

Future Cities

KARNATAKA HORIZON

*Navigating
Real Estate Excellence
in the South*

CBRE RESEARCH | JULY 2024



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1

Karnataka

A HUB OF INNOVATION FUELING INDIA'S RISE

Karnataka at a Glance

Karnataka, a thriving state at the forefront of India's growth trajectory, plays a pivotal role in the nation's economic and social development. It was the fourth-largest state in FY 2022-23, contributing 8.2% to the national GDP, which has increased to 8.4% in FY 24. Notably, Karnataka boasts the highest per capita GSDP, exceeding the national average¹. Its vibrant landscape, with a 39% urban population, makes it the most sought-after state for companies looking to set up their global offices in India.

Bengaluru, the state capital, contributes a staggering 40% to India's information technology (IT) exports, valued at USD 155 billion as of 2022². This phenomenal achievement firmly establishes Karnataka as a powerhouse of innovation, propelling India's growth trajectory.

Key Growth Drivers

 Diverse and Skilled Talent Pool	 Excellent Inter-Regional Connectivity	 Supportive Government Policies	 Existing and Upcoming Infrastructure
 Innovation Hub	 IT Hub	 Favourable Business Environment	

Fig 1.1 Karnataka – Key Statistics



Note: *Renewable Energy; **LEADS is an indigenous data-driven index to assess logistics infrastructure and services in India
Source: CBRE Research Q2 2024; 1. Economic Survey 2022-23; 2. Karnataka Data Centre Policy, 2022; 3. IT Policy (2020-2025), Government of Karnataka; 4. Ministry of New and Renewable Energy (MNRE)

Key Investment sectors in Karnataka



IT / ITeS

- Home to more than 45 IT/ ITeS SEZ⁵
- Hosts over 5500+ IT/ ITeS companies, around 750 MNCs contributing to over USD 58 billion of exports⁶
- Provides direct employment to over 12 lakh professionals, additionally creating over 31 lakh indirect jobs⁶



Aerospace & defence

- Home to 25% of India's aircraft and spacecraft industry⁷
- Contributes to 65% of the country's aerospace related exports⁷
- 67% of the aircrafts and helicopters for defence services are manufactured here⁷
- Home to more than 2,000 SMEs and 70% of India's supplier base⁷



Biotechnology

- Contributed about 20% to India's bioeconomy in 2023⁸
- Has a 60% share in the nation's overall biotech production and exports⁸
- State's biotech industry crossed USD 200 million R&D spent in 2022⁸
- Home to around 60% of biotech companies in India⁸



Automobile & auto components

- 4th largest manufacturer of automobiles in India⁹
- Accounts for 8.5% of the total national automobile output⁹
- Home to 7+ major OEMs and 50+ auto component manufacturers⁹
- Presence of 45+ electric vehicles startups in Bengaluru⁹
- 5 auto-specific clusters across the state⁹
- More than 2 lakh electric vehicles on road - 3rd highest in the country^{*10}



Heavy engineering & machinery

- Leading state in machine tools industry⁸
- Bengaluru alone produces 60% of India's total machine tools by value⁸
- 2nd largest producer of heavy electrical machinery in India⁸



Logistics

- State has one major port – New Mangaluru Port, and eight minor ports¹¹
- Has air cargo terminals in three districts¹¹
- Has eight functional airports, including two international airports in Bengaluru and Mangaluru respectively¹¹

Note: *as of August 2023

Source: CBRE Research Q2 2024; 5. Ministry of Commerce and Industry; 6. Karnataka Economic Survey 2023-24; 7. Karnataka Aerospace and Defence Policy 2022-27; 8. Invest India; 9. Invest Karnataka; 10. Ministry of Road Transport & Highways; 11. Karnataka State Logistics Plan 2022

Recent key policy initiatives by the Government of Karnataka strengthening the state's real estate dynamic

Policy	Land-related Incentives*	Capital Subsidy**	Single Window System	Stamp Duty Exemption	Power Tariff Reimbursement	Concession on Registration Charges	Additional Incentives
Information Technology Policy (2020-2025)		✔	✔	✔	✔		Financial support for co-working spaces, rental reimbursement, additional Floor Space Index (FSI) / Floor area ratio (FAR), reimbursement of quality certification cost, marketing cost, Provident Fund (PF) / Employees' State Insurance (ESI) and patents cost, R&D grants, skill development initiatives, tailor-made incentives for IT / ITeS with an investment in fixed assets above INR 250 crore
Industrial Policy (2020-2025)	✔	✔	✔	✔	✔	✔	Investment promotion subsidy, subsidy on initiatives related to technology and sustainable measures adoption, quality certification cost reimbursement, skill development initiatives, R&D grants
Karnataka Data Centre Policy (2022-2027)	✔	✔	✔	✔	✔	✔	Additional FAR, electricity duty exemption, power tariff reimbursement for data centres (DC) using energy from renewable sources
Karnataka Startup Policy (2022-2027)		✔	✔				Reimbursement of state Goods and Services Tax (GST), marketing cost, patent filing cost & quality certification cost, startup funding and grants
Karnataka Aerospace and Defence Policy (2022-2027)	✔	✔	✔	✔	✔	✔	Additional incentives provided as per Karnataka Industrial Policy (2020-2025)
Engineering Research & Development Policy (2021-2026)		✔					Rental reimbursement, recruitment assistance, investment subsidy, R&D grant, skill development initiatives
Karnataka Renewable Energy Policy (2022-2027)	✔	✔	✔	✔	✔	✔	Additional incentives provided as per Karnataka Industrial Policy (2020-2025)
Karnataka Energy Conservation and Energy Efficiency Policy (2022-2027)		✔			✔		Tax reduction consideration on energy efficient equipment, Increase FSI / FAR allowance, property tax rebates, energy auditing subsidy, green building incentives
Special Incentives Scheme for ESDM Sector (2020-2025)	✔	✔	✔	✔	✔	✔	Electricity duty exemption, Production Linked Incentive

Source: CBRE Research Q2 2024. Note: Absence of a tick does not indicate that benefit is not entirely provided in the policy.

* Reimbursement / subsidy on land conversion fee, land purchase / lease, ** Financial support for asset and related infrastructure

Understanding the Real Estate Impact of Karnataka's Growth Policies

Technology & innovation ecosystem

State support for infrastructure and funding is expected to further fuel leasing activity by global capability centers (GCCs). Space take-up by tech giants surged, with Bengaluru grabbing over 40% in 2022 among the top nine Indian cities, solidifying its position as a global IT powerhouse.

Strengthening startup culture

Karnataka's recognized startups skyrocketed 50x¹² from 2015 to 2023, with space take-up surging 10x¹³. This thriving ecosystem, fuelled by entrepreneurship initiatives, is driving demand for office spaces, including flexible options, particularly in Bengaluru.

Improving R&D platform

Karnataka attracted the most FDI in R&D in 2021, experiencing a 250% increase over 2020¹²

Boosting data center investments

Policies such as the Karnataka Data Center Policy aim to create a robust ecosystem for data centers, attracting further investment.

Sustainability focus

Karnataka quadrupled its annual solar energy capacity in just two years (2021-June 2023). It's also leading the nation in solar capacity addition, surging from 2% in FY 2021-22 to 24% in FY 2023-24 (up to June 2023)¹⁴. Large-scale deployment of energy conservation practices are also encouraged across the state along with promotion of green assets, development of green energy corridors, renewable energy parks, energy storage, biomass, and 'waste-to-energy' projects.

Industrial & logistics demand boost

Existing MSME clusters are poised for significant growth, alongside the development of localized R&D and manufacturing capabilities across the state.

Source: 12. Ministry of Commerce & Industry, 13. CBRE Research Q2 2024, 14. Ministry of New and Renewable Energy

2

Bengaluru

THE EPICENTRE OF KARNATAKA'S
REAL ESTATE ACTIVITY

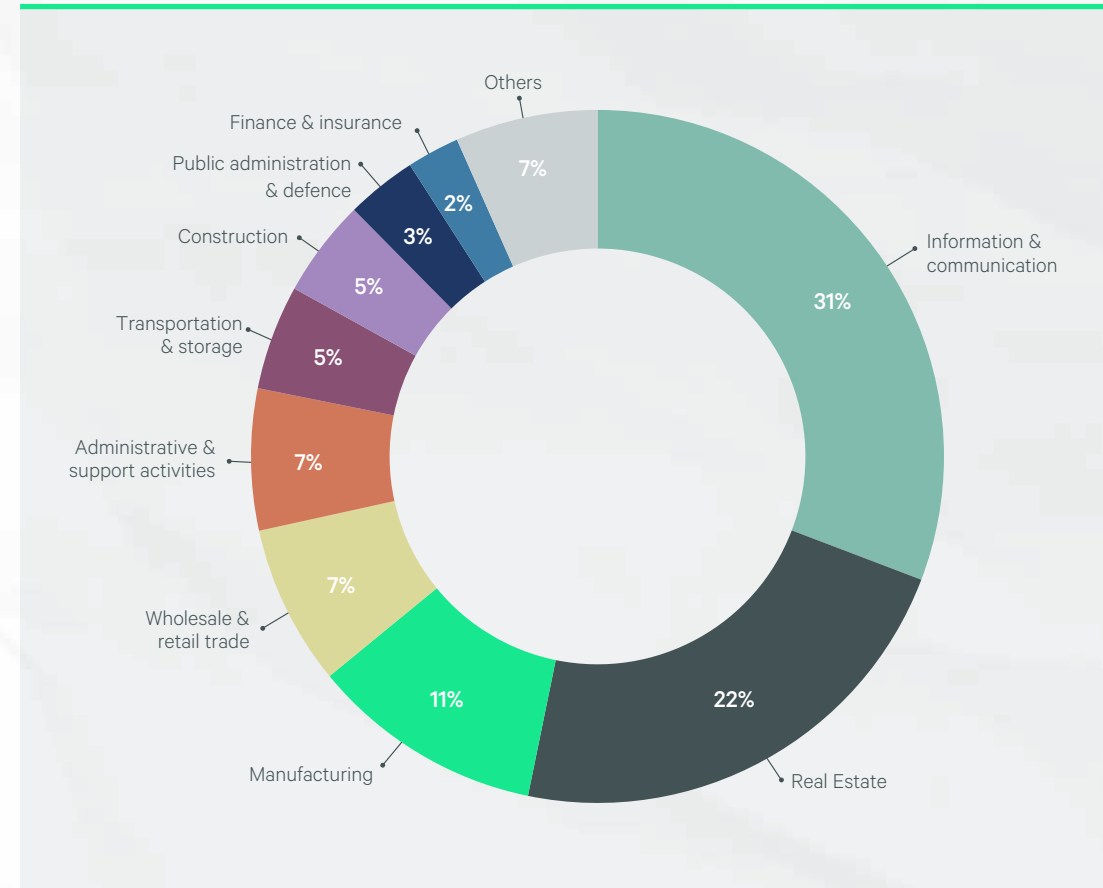
Bengaluru: A Snapshot

Renowned as India's 'Silicon Valley', Bengaluru thrives as the nation's leading IT exporter. Supportive government policies, such as the pioneering 1997 IT policy, significantly boosted the city's technology industry. Furthermore, Karnataka, the state encompassing Bengaluru, became the first in India to establish a dedicated startup policy in 2015, further solidifying the city's position as a prominent innovation and startup hub.

What sets Bengaluru apart from other Indian cities?

2 million	7,000+	80%
Largest technology workforce employed in the sector ¹⁵	3 rd highest number of startups globally, making it India's startup capital	Fortune 500 companies have their global innovation centres here, as of 2020 ¹⁶
400+	40%	Highest
R&D institutes and 85 chip design facilities ¹⁷	of the total Global Capability Centres (GCCs) present in India ¹⁸	number of Unicorns (40+) in India ¹⁹

Fig 2.1 Economic activities contributing to Bengaluru's GDP - 2023



Source: Oxford Economics, 2024, CBRE Research, Q2 2024

Bengaluru - The Talent Powerhouse of India

Home to more than **1,000** higher educational institutions, the highest in India²⁰

2nd largest migrant population in India after Mumbai contributing to the diverse talent pool²¹

Among the **top 3 'Powerhouse Markets'** in Asia Pacific, with a working age population of more than 11 million²²

Note: *Powerhouse markets are major urban centres with large tech talent pools, mature tech ecosystems, stable regulatory environments, access to capital and the ability to attract tech entrepreneurs and talent from across the world.

Source: CBRE Research Q2 2024; 15. India Briefing, 2023; 16. Karnataka IT Policy, 2020; 17. Ministry of External Affairs, 2020; 18. NASSCOM, 2023; 19. Karnataka Startup Policy 2022-2027; 20. All India Survey for Higher Education, 2021-2022; 21. NITI Aayog, 2022; 22. CBRE Global Tech Talent Guidebook 2024

Infrastructure Initiatives Driving Economic Development

Easing traffic congestion

Bangalore's expanding network of operational and upcoming metro lines (purple, blue, yellow, and pink) would target key pressure points across the city. This includes Electronic City, Silk Board Junction, and the Outer Ring Road (ORR), improving connectivity and reducing traffic congestion.

Enhanced airport access

The upcoming airport metro line (blue line) would connect the critical commercial corridor along the ORR to the international airport, boosting development in the north (Hebbal-Bellary Road).

Improved regional connectivity

Expressways such as the Bengaluru Business Corridor (BBC) and Satellite Town Ring Road (STRR) would create a seamless loop around the city, improving connections to surrounding areas within and outside the state while diverting traffic away from the core.

Spurring development

The expanding metro network would not only ease commutes but also enhance accessibility and encourage commercial and residential development along its routes.

Benefits of infrastructure on occupiers and developers

Occupier Benefits

- Reduced commute time and cost
- Seamless connectivity between residential and commercial hubs
- Improved employee well being

Developer Benefits

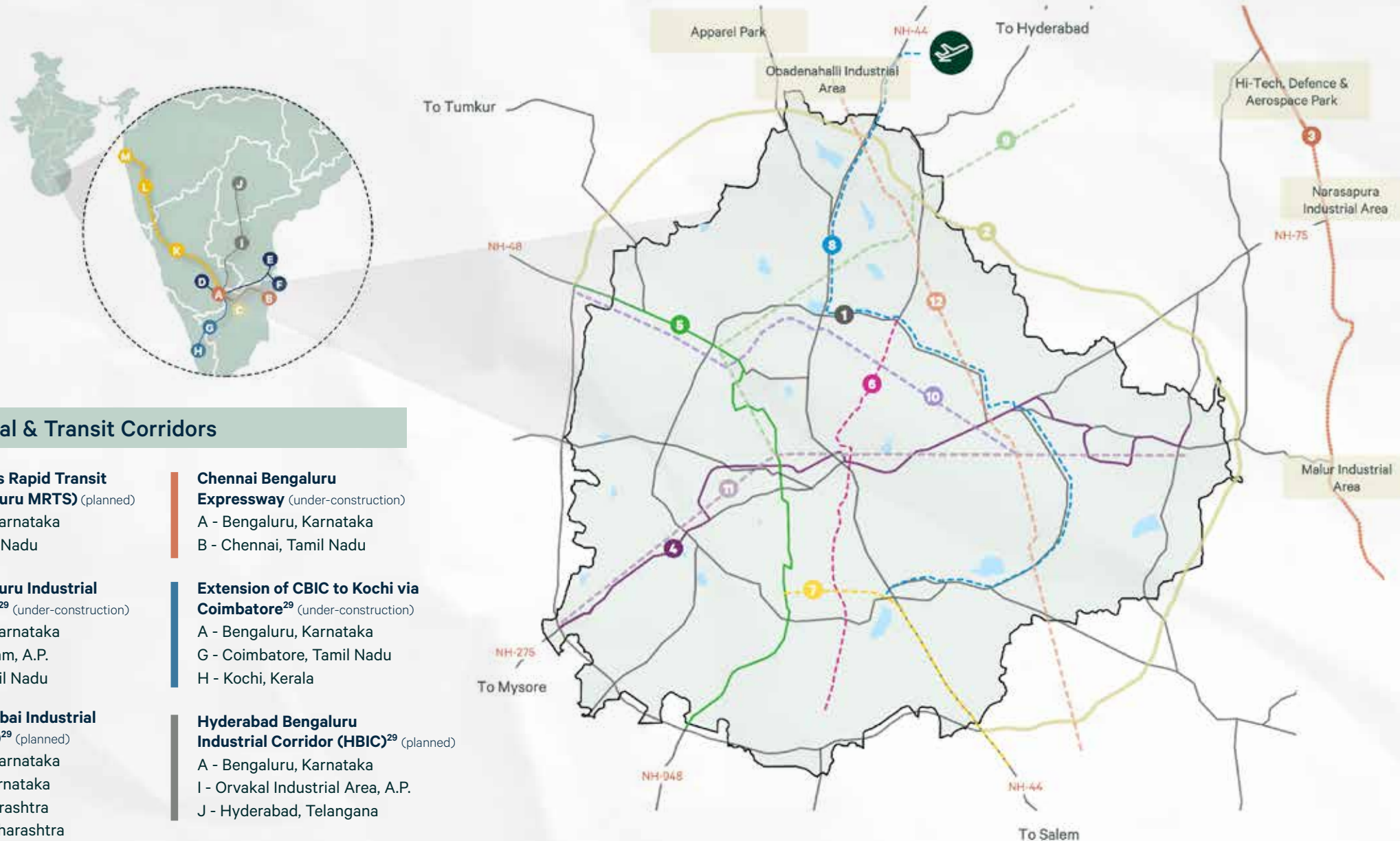
- Improved occupier attraction thereby increasing the building occupancy
- Increased rentals
- Enhanced asset valuation

Table 2.1 Key Investments of Upcoming Infrastructure Initiatives

Initiative	Investment (INR crore)	Investment(USD million)
Namma Metro Phase 3 ²³	16,328	1,956
Namma Metro Phase 3A ²³	15,000	1,797
Suburban Rail Project ²⁴	15,767	1,889
Satellite Town Ring Road (STRR) ²⁵	15,000	1,797

Source: CBRE Research Q2 2024; 23. Karnataka state budget 2023-24; 24. K-RIDE annual report 2019-20; 25. Karnataka Rising, Ministry of Road Transport & Highways

Infrastructure Initiatives Reshaping the City



Legend

— Roads Kempegowda International Airport

- 1** Outer Ring Road (ORR)
- 2** Bengaluru Business Corridor (BBC)
- 3** Satellite Town Ring Road (STRR)

Projects under Karnataka Industrial Area Development Board (KIADB)²⁶

- #### Namma Metro
- 4** Purple Line²⁷ (Challaghatta to Whitefield)
 - 5** Green Line²⁷ (Nagasandra to Silk Institute)
 - 6** Pink Line²⁷ (Kalena Agrahara to Nagawara)
 - 7** Yellow Line²⁷ (R.V. road to Bommasandra)
 - 8** Blue Line²⁷ (Central Silk Board to Kempegowda International Airport)

- #### Suburban Rail
- 9** Sampige Line²⁸ (City Railway Station to Devanahalli)
 - 10** Mallige Line²⁸ (Benniganahalli to Chikkabanavara)
 - 11** Parijaata Line²⁸ (Kengeri to Whitefield)
 - 12** Kanaka Line²⁸ (Heelalige to Rajanakunte)

— Operational
 - - Under-construction

Key Industrial & Transit Corridors

- | | |
|---|---|
| <p>Inter-state Mass Rapid Transit System (Bengaluru MRTS) (planned)</p> <ul style="list-style-type: none"> A - Bengaluru, Karnataka C - Hosur, Tamil Nadu | <p>Chennai Bengaluru Expressway (under-construction)</p> <ul style="list-style-type: none"> A - Bengaluru, Karnataka B - Chennai, Tamil Nadu |
| <p>Chennai Bengaluru Industrial Corridor (CBIC)²⁹ (under-construction)</p> <ul style="list-style-type: none"> D - Tumakuru, Karnataka E - Krishnapatnam, A.P. F - Ponneri, Tamil Nadu | <p>Extension of CBIC to Kochi via Coimbatore²⁹ (under-construction)</p> <ul style="list-style-type: none"> A - Bengaluru, Karnataka G - Coimbatore, Tamil Nadu H - Kochi, Kerala |
| <p>Bengaluru Mumbai Industrial Corridor (BMIC)²⁹ (planned)</p> <ul style="list-style-type: none"> A - Bengaluru, Karnataka K - Dharwad, Karnataka L - Satara, Maharashtra M - Mumbai, Maharashtra | <p>Hyderabad Bengaluru Industrial Corridor (HBIC)²⁹ (planned)</p> <ul style="list-style-type: none"> A - Bengaluru, Karnataka I - Orvakal Industrial Area, A.P. J - Hyderabad, Telangana |

Source: CBRE Research Q2 2024; 26. Karnataka Industrial Area Development Board (KIADB); 27. Bengaluru Metro Rail Corporation Limited (BMRC); 28. Urban Development Department, Government of Karnataka; 29. National Industrial Corridor Development Corporation (NICDC)
 Note: Map not to scale.

3

Sectoral Market Overview

OFFICE | RETAIL | I&L | RESIDENTIAL

Bengaluru's Commercial Landscape: A Look at Micro-markets

Stock*
223+ mn. sq. ft.

Key micro-markets
ORR | PBD-W

Leading industry segments**



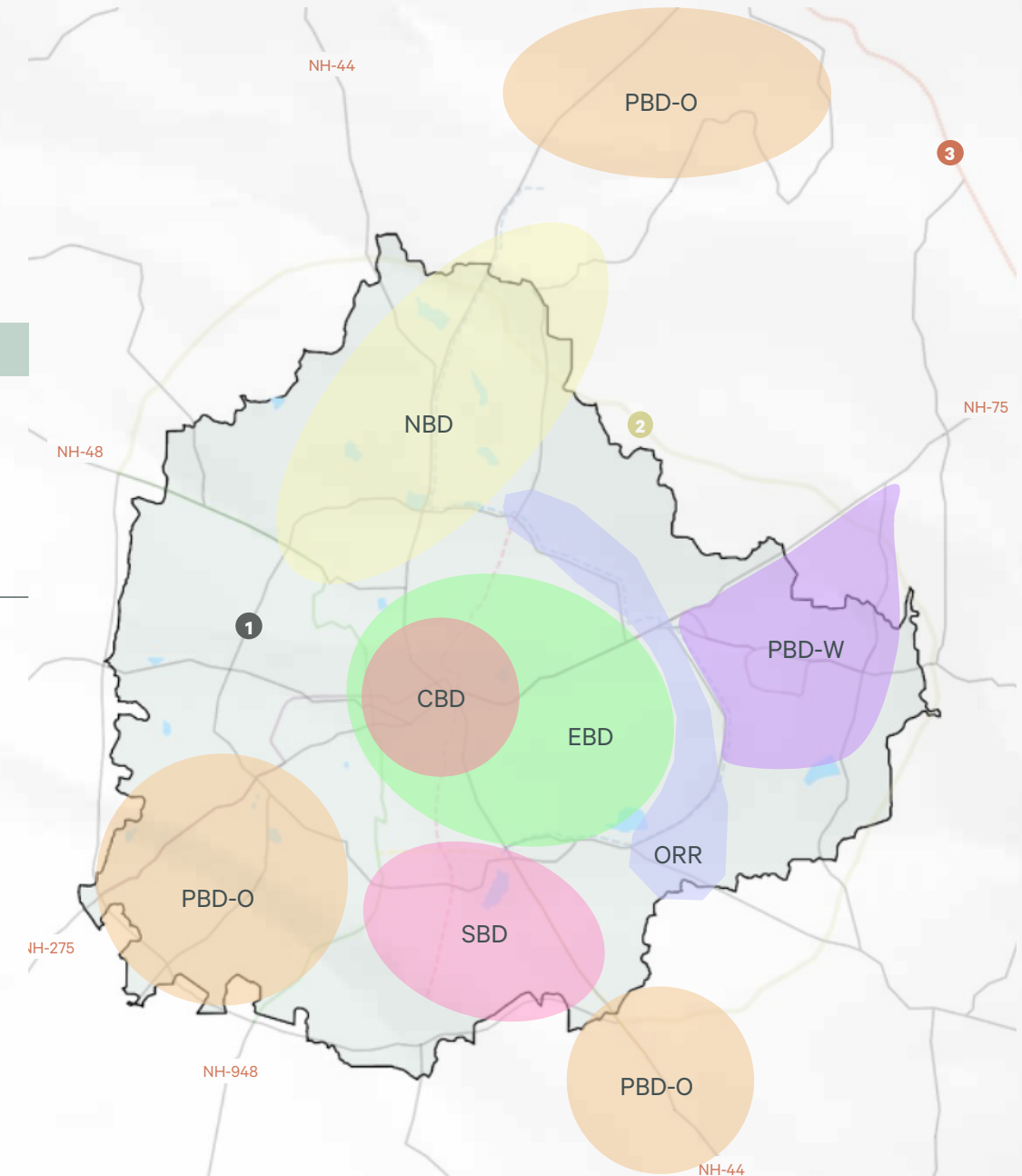
Micro-market	Stock* (mn. sq. ft.)	Leading industry sectors
Central Business District (CBD)	16.2	Flexible space operator, Technology, Banking, financial services & insurance (BFSI)
Extended Business District (EBD)	26.7	Technology, Research, consulting & analytics, Flexible space operator
South Business District (SBD)	9.9	Technology, Engineering & Manufacturing (E&M), Flexible space operator
Outer Ring Road (ORR)	72.0	Technology, Banking, financial services & insurance (BFSI), Flexible space operator
Peripheral Business District - Whitefield (PBD-W)	47.5	Technology, Engineering & Manufacturing (E&M), Flexible space operator
Peripheral Business District Others (PBD-O)	19.5	Engineering & Manufacturing (E&M), Technology, Life sciences
North Business District (NBD)	31.4	Technology, Engineering & Manufacturing (E&M), Life sciences

Legend

- 1 Outer Ring Road (ORR)
- 2 Bengaluru Business Corridor (BBC)
- 3 Satellite Town Ring Road (STRR)

- Technology
- Engineering & Manufacturing (E&M)
- Flexible space operator
- Research, consulting & analytics
- Banking, financial services & insurance (BFSI)
- Life sciences

Figure 3.1. Office micro-market spread



Note: Map not to scale. Bubbles shown in the map are indicative of the locations covered under the micro-markets; *Stock as of Q2 2024; **Based on data from 2019 to Q2 2024. Source: CBRE Research Q2 2024

Bengaluru: Leading India's Commercial Real Estate Landscape

Over the past decade, Bengaluru has surged to become India's largest and most crucial commercial real estate market, outpacing its regional counterparts. The city boasts a more than two-fold increase in office stock, rising from 100 million sq. ft. in 2013 to over 223 million sq. ft. in Q2 2024, holding the highest share among the top nine Indian cities (Fig. 3.2). With an average annual absorption of about 15-16 million sq. ft., Bengaluru has also been the front-runner in commercial absorption since the last few years, as compared with the top nine cities of the country.

Technology sector driving the demand

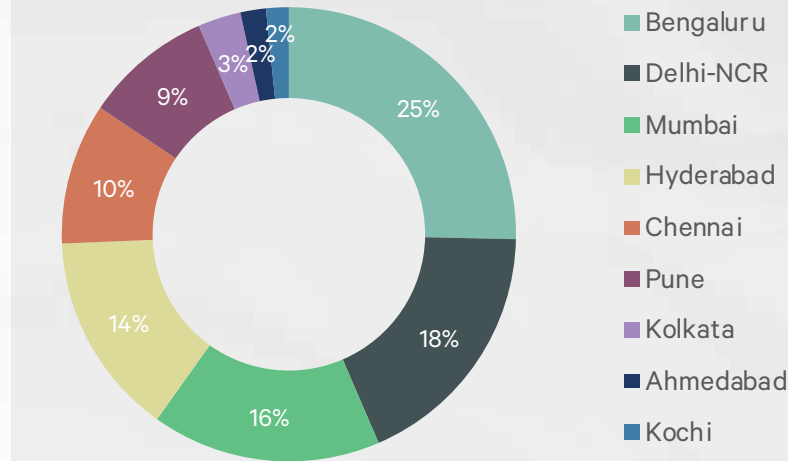
The technology sector accounts for 30-35% of annual absorption, primarily in the commercial hubs of ORR and PBD-W, the key growth areas with a high concentration of global corporations. Additionally, emerging locations in North Bengaluru are attracting significant interest due to improved infrastructure, ample land availability, and competitive rentals. Apart from technology, other sectors such as engineering & manufacturing (E&M), flexible space operators, and banking, financial services & insurance (BFSI) prominently contribute to Bengaluru's commercial dynamism.

Augmenting the city infrastructure

Government entities such as the Bengaluru Metro Rail Corporation Limited (BMRCL) are collaborating with global corporates and major developers to construct accessible transport networks. Prominent instances of such collaborations include the construction of Electronic City Elevated Expressway and direct access through footbridges from metro stations to tech parks in key locations such as Electronic City, ORR, and Whitefield. Such initiatives not only aim to ease commute times and enhance seamless first-and last-mile connectivity for tech park employees but also integrate the public transportation system more closely with the city's major commercial hubs.

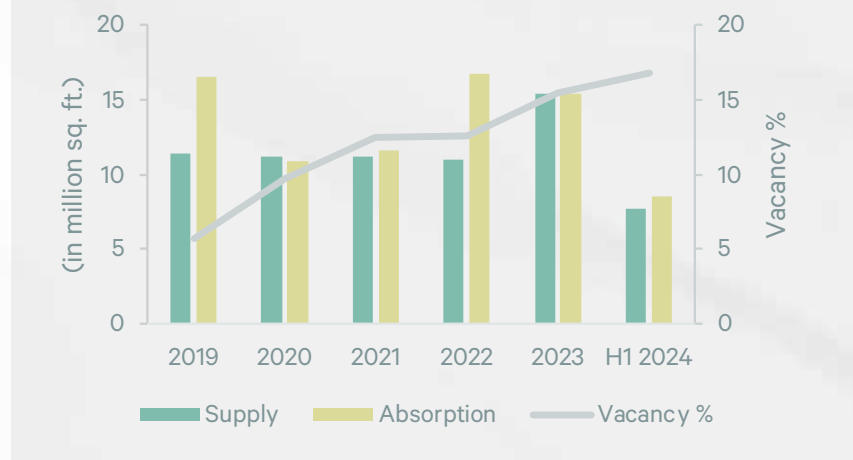
Source: CBRE Research Q2 2024

Figure 3.2. City share of office stock



Source: CBRE Research Q2 2024

Figure 3.3. Bengaluru office supply-absorption trend





Source: CBRE Research Q2 2024

Bengaluru at the Forefront of GCC Industry






Leveraging its strengths as a talent hub and a vibrant technology and startup ecosystem, Bengaluru has cemented its status as the undisputed leader for global capability centres (GCCs). In recent years, the city's GCC landscape has diversified beyond its technology and BFSI roots, welcoming niche and specialised firms from retail, aerospace, and life sciences sectors, further solidifying its position as a multifaceted commercial hub.

41% Share of Bengaluru in India's GCC leasing*



 Top sectors leading the GCC leasing activity in the city

ORR PBD-W Top micro-markets for GCC leasing* in the city

Factors leading to GCC growth in Bengaluru:

-  Skilled talent pool
-  Premium Grade-A assets
-  Well-developed IT ecosystem
-  Ease of doing business
-  Scope of scalability (assets, talent resource)

Source: India's Global Capability Centres Charting a New Technology Era, CBRE Report, 2023, * (2022-H1 2024)

Office 2030

Occupier Trends

- Flight to quality
- Preference for ESG compliant assets
- Portfolio optimisation
- Improved workplace design and amenities
- Employee health and wellness

Developer Trends

- State-of-the-art future-proofed assets
- Higher share of institutional supply
- Robust supply pipeline in select micro-markets of NBD, ORR, PBD-W
- Increased rental premium in well-located assets near upcoming infrastructure projects
- Sustainable features such as waste and water management, renewable energy usage and energy efficiency

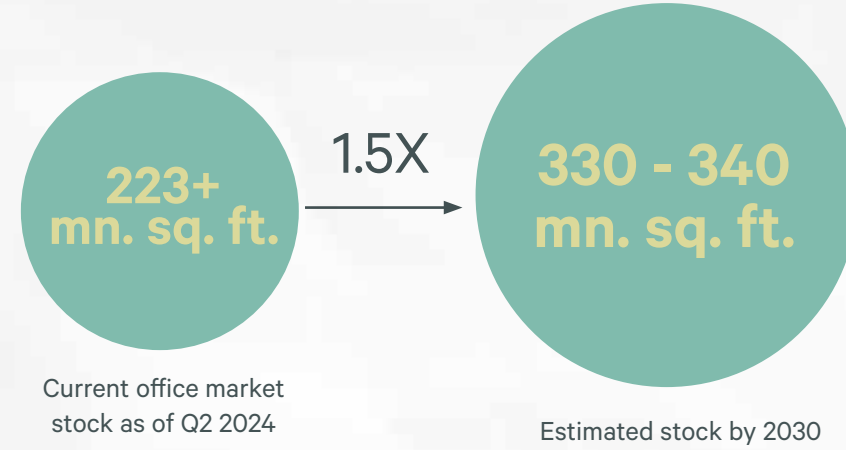


Figure 3.4. Future office demand drivers

Established drivers

- Technology
- Engineering & Manufacturing
- BFSI

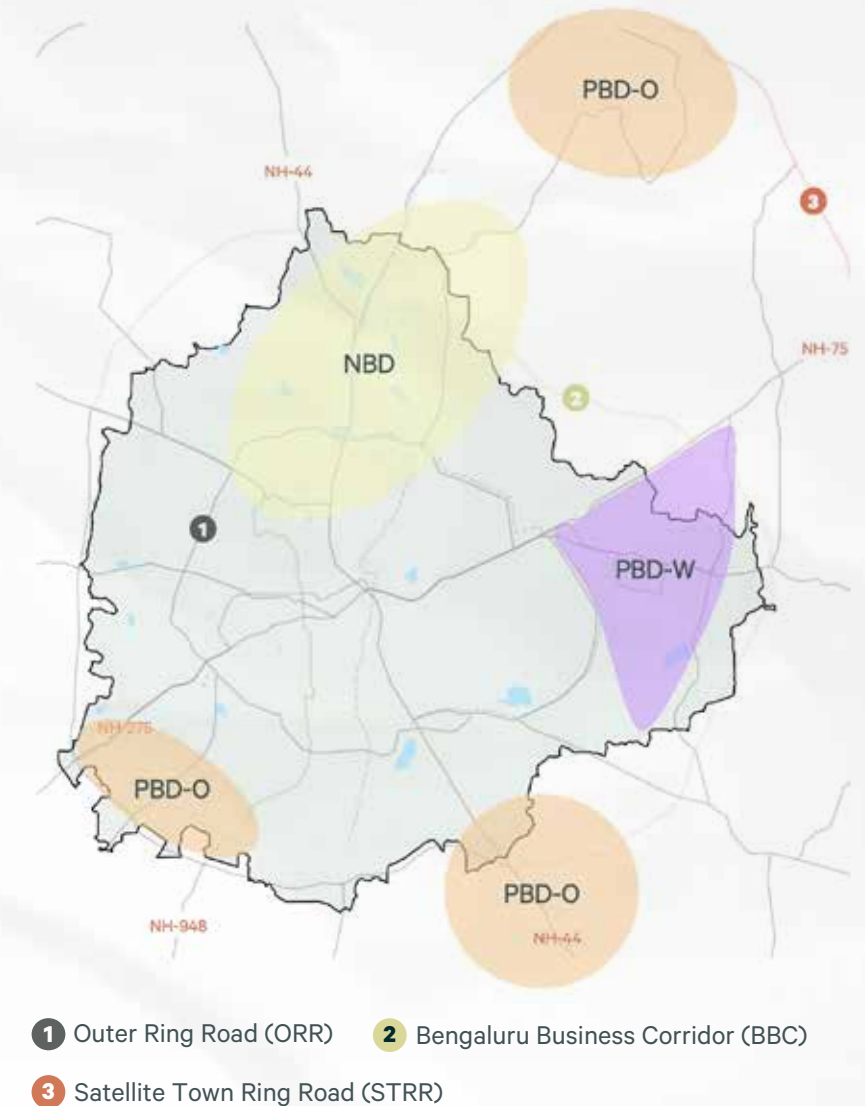
Emerging drivers

- Life sciences
- Aviation
- Automobiles

Table 3.1. Future growth locations

Micro-markets	Future growth locations (near term)	Future growth locations (long term)	Existing and upcoming infrastructure
NBD	Yeshwantpura, Hennur, Nagawara Outer Ring Road	Bellary Road, Yelahanka	Metro (Blue, Green Line), Airport, BBC
PBD-W	Whitefield, Hope Farm, Graphite India Road	Varthur Road, Gunjur, Kadugodi	Metro (Purple Line), BBC
PBD-O	Electronic City	Devanahalli, KIADB Airport Road, Mysore Road, Kanakpura Road	Metro (Yellow, Blue Line), Airport, BBC

Figure 3.5. Future growth locations



Source: CBRE Research Q2 2024

Note: Forecasts are based on current market dynamics. There may be differences between projected and actual results because of change in prediction of events and circumstances at a later stage; Map not to scale. Bubbles shown in the map are indicative of the locations covered under the micro-markets. Source: CBRE Research Q2 2024

Bengaluru's Industrial & Logistic (I&L) Landscape: A Look at Micro-markets

Figure 3.6. I&L Micro-market spread

Stock*
54+ mn. sq. ft.

Key micro-markets
Eastern Corridor
Western Corridor

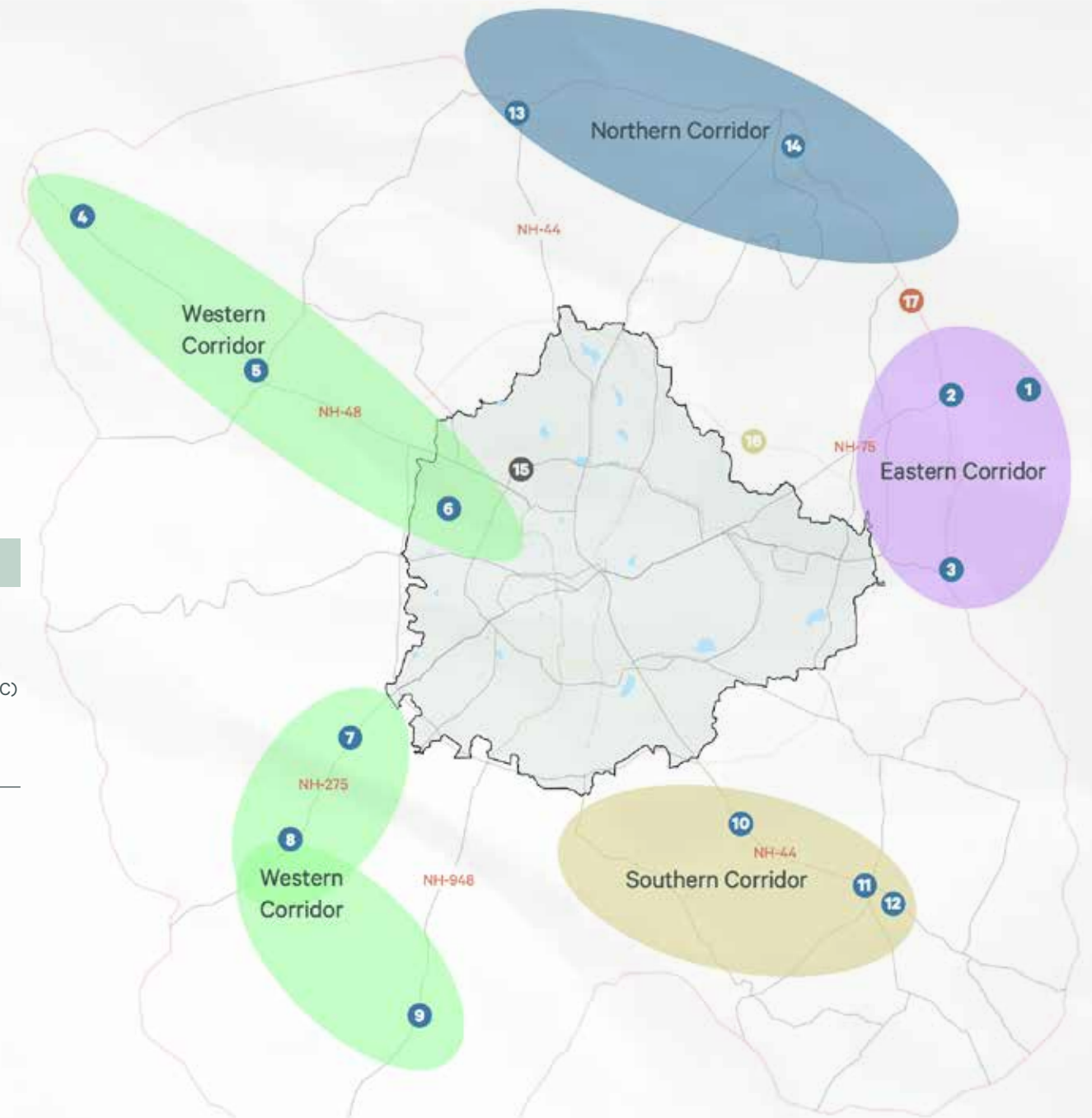
Leading industry segments**

Micro-market	Leading industry sectors
Northern Corridor	
Southern Corridor	
Eastern Corridor	
Western Corridor	

Key Industrial areas

- | | | |
|--------------------------------------|---------------------------------------|--|
| 1 Narasapura Industrial Area | 6 Peenya Industrial Area | 11 Attibele Industrial Area |
| 2 Hoskote Industrial Area | 7 Kumbalgodu Industrial Area | 12 Hosur Industrial Area |
| 3 Malur Industrial Area | 8 Bidadi Industrial Area | 13 Doddaballapur Industrial Area |
| 4 Dobbaspeta Industrial Area | 9 Harohalli Industrial Area | 14 Hi-Tech Defence & Aerospace Park |
| 5 Nelamangala Industrial Area | 10 Bommasandra Industrial Area | |

Note: Map not to scale. Bubbles shown in the map are indicative of the locations covered under the micro-markets; *Stock as of Q2 2024; **Based on data from 2019 to Q2 2024.
Source: CBRE Research Q2 2024



Bengaluru: A Flourishing Industrial and Logistics Hub

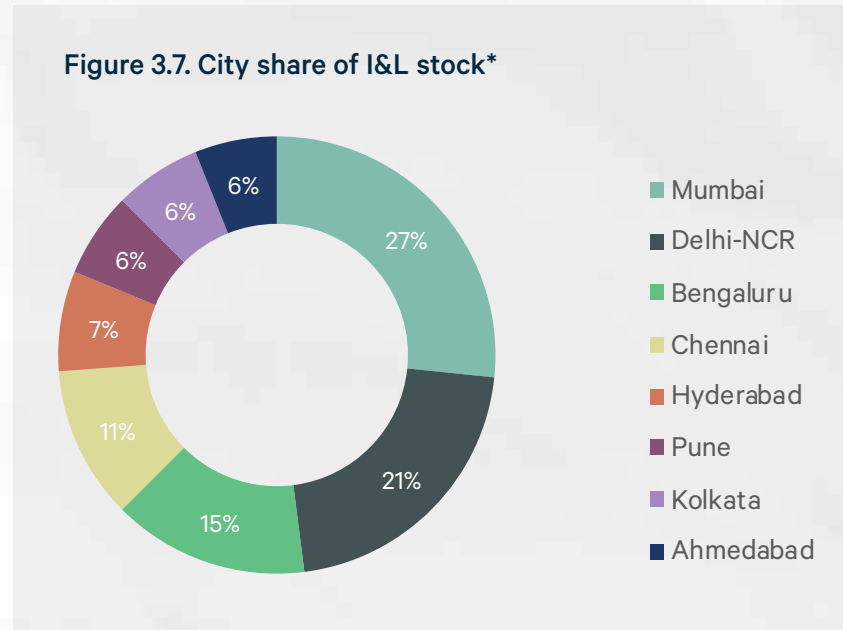
Over the years, Bengaluru has emerged as a key player in India's industrial and logistics (I&L) landscape. The city boasts numerous industrial areas housing a diverse range of manufacturing and industrial units from both domestic and international companies. Increased manufacturing activity, an easing supply chain, excellent infrastructure connectivity, and expansion of third-party logistics (3PL) market, have fuelled demand for warehousing space in Bengaluru with an average annual warehouse absorption of 5-6 million sq. ft. As of Q2 2024, the city boasts over 54 million sq. ft. of warehousing stock, ranking among the top three I&L hubs in India alongside Mumbai and Delhi-NCR (Fig. 3.7). Despite global headwinds and economic slowdown in 2023, the city achieved record-high warehouse completions of 4.6 million sq. ft., with local developers leading the supply additions.

3PL leading the absorption dynamics

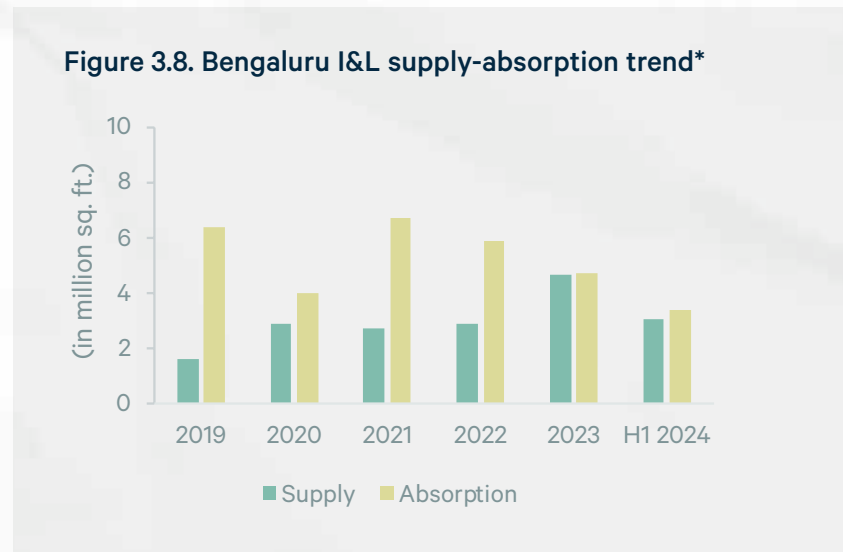
In recent years, the 3PL sector accounted for 45-50% of annual space take-up, with a focus on the Eastern and Western Corridor micro-markets. Other prominent sectors contributing to this absorption include retail, e-commerce, and engineering & manufacturing.

Industrial corridors driving state's I&L growth

Bengaluru's strategic location is further strengthened by its position as a node for three key industrial corridors: the Chennai Bengaluru Industrial Corridor (CBIC) and its extension till Kochi (under construction), the Hyderabad Bengaluru Industrial Corridor (HBIC) (planned), and the Bengaluru Mumbai Industrial Corridor (BMIC) (planned). This advantageous positioning is expected to further bolster Bengaluru's I&L traction in the future.



Source: CBRE Research Q2 2024



Source: CBRE Research Q2 2024

Bengaluru: A Rising Star in DC Markets

Bengaluru is rapidly establishing itself as a thriving data centre (DC) market in India. As of Q2 2024, the city boasts 105 MW of DC stock, capturing around 8% of the national share.

This growth is fuelled by Bengaluru's position as a hub for innovation and technology. Companies are increasingly embracing advanced technologies such as Artificial intelligence (AI), Internet of Things (IoT), cloud computing, and Big Data, driving the need for digitisation and data storage.

Beyond its thriving technology landscape, the city offers several advantages as a data centre location. The city benefits from being situated in a seismically stable zone and strategically located near Chennai's prominent cable landing stations, making it an attractive option for DC operators.


Furthermore, the state government's Data Centre Policy launched in 2022 is expected to attract further investment from global players, solidifying Bengaluru's DC footprint in the coming years.




Source: CBRE Research Q2 2024; *Includes only warehousing data, does not include industrial data

I&L 2030


Occupier Trends




New-age warehousing with better storage facilities and safety standards




Flight to quality




Space take-up closer to industrial / commercial, key transportation nodes due to rising transportation costs



3PL players to dominate




Adoption of AI and automation




Adoption of 'multipolar' supply chain strategies


Developer Trends




Investment in land banks closer to new / upcoming infrastructure




Future supply of ESG-compliant smart warehousing assets



Focus on supply of in-city warehouses



Increased rental premium in well-located assets nearby upcoming infrastructure developments



Sustainable features such as waste and water management, renewable energy usage, and energy efficiency

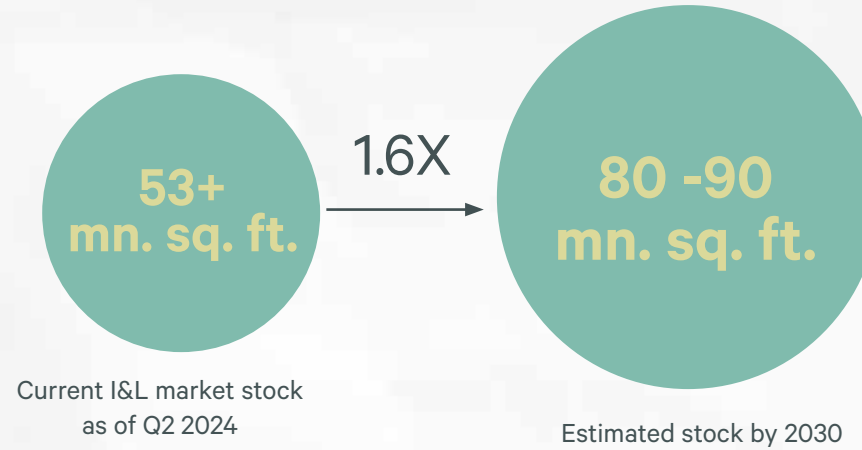


Figure 3.9. Future I&L demand drivers

Established drivers



3PL



Retail



Engineering & manufacturing

Emerging drivers

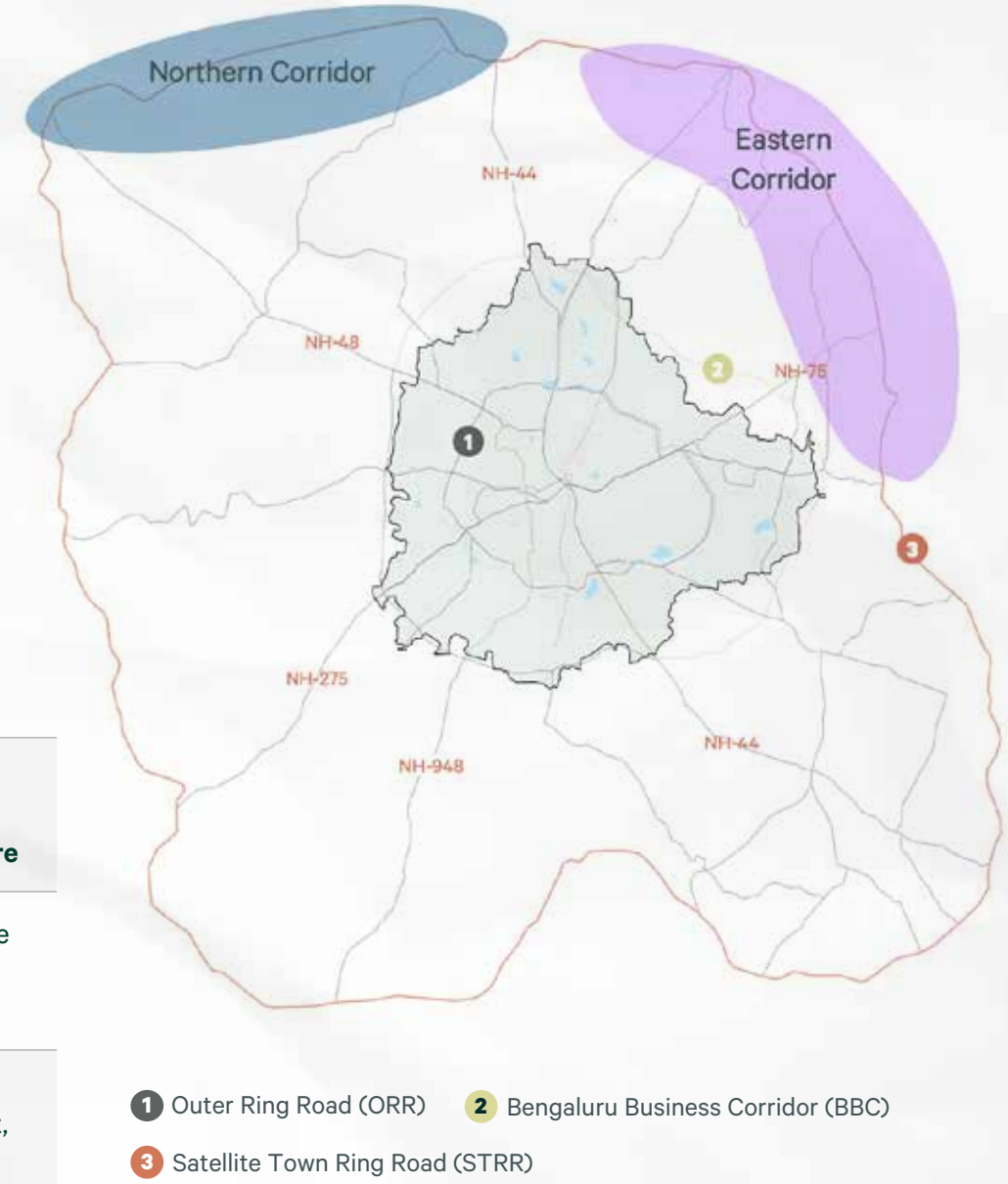


Aerospace engineering

Table 3.2. Future growth locations

Micro-markets	Future growth locations (near term)	Future growth locations (long term)	Existing and upcoming infrastructure
Locations along STRR covering Eastern and Northern Corrido	Eastern Corridor- Hoskote to Devanahalli, Chintamani, Narasapura	Malur, Bagalur-Malur Road	Metro (Purple Line), BBC, STRR
	Northern Corridor- Dobbaspeta to Doddaballapur	Doddaballapur to Devanahalli, Vemagal, Jangamakote	Metro (Blue Line), Airport, BBC, STRR

Figure 3.10. Future growth locations



Note: Forecasts are based on current market dynamics. There may be differences between projected and actual results because of change in prediction of events and circumstances at a later stage; Map not to scale: Bubbles shown in the map are indicative of the locations covered under the micro-markets. Source: CBRE Research Q2 2024

Bengaluru's Retail Landscape: A Look at Micro-markets

Stock*
16+ mn. sq. ft.

Key micro-markets
South | North
East

Leading industry segments**



Micro-market	Leading industry sectors
Central	
East	
North	
South	
West	
South-East	

Legend

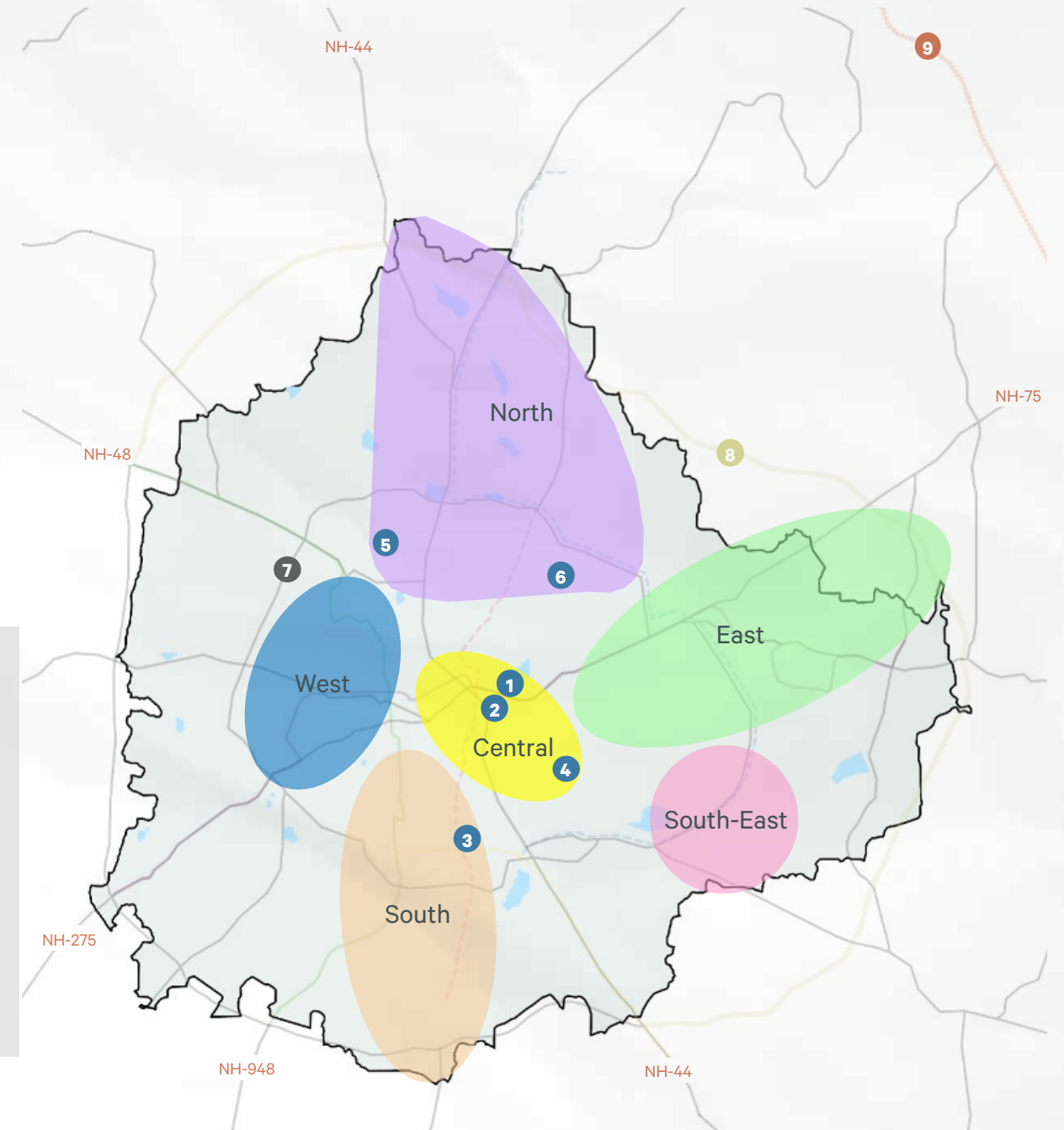
- 7 Outer Ring Road (ORR)
- 8 Bengaluru Business Corridor (BBC)
- 9 Satellite Town Ring Road (STRR)

- Fashion & Apparel
- Entertainment
- Homeware & Departmental store
- Food & Beverage (F&B)
- Hypermarket
- Health & Personal Care

Key High Street Locations

- 1 Commercial street
- 2 Brigade road
- 3 Jayanagar
- 4 100 Feet road, Indiranagar
- 5 New BEL road
- 6 Kammanahalli / HRBR layout

Figure 3.11. Retail micro-market spread



Source: CBRE Research Q2 2024

Note: Map not to scale. Bubbles shown in the map are indicative of the locations covered under the micro-markets; *Stock as of Q2 2024; **Based on data from 2019 to Q2 2024.

Bengaluru: A Retail Hub in the Making

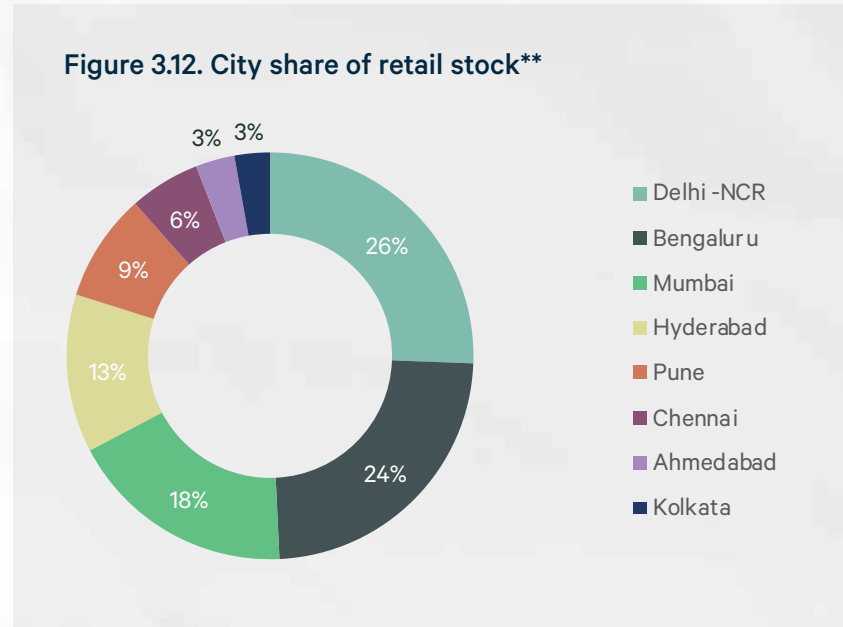
Traditionally, Bengaluru's retail landscape was dominated by standalone stores in the central and western parts of city. However, the booming IT industry led to a diverse population with a growing demand for high-quality, organised retail spaces. This shift was marked by the opening of Nexus Koramangala in 2004, the city's first mall, offering a one-stop destination for shopping, dining, and entertainment.

Over the past decade, Bengaluru's retail stock has more than doubled, from 7.2 million sq. ft. in 2013 to over 16 million sq. ft. in Q2 2024, currently holding the second-highest share among the top eight Indian cities (Fig 3.12).

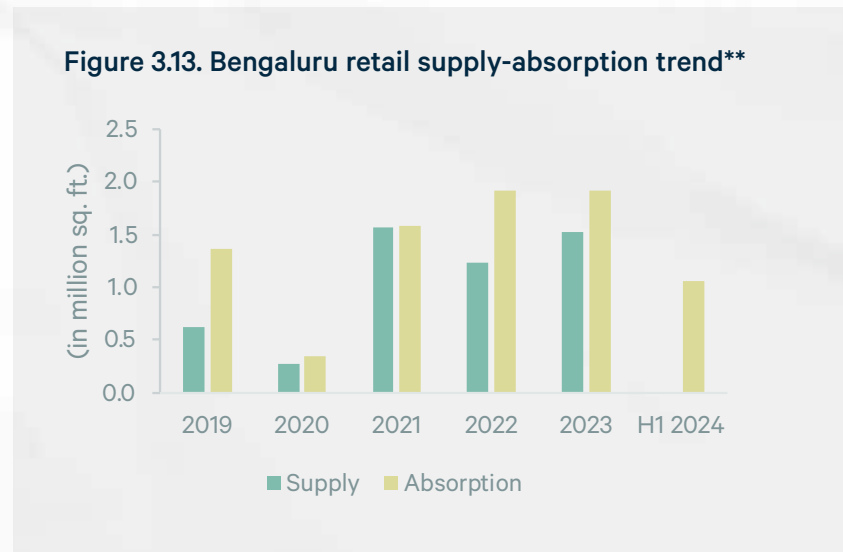
Key demand drivers

Several factors have cemented Bengaluru's leading role in retail absorption within the country for the past few years - the introduction of major malls, growing brand awareness, rising disposable income, and a preference for organised retail experiences. This has resulted in an average annual absorption of 1.5-2 million sq. ft.

Bengaluru leads India in the number of Retail REIT malls, housing three of the nation's 17 listed malls. Absorption is primarily driven by entertainment, fashion & apparel, and homeware & department stores, each accounting for about 20-30% of the annual demand, concentrated in prominent micro-markets across North and South Bengaluru.



Source: CBRE Research Q2 2024



Source: CBRE Research Q2 2024

Bengaluru: A Vibrant High Street Destination

Bengaluru thrives with bustling high streets, offering a diverse mix of shops ranging from fashion and homeware to department stores and food & beverage outlets. Situated near major residential areas, these high streets have undergone a significant transformation in recent years. Once traditional markets, they have evolved into modern shopping destinations attracting both established national and international brands. This modernisation includes improvements such as enhanced parking facilities, increased store visibility, and engaging storefront designs, all contributing to a richer consumer experience.



Top high street locations

- Commercial Street, Indiranagar (100ft Road)



Fashion & Apparel



F & B

Top sectors leading high street leasing



Source: CBRE Research Q2 2024; *Nexus Select Trust, India's first publicly listed retail REIT; **Stock and supply includes data for malls, absorption includes data for malls, high street and standalone

Retail 2030

Occupier Trends



Flight to quality



Improved design and layouts increasing store visibility



Luxury brands expected to strengthen their footprint across various retail formats



Enhancement of in-store experiences through technological upgrades, consumer engagement, space redistribution, and personalised services



Focus on locations with high footfall, visibility, and favourable consumer demographic

Developer Trends



Investment-grade asset supply



Robust supply pipeline in select micro-markets of North and South Bengaluru



Enhanced entertainment concepts catering to various age groups



Increased rental premium in well-located assets near upcoming infrastructure



Sustainable features such as waste and water management, renewable energy usage, and energy efficiency

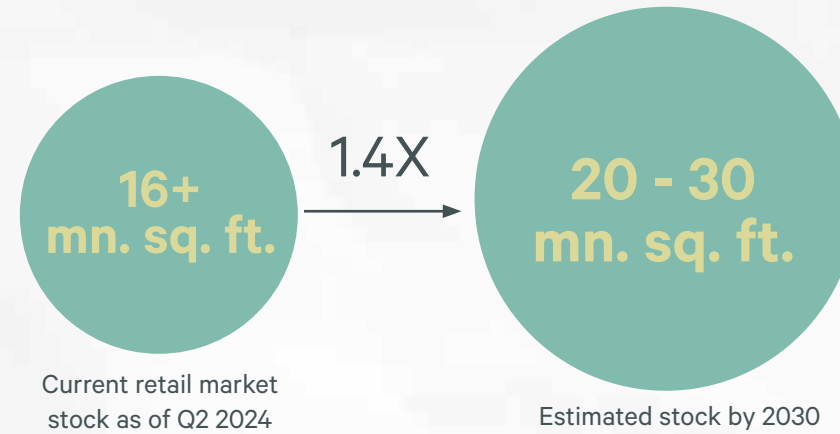


Figure 3.14. Future retail demand drivers

Established drivers



Fashion & Apparel



Entertainment



F&B

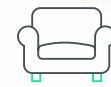
Emerging drivers



Luxury



Consumer Durables and IT product (CDIT)

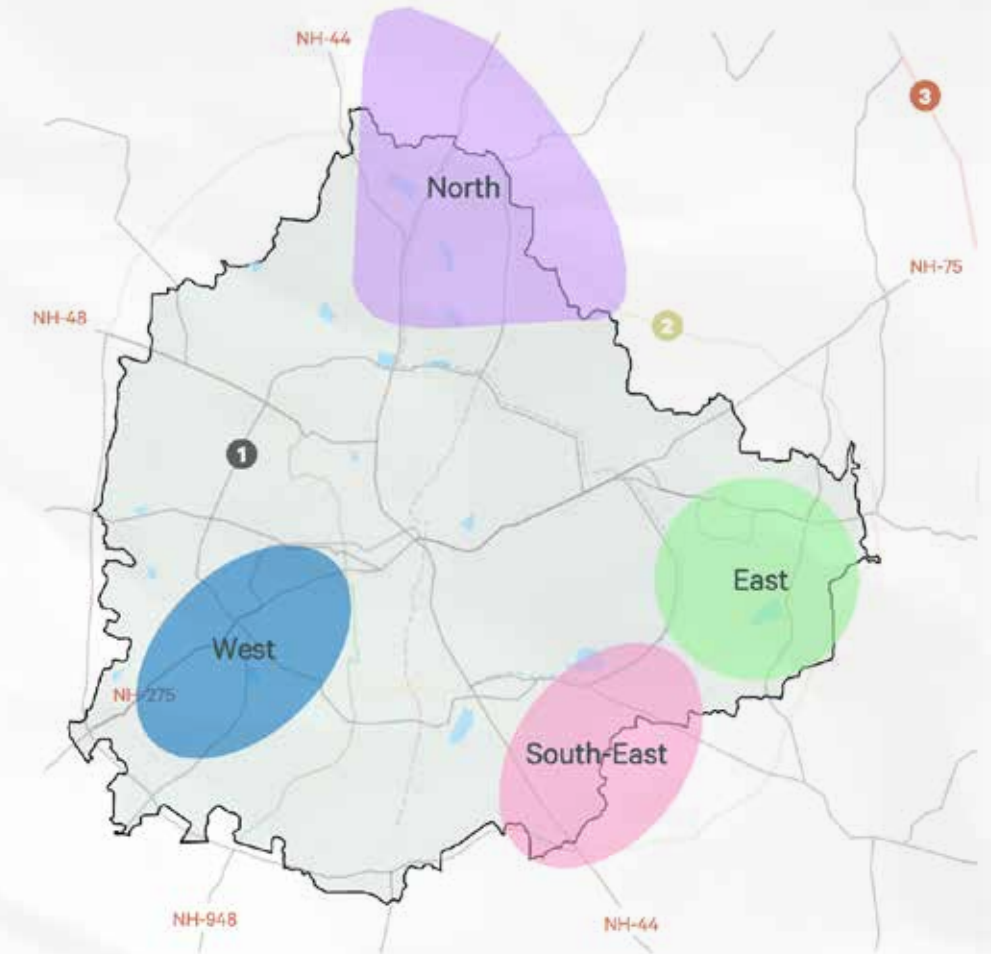


Homeware & Department Store

Table 3.3. Future growth locations

Micro-markets	Future growth locations (near term)	Future growth locations (long term)	Existing and upcoming infrastructure
North	Bellary road, Yelahanka	Airport road, Bagalur	Metro (Blue Line), Airport
South-East	ORR, Marathahalli	Sarjapur road	Metro (Blue Line)
East	Whitefield	Varthur road, Kadugodi	Metro (Purple Line)
West		Mysore Road, Rajarajeshwari Nagar	Metro (Purple Line)

Figure 3.15. Future growth locations



- 1 Outer Ring Road (ORR)
- 2 Bengaluru Business Corridor (BBC)
- 3 Satellite Town Ring Road (STRR)

Source: CBRE Research Q2 2024

Note: Forecasts are based on current market dynamics. There may be differences between projected and actual results because of change in prediction of events and circumstances at a later stage; Map not to scale. Bubbles shown in the map are indicative of the locations covered under the micro-markets.
Source: CBRE Research Q2 2024

Bengaluru's Residential Landscape : A Look at Micro-markets

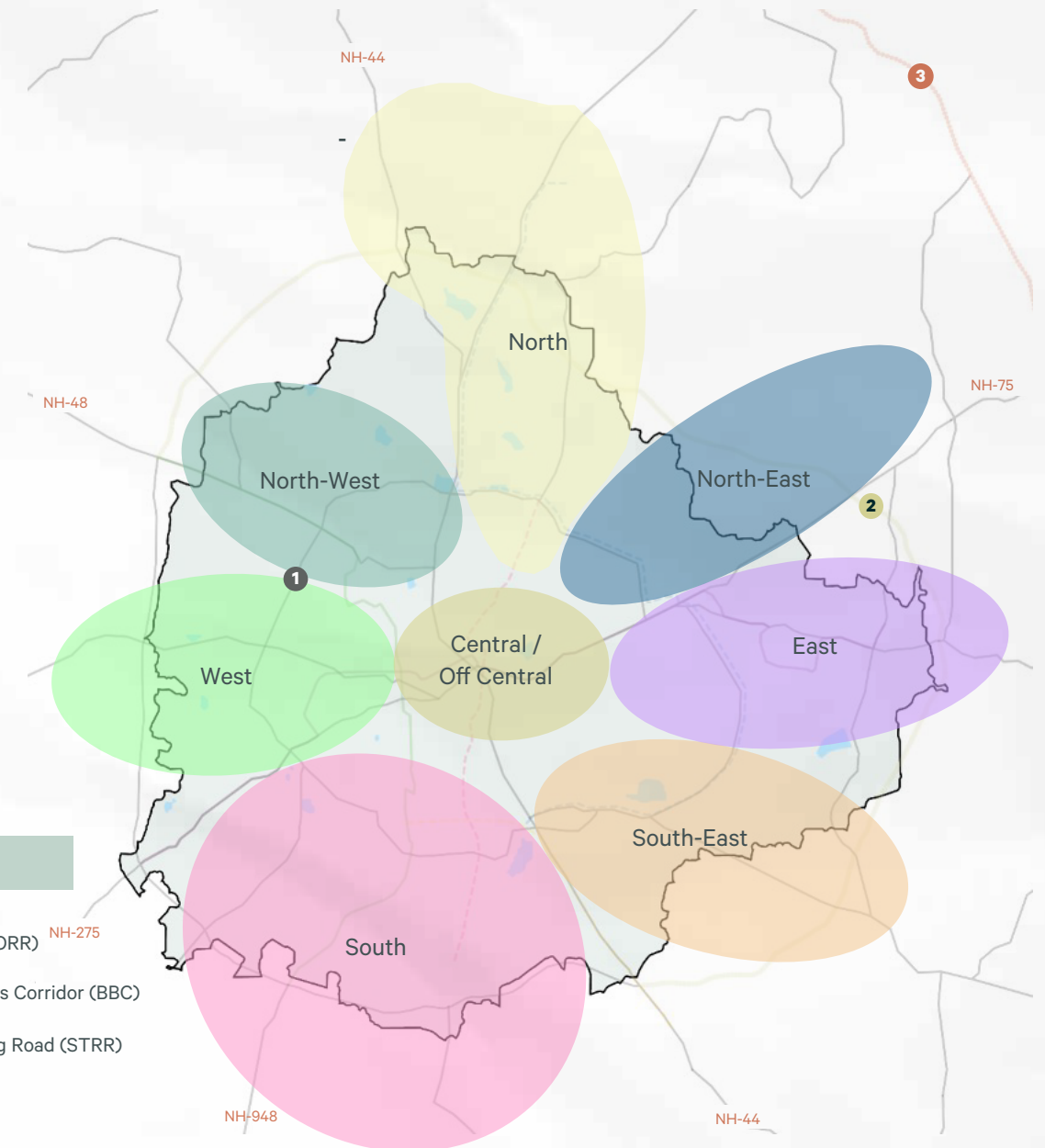
Figure 3.16. Residential micro-market spread

Stock* **6 Lakh** | Key micro-markets **East | North | South** | Leading city segments** **Mid-End | Budget#**

Micro- market	Stocks* (lakh units)
Central/ off Central	0.05
East	1.32
North	1.24
South	1.64
West	0.29
South – East	1.04
North – West	0.22
North – East	0.18

Note: Map not to scale; Bubbles shown in the map are indicative of the locations covered under the micro-markets; *Stock as of Q2 2024; **Based on data from 2019 to Q2 2024; #Price-ranges for different residential segments have been provided in table 6.2 in the Annexure. Values are indicative of apartments and do not include villas and plotted developments.

Source: CBRE Research Q2 2024



Legend

- 1 Outer Ring Road (ORR) NH-275
- 2 Bengaluru Business Corridor (BBC)
- 3 Satellite Town Ring Road (STRR)

Bengaluru's Residential Transformation: From Central Hubs to Bustling Catchments

Bengaluru's residential landscape has undergone a remarkable transformation over the past few decades. Initially concentrated in central areas such as Basavanagudi, Jayanagar, Malleshwaram and Ulsoor, the city expanded outwards to accommodate a growing population. The booming IT industry played a pivotal role in this expansion. Seeking affordable land for tech parks, developers ventured to the outskirts, such as ORR and Whitefield. This spurred the development of nearby residential areas, transitioning from primarily individual houses to thriving apartments.

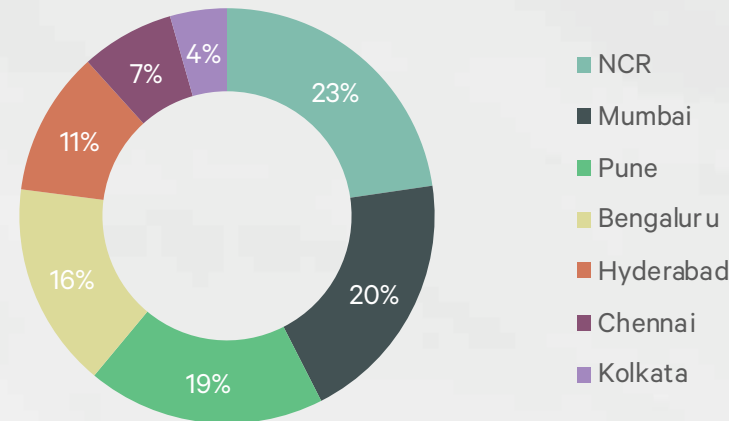
Dynamic growth of Bengaluru residential market

The city's residential stock nearly doubled from 2.9 lakh units in 2013 to almost 6 lakh in Q2 2024. This places Bengaluru among the top four contributors to India's residential stock, alongside Delhi NCR, Mumbai, and Pune (Fig. 3.17). South, East, and North remain the city's most active markets.

The year 2023 marked a significant year for the city's residential sector, witnessing almost 40,000 unit launches and 55,000 unit sales, primarily driven by the mid-segment housing. Factors such as rental appreciation, return to office trends, and improved infrastructure contributed majorly to this upward trajectory of improved sales in the city. This led to the city's unsold inventory dropping to its lowest level ever, falling to less than 10%.

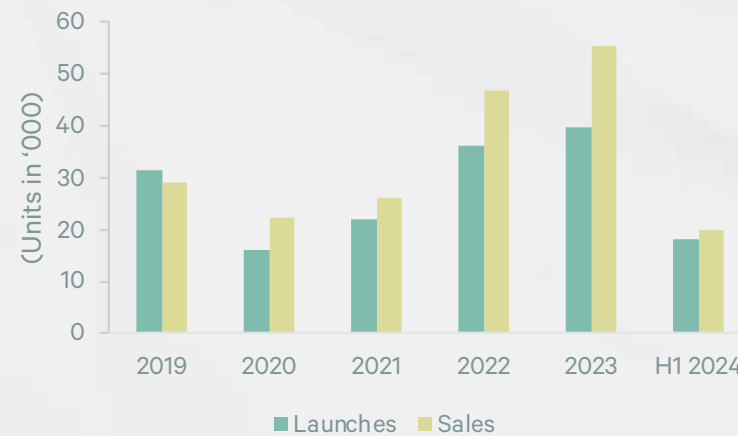
Source: CBRE Research Q2 2024

Figure 3.17. City share of residential stock



Source: CBRE Research Q2 2024

Figure 3.18. Bengaluru residential launches and sales



Source: CBRE Research Q2 2024

Factors leading to the growth of Bengaluru's residential market

- Thriving IT/ITeS sector
- Improved infrastructure
- Rapid urbanisation and migration
- Improved economic conditions
- Changing lifestyle
- Favourable government policies

Changing Preferences in Bengaluru's Residential Market

Over the past few years, Bengaluru's residential market has seen a shift in buyer preferences favouring gated communities and plotted developments. These offer greater design flexibility, customisation options, and a connection to nature through open spaces. Additionally, home ownership extends beyond the built structure to the land itself.

The trend towards plotted developments gained significant momentum during the pandemic, which saw the rise of hybrid work models and prioritization of personal health and well-being. These developments are primarily located in the peripheral South-East, East, South, and North micro-markets, where larger land parcels are available at competitive prices.

Residential 2030

Buyer Trends



Construction quality, timely completions and developer reputé



Thriving physical and social infrastructure



Technology-enabled smart homes



Facility and amenities



Focus on health and wellness

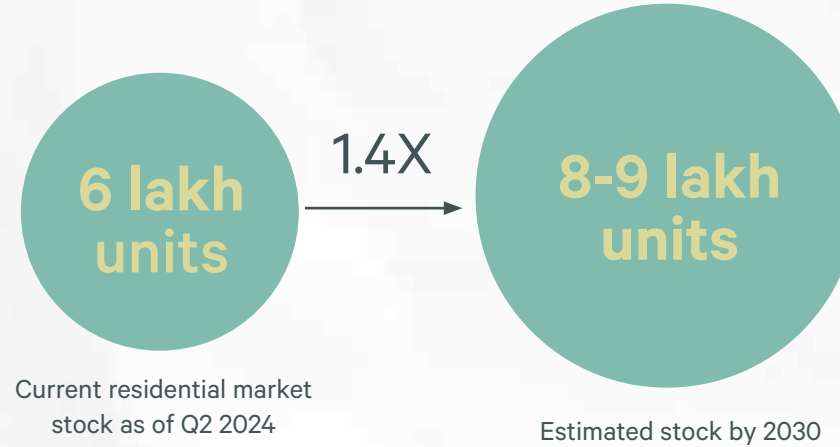
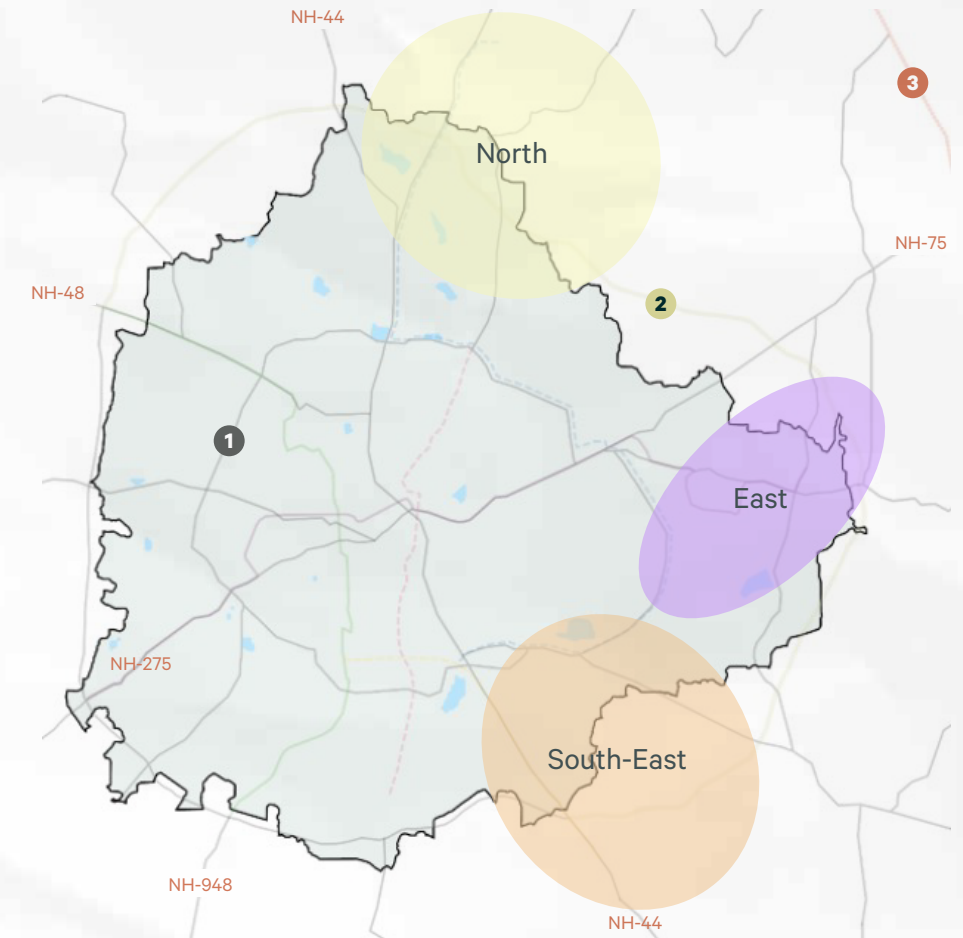


Table 3.4. Future growth locations

Micro-markets	Future growth locations (near term)	Future growth locations (long term)	Existing and upcoming infrastructure
North	Yelahanka, Bellary Road, Bagalur, Thanisandra Road, Kogilu Road	Devanahalli, Budigere, Bellary Road-Doddaballapur Road	Metro (Blue Line), Airport, BBC
East	Whitefield, Varthur Road, Old Madras Road (OMR)	Soukya Road, Channasandra Main Road to Chikka Tirupati	Metro (Purple Line), BBC
South-East	Sarjapur-Attibele Road	Chandapura, Off-Hosur Road	Metro (Blue Line), BBC

Figure 3.19. Future growth locations



- 1 Outer Ring Road (ORR)
- 2 Bengaluru Business Corridor (BBC)
- 3 Satellite Town Ring Road (STRR)

Note: Forecasts are based on current market dynamics. There may be differences between projected and actual results because of change in prediction of events and circumstances at a later stage; Map not to scale. Bubbles shown in the map are indicative of the locations covered under the micro-markets. Source: CBRE Research Q2 2024

A rundown on trends anticipated by 2030 in Bengaluru

Over the next few years Bangalore is expected to grow extensively in the peripheral regions of the northern, eastern and southern catchments of the city across sectors. Coupled with the availability of large-sized land parcels and multiple upcoming infrastructure initiatives, the commercial sector is slated to expand significantly in the northern, eastern and southern parts. The residential and retail sectors are also expected to expand in the adjoining catchment areas. On similar lines, the warehouse segment is also likely to expand in the northern and eastern peripheral land parcels surrounding the STRR, thus establishing a strong logistical network with adjoining satellite towns and states. This would also cater to the residential projects in adjacent locations. This interconnected development would foster a symbiotic relationship between all four sectors, completing the overall ecosystem.

Table 3.5. Bengaluru 2030 Summary

Sector	Stock as of Q2 2024	Expected stock growth by 2030	Micro-markets / locations expected to witness growth	Trends driving overall growth
 Office	223+ mn. sq. ft.	1.5x	Near term- Yeshwantpura, Hennur, Nagawara Outer Ring Road, Whitefield, Hope Farm, Graphite India Road, Electronic City Long Term- Bellary Road, Yelahanka, Varthur Road, Gunjur, Kadugodi, Devanahalli, KIADB Airport Road, Mysore Road, Kanakpura Road	<ul style="list-style-type: none"> • Flight to quality • Assets with sustainable features • Improved workplace design and amenities with focus on employee health and wellness • Technology, engineering & manufacturing, and BFSI expected to drive the demand • Emerging sectors such as life sciences, aviation and automobiles are also expected to contribute to the overall demand
 Industrial & Logistics	53+ mn. sq. ft.	1.6x	Near term- Hoskote to Devanahalli, Chintamani, Narasapura, Dobbaspeta to Doddaballapur Long Term- Malur, Bagalur-Malur Road, Doddaballapur to Devanahalli, Vemagal, Jangamakote	<ul style="list-style-type: none"> • New-age warehousing with adoption of AI, automation, and sustainable features • Adoption of ‘multipolar’ supply chain strategies • Investment in land banks closer to new / upcoming infrastructure • 3PL, retail, engineering and manufacturing expected to drive the demand • Emerging sectors such as aerospace engineering are also expected to contribute to the overall demand
 Retail	16+ mn. sq. ft.	1.4x	Near term- Bellary Road, Yelahanka, ORR, Marathahalli, Whitefield Long Term- Airport Road, Bagalur, Sarjapur Road, Varthur Road, Kadugodi, Mysore Road, Rajarajeshwari Nagar	<ul style="list-style-type: none"> • Enhanced retail experiences through improved design, entertainment concepts, technological upgrades, consumer engagement, space redistribution, and personalised services • Investment-grade asset supply with sustainable features • Fashion & Apparel, entertainment, and F&B sectors expected to drive the demand • Emerging sectors such luxury retail, CDIT, homeware and department store are also expected to contribute to the overall demand
 Residential	6 lakh units	1.4x	Near term- Yelahanka, Bellary Road, Bagalur, Thanisandra Road, Kogilu Road, Whitefield, Varthur, Old Madras Road (OMR), Sarjapur-Attibele Road Long Term- Devanahalli, Budigere, Bellary Road- Doddaballapur Road, Soukya Road, Channasandra Main Road to Chikka Tirupati, Chandapura, Off-Hosur Road	<ul style="list-style-type: none"> • Technology-enabled smart homes with adequate facilities and amenities • Low-density projects emphasising the importance of open spaces • Spacious units with sustainable features

Source: CBRE Research Q2 2024

4

Emerging cities set to drive the state's growth





BELAGAVI



Belagavi Airport



Major highways- NH 4, NH 4A, SH 20; part of Golden Quadrilateral



Key industries- Aerospace engineering (India's first aerospace SEZ), automobile, textile, and heavy machine tool manufacturing



2nd largest exporter of the state with a total GDP of INR 159.65 billion³¹



3rd highest GDDP (Gross District Domestic Product) in Karnataka³⁰



Smart City



Contributes 4% to the state's GDP, ranking 3rd among all districts within the state during 2022-23



HUBLI – DHARWAD



Hubli Airport



Major highways- NH 4, NH 63, NH 218; part of Golden Quadrilateral



Key industries- IT/ITeS, textile, automobile, food processing, chemical, pharmaceutical, electronics manufacturing and industrial valve manufacturing



2nd largest municipal corporation in Karnataka



Greenfield industrial node as part of Bengaluru Mumbai Industrial Corridor (BMIC)



Smart City

Source: CBRE Research Q2 2024;

30. Karnataka Economic Survey 2023-24; 31. Invest Karnataka;



MANGALURU



Mangaluru International Airport



Major highways- NH 66, NH 48



Key industries- Chemical, petrochemical, IT/ITeS, tourism, food processing, biotechnology, industrial and logistics



New Mangalore Port- biggest and only major port in Karnataka



Smart City



Dakshin Kannada district (encompassing Mangaluru) has the 2nd highest GDDP in Karnataka³²



MYSURU



Mysuru Airport



Major highways- NH 275, NH 766, SH 17, SH 88



Key industries- IT/ITeS, textile, tourism, automobile, chemical, pharmaceutical, biotechnology, electronics and heavy machinery manufacturing



5th highest GDDP in Karnataka³²



Recognised as a cluster for digital economic development under the 'Beyond Bengaluru' initiative by Karnataka Digital Economy Mission (KDEM)

Source: CBRE Research Q2 2024;
32. Karnataka Economic Survey 2023-24



SHIVAMOGGA



Shivamogga Airport



Major highways- NH 13, NH 206



Key industries- Automobile, food processing, tourism, IT/ITeS



Smart City



6th highest GDDP in Karnataka³³



TUMAKURU



Smart City



Major highways- NH 4, NH 206, NH 48.



Key industries- Textile, food processing, electronics manufacturing



Priority node as part of Chennai Bengaluru Industrial Corridor (CBIC)



4th highest GDDP in Karnataka³³

Source: CBRE Research Q2 2024;
33. Karnataka Economic Survey 2023-24

5

Way forward

What is Next for Karnataka?

Karnataka aspires to reach a USD 1 trillion economy by 2032³⁴. Realizing this vision hinges on leveraging existing strengths and crafting comprehensive strategies. Supportive government policies and a streamlined business environment will be crucial, attracting investments in key growth sectors.

The 'Beyond Bengaluru' program exemplifies this commitment. By focusing on developing other cities alongside the tech hub, the government fosters a balanced and inclusive economic landscape across Karnataka. Here are five strategic pillars which can help to accelerate the growth and enable the state to reach its target.



Technology

Karnataka's vibrant tech infrastructure must continue to evolve to retain its edge. Developing premium, sustainable tech spaces with cutting-edge facilities would be the key. Additionally, prioritizing employee experience strengthens the state's appeal for both skilled workers and global corporations seeking Indian GCC locations.



Innovation

To fuel economic growth, the state should prioritize R&D facilities for its commercial and industrial sectors. These hubs would attract global investment by fostering innovation and progress.



Manufacturing

Invest in high-end manufacturing with AI and robotics. Backed by supportive policies, this would boost business activity, attract investment, and drive demand for storage and warehousing.



Infrastructure

Upgrade state infrastructure (physical & social) to solidify its foundation. This includes transportation, utilities, schools, parks, and entertainment centers. This strengthens the state's core, boosting commercial, industrial, retail, and residential activity.



Sustainability

Implementing sustainable initiatives would elevate Karnataka's status as a leading sustainable state, complementing its position as a premier technology hub in the global market.

34. Karnataka: A \$1 Trillion GDP Vision

6

Annexure

Table 6.1. Key Infrastructure Initiatives in and around Bengaluru

Initiative	Status	Description
Bengaluru Metro Rail(Phase I - Purple & Green Lines)	The Baiyappanahalli to Whitefield stretch (Purple Line) is operational. The Hesaraghatta Cross to BIEC stretch (Green Line) is expected to become operational by the end of 2024 ³⁵ .	<ul style="list-style-type: none"> The Purple Line has helped in decongesting the key commercial hub of Whitefield. On completion, the Green Line is expected to enhance connectivity between important residential locations of South Bengaluru with the rest of the city.
Bengaluru Metro Rail(Phase II – Yellow Line)	The Yellow Line (RV Road to Bommasandra) is expected to become operational by the end of 2024 ³⁵ .	<ul style="list-style-type: none"> The stretch is approximately 19.15 km long and is currently undergoing extensive trial runs and signalling tests³⁵. This project would ease out several bottlenecks in prominent locations of the southern periphery of the city, such as Electronic City, Bannerghatta Road, and Dairy Circle, while enhancing their connectivity with the central, northern and eastern parts of the city.
Bengaluru Metro Rail(Phase II – Pink Line)	The Pink Line (Kalena Agrahara to Nagawara) is currently under construction and is expected to become operational in 2025 ³⁵ .	<ul style="list-style-type: none"> The stretch is anticipated to be approximately 21.2 km long³⁵. This line would provide direct connectivity to important landmarks and institutions located in the South-West part of Bengaluru.
Bengaluru Metro Rail(Phase II A & II B – Blue Line)	The Blue Line (Central Silk Board to Kempegowda International Airport) is currently under construction and is expected to become operational in 2026 ³⁵ .	<ul style="list-style-type: none"> Once operational, this line is expected to be the longest line in the Bengaluru metro network. It is expected to be a potential gamechanger providing excellent connectivity between the predominant commercial corridor along the ORR and the international airport.
Bengaluru Metro(Phase III)	Proposed and is expected to become operational in 2028 ³⁵ .	<ul style="list-style-type: none"> Phase III is expected to comprise of three lines, from J P Nagar 4th Phase to Kempapura (Orange Line), from Hosahalli to Kadabagere (Silver Line), and from Hebbal to Sarjapur (Red Line), spanning over 79 km³⁵. These lines are expected to further improve the connectivity of the peripheral locations in east and west with the rest of the city.
Bengaluru Chennai Expressway	The expressway is currently under construction and is expected to become operational by the end of 2024 ³⁵ .	<ul style="list-style-type: none"> The Bengaluru - Chennai Expressway (approx. 260 km in length) is an approved four-lane (expandable to eight) access route connecting Hoskote in Bengaluru with Sriperumbudur in Chennai³⁵. On its completion, it is expected to significantly reduce the travel time between Bengaluru and Chennai by four hours.

Source: CBRE Research Q2 2024; 35. Bengaluru Metro Rail Corporation Limited (BMRC)

Initiative	Status	Description
Satellite Town Ring Road (STRR)	The first phase of the project, spanning 80 km, comprising the Dobbaspete-Hoskote stretch, has become operational. The road is expected to become fully operational in 2025.	<ul style="list-style-type: none"> • The project, connecting twelve major satellite towns* around Bengaluru, spans 288 km. • The STRR will improve connectivity between the satellite towns and the city, making it easier for businesses to operate and people to access services.
Chennai Bengaluru Industrial Corridor (CBIC)	The project is under-construction with an expected completion timeline of 2025 ³⁶ .	<ul style="list-style-type: none"> • Three nodes namely Tumakuru in Karnataka, Krishnapatnam in Andhra Pradesh and Ponneri in Tamil Nadu have been identified for development under CBIC³⁶. • It is expected to give a major boost to I&L activities in South India.
Bengaluru Business Corridor(BBC)	This project is proposed with an expected completion timeline of 2027.	<ul style="list-style-type: none"> • The BBC is anticipated to be 74-km long and 100 metres wide with eight lanes and four service lanes. • This project is expected to link the NICE Road stretch between Hosur Road and Tumakuru Road and improve connectivity of Bengaluru with its regional counterparts.
Suburban Rail Project	The project is currently under construction and is expected to become operational in 2028 ³⁷ .	<ul style="list-style-type: none"> • This rail project is proposed over a stretch of approximately 148 km and 57 stations³⁷. • It is being developed in four phases, namely Sampige Line, Mallige Line, Parijaata Line, and Kanaka Line³⁷. • The project is expected to serve the travel purposes of people living in the peripheral areas of Bengaluru, providing seamless connectivity with the rest of the city.
Inter-state Mass Rapid Transit System (MRTS)	Proposed	<ul style="list-style-type: none"> • This project has been proposed as a link connecting Karnataka’s IT hub to Tamil Nadu’s industrial hub. • The line is expected to be about 20.5-km long. The feasibility report for it is currently underway. It is anticipated to encourage further growth and development of the industrial town.
Bengaluru Mumbai Industrial Corridor (BMIC)	Proposed	<ul style="list-style-type: none"> • The BMIC is intended to facilitate the development of a well-planned and resource-efficient industrial base in Karnataka and Maharashtra. • The two nodes identified for development under this project are the Dharwad Node in Karnataka, and the Satara Node in Maharashtra.
Hyderabad Bengaluru Industrial Corridor(HBIC)	Proposed	<ul style="list-style-type: none"> • The HBIC’s growth impact is expected to spread across three states- Telangana, Andhra Pradesh, and Karnataka. • This is an extension of the Hyderabad Nagpur Industrial Corridor (HNIC) with an objective to connect central and southern parts of the country

Note: *Dobbaspete, Devanahalli, Doddaballapur, Sarjapur, Hoskote, Kanakapura, Attibele, Sulibele, Anekal, Tattkere, Ramanagara, and Magadi

Source: CBRE Research Q2 2024;

36. National Industrial Corridor Development Corporation (NICDC), 37. Urban Development Department, Government of Karnataka;

Standard Terms and Disclaimers

Table 6.2. Ticket Pricing of Residential Segments

Residential Segments	Ticket Price Range (INR)
Affordable / Budget	• Up to 45 lakh
Mid-end	• 45 lakh to 1 crore
High-end	• 1 crore to 2 crore
Premium	• 2 crore to 4 crore
Luxury	• Above 4 crore

- Only apartment units have been considered for the capital values analysis. Group housing, villa, town houses, co-operative housing, government defined affordable housing, township and redevelopment (that do not include a sale component) projects have not been considered.

2030 sectoral forecasts and future growth locations

- Forecasts and growth projections for 2030 across sectors have been calculated through CAGR considering the stock of 2019 as base. Additional factors such as availability of land parcels, under construction & planned supply, developer & investor interest have also been considered to arrive at these projections. We have also considered existing and upcoming infrastructure that's likely to support the expected growth in relevant locations.
- Forecast for I&L includes only warehousing data
- Near term timeline - 2024-2027; Long term timeline - 2028-2030

Source: CBRE Research Q2 2024



Contacts

Research

Abhinav Joshi

Head of Research - India, Middle East & North Africa
abhinav.joshi@cbre.co.in

Pradeep Nair

Associate Director
pradeep.nair@cbre.com

Mrinal Priyadarshi

Assistant General Manager
mrinal.priyadarshi@cbre.com

Zinnia Saha

Manager
zinnia.saha@cbre.com

J Kalyan Kumar

Senior Associate
jkalyan.kumar@cbre.com

Swati Sisoudiya

Associate
swati.sisoudiya@cbre.com

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CBRE

Business Line Contacts

Advisory & Transaction

Shailendra Naidu

Head - Advisory & Transaction Services Office,
South India
shailendra.naidu@cbre.co.in

Karuna Karan

Head - Advisory & Transaction Services I&L,
South India
karuna.karan@cbre.co.in

Anand Dutta

Head - Advisory & Transaction Services Retail,
South & East India
anand.dutta@cbre.co.in

Rohit George

Director, Advisory & Transaction Services Office,
Bangalore
rohit.george@cbre.co.in

Shyam Bharadwaj

Director, Advisory & Transaction Services, I&L,
Bangalore
bharadwaj.shyam@cbre.co.in

Shekhar Raghuvanshi

Senior Associate Director, Advisory & Transaction
Services, Residential, Bangalore
shekhar.raghuvanshi@cbre.co.in

Consulting & Valuation

Vamshi KK Nakirekanti

Head – Valuation & Advisory Services ,
India & SEA
vamshi.krishna@cbre.co.in

Sumit Arora

Head – National Operations & Workplace
Strategy, Consulting
sumit.arora@cbre.co.in

Divya Goyal

Head – Investment Risk Monitoring,
Consulting
divya.goyal@cbre.co.in

Vaibhav Jakhodia

Director, Head of VALEX,
India
vaibhav.jakhodia@cbre.co.in

Abhilasha Bhagat

Director, Consulting & Valuations,
Bangalore
abhilasha.saini@cbre.com

Vibhu Singh

Senior General Manager, Consulting & Valuations,
Bangalore
vibhu.singh@cbre.com

Capital Markets

Prashant Gooty

Executive Director, Capital Markets,
Bangalore
prashant.gooty@cbre.com

Rohit Khandelwal

Associate Director, Capital Markets,
Bangalore
rohit.khandelwal@cbre.com

CBRE Research

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CBRE

Business Line Contacts

Advisory & Transactions

Ram Chandnani

Managing Director, Advisory & Transaction Services,
India
ram.chandnani@cbre.co.in

Consulting & Valuation

Rami Kaushal

Managing Director,
Consulting & Valuations, India, Middle East & Africa
rami.kaushal@cbre.co.in

Global Workplace Solutions

Rajesh Pandit

Managing Director, Global Workplace Solutions, India & Property
Management, India, SE Asia, Middle East & North Africa
rajesh.pandit@cbre.co.in

Project Management

Gurjot Bhatia

Managing Director, Head - Project Management Advisory,
Asia Pacific
gurjot.bhatia@cbre.co.in

Capital Markets

Gaurav Kumar

Managing Director & Co-Head, Capital Markets,
India
gaurav.kumar@cbre.co.in

Capital Markets

Nikhil Bhatia

Managing Director & Co-Head, Capital Markets,
India
nikhil.bhatia@cbre.co.in

Operations

Rajat Gupta

Managing Director, Operations,
India
rajat.gupta@cbre.com

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