



Diksha Gulati

Manager | Research | Mumbai  
+91 77 0090 1826  
[diksha.gulati@colliers.com](mailto:diksha.gulati@colliers.com)

# FLEXIBLE WORKSPACE OPERATORS DRIVE LEASING

## Summary & Recommendations

For the second consecutive quarter, flexible workspace operators drove leasing activity in Mumbai. Gross leasing in Q3 was 1.9 million sq ft (180,000 sq m), a QOQ increase of 11%.

- > We expect the part of the Mumbai Development Plan 2034 which relates to increasing the Floor Space Index (FSI) to be approved soon. This should allow developers additional floorspace in areas of the city which were previously excluded. We recommend developers to formulate their construction plans pro-actively to capitalise on this opportunity.

	Q3 2018	Full Year 2018	2018-21 Annual Average
 <b>Demand</b> <ul style="list-style-type: none"> <li>&gt; We expect gross absorption to increase in the coming quarters driven by Banking and Financial Services Institution (BFSI) occupiers.</li> </ul>	 <b>1,944,000 sq ft</b>	 <b>7,450,000 sq ft</b>	 <b>6,210,000 sq ft</b>
 <b>Supply</b> <ul style="list-style-type: none"> <li>&gt; Approximately 9.0 million sq ft (840,000 sq m) of new supply is scheduled to appear during 2019-2021.</li> </ul>	 <b>0 sq ft</b>	 <b>2,894,600 sq ft</b>	 <b>2,950,000 sq ft</b>
	<b>End Q3/QOQ</b>	<b>End 2018/YOY</b>	<b>End 2021/ Annual Average Growth 2018-21</b>
 <b>Rent</b> <ul style="list-style-type: none"> <li>&gt; We expect overall rents to strengthen by 1.5% YOY over 2018-2021, especially in the preferred micromarkets of Andheri East, Lower Parel, BKC and Thane.</li> </ul>	 <b>0.0%</b> <b>INR145.0</b>	 <b>1.5%</b> <b>INR145.0</b>	 <b>1.5%</b> <b>INR153.0</b>
 <b>Vacancy</b> <ul style="list-style-type: none"> <li>&gt; We expect vacancy rates through 2021 to decline as incremental demand in the coming years surpasses new additions.</li> </ul>	 <b>0.0pp</b> <b>13.0%</b>	 <b>0.0pp</b> <b>13.0%</b>	 <b>-0.25pp</b> <b>12.0%</b>

Source: Colliers International India Research

Note: Demand represents gross leasing; 1 sq m = 10.76 sq ft; pp: percentage point; USD1 = INR72.71 as on 25 September 2018

## DESPITE ROBUST GROSS LEASING, RENTS REMAINED STABLE

Mumbai recorded gross absorption of 1.9 million sq feet (180,000 sq metres) in Q3 2018, a QOQ increase of 11%. This take-up was concentrated in the Andheri East (25%), Navi Mumbai (18%), LBS/Eastern Suburbs (15%) and Goregaon/JVLR (12%) micromarkets.

Flexible workspace operators continued to drive leasing activity, accounting for nearly 36% of gross absorption in Q3 2018, followed by BFSI occupiers representing 28% and consulting occupiers accounting for 15%. The remaining proportion was contributed by occupiers across varied sectors including IT-ITeS, manufacturing, media and pharmaceuticals. In Q3 2018, three of the top five deals were recorded by flexible workspace operators. These deals were in the micromarkets of Andheri East, Navi Mumbai and Goregaon/JVLR. Among notable transactions, WeWork expanded at multiple locations with leases ranging from 90,000 sq feet (8,360 sq metres) to 214,000 sq feet (19,890 sq metres).

We expect gross absorption by the BFSI sector through H1 2019 to be robust due to steady enquiries by occupiers looking to consolidate. In our opinion, cost-conscious occupiers considering consolidation and relocation should investigate micromarkets such as Lower Parel and Andheri East for their front-office operations, and Navi Mumbai and Thane for their back-office operations. Multi-National Corporations (MNCs), for which cost is not the first priority, should consider Bandra-Kurla Complex (BKC) as their first choice, for it being the BFSI hub characterized by superior quality developments.

Despite significant gross absorption, overall rental values in the city remained stable QOQ due to ample availability in existing Grade B developments.

We expect overall city rents to strengthen by 1.5% YOY over 2018-2021, especially in the preferred micromarkets of Andheri East, Lower Parel, BKC and Thane owing to consistent leasing amidst the limited availability in Grade A developments.

### Gross effective rental values

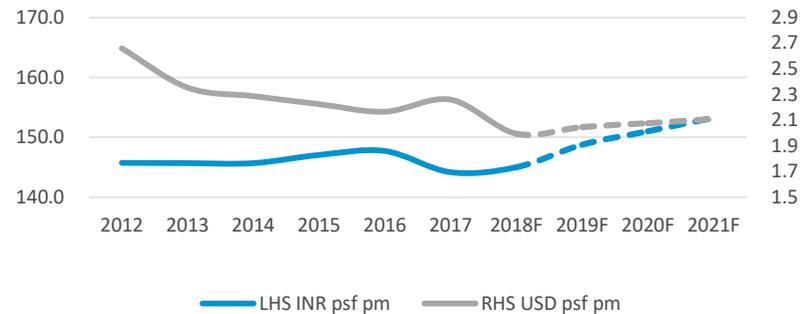
	Q3 2018 (INR psf pm)	Q3 2018 (USD psf pm)	QOQ Change (%)	YOY Change (%)
CBD	200 - 250	2.8 - 3.4	0.0%	0.0%
Andheri East	85 - 130	1.2 - 1.8	0.0%	-2.3%
BKC	220 - 350	3.0 - 4.8	0.0%	2.7%
Lower Parel	140 - 195	1.9 - 2.7	0.0%	0.0%
Malad	80 - 105	1.1 - 1.4	0.0%	2.8%
Navi Mumbai	70 - 110	1.0 - 1.5	0.0%	5.9%
Powai	110 - 145	1.5 - 2.0	0.0%	6.3%
Worli/Prabhadevi	170 - 210	2.3 - 2.9	0.0%	0.0%
Goregaon/JVLR	100 - 130	1.4 - 1.8	0.0%	0.0%
Kalina	140 - 185	1.9 - 2.5	0.0%	1.6%
Thane	70 - 80	1.0 - 1.1	0.0%	0.0%
LBS/Eastern Suburbs	90 - 125	1.2 - 1.7	0.0%	2.4%

Source: Colliers International India Research

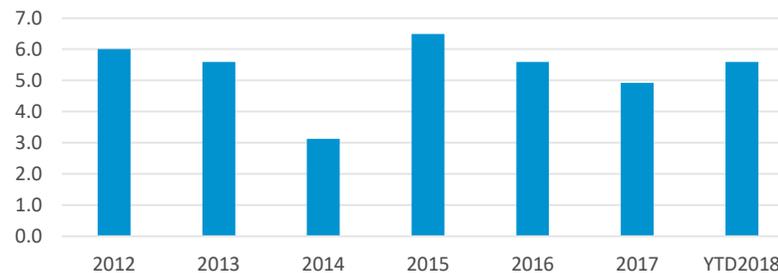
Note: Indicative Grade A rentals, includes only Non-IT developments

CBD includes Nariman Point, Ballard Estate, Cuffe Parade, Churchgate, Fort

## Rental trend



## Gross office absorption (million sq ft)



Source: Colliers International India Research | YTD: Year-to-date - January to September

## Major lease transactions in Q3 2018

Client	Building Name	Area (sq ft)	Location
Accenture	Godrej IT Park	250,000	Vikhroli
WeWork	Raheja Platinum	214,300	Andheri East
WeWork	L&T Seawoods	189,300	Navi Mumbai
WeWork	Oberoi Commerz 2	122,300	Goregaon East

Source: Colliers International India Research  
Note: All figures are based on market information on 25 September 2018.

## CONSTRAINED NEW SUPPLY; BFSI ANTICIPATED TO DRIVE DEMAND

Mumbai witnessed no major new completions in Q3 2018. Developments that we expected to be completed were deferred because of delays with regulatory approvals. We expect about 9.0 million sq feet (840,000 sq metres) of new supply from Q4 2018 to 2021. Most of the planned supply is concentrated in the Andheri East and Navi Mumbai micromarkets.

Against a background of limited new supply and consistent gross absorption activity, overall vacancy levels in the city remained unchanged at around 13% since no incremental demand was noted and most leasing was comprised of relocations. We advise developers to revisit their construction plans and expedite completion of developments under construction in order to cater to the steady demand.

We expect robust leasing activity to continue over 2019-2021, and on a cumulative basis we forecast gross leasing of about 18.0 million sq feet (1.67 million sq metres) over the three-year period. We expect the BFSI and pharmaceutical sectors to drive the leasing activity in 2019, owing to steady enquiries for space in preferred micromarkets, namely Andheri East, Goregaon/JVLR and LBS/Eastern Suburbs.

While the approved part of the new Development Plan (DP) 2034 has been effective since 1 September 2018, developers will benefit once the remaining excluded part is approved. That should increase the floor space index (FSI) and unlock additional land in the city and peripheral areas. The DP 2034 should include aspects of linking permissible FSI to the road width and extending the use of permissible FSI which was earlier permitted only in suburbs to the island city. If permitted, this should restrict the height of residential and commercial towers on narrow roads, thus reducing pressure on the existing infrastructure.

## Primary Author:

### Diksha Gulati

Manager | Research | Mumbai

+91 77 0090 1826

[diksha.gulati@colliers.com](mailto:diksha.gulati@colliers.com)

## For further information, please contact:

### Ritesh Sachdev

Senior Executive Director | Occupier Services | India

+91 99 4569 7377

[ritesh.sachdev@colliers.com](mailto:ritesh.sachdev@colliers.com)

### Varghese Abraham

Director | Office Services | Mumbai

+91 84 5183 7999

[varghese.abraham@colliers.com](mailto:varghese.abraham@colliers.com)

### Hitesh Salian

Director | Office Services | Mumbai

+91 91 3600 8915

[hitesh.salian@colliers.com](mailto:hitesh.salian@colliers.com)

### Surabhi Arora

Senior Associate Director | Research | India

+91 98 7175 0808

[surabhi.arora@colliers.com](mailto:surabhi.arora@colliers.com)

### Megha Maan

Senior Associate Director | Research | India

+91 96 6718 8334

[megha.maam@colliers.com](mailto:megha.maam@colliers.com)

---

#### About Colliers International Group Inc.

[Colliers International](#) Group Inc. (NASDAQ: CIGI) (TSX: CIGI) is a top tier global real estate services and investment management company operating in 69 countries with a workforce of more than 12,000 professionals. Colliers is the fastest-growing publicly listed global real estate services and investment management company, with 2017 corporate revenues of \$2.3 billion (\$2.7 billion including affiliates). With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide, and through its investment management services platform, has more than \$25 billion of assets under management from the world's most respected institutional real estate investors.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice to accelerate the success of its clients. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers is ranked the number one property manager in the world by Commercial Property Executive for two years in a row.

Colliers is led by an experienced leadership team with significant equity ownership and a proven record of delivering more than 20% annualized returns for shareholders, over more than 20 years.

For the latest news from Colliers, visit our [website](#) or follow us on   

#### Copyright © 2018 Colliers International

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

