

RIDING THE REBOUND

Hyderabad Real Estate
MARCH 2022



CONTENTS

03	FOREWORD
04	CITY BACKGROUND
10	URBAN INFRASTRUCTURE ON A GROWTH TRAIL
16	UNPARALLELED POLICY ENVIRONMENT
20	RESIDENTIAL REAL ESTATE MARKET
28	DIVING DEEPER INTO RESIDENTIAL ZONES
42	OFFICE REAL ESTATE MARKET
52	OUTLOOK

FOREWORD

Telangana is the youngest state of India with total estimated population of 36 million as of 2021. Post its formation in 2014, the state's economy has grown multifold, registering average growth rate of nearly 9% between FY 15 to FY 21. Spanning over an area of 1.12 lakh sq km, the GSDP of Telangana at current prices 2020-21 is nearly INR 9.7 lakh crore - the 6th largest contributor to India's GDP. The per capita income (at current prices 2020-21) is INR 2.27 lakh, which is the 3rd highest in the country.

Agriculture and allied sectors are the key contributors to the state's economy with nearly 55% of the state's workforce engaged in it. The state is also popular for its contribution in the field of pharmaceuticals. Besides being one of the key suppliers of medicines such as Remdesivir and Favipiravir in bulk quantities during COVID-19, COVAXIN has also been developed by Hyderabad-based Bharat Biotech.

Most importantly, the state boasts of a strong presence of large IT/ITeS companies, employing close to 6.3 Lakh people. The state government's constant push to spread the growth to tier II cities such as Warangal, Karimnagar, Nizamabad, and several others are expected to drive the next wave of growth.

The state's overall growth is also strongly backed by sustained physical infrastructure development. Various such mega projects like the expansion of railways network, greenfield and brownfield airports, industrial corridors, Regional Ring Road, and metro rail corridors are planned to unlock the future potential of new micro markets for growth. These are likely to provide the necessary impetus to the already growing real estate market across the state.

Hyderabad, one of the most vibrant real estate markets in the state has always been disciplined despite boasting of robust infrastructure development across the city, thus enabling it to maintain an equilibrium of supply and demand. Despite the pandemic, the city's real estate market remained quite active in the last one year among all top cities - both in terms of sales and new launches. As per ANAROCK Research, nearly 51,470 new housing units have been launched in Hyderabad in 2021, second only to MMR where approx. 56,890 units were launched. In terms of sales, the city saw housing sales of nearly 25,410 units in 2021, rising by a whopping 197% against 2020. This is the highest growth in housing sales among all top 7 cities.

Interestingly, the city is witnessing renewed interest by all stakeholders including investors, homebuyers, and developers due to favourable socio-economic factors, well-developed infrastructure, relatively affordable prices and most importantly due to the slowdown seen in Amaravati real estate. In other words, Amaravati's loss is being seen as Hyderabad's gain ever since the former has lost its sheen in the past four to five quarters. Resultantly, both residential and commercial activity has gained significant momentum in Hyderabad in the last one year.

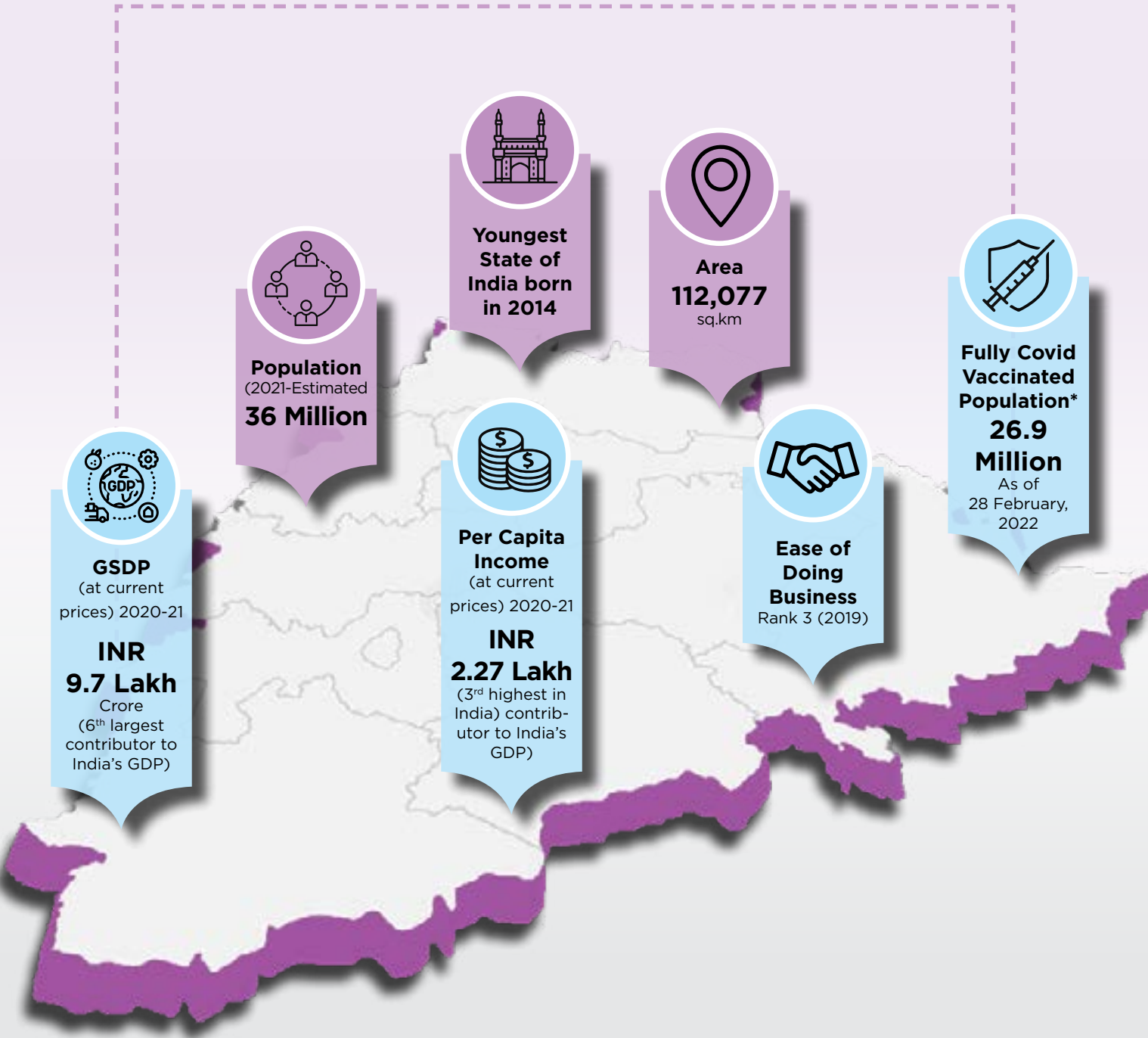


ANUJ PURI
Chairman
ANAROCK Group

CITY BACKGROUND

An aerial, high-angle photograph of a bustling city street, likely in India. The street is wide and filled with a mix of vehicles, including cars, motorcycles, and numerous yellow and orange auto-rickshaws. Pedestrians are seen walking along the sidewalks and crossing the street. On the left side of the street, there is a large, open-air market area with many stalls and carts, some covered with colorful tarps. In the background, a large, ornate white building with multiple domes and arches, possibly a historical or religious structure, stands out against the sky. The overall scene depicts a vibrant, busy urban environment.

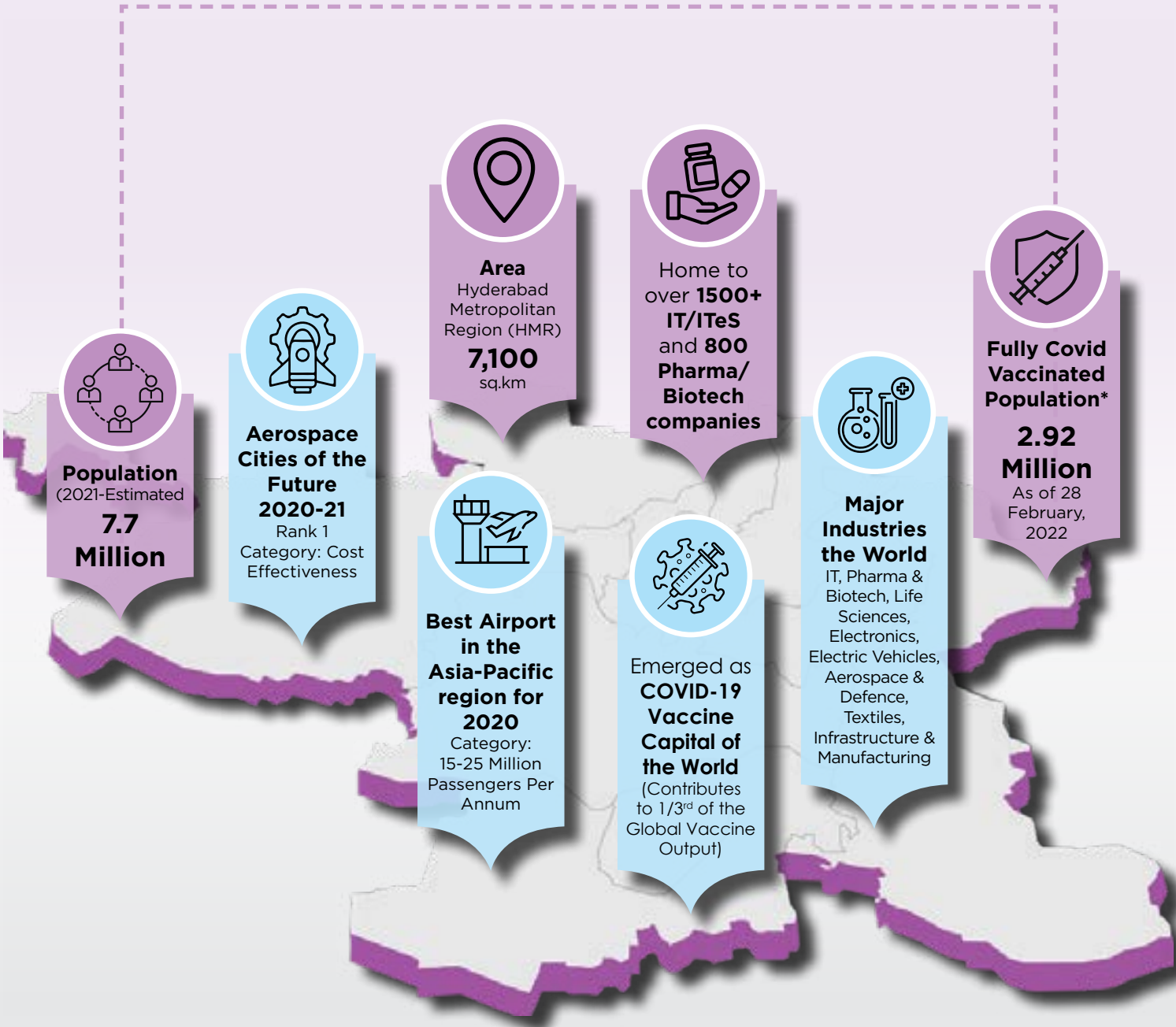
TELANGANA AT A GLANCE

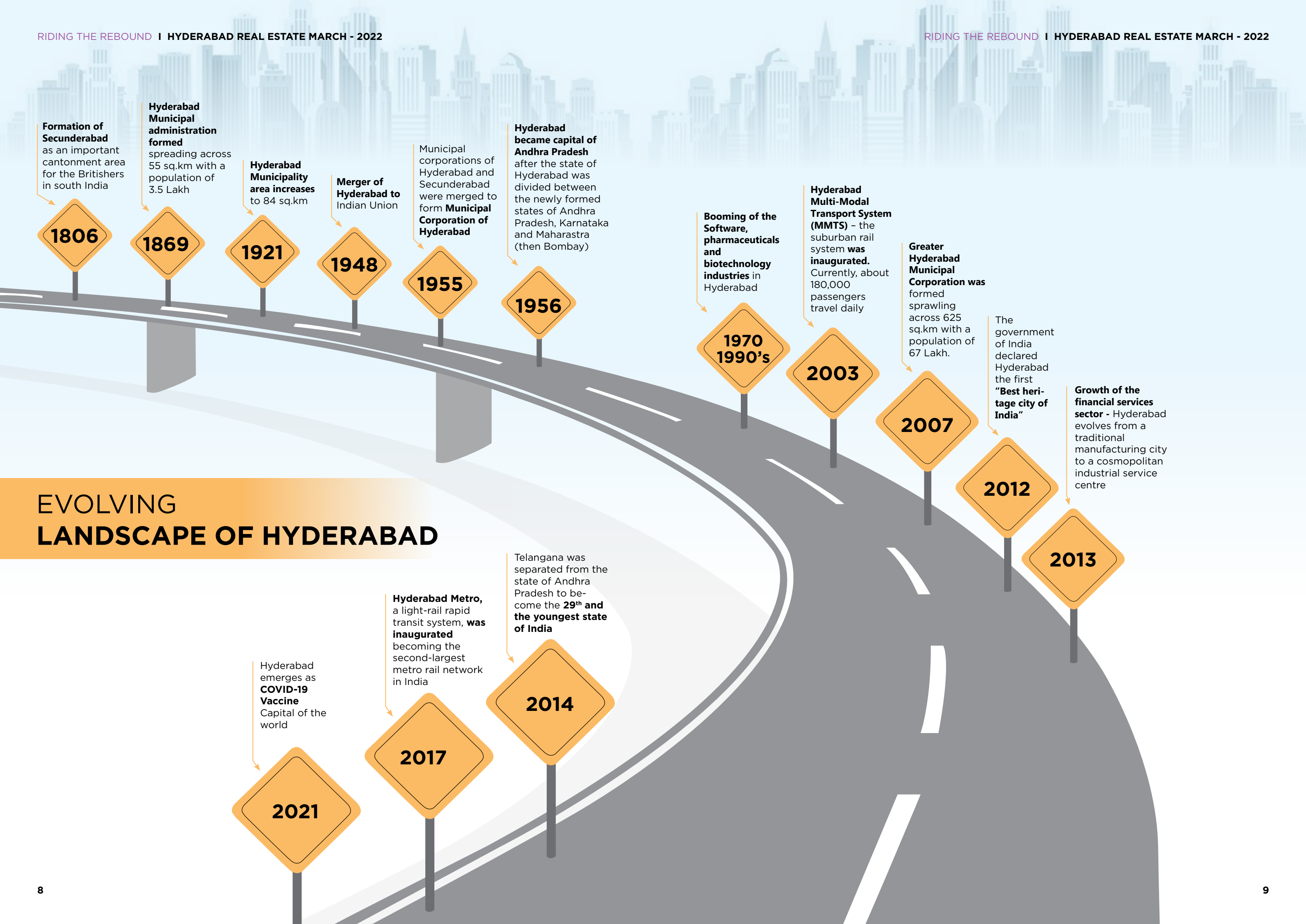


Data Source:
Pink Book Telangana 2021;
Department Of Industries And Commerce, Government Of Telangana;
Telangana Socio Economic Outlook 2021

*The figures for 18 years old (birth year 2004) are included in 18-44 age group.

HYDERABAD AT A GLANCE





URBAN INFRASTRUCTURE ON A GROWTH TRAIL



Infrastructure is one of the crucial driving factors influencing the real estate landscape. Some of the significant urban infrastructural projects undertaken by the **Government of Telangana** impacting the demand for real estate in Hyderabad are briefly described below.



Nehru Outer Ring Road (ORR)

Status	Completed
Year of Completion	December 2012
Length	158 km
Connects	Encircling Hyderabad, it passes through Narsing – Kokapet – Patancheru – Medchal – Shamirpet – Ghatkesar – Pedda Amberpet – Shamshabad TSPA – Narsingi – Nankramguda – Gachibowli
Description	Nehru ORR is an 8-lane expressway that decongests the arterial roads of the metropolitan area and connects all major Industrial clusters, International Airport, Residential clusters, and provides direct access to various national highways, state highways and major district roads. It also connects with the Inner Ring Road and the upcoming Regional Ring Road.



Regional Ring Road (RRR)

Status	DPR Preparation Phase
Year of Completion	2031 (Estimated)
Length	340 km
Connects	Sangareddy – Narsapur – Toopran – Gajwel – Yadari – Prag-napur – Bhongir – Choutuppal – Ibrahimpatnam – Kandukur – Amangal – Chevella – Shankarpally
Description	Being developed in two parts – northern half (158 km) and southern half (182 km), under phase-1 of the prestigious Bharatmala Pariyojana project, RRR will connect as many as 17 national and state highways, including NH 65, NH 44, NH 163, NH 765, around 20 towns and 300 districts will be connected to the expressway. RRR is expected to impact the real estate market in the neighbouring districts of Hyderabad, while also resulting in the creation of new satellite cities, new townships and IT parks amongst others.



Strategic Road Development Plan (SRDP)

Status	Out of 46 projects, 22 been completed and 24 are under progress
Year of Completion	Ongoing 24 projects are in various stages of completion
Description	SRDP is a flagship programme by the State government to boost road infrastructure and to ensure overall improvement in city connectivity and ease traffic congestions. It comprises of multiple smaller projects like skyways, cable bridges, elevated corridors, roads, underpasses, grade separators and flyovers. One of the major project undertaken under SRDP is the iconic Durgam Cheruvu Cable-Stayed Bridge at Madhapur, which stands as World's Longest Span Concrete Deck Extradosed Cable Stayed Bridge.



Hyderabad Metro Rail

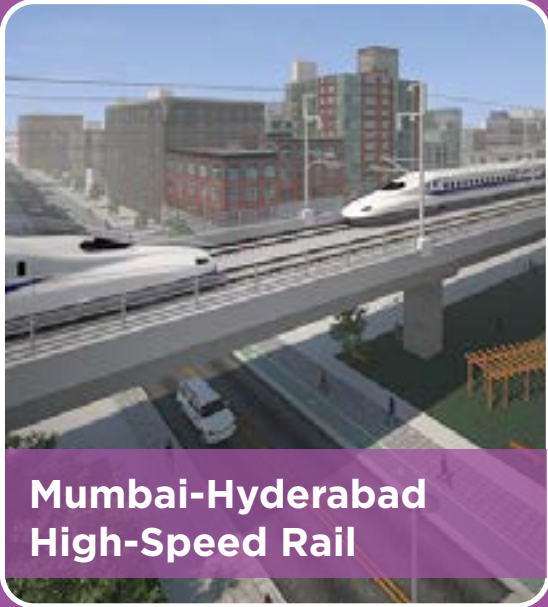
Status		Phase I – Operational & Phase II - DPR Submitted
Year of Completion		Phase I – 2017 & Phase II – Yet to be finalized
Length		Phase I – 72 km & Phase II – 58 km
Connects		
Corridor	Phase I	Phase II*
I	Miyapur to LB Nagar (29 km)	Miyapur to Lakdikapul (22 km)
II	Nagole to Raidurg (28 km)	Raidurg to Rajiv Gandhi International Airport (31 km)
III	JBS to Faluknama (15 km)	Nagole to LB Nagar (5 km)

Description

Hyderabad Metro Rail Phase I is the world's largest mass transit project being built in Public-Private Partnership (PPP) mode across three corridors with 64 stations. It is the second longest operational metro network in India, next to Delhi, and offers a viable solution to Hyderabad with regards to Mass Public transport and urban expansion.

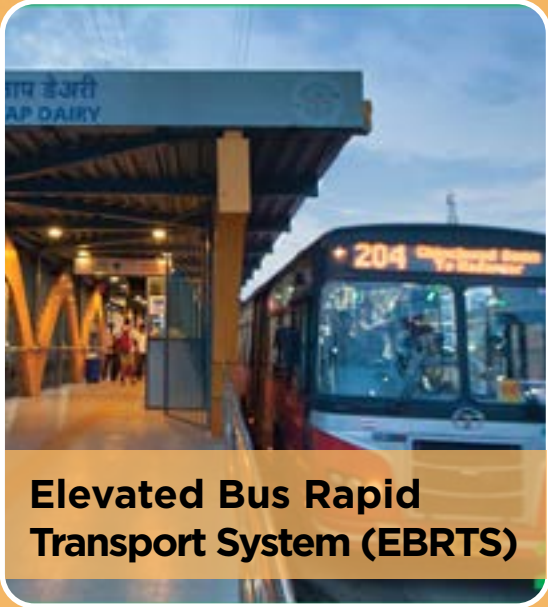
* For the Phase II of Hyderabad Metro Rail, the Route Finalization & Approval is pending.

MAJOR INFRASTRUCTURAL DEVELOPMENTS MAPPED



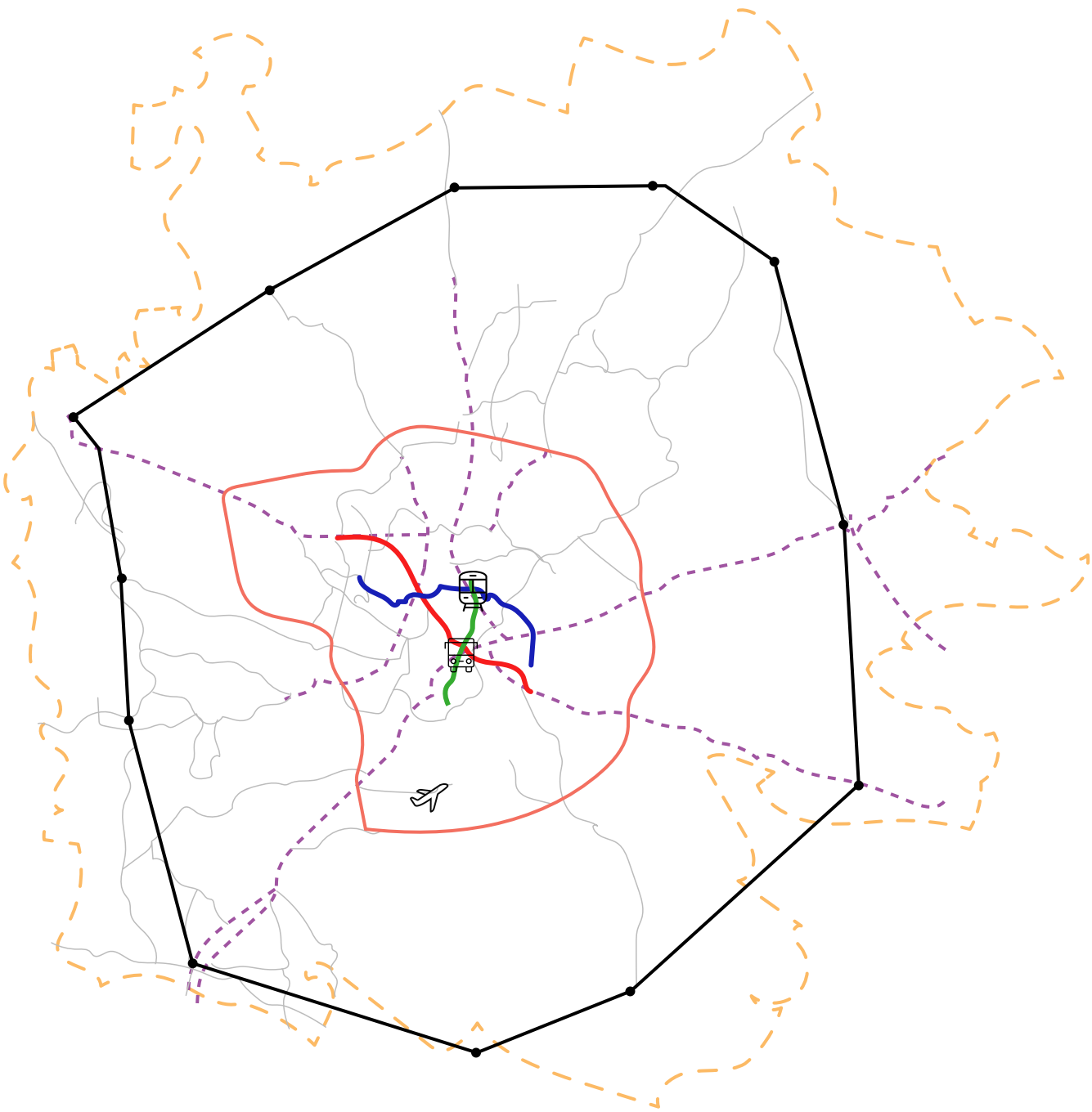
Mumbai-Hyderabad High-Speed Rail

Status		DPR Preparation
Year of Completion		2025 (Tentative)
Length		711 km
Connects		
Mumbai - Navi Mumbai - Lonawala - Pune - Daund - Akluj - Pandharpur - Solapur - Kalaburagi - Zaheerabad - Hyderabad		
Description		
Hyderabad-Mumbai High-Speed Rail (HM-HSR) corridor is one of the seven HSR corridors proposed in India. The Detailed Project Report (DPR) is being executed by Delhi-based National High-Speed Rail Corporation Limited (NHSRCL). Once operational, the travel time between Hyderabad and Mumbai would be reduced from the present 14-15 hours to 3-4 hours.		














Elevated Bus Rapid Transport System (EBRTS)

Status		Proposed
Year of Completion		Yet to be finalized
Length		19 km
Connects		
KPHB (Kukatpally Housing Board Colony) - JNTU - Malay-sian Township - Shilparamam - Mindspace - IIIT - Financial District		
Description		
To complement Hyderabad's transport infrastructure, an elevated BRTS is planned between KPHB and the Financial District with further extension up to Kokapet. Being implemented by the Hyderabad Airport Metro Limited (HAML), EBRTS will have 23 stops for electric buses and aims to resolve the traffic congestion along the Metro corridor.		



Legend

-  Secunderabad Railway Station
-  Mahatma Gandhi Bus Station
-  Rajiv Gandhi International Airport
-  Arterial Roads
-  Nehru ORR
-  Regional Ring Road (Tentative)
-  Hyderabad Metropolitan Region
-  Road Network
-  Metro Corridor I (Miyapur to L B Nagar)
-  Metro Corridor II (Nagole to Raildurg)
-  Metro Corridor III (JBS Parade Ground to Faluknama)

UNPARALLELED POLICY ENVIRONMENT



Telangana has been at the forefront of development with innovative policy initiatives. The real estate market too is supported by the proactive governance and business-friendly policies. Below are few of the noteworthy state policies and initiatives launched in recent times by **Government of Telangana**.

Invest Telangana

On the lines of the national “Invest India”, Invest Telangana was initiated to provide an institutional mechanism for engaging potential investors, providing support for pre-investment stage, aftercare investment services and investment promotion outside the state. Invest Telangana facilitates various mega projects in the state. The Government extends tailor-made benefits to Mega Projects (with investment of INR 200 Crores) to suit to particular investment requirements on a case-to-case basis.

GRID Policy

Growth in Dispersion (GRID) Policy was launched in 2020 by the Telangana Government to promote dispersed growth across Hyderabad, thereby ensuring multi-sector economic growth along with sustained infrastructure development. The policy encourages companies to set up or expand their offices beyond western part of the city in micro markets like growth in locations like Kompally and Shamirpet in the Northzone, Uppal and Pocharam in the East zone, Shamshabad and Adibatla in the South zone, Kollur and Osman Nagar in the North-West zone amongst others. Fiscal incentives and concessions will be provided and will be in force for five years from the date of issue of the policy. Special incentive package will be given for companies with 500 or more job creation. The total concessions over the next 10 years towards incentives is estimated at INR 66.75 crore.

TS-iPASS

The Telangana Government has enacted the “Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS) in 2014 for speedy processing of applications and applications and for issue of various clearances required for setting up of industries. This legislation GUARANTEES ALL approvals within a maximum of 15 days and is enforced by a CMO led chasing cell.

Investment committed by firms using TS-iPASS has increased by over 33% and has witnessed nearly three-fold increase in the number of units, and in employment in firms using TS-iPASS since 2015. Despite COVID-19, in the year 2020, there were 3,005 TS-iPASS units which attracted INR 30,667 crores in investments and employed 1.79 Lakh people.

TS-bPASS

Government of Telangana in tune with the Telangana Municipalities Act, 2019 has introduced Telangana State Building Permission Approval and Self-Certification System (TS-bPASS) in 2020, a single integrated platform for processing of various permissions required during development of land and construction of buildings through self-certification system. It is also designed to provide the services within stipulated timelines. TS-bPASS will help to reduce human interference and bring transparency in issuing building permissions, thereby minimize the hassles of approval process for investors/developers.

EODB Reforms

The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry, Government of India in collaboration with the World Bank has taken up a series of measures to improve Ease of Doing Business. Around 180 reform points under 12 business regulatory areas were to be implemented by the Indian states. Of the total 180 reforms, Telangana was able to implement 99%, making the state stand 3rd in the nation-wide Ease of Doing Business (EoDB) rankings for 2019, after Andhra Pradesh and Uttar Pradesh.

Meet or Beat Policy

Government of Telangana is taking up all possible initiatives to make Telangana the best investment destination in India and across the world. “Meet or Beat” Policy is one of the proactive steps taken to achieve the same. As part of the policy, Telangana government is ready to offer opportunities that will either match or supersede any package offered anywhere in the world for industries.

Innovation Policy

Telangana is one of the first states to launch a Start-up policy and create a supportive ecosystem around it. The Innovation Policy has been launched to bridge the gaps between Start-ups and government and to build the Start-up ecosystem. Its build on 5 pillars:

- » Physical Infrastructure & Program Management
- » Sustainable Funding Models
- » Engagement with Industry
- » Rural and Social Enterprise
- » Human Capital

Telangana State Industrial Infrastructure Corporation (TSIIC)

Telangana State Industrial Infrastructure Corporation Ltd (TSIIC) has been set up by the state government to identify and develop potential growth centers in the Telangana State. It also provides infrastructure facilities through its own engineering division in Industrial Parks / IT Parks /Biotech Parks /Textile & Apparel Parks /SEZs. TSIIC has so far developed 153 Industrial parks. During the FY 2020-21, TSIIC developed 10 new Industrial Parks in the State and allotted 810 acres of land to about 453 industries with an expected investment of about INR 6,023 Crores and potential direct and indirect employment to nearly 7623 people.

Telangana’s 2nd ICT Policy, 2021-2026

With an aim to achieve INR 3 Lakh Crore IT exports and reach over 10 Lakh employees in the sector by 2026, the second Information Communication Technology (ICT) Policy has been launched in September 2021 by the Government of Telangana. The policy target areas in the current policy are IT/ITeS, Electronics, Skilling, Upskilling, Reselling, Cloud-first policy, and a Paperless & Presence-less Government. In order to boost the real estate market in the state, numerous incentives such as Allotment of government land; Land cost rebate linked to employment; Power cost reimbursement; Reimbursement of stamp duty, transfer duty and Registration Fees; Reimbursement of patent filing/copyright costs and Quality Certifications costs and Recruitment Assistance amongst others are being provided to IT-ITeS firms for investing in the state.



HYDERABAD RESIDENTIAL REAL ESTATE

QUICK FACTS

HYDERABAD RESIDENTIAL MARKET

1.80 Lakh Units Launches (2013-2021)	1.36 Lakh Units Sales (2013-2021)	₹40 -80 Lakh Predominant Budget Range (2013-2021)	₹4,293 Per Sqft Avg. Capital Value (Q4 2021)
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HOUSING LAUNCHES



Data Source: ANAROCK Research

All time high new launches in 2021 - 234% higher than the average historical yearly supply

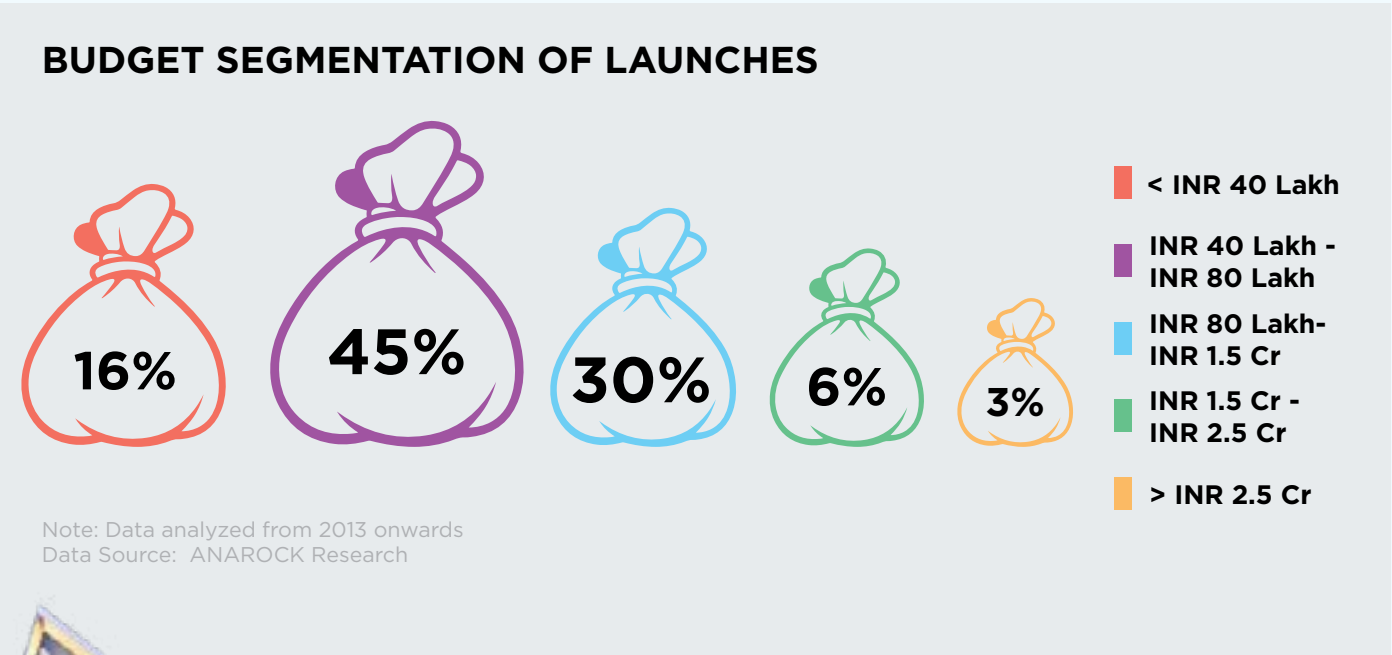
Nearly 1.80 Lakh new housing units have been launched in the last 9 years in Hyderabad (2013-2021), of which 76% is already absorbed in the market. Currently, approx. 62,800 units are available in the primary market for sales that are in various stages of construction.

COVID-19, at the beginning, somewhat slowed down the overall real estate across the country due to supply-chain disruptions and complete lockdowns all across but Hyderabad was quick to bounce back. As soon as covid-infused restrictions were eased, the city witnessed new launches of a large number of housing projects. The city developers, as such, utilized the pandemic period

to get their pending approvals cleared and simultaneously conducted market research to understand the pulse of buyers and convince investors for funding. In 2020 and 2021 (as of Q4 2021), the city witnessed new launches of nearly 72,500 units which contributes 40% to the overall housing supply (1.80 Lakh units) of Hyderabad over the past 9 years.

In 2021, nearly 51,500 units were launched in Hyderabad - 234% higher than the average yearly launches (of approx. 15,400 units) during pre-COVID levels. The new launches of 2021 is all-time high over the Hyderabad historical average yearly supply.

North and West zones of the city are the focused areas of real estate development in Hyderabad and accounted for 92% of the overall supply added between 2013 to 2021.

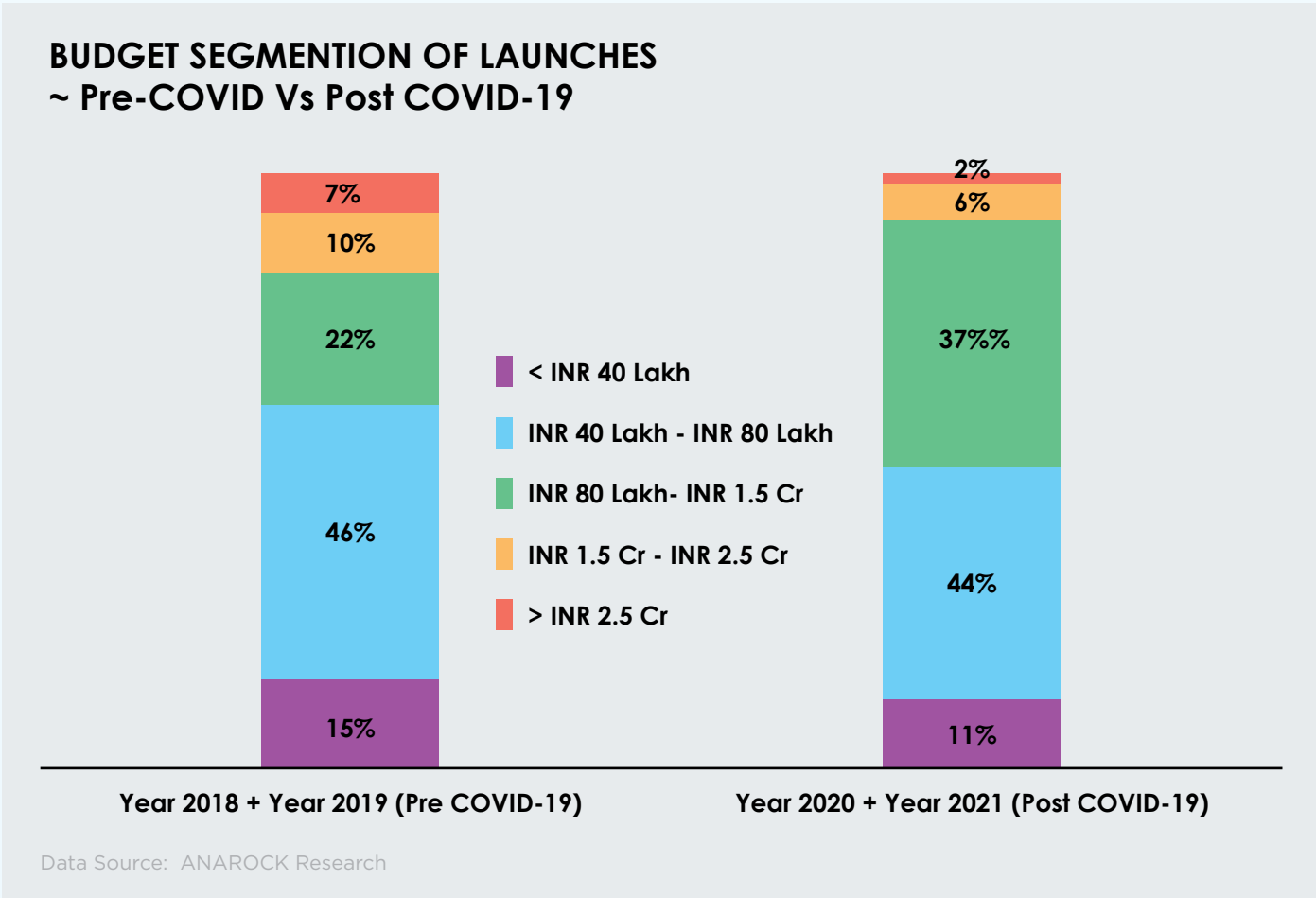


Mid-segment housing supply dominates the city housing market

In India, Hyderabad is the base for some of the biggest multinational IT companies comprising a large share of young, mid & senior-level IT professionals. These professionals drive majority residential demand in the budget segment of INR 40 Lakh to INR 80 Lakh (mid segment) which accounts for nearly 45% of the total supply since 2013 in the city.

Following mid segment, majority of the new launches fall under the premium segment (INR 80 Lakh to INR 1.5 Cr) with nearly 29% of the new supply falling within this budget range. Affordable housing accounted for 16% of the total new supply in the city. Luxury and ultra-luxury segment launches together accounted for 9% share in the overall new launches.

Budget Segmentation:
Affordable: < INR 40 Lakh
Mid-end: INR 40 Lakh - INR 80 Lakh
High-end: INR 80 Lakh - INR 1.5 Cr
Luxury: INR 1.5 Cr - INR 2.5 Cr
Ultra-luxury: > INR 2.5 Cr



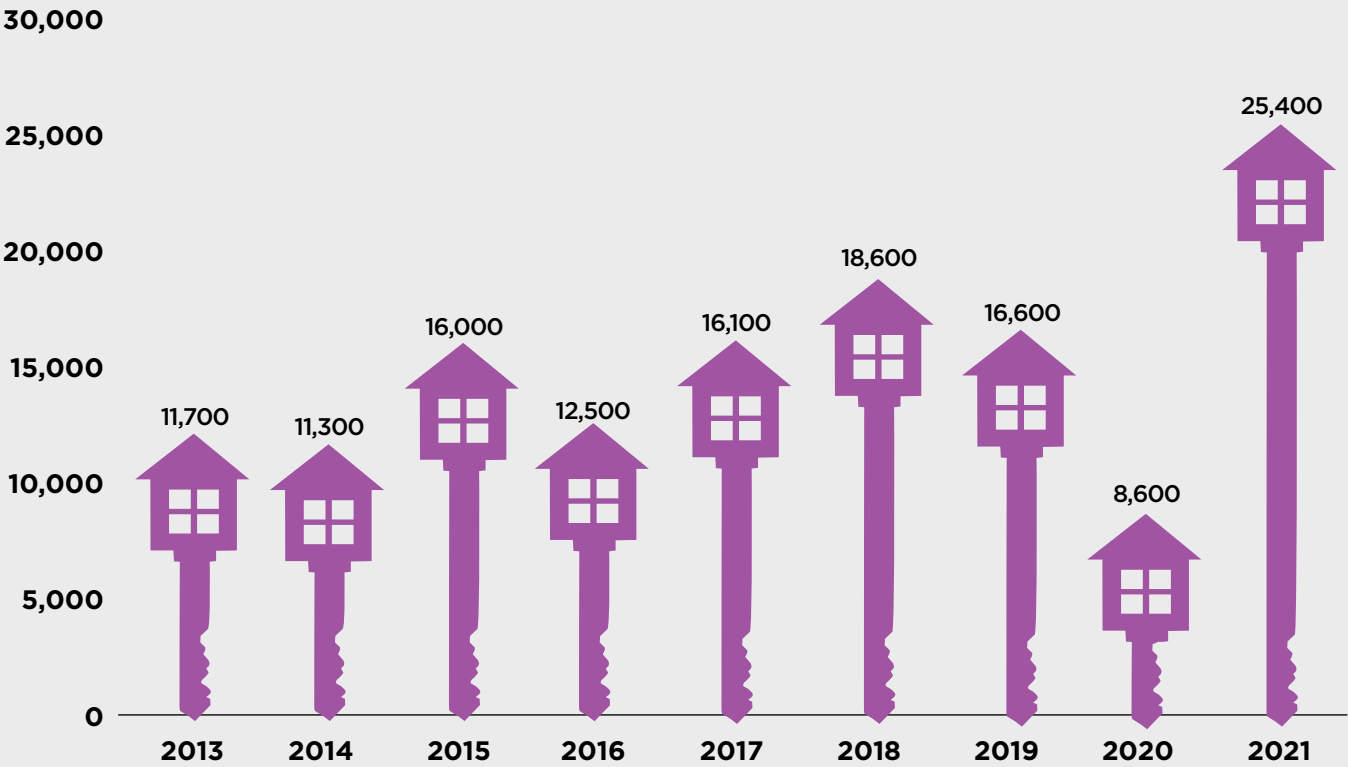
Covid-led shift in Supply towards Premium Housing

Post COVID-19, the overall new launch share increased by 126% in the city as against the pre-COVID-19 (Year 2018 + 2019) levels. Interestingly, 81% of the new supply share was witnessed in INR 40 Lakh to INR 1.5 Cr, increasing by 13% as compared to the pre COVID-19 (Year 2018 + 2019) new supply.

In the last two years (during COVID-19), the city has witnessed a big shift in the budget category of the new launched projects. Earlier (during 2018+2019), Hyderabad developers mostly launched projects in the mid segment while post COVID-19 (during 2020+2021), the city witnessed majority new launches in the premium segment (INR 80 Lakh to INR 1.5 Cr).

Due to the low unsold inventory in the premium budget segment and high demand for bigger homes, nearly 26,500 units were added in this budget category during COVID-19. It witnessed 271% jump over pre-COVID-19 duration.

HOUSING SALES



Data Source: ANAROCK Research

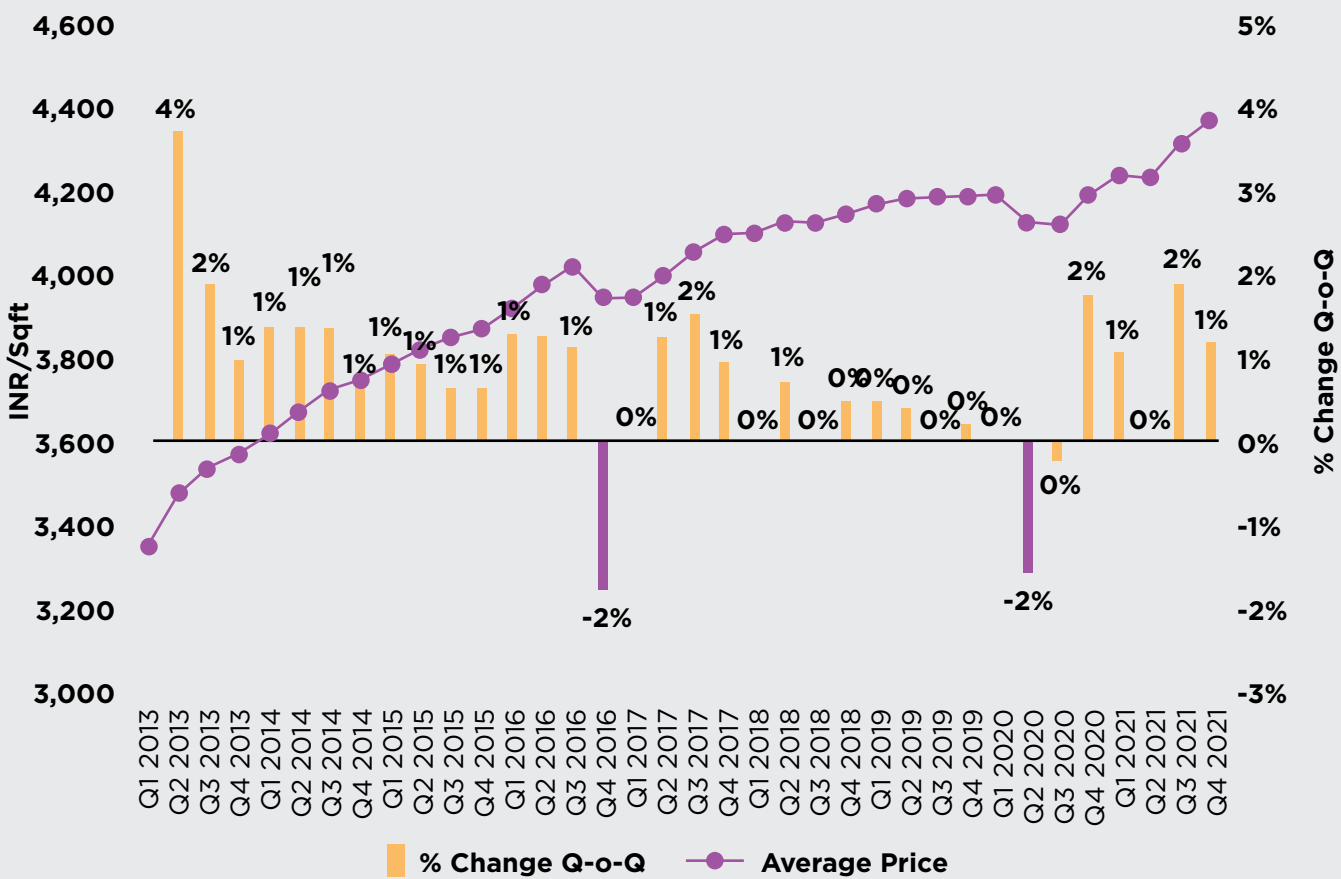
Housing market is strong ~ Sales Momentum Gaining Pace

Home sales in Hyderabad touched nearly threefold in 2021 as compared to the preceding year. Nearly 25,400 units were sold in Hyderabad during 2021, witnessing an Y-o-Y growth of 197% as compared to 2020. Lower home loan rates, numerous discounts offered by developers and the growing inclination for homeownership post pandemic have pushed sales up in Hyderabad.

During the last few years, homebuyers have been heavily tilted towards ready-to-move-in homes or those nearing completion in order to reduce the construction execution risk. However, with recent policy reforms and structural changes, the market dynamics have changed, and the sector has become more homebuyer-friendly. The recent two quarters sales numbers also clearly indicate the revival of demand for new launches.



CAPITAL VALUE MOVEMENT



Substantial Growth in Property Capital Values

The average capital values in Hyderabad have witnessed an increase of 23% over the period Q1 2013 to Q4 2021.

As seen, data indicates that average residential prices in the city witnessed major increase till Q3 2016. Owing to high economic growth, IT/ITeS boom in the city and high employment opportunities, the city witnessed high new launches and sales during the same period.

Post 2016, the structural changes in real estate policies, demonetization and financial turmoil in NBFCs hit the real estate market badly. The city witnessed fewer new launches and

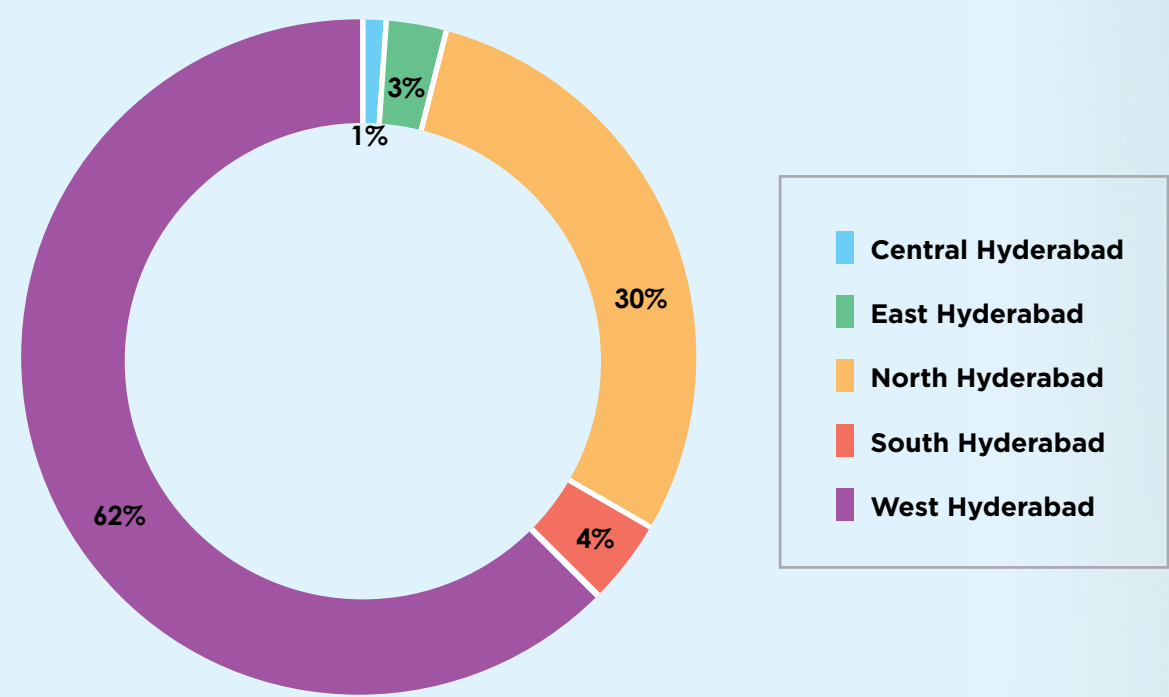
subdued housing sales during the same period. The average housing prices also declined in the fourth quarter of 2016 and remained range-bound till 2019.

Since March 2020, the COVID-19-infused lockdown pushed the entire country into a standstill position. In Hyderabad, the capital values further decreased by 2% in the second quarter of 2020 and remained down till Q3 2020. However, from the festive season in the last quarter of 2020, the housing market in the city came back on track and witnessed all-time high quarterly launches and pumped up demand. There was 4% increase recorded in average prices in the last one year (from Q4 2020 to Q4 2021).

DIVING DEEPER INTO RESIDENTIAL ZONES



ZONE WISE HOUSING LAUNCHES



Note: Data analyzed from 2013 onwards
Data Source: ANAROCK Research

West Hyderabad Dominates Housing Supply

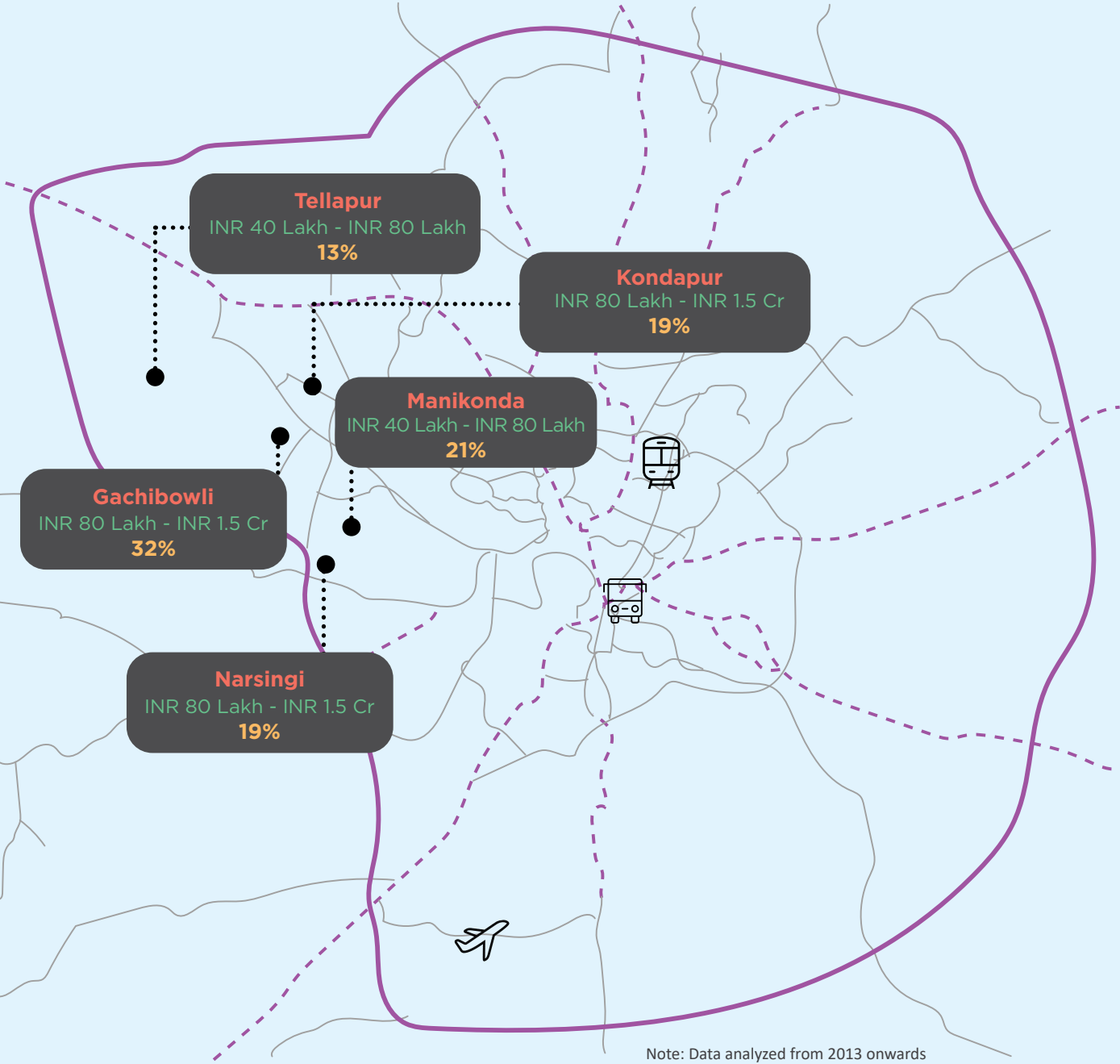
Out of the top 10 IT/ITeS companies in Hyderabad, at least 9 are in the west zone of the city. Following the employees need of ‘easy accessibility to workplaces’, majority real estate activity thus was witnessed in the western region of Hyderabad.

Nearly 62% of the total new units launched in the city were in West Hyderabad. This was followed by North Hyderabad which witnessed second highest new housing supply and contributed nearly 30% of the total new supply in the city. Remaining new supply was in South, East and central zones of Hyderabad – 4%, 3% and 1%, respectively.

Micro Market Split of Residential Launches	
Central	Ameerpet Punjagutta Somajiguda Himayatnagar Kachiguda Khairtabad
North	Miyapur Pocharam Bachupally Nizampet Bollaram Yepral Shamirpet
South	Shamshabad Adibatla Maheshwaram Shadnagar Rajendranagar Srisailem Highway
East	LB Nagar Nagole Uppal Habsiguda Ghatkesar Nacharam Peerzadiguda Vanasthalipuram
West	Gachibowli Kondapur Tellapur Manikonda Kukatpalli Attapur Kokapet Patancheru Madhapur Appa Junction

WEST HYDERABAD

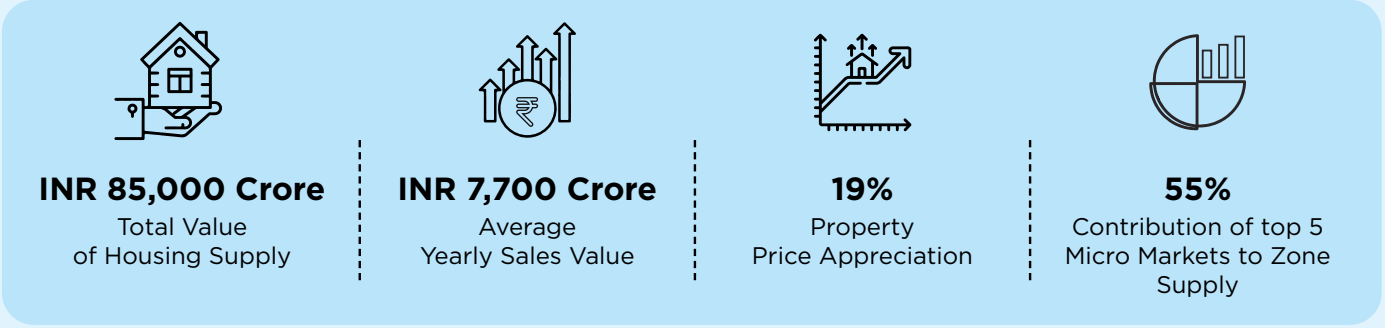
Top 5 Micro Markets as per Housing Supply



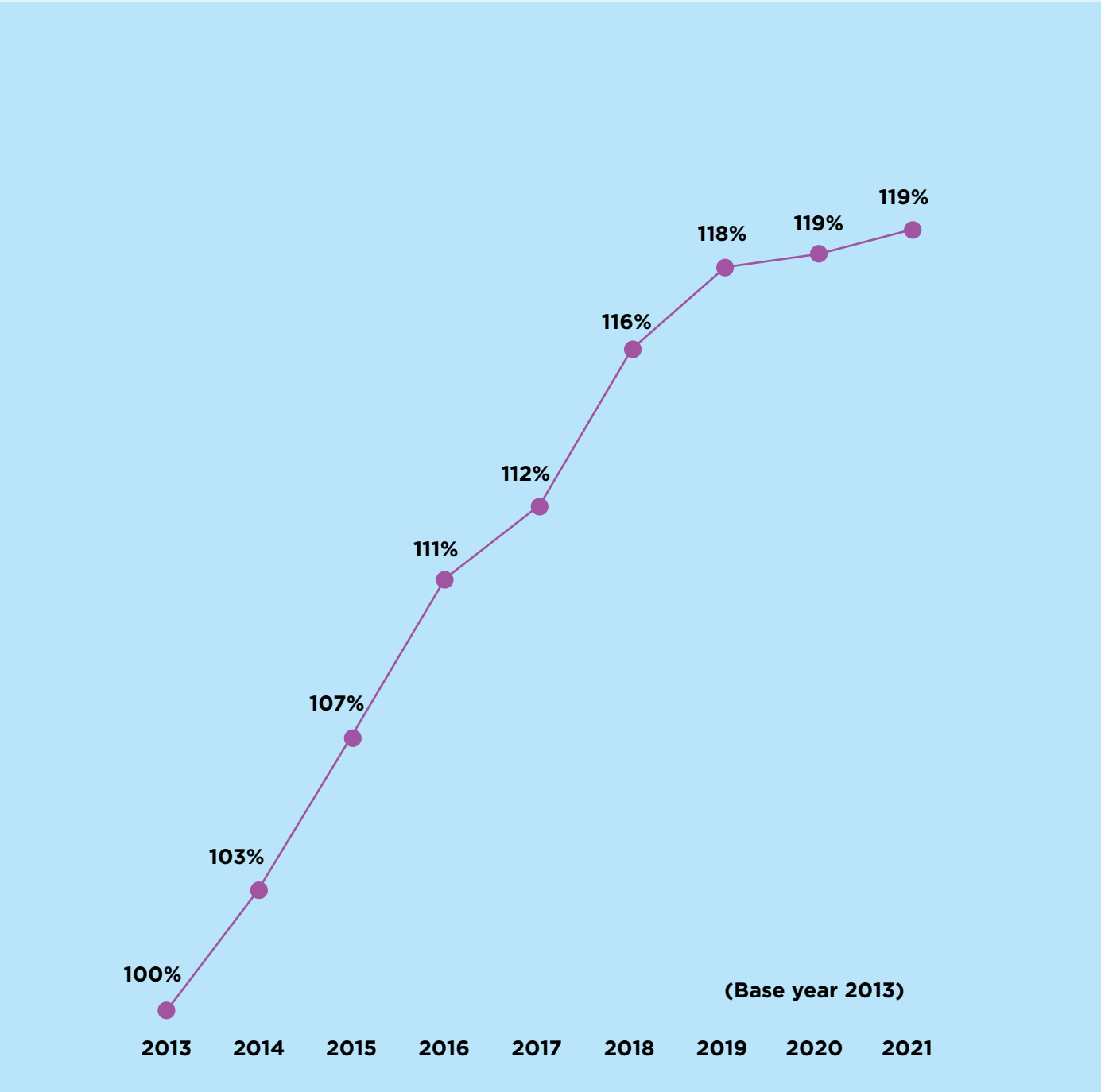
Legend

- Secunderabad Railway Station
- Mahatma Gandhi Bus Station
- Rajiv Gandhi International Airport

- Nehru ORR
- Name of the Micro Market
- Predominant Budget Range
- Price Appreciation since 2013



Price Index- Capital Value Movement



NORTH HYDERABAD

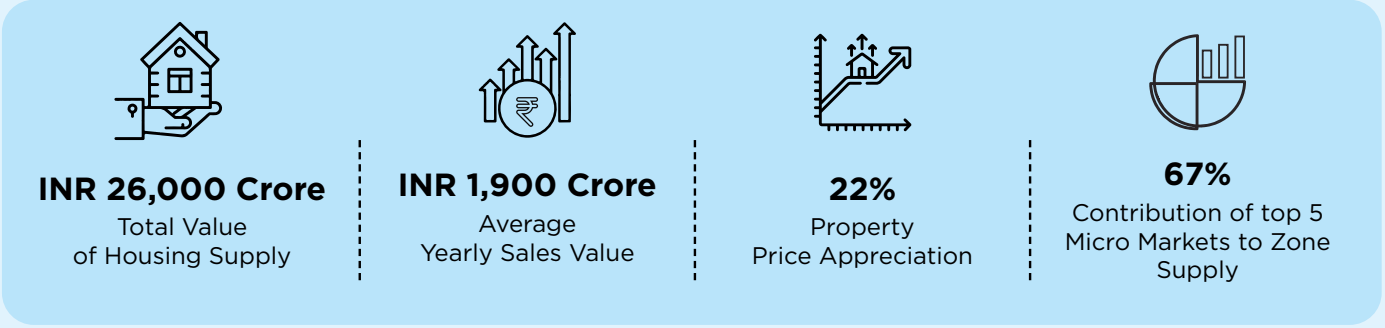
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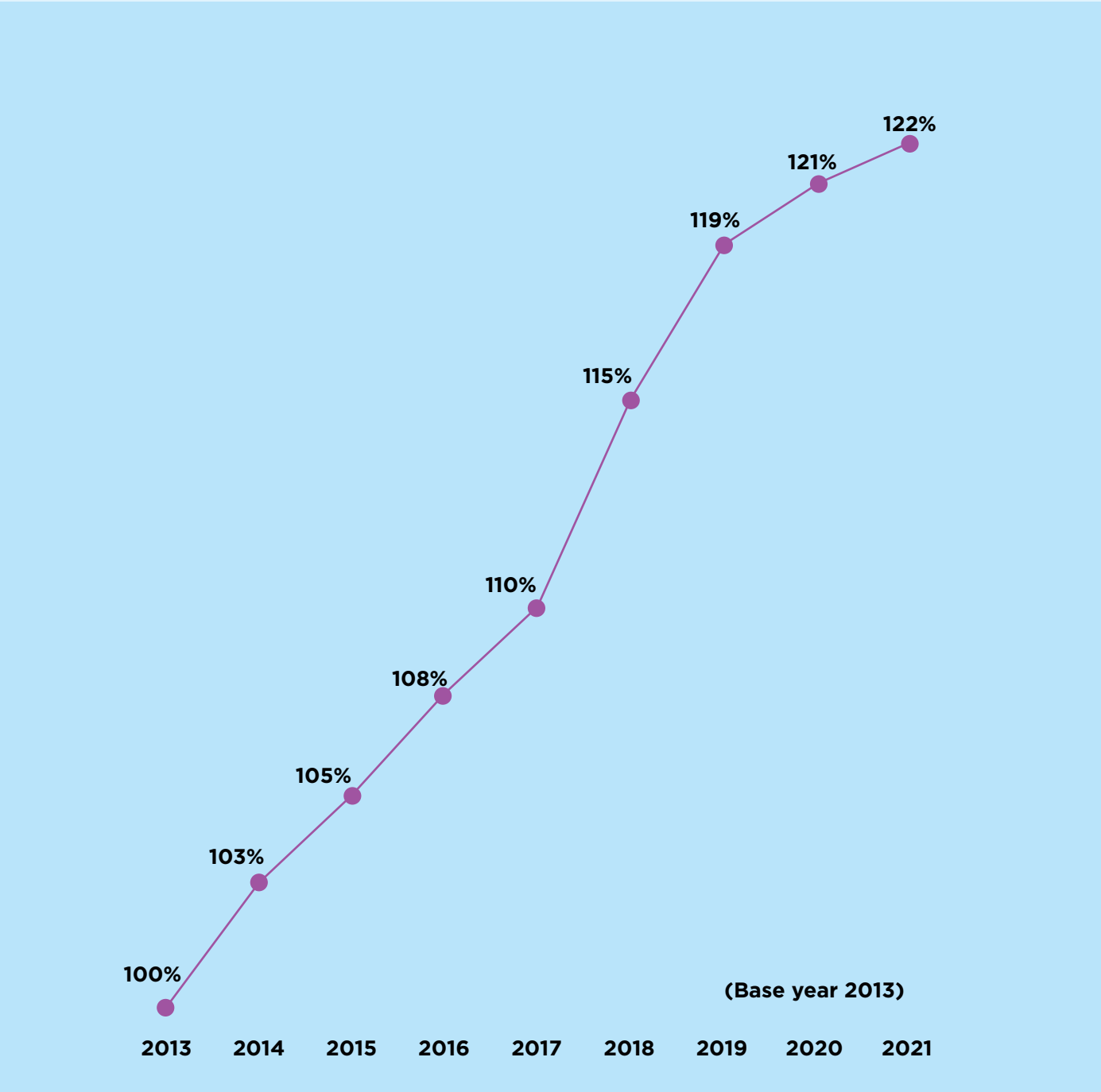
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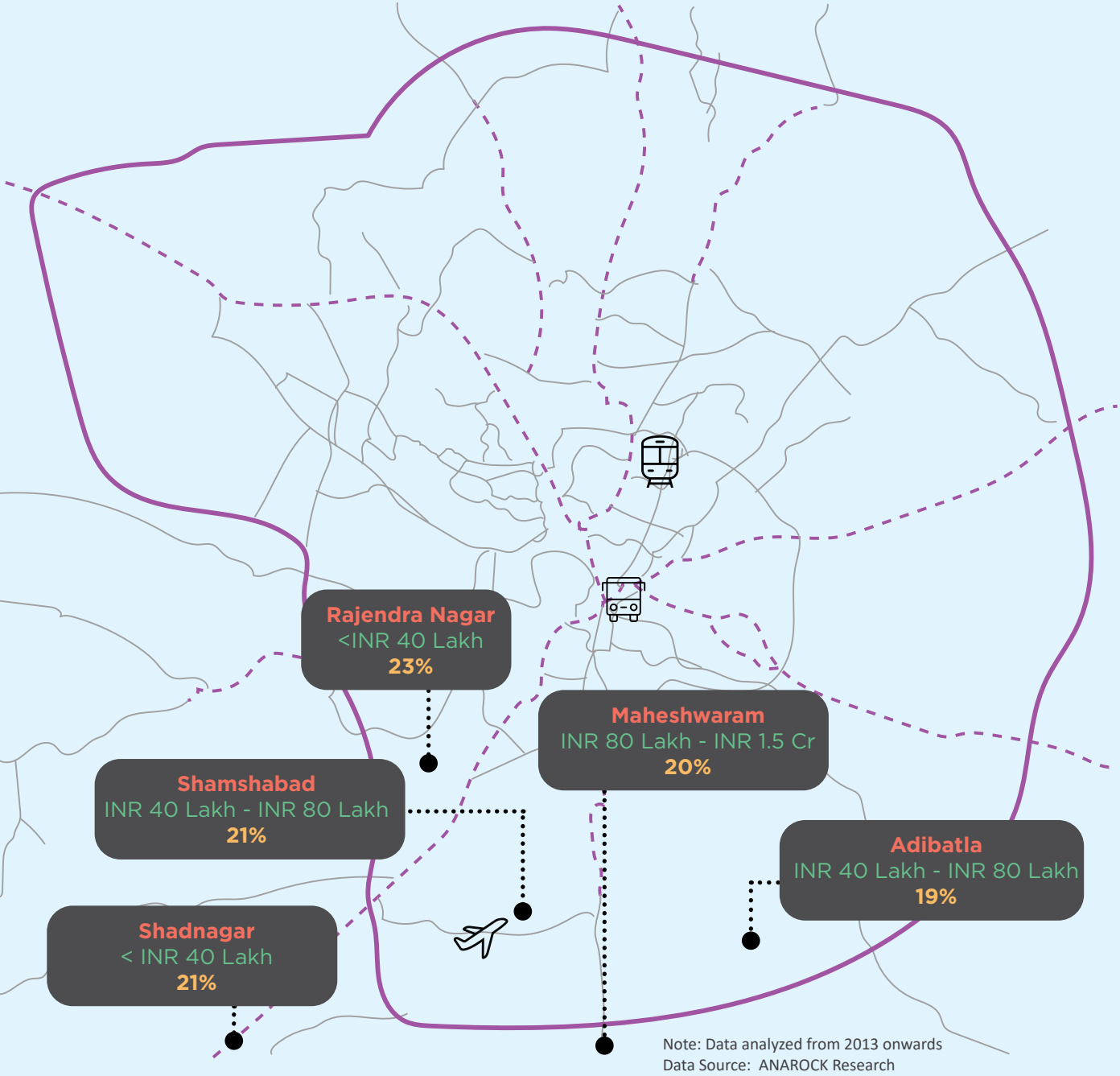


Price Index- Capital Value Movement



SOUTH HYDERABAD

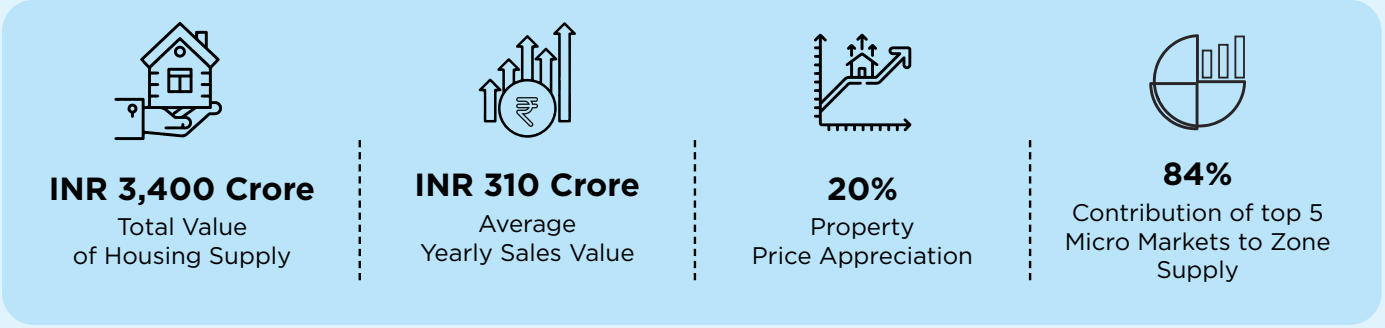
Top 5 Micro Markets as per Housing Supply



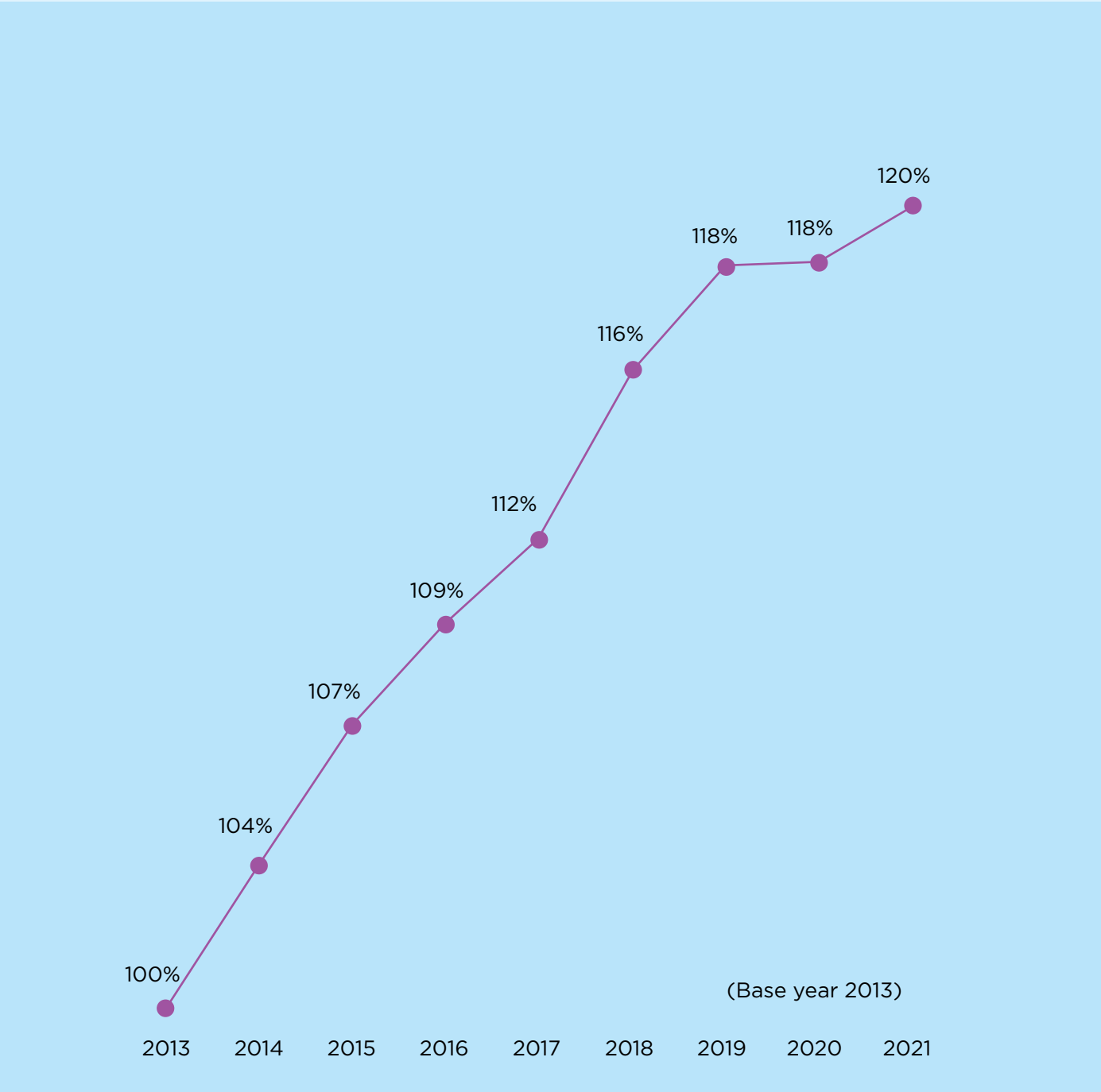
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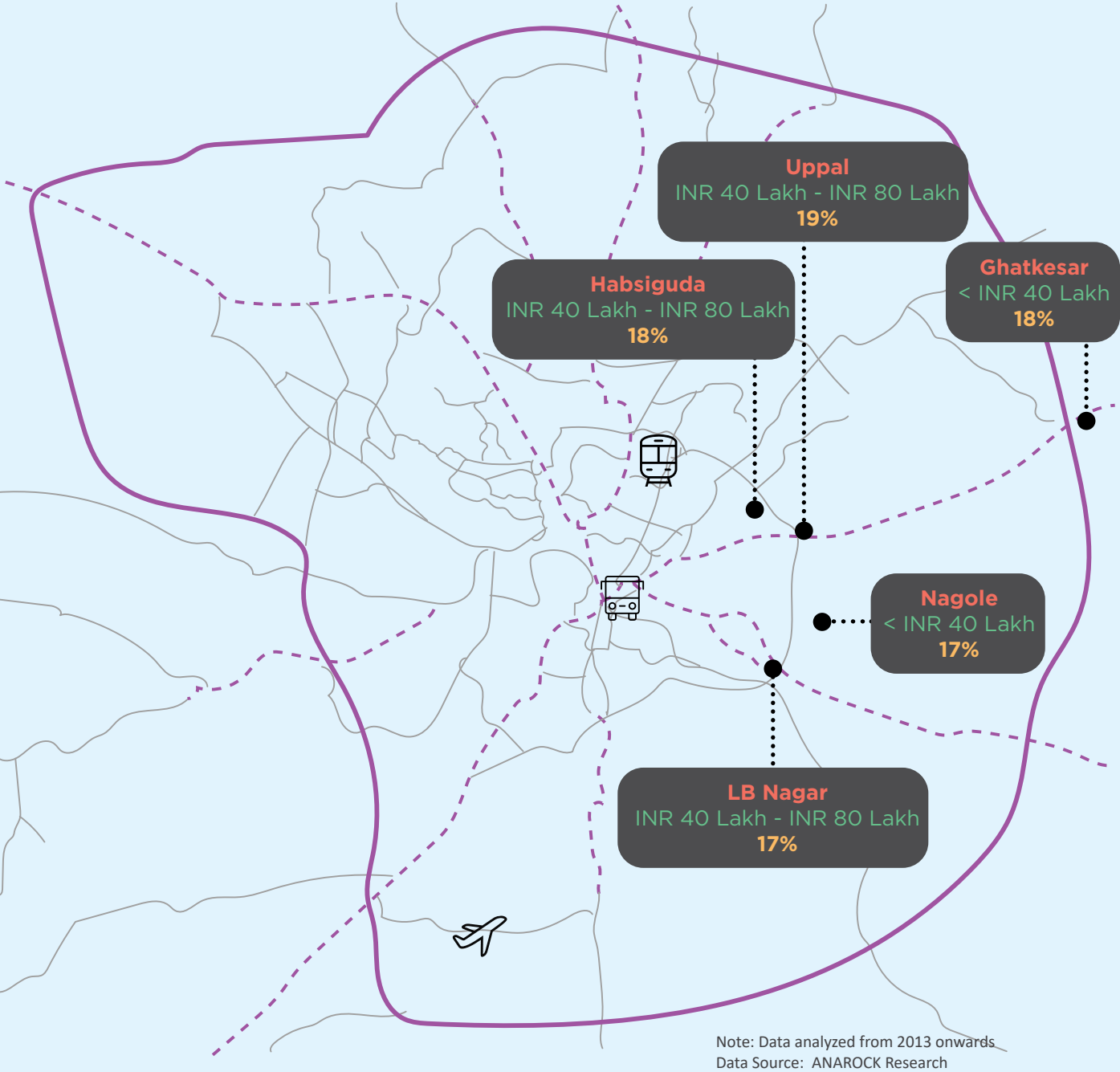


Price Index- Capital Value Movement



EAST HYDERABAD

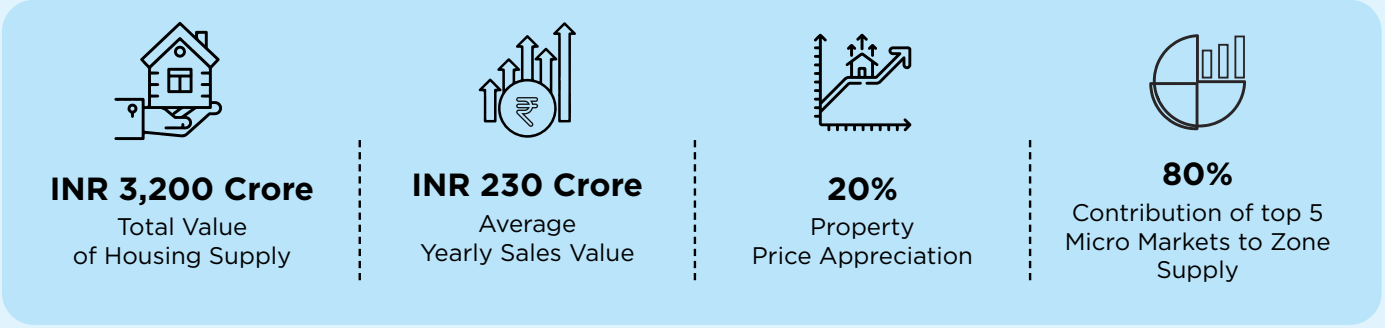
Top 5 Micro Markets as per Housing Supply



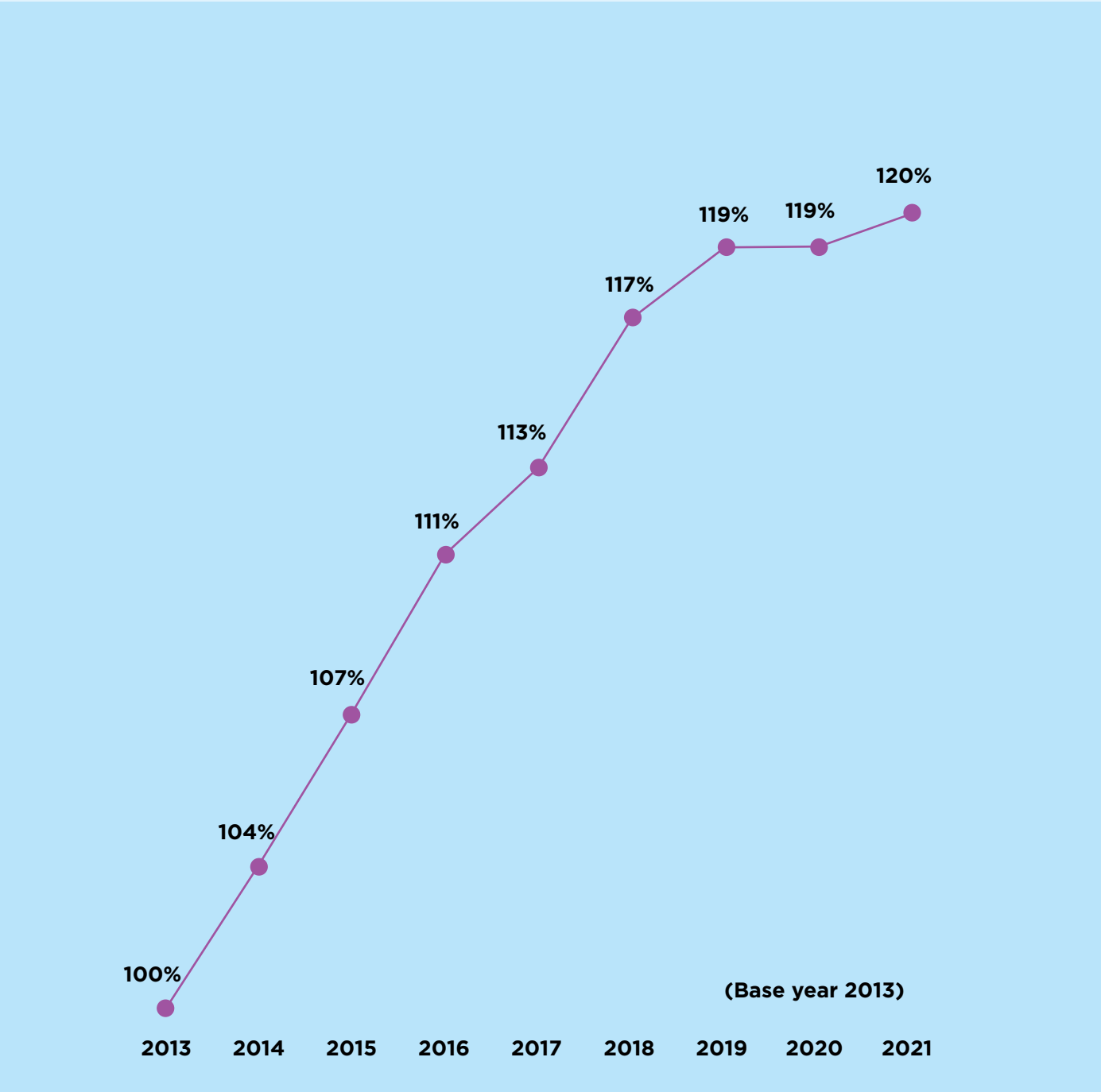
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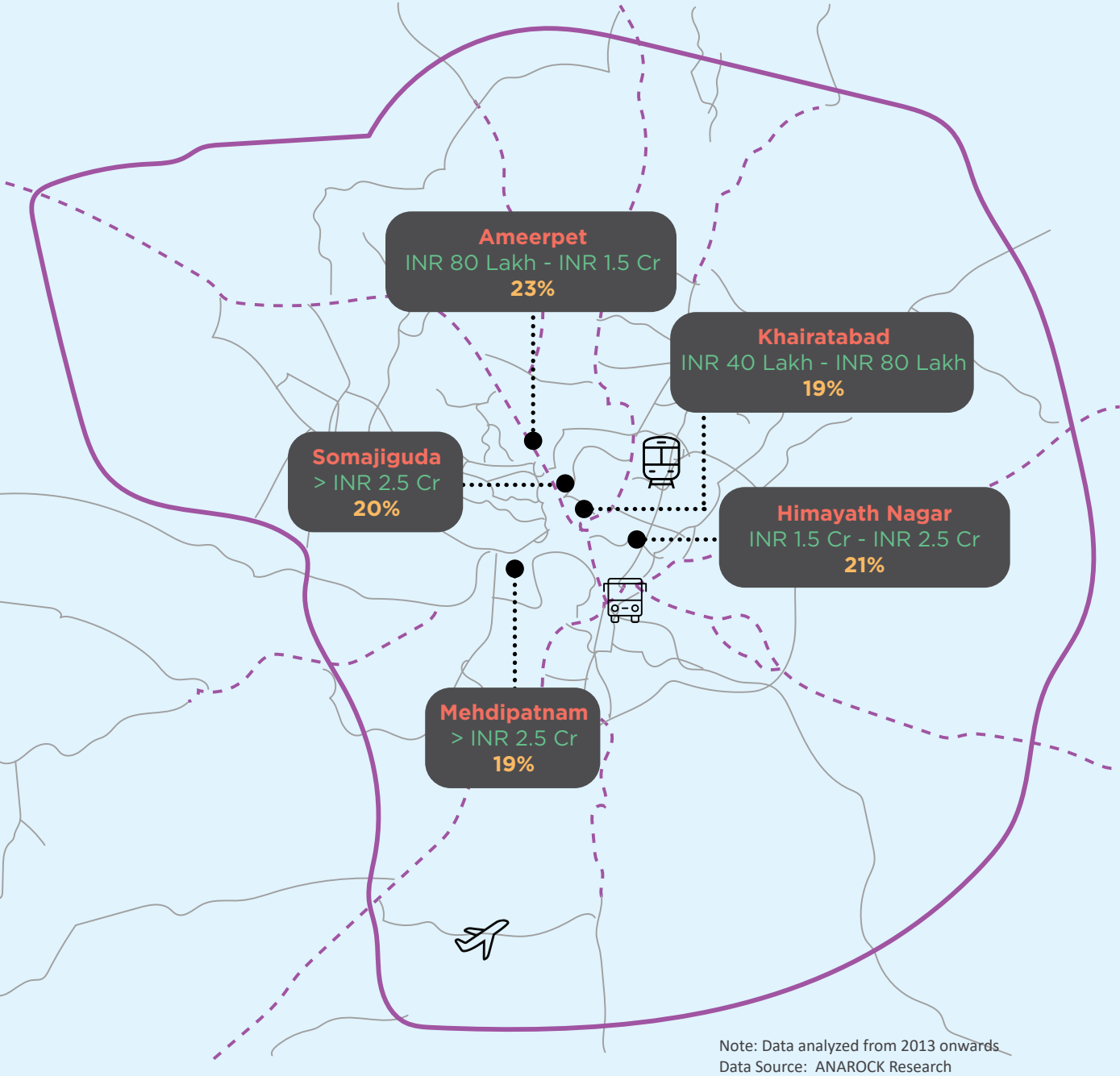


Price Index- Capital Value Movement



CENTRAL HYDERABAD

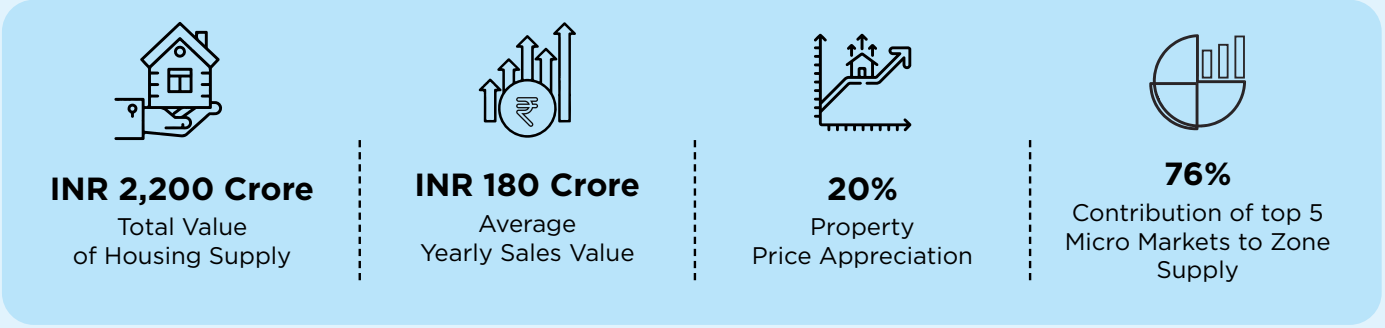
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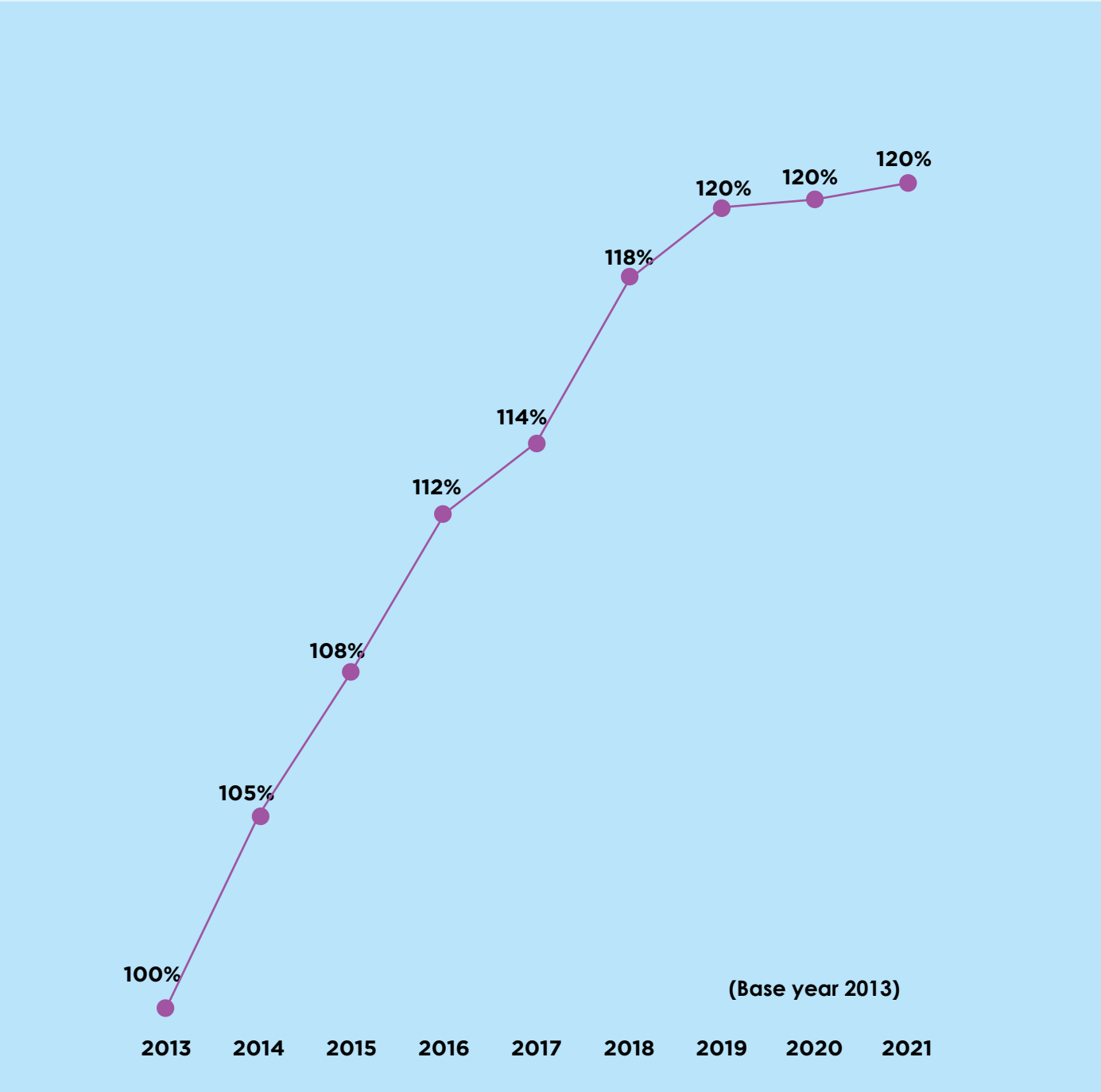
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- Predominant Budget Range
- Price Appreciation since 2013



Price Index- Capital Value Movement



HYDERABAD OFFICE REAL ESTATE



UNPRECEDENTED GROWTH OF IT/ITES SECTOR

6 Lakh +
Employees working
in IT/ITeS Sector
in Hyderabad
(7.99% YoY increase)

1500+
IT/ITeS companies
in Hyderabad

53
IT SEZs in Telangana

**INR 1,45,522
Crores**
Telangana's IT/ ITES
Exports for FY 2020-21
(12.98% YoY increase)

**14.25%
CAGR**
IT/ITeS Exports since its
inception in 2013-14

2.21x
Growth in IT/ITeS exports
compared with National
Average

Hyderabad contribution towards IT/ITeS sectors played a vital role in putting India on the global map. Hyderabad is one of the major IT/ITeS hubs in India that registered a phenomenal growth in the sector despite the ongoing Covid-19 pandemic.


Telangana Government is aggressively setting up Export Oriented Units (EOU), Software Technology Parks (STP), and Special Economic Zones (SEZ) to further this cause and facilitate more IT/ITeS investments in India. The central government recently announced formation of an Information Technology Investment Region (ITIR) near Hyderabad. With the establishment of the ITIR, the government plans to generate 1.5 million direct and 5.3 million indirect jobs in the IT/ITeS sector in the next five years. Some of the marquee IT/ITeS companies with presence in Hyderabad are Apple, Amazon, Microsoft, Facebook, Infosys, Google, Uber, Deloitte, IBM and Tata Consultancy Services (TCS). Furthermore, Salesforce, Goldman Sachs, Fiat Chrysler Automobiles, OPPO, MassMutual and the National Payments Corporation of India have announced investments in Telangana.

QUICK FACTS HYDERABAD OFFICE MARKET

**35.75 Mn Sqft**
New Office Space Completions

**25.15 Mn Sqft**
Net Office Space Absorption

**14.8%**
Vacancy (Q4 2021)

**2%**
Average
Rental Growth (YoY)

Data source: ANAROCK Research

Data Source:
Information Technology, Electronics, and Communications [IT, E&C] Annual Report 2020-21

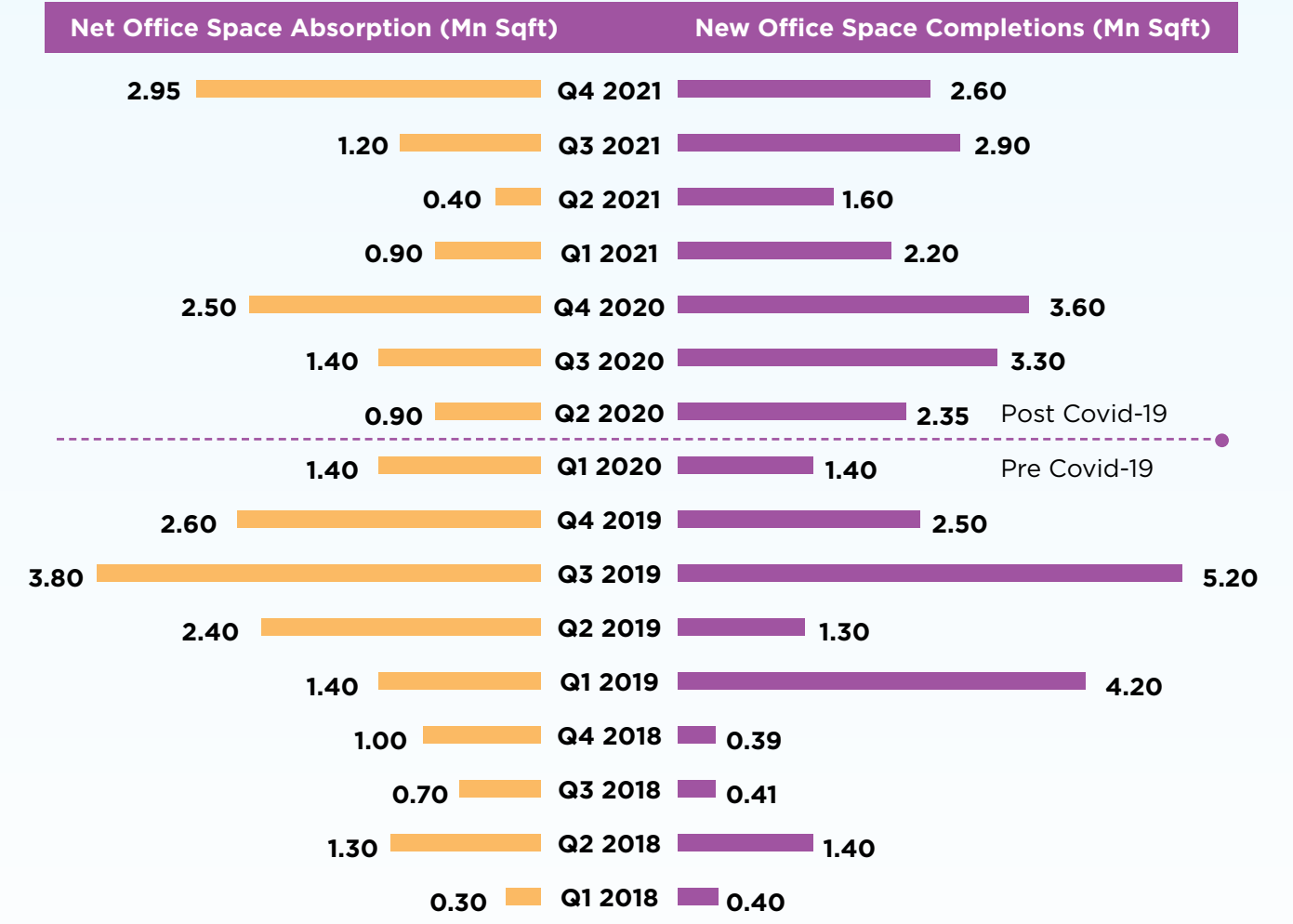
Data Source:
Information Technology, Electronics, and Communications [IT, E&C] Annual Report 2020-21

HYDERABAD OFFICE MARKET ACTIVITY



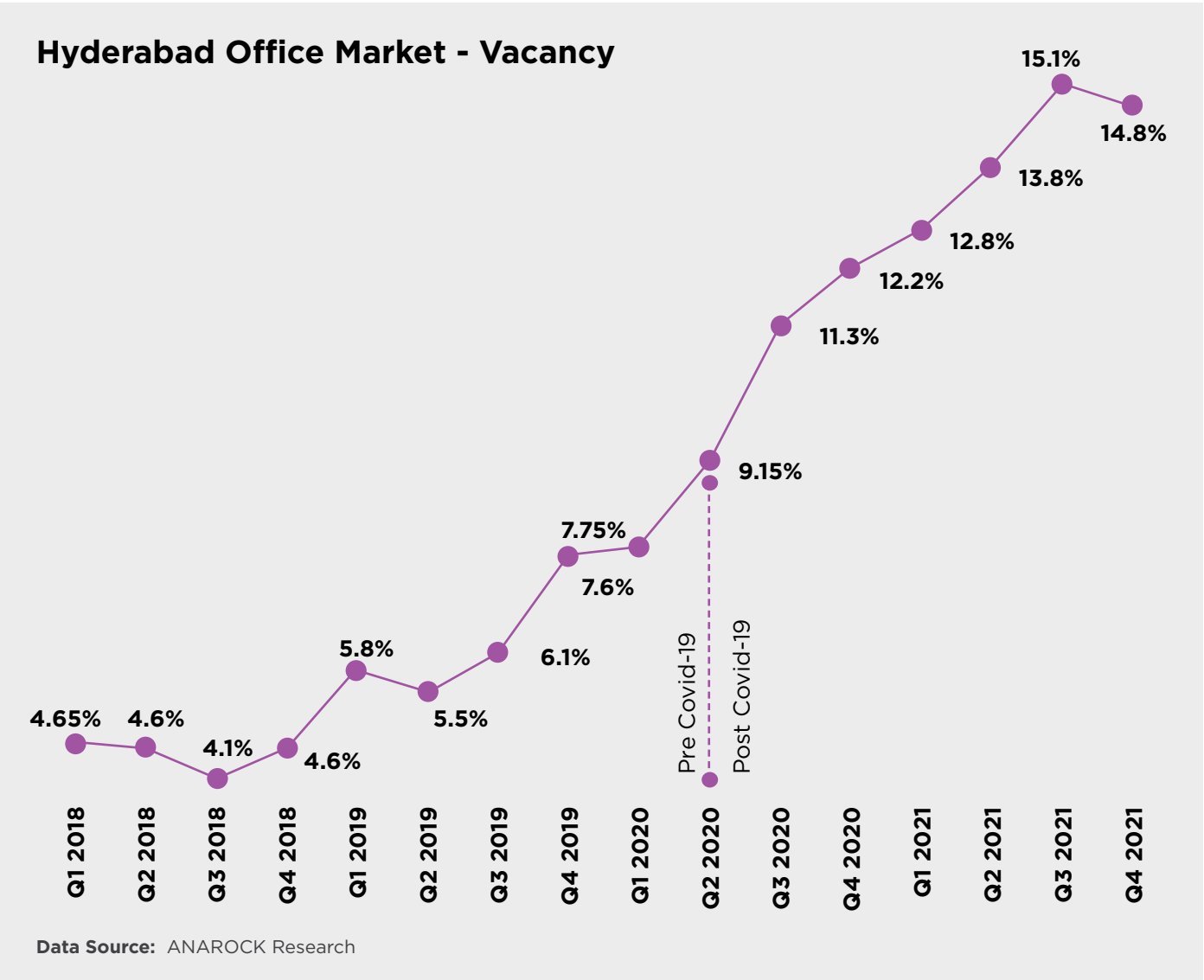
After facing a slowdown in commercial real estate activity during the pandemic, Hyderabad Office Market is now witnessing green shoots of revival owing to numerous growth enablers viz. range-bound rentals, supportive government policies, rapidly growing infrastructure, exponential growth of startups along with availability of a vast talent pool. The IT/ ITeS sector, followed by manufacturing and industrial sectors are driving the office leasing activity in the city.

The new office space completions and the net office space absorption for the year 2021 stood at 9.3 Mn Sqft and 5.45 Mn Sqft respectively. For the first time in the past two years, the net office space absorption surpassed the new office space completions in Q4 2021. In the period Pre-Covid (Q1 2020) and Post Covid (Q1 2021), the Grade A office market in Hyderabad clocked 57% YoY growth in new office space completions. During the same period, the net office space absorption declined by 36%. The outlook for the Hyderabad office real estate looks promising. The sector is poised to witness substantial rise in new office space completions and net absorption across the business districts in the coming months in order to cater to the new entrants as well as the technology companies and global in-house centers looking to expand/relocate their office spaces.



Note:
The data represents Grade A office developments only.
Net absorption refers to the incremental new space take-up
Data Source: ANAROCK Research

HYDERABAD OFFICE MARKET VACANCY

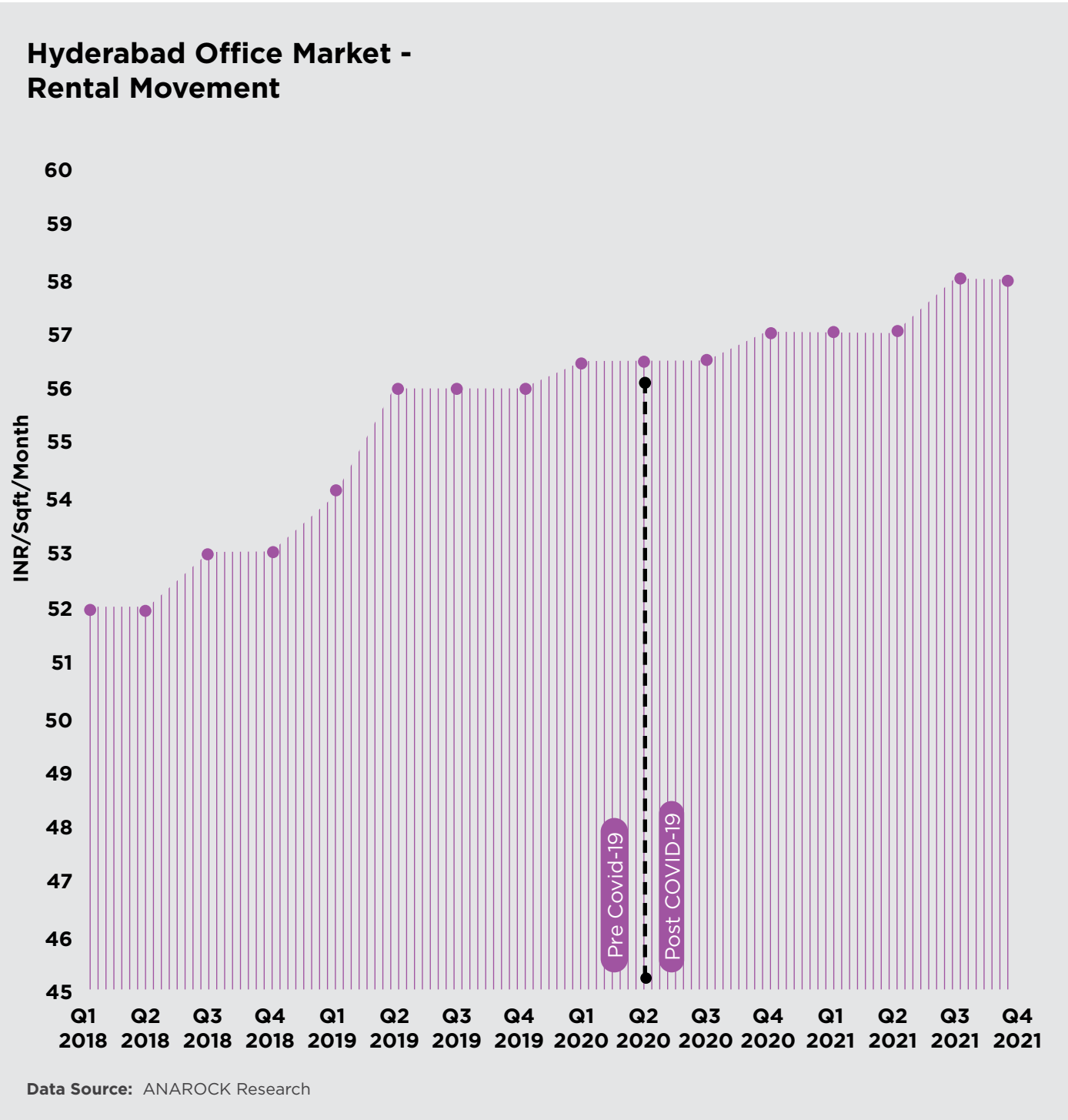


Backed by continuous rise in new office space additions and good leasing activity, the Grade A office vacancy levels in Hyderabad witnessed a dip of 0.3% - from 15.3% in Q3 2021 to 14.8% in Q4 2021. Talking about the changes in the Pre and Post Covid periods, the vacancy levels surged by moderate 5.1% (YoY) during the period Q1 2020 and Q1 2021. The abrupt standstill of the economic activities due to COVID-19 followed by the partial/complete lockdowns imposed to contain the spread of COVID-19 gave birth to the 'Work-from-Home (WFH)' culture. This, in turn, has pushed the IT/ITeS occupiers having the highest chunk of Grade A office spaces in Hyderabad,

towards cost optimization and in reconsidering their decisions of taking up business expansion plans. With the number of new COVID-19 cases gradually declining and the immunization drive on full swing by the government, the IT/ITeS occupiers are chalking out back-to-office plans and space strategies. For offices to reopen safely and to accommodate the workforce with adequate physical distancing, the occupiers need to lease large floorplates offices, which is likely to reduce the existing vacant Grade A stock in the coming quarters.

HYDERABAD OFFICE MARKET RENTAL MOVEMENT

Over the past four years, the average rentals for Grade A office spaces in Hyderabad inched up marginally by 2% YoY, from INR 57 per sqft per month in Q4 2020 to INR 58 per sqft per month in Q4 2021. For the period - Pre-Covid (Q1 2020) and Post Covid (Q1 2021), a marginal 1% YoY change is seen in the office rental movement. The office rentals in Hyderabad, despite remaining the lowest amongst top seven cities in India, continues to see solid growth as the occupiers are willing to pay a premium for sophisticated office spaces with good infrastructure that offers flexible and clean environment to the workforce.



KEY OFFICE SPACE TRANSACTIONS IN 2021

 <p>Building Name - Aurobindo Galaxy Tenant - Smartworks Micro Market - Hi-Tech City Road Approx. Area (Mn Sqft) - 0.30</p>	 <p>Building Name - Mindspace Block 11 Tenant - AMD Micro Market - Madhapur Approx. Area (Mn Sqft) - 0.18</p>	 <p>Building Name - Avance Business Hub Tenant - Legato Health Tech Micro Market - Madhapur Approx. Area (Mn Sqft) - 0.29</p>
 <p>Building Name - Salarpuria Sattva Knowledge City Tenant - Goldman Sachs Micro Market - Madhapur Approx. Area (Mn Sqft) - 0.15</p>	 <p>Building Name - RMZ Futura Tenant - People Tech Micro Market - Hi-Tech City Approx. Area (Mn Sqft) - 0.13</p>	 <p>Building Name - My Home Twitza Tenant - Skootr Micro Market - Hi-Tech City Approx. Area (Mn Sqft) - 0.17</p>
 <p>Building Name - Mindspace SEZ Tenant - Mindtree Micro Market - Madhapur Approx. Area (Mn Sqft) - 0.09</p>	 <p>Building Name - KRC Mindspace Tenant - Smartworks Micro Market - Madhapur Approx. Area (Mn Sqft) - 0.44</p>	 <p>Building Name - Divyasree Orion Block 3 Tenant - Salesforce Micro Market - Raidurgam Approx. Area (Mn Sqft) - 0.70</p>

Data Source: ANAROCK Research

OUTLOOK

Hyderabad's growth and development are largely products of the IT industry boom in the city. Even amidst the slowdown witnessed across major cities in the pre-pandemic period, Hyderabad's real estate market stayed afloat due to its stable political environment, ease of doing business, infrastructure development, constant inflow of working professionals. The government also worked towards strengthening infrastructure through several initiatives such as Hyderabad Metro Rail, developing arterial roads and elevated corridors in and around IT hubs of Gachibowli, HITEC City and Telhapur. The creation of new districts in the vicinity of Hyderabad, like Shamshabad, Bhuvanagiri, Yadadri and Vikarabad, also created fresh avenues for real estate development and growth.

This growth momentum continued even during the pandemic. As seen, the real estate market is expanding to the fringes of the city. Compared to other metros, property in Hyderabad is still relatively affordable and thus within the reach of many buyers. What makes the city unique and score above its main southern counterpart Bengaluru is its robust infrastructure facilities here. It is one of the only few cities where infrastructure growth is followed by real estate developments and not the other way round.

Besides IT/ITeS, Hyderabad also has significant presence of other service sectors comprising financial, manufacturing, pharmaceuticals, electronics, biotechnology, nanotechnology and textiles. It is home to one of the best financial districts of the country that has attracted various Asset Management Companies (AMCs), Venture Capital companies (VCs) and various insurance and banking institutions such as ICICI, HSBC etc. Thus, this classic mix of varied service sectors is likely to further boost the realty prospects in the city.

Going forward, the real estate market here is poised to grow as evident from the rising launches and sales momentum in the post-COVID-19 period. Most importantly, the real estate market will benefit due to the slowdown seen in Amaravati real estate and the rise in commercial activity in the city in recent times. Average property prices are also likely to witness appreciation in the coming months as there is scope for growth in contrast to many of its other city counterparts.

About ANAROCK

ANAROCK is India's leading independent real estate services company with a presence across India and the Middle East. The Company has diversified interests across the real estate lifecycle and deploys its proprietary technology platform to accelerate marketing and sales. The ANAROCK services suite includes Residential Broking & Technology, Retail (in partnership with Vindico), Commercial, Investment Banking, Hospitality (in partnership with HVS), Land Services, Industrial and Logistics (in partnership with Binswanger), Investment Management, Research, Strategic Advisory & Valuations and Project Management Services (in partnership with Mace), Flexi Spaces (in partnership with Upflex) and Society Management Services (acquisition of ApnaComplex).

ANAROCK has a team of over 1800 certified and experienced real estate professionals who operate across all major Indian and Middle East markets. ANAROCK also manages over 80,000 established channel partners to ensure global business coverage.

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