



Indian Commercial Real Estate

Office occupancy rises; retail malls hold ground

August 2025





[Click to see full report](#)

Net absorption across top six office markets witnessed 14% expansion to reach all-time high absorption of 65 msf in FY2025; expected to sustain similar levels in FY2026.

Rental income for mall operators is anticipated to grow by 9-10% in FY2026, driven by scheduled rental escalations, healthy occupancy, and a recovery in tenant trading performance.



In the office segment, FY2025 saw a record-high net absorption of approximately 65 million square feet (msf) across India's top six cities — MMR, Bengaluru, Hyderabad, Chennai, Pune, and Delhi-NCR — surpassing the supply of 58 msf. This momentum is expected to continue in FY2026, with net absorption levels remaining strong and vacancy levels projected to decline further to 13.0–13.5% by March 2026 (from 13.9% as of March 2025 and 15.5% as of March 2024). The demand is being driven by expanding Global Capability Centres (GCCs), BFSI institutions, flex-space operators and domestic IT-BPM firms.



The credit profile of office players is expected to remain stable, driven by healthy growth in net operating income (NOI)[^] backed by rise in occupancy and higher rentals. Consequently, the leverage, as measured by debt/NOI, is likely to improve to 5.0-5.5 times as of March 2026 from an estimated 5.5-6.0 times as of March 2025. ICRA expects the debt coverage, as measured by the DSCR, to remain healthy at 1.35-1.4x in FY2026, compared to 1.3x in FY2025.



In the retail segment, vacancy levels are expected to remain stable at 11–11.5% in FY2026 for the top six cities, supported by balanced supply and sustained demand. New Grade A mall supply is projected at 3.0–3.5 msf, lower than the 6 msf added in FY2025, with Pune and Hyderabad leading the additions. Trading values for mall tenants are projected to grow by 6-7% YoY (PY: 4%), with segments such as apparel, electronics and accessories, food, and family entertainment centres (FECs) expected to lead this growth.



ICRA expects the credit profile of the mall operators to remain stable, driven by healthy NOI, comfortable leverage and debt coverage metrics. The leverage ratio for the malls, measured by debt-to-NOI, is likely to sustain at previous year's levels of 5.0-5.2x as of March 2026. The DSCR, which was around 1.45x in FY2025, is projected to improve to 1.6x-1.65x in FY2026.

[^]Net operating income (NOI) is defined as lease rental income and maintenance income less maintenance, property tax, insurance and any other direct expenses associated with the property

Agenda

1 ICRA's outlook on commercial office sector



2 Trend in net absorption, supply and vacancy - Office



3 ICRA's outlook on retail malls



4 Trend in net absorption, supply and vacancy – Retail



5 Rating actions





ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Ashish Modani	Senior Vice-President & Group Head	ashish.modani@icraindia.com	022 – 6169 3300
Anupama Reddy	Vice-President & Co-Group Head	anupama.reddy@icraindia.com	040 – 6939 6427
Abhishek Lahoti	Assistant Vice-President & Sector Head	abhishek.lahoti@icraindia.com	040 – 6939 6433
Rabbani Mohammed D	Senior Analyst	d.rabbani@icraindia.com	040 – 6939 6422





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
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 – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2025 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!