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# India Residential Real Estate: Tier-1 Premium Segment Resilient amid High Base Effect

## IT Hiring Growth Pauses, Housing Demand Resilient Thus Far

### Sector Overview

India Ratings and Research (Ind-Ra) expects the residential real estate sector to see subdued growth in FY27, following strong growth during FY23-FY25 and slow growth in FY26. Absorption and prices have largely been supported by the premium and luxury segments, shifting supply preferences to upmarket segments. The high base over FY23-FY25 is likely to dampen growth rates in FY27. Ind-Ra expects yoy sales growth to be 5%-7% yoy in FY27, largely contributed by value growth. Inventory levels remained moderate, due to slowed launches led by approval issues. However, a moderating demand amid a strong launch pipeline may gradually increase inventory levels in FY27, especially in affordable and uber luxury segments. Post-pandemic aggregate housing prices in the top eight metros surged by a CAGR of 9% and remained high at 12% at end-September 2025. While National Capital Region (NCR) and Bengaluru remain relatively strong, the overall price growth is expected to slow, with potential time correction or subvention schemes amid elevated prices.

Irrespective of macro cyclicity, slower net headcount additions across large Indian IT services firms and role consolidation due to AI/automation are reducing near term upgrade demand in IT dependent housing markets such as Bengaluru, Pune, and Hyderabad.

### Sector Fundamentals and Forecast – Residential

#### FY27 Growth Likely to Remain Flat

The turnaround that the industry had seen post-COVID-19 continued through FY25 and is likely peaking in FY26. Housing sales grew just 8% yoy during the trailing twelve months ended September 2025 for the top eight real estate clusters, despite the low base of the previous year, impacted by the national elections and adverse weather in FY25. Ind-Ra expects the overall sales to be around 641 million sq ft in FY26 (FY25: 622 million sq ft). Furthermore, the growth momentum might taper down in FY27, due to the high base of FY23-25 and elevated price levels, to 5%-7% yoy. The agency has relied on data provided by Liasés Fores for this report.

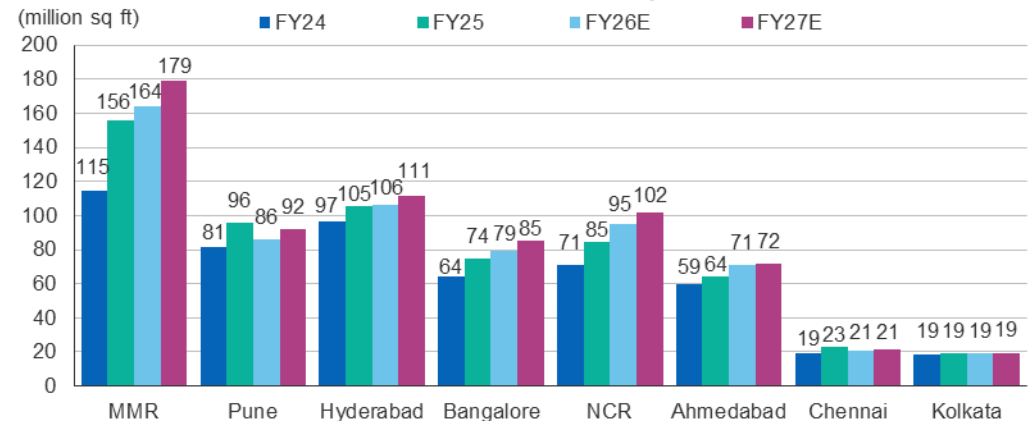
Domestic demand growth in volume terms (square feet) has remained positive, while it has decreased in terms of units, despite a softening of interest rates. Consumer sentiments towards home ownership, multi-family amenity-based living, rental yield, and growing cohort of home buyers are driving demand. There is a strong potential for demand and supply for homes in the domestic market, given the multiple inherent demand drivers such as 1) favourable demographics, with an increasing workforce and earning population, 2) aspiration for larger spaces and amenities, 3) constantly growing middle class, double income families with sizeable disposable incomes, and 4) investment demand especially from NRIs/HNIs.

Mumbai Metropolitan Region (MMR) forms the largest micro-market, with a 26% share in the top eight real estate clusters, followed by Hyderabad at 17%. Bengaluru, Ahmedabad, and MMR posted the highest sales growth of 15% to 17% yoy TTM1HFY26, closely followed by NCR. Pune, Chennai, and Hyderabad posted negative to 5% yoy growth. Within cities, Hyderabad, Pune, and MMR posted strong sales growth with a CAGR exceeding 17% during FY20-FY25. Sales growth in Bengaluru, NCR, Chennai, Ahmedabad, and Kolkata remained below the average five-year CAGR; hence, they may post better-than-average sales growth in FY27. Over the long term and on a through-the-cycle basis, Ind-Ra expects sales growth to mirror the average growth rate of gross fixed capital formation of 9% to 10% yoy in value terms, driven by the mid-market segment (INR10 million to INR30 million) and premium segment (>INR30 million-70 million).

Given entry level hiring moderation in IT services and AI driven efficiency gains, unit absorption in tech linked corridors could see elongated decision cycles in FY27, despite healthy end user intent, with mid-market remaining stickier.

Figure 1

#### Sales Across Micro Markets – BLR, HYB, Pune Exposed to IT Sector



Source: Ind-Ra, Liasés Foras

### Price Rise Moderates over FY26; Expected to Remain Project Specific

Ind-Ra expects the price rise to remain range-bound at 4% to 8% yoy during FY26 and FY27, due to the base-effect moderating demand growth amid delayed planned launches. Approval and environmental challenges have impacted execution and kept the supply in check. As such, the tight supply will enable developers to maintain price growth.

Housing sales had surged post pandemic, led by a steep rise in selling prices. With most of the old stock cleared and existing inventory largely liquidated along with a continued pick-up in demand, average household prices increased strongly for the top eight cities across the country. While demand remained moderate through 1HFY26, price growth slowed down in cities including NCR, Bengaluru, and Pune from FY25. Price growth has remained strong in NCR and Bengaluru. It is likely to moderate like in 1HFY26, but remain above 10%. However, prices within Chennai, Kolkata, and Hyderabad, which were languishing in FY25, seem to be recovering in FY26. Price growth will be challenging in NCR, with potential time corrections or even price cuts possible, especially if the previous year's sales were more to investors than end-users.

In Bengaluru and Pune, softer net hiring in large IT employers and selective fresher onboarding point to more project specific pricing and higher use of schemes (subvention, flex pay) to sustain velocity at elevated prices.

### New Launches Likely to Improve in FY27

Ind-Ra expects the launch momentum to improve in the rest of FY26 with the national green tribunal case resolved in September 2025, due to business development activities taken up in FY24 and FY25 in response to strong sales. Over YTD FY26, supply growth across the top eight cities might have declined about 12% yoy in terms of area (FY25: down 5% yoy, FY24: up 18% yoy, FY23: 56% yoy). Growth in new launches moderated in FY25 and FY26, as the base increased; however, developers pressed on with substantial business development activities. New launch growth was the highest in Chennai (59% yoy), followed by Kolkata (21%), and Bengaluru (14%). Supply declined in Hyderabad at 29% yoy, followed by MMR at 18% and Pune at 12%.

Following the demand as well as profitability patterns and covering for increased land costs, most developers are introducing supply in the upper mid-income, premium and luxury segments of the pricing pyramid, which has led to overall demand growth. Over YTD FY26, supply increased substantially in the premium and luxury segments, as indicated by the change in unsold inventory level growth of about 33% yoy and 21% yoy, respectively, despite elevated sales levels. On the contrary, the affordable segment's unsold inventory levels fell about 11% yoy.

In terms of brand preference, while homebuyers continued to opt for Tier I developers, other players have steadily improved their operational performance and brand image. With financial health and operational obstacles such as land title clearances and approvals behind them, Ind-Ra expects non-Tier I developers to further increase their share of sales pie. However, for premium offerings, Ind-Ra expects Tier I developers to still garner a larger proportion of the sales

in FY26, than Non-Tier I developers. In IT centric micro markets, several developers are likely to stagger/phased launch premium inventory to better match slower decisioning amid IT workforce reshaping, after 2025's volume softness linked to layoffs/cautious hiring

### Branded Tier 1 Unsold Inventory Levels Remain Low, Likely to Increase

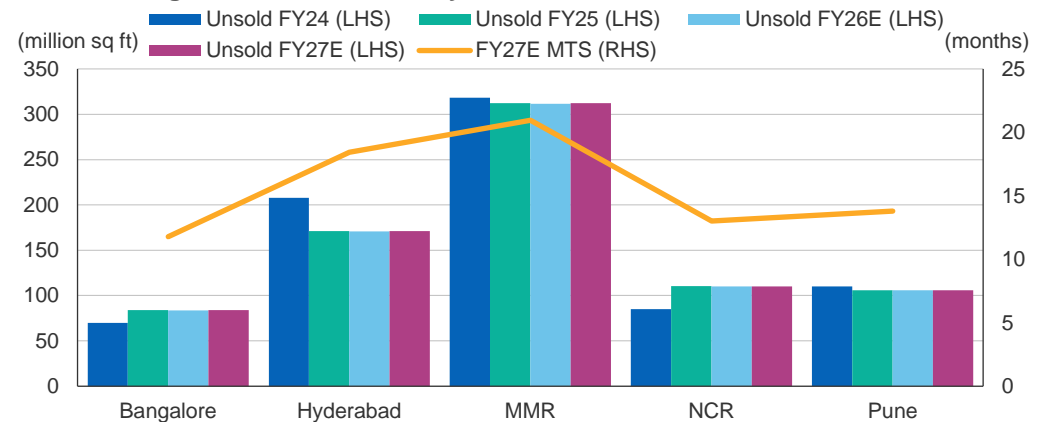
Unsold stock remained flat at end-September 2025, affected by execution challenges. Inventory levels were affected by continued demand growth amid supply challenges. Quarters-to-sell (QTS) remained low at about 7, due to overall positive sales momentum positive amid flat supply. As of end-1HFY26, unsold inventory levels were about 1 billion square feet. Most of the ready stock has been absorbed in the three-year-long upcycle post pandemic, and ready inventory forms below 5% of the overall inventory. Should IT hiring stay muted, premium heavy projects in tech corridors carry a higher risk of slower churn, even if aggregate QTS remains benign.

### New Housing Start-to-Booking Ratio Remains Low

Ind-Ra expects inventory levels to outpace sales levels in FY27. The launch/ sales ratio likely to remain around 95%, which had increased to 120% post pandemic. Longer term average is about 85%. This could pose a challenge if the industry witnesses two to three consecutive years of decline in demand growth. Ind-Ra expects this risk to largely come from the high-ticket inventories of premium and luxury segments, while mid-income and upper mid-income segments are expected to see stickier demand momentum, as these are more structural. Bengaluru, Pune, and NCR are better placed on QTS basis, while MMR, Ahmedabad, and Chennai have the highest QTS.

Figure 2

### MMR has Highest Unsold Inventory; BLR & Pune the Lowest



Source: Ind-Ra, Liases Foras

# India Commercial Real Estate: GCCs and Flex Drive Absorption; Rentals Firm

## Evolving Risk of AI on IT Sector Demand

### Sector Overview

India Ratings and Research (Ind-Ra) expects the commercial real estate (CRE) sector leasing momentum to continue in FY27, supported by a continued domestic demand and continued expansion by global capability centers (GCCs), amid improving supply visibility. Gross leasing is expected to grow 12%-14% yoy to 85-90msf in FY27, following estimated 10% yoy growth to 79-80msf in FY26. Gross leasing was softer in 1HFY26 at 29.5msf (down 8% yoy), due to a high base and limited Grade A ready supply in prime markets, but is set to pick up in 2HFY26 and carry into FY27. Key contributors to this growth include MMR, Bengaluru, and Chennai which might see absorption levels rising 15%-25% yoy in FY27 on active pipelines and GCC led take up.

Domestic occupiers continue to anchor demand, led by IT BPM, BFSI, manufacturing, and flexible workspace operators. While rental growth across the top markets is expected to remain moderate at 5–7% yoy, select cities such as Bengaluru and Hyderabad recorded sharper increases of 12% and 10% yoy, respectively, in 1HFY26, underscoring market resilience. Prime assets continue to command a rental premium, reflecting sustained occupier preference. Vacancy levels are expected to remain range bound at 12%-18% in FY27, supported by sustained leasing activity, full time office operations, and GCC expansion.

Ind-Ra expects office supply growth across the top eight cities to remain completion led in FY26, driven by the delivery of an already committed pipeline, followed by a measured rebuild in FY27. Ind Ra expects supply to reach 1,500msf by March 2027 (up 8% yoy). As of 1HFY26, supply stood at 1,300msf, with a deliberate push to finish projects (ready stock up 12% yoy) and cautious new starts (under construction (UC) down 14% yoy), reducing UC's share to 13% from 16%. While the UC share is expected to edge up over the next 12-18 months, it will remain well below prior cyclical peaks, indicating disciplined supply addition rather than oversupply.

Despite slower net hiring at major IT services firms and AI linked productivity gains, GCCs remained the single largest demand driver in 2025 (35%-45% of leasing), cushioning overall office absorption. Flex/managed offices continue to scale as occupiers prioritise speed to market and portfolio agility, with India now the largest flex workspace market in Asia-Pacific and might cross 100msf stock by 2026. Supply visibility is also supportive, with India likely contributing 40% of APAC's Grade A office completions in 2026, led by Bengaluru, NCR, and Mumbai.

### Demand – Supply Favours Developers in FY27

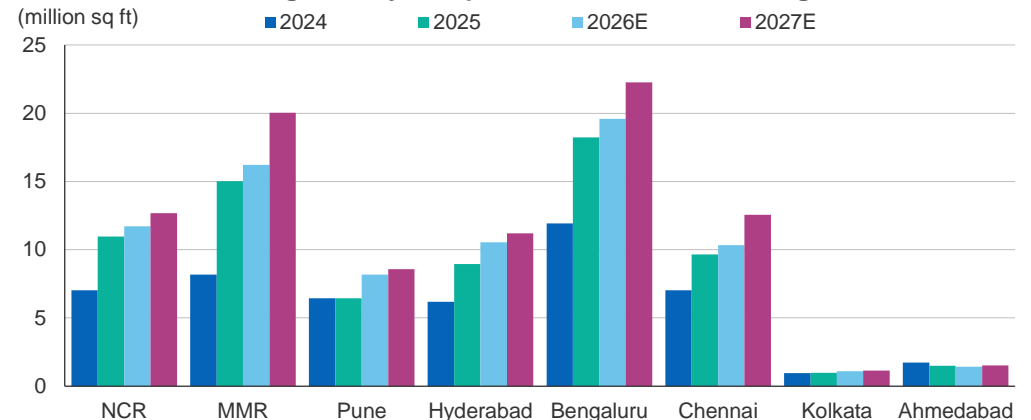
Ind Ra expects gross leasing across the top eight Indian office markets to rise 10% yoy to 79msf in FY26 and further 14% yoy to 90msf in FY27, after a softer 1HFY26 at 29.5msf (down 8% yoy) on a high base and some deal deferrals into 1H. City trends were mixed in 1HFY26: Pune (up

37% yoy), Hyderabad (up 18%) and Kolkata (up 35%) outperformed, while MMR (down 38%), Bengaluru (down 8%), Chennai (down 8%), NCR (down 7%), and Ahmedabad (down 54%) reflected normalisation from the past year's surge. Structural drivers remain intact: GCCs now anchor demand at 35%-40% of annual leasing, with domestic occupiers scaling steadily – supporting a stronger 2HFY26 and a firmer FY27. MMR and Bengaluru eased off 2025 peaks, mainly due to a scarce ready supply. Mumbai's tightness showed up as firmer rents and slower closures, while Bengaluru's heavy 2025 pre-commitments plus few 1H deliveries pushed signed deals into the completion window.

Much of this demand should convert as projects are handed over through FY26–FY27. Pune and Hyderabad benefited from active pipelines and GCC led take up. Ind-Ra's FY27 90msf call is driven by three key pillars: (1) GCC expansion across tech/BFSI/engineering with bigger deal sizes; (2) deeper flex/managed adoption – India is APAC's largest flex market and on course to cross 100msf stock by 2026, enabling faster ramps; (3) improving supply visibility with healthy pre-commits. This alongside occupiers concentrating in higher grade assets is keeping occupancy high and rents firm. At the same time, IT services occupiers are taking longer on expansions and favouring densification or managed solutions, as AI tools raise output per seat, even as GCCs backfill demand.

Figure 3

### Robust Gross Leasing Activity – Improves Across Cities, Bengaluru Leads



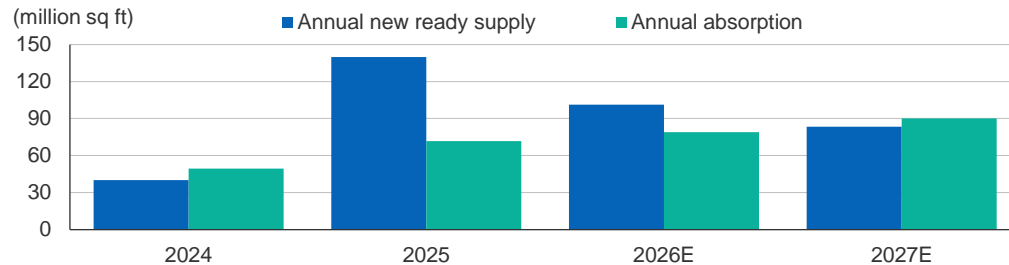
Source: Liasis Foras, Ind-Ra

### Completions Lead in FY26 & Pipeline Rebuild in FY27

Ind Ra expects office stock across the top eight cities to reach 1,391msf by March 2026 (up 9% yoy) and 1,507msf by March 2027 (up 8% yoy), with FY26 being completion led and FY27 adding a measured pipeline rebuild. By end-FY26, Ind-Ra expects ready stock of 1,182 msf (up 9% yoy) and UC 209msf (up 10% yoy), lifting UC's share to 15%. By FY27, the agency expects ready stock to rise 7% yoy, with UC's share near 16% – still below the 19%–21% range seen in 2023, indicating replenishment rather than oversupply. Overall, strong 2025 completions in key markets, healthy pre-commitments amid a tight ready to occupy stock, and a quality first tilt (green, amenity rich assets) should enable faster backfilling as projects are handed over, supporting disciplined new starts and a phased UC rebuild through FY26-FY27.

Figure 4

### Annual Supply and Absorption Trend Across Top 8 Cities



Source: Liases Foras, Ind-Ra

### Lease Rental Growth Strengthens in FY26; Normalises in FY27

Ind Ra expects pan India office rentals to rise 5%-7% in FY26, before moderating to 4%–6% in FY27. 1HFY26 data already show broad firmness – Bengaluru at 12% yoy to INR88psf and Hyderabad at 10% yoy to INR86psf, led on tight ready to occupy space in core tech corridors and earlier pre-commitments converting. Meanwhile, the two largest gateways MMR at 4% yoy to INR136psf and NCR at 4% yoy to 83psf, along with Pune at 5% yoy to INR87psf, reflected a steady demand and quality first tilt in prime micro markets. Through FY26, limited vacancy in better grade assets, sustained GCC/enterprise expansions, and flex enabled flight to quality are expected to keep pricing power intact in Bengaluru/MMR/NCR/Pune, with Hyderabad still benefitting from catch up in preferred corridors. Into FY27, as new completions release some pressure – especially in tech heavy submarkets, rent growth should ease toward 4%–5% yoy overall, with the larger gateways (Chennai, NCR, MMR, Bengaluru, and Pune) and Kolkata holding closer to 3%-4% and supply catch up markets (Hyderabad and Ahmedabad) drifting towards 1%–2%, implying normalisation rather than a pullback. Overall, Ind Ra expects a steady path: pre-leased deals and limited Grade A supply keep rents firm, and the FY27 pipeline smooths out any sharp moves. However, sub markets with higher exposure to pure play IT services could

see slower growth as firms recalibrate space needs with AI enabled delivery, while prime, green, amenity rich assets retain pricing power.

### Vacancy Levels Expected to tighten Amid Strong Demand

Ind Ra expects vacancy levels to remain tight during FY27 across the top eight cities, except in Ahmedabad and Pune. Vacancy levels declined during 1HFY26, driven by a strong demand and limited supply. This trend is expected to broadly continue into FY27. Ind Ra remains optimistic on office renewals and absorption, supported by the return to full time office operations, continued GCC expansion, and rising institutional investment activity.

At the city level, vacancy levels declined in 1HFY26 compared to FY25 across six of the eight Tier I cities. For FY26, Ind Ra expects vacancy to remain range bound within 12%-18% for most cities. However, vacancy levels increased in Pune and Ahmedabad, rising to 23% and 25% from 11% to 15%, respectively, due to a build-up of inventory amid moderate absorption and an influx of new supply, likely outpacing net space take up. For the remaining six cities, Ind Ra expects vacancies to decline 1%-4% yoy in FY27, with a sharper contraction in Kolkata on account of limited new supply coupled with a strong demand. Overall, these trends underscore the divergent vacancy dynamics across India's major CRE markets.

### Strengthening Metrics and Market Momentum

Ind Ra expects a sustained improvement in the credit metrics of CRE companies in FY27, as Grade A demand, contractual rent escalations, and steady 90%-95% occupancies underpin revenue and EBITDA growth. A 5%-7% mark to market uplift on renewals should further lift cash flows, supporting stable net leverage at 4.5x-5.5x and interest coverage at 2.0x–2.25x (FY25 at 5.7x and 1.8x, respectively). The agency's view is anchored in (i) GCC led absorption holding at 42%-45% nationally (up to 60% in key cities), as GCCs shift from cost centres to innovation hubs and use flex formats (20%-40% of leasing) to execute multi hub strategies quickly; (ii) hybrid work re ranking micro markets without denting overall absorption, aided by faster ramp ups in smart, collaborative locations; (iii) sustainability as a gatekeeper, with 75%–80% of new supply expected to be green certified; BRSR linked disclosures, shaping leasing and underwriting, and wider adoption of digital construction tracking/AI tools improving delivery visibility and reducing delay/cost overrun risk; and (iv) REIT outperformance on superior asset quality, stable occupancies, and better capital access – now reinforced by the regulatory allowance for bank investments in REIT units, which should deepen liquidity, lower cost of capital, and improve refinancing visibility for Grade A platforms. Ind Ra expects this to widen divergence: institutional Grade A owners will capture the bulk of GCC and flex driven demand with firmer Weighted Average Lease Expiry (WALE) and tenant profiles, while leveraged mid-tier assets in weaker micro markets face higher vacancy, slower leasing velocity, and softer rental growth. Overall, AI adoption is acting as a two speed catalyst – elevating space taken by capability led GCCs and flex operators, while pushing traditional IT services firms to do more with fewer seats – further sharpening the flight to quality.

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