Commercial Real Estate – Office – Bengaluru

Bengaluru office market to sustain single-digit vacancy levels in FY2027

DECEMBER 2025

Highlights

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Bengaluru is expected to witness around 25 msf of new office supply during H2 FY2026–FY2027, of which nearly 25% has already been pre-leased.

Despite global headwinds, including policy tightening and trade restrictions in the US, office leasing activities in India have remained buoyant in H1 FY2026. However, ICRA will closely monitor the situation, as macroeconomic and geopolitical factors evolve.

Bengaluru recorded 16.3 million square feet (msf) of fresh Grade-A office supply in FY2025 and 8.4 msf in H1 FY2026, against net absorption of 18.4 msf and 10.1 msf, respectively. As net absorption outpaced supply, occupancy increased by 230 bps to 90.8% by September 2025 from 88.5% in March 2024. The absorption is driven by strong demand from the GCCs^. Despite an expected 16.0 - 17.0 msf of new supply in FY2026 and FY2027, occupancy levels are projected to rise to 91.0-91.5% by March 2026 and 92.0-92.5% by March 2027, backed by continued leasing momentum.

Bengaluru has the highest Grade-A office supply contribution of 26% (~277 msf) among India's top six cities* as on September 30, 2025. Outer Ring Road (Southeast), Whitefield, and Nagavara are Bengaluru's leading micromarkets, together contributing approximately 37% of the city's total office supply. ICRA expects vacancy levels to continue to be low in Outer Ring Road (SE), given healthy net absorption. With no new supply anticipated in FY2027, Whitefield and Nagavara are projected to experience a substantial reduction in vacancy rates, driven by sustained healthy absorption.

The top 10 developers in Bengaluru collectively hold 61% of the city's Grade-A office stock, with six of them maintaining occupancy above 90%. The rental rates in the top micromarkets - 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% in FY2026.

Between FY2018 and FY2025, the Bengaluru office market stock recorded a CAGR of approximately 7%, which was in line with the CAGR for India's top six cities. The Hebbal–Devanahalli corridor (towards the airport) has seen a steady rise in Grade-A office supply over the years, with its share of total supply projected to grow to ~8% by FY2027 from 3% in FY2018 .

**Top six Indian office markets include Bengaluru, Chennai, Delhi National Capital Region (NCR), Hyderabad, Mumbai Metropolitan Region (MMR) and Pune*
^Global Capability Centres

Agenda

1 ICRA's Outlook On Indian Commercial Real Estate Sector

2 Trends in Bengaluru office market

3 Rating actions in commercial real estate - office

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