

# REAL ESTATE

## MARKET PULSE

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Commercial | Industrial | Warehousing

April 2020



The Coronavirus outbreak, which originated in China, has affected millions worldwide. Industries, trade, and business cycles have been disrupted, heavily impacting global economics.

Indian real estate that had begun to re-emerge from the instability of various structural changes, govt. policy reform & volatile markets has now witnessed another major fallout.

Ongoing country-wide lockdown has brought all real estate activity to a screeching halt. Near zero mobility, paused construction sites aided further due to migrant labor crisis has indefinitely deferred project works and postponed occupier decisions on lease/sale. Expected recovery cycle estimated to 4-6 months in staggered phase-wise uplift.

Hind side benefits to the Indian economy are though presumed in the long-term due to multiple North American (USA) & Asian (Japan + S.Korea) occupiers hedging investments from China to alternative markets thus benefitting opportunities for India.

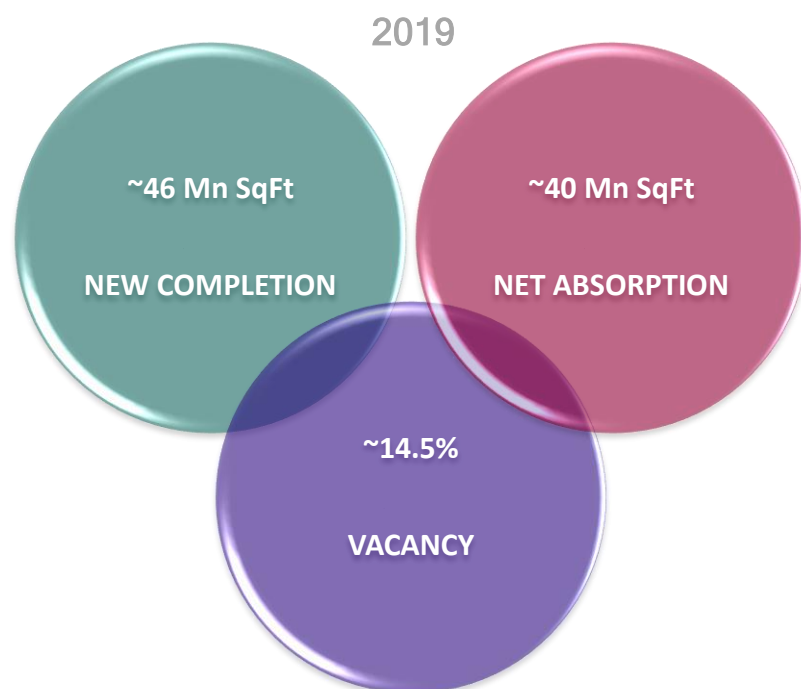




# COMMERCIAL REAL ESTATE

## India - Snapshot

*Market was expected to maintain growth momentum of 2018-19 in Q1 2020*



*Data for top 7 cities; Grade A offices only.*

### BULLETED SPECULATIONS

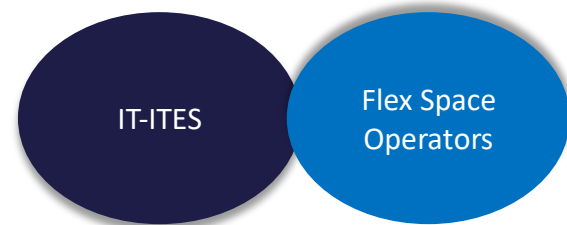
- Revised fundamentals with a new wave to look at the work place due to current COVID 19 situation; long term changes to be witnessed in the office space business
- Delays in project delivery due to scrambled labor and conditional permissibility of work
- Work from home expected to take away share of conventional office demand
- Coworking/flexi space to see innovation and could cross combine work from home models
- Occupiers still committed but lease decision getting postponed by few weeks/months
- Rental pricing may remain subdued; possible rent/price point shuffling
- Consolidation to increase further keeping cognizance of distancing + optimization
- Occupier category to watch: FMCG Flexi Space, E-Commerce, Warehousing + Logistics
- Market would need couple quarters to regain health and to arrive at a fresh outlook

# COMMERCIAL REAL ESTATE

## Pune – Snapshot (Q1 2020)



- *Grade A vacancy ~ 5%*
- *Avg. Rental INR 70.00 per Sq. ft*



Significant Space Takers

### Key Lease Transactions

PROPERTY NAME	SUB-MARKET	TENANT	AREA SQ.FT	ASSET TYPE
Agile M	Baner	SmartWorks	560,000	IT
Orchid Centre	Yerwada	Indiqube	120,000	NON IT
Ascendas (ITPP) Angsana	Hinjewadi	Infosys	406,000	IT SEZ
Gera Commerzone	Kharadi	Cognizant	108,000	IT SEZ
		UPS Logistics	105,000	
Blue Ridge IT 6	Hinjewadi	L&T Infotech	76,000	IT SEZ

### Major Projects Underway

PROPERTY NAME	SUB-MARKET	DEVELOPER	AREA SQ.FT	COMPLETION
Agile M	Baner	Malpani Estates	800,000	Q4 2020
AMTP	Baner	Amar Builders	430,000	Q3 2020
Skyone Corporate Park	Viman Nagar	Lunkad Realty	650,000	Q4 2020
WTC Tower E	Kharadi	Panchshil Realty	270,000	Q3 2020
CapitaLand Tower 1	Kharadi	Capitaland	1,100,000	Q4 2021
AP83	KP Annex	Amar Builders	900,000	Q2 2021



# INDUSTRIAL | WAREHOUSING

## Pune - Snapshot (Q1 2020)

Lease Demand for Warehouse and Industrial units in Pune till March 2020 was moderate. The demand was predominantly driven by Engineering, Auto Ancillary and E- commerce. The market saw an absorption of approx. 0.65 Million Sq. Ft (lease/licenses registered) with an additional 0.65 Million Sq. Ft of space, where an intent or understanding has been extended (includes BTS facility for Amazon India). Market also saw the deferment of few RFP's floated in 2019 such as Jabil India and Visteon India.

# Pre Lockdown

### Key Lease Transactions from Q1 2020

TENANT	TRANSACTION TYPE	AREA (SQ. FT)	LOCATION	LANDLORD/DEVELOPER
Rexel India	Ready Factory Lease	22,000	Chakan	Indospace
Jetory Electronics	Ready Factory Lease	70,000	Chakan	Individual Landlord
Mega Klc Polymer Technologies	Ready Factory Lease	38,000	Chakan	Indospace
AMG Corporation	Ready Factory Lease	50,000	Chakan	Individual Landlord
Prommada Hindustan	Ready Factory Lease	41,000	Chakan	Individual Landlord
UGC Supply Chain	Ready Warehouse Lease	68,000	Chakan	Indospace
KSH Logistics	Ready Warehouse Lease	140,000	Chakan	Indospace
Sika India	Ready Factory Lease	40,000	Chakan	Individual Landlord
Yusen Logistics	Ready Warehouse Lease (Lease Renewal)	85,000	Chakan	Individual Landlord
Prochem Turnkey Projects	Ready Factory Lease	50,000	Chakan	Individual Landlord
Amazon	BTS, Warehouse	450,000	Chakan	ESR (LOI Signed)



# INDUSTRIAL | WAREHOUSING

Pune - Snapshot (Q1 2020)

Supply of Warehouse and Industrial units on lease was healthy and tenant favorable. The supply is classified as Ready Stock, Under Construction and Built To Suit (BTS). Majority of the supply though 'A' Grade, it is to be noted that 'B' Grade is contributing to almost 40% of Ready & Under construction supply. BTS supply/options available in abundance.

## Brief Supply Availability

Sr. no	Developer Type	Location	Ready stock or Vacancy	Under Construction
1	'A' Grade (Indospace, KSH, Embassy, ESR, Global Group etc.)	Chakan & Talegaon	15,00,000 Sq. Ft	350,000 Sq. Ft
2	'B' and 'C' Grade (Ranging from 10,000 Sq. Ft and Above)	Chakan & Talegaon	13,50,000 Sq. Ft	12,00,000 Sq. Ft to 13,00,000 Sq. Ft
Total Supply (Chakan & Talegaon)			2.85 M Sq. Ft	1.55 – 1.65 M Sq. Ft
3	'A' Grade (Indospace, KSH, Embassy, Global Group etc)	Nagar Road + other locations	600,000 Sq. Ft	150,000 Sq. Ft
4	'B' and 'C' Grade (Ranging from 10,000 Sq. Ft and Above)	Nagar Road + other locations	800,000 Sq. Ft	400,000 Sq. Ft
Total Supply (Nagar Road + Hinjewadi + Other locations )			1.40 M Sq. Ft	0.55 M Sq. Ft
Total Supply			4.25 M Sq. Ft	2.10 – 2.20 M Sq. Ft



# INDUSTRIAL | WAREHOUSING

## KEY TAKEAWAYS

- Industrial Real Estate well placed for gain. Rents will remain reasonably stable at least for the short term. Disruption in industrial activity in China will have a knock-on effect in countries like India. It is now left for the government to see how India can fit in manufacturing BCP for China. This is the best opportunity the government has to really “Make in India” work, especially in pharma, electronics, and engineering.
- A lot of companies from USA, Japan, South Korea, Europe etc who have large manufacturing base in China would want to evaluate alternate markets. Japan being one of the first movers has already announced economic stimulus package for helping its companies to relocate from China. India could be potential beneficiaries.

American and European manufacturing major will strongly see India as strategic part of their supply chain in Business Continuity planning. Industrial & Warehousing sector is expected to get impacted, but the bounce back for this segment is expected to be the strongest, with businesses looking to hedge investments risks in China.

- In the long run, relocation and diversification of production basis is something which will take place. E-Commerce demand will continue to grow along with Cold Storage. Automation in warehouses, robotics in warehouses and distribution centers, automated guiding vehicles, contactless deliveries; are key trends that would play out.
- Disruption of supply chain linkages and locking of imports from Mainland China will make people take more storage spaces locally.
- Occupiers considering new space for expansion have currently put their plants on hold, however clients who were evaluating space due to relocation/ expiry of existing lease have kept their projects active.
- There were multiple requirements ranging from 10 acres - 50 acres from MNC's and Developers for purchase of land in Chakan & Talegaon. Mostly of the requirement have been put on hold or the occupiers are delaying decisions.
- Landlords and Developers are receiving request from their existing tenant for abatement of rent or temporary correction of the rent due to the lockdown. Handover/commencement delays too are a plenty, leading to negotiated terms in lease contracts.

## DEVELOPER UPDATES

- Hiranadani/ Greenbase Industrial Parks: Existing Tenant Cooper Standard has enhanced the requirement to 150,000 Sq. Ft. | LOI with Multi Specialty Chemical company for Sale of 19 Acres land at their Part at Talegaon.
- Ascendas Industrial Park has commenced development work at their site at Talegaon.
- Global Group have added another 20 acres of land at their Industrial Park at Bhambholi. They are also in the process of adding 300,000 Sq. ft of speculative Industrial supply in the Chakan & Nagar Road markets.



COMMERCIAL | INDUSTRIAL | WAREHOUSING | LAND

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***We Analyze, We Adapt, We Strategize "WE DELIVER"***

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