

India Real Estate



Office and Residential Market - January - March 2025

Q1 2025

Knight Frank's ultimate guide to real estate market performance and opportunities in the world's most promising economy.

knightfrank.co.in/research



India Office Market– Q1 2025

- India has demonstrated remarkable resilience amidst a volatile geopolitical and economic environment in early 2025. Despite external challenges, including geopolitical conflicts and supply chain disruptions due to the still evolving tariff environment imposed by the USA, India's economic fundamentals continued to remain relatively strong. The RBI's latest GDP growth projections for FY 2025 and FY 2026 stand at 6.6% and 6.7%, slightly revised downward but still among the highest globally. This undercurrent of economic stability and growth is also reflected in the strong occupier activity seen in the Indian office market.
- The positive sentiment around the economy has been the primary driver of occupier activity in the office market, with momentum growing since 2022 and culminating in record annual transaction volumes in 2024. Market momentum has continued to surge in Q1 2025, with transaction volumes reaching a record high of 2.62 million sq m (28.2 million sq ft). This translates to a massive 74% growth in YoY terms and also exceeds the previous peak in Q3 2024 by a substantial 48%. To add more perspective, this number constitutes a monumental 39% of the entire area transacted in 2024 - a record-breaking year in its own right.
- Bengaluru had an exceptional quarter, setting a new record with a massive 1.18 mn sq m (12.7 mn sq ft) of space taken up, accounting for 45% of the total area transacted during the period. Transaction volumes soared by an extraordinary 259% year-over-year, propelled by a surge in GCC transactions, which dominated the market, accounting for 63% of the city's total transactions. It must be noted that 58% or 0.7 mn sq m (7.4 mn sq ft) of the area transacted in Bengaluru were accounted for by pre-commitments. Mumbai and Pune also breached record highs in terms of transaction volumes in Q1 2025 while Hyderabad scaled a new post-pandemic high. Bengaluru and Pune saw transaction volumes grow more than the country's growth rate of 74% YoY and were the primary volume drivers for the office market during the quarter.
- While the overall transacted volume has been on a steady uptrend, its underlying constituents have changed substantially. Third party IT services had been a prominent driver of office space demand previously and corporates from this sector have made a significant comeback in Q1 2025, accounting for 19% or 0.5 mn sq m (5.5 mn sq ft) of the total area transacted compared to just 9% in Q1 2024. India's relative cost and quality advantage compared to other Asian economies is rendering it a better IT services destination in an increasingly

AI dominated environment and could see further occupier traction in 2025.

- While IT Services have made a comeback, it is the GCCs that have stolen the limelight from the India facing businesses which anchored the market since the pandemic. Global companies based in the western hemisphere have been increasing their business operations in India, setting up Global Capability Centres (GCC) to leverage the increasingly high-quality talent pool and cost arbitrage that the Indian market offers. Indian GCCs have aggressively scaled up the value chain with the parent organization increasingly willing to offshore more business-critical activities, including value-added functions and processes to their Indian GCCs. Global Capability Centers (GCC) made up 1.2 mn sq m (12.4 mn sq ft) or 44% of the total area transacted during the period, highest among the end-use categories. Notably, 65% of all GCC transactions were concentrated in Bengaluru. India has emerged as a leading destination for GCCs in recent years and this quarter's tally marks the highest quarterly volume clocked by GCCs on record.
- With the prodigious growth seen in Q1 2025, flex space operators were also particularly active, taking up 0.5 mn sq m (4.9 mn sq ft) during the period. This translates to a 28% YoY growth and also marks the highest quarterly tally for this segment. The premise of a workplace specialist that enhances employee productivity held strong in Q1 2025, and it was the much higher incidence of small businesses taking up co-working spaces that drove the demand in flex spaces. Co-working spaces constituted a massive 83% of all flex space transactions during Q1 2025, much higher than the average 63% seen over the trailing eight quarters.
- India facing businesses had led the market since the pandemic and the momentum in this segment took a pause in Q1 2025, accounting for 17% of the total area transacted compared to 37% during the year-ago quarter. 0.4 mn sq m (4.8 mn sq ft) were taken up by India Facing businesses in Q1 2025.
- Completions have been comparatively subdued as development interest continues to be largely focused on residential projects due to the strong momentum in sales and prices seen in the residential market in recent times. Just 0.51 mn sq m (5.5 mn sq ft) of office space came online across the eight cities in Q1 2025, 58% lower compared to a year ago.
- With completions having lagged transactions consistently since 2021, vacancy levels trended down from 17.2% then to a healthy 14.3% in Q1 2025. This supply squeeze across the top markets

- Bengaluru had an exceptional quarter, setting a new record with a massive 1.18 mn sq m (12.7 mn sq ft) of space taken up, accounting for 45% of the total area transacted during the period.*
- Mumbai and Pune also breached record highs in terms of transaction volumes while Hyderabad scaled a new post-pandemic high.*
- GCCs were the highest consumers of office space in Q1 2025, accounting for 44% of the transacted volumes.*
- Third party IT services made a significant comeback and accounted for 19% or 0.5 mn sq m (5.5 mn sq ft) of the total area transacted.*
- 65% of the space transacted by GCCs during the period was concentrated in Bengaluru. GCCs also accounted for 63% of the total space transacted in the city.*

has also caused rents to trend higher since early 2022, as Indian landlords have been able to negotiate better terms in a market that has seen the strongest office markets struggle globally. Rents grew between 2% and 9% YoY across all markets in Q1 2025 with Hyderabad and Kolkata growing at 9% YoY each, while Bengaluru and NCR grew at 8% and 6% YoY, respectively.

- Despite global economic volatility, office demand in Q1 2025 trended higher, reflecting the strong business sentiments in the country. Leadership teams across industries, including tech giants like TCS, Infosys, Wipro, HCL Technologies, and Reliance, are actively driving a return to office. With India continuing to lead on growth parameters, the office space market faces minimal headwinds apart from a constrained supply and appears well-positioned to maintain its momentum into 2025.

Table 1: Transactions in mn sq m (mn sq ft)

Market	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q1 2025 YoY Change %
Bengaluru	0.45 (4.9)	0.5 (5.3)	0.4 (4.3)	1.18 (12.7)	259%
Hyderabad	0.19 (2)	0.2 (2.2)	0.29 (3.1)	0.37 (4)	31%
Pune	0.22 (2.4)	0.24 (2.6)	0.09 (1)	0.35 (3.7)	91%
Mumbai	0.28 (3)	0.25 (2.7)	0.18 (1.9)	0.32 (3.5)	24%
NCR	0.24 (2.6)	0.3 (3.2)	0.36 (3.8)	0.19 (2.1)	-33%
Chennai	0.17 (1.9)	0.24 (2.6)	0.24 (2.5)	0.17 (1.8)	56%
Ahmedabad	0.11 (1.2)	0.03 (0.3)	0.1 (1)	0.02 (0.2)	-54%
Kolkata	0.05 (0.5)	0.02 (0.2)	0.05 (0.5)	0.02 (0.2)	-16%
All cities	1.72 (18.5)	1.77 (19)	1.69 (18.2)	2.62 (28.2)	74%

Source: Knight Frank Research,

Table 2: New completions in mn sq m (mn sq ft)

Market	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q1 2025 YoY Change %
Pune	0.06 (0.7)	0.25 (2.7)	0.06 (0.6)	0.33 (3.5)	99%
Bengaluru	0.25 (2.7)	0.23 (2.5)	0.21 (2.3)	0.1 (1.1)	-79%
Mumbai	0.36 (3.9)	0.07 (0.8)	0.07 (0.8)	0.05 (0.5)	43%
NCR	0.12 (1.3)	0.1 (1)	0.15 (1.6)	0.02 (0.2)	-88%
Chennai	0.07 (0.8)	0 (0)	0.11 (1.2)	0.02 (0.2)	-
Ahmedabad	0.11 (1.2)	0.03 (0.3)	0.08 (0.8)	0 (0)	-100%
Hyderabad	0.12 (1.3)	0.39 (4.2)	0.6 (6.4)	0 (0)	-100%
Kolkata	0.03 (0.3)	0 (0)	0 (0)	0 (0)	-
All cities	1.12 (12.1)	1.07 (11.5)	1.28 (13.7)	0.51 (5.5)	-58%

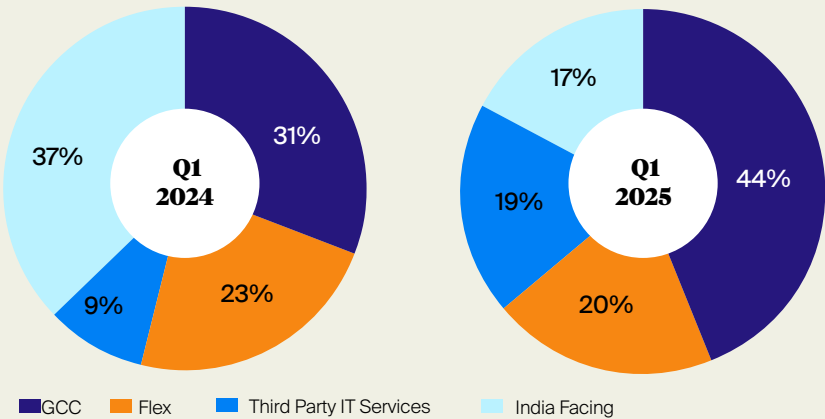
Source: Knight Frank Research Note: Blanks denote negligible numbers.

Average rent growth across markets during Q1 2025

Market	YoY Change	QoQ Change
Hyderabad	9%	3%
Kolkata	9%	2%
Bengaluru	8%	2%
NCR	6%	4%
Ahmedabad	5%	1%
Chennai	3%	0%
Pune	3%	0%
Mumbai	2%	0%

Source: Knight Frank Research,

End-use split of transactions



Source: Knight Frank Research

Notes:

1. India Facing: These refer to such transactions where the lessees/buyers are entities which have an India focused business, i.e., no export or import.
2. Third Party IT Services: These refer to transactions where the 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 them.
3. Global Capability Centre (GCC): These refer to transactions where the 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.



India Residential Market– Q1 2025

- India continued to lead the large global economies in terms of economic growth prospects in Q1 2025. The RBI's growth estimate for FY 2026 revised lower to 6.7%, still ensures that India will remain a major growth center during this period. The Central Bank reduced policy rates for the first time since 2020 by 25 bps and consumer inflation dropped to 3.61% in Q1 2025. These factors, along with RBI's recent initiatives to increase liquidity in the banking system, are expected to significantly increase credit availability at reduced interest rates for homebuyers in 2025.
- The favorable macro environment allayed increasingly persistent concerns on the market overheating and helped keep the sales volumes stable during Q1 2025. 88,274 units were sold during the quarter which works out to a 2% higher level in YoY terms. While sales volumes were stable at the outset, performance varied across markets. Sales grew across five of the eight markets under coverage with Pune and Chennai growing the most, by 20% and 10% YoY respectively. The highest sales volumes were recorded in Mumbai with 24,930 units, growing at 5% YoY.
- In contrast, sales lagged in NCR and Bengaluru by 8% and 5% YoY respectively. Interestingly, both markets have also seen the highest growth in prices which has contributed to the dip in volumes in these markets. It remains to be seen who prevails in this tug of war between homebuyers and developers in these markets over the course of the year. More significantly, while overall sales volumes have dropped in NCR and Bengaluru, the top end of the market continues to thrive in both cities.
- The steady growth in demand is surpassed by the volume of units launched, exceeding sales for the past ten quarters. 96,309 units were launched in Q1 2025 which constitutes a 3% growth over the previous period. The Bengaluru market saw the most growth in launches during the quarter at 26% YoY. Mumbai and Bengaluru saw the highest volume of units launched in Q1 2025 and together constituted 44% of the units launched during this period.
- 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 Q1 2025, compared to 40% 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

have grown by 16% YoY and been the primary driver for overall sales growth during the quarter.

- With the units priced over INR 10 mn now constituting almost half the residential market, it is imperative to break it down further for better analysis. For further assessment, we have split the INR 10 mn+ ticket size into six segments. Closer observation reveals that the trend of premiumization exists even within these segments with the share of sales increasing in the INR 20-50 mn segment from 12% in Q1 2024 to 16% in Q1 2025, while that of the INR 10-20 mn category has remained the same at 25%. While this trend is prominent even in the higher ticket size segments above INR 50 mn, they together constitute just 5% of the total sales and those above INR 100 mn constitute approximately 1% of the same. Sales in the INR 10-20 mn segment grew by 2% YoY and those in the INR 20-50 mn category grew by 28% YoY.
- While sales in the higher ticket sizes have been driving market growth, those in the INR 5-10 mn and <INR 5 mn categories have dropped by 6% and 9% YoY respectively as the homebuyer's focus remained on the premium category during the quarter. As high prices and elevated interest rates kept homebuyers away from the market in this price-sensitive segment, the lack of supply also played a significant role in curtailing sales volumes. The higher margins and existing homebuyer interest in the higher segments attracted the bulk of development interest in Q1 2025.
- Price levels have continued their strong run across all markets in YoY terms. In sequential terms as well, they have held steady or grown in all markets. Price levels in Bengaluru and NCR saw exceptional growth at 16% and 12% YoY as the focus sharpened toward development of premium, high-rise properties.
- The unsold inventory level has increased 5% 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 exhausted at the current rate of sales. A reducing QTS level depicts a market where demand is gathering momentum. The current QTS level stands at 5.9 quarters which is at the same level that it was a year ago. This signifies that the current sales velocity is enough to counteract the increase in inventory over this

- Sales grew across five of the eight markets under coverage with Pune and Chennai growing the most, by 20% and 10% YoY respectively.
- The highest sales volumes were recorded in Mumbai with 24,930 units, growing at 5% YoY.
- Sales lagged in NCR and Bengaluru by 8% and 5% YoY respectively. Both markets have also seen the highest growth in prices which has contributed to the dip in volumes in these markets.
- Sales in the INR 10-20 mn segment grew by 2% YoY and those in the INR 20-50 mn category have grown by 28% YoY respectively.

period to enable the overall market dynamics to remain well balanced.

- QTS levels in the INR 20-50 mn and INR 50-100 mn segments stand at 4.0 and 3.6 quarters respectively, clearly showing that the rising inventory in these segments is still not a pressing issue. The super-luxury segments of INR 200-500 mn and over INR 500 mn are more nuanced. While the QTS level is 7.3 quarters in the INR 500 mn and above segment, it is much higher at 18.1 quarters in the INR 200-500 mn segment. However, it must be noted that the market is very shallow at the top end of the market as it is constituted of less than 1,500 units in the two segments combined. Even a small number of units on the sale or supply side could skew the QTS metric and cause it to be very volatile in a relatively short time.

Table 1: Sales

Market	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q1 2025 YoY Change
Mumbai	23,516	24,222	24,706	24,930	5%
NCR	13,471	12,976	15,680	14,248	-8%
Pune	12,693	13,200	14,621	14,231	20%
Bengaluru	14,271	14,604	13,354	12,504	-5%
Hyderabad	9,023	9,114	9,287	9,459	-1%
Ahmedabad	4,704	4,578	4,507	4,687	0%
Chennai	4,025	4,105	4,158	4,357	10%
Kolkata	5,193	4,309	3,950	3,858	-2%
Total	86,896	87,108	90,263	88,274	2%

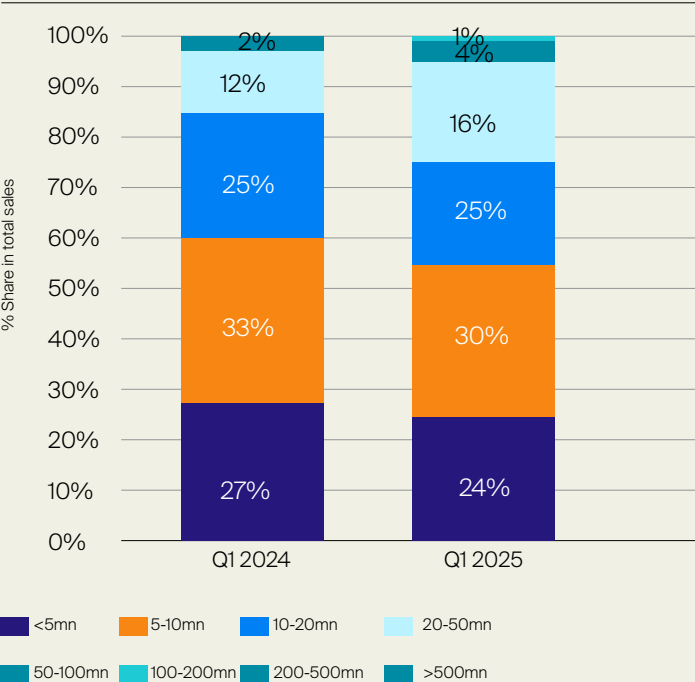
Source: Knight Frank Research
Note: Housing Units

Table 2: Launches

Market	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q1 2025 YoY Change
Mumbai	21,722	23,677	25,808	25,706	2%
NCR	15,687	13,128	16,991	13,276	-11%
Bengaluru	12,432	13,966	16,481	16,524	26%
Pune	14,754	15,049	16,452	16,231	22%
Chennai	4,505	4,273	4,303	4,576	5%
Hyderabad	11,160	10,902	10,811	10,661	-4%
Kolkata	4,808	3,782	2,107	3,707	-38%
Ahmedabad	5,079	5,702	6,103	5,628	9%
Total	90,147	90,479	99,056	96,309	3%

Source: Knight Frank Research
Note: Housing Units

Ticket size split comparison of sales share during Q1 2024 and Q1 2025



Source: Knight Frank Research,

Ticket size split comparison of sales during Q1 2024 and Q1 2025		
Ticket-size segment	Sales in Q1 2025 (housing Units)	Sales YoY % Change
<5 mn	21,010	-9%
5-10 mn	26,832	-6%
10-20 mn	22,330	2%
20-50 mn	13,735	28%
50-100 mn	3,448	82%
100-200 mn	658	114%
200-500 mn	92	124%
>500 mn	169	483%
Total	88,274	2%

Source: Knight Frank Research,

Average price change across markets during Q1 2025

Market	YoY Change	QoQ Change
Bengaluru	16%	7%
NCR	12%	6%
Kolkata	9%	3%
Hyderabad	9%	3%
Chennai	7%	1%
Pune	6%	1%
Mumbai	6%	1%
Ahmedabad	2%	0%

Source: Knight Frank Research,

Ticket-size Segment Health

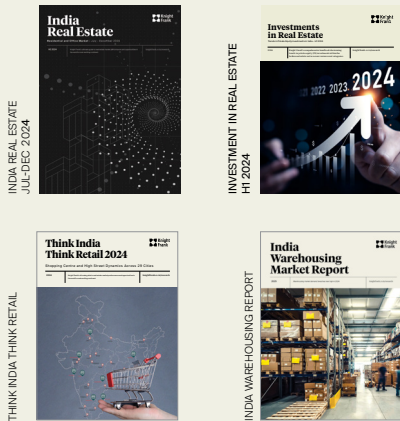
Ticket-size segment	Unsold Inventory (housing units)	Unsold Inventory YoY change %	Quarters-to-sell (QTS)
<5 mn	188,169	-4%	8.3
5-10 mn	139,525	-3%	5.0
10-20 mn	119,681	17%	5.6
20-50 mn	42,796	54%	4.0
50-100 mn	9,325	23%	3.6
100-200 mn	2,879	37%	9.0
200-500 mn	1,031	55%	18.1
>500 mn	466	172%	7.3
Total	503,873	5%	5.9

Source: Knight Frank Research,

While there are increasing instances of developers enticing homebuyers with financing schemes and other freebies such as subvention schemes, stamp duty waivers, zero floor rise, etc., their ability to move inventory remains strong, especially at the top-end of the market. Besides, the government remains steadfast in its commitment to the 'housing for all' agenda and is taking steps to spur private sector participation and enable easier access to financing for homebuyers in the lower to mid end segment. While concerns on elevated prices remain in some markets, it remains to be seen if they can stall market traction in a relatively stable economic and benign interest rate environment which hold enough tailwinds to sustain market momentum in 2025.

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

Knight Frank Research Reports
are available to download at
<https://www.knightfrank.co.in/research>



Author
Yashwin Bangera
Director- Research
yashwin.bangera@in.knightfrank.com

Research
Vivek Rathi - National Director- Research
vivek.rathi@in.knightfrank.com

Corporate - Marketing & Public Relations
Piyali Dasgupta - National Director
Corporate - Marketing & Public Relations
piyali.dasgupta@in.knightfrank.com



The statements, information, data and opinions expressed or provided herein are provided on "as is, where is" basis and concerned parties clients are required to carry out their own due diligence as may be required before signing any binding document. Knight Frank (India) Private Limited (KF IPL) makes no warranties, expressed or implied, and hereby disclaims and negates all other warranties, including without limitation, implied warranties or conditions of merchantability, fitness for a particular purpose, or non-infringement of intellectual property or other violation of rights including any third party rights. Further, KF IPL does not warrant or make any representations concerning the accuracy, likely results, or reliability of the use of the statements, information and opinions as specified herein. The statements, information and opinions expressed or provided in this presentation / document by KF IPL, are intended to be a guide with respect to the purpose for which they are intended, but in no way shall serve as a guide with regards to validating title, due diligence (technical and financial), or any other areas specifically not included in the presentation. Neither KF IPL nor any of its personnel involved accept any contractual, tortious or other form of liability for any consequences, loss or damages which may arise as a result of any person acting upon or using the statements, information, data or opinions in the publication, in part or full. The information herein shall be strictly confidential to the addressee, and is not to be the subject of communication or reproduction wholly or in part. The document / presentation is based on our understanding of the requirement, applicable current real estate market conditions and the regulatory environment that currently exists. Please note: Any change in any one of the parameter stated above could impact the information in the document/presentation. In case of any dispute, KF IPL shall have the right to clarify.