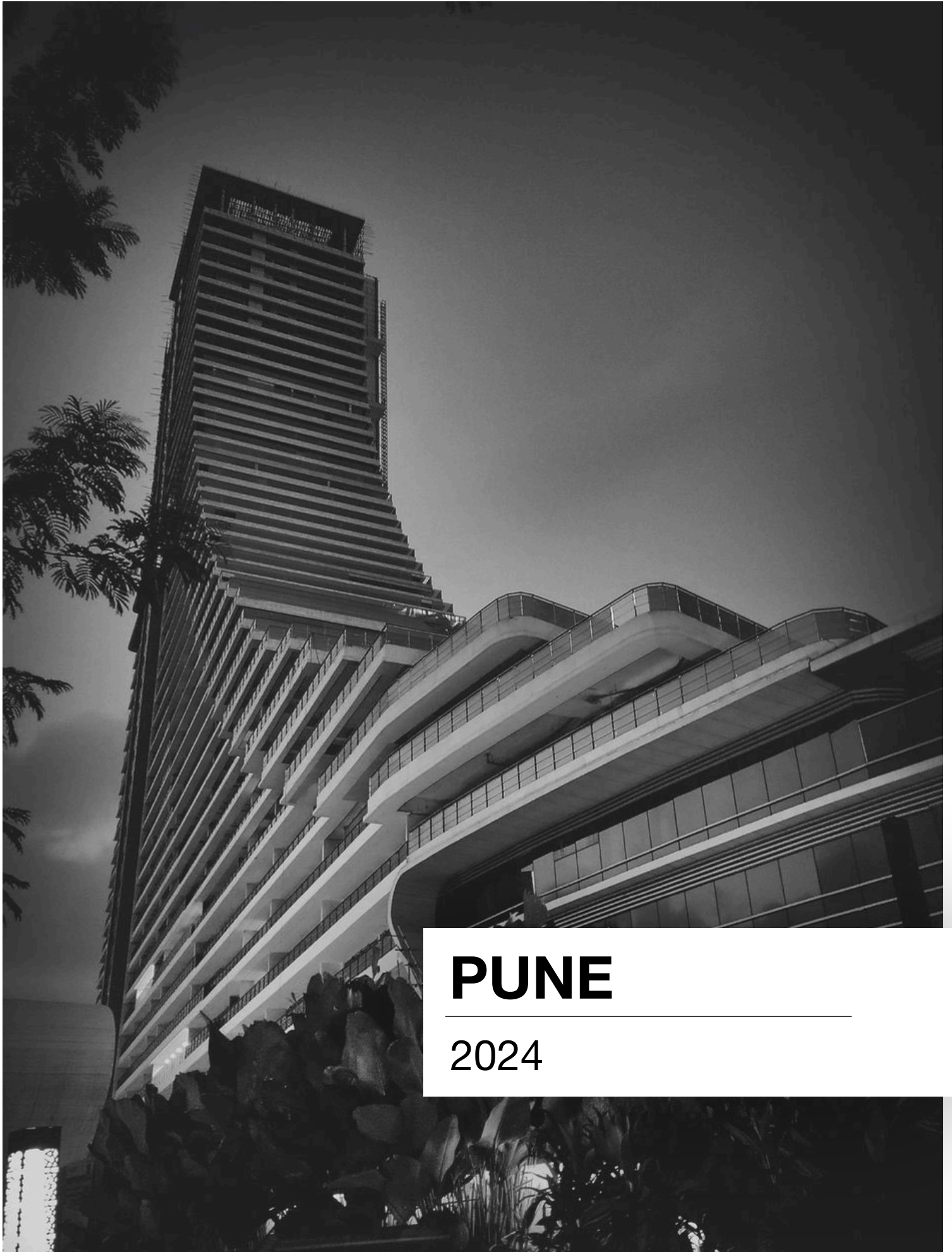


AN OVERVIEW OF PUNE'S BUOYANT CRE MARKET

A CREDTECH - CIRIL REPORT





PUNE

2024

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OVERVIEW

From its thriving IT and business ecosystem to government initiatives fostering economic growth, Pune stands at the forefront of India's commercial property market resurgence, beckoning investors with promises of stability, innovation, and diverse business prospects.

1. Thriving IT and Business Hub:

Pune's emergence as a thriving IT and business hub has significantly attracted global investors. The city is home to a multitude of IT parks, hosting both established multinational corporations and innovative startups. The robust IT infrastructure and a skilled workforce make Pune an ideal location for companies looking to tap into India's booming technology sector. The presence of global IT giants has not only elevated Pune's status, but has also created a collaborative ecosystem, fostering opportunities for businesses across various industries.

2. Strategic Location:

Pune's strategic location, nestled in proximity to Mumbai, makes it a prime destination for global investors seeking a foothold in the Indian market. The well-connected transportation network, including highways, metros, railways, and the Pune International Airport, facilitates seamless business operations and accessibility for both domestic and international stakeholders. This strategic advantage positions Pune as a gateway for businesses looking to expand their footprint in western India.

3. Educational Hub:

Pune's reputation as an educational hub is a key factor in attracting global investors. The city houses renowned institutions, producing a pool of highly skilled graduates in engineering, management, and other fields. This availability of a well-educated workforce caters to the demands of knowledge-intensive industries, making Pune an appealing destination for global companies seeking a talent-rich environment.

4. Growth in Manufacturing Sector:

Pune's commercial property market has seen a surge in interest from global investors due to the city's significant growth in the manufacturing sector. The establishment of industrial zones, favourable government policies, and the presence of automotive and manufacturing giants have contributed to this momentum. Investors are capitalising on the opportunities presented by the manufacturing boom, investing in commercial properties tailored to the needs of this expanding sector.

5. Infrastructure Development:

Pune's commitment to continuous infrastructure development is a pivotal factor driving global investor interest. Projects such as road expansions, metro rail development, and the Pune International Airport's expansion contribute to the city's overall growth. Enhanced infrastructure not only facilitates smoother business operations but also significantly adds to the commercial real estate sector's attractiveness for global investments.

6. Special Economic Zones (SEZs):

Pune's hosting of several Special Economic Zones (SEZs) has become a beacon for global investors. These zones offer tax incentives, simplified regulatory procedures, and other favorable conditions for businesses. Global companies are drawn to Pune's SEZs as they provide an environment conducive to business growth, reducing operational costs and creating an atmosphere conducive to innovation and international trade.

7. Innovation and Technology Parks:

Pune's focus on innovation is evident through dedicated technology parks and research centers, making it an ideal location for global investors seeking to invest in cutting-edge industries. The city's commitment to fostering technological advancements has resulted in the creation of innovation ecosystems, attracting companies at the forefront of technological innovation. Investors recognize Pune as a hub for research and development, contributing to the city's global competitiveness in the technology sector.

8. Government Initiatives:

Pune's commercial property market is increasingly attractive to global investors due to the support government initiatives. The 'Make in India' and 'Smart Cities Mission' campaigns create a favorable business environment, encouraging foreign direct investment. The role of the Real Estate Regulatory Authority (RERA) in ushering in transparency and reliability cannot be underestimated.

9. Stable Real Estate Market:

Pune's commercial real estate market's stability and resilience make it a secure investment choice for global investors. The city has demonstrated a consistent appreciation in property values, offering a reliable and steady return on investment. This stability, coupled with a transparent and well-regulated real estate sector, instills confidence in global investors seeking a secure and lucrative market. Pune's real estate market has weathered economic fluctuations, showcasing its resilience and ability to provide a relatively low-risk environment for investors.

10. Diverse Business Ecosystem:

Pune boasts a diverse business ecosystem, encompassing industries such as automotive, manufacturing, IT, and biotechnology. This diversity minimizes sector-specific risks for global investors, providing a well-rounded investment environment. The coexistence of various industries fosters synergies, creating opportunities for businesses to collaborate and thrive within Pune's dynamic and multifaceted economic landscape. Investors are drawn to the versatility of Pune's business ecosystem, allowing them to diversify their investments across different sectors.

11. Quality of Life:

Pune's high quality of life is a significant factor attracting global investors. The city offers a pleasant climate, cultural richness, and a range of recreational amenities. For businesses, a location with an appealing lifestyle contributes to employee satisfaction and retention, making Pune an attractive choice for global companies looking to establish a presence in a city that prioritizes quality of life. The availability of green spaces, cultural events, and a vibrant social scene enhances the overall living experience for employees and their families, contributing to a positive work-life balance that, in turn, benefits businesses by improving productivity and employee loyalty.

12. Growing Retail Market:

The burgeoning retail sector in Pune is a focal point for global investors. With a rising middle class and evolving consumer preferences, the retail market is expanding rapidly. Investors recognize the potential for commercial properties, including shopping malls and retail spaces, to cater to the city's growing consumer base, making Pune an enticing destination for those eyeing opportunities in the retail sector. The changing consumer landscape, coupled with a preference for organized retail spaces, positions Pune as a hotspot for global investors seeking to capitalize on the city's increasing consumer spending power and retail market potential.

(Source: Pride Purple Properties)

MARKET DYNAMICS

In comparison with other prominent real estate markets in India like Mumbai, Hyderabad, Bengaluru, and Delhi-NCR, Pune was often seen as a more affordable option with good growth potential.

In 2023, the Pune market reported a gross absorption of approximately 5.5 million square feet (msf), while new office supply in the market increased to around 4.3 msf. The vacancy rate of office supply also rose to 14.8%, with the average rental rate standing at INR 79.6 per square foot per month. As of Q4 2023, the total commercial real estate (CRE) stock in Pune was approximately 67.6 msf. These figures suggest that the market orientation is balanced, indicating a relatively stable and neutral environment for both tenants and landlords in the Pune real estate market.

Leasing Activity in Q4 2023 was driven by BFSI (58.0%), IT & ITeS (12%) and Co-working (10%) segments. However, the annual demand of 2023 was driven by BFSI and Co-working segments.

In the short term, a recession in export markets and the advancement of AI technologies can impact employment levels in the IT sector, but proactive measures such as reskilling, upskilling, and leveraging new opportunities created by AI can help mitigate the negative effects and enable IT professionals to thrive in a rapidly evolving industry. This long-term trend is expected to stabilize the IT sector's leverage of CRE.

IT/ITeS, VFX, Captive, and BFSI & Co-working companies seem to be leading the next wave of demand and are expected to either maintain their current level of CRE occupancy or specifically seek a presence in the Pune CRE market.

FLEXIBLE WORKING SPACES

There has been a trend towards smaller ticket sizes in commercial real estate transactions, especially in the office space segment. This could be due to the rise of startups and small to medium-sized enterprises looking for more affordable and flexible office spaces. Tenants are increasingly seeking flexibility in lease terms, such as shorter lease durations, co-working spaces, and the ability to scale up or down based on their business needs. Landlords and developers are responding by offering more flexible leasing options.

Co-working spaces have emerged as a preferred investment option for the commercial market with around 0.4 msf of space take-up in H2 2023. Pune's flex space penetration is more than that of Bengaluru. It is expected to cross 8 million square feet by 2025, accounting for 10 percent of the city's total office stock.

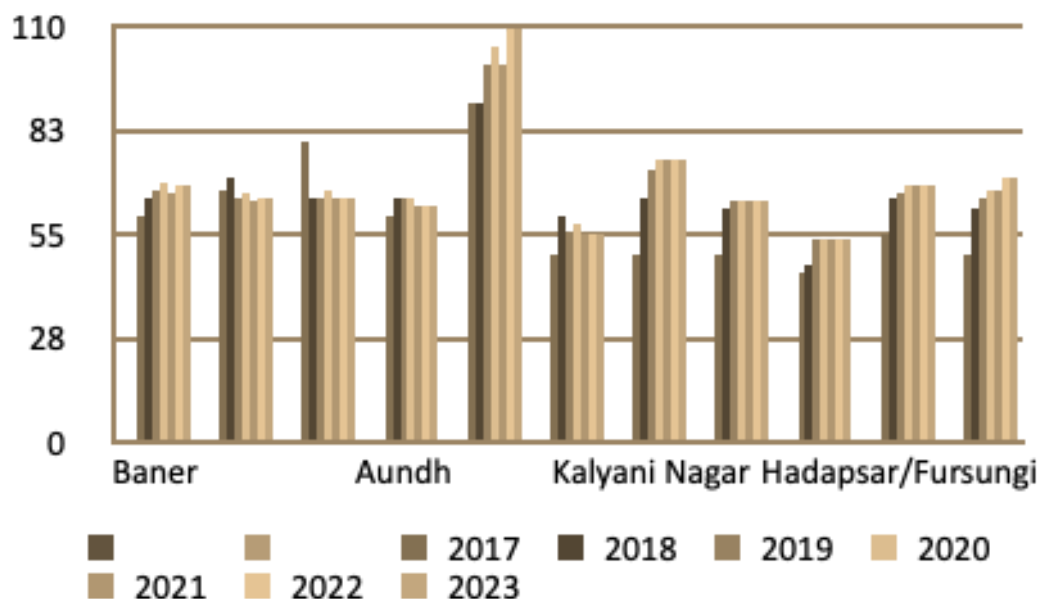
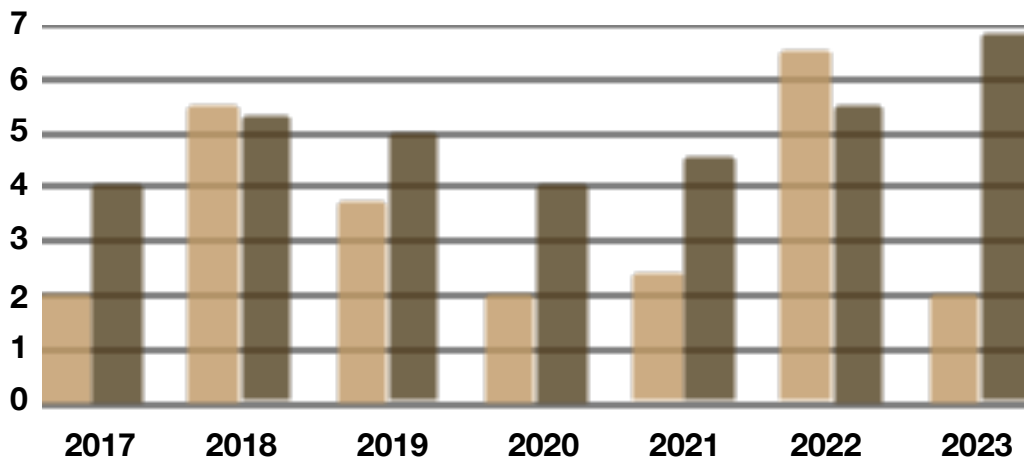
Pune's flex space market has seen significant growth during the last five years, especially post pandemic, led by a burgeoning young population, presence of large tech corporates, and proliferation of numerous startups, the report said. Since 2018, Pune's flex stock has witnessed a four-fold rise and currently stands at 5.4 million sq ft as of June 2023. To offer a measure of comparison, spaces have a penetration of 6.1 percent in Hyderabad, 5.5 percent in Delhi NCR, 5.3 percent in Mumbai, and 3.6 percent in Chennai.

DEMAND & SUPPLY in PUNE's CRE MARKET MILLION SQ. FT.

Most of the upcoming supply is expected in key micro- markets of Baner, Wakad , Kharadi , Viman Nagar and Koregaon Park NX as they continue to be the most preferred investment markets. Given the spike in quarterly supply, the city-level vacancy rate has witnessed a jump of 10.53%.

Due to huge supply, few micro-markets witnessed price correction. Rental values have remained stable in most micro-markets with marginal growth in prime IT/ITeS hubs. Healthy supply has induced stable rentals across submarkets. Rental values are expected to largely remain range-bound in the upcoming quarters.

Demand & Supply in Pune Commercial Market, Pune Commercial Market Rental Trends INR/sft/market in Million sft



Upcoming Projects in the Commercial Market

Projects	Building Name	Area (SFT)	Location	Completion
Brookfield	Bluegrass Business Park, Tower A	9,70,000	Kalyani nagar	Q4-2024
Prestige	Prestige Alphatech	9,66,000	Kharadi	Q1-2024
Capitaland	International Tech Park Pune Block – 2	15,00,000	Kharadi	Q4 2024
Sapoorji Pallonji	SP Infocity, Fursungi Avanza	9,40,000	Phursungi	Q1 2024
Gera - Raheja	Gera Commerzone, Building B1	6,60,000	Kharadi	Q2 2024

Major Deals in the Commercial Market – H2 2023

Client	Building Name	Area (SFT)	Location	Lease/ Sale
BP Business Solutions	Gera Commerzone R3/B5	2,04,000	Kharadi	Lease
Cognizant Technology	Rajiv Gandhi IT Park	6,27,000	Hinjewadi	Renewal
Tata Elxsi Ltd	Sukhwani Business Hub	56000	Pimpri	lease
Schlumberger India Technology Centre Pvt. Limited	Commerzone B8	88,900	Yerwada	Rnewals
Alliancebernstein Business Services Private Ltd.	Gera Commerzone R3	48000	Kharadi	Lease
Zimetrics	Panchshil WTC Tower - 5	29000	Kharadi	Lease
Cummins IOC	Panchshil Business Park Phase 1 - Tower c	341863	Balewadi	Renewal
Apex Funds	M Agile	63,000	Baner	Lease
India Accelerator	Mont Clair	23000	Baner - Pashan Link Road	Sale
Smartworks	Amar Tech Center	2,50,000	Viman Nagar	Lease
Roche	Brookfield 45Icon	2,00,000	Baner	Lease

RETAIL SECTOR

The retail sector in Pune saw strong leasing activities with total absorption of around 1.35 msf of retail in year 2023, making it one of the best years in terms of leasing. Leasing was dominated by Fashion (60%), F&B (25%) and Entertainment (10%). The recently opened mall in Koregaon Park introduces 30-40 international luxury brands for the first time in Pune.

Main streets in locations like Kharadi and Koregaon Park witnessed majority of space take-up contributing to 60% of total leasing. The success of a new luxury mall at Koregaon Park is expected to increase the activity from luxury brands in the city. Both malls and main street are seeing increased activity as retailers seek to take advantage of the growing consumer demand.

2023 saw one of the best years in terms of supply with 1.4 msf space added to the market. Even with good space addition, the vacancy fell to 6.6%. Given healthy demand for quality retail space, vacancies are expected to fall further. Around 1.0 msf is expected to be added in year 2024.

City-wide rentals in malls increased by 10% y-o-y owing to the opening of two new superior malls by prominent developers. Main-streets rentals also witnessed a rise of 7-8% from last year due to low vacancies at malls pushing high-end retailers towards main-streets. With ongoing healthy leasing activity, retail rentals are likely to appreciate further in the coming months.

Major Upcoming Projects

Projects	Building Name	Area (SFT)	Location	Completion
VTP	Altitude	30,000	Dange Chowk	March 2024
VTP	Trade Park	70,000	Undri	Dec 2024
VTP	Market Place	1,50,000	Undri	Dec 2024
VTP	KP Square	20,000	Chinchwad	Dec 2024
VTP	Town Square	20,000	Mahalunge	Dec 2024

Pune Retail Market Rental Trends in INR/sft/month

High Street	2019	2020	2021	2022	2023
MG Road	300 - 325	300 - 325	300 - 325	300 - 330	330 - 350
JM Road	325 - 375	325 - 375	325 - 375	325 - 380	380 - 400
FC Road	220 - 260	220 - 260	220 - 260	220 - 265	265 - 285
Koregaon Park	190 - 225	190 - 225	190 - 225	190 - 230	230 - 250
Aundh	150 - 190	150 - 190	150 - 190	150 - 195	195 - 220
Bund Garden Road	140 - 175	140 - 175	140 - 175	140 - 180	180 - 200
Baner	-	-	-	120 - 180	180 - 200
Camp	220	220	220	225	250
Koregaon Park	140	140	140	150	170
Nagar Road	180	180	180	180	200
Hadapsar	185	185	185	185	205
PCMC	190	190	190	190	210

Major Deals in Retail Market H2 2023

Client	Building Name	Area (SFT)	Location	Lease/ Sale
Mr DIY	Sanjay Ghodawat Plaza	6000	Bavdhan	Lease
Tasva	Kohinoor World Towers	5000	Pimpri	Lease
Taneria	Kohinoor World Towers	5000	Pimpri	Lease
Shott	Kopa Mall	5000	Koregaon Park	Lease
Easture Food Court	Balewadi High Street	3000	Balewadi	Lease
The Souled Store	Nandadeep	2200	F C Road	Lease
Armani Exchange	Kopa Mall	2000	Koregaon Park	Lease
Campus	Seasons Mall	1000	Hadapsar	Lease

INDUSTRIAL AND WAREHOUSING SECTOR

Pune’s warehousing and industrial market recorded leasing of around 4.2 msf of space in 2023. The Chakan sub- market dominated lease volumes with a 70% share followed by Talegaon (20%) and Ranjangaon (10%), driven by strong demand from 3PL, E-commerce and OEMs. Going forward, these markets are likely to drive warehouse demand, with occupiers from e-vehicles, auto ancillary and consumer electronics scouting for Grade A facilities.

The government focus on manufacturing sector has led to revival of demand and along with infrastructure investment has made Pune an attractive investment destination for warehousing

Year 2023 saw supply of only 2.5 msf space against huge demand. Limited inventory of Grade A assets amidst strong demand is compelling developers to increase the supply of quality assets across major submarkets.

Major occupiers with large space take-ups in 2023 were Mahindra Logistics and Bosch India among others. Rental values witnessed 5-8% increase in y-o-y basis given steady demand. Pune is expected to witness significant supply over the next 3-5 years with players like Indospace, Ascendas Singbridge, Musaddilal Group etc. entering prominent submarkets.

Pune Industrial and Warehousing Trends – H2 2023

Industrial and warehousing Submarkets	Land rates in INR Cr/acre	Industrial Shed Rentals in Sq.ft/ month	Warehouse Rentals in Sq.ft/ month
Talegaon	2-2.5	23-30	23-30
Chakan	2.3-3.2	25-32	25-32
Pimpri Chinchwad	8.0-10.0	35-45	35-45
Pirangut	3-5	25-32	25-32
Hinjewadi	6.0-7.0	35-45	35-45
Lonikand	2.5-3.5	25-32	25-32
Sanaswadi	2-2.3	25-32	25-32
Ranjangaon	1.7-2.2	22-27	22-27
Khed city	1.7-2	22-27	22-27
Shirwal	1.2-1.5	20-25	20-25
Wagoli	3.5-4.5	25-32	25-32

Major Deals in Industrial and Warehousing Market H2 2023

Client	Area (SFT)	Location	Lease/ Sale
Mahindra Logistics	500000	Talegaon	Lease
Bost India	150000	Pirangut	Lease
TM Seating	130000	Chakan	Lease
Supreme Group	100000	Chakan	Lease
DSV India	85000	Chakan	Lease
Kalyani Technoforge	50000	Chakan	Lease

SUCCESS FACTORS

Market Dynamics

Monitoring market trends, supply-demand dynamics, rental rates, vacancy rates, and competition is essential for making informed decisions and optimizing returns in Pune's CRE sector.

Regulatory Environment

Keeping abreast of and complying with local regulations, zoning laws, building codes, and environmental regulations can be crucial for successful CRE investments and developments in Pune.

Infrastructure Development

Pune's infrastructure, including transportation networks, connectivity, and utilities, can impact the attractiveness and value of CRE properties. Keeping an eye on infrastructure developments and planning investments accordingly is important.

Technology Integration

Embracing and integrating technology solutions in CRE properties, such as smart building systems, energy-efficient technologies, and digital platforms, can enhance operational efficiency, tenant experience, and asset value.

Sustainability and ESG

Increasing focus on sustainability, environmental impact, and ESG considerations in CRE developments can be a key differentiator in the market. Implementing green building practices, energy-efficient solutions, and sustainable design can attract tenants and investors.

Tenant Preferences

Understanding and adapting to changing tenant preferences, such as flexible lease terms, shared workspaces, wellness amenities, and tech-enabled features, can help optimize occupancy rates and tenant satisfaction in Pune's CRE sector.

Competition

Pune's CRE market is competitive, with various players vying for prime properties and tenants. Keeping an eye on the competition, staying innovative, and offering unique value propositions can help optimize potential in a competitive market.

Economic Factors

Monitoring economic indicators, interest rates, inflation, and overall economic conditions can provide insights into the health of the market and potential risks or opportunities for CRE investments in Pune.

Risk Management

Identifying and mitigating risks associated with CRE investments, such as financial risks, legal risks, market risks, and operational risks, is essential for optimizing potential and ensuring long-term success in the sector.

THE FUTURE OF WORKSPACES

Integrated office parks and campuses that offer a mix of office spaces, retail outlets, recreational facilities, and green spaces are becoming popular. These integrated developments cater to the needs of modern businesses and employees by providing a **holistic work environment**.

Environmental, Social, and Governance (ESG) considerations have played an increasingly significant role in the evolution of workspaces. Companies and organizations are recognizing the importance of incorporating ESG principles into their real estate strategies, including the design and operation of workspaces. Aspects such as water and waste management, sustainable sourcing, renewable energy usage and energy efficiency are coming to the fore as occupiers target net zero and look for buildings with green certification. Tenants and investors are likely to prioritize energy efficiency, eco-friendly design, and LEED certification in their property choices.

Occupiers are also placing greater emphasis on the **aesthetics and design** of commercial spaces. Modern, well-designed office spaces with amenities such as green spaces, natural light, and efficient layouts are in high demand.

There is a growing demand for **tech-enabled** commercial spaces that offer smart building features, high-speed internet connectivity, security systems, and other technological advancements to enhance productivity and efficiency. Landlords and developers may invest in creating unique, experiential spaces that foster collaboration, creativity, and employee well-being.

Flexibility, technology integration, wellness and sustainability, collaboration and connectivity, remote work integration are all trends to watch out for.

HERE ARE THE DEFINING ELEMENTS OF THE WORKSPACES TOMORROW

- **Augmented Reality (AR) and Virtual Reality (VR)** - AR and VR technologies for immersive visualization of architectural designs, virtual tours, and training programs. Interactive touchscreens and displays for collaborative work, presentations, and data visualization. Systems that deliver customized infotainment content based on user preferences and behaviour.
- **AI and Automation**
- **Modular and Adaptive Spaces** - Modular and adaptive spaces offer innovative solutions for creating dynamic, versatile environments that can easily adapt to changing needs and conditions, providing flexibility and efficiency in various contexts such as commercial buildings, educational facilities, residential spaces, and event venues.

- **Data-driven Design – Data-driven design** in workspaces empowers organizations to create more efficient, engaging, and user-centric environments by leveraging data insights to optimize space utilization, enhance employee experience, and drive informed decision-making in workspace design and management.
- **AI-Powered Surveillances**
- **Smart Building Management System**
- **Smart Lighting:** Adaptive lighting systems that adjust brightness and colour temperature based on natural light and user preferences.
- **Climate Control:** IoT-enabled HVAC systems for personalized climate control and energy efficiency.
- **Interactive Art Installations**
- **Biophilic Design Elements** – Biophilic design refers to incorporating elements of nature into the built environment to create spaces that support human well-being, health, and productivity.
- **Smart Parking Systems**
- **Mobility Apps**
- **Catering Apps**
- **Smart Vending Machines**
- **Digital Menu Boards**

