

Commercial Real Estate – Office – Delhi NCR

Occupancy levels are expected to
improve by ~500 bps by March 2025
over March 2022

MARCH 2024





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The vacancy levels are the highest in Delhi NCR among India's top six cities, largely driven by low occupancy in the peripheral business district (PBD) of Gurugram. However, occupancy levels are expected to improve by ~500 bps by March 2025 over March 2022 backed by healthy net absorptions.

Office supply increased at a CAGR of ~6% during FY2017–FY2025 (projected) for the Delhi NCR market, which is slightly lower than the CAGR of 7% for India's top six cities.



The Delhi NCR office market witnessed healthy improvement in net absorptions in FY2023 and 9M FY2024, backed by good traction from IT-BPM, consulting and BFSI segments and steady rise in the physical occupancy of offices. As a result, vacancy levels improved to 25.7% in 9M FY2024 from 30.0% in FY2022. While the upcoming supply is around ~7-8 msf each in FY2024 and FY2025 (preleasing of ~11%), the vacancy levels are expected to decline to ~25.0% in FY2025, backed by healthy net absorption.



Delhi NCR accounts for 20% (~180 msf) of the Grade A office space among India's top six* cities (as on December 31, 2023). Central Gurugram and Noida account for around 58% of the total Grade A office space of Delhi NCR as of December 2023. Sector 24 (Cyber City), Sector 62 (Noida) and Sector 48 (Gurugram) are the top three micro-markets in Delhi NCR, which account for ~19% of the total Delhi NCR office supply. Vacancy levels are expected to remain low in Sector 24 (Cyber City) due to nil supply and witness marginal improvement in Sector 62 (Noida) and Sector 48 (Gurugram) in FY2025.



The top 10 developers in the Delhi NCR market accounted for 41% of the total Grade A office supply as of December 31, 2023, with only three of the top 10 enjoying occupancy of greater than 80%.



For existing leased spaces, the rentals are expected to increase steadily by 3-5% due to contracted rental escalations. The top segments, which continue to drive demand in Delhi NCR, are IT-BPM and consulting. The rental rates in the major micro-markets like Sector 62 (Noida) and Sector 48 (Gurugram) have risen steadily at a CAGR of 3.0-3.5% during FY2015-FY2023 while the rates in Sector 24 (Cyber City) have increased at a higher CAGR of ~6% during the same period.



ICRA has maintained a Stable outlook on India's commercial office sector. With healthy demand from global capability centres (GCCs), non-IT MNCs and domestic corporates, the net absorption across the top six cities is expected to witness a growth of 4-5% in FY2025, after a decline in net absorption by 19-20% to 47-48 msf in FY2024. With the influx of a huge supply of around 60-62 msf in FY2025, the vacancy levels are expected to remain at around 16.0%-16.2% (largely similar to previous year).

**Top six Indian office markets include Delhi NCR, MMR, Bengaluru, Hyderabad, Chennai and Pune*

1 Outlook on Indian office leasing segment



2 Trend in net absorption, supply and vacancy – Top six markets



3 Trends across Delhi NCR office market



4 Rating actions in commercial real estate





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