



Indian Commercial Real Estate Sector

Office vacancy levels heading for historic lows by FY2027

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Net absorption across top six office markets to reach all-time high of 69-70 msf in FY2026 (66 msf in FY2025); expected to record above 65 msf in FY2027.

Rental income for mall operators is anticipated to grow by 9-10% in FY2026 and FY2027, driven by scheduled rental escalations, healthy occupancy, and a recovery in tenant trading performance.



Office leasing: The net absorption stood at record-high levels of 66 million square feet (msf) in FY2025 (15% YoY growth) across India's top six cities* surpassing the 58 msf supply. The momentum has carried into H1 FY2026, with 36 msf of net absorption, surpassing the supply of 30.6 msf. The demand is being driven by expanding Global Capability Centres (GCCs), flex-space operators and the Banking, Financial Services and Insurance (BFSI) sector. Despite global headwinds stemming from policy tightening (trade restrictions) in the US, office leasing activities by GCCs in India remained buoyant in H1 FY2026. However, ICRA will closely monitor the situation, as macroeconomic and geopolitical factors evolve.



Office supply and vacancy: ICRA expects new Grade A office supply of 125-130 msf in FY2026 and FY2027 for the top six office markets. Considering strong demand prospects from diverse sector tenants, net absorption is likely to surpass incremental supply for the third consecutive year in FY2027, resulting in decline in vacancy rates to 12.5-13.0% by March 2026 and 12.0-12.5% by March 2027 from the all-time low of 14% as of March 2025.



City-wise office leasing: The city-wise vacancy trends show a healthy outlook for FY2027. Bengaluru is expected to see vacancy reduction from 9.2% as of September 2025 to 7.5-8% by March 2027 with 16 msf of the new supply in FY2027. Chennai will see a dip in vacancy to 5.5-6.0% given the limited supply. Delhi-NCR is projected to ease slightly from 21% to 19.5-20% with 11 msf of supply. Hyderabad and Pune are estimated to see steady vacancy at 17-17.5% and 14-14.5%, respectively. MMR is also likely to see a vacancy decline, reflecting strong net absorption trends and sustained demand across key micro-markets.



Retail malls: After moderation of trading values to 4% growth YoY in FY2025, consumption trends have witnessed healthy recovery in H1 FY2026 signaling a positive demand trend. The trading values for mall tenants are projected to grow by 10-11% YoY in FY2026 and 9-10% in FY2027 driven by premiumisation with segments such as fashion, electronics and accessories, jewellery, and family entertainment centres (FECs) expected to lead this growth.

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

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