

Overview and Trends in the CRE Market

(Per 2023)



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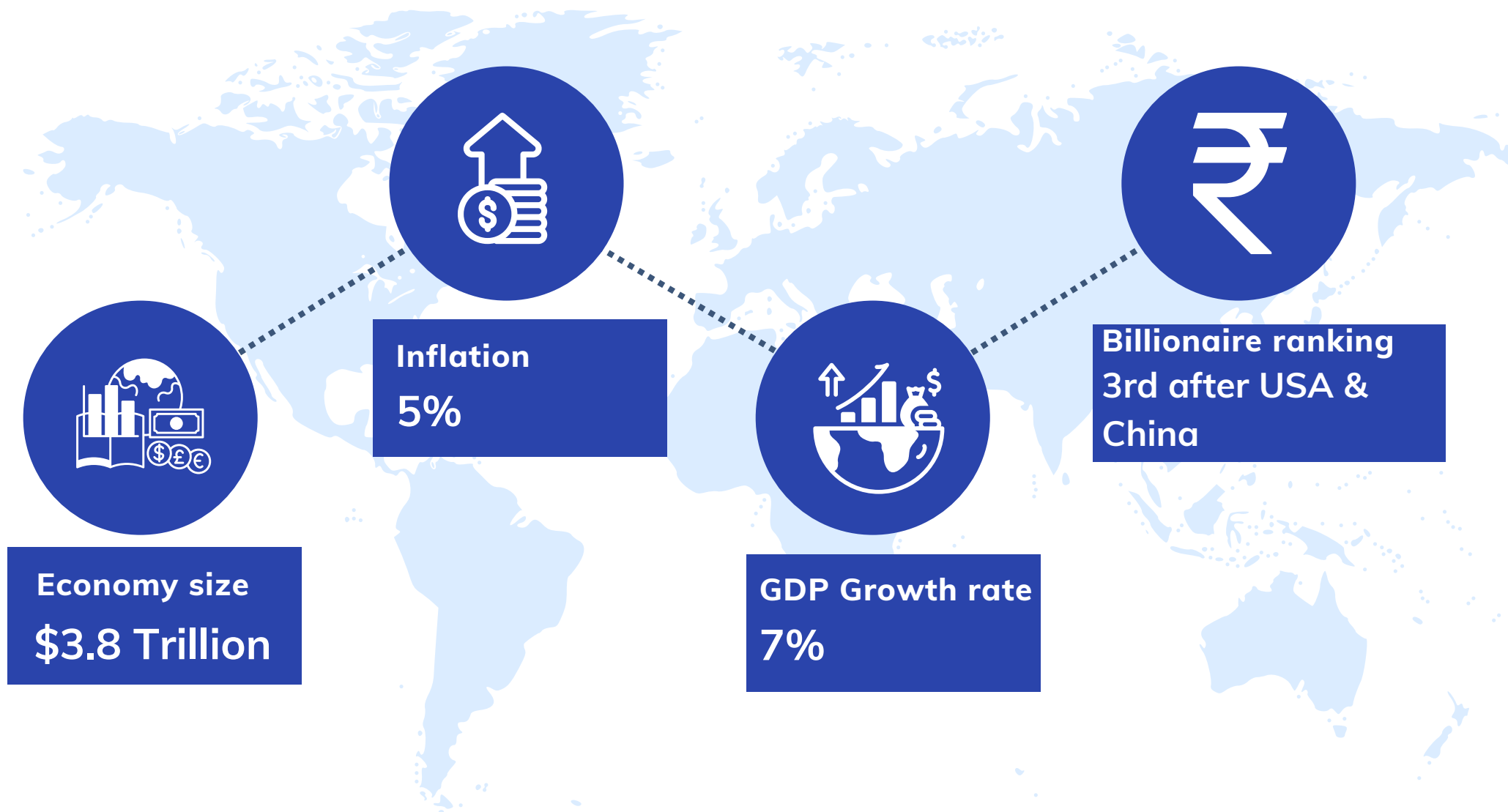
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Status of the Indian Economy: Powering Through With Resilience



The Economy in Numbers



India is making significant strides toward establishing itself as a prominent global superpower. The momentum, driven by major corporations and industries, receives substantial reinforcement from the rise of startups, positioning India as a formidable global force.

The Indian Commercial Real Estate Market in a Nutshell



What it is:

The Indian commercial real estate market encompasses all income-generating properties utilized for business purposes, excluding residential. It can be thought of as the professional landscape of the country, housing offices, retail spaces, warehouses, hotels, hospitals, and more.



Key Segments:



Office

The traditional backbone, accommodating corporate headquarters, IT firms, and start-ups.



Retail

Shopping malls, high-street stores, and convenience outlets, catering to consumers.



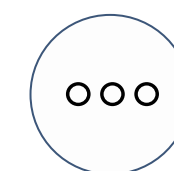
Warehousing & Logistics

Facilitating e-commerce, manufacturing, and supply chains with storage and distribution facilities.



Hospitality

Hotels, resorts, and serviced apartments catering to business travellers and tourists.



Other

Healthcare facilities, educational institutions, data centres, and co-working spaces, each with unique dynamics.

What is CRE's Impact on the Economy



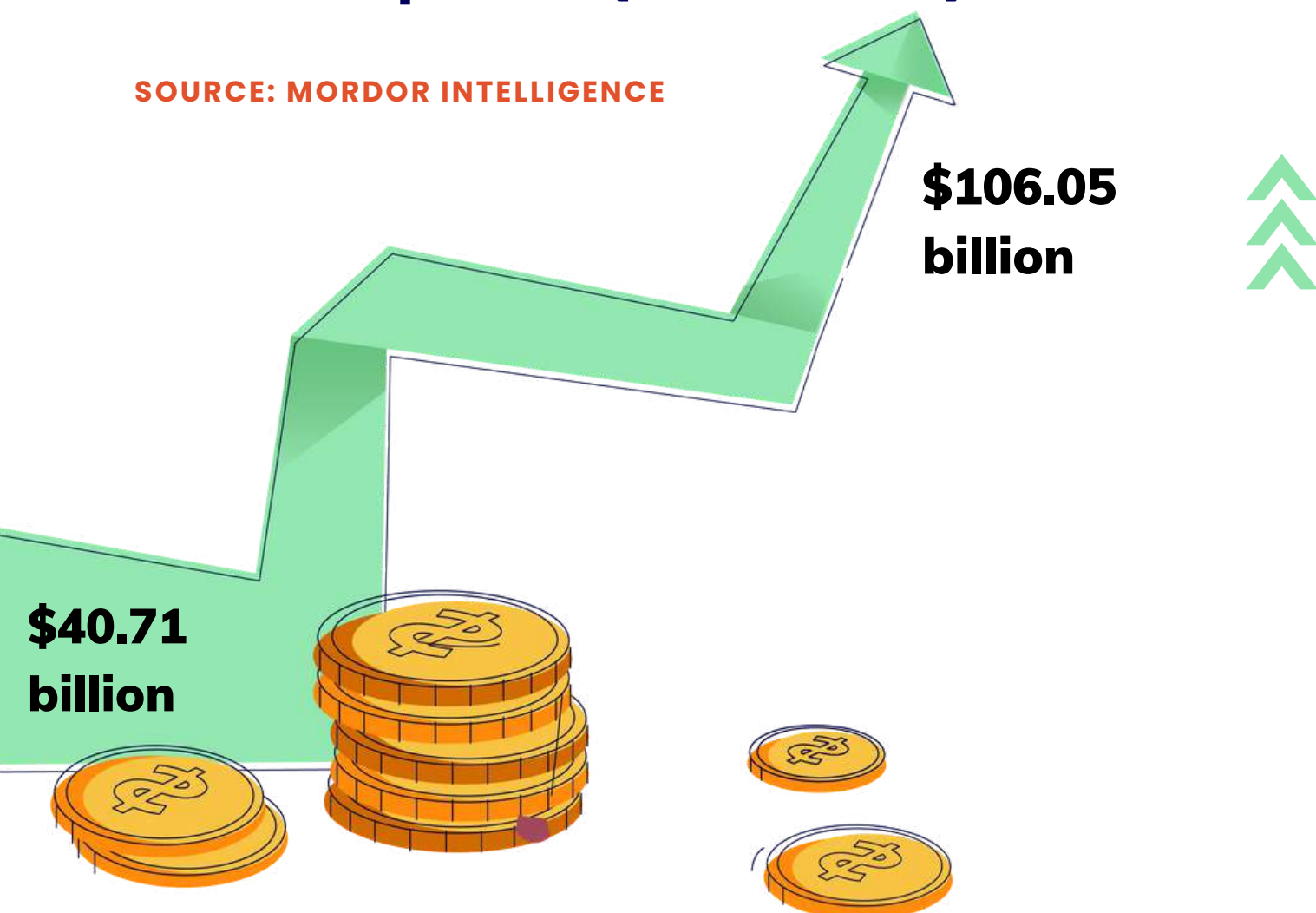
- The global economy continues to be significantly influenced and bolstered by Commercial Real Estate (CRE), as it plays an increasingly vital role in boosting the GDP. CRE facilitates business operations and fosters employment opportunities through diverse properties, including office buildings, retail spaces, hotels, and industrial facilities.
- The Commercial Real Estate (CRE) sector presents a growing array of career paths for professionals, spanning from brokerage and property management to development and investment. This diversity makes it an increasingly appealing choice for individuals seeking a career in the real estate field. Additionally, economic factors like GDP growth, interest rates, employment, and population trends play a big role in the overall development of the economy.



What Are the Growth Statistics?

The India Commercial Real Estate Market size is estimated at \$40.71 billion in 2024, and is expected to reach \$106.05 billion by 2029, growing at a CAGR of 21.10% during the forecast period (2024–2029).

SOURCE: MORDOR INTELLIGENCE



With India's commercial real estate market valued at \$40.7 billion in 2024, it is clearly experiencing robust growth fuelled by economic expansion, urbanization, and e-commerce. Office spaces reign supreme (60-65% share), and flexible workspaces are trending. Companies are preferring to invest in commercial office properties in cities like Hyderabad, Bangalore and Gurugram while slowly considering Tier-II cities as well.

Retail faces challenges from e-commerce, while warehousing & logistics soar driven by online shopping. Government initiatives like RERA and REITs boost transparency and investment opportunities. Sustainability reigns supreme with green buildings and PropTech driving the future. While challenges exist, India's booming economy, young workforce, and strong government policies ensure an exciting ride ahead.

Common Challenges in Commercial Real Estate



● High Interest Rates

● Economic Slowdown

● Outdated Regulations

● Tight Labour Market

● Inflation

● Geopolitical Tensions



Upcoming Trends and Opportunities



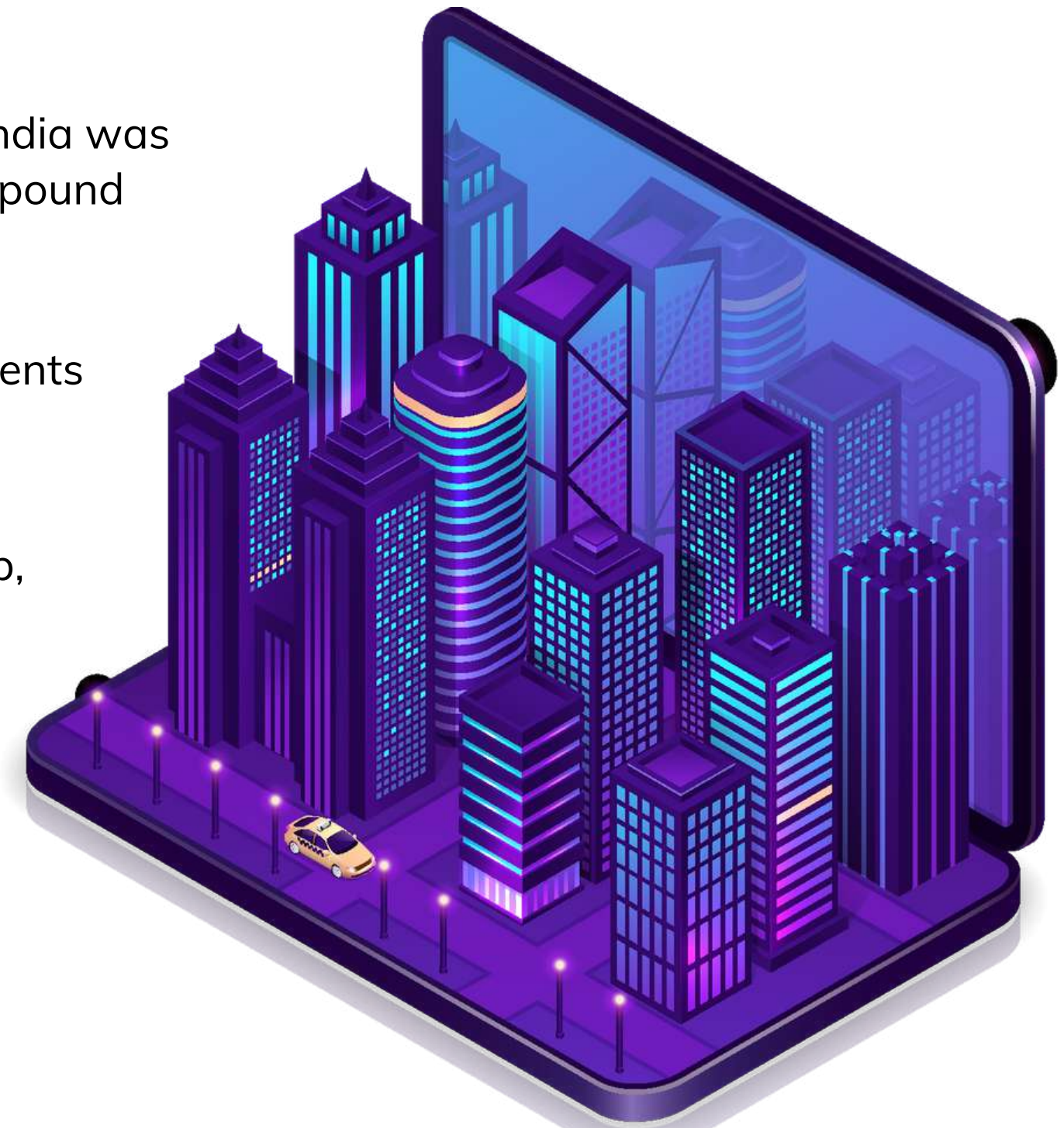
1. Surge in Office Lease Activity

- The most prominent commercial real estate trend is the growth of office leasing in India.
- In the face of global economic challenges, India experienced a notable 12% increase in leased office space compared to the preceding quarter, reaching a cumulative 13.9 million square feet in the second quarter of 2023.
- Bangalore, Chennai, and Pune emerged as the key contributors, accounting for 59% of total office leasing activities during these three months.
- Predominantly, leases of these properties belong to sectors such as consulting, e-commerce, business process management, and IT.
- Adding to the momentum, both domestic and international companies are actively exploring office spaces to broaden their operations. The allure lies in the strategic locations, state-of-the-art facilities, and cost-effective rental prices associated with these spaces.
- As businesses increasingly seek versatile environments, there is a concurrent demand for flexible office solutions that can seamlessly adapt to their evolving needs.



2. Embracing Fractional Ownership

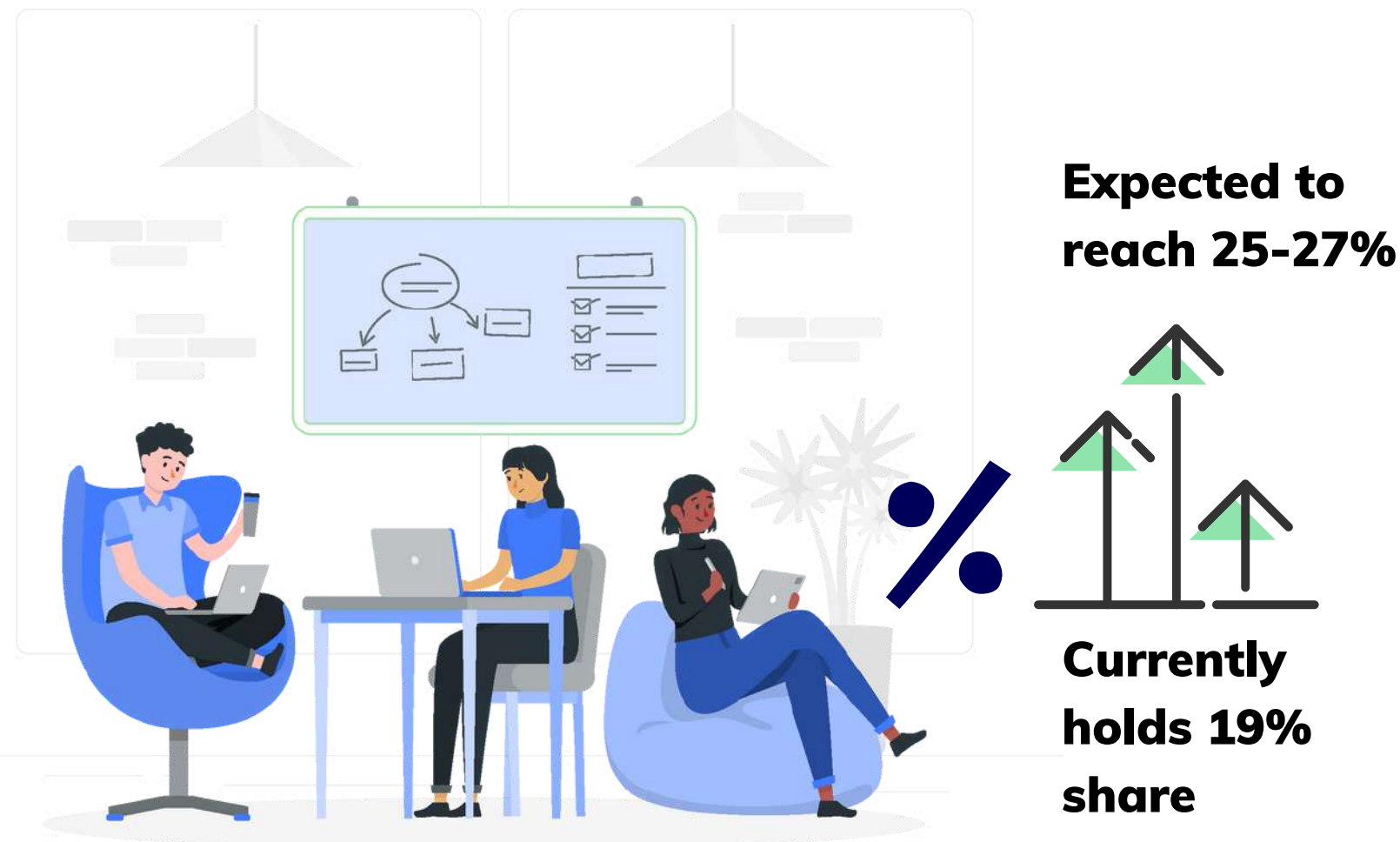
- The commercial real estate sector has undergone a variety of shifts in trends like turning to fractional ownership for diversifying investment portfolios.
- Fractional ownership essentially refers to buying smaller parts of a large property to help investors put money in multiple places, also spreading out the risks.
- According to a report by Knight Frank, the market size of fractional ownership in India was \$5.4 billion in 2020. It is anticipated to attain \$8.9 billion by 2025, reflecting a compound annual growth rate (CAGR) of 10.5%.
- Fractional ownership offers diversification, mitigating risks by distributing investments across different assets for a well-balanced portfolio.
- Gain access to prime Grade-A commercial properties through fractional ownership, a privilege once reserved for institutional investors.
- NRIs benefit from fractional ownership, allowing investment in high-quality Indian assets while leveraging management expertise, especially appealing for stable, income-generating assets in their home country.



3. Soaring Demand for Flex Spaces

Flexible office space currently holds a 19% share of total commercial office leasing in India (June 2023), expected to reach 25-27% by the end of FY24.

SOURCE: JLL INDIA REPORT 2023



Why is the demand for flexible workspaces rising?

- **Hybrid work**
The rise of hybrid work arrangements, where employees combine remote and office work, fosters demand for flexible workspace solutions that cater to various needs.
- **Reduced overhead**
Flexible spaces offer lower upfront costs and less overhead compared to traditional leases, appealing to startups, SMEs, and cost-conscious companies.
- **Plug-and-play facilities**
Flex spaces offer ready-to-use setups with furniture, technology, and amenities, eliminating the hassle of setting up an office.
- **Collaboration and networking**
Coworking spaces provide opportunities for interaction and collaboration with other professionals, fostering new ideas and connections.
- **Improved employee experience**
Flexible work options can boost employee satisfaction and productivity by offering greater work-life balance and personalized working environments.
- **Technological advancements**
Online platforms and apps facilitate easy discovery and booking of flexible workspaces, increasing accessibility and convenience.
- **Tier II and III city growth**
The growing business activity in smaller cities creates demand for flexible spaces that cater to local needs and budgets.

4. Smart Building Systems for Sustainability

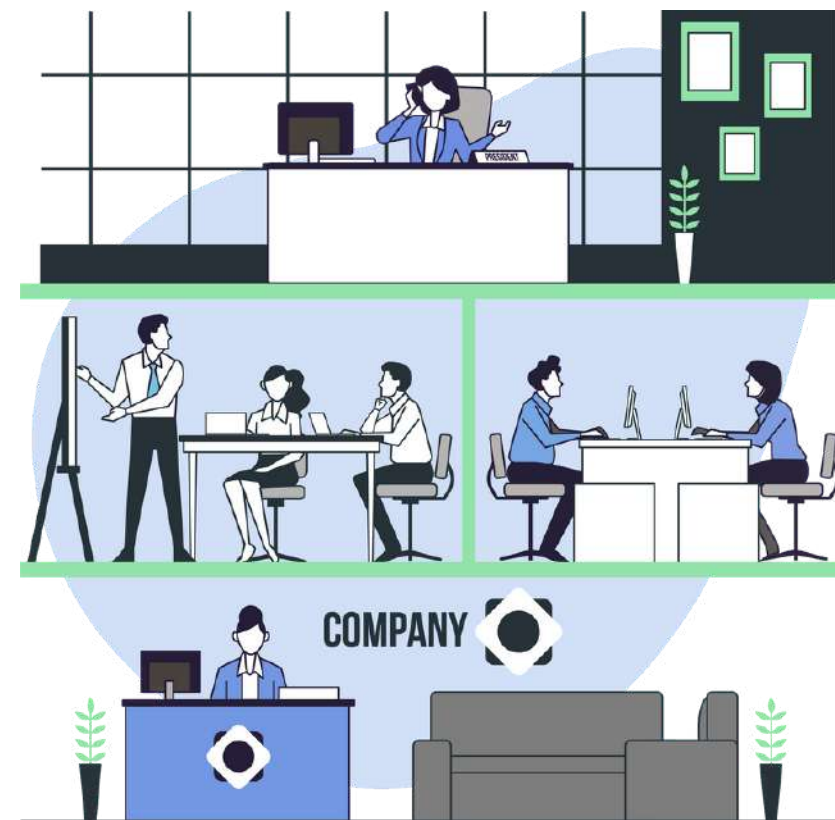
- The significance of smart building systems is on the rise, projected to surpass a global market value of \$500 billion by 2032.
- These systems leverage smart technology to enhance the eco-friendliness and efficiency of buildings. Artificial Intelligence and Machine Learning play pivotal roles, enabling the prediction and optimization of energy usage based on variables like weather conditions and occupancy patterns. Additionally, real-time monitoring and analysis by smart systems help identify potential failures in building performance.
- An illustrative example is the use of occupancy sensors, which efficiently control lighting and room temperatures by adjusting them when spaces are unoccupied. This proactive measure significantly curtails energy waste. India is swiftly embracing this trend, with numerous developers already tapping into the capabilities of smart building systems to promote sustainability.



5. Development of Shop-cum-Work Spaces

Shop-cum-offices (SCOs) are mixed-use commercial properties that combine both retail or shop spaces with office spaces within the same building or complex. These versatile spaces cater to businesses that require a combination of retail storefronts and office functionalities.

Shop  Office Space



Benefits of Shop-cum-offices include:

- **Versatility**
Ideal for businesses that need both retail and office space, allowing for seamless integration of operations.
- **Cost Efficiency**
Consolidating retail and office spaces in one location can be cost-effective compared to leasing separate spaces for each function.
- **Convenience**
Provides convenience for businesses dealing with products and services by having retail and administrative functions in proximity.
- **Maximised Utilization**
Optimizes the use of space, catering to a wider range of business needs within a single property.
- **Increased Visibility**
Retail presence enhances visibility, potentially attracting more customers and clients.
- **Operational Synergy**
Synergy between retail and office components can lead to streamlined operations and improved customer service.
- **Adaptability**
Suited for businesses that require a dynamic environment, allowing them to adapt to changing market demands.

Overall Outlook on the Shifting Dynamics

Flexible Workspaces

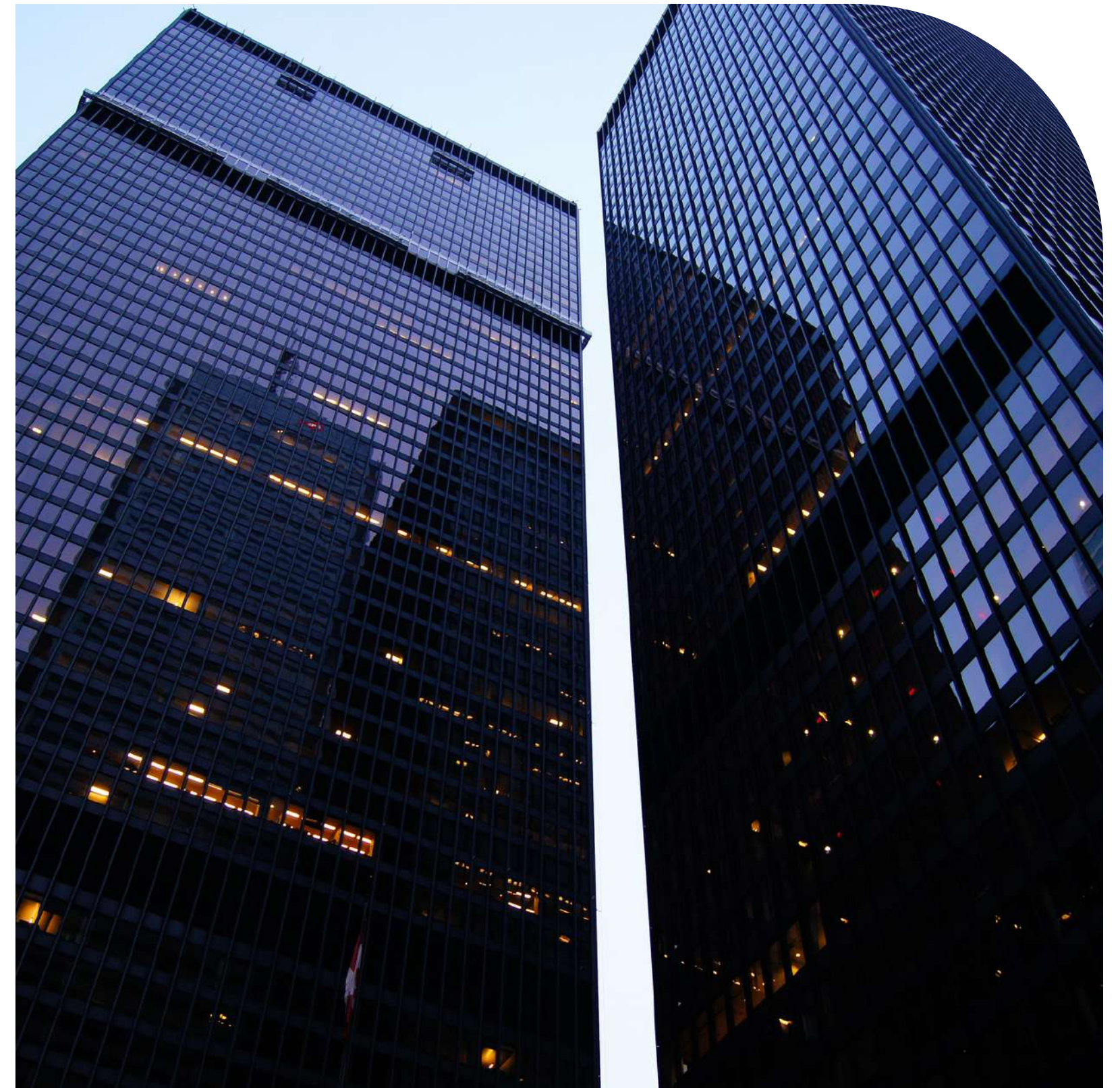
The pandemic-driven hybrid work model has fuelled the demand for flexible and co-working spaces. They now capture a significant 29% of space transactions, and this trend is projected to climb to 40% by 2027.

Emerging Cities

Tier-II and Tier-III cities like Hyderabad, Chennai, and Pune are witnessing phenomenal growth, becoming attractive alternatives to traditional hubs like Mumbai and Delhi.

Sectoral Diversification

While IT remains a major player, other sectors like BFSI, e-commerce, and manufacturing are increasingly driving demand for office space.



Technology's Impact on Commercial Real Estate



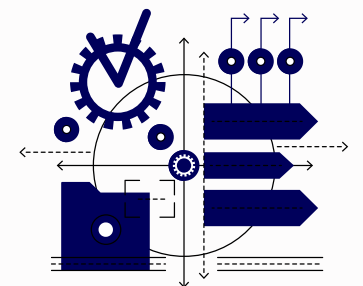
Increased efficiency

- Automation, data analytics, and proptech platforms streamline operations and management.
- Smart buildings optimise energy use and maintenance costs.



Improved decision-making

- Big data helps analyse market trends, identify potential tenants, and predict future demand.
- Virtual tours and simulations enhance property marketing and decision-making.



Enhanced tenant experience

- Smart building features offer comfort and convenience.
- Mobile apps personalize access control and amenities.



New investment opportunities

- REITs and crowdfunding platforms make investing accessible to broader audiences.
- Technological innovations lead to new property types like data centres and co-living spaces.
- Digital literacy becomes essential for all stakeholders.



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Reasons to Invest in CRE in India

Robust Economic Growth

India's consistent economic growth provides a favourable environment for real estate investments.

Demographic Dividend

With a large and young population, there is a growing demand for housing and commercial spaces.

Foreign Direct Investment (FDI)

The government's efforts to ease FDI regulations attract international investors to the real estate sector.

Urbanization Trends

Ongoing urbanization leads to increased demand for residential and commercial properties, especially in metropolitan areas.

Government Initiatives

Initiatives like "Smart Cities" and affordable housing schemes create opportunities and support real estate development.



Improving Infrastructure

Continuous investments in infrastructure projects enhance connectivity and contribute to the overall growth of the real estate market.

Emerging Commercial Hubs

The growth of sectors like IT, manufacturing, and services contributes to the development of new commercial hubs, attracting real estate investments.

Diverse Investment Options

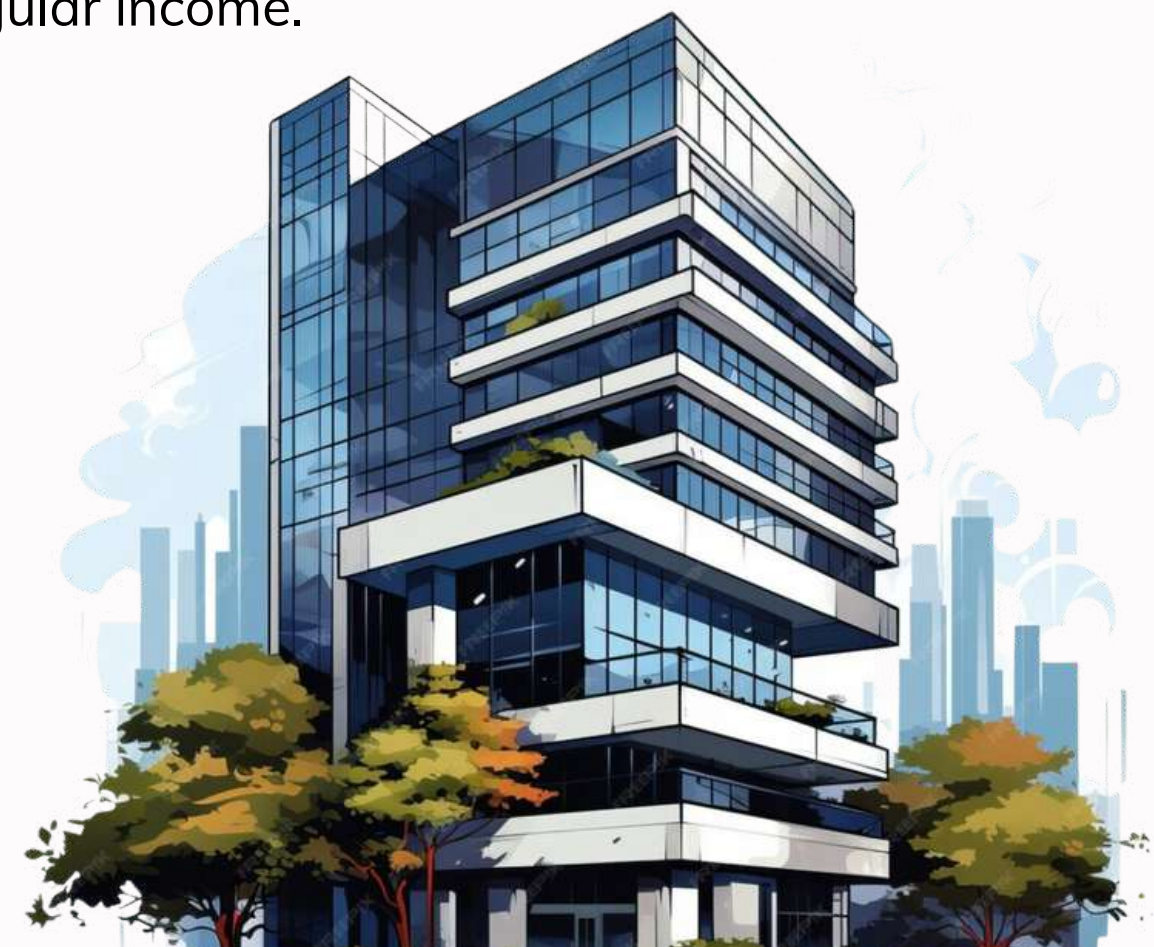
From residential to commercial, retail, and industrial properties, India's real estate market provides diverse investment avenues to suit different investor preferences.

Stable Legal Framework

A stable legal framework provides a secure environment for property transactions and investor protection.

Rental Income Potential

The rental market in India offers attractive returns, making it an appealing option for investors seeking regular income.



About

Strata

Strata is a tech-enabled real estate investment platform that allows investors to own and sell fractions of pre-leased, Grade-A commercial properties like office spaces, warehouses, industrial assets, etc. With more than 1500+ Cr in AUM, over 100,000 members, and 3000 investors, it is India's leading platform for fractional ownership in commercial real estate.

It is funded by Marquee Investors, Kotak Investment Advisors, Gruhas PropTech, Elevation Capital, Mayfield India, and others.



About the Author

Sudarshan Lodha CEO & Founder,

A successful lawyer Sudarshan brings over 11+ years of leadership experience in real estate. Being a successful lawyer, Sudarshan brings over 9+ years of leadership experience in real estate & private equity law.

