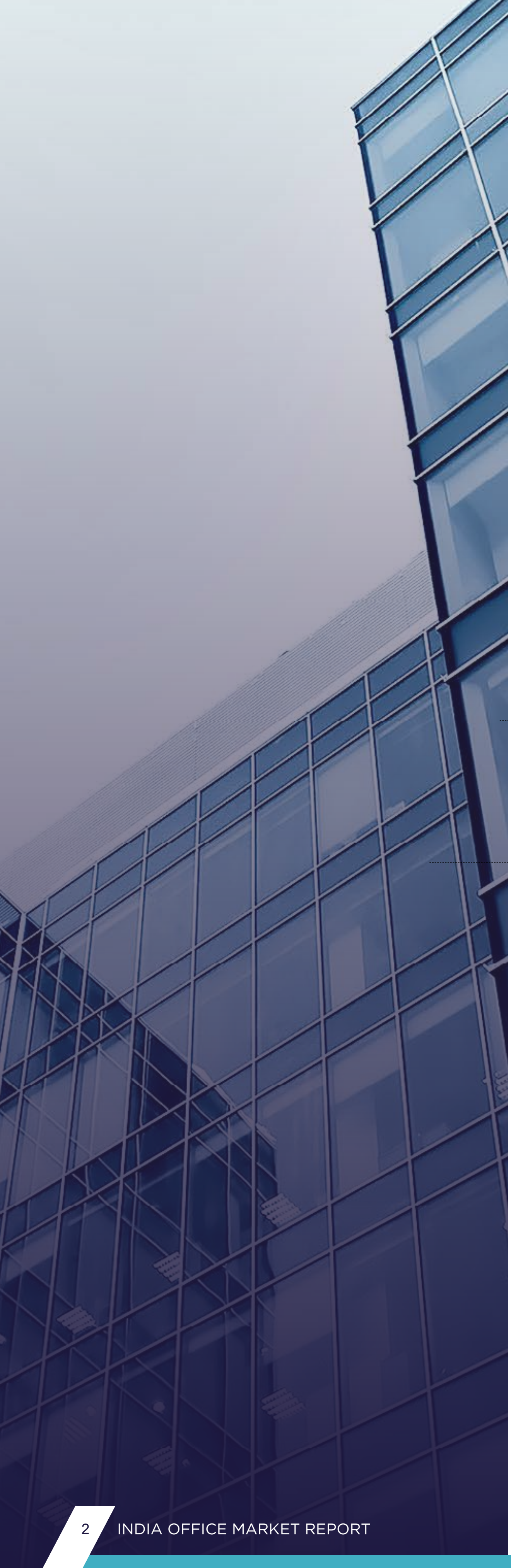
CUSHMAN & WAKEFIELD

INDIA

OFFICE MARKET REPORT

Q1 2025

Better never settles



KEY **HIGHLIGHTS**

Q1 2025

1. Recorded 20.3 MSF gross leasing volume (GLV) in top 8 cities in Q1 2025; **a 4.5% growth** on an annual basis though a ~15% decline as compared to the strong leasing figure in the previous quarter.

2. Bengaluru led pan-India GLV in Q1, accounting for **24% share,** followed by Mumbai, Pune and Delhi NCR with shares of **21%, 17% and 14%,** respectively.

3. IT-BPM accounted for highest share **(~29%)** in quarterly leasing, followed by BFSI and flexible operators with **22%** and **13%** shares, respectively. Engineering & manufacturing accounted for **12%** of quarterly GLV.

4. **10.7 MSF** of new completions were recorded in **Q1 2025** with Bengaluru and Pune contributing around **30%** each, followed by Delhi NCR **(25%).**

5. Net absorption in Q1 2025 stood at 13.4 MSF, a **20% growth** on an annual basis though a **22% decline** as compared to the previous quarter.

The year started on a positive note with Pan India leasing volumes remaining healthy in Q1, recording a fourth consecutive quarter with 20+ MSF of leasing activity. While the new tariff policy of the US administration has raised concerns about the potential impact on the US and the broader global economy, the strong performance of the Indian office market and sound market fundamentals are likely to support growth in the upcoming quarters. Occupier sentiments remain strong and this is reflected by a robust active deal pipeline across major cities, highlighting the strength of the market. Faster closures of large deals by global multinationals remained a key driver of office demand in the quarter, with global capability centres (GCCs) a major focus area, and this trend is likely to continue going forward. Fresh demand continued to account for a major share of leasing volumes across top cities as global occupiers moved ahead with their expansion plans. While Bengaluru recorded highest quantum of fresh leasing in Q1, all other major cities including Mumbai, Delhi NCR, Hyderabad, Pune recorded higher levels of fresh space take-up on an annual basis, highlighting the continued broad-based growth momentum.

Pan India supply was lower in Q1, with completions declining in cities such as Mumbai, Chennai and Hyderabad. In continuation of a trend seen in recent quarters, demand outstripped supply again with headline vacancies dropping across major cities, pointing at the need for expediting completions with rising enquiries for Grade A supply. However, pan India supply pipeline remains healthy and projects are likely to be expedited in the near term given the expected stable demand. Rentals continued to rise in Q1 with robust fresh space take-up helping net absorption maintain growth.

LEASING TRENDS

Gross Leasing Activity

Office leasing activity remained strong in Q1 with a 20+ MSF of GLV, marginally lower by around 8% from the 22 MSF quarterly average recorded in 2024, which saw the highest ever GLV. Fresh demand for space accounted for nearly 80% of quarterly GLV with the closure of large fresh deals across top cities driving GLV in the quarter. GCC transactions remained healthy, accounting for around 31% of GLV during the quarter, surpassing the 28% share recorded in 2024 and highlighting India's enduring appeal as a strategic tech and R&D hub for global multinationals. Domestic firms continued to lease more office space in keeping with their business expansion plans.

At 15.9 MSF, pan-India fresh leasing was up by 11% on an annual basis though lower than the exceptionally strong figure in the previous quarter. Bengaluru contributed around 28% of quarterly fresh leasing volumes, followed by Mumbai and Hyderabad with 20% and 16% shares respectively. Pune and Delhi NCR saw healthy fresh leasing as well recording growth of 63% and 16% respectively 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. That said, the impact of any near-term uncertainty in the US economy on deal closures and leasing activity needs to be monitored. Headline pan India rentals continued to maintain growth across top cities.

Gross Leasing (MSF)	Q4 2024	Q1 2025	% Change
Mumbai	4.61	4.31	-6.53%
Delhi NCR	2.96	2.75	-6.94%
Bengaluru	6.75	4.86	-27.99%
Chennai	2.13	1.97	-7.53%
Pune	1.72	3.49	102.66%
Hyderabad	4.33	2.59	-40.26%
Kolkata	0.28	0.26	-9.16%
Ahmedabad	1.04	0.07	-93.27%

Gross Leasing (MSF)	Q1 2024	Q1 2025	% Change
Mumbai	4.29	4.31	0.43%
Delhi NCR	2.93	2.75	-6.10%
Bengaluru	6.74	4.86	-27.94%
Chennai	1.66	1.97	18.93%
Pune	1.15	3.49	202.51%
Hyderabad	2.34	2.59	10.59%
Kolkata	0.21	0.26	21.26%
Ahmedabad	0.09	0.07	-25.06%

PAN INDIA

Q4 2024 23.82 — Q1 2025 20.29: **-14.80%**

Q1 2024 19.42 — Q1 2025 20.29: **4.51%**

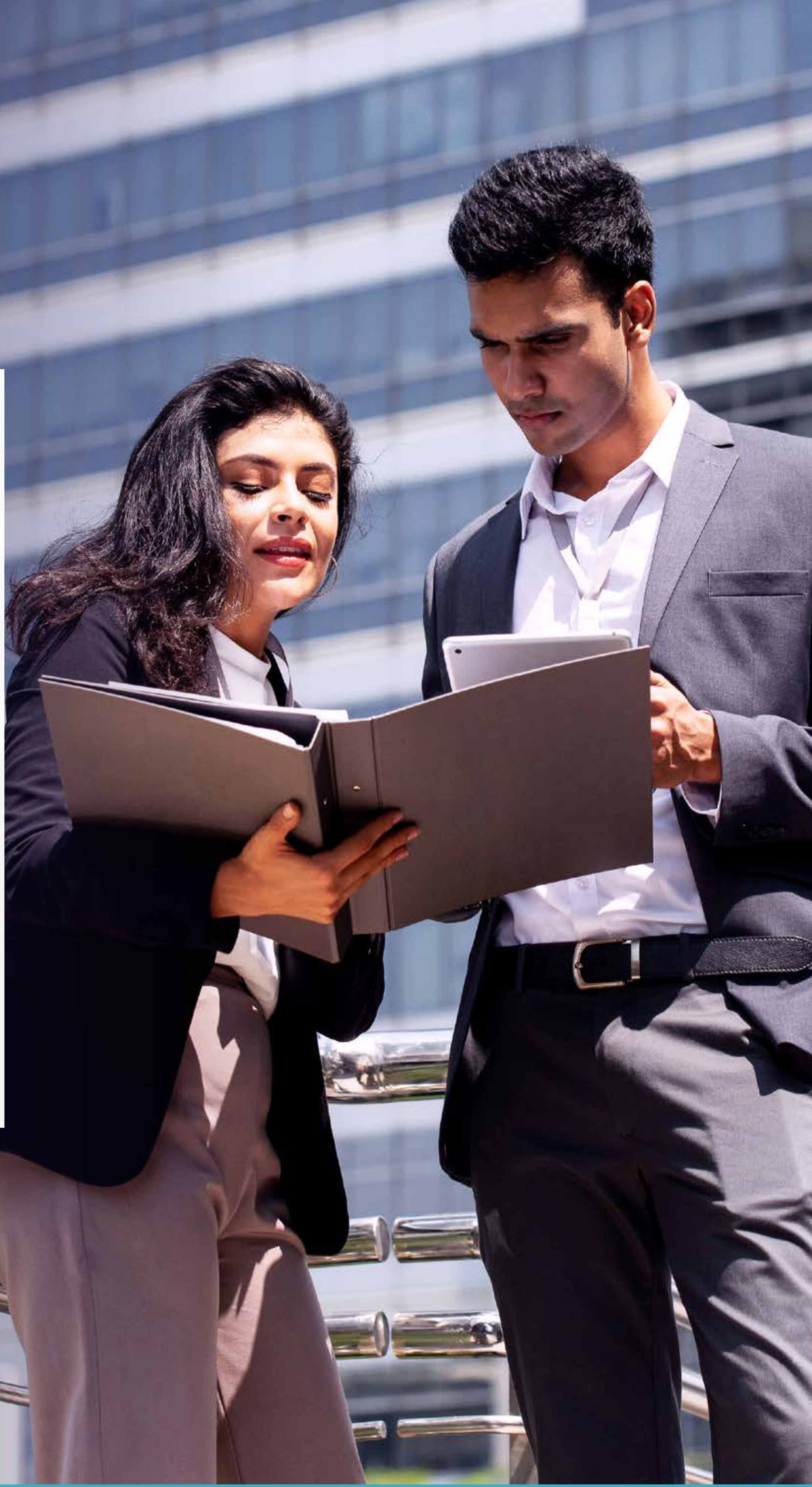
Pan India gross lease volumes finished at 20.3 MSF in Q1 on the back of robust fresh space take-up and expansion by large occupiers. GCC leasing activity stood at a high of 31% of quarterly GLV and the growth story of GCC space take-up is likely to continue in the upcoming quarters. Strength in occupiers' sentiment and a strong active deal pipeline will remain key demand drivers in the near to medium term.

Term Renewals

Term renewals stood at 1.8 MSF in Q1, an 8% decline on a y-o-y basis and a 43% decline as compared to the previous quarter, largely due to robust fresh leasing activity across top cities. Mumbai led term renewals in the quarter with a share of 65% with Bengaluru and Delhi NCR contributing 13% each.

Preleasing activity

At 2.6 MSF, preleasing was up by 2.5x on a quarterly basis though down by around 16% as compared to the same period last year. Share of preleasing in quarterly GLV increased to 13%, the highest since Q2 last year. Pune dominated quarterly preleasing with 67% share followed by Bengaluru and Delhi NCR with 8% and 5% shares respectively. Going ahead, the near term preleasing trend in top tech cities such as Bengaluru and Chennai remains healthy indicating higher business confidence of occupiers.



Net Absorption

At 13.4 MSF, net absorption posted the third highest quarterly figure ever with a growth of 20% on an annual basis. Strong fresh leasing and operationalization of preleased buildings in cities such as Bengaluru drove quarterly net absorption. Delhi NCR led quarterly net absorption with a 23% share, followed by Mumbai and Bengaluru with shares of 21% and 19% respectively.

Net Absorption (MSF)	Q4 2024	Q1 2025	% Change
Mumbai	4.11	2.87	-30.21%
Delhi NCR	1.83	3.12	70.13%
Bengaluru	3.96	2.49	-37.09%
Chennai	0.29	0.62	116.45%
Pune	1.72	2.07	20.86%
Hyderabad	4.04	1.82	-55.06%
Kolkata	0.21	0.38	83.93%
Ahmedabad	1.04	0.07	-93.27%

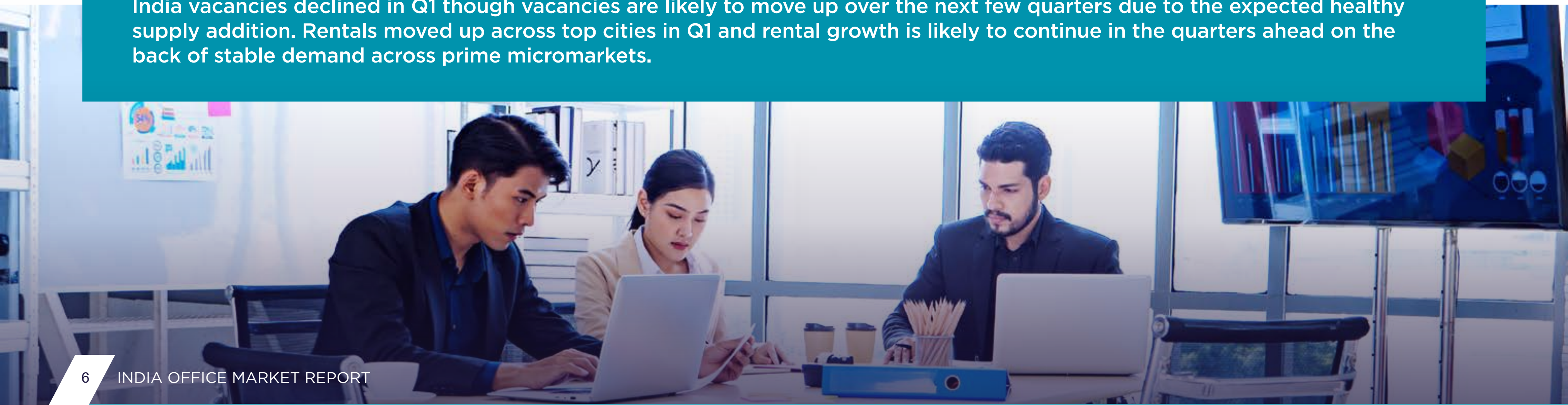
Net Absorption (MSF)	Q1 2024	Q1 2025	% Change
Mumbai	2.47	2.87	16.01%
Delhi NCR	1.45	3.12	115.09%
Bengaluru	3.69	2.49	-32.61%
Chennai	1.17	0.62	-47.28%
Pune	1.30	2.07	59.01%
Hyderabad	0.94	1.82	93.89%
Kolkata	0.10	0.38	278.58%
Ahmedabad	0.09	0.07	-25.06%

PAN INDIA

Q4 2024	Q1 2025	Change
17.19	13.44	**-21.84%**

Q4 2023	Q4 2024	Change
11.23	13.44	**19.68%**

Robust fresh demand and operationalization of certain projects with precommitments led to strong quarterly net absorption. Continued stable momentum in fresh space take-up is likely to keep absorption levels healthy in the upcoming quarters. Pan India vacancies declined in Q1 though vacancies are likely to move up over the next few quarters due to the expected healthy supply addition. Rentals moved up across top cities in Q1 and rental growth is likely to continue in the quarters ahead on the back of stable demand across prime micromarkets.



OCCUPIER TRENDS

IT-BPM remained the dominant segment accounting for 29% of quarterly leasing volumes while BFSI held a 22% share. Flex operators continued to expand their footprint and occupied the third spot in pan India GLV with a share of 13% followed by engineering & manufacturing occupiers, who accounted for 12% of quarterly lease volumes. In terms of absolute lease volumes, space take-up by healthcare & pharma occupiers increased by nearly 53% on an annual basis and BFSI segment followed with a robust expansion of nearly 35%. Space take-up by flex operators increased by over 22% while that of the IT-BPM segment recorded a growth of close to 12% on an annual basis.

Bengaluru contributed 27% of leasing by IT-BPM occupiers in Q1 followed by Delhi NCR with a 21% share. Mumbai accounted for around 43% of leasing by BFSI occupiers with Bengaluru contributing 24% share. In the flex space segment, Pune led the way with 37% of the leasing volumes followed by a contribution of 21% by Chennai. Space take-up by engineering & manufacturing sector was the highest in Bengaluru (35%), followed by Mumbai (16%).

IT – BPM
5.24 / 6.99 / 5.84

BFSI
3.28 / 3.91 / 4.42

ENGINEERING & MANUFACTURING
4.25 / 5.51 / 2.34

FLEXIBLE WORKSPACE
2.12 / 3.39 / 2.59

E-COMMERCE
0.18 / 0.19 / 0.20

PROFESSIONAL SERVICES
1.84 / 1.07 / 1.87

HEALTHCARE & PHARMA
0.90 / 1.47 / 1.38

TELECOM & MEDIA
0.24 / 0.23 / 0.23

OTHERS
1.37 / 1.05 / 1.43

Q1 2024 Q4 2024 Q1 2025

All values in MSF

SUPPLY TRENDS

New supply stood at 10.7 MSF in Q1, a decline of 13% on an annual basis and a fall of 27% as compared to the previous quarter. Following a quarter of healthy supply addition, completions declined across Mumbai, Chennai and Hyderabad both on a quarterly and annual basis though Delhi NCR and Pune recorded growth. Bengaluru, which has been one of the major contributors to new supply in the past couple of quarters, saw a marginal decline in completions on a quarterly basis. Bengaluru and Pune accounted for around 30% of quarterly supply each followed by Delhi NCR with a 25% share. Vacancies declined across most cities on the back of strong demand and lower supply. Going forward, developers are likely to expedite completions to meet growing occupier demand for premium properties Supply pipeline in the next couple of years remains robust and likely stable demand will incentivize timely project completions to facilitate demand-supply balance in the market. Bengaluru and Hyderabad are likely to contribute around 46% of pan India supply cumulatively in 2025. Prime micromarkets (Outer Ring Road, BKC, Madhapur) across top cities are also expected to see significant supply, thereby catering to high occupier demand amidst existing tight vacancy levels.

Pan India average rentals continued to move up in the quarter on the back of strong demand across cities and lower supply. Despite expected healthy supply addition in the upcoming quarters, rentals are likely to rise marginally on the back of stable demand across prime micromarkets. Pan India vacancies are likely to move up due to higher supply.

New Supply (MSF)	Q4 2024	Q1 2025	% Change
Mumbai	3.70	0.18	-95.20%
Delhi NCR	1.27	2.71	113.91%
Bengaluru	3.60	3.28	-9.08%
Chennai	0.93	0.00	-100.00%
Pune	2.10	3.21	52.86%
Hyderabad	2.23	1.32	-40.73%
Kolkata	0.00	0.00	NA
Ahmedabad	0.85	0.00	-100.00%

New Supply (MSF)	Q1 2024	Q1 2025	% Change
Mumbai	1.35	0.18	-86.84%
Delhi NCR	2.81	2.71	-3.61%
Bengaluru	2.15	3.28	52.41%
Chennai	0.63	0.00	-100.00%
Pune	1.67	3.21	92.68%
Hyderabad	2.92	1.32	-54.81%
Kolkata	0.00	0.00	-NA
Ahmedabad	0.72	0.00	-100.00%

PAN INDIA

Q4 2024	Q1 2025	% Change
14.68	10.69	-27.16%

Q1 2024	Q1 2025	% Change
12.24	10.69	-12.66%

OUTLOOK

The strong momentum in the office market continued in Q1 with large deals getting closed at a sustained pace amidst robust momentum in fresh leasing activity. Global occupiers continued to take up large spaces for business expansion and this is a trend that highlights strong occupier sentiments and healthy market outlook. In the near term, however, any potential economic uncertainty emanating from the US and its potential impact on the global economy and Indian office market will be monitored closely. Nevertheless, the fundamentals of the office market remain sound, and India remains an integral part of the global tech and R&D ecosystem and has cemented its status as the 'office of the world'. This is likely to lend growth support and help the market override any near-term uncertainty. Moreover, declining domestic inflationary pressures and interest rate cuts by the RBI will support economic growth in the quarters ahead and incentivize office space take-up, especially by domestic firms.

GCCs remain a key focus area and space take-up by this segment breached the 30% share of GLV mark in the quarter and will continue to rise in the upcoming quarters. With mid-sized multinational firms entering India to set up greenfield GCCs and existing GCCs pursuing expansion, the outlook for GCC leasing remains healthy. The country's large talent pool, competitively priced premium real estate and robust tech ecosystem are central to the nation's position as a strategic R&D hub. The flex segment will remain a key driver of leasing activity on the back of its inherent benefits (flexibility, upfront cost optimization, end-to-end customization etc) and continued strong demand for managed offices.

Going forward, demand - supply balance is likely to be established on a pan India basis with prime micromarkets expected to see healthy completions. Stable demand will drive premium grade completions, especially in tech cities such as Bengaluru and Hyderabad. Pan India vacancies are likely to edge higher due to increased supply and marginal rental appreciation is likely on the back of continued demand across prime micromarkets.

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