

# Fit-Out Solutions Driving India's Workspace Evolution

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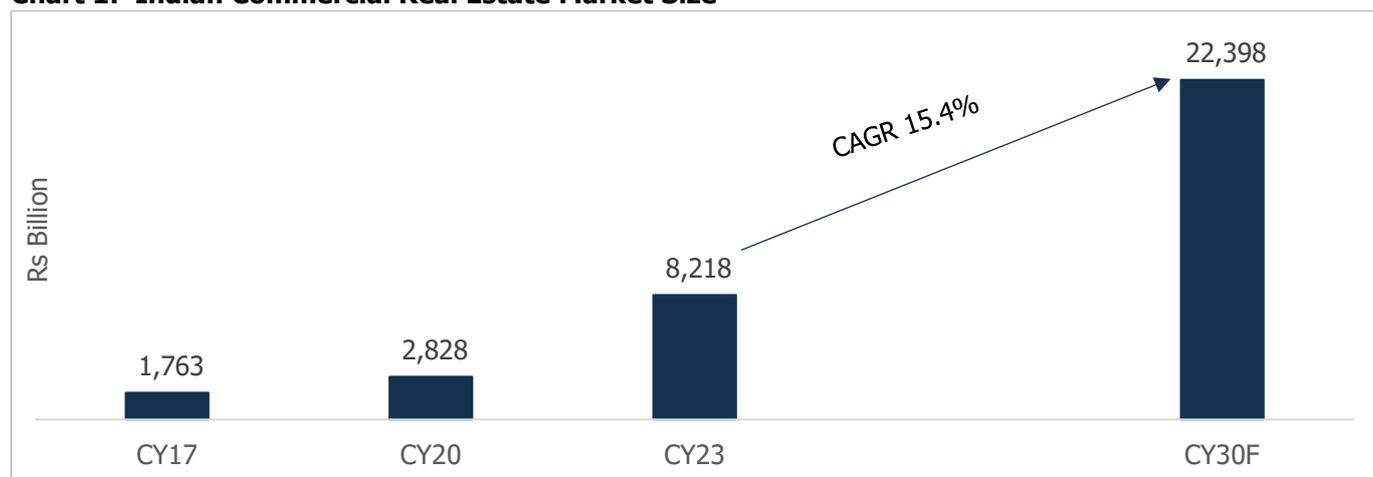
## Synopsis

- The commercial real estate segment is bouncing back, with office leasing activity hitting 71.9 million sq. ft. in CY24. The sector is further projected to grow at a robust CAGR of 15.4% through CY30.
- The interior fit-out market, a vital part of commercial real estate, is set to grow from Rs 277 billion in CY23 to Rs 805 billion by CY30, reflecting a robust CAGR of 16.5%.
- Emerging trends like green fit-outs, tech-enabled designs, and hybrid workspace solutions are redefining modern office environments in India.

## India's Real Estate Sector: A Key Contributor to Economic Growth

India's real estate sector, contributing 7.3% to the GDP in CY23, is projected to rise to 13% by CY30. The sector is set to grow from Rs 40 trillion in CY23 to Rs 83 trillion by CY30, driven by urbanisation, rising incomes, and government initiatives like Housing for All and Real Estate Regulatory Authority.

**Chart 1: Indian Commercial Real Estate Market Size**



Source: IBEF, CareEdge Research

## Commercial Real Estate: A Thriving Segment

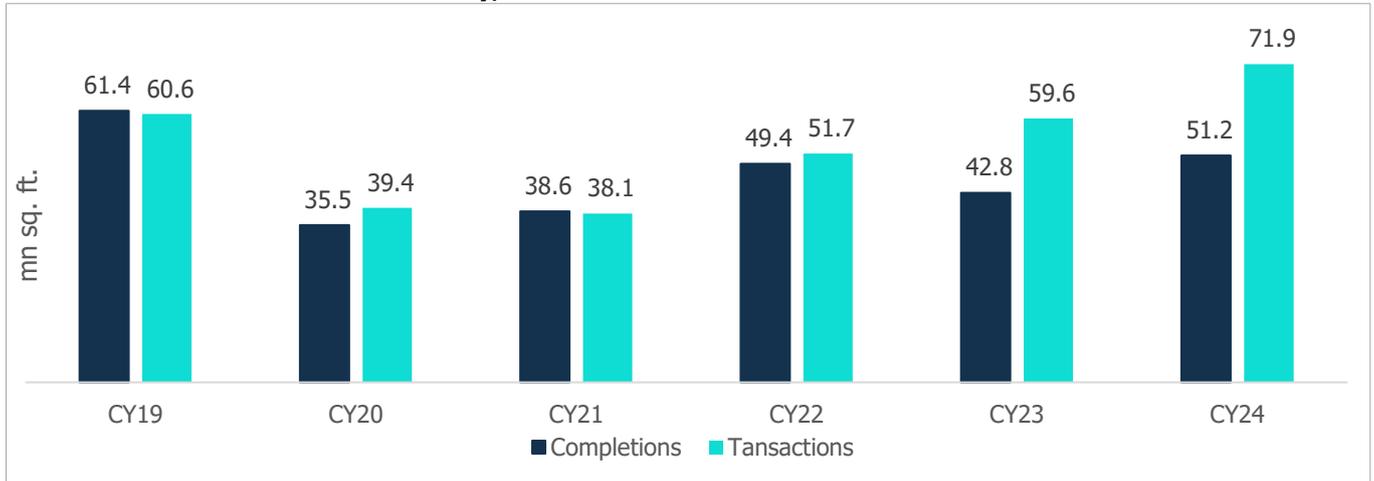
India's commercial real estate market, valued at Rs 8.2 trillion in CY23, is projected to grow to Rs 22.4 trillion by CY30 at a CAGR of 15.4%. In CY24, office leasing in top cities reached 71.9 million square feet, a 22.6% year-on-year growth, driven by IT, BFSI, and multinational corporations. Bengaluru, Delhi NCR, and Mumbai led this growth, with Hyderabad and Pune emerging as hubs. The rise of Global Capability Centres, hybrid work models, and coworking spaces largely supported this growth momentum.

## Current Demand in Commercial Real Estate

In CY19, the office market recorded a transaction volume of 60.6 million sq. ft. However, the impact of COVID-19 significantly affected the real estate industry, causing transaction volumes in the office market to decline to 39.4 million sq. ft. in CY20 and 38.1 million sq. ft. in CY21. Despite this setback, the sector demonstrated a swift recovery, reaching nearly pre-pandemic levels in CY23 with a transaction volume of 59.6 million sq. ft. Moreover, in the recently

concluded year, CY24, India's office space demand surged, with transaction volumes hitting a record high of 71.9 million sq. ft. This growth is driven by strong economic expansion, rising demand from businesses operating in India, and a 48% increase in space uptake by Global Capability Centres (GCCs).

**Chart 2: India Office Market Activity, CY19- CY24**



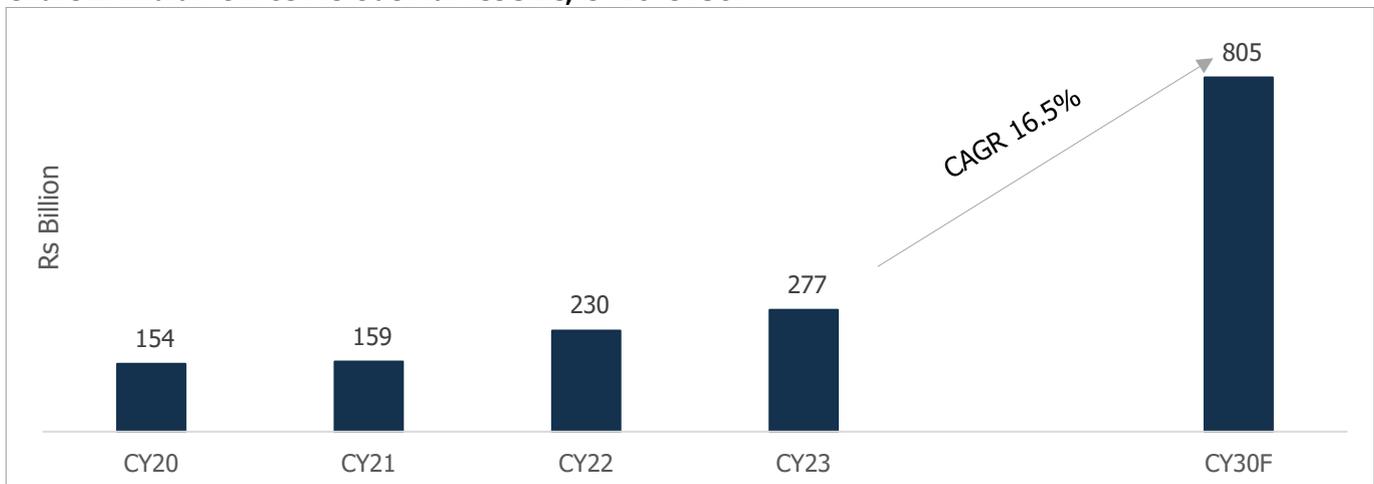
Source: CareEdge Research Estimates

**Interior Fit-Out Industry: Redefining Modern Workspaces**

The interior fit-out industry transforms empty commercial spaces into functional, customised work environments, enhancing productivity, comfort, and efficiency. It bridges the gap between basic building structures and the needs of corporate workspaces. The commercial real estate interior design market in India was valued at Rs 1,672.1 billion in CY23.

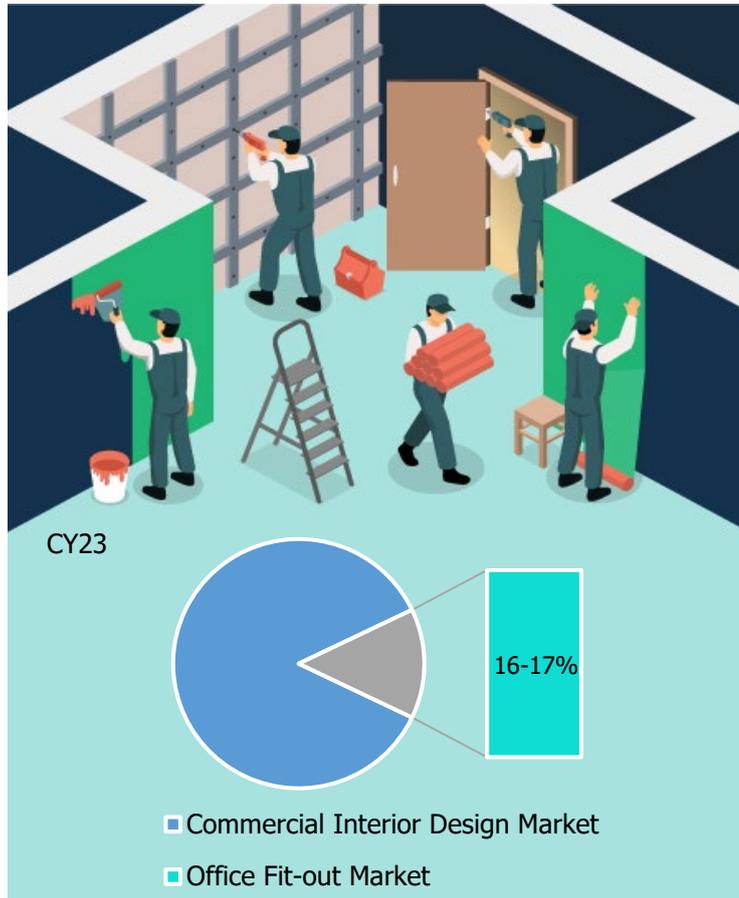
The office fit-out market accounts for approximately 16-17% of the commercial interior design market share in CY23. The office fit-out industry includes segments like shell and core fit-out (basic structural work with essential services for customisation), green fit-out (eco-friendly designs with energy-efficient materials), hot desk fit-out (shared, flexible workstations for rotating users), and tech-driven fit-out (smart offices with IoT, automation, and AI-driven solutions).

**Chart 2: Indian Office Fit-Out Market Size, CY20-CY30F**



Source: CareEdge Research Estimates; F=Forecast

This **Indian office fit-out market** was valued at Rs 277 billion in CY23 and is set to expand to Rs 805 billion by CY30, growing at a robust CAGR of 16.5%. The growth in the fit-out industry is driven by the expansion of commercial real estate, increased office leasing, and a shift towards workspaces prioritising productivity, sustainability, and technology. This dynamic market is essential for creating workspaces that reflect modern business values and operational efficiency.

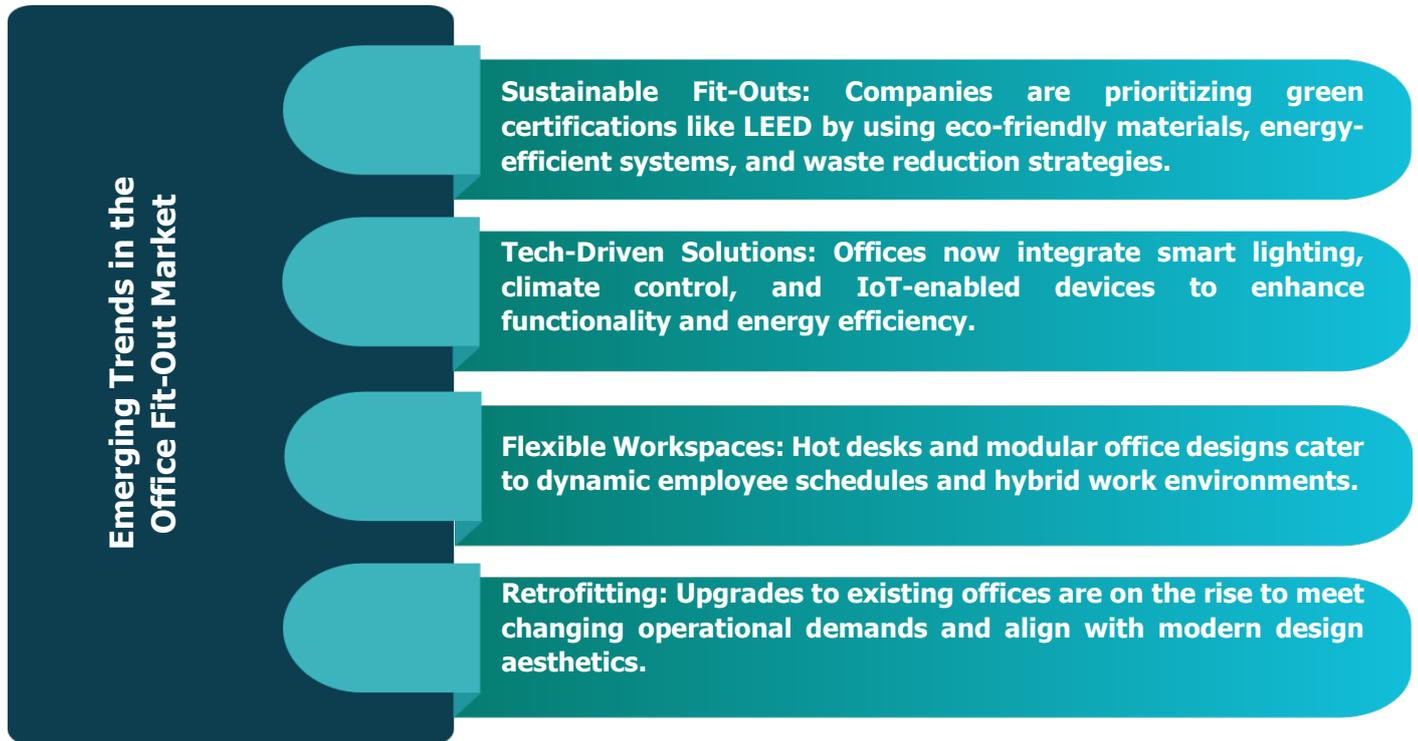


Source: Industry Sources, CareEdge Research

### Market Growth Drivers

- **Office Leasing Activity:** Rising demand for modern office spaces has spurred investment in fit-outs. India's office leasing market experienced a significant surge in 2024, reaching 77.2 million square feet—a 22.6% increase year-on-year—directly driving demand for fit-out solutions.
- **Technological Advancements:** Increasing adoption of IoT and AI is driving the demand for smart, connected workspaces.
- **Workplace Evolution:** Hybrid work models and coworking setups are creating the need for flexible, adaptive interior designs.
- **Sustainability Initiatives:** Businesses are investing in eco-friendly interiors, leveraging energy-efficient systems and materials.

### Emerging Trends in the Office Fit-Out Market



### CareEdge Advisory View

India's urban population, projected to reach 600 million by CY30, will drive demand for customised workspaces, especially in Tier 1 and Tier 2 cities. Tanvi Shah, Director and Head of CareEdge Advisory and Research, states, **"The office fit-out sector is expected to grow at a CAGR of 16% over the next five years, driven by multinational corporations and high office space absorption in the IT, BFSI, and e-commerce sectors"** The interior fit-out industry is driving innovation with a focus on sustainability, technology, and employee-centric designs. Additionally, government initiatives, such as support for smart cities, are beneficial to the real estate industry.

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