

REAL ESTATE



December 2023

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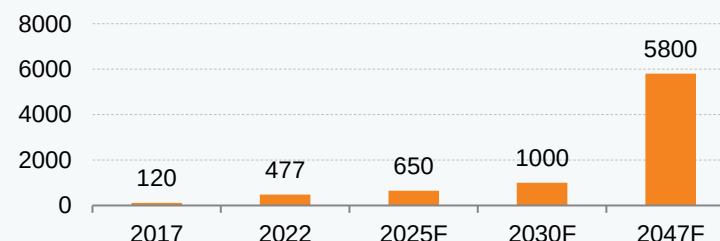
Executive summary

- In India, the real estate sector is the second-highest employment generator, after the agriculture sector.
- India's real estate sector is expected to expand to US\$ 5.8 trillion by 2047, contributing 15.5% to the GDP from an existing share of 7.3%.
- The sale of luxury homes in India increased by 130% in the first half of 2023 compared to the corresponding period of the previous year. Between January-June 2023, 6,900 luxury homes costing Rs. 4 crore (US\$ 488,011.96) and above were sold, as opposed to 3,000 in 2022.
- Real estate sector in India is expected to reach US\$ 1 trillion by 2030. By 2025, it will contribute 13% to the country's GDP.
- Rapid urbanisation bodes well for the sector. The number of Indians living in urban areas is expected to reach 542.7 million by 2025 and 675.5 million by 2035.
- Construction is the third-largest sector in terms of FDI inflow. FDI in the sector (including construction development & activities) stood at US\$ 58.5 billion from April 2000-September 2023.
- Government of India's 'Housing for All' initiative is expected to bring US\$ 1.3 trillion investment in the housing sector by 2025.
- India's Global Real Estate Transparency Index ranking improved by three notches from 39 to 36 since the past eight years from 2014 until 2022 on the back of regulatory reforms, better market data and green initiatives, according to property consultant JLL.
- In FY23, India's residential property market witnessed with the value of home sales reaching an all-time high of Rs. 3.47 lakh crore (US\$ 42 billion), marking a robust 48% year-on-year increase. The volume of sales also exhibited a strong growth trajectory, with a 36% rise to 379,095 units sold.
- Home sales across top eight cities in India surged 68% YoY to reach ~308,940 units in 2022, signifying a healthy recovery in the sector.
- The residential sector was expected to grow significantly, with the central government aiming to build 20 million affordable houses in urban areas across the country by 2022, under the ambitious Pradhan Mantri Awas Yojana (PMAY) scheme of the Union Ministry of Housing and Urban Affairs. Expected growth in the number of housing units in urban areas will increase the demand for commercial and retail office space.

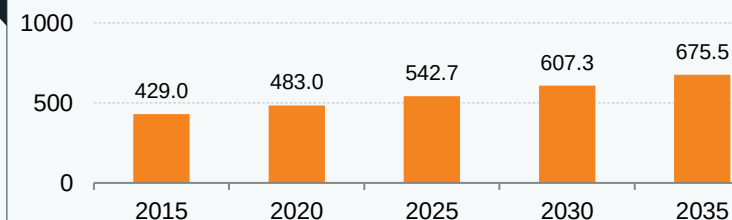
Notes: E - Estimated; F- Forecasted

Source: KPMG, World Bank, Census 2011, Credai-JLL report, United Nations World Urbanization Prospects 2018, CBRE, India's Urban System: Sustainability and Imbalanced Growth of Cities, Knight Frank, DPIIT

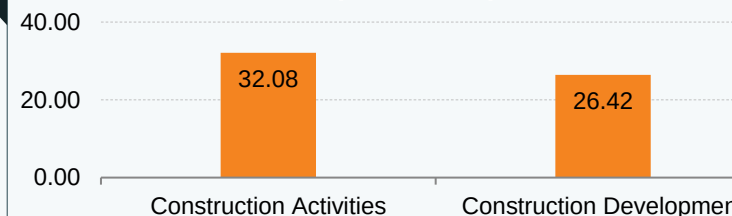
India's Real Estate Market (US\$ billion)



Urban Population in India (million)



Cumulative FDI inflow between April 2000-September 2023 (US\$ billion)





Advantage India

2. ROBUST DEMAND

- According to Savills India, real estate demand for data centres is expected to increase by 15-18 million sq. ft. by 2025.
- The sale of luxury homes in India increased by 130% in the first half of 2023 compared to the corresponding period of the previous year.
- According to a Knightfrank report, India's real estate sentiment index stood at an optimistic score of 59 in the fourth quarter of 2022.
- Organised retail real estate stock is expected to increase by 28% to 82 million sq. ft. by 2023.

1. INCREASING INVESTMENTS

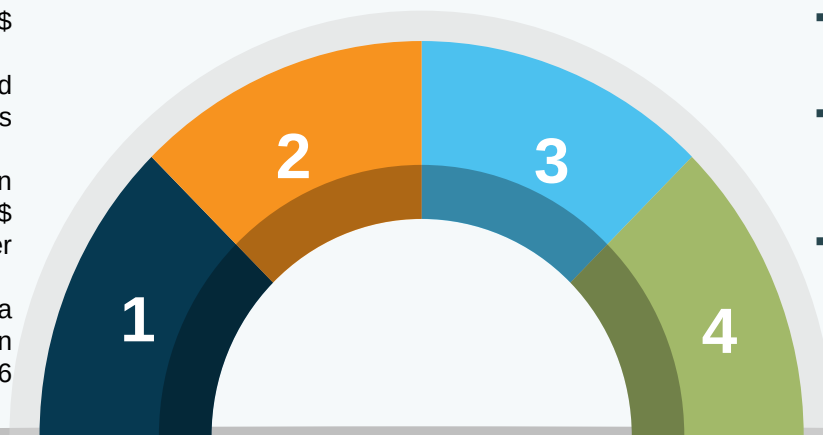
- Driven by increasing transparency and returns, there's a surge in private investment in the sector.
- The Private Equity Investments in India's real estate sector, stood at US\$ 4.2 billion in 2023.
- The Indian real estate sector witnessed strong private equity (PE) investments of US\$ 1.92 billion in Q2 of 2023.
- FDI in the sector (including construction development & activities) stood at US\$ 58.5 billion from April 2000-September 2023.
- India's real estate sector has seen a three-fold increase in foreign institutional inflows, worth US\$ 26.6 billion during 2017-2022.

3. ATTRACTIVE OPPORTUNITIES

- Indian real estate developers operating in the country's major urban centres are poised to achieve a significant feat in 2023, with the completion of approximately 558,000 homes.
- Rising international real estate development is expected to provide potential growth opportunity to the Indian market. For example, an MoU signed between J&K and the Government of Dubai (in October 2021) for the development of real estate projects (such as industrial parks, IT towers and super specialty hospitals) is expected to boost growth in the union territory.
- As per ICRA estimates, Indian firms were expected to raise >Rs. 3.5 trillion (US\$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US\$ 29 billion to date.
- Private market investor, Blackstone, which has significantly invested in the Indian real estate sector (worth Rs. 3.8 lakh crore (US\$ 50 billion), is seeking to invest an additional Rs. 1.7 lakh crore (US\$ 22 billion) by 2030.

4. POLICY SUPPORT

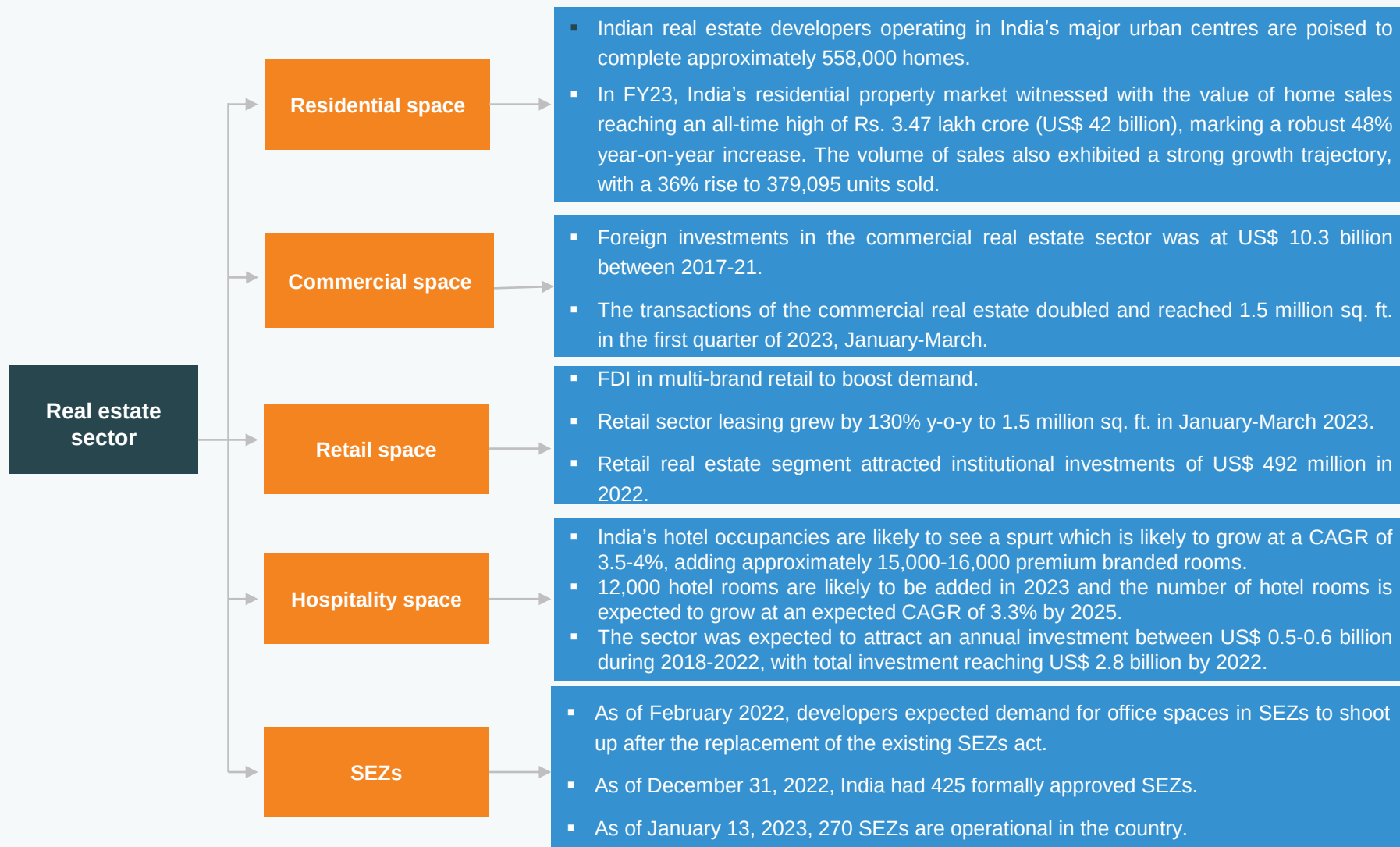
- The Government has allowed FDI of up to 100% for townships and settlements development projects.
- Under the 'Housing for All' scheme, 20 million houses are to be built by 2022, GST rate is brought down to 5%.
- In the Union Budget 2023-24, the Finance Ministry announced a commitment of Rs. 79,000 crore (US\$ 9.64 billion) for PM Awas Yojana, which represents a 66% increase compared to the last year.



Market Overview



Segments in the Indian real estate sector



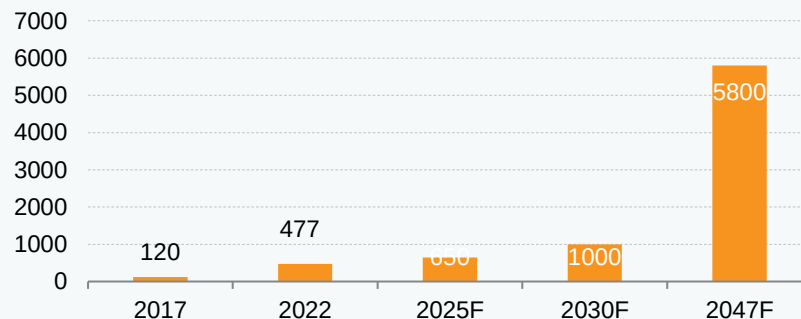
Notes: SEZ - Special Economic Zone. IT - Information Technology, BPM - Information Technology Enabled Services

Source: KPMG Cushman and Wakefield, CRISIL, JLL India, ANAROCK Property Consultants, Colliers Research, CBRE, SEZ India

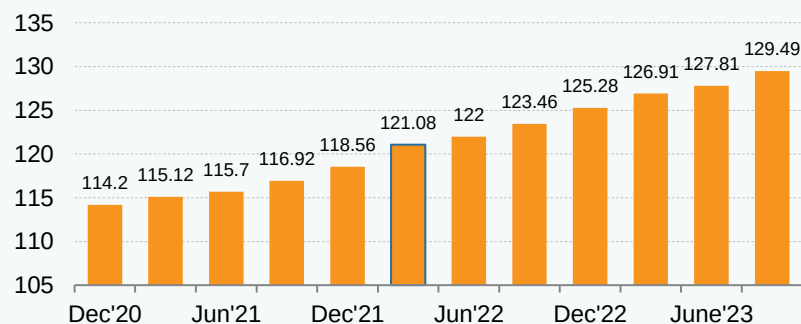
Indian real estate is a large, growing market...

- Real estate sector in India is expected to reach US\$ 1 trillion in market size by 2030, up from US\$ 200 billion in 2021. India's real estate market is estimated to increase at a CAGR of 19.5% during 2017- 2028. The market is forecast to reach US\$ 650 billion, representing 13% of India's GDP by 2025.
- India's real estate sector is expected to expand to US\$ 5.8 trillion by 2047, contributing 15.5% to the GDP from an existing share of 7.3%, a joint report by Knight Frank and National Real Estate Development Council said.
- Fresh real estate launches across India's top seven cities grabbed a 41% share in the first quarter of 2023 (January-March), marking an increase from the 26% recorded in the same period four years ago. Out of approximately 1.14 lakh units sold across the top seven cities in the first quarter of 2023, over 41% were fresh launches.
- In 2022, India's real estate sector experienced price growth of 6%.
- Increasing share of real estate in the GDP would be supported by increasing industrial activity, improving income level and urbanisation.
- The Government launched 10 key policies for the real estate sector:
 - Real Estate Regulatory Act (RERA)
 - Benami Transactions Act
 - Boost to affordable housing construction
 - Interest subsidy to home buyers
 - Change in arbitration norms
 - Service tax exemption
 - Dividend Distribution Tax (DDT) exemption
 - Goods and Services Tax (GST)
 - Demonetisation
 - PR for foreign investors

Market size of real estate in India (US\$ billion)



NHB India Housing Price Index*



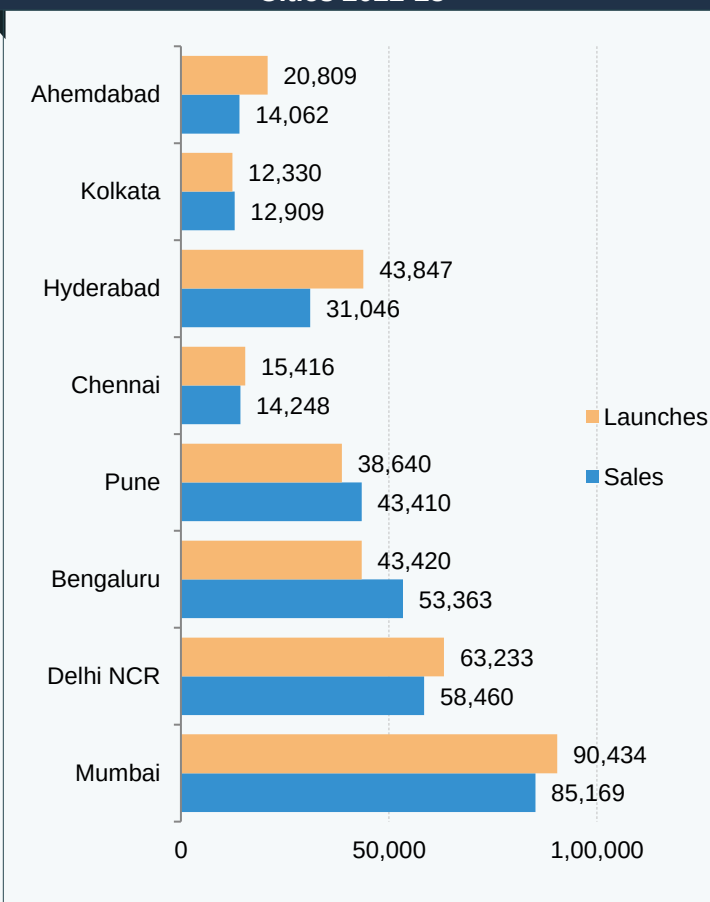
Notes: CAGR - Compounded Annual Growth Rate, E - Estimated, F - Forecast, Information is as per latest data available, *average of indices of all cities

Source: KPMG, Report on Real Estate Sector in India - Corporate Catalyst India Pvt Ltd, CBRE, National Housing Bank

Demand for residential space expected to grow sharply

Scenario	- A localised and fragmented market presents opportunity for consolidation with only few large pan-India players like DLF. - More foreign players might enter the market as FDI norms have eased. - Furthermore, norms on land acquisitions is expected to be relaxed.
Key drivers	- Rapid urbanisation. - Growth in population. - Rise in the number of nuclear families. - Easy availability of finance. - Repatriation of NRIs and HNIs. - Rise in disposable income.
Notable trends	- Share of the top listed developers in the Indian residential market is expected to increase to 29% in FY24, from 25% in FY21, driven by a strong pipeline for residential project launch. - The sale of luxury homes in India increased by 130% in the first half of 2023 compared to the corresponding period of the previous year. Between January-June 2023, 6,900 luxury homes costing Rs. 4 crore (US\$ 488,011.96) and above were sold, as opposed to 3,000 in 2022. - In India's top eight cities, housing prices rose 7% year-over-year due to strong housing demand supported by persistent purchaser demand and steady borrowing rates. - Sales in the luxury residential market scaled by 151% year-over-year (y-o-y) in the quarter from January-March 2023. - Housing sales in top seven Indian cities stood at 1.14 lakh units in Q1 of 2023, an increase of over 99,500 units compared to the same period of 2022. - Indian real estate developers operating in the country's major urban centers are poised to achieve a significant feat in 2023, with the completion of approximately 558,000 homes.

Cumulative Housing Sales and Launches in Top 8 Cities 2022-23



Source : Cushman and Wakefield, Anarock Property Consultants, News Articles

Metros driving demand for commercial space

Scenario

- Few large developers with a pan-India presence dominate the market.
- Operating model has shifted from sales to lease and maintenance.
- By 2023, commercial space is expected to reach at 50 msf mainly driven by sectors - IT-BPO, pharma, engineering and manufacturing.
- In 2022, office absorption in the top seven cities stood at 38.25 million square feet.

Key drivers

- Rapid growth in service sectors: IT/BPM, BFSI and Telecom.
- Rising demand from MNCs.
- Demand for office space in tier II cities.

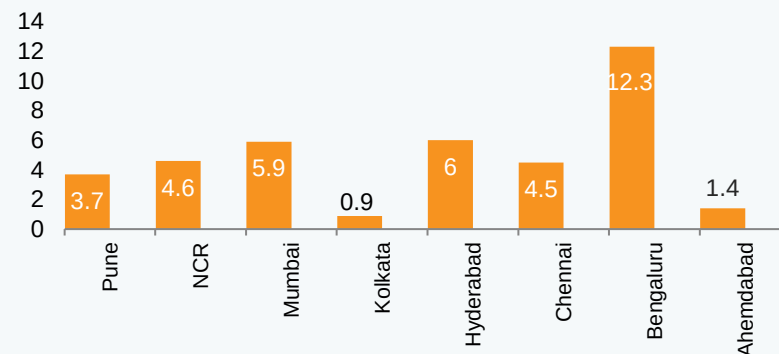
Notable trends

- Pune led the gross leasing volumes in Q1 2023, accounting for 20% share, followed by Mumbai, Delhi-NCR, and Bengaluru with shares of around 19%, 18%, and 14%, respectively.
- A recent study revealed that around 52% of NRIs consider investing in commercial real estate to diversify their portfolio in Indian real estate segment.
- The transactions of commercial real estate doubled and reached 1.5 million sq. ft. in Q1 of 2023.
- In 2021-22, the commercial space was expected to record increasing investments. For instance, in October 2021, Chintels Group announced to invest Rs. 400 crore (US\$ 53.47 million) to build a new commercial project in Gurugram, covering a 9.28 lakh square feet area.

**Demand for Commercial Space in Top 8 cities
(million sq. ft.)**



City-wise Commercial Space Demand (million sq. ft.) 2020



Notes: * The calendar year 2022 only includes the top 7 cities; MNC - Multinational Corporation, BFSI - Banking, Financial and Insurance Services, CBD - Central Business District, SBD - Special Business District, NCR - National Capital Region, msf- million square feet

Source: Cushman and Wakefield, Knight Frank Research

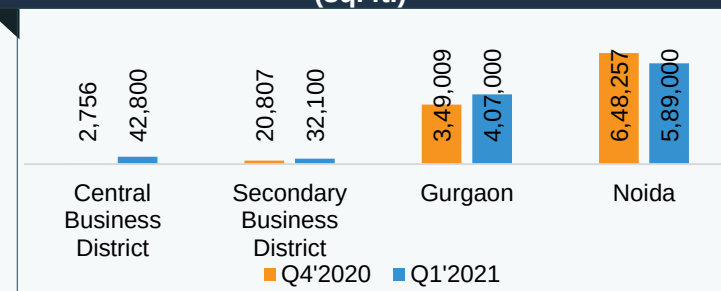
Office market overview

- Office market has been driven mostly by growth in BPM/IT, BFSI, consulting and manufacturing industries. Moreover, many new companies are planning a foray into Indian market due to huge potential and relaxed FDI norms.
- According to a report by Anarock Research, Hyderabad outperformed Bengaluru with the greatest new office supply in FY23, adding nearly 14.94 million square feet of space, or 31% of the total supply in the top seven cities.
- In Q1 of 2023, Bengaluru, Delhi-NCR and Chennai together accounted for two-thirds of quarterly demand. At 27%, flexible workspace was the biggest contributor to demand.
- In July 2023, Delhi-NCR emerged as the third biggest city in the Asia Pacific in having flexible office space stock beating Beijing and Seoul, while Bengaluru retained the top spot, according to real estate consultant CBRE.
- Transactions for office spaces in April-June 2023, which totalled 14.8 million square feet, represented the highest quarterly figure recorded since Q1 2021.
- From January-September 2022, Delhi NCR and Bengaluru were the two biggest office markets, followed by Mumbai.
- In 2021, Bengaluru was expected to record huge deals of >100,000 sq. ft. and form a major portion of projected leasing; and is expected to account for a 20-30% increase in absorption, while the supply is expected to gradually increase 20-30% y-o-y.
- From January-September 2022, the gross leasing volume of India increased by 88%.
- Three cities—Delhi-NCR, Mumbai and Pune—accounted for ~62% of the total volumes recorded in the quarter.
- COVID-19 pandemic has resulted into work from home (WFH) element, which impacted the new space commitments in the short term. In 2020, new office space in the seven cities was 36.34 million square feet, a decrease of 30% y-o-y. However, recovery of the office leasing market is expected to start in early-2021.
- In the first quarter of 2023 (January-March), net office absorption in the top six cities stood at 8.3 million sq. ft.
- During the first half of 2023, institutional investments in the office sector increased by 2.5 times year-on-year, reaching US\$ 2.7 million.

Notes: BPM - Information Technology Enabled Service. msf - million square feet

Source: Knight Frank, JLL India, Livemint, Colliers International, CBRE, JLL, Savills

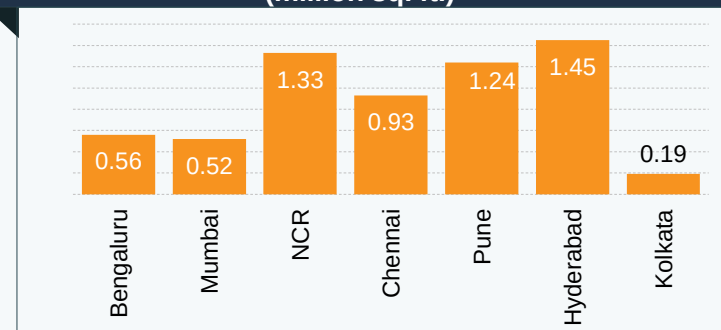
**Net Absorption of Office Space
(sq. ft.)**



**Office Space Key Stats
(Q2 2023)**

Net Absorption	6.39 million sq. ft.
Gross Leasing Volume (GLV)	17.42 million sq. ft

**Net Absorption of Office Space (Q2 2023)
(million sq. ft.)**



Retail space likely to see strong growth

Scenario

- Currently, retail accounts for a small portion of the Indian real estate market.
- Organised retailers are few and the organised retail space is mostly developed by residential/office space developers.

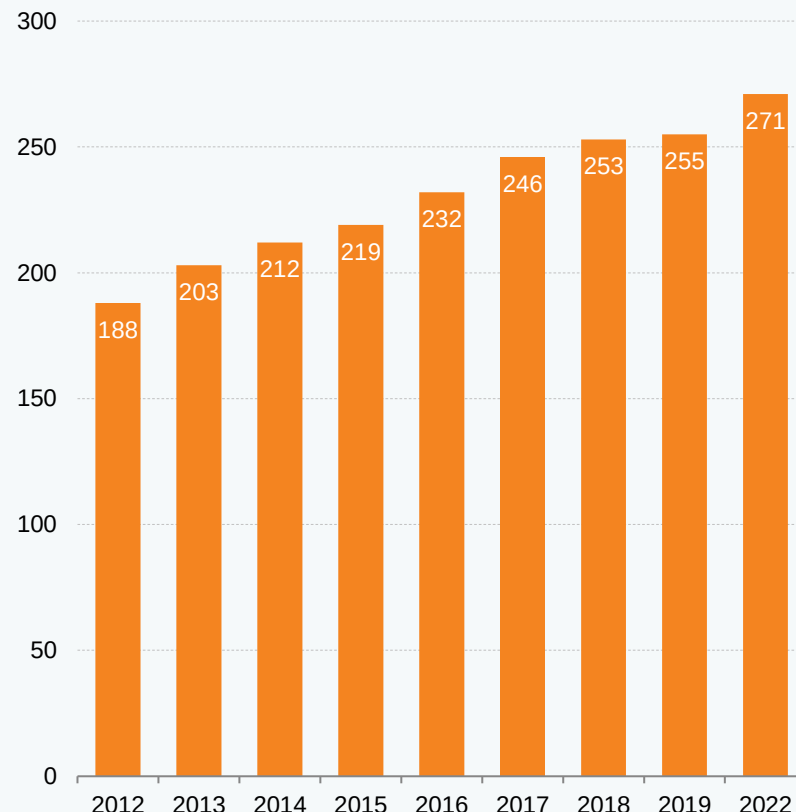
Key drivers

- Booming consumerism in India.
- Organised retail sector is growing 25-30% annually.
- Entry of MNC retailers.
- India's population below 30 years of age and having exposure to global retail is expected to drive demand for organised retail.

Notable trends

- The retail space leasings increased by almost 130% year-on-year in the January-March quarter of 2023.
- The National Capital Region (NCR), which includes Noida, Gurugram, and Delhi, has the largest 3.53 square feet. of space occupied by such malls.
- In September 2021, Amazon India signed a lease agreement with GMR Logistics Park for warehousing space of 10 lakh sq. ft. in Hyderabad for 20 years.
- In October 2021, Lulu Group launched its new shopping mall in Bengaluru and announced to complete two more properties in India in the next six months.

Number of Malls in India



Source: : Cushman and Wakefield, CBRE, JLL India, Real estate intelligence service (JLL), Anarock

Hospitality market to witness large incremental capacity

Scenario

- NCR and Mumbai are by far the biggest hospitality markets in India, followed by Bengaluru, Hyderabad and Chennai.
- Besides hotels, the hospitality market comprises of service apartments and convention centres.

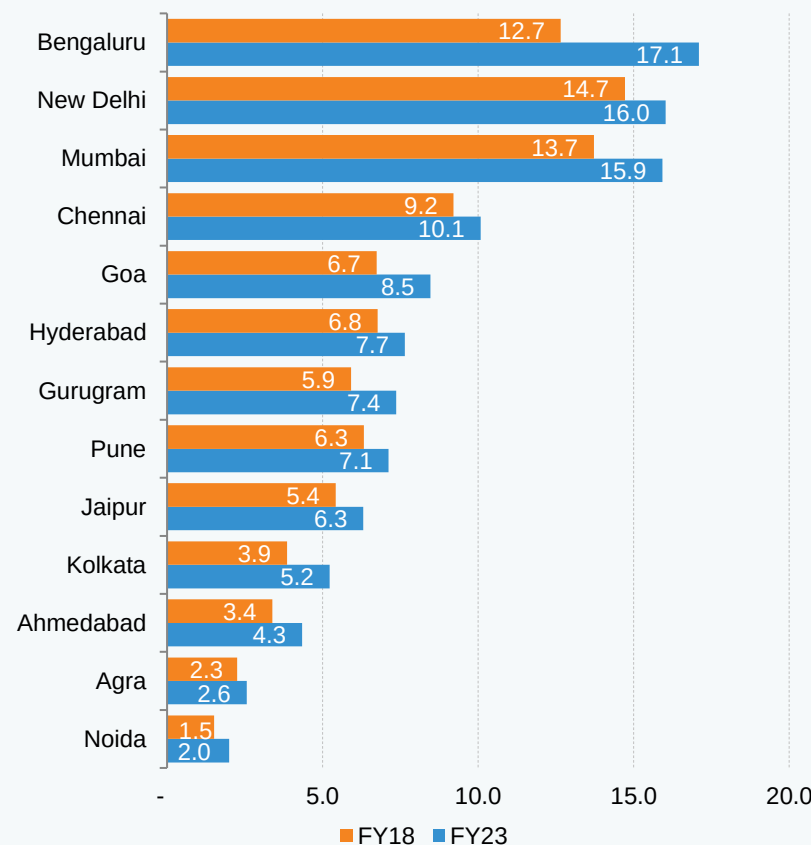
Key drivers

- A robust domestic tourism industry.
- The increasingly global nature of Indian businesses is boosting business travel.
- Tax incentives for hotels and higher Floor Space Index (FSI).

Notable trends

- Service apartments appear particularly attractive within the hospitality space.
- Government initiatives to promote tourism in tier II and tier III cities is generating significant demand for hotels in such cities, especially budget hotels.
- 12,000 hotel rooms are likely to be added in 2023 and the number of hotel rooms is expected to grow at an expected CAGR of 3.3% by 2025.

Branded Hotel Rooms Inventory in Major Indian Cities ('000)



Source: : Cushman and Wakefield, Hotelivate

Recent Trends and Strategies



Strategies adopted

1. Diversified portfolio

- Having a diverse portfolio of residential, commercial and township developments.
- Companies have projects in various strategic geographic locations in order to diversify risks.
- Focus on the growth of lease business.
- Housing finance companies and private equity (PE) companies have started focusing on affordable housing.

2. Backward integration

- An architectural, structural and interior studio and a metal and glazing factory.
- Interiors, wood working factory, and concrete block making plant.

3. Merger & Acquisition (M&A)

- In April 2022, Anarock acquired a 75% stake in flexible workspace providing startup myHQ, in a cash and stock deal of Rs. 125 crore (US\$ 153 million).
- To establish an investment platform for the Indian retail-led mixed-use assets, in June 2021, GIC announced to acquire a minority stake in Phoenix Mills's portfolio (worth US\$ 733 million).
- In November 2021, Ascendas India bought Aurum Ventures' 16-storey commercial tower in Navi Mumbai for Rs. 353 crore (US\$ 47 million), making it the largest deal of a standalone commercial tower by a global institutional investor during the past few years.
- In May 2021, Blackstone Real Estate acquired Embassy Industrial Parks for Rs. 5,250 crore (US\$ 716.49 million) to expand its presence in the country.



6. Strategic Partnership

- L&T Realty Ltd and Singapore-listed Capitaland India Trust Management Pte. Ltd., entered into a non-binding term sheet for a commercial platform to develop close to 6 million sq. ft. of office space across Bengaluru, Chennai and Mumbai.
- REA India-owned online real estate company Housing.com tied up with online legal assistance start-ups LegalKart, Lawrato, Vidhikarya and Vakil in 2021 to offer legal advice and assistance to homebuyers.

5. Superior execution

- Outsourced support functions
- Focus on delivery capability
- Development of world class infrastructure
- Rationalising costs

4. Risk management in land sourcing

- Joint venture with landowners instead of amassing land banks. For example - Oberoi Realty, a Mumbai based realty firm, adopted this strategy while entering the NCR region.
- On July 23, 2020, Sunteck Realty entered a joint development agreement with landowners to construct a housing project in the Mumbai Metropolitan Region (MMR), having a revenue potential of Rs. 5,000 crore (US\$ 709.32 million) over the next five-seven years.



Real estate being driven by policies and growing economy

1. Growth in tourism

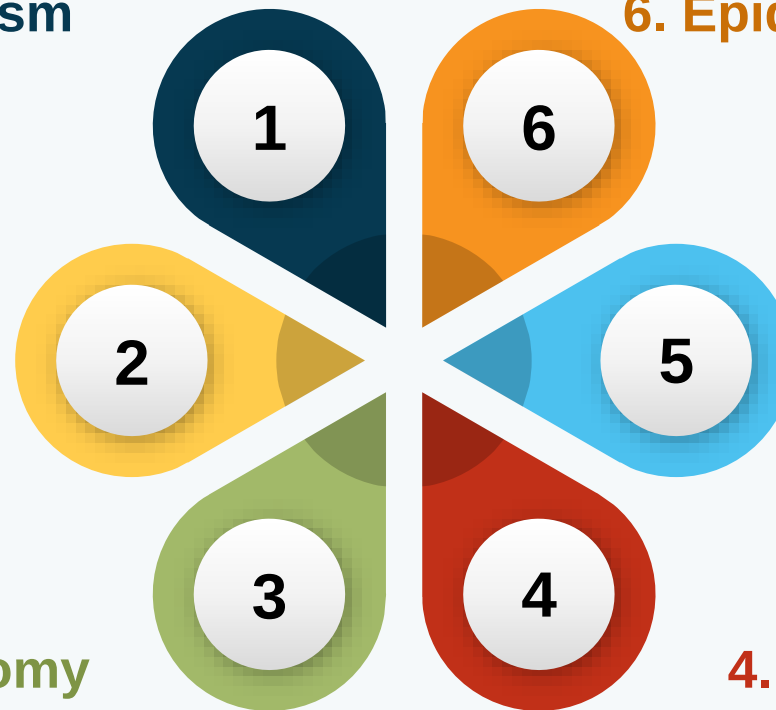
6. Epidemiological changes

2. Urbanisation

5. Easier financing

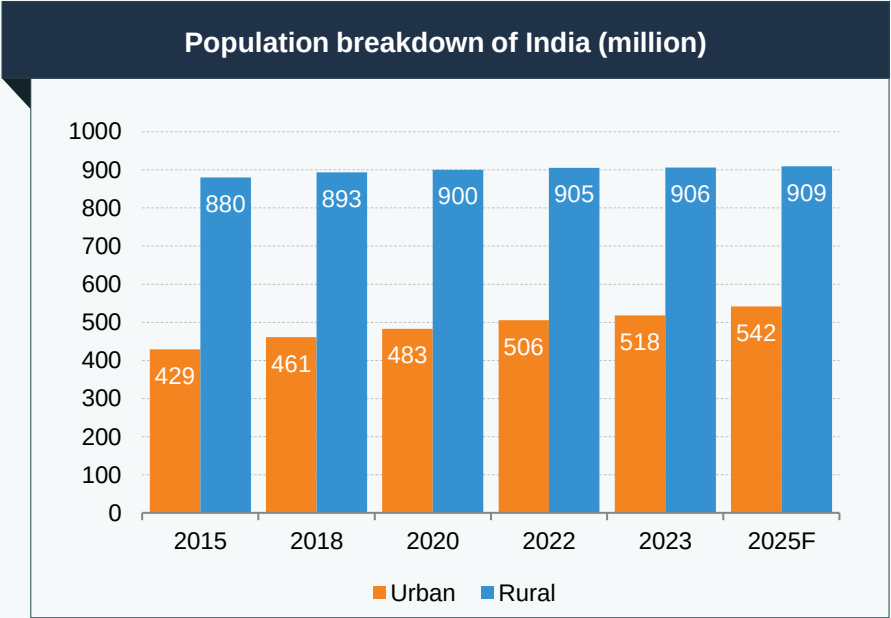
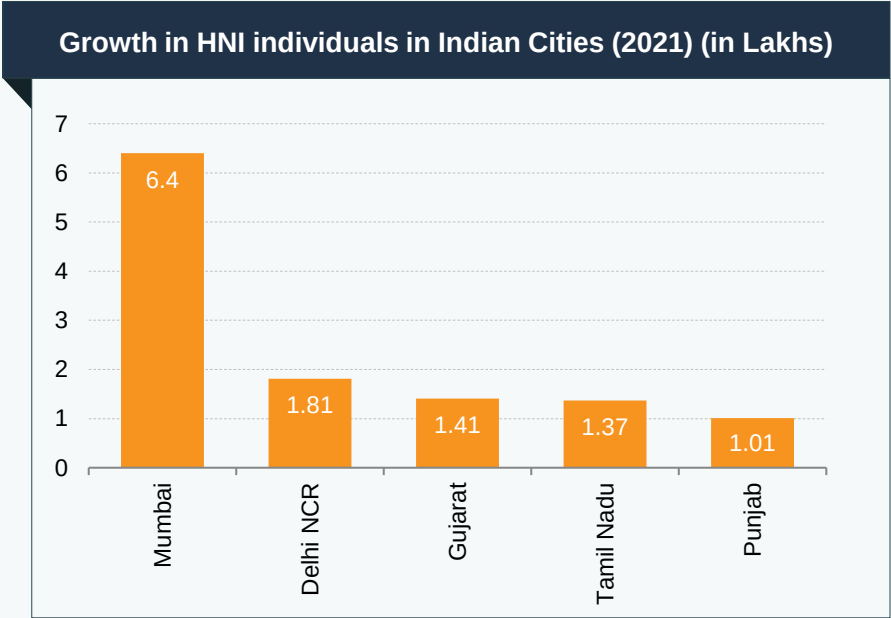
3. Growing economy

4. Policy support



Growth drivers

Economic growth along with growing urbanisation is boosting real estate demand

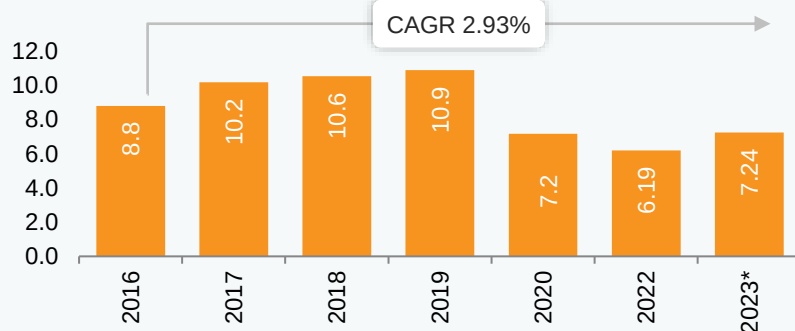


- The Indian economy has experienced robust growth in the past decade and is expected to be one of the fastest growing economies in the coming years.
- India's urban population is expected to reach 542 million by 2025, up from an estimated 518 million in 2023.
- Rising income and employment opportunities have led to more urbanisation and more affordability for real estate in cities.

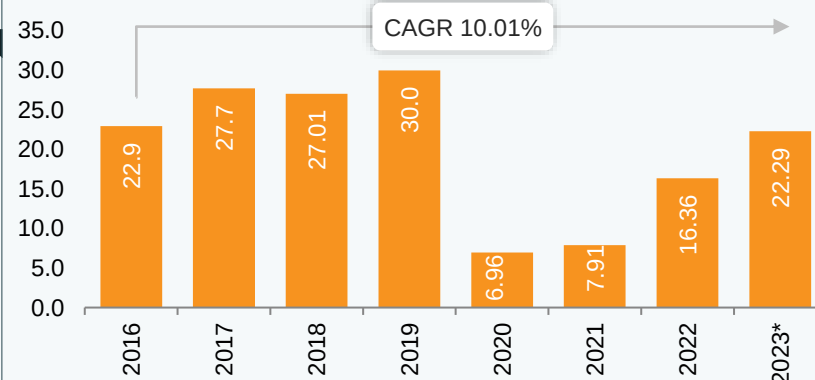
Notes: HNI- High Net-Worth Individuals (earning more than Rs. 2 crore (US\$ 0.24 million) per annum; F - Forecast
Source: IMF World Economic Outlook Database, JLL, *United Nations World Urbanization Prospects 2018

Rising tourist numbers boosting the hospitality sector

Foreign Tourists Arrivals in India (million)



India's Foreign Exchange Earnings From Tourism (US\$ million)



- Foreign Tourist Arrivals (FTAs) in 2022 were 6.19 million.
- FTAs during April-October 2023 were 7,243,680 while in April-October 2022 were 4,655,160.
- Foreign Tourist Arrivals (FTA) during October 2023 was 811,411 (Provisional) and in October 2022, it was 677,055.
- The direct contribution of Indian hotel industry to the country's GDP is estimated to touch US\$ 1 trillion by 2047 driven by a significant jump in domestic tourist visits and international arrivals, as per 'Vision 2047: Indian Hotel Industry' report by the Hotel Association of India (HAI) and Benori Knowledge.
- India's tourism and hospitality industry was anticipated to touch US\$ 418.9 billion by 2022.
- During 2022, India earned US\$ 16.36 billion in foreign exchange from tourism.
- The Medical Tourism Index for 2021 placed India in the 10th position owing to affordability, accessibility and quality medical facilities.
- The growing inflow of tourists is expected to provide a fillip to the hospitality sector.
- As of November 2021, Wyndham Hotels & Resorts operated about 9,000 hotels across ~95 countries and further expanded presence in India with the addition of four new hotels in Jaipur, Varanasi, Mohali and Udaipur, reaching a total of 50 hotels in the country
- Hilton planned to add 18 hotels pan India by 2021, along with 15 operational hotels under its brands—Hampton, Hilton Garden Inn, Conrad, Hilton Hotels & Resorts and DoubleTree by Hilton. On October 22, 2020, Hilton launched its first DoubleTree by Hilton brand in Jaipur, Rajasthan.
- In November 2020, Taj Group partnered with the real estate company Ambuja Neotia Group to launch three new hotels—two in Kolkata and one in Patna.

Notes: CAGR is up to 2019, CY - Calendar Year, *-Until October 2023

Source: Ministry of Tourism, News Articles

Government policies are helping the real estate sector prosper... (1/3)

1

The Reserve Bank of India (RBI) policy

- In October 2021, the RBI announced to keep benchmark interest rate unchanged at 4%, giving a major boost to the real estate sector in the country.

2

Housing for economically weaker section

- On July 09, 2020, Union Cabinet approved the development of Affordable Rental Housing Complexes (AHRCs) for urban migrants and poor as a sub-scheme under Pradhan Mantri Awas Yojana - Urban (PMAY-U).
- As of June 5, 2023, 119.7 lakh houses have been sanctioned and 74.75 houses have been completed and delivered to urban poor under the Pradhan Mantri Awas Yojana-Urban (PMAY-U).

3

FDI

- The Government has allowed 100% FDI for townships and settlements development projects.
- Provision for reduction in minimum capitalisation for FDI investment from US\$ 10 million to US\$ 5 million to boost urbanisation.
- In January 2018, the Government allowed 100% FDI in single-brand retail trading and construction development without Government approvals.
- Indian real estate was expected to attract a substantial amount of FDI, with US\$ 8 billion capital infusion by FY22.

4

Land Acquisition Bill

- In December 2014, the Government passed an ordinance amending the Land Acquisition Bill.
- This ordinance is intended to speed up the process for industrial corridors, social infra, rural infra, housing for the poor and defence capabilities.

Source: Government of India, News Articles

5

REITs

- Real Estate Investment Trusts (REITs) in the non-residential segment will open channels for both commercial and infrastructure sector. In March 2019, Embassy Office Parks, India's first REIT, went public.
- India is likely to see the listing of at least four REITs on bourses from the second half of this year through the end of next year or early 2025.
- First REIT raised Rs. 4,750 crore (US\$ 679.64 million) and was launched in early 2019 by global investment firm, Blackstone, and realty firm, Embassy group.
- In July 2021, the Securities and Exchange Board of India lowered the minimum application value for Real Estate Investment Trusts from Rs. 50,000 (US\$ 685.28) to Rs. 10,000-15,000 (US\$ 137.06 - US\$ 205.59) to make the market more accessible to small and retail investors.
- According to EY, > US\$ 9.7 billion has been raised in India via real estate investment trusts (REITs) and infrastructure investment trusts (InvITs).

6

Govt-backed Stress Fund

- The Special Window for Completion of Construction of Affordable and Mid-Income Housing (SWAMIH I) supported housing projects have started witnessing fresh sales and collection of dues from existing homebuyers, In November 2020, SBICAP Ventures Ltd. managed fund cleared investments worth >Rs. 13,200 crore (US\$ 1.78 billion) for 136 projects and has started deploying funds across 36 projects

7

Stamp Duty

- The Ministry of Housing and Urban Affairs has recommended all the states to consider reducing stamp duty of property transactions in a bid to push real estate activity, generate more revenue and aid economic growth.
- National Real Estate Development Council – Maharashtra announced zero stamp duty on housing sales until December 31, 2020.

Source: Government of India, News Articles

8

Tax Relief

- The Atmanirbhar Bharat 3.0 package announced by Finance Minister Mrs. Nirmala Sitharaman in November 2020 included income tax relief measures for real estate developers and homebuyers for primary purchase/sale of residential units of value (up to Rs. 2 crore (US\$ 271,450.60) from November 12, 2020, to June 30, 2021.
- Buyers have been allowed to purchase homes at 20% below the circle rate without attracting any tax penalties.

9

Construction Premiums

- Construction premiums and levies in Maharashtra account for >30% of the total project cost.
- In a bid to boost the real estate sector amid the pandemic, construction premiums and levies payable by builders in Maharashtra are set to be halved for one year until December 31, 2021.

10

J&K's New Land Law

- On October 27, 2020, the government announced the application of Real Estate (Regulation & Development) Act, 2016 in the union territory of Jammu & Kashmir. This has paved the way for any Indian citizen to buy non-agricultural land and property, as opposed to the eligibility of only local residents earlier.

11

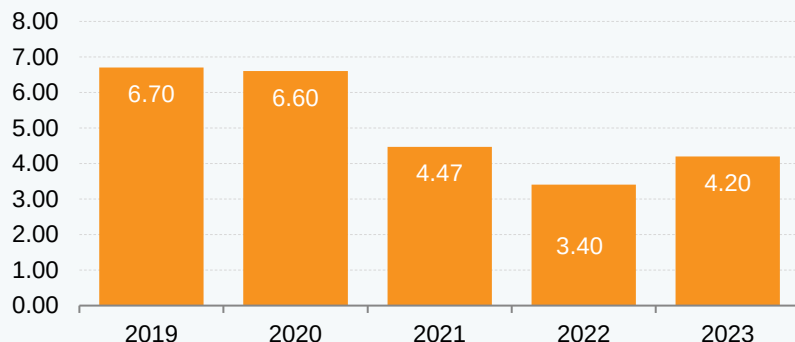
Green Building Movement

- With 6,548 registered green building projects, India is among one of the three countries that have a green building footprint.
- Indian Institute of Architects (IIA) and CII-Indian Green Building Council (IGBC) signed a MoU to boost green building movement in the area of architectural design and planning.

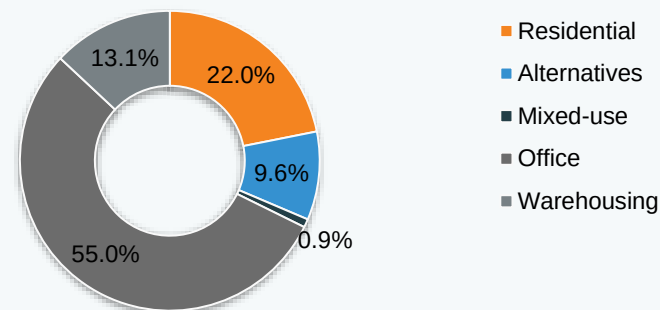
Source: Government of India, News Articles

PE investments on the rise

PE/VC Investments in Indian Real Estate (US\$ billion)



**Distribution of Institutional Investment in India
(Between January- March 2023)**



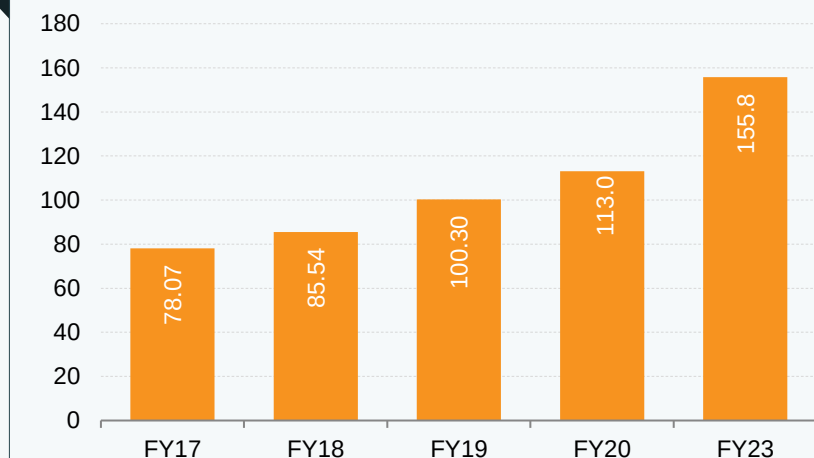
- RBI proposed to allow banks to invest in real estate investment trusts and infrastructure investment trusts, attracting more institutional investors to such assets. Indian Banks, which are allowed to invest about 20% of their net-owned funds in equity-linked mutual funds, venture capital (VC) funds and stocks, could invest in these trusts within this limit.
- The Indian real estate sector witnessed strong private equity (PE) investments of US\$ 1.92 billion in Q2 of 2023, demonstrating investor confidence in the market. According to the most recent Investment report from Cushman & Wakefield, this was 63% higher than the previous quarter (Q1 of 2023) and 60% higher than the same time last year.
- In 2023, the private equity investment inflows into the real estate sector in India stood at US\$ 4.2 billion.
- In 2022, private equity investment inflows into the real estate sector in India stood at US\$ 3.40 billion.
- In February 2023, Mumbai ranked at the seventh position in Asia Pacific as a preferred destination for cross-border investments in the real estate sector.
- Foreign portfolio investment in the Indian real estate sector stood at Rs. 3,671 crore (US\$ 497 million) in March 2021.
- Institutional investment in real estate increased 37% to US\$ 1.65 billion during January to March 2023, driven by higher inflow in office and housing properties, according to Colliers.
- Top three cities—Mumbai (~39%), NCR-Delhi (~19%) and Bengaluru (~19%)—attracted ~77% of the total investments recorded in the third quarter of 2021.
- In 2022, India was projected to get cross-border real estate investment of US\$ 2.5 billion.
- The Godrej Group has forayed into the financial services industry with Godrej Housing Finance (GHF), through which it hopes to build a long-term and sustainable retail financial services business in India, aiming for a balance sheet of Rs. 10,000 crore (US\$ 1.35 billion) in the next three years.
- Blackstone is one of the largest private market investors in India, managing about Rs. 3,694 crore (US\$ 50 billion) of market value in the real estate sector. The company anticipates investing >Rs. 1,625 crore (US\$ 22 billion) in the next 10 years.

Note: PE - Private Equity, VC - Venture Capital

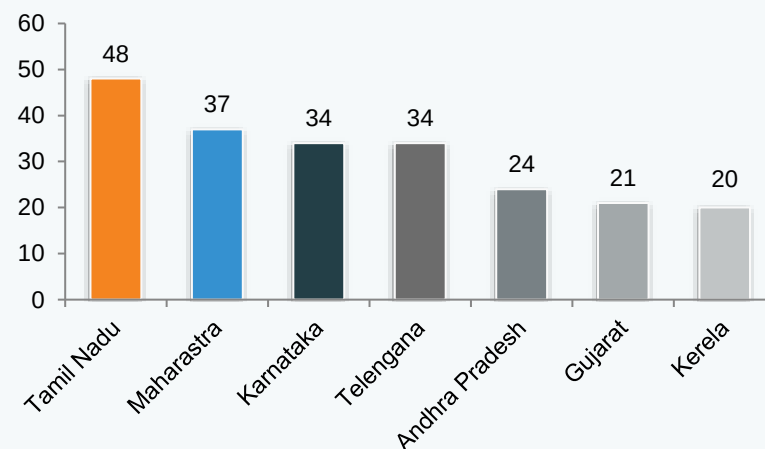
Source: EY, JLL India, News Articles

SEZs emerging as an extension of real estate business

SEZ exports from India (US\$ billion)



State-Wise Distribution of SEZs in 2021



- 100% FDI permitted for developing townships within SEZs with residential areas, markets, playgrounds, clubs, recreation centres, etc.
- Exports from SEZs reached Rs. 7.96 lakh crore (US\$ 113.0 billion) in FY20 and grew ~13.6% from Rs. 7.1 lakh crore (US\$ 100.3 billion) in FY19.
- In March 2020, proposals from TCS and DLF to set up SEZs for IT sector in Haryana and Uttar Pradesh was approved by the Government.
- Industry players, including realtors and property analysts, are rooting for the creation of "Special Residential Zones" (SRZs) along the lines of SEZs.

Source: Ministry of Commerce and Industry, SEZ website

Opportunities



OPPORTUNITIES

Niche sectors expected to provide growth opportunities

1. Flex Space Segment

- India's flexible space stock is likely to expand by 10-15% YoY, from the current 36 million sq. ft., in the next three years, according to a report by CBRE.

2. Healthcare

- The healthcare market was expected to reach US\$ 372 billion by 2022.
- India needs to add 2 million hospital beds to meet the global average of 2.6 for every 1,000 people.

3. Senior citizen housing

- Emergence of nuclear families and growing urbanisation have given rise to several townships that are developed to take care of the elderly.
- The segment in India can reach US\$ 7.7 billion in market size by 2030 according to a study by the Ministry of Commerce and Industry.

6. Hotels

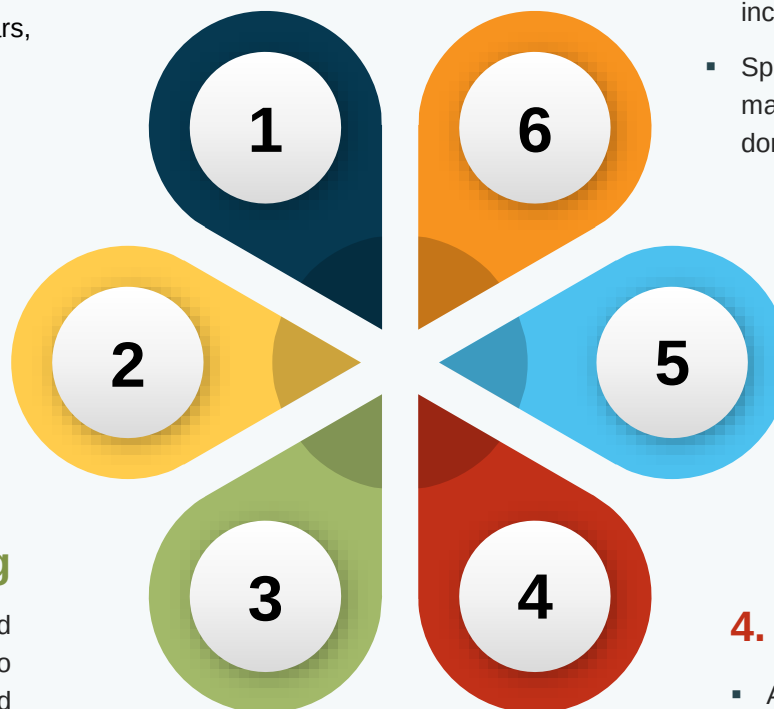
- FTAs in India is expected to reach 15.3 million by 2025, which is expected to lead to an increase in demand for hotels.
- Spiritual tourism is one of the biggest untapped markets for domestic travel; nearly 60% of domestic tourism in India is religion-based.

5. Service apartments

- Growth in the number of tourists has resulted in demand for service apartments.
- This demand is likely to grow and presents opportunity for the unorganised sector.

4. Smaller office spaces

- As work from home and office has become the new normal, many companies are now shifting to smaller workspaces.
- This transition is now helping revive the real estate economy that has come to a standstill in the last six months due to COVID-19.



Top cities to contribute to growth

Ahmedabad	Upcoming office space likely to boost hospitality segment.
Bengaluru	Corporate clients expected to provide steady growth to room demand.
Chennai	Emerging as promising commercial destination with Chennai-Bengaluru Industrial Corridor - likely to witness strong demand.
Hyderabad	Room demand is expected to be driven by commercial and office space projects in the city.
Kolkata	Projects like Light Rail Transport System, Monorail, Eco-Park, and Airport expansion are likely to boost travel, which will result in increase in demand for the hotel industry.
Mumbai	Improved infrastructure, new airport terminal and upcoming airport in Navi Mumbai is expected to drive hotel industry's growth.
NCR	In FY23, Delhi-NCR received 32% of the total private equity (PE) investment in the real estate sector.
Pune	IT parks are attracting global players and increasing traffic. New business units are likely to increase business conferences and events, which in turn will boost the demand for hotels.

- According to Knight Frank report, Delhi was ranked 27th, while Mumbai and Bengaluru were placed at the 33rd and 34th positions, respectively, in a global index that measures annual price appreciation of luxury residential properties from July 2020 to September 2020 (the third quarter).

Source: Cushman and Wakefield, Knight Frank



Key industry contacts

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Glossary

- BFSI: Banking, Financial Services and Insurance
- CAGR: Compound Annual Growth Rate
- CBD: Central Business District
- FDI: Foreign Direct Investment
- FSI: Floor Space Index
- HNI: High Net-worth Individual
- GOI: Government of India
- Rs.: Indian Rupee
- IT/BPM: Information Technology/Information Technology enabled Services
- MNC: Multinational Corporation
- NRI: Non Resident Indian
- SBD: Special Business District
- SEZ: Special Economic Zone
- US\$: US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number

Exchange rates

Exchange Rates (Fiscal Year)

Year	Rs. Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49
2020-21	73.20
2021-22	74.42
2022-23	78.60

Exchange Rates (Calendar Year)

Year	Rs. Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89
2020	74.18
2021	73.93
2022	79.82
2023*	83.15

*Note: *Until November 2023*

Source: Foreign Exchange Dealers' Association of India

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