

We recently visited Bengaluru to assess the overall state of the real estate market. Real estate demand in Bengaluru is resilient, with the momentum seen in FY26 continuing in FY27TD. While demand remains strong, supply is expected to increase ahead – we expect significant rise in supply, particularly from well-funded developers in Bengaluru. While the regulatory environment is improving, challenges do persist. On the pricing front, developers are undertaking price escalations of 5-7%. Listed players—including SOBHA, BRGD, PEPL, and GPL—with significant footprint in Bengaluru are likely to deliver healthy sales in 2Q, predominantly driven by sustained sales momentum.

Resilient demand in sweet-spot segment

Premiumization, coupled with growing preference for larger homes and established developers, continues to support sales momentum for listed developers. Demand is resilient in the Rs15–25mn ticket-size segment (ie the sweet-spot segment), although buyers have become more selective, with product design, configuration, and micro-market positioning playing an increasingly important role in driving absorption. In contrast, demand has softened for units priced above Rs25mn. Launch-period absorption has also moderated, to 40–45% from 45–60% earlier, particularly for higher-ticket units. North Bengaluru continues to witness higher traction, supported by airport connectivity, an expanding employment ecosystem, and infrastructure upgrades. Price escalation remains at around 5–7%.

Supply set to increase

As approval-related challenges ease, project launches are expected to increase. In addition, the Premium FAR policy, which was introduced 1–1.5 years ago, has recently been notified. The policy allows developers to purchase additional FAR over and above the standard limit, by paying prescribed charges to the government – overall 1.5–1.6x over the existing permissible limit. Developers are already utilizing the additional development potential; however, the extent of incremental loading remains largely contingent on land availability and project location.

Quick snapshot of some players – SOBHA, BRGD, PEPL, and GPL

Sobha: In 2QFY27, SOBHA launched two projects with aggregate GDV of Rs12bn in Kerala and Mysore. It has another launch pipeline—of Rs100bn GDV in 2HFY27—of which ~Rs40bn GDV is in Bengaluru. SOBHA is expected to see pre-sales of >Rs20bn in 2QFY27 and ~Rs110bn (35% yoy) in FY27E. **Brigade Enterprises:** In 2QFY27, BRGD launched two projects with overall GDV of Rs27bn, in Hyderabad and Mysore. Further, it has a 2HFY27 launch pipeline of ~Rs80bn GDV (~7msf), of which ~Rs40bn GDV is in Bengaluru. BRGD is expected to see pre-sales of >Rs15bn in 2QFY27 and ~Rs85–90bn (15–20% yoy) in FY27E. **Prestige Estate Projects:** In 2QFY27, PEPL launched three projects with total GDV of Rs42bn – two in Bengaluru and one in Chennai. Further, it has a 2HFY27 launch pipeline of Rs275bn GDV, of which ~Rs25bn GDV is in Bengaluru, Rs80bn GDV in NCR, Rs128bn GDV in Chennai, Rs25bn GDV in MMR, and Rs29bn in Hyderabad. PEPL expected to see pre-sales of >Rs60bn in 2QFY27 and ~Rs350bn (17% yoy) in FY27E. **Godrej Properties:** In 2QFY27, GPL launched four projects with total GDV of Rs31.5bn, in Noida, Bengaluru, Nagpur, and Raipur. In addition, it has two projects, in Panvel and Bengaluru—with total GDV of Rs21bn (RERA approval received)—which are likely to be launched in 2QFY27. Further, it has a 2HFY27 launch pipeline of Rs354bn GDV, of which ~Rs12bn GDV is in Bengaluru. GPL is expected to see pre-sales of >Rs80bn in 2QFY27 and ~Rs390bn (14% yoy) in FY27E.

Biplab Debbarma

biplab.debbarma@emkayglobal.com

+91-22-66121344

Tanishk Khinvasra

tanishk.khinvasra@emkayglobal.com

+91-22-66121235

This report is intended for Team White Marquee Solutions (team-emkay@whitemarquesolutions.com)

Prestige Estates Projects (Not rated)

Strong launch pipeline for 2HFY27

Prestige has launched three projects in 2QFY27, with combined GDV of ~Rs41bn; these include the recently launched Park Lane in Bengaluru with GDV of Rs18bn. Earlier during the quarter, the company launched Garden Breeze in Bengaluru with GDV of Rs11bn and Palm Court in Chennai with GDV of Rs12bn.

The project pipeline remains healthy for 2HFY27. In 3Q, the company has plans to launch two projects in NCR with combined GDV of Rs80bn, two projects in Chennai with combined GDV of Rs65bn, one project in Bengaluru with GDV of Rs57bn, and one commercial project in Bandra East, Mumbai for strata sales with GDV of Rs77bn.

In 4Q, the company plans to launch two projects in Hyderabad with combined GDV of Rs30bn, one project in Chennai with GDV of Rs50bn, and one project in Thane with GDV of Rs60bn.

Commercial portfolio

PEPL's exit rentals from the commercial portfolio currently stand at ~Rs9bn. The company has a healthy pipeline of upcoming commercial projects. In Aerocity Delhi, the company has received OC for the 0.6msf commercial space, where it has a 50% share. A 778-key hotel is also being developed on the same premises and is expected to be operationalized in Nov-26.

In MMR, PEPL has a pipeline of five projects:

- At BKC, PEPL has two key commercial developments. Prestige BKC X (100% share) has ~1.87msf of leasable area, with rentals expected to commence in FY29. The project is currently ~72% pre-leased, with rental rates in the Rs350–400 per sqft per month range. Prestige BKC Y (66% share; partner: the ABIL Group) rentals are also expected to commence in FY29, although pre-leasing has not yet started. The project will include a 166-key hotel, which will be fully owned by Prestige.
- The Prestige in Mahalaxmi, Mumbai is another key commercial development, with full leasing and rental commencement expected from FY30. The project is currently ~15% pre-leased, while new leasing has been temporarily paused as the company incorporates new features and design elements. Rental rates are expected to be Rs375–425/sqft. The development is positioned as the tallest commercial tower in the country. The project faces minimal disruption despite the recent MahaREAT rulings.
- The Prestige Place at Jeejamata Nagar, Worli is a mixed-use development, comprising hospitality, commercial, and retail components. The project will have a 500-key hotel, commercial office with ~0.94msf of leasable area, and retail space with ~1.1msf of leasable area. The project is expected to break ground in this financial year.
- In Sahar, Andheri, Prestige is developing Quantum, a ~1.4msf project in which it holds 50% stake, with Valore Estate as its partner. The project is expected to be launched in this financial year.

In Bengaluru, Lakeshore Phase 1 (45% share) is nearing completion and has a leasable area of 2.2msf; the company will launch Lakeshore Phase 2 (95% share) in this financial year. In retail, annual rentals currently stand at Rs2.75bn, of which share of PEPL is Rs1.7bn.

Hospitality business

The company targets a 2x increase in EBITDA by FY29 (~FY26 EBITDA: Rs4.5bn), primarily driven by addition of new hotel keys. Operational room inventory is expected to nearly double over the next three years from the current ~1,445 keys. The company has deferred its IPO plans and recently raised Rs30bn from PE investors at an implied EV of Rs140bn. Of the proceeds, ~50% is expected to be used in the hospitality business, with the remaining funds for the real estate business.

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Brigade Enterprises (Not Rated)

Residential

BRGD launched two projects in Hyderabad (Brigade Barcelona) and Mysuru in 2QFY27, with combined GDV of Rs27bn. The company has a launch pipeline of ~Rs80bn GDV (~7msf) for 2HFY27, with Bengaluru accounting for ~Rs40bn of the planned launches. BRGD is expected to report pre-sales of >Rs15bn in 2QFY27 and has guided for FY27 pre-sales of ~Rs85-90bn, implying 15-20% yoy growth.

Given the concentration of launches in 2HFY27 and Bengaluru accounting for 50% of the planned launches, any delay in project approvals (although there is improvement in the approval process in Bengaluru) could defer launches and may impact the company's ability to meet its FY27 pre-sales target.

The company currently has no plans to enter new geographies and is reducing its focus on Bengaluru, with the city's contribution expected to decline to ~50% from 60% now, along with a corresponding increase in the share of Chennai and Hyderabad.

On the Morgan Heights project in Chennai, the company has halted sales at the project and refunded the booking amount, aggregating to Rs110mn. The project is being developed under a JDA structure, with Brigade having invested Rs1bn in the project, to date.

Commercial

BRGD has 7.15msf of commercial space under construction, of which ~4msf is expected to be operational by FY29-30. Rental income is likely to see a meaningful uptick from FY29 onward, driven by the commissioning of Padmini Tech Park in Bengaluru and Tech Boulevard in Chennai, with the annual rental run-rate expected to reach ~Rs17-18bn by FY31. Office leasing remains healthy, supported by robust demand from GCCs and co-working/managed office operators. BRGD is also expanding its presence in the co-working segment, while targeting ~20,000 seats over the next year, up from ~12,000 seats currently.

Hospitality

BRGD targets 4x EBITDA growth in its hospitality vertical, by FY31 (~FY26 EBITDA: Rs1.9bn), driven by addition of new keys (plans to double the number of keys by FY30 from the current ~1,600, with estimated capex of Rs36bn) and growth in the existing portfolio. The company is also diversifying its portfolio with focus on luxury as well as leisure hotels.

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Sobha (BUY; TP: Rs1,900)

Strong launch pipeline

In 2QFY27, SOBHA launched two projects—in Kerala and Mysore—with combined GDV of Rs12bn; it is expected to see pre-sales of >Rs20bn. SOBHA has a healthy launch pipeline of 8.2msf, including projects in Gurugram, Bengaluru, Chennai, Hyderabad, and Thrissur, with combined GDV of Rs120bn; of these, two projects (total GDV of Rs12bn) have already been launched in 2QFY27. In addition to the upcoming launches, the company has ~Rs192bn worth of unsold inventory. We estimate that a ~25% sell-through of the available inventory, including existing stock and upcoming launches, could increase FY27E pre-sales to above Rs100bn and potentially toward ~Rs120bn.

Margin recovery imminent

Margins remained subdued over FY23-26, with EBITDA margin at ~6.0% in FY26 and 1QFY27. Reported margins were weighed down by changes in financial reporting, recognition of relatively low-margin projects, and higher sales and marketing costs as the company scaled up operations. However, the project portfolio is now shifting toward high-margin developments, particularly owned projects, with project-level EBITDA margin exceeding 35%. As these projects start contributing to revenue from 2HFY27, the mix improvement is expected to drive a meaningful expansion in reported EBITDA margin from 2HFY27 onward.

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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Seshadri
Kumar Sen

Digitally signed by

Seshadri Kumar

Sen

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Date: 2026.09.28

22:55:06 +05'30'