Client: Tharwani Realty	Date: 15th August, 25
Publication: The Times of India- Times Property	Page No: 3

Home sales, prices to rise moderately this fiscal year

Residential sales to remain on a steady 10-12 per cent growth path. Lower interest rates, premiumisation key enablers; healthy collections to aid credit profiles

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Residential real estate developers will see stable sales growth this fiscal and the next as demand steadies after three years of post-pandemic recovery. Demand, or volume, is seen rising five to seven per cent and average prices four to six per cent. With supply expected to continue exceeding demand, inventory levels should inch up this and next fiscal. But strong collections and deleveraged balance sheets of developers will keep their credit profiles healthy. The analysis of 75 real estate companies, accounting for approx. 35 per cent of the residential sales in the country, indicates as much, according to a recent report by Crisil Ratings.

The report shares that in the three fiscals through 2025, sales clocked a compound annual growth rate (CAGR) of approx. 26 per cent. Demand clocked approx. 14 per cent CAGR during the same period, with the balance being contributed by the growth in realisations.

Last fiscal, demand was flat because of elevated capital values and delays in launches in some cities due to state elections and changes in property registration rules. This fiscal and next, demand growth is expected to rebound driven by improving affordability on account of lower interest rates and normalisation of price growth. Demand growth will further be supported by sustained demand for premium and luxury houses and smoother launches across key micro markets.

"The premium and luxury segments in the top seven cities have witnessed a significant surge, with their share of launches increasing from nine per cent in calendar year 2020 to 37 per cent in 2024. This can be attributed to rising incomes and urbanisation, which have fuelled the desire for larger, more luxurious living spaces. As the trend of premiumisation continues, the premium and luxury segments are expected to account for 38-40 per cent of total launches in calendar years 2025 and 2026. With the growth in these segments normalising, the average price is anticipated to grow at a steady rate of four to six per cent over the medium term, following the double-digit growth seen in the previous two fiscals," says Gautam Shahi, director, Crisil Ratings.

In contrast, the affordable and mid-segments are likely to account for a relatively low share of launches, 10-12 per cent and 19-20 per cent, respectively, in the calendar years 2025 and 2026. This represents a significant decline from their respective shares of 30 per cent and 40 per cent in calendar year 2020, as rising land and raw material costs have rendered these segments less viable for developers.

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"Consumers are increasingly interested in buying premium and luxury housing, which speaks to both the resilience of the sector but also evolving consumer aspirations. A shift towards larger and more thoughtfully designed homes is seen and developers must position their products accordingly. Now is a good time to build thoughtfully, strategically, with the homebuyer and their interests at the forefront of planning," mentions Dhiren Tharwani, director, Tharwani Realty.

"The residential real estate sector is moving towards a phase of more sustainable, steady growth. After an exceptional three-year post-pandemic rebound, a 10-12 per cent sales growth projection signals a healthy stabilisation in consumer sentiment and market dynamics. This is a positive inflection point where disciplined supply, strong buyer confidence, and financial prudence by developers will define the next growth cycle. The fact that developers are entering this phase with deleverage balance sheets and robust collections is a strong indicator of long-term sector resilience," concludes Aksha Kamboj, executive chairperson, Aspect Realty.