

# India GRI 2024

## Emerging Real Estate Asset Class Trends

Industry leaders insights on residential, commercial, warehousing, data centre, and retail sectors

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**GRI** *Club*

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# INTRODUCTION

For more than 25 years, GRI Club's exclusive networking events have been providing unique opportunities for the industry's decision makers to exchange valuable insights and experiences, igniting deal flow and potentialising the real estate market.

GRI Club reports provide the key takeaways from these events, including the most valuable insights, the most ardent discussions, and the most intriguing strategies.

This exclusive report offers key insights from the 16th edition of India GRI, India's premier real estate forum. The event brought together industry leaders to explore challenges and opportunities across key asset classes, such as residential and commercial real estate, while highlighting emerging trends in warehousing, data centres, and retail.



CHECK OUT ALL THE PHOTOS FROM **INDIA GRI 2024**

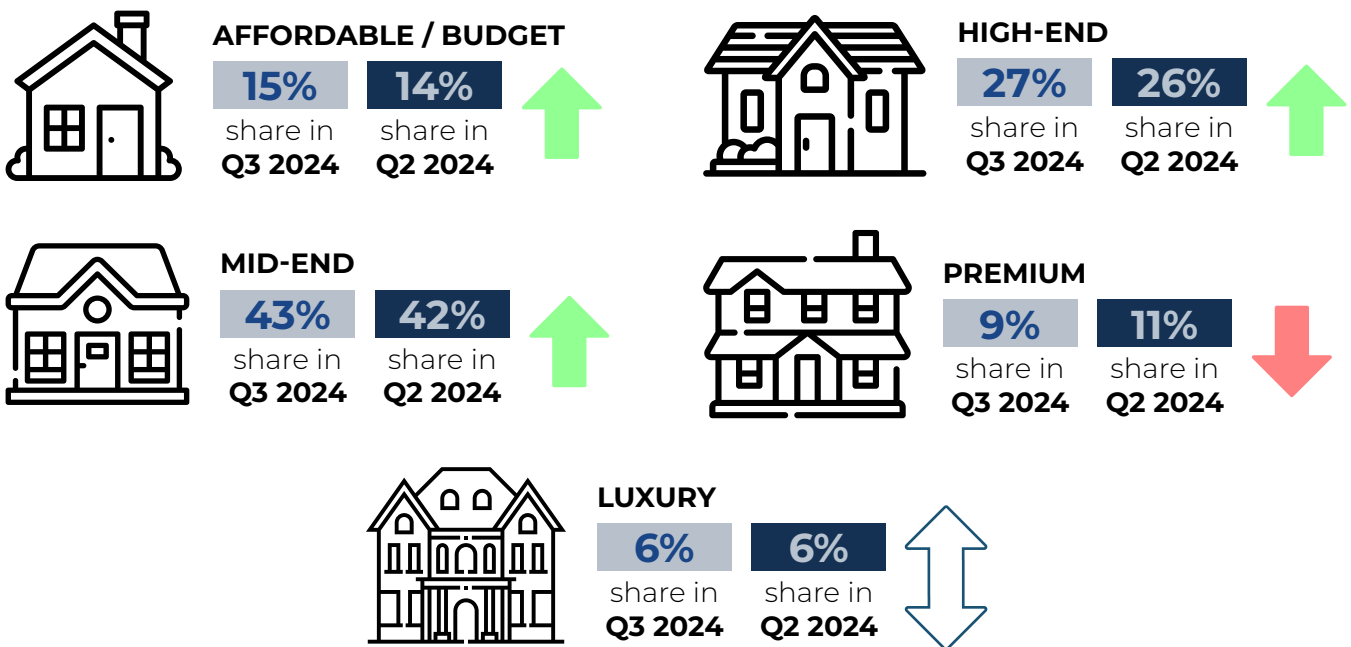


# GOVERNMENT FOCUS ON AFFORDABILITY & RISING DEMAND FOR LUXURY LIVING

The residential housing market in India is experiencing a significant shift, with growing attention on the balance between affordable and luxury housing. This evolving dynamic highlights the changing priorities of both developers and consumers.

Affordable housing, once the backbone of the sector, thrived on government support and the establishment of dedicated funds. However, over the years, its share of overall sales has dwindled, now accounting for 15% of the market - a clear indication that shifting buyer preferences and broader economic factors are reshaping the industry.

## CATEGORIES THAT DROVE SALES



Source: India Market Monitor Q3 2024 – Residential, CBRE. Note - Definition of segments as per ticket size (INR): Affordable / Budget - Up to 45 lakh; Mid-end - 45 lakh to 1 Cr, High-end - 1 Cr to 2 Cr; Premium - 2 Cr to 4 Cr, and Luxury - Above 4 Cr.

In stark contrast, the luxury housing segment has surged in the last few years. What was once a niche market has transformed into a thriving category, driven by societal shifts such as rising disposable incomes, aspirations for exclusivity, and a growing appetite for premium living. Developers have responded with an array of high-end projects that cater to affluent buyers, positioning luxury real estate as a major growth driver in the industry.

This duality in market trends prompts a critical question: can the affordable and luxury housing segments coexist under a unified strategy, or do they demand distinct approaches? The growing demand for upscale living offers an opportunity to reimagine how these segments intersect. By exploring innovative solutions, developers can address diverse buyer needs, providing accessibility for one group while delivering exclusivity for another, all while ensuring profitability in a rapidly evolving market.

## » **Defining affordability in Indian housing markets**

The concept of “affordable housing” in India has long been defined by government benchmarks - area limits of up to 60 square metres or a price cap of INR 4.5 million in metro cities. However, this definition is increasingly viewed as outdated by developers and industry professionals, who argue that affordability must evolve to reflect the diverse economic realities across regions.

### **PRIORITY SECTOR HOUSING LOAN CATEGORISATION BY THE RBI**

	<b>Cost of the property (INR mn)</b>	<b>Loan limit (INR mn)</b>
<b>Metro</b>	<b>&lt; 4.5</b>	<b>&lt; 3.5</b>
<b>Non-metro</b>	<b>&lt; 3.0</b>	<b>&lt; 2.5</b>

Source: RBI, Knight Frank Research.

For many, the government’s parameters no longer encapsulate the true essence of affordability. A more personalised approach, considering the varying income levels of families - especially in metropolitan cities - is essential to address the actual needs of aspiring homeowners.

In key urban centres like Hyderabad and Bangalore, affordability takes on different dimensions. Escalating land values and accelerated infrastructure growth have caused property prices to multiply significantly, in some cases by as much as 100 times, making once-accessible suburbs considerably more expensive.

Today, affordability extends beyond a simple price point. It depends on multiple factors: cost per square foot, total expenditure, unit dimensions, and the prevailing economic conditions in each location. Developers are responding by creating projects that align profitability with accessibility, with compact units in emerging neighbourhoods, supported by well-planned infrastructure.

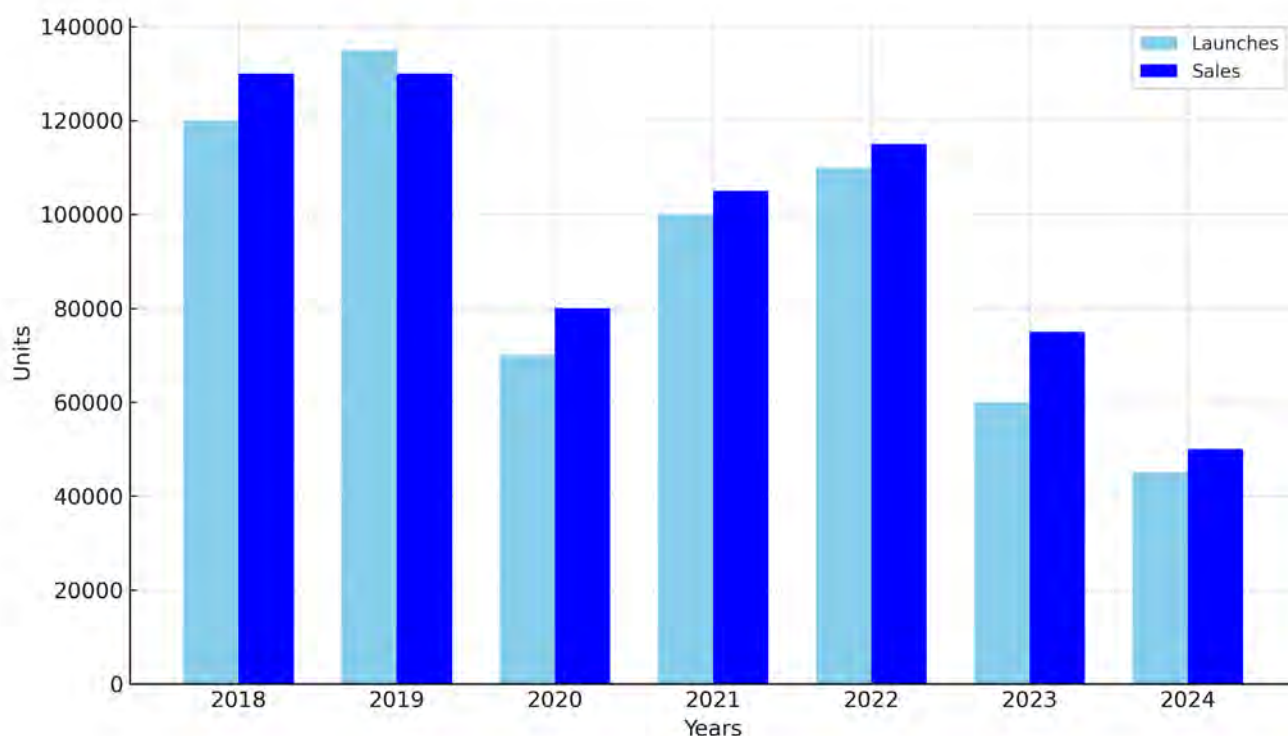
## » Can developers balance profitability and affordability?

The affordable housing segment in India presents a unique set of challenges, requiring developers to adopt strategic approaches to leverage its vast potential due to its inherently price-sensitive nature. These properties often cater primarily to first-time buyers - a substantial yet demanding demographic - but increasing pricing pressures, driven by escalating construction costs and surging land valuations, have made profitability an uphill battle.

For instance, in Bangalore, developers have identified opportunities in emerging areas such as Satyapur, where land priced at INR 25-30 million per acre enables homes to be constructed for INR 3 million and sold for INR 4.5-5 million. This pricing aligns well with urban buyers, particularly grey-collar professionals earning between INR 3-4 million annually. This demographic is driving demand for high-quality, affordable homes.

Yet, not all markets are equally viable. In Mumbai, the constraints of high land costs and infrastructure bottlenecks often push affordability beyond reach. Meanwhile, emerging markets offer a promising alternative, with properties priced at INR 4 million, located just outside city centers, resonating with buyers prioritising value over location.

### LAUNCHES LAG SALES IN THE AFFORDABLE HOUSING CATEGORY



Source: Knight Frank Research. Note: Sales and launches across top eight cities in India in 2024.

The data is as of September 2024.

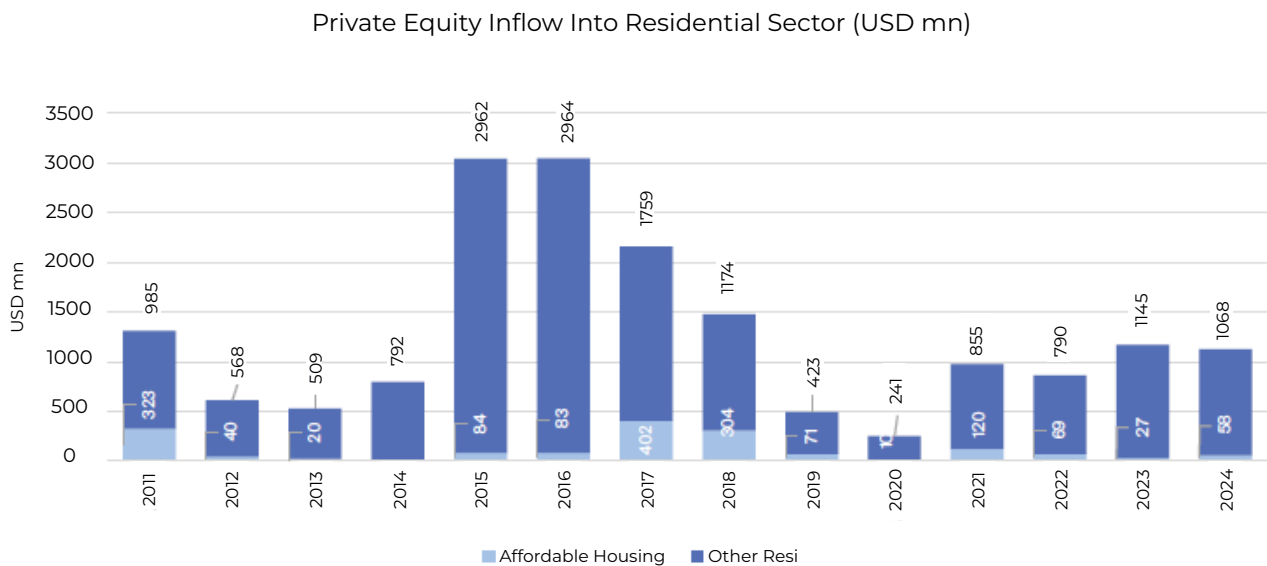
This evolution is reflected in market data. The changing dynamics bring a critical question to the forefront: should profit margins for affordable housing match those of luxury developments? Or should each segment operate under distinct expectations?

The answer lies in their contrasting business models. Affordable housing relies on scale, leveraging economies of production to spread costs across large volumes. Developers accept thinner margins per unit, banking on volume to ensure profitability. However, this approach comes with inherent risks.

External pressures, such as fluctuating government policies and rising construction costs, can significantly impact the bottom line. Additionally, macroeconomic factors such as increasing interest rates directly influence buyer affordability, often delaying purchase decisions and reshaping demand.

Luxury housing, on the other hand, operates under a different model. Higher margins are justified by premium offerings, such as bespoke designs, high-end finishes, and exclusive locations. This segment targets affluent buyers seeking not just homes but unique living experiences, making the margin differential between luxury and affordable housing substantial.

## USD 1.6 BN OF CAPITAL INFLOW INTO AFFORDABLE HOUSING IN INDIA BETWEEN 2011-24



Source: Venture Intelliaence, Knight Frank Research, 2024 data is until Sep'24.

Operational efficiency also plays a decisive role in both segments. Developers with in-house construction capabilities can optimise costs, reducing dependency on external contractors and enhancing profitability. This becomes particularly critical for affordable housing, where controlling expenses is essential to remain competitive.



Despite the challenges, the affordable segment holds significant potential for developers willing to innovate. Strategic land acquisition, thoughtful community planning, and alternative financing models can rejuvenate the sector, enabling developers to deliver quality homes at accessible price points.

Ultimately, navigating the distinct demands of affordable and luxury housing requires a deep understanding of market dynamics and buyer behaviour. Success lies in balancing risk with reward, embracing innovative approaches, and continuously refining strategies to align with the changing real estate landscape.

## » **Will luxury housing handle rising costs?**

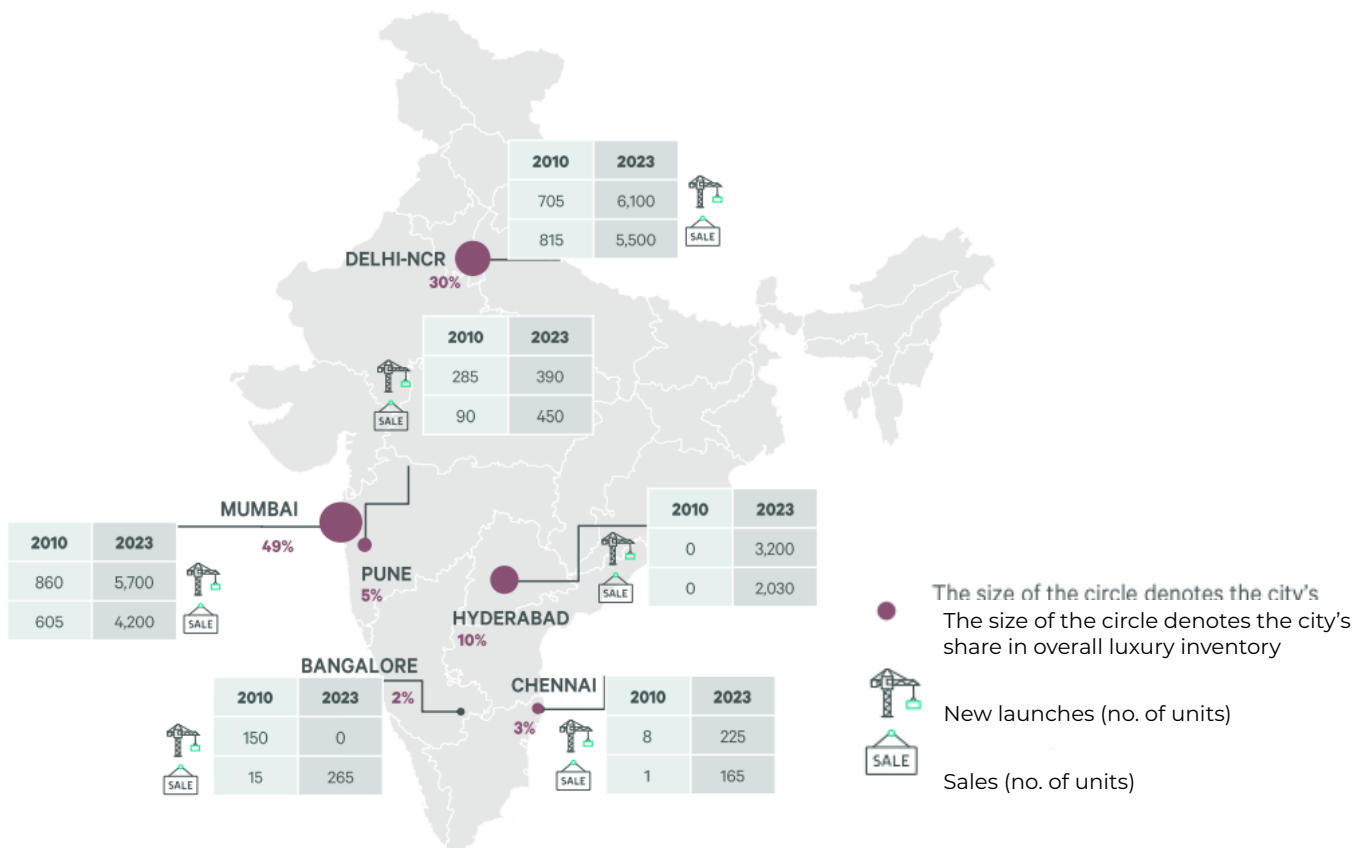
The Indian real estate market is undergoing a significant shift in how luxury housing is defined, with post-lockdown changes challenging traditional perceptions. Luxury is no longer solely about price; it increasingly reflects a combination of location, amenities, and the overall living experience.

This redefined concept varies widely across regions. In emerging markets, for example, luxury properties are priced between INR 12,000 and 18,000 per square foot, whereas in major cities, prime developments can command as much as INR 47,000 per square foot.

Despite these regional price differences, one common thread unites the market: developers are striving to meet the growing demand for high-end living. While some may argue that luxury is defined solely by price, most experts agree that the value added through services, amenities, and experiences plays a crucial role.



# CITY-WISE LUXURY HOTSPOTS



Source: CBRE Research, Q1 2024.

A prominent trend emerging from this evolution is the rise of 'micro-luxury.' Catering to younger, aspirational buyers, this concept emphasises high-end living experiences at more attainable price points. Micro-luxury redefines exclusivity, offering an entry point into the luxury market without compromising on quality or appeal.

Complementing this is the growing popularity of 'luxury by invitation only.' Currently emerging in Mumbai, developers are crafting ultra-exclusive properties designed for a niche audience. These offerings combine bespoke amenities with strategic locations, creating a sense of prestige while maintaining market relevance. Infrastructure advancements in areas like South Mumbai have further elevated the city's appeal, positioning it as a global hub for high-end real estate.

While these trends present exciting opportunities, they also bring significant challenges for developers. Balancing price-point expectations with the features required to justify those costs has become a critical exercise. For instance, if a INR 30 million price tag is the target for a 2,000-square-foot unit in a high-demand area, developers must ask: what features will justify that cost? Should the project include marble flooring? State-of-the-art automation systems? High-end recliners on balconies? A premium clubhouse with bespoke amenities?

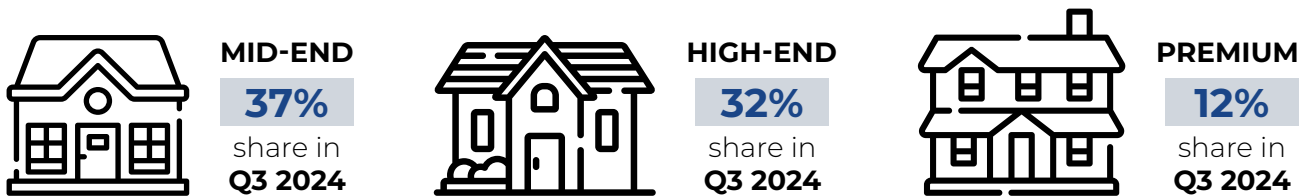
Each element plays a role in justifying the price while ensuring the project appeals to its intended market.

Moreover, the financials of the project often dictate these decisions. Developers calculate margins carefully, often targeting a fixed return, but the land price, construction costs, and ticket size vary significantly depending on the segment. For example, justifying a INR 10 million property versus a INR 50 million property requires vastly different planning and design approaches, even though the developer's profit target remains consistent.

At the core of the equation is the customer. Developers aim to offer value that aligns with the customer's expectations at a given price point. This requires tailoring features, materials, and even the master plan to meet market demands while staying competitive.

As the market continues to evolve, developers are increasingly focused on creating properties that can command high prices. In cities such as Mumbai and Pune, where the market has moved from being affordable to luxury-oriented, the demand for exclusive, high-end properties has outpaced supply, making it a prime area for developers looking to capitalise on ever-increasing prices.

## PREVAILING TRENDS IN UNIT LAUNCHES IN Q3 2024



Source: Venture Intelliaence, Knight Frank Research, 2024 data is until Sep'24.

Real estate markets in cities such as Goa and Bangalore are also seeing significant changes, with some areas experiencing rapid price increases. In Goa, for example, the government's progressive stance on land development has opened up new possibilities for luxury projects. The challenge for investors remains finding the right locations, as some areas have seen price inflation that may not reflect the true value of the land.

The root issue lies in the rising cost of FSI (Floor Space Index) in these high-end locations, where land prices, coupled with the costs of redevelopment, are now exceeding construction costs. The premium attached to these areas has pushed the cost per square foot to levels where the value proposition becomes questionable.

This has led some to argue that there is, in fact, a ceiling to the price growth for these properties. The perception that land deals in premium areas can continue to soar unchecked is misguided, as it overlooks the ultimate price sensitivity of the Indian consumer, no matter their level of wealth. India may indeed be on track to become one of the wealthiest nations globally, but even with this growing affluence, there remains a price cap that consumers are unwilling to breach.

Interestingly, while many developers are under the impression that they can push the envelope on pricing, the reality is that the price per square foot is often tied to land and development costs that simply can't be justified once they cross a certain threshold. For example, developers are finding that land buying in premium locations is no longer negotiable, and when they look at land outside of these prime areas, the dynamics change.



Image: GRI Club

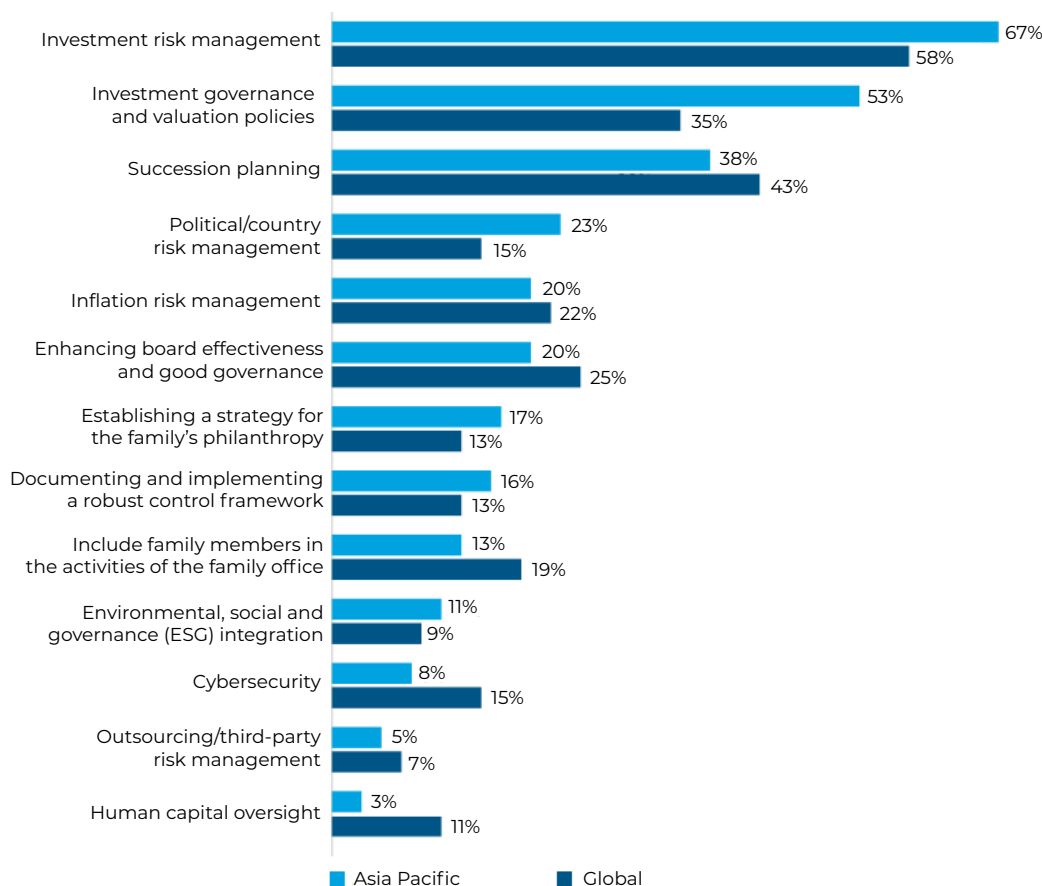
# INDIA'S UHNI INVESTMENTS INTO COMMERCIAL REAL ESTATE

The growing demand for office space in India highlights a complex interplay between developers, institutional investors, and domestic capital sources such as family offices, ultra-high-net-worth individuals (UHNIs), and high-net-worth individuals (HNIs). These stakeholders are reshaping the commercial real estate landscape, yet their differing needs and priorities often result in significant challenges.

Family offices, particularly those established by HNIs and UHNIs, frequently encounter difficulties when leasing prime office spaces. Institutional property owners often impose stringent tenant criteria, favouring tenants with established financial credentials, typically from global corporations or large-scale organisations. This preference for stability and reduced risk can inadvertently exclude smaller entities, even though they represent a reliable and growing market segment.

This trend points to a larger issue in the Indian real estate market. Institutional landlords prioritise long-term financial security, applying rigorous screening processes that can discourage potential tenants, including family offices and even some larger companies lacking the necessary global credentials. As a result, many HNIs turn to alternative strategies, such as purchasing property outright to bypass the leasing constraints.

## FAMILY OFFICES' TOP THREE STRATEGIC PRIORITIES IN 2024



Source: The Family Office Insights Series - Asia Pacific Edition 2024.  
Deloitte Private & Raffles Family Office.

Adding to the complexity is the design and scale of new office developments. Many commercial spaces are built with large-scale tenants in mind, featuring floor sizes exceeding 100,000 square feet. While these expansive configurations cater well to corporate giants, they leave smaller businesses and family offices underserved. This mismatch in supply and demand creates barriers for these entities, which often seek flexible, compact office spaces within high-demand commercial buildings.

However, the market dynamics are beginning to shift. As supply begins to catch up with demand, new opportunities are emerging for family offices to secure appropriate office spaces. The development of smaller, standalone Grade-A buildings is creating a niche market for boutique office solutions.

In Central Business Districts (CBDs), redevelopment projects are introducing office configurations designed to meet the needs of smaller tenants. These developments offer family offices the flexibility they require, with fewer floors and more manageable spaces that align with their operational needs. This shift reflects a growing recognition of the diverse demands in the commercial real estate market, particularly from domestic capital sources.

Additionally, these new investors are exploring alternative financial structures to gain access to office spaces. One increasingly popular approach involves leveraging non-deposit Non-Banking Financial Company (NBFC) arrangements. These structures enable family offices to undertake high-yield, short-term investments, often accompanied by buyback guarantees or repayment options linked to developer cash flows upon project completion.

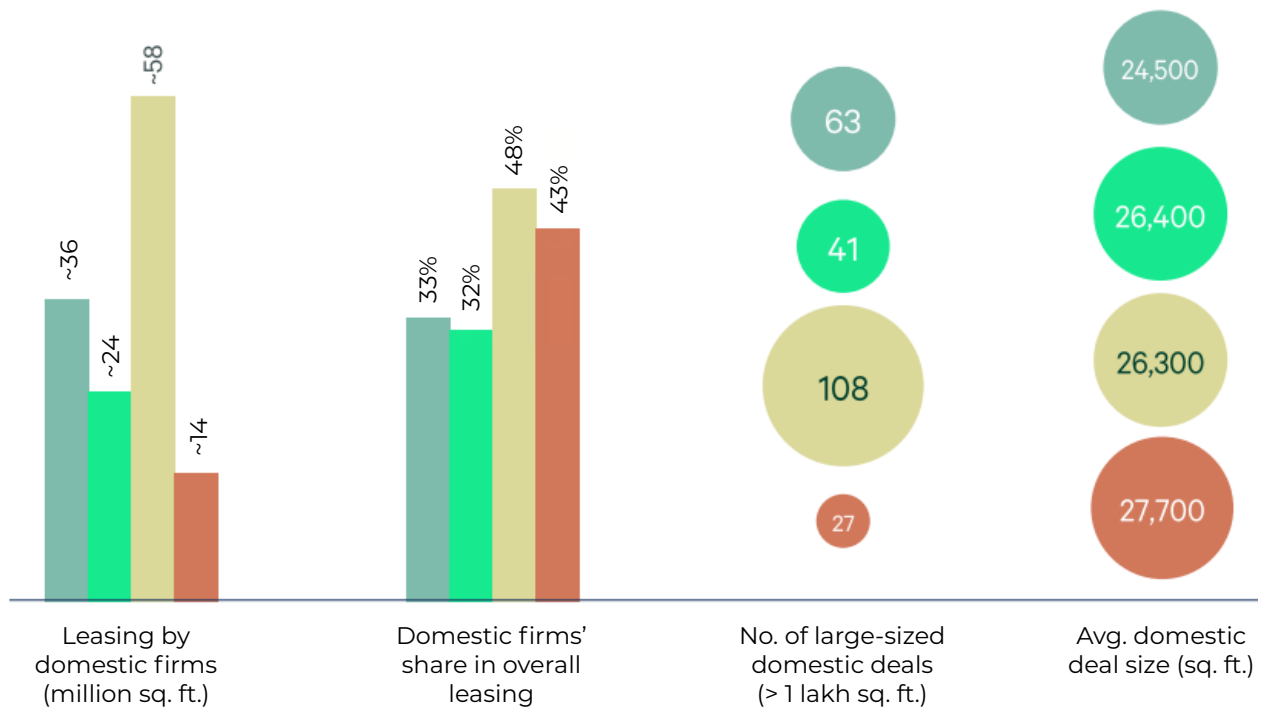
For developers, this shift presents both a challenge and an opportunity. The rising demand for smaller, high-quality office spaces provides a lucrative avenue to diversify offerings and cater to family offices and boutique businesses. However, careful planning is essential, as the return on investment for these smaller spaces may not match the profitability of large-scale developments typically favoured by institutional investors.

## » **Are domestic investors outpacing global players?**

A notable distinction has emerged in recent years between how domestic and global players approach commercial real estate investments in India. Global investors, particularly institutional ones, have largely focused on completed assets, steering clear of development risks. This approach aligns with their preference for stability, as completed projects are perceived to carry lower risks in terms of valuation and long-term returns.

In contrast, domestic capital has demonstrated a more flexible and dynamic approach, paving the way for innovative investment structures that accommodate higher risk levels. One prominent example is the growing popularity of forward purchase models, which allow domestic players to engage with projects at earlier stages, showcasing their willingness to invest in the development cycle and capitalise on potential upside gains.

## OFFICE ABSORPTION TRENDS BY DOMESTIC FIRMS IN INDIA



Source: CBRE Research, Q2 2024.

The domestic capital market has also become increasingly diverse, encompassing three primary segments. Retail investors, often transitioning from small-ticket REITs or fractional ownership platforms, form the first group. The second segment consists of accredited investors, who are drawn to alternative investment platforms such as Alternative Investment Funds (AIFs). Finally, large family offices represent the third group, increasingly favouring direct asset acquisitions or co-investment opportunities.

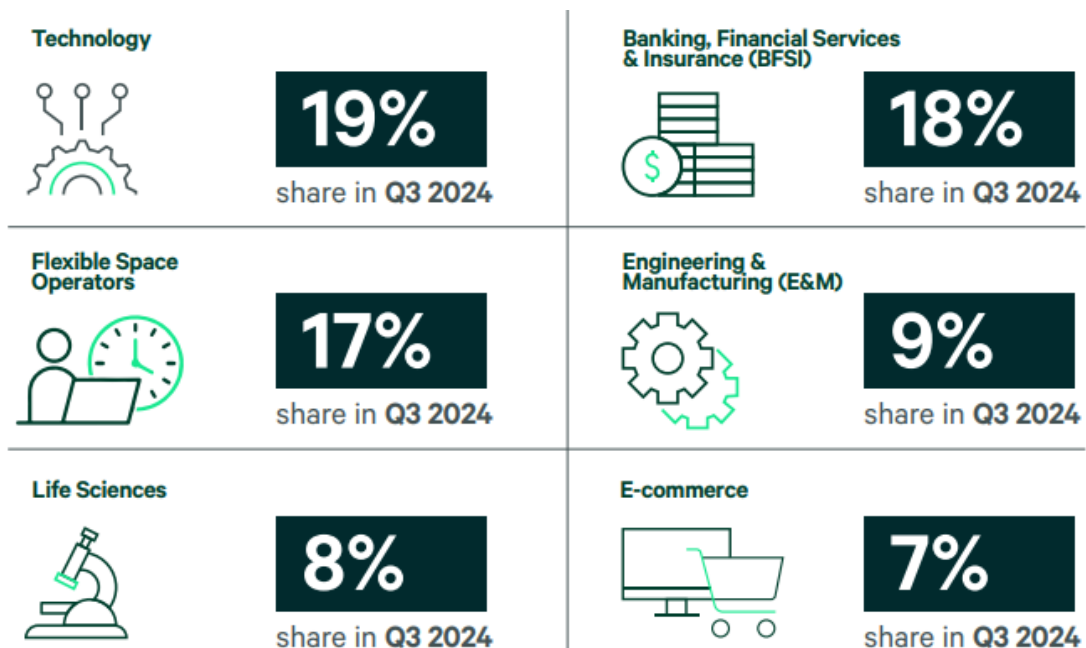
This evolving landscape raises a pivotal question: does the shift towards domestic capital signify a fundamental transformation, or is it simply another phase in the market cycle? Many experts view it as a turning point, with the rise of local players showcasing deep market knowledge and strong fundraising capabilities, enabling them to build a competitive edge over global investors.

The increasing role of domestic capital signifies more than just an economic shift, it represents the maturation of India's commercial real estate market and reflects a higher level of sophistication, with even traditionally risk-averse family offices now venturing into high-yield, high-risk opportunities. Their evolving risk appetite underscores a broader transformation in investor sentiment, driven by the potential for higher returns and a nuanced understanding of market dynamics.

## » From back-offices to innovation hubs

India's commercial real estate sector has undergone remarkable transformation over the past decade, driven by evolving client preferences and shifting industry dynamics. Once dominated by IT services, the tenant mix has expanded to include global retail spaces, research laboratories, and corporate hubs. This diversification underscores the growing trust global companies place in India to handle strategic operations, moving well beyond the traditional back-office model.

### KEY SECTORS THAT DROVE LEASING ACTIVITY



Source: CBRE Research, Q3 2024.

Amid these changes, the core challenge lies in fostering strong client relationships. Real estate professionals increasingly view themselves as intermediaries, bridging the gap between property owners and end clients. Long-term tenant retention hinges on consistently meeting evolving needs, as industry experts emphasise that client loyalty is built on reliability and responsiveness rather than transactional agreements.



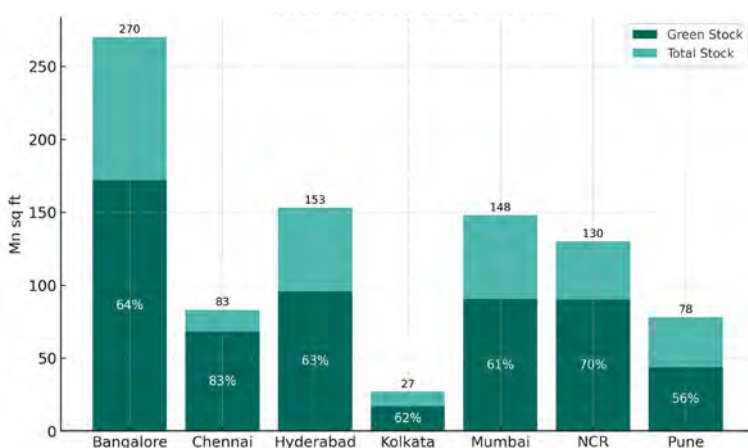
A critical driver of tenant loyalty today is the well-being of employees. Companies are realising that the success of their office spaces depends not only on functional infrastructure but also on ensuring satisfaction and engagement within their workforce. Workspaces designed with comfort, productivity, and employee satisfaction in mind have become indispensable for attracting and retaining top talent. This shift towards employee-centric design is now a hallmark of modern commercial real estate.

Sustainability is also a core requirement for modern commercial tenants. Environmental, social, and governance (ESG) goals have become integral to property design, construction, and operation. Tenants now expect advanced sustainability features, such as net-zero water and waste systems, as standard offerings, making these measures essential for developers looking to stay competitive.

The push for sustainable workspaces is not solely driven by environmental concerns but also by the significant economic benefits. These assets are now seen as more attractive due to faster leasing velocities, reduced capital costs, and lower overall risk. Developers targeting premium locations and high-profile clients recognise that offering sustainability is no longer optional - it is essential to remain competitive and enhance the financial viability of projects.

While the initial cost of integrating sustainability features may be higher, properties with robust sustainability credentials and strong long-term value propositions stand out as premium assets. The return on investment is superior, especially in high-demand micro-markets, with these assets commanding higher rents, achieving faster leasing cycles, and delivering more stable financial outcomes.

## TOTAL STOCK VS GREEN STOCK



City	Green Stock (Mn sq ft)	% Share
Bangalore	172.1	30%
Chennai	68.3	12%
Hyderabad	95.9	17%
Kolkata	16.9	3%
Mumbai	90.4	16%
NCR	90.2	16%
Pune	43.8	8%
Total	577.7	100%

Source: Vestian Research, 2024. Note: Data for Grade-A buildings considered for the analysis

Sustainably designed properties are also poised to outperform less sustainable counterparts in the long term. Their superior environmental features not only attract tenants but also ensure resilience and value retention over time. Institutional investors increasingly focus on acquiring such assets, which align with their long-term investment strategies and provide reliable returns.

This trend is particularly evident in specific micro-markets, where institutional-grade assets consistently outperform strata-titled properties. The differentiating factors include professional management and consistent maintenance, not only keeping institutional assets competitive but also making them the preferred choice for tenants and investors alike.



# THE CRITICAL ROLE OF WAREHOUSING AND LOGISTICS

Over the past five to six years, ambitious road projects have redefined connectivity across the country, reshaping the logistics landscape. These enhanced networks have spurred growth in warehousing and transportation within specific micro-markets, creating new hubs of activity.

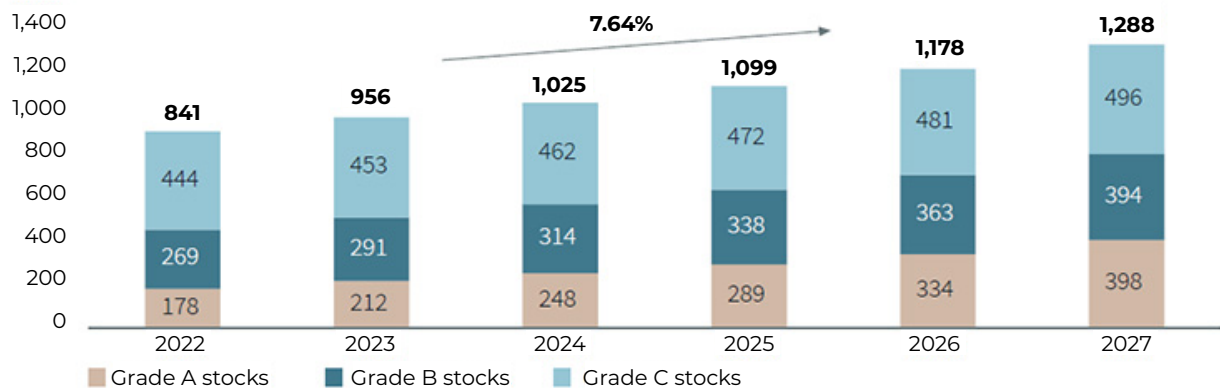
The improved infrastructure has also disrupted older logistics routes, redirecting traffic flows and diminishing the relevance of established hubs, increasing the need for businesses to remain agile, adapting their operational strategies to align with shifting infrastructure patterns and emerging opportunities.

Amid these changes, the demand for properties with clear legal titles, proper approvals, and adherence to environmental and regulatory standards has grown exponentially. The emphasis on compliance reflects a market where tenants and investors prioritise risk mitigation and operational continuity.

Non-conformity, such as missing No Objection Certificates (NOCs) or unresolved legal issues, has become a critical bottleneck, disrupting processes and jeopardising long-term viability. For businesses navigating this landscape, ensuring seamless compliance is now as essential as infrastructure alignment.

## TOTAL STOCK IS EXPECTED TO CROSS 1,250 MN SQ FT BY 2027

Grade wise projected stock



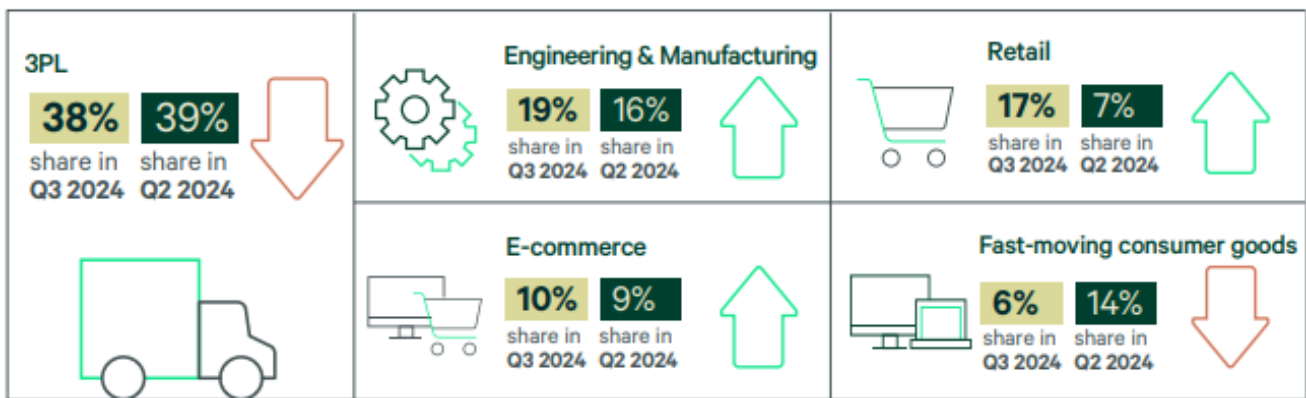
Source : JLL India.

Complementing the focus on compliance is a broader shift in the warehousing sector toward greater efficiency and strategic planning. Companies are increasingly decoupling warehouse requirements from production capacities, adopting smarter logistics strategies to optimise storage needs.

This transition represents a pivotal moment in supply chain management, where the emphasis has shifted from simply scaling up to achieving more with less. Consequently, expansive warehousing spaces are giving way to streamlined, efficient facilities that better meet the demands of modern logistics.

The rising competition and mounting pressure on rental rates further amplify the need for efficiency and innovation. Larger players, leveraging their resources, are distinguishing themselves through value-added offerings like industrial housing and park-level infrastructure.

## KEY SECTORS THAT DOMINATED LEASING



Source: CBRE, Q3 2024.

These solutions not only cater to the evolving needs of tenants but also create barriers to entry for smaller developers, providing institutional players with a significant competitive edge. The ability to offer differentiated services has become a decisive factor in attracting and retaining clients in a crowded market.

Global markets reinforce the critical importance of reliability and efficiency in the logistics sector. Supply chain operators working on tight timelines depend on seamless operations, and delays or abandoned projects can have widespread consequences. These lessons underline the necessity for warehousing developments to deliver on promises, ensuring trust, continuity, and profitability in an increasingly complex logistics ecosystem.

### » The power of local players

The growing influence of local developers is redefining competitiveness in India's logistics sector. These agile players are challenging the dominance of larger corporations by leveraging their speed, cost-efficiency, and deep understanding of regional markets. Their ability to identify opportunities and execute projects swiftly, often bypassing bureaucratic hurdles, has positioned them as formidable competitors, reshaping the industry's dynamics.

A key advantage of local developers lies in their ability to offer tailored solutions. They prioritise cash flow and incremental costs over rigid return-on-investment (ROI) models, allowing them to act with greater flexibility.

Unlike institutional players, who adhere to stringent financial benchmarks, local developers are willing to absorb initial costs and work closely with clients to meet precise specifications. This adaptability not only secures long-term rental income but also fosters strong relationships with tenants and investors, making these developers indispensable to the competitive landscape.

However, this approach comes with its own set of challenges. Despite their strengths, local developers often overlook comprehensive ROI assessments, focusing primarily on immediate cash flow.

While this allows for rapid project execution, it risks underestimating the true financial health of developments by ignoring sunk costs such as land acquisition and construction expenses. In contrast, institutional players maintain a disciplined emphasis on detailed ROI calculations, ensuring their projects remain financially sustainable in the long run.

The competition has been further intensified by the entry of global developers into India's logistics sector. Armed with substantial capital, advanced operational models, and the ability to scale across multiple locations, these international players bring a level of reliability and service consistency that appeals to institutional clients. Their focus on efficiency and scalability often makes them the preferred partners for large-scale projects, challenging local developers to elevate their offerings and adapt to higher standards.

While global developers dominate large, high-demand markets, local developers maintain their stronghold in smaller regional markets. Their flexibility, combined with customised and cost-effective solutions, gives them a competitive edge in regions where regional familiarity and cost considerations are paramount.

However, scaling their operations to meet the demands of an expanding market remains a significant challenge. Limited access to capital and the pressing need for improved operational efficiency often constrain their ability to compete on the same level as larger institutional players.

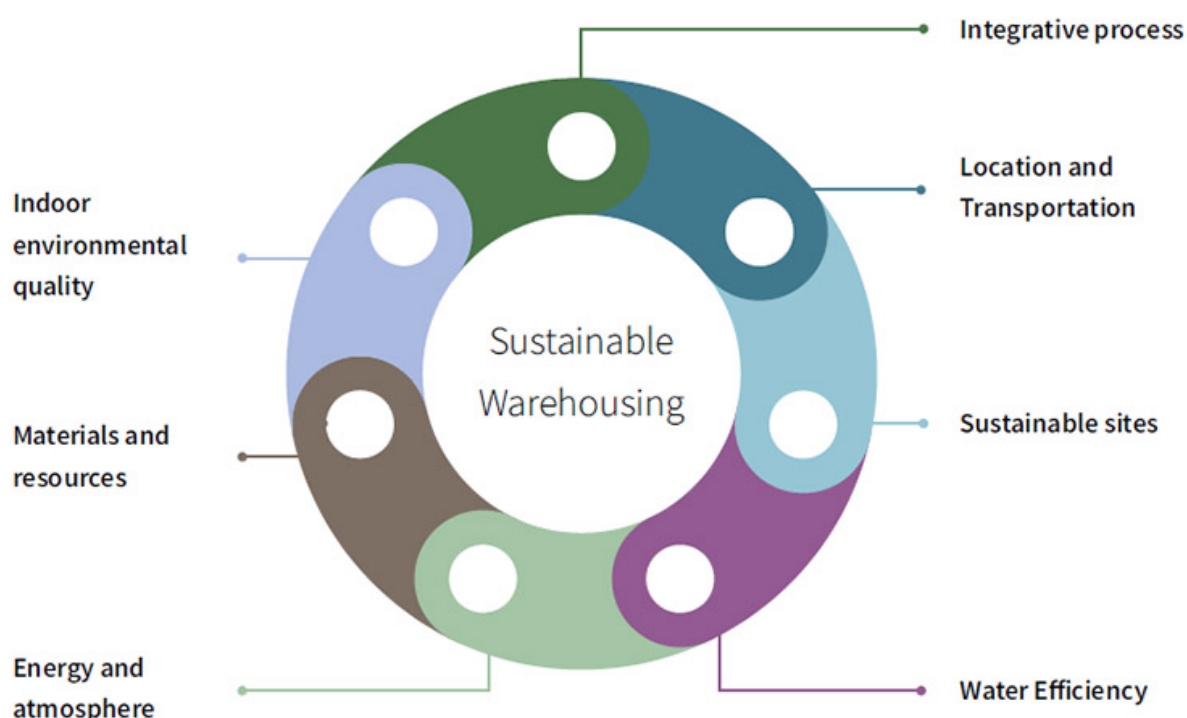
Looking ahead, the future of India's logistics sector lies in collaboration between local developers and institutional players. Each group brings unique strengths to the table: local developers excel in agility, cost-efficiency, and a nuanced understanding of regional markets, while institutional players contribute scale, global expertise, and access to robust financial resources. By leveraging these complementary advantages, the industry can address diverse client needs, from basic storage solutions to state-of-the-art, sustainable facilities.

## » Evolving customer expectations

Grade A facilities have emerged as the gold standard for warehousing. These facilities are defined by their adherence to modern efficiency benchmarks and stringent ESG (Environmental, Social, and Governance) standards.

Features such as solar panels, EV charging infrastructure, rainwater harvesting systems, and energy-efficient LED lighting are no longer optional but essential for businesses seeking sustainable and future-ready solutions.

### SUSTAINABLE WAREHOUSING - PARAMETERS



Source: JLL India.

This growing emphasis on sustainability represents a fundamental shift in industry priorities. What was once considered a value-add bonus has now become a baseline expectation. Companies integrating eco-friendly features from the outset gain a competitive edge, aligning with global ESG goals and attracting clients who prioritise environmental responsibility. For multinational corporations, green warehousing is not just a preference, it is a necessity for meeting global sustainability standards while achieving operational excellence.

Despite this progress, the path forward is not without challenges. The rising demand for sustainable and strategically located facilities has been tempered by persistent economic pressures. Meeting ESG standards and delivering Grade A facilities comes at a significant cost, with clients often seeking premium features while remaining highly price-sensitive, negotiating aggressively on rental terms.

Pricing, in particular, is a contentious issue across the sector. While some tenants are willing to pay a premium for strategically located, state-of-the-art facilities, others push for cost reductions, even when they benefit from cutting-edge infrastructure. This dichotomy reflects the delicate balance developers must strike between offering high-quality solutions and maintaining profitability amid financial pressures.

These challenges are further compounded by the dispersed nature of logistics hubs, which makes consolidation efforts both costly and logistically challenging. As the sector grapples with these issues, the ability to navigate such hurdles has become a key determinant of success.

To address these challenges, developers are increasingly focusing on operational efficiencies that directly benefit tenants. Enhanced accessibility, better labour availability, and compliance with evolving regulations are becoming critical differentiators. By aligning their offerings with tenant priorities and building strong relationships, developers can create long-term value, ensuring sustained profitability in a rapidly evolving market.

## » **Land and development challenges**

Land costs remain a critical factor influencing the viability of logistics projects in India, shaping where and how developers can operate. Established micro-markets, such as those along the National Highways Authority (NHA) network, have seen soaring prices, making these areas increasingly inaccessible for many logistics players.

Adding to the complexity, land acquisition remains a significant bottleneck, especially in areas where rural and urban boundaries blur. While rural lands often bypass the stringent regulatory requirements of urban areas, the lack of formal clearances can lead to complications during the development process.

Developers are increasingly adopting land aggregation strategies, employing Special Purpose Vehicles (SPVs) to pool resources and equity for large-scale projects. These collaborative approaches, which involve partnering with landowners, enable developers to navigate regulatory hurdles and address the challenges of fragmented ownership more effectively.

In parallel, the sector is grappling with the urgent need for enhanced operational efficiencies to maintain competitiveness. Faster construction timelines, reduced overheads, and leveraging in-house capabilities have become essential for preserving profitability in a market under pressure.

Despite these efforts, rental yields in the warehousing sector remain under pressure, typically ranging from 8–9%. Rising operational costs and limited liquidity exacerbate these challenges, particularly for smaller players who lack the capital and resources to scale their operations efficiently. This financial strain underscores the importance of institutionalising the sector to unlock sustained investment and operational resilience.

## » Innovative financing models

The financing landscape for warehousing in India is undergoing a paradigm shift, reflecting the sector's maturation and a heightened emphasis on risk mitigation. For many years, speculative financing was a cornerstone of development, enabling rapid expansion as developers secured loans based on projected leases rather than confirmed tenant agreements.

However, in recent months, financial institutions have tightened their requirements, now insisting on signed tenant agreements before approving construction loans. This shift underscores a more cautious approach in response to broader economic uncertainties.

The changing dynamics of financing have introduced new complexities for developers. Interest rate differentials between speculative and contract-backed projects have widened significantly, making speculative ventures more expensive. As a result, developers are adopting more conservative planning models, aligning their projections with worst-case scenarios to secure funding and ensure financial stability, while slowing the pace of speculative development.

Amid these changes, larger developers with institutional backing are capitalising on their financial stability to push the boundaries of innovation. Projects such as multi-tier warehouses and campus-level industrial facilities are becoming viable, positioning these players to outpace local developers who may lack the capital to undertake such ambitious ventures.

Despite this progress, the warehousing sector lags behind commercial and retail real estate in adopting structured exit mechanisms for investors. Real Estate Investment Trusts (REITs), which have proven transformative in other segments, remain underutilised in warehousing.

Institutionalisation, coupled with a robust REIT ecosystem, could address this gap by providing smaller developers with pathways to monetise their assets and attract long-term institutional capital. Additionally, REITs could introduce much-needed standardisation, enabling smaller players to compete with established giants.

Fractional ownership models have emerged as another potential solution to address liquidity constraints. These platforms allow investors to own a share of a property, distributing costs and risks. However, their adoption has been slow due to concerns over governance, management practices, and scalability. Many investors remain sceptical about whether smaller developers can deliver the same professionalism and efficiency as their larger, institutional counterparts.



For Small and Medium Enterprises (SMEs) in the warehousing sector, alternative financing models like equity dilution are becoming more common. While this approach avoids the burden of debt, it limits long-term growth potential and competitive positioning. This constraint has driven many SMEs to consider consolidation as a survival strategy, since larger developers are increasingly absorbing smaller players to achieve economies of scale, streamline operations, and reduce market fragmentation.



# IS INDIA EMERGING AS ASIA'S DATA CENTRE HUB?

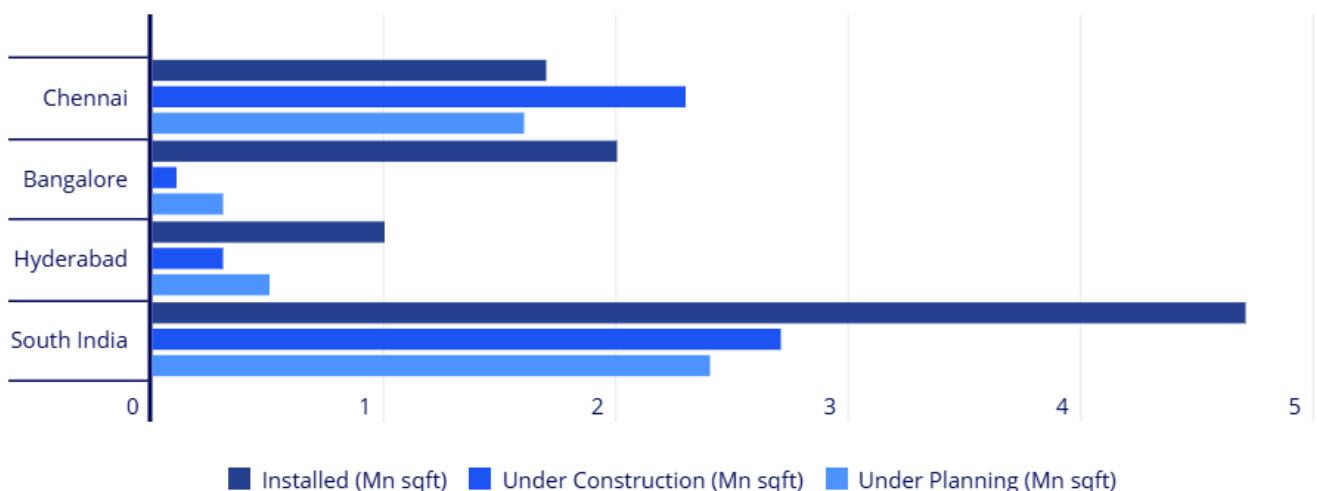
The evolution of India's data centre industry over the past two decades is nothing short of extraordinary. From modest beginnings with limited infrastructure, the sector has grown into a powerhouse that supports the backbone of the country's digital economy. With the rapid rise of cloud computing, artificial intelligence (AI), and big data, India has emerged as a global force in these vital facilities.

In the early 2000s, India's data centre market was still finding its feet. At the time, operators typically leased space in multi-tenant commercial buildings, focusing on basic requirements such as reliable power, secure connectivity, and moderate scalability. Businesses were primarily concerned with stability and immediate functionality, laying the groundwork for a nascent industry that catered to their pressing needs.

As the digital economy expanded, so did the demand for high-performance, dedicated data centres. The arrival of global players introduced the concept of hyperscale data centres, marking a pivotal shift from rented spaces in multi-tenant buildings to purpose-built, self-owned facilities. This transition set the stage for a new era, where securing larger plots of land - typically 5 to 6 acres - became the norm for constructing state-of-the-art centres capable of supporting cloud services and e-commerce.

Between 2020 and 2023, the pace of growth accelerated dramatically. The rise of cloud computing and AI reshaped industry demands, pushing operators to look beyond immediate needs and anticipate the explosive requirements of the future. The scale of development expanded significantly, with operators acquiring plots of 50 to 55 acres or more to build facilities designed for long-term scalability and technological innovation.

## DATA CENTRE MARKET DATA - CAPACITY (MILLION SQUARE FEET)



Source: Colliers, 2024.

This shift reflects a fundamental change in the way data centre operators are thinking about their role in the broader tech ecosystem. They are no longer just meeting existing demand, operators are also future-proofing their infrastructure to handle the exponential growth expected in the next 10 to 15 years, since scalability has become the cornerstone of the industry.

At the core of this transformation lies India's ambition to become a global hub for digital infrastructure. While the country's data centre market has already demonstrated remarkable growth, the future calls for even greater investment in cutting-edge technologies and infrastructure, able to support more efficient, large-scale facilities.

## » India's path to global leadership

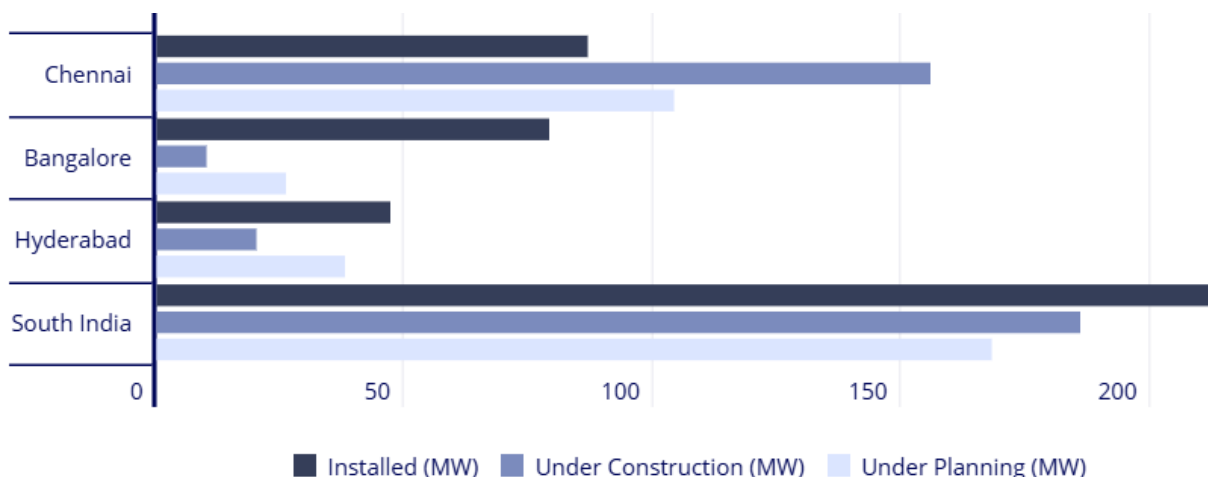
India's status as an IT powerhouse has made it an attractive destination for global players seeking to establish or expand their data centre operations. However, while India is rapidly emerging as a critical player in the global data centre market, its infrastructure faces mounting pressures.

Land and power availability are key constraints in traditional data centre hubs, where demand is outstripping capacity. As industry leaders highlight, although major companies are investing in power infrastructure expansion, the availability of suitable land in these areas remains a finite resource.

Beyond land and power, the sector also grapples with challenges such as contractor availability, vendor capacity, and potential supply-demand imbalances. The next three years are seen as pivotal for determining whether India's data centre industry can effectively meet the surging demand.

This evolving landscape raises a critical question: where will the next wave of data centres be located? As traditional hubs approach capacity, the focus is shifting to alternative regions that offer more space, better scalability, and higher cost efficiency.

### DATA CENTRE MARKET DATA - CAPACITY (MW)



Source: Colliers, 2024.

Emerging markets such as Hyderabad and Chennai are witnessing significant developments, driven by their proximity to key markets and existing infrastructure. Yet, these regions are not without challenges - Hyderabad faces persistent land availability issues, while Chennai struggles with power limitations.

Regulatory and pricing challenges further compound the sector's pains, as India's power pricing structure is frequently cited as a barrier to the scale of investment required for sustained growth. Addressing these issues will be critical to unlocking the full potential of the country's data centre sector.

As the industry expands beyond its established hubs, the talent shortage emerges as another pressing challenge, with hyperscalers, Original Equipment Manufacturers (OEMs), and developers all competing for a limited pool of skilled professionals.

While some players are offering salaries and benefits that far exceed industry standards, this approach may only provide short-term relief. Long-term sustainability will depend on nurturing talent from within the sector, a strategy increasingly viewed as the only viable solution.

## » **The demand dilemma**

India's data centre landscape is undergoing a profound transformation, driven by the rapid digitalisation of businesses and the escalating demand for advanced computing power. Key hubs such as Navi Mumbai and Chennai are at the forefront of this evolution, with capacity in these regions expected to double within the next two to three years. However, this unprecedented growth raises a critical question: will demand keep pace with the surge in supply?

The answer lies in the nuanced dynamics of individual markets. Navi Mumbai exemplifies a market with robust and reliable demand, where hyperscalers and large enterprises absorb new capacity almost as soon as it becomes available. With development timelines as short as six to seven months, the region reflects the urgency of meeting growing digital infrastructure needs.



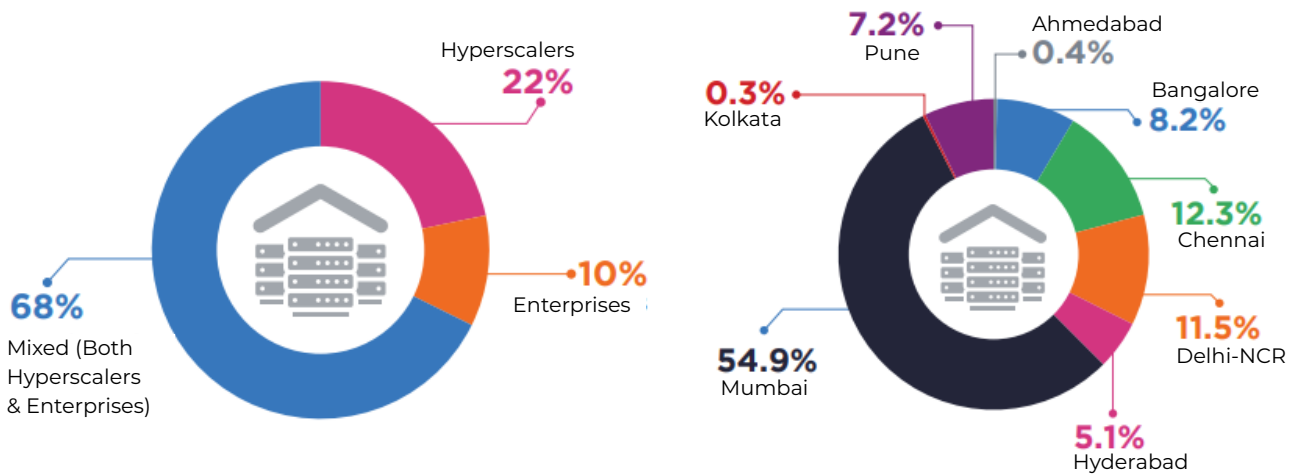
Yet, the challenges here and in other regions extend beyond physical availability. Industry leaders point to constraints rooted in evolving client expectations and rigid terms and conditions, underscoring the need for operators to adapt their strategies to address these complexities.

Adding another layer of complexity is the scale of new developments. The era of small, multi-tenant facilities has given way to sprawling campuses, ranging from 40 MW to 150 MW or more. These large-scale projects highlight the industry's focus on scalability and efficiency but also raise questions about absorption rates. As technologies like artificial intelligence (AI) begin to reshape market dynamics, the ability of these facilities to align with future demand becomes even more critical.

AI, often heralded as a game-changer for the data centre sector, is still finding its footing in terms of tangible demand. For now, the market's backbone remains cloud computing, which consistently drives the majority of demand.

Major providers like Amazon, Microsoft, and Google enable businesses to modernise their operations, adopt automation, and enhance customer engagement. This steady demand for cloud infrastructure serves as a "base load," ensuring continuous growth in data centre capacity even as AI's potential unfolds.

## DATA CENTRE STOCK BY CATEGORY AND BY CITY



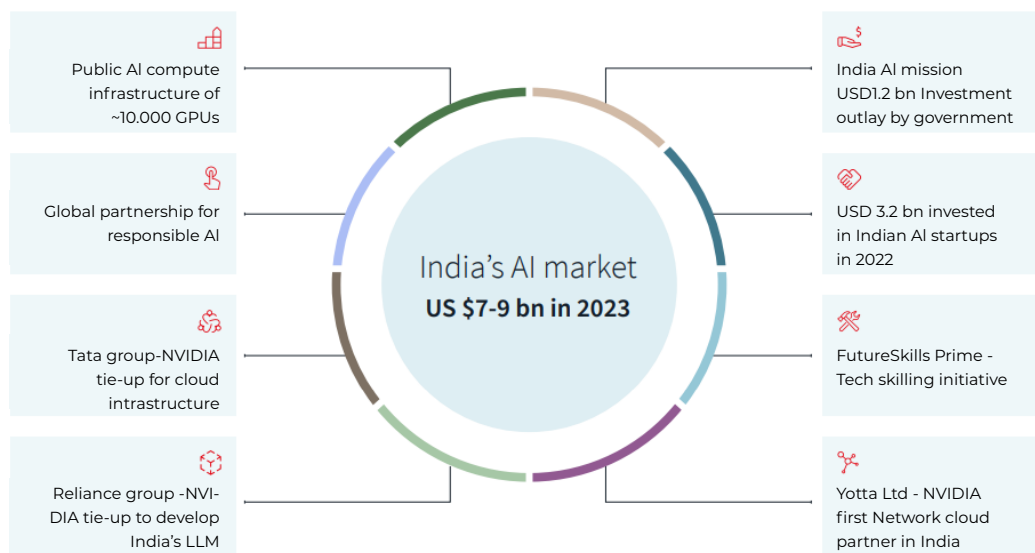
Source: Savills India, H1 2024.

While AI's immediate impact is limited, its long-term influence promises to be transformative. Trends from mature markets like the United States suggest that AI adoption will follow a trajectory similar to that of cloud computing, gradually integrating into core infrastructure.

Data centres are already preparing for this evolution by adopting advanced technologies, such as direct-to-chip liquid cooling systems, which can handle the heat generated by high-density workloads. These innovations demonstrate the industry's forward-looking approach to operational efficiency and readiness for AI-driven workloads.

Moreover, the integration of AI with existing cloud infrastructure represents a pivotal shift. By merging AI and cloud workloads, data centres will need to expand their capacities to support more demanding applications. This fusion underscores the importance of innovative solutions, such as submerged liquid cooling, which, though still in its infancy, signals the industry's commitment to sustainable and efficient technologies.

## INDIA AI ECOSYSTEM TO POWER NEW TECH REVOLUTION



Source: JLL India, 2024.

Looking further ahead, the rise of "AI factories" or massive machine learning (ML) facilities, with capacities ranging from 200 MW to 300 MW, illustrates the scale of transformation on the horizon. Already gaining traction in major markets around the world, these facilities are expected to influence India's data centre trajectory, demonstrating that AI's role is not just theoretical but a tangible reality shaping the future of the sector.

While the introduction of specialised AI floors is expected to address growing demand, these advancements will likely integrate into existing infrastructures rather than being standalone projects. This approach reflects the industry's cautious optimism, balancing the promise of AI-driven growth with the uncertainties of its immediate impact. Industry leaders remain confident, however, that AI's role will expand significantly in the coming years, aligning with the sector's long-term vision.

## » Partnering for progress and sustainable growth

One of many shifts emerging among players in the ecosystem is, while some focus on traditional paths like land acquisition, construction, and operational complexities, others are carving out a complementary niche.

Instead of competing directly with major operators and hyperscalers, these players are prioritising efficient capital deployment to deliver high Internal Rates of Return (IRR). By concentrating on property and infrastructure, they enable operators to focus on service delivery, creating a symbiotic model that meets the growing demand for digital infrastructure without the burdens of day-to-day management.

This journey, however, has not been without challenges. Between 2019 and 2023, the market experienced a period of turbulence as private equity (PE) investors rushed in, eager for quick returns. Many lacked a full understanding of the complexities and long-term nature of data centre development, leading to more buzz than actual progress, and the hesitancy to commit to substantial capital investments further slowed the sector's momentum.

Today, the outlook is more promising. A deeper understanding of the sector's unique demands has paved the way for a greater alignment between investors' goals and operational realities. Over the past year, data centre project delivery has accelerated, with long-term, committed partnerships becoming the norm. Investors increasingly recognise that navigating the complexities of this capital-intensive industry requires collaboration with experienced players who can scale operations effectively.



**2x growth** in industry capacity to  
**1,645 MW** by 2026



**USD 5.7 bn** investments\* are  
expected for DC capacity additions



**10** mn sq. ft. real estate demand construction  
estimated for **791 MW** capacity addition

Source: JLL India, 2024.

The importance of choosing the right partners cannot be overstated. Building a single data centre in a market like India can cost upwards of USD 250 million, often requiring phased funding and multiple approvals to keep projects on track. The capital-intensive nature of the industry has also prompted discussions around alternative models for asset ownership and scalability.

Traditionally, operators preferred to own the underlying real estate, which provided greater flexibility and control. However, as the industry scales, this model becomes increasingly difficult to sustain.

Alternative approaches, such as long-term leases with pathways to ownership, are gaining traction. For instance, a 30-40 year lease structure could offer financial stability while addressing land constraints in densely populated areas like Mumbai. Yet the debate between ownership and leasing persists, driven by concerns over capital costs, long-term viability, and market stability.

Scalability is another critical factor. The size and configuration of land parcels directly impact the feasibility of high-density developments. Larger projects require flexibility and customisation to meet client needs, while smaller parcels may limit potential growth.

Developers who overestimate yields or inflate land prices risk creating market volatility and supply bottlenecks, as seen in certain international markets. Sustainable, realistic development models, rooted in collaboration between operators and developers, offer a more effective way forward.

The path to success lies in understanding market dynamics and positioning assets strategically. Developers who prioritise long-term relationships over short-term gains are better equipped to adapt to client needs and build sustainable portfolios. In a sector where scalability and efficiency are paramount, fostering trust and collaboration will ultimately separate the leaders from the rest.

As the data centre industry matures, it faces critical questions about its future. Will the market embrace alternative ownership models? How can operators and developers navigate land constraints while maintaining scalability? The answers will shape the next phase of growth, offering insights into how the industry can balance innovation, capital efficiency, and market demands.





# GROWING REAL ESTATE INTEREST IN RETAIL INVESTMENTS

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Over the last 15 years, India's retail industry has undergone a remarkable transformation. Once struggling to attract demand for large-format spaces, the sector now thrives with an influx of international brands and the expansion of domestic giants. This growth reflects a dynamic shift in consumer behaviour and strategic innovations by retailers, signalling the industry's readiness to adapt to changing market dynamics.

The COVID-19 pandemic initially brought fears of a significant shift away from physical retail, with projections that online shopping would dominate consumer preferences. However, the resilience of brick-and-mortar retail has defied these predictions.



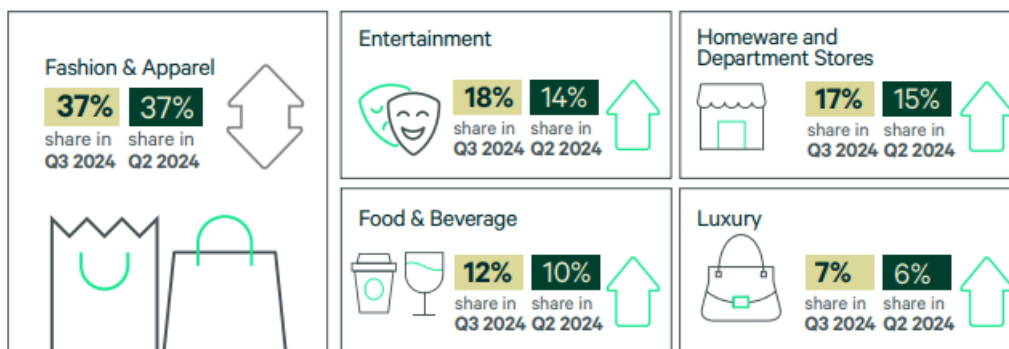
Source: CBRE, 2024.

Shopping, dining, and leisure have become integral lifestyle elements for Indian consumers, driving a resurgence in physical retail spaces. As a result, malls have evolved into experiential hubs, seamlessly blending traditional retail with entertainment and community-driven activities to meet these new demands.

This evolution has accelerated in the last few years, with an intensified focus on creating memorable experiences for consumers. Developers are now prioritising multi-faceted spaces that combine luxury cinemas, fine dining, and unique entertainment options.

Entertainment and leisure, once considered secondary attractions, are reclaiming prominence in retail spaces. The reintroduction of bowling alleys, fun parks, gyms, and innovative centres with integrated food and beverage (F&B) options is drawing customers back to malls. These concepts address urban challenges such as high land costs while meeting evolving consumer demands for engagement, relaxation, and social connection.

## KEY SECTORS THAT DROVE LEASING ACTIVITY



Source: CBRE, Q3 2024.

A critical factor in the success of modern malls is their tenant mix. Developers are increasingly curating a balance between premium brands and mid-range offerings, ensuring inclusivity while maintaining a high-end appeal. For example, premium names are now entering Tier 2 cities, complementing globally popular brands such as fashion retailers.

Localisation further enhances this mix, with about 20-30% of offerings tailored to local preferences. While global brands remain consistent across locations, regional and local retailers fill other spaces, fostering a sense of familiarity and connection for shoppers. This blend of global consistency and regional relevance creates an experience that resonates with consumers from different backgrounds.

Zoning strategies have also evolved significantly over the years. F&B spaces, which once occupied just 9% of mall areas, now take up 20-21% in newer projects, highlighting the growing importance of this sector as a crowd-puller, providing experiential offerings that complement traditional retail stores and help differentiate malls from their competitors.

As the retail landscape continues to evolve, the integration of online and offline channels is redefining how businesses engage with consumers. Omni-channel strategies provide the convenience of online shopping while maintaining the tangible and curated experiences offered by physical stores. In smaller cities, this approach is particularly impactful, as customers value the ability to explore products in-store while enjoying the option to complete purchases online.

The success of these strategies lies in the strength of partnerships and a focus on people. Collaboration with both international and domestic brands has been pivotal in driving growth, while fostering professional teams and a culture of innovation ensures operational excellence. A customer-first approach, seamless operations, and evolving offerings continue to underline the sector's commitment to staying relevant in an ever-changing market.

## » **Mixed-use developments**

Mixed-use developments are reshaping the Indian retail sector by integrating living, work, and leisure spaces to address the diverse needs of modern consumers. These projects not only maximise land utility but also offer a sustainable investment model, meeting the demands of both developers and investors. As consumer lifestyles evolve, these developments cater to the growing demand for convenience and multi-functional spaces that enrich urban living.

Expanding beyond traditional retail properties, the inclusion of hospitality has become a key trend among developers. Rising room rates, high occupancy levels, and limited hotel supply have made hospitality an attractive addition to mixed-use projects.

In addition to hospitality, the integration of office spaces has introduced another layer of functionality to mixed-use developments. Shared resources, such as parking, are optimised by this approach - offices utilise parking during the day, while malls benefit from the same infrastructure in the evenings. This synergy not only enhances resource efficiency but also makes projects more feasible in high-cost urban environments.

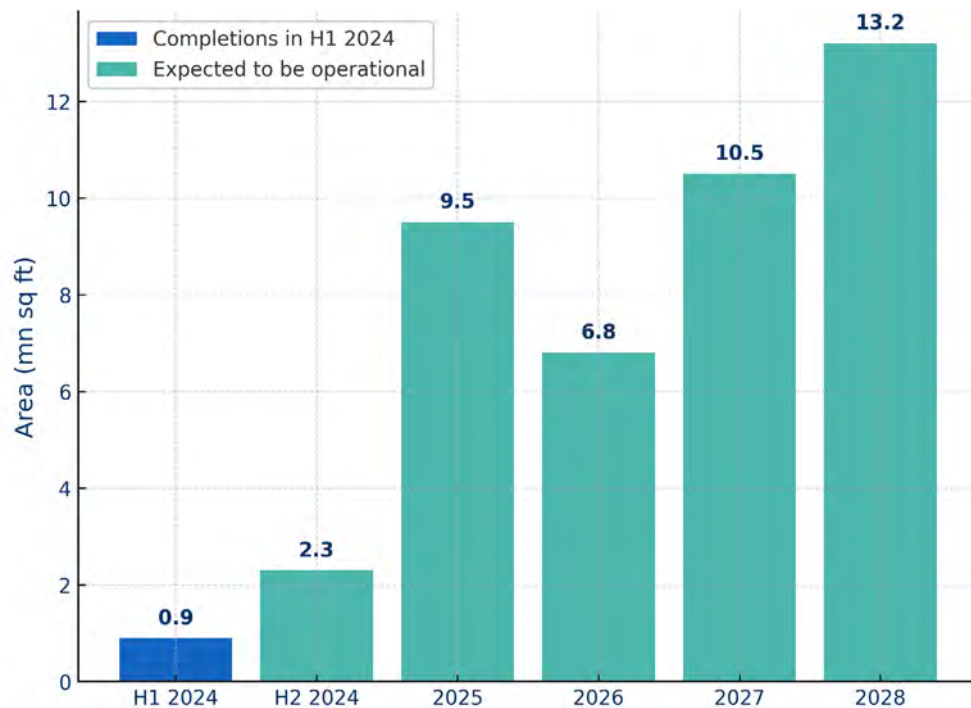
The integration of residential components with retail spaces is also gaining momentum. While high-street retail within residential complexes was once the norm, future projects are evolving to include full-fledged malls combined with residential units or serviced apartments. This shift caters to a growing consumer preference for convenience and community living, blending lifestyle needs with functional spaces.

Mixed-use developments also enable developers to better utilise FSI, especially in urban areas where land costs are high. Retail spaces typically thrive up to three or four floors, particularly in Tier 2 cities where population densities are lower than in metros such as Delhi or Mumbai. By adding office spaces or hospitality assets to the upper floors, developers maximise FSI while maintaining the usability and appeal of retail components, creating an optimal mix of functionality and profitability.

The longevity of these projects further underscores their value. With a 30-year lifecycle for malls, complemented by components like offices or hotels, mixed-use developments ensure long-term viability and balanced returns.



## RETAIL SUPPLY PROJECTION: H2 2024 - DEC 2028



Source: JLL India.

Despite their promise, executing large-scale mixed-use projects is not without challenges. Land acquisition and identifying cities with significant economic growth potential are complex hurdles that require careful navigation. However, strategic planning and a targeted focus on high-growth regions have helped developers overcome these barriers, achieving financial success and drawing sustained investor interest.

Another one of the more intricate challenges lies in synchronising the timelines of the various components within these developments. For example, retail projects generally take around four years to complete, whereas hotels often require seven years or more. Coordinating these timelines is crucial to ensure that components support one another effectively.

### » **Opportunities in Tier 2 and Tier 3 cities**

The rapid urbanisation of Tier 2 and Tier 3 cities has created a fertile ground for retailers and developers. These cities, home to increasing populations of students, professionals, and aspirational consumers, are no longer viewed as secondary markets but as vital centres of organised growth.

With a rising appetite for quality products and experiences, physical retail spaces, whether in malls or on high streets, are addressing a gap by bringing premium brands and services to communities that were previously underserved. This transformation reflects a shift in both consumer expectations and market strategies.

## SHARE OF SHOPPING CENTRE STOCK IN TIER 1 & TIER 2 CITIES



Source: Knight Frank India.

Adding to their appeal, retail developments in Tier 2 cities often boast expansive catchment areas, attracting consumers from up to 100 kilometres away. This is a significant departure from the 10-kilometre radius typical of metro malls.

Cities such as Chandigarh and Ludhiana exemplify this trend, with malls like Chandigarh's Elante Mall drawing visitors from Ludhiana, Jalandhar, and other nearby towns. These developments are not just retail spaces, they are weekend destinations, creating a model that developers are keen to replicate in other similar regions.

The increasing sophistication of retail projects in Tier 2 cities has also caught the attention of institutional investors. Historically, these regions lacked the structured developments and greenfield opportunities that institutional capital typically seeks.

### SHOPPING CENTRE STOCK IN TIER 2 CITIES

Gross Leasable Area in mn sq m (mn sq ft)	No. of Cities	Name
Up to 0.1 mn sq m (Up to 1.1 mn sq ft)	16	Aurangabad, Bhopal, Bhubaneswar, Chandigarh, Coimbatore, Guwahati, Hubli-Dharwad, Jalandhar, Ludhiana, Mangaluru, Nagpur, Raipur, Surat, Va-dodara, Vijayawada, Visakhapatnam
0.1-0.2 mn sq m (1.1 - 2.2 mn sq ft)	4	Indore, Jaipur, Kochi, Kozhikode
Above 0.2 mn sq m (Above 2.2 mn sq ft)	1	Lucknow

Source: Knight Frank Research.

However, as projects become more meticulously researched and tailored to local market demands, investors are recognising the potential of these markets. While rental yields in Tier 2 cities may trail those in Tier 1 metros, the potential for higher gross sales per square foot offsets the difference, making these investments both viable and profitable.

Despite this growing interest, developers still face significant challenges in convincing retailers and brands of the viability of these locations. Before attracting global and domestic players, they often need to “sell the city,” presenting its spending power, consumer demand, and untapped potential in a compelling way.

Additionally, there are ongoing challenges of competing with Tier 1 markets, since spending power and consumer demand remain concentrated in these cities, offering faster Internal Rate of Return (IRR) and Return on Investment (ROI).

These factors make metros the preferred choice for immediate expansion and financial stability, but the long-term potential of Tier 2 cities cannot be ignored. Developers view these markets as opportunities that, while requiring time to fully materialise, could significantly broaden the country’s retail environment.

## » **Global retail landscape**

The global retail industry has undergone profound changes in recent years, with the post-pandemic era presenting both opportunities and challenges. In this evolving landscape, the principle of “think global, act local” remains a cornerstone for businesses expanding internationally.

This strategy enables brands to adapt to regional nuances while leveraging global supply chains for consistent quality and aesthetics. Many companies have successfully tested this approach by expanding from neighbouring markets, such as Portugal to Spain, before exploring broader regions like France, Latin America, and the US.

Emerging markets have become key drivers of global retail growth, with regions like Latin America and Asia leading the charge. In APAC, India has emerged as a focal point for international brands seeking expansion. Collaboration between regions offers a promising path to unlocking the full potential of the retail real estate sector.

Projects that integrate retail parks, hotels, and residential spaces, as seen in Brazil and the Iberian Peninsula, serve as blueprints for innovative developments in India. These collaborative models highlight the potential for cross-border partnerships to adapt successful global strategies to India’s unique demands and opportunities.

However, penetrating the Indian market is no simple task. Distinct consumer behaviours, diverse cultural preferences, and the lack of adequate retail infrastructure pose significant challenges for global players.

## REGIONAL SHARE IN LEASING ACTIVITY



Source: CBRE, Q3 2024,

One of the primary barriers for global brands entering the country is the lack of adequate retail spaces. Yet, as infrastructure development accelerates and modern retail spaces become more available, this landscape is beginning to change. India's unique scale offers distinct advantages over other regions.

For instance, Europe's high rental costs and urban saturation have led to a focus on smaller mixed-use developments. In contrast, India's population density and growing consumer base support the viability of large-scale shopping centres, retail parks, and mixed-use projects, even in Tier 2 and Tier 3 cities.

Drawing on successful examples from other markets, such as the integration of retail with hospitality and logistics in Brazil or Iberia, Indian developers can adapt these strategies to local contexts, unlocking the country's vast potential.

### » **Redevelopment**

As India's retail landscape evolves with the development of larger, more extravagant malls, the fate of older malls in prime city-centre locations has become a pressing challenge. These properties, once bustling hubs of commerce, now face increasing competition and the risk of obsolescence.

Addressing their future reflects broader issues in retail real estate, including ownership structures, access to capital, and the ability to adapt to shifting consumer expectations. The question is no longer whether these properties have value but how that value can be unlocked in an ever-changing market.

Redeveloping older malls is both a capital and time intensive process, presenting a lot of challenges. Developers must navigate the daunting task of acquiring ownership rights from multiple stakeholders, a process that can take years to resolve. Compounding this issue is the difficulty in securing financing for such projects.

Banks and NBFCs often prioritise ready or income-generating assets over redevelopment or greenfield projects, leaving limited capital available for revitalising these properties. This financial constraint frequently forces developers to prioritise new developments with quicker returns, leaving older malls underutilised despite their prime locations and the high population densities around them.

Another major obstacle lies in the fragmented ownership of many older malls. Developed under the “start-up sold” model, these properties were funded by selling individual units to investors. While this approach provided immediate liquidity for developers, it created a management structure that lacks cohesion.

Without unified control, these malls struggle to adapt to evolving market demands, leading to increased vacancies and declining footfall. This misalignment between ownership and operational needs underscores the importance of streamlined management to enable adaptive reuse.

In contrast, malls under single ownership enjoy greater flexibility to reposition themselves in response to market demands. Unified control allows these properties to be transformed into vibrant F&B hubs, premium retail spaces, or entertainment centres. However, the fragmented interests among multiple unit holders in older malls often make such redevelopment efforts nearly impossible, leaving these properties vulnerable to further decline.

India’s challenges with ageing malls are not unique. Similar issues are prevalent in regions like Latin America, where fragmented ownership and outdated rental agreements hinder the revitalisation of retail spaces.

Yet, innovative solutions have emerged: in some cases, developers have repurposed underperforming malls into self-storage facilities, office complexes, or residential units. These adaptations highlight the potential of creative reuse strategies in addressing the challenges posed by ageing retail properties.

Globally, long-standing property owners often resist selling or repositioning their assets, further complicating redevelopment efforts. Many of these properties are inherited through generations, leaving current owners without the expertise or interest to manage them effectively. This situation underscores the necessity of unified ownership or streamlined management structures in ensuring the long-term viability of shopping centres and other retail spaces.

To remain relevant in today’s dynamic retail environment, older malls must adopt innovative reuse strategies. Transforming underperforming spaces into office complexes, residential units, or entertainment hubs not only unlocks their potential but also aligns these properties with current consumer needs.

Modernising infrastructure and integrating technologies can further enhance their appeal by providing actionable insights into footfall patterns and tenant preferences, helping attract new businesses and customers alike.

Despite these challenges, the central locations of older malls ensure they remain valuable assets if redeveloped strategically. Their proximity to dense urban populations and established transport networks offers significant opportunities for adaptive reuse.



Realising this potential, however, requires collaboration among stakeholders, including developers, investors, and local governments. Unified efforts can address barriers such as fragmented ownership and financing limitations, paving the way for these properties to transform into vibrant, multi-functional spaces.



# INDIA

— GRI 2024 —

## FOREIGN INVESTORS CONSISTENT EYE ON INDIAN REAL ESTATE, WITNESSING A 3 YEAR HIGH?



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