



Commercial Real Estate – Office – Bengaluru

**Bengaluru to sustain its leadership
position in overall share of Grade A
office space in the medium term**

MARCH 2025





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Of the total expected office supply of ~17 msf in FY2026 for the Bengaluru market, around 12% has been pre-leased.

Investment opportunity of Rs. 1.84 – Rs. 1.96 lakh crore in REIT-ready office spaces for Bengaluru market.

Leasing continues to be led from IT-Business Process Management (BPM) and Engineering & Manufacturing segment for the Bengaluru market.



Bengaluru witnessed Grade A office supply of 14.5 million square feet (msf) and 12.3 msf in FY2024 and 9M FY2025, respectively, compared to healthy net absorption of 14.2 msf and 10.8 msf during a similar period, backed by good leasing traction from IT-Business Process Management (BPM) and engineering & manufacturing sectors. This saw an improvement in occupancy levels to 88.6% as of December 2024 from 88.1% as of March 2023. Considering the estimated supply of ~17 msf and net absorption of ~16.0-16.5 during FY2026, ICRA forecasts the occupancy levels to rise to 89.0-89.5% by March 2026.



Bengaluru has the highest Grade-A office supply contribution of 27% (~263 msf) among India's top six cities* (as on December 31, 2024). It also contributed to 25-30% of yearly net absorption of the top six cities during the last five years and the trend is expected to continue in the medium term. The North-east and South-east regions dominate with 86% of total Grade-A office space in Bengaluru. Outer Ring Road (South-east (SE)), Whitefield and Nagavara are the top three micro-markets in Bengaluru, accounting for ~36% of the total supply. ICRA expects vacancy levels to continue to remain low in Outer Ring Road (SE) and Nagavara, given healthy net absorption and see marginal improvement in Whitefield in FY2026.



The top 10 developers in Bengaluru account for 63% of the total Grade A office supply as of December 31, 2024, reflecting dominance by few top developers/groups in the city. The rental rates in the top micro-markets - Outer Ring Road (SE), Nagavara, Whitefield have been increasing steadily over the last five years at a CAGR of 3-4%. ICRA expects the average rental rate for the Bengaluru market to increase by 3-4% each in FY2025 and FY2026.



ICRA expects investment opportunity of Rs. 1.84 – Rs. 1.96 lakh crore in REIT-ready office spaces for Bengaluru market. To arrive at REIT-ready office spaces, ICRA has included developers with at least 1 million sq ft of Grade-A office space with a minimum occupancy of 75% as on September 30, 2024. To arrive at the investment opportunity for REIT-ready office spaces, ICRA has used cap rate of 8–8.5%.

*Top six Indian office markets include Delhi NCR, Mumbai Metropolitan Region (MMR), Bengaluru, Hyderabad, Chennai and Pune

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



2 Trends across Bengaluru office market



3 Rating actions in commercial real estate





ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Ashish Modani	Senior Vice-President and Group Head	ashish.modani@icraindia.com	022 – 6169 3300
Anupama Reddy	Vice-President and Co-Group Head	anupama.reddy@icraindia.com	040 – 6939 6427
Abhishek Lahoti	Assistant Vice-President and Sector Head	abhishek.lahoti@icraindia.com	040 – 6939 6433
Vishal R	Senior Analyst	vishal.r@icraindia.com	040 – 4596 4300





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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