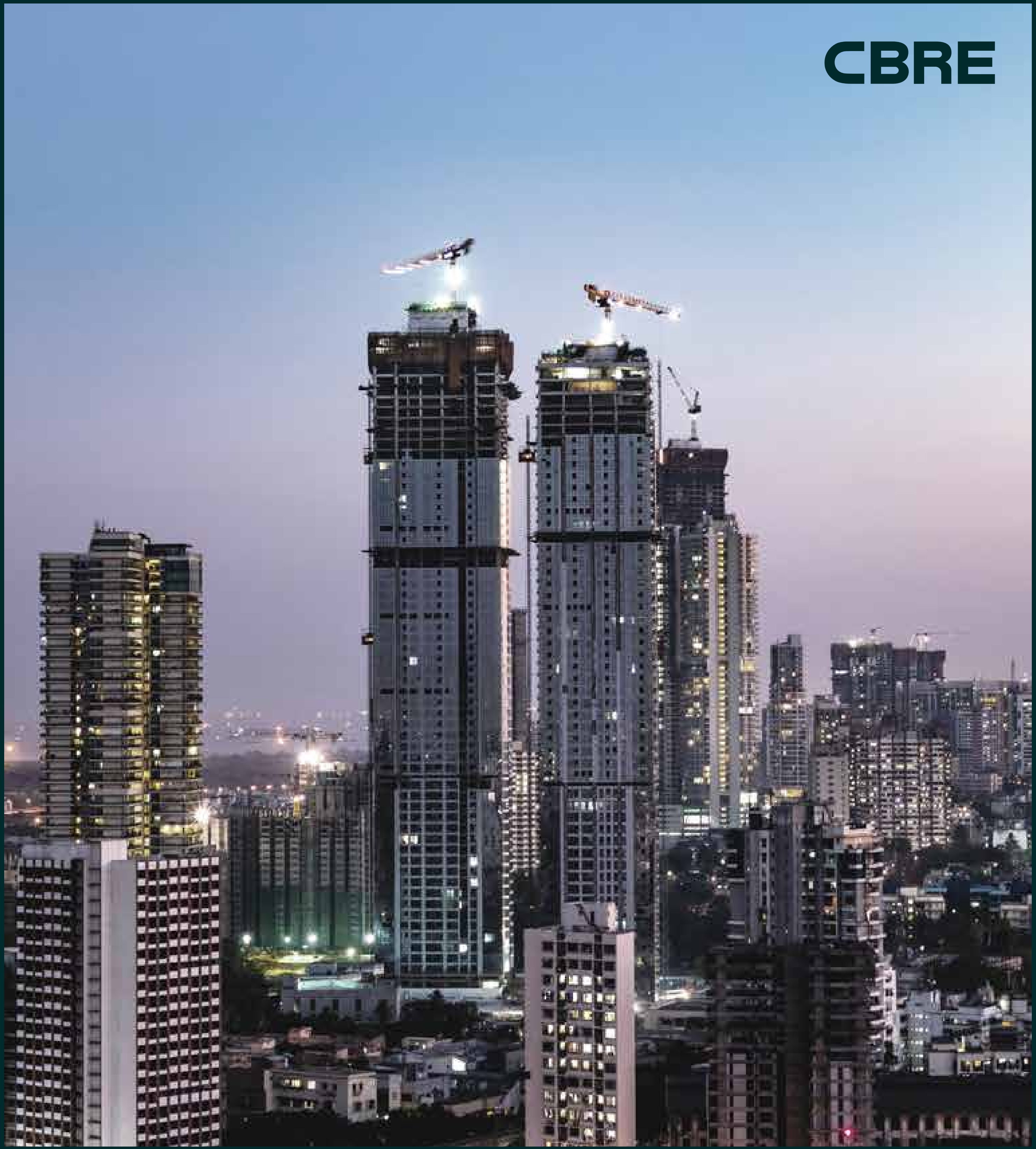
Intelligent Investment

India Market Monitor Q3 2022

REPORT

CBRE RESEARCH

NOVEMBER 2022



Economy

While the outlook for growth of the Indian economy has been moderated owing to tightening monetary conditions and recessionary global headwinds, its strong macro fundamentals are expected to ensure that it remains one of the key drivers of global growth

India Market Monitor

ECONOMY

13.5%

India's GDP growth in Q2 2022

Continued tightening in domestic financial conditions and recessionary forces 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

7% RBI

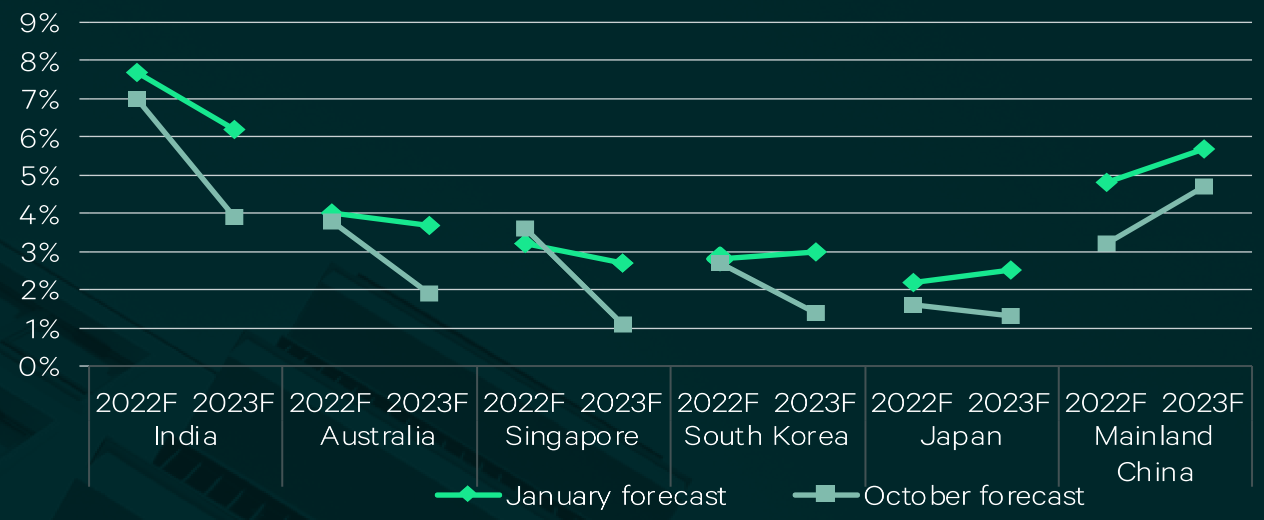
7.3% S&P

6.8% IMF

6.5% World Bank

7% CBRE

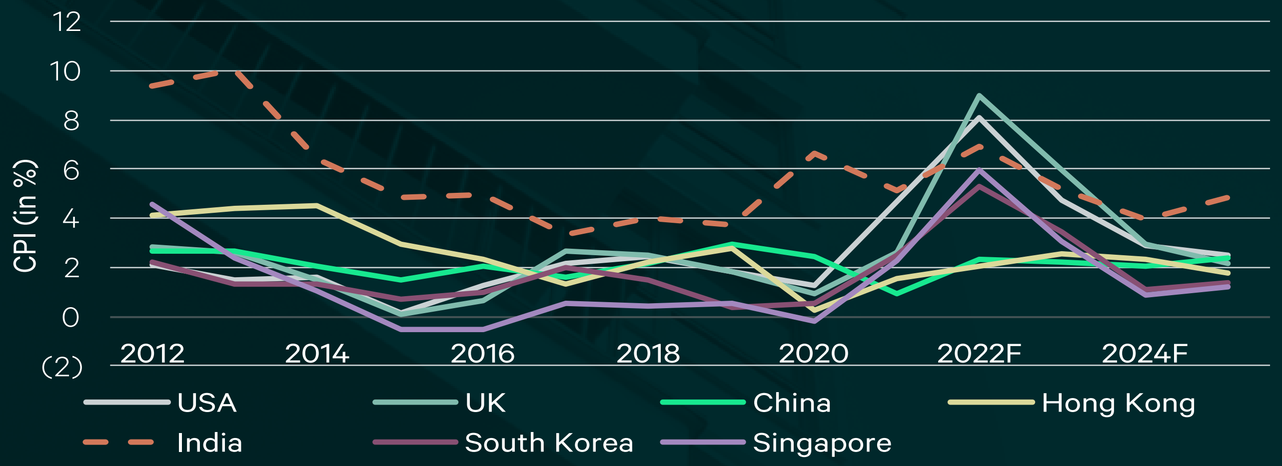
Revised GDP rates for key APAC economies



Source: CBRE House View (January and October 2022)

7.4% Retail inflation in September 2022, up from 7% in August 2022.

Inflationary trends likely to persist in 2022



Source: CBRE House View for October 2022

Market Performance in Q3 2022

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ECONOMY

5.9%

Current repo rate after the central bank increased it by 50 bps in September 2022

Key policy steps in Q3 2022

- National Logistics Policy approved
- REITs and InvITs allowed to issue commercial papers
- PMAY (Urban) extended until December 2022
- Energy Conservation (Amendment) Bill, 2022 passed in Lok Sabha

How key high-frequency indicators fared in Q3 2022

- PMI manufacturing remained in expansion zone but dropped in September owing to global headwinds
- In Q3, total passenger vehicle sales stood at more than 1 million units, compared to 0.9 million in Q2
- Bank credit deployment up 15.5% Y-o-Y in August 2022, compared to 6.7% growth in the same period in 2021. Credit deployment in commercial real estate grew by 4.8% Y-o-Y during August; deployment in NBFCs (including HFCs) also up substantially – an allusion to pent-up demand being released into the market
- PMI services sector remained in the positive zone but was on a declining trajectory owing to slow new business inflows and inflationary pressures
- India's GST collections surged by 26% Y-o-Y in September, marking the seventh consecutive month of the revenue exceeding the INR 1.4-lakh crore mark

Three key risks to the Indian economy going forward

Soaring global inflation: Impact visible on India where CPI has remained above the RBI's tolerance limit; volatility in crude oil prices could also lead to a high import bill

Weak currency: The Indian currency crossed the 80-mark versus the US dollar at the start of October. A weaker Rupee would raise the cost of imports, including fuel, thus enhancing inflationary pressures

Pressure on consumption: A medium-term risk that could be a result of elevated price pressures and a probable muted wage rise owing to global recessionary forces

Office

Compared to 9M 2021, the office sector witnessed a significant recovery in leasing activity in 9M 2022 with the easing of COVID-19 restrictions, a gradual acceleration of return to office (RTO), expansion by occupiers and the release of post-pandemic pent-up demand

30%
Q-o-Q fall in leasing in Q3 2022

43%
Q-o-Q drop in supply in Q3 2022

~35.6 mn sq. ft.
Total supply addition in 9M 2022, a growth of 4% Y-o-Y

~42.1 mn sq. ft.
Leasing activity in 9M 2022, a rise of almost 66% Y-o-Y

65%
Cumulative share of Bangalore, Mumbai and Delhi-NCR in leasing activity in Q3 2022

62%
Combined share of Bangalore, Delhi-NCR and Hyderabad in the supply addition in Q3 2022

Rental recovery continued across several cities due to sustained recovery in leasing, moderating vacancy levels and persistent demand for investment-grade assets. Multiple micro-markets across Delhi-NCR, Mumbai, Chennai and Pune, in addition to NBD Manyata in Bangalore, witnessed a rental growth of **1-6% Q-o-Q**

Market Performance in Q3 2022

India Market Monitor

Absorption (in mn sq. ft.) | Supply (in mn sq. ft.)

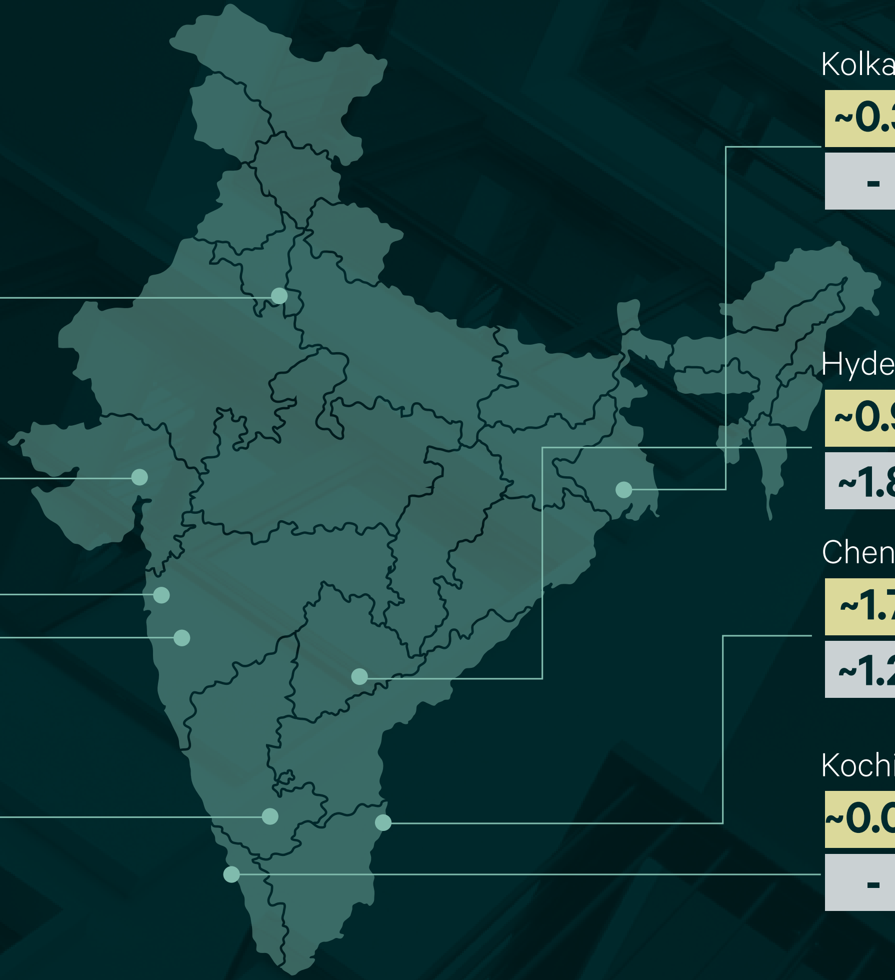
Rental indicator arrows (Q-o-Q)

Increase | Stable | Decrease

~12.7 mn sq. ft.
Absorption in Q3 2022

~9.5 mn sq. ft.
Supply in Q3 2022

City	Absorption (in mn sq. ft.)	Supply (in mn sq. ft.)	Rental indicator (Q-o-Q)
Delhi-NCR	~2.1	~1.9	Increase
Ahmedabad	~0.6	~1.3	Stable
Mumbai	~2.2	~0.7	Increase
Pune	~1.0	~0.4	Increase
Bangalore	~3.9	~2.2	Stable
Kolkata	~0.3	-	Stable
Hyderabad	~0.9	~1.8	Stable
Chennai	~1.7	~1.2	Increase
Kochi	~0.01	-	Stable



Source: CBRE Research, Q3 2022

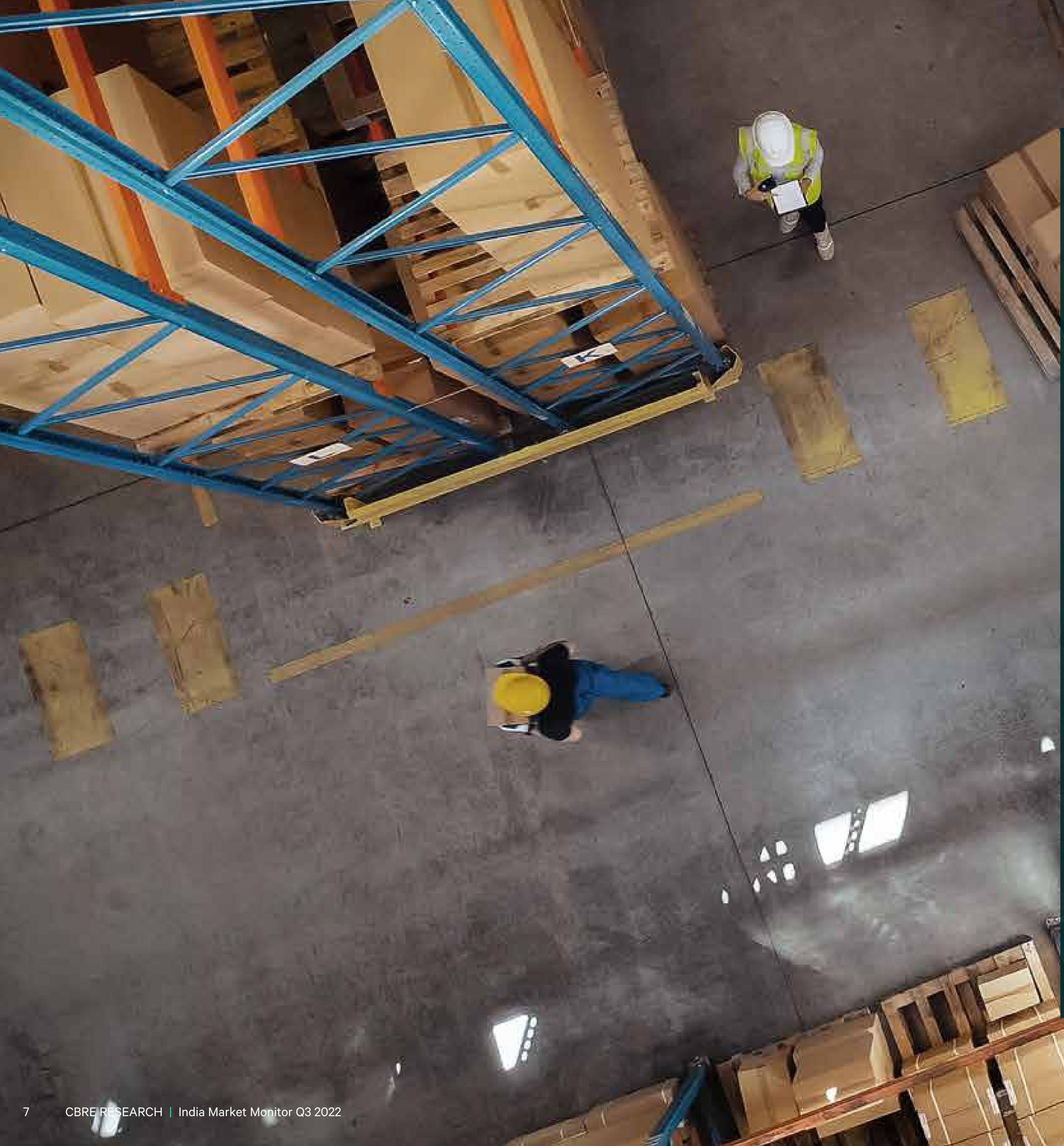
OFFICE

Key industry sectors that drove leasing activity

Sector	Share in Q3 2022
Technology	24%
Flexible Space Operators	23%
Banking, Financial Services & Insurance	20%
Engineering & Manufacturing	13%
Research, Consulting & Analytics	5%
Life Sciences	3%
E-commerce	1%

Regional share in leasing activity

Domestic Corporates	American Corporates	EMEA Corporates	APAC Corporates
64% share in Q3 2022	20% share in Q3 2022	13% share in Q3 2022	3% share in Q3 2022



Industrial & Logistics

Leasing activity picks up in Q3 2022, a nod towards the resilience of the Indian I&L sector. Supply addition remains slow but likely to pick up in the coming quarters

40%
Q-o-Q rise and 18% Y-o-Y growth in leasing in Q3 2022

30%
Q-o-Q drop and nearly 50% Y-o-Y fall in supply in Q3 2022

~22 mn sq. ft.
Leasing activity in 9M 2022, almost stable on a Y-o-Y basis

~13 mn sq. ft.
Total supply addition in 9M 2022, a drop of nearly 23% on a Y-o-Y basis

57%
Cumulative share of Delhi-NCR and Mumbai in leasing activity in Q3 2022

68%
Combined share of Bangalore, Chennai and Hyderabad in the supply addition in Q3 2022

Market Performance in Q3 2022

India Market Monitor

INDUSTRIAL & LOGISTICS

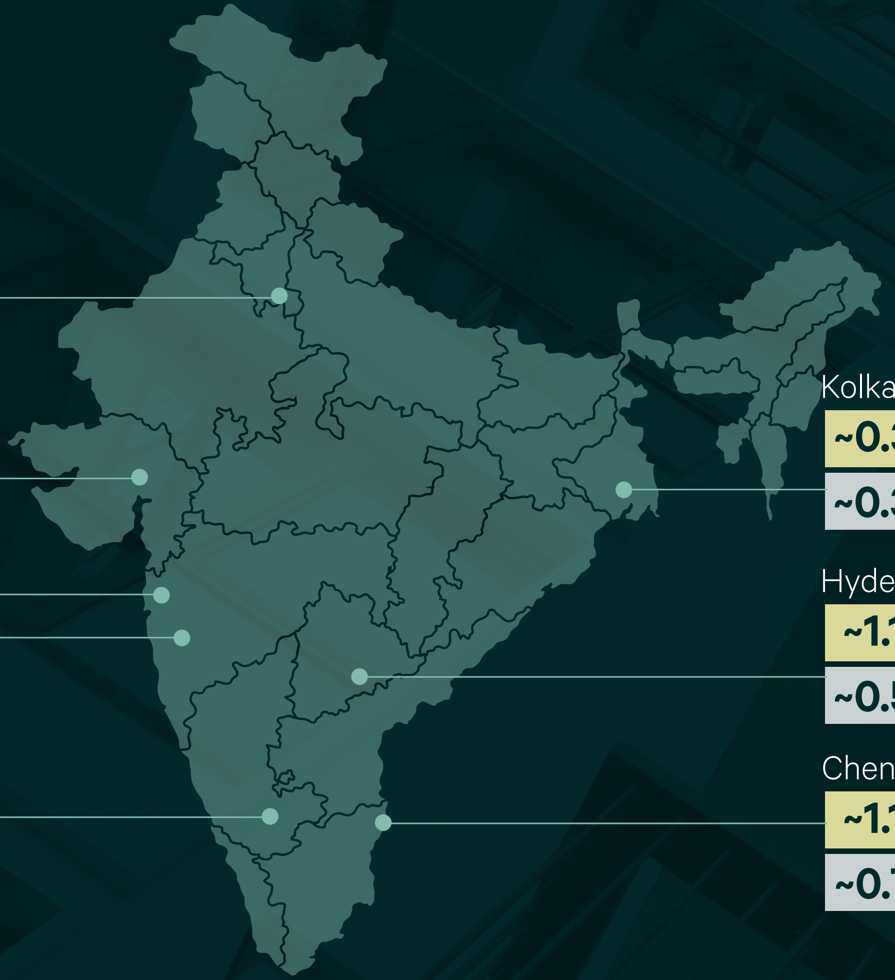
Absorption (in mn sq. ft.) | Supply (in mn sq. ft.)

Rental indicator arrows (Q-o-Q)

Increase | Stable | Decrease

~9.2 mn sq. ft. Absorption in Q3 2022

~2.9 mn sq. ft. Supply in Q3 2022



City	Absorption (in mn sq. ft.)	Supply (in mn sq. ft.)	Rental indicator (Q-o-Q)
Delhi-NCR	~3.7	~0.2	Increase
Ahmedabad	~0.1	-	Stable
Mumbai	~1.6	~0.4	Stable
Pune	~0.2	-	Increase
Bangalore	~1.1	~0.8	Increase
Kolkata	~0.3	~0.3	Increase
Hyderabad	~1.1	~0.5	Stable
Chennai	~1.1	~0.7	Stable

Source: CBRE Research, Q3 2022

Key sectors that drove demand

Sector	Share in Q3 2022	Share in Q2 2022	Trend
3PL	50%	57%	Decrease
Engineering & Manufacturing	17%	17%	Stable
Retail	9%	5%	Increase
E-commerce	7%	3%	Increase
FMCG	4%	3%	Increase

Regional share in leasing activity

Occupier	Share in Q3 2022	Share in Q2 2022	Trend
Domestic Corporates	77%	74%	Increase
EMEA Corporates	13%	12%	Increase
APAC Corporates	6%	7%	Decrease
American Corporates	4%	7%	Decrease

Cities which led absorption in Q3

Delhi-NCR	Mumbai	Hyderabad	Chennai	Bangalore
40%	17%	12%	12%	12%

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

Pimpri-Chinchwad, Pune	Chakan-Talegaon, Pune	Delhi, Delhi-NCR	Western Corridor, Bangalore	NH-6, Kolkata	Gurgaon (NH-8), Delhi-NCR	NH-2, Kolkata	Southern Corridor, Bangalore	Northern Corridor, Bangalore
15%	6%	5%	3%	3%	2%	2%	2%	2%

Retail

Sustained leasing activity witnessed; festive season likely to spur further demand in the short term, while international players would continue to view India as a growth market

39%
Y-o-Y growth but 37% Q-o-Q drop in leasing in Q3 2022

102%
Q-o-Q and **1% Y-o-Y increase in supply in Q3 2022**

~79%
Cumulative share of **Hyderabad, Delhi-NCR, Mumbai and Bangalore** in leasing activity in Q3 2022

~1.3 mn sq. ft.
Total supply addition in 9M 2022, a growth of almost 110% Y-o-Y

~3.4 mn sq. ft.
Leasing activity in 9M 2022, a **rise of almost 114% Y-o-Y**

Market Performance in Q3 2022

India Market Monitor

RETAIL

Absorption (in mn sq. ft.) Supply (in mn sq. ft.)

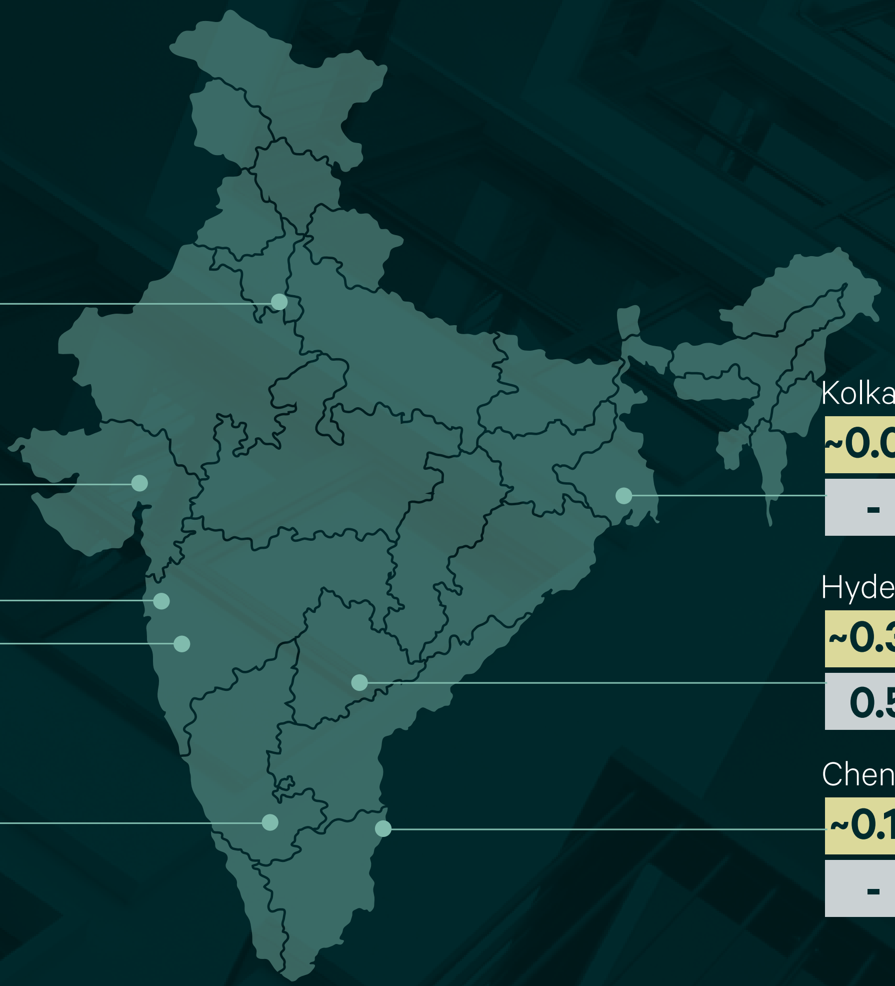
Rental indicator arrows (Q-o-Q)

Increase Stable Decrease

~1.1 mn sq. ft.
Absorption in Q3 2022

~0.5 mn sq. ft.
Supply in Q3 2022

City	Absorption (in mn sq. ft.)	Supply (in mn sq. ft.)	Rental indicator (Q-o-Q)
Delhi-NCR	~0.27	-	Increase
Ahmedabad	~0.01	-	Increase
Mumbai	~0.14	-	Increase
Pune	~0.04	-	Stable
Bangalore	~0.13	-	Stable
Kolkata	~0.05	-	Stable
Hyderabad	~0.31	0.5	Stable
Chennai	~0.12	-	Stable



Source: CBRE Research, Q3 2022

Key sectors that drove leasing activity

Sector	Share in Q3 2022	Share in Q2 2022	Trend
Fashion & Apparel	46%	20%	Increase
F&B	13%	6%	Increase
Consumer Electronics	9%	4%	Increase
Homeware and Department Stores	8%	39%	Decrease
Luxury	5%	3%	Increase

Regional share in leasing activity

	Share in Q3 2022	Share in Q2 2022	
Domestic Corporates	73%	61%	Increase
EMEA Corporates	17%	35%	Decrease
American Corporates	9%	3%	Increase
APAC Corporates	1%	1%	Stable

Cities which led absorption

29%	25%	13%	12%
Hyderabad	Delhi-NCR	Mumbai	Bangalore

Quarterly rental movement – Growth witnessed in select pockets of Delhi-NCR, Ahmedabad and Mumbai

Micro-market	
Delhi Green Park	5-7%
Ahmedabad Prahlad Nagar	3-5%
Mumbai South	1-2%

Residential

The year 2022 likely to end on a high note for residential sector as it continues on its growth trajectory on account of strong homebuyer sentiments

50%
Y-o-Y growth but negligible Q-o-Q change in sales in Q3 2022

68%
Y-o-Y and 11% Q-o-Q increase in unit launches in Q3 2022

~222,000
No. of units sold in 9M 2022, a rise of almost 64% Y-o-Y

~222,000
No. of units launched in 9M 2022, a growth of almost 67% Y-o-Y

~74%
Cumulative share of Mumbai, Pune, Delhi-NCR and Bangalore in sales activity in Q3 2022

~67%
Total share of Mumbai, Hyderabad and Pune in unit launches in Q3 2022

~77%
Combined share of mid-end and affordable / budget categories in total sales during the quarter

Market Performance in Q3 2022

India Market Monitor

~76,000

Sales in Q3 2022

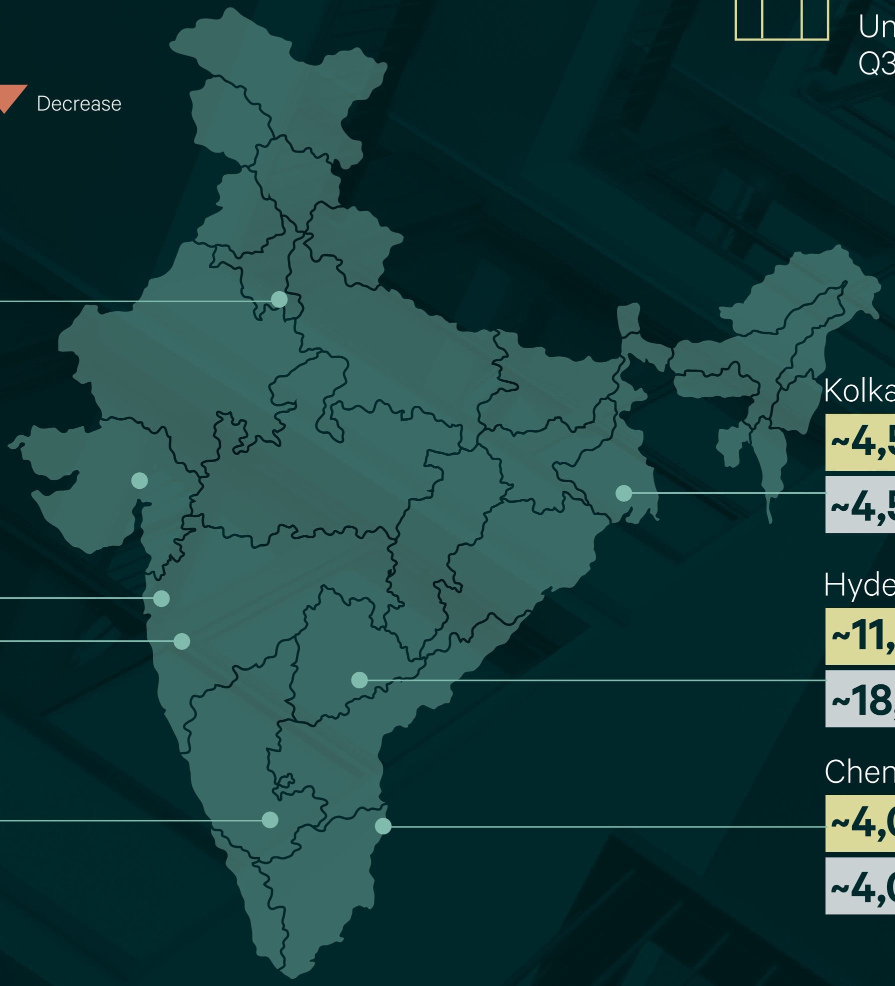
~85,000

Unit launches in Q3 2022

Sales | Unit launches

CV* indicator arrows (Q-o-Q)

Increase | Stable | Decrease



City	Sales	Unit launches
Delhi-NCR	~13,700	~9,000
Mumbai	~16,000	~25,000
Pune	~14,000	~14,100
Bangalore	~12,800	~10,200
Kolkata	~4,500	~4,500
Hyderabad	~11,000	~18,200
Chennai	~4,000	~4,000

Please note that only group housing projects from the organized segment with typically more than 50 apartment units have been considered for the analysis. Select peripheral locations in NCR and MMR have been excluded from the analysis.

*Capital value

Source: CBRE Research, Q3 2022

RESIDENTIAL

Key sales drivers

Segment	share in Q3 2022	share in Q2 2022
Mid-end	52%	52%
Affordable / Budget	25%	24%
High-end	15%	16%
Premium	6%	5%
Luxury	2%	3%

Cities that drove sales

City	share in Q3 2022	share in Q2 2022
Mumbai	21%	20%
Pune	18%	24%
Delhi-NCR	18%	19%
Bangalore	17%	14%

Prevailing trends in unit launches

Mid-end	Affordable / Budget	High-end
51% share in Q3 2022	27% share in Q3 2022	13% share in Q3 2022

Mumbai	Hyderabad	Pune
29% share in Q3 2022	21% share in Q3 2022	17% share in Q3 2022

Investments

Investments in real estate continued at a steady pace and could reach near the peak levels witnessed in 2019; however, the rising cost of capital might throw a spanner in this growth narrative

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USD 1.4 billion

Overall capital inflows in Q3 2022, up by 7% Y-o-Y, but down by 29% Q-o-Q

USD 5.3 billion

Total capital inflows in 9M 2022, up by nearly 10% Y-o-Y

Capital inflows in Indian real estate over the years

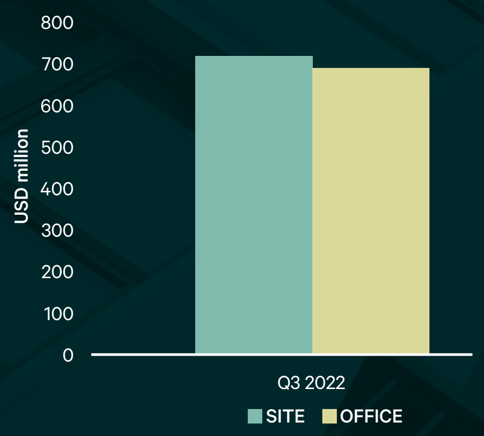
2018	USD 5.9 billion
2019	USD 6.3 billion
2020	USD 6.0 billion
2021	USD 5.9 billion
9M 2022	USD 5.3 billion

Source: CBRE Research, Q3 2022

51%

Share of land/development sites, which dominated investments; followed by built-up office assets (49%)

Asset-wise share of investments in Q3 2022



Source: CBRE Research, Q3 2022

INVESTMENTS

~66%

Cumulative share of Mumbai, Bangalore and Hyderabad in the total investment quantum in Q3 2022

Mumbai **Bangalore** **Hyderabad**

Institutional investors led investment activity with a share of nearly **59%** followed by developers (19%)

Institutional investors have infused equity in a mix of greenfield and brownfield assets, whereas developers remained primarily focused towards greenfield investments

51% Share of domestic investors in the total investment volume in Q3 2022. Foreign investors garnered the remaining share. Among them, investors from Singapore (24%), followed by Abu Dhabi (14%) pumped in major capital in India

~38% of the total capital inflows in site / land acquisitions during Q3 2022 were deployed for residential developments, while 30% was committed for the office sector

Outlook

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

Market Performance in Q3 2022

India Market Monitor

Outlook

Office	Sustained leasing activity expected in the coming quarters, although there could be some impact from global economic headwinds	Supply pipeline remains strong; sustained leasing to cause vacancy levels to fall slightly or remain range-bound	Global headwinds such as inflation and rising fit-out costs could cause occupiers to relook at their CapEx and real estate plans	Return to office to pick up pace but would remain punctuated by hybrid working; however, companies would need to clearly define their working models going forward
Industrial & Logistics	Leasing expected to remain range-bound at 28-32 mn sq. ft. in 2022, supply addition to pick up pace in Q4 to total 18-20 mn sq. ft. in the entire year	3PL to continue driving leasing activity; festive season to uplift the market sentiments of retail, e-commerce and manufacturing sectors which would positively impact space take-up	Despite easing global supply chain pressures, occupiers to continue following 'just-in-case' as well as 'just-in-time' strategies to remain prepared for any potential risks	Holistic policy initiatives such as PM GatiShakti, National Logistics Policy, etc. anticipated to transform the sector and bring it at par with global standards
Retail	Leasing to strengthen further in light of the festive season; supply addition to gain further momentum in Q4	Direct-to-consumer brands to lead the fray among demand drivers; entry of more international brands likely through both offline and online channels	Tier II, III and even IV locations to gain traction as retailers look to leverage the spending power of these towns and cities	Despite a robust supply pipeline, lack of ready quality supply, especially in prime locations, to impact retailer sentiments
Residential	Ongoing festive season and positive homebuyer sentiment to drive housing sales and new launches; however, a lagged impact of the ongoing monetary tightening on sales could be a key risk	In the likelihood of a moderating sales momentum, capital value rise could slow and remain selective	Decline in unsold inventory levels to continue in the short term	Increased traction expected in premium and luxury segments; however, mid-end and budget segments will still garner a dominant share in sales
Investments	Y-o-Y uptick of 5-10% likely in 2022; cumulative investments could cross the USD 6-billion mark	Churn in institutional shareholders of existing REITs anticipated as investors look to partially book profits	Platform-level deals between foreign investors and domestic property companies to gain momentum; to drive next phase of greenfield asset development	Monetary tightening measures to increase financing costs, thereby putting pressure on margins

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