

INDIA

OFFICE MARKET REPORT

Q4 2024

Better never settles



KEY HIGHLIGHTS

Q4 2024

1

23.8 MSF gross leasing volume (GLV) in top 8 cities in Q4 2024; a **0.3% growth** on a quarterly basis but a 12.7% decline compared to the same period last year

2

Bengaluru led pan-India GLV in Q4, accounting for **28%** share, followed by Mumbai, Hyderabad and Delhi NCR with shares of **19%, 18% and 12%**, respectively

3

IT-BPM accounted for highest share (**~29%**) in quarterly leasing, followed by engineering & manufacturing and BFSI with **23% and 16%** shares, respectively. Flexible workspace operators continued to expand their footprint with a share of **14%** in quarterly GLV

4

14.7 MSF of new completions were recorded in Q4 2024 with Mumbai and Bengaluru contributing **25%** each followed by Hyderabad (**15%**)

5

Net absorption in Q4 2024 stood at 16.5 MSF, a **33% growth** on an annual basis though an **11.5% decline** as compared to same period last year

YEAR 2024

KEY HIGHLIGHTS

1

Annual GLV stood at **88.5 MSF** in 2024, a record high with **19%** growth over 2023

2

Bengaluru led the annual GLV with a share of **29%**, followed by Mumbai, Delhi NCR and Pune

3

IT-BPM accounted for **~29%** of annual GLV, followed by BFSI and engineering & manufacturing with **~17%** each

4

New completions stood at **~45 MSF** in 2024. Bengaluru and Hyderabad led with **~30%** and **23%** shares respectively

5

Net absorption stood at **50.1 MSF** in 2024, a record high and growth of **21%** over the previous year



Pan India leasing volumes remained strong in Q4, higher than the previous quarter and the second highest quarterly GLV ever after the Q4 2023 peak. For the full year, GLV surged to a record high of 88.5 MSF, highlighting robust occupier sentiments. Faster closures of large deals by global multinationals remained a key driver of office demand, with global capability centres (GCCs) a major focus area, while healthy demand from domestic firms continued. Fresh demand clocked an annual record high and remained the dominant driver of space take-up across top cities as global occupiers are moving ahead with their expansion plans. While Bengaluru recorded highest quantum of fresh leasing in Q4, all other major cities including Mumbai, Delhi NCR, Hyderabad, Chennai recorded higher levels of fresh space take-up on a quarterly basis. Active deal pipeline remains healthy and expected deal closures in upcoming quarters is likely to keep demand momentum intact in the upcoming quarters. The office market's outlook remains bright with the US economy on a sound footing and global and domestic inflationary pressures likely to recede further in the near term.

Pan India supply improved in Q4, particularly with higher completions in Mumbai, Bengaluru and Hyderabad, although annual completions finished lower compared to the previous year. 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 across prime micro markets in major cities as occupier space enquiries for quality Grade A supply grow. Pan India supply pipeline remain healthy though, and projects are likely to be expedited in the near term as more premium supply enters the market to meet robust demand. This would also ensure sustainable growth of the market with the balance between demand and supply restored. Rentals continued to rise in Q4 with net absorption maintain its growth spike on the back of higher fresh space take-up.



LEASING TRENDS

Gross Leasing Activity

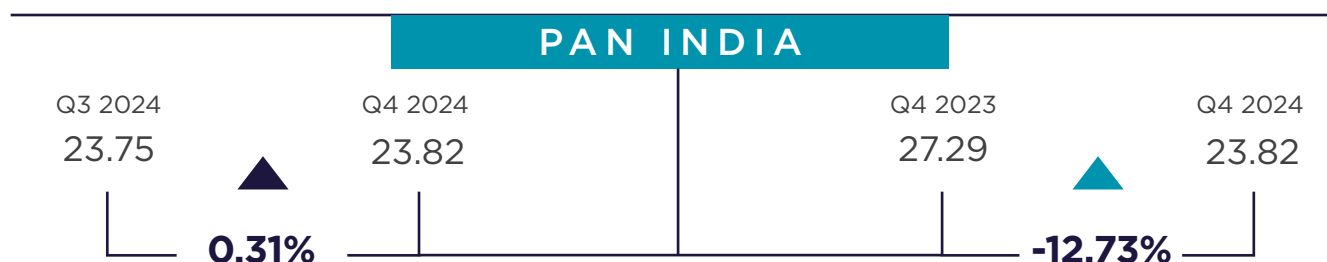
Office market posted third consecutive quarter of over 20 MSF gross lease volumes in Q4-24, with fresh demand for space recording the second highest quarterly figure (highest in Q4-23) and accounting for 83% of the quarterly GLV. Closure of large fresh deals across top cities drove GLV in the quarter. GCC transactions remained healthy, accounting for around 27% of GLV during the quarter. For the full year, GCC space take-up was a record high, contributing 28% of annual GLV and is set to breach the 30% mark in 2025 given a healthy GCC investment trend from global firms. Domestic enterprises continued to lease more office space with their near-to-medium term business expansion plans firmly intact. For full year 2024, GLV stood at highest ever 88.5 MSF, a 19% growth over the previous high registered in year 2023.

At 19.7 MSF, pan-India fresh leasing was up by 5% on a quarterly basis though it stood lower by 5% as compared to the highest ever quarterly fresh leasing in Q4 2023. Bengaluru contributed around 26% of quarterly fresh leasing volumes, followed by Hyderabad and Mumbai with 22% and 20% shares respectively. For the full year, fresh leasing stood at 68 MSF, a record high and a growth of 24% over the previous high in year 2023.

Pan India active deals remains strong and many of the under-negotiation large deals are likely to get converted in the upcoming quarters. Pan India headline rentals continued to maintain growth trajectory with demand higher than supply across top cities.

Gross Leasing (MSF)	Q3 2024	Q4 2024	% Change	Gross Leasing (MSF)	Q4 2023	Q4 2024	% Change
Mumbai	4.44	4.61	3.88%	Mumbai	5.10	4.61	-9.73%
Delhi NCR	3.75	2.96	-21.18%	Delhi NCR	3.75	2.96	-21.09%
Bengaluru	6.89	6.75	-2.21%	Bengaluru	8.33	6.75	-19.02%
Chennai	1.78	2.13	19.58%	Chennai	3.55	2.13	-39.86%
Pune	2.68	1.72	-35.84%	Pune	2.52	1.72	-31.58%
Hyderabad	3.36	4.33	29.02%	Hyderabad	3.08	4.33	40.57%
Kolkata	0.41	0.28	-30.22%	Kolkata	0.45	0.28	-36.58%
Ahmedabad	0.43	1.04	141.79%	Ahmedabad	0.52	1.04	99.33%

Pan India gross lease volumes finished on an unprecedented record high of 88.5 MSF in 2024 on the back of healthy fresh space take-up and expansions both by global multinationals and domestic firms. GCC leasing activity stood at a record high during the year with contribution of 28% of annual GLV. Strength in occupiers' sentiment and a strong active deal pipeline are likely to keep demand healthy in the near term.

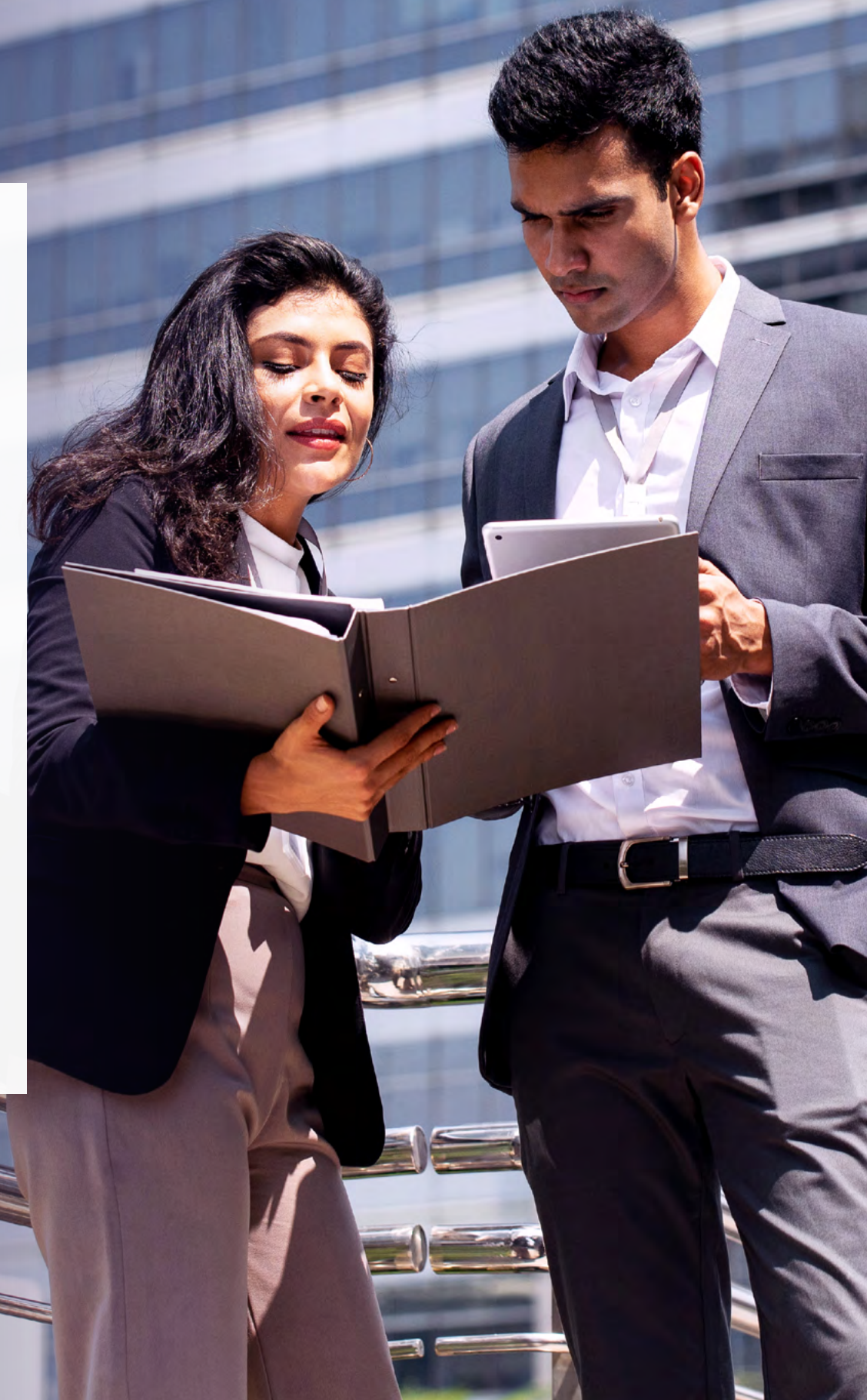


Term Renewals

Term renewals stood at 3.1 MSF in Q4, a 20% growth on a qoq basis and a 5% decline as compared to the same period last year. For the full year, term renewals stood at 10.6 MSF, 12% of annual GLV but lower than the 17% share in 2023 largely due to higher share of fresh leasing. Bengaluru and Mumbai led term renewals in the quarter, with shares of 26% and 21% respectively. For the full year, Mumbai and Pune contributed the highest term renewals with 45% and 22% shares respectively.

Preleasing activity

At 1.0 MSF, preleasing was down by around 57% on a quarterly basis and accounted for just 4% of quarterly GLV. However, for the full year, preleasing stood at 10.1 MSF, 48% higher than 2023 and 11% of annual GLV. Bengaluru dominated quarterly preleasing with 86% share. For the full year, Bengaluru and Delhi NCR contributed 55% and 25% respectively to annual preleasing activity. Going ahead, near term preleasing trend in top tech cities is likely to remain healthy indicating higher business confidence of occupiers.

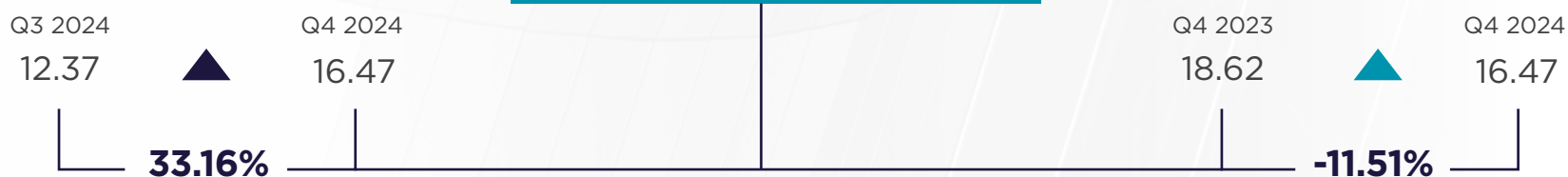


Net Absorption

At 16.5 MSF, net absorption posted the second highest quarterly figure ever with a growth of 33% on a quarterly basis. Strong fresh leasing and operationalization of preleased buildings in cities such as Bengaluru drove quarterly net absorption. For the full year, net absorption stood at 50.1 MSF, a record high and a 21% growth over 2023. Bengaluru led annual net absorption with a 28% share, followed by Mumbai and Hyderabad with shares of 22% and 16% respectively.

Net Absorption (MSF)	Q3 2024	Q4 2024	% Change	Net Absorption (MSF)	Q4 2023	Q4 2024	% Change
Mumbai	2.64	4.11	55.60%	Mumbai	2.25	4.11	82.71%
Delhi NCR	1.81	1.83	1.36%	Delhi NCR	1.63	1.83	12.87%
Bengaluru	4.01	3.96	-1.21%	Bengaluru	8.05	3.96	-50.79%
Chennai	0.47	0.29	-39.22%	Chennai	1.49	0.29	-80.86%
Pune	1.55	1.72	10.76%	Pune	1.89	1.72	-9.61%
Hyderabad	1.32	4.04	209.86%	Hyderabad	2.55	4.04	58.36%
Kolkata	0.37	0.21	-45.01%	Kolkata	0.26	0.21	-20.13%
Ahmedabad	0.19	0.32	62.97%	Ahmedabad	0.49	0.32	-34.34%

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Robust fresh demand and operationalization of certain projects with precommitments led to strong quarterly net absorption with the full year figure reaching record high of 50 MSF. Continued fresh space take-up will keep absorption levels healthy in the upcoming quarters. Pan India headline vacancies declined in Q4 though vacancies are likely to move up going forward due to higher supply. Rentals moved up across top cities in the quarter and strong demand momentum, especially in prime micromarkets, could lead to further rental appreciation in the near term.

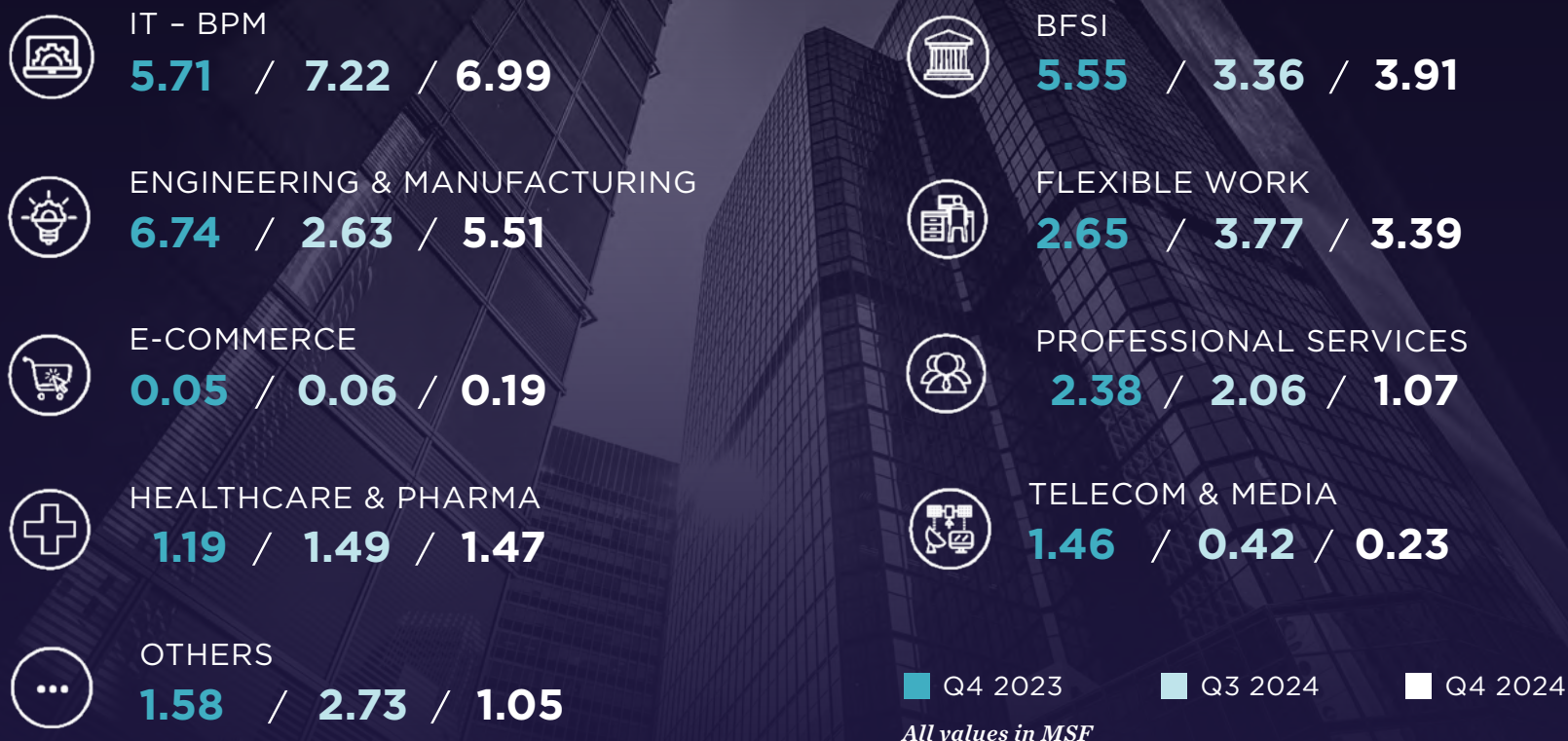
OCCUPIER TRENDS

IT-BPM remained the dominant segment accounting for 29% of quarterly leasing volumes while engineering & manufacturing and BFSI held 23% and 16% shares respectively. Flex operators continued to expand their footprint and remained one of the major occupier categories with a 14% share in quarterly GLV. In terms of absolute lease volumes, engineering & manufacturing recorded a robust growth of nearly 110% on a quarterly basis followed by BFSI with a growth of around 17%. IT-BPM recorded a marginal decline of 3% on a qoq basis.

For the full year, IT-BPM posted a growth of around 29% as compared to 2023 and contributed 29% to annual GLV. Engineering & manufacturing recorded a growth of around 4% on a yoy basis and accounted for 17% of annual GLV. BFSI and flex operators increased their space takeup by 17% and 57% respectively. BFSI had a share of around 17% in annual GLV and flex operators occupied the fourth spot with a 14% share.

Hyderabad contributed 31% of leasing by IT-BPM occupiers in Q4 followed by Bengaluru with a 25% share. Mumbai accounted for around 51% of leasing by BFSI occupiers with Pune contributing for 16% share. In the flex space segment, Bengaluru led the way with 38% of the leasing volumes followed by a contribution of 24% by Mumbai. Space take-up by E&M sector was the highest in Bengaluru (57%), followed by Chennai (12%).

Flex seat leasing stood at ~56,000 seats transacted in the quarter, bringing the full year figure to ~224,000, a record high. Continued robust enterprise demand for managed offices is likely to keep flex leasing momentum healthy in the upcoming quarters.



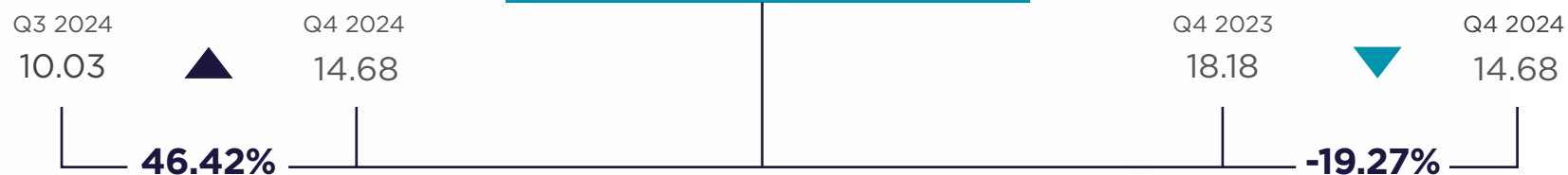
SUPPLY TRENDS

New supply stood at 14.7 MSF in Q4, a growth of 46% on a quarterly basis but a 19% fall as compared to the same period last year. Following a quarter of low supply, Q4 witnessed higher completions across most cities. Mumbai and Bengaluru accounted for around 25% of quarterly supply each followed by Hyderabad and Pune with 15% and 14% shares respectively. However, supply lagged demand in the quarter and headline vacancies declined across all cities, except Chennai and Pune. For the full year, supply stood at 45.2 MSF, a fall of around 6% as compared to the previous year with demand clearly outstripping supply throughout the year. 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 delivery of projects as per scheduled timelines will be crucial to keep the demand supply balance in the market and facilitate sustainable growth. Bengaluru and Hyderabad are likely to contribute nearly half of pan India supply cumulatively in 2025 with Pune and Delhi NCR likely to witness healthy supply addition. Prime micromarkets 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 relatively lower supply. Despite expected healthy supply addition over the next few quarters, rentals are likely to rise marginally driven largely by continued strong demand across prime micromarkets. On the other hand, pan India headline vacancies are likely to edge up due to higher supply.

New Supply (MSF)	Q3 2024	Q4 2024	% Change	New Supply (MSF)	Q4 2023	Q4 2024	% Change
Mumbai	0.63	3.70	490.11%	Mumbai	1.01	3.70	265.12%
Delhi NCR	0.29	1.27	336.86%	Delhi NCR	2.88	1.27	-56.00%
Bengaluru	5.04	3.60	-28.56%	Bengaluru	5.32	3.60	-32.32%
Chennai	0.60	0.93	55.12%	Chennai	1.89	0.93	-50.66%
Pune	0.45	2.10	366.67%	Pune	2.34	2.10	-10.22%
Hyderabad	2.37	2.23	-6.03%	Hyderabad	4.59	2.23	-51.58%
Kolkata	0.00	0.00	NA	Kolkata	0.00	0.00	-NA
Ahmedabad	0.64	0.85	31.90%	Ahmedabad	0.14	0.85	514.17%

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OUTLOOK

The strong momentum in the office market continued in Q4, and 2024 finished with record high leasing volumes and net absorption, surpassing last year as well as the pre-Covid highs. Large deals are being closed at a faster pace and the year saw fresh demand surging to record high. Global occupiers are taking up large spaces for business expansion, including pre-committed space in cities such as Bengaluru and Delhi NCR. This is a trend likely to continue in the near term given the healthy active deals pipeline.

The fundamentals of the office market remain sound, supported by strong global economic outlook, especially in the US. Receding global and domestic inflationary pressures and interest rate cuts are likely to benefit real estate sector and the broader economy going forward. GCCs are a key focus area and space takeup by this segment was at a record high in 2024. With companies entering India to set up greenfield GCCs or expanding existing ones, the outlook for GCC leasing is likely to be healthy in the near to medium term as both large and mid-sized MNCs look at India as a strategic R&D hub. Key growth drivers for India's GCC sector continue to be the country's large talent pool, competitively priced real estate and growing sophistication of office projects. The flex segment will remain one of key drivers of leasing activity in the near-to-medium term on the back continued strong demand for managed offices.

While supply lagged demand in 2024, completions are expected to move broadly in line with demand over the next couple of years. Developers are likely to expedite completions, especially in tech cities such as Bengaluru and Hyderabad, and look to deliver premium grade buildings. A major proportion of new supply is likely to be added in prime office corridors. Pan India vacancies are likely to rise in the interim due to high supply. Marginal rental appreciation is likely backed by strong demand across prime micro markets.





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