India Real Estate

Office and Residential Market - July - September 2025 (Q3 2025)

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India Office Market– Q3 2025

India's economic outlook remains resilient, underpinned by steady domestic consumption and public capital expenditure, even as global headwinds persist. The tariff environment has turned more nuanced, with the government selectively using import duties to encourage domestic manufacturing while balancing trade competitiveness. The Q2 2025 GDP growth exceeded expectations at 7.8% and the Reserve Bank of India, in its latest assessment, raised its growth projection for the year from 6.5% to 6.8%. The revision reflects strong domestic investment and relief from lower GST and interest rates, though external risks from geopolitical tensions and supply chain shifts, particularly affecting energy costs and capital flows, continue to persist.

The Indian office market has mirrored the momentum seen in the domestic economy in 2025. While the 1.66 mn sq m (17.8 mn sq ft) transacted in Q3 2025 represents a 6% drop in YoY terms, it must be noted that the base period of Q3 2024 saw the highest volumes transacted during that year. However, YTD volumes in 2025 show a healthy 24% YoY growth and the market is firmly on course to breach a fresh annual high in 2025.

Grade A office transactions accounted for 88% of volumes leased in Q3 2025 and an even stronger 92% on a YTD basis. Demand for such spaces is rising as occupiers prioritize modern workplace designs and sustainability standards. This shift has accelerated in recent years, driven by the expansion of REITs, the growing footprint of GCCs, and the rapid adoption of flexible workspaces.

The larger markets of Bengaluru, Mumbai and NCR accounted for half of the volumes transacted and Bengaluru led with 0.39 mn sq m (4.2 mn sq ft) in Q3 2025. These markets saw significant degrowth in YoY terms due to a pronounced base effect. Hyderabad and Chennai accounted for much of the volume growth during the quarter. The cities ranked second and third after Bengaluru in terms of volumes transacted and grew by 33% and 9% YoY respectively. GCCs were the primary growth drivers in both markets and accounted for 45% and 51% of the volumes in Hyderabad and Chennai respectively.

India represents one of the few promising growth concentrations across the globe today. Western multinationals are increasingly setting up Global Capability Centres (GCCs) in India, leveraging its skilled talent and cost advantages. Once limited to back-office roles, these centres now deliver complex, high-value strategic functions for parent firms. During the review period, GCCs accounted for approximately 0.53 mn sq m (5.7 mn sq ft) of office space transactions, making up the largest share at 32%, among all occupier segments. Bengaluru was the top choice for this segment, accounting for a massive 65% of the GCC-related leasing activity in Q3 2025.

After a period of muted activity, third-party IT service providers have re-emerged as key demand drivers in the Indian office market. In Q3 2025, the segment leased about 0.30 mn sq m (3.2 mn sq ft), accounting for 18% of the total transactions versus 12% a year ago, representing a robust 38% YoY growth. With global AI adoption accelerating, India's deep talent pool and cost advantages continue to strengthen its appeal as a hub for outsourced IT services.

Flex spaces are now an established part of the growing Indian office market, consistently accounting for over 20% of the market over the past four quarters. The 0.36 mn sq m (3.8 mn sq ft) taken up by flex operators represent a 21% share and translate to a healthy 27% YoY growth in volumes transacted during Q3 2025.

India-Facing businesses have traditionally anchored the office market and accounted for a significant 28% of the volumes transacted in the current quarter compared to 35% in the base period of Q3 2024.

With transaction volumes remaining robust, rental levels have grown too, with all markets showing positive momentum in YoY terms. Rental levels in the larger office markets of Mumbai, NCR and Bengaluru grew by 11%, 9% and 6% YoY respectively. Rents in Kolkata grew by a steep 14% YoY on the back of particularly strong occupier momentum in Q3 2025. This is the thirteenth consecutive quarter where YoY rent growth has been stable or positive for all markets.

The office market now holds a total stock of a little over 1 bn sq ft, a milestone which was crossed in Q3 2025. 1.15 mn sq m (12.4 mn sq ft) of office space attained completion during Q3 2025. Bengaluru, with 0.55 mn sq m (5.9 mn sq ft), accounted for 48% of the office space delivered during the quarter. The other markets saw relatively insignificant volume of deliveries compared to their transaction levels during the quarter. The overall vacancy levels dropped significantly to 14.5% in Q3 2025 compared to 14.9% previously (Q3 2024) as development activity has lagged transactions consistently since the beginning of 2023.

- *The office market now holds a total stock of a little over 1 bn sq ft, a milestone which was crossed in Q3 2025.*
- *While the 1.66 mn sq m (17.8 mn sq ft) transacted in Q3 2025 represents a 6% drop in YoY terms, YTD volumes in 2025 show a healthy 24% YoY growth and the market is firmly on course to breach a fresh annual high in 2025.*
- *Grade A Office transactions accounted for 88% of volumes leased in Q3 2025 and an even stronger 92% on a YTD basis.*
- *The larger markets of Bengaluru, Mumbai and NCR accounted for half of the volumes transacted and Bengaluru led with 0.39 mn sq m (4.2 mn sq ft) in Q3 2025.*
- *Hyderabad and Chennai ranked second and third after Bengaluru in terms of volumes transacted. GCCs were the primary growth drivers in both markets and accounted for 45% and 51% of the volumes in Hyderabad and Chennai respectively.*
- *GCCs accounted for approximately 0.53 mn sq m (5.7 mn sq ft) of office space transactions, making up the largest share at 32% among all occupier segments.*

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

Market	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q3 2025 YoY Change %	Q3 2025 YTD change %
Bengaluru	0.4 (4.3)	1.18 (12.7)	0.51 (5.5)	0.39 (4.2)	-21%	63%
Hyderabad	0.29 (3.1)	0.37 (4)	0.18 (1.9)	0.27 (2.9)	33%	21%
Chennai	0.24 (2.5)	0.17 (1.8)	0.3 (3.2)	0.26 (2.8)	9%	41%
NCR	0.36 (3.8)	0.19 (2.1)	0.48 (5.2)	0.25 (2.7)	-15%	12%
Pune	0.09 (1)	0.35 (3.7)	0.13 (1.4)	0.22 (2.3)	-9%	7%
Mumbai	0.18 (1.9)	0.32 (3.5)	0.19 (2)	0.18 (1.9)	-27%	-12%
Kolkata	0.05 (0.5)	0.02 (0.2)	0.09 (1)	0.05 (0.5)	190%	87%
Ahmedabad	0.1 (1)	0.02 (0.2)	0.06 (0.6)	0.03 (0.4)	13%	-41%
All cities	**1.69 (18.2)**	**2.62 (28.2)**	**1.93 (20.7)**	**1.66 (17.8)**	**-6%**	**24%**

Source: Knight Frank Research,

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

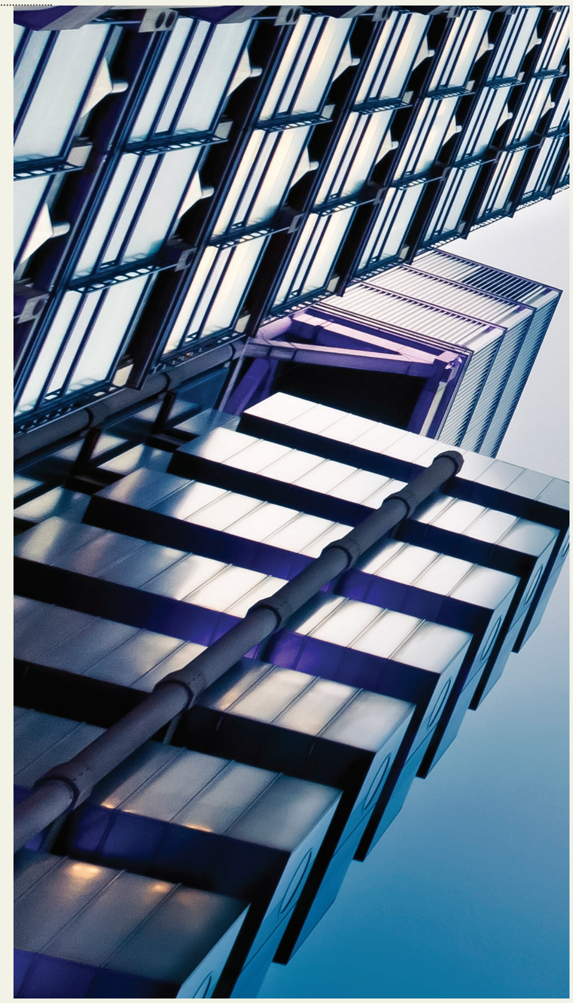
Market	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q3 2025 YoY Change %	Q3 2025 YTD Change %
Bengaluru	0.21 (2.3)	0.1 (1.1)	0.09 (1)	0.55 (5.9)	140%	-21%
Hyderabad	0.6 (6.4)	0 (0)	0.13 (1.4)	0.15 (1.6)	-61%	-67%
Mumbai	0.07 (0.8)	0.05 (0.5)	0.16 (1.7)	0.14 (1.6)	94%	-25%
NCR	0.15 (1.6)	0.02 (0.2)	0.36 (3.9)	0.14 (1.5)	42%	40%
Pune	0.06 (0.6)	0.33 (3.5)	0.49 (5.3)	0.1 (1.1)	-60%	92%
Chennai	0.11 (1.2)	0.02 (0.2)	0.08 (0.8)	0.04 (0.4)	1709%	79%
Ahmedabad	0.08 (0.8)	0 (0)	0.05 (0.5)	0.03 (0.3)	4%	-60%
Kolkata	0 (0)	0 (0)	0 (0)	0 (0)	-	-100%
All cities	**1.28 (13.7)**	**0.51 (5.5)**	**1.35 (14.6)**	**1.15 (12.4)**	**8%**	**-11%**

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

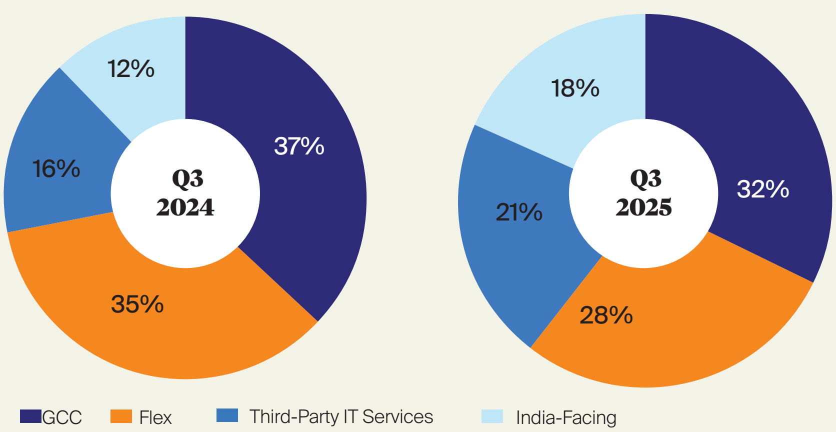
Average rent growth across markets during Q3 2025

Market	YoY Change	QoQ Change
Kolkata	14%	5%
Mumbai	11%	0%
NCR	9%	2%
Hyderabad	9%	1%
Bengaluru	6%	1%
Ahmedabad	5%	0%
Pune	4%	1%
Chennai	1%	1%

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 Centres (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.

The Indian office market has built on the strong base of 2024 and moved into a higher growth trajectory in 2025. Despite global geopolitical turbulence weighing on investment sentiment elsewhere, India's strong domestic fundamentals remain a compelling case for businesses looking to tap into its large and growing consumer base. The stable policy environment and massive talent pool continue to play a big part in attracting capital from domestic businesses and GCCs, while the revival in third-party IT services bodes well for the prospects of the office market. With limited challenges beyond supply constraints, the market remains well placed to sustain its growth momentum through the rest of the year.

India Residential Market– Q3 2025

The Indian economy continues to remain resilient in the backdrop of a volatile global environment. With inflation trending down to 2.07% in August 2025 compared to 3.65% a year ago and the RBI raising its FY 2026 GDP growth projection to 6.8%, India continues to stand out as one of the world's fastest-growing major economies, underpinned by relative geopolitical stability.

The stable economic backdrop, with lower inflation and the repo rate at a full percentage point lower than at the end of 2024, have played their role in supporting sentiments in the residential market. 87,603 units were sold in Q3 2025, marginally higher by 1% YoY and in YTD terms (Jan-Sept 2025), the sales volumes were 1% lower than the base period last year. Interestingly, sales have remained stable or grown marginally across all markets with the exception of Pune which witnessed a decline of 8% YoY in Q3 2025. The highest sales volumes were recorded in Mumbai at 24,706 units, 2% higher in YoY terms. At 12% YoY, sales grew the most in the Chennai market to 4,617 units, the highest seen since the pandemic.

The steady growth in demand was surpassed by the volume of units launched, exceeding sales for the past 12 quarters. 88,655 units were launched in Q3 2025 which constitutes a 2% drop over the previous period. The Chennai and Bengaluru markets saw the highest growth in units launched during the quarter at 44% and 28% YoY respectively. Mumbai and NCR saw a significant drop in the volume of units launched at 19% YoY each and were instrumental in limiting the overall tally during the quarter. While price growth has sustained, developers have increasingly begun to offer financing options such as bank and developer subvention schemes in order to push sales.

Market activity continues to be concentrated at the top end of the market while momentum continues to slide in ticket sizes under INR 10 mn. The share of these lower segments now constitutes 48% of the total sales compared to 54% in Q3 2024. Kolkata is the only market which has seen sales grow in the <INR 5 mn and INR 5-10 mn segments.

Sales of units priced over INR 10 mn have grown by 13% YoY compared to the 16% and 5% YoY degrowth in the INR <5 mn and 5-10 mn segments. This growth in sales is apparent in most of the ticket sizes above INR 10 mn with the largest segment of INR 10-20 mn growing by 17% YoY while the INR 50-100 mn, INR 100-200 mn and INR 200-500 mn segments have seen sales grow by 33%, 170% and 34% YoY respectively. Sales in the INR 10-20 mn segment constituted 28% of the total volume, marginally exceeding the volumes accounted for by the INR 5-10 mn segment which has largely held the highest market share since Q4 2022.

While the overall sales growth has plateaued, the unsold inventory has consistently increased since 2020 as supply levels have exceeded sales. This growth in the inventory levels can be squarely attributed to the outsized development interest in the >INR 10 mn segment over the past few years. Inventory levels grew by 21% in this segment compared to a degrowth of 6% and 1% in the units priced under INR 5 mn and INR 5-10 mn segments respectively. Inventory levels in the higher ticket sizes, particularly those in the INR 20-50 mn and INR 200-500 mn categories, have grown by 47% and 19% YoY respectively and warrant a closer look in terms of an assessment of whether the market is overheating.

Although the build-up of unsold inventory could appear worrisome when seen in isolation, evaluating it alongside sales momentum offers a clearer view of the underlying market strength. The Quarters to Sell (QTS) indicator provides this perspective by estimating the time needed to absorb current inventory based on the average sales pace of the past eight quarters. A lower QTS typically signals stronger demand and healthier market dynamics. For the eight key markets, the QTS throughout the past year has held at close to 5.8 quarters, equivalent to less than 18 months. This stability, despite an uptick in inventory, underscores the resilience of market fundamentals.

Inventory accumulation has been most visible in the INR 20-50 mn segment. However, with the QTS holding steady at around four quarters, the inventory levels here remain comfortably aligned with demand. The picture is more nuanced in the luxury and super-luxury categories. Units priced above INR 500 mn currently reflect a QTS of nine quarters, while those in the INR 200-500 mn band extend to 14.4 quarters. That said, the absolute scale of these segments is small, together accounting for fewer than 1,500 units. Consequently, even modest variations in supply or transaction activity can cause disproportionate swings in QTS, making the metric inherently more volatile at the top end of the market.

Price growth has been healthy in Q3 2025 despite overall sales not seeing any growth. The growth is primarily driven by traction in the larger ticket sizes over INR 10 mn. These segments now constitute 52% of sales, 58% of launches and 37% of the inventory and continue to influence the overall market health as stated above, and price growth too. The price growth has been strong in NCR, Bengaluru and Hyderabad at 19%, 15% and 13% YoY respectively.

- *Sales have remained stable or grown marginally across all markets with the exception of Pune which witnessed a decline of 8% YoY in Q3 2025.*
- *The highest sales volumes were recorded in Mumbai at 24,706 units, 2% higher in YoY terms. At 12% YoY, sales grew the most in the Chennai market to 4,617 units, the highest seen since the pandemic.*
- *Market activity continues to be concentrated at the top end of the market. The share of segments under INR 10 mn now stands at 48% of the total sales compared to 54% in Q3 2024. Kolkata is the only market which has seen sales grow in the <INR 5 mn and INR 5-10 mn segments.*

Table 1: Sales

Market	Q4 2023	Q1 2024	Q2 2024	Q3 2025	Q3 2025 YoY Change %	Q3 2025 YTD change %
Mumbai	24,706	24,930	22,105	24,706	2%	0%
Bengaluru	13,354	12,504	14,095	14,538	0%	-2%
NCR	15,680	14,248	12,547	12,955	0%	-5%
Pune	14,621	14,231	10,098	12,118	-8%	-3%
Hyderabad	9,287	9,459	9,589	9,601	5%	3%
Ahmedabad	4,507	4,687	4,683	4,694	3%	1%
Chennai	4,158	4,357	4,578	4,617	12%	12%
Kolkata	3,950	3,858	4,232	4,374	2%	-7%
Total	**90,263**	**88,274**	**81,927**	**87,603**	**1%**	**-1%**

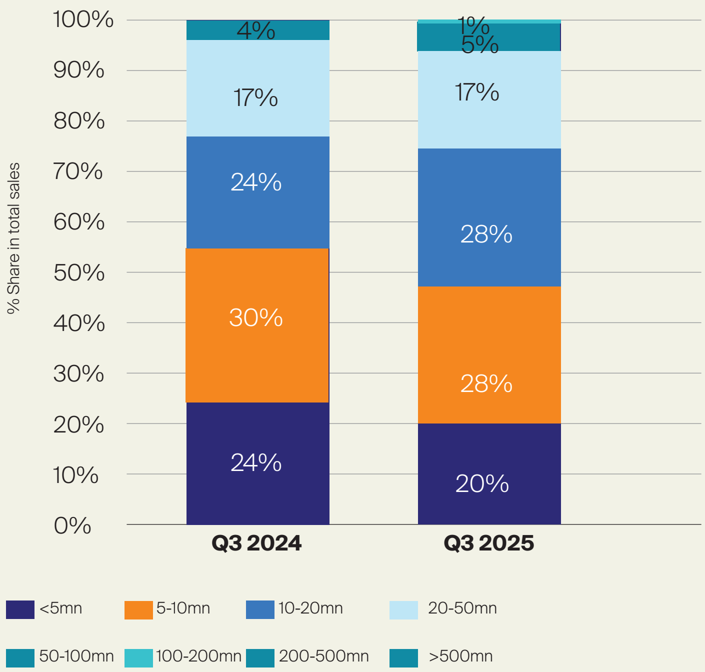
Source: Knight Frank Research
Note: Housing Units

Table 2: Launches

Market	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q3 2025 YoY Change %	Q3 2025 YTD change %
Mumbai	25,808	25,706	19,745	19,145	-19%	-9%
Bengaluru	16,481	16,524	16,974	17,817	28%	30%
NCR	16,991	13,276	11,957	10,657	-19%	-18%
Pune	16,452	16,231	10,328	15,234	1%	-3%
Hyderabad	10,811	10,661	10,301	9,764	-10%	-7%
Ahmedabad	6,103	5,628	5,106	5,797	2%	4%
Chennai	4,303	4,576	5,045	6,172	44%	20%
Kolkata	2,107	3,707	3,975	4,069	8%	-20%
Total	**99,056**	**96,309**	**83,431**	**88,655**	**-2%**	**-2%**

Source: Knight Frank Research
Note: Housing Units

Ticket size split comparison of sales during Q3 2024 and Q3 2025



Source: Knight Frank Research,

Ticket size split comparison of sales during Q3 2024 and Q3 2025

Ticket-size segment	Sales in Q3 2025	Sales YoY % Change
<5 mn	17,463	-16%
5-10 mn	24,693	-5%
10-20 mn	24,944	17%
20-50 mn	14,982	-2%
50-100 mn	4,539	33%
100-200 mn	860	170%
200-500 mn	101	34%
>500 mn	20	-36%
Total	87,603	1%

Source: Knight Frank Research,

Average price change across markets during Q3 2025

Market	YoY Change	QoQ Change
NCR	19%	3%
Bengaluru	15%	4%
Hyderabad	13%	5%
Chennai	9%	2%
Kolkata	8%	1%
Mumbai	7%	1%
Pune	5%	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	180,616	-6%	8.6
5-10 mn	137,906	-1%	5.2
10-20 mn	126,399	17%	5.5
20-50 mn	48,511	47%	3.8
50-100 mn	9,177	-9%	2.9
100-200 mn	2,330	4%	4.8
200-500 mn	1,024	19%	14.4
>500 mn	466	74%	9.0
Total	506,429	4%	5.8

Source: Knight Frank Research,

The residential market remained rangebound and resilient in Q3 2025 contrary to popular sentiment pointing at a significant correction. Developers adopted a cautious stance, scaling back new project launches to avoid excess inventory accumulation. Despite this, sales in the premium housing segment remain resilient, aided by a rise in financing avenues, stamp duty waivers, and other buyer-focused incentives. On the policy front, the reductions in interest rates, CRR, and GST in 2025 have collectively enhanced liquidity in the financial system. By lowering borrowing costs and expanding the pool of funds available for credit, these measures are expected to support demand, particularly benefiting developers and urban end-users, while lending stability to the overall residential sector.

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