

# India Market Monitor

Q1 2022

Mapping the Evolution  
of Indian Real Estate  
in 2022

# India Market Monitor

## OFFICE

### Positive leasing momentum poised to gain further strength

11.4 mn sq. ft.

Leasing activity in Q1 2022, up by nearly **97% Y-o-Y** but down by about **25% Q-o-Q**

9.4 mn sq. ft.

Supply addition in Q1 2022, down by nearly **11% Y-o-Y** and around **41% Q-o-Q**

68%

Cumulative share of **Bangalore, Chennai and Delhi-NCR**, which dominated space take-up in Q1 2022

84%








Share of small- (less than 10,000 sq. ft.) to medium-sized deals (10,000 – 50,000 sq. ft.) during the quarter, slightly up from **82%** in Q4 2021

70%

Combined share of **Bangalore, Hyderabad and Chennai** in the total supply addition in Q1 2022

A rental increase of approximately **1-4% Q-o-Q** was recorded in select micro-markets in two cities – **CBD, ORR, PBD Whitefield and SBD in Bangalore**, and **New CBD (BKC) in Mumbai**. Moreover, driven by growth in select premium assets, **SBD Kharadi in Pune and GST Road in Chennai** recorded a rental rise of approximately **7-9% Q-o-Q**

### Key industry sectors that drove leasing activity

<p><b>Technology</b></p> <p><b>34%</b> share in Q1 2022</p> 	<p><b>Banking, Financial Services &amp; Insurance</b></p> <p><b>17%</b> share in Q1 2022</p> 	<p><b>Flexible Space Operators</b></p> <p><b>13%</b> share in Q1 2022</p> 	<p><b>Engineering &amp; Manufacturing</b></p> <p><b>12%</b> share in Q1 2022</p> 
	<p><b>Research, Consulting &amp; Analytics</b></p> <p><b>11%</b> share in Q1 2022</p> 	<p><b>Infrastructure, Real Estate &amp; Logistics</b></p> <p><b>3%</b> share in Q1 2022</p> 	<p><b>Life Sciences</b></p> <p><b>2%</b> share in Q1 2022</p> 

### Regional share in leasing activity

<p><b>American Corporates</b></p> <p><b>49%</b>   share in Q1 2022</p>	<p><b>Domestic Corporates</b></p> <p><b>39%</b>   share in Q1 2022</p>	<p><b>EMEA Corporates</b></p> <p><b>7%</b>   share in Q1 2022</p>	<p><b>APAC Corporates</b></p> <p><b>5%</b>   share in Q1 2022</p>
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### Outlook

- Leasing momentum to continue in 2022:** Leasing activity is expected to strengthen further in the coming quarters on account of a combination of pent-up demand and expansion / consolidation-led leasing as occupiers start to realign their post-pandemic business strategies.
- Continued growth in supply:** Return of leasing activity to continue to bring new focus on large-sized and high-quality buildings by developers to differentiate their assets and attract occupiers.
- Physical offices are here to stay, along with hybrid working:** We expect to see clearer evidence emerging in corporates' intended shift towards hybrid working policies, with several occupiers planning to allow office-based working with the option of working remotely.
- Sustained investor interest:** Large institutional players to continue with greenfield investments via JVs / partnerships / platforms or brownfield investments via REITs, which in turn would boost upcoming supply in the coming years.
- Continued evolution of workplace strategies and focus on asset enhancement:** Occupiers expected to recalibrate workplace designs to reinforce the image of office as a center for collaboration. Demand for sophisticated and tech-enhanced real estate offerings to grow as occupiers focus on providing a safe and healthy workplace to employees while meeting their need for flexibility.

#### CBRE RESEARCH

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# India Market Monitor

## INDUSTRIAL & LOGISTICS

### Tier-I cities lead sector's upward growth trajectory

6.5 mn sq. ft.

Leasing activity in Q1 2022, up by nearly 19% Y-o-Y but down by about 7% Q-o-Q

65%

Cumulative share of **Delhi-NCR, Mumbai and Kolkata**, which dominated space take-up in Q1 2022

~71%

Share of medium- to large-sized deals (more than 50,000 sq. ft.) during the quarter

5.8 mn sq. ft.

Supply addition in Q1 2022, up by nearly 95% Y-o-Y but down by more than 35% Q-o-Q

67%

Combined share of **Mumbai, Ahmedabad and Kolkata** in the total supply addition in Q1 2022

### Key sectors that drove demand

<p><b>3PL</b></p> <p>32% share in Q1 2022, 37% share in Q4 2021</p> <p></p> <p></p>	<p><b>Retail</b></p> <p>21% share in Q1 2022, 13% share in Q4 2021</p> <p></p> <p></p>	<p><b>Engineering &amp; Manufacturing</b></p> <p>15% share in Q1 2022, 9% share in Q4 2021</p> <p></p> <p></p>
	<p><b>E-commerce</b></p> <p>14% share in Q1 2022, 35% share in Q4 2021</p> <p></p> <p></p>	<p><b>Auto &amp; Ancillary</b></p> <p>7% share in Q1 2022, 2% share in Q4 2021</p> <p></p> <p></p>

### Regional share in leasing activity

<p><b>Domestic Corporates</b></p> <p>88% share in Q1 2022, 79% share in Q4 2021</p> <p></p>	<p><b>American Corporates</b></p> <p>5% share in Q1 2022, 9% share in Q4 2021</p> <p></p>	<p><b>APAC Corporates</b></p> <p>4% share in Q1 2022, 5% share in Q4 2021</p> <p></p>	<p><b>EMEA Corporates</b></p> <p>3% share in Q1 2022, 7% share in Q4 2021</p> <p></p>
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### Cities which led absorption

<p>27% Delhi-NCR</p> <p></p>	<p>21% Mumbai</p> <p></p>	<p>16% Kolkata</p> <p></p>
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### Quarterly rental movement – Growth witnessed in Hyderabad, Delhi-NCR and Bangalore

6% Southern Corridor, Hyderabad	6% Western Corridor, Hyderabad	6% Delhi, Delhi-NCR	5% Eastern Corridor, Hyderabad	3% Northern Corridor, Hyderabad	3% Ghaziabad (NH-24, 58, 91), Delhi-NCR	2% Eastern Corridor, Bangalore
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### Outlook

- Leasing to touch a new peak in 2022:** Space take-up likely to touch about 35-37 million sq. ft., led by the continued expansion of e-commerce and 3PL players against the backdrop of macro-economic recovery and rise in online retail penetration. In addition, leasing by retail, FMCG and engineering & manufacturing firms to gain pace.
- A sharp increase in new-age supply:** Warehousing facilities with features such as a high ceiling to accommodate automated stacking systems, sufficient loading / unloading zones and power backup provisions likely to gain traction in 2022. In addition to expanding in tier-I cities, developers would also explore opportunities in tier-II cities.
- Technology and automation to play a critical role:** Implementation of emerging technologies such as AI, blockchain, Big Data, IoT etc., across the supply chain likely to enhance delivery throughput and improve operational / space efficiencies.
- Supply chain resilience to be key:** Continued supply chain disruptions would lead occupiers to review I&L portfolios with the aim of enhancing supply chain resilience. While disruptions might ease over the year, occupiers might consider deploying 'just-in-case' inventory strategies alongside 'just-in-time' ones.
- Investors' haven:** Capital flows expected to strengthen further with the launch of new funds and platforms; focus on both greenfield and brownfield investment opportunities.

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RETAIL

## Traditional drivers shore up sentiments as sector remains in recovery mode

0.5 mn sq. ft.

Absorption across Grade A malls and high streets in Q1 2022, down by about 77% Q-o-Q but up by nearly 40% Y-o-Y

~85%

Cumulative share of **Pune, Bangalore, Delhi-NCR and Chennai** in leasing activity across Grade A malls and high streets in Q1 2022

0.6 mn sq. ft.

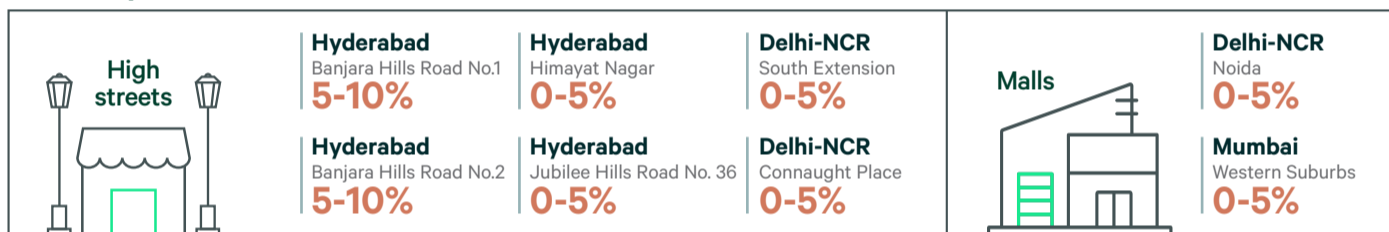
Investment-grade mall supply during the quarter, down by about 84% Q-o-Q but up significantly by more than 330% Y-o-Y

Hyderabad and Bangalore

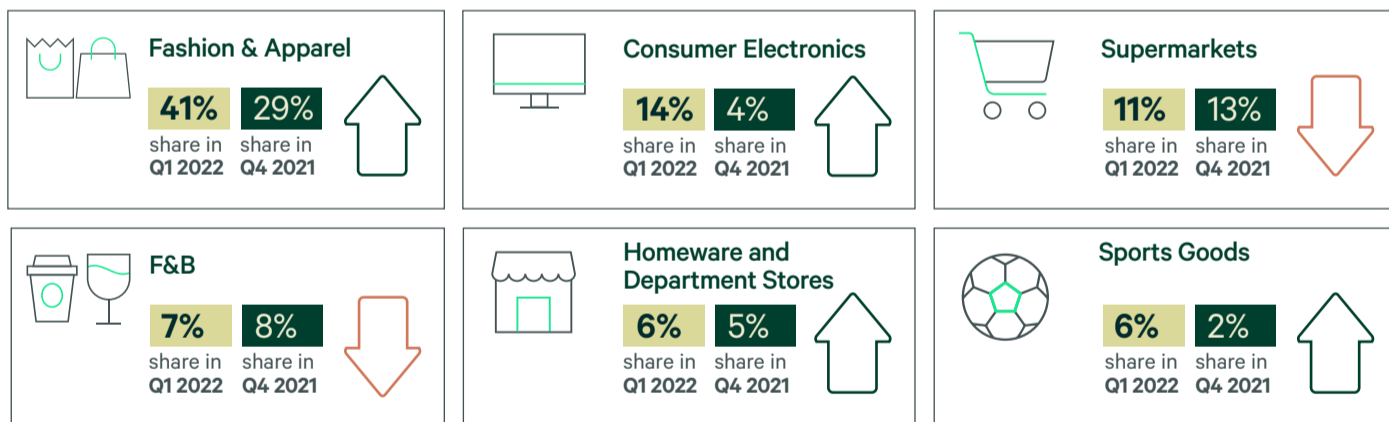
led investment-grade supply in Q1 2022, with the former accounting for two-thirds of the supply addition

### Quarterly rental movement

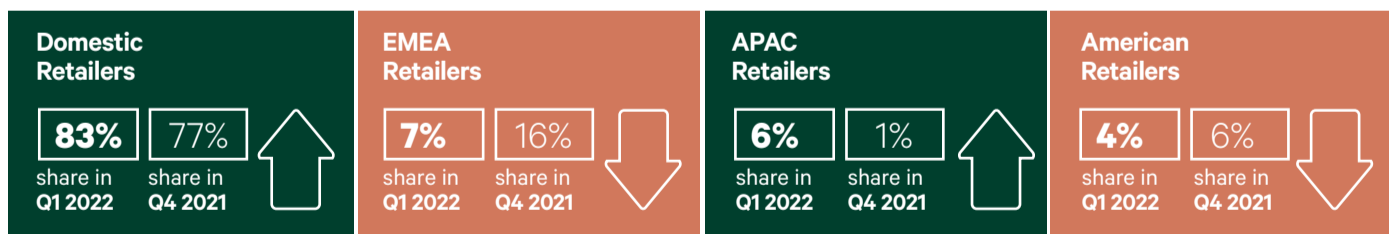
■ City ■ Micro-market ■ Growth (%)



### Key demand drivers



### Regional share in leasing activity



### Outlook

- Expansionary demand to continue but caution to pervade:** After-effects of the pandemic to weigh on retailer sentiment and leasing activity, prompting them to be cautious when committing to any major expansionary move.
- Retailers to be on the look-out for upgrade deals:** Prime malls and high streets likely to remain the most sought-after locations. Churn across these key destinations may allow some retailers an opportunity to locate / scale up across these locations and malls.
- Traditional demand drivers to hold fort:** While demand from categories such as QSRs, supermarkets, electronics and consumer durables is expected to sustain, other categories such as fashion & apparel and beauty are likely to pick up pace owing to pent-up demand.
- Partnerships between digital and traditional retail brands:** Retailers increasingly expanding their offerings by partnering with direct-to-consumer companies – often via branded kiosks or within department stores – so as to add foot traffic for legacy stores and establish a physical presence for emerging retail brands.
- Consolidation and fragmentation on the cards:** Consolidation expected to emerge as a key outcome of changing consumer priorities and growing M&A and PE activity. At the same time, social commerce such as F&B, grocery, apparel, beauty, consumer electronics, home décor, etc. would in a way fragment and add layers to the retail segment.

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# India Market Monitor

## RESIDENTIAL

### Unprecedented growth in Q1 2022; sector poised for a strong 2022

>70,000

No. of units sold in Q1 2022, up by nearly 40% Y-o-Y and about 13% Q-o-Q

68%

Cumulative share of **Pune, Delhi-NCR and Mumbai**, which dominated sales in Q1 2022

68%

Combined share of **mid-end and affordable / budget** categories in total sales during the period

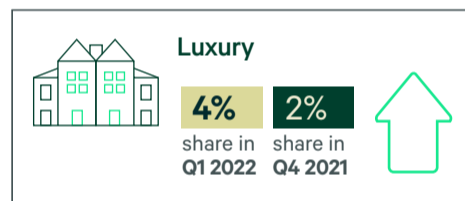
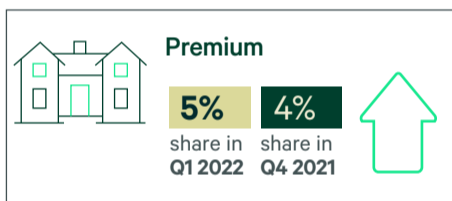
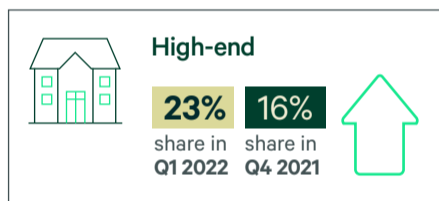
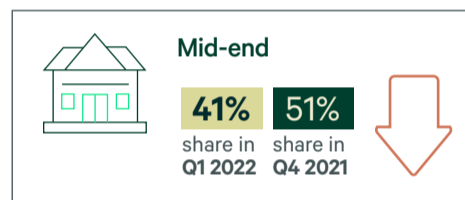
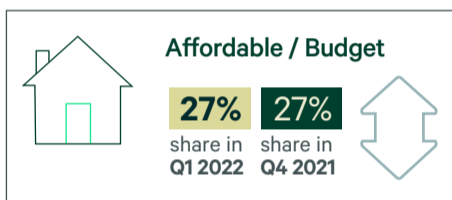
>60,000

No. of unit launches in Q1 2022, up by about 30% Y-o-Y but down by around 10% Q-o-Q

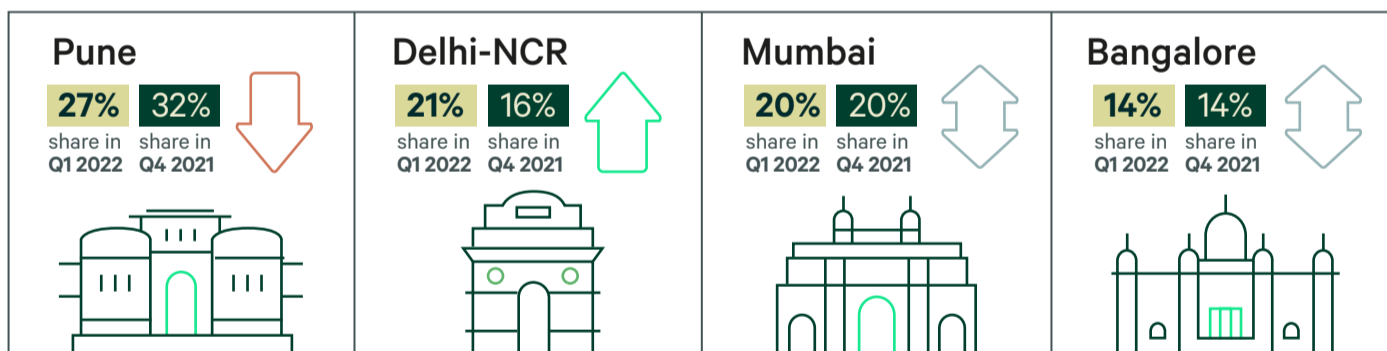
~70%

Total share of **Pune, Mumbai and Hyderabad** in unit launches in Q1 2022

### Key sales drivers



### Cities that drove sales



### Prevailing trends in unit launches



### Outlook

- Strong momentum in sales and new launches:** Supply and new launches expected to post a robust performance; uptick in new launches expected especially in Pune, Mumbai, Hyderabad, Delhi-NCR and Bangalore.
- Rise in capital values likely:** Asset pricing trends would remain divergent with an uptick expected on account of growth in sales and rising input and labor costs.
- Mid-end and affordable categories to drive sales:** We expect these segments to drive sales activity; however, high-end / premium and luxury categories are expected to witness renewed

investor interest, fueled by the anticipated appreciation in capital values and increased activity by HNIs and NRIs.

- Focus on larger unit sizes, plotted developments and amenities:** Growing popularity of hybrid work and sporadic homeschooling driving the need for larger unit sizes; growing focus on plotted developments as they offer flexibility on configuration and ancillary amenities.
- Developer repute to gain further prominence:** As end-use takes precedence over speculative investment and buyers become more informed, developer reputation, execution capabilities and financial position would play a bigger role in home purchase decisions.

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## RE INVESTMENTS

### Sector on growth path as investors step on gas pedal

USD **1.4** billion  
Overall capital flows in Q1 2022, up by **24% Q-o-Q** but marginally lower by **3% Y-o-Y**

**38%**  
Share of land / development sites, which dominated investments; followed by **office (35%) and retail (19%) sectors**

**~64%**  
Cumulative share of **Mumbai, Delhi-NCR and Chennai** in the total investment quantum in Q1 2022

**Institutional Investors** led investment activity with a share of nearly **50%**, followed by **developers (38%)**

While institutional investors have primarily infused equity in **brownfield assets**, developers remained focused on **greenfield investments**

**59%**  
Share of foreign investors in the total investment volume in Q1 2022. Key sources of capital were the **UAE (36%), Canada (11%) and the US (7%)**

**Nearly half** of the total capital flows during Q1 2022 were deployed for pure **investment / acquisition purposes**, while **45%** was invested in **development / greenfield projects**

### Outlook

- **Investment activity expected to pick pace in 2022:** An increase of 5-10% y-o-y is expected over the 2021 investment volume; greenfield assets likely to experience strong investment uptick.
- **Plethora of investment opportunities:** Developers to continue investing in development opportunities to expand portfolios; core and core-plus assets expected to garner higher interest from institutional investors, given their lower risks.
- **Banks to make a comeback, AIFs to gather steam:** Banks likely to make a strong comeback in 2022 to provide lending to the CRE sector, with a focus on construction finance and LRD routes.

Alternate Investment Funds (AIFs) to remain a major source of lending to CRE sector as NBFCs also plan to set up such funds to cater to funding requirements.

- **Interest in the alternate:** Investments in alternate assets, particularly data centres, could gain further traction amidst rising digitisation and strong policy push towards a digital economy; sustainability and ESG practices to emerge as stronger themes in investment strategies.
- **More colour to the REIT landscape:** Investments into REITs expected to increase owing to portfolio expansion and launch of new REITs across office, warehousing, and retail assets.

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