



Indian Commercial Real Estate Sector

Top six office markets to witness supply of 125-130 msf in FY2025 and FY2026; resilient absorption trends to continue

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The total Grade A office supply for the top six markets stood at ~973 msf as of September 2024. Bengaluru has the highest supply share of 27% followed by Delhi NCR (19%), MMR (19%), Hyderabad (16%), Pune (11%) and Chennai (9%).

Around 53-56% of the upcoming supply in FY2025 and FY2026 is concentrated in the Hyderabad and the Bengaluru markets.



The leasing activity in office space remained firm with net absorption of ~54 million square feet (msf) in FY2024 and ~29 msf in H1 FY2025 for the top six office markets in India, supported by healthy demand from global capability centres (GCCs), domestic corporates and increase in physical occupancy in office spaces. This has resulted in a 50 bps decline in vacancy levels to 14.9% as of September 2024 from March 2024. The net absorption is projected to witness a growth of 5-6% to around 57 msf in FY2025 and further a grow by around 4% in FY2026 on a high base.



Despite an influx of a huge supply of 125-130 msf in FY2025 and FY2026, the vacancy levels are expected to remain range bound at 14.5-15.0% by March 2025 and improve to 14.0-14.5% by March 2026, supported by resilient absorption trends. Favourable demographics, a highly skilled and cost-effective talent pool, availability of high-quality office spaces at competitive rentals, would continue to drive demand for the Indian office portfolio in the medium to long term.



As of September 2024, there are three listed office REITs in India which account for 9% of total Grade A office supply across the top seven cities. ICRA estimates the REIT-ready office supply market has the potential to increase the office REIT market size by 6.0-6.5 times. With a cap rate of 8.0-8.5%, office space of ~500 msf with investment opportunity of Rs. 5.8–6.2 lakh crore across top seven cities is REIT-ready.



The credit profile of ICRA's sample set of office players is expected to remain stable, driven by healthy growth in net operating income (NOI) backed by improvement in occupancy and rental escalations. Consequently, the leverage metrics of the players, as measured by debt/NOI, is expected to improve to 3.9-4x as of March 2026 from 4.3-4.4x estimated as of March 2025. The debt service coverage ratio (DSCR) is expected to improve and remain healthy at 1.45-1.5x in FY2026, compared to 1.35x in FY2025, on the back of an improved NOI.

Sample includes ICRA rated non-REIT commercial office portfolio of around 100 msf

1 Outlook on commercial office developers - Stable



2 Trend in net absorption, supply and vacancy – Office leasing



3 Trends across major markets – Office leasing



4 Key metrics across listed companies – Office segment



5 REIT-ready office spaces



6 SM REIT-ready office spaces



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Trends and outlook of retail mall operators



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Rating actions





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