

## **Delhi NCR Commercial Real Estate Overview October 2012**



## TABLE OF CONTENTS

1.	Executive Summary	3
2.	Macroeconomic Outlook	4
3.	Delhi NCR Commercial Real Estate Overview	5
4.	Central Business District (CBD)	6
5.	Secondary Business District	8
6.	Extended Business Districts	10
7.	Peripheral Business District (PBD) - Gurgaon	11
8.	Peripheral Business District (PBD) - Noida	14
9.	Location Attractiveness Index	16
10.	Disclaimer	17

The Delhi NCR Commercial Real Estate Overview, September 2012 provides a comprehensive insight into the key trends emerging in the commercial real estate markets of the region. The report enumerates the findings of a rigorous survey, covering various micro-markets in the Central Business District (CBD), Secondary Business District (SBD), Extended Business District (EBD) and the Peripheral Business Districts (PBDs). Presented below are some of the key highlights of the report.

### Some of the highlights of the report are:

- Despite the current slowdown, we maintain an optimistic outlook for the long term (50 - 60 months) on account of the expected pick-up in corporate activity and the inherent resilience of the Delhi NCR markets.
- Average yield in the markets are 6.5 to 7.5% p.a.
- While the charm of CBD (Connaught Place) still prevails especially on account of its central location in the capital city, factors such as lower rentals, modern buildings and better infrastructure have attracted certain occupiers to relocate to the sub-urban locations of Gurgaon and Noida. However, most of the corporates in Delhi NCR are still happy maintaining their corporate offices and other existing offices in Connaught Place. Gurgaon and Noida are acting as destinations for further expansions.
- In the Peripheral Business District (PBD) of Gurgaon, investors are increasingly considering the Sohna Road and the Golf Course Road Extension followed by Southern Peripheral Road. Market sentiments indicate that the commercial real estate rentals along the Golf Course Road and the Mehrauli-Gurgaon Road have reached their peak.
- In the PBD of Noida commercial markets, investors are showing increased interest in spaces along the Noida Expressway closer to Delhi. Companies preferring large floor plates, (which is seldom available in Gurgaon) and cheaper rentals, are occupying spaces in Noida.
- Real estate transactions have been slow in Delhi NCR over the last two years. However, the rentals have remained stable and even increased in certain areas.
- In order to infuse demand in the market, builders are launching assured return schemes in under-construction projects till possession. The returns vary in the range of 9-12% p.a. on complete principal payment towards the commercial unit. In certain cases, to maintain a healthy tenant mix in the building, a few builders are retaining the authority to lease out spaces to tenants of their choice even after selling it to retail investors.
- The profile of users of space in the region is primarily the IT and ITeS, manufacturing, pharmaceutical units and Banking, Financial Services and Insurance (BFSI) industries, which have been driving the demand for office spaces.

GDP at factor cost at constant (2004-05) prices in the Q1 FY 2012-13 showed a growth rate of 5.5%. 'Construction', 'financing, insurance, real estate and business services', and 'community, social and personal services' were the major contributors to the growth figure in the quarter. Though the growth figure in the Q1 FY 2012-13 has shown slight improvement over the figure in the Q4 FY 2011-12, RBI's stance on rate cuts will depend more on the government's fiscal policy action and the inflation numbers. Large cuts in interest rates to bolster demand growth in the economy could further fuel inflationary pressures.

Recently the Reserve Bank of India, reduced the cash reserve ratio (CRR) of scheduled banks by 25 basis points from 4.75 per cent to 4.50 per cent of their net demand and time liabilities (NDTL) effective the fortnight beginning September 22, 2012. Consequently, around INR 170 billion of primary liquidity was injected into the banking system.

The Union Cabinet, on September 14, 2012 cleared major economic reforms allowing 51% FDI in multi-brand retail and 49% FDI in aviation. The cabinet also approved an increase in foreign direct investment in some broadcasting services from 49% to 75% and announced the disinvestment in four major PSUs: Oil India, Hindustan Copper, Nalco and MMTC. It also allowed FDI in power sector.

While the disinvestment in public sector units - Oil India (10%), NALCO (12.5%), Hindustan Copper (9.59%), Neyveli Lignite Corporation (5%) is likely to fetch INR 15,000 Crore for the government, the opening of FDI in multi-brand retail will pave the way for the much-awaited entry of foreign retail giants such as Walmart, Tesco and Carrefour into the USD 450 billion retail market, although their footprint will be limited to million-plus cities (as per Census 2011) in states which have agreed to back the measure. Multinational retailers like WalMart, Carrefour of France and Metro of Germany already have stores, but they are not allowed to sell to walk-in customers. They deal with smaller retailers, like the family-run shops in most localities.

The government also took the decision of hiking the prices of diesel by Rs. 5 per litre and capped the supply of subsidized liquefied petroleum gas (LPG) cylinders to six per household each year. The reforms were implemented at a time when the government was faced with the threat of becoming the first in the BRICS (Brazil-Russia-India-China-South Africa) group of emerging economies to be downgraded to junk.



Connaught Place

**Yield: 6.5-7.5%**

Long Term	50-60 months	Cautiously Optimistic with respect to commercial real estate prices
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According to Bloomberg data, profit margins for companies in the BSE India Sensex 30 Index have increased (from 15.09% in CY 2009 to 16.43% in the current year (as on September 21, 2012) after dipping to 16.24% in CY 2011). This data points to an improved demand in the commercial real estate space as companies recover from a slowdown phase and we maintain an optimistic outlook in the long run. However, we maintain caution, owing to the uncertainties emerging from the looming weak global economic scenario at large.

Some more data points towards a recovery. Profit margins for companies in the Nifty Index increased from 15.91% in CY 2009 to 18.1% in CY 2010, registered a dip to 16.77% in CY 2011 and recovered to 17.01% in the current year. Profit margins for companies in the BSE IT Index dipped from 25.54% in CY 2009 to 23.65% in CY 2010 to 21.99% in CY 2011. However, it has recovered to 22.35% in the current calendar year. According to the MSCI World Index, profit margins increased from 10.7% in CY 2009 to 19.48% in CY 2010, which dipped to 13.85% in CY 2011, but has recovered to 17.9% in the current calendar year.

**What are the sentiments in the Delhi NCR commercial markets?**

Real estate transactions in the Delhi NCR commercial space have been slow over the past two years. However, the rentals have remained stable and even increased in certain areas. Apart from the existing micromarkets of Connaught Place, Nehru Place and Saket, new office spaces have come up in Jasola and Netaji Subhash Place. Unlike Mumbai, where corporates are migrating out of Nariman Point, (existing CBD) to Bandra Kurla Complex, (emerging CBD); corporates in Delhi NCR are still happy maintaining their corporate offices and other existing offices in Connaught Place. Gurgaon and Noida are acting as destinations for further expansions.

In the Gurgaon commercial markets, investors are increasingly considering the Sohna Road and the Golf Course Road Extension followed by Southern Peripheral Road. Market sentiments indicate that the commercial real estate rentals along the Golf Course Road and the Mehrauli-Gurgaon Road have reached their peak.

In the Noida commercial markets, investors are showing increased interest in spaces along the Noida Expressway closer to Delhi. Companies preferring large floor plates, (which is seldom available in Gurgaon), and cheaper rentals are occupying spaces in Noida.

**What are builders doing to infuse demand in the market?**

Builders in order to infuse demand in the market are launching assured return schemes in under-construction projects till possession. The returns vary in the range of 9-12%p.a. on complete principal payment towards the commercial unit. In certain cases, to maintain the tenant mix in the building, a few builders are retaining the authority to lease out spaces, to tenants of their choice even after selling it to retail investors. Moreover, smaller business spaces are witnessing higher off-take relative to the larger ones, owing to which, builders are reducing larger plates into smaller size units.

**What is the priority for investors while investing in commercial spaces in the Delhi NCR geography?**

Primarily investors view it as a medium to park their surplus funds. Commercial real estate acts as an attractive avenue for the same. This is followed by exploring the possibility of re-leasing the space, to a tenant of the investor's choice. Thirdly, they look forward to associating themselves with a popular and respected brand and lastly they consider the yield expected from the unit.

**'Gurgaon or Noida' - Are companies asking this question?**

Noida is emerging as a substitute to Gurgaon owing to cheaper rentals, relatively better infrastructure and availability of larger floor plates. However, Gurgaon offers cleaner titles, better law and order conditions and presence of a larger mix of companies across sectors. Gurgaon offers freehold land whereas Noida has leasehold land parcels. IT companies are considering the option of shifting to Noida from Gurgaon. However, the trend is yet to be a significant one, as perceptions are still biased towards Gurgaon. Gurgaon is emerging as a viable option to the business districts of Delhi (except the Central Business District of Connaught Place and Khan Market which continue to hold their own).

### Key Locations: Connaught Place and vicinity

- The CBD of Connaught Place (officially known as Rajiv Chowk) is geographically located in the central part of Delhi. It is one of the oldest and largest financial, commercial and business centers of Delhi. Often abbreviated as CP, it houses the headquarters of several Indian firms and currently commands the highest commercial office space rentals in the city.
- The structure exhibits Georgian style architecture and is inspired by the Royal Crescent in Bath, England. It was constructed in the year 1933 when the capital of Imperial India began to take shape and the need for a centralized business district was felt. Tor Russell, chief architect to the Public Works Department (PWD), Government of India eventually designed the Connaught Place plaza. The structure was named after the Duke of Connaught.
- Eight separate roads lead out from Connaught Place's inner circle, named Parliament Street and Radial Roads 1 through 7. Twelve different roads lead out from Connaught Circus, the outer ring; the most well-known of these is Janpath, the continuation of Radial Road 1. It is a logically planned area and houses one of India's first underground markets - Palika Bazaar (Municipal Market), named after nagarpalika. The Outer Circle is known as Connaught Circus (officially Indira Chowk), consisting of rows of restaurants, shops and hotels, while the Middle Circle has offices and small eating outlets.

### Salient Features

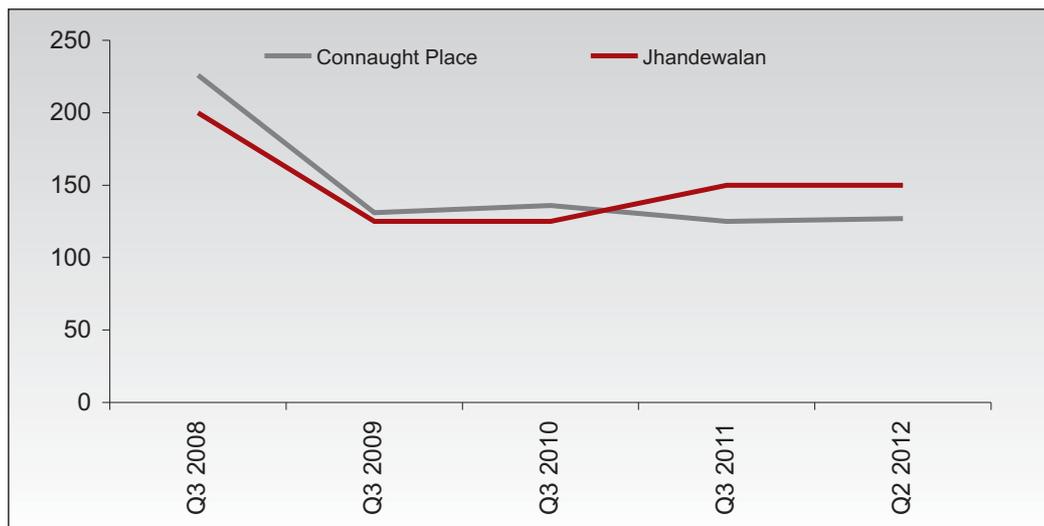
- **Accessibility:** Located at the center of the city with a wide and well-planned road network, one of the key features is the easy accessibility from across all regions of the city. Ironically, of late, the locational advantage has decreased the accessibility on account of heavy traffic that clogs the roads, especially during peak hours. The Delhi Metro rail that came up in 2005-06, has been a boon to commuters. 'Rajiv Chowk' is the interchange for the Yellow (Jahangirpuri to Gurgaon) and Blue (Dwarka to Noida) lines of the Metro and is one of the largest and busiest stations in the network. The Shivaji bus terminus is located in close vicinity to the CBD, offering easy transport to most locations in the city and suburbs.
- **Infrastructure:** The basic infrastructure requirements for any commercial real estate districts are power, hotels, parking and telecommunication facilities. With consistent increase in the number of personal vehicles in the city, parking has become a cumbersome issue. However, measures such as introducing multilevel parking spaces have been taken to subside the woes. Recently, a multi-level parking space 'Capitol Point' for 1,048 vehicles has been built by DLF at Connaught Place. Besides this, parking spaces are also available near the metro exits and the Palika Bazaar.
- **Residential Developments in the vicinity:** This region is predominantly commercial in nature, however some premium residential locations are present in its close proximity. The famous Lutyen's Bungalow zone and Janpath are some of the premium locations housing very senior government authorities.
- **Relocation to Peripheral Sites:** As the city boundaries started to stretch, suburban locations such as Gurgaon and Noida started to witness a decent amount of traction. Gradually, these locations became the bastion of various IT/ITES companies and multinational firms. While the charm of CP still prevails especially on account of its central location in the capital city, factors such as lower rentals, modern buildings and better infrastructure have attracted certain occupiers to relocate to these sub-urban locations.
- **Redevelopment Plans:** As a part of its 'Return to heritage Project', the New Delhi Municipal Council (NDMC) had prepared a plan to revamp and redevelop Connaught Place. The redevelopment work was slated to be completed in time for the 2010 Commonwealth Games held at Delhi, but due to certain delays, the deadline was missed. Work on the renovation was resumed soon after the Commonwealth Games, and is currently underway in full swing to meet the new deadline of December 2012.
- **Key Commercial Developers:** The area is dominated by old structures erected before India's Independence. Certain key developers include DLF, Ardee City, Parsvnath, Ansal API, Videocon, Thapar and HT Builders.

## Some of the distinct trends observed are:

- The CBD of Connaught Place has been commanding office space rentals in the range of INR100 - 250 /sq.ft., which is highest across Delhi and its satellite towns. In terms of retail spaces, Khan market, which is located near Lutyen's Delhi, enjoys the highest rentals which hover in the range of INR 800 - 1,200/sq.ft. The high street seals its position as the costliest retail locale in the country.
- The business district is a healthy mix of commercial office spaces and retail stores. It houses offices which cater to all the sectors, such as BFSI, Travel & Tourism, Hospitality, Construction and Real Estate. It is also considered a famous shopping destination.
- Meher Chand Market (MCM), located in close proximity to the Khan Market is emerging as an alternative for many entrepreneurs looking at tapping south Delhi's rich and elite and the upmarket residents of Lutyens Bungalow Zone. This location with a catchment similar to Khan Market's, is offering spaces at approximately a third of the rentals prevailing at Khan Market.
- The efficiency of commercial floor-plates in the CBD of Connaught Place is more vis-a-vis the peripheral locations of Gurgaon and Noida. The efficiency for the retail spaces here is approximately 70 - 75%. Currently, the vacancy level in the office spaces is approximately 0.9-1%.
- In the near future, the rental values at Connaught Place are expected to remain stable.

Source of vacancy numbers and rental values: PropEquity and ICICI HFC

## Price Trends in CBD\*



\*Source: PropEquity, ICICI PSG

### Key Locations: Jasola, Nehru Place, Saket

- The SBD essentially comprises of locations such as Jasola, Nehru Place and Saket. These regions are located in the Southern part of Delhi. When the Central Business District became saturated and rentals touched high levels, these locations emerged as business districts.
- Jasola is strategically located on the Mathura Road in South Delhi. The district center which was auctioned by the Delhi Development Authority consists of commercial/retail complexes constructed by many reputed developers such as Omaxe, DLF, Realtech Group, Salcon, Baani, Splendor, TDI, Uppals and ABW Infrastructure. Jasola has the advantage of being in close proximity to the industrial hub Okhla. Therefore, it is an attractive decision for industries in Okhla to set up their offices in the sub-city.
- Nehru Place is another financial, commercial and business center located towards the southern part of the city. The main commercial center in the business district dates back to early 1980s and consists of several 4-floor buildings that flank a large pedestrian courtyard, built over an underground parking. Although poorly maintained, most of the original structures are still in use. This commercial center is primarily famous for the computer hardware market, which is one of the largest in Asia. Commercial properties in Nehru Place include International Trade Tower, IFCI and GESCO. Offices of major Telecom and Pharmaceuticals companies of India are located here, including among others, Turner International, Ranbaxy, British Telecom and Chambal Fertilisers.
- Saket is a prime residential area of South Delhi. The location is also home to some commercial developments in the Saket District Centre and has recently emerged as a location hosting some well-known malls such as the Aarone Select City Walk, MGF Metropolitan mall, DLF Place mall, Square One mall and DLF South Court.

### Salient Features:

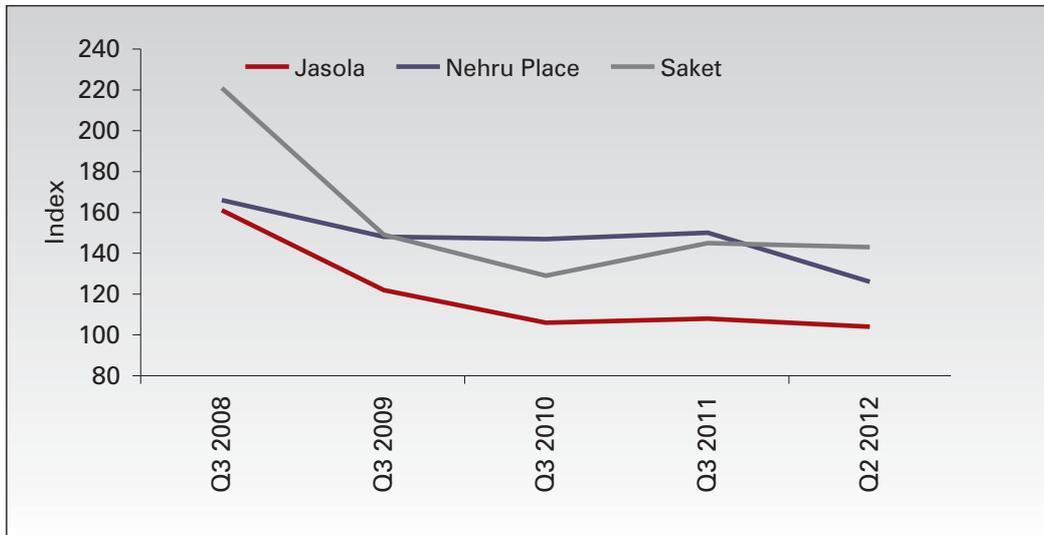
- **Accessibility:** Saket is well-connected by the Yellow line of the Delhi metro network. There are two metro stations in Saket - Malviya Nagar station on the Press Enclave Road and Saket station on Mehrauli-Badarpur Road. Jasola and Nehru Place are easily accessible via the violet line of the Delhi metro. Nehru Place also has its own bus terminal. Moreover, all the locations are easily accessible by buses, taxis and auto-rickshaws.
- **Residential Development Nearby:** The residential development in South Delhi micro market is essentially premium. Locations such as Saket and Greater Kailash are located in vicinity to these business districts.
- **Over-supply in Jasola:** Most of the commercial development in Jasola offers small floor plates, which are owned by numerous owners. Consequently, in order to cater to the demand for bigger floor plates, negotiation with the numerous owners becomes necessary, which makes the consolidation difficult. The business district currently exhibits vacancy levels of approximately 20-22% in office/retail spaces.

### Some of the distinct trends observed are:

- Jasola primarily offers commercial offices and retail spaces. There is hardly any IT/ITeS presence in the business district. This location consists of approximately 8-10 buildings which offer office/retail spaces in the range of INR 100 - 180/sq.ft. The floor plates are usually small.
- The Jasola business district currently exhibits high vacancy levels of approximately 20-22% in office/retail spaces.
- Currently, the rental values at Nehru Place vary in the range of INR 80 - 200/sq.ft. Nehru Place has vacancy levels of approximately 3-4%.
- The commercial micro-market of Saket has emerged as a sought after retail destination and vacancy levels in the same seems to be negligible. There are a few 'office cum retail' spaces in the micro-market, offering rentals in the range of INR 100-200/sq.ft. As per the current levels, approximately 10-12% of these spaces are vacant.

Source of vacancy numbers and rental values: Prop Equity and ICICI HFC

## Price Trends in Secondary Business District\*



\*Source: PropEquity, ICICI PSG



Building in Jasola

## Key Locations: Netaji Subhash Place, Pitampura, Janakpuri District Centre, Shivaji Place District Center

- Pitampura is an upscale residential, commercial and retail center, located in the north-west part of New Delhi. Netaji Subhash Place (also called NSP) is emerging as another commercial and retail destination located in the vicinity of Pitampura. Well-constructed commercial buildings by reputed local developers have started emerging here since early 2000. NSP primarily offers commercial 'office' spaces and is often considered akin to new Nehru Place.
- The Shivaji Place District Centre is located in the heart of Rajouri Garden in west Delhi. It is connected via the Ring Road and Najafgarh Road and is located opposite the Rajouri Garden Market. The catchment of the district centre comprises prime residential localities of Punjabi Bagh, Rajouri Garden, Tilak Nagar, Mansarovar Garden, Kirti Nagar, Paschim Vihar and Patel Nagar. It houses a slew of shopping malls such as West Gate mall, TDI mall, TDI Paragon mall and MGF City Square mall.
- District Center near the Janakpuri West Metro Station is the main center for commercial/retail activities. Many IT companies have their offices in the premises. Janakpuri is also home to the RTO (Regional Transport Office) for the West Delhi region.

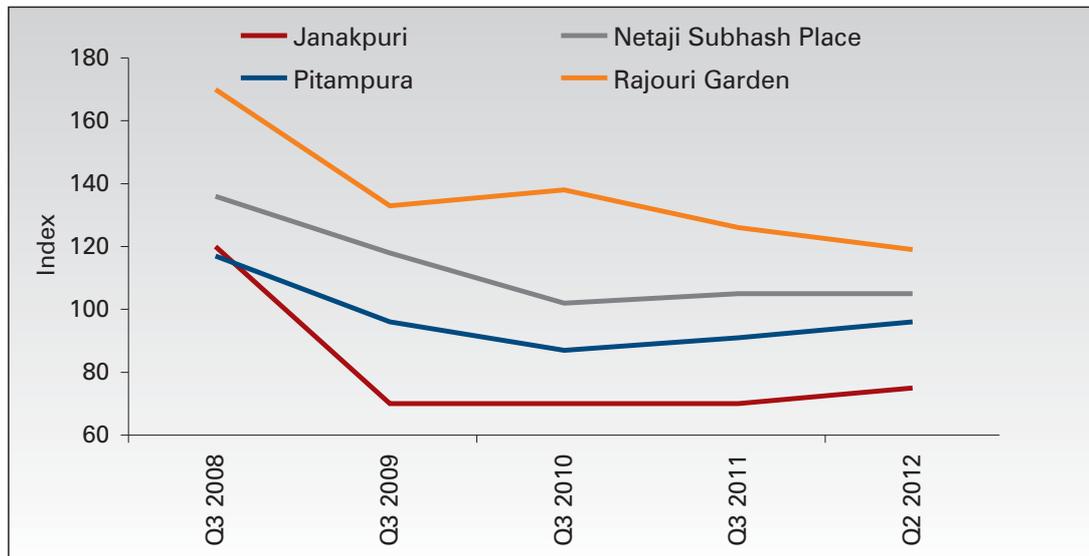
### Salient Features:

- **Accessibility:** All locations are well-connected via the Delhi metro rail network. While Pitampura and NSP can be accessed through three metro stations (Pitampura, Netaji Subhash Place and Kohat Enclave metro stations) on the Red Line of Delhi metro network, Janakpuri and Shivaji Place district center are reachable from Janakpuri and Rajouri Garden metro stations respectively, on the Blue Line of Delhi metro.

These locations are also approachable through buses, autos and taxis.

- **Key Occupiers:** BFSI sector is the key occupier of office spaces in these business districts.
- **Key Developers:** Key retail/commercial developers include TDI, MGF, Best group, Pearls Infrastructure.

### Price Trends in Extended Business Districts\*



\*Source: PropEquity, ICICI PSG

### Gurgaon

With the passage of time, the city of Gurgaon has witnessed tremendous growth in urbanization. The collaboration of Suzuki Motors of Japan with Maruti Udyog Limited in early eighties created a new era for rapid industrialization of Gurgaon, as a result of which Gurgaon came on to the International map. The key growth drivers include industrialization-favourable policy initiatives by the Haryana government, strategic location of the city near the national capital Delhi, close proximity to the IGI Airport, and its well-developed infrastructure base such as existing roads and communication network in addition to affordable rental price points (vis-a-vis the same in good locations of Delhi). These factors have made Gurgaon a choicest location for commercial and consequently residential development.

### Key Locations: Golf Course Road, DLF phases, MG Road, NH-8, Udyog Vihar, Sohna Road, Dwarka Expressway.

- Gurgaon city emerged as an extension of the south-western precincts of Delhi. Today the city can be accessed via the NH-8 and MG Road from the southern part of New Delhi. Besides this, an expressway originating at Dwarka (West Delhi) is undergoing civil works to provide another entry point into the city.
- The commercial/retail business districts in Gurgaon are spread across the Golf Course Road, MG Road, the DLF Phases I to IV, NH-8, Udyog Vihar. However, the DLF Cyber City and the Sohna Road primarily cater to IT/ ITeS segment.
- Golf Course Road (GCR) has emerged as a premium location offering a slew of luxury residential housing options as well as quality commercial/retail spaces. One of the key drivers of growth in the city was the development of a golf course by DLF. As a golf centric development is typically considered to be premium and prestigious, the road turned out to be one of the most desirable localities. Some of the significant office buildings include Genpact, American Express, Ernst & Young, Dell, Vertex, Hewitt, Global Business Foyer, Paras Twin Towers, Suncity Business Park, Ninex Time Tower and Varitas.
- Besides offices, some shopping malls such as Central Plaza, Mega Mall and hotels like IBIS are present at GCR. While a major part of developments here have been undertaken by DLF, many other developers have now got a foothold on this road. The entire stretch of Golf Course Road is well connected with arterial roads such as MG Road and National Highway 8 (NH-8). Of late, the developing Golf Course extension road (which extends the GCR) has also become a very viable commercial office space destination.
- The DLF Cyber City is spread over an area of approximately 125 acres, offering Commercial/IT/ITeS/SEZ spaces to corporates, software majors and IT-enabled service companies. Adequate retail development can also be witnessed in the location.
- MG Road (Mehrauli-Gurgaon Road) is one of the developed stretches in Gurgaon. The real estate land-scape is largely dotted with commercial and retail spaces, with a mix of premium residential development. Office buildings at MG road include Time tower, First India place, JMD Regent Plaza, ABW towers, ABW corporate suites, Emaar MGF Business Park, Vatika City point, Vatika Triangle, Bristol hotel and Vipul Agora. All major malls in the city are located on this road.
- Sohna Road has various segments of real estate on either side of the road: commercial spaces, residential apartments, villas, IT parks and retail. Key developers present are Vatika Group, Bestech Group, Vipul Group, CHD Developers, Parsvnath Developers, JMD Group, Unitech, Spaze, Omaxe, Central Park.
- Dwarka Expressway: Parts of some sectors ( 106, 109, 112, 113 and 114) aligned with this under-construction expressway have been earmarked for commercial and industrial development. While residential real estate has been very active in this micro-market, the commercial development is still at a very nascent stage.

## Salient Features:

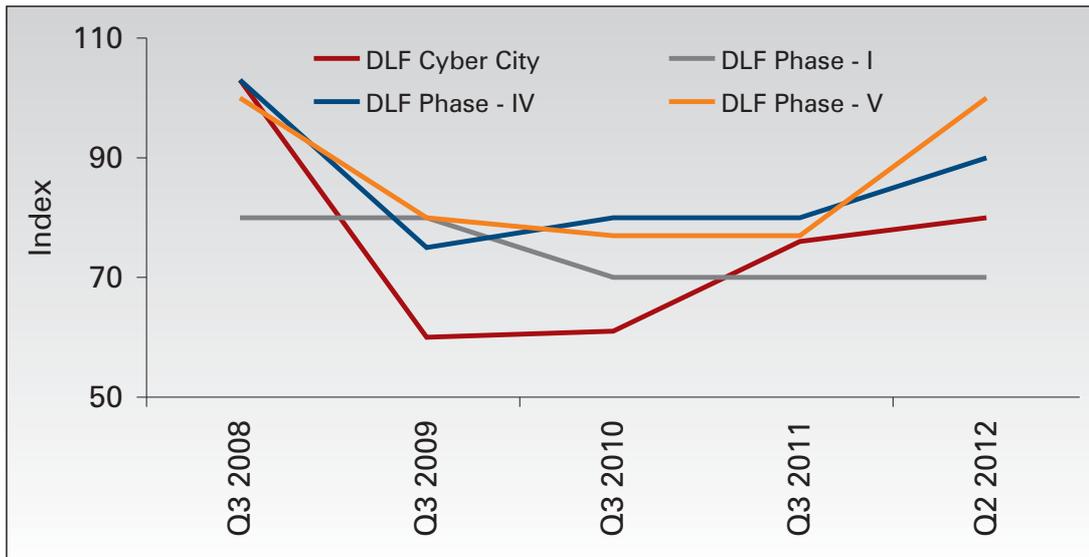
### Accessibility:

- **Inter-city:** The city is very well connected with the national capital of Delhi through excellent road networks as well as Delhi Metro rail network. Currently the city can be accessed through NH-8 (Delhi-Gurgaon expressway) and the M G Road. However, in order to mitigate traffic congestion, there exist plans to develop various alternate routes between the two cities as well as between the key locations within the city. A 150 meters wide expressway (Dwarka Expressway from Dwarka, Delhi) and a road from Vasant Kunj (Delhi) are under-construction to increase the connectivity between Delhi and Gurgaon. Moreover, cities such as Jaipur, Faridabad and Sohna are also very easily accessible through well-connected roads.
- **Intra-city:** Certain roads in the city such as MG Road, GCR, GCR extension road, and roads in New Gurgaon offer excellent connectivity within the city. Besides this, to cope up with traffic woes, a number of roads have been planned within the city. Recently, HUDA and developer DLF have planned a 16-lane dedicated corridor in Gurgaon to link DLF's Gateway Tower in Cyber City to the Golf Course Road. This will be a signal-free movement from the toll gate to sector 55/56 and underpasses have been conceived to make it environment-friendly.
- **Sectors witnessing growth:** While the IT/ITeS is key occupier of commercial office space in Gurgaon, Automobile, Engineering, Procurement and Construction (EPC), BFSI, Manufacturing, Pharmaceuticals and F&B sectors have also witnessed growth in the city.
- **Infrastructure:** Gurgaon's urbanization began with DLF building residential colonies in the 1980s, but the city - which grew into a hub of multinational companies, including outsourcing firms, after the economy was opened up a decade later - didn't build enough infrastructure to cope with the demand. Presently, while the developed parts of Gurgaon witness decent road connectivity, the newer locations like Dwarka Expressway (NPR), New Gurgaon and a part of SPR are still at a nascent stage. The city also suffers from power and water shortage woes, which are taken care of upto some extent in developer housing societies which provide back-up. There is a lack of comprehensive infrastructure including a dearth of sidewalks, convenience stores and public parks.
- **Metro Connectivity:** The city is connected with Delhi Metro's Yellow line and currently there are 4 metro stations along MG Road (Guru Dronacharya, Sikanderpur, MG Road, IFFCO Road) and a station at the HUDA City Center. Besides this, a Rapid Metro Rail is undergoing civil works to provide an active and swift link from various parts of Gurgaon Cyber City to Sikandarpur Metro Station. This line will be built and operated by a consortium of real estate developer, DLF and Infrastructure Leasing & Financial Services (IL&FS). It is expected to get operational in the H1 2013.
- **Relocation from the CBD:** Relocation/consolidation activities from the CBD locations to other emerging business districts has become a known phenomenon across markets. With the passage of time the CBD of Connaught place had become saturated with neither the desired space configurations nor the best of infrastructure support. Also, parking woes coupled with high price points have triggered corporates to move to Gurgaon. The city offers large and efficient floor plates in a variety of affordable options.
- **Key Commercial Developers:** The city witnesses the presence of almost all the known developers. However, key developers include DLF, Unitech, Ansals, Emaar MGF, Vatika Group, Bestech, Spaze Group and Paras.

### Some of the distinct trends observed are:

- The entire city exhibits vacancy levels of approximately 25 - 30%, scattered across different locations in the city.
- Sohna Road and the DLF Cyber City predominantly cater to IT/ITeS sectors. The IT and non-IT rentals on Sohna Road vary in the range of INR 40 - 50/sq.ft. and INR 55 - 65 /sq.ft. respectively. Sohna Road witnesses a significant level of over-supply.
- There seems to be a slight pressure on the rental values at MG Road, GCR and the NH-8, on account of paucity of space. The pressure on rentals is expected to continue, until new supply comes up at other emerging locations such as the GCR Extension. While the rentals at the MG Road and the GCR hover around INR 110 - 130/sq.ft. and INR 85 - 95/sq.ft. respectively (is this also for bare shell units), NH-8 witnesses values in the range of INR 90 - 110/sq.ft.
- Affordability, connectivity with Delhi and other neighboring locations, coupled with the presence of big corporates has given a boost to the Gurgaon commercial markets.

Price Trends in Peripheral Business Districts (Gurgaon)



Source: PropEquity, ICICI PSG



Delhi-Gurgaon-expressway

### Key Locations: Sector 18, Sector 50, Sector 61, 62, 63, Noida Expressway, Greater Noida

- Commercial (office/retail/IT) real estate in NOIDA is spread across various sectors. Sector 1 to 6, 10, 16, 16A (Film City), 18, 51, 52 and 57 to 62 have some commercial zones while some commercial avenues have also come up in sector 21, 28, 29 and 37. It is evident from the Noida Master Plan 2021 that excluding residential, the maximum area has been earmarked for industrial and institutional development followed by commercial.
- Sector 18, Noida is considered to be the main commercial/retail hub in the city. While the region offers a slew of shopping malls (operational/under-construction) and a shopping main-street with the presence of almost all reputed brands, some office/retail spaces can also be witnessed.
- Noida Expressway Belt: In terms of commercial development the expressway essentially offers institutional and industrial spaces with a certain level of commercial development. Moreover, the belt predominantly looks at IT/ITeS segments.

### Salient Features:

- **Accessibility:** The city is well-connected with neighboring cities. Noida has three main expressways. One is the DND (Delhi-Noida-Delhi) Flyway, which connects Noida and Delhi and runs across the river Yamuna. It witnesses heavy traffic from office-goers commuting between the cities. The second is the Noida-Greater Noida (NGN) Expressway and third is the Yamuna Expressway which has recently become operational, connecting Noida to Agra via Mathura. The area adjacent to the NGN Expressway has seen heavy residential development in recent years. Besides this, the road network within the city is very well-planned, and scores above the same in Gurgaon.

UPSRTC, DTC and private buses ply through various routes in the city. Taxi, auto rickshaws and cycle rickshaws are available for transportation over short distances.

Delhi Metro Rail network offers connectivity from Delhi to various locations of Noida by means of the Blue Line that runs between Dwarka and Noida City Centre. Currently, there are six metro stations in Noida and the metro will penetrate further into the city.

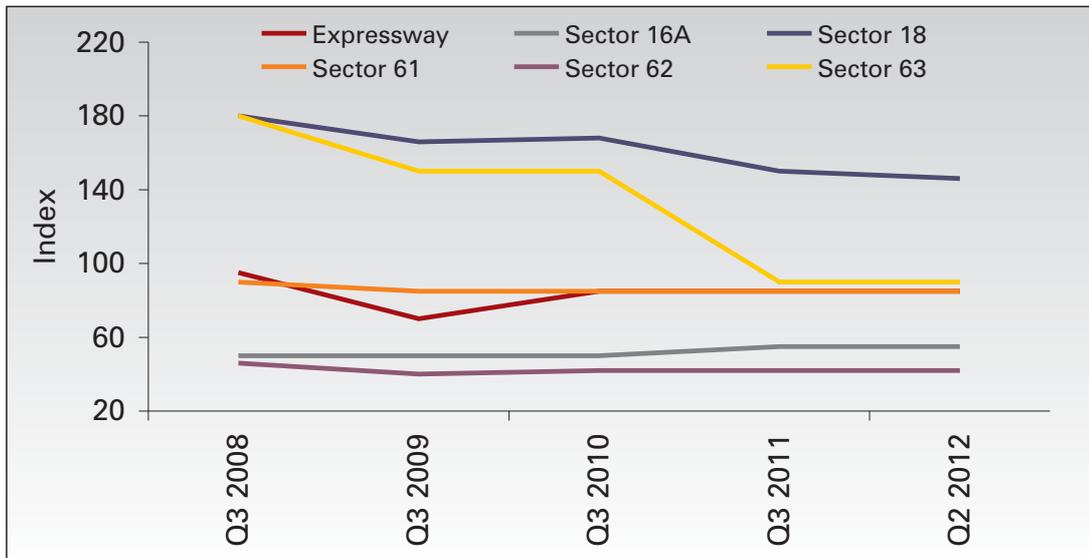
- **Key Sectors:** Noida is typically characterized by IT/ITeS companies and BPOs. The city also houses many automobile ancillary units. Many other companies have their Indian branch offices in Noida, because of the Special Economic Zone, the suburban atmosphere in Noida, and its proximity to the national capital. Noida also has the head office of the Software Technology Park, established by the Government of India to promote the software industry. Film City (Sector 16A), a major hub for news channels and studios is also located here.
- **Key Occupiers:** Adobe Systems, TCS, CSC, HCL, ATC Labs, Agreeya Solutions, GlobalLogic, EXL, Birlasoft, Impetus, ST Microelectronics, MtronPTI, Fiserv, Interra and Xansa are some of the key occupiers of space.
- **Key Developers:** Key commercial developers include the 3C Developers, Unitech, Spice World, Wave Infratech, Parsvnath, DLF, Logix, Assotech.

### Some of the distinct trends observed are:

- The main commercial and retail hub of Sector 18 in Noida, witnesses retail mall rentals in the range of INR 150 - 350 /sq.ft. Currently, there is hardly any commercial office space available. However, a few projects are undergoing construction, which will add on to supply in the future.
- Traction is expected on the Noida Expressway in the IT/ITeS spaces because of relative affordability and availability of larger floor-plates. Various companies prefer moving to IT SEZs, because of availability of larger floor plates. This helps them to consolidate operations at one go instead of having to deal with multiple owners for consolidation of small-spaces to larger ones.
- Sector 60, 61, 62 belt is a mix of predominantly institutional and some IT/ITeS development. The floor plates are essentially small and currently demand is subdued in this belt. Consequently, a significant over-supply can be witnessed here.

*Source of vacancy numbers and rental values: PropEquity and ICICI HFC*

**\*Price Trends in Peripheral Business Districts (Noida)**



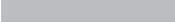
\*Source: PropEquity, ICICI PSG



Delhi Noida Direct flyway

## Location Attractiveness Index

	Connaught Place	Golf Course Road (GCR)	Sohna Road	MG Road	Extended GCR	Sector 18, Noida	Expressway Noida-Greater Noida	Sector 61, 62, 63	Greater Noida
Proximity to Manpower (Employable Workforce)	Good	Above Average	Below Average	Above Average	Below Average	Good	Average	Above Average	Average
Accessibility (Proximity to railway stations, bus stops)	Good	Average	Below Average	Above Average	Below Average	Good	Average	Average	Bad
Infrastructure (Condition of roads, parking amenities, power, in that micro market)	Above Average	Above Average	Average	Above Average	Below Average	Average	Above Average	Average	Good
Vacancy Levels	Low (Lack of Supply, Healthy Demand)	Medium (Demand meets Supply)	High (Lack of Demand)	Low (Lack of Supply, Healthy Demand)	High (Lack of Demand)	Low (Lack of Supply, Healthy Demand)	High (Lack of Demand)	High (Lack of Demand)	High (Lack of Demand)
Noida (INR 40/sft.) 100/sft.), Gurgaon (INR 80/sft.), Average rentals for Delhi (INR Rentals/Capital Values -	Above Average	Average	Below Average	Above Average	Below Average	Above Average	Average	Below Average	Below Average
Architectural and Aesthetic designs	Above Average	Good	Above Average	Good	Average	Average	Above Average	Below Average	Below Average

	Good / Low
	Above Average
	Average / Medium
	Below Average
	Bad / High

Note: The LAI is from the tenant's perspective.

Vacancy Levels: Vacancy levels have been bad viz. high for certain regions on account of lack of demand and for certain other regions on account of oversupply of commercial spaces. The reasons have been specified for the reader.

Source: ICICI Property Services Group

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