



49th
edition

KNIGHT FRANK-NAREDCO

Real Estate Sentiment Index

Q2 2026 (April–June 2026)

July 2026

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.

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30th India
Years Anniversary

Foreword



Shishir Baijal
International Partner,
Chairman & Managing Director,
Knight Frank India

“The opening months of 2026 brought geopolitical friction and sharp disruptions to energy markets, testing a global recovery that was only beginning to find its footing. Halfway through the year, crude oil volatility continues to sit at the heart of the challenge, driving inflation, rattling markets, and complicating the task of central banks. Layered onto this is the accelerating advance of artificial intelligence, which is steadily reshaping how businesses operate and how workforces are structured worldwide.

India has not been immune to these pressures, and its growth projections have been revised marginally downward. Yet the economy continues to stand apart, anchored by robust domestic consumption and retaining its position as the fastest-growing major economy in the world, with gross domestic product (GDP) growth forecast at 6.4 percent for the current year according to the International Monetary Fund (IMF).

The real estate sector, too, is navigating these global and macroeconomic crosscurrents. The residential segment, after a period of sustained strength, is easing into a natural moderation, while the office segment remains the sector’s anchor, sustained by resilient leasing demand and firm rents, with occupiers increasingly favouring high-quality, sustainable workplaces that help attract talent and improve productivity.

It is against this backdrop that the Current Sentiment Score has slid a point to 48 as compared to Q1 2026, amid the global environment that is fast-evolving yet remains highly unpredictable. The Future Sentiment Score, however, holds at the neutral threshold of 50 in Q2 2026 (April–June 2026), steady quarter-on-quarter, suggesting that the sharp decline of the previous quarter has levelled off and that the stakeholder outlook remains measured rather than downbeat.

While the current environment may prompt greater caution, India’s fundamental growth drivers remain intact, lending confidence to the sector’s long-term outlook. As I thank all who participated in the 49th edition of the Knight Frank-NAREDCO Real Estate Sentiment Index for Q2 2026, I hope you find it both insightful and timely in gauging the current and future outlook for the industry.”



Partners' take on the sector



Shri Parveen Jain

National President , NAREDCO

"The latest edition of the Knight Frank–NAREDCO Real Estate Sentiment Index for Q2 2026 tells a story of a market regaining its composure. While caution persists in the current sentiment, future sentiment has remained unchanged at the neutral threshold after the sharp correction witnessed in the previous quarter.

The office segment continues to stand out as a clear area of strength. A majority of respondents expect leasing activity to hold steady or improve in the coming months, while a comparable share anticipates office rents to remain firm or trend higher, reflecting sustained occupier confidence in the segment.

The residential segment, on the other hand, is settling into a more mature phase after sustained momentum over the past few years, a shift that reflects normalisation rather than weakness. Residential sales remain resilient even as the market grows more selective. This is borne out in the sentiment readings, with the share of stakeholders anticipating weaker demand dropping to 45 percent from 52 percent in the preceding quarter, signalling that the pessimism of the previous quarter is receding.

The current pressures weighing on sentiment are tied to global macroeconomic and geopolitical developments, rather than any strain within the sector itself. India's real estate fundamentals remain strong, and the market is well placed to absorb any near-term challenges."

Residential segment enters a moderation phase, office holds firm

Real estate market snapshot - H1 2026

Residential



1,87,350 units

New Launches

▲ 4% YoY



1,71,471 units

Sales

▲ 1% YoY



5,25,695 units

Unsold Inventory



6.0

Quarters to Sell

Office



27.0 mn sq ft

New Supply

▲ 35% YoY



48.0 mn sq ft

Transactions

▼ 2% YoY



1,055 mn sq ft

Total Stock



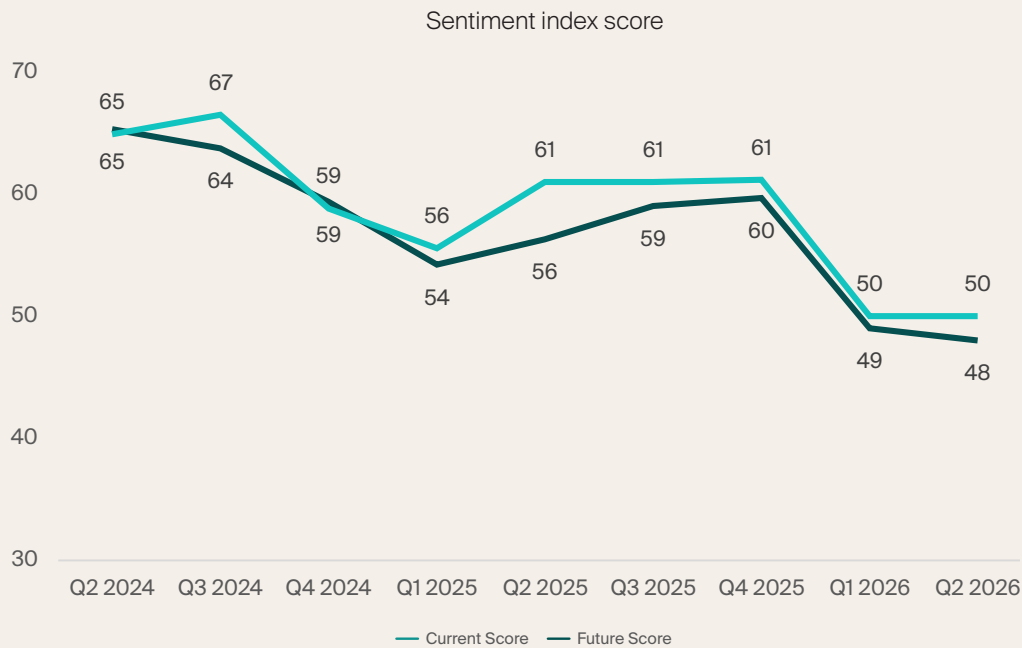
14.6%

Vacancy

Cautious mood extends as global risks weigh on

SENTIMENT INDEX SURVEY FINDINGS

SECTION A: OVERALL SENTIMENT SCORE



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

Source: Knight Frank Research

A1. Current Sentiment Score

- The Current Sentiment Score has further softened to 48 in Q2 2026, extending the downward trajectory initiated in the preceding quarter and consolidating its position within pessimistic territory.
- The current sentiment remaining in the pessimistic zone, reflects the persistence of the headwinds that emerged in early 2026, with elevated global uncertainty and inflationary pressures have weighed on stakeholder confidence in the absence of any significant catalyst for recovery.

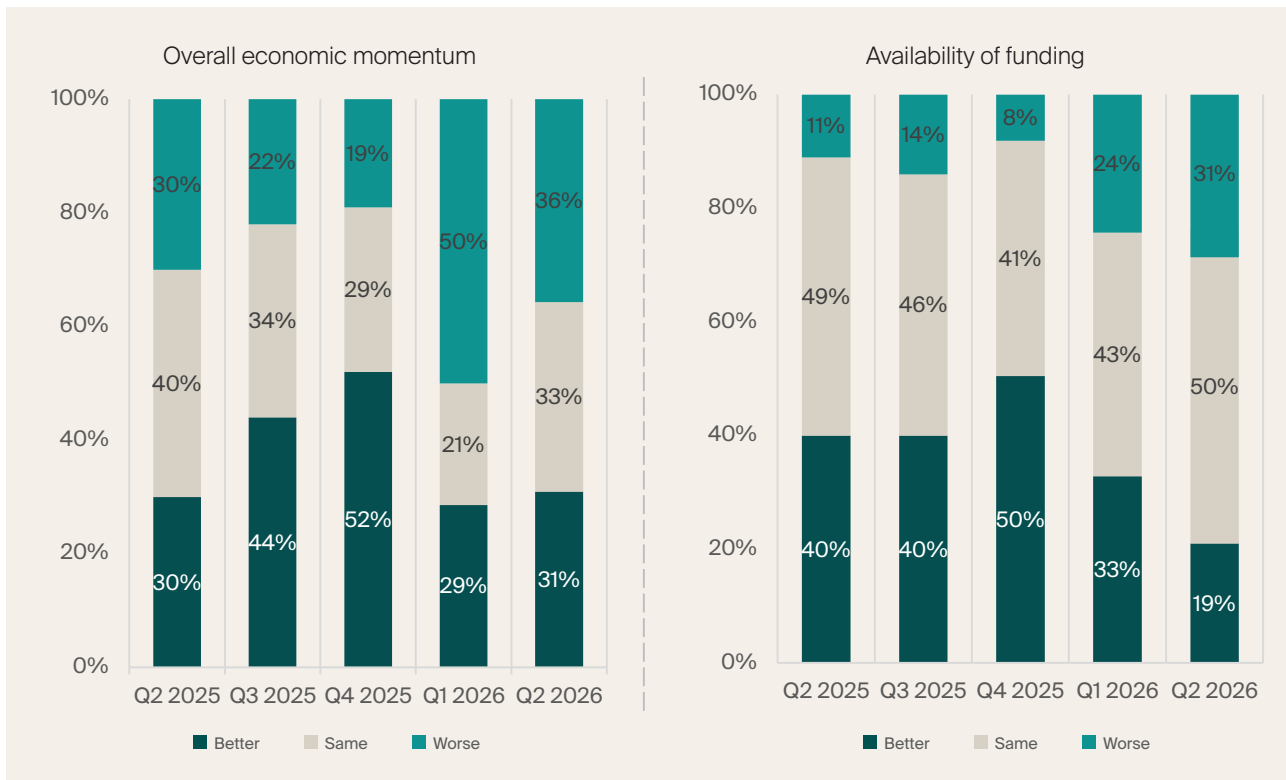
B. Future Sentiment Score

- The Future Sentiment Score, however, holds steady at the neutral threshold of 50, a sign that the sharp decline of the previous quarter has levelled off and that the stakeholder outlook, while measured, is far from downbeat. Stakeholders nonetheless expect current challenges to linger rather than fade in the near term.
- In the real estate sector, the guardedness is most evident in the residential segment, now defined by stabilisation rather

than growth, as a near-flat demand trajectory in 2025 and H1 2026 has left stakeholders cautious. The RBI's upward-revised FY 2027 inflation forecast of 5.1 percent and limited room for further rate cuts reinforce this cautious, wait-and-watch stance. The office market has held up far better, with H1 2026 transaction volumes nearly matching the H1 2025 record on an exceptionally high base, as India's resilient macroeconomic landscape continues to underpin occupier confidence.

B.1 ECONOMIC SCENARIO AND AVAILABILITY OF FUNDING

Economic caution eases, funding holds steady



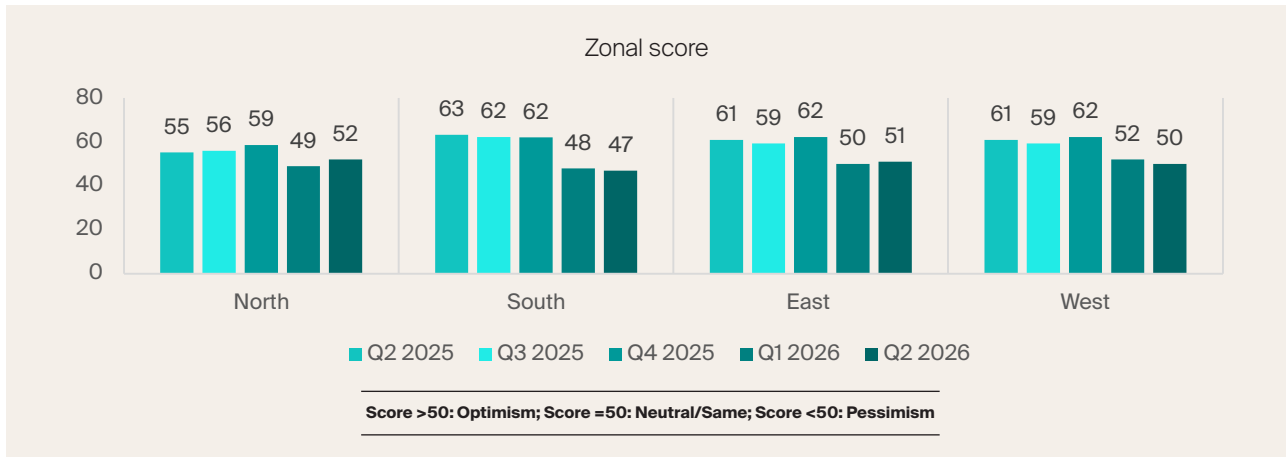
Source: Knight Frank Research

Findings

- Stakeholder sentiment regarding both the economy and the funding scenario for the coming six months remains subdued, though the sharp pessimism of the previous quarter has moderated.
- On the economic front, the share of stakeholders anticipating worsening momentum has eased to 36 percent from 50 percent in the preceding quarter, while those expecting improvement held broadly steady at 31 percent. The moderation reflects a partial stabilisation of expectations after weakening in Q1 2026, although the prevailing geopolitical situation and projections of a global slowdown continue to temper optimism. India, nonetheless, is still expected to grow at the fastest rate among major economies, providing a degree of anchoring to the outlook.
- On the funding front, sentiment remains broadly steady, with the largest share of stakeholders (50 percent) expecting the funding environment to remain unchanged over the coming six months. While private equity investment in Indian real estate fell 23 percent year-on-year (YoY) to USD 1.13 billion in H1 2026 amid tighter global financial conditions, this moderation reflects the evolving global capital environment rather than any weakening of fundamentals, with investors placing greater emphasis on risk-adjusted returns, liquidity and execution certainty.

B2.STAKEHOLDER FUTURE SENTIMENT SCORE

Regional outlook remains guarded; sentiment holds near the neutral mark



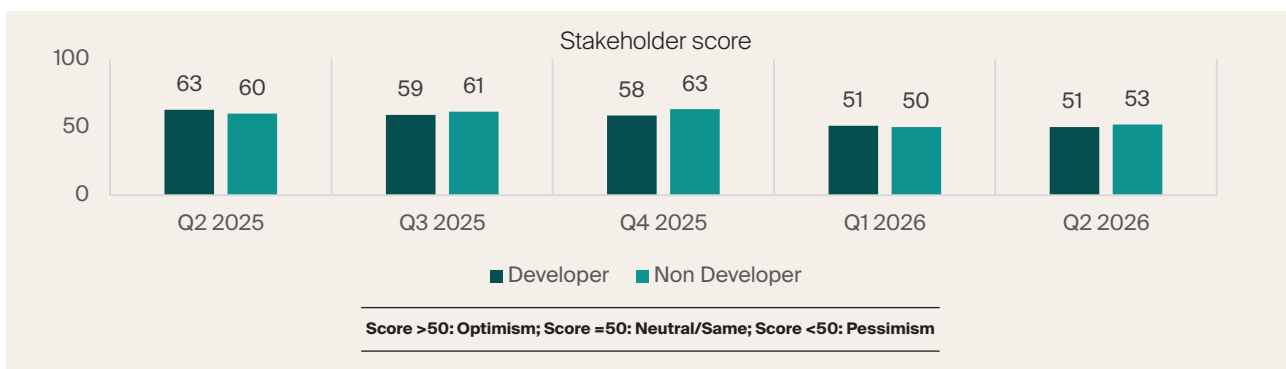
Source: Knight Frank Research

Findings

- In Q2 2026, future sentiment scores remained near the neutral threshold across all zones, with the south, east, and west regions now in or at the edge of pessimistic territory. The North Zone recovered to 52 from 49 in the previous quarter, moving marginally above the neutral mark, largely on the back of positive office segment performance. In H1 2026, Delhi NCR recorded gross office leasing of 0.7 million sq m (7.2 million sq ft), matching the record-high volume achieved in H1 2025.
- The West Zone eased to 50, to the neutral threshold, with office sentiment continuing to hold even as residential segment weighed on the overall score. Residential demand activity has eased in key western markets such as Mumbai and Pune registering marginal sales growth of 1 percent and 2 percent YoY respectively in H1 2026. That said, the two markets continue to anchor a significant share of national residential activity, together accounting for the largest portion of total sales, even as forward sentiment remains cautious.

B3. STAKEHOLDER FUTURE SENTIMENT SCORE

Stakeholder outlook remains measured, steady around the 50 mark



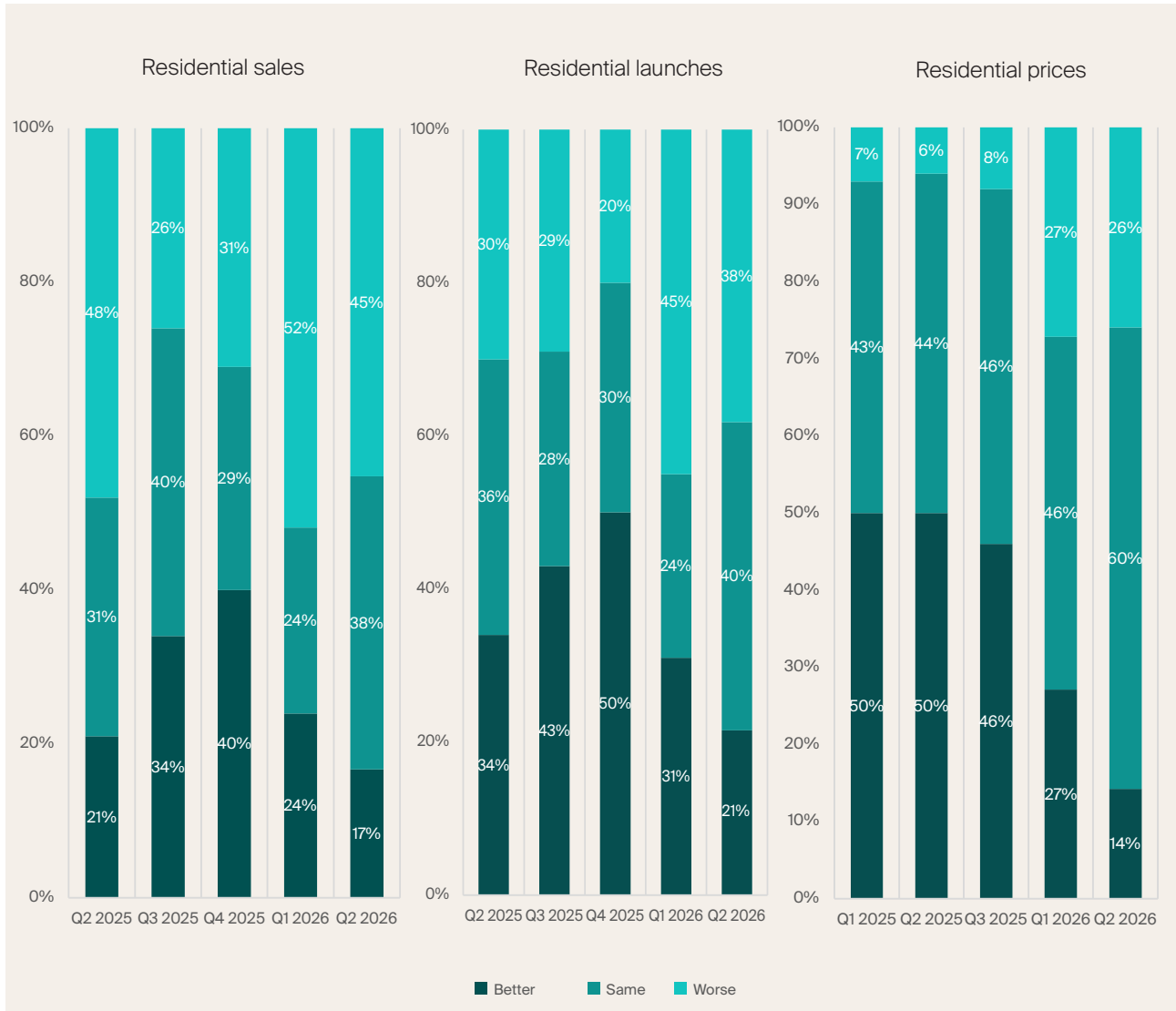
Note: Non-Developers include banks, financial institutions, PE funds and other industry stakeholders

Source: Knight Frank Research

- Real estate stakeholder sentiment continues to hover near the neutral threshold of 50, reflecting the persistence of the global concerns that weighed on the market in the preceding quarter.
- Developer sentiment remained flat at 51, unchanged from the previous quarter, indicating that while the sharp decline seen earlier has arrested, sentiment continues to hold marginally above neutral threshold, with the earlier post-pandemic optimism yet to return.
- Non-developer sentiment, by contrast, recovered modestly to 53 from 50 in the previous quarter, suggesting that capital providers and financial stakeholders, who had responded most sharply to global uncertainties in Q1 2026, have steadied after the sharp pullback of the previous quarter.
- Overall, stakeholder sentiment remains guarded, weighed down by persistent global uncertainties. This measured stance reflects a market that continues to watch the evolving external environment closely, particularly the trajectory of energy prices, interest rates, and broader geopolitical developments, and one that is inclined to await greater clarity before committing to a more constructive outlook.

B4.RESIDENTIAL MARKET OUTLOOK

Residential sentiment stays measured, as the preceding quarter's caution recedes



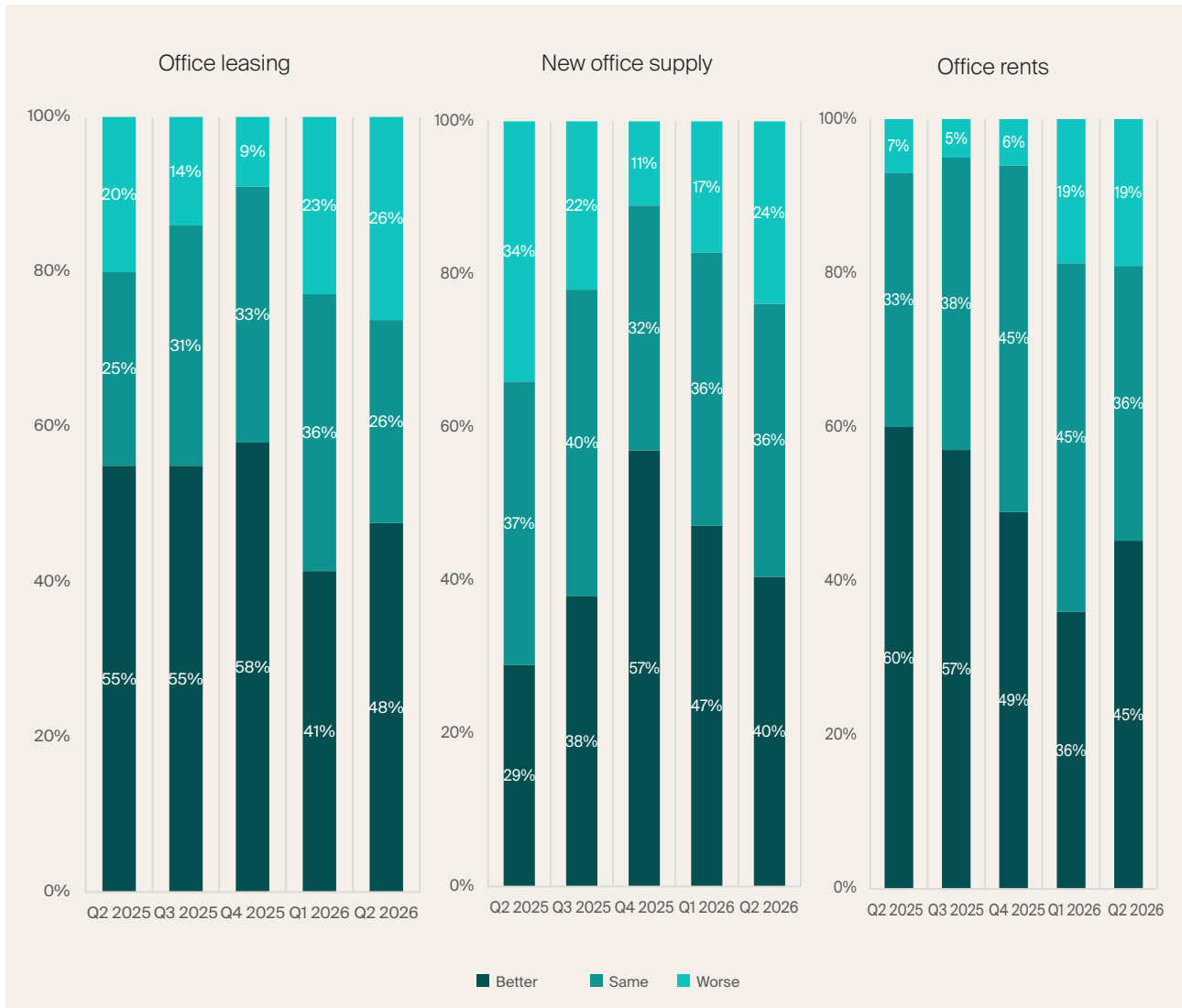
Source: Knight Frank Research

Findings

- In H1 2026, sales rose a marginal 1 percent YoY to 171,471 units. After a sustained multi-year upcycle led by the high-end segment, this near-flat outcome signals that the market has entered a phase of cyclical consolidation. Prevailing headwinds continue to weigh on sentiment, with 45 percent of respondents anticipating weaker demand over the coming six months, albeit lower than the 52 percent recorded in the previous quarter. Notably, the share of respondents expecting conditions to persist at current levels rose to 38 percent from 24 percent quarter-on-quarter, pointing to expectations of a continued plateau rather than recovery.
- On the supply side, cost pressures across energy, construction and transportation inputs, alongside labour attrition and financing considerations, continue to warrant caution. That said, as with sales, sentiment here has firmed, with the respondent share anticipating weaker launch momentum declining to 38 percent from 45 percent in the previous quarter, even as stakeholders stay watchful over the coming six months.
- On property prices, 74 percent of respondents anticipate prices holding steady or rising, underpinned by persistent input-cost inflation and a broader inflationary environment, particularly in key micro-markets, as developers increasingly pass mounting costs through to buyers. As of H1 2026, all top-eight cities recorded price growth in the range of 3 to 18 percent YoY.

B.5 OFFICE MARKET OUTLOOK

Office segment sentiment stays buoyant against a cautious backdrop



Source: Knight Frank Research

Findings

- The office market remains a relative bright spot, though sentiment has moderated from earlier peaks. H1 2026 transactions stood at 48.0 million sq. ft., a marginal 2 percent decline YoY, but notable given the exceptionally high base of the preceding year. Stakeholder sentiment stays broadly constructive, with 74 percent of respondents expecting leasing activity to hold at current levels or improve further over the coming six months.
- On the supply side, stakeholder sentiment remains steady, with 76 percent of respondents anticipating that momentum will be sustained at current levels or improve over the coming six months.
- On the rental front, limited availability of quality space alongside sustained demand continues to exert upward pressure on rents, with landlords retaining strong negotiating leverage. A significant 81 percent of respondents anticipate rents holding steady or rising in the coming period.

Real estate outlook ahead

Key highlights from stakeholder views for coming six months



Current sentiment score slips a point to 48 quarter-on-quarter, weighed down by persistent global headwinds.



Future sentiment score holds at 50 as compared to previous quarter, at the neutral threshold.



Economic outlook stays subdued, though those expecting softer conditions eased to 36 percent from 50 percent.



Residential sentiment stays cautious, though those expecting weaker demand eased to 45 percent from 52 percent.



A majority (74 percent) foresee residential prices holding or rising on sustained cost pressures.



Office remains the standout segment, with 74 percent expecting stable or improved leasing activity.



Most respondents (81 percent) anticipate office rents holding steady or rising in the coming six months.

Closing perspective

Global headwinds persist, with geopolitical tensions and volatile energy prices continuing to cloud the outlook, even as the rapid advance of artificial intelligence reshapes business operations and labour markets worldwide. India nonetheless retains its edge as the fastest-growing major economy, underpinned by resilient domestic consumption, though its economic outlook has seen a modest downward revision. Against this backdrop, real estate sentiment settled at the neutral threshold, with the future score at 50, yet the more telling signal is one of stabilisation, as the sharp deterioration of the previous quarter has levelled off rather than deepened.



Approach and 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) Better, b) Somewhat better, c) Same, d) Somewhat worse, and e) Worse. 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 April 2026 to June 2026 i.e., Q2 2026.



30 *India*
Years
Anniversary



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The Knight Frank-NAREDCO Real Estate Sentiment Index for Q2 2026 indicates a softening in sentiment regarding both current conditions and the near-term outlook. This is primarily attributable to global macroeconomic challenges and pressures. However, this appears to be more a matter of short-term caution among stakeholders rather than a shift in the underlying resilience of the real estate market, as the fundamental drivers supporting the sector remain intact, thereby sustaining demand.

Nevertheless, this temporary softening of sentiment in the residential sector is unlikely to persist for long. As global uncertainties subside, the sector is expected to demonstrate a positive trajectory. The sector's key drivers remain robust, bolstered by sustained activity from end-users and a consistent upward trend in property prices across major cities.

In contrast, the office segment continues to stand out as a key area of strength, with a clear majority of respondents expecting leasing activity to remain stable or improve over the coming months. Stakeholders also broadly anticipate office rents to either hold steady or trend upward, underscoring sustained occupier confidence in the segment.

Looking ahead, while stakeholder sentiment has become more tempered, the current softening in the residential market appears to be transient in nature, and the sector is fundamentally strong enough to comfortably withstand near-term challenges.

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