


Delhi Commercial Real Estate Market

Insights - April'20

A hand in a dark suit sleeve points upwards towards a semi-transparent house icon. The background is a vibrant, nighttime city skyline with numerous illuminated skyscrapers and buildings. The overall scene is overlaid with a semi-transparent silhouette of a person's head and shoulders, looking towards the right.



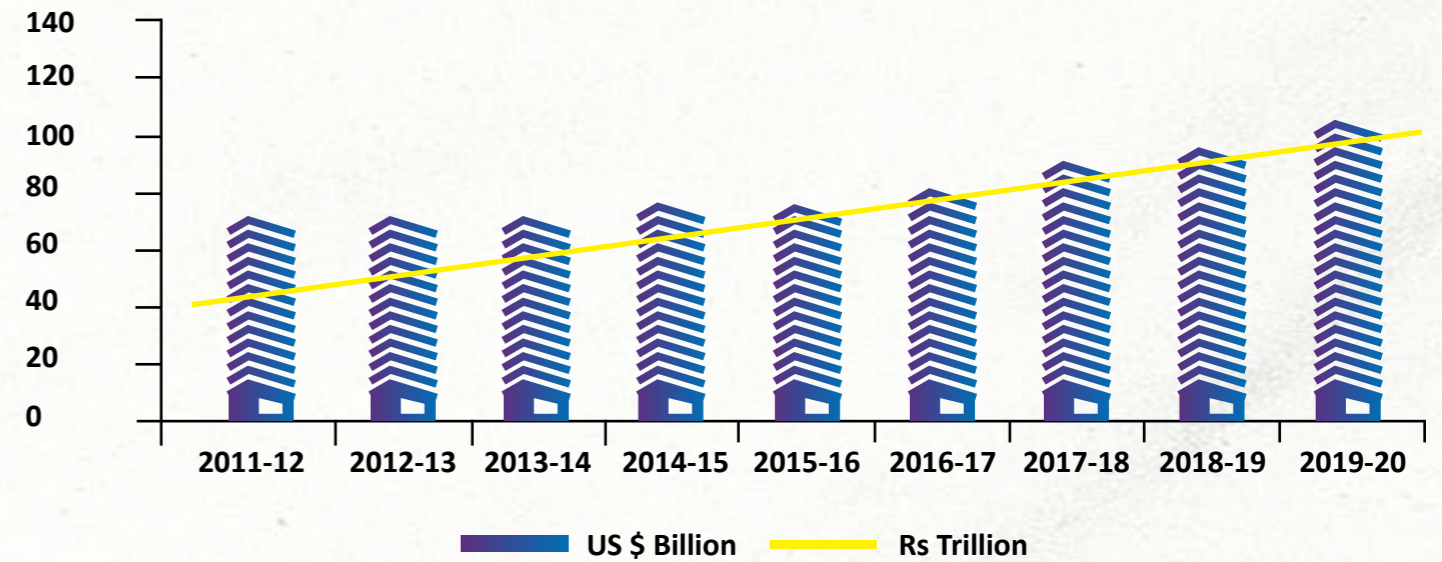
Delhi -

The national capital of India is famous across the globe for its historical, cultural and political significance. Delhi is the second-largest metropolis and its trading prowess both in B2B and B2C domains make it a lucrative market for various types of industries such as Retail, Real Estate, Tourism, Hospitality, Banking & Finance etc.

IGI Airport, which is one of the busiest and biggest airports in the world, also makes Delhi the entry point for the visitors traveling to either Delhi NCR or any other part of North India for work or leisure. This is the reason for the thriving hospitality and retail sector in the close vicinity of the airport. Delhi's office market is predominantly occupied by the Government organizations and PSUs. The city is also poised to witness humongous commercial realty growth owing to its master plan 2021.

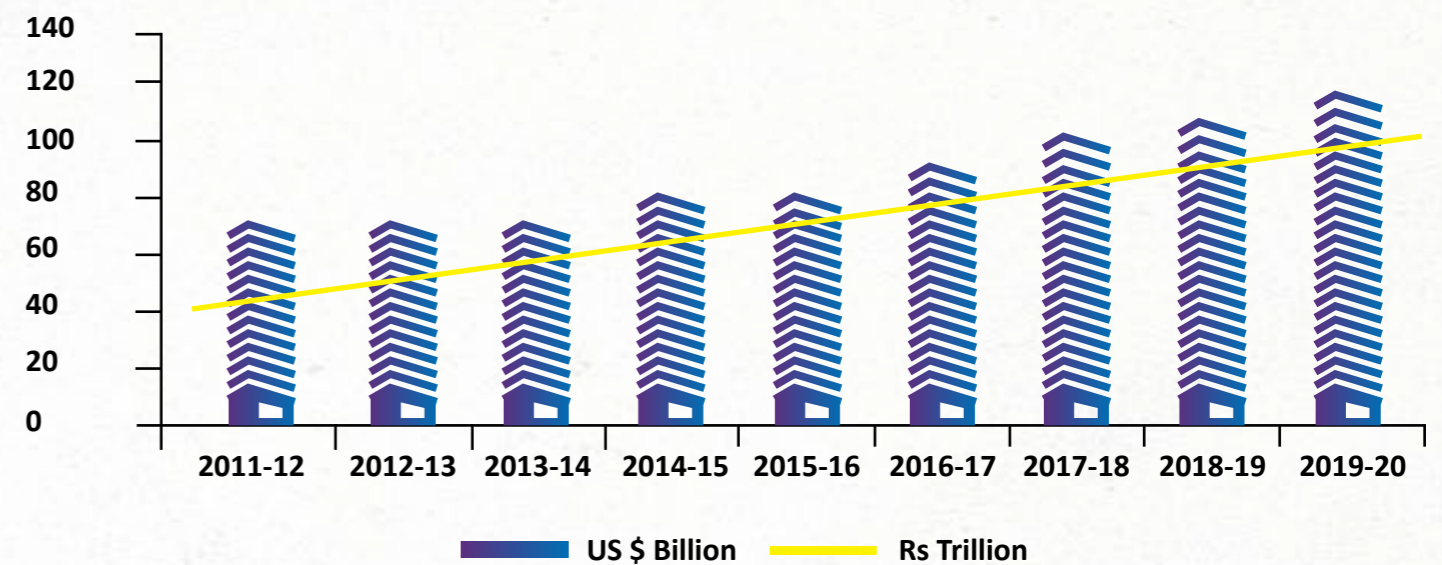
At current prices, the Gross State Domestic Product (GSDP) and Net State Domestic Product (NSDP) of Delhi have reached INR 8.56 trillion & INR 7.80 trillion respectively in 2019-20. The CAGR of both GSDP and NSDP has increased at 12.08% & 12.01% between 2011-12 to 2018-19 respectively.

GSDP of Delhi at Current Price



Source: IBEF

NSDP of Delhi at Current Price



Source: IBEF



Commercial Infrastructure

Delhi has its old history of trade and commerce. Very renowned & old markets still manifest buoyant demand from all over India. Markets like Chandni Chowk, Karol Bagh, Connaught Place, Khan Market, Lajpat Nagar, Sarojini Nagar etc are the prime locations and provide vanilla options for trade.

- Connaught Place retains its position as the top-10 most expensive markets in the world.
- Khan market is one of the top-20 most expensive retail markets in the world.

Corporate Offices of major renowned brands and Government agencies are based in these major locations.



Source: 360 Realtors Research

Government Planning/ Strategies

The growth momentum has accelerated after the Government has shown interest in the development of the NCT, through vision 2021. The government's strategy through "Vision 2021" for industries is (1) recognition and inclusion of new industries and (2) simultaneous upgradation and modernization of the existing one.

- The Government of India had undertaken highway projects worth INR 34,000 crore (US\$ 5.29 billion) to decongest the national capital.
- New Delhi metro grey line will be constructed between Dwarka-Najafgarh stations by December 2020.

The trade and commerce segment would have (1) community centers in districts, (2) integrated freight complexes & wholesale markets. The recent developments will bolster the demand & supply in the region.

The real estate sector has a key role in the infrastructure development & the growth of commercial activities in any state.

Retail

The retail industry witnessed steadfastness in the last two quarters of 2019. India is the fifth largest preferred retail destination globally and is expected to reach INR 76.87 lakh Crore (US\$1.1 trillion) by 2020.

Delhi has approx. 4.15 lakh units of retail shops (including high-street). The retail real estate dynamics of Delhi can be divided into three zones.

TRADITIONAL WHOLESALE MARKETS:

Delhi houses some of the best wholesale markets in India, like Bhagirath Palace (for lighting needs), Sadar Bazaar (plastic, gadgets and timber products), Nehru Place (IT and hardware products), Chandni Chowk & Kinari Bazaar (textile and accessories), Chawri Bazaar (stationery products) and Kirti Nagar (Furniture market). These markets are operated by traditional retailers. People from all over the country visit these markets for B2B and B2C requirements. The footfall in these markets is mainly organic and the demand for space always exceeds the supply, and any vacancy in these places is an invitation.

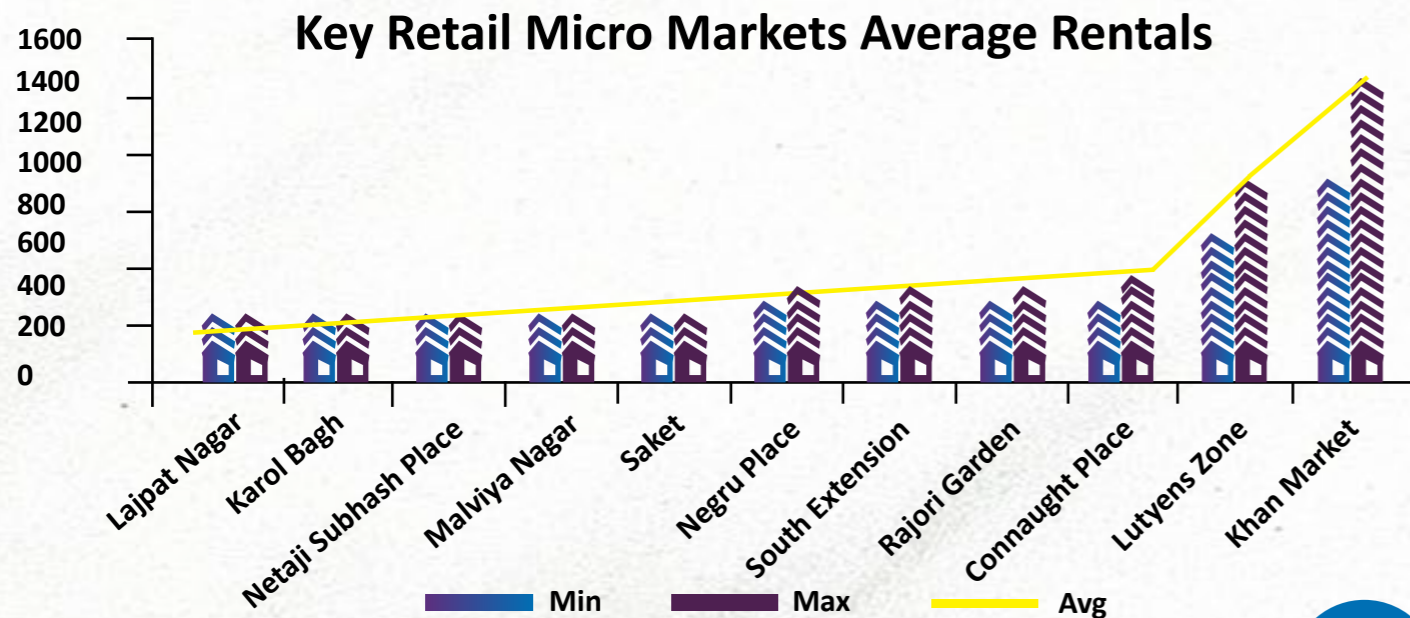
Because of the huge size of the commercial transaction in these markets, Banks - both PSUs and private banks are vying for space, thus giving further impetus to the office demand in these markets.

ORGANIZED HIGH-STREETS:

Some of the markets in Delhi that offer great shopping options for the millennial fashion aficionados are Janpath Market, Kamla Nagar, Lajpat Nagar, Sarojini Nagar etc. These markets house mainly small to medium size stores where both organized (branded) and unorganized retail are thriving side-by-side. New supply is hard in these markets as the markets are already saturated and stable.

LUXURY MARKET:

The rich and famous of the city shops at the markets nearer to their residential places or at the luxury malls and retail spaces at the 5-star hotels. Some of these A-grade retail markets are at the creme-de-la-creme locations of Delhi like - GK1 M and N block, Defence Colony, South Extension 1 & 2, NFC, Khan Market, Santushti market and Connaught Place.



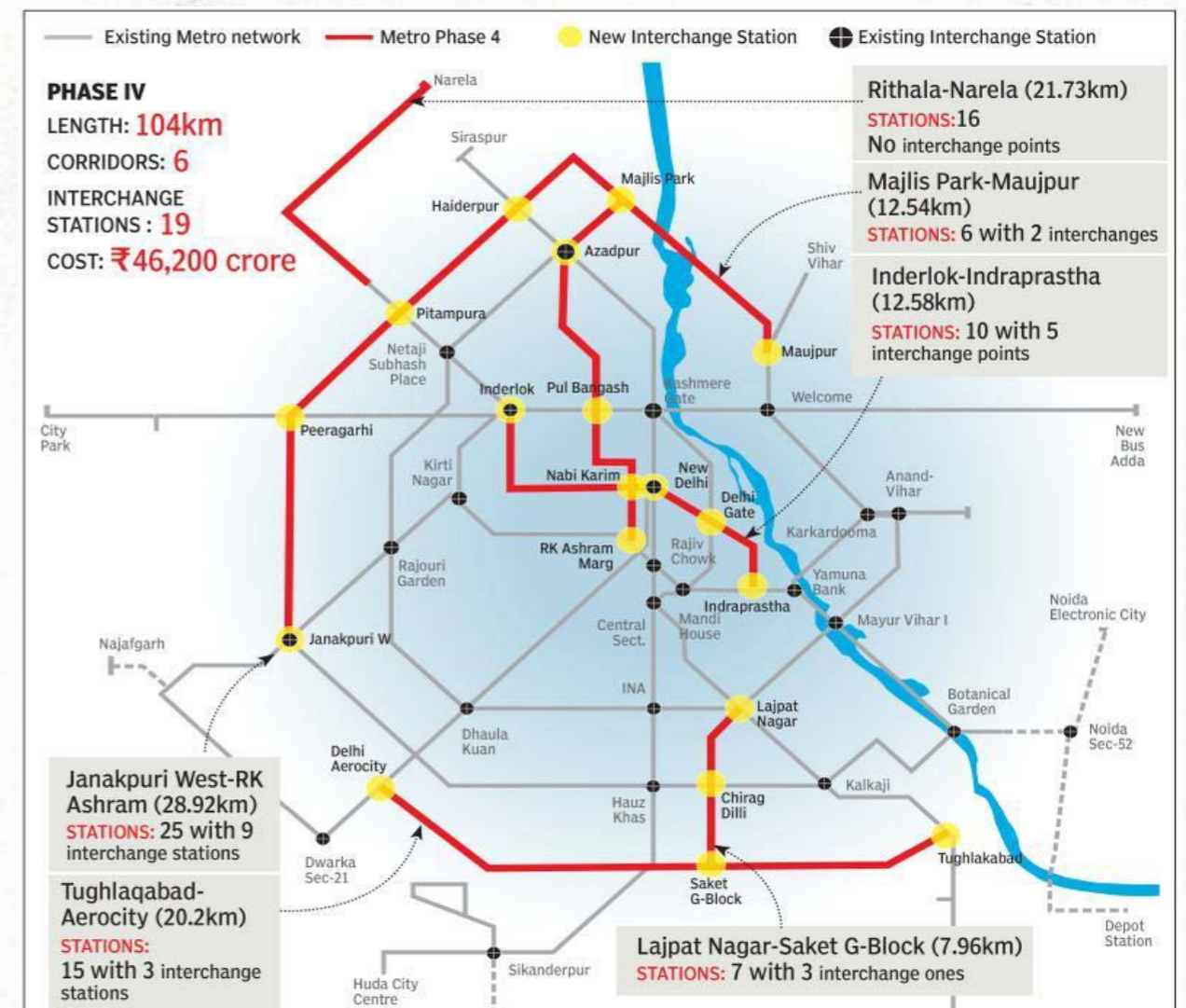
Source: 360 Realtors Research

Metro Station Retail

The idea of integration of metro stations with retail caught up when British supermarket "Tesco" revolutionized shopping at metro stations. This idea of "shopping with commute" was newly launched in India. As an experiment, DMRC started with only 3 metro stations (Inderlok, Kashmere Gate, and Rajiv Chowk) with 40 retail shops in 2006 out of 140 metro stations. Now, DMRC has widened its network to 389 km with 285

stations and the number of retail shops in the metro corridor is also showing an upward trend.

The new PH-IV metro stations from Rithala to Narela and Kirti Nagar to Dwarka ECC (Exhibition-cum-Convention Centre) will start operation tentatively from 2025 while Phase-5 metro route is in pipeline.



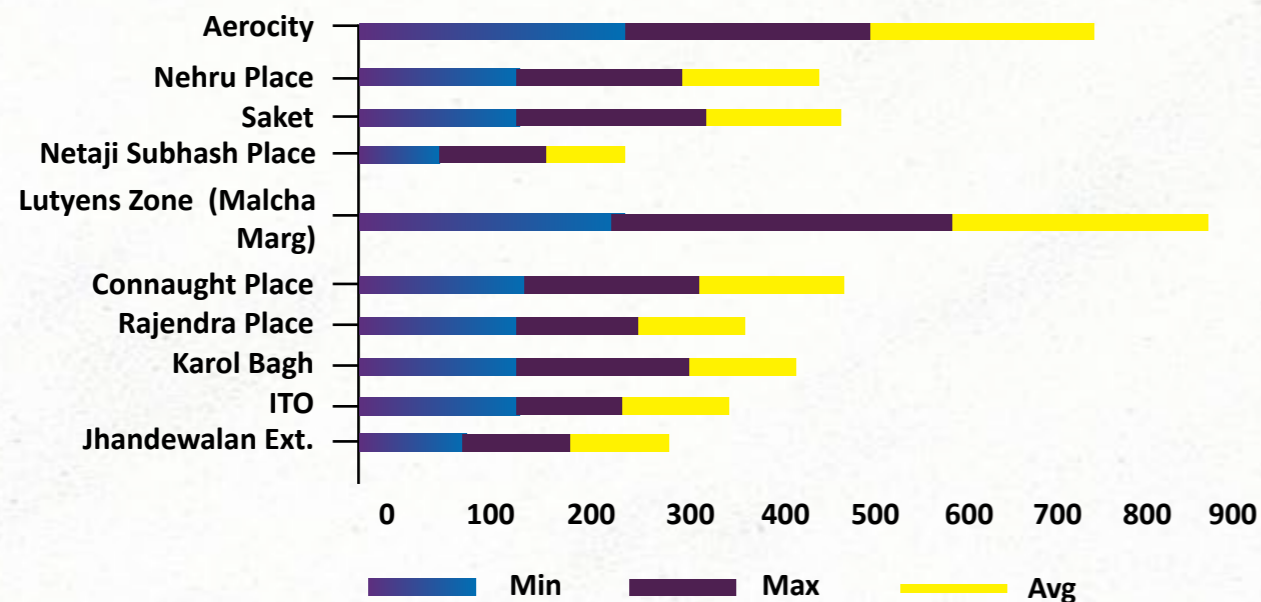
Source: DMRC

Commercial Offices

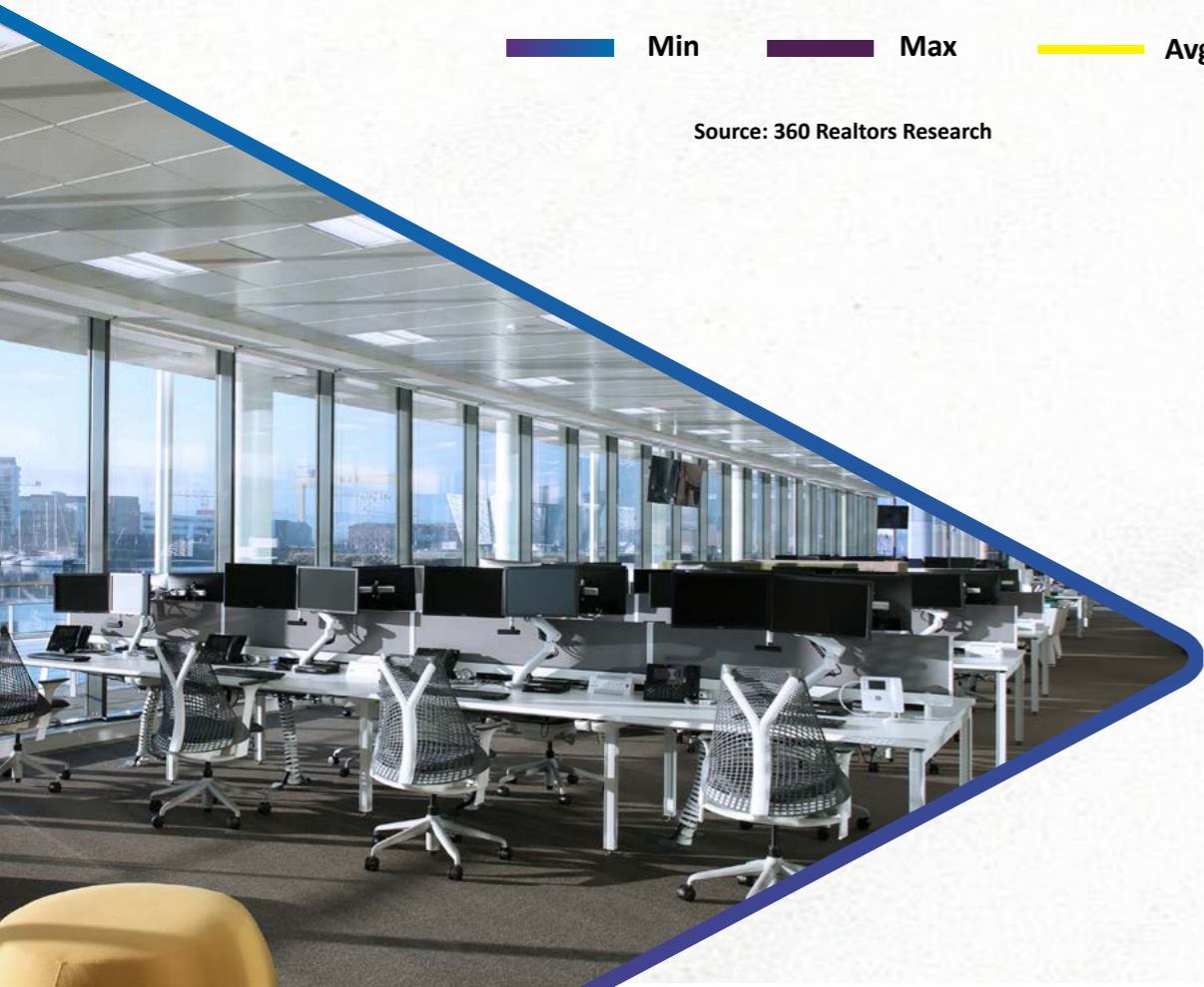
Delhi got the title of World's top-30 super cities, catering to numerous SME, PSU's, MSME, multinational companies & major occupiers in the form of government agencies. Flexible workspaces are also increasing their foothold, approx. 35-45 operators are currently present in the city.

Connaught Place, ITO, Jhandewalan Extension & others as described in the graph below have a major percentage share of office spaces. The office spaces are more than 90% occupied & rentals in central Delhi are ranging from INR 90 per sq.ft. to INR 400 per sq.ft. in the multi-tenanted buildings.

Office Spaces Avg. Rental



Source: 360 Realtors Research



Industrial Infrastructure

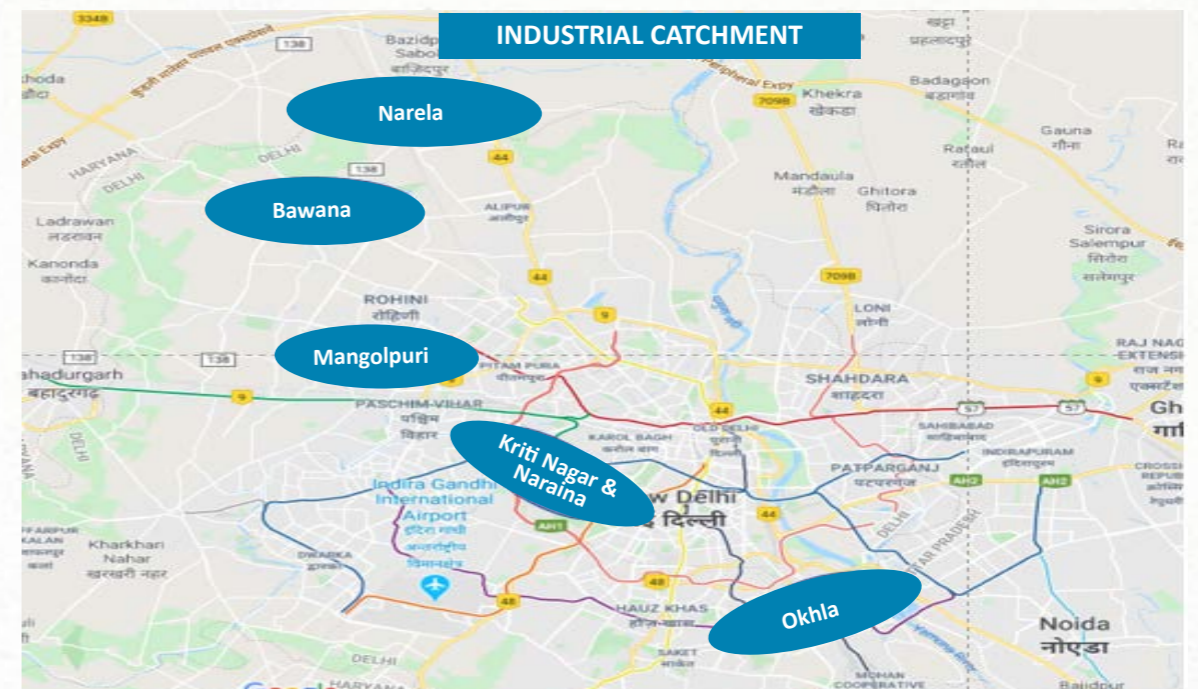
The industrial sector has played a vital role in the GDP growth of INDIA and towards generating employment for the masses. Delhi has numerous types of industries operating in the city - approx. 1,200 existing manufacturing industries whose expansion is on the cards, in the foreseeable future.

KEY INDUSTRIES IN DELHI

Telecommunications, Hotels, Media, Banking, Financial Services and Insurance (BFSI), Agricultural and Processed Food, Construction and Real Estate, IT and ITeS, Tourism and Logistics.

Industrial estates are divided into clusters such as Okhla, Narela, Bawana & Patparganj which constitute a major chunk of the Industrial segment in Delhi. In tune with the industrial development, the state government has undertaken initiatives for the redevelopment or maintenance of areas under the Public-Private-Partnership (PPP) model.

- DSIIDC/PWD/MCD/Other agencies accounted for 29 industrial estates in the city. The state government has initiated a prestigious project through the Delhi State Industrial & Infrastructure Development Corporation (DSIIDC) which has an estimated cost of INR 440 Crore.
- DSIIDC has developed 612 Acres of land in Narela and 1,800 plots of construction have been completed in the first phase. (Source- IBEF)
- As per the new industrial policy, the Government is more focused on developing and promoting the Hi-tech, Knowledge-based IT & ITeS industries in the state.



Source: 360 Realtors Research

Lease Transactions in Delhi

Due to the limited supplies and no new supply coming up shortly, the city struggled for the lease transactions in the first quarter (Jan- Mar'20). More of the transactions have been done by the Government agencies like NBCC, Indian railways etc.

■ NBCC has sold office space worth INR 520 Crore to two PSU's i.e. World Trade Centre(WTC), Rail Vikas Nigam Limited, and Numlaigharh Refinery. The premium space was sold to WTC (i.e. coming up at South Delhi Nauroji Nagar), secondly Indian railway PSU has taken 3-floors while the remaining 1-floor has been purchased by Assam based NRL.

Key Transactions in Q1-2020

BUILDING NAME	COMPANY NAME	AREA IN SQ.FT.	MICRO MARKET
Kanchenjunga	Reliance Industries	10,500	C.P.
Birla Sood Tower	SBI Capital	16,000	C.P.
Bharti Worldmark	Skootr	22,000	Aerocity
Copia Corporate Suites	Danieli Coris	6,500	Jasola
Independnet Building	Bikanerwala	5,000	Janpath C.P.
The Chanakya	Tiffany & Co.	2,600	Chanakypuri

Future Scope

RETAIL:

In the upcoming two quarters, the retail market would revolve around the essential items/goods. We are anticipating that festive seasons would be effective to infuse the demand for non-essential goods by the end of this year (Probably by the close of the fourth quarter of 2020). During the festive season, retailers can look at buoyant sales as during the festivities, Delhiites are bound to go on a shopping spree and this time around as they have been on a saving mode for most of the year, so around the last quarter of the year, they might go gung-ho on their shopping expenditures, hopefully by this time the virus will also be contained. As far as rental

negotiations are concerned, it will be in the range of 15-30 percent in the second and third quarters of 2020. Demand for Community shops and mixed land use properties of Delhi will continue to be high for both sales and lease, while Landlords in Delhi should start thinking to offer properties, if vacant for long, on a Revenue basis.

OFFICE:

High rental properties would be considered for renegotiation/rent-free/rent deferment in a few months. In case the tenants further deliberate on their rental with a discount of 30-40 percent, the office market will burgeon demand growth trend in the peripheries, such

as Mohan Co-operative Industrial Estate, Rohini Sec-10, Mayur Vihar District Centre and Badarpur Border, as these micro-markets offer great campuses at competitive rentals.

CO-WORKING/ BUSINESS CENTRES:

The real estate price valuation of Delhi does not make it a very conducive market for the Co-Working spaces. The seat cost in a Co-Working space in Delhi varies from INR 2,999 to INR 60,000 depending upon the location, usage, and amenities. The purpose for having a co-working space in Delhi is mainly to have an office address in a more sought after location, what we recommend to landlords is to hold on to the assets with old interiors and area, which is less than 6,000-7,000 sq. ft. of the area and with affordable rentals of under INR 60-70 per sq.ft. and should consider running this modus operandi on its own or work as a partner with an established operator.

INVESTMENT:

The CBD markets like Bhikaji Cama Place, Nehru Place, Jasola, Saket, etc. will see the rental corrections in the larger formats ranging between 10-20 percent and rental for smaller spaces will remain stable and will demand higher queries. The overall market sentiment is pretty weak and people are on saving mode right now, this has impacted the investment market as the trading is stagnant. But by the third quarter of 2020, the market will start picking up again and once the investors are confident about the rental yields, they will start investing again in the market. DDA will unlock the commercial assets in the form of shops/offices in the coming time in different corridors of the city.

Delhi's biggest landlords are PSUs and have the potential to invest with NBCC, DMRC, RLDA, and many such Central and State bodies on the finished product or on a piece of land / SCO. Delhi shall remain an HNI driven market that rather scout for posh locations than valuation. Circle rate benchmarking to most of the market rate pricing is almost at par in most of the locations depending upon the Category A to E. It is expected to have a larger number of closures in Delhi as compared to previous years because companies/ startups or new small offices in Delhi will prefer taking up space for their teams and departments available in the

city rather than making them travel to Gurgaon / NOIDA.

WAREHOUSING:

Delhi provides a great opportunity for the warehousing segment but currently this segment is operated in a very fragmented and unorganized manner. The Government should come forward and auction land parcels to private players on the 'Build and Operate Model' or sell the land parcels to them. The Local Godowns should be given the legitimate status of the usage in all possible ways to increase the usage of periphery and far-reached areas.

DSIIDC/DDA/Delhi Govt. should come up with compliances and auction bigger land parcels to the logistics and warehousing players to holistically harness the natural demand capacity of Delhi. Locations such as Kapashera, Mahipalpur, Bahadurgarh, Rohini, Mundka, Badli and Bamnoli have a major number of warehouses in the city.

As Per the MPD 2021 in the new green belt zones, warehousing could be added as a special category of use for land subject to infrastructure and product aesthetics. Cold Storage with specific Industrial power supply and zoning of such location is currently there on Lawrence road and Azadpur. More such areas should be defined to encourage the business of supply chain management and cold storage as the FMCG and perishable products including Pharma need warehousing/cold storage clusters in the city to have an uninterrupted supply for the last mile delivery.

DISCLAIMER

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