

RE Insights

Mumbai Office
Nov 2024

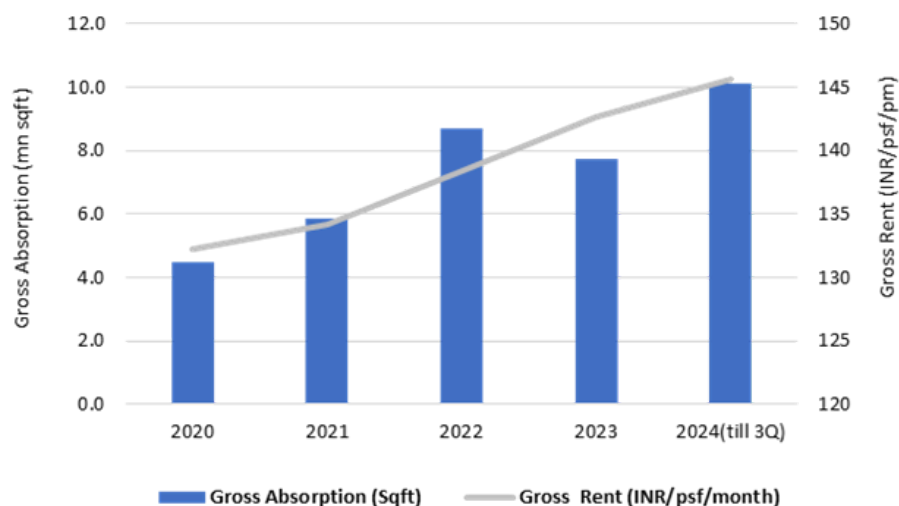


Mumbai office: A perspective on post-Covid gross absorption and rental trend

Post Covid, Mumbai's gross office absorption has shown a steady rise showing the city's resilience and continued attractiveness amid return to office being implemented fully by maximum companies. Gross absorption is otherwise called as gross leasing that includes all types of leasing transactions excluding occupiers exit in a particular time period.

The year 2022 witnessed a substantial rise in leasing, which could be attributed to the latent demand from occupiers who had adopted a wait-and-watch approach during the COVID period. During Jan-Sept 2024, the gross absorption stood at robust 10 million sqft which is further expected to rise close to 13-14 million sqft by the end of 2024.

Chart 1: Mumbai's Gross Absorption and Gross Rent trends (2020-2024)

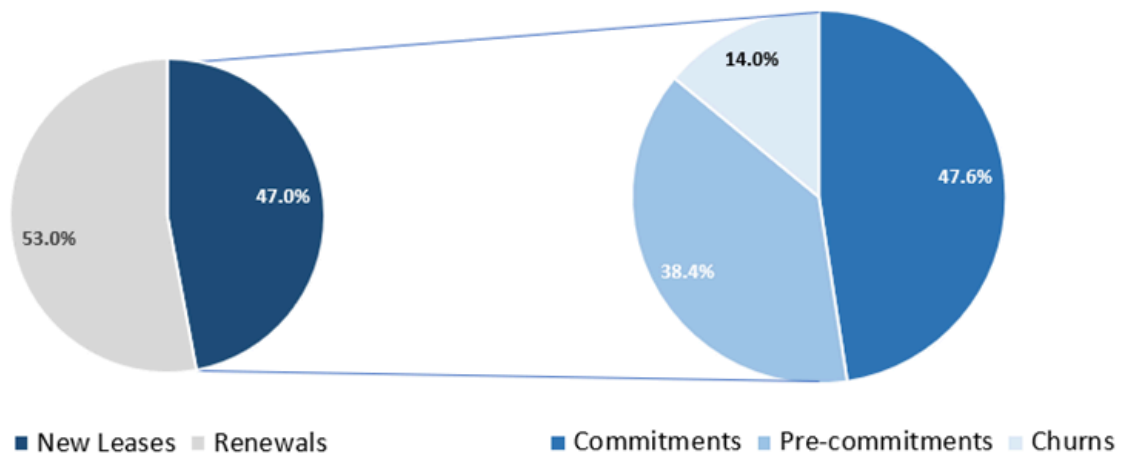


Source: RE Journal

Note: Gross Absorption or Gross Leasing in a quarter includes all types of leasing transactions, such as new leases (commitments + pre-commitments + churns) and renewals. This does not include cancellations or exits of the quarter. Gross Rent indicates the city level weighted average leasable rent paid by all the active occupiers basis to their lease terms.

As per our data, the weighted average office rent for the city has shown a corresponding rise with the growth of gross absorption and we expect the city to perform even well in coming quarters both in absorption and rental as certain quality assets are due for completion. And some of these buildings have already showcased significant pre-leasing in the past months.

There is a polarization in rental growth aligned with varying vacancy levels in buildings. While certain assets show stagnant or marginal rent increases, superior buildings with low vacancy rates, which are trading at a premium, will continue to drive overall market rents upward.



Source: RE Journal

Additionally, RE Journal's research indicates that renewals constituted a significant share, accounting for 53% of the gross absorption recorded from January to September 2024. Out of the remaining newly signed leases, 47.6% constitute commitments (leases in completed buildings), 38.4% pre-commitments (leases in under construction buildings) and rest 14.0% churn deals where new occupiers have come at the place of old occupiers.

A further scan of leases showed that during Jan–Sept 2024, the average lease tenure was 52 months for the city. About 62% of the leases were signed for 60 months and more; 25% of leases were signed for the period between 36 and 59 months, while rest of the leases were signed for 35 months and lesser.

About Us

RE Journal is a leading provider of real estate research and data analytics in India. We offer comprehensive insights into commercial and residential real estate, including leasing, sales, project analysis, and mortgage markets, with a focus on Tier I and Tier II cities. Our real-time data and forecasting capabilities empower stakeholders to make informed decisions and gain a competitive edge.

**Website**

www.rejournal.in

Email Address

subscription@rejournal.in

Phone Number

+91 22-44555532