

PRESS RELEASE

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Office vacancy levels heading for historic lows by FY2027: ICRA

- Net absorption for top six office markets to reach all-time highs of 69-70 msf in FY2026
- Net absorption to outpace incremental supply for third consecutive year in FY2027

Rating agency ICRA expects the net absorption¹ of **commercial office leasing** across the top six cities (Bengaluru, Chennai, Delhi National Capital Region [NCR], Hyderabad, Mumbai Metropolitan Region [MMR] and Pune) in India to reach all-time highs of 69-70 million square feet (msf) in FY2026. Given the robust fundamentals of the sector, the leasing momentum is expected to sustain in FY2027 as well with expectations of over 65 msf absorption in the next fiscal. With net absorption expected to outpace incremental supply for the third consecutive year, vacancy rates are forecast to fall to 12.5–13.0% by March 2026 and further to 12.0–12.5% by March 2027—levels not seen in the sector’s recent history.

Net absorption stood at 66 million square feet (msf) in FY2025, marking a 15% year-on-year growth surpassing the new supply of 58 msf. This momentum has carried into the first half of FY2026, with 36 msf of net absorption already recorded, outpacing the 30.6 msf of new supply. Vacancy rates have correspondingly declined, dropping to 14% as of March 2025 from 15.6% a year earlier, and further to 13% by September 2025.

Giving more insight, **Anupama Reddy, Vice President and Co-Group Head, Corporate Ratings, ICRA**, said: *“The surge in demand for office space is being driven by expanding global capability centres (GCCs), flex-space operators, and the Banking, Financial Services, and Insurance (BFSI) sector. Despite global headwinds, including policy tightening and trade restrictions in the US, office leasing activities by the GCCs in India have remained buoyant. ICRA expects the GCCs to lease 50–55 msf during Apr-2025 to Mar-2027 period, accounting for around 40% of incremental office demand over the said duration. The sustained demand from the GCCs and BFSI, coupled with India’s cost and talent advantages, is setting the stage for a new era of growth and stability in the sector.”*

The rapid expansion of the GCCs has emerged as one of the key growth drivers for India’s commercial office real estate sector in recent years. GCCs have accounted for around 35-37% of the total net absorption during FY2024-FY2025. Their incremental demand for leased space signals a strong long-term commitment and strategic growth by global enterprises in India. Several states are also introducing targeted subsidies, training incentives and infrastructure support to further accelerate GCC investments.

City-wise office leasing trends, Bengaluru continues to lead in net absorption and is projected to see vacancy rates decline from 9.2% in September 2025 to 7.5–8% by March 2027. ICRA anticipates Chennai to see a dip in vacancy to 5.5–6.0% due to limited new supply, while Delhi NCR, despite having the highest vacancy among the top six cities, is forecast to see an improvement, with vacancy easing

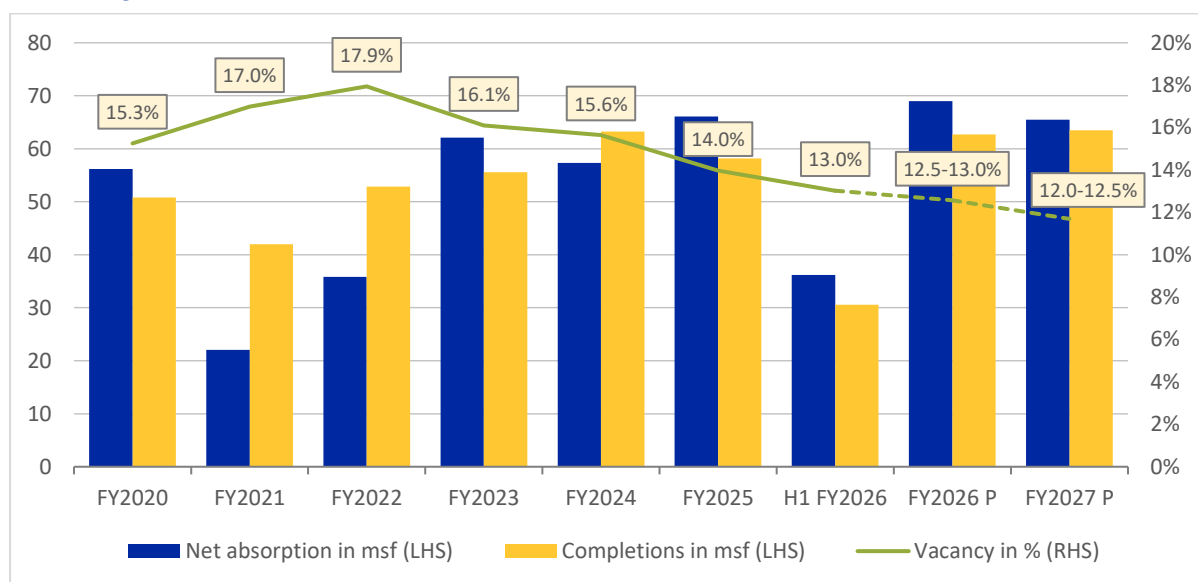
¹ Net absorption is defined as the sum of square feet that became physically occupied, minus the sum of square feet that became physically vacant during a specific period

from 21% to 19.5–20%. Hyderabad and Pune are expected to maintain steady vacancy rates, and the MMR is likely to see further declines, reflecting strong net absorption and sustained demand.

“With vacancy rates projected to reach historic lows and debt protection metrics improving across the board, ICRA expects the sector to remain an attractive destination for both domestic and international investors. The ongoing policy support, resilient and scalable technology infrastructure further reinforce India’s position as a global office hub,” **Reddy** added.

As India continues to strengthen its value proposition on talent, costs, and growth, the commercial office real estate segment is well-positioned to capitalise on emerging opportunities. ICRA will continue to monitor macroeconomic and geopolitical developments, but net absorption is expected to remain strong for commercial office leasing in FY2026 and FY2027.

EXHIBIT 1: TRENDS IN NET ABSORPTION, SUPPLY AND VACANCY TOP SIX INDIAN OFFICE MARKETS



Source: Propequity, ICRA Research; P – Projected

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