



# reQ

Real Estate Quarterly

Q2 2023



Accelerating success.

# India – RE overview

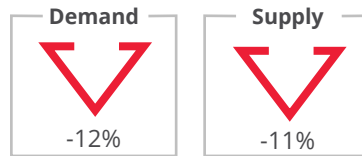
## Office

Office market leasing improved marginally during Q2 2023, with a YoY increase of 2% at 14.6 msf, as occupiers are slowly coming out from wait & watch mode. New Supply also increased by 32% YoY at 12.4 msf. Vacancy increased by 40 basis points on YoY basis at 17.4%.



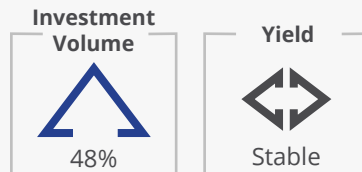
## Industrial

Industrial and warehousing demand stood at 4.0 msf in Q2 2023, a drop of 12% on YoY basis. 3PL players accounted for the highest share in demand at 29%. New Supply dipped 11% YoY, at 4.9 msf. Vacancy levels declined by 110 basis points YoY at 10.0%.



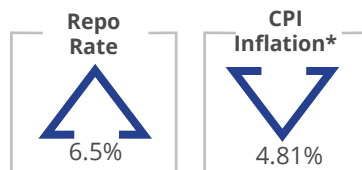
## Investment

In Q2 2023, Investment inflows witnessed a significant rise of 48% on YoY basis and stood at USD2.0 bn. The office sector continued to be the largest contributor, with 90% share.



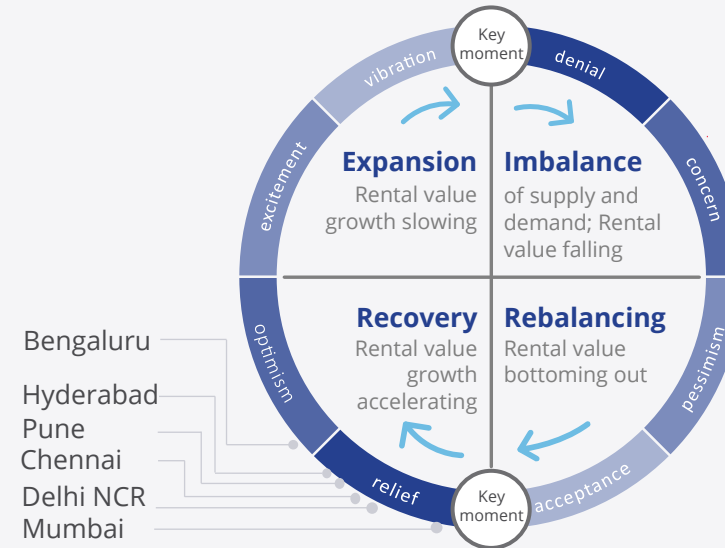
## Economic Indicators

In June 2023, the projection for real GDP growth remained unchanged for FY2024 at 6.5%. The repo rate too remained unchanged since the last hike in February 2023 at 6.5%, given the taming inflation levels. CPI inflation was at 4.81%, within RBI's threshold for the fourth consecutive month.

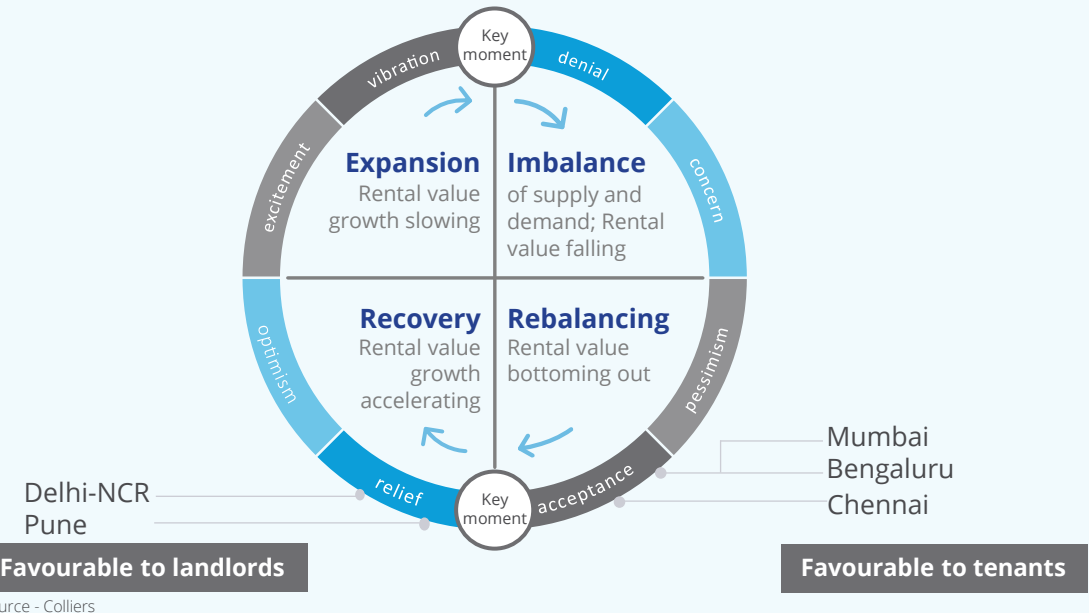


Note- Arrows indicate YoY change  
 \* Source: RBI, CPI inflation is as of June 2023  
 Source - Colliers

## Office markets : Position in property circle



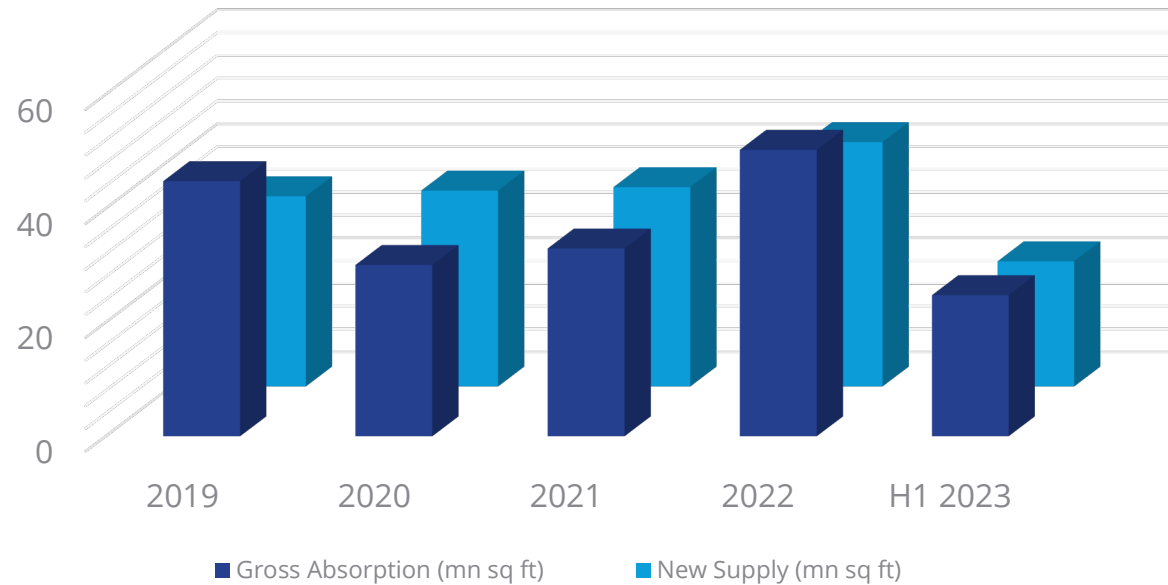
## Industrial & logistics markets : Position in property circle



Source - Colliers

# India – Office market update

## Demand-Supply dynamics



Demand increased marginally, while there was a substantial rise in Supply on YoY basis.

### Notes -

>Data pertains to Grade A office buildings

>YTD: Jan-Jun 2023 period

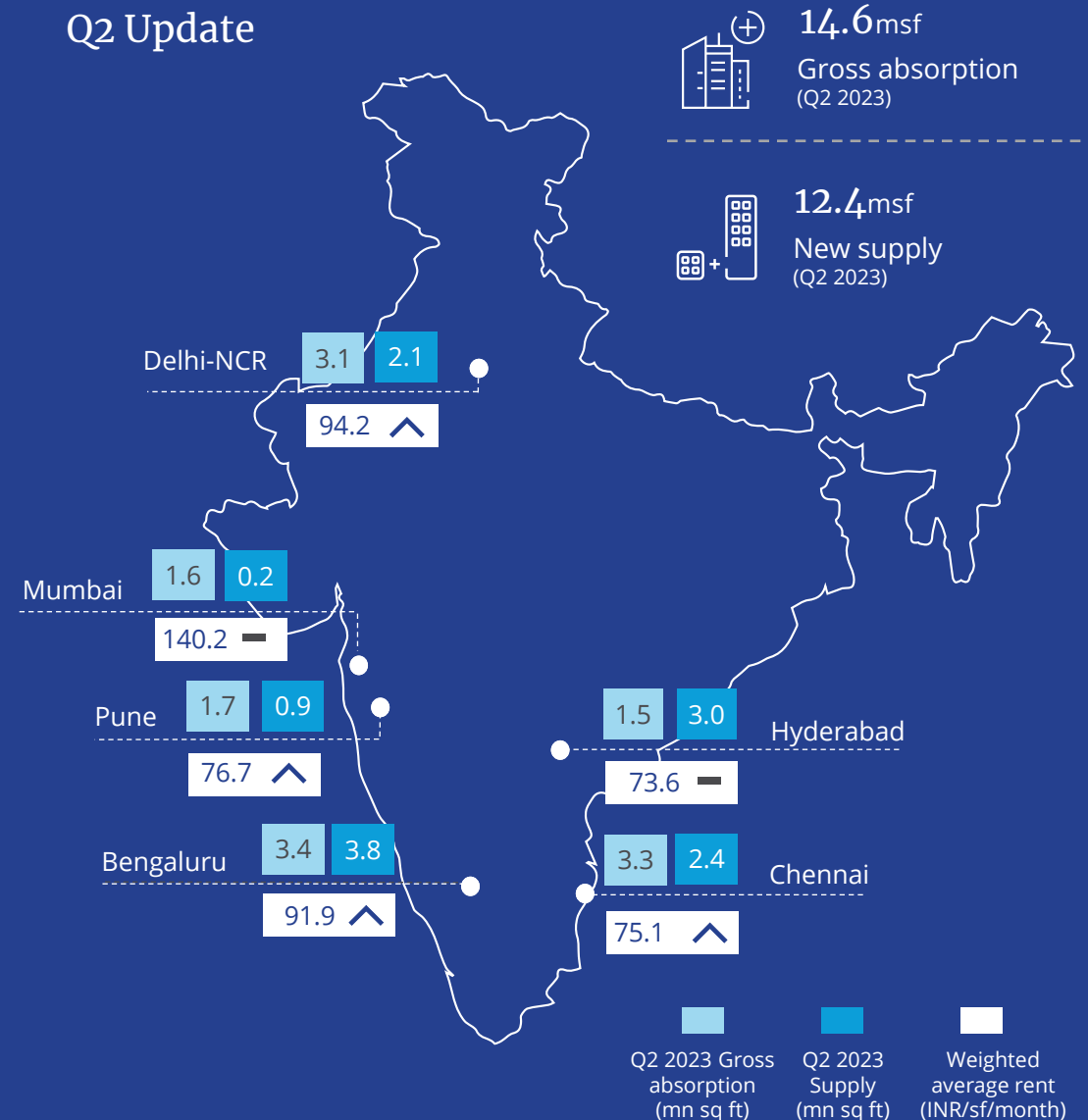
>Gross absorption: does not include lease renewals, pre-commitments and deals where only a Letter of Intent has been signed.

>Weighted Average Quoted (WAQ) Rents are in INR per square feet per month for warm shell offices and do not include common area maintenance (CAM) or taxes. Our stock basket in each city was updated in Q2 2021.

Source - Colliers

- In Q2 2023, leasing improved marginally and stood at 14.6 mn sq ft, led by technology, which comprised of a significant 26% of total office leasing.
- New supply rose by a significant 32% on YoY basis in Q2 2023, pushing vacancy levels up by 40bps.
- In Q2 2023, leasing in Chennai was at par with Bengaluru, with the two cities recording a 23% share each in total leasing, followed by Delhi NCR at 21%.

## Q2 Update

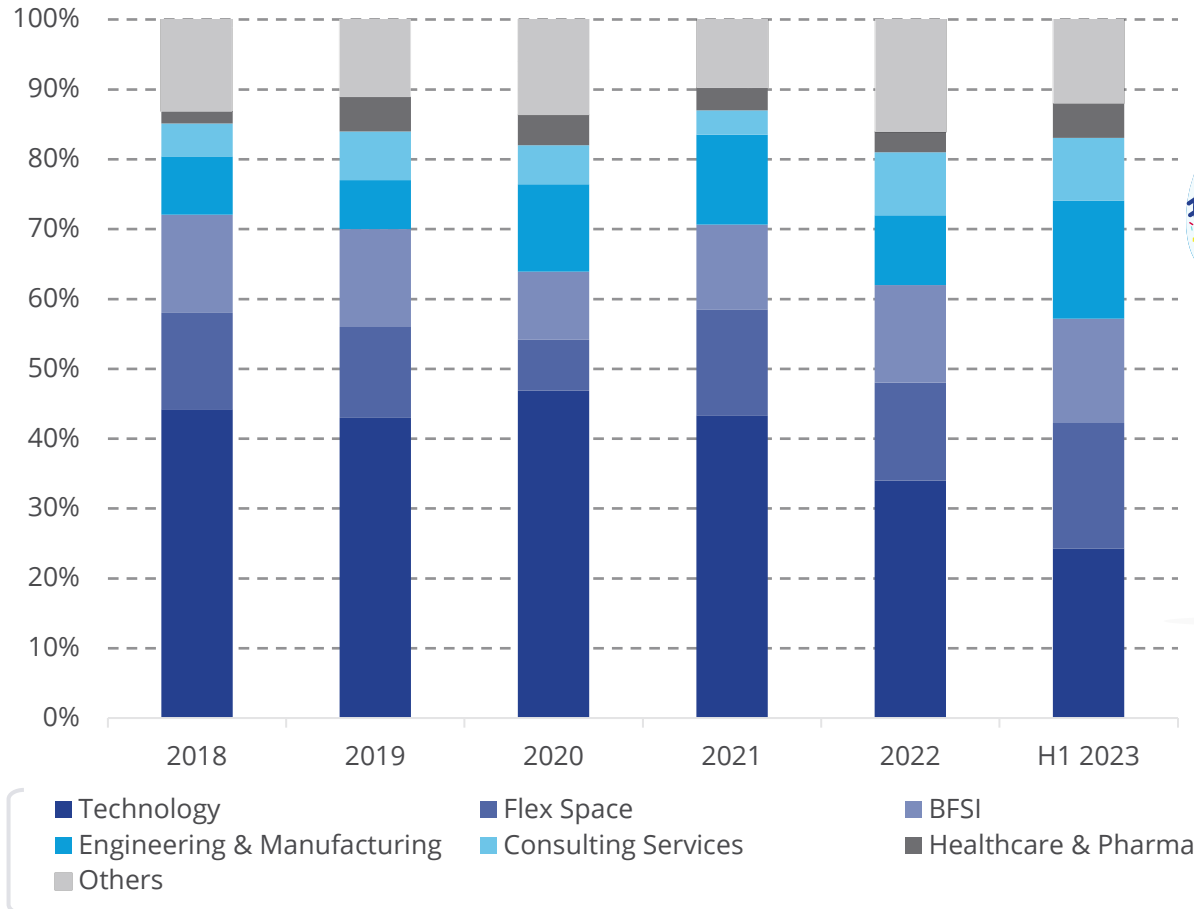


Note- Arrows indicate YoY rental change w.r.t Q2 2022

Source - Colliers

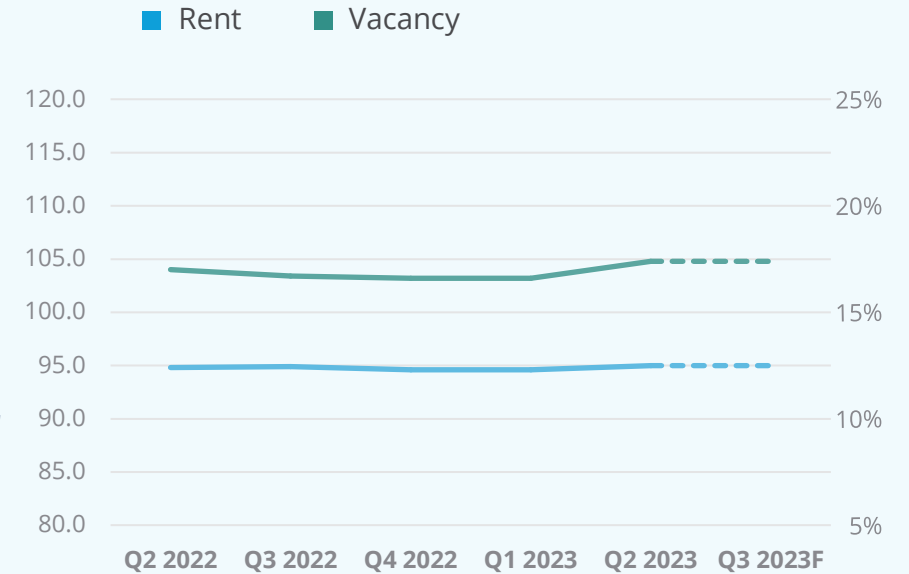
# India – Office market update

## Occupier share in gross leasing



Note: Other occupiers include e-commerce, logistics, consumables etc.  
Source - Colliers

## Vacancy (%) & Rental Trends (INR/sf/month)



- During Q2 2023, vacancy increased by 40 bps on a YoY basis, while rentals remain rangebound
- Tech and flex remained the key demand drivers during the quarter accounting for 43% of the total leasing
- Delhi NCR saw the highest share in flex leasing during the quarter at 32%, followed by Chennai at 25%

# India – Industrial market update

## Key statistics Q2 2023



**4.9 msf**  
-11% YoY

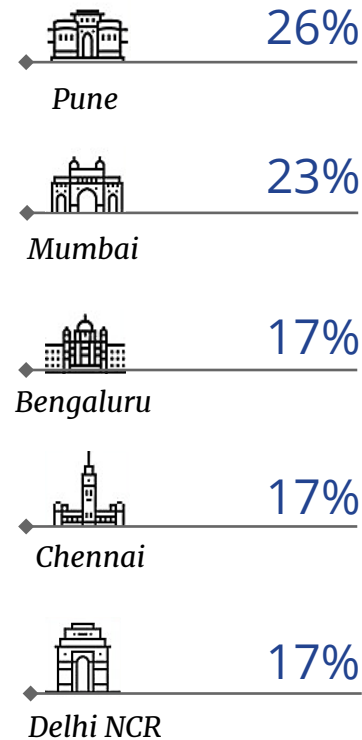


**4.0 msf**  
-12% YoY

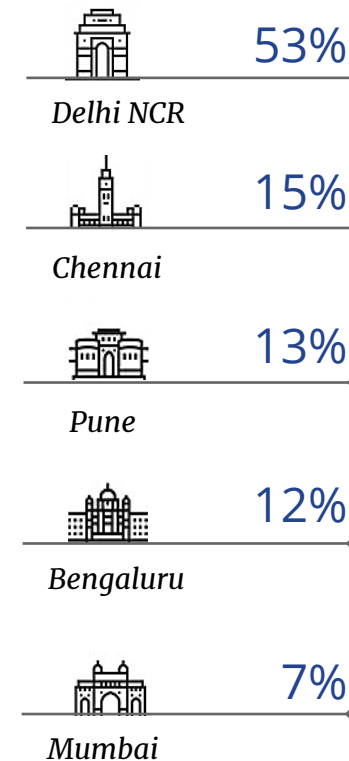


**10%**  
-1.1pp YoY

## Q2 2023 Leasing Share



## Q2 2023 Supply Share

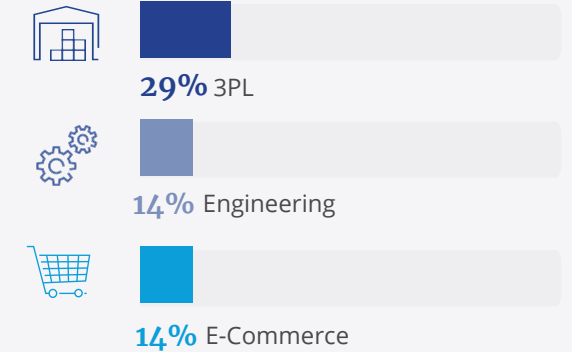


Source – Colliers

### Notes

- >Data for warehousing / industrial sheds pertains to Grade A buildings.
- >Absorption does not include lease renewals, pre-commitments and deals where only a Letter of Intent has been signed.
- >3PL – Third Party Logistics; FMCG/FMCD – Fast Moving Consumer Goods / Fast Moving Consumer Durables

## Q2 2023 Demand Drivers

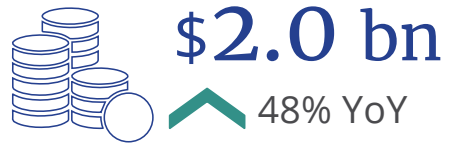


Others includes FMCG, Electronics, Automobile and Retail etc.

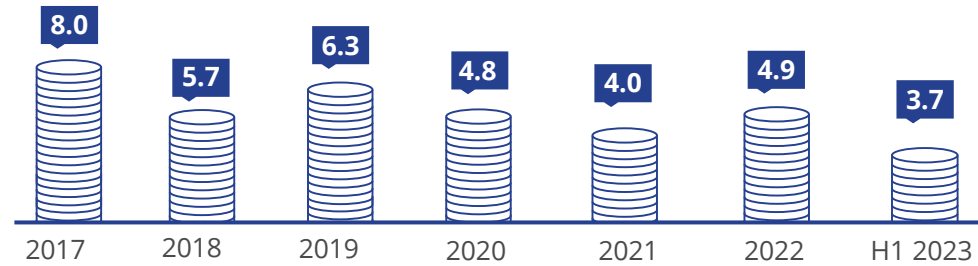
- During Q2 2023, gross absorption declined by 12% on YoY basis at 4.0 mn sq ft. 3PL operators continued to be the largest demand driver, contributing 29% in total leasing.
- Pune was the largest contributor in leasing constituting 26% share, followed by Mumbai with 23%.
- Vacancy levels declined 110 basis points YoY, amidst favourable demand-supply dynamics.

# India – Investment update

## Investment volume Q2 2023



## Institutional investments in Indian real estate (USD billion)



- Investment inflows in Indian realty surged during Q2 2023 at USD2.0 bn, a 48% YoY rise
- The office sector continued to drive investment inflows with 90% share in total inflows during Q2 2023
- Global investors continued to deploy funds in the office sector through large JV platforms and contributed to about 57% of the total inflows in the sector during Q2 2023.

## Trends for Institutional Investments Q2 2023 (USD billion)



Office

**\$1.8bn**

>100% YoY



Residential

**\$0.1bn**

-1% YoY



Industrial & warehousing

**\$0.1bn**

>100% YoY



Alternatives

**\$0.0bn**

-100% YoY

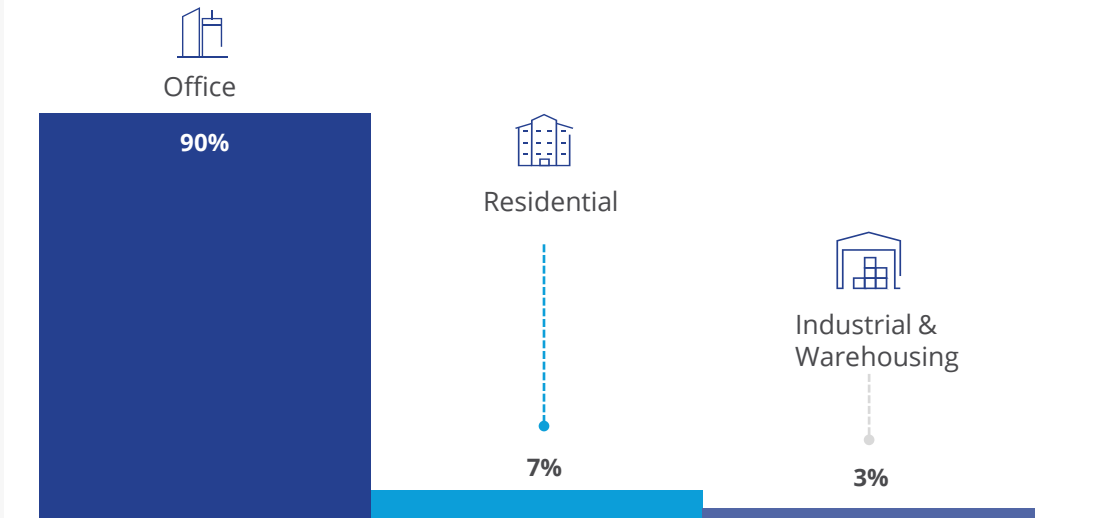


Mixed use

**\$0.0bn**

-100% YoY

## Asset wise share of investments – Q2 2023



# Key trends

## About two-third of the overall REITable stock in India falls in SBD

Amongst these SBDs, the SBD of Hyderabad holds the highest quantum of REIT-worthy stock with 28% share, followed by Bengaluru at 24%. Listed REITs constitutes 11% of the existing office stock. An additional 380 mn sq ft of Grade A office space can be potentially listed as REITs.

For more details: [REITs gaining larger ground in Indian Real Estate](#)

## Bengaluru metro's enhanced connectivity to foster growth of offices in key locations

Bengaluru CBD saw a 25% YoY rise in rentals during 2017 as metro project began operations in the same year. Whitefield is also expected to see 8-10% rise in rentals in next two years due to enhanced metro connectivity.

For more details: [Bengaluru Metro Rail: Key office market impact](#)



## Housing prices in India increased 8% YoY

During Q1 2023, overall housing prices in India increased 8% YoY and Pan India unsold inventory increased 12% YoY. Delhi-NCR saw the highest increase in residential prices at 16% YoY and witnessed the steepest decline in unsold inventory at 9% YoY.



For more details: [Housing Price-Tracker Report Q1 2023](#)

## SEBI considers providing enhanced investor security for FOPs

Emerging trends indicate a rise in fractional ownership. However, these investments lack a standard framework, and independent valuation. Led by the proliferating investments with FOPs, SEBI has proposed to bring FOPs under regulatory ambit to safeguard investors' rights and facilitate the orderly development of the real estate.

For more details: [Fractional Ownership Platforms - SEBI](#)



# Thank you

## For further information, please contact:

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