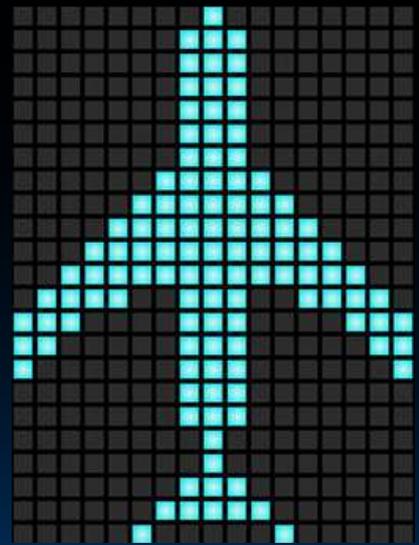

AIRPORT
AND
REAL
ESTATE



HOW AIRPORTS ARE DRIVING
REAL ESTATE IN INDIA -
AN ASSESSMENT STUDY BY
360 REALTORS

YEAR
2023



A REPORT BY



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Abstract



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In modern times, airports are no more just a node in the overall travel and supply chain. They are fulcrums of phased economic growth and real estate development. They work in tandem with other modes of transport such as railways, suburban transit systems, and highways to conveniently link a location with a wider region, country, and the world.

They offer the much-needed institutional support for economic growth in a region by boosting tourism, enforcing supply chain efficiency, drawing investor interest, and supporting ancillary industries & local community development. They act as regional gateways and lure corporates & businesses, manufacturers & local distributors, hotels & F&B, retail businesses, real estate developers, etc. in big volume.

Airports are also instrumental in improving the image of the location. It brings the attention of municipalities and development bodies creating better roadways, social amenities, bus depots, metro lines, convention centers, etc. in the vicinity.

As airports give an economic facelift to the region, it transforms the real estate market as well. The impact on the regional real

estate market is multi-faceted. Due to passenger inflow, the demand for retail and hospitality increases manifold, both inside the airport, as well as in close proximity. As direct employment (aviation staff, catering, airport facility management) and indirect employment (ancillary industries such as parking spaces, car rentals, hospitality, etc) boost, the demand for housing increases. Meanwhile, the airport systematically transforms the region into a robust economic ecosystem which is marked by growth in commercial real estate such as shopping malls, business centers, commercial clusters, IT parks, merchandise marts, etc.

In the long run, both commercial and housing real estate feed each other, enabling the path toward phased development.

To learn more about how large-scale infrastructure projects such as Airports impact the real estate demand in a region, we have conducted research to gauge the implication of airport projects. The research has tracked a host of recent aviation projects alongside upcoming airport projects such as Mopa, Jewar, Navi Mumbai Airport, etc. The impact study is not just limited to housing demand but also other major components of real estate such as commercial, hospitality, retail, etc.

The incisive analysis drawn and actionable data derived can be useful for real estate developers, development agencies, investors, and other allied industries related to real estate and aviation. Hope you all enjoy reading the research. Feel free to share your valuable feedback.



Indian Aviation Sector moving at a scorching pace

By the year 2030, Indian aviation is set to become the 3rd largest aviation market in the world surpassing China and USA. After the setback caused due to the pandemic, the market is once again recovering fast and gaining steam.

During, FY 16 to FY 20, the Indian airline passenger grew by a CAGR of 11% reaching 341 million passengers. In FY 22, the total passenger traffic amounted to 189 million, comprising of 167 million domestic travelers and the remaining international. The domestic market has grown by 58.5% on a yearly basis and the international segment has jumped by more than 118%.

In the Q1 FY 23, the total flights amounted to 613,000 growing up by more than 104%, when compared to the same period the previous year, further underscoring recovering market sentiments.

Meanwhile, apart from the scheduled airline sector, other segments such as cargo, air taxi, etc. are also expanding. Although air cargo comes after road lines and railways, the segment is growing

steadily. From FY 16 to FY 22, the air cargo in India has grown by a CAGR of 2.52% and reached 3.14 MMT from 2.7. The government is committed to expanding the bandwidth of air freight and taking it to 17 MMT by 2040.

At present, there are close to 129 active airports in the country and they can reach 190-200 by the year 2040. GOI has also allowed 100% FDI in the aviation sector, out of which 49% has been allowed under the automatic route. Between 2000- 2022 the sector has drawn an FDI of over USD 3 billion. In the next 4-5 years, it is eyeing an investment of around USD 4.9 billion.





Airports in India: A New Era of Infrastructure led Economic Growth

For centuries, economic growth and infrastructure have feed into each other. Large-scale infrastructure projects such as railway corridors, seaports, etc. facilitated economic growth in the vicinity in the past. In fact, the development of coastal cities was largely rooted in their strategic positions on the naval routes.

In recent years, the same applies to airports. Mega infrastructure projects such as airports do not just cohesively link a region with the world but also generate a windfall of economic activities.

Airports do not just create a tremendous number of economic activities but their overall positive implication cascade to the entire region, creating powerful self-sustainable ecosystems pinned on robust hospitality, tourism, manufacturing, business, and retail sectors.

The approach in which airports create positive, sustainable momentum of economic growth is multifaceted. Firstly, airports are complex economic systems with multiple layers of commercial business activities. In addition to the commute of passengers, there are cargo transfer facilities, airline maintenance, airline fuel services, catering, etc. clubbed into a single entity, creating plenty of new jobs and business opportunities.

Airports are also gradually moving towards NAR (Non-Aeronautical Revenues) to stay competitive and unlock new opportunities for revenue creation. NAR involves a range of activities such as real estate, airport hotels, retail & restaurants, duty

frees, car rentals, parking, commercial offices, convention centers, etc.

Together with mainstream revenue and NAR, airports are generating plenty of economic and commercial activities giving a thrust to economic growth. However, there is much more to the airport's role as a leading growth catalyst. As airports come up, the spotlight moves toward the region attracting hordes of new businesses, investors, hotels, and other commercial entities. The real estate price jumps quickly, which further lures real estate players into the region. New avenues are created for the local community across ancillary industries such as travel & tour business, logistics, construction, retail, flight management, security, etc. which further uplift the community, boost purchasing power, and bolster economic prosperity.

Meanwhile, the municipal bodies and airport authorities work in tandem to carefully leverage the exalted status of the airport region. New roadways and metro lines are built to boost the last-mile connectivity of the airport. This also enhances the connectivity of the region with CBDs and other prominent locations within the city.

Land parcels are allotted to develop business parks, IT clusters, and telecommunication hubs. Businesses also find it attractive to set up offices in close vicinity to the airport. Airports and resorts are developed to cater to the demands and needs of large volumes of tourists. Manufacturing hubs and industrial clusters

are created to leverage the cargo facilities and get connected to national and international supply lines.

Consequently, the multi-faceted phased development results in a robust aviation corridor covering around 5-25 km of radial

distance from the airport. As commercial activities, pick-up housing demands also accelerate. Simultaneously, social facilities such as schools, medical centers, recreational facilities, and entertainment hubs are created making the regions fully functional urban ecosystems.



Economic Growth Led by Airports

Airport historically has acted as a fulcrum of economic growth and prosperity. It creates an institutional linkage between tourism, hospitality, infrastructure development, and commercial growth. It acts as a gateway for the region and enables it to seamlessly get connected with the global tourism flow and supply chain. It augments other logistic systems such as railway corridors, suburban transit systems, and roadways to bring in supply chain efficiency, boost productivity and facilitate phased economic growth.

- Airports make a region well-connected at regional, national, and global levels.
- Airports facilitate an increase in investments including FDI investments.
- It brings the spotlight into the region, which translates into a greater flux of new businesses and retail opportunities in the vicinity.
- Having an airport renders a competitive advantage to a region in contrast to other peers.
- It draws the attention of local governing agencies and municipalities to further develop the local infrastructure in terms of roadways, bus depots, metro lines, healthcare, etc.
- It generates direct revenue in the form of passenger traffic, spending on hospitality, retail, etc.
- It fosters growth in the local economy by supporting ancillary industries such as hotels, car rentals, restaurants & FB, tour operators, housing for aviation staff, entertainment, etc.
- In the mid to long run it can help the region transform into a reputable tourist destination.

- As modern airports do also have cargo terminals, it translates into growth in manufacturing and industrial activities.
- It gives a huge flip to real estate demand- housing, commercial, industrial, etc.



Growth Drivers of Real Estate around Airports in India

- Growing focus on NAR: In India, like the global airports, there is a growing focus on Non-Aeronautical Revenue (NAR). In India, it is in the range of 33-49 %.
- NAR comprises real estate businesses alongside other commercial activities such as retail, advertising, catering, fuel, parking space rentals, etc. Real estate consists of around 20-25% of the NAR in India.
- Local governing agencies & municipalities, developers, and airport authorities work in tandem to develop aerocities and townships across the landside near the airport.
- The scope of aerocity can include but is not limited to shopping malls, merchandise marts, office spaces, villas & housing, fine dining, hotels, etc.
- Even in the absence of predefined aerocity, the region near the airport naturally draws the attention of shopping malls, retail companies, convention centers, business parks, etc. thereby driving overall real estate growth.
- As mega projects such as an airport are unveiled, there are plenty of jobs created in aviation, airport facility management, airline hangers & maintenance, security, etc. Likewise, multi-nodal infrastructure projects such as airports directly drive ancillary industries such as food catering, hotels, airline fuel, car rentals, etc.
- As the airport gives thrust to the job market, naturally the positive impact cascade into increased demand for housing, retail, and other real estate activities.
- Modern airports act as the gateway to the region and connect it seamlessly with the region, nation, and globe. This naturally draws the attention of various enterprises, especially IT & ITeS, telecommunication companies, regional distribution companies, regional headquarters, etc.

- As commercial activities pick up in the form of offices, retail business parks, etc. housing demand also accelerates.
- Mega projects like airport result in a big push for infrastructure development in the form of roadways, metro lines, etc. in the region, which naturally translates into increased real estate demand.
- Modern airports comprise multi-modal logistics hubs and cargo facilities. This in conjunction with last-mile infrastructure development & increased regional branding naturally translates into the growth of industrial, commercial, and manufacturing facilities
- As the airports are located in the city suburbs, they are far from CBDs. The positive side of this is that the area around the airport can transform into a self-sustainable business ecosystem or Secondary Business District (SBD).
- The airport region is also a fertile ground for other forms of alternate tourist activities such as eco-hotels, medical tourism, wellness tourism, and business hotels. etc.

	Product Category	Growth Drivers
Retail (Dedicated In- airport retail hubs)	<ul style="list-style-type: none"> • Lifestyle stores, fashion & accessories, gift centers, etc. • Restaurants, food clubs, cafes, bars, etc. • Other products such as medical & drug stores, perfumes, tobacco, optics, etc. 	<ul style="list-style-type: none"> • High passenger volume corresponds to larger sales. • There is a tendency amongst passengers to shop while traveling • People tend to shop during free time b/w check-in and boarding
Airport Hotels	<ul style="list-style-type: none"> • Develop industrial complexes comprising production facilities, R&D, and office spaces. • Develop IT parks, telecommunication parks, ITeS parks, etc. • Regional headquarters and distribution centers. • Create supply chain and logistic parks 	<ul style="list-style-type: none"> • Increased regional branding makes sense to own an office near the airport. • Well suited for ancillary industries such as hospitality, retail distribution, aerospace technologies, catering, etc. • Conducive for IT and telecommunication sector. • The Availability of cargo makes it well-suited for industrial manufacturing.

	Product Category	Growth Drivers
Industrial & Commercial Development	<ul style="list-style-type: none"> • Develop industrial complexes comprising production facilities, R&D, and office spaces. • Develop IT parks, telecommunication parks, ITeS parks, etc. • Regional headquarters and distribution centers. • Create supply chain and logistic parks 	<ul style="list-style-type: none"> • Increased regional branding makes sense to own an office near the airport. • Well suited for ancillary industries such as hospitality, retail distribution, aerospace technologies, catering, etc. • Conducive for IT and telecommunication sector. • The Availability of cargo makes it well-suited for industrial manufacturing.



Phases of Airport Development

(1.1) Landside and Commercial Side Development

- The core airport comprises airside and landside developments
- The landside developments include the main airport premise, hangers, facility & maintenance, fuel facilities, runway infrastructure, etc.
- Landside development is other complimentary aviation facilities, which are part of generating Non-Aeronautical Revenue (NAR)
- Landside development includes airport hotels, passenger lounges, duty-free and other retail services, catering services, convention centers, art galleries, etc.
- The landside development also includes banks, healthcare, parking & rental, restaurants & food outlets, merchandise stores, shopping malls, hypermarkets, office spaces, resorts, and much more.

(1.2) Proximate Area Development

The proximate area in an airport is the region outside the landside and the commercial sides of the airport. It encompasses within a 1-5 km radius of the airport.

- It comprises segmented business parks, IT parks, warehouses & logistic hubs, industrial parks, etc.
- Empirical studies in the past have suggested that having access to the airport can increase industrial output by 8%. This is on account of the reduction in road travel.
- It has well-defined housing zones, primarily targeting local residents, airport and allied industry staff, and frequent travelers.
- There are hotels, resorts, and other budget options.
- Tourism facilities are developed in the proximate zone comprising amusement parks, sporting arenas, go-carting, museums, etc.
- The proximate area is a fertile ground for numerous industries which includes but are not limited to heavy engineering, aviation, IT & telecom, airline utility, etc.
- They also draw IT, telecom, and other related industries such as retail, banks, and insurance companies.
- The proximate development might also include bus depots, and suburban transit stations primarily meant to improve the connectivity to the city areas, CBDs, etc.

(1.3) Airport Corridor Development

The airport corridor is a wider region that connects the airport with the main city and CBDs. The corridor region spreads between 5-25 km in radius or even more from the main airport. It comprises clearly defined urban, semi-urban, and even rural communities.

- The corridor comprises housing complexes, affordable housing projects, mixed realty, etc.
- As a sustainable and expansive ecosystem, they consist of plenty of retail facilities such as shopping malls, mega marts, merchandise stores, SCOs, shopping complexes, etc.
- The region supports local community development with the help of agribusiness, horticulture, handicraft, seed farms, farm marts, etc.
- Roads and highways pass through the region connecting it with the main city and CBD. There are separate roadways for Lorries and trucks. Likewise, there are suburban transit systems, metro connectivity, and light rails to improve last-mile connectivity with the airport.
- The proximity to the airport coupled with the evolution of a sustainable community supports numerous trades and industries such as manufacturing, warehousing, IT, and heavy engineering.
- There are sporting complexes, recreational facilities, large parks and greeneries, amusement parks, and numerous other facilities to cater to the tourists and local populace.
- It is an ideal ground for media centers, universities, aviation institutes, engineering colleges, etc.



New Airport Projects in India

	Project Details	Wider Economic Impacts
Jewar Airport (Noida)	<ul style="list-style-type: none">• By 2024 the project is slated to start.• Zurich Airport is the development agency and NIAL (Noida International Airport Limited) is the nodal agency• Land acquisition has begun in Jan 2021• The project will be spread 1300+ hectares across Yamuna Expressway• Once completed (4 phases) the annual passenger traffic will be around 70 million.	<ul style="list-style-type: none">• Channelize investments of around INR 10,000 Crores• Already sectors 162, 163, 164 have been earmarked for commercial development• A metro line has been proposed between Knowledge park and airport• A pod taxi has been proposed b/w Noida Film City and airport site.• In the longer run the airport project will create close to ~ 1 million jobs.• There will be a 5000-hectare aviation hub with 3 industrial clusters embedded in it.
Navi Mumbai International Airport	<ul style="list-style-type: none">• The airport is slated to start operating by 2024.• It will spread across 1100+ hectares• The cost of construction is close to INR 16,000 Crores.• The total project is set to be completed by 2031.	<ul style="list-style-type: none">• The project will create close to ~ 400,000 new jobs.• Property prices will jump by around 10-15 % annually in most of the major markets nearby such as Ulwe, Panvel, Khargar, etc.• Support a wide range of greenfield developments such as roadways, sewage systems, metro lines, retail hubs, etc.
Purandar Airport (Pune)	<ul style="list-style-type: none">• The new greenfield Pune international airport is built across Purandar.• The project will greatly decongest the existing Lohengaon International Airport• The project built under PPP model will spread across 2400 hectares at a cost of around ~ INR 6000 Crores.	<ul style="list-style-type: none">• The site is located at a distance of ~ 40 kms from Pune city center.• Already real estate activities have started picking up in the vicinity• The airport site is accessible through NH 4 and NH 17. A metro network has been proposed for the airport site.

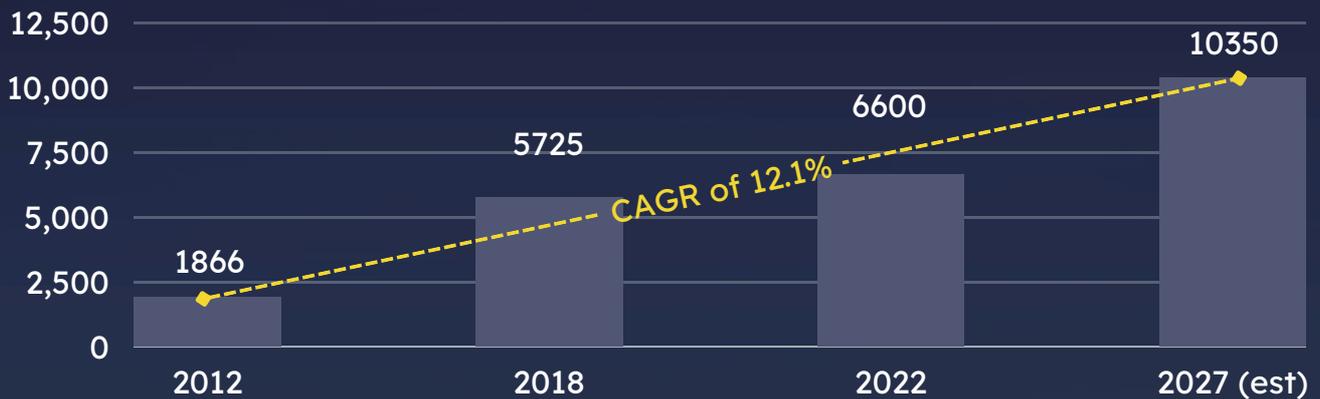
	Project Details	Wider Economic Impacts
Mandi Airport	<ul style="list-style-type: none"> • The DPR of the project is being prepared. • The airport is a JV b/w AAI and the state government. • It will spread across 700 acres of land and be developed with a proposed budget of INR 900 Crores. 	<ul style="list-style-type: none"> • It will boost the overall connectivity and tourism industry in HP. • It will create new opportunities for jobs.
Kohima Chietu Airport	<ul style="list-style-type: none"> • The new airport is built at a distance of 25 kms from Kohima city. • The under-construction airport will work in parallel to the existing airport. • The estimated budget of the project is INR 5,700 crores and will be spread across an area of 650 acres. 	<ul style="list-style-type: none"> • It will link the Northeastern region with the rest of India. • It will give a boost to tourism, hospitality, and F&B business in the region.
Kota Airport	<ul style="list-style-type: none"> • The under-construction Kota airport will be built by AAI for an estimated budget of INR 1000 Crores. • The project site is located at Tulsi village in Kota towards the east side and is spread across 1250 acres. 	<ul style="list-style-type: none"> • It will significantly enhance the overall connectivity in Kota. • The project is developed as an integrated business ecosystem with logistic hubs, catering, hotels, etc. • It will enhance regional trade and exports.
MOPA Airport	<ul style="list-style-type: none"> • The 2300 crore international airport is operational • It is spread across 2133 acres • The Initial capacity of the airport is 4.4 million. • In the near future the overall capacity will reach 13.1 million. • 232 acres of land near the airport has been earmarked for landside development which will include convention centers, hotels, casinos, etc. 	<ul style="list-style-type: none"> • The region near the airport is transforming into a rental villa, second home, and tourism destination. • Plenty of natural beauties, thick green reserves, idyllic environs, and natural water bodies further make the place an ideal ground to develop tourism, hospitality, and real estate projects. • In tandem with the airport mega project, the government is also developing an international cricket stadium, film city, logistic parks, amusement parks, etc. in and around the airport region.



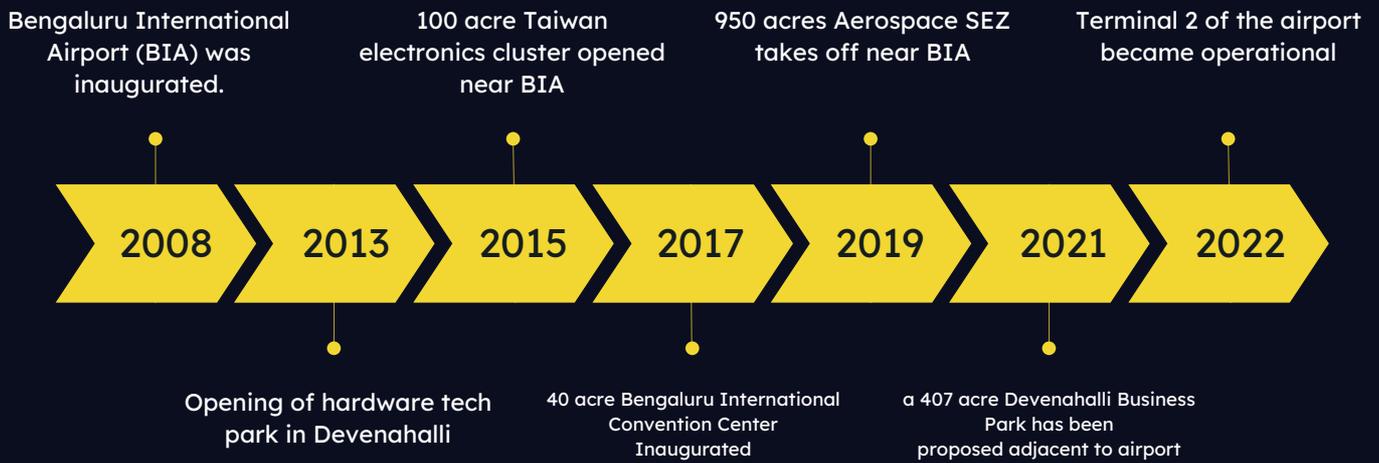
Case Study 1

How Airport changed the fortunes of Devenahalli, North Bangalore

Property Price Trend in Devenahalli (INR/ Sq Ft)



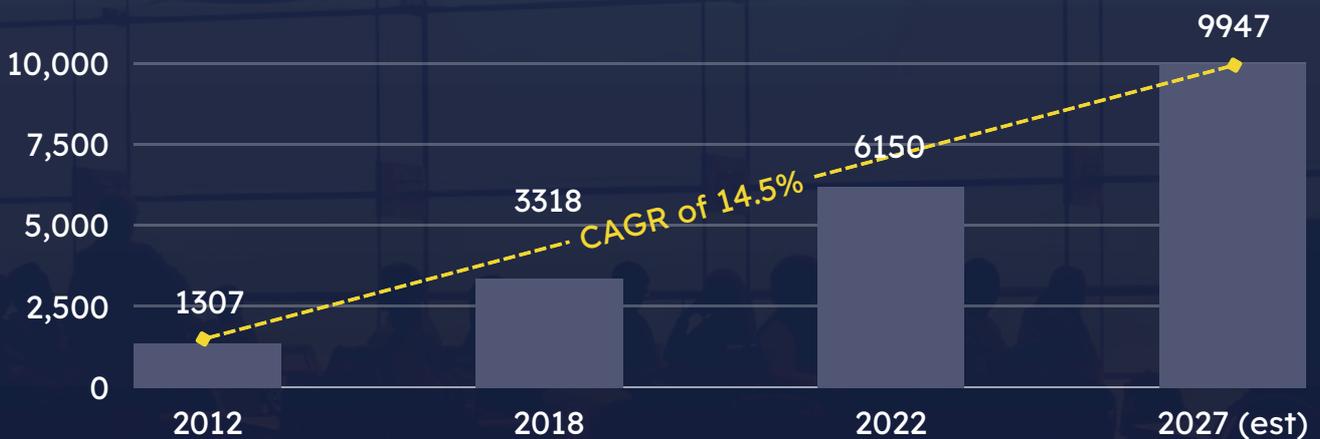
- Devenahalli was a small rural taluka in the Bangalore metropolitan region, located at a distance of 40 kms from the city center.
- After the opening of the BIA (Bengaluru International Airport) located just 5 kms from Devenahalli, the region soon became the most sought-after commercial and residential hub of Bangalore.
- Devenahalli is connected with BIA via the NH7.
- Major regional and national developers have launched their projects in Devenahalli including Ozone, Purvankara, Prestige, Salarpuria, Sobha, Embassy, Shiriram, Arvind, etc.
- Property prices have jumped by more than 253.7% b/w 2012- 2022.
- Aerospace SEZ, an international convention center, alongside numerous business parks & IT parks have begun operations in Devenahalli.
- There are numerous schools, hospitals, and malls such as Elements Mall, Garuda, RMZ, Phoenix etc. in and around Devenahalli.
- Devenahalli is also part of the ITIR (Informational Technology Investment Region), the proposed IT hub in the North Bangalore.



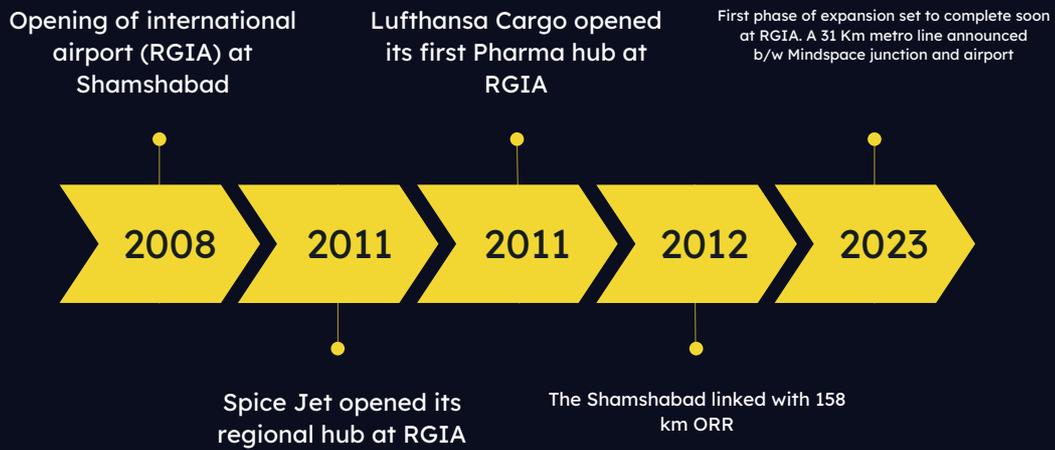
Case Study 2

Once a village, Shamshabad turns into a commercially viable location in Hyderabad

Property Price Trend in Shamsabad (INR/ Sq Ft)



- Shamshabad was once a distant village located in the southeast of Hyderabad.
- Following the opening of the airport, Shamshabad has become a fast growing residential and commercial hub in Hyderabad.
- During 2008- 2022, property prices jumped by 780% in Shamshabad.
- The region has registered a significant spurt in livability in recent years, thanks to abundant shopping complexes, clubs, F&Bs, healthcare, schools, etc.
- A 31 km metro line has been proposed to offer last-mile connectivity to the Shamshabad and airport region.
- Average property prices are slated to reach INR 10,000 by 2027



Case Study 3

From a sleepy town perched on the western ghats, Sindhudurg is a thriving tourist destination

Property Price Trend in Sindhudurg (INR/ Sq Ft)



- Sindhudurg till recently was a sleepy town perched on the western Ghat, located at the tri-junction of Goa, Maharashtra, and Karnataka.
- The coastal town in the Konkan is rich in natural scenic beauties, coastlines, thick greeneries, and serene rural backyards.
- Despite beautiful environs, the true potential of Sindhudurg was never realized, as it was dwarfed by the nearby beaches of Goa (~ 1 hr)
- However, with the commencement of MOPA airport in North Goa (~ 25 mins), the fortunes are changing.
- Now proudly called the Jewel of Konkan, tourism and hospitality in Sindhudurg are soaring.

- Property prices have jumped by 30-40% in just 12 months.
- Sindhurg is now transforming into a thriving hospitality, serviced living, second home, market in India.
- By 2030, the region will channel 2700 crore investment in the hotel industry as per research.
- Rental yields are in the range of 7- 7.5%
- A 232-acre commercial development is underway comprising hotels, conventions, high street, commercial offices, etc. near the airport site.
- Work is going on to develop a film city, casino resort, international cricket stadium, and logistics park near the airport site.



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