

Institutional investments in Indian real estate maintain steady momentum at USD5.4 Bn; inching towards pre-pandemic levels

- Foreign inflows led at 67% share; Canada & Singapore contributed to almost four-fifths of the foreign inflows in 2023
- Domestic investments rose 66% YoY in 2023; led by residential and alternatives
- Office continued to drive capital inflows with a commanding 56% share in 2023
- Industrial & warehousing saw 2x investments compared to 2022

Gurgaon, 01 January 2024: Institutional investments in Indian real estate sector maintained a steady momentum at USD5.4 billion, rising 10% YoY during 2023. The year witnessed highest levels of investment inflows since 2020 showcasing India's resilience despite uncertainties in global markets otherwise. While foreign investments retained their dominance, forming 67% of the total inflows for the year, domestic investments also registered an impressive 66% annual increase at USD1.7 billion. Office sector continued to be the largest contributor in real estate investments for 2023 with 56% share in total inflows, attracting both global as well as domestic capital. While the overall investment inflows during the year remained sturdy, the last quarter of the year saw moderation. At USD0.8 billion, Q4 registered a 37% YoY drop in investments. Alternatives, meanwhile, had a 51% share in total inflows during Q4 2023, indicating strong demand in segments including data centres, student housing, life sciences, schools, etc.

While key global investment markets faced downside risks, India maintained its status being amongst the fastest-growing economies keeping investor confidence intact. While inflows from the US have witnessed a drop in 2023 as compared to 2020 levels, Canada and Singapore are increasingly establishing themselves as leading source of foreign capital in Indian real estate. These two countries accounted for 78% of the global real estate inflows into India during 2023. Noteworthy, investment inflows from APAC countries have been rising every year and have surged to 3.6X times in 2023, compared to 2020. Investors continue to view India favourably, owing to strong economic performance, improved regulatory framework, and sustained demand across various real estate segments.

"As India's real estate sector closes yet another promising year, institutional investments saw an increase of 10% and stands at USD 5.4 billion—the highest since 2020. The investments in Indian real estate are more broad-based, with significant investments coming into education, shared spaces, and data centers, adding to a strong domestic upcycle in office, residential, and industrial areas. Investors from the APAC region have been showing an increasing appetite for Indian real estate, contributing to about half of the total foreign inflows during 2023. Looking ahead to 2024, investment activity is likely to remain unabated backed by robust domestic economic fundamentals, while a strategic integration of technology and ESG will play out in investment decisions." **said Piyush Gupta, Managing Director, Capital Markets & Investment Services at Colliers India.**

Domestic capital inflow surged 66% YoY during 2023

Domestic investors have emerged as active contributors, contributing 32% of the total real estate investments in 2023, compared to 22% share in 2022. While office market continues to be the frontrunner backed by investments from global players, domestic investors are focusing more on alternative and residential assets.

Office sector continues to be the frontrunner; investments in alternatives rebound significantly

At USD3.0 billion, investment inflows in the office sector rose 53% YoY during 2023, led by select large deals. The uptick reflects a rising interest in completed and pre-leased income-yielding office assets, showcasing investors' sustained confidence in the long term potential of the sector. Notably, investors are actively establishing Joint Venture (JV) platforms to capitalize on emerging opportunities and participate in both existing and upcoming office projects. 2023 saw some significant platforms being established for development of office as well as residential assets.

"In the ever-evolving tapestry of India's real estate landscape, while investors continue to diversify portfolios, the office sector continues to enjoy significant affinity. Fuelled by strong demand for Grade A commercial developments, investments in office sector continue to grow from strength to strength. As 2023 witnessed record breaking office space leasing activity, global institutional investors remained committed on building office portfolios in India. Office led investments had a commanding 56% share in total real estate inflows in 2023. Along with envisaged momentum in alternative assets, industrial & warehousing, and residential sectors in the next few quarters, office sector will continue to dictate India's real estate investment ecosystem." **said Vimal Nadar, Senior Director and Head of Research, Colliers India.**

Investment inflows (USD million) –

Asset Class	2022	2023	2023 vs 2022 (% Change)	Q4 2022	Q4 2023	Q4 2023 vs Q4 2022 (% Change)
Office	1,978.3	3,022.5	53%	175.5	135.5	-23%
Residential	655.6	788.9	20%	379.1	81.0	-79%
Alternate assets*	866.7	649.1	-25%	467.9	418.7	-11%
Industrial & Warehousing	421.8	877.6	108%	222.0	187.1	-16%
Mixed use	463.7	42.3	-91%	54.9	-	-100%
Retail	491.8	-	-100%	-	-	-
Total	4,877.9	5,380.4	10%	1,299.4	822.3	-37%

*Note: Alternate assets include data centres, life sciences, senior housing, holiday homes, student housing, schools etc
Source: Colliers

Industrial & warehousing surged 2x times in 2023

Industrial & warehousing segment saw a noteworthy two-fold rise with about USD0.9 billion inflows, marking the highest increase across all segments in 2023. This exceptional growth is credited to the sustained expansion of industrial sector, thriving on heightened consumption levels. As the sector evolves, we are likely to witness increased consolidation as well as institutionalisation in the sector. With micro-fulfilment centres, dark stores and AI driven supply chain becoming an integral part of industrial & warehousing segment, foreign investments in the sector are expected to rise multi-fold in the next few years.

Investments in Alternatives bounced back in the last quarter

After witnessing subdued activity in the first 3 quarters, investments in alternatives rebounded in the last quarter, taking the overall inflows in alternatives to USD650 million for the year. Q4 2023 accounted for 65% of the total investments in alternatives in 2023. Student housing accounted for about 60% of the investment inflows within alternatives during the year. Rising institutional interest has been driven by the surge in higher education enrolment, favourable demographic distribution pattern, and growing migration of students to cities. This trend reflects a constant recalibration of investor and developer interests which aligns with students' preference for quality, and purpose-built accommodation.



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