

RE Insights

Pune Office
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Post-Covid Office supply and demand mismatch has led to a double-digit vacancy in Pune

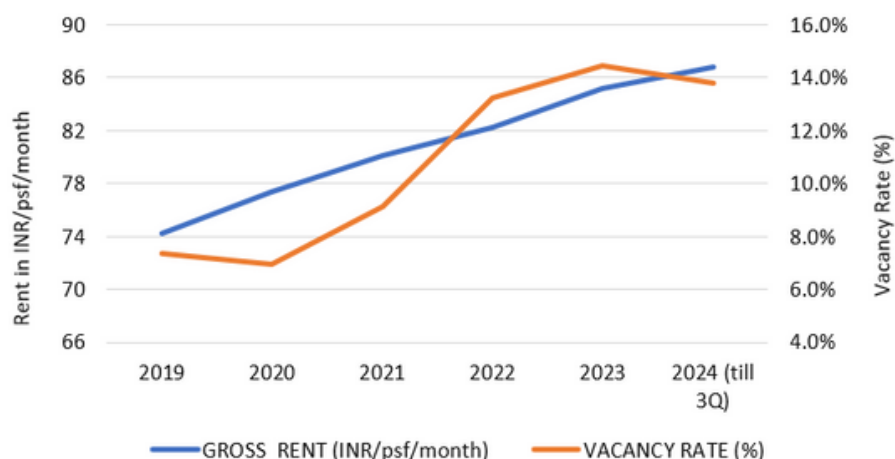
At end 3Q 2024, Pune's total Grade A office stock stood at 84.2 million sqft with an average vacancy rate of 13.8%. The vacancy level has increased recently due to the high volume of completions seen in past 3 years, as several projects which were on a slow track during the Covid period, were delivered in the subsequent years.

Especially in the year 2022, there was a significant 7.5 million sqft of new supply was delivered in the city. Amid cautious demand, the substantial influx of supply has pushed Pune's vacancy rate from the historically low single digits to its current double-digit levels.

Rents and Vacancy

Usually, higher vacancy rate leads to lower rents and vice versa, however, Pune defied this trend, with rents steadily rising even as vacancy rates climbed during 2021-23. This is attributed to the city's strong growth prospects and its reputation as a key IT destination, therefore, the current mismatch between supply and demand is expected to be temporary. The vacancy rate has already started declining as we have seen an uptick in leasing in the past quarters. Especially in the past 3 quarters of 2024, the city has witnessed a strong 5.8 million sqft of gross absorption which also includes notable pre-leasing in key upcoming projects in East Nexus and West Edge which is likely to further ease vacancy in coming quarters.

Post Covid Rents & Vacancy Trends in Pune



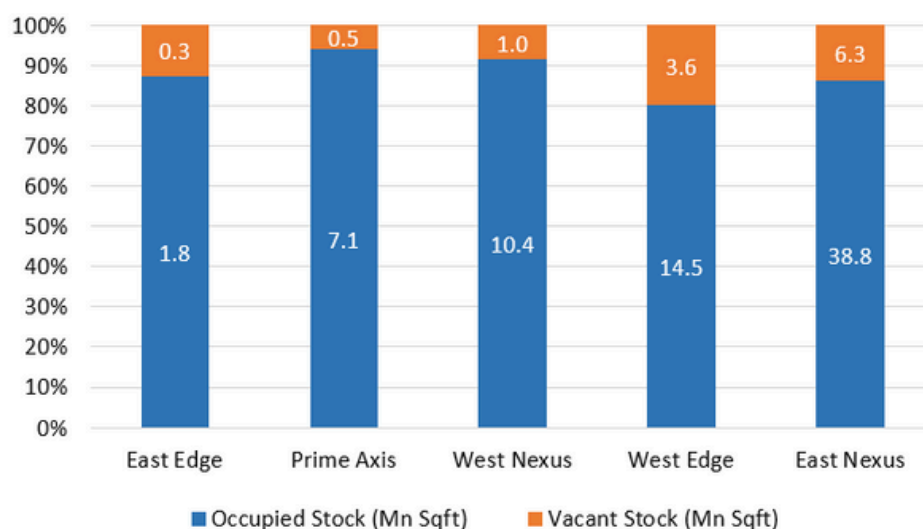
Source: RE Journal

Submarket Vacancy Dynamics

A further investigation at submarkets is outlined below to depict a clear picture of occupancy and vacancy distributions among submarkets. East Nexus comprising areas such as Hadapsar, Kalyani Nagar, Viman Nagar, Kharadi and Yerawada has the maximum office stock of 45.1 million sqft, followed by West Edge and West Nexus at 18.1 and 11.4 million sqft at end 3Q 2024 respectively. Major locations included in West Edge are Hinjewadi, Pimpri, Wakad and Chinchwad while West Nexus constitutes areas such as Baner, Balewadi, Kothrud, and Erandwane.

Note: Gross Rent indicates the city level weighted average leasable rent paid by all the active occupiers basis to their lease terms. Vacancy Rate is the ratio of vacant stock to the total operational stock at any point of time. For this report purpose, our calculation of vacancy and gross absorption included transactions of Grade A office properties only.

Submarket wise, Pune's Office Occupancy & Vacancy Split



Source: RE Journal

In terms of vacancy, East Nexus stands at 14.0% while West Edge has the highest vacancy rate of 19.9% at end 3Q24. However, these submarkets are highly established and have shown robust growth historically, so we expect the vacancy in these markets to smoothen soon. West Nexus and Prime Axis being two other active submarkets have lower level of vacancies of 8.5% and 6.1% respectively at Q3 2024.

The city's rental growth is expected to maintain its upward trajectory, supported by strong demand. However, the pace of growth is likely to differ across various submarkets.

Pune Office Submarket Definition

Prime Axis: Shivaji Nagar, Koregaon Park, Senapati Bapat Road, Station Road, Bund Garden Road, Kennedy Road, Ganesh Khind Road, Wakdewadi, Sangamwadi, RB Mills, Ghorpadi

West Nexus: Aundh, Erandwane, Baner, Kothrud, Baner Pashan Link Road, Balewadi

East Nexus: Hadapsar, Kalyani Nagar, Viman Nagar, Kharadi, Airport Road, Yerawada, Nagar Road, Jail Road, Mundhwa, Salunkhe Vihar

West Edge: Hinjewadi, Pimpri, Bavdhan, Wakad, Pimple Saudagar, Bhosari, Chinchwad, PCMC, Tathawade, Warje, Nanded Phata

East Edge: Fursungi, Fatima Nagar, Wagholi

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