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# Office space demand up 19% in Q1, the vacancy level lowest in 10 quarters: Cushman & Wakefield

***The supply across the eight cities witnessed a huge surge of 41% to 11.1 million sq ft, the majority noted in Bengaluru, followed by Delhi-NCR and Hyderabad.***

Following a strong fourth quarter of 2015, overall demand for office space in the first quarter of 2016 increased by 19% from a year ago to 11.7 million sq ft across the top eight cities, said property consultants Cushman & Wakefield. 

The supply across the eight cities witnessed a huge surge of 41% to 11.1 million sq ft, the majority noted in Bengaluru, followed by Delhi-NCR and Hyderabad. Despite high infusion of supply and comparatively lower absorption, the overall vacancy across eight cities was seen at 17.12% at the end of March quarter - this has been the lowest vacancy level in 10 quarters.

Pre-commitments more than doubled compared to the same quarter last year and were noted at 4.6 million sq ft, representing 40% of the total demand. In order to sync real estate requirements with business growth strategy, a number of companies have committed space foreseeing limited availability of upcoming quality stock in select markets.

Availability of quality space, competitive rentals, availability of talent and political stability have been major reasons that have cemented Bengaluru's position as a leader in the commercial office space.

"Demand looks promising going forward with increasing business confidence backed by policy announcements and government initiatives. The first quarter began by recording a high pre-commitment level, ensuring healthy momentum the next few quarters' especially in southern cities," Ritesh Sachdev, Managing Director, Tenant Advisory Group, India, Cushman & Wakefield. "Moreover, the year 2016 began with some outright purchases in top cities, which have fueled optimism into the sector. Overall, with the government streamlining the taxation structure of REITS, the market might witness higher investment activity towards the later end of the year."

IT-ITES sector continued to fuel the Hyderabad market, leading to a 107% increase in demand of 2.3 million sq ft. The city saw heightened net absorption of 1.2 million sq ft and equivalent pre-commitments during the quarter owing to greater business confidence. After four quarters of staggered supply levels, supply too increased by 49% to 1.4 million sq ft during the March quarter.

