YEAR END
ROUND UP

OUTLOOK 2024

CUSHMAN & WAKEFIELD

ECONOMY

FAST FIVE FACTS

1. For the first three quarters of the current year, India's real GDP growth figures stood at 6.4%, 7.8% and 7.6%, respectively. With September quarter GDP print coming above market's expectations, India's RBI raised FY2023-24, India's RBI confidently raised FY2023-24 growth forecast to 7.0% from 6.5% estimated earlier.

2. For most part of the current year, India's CPI inflation remained within comfort zone of RBI (below 6%) and it is expected to record 5.4% by year-end (Mar-24). However, risks to inflation continue to persist and markets may have to wait for rate cut cycle to begin.

3. India's GST collections have been consistently rising year-on-year, and the expectation is that by year end FY2023-24, it will touch INR 19.9 trillion - highest ever. Other high frequency indicators such as monthly PMI surveys, retail sales etc. point towards sustained growth in consumption.

4. Growth of IT-BPM sector - major consumer of India's office space - has been muted this year after having witnessed healthy growth last fiscal year. Quarterly guidance by top-5 listed firms - TCS, Wipro, Infosys, HCL Tech and Tech Mahindra - suggests tepid growth in the near term.

5. GCCs (Global Capability Centers), however, remain bullish on India's potential basis existing talent pool and competitively priced & rapidly maturing real estate markets. As of Q3-23, 125 new GCC centers have been established, surpassing level (81 centers) seen last year. More GCCs to enter India as per available market estimates.

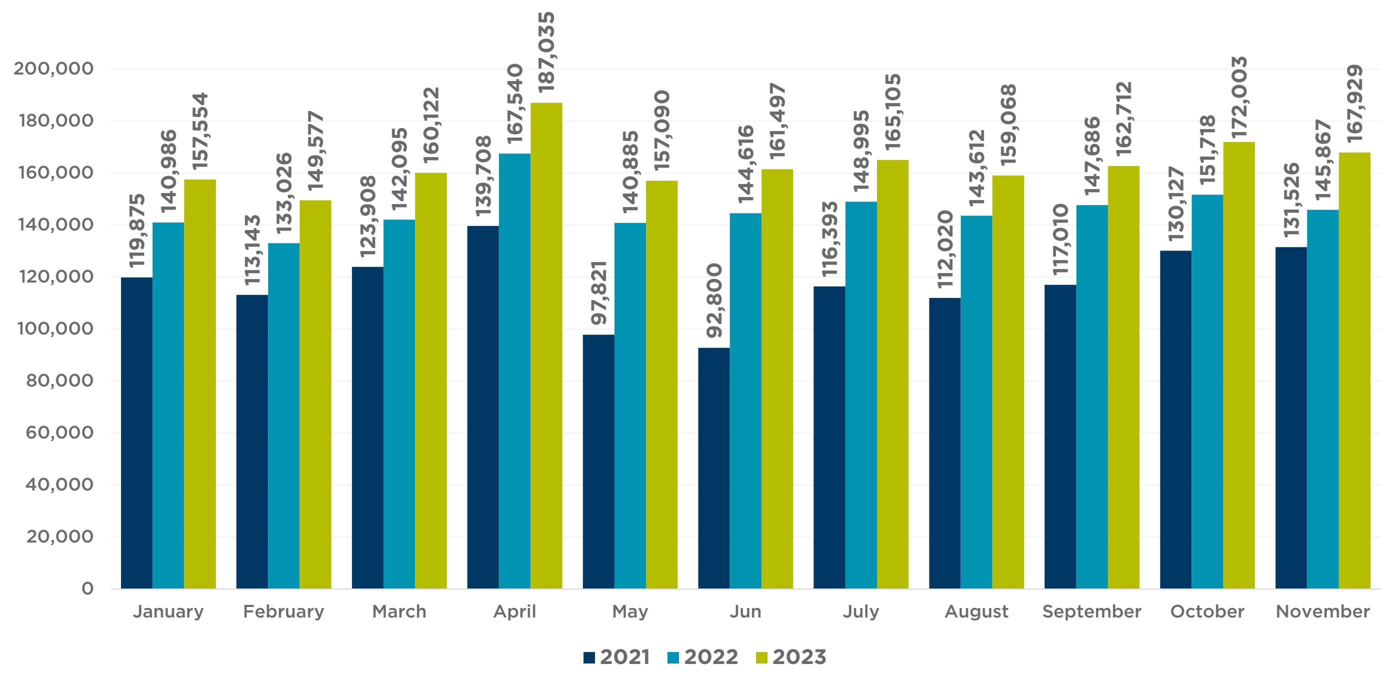
ECONOMIC MOMENTUM REMAINS STRONG

For the most recent quarter (Sept-23), India's GDP growth rate surpassed all market expectations and recorded a strong 7.6% y/y growth. Consequently, India's central bank has upwardly revised the full year FY2023-24 forecast to 7.0% from the previous forecast of 6.5%. Currently, the CPI inflation, too, has subsided meaningfully to below 5.0% from over 7.0% earlier in June-July period. Though RBI has forecasted inflation to remain in a comfortable range for the full year, it has also highlighted certain global / food price risks that could lead to a spike. Overall, a bullish growth phase for the immediate future alongside largely comfortable inflation levels is a big positive for the economic outlook. India will continue to remain the fastest growing economy amongst comparable major economies of the world.

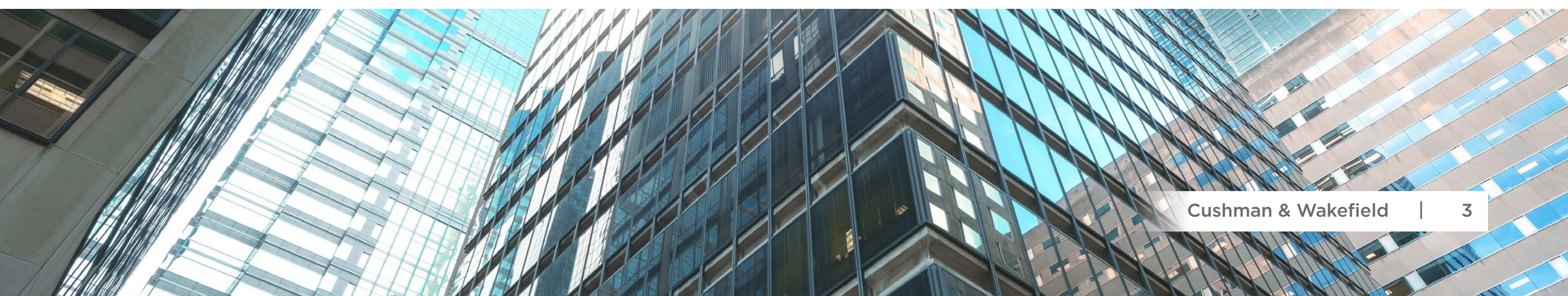
HIGH FREQUENCY INDICATORS SUGGEST SUSTAINED GROWTH IN THE NEAR-TERM

The GST collection for the current fiscal year, recorded at INR 13.3 trillion (April to November), reflects a notable 12% increase compared to the same period last year. The year is likely to end at INR 19.9 trillion worth GST collections. Looking ahead at the FY2024-25 budget estimates, Indian government has estimated 14-15% growth in GST collections over FY 2023-24. GST collections has been on a consistent rise over last three fiscal years and that provides a stable outlook despite global uncertainties.

GST COLLECTION (INR CR)



Source: Press Bureau of India



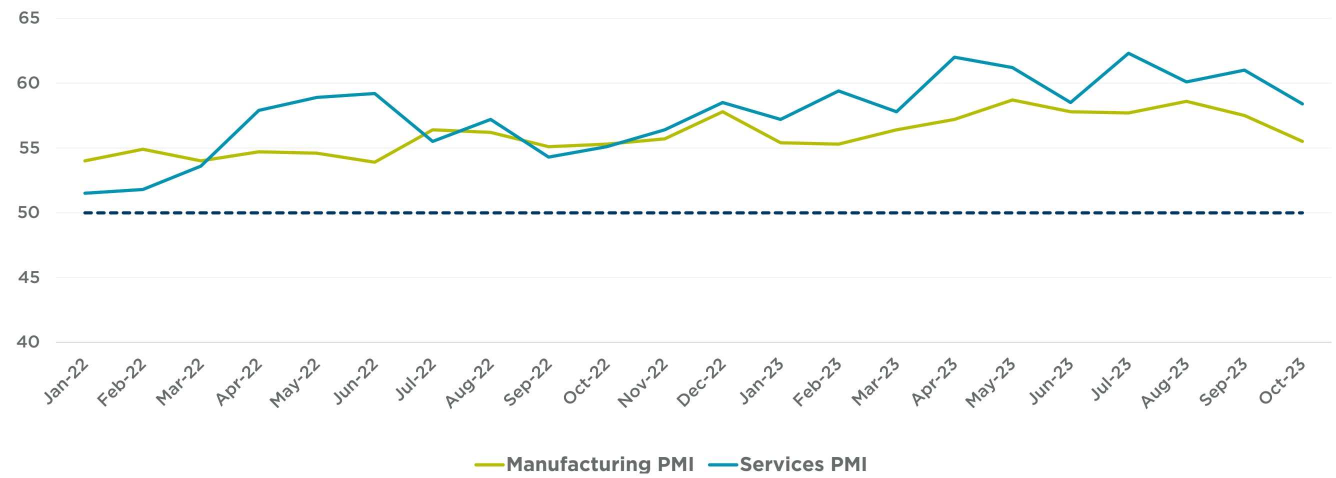
Private consumption, constituting 57.3% of the GDP, remains a pivotal contributor to this economic surge. India's domestic passenger vehicle sales (a rate-sensitive sector like housing) is yet another indicator of a strong consumption demand story. Over the last two years, sales have consistently risen and for Oct-23 month, the sales recorded was highest ever. Similarly, domestic air passenger traffic has been clocking healthy volumes throughout this year, benefitting the tourism industry, including hotels. India is now counted amongst world's top fastest growing civil-aviation markets.

MONTHLY PASSENGER VEHICLE SALES AND DOMESTIC AIR PASSENGER TRAFFIC, 2022-23

Source: SIAM, DGCI

Both, manufacturing as well as services PMI have shown great resilience over the last two years despite pressure coming from global macroeconomic uncertainty. Both readings have been comfortably above 50, a level that demarcates expansion from contraction.

PURCHASING MANAGER'S INDICES



Source: S&P Global

IT-ITES INDUSTRY OUTLOOK LOOKS MODEST, ALTHOUGH GCCS TO GROW MORE

For most part of the current fiscal year FY2023-24, the revenue growth of top-5 listed IT-BPM players in India has remained muted. Infact, for the most recent Sept-23 quarter, some of these companies even witnessed a drop in revenues, largely stemming from a weak global IT spend expected for 2023 and 2024 as per estimates available from reputed IT consulting firms. Consequently, all the top-5 listed IT companies have unanimously lowered their revenue guidance for the current fiscal year, suggesting a flattish to modestly negative growth. However, IT industry attrition rates has lowered significantly and that enables companies to stabilize operations faster, including fast-tracking of return-to-office of employees.

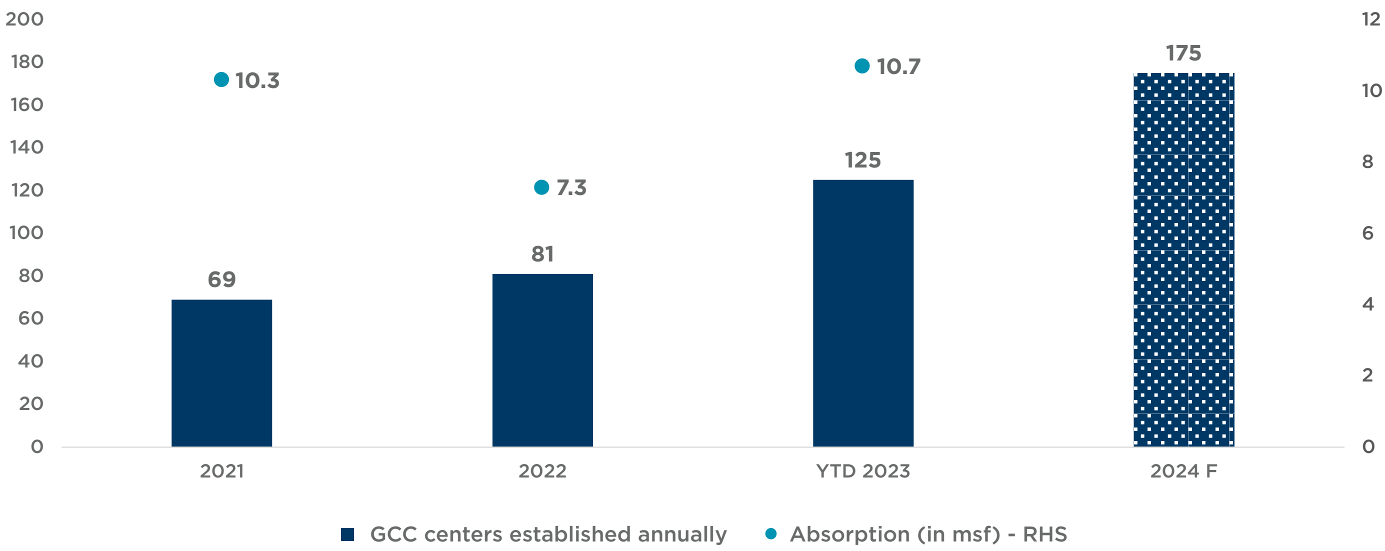
FY 24 OUTLOOK – GUIDANCE FROM LISTED IT FIRMS IN INDIA

tcs TATA CONSULTANCY SERVICES	Softness observed in the past two quarters is expected to continue
Infosys	Lowered guidance to 1-2.5% from 1-3.5%
wipro	Lowered guidance up to -3.5%
HCL	Lowered guidance to 5-6% from 6-8%
Tech Mahindra	Revenue is likely to dip in FY 24

A MUTED IT SECTOR GROWTH IS BALANCED-OUT BY RESURGENCE IN GCCS ACROSS INDIAN CITIES

The Global Capability Centers (GCCs) has seen a resurgence in India in recent years, and it is expected to get better in the near-to-medium term, as per available estimates from NASSCOM and few other agencies. Close to 125 GCC centers opened-up in 2023 (as of Q3) in India, much higher than the number of centers opened in 2022. GCCs contributed to 10.7 msf of space take-up in Grade-A office buildings across the top-8 cities. Available market estimates suggest another 150-200 new GCCs would be set-up in the country in 2024, indicating a sustained momentum in GCCs entering India and taking up good quality spaces. GCCs will not only be taking advantage of India's mature IT ecosystem and vast talent pool, but also benefit from an occupier-friendly real estate market given stable rents across most markets.

GCC CENTERS' GROWTH IN INDIA



C&W Research

FAST FIVE FACTS

1. Gross lease volume for 2023 is likely to hit close to 64 msf, closer to the pre-pandemic peak of 2019 (68 msf), although lower than the historic high volumes seen in 2022 (72 msf).
2. Driven by healthy fresh demand and pre-leased supply coming-in, net absorption is likely to come close to 2022 levels at 32-34 msf by end-2023.
3. New supply to record close to 47 msf by year end, lower than the 52 msf recorded last year.
4. Demand is likely to revive next year as GLV could hit around 68 msf in 2024. Net absorption is expected at healthy levels of over 40 msf in 2024, likely to be driven by fresh demand.
5. With few projects across cities been pushed to later quarters in 2023, the expected new supply in 2024 is estimated at around 60 msf, and bulk of that is coming-up in prime submarkets across top-8 cities.

YEAR 2023 AND OUTLOOK 2024

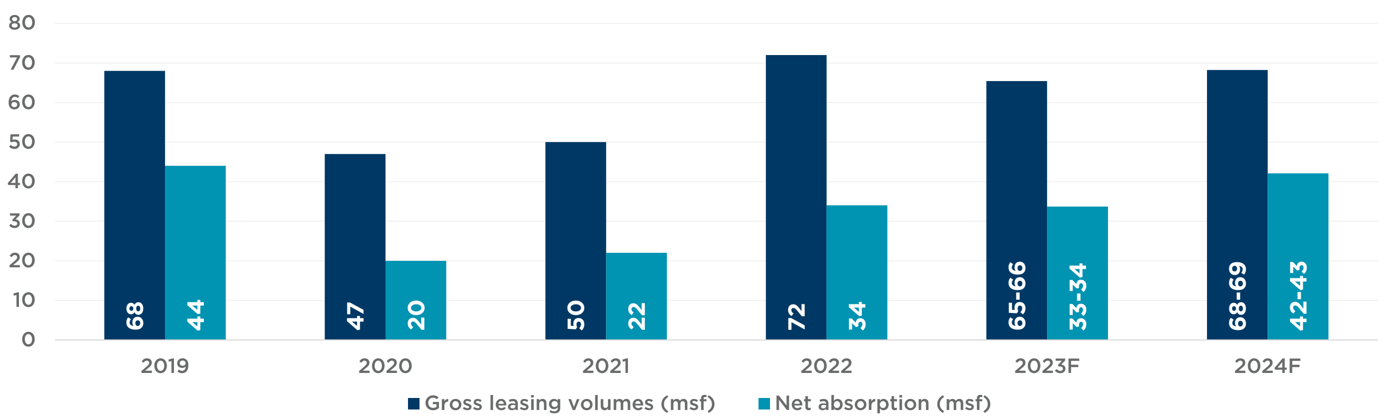
MARKET ACTIVITY TO STRENGTHEN IN 2024; DEAL CLOSURES TO GAIN MOMENTUM

As of YTD 2023, India's top-8 office real estate markets recorded a gross lease volume of ~48 msf, and we estimate this volume to reach ~64 msf by the end of Q4-23. Though this is a steep fall from the historic high GLV volumes recorded last year, it comes close to the pre-pandemic peak volume in 2019 of 68 msf. Sectors such as IT-BPM, BFSI, Engineering & Manufacturing, and flex operators were major drivers of office leasing volume during the year.

Many occupiers in India were "cautiously optimistic" about their decision to go ahead with leasing of space owing to global economic uncertainty and sporadic risks of inflation during times of war. Therefore, while large-sized deals were reluctantly coming, quite a few smaller sized deals were happening at a healthy pace. Major tech cities of India such as Bengaluru and Hyderabad saw average deal sizes at lower levels compared to that observed in the previous two years.

For 2024, we foresee GLV volumes to recover and record close to 68 msf. With a better-than-expected GDP growth recorded for the September quarter of FY2023-24, and an upwardly revised growth forecast for the full year, sentiment amongst occupiers for India is very likely to become favourable. Importantly, net absorption could surpass 40 msf as fresh space demand is likely to surge on the back of return-to-work and more in-roads made by Global Capability Centers (GCCs) into India.

GROSS LEASE VOLUME AND NET ABSORPTION (2019 - 2024F)

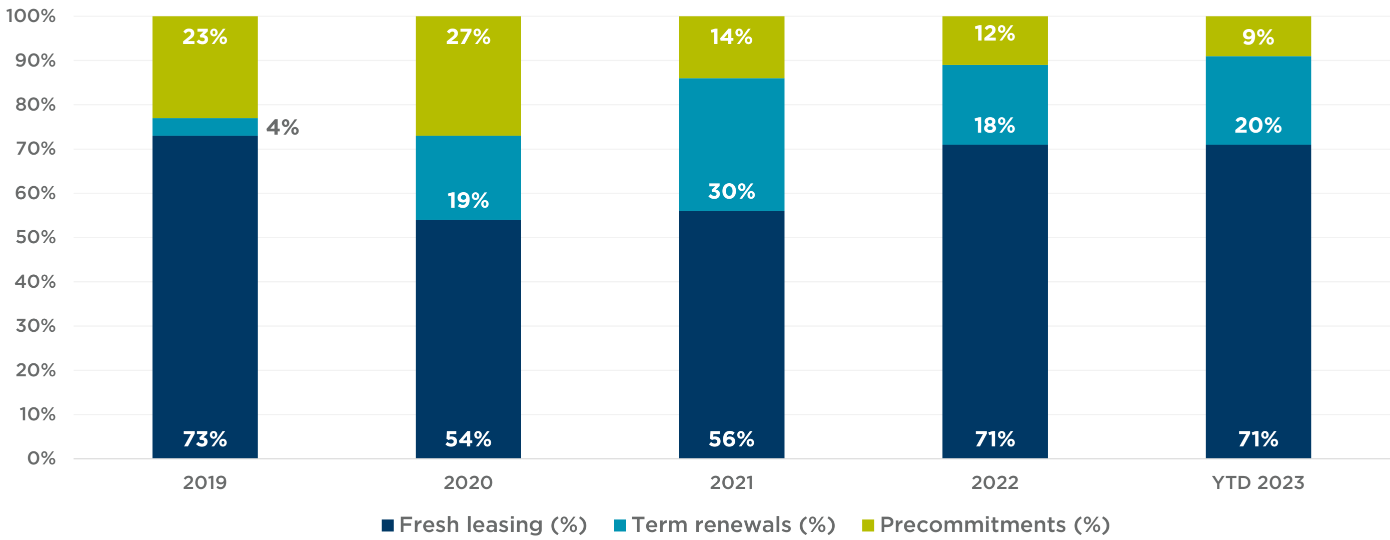


Source: C&W Research

CONTINUED GROWTH OF FRESH SPACE LEASING TO STRENGTHEN NET ABSORPTION IN 2024

Since the rebound of office segment post pandemic began in late 2021, share of fresh leasing in the overall GLV has been dominant. This could be largely stemming from a consistently rising return-to-office rate of employees across multiple sectors and cities, and a positive net hiring of talent seen across multiple industries.

GLV BREAK-UP BY COMPONENT OF DEMAND (2019 TO Q3-2023)



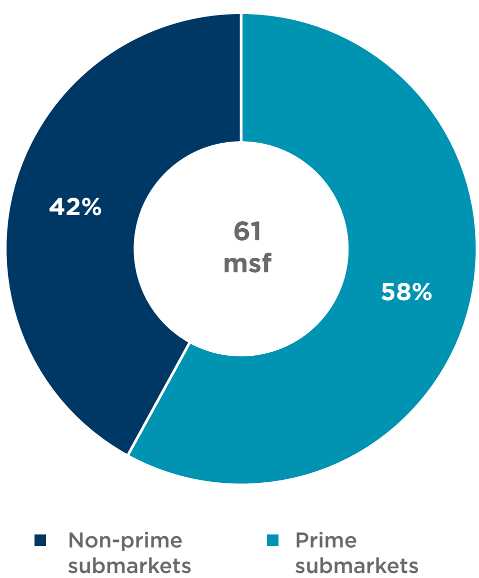
Source: C&W Research

A global office occupiers' survey done by RICS – Commercial Property Sentiment Index – for Q3-2023 puts India in the 'outperformer' category within the APAC region. In many countries such as Japan, China, and Australia, the occupier sentiment is shown to be weaker. Countries in the west such as USA, UK and France also have been experiencing negative occupier sentiment.

In 2023, we witnessed prioritising of supply where pre-commitments were relatively higher and because of which, fresh leasing of space accounted for a healthy share. For 2024, we foresee good quality supply coming in at regular intervals, particularly in prime sub-markets of respective cities. Submarkets such as Outer Ring Road, BKC, Madhapur, Golf Course Extension in Bengaluru, Mumbai, Hyderabad, and Delhi NCR respectively are expected to witness healthy supply, thereby catering to strong occupier demand for premium office space.

This is a positive because as demand is expected to revive in the coming quarters, relevant supply is also getting created thereby enabling faster transaction of spaces. Besides, as constant supply hits the market, the occupier-friendly market conditions is likely to prevail in the immediate near-term.

SHARE OF PRIME SUBMARKETS IN 2024 PAN INDIA OFFICE SUPPLY

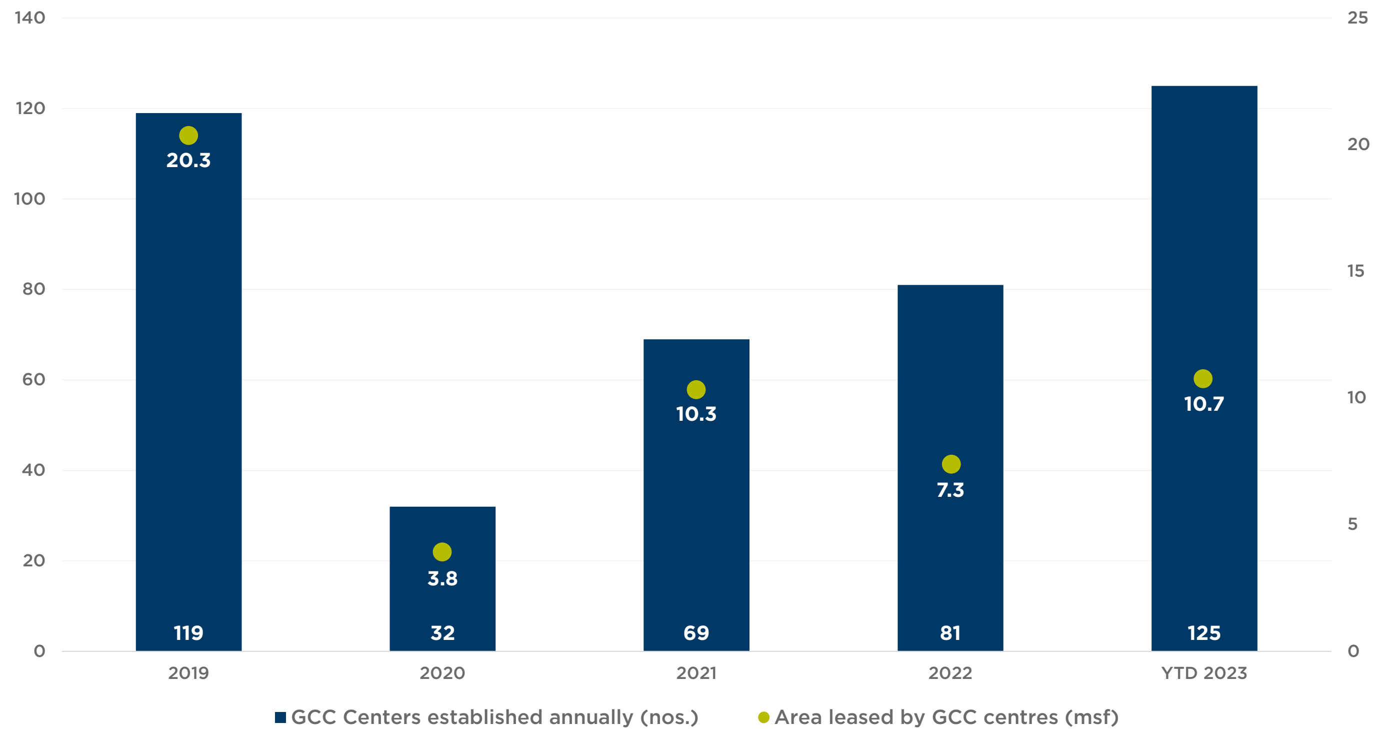


Source: C&W Research

VAST TALENT POOL AND COMPETITIVE OFFICE MARKET TO PULL MORE GCCS TO INDIA

Over the last few years, the number of GCC centres have been on the rise in India. With the opening of 125 GCC centres as of YTD (Q3) 2023, the previous annual record of 119 centres in 2019 has been already breached. Despite a rise in the GCC centres or entry of new GCCs over the years, the space taken-up by the sector witnessed a commensurate growth. As of current year (YTD), 10 msf of space was consumed by the GCCs across top cities, which is merely half of that consumed in 2019 with a much lesser number of centres.

GCC CENTRES ESTABLISHED AND OFFICE SPACE LEASED 2019-YTD 2023



Source: C&W Research, Nasscom, Zinnov

We believe, all existing as well as new GCCs entering India will drive office space demand across cities soon as the outlook on Indian economy firms-up. India's large tech talent pool, healthy supply of Grade A office space at competitive rentals, and a rapidly improving digital infrastructure will increasingly incentivize global multinationals to expand existing GCCs or set-up greenfield centres. According to NASSCOM, India has the largest concentration of AI skills globally, which is a major incentive for investments in GCCs by multinational firms.

RENTAL TO REMAIN RANGE-BOUND IN 2024 AS NEW SUPPLY HIT MARKET AT REGULAR INTERVALS

Rentals have remained largely range-bound during the year 2023 and it expected that it will remain so in the near-future. While demand is expected to strengthen in the coming quarters with large deals likely to return, a healthy supply of ~60 msf in 2024 could act as a contrary force to mitigate the upward pressure on rents in many markets. Having said that, market could assign a premium to supply that qualifies the new-generation criteria of occupiers – institutional grade assets, green certified buildings, mixed-use grade-A projects in prime submarkets etc. For instance, in markets such as the USA, buildings that are green / wellness certified have been commanding a saleable premium of 22-25% as per Cushman & Wakefield global research. As many occupiers reach closer to their target years for net-zero compliance, the demand for green certified spaces could go up, and so will the premiums on rentals.

SUSTAINABILITY TO INCREASINGLY BECOME NON-NEGOTIABLE

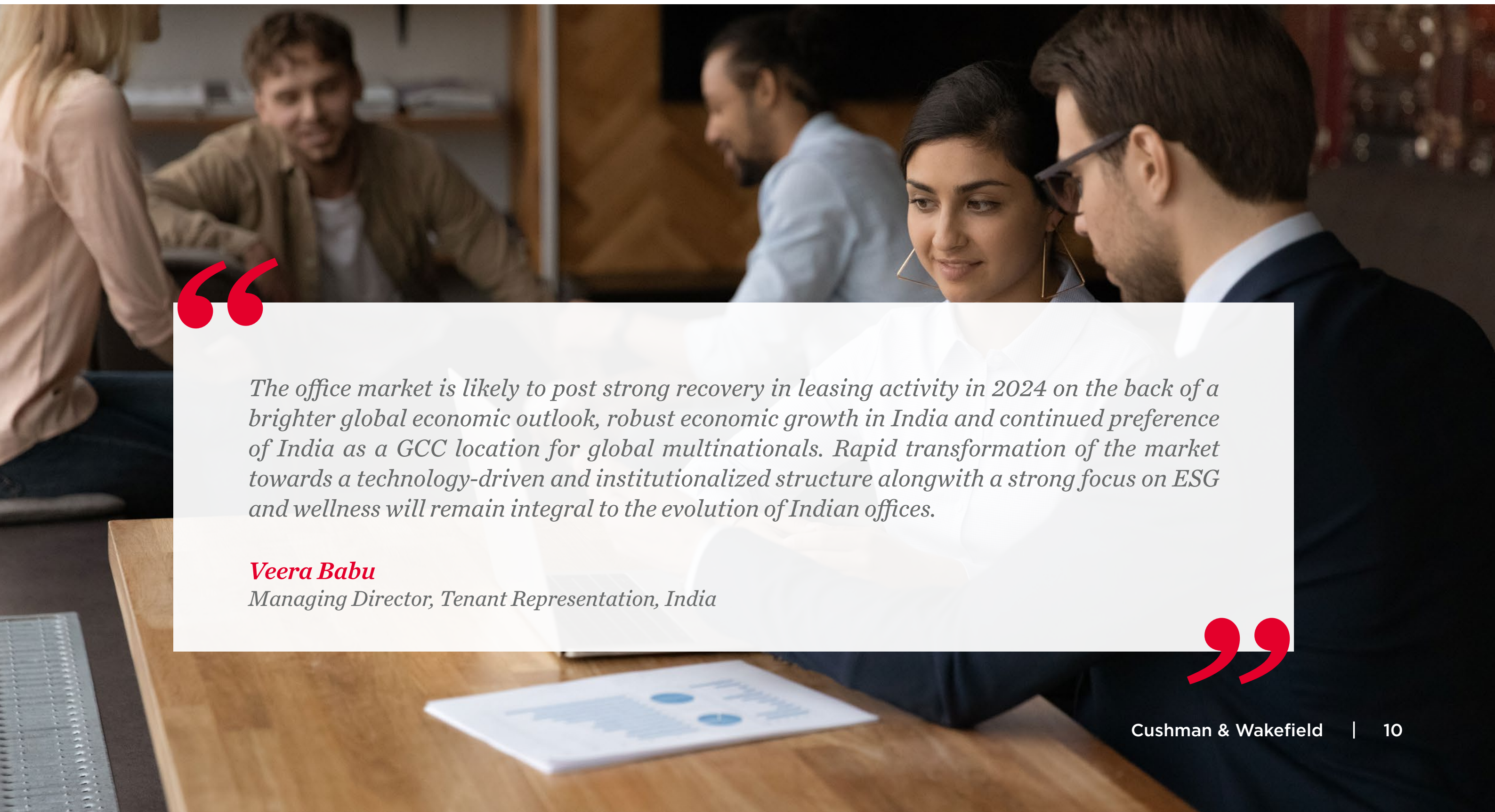
As of 2023, close to 40% of the overall Grade-A stock in India are certified as "Green" – i.e. recognised by LEED, IGBC etc. Large tech cities such as Bengaluru (39% share in inventory), Hyderabad (47% share) and Chennai (~58% share) have seen growing number of developers get into the bandwagon of creating sustainable supply. As multinational occupiers look forward to declare and achieve their carbon emission targets, developers will have to go the extra mile to ensure that buildings adhere to sustainability standards demanded by occupiers. Recent few examples -

- CapitaLand launched International Tech Park, which is India's first net zero business park, in Chennai in 2023. Phase-I of this project is certified as net-zero by the IGBC.
- Embassy REIT has received a distinction of having the largest LEED Platinum certified office portfolio in India.
- DLF has stated that it will ensure 90% of its rental portfolio will be Green certified by 2030.

FLEX SPACES WILL CONTINUE TO HAVE A TRANSFORMATIVE IMPACT ON OFFICE MARKET

Flex space operators have leased close to 5.4 msf of Grade-A office space as of YTD 2023, accounting for over 11% of total gross lease volume for top-8 cities. The segment has been consistently figuring in the top-3/4 sectors in terms of space take-up in over the last few years. In 2022, a record high volume (~1.1 lakh seats) of flex seats were absorbed overall across top-8 cities, largely driven by enterprises in the IT-BPM, BFSI and E&M sectors. With YTD-23 flex seat absorption volume already reaching closer to 2022 level, year 2023 is poised for a new record.

We believe this growth trend is likely to continue in 2024, driven by rising preference of enterprises for managed space offices – an evolution seen within the flex space industry. Top flex space operators have been constantly engaged in product innovation in their quest to offer one-stop solution for all real estate needs of their enterprise.



> *The office market is likely to post strong recovery in leasing activity in 2024 on the back of a brighter global economic outlook, robust economic growth in India and continued preference of India as a GCC location for global multinationals. Rapid transformation of the market towards a technology-driven and institutionalized structure alongwith a strong focus on ESG and wellness will remain integral to the evolution of Indian offices.*
>
> ***Veera Babu***
> *Managing Director, Tenant Representation, India*

FAST FIVE FACTS

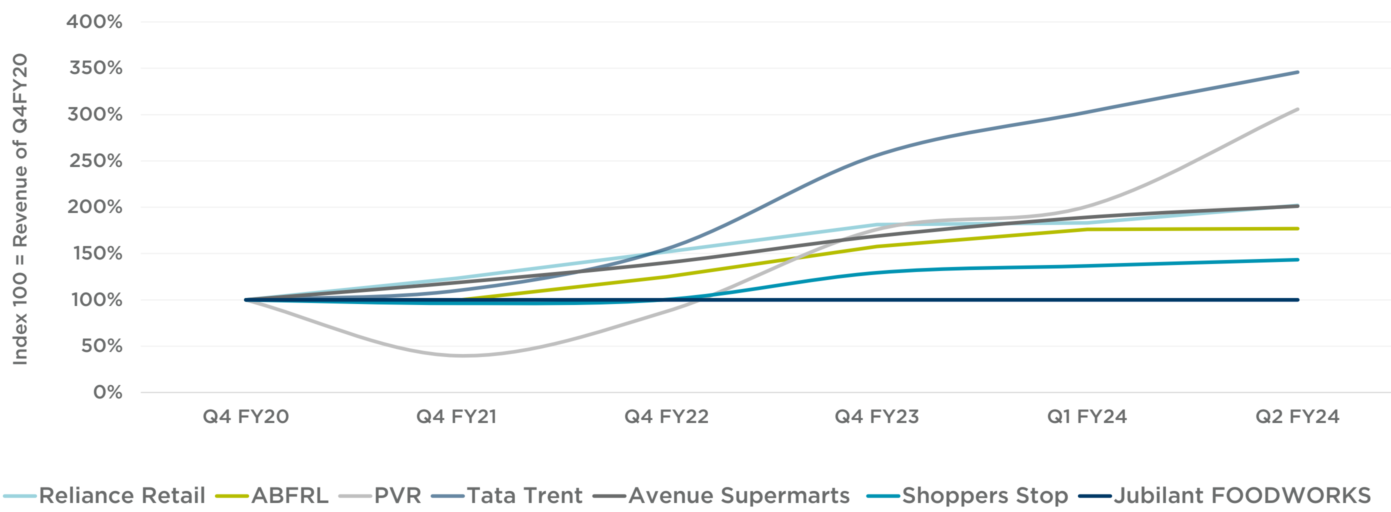
1. Year 2023 to witness highest influx of Grade-A malls in recent period history (since 2016) at 5 msf.
2. New malls came with high pre-commitments and low vacancies within couple of quarters in 2023.
3. 2024 is likely to surpass 2023 with near-about 8 msf of Grade-A malls slated for completion.
4. Limited availability of quality retail space in malls drives retailers to prominent main streets for store expansion.
5. Prime main streets likely to witness some saturation as emerging main streets could see rise in demand.

SECTORAL TRENDS - YEAR 2023 & OUTLOOK

RETAIL SALES RECORD AN AVERAGE Y-O-Y GROWTH BY 10-12% AND STRATEGIC EXPANSION PLANS OF RETAILERS

India's retail sector has been a direct beneficiary of the increased consumption-led growth seen in India. Revenues of listed players such as Reliance Retail, PVR, Aditya Birla Fashion, Tata Trent and few others (presented in graph) suggests a sustained rise over last one year.

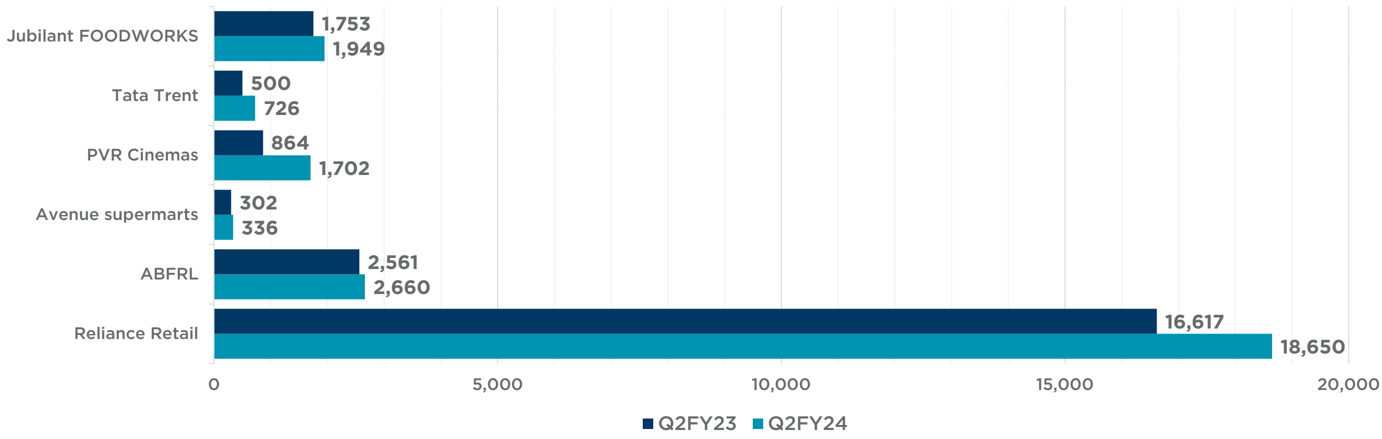
LISTED RETAILERS' REVENUE GROWTH INDEX



Source: Company financial reports

This has prompted several retailers to go ahead with plans to expand their footprint in 2023. Almost all retailers that we looked into have expanded their store count from last year, as can be seen in the adjacent chart. These retailers have also reported their plans for future store openings, including expansion into Tier 2 markets.

STORE COUNT OF LISTED RETAILERS PAN-INDIA (INCLUDING TIER-II)

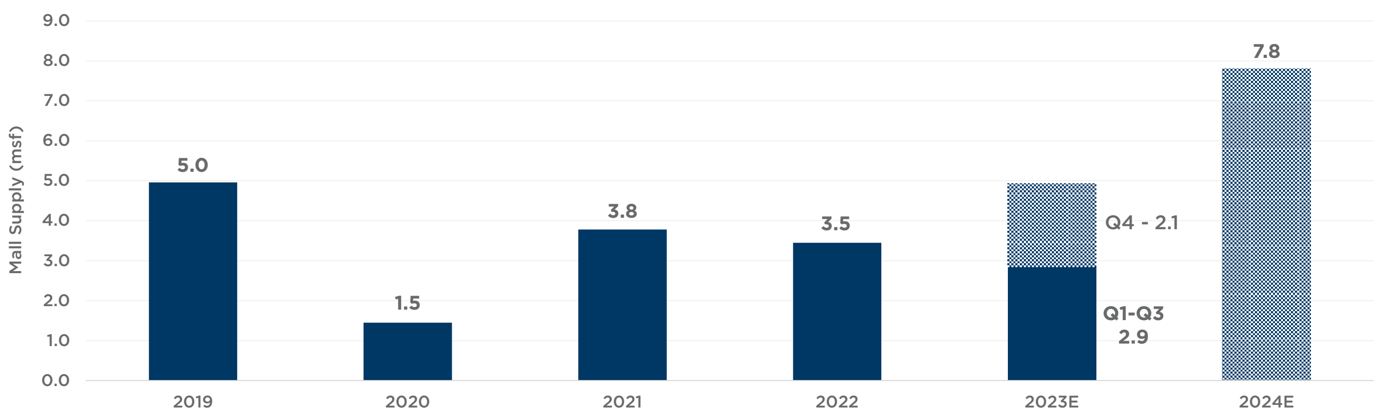


Source: Company reports

HEALTHY MALL SUPPLY TO MEET THE ROBUST RETAILER DEMAND; TRANSITIONING OF MALLS TO PREMIUM RETAIL DESTINATIONS

Year 2023 is likely to end with near-about 5.0 MSF of new mall supply, predominantly (i.e. over 80%) of Grade-A category, across top-8 cities. This is the highest grade-A supply witnessed in recent period (post Covid), suggesting a complete turnaround in developers' sentiment towards retail's growth outlook. Interestingly, 60% of mall area that commenced in 2023 had private equity participation, suggesting increased interest amongst investors in quality retail assets.

MALL SUPPLY (MSF), 2019-2024F



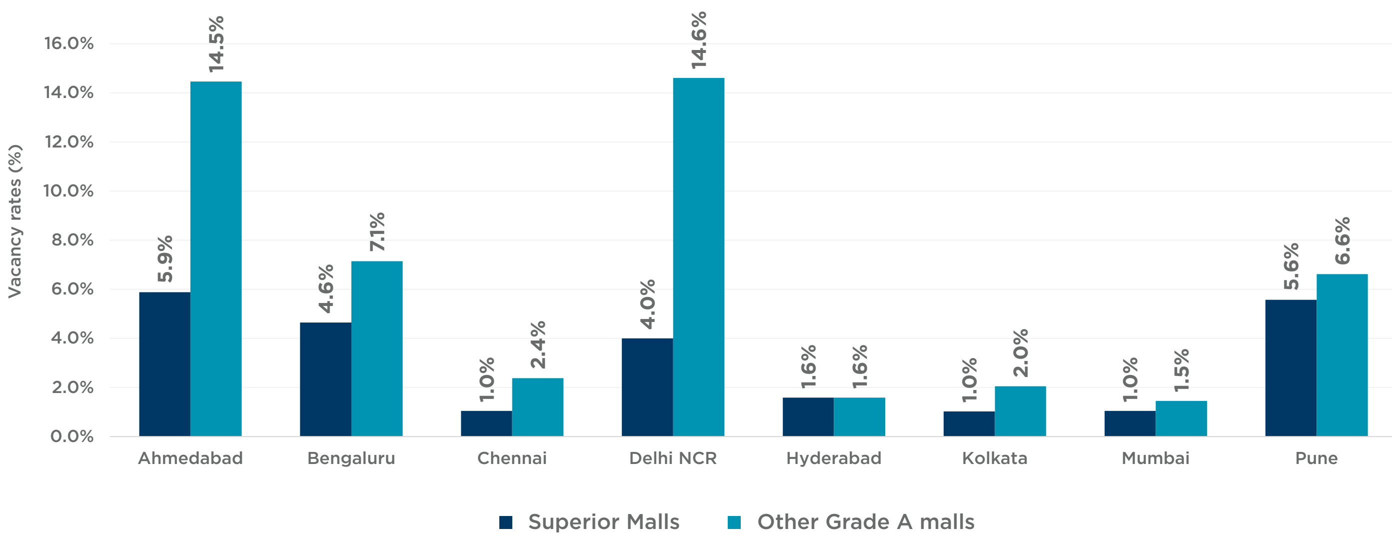
Source: C&W Research

Malls that commenced operations in the current year 2023 came with healthy pre-commitments, which got immediately occupied upon opening. As a result, occupancy has been high from the start. For instance, malls such as Palladium (Ahmedabad), Pacific Premium (Delhi NCR), Lulu Manjeera (Hyderabad), Mall of Millennium (Pune) and Mall of Asia (Bengaluru) enjoy occupancy rate of over 90%, despite commencing operations recently in 2023.

AVERAGE VACANCY LEVELS IN SUPERIOR MALLS CONTINUED TO REMAIN TIGHT, REFLECTING STRONG DEMAND FOR QUALITY DEVELOPMENTS

The superior grade asset – i.e., mall assets that are institutionally owned (or lease-only properties) with limited strata sold component and good asset management – have witnessed great acceptance in the market. Such superior grade assets constitute 60-65% of the overall Grade-A universe of malls across the top-8 cities. When compared to average vacancies seen in other Grade-A malls, superior grade assets have much tighter vacancies in the range of 2% to 9%. In the post-Covid scenario, retailers have been gradually moving towards offering their consumers a taste of experiential retail as opposed to erstwhile retailing for direct sale of products, and malls that enable retailers to do so have become highly favored. Such low vacancies are likely to persist in superior grade assets in 2024 as well.

WEIGHTED AVG. VACANCY IN SUPERIOR V/S OTHER GRADE A MALLS (Q3 2023)



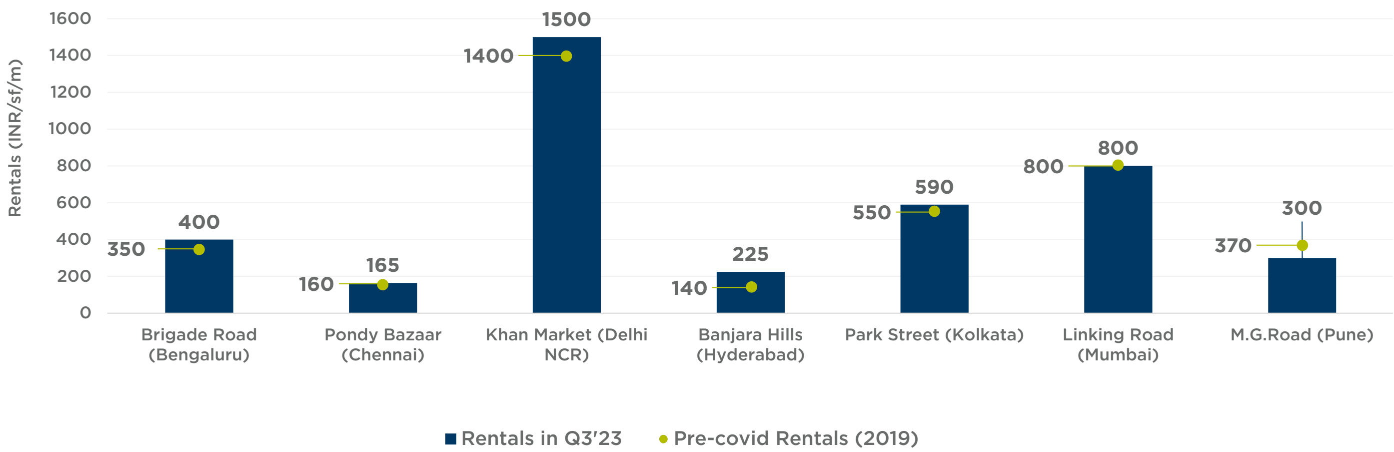
Source: C&W Research

MAINSTREET LEASING ACTIVITY GREW BY 3% Y-O-Y IN 2023, WITH ROBUST DEMAND FUELING SIGNIFICANT RENTAL APPRECIATION, EXPECTED TO CONTINUE INTO 2024

According to Mainstreets Across the World 2023 report by C&W, global prime retail mainstreets rents witnessed an increase of 4.8% in 2023 over the previous year, with the strongest growth recorded in Asia Pacific at 5.3%. Rents in prominent Indian mainstreets rose by an average of ~10% y-o-y, indicating a bullish outlook on rental growth. This suggests a strong retail activity in India's prominent mainstreets, a momentum that is likely to persist in the near future due to growing demand, particularly from national brands.

Limited mall supply prompted retailers to explore prominent mainstreets, resulting in robust demand and healthy leasing activity in recent years. Rentals in prominent mainstreets across the top-8 cities have not only rebounded to the pre-COVID levels but in many cases have even surpassed them.

RENTALS ACROSS PROMINENT MAIN STREETS REACH PRE-COVID LEVELS



Source: C&W Research

Retail real estate sector has been witnessing increased traction, largely driven by strong consumption-led growth of the Indian economy. Landlords of quality retail asset and having healthy financial condition have a great advantage to leverage from this bullish undertone by expanding into several untapped market, either sitting at the peripheries of tier-I or in tier-II and III cities. India is a vastly under-penetrated market for organised retail real estate and credible players have a great opportunity to tap them early as global retailers increasingly express their intent to enter India.

Saurabh Shatdal
Managing Director, Capital Markets and Head Retail, India

FAST FIVE FACTS

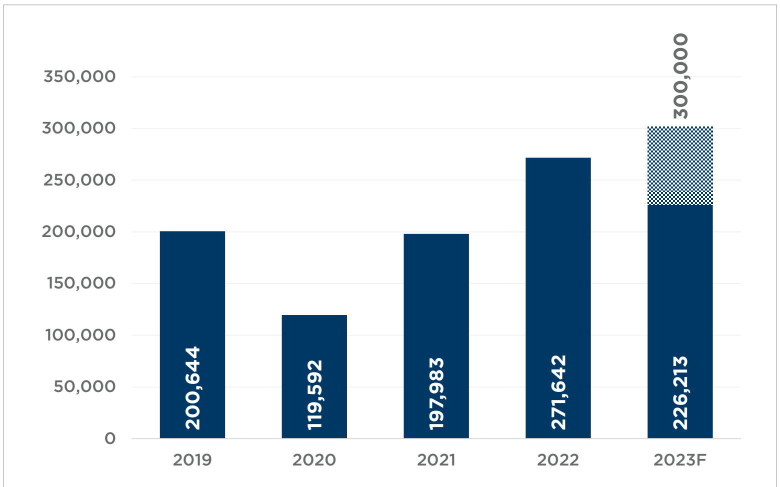
1. Housing market witnessed yet another year of solid growth; new launches in 2023 is likely to hit close to 300,000 units, thereby surpassing the previous high seen in 2022.
2. Factors such as increased preference for quality developers & lifestyle amenities and rising incomes have sustained the momentum despite high interest rates in 2023.
3. High-end / luxury segment gained a historic high market share of ~40% of total units launched (as of Q3-23), suggesting increased preference for quality homes & lifestyle amenities.
4. Listed players and developers with positive track record is likely to continue gaining market share in the coming quarters; market beginning to see a major shift towards organised players.
5. In 2024, with interest rates expected to come down from second quarter onwards, broad-based demand recovery is likely as mid-segment and affordable homebuyers start benefiting.

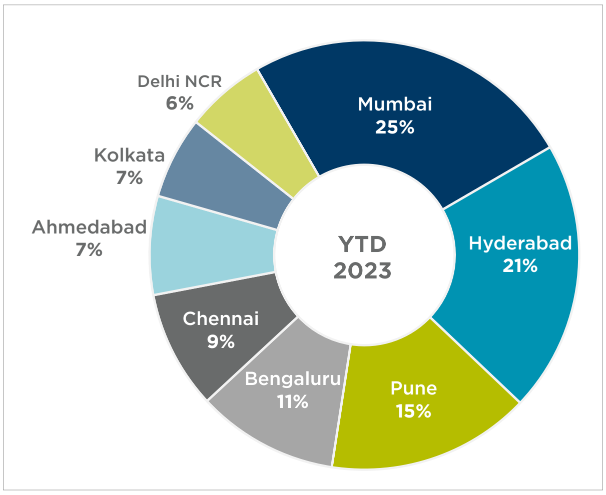
YEAR 2023 TO SURPASS RECORD LAUNCHES SEEN IN 2022; MOMENTUM COULD EXTEND INTO 2024 AS A BROAD-BASED DEMAND RECOVERY IS LIKELY

Residential real estate sector witnessed yet another stellar year with launches likely to reach approximately 300,000 units by end-2023, a remarkable 11% higher than the previous record year of 2022. In the last couple of years, the residential market has come out of a long period stagnancy in prices. Attracted by the prospect of capital gains, the residential market is currently witnessing huge participation from investors. This could also be a culmination of diversification of the incremental wealth created from Indian equity markets in recent years. Thus, despite interest rates at elevated levels in 2023, residential market saw good traction over last 2 years, and this momentum has sustained until the most recent quarter.

For the coming year, we expect the sentiment to remain positive on two fundamental counts – A) there is a strong preference for homebuyers to elevate standard of living as incomes have risen. This has given major developers an opportunity to grow the organised market and offer quality products at differentiated price. B) market is expecting interest rates to start falling from the second quarter of 2023, thereby helping elevate the sentiment amongst affordable and mid-segment buyers. This will help broad-base demand across all types of buyers.

UNITS LAUNCHED YEAR - ON - YEAR





LUXURY SEGMENT OUTSHINES MID-SEGMENT AND AFFORDABLE IN TERMS OF GROWTH; ORGANISED PLAYERS CONSOLIDATE MARKET PRESENCE

The high-end and luxury segment has begun to grow in India since last 6-8 quarters, thereby reflecting the rising incomes and growing HNI population in the country. Nearly 31% of the units launched last year were in the high-end/luxury segment, and that share has propelled further to ~40% as of Q3-2023. According to a Crisil report around mid-2023, strong sales in large-sized apartments helped several listed real estate developers increase their share, both in terms of area sold as well as revenues. This has indeed helped the listed and organised real estate players to consolidate their financial position better in the market, thereby enabling them to partake in future acquisitions.

RISING HNIS AND A LIKELY STRENGTHENING OF INDIAN RUPEE BODES WELL FOR THE HOUSING MARKET

SEGMENT WISE UNIT LAUNCHES

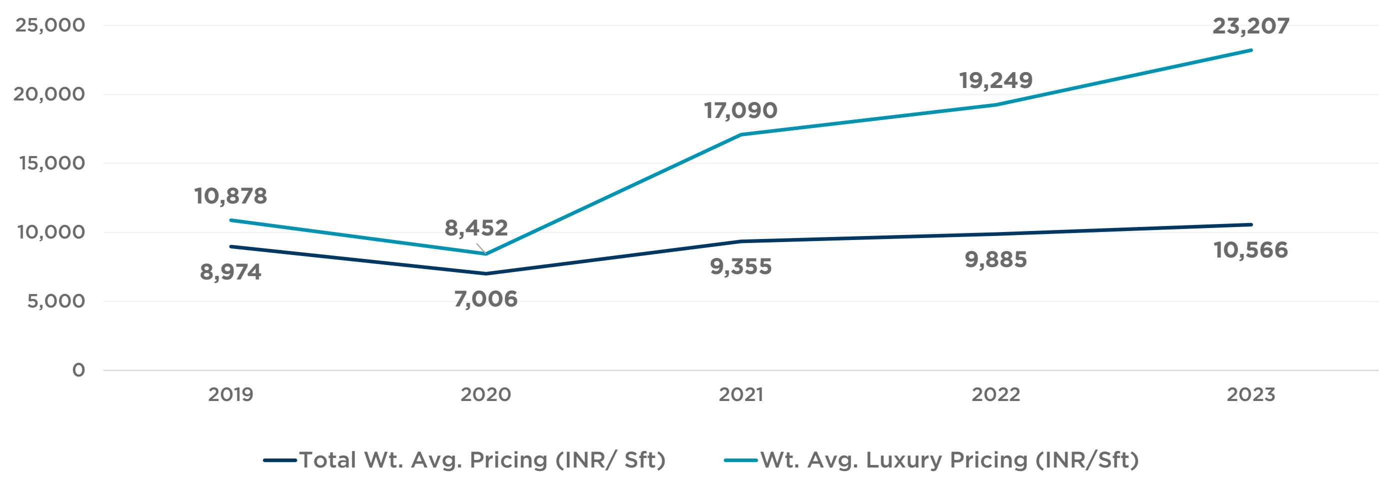
Several wealth reports suggest a significant rise in HNI population in India over the coming years. For instance, the Henley Private Wealth Migration Report 2023 suggests that HNI population could experience a 80% rise by 2031, thereby positioning India amongst fastest-growing wealth markets during this period. Interestingly, close to 75% of HNIs and Ultra HNIs believe real estate will do well over the couple of years, and a similar 74% of respondents considered it as a crucial asset to hedge against inflation, as per annual Luxury Outlook Survey 2023 conducted by India Sotheby's International Realty (ISIR).

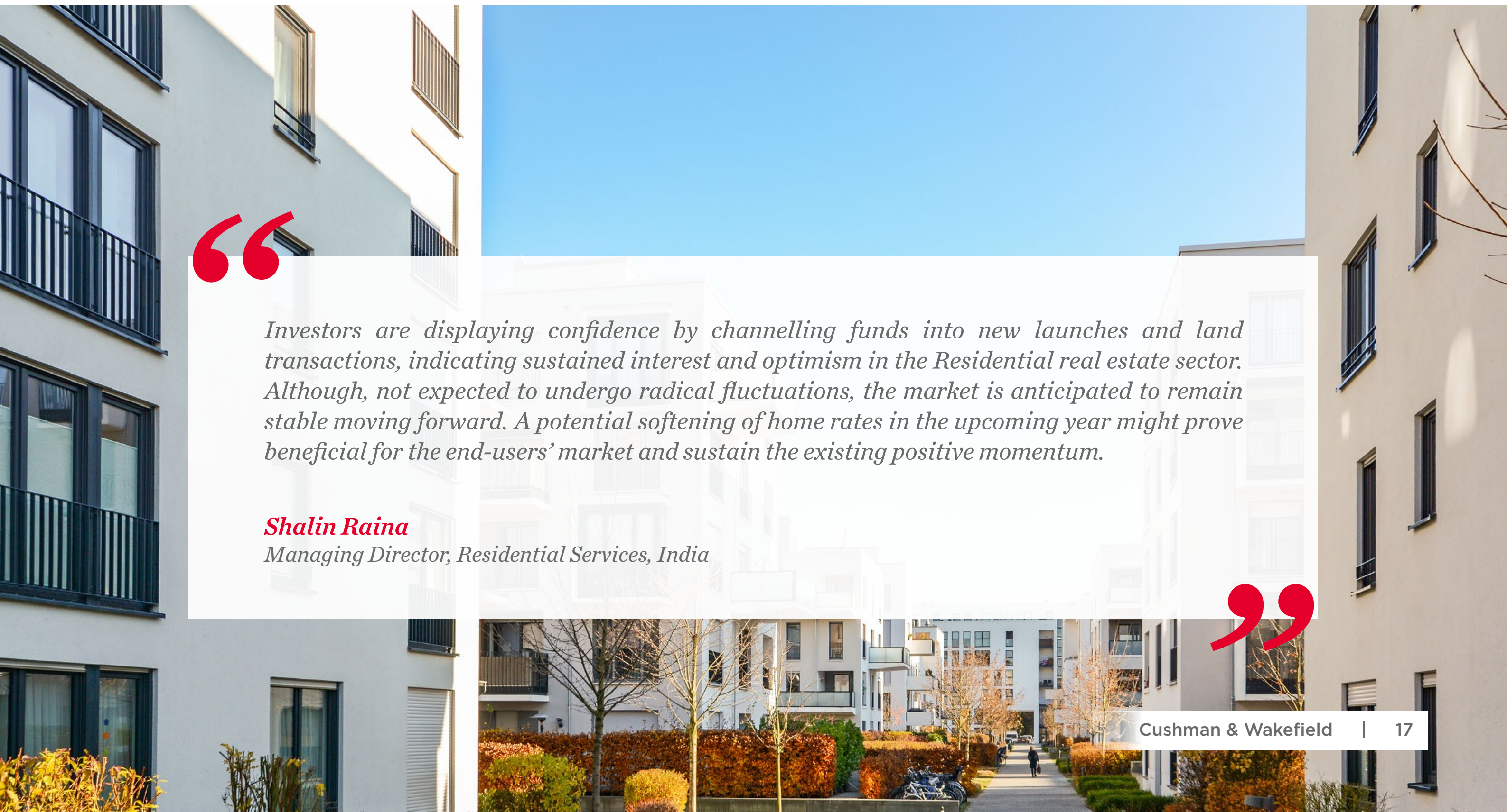
A robust growth outlook on the Indian economy in 2024 and stable macro fundamentals could help sustain foreign investment inflows into the country in 2024, which is likely to strengthen the INR against the US dollar. Any positive outlook on the Indian rupee from its current levels is expected to attract more NRIs to invest into India, including in housing.

INCREASE IN WEIGHTED AVERAGE LAUNCH PRICING FOR LUXURY SEGMENT

Not only has the market share of high-end and luxury housing risen, but the luxury market has been evolving swiftly. The weighted average pricing (per SF) in the luxury space across top-8 cities shows a faster rise when compared to the weighted average price in the overall housing market within the same cities. Therefore, the high-end housing market volume is merely not driven by the large sizes of apartment but also modern amenities, better technology (home automation, ESG-led innovation etc.) and more open spaces, all of which has contributed towards its rising premium. This trend clearly suggests the growing aspirations of Indian homebuyers when it comes to raising their living quotient, and there is high likelihood of this continuing in the near future.

WEIGHTED AVERAGE PRICING COMPARISON





Investors are displaying confidence by channelling funds into new launches and land transactions, indicating sustained interest and optimism in the Residential real estate sector. Although, not expected to undergo radical fluctuations, the market is anticipated to remain stable moving forward. A potential softening of home rates in the upcoming year might prove beneficial for the end-users' market and sustain the existing positive momentum.

Shalin Raina
Managing Director, Residential Services, India

INDUSTRIAL

OUTLOOK 2024

FAST FIVE FACTS

1. The annual leasing activity for warehousing and industrial in 2023 is expected to close at **45-47 million square feet (msf)**, considering the increased momentum seen in H2 2023.

2. More than 75% of this activity is in warehousing, driven by cities like Delhi NCR, Chennai and Mumbai while rest 25% activity is concentrated in cities like Bengaluru, Chennai, and Pune cities.

3. Overall industrial & logistics leasing is likely to cross 50 msf in 2024 driven by domestic private consumption growth and increased manufacturing activity.

4. Emerging submarket will likely witness higher rental growth as compared to established submarkets, largely to the higher concentration of superior grade assets.

5. Increase in land price is expected to continue while cost of construction will remain consistent or see a marginal growth. Continued land price growth will result in formation of new alternate location corridors (along the affordable land prices).

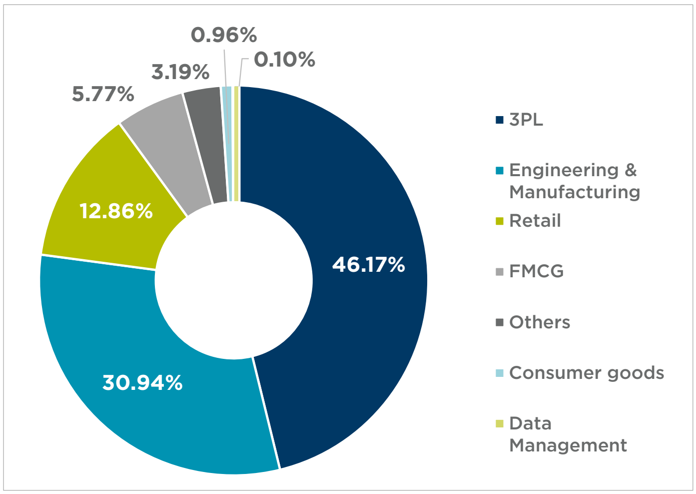
OUTLOOK FOR 2024

HEALTHY GROWTH IN LEASING ACTIVITY EXPECTED, DRIVEN BY E&M AND 3PL

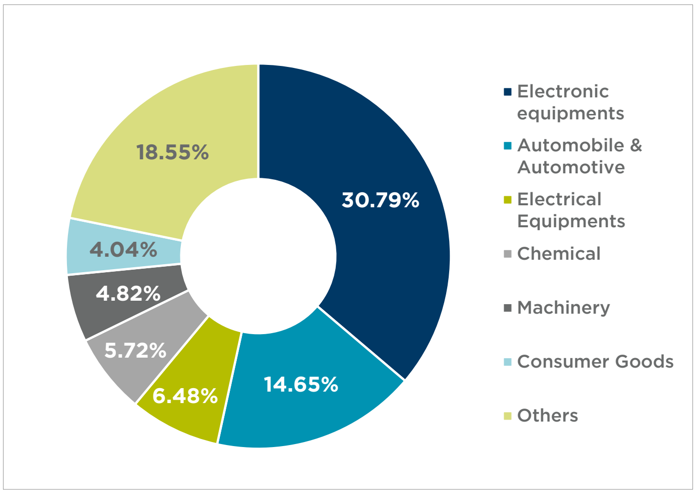
Close to 40 MSF of L&I transactions have been recorded as of November 2023 across the eight major real estate markets. Consequently, we are likely to see the year end with close to 45-47 msf of warehousing and industrial transactions, making it a reasonably good year. In the previous year, close to 53 msf of transactions were recorded.

In the warehousing segment, 3PL continued to dominate with 41% share in leasing volume followed by Engineering & Manufacturing (E&M) with 28% share. In the industrial leasing activity, electronics and automobile took a combined share of 45% share of leasing activity.

WAREHOUSING - SEGMENT WISE SHARE



INDUSTRIAL - SEGMENT WISE SHARE



In the coming year 2024, we believe L&I leasing activity is expected to cross 50 msf given a strong growth in India's domestic consumption demand and industrial activity. The underlying interest in India's logistics and industrial space is high, as highlighted in our C&W Global Manufacturing Risk Index 2022 report, where India featured amongst the most attractive destination for global manufacturers. Besides, improved road and rail connectivity along with roll-out of the National Logistics Policy during mid-2022 are going to help create an enabling ecosystem for L&I sector to grow further.

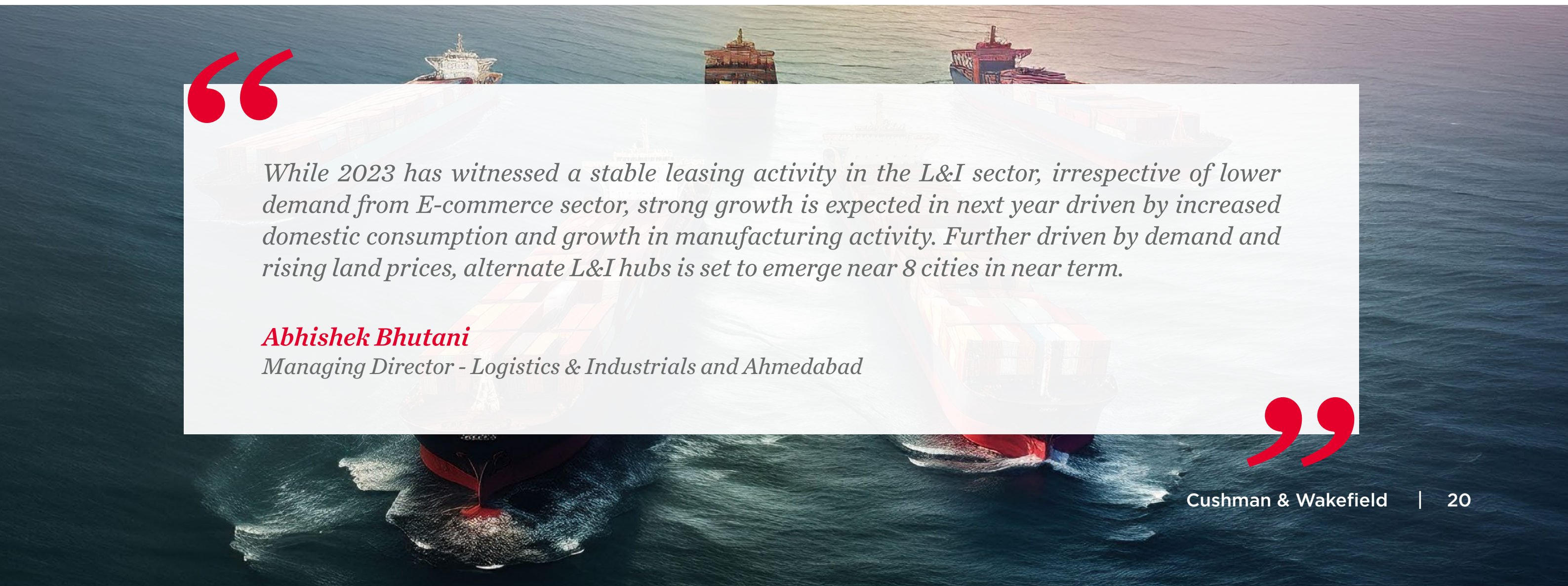
EMERGING CLUSTERS TO LIKELY WITNESS FURTHER TRACTION AS RENTAL PREMIUM COULD RISE

Across the top-8 cities, the emerging warehousing corridors are trading at an equal or higher rental premium when compared with the established corridors currently. That's because emerging markets had the required land parcels available for modern warehousing operators to build and expand. As opposed to that, established corridors are largely dominated by older warehousing units and has limited space for growth of modern warehousing.

Emerging corridors in each city will be continuing to see higher rental growth compared to established submarkets, owing to dearth of quality supply in established markets. We expect rental gap likely to widen to ~30% as concentration of organised sector happens in some of the strongly emerging markets.

Land values in major L&I markets has grown by 8-10% y-o-y this year and so has been the cost of construction, which witnessed a significant jump in last three years. We believe, the widening of rental premium for the emerging markets will continue in 2024 as activity in the modern warehousing space may consolidate further in these and other alternate locations.

CITY	ESTABLISHED MARKET	RENTAL 2023 (INR PSF)	EMERGING MARKET	RENTAL 2023 (INR PSF)
Chennai	Oragadam	25-27	Sriperumbudur	25-27
Mumbai	Bhiwandi	21-23	Taloja	25-30
Delhi NCR	Gurugram (Bilaspur & Luhari)	18-23	Farukh Nagar	18-20
Bengaluru	Southeast (Bommasandra)	24-32	West (Nelamangaala & Dabaspete)	18-25
Hyderabad	Medchal	18-22	Bandamilaram	16-18
Pune	Chakan	24-28	Wagholi	17-19
Kolkata	Dankuni	23-27	Uluberia	21-24
Ahmedabad	Changodar	19-21	Bareja-Kheda	16-18



While 2023 has witnessed a stable leasing activity in the L&I sector, irrespective of lower demand from E-commerce sector, strong growth is expected in next year driven by increased domestic consumption and growth in manufacturing activity. Further driven by demand and rising land prices, alternate L&I hubs is set to emerge near 8 cities in near term.

Abhishek Bhutani
Managing Director - Logistics & Industrials and Ahmedabad

FAST FIVE FACTS

1. Total colocation capacity (IT Load) across the top 7 cities likely to reach **884 MW** in 2023, a 35% growth yoy as compared to 2022.

2. ~**230 MW** of incremental colocation capacity is likely to be added by end 2023, a massive jump of around **83%** yoy in capacity addition.

3. New data centre operators continue to enter the Indian market and they are expanding through greenfield developments, thereby challenging the dominance of existing major players. In 2023, Digital Edge and Blackstone-backed Lumina Cloud infra commenced construction of their maiden data centres in Mumbai. Around US$470 million was invested by Lumina CloudInfra, Digital Edge and Kotak Data Centre Fund in data centres in the year.

4. In 2024, the colo capacity addition is estimated to be even higher than 2023 at 265 MW, thereby taking the total installed capacity in the country to ~1.15 GW (IT load) by year-end. Mumbai and Chennai will continue to lead new capacity additions.

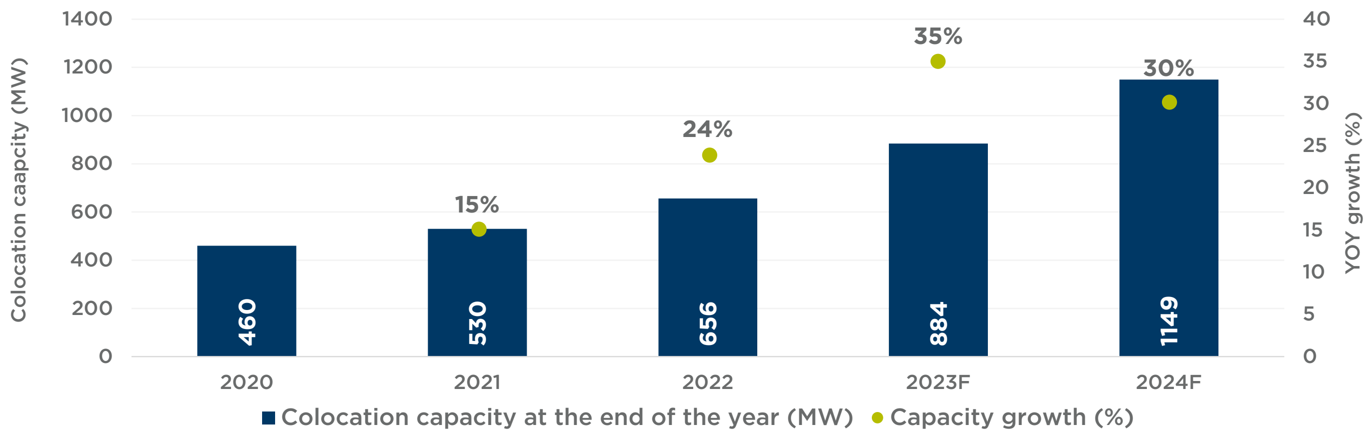
5. Edge data centres are likely to see increased activity across Tier II cities with mainly the established firms focussing on expanding their footprint to smaller cities.

YEAR 2023 AND 2024 OUTLOOK

PAN INDIA COLO CAPACITY TO SURPASS 1 GW (IT LOAD) IN 2024, A 2.5X JUMP IN MERELY 4 YEARS

Data centres have witnessed significant traction in India, and it continues that momentum in 2023 as well. The 230 MW new capacity addition by this year end, is a historic high. India is a highly under-penetrated market when it comes to data centre operational capacity compared with advanced as well as emerging nations. India is the largest consumer of data on smartphones across the world, and further explosion of data consumption expected post roll-out of 5G services. Similar such trends make us believe that data centre capacity addition is likely to remain robust. Year 2024 will see a continuation of the growth story with pan India installed colo capacity breaching 1 GW mark, a 2.5x jump over the 2020-24 period.

Global hyperscalers are expanding their captive cloud facilities. Amazon's new cloud region was inaugurated in 2022 with its greenfield captive cloud facility going live. MS Azure has announced major expansion plans and has moved ahead with land banking across Hyderabad and Pune.

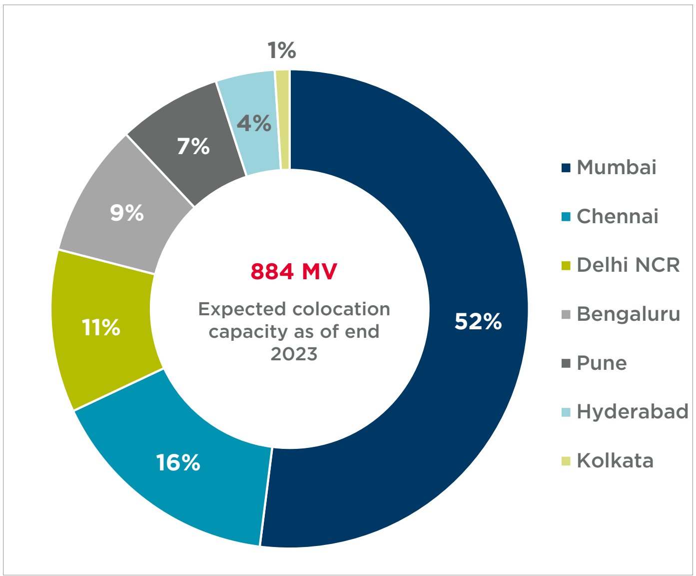


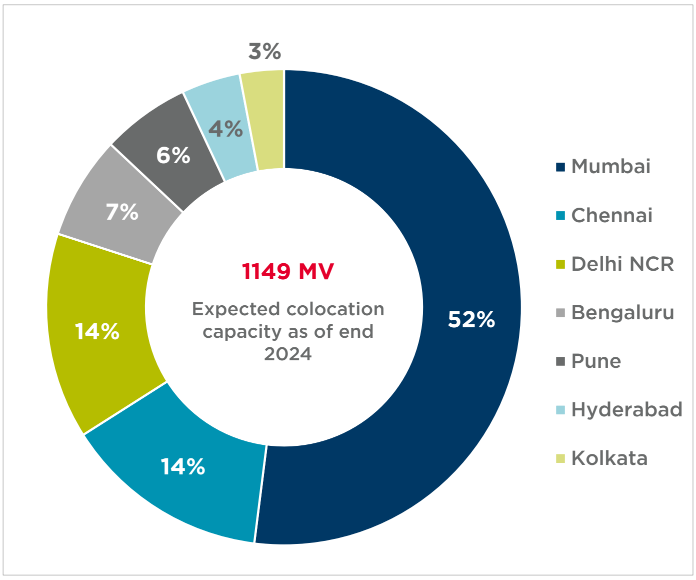
Source: C&W Research

MUMBAI TO REMAIN INDIA'S DATA CENTRE CAPITAL; NOIDA TO EMERGE AS A KEY REGIONAL HUB

In terms of installed colocation capacity, Mumbai has been the largest market (over 50% share of pan-India) for data centres in India, and it will continue to remain dominant over the coming few years given the number of new projects expected to get commissioned here. Mumbai was ranked 3rd biggest market in the APAC region in Cushman & Wakefield's 2023 Global Data Centre Market Comparison report, rendering it a key data centre hub within the region.

Among cities that are emerging fast is Noida in NCR region, where several greenfield facilities are expected to go live in 2024. Consequently, Noida is likely to surpass Bengaluru and reach levels close to Chennai, which is currently the second largest in the country in terms of installed colo capacity. Kolkata is also likely to see more activity with a few greenfield projects expected to go live.





DATA CENTRES

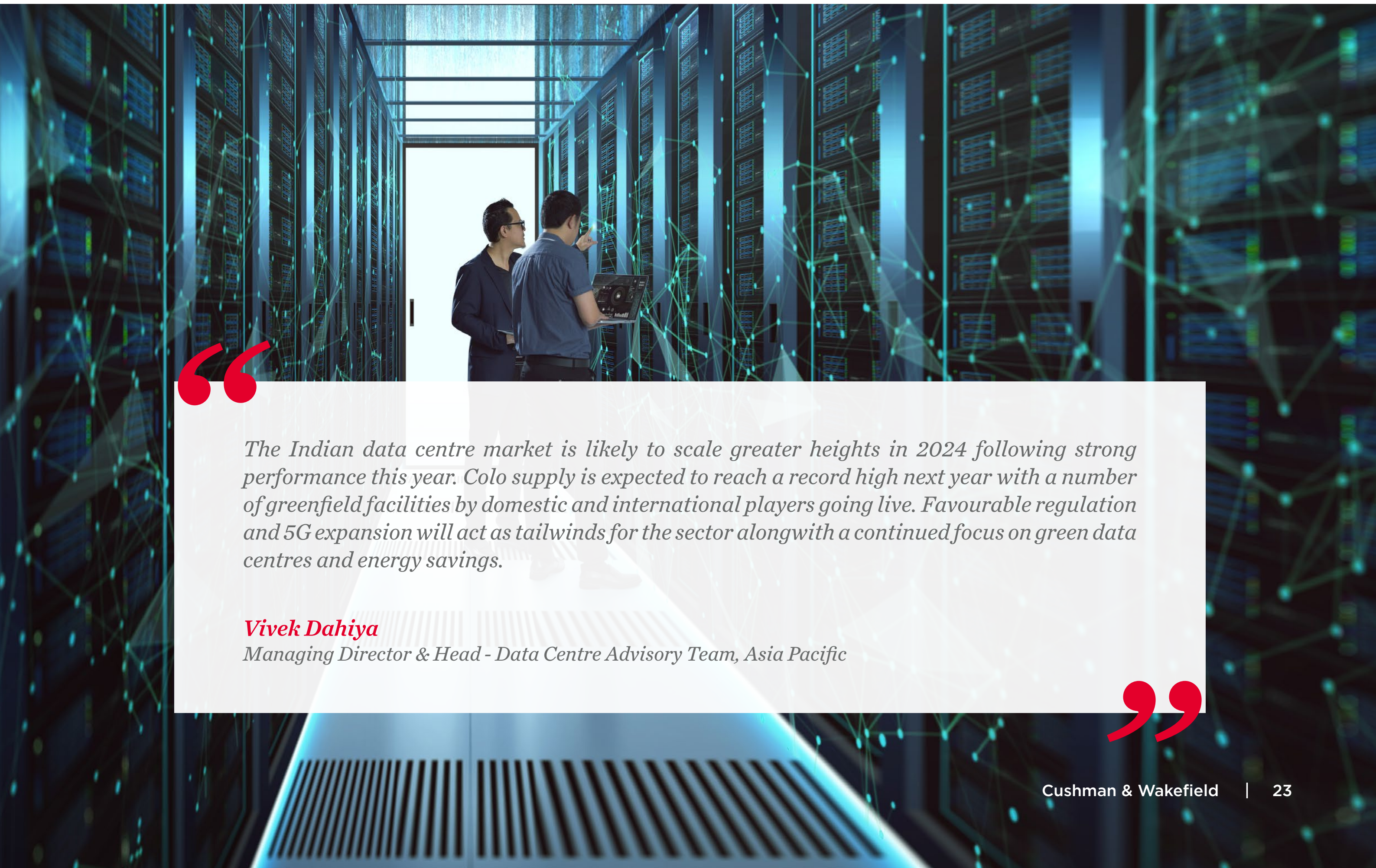
DATA PROTECTION BILL AND 5G-SERVICES ROLL-OUT TO ACT AS BIG ENABLERS OF GROWTH

The Indian government had passed the Personal Digital Data Protection Act 2023, which offers major boost to the domestic data centre industry by enabling data privacy for citizens. Data localization norms have been outlined such that critical personal data must be stored and processed within India. Some flexibility has been accorded, though, for data transfer to any 'unrestricted' country.

Since the launch of 5G services in Q4-2022, India's 5G users have grown and it currently stands at ~100 million people, a penetration of 7% of population. Over the next 5 years, the market estimates 5G penetration to likely move up significantly to around 45%, thereby providing a boost to data consumption. India's data consumption is estimated to rise by at least 2X in the near-to-medium term, as has been observed in certain other countries where 5G roll-out happened in the past.

SUSTAINABILITY WILL REMAIN AN INTEGRAL PART OF THE DATA CENTRE GROWTH STORY

Data centres are major consumers of power and water across the world. As a result, the industry stakeholders globally as well as in India have made sustainable, 'green' data centres a priority. Lower power usage efficiencies (PUE), optimization of water usage, and reduction in carbon emissions are becoming major focus areas for industry stakeholders. Average PUE across Indian colo data centres currently stands at ~1.5, however there is scope for improvement. For instance, Singapore has made it mandatory for new data centre facilities to have a PUE of 1.3 or less. Prominent operators in India are moving ahead with captive renewable power projects, helped by the enabling regulations prevalent in several states. Some operators are also partnering with renewable energy platforms to operate a larger share of their data centre facilities with renewable power. 2024 will see further strengthening of the data centre industry's focus on promoting sustainability.



The Indian data centre market is likely to scale greater heights in 2024 following strong performance this year. Colo supply is expected to reach a record high next year with a number of greenfield facilities by domestic and international players going live. Favourable regulation and 5G expansion will act as tailwinds for the sector alongwith a continued focus on green data centres and energy savings.

Vivek Dahiya
Managing Director & Head - Data Centre Advisory Team, Asia Pacific

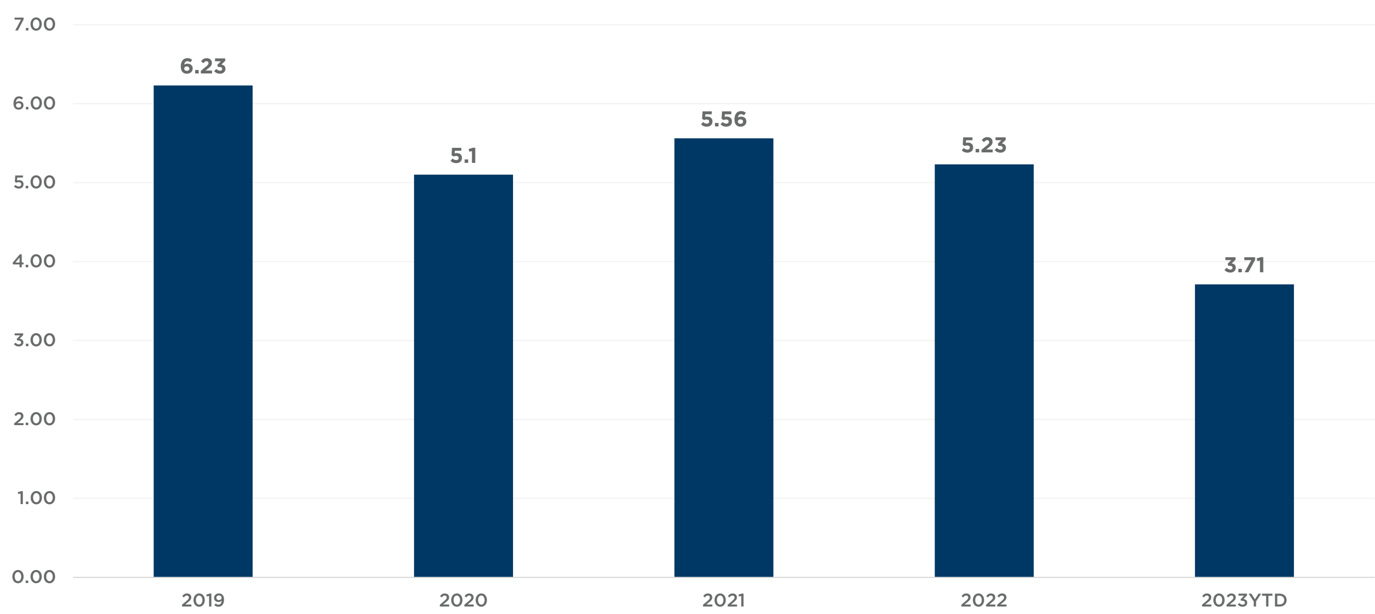
FAST FIVE FACTS

1. As of YTD (Q3) 2023, close to USD 3.7 bn (or INR 305 bn) worth of private equity inflows have been deployed in the real estate space across top-8 cities. Year 2023 is quite likely to close with approximately USD 5.0 bn (INR 411 bn) of inflows recorded, somewhat similar to average levels seen over last three years.
2. The on-going fund-raising activity observed in 2023 suggests that there is high level of interest in segments such as logistics & industrial, data centers, residential and office, mentioned in order of significance. Asset diversification trend is expected to continue, making alternative sectors favourable.
3. Weak investment sentiments in the west is getting mitigated as domestic institutions have been gradually emerging as a counterforce by increasing participation in Indian real estate.
4. Dearth of stabilised assets for acquisition is resulting in higher participation of PE's in early-stage or under-construction developments.
5. Year 2024 will see maiden InvITs focused on L&I segment

HEALTHY MOMENTUM OF ANNUAL INVESTMENT INFLOW; SIMILAR TO PREVIOUS YEARS

Despite a weak sentiment globally, year 2023 is likely to record close to USD 5 bn annual PE inflow for real estate, marginally lower than previous year.

TOTAL INFLOW (USD BN)



Source: Cushman & Wakefield

FUND RAISING TRENDS INDICATES MORE ASSET DIVERSIFICATION TREND TO FOLLOW

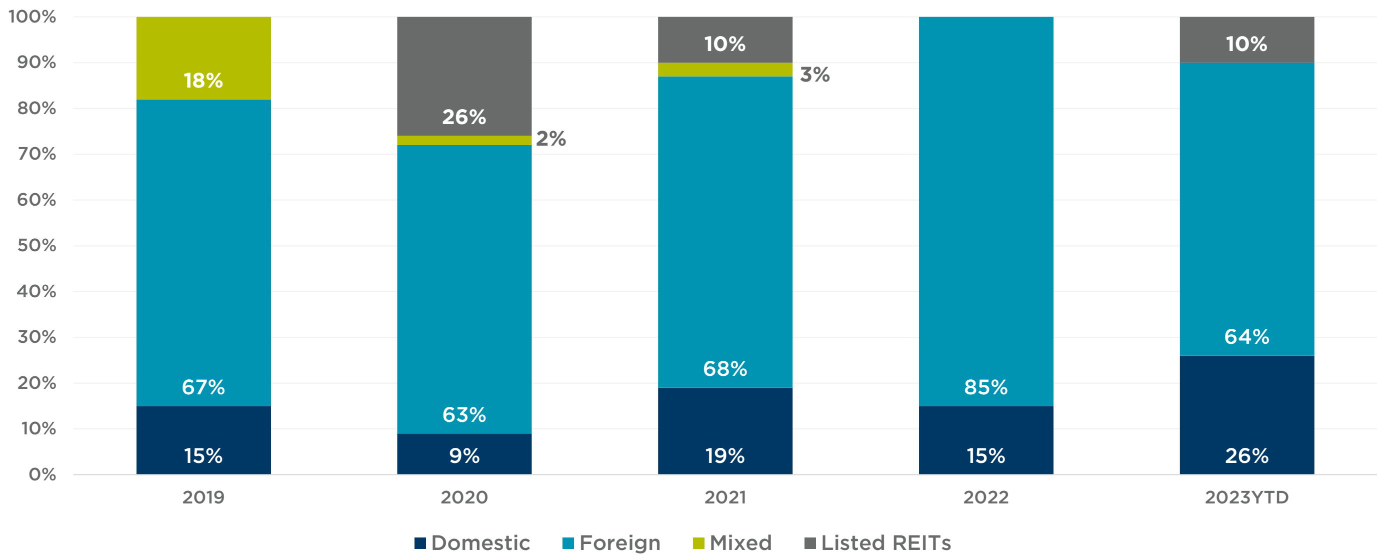
The fundraise platform and pre-commitments by major foreign and domestic institutions in the year 2023 was recorded close to INR 9.9 bn, of which about 72% share was focused on to logistics & industrial and datacentre segments with the rest shared by residential and office segments. Hence, year 2024 is likely witnessed increased deployment in first two sectors and overall diversify the asset wise inflow in each asset class.

2023 FUNDRAISE ACTIVITY- ASSETWISE

DOMESTIC INVESTORS INCREASE THEIR PRESENCE IN BOTH FUND RAISE AND DEPLOYMENT

Increased participation from domestic private equity institution was observed in 2023 as they commanded over one-fourth share in total fund inflows. Besides, this trend is likely going to sustain in the near-term given the recent real estate fund-raising activities that we observed, where domestic institutions share stood at around 30%. This trend is going to benefit the Indian real estate market on two counts – a) provide a balancing force when global uncertainty results in withdrawal of funds from foreign PE players, and b) deeper understanding of the Indian real estate market will help in generating innovating financing solutions, helping good mid-tier developers to circumvent complex financial challenges.

TYPES OF INFLOW



INCREASED EARLY-STAGE INVESTMENTS INFLOWS DUE TO LIMITED SUPPLY

Over the years, institutional inflows were largely deployment in end stage/ready asset acquisitions with some share into early and ongoing stage development. However, given the dearth stabilised superior quality assets available for acquisition, deployment of fund is expected to increase in early/land stage and on-going development projects in near term. This trend can also be attributed to over the decade of investment expertise garnered by active PE/Institutional investors in India, enabling them to develop long term partnerships with prominent regional real estate developers.

INDIA TO SEE ITS MAIDEN L&I FOCUSED INVITS

In office REIT space, India took fifth position in market value terms (valued at USD 7.41 bn) in APAC (CW-Asia REIT Market Insight 2022-23). Currently, three office REITS owns about 74 msf of completed office portfolio with additional 21 msf at various stages of development. In 2023, witnessed the listing of India first retail-REIT 'Nexus Select Trust' and successfully raising close to USD 390 bn.

The logistics and industrial segment in India is expected to see a steady growth in near term. In the interest of leverage this growth, NDR warehousing expected to raise USD 134 million with its first L&I focused InvITs. Success of this listing would create similar trend across large L&I portfolio holder in India in next few years.

> *Given the resilient sentiment in India's real estate sector, the annual influx of investments is projected to ascend to US$ 5 billion in 2023. Looking ahead to the upcoming year, a buoyant sentiment prevails. The optimistic outlook for 2024 is underpinned by increased engagement from domestic entities and the notable diversification observed in fundraising trends throughout the current year.*
>
> ***Saurabh Shatdal***
> *Managing Director, Capital Markets and Head Retail, India*

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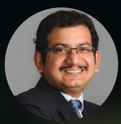
OFFICE AND DATA CENTRES



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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of $10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.