

ANAROCK

VALUES OVER VALUE

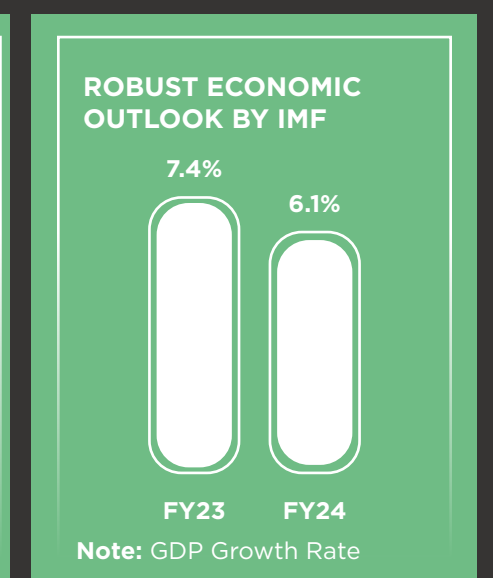
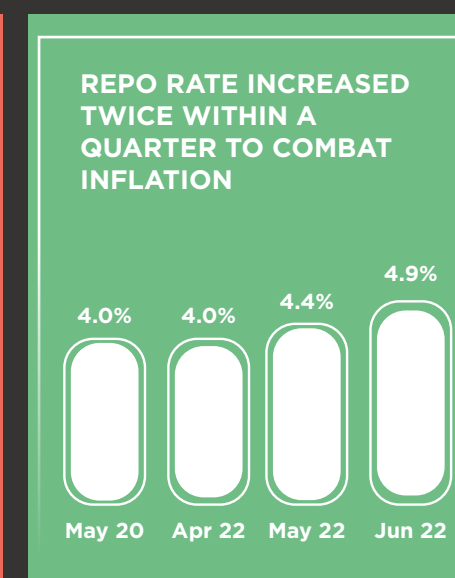
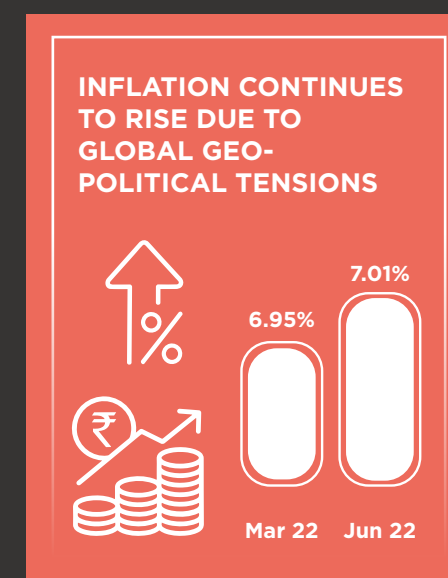
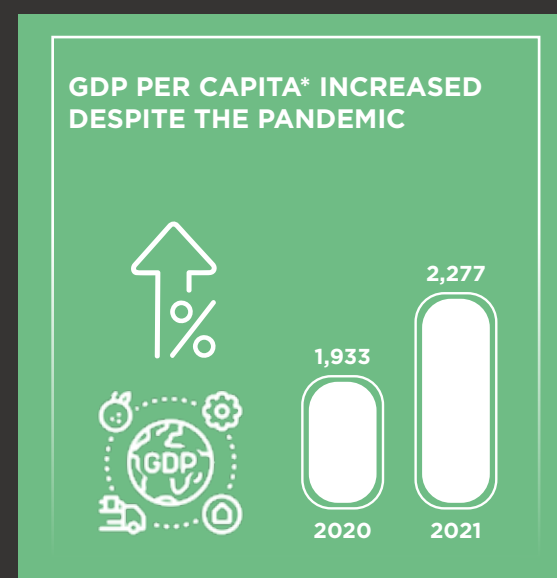
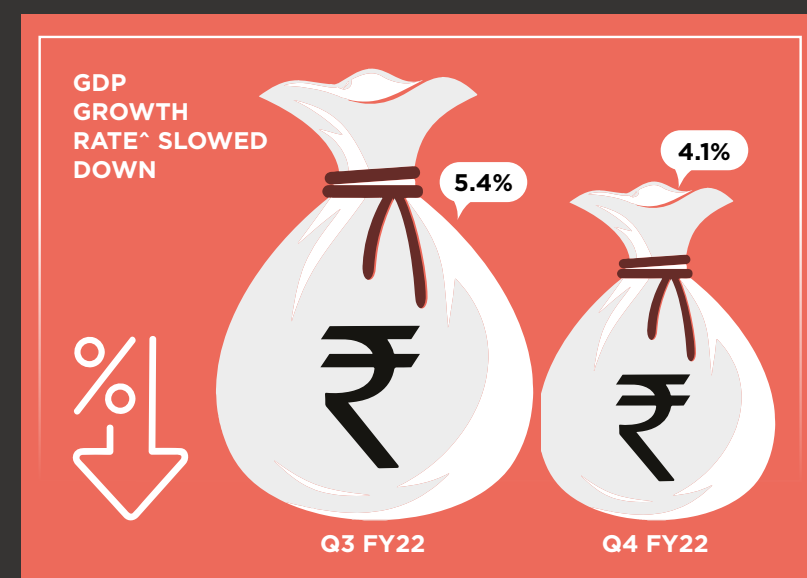
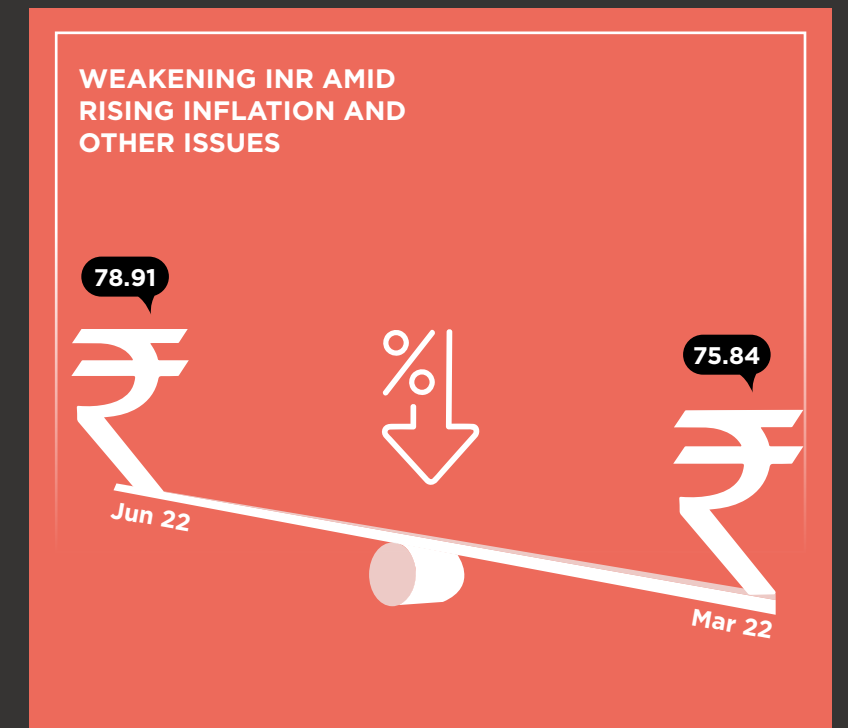
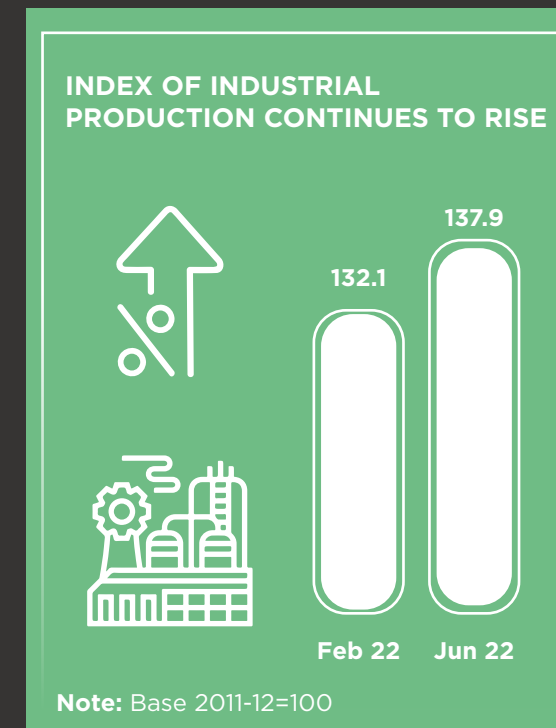
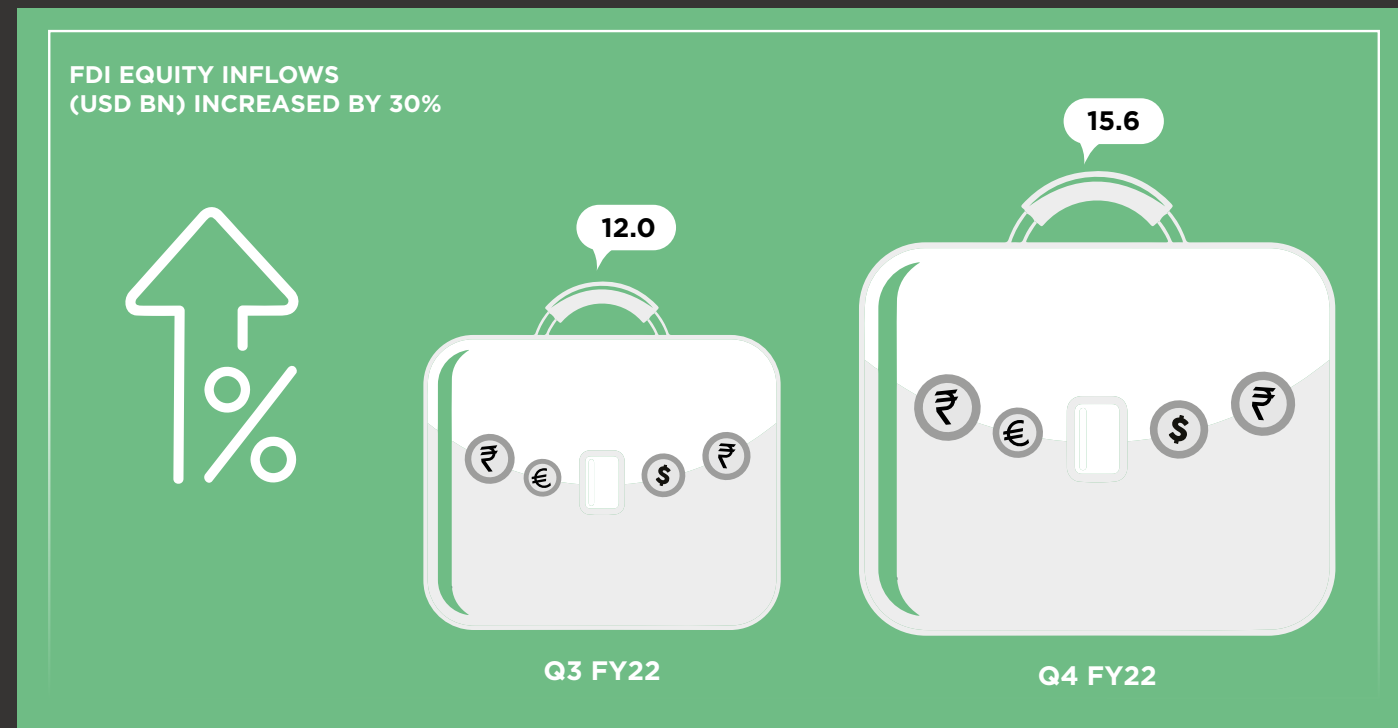


INDIA REAL ESTATE MARKET VIEWPOINTS Q2 2022

ECONOMY

Q2 CY22 SNAPSHOT

India overtook the United Kingdom to become the world's fifth largest economy



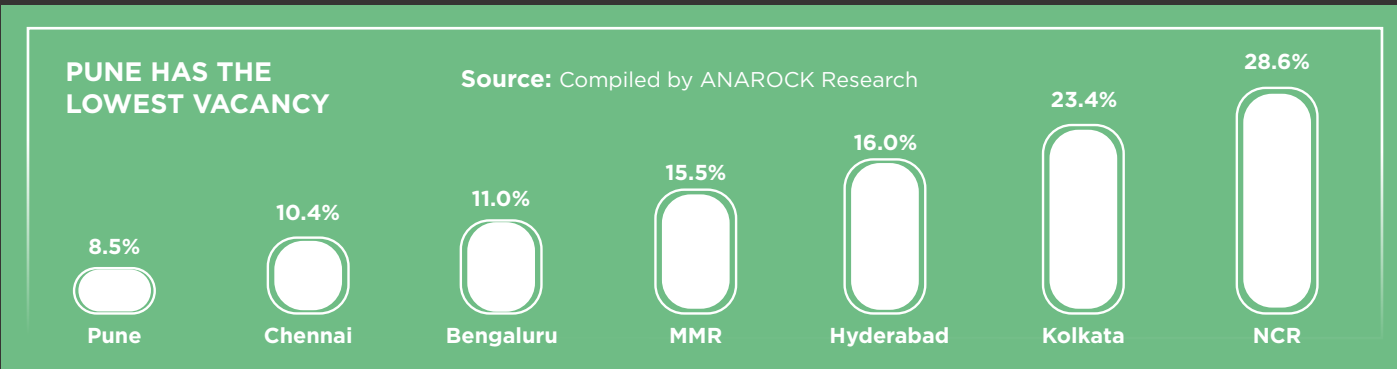
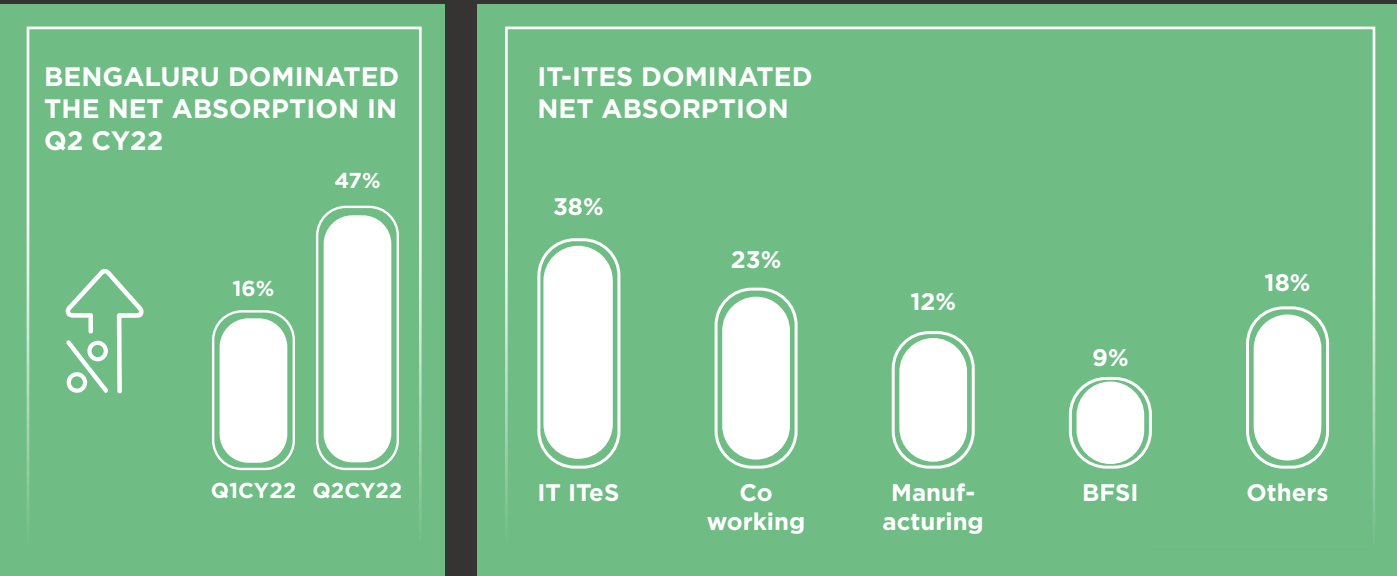
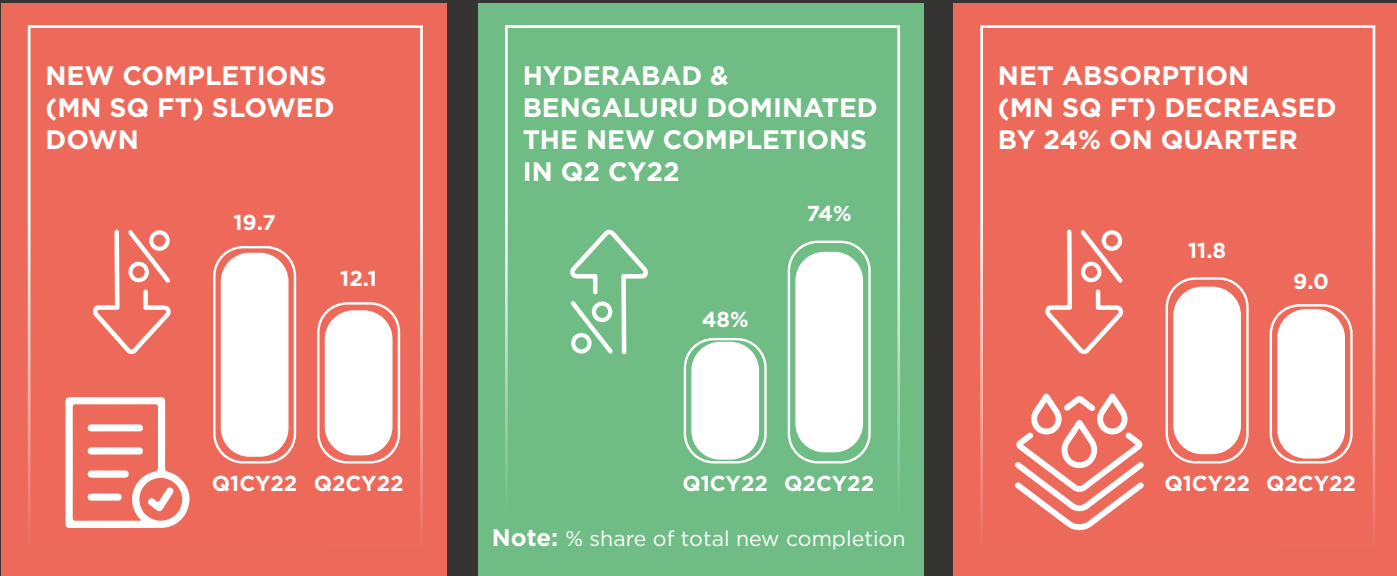
Note: ^Constant; *Latest figures as of 2021 in USD
Source: World Bank, RBI, DIPP, MOSPI, Industry Estimates, ANAROCK Research

Source: World Bank, RBI, DIPP, MOSPI, Industry Estimates, ANAROCK Research

COMMERCIAL

Q2 CY22 SNAPSHOT

Leasing activities momentarily slowed down but cumulatively a good half year; H2 2022 looks promising



COMMERCIAL

OUTLOOK

- NEW COMPLETIONS TO SLOW DOWN MOMENTARILY:**
 New completions are likely to slow down in Q3 2022 due to construction challenges during the monsoons.
- VACANCY TO REMAIN LOW IN IT-ITES DRIVEN CITIES:**
 The major occupier of office space - the IT-ITes sector will continue to dominate the leasing activity in 2022 and cities with tech dominance may have low office vacancies.
- DEMAND FOR CO-WORKING SPACES TO SURGE:**
 Co-working spaces continued to be the first preference for start-ups as well as corporates. Demand for these spaces is expected to increase further in the upcoming quarters.
- RENEWED INTEREST FROM LARGE CORPORATES:**
 Various large corporates have resumed operations from offices which may favourably impact the demand for large office spaces.
- SUSTAINABILITY AT CENTRE STAGE:**
 The focus on Environmental, Social, and Governance (ESG) to increase with occupiers and investors making informed long-term business decisions.
- RENTALS TO REMAIN STABLE:**
 Absorption to supply ratio of 0.7 may keep a check on the rentals across the top 7 cities.

RETAIL

Q2 CY22 SNAPSHOT

Rapid growth post pandemic



SUPPLY

**0.25 Mn
sq ft**

Supply addition in Q2 2022.

**5+ Mn
sq ft**

Supply expected during 2022; **Mumbai & Hyderabad** account for 47% of the expected supply.



LEASING

**0.8 Mn
sq ft**

Leasing in Q2 2022; **Hyderabad & NCR** accounted for 71%.

91%

New leases during 2021; increased from 82% in 2020.

3%-7%

Quarterly appreciation in rentals across top 7 cities amid uptick in demand for retail spaces.



VACANCY

Kolkata

Has the **lowest mall vacancy** of 6% as of Q2 2022, followed by Pune at 7%.



RETAIL

OUTLOOK

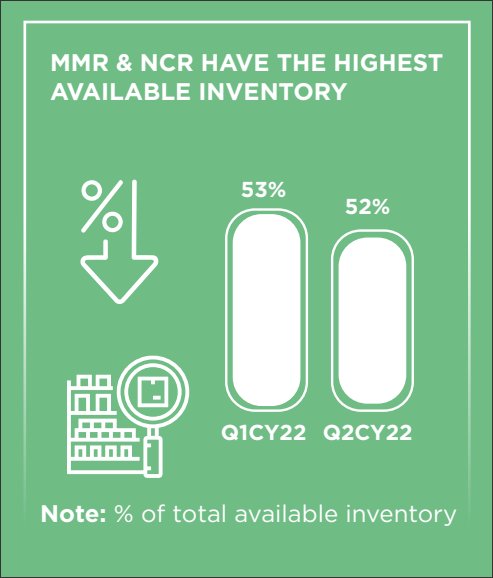
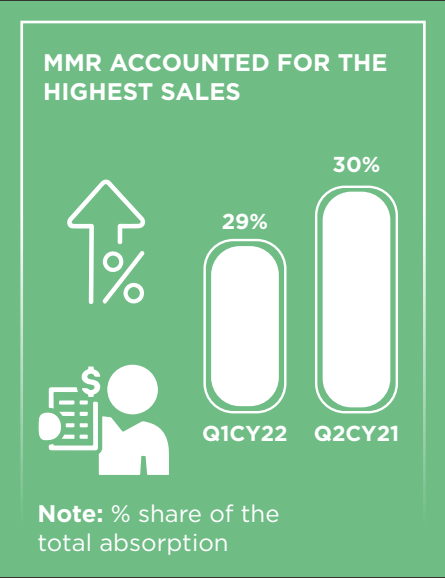
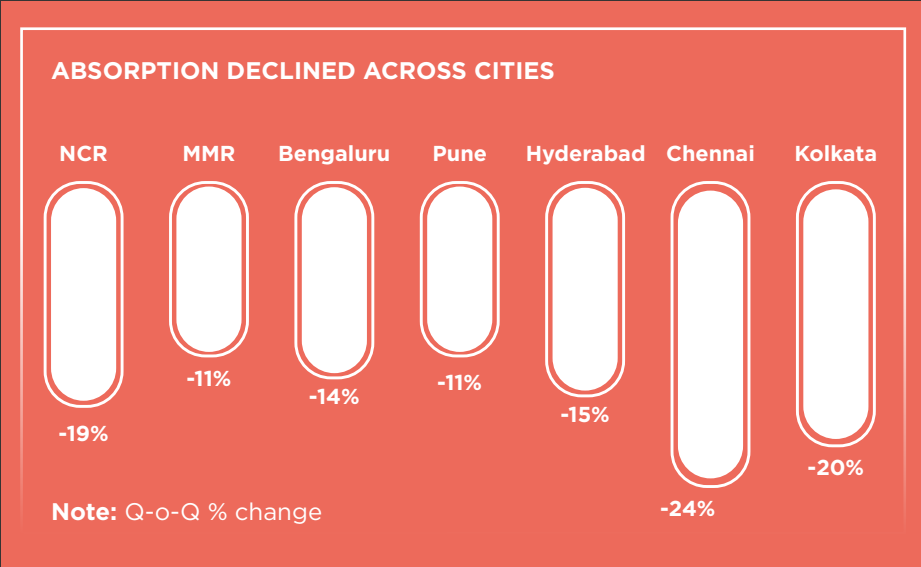
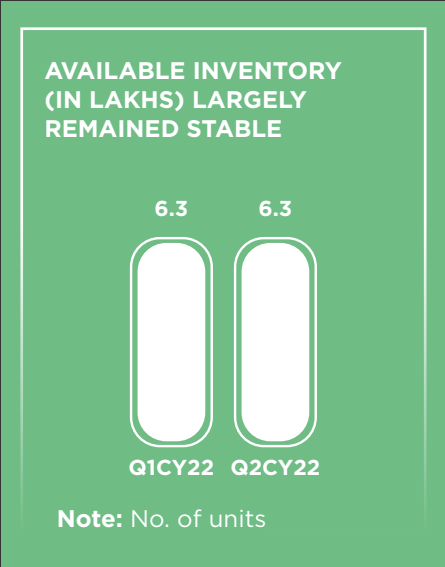
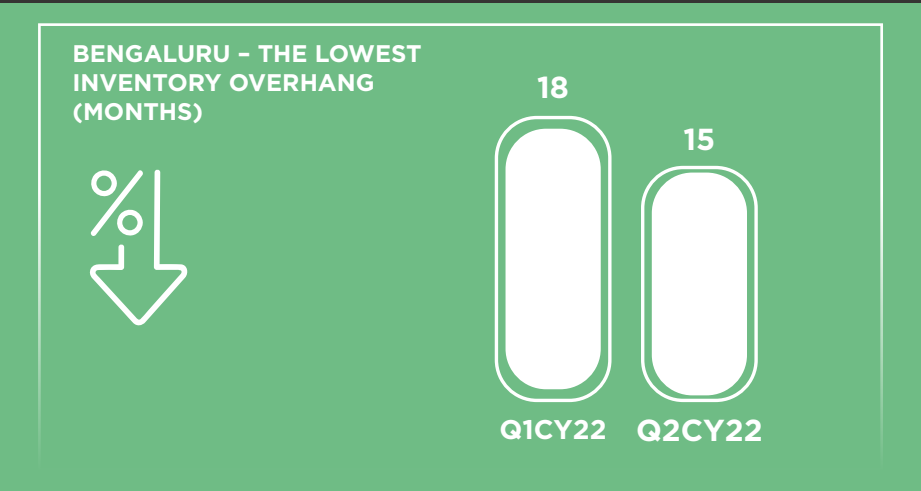
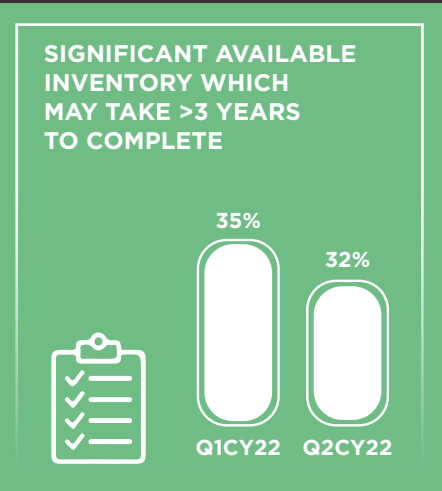
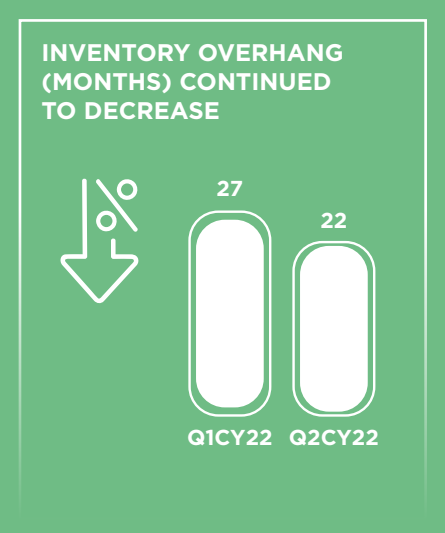
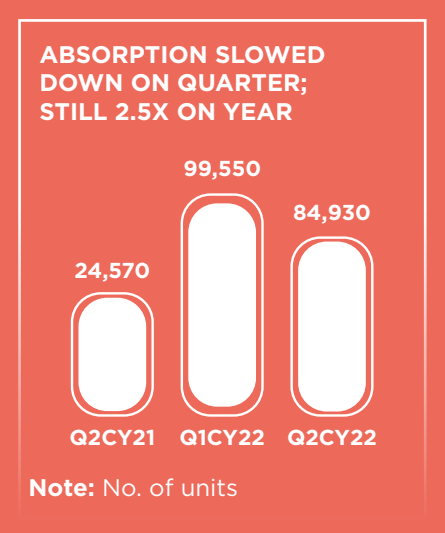
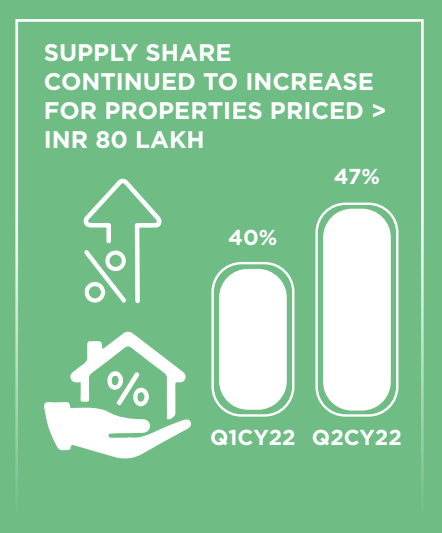
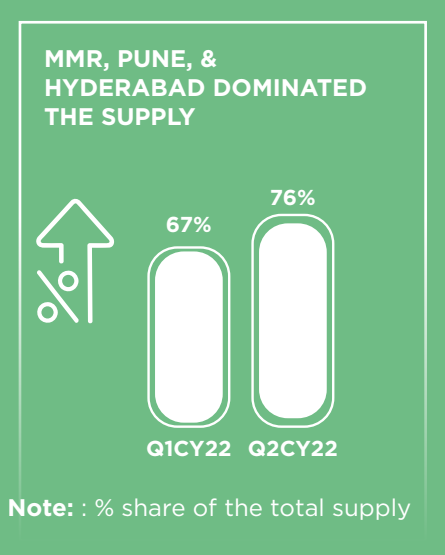
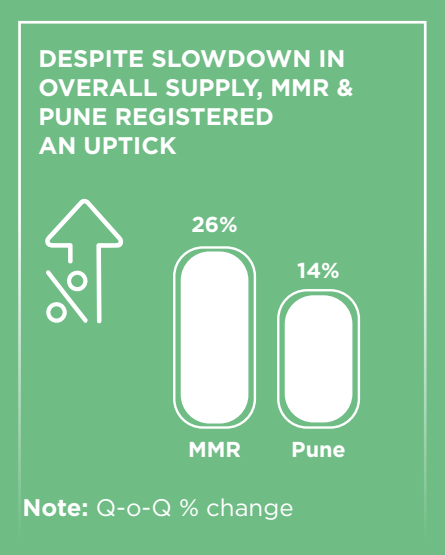
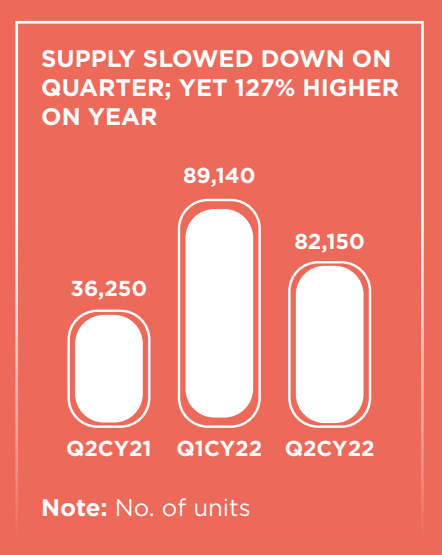
- **DEMAND-SUPPLY DYNAMICS TO IMPROVE:**
As COVID-19 has receded, new mall completions and absorption may increase significantly in 2022.
- **EXTENSIVE USE OF TECHNOLOGY:**
Technology adoption to remain at the centre-stage to provide an immersive shopping experience.
- **RENTALS TO APPRECIATE:**
Rentals are expected to rise amid renewed demand from occupiers.
- **MICRO FULFILMENT CENTRES ARE THE FUTURE:**
With the rise of e-commerce and avoiding unprecedented crises such as COVID-19, many retailers will consider having micro fulfilment centres to increase efficiency and reduce delivery timelines.
- **E-COMMERCE TO REMAIN AT CENTER STAGE:**
The e-commerce market is likely to expand exponentially with the introduction of 5G across the country.



RESIDENTIAL

Q2 CY22 SNAPSHOT

Repo rate hikes and inflation led to a momentary decline in the residential real estate activities



OUTLOOK

- LAND PRICES ARE RISING INCESSANTLY** amidst the booming market, implying better returns on real estate investments.
- SURGING CONSTRUCTION COSTS AND INFLATION** may further induce a 3%-5% increase in property prices.
- ABSORPTION TO RISE:** Nearly 1.8 lakh units were sold across the top 7 cities of India in H1 2022, which is 78% of 2021 and 71% of the pre-COVID year (2019). It is likely to increase further in the 2nd half of 2022.
- PERIPHERAL AREAS CONTINUE TO BE IN DEMAND:** Larger sizes continue to be in demand amidst the work-from-home and hybrid work policies. Peripheral areas continue to gain traction to contain the cost.
- DEMAND TO RISE AMID FESTIVE SEASON:** Upcoming festive reason is considered auspicious across the country for buying homes which may fuel the growth.
- RISE IN DEMAND FOR LUXURY:** Of the 1.84 lakh units sold in 7 cities in H1 2022, about 14% were in the luxury homes category. This share is expected to expand further.

COWORKING

Q2 CY22 SNAPSHOT

COVID-19 pandemic catalyzed the growth of the coworking sector in India

2+ Mn sq ft

Net absorption during Q2 2022; improved marginally on quarter.

20%

Of the total net absorption during H1 2022; Pune accounts for 45% of total flex stock leased.

~15,000 seats

Leased during Q2 2022 across the country.

Pune, Bengaluru & Hyderabad

Accounted for maximum net absorption for flexible spaces due to the presence of IT-ITeS.

Top 10 operators

Accounted for around 70% of total stock.

50%

IT-ITeS & Start-ups are the major occupiers.



COWORKING

OUTLOOK

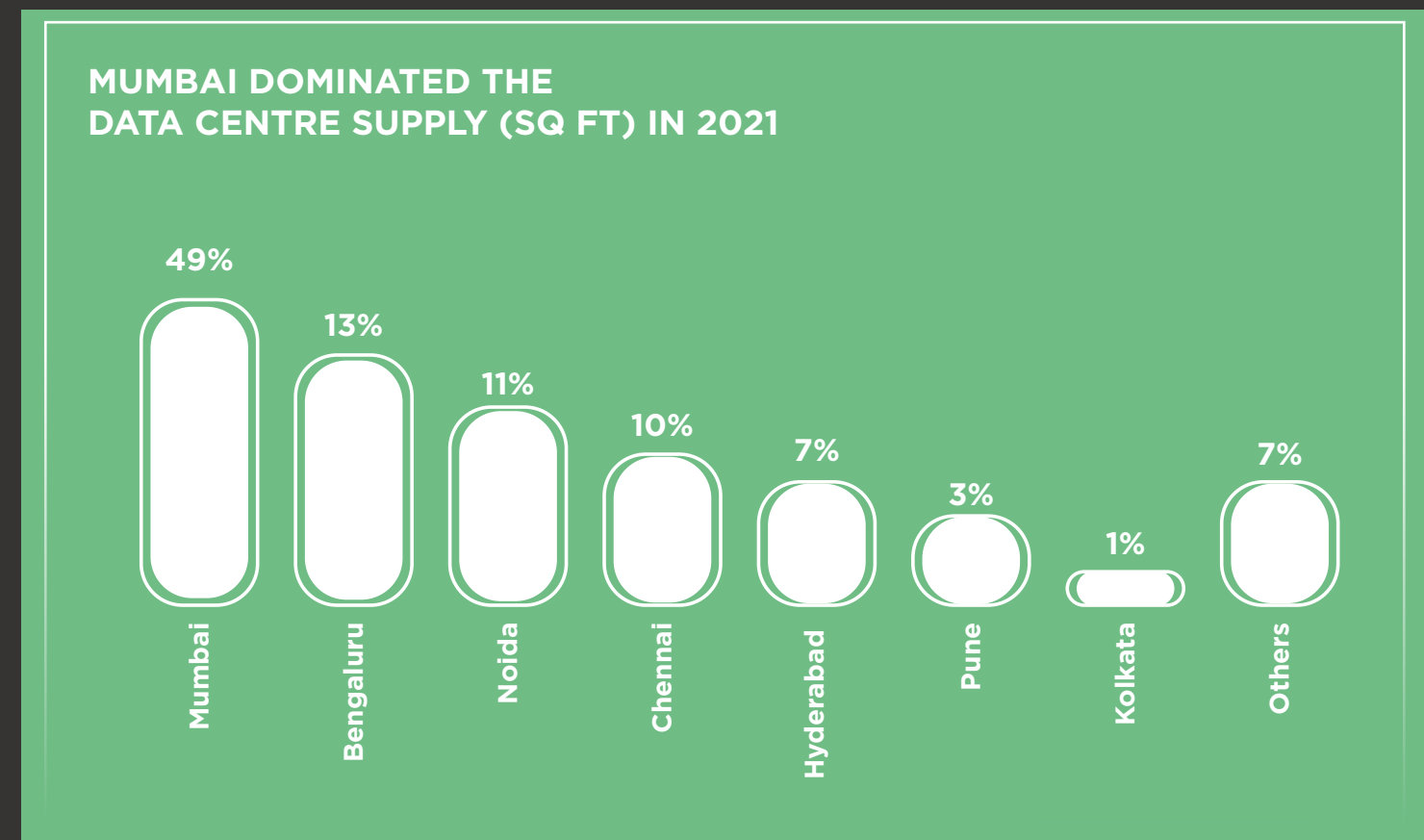
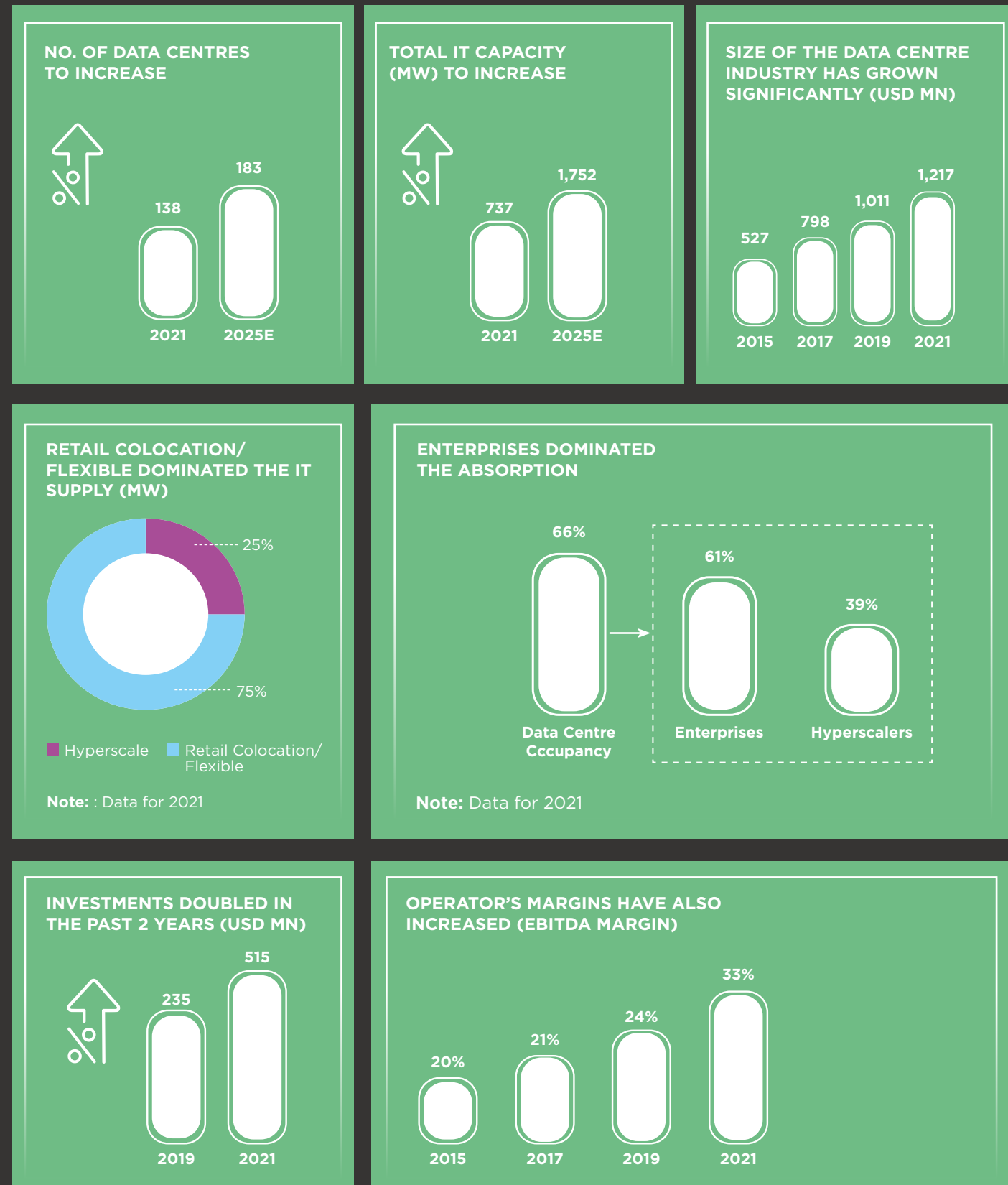
- **DEMAND FOR COWORKING SPACES IS ON THE RISE:**
The hybrid work model has become the new normal, and companies are focussing on cost optimization. Many IT-ITeS companies are eyeing flexible office spaces to decentralize operations and hedge against future disruptions.
- **TIER II AND TIER III CITIES TO EMERGE STRONGER:**
As the WFH model is widely adopted, reverse migration led to an increase in demand for commercial spaces in Tier II and Tier III cities. Companies may lease seats for their employees in these cities to optimize the cost.
- **START-UP ECO-SYSTEM** to contribute significantly to the growth of the coworking sector in the future.
- **DEMAND FROM LARGE CORPORATES:**
Various large IT-ITeS giants are opting for flexible spaces instead of conventional office spaces to mitigate the risk of high cost in case of future disruptions.
- **CONSOLIDATION ON THE RISE:**
As competition rises, the scale and profitability of operations will be the key determinant driving consolidation in the sector.



DATA CENTER

Q2 CY22 SNAPSHOT

COVID-19 amplified the growth of data centres in India



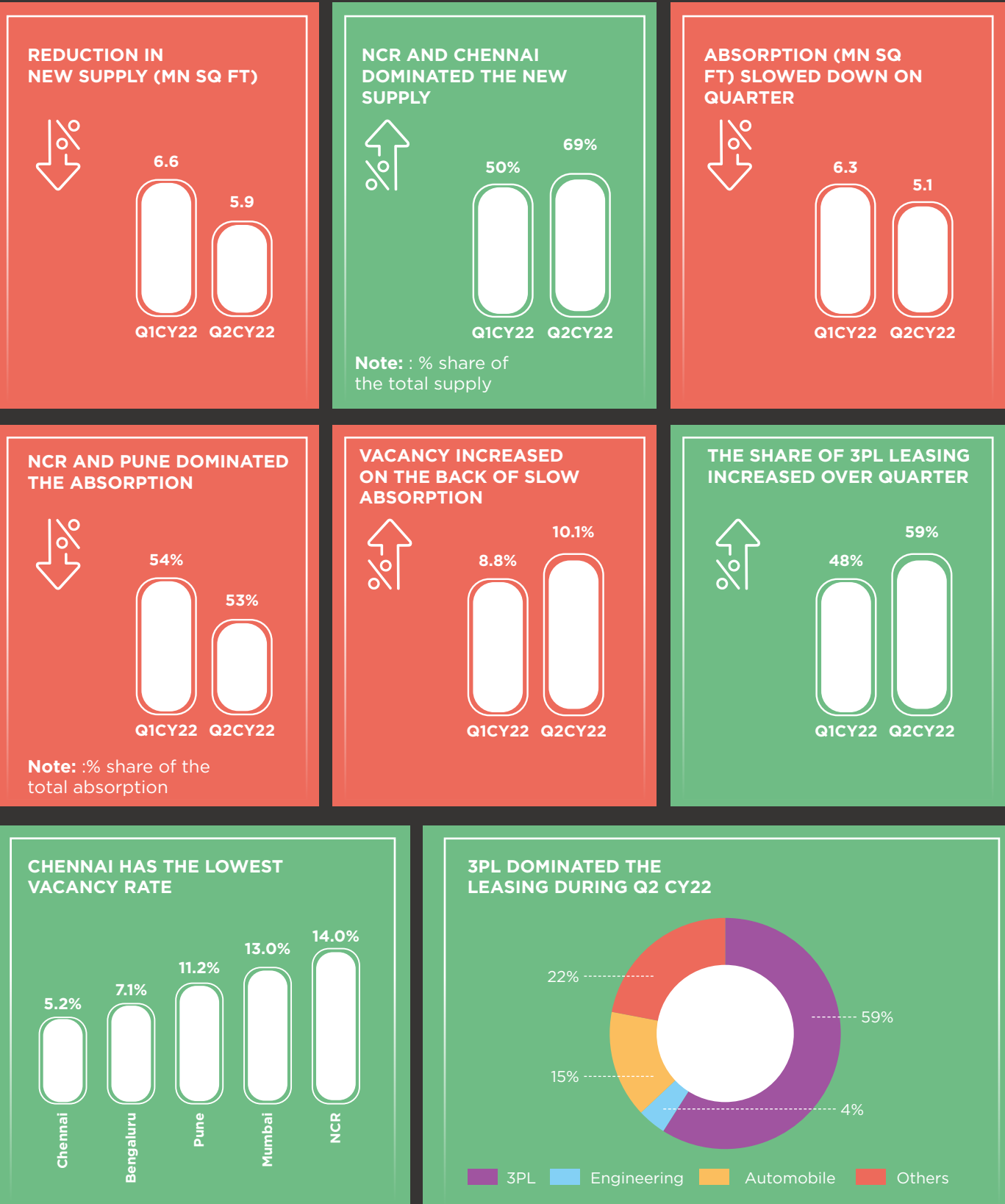
OUTLOOK

- OUTSOURCING TO CONTAIN THE COST:**
 Various large companies are looking out to outsource their IT infrastructure, assessment, monitoring, and operations to contain the cost.
- CLEAN ENERGY IS THE FUTURE:**
 Electricity is the major cost component in the data centre industry which can be mitigated in the future through the use of eco-friendly options such as solar, wind, and nuclear power.
- OPERATOR CREDIBILITY, TRACK RECORD, AND FUTURE SCALABILITY** to play a pivotal role in the selection of data centers.
- DEMAND FOR COLOCATION FACILITIES IS ON THE RISE** due to cost-effectiveness and convenience of set-up.
- NEW TECHNOLOGIES TO EMERGE:**
 Data compression and enhancing power usage effectiveness are some of the major technological advancements which may expand in the future.
- STRONG DEMAND:**
 Rapid digitization will continue to drive the growth of data centres across the country.
- TRANSITION FROM 4G TO 5G:**
 Demand for data centres are likely to increase as data consumption will rise manifold with the introduction of 5G in the country.

WAREHOUSING

Q2 CY22 SNAPSHOT

The rise in construction costs led to a momentary slowdown in supply during Q2 CY22



WAREHOUSING

OUTLOOK

- VAST USE OF TECHNOLOGY:** Inventory management can be seamless with the use of automation.
- CHINA PLUS ONE STRATEGY:** As COVID-19 disrupted the supply chains for various companies across the globe, India has emerged as an alternative to China's manufacturing industry. This will increase the demand for warehouses across the country.
- QUICK COMMERCE ON THE RISE:** One-day or 10 minutes delivery services are in demand for in-city warehousing across the country.
- RENTALS TO RISE:** Inflationary pressure on cement and steel prices amid supply crunch are likely to put northward pressure on rentals.
- TIER 2 AND 3 CITIES ARE IN DEMAND:** Logistics and e-commerce players are planning to expand in tier 2 and tier 3 cities to cater to new customers, resulting in an increase in demand for warehousing sector.



Source: Compiled by ANAROCK Research

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