



Commercial Real Estate Sector in India

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Coverage

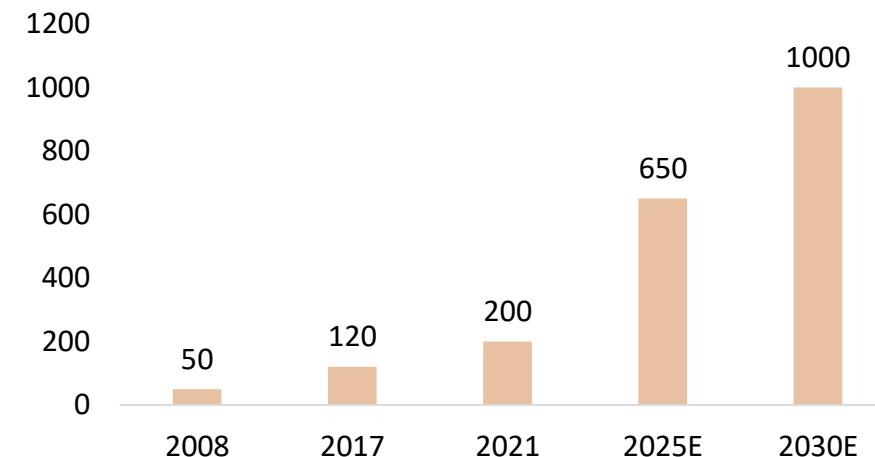
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Executive Summary

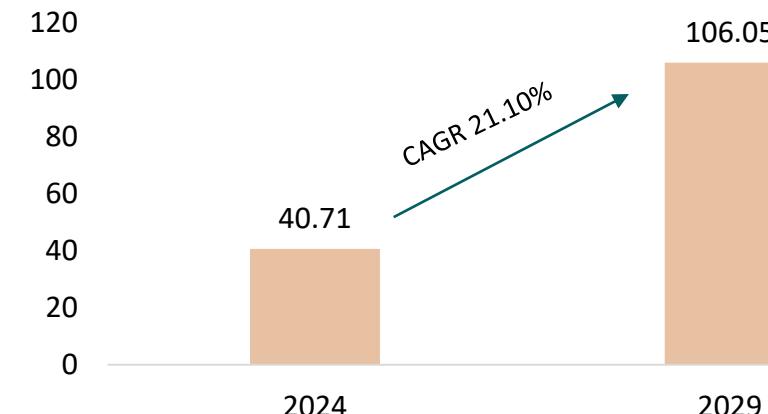
- The Indian Commercial Real Estate (CRE) sector encompasses office spaces, retail real estate, industrial and warehousing, data centers, and co-living spaces
- The Indian commercial real estate sector experienced strong growth in 2024, driven by innovation, sustainability, and expanding geographical areas
- India's commercial real estate market has seen significant growth in the past decade, emerging as a key pillar of the country's economic development, largely driven by economic performance, urbanization, MNC expansion, and government policies promoting foreign investment
- The Indian commercial real estate market is experiencing a significant resurgence, driven by growth prospects and transformative trends and is poised for sustained growth in the coming years due to digital transformation, infrastructure development, government initiatives like Smart Cities and Make in India, and the increasing adoption of PropTech solutions
- India's commercial real estate sector, fuelled by urbanization, corporate expansion, and foreign investments, has experienced a robust recovery post-pandemic
- The Real Estate market in India is expected to grow to USD 1 trillion in 2030 from USD 200 million in 2021
- India's real estate sector is likely to contribute 15.5% to the GDP by 2047 from an existing share of 7.3%
- The real estate sector is the second-highest employment generator, after the agriculture sector
- The commercial real estate market size in India is estimated to be around USD 40.71 billion in 2024 and is likely to grow to USD 106.05 billion by 2029, registering a CAGR of 21.1% driven by office spaces, retail, warehousing, and the growing co-working segment
- The key factors behind higher demand for commercial real estate are the rapidly rising Indian economy, growth in the IT/ITeS sectors and reforms (industrial corridors, FDI policy, RERA, REITs) made by the government
- Government initiatives like Smart Cities Mission, Make in India, and infrastructure projects (metro rail networks, expressways, airports) improve connectivity, logistics efficiency and urban infrastructure are expected to support the commercial real estate sector

Market Size of India's Real Estate Sector (\$ billion)



Source: IBEF

Market Size of India's Commercial Real Estate (\$ billion)



Source: Mordor Intelligence

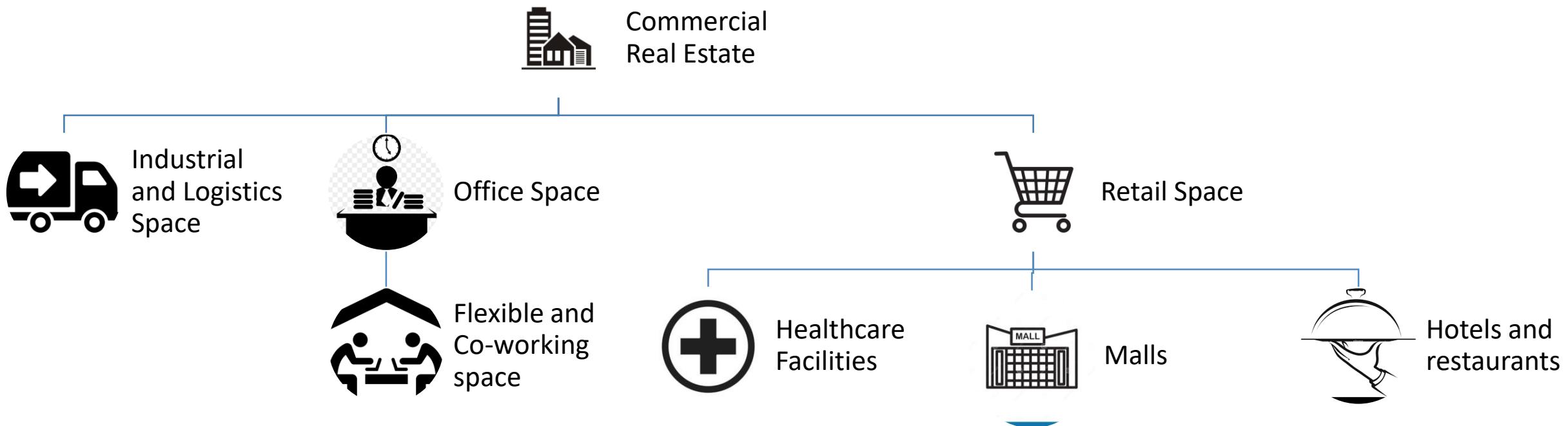
Market Overview

- India's real estate sector has traditionally been a significant contributor to the country's GDP, accounting for 6%-8% of the total GDP during 2014- 2017. Going forward, it is expected to double to 13% by 2025, making it one of the major drivers of the country's economic growth
- The increasing share of real estate to the GDP would enable increasing industrial activity, improving income level and urbanization
- Many factors influence the development of the commercial real estate industry. The real estate industry plays a pivotal role in influencing numerous related sectors, including cement, steel, iron, paint, furniture, and other construction materials
- India's commercial real estate landscape is on the cusp of a revolution, as innovation and sustainability converge to create a new era of dynamic, eco-friendly, and tech-savvy workspaces
- India's commercial real estate boom is extending its reach beyond the traditional hubs, with tier 2 and 3 cities increasingly becoming the focal point of growth. Cities like Ahmedabad, Chandigarh, and Jaipur are witnessing a significant influx of businesses, driven by factors like lower operating costs, skilled talent pools, and improved infrastructure
- The significant rise in office leasing activity reflects growing confidence among occupiers and the strong fundamentals of India's economy. There is also a rising demand for co-working or flexible workspaces, given the rising number of startups adding up to the workspace demand in India
- Leasing co-working spaces has become a strategic move for companies looking to drive business growth. The growing demand for co-working spaces is seen as a key driver behind the upward trend in commercial real estate
- India's commercial real estate sector has significantly contributed to the country's economic growth, demonstrating resilience amidst global uncertainties. The market is expected to experience substantial growth due to favorable economic conditions, supportive government policies, evolving business needs, with proactive measures ensuring continued market progress

Real Estate Clusters in India



Major Types of Commercial Real Estate



Share of Major Commercial Real Estate Segments in India

The major commercial real estate segments in India include office spaces, retail, industrial, and hospitality, each contributing differently to the overall commercial market. Below is an overview of the share of these segments to the overall market.

1. Office Space:

- The office space segment is one of the largest contributors to India's commercial real estate market, accounting for around 40-45% of the total commercial real estate market. This segment is dominated by IT/BPO sector and has strong leasing activity.

2. Industrial and Warehousing Space:

- The industrial and warehousing segment has witnessed substantial growth, contributing 15-20% to the overall commercial real estate market. With the surge in e-commerce, logistics, and manufacturing, demand for warehouses, distribution centers, and industrial parks has increased significantly. Government initiatives like the National Logistics Policy and the development of dedicated freight corridors are expected to further boost this sector.

3. Retail Space:

- The retail segment represents approximately 20-25% of the commercial real estate market in India. The rise of organized retail, e-commerce, and increasing urbanization has supported the growth of this segment. The demand for both shopping malls and high-street retail spaces has grown as consumer spending increases, and retail brands expand their footprint across the country, especially in Tier I and Tier II cities.

4. Hospitality:

- The hospitality sector contributes around 10-15% to the total commercial real estate market in India. Driven by growing domestic and international tourism, as well as business travel, the demand for hotels, resorts, and serviced apartments has surged. The segment is seeing recovery post-pandemic, especially in popular tourist destinations and Tier II cities that are emerging as key business hubs.

5. Others:

- Other emerging sectors such as data centers and healthcare facilities contribute a smaller but growing share of around 5-10%. The rapid digitization of businesses is driving growth in data centers, while the increasing demand for healthcare services is boosting real estate activity in hospital and medical office spaces.

Segment	Share (%) of overall commercial market
Office Space	40-45%
Industrial and Warehousing Space	15-20%
Retail Space	20-25%
Hospitality	10-15%
Others	10-15%

1. Industrial and Logistics Space

- Industrial and warehouse spaces are built for businesses that deal with the production, packaging, and distribution of goods. Companies that need large workshops, assembly lines and various other workshops across industries such as automobiles, steel, etc invest in industrial spaces and to meet their business requirements
- In 2023, demand for industrial and logistics spaces hit an all-time high across 8 major cities and leasing activity increased annually by 8%
- Leasing of industrial and warehousing space increased by 17% year-on-year, reaching 20.2 million square feet in the first nine months of 2024 across the top five cities
- Third party logistics (3PL) players, e-commerce & quick commerce and engineering and fast-moving consumer goods collectively accounted for more than 65 per cent of the total leasing activity.
- The rise in e-commerce and quick commerce in India has resulted in an increase in demand for efficient storage and distribution centers
- The overall demand is attributed to growth in industries such as manufacturing, e-commerce, and logistics
- The demand is also increasing due to various initiatives such as the [National Logistics Policy \(NLP\)](#), the National Manufacturing Policy, the [Gati Shakti initiative](#), and the development of multimodal logistics parks
- As per a report by Google, India's internet economy is projected to reach USD 1 trillion by 2030 from USD 175 billion in 2022. The growth will be driven by an increase in penetration of e-commerce in tier-II and tier-III cities. It also said that the e-commerce sector will grow at a compound annual growth rate (CAGR) of 27 percent, reaching USD 163 billion by 2026. The rise in e-commerce sector will contribute to the growth of India's commercial real estate sector

Industrial and Warehousing Segments See Robust Supply

- In spite of the increasing construction cost across real estate categories, the commercial and industrial & warehousing categories have seen robust new supply during 2024. As compared to the residential category, the cost of construction in the commercial and industrial segments rose at a slower growth rate.
- Amongst various real estate segments, construction cost escalation has been relatively sharper in the residential segment.

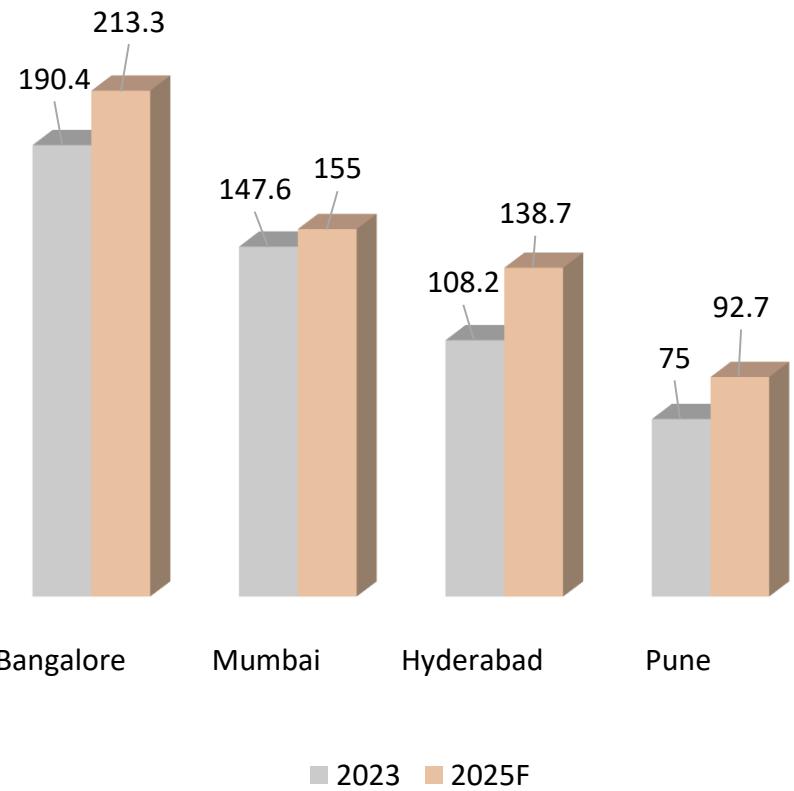
Cost of Construction (INR/sq ft)	Commercial	Y-o-Y	Industrial	Y-o-Y	Residential	Y-o-Y
October 2020	1,850	-	1,875	-	2,000	-
October 2021	2,100	14%	2,000	7%	2,200	10%
October 2022	2,450	17%	2,100	5%	2,300	5%
October 2023	2,700	10%	2,300	10%	2,500	9%
October 2024	2,850	6%	2,300	3%	2,780	11%

Sources: Colliers

2. Office Space- India on path to become `Office to the world'

- Office space are commercial spaces used for setting up offices of multinational corporations, call centres, etc. Office spaces are classified into four categories: Class A (premium, well-maintained buildings), Class B (structures requiring renovation and repairs before resale), and Class C (poorly maintained buildings built over 20 years ago located in less popular areas)
- India is on the path to become `Office to the world', in terms of offering commercial spaces
- In 2024, office space leasing in India is likely to reach record high at nearly 70 million square feet. The last office space uptake was at 66.6 million square feet in 2019
- The office sector witnessed a gross leasing of 53.8 mn sq ft between January-September 2024. This is 19% higher than during January-September 2023. In the September 2024 quarter, the office leasing stood at 19 million sq ft, the highest ever in the year
- The demand is driven by both global and local occupiers, who are expected to keep expanding their operations and consolidating their facilities to enhance their market presence
- Technology companies contributed to 23% of the total office leasing, accounting the highest share among sectors. Flexible space operators came next at 19% and banking, financial services and insurance firms (BFSI) were third at 16%
- Office supply is expected to increase across major cities in 2025
- The rise of hybrid work models and the rising demand for flexible workspaces are expected to shape the future of office real estate. The demand for flexible workspaces is increasing due to factors like desire for greater work-life balance, cost savings and the need for more flexible work environments

CITY-WISE GRADE A OFFICE SUPPLY (2023 VS 2025F)
(MN.SFT)



Average office rents in India surpass pre-pandemic levels

- India's top office markets have experienced a notable surge in rentals, driven by robust demand and simultaneous infusion of high-end, quality supply. After witnessing a dip during the pandemic years on account of subdued demand, occupier exits and remote work trends, rentals have seen a considerable growth so far in 2024, surpassing pre-pandemic levels
- Average rentals have surpassed the pre-pandemic levels (2019) across all the 6 major office markets (Delhi, Chennai, Mumbai, Bengaluru, Hyderabad and Pune) for the first time in 2024
- Certain cities like Hyderabad and Pune achieved pre-pandemic rental levels in 2022 itself. While Bengaluru and Chennai breached 2019 rental levels in 2023, Delhi NCR and Mumbai completed the recovery cycle finally in 2024

City-wise Weighted Average Quoted (WAQ) rental trends (in Rs /sq ft)						
City	2019	2020	2021	2022	2023	2024
Bengaluru	94.5	95.2	90.6	90.6	94.7	96.7
Chennai	74	74	74.1	73.6	74.5	77.8
Delhi-NCR	97.8	93.2	90.5	93.2	96.8	105.9
Hyderabad	73.4	73.4	73.4	73.7	75.2	76.7
Mumbai	143.3	138.5	137.3	140.5	142.5	151.6
Pune	75.8	74.7	74.2	76.4	77.4	81.6
Pan India	99.5	97.1	94.8	94.9	96.5	101.3

Cumulative Office Space Demand Surpasses 250 msf in Last 5 years

- The six major office markets have seen a cumulative Grade A office space demand of 264 million sq ft since 2019.
- Supply infusion in the real estate sector has largely followed demand revival and is evident from the cumulative demand-supply ratio of 1.1 during 2019-2024.
- Mumbai, with a demand-supply ratio of 2.1, has seen a significant drop in vacancy levels since 2019, as demand has outpaced supply significantly.
- Similarly, in Delhi-NCR, with demand exceeding supply on a consistent basis, vacancy levels have dropped from around 25% a few years ago to about 20% currently.
- Hyderabad, on the contrary, has traditionally been a high-supply market and this has driven vacancy levels upwards constantly; current vacancy levels in the city are around 25%.

City	Cumulative demand (2019-2024) in msf	Cumulative supply (2019-2024) in msf	Cumulative Demand Supply Ratio	Vacancy % (As of Sep 2024)
Bengaluru	79.1	70.3	1.1	16.9%
Chennai	29.8	17.6	1.7	15.4%
Delhi NCR	47.4	37.1	1.3	20.4%
Hyderabad	42.9	65.8	0.7	24.6%
Mumbai	38.0	18.5	2.1	10.7%
Pune	27.2	24.3	1.1	14.1%

3. Retail Space (Hotels and Restaurants, Malls, Healthcare Facilities)

- Retail comprises of commercial spaces that host the retailers and restaurants. It also includes healthcare facilities
- India's retail market witnessed a seven per cent year-on-year (y-o-y) increase in absorption in the first half of 2024. In the first nine months of 2024, retail space leasing activity across top 7 cities (Mumbai, Delhi NCR, Bengaluru, Kolkata, Chennai, Pune and Hyderabad) remained strong
- Gross retail space leasing touched 5.3 million square feet with Bengaluru, Delhi NCR, and Mumbai accounting for 59 per cent of the total leasing activity
- An improvement in economic activities and higher disposable income amongst urban consumers led to an increase in footfalls at malls and other big retail stores leading to an increase in retail space leasing activities
- Rising incomes and a surge in discretionary spends by the urban consumers will continue to drive retail space leasing activity in the coming years
- Moreover, international retailers are also showing a strong interest in the Indian retailing market. French fashion and fragrance brand Maison Margiela and British menswear brand Charles Tyrwhitt entered the Indian retail market in 2024. Other international brands that are soon expected to make their entry in the Indian market include Carrefour, Pull & Bear, Armani Caffe, Robert Cavalli and Dunhill. These brands are expected to support retail space leasing activity in the next couple of years
- Growing categories such as jewellery, mid-range fashion and gaming centers are driving demand for larger retail spaces. The fashion and apparel, consumer electronics, entertainment, homeware, and department stores have been the main contributors to this growth

Rising Construction Costs in Real Estate Sector Led by Higher Labour Cost

- Over the last one year, average construction cost in the real estate sector is estimated to have risen up to 11%, primarily due to a significant surge in labour costs coupled with a moderate price hike in construction materials such as sand, brick, glass, wood etc.
- The cumulative effect of increase in prices of four key construction materials including cement, steel, copper and aluminum have been relatively low
- Notably, the average cement and steel prices declined during October 2023 to October 2024
- Although the increase in prices of key construction materials has been relatively modest over the past year, labor costs have been the primary driver of the overall rise in construction costs

Price/Cost Change of key Construction Cost Components (October 2024)

Construction cost component	Y-o-Y change (vs Oct 2023)	2 - year change (vs Oct 2022)	5 - year change (vs Oct 2019)
Steel	-1%	-9%	57%
Cement	-15%	-25%	30%
Copper	19%	26%	91%
Aluminium	5%	7%	57%
Labour	25%	80%	150%

Regional Analysis of Indian Commercial Real Estate Sector

1. North India

North India is leading the commercial real estate market. Key growth drivers include:

- Diverse Sectors:** The market encompasses office spaces, retail outlets, and industrial facilities. Major cities like Delhi, Gurugram, and Noida are pivotal for corporate offices and IT/ITeS firms
- Infrastructure Development:** Significant projects such as the Jewar Airport and the Delhi-Mumbai Expressway are enhancing connectivity and attracting businesses
- Retail Growth:** There is a booming retail sector with an increase in shopping malls and high-street outlets driven by rising disposable incomes and changing consumer preferences
- Industrial Hubs:** Cities like Jaipur and Ludhiana are emerging as manufacturing centers, benefiting from strategic locations near industrial corridors

3. West India

West India, particularly Mumbai, remains a crucial commercial hub.

- Mumbai is recognized as India's financial capital, hosting numerous multinational corporations and financial institutions
- The Mumbai Metropolitan Region (MMR) is poised for substantial growth in commercial real estate. The growth is expected to be supported by extensive government investment in mega infrastructure projects
- Micro-markets like Thane have begun to take shape as a key destination in the commercial real estate sector. These markets are offering an alternative to the expensive real estate that traditionally sought areas like BKC, Nariman Point or Andheri-Powai corridor
- The retail market in cities like Ahmedabad is growing rapidly, focusing on experiential shopping environments that attract diverse consumer segments

2. South India

South India continues to be a magnet for IT companies and startups. The region is projected to maintain a steady growth trajectory fueled by its skilled workforce and favorable business environment

- Investment Attraction:** The region benefits from significant foreign investments due to its skilled workforce and advanced infrastructure. The government's supportive policies further enhance market attractiveness
- Bengaluru remains the leading market for tech-related investments, while Hyderabad is emerging as a significant talent hub due to its growing IT infrastructure. Emerging trends include the rise of co-working spaces and flexible work environments that cater to modern business needs
- Hyderabad's development as a Special Economic Zone (SEZ) has attracted numerous multinational corporations. The ongoing urbanization and government support for infrastructure development are key drivers of growth in this region

4. East India

East India is gradually emerging as a significant player in the commercial real estate sector:

- East India, particularly Kolkata, is slowly emerging as an attractive destination for commercial real estate investments. The region's growth potential is being recognized due to increasing urbanization and infrastructural improvements
- Kolkata's market dynamics are changing with more organized retail spaces coming up. However, it still lags behind other regions in terms of rapid growth compared to North or West India

Real Estate Development to Surge in 17 Emerging Cities (1/2)

- Smaller towns are increasingly becoming key drivers of India's economy, fueled by better infrastructure, affordable real estate, skilled talent, and supportive government policies. This growth is expected to boost the real estate sector.
- Substantial growth is anticipated in the residential, commercial, retail, hospitality, and industrial segments. Moreover, alternative asset classes like data centers, senior living, and second homes are also set to experience considerable activity in these emerging real estate hubs.
- Improved connectivity and a surge in manufacturing activity, fueled by key infrastructure projects under the National Infrastructure Pipeline (NIP) and PM GatiShakti, will drive the spread and growth of development centers beyond Tier I cities.
- This will greatly enhance the economies of smaller towns, particularly spurring real estate activity in the warehousing and residential sectors. Additionally, the favorable environment for factory and MSME development will increase demand for warehousing in emerging hotspots within infrastructure corridors.
- As tech giants and innovative start-ups tap into the skilled talent pools of emerging hubs, smaller cities are poised for a transformative boom in both office and residential markets. This growing demand is expected to attract top real estate developers, bringing a wave of high-quality supply to these markets.
- Furthermore, the rise of flexible workspaces in these dynamic hubs will effectively address the demand-supply gap for premium office spaces, paving the way for a new era of growth and opportunity.

Top 17 real estate hotspots with high impact segments							
City	Office	Residential	Warehousing	Retail	Hospitality	Senior Living	Data Center
Amritsar		✓		✓	✓	✓	
Ayodhya		✓		✓	✓	✓	
Coimbatore	✓	✓	✓				
Dwarka		✓		✓	✓	✓	
Indore	✓	✓	✓				
Jaipur	✓	✓	✓				✓
Kanpur			✓	✓			✓
Kochi	✓	✓	✓				
Lucknow			✓	✓			✓
Nagpur			✓	✓			✓
Patna			✓	✓			✓
Puri		✓		✓	✓	✓	
Shirdi		✓		✓	✓	✓	
Surat		✓	✓	✓			✓
Tirupati		✓		✓	✓	✓	
Varanasi		✓		✓	✓	✓	
Visakhapatnam		✓	✓	✓			✓

Real Estate Development to Surge in 17 Emerging Cities (2/2)

- The rise in digitization is expected to significantly drive real estate activity in smaller towns, especially in warehousing and data centers. The growth of e-commerce will support the expansion of online retail platforms, leading to the establishment of fulfillment centers, warehouses, and distribution hubs in key locations
- Moreover, the increase in data consumption will accelerate the development of data centers and smart infrastructure in these emerging cities, further boosting their appeal for real estate investments
- Supported by government policies and infrastructure improvements, spiritual tourism is set to become a key growth driver for the development of several temple towns in India
- Upgrades in infrastructure, such as better roads, flagship trains, and new airports, are expected to attract organized real estate players to these spiritual destinations over the long term, particularly in the hospitality and retail sectors
- Cities like Amritsar, Ayodhya, Dwarka, Puri, Shirdi, Tirupati, and Varanasi are emerging as key areas for growth driven by spiritual tourism

Importance of Commercial Real Estate in India's Economy

- India's real estate sector is expected to expand to USD 5.8 trillion by 2047, contributing 15.5% to the GDP from an existing share of 7.3%. Commercial real estate has played a pivotal role in reshaping India's economic landscape
- With India's rapid urbanization, rising middle-class population, and increasing demand for housing, commercial spaces, and infrastructure, the real estate industry has become an indispensable force in driving the country's growth
- Commercial real estate sector forms an integral part of economic infrastructure, an important employer, and a business generator for cities and emerging markets
- The growing demand for modern, high-quality office spaces presents an opportunity for strategic investments in commercial real estate, which can stimulate local economies by attracting both international and domestic businesses, thereby fostering economic development at regional and national levels
- Real estate projects rely on raw materials such as steel, cement, and bricks, which in turn drive demand for logistics, transportation, and labor, further enhancing economic benefits. This interdependence makes real estate a crucial driver of economic growth
- Real estate also fosters job creation in related sectors like banking, legal services, and IT support, further enhancing its contribution to employment
- Commercial real estate is undoubtedly a key driver of India's economic growth and job creation. With improvements in infrastructure, prime locations, and state-of-the-art facilities, it facilitates business expansion and draws both global and domestic companies

Commercial Real Estate Industry – Key Stake Holders

Investors

- Investors are pivotal in driving the commercial real estate market. They typically invest directly in properties, seeking income-producing assets or opportunities for resale. Their decisions are influenced by factors such as interest rates, economic conditions, and government policies.
- The attractiveness of real estate as an investment avenue has grown significantly, making it a preferred choice for many.

Developers

- Developers are essential for bridging the gap between construction and consumer needs. They are responsible for creating infrastructure that supports economic growth, focusing on both residential and commercial projects. Developers must respond to market demands by providing well-designed, cost-effective, and strategically located properties. Their role extends beyond construction to include marketing and attracting businesses to their developments

Corporate Occupiers

- Corporate occupiers, including both domestic and foreign companies, seek properties that offer connectivity and quality infrastructure. Their requirements heavily influence the types of developments undertaken by builders. With changing lifestyles and business needs, corporate occupiers are increasingly drawn to locations that provide easy access to talent and resources

Consumers

- Consumers or end-users are critical as their purchasing decisions determine the success of real estate ventures. The demand from consumers drives developers to enhance their offerings in terms of quality and pricing. The implementation of real estate regulations aims to protect consumer interests, fostering a more transparent market environment.

Financial Institutions

- Banks, private equity funds, and other financial institutions provide the necessary capital for real estate projects. Their confidence in the economy directly impacts funding availability for developers and investors alike.
- Recent trends indicate a positive sentiment among these stakeholders due to stable macroeconomic indicators in India.

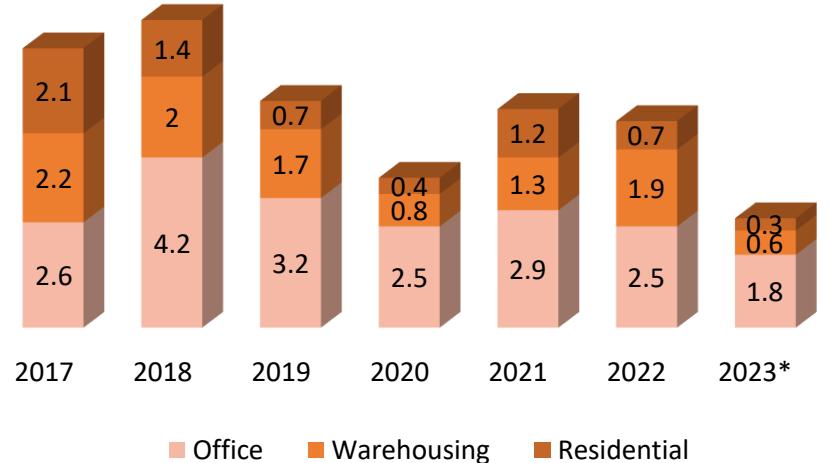
Regulatory Authorities

- Regulatory bodies oversee compliance with laws and standards within the real estate sector. The Real Estate (Regulation and Development) Act (RERA) has been instrumental in enhancing transparency and protecting consumer rights, benefiting all stakeholders involved.

Investments in Commercial Real Estate Industry

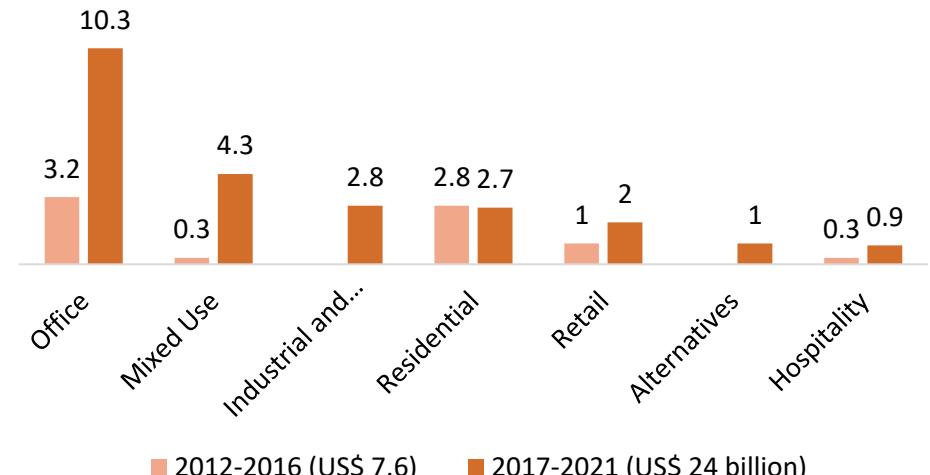
- The sector has witnessed noteworthy private equity (PE) investments in recent years, boosted by attractive returns
- The surge is led by factors such as a growing population, urbanization and government initiatives
- Investments are poised to reach USD 59.7 billion by 2047, indicating considerable potential for ongoing growth and development in the sector
- In 2020, PE investments in the Indian real estate sector declined due to the pandemic
- PE investments in the Indian real estate sector centered around the office segment from 2017 to 2023. The office sector's prominence has grown due to relaxed regulations aimed at promoting Real Estate Investment Trusts (REITs), as well as the dominant presence of the global corporate delivery centres, capturing the attention of PE investors
- PE investments witnessed a significant surge in the warehousing segment post the pandemic period (2021-2023). The expansion of e-commerce, the evolution of omni-channel retailing, and the critical role of last-mile delivery supported the growth
- Burgeoning sub-segments like data centers, healthcare, hospitality, co-working spaces are likely to drive PE investments

PE investment in Indian real estate by segments (\$ billion)



* Data till June 2023

Sector-wise foreign investments in India's real estate sector (US\$ billion)



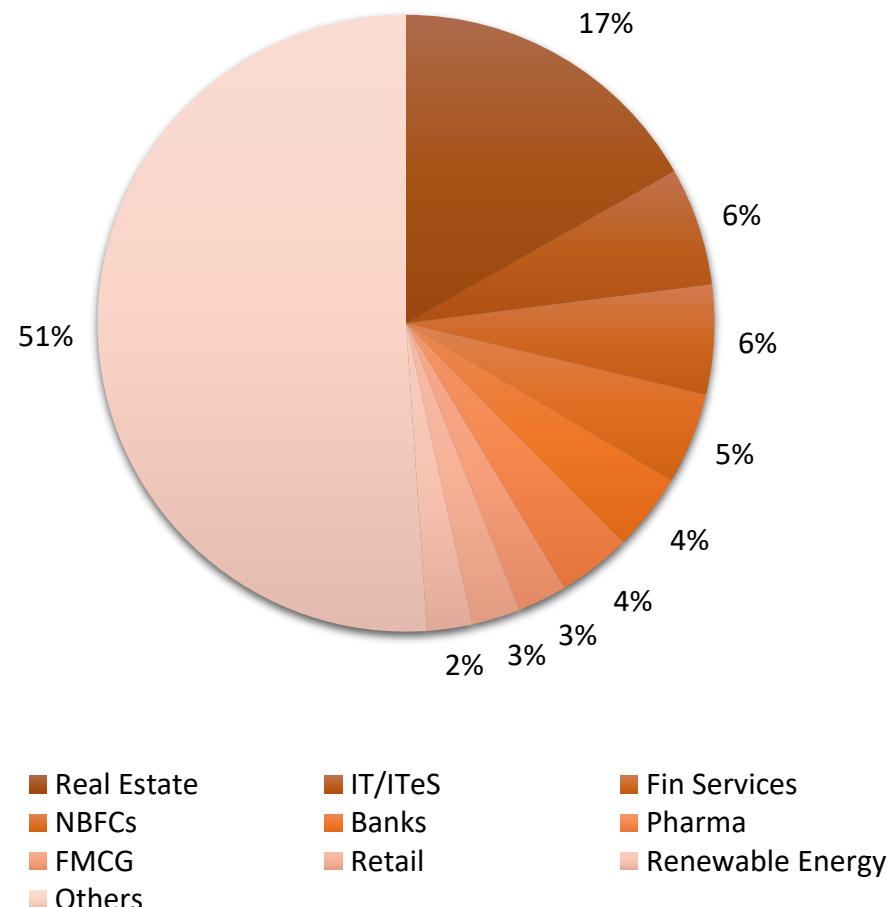
Real Estate Leads AIF Investments in First Half of 2024-25

- Real estate has emerged as the top choice for Alternate Investment Funds (AIFs) in India
- AIFs refer to a category of pooled investment vehicles that are set up to raise capital from investors, typically for investing in assets or opportunities outside of traditional investment avenues such as stocks, bonds, or mutual funds
- As of the first half of fiscal year 2025, real estate accounted for the largest share of investments among all sectors, with Rs. 75,468 crore out of a total Rs. 4,49,384 crore in AIF investments, representing 17%
- By the end of H1 FY25, total investments in real estate through AIFs increased from Rs. 68,540 crore at the end of FY 2024 to Rs. 75,468 crore
- Total investments in the real estate sector via AIFs have risen from Rs.68,540 crore by FY 2024-end to Rs.75,468 crore by the end of H1 FY25. This is a significant 10% growth in just half the financial year
- The AIFs investment in real estate is high because fund is safe and secured. The investors have the flexibility to infuse small amounts in real estate-focused AIFs

Institutional investment in real estate sector reach new levels

- Institutional investment in Indian real estate sector saw a significant surge in 2024, rising by 51% to reach a record USD 8.87 billion
- This surge is because investors look to encash strong demand for housing, office and warehousing properties
- Foreign institutional investors (FIIs) played a dominant role in the surge of institutional investments in Indian real estate, accounting for 63% of the total inflows in 2024
- The residential segment received 45% of the total inflows, followed by office buildings with 28%, and warehousing properties, which attracted 23%

Amount invested – AIFs



Factors Driving Investments in Commercial Real Estate Industry

Pent-up Demand

- Despite the temporary rise in work-from-home arrangements, demand for commercial properties is growing due to the flexibility, comfort, and convenience that office spaces provide
- Also, there is rising demand for offices by businesses across sectors, including IT, manufacturing, BFSI, startups, and even boutique businesses, etc. to accommodate their employees. Also, multinational companies are opening their data center offices and large commercial offices in Tier 1 cities in India

Higher Returns

- Commercial properties provide higher rental income over a long period of time as compared to housing properties. Grade-A commercial properties are already delivering strong returns. Return offered by residential properties range from 3-4% and average return on commercial properties is around 8-10% in the Indian market

Constant Cash Flow

- Commercial properties are leased for a longer period of time, from 5 to 10 years. Longer lease terms provide investors with a steady cash flow and consistent rental income
- Commercial properties also provide lucrative capital appreciation over a period of time

Year 2024- A Record Breaking Year for Real Estate Sector IPO in India (1/2)

- The year 2024 has been a remarkable year for India's real estate sector IPO in India
- The real estate industry saw notable increase in IPOs in recent years
- The post-Covid era, from 2021 onwards, has been a transformative time for real estate IPOs in India
- During 2021-2024 period, India has witnessed around 20 real estate IPOs, significantly higher than the 11 listings in the previous four years (2017-2020)
- In the post-pandemic period, real estate companies have raised INR 319 billion through IPOs, more than double the funds raised in the preceding four-year period (2017-2020)

Year	Number of IPO listings	Number of real estate IPOs	Funds raised by real estate IPOs (INR Crore)
2016	70	2	3,011
2017	93	3	1,648
2018	88	4	2,852
2019	55	2	6,391
2020	36	2	4,505
2021	98	6	10,842
2022	99	2	648
2023	120	5	6,900
2024	123	7	13,553

Record Breaking Year for Real Estate Sector IPO in India (2/2)

- In recent years, the volume increase in real estate listings on the stock exchanges has been accompanied by the diversification of the real estate IPOs into new segments.
- Between 2021 and 2024, Housing Finance Companies (HFCs) have been at the forefront, raising 46% of the total capital from real estate IPOs, while REITs have accounted for 22%.
- The success of REITs in India highlights investors' strong interest in operational and income-generating assets, such as Grade A commercial properties and malls.
- Prominent flex space operators are now entering the IPO market, signaling the maturity of India's real estate sector. Flex space operators raised 2% of the total capital from real estate IPOs.

Details	2010-2016		2017-2020		2021-2024	
	Funds raised through IPOs (INR Crore)	Share (%)	Funds raised through IPOs (INR Crore)	Share (%)	Funds raised through IPOs (INR Crore)	Share (%)
Housing Finance Companies (HFCs)	3,013	42%	2,958	19%	14,694	46%
Real Estate Investment Trust (REITs)	-	0%	9,250	60%	7,000	22%
Real estate developers	4,005	56%	508	4%	5,551	17%
Flex space operators	-	-	-	-	599	2%
Hospitality companies	2	0%	2,680	17%	4099	13%
Others	127	2%	-	-	-	-
Overall Real Estate	7,147		15,396		31,943	

Flexible Workspace Demand Drives IPOs in Commercial Real Estate

- The growing demand for flexible workspaces in India is driving a wave of public listings in the commercial real estate sector, with leading companies in the industry pursuing aggressive expansion plans
- India is home to over 440 flexible workspace operators, with the top 10 by portfolio size accounting for nearly 60% of the total stock. Notable operators in this space include Smartworks, WeWork India, Awfis, Tablespace, and Indique
- At the end of 2023, India's flexible workspace stock was between 62 million and 64 million square feet, and it is projected to grow at a compounded annual growth rate (CAGR) of approximately 17%, reaching 116-118 million square feet across Tier 1 cities by 2027
- EFC was the first company to go for a public sale of shares in this segment, followed by Awfis
- Smartworks, another flexible work space provider, got approval from the Securities Exchange Board of India (SEBI) in December 2024 for its planned initial public offering (IPO)
- Incuspaze, another co-working company, is intending to raise USD 25 million in a pre-initial public offer (IPO) round for a public listing in 2025. They plan to purchase another 2 million square feet by December 2025
- Other players, including Tablespace, Bhive, and WeWork, are also planning to go public in the near future

Investing in Commercial Real Estate: Opportunities and Challenges

OPPORTUNITIES

- **Tangible Asset:** A key advantage of investing in commercial real estate is the ability to own physical assets. In contrast to stocks or bonds, which can be volatile and intangible, commercial properties offer a concrete presence that has the potential to appreciate in value over time. This tangible aspect of real estate provides investors with a sense of security and control, making it a highly appealing option for long-term investments.
- **Steady Income:** Office spaces, retail stores, and industrial properties have the ability to secure long-term tenants, guaranteeing a consistent income stream. This stability in income can offer investors reliable cash flow, providing financial security and the opportunity to expand their investment portfolio.
- **Capital Appreciation:** Commercial real estate investments provide the potential for substantial capital appreciation. As demand for commercial properties increases and economic conditions strengthen, the value of these assets can increase significantly over time.
- **Risk Mitigation:** Investing in commercial real estate offers portfolio diversification. By distributing investments across various property types, locations, and tenant profiles, investors can minimize risk exposure.

CHALLENGES

- **Market Volatility and Economic Factors:** Economic downturns, fluctuations in interest rates, and industry-specific risks can affect property values and rental income. To mitigate these risks, investors should conduct comprehensive market research, stay informed about economic trends, and diversify their investments across various sectors.
- **High Initial Investment:** Commercial real estate typically demands a significant initial investment, which can make it less accessible for novice investors. Securing sufficient financing can also be challenging, as lenders often impose stricter requirements and offer higher interest rates for commercial properties. However, collaborating with experienced investors, exploring crowdfunding platforms, or considering real estate investment trusts (REITs) can provide solutions to these challenges.
- **Regulatory and Legal Complexities:** Commercial real estate investments involve various regulations and legal complexities. To navigate these challenges effectively, investors should seek legal advice, conduct thorough due diligence, and stay updated on local regulations.
- **Property Management and Tenant Relations:** Successful commercial real estate investments rely on effective property management and strong tenant relations. Managing multiple tenants, overseeing maintenance and repairs, and ensuring timely rent collection can be challenging.

Commercial Real Estate Industry - Factors Driving Growth (1/2)

- The commercial real estate industry is one of the most in-demand in the entire economy due to the market's optimistic outlook. Modern employees require office environments that are considerably different from traditional workspaces. Co-working spaces are already among the most sought-after categories of commercial real estate on the market
- The need for new office premises was negatively impacted by the pandemic because of the long-term shutdown of offices and the shift towards working from home. However, the sector is rebounding as the workforce is returning. The industry is one of the fastest expanding real estate categories as many MNCs and large businesses have reopened their offices or adopted a back-to-office plan.
- Another thing which is increasing the demand for commercial real estate sector is co-working spaces. Innovative office space ideas, business-friendly efforts, and top-notch amenities for tenants are further factors driving the increase in demand

Rising demand

- ❑ Despite global economic challenges, office space absorption is steadily rising, primarily driven by demand from IT/ITeS, retail, manufacturing, BFSI, data centers, and flex spaces. India's vibrant startup ecosystem is boosting the need for flexible and traditional workspaces, attracting both domestic and international investors
- ❑ At the same time, the sophistication of commercial real estate is rising with the integration of New Age technologies, such as sensor-activated disinfectants, retina scanners for access, digitized ventilation systems, and more.

Rapid urbanization and population growth

- ❑ The growing urban population in India has heightened the need for real estate development, making office assets a stable and profitable investment. Rapid urbanization, fueled by population growth and rural-to-urban migration, is driving demand for commercial spaces such as offices, retail stores, and parks
- ❑ CREs are increasingly targeting Tier-II and Tier-III cities due to their rapid urbanization and the growing number of companies relocating there to reduce costs

Rental income

- ❑ Commercial real estate leases are typically long-term, and every three years, the rental rate increases by 15%, making it profitable for developers. This has led to the development of several new office space projects that are currently under construction and will be open soon
- ❑ For example, Tata Realty is developing 550,000 square feet of Grade A+ office space for corporate leasing in Gurugram's Sector 59, which is expected to be completed by December 2026

Commercial Real Estate Industry - Factors Driving Growth (2/2)

Real estate investment trusts (REITs)

- With the launch of the first REIT listing in 2018, investors had the opportunity to own a fraction of commercial real estate. Their presence has infused liquidity into the market, offering a diversified investment avenue while reducing the barriers to entry for individual investors who may not have the capacity to directly invest in large-scale properties.
- REITs' transparent structure and mandatory distribution of a significant portion of their income as dividends further attract investors seeking regular returns

Emerging markets gain traction

- India's commercial real estate boom is expanding beyond traditional hubs, with Tier 2 and Tier 3 cities emerging as key centers of growth. Cities such as Ahmedabad, Chandigarh and Jaipur are seeing a significant influx of businesses, driven by factors such as lower operating costs, skilled talent pools, and improved infrastructure
- This shift is driving a surge in demand for office spaces, with many of these cities experiencing double-digit growth in absorption rates. As a result, developers and investors committing significant capital to tap into the vast potential of these emerging markets

Retail sector growth

- With increasing consumer spend across the nation; the retail sector is witnessing significant expansion, driving an increased need for retail spaces and commercial properties. With an expansive middle class, evolving consumer preferences, and higher disposable incomes, there's a heightened demand for shopping centres, malls, standalone stores and F&B outlets across various cities and regions
- The rise of organised retail has also led to the emergence of new retail formats such as High Street, Malls, Hyper markets, Exclusive stores, Mixed use, etc designed to cater to the needs of modern shoppers

India's commercial real estate demand is propelled by the amalgamation of the above factors. Businesses and investors have leveraged these elements to unlock the vast potential and opportunities within India's thriving commercial real estate industry. As the country continues to grow, it is imperative for stakeholders to remain updated of the evolving trends. The coming years are poised to witness a significant growth in real estate investments due to the relatively lower volatility and higher returns offered by the real estate market compared to other investment avenues.

Government Initiatives and Programs

The government has implemented several measures and reforms to enhance the real estate market and attract both domestic and foreign investment. Key reforms introduced to support the growth of the commercial real estate sector include:

National Industrial Corridor Development Programme

- The National Industrial Corridor Development Programme is the country's pioneering infrastructure programme aimed at developing new industrial cities as 'smart cities' and integrating next-generation technologies across infrastructure sectors to create competitive manufacturing and investment hubs on a global scale
- This government initiative would boost the commercial real estate market investment and generate employment opportunities and economic growth, resulting in socioeconomic development

Real Estate Regulation Authority (RERA)

- RERA was established under the Real Estate (Regulation and Development) Act, 2016, with the aim of safeguarding homebuyers and stimulating real estate investment. It sets up a state authority to oversee both residential and commercial real estate transactions
- Prior to RERA's implementation, there was no dedicated legal framework to regulate the real estate sector, leaving homebuyers with limited options for swift grievance resolution. Developers also faced lengthy approval processes from multiple authorities, leading to delays and rising costs
- RERA offers several advantages, including a streamlined registration process, faster grievance resolution, enhanced accountability, and increased transparency in the real estate industry. By instituting a clear regulatory framework, the Act also boosts confidence among financial institutions, encourages Foreign Direct Investment (FDI), and facilitates External Commercial Borrowings, thereby driving greater investment in the real estate sector

Real Estate Investment Trust (REIT)

- REITs (Real Estate Investment Trusts) are investment instruments that allow small-ticket investors to own a share of income-generating real estate assets. Introduced by SEBI through the "Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014," REITs aim to boost investment in the real estate sector and channel funds in a regulated, formal manner
- Currently, REITs are restricted to investing in commercial real estate. In July 2021, SEBI reduced the minimum investment requirement for REITs from ₹50,000 (US\$ 600) to ₹10,000-15,000 (US\$ 120-180), making them more accessible to small and retail investors
- At present, there are five registered REITs: Brookfield India Real Estate Trust, IIFL Real Estate Investment Trust, India Retail REIT, Mindspace Business Parks REIT, and Wynford Investments

Foreign Direct Investments (FDI) Policy

- The amount of capital entering the commercial real estate industry is directly impacted by the policies of the government on foreign direct investment
- Over time, the gradual liberalization of FDI regulations has opened up greater opportunities for foreign participation in the real estate market
- These relaxed regulations have not only drawn global investors but have also paved the way for joint ventures and partnerships between domestic and international players

Commercial Real Estate Industry – Key & Emerging Trends

Growing e-commerce and logistics

The rapid growth of e-commerce has increased the demand for warehousing and logistics. The pandemic has expedited the shift towards online shopping, driving e-commerce giants like Amazon and Flipkart to expand their operations. As a result, there is growing demand for larger warehouses and distribution centers in more strategically located areas. This trend is expected to persist as consumers continue to prioritize the convenience of online shopping.

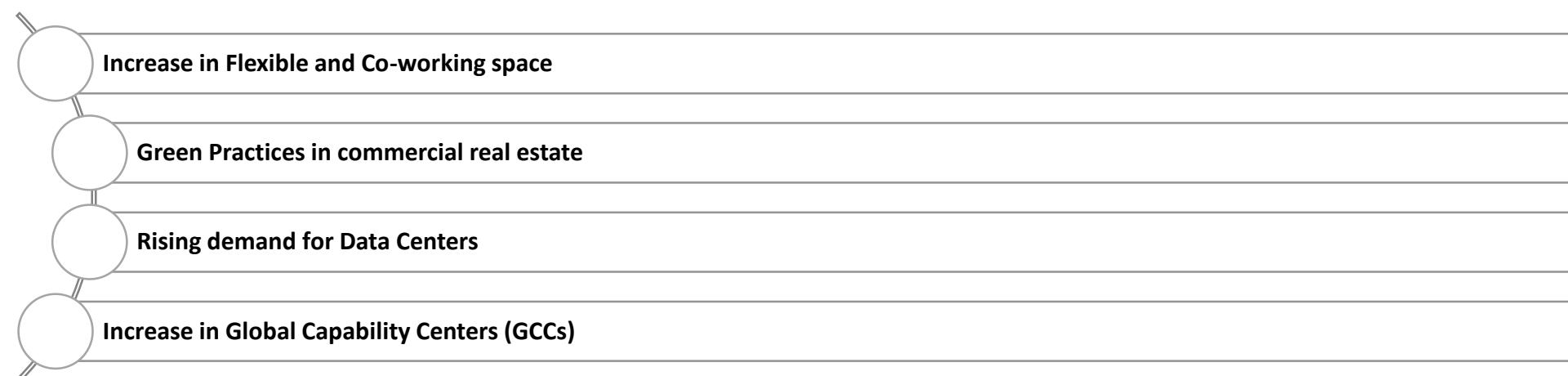
Shift towards Tier II and III cities

Cities such as Mumbai, Delhi, and Bangalore are major commercial hubs, however, there is a shift towards investment in tier II and tier III cities. This is because of factors like low real estate costs, infrastructure development opportunities, and government initiatives that attract businesses and investors to these cities.

Technological Integration

Technological advancements are reshaping commercial real estate. There has been a growing emphasis on smart buildings and green practices. There was a big increase in green office spaces in 2023. Since 2016, this trend has grown by 83%. Major cities such as Bengaluru, Delhi-NCR, Hyderabad, Mumbai, Chennai, and Pune now have many of these green offices, totaling 421 million sq ft.

- A significant change in the commercial real estate market is happening because of a combination of economic factors and rapid advances in technology
- The boom in hybrid working has led the businesses to add flexibility to layouts. Flexible office spaces and co-working hubs are increasing on account of a diverse set of business players- from startups to big enterprises
- Sustainability is a booming aspect in the commercial real estate sector. The increasing awareness of climate change has driven a growing demand for green buildings, prompting builders to prioritize environmentally-friendly construction
- The expanding digital economy is driving the increasing demand for data centers across the country



Increase in Flexible and Co-working space

- The market of flexible workspace is expected to reach USD 9 billion by 2028. This growth is expected to encompass approximately 126 million square feet of commercial real estate at a CAGR of 15%. The current market size stands at around USD 3.5 billion, with a total of 167,700 seats leased in flexible spaces across India
- The demand for flexible workspaces is likely to soar, as the Indian workforce increasingly adopts hybrid work policies and flexible arrangements. Flexible workspaces are the preferred choice for both multinational corporations and startups as they provide cost-effective options, scalable flexibility, and collaborative environments
- The demand for flexible workplaces is being propelled by a range of sectors such as information technology (IT) and IT-enabled services (ITeS), banking, financial services and insurance (BSI), consulting, e-commerce, manufacturing and emerging startups
- Flex workspaces are predominantly located in urban centers, with Tier I cities hosting 49 percent of operational flex, while Tier II cities contribute around 22 percent of the total operational centers nationwide. Bengaluru is at the forefront of this trend, offering a total of 20.2 million square feet of flexible office space
- In Tier I cities like Mumbai, Bengaluru, and Delhi NCR, the average cost per desk is 50 percent higher than in other cities. Among these, Mumbai commands the highest average rent per square foot per month at Rs.142, significantly higher than the national average of Rs.96
- Key players in the flex workspace market in India are WeWork, The Executive Centre, Regus, Simpliwork, Cowrks, Springboard, Workafella, Awfis and Smartworks

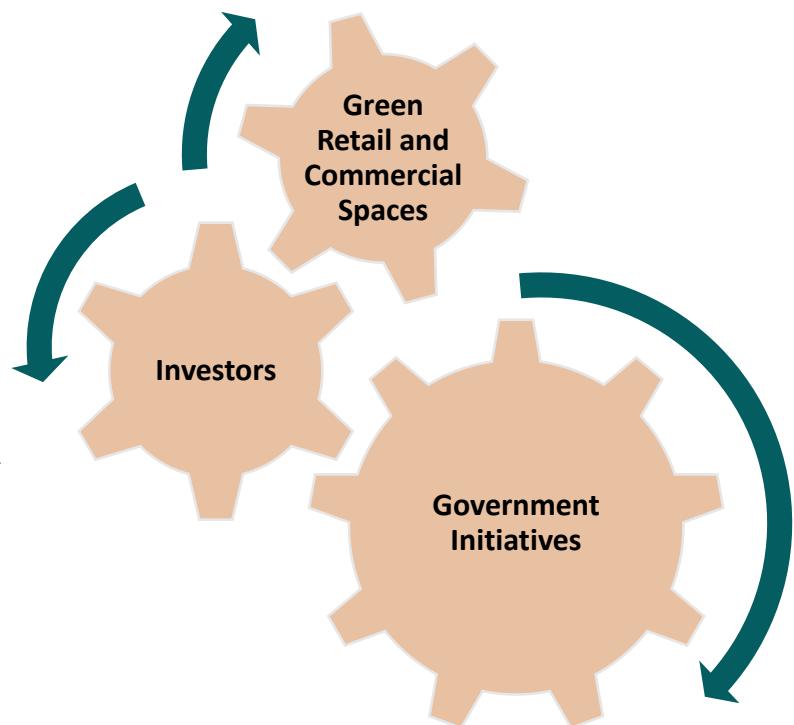
Rentals in Various Micro Markets during Q4 2023 (INR/Sq. Ft/Month)

Micro Markets	Average Rent	Areas Covered
Mumbai (Maharashtra State)	142	BKC, Nariman Point, Fort, Worli, Prabhadevi, Andheri, Thane
Delhi National Capital Region	97	Connaught Place, Aerocity, Cyber City, South Delhi, Noida
India Average	96	
Bangalore (Karnataka State)	95	MG Road, Richmond Road, Koramangala, ORR, Whitefield
Pune (Maharashtra State)	77	Bund Garden Road, Camp, Bhosari, Chinchwad, Hinjewadi
Hyderabad (Telangana State)	75	Madhapur, HITEC City, Gachibowli, Nanakramguda, Jubilee Hills
Chennai (Tamil Nadu State)	75	OMR, MPR, Nungambakkam, Nandanam, Teynampet
Kolkata (West Bengal State)	49	Park Street, Camac Street, Rajarhat, Salt Lake

Green Practices in Commercial Real Estate

In recent years, India's real estate industry has experienced a significant transformation, with a strong focus on green initiatives and sustainability. The shift toward sustainable commercial real estate development is driven by several factors, including heightened global awareness, government policies, changing consumer behavior that emphasizes responsibility, and the urgent need to address climate change. Commercial buildings account for a large share of global electricity consumption and are a major contributor to carbon emissions. Developments that prioritize green spaces, public transportation, and accessibility help create healthier, more inclusive communities. These sustainability-focused projects not only promote environmental well-being but also attract a wider range of investors and tenants, leading to higher demand and increased property values.

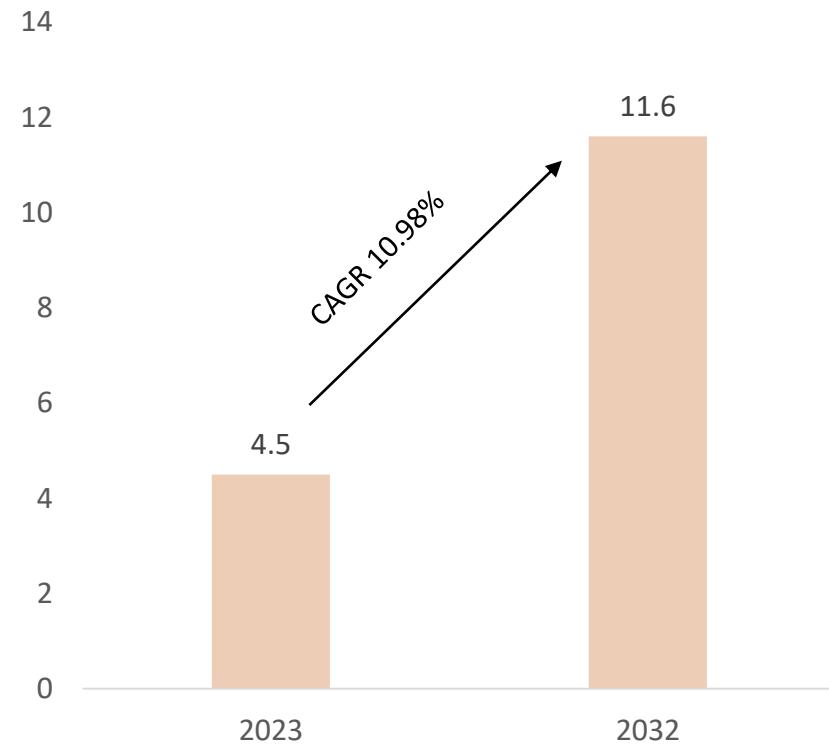
- The Indian government has taken proactive steps to promote sustainable development and green building practices in the real estate sector by introducing various laws and incentives. These programmes have become catalysts that encourage developers to adopt environmentally friendly design and construction practices
 - GRIHA is a rating system that assists users in evaluating a building's performance in comparison to a set of nationally recognized benchmarks. By assessing a building's environmental performance holistically throughout the course of its whole life cycle, it sets up a clear definition for what qualifies as a 'green building'
 - Another significant program, the Leadership in Energy and Environmental Design (LEED) certification, stands as a globally recognized green building rating system. To achieve LEED certification, a project must earn points by meeting specific prerequisites and credits related to transportation, materials, energy, indoor environmental quality, waste, carbon, and water
- Green commercial and retail environments are now considered indicators of a retailer's dedication to a more sustained and better future. As more businesses recognize the benefits of sustainability, office buildings are increasingly designed to minimize energy consumption, enhance the workplace environment for employees, and reduce their overall environmental impact
- Investors are searching more and more for green real estate options as they realize how important sustainability is to the world's top companies. Developers are being pushed to concentrate on sustainable real estate projects by the increased interest in green investing. The majority of company leaders prioritise on-site renewable energy use and energy efficiency



Rising Demand for Data Centers

- A data center is a designated space within a building or a set of architectural configurations designed to accommodate computer systems and their associated components, including networking and storage systems
- India's data centre market value is expected to increase from USD 4.5 billion in 2023 to a projected USD 11.6 billion by 2032, boasting a CAGR of 10.98%
- The growth of e-commerce and digital services has increased the demand for data centers in India. India's current data center capacity across the top seven cities is 977 MW
- The demand for data centers in real estate is projected to grow by 15-18 million square feet by 2025. From January to June 2024, approximately 71 MW of IT capacity was added across eight major cities in India
- Noida is emerging as a key location for data centers. The Uttar Pradesh (UP) government plans to offer 10 more land parcels in the Noida-Yamuna Expressway area to turn it into India's data center hub
- Big technology companies such as Yotta, Adani Group & Microsoft have already invested in data centers in Noida & Greater Noida
- Factors contributing to the growth of data centers are growing internet and mobile broadband penetration, growing IT and ITeS industry and increased adoption of cloud services
- The rise in data centers market will boost the demand for commercial real estate

India Data Centers Market Size (US\$ billion)

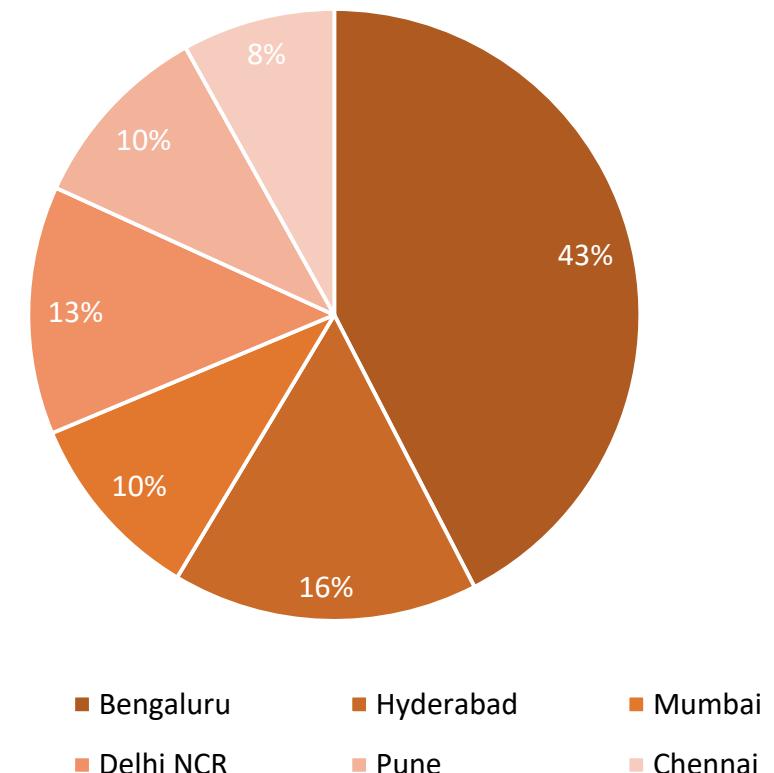


Source: imarcgroup

Increase in Global Capability Centers (GCCs)

- A Global Capability Center (GCC) is an offshore unit of a multinational corporation (MNC) that provides services for the parent organization. These centers play a crucial role in providing support services such as IT, finance, human resources, and analytics to their parent organizations. India now leads as the top destination for GCCs because of its talented workforce and supportive governmental policies.
- GCCs are expected to grow to 2,400 in India by 2030 from 1,580 in 2023. India's GCCs are projected to become a USD 100 billion industry by 2030
- The GCC landscape in India is dominated by three key sectors: Manufacturing, IT/ITES, and Banking and Financial Services and Insurance (BFSI)
- The GCC industry is likely to grow significantly, led by its enhanced strategic role in global operations
- Over 1,800 GCCs have been established in India by over 1,400 unique global occupiers. Currently, only 40-45% of Fortune 500 companies have GCCs, indicating significant potential for further growth in this sector. With India's demographic advantage, as the country is expected to add 80-90 million people to its working-age population by 2027, it is projected that 3.5-4 million people will be employed in GCCs over the next 3-4 years
- India is an emerging global office hub, attracting 55% of new global capability centers (GCCs)
- Recent leasing activity underscores the strong growth of the GCC sector. In the past 18 months, GCCs leased an impressive 35.2 million square feet of office space, with Bengaluru, Hyderabad, and Chennai accounting for three-quarters of this leasing activity
- Global corporations are attracted towards India because of its cost advantages. India provides operational expenses which are up to 40% lower than those in Eastern Europe. This makes the country a preferred destination for firms seeking cost efficiency without compromising on quality

GCCs in India as per cities



Source: IBEF

India's Edge in the Real Estate Sector



High Demand

The growing digital economy is pushing the demand for data centers across India. The real estate market demand for data centers is likely to increase by 15-18 million sq.ft. by 2025. Sustainability is becoming a key pillar in shaping the future of India's commercial real estate sector.

The organized retail real estate stock is projected to grow by 28%, reaching 82 million square feet by 2023. Increase in office space demand, flexible workspaces, data centers and warehouses is expected to keep the growth momentum rolling for the commercial real estate sector.

Increasing Investments

India's inclusion in the JP Morgan GBI-EM index has infused foreign investor confidence, strengthened forex reserves and signaled a stable investment climate.

This development is set to lower borrowing costs and improve liquidity, providing a significant boost to the commercial real estate sector.

Attractive Opportunities

The Indian real estate market is evolving rapidly. Cities such as Pune and MMR have emerged as critical industrial hubs.

Bank credit to the commercial real estate industry increased to Rs.4.8 trillion outstanding as of 26 July 2024 from Rs.4.38 trillion on 28 July 2023. The growth in loans is led by higher activity in office leasing and stable, predictable cash flows. Other categories like warehousing, data centers and retail are also becoming more attractive.

Government Initiatives

Policy fostering foreign direct investment, regulatory streamlining, and a business friendly environment are poised to attract increased domestic and international capital into the market.

The Indian government has implemented various initiatives, schemes and policies to support the industry such as: Real Estate (Regulation and Development) Act, 2016, National Industrial Corridor Development Programme and Real Estate Investment Trust (REIT).

Risks in Commercial Real Estate Industry

Interest Rate Risk

Commercial real estate sector in India is highly sensitive to interest rate changes as the sector is reliant on debt financing. Rising interest rates can elevate the cost of capital, making it more expensive for individuals to purchase properties. As borrowing becomes more costly, demand for real estate may decline. When interest rates are low, borrowing costs become more affordable, making it easier for individuals to finance property purchases. This stimulates the demand for real estate.

Macroeconomic Risks

India's commercial real sector is highly susceptible to economic cycles, demand-supply imbalances and geopolitical factors. Inflation, interest rates, and GDP growth are key factors that can impact the real estate market. Macroeconomic risks affect overall national economic activity, which in turn influences property cash flows and valuations. For instance, during high GDP growth, most firms have plenty of cash on hand and minimal unemployment. Property owners might raise rental rates and expect low vacancy rates and collecting losses. These variables also increase property values.

Downturn in user industries

Cyclical downturns in specific industries, such as IT/ITES and manufacturing, directly impact the demand for office spaces and industrial facilities. Over-supply in certain markets during economic upswings can lead to vacancies and downward pressure on rental yields, affecting developer profitability and investor returns

Increasing raw material costs

The rise in land prices are due to various factors such as demand-supply imbalance, rising cost of raw materials, etc. The demand for commercial spaces exceeds the supply in many prime locations. This leads to higher prices. The increasing cost of construction materials and labour is another factor driving up property prices in India

Regulatory changes

Real Estate regulations change frequently. New laws, taxes, or compliance requirements may impact property transactions and valuations. Varying state-level regulations and inconsistencies in land acquisition procedures pose challenges for developers seeking to purchase land for commercial projects. The lack of clarity in zoning laws and development regulations adds further complexity to project planning and execution. These regulatory inefficiencies contribute to project delays and cost escalations

Major Developments in Commercial Real Estate Industry

- The Indian government is working on a comprehensive policy framework to provide fresh incentives for GCCs. These incentives aim to complement existing state-level policies and encourage GCCs to expand into smaller towns and cities
- Bangalore emerged as the leading city in the Asia Pacific in having flexible office space stock beating Shanghai and Seoul, while Delhi NCR follows in second place in July 2024, according to real estate consultant CBRE
- Transactions for office spaces in April-June 2023, which totaled 14.8 million square feet, represented the highest quarterly figure recorded since Q1 2021
- The Union Ministry of Commerce and Industry amended the Special Economic Zones (SEZ) rules 2006. The new amended rules now allow the Board of Approval, on request from a developer of an IT or ITES SEZ, to permit the demarcation of a portion of the built-up area within an SEZ unit on a floor-by-floor basis as a non-processing or non-SEZ area. In simple terms, the Government has allowed SEZs to lease space partially or in terms of floors, allowing operators of office parks across the country to increase occupancy of their properties
- The Gujarat International Finance Tec-City Company Ltd (GIFTCL) has invited global bids to develop a commercial tower spread over 754,000 square feet in the processing area of the special economic zone
- Foreign investors pump nearly USD 3.1 billion yearly into Indian real estate

Key Players in Commercial Real Estate Industry

Companies	Business Overview
DLF Ltd	One of the largest real estate developers in India, with a diversified portfolio including residential, commercial, and retail properties. DLF has developed over 30 million square feet of commercial and retail space across India
Godrej Properties Ltd	A prominent player known for high-quality construction and innovative design. The company operates in major cities and is expanding internationally, with projects in the UK and Dubai
Housing Development and Infrastructure Ltd (HDIL)	The company focuses on residential and commercial developments, contributing significantly to the urban infrastructure landscape in India
Oberoi Realty	The firm is engaged in developing premium residential, office spaces, and retail properties, primarily in Mumbai. The company is recognized for its luxury developments
Prestige Estate Projects Ltd	The company is active in various segments including residential, commercial, and hospitality sectors, primarily in South India
Brigade Group	The firm is involved in the development of residential and commercial properties across multiple cities, with a focus on sustainable development practices

Commercial Real Estate Industry – Financial Performance of Industry Players

S. No.	Company	Net Sales (Rs. Million)*	Net Profit (Rs. Million)*	Operating Profit (Rs. Million)*	Debt-to-equity *
1	DLF Ltd.	32,399.6	12,512	19,006.80	0.12
2	Godrej Properties Ltd.	12,645.1	5,643.5	16,470.20	0.95
3	Macrotech Developers Ltd.	94,595	11,638	29,684.00	0.54
4	Oberoi Realty Ltd.	33,021.6	14,772.8	21,421.90	0.18
5	Prestige Estate Projects Ltd.	23,857	2,458	10,827.00	0.77
6	United Buildwell	23.9	16.5	22.50	-
7	Unitech Ltd.	1,607.6	-25,626.8	-5,632.00	-
8	Sobha Ltd	31,010.5	465.7	3,966.20	0.82
9	Brigade Enterprises	20,253.6	3,181.9	6,675.40	0.41
10	Sri City Pvt Ltd	2,079.8	162.8	441.80	0.29

*Note: Data as of FY 2024.

Commercial Real Estate Industry - Key Financial Ratios (Industry)

S. No.	Ratios	Unit	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23
1	Debt to equity ratio	Times	0.10	0.10	0.10	0.13	0.16
2	Interest Coverage ratio	Times	5.10	0.48	-	-	2.99
3	Debt service coverage ratio (DSCR)	Times	0.65	0.03	-0.35	-0.36	0.35
4	Net Working Capital	Rs. Million	9,809	8,730	8,297.2	7,174.1	7,247.6
5	Current Ratio	Times	2.27	2.53	2.36	1.78	1.45
6	PBDITA as % of total income	%	19.32	-34.72	-17.05	8.65	27.57
7	PAT as a % of total income	%	10.4	-38.68	-19.73	4.8	21.16
8	Debtors turnover	Times	3.58	3.96	1.92	3.52	6.25
9	Creditors turnover	Times	1.12	2.20	1.74	1.80	6.73
10	PAT as a % of capital employed	%	2.83	-12.29	-2.71	1.28	9.65

Source: CMIE.

Outlook

Set for Continued Growth

- India's real estate market is set for continued expansion in the coming years. India's real estate market is poised for a transformative journey, driven by a resilient economy, strategic policy initiatives, and a surge of innovation.

Office Sector Preference for Investors and Occupiers

- The office sector is expected to remain a preferred choice for both investors and occupiers in the coming years. Growth in the BFSI and information technology sectors is expected to aid growth of office market in the forthcoming period.

GCCs Drive India's Real Estate Growth

- India's real estate growth momentum will continue to be driven by GCCs.

Expect Traction in Commercial Real Estate Segments

- Commercial real estate segments such as warehousing, logistics, and data centers are likely to see traction as technological advancements and e-commerce trends continue to reshape the commercial real estate landscape.

Premium Retail Spaces Expected to Perform Well

- The retail sector in India is recovering from the pandemic's impact, especially with the resurgence of consumer spending in physical stores. Premium and luxury retail spaces in top malls, high streets, and commercial zones are expected to continue performing well. This will support the demand for commercial real estate sector.

Sustainability Driven Preference for Green Buildings

- The growing emphasis on sustainability has led occupiers to prefer buildings with green certifications (LEED, IGBC). This trend is expected to accelerate as companies aim to meet sustainability goals and reduce their carbon footprints.

Real Estate IPO to Drive Infrastructure Investments

- The positive outlook for real estate IPO activity in India would continue to drive significant investments in infrastructure.

* Views are personal

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ABOUT BRICKWORK RATINGS

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