

Intelligent Investment

# India Market Monitor 2022

REPORT

CBRE RESEARCH

JANUARY 2023





# Economy

Indian economy is likely to remain a key driver of global growth, tightening monetary conditions and recessionary global headwinds notwithstanding. In 2023, the country's vast talent pool, cost advantage and strong domestic demand would continue to drive its economy onward and upward.



# India Market Monitor

**6.3%** India's GDP growth in Q3 2022

Continued tightening in domestic as well as international markets and slowdown in the US and the EU have led most agencies to cut their growth forecasts for key global economies, including India.

## Growth forecast for 2022-23

6.8% RBI

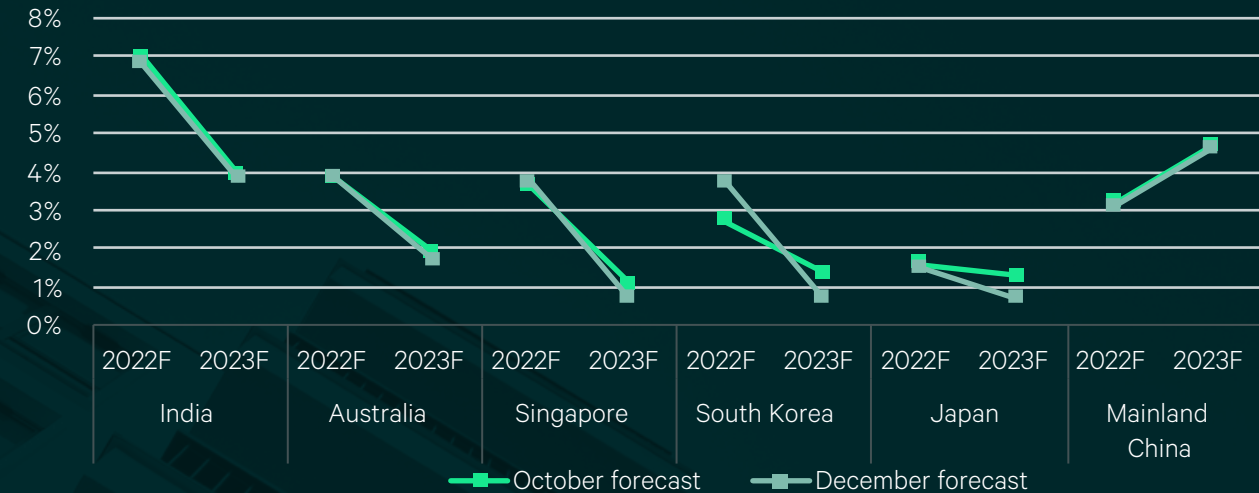
7.0% Fitch Ratings

6.8% IMF


6.9% World Bank

6.8% CBRE

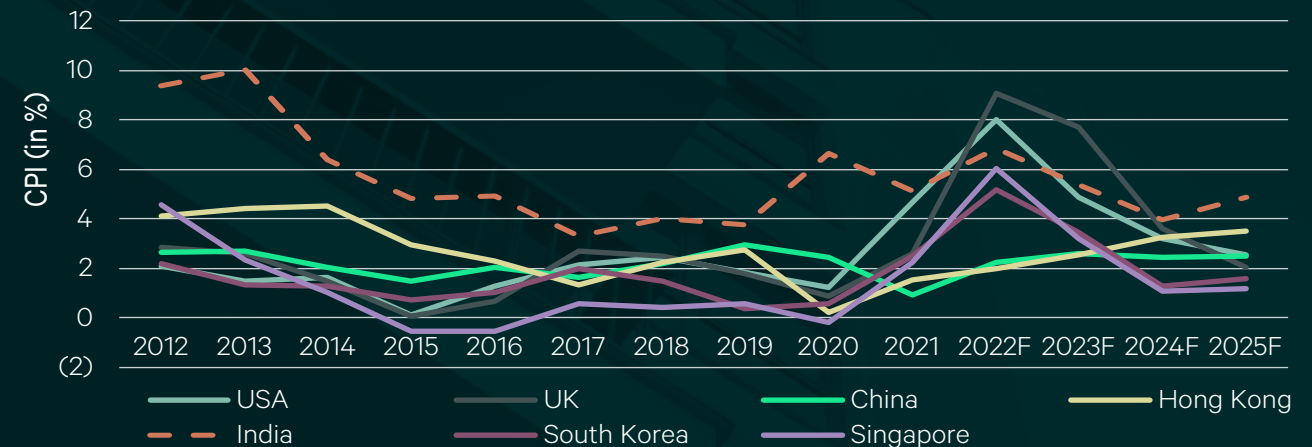
Revised GDP rates for key APAC economies



Source: CBRE House View (October and December 2022)

 **5.7%** Retail inflation in December 2022, down from 5.9% in November 2022

Inflationary pressures likely to ease in 2023







Source: CBRE House View for December 2022

# India Market Monitor




# 6.25%

Current repo rate after the central bank increased it by 35 bps in December 2022

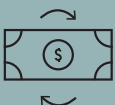


## Key policy steps in Q4 2022

 Data centres granted infrastructure status.	 Draft data protection bill released.	 Minimum capital requirements for setting up ARCs raised.	 SEZ rules amended to allow up to 100% remote work for technology companies.
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## How key high-frequency indicators fared in Q4 2022

 Both PMI manufacturing and services remained in expansion zone throughout the year. PMI manufacturing climbed to 57.8 in December, marking its highest reading since October 2020.	 India's GST collections surged by 15% Y-o-Y in December to nearly INR 1.5 lakh crore.	 Bank credit deployment up 17.2% Y-o-Y in November 2022, compared to 7% growth in the same period in 2021. Credit deployment in commercial real estate grew by 7.2% Y-o-Y during November; deployment in NBFCs (including HFCs) also up by 33%, with that in HFCs growing by 16.1%.
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## What could work for the Indian economy...

 <b>India's cost advantage and vast talent pool:</b> In 2022, India's median age stood at 28.7 years compared to 38.4 and 38.5 for China and the US, respectively*. It also produced more than 40 lakh graduates in 2019, according to AISHE. This talent pool is backed by the cost advantage that the country offers, both in terms of real estate as well as remuneration. This advantage would help the country parry the impact of global headwinds.	 <b>Supportive policy environment:</b> Older policy measures such as the PLI scheme are expected to bear fruit this year and newer opportunities are likely to arise due to the shift in global supply chains and the government's thrust on infrastructure spending, thereby spelling positive news for the economy.	 <b>Strong domestic demand:</b> Rising income levels and sustained consumer confidence would continue to drive domestic demand in the country. While global headwinds might cause a short-term blip, the fundamentals of domestic demand remain strong, with even rural demand picking up now.
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## ...But what might not

 <b>Widening fiscal deficit:</b> India's current account deficit widened from USD 18.2 billion (2.2% of GDP) in Q2 to USD 36.4 billion (4.4% of GDP) in Q3 2022 <sup>1</sup> due to a drop in exports.	 <b>Weak currency:</b> Since October, the Indian currency has remained above the 80-mark versus the US dollar. A weaker Rupee would raise the cost of imports, including fuel, thus enhancing inflationary pressures.
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1. CEIC  
\* US government's The World Factbook

# Office

Sector records highest leasing activity since the peak of 2019.



## LEASING ACTIVITY

**40%**  
Y-o-Y growth in leasing in 2022

**26%**  
Q-o-Q growth in space take-up in Q4 2022; nearly stable leasing activity on a Y-o-Y basis

**74%**  
Cumulative share of Bangalore, Delhi-NCR, Mumbai and Hyderabad in leasing activity in 2022

**73%**  
Total share of Bangalore, Delhi-NCR, Hyderabad and Mumbai in space take-up in Q4 2022

## SUPPLY

**2%**  
Y-o-Y jump in supply in 2022

**58%**  
Q-o-Q rise in building completions in Q4 2022; marginal decline of 3% on a Y-o-Y basis

**67%**  
Combined share of Hyderabad, Bangalore and Delhi-NCR in supply addition in 2022

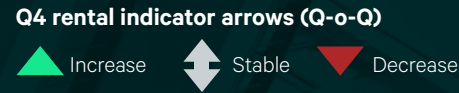
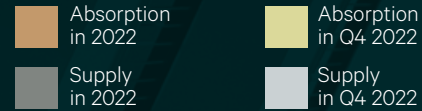
**68%**  
Cumulative share of Hyderabad, Bangalore and Delhi-NCR in building completions in Q4 2022

Rental recovery continued across several cities due to sustained recovery in leasing, moderating vacancy levels and persistent demand for investment-grade assets. Quoted rentals grew by **1-6%** in ORR and PBD Whitefield in Bangalore and Off CBD, MPH, Ambattur and PT Road in Chennai. However, a marginal reduction in quoted rentals due to supply pressures was observed in Extended IT Corridor in Hyderabad.

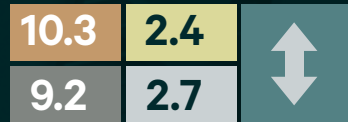
# India Market Monitor

**56.6** mn sq. ft. Absorption in 2022  
**15.3** mn sq. ft. Absorption in Q4 2022

**50.6** mn sq. ft. Supply in 2022  
**15** mn sq. ft. Supply in Q4 2022



**Delhi-NCR**



**Ahmedabad**



**Mumbai**



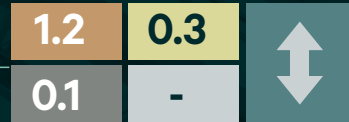
**Pune**



**Bangalore**



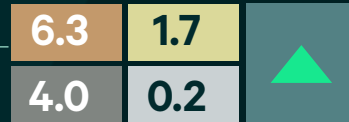
**Kolkata**



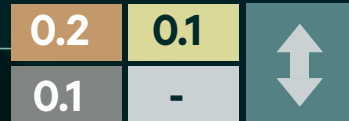
**Hyderabad**



**Chennai**

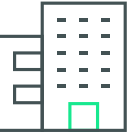


**Kochi**

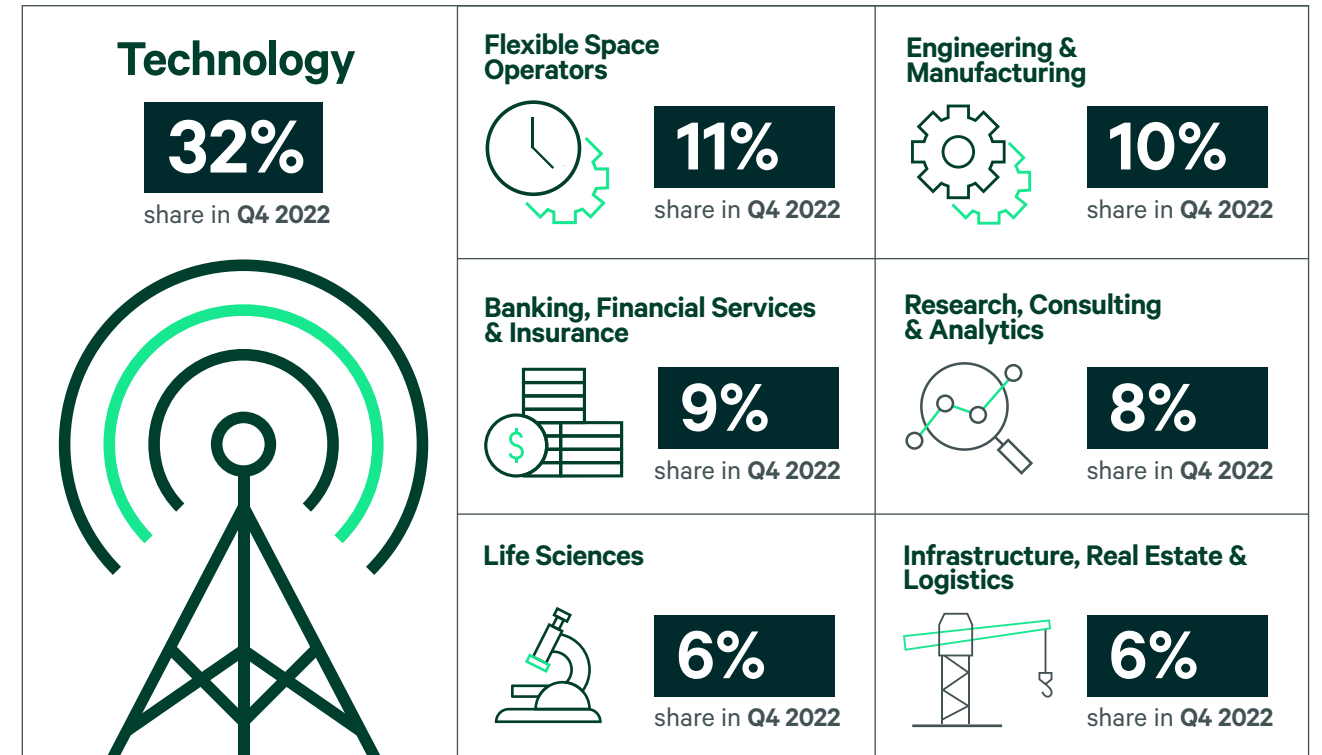


Source: CBRE Research, Q4 2022

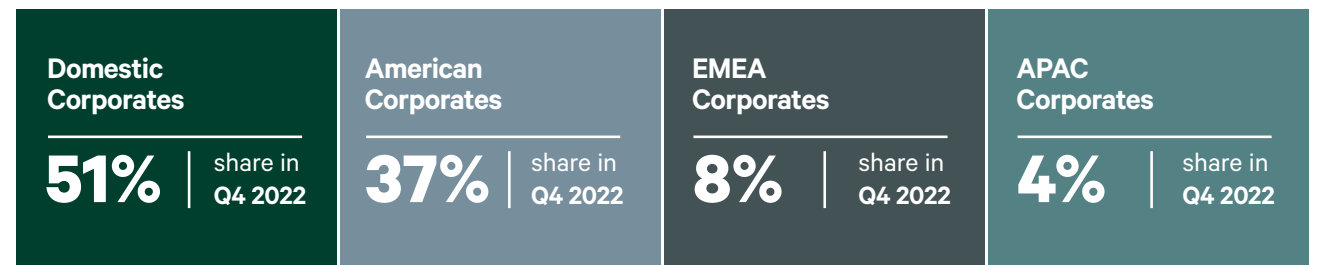
## OFFICE



### Key industry sectors that drove leasing activity



### Regional share in leasing activity



# Industrial & Logistics

Space take-up in 2022 almost touched the 2019 peak; supply addition picked up pace in Q4.



## LEASING ACTIVITY

**8%**  
Y-o-Y growth in leasing in 2022

**22%**  
Y-o-Y growth in space take-up in Q4 2022; 4% decline on a Q-o-Q basis

**59%**  
Cumulative share of Delhi-NCR, Mumbai and Bangalore in leasing activity in 2022

**62%**  
Total share of Mumbai, Kolkata and Bangalore in space take-up in Q4 2022

## SUPPLY

**18%**  
Y-o-Y fall in supply in 2022

**87%**  
Q-o-Q rise in warehouse completions in Q4 2022; 19% decline on a Y-o-Y basis

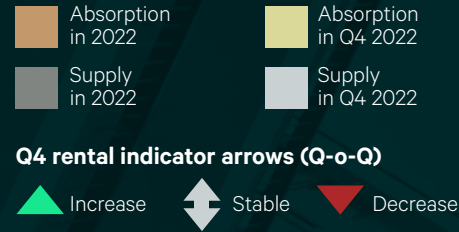
**64%**  
Combined share of Mumbai, Chennai, Kolkata and Bangalore in supply addition in 2022

**58%**  
Cumulative share of Delhi-NCR, Mumbai and Chennai in warehouse completions in Q4 2022

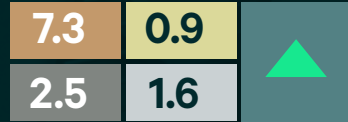
# India Market Monitor

**31.6** mn sq. ft. Absorption in 2022  
**9.2** mn sq. ft. Absorption in Q4 2022

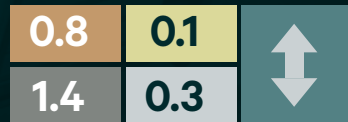
**20.9** mn sq. ft. Supply in 2022  
**7.2** mn sq. ft. Supply in Q4 2022



## Delhi-NCR



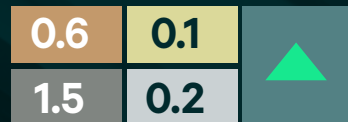
## Ahmedabad



## Mumbai



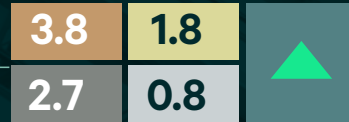
## Pune



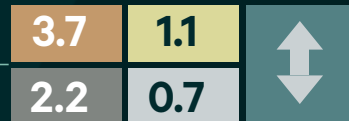
## Bangalore



## Kolkata



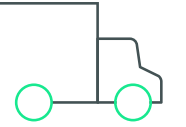
## Hyderabad



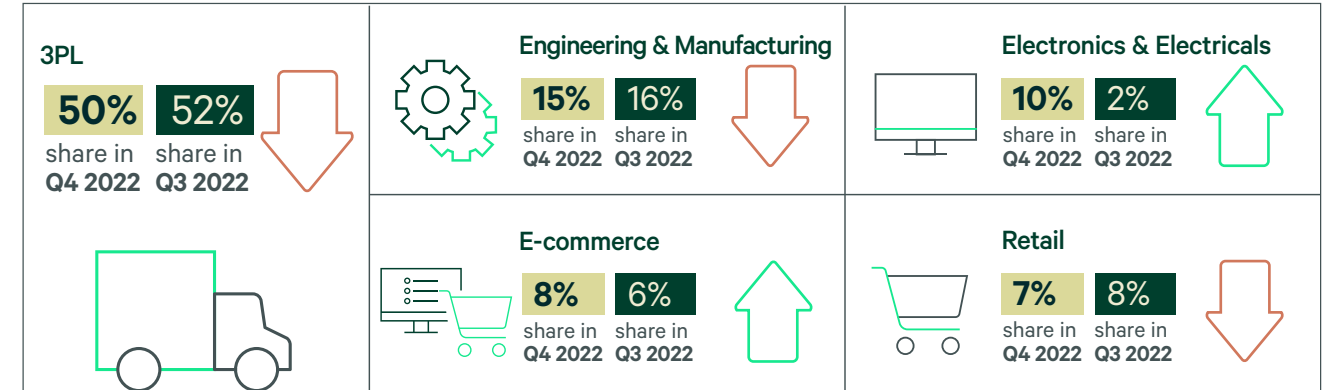
## Chennai



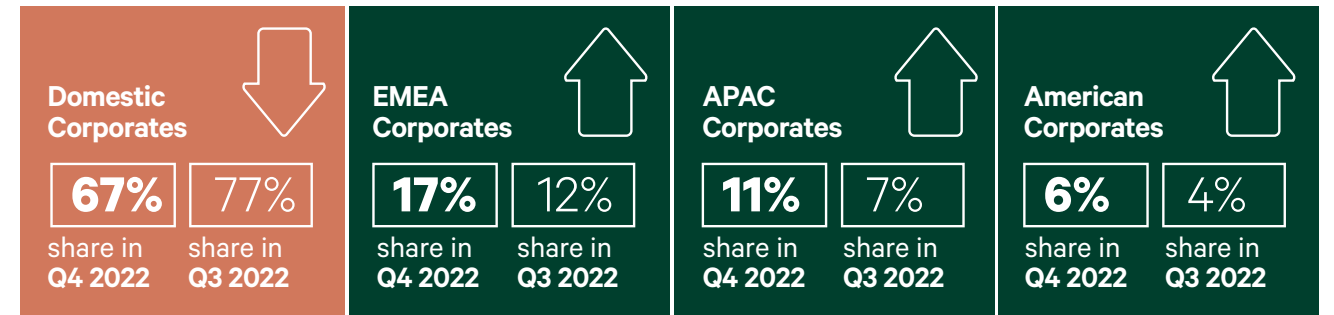
## INDUSTRIAL & LOGISTICS



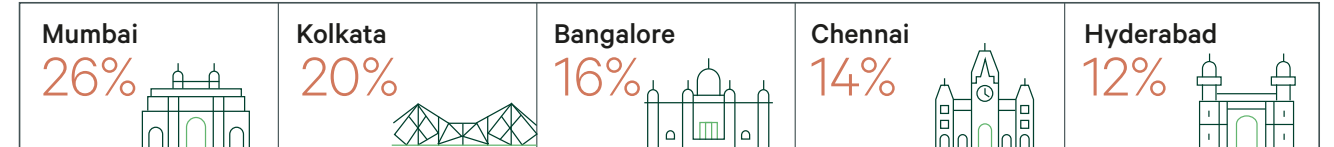
### Key sectors that dominated leasing



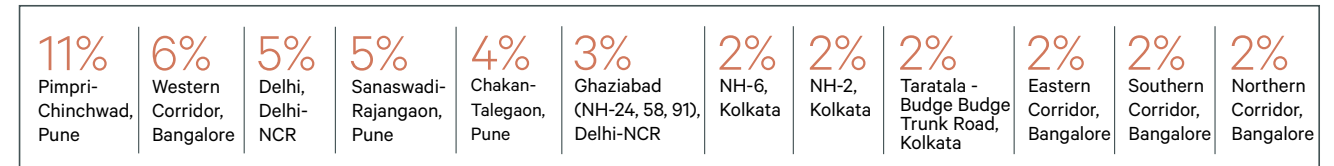
### Regional share in leasing activity



### Cities which led absorption in Q4



### Quarterly rental movement – Growth witnessed mainly in Pune, Delhi-NCR, Bangalore and Kolkata



Source: CBRE Research, Q4 2022  
 Please note that the numbers have been rounded off and might not add up to the exact total





# Retail

Leasing activity touched a new high in 2022; despite global headwinds, space take-up expected to strengthen further given the strong supply pipeline lined up for 2023.



## LEASING ACTIVITY

21%

Y-o-Y growth in leasing in 2022

79%

Q-o-Q growth in space take-up in Q4 2022, but a Y-o-Y decline of nearly 32%

61%

Cumulative share of Bangalore and Delhi-NCR in leasing activity in 2022

77%

Total share of Bangalore, Delhi-NCR and Chennai in space take-up in Q4 2022

## SUPPLY

57%

Y-o-Y decline in supply in 2022

65%

Y-o-Y fall in mall completions in Q4 2022

86%

Share of Bangalore in supply addition in 2022, followed by Pune (14%)

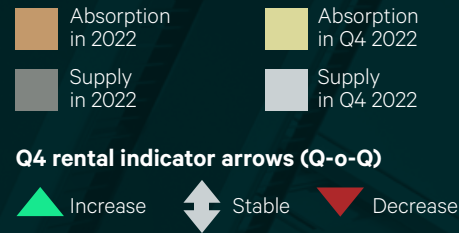
79%

Share of Bangalore in mall completions in Q4 2022, followed by Pune (21%)

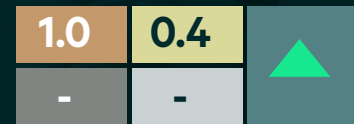
# India Market Monitor

**4.7** mn sq. ft. Absorption in 2022  
**1.6** mn sq. ft. Absorption in Q4 2022

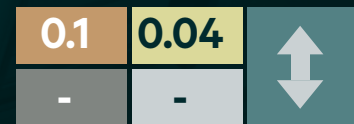
**1.4** mn sq. ft. Supply in 2022  
**1.0** mn sq. ft. Supply in Q4 2022



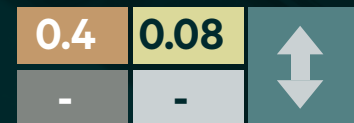
## Delhi-NCR



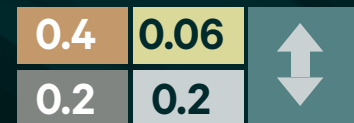
## Ahmedabad



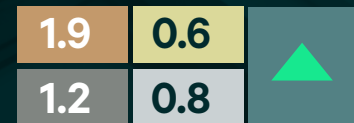
## Mumbai



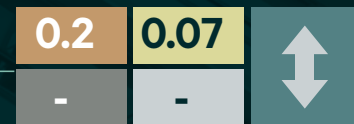
## Pune



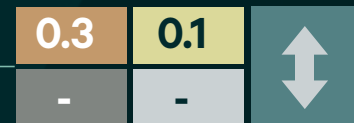
## Bangalore



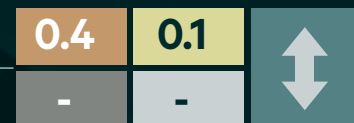
## Kolkata



## Hyderabad



## Chennai

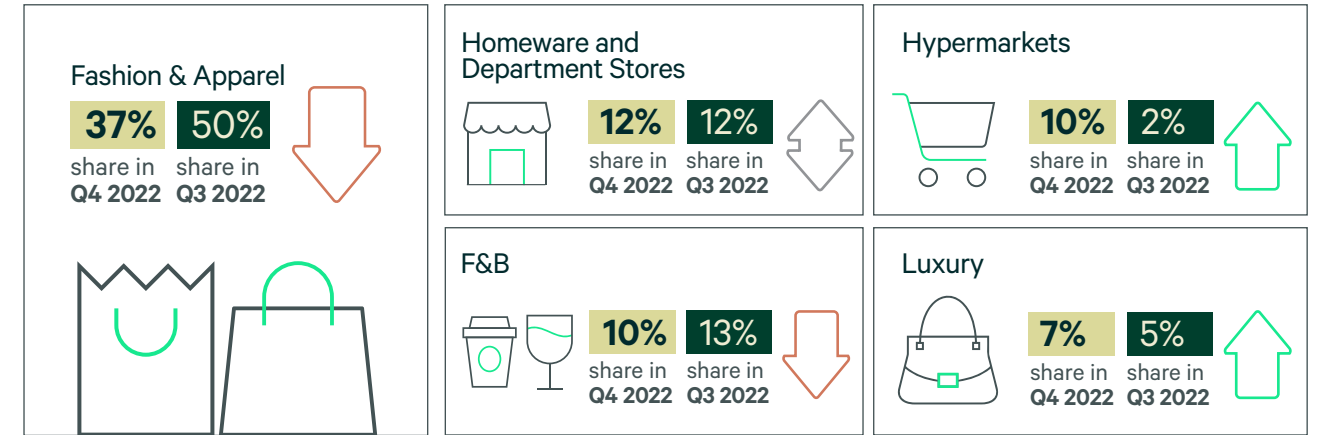


Source: CBRE Research, Q4 2022  
 Please note that the numbers have been rounded off and might not add up to the exact total

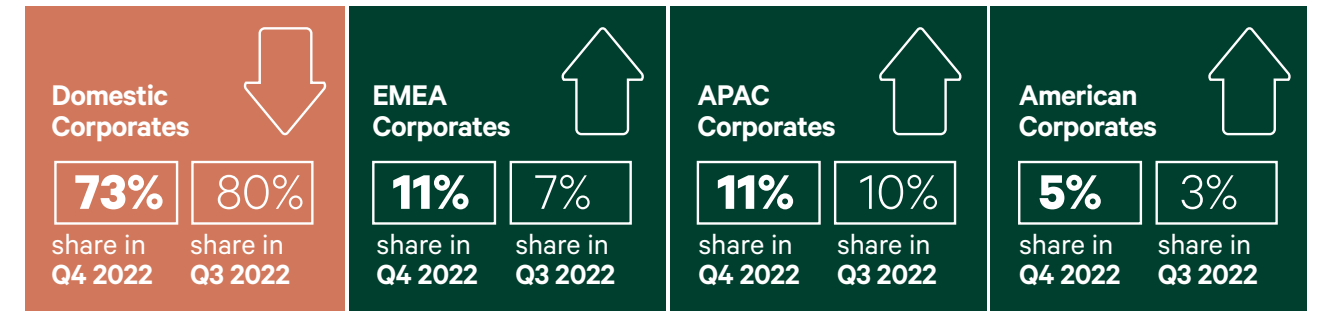
## RETAIL



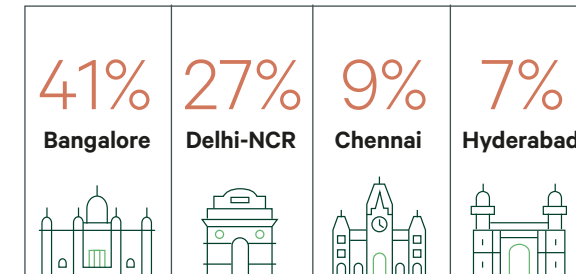
### Key sectors that drove leasing activity



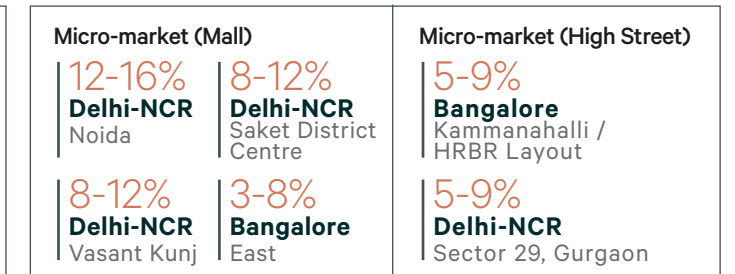
### Regional share in leasing activity



### Cities which led absorption in Q4



### Quarterly rental movement – Growth witnessed in select pockets of Delhi-NCR and Bangalore



# Residential

The year 2022 ended on a strong note, with sales climbing to an all-time high and unit launches touching a decadal peak.



## SALES ACTIVITY

46%

Y-o-Y growth in sales in 2022

12%

Y-o-Y growth in sales activity in Q4 2022; 8% decline on a Q-o-Q basis

62%

Cumulative share of Pune, Mumbai and Delhi-NCR in sales in 2022

63%

Total share of Pune, Mumbai and Hyderabad in sales activity in Q4 2022

51%

Share of mid-end category in number of units sold in 2022, followed by affordable and high-end projects

## UNIT LAUNCHES

50%

Y-o-Y rise in unit launches in 2022

13%

Y-o-Y rise in unit launches in Q4 2022; 10% decline on a Q-o-Q basis

71%

Combined share of Mumbai, Hyderabad and Pune in unit launches in 2022

72%

Cumulative share of Mumbai, Hyderabad and Pune in apartment launches in Q4 2022

# India Market Monitor

~295,000  
Sales in 2022

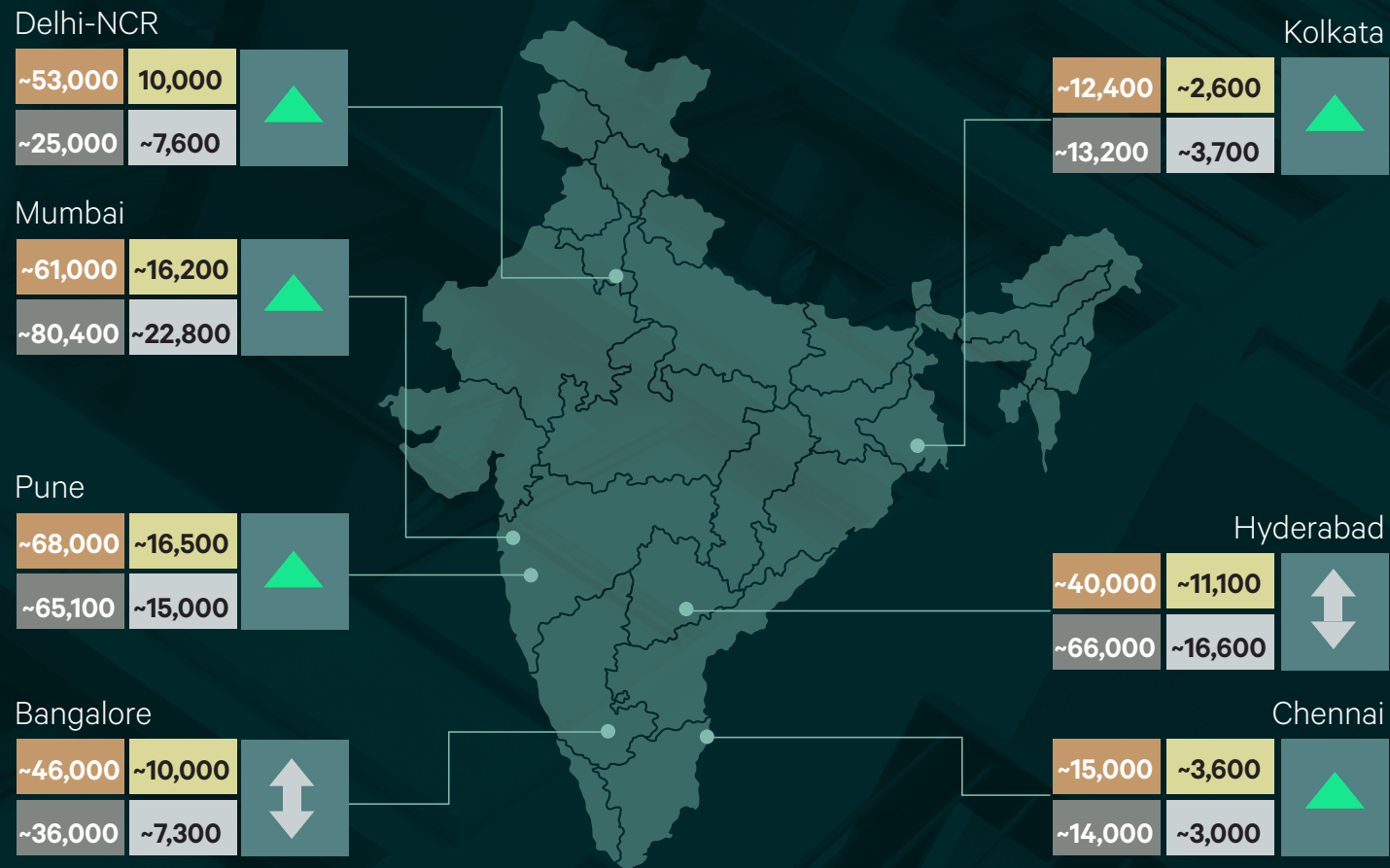
~70,000  
Sales in Q4 2022

~300,000  
Unit launches in 2022

~76,000  
Unit launches in Q4 2022

■ Sales in 2022 (no. of units)  
■ Sales in Q4 2022 (no. of units)  
■ Unit launches in 2022 (no. of units)  
■ Unit launches in Q4 2022 (no. of units)

**Q4 CV\* indicator arrows (Q-o-Q)**  
▲ Increase    ↕ Stable    ▼ Decrease



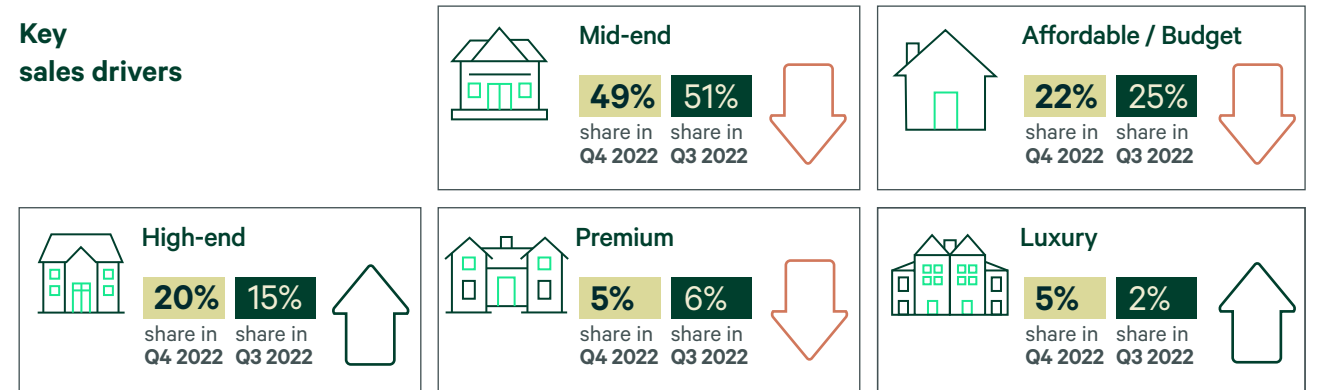
Source: CBRE Research, Q4 2022  
Please note that the numbers have been rounded off and might not add up to the exact total

\*Capital value

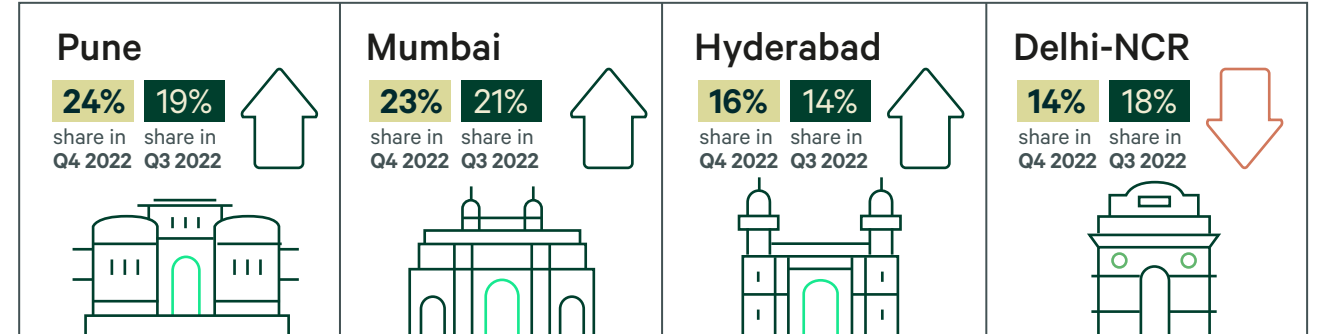
## RESIDENTIAL



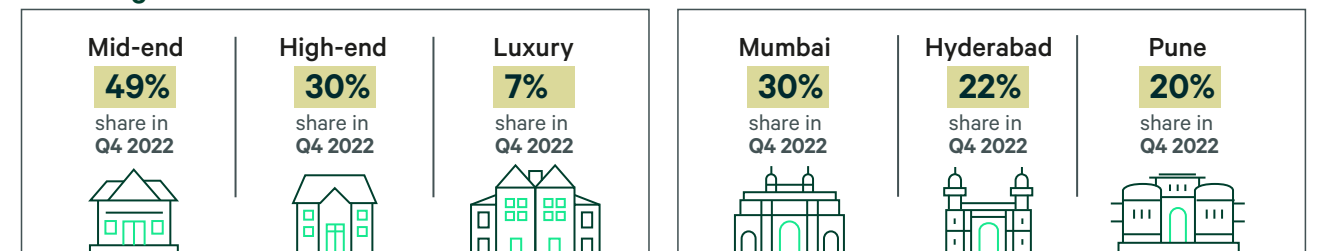
### Key sales drivers



### Cities that drove sales



### Prevailing trends in unit launches in Q4



# Investments

Investment activity in real estate surged to an all-time high in 2022; we expect steady capital inflows in the sector in 2023 as well, but investor caution is likely given recessionary fears in the US and Europe.



# India Market Monitor

USD 7.8 billion

Overall capital flows in 2022, up by 32% Y-o-Y

USD 2.3 billion

Overall capital flows in Q4 2022, up 64% Q-o-Q and 115% Y-o-Y

Equity investments in Indian real estate over the years

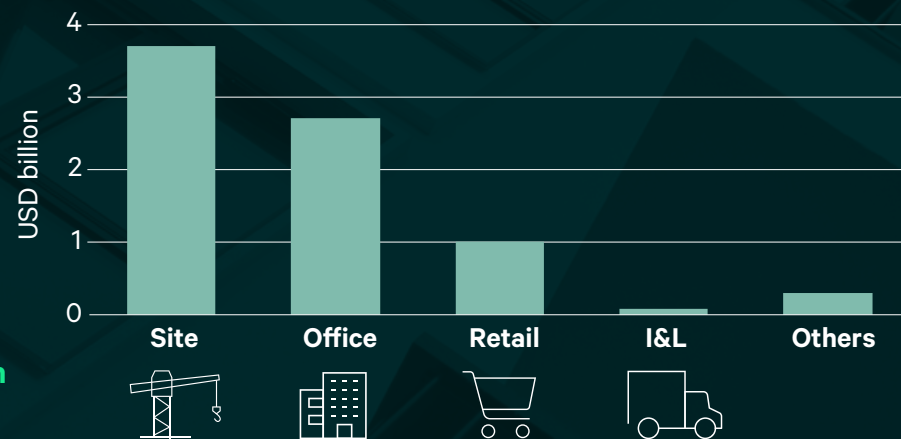


Source: CBRE Research, Q4 2022

48%

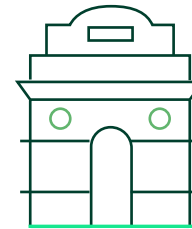
Share of land/development sites, which dominated investments in 2022; followed by the office sector (35%)

Asset-wise share of investments in 2022



Source: CBRE Research, Q4 2022

## INVESTMENTS



Delhi-NCR overtook Mumbai with the highest share of investments; cumulatively, the two cities accounted for over

56%

of the investments in 2022



Institutional Investors led 2022 investment activity with a share of nearly

51%

followed by developers (32%)



Institutional investors continued to infuse equity in a mix of greenfield and brownfield assets, whereas developers remained primarily focused towards greenfield investments



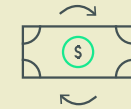
57%

Share of foreign investors in the total investment volume in 2022.; investors from **Canada (23%)** and the **US (15%)** collectively pumped in nearly 37% of the capital



43%

share of domestic investors



44%

of the total capital inflows in site / land acquisitions during 2022 were deployed for **residential developments**, while 25% were committed for mixed-use developments



# Outlook

A CBRE take on how the real estate dynamics can pan out in the future.

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# India Market Monitor



## Office

Likelihood of a slowdown in the new year in a few developed economies could hurt profitability especially in the technology sector. However, the full impact of these challenges on global corporates' leasing decisions is yet undetermined.

Moreover, India's cost-effectiveness and abundance of talent could lead to normalization of leasing activity over the year, although it would remain lower than the 2022 peak. Consequently, the growth of new GCC setups and expansion of existing centers by global firms would persist in the medium to long term.

Development completions owing to a strong supply pipeline might be higher in 2023, causing vacancy rates to remain range-bound.

Workplace quality and experience as well as employee engagement to remain a focus area as the workforce looks to strike a balance between office-based and remote work styles.

In order to ramp up their RTO plans, occupiers are likely to formulate relevant RTO and hybrid working policies, identify new work styles and gauge employees' preferences through surveys.



## Industrial & Logistics

Leasing is likely to remain range-bound in 2023, driven by sustained demand from 3PL, engineering & manufacturing, and retail firms.

Supply is expected to exceed the 2022 levels and be in line with space take-up due to project completions by organised players.

Rental growth is likely to continue in certain core micro-markets driven by high-quality project completions and the supply-demand imbalance.

Although relatively low on impact as compared to the past two years, supply chain pressures are expected to fluctuate in 2023; therefore, corporates are likely to continue to focus on deploying multisourcing strategies and nearshoring / friend-shoring of operations.

We expect the actual impact of policy measures such as the National Logistics Policy to reflect this year; we also anticipate the government to continue with its reformist stance with a special focus on port infrastructure.



## Retail

Leasing likely to strengthen further, given the strong supply pipeline and domestic demand, although global headwinds might cause a short-term anomaly.

Entry of more international brands, especially in the F&B space, likely while expansionary demand from domestic brands to continue.

Tier II, III and even IV locations to gain traction in terms of supply addition and demand as retailers and landlords look to leverage the spending power of these towns and cities.

Hybrid shopping focusing on the convergence of offline and online likely to remain a key retailer strategy.

Domestic brands to strengthen their presence across all retail categories, with consolidation, acquisition and partnerships remaining key to their expansion strategies.



## Residential

Strong project pipeline amidst healthy demand and low unsold inventory levels could lead to a rise in capital values in select pockets, although the growth would be slower than that witnessed over the past year.

Higher capital values could impact purchase decisions primarily in the budget to mid-end segments, amidst the almost 2 percentage points rise in home loan rates in the past few quarters.

Projects with better amenities, focus on health and safety and clean surroundings to further gain an edge amidst evolving consumer preferences.

Listed players, specifically tier-I developers, could continue to deleverage / strengthen their balance sheets through positive cash flow generation and fund-raising activity; more players are expected to list their companies on bourses.



## Investments

Capital flows likely to remain steady; investors expected to remain cautious amidst recessionary fears in the US and Europe.

The year 2023 could see the listing of India's first retail REIT, which would widen investment avenues for investors.

While a few large institutional investors with a strong presence in the office sector in India could diversify their portfolios by including I&L, retail and DC assets, we could also see the entry of some new investors in the Indian RE landscape.

Partnership models could gain prominence to mitigate risk and navigate operational challenges, especially amidst external uncertainties.

Higher financing costs amidst elevated levels of policy rates due to sticky inflation could impact returns in the short-term.



# Contacts

## RESEARCH

### Abhinav Joshi

Head of Research, India, Middle East and North Africa  
abhinav.joshi@cbre.co.in

### Sachi Goel

Head of South Research Operations - India  
sachi.goel@cbre.co.in

### Pradeep Nair

Senior General Manager  
pradeep.nair@cbre.com

### Vineet Sharma

General Manager  
vineet.sharma1@cbre.com

### Vidhi Dheri

Head of North and West Research Operations - India  
vidhi.dheri@cbre.co.in

### Raaj Thilak Raveendran

Senior General Manager  
raajthilak.raveendran@cbre.co.in

### Uttara Nilawar

Senior General Manager  
uttara.nilawar@cbre.co.in

### Priya Verma

Deputy General Manager  
priya.verma@cbre.com

## GLOBAL RESEARCH

### Richard Barkham, Ph.D., MRICS

Global Chief Economist & Head of Research  
richard.barkham@cbre.com

### Henry Chin

Global Head of Investor Thought Leadership & Head of Research, APAC  
henry.chin@cbre.com.hk

### Julie Whelan

Global Head of Occupier Thought Leadership  
julie.whelan@cbre.com

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# Business Line Contacts

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## ADVISORY & TRANSACTIONS

### Ram Chandnani

Managing Director,  
Advisory & Transaction Services, India  
ram.chandnani@cbre.co.in

## CONSULTING & VALUATION

### Rami Kaushal

Managing Director,  
Consulting & Valuations, India,  
Middle East & Africa  
rami.kaushal@cbre.co.in

## GLOBAL WORKPLACE SOLUTIONS

### Rajesh Pandit

Managing Director,  
Global Workplace Solutions, India &  
Property Management, India,  
SE Asia, Middle East & North Africa  
rajesh.pandit@cbre.co.in

## PROJECT MANAGEMENT

### Gurjot Bhatia

Managing Director,  
Project Management, India,  
SE Asia, Middle East & Africa  
gurjot.bhatia@cbre.co.in

## CAPITAL MARKETS

### Gaurav Kumar

Managing Director & Co-Head,  
Capital Markets, India  
gaurav.kumar@cbre.co.in

## CAPITAL MARKETS

### Nikhil Bhatia

Managing Director & Co-Head,  
Capital Markets, India  
nikhil.bhatia@cbre.co.in

## OPERATIONS

### Rajat Gupta

Managing Director, Operations, India  
rajat.gupta@cbre.com

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