

# India Real Estate



Residential and Office Market - July - September 2024

Q3 2024

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# India Residential Market– Q3 2024

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- ▶ *The highest sales volumes were recorded in Mumbai at 24,222 units which is a new high for the market.*
- ▶ *Among the larger markets, sales grew the most in Bengaluru at 11% YoY with 14,604 units.*
- ▶ *Sales in the INR 10 mn and above ticket-size grew by 41% YoY and it has been the primary driver for overall sales growth during the quarter.*

The Indian economy continues to gain strength as the outlook for the global economy improves gradually. With inflation numbers coming down to 3.65% in August 2024 and the RBI's upward revision of the FY 2025 GDP growth forecast at 7.2%, India is all but certain to maintain its pole position as the fastest growing large economy in the world. The stable interest rates since early 2023 and a strong economic outlook has kept homebuyer sentiments buoyant and demand robust in 2024.

Momentum in the residential market has trended up well in 2024 with Q3 2024 recording the highest quarterly sales this year at 87,108 units. This works out to a 5% higher level in YoY terms and a more significant 9% higher level when compared in YTD terms. Sales have grown across all markets except for the NCR where sales have dipped by 7% YoY and 5% in YTD terms. NCR has historically been among the more speculative markets with a relatively higher quantum of investment interest. This, coupled with very low inventory levels in mid and affordable categories in the right locations, weighed down sales in the market. However, the top end of the market with units priced over INR 10 mn, continues to grow at a healthy pace. The highest sales volumes were recorded in Mumbai at 24,222 units which is a new high for the market. Among the larger markets, sales grew the most in Bengaluru, at 11% YoY with 14,604 units.

The steady growth in demand is surpassed by the volume of units launched, exceeding sales for the past eight quarters. 90,479 units were launched in Q3 2024 which constitutes a 6% growth over the previous period. The Pune market saw the most growth during the quarter at 42% YoY. Mumbai and Pune saw the highest volume of units launched in Q3 2024 and together constituted 43% of the units launched during the quarter.

Consistent with the upward trend seen in the past 13 quarters, the share of sales in the INR 10 mn and above ticket-size grew significantly to 46% in Q3 2024, compared to 35% a year ago. The need for larger living spaces and an upgraded lifestyle, which was sparked during the pandemic, continues to fuel demand. Sales in this segment has grown by 41% YoY and been the primary driver for overall sales growth during the quarter. Sales in the INR 5-10 mn and <INR 5 mn categories have dropped by 14% and 13% YoY respectively as homebuyer focus shifted to the premium category during the quarter.

While the top end of the market is firing on all cylinders, the affordable segment has consistently lost market share since the pandemic. Sales in this segment constituted 24% of the total sales

compared to 29% in Q3 2023 and fell 14% since then. Mumbai and Kolkata are the only market where sales in the affordable segment has grown in YoY terms. While rising prices have kept homebuyers away from the market in this price sensitive segment, the lack of supply has also played a significant role in curtailing sales volumes. This is manifested in the fact that in contrast to the overall market where supply in the premium segment exceeded sales in 9 of the past 10 quarters, supply lagged sales over the past 13 quarters in the affordable segment for units priced under INR 5 mn. The higher margins and homebuyer interest existing in the highest segment has attracted the bulk of development interest (53%) in Q3 2024. The mid-segment of units priced between INR 5-10 mn is also experiencing some sluggishness due to this phenomenon with a sale drop of 13% YoY during the quarter.

Price levels have continued their strong run across all markets in YoY terms. In sequential terms, they have held steady or grown in all markets. Price levels in Bengaluru saw the most significant rise at 10% YoY as the focus increasingly shifted toward development of premium, high-rise properties.

Homebuyers have been more inclined to acquire ready or near-ready inventory to minimise completion risks seen in the past periods. The heightened demand over the past few quarters though has depleted the stock of older inventory, and consumers are now increasingly willing to acquire newly launched properties at relatively lower prices. This is reflected in the average age of inventory decreasing to 14.9 quarters in Q3 2024 from 16.1 quarters during the year ago period. The unsold inventory level has increased 3% in YoY terms as fresh development activity has intensified. However, this must be read in conjunction with the sales momentum to arrive at a better assessment of market health.

The QTS level represents the number of quarters required for the existing unsold inventory to be sold at the current rate of sales. A reducing QTS level depicts a market where demand is gathering momentum. The current QTS level of 5.8 quarters which is significantly better than the 6.1 level a year ago, signifies that the overall market traction has improved despite the increase in unsold inventory levels.

Table 1: Sales

Market	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q3 2024 YoY Growth %	Q3 2024 YTD Change %
Mumbai	23,765	23,743	23,516	24,222	9%	13%
Bengaluru	14,630	13,133	14,271	14,604	11%	7%
Pune	14,517	11,832	12,693	13,200	1%	9%
NCR	15,907	15,527	13,471	12,976	-7%	-5%
Hyderabad	9,200	9,550	9,023	9,114	9%	17%
Ahmedabad	4,023	4,673	4,704	4,578	11%	15%
Kolkata	3,903	3,937	5,193	4,309	14%	21%
Chennai	3,900	3,950	4,025	4,105	6%	10%
<b>Total</b>	<b>89,845</b>	<b>86,345</b>	<b>86,896</b>	<b>87,108</b>	<b>5%</b>	<b>9%</b>

Source: Knight Frank Research,

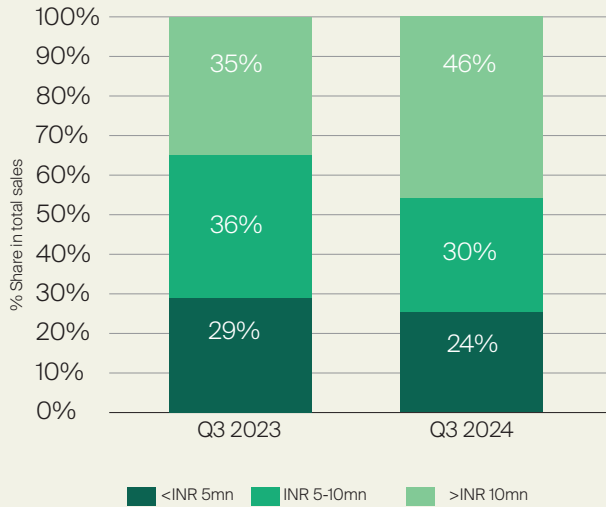
Table 2: Launches

Market	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q3 2024 YoY Growth %	Q3 2024 YTD Change %
Mumbai	22,993	25,263	21,722	23,677	21%	1%
Pune	10,635	13,293	14,754	15,049	42%	36%
Bengaluru	14,231	13,135	12,432	13,966	5%	7%
NCR	16,803	14,893	15,687	13,128	-19%	-5%
Hyderabad	13,100	11,140	11,160	10,902	-1%	-2%
Ahmedabad	5,945	5,159	5,079	5,702	-5%	-4%
Chennai	4,150	4,350	4,505	4,273	7%	8%
Kolkata	3,976	6,021	4,808	3,782	-24%	24%
<b>Total</b>	<b>91,833</b>	<b>93,254</b>	<b>90,147</b>	<b>90,479</b>	<b>6%</b>	<b>6%</b>

Source: Knight Frank Research,



### Ticket size split comparison of sales during Q3 2023 and Q3 2024



Source: Knight Frank Research,

### Average price change across markets during Q3 2024

Market	YoY Change	QoQ Change
Bengaluru	10%	3%
Hyderabad	6%	3%
Mumbai	6%	2%
Chennai	5%	2%
Pune	5%	2%
NCR	3%	-1%
Kolkata	2%	0%
Ahmedabad	1%	0%

Source: Knight Frank Research,

### Ticket-size Segment Health

Ticket-size segment	Unsold Inventory (housing units)	Unsold Inventory YoY change %	Quarters-to-sell (QTS)
0-5 mn	1,95,451	-5%	8.2
5-10 mn	1,40,505	-4%	4.8
>10 mn	1,51,087	26%	4.9
Total	4,87,042	3%	5.8

While the overall market remains in good health, it is important to keep track of the health of all three ticket-size segments that we cover. While unsold inventory levels in the >INR 5 mn segment have dropped 5% YoY in Q3 2024, the QTS level is higher than the market average at 8.2 quarters which is just over two years and still not very high, considering that it takes significantly longer to complete a residential project of reasonable scale in this segment. The QTS levels for the mid and premium segments stand at 4.8 and 4.9 quarters respectively.

Given the steady economic outlook and the likelihood of rate cuts, we believe that market demand has enough tailwinds to sustain the current momentum as we approach the end of the year. As things stand currently, the sales volume achieved in Q3 2024 positions the market well on course to post a healthy growth compared to the record levels seen in calendar year 2023.

# India Office Market– Q3 2024

- ▶ *Bengaluru with 0.5 mn sq m (5.3 mn sq ft) experienced the highest volume as well as the most growth at 158% YoY amongst all markets. GCCs were the highest consumers of office space in Q3 2024, accounting for 37% of the transacted volumes.*
- ▶ *GCCs were the highest consumers of office space in Q3 2024, accounting for 37% of the transacted volumes.*
- ▶ *India facing businesses have traditionally anchored the Indian office space market and accounted for 35% of the total transactions in Q3 2024.*
- ▶ *47% of the space transacted by GCCs during the period was concentrated in Bengaluru. GCCs also accounted for 62% of the total space transacted in the city.*

The Indian growth story has held strong in 2024 with the GDP growth in Q2 2024 coming in at a much better than expected 7.6%. The RBI has done an exemplary job with inflation which trended down to 3.65% in August 2024 from 6.83% a year ago. The healthy economic momentum has caused the RBI to raise its initial GDP growth forecast for FY 2025 from 7% to 7.2% ensuring that the Indian economy continues to remain the fastest growing large economy in the world. This strong growth momentum against the backdrop of an improving global growth outlook reinforces the positive economic undertone seen in the country in 2024.

This positive sentiment regarding the economy has been the primary driver of occupier activity in the office market and 2024 has proved to be an exemplary year so far. Office transaction volumes have grown by 18% YoY and scaled a record high of 1.77 mn sq m (19 mn sq ft) in Q3 2024. This is the second consecutive quarter in which the market has recorded new highs. In YTD terms, transaction volumes are 27% higher than the comparable period in 2023 and the market is firmly on course to breach a fresh annual high in 2024.

The Bengaluru office market saw the maximum growth in transaction volumes in Q3 2024 at 158% YoY and was by far the largest contributor to the overall tally. The momentum in this market has built up steadily over the past four quarters to a near record high of 0.5 mn sq m (5.3 mn sq ft) during this period. NCR and Chennai grew at 26% and 35% YoY respectively in Q3 2024, being the other prominent markets which saw significant growth. Markets such as Mumbai, Hyderabad and Pune have not grown in YoY terms and that can be attributed to the fact that the volumes in these markets were already at near record levels during the base period of Q3 2023. Moreover, transaction volumes in these markets are significantly higher in YTD terms, further supporting the case for a strong annual tally. In fact, seven out of the eight markets under our coverage have seen greater traction in volumes so far in 2024 compared to the previous period a year ago.

Global Capability Centers had accounted for a record 44% of the transacted volumes during Q3 2023. While this category accounted for a lower 37% share in the current quarter, the 0.66 mn sq m (7.1 mn sq ft) taken up by GCCs still counts as the largest share of the transactions' pie. 47% of the space transacted by GCCs during the period was concentrated in Bengaluru. Incidentally, GCCs also accounted for 62% of the space transacted in the city, reinforcing Bengaluru's credentials as a GCC hub in the face of rising competition from Hyderabad and Chennai.

India facing businesses have traditionally anchored the market and have accounted for a healthy 35% of the transacted volumes in Q3 2024 compared to the 37% in Q3 2023. This can be attributed to the high level of confidence in the outlook for the Indian economy and steady growth of consumer markets.

Flex spaces accounted for 16% of the total transacted volumes during the quarter and the 0.28 mn sq m (3.0 mn sq ft) transacted by this segment represents a healthy 68% growth in YoY terms. In YTD terms, volumes are 19% higher compared to last year as the premise of a workplace specialist that enhances employee productivity remains strong. Gradually improving sentiments in the global economy have had a positive impact on global IT spends which have in turn sparked the beginnings of a recovery in the Indian IT Services industry. Volumes taken up by Third Party IT services have trended up well in 2024 to the 0.24 mn sq m (2.6 mn sq ft) transacted in Q3 2024, constituting a 115% growth in YoY terms.

With transaction volumes having seen healthy growth, rental levels have moved too, with all markets showing stability or growth in sequential and YoY terms. Rental levels in the larger office markets of NCR, Mumbai and Pune grew by 3% YoY, while Bengaluru and Chennai rents grew by 7% and 10% YoY respectively. This is the ninth consecutive quarter where YoY rent growth has been stable or positive for all markets.

1.07 mn sq m (11.5 mn sq ft) of office space attained completion during Q3 2024. Hyderabad, with 0.4 mn sq m (4.2 mn sq ft), accounted for 39% of the office space delivered during the quarter. Bengaluru and Pune were the only other markets that saw significant deliveries during the quarter at 0.2 mn sq m (2.5 mn sq ft) and 0.3 mn sq m (2.7 mn sq ft) respectively. The overall vacancy levels have dropped significantly to 14.9% in Q3 2024 compared to 16.4% previously (Q3 2023) as development activity has lagged transactions consistently since the beginning of 2023.

Table 3: Transactions in mn sq m (mn sq ft)

Market	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q3 2024 YoY Change %	Q3 2024 YTD change %
<b>Bengaluru</b>	0.32 (3.4)	0.33 (3.5)	0.45 (4.9)	0.5 (5.3)	158%	52%
<b>NCR</b>	0.23 (2.5)	0.28 (3.1)	0.24 (2.6)	0.3 (3.2)	26%	16%
<b>Mumbai</b>	0.09 (1)	0.26 (2.8)	0.28 (3)	0.25 (2.7)	-17%	31%
<b>Pune</b>	0.13 (1.4)	0.18 (1.9)	0.22 (2.4)	0.24 (2.6)	-14%	30%
<b>Chennai</b>	0.41 (4.4)	0.11 (1.2)	0.17 (1.9)	0.24 (2.6)	35%	-13%
<b>Hyderabad</b>	0.27 (2.9)	0.28 (3)	0.19 (2)	0.2 (2.2)	-26%	23%
<b>Ahmedabad</b>	0.1 (1.1)	0.04 (0.5)	0.11 (1.2)	0.03 (0.3)	69%	178%
<b>Kolkata</b>	0.05 (0.5)	0.02 (0.2)	0.05 (0.5)	0.02 (0.2)	-38%	2%
<b>All cities</b>	1.61 (17.3)	1.51 (16.2)	1.72 (18.5)	1.77 (19)	18%	27%

Source: Knight Frank Research,

Table 4: New completions in mn sq m (mn sq ft)

Market	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q3 2024 YoY Change %	Q3 2024 YTD change %
<b>Hyderabad</b>	0 (0)	0.34 (3.7)	0.12 (1.3)	0.39 (4.2)	-21%	40%
<b>Pune</b>	0.06 (0.6)	0.16 (1.8)	0.06 (0.7)	0.25 (2.7)	531%	72%
<b>Bengaluru</b>	0.28 (3)	0.47 (5)	0.25 (2.7)	0.23 (2.5)	-38%	-2%
<b>NCR</b>	0.27 (2.9)	0.15 (1.6)	0.12 (1.3)	0.1 (1)	409%	-4%
<b>Mumbai</b>	0.13 (1.4)	0.04 (0.4)	0.36 (3.9)	0.07 (0.8)	167%	198%
<b>Ahmedabad</b>	0.13 (1.4)	0.05 (0.5)	0.11 (1.2)	0.03 (0.3)	-14%	248%
<b>Chennai</b>	0.39 (4.2)	0 (0)	0.07 (0.8)	0 (0)	-83%	-66%
<b>Kolkata</b>	0 (0)	0 (0)	0.03 (0.3)	0 (0)	-100%	-64%
<b>All cities</b>	1.24 (13.4)	1.21 (13)	1.12 (12.1)	1.07 (11.5)	0%	24%

Source: Knight Frank Research

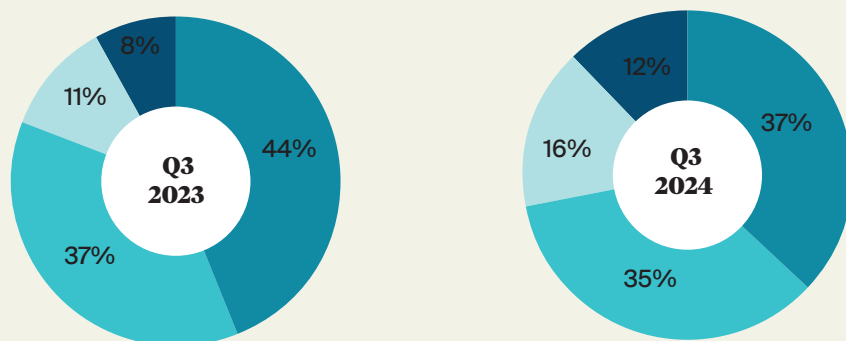
Note: Blanks denote negligible numbers.

### Average rent growth across markets during Q3 2024

Market	YoY Change	QoQ Change
Chennai	10%	3%
Bengaluru	7%	2%
Kolkata	6%	0%
Hyderabad	6%	1%
NCR	3%	0%
Pune	3%	0%
Mumbai	3%	1%
Ahmedabad	2%	0%

Source: Knight Frank Research,

### End-use split of transactions



■ GCC ■ India Facing ■ Flex ■ Third Party IT Services

Source: Knight Frank Research

Notes:

1. India Facing: These refer to such transactions whose lessees/buyers are businesses which have an India focused business, i.e., no export or import.
2. Third Party IT Services: These refer to transactions whose lessees/buyers are focused on providing IT and IT enabled services to offshore clients. They service multiple clients and are not necessarily owned by any of their clientele.
3. Global Capability Center (GCC): These refer to transactions whose lessees/buyers are focused on providing various services to a single offshore company. The offshore company has complete ownership of the entity that has transacted the space.
4. Flex Space: These refer to transactions by companies that specialise in providing comprehensive office space solutions for other businesses along with the benefits of flexibility of tenure, extent of services provided and the ability to scale higher or lower as required.

With western economies initiating rate cuts in a meaningful way to battle recessionary forces and spur growth, India is well positioned to benefit from greater capital inflows as liquidity constraints are eased in the west. While the Indian economic juggernaut continues to gain momentum with a pro-business leadership set to continue at the helm of the government for a renewed term of five years, the Indian office space market has fewer headwinds over the near term other than a comparatively weak supply scenario and looks on course to conclude 2024 on a new high.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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