INDIA
OUTLOOK
2025

CUSHMAN & WAKEFIELD

INDIA OUTLOOK 2025

Contents

EXECUTIVE SUMMARY

India's real estate sector closed 2023 on a historic high, breaking records across the board- ~74 MSF in office gross leasing, unprecedented residential market activity, peak flex space transactions, the highest ever data center capacity additions, and surging retail market sentiment. As 2024 began amidst global channels, including geopolitical tensions in the Middle East and the ongoing conflict between Russia and Ukraine, few could have anticipated the remarkable resilience and growth the sector would demonstrate. The exceptional performance, this year, has set new benchmarks and further solidified India's position as a global leader in real estate.

In the commercial office sector, India is likely to end the year with 45-46 MSF of net absorption across Grade-A buildings of top-8 cities. This would account for more than 60% of the demand for office in the Asia-Pacific region, making India the largest office market in the world. Factors contributing to these record numbers include India's ability to move up the value chain on outsourcing deliverables, momentum in domestic demand, and real estate market conditions in major economies like the USA and China. With occupiers increasingly demanding grade A+ space, the gross demand for office real estate is likely to breach 80 MSF, which includes corporates moving from older buildings to new upgraded facilities. On the flip side, supply for high quality office space has been around ~48 msf, sharply reducing the vacancy rate. Our estimates are that this will leave a gap of nearly 20 msf of grade A+ space in the market. For 2025, we anticipate the supply deficit to ease as new Grade-A supply hits the market more frequently. Leasing of office space is expected to see continued strong growth, driven by the momentum in the Global Capability Center (GCC) space and the start-up economy in India.

The retail sector continues to see robust demand for quality spaces as global and domestic retailers expand. Despite supply constraints in 2024, with only 3 MSF of new Grade A mall spaces, 2025 is poised for a revival, with over 8 MSF of fresh supply expected to boost leasing and catering to the growing demand for premium retail spaces. Similarly, the residential market is expected to end 2024 with a record high of 300,000 units launched across top cities. Homebuyers are increasingly seeking better quality lifestyles, and the market is shifting towards more organized and trustworthy developers. We expect luxury and trust to continue being the dominant themes for 2025.

Alternative assets like data centers and logistics have also shown remarkable resilience. Data center capacity additions are expected to reach 230 MW in 2024, with similar or higher growth anticipated in 2025. Mumbai will remain the primary hub, with significant growth in Delhi-NCR, Kolkata, and Chennai. The logistics and industrial sector is expected to maintain strong leasing volumes above 50 MSF in 2024, driven by growth in engineering, manufacturing, e-commerce, and retail. **Healthy grade-A warehousing supply is anticipated over the next 2-3 years, particularly in key logistics markets such as Mumbai, Pune, Bengaluru and Chennai.**

Private equity inflows into commercial real estate are projected to exceed USD 6.0 billion by the end of 2024, nearing pre-Covid levels. Positive investor sentiment is expected to continue in 2025, driven by favourable economic conditions and asset diversification.

India's near-term consumer confidence and business outlook remain strong, underscoring the resilience of the Indian economy. However, adverse geopolitical developments and higher inflation could pose growth challenges. That said, 2025 holds great promise given India's dynamic economy, strong policy framework, and growing prominence on the global stage. We expect the industry to deliver strong and well-rounded growth across core and alternative assets. We also expect 2025 to be a busy year for capital market activities as interest rates continue to come down and the deployment of funds gets underway.

We invite you to explore our Outlook for 2025 in greater detail through this publication. We hope you find the insights valuable and that they help you navigate the year ahead with greater confidence.

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ECONOMY

ECONOMY

KEY HIGHLIGHTS

ONE

While Q2-FY25 GDP growth stood lower-than-expected, it is expected to revert back to mean growth of 6.5-7.0% rather quickly

TWO

A favourable impact from the expected interest rate cuts and lower inflation is likely from early 2025, thereby helping sentiments amongst homebuyers and realty investors

THREE

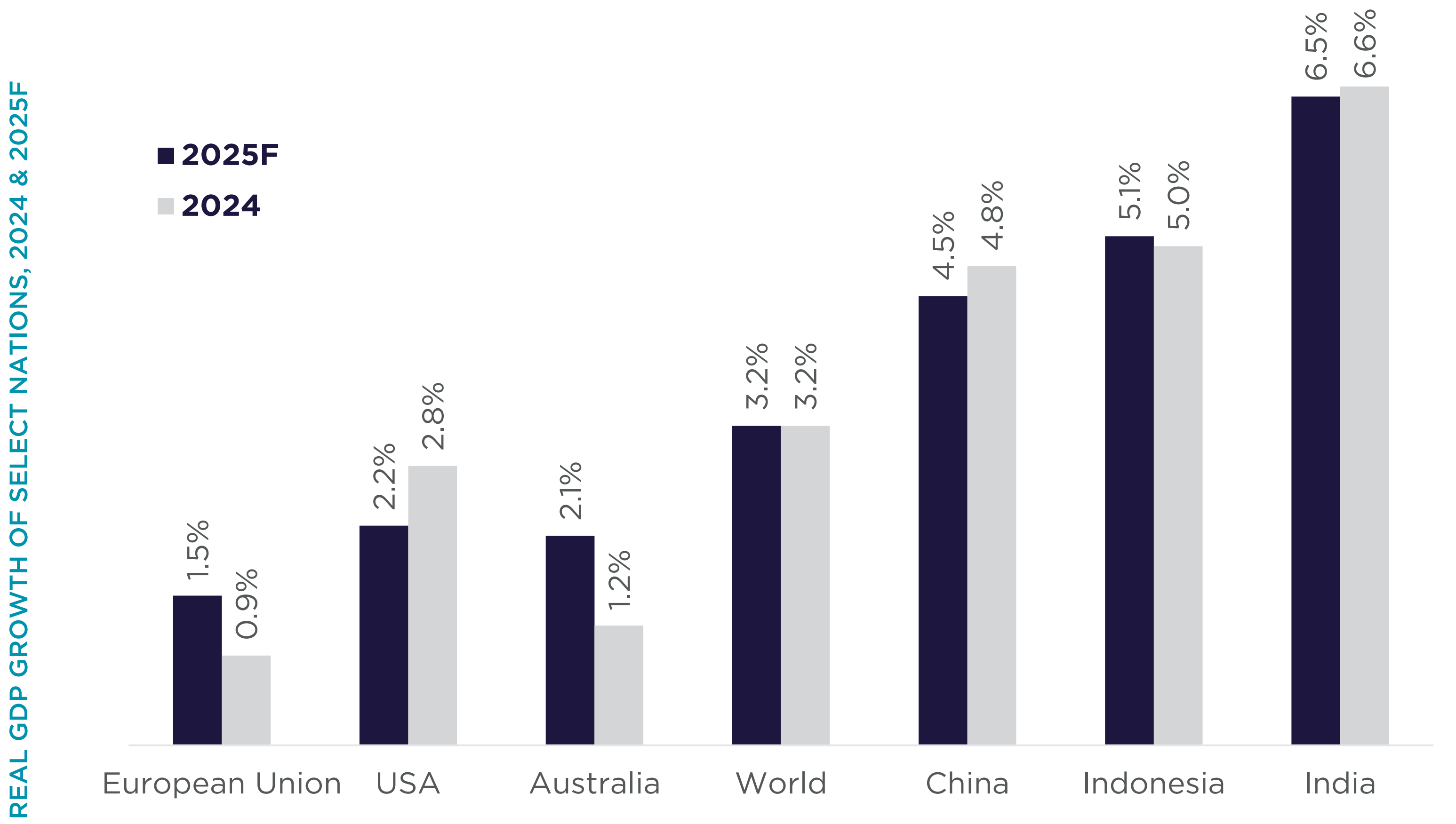
Consumer confidence and business confidence indices suggests a firm outlook, largely based on positive employment and income growth in the near-term.

FOUR

Risks to a positive growth outlook could only emerge from external factors such as oil price variations, US trade ties (with Trump as President), and climate impact on food prices.

ECONOMY

1. 2024 GDP GROWTH FORECAST IS RELATIVELY SLOW, ALTHOUGH RECOVERY IS IN SIGHT



Source: IMF, RBI, Eurostat

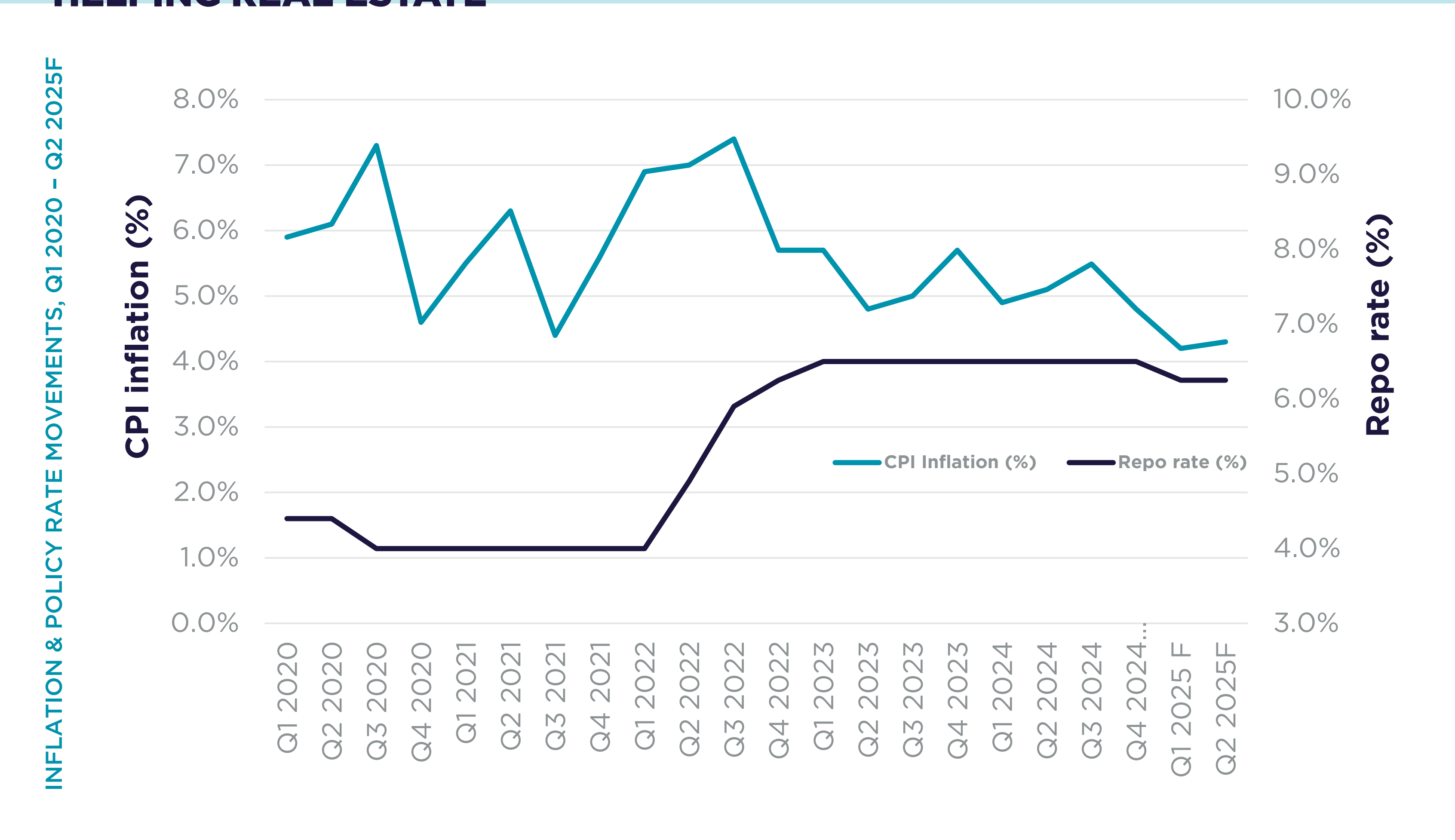
Indian economy is likely to witness growth in the range of 6.6-7.0% as estimated by various economists and the RBI for the year ending March-2025 (FY2024-25). While this growth rate has been revised lower in recent weeks owing to slower-than-expected second quarter figure of 5.4% (Sept-24 quarter), it is likely to revert to its potential growth rate of 6.5-7.0% soon. The recent spike in inflation and, consequently, a slow rural consumption was largely responsible for the interim fall in GDP growth.

Despite the dip, India's growth rate continues to remain world leading when compared with other leading nations. As per RBI's projections, inflation rate is expected to gradually ease by March-2025 whereas planned infra spending by the government will help provide good support.

Global economic growth is expected to remain steady in 2025 at 3.2%, unchanged from the 2024 figure, as per IMF's projections. Besides, the US is expected to post a growth of 2.2% next year, higher than the earlier projection of 1.9%, with falling inflation and higher labour productivity key growth drivers. Steady global and US growth will significantly support the already strong India growth story. Going forward, India's economy is anticipated to return to its growth potential of 6.5-7.5% range on the back of factors such as interest rate reversal, robust CAPEX spends by the government, strengthening manufacturing & construction sectors, and rising exports.

ECONOMY

2. INFLATION & INTEREST RATES EXPECTED TO TAPER IN 2025, HELPING REAL ESTATE



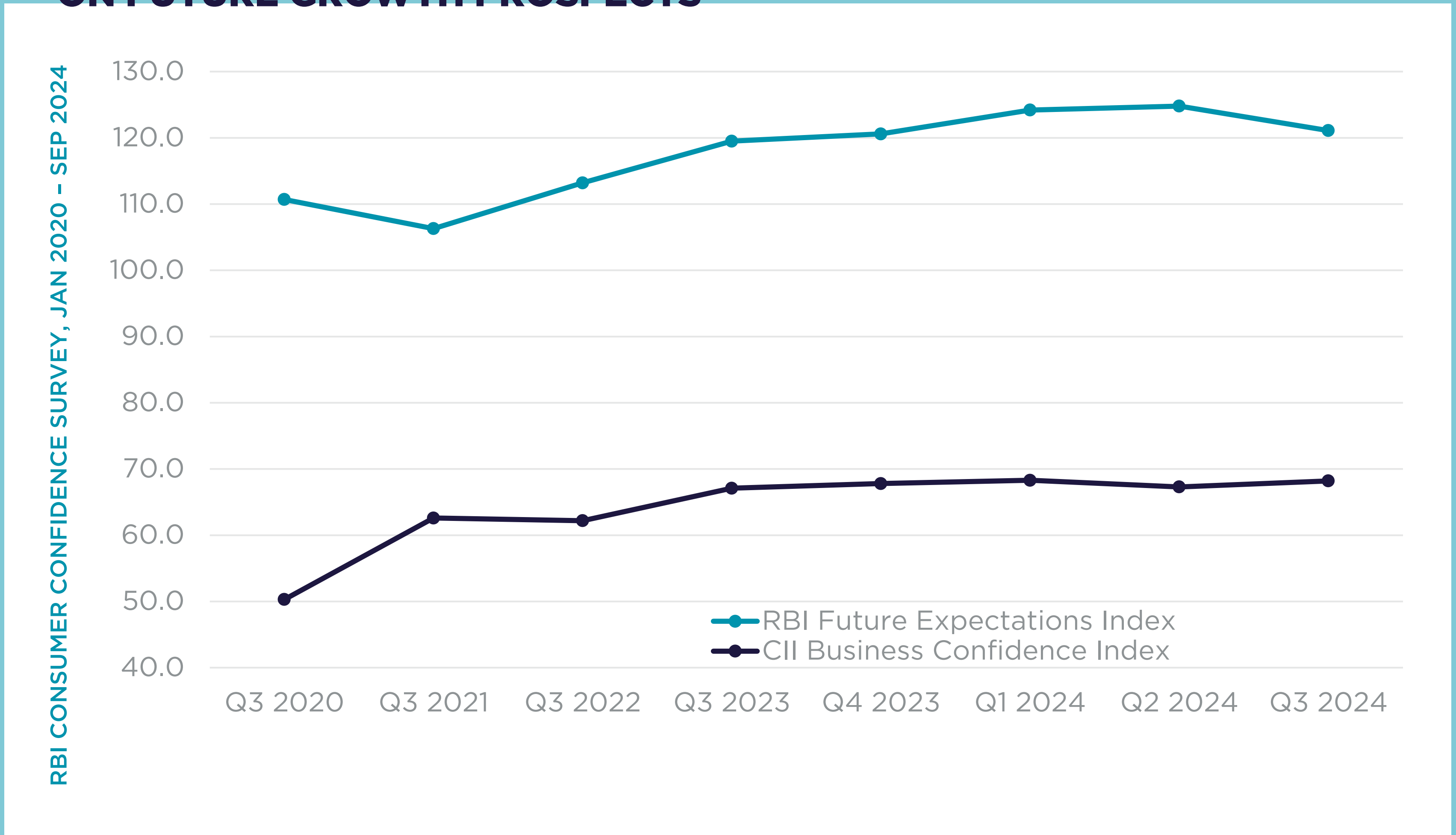
Source: RBI, MOSPI, C&W Research

The consumer price inflation (CPI) continues to remain a key determinant of monetary policy action in the coming months given the recent spike in October 2024 month to 6.2%, largely driven by seasonality in food prices. However, most economists expect it to moderate in the upcoming months as food prices is seen tapering down post a good harvest. As per the central bank, the headline CPI inflation is likely to end the financial year (Mar-25 month) with 4.8% print.

Given a favourable inflation forecast, there is widespread expectation that the RBI will start delivering on rate cuts from early 2025, thereby supporting consumption and investments and propelling residential real estate demand. In addition to that, real estate cost inflation is likely to be softer owing to a declining trend in steel and cement prices in recent months.

ECONOMY

3. STRONG CONSUMER AND BUSINESS SENTIMENTS ON FUTURE GROWTH PROSPECTS



Source: RBI, CII

The RBI survey on Consumer confidence (i.e. Future Expectation Index) is showing consistent signs of improvement in consumer's near-term outlook, more so on the side of employment and income scenarios one year ahead in 2025. On the other hand, CII's Business Confidence Index, a survey covering 200 domestic firms, has remained robust as of Q2 FY2024-25 on the back of improving domestic demand, good visibility of private investments and continued capex spending by the government. Large Indian IT companies have recently upped their revenue growth guidance and expressed optimism about future growth and performance. This augurs well for outlook on employment and income.

For the real estate sector, these are critical elements that suggests continued momentum in homebuyers' sentiment and also for occupier leasing volume of commercial office spaces.

ECONOMY

4. RISKS TO GROWTH IS LARGELY SEEN EMERGING FROM EXTERNAL FACTORS

While India's domestic economy is likely to remain intact, backed by strong consumerism and expected pick-up in private capex cycle, there are headwinds that could emerge from external factors. Continued geopolitical stress in the Middle East region could lead to oil price shocks, which can impact countries such as India that imports more than 80% of its fuel requirements. Similarly, weather related changes inflicted upon the nation could result in abnormal monsoon patterns or draught-like situations that has a direct bearing on food prices or rural incomes. These are credible risks faced by many emerging nations, including India, which can put inflationary pressure on the economy. Prolonged high interest rates could lead to slowing of private investments. Demand within key sectors such as residential real estate likely to get impacted.

The newly elected Trump government in the USA has been reviewing several trade practices and agreements with other nations. While India maintains healthy foreign relation with the USA, an untoward tariff hike or market access restriction could have negative impact on India's services exports or investment inflows, which indirectly can affect commercial office real estate.

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OFFICE

OFFICE

KEY HIGHLIGHTS

ONE

/// Year 2024 is likely to end with a historic high Gross Leasing Volume (GLV) of office spaces at 83-85 MSF and net absorption of ~45 MSF.

TWO

/// While there could be some tapering off from these levels seen in 2025, the GLV would continue to remain much above the 70+ MSF, which is now a new-normal level of office market activity.

THREE

/// In the GLV break-up, contribution of fresh leasing has remained strong with over 70% share, while pre-commitments have started to surge as occupiers want to book quality spaces in advance.

FOUR

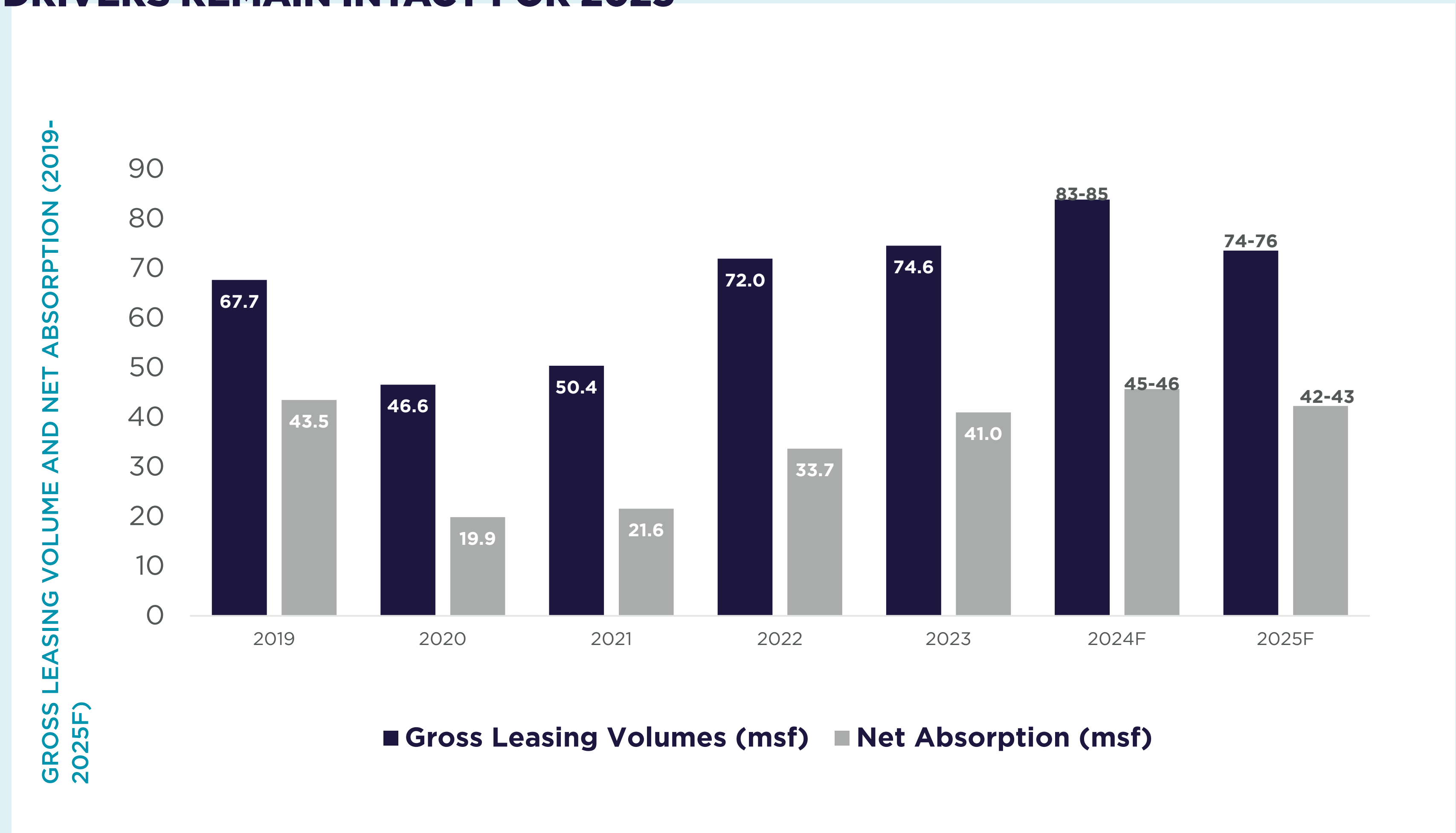
/// On the contrary, supply is coming in slower-than-expected, as merely ~48 MSF is expected in 2024, thereby reducing the vacancy rate sharply. In 2025, supply is slated to increase though.

FIVE

/// India's rising attractiveness as a destination for GCCs of multinationals has had a big influence on demand, as GCCs now account for ~30% of GLV, with the share slated to rise further.

OFFICE

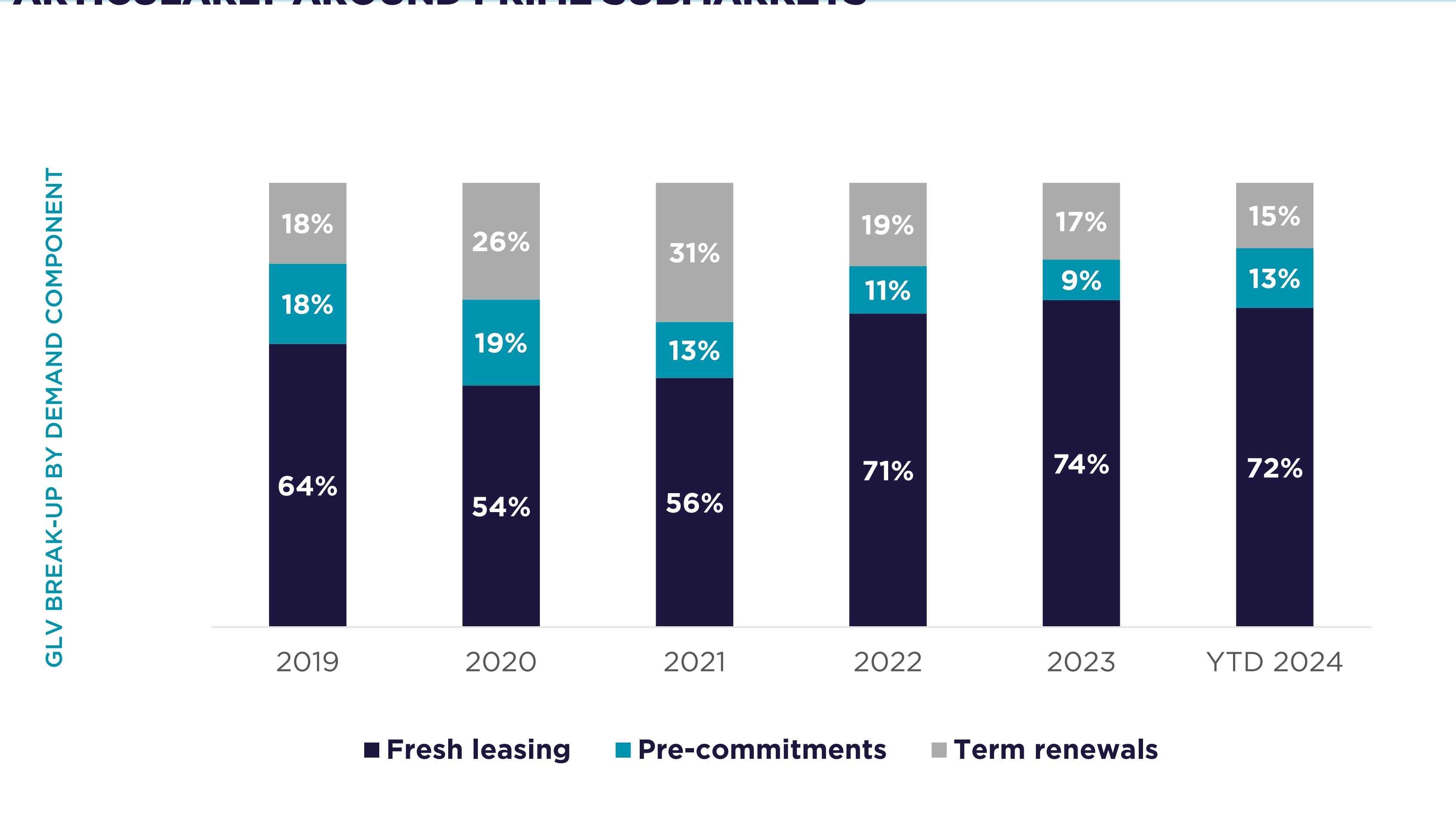
2024 LIKELY TO END WITH RECORD HIGH DEMAND FOR OFFICE SPACE; DRIVERS REMAIN INTACT FOR 2025



India's office real estate has consistently been witnessing more than 70 MSF of gross leasing volume (GLV) since 2022 across the top-8 cities. The current year 2024 is likely to register a historic high volume of 83-85 MSF of GLV, thereby beating the previous peak volume of 2023 by 13% y-o-y. Growth was driven by healthy volumes seen in the IT-BPM, BFSI, Engineering & Manufacturing (E&M) and flex operator spaces, as these were the top performing sectors. Consequently, net absorption of office space is likely to end the year with about 45 MSF across top-8 cities, setting a new record of office market leasing. Given the real estate industry's scenario in the USA and China, India is seen as the biggest driver of office leasing volume in the world. Within APAC, India is likely going to end the year with nearly 70% of region's total net absorption. Gross leasing volume could be relatively lower in the year 2025, at 74-76 MSF, although will remain considerably above the 70+ mark for the fourth consecutive year. Most of the pent-up demand from increasing return-to-office (RTO) of the erstwhile hybrid workforce have been captured during the 2022-24 period. However, other drivers such as influx of new GCCs, growing flex operator footprint, rising number of unicorns, and growth of E&M sector will continue to remain intact.

OFFICE

FRESH LEASING OF SPACE AND PRE-COMMITMENTS SURGE, PARTICULARLY AROUND PRIME SUBMARKETS



Fresh leasing of space, an indicator of growing business activity in India, has been the biggest contributor to GLV. For the full year 2024, fresh lease is likely to account for nearly 70%, stemming from new entrant GCCs and expansion in operations of domestic firms. Pre-commitments in under-construction space also rose sharply, with the volume likely to close the year at 3x times compared to the previous year. Interestingly, more than 70% of the pre-commitment activity has been recorded in prime sub-markets within cities, suggesting that occupier preference for prime sub-markets continues to remain high.

Fresh leasing of space is likely to remain strong in 2025 as new Grade-A supply hits the market at higher frequency. Nearly 75% of the existing pre-commitments (slated for 2025) are in projects concentrated around prime sub-markets, suggesting that prime markets will continue to witness relatively tight vacancies.

OFFICE

2025 SUPPLY TO REMAIN STRONG AMIDST HEALTHY DEMAND; VACANCY RATE TO MARGINALLY RISE

As against an anticipated supply of ~58 MSF, year 2024 is likely to end with merely ~48 MSF of Grade-A supply, thereby creating an imbalance across many submarkets on the face of strong demand. The year 2024 saw factors such as general Lok Sabha elections and few state level elections that could have led to slower approval of projects from the authorities. Besides, a policy to allow partial denotification of SEZs was passed in December 2023, paving the way for vacant SEZs to come into mainstream supply. The unprecedented surge in demand coupled with a relatively slower supply could lead to vacancy rates falling sharply to ~17% as of end-2024.

As against that, outlook on supply for 2025 seems more robust with over 60 MSF of new completions expected during the year. When looked at it closely, more than 60% of that supply is likely to come in prime submarkets across top-8 cities, for which the occupier preference remains high. While increased supply will push vacancy rate a bit higher, the counterforce of strong demand will keep the increase in vacancy limited to ~90-95 bps. However, most prime micro-markets and Grade-A+ properties will attract high interest from occupiers, thereby helping these maintain tight vacancy rates. Talent attraction, work-life balance and compliance of ESG are important factors that will force leading occupiers to look at premium properties in core areas.

GCC leasing to continue its positive momentum in India

Global capability centers (GCCs), considered to be an important driver of India's office absorption in recent years, is likely to account for ~30% of the total GLV in 2024, thereby piping the share it had achieved prior to Covid in 2019. India remains the most preferred destination for GCCs by multinational firms in the West and advanced Asia Pacific region. The ongoing expansion of established GCCs highlights the confidence that global companies have in India's workforce and operating environment, emphasizing their long-term commitment to the Indian market. While the overall GLV of office space for 2025 is expected to remain lower than 2024, GCCs are expected to deliver higher volume in 2025 (compared to 2024) with an expected share of ~35% in GLV of top-8 cities.

OFFICE

GRADE-A OFFICE RENTS COULD RISE MARGINALLY, ALTHOUGH TENANT-FAVORABLE CONDITIONS WILL PREVAIL

The expected surge in leasing across top grade assets in 2024 and 2025 have been putting upward pressure on rents across prime micro-markets. Bulk of the new supply that is coming in 2025 is concentrated around prime micro-markets, suggesting that overall rents could witness a rise. However, the rise is anticipated to be moderate owing to consistent influx of supply, thereby helping a tenant-favorable market sentiment to persist for some time. Talent is emerging as a key driving force behind office location. Occupiers will be looking at markets that breed desired talent and workplace strategy will be determined basis their needs around amenities and work-life balance.

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RETAIL

RETAIL

KEY HIGHLIGHTS

ONE

// Rising disposable incomes and consumer spends transitioning towards more discretionary spends is fueling growth for retailers, in turn having spill-over demand for quality retail spaces.

TWO

// The market, however, faces some constraint from supply. Annual mall supply in 2024 is likely to be the slowest seen in recent period history. Having said that, 2025 will see healthy Grade-A mall supply of over 8.0 MSF, thereby reviving leasing activity in malls during the year.

THREE

// While high streets have been garnering a lot of interest from retailers, both domestic and international, owing to limited mall supply, the trend is expected to slightly reverse in 2025.

FOUR

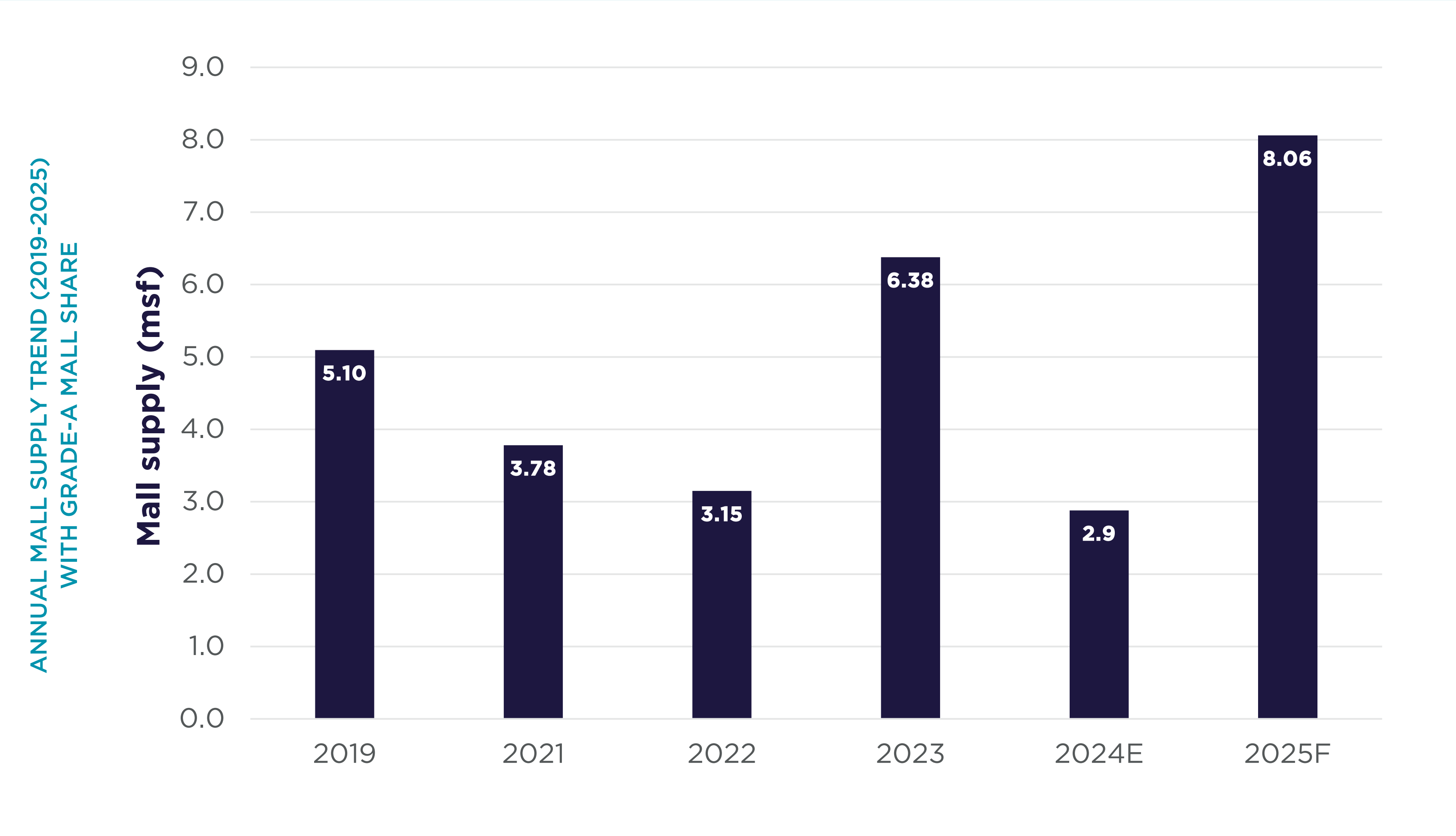
// Entry of international retailers and big retailers transitioning towards "experiential retailing" are trigger points for premiumization of malls in 2025. Also, tier-II cities could be target for expansion for many domestic retailers.

FIVE

// Space optimization could be an emerging trend in malls as performance of traditional anchor tenants could be compared against that of more profitable categories.

RETAIL

SUPPLY CONSTRAINT OF 2024 IS LIKELY TO EASE IN THE YEAR 2025

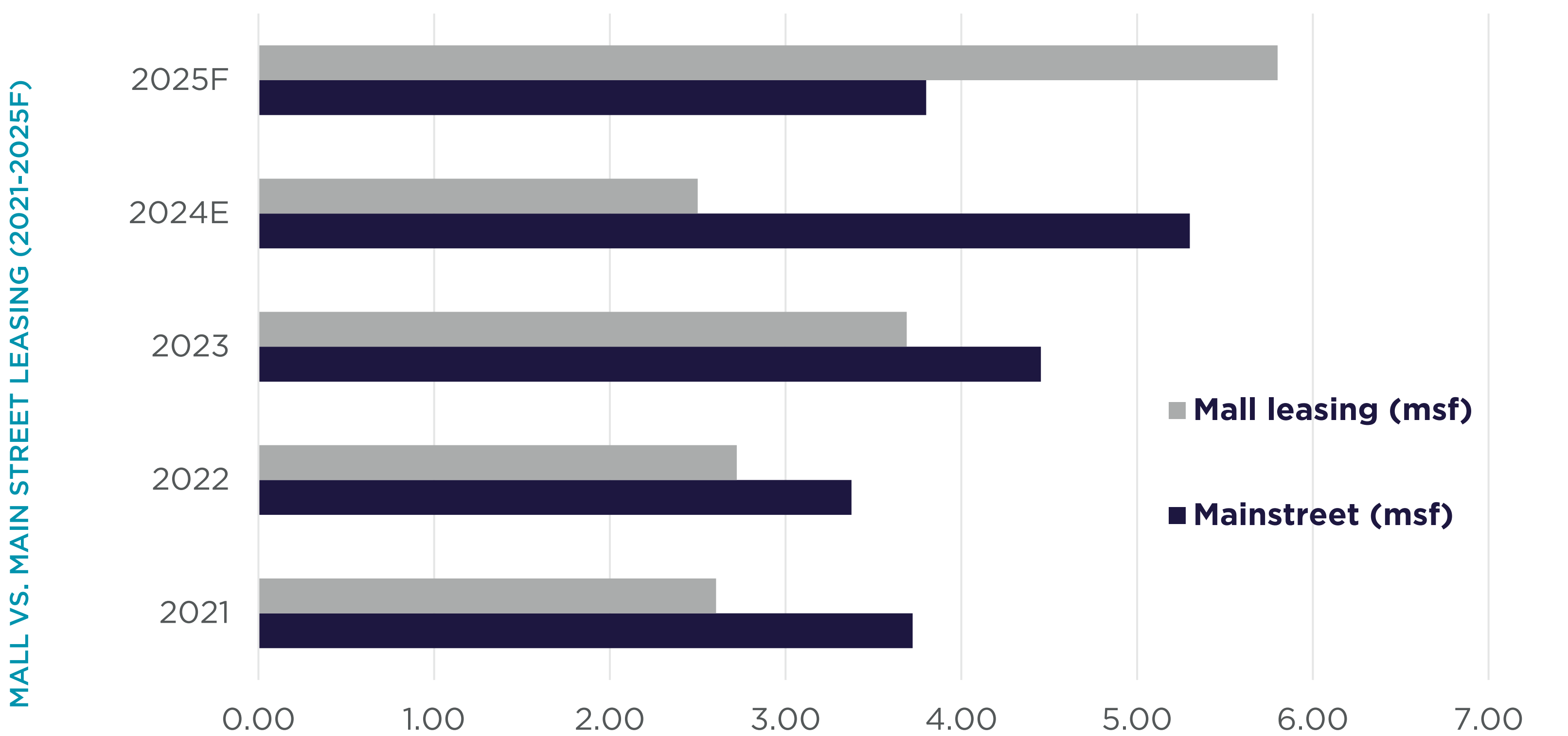


Source: C&W India Research

Supply constraint around top quality retail malls was evident during the year 2024, with merely ~3.0 MSF of new Grade-A malls likely commencing operations, thereby marking the lowest level of supply in 5 years. The low supply was one of the primary reasons for tight vacancies across Grade-A malls, with many of the superior category (A+ grade) assets experiencing merely 3-4% vacancy rate. This is likely to change in 2025 as we expect over 8.0 MSF of Grade-A malls to commence operations soon, brining the much-needed quality supply in the market, at a time when demand for retail spaces remains strong. Increasing disposable incomes and a shift toward discretionary spending transformed the consumption story, fueling demand for premium retail spaces and vibrant experiences.

RETAIL

COMPARED TO PROMINENT HIGH STREETS, MALLS ARE LIKELY TO DOMINATE LEASING IN 2025



Note: Prominent high streets tracked by C&W India Research includes – Brigade Road, Vittal Mallya Road, Indiranagar 100 Ft Road (Bengaluru), Anna Nagar 2nd Avenue, Pondy Bazaar (Chennai), Banjara Hills, Himayathnagar (Hyderabad), MG Road, FC Road (Pune), Park Street (Kolkata), Linking Road, Kemps Corner, Fort/Fountain (Mumbai), Khan Market, Connaught Place, Galleria market (Delhi NCR)

Source: C&W India Research

Owing to lack of quality mall supply, retail leasing activity was concentrated around high streets during the recent years. The gap between high streets and mall leasing volume is observed to have widened in 2024, with almost 68% leasing happening across prominent high streets in the top-8 cities tracked by C&W. However, this trend is expected to undergo a change in 2025. With an anticipated infusion of 8.0 msf of new supply, malls are anticipated to capture nearly 60% of the leasing market share, a marked increase from merely 32% share witnessed in 2024.

A strengthened demand in 2025 is further supported by strong macroeconomic fundamentals, increased urban consumption, and structural shift toward organized retail. While main streets will play a vital role, the leasing focus is expected to tilt toward malls, particularly in urban and semi-urban regions where large-scale, organized retail formats are gaining traction.

RETAIL

PREMIUMIZATION OF RETAIL SPACES AND MULTI-GEOGRAPHY EXPANSION TO DEFINE RETAIL LANDSCAPE

In 2025, many global retailers are expected to enter Indian market with a tailored strategy to secure locations across prime malls in top-tier cities. India's attractiveness as a retail market continues to rise, supported by an increase in disposable incomes and a growing inclination towards high-value spending. We have seen increased interest amongst global retailers to enter India, as can be ascertained through various retailer surveys, reports and data on new brands entering the country, and these retailers have a high preference for quality retail properties. The past year alone saw several marquee brands, including Maison Margiela, Time Vallée, Charles Tyrwhitt, and Laura Mercier, entering the Indian market, a trend likely to accelerate. As a result, premiumization of Indian retail spaces could be a key theme emerging from 2025. On the other hand, domestic retailers are strategizing around increasing their footprint across multiple geographies, including tier-II and III cities. Popular categories such as fashion, electronics, and homegrown food and beverage brands are actively targeting emerging markets to tap into the aspirational consumer base in non-metro cities.

Malls to Reassess Space Allocation to Boost Returns and fulfil consumers' expectations

As retailers expand aggressively and demand for premium retail spaces intensifies, malls could soon start rethinking space allocation strategies to maximize returns and cater to shifting consumer preferences. One significant change could be reassessment of underperforming categories. Malls are witnessing higher traction in categories such as F&B, FEC (family entertainment centers) and premium fashion, while the traditional anchor tenant categories such as cinema haven't been performing well. By prioritizing high-growth categories, malls are better equipped to meet the needs of both retailers and consumers in a competitive leasing environment.

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RESIDENTIAL

RESIDENTIAL

KEY HIGHLIGHTS

ONE

// Year 2024 is likely to end with a repeat of the same exuberance seen in the previous year when a record high 300,000 units were launched across top-8 cities. This clearly suggests that the developer confidence in the market has been high.

TWO

// Homebuyers in India are increasingly yearning for better quality lifestyle with rising income and a brighter outlook on consumer confidence. Therefore, projects that focus on premium amenities and luxury features are well-received.

THREE

// India is witnessing a surge in population of high-net-worth individuals on the back of fast-growing economy and rising incomes. Besides, non-resident Indians are also finding investing in Indian real estate market attractive given a bright outlook.

FOUR

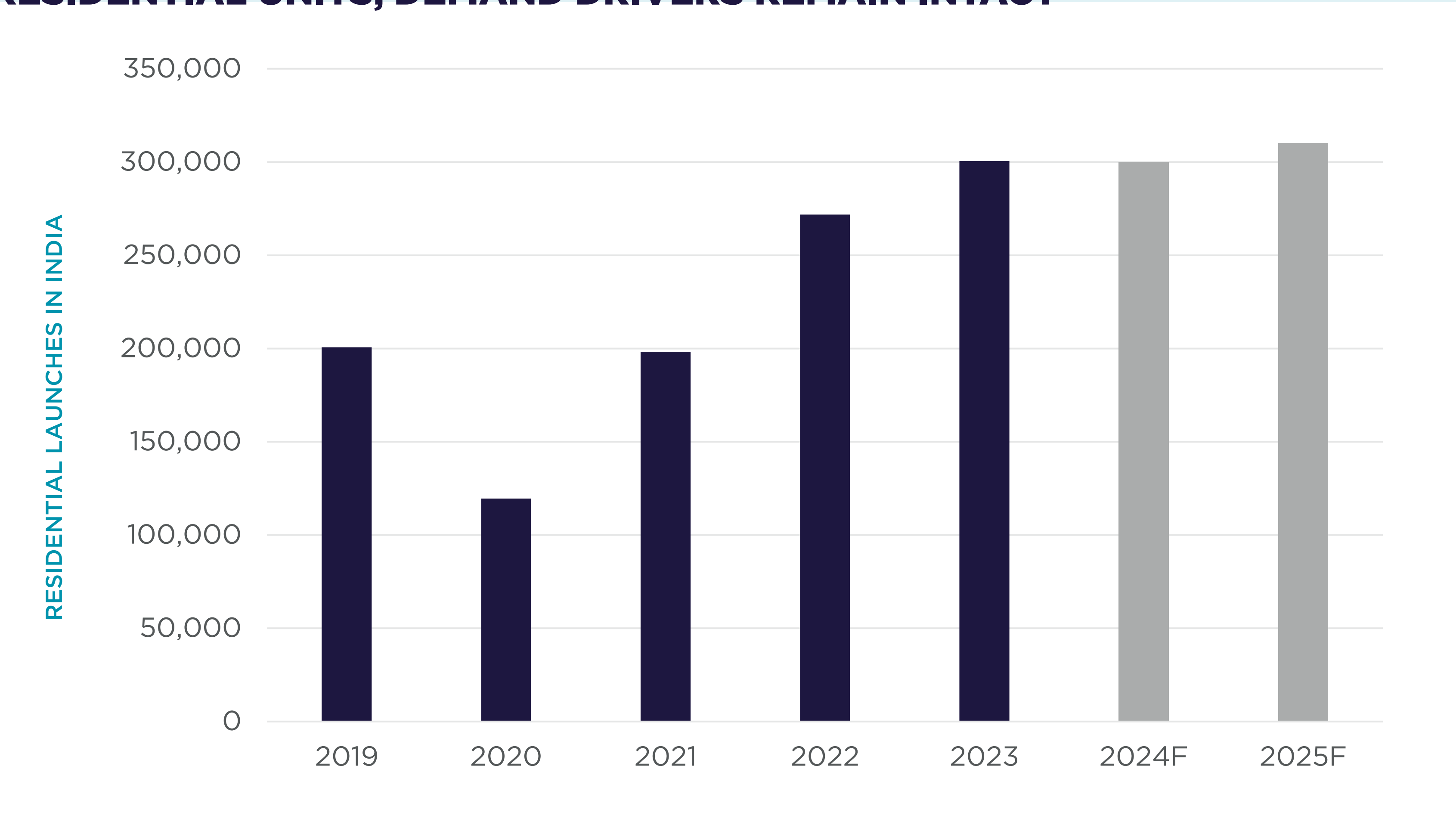
// Indian residential market has been undergoing a fundamental shift as buyers prefer those developers who have corporate background, or otherwise listed and/or branded developers. Trust is of greater significance than cost of apartments, thereby helping the market become more transparent.

FIVE

// With borrowing rates likely to come down in the immediate future, the mid-segment and affordable home categories could see exuberance similar to that seen in high-end segment currently.

RESIDENTIAL

YEAR 2024 LIKELY TO END WITH RECORD HIGH LAUNCHES OF RESIDENTIAL UNITS; DEMAND DRIVERS REMAIN INTACT



In the residential segment, new launches will yet again reach the peak volume seen in the previous year of ~300 thousand units by end-2024. This is likely to be second consecutive year of peak volume in terms of launches, suggesting that the developer confidence in the market is high. In the last one year, our transaction advisors have seen massive surge both investor as well as end-user demand given the recent rise in incomes as well as high valuations seen in India's equity markets. A lot of this surge in wealth creation has been channeled towards buying homes with branded developers and in prime city locations.

For 2025, the momentum is expected to continue as the fundamental drivers remain the same – shifting preference of homebuyers towards better quality of lifestyle and rising incomes. Leading developers are also innovating with new product categories, easy payment plans and community-driven amenities to suit varied needs of homebuyers, thereby enabling quicker sale of their products.

RESIDENTIAL

STRUCTURAL SHIFT IN HOMEBUYERS' PREFERENCE IS VISIBLE THROUGH RISING MARKET SHARE OF HIGH-END APARTMENTS

A shifting consumer preference towards upgraded lifestyle is evident across major real estate markets in India through the rising share of high-end & luxury segment in overall launches by developers. Since last three years this category, which used to be the smallest in the pre-Covid era with not more than 15-18% share, has seen sharp rise in market share. As of the most recent quarter in 2024, high-end and luxury category launches commanded a significant 41% share, rising significantly from ~37% share in the previous year across the top-8 cities. This growth was fueled also by a high participation from the Non-Resident Indian (NRI) community given the bright outlook of Indian economy and real estate envisaged for their home country.

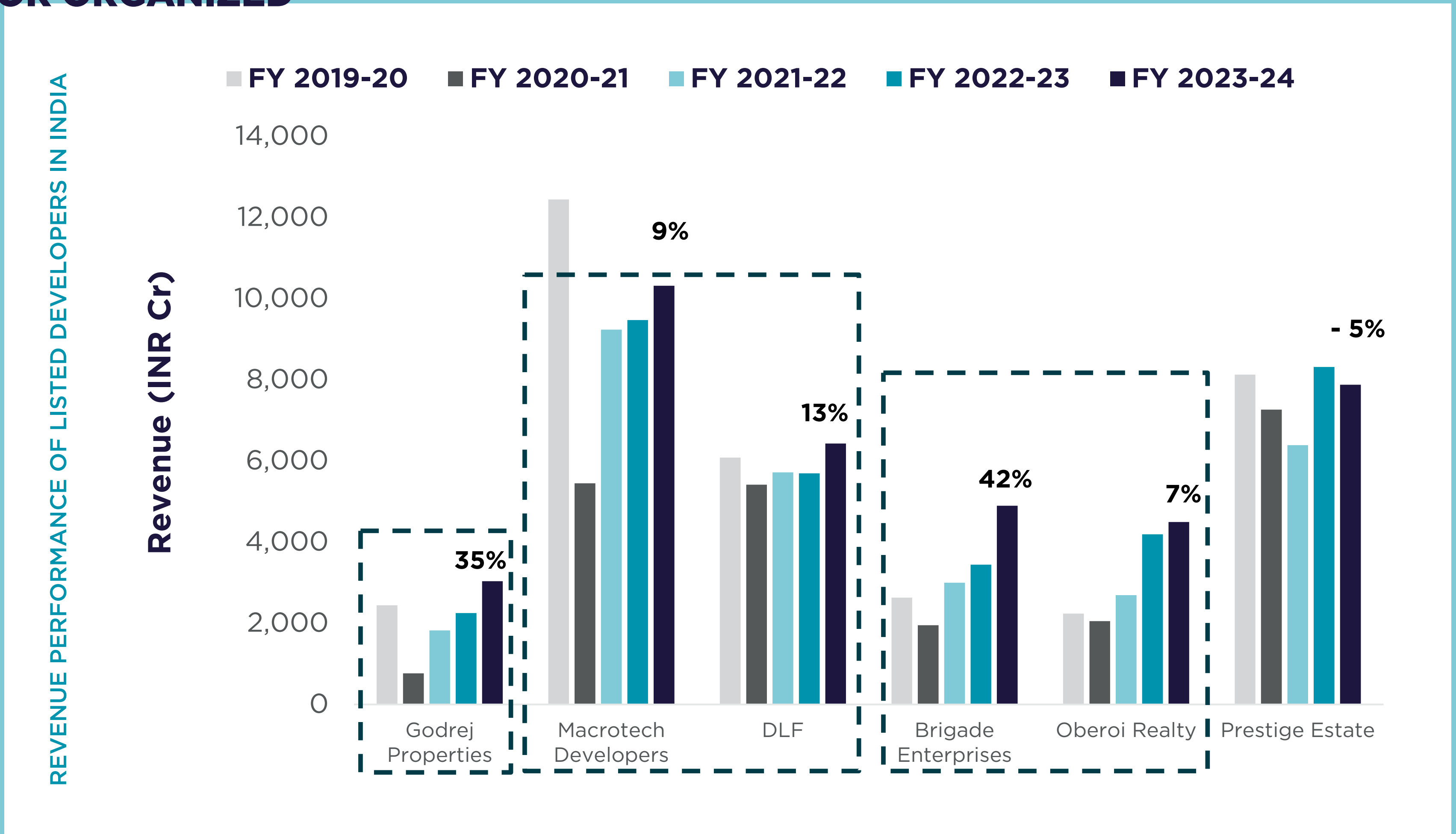
With speculation around the potential lowering of interest rates in coming quarters, overall residential demand is expected to rise further, particularly in the end-user and affordable-mid segment categories. The high-end & luxury segment is less affected by fluctuations in interest rates.

BROAD MARKET FUNDAMENTALS SUGGESTS THAT DEMAND FOR HIGH-END APARTMENT COULD REMAIN HEALTHY

As per the 2024 World Wealth Report, India saw 12.8% rise of HNWIs (High Net Worth Individuals) wealth and almost an equal growth in the HNWI population in the year 2023. Given that India remains world's fastest growing economy and the incomes are going to rise sharply to reach levels of upper middle-income economies in the next 5 years (as per IMF income forecast data used in a World Bank study), we are likely to witness a continued transition in demand for better quality lifestyle through high-end residential real estate. Besides, a stronger-than-expected US economy has resulted in USD performing better than most currencies across the world, including the Indian rupee. Rising prices, coupled with a depreciating rupee gave NRIs an opportunity for making investments into various assets in India, including residential real estate. The reversal in rupee is not expected anytime soon as per available market estimates, suggesting that the window of opportunity is available for more NRIs to invest in India. Therefore, it appears that the momentum in residential space, particularly high-end apartments, is not fading away anytime soon.

RESIDENTIAL

MARKET IS SWIFTLY MOVING TOWARDS TO BECOMING CORPORATIZED OR ORGANIZED



Sales of prominent and listed residential developers have risen sharply in over the years, and in most cases crossed the pre-Covid peak seen in FY 2019-20. For the current fiscal year (FY 2023-24), the revenue has already surpassed full year revenue seen in previous years, suggesting that there is massive transition towards more organized and trustworthy developers. While market share of listed developers is on a gradual rise, a lot of traction is also visible for those unlisted developers who have enjoyed strong brand recall and trust over several years in local markets, thereby helping transparency in the residential sector to rise sharply.

RESIDENTIAL

MARKET IS SWIFTLY MOVING TOWARDS TO BECOMING CORPORATIZED OR ORGANIZED

The outlook for India's residential real estate market in 2025 is positive, driven by strong performances from key listed developers, particularly in the post-pandemic period. Major players such as Godrej Properties, Macrotech Developers, DLF, Oberoi Realty, Prestige Estates, and Brigade Enterprises are expected to witness continued growth, bolstered by rising market demand and increased participation in pre-bookings.

Godrej Properties is poised to surpass its pre-sales guidance for FY2025, with a revised target of INR 30,000 crore, ahead of the original INR 25,000 crore forecast. This highlights the company's solid market position and growing demand for its residential offerings.

Macrotech Developers has reported impressive pre-sales of INR 4,290 crore, despite traditionally slow periods when homebuyers tend to refrain from purchasing. The company remains on track to meet its pre-sales guidance of INR 17,500 crore for FY2025, signaling a strong momentum in its sales pipeline.

DLF, despite a weaker Q2 FY2024 performance, remains optimistic about achieving its pre-sales target of INR 17,000 to INR 18,000 crore. This reflects the company's resilience and ability to adapt to market challenges.

Oberoi Realty is likely to see an uplift in market sentiment, with expectations of faster growth driven by increasing demand and a more favorable market environment. The company's strong brand and premium projects position it well for continued success.

Prestige Estates is on track to launch residential projects worth INR 52,000 crore by March 2025, which could significantly enhance its earnings and market share. This large-scale pipeline is expected to drive substantial growth for the company.

Brigade Enterprises is targeting a 13% annual growth in housing sales, supported by its diverse project portfolio and strategic developments across key markets.

In conclusion, the outlook for residential real estate in India remains optimistic, underpinned by strong pre-bookings and the solid performance of leading developers. With positive market sentiment and continued growth in housing sales, 2025 is set to be a year of sustained growth for the sector.

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LOGISTICS & INDUSTRIAL

L&I

KEY HIGHLIGHTS

ONE

/// Annual leasing volume in the L&I space to likely record above 50 MSF for the third year in a row, and this strong momentum is likely to prevail in the coming year too.

TWO

/// The main drivers of growth has been the strengthening engineering & manufacturing base as well as high growth seen in e-commerce and retail. The drivers continue to remain intact.

THREE

/// Rentals have largely remained stagnant so far except a couple of clusters where it might have risen.

FOUR

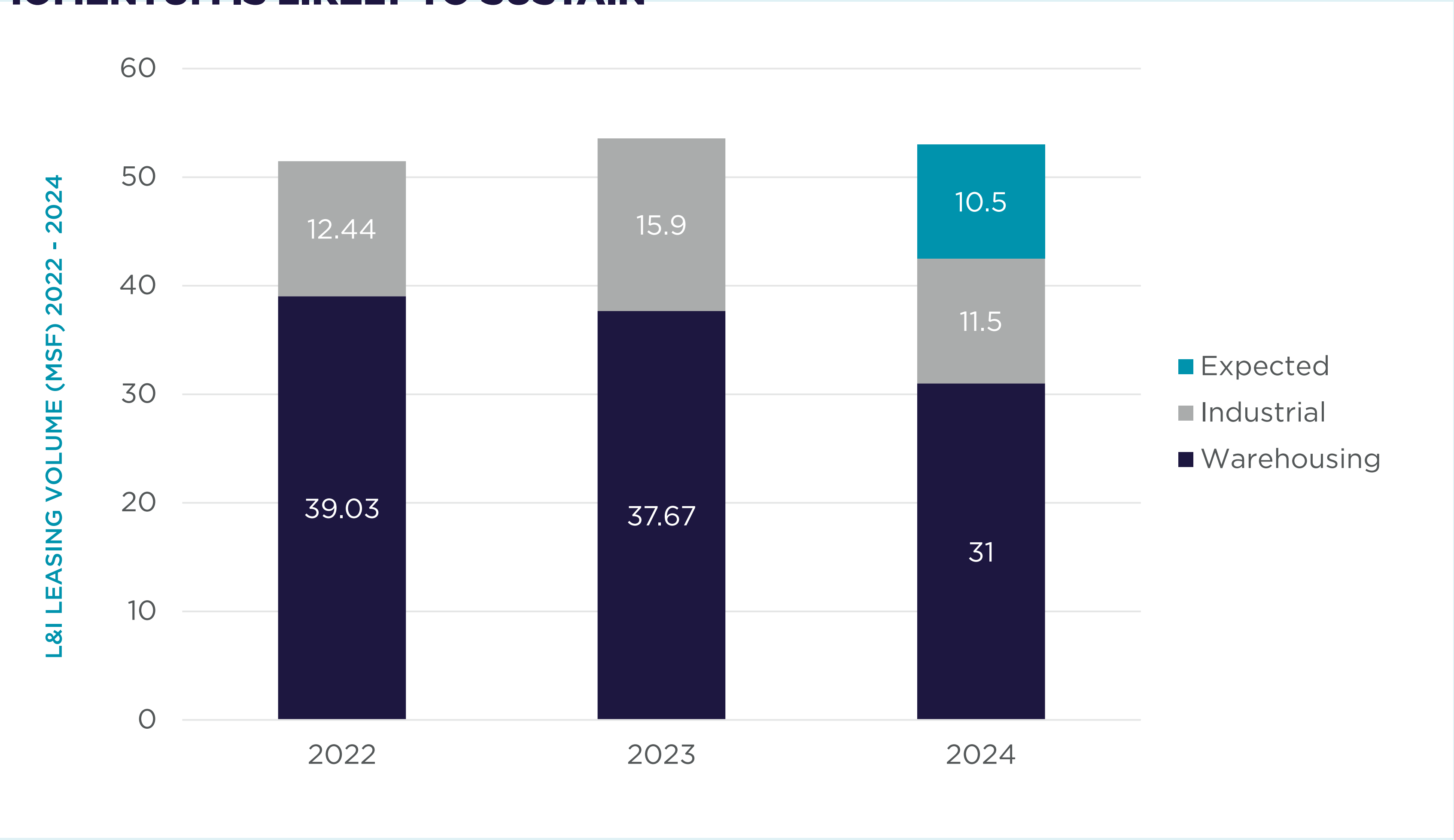
/// Year 2025 could witness the beginning of alternate L&I clusters developing beyond the existing prime markets. This is largely due to steep rise in land prices in prime clusters.

FIV

/// New grade-A warehousing supply of ~25 MSF is foreseeable, predominantly in West and South cities, over the next 2-3 years. This is likely to provide some momentum for the market in the near-to-medium term.

L&I

LEASING VOLUME OF 50+ MSF LIKELY IN 2024; MOMENTUM IS LIKELY TO SUSTAIN

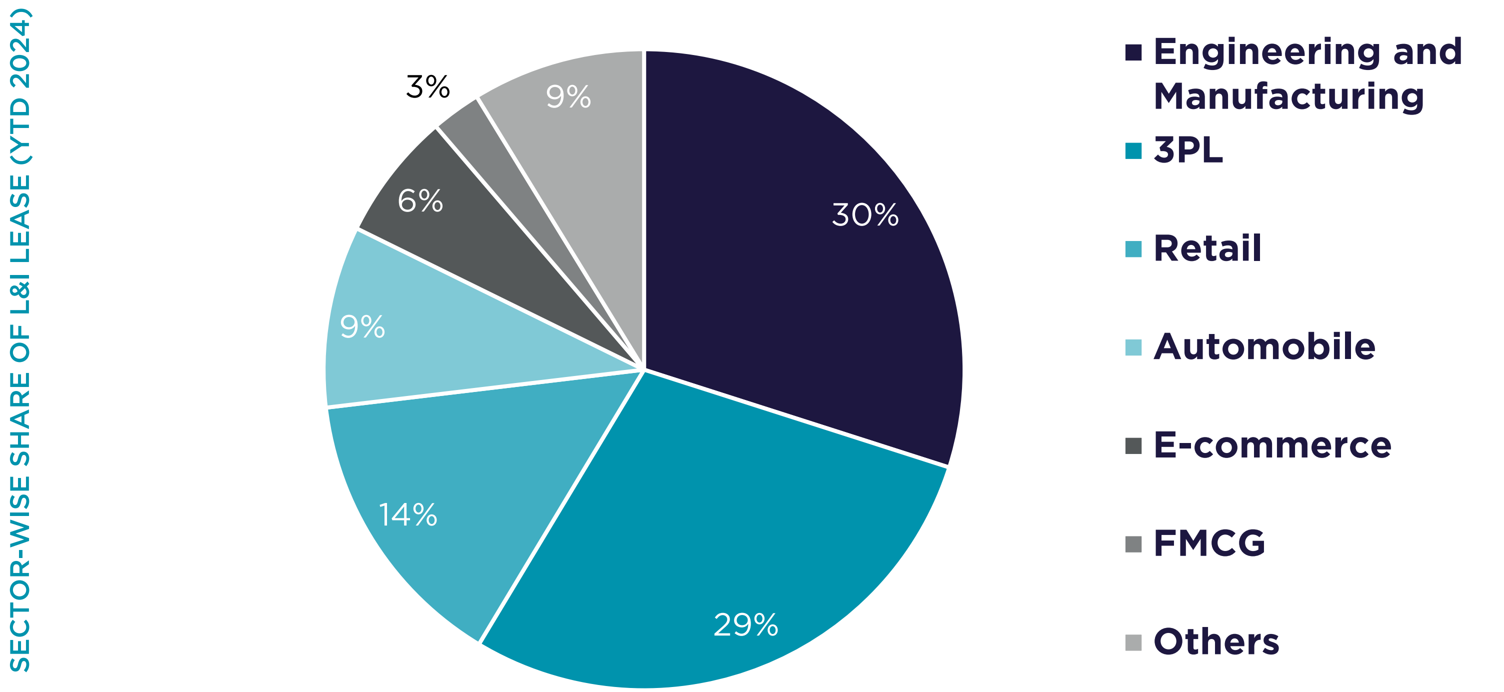


Logistics & Industrial (L&I) real estate leasing volume for 2024 is expected to close in the range of 50-53 MSF, making it the third consecutive year of 50+ MSF of leasing volume. As of Oct-2024 (YTD), the leasing volume has already surpassed 41 MSF across the top-8 real estate markets. Ever since the Production-Linked Incentive (PLI) scheme was introduced by the government in 2020, the industrial leasing volume witnessed healthy growth. Besides, the strong emergence of retail and e-commerce has led to intense activity in the warehousing space too.

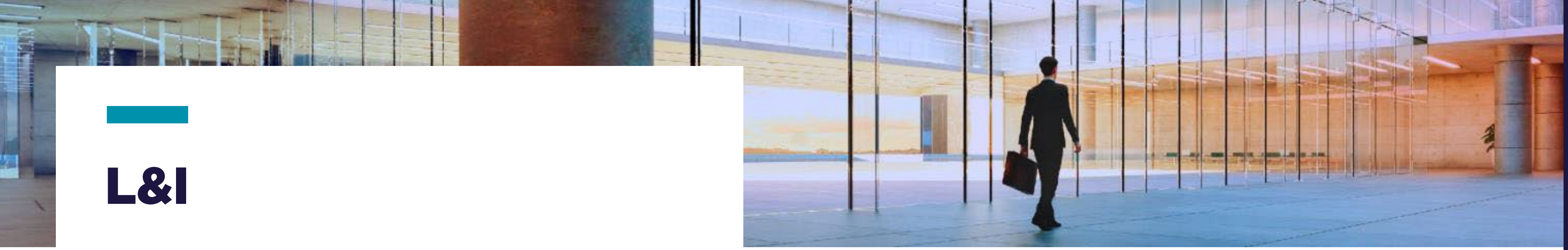
For 2025, we foresee the new-normal level of demand to sustain given the widening of the consumption base in India alongside robust industrial activity witnessed in recent years. India is also a beneficiary of the China+1 diversification strategy followed by global manufacturing firms.

L&I

THE MAIN DRIVERS OF GROWTH IN L&I IN 2024 IS LIKELY TO REMAIN INTACT IN YEAR 2025 TOO



Surge in the engineering & manufacturing (E&M) sector growth, strengthening 3PL operators and retail industry are primary drivers of demand for L&I space in recent years, and these factors will continue to remain key drivers for 2025 as well. Cities such as Pune, Chennai and Bengaluru have seen healthy leasing volumes in recent years, while other cities exhibit a positive outlook.



L&I

RISING LAND COST IN PRIME L&I MICRO-MARKETS WILL RESULT IN EMERGENCE OF NEW ALTERNATE CORRIDORS

Market is likely to diversify in 2025 as land prices have risen considerably in 2023 and 2024. For example, land transaction for a proposed warehouse in Farukh Nagar, Gurugram got concluded at INR 58 million per acre in 2024; the rate in 2023 in the same submarket was close to INR 23 million per acre. Similarly, land prices in Chakan, Pune and Bhiwandi, Thane (near Mumbai) risen 20-25% since 2023. Most of the prime L&I submarkets across top-8 cities are experiencing land supply constraints as these locations have now become attractive for developers in the affordable housing space too. On the contrary, the warehousing and industrial rentals broadly remain stagnant. Rising land prices and consistent rise in cost of construction will force landlords in the warehousing and industrial space to look for new peripheral locations that attract competitive land prices.

Robust Inventory Addition Expected in West and South India

Cumulatively, 800-1000 acres of land in Mumbai, Pune, Chennai, and Bengaluru have Grade-A warehouses under development which roughly translates to 25 msf of leasable area. This supply is expected to hit the market over next 2-3 years. The speed of development will depend upon space off-take in the coming 12 months and rentals. Warehousing rentals have remained stagnant in most submarkets across India except for only a couple of outlier clusters. The trend in rentals is expected to continue for 2025 as well.

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DATA CENTRE

DATA CENTRE

KEY HIGHLIGHTS

ONE

// Data center capacity addition in the colocation space is likely to stand close to 230 MW (IT load) as of end-2024, with a similar or higher capacity addition likely in 2025.

TWO

// For 2025, while bulk of the capacity creation will happen in Mumbai, other cities such as Delhi-NCR, Kolkata and Chennai will see considerable growth too.

THREE

// As per C&W India research report released in June-24, India is the most under-penetrated market for data center and needs to further add 1.7-3.6 GW of planned capacity over and above the existing pipeline in near future.

FOUR

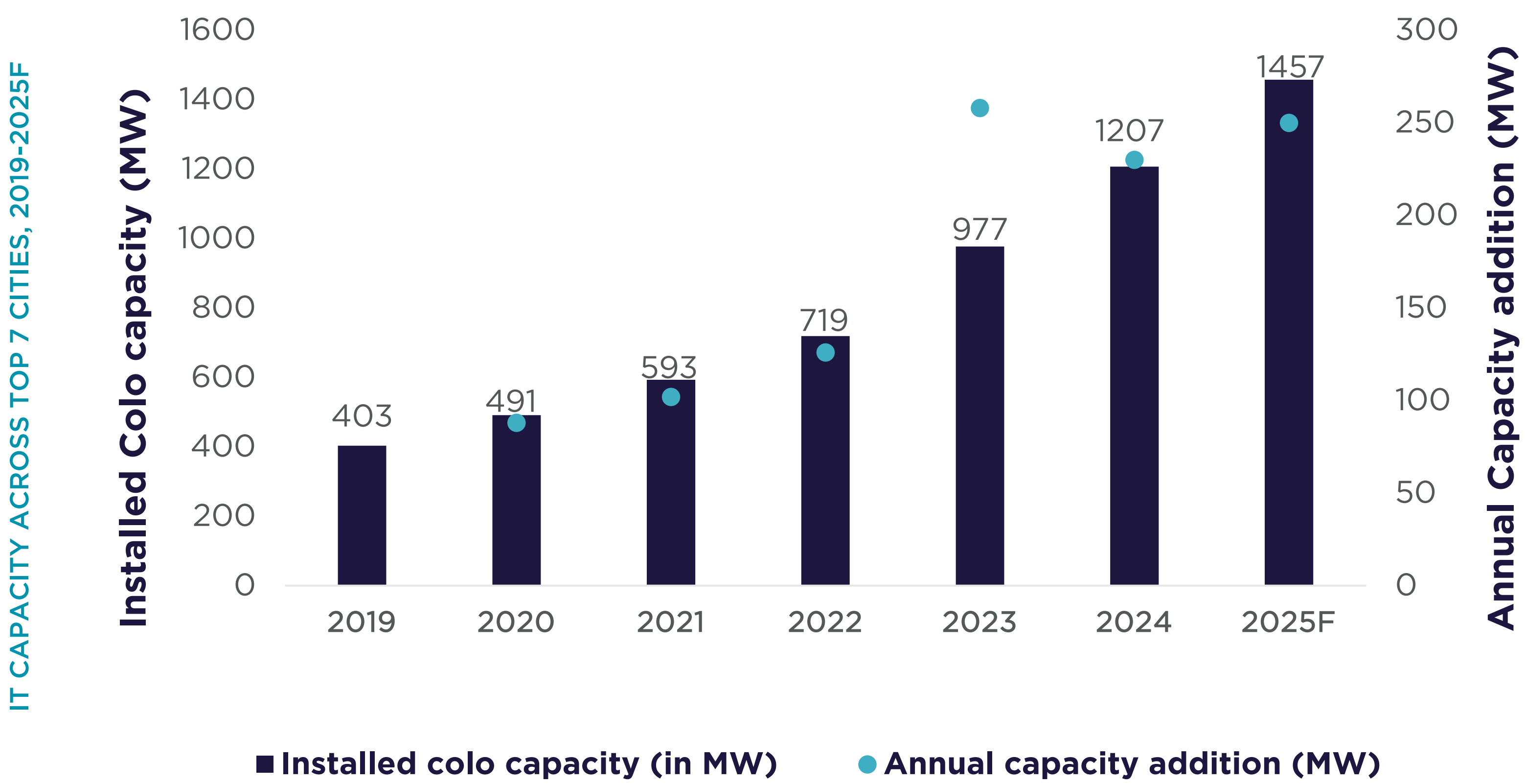
// Three crucial under-sea data cable projects landing at Mumbai could witness completion in 2025, thereby helping position India's financial capital as a regional data center hub.

FIVE

// Power is an important fuel for growth of data centers and the government has been investing heavily in enhancing the power generation capacity in the coming years.

DATA CENTRES

ROBUST GROWTH IN CAPACITY ADDITION IN 2024, AND LIKELY IN 2025



Source: C&W Research

By the end of 2024, the installed colocation data center capacity in the country (top-7 cities) would likely be 1.21 GW, a jump of more than 3X in merely 5-year period. During the year, ~230 MW of IT load is likely getting added, thereby making it the second consecutive year of 200+ MW of capacity addition. We have been witnessing a consistent rise in annual capacity addition, much in line with the surge seen in data consumption in the country.

For 2025, given the number of greenfield projects under construction, the momentum in capacity addition looks intact. We foresee next year to add ~250 MW of Colo IT load, which would then bring the pan-India installed capacity to 1.46 GW by end-2025.

DATA CENTRES

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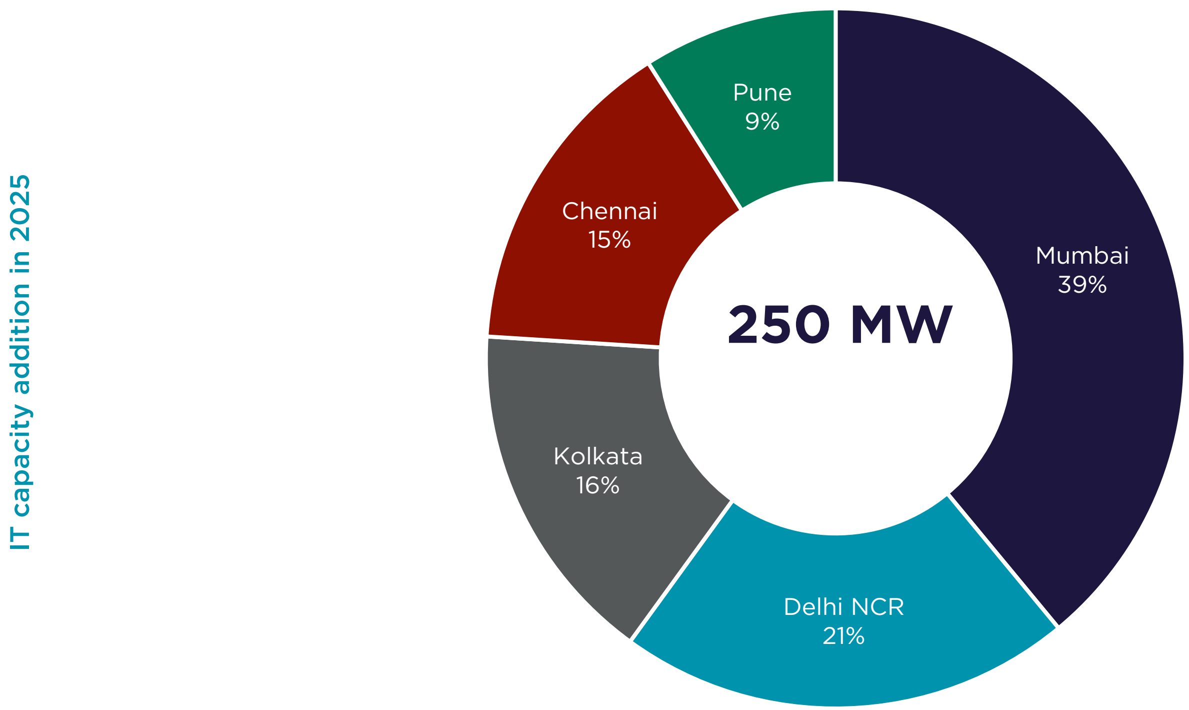
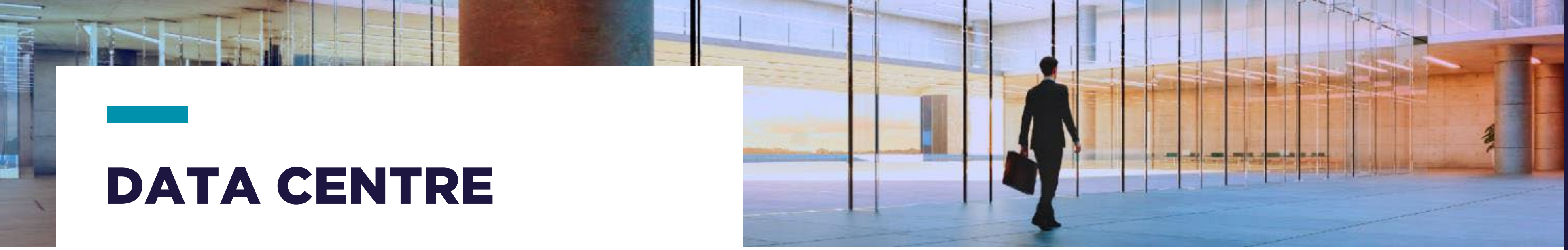


Source: C&W Research

Beyond the current speed of delivery of colo data center projects, the potential for growth remains very high in India. In a recently (June-2024) released report by Cushman & Wakefield India research, we had indicated that over next five years, India will need anywhere between 1.7-3.6 GW of additional capacity, over & above the capacity that's been built or planned currently. It is worth noting that our estimate of potential capacity addition is conservative and does not take into account the impact of Artificial Intelligence (AI) on data consumption.



DATA CENTRE

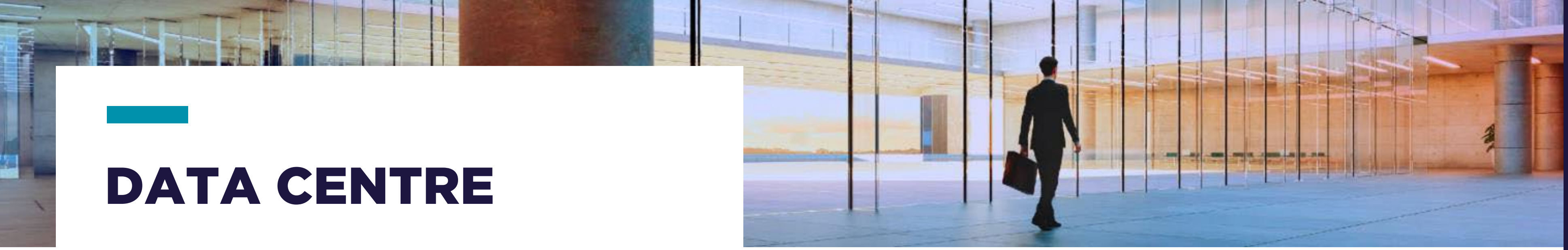
UPCOMING SUBSEA CABLE SYSTEMS TO BOOST DIGITAL INFRASTRUCTURE

Year 2025 could witness three crucial under-sea data cable projects getting completed, acting as a major driver of growth for the DC industry. These are DC infrastructure enhancements that could likely result in quadrupling of internet capacity in India and improve the internet speed significantly. These projects will not only enhance inter-regional digital connectivity with Africa, Europe, Middle East and Asia, but also further elevate Mumbai to become a major connectivity hub within the Southeast Asian region.

MAJOR SUBMARINE CABLE PROJECTS TO BE COMPLETED IN 2025

SUBMARINE CABLE PROJECT	LENGTH (IN KM)	CABLE OWNERSHIP	CONNECTIVITY	INDIA LANDING POINT
2Africa	45,000	Meta Platforms, China Mobile, MTN Group, Orange S.A., Saudi Telecom Company, Vodafone Group, West Indian Ocean Cable Company	Africa, Europe, Middle East, Asia	Mumbai
India-Asia-Xpress (IAX)	16,000	Reliance Jio Infocomm	Mumbai, Singapore, Malaysia, Thailand, Sri Lanka	Mumbai
India-Europe-Xpress (IEX)	9,755	China Mobile, Reliance Jio Infocomm	Mumbai, Middle East, Europe	Mumbai

Source: Submarine Cable Networks, C&W Research



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Source: Submarine Cable Networks, C&W Research

DATA CENTRE

RISING POWER GENERATION CAPACITY TO FACILITATE DATA CENTRE GROWTH

An important pillar for growth of data centers is power generation capacity, and India's power generation capacity stands at 442 GW as of FY2023-24, which grew sharply from 416 MW in the previous fiscal year. As of Oct-24 month, the capacity has further increased to 454 GW, with capacity addition expected this fiscal year in line with last year of ~25 GW. There is a lot of focus from the government to ride the digital transformation wave, and the importance given for creation of infrastructure through power and data centers is immense, like we have seen in recent finance budgets as well. Sustained increase in power generation capacity will help in data centre growth significantly given that new facilities are coming-up with world class specifications and are designed to be AI ready, and which is likely to consumer more power.

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INVESTMENTS

INVESTMENT

KEY HIGHLIGHTS

ONE

/// Private Equity investment inflows into commercial real estate is expected at over USD 6.0 bn by end-2024, nearing levels last seen in the pre-Covid year of 2019.

TWO

/// The positive investor sentiment is likely to prevail in 2025 as economic conditions are expected to be more benign, vis-à-vis, inflation cooling-off and interest rate cycle to reverse from high rate as of now.

THREE

/// Asset diversification trend is expected to continue as segments such as logistics & industrial, office, and residential are receiving equally healthy response from both, domestic and international investors.

FOUR

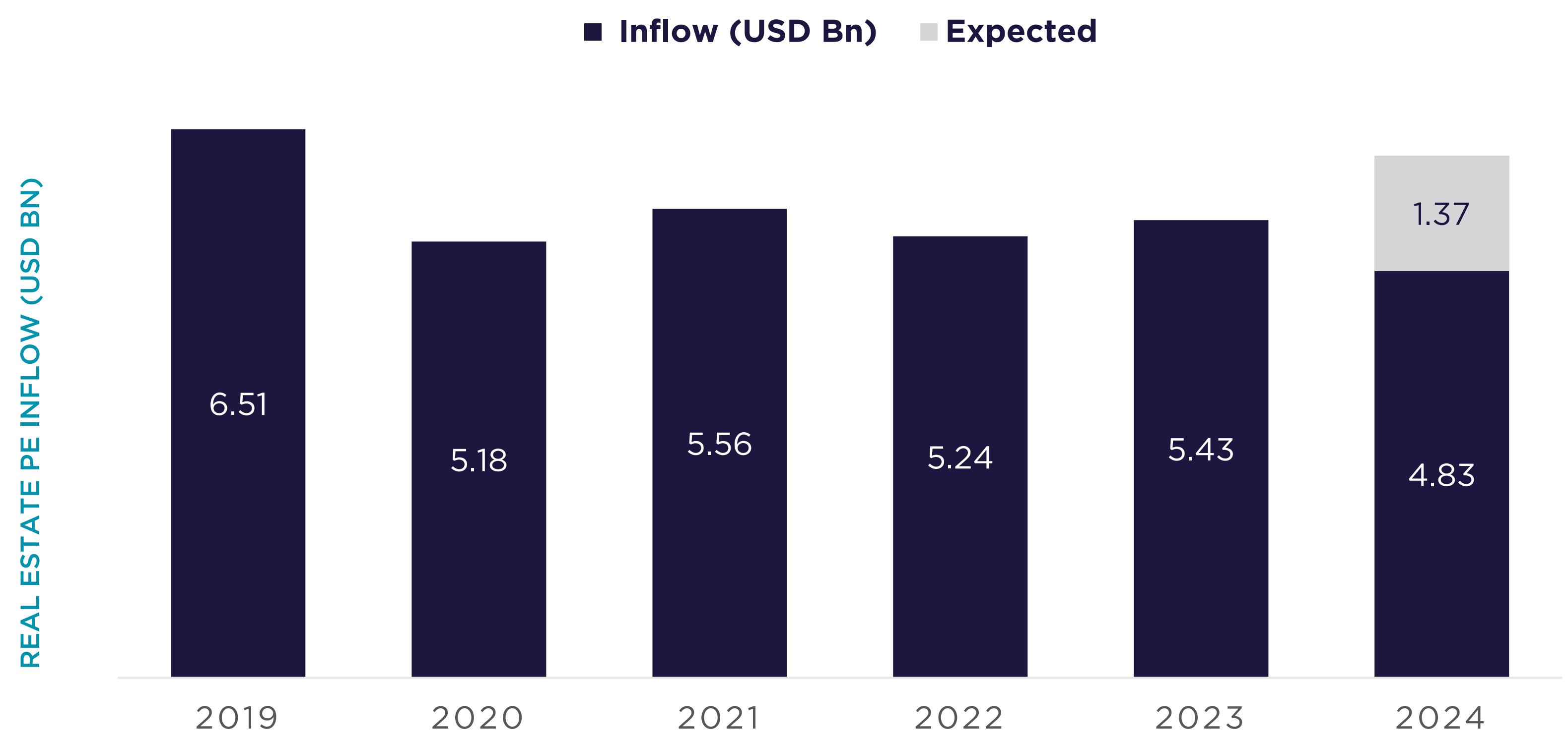
/// Domestic funds are increasing their exposure to real estate sector and it is expected that their share could grow to much higher in the foreseeable future than the current estimate of ~25% as of 9M-2024.

FIVE

/// SM-REIT has broadened acquisition opportunities for Alternative Investment Funds and created new avenues for small and mid-tier developers to engage with institutional real estate.

INVESTMENT

POST-COVID PEAK INFLOWS IN 2024; 2025 DEAL PIPELINE SUGGESTS CONTINUED MOMENTUM



Note: C&W India research aggregates all capital market deals that involve either deployment or commitment from institutional investors, either for acquisition of asset or for joint development purposes. This number does not include QIPs done by developers to raise capital.

We are likely to see private equity inflows surpass USD 6.0 billion for the first time in last 5 years in the full year of 2024. The first 3 quarters (up to Sept-2024) has already seen volume reaching USD 4.8 billion, i.e. approximately 90% of the inflows recorded in the previous year, has been achieved. The last time commercial real estate witnessed PE inflows of over USD 6.0 billion was in the pre-Covid year of 2019. This resurgence highlights the renewed and reinforced investor confidence in India's commercial real estate market.

For year 2025, we believe the positive investor sentiment is likely to prevail as real estate has been through a bullish cycle across multiple asset class in India. The robust deal pipeline we see today is expected to carry forward into 2025, ensuring a steady flow of capital into the sector. Besides, economic conditions are likely to become more favourable as inflation is expected to remain in control while the central bank is expected to start delivering rate cuts soon, possibly enabling compression of capitalisation rates in many cases.

INVESTMENT

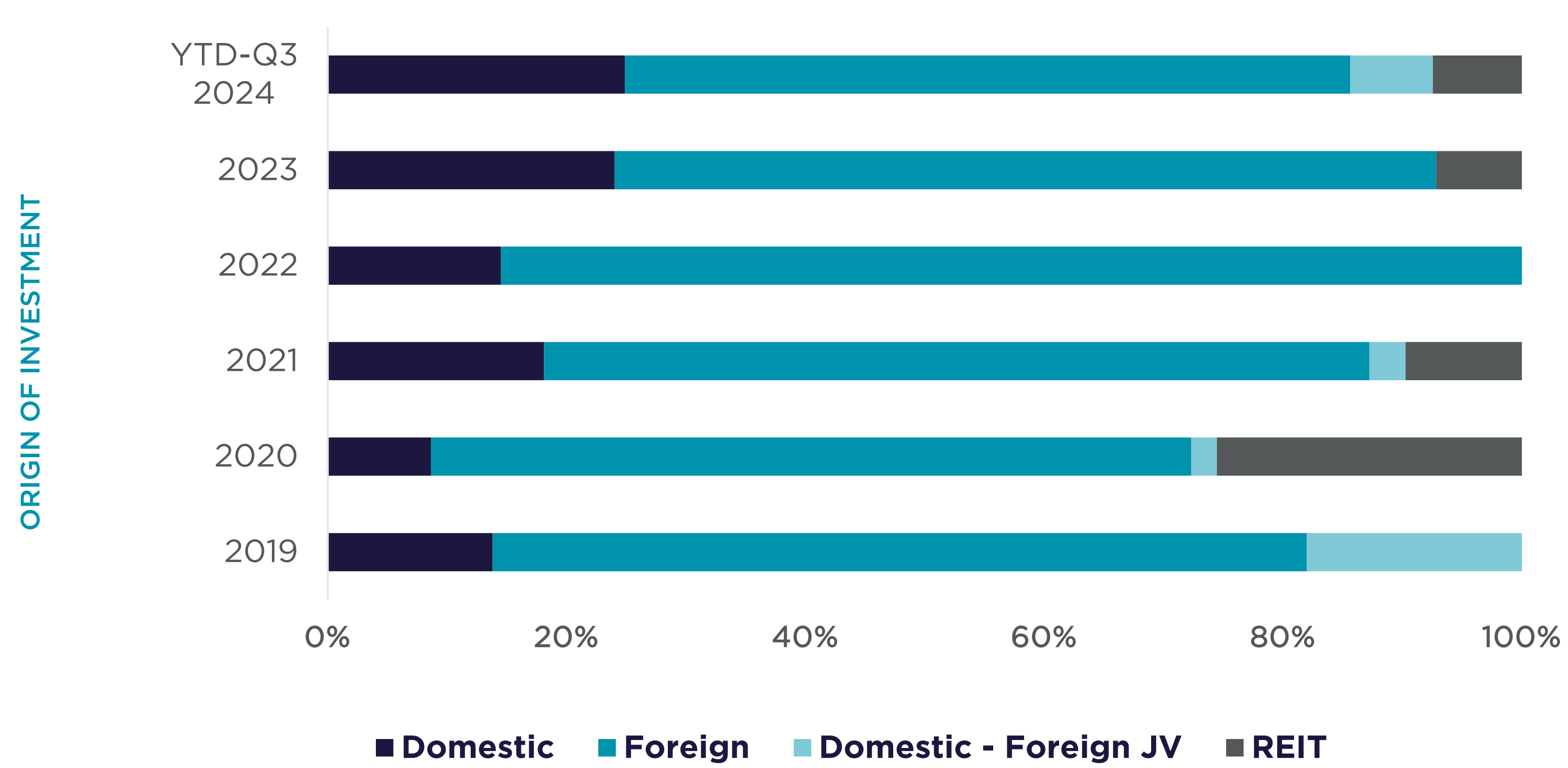
ASSET DIVERSIFICATION PLAYING OUT IN 2024; 2025 TO SEE THAT TREND PREVAIL

A key driver of this growth has been asset diversification, which has gained significant traction over the past few years. Inflows have been spread across sectors such as logistics, industrial, office, and residential, with emerging areas like data centres also gaining prominence. Unlike in the past years where office sector was the mainstay of private equity investments with more than 50% share, recent years (including 2024) witnessed healthy inflows into Logistics & Industrial (L&I – 35% as of 9M-2024) and residential (near-about one-fourth share) sectors. Strong investor interest post-PLI scheme for manufacturing and significant growth of e-commerce has resulted in healthy growth of warehousing and industrial real estate space. Besides, residential sector has been performing well since last few years, thereby drawing attention of investors.

Going forward, while office may continue to remain in vogue, we foresee sustained unfolding of the asset diversification story in 2025, with L&I, residential, retail as well as alternatives such as Data Centers attracting interest of private equity players. Large residential developers have been leveraging internal accruals in 2024 owing to strong homebuyers' sentiment, although there are other mid-tier developers who may explore fund raising from PE players to expand their presence into newer geographies or catchments.

INVESTMENT

DOMESTIC INVESTORS INCREASE PRESENCE BOTH IN FUND RAISE AND DEPLOYMENT



Domestic institutional investors have seen their share in real estate investments rise gradually and as of 9M-24 it stands at 25%. This marks a significant shift, as domestic investors are becoming increasingly active in shaping the real estate landscape. Their share is expected to further rise in coming years given the inflated valuation currently seen in equity markets as against relatively attractive valuations in the real estate space. As opposed to that, foreign funds continue to remain a dominant force, accounting for over 60% of PE inflows into real estate during 9M-2024. About 58% of the overall PE inflows has come from Middle East (32%), Singapore (16%), and the USA (10%). We foresee some India-focussed funds to stage a comeback in 2025 and expect Alternative Investment Funds (AIFs) to continue raising capital on a consistent basis.

Given the limited availability of quality grade asset available for immediate acquisition, the trend of fund infusion at early and on-going development stage is expected to rise. In the near-to-medium term, early-stage funding is expected to capture a third of the overall real estate PE investment pie. The rise of joint ventures and joint development agreements is opening new avenues for fund deployment, creating innovative ways to address market gaps and unlock potential in core office markets.

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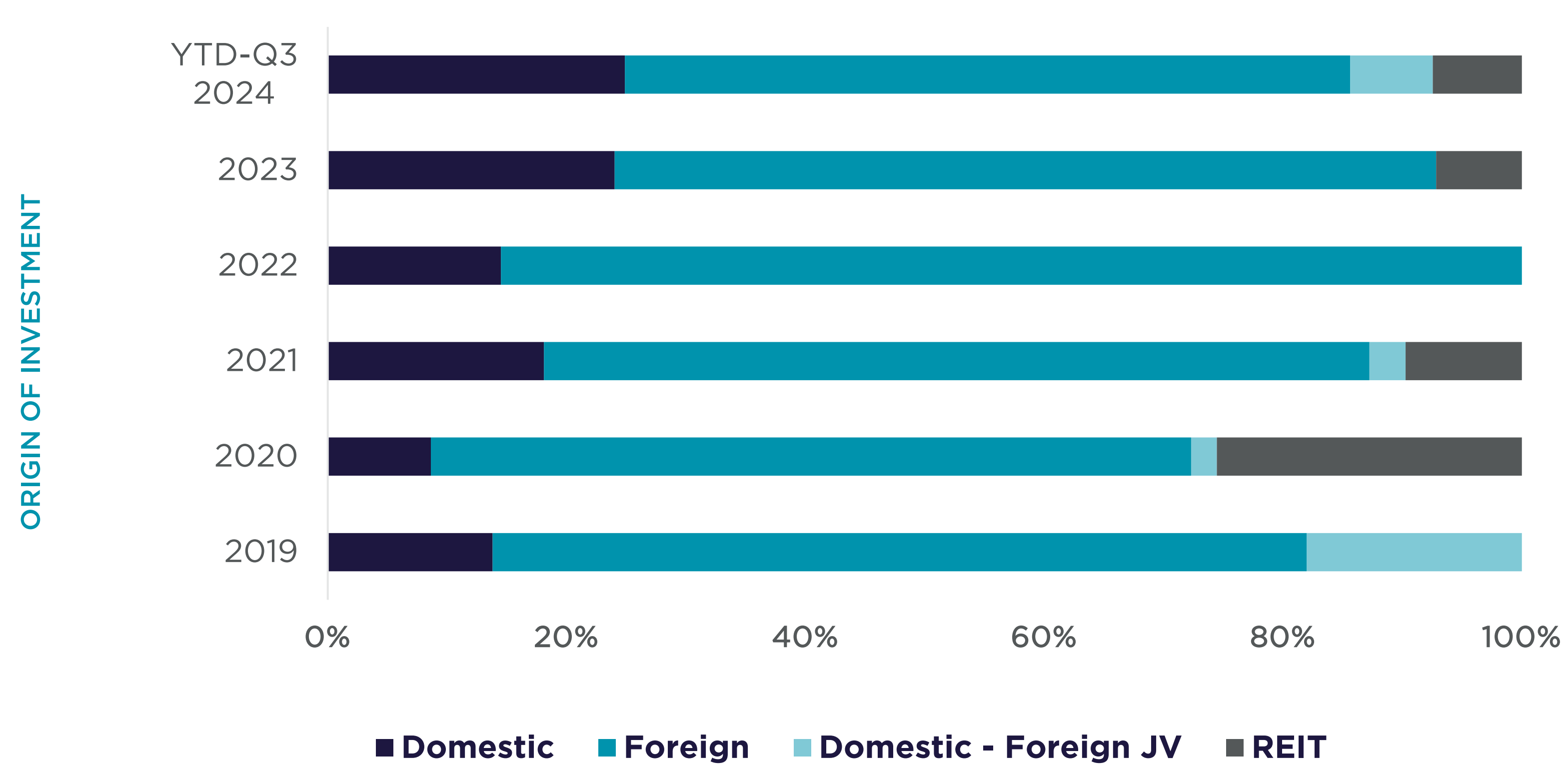

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INVESTMENT

INDIA IS EXPECTED TO WITNESS LAUNCH OF MULTIPLE SM REITS

The introduction of SM-REIT in 2024 has marked a significant step for the industry by formalizing fractional ownership as an investment channel. This development has broadened acquisition opportunities for Alternative Investment Funds and created new avenues for small and mid-tier developers to engage with institutional real estate. By increasing accessibility and efficiency, SM-REIT has the potential to drive notable progress in the sector. Combined with strong private equity inflows, growing asset diversification, and an expanding domestic investor base, 2025 is poised to be a pivotal year for Indian real estate.

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INDIA OUTLOOK 2025

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CUSHMAN & WAKEFIELD

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