REAL ESTATE | Q2FY26 Review | 18 November 2025

2Q26 Office REITs – efficiently run portfolios with upside to rents

- **Operated with higher average committed occupancy (90.7%), but lower average in-place rents (Rs 88.2psf/m) vs pan India office market**
- **Increased total leasable area by +1.4msf (QoQ), with REITs relying on acquisitions growing faster vs REITs relying solely on developments**
- **We estimate average DPU growth of ~+11.5% over FY26E-28E and increase TPs by ~+4.4% on an unchanged DPU multiple of ~16.7x**

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Over 2Q26, Office REITs under our coverage leased ~2.89msf and earned average in-place rents of ~Rs 88.2psf/m with average committed occupancy of ~90.7% across their portfolios. NDCF generated by the REITs exceeded our expectations by ~+14.2%, driven by **better-than-expected occupancy and lower interest expenses leading to higher DPUs (~+13.0% YoY)**.

MINDSPACE reported DPU of Rs 5.83 (+13.2% YoY), +14% above our estimates on the back of higher occupancy (+130bps), lower interest expense (~-9.1%) and non-recurring adjustments to working capital.

BIRET reported DPU of Rs 5.25 (+14.1% YoY), beating our estimates by ~13%. NDCF was driven mainly by lower interest expense (-1.3%), higher dividends received from NCP and the use of cash.

EMBASSY reported DPU of Rs 6.51 (+11.7% YoY), beating our expectations by +7.3% driven by higher rental revenues, dividends from Embassy Golflinks and non-recurring adjustments to working capital.

Going forward, as occupancy at REIT portfolios approach ~90%, we believe their ability to expand leasable area remains key to driving DPU growth. Additionally, given the expectations of higher interest rates, we expect REITs' ability to reduce interest expense materially to be limited. We estimate average DPU growth of ~+11.5% (+110bps above consensus estimates) over FY26E-28E, because of improved occupancy, higher in-place rents and increased area under REIT management.

We increase TPs by ~+4.4% on an unchanged DPU multiple of 16.7x to reflect adjusted DPU growth and a positive correlation between DPU growth and stock price, applied to 5Q-8Q DPU estimates (3Q27E-2Q28E).

Recommendation snapshot

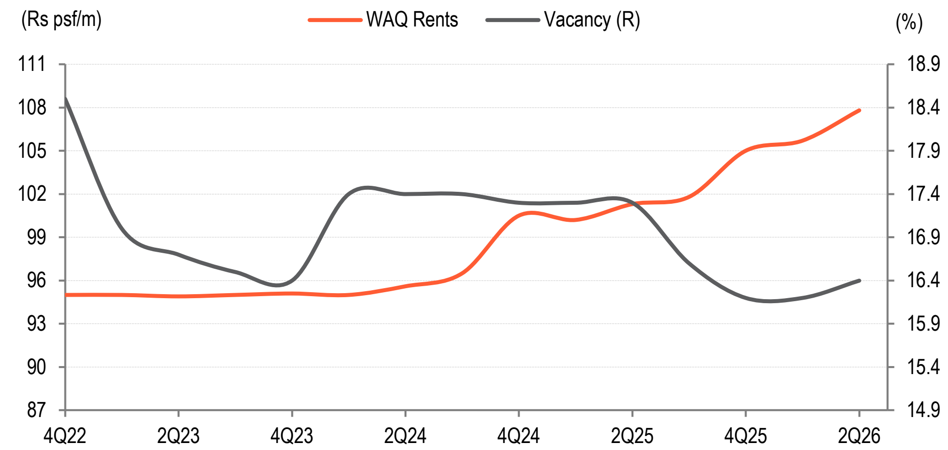
Ticker	Price	Target	Rating
BIRET IN	336	400	BUY
EMBASSY IN	418	466	HOLD
MINDSPCE IN	467	543	BUY

Price & Target in Rupees | Price as of 17 Nov 2025

Office market remains undersupplied

As of 2Q26, India has ~830msf of office stock, earning weighted average quoted (WAQ) rents of ~Rs 107.8psf/m (not including CAM or taxes) with an average vacancy of ~16%. Gross absorption (17.2msf, -1% YoY) continued to outpace supply (16.6msf, +15% YoY), pushing the vacancy lower (-95bps YoY) and WAQ rents higher (+10.4% YoY). Bengaluru remains the most active office market in India, making up ~27% of gross absorption and contributing to ~24% of the supply over 2Q26. Of the 17.2msf absorbed over 2Q26, ~82% was leased by conventional office occupiers (driven by demand from GCCs) and ~18% was leased by flex-office operators.

Fig 1 – Lower vacancy pushing WAQ rents higher



Source: Colliers, BOBCAPS Research

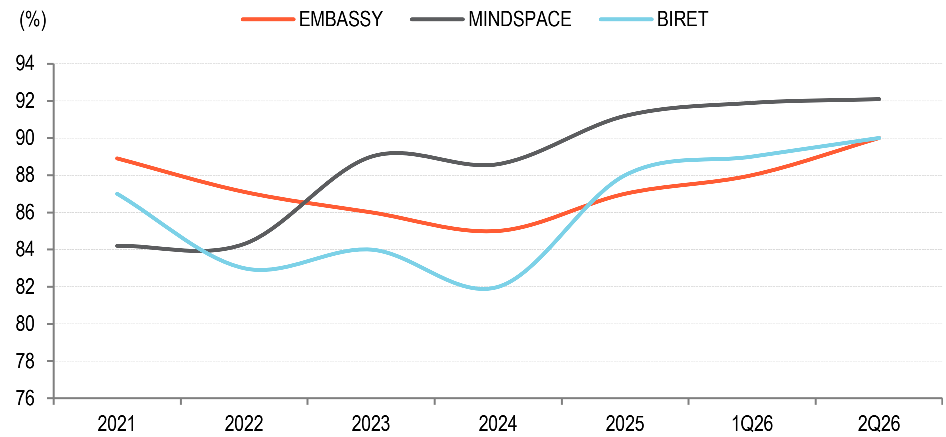
Office REITs – efficiently run portfolios with upside to rents

Office REITs under our coverage operated their portfolios more efficiently with higher average committed occupancy (90.7%) but lower in-place rents (Rs 88.2psf/m). Given the institutional quality and management of REITs assets, we believe significant upside to in-place rents in REIT portfolios exist as they adjust to prevailing WAQ rents.

- **MINDSPACE** leased (gross) 0.8msf at spreads (re-leasing) of 28.1% and average rents of Rs 76psf/m. The REIT's portfolio had committed occupancy of 92.1% (+240bps YoY) and in-place rents of Rs 73.5psf/m (+4.4% YoY).
- **BIRET** leased (gross) 0.59msf at spreads (re-leasing) of 21.0% and average rents of Rs 136psf/m. The REIT's portfolio had committed occupancy of 90.0% (+500bps YoY) and in-place rents of Rs 98.0psf/m (+3.2% YoY).
- **EMBASSY** leased (gross) 1.5msf at spreads (re-leasing) of 27.0%. The REIT's portfolio had committed occupancy of 90.0% (+300bps YoY) and in-place rents of Rs 93.0psf/m (+4.5% YoY).

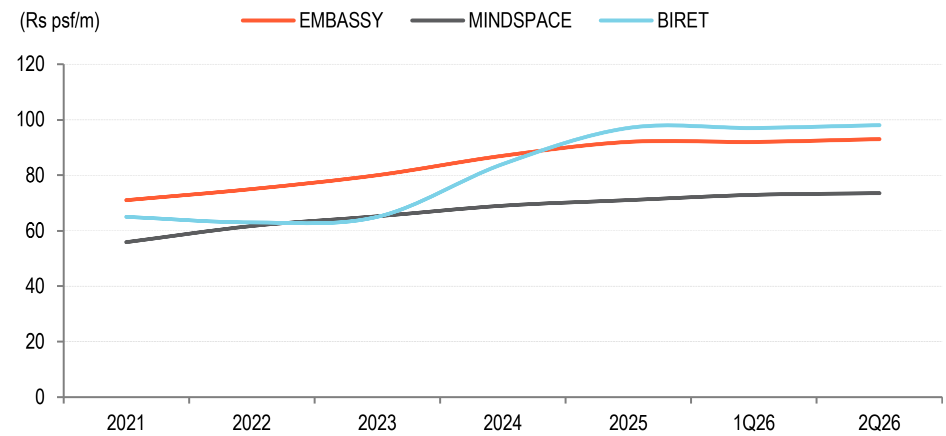
Office REITs under our coverage make up ~11.6% of the office stock across India and absorbed 16.8% of the gross office area leased over 2Q26.

Fig 2 – Office REITs have higher committed occupancies



Source: Company, BOBCAPS Research

Fig 3 – Upside to rents from institutional quality and management of office assets



Source: Company, BOBCAPS Research

Faster growth via acquisitions

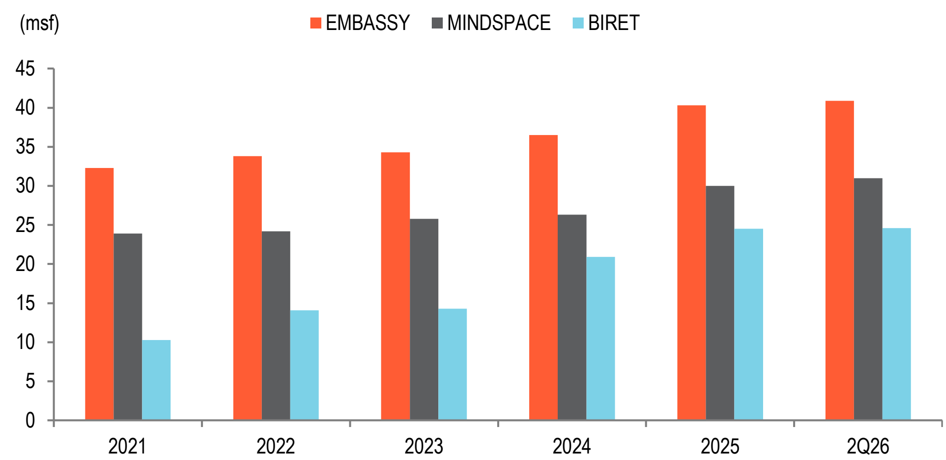
Office REITs under our coverage increased total leasable portfolios by +1.4msf over 2Q26 and by +6.0msf TTM (total leasable area up +8.3% YoY). We continue to observe REITs relying on growth via acquisitions grow faster vs those relying solely on growth through investments in under construction projects. As committed occupancy in REIT portfolios cross ~90%, we believe the ability to increase leasable area remains key to driving DPU growth.

- **MINDSPACE** acquired 100% equity shareholding in Mack Soft Tech Private Limited (MSTPL), that holds ‘Q-City’ (subsequently rebranded to The Square 110 Financial District) a ~0.8msf commercial asset in Hyderabad’s Financial district, resulting in +2.6% increase in the REIT’s leasable area. Over TTMs, MINDSPACE has grown leasable area by +17.4% through a combination of new developments and acquisitions.
- Post 2Q26**, BIRET** announced the signing of a binding agreement for the acquisition of 100% stake in Ecoworld, a 7.7msf office campus in Bengaluru. We believe this acquisition to be significant, as it will result in a ~31% increase in BIRET’s leasable area and mark its entry into the office market of Bengaluru.

Management expects to close the deal in 3Q26, and the asset to start generating revenue for the REIT by 4Q26. Over TTM 2Q26, BIRET increased leasable area marginally by ~+1.2% in the absence of any new acquisitions.

- **EMBASSY** delivered 0.9msf (Block L4 at Embassy Manyata, Bengaluru) in 2Q26, increasing leasable area by ~+1.2%. Over TTMs, EMBASSY has relied exclusively on investments in under-construction assets to grow leasable area by +6.5%.

Fig 4 – Faster growth via acquisitions

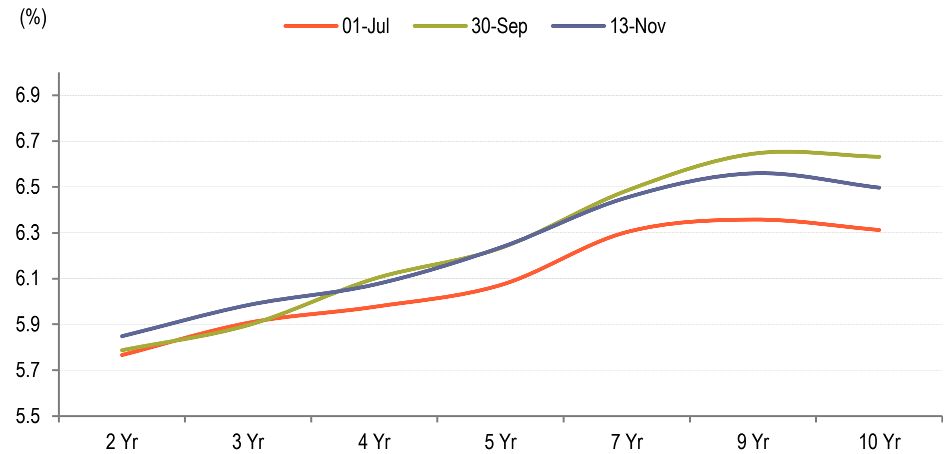


Source: Company, BOBCAPS Research

Effective debt management driving down cost of debt

Over 2Q26, sovereign yields (2Y-10Y) hardened by ~+16bps. However, Office REITs under our coverage reduced average cost of debt by ~-37bps, demonstrating effective debt management. Having already reduced cost of debt materially and given the expectations of higher yields, we believe REITs will find it challenging to re-finance expiring debt at materially lower rates and reduce interest expense further.

Fig 5 – Hardening yields (G-Secs)



Source: Bloomberg, BOBCAPS Research

- **MINDSPACE** raised Rs 28,500mn through a combination of CPs (Rs 17,000mn) at the cost of ~6.12% and NCDs (Rs 6,000mn 2Y and Rs 5,500mn 8Y) paying effective coupons of 7.12%. The REIT reduced its cost of debt by ~-38bps YoY and ~-32bps QoQ to 7.52%. ~10.9% of total outstanding debt is due to mature over 2H26.
- **BIRET** reduced its cost of debt by ~-86bps YoY and ~-60bps QoQ to 7.50%, as it benefited from 88% of its loans being linked to the repo-rate. No debt maturities are due over 2H26, and we expect BIRET to be able to further reduce cost of debt as the full impact of lower repo-rates flows through over the coming quarters.
- **EMBASSY** raised Rs 24,000mn via NCDs (Rs 2,000mn 10Y), paying effective coupons of 7.33% and CPs (Rs 4,000mn) at the cost of ~6.44%. Effective debt management resulted in lower cost of debt of 7.35% (~-64bps YoY and ~-20bps QoQ). As ~11% of total debt outstanding maturing over 2H26, we expect the REIT to drive down interest expense as it continues to successfully refinance debt at lower rates.

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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