48th edition

KNIGHT FRANK-NAREDCO

Real Estate Sentiment Index

Q1 2026 (January–March 2026)

April 2026

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
International Partner,
Chairman & Managing Director,
Knight Frank India

The past few years have tested global resilience, and just as conditions were stabilizing, 2026 arrived with fresh geopolitical fault lines and trade disruptions. At the centre of it all is crude oil volatility. Energy chokepoint disruptions are creating ripple effects across economies. Brent crude has already surged over 70 percent since late February 2026, and for energy-importing nations, that figure tells a clear story.

European, and Asian markets are demonstrating significant volatility. Inflationary pressures are rebuilding; interest rate concerns are resurfacing, and central banks that spent the last two years successfully taming inflation now face a more complicated mandate.

India is not insulated from this. As one of the world's major net importers of oil, surging prices and gas supply tightness are feeding through to growth forecasts, and multiple international and domestic agencies have already revised projections downward.

In real estate, we are beginning to feel these currents. India's fundamentals remain intact, but buyer behaviour is growing more measured as the macro picture shifts. On the supply side, fuel prices deserve close attention. A sustained rise will compress construction economics, pushing up input costs for steel and cement and putting pressure on project timelines.

Given the prevailing uncertainty and volatility, it is not surprising that the Real Estate Sentiment Score moderated in Q1 2026 (January–March 2026), with the future score settling at 50, the threshold separating neutral territory from the pessimistic zone. However, the stakeholder outlook remains more cautious and measured than downbeat, as India continues to be underpinned by strong domestic fundamentals. In the near term, stakeholders across the real estate sector are likely to remain in a wait and watch mode, as the trajectory of global uncertainties will guide how the long-term narrative unfolds.

As I thank all who participated in the 48th edition of the Knight Frank-NAREDCO Real Estate Sentiment Index for Q1 2026, I hope you find it both insightful and timely in gauging the current and future industry outlook.

Partners' take on the sector

Shri Parveen Jain
President, NAREDCO

The Knight Frank–NAREDCO Real Estate Sentiment Index for Q1 2026 indicates a softening in sentiment regarding both current conditions and the near-term outlook. This is primarily attributable to global macroeconomic challenges and pressures. However, this appears to be more a matter of short-term caution among stakeholders rather than a shift in the underlying resilience of the real estate market, as the fundamental drivers supporting the sector remain intact, thereby sustaining demand.

Nevertheless, this temporary softening of sentiment in the residential sector is unlikely to persist for long. As global uncertainties subside, the sector is expected to demonstrate a positive trajectory. The sector's key drivers remain robust, bolstered by sustained activity from end-users and a consistent upward trend in property prices across major cities.

In contrast, the office segment continues to stand out as a key area of strength, with a clear majority of respondents expecting leasing activity to remain stable or improve over the coming months. Stakeholders also broadly anticipate office rents to either hold steady or trend upward, underscoring sustained occupier confidence in the segment.

Looking ahead, while stakeholder sentiment has become more tempered, the current softening in the residential market appears to be transient in nature, and the sector is fundamentally strong enough to comfortably withstand near-term challenges.

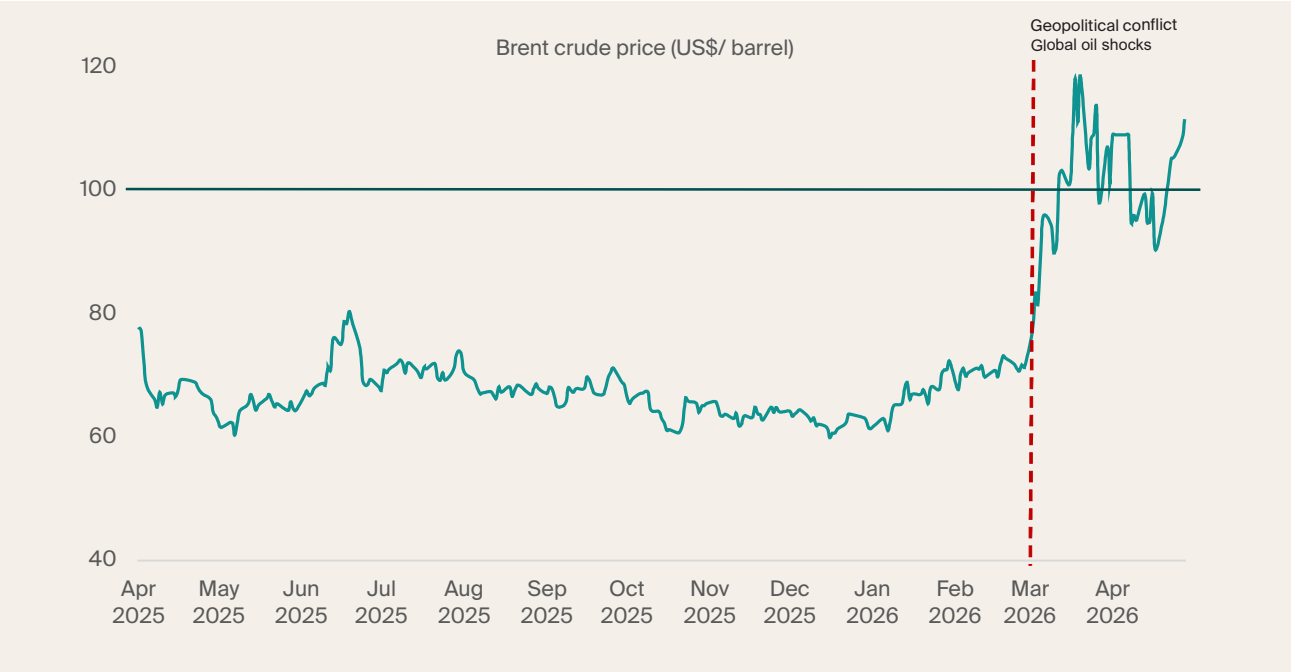
From tailwinds to turbulence

The global pivot

The start of 2026 has been marked by intensifying geopolitical conflict, which has significantly disrupted global trade routes and supply chains while inducing widespread uncertainty and unpredictability, with risks of a prolonged global downturn. Among the most concerning developments has been the throttling of oil supply, which has exerted considerable upward pressure on oil prices. Brent crude, for instance, has risen steeply since the beginning of the year, climbing nearly 70 percent from its opening levels. Elevated oil prices have cascading implications across supply chains, driving up input costs, transportation expenditures, and manufacturing overheads, thereby stoking broader inflationary pressures.

In response to tightening global fuel markets, several governments have implemented fuel security measures to safeguard energy supply. Some of the measures, for instance, include increased coal output, revival of work-from-home policies across countries in Europe and Asia, and Australia, and coordinated strategic reserve releases by the International Energy Agency and individual nations. Central banks that had been on an easing trajectory are considering pausing and holding planned repo rate cuts, as they weigh inflationary pressures against the drag on growth. The Reserve Bank of India, for example, has held the repo rate at 5.25 percent in response to elevated risks, adopting a measured approach until greater clarity emerges.

Global oil prices surge amid geopolitical uncertainty



Note: Data covering period up to 30 April 2026
Source: Industry sources, Knight Frank Research

Given the current scenario, international agencies have revised their outlooks downward, with many now anticipating sub-3 percent global growth. Global equity markets, spanning the NYSE and Nasdaq to the exchanges in Tokyo, Hong Kong, London, and the National Stock Exchanges, have moderated considerably. Stakeholder confidence across sectors has dampened, with participants adopting a cautious stance in response to prevailing unpredictability.

The real estate sector is also experiencing the reverberations of these macro pressures as supply chain friction and workforce constraints are compounding operational challenges. Higher costs and tighter financing conditions risk slowing down of real estate market activity; however, resilience is expected to persist in core city locations, owner-occupied segments, and high-quality stock.

India impact

Growth holds, risks build

India has not been insulated from these global headwinds, and the near-term outlook remains measured as external shocks continue to set in. Nevertheless, the Indian economy has demonstrated commendable resilience, supported by strong macroeconomic fundamentals and robust domestic demand that may help cushion the impact. High-frequency consumption indicators remained in positive territory in March despite prevailing uncertainty.

Goods and Services Tax (GST) collections rose 8.8 percent in March, while passenger vehicle sales recorded a strong 16.3 percent growth. Power consumption increased by 1.8 percent, and digital payment volumes, as measured by UPI transactions, grew by 23.5 percent. However, the fuller impact of global pressures is expected to materialise in the coming months, with the risk of elevated inflation driven by high global energy prices.

Moreover, as one of the world's largest net importers of crude oil and petroleum products, India remains particularly vulnerable to sustained energy price inflation. Fuel retailers have already raised jet fuel and commercial liquefied petroleum gas (LPG) prices. Having been well contained at 2.74 percent in January, headline inflation has since risen and is now expected to average between 4 and 5.2 percent for the current fiscal year. Concurrently, there has been a discernible uptick in raw material prices as well as transportation costs across key sectors including steel and cement. India's manufacturing activity slowed to a four-year low of 53.9 in March, the weakest reading since September 2021.

On a broader level, economic growth is now anticipated to moderate to 6.9 percent in FY 2027, down from 7.6 percent growth in FY 2026, as estimated by the central bank, with several international agencies also having revised their earlier forecasts for India downward. That said, the country is still expected to grow at the fastest pace globally, and while some indicators have moderated, they continue to hold in healthy territory. Nevertheless, the current developments carry complex ripple effects across sectors, dampening both industry and consumer sentiment, with the real estate sector beginning to reflect this pressure.

Real estate shows calibrated caution

The Real Estate Sentiment Index substantiates this trend, with the current sentiment score having retreated to 49 and crossed into pessimistic territory, while the future score holds at the threshold level of 50. That said, the impact has not been felt equally across all asset classes.

With respect to office market, transaction activity in the office segment remained robust in Q1 2026, reaching an all-time high of 29.9 million sq. ft. The limited supply of Grade A spaces, particularly in prime markets, is sustaining upward pressure on rentals. Aligned with this underlying market strength, the majority of stakeholders indicate that prevailing conditions will remain broadly stable.

In the residential segment, the sentiment index signals weakening in both supply and sales activity in coming six months. A moderate decline is already visible, with sales and new supply falling by 4 percent and 2 percent, respectively, in first quarter of 2026. Conversely, residential property prices have continued to appreciate, and the stakeholder outlook suggests this trend will persist, underpinned by rising input and construction costs.

Overall, the impact of current global conditions on real estate across asset classes, both globally and in India, will take time to fully manifest and will likely be transmitted primarily through broader macroeconomic channels. Moreover, even with geopolitical tensions easing, any normalisation of oil production and trade flows is expected to be gradual.

Since it remains premature to draw definitive conclusions, stakeholders are navigating a mixed bag of signals, leading to a "wait-and-watch" stance. Ultimately, whether sentiment holds its ground or slips further will hinge on how the situation unfolds, particularly the duration and intensity of the ongoing geopolitical conflicts and their broader economic ramifications.

[1] Reserve Bank of India's Monetary Policy Committee (MPC) – April 2026
[2] India Real Estate - Office and Residential Market - January–March 2026 (Q1 2026), Knight Frank

Residential segment softens, office anchors the market

Real estate market snapshot – Q1 2026

Residential

94,855 units
New Launches
▼ 2% YoY

84,827 units
Sales
▼ 4% YoY

5,19,846 units
Unsold Inventory

6.0
Quarters to Sell

Office

14.0 mn sq ft
New Supply
▲ 154% YoY

29.9 mn sq ft
Transactions
▲ 6% YoY

1,042 mn sq ft
Total Stock

13.9%
Vacancy

Sentiment Index Outlook

Residential sales and new supply are anticipated to soften further, with prices continuing to rise on the back of elevated cost pressures.

Sentiment Index Outlook

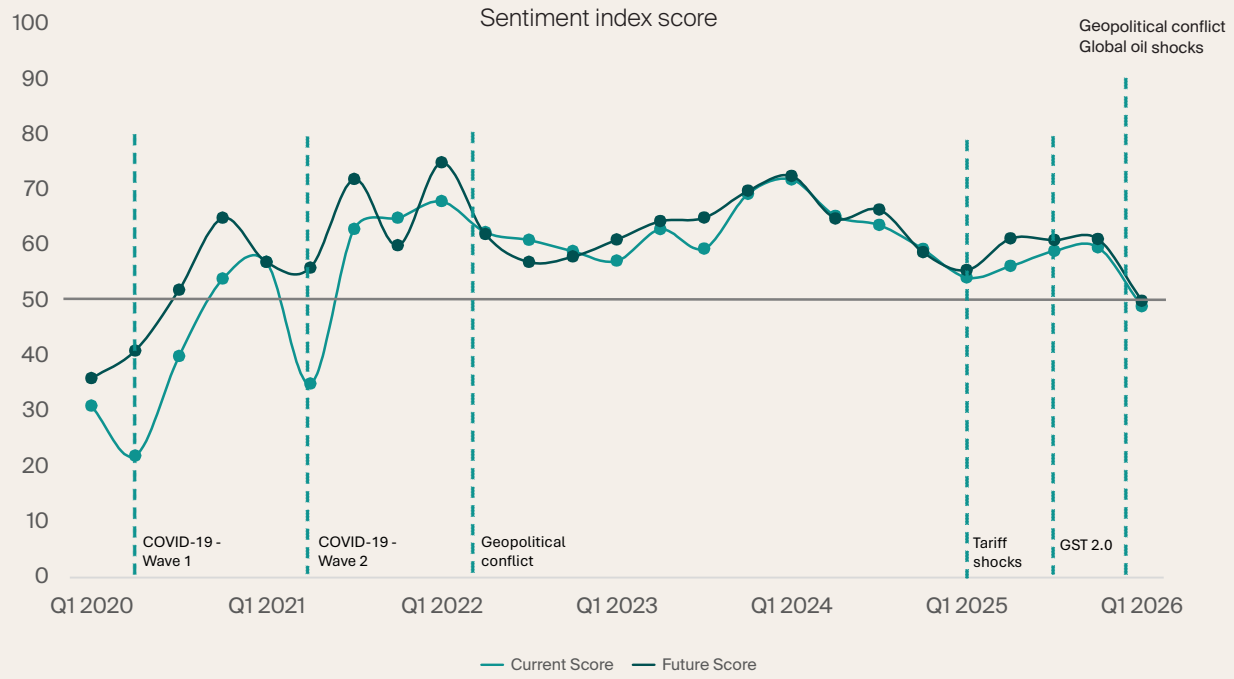
Office leasing volumes and new supply expected to remain broadly stable, with rental values likely to trend upward on the back of limited supply and sustained demand for high-quality spaces.

Source: India Real Estate - Office and Residential Market - January–March 2026 (Q1 2026), Knight Frank

Sentiment retreats to cautious ground as global risks mount

SENTIMENT INDEX SURVEY FINDINGS

SECTION A: OVERALL SENTIMENT SCORE



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

Source: Knight Frank Research

A1. Current Sentiment Score

- The Current Sentiment Score in Q1 2026 has nosedived to 49, indicating significant moderation from the sustained optimism that characterised the preceding four years. While still well-above the pandemic-driven troughs of 2020–21, the score now teeters in pessimistic territory, albeit narrowly, amid escalating global uncertainties.

- Throughout 2025, sentiment remained firmly optimistic despite prevailing global headwinds. India had been relatively cushioned by robust domestic consumption, a stable policy environment, and reforms such as GST 2.0 helped absorb the impact of external tariff shocks. However, the tide has turned abruptly, and the optimism has proved ephemeral. The sharp oil price shock has reverberated across the economy, with early indicators already signalling a strain on what had been a prevailing "Goldilocks" environment. The current mood among stakeholders regarding the overall economy has slipped into pessimistic territory.

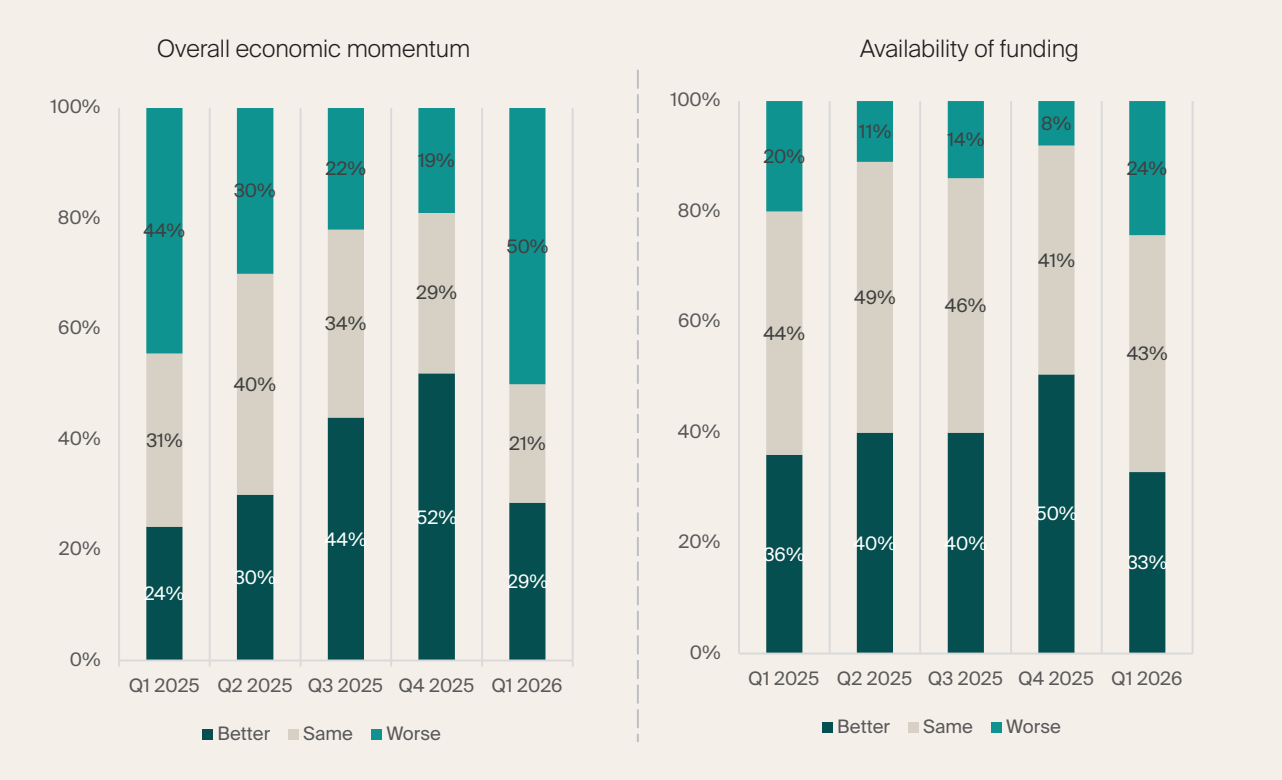
- For real estate, the headwinds are indirect but increasingly tangible as pervasive unpredictability, and inflationary risks have collectively intensified caution across demand and supply-side. The impact on current sentiment has been most pronounced in the residential segment, where supply-side stakeholders have adopted a more cautious stance as compared to office market sentiment which has held firm, underpinned by robust current market activity.

B. Future Sentiment Score

- Future sentiment has not been immune to the prevailing headwinds, tracking the steep decline seen in current sentiment. The persistent uncertainty stemming from geopolitical conflict has cast a long shadow over stakeholder expectations for the period ahead. The future sentiment score, which had remained steadfastly optimistic in the post-pandemic years, has now retreated sharply to 50 points in Q1 2026.
- The energy market disruption is poised to translate into a challenging sequence of rising construction costs, strained project viability, tightening financing conditions, and subdued buyer confidence amid growing concerns over economic slowdown and job market uncertainty. Collectively, these pressures have weighed heavily on the future sentiment score of stakeholders, although it continues to hold slightly above the pessimistic zone.

B.1 ECONOMIC SCENARIO AND AVAILABILITY OF FUNDING

Economic outlook softens; funding mood shifts to caution



Source: Knight Frank Research

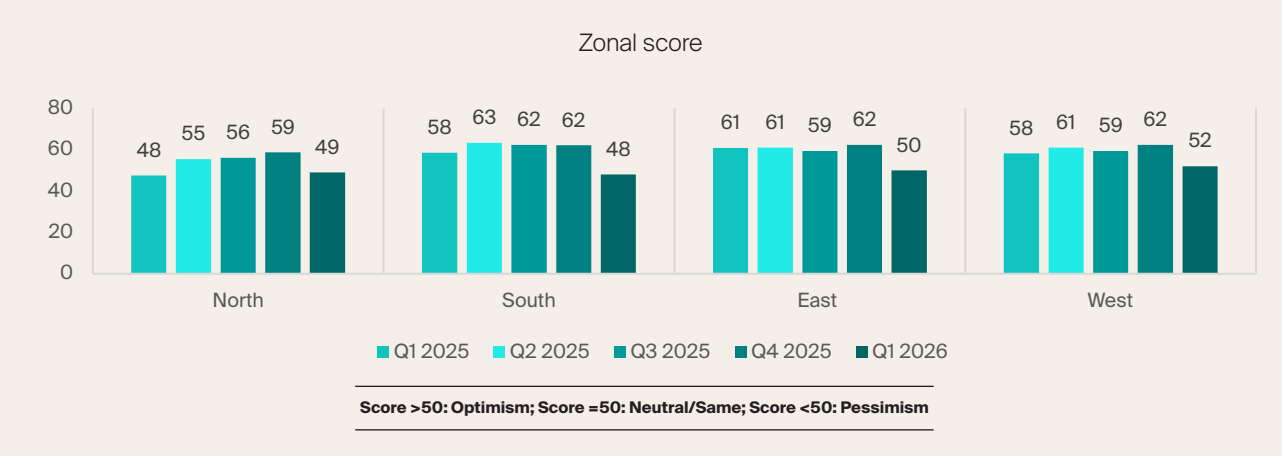
Findings

- Stakeholder sentiment regarding the economy and the funding scenario for the coming six months remains subdued.
- On the economic front, the prevailing geopolitical situation is fuelling projections of a global slowdown. Several international agencies have trimmed their earlier forecasts by 80 to 100 basis points. The Reserve Bank of India has revised its GDP forecast downward to 6.8 percent from 6.9 percent for the April–June 2026 quarter, and further to 6.7 percent from 7.0 percent for the subsequent quarter. However, India is still expected to grow at the fastest rate among major economies. Stakeholder sentiment mirrors the broader cautious outlook, with 50 percent of respondents opining that the economic growth will remain subdued in the coming six months.
- On the funding front, sentiment is relatively stable. Majority of stakeholders (43 percent) opined that the funding environment will remain unchanged. It is worth noting here that private equity investments in real estate had moderated by end of 2025, declining 29 percent annually to USD 3.46 billion, largely driven by reduced inflows into housing and warehousing projects. Investors, however, have not stepped back from evaluating opportunities but have greater emphasis on pricing discipline and asset quality over transaction volumes, a disposition that is likely to persist amid ongoing global uncertainty

[3]Trends in Private Equity Investment in India: H2 2025, Knight Frank

B2.STAKEHOLDER FUTURE SENTIMENT SCORE

Regional outlook softens; north and south zones lead the decline into the pessimistic zone



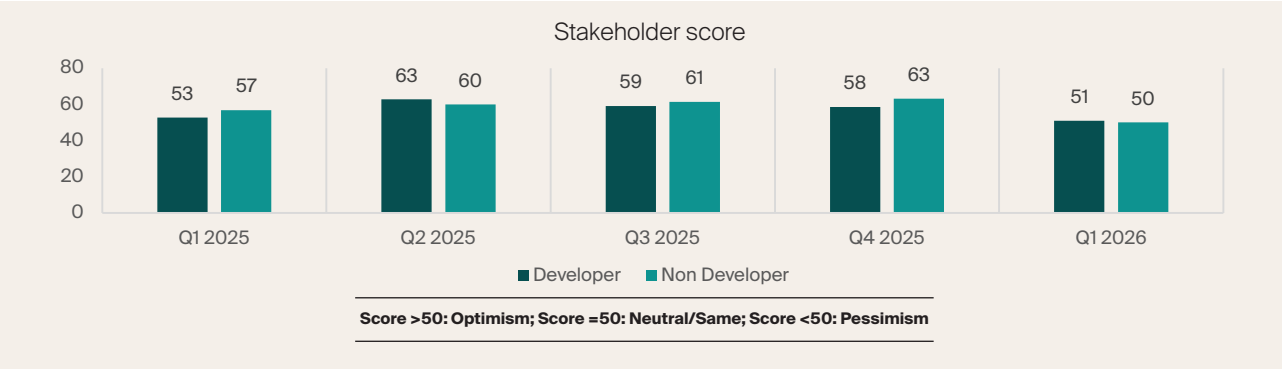
Source: Knight Frank Research

Findings

- In Q1 2026, future sentiment scores weakened across all zones, with the north and south regions marginally crossing into pessimistic territory. The North Zone slipped one point below the 50-point threshold, continuing a year-long tepid sentiment trend, with respondents indicating this is likely to persist over the next six months. Residential activity faces ongoing pressure, with stakeholders anticipating weaker sales and new launches. In Delhi NCR, the largest residential market in the north, new supply fell 8 percent, while sales declined 11 percent annually, with activity concentrated in select micro-markets and premium segments in Q1 2026. As post-COVID absorption peaks recede and projects reach stages requiring subsequent tranche payments, payment realization has become a key demand indicator for ensuing months.
- The West Zone maintains relatively stronger sentiment at 52, staying above neutral. Despite a 7 percent and 11 percent year-on-year decline in demand across the major western residential markets of Mumbai and Pune, respectively, in Q1 2026, these markets continue to account for the largest share of 42 per cent in total sales (84,827 units).

B3. STAKEHOLDER FUTURE SENTIMENT SCORE

Industry leaders adopt a guarded stance amid global uncertainty

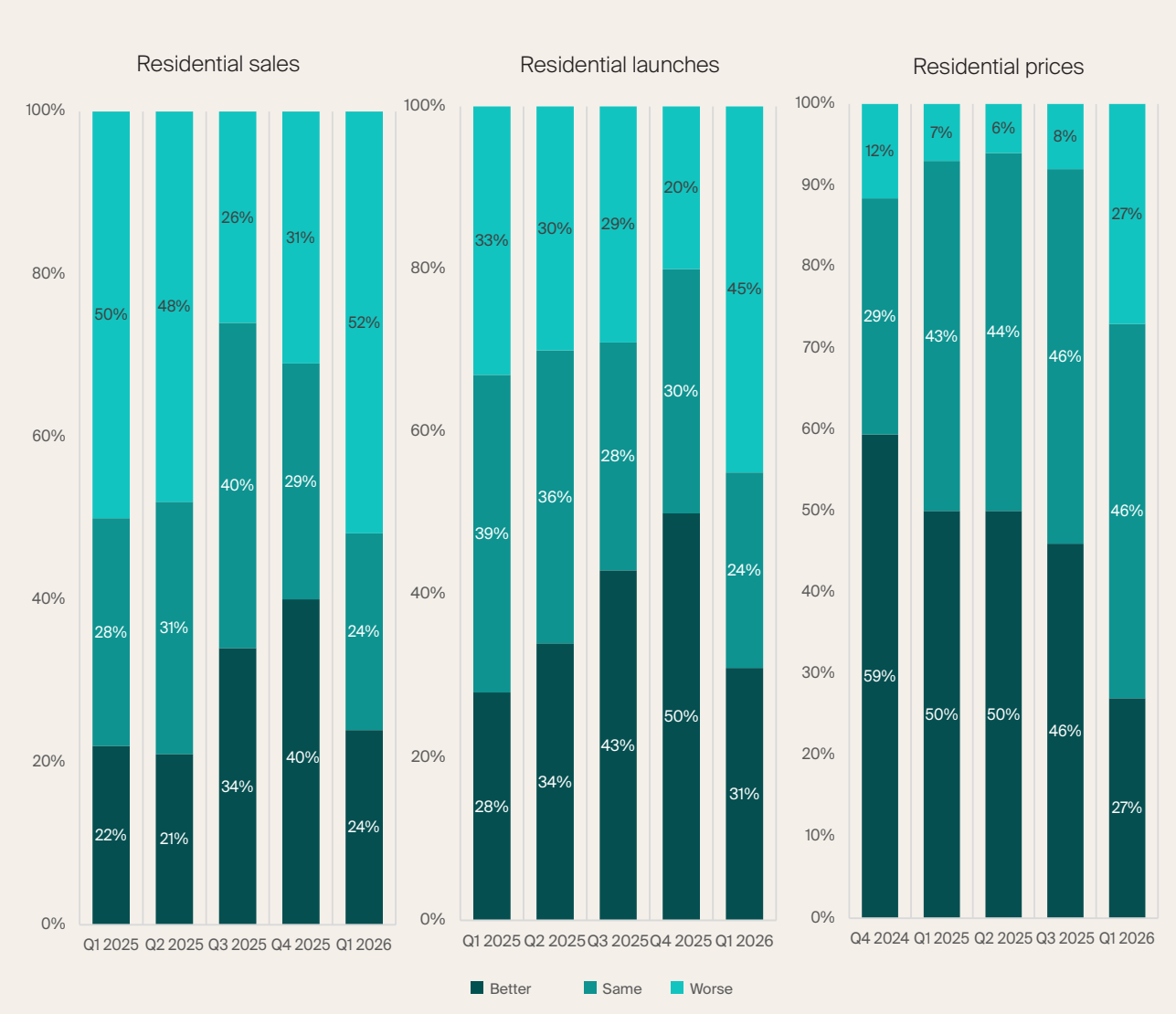


Note: Non-Developers include banks, financial institutions, PE funds and other industry stakeholders
Source: Knight Frank Research

- Mirroring the global concerns, real estate stakeholder sentiment has declined sharply towards the neutral threshold of 50.
- Developer sentiment, which remained firmly optimistic post-pandemic, supported by sustained momentum in both residential and office markets, has now moderated for the coming six months, with the future score falling to 51.
- The moderation is more pronounced among non-developers, whose sentiment has declined precipitously from 63 in the preceding quarter to 50 in Q1 2026, indicating that capital providers and financial stakeholders are responding more sharply to global uncertainties than developers.
- The softening in stakeholder sentiment is attributable to current macroeconomic moderation, inflationary pressures, rising construction and energy costs, and heightened caution in the market influencing consumer spending and property acquisition decisions.

B4.RESIDENTIAL MARKET OUTLOOK

Residential market recalibrates after bull run, stakeholders turn guarded



Source: Knight Frank Research

Findings

- The residential market had been on a sustained upcycle over the preceding few years, reaching new peaks with the high-end segment serving as the primary growth engine. However, some moderation has set in as part of a cyclical consolidation, with sales dipping 4 percent and new supply by 2 percent annually in Q1 2026. The first quarter of 2026 also witnessed a widening gap between sales and launches, with the lag in absorption reaching its highest level since Q1 2023. While the underlying demand drivers remain broadly intact, sales momentum has softened, reflecting a period of recalibration following a prolonged strong run.
- The recent geopolitical tensions have added to the pressure, though the moderation itself is rooted in broader cyclical factors. That said, the prevailing headwinds are weighing visibly on market sentiment, with 52 percent of respondents anticipating a further weakening of demand in the coming six months.
- On the supply side, rising costs of construction, transportation, and energy inputs, ongoing labour attrition, along with growing financing and execution risks have collectively intensified caution. The risks of funding constraints, and project delays have become more pronounced, with 69 percent of survey participants indicating that residential launch momentum will either remain unchanged or worsen in the coming six months.
- On property prices, stakeholder sentiment diverges, with 73 percent of respondents expecting prices to remain steady or continue rising. As of January–March 2026, property prices across the top eight cities have grown in the range of 3 to 13 percent year-on-year. Looking ahead, the sustained upward pressure on input costs and the broader inflationary environment are likely to keep prices on an upward trajectory, particularly in land-scarce prime micro markets. With developers facing mounting cost inflation across construction, materials, and financing, the pressure is increasingly expected to flow through to buyers.

B.5 OFFICE MARKET OUTLOOK

Office market emerges as the bright spot; outlook stays firmly positive

Source: Knight Frank Research

Findings

- The office market has demonstrated a robust trajectory and remains a bright spot, with this optimism also reflected in future stakeholder sentiment. Transaction activity reached an all-time high in Q1 2026, with leasing volumes across the top eight markets touching 29.9 million sq. ft., sustained in large part by Global Capability Centres which accounted for a 48 percent share of total activity. Stakeholder sentiment is broadly aligned with this performance, with 77 percent respondents expecting market activity to either continue at current levels or improve further in the coming period.
- Leasing activity in Q1 2026 remained overwhelmingly concentrated in Grade A office assets, which accounted for 93 percent of total transactions. This reflects a clear and sustained shift in occupier preferences toward high-quality spaces that support evolving workplace strategies, integration of AI-driven operations, efficiency requirements, and ESG considerations, a trend that is expected to persist in the coming six months.
- On the supply side, office completions continue to trail demand, as developer focus remains skewed toward residential projects. A total of 14.0 million sq. ft. was delivered across the eight major cities in Q1 2026. However, for the coming quarters, 47 percent of stakeholders opined that completion momentum will improve.
- On the rental front, the limited supply of quality spaces coupled with sustained demand for such assets has exerted upward pressure on rents with landlords having been able to negotiate increasingly favourable terms. Rents grew between 2 and 15 percent annually across top eight markets in Q1 2026. Looking ahead, a significant 81 percent respondents anticipate rents to hold steady or continue rising in the ensuing period.

Real estate outlook ahead

Key highlights from stakeholder views for coming six months

Real Estate Sentiment Index future score holds at 50, just above the pessimistic zone.

Economic sentiment weakens, with 50 percent stakeholders expecting softer conditions.

Residential sentiment most impacted; 52 percent expect weaker demand.

Majority (73 percent) respondents foresee residential prices to hold or increasing due to sustained cost pressures.

Office remains a bright spot, with 77 percent expecting stable or improved leasing activity in coming six months.

Most respondents (81 percent) anticipate office rents to hold steady or increase in coming six months.

Closing perspective

Current geopolitical uncertainties have intensified into immediate risks, posing threats to capital flows and energy supply stability, with consequential economic spillovers. Layered onto this are the rapid advances in artificial intelligence, quietly but decisively reshaping business operations globally, with major corporations restructuring workforces at scale. India, however, stands apart, buoyed by strong domestic consumption and remaining the world's fastest growing major economy even as its economic outlook sees a downward revision.

Real estate sentiment is feeling the pressure, though the mood is better described as cautious and measured rather than pessimistic. The residential segment, after sustaining elevated levels for several years, is moving toward a natural moderation, a cycle that geopolitical tensions are accelerating rather than causing it. The office segment remains the bright spot and is expected to remain buoyant. While AI disruption is transforming labour markets, it has yet to impact office space demand; if anything, firms are gravitating toward quality, with growing appetite for Grade A spaces. In the near term, real estate stakeholders are firmly in wait-and-watch mode, and it is the trajectory of global uncertainties that will ultimately determine how the long-term story unfolds.

Approach and 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) Better, b) Somewhat better, c) Same, d) Somewhat worse, and e) Worse. 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 2026 to March 2026 i.e., Q1 2026.

30 Years Anniversary India

30 Years India Anniversary

Knight Frank

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