Intelligent Investment

India Alternate Sectors Outlook 2024

REPORT

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Anshuman Magazine
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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.

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Alternate Sectors
Data Centres
Hospitality
Healthcare
Life Sciences

1 Data Centres

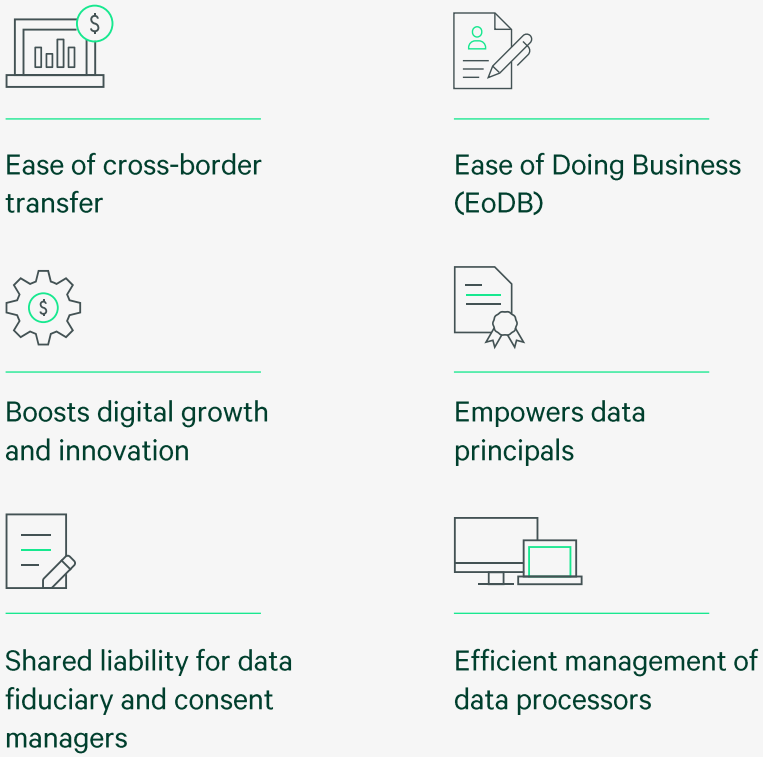
Data Centres: Powerhouses of the digital era

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



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

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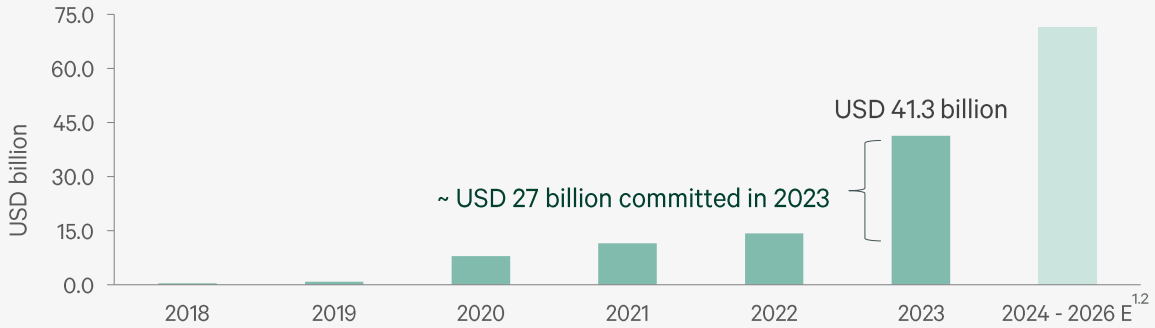
Exploring the tremendous investment potential in DCs

Figure 1.2: Cumulative DC investments (2018 - 2026 E)



Source: Media articles, CBRE Research, Q1 2024

Table 1.1: 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[1.1]. 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.

1.1. Media articles, CBRE Research, Q1 2024
1.2. 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

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Top trends expected to shape the DC sector in 2024

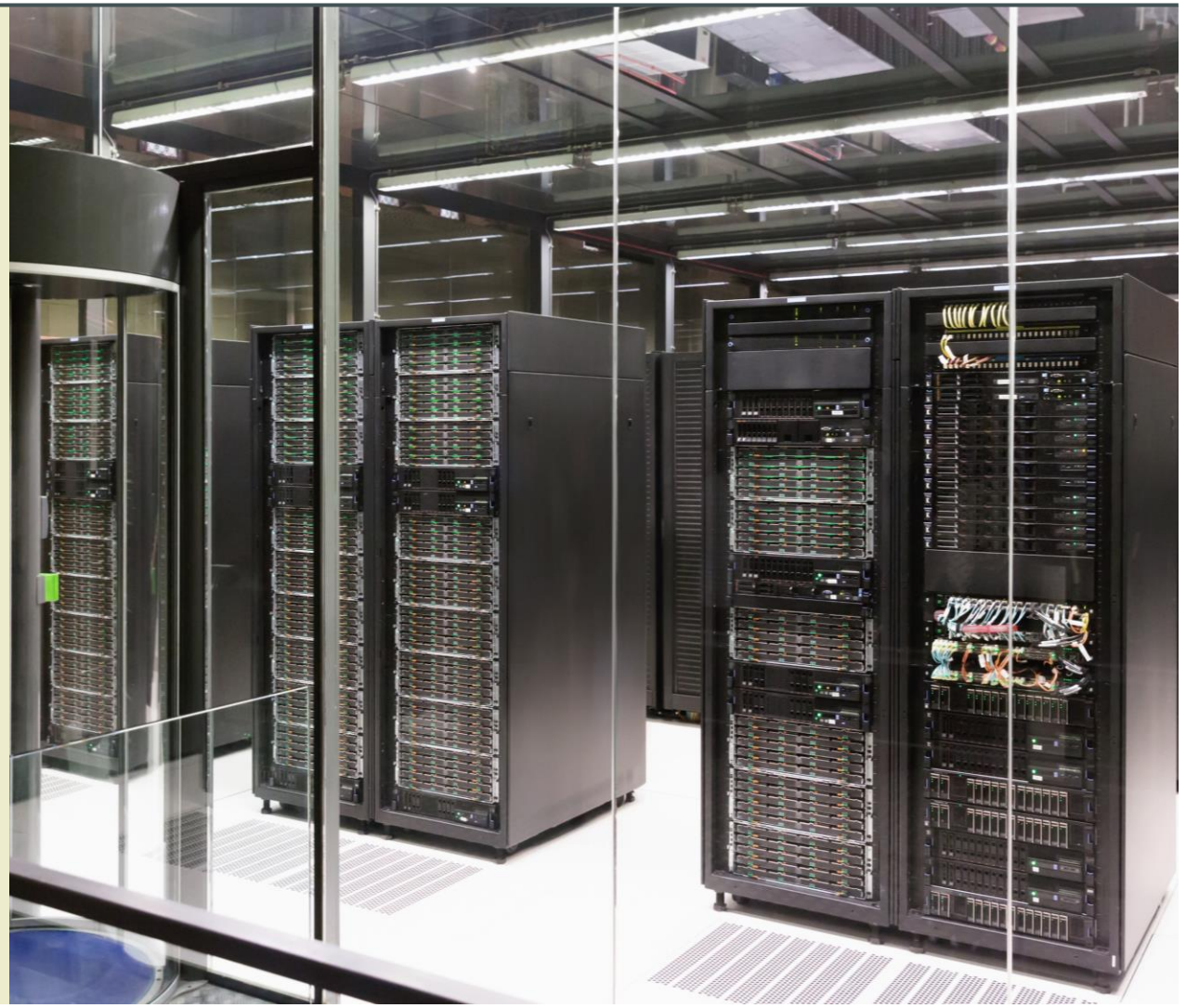
01

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.



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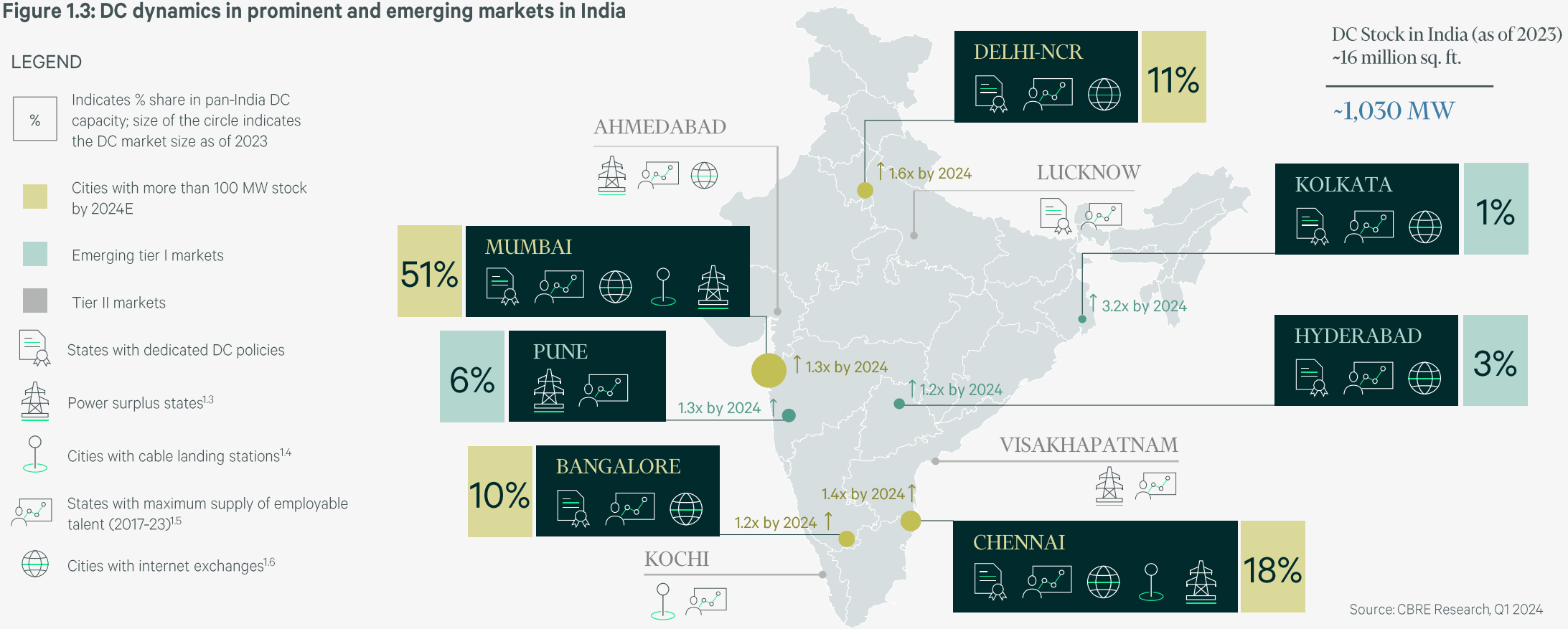
In addition to the concentration in tier-I locations, there is a notable shift in the dynamics as many colocation and edge computing facilities are expanding into tier-II cities. This expansion is driven by the aim to be in proximity to customers in these areas, providing faster response times, reduced 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 1.3: DC dynamics in prominent and emerging markets in India



1.3. National Power Portal, Ministry of Power, 2023; 1.4. Submarine Cable Networks, 2023; 1.5. India Skills Report, Wheebox, 2023; 1.6 Indian Network Operators Group, 2023.

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02 FUTURE OF DCs: NAVIGATING OPERATIONAL HURDLES

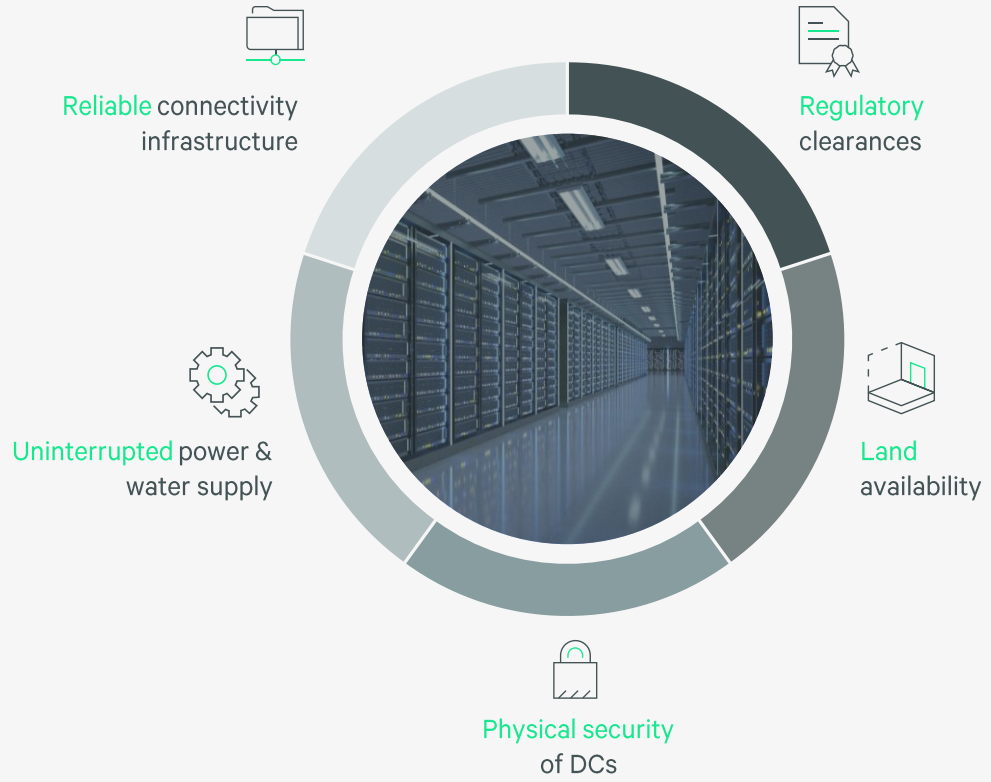
DC operators in India face certain challenges which include navigating a complex and time-consuming approval process involving multiple authorities. This process, which encompasses obtaining approvals for land allocation, power feasibility, and building layout, can lead to significant delays, with construction 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 1.4.).

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[1.7].

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 1.4: Challenges faced while setting up DC facilities



Source: CBRE Research, Q1 2024

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

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Figure 1.5: 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)[1.8], Renewable Energy Certificates (RECs), etc[1.9]

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[1.10]

PUE[1.11] and WUE[1.12] 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[1.10]

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

1.8. 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.
1.9. A Renewable Energy Certificate (REC) is a tradable instrument that represents the environmental attributes of 1MW-hour of renewable energy generation.
1.10. Indian Data Centers: On a “Green” growth trajectory, Nxtra by Airtel, July 2023
1.11. 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.
1.12. 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.

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04

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

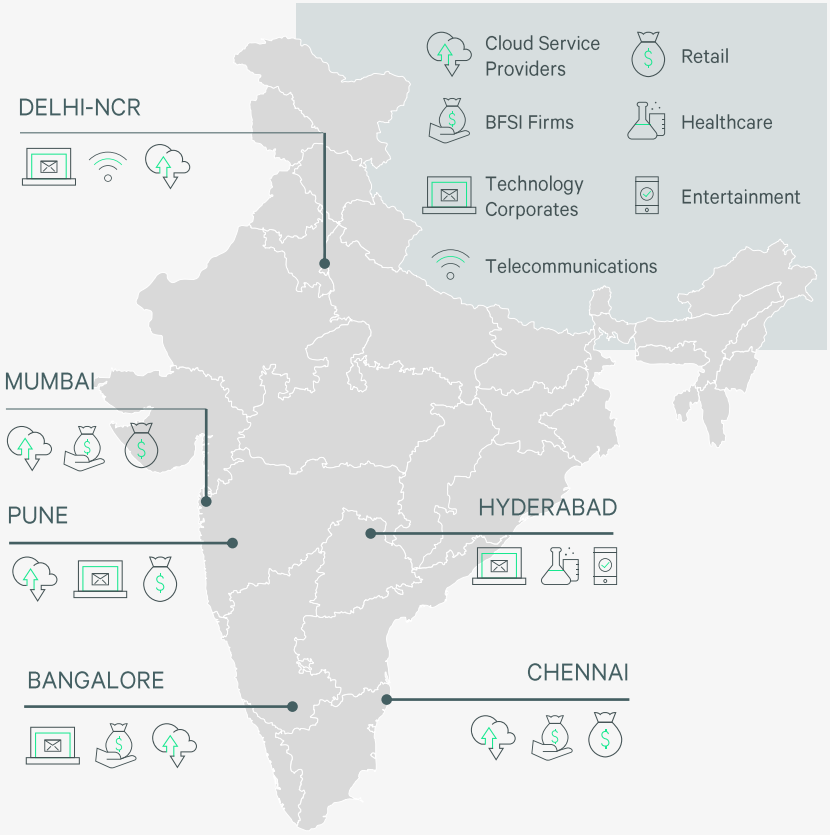
DCs are evolving to include emerging applications such as AI, machine learning, and high-performance computing (HPC)[1.13]. India, with its favourable market conditions, is attracting multinational corporations (MNCs) seeking to expand their digital services and relocate from other Asian markets due 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 1.6). 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[1.14], direct evaporation cooling / adiabatic cooling[1.15]. Additionally, the rising trend of hyperconverged infrastructure (HCI)[1.16] 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.

1.13. 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.
1.14. 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.
1.15. Direct evaporation cooling / adiabatic cooling involves leveraging the evaporation of water to cool the surrounding air, reducing the temperature within the facility.
1.16. 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 1.6: Top occupier categories anticipated to drive demand



Source: CBRE Research, Q1 2024

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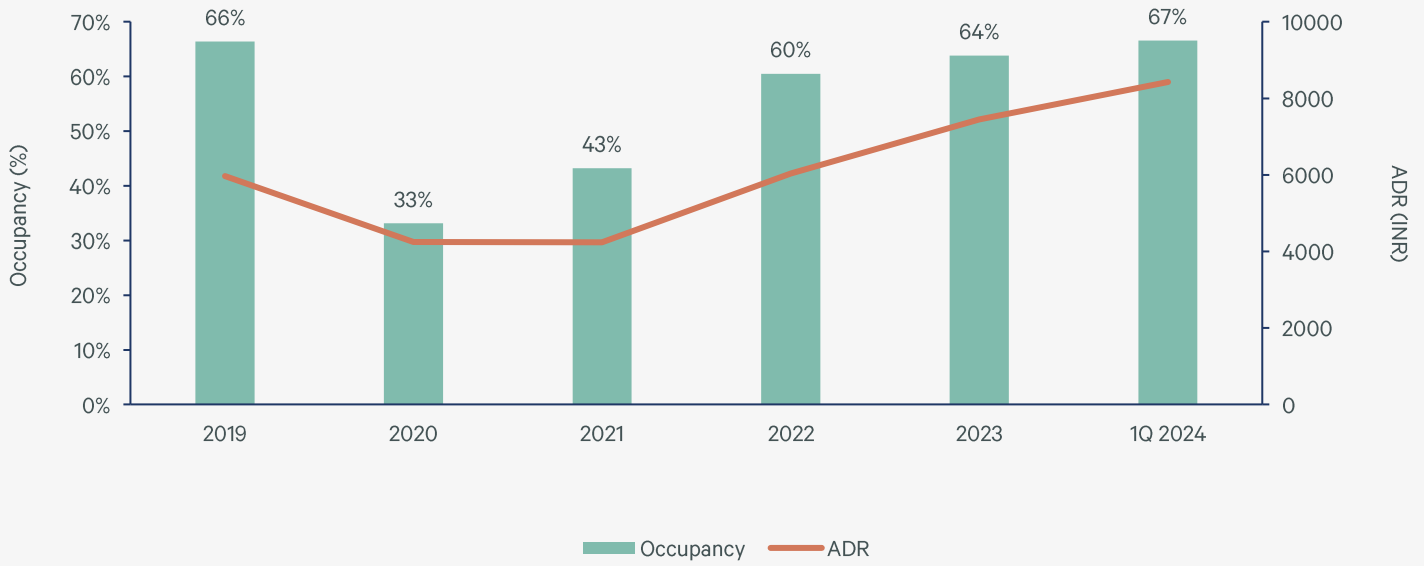
2 Hospitality

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[2.1].

Figure 2.1: India hotel occupancy and Average Daily Rates (ADR)*



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

2.1. STR Global, February 2024

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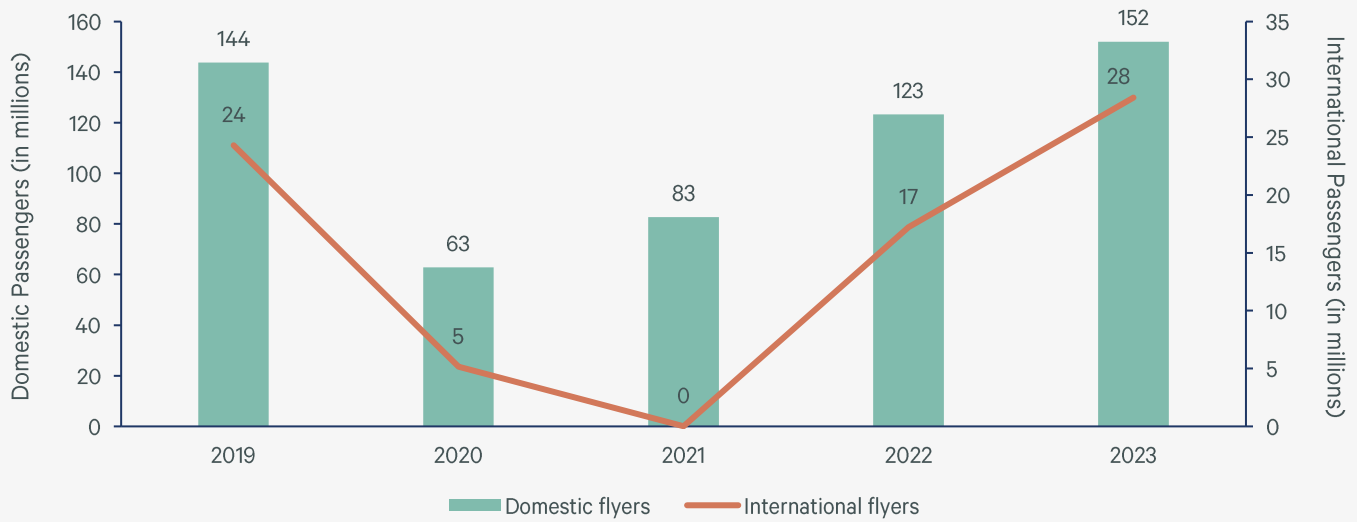
Strong resilience displayed by the Indian economy, thriving spiritual and leisure segments, and the government's focus on developing state-of-the-art infrastructure are expected to keep the hospitality sector buoyant in 2024. As per the Ministry of Tourism, Foreign Tourist Arrivals (FTA) reached 9.2 million in 2023, 43% higher than in 2022, albeit lower than the pre-pandemic levels of 10.9 million in 2019[2.2]. 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[2.3]. 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 2.2: India domestic and international flyers*



Source: Directorate General of Civil Aviation, India

*Note: Includes scheduled air traffic only

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

2.3. Directorate General of Civil Aviation, January 2024

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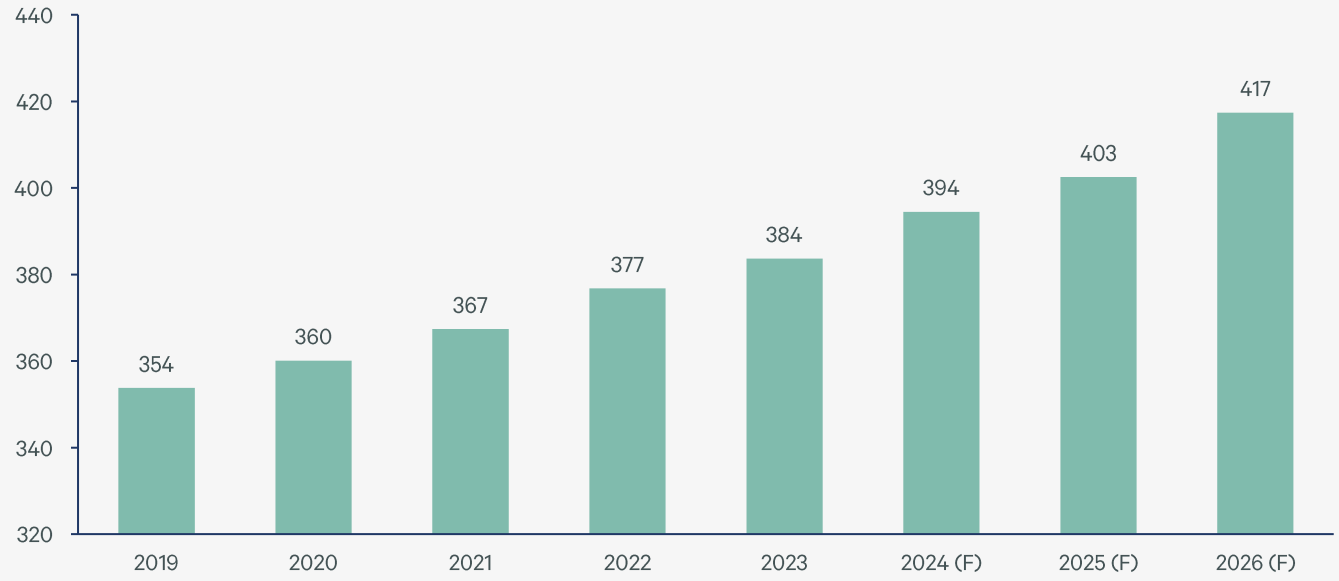
India's hotel room supply has grown steadily at a CAGR of 2.1% during 2020-2023, a trend expected to continue, with a projected CAGR of 2.5% through 2026. This growth, however, is anticipated to be outpaced by demand, leading to improved hotel performance metrics. Notably, new room supply is expected 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[2.4].

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[2.5].

Figure 2.3: 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

2.4. & 2.5. STR Global, February 2024

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Leading hotel chains continue to expand their presence in the market

Table 2.1: 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.

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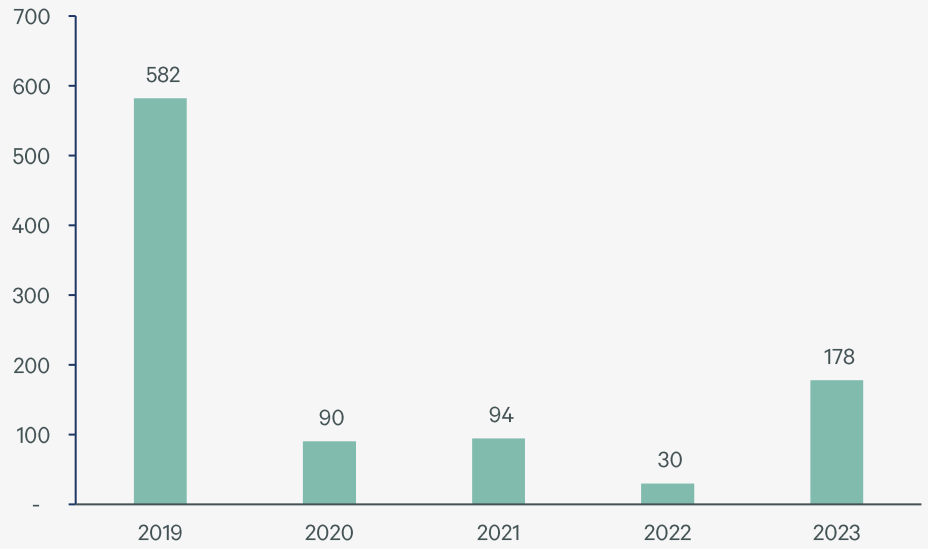
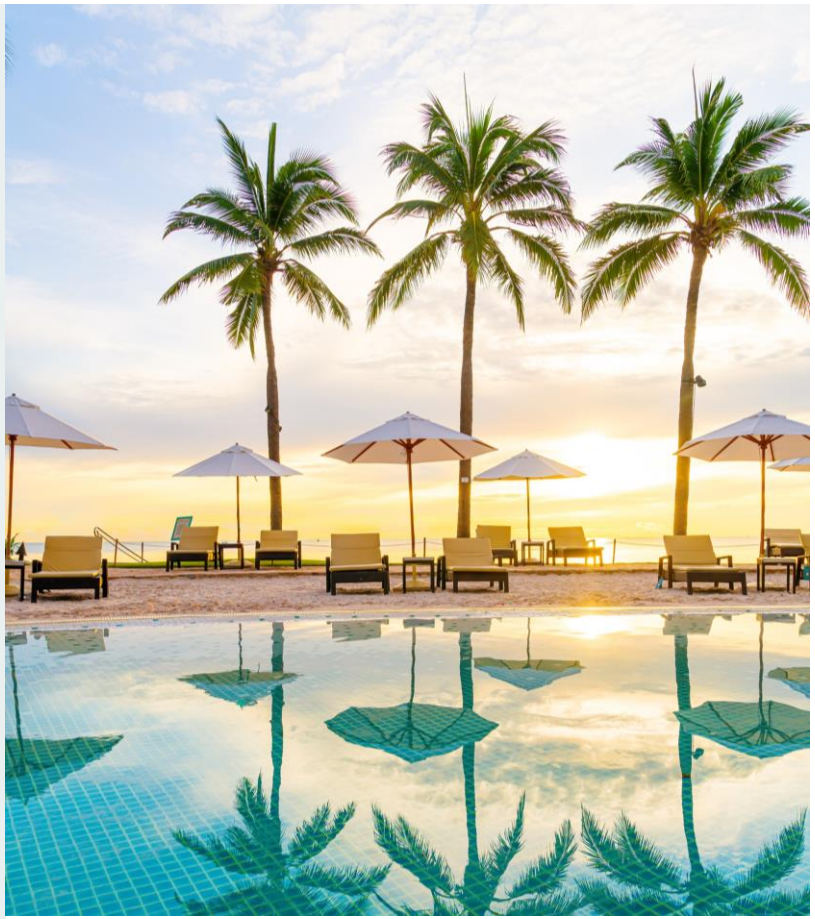
Figure 2.4: India hotel investments transaction value* (in USD million)



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 [2.6].



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

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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[2.7].

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[2.8], 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.

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

2.8. STR Global, February 2024

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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[2.9].

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[2.10]. 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[2.11].

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.

2.9. Travel for LiFE, Ministry of Tourism, September 2023. 2.11 Government of Himachal Pradesh, February 2024

2.10.Department of Tourism, Government of Goa, February 2024.

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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.

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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

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3 Healthcare

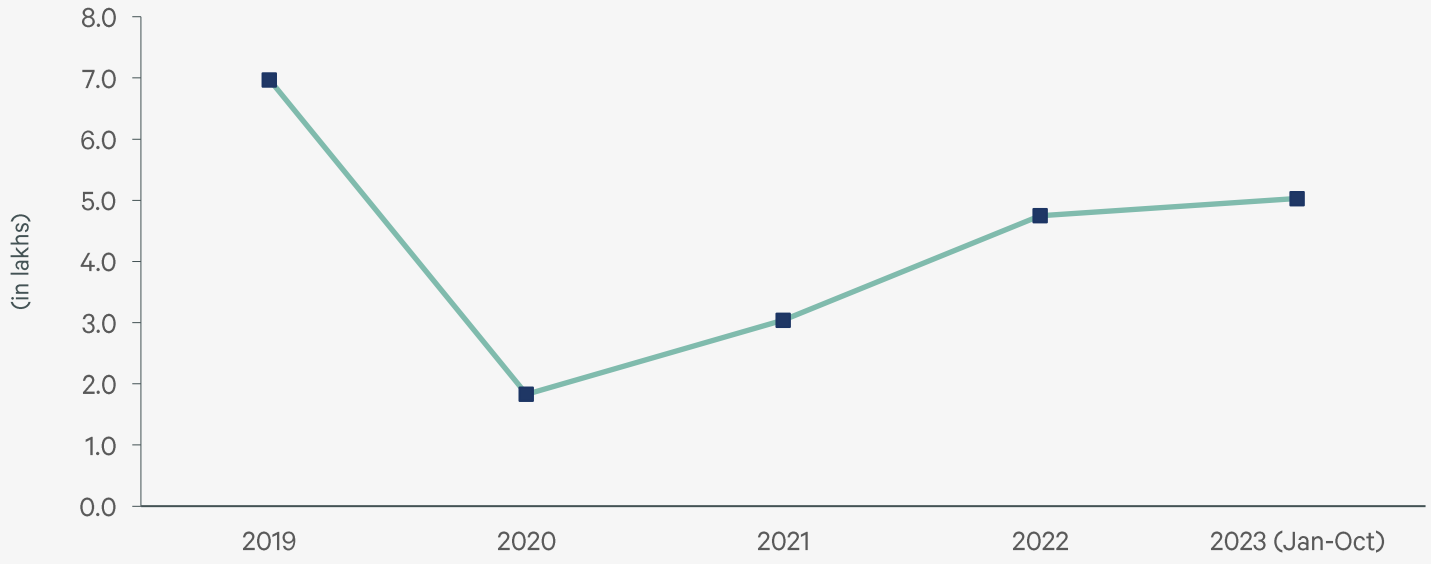
The Indian healthcare sector primarily encompasses six sub-sectors: hospitals, pharmaceuticals, diagnostics, medical equipment & supplies, medical insurance, and telemedicine / health-tech. The industry is growing at a tremendous pace driven by a burgeoning middle class with better health awareness, 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[3.1]. 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 3.1), 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[3.2] 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 3.1: Medical tourism in India over the years (2019-23*)



Source: Bureau of Immigration

*Note: For 2023, data available up to October

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

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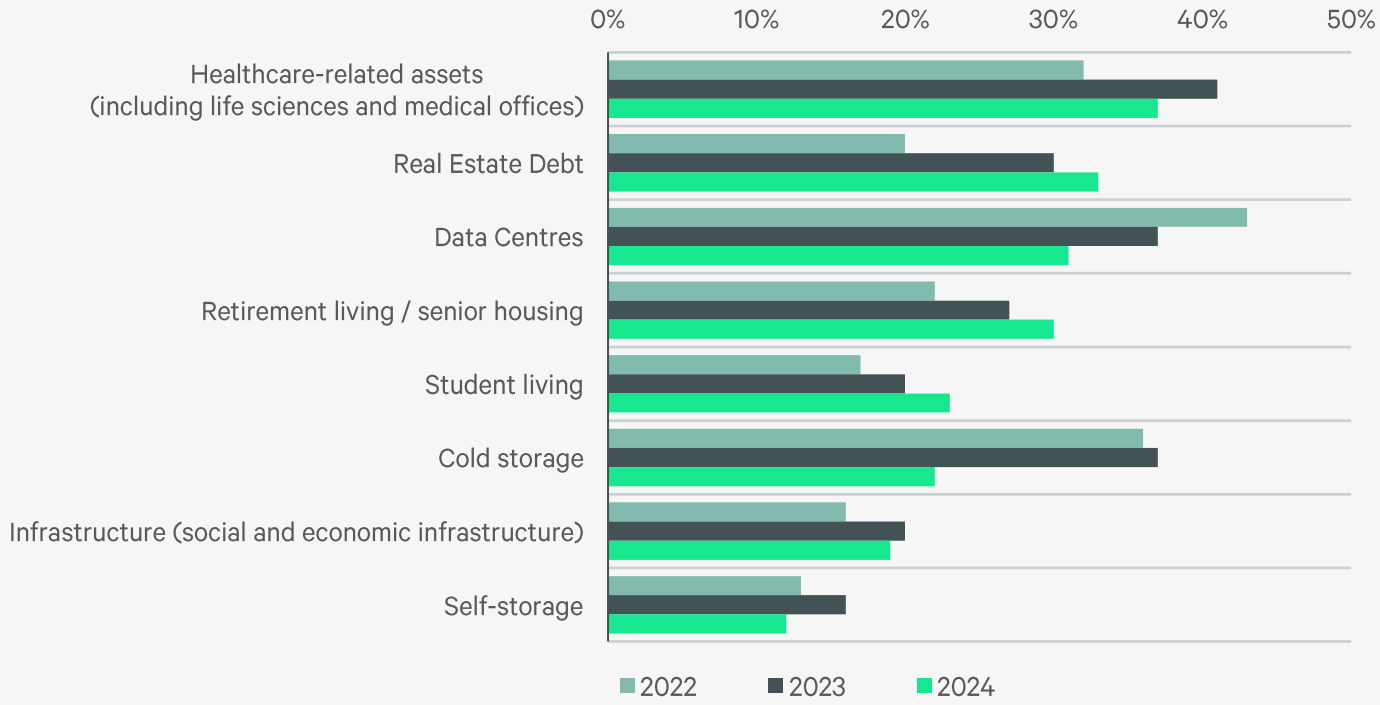
Growing interest in healthcare as an alternative investment type

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[3.3]. 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 3.2: Investor interest in alternate sectors by property type



Source: CBRE 2024 APAC Investor Intention Survey

3.3. DPIIT FDI December 2023

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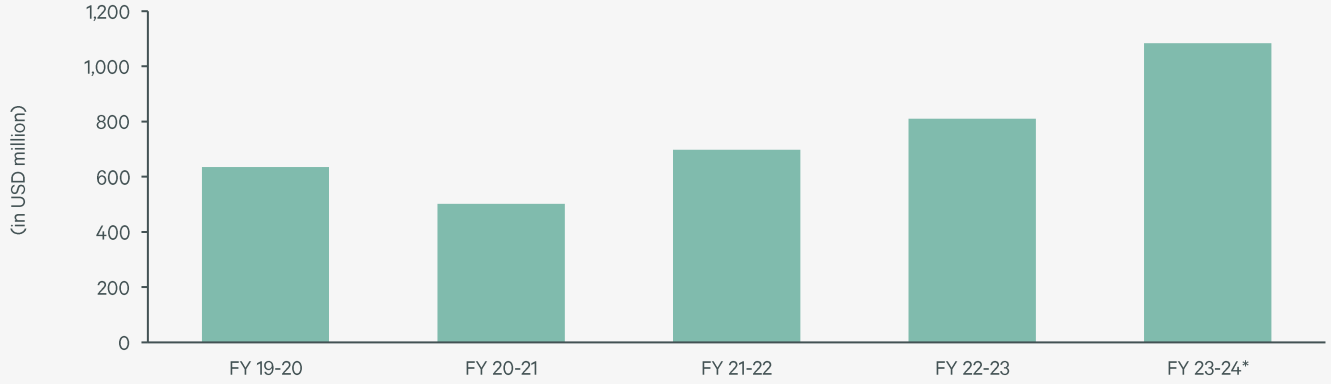
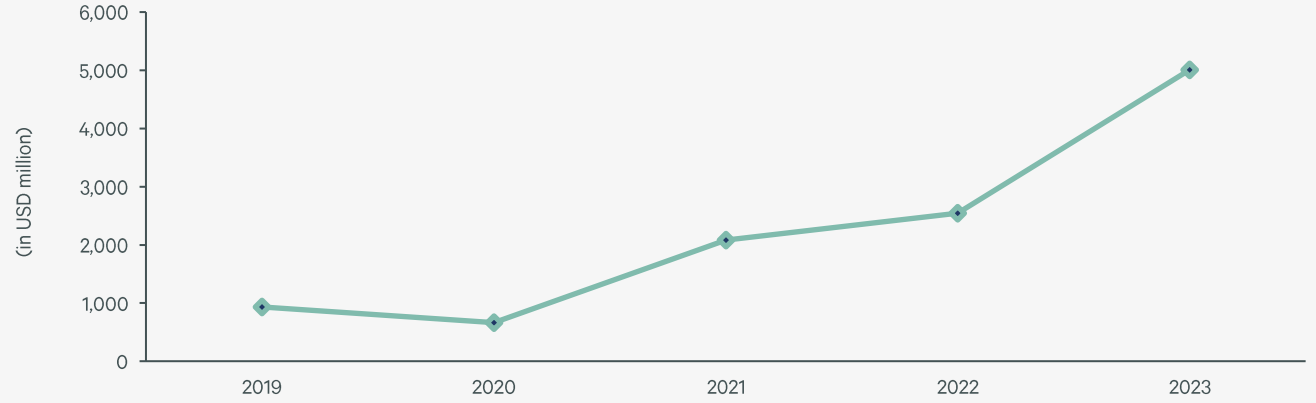
Investment activity rose significantly in 2023

Figure 3.3: FDI in hospital and diagnostics segment over the years (in USD million)



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

Figure 3.4: Private Equity / Venture Capital Investment in healthcare sector over the years (in USD million)



Source: EY India Trend Book 2024

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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%[3,4].

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.

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

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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[3.5], 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)[3.6].

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.

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

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4 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.

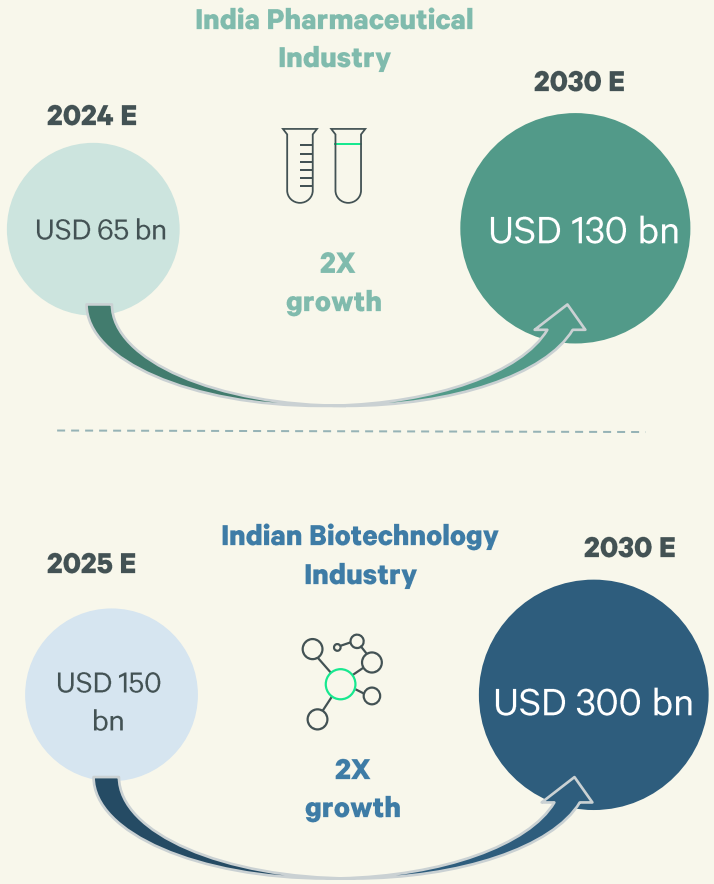
Fuelled by the pandemic, the life sciences sector experienced a surge in investments across pharmaceuticals and biotechnology segments. Policy initiatives such as 'Production Linked Incentive Scheme for Bulk Drugs', 'Production Linked Incentive Scheme for Pharmaceuticals', and 'Scheme for Bulk Drugs Parks' are likely to augur well for life sciences firms in the future, apart from policies at the state level. *(exhibited in Figure 4.4)*

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 4.1: Indian LS subsectors' market size forecasts



Source: Invest India website updated as of 2023

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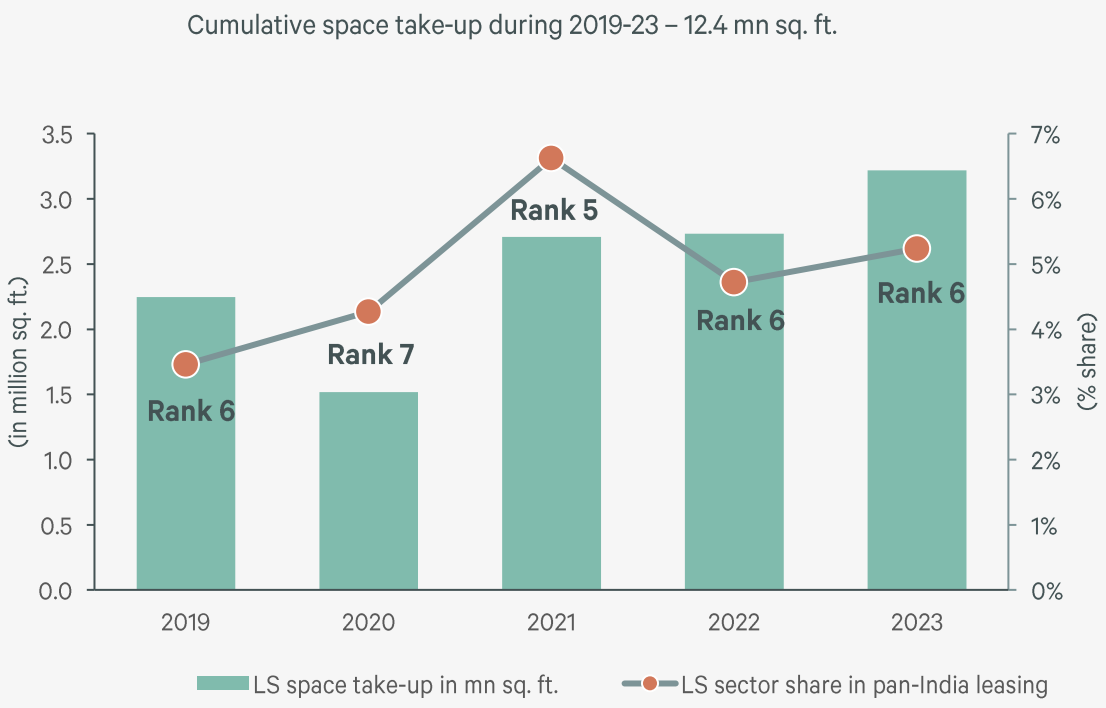
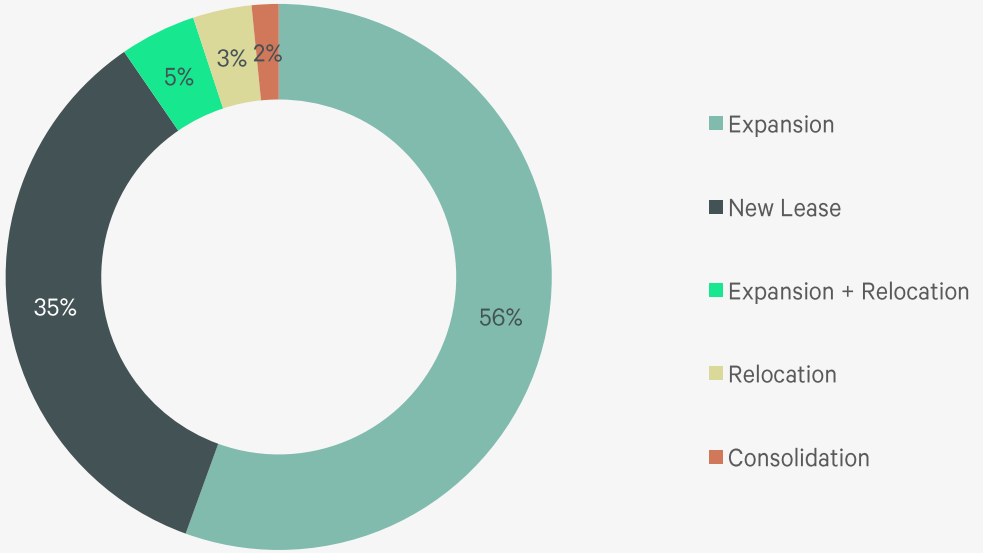
Figure 4.2: Annual space absorption by life sciences sector (2019 – 2023)



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

Source: CBRE Research, Q1 2024

Figure 4.3: Deal type split of life sciences sector (2019 – 2023)



Source: CBRE Research, Q1 2024

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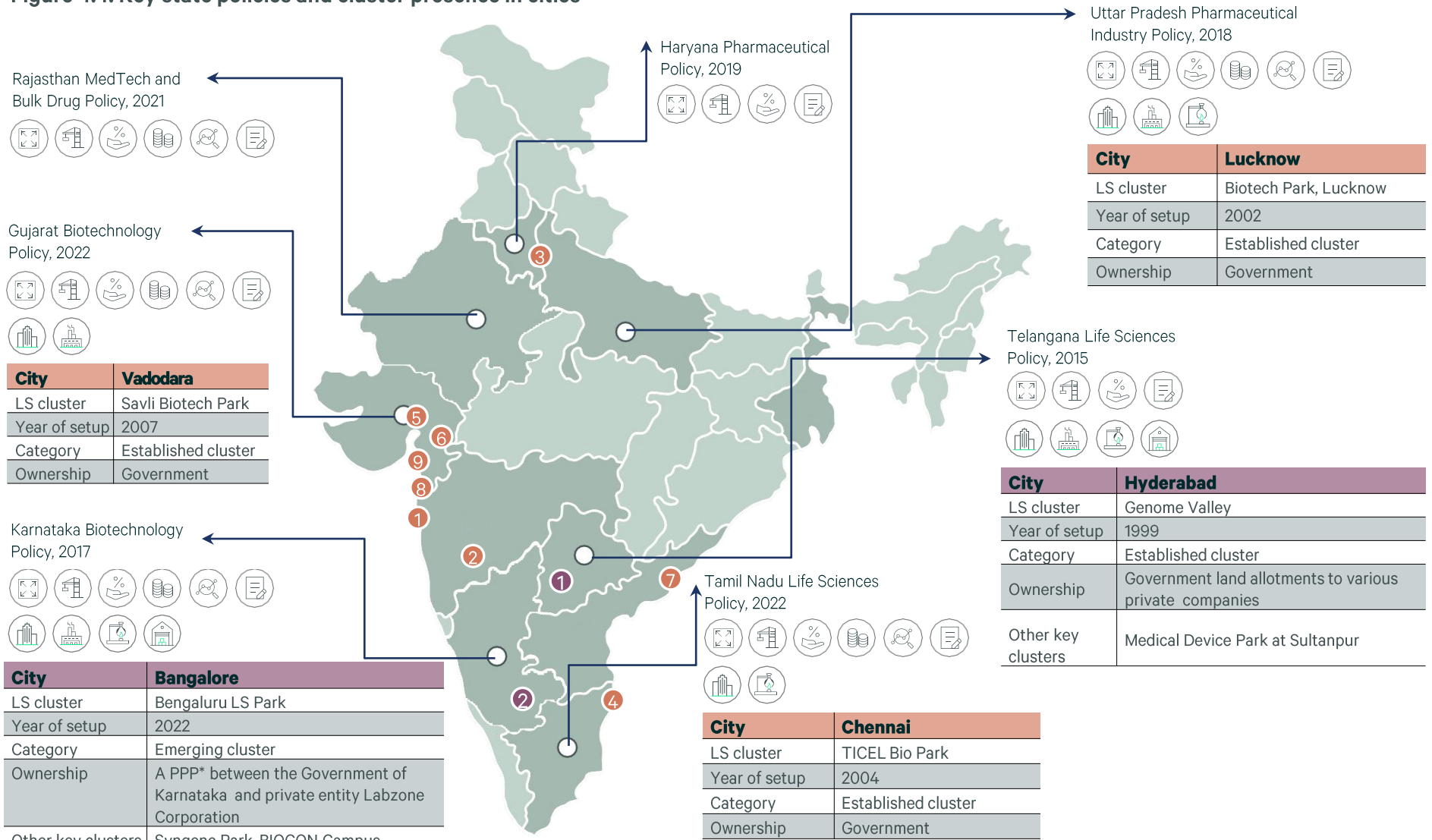
Furthermore, the sector would continue to evolve by leveraging government incentives, enhanced distribution networks, last-mile efficiencies, and via partnerships with third-party logistics (3PL) players to improve supply chain networks.

Figure 4.4: Key state policies and cluster presence in cities



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

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

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

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

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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