





CREDAÎ

Indian **Real Estate**: The Quantum Leap

September 2024

Indian Real Estate: The Quantum Leap



Foreword

India remains the fastest growing major economy and in fact is on course to become the third largest one by 2030. As India charts its course towards becoming a global economic powerhouse, real estate sector will play a pivotal role in the journey. At this juncture, I am excited to announce the unveiling of the report "Indian Real Estate: The Quantum Leap" at CREDAI NATCON in Sydney, Australia. Developed in collaboration with Colliers, the report highlights the transformative potential of real estate as India approaches its centenary year of independence in 2047. The report also reiterates long-term real estate growth drivers and has the potential to serve as a guidance for the purposes of nation-building and empowerment of Indians across the globe.

The report presents a compelling vision for the future of Indian real estate, with substantial growth envisaged across key segments such as residential, retail, hospitality, and commercial real estate. The growth will be fueled by infrastructure development, urbanization, and regulatory advancements. Emerging sectors like senior living and data centers are also gaining momentum, aligning with India's goals for sustainability, digitalization, and inclusive development.

By 2047, the real estate sector has the potential to grow to an impressive USD 5-10 trillion market, driven by policy reforms that fosters transparency, efficiency, and fair pricing. This quantum leap will be supported by rapid urbanization, infrastructure expansion, shifting demographics, and sustainability initiatives, positioning the sector for long-term success.

Our objective in launching this report is to provide comprehensive insights to our members and readers, equipping them with the knowledge they need to navigate the evolving real estate landscape. It serves as a strategic guide in understanding the future direction of the sector and opportunities ahead. This report highlights the immense potential of Indian real estate while emphasizing the need for ongoing collaboration between policymakers, developers, and stakeholders in ensuring that the sector remains a cornerstone of India's economic growth. Together, we are shaping a future where real estate not only drives economic progress but also plays a central role in creating a prosperous and sustainable India. And I am sure that the report will act as a stimulus for coordinated efforts by all real estate stakeholders.

Boman Irani

President **CREDAI** India

Foreword

As the country embarks upon the journey of celebrating 100 years of independence in 2047, infrastructure development, urbanization, manufacturing augmentation, employment generation & upskilling, technological advancement and sustainability will play a crucial role in achieving the "Quantum Leap", which is envisaged across varied economic sectors. The quantum leap will also be evident in the real estate and construction sector. Fueled by infrastructure investments and regulatory push, core asset classes such as residential, retail, hospitality and commercial real estate will be at varying degrees of development by 2047. Meanwhile, nascent and emerging segments such as senior living, data centers and industrial & warehousing are expected to witness heightened traction in the upcoming decades.

This report, a collaboration between the Confederation of Real Estate Developers' Associations of India (CREDAI) and Colliers explores the interplay between real estate and India's economic growth journey over the next few decades. With real estate being a critical fulcrum in the "Amrit Kaal" vision, policy-level interventions by regulatory bodies will continue to lay the foundation for real estate growth. Long-term real estate development and institutionalization of the sector should enable quantum improvements in terms of transparency, efficiency and fair pricing. The report enumerates the salient growth ingredients for the real estate sector such as infrastructure development, rapid urbanization, demographic shifts, digitalization, sustainability and investment diversification. Moreover, with Indian real estate projected to expand and reach USD 5-10 trillion by 2047 - far exceeding the current estimate of USD 0.5-1 trillion, many smaller and emerging cities are anticipated to experience substantial growth and development as a result.

Badal Yagnik Chief Executive Officer Colliers India

The 21st century is being widely regarded as India's century, wherein India remains the fastest growing major economy for the foreseeable future. Driven by improving business environment, strong domestic demand, and fueled by forward looking developmental policy initiatives, India has already become the fifth largest economy in the world. The pace of growth is set to accelerate further; India can potentially become the third largest economy by 2030. Moreover, as pivotal components in the economic success of the country remain firm, the upward growth trajectory is likely to continue unabated for the next few decades leading into the centennial year of independence.



Contents



5	Heightened real estate activit
	amidst economic prominence

06 Policy reforms: Recipe to drive future real estate growth

07 Landmark events and policy impetus to Indian real estate sector

10 Roadmap for India's centenary year of independence

Growth levers shaping the "RE@2047" journey

11	The "Six Salient" real estate growth ingredients
13	>50% urbanization to spur long-term real estate demand
15	Infrastructure: A major tailwin for real estate growth
17	Shifting demographics to drive housing and retail demand
19	Digitalization to aid economie of scale in real estate
21	Sustainable developments to reshape built environment
	Alternate investments to

23 Alternate investments become mainstream





The quantum leap

Indian economy and real estate

Heightened real estate activity amidst economic prominence

The Indian economy has grown from strength to strength, especially in the last few decades, supported by forward-looking government policies, infrastructure growth, improvements in ease of doing business, and advent of new growth frontiers. With 7-8% annual GDP growth rates in post-pandemic period, India continues to be the fastest-growing major economy. India has successfully navigated multiple black swan events like the Asian Tiger Crisis & Dot-com Bubble of the 1990s, the 2007-08 Global Financial Crisis, and the recent COVID-19 pandemic. There has been a visible transformation in the sectoral contribution to GDP. From being an agrarian economy during independence, India has transformed into a service sector powerhouse. Although as an economy we have missed the intermediate transition into a manufacturing hub, significant impetus on improving domestic production ability is evident in recent years. The real estate sector, with its potential for employment generation at multiple value chain levels, is an important contributor to the domestic economic growth story. The share of real estate in India's GDP has risen steadily and is around 6-8% currently.

Indian economy and real estate: Charting the past trend



Source: World Bank, BSE India, Colliers

Note: GDP size represents nominal value at current prices | Sensex value is the closing price at the end of respective year

Indian Real Estate: The Quantum Leap | 05

Policy reforms: Recipe to drive future real estate growth

Over the last few decades, Indian real estate has started to make significant contribution towards nation-building. Real estate and construction play a vital role in the economic landscape of the country, employing more than 70 million people as of 2023 and almost twice the number of people employed in 2010.¹

Regulatory bodies and governments at both central and state levels have strived to strengthen the sector through policy-level interventions from time to time. Transparency and efficiency improvements along with safeguarding of consumer rights have always been at the forefront of all acts and policies specific to real estate.

In the last few decades, Indian real estate across segments such as Office, Residential, Industrial & Warehousing, Retail, Hospitality etc. has traversed through numerous property cycles. Throughout, key regulatory frameworks and acts such as the RERA Act, PMAY, and REIT Regulations have provided a boost to investor and end-user participation. Policies and regulations for Logistics and Data Center Policies have also been instrumental in the accelerated growth of newer real estate frontiers. Furthermore, flagship programmes such as Golden Quadrilateral Project, PM Gati Shakti Master Plan, Make in India Programme and National Infrastructure Pipeline have impacted multiple real estate segments across key nodal locations of the country.

In addition to transparency, regulatory push in the last decade has brought in fair pricing across real estate segments, which in turn has attracted developers and investors. A robust policy framework has also played a key role in making India an attractive investment destination. In fact, the continued strengthening of the regulatory framework will facilitate the much-anticipated quantum jump in terms of contribution of real estate sector in the GDP of the country.

1 NAREDCO





National Infrastructure Pipeline

Encompasses social and economic infrastructure projects over a period of five years with investments from central & state governments and private players as well



Commercial Residential

Other segments

Multiple segments

Industrial & Warehousing Impediments

With policy-level push accelerating the real estate growth trajectory in the past decade or so, activity in key real estate segments picked up significant pace from 2010 onwards. New verticals have emerged and enriched the real estate tapestry of the country. Verticals like co-living, student housing, flexible workspaces, senior living, second homes, and data centers are at varying stages of growth and maturity in India. Government push, institutional investor participation, and inherent demand strength have helped certain verticals like data centers and flexible workspaces to ascend from a nascency to an early growth stage. Other verticals such as senior living are at the cusp of transformation and should witness strong activity in the upcoming decades.

Accelerated growth across multiple real estate segments in last few decades



Office

Since 2010, Grade A office stock across top six cities in India has almost tripled - from ~250 msf in 2010 to over 730 msf as of 2024

IT sector demand and large space take-up by GCCs have been instrumental in the scaling up of India's office market

Residential

Gross bank credit deployed in housing sector increased from ~ INR 3 lakh cr in 2010 to over INR 28 lakh cr in 2024

Government interventions in the form of construction timeline relaxation and reduction in stamp duty & registration charges helped residential real estate remain buoyant in the pandemic

Industrial & Warehousing

The segment has undergone a transformative shift - from <50 msf stock in 2010s to ~ 200 msf of Grade A stock across five major cities in 2024

Flagship programs such as Make in India, Gati Shakti & National Logistics Policy and 3PL & E-commerce growth have provided the impetus for traction in industrial & warehousing space uptake

Alternatives & Investments

Investments in alternative assets have picked up over the decade driven by portfolio diversification and better than average composite returns

Alternative real estate asset classes are gaining popularity over the past 3-4 years amidst evolving consumption & demographic patterns, lifestyle preferences and technology adeptness

Starting from 2019, four REITs comprising of office and retail assets have been listed on the stock exchange

Recent reduction in holding period for REITs and parity in treatment with other listed equity classes will boost retail investor confidence

Source: Colliers, RB

Note: Gross bank credit deployment in housing sector includes priority sector housing | Alternatives include data centers, student housing, hospitality, life sciences, etc. Top six cities include – Bengaluru, Chennai, Delhi NCR, Hyderabad, Mumbai, Pune | Five major cities include - Bengaluru, Chennai, Delhi NCR, Mumbai, Pune

Roadmap for India's centenary year of independence

For substantial progress on aspects related to the quality of life, economic growth across sectors including real estate is imperative. Future growth blueprint must be envisaged at the earliest and, in this context, guiding principles such as "Amrit Kaal" and "Viksit Bharat" are of paramount importance.

In the runup to India's centenary year of independence in 2047, the "Amrit Kaal" Mission has been introduced as a strategic part of the planning and policy framework. The mission emphasizes long-term regional growth parity, infrastructure development, and technology as well as knowledge-driven societal upliftment.

Key objectives of the mission include macro-economic stability, green growth, enhancement in tourism, and provision of ample employment opportunities for Indian citizens, particularly youth and women. Implementation of targeted reforms will result in inclusive development and spur investment opportunities across real estate asset classes.

Real estate Impact

- Infrastructure development will potentially spur real estate growth in peripheral areas of Tier I cities and prime locations across Tier II & Tier III cities. Additionally, the mission can open avenues in alternative assets such as data centers, senior living etc.
- Focus on green growth & sustainability will accelerate green certifications and provide a boost to energy efficiency in commercial, residential, and warehousing developments
- Economic empowerment will enhance disposable income levels and act as a catalyst for retail investment in real estate assets and derivative products



Amrit Kaal Vision

Indian Real Estate: The Quantum Leap | 10

Growth levers shaping the "RE@2047" journey

The "Six Salient" real estate growth ingredients

A multitude of inherent growth drivers including infrastructure development, digitalization, demographic patterns as well as urbanization trends will form the bedrock for a quantum jump in Indian real estate by 2047. Key factors fast-tracking this "RE@2047" journey are enumerated below:

Growth drivers for India RE@2047

As Indian real estate continues to adopt best practices across the globe, alternate investment avenues such as REITs, fractional ownership platforms, derivatives including futures & options, collateralized debt obligations, and swaps will enhance liquidity across real estate asset classes

Investment Portfolio Diversification

Sustainability and green initiatives will further gain prominence in India. Recognizing the pivotal role of sustainability in real estate, developers and investors will be keen to harness the tangible benefits of sustainable elements across commercial, residential, retail, hospitality, data center, and industrial & warehousing segments

Sustainable Development

°Ål∕° ∏]

Digitalization Powerhouse

Infrastructure

Augmentation

<u>R</u>,

Shifts

Demographic

Rapid

Urbanization



Rapid urbanization will create the base for the emergence of smaller cities and real estate growth across the country. Resilient and inclusive cities will characterize Indian real estate by 2047

> Infrastructure development and augmentation in the form of metros, airports, economic corridors, and multimodal logistics parks will enhance connectivity and result in equitable growth of real estate hotspots across the country

> > With evident shifts in demographic patterns accelerating and changing consumption patterns, nascent real estate verticals like senior living will enter a high-growth trajectory and established segments like residential real estate will mature further

Digitalization in real estate, earlier largely confined to property listings will increasingly encompass all touch points and improve consumer experience. PropTech including AI and metaverse can potentially fully integrate into Indian real estate by 2047

>50% urbanization to spur long-term real estate demand

With more than 500 million¹ people currently residing in urban areas, India has witnessed rapid urbanization over the past few decades. The share of the urban population in the country has increased from 26% in 1990 to about 36% as of 2024¹. Drawn by lucrative employment opportunities, better connectivity, and access to health care, education & entertainment avenues in cities and towns, the pace of urbanization is set to accelerate further. By 2045, half of the Indian population is projected to live in urban agglomerations¹. Infrastructure and socio-economic needs of urban areas are likely to transform significantly in the upcoming decades and create multiple growth opportunities in the real estate journey till 2047.

Urbanization trends (1990-2050)



Key forward looking policy initiatives

Several policies have been introduced over the past few years to alleviate certain concerns of rapid urbanization. The National Urban Policy in conjunction with various state and urban local bodies has envisioned the development of smart, efficient, and cleaner cities. Further, the Ministry of Housing & Urban Affairs (MoHUA) has adopted a planned approach to future urban developments through Urban & Regional Development Plan Formulation & Implementation (URDPFI) Guidelines and Model Building Bye-laws (MBBL). Such regulations are likely to play a pivotal role in controlling urban sprawl and focus on equitable real estate growth in the next few decades.

Incentive-based schemes such as Local Area Planning (LAP) & Town Planning Schemes (TPS), slum rehabilitation programmes, Transit-Oriented Development (TOD) models, and Transferable Development Rights (TDR) etc. will facilitate holistic urban development. Moreover, initiatives such as digitization of land records and GIS mapping should play a key role in transparency improvement, real-time monitoring, and property management, especially in residential and commercial real estate.

1 Source: UN World Urbanization Prospects

Long-term outlook and RE impact

RE impact assessment



Source: Colliers

Note: Others include data centers, co-living, senior living etc.

Emergence of new growth markets

With rapid urbanization and supporting factors like infrastructure growth & employment opportunities, real estate traction is likely to expand beyond the Tier I cities and create dispersed growth centers across the country. Real estate activity in peripheral areas of established cities and emerging smaller cities & towns will accelerate in the next few decades.

Residential market poised for significant transformation

With rising urbanization, there will be increased demand for housing across all categories – affordable, mid-level, luxury, and ultra-luxury. Smart communities and townships will increasingly cater to changing lifestyle patterns. The increasing population density of cities will accentuate the trend of vertical living. Skyscrapers integrated with vertical gardens and green walls are likely to become prevalent. At the same time, with higher permissible FSI, there would be a heightened focus on the redevelopment of under-utilized land parcels. Rental accommodation requirements are also likely to grow significantly in the long-term.

Office demand to undergo tectonic shifts

With the rapid influx of people in urban areas and ample availability of employment opportunities, the demand for quality office spaces is expected to increase significantly over the next few decades. Flexible workspaces can potentially act as predominant workspace solution providers in the commercial real estate segment. Distributive work models are likely to further increase the presence of hub & spoke offices spread across prominent urban agglomerations in proximity to each other.

Social development goals to drive growth opportunities

Rapid urbanization will create multiple growth opportunities across varied asset classes such as retail, hospitality, and warehouses which particularly aid quick commerce and provide storage solutions near high-demand centers. Real estate investments in alternate verticals such as co-living, hospitals, and schools are expected to grow substantially across all urban centers.

Infrastructure: A major tailwind for real estate growth

Infrastructure development has been the backbone of economic growth in the country. Key infrastructure projects have the potential to enhance connectivity and foster real estate growth at large. Taking cognizance of the multiplier effect on domestic growth, infrastructure allocation has constantly witnessed an upward trajectory over the past few decades. Budgetary allocation for infrastructure development in the Union Budget FY 2024-25 has grown to almost five times the outlay in FY 2014-15. According to the World Bank, India must make annual investments to the tune of USD 55 billion in infrastructure to achieve the ambitious goal of becoming a developed nation by 2047.

Infrastructure outlay in select Union budgets



Source: Union Budgets of India, Economic Survey 2023-24, RBI

Key forward looking policy initiatives

Key government projects under the National Infrastructure Pipeline (NIP), PM Gati Shakti scheme, National Logistics Policy, and Multi-modal Logistics Parks will improve economic opportunities and enhance connectivity across the country. Ongoing infrastructure upgrades are likely to create various investment opportunities and stimulate growth across warehousing, residential, and commercial real estate. Additionally, infrastructure growth will further open avenues for alternative asset classes in the upcoming decades.

Flagship infrastructure programmes and key projects

Component/ Programme	Key Projects		
Industrial Corridor (IC) Development Programme	Delhi-Mumbai, Mumbai- Amritsar-Kolkata, Delhi-		
Rail based Direct Freight Corridors (DFCs)	Western Corridor (Vadoo East-West Corridor (Wes Maharashtra), North-Sou Telangana, Andhra Prad Andhra Pradesh), etc.		
Multi-modal Logistic Parks (MMLPs)	Of the 35 feasible parks already started in Kochi,		
Sagarmala Programme	3 key ports at Honavar i Andhra Pradesh are cur upcoming ports include Islands, Ramayyapatnan		
Major Airport Expansions	Key cities where airport construction include Na Warangal, Ujjain, Dholer		

Source: DFCCIL, NICDC, Sagarmala, Industry

Long-term outlook and RE impact

RE impact assessment



Source: Colliers

Note: Others include data centers, co-living, senior living etc.

Proliferation of Industrial & Warehousing clusters

With high-volume freight movement along infrastructure corridors, we can anticipate amplified requirements for warehouses, logistics hubs, and manufacturing units across multiple locations. Demand from 3PL players will be particularly prominent in driving the overall Grade A warehousing demand in smaller cities. It will simultaneously provide a thrust to warehouse modernization and improve efficiencies in storage solutions.

i-Bengaluru, Chennai-Bengaluru, Bengaluru-Hyderabad, -Nagpur Industrial Corridor, etc.

odara to Pirthala), Eastern Corridor (Ludhiana-Khurja), est Bengal, Jharkhand, Odisha, Chhattisgarh, outh Corridor (Madhya Pradesh, Maharashtra, desh), East Coast Corridor (West Bengal, Odisha,

s at various locations, construction work of 6 MMLPs have ii, Chennai, Visakhapatnam, Mumbai, Kolkata and Kandla

in Karnataka, Chhara in Gujarat and Kakinada SEZ in irrently in various phases of construction. Other major e Vadhavan in Maharashtra, South Bay of Andaman im in Andhra Pradesh, Bhavnagar in Gujarat etc.

t expansions are currently proposed or under avi Mumbai, Noida, Kurnool, Pune, Rewa, Chennai, era, etc.



Shifting demographics to drive housing and retail demand

With a population of about 1.4 billion¹, India has already become the most populous country in the world. Like most emerging market economies, the demographic pattern of India is undergoing a steady yet definite shift. The population pyramid of the country will slowly but surely transform from the current expansionary stage to a more stable state in the next few decades. In this context, the median age has seen an upward trend, rising from about 21 years in 2000 to 28 years in 2024. Over the next few decades, the median age is going to further increase from ~30 years to ~40 years by 2050. Changing demographic constituency is likely to provide a boost to consumption across products including homes and FMCG. In all likelihood, the rising median age will drive real estate activity, especially in housing and retail asset classes.

Population trend (1990-2050)



1- UN World Urbanization Prospects, 2022

Long-term outlook and RE impact

RE impact assessment



Source: Colliers Note: Others include data centers etc.

Synergy between homeownership and demographic pattern

Although the average age for homeownership during the 1990s was about 40-50 years, various factors such as a strong domestic economy, a rise in disposable income, and improving affordability levels have led to a decline in the 'first-time homeownership' age to around 30-40 years. With a significant portion of the Indian population in the 'home purchase age' bracket, we envisage healthy traction across housing categories in the next few decades.

Unleashing senior living opportunities

At the global level, over the next three decades (by 2050), of the 2.1 billion² people above 60 years, India would account for a 17%² share, thereby indicating significant demand growth for senior care including housing in the country. Within India, the proportion of aged people (above 60 years) is likely to increase from about 11% in 2024 to 21% in 2050². Although the demand-supply gap in senior-focused accommodation will persist, the penetration in the senior living market has the potential to improve significantly in the long term. All in all, the senior living market in India is likely to witness accelerated growth in the next few years and embark upon an eventual transition into maturity with changing demographics. In fact, the supply-side market is estimated to grow from about USD 2-3 billion in 2024 to USD 10-12 billion by 2030³.

Increase in organized retail penetration

With changing lifestyle preferences and the continuation of a consumption-driven economy, leading real estate developers are likely to foray into newer geographies and focus on Grade A malls and high street retail stores. Looking ahead, national retail brands across F&B (Food & Beverage), apparel, and electronics categories, are likely to strengthen their presence and capitalize on the first-mover advantage in smaller cities and towns.

2- UNFPA, India ageing report 2023 | 3- Colliers

	- Br			
	Co-living & Senior living		Retail	
strial & ehousing	Hospitality	С)thers	

Digitalization to aid economies of scale in real estate

Digitalization and technology adoption in India has been rapidly rising over the past few years. Low data costs, improving internet penetration, amplified social media usage, rise in digital platforms and the emergence of FinTech & E-commerce sectors have enabled digitalization to improve operational efficiencies across economic sectors.

With heightened technology adoption, the Indian real estate sector will increasingly embrace digitalization across various aspects ranging from planning, design & construction to property & facilities management. In fact, with 90-95% of the Indian population expected to have fair access to internet connectivity and services by 2040, "PropTech" holds the innate potential to revolutionize and establish new norms in Indian real estate.



Key forward looking policy initiatives

Generative AI, public cloud services, advancements in India's Telecom & IT sector along with progress on the National AI Mission will provide a thrust to Indian Digital Public Infrastructure (DPI). Over the next decade, DPIs would create an efficient, accessible, and transparent digital ecosystem. The positive impact of such digital initiatives will percolate down to various public services such as healthcare, education, and governance.

Under the Digital India Initiative, schemes like Technology Incubation and Development of Entrepreneurs (TIDE 2.0), Gen-Next Support for Innovative Startups (GENESIS), domain-specific Centers of Excellence (CoEs), and Next Generation Incubation Scheme (NGIS) will provide a thrust to various technology-led startups. A conducive business including a startup ecosystem can potentially translate into multiple real estate requirements in the mid-long term.

Long-term outlook and RE impact

RE impact assessment



Source: Colliers Note: Others include co-living, senior living etc.

Increased adoption of advanced technologies across real estate segments

Driven by the comprehensive adoption of advanced technologies, Indian real estate is poised for a profound transformation in the next few decades. IoT and SaaS have already made notable impact across real estate segments. Furthermore, the upcoming decades will witness accelerated integration of AI, machine learning, blockchain, virtual/augmented reality, and robotics too.

Ascendance of PropTech and metaverse

The swift adoption of PropTech will be pivotal in elevating Indian real estate to global standards of transparency and accountability. Over the next few decades, construction technologies will increasingly revolve around 3D printing, drones, advanced building materials, and automated task completion. Although the concept of metaverse is currently nascent, integration of digital real estate assets and physical properties is likely to be in a mature stage by 2047. Sophisticated, seamless multi-dimensional simulation and visualization of physical assets in a virtual domain will become increasingly functional over the next few decades.

Spurt in co-location and edge data centers

Increased data consumption, growing internet penetration, the rise of online services, digitalization of businesses, and stricter adherence to data localization regulations are expected to spur demand for co-location and edge data centers closer to demand hubs. Additionally, Tier II & III cities are likely to serve as disaster recovery sites in data center space.



Sustainable developments to reshape built environment

With an unwavering focus on sustainable built spaces, developers and end-users in Indian real estate are swiftly adopting green practices across asset classes. According to the World Green Building Council, the global building footprint is expected to double by 2050 indicating heightened infrastructure development and construction-related activities in the next few decades. India is likely to continue its infrastructure-driven economic growth trajectory and hence, infrastructure investments to the tune of USD 1-2 trillion¹ present a strong case for green adoption within construction and real estate sectors.

Albeit with varying degrees of intent, investors, developers and end-users of real estate will increasingly focus on energy efficacy, and emission reduction and collectively strive to achieve carbon neutrality by 2050.

India: Key Sustainability goals



Source: PIB

Progress & long-term sustainability goals of real estate stakeholders

	Listed Developers	Global Investors	REITs
Progress so far	 About 50% of their portfolio are green certified and benchmarked through GRESB, LEED, EnergyStar, BREEAM etc. Managed to reduce CO₂ emissions by 30-50%, compared to the last few years 	 Reduced GHG emissions by increasing renewable energy capacity Increased their commitment towards green assets Investments issued across green bonds, and sustainability linked debt instruments 	 Evaluated assets for exposure to climate related hazards, heat stress, and invested in efficient HVAC systems, and STPs that minimize water withdrawal and consumption Issue of sustainability linked bonds to enhance viability of climate finance in real estate Expand installed renewable energy capacity and achieved over 50% in renewable energy share Develop biophilic designs and promote native greens in all ongoing constructions
Long-term goals	 Achieve 100% green portfolio and carbon neutrality by 2050 	 Achieve net-zero by 2050 or sooner across all assets under management 	 Net-zero by 2050 or sooner, aligned with the goals of REIT occupiers, investors and other key stakeholders 100% of new developments to be LEED certified with gold rating as the minimum criteria

1 Source:- International Finance Corporation

Long-term outlook and RE impact

RE impact assessment



Source: Colliers Note: Others include data centers, co-living, senior living etc.

Net-zero built spaces to become a hygiene factor

Developers will not only aim at green but also net-zero buildings, focusing on sustainability at every stage of construction. Smart building systems are expected to become increasingly popular over the next decade. Such practices would be binding, and stricter regulatory adherences would be in place. Building regulations & codes can potentially undergo significant updates and incorporate energy-efficient parameters.

Sustainable element adoption to gain prominence

Focus on green certifications in the office market would surge significantly, with adoption levels increasing from 60-70% to almost 100% in the next few years. Key stakeholders in Indian commercial real estate are likely to incorporate sustainability parameters in their financial reporting standards. Moreover, in the upcoming decades, there will be a heightened focus on retrofitting aging office assets. Additionally, over the next two decades, residential developers and investors are likely to expand sustainable offerings across all housing categories. Renewable energy generation, waste management facilities, and the presence of EV infrastructure can become an integral part of requisite government permits and approvals.

Alternate investments to become mainstream

Strong economic growth, improvements in ease of doing business, and relaxations in FDI policies over the past few decades have made India a preferred investment destination. As per DPIIT, the country received FDI inflows of about USD 990 billion from April 2000 -March 2024, of which about 70% of FDI inflows came in the last 10 years (2013-2023). The construction sector^{*} alone accounted for around 7% of FDI equity inflows (2013-2023). Moreover, institutional investments in the real estate sector (domestic and foreign) in the last decade have crossed USD 60 billion.

A vast majority of the real estate-specific institutional inflows have come from foreign players. With the anticipated rise in foreign capital in the next few decades, global investors are likely to introduce alternate funding strategies in the Indian market. Domestic institutions too will increasingly provide tailor-made financing solutions to leading real estate players in the Indian market.

Institutional investment trend in Indian real estate (USD billion)



Key forward looking policy initiatives

Forward-looking guidelines pertaining to SM REITs will lead to the democratization of ownership in otherwise unaffordable real estate asset classes. Reduction in ticket size and holding period of REITs will reinvigorate real estate ownership at the retail investor level in the years to come.

Regulatory support for green financing and sovereign green bonds will evolve over the next few years and can potentially bridge complex financing requirements in multiple economic sectors including real estate.

* Construction sector includes infrastructure activities and construction development

Long-term outlook and RE impact

RE impact assessment



Source: Colliers Note: Others include data centers, co-living, senior living etc.

REITs & SM REITs to gain larger ground

At present, the Indian REIT/SM REIT market is minuscule compared to mature markets like the US, Singapore, and Japan. Over the next few years, asset classes under REITs/SM REITs will expand beyond office and retail to include warehouses, hotels, and rent-yielding residential properties as well. In the long term, such financing structures will become prevalent in alternate real estate verticals such as Data Centers, hospitals, educational institutes, senior and student living accommodations etc.

Green financing to become accessible and viable

Green financing in the form of bonds and credit issuances will increasingly inculcate a sense of sustainability in growth targets for corporates across sectors including real estate. Green financing and ESG compliance will be particularly more streamlined in Office, Data Center, and Industrial & Warehousing segments (segments wherein investors typically prefer high-quality Grade A assets).

Alternate funding structures to meet evolving needs

As domestic businesses get acquainted with global funding structures, Indian real estate can potentially witness increasing instances of alternate financing avenues such as social impact, distressed, special situation, and venture capital funds.

Case building: Indian real estate market size by 2047

Indian RE@2047: The quantum leap

Notwithstanding unforeseen events, backed by crucial ingredients for economic success, India can potentially become the third largest economy by 2030 and continue the upward growth trajectory till 2047, the hundredth year of independence. Of multiple growth drivers, infrastructure growth, spurt in urbanization, favorable demographic patterns, manufacturing augmentation, employment generation & upskilling, sustainability, and technology proliferation will be pivotal in the accelerated growth of Indian real estate. Significant progress on long term social goals related to housing, electrification, renewable energy usage, and sanitation is likely to impact multiple real estate segments.

From a 6-8% contribution to the GDP and a market size of USD 0.2 trillion in 2021, the real estate sector in India is expected to grow significantly and reach USD 1 trillion by 2030. In an optimistic scenario, the sector can complete the quantum jump and reach a USD 7-10 trillion size by 2047. Moreover, across all real estate segments, we anticipate greater institutionalization and market consolidation. Real estate, as a professional service, will get entrenched into all walks of life, enhancing transparency and accountability in the market. All along this journey, we also anticipate the maturity of core assets such as Office & Residential real estate and strong growth in alternative assets such as Data Centers & Senior Living. Additionally, the real estate growth narrative will expand beyond the boundaries of large cities and reach multiple smaller towns and cities. Interestingly, the number of Indian cities having a population of 1 million or more is expected to increase from around 60 to over 100 by 2050. The real estate odyssey in the upcoming decades will thus endeavor to create equitable growth opportunities spread across all regions of the country.



Likely life cycle stage of Indian real estate segments in 2047



Abbreviations

3PL – Third Party Logistics

AI – Artificial Intelligence

BREEAM - Building Research Establishment **Environmental Assessment Methodology**

BSE – Bombay Stock Exchange

DFCCIL - Dedicated Freight Corridor Corporation of India Limited

DPIIT – Department for Promotion of Industry and Internal Trade

EV – Electric Vehicles

FDI – Foreign Direct Investment

FMCG – Fast Moving Consumer Goods

GCCs – Global Capability Centres

GDP – Gross Domestic Product

GHG – Green House Gas

GRESB – Global Real Estate Sustainability Benchmark

GST – Goods and Services Tax

IoT – Internet of Things

ITeS – Information Technology Enabled Services

JNNURM – Jawaharlal Nehru National Urban Renewal Mission

LEED - Leadership in Energy and Environmental Design

MoHUA – Ministry of Housing & Urban Affairs

NICDC- National Industrial Corridor Development Corporation Limited

NIP – National Infrastructure Pipeline

NLP – National Logistics Policy

PMAY – Pradhan Mantri Awas Yojana

RBI - Reserve Bank of India

REITs – Real Estate Investment Trusts

RERA – Real Estate Regulatory Authority

SaaS – Software as a Service

SEZ – Special Economic Zone

SM REITs – Small and Medium REITs

SWAMIH – Special Window for Affordable and Mid-Income Housing

For further information, please contact:





Manoj Gaur Chairman

Shekhar G Patel President-Elect







Anand Singhania Vice President (Central)

Deepak Goradia Vice President (West)

Vice President (East)





President



Pranav Pradhan Central Zone Jt Secretary

Dhaval Ajmera Gurav Gupta



North Zona Jt Secretary





Nagaraj Reddy NATCON CHAIRMAN





Badal Yagnik Chief Executive Officer | India badal.yagnik@colliers.com





CREDAÎ





G Ram Reddy Secretary



Bandish Ajmera Treasurer



Sunil Furde Vice President (Special)



Swaminathan Sridharan Shobhit Mohan Das Vice President (South)



Vice President (North)





B Raja Srinivas



Ashish Patel South Zone Jt Secretary Gujrath Zone Jt Secretry





K Sriram NATCON Co-CHAIRMAN





Vimal Nadar Senior Director & Head Research | India vimal.nadar@colliers.com



Authors:



Suryaneel Das

General Manager Research | India suryaneel.das@colliers.com



Shreeda Goel Manager Research | Mumbai shreeda.goel@colliers.com



Shreya Bhusnur Assistant Manager Research | Hyderabad

shreya.bhusnur@colliers.com

Marketing & PR



Sukanya Dasgupta

National Director & Head Marketing & Communication | India sukanya.dasgupta@colliers.com

Design & Development



Satnam Singh

General Manager Marketing & Communication | India satnam.singh@colliers.com



Ativir Pratap Singh

Manager Marketing & Communication | India ativir.singh@colliers.com

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 68 countries, our 22,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 29 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of \$4.4 billion and \$96 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

Legal Disclaimer

This document/email has been prepared by Colliers for advertising and general information only. Colliers makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers and /or its licensor(s). © 2023. All rights reserved. This communication is not intended to cause or induce breach of an existing listing agreement.





About CREDAI

Established in 1999, CREDAI represents over 13,000 real estate developers across 21 states and 230 city chapters in India. Our mission is to advocate for progressive and sustainable development in the real estate sector, fostering inclusive growth & excellence through leadership and innovation. We work closely with all stakeholders including Government representatives, policymakers, investors, finance companies, consumers, and other real estate professionals.

About the event: CREDAI NATCON

CREDAI NATCON, now in its 22nd edition, is an annual flagship event organized by CREDAI which is set to make a notable debut in the lively city of Sydney, Australia. This edition is expected to offer a dynamic blend of knowledge & cultural exchange, networking, and shaping the future of Indian real estate. Over 1200 participants will be involved in this significant event, including developers, stakeholders from allied industries, banking & financial institutions, etc. The goal is to enhance, innovate, and inspire the industry.



