

South Cities Dominate Office Leasing, 66% Share in FY21 vs 47% in FY18

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Robust growth of IT/ITeS sector, affordable rentals & start-up boom have worked in favour of Southern office markets

- Of 21.32 mn sq. ft. net absorption in FY21 across the top 7 cities, Bengaluru, Chennai & Hyderabad accounted for a 66% share, followed by West (MMR & Pune) with 21% & North (NCR) with 11%
- Back in FY18, South cities comprised a 47% share, West - 33%, North - 17%
- Office supply - of 40.25 mn sq. ft. of new office space completion in FY21, South cities dominated with a 63% share; West - 19%, North - 18%
- Southern office rentals saw double-digit growth (11-15%) in this period; other regions lagged behind

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The main Southern office market have overtaken other regions in terms of new supply, net absorption, and even rental growth. Among the top 7 cities, Bengaluru, Hyderabad and Chennai saw their share of total office leasing increase to 66% in FY21 (against 47% in FY18). The net office absorption in FY21 in the top cities was 21.32 mn sq. ft., and these three southern cities absorbed approx. 14.06 mn sq. ft. MMR and Pune absorbed 4.56 mn sq.ft (21%) and NCR 2.3 mn sq.ft (a mere 11% share.)

In FY18, 31.15 mn sq. ft. of office space were leased in the top 7 cities. Of this net absorption, the Southern cities collectively accounted for 47%, the Western region 33% and the Northern region 17%.

City	FY20-21	FY19-20	FY 18-19	FY 17-18
Net Absorption in top 7 cities (mn. sq. ft.)	21.32	43	35.8	31.15
South Cities Share	66%	55%	57%	47%
West Cities Share	21%	22%	25%	33%
North (NCR) Share	11%	20%	15%	17%

Source: ANAROCK Research

In terms of new office supply too, the Southern cities continued to ramp up their share – from 40% in FY18 to nearly 63% in FY21. Of the total new office space completion of 40.25 mn sq. ft. in FY21 across the top 7 cities, the Southern cities had a 63% share (approx. 25.55 mn sq. ft.). The office supply share of the main Western markets shrank to just 19% in FY21 (from 40% in FY18.)

✘ **Anuj Puri, Chairman - ANAROCK Group** says, "The remarkable growth in the office market of these three Southern cities when viewed against their Western and Northern counterparts is directly attributable to robust demand by the IT/ITeS sector, affordable rentals, and the exponential growth of start-ups locally over the past few years. The manufacturing and industrial sectors are also driving demand here."

City	FY20-21	FY19-20	FY 18-19	FY 17-18
New Completion in top 7 cities (mn. sq. ft.)	40.25	43.68	43.45	32.53
Share of South Cities	63%	59%	58%	40%
Share of West Cities	19%	16%	14%	40%
Share of North (NCR)	18%	24%	19%	17%

Source: ANAROCK Research

Rental Growth

Notably, between FY18 and FY21, office rentals in each of the southern cities have also shown double-digit growth. In this period, office rentals in NCR remained more or less stagnant while MMR and Pune saw a mere 2% and 8% rental growth respectively.

Avg. Office Rentals INR/sq.ft./month)				
City	FY20-21	FY19-20	FY 18-19	FY 17-18
Bangalore	77	74	70	67
Chennai	60	60	56	54
Hyderabad	57	56	53	51
MMR	125	125	123	123
Pune	68	68	66	63
NCR	78	78	77	78

Source: ANAROCK Research

- In **Bengaluru**, average monthly office rentals were INR 67 per sq. ft. in FY18 - they increased to INR 77 per sq. ft. in FY21 (up 15%)
- In **Chennai**, average monthly rentals stood at INR 54 per sq. ft. in FY18 - they rose to INR 60 per sq. ft. in FY21 (up 11%)
- In **Hyderabad**, average monthly office rentals rose from INR 51 per sq. ft. in FY18 to nearly INR 57 per sq. ft. in FY21 (up 12%)
- In **MMR**, average monthly rentals increased from INR 123 per sq. ft. in FY18 to INR 125 per sq. ft. in FY21 (up by just 2%)
- **Pune** saw average rentals rise from INR 63 per sq. ft. in FY18 to INR 68 per sq. ft. in in FY21 (up 8%)
- In **NCR**, average office rentals remained unchanged in both years at INR 78 per sq. ft

Major Office Transactions in FY20-21

City	Building Name	Tenant	Micro Market	Approx. Area(In Mn Sqft)
Chennai	Embassy Block 3	BNY Mellon	Old Pallavaram	0.63
Chennai	Brigade WTC	Mckinsey	OMR	0.13
Bengaluru	Prestige Startech	Ola Technologies	Koramangala	0.43
Bengaluru	Prestige Minsk Square	Apple	Vasanth Nagar	0.4
Bengaluru	Gold Hill Excelsior Park	Siemens Technology	Electronic City	0.73
Bengaluru	Bagmane RIO	Amazon India	ORR	0.9
Bengaluru	RMZ Ecospace	Intel	ORR	0.45
Bengaluru	Prestige Tech Park	Byjus	ORR	0.3
Mumbai	Oberoi Commerz III	Morgan Stanley	Goregaon	1.1
Mumbai	Godrej Two	Amazon India	Vikhroli	0.26
Mumbai	Equinox Business Park	Tata Communications	LBS Marg	0.26
Mumbai	Liberty Tower	Sutherland Global	Navi Mumbai	0.13
Noida	Advant Navis	E&Y	Noida Expway	0.15
Noida	Berger Towers	Thales	Sector 16B	0.15
Gurgaon	DLF Downtown	Syneos Health	Sector 24	0.21
Gurgaon	Candor Tech Space	NTT	Sector 21	0.1
Hyderabad	Divyashree Orion	Wells Fargo	Gachibowli	1.3
Hyderabad	Salarpuria Sattva Knowledge Capital	Google	Gachibowli	1
Pune	Sky One Corporate Park	Simpliwork	New Airport Road	0.23
Pune	Gera Commerzone	DWF Mindcrest	Kharadi	0.28

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