PRESS RELEASE
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Office leasing in India hits record highs in FY2025; momentum expected to sustain in FY2026: ICRA

- Vacancy levels for top six office markets reached all-time low levels at 13.9% as of March 2025

Rating agency ICRA expects the net absorption of commercial office leasing in FY2026 across the top six cities (Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai Metropolitan Region (MMR) and Pune) in India to sustain at all-time high levels seen in FY2025, supported by robust demand from Global Capability Centres (GCCs), Banking, Financial Services and Insurance (BFSI) institutions, flex-space operators, and domestic Information Technology-Business Process Outsourcing (IT-BPM) firms.

Giving more insights, **Abhishek Lahoti, Assistant Vice President and Sector Head, Corporate Ratings, ICRA,** said: *"The net absorption stood at record-high levels of 65 million square feet (msf) in FY2025 (14% YoY growth) across India's top six cities surpassing the 58 msf supply. The momentum has carried into Q1 FY2026, with 17 msf of net absorption, nearly matching the supply of 17.7 msf. ICRA expects this trend to continue in FY2026, with net absorption levels remaining strong and vacancy levels projected to decline further to 13.0–13.5% by March 2026 from all-time low levels of 13.9% as of March 2025 and 15.5% as of March 2024, reflecting strong fundamentals. The slowdown in leasing from global IT firms has been compensated handsomely by the GCCs and the BFSI segments, which ICRA expects will continue to dominate leasing activity, accounting for the majority of the space uptake in FY2026."*

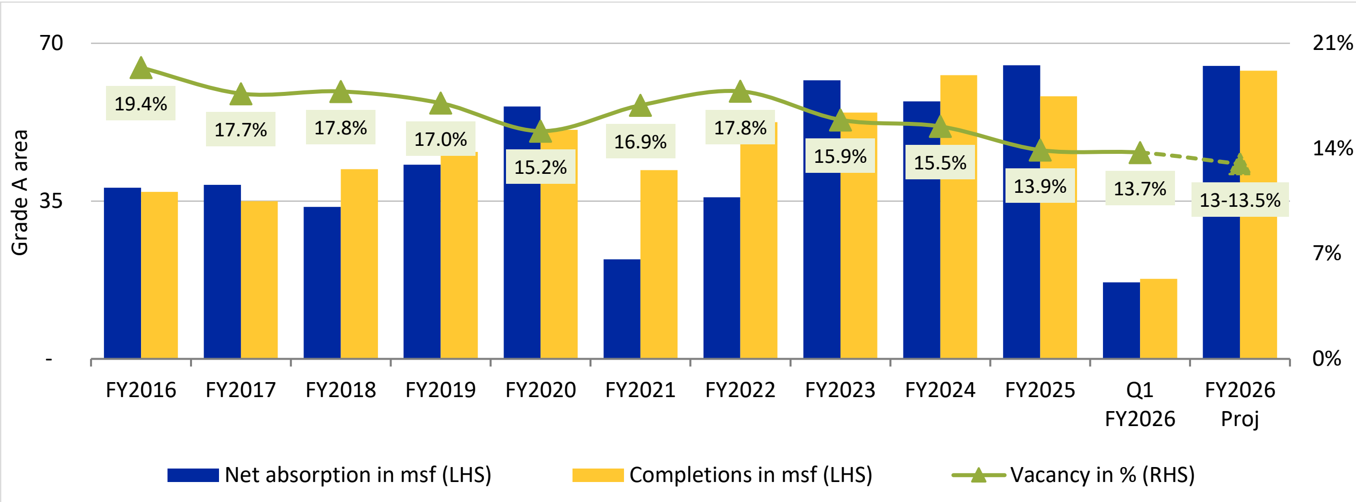
As on June 30, 2025, the total grade A office stock in the top six markets stood at around 1,030 msf, with Bengaluru having the highest supply of 26% followed by Delhi NCR and the Mumbai Metropolitan Region. The supply is estimated at around 63-64 msf in FY2026.

The city-wise vacancy trends show healthy outlook for FY2026. Bengaluru is expected to see vacancy decline from 9.8% to 9.0–9.5% with 16.5 msf of the new supply. Chennai will likely maintain stable vacancy at 9.0–9.5% despite 5 msf of additions. Delhi-NCR is projected to ease slightly from 22.4% to 21.5–22.0% with 12 msf of supply. Hyderabad is expected to remain steady at around 17.5–18.0% vacancy with 15.5 msf of new space. MMR and Pune are also anticipated to see vacancy decline, reflecting strong net absorption trends and sustained demand across key markets.

"The credit profile of ICRA's sample[1] set of office players is expected to remain stable, driven by healthy growth in net operating income (NOI) backed by higher rentals and consequently, the leverage metrics of the players as measured by debt/NOI is expected to improve to 5.0x-5.5x as of March 2026, from 6.0x in FY2025. With reduction in interest rates and increase in the NOI, the coverage metric as measured by the debt service coverage ratio (DSCR) is expected to improve and remain healthy at 1.35x-1.40x in FY2026, compared to 1.3 times in FY2025," **Lahoti** reiterated.

[1] *ICRA's sample includes 18 commercial office operators totalling ~85 million square feet (excludes existing REITs and REIT-ready portfolio)*

EXHIBIT 1: ANNUAL TREND IN NET ABSORPTION, SUPPLY AND VACANCY FOR TOP SIX INDIAN OFFICE MARKETS



Source: Propequity, ICRA Research

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