

INDIA

OFFICE MARKET REPORT

Q2 2025

Better never settles

KEY HIGHLIGHTS

Q2 2025

1

21.4 MSF of gross leasing volume (GLV) was recorded in top 8 cities in Q2 2025; a **5.4% growth** on a quarterly basis though a marginal 0.8% decline as compared to the same period last year.

2

Bengaluru led pan-India GLV in Q2, accounting for **23% share**, followed by Delhi NCR, Mumbai and Pune with shares of **22%, 18% and 15%**, respectively.

3

IT-BPM accounted for the highest share (**34%**) in quarterly leasing, followed by flexible operators and engineering & manufacturing with **18%** and **15%** shares, respectively. BFSI accounted for **11%** of quarterly GLV.

4

12.5 MSF of new completions were recorded in Q2 2025 with **Pune** and **Bengaluru** contributing around **38%** and **24%** respectively, followed by **Chennai (10%)**.

5

Net absorption in Q2 2025 stood at 13.5 MSF, a **19% growth** on an annual basis though a 6% decline as compared to the previous quarter.

The second quarter saw the Indian office market maintaining its robust momentum in terms of leasing activity and clocking the fifth consecutive quarter of 20+ MSF of gross lease volumes. The economic uncertainty resulting from the tariff policy of the US administration had minimal impact on the office market in the quarter, highlighting the strength of the market and continued support provided by healthy occupier sentiments. Given the strong activity in the first half of the year, the office market is well on course to achieve another record year, surpassing the previous year's performance. Faster closures of large deals by global multinationals and domestic occupiers, significantly boosted quarterly lease volumes. Global capability centres (GCCs) also remained a major focus area, and this trend is likely to gain momentum in the upcoming quarters, given the robust active deal pipeline. Fresh demand continued to account for a major share of leasing volumes across top cities. Pune stood out during the quarter, with fresh demand more than doubling on an annual basis.

Pan India supply was higher in Q2, though demand continued to surpass supply, reducing vacancies across most cities. Higher completions were recorded in Pune, Chennai, Mumbai and Ahmedabad on a quarterly basis. Moving forward, the pace of completions is likely to increase as developers expedite projects in response to continued strong demand for Grade A/A+ supply. Rentals continued to rise in Q2 and are likely to appreciate further in the upcoming quarters despite increased supply.



LEASING TRENDS

Gross Leasing Activity

Office leasing remained strong in Q2 with a 20+ MSF of GLV, a trend that began in Q2 2024. The trend highlights an extremely healthy office market with the US government's tariff policy induced economic uncertainty having negligible impact on lease volumes. In fact, market activity is likely to strengthen due to robust active deal pipeline and continued high levels of occupier confidence. As of H1, GLV stood at ~42 MSF and the market is well on course to clock a record 90 MSF by the end of the year, setting a new record.

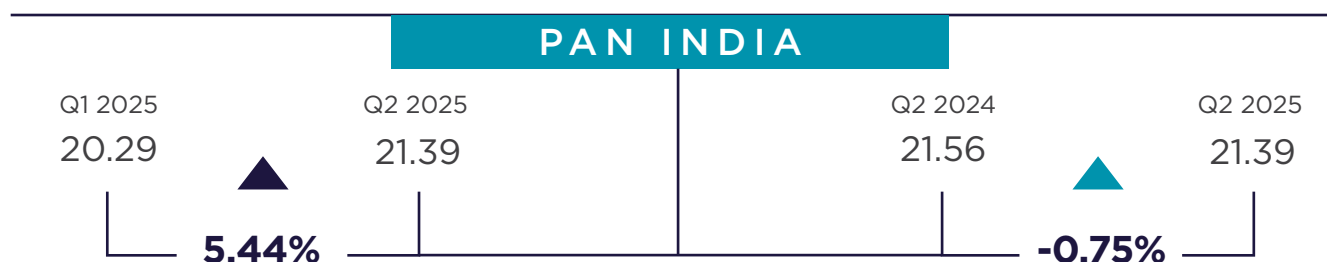
Fresh demand for space accounted for around 75% of quarterly GLV with the closure of large fresh deals driving GLV. GCC transactions accounted for around 24% of GLV during the quarter and 27% in H1, maintaining its status as one of the mainstays of market activity. Domestic firms continued to lease more office space; flexible operators accounted for 18% of quarterly GLV, ranking second after IT-BPM.

At ~16 MSF, pan-India fresh leasing was up by 10% on an annual basis though marginally lower than the previous quarter. Bengaluru contributed around 22% of quarterly fresh leasing volumes, followed by Delhi NCR with a 19% share. Both Pune and Mumbai contributed 16% each with Pune's fresh leasing more than doubling on an annual basis.

Pan India active deals remains strong and many of the under-negotiation large deals are likely to get converted in the upcoming quarters. Headline pan India rentals continued to grow across top cities.

Gross Leasing (MSF)	Q1 2025	Q2 2025	% Change	Gross Leasing (MSF)	Q2 2024	Q2 2025	% Change
Mumbai	4.31	3.92	-9.04%	Mumbai	4.51	3.92	-13.17%
Delhi NCR	2.75	4.63	68.24%	Delhi NCR	3.53	4.63	30.99%
Bengaluru	4.86	4.98	2.44%	Bengaluru	5.55	4.98	-10.29%
Chennai	1.97	2.17	10.02%	Chennai	1.74	2.17	24.50%
Pune	3.49	3.29	-5.81%	Pune	2.91	3.29	12.96%
Hyderabad	2.59	1.74	-32.92%	Hyderabad	2.27	1.74	-23.63%
Kolkata	0.26	0.52	102.94%	Kolkata	0.79	0.52	-33.86%
Ahmedabad	0.07	0.16	130.16%	Ahmedabad	0.25	0.16	-35.99%

Pan India gross lease volumes finished at 21.4 MSF in Q2 on the back of robust fresh space take-up and expansion by both foreign and domestic occupiers. GCC leasing stood at 24% of quarterly GLV and 27% of H1-25 GLV, highlighting the strong growth momentum of this segment. Flex operators contributed 18% of GLV in Q2, moving up to the second position in terms of share in quarterly GLV. Going forward, strength in occupiers' sentiment and a strong active deal pipeline are likely to drive GLV to a record high in 2025.



Term Renewals

Term renewals stood at 3.2 MSF in Q2, an 80% growth on a quarterly basis but an 8% decline as compared to the same period last year. Given the continued rental appreciation expected in the upcoming quarters, a number of occupiers proceeded to renew their leases in order to secure space for the medium term. Mumbai led term renewals in the quarter with a share of 44%, followed by Delhi NCR and Pune, contributing 28% and 21% share respectively.

Preleasing activity

At 2.2 MSF, preleasing was up by over 5% on a quarterly basis though down by around 38% as compared to the same period last year. Share of preleasing in quarterly GLV stood at 10%, the same as the previous quarter. Bengaluru dominated quarterly preleasing with 63% share, followed by Delhi NCR with a 33% share. Near term preleasing trends in markets such as Delhi NCR and Bengaluru remains fairly healthy, indicating high occupier business confidence.



Net Absorption

At 13.5 MSF, net absorption posted a 19% growth on annual basis, helped by strong fresh leasing and the operationalization of preleased buildings in certain cities. Bengaluru led quarterly net absorption with a 26% share, followed by Mumbai and Pune with shares of 19% and 17% respectively. As of H1, net absorption stood at ~28 MSF, a 24% growth over the same period last year and on course to post a record high by the end of 2025.

Net Absorption (MSF)	Q1 2025	Q2 2025	% Change	Net Absorption (MSF)	Q2 2024	Q2 2025	% Change
Mumbai	2.87	2.59	-9.31%	Mumbai	1.72	2.59	51.34%
Delhi NCR	3.87	1.37	-64.58%	Delhi NCR	1.46	1.37	-6.10%
Bengaluru	2.49	3.51	40.94%	Bengaluru	2.51	3.51	39.86%
Chennai	1.08	1.99	84.37%	Chennai	0.52	1.99	284.72%
Pune	2.07	2.24	7.83%	Pune	0.42	2.24	426.14%
Hyderabad	1.52	1.27	-16.04%	Hyderabad	1.86	1.27	-31.37%
Kolkata	0.38	0.39	5.38%	Kolkata	0.78	0.39	-48.55%
Ahmedabad	0.07	0.06	-8.14%	Ahmedabad	2.00	0.07	-96.79%

PAN INDIA



Robust fresh demand and operationalization of certain projects with precommitments led to healthy quarterly net absorption. Continued fresh space take-up is likely to keep absorption levels healthy in the upcoming quarters, with the annual figure likely to post a record high. Vacancies declined across most cities in Q2 though expected healthy supply addition is likely to push up pan India vacancies in the upcoming quarters. Rentals moved up in Q2 and rental growth is likely to continue backed by healthy demand across prime micromarkets.

OCCUPIER TRENDS

IT-BPM remained the dominant segment accounting for 34% of quarterly leasing volumes followed by flex operators, who held an 18% share in quarterly GLV. Flex operators continued to expand their footprint in the quarter and, given that a number of large operators are moving ahead with IPOs, this segment is likely to witness significant growth in the near to medium term. Engineering & manufacturing segment held the third spot with a 15% share in quarterly GLV while BFSI contributed 11%. In terms of absolute lease volumes, space takeup by IT-BPM increased by 43% on an annual basis and telecom & media segment followed with an expansion of 31%. Space takeup by engineering & manufacturing increased by 25% while that of flex operators grew by 23% on an annual basis.

Bengaluru contributed nearly 40% of leasing by IT-BPM occupiers in Q2 followed by Delhi NCR with a 19% share. Mumbai accounted for around 36% of leasing by BFSI occupiers, followed by Delhi NCR contributing 20% share. In the flex space segment, Mumbai led the way with 24% of the leasing volumes followed by Hyderabad, accounting for 21% share. Space take-up by engineering & manufacturing sector was the highest in Pune (44%), followed by Bengaluru (20%).



IT - BPM

5.14 / **5.84** / **7.36**



ENGINEERING & MANUFACTURING

2.55 / **2.34** / **3.19**



E-COMMERCE

0.18 / **0.20** / **0.18**



HEALTHCARE & PHARMA

0.87 / **1.38** / **0.77**



OTHERS

1.33 / **1.43** / **1.33**



BFSI

5.05 / **4.42** / **2.44**



FLEXIBLE WORKSPACE

3.15 / **2.59** / **3.89**



PROFESSIONAL SERVICES

2.99 / **1.87** / **1.85**



TELECOM & MEDIA

0.30 / **0.23** / **0.39**

■ Q2 2024

■ Q1 2025

■ Q2 2025

All values in MSF

SUPPLY TRENDS

New supply stood at 12.5 MSF in Q2, a growth of 53% on an annual basis and an expansion of 17% as compared to the previous quarter. Following a quarter of lower supply, completions increased across Mumbai, Chennai, Pune and Ahmedabad and declined in Delhi NCR, Hyderabad and Bengaluru. Chennai stood out in the quarter due to sharp jump in supply, compared to no supply in the previous quarter. Pune added a large quantum of supply as well. Pune and Bengaluru cumulatively accounted for over 60% of quarterly supply, followed by Chennai holding a 10% share. Despite higher supply in the quarter, vacancies declined across most cities due to strong demand surpassing supply. Supply pipeline in the remainder of 2025 and the next couple of years remains robust. Expected healthy demand will incentivize timely project completions to facilitate demand-supply balance and sustainable growth. Pune and Bengaluru are likely to contribute around 50% of pan India supply cumulatively in 2025, with Hyderabad accounting for a 13% share. Prime micromarkets (Outer Ring Road, BKC, Madhapur) across top cities, currently reporting tight vacancies, are also expected to see significant supply, backed by strong demand.

Rentals continued to move up in the quarter across all cities on the back of strong demand. Despite expected healthy supply addition in the upcoming quarters, rentals are likely to continue appreciating due to demand across prime micromarkets. On the other hand, pan India vacancies are likely to move up due to supply influx across top cities.

New Supply (MSF)	Q1 2025	Q2 2025	% Change	New Supply (MSF)	Q2 2024	Q2 2025	% Change
Mumbai	0.18	0.86	384.73%	Mumbai	2.65	0.86	-67.47%
Delhi NCR	2.71	1.06	-60.83%	Delhi NCR	0.31	1.06	238.0%
Bengaluru	3.28	2.97	-9.44%	Bengaluru	2.55	2.97	16.3%
Chennai	0.00	1.22	NA	Chennai	0.00	1.22	NA
Pune	3.21	4.80	49.66%	Pune	0.00	4.80	NA
Hyderabad	1.32	0.85	-35.61%	Hyderabad	2.69	0.85	-68.43%
Kolkata	0.00	0.00	NA	Kolkata	0.00	0.00	NA
Ahmedabad	0.00	0.77	NA	Ahmedabad	0.00	0.77	NA

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OUTLOOK

Office market momentum remained robust in Q2 with large deals being closed at a sustained pace by foreign firms and healthy space takeup by domestic occupiers, led by flex space operators. The economic uncertainty in the global economy, resulting largely from the tariff policies of the US government, has had minimal impact on India's office market activity. This trend is likely to continue in the upcoming quarters, with strong occupier sentiment and a pipeline of active deals supporting market activity and helping negate the impact of the economic uncertainty. The fundamentals of the office market remain sound and India remains an integral part of the global tech and R&D ecosystem. Domestic inflationary pressures have abated and RBI has moved ahead with hefty rate cuts (100 bps in 2025). Moving forward, this will support economic growth, thereby incentivizing office space takeup across major cities.

GCCs continued their space takeup in Q2, accounting for 24% of GLV in the quarter and 27% of GLV in H1. With mid-sized foreign multinational firms entering India to set up GCCs, the near to medium term outlook for GCC leasing remains healthy. Large talent pool, competitive real estate costs, supply of premium, investment grade office projects and fast improving digital ecosystem will continue to support market activity. The flex segment will continue to remain a key driver of leasing activity backed by robust demand for managed office spaces. A number of large operators are moving ahead with IPOs to fund expansion and this augurs well for the growth of the sector in the near to medium term. Overall, in 2025, office lease volumes are expected to clock a new record, surpassing the previous record last year.

While new supply increased in Q2, demand continues to outstrip supply accompanied by fall in vacancy levels across top cities. Going forward, supply is likely to rise, especially across prime micromarkets, as developers look to expedite projects to address healthy demand and gradually restore demand-supply balance in the market. Despite expected higher supply, rentals will continue to rise, on the back of strong demand across prime micromarkets, where tight vacancies continue to prevail.





BUSINESS CONTACT



Veera Babu

Executive Managing Director, Tenant Representation, India

veera.babu@ap.cushwake.com

FOR FURTHER INFORMATION, PLEASE CONTACT



Awantika Mohanty

Head of Business Development Services
Singapore, South East Asia & India

awantika.mohanty@cushwake.com



Suvishesh Valsan

Senior Director, Research Services, India

suvishesh.valsan@cushwake.com

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