

Demand set to strengthen further

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We expect demand to remain strong in the coming quarters, making office leasing activity in 2018 to the highest level of the past three years. Positive policy initiatives from the government, a robust supply pipeline and major infrastructure developments are all contributing to the overall performance of the office market. We advise developers to proceed with their Grade A buildings quickly to harness the demand from cost-conscious large occupiers.

Forecast at a glance



Demand

Demand is set to strengthen further over the next three to five years given proactive state government policies and improving infrastructure



Supply

About 13 million sq ft (1.2 million sq m) of new supply is due to come up over 2018-2021 representing 44% increase in total stock.



Vacancy rate

The average city vacancy is set to go down to 25% in next three years due to robust demand and deferral of new supply.



Rent

The city level average rents are likely to remain static over 2018-2021 in view of the high supply pipeline; grade A buildings continue to command premium



Price

Likely to remain stable in view of tepid strata sale transaction activities; institutional investors likely to remain active

NOIDA Expressway micromarket emerging as the clear leader

In Q2 2018, NOIDA's office market recorded about 1.0 million sq ft (0.09 million sq m) of gross absorption, taking the YTD numbers to 2.0 million sq ft (0.19 million sq m). This is about double the same period in 2017. Amongst major occupiers, the technology sector accounted for around 42% of gross absorption followed by engineering and manufacturing sector at 23%, banking, financial services and insurance sector at 15%.

NOIDA's commercial office market has been experiencing higher demand than last year confirming the trend of occupiers from diverse industries shifting to this area. This was discussed in more detail in our recent report "Delhi, Gurugram and NOIDA the Three Aces: Key Opportunities in the NCR Office Market." Specifically, occupiers have started to respond well to the new office supply in NOIDA. In Q2, most of the leasing activity took place in the office developments situated at sectors alongside the NOIDA Expressway, which accounted for a remarkable 37% of the leasing volume. The remaining demand was concentrated in the Institutional and Industrial micromarkets. We expect NOIDA Expressway to remain the preferred destination amongst occupiers looking for consolidation and expansions across NOIDA due to the availability of Grade A office space and the excellent connectivity with Delhi.

Rental Values (INR per sq ft per month)

Micromarkets	Rental Values ¹	q-o-q Change	y-o-y Change
Commercial Sectors ¹	65 - 90	0.0%	-13.0%
Institutional Sectors (Non IT) ²	75 - 95	0.0%	0.0%
Institutional Sectors (IT) ²	35 - 45	0.0%	-6.0%
Industrial Sector (IT) ³	35 - 45	0.0%	-5.9%
NOIDA Expressway	55 - 60	0.0%	3.6%

Source: Colliers International India Research

¹Sector 18 (hotels, shopping centres, banks, cinemas)

²Sector 16 A, 62, 125, 126, 127, 132, 135, 136, 142, 143, 144, 153, 154

³Sector 1-9, 57-60, 63-65 (factories, warehouses and IT services)

Fig 1. Rental Values (INR per sq ft per month)

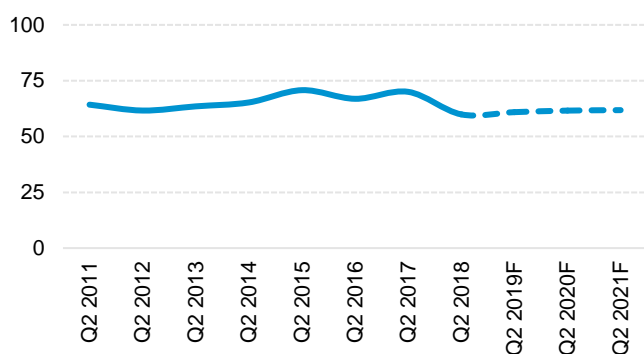
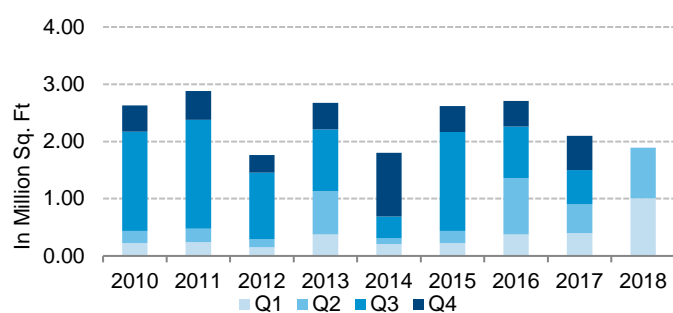


Fig 2. Gross Office Absorption (million sq ft)



Major Transactions in Q2 2018

Client	Building Name	Area (sq ft)	Location
Landgis (Toshiba)	Candor TechSpace	100,000	NOIDA Expressway
Genpact	Candor TechSpace	90,000	NOIDA Expressway
Syscom solutions	FCS House	90,000	Commercial Sector
Insta Office	Individual	85,000	Commercial Sector
ACE Global	Arohan IT Park	80,000	NOIDA Expressway

Source: Colliers International India Research
All figures are based on market information as of 25th June 2018

Robust road and metro-rail infrastructure is the primary demand driver in the city. We expect connectivity of the Institutional and Industrial Sectors to improve drastically after the completion of the last-mile metro connectivity. The Institutional and Industrial Sectors (62-65) should have seamless connectivity which is likely to attract further interest from occupiers in these micromarkets. The new line is an extension to the Dwarka- OIDA City Center line of the Delhi Metro which is likely to open by Q4 2018.

Two new buildings in the market

In Q2 2018, we witnessed the completion of two new major office spaces with a combined leasable area of around 0.6 million sq ft (0.05 million sq m). Candor Techspace, the Special Economic Zone owned by Brookfield, added a new tower in the existing development at NOIDA Expressway. Also, an IT building at Institutional Sector 62 opened in Q2. Approximately 22 million sq ft (2 million sq m) of supply is planned for completion between 2018-21 but in our opinion less than half of it is likely to see completion based on the current development status.

Colliers' View

2018 is turning out to be a vital point for the NOIDA's office market. On the one hand, the facilitation of better connectivity and the proposed airport are encouraging developers to re-assess their strategic outlook for the city. On the other hand, occupiers seem to be responding well to new Grade A developments and looking at NOIDA as a viable option for their future space requirements. We suggest the developers stay focused on matching international quality standards to attract occupiers towards the emerging commercial office market.

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