Intelligent Investment

2024

India Market Outlook

REPORT

UNVEILING THE YEAR'S
REAL ESTATE LANDSCAPE

CBRE RESEARCH
APRIL 2024

CBRE

Contents

Alternate Sectors

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Foreword

We are delighted to present the 2024 edition of our flagship India Market Outlook series. As we commence a new fiscal year, this comprehensive report delves into the intricacies of the current market landscape and unveils the projected course of the Indian real estate sector. Leveraging the latest market data, expert insights, and rigorous research, these reports aim to empower our valued clientele and readers with the knowledge to navigate the dynamic economic environment and make informed investment decisions.

India's robust economy, underpinned by a narrowing current account deficit, record foreign exchange reserves, and a healthy fiscal position, creates a fertile ground for real estate growth. The government's commitment to fiscal prudence and the central bank's measured monetary policy have built a strong foundation for sustained expansion. Additionally, targeted government initiatives are expected to catalyse a new capex cycle, further bolstering the market.

Following the resilience displayed in 2023, we anticipate India's office sector activity to remain upbeat in 2024, attracting firms looking for skilled talent. Leading occupiers continue to prioritize quality spaces for growth, potentially fuelled by an encouraging return-to-office trend. Economic growth and strategic policies propel a growing diversity in office space demand beyond technology firms. At the same time, GCCs, a burgeoning force, continue their significant expansion, solidifying India's position as a key growth market.

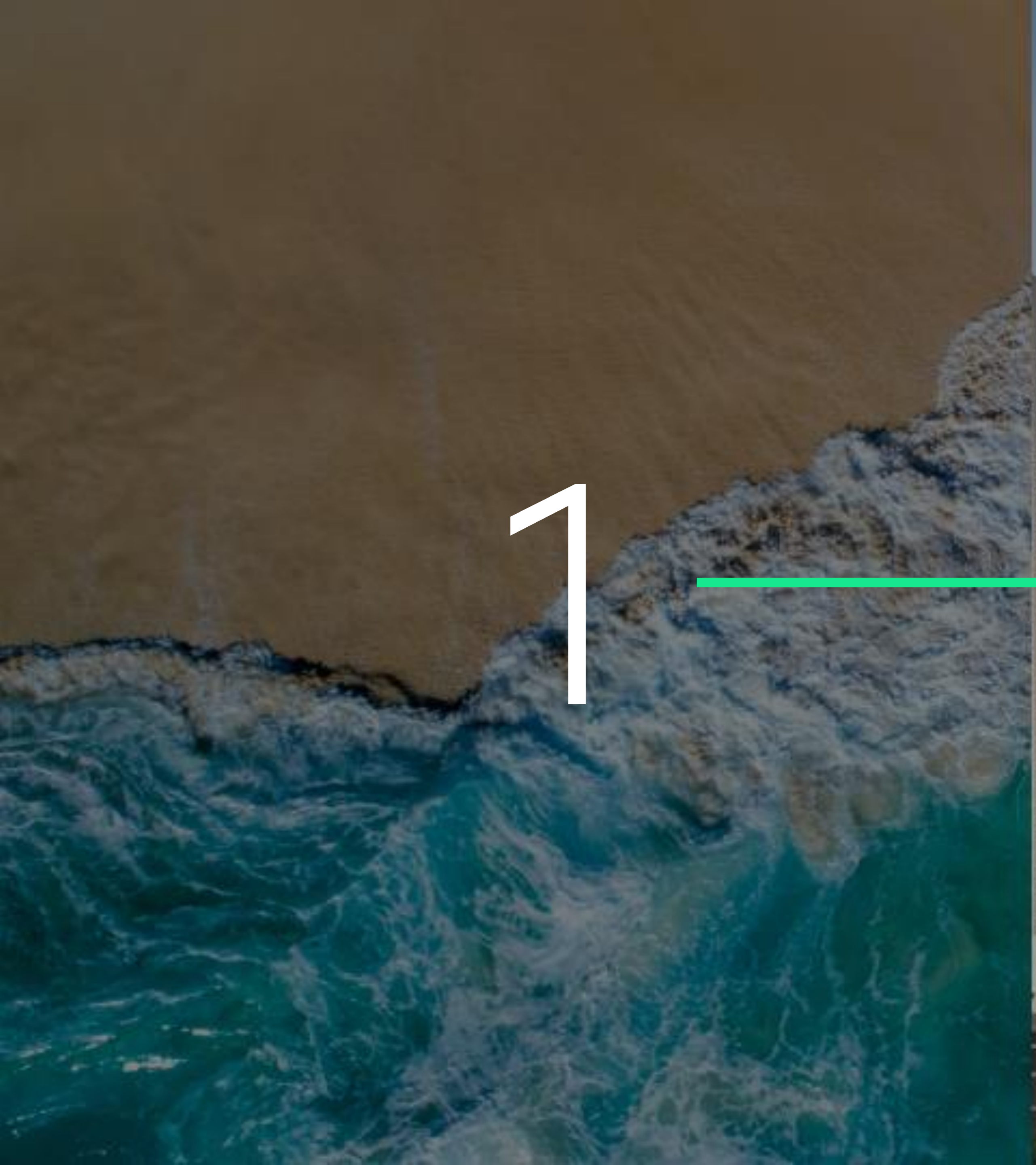
Driven by the increasing adoption of multi-polar strategies, India's Industrial and Logistics (I&L) sector is poised for sustained growth in the coming quarters. Demand is anticipated to be dominated by 3PL firms owing to occupiers' continued reliance on their distribution networks, followed by E&M companies. E-commerce demand for small-sized requirements will also likely pick up pace. Besides, occupiers seek to upgrade to core and quality-compliant assets that offer improved storage facilities, meet EHS requirements, and provide optimized rental options.

India's retail sector also builds on 2023's momentum, driven by strong consumption demand and new shopping mall completions across major cities. With cautious optimism from both retailers and consumers expected in 2024, tier-I cities will likely continue witnessing expansion, while several tier-II markets might become attractive destinations for retail development. Interestingly, malls are evolving into experiential hubs, shaping the industry's future with entertainment, dining, and dynamic shopping experiences.

The country's residential sector is poised to thrive in 2024, backed by robust underlying market fundamentals. We anticipate sales and new property launches to sustain the sector's buoyancy despite the potential challenges. While the sector is expected to observe divergent asset pricing trends across different markets, the premium and luxury residential segments, priced at INR 2 crore and above, will likely continue flourishing as discerning buyers prioritise spacious homes offering convenient access to essential support infrastructure.

Investment activity is expected to accelerate in H2 2024, driven by ample investor capital following strong exits in 2023. While core sectors such as development sites, office, I&L, and retail will expectedly remain attractive, capital flows will likely expand to data centres, student housing, senior living, flexible workspaces, healthcare, and education. Tier-I cities are anticipated to see the bulk of inflows, but tier-II cities, particularly in retail and I&L, are also poised to rise.

Beyond core sectors, data centres, life sciences, flexible spaces, hospitality, and healthcare exhibit promising trends, further diversifying the real estate landscape in 2024. This report explores these areas in greater detail, along with other relevant considerations, and we sincerely hope you find it highly engaging and helpful.




1 Economy

India's economy continues to demonstrate resilience, exhibiting sustained growth underpinned by several positive indicators. These include a narrowing current account deficit, near-record foreign exchange reserves, and a healthy fiscal position. The government's commitment to fiscal consolidation, coupled with the central bank's disciplined monetary policy, has established a strong foundation for continued economic expansion. Furthermore, healthy balance sheets across the central government, banking sector, and financial institutions, along with targeted government incentives, are anticipated to set a fresh capex cycle in motion.

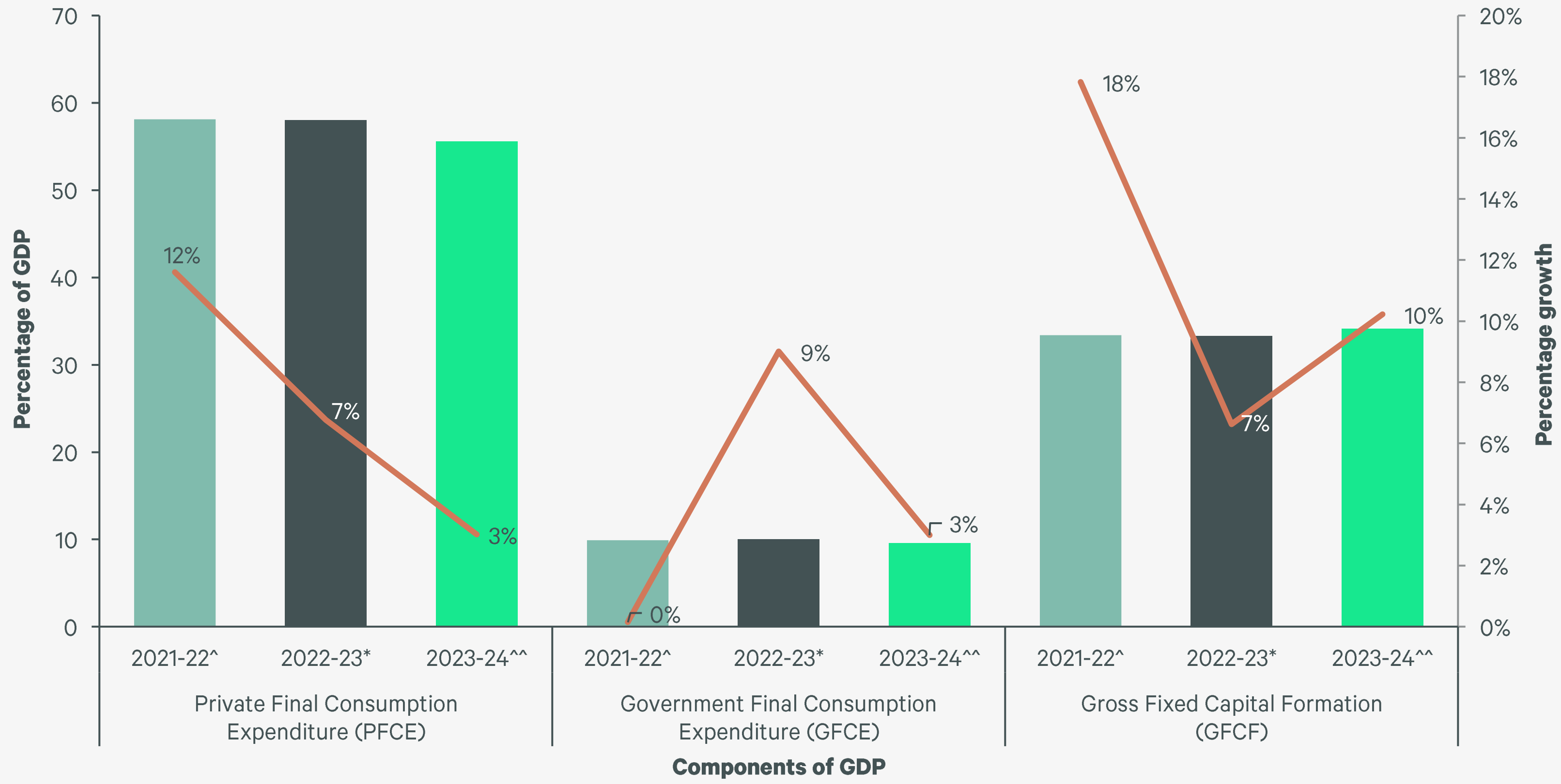
The year that was

01

GROSS FIXED CAPITAL FORMATION SCALES NEW HIGHS

The gross fixed capital formation (GFCF), a measure of the growth of productive assets in the economy, noticeably increased from a low of 30.7% of GDP amounting to INR 32.78 lakh crore in FY2015 to 34.1% of GDP amounting to INR 58.93 lakh crore in FY2024.[1.1] Unsurprisingly, the Indian economy has seen its highest pace of asset formation since 2009. For capital expenditure on projects related to sectors such as health, education, irrigation, and power, the central government approved and provided special assistance to the states through a 50-year interest-free loan. In addition, the Interim Budget 2024-25 proposed increasing the outlay for infrastructure development by 11%, amounting to INR 11.11 lakh crore, or 3.4% of the GDP.[1.2]

Figure 1.1 Expenditure components of GDP



^Second Revised Estimate *First Revised Estimate ^^Second Advanced Estimate

Source: Ministry of Statistics & Programme Implementation; CBRE Research, Q1 2024

1.1. Second advanced estimates of National Income 2023-24, Ministry of Statistics & Programme Implementation, Government of India, February 2024

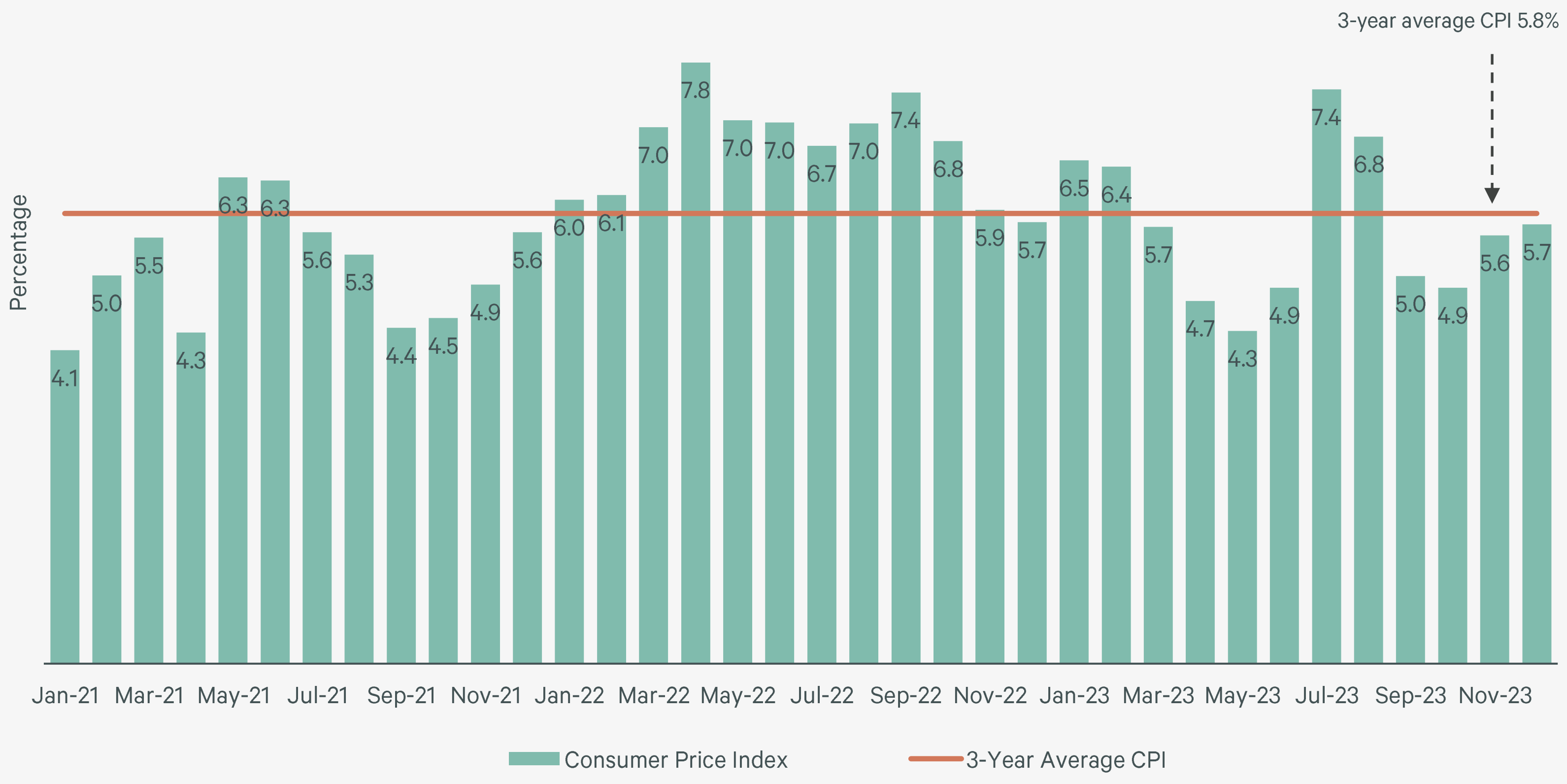
1.2. Interim Budget 2024-25

02

STICKY INFLATION PERSISTED IN 2023

Retail inflation surpassed the Reserve Bank of India's (RBI) target rate of 4% (+/- 2%) on four occasions throughout 2023. Headline Consumer Price Index or CPI inflation eased to 4.9% in October, down from a July high of 7.4%. This moderation was evident in food, fuel, and core CPI components. The impact of prior policy rate adjustments is ongoing. Consumer prices for food and beverages rose by 8.02% in November following a four-month low of 6.24% in October. While remaining stubbornly elevated throughout 2021 and 2022 (~6% average), core inflation (CPI excluding food and fuel) declined notably to 3.8% in December 2023.

Figure 1.2 Consumer Price Index: 2021, 2022, and 2023



Source: Ministry of Statistics & Programme Implementation; CBRE Research, Q1 2024

Top five trends expected to shape the economy in 2024

01 INTEREST RATES MAY REMAIN HIGHER IN THE SHORT TERM

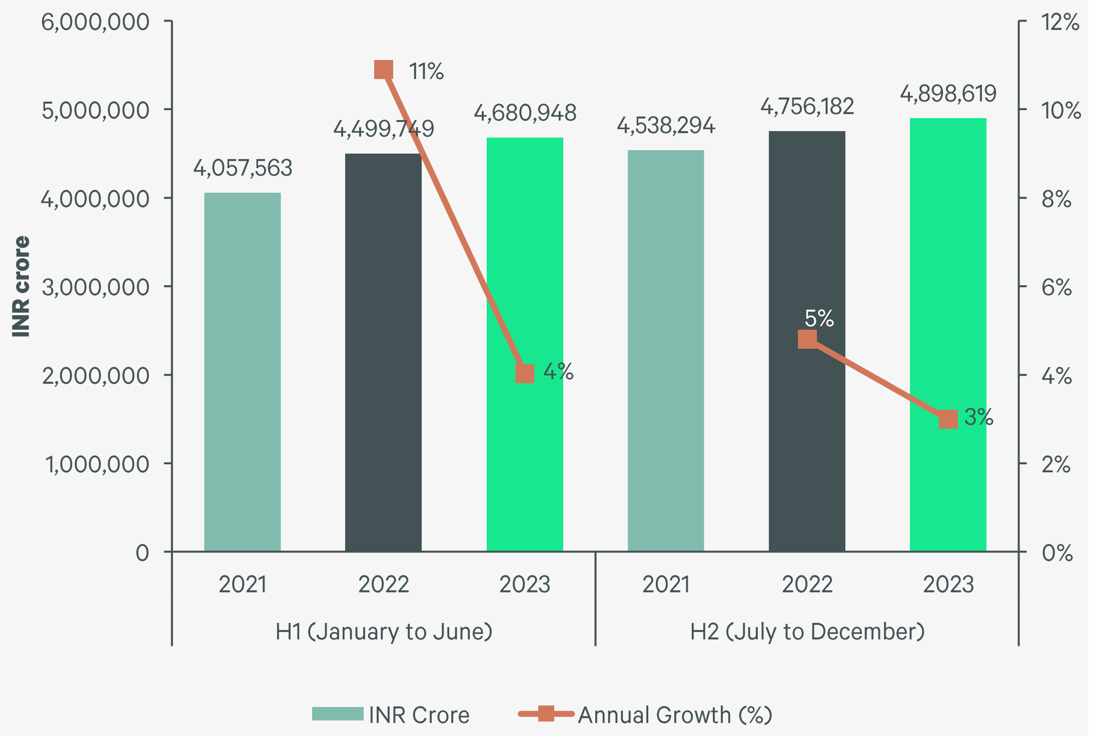
The prospect of a near-term policy pivot by the RBI remains contingent upon achieving sustained alignment with its medium-term inflation target of 4%. While achieving this objective has presented challenges despite the monetary policy committee's (MPC) cumulative 250 basis points worth of rate hikes in 2022-23, positive signs are emerging. Core inflation notably reached a four-year low of 3.5% in January 2024.[1.3]

Looking ahead, projections anticipate a further decline in the Consumer Price Index (CPI) in the coming months. This anticipated development will likely bolster the central bank's confidence to initiate a measured easing of key policy rates and reserve ratios, which would then translate into lower borrowing costs for businesses and individuals.

02 PRIVATE CONSUMPTION SET TO PICK UP AS INFLATION EASES

In the post-pandemic era, India's economy has primarily been driven by the private final consumption expenditure (PFCE). Among a few contributing factors, the most significant one was the developing latent demand that was not met during the lockdown imposed due to the COVID-19 pandemic. From Q3 FY2023, growth in the PFCE has been falling, decreasing to 3.5% Y-o-Y in Q3 FY2024 from 5.31% in Q1 FY2024 and averaging 3.5% during the previous four quarters (as opposed to an average of 10.9% in the preceding four quarters - Q3 FY2022 to Q2 FY2023). As inflation is expected to decline materially in the coming months, the PFCE will likely expand commensurately post elections by the middle of 2024.

Figure 1.3 Private Final Consumption Expenditure



Source: Ministry of Statistics & Programme Implementation; CBRE Research, Q1 2024

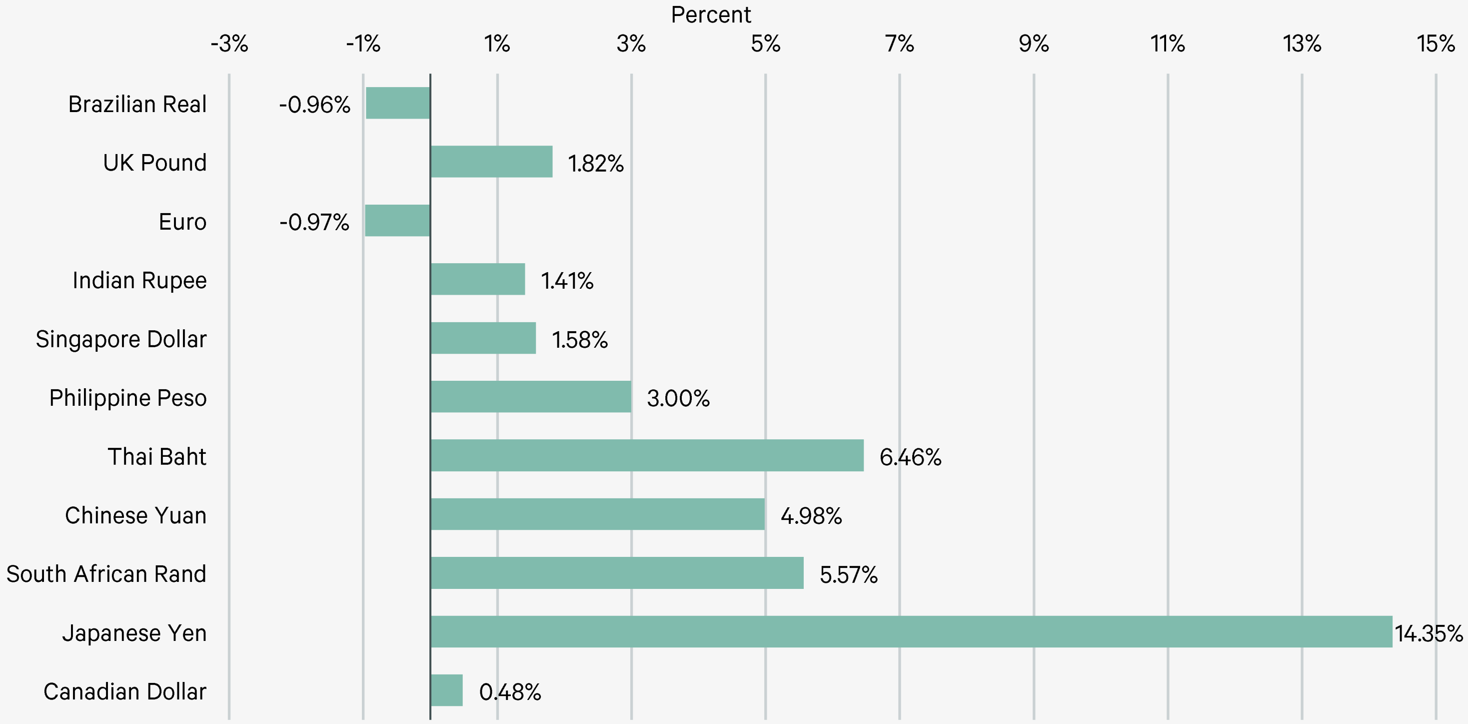
1.3. Department of Economic Affairs, Government of India, January 2024

03 FOREX RESERVES TO KEEP THE RUPEE STABLE

Between April 2023 and March 2024, the Indian rupee has been one of the best-performing currencies against the US dollar, as its value declined by only about 1.4% during this period, compared to an 8.2% depreciation over the same period the previous year.[1.4] Foreign Portfolio Investors (FPI) should be drawn in by India's robust gross domestic product (GDP) trends, projected to grow by 7.6% in FY 2024 underpinned by strong investment activity.[1.5] This would expectedly help reduce the RBI's forex market intervention, given the central bank also provided a foreign exchange buffer against volatility for the rupee. As of March 22, 2024, India's foreign exchange reserves were USD 642.6 billion, enough to pay 11 months' worth of estimated imports and 99% of the country's outstanding external debt as of September 30, 2023.[1.6]

In addition, the World Bank predicts inward remittances are expected to rise by 8% to USD 135 billion in 2024, and India would continue to be its top beneficiary globally.[1.7] All these factors together will likely stabilise the rupee in 2024, with the caveat that any commodity price shocks and an unlikely full-blown geopolitical conflict could cause disturbances.

Figure 1.4 Exchange rate movement of select currencies against the USD (April 1, 2023 – March 31, 2024)



Source: Reserve Bank of India and Bank for International Settlements; CBRE Research, Q1 2024

1.4. Reserve Bank of India, March 2024
1.5. Ministry of Statistics & Programme Implementation, Government of India, February 2024
1.6. Department of Economic Affairs, Government of India and Reserve Bank of India, March 2024
1.7. Department of Economic Affairs, Government of India, January 2024
Please note: Currency depreciation occurs when, because of a change in exchange rates, a unit of one currency buys fewer units of another currency

04

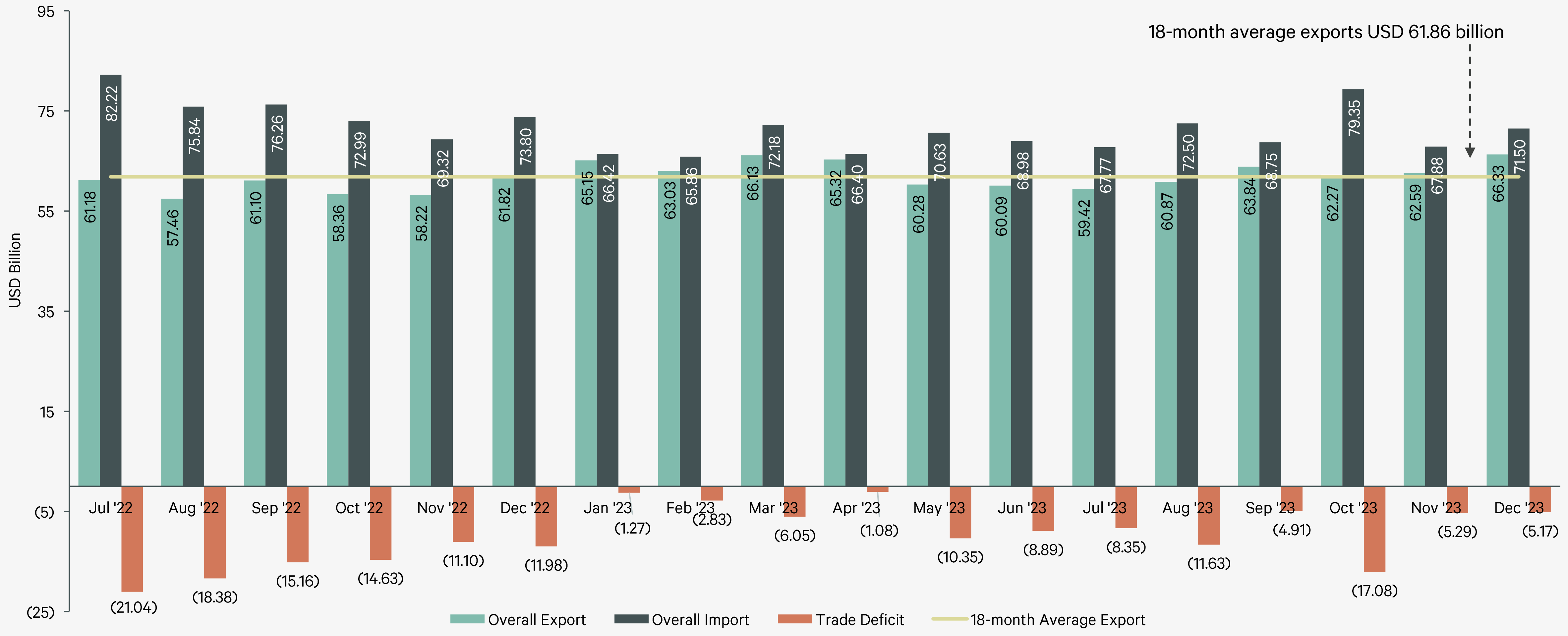
EXPORTS MAY REMAIN FLAT TILL GLOBAL ECONOMY RECOVERS

With a tardy pace of 0.2%, the expansion of international trade in products and services outside of global recessions increased at the slowest rate in the last 50 years in 2023. Nonetheless, the World Bank predicts that global trade would increase to 2.3% by 2024, continuing the trend in 2025.[1.8] India's trade balance improved in 2023 because of a slowdown in global demand and a faster reduction in merchandise import growth due to falling commodity prices. However, India's merchandise export growth also moderated during the year, while positive projections for both exports and imports during Q4 FY2024 were reported in the RBI's Industrial Outlook Survey of the Manufacturing Sector.

In another report, the RBI projected India's merchandise exports and imports to grow by 3.6% and 5.2%, respectively, during 2024-25.[1.9] The classification of main commodity groupings demonstrates that exports have generally decreased across all categories apart from electronic items, spices, and drugs & pharmaceuticals. However, between April 2023 and February 2024, there was a 17.8% increase in net service trade.[1.10] India's service exports may increase in the upcoming year due to improved possibilities for establishing global capability centres (GCCs), while merchandise exports shall continue to get a boost from electronic goods and pharmaceutical shipments.

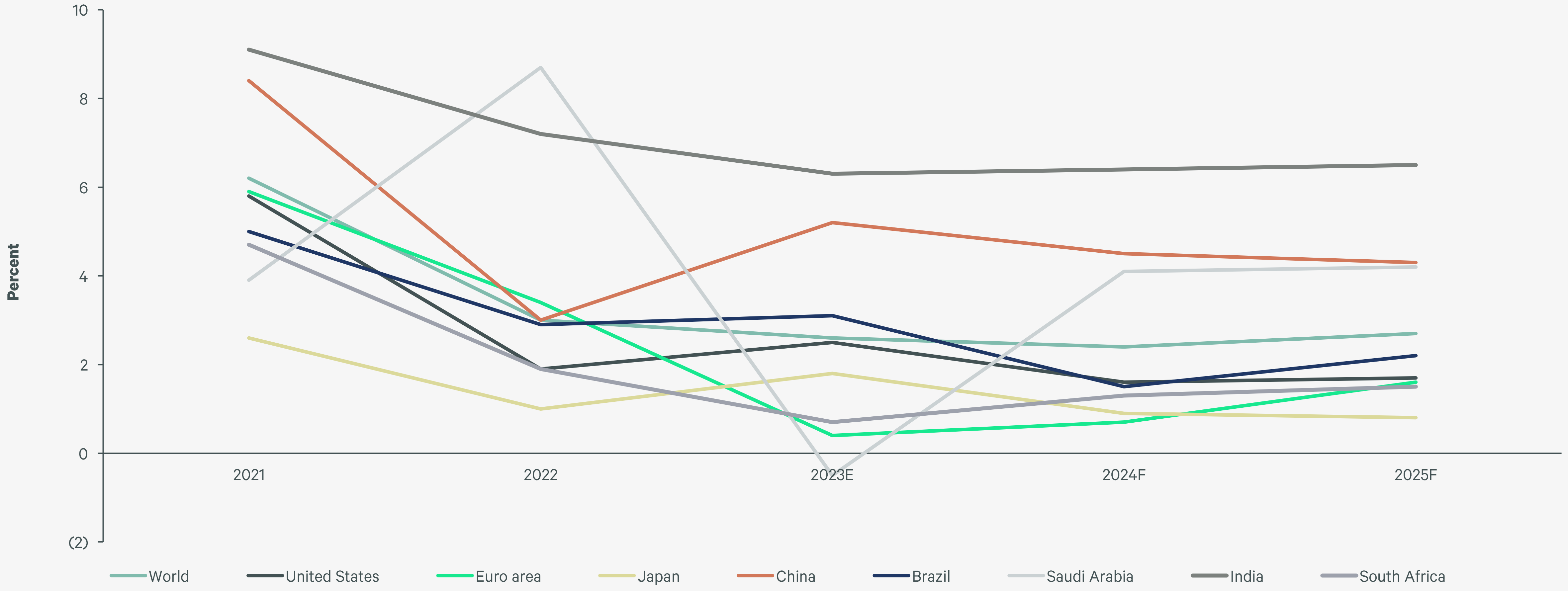
1.8. Global Economic Prospects, World Bank Group, January 2024
1.9. RBI's 86th round of Professional Forecasters on Macroeconomic Indicators, February 2024
1.10. Department of Economic Affairs, Government of India, January 2024

Figure 1.5 Foreign Trade Data July 2022 - December 2023



Source: Ministry of Statistics & Programme Implementation; CBRE Research, Q1 2024

Figure 1.6 GDP growth rates of select global economies

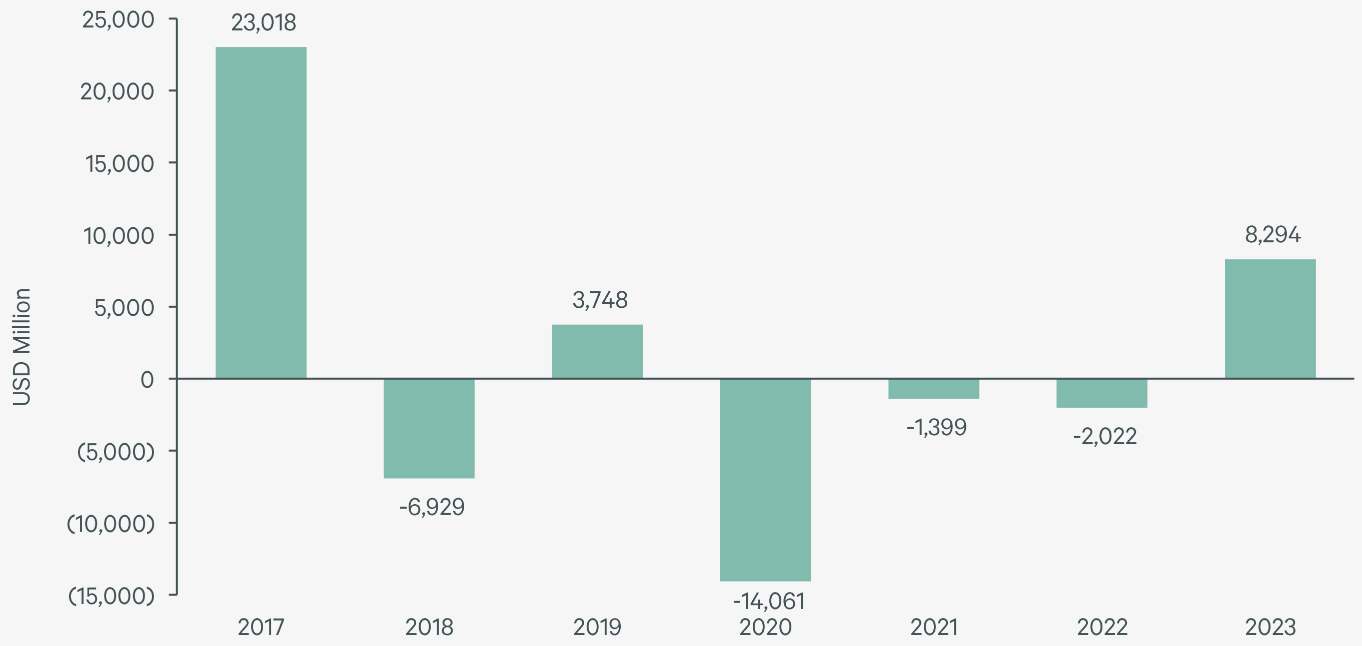


Source: World Bank; CBRE Research, Q1 2024

05 INDIA'S INCLUSION IN EMERGING MARKETS BOND INDEX SET TO DRIVE FPI INFLOWS

India's inclusion in the JP Morgan Government Bond Index-Emerging Markets (GBI-EM) index, commencing June 2024, is poised to attract significant Foreign Portfolio Investment (FPI). The staged integration, reaching a maximum weight of 10% by March 2025, has already spurred a notable uptick in foreign inflows, surpassing levels observed since 2017. Foreign portfolio investors have consistently acted as net buyers of Indian debt since the inclusion announcement, with a particularly strong showing in the second half of the year (nearly 75% of inflows)[1.11]. This trend is expected to continue as exchange-traded funds (ETFs) tracking these global indices rebalance their portfolios, generating additional capital inflows. The increased FPI activity is projected to influence India's base rate, potentially leading to a substantial decrease in yields. Consequently, the cost of borrowing in India is anticipated to decline in the coming years.

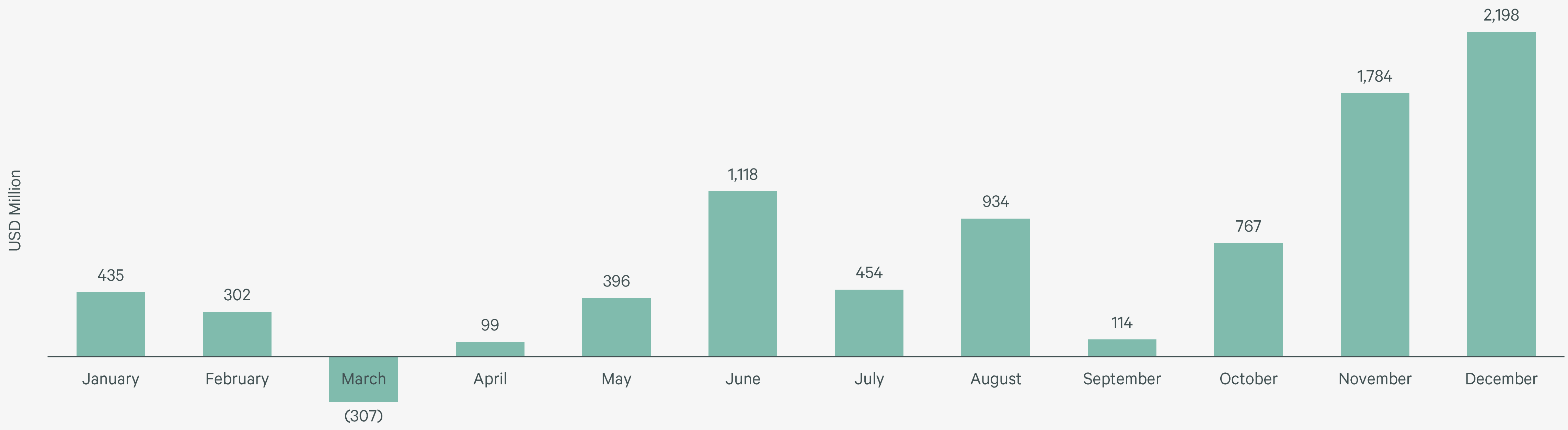
Figure 1.7 Foreign Portfolio Investment in Indian debt: 2017 - 2023



Source: National Securities Depository Limited, CBRE Research, Q1 2024

1.11. FPI Monitor, NSDL

Figure 1.8 Month-wise FPI Investment in Indian debt during 2023



Source: National Securities Depository Limited, CBRE Research, Q1 2024

Watch out for

U.S. Federal Reserve to keep markets guessing

The U.S. Federal Reserve policy rate action will be closely monitored in 2024. The Federal overnight rates at the current range of 5.25% to 5.5% are the highest in over 22 years. As per the commentary released by the Federal Open Market Committee (FOMC), the Fed remains fully committed to bringing inflation down to its 2% target.

The specific timetable of prospective rate cuts was left open at the March FOMC meeting due to February's hotter-than-expected labour market statistics and somewhat higher-than-expected inflation data; however, markets anticipate the first cut in June. Though the FOMC is expected to maintain its data-dependent methodology and take decisions on a "meeting by meeting" basis, there could be as many as two to three rate cuts in 2024.

Reduced interest rates in the US increase the availability of the US dollar, potentially encouraging investment in India and other emerging markets. The Fed's decision to reverse course and cut rates could also benefit Indian start-ups, likely facilitating a more favourable climate for business growth.

Increased capex to drive infrastructure growth

India's Interim Budget FY25 prioritises infrastructure development with an 11.1% increase in capital expenditure outlay to INR 11.11 lakh crore (3.4% of GDP). Extending the 50-year interest-free loan scheme for states' capital expenditures (INR 1.3 lakh crore) further strengthens this focus[1.12].

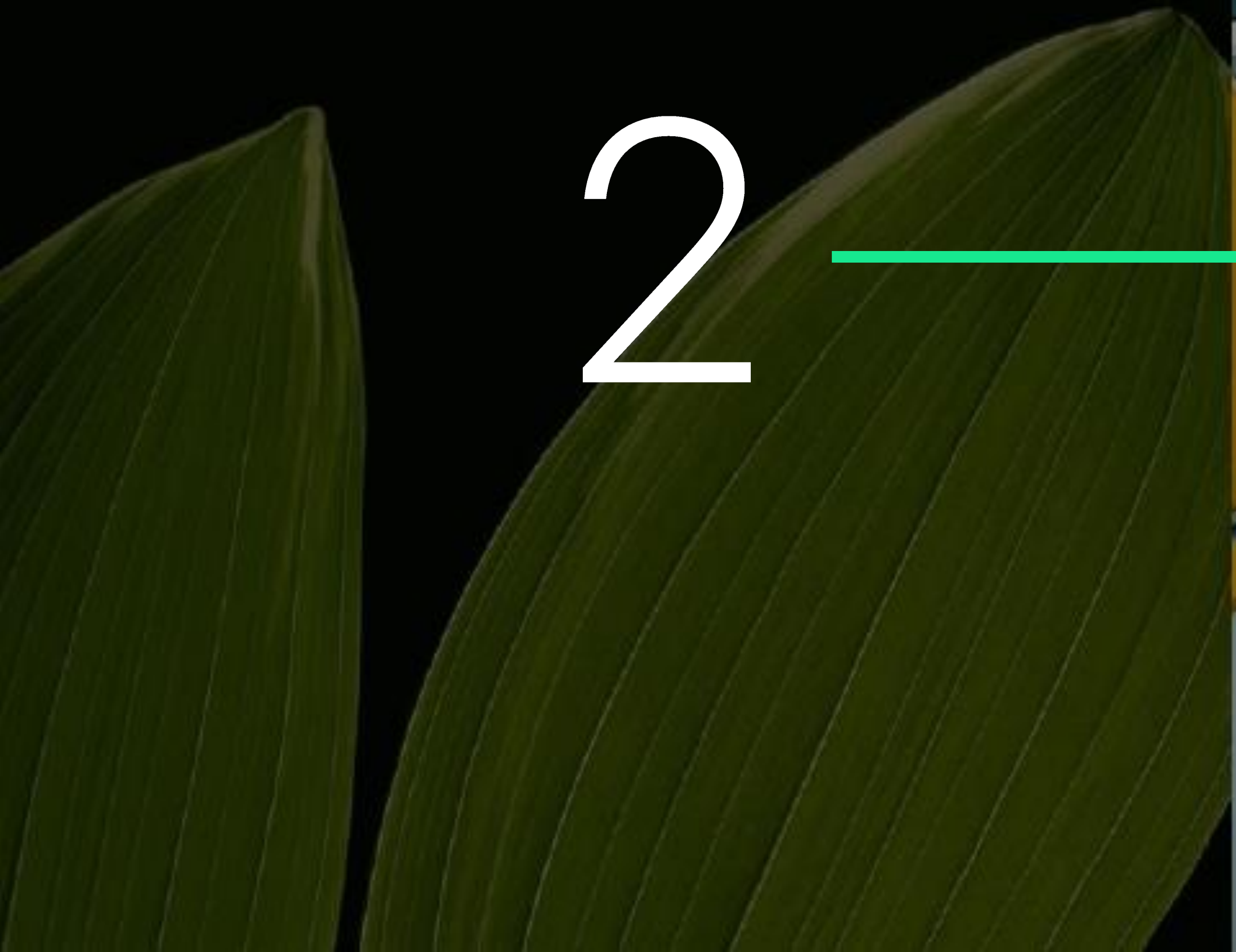
This pro-infrastructure commitment aligns with the positive trends in the financial sector. Bank credit growth has rebounded (16.8% by January 2024) and bad loans have declined (3.2% by September 2023) as per the RBI's December 2023 report.[1.13] Healthy financial institutions are well-positioned to support the capex cycle. The NBFC sector also shows improvement, with CRAR* (27.6%), GNPA** (4.6%), and RoA*** (2.9%) at healthy levels in September 2023, according to the RBI report.[1.13]

Meanwhile, the inclusion in global emerging market bond indices could reduce the borrowing costs for the government and corporates, possibly boosting the rupee and the country's credit rating. This, along with potentially larger debt inflows in FY25, could make it easier for India to finance its current account deficit and reduce the pressure on the rupee.

1.12. Interim Budget 2024-24

1.13. Reserve Bank of India (Financial Stability Report), December 2023

*CRAR – Capital to Risk (Weighted) Assets Ratio; **GNPA – Gross Non-performing Assets Ratio; ***RoA – Return on Assets



2 — Office

Following the resilience shown by the office sector in 2023, we anticipate activity to remain upbeat in 2024. India's skilled talent continues to appeal to firms as they expand and consolidate their office portfolio to accommodate their growth plans.

The year that was

01 OFFICE SECTOR EXCEEDS EXPECTATIONS, MARKING SECOND-HIGHEST LEASING POST-2019

Enhanced by robust domestic growth, improved mobility and a resurgence in occupier sentiments, the office sector in India outperformed expectations, witnessing a surge in deals during the latter half of 2023. The office absorption witnessed a growth of 11% Y-o-Y, reaching 64.4 million sq. ft., marking it as the second-highest annual leasing activity since the peak of 66.6 million sq. ft. observed in 2019. This leasing activity was led by Bangalore, Delhi-NCR, Hyderabad, and Chennai, accounting for nearly three-fourth share.

Prominent sectors driving absorption during 2023:

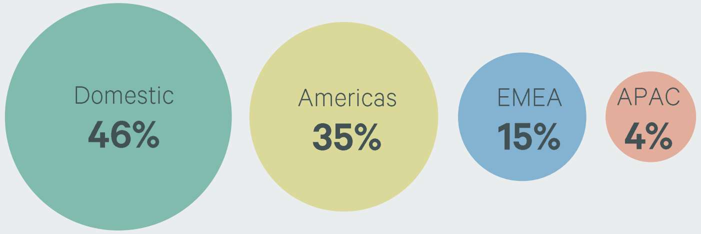
- Technology **22%**
- BFSI **22%**
- Engineering and manufacturing **14%**
- Flexible space operators **14%**

02 LEASING OUTPACES SUPPLY DESPITE RESILIENT GROWTH IN SUPPLY ADDITION

During 2023, development completions surged by approximately 15% Y-o-Y, reaching 57.7 million sq. ft. The trio of Hyderabad, Bangalore, and Chennai emerged as the primary drivers, collectively accounting for around 67% of the total completions.

There was an increase in supply across Mumbai, Bangalore, Chennai, Hyderabad, Pune, Kolkata, and Kochi on an annual basis. However, despite that, the sustained growth in leasing activity, coupled with moderating vacancy levels, spurred rental growth across select micro-markets in several cities throughout the year. Notably, micro-markets in Delhi-NCR, Mumbai, Bangalore, Hyderabad, Pune, and Kolkata experienced growth in quoted rentals ranging from 1% to 13% Y-o-Y.

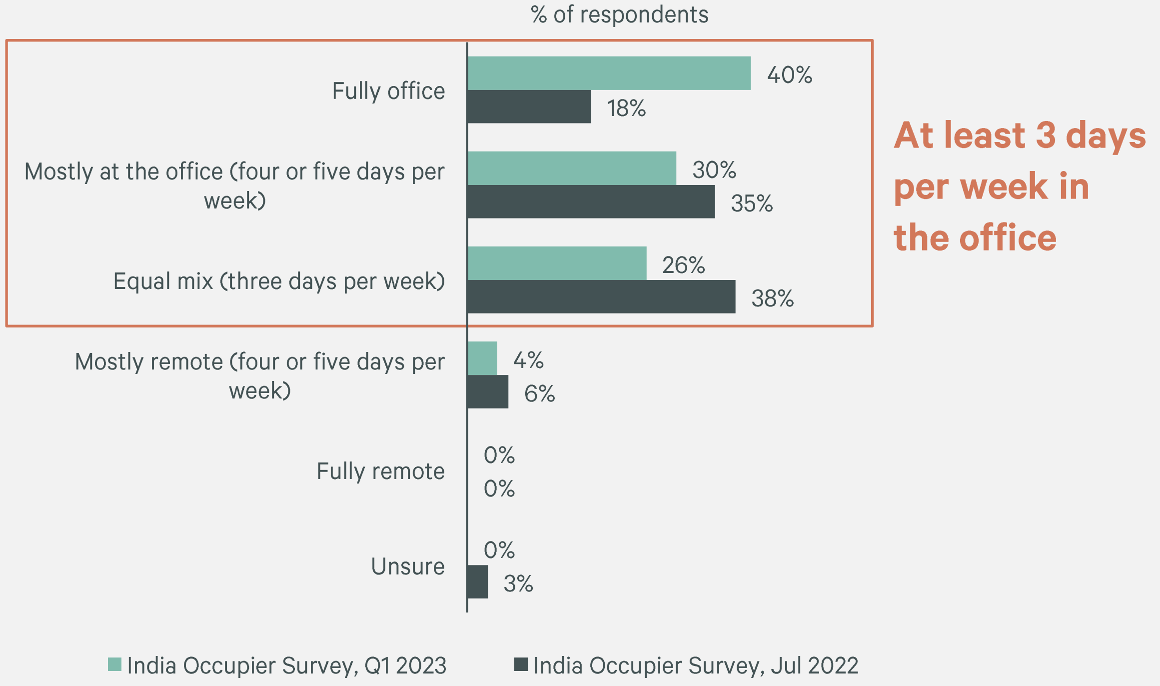
Leasing by domicile during 2023:



‘Return-to-office’ witnesses higher pace

Several occupiers have mandated a specified threshold for the number of days in office. While hybrid working continues to be prevalent, occupiers are considering adopting a firmer stance on bringing employees back to the office. Compared to the technology sector, the banking, financial services and insurance (BFSI) industry exhibits a stronger preference for more days per week in office, although variations exist across organisations.

FIGURE 2.1: Cultural norms with regards to workplace policies that organisations aspire for in a steady state in India



Note: Percentages may not total to 100 due to rounding.

Source: CBRE’s 2023 India Office Occupier Survey, Q1 2023; CBRE’s 2022 India Office Occupier Survey, July 2022; CBRE Research, Q1 2024

Note: These results are limited to those respondents who chose to answer this question and may differ from individual companies on a case-by-case basis due to their scale, type and location of business operations.

Top five trends expected to shape the office sector in 2024

01

DEMAND LIKELY TO REMAIN UPBEAT IN 2024

India's office market is expected to remain positive in 2024, despite global economic concerns. Occupiers would prioritise high-quality office space for expanding and consolidating their operations, while pursuing cost efficiency. Additionally, an increasing rate of return-to-office could further generate pent-up demand. India's inherent advantages, including its skilled workforce and established business ecosystem, further contribute to a promising outlook, with office-based employment in major cities projected to grow 3-5% in 2024*.

- Global capability centres (GCCs) are expected to maintain their dominant share of leasing at 35-40%, driven by expansion of existing operations and entry of smaller firms that are buoyed by India's value proposition.
- While traditional hubs such as Bangalore, Hyderabad, Delhi-NCR, and Mumbai remain attractive, Chennai and Pune are gaining traction due to quality space, talent availability, and economical rentals.
- Sectors such as BFSI and engineering & manufacturing (E&M) are driving growth, aided by India's talent pool, and would fuel demand for large modern office parks as they continue embarking on their digitalisation journeys.
- Growth is expected from flexible workspace providers, research, consulting and analytics firms, and life sciences companies.
- Technology firms, which have been the mainstay of the office sector, are likely to witness growth in the latter half of the year.

* Oxford Economics, February 2024

Strong pipeline of investment grade supply to continue, offering attractive options

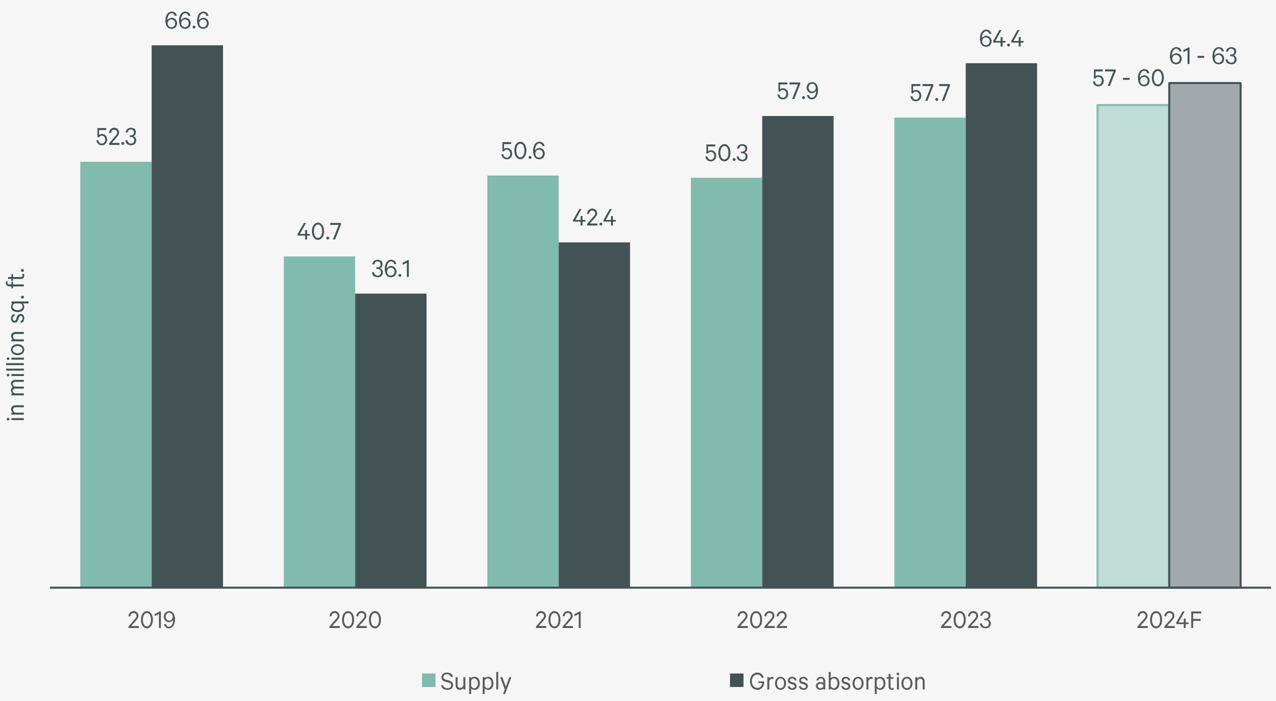
The office market is set for a healthy supply pipeline in 2024, with new completions likely to increase by 3-5% led by high-quality investment-grade assets. Bangalore, Hyderabad, and Delhi-NCR are likely to dominate new completions.

Modern developments : Developers are increasingly focusing on building state-of-the-art facilities with amenities that cater to the needs of modern businesses. Aspects such as access to public transportation, a healthy mix of outdoor green spaces, optimum air quality and F&B[2.1] options would emerge as key criteria for new developments. The share of large-sized[2.2] buildings is expected to grow during the year, signalling the rise of integrated or mixed-use developments.

Sustainability Developers would continue to exhibit their efforts towards sustainability; close to half of the newly completed developments in 2023 were green-certified (LEED or IGBC). The share of such assets in new completions is likely to increase, led by developers' sustainability commitments and occupiers' preference for such properties.

Vacancy: Vacancy rates are expected to remain largely range-bound in 2024 despite sustained supply across cities. Select micro-markets are likely to experience moderate rental growth led by flight-to-quality demand amidst limited vacancy in quality assets. This rental growth is also expected to be driven by oncoming high-quality new developments commanding higher rentals.

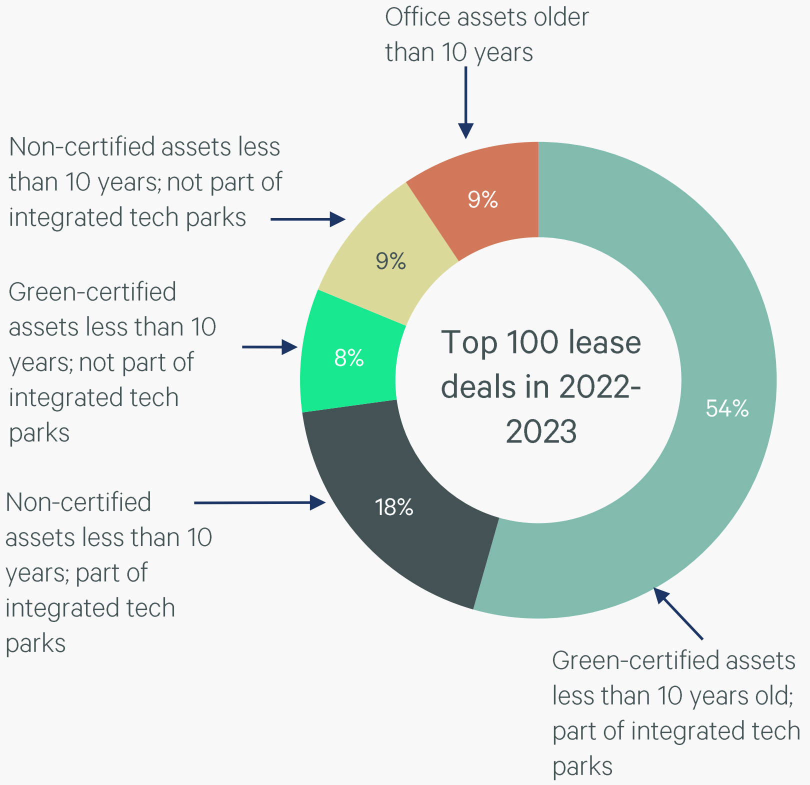
Figure 2.2: Office supply and gross absorption in India (2019-2024F)



Source: CBRE Research, Q1 2024

2.1. Food & Beverages
2.2 More than 1 million sq. ft.

Figure 2.3: Large green-certified technology parks: Top choice for occupiers

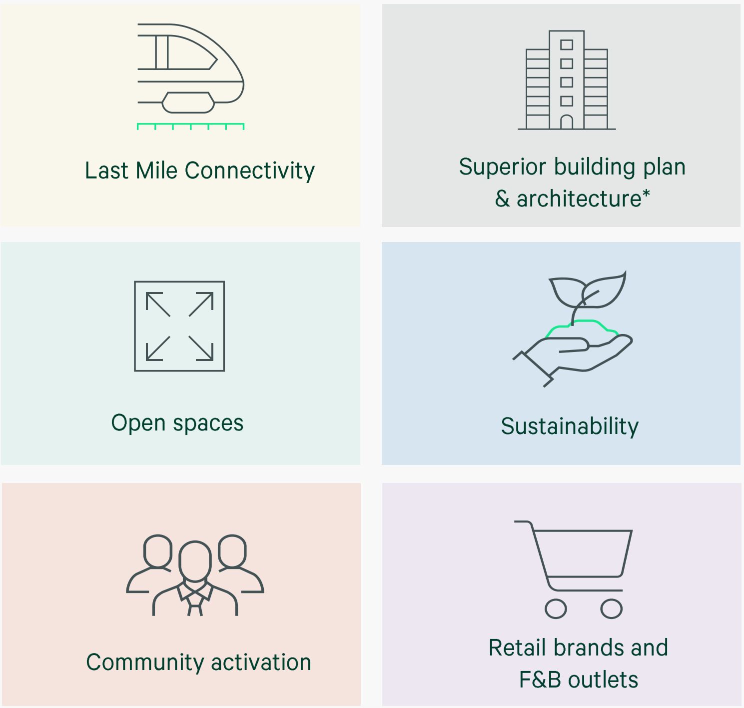


Source: CBRE Research, Q1 2024

Flight-to-quality leasing to gain further prominence

Occupiers are likely to gravitate towards modern integrated parks that are replete with amenities such as F&B outlets, walkability, outdoor open spaces, ample parking, fitness and wellness spaces, and community events, among others. Between 2022 and 2023, about 72% of the large-sized deals took place in integrated tech parks, with a majority of them in green-certified assets.

Apart from the locational advantage, various factors driving rents in premium office assets



*floor to ceiling ratio, atrium, large floor plates, multi-level car parking

Source: CBRE Research, Q1 2024

SEZ denotifications likely to pave way for newer occupier groups

In December 2023, the Union Ministry of Commerce and Industry amended the Special Economic Zones (SEZ) Rules, 2006, allowing floor wise de-notification of processing area in SEZs into non-SEZs. The amendment also limited the repayment of the tax benefits taken by developers to the actual amount, without any interest. Allowing landlords to demarcate a portion of their SEZ processing area into a non-processing area would allow non-export-oriented firms to set up workplaces in such developments. At the same time, it would provide occupiers a wider array of office spaces to choose from.

SEZ Office stock in India: ~191 million sq. ft.

SEZ share in overall office stock in India: ~22%

SEZ vacancy: ~20%

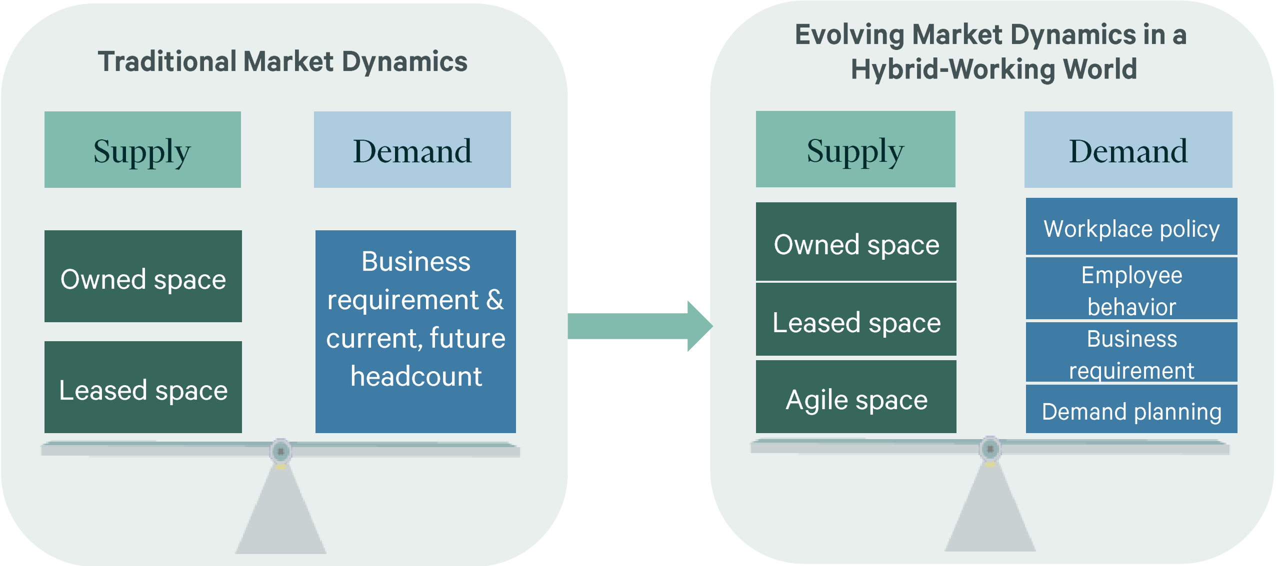
All data points are as of Q4 2023

Occupancy planning strategies to be at the forefront

India's average office utilisation rates have exhibited a steady climb, rising from about 20-30% in 2021 to approximately 50-60% currently[2.3]. As these rates continue to increase, we anticipate occupiers re-examining their occupancy planning strategies. This reassessment would be driven by a convergence of business needs, evolving workplace policies, and employee behaviours. Occupiers are expected to scrutinise their utilisation rates to optimise space allocation within their offices. This could involve strategically designating areas for collaboration and focused work, huddle rooms, and conference rooms. Additionally, a major focus area for occupiers would be the reassessment of their overall portfolio, considering factors such as lease tenures and the proportion of flexible space utilised.

2.3. CBRE's 2023 India Office Occupier Survey, Q1 2023

Figure 2.4: Evolving dynamics in a hybrid environment



Source: 2023-2024 CBRE Global Workplace & Occupancy Insights, 2023; CBRE Research, Q1 2024

Portfolio optimisation strategies under consideration

- Consolidation of multiple offices
- Decongest over-utilized spaces
- Concentrate headcount growth in under-utilized spaces
- Utilizing Flexible spaces for growth
- Decentralisation of offices

Source: CBRE Research, Q1 2024

02 SUSTAINABLE BUILDINGS TO EMERGE AS A PRE-REQUISITE FOR OCCUPIERS

In an era of heightened ecological consciousness, occupiers have been prioritising sustainability through various measures such as green-certified buildings, sustainable procurement, water & waste management, and energy efficiency. With benefits ranging from lower operating costs, improved employee health and enhanced brand image, a higher number of occupiers are likely to prefer green-certified buildings for new leases.

Occupiers' commitments

Top 20 office occupiers in India have committed to achieve net-zero before 2050	About 40% of them are targeting net-zero goals by 2030
Energy efficiency is the top priority for all the top 20 occupiers	Tracking carbon footprint has emerged as another key priority, with 95% of the top occupiers taking active steps towards it

To cater to the growing demand for environment-friendly workplaces, India's top developers are shifting their focus towards constructing green-certified office spaces. Currently, about 45% of the total office stock is green-certified, with the share of certified new supply being higher than non-certified supply since 2018. We expect this trend to sustain over the coming years, with the proportion of sustainable buildings further rising.

Source: CBRE's Sustainability: The Key to Future-proofing Real Estate, 2024; CBRE Research, Q1 2024

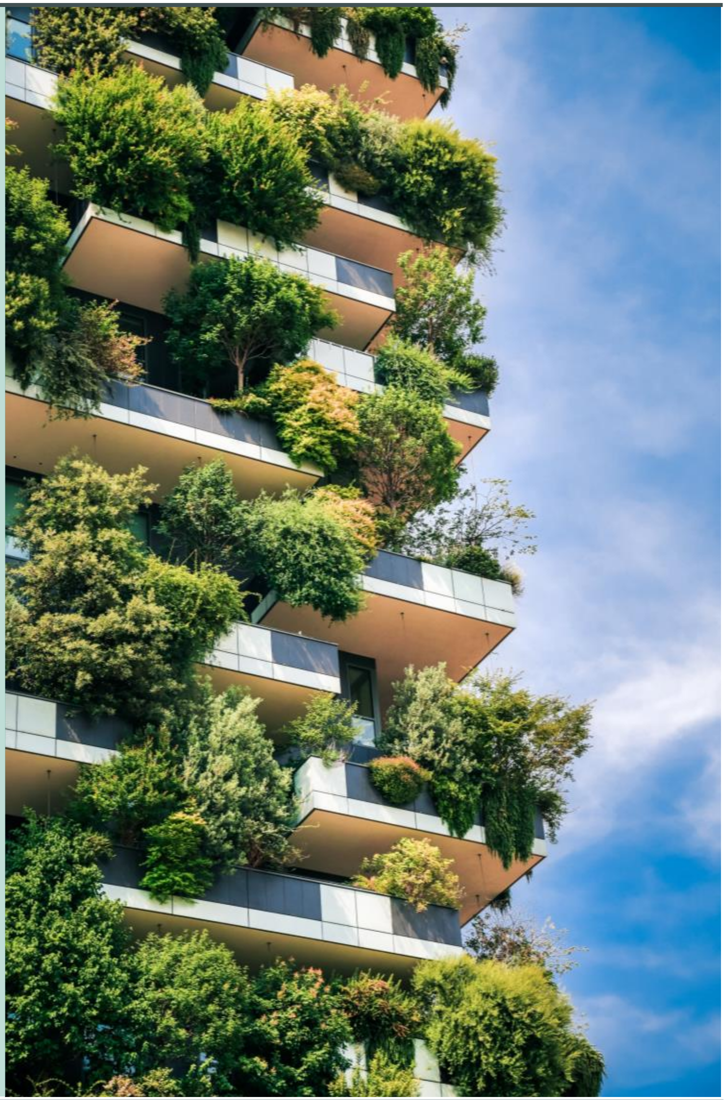
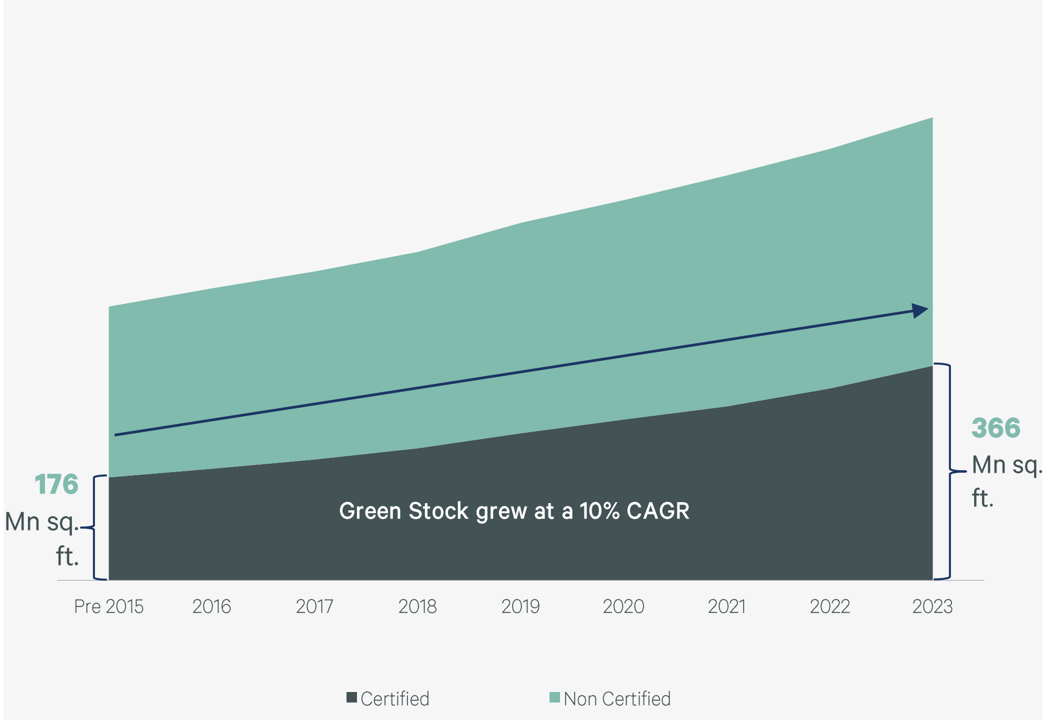
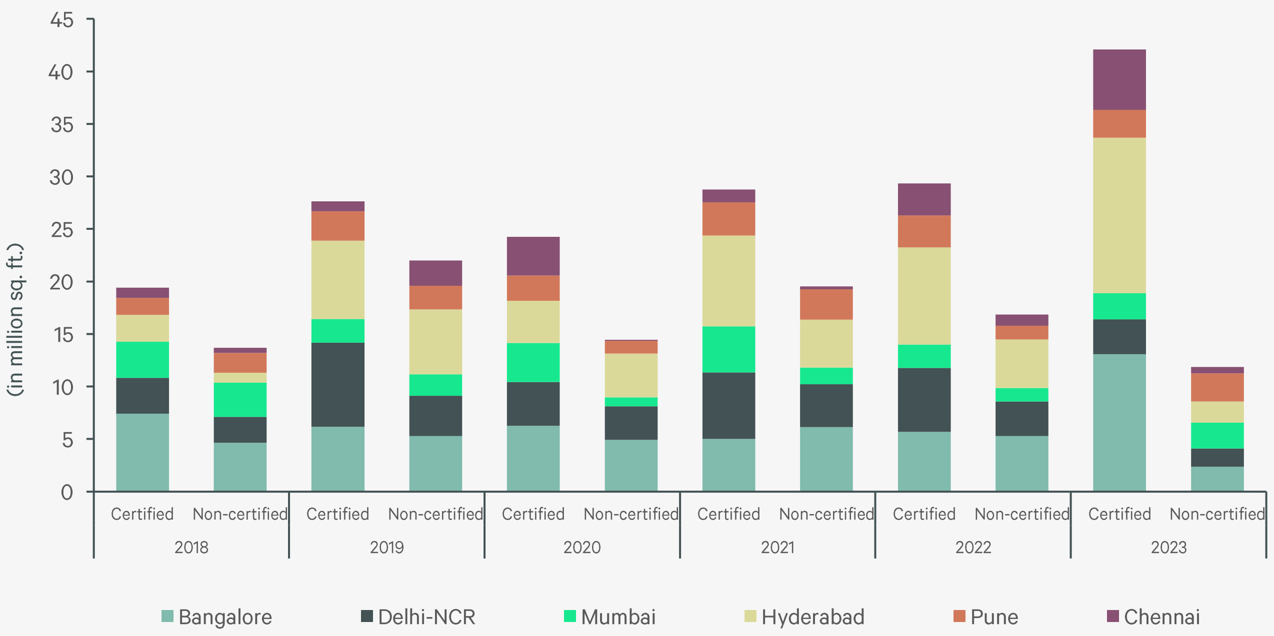


Figure 2.5: Increasing share of green-certified stock



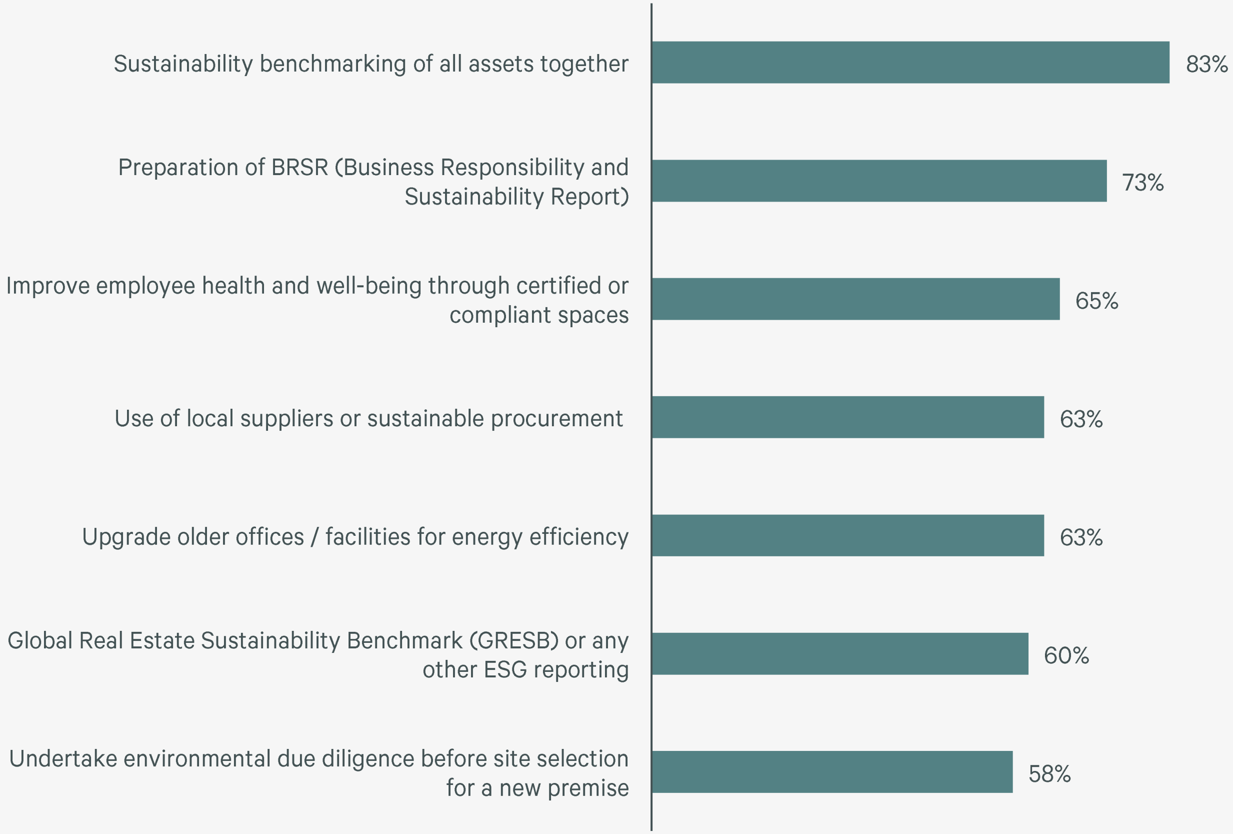
Source: CBRE's Sustainability: The Key to Future-proofing Real Estate, 2024; CBRE Research, Q1 2024

Figure 2.6: Green incoming supply outpacing non-certified new spaces



Source: CBRE's Sustainability: The Key to Future-proofing Real Estate, 2024; CBRE Research, Q1 2024

Figure 2.7: Future sustainability considerations for occupiers in India



Source: CBRE's 2023 India Office Occupier Survey, Q1 2023; CBRE Research, Q1 2024

Rejuvenating existing buildings
With rising demand for certified office buildings, developers are likely to focus on retrofitting their existing office buildings in a bid to remain relevant and maintain rentals. Some initiatives for green retrofitting include energy efficiency, water efficiency, green roofing, and building automation systems.

Figure 2.8: State initiatives: Promoting sustainability

STATE	CAPITAL				BUILDING			POWER				
	Stamp Duty Waiver	Total Fixed / State Capital Subsidy	Registration Fee Waiver	Financial support / Reimbursement of certification	Additional FSI/FAR	Infrastructure subsidy	Land allocation support	Electricity Duty Waiver	Exemptions on the manufacturing cost of electricity	Solar Energy	Wind and Hybrid Energy	Renewable Energy
Maharashtra	–	✓	–	–	✓	–	✓	–	✓	–	✓	✓
Karnataka	✓	✓	✓	–	–	–	–	✓	✓	–	✓	✓
Telangana	✓	✓	–	✓	–	✓	–	✓	✓	–	✓	–
Tamil Nadu	–	✓	–	✓	–	–	–	–	✓	✓	–	–
Andhra Pradesh	✓	✓	–	✓	–	–	–	✓	✓	–	–	–
Delhi	✓	✓	–	–	–	✓	–	✓	✓	✓	–	–
Haryana	✓	✓	✓	–	✓	✓	✓	✓	✓	✓	–	–
Uttar Pradesh	–	–	–	✓	✓	–	–	–	–	✓	–	–
Gujarat	–	✓	✓	✓	–	–	✓	–	✓	✓	✓	–

Source: CBRE's Sustainability: The Key to Future-proofing Real Estate, 2024; CBRE Research, Q1 2024

✓ The state government's allocation of incentives in various forms

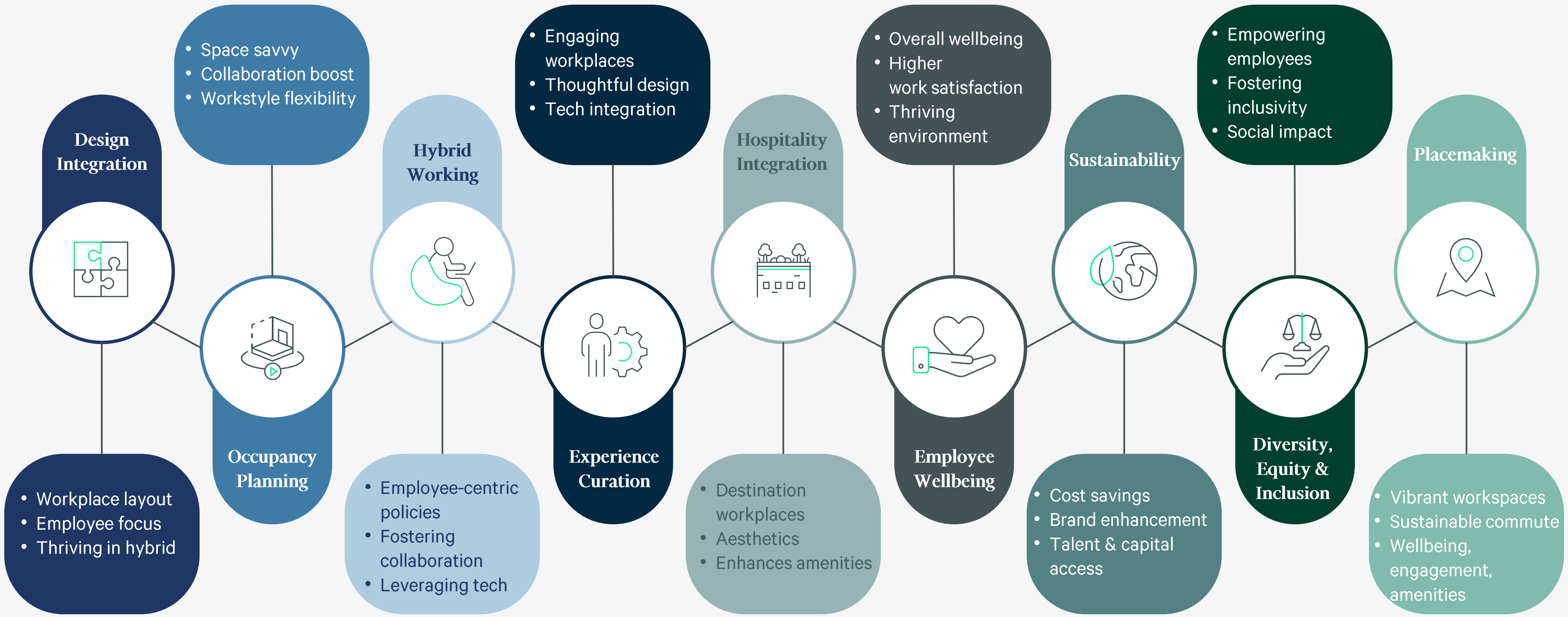
– No allocation by the state government

03 CURATING EXPERIENCES FOR EMPLOYEES AT THE FOREFRONT

Hiring and retaining the best talent is an important consideration for global and domestic corporates alike. Post the disruptions caused by the pandemic, most firms are grappling with bringing staff back to offices as well as navigating the skilled-talent supply-crunch. With office occupancies improving and the workplace evolving as a space for collaboration and ideation, firms are investing heavily in creating bespoke and engaging workplace experiences. Occupiers are likely to invest in the creation of experiential workplaces that foster collaboration, enhance productivity, and promote well-being. This involves developing high-quality assets with desirable amenities which create a vibrant and engaging environment.

At the same time, landlords are likely to undertake measures to aid tenants and employees. Ease of commute, access to public transport, and curating experiences for employees are some aspects that landlords are likely to initiate.

Figure 2.9: Key tenets of employee experience in the workplace



Source: CBRE Research, Q1 2024

Beyond office amenities, a vibrant district around the workplace plays a crucial role in attracting employees back. Landlords, occupiers, and government bodies can collaborate to create engaging building activations and community events, enhancing the overall value proposition of office tenancy and fostering a sense of belonging and connection for the workforce.

Figure 2.10: Industry sector growth projections

04 A SHIFT IN DEMAND DYNAMICS FOR THE OFFICE SECTOR

The rise of multi-sector demand

Economic growth and strategic policies are driving a dynamic transformation in India's office sector. This positive environment has attracted diverse industries, leading to a well-rounded demand for office space beyond the traditional dominance of the technology corporates.

While the office sector continues to be led by the technology firms, BFSI and E&M companies are taking a significant share in leasing, driven by digitalisation efforts. The digital push across industries is fuelling hiring, particularly in the BFSI and E&M sectors. This is bringing in an influx of talent in areas such as digital infrastructure management and financial services. In the E&M sector, companies from the semiconductor space and oil & gas sector would see greater upside to upgrading their technology interfaces and expanding in India.

Beyond the traditional industry sectors, the office market is poised to benefit from the expansion of research, consulting & analytics firms, flexible work operators, aerospace and automobile firms.

Source: CBRE Research, Q1 2024

Sector	Projections	2023 absorption compared to 2022	2023 vs 2022 (% change): Transaction volume	2023 vs 2022 (% change): Number of transactions	2023 vs 2022 (% change): Average deal size
BFSI	**USD 150 bn** Size of fintech industry by 2025[ii]; **USD 1 tn** Investment by 2025 in insurance sector[ii]	▲			
Technology	**USD 254 bn** Tech revenue to see 3.8% Y-o-Y growth in FY2024, an addition of USD 9 bn over last year[i]	▼			
Engineering & manufacturing	**USD 1 tn** Worth export capacity of goods by 2030[ii]	▲			
Flexible space operators	**USD 2.15 bn in 2024** Estimated India Flexible Office Space Market size; expected to be USD 3.04 bn by 2029[iii]	▲			
Research, consulting & analytics	Indian analytics industry is expected to reach **USD 16 bn by 2025**, and may account for 32% of its worldwide market[i]	▼			
Life sciences	**USD 130 bn** Indian pharma industry market size by 2030[ii]	▲			
Infrastructure, real estate & logistics	**USD 1 tn / USD 5.8 tn** Real estate sector size by 2030 / 2047[ii]	▼			
Media & Marketing	**USD 100 bn by 2030** India's Media & Entertainment industry is expected to grow at 10-12% CAGR, led by OTT, Gaming, Animation and VFX[iv]	▲			

Source: [i] NASSCOM; [ii] IBEF; [iii] Mordor intelligence; [iv] investindia.gov.in

Y-o-Y % change: -25 to -50% | 0 to -25% | 0% | 0-25% | 25-50% | 50-75% | 75-100% | >100%

Office demand transitioning beyond top cities

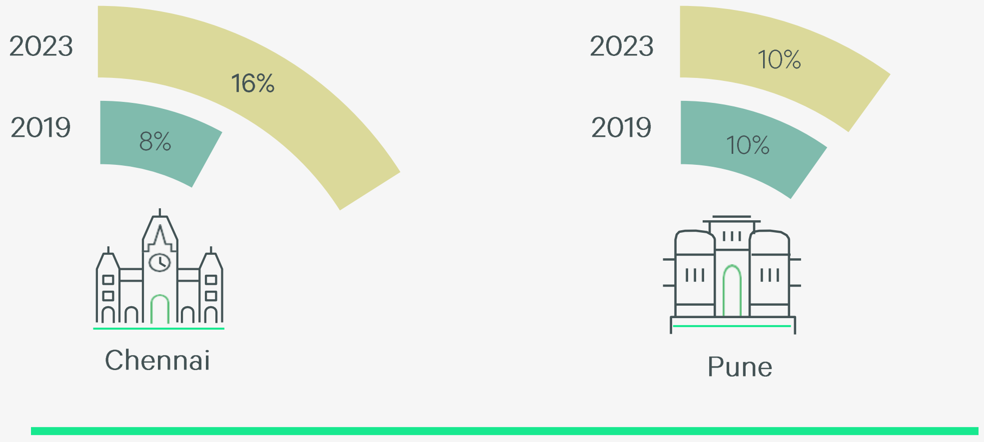
Demand is also transitioning beyond major cities. Cities such as Chennai and Pune are experiencing a surge in activity due to:

- **Readily available talent pool**: Offering access to both fresh graduates and experienced professionals.
- **Improved infrastructure**: Enhancing accessibility and connectivity.
- **Competitive rentals**: Providing cost-effective solutions for businesses.

This trend is not sector-specific, attracting both tech and non-tech companies. Proactive state governments are further bolstering the attractiveness of these markets.

Tier-II cities too are positioned to benefit, with CBRE anticipating a rise in GCCs in select tier-II cities. However, this shift hinges on a consistent talent supply and a robust business ecosystem.

Figure 2.11: City's share in overall India leasing



Source: CBRE Research, Q1 2024

Domestic firms to hold their sway in office demand

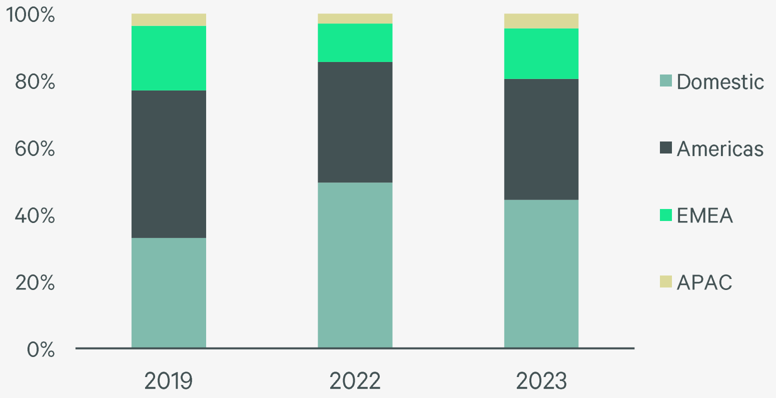
Fuelled by the country's robust economic growth, domestic companies are emerging as a potent force in the demand for office space. This is driven by a period of financial buoyancy and a well-capitalised financial system, empowering domestic companies to invest in expansion and solidify their market presence.

Table 2.1: Domestic firms' growth enablers

Growth in Indian economy upwards of 6.5% [2.4]	Revival in corporate credit offtake to drive earnings of the banking sector	Revenue growth of 9-10% in 2024-25 in India's IT sector, backed by pent-up demand for services and impact of adopting generative AI[2.5]

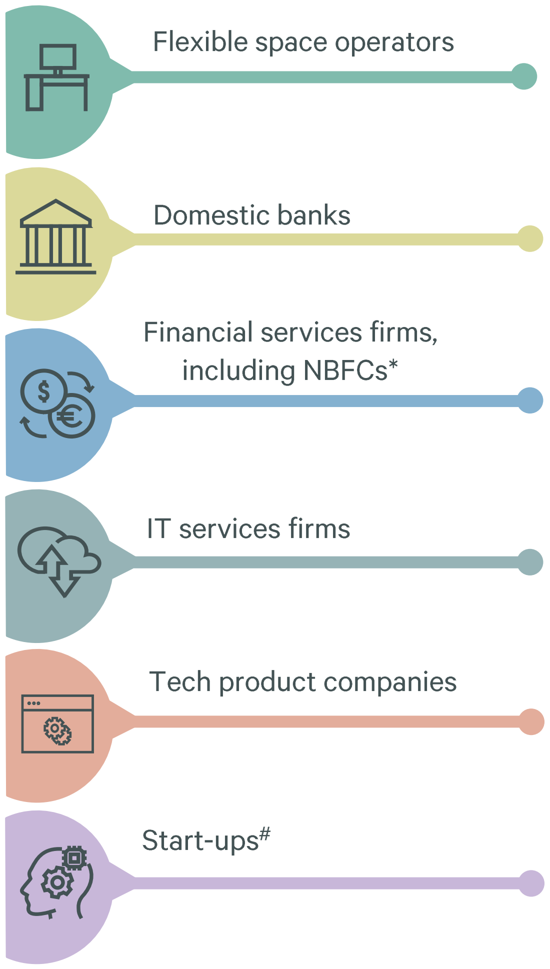
Source: CBRE Research, Q1 2024

Figure 2.12: Office absorption as per domicile (Pre vs Post-COVID viz., 2019 vs 2022-2023)



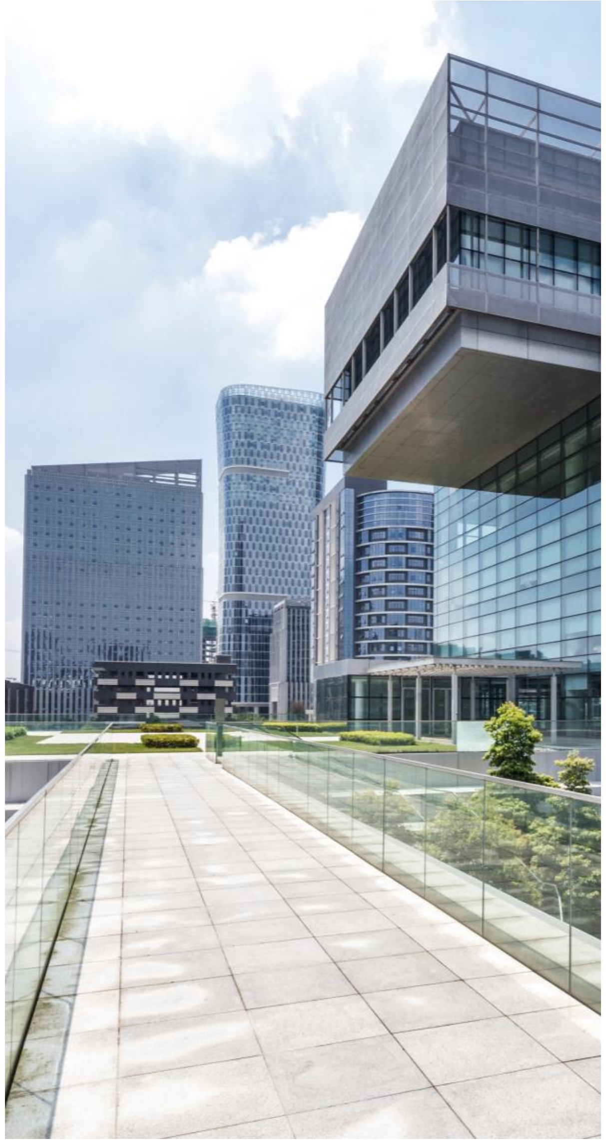
Source: CBRE Research, Q1 2024

Figure 2.13: Domestic occupier groups that are likely to expand portfolios



*NBFCs – Non-Banking Financial Companies

Start-ups from fields such as fintech, edtech, and e-commerce



2.4. Moody's estimates, Feb 2024; 2.5. Goldman Sachs Update, August 2023

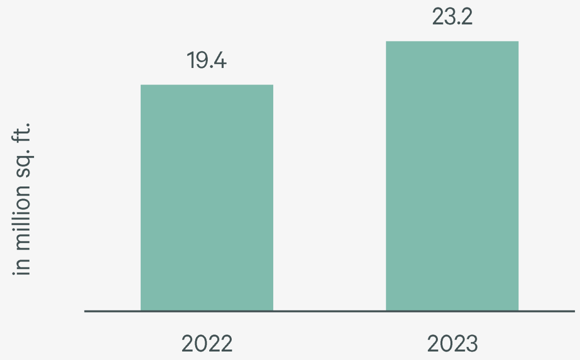
05 GCCS TO CONTINUE FUELLING OFFICE MARKET'S EXPANSION

GCCs have emerged as a significant driver of transformation in India's office market. These global centres have steadily expanded their footprint in the country, contributing a remarkable 36% of the total office space absorption in 2023. This trend is projected to continue, making India a prominent growth market for GCCs in the coming years.

Several factors are powering this growth:

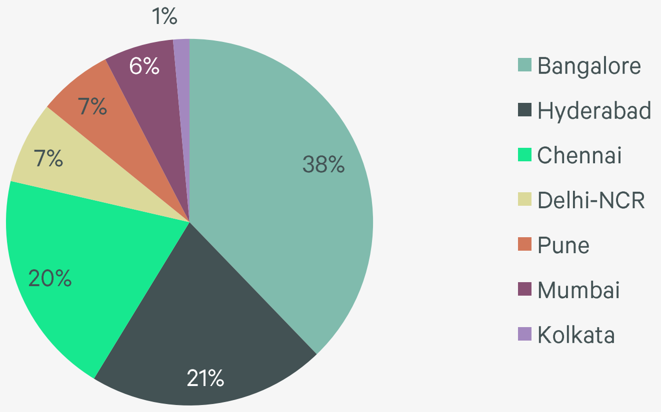
- **Enhanced skilled workforce**: India boasts a large pool of skilled professionals, making it an attractive location for GCCs to establish or expand their operations.
- **Strong performance:** Existing GCCs in India are encouraged by the success of their current facilities, driving them to expand further.
- **Cost-effectiveness**: India's competitive costs, viz., for talent and rentals, offer businesses a compelling value proposition.
- **Digital and tech focus**: The market is expected to see an influx of small to mid-sized firms seeking to upgrade their digital capabilities and expertise in areas such as artificial intelligence (AI) and machine learning (ML).

Figure 2.14: GCC leasing in India (2022, 2023)



Source: CBRE Research, Q1 2024

Figure 2.15: City-wise share in GCC leasing (2023, %)



Source: CBRE Research, Q1 2024

Figure 2.16: India's talent upside

~5.4 million
Tech talent pool

~1.66 million
Employed in captives

~400,000
Fresh graduates

Average salary is **1/10th** of **US / Western Europe**

Source: CBRE India's Global Capability Centres - Charting a New Technology Era, 2023; CBRE Research, Q1 2024

Figure 2.17: Growth of GCCs over the years

2017-2019	2020-2022	2023-2025F
~1250* No. of operational GCCs	~1580# No. of operational GCCs	~1900 No. of operational GCCs
~1.3 mn* GCC talent base	~1.66 mn # GCC talent base	~2.0 mn GCC talent base
30-35% GCC share in overall leasing	38-43% GCC share in overall leasing	35-40% GCC share in overall leasing
Leading sectors	**Leading sectors**	**Emerging sectors**
Tech	Tech	Life sciences
BFSI	E&M	Automobile
E&M	BFSI	Aviation

By 2025, the number of operational GCCs is expected to expand by 20%

CBRE projects significant leasing by GCCs at 40-45 million sq. ft. between 2024 and 2025[2.6]

Growth to be driven by companies establishing large campuses to strengthen presence

Emerging sectors such as life sciences, automobiles, aviation to join the expansion wave

The gradual upskilling of talent in existing as well as new roles and greater synergies between the private sector and educational institutions would continue to drive value creation in India. Consequently, the country is likely to witness more sophisticated GCCs going ahead. Emerging sectors such as life sciences, automobiles, aviation, and electronics are also poised to join this expansion wave. This anticipated growth would result in an increase in leadership positions within these GCCs, further cementing their role as strategic centres crucial to an organisation's overall growth.

Source: CBRE Research, Q1 2024

2.6. CBRE India's Global Capability Centres - Charting a New Technology Era, 2023; * Nasscom-Zinnov GCC 3.0 Spotlight on digital partnerships, new delivery models & future skills, May 2019; #Nasscom GCC 4.0: India redefining the globalization footprint, June 2023,

Watch out for

Portfolio optimisation

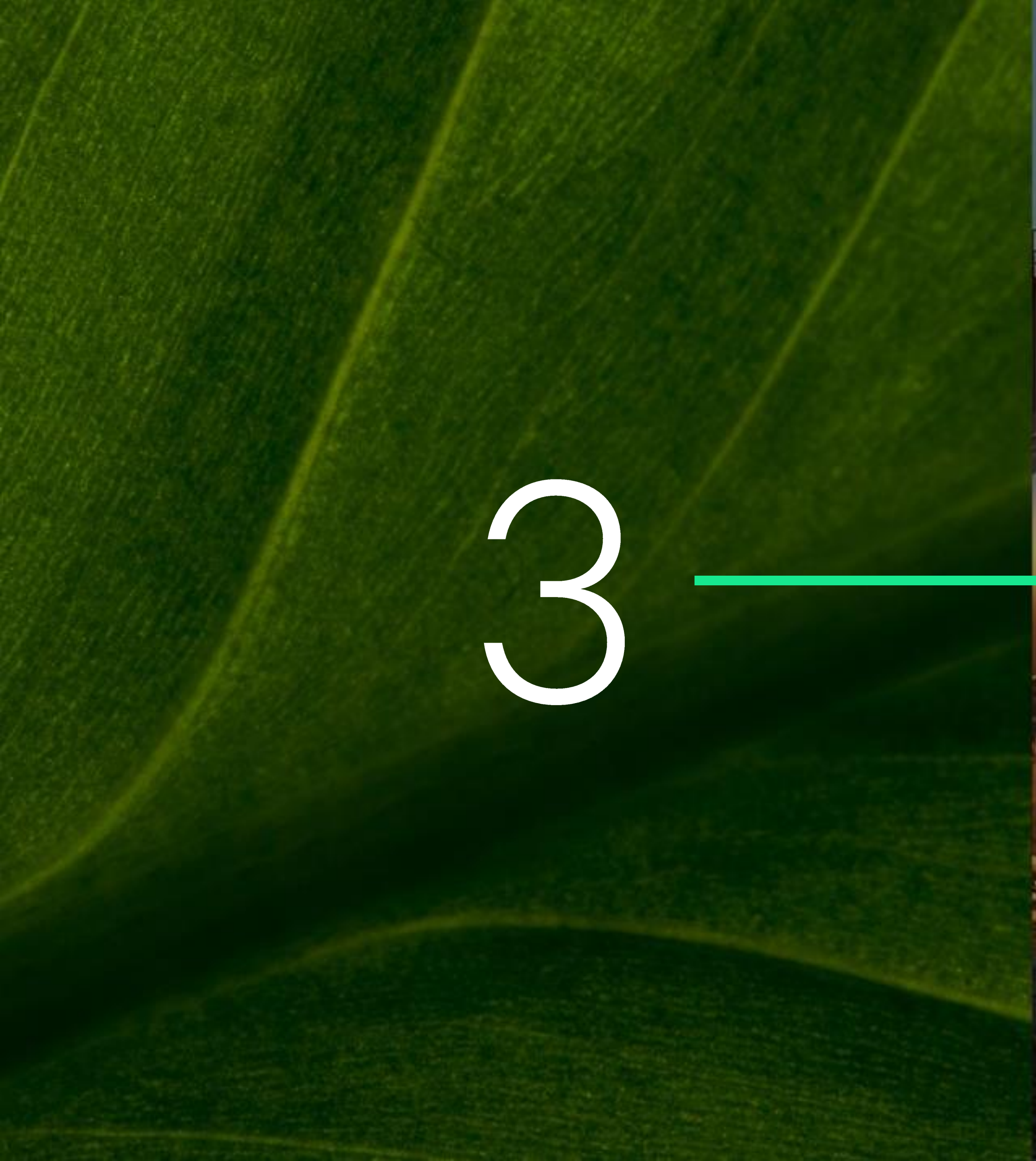
As occupiers operationalise hybrid working and bring back employees to the office, they would reassess their portfolio for greater efficiencies.

Flight-to-quality leasing

Space uptake of occupiers would be tilted towards better-quality office buildings replete with modern amenities.

Enhanced employee experience

As office occupancies improve and the workplace evolves into a hub for collaboration, firms are likely to invest in creating bespoke and engaging workplace experiences.



3 Industrial & Logistics

Driven by the increasing adoption of multipolar strategies, India's Industrial and Logistics (I&L) sector is poised for growth in the coming quarters. Leasing activity is expected to sustain momentum, demonstrating the sector's resilience even amidst potential global and domestic economic headwinds.

The year that was

01

I&L LEASING PERFORMANCE SETS HISTORIC BENCHMARK

The Indian warehousing market has mirrored the growth of the Indian economy since 2022, and this trend continued in 2023, with demand not only sustaining but reaching record levels despite the volatile global economic environment. The I&L leasing activity witnessed a standout performance in 2023, reaching a historic peak of 38.8 million sq. ft. and crossing the 2022 peak of 36 million sq. ft.

As e-commerce companies have increasingly started prioritising profitability, they have shifted their focus towards cost optimisation and cautious expansion, moving away from speculative growth strategies. Therefore, leasing activity by e-commerce players experienced a slowdown during the year, while third-party logistics (3PL) players continued to dominate with a 45% share of the total leasing volume. However, the engineering and manufacturing (E&M) sector compensated for the slack in the e-commerce sector, leading to overall increased transaction volumes.

The majority of 3PL demand, driven by domestic occupiers, stemmed from sectors such as manufacturing, retail and e-commerce, among others. These sectors continued outsourcing their supply chain processes to 3PL firms to meet their storage requirements, gain flexibility, reduce costs, and overcome labour sourcing challenges.

Companies from the E&M sectors, including automotive, semiconductor, and energy, accounted for a significant portion of the total transacted volume. India has not only benefited from the ongoing trend of decentralising manufacturing capacity away from China, but the government's initiatives, such as the 'Make in India' campaign and the Production-Linked Incentive (PLI) scheme, have also started yielding positive results. These schemes have continued to enhance the prospects of the E&M sectors in the country, especially for industries evaluating long term establishments.

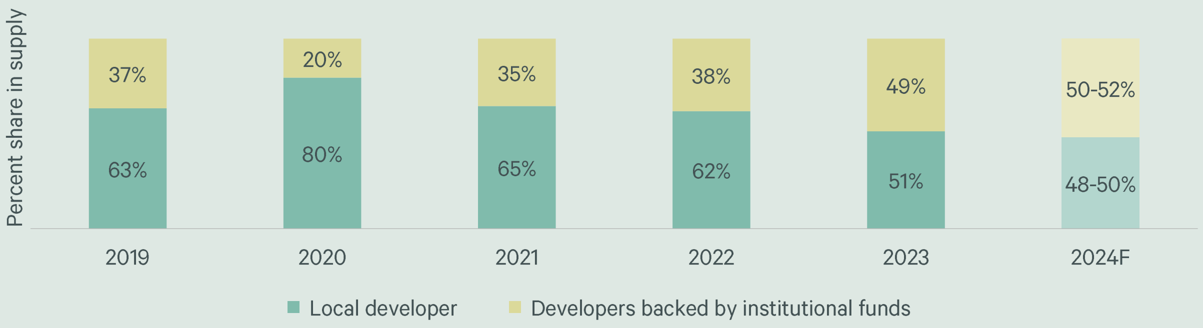
Mumbai, Delhi-NCR, and Chennai led the transaction activity in 2023, collectively accounting for approximately 60% of the total leasing share. In these cities, space take-up was predominantly driven by 3PL players, underscoring their strong presence in the market.

02

SUPPLY ADDITION SURGES TO A RECORD HIGH

In line with the absorption trends, supply in the I&L sector also achieved a historic peak in 2023. With about 36 million sq. ft. of space getting operational, supply addition witnessed a remarkable growth in 2023 compared to 25.4 million sq. ft. in 2022. Delhi-NCR, Chennai, and Kolkata drove the supply addition during the year, accounting for a cumulative share of 58%. The share of investment-grade facilities in the total supply addition jumped significantly, reaching nearly 50% in 2023 compared to 38% in 2022. Developers are increasingly focusing on building modern warehousing parks that meet the higher throughput needs of modern businesses and adhere to contemporary sustainability standards. This focus on higher-quality facilities is reflected by six out of the eight major markets witnessing an increase in investment-grade stock in 2023 compared to 2022.

Figure 3.1: Share of supply addition by domestic developers vs developers backed by institutional funds (2019-2024F)



Source: CBRE Research, Q1 2024

'Flight-to-core and quality' demand from occupiers seeking prime core logistics space, limited availability of such assets in preferred locations, and rising land / input costs are some of the factors that contributed to a strong rental momentum across cities. Except for Kolkata, most cities witnessed an uptick in rental values across key micro-markets in 2023.

While growth and buyout deals were an overarching theme for private equity investors in the real estate space in India in 2023, the warehousing sector witnessed more of opportunistic bets. This divergence in investment theme could also be attributed to the lack of built-up assets. However, the shorter project completion timelines for warehousing coupled with the growth potential of the sector gives comfort to investors to take such opportunistic bets. Therefore, despite ongoing challenges posed by factors such as rising land costs and longer acquisition timelines, prominent investors have shown resilience by not only acquiring land in key cities across prominent warehousing locations, but also by allocating funds towards acquisition of brownfield assets. Furthermore, many investors have also explored options in emerging micro-markets in key tier I / tier II cities to leverage competitive land values and get the first-mover advantage, if possible.

According to the 2024 CBRE APAC Investor Intentions Survey, I&L sector continues to be the most preferred sector for investments in 2024, and CBRE expects properties in selected Indian cities with strong lease covenants to be the most sought after by investors. Backed by robust demand for this asset class, capital inflows into the I&L segment surpassed USD 0.8 billion in 2023, reflecting a significant 7X Y-o-Y increase compared to 2022.

Table 3.1: Key I&L investments in 2023

City	Investor	Investee	Deal value (USD million)
Delhi - NCR	Blackstone	TransIndia Real Estate	79
Mumbai	Morgan Stanley	Prakhhyat Group	36
Pune	LOGOS	Foton Motors	33
Hyderabad	IndoSpace Logistics Parks	GMR Group	23

Source: CBRE Research, Q1 2024

Top trends expected to shape the I&L sector in 2024

01 LEASING TO REMAIN RESILIENT IN 2024

Demand for modern warehousing spaces is anticipated to remain strong in the upcoming quarters of the year, with occupiers expected to continue adopting their 'multipolar' supply chain strategies. Post a landmark absorption in 2023, leasing momentum is expected to continue in 2024, despite global and domestic macro-economic uncertainties. Cities such as Mumbai, Bangalore, Hyderabad, Pune, and Ahmedabad are anticipated to drive the demand, with space take-up expected to be rangebound as compared to the 2023 levels. However, the leasing activity is expected to normalise across cities such as Delhi-NCR and Chennai over the next few quarters.

Demand is expected to be majorly driven by 3PL firms owing to occupiers' continued reliance on their distribution networks, followed by E&M firms. E-commerce demand for small-sized requirements, especially for delivery centres, would pick up pace, and occupiers may consider relocation options to consolidate current facilities. Other sectors which are anticipated to drive demand include retail, FMCG, auto & ancillary, and electronics & electrical.

The share of large-sized transactions (more than 100,000 sq. ft.) has witnessed a marginal increase from 27% in 2019 to 31% in 2023. In 2024, we anticipate occupiers to sustain momentum in closing large-sized transactions, with the majority of leasing predominantly focused in the 50,000 – 100,000 sq. ft. range.

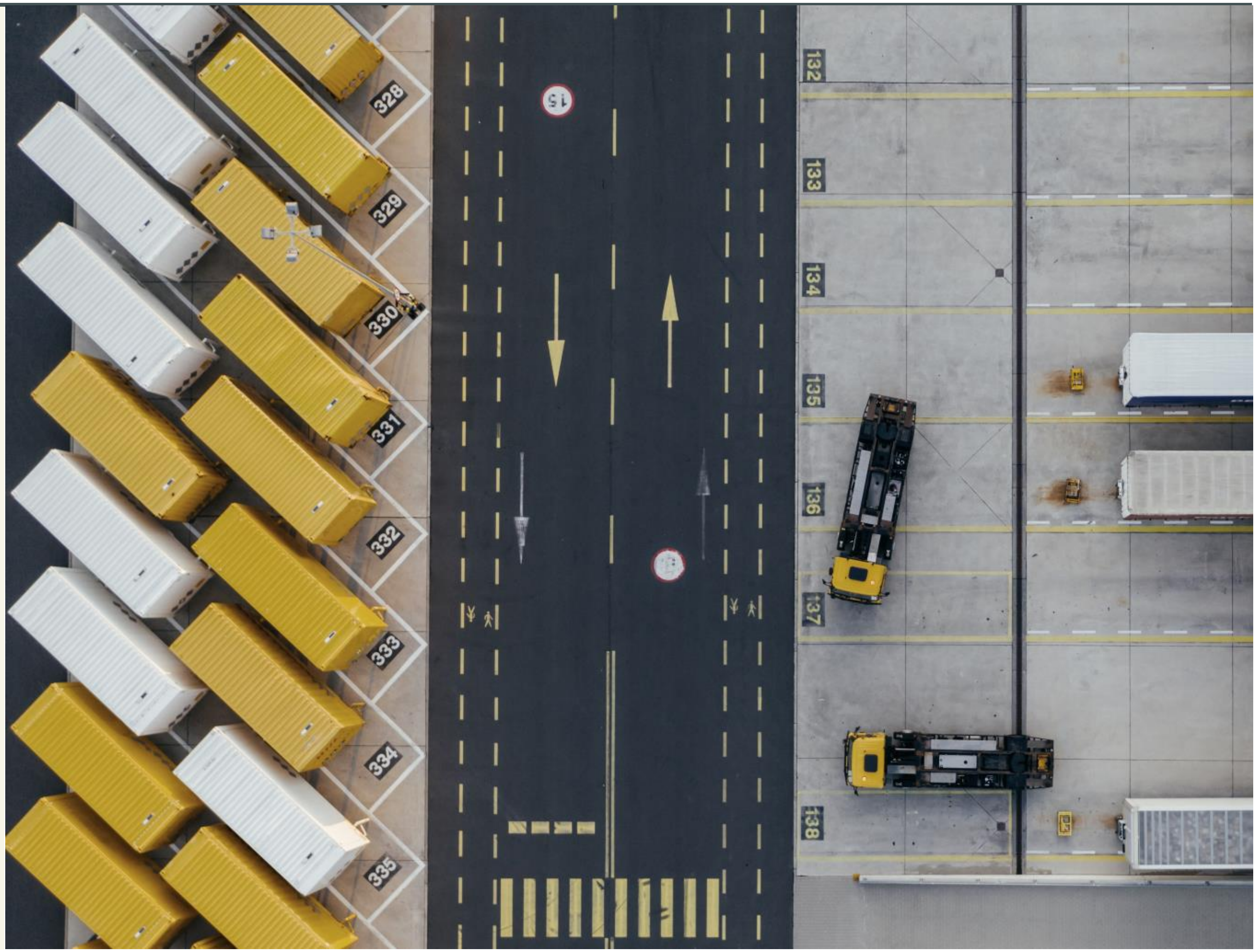


Figure 3.2: Share of I&L deal sizes (2019 vs. 2023)

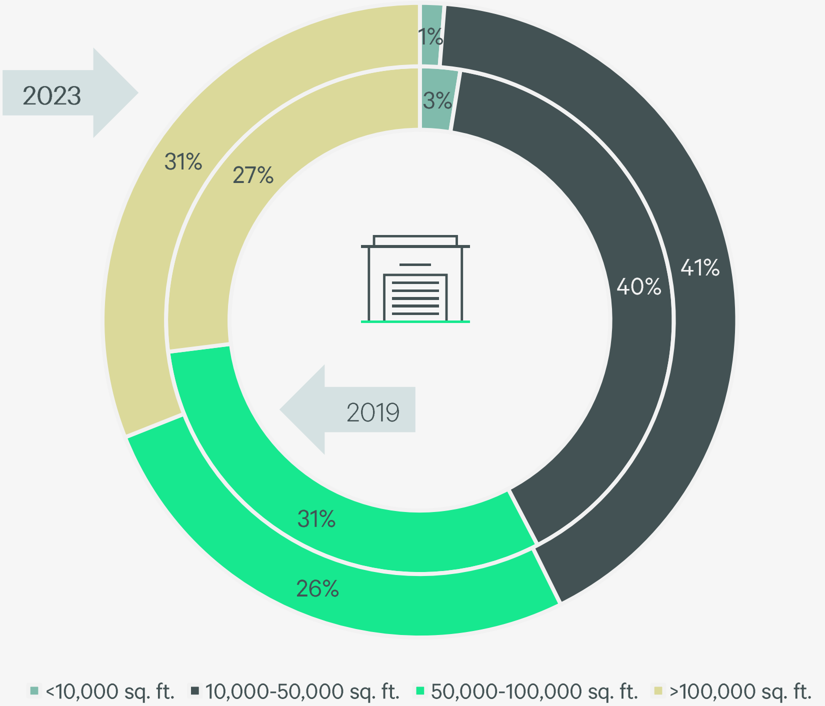
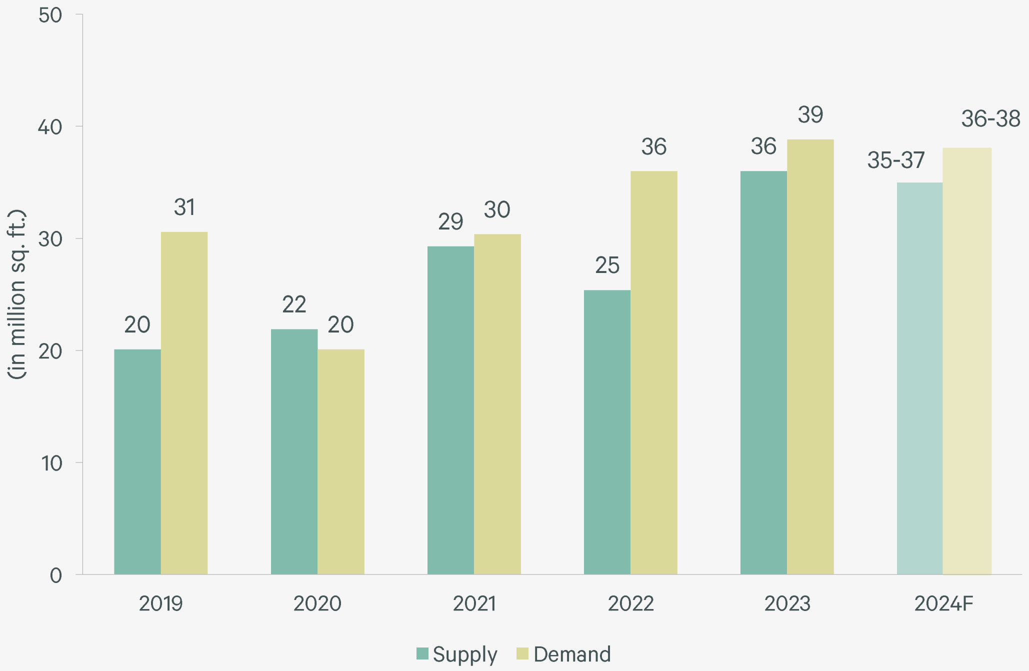


Figure 3.3: I&L supply-demand trends (2019-2024F)



Source: CBRE Research, Q1 2024

02 EVOLVING OCCUPIER STRATEGIES SHAPING I&L DEMAND

Occupiers are seeking to upgrade to core and quality-compliant assets that offer improved storage facilities, meet essential environmental, health, and safety (EHS) requirements, and provide optimised rental options.

Occupiers are preferring being close to industrial and consumption hubs or transportation nodes to reduce their transportation costs.

In the industrial space, some occupiers are choosing build-to-suit facilities or fit-out-based assets to align with their specific requirements, wherein the capex for such tenant improvements are amortised as monthly rent.

Occupiers are increasingly adopting automation and artificial intelligence (AI) technologies to improve cost-effectiveness and operational efficiencies.

Occupiers are strategically positioning their facilities to enable efficient coordination and optimisation of "first mile," "middle mile," and "last mile" logistics, ensuring timely, cost-effective deliveries.

Occupiers are expanding their operations and distribution networks to encompass new logistics hubs in key tier-II cities. This strategic move allows them to be closer to a larger population base and benefit from comparatively lower operational costs.

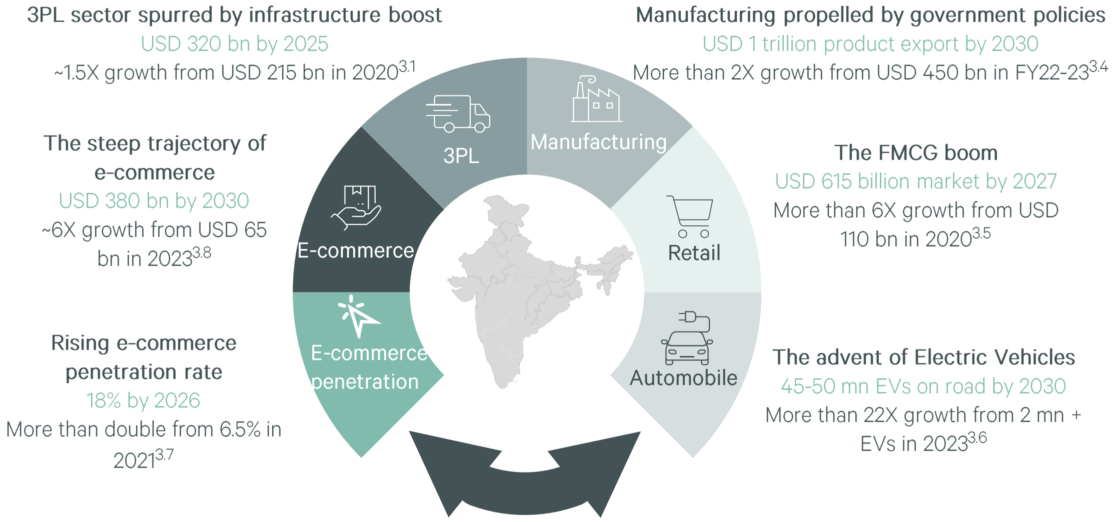
03 3PL AND E&M TO CONTINUE POWERING LEASING ACTIVITY

Over the past few years, persistent supply chain disruptions stemming from a confluence of factors have resulted in extended lead times. This has prompted occupiers in the e-commerce, retail, and manufacturing sectors to expand their buffer stock and increase their focus on developing and expanding sourcing options. Consequently, occupiers are increasingly leveraging the expertise of 3PL providers to fulfill their warehousing needs. This strategic shift allows them to refocus on core competencies by outsourcing logistical and warehousing functions to specialised 3PL partners. Spurred by an anticipated infrastructure boost, the 3PL sector is expected to grow from USD 215 billion in 2020 to USD 320 billion by 2025.[3.1]

India has undergone a remarkable transformation in its manufacturing landscape, diversifying beyond its traditional strengths in textiles and agro-based industries. This expansion has resulted in notable advancements in the manufacturing leasing as well. In recent years, the government has implemented several initiatives to boost the sector, most notably the PLI scheme, which has attracted substantial investments and boosted production in lucrative sectors such as electronics, automobiles, renewable energy, and semiconductor manufacturing. Additionally, initiatives such as Bharatmala Pariyojana, and the National Logistic Policy, have further enhanced opportunities in the manufacturing market. As per the Economic Survey, the PLI scheme for large-scale electronics manufacturing has attracted an investment of INR 4,784 crore and contributed to a total production of INR 2.04 lakh crore, including exports of INR 80,769 crore (as of September 2022).[3.2]

India's e-commerce industry is also witnessing substantial growth, driven by the country's digitalisation and expanding internet user base. Technological advancements, such as artificial intelligence (AI) and virtual reality, are poised to revolutionise the online shopping experience. Additionally, India's internet economy is projected to skyrocket to USD 1 trillion by 2030, a sixfold increase from USD 175 billion in 2022[3.3]. This remarkable surge is fuelled by the increasing penetration of e-commerce in tier-II and tier-III cities, previously underserved by traditional retail channels. Despite a slowdown in 2022 and 2023, the outlook for e-commerce appears positive for 2024, indicating significant opportunities for further expansion and development.

Figure 3.4: I&L demand drivers setting the stage for multi-fold growth



3.1. Indian Chamber of Commerce, 2022
3.2. The PLI Scheme: A Game-Changer for India's Manufacturing Sector, Invest India, July 2023
3.3. 'The e-Conomy of a Billion Connected Indians', a Google, Temasek and Bain & Company report, June 2023
3.4. Ministry of Commerce & Industry, GoI, April 2023
3.5. Statista, 2023
3.6. Invest India, Goi, 2030
3.7. CBRE Global estimates; 2021
3.8. Bain & Company, June 2023

04 RENTAL VALUES LIKELY TO WITNESS MODEST GROWTH

The share of modern, investment-grade warehouses is gradually increasing, reflecting a growing emphasis on quality in the market. However, despite this rise, these high-spec facilities still hold a smaller market share compared to older, sub-investment grade options.
Although cost-conscious logistics occupiers are currently hesitant to pay premium prices - often prioritising affordability, the growing trend towards quality is expected to push rental rates upwards in the long term. Top-tier investment-grade facilities with superior specifications, amenities, and infrastructure, remain attractive to occupiers seeking the best possible environment for their operations.

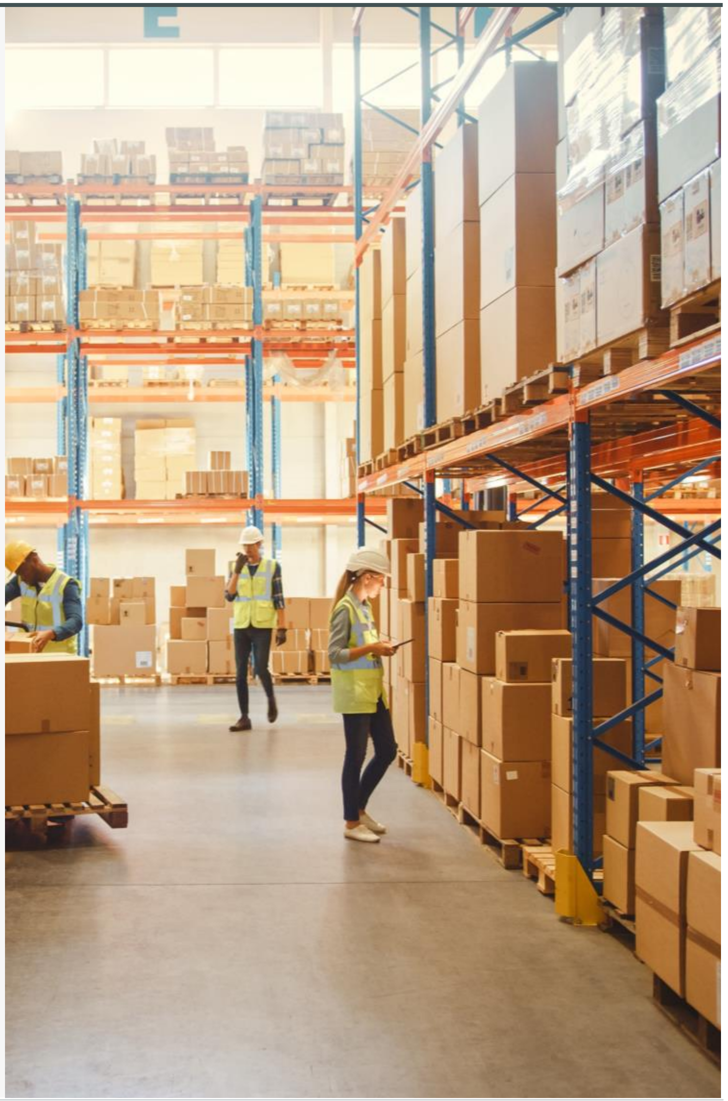
Looking ahead, prime locations and investment-grade assets are poised to take centre stage in 2024 and the intensifying competition for these assets is likely to drive rental rates upwards.

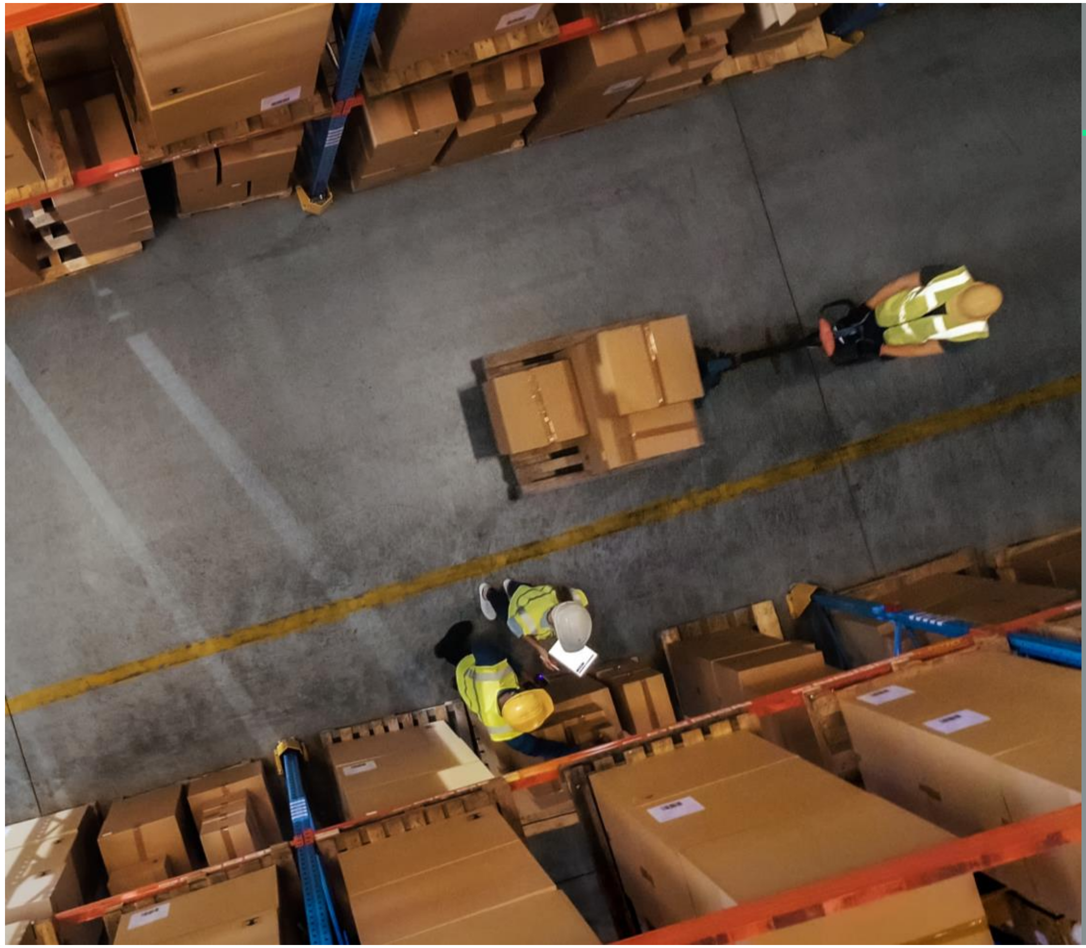
Note: Global macro-economic uncertainties may have an impact on these forecasts, and it is tough to estimate the extent of this impact accurately. Considering this inherent risk factor, forecasts are likely to change with periodic reviews, given the evolving situations.

Figure 3.5: Annual rental growth forecast for key Indian cities for 2024:

Delhi-NCR	2-5%
Hyderabad	3-5%
Chennai	2-5%
Pune	2-5%
Bangalore	3-5%
Mumbai	3-5%

Source: CBRE Research, Q1 2024





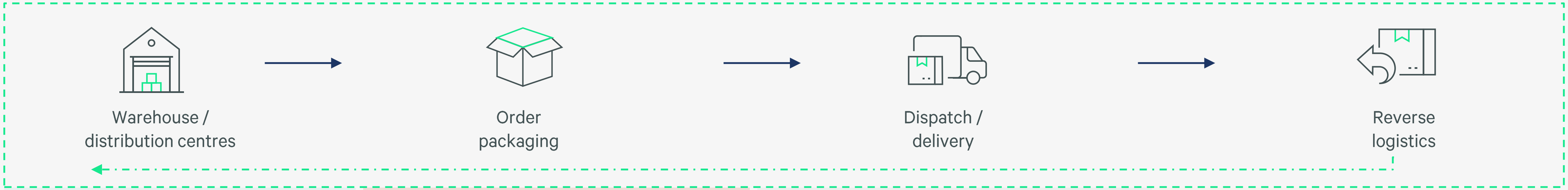
05

NEW-AGE WAREHOUSES WILL CONTINUE TO REVOLUTIONISE

Warehousing facilities with high ceilings, stronger floors, leak-proof thermal insulation, pre-installed dock levellers, sufficient loading and unloading zones, reliable power backup provisions, and robust fire safety systems are expected to gain more traction in 2024. Additionally, manufacturing units are expected to exhibit a growing preference for ready-built, plug-and-play infrastructure within industrial clusters. These facilities are expected to reduce capex and ensure immediate and seamless operations for the occupiers.

The combination of rising end-user demand for rapid delivery and tight labour markets will continue to spur warehouse automation and near-stocking at consumption points and service locations.

Figure 3.6: Tech advancement in new-age logistics' facilites



- **Automated storage and retrieval systems (AS/RS):** Computer controlled systems to fast-track order fulfilment and material handling operations.
- **Automated Guided Vehicles (AGV):** Used to transport inventories between multiple points in a warehouse. They navigate with the help of sensors, tracks, magnetic strips, etc., embedded in the warehouse floors.
- **Cobots:** Semi-autonomous robots which work alongside human labour to assist in tasks that require high precision / heavy lifting within the warehouses.

- **Robotic arms & grippers:** For precise and automated order picking and packaging.
- **Blockchain:** Supports in verifying product authenticity, ensures traceability and provides quality control with the help of sensors for time and temperature sensitive goods. It also facilitates smart contracts that automate packaging instructions, labelling requirements, and even payments when specific conditions are met.

- **Real-time tracking:** GPS and mobile apps enable real-time tracking of products that are out for delivery.
- **Drones:** Unmanned aerial vehicles to facilitate quick and efficient deliveries, both in busy areas and remote locations.
- **Delivery Bots:** Mobile robots used to deliver smaller goods, and which are designed to navigate sidewalks and streets in urban areas.

- **IoT sensors:** To verify the quality standards of returned goods, especially for products with temperature, time, humidity, and shock sensitivity.
- **AI & machine learning:** To analyse data from returned goods to identify patterns, reason for returns, and help decision-making with regards to restocking, refurbishing or recycling.

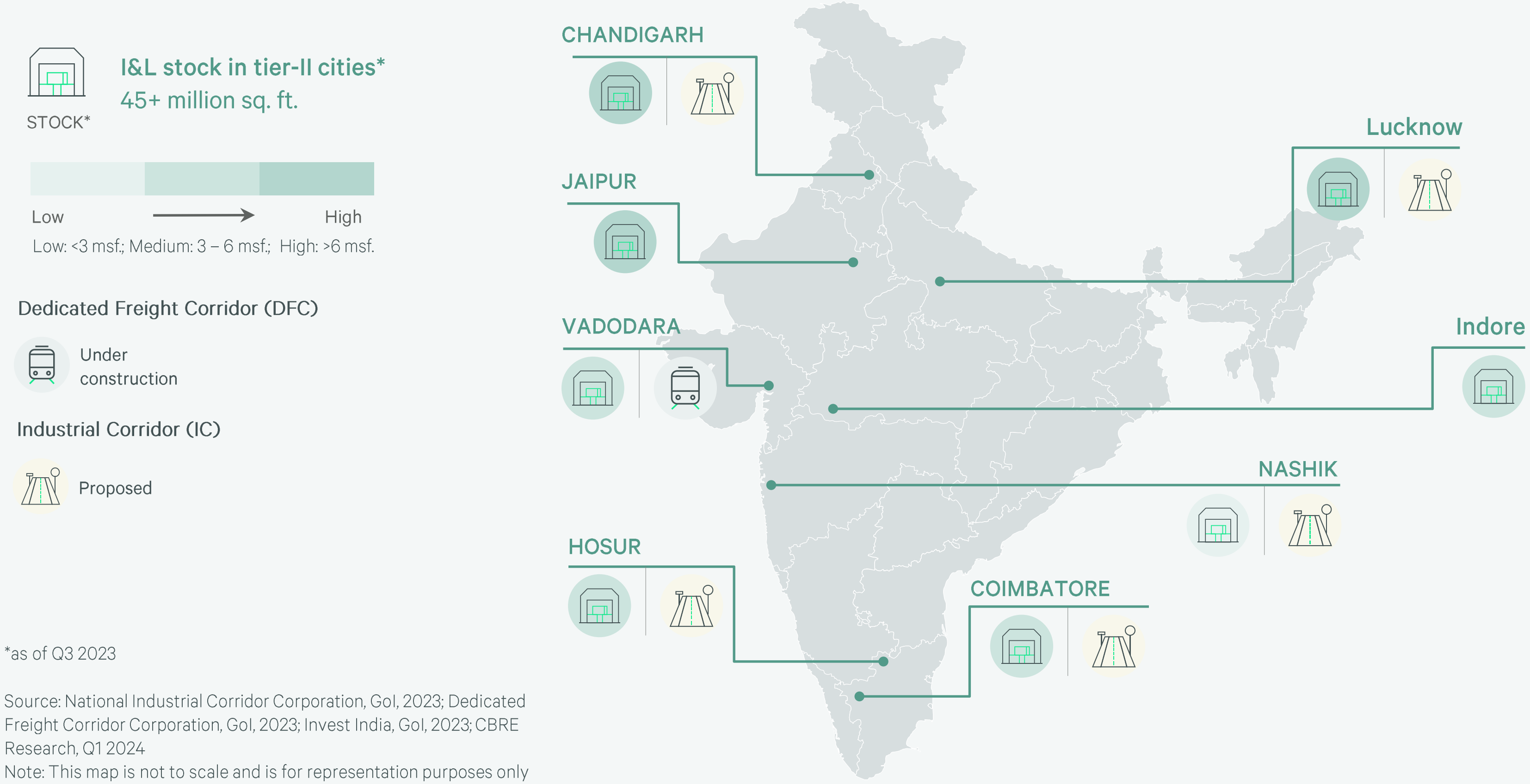
Source: CBRE Research, Q1 2024

Watch out for

Rising demand in tier-II cities

Enhanced infrastructure / connectivity, robust consumer base, and growing internet penetration shaping digital buying decisions in tier-II and III cities are attracting significant interest from both occupiers and developers. Recognising the potential of these untapped markets, occupiers are increasingly prioritising the establishment of efficient local distribution networks to facilitate faster deliveries, including same-day options.

Figure 3.7: Key drivers of I&L demand in tier-II cities



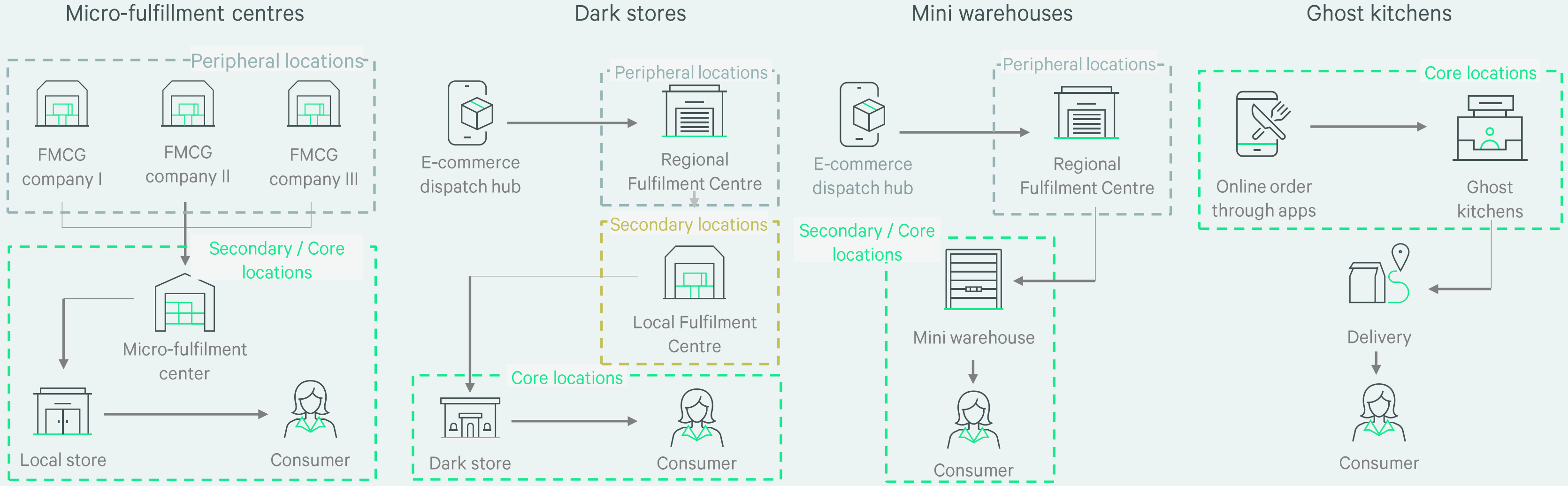
*as of Q3 2023

Source: National Industrial Corridor Corporation, GoI, 2023; Dedicated Freight Corridor Corporation, GoI, 2023; Invest India, GoI, 2023; CBRE Research, Q1 2024
Note: This map is not to scale and is for representation purposes only

Last-mile logistics: Delivery to dominate future I&L operations

Occupiers are increasingly focusing on optimising last-mile logistics services to meet customer expectations and gain a competitive edge in a market characterised by growing demand for swift deliveries. Efficient coordination and optimisation of first-mile and middle-mile logistics are also crucial in the industry to ensure timely and cost-effective deliveries. Occupiers are expected to focus towards last-mile warehousing facilities, such as micro-fulfillment centres, mini-warehouses, dark stores, and in-city warehouses, particularly in the retail and e-commerce sectors. These specialised facilities are strategically located closer to urban areas to enable faster and more efficient deliveries to end customers.

Figure 3.8: Operating models of key last mile delivery facilities



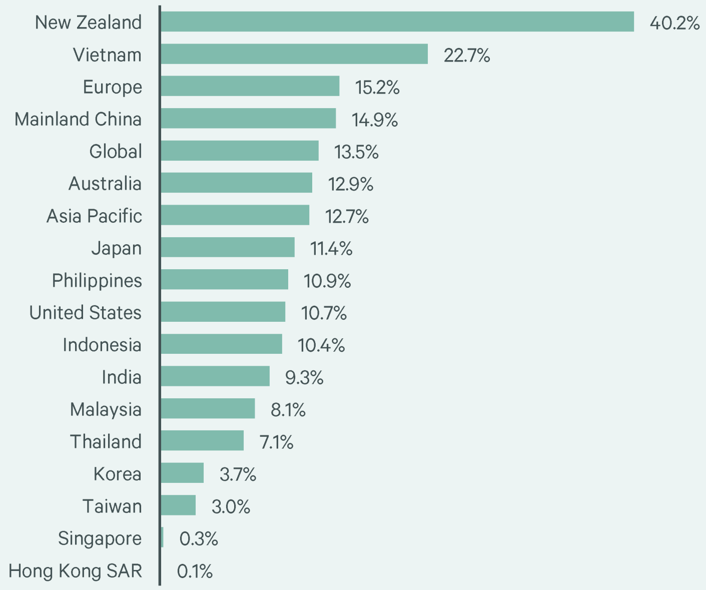
Source: CBRE Research, Q1 2024

ESG to remain on the radar of I&L stakeholders

Developers are expected to continue prioritizing green / sustainable facilities to attract occupiers and enhance their portfolios. Investment-grade developers are expected to collaborate with occupiers to reduce energy consumption and implement green practices on-site. Despite upfront investments, lower electricity costs and government incentives make these initiatives appealing. Some developers are expected to introduce cost-effective assets with essential occupier requirements and sustainable facilities.

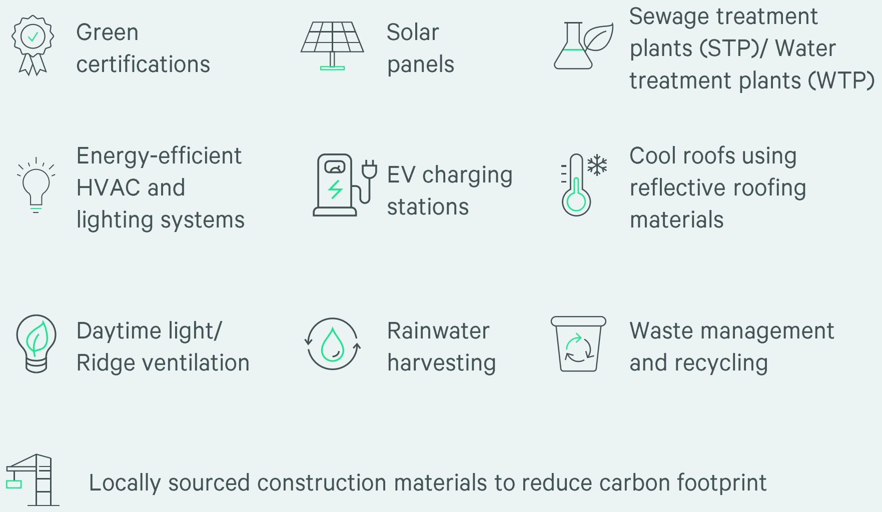
According to the 2023 Asia Pacific Logistics Occupier Survey[3.9], a majority of respondents identified green energy supply and electric vehicle (EV) charging as the most desirable features for ESG-compliant warehouses. While 70% of the surveyed respondents expressed a desire for greater access to green energy, the availability of such energy from the grid remains limited.

Figure 3.9: Renewable energy as a percentage of primary energy production

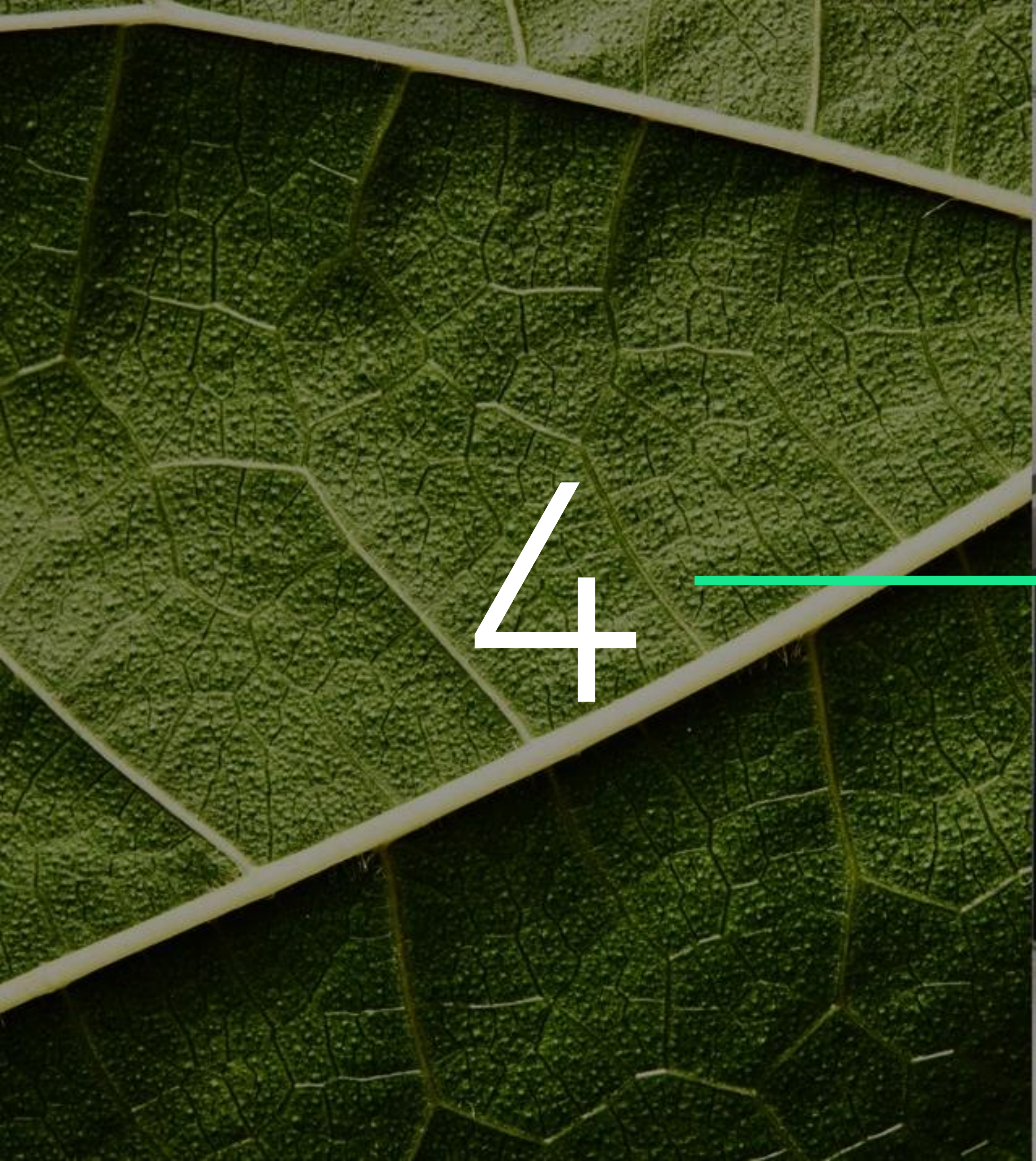


Note: Renewable sources refer to hydropower, solar, wind, geothermal, wave tidal and modern biofuels
Source: Our World in Data based in BP Statistical Review of World Energy, 2022

Figure 3.10: Key ESG initiatives under discussion and proposed by few developers



3.9 The 2023 Asia Pacific Logistics occupier Survey was conducted from April to May 2023. More than 120 responses were received across Asia Pacific



4 Retail

India's retail sector experienced remarkable growth in 2023, driven by robust demand and new shopping mall completions across some of the major cities. This positive trend is anticipated to continue in 2024, with both retailers and consumers expressing cautious optimism. While tier-I cities would continue to witness expansion, several tier-II markets have also demonstrated significant potential and are becoming attractive destinations for retail development.

Moreover, shopping malls are transforming into experiential hubs, offering a diverse range of entertainment, dining options, and dynamic shopping experiences. This evolution in the retail landscape is anticipated to shape the industry's trajectory in the coming year.

The year that was

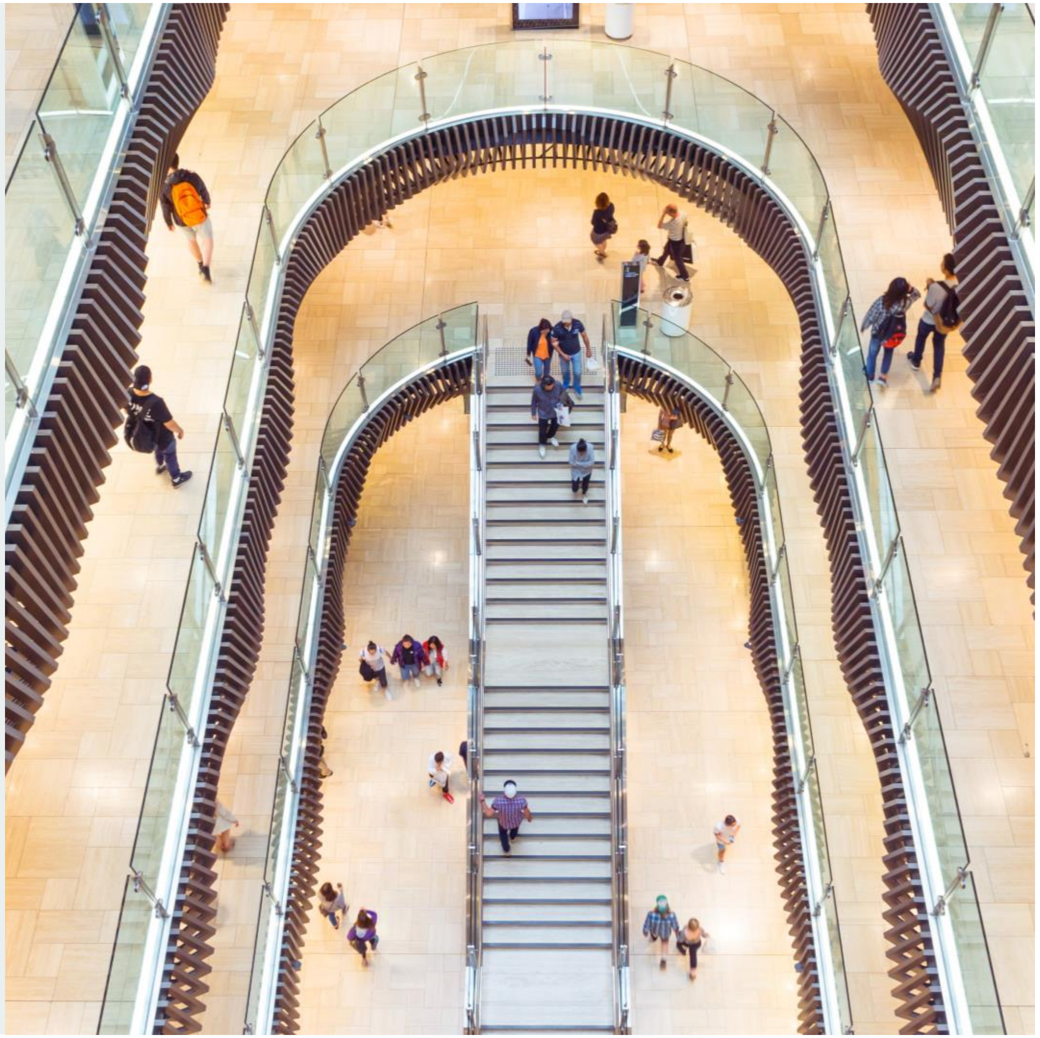
01

RETAIL PERFORMANCE CONTINUED TO STRENGTHEN DURING 2023; FASHION & APPAREL PLAYERS LED LEASING

With a historic peak, the year 2023 reported space take-up of nearly 7.1 million sq. ft., registering a Y-o-Y growth of 47% in tier-I cities[4.1]. Leasing activity was primarily driven by Bangalore, Delhi-NCR, and Mumbai, with the three cities together accounting for a nearly 61% share.

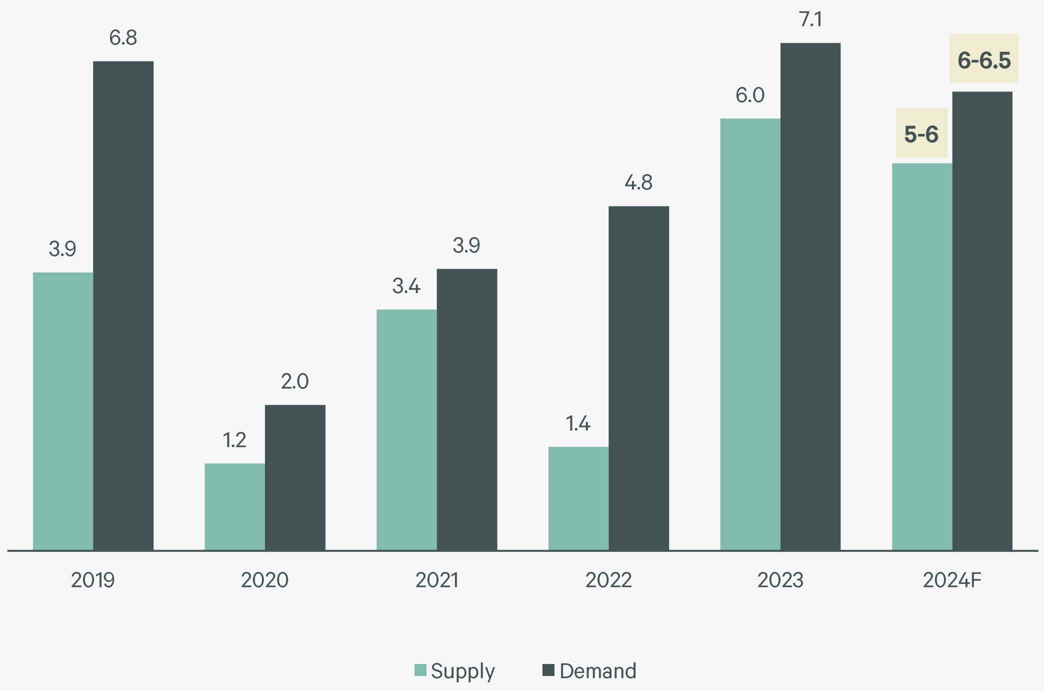
On similar lines, supply addition increased exponentially by 3X Y-o-Y in 2023 as a significant amount of pent-up supply entered the market. Close to 13 malls totalling about 6 million sq. ft. became operational across the country. The overall supply scenario is anticipated to remain steady as a number of investment-grade projects are lined up for completion during 2024.

Tier-II cities[4.2] in India also witnessed sustained growth in 2023, with a total space take-up of 1.2 million sq. ft. Kochi emerged as the frontrunner in terms of leasing activity, driven primarily by the inauguration of a new investment-grade mall exceeding 1 million sq. ft. Notably, Kochi and Indore together accounted for nearly 70% of the total space absorption witnessed in tier-II cities during the year.



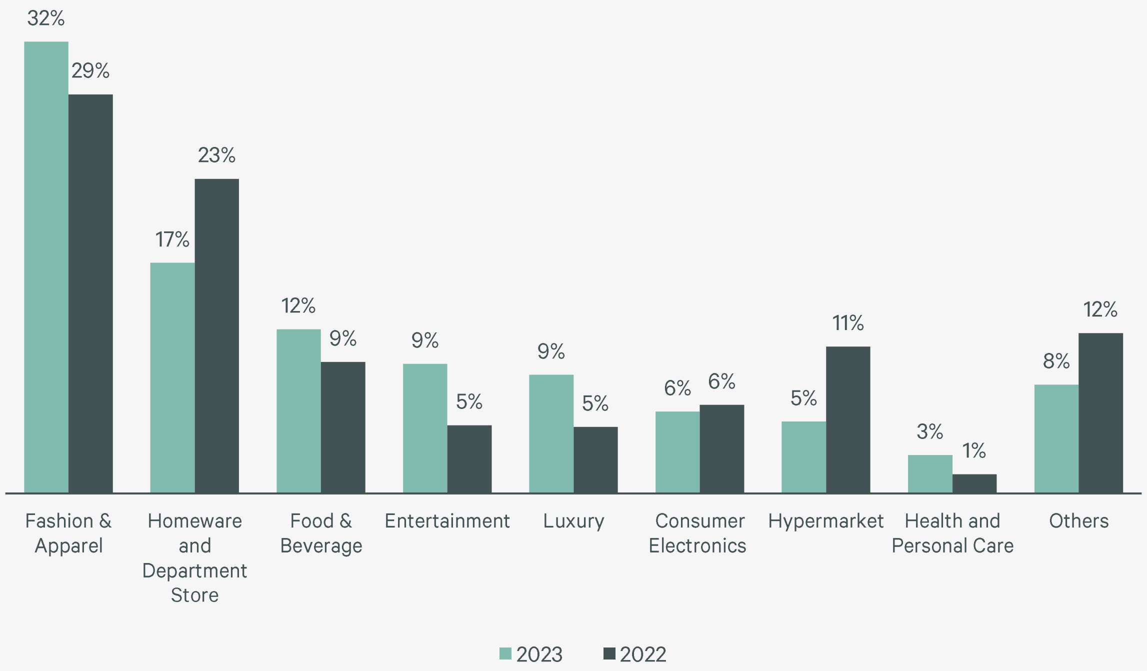
4.1 Tier-I cities include Delhi-NCR, Bangalore, Mumbai, Hyderabad, Chennai, Pune, Kolkata, and Ahmedabad
4.2 Tier-II cities include Chandigarh, Jaipur, Lucknow, Indore, and Kochi

Figure 4.1: Retail supply-demand trends (2019 – 2024F[4.3])



Source: CBRE Research, Q1 2024

Figure 4.2: Demand across key retail categories (% share)



Source: CBRE Research, Q1 2024

4.3 These forecasts may vary based on factors such as pace of construction, developer profile / execution capability, macroeconomic uncertainty, current geopolitical climate, global headwinds, etc.

02

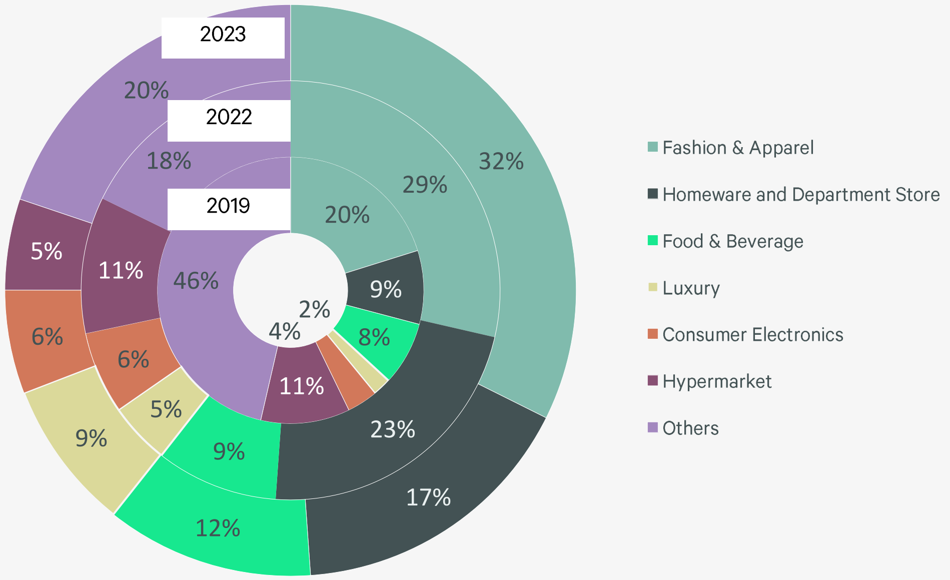
COMING INTO FOCUS: LUXURY RETAIL

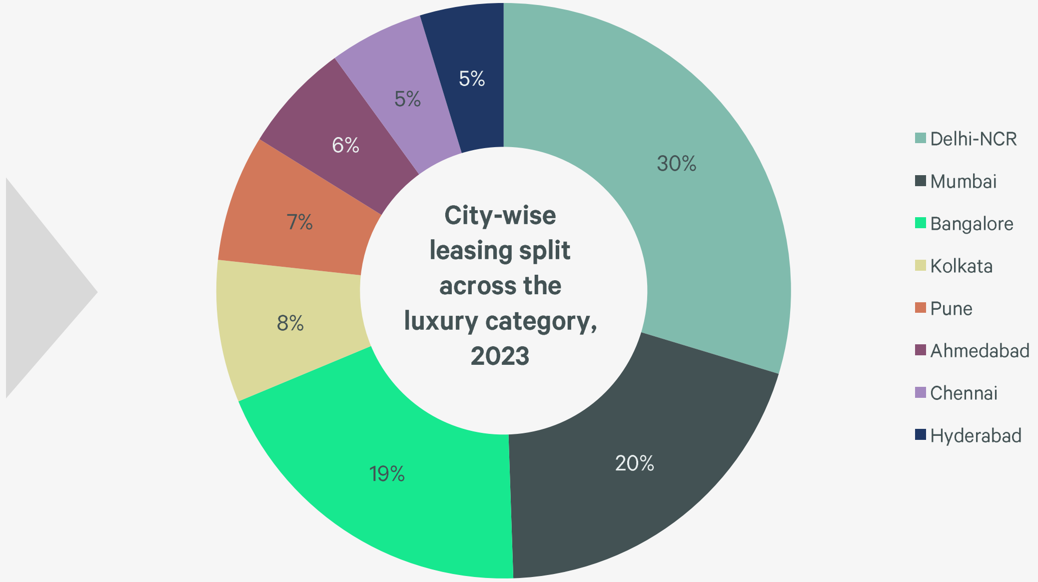
Retail categories such as fashion & apparel, homeware & department stores, and luxury retail played a significant role in driving leasing activity. These categories accounted for more than 50% of transaction activity in India in 2023. Along with other categories, the luxury segment has experienced a notable resurgence in recent years. Retailers in this sector capitalised on a combination of factors - rising income levels, pent-up demand, and growing consumption across various retail categories. The year witnessed the entry and expansion of numerous international luxury fashion, watch, and accessories brands, alongside the opening of several jewellery stores by domestic retailers peppered across the country. This growth of the luxury retail market has been multifaceted, with various factors converging to contribute to its expansion:

Quality supply in the right locations: The recent inauguration of the Jio World Plaza in Mumbai, and the Mall of Asia in Bangalore, exemplify the growing demand for high-end shopping experiences in India. These developments underscore the evolving preferences of Indian consumers, who are increasingly seeking out luxury brands and experiences. They are actively looking for expansion opportunities in metro cities, taking up larger spaces in existing locations to cater to the growing demand for their products. This expansion goes beyond the traditional luxury hubs of Delhi and Mumbai, with brands targeting new cities such as Hyderabad and Ahmedabad.

More international players join the fray: Recognising the potential of the Indian market, newer foreign luxury retailers are entering the market through strategic partnerships with domestic players. This trend is evident in the recent arrivals of brands such as Rimowa, Bugatti Fashion, West Elm, and Victoria's Secret, all of which have established a presence through local partnerships. The anticipated launches by Brioni, Roberto Cavalli, Dunhill, Sandro, Maje, and Galeries Lafayette, Paris would further solidify this trend.

Figure 4.3: Leasing activity in the luxury category





Source: CBRE Research, Q1 2024

Figure 4.4: Retail categories: Expansion, growth, and shifting trends

Expansion and Consolidation

HOME DÉCOR
Scouting for expansion opportunities in online and offline formats.

FASHION AND APPAREL
Continued expansion across tier-I cities across malls and highstreets, rationalised expansion in select tier-II cities.

Alternative Entertainment

FAMILY ENTERTAINMENT CENTRES
Emerging as viable alternatives to traditional cinema halls, capitalising on the growing home entertainment market

Growth Sectors

ATHLEISURE
Strong consumer interest in the category is fueling expansions across tier-I and tier-II cities.

JEWELLERY STORES
Continued expansion by domestic brands.

FOOD AND BEVERAGE (F&B)
Growth in the form of new restaurants and cafes' across top cities by not only international brands but also homegrown cafes / chains.

VALUE FASHION
Various groups introducing fast and value fashion anchors, such as Style Up by Aditya Birla, Style Union, and Intune by Shoppers Stop, following the success of brands such as Zudio and Max.

Source: CBRE Research, Q1 2024

Top trends expected to shape the retail sector in 2024

01 STEADY SUPPLY WITH CAUTIOUS DEMAND

With the anticipated completion of several investment-grade malls, the retail supply scenario in India is expected to remain stable in 2024. We expect 5-6 million sq. ft. of investment-grade malls to become operational in tier-I cities by 2024. However, in comparison to other Asian / global retail markets, India is still underpenetrated when it comes to organised retail spaces. Malls and other retail formats are largely restricted to top-tier cities (and select tier-II cities), which means that high streets and unorganised retail still play a major role in overall demand, a trend that we expect would continue in the near future.

Infusion of quality supply shaped retail leasing trends in 2023 as primary transactions accounted for nearly 30% of the overall space take-up. We expect this trend to continue as several investment-grade, large-scale malls are slated for completion in 2024, which would drive up primary leasing. As a result, leasing in tier-I cities for 2024 is projected to be around 6-6.5 million sq. ft. However, retailers may maintain a cautious approach with their expansion plans as pent-up demand wanes and potential inflation squeezes consumer spending. Rental growth is expected to rationalise across secondary locations; however, key locations are likely to continue commanding rental premiums.

02 RETAIL INVESTMENT LANDSCAPE: CONSOLIDATION AND EMERGENCE OF NEW PLAYERS

After a period of limited retail sector investments in the recent past, the tide is now turning. Notable players such as ADIA (Abu Dhabi Investment Authority) are planning to expand in the Indian market, while established entities such as the Lulu Group are actively pursuing opportunities, particularly in tier-II cities.

Supply to be led by key developers: Leading developers such as Phoenix, Prestige, Brigade, DLF, etc., are focusing on expansion in major cities such as Hyderabad, Chennai, Bangalore, and Delhi-NCR, due to the higher trading densities and strong leasing performance witnessed in the past year.

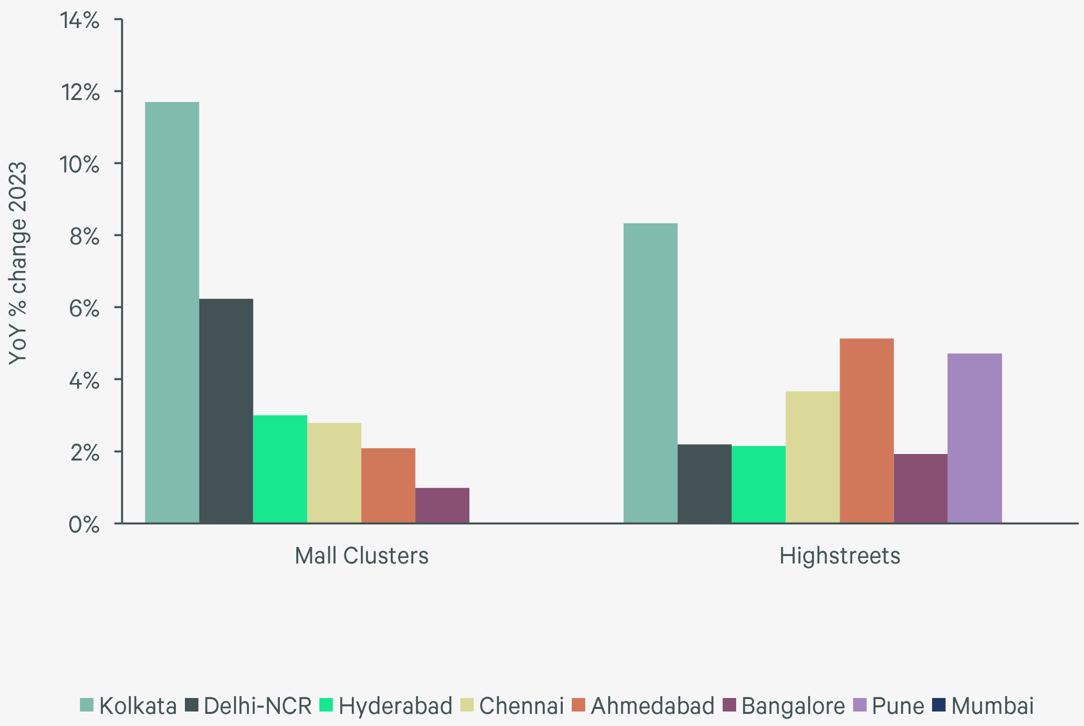
Expansion strategies: Institutional players and major developers are setting their sights on investment-grade malls in tier-I cities, employing a multi-city strategy to spread risk and ensure project viability. This trend towards consolidation is reshaping the retail investment landscape. Established players are not only targeting major markets, but new entrants and small-scale developers are also capitalising on opportunities in tier-II cities and beyond. The focus for such players is towards establishing catchment-driven neighbourhood malls to cater to the specific dynamics of these cities / catchment areas.

03 NEGOTIATIONS TAKE CENTER STAGE: RETAIL RENTAL GROWTH EXPECTED TO TEMPER IN 2024

While rental values witnessed sustained growth in 2023, the growth is anticipated to temper in 2024. This can be attributed to cautious demand amidst a steady supply of high-quality retail spaces. In tier-I cities, where rents have already reached their peak, limited growth is expected. While certain cities face a shortage of retail spaces to accommodate additional demand by retailers, upcoming mall completions are projected to meet the demand. However, prominent developments may still be able to command a premium, but escalations are expected to be more restrained compared to the previous year.

Developers may offer more flexibility during lease renewals for existing tenants, particularly for high-draw retailers. Figure 1.6 illustrates the average rental changes in top metros in 2023.

Figure 4.6: Rental trends across cities



Source: CBRE Research, Q1 2024

In select saturated markets, particularly prime high streets, rents may have already reached a peak due to the increments witnessed over the course of 2023. To provide a fair balance between tenant and landlord expectations, landlords in these areas may need to adopt a more flexible approach. This could mean offering incentives or concessions such as shorter lease terms to provide comfort to new tenants / retain existing ones.

04 THE FUTURE OF RETAIL SPACE DEVELOPMENT: A MULTIFACETED EXPERIENCE

Experience-driven retail has been a widely accepted trend – however, that experience is now witnessing the addition of many layers to it. A couple of years ago, experience meant adding a unique F&B store or an entertainment centre, but today experience transcends across all retail touchpoints. The experience layers start right from the interactive parking options to immersive flagship stores, custom / appointment-based luxury shopping, and curated F&B experiences. Malls are transforming into vibrant hubs offering a myriad of entertainment options, such as cinemas, immersive gaming zones, cultural events, and even live performances.

BEYOND SHOPPING

A culinary revolution: Malls and high streets are moving beyond a limited selection of “quality” food options to curate a diverse culinary landscape. This focus includes unique dining experiences, authentic cuisines, themed restaurants, and even hosting food festivals. Innovative food court layouts / zoning and design elements further enhance the appeal, drawing customers in to explore new dining experiences.

ADAPTABILITY

The new design mantra: Modern mall developers recognise the importance of flexible design. Creating adaptable spaces within malls allows for repurposing based on current trends and events. This adaptability caters to the dynamic needs of both consumers and brands. Pop-up shops, product launches, community gatherings, and art exhibitions are just a few examples of the versatility these spaces can offer.

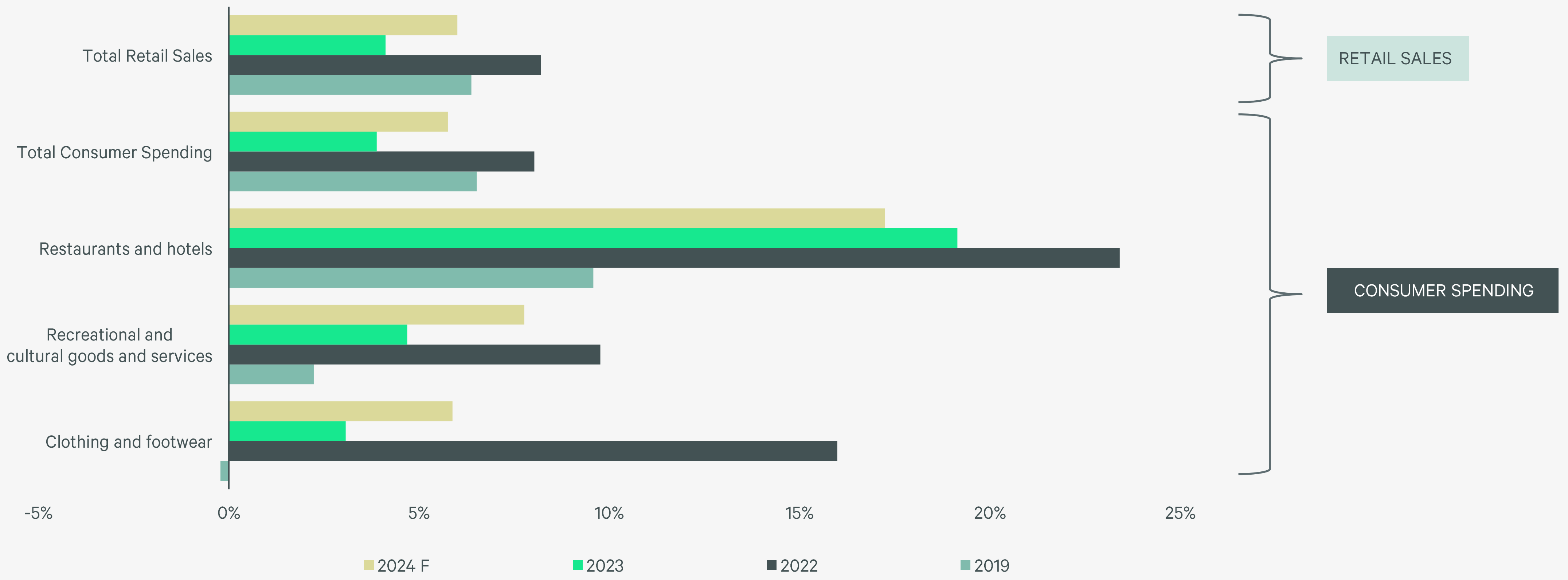
TECHNOLOGY INTEGRATION

Enhancing the shopping journey: The integration of technology is another key driver of retail space evolution. Smart parking solutions streamline the arrival process, while mobile apps offer personalised recommendations and navigation assistance. Augmented reality (AR) is also making its way into the shopping experience, with interactive displays that enhance product engagement. By leveraging these technologies, mall developers and brands can facilitate best-in-class services and create a more immersive experience, while at the same time leveraging customer-centric data to provide a more personal experience for the customer.

05 INDIAN CONSUMER SPENDING: A CAUTIOUSLY OPTIMISTIC OUTLOOK

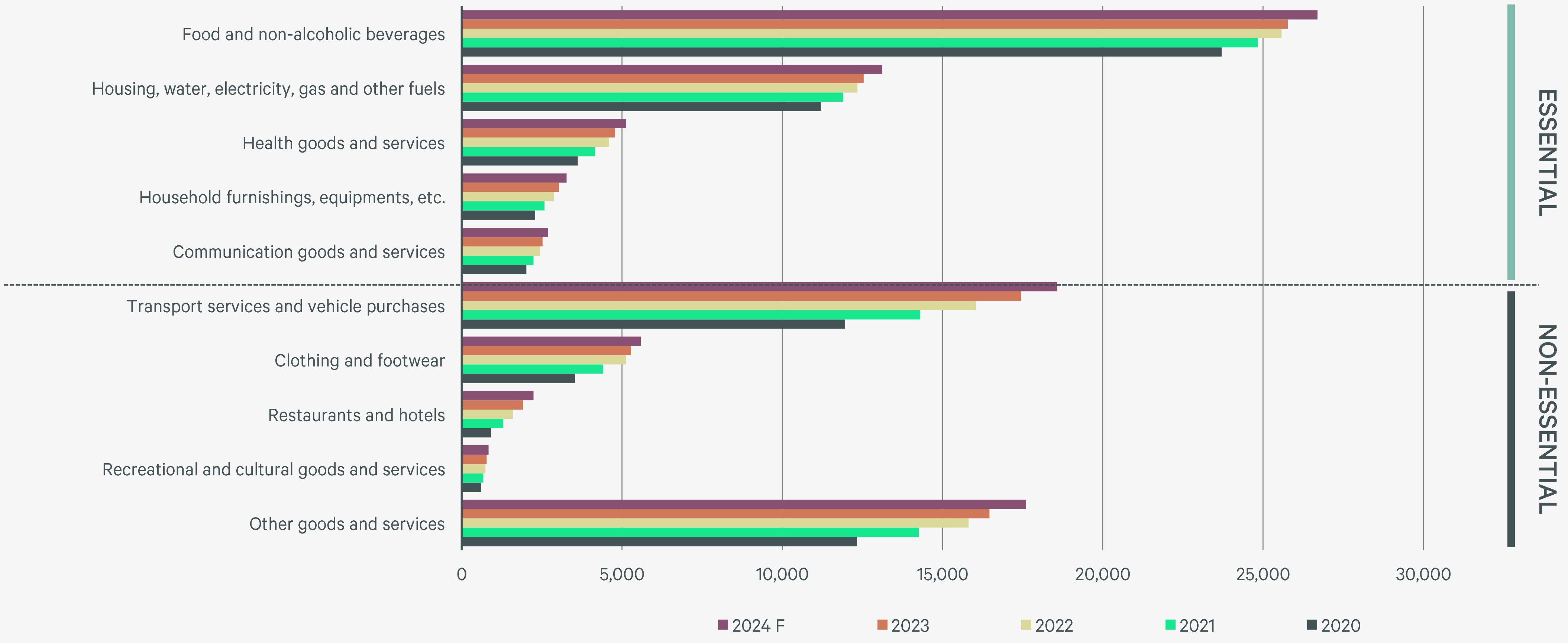
Despite persistent inflation, Indian consumers are expected to maintain a cautiously optimistic outlook on spending, particularly towards non-essential items. While a potential economic slowdown could dampen retail sales growth, the festive season in the latter half of 2024 is likely to mitigate this effect. Even though household spending has remained steady so far, consumers are likely to closely monitor inflation's impact on the prices of products and services. On the whole, we expect the overall retail scenario to remain vibrant, with minor impediments that may slacken, but would not derail its growth trajectory in 2024.

Figure 4.7: Percent growth in consumer spending across non-essential categories



Source: CBRE India Research, Q1 2024

Figure 4.8: India - Consumer spending across categories in INR billion



Source: CBRE Research, Q1 2024

Watch out for

Generative AI: Powering the retail revolution

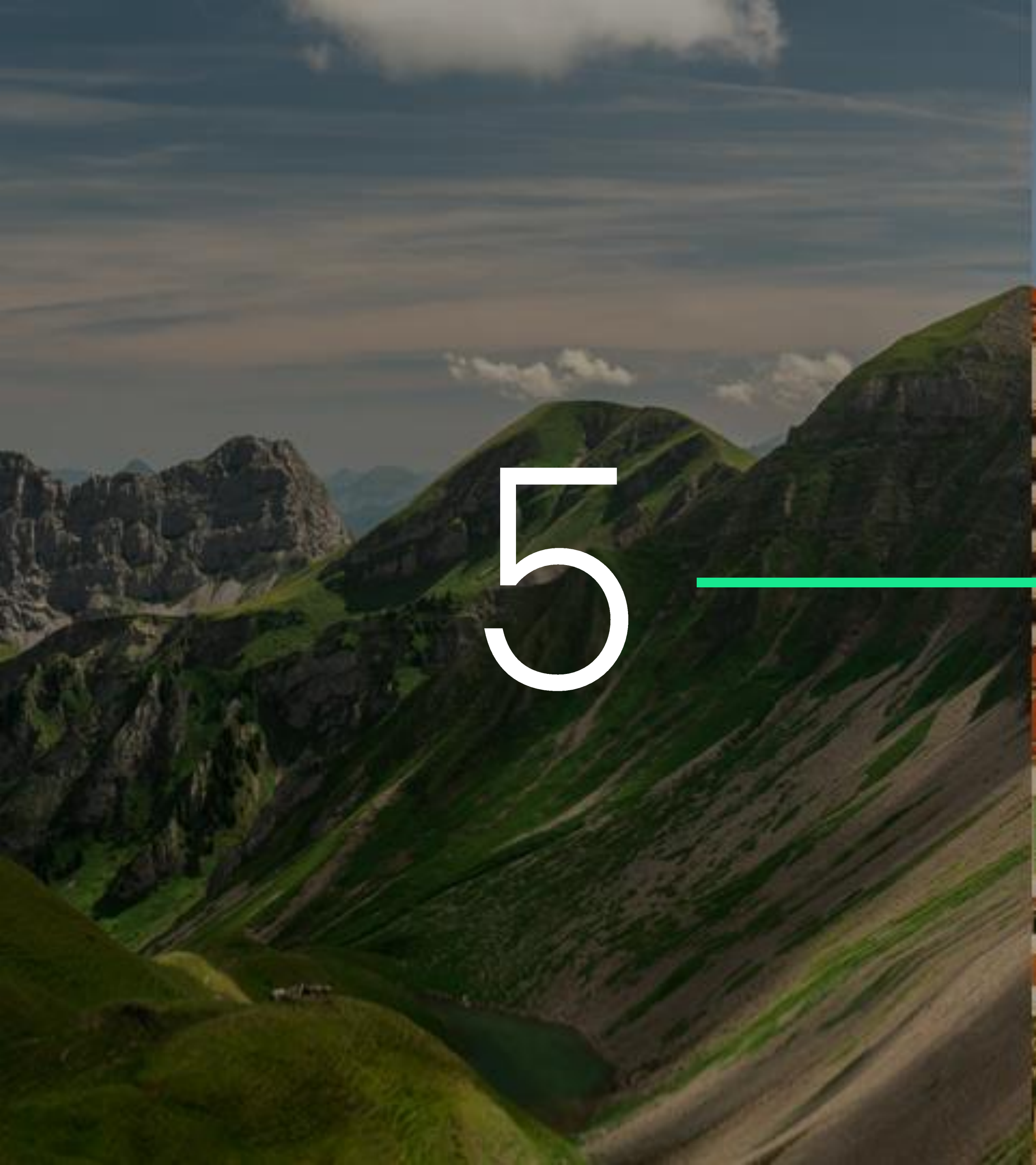
The Indian retail market is undergoing a significant transformation driven by Generative AI. This technology is allowing retailers to meet the diverse needs of their customers by enhancing both online and in-store experiences. It is automating tasks such as product descriptions and cataloguing while even acting as virtual customer assistants.

Hyper-personalisation to take centre stage

Retailers are embracing a data-driven strategy called hyper-personalisation, tailoring product offerings and experiences to individual customers. This approach optimises inventory management and boosts customer satisfaction, loyalty, and sales. Retailers are increasingly leveraging technologies and using predictive analytics to anticipate customer needs and foster a sense of connection and loyalty.

Optimising supply chains in a hyperconnected world

As retail sales tend to have periods of volatility, Indian businesses would need to adopt a strategic approach to effectively manage their supply chains, minimising the impact on costs and ensuring timely product delivery. Efficient inventory management is expected to play a crucial role in tracking stocks effectively and optimising inventory levels. This need is particularly pronounced in retail categories such as supermarkets and department stores, where demand levels quickly respond to economic activity and resource scarcity. Proactive strategies are required to navigate this sector and ensure seamless operations.



5 Residential

The residential sector is currently undergoing a bullish phase, characterised by a convergence of factors that foster an extremely favourable ecosystem. As we progress into 2024, we anticipate that both sales and new launches will sustain the sector's buoyancy. Despite the potential challenges posed by escalating land costs and limited funding options for early-stage projects, the robust underlying market fundamentals are expected to propel residential activity well above the average trend witnessed in the previous five years.

The year that was

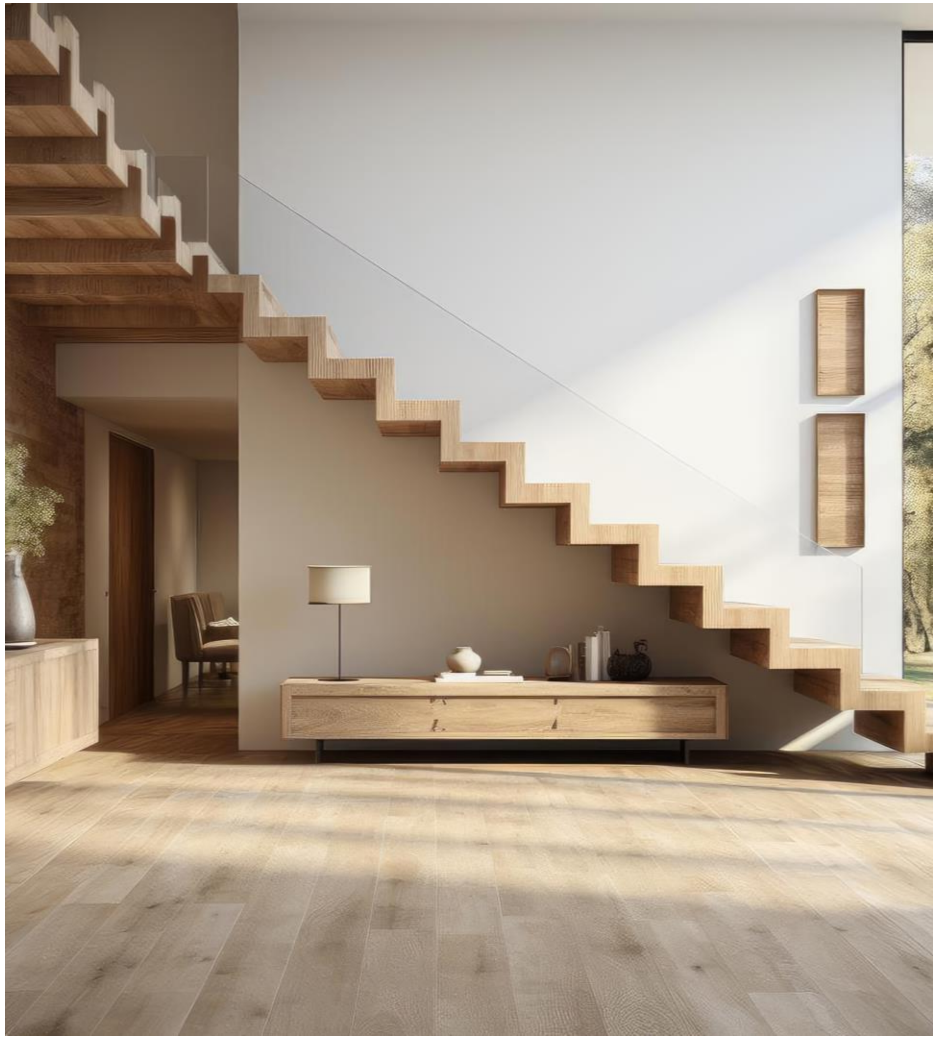
01 UNPRECEDENTED NUMBERS IN BOTH SALES AND NEW LAUNCHES

India's residential sector achieved unprecedented sales and new property launches in 2023, defying the initial apprehensions surrounding the delayed impact of monetary tightening on housing loan rates. In fact, there was a significant increase in demand for housing loans, with major banks disbursing around INR 2.7 lakh crore of credit up to January 2024, representing an annual surge of approximately 37%[5.1].

Moreover, the year concluded on a high note, with sales of housing units sold surpassing the significant threshold of 300,000, marking a decade-long record. The sector's continued robustness can be attributed to the consistent demand for homeownership from end-users, supported by healthy investor interest. To meet the strong demand, developers launched a slew of projects, propelling the housing supply and helping maintain momentum with over 300,000 new launches during the year.

02 THE ADVENT OF THE PREMIUM AND LUXURY HOUSING MARKET

Throughout 2023, India's premium and luxury real estate sector experienced exceptional activity, registering a 75% Y-o-Y growth with strong demand for properties priced at INR 2 crore or higher. This segment became an attractive investment option, especially for high-net-worth individuals (HNIs) and non-resident Indians (NRIs) looking to diversify their portfolios amidst global macroeconomic uncertainties. Leading developers showcased their market acumen by launching a range of configurations, including independent floors, villas, and penthouses, offering top-notch quality to meet the discerning requirements of buyers.



5.1. The Reserve Bank of India, March 2024

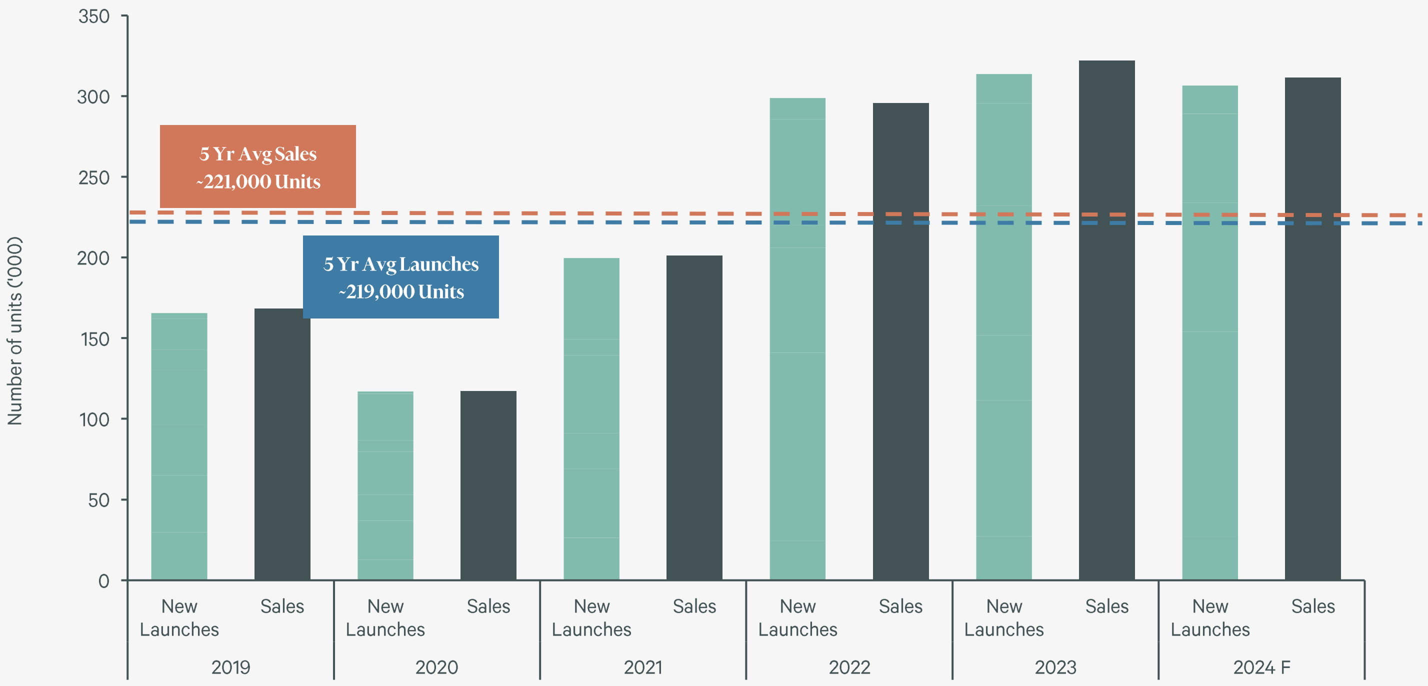
Top five trends expected to shape the residential sector in 2024

01 SALES AND NEW LAUNCHES EXPECTED TO SUSTAIN BUOYANCY

The current residential real estate cycle is characterised by an increasingly solidifying foundation driven by a strong affinity for homeownership among prospective homebuyers. Stepping into 2024, we anticipate this positive sentiment to remain buoyant, as both sales and new launches will likely exhibit sustained momentum witnessed over the last two years. Several factors, such as rising household income levels, backed by burgeoning economic growth, sustained urbanisation, and renewed interest from investors, are expected to fuel a robust performance in 2024.

In recent years, the strong sales momentum witnessed in the segment has prompted many developers to launch new projects/ new phases in existing projects. Furthermore, considering the extensive land acquisitions (~USD 7.4 billion) made by developers during 2022-23, we anticipate that the positive momentum will continue to foster apartment launches with Mumbai, Hyderabad, Pune, and Bangalore likely driving the supply infusion during 2024. However, escalating land costs amidst limited funding options for early-stage projects may challenge developers' future land acquisitions.

Figure 5.1: Supply-demand trends in India (2019-2024F)



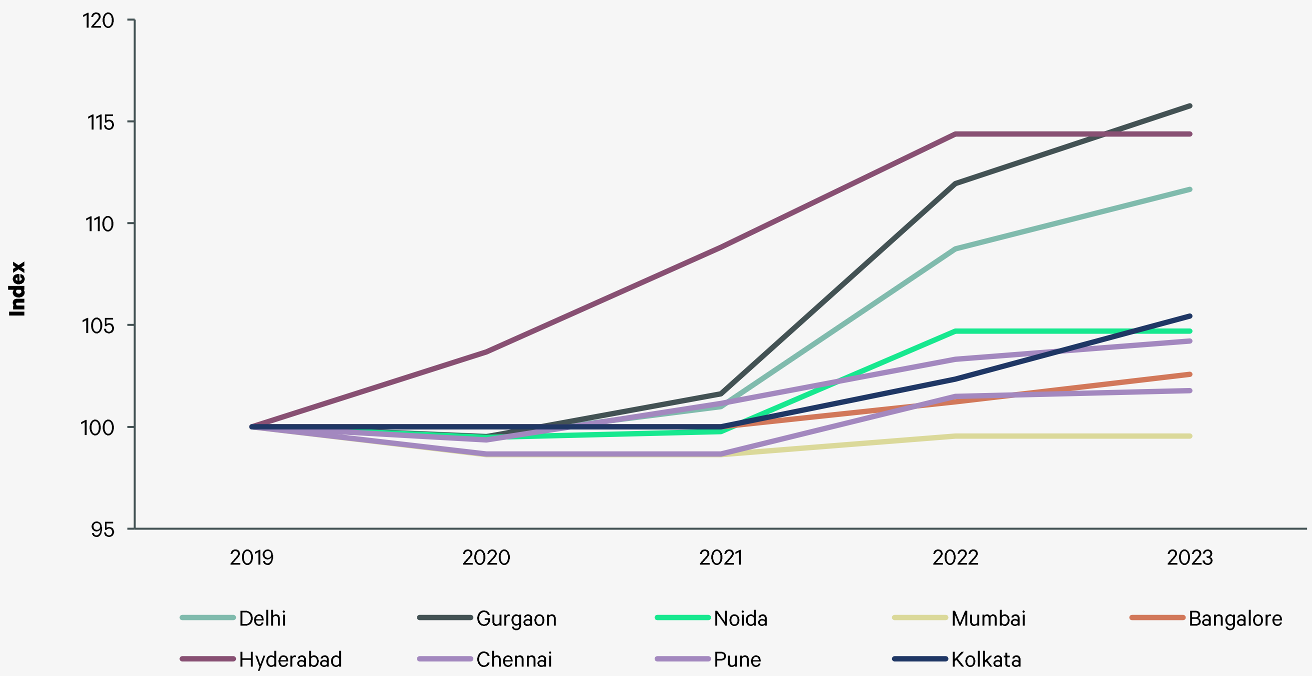
Source: CBRE India Research, Q1 2024; across top seven cities

02 CAPITAL VALUE GROWTH TO STABILISE; PROJECT FUNDAMENTALS, ACCESSIBILITY IMPERATIVE TO CAPITAL MOVEMENT

Backed by a robust sales momentum, capital values have remained on a consistent upward trajectory since the residential sector's resurgence in 2021. However, we anticipate the sector observing divergent trends in asset pricing in 2024. These trends will largely be dictated by project quality, location, project features, and convenient access to essential infrastructure, in addition to rapid urbanisation. The appreciation could also be governed by unsold inventory levels and inventory overhang, which have dropped sharply; especially during the pandemic.

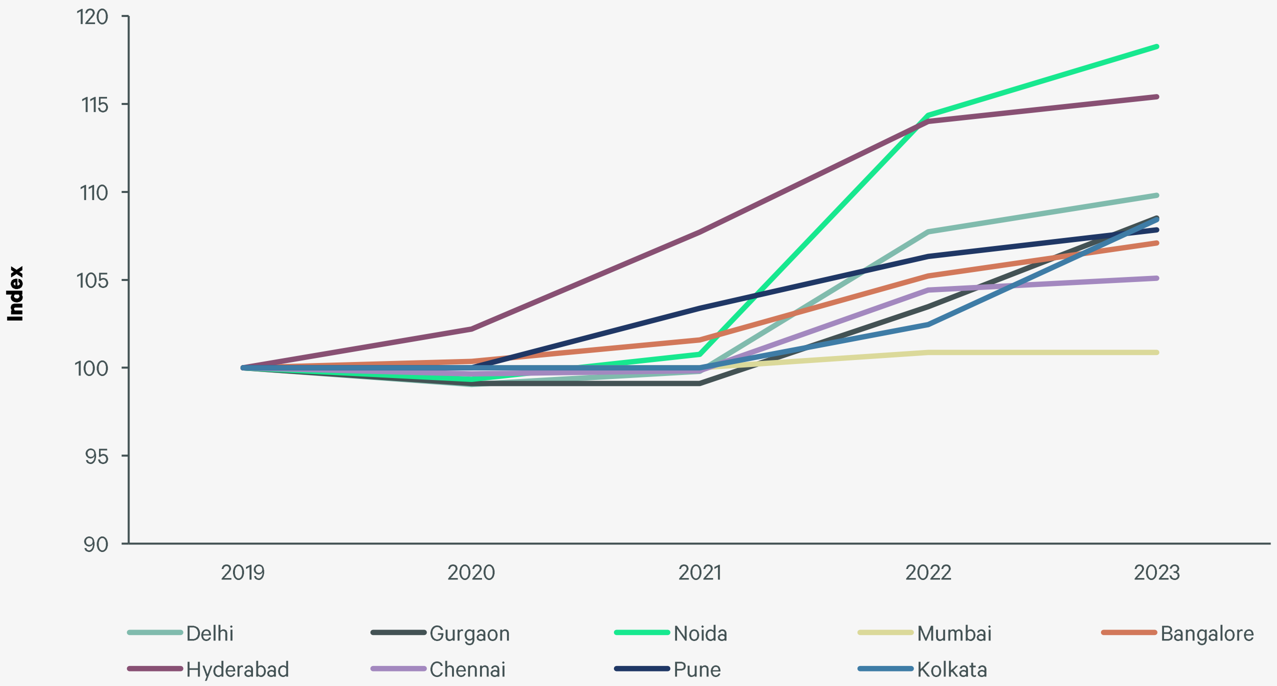
Nevertheless, developers should exercise prudence when making decisions regarding capital value appreciation, as a broad-based approach may not be suitable, especially considering the anticipated influx of supply potentially impacting the decisions of prospective homebuyers.

Figure 5.2: Capital value trends – High-end segment (2019- 2023)



Source: CBRE India Research, Q1 2024

Figure 5.3: Capital value trends – Mid-end segment (2019- 2023)



Source: CBRE India Research, Q1 2024

03 MID AND HIGH-END CATEGORIES UNDERGOING REDEFINITION; NOTICEABLE ACTIVITY EXPECTED ACROSS PREMIUM AND LUXURY CATEGORIES

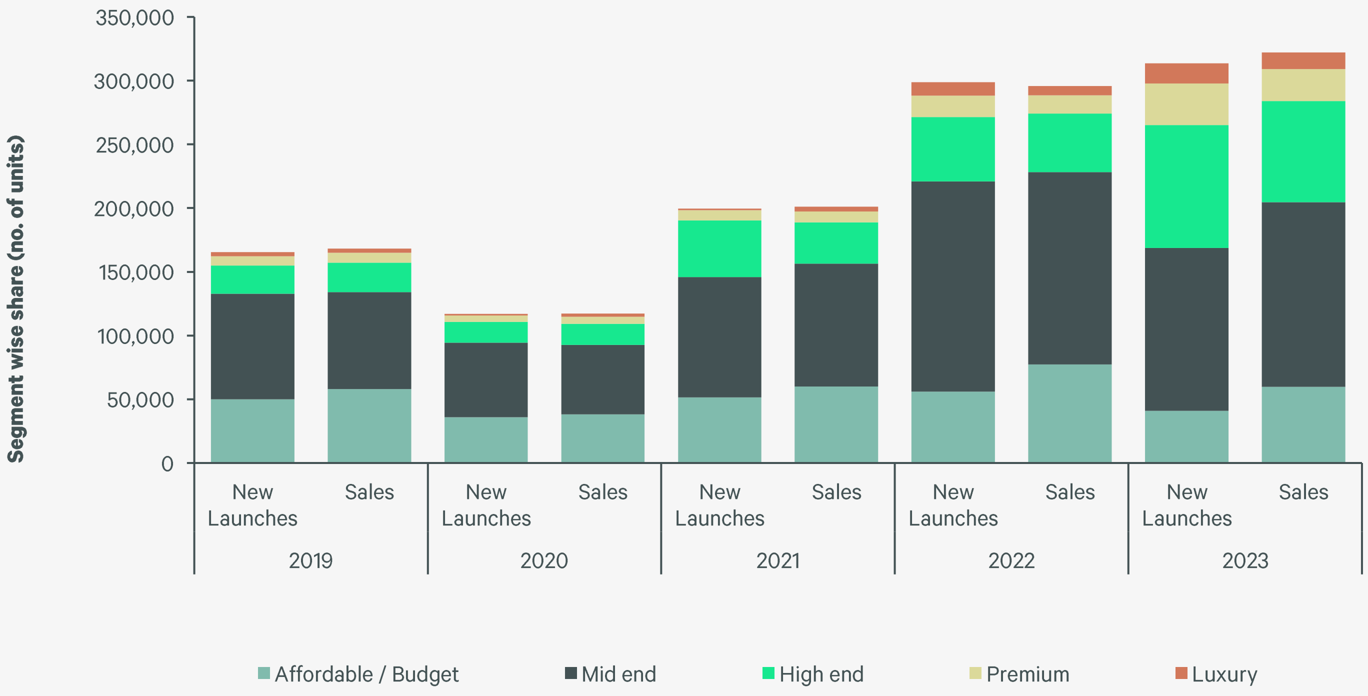
While traditionally the affordable category has been the most popular from an end-user perspective, supply in this category has remained constrained due to factors such as high land and material costs, cap on capital values, and low margins for developers. The dilution of end-user incentives for this category has also been a key reason why demand in this category continues to remain tepid.

In 2023, homebuyers exhibited a strong preference for projects in two categories: mid-end (ranging from INR 45 lakh to 1 crore) and high-end (ranging from INR 1 to 2 crore). Given the projected steady growth in household and disposable incomes in India, we expect both these categories to remain at the forefront from a demand perspective[5.2].

As demand dynamics evolve, the supply side has also been quick to respond. Rising income levels and consumer preferences for larger homes has resulted in a realignment in the erstwhile definition of mid-end and high-end projects. This blurring of ticket sizes has created a sweet spot for developers, particularly in the INR 1 - 1.5 crore range.

5.2. India's Impending Economic Boom, Morgan Stanley Research, October 2022

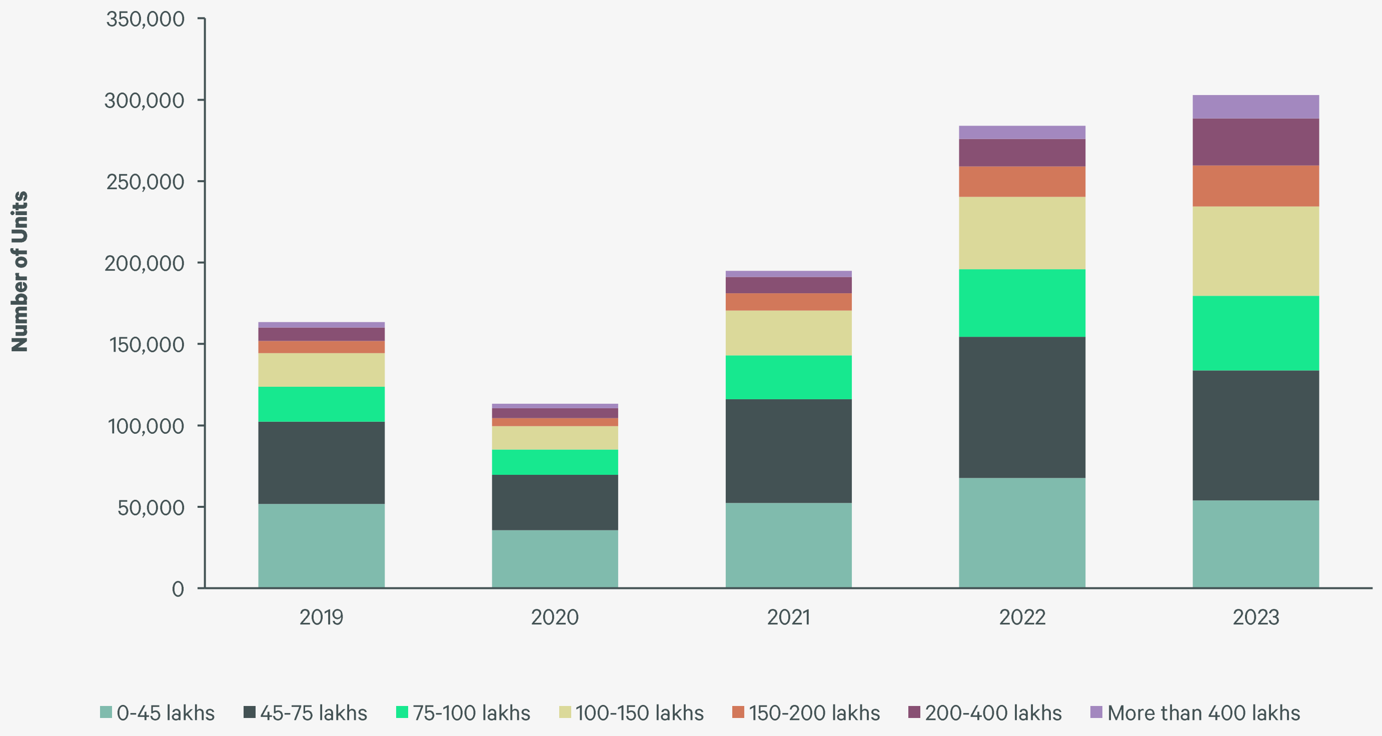
Figure 5.4: Segment-wise new launches and sales (2019-23)



Source: CBRE India Research, Q1 2024

Conversely, astute homebuyers and affluent investors aspire to acquire residences that complement their multifaceted lifestyle. This aspiration has propelled the premium and luxury segments (characterised by quoted capital values ranging from INR 2 to 4 crore and beyond) into a highly sought-after segment, thereby registering an increase in sales by about 4x in 2023 compared to the pre-pandemic levels. This trend is poised to continue throughout 2024 as an increasing number of homebuyers gravitate towards spacious and premium dwellings with ample amenities that offer convenient access to essential support infrastructure.

Figure 5.5: Sales across ticket sizes (INR, 2019-23)

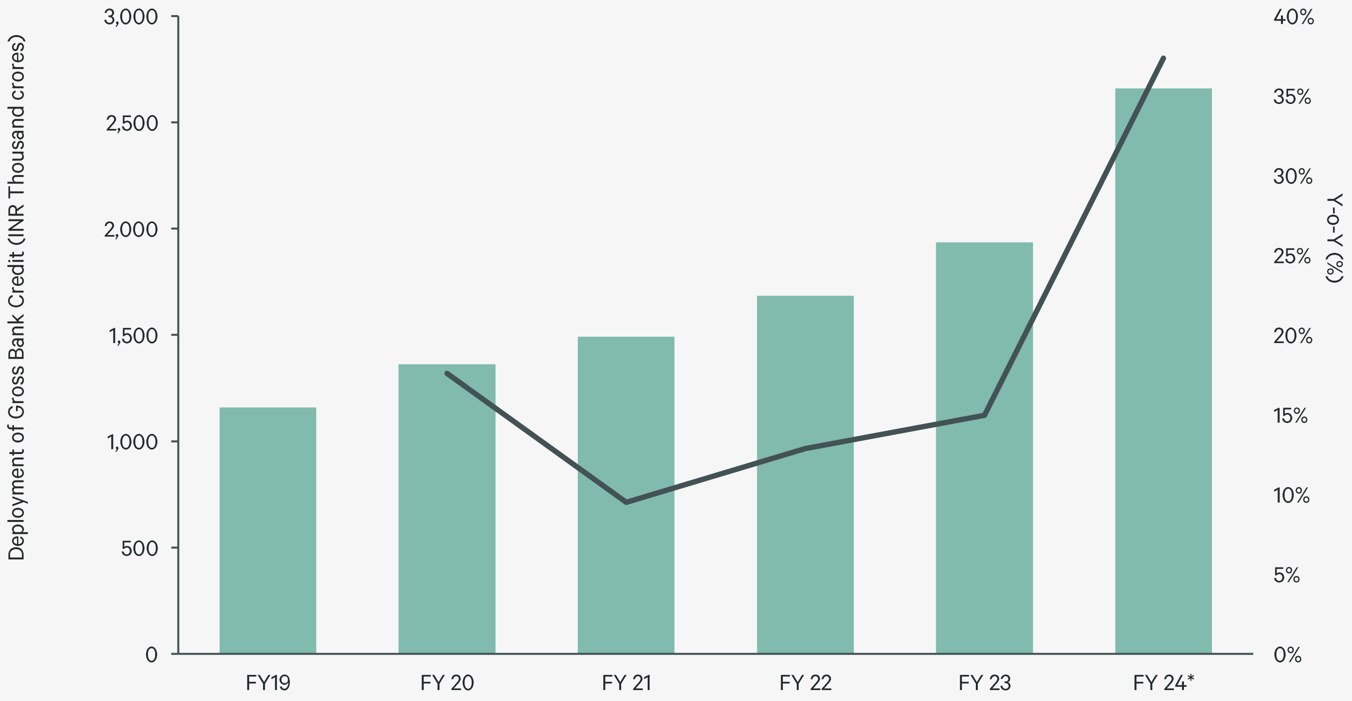


Source: CBRE India Research, Q1 2024

04 HOME OWNERSHIP RATES TO INCREASE; AVERAGE HOME LOAN TICKET SIZE ON THE RISE

Bank credit to real estate has been growing at a steady rate, with a 37% growth witnessed in FY2023-24[5.3]. The growth has been on the back of strong end user demand – a trend that we have seen across tier-I and tier-II cities. While multiple factors supported the strong demand for residential real estate, first-time homeowners have been key to driving this demand. However, as supply could not keep up pace with this strong revival in demand, capital values underwent a readjustment – however, rental values in most key cities rose much more sharply than capital values. As a result of this upswing in rental values, the differential between monthly rents and equated monthly instalments (EMI) has started to come down and in some cases even tilt in favour of an EMI. This has also been a crucial factor driving homebuyers to switch from renting to purchasing – a trend that we feel will only accelerate in the coming year.

Figure 5.6: Home loan deployment of gross bank credit



Source: Reserve Bank of India (RBI); data updated as of January 2024

5.3. The Reserve Bank of India, March 2024

Furthermore, CRIF's 'How India Lends FY 23' report sheds light on another significant shift in the housing loan landscape[5.4]. The report highlights a notable change in the proportion of home loans from lower ticket sizes (ranging from INR 5 to 35 lakh) to higher values (ranging from INR 35 to 75 lakh and above), corroborating this evolving trend. Notably, the report reveals that housing loans exceeding INR 75 lakh accounted for approximately 30% of the total housing loan market share in Q1 FY2023-24, a considerable rise from the 19% recorded in FY2019-20. This again reiterates two key points – larger homes are being preferred, and average incomes are on the rise so as to support the eligibility criteria for large-ticket loans. As inflation levels taper, housing loan rates are expected to remain stable / decline in the coming year. Resultantly, we anticipate credit trends to strengthen in 2024, spelling positive news for the bank credit industry.

Figure 5.7: Housing loans as per ticket size

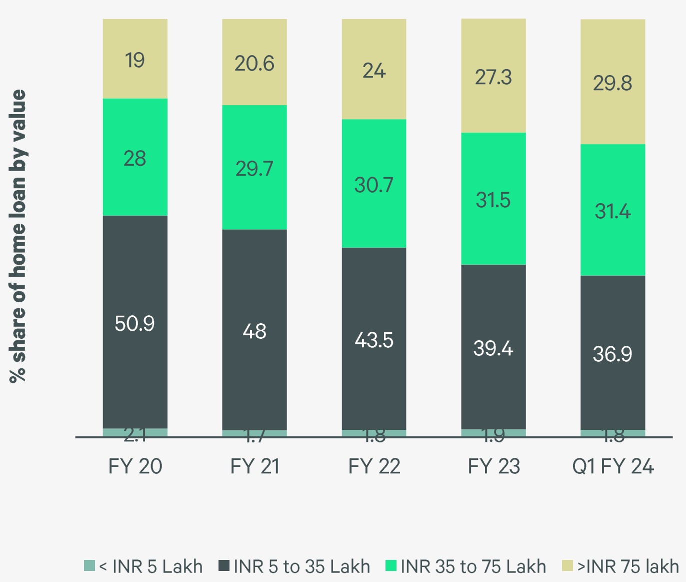
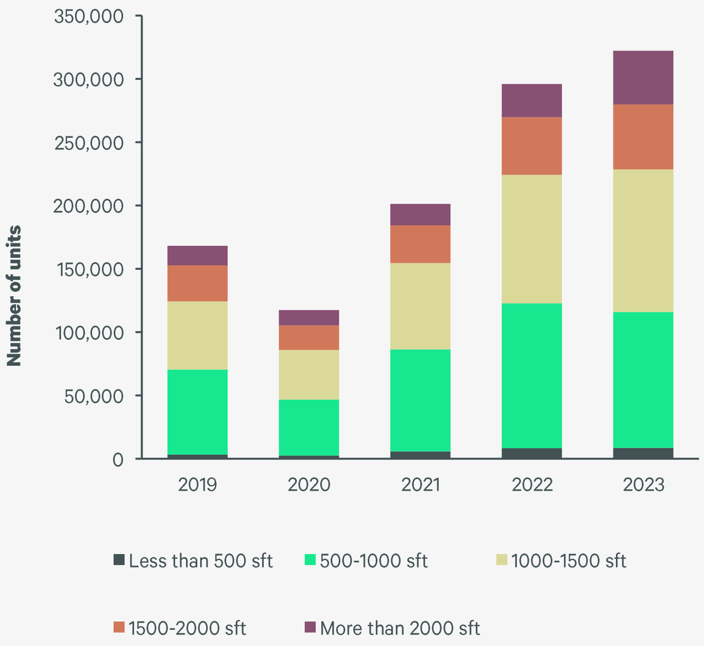


Figure 5.8: Unit size-wise sales activity over the years



Source: CRIF – How India Lends: Credit Landscape in India FY 23, CBRE Research, Q1 2024

5.4. How India Lends: Credit Landscape in India in FY 2023, CRIF, January 2024

05 LUXURY HOUSING MOVING AWAY FROM ERSTWHILE “BUNGALOWS” , LEADING DEVELOPERS DOMINATE THE LUXURY MARKET

Modern homebuyers are now equipped with comprehensive knowledge regarding a developer’s reputation, execution capability, and financial standing. This heightened awareness has led to a discerning approach when making purchasing decisions. Consequently, there has been a noticeable shift in buyer preferences when purchasing a luxury home which traditionally meant independent houses / bungalows. There is now a growing inclination towards purchasing such units launched by leading developers in the market. This trend is substantiated from our data as tier-I developers accounted for more than 70% of total sales in luxury housing in 2023, a trend expected to persist throughout 2024. Tier-I developers have asserted their dominance in new launches and sales, capitalising on their track record of success. However, in cities such as Mumbai and Delhi - NCR, we have also witnessed the entry of tier-II / local developers in this space in the past year with a view to capitalise on the success of the luxury housing market.

Many top-tier developers have already expanded or are planning to expand beyond their local markets, with some even venturing into tier-II cities to take advantage of the strong sales momentum and promising growth prospects. This trend will likely continue as reputed residential developers explore newer cities to expand their portfolio and take advantage of their brand value.

Watch out for

Infrastructure to catalyse creation of newer real estate nodes

India's infrastructure development and real estate sector share a mutually beneficial relationship. Typically, the growth of infrastructure has a significant correlation with real estate, through the creation of new locations, while driving up capital values and demand. The ongoing mega infrastructure projects in the country, encompassing transportation networks, highways, airports, and metro network, are expected to support the growth of real estate and, in fact create new nodes for residential real estate. These projects hold the potential to unlock new markets, establish satellite cities, and stimulate development in peripheral areas. Below are some of the crucial infrastructure projects and the resultant markets / micro-markets that are set to gain on account of these infrastructure developments:

Cities	Key Infrastructure Projects	Markets that will benefit
Delhi NCR	Dwarka Expressway, Jewar Airport	Dwarka Expressway, Noida, Greater Noida
Mumbai	Mumbai Trans Harbor Link (MTHL), Navi Mumbai International Airport (NMIA), Multiple Metro Projects	Navi Mumbai – Ulwe, Karanjade, Panvel. Upper Thane, Ghodbunder
Bangalore	Metro Blue line – (ORR - Airport metro) and Satellite town ring road (STRR)	North Bangalore / Bellary road, IVC road & Devanahalli
Pune	Multiple Metro Projects	Hinjewadi Phase III, Waghole, Wakad, Pimpri Chinchwad (PCMC)
Chennai	Chennai Airport - Kilambakkam Metro and Chennai Port - Maduravoyal Expressway	GST Road, ORR and Poonamallee High Road
Hyderabad	Radial Road towards Kondakal from Tellapur, Interchange Terminal at Kokapet	Neopolis & Manmolle (Tellapur)

Note: The above list is not exhaustive and includes only key infrastructure initiatives

The central government is expected to spend nearly USD 1.7 trillion (INR lakh crore) on infrastructure over next seven years until 2030, more than a two-fold rise from USD 806 billion (INR 67 lakh crore) spent during2017-2023[1.5]. The increased outlay through several infrastructure projects such as rapid train corridors, metro projects, new airports, and expressways will continue to enhance the residential attractiveness of these locations.

Source: CBRE India Research, Q1 2024 1.5. CRISIL Research, India Infrastructure Spending to Double, October 2023

Low-density housing and plotted developments to remain popular in the high-end / premium category; demand to start moving to urban peripheries

Encouraged by the larger trend of 'flexible-work-environments', buyers are increasingly looking for spacious private living spaces, thereby driving the demand for independent floors and plotted developments. Key features of such developments include personal open areas, modern amenities, uncrowded recreational facilities, and adequate green landscapes - all confirming to the buyers' emerging need to pursue a superior lifestyle.

Below are some of the key plotted developments launched by leading developers across leading markets:

Cities	Developer	Projects
Delhi NCR	DLF, Birla Estate, Ganga Realty, Gulshan Homes, Max Estate, M3M, Godrej Properties	DLF Privana, Birla Navya, Ganga Nandaka, Gulshan Dynasty, Estate 128, M3M Cullinan, Godrej Golf Links, Gulshan Avante
Mumbai	Hiranandani Group, Kalpataru, Wadhwa Group, Lodha Group, The Oberoi Group, Lotus Developers, Godrej Properties	Kalpataru Aria, Lodha Villa Royale, Godrej Golf side Estate, Wadhwa Wise City, Hiranandani Fortune City
Bangalore	Total Environment, Century, Prestige, Sobha, Manyata	Tangled up in Green & After the Rain , Century Season, Prestige Sanctuary, Sobha Oak shire, Earthsong by Manyata
Pune	VTP Realty, Godrej Properties, Kolte Patil Developers, K Raheja Corp	Godrej Wood Park, K Raheja Viva, VTP Velvet Villas, Life Republic
Chennai	G Square Housing, Adityaram Properties and Emerald Haven Realty	G Square Housing: Symphony, Dynasty, Atlantis; Adityaram Properties: Happinest; Emerald Haven Realty: Lake Shore
Hyderabad	My Home, Aparna Construction	My home GRAVA residences – Neopolis, My Home Akride – Tellapur, Aparna New Lands

Note: The above list is not exhaustive and includes a few key projects

However, increasing land prices and a dearth of available contiguous land parcels in the metropolitan city centres also means that the demand for such housing is likely to start shifting to urban peripheries and tier-II and tier-III cities. Several developers are increasingly diverting their focus towards low-rise, independent townships in these locations. Key cities that have captured developer's attention in North India include Panchkula, Panipat, Sonipat, Karnal and Meerut. While in South India, cities such as Coimbatore, Mahabalipuram, Ambur, and Trichy are attracting substantial interest. Growing demand for aspirational living, rapidly growing disposable incomes, and resilient macroeconomic conditions will likely continue sustaining this trend in 2024.

Source: CBRE India Research, Q1 2024

Housing rental yields likely to stabilise; key locations to command premiums

Diminishing housing supply in key markets, rising property prices and 'return-to-office' policies of major companies led to a sharp growth in rental housing demand in 2023, especially near major office districts. Micro-markets that are leading the rental growth include Whitefield in Bengaluru, HITECH City in Hyderabad, Hinjewadi in Pune, Sohna Road in NCR and Chembur in MMR. While we anticipate housing rental yields to hold stead, the strong growth in home -ownership rates could mean that rental yields are likely to remain largely steady in 2024. However, key locations with limited scope for new supply in its vicinity will continue to command rental premiums.

The growing trend of branded residences

The burgeoning population of ultra high-net-worth-individuals (UHNIs) and HNIs in India presents a compelling opportunity for luxury hotel chains to expand their branded residence portfolio. This aligns with a growing domestic demand for residences that mirror the world-class amenities and personalised services characteristic of luxury hotels. The wealthy clientele who has travelled and grown to appreciate a brand's style, offerings, and comforts are looking for similar luxury residential experiences. Brands such as Marriott International, Hilton, and EIH have already entered the market of branded residences, while developers are preparing to take advantage of the enormous potential by forming strategic alliances.

Thrust for sustainable homes

The definition of luxury today has become all-encompassing – it is not just limited to top-tier fittings and amenities but also includes integration with the environment. Sustainability has become a critical differentiator in real estate development, with an increasing emphasis on constructing eco-friendly and energy-efficient dwellings. As buyers in this category tend to be more aware and demanding of such features, developers are integrating energy-efficient appliances, rainwater harvesting systems, indoor air quality control, and renewable energy sources, among others, to be able to tick the boxes when catering to the demand for premium/luxury homes.

Scope for tier-II and III developers to gain ground in affordable and mid-end segments

The rapid pace of urbanisation has triggered a surge in land rates, rendering land acquisition more expensive for developers. This has presented a challenge for tier-I developers which typically offer top-notch facilities, expansive spaces, modern amenities, and more, compelling them to launch apartments at prices that are financially viable for developers. Hence, we expect leading developers to be more active in the high-end (INR 1 to 2 crore), premium (INR 2 to 4 crore) and luxury (INR 4 crore and above) categories. This could create opportunities for several tier-II and tier-III developers to cater to the affordable (below INR 45 lakh) and mid-range (INR 45 lakh to 1 crore) markets. The sector could gain further In case certain benefits for the segment are announced in the Union Budget 2024-25.

Source: CBRE India Research, Q1 2024

6 Investments

In 2024, capital flows are anticipated to pick pace, with investments likely led by development sites, built-up office and warehousing assets, and the hospitality sector. Metros and tier-I cities would likely continue being the primary recipients of equity inflows; however, we may also see a rise in investment in tier-II cities, particularly in the retail and I&L sectors. This year, the investment activity is anticipated to expand to themes beyond the traditional real estate segments and focus on emerging sectors, including data centres, healthcare, and education.

Public markets are anticipated to witness continued capital inflows throughout the year. We expect investment activity to pick pace, especially during the second half of 2024, as the global economic situation is set to improve, with a significant amount of dry powder available with investors on account of the hectic exit activity witnessed in 2023.

The year that was

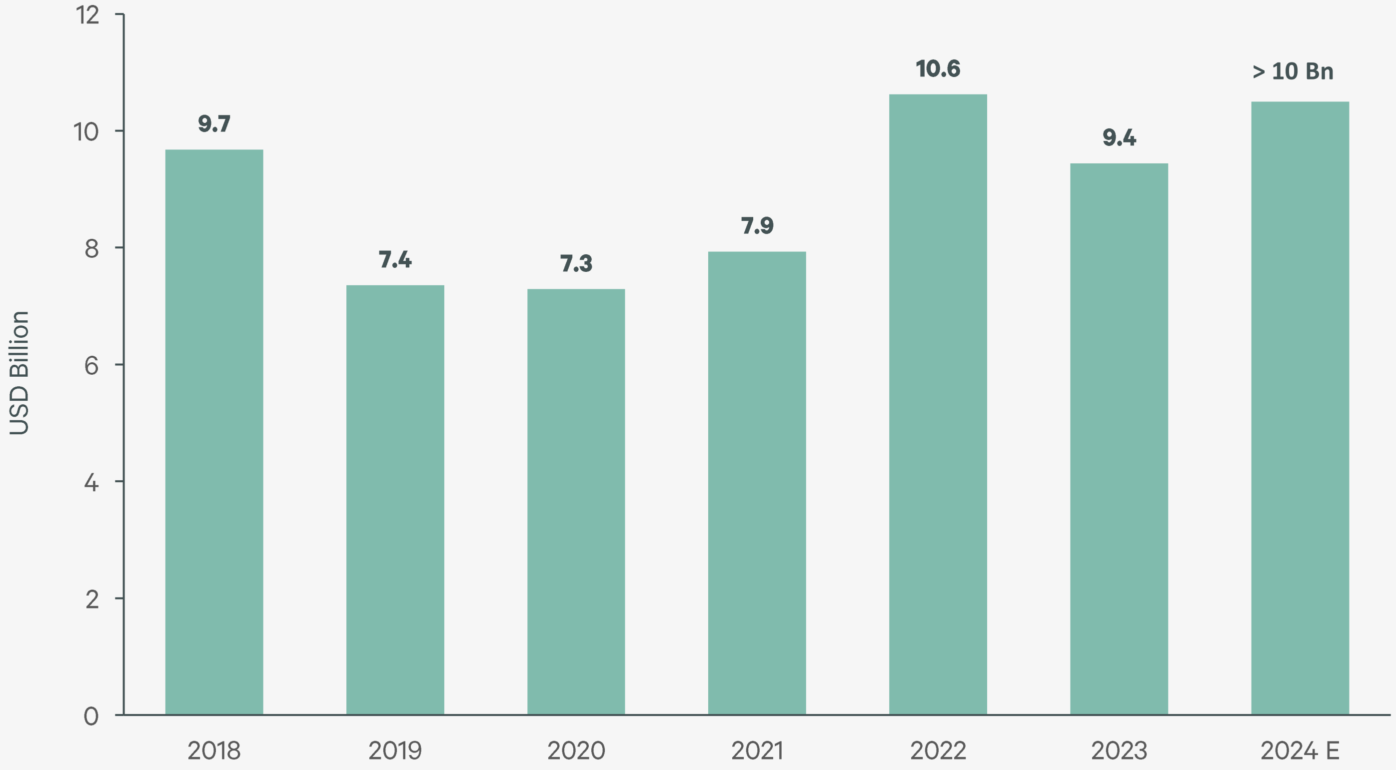
01

STEADY INVESTMENT ACTIVITY WITNESSED

From an investments and deal-making perspective, 2023 was a buoyant year with investors focusing on strategic trades. Investment activity in the real estate sector experienced a resurgence in the latter half of 2023, with an increase of about 23% in capital inflows compared to H1 2023. Even then, the year concluded with a marginal decline of approximately 11% Y-o-Y, reaching a total of USD 9.4 billion, compared to USD 10.6 billion in 2022 (inclusive of both debt and equity transactions). This dip can be attributed to delays in decision-making and a cautious sentiment surrounding capital deployment. Mid-sized deals (ranging from USD 10-50 million) accounted for a significant chunk (~58%) of the total number of investments recorded in 2023. Mumbai, followed by Delhi-NCR and Bangalore, dominated the capital flows, accounting for a share of ~74% in the investments during the year. In 2024, the overall capital inflow momentum is expected to pick up and will likely be upwards of USD 10 billion.

The following sections discuss how equity inflows were spread across cities and sectors and the trends we expect to shape the equity investment landscape in 2024.

Figure 6.1: Overall Investment activity (equity + debt) over the years in India



Source: RCA, CBRE India Research, Q1 2024; Note: The above graph is inclusive of both debt and equity transactions. However, the analysis provided in the subsequent sections pertains to only equity transactions.

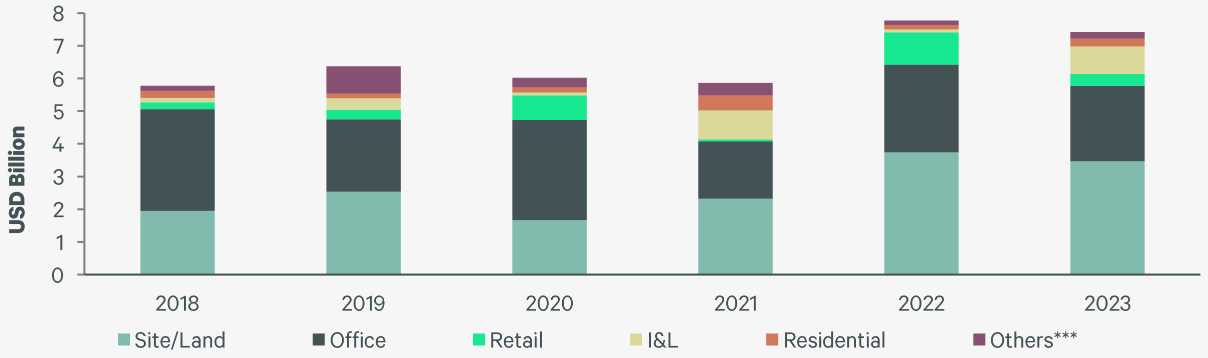
02

THE RISE OF I&L AND ALTERNATE SECTORS

Development sites / land (47%) and built-up offices (31%) attracted the highest share of equity investment inflows in 2023. However, the I&L sector witnessed noteworthy growth too, with its share in brownfield asset investments increasing by over 11% from an almost negligible share in the previous year. This change reflects a growing investor interest as we witnessed leading PE players acquiring ready, built-up warehousing assets across locations in 2023. The I&L sector's share in development sites / land transactions also rose to over 11% in 2023 from 3% in the previous year. This surge was driven by increased development focus on tier-II and tier-III cities, fuelled by robust demand. The sector's growth is due to a confluence of factors – the government's push for the manufacturing sector, the emergence of new consumption nodes, and large-scale infrastructure projects enhancing reach to the market, amongst others. On the back of this, occupiers have been increasing their focus on upgradation / expansion opportunities in tier-I cities and extending local distribution networks in emerging logistics hubs.

Another noteworthy trend has been the increasing interest of investors in sectors such as hospitality, energy & natural resources, healthcare*, and data centres, amongst others. The hospitality sector has been buzzing with investment activity, with three IPOs witnessed since September 2023. Many private equity investors / sovereign wealth funds also actively invested in alternate sectors - the adjacent table highlights a few key deals:

Figure 6.2: Equity capital deployed across sectors over the years



Source: RCA, CBRE India Research, Q1 2024; ***Others include Hotels, Mixed-use developments, Data Centres, and Hospitals

Table 6.1: Key equity investments across alternate sectors in 2023

Investor	Investee	Sector	Amount (USD million)
Temasek Holdings	Manipal Health Enterprises	Healthcare	2,000
Brookfield	Avaada Ventures	Energy & natural resources	1,000
GIC, Orix Corporation, ADIA[6.1]	Greenko Group	Energy & natural resources	700
BPEA EQT	Indira IVF Hospital	Healthcare	660
Blackstone Group	Quality Care India	Healthcare	591

Source: EY - PE/VC agenda India Trend Book 2024

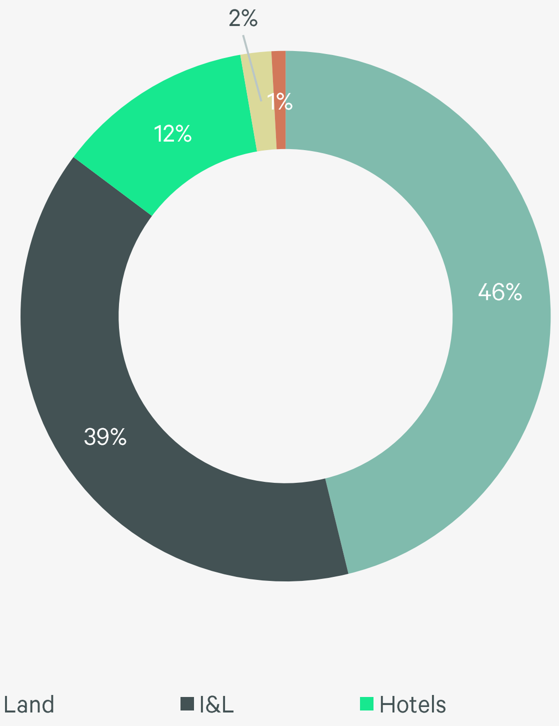
*Healthcare: This includes hospitals,/clinics, medical devices, healthcare delivery, life sciences, medical technology and associated healthcare services sub-sectors; 6.1. Abu Dhabi Investment Authority

03 BEYOND METROS: INVESTORS SHIFT FOCUS TO EMERGING REAL ESTATE MARKETS

Mumbai, Delhi-NCR, and Bangalore remained the gateway markets, accounting for a dominant share of 53% in 2023. However, a noteworthy shift is gaining momentum. While office sector investments remain largely concentrated in metro / tier-I cities, capital inflows are increasingly focussed on land acquisition, along with targeted investments in I&L, hospitality, residential, and retail assets in tier-II and III locations. The growing real estate activity and healthy demand in these emerging markets fuel this trend. In 2023, tier-II / III cities accounted for 18% of the total investment volume, translating to a remarkable ~124% Y-o-Y growth in capital inflows to reach ~USD 1.3 billion, compared to ~USD 0.6 billion in 2022.

While traditional RE sectors continue to find favour with investors, tier-II cities have also been witnessing increased interest for investments in the alternate sectors - student housing, healthcare, education and flexible spaces, amongst others. In fact, the overall private equity investment landscape (beyond real estate) for many tier-II cities is maturing. Cities such as Ahmedabad, Indore, Jaipur, and Coimbatore are witnessing heightened PE interest across sectors such as e-commerce, start-ups, banking, financial services, and insurance (BFSI) – all of which can have a complementing impact on real estate activity.

Figure 6.3: Sectoral split of equity capital inflows in tier-II / III cities in 2023



Source: RCA, CBRE India Research, Q1 2024

Top trends expected to shape capital inflows in 2024

01 INVESTMENT INFLOWS TO PICK PACE

Overall investments are anticipated to pick pace in 2024 on the back of strong acquisition pipelines, especially for development sites for the residential and I&L sectors. However, according to CBRE's 2024 APAC Investor Intentions Survey, there is also a prevailing sense of caution among investors, since, as per the survey, the buying intentions are low throughout Asia Pacific while selling intentions have peaked since the survey began in November 2023[6.2]. Their decision-making may linger owing to the expected recessionary pressures in developed countries, leading to potential delays in deal closures. We, however, anticipate more inflows from institutional investors based out of Asian countries such as Singapore, Hong Kong, Japan, South Korea, etc.

Investors are expected to remain cautious in the first half of the year; however, we anticipate increased activity in the second half of the year on the back of a potential easing of monetary policy.

6.2 CBRE 2024 Asia Pacific Investor Intentions Survey, January 2024; 6.3 & 6.4. EY - PE/VC agenda India Trend Book 2024

At an overall level, India focused fundraising (irrespective of sector) recorded the second-highest dollar value of funds raised in 2023 – a total of USD 15.9 billion, with more than USD 3.8 billion worth of funds raised for real estate and alternate sectors in India[6.3]. This fundraising is expected to set the stage for investment activity in sectors such as real estate, healthcare*, ESG** and others in the coming years[6.4].Table 6.2 shows some of the India-focused funds that have been raised for healthcare, ESG, data centres***, and certain sector-agonistic special situation funds****.

Table 6.2 : Key India-focused fundraises in 2023

Fund	PE/VC General Partner	Sector	Amount (USD million)
Kotak Data Centre Fund	Kotak PE	Data centres	590
Quadria Capital Fund 3	Quadria Capital	Healthcare	500
India-Japan bilateral climate fund	NIIF	ESG	600
Kotak Special Situations Fund 2	Kotak	Special situations	1,250
Edelweiss Alternatives Special Situation Fund 3	Edelweiss	Special situations	964

Source: EY - PE/VC agenda India Trend Book 2024

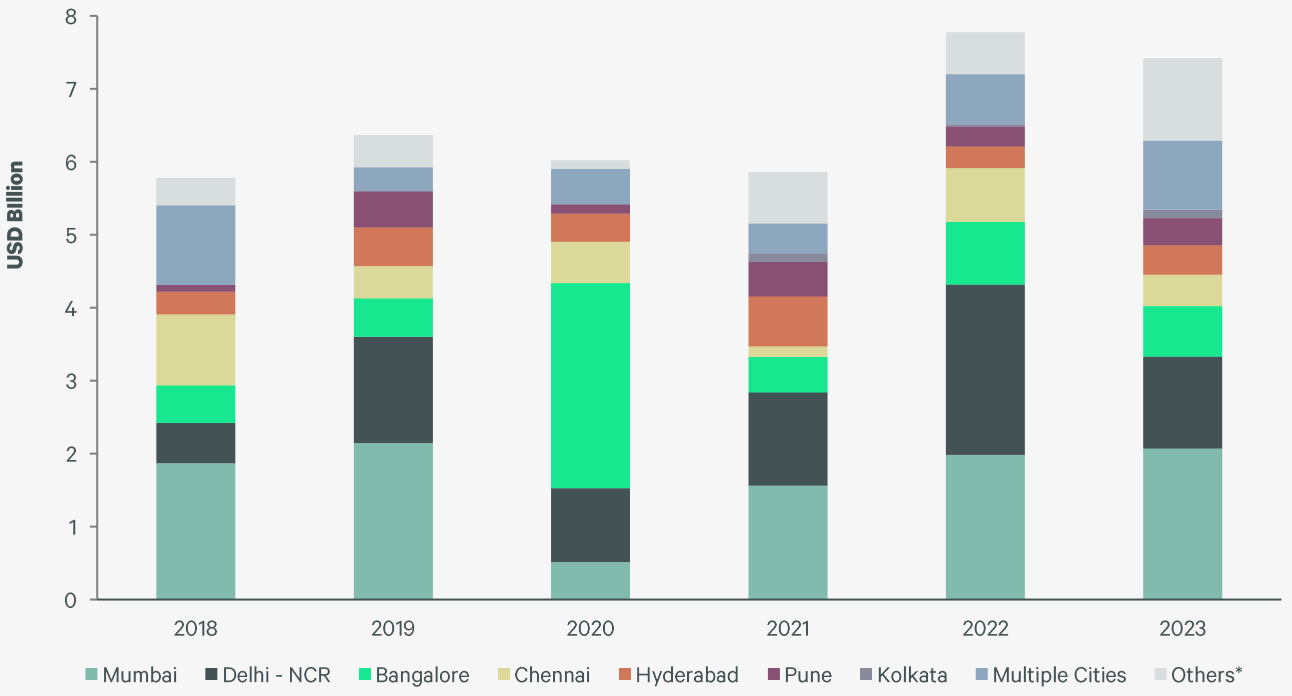
*Healthcare: It includes healthcare delivery, life sciences, medical technology and associated healthcare services sub-sectors; **ESG: It includes renewable energy, e-mobility, waste management and water management; ***Data centres: It includes data centre capacity, enterprise cloud, 5G and IoT; ****Special situation funds: Funds deployed in equity, debt capital and hybrid instruments across sectors

02 GATEWAY CITIES TO LEAD INVESTMENT ACTIVITY WITH IMPROVED SHARE OF TIER-II / TIER-III CITIES; LAND ACTIVITY TO REMAIN HECTIC

Tier-I cities such as Delhi-NCR, Mumbai, Pune, Bangalore, Hyderabad, and Chennai are expected to continue driving the overall capital flows in 2024, with a major focus expected on development sites, offices, and I&L assets. This dominance can be attributed to the relatively larger presence of investment-grade projects, robust urban infrastructure, a diverse talent pool, strong tenant covenants, and overall market maturity in these cities.

Investments in tier-II / III cities have witnessed remarkable growth in 2023, which is expected to continue in 2024. The key factors driving investors' interest in these cities include deepening e-commerce penetration, infrastructure development, growth in disposable incomes, and the government's efforts towards developing tourism infrastructure in the smaller cities. These factors, coupled with a spurt in real estate development activity and healthy demand, particularly in the I&L, hospitality, and retail sectors, make tier-II / III cities attractive investment destinations. We have also seen heightened investment activities in these emerging cities by top hospitality players, further adding to the overall investment pie.

Figure 6.4: City-wise split of equity capital inflows in 2023



*Others include Tier II markets – Ahmedabad, Bhubaneshwar, Indore, Goa, Jaipur, Kochi, Lucknow, etc.
Source: RCA, CBRE India Research, Q1 2024

03 RENEWED OPTIMISM IN LEASING TO STRENGTHEN REIT FUNDAMENTALS

The renewed optimism among office occupiers is anticipated to elevate leasing activity across India's REIT portfolios, potentially leading to improved performance in 2024. Currently, all three listed office REITs# have a completed Grade A stock portfolio of 82.7 million sq. ft.[6.5], amounting to ~10%[6.6] of the overall Grade A office stock*. Additionally, there is 21.3 million sq. ft. of under-construction Grade A stock in these REITs.

Shifting the lens to the retail sector, we have observed substantial leasing activity in 2023, supported by higher spending power and high-quality retail supply in the top markets. The retail exclusive REIT — Nexus Select Trust — showcased a strong performance during the year. Given the optimistic outlook for the retail sector and the REIT's impressive track record, it is likely to provide the impetus for developers and investors to explore similar avenues.

6.5. Q3 FY 24 quarterly reports of Embassy, Mindspace and Brookfield REITs
6.6. CBRE India Research, Q1 2024
* Includes all seven cities, Ahmedabad and Kochi; # Embassy Office Parks REIT (EOP), Mindspace Business Parks REIT, and Brookfield India Real Estate Trust

Micro, small and medium enterprises (MSME) REITs to open up more avenues

Several global investment funds have exhibited restrain amidst an uncertain macroeconomic scenario in leading economies. This has opened a window of opportunity for several mid-sized segment investment funds. The deferment of capital allocation by larger funds is opening avenues for smaller funds to try and gain access to smaller yet high-quality office assets. The trend is likely to be bolstered post the recent introduction of Small and Medium REITs (SM REITs) by the Security Exchange Board of India (SEBI), focusing on smaller, quality assets*. These funds would actively target quality buildings in the 0.5-0.7 million sq. ft. range. Several key players, with fund sizes ranging from INR 500 to over INR 2,000 crore, leverage their wealth management expertise to raise capital and specialise in building MSME REITs.

More IPOs likely as emerging sectors join the fray

In 2023 and the first quarter of 2024, we have observed several IPO listings in the real estate sector, as well as in allied sectors such as hotels, healthcare, logistics, and supply chains. As the Indian capital markets gain greater depths, numerous developers, hotel operators, and BFSI firms have plans to go public soon. The adjacent table presents the list of recently listed companies and the upcoming IPOs in the pipeline.

Table 6.3: Listed and upcoming IPOs

Sr. No.	Organizations	Offer Size (INR Crore)	Industry	Status	Year of listing
1	Suraj Estate	400	Real Estate	Listed	2023
2	Samhi Hotels	1,370	Hotels	Listed	2023
3	Jupiter Lifeline Hospital	542	Healthcare	Listed	2023
4	TVS Supply Chain	880	Logistics & Supply Chain	Listed	2023
5	Yatharth Hospital	687	Healthcare	Listed	2023
6	Signature Global	1,000	Real Estate	Listed	2023
7	Asarfi Hospital	26.9	Healthcare	Listed	2023
8	GPT Healthcare	525	Healthcare	Listed	2024
9	SVS Ventures	11.2	Real Estate	Listed	2024
10	Apeejay Surrendra Park Hotels	920	Hotels	Listed	2024
11	Juniper Hotels	1,800	Hotels	Listed	2024
12	Awfis Space Solutions Limited	160	Real Estate	Filed DRHP[6.7]	2024 E
13	Arkade Developers	430	Real Estate	Filed DRHP	2024 E
14	CJ Darcl Logistics	68	Logistics & Supply Chain	Filed DRHP	2024 E
15	Aadhar Housing Finance	5,000	BFSI	Filed DRHP	2024 E
16	Northern Arc Capital	500	BFSI	Filed DRHP	2024 E
17	Oravel Stays (OYO Hotels)	~8,430	Hotels	Filed DRHP in 2021	2024 E

Source: Security Exchange Board of India (SEBI), multiple media articles

6.7. DRHP: Draft Red Herring Prospectus *For more details, please refer to Annexure at the end of this section.

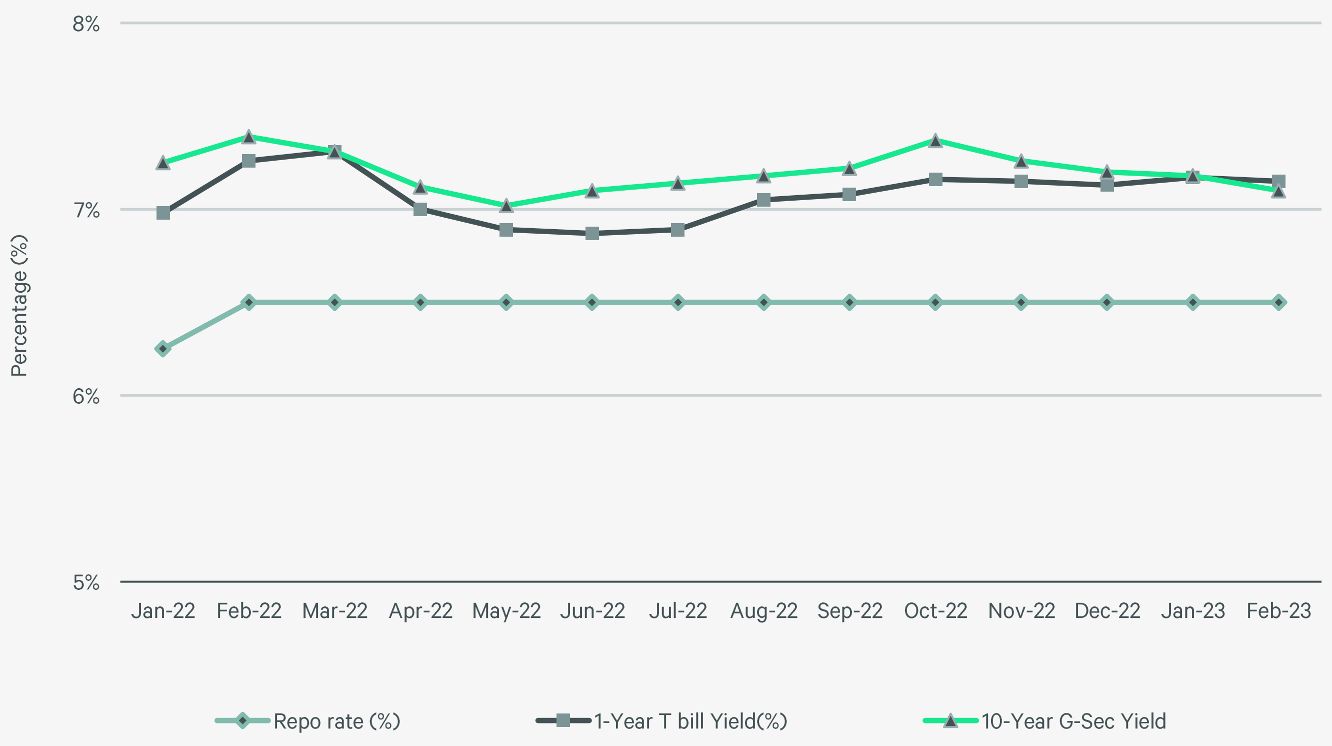
04 GROWTH AND BUYOUT STRATEGIES LIKELY TO PICK PACE; DEEPENING OF THE RE-INVESTMENT MARKET EXPECTED

Growth / controlling stake as a strategy emerged strong in 2023, a trend that is expected to pick pace in 2024 as the market witnessed numerous such transactions across the RE / alternate investment space during the year. In terms of market maturity, we have also witnessed that these trades have moved away from smaller companies to those involving larger, well-established players. This reflects on two significant trends. First, it indicates towards investor confidence, evidenced by their willingness to acquire larger stakes, potentially signifying a deeper investment market in the coming years. Second, the underlying fundamentals of the Indian real estate market are likely giving investors the confidence to unlock greater value through acquisitions / securing a controlling stake, even when looking at already established players.

05 FINANCING COSTS LIKELY TO REDUCE IN THE SECOND HALF OF 2024

Due to the high demand for Government securities (G-Secs) in the market, the spread between the repo rate and benchmark 10-year G-Sec was 68 bps towards the end of 2023. Generally, the spread between long-term G-Sec rates over the repo rate tends to decrease at the start of a rate-cutting cycle. The RBI has kept the key policy rates unchanged since February 2023, focused on maintaining price stability, wary of a potential surge in inflation. Prices for most commodities, except for food items, have cooled in the last twelve months. Headline inflation is expected to come down in the coming months and this shall give the central bank the confidence to finally embark on a rate-cut cycle. A reduction in cost of capital for financial institutions shall pave the way for lower cost of finance for market participants.

Figure 6.5: Trends in policy rates and fixed income instruments



Source: RBI

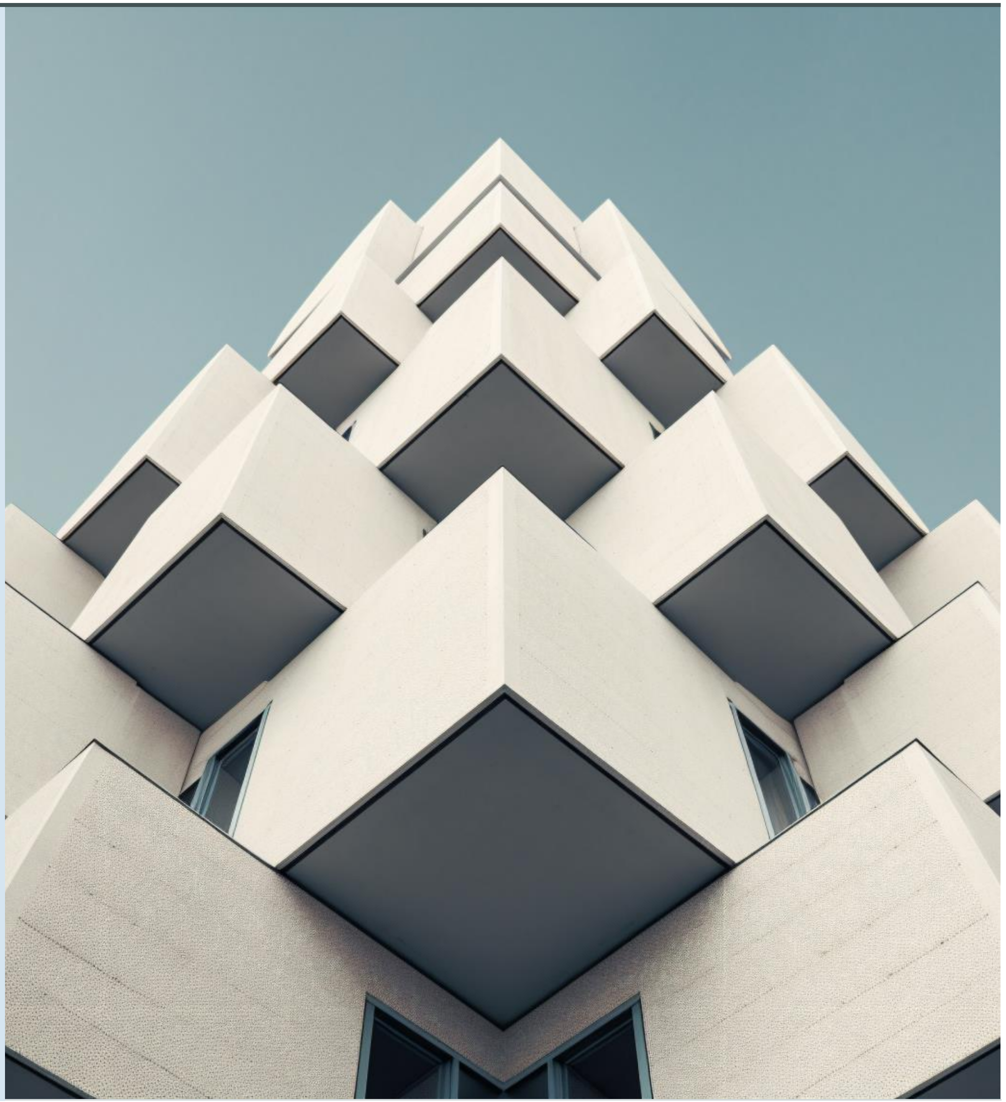
06 SHRINKING SOURCES OF CAPITAL: CHALLENGES AND OPPORTUNITIES

Challenges:
A more solid foundation characterises the current real estate cycle. End-users are a significant demand driver, with healthy investor interest complementing their presence. This renewed confidence has facilitated sustained capital inflows, enabling leading developers to access construction finance (CF) at a lower cost of capital, subject to project approvals. While banks remain the primary source of CF, alternative investment funds (AIFs) have also contributed to the financing landscape.

However, the central bank has been tightening the regulations around AIF lending as well, which may put a strain on the real estate sector's non-banking financing options.

Opportunities:
To address these challenges, the sector requires wider avenues of funding. The potential of structured debt options for residential funding, backed by non-banking-led financing solutions, is promising.

Nevertheless, there is a silver lining in the form of Private Equity (PE) investors. PE firms, previously focused on commercial real estate, are now exploring opportunities in the residential segment and beyond. PE investors are likely to explore equity deals with prominent developers, potentially emerging as alternative sources of early-stage funding as other avenues may take time to revive.



Watch out for

Investors bet big on data centres, cashing in on technological advancements

India witnessed a remarkable surge in the establishment of DCs over the past two years, propelled by several significant announcements and substantial capital investments. Nearly 325 acres of land have been acquired during this period, pegging the acquisition cost alone at about USD 0.7 billion. Furthermore, investment and development platforms dedicated to developing DCs have garnered a considerable investment of about USD 2.7 billion. In light of the pervasive digitisation and the integration of technology across sectors, combined with strong policy thrust from the government, we anticipate the investment momentum in DCs to continue in 2024.

Sustainability takes centre stage; investments in the green space propel

As environmental concerns continue gaining prominence, businesses worldwide increasingly realise the need to integrate sustainability into their fundamental operations. This growing emphasis on sustainable practices is evident through the adoption of various strategies by investors, occupiers, and developers. From an investment standpoint, renewables* attracted significant attention, with capital flows totalling USD 7.3 billion witnessed in 2023 compared to USD 2.6 billion in 2022[6.8].This growth was largely on the back of raising awareness for sustainability practices and, thereby, the need for sustainable energy solutions.

Healthcare and pharmaceuticals to witness the entry of patient capital

Post the pandemic, the healthcare and pharmaceutical sector witnessed heightened investor interest in 2023. Growing formalisation of the healthcare sector, increased penetration of insurance, and global re-alignment of supply chains in the pharmaceutical sector are key factors contributing to the growth of the healthcare & pharma sector. The year 2023 witnessed Temasek's acquisition of a 41% stake in Manipal Health Enterprises for USD 2 billion[6.9]. Such large-scale deals indicate that patient capital in the sector is likely to sustain, especially given the capital-intensive nature of the sector, coupled with the favourable investment return opportunities that the sector offers.

Revival of confidence in infrastructure investments; PIPE transactions in infrastructure to remain high

The infrastructure sector** was able to garner investments worth USD 11.6 billion in 2023. A key reason for this growth was PIPE (private investments in public equity) - which witnessed remarkable value and volume in 2023. PIPE in infrastructure garnered USD 4.3 billion compared to just 125 million in 2022. Investors such as GQG[6.10], BCI[6.11], CPPIB[6.12], and QIA,[6.13] were particularly active. With the infusion of PE in good quality public infrastructure assets, we anticipate the infrastructure sector to benefit on account of greater accountability and operational efficiencies which in turn would impact the RE sector positively.

*Renewables: Includes solar power, wind power, hydro power and hybrid power projects
**Infrastructure sector: Includes sectors such as renewables, roads and highways, ports, engineering, procurement, and construction (EPC), power transmission and distribution and others
6.8. & 6.9. EY - PE/VC agenda India Trend Book 2024; 6.10 GQG Partners; 6.11 BCI - British Columbia Investment Management Corporation; 6.12 CPPIB - Canada Pension Plan Investment Board; 6.13 QIA - Qatar Investment Authority

Annexure

SEBI's New Regulations for Small and Medium REITs (SM REITs):

Increased Accessibility
Companies can now raise smaller capital (minimum of INR 50 crore) from investors, compared to the previous minimum of INR 500 crore for large REITs.

Independent Oversight
Ensures transparency by requiring half of the investment manager's directors to be independent (not involved with other REITs).

Focus on Investor Participation
Requires a minimum of 200 investors, making real estate investment more accessible to a wider audience.

Focus on Income-Generating Properties
The SM REITs must invest in completed properties that are already generating income (at least 95% of investments), potentially reducing investors' risk.

Experienced Management
The SM REITs must have an investment manager with a solid track record (a minimum of two years' experience) and financial stability (a net worth of at least INR 20 crore, provided that not less than INR 10 crore is in the form of positive liquid net worth).


Alternate Sectors
Data Centres
Flexible Spaces
Life Sciences
Hospitality
Healthcare

7 Data Centres

Data Centres: Powerhouses of the digital era

India's data centre (DC) market continues to experience robust growth driven by digital transformation, increased internet penetration, policy enablers, rising data consumption and artificial intelligence (AI) adoption. The surge in data traffic from various sectors, combined with 5G deployment, is driving demand for reliable data storage and processing facilities. This presents lucrative opportunities for foreign investments and the development of advanced DC infrastructure to cater to India's growing digital economy.

Infrastructure status granted to the DC sector, along with the formulation of the Draft Data Centre Policy, 2020, has created a favourable environment for operators and developers. Additionally, the implementation of the Digital Personal Data Protection Act (DPDPA) in 2023 has bolstered cross-border trade, legitimate data processing, and stakeholder trust, further enhancing India's digital innovation landscape (refer to Figure 1.1).

In addition to the initiatives by the central government, various state governments in India have been actively promoting the segment through dedicated policies aimed at attracting DC operators and investors. Several states have recognised DCs as an 'essential service' to ensure uninterrupted operations throughout the year. These policies include provisions for uninterrupted electricity supply, access to renewable energy, fuel subsidies, essential infrastructure support for small and medium-sized enterprises (SMEs), providers of servers and racks, financial incentives, and subsidies for manufacturing DC stacks within the state jurisdictions. These incentives are instrumental in unlocking a multitude of investment opportunities across the country.

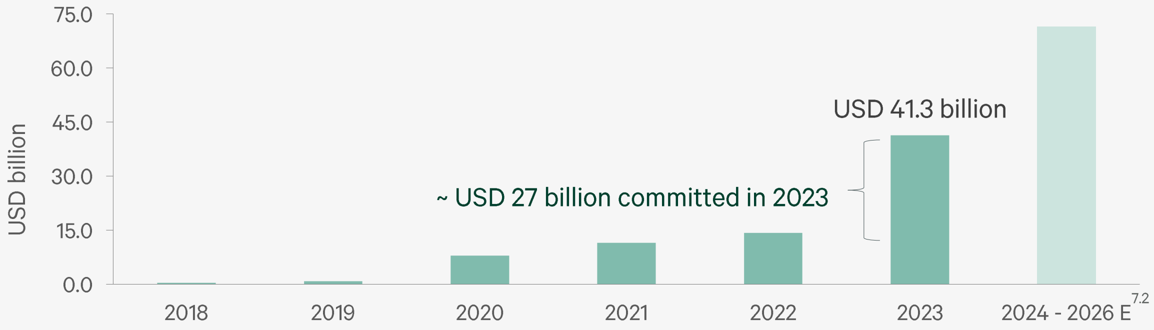
Figure 7.1: Key advantages of The Digital Personal Data Protection Act, 2023

- Ease of cross-border transfer
- Ease of Doing Business (EoDB)
- Boosts digital growth and innovation
- Empowers data principals
- Shared liability for data fiduciary and consent managers
- Efficient management of data processors

Source: Ministry of Electronics and Information Technology (MeitY), Government of India (GoI), 2023; CBRE Research, Q1 2024

Exploring the tremendous investment potential in DCs

Figure 7.2: Cumulative DC investments (2018 - 2026 E)



Source: Media articles, CBRE Research, Q1 2024

Table 7.1: Major investment deals in 2023

Investor	Investment value (USD million)	Investment Region
STT GDC India	~ 1,000	Multiple-cities
Colt DCS	~ 750	Tamil Nadu & Maharashtra
NTT	~ 542	Tamil Nadu & West Bengal
CapitaLand	~ 162	Maharashtra
Digital Connexion	~ 30	Tamil Nadu

Source: Media articles, CBRE Research, Q1 2024

According to the findings of the latest CBRE Global Investor Intentions Survey 2024, DCs continue to rank among the top three preferred alternative assets for investors in the APAC region, including India. The sector has witnessed significant investments from global operators, real estate developers, and private equity funds eager to tap into the country's thriving market.

The sector's resilience and attractive returns have positioned it as a preferred choice among investors, with foreign investments playing a dominant role. Furthermore, an evolving regulatory framework is expected to enhance transparency, streamline credit access, and foster growth and investments into this sector.

Overall, between 2018 - 2023, India attracted investment commitments of more than USD 40 billion by both global and domestic investors[7.1]. The top states that dominated the cumulative investment commitments include Maharashtra, Uttar Pradesh, West Bengal, and Tamil Nadu.

India is also attracting global hyperscalers who view it as a prime market for expansion, with many of them opting for their customised build-to-suit (BTS) facilities. In 2023, more than 85% of ~USD 27 billion committed is being targeted towards the development of hyperscale facilities.

7.1. Media articles, CBRE Research, Q1 2024
7.2. Global macro-economic uncertainty might have an impact on these forecasts. Considering this inherent risk factor, forecasts are likely to change with periodic reviews given the evolving situation

Top trends expected to shape the DC sector in 2024

01

STRONG SUPPLY PIPELINE; MUMBAI AND CHENNAI TO CONTINUE LEADING NEW CAPACITY ADDITIONS

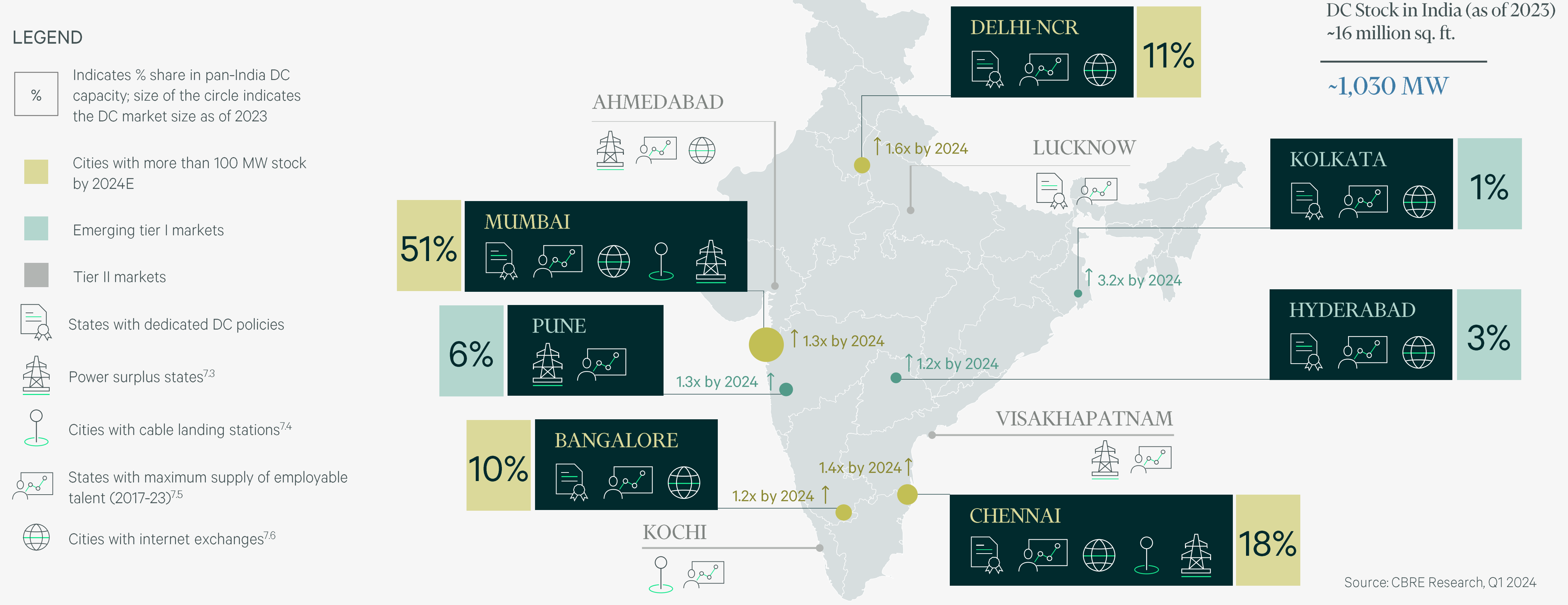
In recent years, the DC industry in India has experienced remarkable growth and transformation, with capacity doubling since the start of the pandemic. In 2023, there was an addition of 255 MW of new supply compared to 200 MW in 2022, resulting in a total stock of approximately ~1,030 MW by the end of the year. This accelerated growth is expected to continue in 2024, with planned supply of over 330 MW across various cities, potentially increasing the stock by 30% annually to reach around ~1,370 MW.

Mumbai, known for its status as the financial capital and hosting key landing stations connecting India with the Middle East and Europe, remains the dominant market with over 50% share in total stock as of 2023. Reliable power supply, broadband connectivity, and availability of skilled manpower further contribute to Mumbai's appeal as a sought-after destination. Chennai, with an 18% share, follows as the second most popular market due to its strategic location on the east coast, facilitating strong connectivity to East Asia.

Notably, more than 60% of the upcoming supply would be concentrated in Mumbai and Chennai, while Delhi-NCR, Bangalore, and Hyderabad are jointly expected to account for over 30% share. With the anticipated supply influx, tenants are expected to carefully assess their options, select suitable DC providers and negotiate favourable terms aligned with their specific requirements. Demand is likely to pick up pace in H2 2024, paving the way for continued growth in this sector.

In addition to the concentration in tier-I locations, there is a notable shift in the dynamics as many colocation and edge computing facilities are expanding into tier-II cities. This expansion is driven by the aim to be in proximity to customers in these areas, providing faster response times, reduced latency for time-sensitive applications, and decentralising the DC infrastructure to effectively serve a distributed user base across India. Emerging markets such as Kochi, Jaipur, Ahmedabad, Lucknow, Patna, and Vishakhapatnam are experiencing growth, driven by their strategic locations and improved infrastructure, including enhanced power supply along with fibre and cable connectivity upgrades.

Figure 7.3: DC dynamics in prominent and emerging markets in India



Source: CBRE Research, Q1 2024

7.3. National Power Portal, Ministry of Power, 2023; 7.4. Submarine Cable Networks, 2023; 7.5. India Skills Report, Wheebox, 2023; 7.6 Indian Network Operators Group, 2023.

02 FUTURE OF DCs: NAVIGATING OPERATIONAL HURDLES

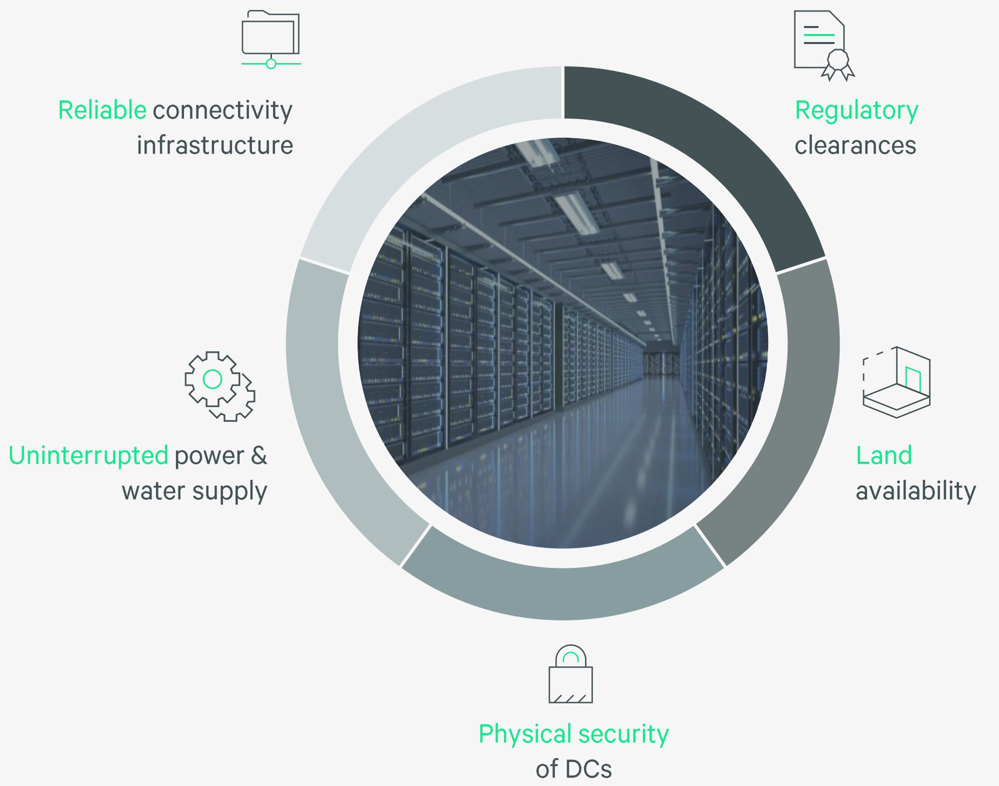
DC operators in India face certain challenges which include navigating a complex and time-consuming approval process involving multiple authorities. This process, which encompasses obtaining approvals for land allocation, power feasibility, and building layout, can lead to significant delays, with construction activities commencing two-to-three years after the deployment of funds. Moreover, DC operators often grapple with labour shortages, unreliable power supply, land availability, and the need for robust infrastructure, further exacerbating the operational difficulties they encounter (refer to Figure 7.4.).

03 DCs AT THE FOREFRONT OF ESG TRANSFORMATION

As substantial energy consumers, DCs continue to prioritise the adoption of ESG practices. The energy consumption by DCs is anticipated to double every four years, and the sector now accounts for up to 4% of the total greenhouse gas emissions globally[7.7].

Operational sustainability has gained prominence, with a focus on energy and water efficiency, waste management, and the utilisation of renewable energy sources. Upcoming DCs are forging partnerships with sustainable material providers, implementing optimised designs to minimise energy consumption for temperature control, maximising server housing within the facility, pre-planning air management, implementing water recycling and disposal systems, optimising waste management processes, and utilising available real estate in the premises for solar panel installations.

Figure 7.4: Challenges faced while setting up DC facilities



Source: CBRE Research, Q1 2024

7.7. Tech in ESG: How can AI make data centres more energy efficient? EY, January 2023

Figure 7.5: DCs going green

Use of renewable energy systems

Deployment of fuel cell technology, exploring options beyond solar and wind such as green hydrogen, transitioning to clean energy solutions through models such as Virtual Power Purchase Agreements (VPPAs)[7.8], Renewable Energy Certificates (RECs), etc.[7.9]

Flexible, high-density, scalable module design

Modular systems with compact, high-density designs offering fast and easy installation, flexibility, and utilising less land footprint.

Cooling system upgrades

Use of cooling technologies such as rear doors, immersion cooling, water cooling, etc., which reduce a significant amount of power consumption; design modifications, such as cooling circuits positioned beneath servers, removing heat at the source; in-row / rotodynamic heater-based cooling designs.[7.10]

PUE[7.11] and WUE[7.12] improvement

Sustainable DCs aim to operate at high efficiency with a design PUE between 1.3 - 1.4 and achieve a low WUE by implementing indirect evaporative cooling / water-side economisers, optimising water management processes, and recycling or reusing water within the facility.[7.10]

Waste management & recycling

Adoption of a 'zero waste to landfill' policy, recycling / refurbishment via IT Asset Disposition (ITAD) facilities specialising in decommissioning, inventory management, and securely destroying data before refurbishing reusable assets for resale and recycling obsolete equipment.

7.8. A Virtual Power Purchase Agreement (VPPA) is a contract between a DC operator and a renewable energy generator (e.g., a wind or solar farm) to purchase renewable energy and its associated environmental attributes. The buyer receives renewable energy credits (RECs) or guarantees of origin, which can be used to offset their carbon emissions and meet sustainability goals.
7.9. A Renewable Energy Certificate (REC) is a tradable instrument that represents the environmental attributes of 1MW-hour of renewable energy generation.
7.10. Indian Data Centers: On a "Green" growth trajectory, Nxtra by Airtel, July 2023.
7.11. Power usage effectiveness (PUE) is a metric used to evaluate the energy efficiency of a DC facility and is calculated by dividing the total power consumed by the DC by the power consumed by the IT equipment alone. A lower PUE indicates higher energy efficiency, as less power is being consumed by non-IT components like cooling, lighting, and power distribution.
7.12. Water usage effectiveness (WUE) is a metric used to assess the amount of water consumed by a DC facility concerning the IT equipment's power consumption and is calculated by dividing the total water consumed by the DC by the energy consumed by the IT equipment.

04 HYPERSCALERS TO CONTINUE DRIVING DEMAND; ADVANCED TECHNOLOGIES TO REVAMP THE DC MARKET

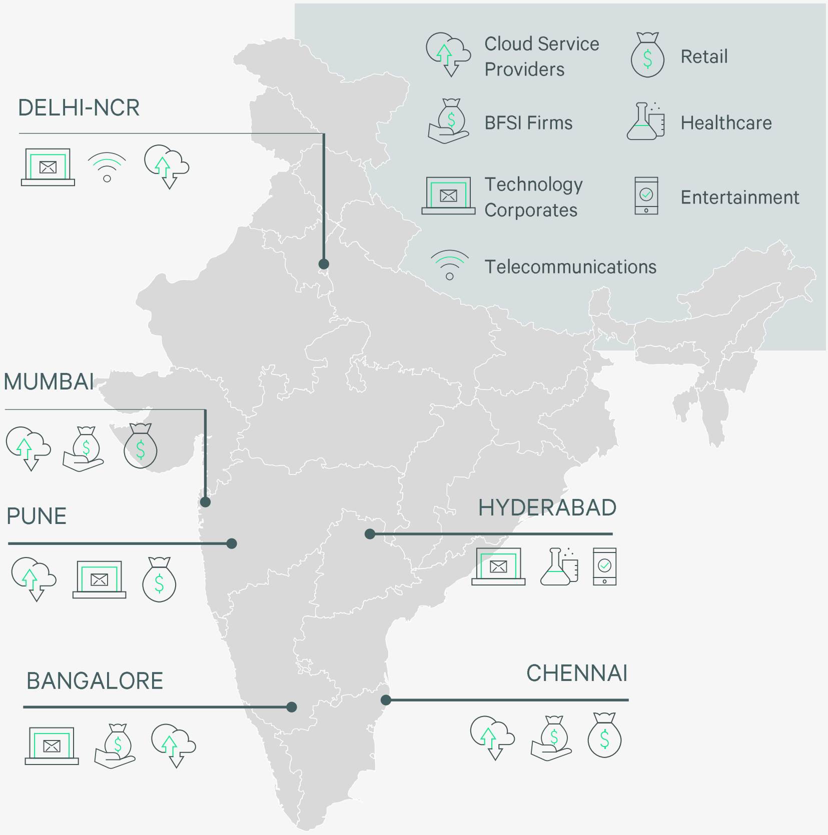
DCs are evolving to include emerging applications such as AI, machine learning, and high-performance computing (HPC)[7.13]. India, with its favourable market conditions, is attracting multinational corporations (MNCs) seeking to expand their digital services and relocate from other Asian markets due to supply constraints. We anticipate sustained demand from BFSI firms, technology corporates, and cloud service providers as they explore alternative solutions such as colocation and hyperscale facilities (refer to Figure 7.6). Furthermore, engineering & manufacturing firms, along with technology companies, are likely to establish their own DCs specifically dedicated to R&D labs.

DC operators are likely to offer customised and streamlined solutions, along with scalability options, to attract occupiers seeking flexibility, agility, and sustainability in the future. As AI and HPC adoption accelerates, hyperscalers are expected to lead the way, requiring high-density infrastructure to support advanced IT loads exceeding ~ 30kW / rack, compared to traditional power density facilities of ~ 8-10kW / rack. As this disruption reaches more conventional users, enterprise and colocation DCs would also need to adapt their infrastructure accordingly. The higher rack density poses challenges for cooling systems, necessitating reliable solutions to prevent equipment overheating. While traditional cooling methods exist, DCs are likely to adopt advanced technologies such as liquid immersion cooling[7.14], direct evaporation cooling / adiabatic cooling[7.15]. Additionally, the rising trend of hyperconverged infrastructure (HCI)[7.16] is expected to enhance the workability and scalability of DCs in the future.

Hence, DCs in 2024 are likely to face a unique and challenging environment as they must manage the ageing infrastructure while also meeting increased demand and adhering to ESG requirements and frameworks.

7.13. High-performance computing (HPC) refers to the use of powerful computing systems to process and analyse large and complex datasets; DCs equipped with HPC capabilities are designed to handle computationally intensive tasks that require substantial processing power, memory, and storage.
7.14. Liquid immersion cooling replaces traditional air-based cooling systems and offers several advantages in terms of efficiency, performance, and sustainability; it involves immersing servers and other IT equipment in a dielectric fluid or coolant.
7.15. Direct evaporation cooling / adiabatic cooling involves leveraging the evaporation of water to cool the surrounding air, reducing the temperature within the facility.
7.16. HCI is a software-defined infrastructure architecture that integrates computing, storage, networking, and virtualization resources into a single, tightly integrated system, typically managed through a centralized interface.

Figure 7.6: Top occupier categories anticipated to drive demand



Source: CBRE Research, Q1 2024

8 Flexible Spaces

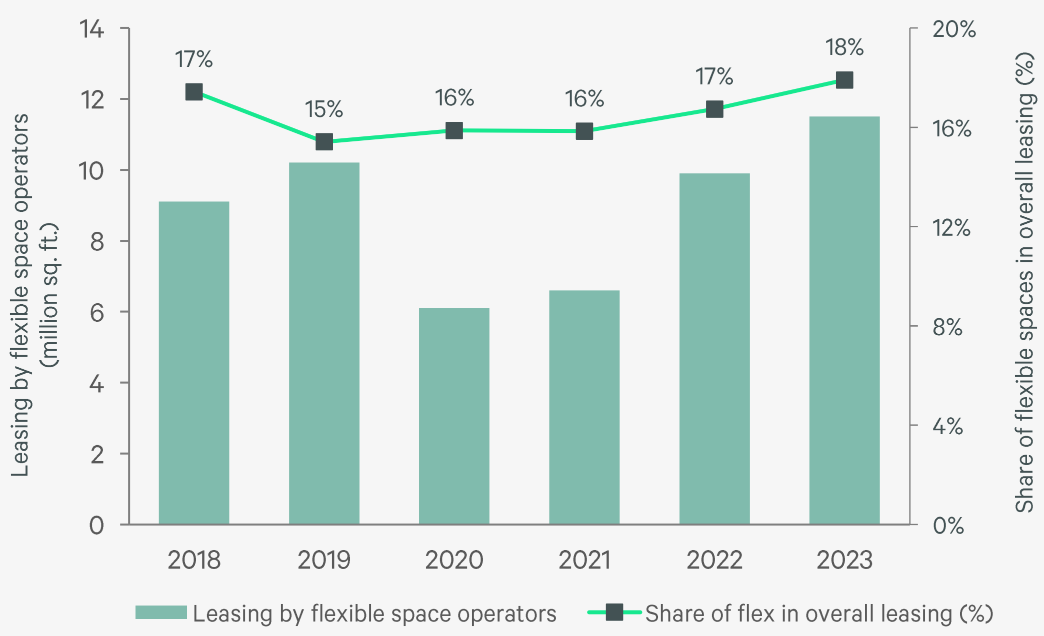
Flexing forward: India's flex office market set to soar

Flexible workspaces have emerged as a cornerstone of modern work culture, aiding varied working styles and bringing in flexibility into the office market.

The rise of hybrid work models, capital intelligence, need for flexibility in leases, and a shift in work culture are fuelling the transformation towards flexible spaces. This has resulted in demand from diverse segments, from start-ups, small and medium-sized enterprises (SMEs) to large corporations. These organisations are actively integrating flexible spaces into their office portfolios as part of their 'Core+Flex' strategies, with managed offices and enterprise co-working requirements witnessing particularly high demand. 'Core+Flex' allows occupiers to be more financially efficient, while still providing employees with a consistent experience and company culture along with the flexibility to work from different locations.

In the dynamic environment of hybrid working, the modern offices are transforming into collaborative hubs, seamlessly merging the physical and digital worlds through technology. This necessitates that flexible workspace designers strike a balance between dedicated and open areas, effectively catering to the diverse needs of users and fostering a thriving work environment

Figure 8.1: Historic flex leasing trend (2018-2023)*



Source: CBRE Research, Q1 2024

Note: *Includes top nine cites – Delhi-NCR, Mumbai, Bangalore, Chennai, Hyderabad, Pune, Kolkata, Kochi and Ahmedabad

Over
200,000 Workstations
leased by occupier clients in flex spaces in 2023*

Flexible space stock* stands close to
64 million sq. ft.,
with more than half of the stock in Bangalore and Delhi-NCR[8.1]

Flexible space stock has the potential to touch
80 million sq. ft.
by 2024[8.2]

8.1. CBRE India Research, Q1 2024; 8.2. Global macro-economic uncertainty may have an impact on these forecasts, and it is tough to accurately estimate the extent of this impact. Considering this inherent risk factor, forecasts are likely to change with periodic reviews given the evolving situation.

EXPLORING TIER-II CITIES: THE NEXT FRONTIER FOR FLEXIBLE OFFICE SPACES

Tier-II cities are emerging as the next frontier for flexible spaces as these cities strive to meet the evolving needs of businesses.

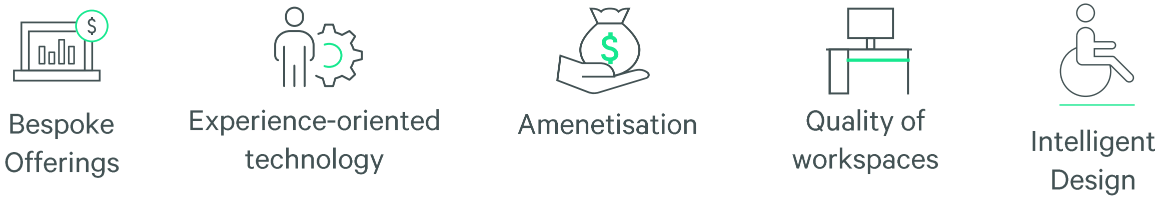
The smaller cities are emerging as the new growth engine for the office sector, fuelled by a flourishing talent pool, competitive real estate costs, and continuous infrastructure improvements, making them attractive destinations for business expansion. With a current flexible space stock[#] of over 3.6 million sq. ft. in tier-II cities, flexible space operators are seizing the untapped potential of these markets, rapidly expanding their presence to offer diverse options for both start-ups and established businesses[8.3].

WHAT NEXT FOR THE FLEXIBLE SPACE SECTOR?

India maintains its position as the fastest-growing flexible office market in the world with a total stock of about 68 million sq. ft[^].

The demand for quality workspaces with facilities for well-being and hygiene would continue to rise, driven by both large enterprises and start-ups, benefitting flexible space operators. Strategically located workspaces with flexible lease terms and the ability to offer customised solutions would continue to garner activity.

Figure 8.2: Differentiating factors for flexible space operators



Note: *Includes top nine cites – Delhi-NCR, Mumbai, Bangalore, Chennai, Hyderabad, Pune, Kolkata, Kochi, and Ahmedabad; #Tier II flex stock does not include Kochi and Ahmedabad as their stock has already been accounted for in the top nine cities.

^Includes top nine cities and tier-II flex stock

8.3. CBRE's The Office Sector's Ascent: Tier-II Cities on the Horizon, Q1 2024

Looking ahead

Large enterprises expected to **increase the proportion of flexible space** in their overall office portfolio

An increasing number of occupiers may prefer signing a **single contract with a single operator** for all their flexible space requirements

Operators to further increase focus on **occupier safety** and **experience-oriented tech**

Operators likely to penetrate and **expand into tier-II / III cities** owing to an increasing demand from corporate enterprises

Operator tech stack, products & service quality, location network, asset quality and pedigree of strategic investors to act as key differentiators

Landlords expected to provide flex solutions through own entity or via **partnerships with leading flex operators**

Headcount volatility, distributed / hybrid working, and capital efficiencies expected to be key demand drivers for flexible workspaces

Increasing demand for flexible space solutions in India likely **to strengthen investor confidence in the sector**

The popularity of **coworking** and **managed office solutions** expected to keep growing alike

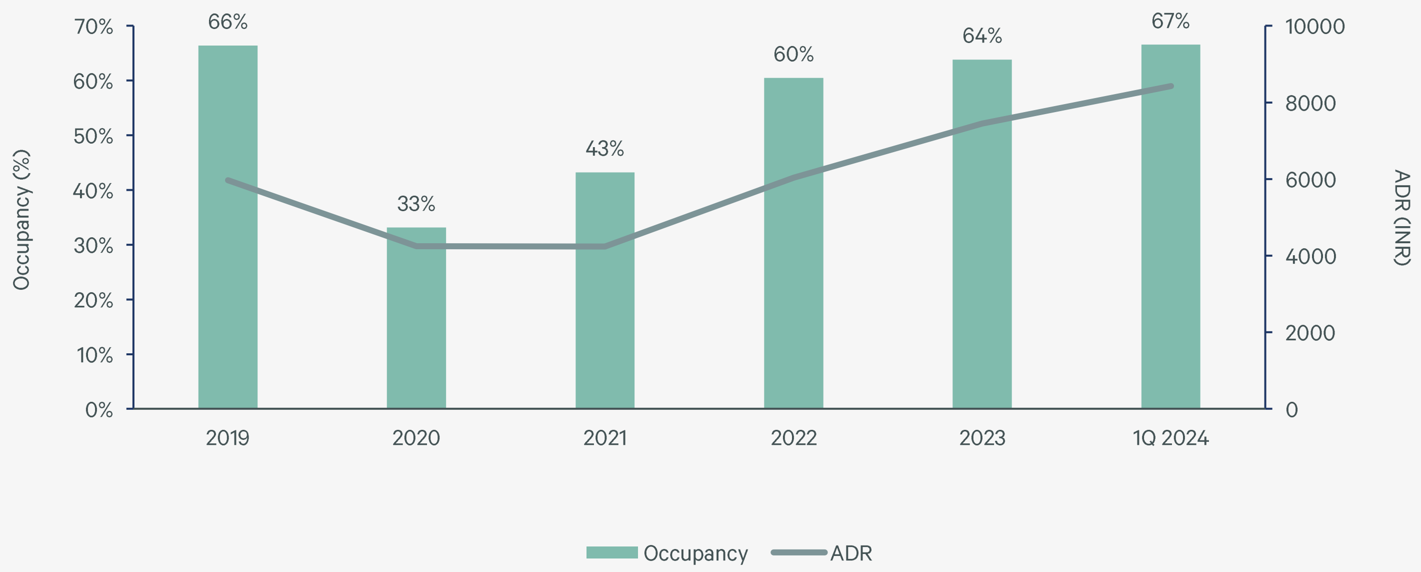
Source: CBRE Research, Q1 2024

9 Hospitality

India Hospitality: An overview

After witnessing a substantial slump due to the COVID-19 pandemic, the hospitality sector observed a steady revival starting H2 2022, led by relaxation in travel restrictions and the emergence of themes such as ‘revenge travel’, ‘bleisure’, and staycations. Several big-ticket events, including the 2023 ICC Men's Cricket World Cup and the G20 Summit, further revitalised the sector’s demand and relevance, presenting India as a powerful hospitality brand on the global landscape. The average occupancy of pan-India hotels climbed back to the pre-pandemic levels starting 2022, to reach a satisfactory bracket of 60-70%, thereby indicating steady growth and recovery[9.1].

Figure 9.1: India hotel occupancy and Average Daily Rates (ADR)*

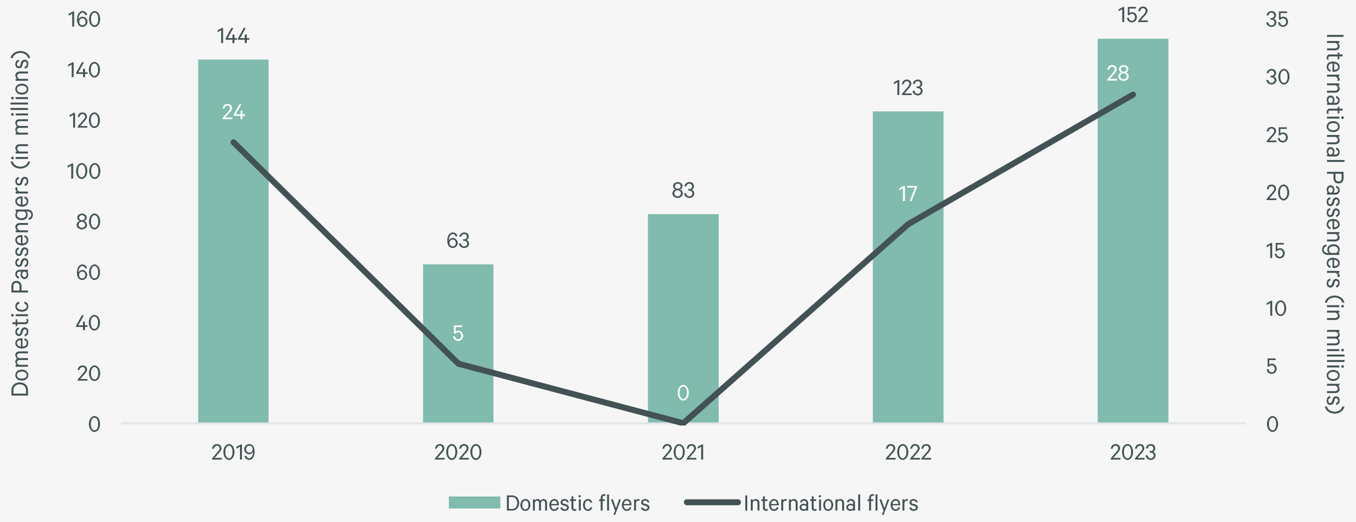


Source: CBRE India Research, Q1 2024 / STR Global
*Note: PAN India averages across all hotel categories

9.1. STR Global, February 2024

Strong resilience displayed by the Indian economy, thriving spiritual and leisure segments, and the government's focus on developing state-of-the-art infrastructure are expected to keep the hospitality sector buoyant in 2024. As per the Ministry of Tourism, Foreign Tourist Arrivals (FTA) reached 9.2 million in 2023, 43% higher than in 2022, albeit lower than the pre-pandemic levels of 10.9 million in 2019[9.2]. Furthermore, according to the Directorate General of Civil Aviation (DGCA), domestic as well as international air traffic registered a healthy annual growth rate of 23% and 65%, respectively, in 2023[9.3]. Delhi, Kolkata, Mumbai, Hyderabad, and Pune recorded the highest domestic passenger count during the year, together accounting for nearly half of the total traffic.

Figure 9.2: India domestic and international flyers*



Source: Directorate General of Civil Aviation, India

*Note: Includes scheduled air traffic only

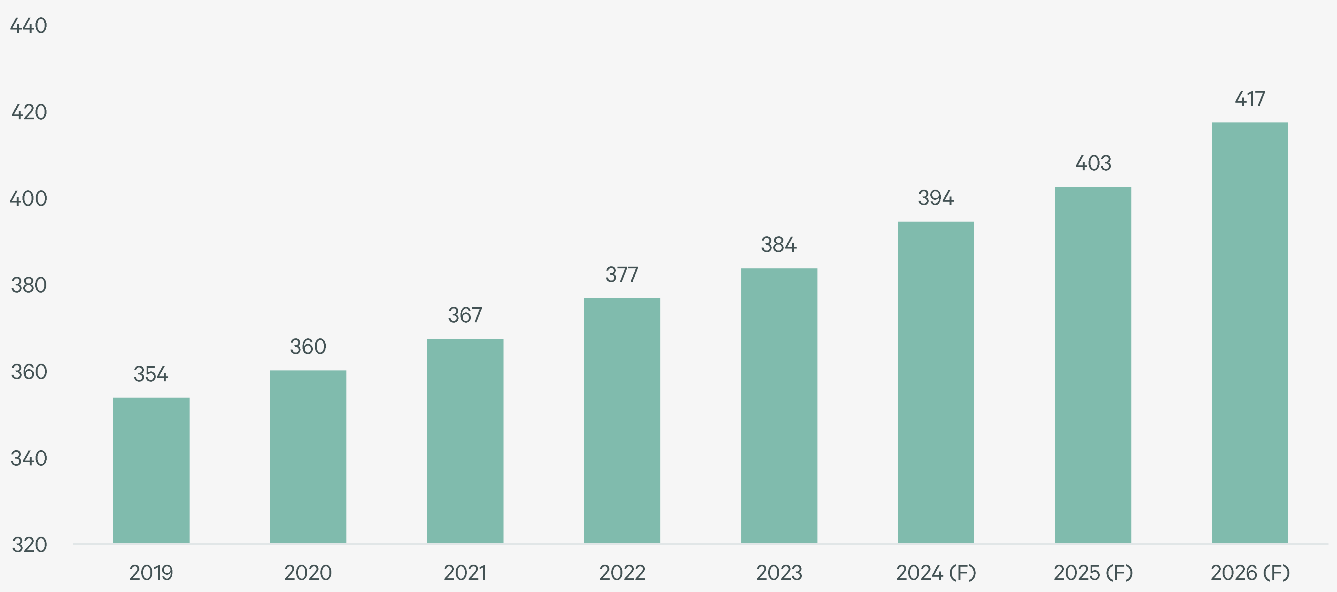
9.2. Monthly Tourism Statistics, Ministry of Tourism, December 2023

9.3. Directorate General of Civil Aviation, January 2024

India's hotel room supply has grown steadily at a CAGR of 2.1% during 2020-2023, a trend expected to continue, with a projected CAGR of 2.5% through 2026. This growth, however, is anticipated to be outpaced by demand, leading to improved hotel performance metrics. Notably, new room supply is expected to be distributed across the country, including tier-II destinations such as Jaipur, Amritsar, Lucknow, Agra, and Udaipur. This shift reflects hotel chains' strategic focus on catering to the growing demand for spiritual and experiential tourism[9.4].

As leading global brands penetrate and diversify their operations, new room supply during 2024-26 is forecasted to be driven by upscale, upper-upscale, and luxury segments, accounting for almost 55% of the total pipeline. Furthermore, the supply of mid-segment rooms is also expected to remain robust during this period, as hotels plan to offer affordable luxury at offbeat destinations[9.5].

Figure 9.3: Number of hotel rooms in India across all categories (in '000)*



Source: CBRE India Research, Q1 2024 / STR Global

*Note: *Represents cumulative hotel rooms supply

9.4. & 9.5. STR Global, February 2024

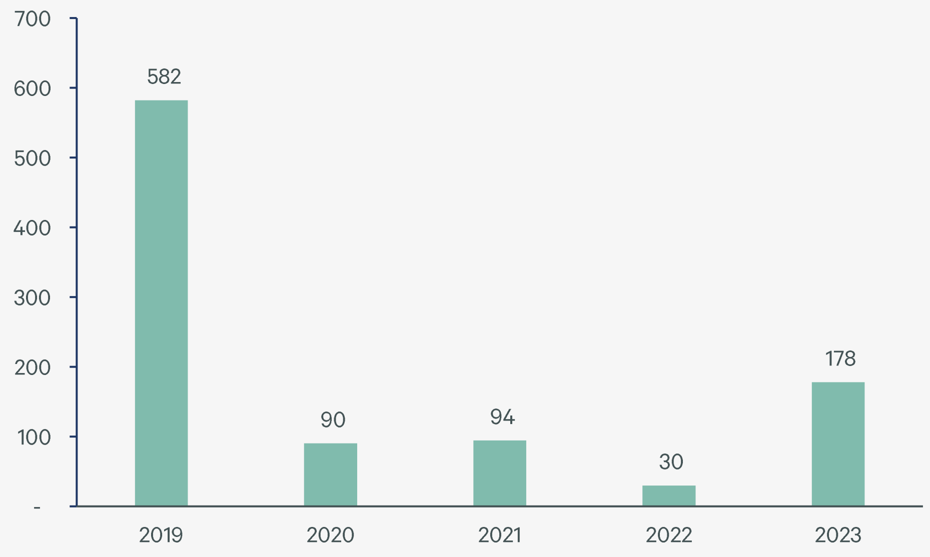
Leading hotel chains continue to expand their presence in the market

Table 9.1: Leading hotel chains' expansion strategies in India

HOTEL BRANDS	CURRENT NUMBER OF HOTELS IN INDIA	KEY EXPANSIONS IN 2023	FUTURE PLANS
Hyatt	45+	Opened four hotels including Hyatt Place in Candolim, Goa, and Bodh Gaya	Plans to open 10 hotels per year for the next five years
Accor	60+	Launched six properties across the country	Plans to open 30 new properties in the next three to five years; some of them are planned in tier II & III cities – Bhopal, Indore, Mohali, Bhubaneswar, and Amritsar
ITC	115+	Expanded presence in South and Northeast India	Aims to increase its room inventory by 50% in the next five years
Hilton Group	25+	Hilton and the Dangayach Group signed agreements to launch a property each in Jaipur and Delhi-NCR	Plans to expand to around 75 hotels by 2027
IHCL	200+	Added 30+ hotels to its pipeline; launched 14 hotels	Targets to expand to 300 hotels by 2025
Radisson Hotel Group	110+	Signed 11 properties across locations including Manali, Pune, and Ayodhya	Plans to launch Radisson Collection, its luxury brand, in the Indian market with the opening of a new hotel in Srinagar
IHG Hotels and Resorts	40+	Opened hotels in Lucknow, Kasauli, and Karjat	Targets expanding its presence across tier-II and tier-III cities

Source: Media articles, company statements and CBRE India Research, Q1 2024. The above table is indicative; includes only key plans for expansion.

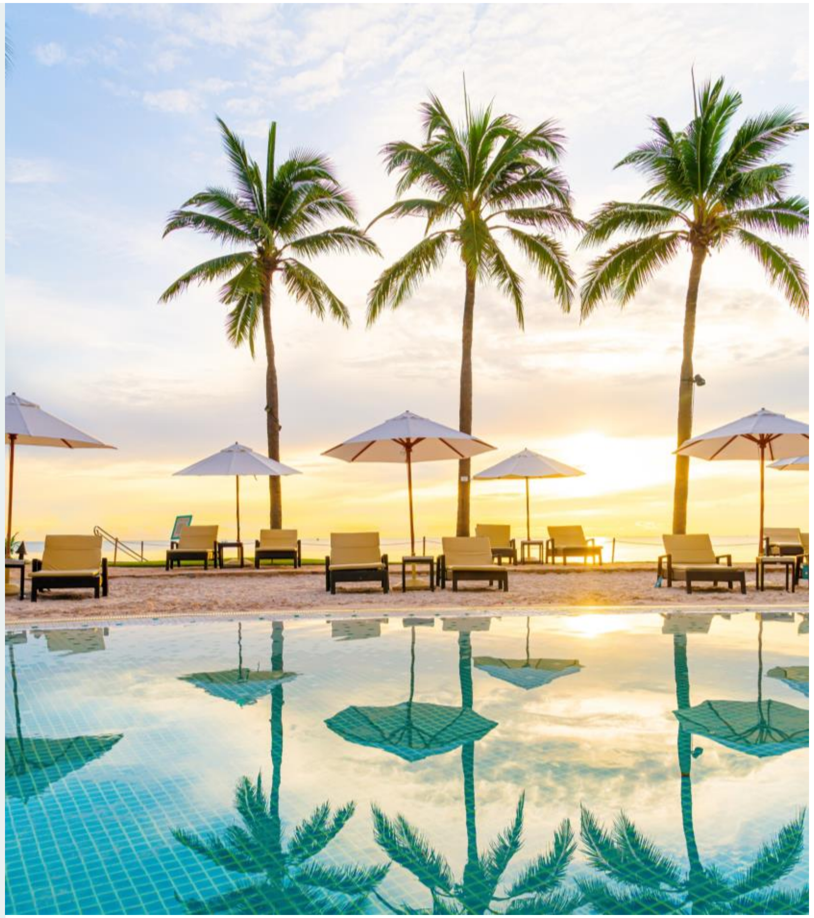
Figure 9.4: India hotel investments transaction value* (in USD million)



Source: CBRE India Research, Q1 2024 / Real Capital Analytics / VC Circle

*Figures include acquisition of assets as well as land deals

While the overall value of investment transactions reported during 2023 remained much lower than the 2019 levels, there was a massive (almost 5X) jump recorded over 2022. Interestingly, in 2019, the activity was primarily skewed by a single block transaction led by a leading global private equity investor. However, going forward, we anticipate that the transaction activity would be led by a diverse set of investors including private equity firms, HNIs, hotel chains, and developers[9.6].



9.6. India Research, Q1 2024 / Real Capital Analytics / VC Circle

The striking ascendence of India's spiritual tourism sector

As noted in our Decoding Real Estate Through the Spiritual Tourism Lens report – spiritual tourism will continue to play a crucial role in India's domestic growth story in 2024. With a growing yearning for deeper spiritual connection amongst travellers and the emergence of several mega religious sites such as the Ram Temple in Ayodhya, and the Om-shaped temple in Pali, Rajasthan, the segment is anticipated to draw a large number of tourists to tier-II and tier-III cities of religious significance. Additionally, projects such as the Heritage City in Mathura with an investment of INR 1,220 crore, the Puri Shree Jagannath Temple Heritage Corridor project with an investment of INR 943 crore, and the redevelopment of Ayodhya with an investment of INR 85,000 crore over a period of 10 years will likely further propel the segment's growth[9.7].

Several factors have contributed to facilitating immersive spiritual experiences for travellers. Robust road, rail, and air transportation infrastructure development has improved last-mile connectivity to several pilgrimage sites, leading to an exponential surge in domestic and international tourists. According to the data from STR Global, there is a strong pipeline of upcoming hotel projects (approximately 3,000 keys over the next three to four years) in the major holy cities in India[9.8], with renowned brands such as Marriott, Taj, and Hyatt expressing interest to tap into this growing market. Furthermore, the development of a support ecosystem, such as the setting up of customised retail experiences and the opening of FMCG manufacturing and distribution facilities near spiritual sites, are expected to support the overall growth of this segment.

9.7. Decoding Real Estate Through the Spiritual Tourism Lens, CBRE Research, March 2024

9.8. STR Global, February 2024

Sustainability takes centre stage

Echoing global trends, sustainability is poised to be a significant driver of the Indian hospitality industry. Several government-led sustainability-focused measures have already set the ground rules for the sector's future. In June 2022, the Ministry of Tourism launched a national strategy for sustainable tourism, highlighting the role that the central, state, and other nodal agencies / ministries will play in reducing the carbon footprint of the tourism sector. To further substantiate its efforts, the ministry launched a 'Travel for LiFE' (TFL) programme under Mission LiFE in September 2023, with an aim to spark behavioural change amongst travellers and tourism service providers towards responsible tourism[9.9].

Additionally, several state governments have also joined the fray, releasing sustainability focused initiatives. In February 2024, Goa's department of tourism entered a first-of-its-kind public-private partnership with a prominent Indian online travel portal to launch a regenerative tourism initiative promoting sustainable environmental restoration and community empowerment[9.10]. Other state-level initiatives, such as the development of six green corridors equipped with electric vehicle (EV) charging infrastructure by the Himachal Pradesh government, are anticipated to boost EV adoption and enhance the state's appeal as a green travel destination[9.11].

In order to stay relevant and position themselves as environmentally-sensitive entities, hotel chains across the country are also increasingly adopting sustainability-focused programmes and certifications. While most of the leading players are already taking steps such as removing single-use plastic, adopting recyclable packaging, reducing water usage, and prioritising local food produce, we expect these initiatives to get more nuanced going forward.

9.9. Travel for LiFE, Ministry of Tourism, September 2023. 9.11 Government of Himachal Pradesh, February 2024
9.10.Department of Tourism, Government of Goa, February 2024.

Business travel continues to evolve

Rising demand for leisure and experiential travel, and the sustained popularity of hybrid working models, would continue keeping **bleisure travel and workcations relevant in 2024**. This has created several opportunities for homestays and short-term rental companies. While hotels continue to expand their services by including tour packages and pre-planned itineraries for the partner / family of the business traveller, short-term rental accommodations are emerging as another preferred lodging choice amongst such travellers. Longer stay duration, home-like conditions with workspace, kitchen, and rental homes at offbeat locations are some of the key reasons for the shift in preferences.

Growing business travel is also contributing to the rise in the Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism segment, thereby leading to a substantial growth in revenues of hotels hosting such events. MICE has developed into a niche segment that the government is promoting to overcome seasonality-related fluctuations in tourism demand, portraying India as a year-round destination. Recent launches of three world-class convention centres, namely, Bharat Mandapam, Jio World Convention Centre, and Yashobhoomi Convention Centre, are expected to further augment India's capability to host global-level meetings and conferences.

Emerging areas of emphasis

Rapid digitisation likely to spur continuous reinvention

Post-pandemic, digitisation became a mainstream area of investment across industries, especially tourism and hospitality. While hotel chains maneuvered through the crisis by offering digital solutions such as contactless check-ins / outs, robotic concierge and butlers, and touchless payments, they also optimised their internal operations and margins through the Internet of Things (IoT)-driven hotel and staff management tools. Looking forward, the adoption of new technologies such as AI-powered chatbots and marketing efforts, Metaverse and augmented reality (AR) / virtual reality (VR)-enabled hotel property and city tours are expected to be the game changers.

Participants likely to focus on intensifying their market presence

In 2021, the travel & tourism industry's contribution to India's GDP was around USD 178 billion; by 2028, it is anticipated to reach USD 512 billion. This is expected to provide substantial growth opportunities to hospitality players[2.12]. More than seven international hotel chains have already announced plans to launch new brands in 2024 to cater to the rapidly evolving tastes and preferences of Indian travellers. With the asset-light franchisee model gaining traction in the Indian context, hotel chains would continue pursuing an aggressive expansion spree during the year. Additionally, as experiential, leisure, and spiritual segments gain traction, hotel sector demand is expected to be led by tier-II and tier-III cities such as Jaipur, Agra, Amritsar, Bhubaneshwar, Jalandhar, Udaipur, and Goa.

Initiatives spearheaded by the government to bolster growth

Central / state government-led innovative tourism development initiatives are expected to play a critical role in bolstering the sector's growth in the future. Some of the major projects include ropeway and heliport development across Uttarakhand to enhance connectivity, a submarine tourism initiative in Gujarat to offer a unique aquatic experience, the Zojila tunnel to provide year-round connectivity between Kashmir and Ladakh – all of which are expected to play a key role in improving accessibility to / developing offbeat locations as new tourism hubs.

2.12. India Brand Equity Foundation (IBEF), October 2023

10 — Healthcare

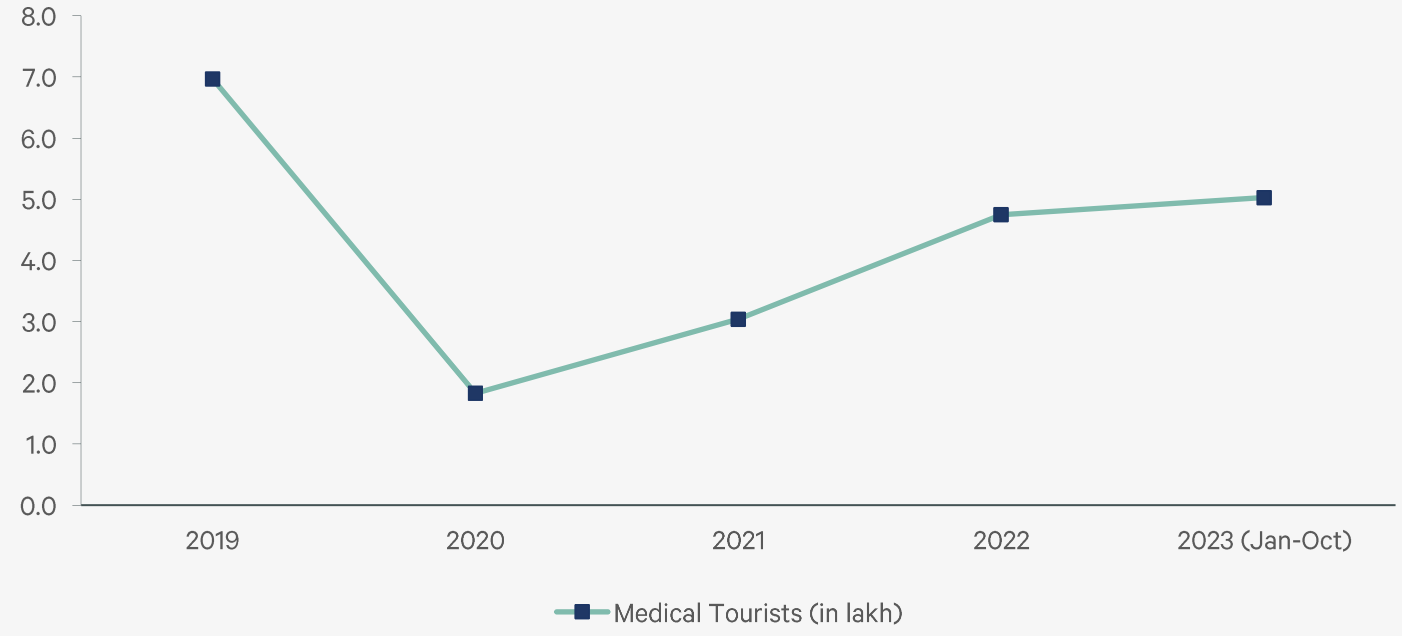
The Indian healthcare sector primarily encompasses six sub-sectors: hospitals, pharmaceuticals, diagnostics, medical equipment & supplies, medical insurance, and telemedicine / health-tech. The industry is growing at a tremendous pace driven by a burgeoning middle class with better health awareness, rising income levels, and better access to medical insurance amidst growing government spending on healthcare, an ageing population, and the changing nature of epidemiology.

India - A popular medical tourism destination

The Indian medical tourism sector currently holds a market value estimated at USD 7.7 billion[10.1]. Projecting a robust Compound Annual Growth Rate (CAGR) exceeding 13%, the sector is poised to reach USD 14.3 billion by 2030. Demonstrating resilience even amidst the COVID-19 pandemic, India attracted over 185,000 medical tourists in 2020. Based on recent data from the Bureau of Immigration (Figure 10.1), a full recovery to pre-pandemic medical tourist levels is anticipated by 2024.

Further bolstering this growth trajectory, the Government of India has implemented a series of initiatives. This includes the announcement of USD 14.8 billion[10.2] in loans to strengthen healthcare infrastructure. Additionally, working capital has been made available to tourism companies to facilitate their post-pandemic revival. Several key factors continue to propel India's medical tourism sector. These include state-of-the-art healthcare facilities, significantly reduced wait times for procedures, and the ability to deliver world-class medical care at lower costs compared to other nations.

Figure 10.1: Medical tourism in India over the years (2019-23*)



Source: Bureau of Immigration

*Note: For 2023, data available up to October

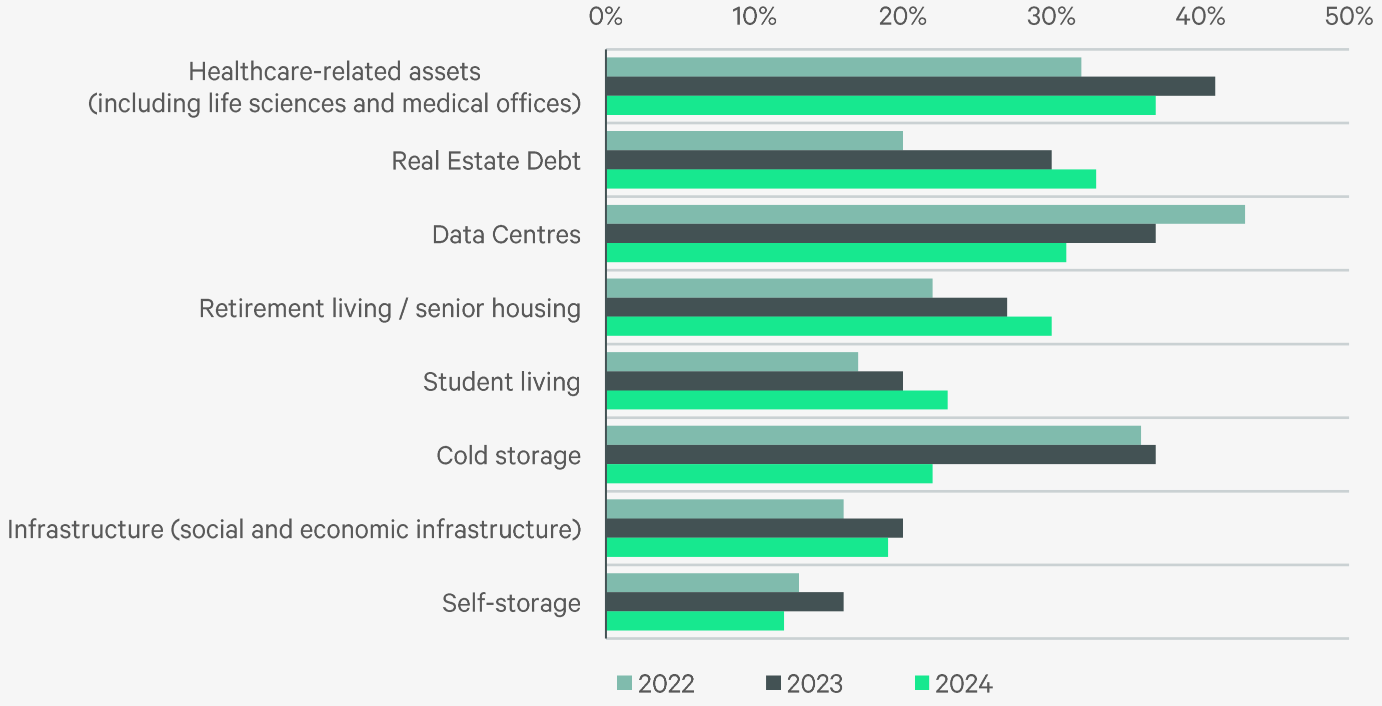
10.1. Mordor Intelligence - India Medical Tourism Market Size & Share Analysis, 2023
10.2. Press Release – Department of Tourism, December 2023

Growing interest in healthcare as an alternative investment type

Healthcare has long been considered a niche segment, but the changing dynamics of epidemiology and patient expectations have generated interest in this investment type worldwide. The hospitals and diagnostics segments together accounted for almost USD 9.8 billion of India's FDI equity inflows between April 2000 – December 2023, garnering a 1.47% share[10.3]. While 100% FDI in the segment has been permitted under the automatic route, a strong public healthcare system in most developed nations has limited the number of operating private players and the FDI inflows. However, FDI of over USD 22.4 billion in the pharmaceuticals sector and USD 3.3 billion in medical and surgical appliances during the same period indicates strong investor interest in the overall healthcare space.

The COVID-19 pandemic underlined the importance of this segment, thereby amplifying investor interest, as reaffirmed by the CBRE's 2024 APAC Investor Intentions Survey, which found healthcare the most popular alternative investment asset for two consecutive years. This is also evident from the recent transaction involving Singapore-based sovereign wealth fund Temasek's purchase of a majority stake in Manipal Hospitals for an overall value of USD 2 billion, making it one of the notable transactions in the healthcare industry.

Figure 10.2: Investor interest in alternate sectors by property type

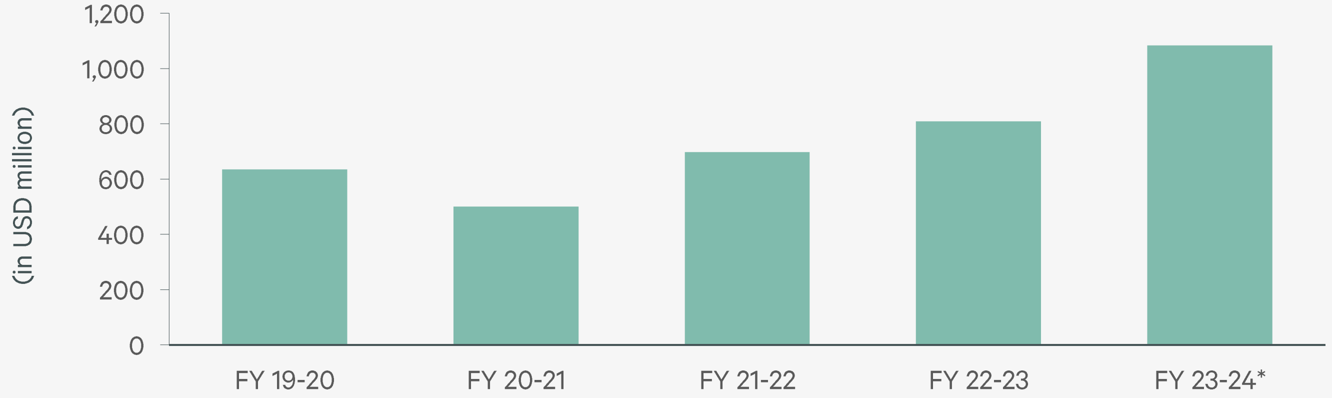


Source: CBRE 2024 APAC Investor Intention Survey

10.3. DPIIT FDI December 2023

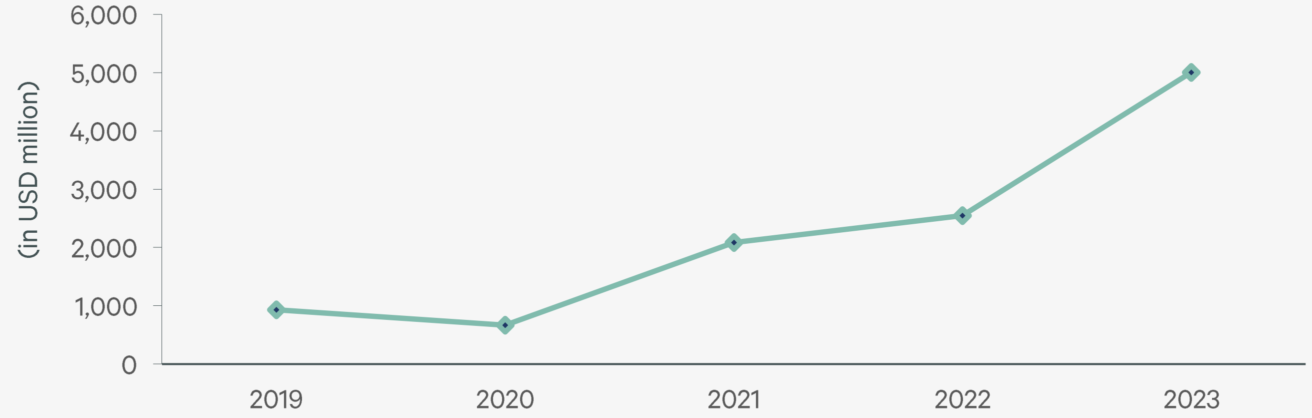
Investment activity rose significantly in 2023

Figure 10.3: FDI in hospital and diagnostics segment over the years (in USD million)



Source: Department for Promotion of Industry and Internal Trade (DPIIT)

Figure 10.4: Private Equity / Venture Capital Investment in healthcare sector over the years (in USD million)



Source: EY India Trend Book 2024

Increased adoption of telehealth and health-tech

Driven by expanding internet access, growing awareness, and the affordability of monitoring devices, India's telehealth market is experiencing an upswing. Increased smartphone and internet penetration in rural areas enhances accessibility, while growing public recognition of virtual consultations as a convenient alternative to traditional in-person visits fosters adoption. Moreover, the availability of affordable home monitoring devices facilitates remote patient tracking, further augmenting the utility of telehealth services. Unsurprisingly, the market size of India's telehealth sector, estimated to be USD 3.26 billion in 2024, is projected to reach USD 9.54 billion by the start of 2030, reflecting a CAGR of 23.95%[10.4].

The COVID-19 pandemic exposed vulnerabilities in healthcare systems worldwide. Consequently, artificial intelligence (AI) is emerging as a critical driver for innovation and progress. Its expanding applications necessitate adaptation from healthcare providers to navigate this evolving ecosystem. AI's potential extends across various domains, including treatment optimisation, research acceleration, training enhancement, early disease detection, improved diagnostics, and data-driven decision-making.

Accelerating demand for quality healthcare in tier II and III cities

Beyond metropolitan centres, a significant trend is emerging in India's healthcare landscape. Tier-II and III cities such as Nashik, Indore, Visakhapatnam, Jaipur, Mohali, Surat, and Dehradun are experiencing an influx of healthcare providers. This expansion is driven by these cities' growing populations and increasing disposable income, indicating a rising spending propensity for healthcare. Investors may further explore promising markets in Ludhiana, Guwahati, Rajkot, and Mysore, which share similar characteristics.

10.4. Mordor Intelligence - Telehealth Services Market in India Size, 2023

The healthcare real estate prognosis for 2030 – A CBRE view

A critical metric for gauging healthcare infrastructure is the hospital bed density, typically measured as beds per 1,000 population. Current data indicates India has approximately 1.4 beds per 1,000 people[10.5], translating to roughly 1.9 million beds. This falls short of both the National Health Policy 2017 recommendation of 2 beds per 1,000 and the global average of 3.2 beds per 1,000 (based on data from over 170 countries)[10.6].

Looking ahead, India requires an additional 1.3 billion sq. ft. of healthcare space, or roughly 2.9 million beds, by 2030, to achieve the global bed-to-population ratio average. This significant gap presents an opportunity for expansion by hospital operators, which could potentially impact demand for land for development nationwide. The need for clinics supporting primary hospitals is expected to further bolster land requirements in tier-II and tier-III cities.

India's expanding healthcare sector is anticipated to ripple across various real estate segments. The specific storage requirements for life-saving drugs and vaccines would significantly amplify demand for warehousing space. Additionally, the growing emphasis on patient experience and satisfaction is prompting healthcare and wellness firms to explore retail settings, including shopping malls and big-box retailers.

Furthermore, a heightened focus on health and well-being is expected to increase the appeal of residential projects incorporating a healthcare element. This trend could see developers establishing in-house healthcare facilities or partnering with third-party providers to cater to residents' needs.

10.5. National Health Profile, 2022; Princeton University and CDDEP, 2020
10.6. Average of 173 countries, World Bank, 2017

11 Life Sciences

Life Sciences: Anchoring the office market with consistent growth

Driven by soaring demand, pharmaceuticals, biotechnology, and medical devices firms have undergone rapid expansion in recent years, positioning India as a prime market for life sciences. Furthermore, supportive government policies and a skilled workforce, have nurtured innovation in this sphere.

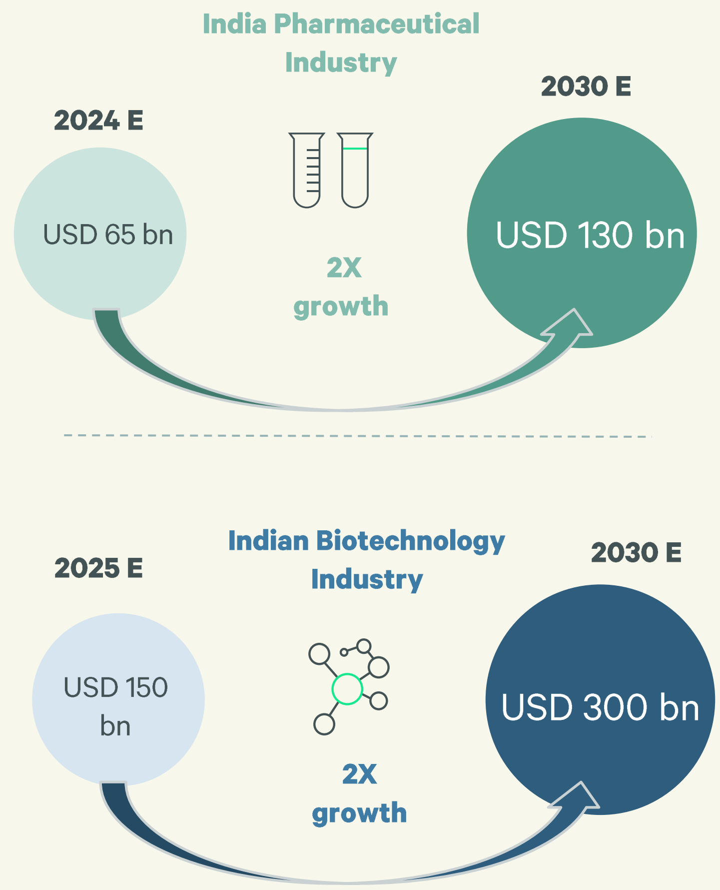
Fuelled by the pandemic, the life sciences sector experienced a surge in investments across pharmaceuticals and biotechnology segments. Policy initiatives such as 'Production Linked Incentive Scheme for Bulk Drugs', 'Production Linked Incentive Scheme for Pharmaceuticals', and 'Scheme for Bulk Drugs Parks' are likely to augur well for life sciences firms in the future, apart from policies at the state level. *(exhibited in Figure 11.4)*

Global life sciences companies are likely to increasingly set up their R&D labs in the country, led by the niche talent available in the top cities. Such firms are looking to leverage technologies such as artificial intelligence to enhance drug development capabilities.

Domestic pharmaceutical firms are expected to expand their product lines by increasing their drug manufacturing capabilities.

As a result, the life sciences industry is expected to gain further share in demand for office space. Build-to-suit (BTS) developments with pre-configured labs are likely to be more prominent, potentially leading to partnerships between investors / developers and occupiers. New supply is expected to continue its growth trajectory with an increase in cluster developments such as bulk drug parks, medical devices parks, and pharma cities.

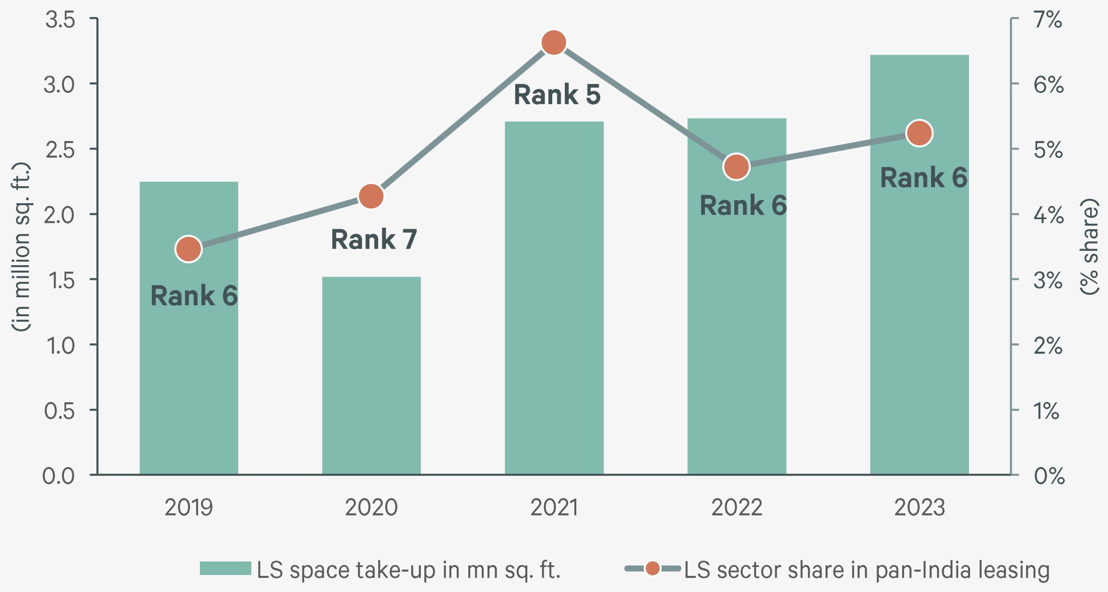
Figure 11.1: Indian LS subsectors' market size forecasts



Source: Invest India website updated as of 2023

Figure 11.2: Annual space absorption by life sciences sector (2019 – 2023)

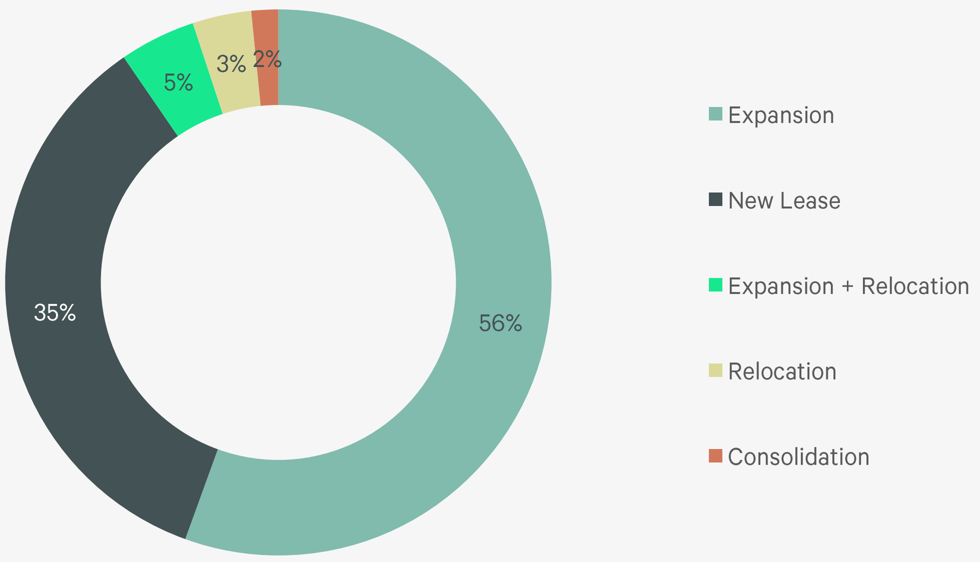
Cumulative space take-up during 2019-23 – 12.4 mn sq. ft.



Rank indicates the LS sector position in overall pan-India leasing as compared to other sectors

Source: CBRE Research, Q1 2024

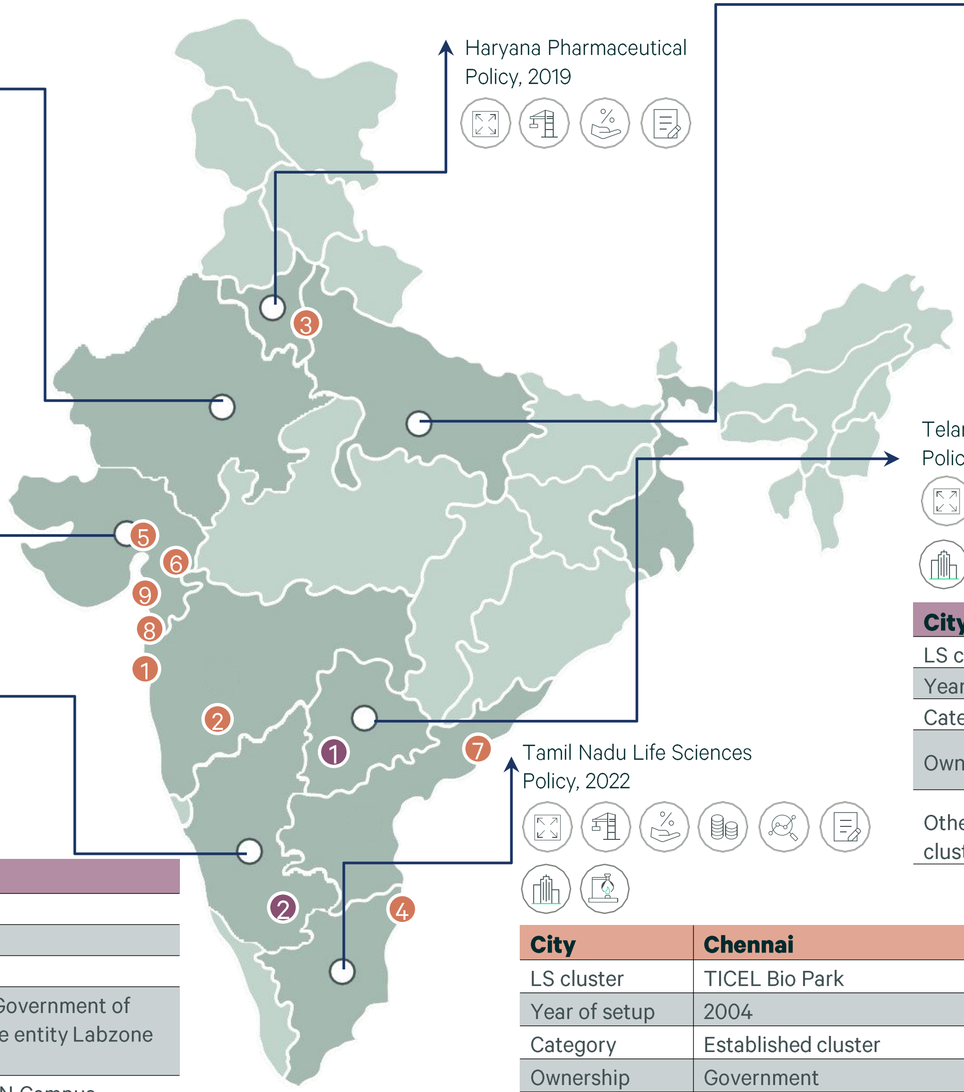
Figure 11.3: Deal type split of life sciences sector (2019 – 2023)



Source: CBRE Research, Q1 2024

Furthermore, the sector would continue to evolve by leveraging government incentives, enhanced distribution networks, last-mile efficiencies, and via partnerships with third-party logistics (3PL) players to improve supply chain networks.

Figure 11.4: Key state policies and cluster presence in cities



Rajasthan MedTech and Bulk Drug Policy, 2021

Gujarat Biotechnology Policy, 2022

City	Vadodara
LS cluster	Savli Biotech Park
Year of setup	2007
Category	Established cluster
Ownership	Government

Karnataka Biotechnology Policy, 2017

City	Bangalore
LS cluster	Bengaluru LS Park
Year of setup	2022
Category	Emerging cluster
Ownership	A PPP* between the Government of Karnataka and private entity Labzone Corporation
Other key clusters	Syngene Park, BIOCON Campus

Haryana Pharmaceutical Policy, 2019

Uttar Pradesh Pharmaceutical Industry Policy, 2018

City	Lucknow
LS cluster	Biotech Park, Lucknow
Year of setup	2002
Category	Established cluster
Ownership	Government

Telangana Life Sciences Policy, 2015

City	Hyderabad
LS cluster	Genome Valley
Year of setup	1999
Category	Established cluster
Ownership	Government land allotments to various private companies
Other key clusters	Medical Device Park at Sultanpur

Tamil Nadu Life Sciences Policy, 2022

City	Chennai
LS cluster	TICEL Bio Park
Year of setup	2004
Category	Established cluster
Ownership	Government

LEGEND

- Land-related incentives
- Infrastructure development
- Capital subsidies / capital interest subsidies
- Stamp duty exemptions
- Tax benefits
- Single-window clearance / ease of approvals
- States with dedicated LS policies

PRIMARY LS LOCATIONS

1. Hyderabad
2. Bangalore

SECONDARY LS LOCATIONS

1. Mumbai
2. Pune
3. Delhi-NCR
4. Chennai
5. Ahmedabad
6. Vadodara
7. Visakhapatnam
8. Valsad
9. Ankleshwar

- Office space
- Manufacturing units
- R&D lab space
- Logistics & cold storage facilities

Source: CBRE's Life Sciences in India - The Sector of Tomorrow, Q1 2023; CBRE Research, Q1 2024

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