

NOI gains likely to be tempered by higher cost of capital

- Robust demand, constrained supply, leasing by GCCs and 'flight-to-quality' made for a structurally strong environment for REITs
- Improved utilisation (occupancy and in-place rents) and expansion of leasable area are likely to result in NOI growth of ~36.2% YoY
- We remain constructive on the sector and expect REITs under our coverage to deliver average DPU growth of ~+7.5% YoY and ~+5.3% QoQ

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Over Q4FY26, ~20.7msf (+15.0% YoY, -6.8% QoQ) was absorbed as occupiers demonstrated a clear focus on expansion-driven growth and Grade A offices. Bengaluru, Delhi-NCR and Mumbai led leasing activity, making up ~67% of total leasing over the period. GCCs remain the driving force, accounting for ~44% of the overall leasing activity (concentrated in Bengaluru and Hyderabad). ~8.3msf (-14.4% YoY, -50.0% QoQ) was delivered over the period, spread mostly across Bengaluru, Ahmedabad and Chennai (~66% of total supply). We believe that **constrained supply, leasing by GCCs and 'flight-to-quality' made for a structurally strong environment for demand to consolidate into space in REIT managed properties.**

As a result of the constrained supply and robust demand for Grade A offices, we believe REITs under our coverage are well positioned to improve committed occupancy by ~5.12pps YoY, to ~91.5%. We expect higher occupancies and lease expiries (~2.2% of total leasable area expired over Q4FY26) to push average in-place rents by ~4.57% YoY, to ~Rs 90.6psf/m. **Improved utilisation and the expansion of leasable area is likely to result in NOI growth of ~36.2% YoY.** We believe BIRET is best placed to deliver the highest growth in NOI (~64% YoY), driven by the substantial increase in its leasable area (~+30%), improved occupancy (+5.1pps) and higher in-place rents (+6.39% YoY).

REITs under our coverage raised ~Rs 8,520mn of equity and ~Rs 24,600mn of debt capital over Q4FY26, as challenging capital market conditions weighed on investor sentiment. We believe that **REITs are likely to report marginally higher avg. cost of debt given elevated debt yields; and expect higher interest costs to put DPU growth under pressure.**

We remain constructive on the sector and continue to believe that REITs' ability to expand leasable area remains key to driving DPU growth as portfolio occupancies exceed ~90%. We expect average DPU growth of ~+7.5% YoY and ~+5.3% QoQ.

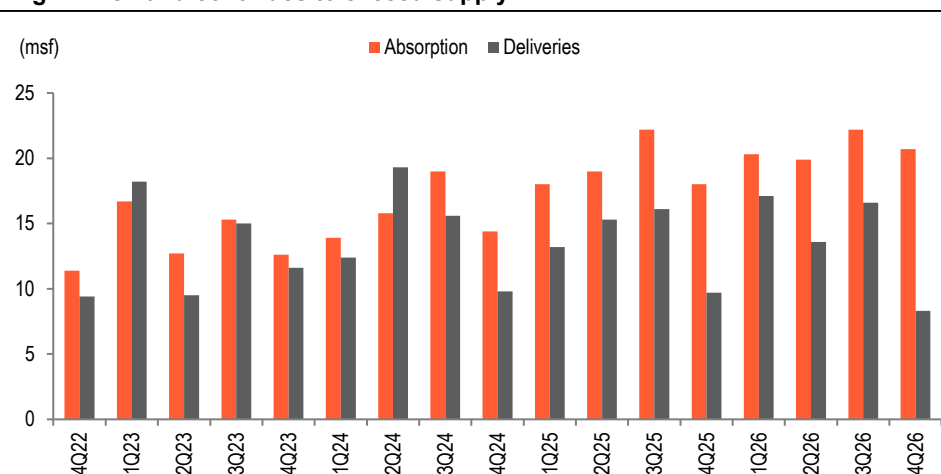


Fig 1 – Estimates

	4Q26E	4Q25A	yly (%)	3Q26A	q/q (%)
Occupancy (%)					
MINDSPACE	90.6	84.1	6.5	89.6	1.0
EMBASSY	90.8	87.0	3.8	90.0	0.8
BIRET	93.1	88.0	5.1	92.1	1.0
In-place Rents (Rs Psf/m)					
MINDSPACE	75.4	71.0	6.2	74.7	0.9
EMBASSY	93.1	92.0	1.1	94.0	(1.0)
BIRET	103.2	97.0	6.4	101.0	2.2
NOI (Rs mn)					
MINDSPACE	6,992	5,397	29.5	6,713	4.2
EMBASSY	10,198	8,924	14.3	9,850	3.5
BIRET	8,042	4,885	64.6	5,404	48.8
EBITDA (Rs mn)					
MINDSPACE	6,525	5,138	27.0	6,503	0.3
EMBASSY	10,101	8,681	16.4	9,670	4.5
BIRET	7,844	4,723	66.1	5,275	48.7
NDCF at REIT Level (Rs mn)					
MINDSPACE	4,261	3,931	8.4	3,798	12.2
EMBASSY	6,243	5,397	15.7	6,130	1.8
BIRET	4,132	3,191	29.5	4,050	2.0
DPU (Rs)					
MINDSPACE	6.55	6.44	1.7	5.83	12.3
EMBASSY	6.58	5.68	15.8	6.47	1.7
BIRET	5.51	5.25	5.0	5.40	2.0

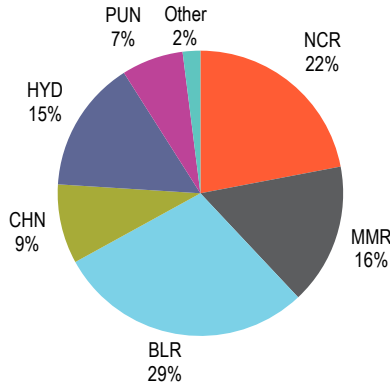
Source: Company, BOBCAPS Research

Fig 2 – Demand continues to exceed supply



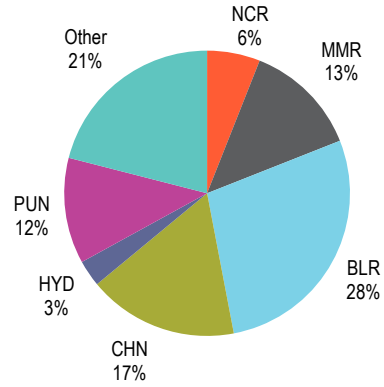
Source: CBRE, BOBCAPS Research

Fig 3 – Absorption driven by Bengaluru, Delhi-NCR and Mumbai



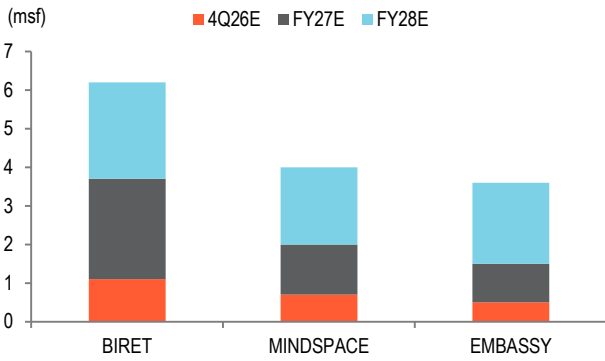
Source: BOBCAPS Research, CBRE

Fig 4 – Supply concentrated in Bengaluru, Ahmedabad and Chennai



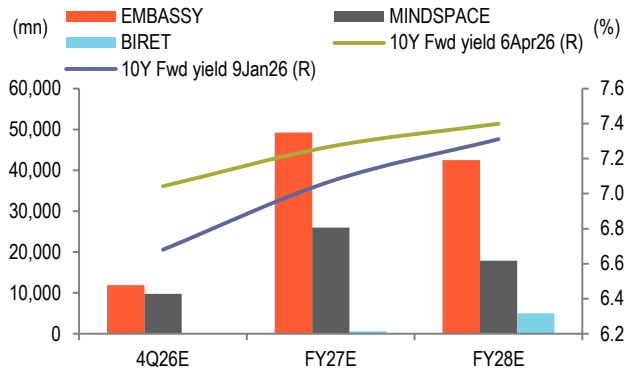
Source: BOBCAPS Research, CBRE

Fig 5 – ~2.2% of total leasable area expiring over Q4FY26



Source: BOBCAPS Research, Company

Fig 6 – Debt maturity schedule



Source: BOBCAPS Research, Company

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Note: Recommendation structure changed with effect from 21 June 2021

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