

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

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

The Indian office real estate market is expected to grow steadily in 2022, as the country is returning to normalcy after the COVID-19 outbreak.

The second wave impacted the market sentiments, with several occupiers taking a cautious approach to ongoing business uncertainties. However, several deals negotiated before 2021 were completed, and the vaccination drive is assisting corporations in gaining a better understanding of return-to-work dates.

Occupiers are likely to focus more on integrating traditional leased spaces, remote working options, and flexible spaces within the real estate portfolios to develop a hybrid workplace model. The plan to decentralize the workplace and provide more locations to satisfy the needs of a more mobile workforce is anticipated to be aimed at cost and portfolio optimization.

India Office Real Estate Market Trends

Demand for Office Space Increased in 2021

Gross leasing declined in Q2 2021 compared to Q1 2021 due to the second wave of COVID-19 and subsequent regulations in all major cities. However, on an annual basis, office leasing grew by 55.1% in Q2 2021 compared to Q2 2020.

Demand for space is increasing across IT, healthcare, e-commerce, and logistics sectors. To make the market more accessible to small and retail investors, the Securities and Exchange Board of India (SEBI) reduced the minimum application value for Real Estate Investment Trusts (REITs) from INR 50,000 (USD 705.21) to INR 10,000-15,000 (USD 141.04 - USD 211.56) in July 2021.

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According to the Investment Information and Credit Rating Agency of India Limited (ICRA), Indian companies are likely to raise more than INR 3.5 trillion (USD 48 billion) through infrastructure and real estate investment trusts in 2022, compared to USD 29 billion raised in 2020.

Foreign Investments Plays a Major Role in the Office Real Estate Market

Growth in the business process management/information technology (BPM/IT), banking, financial services, and insurance (BFSI), consulting, and manufacturing industries has fueled the office market. Due to the vast potential and simplified FDI rules, many new companies are considering entering the Indian market. 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.

Bengaluru was estimated to record large agreements of 100,000 sq. ft. in 2021, accounting for a significant amount of projected leasing. It is expected to account for a 20-30% increase in absorption, while supply is expected to grow steadily by 20-30% Y-o-Y. Strong development in e-commerce and manufacturing and increased demand in emerging tier I and tier II cities are estimated to push absorption of industrial and warehousing space up by 83% to 47.7 million sq. ft in 2021. The office category drew 71% of all private equity (PE) investments in real estate in Q4 FY21, followed by retail (15%), residential (7%), and warehousing (7%).

India Office Real Estate Market Competitor Analysis

The Indian office real estate market is highly competitive, as the sector's domestic and foreign participants produced a competitive environment. There are many opportunities for small and medium companies in tier 2 cities. Some of the office real estate developers in the country include Indiabulls Real Estate, DLF Ltd, Prestige Estate Projects Ltd, Supertech Limited, and Oberoi Realty.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

Table of Contents:

1 INTRODUCTION

- 1.1 Study Assumptions
- 1.2 Scope of the Report

2 RESEARCH METHODOLOGY

- 2.1 Analysis Methodology
- 2.2 Research Phases

3 EXECUTIVE SUMMARY

4 MARKET INSIGHTS

- 4.1 Market Overview (Current Economic and Real Estate Market Scenario)
- 4.2 Technological Innovations in the Office Real Estate Market
- 4.3 Government Regulations and Initiatives in the Industry
- 4.4 Insights on Rental Yields in the Office Real Estate Segment
- 4.5 Insights on the Key Office Real Estate Industry Metrics (Supply, Rentals, Prices, Occupancy(%)/Vacancy (%))
- 4.6 Insights on Office Real Estate Construction Cost

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4.7 Impact of COVID-19 on the Market

5 MARKET DYNAMICS

5.1 Market Drivers

5.2 Market Restraints

5.3 Market Opportunities

5.4 Porter's Five Forces Analysis

5.4.1 Bargaining Power of Suppliers

5.4.2 Bargaining Power of Consumers/Buyers

5.4.3 Threat of New Entrants

5.4.4 Threat of Substitute Products

5.4.5 Intensity of Competitive Rivalry

5.5 Industry Value Chain Analysis

6 MARKET SEGMENTATION

6.1 By Major Cities

6.1.1 Bengaluru

6.1.2 Hyderabad

6.1.3 Mumbai

6.1.4 Delhi NCR

6.1.5 Pune

6.1.6 Chennai

6.1.7 Kolkata

6.1.8 Ahmedabad

6.1.9 Rest of India

6.2 By Sector

6.2.1 Information Technology (IT and ITES)

6.2.2 Manufacturing

6.2.3 BFSI (Banking, Financial Services, and Insurance)

6.2.4 Consulting

6.2.5 Co-working

6.2.6 Other Services

7 COMPETITIVE LANDSCAPE

7.1 Company Profiles

7.1.1 Indiabulls Real Estate

7.1.2 DLF Limited

7.1.3 Prestige Estate Projects Ltd

7.1.4 Supertech Limited

7.1.5 Oberoi Realty

7.1.6 HDIL Ltd

7.1.7 Godrej Properties

7.1.8 Brigade Group

7.1.9 Sunteck Realty

7.1.10 Phoenix Mills

7.1.11 Unitech Real Estate Pvt Ltd

7.1.12 Omaxe Ltd*

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7.2 *List Not Exhaustive

8 RECENT DEVELOPMENTS

9 APPENDIX

9.1 Insights on Capital Flows (Investments in the Office Real Estate Market)

9.2 Pricing Trend Analysis for New Office Building Construction in India

10 DISCLAIMER

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