

# India Market Monitor 2021

Mapping the Evolution of  
Indian Real Estate in 2021








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## OFFICE

### Recovery strengthens as occupier decision-making picks up

<p><b>~41 mn sq. ft.</b> Office leasing activity in 2021, up by about 16% y-o-y.</p>	<p><b>~50 mn sq. ft.</b> Supply addition in 2021, up by about 18% y-o-y.</p>	<p><b>85%</b> Share of small- to medium-sized deals (up to 50,000 sq. ft.) in total space take-up in 2021, marginally up from 81% in 2020.</p>
<p><b>80%</b> Cumulative share of <b>Hyderabad, Bangalore, Delhi-NCR and Mumbai</b> in total space take-up in 2021.</p>	<p><b>82%</b> Combined share of <b>Hyderabad, Bangalore, Delhi-NCR and Pune</b> which dominated supply in 2021.</p>	<p>Divergence in rental movement was observed in Q4 2021 - while rents remained broadly stable across cities, an <b>increase was recorded in ORR, PBD Whitefield, EBD and NBD in Bangalore and SBD Kharadi, SBD East and CBD in Pune.</b> Rental value correction was limited to PBD Hinjewadi in Pune.</p>

### Key industry sectors that drove office leasing activity

<p><b>Technology</b></p> <p>30% share in 2021, 34% share in 2020</p> 	<p><b>Flexible Space Operators</b></p> <p>15% share in 2021, 9% share in 2020</p> 	<p><b>Engineering &amp; Manufacturing</b></p> <p>14% share in 2021, 12% share in 2020</p> 	<p><b>BFSI</b></p> <p>13% share in 2021, 16% share in 2020</p> 
<p><b>Life Sciences</b></p> <p>6% share in 2021, 5% share in 2020</p> 	<p><b>Research, Consulting &amp; Analytics</b></p> <p>4% share in 2021, 8% share in 2020</p> 	<p><b>E-commerce</b></p> <p>3% share in 2021, 4% share in 2020</p> 	

### Regional share in office leasing activity

<p><b>American Corporates</b></p> <p>51% share in 2021, 46% share in 2020</p>	<p><b>Domestic Corporates</b></p> <p>36% share in 2021, 30% share in 2020</p>	<p><b>EMEA Corporates</b></p> <p>10% share in 2021, 21% share in 2020</p>	<p><b>APAC Corporates</b></p> <p>3% share in 2021, 3% share in 2020</p>
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### Outlook

- Office leasing momentum expected to continue in 2022 with a combination of pent-up and expansionary / consolidation-led absorption, as occupiers start to realign their business strategies after a long hiatus post the pandemic.
- Overall absorption expected to cross 40 million sq. ft. in 2022; supply to cross 50 million sq. ft.
- We anticipate that this sustained drive in leasing activity would continue to bring a new focus on high-quality buildings by developers to differentiate their assets and attract occupiers.
- Occupiers expected to incorporate more flexible spaces while re-optimising their portfolios with the realignment of 'core + flex' themes.
- Despite increased appetite for hybrid work, frequency of remote working anticipated to be low; occupiers also likely to determine their remote working eligibility post 'return-to-office' strategies.
- Developers expected to enhance existing assets through better amenities, sustainability and health & safety measures, and technological upgradation to improve occupancies.
- Investors expected to take note of occupiers' expansion intentions and monitor working patterns in their assets / portfolios; office assets to remain high on the investor radar.

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## INDUSTRIAL & LOGISTICS

### Sunshine sector continues its upward trajectory

30 mn sq. ft.

Leasing activity in 2021, up by about 57% y-o-y.

62%

Combined share of **Bangalore, Delhi-NCR and Mumbai** which dominated space take-up in 2021.

~60%

Share of **medium-to large-sized deals** (more than 50,000 sq. ft.) during 2021.

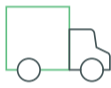









27 mn sq. ft.

Supply addition witnessed in 2021, up by 28% y-o-y.





37%

Share of **Delhi-NCR** alone in the total supply addition in 2021, it was followed by **Chennai (19%), Mumbai and Bangalore (11% each)**.



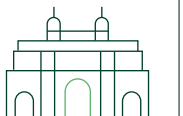
### Key demand drivers

 <p><b>3PL</b></p> <p>39% share in 2021, 42% share in 2020</p> 	 <p><b>E-commerce</b></p> <p>18% share in 2021, 21% share in 2020</p> 	 <p><b>Retail</b></p> <p>14% share in 2021, 8% share in 2020</p> 
 <p><b>Engineering &amp; Manufacturing</b></p> <p>12% share in 2021, 11% share in 2020</p> 	 <p><b>FMCG</b></p> <p>5% share in 2021, 2% share in 2020</p> 	

### Regional share in leasing activity

<p><b>Domestic Corporates</b></p> <p>78% share in 2021, 79% share in 2020</p> 	<p><b>EMEA Corporates</b></p> <p>11% share in 2021, 6% share in 2020</p> 	<p><b>APAC Corporates</b></p> <p>6% share in 2021, 5% share in 2020</p> 	<p><b>American Corporates</b></p> <p>5% share in 2021, 10% share in 2020</p> 
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### Cities which led absorption

<p>28% Bangalore</p> 	<p>20% Delhi-NCR</p> 	<p>14% Mumbai</p> 
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### Annual rental growth witnessed across cities; a marginal dip in select micro-markets of Pune

19% TTC MIDC (Industrial), Mumbai	17% Eastern Corridor, Hyderabad	14% Aslali, Ahmedabad	13% Western Corridor, Hyderabad	12% Aslali Extension (Bareja and Kheda), Ahmedabad
11% Southern Corridor - I, Chennai	10% Pimpri-Chinchwad, Pune	7% Taratala - Budge Budge Trunk Road, Kolkata	3% Western Corridor, Bangalore	3% Gurgaon (NH-8), Delhi-NCR

### Outlook

- Warehouse leasing expected to remain strong in 2022, led by continued growth of e-commerce and 3PL firms, against the backdrop of macro-economic recovery and rise in manufacturing investments.
- Overall absorption expected to cross 35 million sq. ft. in 2022; supply to cross 30 million sq. ft.
- Warehousing space take-up in tier II cities likely to continue gaining momentum, driven by growth of omnichannel retail and increasing urbanisation.
- Supply chain disruptions expected to ease by H2 2022. However, pandemic-related risks could persist in the near term, requiring occupiers to follow 'just-in-case' inventory strategies.
- Occupiers likely to focus on increased adoption of smart warehouse technologies to enhance operational efficiencies and increase storage capacities.
- Investor appetite to continue to rise for both greenfield and brownfield I&L assets; higher focus expected on developments that have adopted technology, new-age facilities and those meeting ESG standards.

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## RETAIL

### Strong comeback in Q4 2021 as retailers cover lost ground

~3.2 mn sq. ft.

Absorption across Grade A malls and high streets in 2021, compared to 1.5 million sq. ft. taken up in 2020.

~2.1 mn sq. ft.

Leasing activity witnessed across Grade A malls and high streets in Q4 2021, a q-o-q growth of nearly 250%

Bangalore, followed by Mumbai, dominated the annual as well as quarterly leasing activity; together accounting for about 55% and 70% of the space take-up in 2021 and Q4 2021, respectively.

~4.1 mn sq. ft.

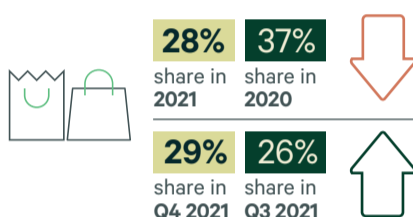
Investment-grade mall supply in 2021, up by about 124% y-o-y.

~3.4 mn sq. ft.

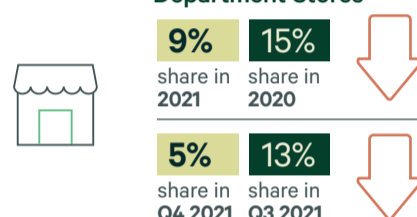
Investment-grade mall completions in Q4 2021, making it the strongest quarter in terms of supply addition.

### Key demand drivers

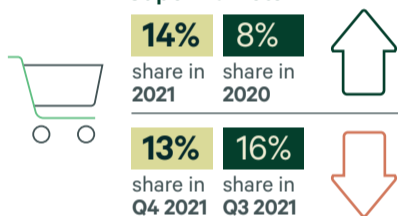
#### Fashion & Apparel



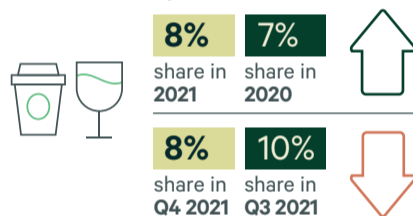
#### Homeware and Department Stores



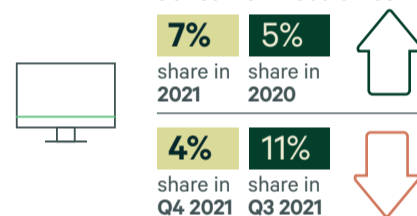
#### Supermarkets



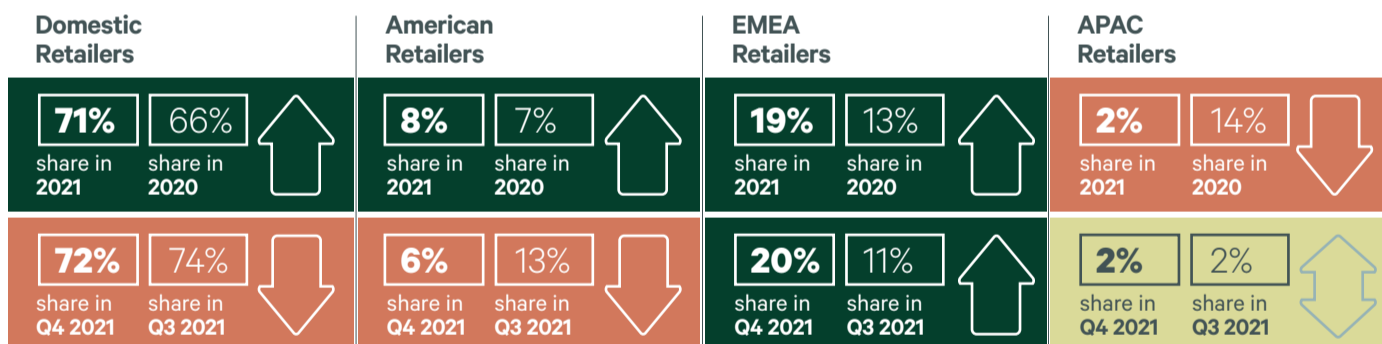
#### F&B



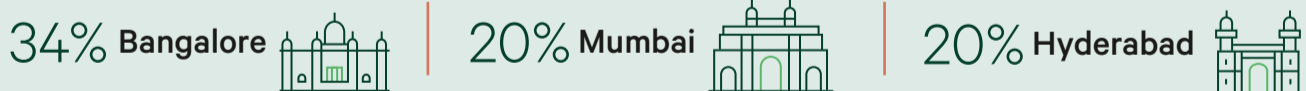
#### Consumer Electronics



### Regional share in leasing activity



### Cities which led absorption in 2021



### Yearly rental movement

High Streets			Malls		
City	Micro-market	Growth (%)	City	Micro-market	Growth (%)
Hyderabad	Himayat Nagar	0-5%	Delhi-NCR	Gurgaon	0-10%
Hyderabad	Jubilee Hills Road No. 36	0-5%	Pune	MG Road	0-10%
Hyderabad	Banjara Hills Road No. 2	0-5%	Pune	Nagar Road	0-10%
Delhi-NCR	Khan Market	5-10%	Delhi-NCR	Saket District Centre	Above 10%
Hyderabad	Banjara Hills Road No. 1	5-10%	Delhi-NCR	Vasant Kunj	Above 10%
Pune	Aundh	5-10%	Delhi-NCR	Noida	Above 10%
Pune	Koregaon Park	5-10%	Pune	Koregaon Park/ Bund Garden Road	Above 10%

### Outlook

- 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 owing to pent-up demand.
- Lease structures between landlords and retailers expected to continue evolving, with greater emphasis on partnerships.
- Retailers, who were previously largely based in malls, expected to expand their footprint to other developments in high streets, mixed use, standalone buildings, etc.
- Digital enhancement of stores to become more widespread to enrich consumer experience and obtain insights to improve store performance and productivity of retail space.
- Retailers likely to accelerate adoption of omnichannel as lines between physical and online retail blur due to a shift in shopping patterns during the pandemic and the rapid growth of e-commerce.
- Store designs anticipated to evolve in tandem with a shift in consumer behaviour, leading to reshuffling of space allocation among various store functions.

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## RESIDENTIAL

### Sector in expansion mode after posting strong performance

<p><b>~2 lakh</b> No. of units sold in 2021, a <b>jump of over 70%</b> y-o-y.</p>	<p><b>~23%</b> Quarterly increase in housing sales in Q4 2021, causing the number of sold units to <b>reach the 62,000 mark</b>.</p>	<p><b>Pune, followed by Mumbai, Delhi-NCR and Hyderabad</b>, drove sales activity across the seven major cities in 2021, accounting for a share of over 80%.</p>	<p><b>~78%</b> Cumulative share of the <b>mid-end segment and affordable / budget category</b> in total sales during 2021.</p>
<p><b>~2 lakh</b> No. of new unit launches in 2021, <b>up by more than 70%</b> y-o-y.</p>	<p><b>~35%</b> Quarterly rise in new project launches in Q4 2021, leading to the addition of <b>67,500 units</b> to the market.</p>	<p><b>Pune (24%)</b> led new launches in 2021, closely followed by <b>Hyderabad (23%)</b> and <b>Mumbai (~22%)</b>.</p>	

### Key sales drivers

<p><b>Affordable / Budget</b></p> <p>29% share in 2021, 33% share in 2020 (Down arrow)</p> <p>27% share in Q4 2021, 26% share in Q3 2021 (Up arrow)</p>		<p><b>Mid-end</b></p> <p>49% share in 2021, 46% share in 2020 (Up arrow)</p> <p>51% share in Q4 2021, 50% share in Q3 2021 (Up arrow)</p>	
<p><b>High-end</b></p> <p>16% share in 2021, 14% share in 2020 (Up arrow)</p> <p>16% share in Q4 2021, 17% share in Q3 2021 (Down arrow)</p>		<p><b>Premium</b></p> <p>4% share in 2021, 5% share in 2020 (Down arrow)</p> <p>4% share in Q4 2021, 5% share in Q3 2021 (Down arrow)</p>	
<p><b>Luxury</b></p> <p>2% share in 2021, 2% share in 2020 (Stable arrow)</p> <p>2% share in Q4 2021, 2% share in Q3 2021 (Stable arrow)</p>			

### Cities that drove sales

<p><b>32%</b> share in Q4 2021, <b>31%</b> share in 2021</p> <p><b>Pune</b></p>	<p><b>20%</b> share in Q4 2021, <b>20%</b> share in 2021</p> <p><b>Mumbai</b></p>	<p><b>16%</b> share in Q4 2021, <b>15%</b> share in 2021</p> <p><b>Delhi-NCR</b></p>	<p><b>12%</b> share in Q4 2021, <b>15%</b> share in 2021</p> <p><b>Hyderabad</b></p>
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### Outlook

- **Positive momentum in new launches and sales to continue** in 2022; strong project pipeline amidst robust demand likely to support an appreciation in asset prices.
- **Mid-end and affordable segments to continue driving sales;** high-end / premium segments could also see greater traction.
- **Rent-yielding alternate asset classes** within the residential sector could emerge as the next big opportunity for developers post the implementation of the Model Tenancy Act; however, its implementation in true spirit would be crucial.
- Elongated period of work-from-home and home schooling to drive **demand for larger homes;** plotted developments to continue to gain traction.
- **ESG and sustainability** could come into higher focus by developers against the backdrop of anticipated tightening regulatory and policy framework; technology to find greater use and acceptance.
- **Interest rate tightening anticipated in the coming quarters;** however, impact on home loan rates likely to be range-bound as the rate hikes are expected to be graded and interspersed.
- **Project execution capabilities and cashflow management to remain critical;** developers need to be cautious about risks emerging from high unsold inventory in certain pockets / regions and supply chain issues that could impact raw material availability / costs.

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# India

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## RE INVESTMENTS

### Greater investment opportunities ahead

~USD **5.5** bn  
Investment inflows in 2021, **up marginally by 3%** on an annual basis.

**Development sites / land dominated overall investments** in 2021 with a share of **37%**, followed by office (25%) and I&L (17%) sectors.

**Mumbai, Delhi-NCR and Hyderabad** led investment activity with a cumulative share of **almost 60%** in total investments in 2021.

**Institutional investors** led investment activity in 2021 with a share of **39%**, followed by developers (34%).

**54%**

Share of foreign investors and developers in total investments in 2021. **North America-based companies dominated** among these investors with a 37% share, followed by Singapore-based corporates (12%).

### Outlook

- **Investment activity expected to pick pace** as investors evaluate opportunities across segments; sectors such as office, retail, I&L and hospitality to witness traction.
- More colour to the REIT landscape likely as **REITs expected across other RE segments** such as retail and warehousing.
- **Core and core-plus assets** to remain preferred investment strategies amongst institutional investors; investment flow expected to be towards both greenfield and brownfield assets.
- **Investments in alternate assets**, particularly data centres, could gain further traction amidst rising digitisation and strong policy push towards a digital economy.
- The year 2022 could see a **strong comeback of equity investments in the residential segment**; more sector-agnostic funds also to be in the offing.
- Despite anticipated improvement in demand levels, especially in office and I&L, and resurgent capital flows, **yields expected to broadly remain stable**.
- **Structured debt** to remain the preferred route for investors, primarily **for providing construction finance**.
- **Stress funds and special situations funds to witness increased interest** from investors amidst promising opportunities in the stressed asset category.
- **Sustainability and ESG practices** to emerge as stronger themes in investment strategies.

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