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Q1 2026

INDIA

OFFICE MARKET REPORT

KEY **HIGHLIGHTS**

Q1 2026

01 **21.9 MSF** gross leasing volume (GLV) in Top 8 cities in Q1 2026; the GLV posted **13% growth** on an annual basis but nearly 11% decline on a quarterly basis.

02 Mumbai led pan-India GLV in Q1, accounting for **30%** share, followed by Bengaluru and Hyderabad with **23% and 14%** shares respectively.

03 IT-BPM accounted for highest share **(23%)** in quarterly leasing, followed by BFSI with a **21%** share. Flex operators and engineering & manufacturing segments followed with **18% and 15%** shares, respectively.

04 **8.8 MSF** of new completions were recorded in **Q1 2026,** the lowest recorded in last seven quarters. Bengaluru and Delhi NCR contributed to around **35% and 20%** respectively, followed by Chennai **(18%)**

05 Net absorption in **Q1 2026** stood at **11.5 MSF,** a **28%** decline on a quarterly basis and a **24%** fall on an annual basis.

Indian office market performed steadily in the first quarter of the year despite the heightened global uncertainty created by the war in the Middle East and concerns surrounding possible delays in deal closures in the quarters ahead.

In the first quarter, the GLV grew at a steady pace on an annual basis while continued absorption of office space, backed by strong fresh leasing, translated into a further decline in office vacancy rates. The quarter saw major deals getting closed across top cities by global multinationals and space take-up by domestic firms was led by flex operators, who continued to expand their footprint. Global capability centres (GCCs) remained a key driver of office space take-up and is likely to remain so in the near to medium term. Fresh space demand remained dominant in leasing volumes in the quarter.

Pan India completions dropped in Q1, with demand pulling further ahead of supply in the quarter and certain cities recoding no supply. However, supply pipeline remains healthy in the remainder of the year and given the robust demand trajectory, developers and landlords are likely to expedite projects across top cities. Headline pan-India vacancies dropped by 48 bps on a quarterly basis while rents continued to rise.

LEASING TRENDS

Gross Leasing Activity

At nearly 22 **MSF** gross office leasing remained healthy in Q1, thereby highlighting market resilience in the face of heightened global uncertainties. Strong occupier confidence drove leasing in the quarter demonstrated by healthy fresh leasing as well as precommitments recorded across top cities by global multinationals. Pan India activity remain strong, it will be prudent to closely monitor global developments, including the ongoing war in the Middle East, and possible impact on the office market. However, the office market's robust fundamentals are likely to help overcome any short-term impact.

Closure of large deals translated into fresh demand accounting for around 74% of quarterly GLV, highlighting healthy market sentiments. GCC transactions accounted for 40% of GLV during the quarter, the second highest quarterly GLV share, thereby showcasing GCCs as a structural growth driver for the office market over the medium term. Domestic firms continued to lease more office space with flex operators leading the way with second highest quarterly lease volumes in Q1 following the record high in Q4 last year.

At around 16 **MSF**, pan-India fresh leasing was marginally higher by around 2% on an annual basis. Bengaluru contributed around 23% of quarterly fresh leasing volumes, followed by Hyderabad and Mumbai with 19% and 18% shares respectively. Rentals continued to appreciate across all cities on the back of sustained demand.

Gross Leasing (MSF)	Q4 2025	Q1 2026	% Change
Mumbai	4.29	6.6	53.84%
Delhi NCR	2.06	2.8	36.21%
Bengaluru	7.59	5.13	-32.38%
Chennai	2.02	1.66	-17.69%
Pune	2.55	2.09	-18.13%
Hyderabad	5.42	3.15	-41.91%
Kolkata	0.62	0.16	-74.78%
Ahmedabad	0.18	0.3	67.86%

Gross Leasing (MSF)	Q1 2025	Q1 2026	% Change
Mumbai	4.31	6.60	53.33%
Delhi NCR	2.75	2.80	1.81%
Bengaluru	4.86	5.13	5.70%
Chennai	1.97	1.66	-15.67%
Pune	2.59	2.09	-19.35%
Hyderabad	2.59	3.15	21.63%
Kolkata	0.26	0.16	-39.24%
Ahmedabad	0.07	0.30	328.71%

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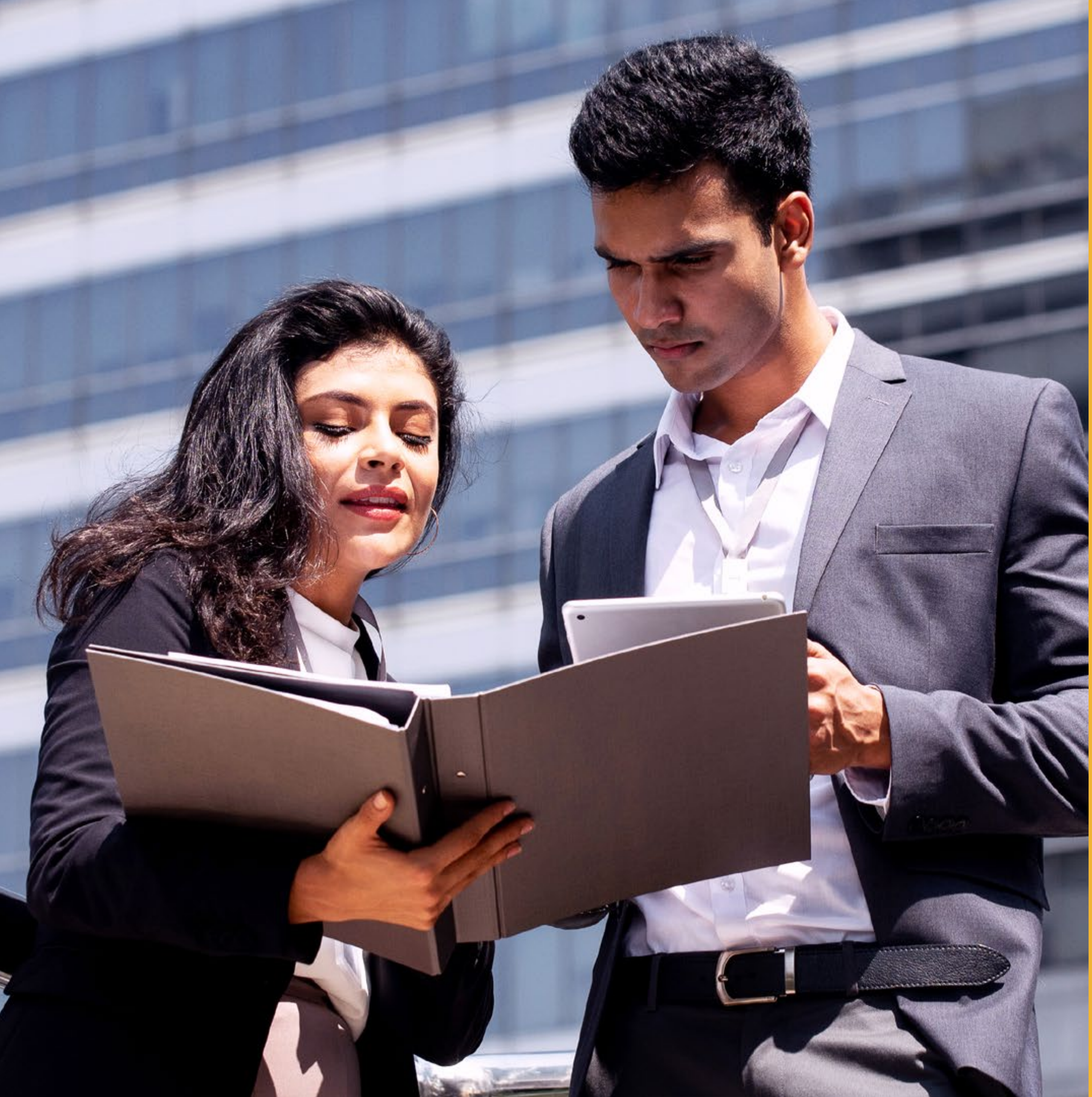
Q4 2025	Q1 2026	Q1 2025	Q1 2026
24.74	21.90	19.40	21.90

-11.48% (Q4 2025 to Q1 2026)

12.90% (Q1 2025 to Q1 2026)

Pan India gross lease volumes stood at nearly 22 **MSF** in Q1 helped by steady fresh demand and closure of large deals by foreign and domestic occupiers. GCC leasing stood at 40% of quarterly GLV, the second highest quarterly share ever, with the segment maintaining its status as a key contributor to leasing activity. Flex operators contributed 18% of GLV in the quarter; and in terms of absolute lease volumes, flex operators' space take-up was the second highest quarterly figure ever. Large operators continued to expand on the back of robust demand for managed offices). While active deal pipeline remains healthy, monitoring the potential impact if global uncertainty due to the war in the Middle East remains important as well.



Term Renewals

Term renewals stood at 2.2 **MSF** in Q1, a 62% growth on a quarterly basis and an 11% expansion as compared to the same period in 2024. Given the continued demand-backed rental appreciation across top cities, occupiers could be looking to renew leases before any further escalation in rentals. This also shows the confidence in the business operations in India. Mumbai led term renewals during the quarter with a share of 84%, with Pune contributing 16%.

Preleasing activity

At 3.5 **MSF**, preleasing jumped by 134% on an annual basis, highlighting occupier confidence and their medium-term growth strategy in India. Share of preleasing in quarterly GLV stood at 16%, compared to 15% share in the previous quarter and 8% in the same period last year. Mumbai accounted for around 53% of quarterly preleasing, followed by Bengaluru and Pune with 40% and 7% shares, respectively.

Net Absorption

At 11.5 **MSF**, net absorption was down both on a quarterly and annual basis. A 7-quarter low supply in Q1-26 of merely 8.8 **MSF** at a time when there was already limited availability of quality office spaces did have an impact on net absorption level during the quarter. Quarterly net absorption was driven by continued fresh leasing and operationalization of pre-committed projects in certain cities. While active deal pipeline remains strong and the office market has demonstrated its resilience during periods of uncertainty, any possible impact of the global uncertainty on leasing activity and space absorption needs to be closely watched. Bengaluru led quarterly net absorption with a 30% share, followed by Hyderabad and Mumbai with shares of 19% and 15% respectively.

Net Absorption (MSF)	Q4 2025	Q1 2026	% Change
Mumbai	2	1.77	-11.50%
Delhi NCR	1.26	1.51	19.29%
Bengaluru	4.89	3.41	-30.28%
Chennai	1.67	1.04	-37.58%
Pune	1.31	1.04	-20.63%
Hyderabad	3.91	2.21	-43.56%
Kolkata	0.41	0.26	-37.61%
Ahmedabad	0.49	0.28	-42.65%

Net Absorption (MSF)	Q1 2025	Q1 2026	% Change
Mumbai	2.87	1.77	-38.20%
Delhi NCR	3.87	1.51	-61.03%
Bengaluru	2.49	3.41	36.73%
Chennai	1.08	1.04	-4.01%
Pune	1.91	1.04	-45.59%
Hyderabad	2.41	2.21	-8.49%
Kolkata	0.38	0.26	-32.33%
Ahmedabad	0.07	0.28	305.60%

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Q4 2025
15.94

Q1 2026
11.51

-27.79%

Q1 2025
15.08

Q1 2026
11.51

-23.67%

In Q1, net absorption was driven by stable fresh demand and operationalization of pre-committed projects. While there was a drop in net absorption in the quarter, it is expected to pick up in the upcoming quarters given the healthy active deal pipeline. Vacancies declined across most cities in the quarter on the back of sustained demand and lower supply. However, vacancies are likely to move up in the upcoming quarters on the back of expected healthy supply. Rentals continued to rise in Q1 and rental growth is likely to continue backed by strong demand.

OCCUPIER TRENDS

IT-BPM remained the dominant segment accounting for 23% of quarterly leasing volumes, followed by BFSI with a share of 21%. Flex operators continued their space take-up with the segment recording the second highest quarterly lease volumes ever. Flex operators accounted for 18% of quarterly GLV with the healthy space take-up in the quarter highlights the robust demand for managed offices. Engineering & manufacturing held the fourth spot with a 15% share of quarterly GLV. In terms of absolute lease volumes, flex operators' take-up doubled on an annual basis while BFSI recorded a 10% growth on an annual basis. Leasing by engineering & manufacturing grew by nearly 49% as compared to same period last year. Professional services and Healthcare & pharma segments recorded declines of 25% and 18%, respectively, on an annual basis. Leasing by IT-BPM declined by around 14% on an annual basis.

Mumbai and Hyderabad contributed around 23% each to leasing by IT-BPM occupiers in Q1. Mumbai accounted for 63% of leasing by BFSI occupiers with Hyderabad contributing 16%. In the flex space segment, Bengaluru led the way with 32% of the leasing volumes followed by Hyderabad with a contribution of 24%. Space take-up by engineering & manufacturing sector was the highest in Bengaluru (41%), followed by Mumbai (17%).

Segment	Q1 2025	Q4 2025	Q1 2026
IT - BPM	5.86	6.30	5.03
ENGINEERING & MANUFACTURING	2.26	3.54	3.38
BFSI	4.20	3.63	4.60
E-COMMERCE	0.05	0.35	0.19
FLEXIBLE WORKSPACE	1.99	5.18	4.01
HEALTHCARE & PHARMA	1.35	0.95	1.11
PROFESSIONAL SERVICES	1.68	1.42	1.26
TELECOM & MEDIA	0.29	0.98	0.54
OTHERS	1.69	2.39	1.77

All values in **MSF**

SUPPLY TRENDS

New supply stood at 8.8 **MSF** in Q1, a 43% decline on a quarterly basis and an expansion of 18% as compared to the same period last year. Though the quarter recorded lower completions, the pace of new supply is likely to gain momentum in the upcoming quarters. Prime submarkets such as Outer Ring Road, Gurugram CBD, BKC, Madhapur, etc. which currently report high demand and tight vacancies, are expected to see healthy supply. In Q1, Bengaluru and Delhi NCR accounted for a major proportion of supply with shares of 35% and 20% respectively followed by Chennai with an 18% share. Supply in Ahmedabad increased by 69% on a quarterly basis with the city recording over a million sf of supply since Q1 2023. Pune, Hyderabad and Kolkata did not record any supply in the quarter. Vacancies declined across most cities on the back of sustained space demand though Chennai and Ahmedabad saw a rise in vacancies due to relatively higher supply. Over the next few quarters, timely project completions will remain crucial to maintain demand supply balance in the office market.

Rentals continued to move up on the back of strong demand and lower supply. Despite expected healthy supply over the next few quarters, rentals are likely to appreciate on the back of sustained demand across prime submarkets. Vacancies are also likely to edge higher on the back of higher supply.

New Supply (MSF)	Q4 2025	Q1 2026	% Change
Mumbai	1.40	0.89	-36.43%
Delhi NCR	0.18	1.80	926.33%
Bengaluru	2.81	3.07	9.61%
Chennai	2.19	1.62	-26.13%
Pune	2.38	0.00	-100.00%
Hyderabad	5.51	0.00	-100.00%
Kolkata	0.00	0.00	NA
Ahmedabad	0.81	1.38	69.35%

New Supply (MSF)	Q1 2025	Q1 2026	% Change
Mumbai	0.18	0.89	400.95%
Delhi NCR	2.71	1.8	-33.72%
Bengaluru	3.28	3.07	-6.13%
Chennai	0	1.62	NA
Pune	3.21	0	-100.00%
Hyderabad	1.32	0	-100.00%
Kolkata	0	0	NA
Ahmedabad	0	1.38	NA

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Q4 2025	Q1 2026	Change
15.28	8.76	**-42.66%**

Q1 2025	Q1 2026	Change
10.69	8.76	**-18.06%**

OUTLOOK

Stable gross leasing activity in the first quarter of the year shows the strong fundamentals of the office market, despite the global uncertainty brought about by the war in the Middle East. The market remains resilient in the face of the uncertainty induced by the West Asia conflict and continues to see large deal closures by global occupiers, especially GCCs across top cities. However, there is a need to monitor geopolitical developments and it's potential impact on leasing activity by large occupiers and possible delays in deal closures. Near-term impact on office demand is expected to be muted as leasing decisions are taken at least 1-2 quarters in advance. India's large tech talent pool, sophisticated digital ecosystem, competitive real estate costs and supply of premium Grade A/A+ offices remain attractive for global multinationals. Domestic occupiers, too, are contributing strongly to space take-up, Flex operators have been expanding their footprint on a large scale on the back of rising demand from GCCs as well as domestic firms. Any near-term announcement on end of the war in the Middle East will also be a positive development for the Indian office market and the broader economy.

GCCs continued to contribute heavily to leasing activity in Q1; accounting for 40% of GLV, the second highest quarterly share. Many mid-sized foreign multinational firms have been entering India to set up GCCs attracted particularly by the large talent pool. This is likely to continue over the medium term with the flex sector likely to benefit from the trend of smaller GCCs getting established. A wide gamut of customized services including design and build, shorter lease tenues, single cheque facility etc will remain attractive to smaller GCCs.

Grade A/A+ supply needs to increase faster, especially at prime submarkets to address the demand-supply imbalance. Going forward, healthy supply pipeline points towards developers/landlords expediting projects to meet strong demand. Despite higher supply, rentals are likely to appreciate further across major cities.

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