

Commercial Real Estate – Office – Chennai

**Occupancy levels in Chennai's office
market likely to remain stable at
90.5–91.0% as of March 2026**

AUGUST 2025





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Out of the total upcoming supply of ~5 msf in FY2026, ~2.5 msf (50%) is concentrated in Pallavaram, an upcoming micromarket located on Pallavaram–Thoraiakkam Road. The area is gaining traction due to its proximity to the Chennai International Airport (20 minutes via NH45) and its growing base of IT/ITeS firms. Around 21% of upcoming supply in FY2026 is pre-leased.



Chennai recorded 4.9 million square feet (msf) of fresh Grade-A office supply in FY2025 and 1.3 msf in Q1 FY2026, against strong net absorption of 4.8 msf and 3.1 msf, respectively. This led to an increase in occupancy to 90.6% by June 2025 from 87.8% in March 2024, driven by robust leasing from the IT-BPM and engineering & manufacturing sectors. With ~5 msf of new supply and ~6.5 msf of net absorption expected in FY2026, occupancy is likely to remain steady at 90.5–91.0% in March 2026.



As on June 30, 2025, Chennai accounts for 8.5% (~89 msf) of the Grade-A office space across India's top six cities*. Within Chennai, OMR (Old Mahabalipuram Road) and the South-west region collectively hold 80% of the city's Grade-A office stock. The micromarkets of Tharamani, Perungudi, and Mt. Poonamallee Road are the top contributors, representing 35% of Chennai's total office supply. For FY2026, vacancy levels in these three micromarkets are expected to remain low, driven by limited upcoming supply and strong absorption momentum.



The top 10 developers in Chennai hold 47% of the Grade-A office supply, with eight maintaining occupancy rates above 90%. Regional players also show strong occupancy. Rental rates in the top five micromarkets—Perungudi, Tharamani, Thoraiakkam, Mt. Poonamallee Road, and Guindy—have increased at a compound annual growth rate (CAGR) of ~3–4% over the past five years. The citywide average rental rate is projected to increase by 3–4% in FY2026.



Between FY2017 and FY2025, the Chennai office market recorded a CAGR of approximately 5%, which is notably lower than the ~7% observed across India's top six cities. As on June 30, 2025, Chennai contributed around 8.5% of the total office supply of the top six cities, down from 10% as on March 31, 2017. This share is projected to remain steady in FY2026.

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

1

Trends & Outlook – Top six office markets



2

Trends in Chennai office market



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Rating actions in commercial real estate - office





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