**Residential demand at six-year high, records sales of 82,612 units in Q3 2023: Knight Frank India**

**Mid and High – end record rise at the cost of affordable homes;**

**Mumbai, October 04, 2023**: In its latest report ‘**India Real Estate Q3 2023’,** premier real estate consultancy, **Knight Frank India** cited that the leading eight residential markets in India continued to show strong growth momentum. During Q3 2023 (July – September 2023), these markets saw a surge in demand with **sales of 82,612 residential units recording a growth of 12% YoY. In volume terms** Q3 2023 recorded a six-year high in quarterly sales volumes.

The mid and the high – end category of residential properties see a further rise in sales momentum in Q3 2023. While properties costing over than INR 10 mn saw a YoY rise of 39%, the mid segment at INR 5 – 10 Mn saw a rise of 14% YoY in Q3 2023. A total of 28,642 units costing over INR 10 mn were sold in this quarter followed by homes costing INR 5 – 10 mn that was recorded at 29,827 units. The affordable segment, or homes less than INR 5 mn saw a YoY decline of 10% to be recorded at 24,143 units.

Developers responded to this strong demand by increasingly launching new projects. A total of 85,549 new residential units were launched in Q3 2023 registering a growth of 23% YoY. Price levels in all markets across India grew in tandem with demand with Hyderabad seeing the most significant rise at 11% YoY, due to an increased focus on premium properties.

Sales were prominently skewed towards mid and premium price segments. The current Quarters to Sale (QTS) level of 6.5 quarters, significantly better than the 7.1 level a year ago, signified an improving demand dynamic in the residential real estate market of the country.

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|  | **Sales** | | | **Launches** | | |
| **City** | **Q3 2022** | **Q3 2023** | **% Change (YoY)** | **Q3 2022** | **Q3 2023** | **% Change (YoY)** |
| Mumbai | 21,450 | 22,308 | 4% | 18,079 | 19,512 | 8% |
| NCR | 11,014 | 13,981 | 27% | 10,265 | 16,108 | 57% |
| Bengaluru | 13,013 | 13,169 | 1% | 11,250 | 13,353 | 19% |
| Pune | 10,899 | 13,079 | 20% | 7,463 | 10,568 | 42% |
| Hyderabad | 7,900 | 8,325 | 5% | 11,000 | 11,034 | 0% |
| Ahmedabad | 3,887 | 4,108 | 6% | 6,188 | 5,996 | -3% |
| Chennai | 3,685 | 3,870 | 5% | 3,912 | 4,000 | 2% |
| Kolkata | 1,843 | 3,772 | 105% | 1,531 | 4,978 | 225% |
| Total | 73,691 | 82,612 | 12% | 69,687 | 85,549 | 23% |

Source: Knight Frank Research

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| **Demand Supply Economics: Sales velocity maintained, Supply levels significantly elevated** |

The momentum in residential sales has sustained even as an inflationary environment forced the Researve Bank of India (RBI) to push up the Repo Rate by 250 bps to 6.5% earlier this year, a level not exceeded since 2016. Despite that, the Indian residential market achieved sales of 82,612 units across the eight cities at a growth of 12% YoY. Kolkata saw the highest growth at 105% YoY, largely due to a pronounced base effect caused by the market transitioning into the RERA environment during Q3 2022. Among the larger markets, NCR stood out with a 27% growth in sales during the quarter. Sales volumes in Pune grew by 20% YoY while the rest of the markets experienced steady single digit growth during the quarter.

With 23% YoY growth during Q3 2023, supply levels at 85,549 units were significantly elevated as developers look to capitalise on the steady homebuyer demand.

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| **Sales acceleration in mid and premium segment, Affordable segment hardest hit** |

The underlying fabric of the market has altered significantly with the mid and premium segments constituting the bulk of sales while affordable segment witnessing a decline in volume.

**Below INR 5 mn**

The share of the INR 5 mn (INR 50 lakhs) and below ticket-size has deteriorated from 36% with sales of 26,831 units in Q3 2022 to 29% with sales of 24,143 units in Q3 2023. The trio effect of increasing prices, home loan rates and the comparatively adverse impact of the pandemic in this segment continued to weigh down on demand. This is the first time that the quarterly sales share of this segment has been eclipsed by that of the mid as well as premium segments. The current sales share of 29% is a far cry from the 54% levels in 2018.

Incidentally, the most expensive residential market in the country, Mumbai, which would find maximum traction for the affordable segment witnessed an annual de-growth of 2.6% YoY in this category during the quarter. The affordable housing sales declined from 10,198 units in Q3 2022 to 9,930 units in Q3 2023 in Mumbai.

**Between INR 5-10 mn**

With a sales share of 36%, the highest volume of residential sales has been recorded in the ticket size of INR 5-10 mn or mid-residential segment. Sales in this ticket-size category has recorded an annual growth of 14% at 29,827 units during Q3 2023. Bengaluru (6,879), Pune (6,086) and Mumbai (5,360) together accounted for more than 60% of sales in the ticket-size between INR 5 mn to 10 mn.

**INR 10 mn & above**

Consistent with an upward trend seen in the past seven quarters, the share of sales in the INR 10 mn (INR 1CR) and above ticket-size or premium segment grew significantly to 35% in Q3 2023 compared to 28% a year ago. In Q3 2023, this ticket size category witnessed a growth of 39% YoY to 28,642 housing unit sales from 20,591 in Q3 2022. With sales of 8,075 units, NCR constituted 28% of the sales volume which is highest in the premium segment in the country. NCR is followed by Mumbai and Bengaluru at 7,018 units and 4,770 units, respectively.

**Demand Analysis by Ticket Size (Q3 2022 vs Q3 2023)**

Source: Knight Frank Research

**City-wise Ticket Size Demand Analysis (Q3 2023)**

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| --- | --- | --- | --- | --- | --- |
| **<5 mn** | | **5-10 mn** | | **10 mn>** | |
| **City** | **Sales in units** | **City** | **Sales in units** | **City** | **Sales in units** |
| Mumbai | 9,930 | Bengaluru | 6,879 | NCR | 8,075 |
| Pune | 4,688 | Pune | 6,086 | Mumbai | 7,018 |
| NCR | 2,086 | Mumbai | 5,360 | Bengaluru | 4,770 |
| Ahmedabad | 2,019 | NCR | 3,820 | Hyderabad | 4,329 |
| Kolkata | 1,603 | Hyderabad | 3,247 | Pune | 2,306 |
| Chennai | 1,548 | Kolkata | 1,523 | Chennai | 890 |
| Bengaluru | 1,520 | Ahmedabad | 1,480 | Kolkata | 646 |
| Hyderabad | 749 | Chennai | 1,432 | Ahmedabad | 609 |
| **Total** | **24,143** |  | **29,827** |  | **28,642** |

Source: Knight Frank Research

**In YTD analysis >10 Mn category outperforms affordable segment in 2023 vs 2018**

In a year-to-date analysis of the top markets, when compared to 2018 or five years ago, the first 9 months of 2018 registered sale of 187,152 units. Of the total, over 100,000 residential units were in the category of INR 5 Mn or below, a formidable 54% of the total sales in the first 9 months. As compared to that, the INR 5- 10 Mn category recorded sales of a little over 57,000 making up 32%, while INR 10 Mn and above saw sales of 29,485 making up a modest 16% of total sales achieved between January - September 2018.

**Category -wise demand analysis (Jan – Sept 2018 vs Jan – Sept 2023)**

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| --- | --- | --- | --- |
| **YTD** | **<5 Mn** | **5 - 10 mn** | **>10 mn** |
| **2018** | 100513 | 57153 | 29485 |
| **2023** | 74069 | 89410 | 75773 |
| **% change**  **(2023 vs 2018)** | -26% | 56% | 157% |

However, these dynamics altered greatly in 2023. While the total sales achieved in the first nine months of the year stands at 239,252 units which represents a rise of 28% over 2018, the breakup in the categories are remarkably different. The category of less than INR 5 Mn saw decline of 26% in absolute terms over that achieved in 2018. With 74,069 units sold in this category between January – September 2023, it made up 31% of the total sales achieved. The most interesting change has been in the INR 10 Mn and above category which when compared to 2018 saw a rise of 157%, selling over 75,000 residential units in the first nine months of 2023. **For the first time sales in the high-end segment have overtaken sales in the affordable segment. This is a very significant change depicting that the market has shifted/ tilted towards higher value properties while the affordable segment languishes due to rising cost factors.** The mid segment category of INR 5- 10 mn also records a 56% growth when compared to 2018 with sales of 89,410 units in 2023.

**Shishir Baijal, Chairman and Managing Director of Knight Frank India, remarked,** *"Residential sales continue to gain momentum, reaching multi-year highs. Although inventory levels have seen a significant rise due to developers launching projects to cater to this robust demand, the overall market health is improving, with strong sales velocity. Elevated interest rates and prices have had little impact on higher-ticket-size homebuyers, but the affordable segment has been severely affected, necessitating further interventions to stimulate demand and enhance development viability."*

**Shishir further added, “***While we celebrate overall residential market growth, concerns arise, notably in the affordable segment, which has seen a steady decline in Q3 2023. Economic turbulence in recent quarters hit lower-income consumers, affecting segments like rural consumption and lower end of passenger vehicles sales. This decline in affordable housing segment is worrisome because it's been the largest buying segment, crucial for long-term industry growth. Prolonged slowdown could harm the real estate sector in the long-term. Therefore, stakeholders must reconsider strategies to revive the affordable segment and maintain its momentum.”*

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| **Residential price appreciation observed for all the leading eight markets** |

The weighted average prices have appreciated for all the leading eight markets in tandem with demand growth in YoY terms. Price levels in Hyderabad saw the most significant rise at 11% YoY as focus increasingly shifts toward the development of premium high-rise properties. Mumbai continues to be the most expensive market at INR 7600/sq ft.

**Average price change across markets during Q3 2023**

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| --- | --- | --- | --- |
| **Market** | **Price/sq ft** | **YoY Change** | **QoQ Change** |
| Hyderabad | 5,518 | 11% | 2% |
| Kolkata | 3,585 | 7% | 5% |
| Bengaluru | 5,756 | 6% | 2% |
| Mumbai | 7,600 | 6% | 0% |
| Pune | 4,463 | 5% | 2% |
| Ahmedabad | 3,012 | 4% | 0% |
| NCR | 4,669 | 4% | 1% |
| Chennai | 4,429 | 3% | 2% |

Source: Knight Frank India

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**For further information, please contact:**

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| **Piyali Dasgupta (Knight Frank India)**  +91 9833571204  [piyali.dasgupta@in.knightfrank.com](mailto:piyali.dasgupta@in.knightfrank.com) | **Tania Banerjee (Knight Frank India)**  +91 9819004431  [tania.banerjee@in.knightfrank.com](mailto:tania.banerjee@in.knightfrank.com) | **Mansoor Khan (White Marque Solutions)**  +91 8108385015  [mansoor@whitemarquesolutions.com](mailto:mansoor@whitemarquesolutions.com) |