

INTELLIGENT INVESTMENT

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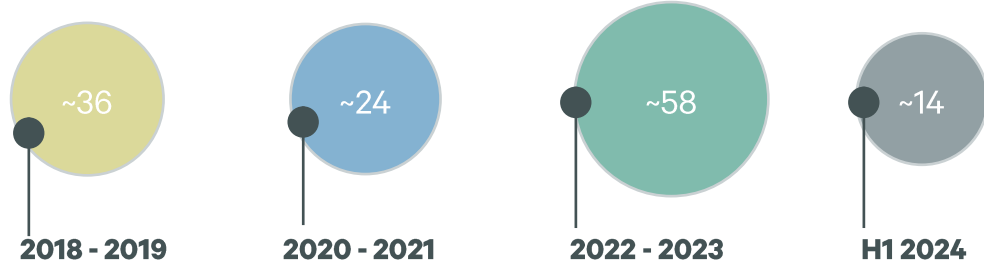
India Inc's Ascension

THE RISE OF DOMESTIC FIRMS AS
AN OFFICE DEMAND DRIVER

CBRE RESEARCH | SEPTEMBER 2024

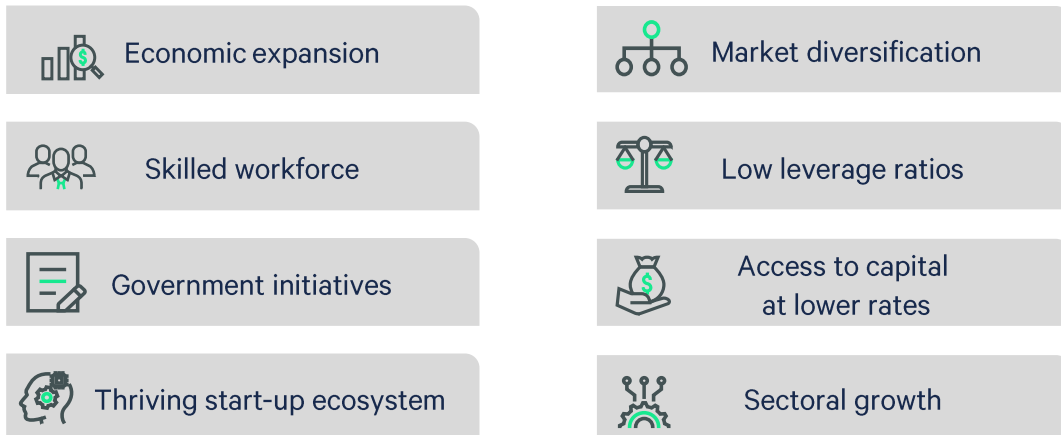
Indian Firms Leading Office Leasing

Absorption Trends of Domestic Firms (in million sq. ft.)



Increased business confidence, digitalisation of services, and workplace strategies have led to a ~60% increase in office space leasing by domestic firms in 2022-2023, from the two years (2018-2019) preceding the pandemic. Delhi-NCR was the leading market for domestic space take-up between 2018 and H1 2024, followed by Bengaluru and Mumbai.

Key Drivers Fuelling the Growth of Domestic Firms in India



Source: CBRE India Research, Q2 2024

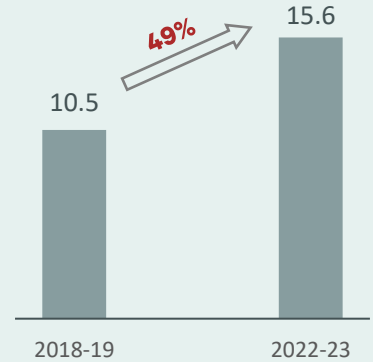
Driving Forces of Leasing by Domestic Firms



Flexible space operators

Flexible office space stock is noted at about **74 mn sq. ft.** as of H1 2024

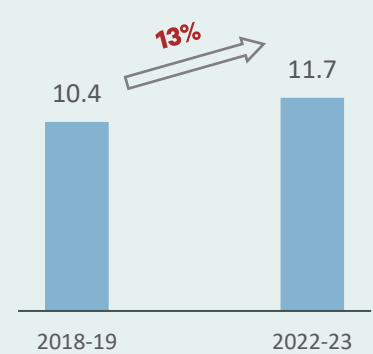
Leasing by domestic flex operators (in million sq. ft.)



Technology

Top ten Indian technology firms have collectively leased **~11.6 million sq. ft.** of office space during 2018-H1 2024

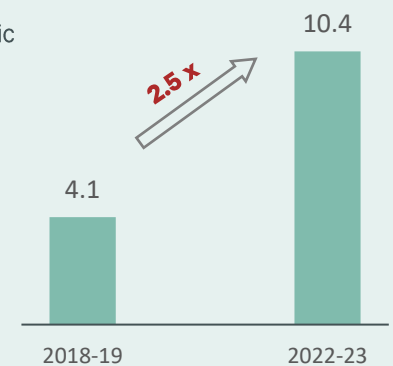
Leasing by domestic tech firms (in million sq. ft.)



BFSI

Top twelve Indian banks have collectively leased **~6.1 million sq. ft.** of office space during 2018-H1 2024

Leasing by domestic BFSI firms (in million sq. ft.)



Unlocking the Future Potential

LEASING PREFERENCES



CBRE expects leasing by domestic firms to be in the range of **60-65 million sq. ft.*** between 2024-2025.

Indian corporates, conventionally deemed cost-conscious, are prioritising workplace upgradation, with **86% of domestic occupiers planning to lease 'flight-to-quality' spaces** over the next two years.#

About **57% of the domestic firms intend to use flexible spaces** in the next two years. Flexible space stock is expected to touch 80 million sq. ft. by 2024.

About **78% of domestic occupiers seek to expand** their portfolio by 10% or more in the next two years.#

SUPPLY PREFERENCES



India's top nine cities are projected to witness an addition of approximately **180-185 million sq. ft. of high-quality office space by 2026***, offering a variety of space options for occupiers.

The Indian commercial office sector, **with a total stock of about 880 million sq. ft.** across the top nine cities*, is well-positioned to meet the growing business needs of corporates.



Indian technology firms are anticipated to expand into newer locations to leverage strategic and operational benefits in the coming years.

Indian banking firms are expanding to metro and tier-II cities to augment their technology-integrated services, sales and customer support teams.

With **Indian manufacturing firms** targeting to evolve into production hubs of 'high-value goods', they would expand their office footprint across cities, furthering R&D, product development, and automation.

The growth of **Indian RCA firms** would be primarily contingent on their pace of technology adoption, service offerings' expansion, along with talent availability and retention.

FMCG & retail companies are diversifying their portfolios to cater to evolving consumer preferences and lifestyles.

Source: *CBRE India Research, Q2 2024; #CBRE's India Office Occupier Survey 2024.

Note: RCA- Research, consulting and analytics; FMCG- Fast-moving consumer goods

Way Ahead for Stakeholders



OCCUPIERS

- The rise of domestic firms as dominant demand drivers has supported the office real estate market in India. Amidst volatility in demand & slow decision making from global occupiers, Indian firms' rising appetite for quality office real estate has helped maintain tighter vacancies across prime assets in key micro-markets. As a consequence, rental momentum has remained strong for prime assets.
- Looking ahead, domestic occupiers would continue to exhibit strong demand for quality office real estate, which is expected to support growth momentum in the office market in India.



INVESTORS

- The Indian office market remains resilient, driven by a diversified demand base encompassing various sectors, cities, and regional occupiers. This diversity mitigates the impact of global fluctuations on demand.
- Led by continued demand momentum in the office sector, especially from domestic occupiers, investors continue to explore opportunities both on the development side as well as in preleased assets. Core, Core plus and opportunistic remain preferred strategies for investors.

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