



Commercial Real Estate – Office – Mumbai Metropolitan Region (MMR)

Occupancy levels in MMR are
estimated to improve by 650-700
bps by March 2024 over March 2022

DECEMBER 2023



Occupancy is expected to improve to 88.5-89.0% for Grade A office space in MMR by March 2024 from 18.0% as of March 2022 supported by expected healthy net absorptions and limited incremental supply.

Office supply increased at a CAGR of 4.5% during FY2017–FY2024 (proj) for the MMR market, which is lower than the CAGR of 7% for the top six cities.



Mumbai Metropolitan Region (MMR) witnessed healthy net absorption in FY2023 backed by good traction in new leases from the BFSI sector and steady rise in the physical occupancy of offices with back-to-office plans. As a result, vacancy levels improved to 13.3% as of March 2023 from 18.0% as of March 2022. Considering the estimated supply addition of ~6.0 msf and net absorption of ~8.0 msf in FY2024, vacancy levels are expected to improve further to around 11.0-11.5% by March 2024.



MMR has the third highest stock of Grade A office space at 19% (~169 msf) among India's top six cities (as on September 30, 2023), after Bengaluru and Delhi NCR. The Western Suburb, Central Suburb and Navi Mumbai in MMR account for ~78% of its total Grade A office space, as of September 2023. Navi Mumbai, Andheri (E) and Bandra Kurla Complex (BKC) are top three micro-markets in MMR, which account for 40% of MMR's total office supply. Navi Mumbai and BKC are expected to witness decline in vacancy levels due to healthy absorption in H1 FY2024, which is expected to continue in the near term with limited incremental supply in these micro-markets.



The rental rates in the micro-markets such as Lower Parel and Andheri (E) witnessed a modest growth of 1.4-1.6% during FY2015-FY2023, while in micro markets such as BKC, Goregaon [E] and Powai, the rental rates increased at a CAGR of 2.8-3.4% during FY2015-FY2023. These figures are lower than the contracted rental escalations at a CAGR of around 4.0-4.5% during this period. Enforcing contractual escalations has been a challenge due to the high rent rates in the MMR market, when compared to other cities.



MMR, being the financial hub of India, continues to be one of the most preferred destinations for front office operations of major companies as reflected by the lower vacancy levels among the top six cities despite having the highest average rent rates. The top sectors that continue to drive demand in MMR are BFSI, IT-BPM and consultancy.

1 Outlook on Indian office leasing segment



2 Trend in net absorption, supply and vacancy – Top 6 markets



3 Trends across MMR market



4 Rating actions





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