

NCR MARKET

Upbeat Till Sept'2020



A Research Report By

360 REALTORS
COMMERCIAL

Foreword

Commercial real estate in the National Capital Region (NCR) promises growth and continues to perform more than any other real estate asset class. Delhi NCR's commercial real estate market continues to be popular among investors and buyers.

Till Q1'2020, the commercial realty space was on a growth trajectory but in Q2'2020 owing to the COVID-19 crisis the sentiment remained muted but the market will again witness an uptick in the sentiments by Q4' 2020.

Several areas of Gurugram and Noida, have turned into business hotspots. Gurugram has been a premium location for commercial office spaces in NCR for almost a decade now owing to its proximity to the national capital, apart from innumerable industries and business houses already located in the vicinity.

Demand for office spaces in Noida has also been on a high growth trajectory after commercial space saturated in Delhi and availability dwindled in the national capital.

As per 360 Realtors-Commercial research, NCR was the runner-up for the leasing activity in India. Micro-markets like NH-8, Golf Course Road, SPR in Gurugram have turned out to be the most lucrative options for leasing activities. The lower rent, new supply and infrastructure development have boosted the demand in NOIDA key sectors such as Sec-16, Sec-62 and Noida Expressway.

Commercial Realty market is witnessing an upward trend and more and more buyers and investors are showing their interest in it because commercial asset class has performed much better than the residential sector over the last few years. While the residential market for Delhi NCR has largely remained subdued in the last few years, commercial space leasing and investment has gained traction, especially in the last financial year. Demand was largely driven by BFSI, IT/ITES, wellness & healthcare, consulting, head-offices of big corporates/MNCs,

said, **Ajay Rakheja**,
National Head, 360 Realtors-Commercial.



In the wake of the pandemic, several factors will continue to affect development. Planning for office expansion or new leasing became a secondary preference due to cost optimization, social distancing, and hygiene norms. Also, the market is witnessing rising demand for Grade-B & Grade-C.

Stating further, **Ajay Rakheja**, said, "Investors and buyers need to be cautious right now and should focus on some key parameters such as 'Location', which is very critical.

Office spaces in the CBD are always going to remain in demand but in the wake of the pandemic, when many corporates are revisiting their real estate costing, many of the companies have shifted their workplace to suburban locations, as long as they are well-connected and public transport is present.

At all costs, investors and lessees should avoid the properties in isolated locations as they are much harder to lease out.

The third quarter is witnessing a movement in the NCR market. Industries/ Businesses started their physical operations which have accelerated the demand of leasing and investment, according to our estimates the commercial market will return to normalcy by Q4'2020.



2019 Market Scenario

NCR had witnessed an unparalleled leasing growth in 2019. The commercial real estate had recorded a huge supply infusion (highest in the last 8 years) and the occupancy level also witnessed a significant surge.

- 1 NCR was the runner-up for the leasing activity in India**
- 2 Gurugram had accounted for 80% leasing transaction followed by NOIDA in NCR**
- 3 Micro-markets like NH-8, Golf Course Road, SPR in Gurugram have turned out to be the most lucrative options for leasing activities**

During Lockdown

(March'20 – May'20) + Jan & Feb'20



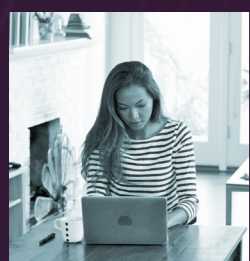
Quarters 1 & 2 were impacted by the complete lockdown, the leasing momentum was affected by the wait and watch mode.

1



The occupancy demand came down by approximately 80% from March'20 to May'20.

2



Businesses switched to “work from home”, decision making at corporate occupiers' end came to an abrupt halt which raised demands of rental waiver or revenue sharing model.

3

Post Lockdown

June-till Now

The government announced Unlock 1.0, 2.0, 3.0 & 4.0 to unlock the economy in a phased manner which has set the juggernaut rolling for the real estate market. NOIDA market gained the leasing momentum in the first quarter while the key micro-markets (DLF Cybercity, Golf Course Extension Road) of Gurugram are still the most preferred choice for companies. The lower rent, new supply and infrastructure development have boosted the demand in NOIDA key sectors such as Sec-16, Sec-62 and Noida Expressway.

The IT/ITeS sector continued to be the primary demand driver of leasing activity in NCR.

Industrial demand is high in NCR and is slated to be the preference of small to mid-size setups. The warehousing sector has witnessed unprecedented growth in the year 2020, concurrent with a huge demand by corporate, e-commerce companies and retail for quality space that is replete with state-of-the-art modern technologies.

Unlock Guidelines

- 1** ● The religious places/places of worship for public allowed to open
- 2** ● Hotels, Restaurants, Shopping Malls and other hospitality services can re-open
- 3** ● Schools, Colleges, Educational/ Training/ Coaching Institutions, etc. Would have to wait for the Govt.lines.
- 4** ● Phased re-opening of areas outside the containment zones
- 5** ● Night Curfew - Movements strictly prohibited between 9:00pm to 5:00am throughout the country, except for essential services.

Unlock-2.0

- Schools, Colleges, Educational and Coaching Institutions will remain closed.
- International air travel of passengers on hold, except as permitted by MHA.
- Metro services remain closed.
- Cinema halls, Gymnasium, Swimming Pools, Entertainment Parks, Theatres, Bars, auditorium, Assembly Halls would have to wait for Govt. guidelines.
- Night Curfew - Movements strictly prohibited between 10:pm to 5:00am throughout the country, except for essential services.

Unlock-3.0

The restrictions applied on all the above activities except Yoga and Gymnasium, allowed to function.

Government Initiatives

- 6 months extension of under-construction projects (under RERA).
- Moratorium on loan EMI's payments to provide support for households.
- INR 500 billion liquidity scheme and 50% investment of the money in housing finance companies (HFCs) and small and medium NBFC's.
- Adjournment in working capital interest to help small businesses, SME's in the real estate sector.
- On Feb'20, India formally approved 417 special economic zones (SEZ's), of which 238 were already in operation. Majority of the SEZ's are in the IT/ITeS sector.

Q1 & Q2-2020

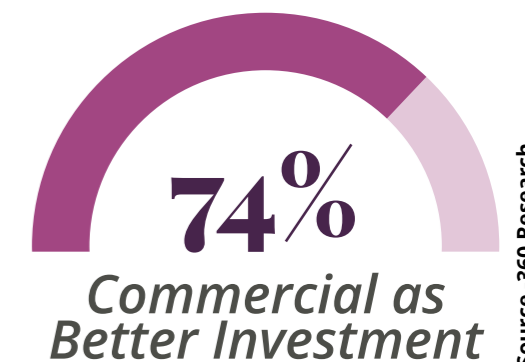
Market footsteps

- The leasing momentum in Jan -Feb was robust in India, as the pandemic proliferation began globally.
- Planning for office expansion or new leasing became a daunting task (Secondary preference) due to cost optimization, Social distancing, and hygiene norms.
- It is speculated that the demand for Grade-B & Grade-C offices will accelerate further.
- Ongoing deals delayed, renegotiations and advanced deals concluded in NOIDA and Gurugram.
- In June - Paytm leased 5.5 Lakh sq.ft. office space in Sec-98 in NOIDA which boosted the pace and paved the way for leasing and investment activities in NCR (Investment demand is inching forward in market corridors)
- Bengaluru & Mumbai also witnessed some leasing deals getting initiated.

Market sentiments

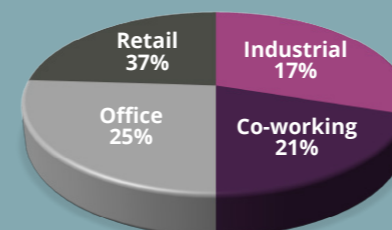
in Aug'20 - Sep'20

The third quarter is witnessing movement in NCR market. Industries/ Businesses started their physical operations which led the rise in demand of leasing and investment in the market. As per the 360 commercial poll 74% of the respondents considers commercial to be the better investment asset class than the others.



Source -360 Research

Revival scope of CRE in 2021



Source -360 Research

CRE sector has already started witnessing green shoots of revival. The data of our recent poll indicates that retail segment will recover fastest followed by office accounted for 37% and 25% respectively.

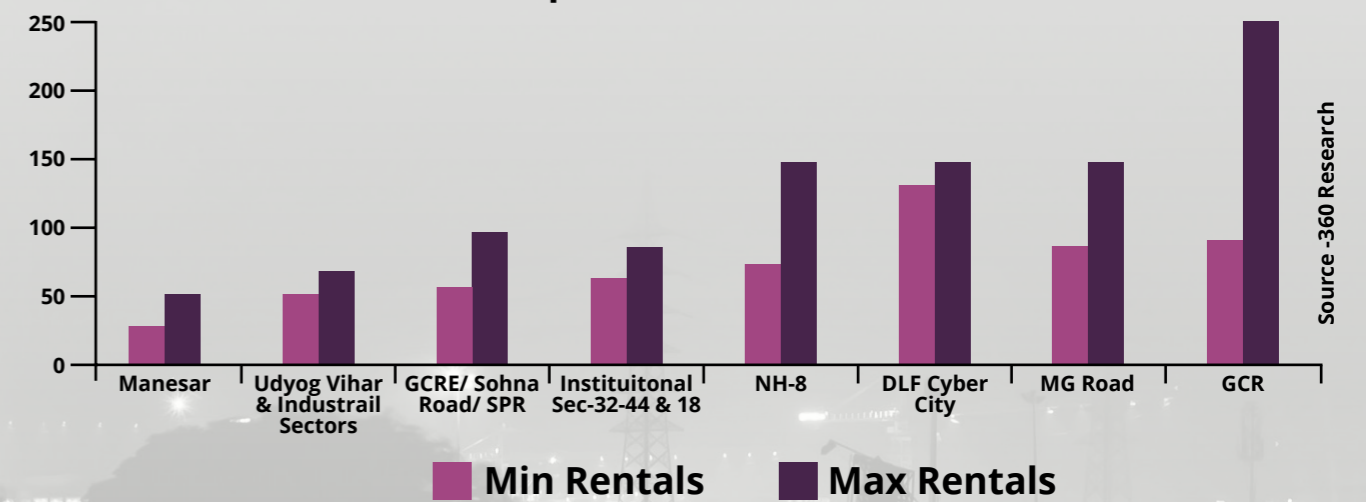
Commercial Segments

The demand in the commercial real estate industry came to a standstill. Most of the businesses have adopted work from the home model during the lockdown but in recent weeks, offices have started to open up with 30% of the workforce keeping WHO SOPs in consideration (As per govt. guidelines).

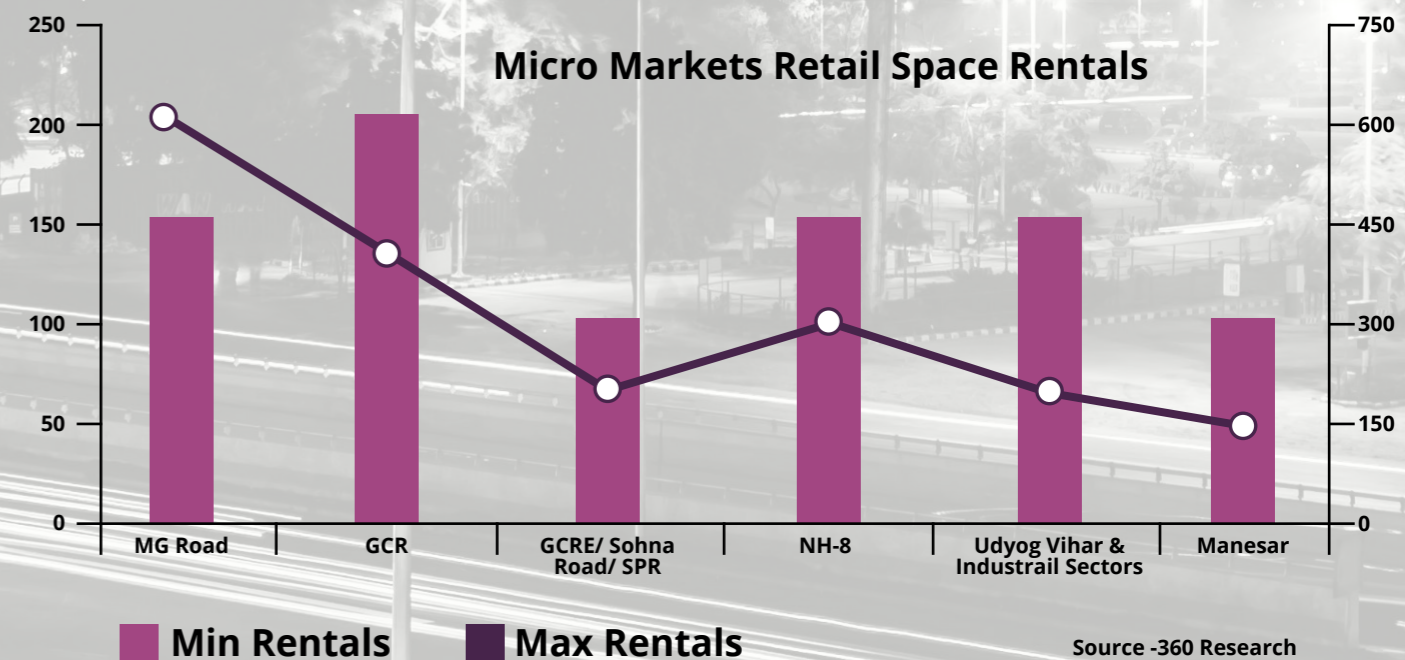
Gurugram

- During H1-2020 the city had witnessed 3.67 mn sq.ft. in Q1'20 and 0.09 mn sq.ft. in Q2'20 leasing transaction, a massive decline from same quarter previous year.
- Micro-markets such as cyber city, Golf Course Extension Road and Udyog Vihar have successfully attracted investors, taking spaces in the city.
- Malls, shopping complexes and retail spaces were closed as per the government guidelines. So, the retailers were on wait and watch mode, also demand for rental negotiations and rental waive off with the landlord were in considerations amidst of limited demand recorded in the market.

Micro-markets Office Space Rentals



Micro Markets Retail Space Rentals



NOIDA



NOIDA supplanted the Gurugram city in office space leasing accounted for 52% in H1-2020.

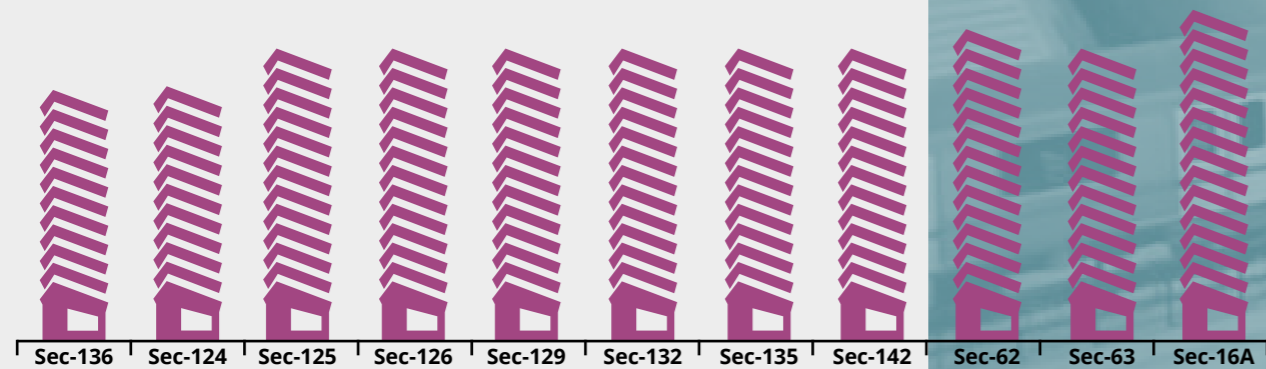


During H1-2020 the city had witnessed 2.83 mnsqft in Q1'20 and 0.079 mnsqft in Q2'20 leasing transaction.



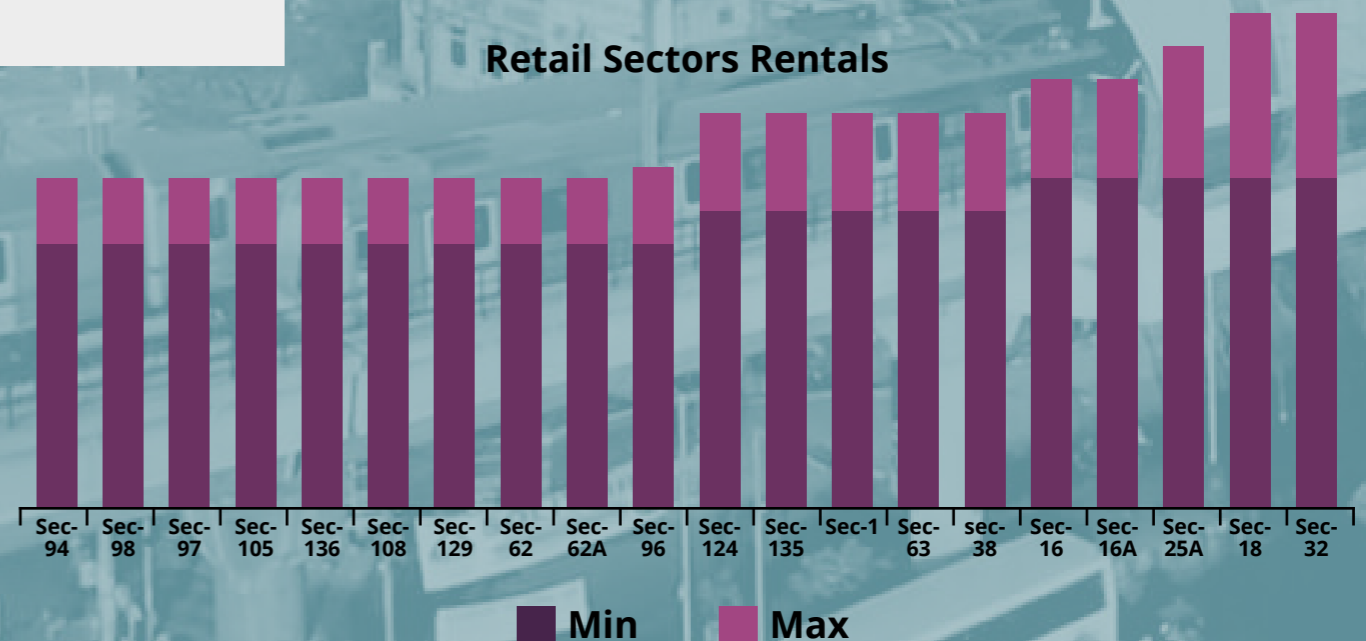
Micro-markets such as Sec-16B, Sec-135 and NOIDA Expressway were the prominent locations for occupiers.

Key Micro-markets office space rentals



Source -360 Research

Retail Sectors Rentals



Source -360 Research

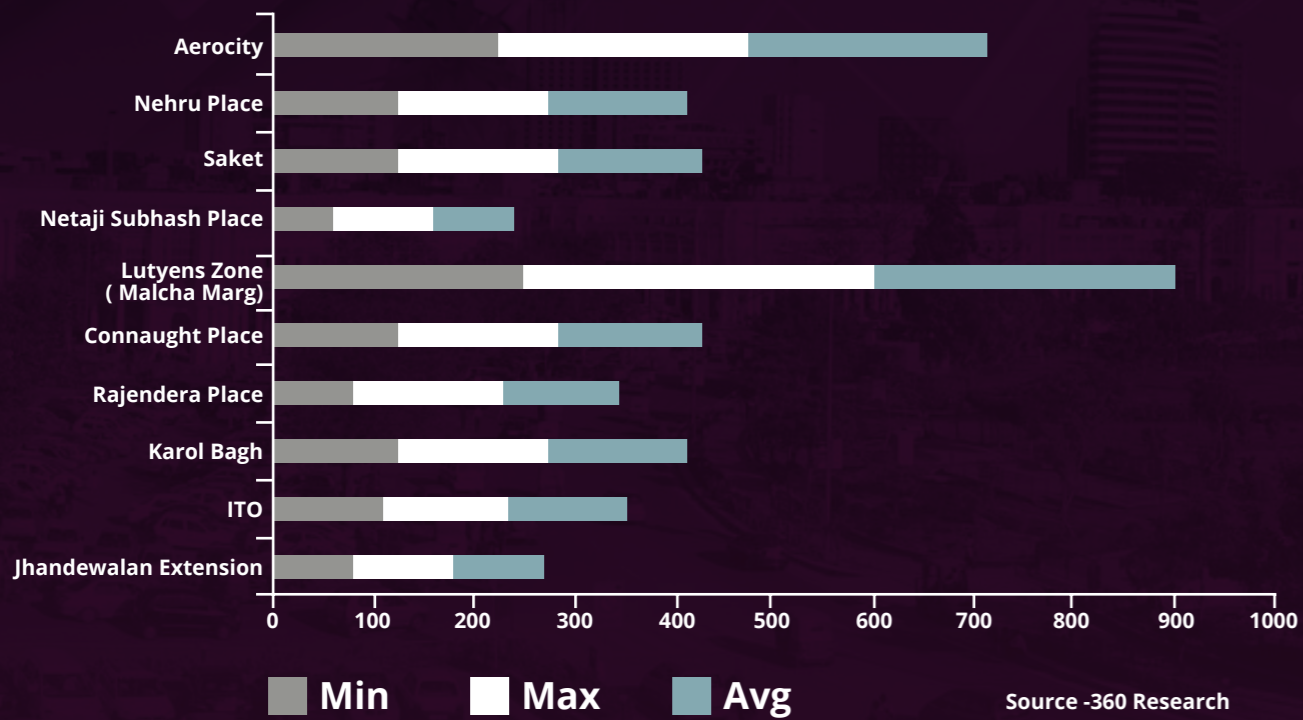
Min Max

Delhi

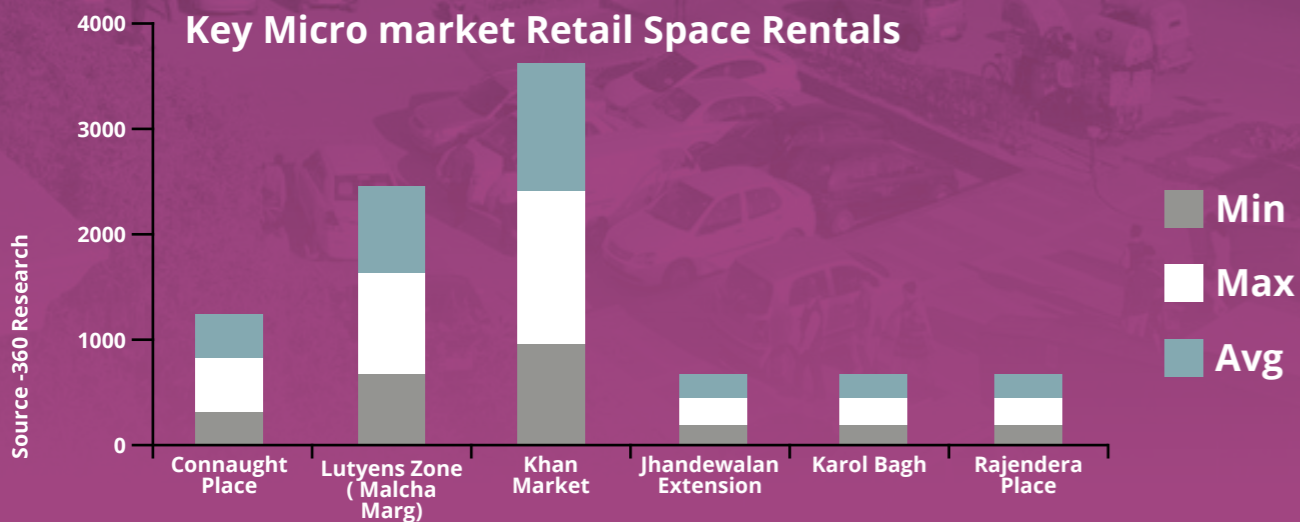
1 CBDs of Delhi are among the few finest and premium office locations in the country. Locations such as Connaught Place, ITO, Jhandewalan Extension are the preferred options for companies in spite of higher rentals.

2 Retail witnessed robust demand for high-street spaces in the city.

Office Spaces Avg. Rental Central Delhi



Key Micro market Retail Space Rentals



Major Leases in NCR (Jun'20-Sept'20)

Major Lease Transactions in NCR (Jun'20 - Aug'20)

Company Name	Building Name	Type	Area (In Sq. Ft.)	Micro-market	Location
Sprinkler	Worldmark	Office	80,000	Golf Course Ext. Road	Gurugram
Hexar Insurance	Independent Building	Office	50,000	Sec-63	Gurugram
Max Bupa Health Insurance	Magnum Tower	Office	30,000	Golf Course Road	Gurugram
DHL	KRBL Tower	Office	20,000	Sec-62	Noida
Unknown	Himalaya House	Office	2,500	CP	Delhi
India Steel Association	Kailash Building	Office	1,600	CP	Delhi
IFFCO Tokio General Insurance Co. Ltd	Kailash Building	Office	1,100	CP	Delhi
GoToUniversity	Kailash Building	Office	1,000	CP	Delhi

Disclaimer

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