

42nd
edition

RESEARCH
Q3 2024 (JULY - SEPTEMBER)



KNIGHT FRANK-NAREDCO

REAL ESTATE SENTIMENT INDEX

Q3 2024 (Jul-Sep 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

As we navigate through fiscal year 2024-25, India's economic landscape demonstrates remarkable resilience and growth amidst global uncertainties. The moderation in inflation to a targeted 3.65% by August 2024, as managed by the Reserve Bank of India, indicates a robust economic environment, fostering consumer and investor confidence. The recent rate adjustments by major global central banks have poised the global financial market towards a more stable trajectory, benefiting emerging economies like India. With the government's continued focus on infrastructural enhancements and manufacturing expansion, we are optimistic about maintaining our lead as one of the fastest growing major economies.

The office and residential real estate sectors in India have mirrored this economic confidence. The office market has seen transaction volumes increase by 18% in Q3 2024 compared to Q3 2023 with Bengaluru leading this growth. The completion of new office spaces in key cities has further bolstered the market, supporting a vibrant commercial real estate sector. Simultaneously, in the residential market, demand continues to climb, with a notable shift towards high-end properties. Sales of units priced over INR 10 mn have surged by 41% in Q3 2024 compared to Q3 2023, driven by a growing preference for more spacious and luxurious living accommodations. This trend is a clear indicator of the underlying strength and the aspirational drive of the Indian middle and upper classes.

The Q3 2024 Real Estate Sentiment Index reflects an optimistic outlook for India's real estate sector. While the Current Sentiment Score moderated slightly, the Future Sentiment Score showed an uptick, indicating growing confidence among stakeholders. Positive sentiments across both residential and office markets underscore the sector's resilience, with increased activity in high-end residential sales and robust leasing in commercial spaces. Backed by India's strong economic fundamentals and proactive policy measures, stakeholders remain optimistic about sustained growth and stability in the coming quarters.

India remains poised to sustain its growth trajectory, supported by strong fundamentals and proactive economic policies. The real estate sector, a critical component of our economy, is set to benefit from these conditions, offering promising opportunities for stakeholders in the coming quarters.

I invite you to read the 42nd edition of the Knight Frank-NAREDCO Real Estate Sentiment Index for Q3 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 Q3 2024 Real Estate Sentiment Index reflects the Indian real estate sector's resilience amidst global uncertainties. Despite a marginal dip in the current sentiment score, the sector remains optimistic. The uptick in the future sentiment score to 67 is a testament to the stakeholders' confidence in the sector's prospects.

The RBI's GDP growth projection of 7.2% for FY 2024-25 and the stable interest rate environment will further boost investor sentiment. Developers are particularly optimistic, with their future sentiment score rising to 65. As the sector continues to grow, it is essential that we address the existing challenges and leverage opportunities for sustainable growth.

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.

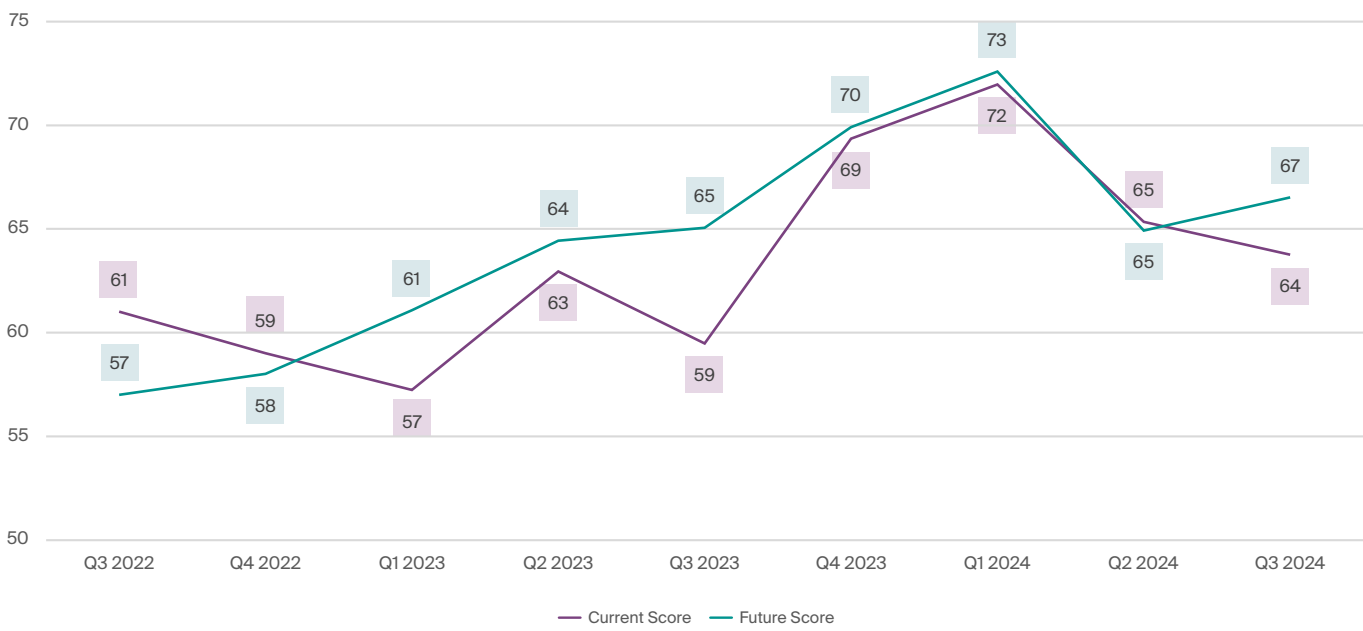
This survey edition is for the period July 2024 to September 2024 i.e., Q3 2024.



SENTIMENT INDEX SURVEY FINDINGS

Section A: Overall Sentiment Score

MODERATION IN CURRENT SENTIMENT, THOUGH FUTURE SENTIMENT HAS A POSITIVE OUTLOOK



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

Source: Knight Frank Research

A1. Current Sentiment Score

- The Current Sentiment Score for Q3 2024 stands at 64, reflecting a slight moderation compared to 65 in Q2 2024. While the score has marginally declined, it remains in the optimistic zone, suggesting stakeholders' continued confidence in the market's long-term prospects.
- This moderation could be attributed to cautious optimism amidst prevailing global economic uncertainties, such as fluctuating oil prices and geopolitical tensions. Despite the dip, market fundamentals in India, including robust domestic demand and improving infrastructure, continue to inspire confidence.

A2. Future Sentiment Score

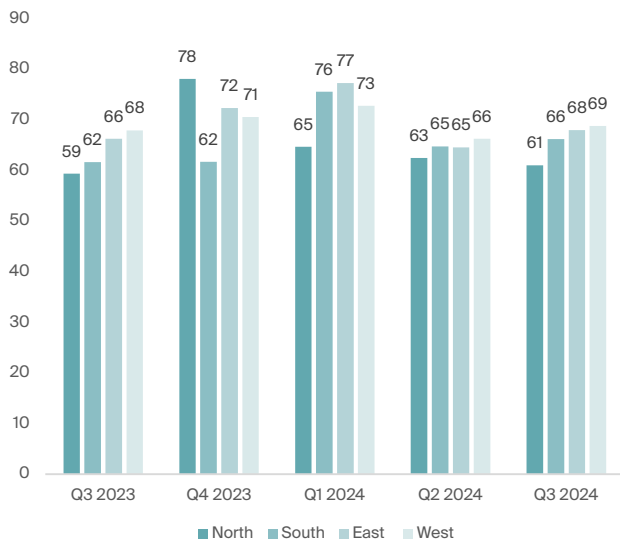
- The Future Sentiment Score has improved to 67 in Q3 2024 from 65 in Q2 2024, demonstrating a slight rebound in stakeholder expectations for the next six months.
- The uptick reflects a positive outlook driven by anticipated festive season demand, a potential boost in capital inflows, and the easing of inflationary pressures. However, global economic headwinds, including tightening financial conditions, remain a watchful concern for stakeholders.

SECTION B: FUTURE SENTIMENTS

B1. Zonal Future Sentiment Score

OPTIMISM ACROSS ZONES, WITH SLIGHT MODERATION IN NORTH ZONE

Zonal Score



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

Source: Knight Frank Research

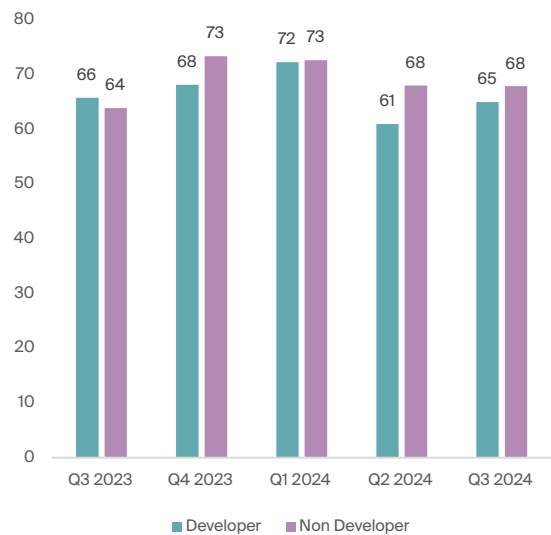
Findings

- The North Zone's sentiment score declined slightly to 61 in Q3 2024 from 63 in Q2 2024. This decline can be attributed to a drop in residential sales across key cities within the region during the quarter. However, the overall sentiment remains in the optimistic zone, supported by ongoing infrastructure development and consistent activity in the commercial real estate segment.
- The score for the South Zone increased to 66 in Q3 2024 from 65 in Q2 2024, driven by positive trends in IT hubs and stable residential demand. Stakeholders remain optimistic about the region's growth prospects.
- The East Zone witnessed an improvement, with the score rising to 68 in Q3 2024 from 65 in Q2 2024. This uptick is supported by infrastructure developments and consistent housing demand in key cities.
- The West Zone's sentiment increased to 69 in Q3 2024 from 66 in Q2 2024, reflecting strong leasing activity and steady residential demand in cities like Mumbai and Pune.

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

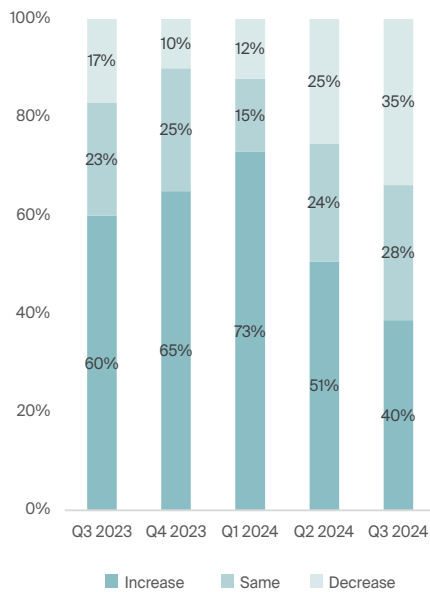
Findings

- The Sentiment Score for developers increased to 65 in Q3 2024 from 61 in Q2 2024, highlighting a rebound in optimism. Developers continue to adapt to evolving market dynamics and benefit from a steady sales momentum.
- Non-Developers, including banks, financial institutions, and private equity funds, maintain a stable outlook with a sentiment score of 68, consistent with Q2 2024. This reflects their confidence in well-structured real estate projects and the sector's long-term potential.

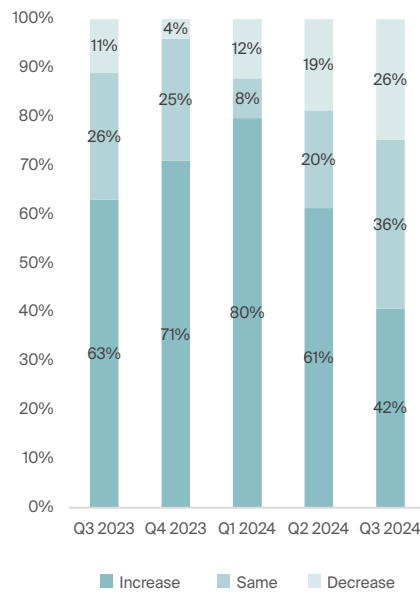
B3. Residential Market Outlook

RESIDENTIAL SENTIMENTS REMAIN OPTIMISTIC AND RESILIENT

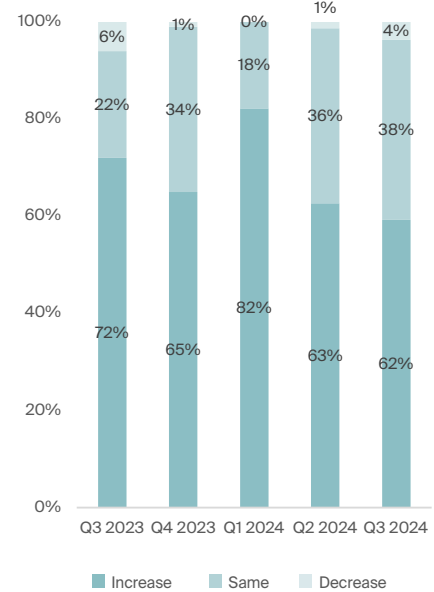
Residential Sales



Residential Launches



Residential Prices



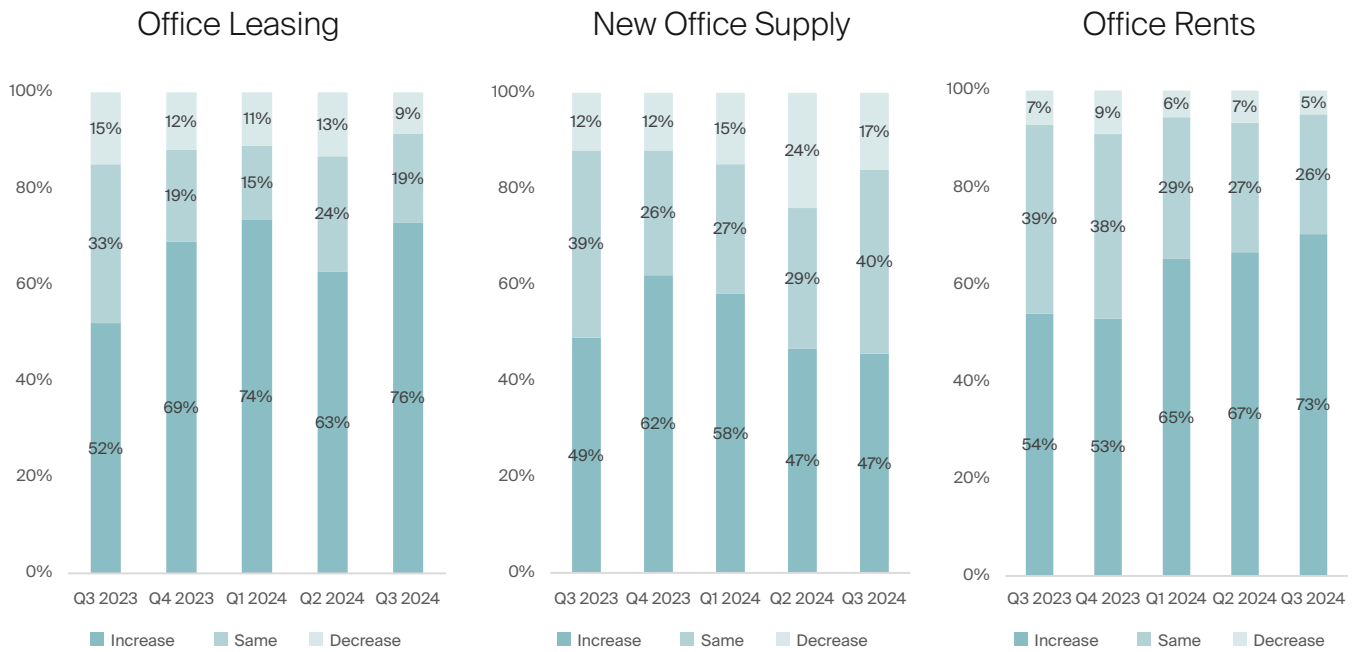
Source: Knight Frank Research

Findings

- The residential market is currently navigating a phase of recalibration as stakeholders assess the evolving macroeconomic environment. Developers are aligning their strategies with market realities, focusing on delivering quality products in the mid-to-premium segments where demand remains steady. While the festive season brings hope for a rebound in sales, sustained momentum will depend on the broader economic sentiment and potential policy interventions to bolster affordability and liquidity in the sector.
- Stakeholders maintain a positive outlook on residential launches, with 42% expecting an increase and a substantial number portion anticipating stability. This sentiment reflects a measured yet optimistic approach by developers, who continue to focus on meeting demand in key markets while balancing inventory and new project rollouts.
- The residential sales outlook remains firmly optimistic, with 40% of respondents expecting growth and 28% predicting stability. This demonstrates steady confidence in the market, buoyed by end-user demand. Accordingly, the overall sentiment points to a market that remains well-positioned for gradual growth.
- A majority of stakeholders anticipate an increase in residential prices, supported by consistent demand and limited inventory in prime markets. Stability is expected by 38% of respondents, reinforcing confidence that the market will maintain its resilience despite external challenges.

B4. Office Market Outlook

OFFICE MARKET SENTIMENTS STRENGTHEN FURTHER



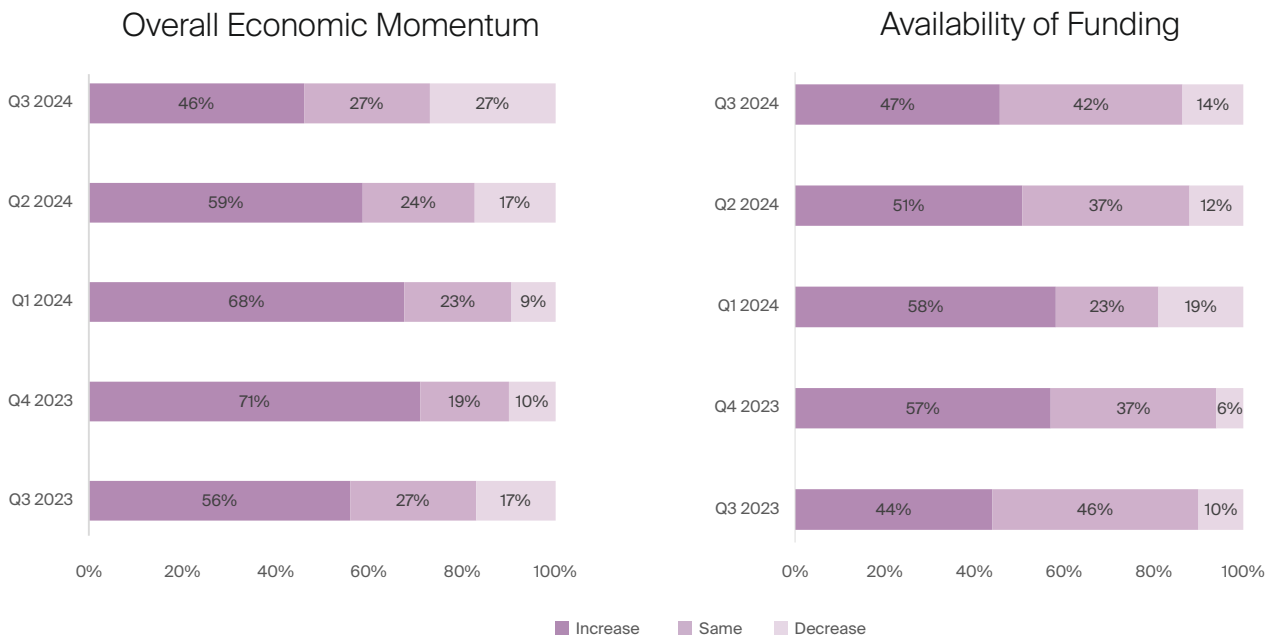
Source: Knight Frank Research

Findings

- The office market remains resilient, with stakeholders demonstrating confidence in its long-term potential. The demand for high-quality office spaces is fueled by the continued expansion of tech and consulting firms in key markets. While global economic headwinds persist, India’s positioning as a favorable business destination, coupled with ongoing investments in commercial hubs, is expected to sustain leasing activity and rental growth in the coming quarters.
- A robust 76% of stakeholders predict an increase in office leasing activity, up from 63% in Q2 2024. This growth reflects positive corporate sentiment and continued recovery in demand.
- Expectations for new office supply remain stable, with 47% anticipating an increase, 40% predicting stability, and 17% forecasting a decline.
- The outlook for office rents remains strong, with 73% of stakeholders expecting an increase, driven by high demand for high-quality office spaces.

B5. Economic Scenario and Availability of Funding

ECONOMIC OUTLOOK STEADY



Source: Knight Frank Research

Findings

- Optimism about economic momentum has softened, with only 46% of respondents expecting improvement in Q3 2024 compared to 59% in Q2 2024. This reflects global economic volatility and its potential impact on domestic growth.
- Confidence in funding availability moderated, with 47% of respondents expecting an increase compared to 51% in Q2 2024. A stable 42% foresee no change, indicating a balanced view of liquidity in the sector.

CONCLUDING REMARKS

The findings for Q3 2024 highlight a balanced yet optimistic outlook for the Indian real estate market. While the Current Sentiment Score moderated slightly, the Future Sentiment Score reflects improved expectations for the coming months. Stakeholders remain confident in the residential and office segments, driven by steady demand and favorable market conditions. However, external economic uncertainties continue to warrant a cautious approach. The sector's resilience and adaptability remain key to sustaining growth in the near future.



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Knight Frank India is headquartered in Mumbai and has more than 1,500 experts across Bangalore, Delhi, Pune, Hyderabad, Chennai, Kolkata, and Ahmedabad. Backed by strong research and analytics, our experts offer a comprehensive range of real estate services across advisory, valuation and consulting, transactions (residential, commercial, retail, hospitality, land & capitals), facilities management and project management. For more information, visit www.knightfrank.co.in

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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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