

INTELLIGENT INVESTMENT

CBRE

India Inc's Ascension

THE RISE OF DOMESTIC FIRMS AS
AN OFFICE DEMAND DRIVER

CBRE RESEARCH | SEPTEMBER 2024



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INDIA: A Long Journey to Global Prominence

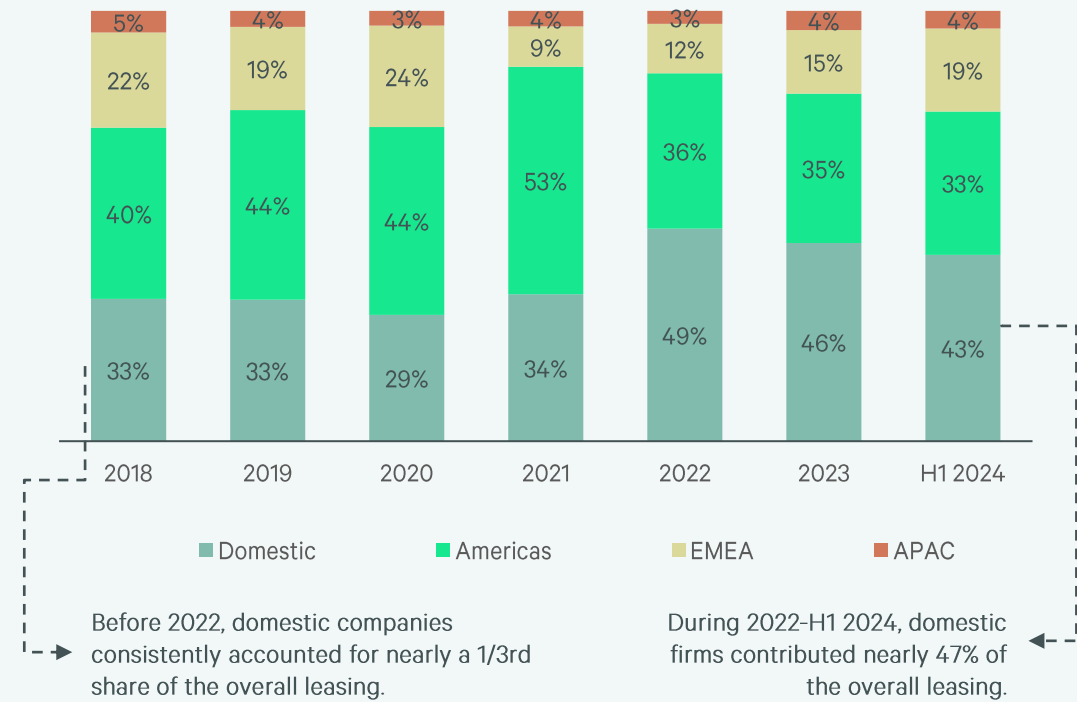
Over the past few years, India has emerged as a beacon of economic growth and opportunity, resilient in the face of global challenges. Central to this narrative is the remarkable expansion witnessed in the country's office real estate market.

The space take-up in India's office sector has traditionally been driven by global firms, predominantly American companies drawn to the country's numerous advantages. While global firms continue expanding in India through their global capability centres (GCCs), recent years have seen a noteworthy surge in domestic firms leasing office space in the country. This signifies a remarkable transformation in India's commercial real estate landscape. Notably, since 2022, these homegrown companies have emerged as critical drivers, now consistently accounting for nearly half of the overall office leasing activity.

This report delves into the burgeoning trend of Indian firms increasingly occupying office spaces within the nation, exploring the underlying factors propelling this surge in demand. By examining key drivers and trends, we aim to gain insights into the evolving landscape of India's office market and its implications for both investors and stakeholders.

Indian Firms Leading Office Leasing

Figure 1: Region-wise office absorption trends in India



Source: CBRE Research, Q2 2024



Key Drivers Fuelling the Growth of Domestic Firms



Economic expansion

India on track to become the world's **3rd largest economy** by 2027¹



Skilled workforce

Large pool of skilled professionals with **~2.5 million STEM** students graduating annually²



Thriving start-up ecosystem

Vibrant start-up ecosystem with **100+ unicorns** and **1 lakh+ start-ups**³



Government initiatives

Supportive central and state-level policies and initiatives fostering growth



Low leverage ratios

With **corporate leverage at ~15 years low**¹, Indian firms have greater capacity to invest in expansion



Access to capital @ lower rates

Improved access to funding through VC, PE, and government grants



Strategic M&As

Increased M&A activities creating larger corporate entities, leading to expansion / consolidation of office spaces



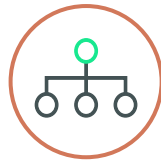
Rising profitability

Post-COVID, **corporate profits booming** with Nifty earnings up 21% CAGR over FY20-24E¹, driving major investments



Sectoral growth

Diversified growth across sectors such as flexible spaces, technology, and BFSI



Market diversification

Expansionary demand from tier-II and III cities
































Rising incomes

2x growth in per-capita income in the last seven years

Source: 1. Jefferies, February 2024; 2. NASSCOM, November 2023; 3. Unicorn 2.0: Adding the next Trillion, March 2024

Key Government Policies and Initiatives

The government of India has launched numerous initiatives and reform measures to support business growth and entrepreneurship in the country. These initiatives are instrumental in providing Indian firms with the necessary infrastructure, attracting investments and fostering innovation - thus enabling them to thrive confidently.

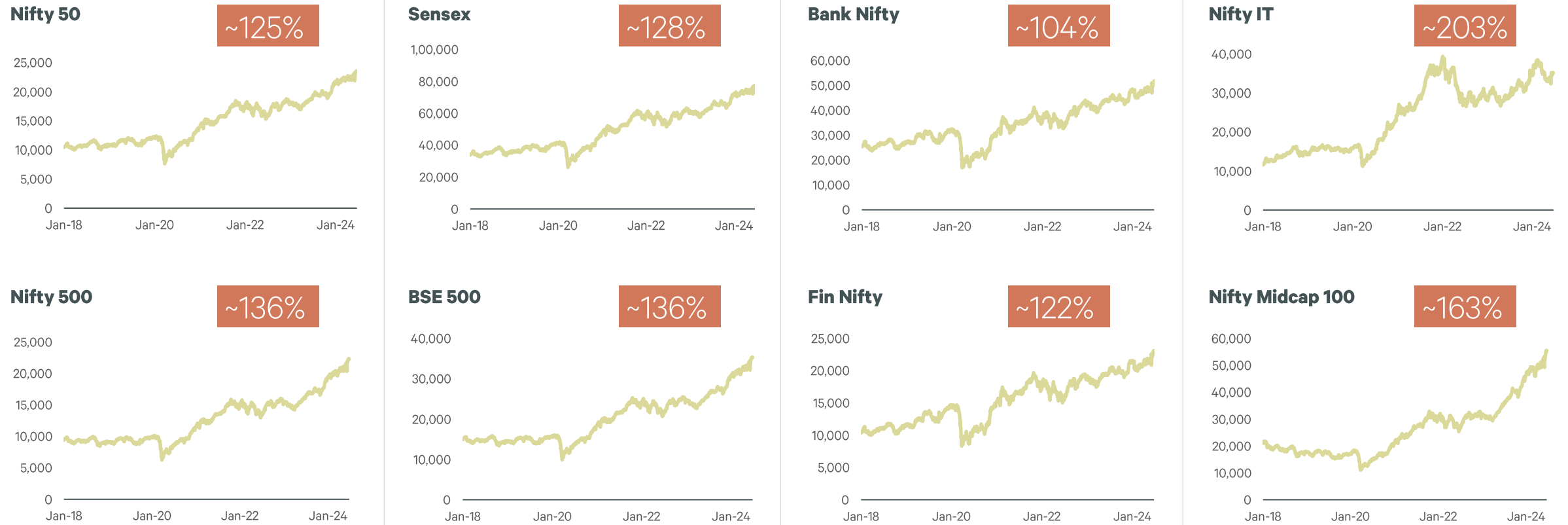
KEY STATISTICS	ABOUT THE INITIATIVE	KEY SECTORS IMPACTED							
<p>27 Total sectors under Make in India 2.0</p> <p>24 Sub sectors</p>	<p>Make in India 2.0, in succession of Make in India, was launched to drive self-reliance, boost manufacturing, and strengthen the logistics supply chain. It aims to transform India into a global design and manufacturing hub.</p>	 Automobile	 Aviation	 Pharmaceuticals, Medical Devices, Biotechnology	 Construction	 IT and Electronics	 Roads & Highways, Railways	 Renewable Energy	 Chemicals
<p>INR 8.61 trillion Production and sales</p> <p>678,000+ Jobs created</p>	<p>The Production-Linked Incentive (PLI) Scheme was formulated to scale-up domestic manufacturing capability, accompanied by higher import substitution, and employment generation. Companies receive financial support for manufacturing in India.</p>	 Pharmaceuticals and Medical Devices	 Specialty Steel	 Electronic and Technology products	 Food Products	 Textile	 Automobile	 Batteries, Solar PV modules	
<p>100,000+ Start-ups supported</p> <p>1.24 million Employed</p>	<p>Start-up India was launched with an objective to support entrepreneurs and transform India into a country of job creators instead of only job seekers. The government has streamlined the regulatory framework for start-ups, making it easier for them to operate in the country.</p>	 IT Services	 Healthcare and Life sciences	 Education	 Fin-tech	 Food and Beverages	 Energy	 Retail	
<p>38 Sector Skill Councils</p> <p>13.7 million Trained under PMKVY</p>	<p>The government recognises the importance of a skilled workforce and has launched several initiatives to bridge the skill gap, such as Skill India, National Skill Development Mission, and the Pradhan Mantri Kaushal Vikas Yojana (PMKVY).</p>	 Construction	 Textile	 Services-plumbing, mining	 Handicrafts and jewellery	 Agriculture	 IT and Electronics	 Healthcare and Life sciences	

Source: PIB, GOI; The Economic Times; Start-upindia.gov.in; pmkvyofficial.org

India's Key Stock Market Indices (2018 – June 2024)

From 2018 to June 2024, Indian firms have demonstrated remarkable resilience and adaptability, experiencing significant growth despite challenges such as the COVID-19 pandemic, global economic uncertainties, and geopolitical tensions. This growth is evidenced in the performance of key stock market indices (NSE & BSE), which have more than doubled in value over this period, consistently **reaching new highs**. Strong economic fundamentals, strategic policy reforms, and a surge in investor confidence underpin this robust growth. It reflects the ability of domestic companies to navigate adversity and capitalise on opportunities, further bolstered by substantial investments in infrastructure, technology, and human capital development.

Figure 2: India's key stock market indices



% GROWTH / RETURNS Absolute % (1st Jan 2018 to 28th June 2024). Note: All the above indices graphs indicating respective index value from 1st Jan 2018 to 28th June 2024.

Source: NSE, BSE India

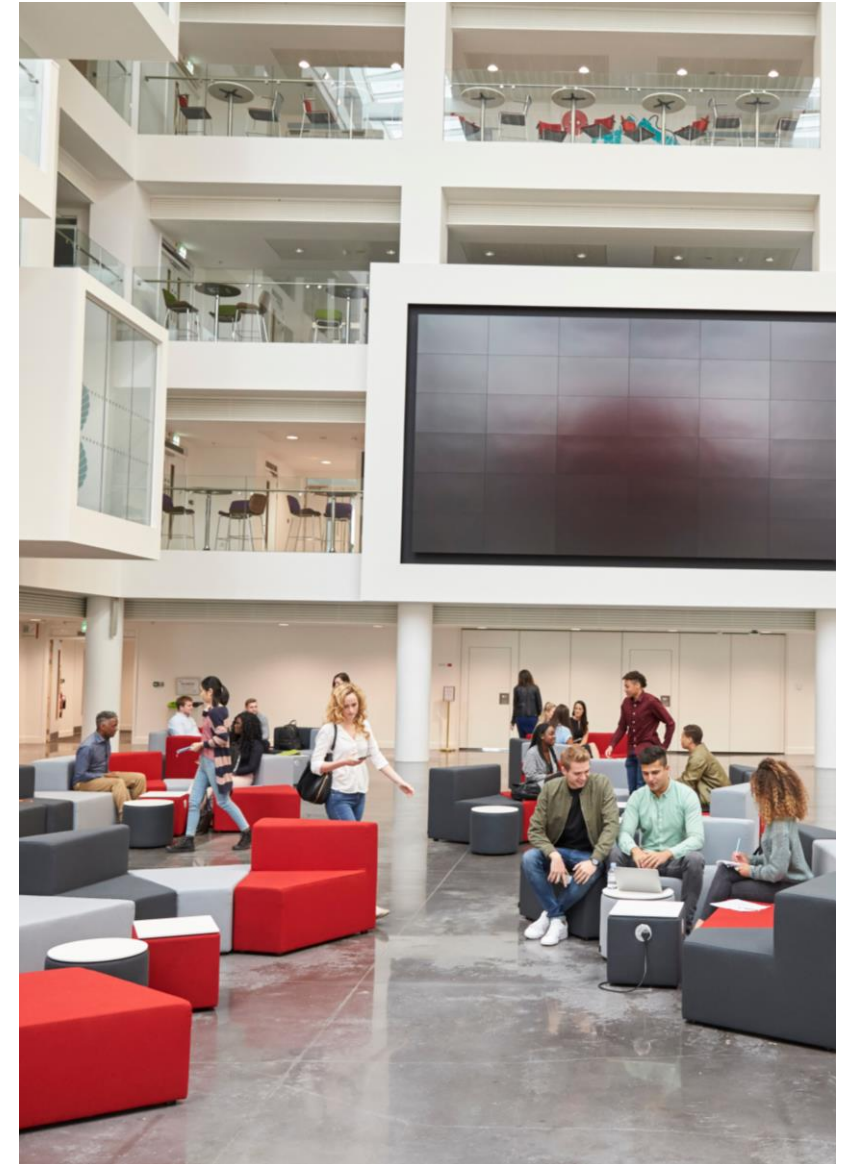
Talent Abundance: Catalysing Office Demand

India stands out as the world's second-largest producer of Science, Technology, Engineering, and Mathematics (STEM) graduates. This translates into a talent pool that demonstrably fuels the growth of domestic enterprises. Furthermore, India is at a leading position in Artificial Intelligence (AI) skill penetration and digital readiness. This signifies a continuous effort towards upskilling the workforce in these critical domains, supported by a well-established skill development ecosystem. As a result, the country's workforce benefits from enhanced efficiency and productivity, making them highly sought-after across industries.

Figure 3: Abundant availability of talent drives domestic firms' growth in India

PARAMETER	STATISTICS
Universities	1,168
Colleges	45,473
General colleges	25,719
Engineering colleges	2,610
Arts and science colleges	1,171
Standalone institutes	12,002
Central and state research institutes	216
Central universities	53
Institutes of national importance	158
College density	30
Yearly graduates (UG)	7,704,000
Yearly engineering & tech graduates (UG)	830,000

Figure 4: India's talent advantages



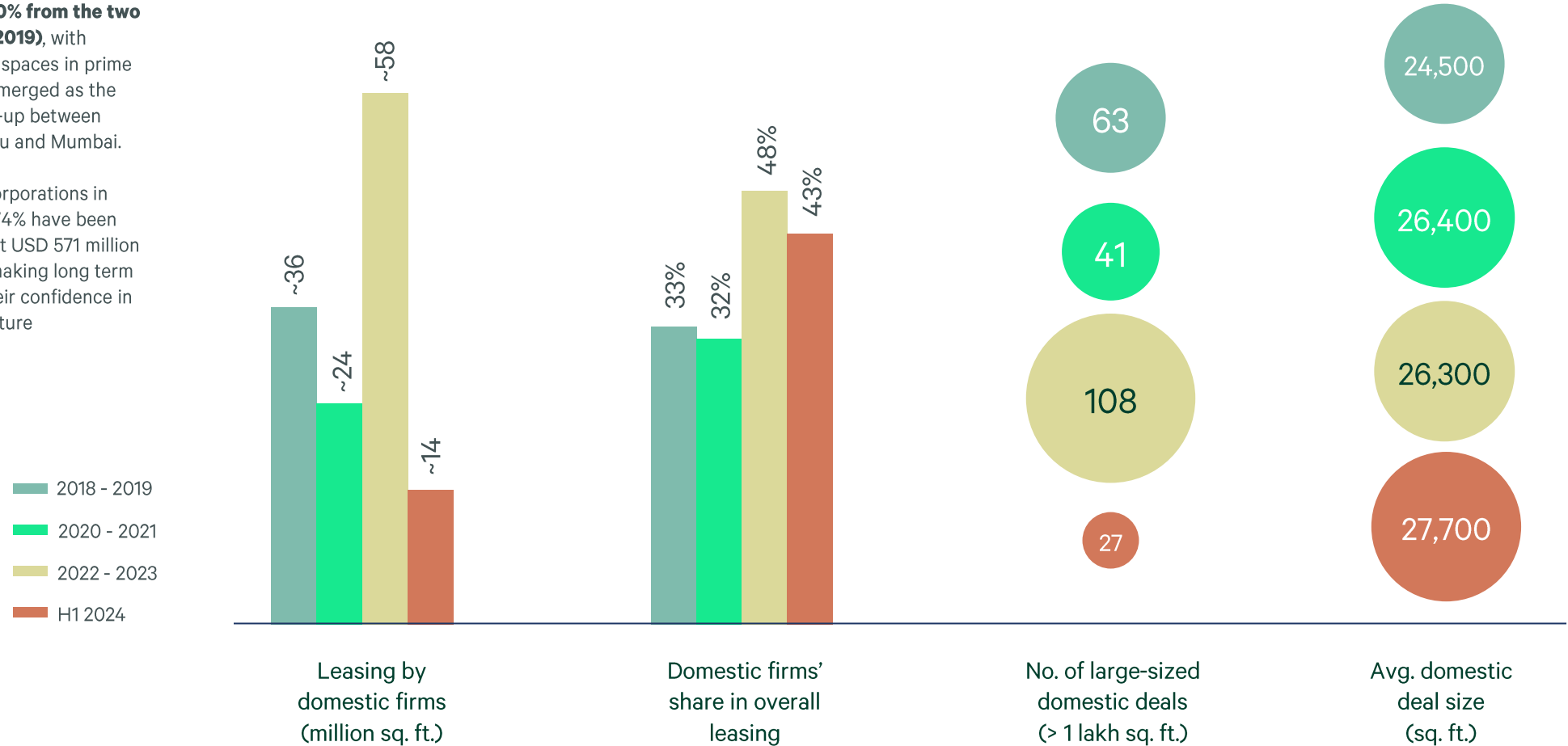
Source: Aishe 2021-22; Ministry of Education; GoI, 2023; NASSCOM; QS Rankings; The Economic Times; IBEF

Indian Firms Fuelling Workspace Demand

A surge in workforce necessitated by digitalisation, shifting workplace strategies, and higher business confidence has translated into an upswing in office space leasing in recent years. **During 2022-2023, absorption by domestic firms rose ~60% from the two years preceding the pandemic (2018-2019)**, with certain occupier groups taking up large spaces in prime locations across cities. Delhi-NCR has emerged as the leading market for domestic space take-up between 2018 and H1 2024, followed by Bengaluru and Mumbai.

Out of the total investments made by corporations in office space in 2023 and 2024 in India, 74% have been by domestic firms, accounting for almost USD 571 million dollars. This trend of domestic buyers making long term investments in office spaces reflects their confidence in the Indian economy and optimism for future performance.

Figure 5: Absorption trends by domestic firms in India








Source: CBRE Research, Q2 2024

Domestic Firms Driving Leasing Across Major Cities




Flexible space operators, technology firms, and banking, financial services, and insurance (BFSI) corporates have primarily dominated domestic leasing within office absorption in India. Except for Mumbai, all the other cities witnessed flexible space operators as the largest demand drivers, followed by technology companies. Furthermore, a notable uptick in occupancy by e-commerce companies in Bengaluru and life sciences firms in Hyderabad reflected the robust growth trajectories of these respective sectors within these cities.

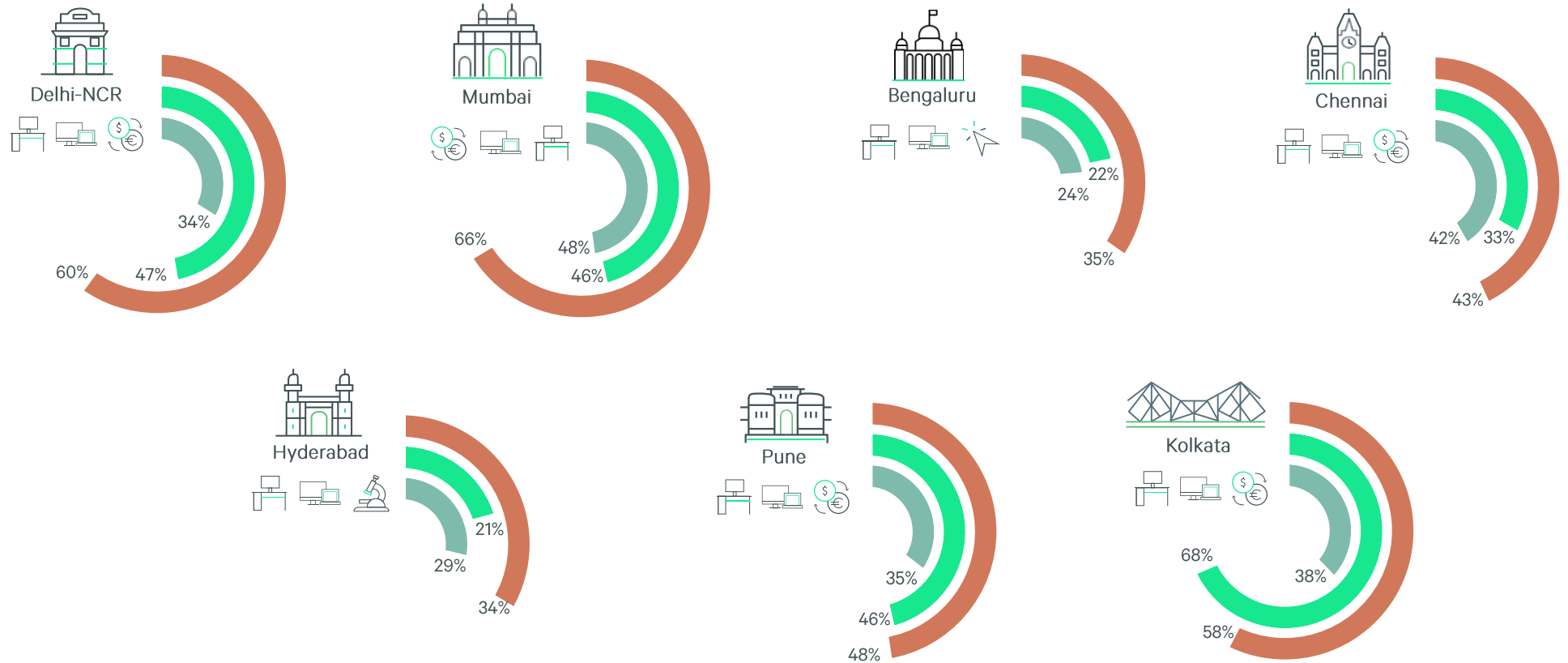
Figure 6: Absorption by domestic firms in tier-I cities

Top sectors driving domestic demand during 2018-Q1'24

-  Technology
-  BFSI
-  Flexible space operators
-  E-commerce
-  Lifesciences

Share of domestic firms in overall absorption during

-  2018 - 2019
-  2020 - 2021
-  2022 - H1 2024



Source: CBRE Research, Q2 2024

Driving Forces: Top Sectors Shaping Domestic Leasing Trends

FLEXIBLE SPACE OPERATORS

Over the past few years, flexible space operators, technology companies, and BFSI firms have consistently accounted for approximately two-thirds of India's domestic office leasing activity. Flexible workspace providers leased around 10.5 million sq. ft. of space in 2018-19, which increased 1.5-fold to 15.6 million sq. ft. in 2022-23. BFSI firms increased 2.5-fold, from 4 million sq. ft. in 2018-19 to 10.3 million sq. ft. in 2022-23. Leasing in the technology sector also increased significantly, from 10.3 million sq. ft. in 2018-19 to 11.7 million sq. ft. in 2022-23.

Other sectors such as engineering and manufacturing (E&M) and media and marketing (M&M), have also demonstrated substantial growth in space take-up, primarily driven by Delhi-NCR and Mumbai. The E&M companies have seen a 2.5X increase in absorption from 2018-19 to 2022-23, driven by advancements in automation and increased investment in infrastructure. Similarly, M&M firms have witnessed their space requirements growing approximately 6X during the same period, propelled by a surge in digital media consumption.

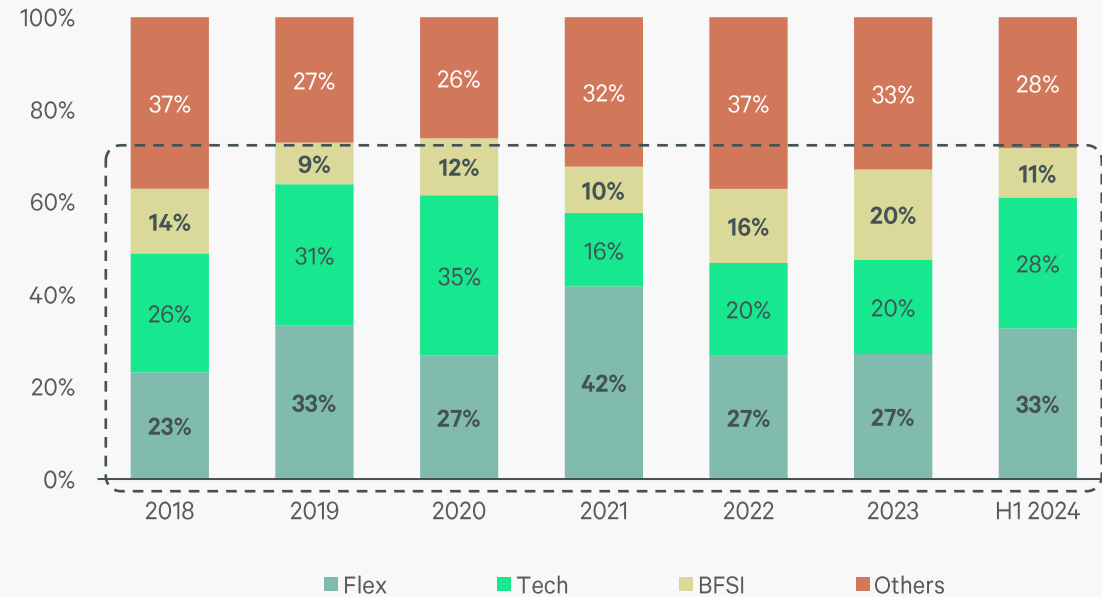
These trends highlight the robust expansion across the office leasing market, underscoring the evolving landscape of the Indian economy.

TECHNOLOGY

BFSI



Figure 7: Sector-wise domestic leasing trends



In recent years, the **top 3 sectors** have consistently contributed to a **2/3rd share** of overall domestic office leasing, a trend that is expected to persist in the coming years.

Source: CBRE Research, Q2 2024

Driving Forces: Top Sectors Shaping Domestic Leasing Trends

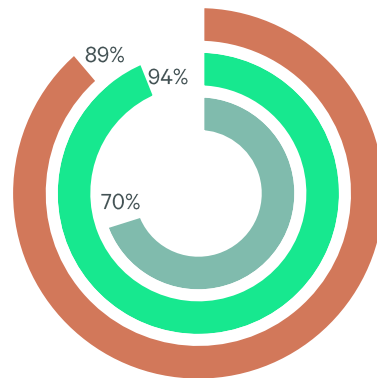
FLEXIBLE SPACE OPERATORS

Flexible space operators have emerged as critical facilitators of modern work environments, catering to the evolving needs of businesses across start-ups, small and medium enterprises (SMEs), and multinational companies.

The post-pandemic environment has fostered a stronger emphasis on portfolio agility, driving an increased demand for flexible workspace solutions. As per [CBRE's India Office Occupier Survey 2024](#), using flexible space emerged as a primary portfolio strategy*. Flex operators are anticipated to continue expanding in strategic locations, developing quality workplaces. Companies across sectors now use flexible spaces to enter a new market, offer on-demand meeting and collaboration spaces for employees, and test alternate workspaces. Firms are also using managed spaces to avoid additional upfront capital expenditure. These factors are especially important to large companies seeking to use flexible spaces as a key component of hub-and-spoke models and agile networks.

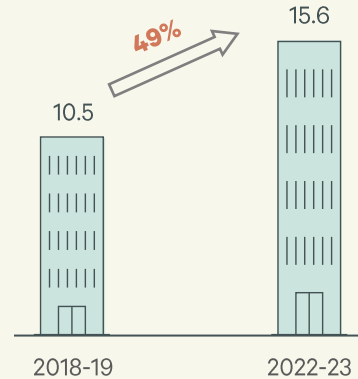
Share of domestic flex firms in overall flex firms leasing during

- 2018 - 2019
- 2020 - 2021
- 2022 - H1 2024



Source: *CBRE - 2024 India Office Occupier Survey; CBRE Research, Q2 2024

Figure 8: Leasing by domestic flexible space operators (in million sq. ft.)**



Over **300,000 workstations** leased by occupier clients in flex spaces from 2023 to H1 2024.#

Flexible space stock### till H1 2024 stands close to **74 million sq. ft.**, with more than half of the stock in Bengaluru and Delhi-NCR

**Only Grade A assets covered

#1 workstation notionally assumed at 60 sq. ft. on super built-up area

###Includes top nine cities – Delhi-NCR, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, Kolkata, Kochi and Ahmedabad

Major Drivers



Driving Forces: Top Sectors Shaping Domestic Leasing Trends

FLEXIBLE SPACE OPERATORS

TECHNOLOGY

BFSI

Technology firms have been the mainstay of office demand in India, fuelled by their pursuit of innovation and expansion. In the face of industry-wide adoption of transformative technologies such as AI, cloud computing, and blockchain, Indian technology corporates are establishing themselves among the frontrunners in cutting-edge innovation. The increasing integration of technology across various sectors is driving demand for office space within these industries.

While hiring by technology firms slowed down post-2021, these companies continue to require ample office space to accommodate their workforce and infrastructure needs. Moreover, the technology industry's competitive landscape necessitates strategic investments in prime office locations to foster creativity, collaboration, and proximity to talent pools. As a result, leasing by domestic technology firms during 2022-23 increased by ~13% from the pre-pandemic period (2018-2019).

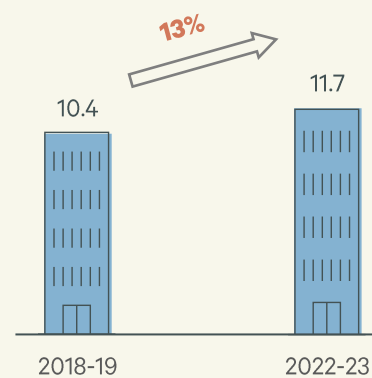
Bengaluru, India's technology hub, has led the domestic technology leasing from 2018-Q2 2024, followed by Pune and Hyderabad*. During this period, these three cities cumulatively accounted for nearly 54% share in overall domestic technology leasing. Bengaluru's dominance is driven by the city's developed technology ecosystem and a highly skilled talent pool. Hyderabad and Pune have also been witnessing steady leasing by domestic technology companies led by aspects such as favourable business policies in Hyderabad, and a strong educational framework in Pune.

Share of domestic technology firms in overall technology firms leasing during



Source: *CBRE Research, Q2 2024

Figure 9: Leasing by domestic technology firms (in million sq. ft.)



During 2022-H1 2024*, top ten Indian IT firms accounted for about **42%** of the total leasing by domestic technology firms in Bengaluru.

Top ten Indian technology firms (listed in Nifty IT) have collectively leased **~11.6 million sq. ft.** of office space during 2018-H1 2024#.

#Includes conventional deals in top nine cities – Delhi-NCR, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, Kolkata, Kochi and Ahmedabad

Major Drivers



Driving Forces: Top Sectors Shaping Domestic Leasing Trends

FLEXIBLE SPACE OPERATORS

TECHNOLOGY

BFSI

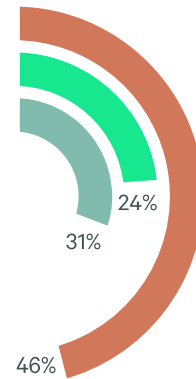
The BFSI sector remains another key contributor to domestic office leasing, fortified by robust performance by Indian banks through multi-year low non-performing loans and adequate capital. Well-capitalised banks, growing insurance sector, an expanding fintech industry, and increasing penetration by e-payment service providers, have contributed to the BFSI sector's growth.

BFSI firms maintain a significant physical presence and an 'office-first' approach driven by data security and regulatory requirements, customer preferences, and the need for face-to-face interactions. Leasing by domestic BFSI firms rose 2.5X during 2022-23 compared to the pre-pandemic period (2018-2019).

As India's financial capital, Mumbai dominated domestic BFSI leasing during 2018 – H1 2024, contributing to a share of nearly 43%. Office space take-up by domestic BFSI firms has been strong even in Delhi-NCR and Chennai, accounting for a combined share of almost 29%, benefitting from their growing strategic locations, mature financial ecosystems, and supportive business environments.

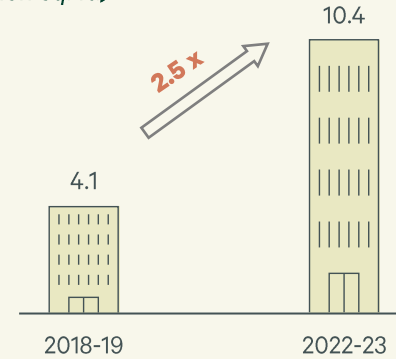
Share of domestic BFSI firms in overall BFSI firms leasing during

- 2018 - 2019
- 2020 - 2021
- 2022 - H1 2024



Source: CBRE Research, Q2 2024

Figure 10: Leasing by domestic BFSI firms (in million sq. ft.)



During 2022-H1 2024, top twelve Indian banks accounted for **half** of the total leasing by domestic BFSI firms in Mumbai

Top twelve Indian banks (listed in Bank Nifty) have collectively leased **~ 6.1 million sq. ft.** of office space during 2018-H1 2024*.

>91 billion Digital transactions (Largest no. worldwide)

*Includes conventional deals in top nine cities – Delhi-NCR, Mumbai, Bengaluru, Chennai, Hyderabad, Pune, Kolkata, Kochi and Ahmedabad

Major Drivers



Increased focus on market penetration



Digital transformation



Growing workforce



Business continuity



Regulatory compliance



Vibrant Start-up Ecosystem

India boasts a dynamic entrepreneurial environment fostered by a flourishing start-up culture and a talent pool brimming with ambition and expertise. Notably, Indian start-ups achieve an impressive conversion rate of over 30% for scaled ventures after Series B funding, ranking among the highest globally. In terms of workspace strategy, start-ups often demonstrate a preference for flexible workspace options in the initial stages, transitioning to traditional office spaces as they mature and embark on expansion plans. Looking ahead, well-managed start-ups with robust financial and business models are poised for continued growth, buoyed by India's strong entrepreneurial ecosystem and favourable market conditions.

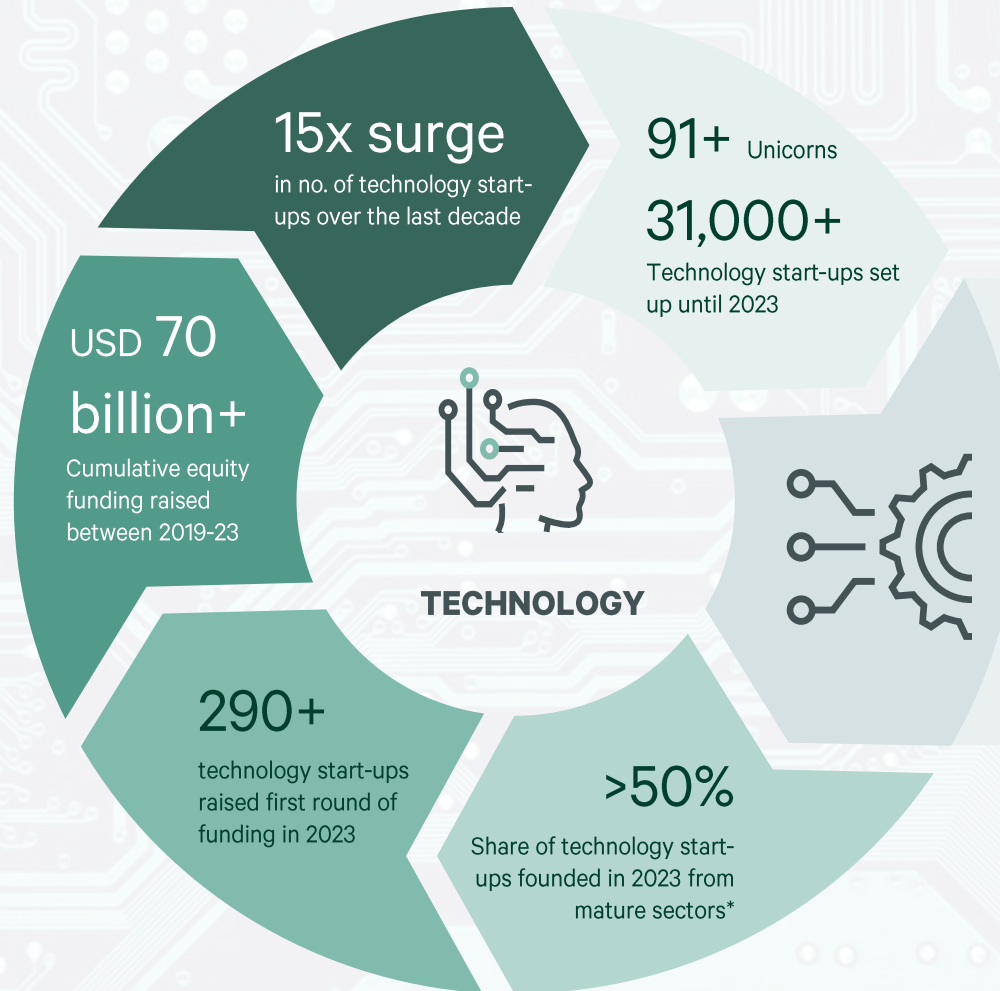


Source: NASSCOM, Start-upindia.gov.in, CII – Unicorn 2.0, 2024

Technology Start-ups: Fuelling India's Digital Revolution



India's **technology start-up ecosystem** has witnessed exponential growth in recent years, bolstered by robust support infrastructure and a conducive regulatory environment. Fostering innovation and entrepreneurship, key Indian cities, including Bengaluru, Delhi-NCR, Hyderabad, and Pune have emerged as dynamic start-up hubs. Over the years, a surge in funding has propelled the rapid proliferation of unicorns across various sectors, including fintech, healthtech, edtech, proptech, foodtech, among others, highlighting India's ascendance as a pivotal player in the global technology start-up landscape.



Empowering and Expanding DeepTech Ecosystem

DeepTech has emerged as a major growth driver for Indian start-ups, with AI dominating the landscape. The government introduced the [draft National DeepTech Start-up Policy \(NDTSP\)](#) in 2023, aiming to stimulate innovation and promote societal development through DeepTech research and innovations.

The significant rise in DeepTech start-ups (over 480 established in 2023 registering a 2X rise Y-o-Y) is a strong indicator of future office space needs. Between 2019 and 2023, DeepTech start-ups raised about USD 10 billion funding. The government's recent announcement regarding exemption of angel tax would encourage further investments in start-ups.

Well-governed start-ups receiving a funding boost create a positive ripple effect. Increased access to capital allows them to scale operations, hire talent, and invest in infrastructure. These companies would likely require specialised workspaces for product development, research labs, etc.

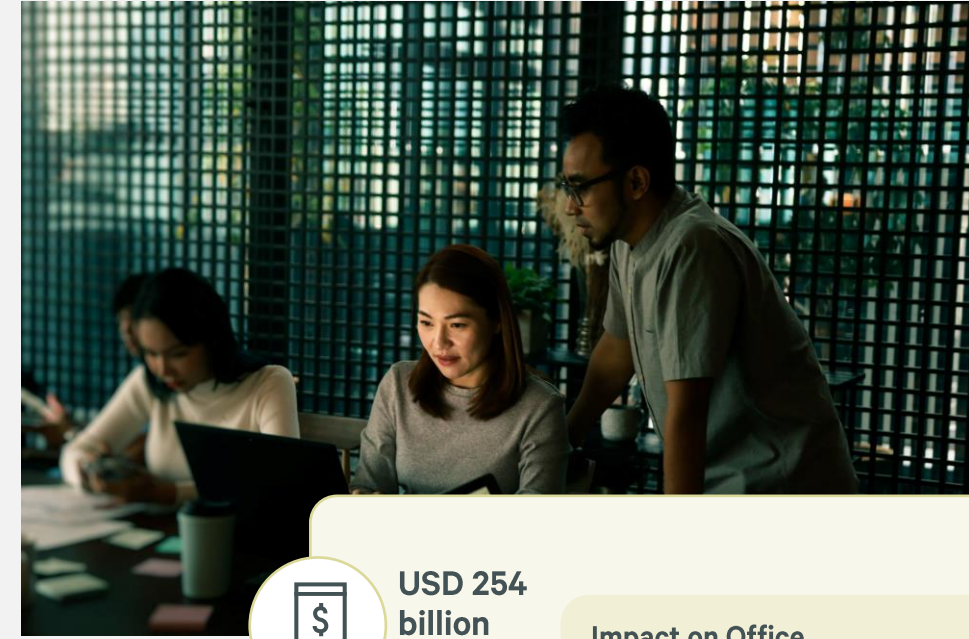
*Mature sectors include Edtech, EnterpriseTech, RetailTech, BFSI, HealthTech and FoodTech

Source: NASSCOM - India's DeepTech Dawn – Forging Ahead, June 2024; Weathering the Challenges-The IndianTech Start-up Landscape Report 2023

Outlook: A Promising Future For Services Sector

Technology spearheading growth across sectors

Technological advancements are driving growth across sectors as companies increasingly digitalise their operations, boosting demand for Indian technology firms' services. While AI-enabled automation presents the risk of job displacement in certain sectors, it is simultaneously creating a wave of new opportunities. This underscores the importance of workforce reskilling and adaptation to thrive in the evolving job market. The rise of emerging technologies is set to create **4.7 million technology jobs over the next five years** across manufacturing, retail, education, finance, and insurance sectors.* This surge necessitates expanded office infrastructure to support modern, collaborative work environments.



22%

Share of India in global IT services spending in 2031, up from 15% in 2021



The Indian tech workforce would continue to be vital in spearheading global technology offerings across sectors. After a few quarters of slow headcount growth, **Indian IT majors** are set to increase their workforce from the latter part of 2024, as they continue to focus on innovation[^]. At the same time, few IT firms are exploring mergers and acquisitions to enhance their offerings and expand their revenue sources.

Impact on Office sector

In the coming years, **Indian technology firms** are expected to expand into more locations to leverage strategic and operational benefits. This diversification aims to access broader talent pools and reduce geographic risks, enhancing resilience and positioning them for sustained growth.

12.2 million

by 2031
Indian IT workforce expected to rise by 2X



Source: i NASSCOM; ii IBEF
* ServiceNow Pearson, Building India's AI Skills Economy, September 2023; ¹India Skills Report 2023
Note: RCA- Research, consulting and analytics

USD 16 billion

Projected market size of the Indian analytics industry by 2025, potentially capturing 32% of the global market¹



Impact on Office sector

Amidst the dominance of global RCA firms, 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.

Currently, legal, taxation, HR and media consulting firms are the dominant domestic segments within the RCA sector. The growth of such firms would be crucial in shaping future business strategies.



USD 254 billion

Est. size of India's fintech industry by 2025ⁱⁱ



USD 1 trillion

Investment by 2025 in insurance sectorⁱⁱ

Impact on Office sector

Indian banking firms are likely to continue taking up office spaces across metro and tier-II cities to augment their technology-integrated services, sales and customer support teams.

Neo banks, financial services firms and insurance companies continue to tap into the country's growing financially-literate population.



Outlook: Industrial 'Renaissance' to Augment R&D Capabilities

Led by government's increased thrust on the manufacturing sector, including tax reforms, regulatory streamlining and enablers such as Make In India, PLI schemes, certain sectors would see continued growth, thereby raising their office space uptake. Overall, the **manufacturing sector is set to create about 11 million jobs by 2030**, and we expect some portion of that to be created for office-based jobs revolving around automation and R&D⁴.



USD 44 billion

Investment committed in FY 2022-23⁵



USD 29 billion

Incentives budgeted over next 5-10 years⁵



IMPACT ON OFFICE SECTOR

Indian firms from the engineering & manufacturing and allied sectors currently account for about 7-8% of the total office leasing by domestic firms*. 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.

This transition would lead to an increase in highly skilled professionals such as engineers, designers, and data analysts, leading to additive demand for office spaces. Focusing on high-value manufacturing could also lead to office space requirements in Tier-II/III cities where manufacturing hubs are being established.

*Leasing between 2018-H1 2024.

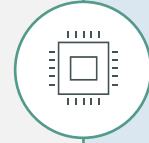


USD 300 billion

Projected market size of **the automotive industry** by 2026⁶ resulting from increased consumer demand, technological advancements, and supportive government policies.



With AI and automation transforming sectors, the demand **for advanced semiconductors** is on the rise, especially from technology, automotive, consumer electronics, and data centre industries



USD 300 billion

Targeted domestic electronics manufacturing by 2025-2030⁷ through growth in electronics consumption



USD 130 billion

Projected market size of life sciences firms by 2030⁸ through focus on drug development and manufacturing



~3.5 million green jobs expected by 2030⁹

Driven by increasing environmental concerns, sustainability-related segments such as renewable energy companies, consulting & investment firms are likely to witness further impetus, necessitating the expansion of their commercial office footprint.

Source: 4. India's Turning Point, McKinsey Global Institute; 5. Advantage India, PWC; 6. 'Make in India' Effect on Automobile Sector; 7. India Brand Equity foundation (IBEF); 8. Economic Survey 2022-23; 9. National Research Development Corporation (NRDC) CBRE Research, Q2 2024.

Outlook: Consumer Companies Gear up for India's Growing Consumer Power



IMPACT ON OFFICE SECTOR

Currently, home-grown retail and FMCG companies account for a about 1-2% of the total leasing by domestic firms in India, as such firms lease relatively smaller spaces#. To support their growth strategies, companies would facilitate an increase in workforce in roles related to the following:

- a) corporate strategy
- b) operations / category management
- c) supply chain management
- d) technology advancement
- e) sales & marketing

This expansionary phase is set to translate into increased office space requirements for conventional offices and flex spaces.

Leasing between 2018-H1 2024



India's demographic dividend, rising consumer aspirations, and discretionary spending are fuelling a consumption surge.

The 4th largest retail market globally is expected to witness greater strides as firms expand to serve their customers' evolving preferences.



Retail and FMCG companies are diversifying their portfolios as they innovate and introduce new products tailored to changing consumer preferences and lifestyles. With the growing emphasis on health, sustainability, and convenience, these firms would require enhanced logistical and distribution networks.



E-commerce companies are broadening their product categories and geographical reach, leveraging technology for seamless customer experiences. Apart from tier-I cities, e-commerce firms are also expanding services to tier-II/III cities and rural areas, with several of them venturing into quick commerce.

FMCG – Fast Moving Consumer Goods

Source: Ministry of External Affairs and Invest India; CBRE Research Q2 2024.



SHIFTING TIDES

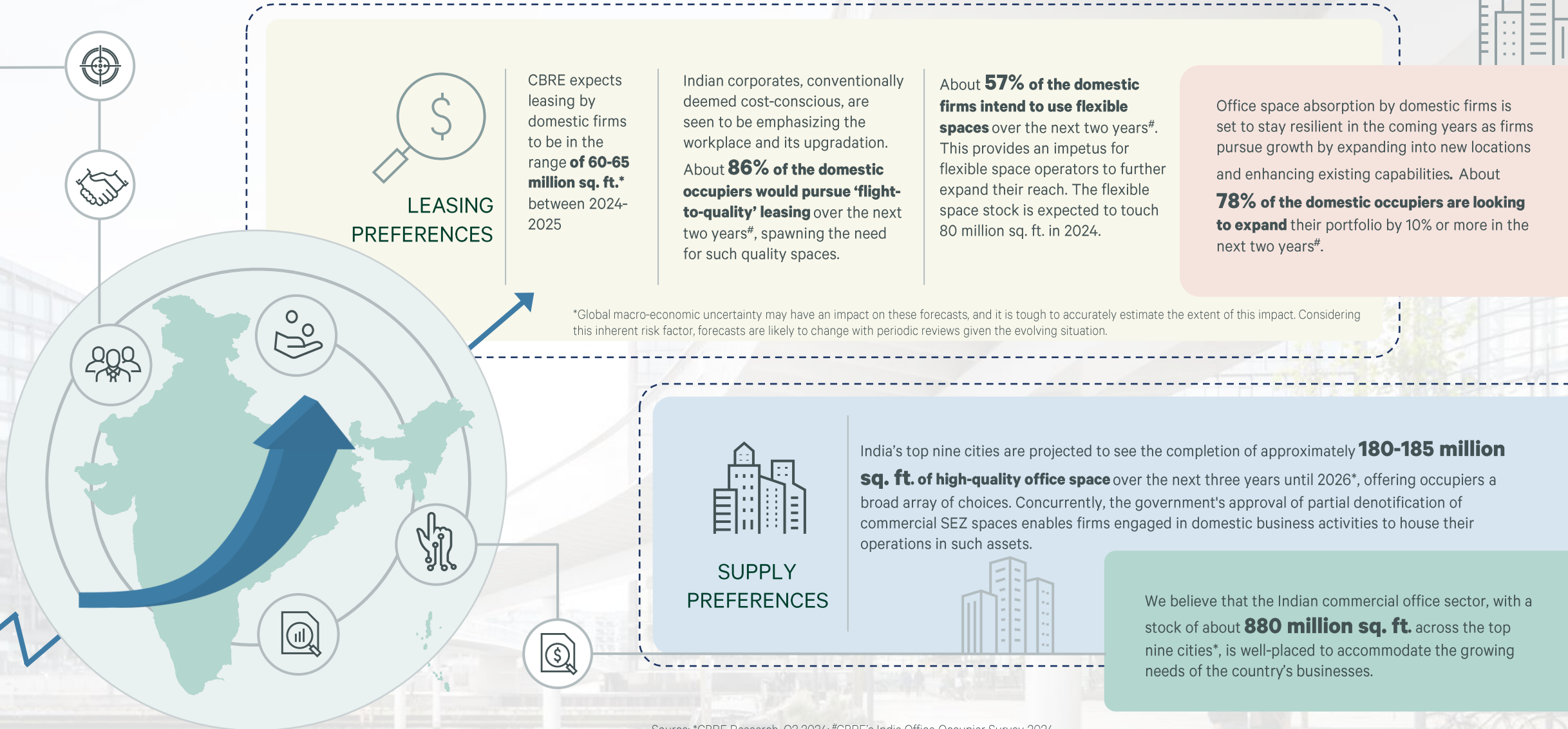
- > By 2030, India's per capita income likely to grow by 70% to USD 4,000
- > Household consumption projected to reach USD 3.4 trillion by 2030
- > Online shopper base anticipated to be the 2nd largest globally by 2030
- > The country's retail market expected to reach USD 1.1 trillion by 2027 and USD 2 trillion by 2032, growing at a CAGR of 25%
- > E-commerce market projected to grow at 18% annually through 2025, touching USD 350 billion in GMV[^] by 2030

Source: Ministry of External Affairs and Invest India; CBRE Research Q2 2024.

[^] GMV- Gross Merchandise Value



Outlook: 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 seen to be emphasizing the workplace and its upgradation. About **86% of the domestic occupiers would pursue 'flight-to-quality' leasing** over the next two years[#], spawning the need for such quality spaces.

About **57% of the domestic firms intend to use flexible spaces** over the next two years[#]. This provides an impetus for flexible space operators to further expand their reach. The flexible space stock is expected to touch 80 million sq. ft. in 2024.

Office space absorption by domestic firms is set to stay resilient in the coming years as firms pursue growth by expanding into new locations and enhancing existing capabilities. About **78% of the domestic occupiers are looking to expand** their portfolio by 10% or more in the next two years[#].

*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.

SUPPLY PREFERENCES

India's top nine cities are projected to see the completion of approximately **180-185 million sq. ft. of high-quality office space** over the next three years until 2026*, offering occupiers a broad array of choices. Concurrently, the government's approval of partial denotification of commercial SEZ spaces enables firms engaged in domestic business activities to house their operations in such assets.

We believe that the Indian commercial office sector, with a stock of about **880 million sq. ft.** across the top nine cities*, is well-placed to accommodate the growing needs of the country's businesses.

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

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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