

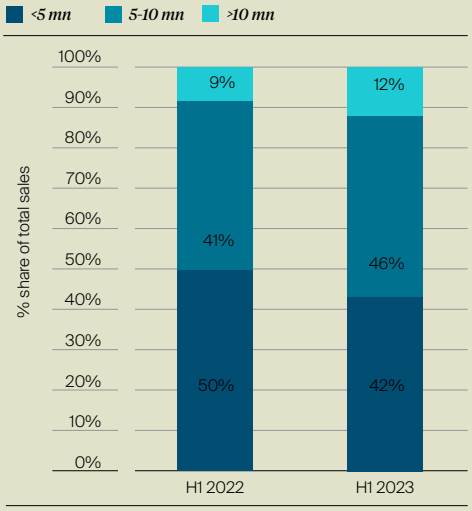


Micro-market split of Sales in H1 2022 and H1 2023



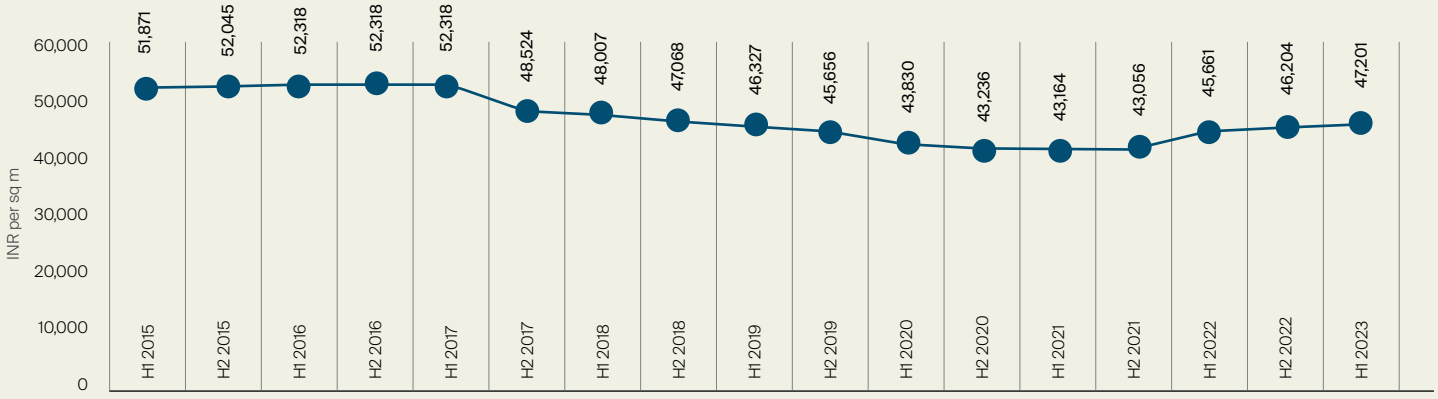
Source: Knight Frank Research

Pune ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

Pune ticket size split comparison of sales during H1 2022 and H1 2023



Source: Knight Frank Research

Residential price movement in select locations

Micro Market	Location	Price range in H1 2023 in INR/sq m (INR/sq ft)	12 month Change	6 month Change
Central	Koregaon Park	141331-184818 (13130-17170)	1%	1%
	Kothrud	83152-155217 (7725-14420)	3%	3%
	Erandwane	148220-199565 (13770-18540)	2%	3%
	Boat Club Road	159200-271791 (14790-25250)	2%	1%
East	Kharadi	58761-86973 (5459-8080)	3%	1%
	Wagholi	38427-59794 (3570-5555)	2%	1%
	Dhanori	52184-74659 (4848-6936)	1%	2%
	Hadapsar	61484-87834 (5712-8160)	2%	2%
West	Aundh	84799-141331 (7878-13130)	1%	1%
	Baner	73174-119588 (6798-11110)	3%	1%
	Hinjewadi	53734-86973 (4992-8080)	4%	1%
	Wakad	60451-93496 (5616-8686)	4%	1%
North	Moshi	41022-65876 (3811-6120)	3%	2%
	Chikhali	38804-56533 (3605-5252)	3%	1%
	Chakan	32938-40903 (3060-3800)	2%	0%
South	Ambegaon	48782-76123 (4532-7072)	3%	4%
	Undri	43239-54358 (4017-5050)	3%	1%
	Kondhwa	51000-63809 (4738-5928)	3%	4%

Source: Knight Frank Research

Micro-market Health

Micro-market	Unsold Inventory (housing units) (YoY Change)	Quarters-to-sell (QTS)
Central	8,919 (238%)	29.4
East	10,734 (-21%)	3.7
West	19,264 (6%)	7.9
North	6,419 (-27%)	4.1
South	204 (-94%)	0.1

Source: Knight Frank Research

Office Market

Pune Market Summary

Parameter	2022	2022 Change (YoY)	H1 2023	H1 2023 Change (YoY)	Q2 2023	Q2 2023 Change (YoY)
Completions in mn sq m (mn sq ft)	0.62 (6.7)	-8%	0.24 (2.6)	-49%	0.18 (1.9)	39%
Transactions in mn sq m (mn sq ft)	0.57 (6.2)	61%	0.22 (2.3)	-30%	0.14 (1.5)	-37%
Average transacted rent in INR/sq m/month (INR/sq ft/month)	775 (72)	7.0%	779 (72.4)	2%	-	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

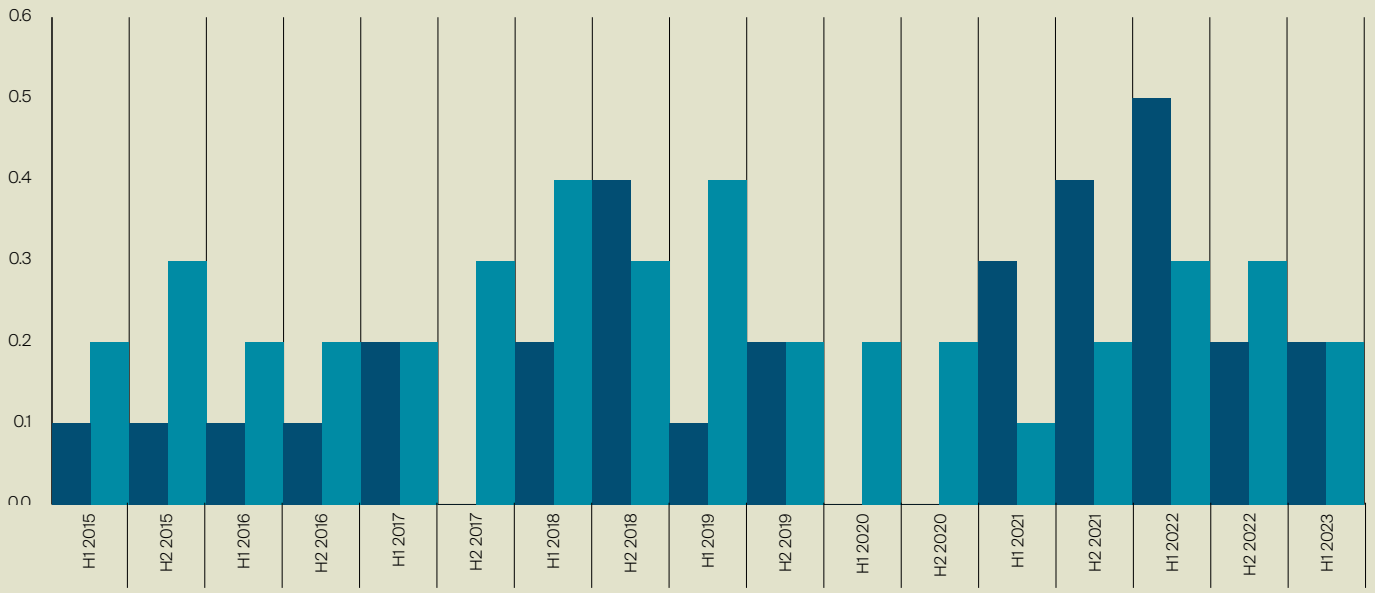
Stock mn sq m (mn sq ft) in H1 2023
8.38 (90.2)

H1 2023 Change (YoY)
5%

H1 2023 Vacancy
10.2%

H1 2023 Change (YoY)
161
bps decrease

Pune Office Market Activity (Mn Sq M)



Source: Knight Frank Research

- Pune is one of the prominent IT hubs of India. However, leasing activity in H1 2023 in Pune experienced a decline of 30% YoY reaching 0.22 mn sq m (2.3 mn sq ft). This decline can be attributed to the impact of global uncertainties on the IT sector which previously held a significant share of the transaction volume. In the latest quarterly period, transactions amounted to 0.14 mn sq m (1.5 mn sq ft) with micro markets such as Secondary Business District (SBD) East, Secondary Business District (SBD) West, and Peripheral Business District (PBD) West driving demand and accounting for 85% of the transactions in H1 2023. Despite the temporary setback, Pune remains a major hub for IT and ITeS companies, and there is a strong pipeline of new office projects. As the economy continues to recover, the demand for office space in Pune is expected to increase.

- In H1 2023, the annual office completions in Pune experienced a significant YoY decline of 49%, totaling 0.24 mn sq m (2.6 mn sq ft). This decline can be attributed to the timing of obtaining Occupancy Certificates (OC) for some major office properties which resulted in a shift in completions to the second half of the year. Despite this decline, there are positive indicators for the office market in Pune.

- Hinjewadi Phase 1 and 2 together constituted 19% of the total office transactions in Pune. However, the top-performing market in terms of transactions was Baner, accounting for 26% of the total transactions. Following closely behind was Viman Nagar, with a share of 16% in the total transaction volume.

- In H1 2023, the share of SBD East and West, as well as PBD East and West, expanded primarily due to the increase in co-working deals. Kharadi, Baner, and Hinjewadi emerged as hotspots for leasing activity.

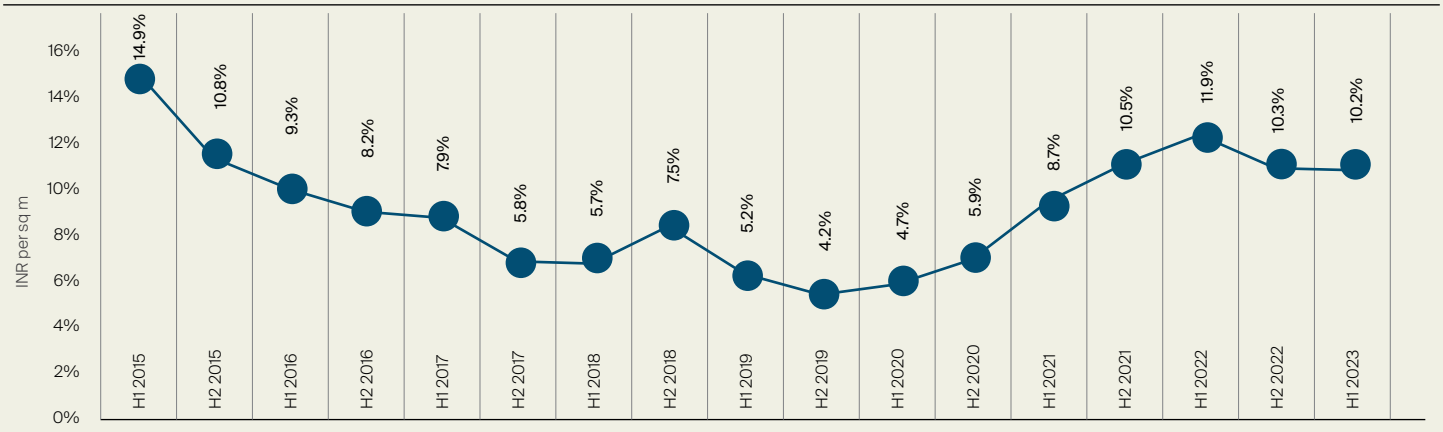
- The co-working market has experienced significant growth due to the increasing preference of occupiers for flexible workspace solutions. This trend has led to a notable increase in the share of transactions attributed to co-working spaces, rising from 31% in H1 2022 to 39% in H1 2023.

- In light of the global turmoil and increasing interest rates, many occupiers are reassessing their expansion plans. This can be seen in the notable decline of deals from the Banking, Financial Services, and Insurance (BFSI) sector in H1 2023. This decline can be attributed to employers in the BFSI sector opting for hybrid working models that include remote work or leasing spaces through co-working operators rather than directly acquiring office spaces.

- Contrary to the decline in the BFSI sector, the manufacturing sector has witnessed an increase in its share of space take-up in H1 2023. This upturn can be attributed to a significant portion of the manufacturing sector's space take-up being driven by automotive companies.

- In H1 2023, rents in the office market experienced a YoY growth of 2%, reaching INR 779/sq m/month (INR 72.4/sq ft/month). As demand outpaced supply, the vacancy rate decreased from 11.9% in H1 2022 to 10.2% in H1 2023.

Pune Office Market Vacancy



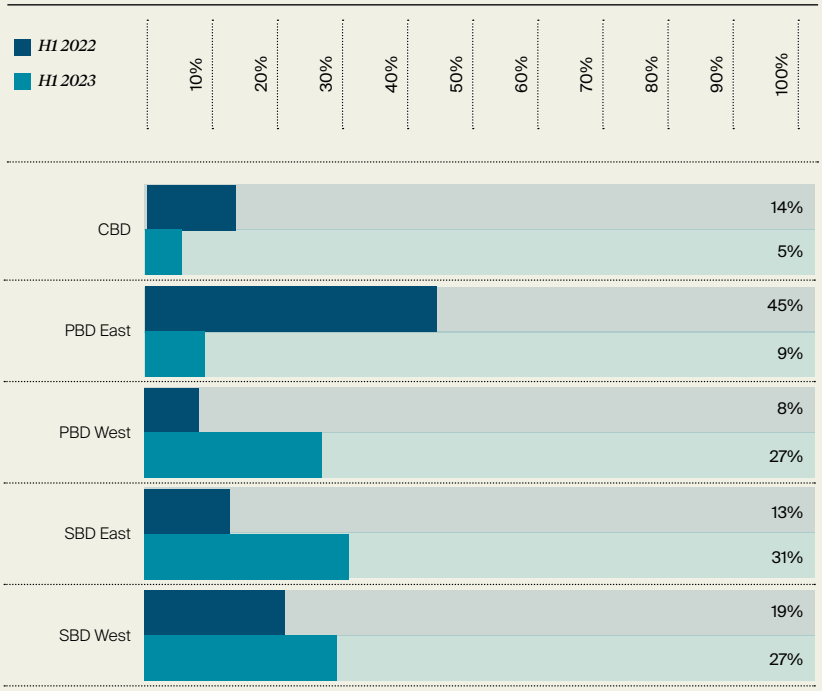
Source: Knight Frank Research

Business district classification

Business district	Micro markets
Central Business District (CBD and Off-CBD)	Bund Garden Road, S B Road, Camp, Deccan, University Road, Shankar Sheth Road
Secondary Business District (SBD) East	Kalyani Nagar, Yerwada, Nagar Road, Hadapsar
Peripheral Business District (PBD) East	Kharadi, Phursungi
Secondary Business District (SBD) West	Wakdewadi, Aundh, Baner, Kothrud, Balewadi
Peripheral Business District (PBD) West	Hinjewadi, Bavdhan, Wakad
Secondary Business District (SBD) North	Pimpri , Chinchwad, Khadki, Moshi and Bhosari

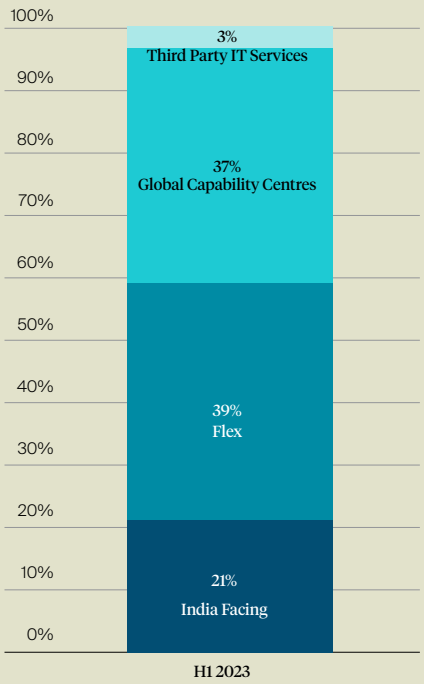
Source: Knight Frank Research

Business district wise transactions split in H1 2022 and H1 2023



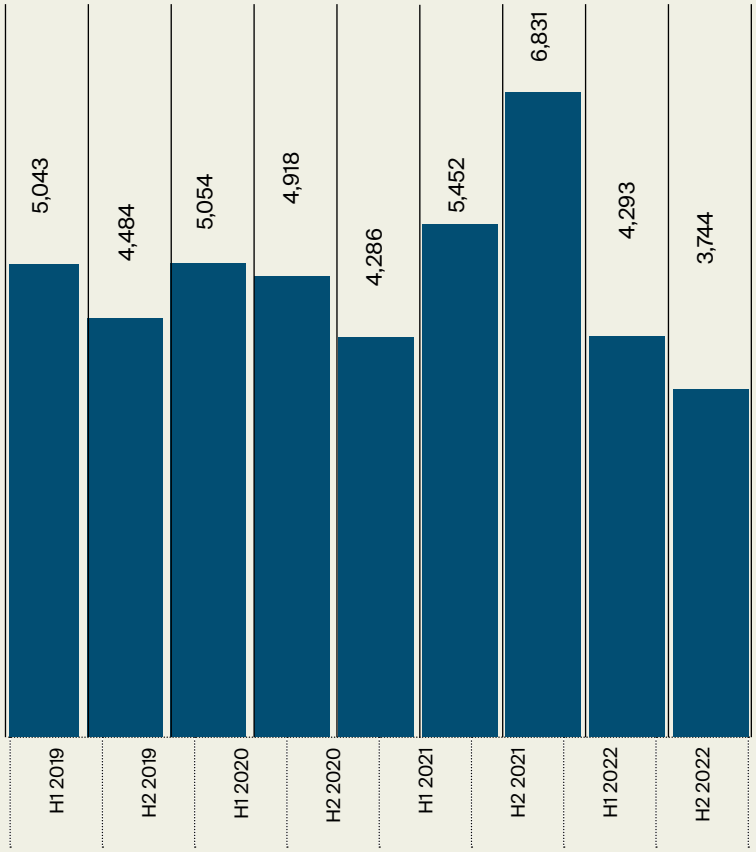
Source: Knight Frank Research

End-use split of transactions in H1 2023



Source: Knight Frank Research

Average deal size trend (SQ M)



Source: Knight Frank Research

Business district-wise rental movement

	Rental value range in H1 2023 in INR/sq m/month (INR/sq ft/month)	12-month change	6-month change
CBD & Off-CBD	807- 1399 (75-130)	1%	0%
SBD East	646- 1238 (60-115)	2%	1%
SBD West	646- 1023 (60-95)	1%	0%
PBD East	646- 1066 (60-99)	1%	1%
PBD West	484- 807 (45-75)	2%	1%

Source: Knight Frank Research

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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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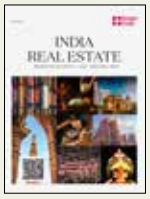

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