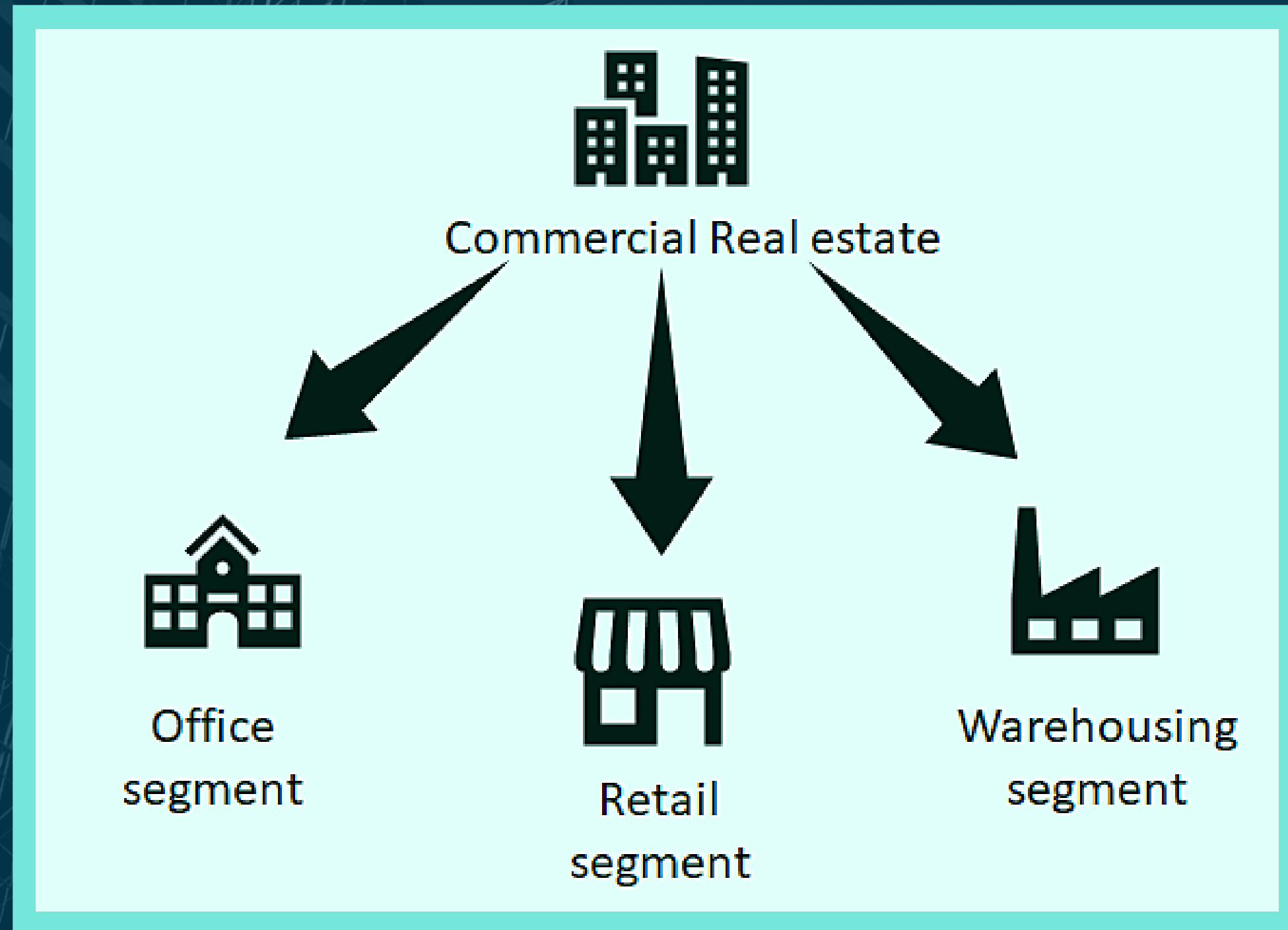


HRG CONSTRUCTIONS PRESENTS



Analysis of Commercial Real Estate

TYPES OF COMMERCIAL REAL ESTATE

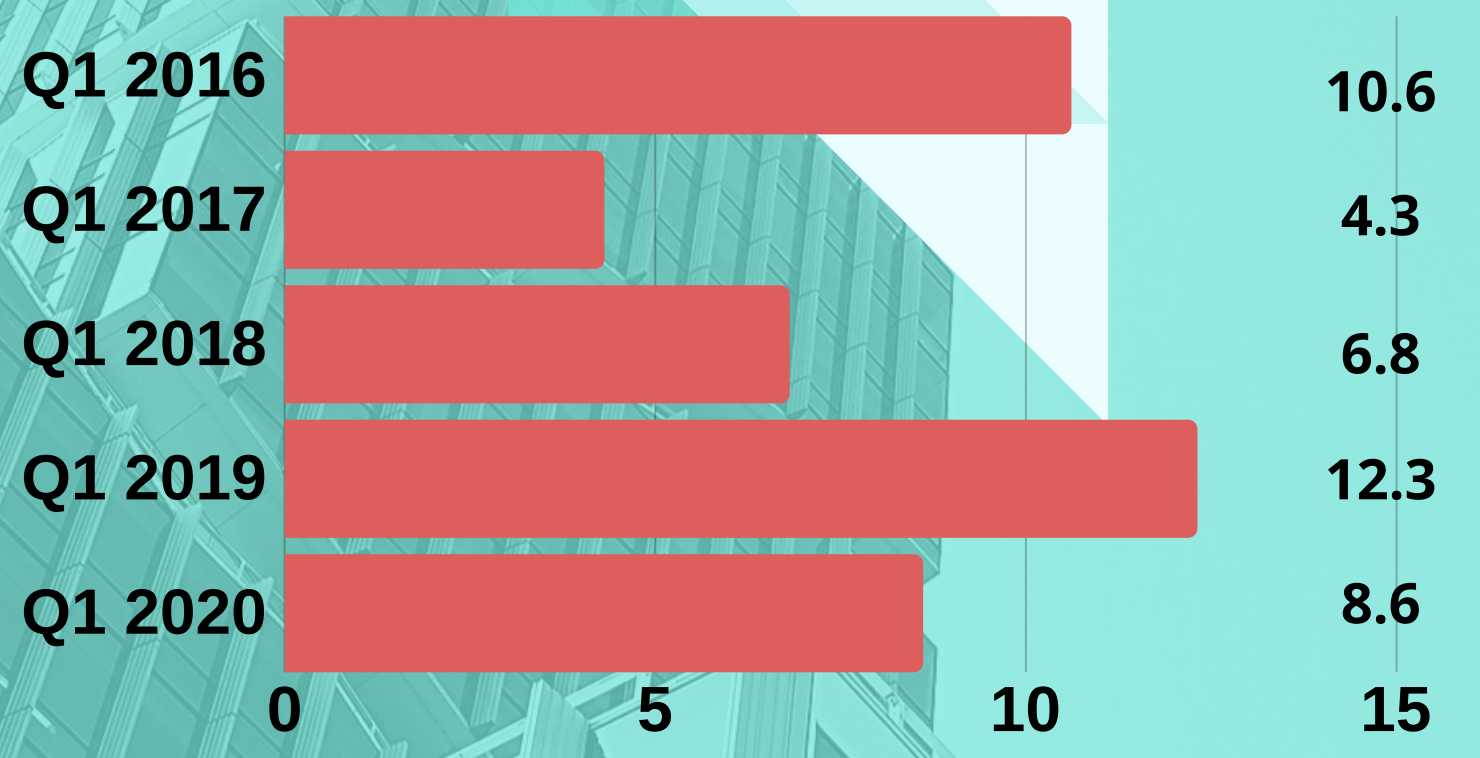




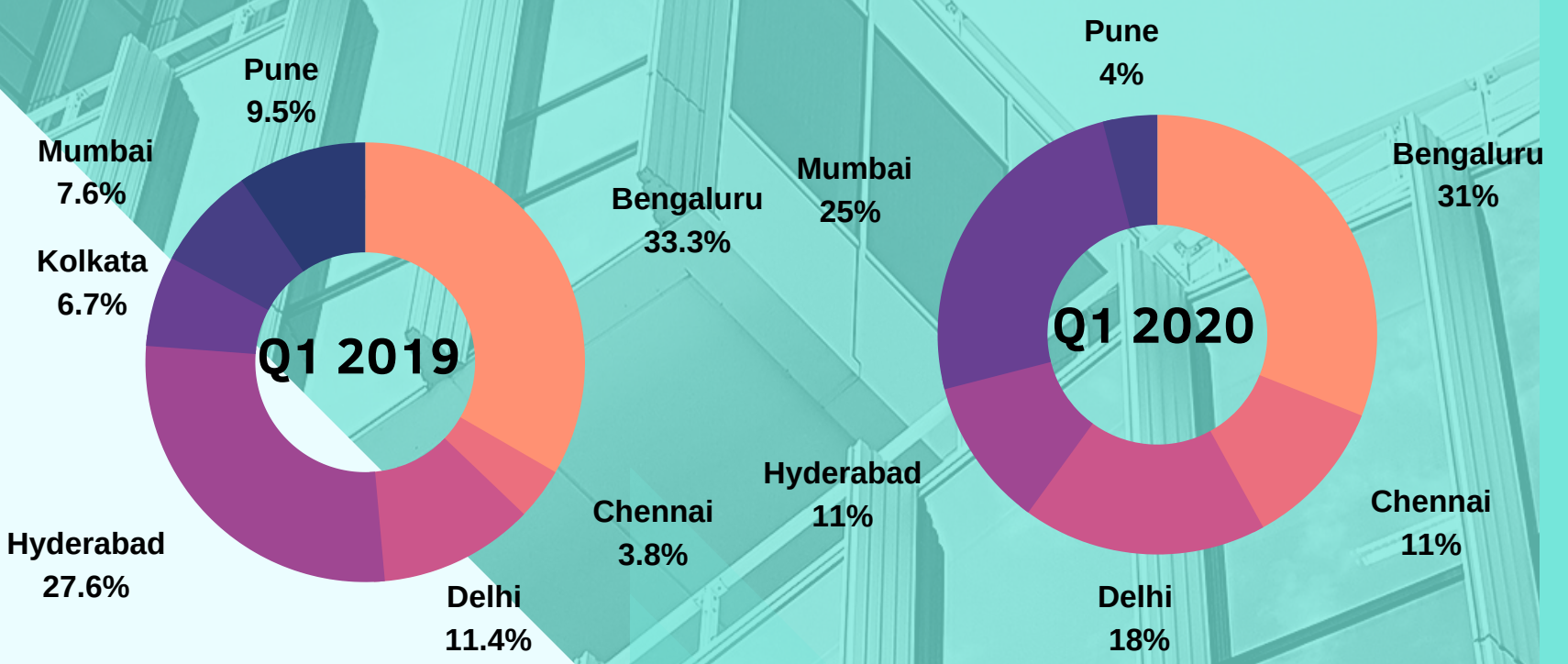
OFFICE SEGMENT

NET ABSORPTION

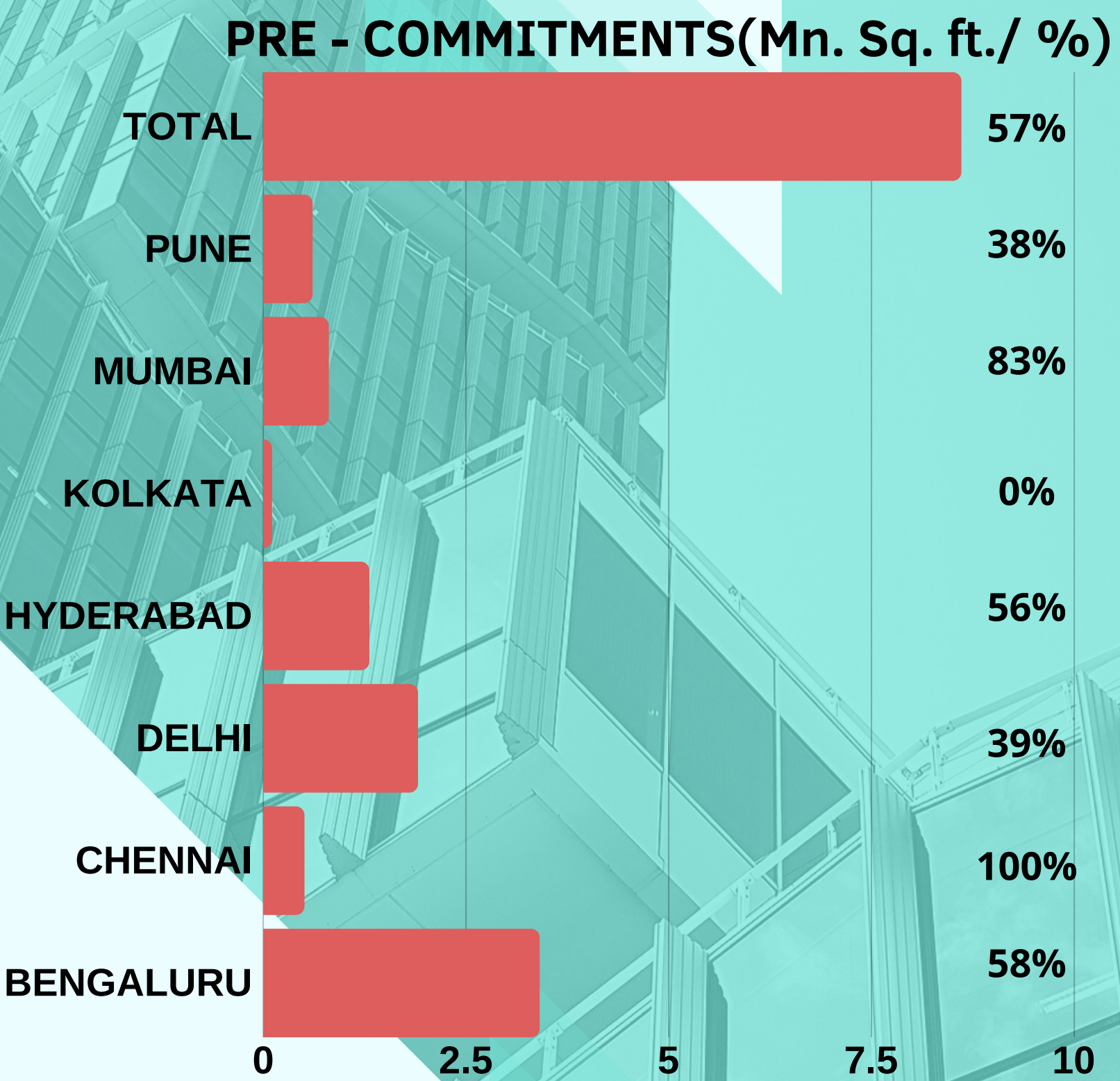
NET ABSORPTION (Mn. Sq. ft.)



- Q1 2020 saw a Net Absorption of 8.6 Mn Sq. ft. which is a decrease of 30% Y-O-Y.
- This has been 2nd such dip in the past 5 years, The first dip was of 60% Y-O-Y observed in Q1 2017 after Demonetisation in November 2016.
- The Highest Net Absorption of 12.3 Mn Sq. ft. was observed in Q1 2019.
- Large Markets like Mumbai, Bengaluru and Delhi contributed to almost 75% of the Net Absorption.
- Mumbai and Chennai saw a doubled Absorption Rate in Q1 2020. Even after this, the lower Net Absorption is a result of the poor performance of Hyderabad and almost Negligible Net Absorption in Kolkata.
- Hyderabad witnessed a fall of 74% in net absorption during Q1 2020 with respect to Q1 2019.



PRE - COMMITMENTS

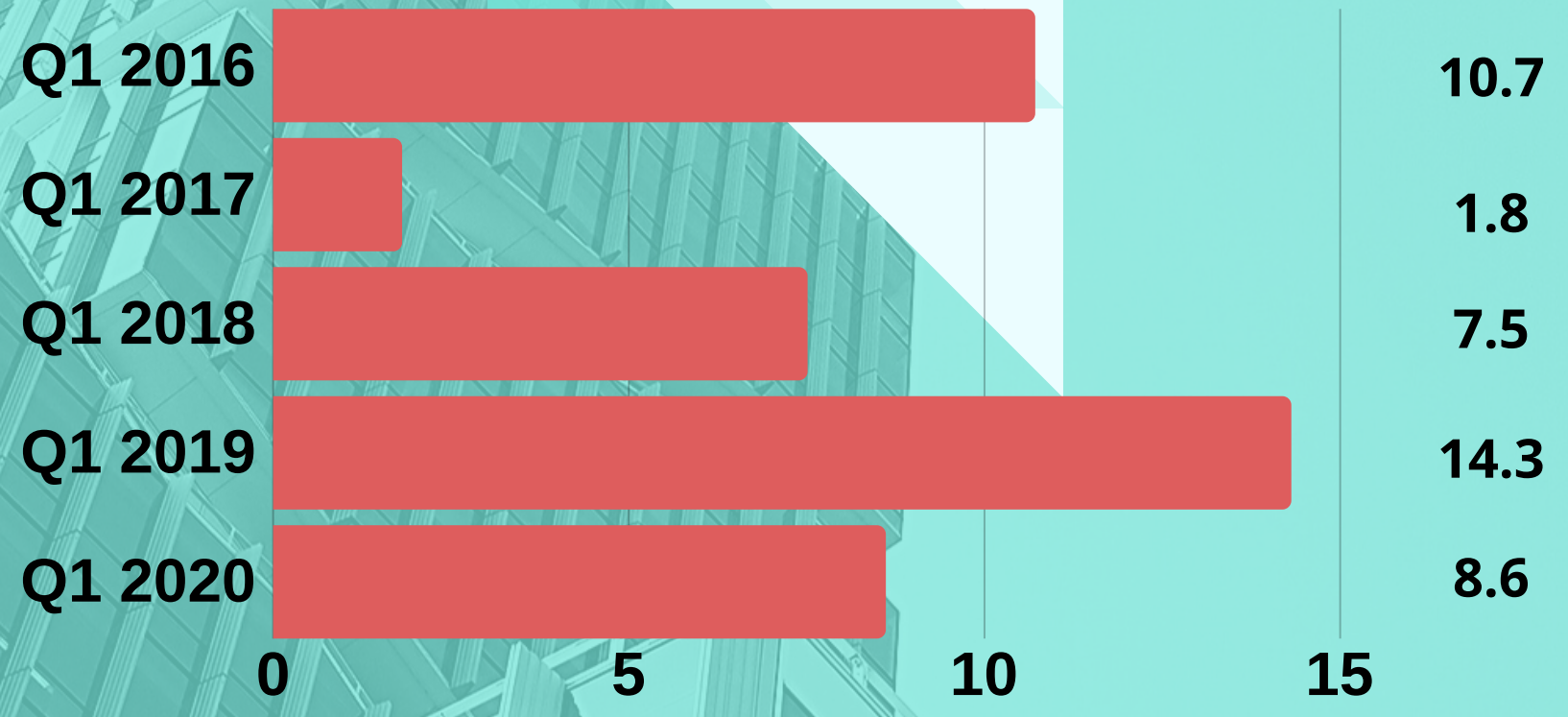


- Though the Net Absorption saw a dip, almost 57% of the Net Absorption was pre-commitments.
- Also markets like Mumbai & Chennai which saw a twice increase in Net Absorption, there were almost 83% and 100% pre-commitments respectively.
- Most of the Pre-commitment deals were witnessed in projects by Reputed Builders with a proven track record of timely delivery.
- As most of the office spaces required by IT/ITES sector are Grade A, This sector had a huge holding in these Pre-commitment Deals.

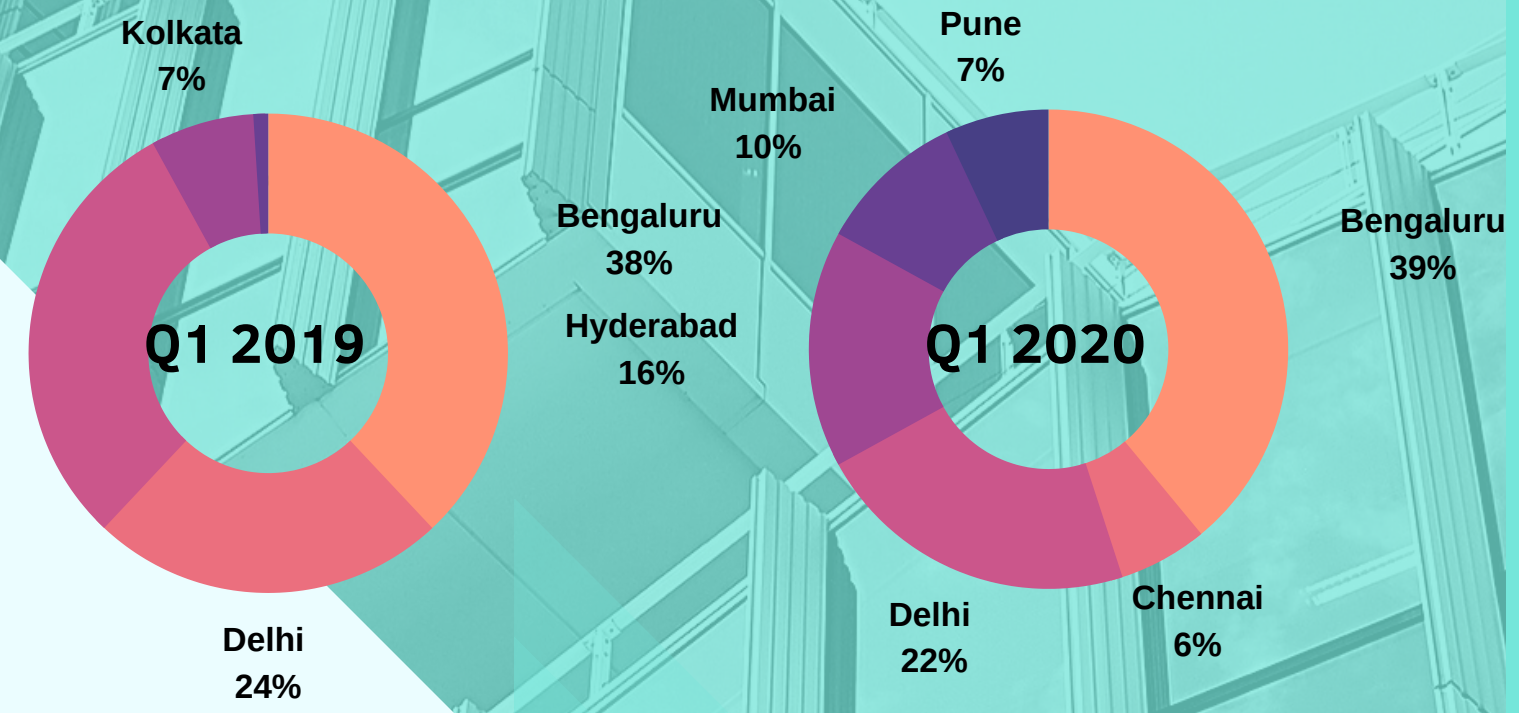
Source : Real Estate Intelligence Service(REIS), JLL Research

NEW COMPLETIONS

NEW COMPLETIONS (Mn. Sq. ft.)



- New Completion in Q1 2020 was recorded at 8.6 Mn Sq. ft. which was a decrease of 40% Y-O-Y.
- One of the major reason for this decrease is that many projects in its final stage had to stop the work due to the lockdown.

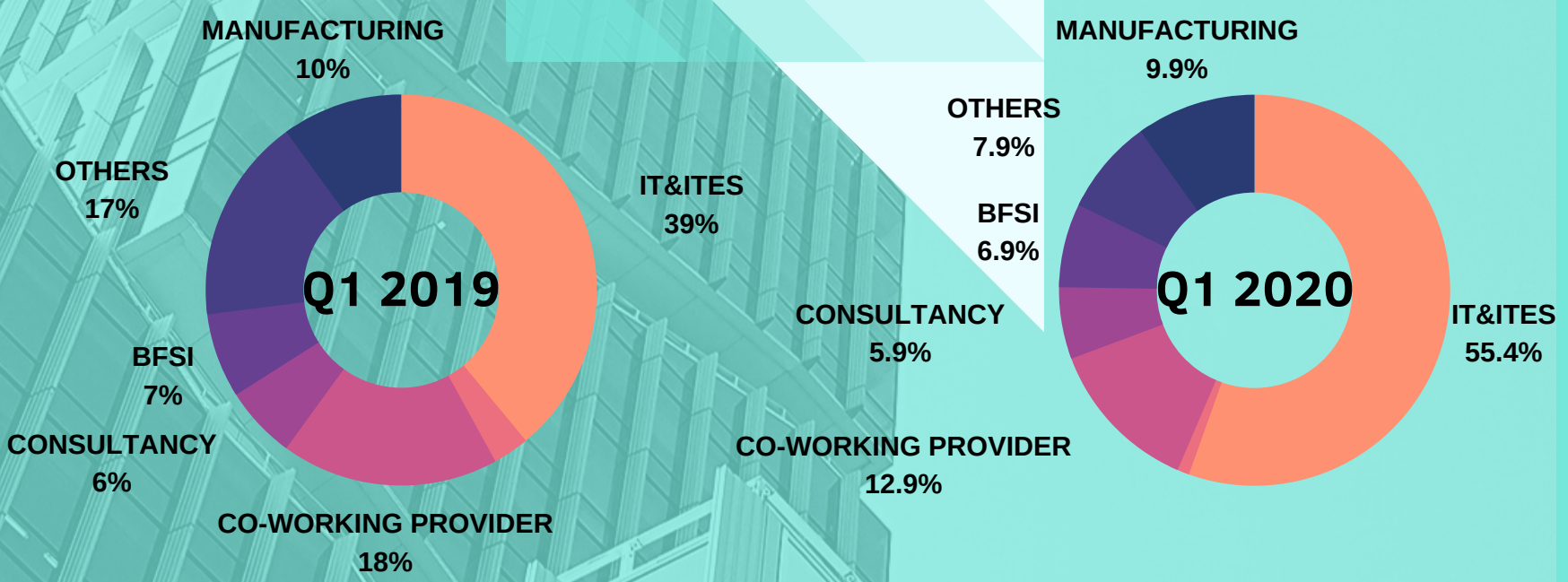


- New completions were majorly ruled by Bengaluru and Delhi accounting to 60% of the completions.
- There was a substantial increase of share in the Markets like Pune, Chennai and Mumbai.
- Kolkata showed a Negligible New completions.

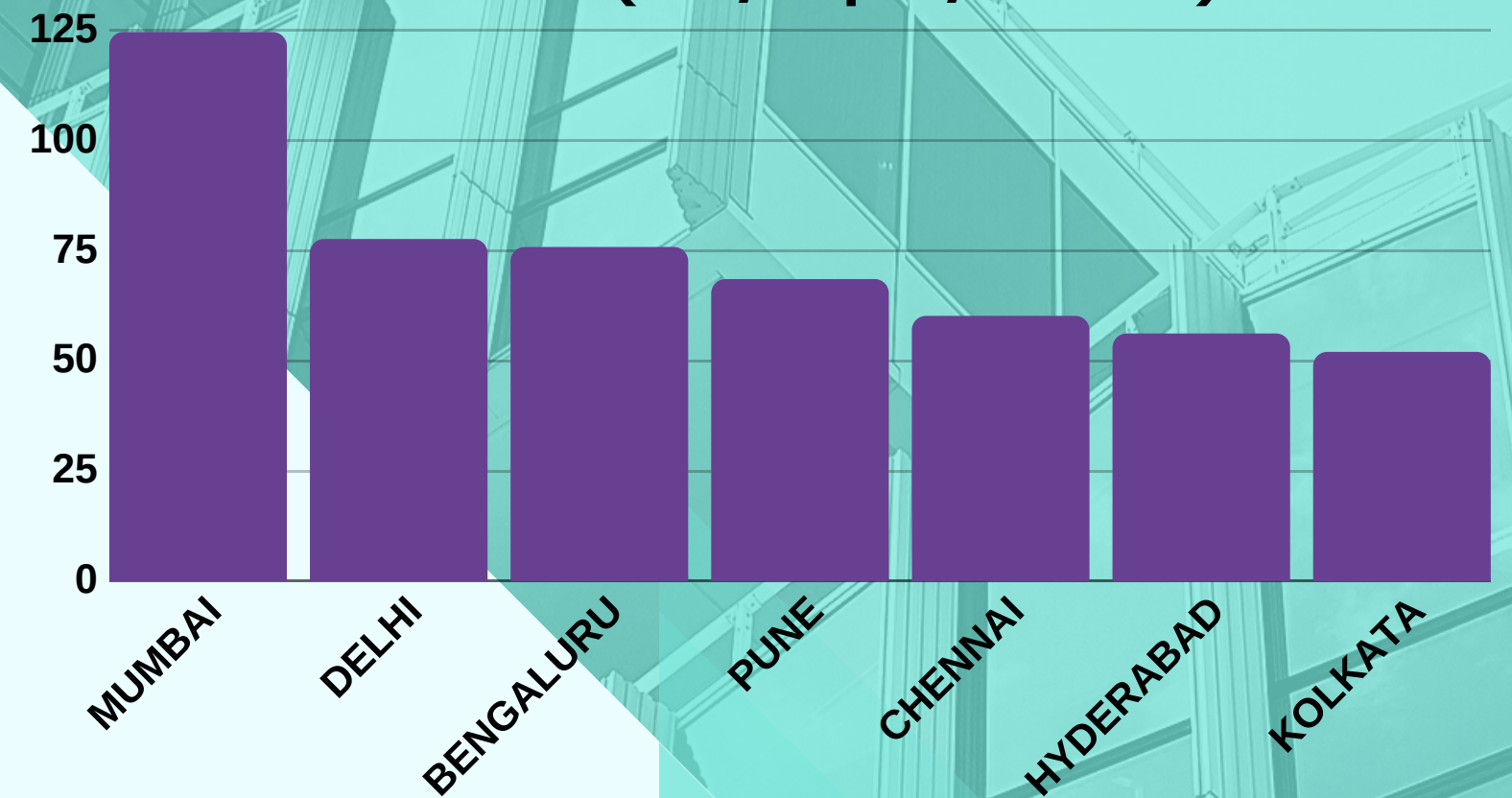
Source : Real Estate Intelligence Service(REIS), JLL Research

SECTOR-WISE ABSORPTION & RENTS

SECTOR-WISE ABSORPTION (%)



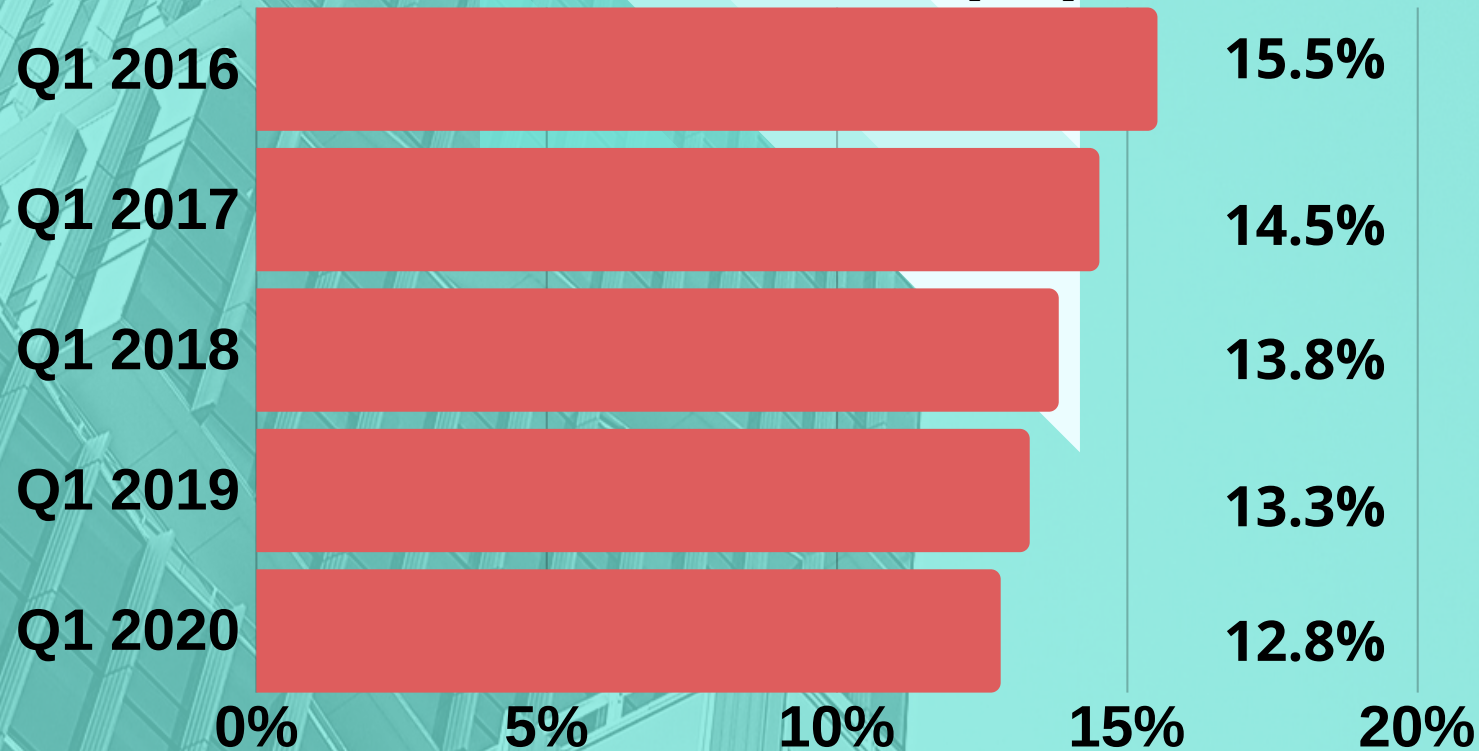
RENT (Rs./Sq. ft/Month)



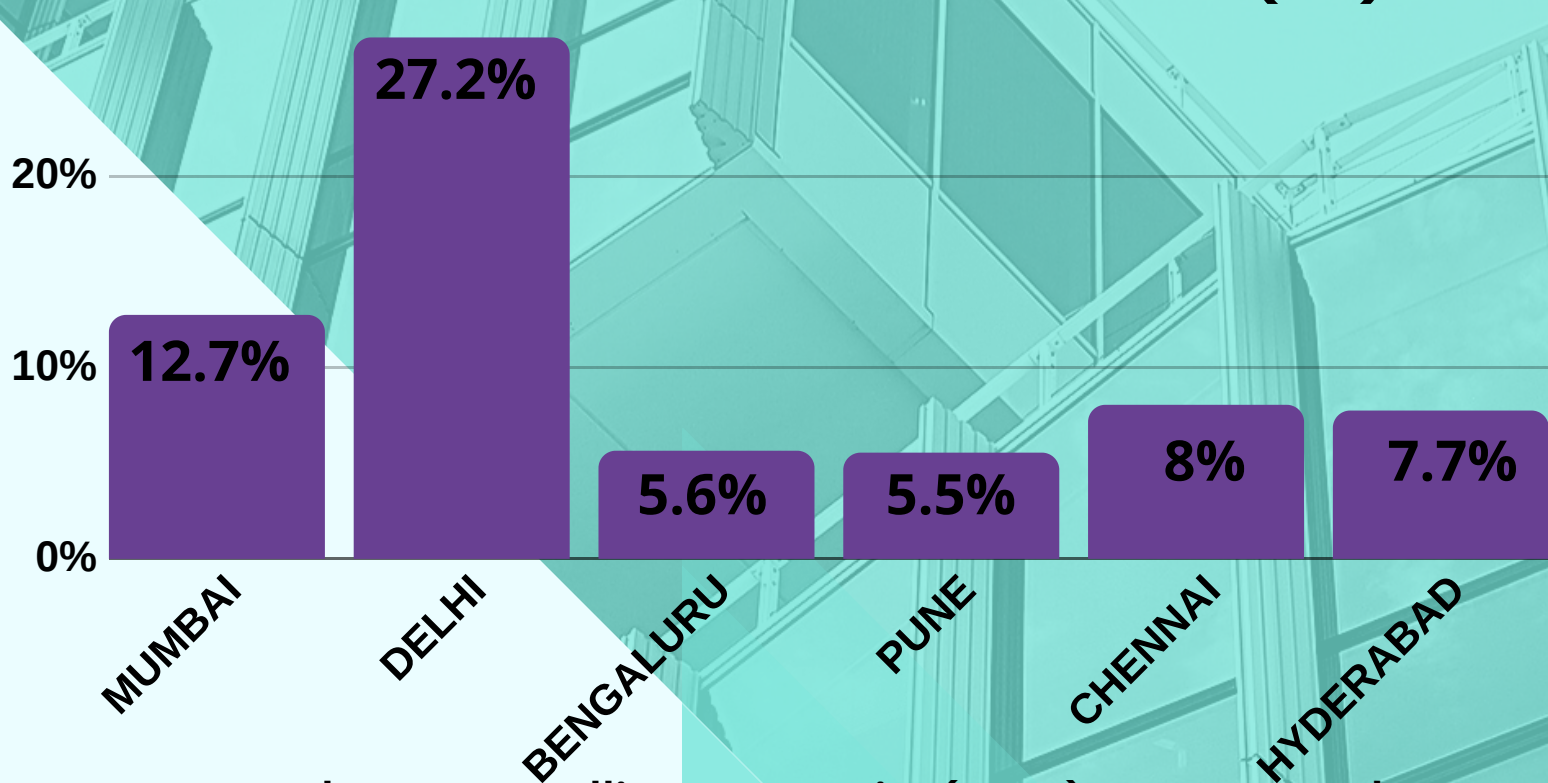
- Overall, The IT & ITES sector's share increased from 39% to 56% in Q1 2020, But this does not account for an increase in Net Absorption. The Net Absorption for IT & ITES remained the same but the overall Net Absorption decreased.
- The Co-Working sector also saw a huge hit, which was expected to bloom even further.
- The highest office rent in India is in Mumbai followed by Delhi & Bengaluru.
- Kolkata has the lowest Rent because of very high supply and less demand for office space.

VACANCY

VACANCY RATE (%)



CITY-WISE VACANCY RATE(%)



Source : Real Estate Intelligence Service(REIS), JLL Research

- Q1 2020 saw a decrease in vacancies for offices which stands at 12.8%, This can be assumed as a positive sign for office segment inventory.
- This percentage is expected to reach at the 5 year high in the coming quarters as the new launches in Q1 2020 will stay vacant due to Covid-19.
- All the cities except Mumbai and Delhi saw the vacancy rate for office spaces in a single digit which is a good sign.
- Bengaluru which has the highest share of New completions in office space also has the lowest vacancy rate.
- Though the vacancy in cities like Mumbai and Delhi is high, vacancy in prime business markets(BKC in Mumbai, Cybercity in Delhi) recorded a lower vacancy of < 5%.

CITY-WISE ANALYSIS

	Major Trends in Office segment of Real Estate - City Wise			
	Net Absorption (Y-0-Y Q1)	New completions (Y-0-Y Q1)	Vacancies	Rent (Y-0-Y Q1)
Mumbai	Increased (118.1%)	Increased (380%)	Decreased (12.71%)	Increased (1%)
Delhi	Increased (2.5%)	Decreased (43.7%)	Decreased (27.24%)	Increased (0.3%)
Bengaluru	Decreased (36.6%)	Decreased (37.3%)	Increased (5.6%)	Increased (6.6%)
Chennai	Increased (110.9%)	-	Decreased (8.04%)	Increased (3.4%)
Hyderabad	Decreased (74.1%)	Decreased (68.4%)	Increased (7.67%)	Increased (5.3%)
Kolkata	Decreased (98.3%)	-	Decreased (26.44%)	Decreased (0.5%)
Pune	Decreased (42.2%)	-	Decreased (5.5%)	Increased (0.9%)

Source : Real Estate Intelligence Service(REIS), JLL Research

- Mumbai and Chennai showed more than 100% increase in Net Absorption whereas the Net Absorption in Kolkata decreased by 98.3%.
- Mumbai showed an increase of 380% in New completions whereas Hyderabad showed a decrease of 68.4%.
- In terms of vacancies, Bengaluru & Pune showed the lowest vacancy of around 5.5%. Delhi & Kolkata showed the highest vacancies of around 27%.
- Bengaluru showed the highest increase in Rent whereas only Kolkata showed a decrease in Rent.

ANALYSIS OF AHMEDABAD – OFFICE

Ahmedabad Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions (mn sq ft)	3.09	6%	0.91	2.65	192%
Transactions (mn sq ft)	1.03	-29%	0.4	0.59	25%
Weighted Average Rental in Rs/sq ft/month	47	15%	42	48	14%
Stock (mn sq ft)			19.37	26.11	
Vacancy (%)			24.63%	34.03%	

Source : KNIGHT FRANK RESEARCH

- In Ahmedabad, the New completion in H1 2019 showed a growth of 192% Y-O-Y with New completions of about 0.25 Mn Sq. ft.
- In Ahmedabad, the sales in H1 2019 increased by 25% with sales of about 0.05 Mn Sq. ft.
- The average Rental for office spaces has shown an increase of almost 14% Y-O-Y which is a huge increase in year on year basis.
- The Vacancy rate for Office spaces in Ahmedabad is at 34% which has increased by 10% as compared to H1 2018.

KEY TAKE-AWAYS FROM OFFICE SEGMENT

- The Demand for Offices is predominantly from the IT/ITES sector.
- The cities witnessing a growth in the IT industry like Bengaluru, Mumbai, Delhi are showing a higher supply of Offices.
- Q1 2020 was dominated by the supply of Pre-committed projects with almost 57% of projects coming under the category.
- City-wise Bengaluru seems to be a perfect market for Offices with the supply Highest and still the Vacancy being lowest. Also, the highest increase in rent has been observed in Bengaluru of about 6.6%.
- Kolkata is the worst market for office spaces with a decrease in Net Absorption and Rent. Kolkata also showed the highest vacancy rate of 26.44%.

FUTURE TRENDS & SUGGESTIONS

10

- With Net Absorption dropping in 2020 coupled with the culture of WFH, The Net Absorption is further going to decrease post Covid-19.
- Though many Big companies are thinking about shifting to India from China, This can compensate for the reduction in Absorption due to Covid-19 but this will be majorly dependent on the country's policy towards attracting these companies.
- The Market in Bengaluru wont get much effected due to Covid-19 as the absorption is already high and Demand for office spaces is higher than the supply.
- But Cities like Kolkata & Delhi will take a hit of the Covid-19 with an increase in Vacancy Rate.
- Wait & Watch strategy is to be adopted for the New launches. Based on the shifting of Companies from China, New Projects can be launched.
- Projects completing in the 3rd and 4th Quarter will take a hit in all the cities except Bengaluru & Mumbai as majority of the Projects in these cities were Pre-commitment projects.



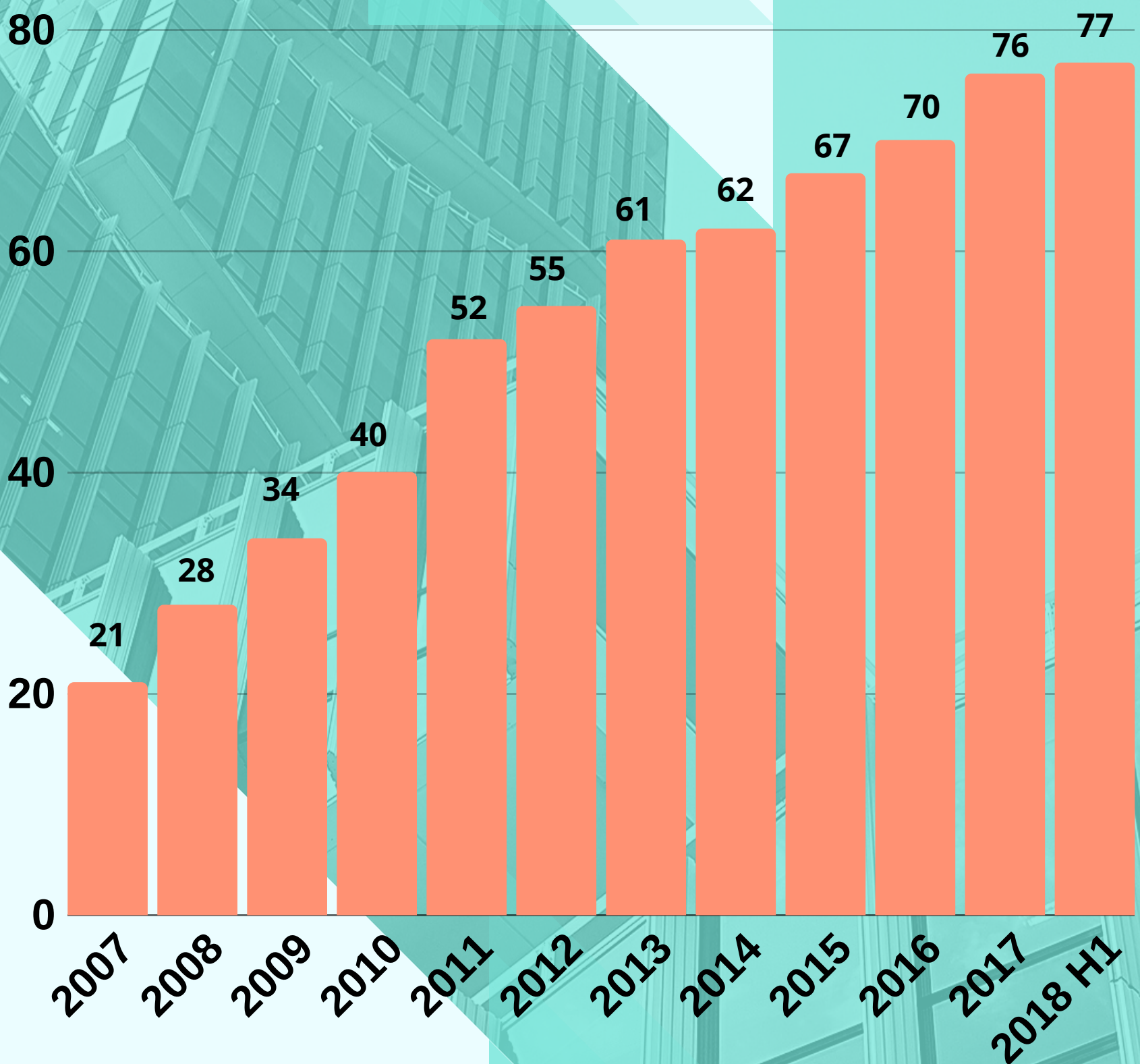
RETAIL SEGMENT

INTRODUCTION

- With Demographics of India changing and more Millennials taking over, Shopping has not just remained a chore but has become a cherish shopping.
- This change in Psychology of the population has led to huge demands for Shopping malls which is one of the biggest sources of Retail Real Estate in India.
- Most of these developments can be observed in Tier 1 & Tier 2 cities with Superior grade malls showing Highest Absorption.
- New Brands like Miniso, Uniqlo are launching their stores in all the cities and Apparel Brands like Zara, H&M, and Forever 21 are also increasing their Retail Outlets all over India.
- With the changing concepts of Shopping, Multiplexes, Gaming zones, and Food & Beverages attract a good amount of Retail space Built-in Shopping Malls.

GROWTH OF MALLS IN INDIA

GROWTH IN MALL SPACE IN INDIA (Mn Sq. ft.)

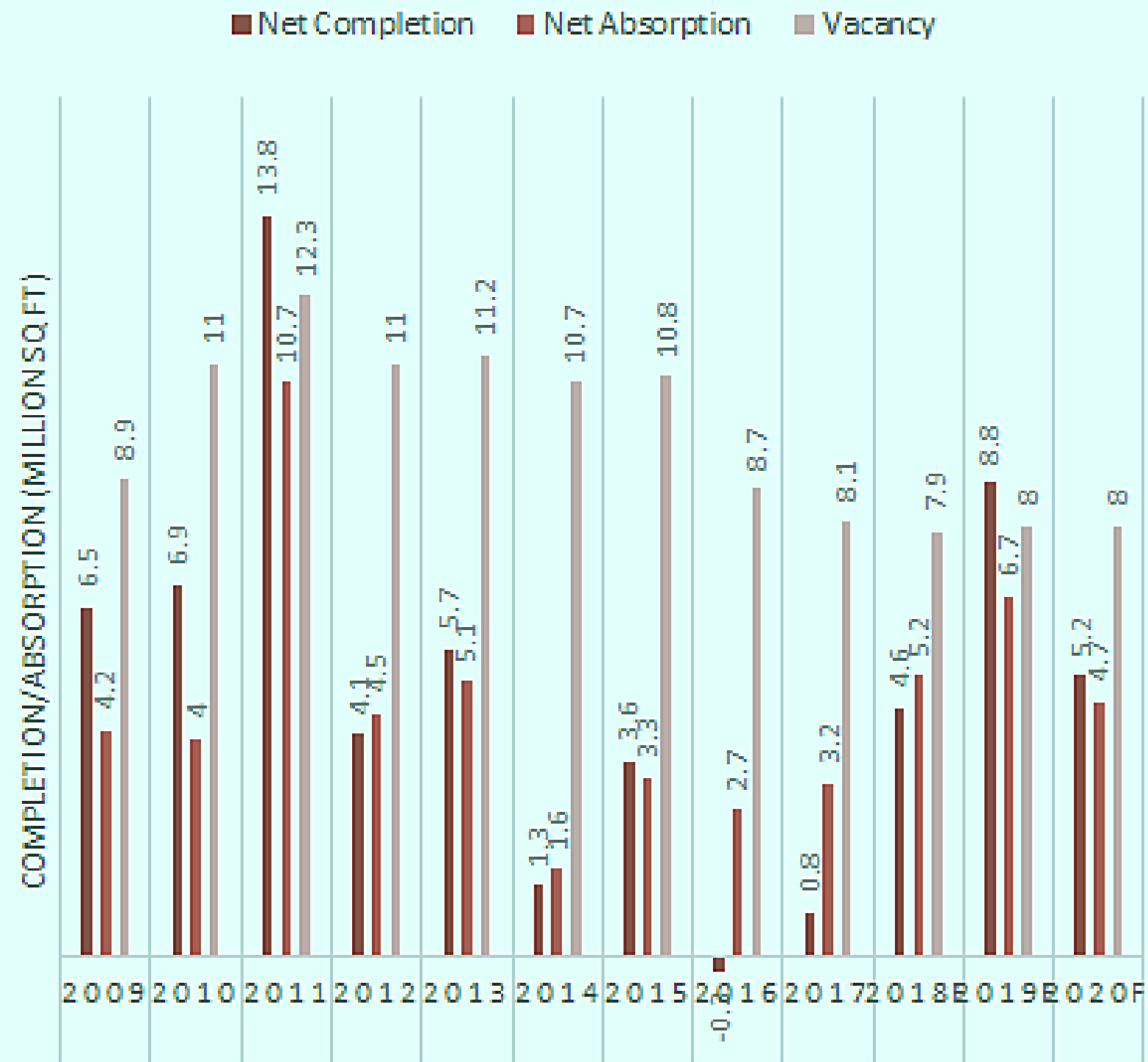


Source : Real Estate Intelligence Service(REIS), JLL Research

- The space utilized by Malls has increased steadily over the years.
- The year 2011 saw a robust increase in the supply of Malls in India.
- The Trend of Malls with Huge Area has started taking shape recently leading to large retail area supply. Lulu International Shopping Mall, Kochi has an area of 2.5 million sq. ft. whereas World Trade Park, Jaipur has an area of 2.4 million sq. ft.
- With the need for better infrastructure to match the trend, Old Malls are being replaced by spacious new malls every Year.
- Most of this development is taking place in Tier 1 and Tier 2 cities as the demand for Superior Grade of Malls is more.
- As of 2018 there are 253 Functioning Malls in India.

SUPPLY & DEMAND IN RETAIL SEGMENT

13



Source : Real Estate Intelligence Service(REIS), JLL Research

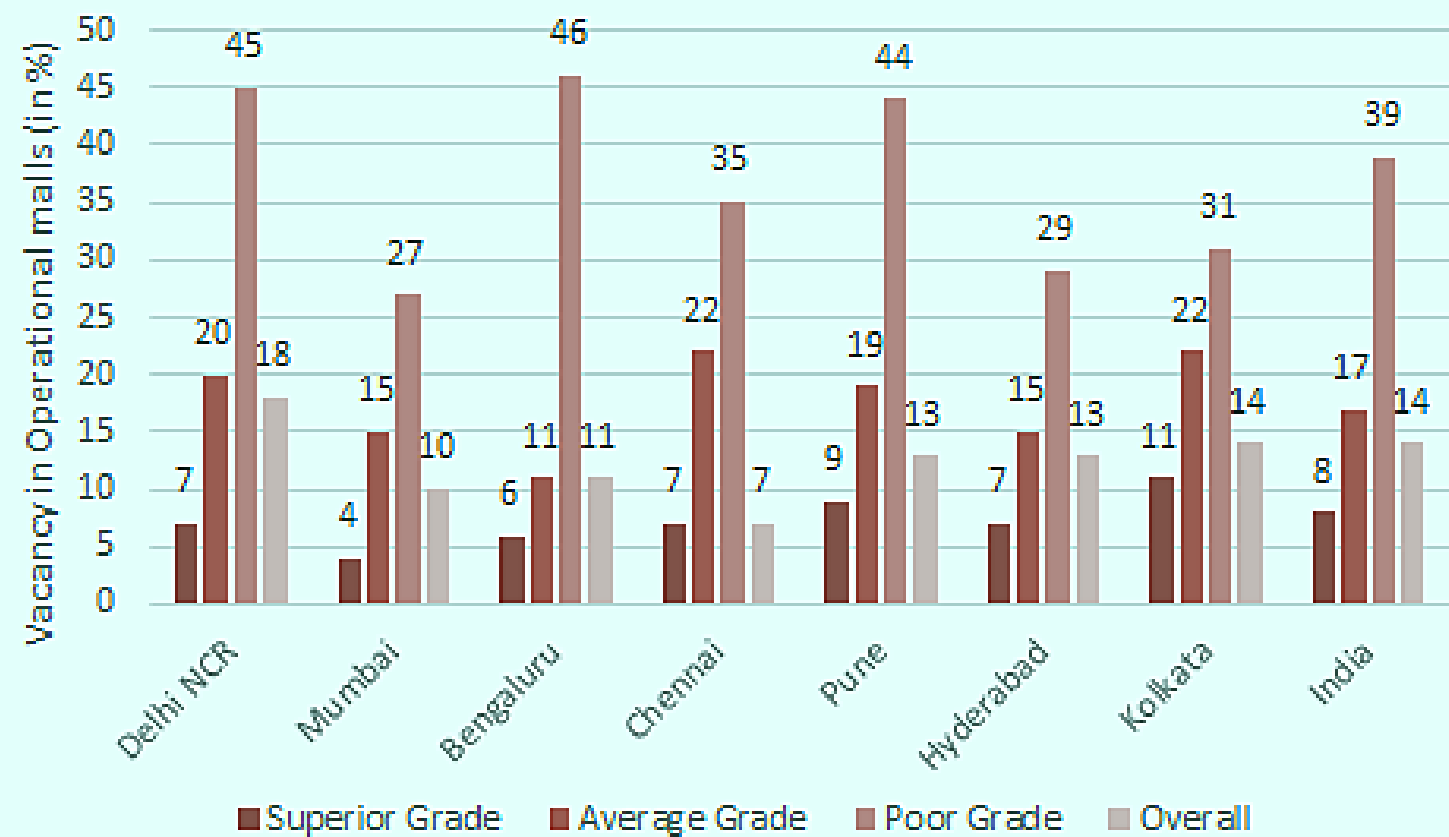
- The Net Absorption has been at Par to the Net completion from the Year 2012 to 2018. Which indicates steady demand and supply ratio in previous years.
- The year 2016 & 2017 saw a greater Net absorption than the Net completion. This infused increased Demand for Retail spaces.
- In 2011 the Net completion doubled itself, Reason being many Mall projects emerged in 2011 providing a large amount of Retail space in India.
- It is being projected that the Net completion will be greater than the Net Absorption in the coming years leading to an increase in Vacancies and may lead to a reduction in Prices.

GRADE WISE BREAK UP & VACANCY

SUPPLY - GRADE WISE(%)



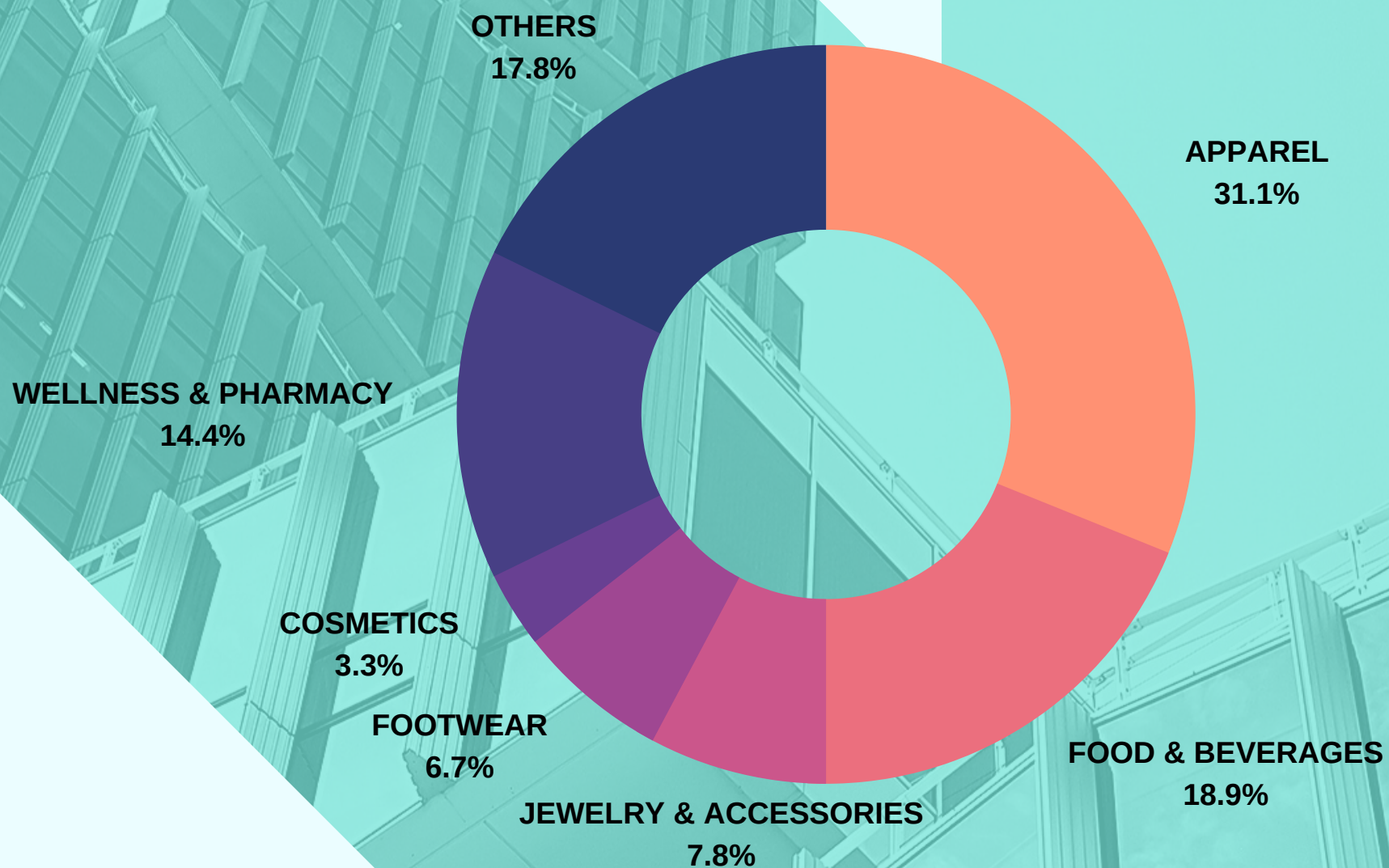
GRADE-WISE VACANCY



- The supply for Superior Grade Retail space in malls has increased and also expected to increase in the coming years due to the changing trend.
- Almost 2/3rd of the supply are of Superior Grade Retail spaces and only 10% of Poor grade Retail space. This is also justified by the graph showing higher vacancies in Poor grade Retail spaces.
- The Superior Grade Retail space shows a single-digit Vacancy in almost all major cities.
- The poor Grade Retail spaces in Mall show a high vacancy with about 40% in every Big city.
- India as a whole shows a vacancy rate of about 14% for Retail spaces in all grades across Major cities.

SECTORIAL DISTRIBUTION

SECTOR-WISE CONSUMPTION (%)

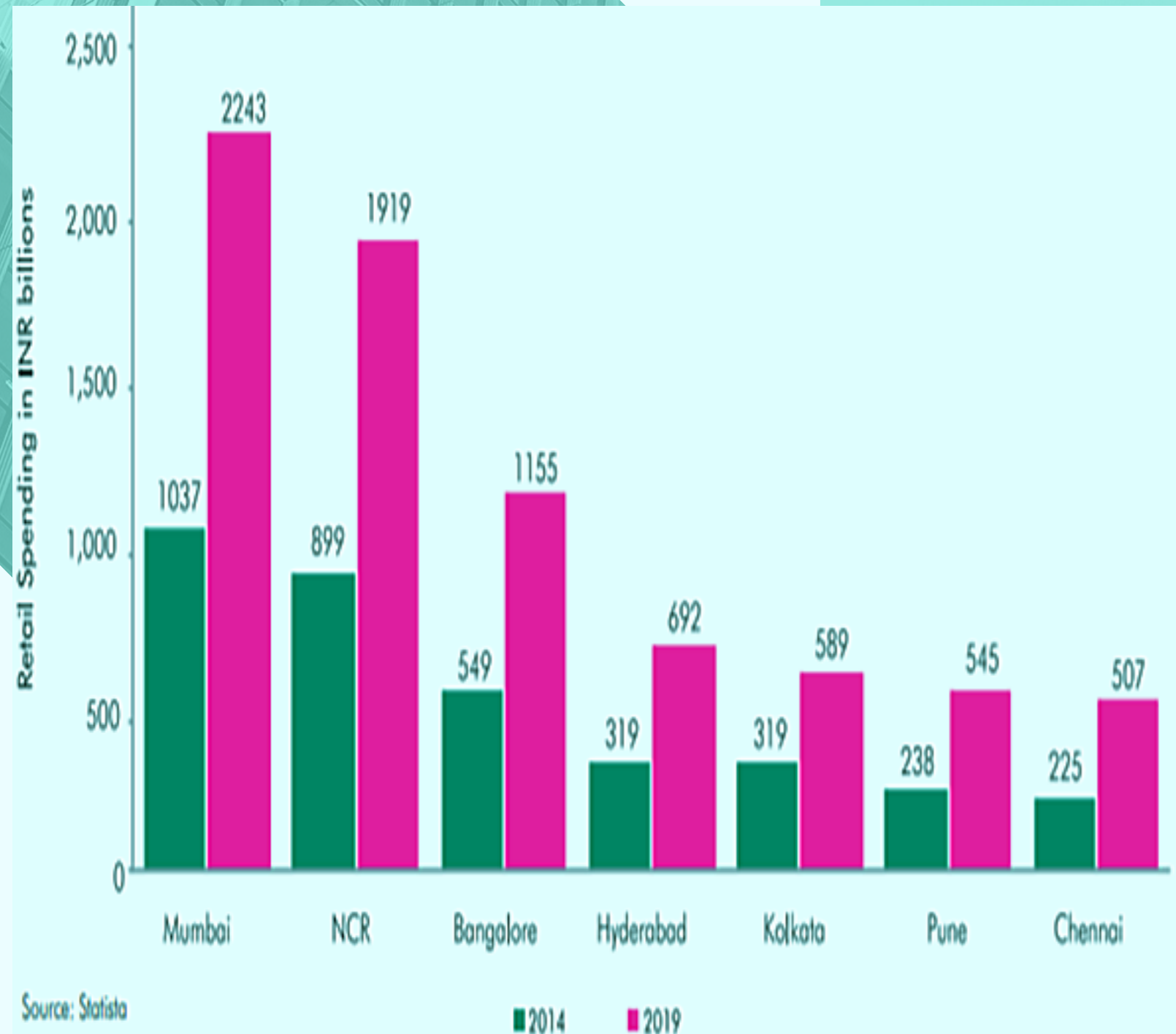


- Maximum Retail space in India is utilized by the Apparel sector.
- With Newer Apparel Brands entering India, this trend is expected to continue even further.
- The second Highest sectorial consumption is by Food & Beverages which includes Fast food outlets, Restaurants, etc.
- Then comes the jewelry, watches, accessories & Footwear at almost 7% share each.

Source : Real Estate Intelligence Service(REIS), JLL Research

CITY-WISE SPENDING

RETAIL SPENDING



Source: Statista

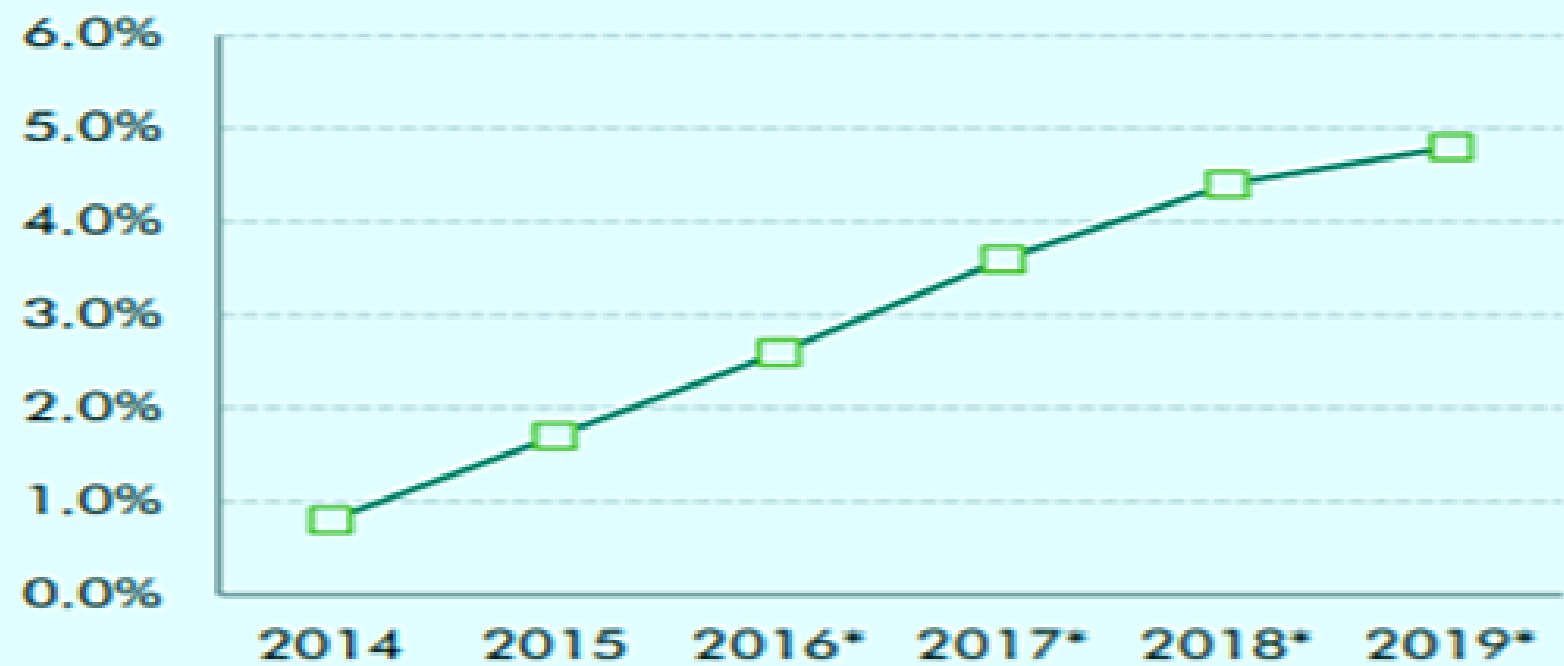
■ 2014 ■ 2019

Source : STATISTA

- Almost 70% of the retail spending takes place in 3 major markets of Mumbai, Delhi & Bengaluru.
- Mumbai and Delhi are leading in the retail spending because of the development of New MMR region and NCR region leading to new market for retail expansion.
- Hyderabad has shown a robust increase in retail spaces and has emerged as a new growing market.

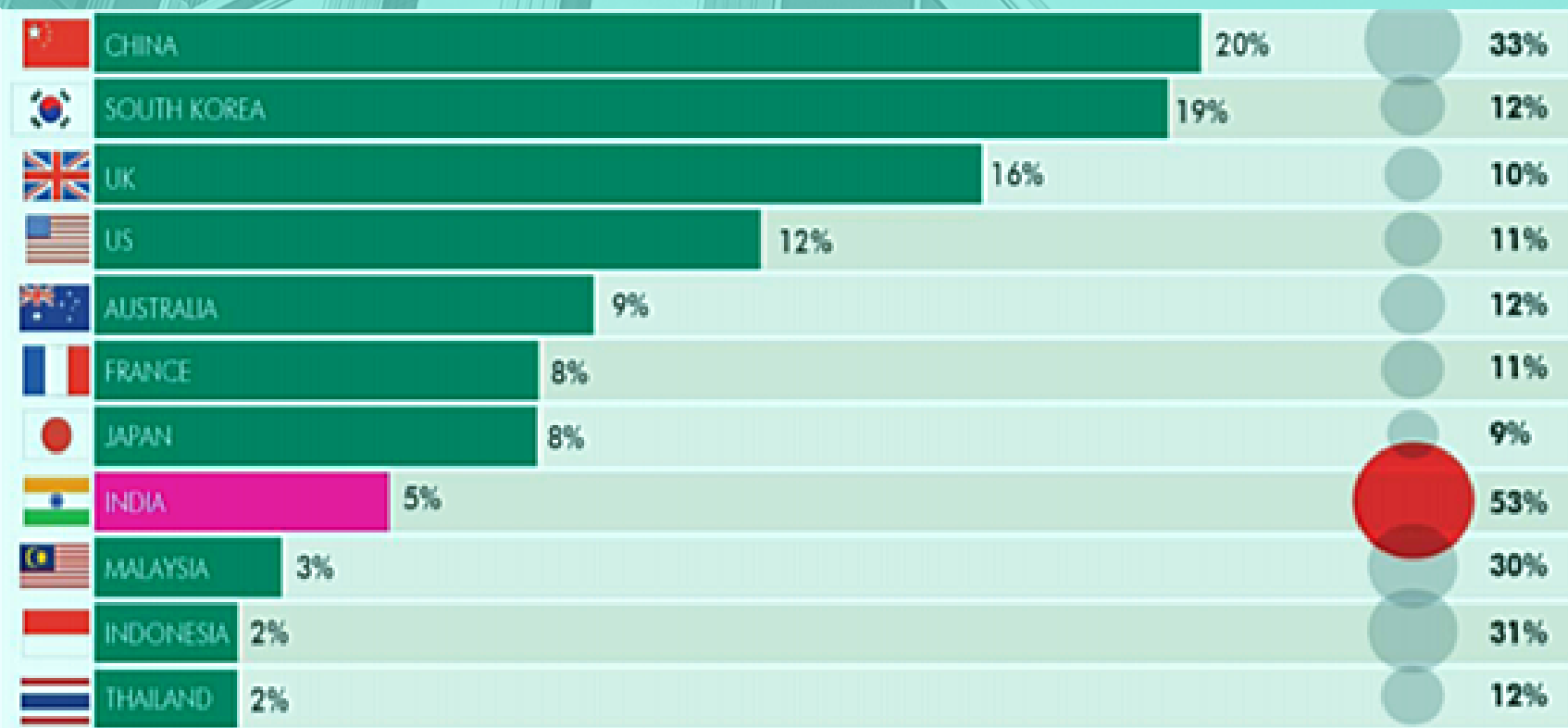
ONLINE RETAIL MARKET IN INDIA

SHARE OF ONLINE RETAIL IN INDIA



Source : STATISTA

ONLINE RETAIL PENETRATION

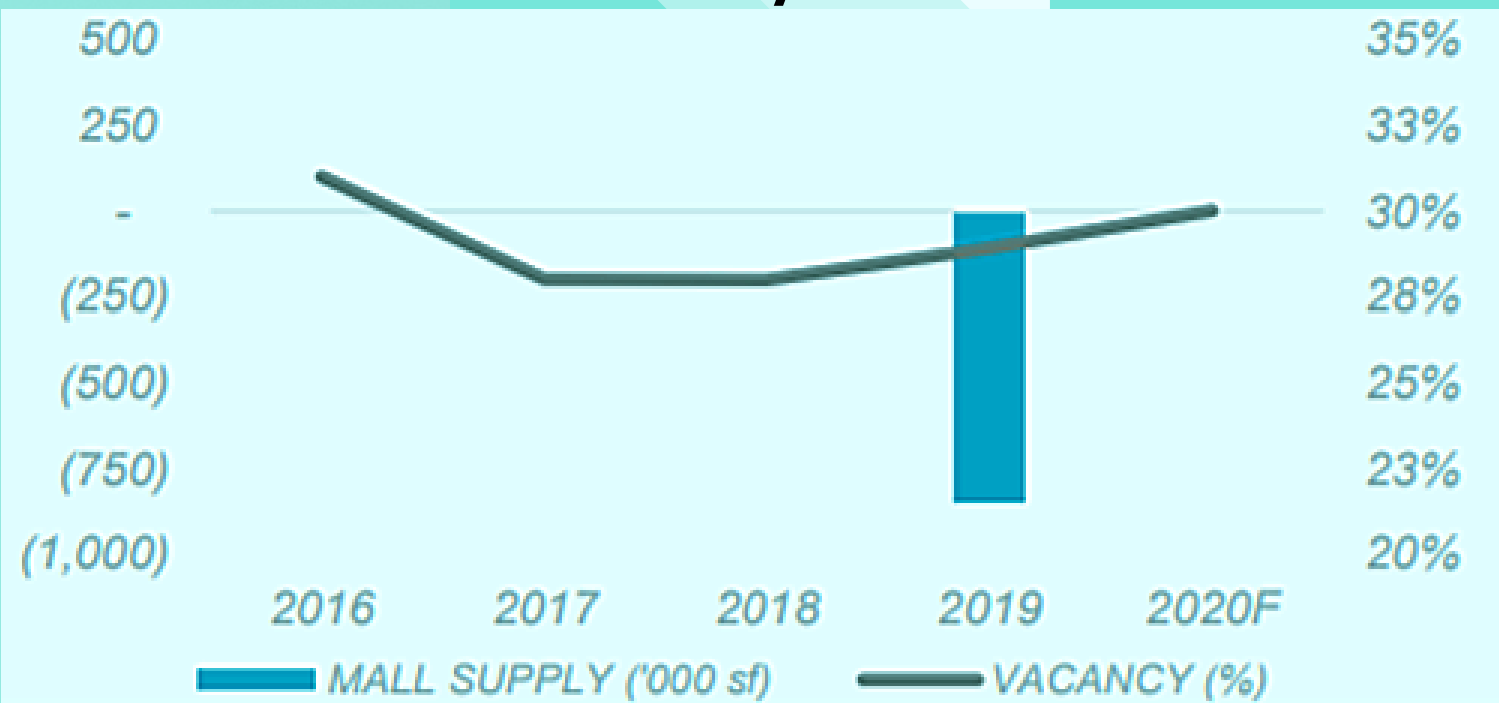


Source : EUROMONITOR

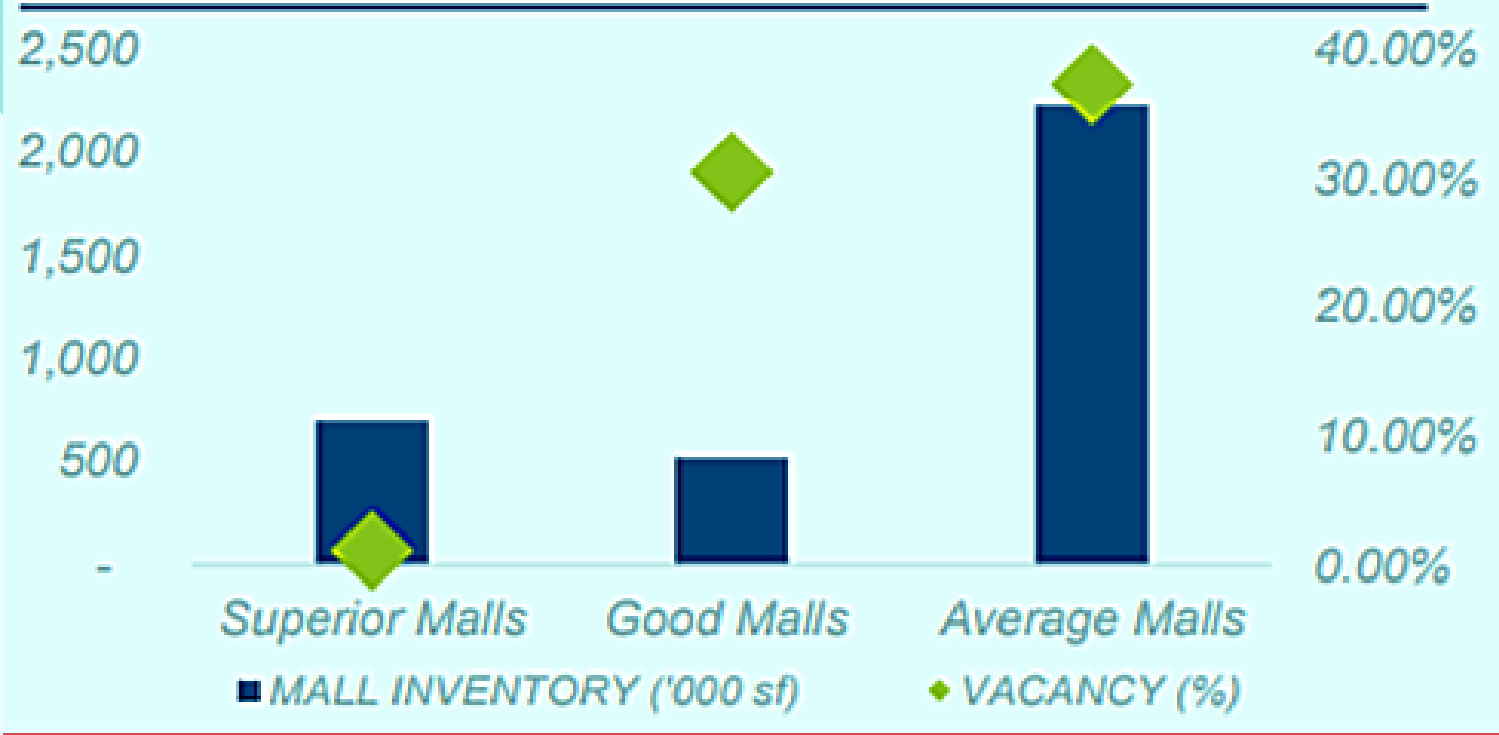
- The Online Retail Market in India has increased its share from less than 1% in 2014 to 5% in 2019.
- Many of the Online Companies are switching to Brick & Mortar whereas many Brick & Mortar Retail outlets are switching to Online Retail. This trend has brought in a concept of Click & Brick Stores.
- As compared to other countries we are still lagging in Online retail penetration with only 5% share. Countries like China, South Korea have an Online retail Penetration of about 20%.
- Though the penetration rate is low the CAGR is very high for India and that is about 53%.

ANALYSIS OF AHMEDABAD – RETAIL

MALL SUPPLY /VACANCY



CATEGORY-WISE STOCK /VACANCY



- The total inventory in Ahmedabad for retail mall space is 3.45 Mn sq. ft.
- The vacancy rate for Retail in Ahmedabad is almost 28%.
- Superior malls show a vacancy rate as low as 1% whereas average malls show a higher vacancy rate. This trend is in line with the Nation's overall trend.
- The supply for retail spaces is higher in Ahmedabad than the demand.
- The average rent for Retail spaces in Ahmedabad has increased by 1.35% Y-O-Y.
- C.G. Road showed an increase of 3.23% Y-O-Y whereas Vastrapur showed an increase of 6.06% Y-O-Y.

KEY TAKE-AWAYS FROM RETAIL SEGMENT

- With Relaxed FDI Norms there is Huge Greenfield Investment taking place in Retail Real Estate.
- Mumbai, Delhi, Bengaluru are the Major contributors to the Retail real Estate.
- Malls form a Majority of organized Retail Space in India.
- Apparels, Food & Beverages are the sectors holding major Retail spaces.
- Superior Grade Retail Real Estate are the best performers with vacancy rates very low.

FUTURE TRENDS & SUGGESTIONS

- Many foreign brands are showing interest in entering/ expanding in the Indian market; This is a positive sign for the Retail Real Estate.
- But in the wake of Covid-19, The change in Consumer Buying Behaviour will motivate many Retail spaces to increase its presence online and reduce on Brick & Mortar Retail space.
- With the supply of Retail spaces already predicted to surpass the Demand in 2020 Pre Covid-19, Post Covid-19 the demand is going to drop even further leading to increased Vacancy rates and reduced prices.
- New Launches of Malls/ Retail Properties should be kept at hold at least for a year.
- Under Construction Properties in Tier 1 cities won't take many hits because of the advantage of its location but properties coming in the market in the 3rd & 4th Quarter of 2020 in Tier 2 & Tier 3 cities are going to suffer a very high Vacancy rate.



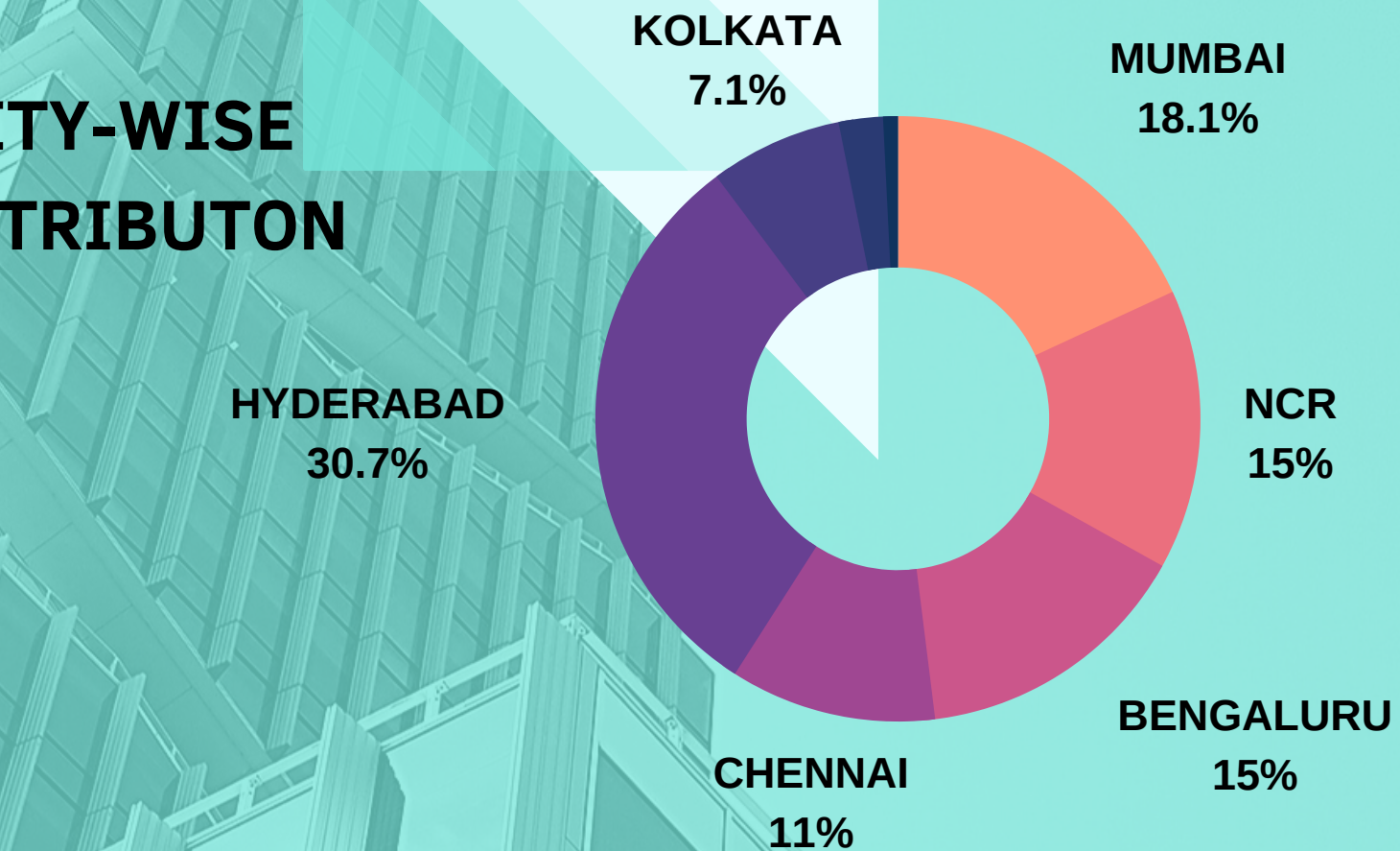
WAREHOUSING SEGMENT

INTRODUCTION

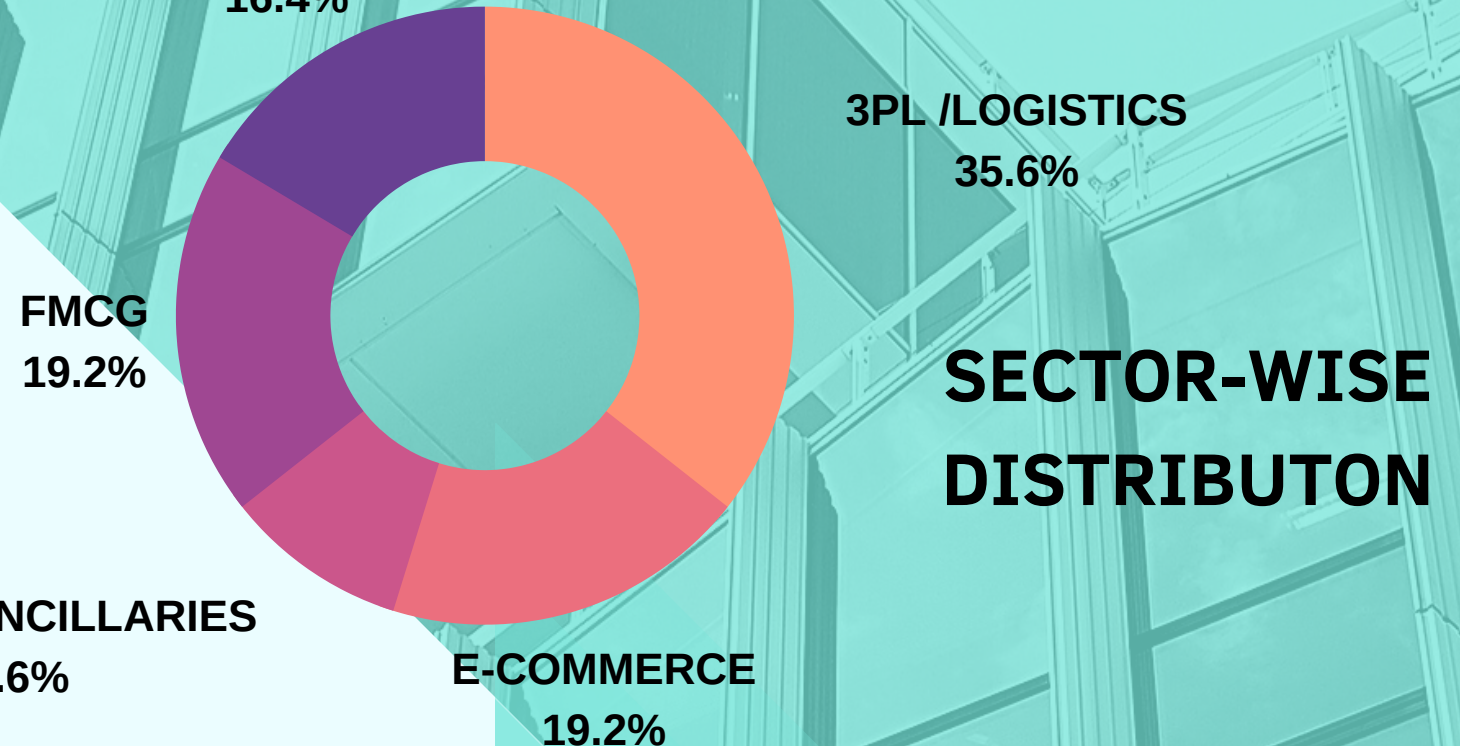
- 2018 saw a steep increase in the demand and supply of Warehousing Real Estate.
- Top 8 cities showed a stock of 169 Mn Sq. ft of Warehouses which is an increase of 22% Y-O-Y.
- The Absorption grew by almost 63% Y-O-Y and reached 31.8 Mn Sq. ft. in 2018.
- Due to the increased demand and limited supply the Vacancy has fallen to 10%, which is an all-time low.
- There are two types of Warehousing projects – Grade A & Grade B.

CITY-WISE & SECTOR-WISE DISTRIBUTION

CITY-WISE DISTRIBUTION

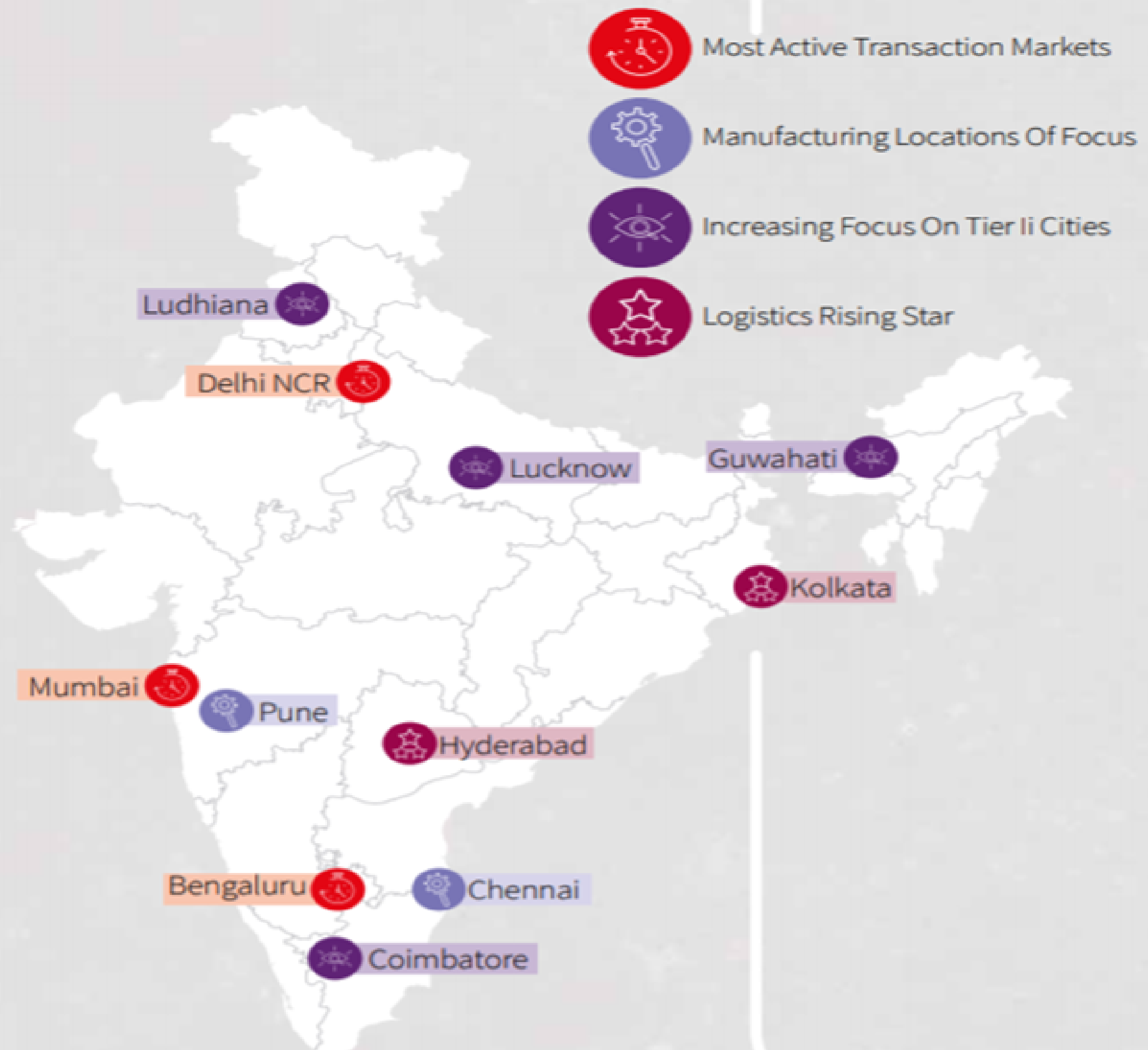


SECTOR-WISE DISTRIBUTION



- 3 major markets of Mumbai, Delhi & Bengaluru contributed to 61% of the Warehousing absorption.
- Chennai & Hyderabad also showed a higher share in Warehousing absorption with 14% & 12% contribution respectively.
- Nearly every city saw an increase in annual consumption of Warehouses.
- 60% of the Absorption came from 4 Major sectors - 3PL/Logistics, E-commerce, Auto & Ancillaries, FMCG.
- Other 40% of Absorption was by sectors like Engineering, Telecommunication, Electronics & Retail.
- Third-Party Logistics/ Logistics turned out to be leading in the absorption of Warehouses with the highest share of 26%, more than double of the 2nd Highest shareholder.

Absorption By Occupier Type



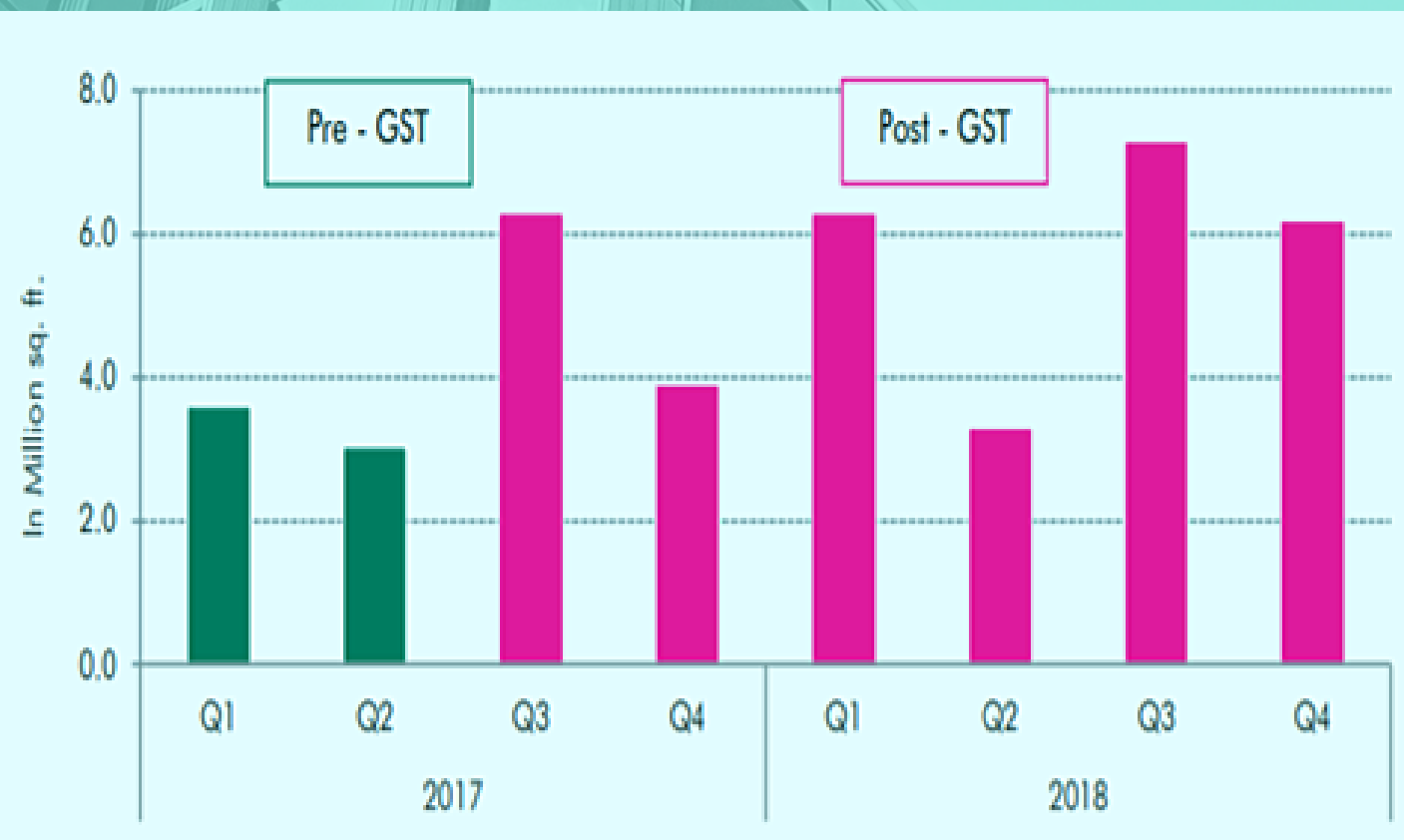
Source : Real Estate Intelligence Service(REIS), JLL Research

SECTORIAL GROWTH & EFFECT OF GST

EXPECTED SECTORIAL GROWTH DRIVERS

Cities\Segments	3PL	e-Commerce	Engineering and Manufacturing	FMCG	Retail
NCR	▲	▲	▲	▶	▲
Mumbai	▲	▶	▶	▲	▶
Pune	▲	▶	▲	▶	▶
Chennai	▲	▲	▲	▶	▶
Hyderabad	▲	▲	▲	▶	▶
Bangalore	▲	▲	▲	▶	▶
Kolkata	▲	▶	▶	▶	▶

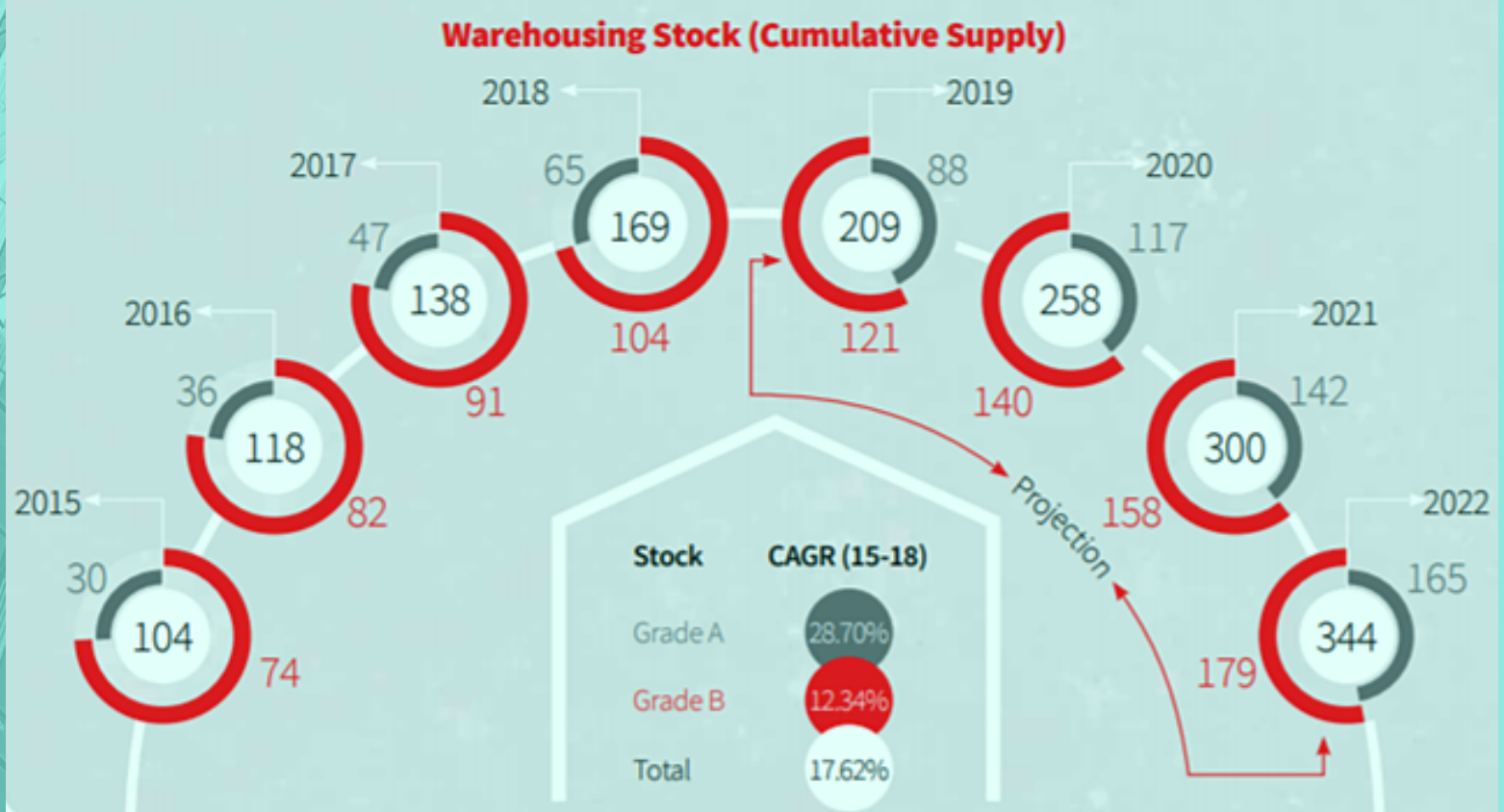
PRE & POST GST WAREHOUSING



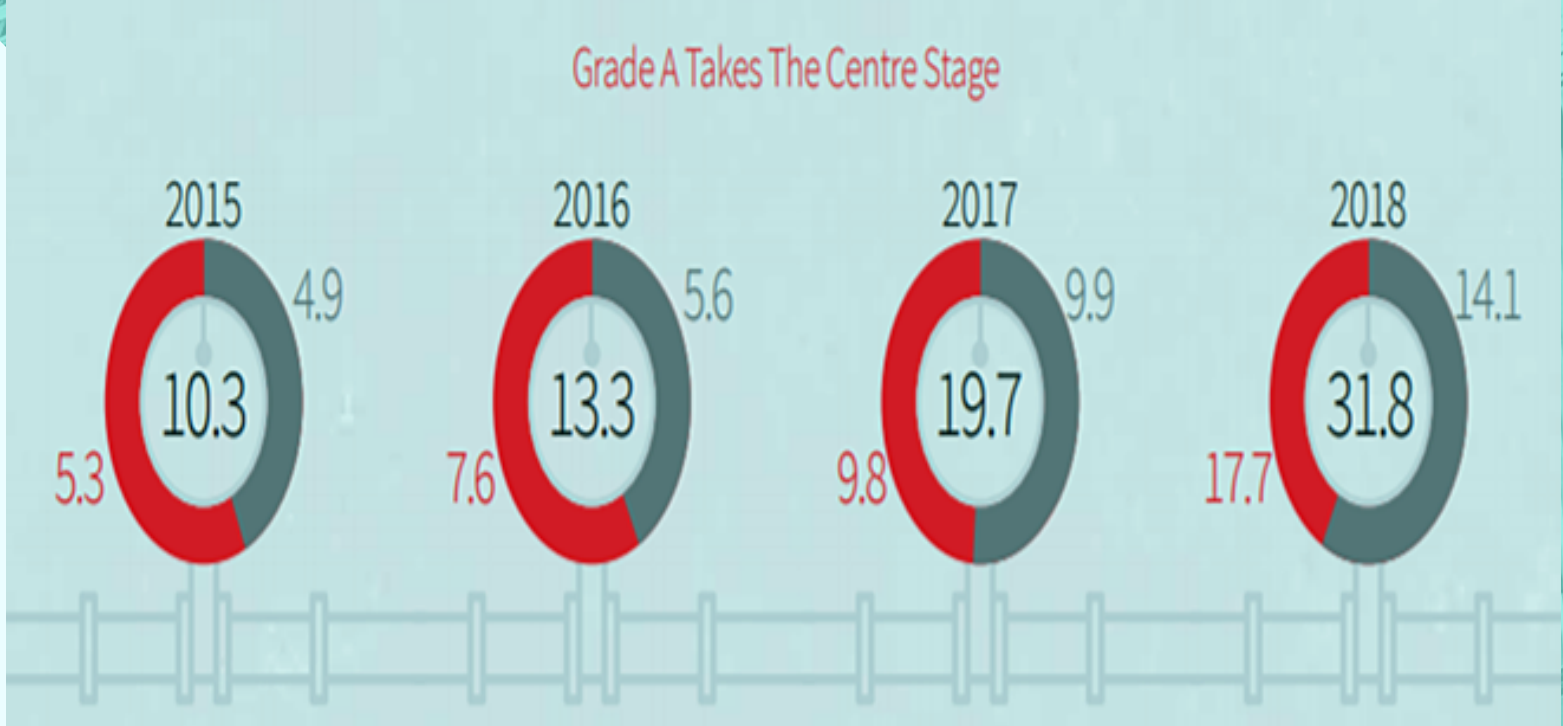
- 3rd Party logistic shows growth in all the cities and is expected to increase and double itself by 2022.
- FMCG & Retail sector showed a stable share in warehousing in almost all the cities.
- The implementation of GST saw a positive result in the warehousing sector as shown in the graph.
- Before GST companies had to pay multiple taxes at different rates in different states so they also had a small storage space In every state which led to unorganized inventory management to minimize the tax burden.
- With the implementation of GST, there is uniform taxation all over country aiding companies to use warehouses at one place and keep it organized, which led to an increase in the Number of warehouses.

WAREHOUSING STOCK

WAREHOUSING STOCK



GRADE-WISE CONTRIBUTION



- With the Demand surpassing the supply, 2018 saw a Y-O-Y growth of 22% at 169 Mn Sq. ft. of supply.
- The Warehousing stock is expected to double itself by 2022.
- Grade A warehouses are showing a higher CAGR of 28.7% due to the demand for Automation and High tech Warehouses.
- In 2018, 26% of the absorption was Built to suit type warehouse whereas 74% absorption was in Ready Built.
- The trend of demand for Grade of warehousing has inverted itself from 2015-18. In 2015, Grade B had a demand of 60% whereas by 2018 the demand for Grade A is 60%.

Source : Real Estate Intelligence Service(REIS), JLL Research

ANALYSIS OF AHMEDABAD – WAREHOUSING

- In Ahmedabad major consumption of Warehouses is by the Pharmaceutical sector with almost 21% of absorption.
- In Ahmedabad, the total warehousing requirement is of 40 Mn sq. ft.
- 80% of the warehouse spaces in Ahmedabad is absorbed by Manufacturing led activities whereas 20% of the warehouse space is absorbed by consumption led activities.
- Other major sector contributing to the warehousing consumption are Food processing and Metals with 17% & 16% contribution respectively.
- Aslali-Kheda Warehousing belt is the most preferred location in Ahmedabad with the highest rent of between 14-20 Rs./Sq. ft./month.

KEY TAKE-AWAYS FROM WAREHOUSING SEGMENT

- Post GST Warehousing sector in India has seen a tremendous increase in demand.
- Most of the requirement in Warehousing is for Grade A warehouses due to the increased need for Automation in Warehousing.
- 3rd Party Logistic/ Logistic has been the dominating sector in the consumption of Warehouses.
- All the major cities saw an increase in Warehouse consumption.
- Mumbai, Hyderabad, Delhi contributed to 60% of the total consumption of warehouses.

FUTURE TRENDS & SUGGESTIONS

- Warehousing is a real estate sector that will have the least impact of Covid-19.
- With Government promoting Make in India through the ideology of self Reliance & many Companies shifting its manufacturing base from China to India, The need for Warehouses is expected to grow.
- With Government policies in place and relaxed FDI Regulations there will be a huge demand for Grade A Warehouses in India in the coming years.
- Post Covid-19, The work in process Warehouses should continue its work towards completions and the new Launches should be focused on Grade A warehouses.

THANK YOU



**A REPORT BY - MR. KRANTI JADHAV (SIIB, PUNE)
PREPARED FOR - MR. KARAN BHATIA (DIRECTOR-SALES, HRG CONSTRUCTIONS)**