



RESEARCH
Q4 2024 (OCTOBER - DECEMBER 2024)



KNIGHT FRANK-NAREDCO

REAL ESTATE SENTIMENT INDEX

Q4 2024 (OCTOBER - DECEMBER 2024)

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.

FOREWORD



Shishir Bajjal
Chairman and Managing Director
Knight Frank India Pvt Ltd

The global economic outlook for 2025 is cautiously optimistic, with the IMF projecting 3.3% growth and the UN forecasting 2.8%. Inflation is expected to ease to 4.2%, though major economies face challenges like geopolitical tensions and trade disputes. In the U.S., Donald Trump's upcoming term may boost oil production and reinforce protectionism, impacting global markets. Emerging economies show promise, but India's growth is sluggish, with GDP forecasts for FY 2024-25 revised to 6.6% from 7.2%. Persistent inflation at 4.9%—driven by volatile food prices—and a 4% INR depreciation against the USD have strained disposable incomes, slowing consumption and real estate demand. The KFI economic indicator dropped to 122.2, reflecting a 2.2% contraction. Government capital expenditure lagged at 46.2% of estimates due to election delays, but rising infrastructure lending, cement production, and construction indices signal a revival, offering hope for India's real estate and economic growth in 2025.

Our findings in this 43rd edition reflect a nuanced view of the industry, with commercial real estate continuing to show robustness, predominantly driven by GCCs and India-centric businesses. However, certain segments, particularly in residential markets in key cities, have shown a tempering in growth expectations, influenced by both internal and external economic variables.

We invite our 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.

I invite you to read the 43rd edition of the Knight Frank-NAREDCO Real Estate Sentiment Index for Q4 2024. This quarterly report 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



G. Hari Babu
National President – NAREDCO

“ The Q4 2024 Sentiment Index report highlights a cautious optimism in the residential sector, with stakeholders adopting a more measured approach. While the decline in sentiment scores is notable, it's essential to recognize that the scores remain firmly in the optimistic zone.

The moderation in residential launches, sales, and prices is a reflection of the prevailing economic and market conditions. However, it's heartening to note that the office market continues to demonstrate resilience, driven by strong leasing momentum and rental growth.

I believe it's crucial for developers and stakeholders to be adaptable and responsive to changing market conditions. We must focus on creating sustainable and affordable housing options that cater to the evolving needs of homebuyers.

Despite the short-term challenges, I remain optimistic about the long-term prospects of the Indian real estate sector. With the government's focus on infrastructure development and housing for all, I am confident that the sector will continue to grow and thrive in the years to come.

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.

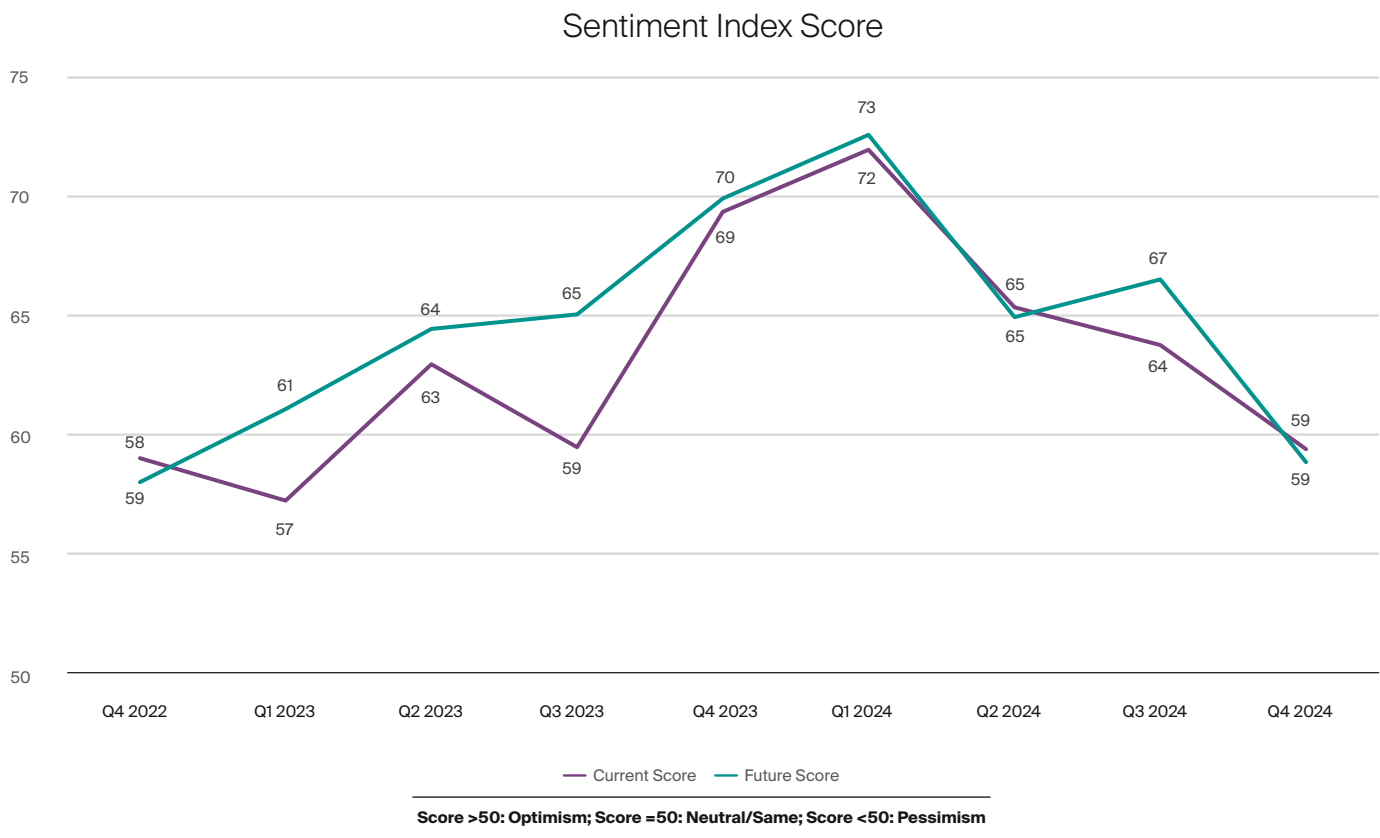
This survey edition is for the period October 2024 to December 2024 i.e., Q4 2024.



SENTIMENT INDEX SURVEY FINDINGS

SECTION A: OVERALL SENTIMENT SCORE

MODERATION IN CURRENT AND FUTURE SENTIMENT, BUT REMAIN IN POSITIVE ZONE



Source: Knight Frank Research

A1. Current Sentiment Score

- The Current Sentiment Score has decreased slightly to 59 in Q4 2024 from 64 in the previous quarter. This mild adjustment reflects a cautious yet positive outlook among stakeholders, as concerns about economic growth have increased. The score remains well within the optimistic zone, indicating a generally positive stance among developers and financial institutions.

A2. Future Sentiment Score

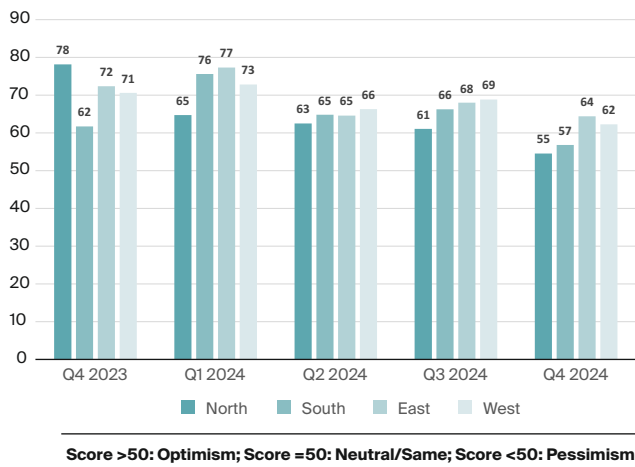
- The Future Sentiment Score has also decreased, settling at 59 in Q4 2024, down from 67 in Q3 2024. Stakeholders appear to be prudently adjusting their expectations in response to global economic shifts, especially the regime change in the USA. Despite this, the sentiment firmly stays in optimistic territory, suggesting confidence in the sector's resilience and long-term potential.

SECTION B: FUTURE SENTIMENTS

B1. Zonal Future Sentiment Score

SCORE MODERATE ACROSS ZONES,
 YET REMAIN IN POSITIVE ZONE

Zonal Score



Source: Knight Frank Research

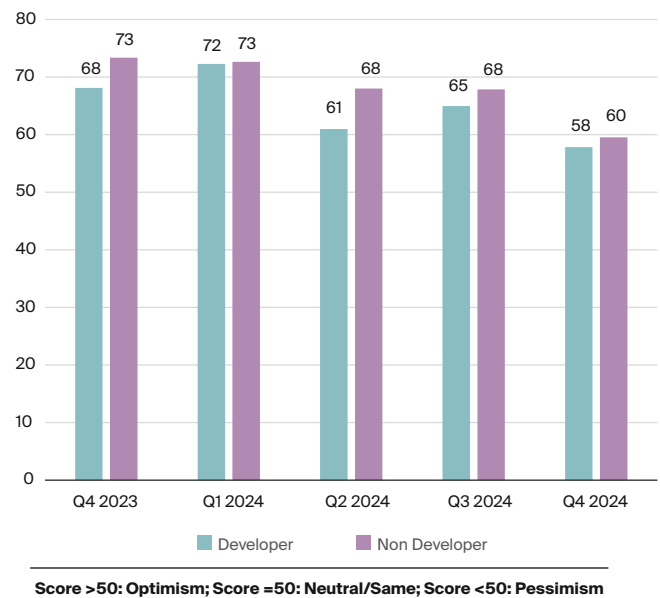
Findings

- In the North Zone, the Future Sentiment Score has moderated to 55 in Q4 2024, down from 61 in Q3 2024. This recalibration highlights the caution amongst the stakeholders. However, the zone continues to exhibit a resilient and positive outlook, driven by ongoing infrastructure projects and a stable commercial real estate market.
- The South Zone saw a slight decrease in sentiment, moving from 66 to 57. Despite this, the area remains buoyant, supported by strong activity in IT and business process outsourcing sectors. This region's robust economic drivers continue to attract investment, maintaining an optimistic sentiment among stakeholders.
- Future Sentiment in the East Zone has decreased modestly from 68 to 64. This mild adjustment aligns with national trends, yet the region maintains a strong optimistic outlook.
- In the West Zone, sentiment has reduced to 62 in Q4 2024 from 69 in Q3 2024. While stakeholders show caution, optimism persists, especially in cities like Mumbai and Pune, where commercial leasing activities remain vigorous. The zone's strategic economic significance supports positive real estate market expectations.

B2. Stakeholder Future Sentiment Score

STAKEHOLDER SENTIMENTS SHOW CONSISTENT OPTIMISM

Stakeholder Score



Source: Knight Frank Research

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

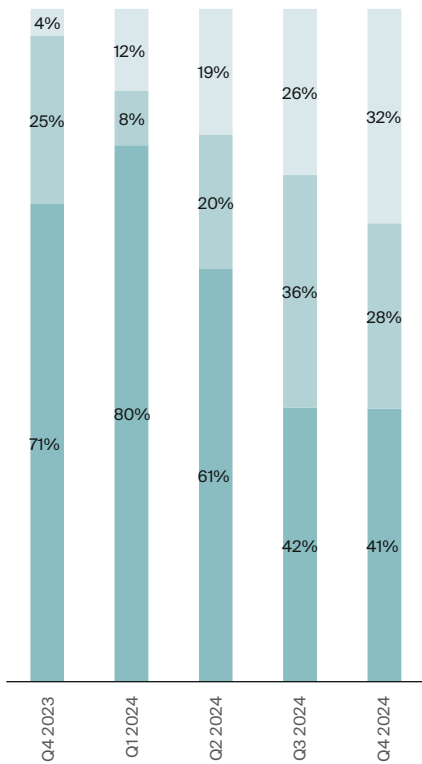
Findings

- Developer Future Sentiment has adjusted to 58 in Q4 2024 from 65 in Q3 2024. While the future score for developer-side stakeholders improved in Q3, news of market froth ultimately led to more subdued sentiment in Q4. This shift reflects a cautious yet forward-looking perspective as developers respond to evolving market and economic indicators.
- Non-developer stakeholders, including banks, financial institutions and PE Funds, have similarly revised their outlook slightly to 60 in Q4 2024. This cautious optimism reflects a balanced anticipation of challenges and opportunities in the upcoming months.

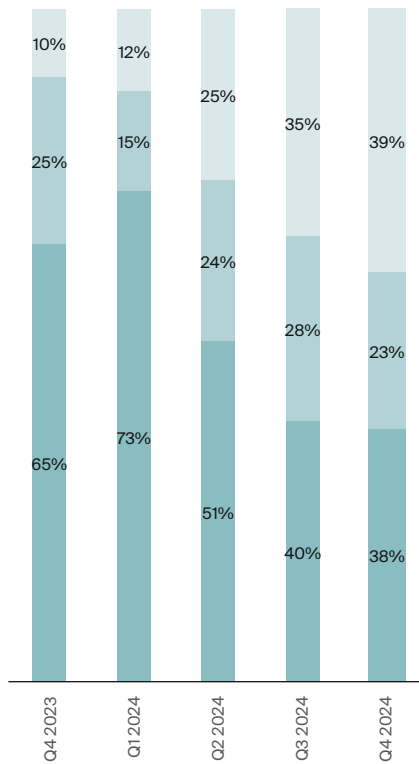
B3. Residential Market Outlook

RESIDENTIAL SENTIMENTS MODERATED BUT REMAINS OPTIMISTIC

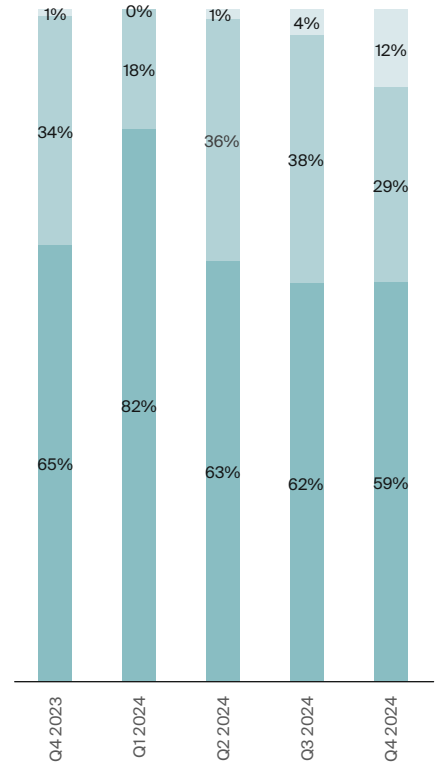
Residential Launches



Residential Sales



Residential Prices



■ Increase ■ Same ■ Decrease

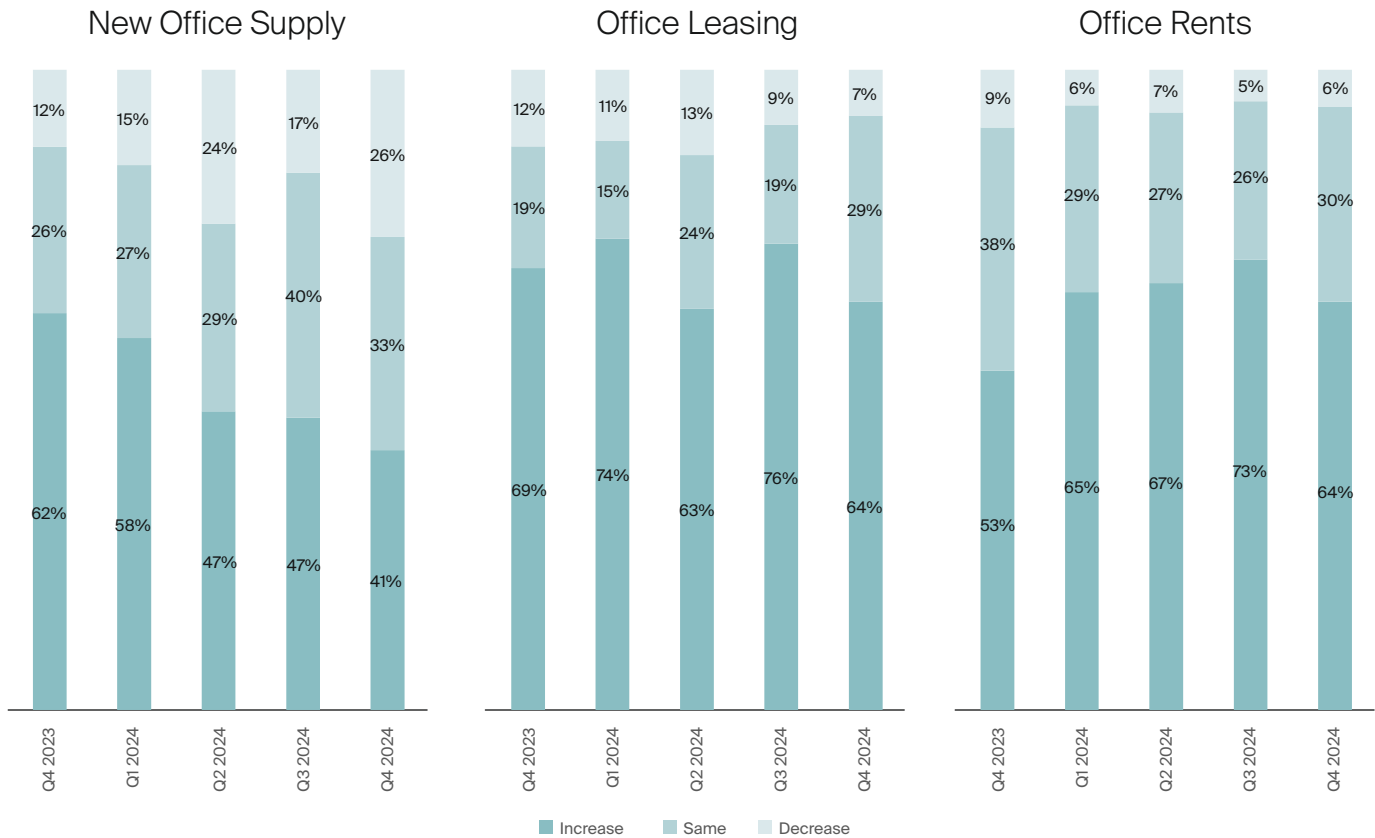
Source: Knight Frank Research

Findings

- Future sentiment for the residential sector remains firmly within the optimistic zone, though stakeholders have adopted a more cautious stance. Confidence in residential launches has moderated, with 32% of respondents now expecting a decline, a significant increase from just 4% in Q4 2023.
- A similar shift in sentiment is evident in residential sales. The proportion of respondents expecting a decline in residential sales has gradually increased from 10% in Q4 2023 to 39% in Q4 2024.
- A comparable trend is seen in residential prices as well, with the share of respondents anticipating a decline rising from 1% in Q4 2023 to 12% in Q4 2024. This growing caution among stakeholders reflects a more measured outlook on the residential market, influenced by prevailing economic and market conditions.

B4. Office Market Outlook

OFFICE MARKET SENTIMENTS REMAINS RESILIENT



Source: Knight Frank Research

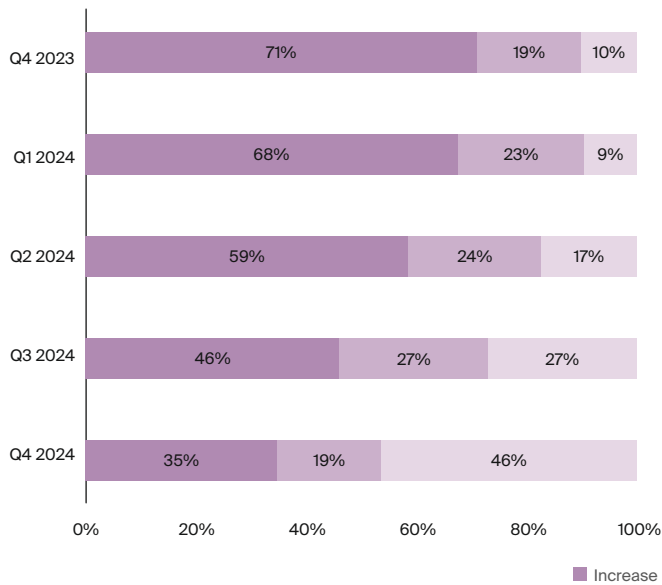
Findings

- Sentiment towards the office market in Q4 2024 remained robust, reflecting strong stakeholder confidence in both office leasing and rental trends. Approximately 93% of stakeholders believed that leasing momentum would either remain stable or improve, underscoring a sustained positive outlook influenced by economic optimism and robust business activity. Similarly, 94% of stakeholders expressed confidence that office rents would either stay stable or increase, suggesting expectations of continued market strength and demand for quality office spaces.
- Conversely, the new office supply has seen a more measured outlook. While 41% of stakeholders anticipated an increase, reflecting a cautious but optimistic approach to new developments, a notable 26% expected a decline, indicating a tempering of expectations possibly due to adjustments in development strategies.
- The scores reflect a clear inclination towards growth in leasing and rentals, while acknowledging possible pressures on the supply side. Overall, stakeholders in Q4 2024 demonstrated confidence in the Indian office market but are increasingly cautious about the overall impact of the macro-economic and geopolitical environment on its fortunes.

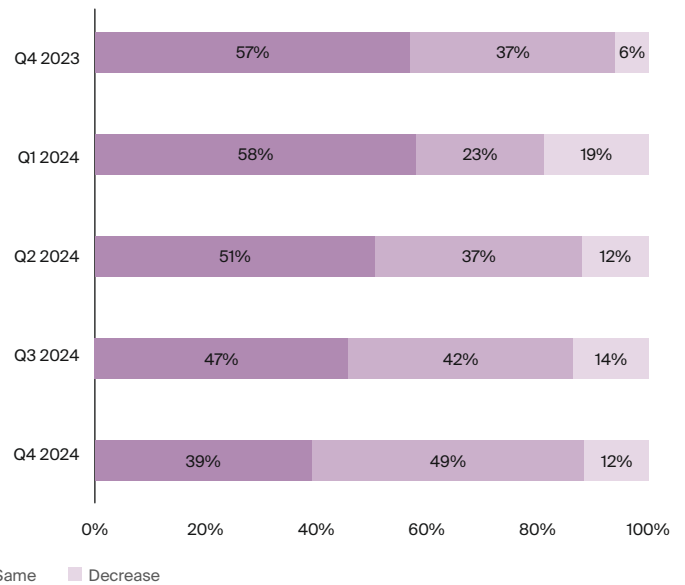
B5. Economic Scenario and Availability of Funding

MODERATED SENTIMENTS ON ECONOMY AND FUNDING

Overall Economic Momentum



Availability of Funding



Source: Knight Frank Research

Findings

- Optimism about economic momentum continued to wane in Q4 2024, with only 35% of respondents anticipating improvement, a notable decline from 46% in Q3 2024 and a sharp drop from 59% in Q2 2024. This shift is underscored by a rise in pessimism, with 46% now expecting a decrease in momentum compared to just 27% in the prior quarter, reflecting heightened concerns about global economic volatility and its impact on domestic real estate growth.
- Meanwhile, confidence in funding availability also softened, with 39% of respondents expecting an increase in Q4 2024, down from 47% in Q3 2024 and 51% in Q2 2024. However, a growing share of 49% foresee no change in funding conditions, up from 42% in the previous quarter, suggesting a cautious but stabilized outlook on liquidity within the sector.

CONCLUDING REMARKS

The Q4 2024 index illustrates that the outlook on the real estate sector has moderated during the quarter even as it remains positive. This balance of caution and optimism is reflective of a market that is dynamically adapting to both domestic and global economic influences. The impact of the new tariff regime in the US and its potential fallout could have significant ramifications on stakeholders' sentiments and business performance in 2025. However, the overall real estate sentiments remain in the positive territory.



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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 have been working as a single platform where Government, industry and public would discuss various problems 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 real estate industry in India, partnering industry and government alike through advisory and consultative processes.

NAREDCO's mission is to improve the confidence level of the Real Estate stakeholders across the value chain by bringing in professional practices. One of the highly professional methods 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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