



44th
edition

KNIGHT FRANK-NAREDCO

Real Estate Sentiment Index

Q1 2025 (Jan-Mar 2025)

May 2025

The Real Estate Sentiment Index is developed jointly by Knight Frank India and the National Real Estate Development Council (NAREDCO). The objective is to capture the perceptions and expectations of industry players to gauge the sentiment of the real estate market.

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Foreword



Shishir Baijal
Chairman & Managing Director
Knight Frank India

The Indian economy continues to navigate a challenging global environment shaped by shifting trade dynamics, slowing growth and geopolitical tensions. In this global economic order, India's economic resilience is driven by continued government capital expenditure and positive business outlook. Rising GST collections and E-way bill volumes further signal healthy supply chain movement and business transactions.

The Reserve Bank of India reduced the repo rate by 25 basis points (bps) in February, with the intent to cut rates further over the course of the year. This accommodative stance signalled a significant shift in the RBI's focus from economic sustenance to growth, amid global uncertainties and easing inflation.

While sounding caution, real estate stakeholders continue to express confidence in the long-term potential of India's real estate market, which still remains anchored by robust demand in higher ticket size residential segments and record activity in commercial leasing, particularly led by Global Capability Centres.

This edition of the Sentiment Index captures the evolving perspectives of real estate stakeholders, reflecting both the challenges and the enduring optimism that continue to shape the sector's growth trajectory.

We invite readers to delve into the detailed analysis provided in the subsequent sections of this report, which lay out the current and future projections of real estate sentiment across India, segmented by zone and stakeholder type. Each section aims to not only present data but also to interpret shifts in sentiment, helping stakeholders navigate through these evolving times with better insight.

This 44th edition of the Knight Frank-NAREDCO Real Estate Sentiment Index for Q1 2025 encompasses the current and future sentiments concerning the real estate sector, the economic environment, and funding availability as perceived by supply-side stakeholders.

I hope that you will find it insightful and interesting, and I extend my deepest gratitude to all industry stakeholders for their participation in this survey.



Partners' take on the sector



Mr. G Hari Babu

National President – NAREDCO

While the Knight Frank Q1 2025 Sentiment Index shows a marginal decline in both current and future sentiment scores compared to Q4, this slight dip amidst global uncertainties reflects the strength and adaptability of India's real estate sector. The industry continues to move forward with optimism and long-term conviction.

The Indian real estate sector is showcasing robust performance in the commercial segment, driven by the demand from Global Capability Centres (GCCs) and tech-enabled enterprises – reaffirming India's growing stature as a global business hub. On the residential front, developers are adopting a more mature, demand-led approach by focusing on high-ticket projects while rebalancing supply in the mid and affordable segments.

This is a sign of steady evolution. We see this as a phase of mindful progress – where Indian real estate is not just expanding, but doing so with greater purpose and prudence. Government-led infrastructure development and the expansion of real estate in Tier 2 and 3 cities will continue to support the sector. Additionally, the recent repo rate cut by the RBI has boosted liquidity and improved buyer sentiment, giving further momentum to the industry. We remain confident in the sector's potential and its pivotal role in India's economic journey.

Approach & Methodology

The Real Estate Sentiment Index is based on a quarterly survey of key supply-side stakeholders which include developers and non-developers, i.e., financial institutions including banks, Non-Banking Financial Companies (NBFCs) and private equity (PE) funds. The survey comprises questions pertaining to the overall economic momentum, funding availability, project launches, sales volume, leasing volume, prices, and rents. For each of the questions, respondents choose from the following options for which weightage has been assigned as follows: a) Increase/Increased (100 points), b) Somewhat Increase/Somewhat Increased (75 points), c) Same (50 points), d) Somewhat Decrease/Somewhat Decreased (25 points), and e) Decrease/Decreased (0 points). The Index is determined by calculating the weighted average score of the number of responses in each of these categories, across questions.

A score of 50 represents a neutral view or status quo; a score above 50 demonstrates a positive sentiment; and a score below 50 indicates a negative sentiment.

To present a holistic view of the real estate industry, the report is divided into two sections. Section A comprises two indices: The Current Sentiment Index that indicates the respondents' assessment of the present scenario compared to six months back, and the Future Sentiment Index that represents their expectations for the next six months.

Section B focuses on the analysis of future sentiments of the stakeholders on different aspects such as the geography of stakeholders, stakeholder type (developer/non-developer), outlook specific to the residential and office markets, and outlook on the economy and funding scenario at large.

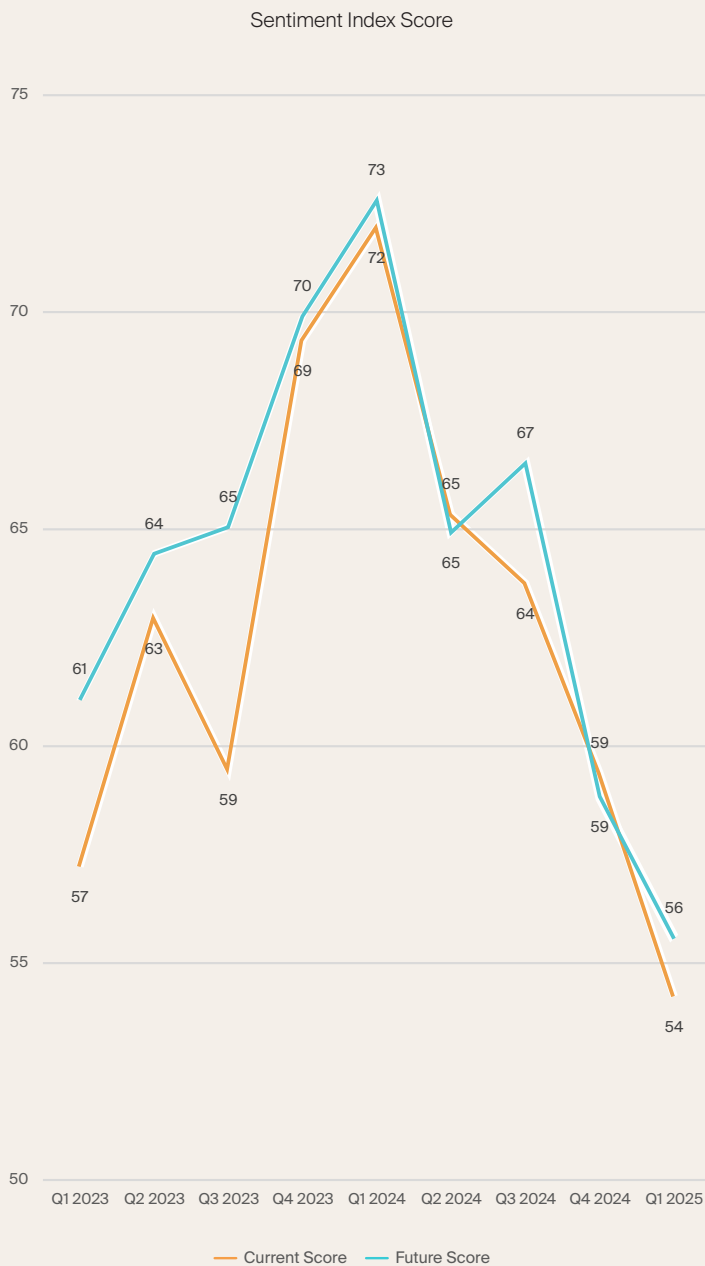
This survey edition is for the period January 2025 to March 2025 i.e., Q1 2025.



Sentiment index survey findings

SECTION A: OVERALL SENTIMENT SCORE

Moderation in current and future sentiment, but remain in positive zone



Score >50: Optimism; Score =50: Neutral/Same; Score <50: Pessimism

Source: Knight Frank Research

A1. Current Sentiment Score

- The Current Sentiment Score has declined to 54 in Q1 2025 from 59 in the previous quarter, marking the fourth consecutive quarterly dip and the lowest level since Q2 2021. While the score remains within the optimistic zone, the drop reflects a growing sense of caution among stakeholders amid evolving domestic and global headwinds. The decline corresponds with broader macroeconomic adjustments including the RBI's downward revision of GDP growth and the lingering impact of national and global geopolitical tensions.
- Despite this dip, key fundamentals remain intact. Office transaction volumes touched record highs in Q1 2025, driven largely by the expansion of GCCs. However, stakeholders appear cautious about the lag in new office supply, elevated residential prices in key metros like Bengaluru and NCR. The moderation in the current score therefore reflects a reassessment of short-term risk, even as longer-term prospects stay resilient.

A2. Future Sentiment Score

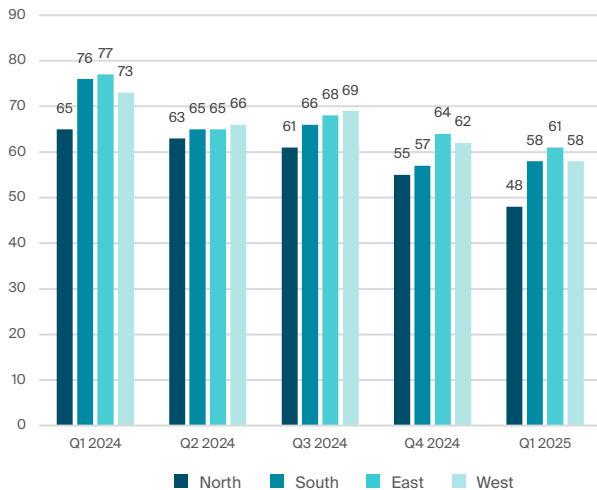
- The Future Sentiment Score has moderated to 56 in Q1 2025 from 59 in Q4 2024. While the score remains in the optimistic zone, the downward trend suggests stakeholders are being cautious of the uncertainty over the next six months.
- Despite supportive economic measures such as rate cuts and improved liquidity, the outlook among stakeholders remains cautious.

SECTION B: FUTURE SENTIMENTS

B.1. Zonal Future Sentiment Score

ZONAL SENTIMENTS EASE; NORTH DIPS SHARPLY
WHILE OTHER REGIONS HOLD STEADY

Zonal Score



Score >50: Optimism; Score =50: Neutral/Same; Score <50: Pessimism

Source: Knight Frank Research

Findings

- In Q1 2025, the North Zone's sentiment score declined sharply to 48 from 55 in the previous quarter, marking its lowest level since the post-COVID period. This downturn reflects growing concerns among stakeholders due to softening market activity in the Delhi-NCR region. Residential launches and sales in NCR have declined by 11% and 8% respectively year-on-year, indicating a slowdown in demand momentum. Meanwhile, weighted average prices have increased by 12% year-on-year, potentially impacting affordability and buyer sentiment. The combination of reduced activity and rising prices has contributed to a more cautious outlook among stakeholders in the North Zone.
- South Zone posted a marginal improvement, rising from 57 to 58. Despite some moderation in residential launches, the zone continues to benefit from healthy office demand and a resilient higher ticket size housing segment.
- East Zone sentiment score eased to 61 in Q1 2025 from 64 in the previous quarter, continuing a mild downward trend from its recent peak of 77 in Q1 2024. Despite the moderation, the zone remains firmly in the optimistic territory. Stakeholders maintain confidence in the region's stability and long-term prospects.
- West Zone sentiment dipped from 62 to 58, indicating a tempered yet optimistic stance. Although Mumbai and Pune continue to see strong office absorption and high ticket size segment in residential demand, developers

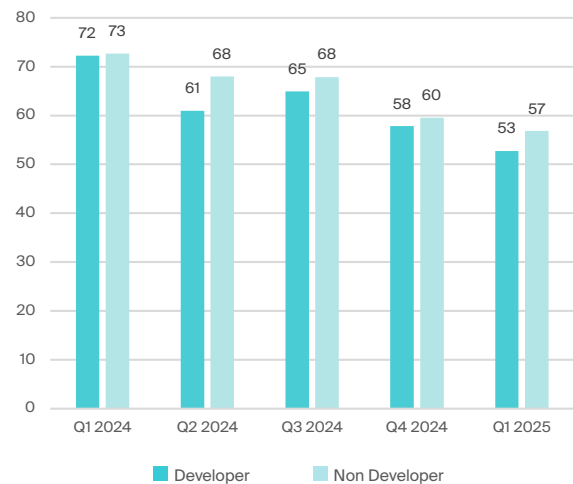
remain cautious amid rising input costs and cautious investor appetite.

- In Q1 2025, zonal sentiment scores moderated across three out of four regions, led by a sharp decline in the North Zone to 48—its lowest level since the post-COVID period. While the dip reflects some near-term caution, the market overall continues to remain in the optimistic zone. The North Zone, with NCR close to the neutral score of 50, is expected to stabilise as market fundamentals hold steady.

B2. Stakeholder Future Sentiment Score

STAKEHOLDER SENTIMENTS SHOW
CONSISTENT OPTIMISM

Stakeholder Score



Score >50: Optimism; Score =50: Neutral/Same; Score <50: Pessimism

Source: Knight Frank Research

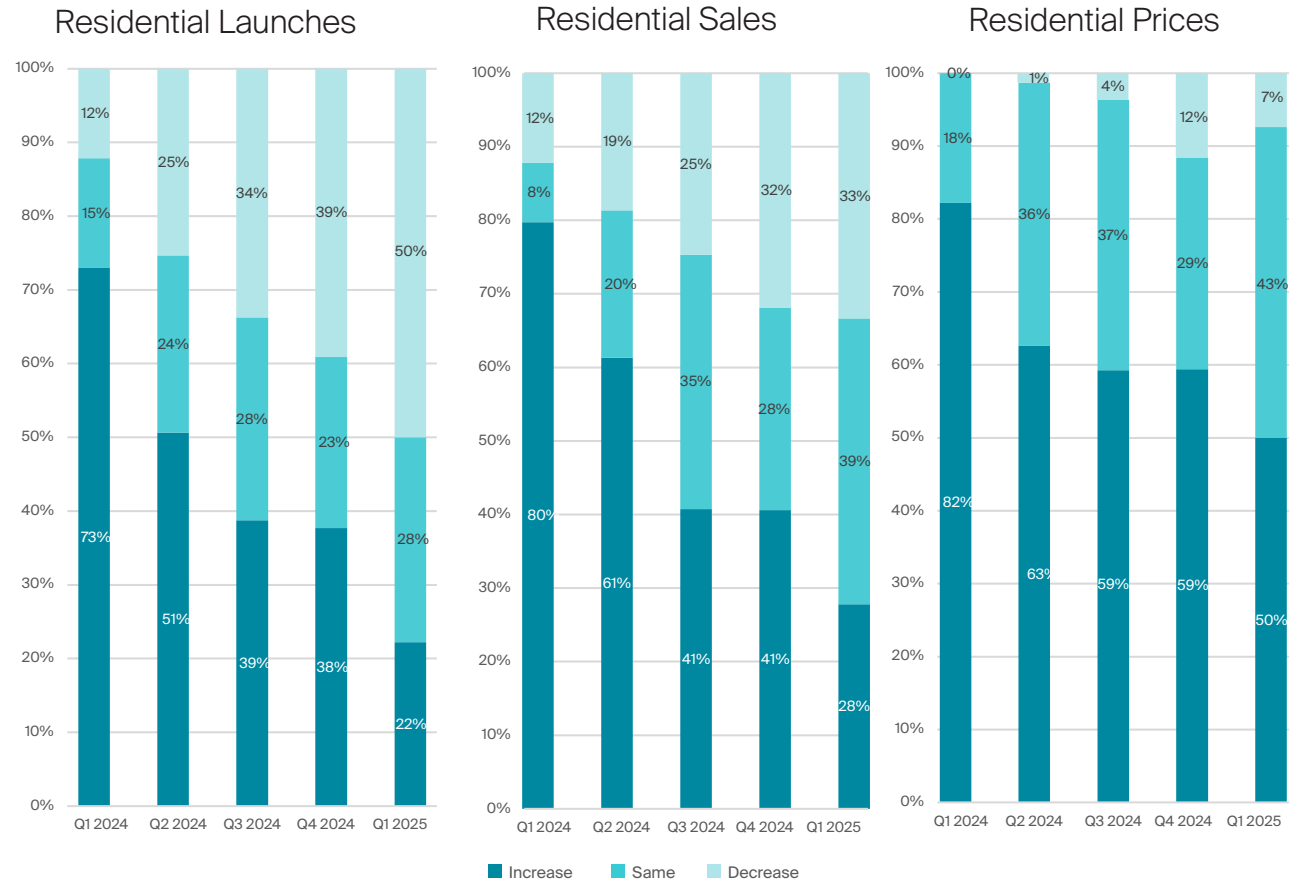
Note: Non-Developers include banks, financial institutions and PE funds

Findings

- The Future Sentiment Score for developers has seen a decline from 58 in Q4 2024 to 53 in Q1 2025. This decline reflects heightened caution among developers, particularly due to rising geopolitical tensions, and concerns about increasing residential prices.
- Non-developers also exhibited a slight drop, with their Future Sentiment Score declining from 60 in Q4 2024 to 57 in Q1 2025. Financial institutions and private equity funds are taking a more cautious approach to new investments. However, the office market continues to generate investor interest, driven by strong demand from the GCCs.
- The developers and non-developers' sentiment underscores the varying levels of confidence across stakeholders. Developers are more focused on managing risk and moderating expectations, while non-developers remain cautiously optimistic, particularly in the office and higher ticket size residential markets.

B3. Residential Market Outlook

RESIDENTIAL SENTIMENTS MODERATED BUT REMAINS OPTIMISTIC



Findings

- In Q1 2025, 67% of stakeholders expect residential launches to either remain stable or increase, indicating a cautiously optimistic stance. This reflects a significant shift from the strong bullish sentiment seen in Q1 2024, when 88% of respondents anticipated to either remain stable or increase. The share of stakeholders expecting launch growth has declined for three consecutive quarters, from 80% in Q1 2024 to just 28% now, suggesting that developers are realigning supply strategies with demand patterns. Developers are clearly aligning their launch strategies with market conditions, focusing more on high ticket size segments while slowing down in lower ticket size segments.
- In Q1 2025, 50% of stakeholders expect residential sales to either remain stable or improve, a significant drop from the peak of 88% optimism seen just a year ago in Q1 2024. This moderation marks a notable shift in sentiment following two years of extraordinary demand, particularly in the high ticket size segments.
- In Q1 2025, 93% of stakeholders expect residential prices to either increase or remain stable, reflecting continued confidence in market fundamentals despite a visible softening in market activity from earlier peaks. Even though the share of respondents expecting a price increase has moderated, from 82% in Q1 2024 to 50% in Q1 2025, sentiment remains firmly in the optimistic zone, albeit with a more measured tone. High-ticket segments continue to underpin price growth, while stakeholders are recalibrating expectations in the lower and mid ticket size segments. This signals a transition toward price stability rather than further aggressive escalation.
- Overall, the residential market outlook for the next six months remains cautiously positive, buoyed by sustained demand in high ticket size segments and a shift in developer strategy toward controlled supply and focused inventory management.

B4. Office Market Outlook

OFFICE MARKET SENTIMENTS REMAINS RESILIENT



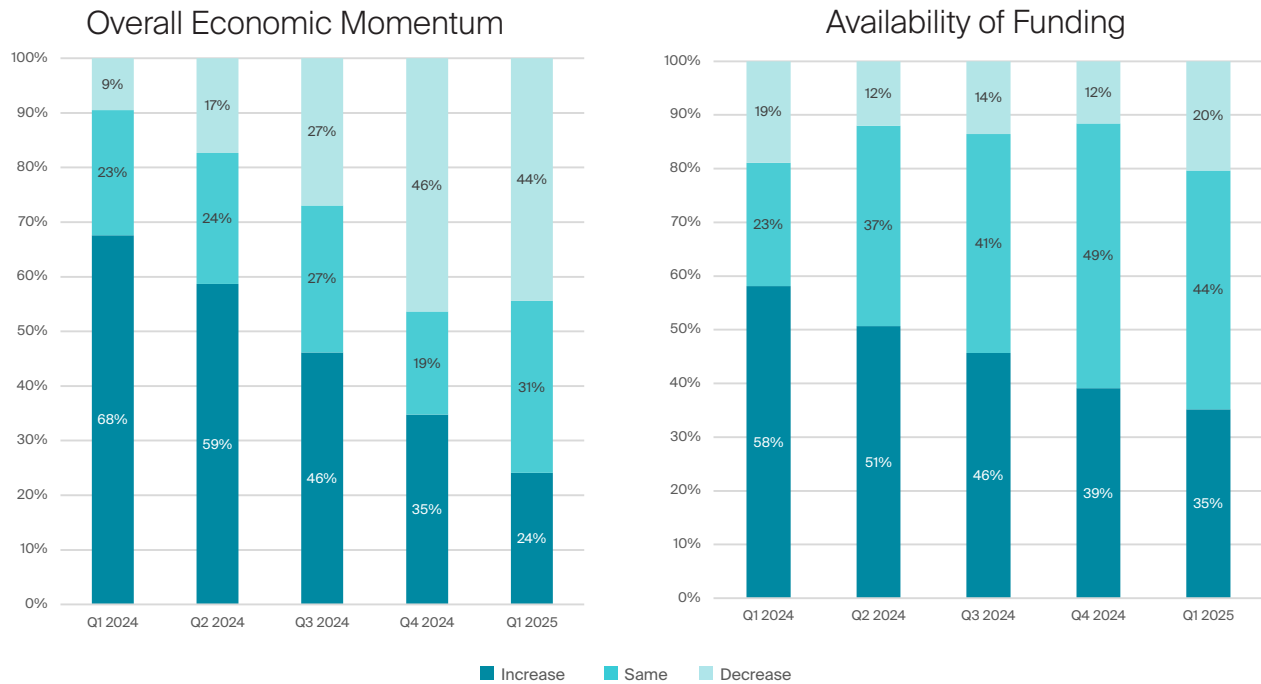
Source: Knight Frank Research

Findings

- In Q1 2025, 65% of stakeholders expect new office supply to either remain stable or increase, maintaining a cautious tone from 74% in Q4 2024. The proportion expecting supply growth has fallen for four consecutive quarters, from 62% in Q4 2023 to just 24% now, signaling a tightening development pipeline. As developers increasingly prioritize residential projects amid higher returns and reduced commercial construction appetite.
- Despite moderation, stakeholder sentiment around office leasing remains resilient. In Q1 2025, 82% expect leasing to either increase or remain stable, though this is lower than the 93% seen in Q4 2024. The share of stakeholders anticipating increased leasing has declined to 52%, down from 64% in the previous quarter. This softening comes after witnessing the historic high with 74% in Q1 2024 reflects normalization rather than weakness. Leasing activity continues to be anchored by GCCs, third-party IT firms, and flex space operators, especially in markets like Bengaluru, Hyderabad and Pune, reinforcing confidence in the sector.
- Rent outlook remains strong, with 91% of stakeholders expecting office rents to either stay the same or rise. While slightly lower than the record 94% optimism recorded in Q4 2024, the sentiment continues to reflect tight supply and steady demand. Notably, 56% of respondents expect rental increases in the next six months. This is the seventh straight quarter where more than half the stakeholders have anticipated rental growth, a trend supported by healthy demand, rising occupancy levels and constrained new supply in prime commercial markets.
- Overall, the office sector is well-positioned to maintain its momentum, supported by strong fundamentals, resilient demand from occupiers, and a favourable supply-demand balance in key cities.

B5. Economic Scenario and Availability of Funding

MODERATED SENTIMENTS ON ECONOMY AND FUNDING



Source: Knight Frank Research

Findings

- Stakeholder sentiment on India's economic momentum has softened notably in Q1 2025. Only 55% of respondents expect conditions to remain stable or improve, down from 91% a year ago in Q1 2024. The share of stakeholders anticipating economic improvement now stands at just 24%, its lowest point since Q2 2022. This moderation reflects rising global economic uncertainty. Additionally, the ongoing trade policy shifts, particularly the impact of new tariffs imposed by the United States, have added volatility to global supply chains and investor confidence. Nonetheless, continued infrastructure spending, and early signs of monetary support by the RBI provide some cushion to overall market sentiment.
- Sentiment around funding availability remains stable, with 80% of stakeholders expecting it to either stay the same or improve in the next six months. The share anticipating improved funding access stands at 35%, slightly lower than 39% in the previous quarter, extending a four-quarter trend of gradual moderation. Despite this, overall liquidity in the system is supported by the RBI's cumulative 50-basis point policy interest rate cut and continued focus on easing credit conditions. While lenders remain cautious, particularly in the lower to mid ticket size segments in residential sector, capital flow toward higher ticket size segments and high quality commercial assets remains encouraging.

Concluding remarks

The Q1 2025 Real Estate Sentiment Index reflects a market recalibrating to external pressures while holding on to long-term optimism. While both current and future sentiment scores have moderated, they remain in the optimistic zone, underscoring resilience. Residential activity is stabilizing, especially in high ticket size segments, while the office market continues to perform strongly. With supportive policy moves, including interest rate cuts, and improving infrastructure momentum, stakeholders remain cautiously confident about sustained growth across India's real estate landscape in the coming quarters.



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National Real Estate Development Council (NAREDCO) is established as an autonomous self-regulatory body in 1998 under the aegis of Ministry of Housing and Urban Affairs, Govt. of India, with the mandate to (a) induce transparency and ethics in real estate business and transform the unorganized Indian real estate sector into a matured and globally competitive business sector, and (b) create and sustain an environment conducive to the growth of real estate industry in India, partnering industry and government alike through advisory and consultative processes. It is hailed as the apex national body for the real estate industry and has been working as a single platform where Government and public would discuss various issues and opportunities face to face which would result in speedy resolution of issues.

The National Real Estate Development Council strives to be the collective force influencing and shaping the real estate industry. It seeks to be the leading advocate of developing standards for efficient, effective, and ethical real estate business practices, valued by all stakeholders of real estate sector and viewed by them as crucial to their success. NAREDCO works to create and sustain an environment conducive to the growth of the real estate industry in India, partnering industry and government alike through advisory and consultative processes.

NAREDCO's mission is to improve the confidence level in the Real Estate sector across all the key decision-making tiers in professional practices. One of their key professional mandates is to develop an index to assess the market sentiment in order to enhance the confidence levels of lenders, investors and consumers while making lending and / or investment decisions. NAREDCO has partnered with Knight Frank and FICCI to publish a quarterly Real Estate Sentiment Index to fulfil this endeavour.

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