

India Commercial Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The India Commercial Real Estate Market is anticipated to register a CAGR of more than 13.85% over the forecast period.

Key Highlights

The COVID-19 pandemic resulted in the work-from-home (WFH) culture, which had a short-term impact on new space obligations. New office space in the seven cities in India was 36.34 million sq. ft in 2020, down by 30% from the previous year. However, the recovery of the office leasing market was projected to begin in 2021.

By 2022, the absorption of Grade-A office space is estimated to exceed 700 million sq. ft, with Delhi-NCR accounting for most of this demand. Retail and hospitality are also growing significantly in the commercial real estate market, providing the much-needed infrastructure for India's growing needs. India's commercial real estate sector is projected to be accelerated by large-scale investments by institutional investors in the coming years. The retail real estate sector in the country has been dramatically boosted by government initiatives, such as Make in India, and other reforms in the realty sector, such as the introduction of the Real Estate Regulatory Authority (RERA) and GST.

Despite their initial troubles, developers and buyers are moving to the commercial real estate sector due to the transparency and competence of the industry, which has attracted increasing amounts of foreign direct investments (FDI) in commercial estate. The country's economic growth is driving demand for commercial property. Government initiatives and urban development policies and programs (Smart City, AMRUT) are expected to contribute to the need for real estate infrastructure.

The demand for office space in the nation is driven by reasons such as flexibility, comfort, and convenience. Most businesses in various industries, including IT, manufacturing, BFSI, startups, and even boutique businesses, are looking for office space to accommodate their employees. Additionally, many companies intend to expand to new areas, open remote or satellite offices, or both, adding to the demand for these spaces. Technology development has elevated commercial real estate to a new level. It is now feasible to offer virtual property tours, improve customer relationship management, conduct online transactions, and improve

communication between the seller and the buyer thanks to cutting-edge technology like artificial intelligence, virtual reality, data analytics, and others.

India Commercial Real Estate Market Trends

Office space demand to propel the market in India

Investor confidence in a swift economic recovery is being boosted by the rapid pace of the vaccine campaign, which is backed by a decrease in COVID-19 cases. With the gradual unlocking of economic activities and employers' shift in office premises for increased demand for co-working space, developers are optimistic about a healthy rebound in office leasing activity.

Between January and June 2021, significant cities in India saw an increase in new office space supply. Bengaluru saw a two-times increase in new office space supply in the first half of 2021, from 3.35 million sq. ft in 2020 to 9.53 million sq. ft during January-June 2021.

According to research published by real estate consultant Colliers India, office space supply increased 49% to 32.8 million square feet during the January-September period across six cities due to the completion of numerous commercial developments to fulfill the increasing demand. According to Colliers India, the same amount was 22 million square feet in the same period across six cities: Bengaluru, Chennai, Delhi-NCR, Hyderabad, Pune, and Mumbai. According to the real estate consultant, fresh supply increased in Chennai, Delhi-NCR, Hyderabad, and Pune but decreased in Bengaluru and Mumbai.

The new office supply, which was 8.1 million square feet from January through September 2022, decreased by 1% from the year before. From 2.1 million square feet in fresh supply, India's financial hub saw a 16% decrease to 1.8 million square feet. Chennai experienced the most significant increase in the number of new offices, which went from 0.9 million square feet to 4.2 million square feet. Delhi-NCR had a 133% increase in floor space from 2.7 million square feet to 6.3 million square feet, while a 56% increase in new office space supply increased from 5.1 million square feet to 7.9 million square feet.

Increased sale of retail spaces to propel the market

The second wave of the pandemic hit the market in Q2 2021 but despite its severity being much more than first wave, transaction volumes in Q2 2021 have grown 39% YoY compared to Q2 2020. Five out of eight markets have shown an improvement in transaction volumes in Q2 2021 compared to Q2 2020. An improved understanding of the pandemic and increasing availability of vaccines helped keep the needle moving during the quarter. However, in terms of half-yearly numbers, transaction volumes have fallen 29% YoY to 1.14 mn sq m (12.3 mn sq ft) in H1 2021.

The construction situation was better managed during the second wave compared to the first wave of pandemic. However, the 1.39 mn sq m (15.1 mn sq ft) of office space that attained completion during H1 2021 was 18% lower than that in H1 2020 as developers focused on leasing existing projects. The vacancy rate has increased to 16.6% in H1 2021 compared to 14.2% previously. Average transacted rent trended lower for seven of the eight markets during H1 2021 with rents in Bengaluru, Pune and Mumbai falling by 14%, 11% and 9% YoY respectively.

India Commercial Real Estate Market Competitor Analysis

The Indian commercial real estate market is partially fragmented and highly competitive. Indian retail real estate is becoming a preferred destination for global institutional investors, driven by robust office space take-up, declining vacancy levels, and rising rentals. Some of the country's major commercial real estate players include DLF, Godrej Properties, Housing Development and

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Infrastructure Ltd (HDIL), and Oberoi Realty. The Indian retail real estate market is reaching an intermediate consolidation phase as the number of developers offering commercial properties is decreasing. The small-scale developers are also merging with the big real estate developers or exiting the market.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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