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# Office Space Market in India: Stability, prosperity in 2023 and beyond

The Indian office space market's stable growth in 2023 and its resilience in the face of global uncertainties offer a glimpse into the prosperous future that awaits.

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The office space market has evolved to showcase diversified demand, with various sectors actively driving this trend.

The Indian office space market has emerged as a beacon of stability and resilience in the year 2023, defying global economic uncertainties. With a remarkable absorption of around 38 million square feet of office space, nearly matching the levels witnessed in 2022, India's commercial real estate sector continues to demonstrate robust momentum. This dynamic landscape is driven by key cities in the southern region, with Bengaluru at the forefront, along with the National Capital Region, collectively accounting for about half of the total office space demand.

Diversification is a notable trend, with various sectors significantly contributing to this demand, showcasing a broad-based appetite for office spaces. In a surprising turn, domestic players have increasingly become influential drivers of office demand, despite the prevailing global volatility.

## Resilience amid uncertainties

The Indian office space market's performance in the year-to-date (YTD 2023) has been nothing short of remarkable. With a gross absorption of around 38 million square feet in office spaces, closely matching the figures for the same period in 2022, this market has displayed impressive resilience even amid ongoing global uncertainties. A recent report by Colliers, a diversified professional services and investment management firm, highlights the enduring strength of India's commercial real estate sector.

In the third quarter of 2023 alone, the leasing activity amounted to 13.2 million square feet across major Indian cities, slightly surpassing the average quarterly demand of 12.6 million square feet observed since 2022. This consistent performance indicates the robust nature of the Indian office space market, even in the face of uncertainties on the global stage.

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## Domestic players stepping up

One of the most intriguing developments in the Indian office market is the emergence of domestic occupiers as influential participants. Despite the unpredictable global economic conditions, domestic occupiers have significantly contributed to nearly 50% of the total office space occupancy in 2023, according to the Colliers report. This trend reflects the growing influence of domestic players, which has been steadily increasing over the past few years.

This shift suggests that Indian businesses, even in the face of global economic challenges, are investing in office spaces and expanding their operations. It underlines their resilience and confidence in the long-term growth prospects of the Indian economy.

## Diversified demand driving growth

The office space market has evolved to showcase diversified demand, with various sectors actively driving this trend. While the technology sector continues to play a pivotal role, contributing to 25% of the year-to-date (YTD) leasing, it's important to note that there is now a broader spectrum of sectors fueling this demand.

Flex spaces, engineering and manufacturing, and the BFSI (Banking, Financial Services, and Insurance) sectors have seen substantial increases in their respective shares of office space occupancy, each gaining up to 6 percentage points.

Flex spaces, in particular, have continued to thrive in 2023, as occupiers increasingly prefer flexible and adaptable working arrangements for their office portfolios. This trend aligns with the changing preferences of businesses, which are now prioritizing flexibility and efficiency in their office space utilization.

## Prosperous future

The Indian office space market's stable growth in 2023 and its resilience in the face of global uncertainties offer a glimpse into the prosperous future that awaits.

As the Indian demographic evolves and consumption patterns shift, the demand for office spaces reflects these changes. The diversified sectors contributing to this demand signal a broad-based appetite for various types of office spaces, creating opportunities for investors and developers.

The technology-driven office space sector is still a significant player, but it is now complemented by the flex spaces, engineering, manufacturing, and BFSI sectors. The balance in demand across these sectors is an encouraging sign, as it reduces the risk associated with overreliance on a single industry.

**(By Vineet Taing, CEO, Vatika Business Centre. Views are personal)**