PRESS RELEASE

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India's office occupancy to touch ~90% by March 2028; GCCs to power nearly half of net office absorption in 2027-28: ICRA

- Net office absorption to remain strong at 62-64 msf in 2027-28
- Bank lending creates ~Rs. 260-billion REIT refinancing opportunity

ICRA expects India's commercial office market to sustain its healthy momentum, with occupier demand broadly keeping pace with the sizeable supply pipeline and supporting a gradual improvement in occupancy levels over the next two years. ICRA estimates net office absorption across the top six office markets (Bengaluru, Chennai, Delhi National Capital Region [NCR], Hyderabad, Mumbai Metropolitan Region [MMR] and Pune) at 62-64 million square feet (msf) in 2027-28, broadly matching incremental supply. Consequently, occupancy is projected to improve to 89-89.5% by March 2028, from around 88% as of September 2026, reflecting the underlying resilience of India's office leasing market amidst global headwinds.

A key structural driver of this demand is the continued expansion of global capability centres (GCCs). India's GCC base has expanded from around 1,600 in 2020-21 to 2,117 in 2025-26 and is expected to cross 2,500 by 2030. GCCs are projected to account for 45-50% of office absorption in 2027-28, making them a significant anchor for office demand.

Giving further insights, **Anupama Reddy, Vice President and Group Head, Corporate Ratings, ICRA Limited**, said, *"The GCC story in India is increasingly moving beyond cost arbitrage, with global enterprises expanding their India operations into higher-value functions across technology, engineering, analytics, R&D and digital capabilities. With the number of GCCs likely to cross 2,500 by 2030, ICRA expects them to account for 45-50% of net office absorption in 2027-28. This should remain a key structural support for office occupancy, even amid sizeable new supply."*

Vacancy is expected to decline across five of the top six office markets by March 2028. Bengaluru is projected to remain among the best performing markets with vacancy at 7.5-8.0%, while Hyderabad is expected at 12.5-13.0% and Delhi NCR at 18.0-18.5%. Chennai and MMR are also likely to witness a decline in vacancy, while Pune is expected to remain broadly stable.

Besides healthy office fundamentals, the expanding real estate investment trust (REIT) ecosystem is further accelerating the institutionalisation of Indian commercial real estate. REIT assets under management (AUM) are projected to more than double to around Rs. 6.5 trillion by 2030-31 from around Rs. 3.1 trillion in 2025-26, supported by the availability of institutional-quality assets for listed platforms. Office REITs account for around 15% of India's Grade-A office stock as of September 2026, a fivefold increase from just 3% in March 2020.

The availability of bank lending to REITs from October 1, 2026, adds another funding avenue for the sector. Based on upcoming non-convertible debenture (NCD) maturities of office REITs, ICRA estimates a potential refinancing opportunity of around Rs. 260 billion, supplementing capital-market borrowings and enhancing funding flexibility.

"The widening of funding avenues comes at an opportune time as REIT portfolios enter their next phase of growth. The five listed office REITs had consolidated gross loan-to-value (LTV) of around 24% as of

March 2026. At an assumed 40% LTV, ICRA estimates potential incremental debt capacity of Rs. 850-900 billion, assuming debt-funded portfolio expansion. This, coupled with refinancing opportunities of around Rs. 260 billion, could significantly broaden financing options and support the continued institutionalisation of India's commercial real estate market," **Reddy** added.

Looking ahead, India's commercial office market is expected to benefit from the convergence of healthy structural demand, improving asset utilisation and expanding institutional capital participation. While global economic uncertainties, substantial supply additions in select markets and potential artificial intelligence (AI)-led changes in workforce requirements remain key monitorables, sustained leasing momentum and greater funding flexibility are likely to support the sector's medium-term growth prospects.

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For further information, please contact:

Media Contacts:		
Naznin Prodhani Vice President – Head Group Corporate Communications & Media Relations ICRA Ltd. Tel: + (91 124) 4545300, Dir – 4545 860 Email: comcommunications@icraindia.com	**Niharika Saluja** Assistant Vice President - Corporate Communications & Media ICRA Ltd. Mob: +91- 8097341147 Email: communications@icraindia.com	**Saheb Singh Chadda** Manager - Corporate Communications & Media Relations ICRA Ltd. Mob: +91- 9833669052 Email: communications@icraindia.com

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