

Q1 absorption sets record

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We expect demand for prime office space to remain upbeat, with occupiers' interest remaining inclined towards Grade A developments. Improving Infrastructure is catching the eye of both investors and occupiers. 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

NOIDA Expressway micromarket to increase its share of overall city-level absorption. Institutional sector (Sector 62) to remain a fore-runner.



Supply

About 13 million sq ft (1.2 million sq m) to come online over the next three years representing up 44% increase in the total stock



Vacancy rate

To decrease in the year to come with increased office uptake but average vacancy rate to remain high at above 25% over 2018-2020 due to a robust supply pipeline



Rent

Grade A office spaces are expected to command premium rents; City level average rents to remain static due to huge upcoming supply and high vacancy levels over 2018-2020



Price

Capital values to remain stable over the next three years

Great start for the year, improved infrastructure driving the demand

In line with our expectations, the NOIDA commercial market witnessed a spike in occupier interest during Q1 2018. The market recorded about 1.01 million sq ft (0.09 million sq m) of gross absorption which was almost double then the Q1 2017 absorption levels. We also witnessed a couple of pre-commitments in the market which is an indication of healthy demand in coming years. NOIDA continues to be a favoured destination amongst technology occupiers which accounted for 25% of total absorption, followed by Financial sector which accounted for 20% of the take-up followed by the Engineering and Manufacturing sector with 19% of take-up and the Healthcare & Pharma sector accounting for 8%.

The Sector 62 to 65 along with NH24 recorded for more than half of the total absorption in Q1 2018. The completion of the civil works of metro rail construction (NOIDA city center to Sector 62 stretch) and the opening of several underpasses have drastically improved traffic conditions. The NOIDA expressway micromarket accounted for about 32% of the total demand. We expect the NOIDA expressway micromarket to gain prominence in the long term due to the huge supply pipeline and upcoming metro connectivity. In Q1 2018, the trail-run of the NOIDA - Greater NOIDA metro rail corridor commenced, the total length of which is 29 km with 21 metro stations between Sector 71 and the Delta Depot station in Greater NOIDA. This is seen as a continued endeavour from the authorities to improve inter-city connectivity.

Rental Values

Micromarkets	Rental Values ¹	QOQ Change	YOY Change
Commercial Sectors	65 - 90	0.0%	- 13.6%
Institutional Sectors (Non IT)	75 - 95	0.0%	- 5.6%
Industrial Area (IT)	35 - 45	0.0%	-5.9%
NOIDA Expressway	55 - 60	0.0%	0.0%

Source Colliers International India Research
¹Indicative Grade A rentals in INR per sq ft per month

Fig 1. Rental Value Trend (INR per sq ft per month)

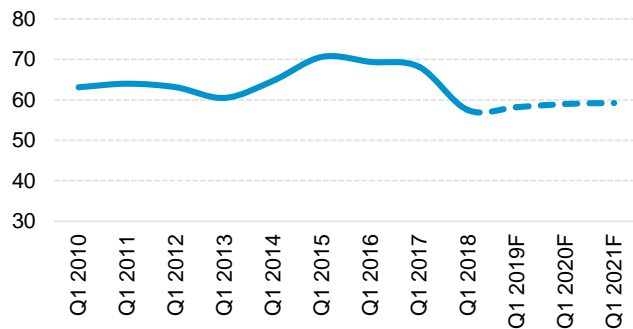
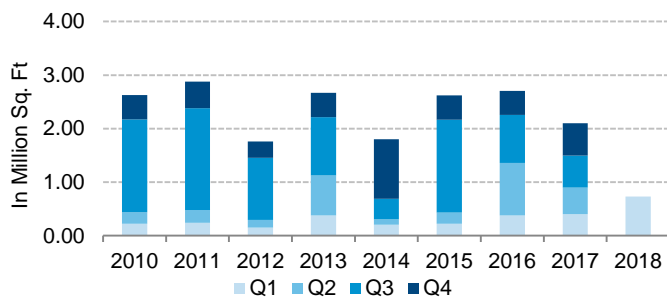


Fig 2. Gross Office Absorption (million sq ft)



Major Transactions in Q1 2018

Client	Building Name	Area (sq ft)	Location
Conduent	Candor Tech Space	100,000	NOIDA Expressway
Nokia	Assotech Business Cresterra	100,000	NOIDA Expressway
EXL	Galaxy IT Park	75,000	Sector 62
Kalpatru	Okaya Blue Silicon	50,000	Sector 62
Cargil	Individual	30,000	Sector 62

Source Colliers International India Research
 Notes: All figures are based on market information as on 25 March 2018

In Q1 2018, during the Uttar Pradesh Investor's Summit, YEIDA (Yamuna Expressway Industrial Development Authority) signed MoUs with several companies worth INR100 billion (USD1.5 billion) to develop various manufacturing facilities along the Yamuna Expressway. Investors seem to be stimulated by the active infrastructure developments such as the upcoming airport at Jewar, metro connectivity and other multi-modal means of transport. We expect cumulative investment in the range of INR 130 billion to 150 billion (USD1.6-1.7 billion) to be pumped in by both the domestic and multi-national companies, which have already started scouting for suitable land parcels for establishing their manufacturing units.

Double-digit vacancy deterred landlords from new launches

Amid high vacancy rates, developers have deferred the completion of projects under construction and refrained from launching new projects in Q1 2018. However, looking ahead, around 13 million sq ft (1.2 million sq m) of robust supply pipeline is scheduled to be completed over 2018-2020, which should subsequently increase the overall office stock of NOIDA by almost 44%. We expect the developers to remain cautious in while launching the supply, especially in the high-vacancy micromarkets.

Colliers' View

The NOIDA market is poised to rise in the coming years with its excellent infrastructure and affordable rents. However, in our opinion, developers need to improve the quality of their developments along with Grade A building management systems to seize a bigger share of the absorption pie.

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