Beyond The Runway

Scope of Non-Aero Revenue and Aerocities in India

2025	The report analyses the non-aero revenue generation of airports in India along with exploring the scope of aero city developments as evolving growth hubs	*knightframk.co.in/research*

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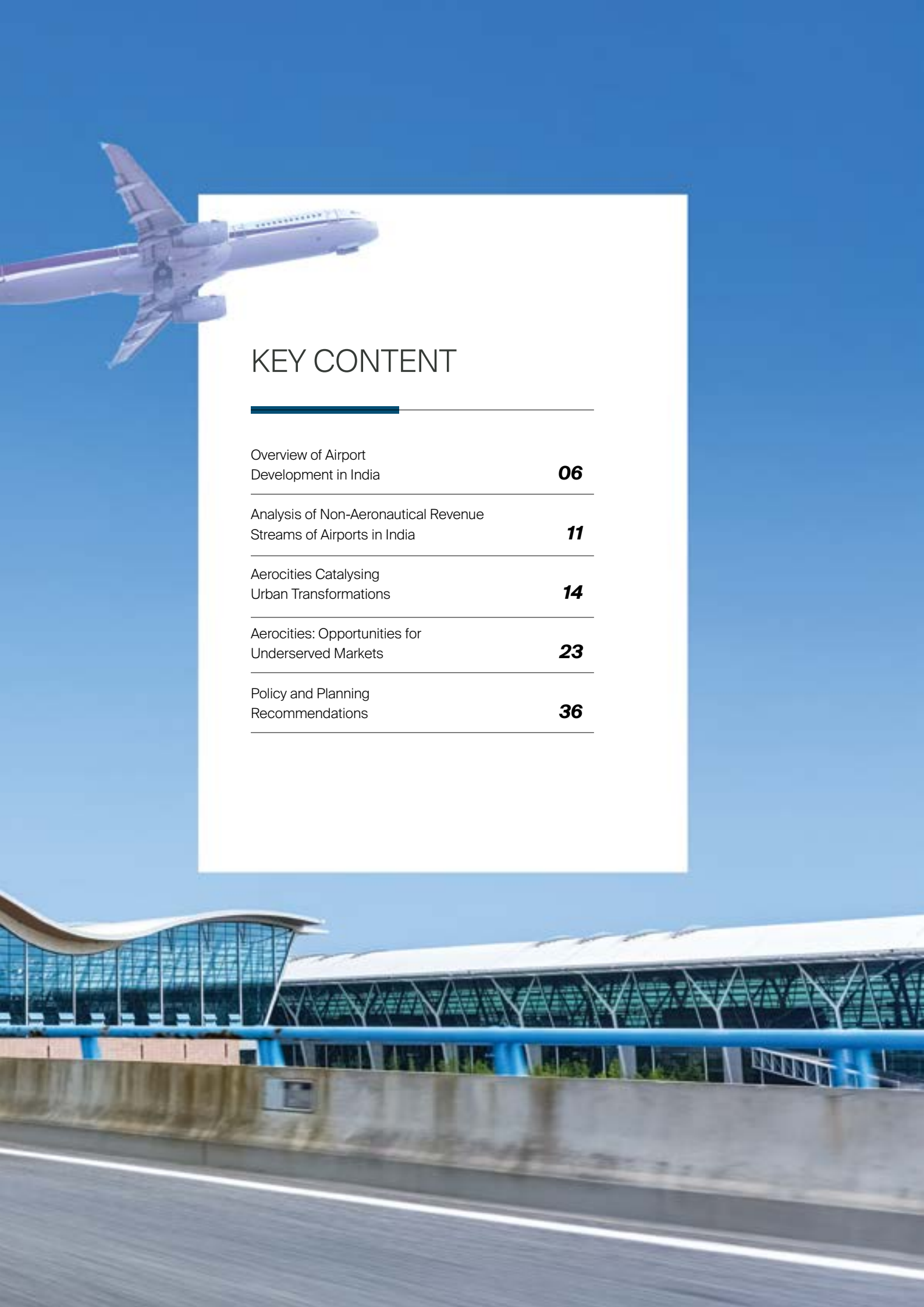


KEY CONTENT

FOREWORD

Shishir Baijal
Chairman and Managing Director - Knight Frank India

India's airports have today moved far beyond their original role as transit gateways. They have become catalysts of urban transformation and anchors of economic growth. With passenger volumes growing exponentially and connectivity expanding into new geographies, the opportunities created by these large-scale airport developments extend well beyond aviation. They open up possibilities for integrated ecosystems that bring together real estate, industry, hospitality, logistics, tourism, and community infrastructure into cohesive urban districts.

The development of Aerocities and Aerotropolises, in particular, exemplifies this potential. Strategically planned, they not only monetise valuable land assets but also create enduring value by driving employment, attracting global businesses, and reshaping urban form. It is here that the role of development authorities becomes vital in ensuring that planning, governance, and execution align with long-term urbanisation goals rather than short-term commercial gains.

While monetisation is an inevitable and necessary aspect of such large developments, stakeholders must look beyond immediate revenue streams. The true measure of success lies in building resilient, inclusive, and sustainable ecosystems that respond to the evolving needs of people and businesses alike. By integrating transport, industry, commerce, and social infrastructure, airports can transform into enduring engines of regional growth—contributing not just to the balance sheets of operators, but to the very competitiveness of India's cities and the quality of life they offer.

In this report, Beyond the Runway: Scope of Non-Aero Revenue and Aerocities in India, Knight Frank and NAREDCO capture the scale of this opportunity. It analyses the growth of India's aviation sector, the rising role of non-aeronautical revenue, and the transformation of airports into Aerocities and Aerotropolises. It showcases global benchmarks and Indian success stories, evaluates the real estate and economic impact of such developments, and offers policy recommendations for planning, governance, and sustainable execution. In doing so, it provides a comprehensive roadmap for stakeholders to unlock the full potential of airport-led urbanisation in India.

I do hope you find our report informative and useful for your business.

FOREWORD

G Hari Babu
President - National Real Estate Development Council (NAREDCO)

There are few places where the spirit of a nation is felt as vividly as in its airports. For millions of Indians, they are gateways to opportunity, while for visitors they are often the first glimpse of India's progress and promise. In a country that is now one of the world's fastest-growing aviation markets, airports are no longer just transit points. They are emerging as icons of our global identity, shaping how the world perceives India and how Indians experience mobility within their own land.

As India's passenger traffic surges toward 600 million by 2030, we are compelled to imagine airports not as isolated utilities but as thriving centers of commerce, culture, and community life. The evolution of non-aeronautical revenues and the rise of Aerocities reflect this shift from runways to runways-plus. Around the world, airports have already transformed into dynamic urban ecosystems. India now stands on the cusp of building its own model, one that is deeply connected to our aspirations for economic growth, urban vibrancy, and global leadership.

But this transformation requires vision. It must go beyond monetisation to embrace inclusivity, sustainability, and resilience. If planned well, airports can become catalysts for regional prosperity, magnets for investment, and symbols of national confidence.

This report is a timely reminder of the opportunities before us. It challenges us to think big and think ahead to see airports not just as infrastructure but as instruments of transformation, carrying the weight of both India's ambitions and its identity on the global stage.

AN OVERVIEW OF INDIA'S AIRPORT DEVELOPMENT

India's economic transformation over the past two decades has been nothing short of remarkable. As of FY 2025, India stood as the fifth largest economy with a GDP size of USD 3.9 trn. At the heart of this transformation lies infrastructure development and investments, both as a key driver and a direct beneficiary of economic growth. The strong national emphasis on infrastructure is not incidental, as it reflects a strategic imperative to enhance productivity in major urban centres while also accelerating regional development through improved connectivity. These objectives take on a greater significance in the context of India's broader ambition of becoming a USD 7 trn economy by 2030.

Massive expansion of airport infrastructure

Source: Ministry of Civil Aviation, Knight Frank Research

Within this wider transformation, airports occupy a pivotal space. They are no longer merely gateways for air travel but strategic assets that enable economic integration and foster regional inclusion. With India emerging as the third-largest domestic aviation market, the role of airports in sustaining and accelerating this momentum has never been more critical.

This rising momentum is also a response to rising public aspirations, driven by the rapid growth of Indian cities. Thus, airports in India are evolving from a luxury form of travel into growth enablers for smaller towns, integrating them into national and global networks. As India positions itself for its next phase of economic growth, airports stand at the intersection of policy ambition and market opportunity.

Currently, the country has 159 operational airports and aspires to have about 300 airports by 2047. This growing landscape is also marked by the increasing role of Public-Private Partnerships (PPPs), which have enabled significant private investment, improved service standards, and greater operational efficiency. As of 2025, 14 airports are operated under the PPP model, with several more under construction.

India's first greenfield airport with private participation was Kochi, established in 1994 with equity from the Government of Kerala and international investors. This was followed in 2004 by Bengaluru and Hyderabad, with the objective of developing world-class aviation hubs under private entities. In 2006, Delhi and Mumbai became the first brownfield airports under the PPP model, with concession agreements awarded to GMR and GVK, respectively.

In a more recent wave of privatisation, six airports, Ahmedabad, Jaipur, Lucknow, Guwahati, Mangalore, and Thiruvananthapuram, were bid out by Airport Authority of India (AAI), with the Adani Group winning the rights to operate all six. Notably, this process marked a departure from traditional revenue-sharing models, introducing a new bid parameter based on a fixed fee per domestic and international passenger.

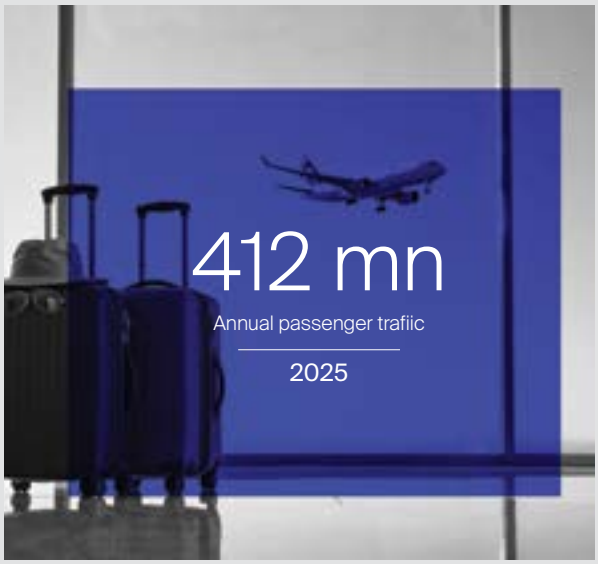
Under the first phase of National Monetisation Plan (NMP), 25 additional AAI-operated airports were earmarked for leasing, signalling the government's continued commitment to deepen private participation and unlock greater value from existing assets[1]. This rapidly evolving infrastructure landscape reflects a broader, strategic shift in India's civil aviation policy, one that seeks to align regulatory, financial, and institutional frameworks to support growth, improve accessibility, and meet rising demand.

[1]*As per NMP, 25 AAI airports earmarked for leasing are: Bhubaneswar, Varanasi, Amritsar, Trichy, Indore, Raipur, Calicut, Coimbatore, Nagpur, Patna, Madurai, Surat, Ranchi, Jodhpur, Chennai, Vijayawada, Vadodara, Bhopal, Tirupati, Hubli, Imphal, Agartala, Udaipur, Dehradun and Rajahmundry. Of these, 11 airports — including 5 key ones (Amritsar, Varanasi, Bhubaneswar, Raipur, Trichy) paired with 6 smaller airports — are identified for PPP-based operation, management, and development.*

India Airports Growth Trajectory

India's aviation market is on an accelerated growth trajectory, poised to play a pivotal role in the country's broader economic transformation. In the last decade, India's air travel market has witnessed significant growth in both scale and reach, emerging as the world's fifth largest aviation market and third largest domestic aviation market. Annual passenger traffic increased from 190 mn in FY 2015 to 412 mn in FY 2025, having grown at annual average rate of 8% every year. Additionally, airport capacity has risen significantly, reflected in the increase in airports handling over 1 mn annual passengers from 28 in FY 2014 to 48 in FY 2025. As per our analysis, Indias annual passenger traffic is projected to grow to ~600 mn by FY 2030, propelled by a confluence of structural and policy drivers — rising disposable incomes, a rapidly expanding middle class, deeper regional connectivity and significant capacity augmentation across both metro and non-metro airports. The industry's evolution is further supported by private sector participation, modernisation of airport infrastructure, and increasing integration with global air travel networks.

India's air cargo sector too has grown steadily, albeit at a more moderate pace compared to passenger traffic. Between FY2012 - 2025, total air cargo volumes grew at a CAGR of 3.84%, with domestic and international cargo growing at 4.24% and 3.6% respectively. Despite this, domestic freight continues to account for only 35–40% of total air cargo movement, highlighting the dominance of cross-border trade in the air freight segment.



Growing number of airports with 1 mn+ annual passengers

28	48
No. of airports in FY 2015	No. of airports in FY 2025

Source: Ministry of Civil Aviation, Knight Frank Research

Passenger traffic has grown at an average annual rate of 8% in the last decade

Growth across tier 2 and 3 airports

Passenger traffic growth in India has not been uniform across regions. Given these divergent growth patterns, we have classified Indian airports into three tiers based on their FY 2025 passenger traffic. Tier 1 includes the top 10 airports by passenger volume, Tier 2 comprises the next 20 and Tier 3 includes all remaining operational airports, largely located in smaller towns.

India's Tier 1 airports, comprising the top 10 airports by passenger volume, serve as the backbone of the country's aviation network. These include major metro hubs such as Delhi, Mumbai, Bengaluru, Hyderabad, along with other high-traffic airports like Chennai, Kolkata, Pune, Cochin, Goa (Dabolim), and Ahmedabad. Of the top 10 Tier 1 airports, six are operated under the PPP model, highlighting the growing role of private participation in managing high-traffic nodes.

Collectively, Tier 1 airports handled a significant 71% of total national traffic in 2025. Notably, Delhi, Mumbai, Bengaluru, and Hyderabad alone account for approximately 70% of total Tier 1 traffic, with Delhi leading at 27%.

India's Tier 2 airports include a mix of state capitals, industrial towns, and religious and tourism hubs, such as Varanasi, Amritsar, Bagdogra and the remaining PPP-operated airports.

Collectively, Tier 2 airports account for approximately 20% of total passenger traffic in 2025, a share that has been steadily increasing over the past decade.

These airports, while still smaller in absolute numbers compared to Tier 1 hubs, are becoming increasingly important for regional economic integration and passenger dispersal, helping reduce pressure on overburdened metro airports.

Tier 3 airports, comprising smaller towns represent the most rapidly expanding segment of India's aviation network—though still relatively modest in overall traffic volume. In 2025, these airports accounted for approximately 10% of total passenger traffic, up from 5% a decade ago.

Airports like Gorakhpur (54.5%), Allahabad (34.4%), and Surat (33.7%) exemplify this high-growth trend, driven by a mix of new regional routes, state investment, tourism driven demand. In particular, spiritual and heritage tourism has emerged as a key driver, with cities like Shirdi, Ayodhya, and Varanasi seeing traffic spikes linked to religious travel. The UDAN scheme has played a central role in this expansion, by incentivizing airlines to operate on unserved or underserved routes and supporting the development of airport infrastructure in Tier 3 cities.

Growing share of Tier 2 and Tier 3 cities in passenger traffic

Source: Ministry of Civil Aviation, Knight Frank Research

However, this growth story is not without its challenges. High capital expenditure (capex) requirements for new terminals, runways, and supporting infrastructure place heavy demands on both public and private investment. The sector is also subject to cyclical passenger demand, which is sensitive to macroeconomic conditions, fuel prices, and geopolitical disruptions. Additionally, regulated aeronautical tariffs constrain the ability of operators to freely adjust airside charges, thereby limiting the upside potential from traditional revenue sources.

Globally, mature airport ecosystems have navigated similar constraints by strategically developing diversified, non-aero revenue streams. These non-aero channels – encompassing commercial real estate, retail concessions, food and beverage outlets, advertising, car parking, cargo and logistics hubs, and hospitality services – not only buffer revenue volatility but also transform airports into multi-dimensional commercial hubs.

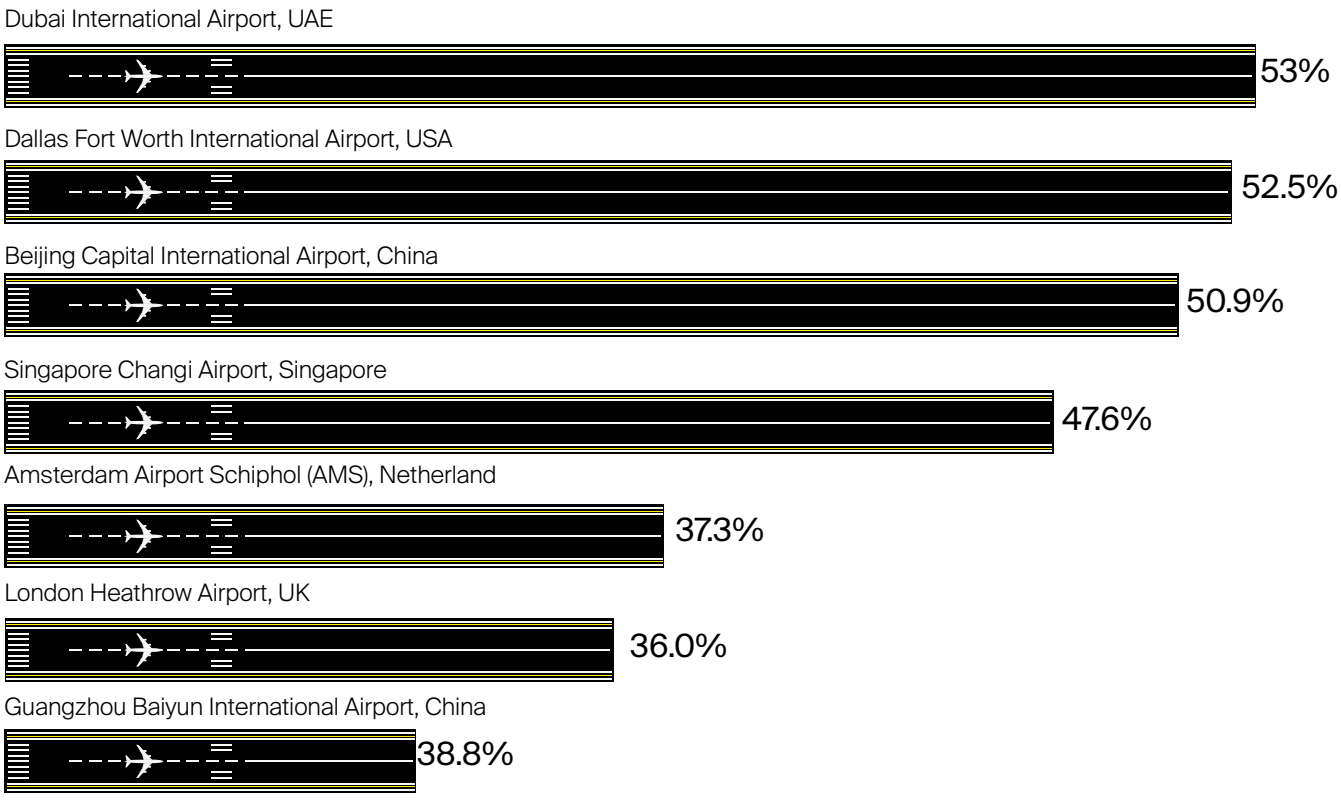
By leveraging their strategic location, high passenger footfall, and connectivity advantages, airports in India can evolve into self-sustaining economic zones that generate employment, attract investment, and catalyse local GDP growth. The shift towards this integrated, land-use-based revenue model will not only strengthen financial resilience but also redefine airports as destination assets rather than mere transit points.

ANALYSIS OF NON-AERONAUTICAL REVENUE STREAMS FOR INDIAN AIRPORTS

Non-aeronautical revenue—income generated from activities not directly tied to aircraft movement—has evolved from being a supplementary source to a strategic pillar of airport business models.

Globally, and in India's major airports, the composition of this revenue is dominated by a few key areas. Some of the key busiest global airports such as Dubai International Airport (UAE), Fortworth International airport (Dallas, USA), Denver International Airport (USA), Singapore Changi airport (Singapore) generates 50-55% of their revenue for non-aeronautical segment. Being one of the busiest airports in the world, the Dubai duty free generated retail sales valued at USD 1.13 bn in the first half of 2025. The Singapore Changi Airport have over ~330 retail stores, and the airport concessions and rental income of these stores contribute about 47% to the airports' total revenue. In addition to building airports into world class retail destinations, some of the airports are also widening their footprint beyond the runways in the form of developing world class aerocities or aerotropolis, which promote upscale real estate development around the airport regions and aid regional economic growth. Global airports such as – Dubai Internation Airport, Incheon Internation airport in South Korea, Dallas-Fort Worth International Airport (USA), offer as some of the prime example of aerocity developments generating massive revenues for the airport as well as contributing to the regional economic growth. This will be elaborated in the sections to follow.

% share of non-aero revenue in total revenue of the select global airports



Source: Respective airports annual reports; Note: % share is as of FY 2023 and FY 2024

A critical aspect of non-aeronautical revenue is its disproportionate contribution to airport profitability. While non-aeronautical revenue typically accounts for 40-50% of total revenue, it can generate as much as 70-80% of an airport's profits[2]. This financial model is driven by the fact that non-aeronautical services have low operating costs, fixed lease structures, and comprise high margin components. For instance, non-aeronautical components such as retail, parking, property leases etc have lower overheads than aeronautical services like runway maintenance, security etc. This structural advantage allows airports to use these high-margin earnings to offset regulated aeronautical costs and fund significant capital expenditure on infrastructure improvements.

The performance of Indian airports in generating non-aeronautical revenue varies significantly depending on their ownership and operating model. A clear dichotomy exists between the airports managed under Public-Private Partnership (PPP) and those operated by the state-run Airports Authority of India (AAI).

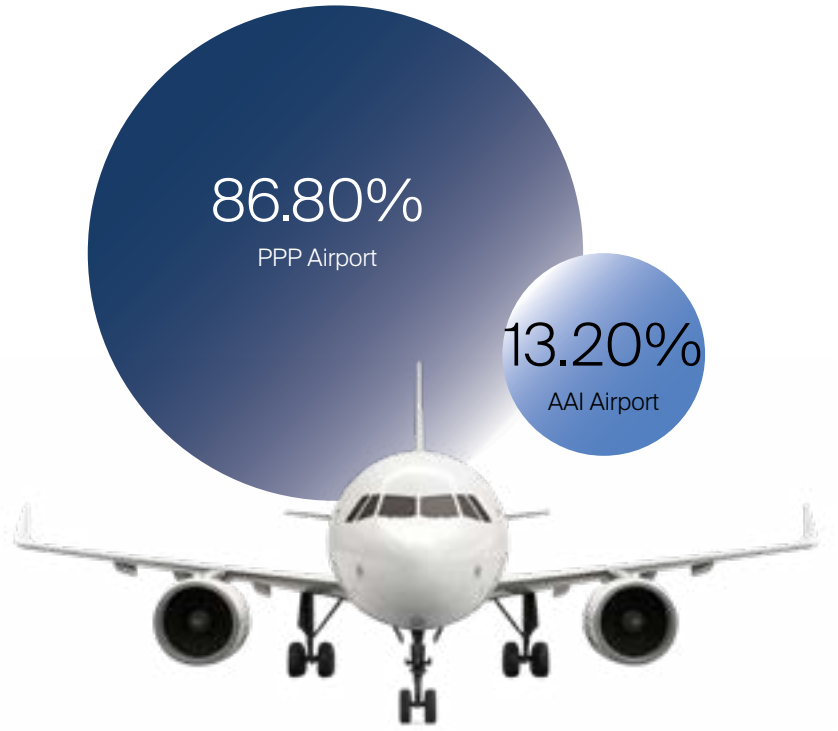
Airports such as Delhi International Airport (DIAL) and Mumbai International Airport (MIAL) generated maximum revenue from their non-aero components, comprising a share of ~58% and ~50% of their respective total revenues in FY 2025. Delhi airports non-aero revenue generation is arises from the duty-free sales, comprising 22% of the total non-aero revenue. Alongside, Hyderabad airport generated ~33% of its total revenue from non-aero components. Overall, in FY 2025, the select airports in India generated INR ~84 bn (USD 962 mn) of non-aero revenue[3].

As per our analysis, in India airports managed under PPP generate 87% of the country's total non-aero revenue while handling 64% of total traffic.

[2]ACI World Airport Economics
[3]Includes: Delhi, Mumbai, Hyderabad, Bengaluru, Cochin, and Mopa International Airport

This stark disparity is not merely a function of traffic volume but a reflection of fundamentally different business models. PPP airports are structured as profit-maximizing commercial enterprises, incentivized to aggressively pursue non-aeronautical income through innovative strategies and real estate development. In contrast, AAI-operated airports have a broader public mandate, including social objectives like the UDAN scheme, which focuses on regional connectivity. This difference in strategic focus and access to private capital has resulted in AAI airports having relatively low non-aeronautical revenues compared to their privatized counterparts.

Share of non-aero revenue - PPP vs AAI



Source: Airport annual reports, AAI, Knight Frank Research; PPP airports include: Cochin, Kannur, Mopa, Hyderabad, Delhi, Bengaluru, and all airports managed by Adani airport holdings

Non-aero revenue performance of key airports

An examination of the financial performance of major Indian airports provides concrete examples of the trends and drivers behind non-aero revenue growth.

Delhi International Airport (DIAL)

DIAL, India's largest airport, witnessed healthy growth in non-aero revenue, which increased approximately by 50% from INR 22.05 bn in FY 2020 to INR 33 bn in FY 2025. With 22% of the revenue coming from duty free followed by 18.1% from land and space rentals, 13.6% from cargo, 10% from food and beverages. This growth was supported by a substantial growth in the passenger traffic, reaching 79.3 mn in FY 2025. The airport's strategy includes leveraging increased leasable area from its Terminal 1 expansion and continued monetization of its real estate potential.

As the country's second-largest airport, MIAL's non-aeronautical revenues grew by 21% year-on-year, rising to INR 24.3 bn in FY24 from INR 20 bn in FY23. This was supported by a 20% increase in passenger traffic to 52.8 mn in FY24. The growth was further driven by a 9% year-on-year increase in per-passenger spending, which was 13% higher than pre-COVID levels. MIAL's concession agreement also includes the right to develop a 190-acre land parcel, enhancing its revenue visibility[4].

Mumbai International Airport (MIAL)

[4]*CARE ratings*

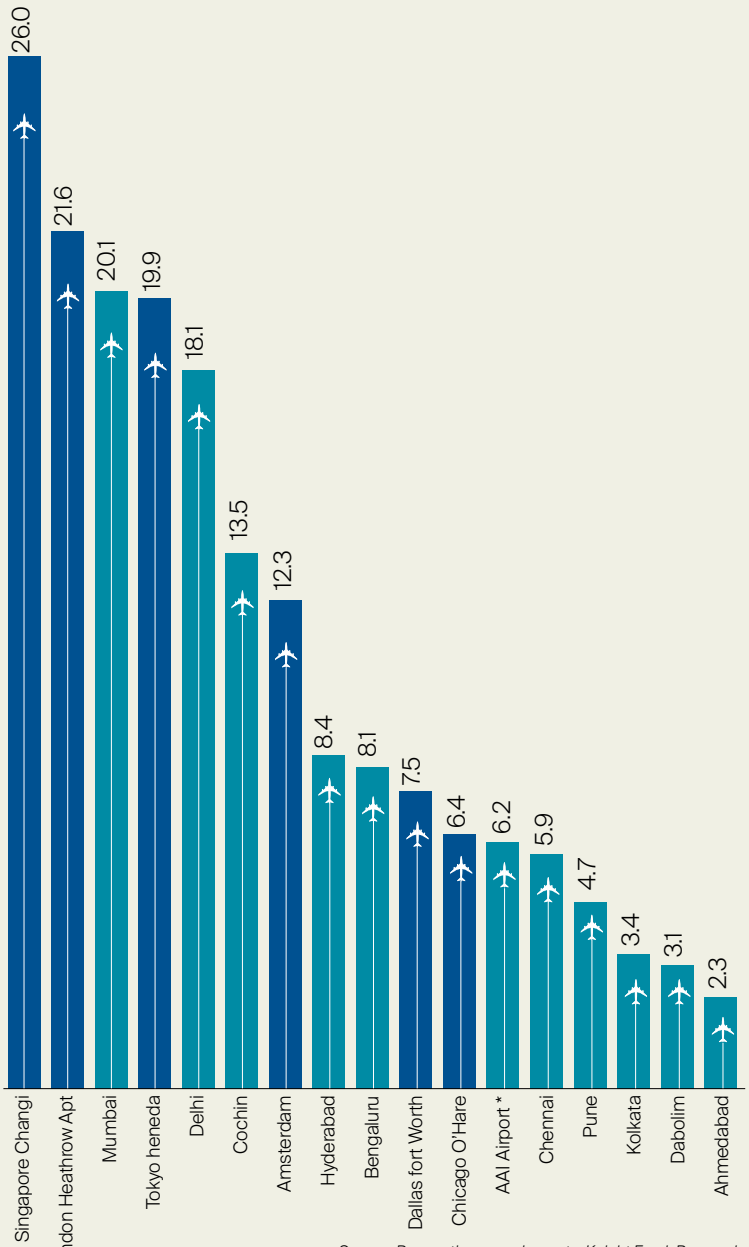
Components of DIAL non-aero revenue

Source: GMR Annual Report, Knight Frank Research

Kempegowda International Airport, Bengaluru (BIAL)

BIAL has shown significant growth in its non-aeronautical revenue in recent years. In FY 2023, non-aero revenue stood at INR 8.01 bn, and this rose to INR 10.29 bn in FY 2025—an increase of 28% over two years . This growth was largely driven by the opening of Terminal 2, which created new commercial opportunities, particularly in retail and food & beverage, while lounges and duty-free outlets delivered performance that exceeded expectations. Beyond terminal-based revenue, BIAL is actively advancing its aeropolis strategy, which includes the development of Maintenance, Repair, and Overhaul (MRO) facilities. In addition, BIAL is leveraging its extensive land holdings for commercial development, aiming to build a multi-use ecosystem around the airport that supports long-term revenue diversification.

Per Passenger Non Aero Revenue (In USD)



Source: Respective annual reports, Knight Frank Research;
Note: Exchage rate is adjusted to purchasing power parity, data is as of FY 2024
** AAI Airport (Ex Chennai, Kolkata, Dabolime)*

Our analysis on per passenger non-aeronautical revenue (adjusted to purchasing power parity) underscores a stark contrast between Indian airports and their global counterparts, revealing both commendable progress and substantial gaps. Mumbai (USD 20.1) and Delhi (USD 18.1) are approaching international benchmarks like London Heathrow (USD 21.6) and Tokyo Haneda (USD 19.9), signalling strong performance in duty free, retail, food & beverage, and commercial services. These figures demonstrate that India's top-tier airports are successfully evolving into commercial hubs, comparable to leading global peers. However, airports in Singapore (Changi at USD 26) and Dubai International Airport still set the gold standard in revenue optimization, driven by high passenger spending and world-class infrastructure. Airports like Cochin, Hyderabad, and Bengaluru are in a growth phase, benefiting from rising traffic and improved terminal offerings. Relatively smaller airports such as Pune (USD 4.7), Kolkata (USD 3.4), and Ahmedabad (USD 2.3) are significantly underperforming, as reflecting in their limited commercial offerings and lower passenger engagement.

[5]*Source: BIAL annual report, FY 2025*

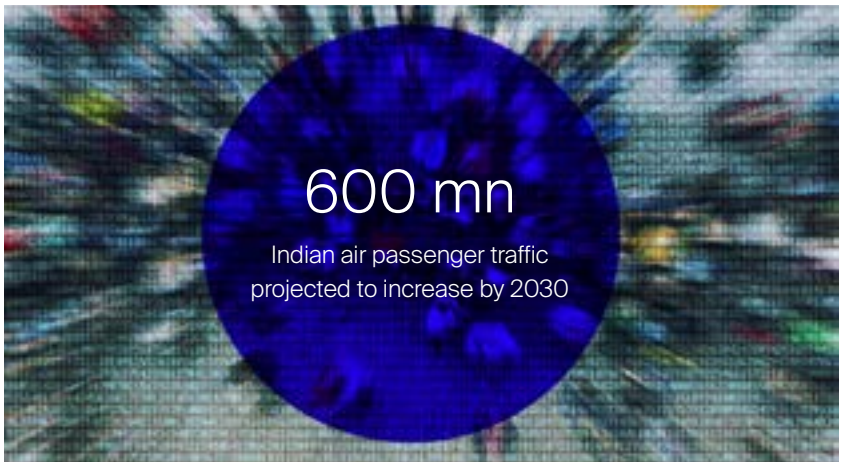
This disparity points to a two-fold opportunity: while metro airports can continue scaling premium services to match top global airports, smaller Indian airports need targeted investment, policy incentives, and strategic commercial planning to unlock their latent revenue potential and move towards a more self-sustaining business model.

India's aviation sector is entering a transformative phase, where improving non-aeronautical revenue—especially at smaller, regional airports—will be key to long-term financial resilience. As domestic air travel rises and regional routes expand under initiatives like UDAN, there is growing potential beyond the major metro airports. Realizing this potential will require customized strategies that reflect the unique passenger mix and demand patterns at each airport. Investments in commercial infrastructure, better passenger amenities, and the use of digital platforms to personalize retail and service experiences can help increase per-passenger spending, even in lower-traffic locations. Equally important is supportive policy—flexible lease models, streamlined land approvals, and incentives for private sector participation can accelerate this growth.

With Indian air passenger traffic projected to increase by nearly 50% from 412 mn in FY 2025 to 600 mn by FY 2030, non-aeronautical revenue is poised to see an exponential rise—benefiting from both increased passenger numbers and improved per-passenger spending. Even a modest increase of USD 1 (Rs 87) per passenger across the projected traffic base could translate into an USD 2.95 bn in annual non-aero revenues for Indian airports in 2030. A 26% from the existing value. This creates a strong incentive for operators to invest in premium retail zones, food courts, entertainment facilities, and destination experiences that attract both travellers and non-travelling visitors.

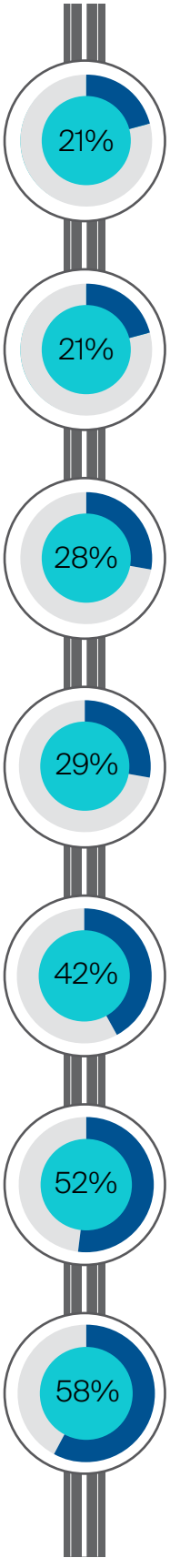
Globally, airports have demonstrated how non-aeronautical revenue strategies can integrate with broader urban planning. Amsterdam Schiphol operates one of Europe's largest airport business parks, Incheon International Airport in South Korea has built a resort, shopping, and medical tourism hub, and Singapore Changi's Jewel complex combines retail, entertainment, and public space, drawing millions of non-travelling visitors annually.

For India, this integration of non-aero revenue with urban growth strategies means airports evolving transit points into urban destinations—boosting economic resilience, enhancing passenger experience, and embedding themselves into the fabric of the city. With both passenger volumes and per-passenger spending expected to rise sharply in the coming decade, the financial and developmental potential of airports as urban integration tools is set to expand dramatically.



Even a modest increase of USD 1 (INR 87) per passenger across the projected traffic base could translate into an additional 26% increase in non-aero revenues for Indian airports in 2030.

Average non-aero revenue of DIAL across different stages of development



PRE 2006 Pre PPP

LIMITED NAR – BASIC PARKING, F&B KIOSKS, ADS

IGI fully run by AAI

2006 - 2010 PPP Transition

INITIAL RETAIL/ F&B UPGRADES, PARKING MONETISATION, ADVERTISING EXPANSION

May 2006: AAI hands over to DIAL under OMDA

2010 - 2013 Scale via T3

DUTY FREE RETAIL, LOUNGES, PARKING REVENUE, HIGH-VALUE AD INVENTORY

July 2010: T3 opens with ~20,000+ sqm retail

2010: Delhi Duty Free Services JV launched; T3 MLCP adds ~4300 car slots

2013-2017 Aerocity Launch

HOSPITALITY REVENUE (ROOM+F&B+MICE), OFFICE LEASES, DESTINATION RETAIL

- 2013: JW Marriott opens
- 2015-16: Pullman/ Novotel open
- 2016-17: Andaz Delhi; Worldmark Phase I (office+retail) delivered

2017 - 2019 District Maturity

STRONG HOTEL PORTFOLIO, F&B, MICE EVENTS, CORPORATE OFFICE LEASES

Aerocity evolves into a full-fledged hospitality, retail & corporate hub

2020 - 2022 Shock & Resilience

Diversified NAR, such as landside leases, offices, some hotel recovery cushions losses

2023 - 2025 Expansion & Densification

FUTURE NAR BOOST FROM OFFICES, RETAIL MALL, ENTERTAINMENT, EVENTS

Worldmark 2.0 announced (~7+ mn sq ft,)

Mall by 2027; Continuous upgrades in T3 retail & digital parking

India's Non-Aero Maturity Curve

The evolution of non-aeronautical revenue at Indian airports typically follows a progressive maturity curve, shaped by traffic growth, land availability, regulatory approvals, and operator vision. Each stage represents a shift from passenger-dependent revenues to land-use-led, diversified commercial ecosystems that insulate airports from aviation cycles and unlock sustained profitability. Based on our analysis, the maturity curve of the India's non-aero components is spread across three stages, which are discussed as below:

Stage 1
Core Passenger-Driven Revenues (0–5 years post-commissioning)

Focus: *Retail, F&B, advertising, car parking, lounges, and basic ancillary services etc*

- In the initial years of operations, non-aero income is heavily reliant on passenger footfall and dwell time. The key priority is to monetise terminal space through high-yield concessions, quick-setup advertising, and essential passenger services like parking and premium lounges.
- Retail and F&B tend to feature national and local brands rather than large international chains, reflecting the need to match early-stage demand and keep capex light.
- Parking emerges as a steady early cash flow source, especially for airports in cities with limited last mile connectivity.

Example | *Goa Manohar International Airport (Mopa):*

- Commenced operations in 2023 with a focus on Goan handicrafts, regional food courts, and duty-paid domestic retail.
- Parking and car rental concessions are among the largest early-stage earners.
- Limited hotel presence, with emphasis on building consistent passenger volume before committing to large land-side developments.

Revenue Profile at Stage 1:

Non-aero share typically 20-30% of total revenue, with retail and F&B forming the bulk.

Stage 2
Land-Side Asset Development (3–8 years)

Focus: *Mid-scale hotels, business centres, small-format offices, entertainment/leisure zones, and initial logistics facilities.*

- Once passenger volumes are stable and the airport demonstrates predictable growth, operators begin developing land-side assets to capture revenue from non-passenger footfall.
- This stage often coincides with the first terminal or runway expansion, providing an opportunity to integrate hospitality and small-scale commercial real estate.
- Early logistics and cargo facilities may be established, particularly for airports serving manufacturing hubs or export-intensive regions.

Example | Hyderabad Rajiv Gandhi International Airport (GMR):

- The Novotel Hyderabad Airport has been a consistent non-aero revenue driver, catering to transit passengers, airline crews, and MICE events.
- GMR's business park houses aviation-linked offices and airline back-end operations, generating stable lease income.
- Small-scale warehousing supports Hyderabad's pharma and perishable export ecosystem.

Revenue Profile at Stage 2:

Non-aero share rises to 30-50%, with land-lease income, mid-scale hospitality, and advertising providing predictable annuity-type cash flows.

Stage 3
Airport City (5–15 years)

Focus: *Large-scale business parks, MICE venues, logistics hubs, destination retail, residential precincts, and institutional clusters (education, healthcare, research).*

- At this stage, the airport transforms into an Aerocity and further into an Aerotropolis — a master-planned urban ecosystem with the airport at its core, attracting both aviation-linked and unrelated commercial activity.
- The strategy shifts from passenger monetisation to regional economic integration, leveraging connectivity to attract corporates, logistics operators, retailers, event organisers, and residents.
- The non-aero portfolio becomes multi-sectoral: Grade A offices, large convention centres, e-commerce fulfilment hubs, shopping and outlet malls, luxury hotels, and mixed-use districts.

Example | Delhi Aerocity

- Spanning 230 acres , it integrates hospitality (JW Marriott, Pullman, Andaz), retail, F&B, and corporate offices.
- Connected to the Delhi Metro Airport Express, attracting MICE and business travellers independent of flight arrivals.

Revenue Profile at Stage 3:

Non-aero share can exceed 50%, matching global best-in-class hubs like Schiphol or Changi. Land-use revenues dominate, creating long-term, inflation-protected annuity streams independent of passenger traffic volatility.

Stages of Non-aeronautical Revenue in Airport Development

Stage 1	***Stage 2***	***Stage 1***
Core passanger driven revenue	Land side assets development	Airport City Development

Source: Knight Frank Research

The progression from non-aeronautical revenue strategies to full-scale aerocity and eventually aerotropolis development forms a natural continuum in the airport-led urban growth model. Having established a stable revenue base through terminal-based commercial activity, airports are uniquely positioned to leverage their land assets for broader economic integration. In the next section we examine how the aerocities transcend their transport function to become anchors of regional development—integrating business districts, logistics hubs, residential enclaves, tourism infrastructure, and cultural spaces—thereby shaping the city's spatial, economic, and investment landscape for decades to come.

AEROCITIES CATALYSING URBAN TRANSFORMATIONS

Over the past few decades, airports have undergone a fundamental transformation—from being mere transport nodes facilitating passenger and cargo movement to becoming powerful economic catalysts that shape urban growth, attract investments, and influence regional development patterns. Modern airports are increasingly designed as integrated business ecosystems, housing retail hubs, hospitality infrastructure, convention centres, and commercial real estate, in addition to their core aviation functions.

Globally, the concept of the "airport city" or "aerotropolis" has gained prominence, with hubs such as Amsterdam Schiphol, Dubai International, and Incheon International serving as benchmarks for how airports can drive economic activity well beyond their terminals. These facilities have demonstrated that strategic airport development can generate employment, boost tourism, spur real estate growth, and enhance a city's global competitiveness. In India, this evolution has accelerated over the past two decades, particularly with the privatisation and modernisation of major airports such as Delhi, Mumbai, Bengaluru, and Hyderabad. The emergence of aerocity districts, non-aeronautical revenue streams, and airport-led industrial and logistics hubs reflects a shift towards a more holistic vision of airport infrastructure as an anchor for urban expansion and regional economic integration. The government's UDAN scheme, combined with growing air traffic demand and increased private sector participation, is further reshaping the role of airports in India's economic geography.

We further aim to analyse the changing role of airports in catalysing urban and regional growth, with a focus on their evolving business models, the interplay between aeronautical and non-aeronautical revenues, and the broader socio-economic impacts. While drawing from global best practices, the scope includes an in-depth examination of the Indian context—covering both operational airports and upcoming developments—to assess how strategic planning and integrated infrastructure can maximise the value creation potential of airport-led growth.

Concept of Aerocity and Aerotropolis

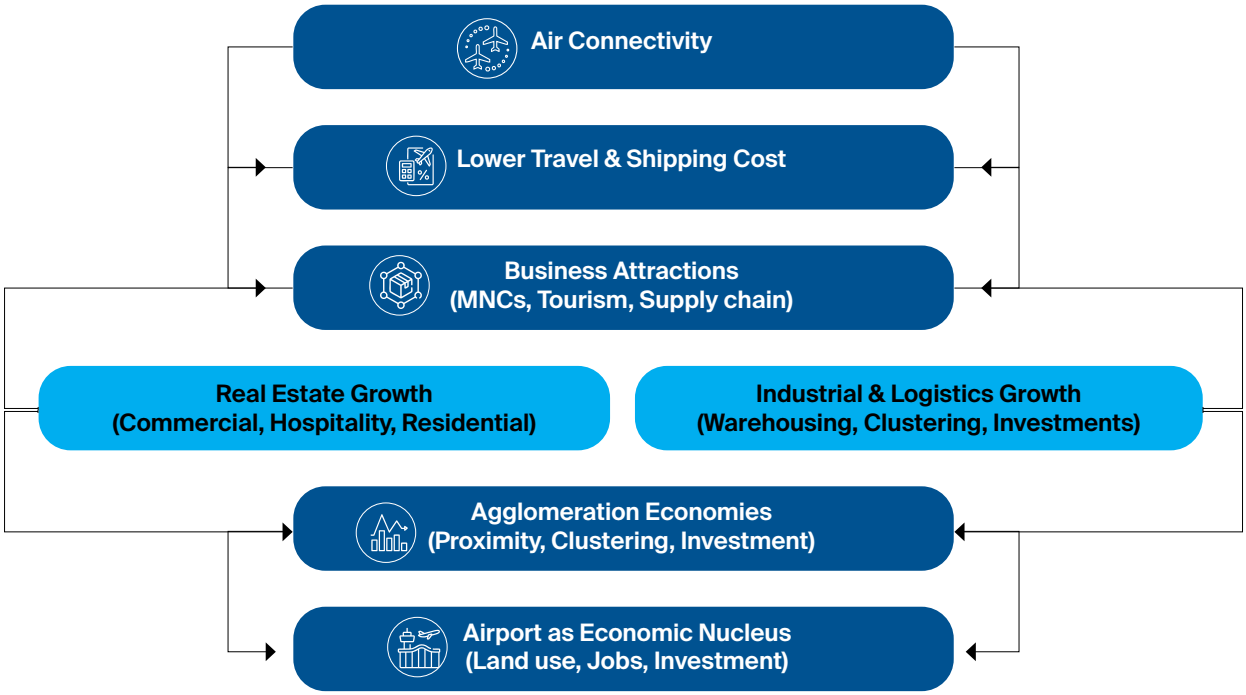
The transformation of airports into growth engines is best understood through the Airport City (AeroCity) and Aerotropolis models. An aerocity refers to a self-contained commercial and hospitality hub located within or adjacent to the airport precinct. It typically includes hotels, convention centres, retail complexes, office spaces, and entertainment facilities, designed to serve both air travellers and the local population. Extending beyond the immediate airport boundaries, the Aerotropolis encompasses a wider urban region shaped by and economically dependent on the airport, integrating aviation-linked businesses, logistics parks, manufacturing clusters, and residential developments within a well-connected transport network.

The underlying mechanism begins with air connectivity. Enhanced passenger and cargo linkages reduce travel and shipping times, lowering transaction costs and enabling businesses to operate more efficiently across geographies. This accessibility attracts multinational corporations, global supply chain operators, and tourism-related enterprises to set up operations near the airport. Over time, the presence of these high-value activities fuels real estate development, particularly in the commercial, hospitality, and residential segments.

Furthermore, the airport's role as a logistics and trade gateway promotes the growth of warehousing, e-commerce fulfilment centres, and industrial parks, often in specialised sectors such as perishables, pharmaceuticals, electronics, and high-value manufacturing. The clustering effect created by these activities generates a cycle of agglomeration economies—where proximity to suppliers, customers, and talent pools further attracts investment, amplifying the airport's role as an economic nucleus.

Through this interconnected system, airports shift from being passive infrastructure to becoming active orchestrators of regional development, influencing land use patterns, investment flows, and employment creation.

Mechanisms linking air connectivity to regional growth



India's aerocity portfolio is expanding rapidly, with each development tailored to its regional economic strengths and connectivity advantages. GMR Delhi Aerocity near IGI Airport is a flagship example—a self-contained hospitality and business hub. A key component, Worldmark Aerocity, covers 7.6 acres in Phase 1 (~1.4 mn sq ft) with office and retail towers, including 900,000 sq ft of office space. The expanded Phase 2 spans about 40 acres, adding roughly 3.5 mn sq ft of office and 3 mn sq ft of retail space. Globally as well several successful Aerocity developments showcase the versatility and commercial potential of this model.

Similar successes can be seen in Amsterdam Schipol Airport integrating aviation with consumer services and real estate development, Changi Jewel, Singapore—an iconic lifestyle hub with retail, entertainment, and indoor nature attractions directly linked to the airport; Incheon Airport's International Business Center, South Korea, which offers hotels, offices, and logistics facilities tailored to global business travelers; Frankfurt Airport's The Squaire, Germany, a mixed-use complex with corporate offices, retail, and two hotels integrated with the terminal; and Dubai Airport Freezone (DAFZA), UAE, a premium commercial district attracting multinational firms with seamless access to the airport. These examples demonstrate how Aerocities can transform airport peripheries into thriving commercial ecosystems.

Economic Impact Channels

Airports are no longer just transit gateways—they have evolved into multi-dimensional economic ecosystems that extend their influence far beyond the runway. Modern airports integrate aviation services with commercial, industrial, and urban functions, creating a ripple effect that reshapes the physical layout of cities, redefines land use priorities, and drives long-term economic transformation. Their presence often acts as a magnet for high-value investment, accelerating land value appreciation.

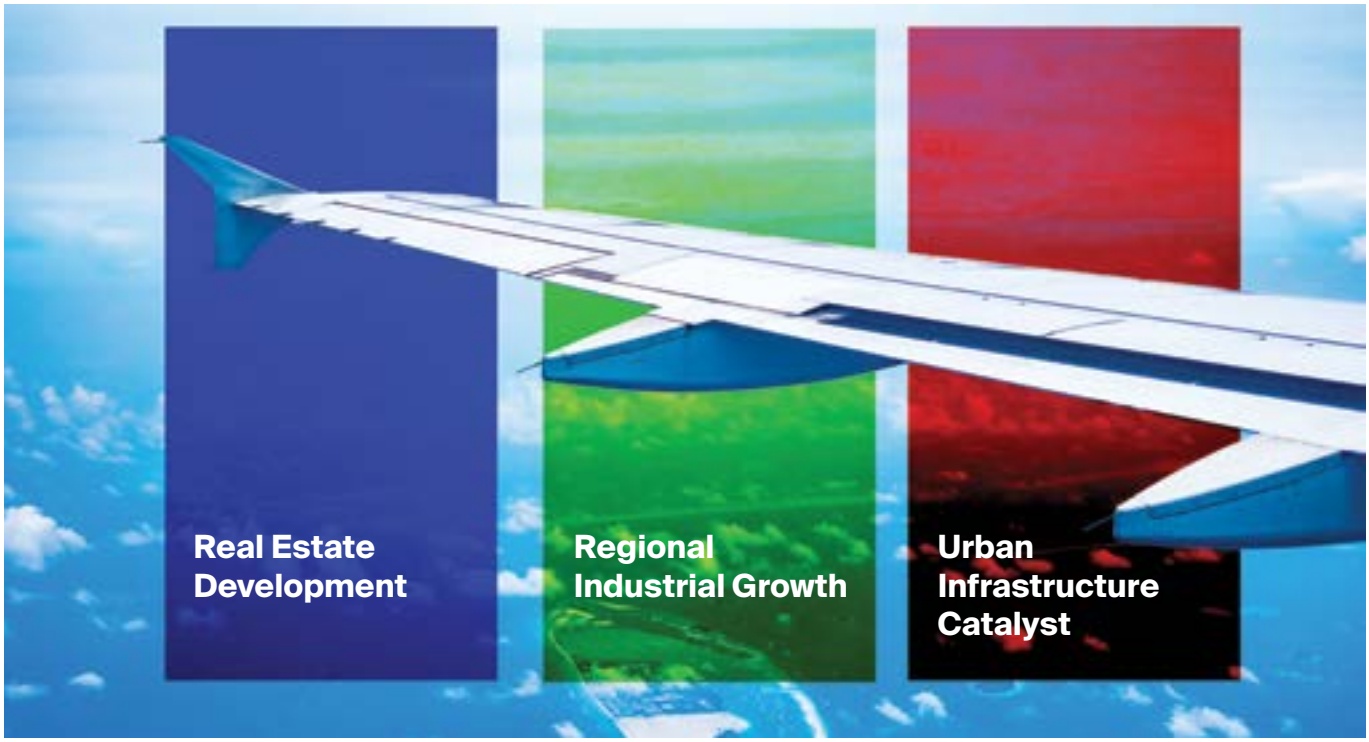
Globally, the aviation sector's economic significance is well-documented, with an airport–GDP multiplier effect estimated at 3.1, as per International Civil Aviation Organisation (ICAO). This means every INR 1 invested in airport infrastructure can generate INR 3.1 in broader economic output through direct, indirect, and induced impacts. In India, expanding airport capacity is expected to deliver outsized returns by boosting tourism, exports, and regional productivity. In the Indian context, airport expansion has become a deliberate tool of regional growth policy, supported by schemes like UDAN (operationalising over 500 new routes), Rs 90,000+ crore in PPP investments across major metro airports, and greenfield mega projects such as Jewar, Navi Mumbai, Bhogapuram etc.

Globally, the aviation sector's economic significance is well-documented, with an airport–GDP multiplier effect estimated at 3.1, as per International Civil Aviation Organisation (ICAO).

The aim is not only to meet rising passenger demand—projected to cross 1.3 bn annual trips by 2040—but also to position airports as strategic anchors for integrated development. They serve as hubs for premium hospitality and retail precincts, industrial and logistics parks that power manufacturing and exports, and large-scale transport and utility upgrades that improve connectivity across entire metropolitan regions.

This transformation can be understood through three major channels of impact—real estate development, regional industrial growth, and infrastructure multiplier effects—each reinforcing the airport's role as a long-term driver of urban and regional competitiveness.

Three major channels of airport development impact



Considering the above-mentioned multiplier, the projects with a value of USD 17 bn are underway at various stages of development between 2025 – 2030 in India as listed in National Infrastructure Pipeline(NIP), this has a potential to create economic output of USD 53 bn

1. Real Estate Development

The development of airports often triggers significant real estate growth by turning surrounding areas into high-value economic clusters. Modern airports are increasingly designed as aerocities—self-contained hubs that combine passenger and cargo operations with commercial, industrial, and hospitality infrastructure. Proximity to an airport offers unmatched connectivity to domestic and international markets, making nearby locations attractive to corporations, manufacturers, and service providers.

The most prominent example is Delhi Aerocity – Adjacent to Indira Gandhi International Airport's Terminal 3, Delhi Aerocity spans ~45 acres and hosts 15+ five-star and luxury hotels with a combined ~5,000 keys. It includes the Asia's largest convention facility (Yashobhoomi, 300,000 sq. m) and over 1.8 mn sq. ft. of Grade-A office space. Retail formats range from premium dining streets to duty-paid luxury shopping. This precinct contributes substantially to Delhi Airport's non-aeronautical revenue, which accounted 58% of its total revenue in FY 2025, driven by hotel leases, F&B, and retail rentals. A key anchor, Worldmark Aerocity, is a flagship mixed-use complex comprising Worldmark 1, 2, and 3, offering Grade-A office spaces alongside high-end retail. Strategically positioned near Indira Gandhi International Airport, it serves as a preferred office location for leading global corporations. With 25 office tenants, a 95% occupancy rate, and an average rental of INR 200-230 per sq ft per month, more than 2.2x of the NCR regions average office rental, Worldmark exemplifies the district's ability to attract steady, high-value commercial demand while supporting ancillary retail, F&B, and hospitality revenues.

Similarly, Bengaluru Airport City, a visionary urban development within

the Kempegowda International Airport (BIAL) campus, is being developed by Bengaluru Airport City Limited (BACL), a subsidiary of BIAL. The subsidiary aims to construct a business park spanning over 17.7 acres, the project includes a 2 mn sq ft designed to cater to Global Capability Centres (GCCs), with four biophilic office blocks. As part of a larger mixed-use plan, the city will integrate education and healthcare districts, R&D hubs, entertainment zones, hospitality spaces, and India's first concert arena within an airport ecosystem. It also features a 775-room combo hotel (Vivanta and Ginger) and a convention and exhibition centre. The development aligns with Karnataka's 2024–29 GCC policy, targeting the creation of 350,000 jobs and contributing USD 50 billion to the economy. Additionally, "District I," launched in 2025, serves as a Global Innovation Hub, fostering deep-tech and AI entrepreneurship. With Bengaluru Airport projected to handle up to 90 mn passengers by 2030 (up from 41.8 mn in FY2024–25), Bengaluru Airport City is set to become a major hub for innovation, business, and sustainable urban living.

Hyderabad's GMR Aerocity, spread over approximately 1,500 acres adjacent to Rajiv Gandhi International Airport, is a master-planned airport city integrating industrial, commercial, hospitality, healthcare, education, retail, and entertainment zones. Its core industrial asset, the GMR Aerospace & Industrial Park, includes over 200 acres of SEZ and 77 acres of Domestic Tariff Area, hosting global aerospace majors alongside a massive Grade -A logistics park developed with ESR—recently consolidated through GHIAL's acquisition of a majority stake. The commercial district features Grade-A office towers with around 1 mn sq ft of leasable space, complemented by retail, food, and public amenities, while hospitality and healthcare districts are positioned to serve both business and passenger traffic. Strong multimodal connectivity via the Outer Ring Road, PVNR Expressway, and proposed metro links has made the Aerocity a high-value real estate destination.

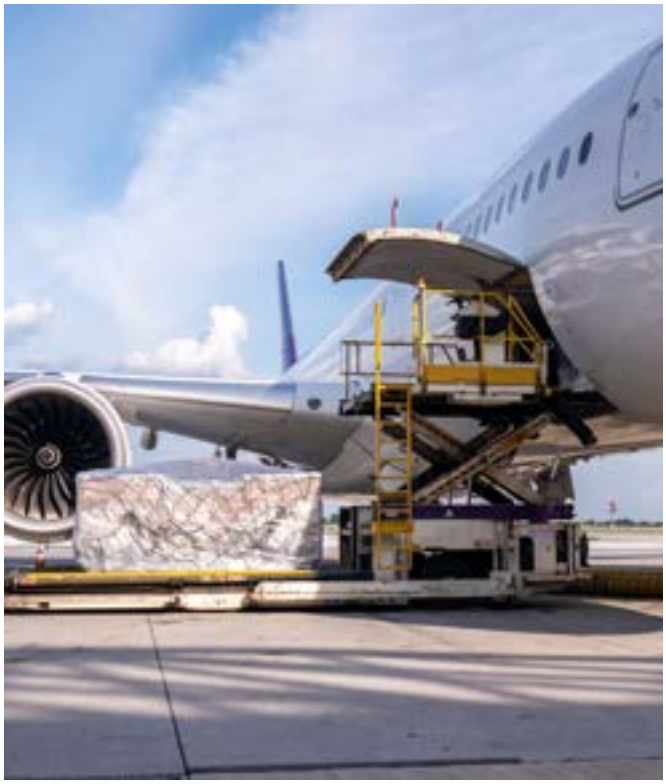
Kochi's CIAL Aerotropolis, covering about 500 acres around Cochin International Airport, is envisioned as a mixed-use hub combining aviation-linked manufacturing, IT parks, logistics, commercial, and residential development. Conceptualized in 2007, it incorporates an SEZ for aerospace and OEM manufacturing, planned airline technology and R&D facilities, and integrated logistics infrastructure, including container freight capabilities. Kochi, together with Thiruvananthapuram is a growing office market amongst the tier-II cities, supported by expanding IT developments such as Infopark Phase III near Kizhakkambalam. These real estate dynamics, amplified by the airport's growing passenger and cargo throughput, position CIAL Aerotropolis as both an economic and infrastructural growth catalyst for Kerala.

2. Regional Industrial Growth

Airports act as critical infrastructure nodes that stimulate and sustain regional economic growth by enhancing connectivity, enabling trade, attracting investment, and generating employment. The presence of a well-developed airport reduces travel and transport times, facilitating efficient movement of people, goods, and services. For businesses, this translates into faster supply chain cycles, greater market reach, and improved competitiveness—factors that are especially crucial in sectors such as aerospace, pharmaceuticals, electronics, and high-value perishables where time-sensitive delivery is a key differentiator. From a trade perspective, airports serve as gateways for both imports and exports, supporting industries that rely on just-in-time manufacturing, global sourcing, and high-frequency logistics.

In Hyderabad, Rajiv Gandhi International Airport handled 180,914 metric tonnes of cargo in 2024, a 22% year-on-year increase, with pharmaceuticals accounting for 72% of total volumes—primarily destined for the U.S. and Europe. *(Source: GMR Annual Report, FY 2025)* This strong cargo capability underpins the GMR Aerospace & Industrial Park, where aerospace and defence leaders such as Pratt & Whitney, Safran, and Tata Advanced Systems benefit from immediate access to international freight services.

Bengaluru's Kempegowda International Airport crossed the 500,000 metric tonnes cargo milestone in FY 2024–25, supported by a 40,000 metric tonne-capacity Coolport. This facility positions Bengaluru airport as India's leading hub for perishable exports. The airport also serves various sections such as electronics, IT hardware, precision engineering, pharmaceutical etc.



Pune's Lohegaon Airport, handling over 42,000 MT of cargo annually, has strengthened the export capabilities of auto component manufacturers in the Chakan and Talegaon belts. In western India, the airports at Ahmedabad and Surat are vital to the textile and diamond industries, ensuring time-sensitive deliveries to global fashion and jewellery markets.

Central India's Nagpur Airport, integrated with the MIHAN SEZ, recorded 9,018 MT of cargo in FY 2024–25 (up 12.8% year-on-year) and more than doubled SEZ exports to INR 39.6 bn, including INR 5.8 bn from aircraft component manufacturing.

Beyond traditional industries, India's e-commerce giants—Amazon, Flipkart, and Delhivery—have leveraged proximity to major airports in Delhi, Hyderabad, and Bengaluru to operate large fulfilment centres capable of meeting next-day and same-day delivery commitments. Collectively, these examples highlight how airport infrastructure functions as a strategic anchor for industrial ecosystems, amplifying both regional competitiveness and national export performance.

3. Urban Infrastructure Catalyst

Airports often act as powerful anchors for large-scale transport and urban infrastructure development, generating multiplier effects that extend far beyond the terminal perimeter. The imperative to ensure seamless connectivity for passengers, cargo, and business travellers drives governments and urban planners to prioritise high-capacity transit links, road upgrades, and utility network expansions. These improvements not only facilitate airport access but also catalyse broader urban transformation by opening up previously underdeveloped areas for commercial, residential, and industrial investment.

A prime example is the Delhi Metro Airport Express Line, which reduced travel time between Indira Gandhi International Airport and the city centre to under 20 minutes, strengthening connectivity between business districts such as Connaught Place and Aerocity. Since its launch, Grade-A office absorption and hotel developments in Aerocity have surged, supported by higher land valuations. In Bengaluru, the ongoing extension of the Namma Metro's Blue Line to Kempegowda International Airport, coupled with suburban rail integration, is expected to reduce travel times from over 90 minutes to under 45 minutes, unlocking real estate potential in North Bengaluru and boosting demand for industrial land in Devanahalli and Doddaballapur.

In Mumbai, the under-construction Mumbai Trans Harbour Link (MTHL) will connect the upcoming Navi Mumbai International Airport to the mainland, cutting commute times to South Mumbai from over two hours to around 20 minutes. This is already spurring township projects, logistics hubs, and IT parks along the MTHL corridor. Hyderabad's Outer Ring Road and the planned metro extension to Rajiv Gandhi International Airport have boosted accessibility for Aerocity, Shamshabad, and surrounding logistics parks, driving sharp land value appreciation and accelerated commercial leasing.

Other Indian examples include Lucknow, where the Purvanchal Expressway has enhanced connectivity to Chaudhary Charan Singh International Airport, making it more attractive for manufacturing and agro-processing industries. Chennai's airport expansion has been paired with the Chennai Metro Phase II project, set to connect the airport directly to key business districts.

Airports' role as engines of regional growth extends beyond the movement of passengers and cargo—they are increasingly being reimagined as multi-functional urban hubs that generate substantial non-aeronautical revenue streams while integrating seamlessly into the city's economic and social fabric. By leveraging their strategic location, high footfall, and connectivity, modern airports are developing retail precincts, hospitality clusters, convention centres, business parks, and entertainment zones that serve both travellers and local communities.

Real Estate Value Analysis

The commissioning of large-scale greenfield airports in India has repeatedly triggered transformative shifts in surrounding land and property markets, elevating previously peripheral or underutilised zones into high-demand investment corridors. Airports act as powerful economic anchors, generating both direct and indirect demand for residential, commercial, industrial, and hospitality developments. By providing immediate logistical advantages, they attract sectors such as aerospace manufacturing, logistics and warehousing, IT-enabled services, and tourism-linked businesses. In parallel, they anchor high-value employment hubs, which in turn stimulate housing demand across multiple price points, from worker accommodation to premium gated communities.

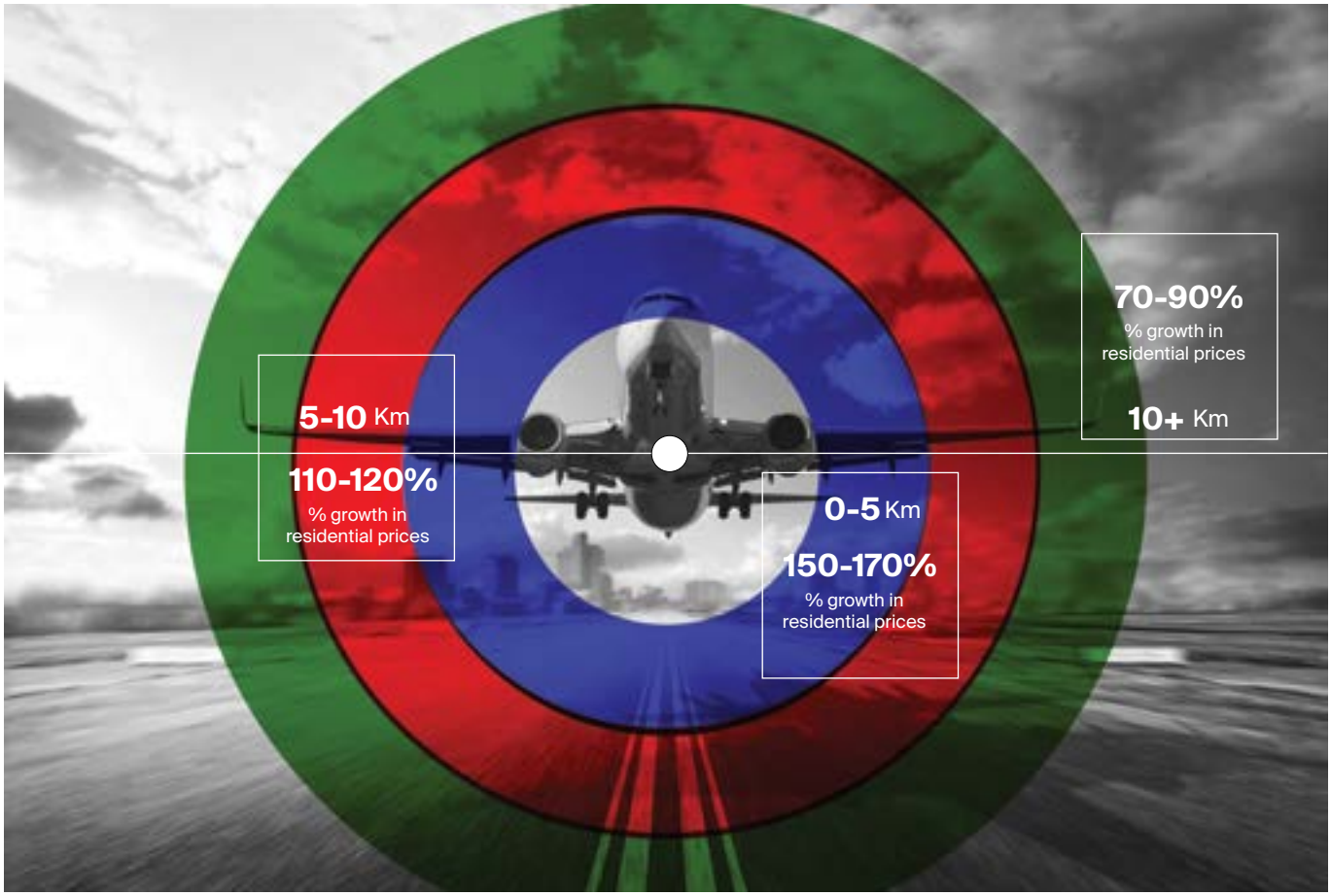
A key multiplier effect comes from large-scale infrastructure upgrades that typically accompany airport development. High-capacity expressways, metro and suburban rail extensions, flyovers, and arterial road widening are prioritised to connect airports seamlessly to the city core. These projects not only improve accessibility but also redefine spatial growth patterns, pushing the urban frontier outward and making previously remote micro-markets viable for large-scale investment.

As a result, real estate prices within the primary airport influence zone—typically a 5–15 km radius—tend to appreciate at 1.5× to 2.5× the citywide average once project execution milestones are reached. This premium is driven by a two-phase demand cycle:

1) *Pre-operational speculative phase, where investors and early movers acquire land banking positions in anticipation of future connectivity and employment generation.*

2) *Post-operational consolidation phase, where sustained end-user demand from businesses, employees, and service industries drives stable, organic price growth.*

Empirical analysis of Indian airport-linked corridors shows that these price gains are not short-lived spikes but structural market re-ratings. Once operational, airports act as enduring demand nodes—continuously attracting cargo-linked industries, global corporate offices, high-end retail, and tourism infrastructure. This sustained influx of economic activity ensures that airport-adjacent markets rarely regress to pre-project valuations, making them long-term outperformers in the urban real estate hierarchy.

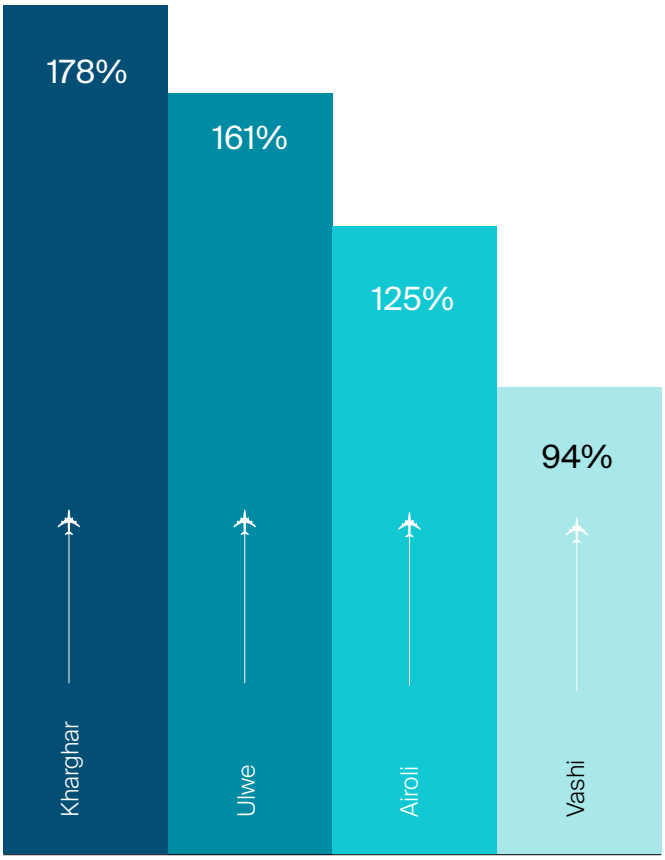


An analysis of ongoing Navi Mumbai International Airport (NMIA) illustrates the scale of this effect

image source https://www.nmiairport.co.in/

The upcoming Navi Mumbai International Airport (NMIA) has already exerted a transformative impact on the real estate landscape of Navi Mumbai, with clear evidence of price appreciation across key nodes. Residential hubs such as Ulwe, Dronagiri, Panvel, and Kharghar have seen significant gains, with Ulwe in particular recording more than a two-fold increase in property values over the past decade—from about INR 4,500–5,200 per sq. ft in 2015 to around INR 9,500–14,000 per sq. ft in H1 2025, translating into a 150%-160% growth. Kharghar has climbed to ~INR 22,500 per sq. ft, supported by better social infrastructure and connectivity. Dronagiri, which started from a lower base, has seen more gradual momentum but offers catch-up potential as airport-linked demand strengthens. The Mumbai Trans Harbour Link (Atal Setu) has reinforced this uplift by cutting travel times to South Mumbai, further amplifying investor and end-user interest. Looking ahead, the proposed Aerocity development is expected to catalyse a second wave of growth through commercial, hospitality, and retail projects, driving rentals and land values upward. With NMIA operations slated for late 2025, rental tightening and incremental price gains of 10–15% in nearby micro-markets are likely in the short term. Overall, NMIA has positioned Navi Mumbai as one of the most dynamic real estate corridors in the MMR, with price trajectories closely aligned to airport milestones and complementary infrastructure rollouts.

Residential price growth across key influence zones near NMIA (2015- 2025)



Source: Knight Frank Research ; Note: 2025 data is till June

AEROCITIES: OPPORTUNITIES FOR THE UNDERSERVED MARKET

The expansion of India's airport network presents substantial real estate and economic growth potential, particularly in under-served regional markets. Greenfield and upgraded regional airports—such as those in Dibrugarh, Jharsuguda, Belagavi, and upcoming hubs like Bhogapuram—are opening new corridors for industrial clusters, tourism infrastructure, and logistics hubs. With air passenger traffic in India projected to surpass 600 mn annually by 2030, Tier-II and Tier-III cities stand to benefit from early-stage land appreciation and first-mover investment advantages. Airport-adjacent real estate can attract multi-use developments including business parks, convention centres, e-commerce fulfilment facilities, tourism zones, and hospitality complexes, often at land acquisition costs far below metro benchmarks. Moreover, the UDAN regional connectivity scheme enhances viability by ensuring minimum passenger loads, thereby supporting long-term infrastructure utilisation.

Airport-adjacent real estate in emerging markets offers early-stage land acquisition at prices 40–60% lower than metro benchmarks, yet with the potential for premium positioning once supporting road, rail, and metro links are in place. This opens multiple asset classes for investors and developers:

- Business and IT Parks catering to regional service industries and back-office operations.
- Convention and Exhibition Centres designed for domestic trade fairs, regional conferences, and MICE tourism.
- E-commerce Fulfilment Facilities for next-day or same-day delivery in fast-growing consumption hubs.
- Tourism-Oriented Developments including mid-tier hotels, resorts, wellness retreats, and cultural marketplaces.
- Specialised Industrial Parks for sectors like agro-processing, light engineering, and pharmaceuticals, aligned with local production strengths.
- Education and Healthcare Hubs, leveraging improved accessibility to attract institutions serving regional populations.

The UDAN regional connectivity scheme further de-risks investments ensuring consistent utilisation of airport infrastructure and creating a steady flow of people and goods. For cities with a strong tourism base—such as Varanasi, Ayodhya, and Udaipur—airports can act as high-volume cultural gateways, attracting both domestic and international tourists and spurring growth in hospitality, experiential retail, and heritage-linked real estate.

Below are some of the key opportunities:

1. Strategic positioning of mixed-use development:

The planning of each aerocity must be tailored to its economic profile to capture maximum value. A metro international gateway like Delhi Aerocity thrives on Grade-A offices, premium hotels, high-street retail, and MICE infrastructure—serving business travellers and global corporates. A tourism-oriented hub like Varanasi benefits more from mid-tier hospitality, cultural centres, and handicraft markets that resonate with its pilgrimage traffic. In contrast, a manufacturing and logistics hub like Nagpur MIHAN focuses on bonded warehouses, industrial plots, and freight corridors to serve export-driven industries.
Additional opportunities are emerging from public-private partnerships (PPP) in airport-linked infrastructure, where private developers can co-invest in transit stations, retail concourses, and integrated township projects. Airport-centric SEZs offer tax incentives for export-oriented industries, while smart city integration opens the door to mixed-use developments with residential, commercial, and institutional components—designed around sustainable transport and green building principles.
Airports that apply differentiated, demand-driven planning—supported by robust connectivity and complementary zoning—will not only maximise aeronautical and non-aeronautical revenue streams but also act as powerful catalysts for balanced urban growth, bridging the economic gap between metros and emerging cities.

Comparative Framework: Aerocity Planning by Economic Profile

Category	Metro International Gateway (e.g., Delhi Aerocity)	Tourism & Cultural Gateway (e.g., Varanasi Aerocity)	Manufacturing & Logistics Hub (e.g., Nagpur MIHAN)
Primary Passenger Profile	High volumes of business, transit, and premium international travellers	Religious, heritage, and domestic leisure tourists	Business travellers tied to industrial activity; cargo handlers
Core Economic Drivers	Corporate HQs, MICE industry, premium retail, international airlines	Pilgrimage tourism, heritage trade, local crafts, budget/ mid-scale hospitality	Manufacturing clusters, SEZ exports, multimodal logistics
Real Estate Priorities	Grade-A office towers, luxury hotels, convention centres, F&B & lifestyle retail	Mid-tier hotels, cultural centres, handicraft markets, travel service hubs	Warehousing, cargo terminals, industrial parks, budget business hotels
Anchor Facilities	Convention & exhibition halls, high-street retail, global hotel chains	Cultural museums, artisanal markets, regional cuisine zones	Logistics parks, bonded warehouses, manufacturing incubation zones
Key Non-Aero Revenue Sources	Premium retail leasing, MICE event rentals, high-end hospitality	Tourist accommodation, experiential retail, local handicraft sales	Industrial land leasing, long-term warehouse rentals, logistics services
Infrastructure Priorities	Metro/expressway integration, valet parking, airport lounges	Tourist bus terminals, cultural shuttles, local guides & tour operators	Dedicated freight corridors, truck terminals, 24x7 cargo clearance facilities
Risks if Misaligned	Oversupply of premium space; vacancy in downturns	Underutilisation outside peak seasons; lack of corporate tenant base	Overdependence on a few large industrial tenants; cyclical demand

Source: Knight Frank Research

2. Integration with National Industrial Policy

The success of many planned aerocities in India is closely tied to their strategic alignment with national and state-level industrial development programmes. By situating airport-linked developments within the framework of initiatives like the National Industrial Corridor Development Programme, Special Economic Zone (SEZ) policies, and targeted state industrial promotion schemes, airport authorities can leverage a suite of fiscal and regulatory incentives that dramatically improve project viability.

These incentives typically include:

- Tax holidays and duty exemptions for export-oriented units under SEZ norms, reducing operational costs and attracting manufacturing, IT, and logistics companies.
- Priority infrastructure allocation—ensuring early access to power, water supply, and high-capacity road networks, which are critical for industrial tenants with tight operational timelines.
- Streamlined environmental and building approvals, enabling faster construction cycles and lowering pre-operational risk for investors and developers.

Developed alongside Nagpur Airport, MIHAN leverages both SEZ tax incentives and its central geographic location. It has attracted aerospace manufacturing units—including the Boeing-Tata Advanced Systems joint venture—and IT majors like TCS and Infosys. The synergy between cargo capacity and SEZ policy has made MIHAN a preferred hub for time-sensitive, high-value exports.

Similarly, Hollongi Airport in Arunachal Pradesh is positioned as a gateway for the Northeast. Hollongi's aerocity masterplan includes agro-processing zones and handicraft export clusters. Here, integration with regional industrial policy is designed to uplift local micro, small, and medium enterprises (MSMEs) by giving them direct access to air freight corridors.

Jharsuguda Airport, Odisha: Part of the "power and metal hub" of eastern India, the airport has improved competitiveness for metal and mineral processing plants in the vicinity by enabling fast shipments to both domestic and international markets—particularly for aluminium and steel products that are time-sensitive in certain export contracts.

By aligning with industrial policy, especially in smaller cities and regional hubs, aerocities can attract anchor tenants—large, stable companies whose long-term leases and employment generation create an enduring economic base. This approach not only secures predictable revenue streams for the airport operator but also stimulates ancillary industries such as housing, retail, and hospitality, thereby embedding the airport as a core growth engine in the region's economic fabric.

3. E-Commerce and Just-in-Time Logistics

India's rapidly expanding e-commerce sector—projected to surpass USD 200 billion in market size by 2030—is fundamentally reshaping the way airport-adjacent real estate is developed and utilised. As consumer expectations shift towards same-day and next-day delivery, proximity to high-capacity air cargo terminals has become a critical competitive advantage for both e-commerce platforms and manufacturing supply chains.

Aerocities provide an optimal environment for such logistics operations due to a unique convergence of three key enablers:

1. Direct access to air cargo infrastructure, allowing high-value, time-sensitive shipments to move swiftly from aircraft to fulfilment centres.
2. Seamless integration with national expressways and rail freight corridors, ensuring rapid last-mile distribution to urban and regional markets.

3. Availability of large-format warehousing space with built-to-suit facilities that can accommodate advanced automation, cold storage, and cross-docking operations.

This integration of e-commerce fulfilment within airport-linked zones not only supports rapid order delivery but also enables lean inventory models for manufacturing clusters. By aligning production schedules with cargo flight timings, companies can reduce storage costs, improve working capital cycles, and enhance overall supply chain responsiveness. Over time, such synergies position aerocities as critical nodes in India's future logistics backbone, simultaneously driving real estate demand for warehouses, cross-docking terminals, and value-added processing units.

4. Tourism & Cultural Economy Development

Airports serve as the primary gateway for both domestic and international tourism, making them pivotal in shaping a region's cultural economy. Aerocity developments, strategically positioned near airport terminals, can be designed to capture and maximise visitor spending by integrating tourism-centric infrastructure directly into the travel experience. By clustering hospitality, retail, entertainment, and cultural facilities within the airport influence zone, regions can:

1. Increase per-visitor spending through premium retail outlets, artisanal markets, themed dining districts, and event venues that encourage travellers to spend both pre- and post-flight.
2. Extend average length of stay by offering on-site attractions such as cultural centres, interactive museums, and destination resorts, thereby converting transit passengers into overnight guests.
3. Promote and preserve regional identity via dedicated spaces for local artisans, handicraft exhibitions, food festivals, and live performance arenas that act as both tourist draws and cultural showcases.

Several Indian airports are already evolving into tourism-anchored economic hubs such as:

- Kushinagar Airport, Uttar Pradesh – Developed as an international gateway for the Buddhist tourism circuit, the airport has spurred interest from hospitality groups for hotels, wellness retreats, and Buddhist heritage interpretation centres.
- Varanasi Airport, Uttar Pradesh – Positioned to tap into year-round religious tourism, it has potential for aerocity-style developments with ghats-inspired architecture, craft markets, and conference facilities for spiritual tourism summits.
- Udaipur Airport, Rajasthan – With proximity to heritage palaces and luxury lake resorts, the airport is well-placed for integrated aerocity developments featuring wedding venues, luxury retail, cultural performance spaces, and high-end hospitality chains.
- Goa Mopa International Airport – Designed with an adjacent commercial and entertainment district, blending beach tourism with casino resorts, convention centres, and nightlife precincts.

Tourism-driven aerocities hold promise for states with highly seasonal visitor patterns, such as Himachal Pradesh, Rajasthan, and the Northeast. In these contexts, diversified aerocity functions—including MICE tourism, cultural events, e-sports arenas, and year-round retail—help to smooth cash flows during the off-season. Moreover, airports as cultural gateways also create opportunities for destination branding, where architectural design, landscaping, and tenant curation all reflect the region's heritage and natural assets.

If strategically planned, tourism-oriented aerocities can elevate the airport from a mere transit node into an experiential economic anchor, drawing sustained visitor traffic, enhancing regional visibility, and delivering lasting real estate value appreciation in their vicinity.

POLICY & PLANNING RECOMMENDATIONS

Integrated Airport–City Master Planning

Integrated master planning ensures that airports function not as isolated transport hubs but as multi-modal economic gateways. This requires a unified spatial and investment framework that synchronises land use, mobility, utilities, and industrial development, governed by a dedicated special purpose vehicle (SPV) or development authority with single-window clearances. Land use should follow a graded influence zone—terminal-proximate hospitality, retail, and office clusters in the core (0–3 km), logistics and business parks in the mid-belt (3–8 km), and mixed-use or residential areas in the outer zone (8–15 km). Connectivity must be hard-wired into metro, suburban rail, and expressways, with multimodal interchanges and dedicated cargo links. Utility planning should prioritise redundancy, flood resilience, and district-level solutions for utilities such as power, water, and cooling, while phasing strategies and value capture mechanisms such as FAR premiums and development charges can help finance infrastructure.

Flexible Non-Aeronautical Business Models

The second pillar—flexible, investor-friendly non-aero models—is essential for stabilising airport economics and maximising returns. Diverse monetisation mechanisms, including long-term leaseholds, joint ventures with revenue-sharing arrangements, hybrid ground leases, and REIT/InvIT pathways, should be used to attract a range of real estate asset classes.

For instance, Delhi International Airport Ltd. (DIAL) has leased parcels within the IGI Aerocity to hotel operators like JW Marriott and Pullman under long-term lease agreements. Kempegowda International Airport in Bengaluru has implemented revenue-sharing models for its F&B and retail concessions in Terminal 2, while Hyderabad's GMR Aerospace & Industrial Park offers hybrid ground leases to aerospace tenants such as Safran and Pratt & Whitney. Additionally, private equity-backed platforms like Brookfield India REIT have airport-adjacent commercial assets in its portfolio, recognising their potential for high rental yields and long-term occupancy stability.

Zoning should allow mixed-use flexibility, adaptive reuse, and fast-track approvals within 30–60 days for compliant projects. Tenanting strategies must be tailored to the economic profile of the region: metro hubs may focus on premium retail and MICE facilities, while tourism gateways require mid-scale hotels and cultural venues, and industrial centres benefit from warehousing, cold chain, and supplier parks. Risk mitigation can be achieved by phasing supply, requiring pre-leasing thresholds, and diversifying the tenant base.

ESG and Sustainability Imperatives

ESG and sustainability imperatives must be hard-wired into aerocity planning to secure investor confidence, community licence, and long-term resilience. Climate strategies should include onsite and offsite renewable energy procurement, district cooling systems, full electrification of ground fleets, and SAF storage facilities where feasible. Water management should target dual plumbing, rainwater harvesting designed for extreme storm events, and zero-waste-to-landfill operations through materials recovery and composting. Design standards should favour low-carbon materials, heat-island mitigation, and biodiversity corridors, while zoning should account for noise contour restrictions and bird-strike prevention. Social dimensions are equally important procurement should favour MSMEs and local artisans, skills academies should train workers in aviation, hospitality, and logistics, and the built environment should ensure accessibility and gender safety. Resilience planning, ESG disclosure, and real-time monitoring via a digital twin should be institutionalised from the outset.

Phased Implementation Roadmap

If implemented in a phased manner—beginning with governance set-up, master planning, and key infrastructure links in the first two years; activating anchor assets in years two to five; scaling and diversifying from years five to ten; and densifying and retrofitting for net-zero operations beyond a decade—these recommendations can transform aerocities into resilient, multi-use urban districts. This approach mitigates demand, acquisition, financing, and regulatory risks, while unlocking the economic, social, and environmental potential of India's expanding airport ecosystem.

CONCLUSION

India's airport development trajectory is entering a transformative phase, where infrastructure expansion is no longer confined to runways and terminals but extends to building vibrant, multi-use urban ecosystems. The convergence of rising passenger volumes, supportive policy frameworks, and growing investor interest is creating fertile ground for airports to emerge as both mobility hubs and economic anchors. Non-aeronautical revenue models—ranging from terminal retail to large-scale land-side developments—are proving critical to financial sustainability, reducing dependence on volatile passenger traffic while unlocking long-term annuity income. The evolution into aerocities and aerotropolis reflects a strategic shift: airports are being planned as integrated growth engines, seamlessly linking industrial clusters, logistics corridors, hospitality zones, residential districts, and cultural assets. This integrated approach not only maximises asset utilisation but also catalyses regional economic transformation, enhances global connectivity, and strengthens India's competitiveness in trade, tourism, and investment. As the sector matures, the challenge will lie in ensuring that this growth is inclusive, sustainable, and tailored to the unique economic profiles of each region—transforming airports from gateways to the world into enduring pillars of urban and national development.

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Knight Frank India, with its headquarters located in Mumbai, the company boasts of a team of over 1,900 experts strategically placed across key cities, including Bengaluru, Delhi – NCR, Pune, Hyderabad, Chennai, Kolkata, and Ahmedabad. Leveraging robust research and analytics, our experts provide an extensive array of real estate services encompassing advisory, valuation, consulting, and transactions (covering commercial, industrial & logistics, capital markets, land, residential, and retail). Additionally, we excel in project management as well as facilities and asset management.

Renowned for our profound expertise, Knight Frank India has established a formidable presence in the real estate sector. Our services span property transactions, including buying, selling, leasing, and management. With a commitment to providing valuable market research and insights, we empower clients to make well-informed decisions.

Operating in major cities throughout the country, Knight Frank India caters to the diverse needs of individuals, businesses, and investors. The firm is distinguished for its unwavering dedication to professionalism, in-depth market knowledge, and a client-centric approach within the dynamic and multifaceted Indian real estate landscape.

NAREDCO

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The National Real Estate Development Council (NAREDCO) was founded in 1998 as a national body under the patronage of the Ministry of Housing and Urban Affairs, Government of India. Shri Ram Jethmalani, who was then the Hon'ble Union Minister of Urban Affairs and Employment, played a key role in its establishment. Since its inception, the Hon'ble Union Minister for Housing and Urban Affairs, Government of India, is the ex-officio Chief Patron of NAREDCO. Various Ministries of Union Govt. and Central PSUs have nominated their officers in the Governing Council of NAREDCO.

Led by Shri Hari Babu as President, Shri Parveen Jain as Chairman Emeritus, Dr. Niranjan Hiranandani as Chairman and Shri Rajan Bandelkar as Vice Chairman, NAREDCO strives to elevate and streamline the Indian real estate sector. It provides a credible platform for the government, real estate industry, and the public to address issues and find effective solutions. NAREDCO is dedicated to raising operational standards in building, construction, and real estate marketing while actively participating in shaping national policies for fiscal reforms. By doing so, it plays a catalytic role in fostering economic growth within India's real estate industry.

Housing and Urban Development Corporation (HUDCO), National Housing Bank (NHB), National Building Construction Corporation (NBCC), BMTPC, DDA, MP Housing, IRCON International, Tamil Nadu Housing Board, LIC HFL, HDFC, State Bank of India, Shriram HFL, Indiabulls HFL, Cement Manufacturers Association besides leading developers like DLF, K Raheja Corp, Mahindra Lifespace, Max Estates, Hiranandani Group, Prestige Estate Project Ltd., K Raheja Construction, Tata Housing, Adani, Godrej, Hotcrete Infrastructure, Tulip Infratech, Omaxe, Raheja Developers, Hinduja Realty, etc are the members of NAREDCO.

NAREDCO's structure includes National, State, and City Councils, ensuring its policy recommendations genuinely reflect on-the-ground realities across India's diverse regions. Currently, NAREDCO has over 15,000 members nationwide, with active chapters in various states. NAREDCO has played a pivotal role in advancing India's real estate sector by organizing events that promote excellence and uphold high standards. Its efforts have greatly contributed to the industry's overall growth. Aligned with government initiatives and policies, NAREDCO is dedicated to supporting India' vision of becoming a "Viksit Bharat" by 2047.

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