

Q4 propels record-high office leasing activity; at 58.2 msf 2023 witnesses 16% YoY growth in demand

- Q4 2023 records 20.2 mn sq ft of gross absorption, highest ever quarterly leasing activity
- Bengaluru drives 2023 demand with more than one-fourth share in gross leasing, followed by Delhi NCR & Chennai at around one-fifth share
- Flex space leasing continues to grow, highest leasing in any year at 8.7 mn sq ft,
- Large deals (>100,000 sq ft) accounted for 50% of 2023 demand; Space take-up by GCCs bounce back in Q4
- 50.1 mn sq ft of Grade A supply infusion in 2023 reflects strong developer confidence
- Vacancy remained rangebound while rentals firmed slightly

Gurgaon, India, 24 December 2023: Contrary to initial beliefs, 2023 India office market has culminated on a spectacular note with 58.2 mn sq ft of gross absorption across the top 6 cities. The last quarter of the year witnessed the highest-ever demand for office spaces in India, with all the three southern cities of Bengaluru, Chennai and Hyderabad registering best performance since the Covid-19 pandemic. While Bengaluru and Delhi NCR drove leasing activity during 2023, accounting for about half of the total demand of office space in India, Chennai made it to the top three list for the first time. Furthermore, with more than 2x leasing activity in 2023 as compared to 2022, Chennai breached all earlier highs and recorded 10.5 mn sq ft of gross absorption.

Trends in Grade A gross absorption (in million sq feet)

City	2023	2022	YoY change	Share of Q4 in 2023 gross absorption
Bengaluru	15.6	16.2	-4.2%	35%
Delhi-NCR	11.6	10.8	7.0%	27%
Chennai	10.5	4.6	131.0%	40%
Hyderabad	8	6.5	22.7%	34%
Mumbai	7	7.1	-1.2%	38%
Pune	5.5	5.1	8.9%	36%
Pan India	58.2	50.3	15.7%	35%

Source: Colliers

Note- Gross absorption: does not include lease renewals, pre-commitments and deals where only a letter of Intent has been signed.

Top 6 cities include Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai, and Pune

Demand (msf)			
	Q4 2023	Q4 2022	YoY Change
Bengaluru	5.5	3.5	58%

Chennai	4.3	1	338%
Delhi NCR	3.1	1.9	61%
Hyderabad	2.7	1.7	57%
Mumbai	2.6	1.4	87%
Pune	2	1	100%
Pan India	20.2	10.5	92%

Note: Data pertains to Grade A buildings and Pan India includes cities mentioned above only

Top 5 deals- Q4 2023

Transaction Quarter	Year	City	Occupier/Tenant	Industry	Area leased (sq.ft.)	Building Name	Micro market	Location
Q4	2023	Chennai	Bank of America	BFSI	1,100,000	DLF Downtown	OMR Zone 1	Taramani
Q4	2023	Bengaluru	Philips	Engineering & Manufacturing	655,681	Embassy Business Hub	North	Bellary Road
Q4	2023	Bengaluru	Wells Fargo	BFSI	650,000	Embassy Tech Village - 3B	ORR	ORR 1
Q4	2023	Bengaluru	Qualcomm	Engineering & Manufacturing	567,404	Bagmane Capital - Angkor East	ORR	ORR 1
Q4	2023	Chennai	Citi Bank	BFSI	503,525	DLF Cybercity	MPR	Manapakkam

Top 5 deals of 2023

Transaction Quarter	Year	City	Occupier/Tenant	Industry	Area leased (sq.ft.)	Micro market	Location
Q4	2023	Chennai	Bank of America	BFSI	11,00,000	OMR Zone 1	Taramani
Q2	2023	Chennai	Shell	Engineering & Manufacturing	6,67,752	MPR	Porur
Q4	2023	Bengaluru	Philips	Engineering & Manufacturing	6,55,681	North	Bellary Road
Q4	2023	Bengaluru	Wells Fargo	BFSI	6,50,000	ORR	ORR 1
Q4	2023	Bengaluru	Qualcomm	Engineering & Manufacturing	5,67,404	ORR	

Tech demand rationalizing amidst increasingly heterogeneous office space take-up

The contribution of tech sector in office leasing has been steadily decreasing from around 50% in 2020 to 25% in 2023. While demand emanating from tech occupiers rationalized, the overall leasing activity continued to diversify. The sectoral contributions from BFSI and Engineering & Manufacturing sectors especially have almost doubled, increasing from 10-12% in 2020 to around 16-20% in 2023. Interestingly, in 2023, leasing by Engineering and Manufacturing players (26% share) surpassed the demand emanating from Technology firms (22% share) in the tech hub of Bengaluru.

Demand from Flex operators remained unabated; at 8.7 mn sq ft flex spaces uptake in 2023 was 24% higher as compared to 2022. Flex penetration in the Indian office market is expected to rise further in 2024, as developers are likely to adopt core plus flex strategy for decision making.

Demand Drivers 2023

Sector	Area leased (mn sq ft)	YoY change
Technology	14.3	-15%
BFSI	11.2	64%



Engineering & Manufacturing	9.4	87%
Flex Space	8.7	24%
Consulting	4.5	-4%
Healthcare & Pharma	2.4	47%
Consumables	1.2	-56%
E-commerce	1.0	196%
Logistics	0.5	-
Others	5.0	-3%
Grand Total	58.2	16%

Source: Colliers

Others include- FMCG, real estate, oil, gas and energy companies

“The Indian office market not only navigated initial uncertainties but exceeded expectations and emerged successfully, recording an impressive 58 mn sq ft of gross absorption during 2023. The demand momentum, particularly as seen during the last quarter, will pave way for an optimistic start to 2024. Notwithstanding unforeseen events, a stable economic outlook augurs well for Indian commercial real estate and office markets will continue to witness steady interest from domestic as well as foreign-origin occupiers. Increased preference of a combination of core and flex real estate space, heightened activity in tier II markets and next-gen offices with more sustainable elements will be the key themes for office markets in 2024.” says **Arpit Mehrotra**, *Managing Director, Head of Office services, Colliers India*.

Resurgence in large deals, as GCCs continue to expand their India footprint

After a brief pause, occupier confidence in business environment has translated into large office space requirements. At around 30 mn sq ft., large deals (>100,000 sq ft) have shown an impressive 24% annual growth in 2023. Global Capability Centres (GCCs) typically have large space requirements, and they too resumed their expansionary activities with greater fervor towards the second half of 2023, especially in the fourth quarter. Almost 40% of the large deals in the top six cities have come from GCCs, particularly from technology and BFSI sectors.

“Large sized of 100,000 sq ft or more have contributed to almost 50% of the overall office space demand in India. Interestingly, more than half of the large GCC deals achieved closure in last quarter of 2023, indicating renewed momentum in GCC activity of the country. Large pool of talent, cost-effective rentals, adequate Grade A developments and favorable office market ecosystem will continue to uphold India’s vantage positioning from a capability centre perspective. Moreover, healthy demand from domestic firms across technology, BFSI, manufacturing, healthcare and flex spaces will result in equally strong demand of office spaces in 2024.” says **Vimal Nadar**, *Senior Director and Head of Research, Colliers India*.

Healthy supply infusion keep vacancy levels rangebound while rentals firm up slightly

With 50.1 mn sq ft. of new completions, fresh supply across the top six cities rose about 17% YoY, indicating higher developer confidence for near-term space uptake. While Bengaluru accounted for 35% of the new completions in 2023, Hyderabad followed in closely with almost 30% share at an India level. Given strong performance on both demand and supply side, vacancy levels remained rangebound. Average rentals meanwhile increased by up to 5% across most Indian cities.

Trends in Grade A new supply (in million sq feet)



City	2023	2022	YoY change	Share of Q4 In 2024 Grade A supply	Vacancy (%) as on 2023 end
Bengaluru	17.5	10.8	62.90%	39%	17.50%
Hyderabad	14.5	11.4	28.00%	17%	22.70%
Chennai	6.9	4.6	49.60%	51%	16.30%
Delhi-NCR	5.8	7.9	-27.20%	42%	19.90%
Pune	4.3	6.5	-34.50%	46%	14.80%
Mumbai	1.1	1.8	-37.60%	23%	12.30%
Pan India	50.1	43	16.60%	35%	17.40%

Source: Colliers

Supply (msf)		
Q4 2023	Q4 2022	YoY Change
6.9	2.7	156%
3.5	0.4	765%
2.4	1.5	64%
2.4	3.4	-30%
0.3	-	N.A.
2	2	0%
17.4	9.9	75%

Source: Colliers

Note: Data pertains to Grade A buildings and Pan India includes cities mentioned above only

End of Release

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