



## Commercial Real Estate – Office – Pune

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**Despite sizeable supply, occupancy is expected to sustain at ~88% for Grade A office space in Pune supported by healthy net absorption**

**January 2024**





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*Office supply increased at a CAGR of ~6% during FY2017 – FY2025 (Proj) for the Pune market, which is slightly lower than the CAGR of 7% for top six cities.*

*Despite sizeable supply, occupancy is expected to sustain at ~88% for Grade A office space in Pune by March 2024 and remain at similar levels in FY2025 compared to 88.4% in FY2023, supported by expected healthy net absorptions.*



Pune office market witnessed healthy net absorptions in FY2022 and FY2023, backed by good traction in new leases from flexible workspace and the IT-BPM sector and steady rise in the physical occupancy in offices. However, the vacancy levels increased to 11.6% in FY2023 from 10.4% in FY2022 on the back of higher supply of ~7.5 msf in FY2023. With sizeable upcoming supply of ~8 msf each in FY2024 and FY2025 (preleasing levels are of ~10%), the vacancy levels are largely expected to remain at ~12% in FY2024 and FY2025, backed by healthy net absorption.



Pune accounts for 11% (~100 msf) Grade A office space among India's top six cities (as on September 30, 2023). The North-West and North-East regions in Pune account for around 79% of the total grade A office space as of September 2023. Hinjewadi, Kharadi and Viman Nagar are the top three micro-markets in Pune, which account for ~40% of the total Pune office supply. Vacancy levels are expected to remain elevated for Hinjewadi due to higher SEZ spaces, remain stable in Kharadi and decline in Viman Nagar due to limited supply and healthy absorption expected in FY2025.



The top 10 developers in the Pune region (out of a total ~200 developers) contributed to 57-58% of the total grade A office supply as of September 2023, with seven of the top 10 having healthy occupancy of greater than 90%. Panchshil Realty (18% of total supply) is the largest developer with the highest supply in Pune followed by the Magarpatta City (8%) and the K Raheja Group (7%).



For the 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 Pune are Flexi-space, IT-BPM and the engineering & manufacturing segment. The rental rates in the major micro-markets like Hinjewadi, Kharadi and Viman Nagar have increased steadily at a CAGR of 3-4% during FY2015-FY2023.

## 1 Outlook on Indian office leasing segment



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



## 3 Trends across Pune market



## 4 Rating actions





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