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India Real Estate Report FY 2025-26: Trends, Insights & Forecasts

Directional shifts for the sector



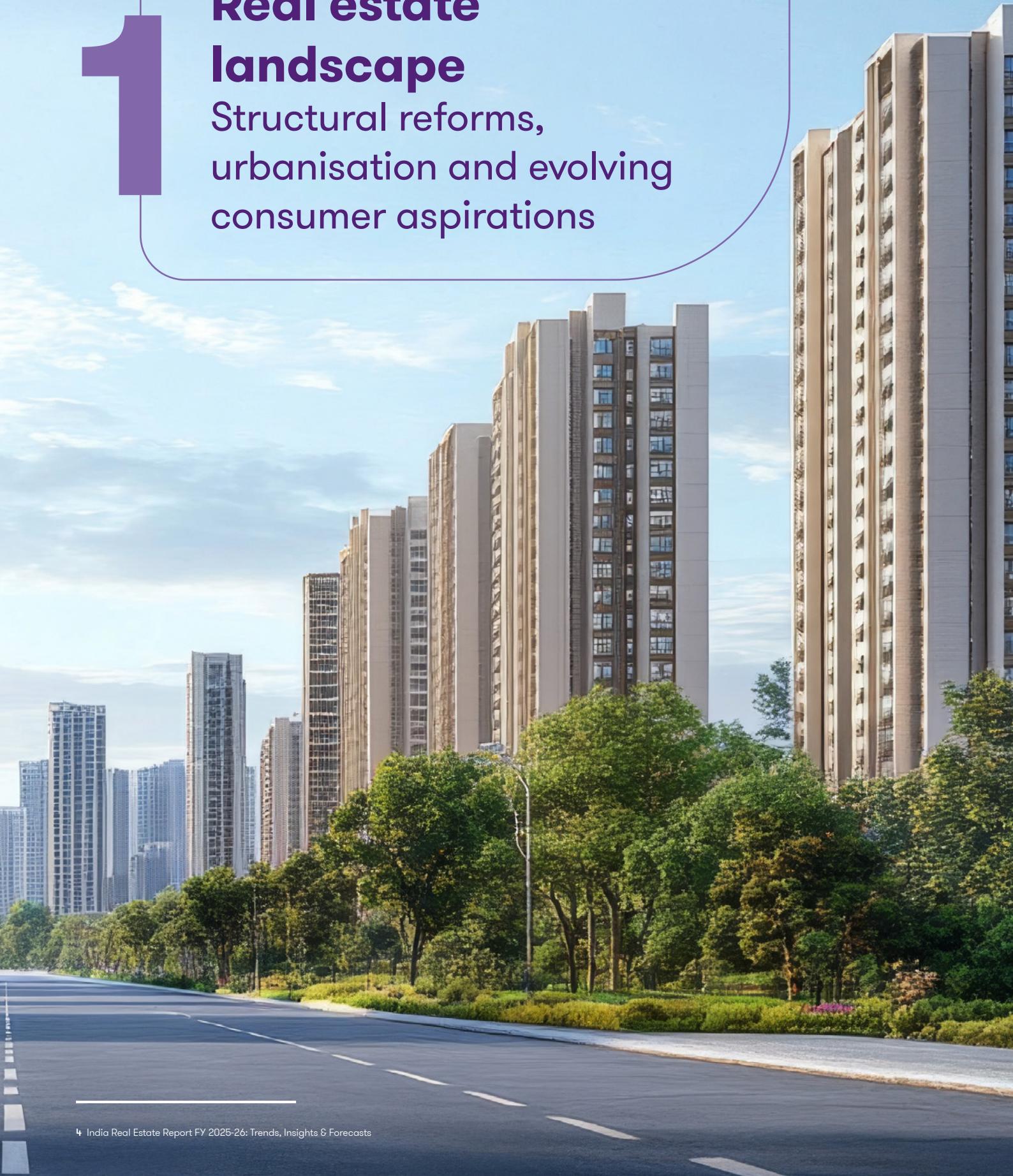


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Insights from Sobha Properties

1 Real estate landscape

Structural reforms,
urbanisation and evolving
consumer aspirations



Despite prevailing global economic uncertainty, the Indian real estate sector has demonstrated sustained momentum over the past year, emerging as a key pillar of the nation's economic revival. It continues attracting strong interest from domestic and international investors, driven by structural reforms, urbanisation and evolving consumer aspirations.

In particular, India's residential real estate market has rebounded sharply in the post-pandemic period. From FY 2019 to 2025, total residential sales in major cities have surged by nearly 77% per cent, underscoring buyer confidence from FY 2019 to FY 2025. Primary transactions, comprising under-construction homes sold by developers, accounted for 57% per cent of the total transactions in FY 2025. Secondary transactions, involving the resale of properties, made up the remaining 43% per cent, showing a notable shift from the 38% per cent share recorded in FY 2019.

Source: Square yards report



India's residential market maintained its upward momentum in FY2024-25, though trends varied by price segment. Affordable housing saw mixed results—sales fell 9% YOY in Q1 2025, but unsold inventory reduced by 19%, indicating gradual absorption. Growth remained restricted due to limited new launches and a developer shift toward premium housing. Despite affordability challenges, steady end-user demand helped clear inventory,



Luxury housing (above INR 1 crore) surged from 2019 to 2025, driven by higher incomes, lifestyle changes, and targeted developer efforts.



The industrial and warehousing sector maintained its growth, driven by 3PL players, e-commerce, 'Make in India,' and rising logistics needs for shifting consumer and supply chain dynamics.



Office leasing rebounded sharply in FY2025, hitting record levels. Demand surged due to GCCs, IT/ITES, e-commerce, and flexible workspaces, especially in Tier 1 cities and emerging Tier 2 hubs. India's office market shows strong absorption and positive rental growth.

While the sector is growing, it continues to face challenges like regulatory hurdles, rising construction costs, and liquidity issues, especially for smaller developers. While reforms like RERA and GST boost transparency, ongoing policy support and financing access are vital for long-term stability.

In summary, the Indian real estate sector showed resilience in FY 2024-25, overcoming global challenges to perform strongly across segments. Backed by investor confidence and adaptive consumer behavior, it remains a key economic pillar, set for continued momentum in FY2025-26, driven by urbanisation, infrastructure growth, and technology integration.

2

Disruptions and new directions in 2025-26

How the industry is being reshaped



As the Indian real estate sector enters FY2025 - 26, a new wave of disruptions and directional shifts is reshaping the landscape. Rapid expansion of the middle class, evolving consumer aspirations, and strong economic fundamentals are driving this transformation, further accelerated by technology adoption, changing urbanisation patterns, ESG imperatives and regulatory reforms.

This evolving landscape is reshaping investor strategies and end-user preferences. Investors are pivoting towards future-ready, high-quality assets across diversified geographies, while end users are demanding smarter, more sustainable, and lifestyle-driven spaces. This shift is redefining real estate value creation for the next growth cycle.



In 2025-26, the future of real estate will be designed by technology, sustainability and a rising India.

Evolving market focus are redefining value drivers for investors and end-users alike



Evolving trends

- Technology adoption
- ESG imperatives
- Urbanisation Shifts
- Regulatory reforms

Impact on Investors

- Preference for grade A, future ready assets
- Increased focus on ESG-Compliant investments
- Expansion into Tier-2/ Tier-3 markets
- Interest in new asset classes – data centers, Logistics parks

Impact on end-users

- Rising demand for smart, sustainable, wellness – centric spaces
- Shift towards premium and lifestyle housing
- Higher expectations for integrated living and flexible working options
- Growing importance for connectivity and infrastructure access

Trends that are defining the industry's current landscape and future trajectory



Rise of low-density housing

The Indian real estate market is shifting towards low-density formats like villas, townhouses, and plotted developments. Homebuyers increasingly seek sustainable living options that offer isolation and harmony with nature, distancing themselves from urban noise and pollution. Developers are responding to this trend with open space-focused projects, while HNIs and ultra-HNIs are also showing a strong preference for premium, low-density projects.



Technology integration

Technological integration is transforming the Indian real estate sector through AI and blockchain. It is also streamlining processes such as property transactions, legal verifications, and market analysis. Smart home features integrated with IoT are now standard, boosting energy efficiency and convenience. Digital tools are revolutionising how properties are bought, sold, experienced, and managed, enhancing transparency and user engagement.



Increased preference for homeownership

Homeownership gained traction, supported by government incentives and hybrid work trends. The demand for larger homes in suburban and Tier 2 cities rose sharply. Changing demographics, a growing middle class and younger population entering the workforce have further fuelled demand. Emotional factors, such as the desire for asset creation and intergenerational wealth factors, further reinforced the cultural and economic shift towards owning homes.



Opportunities in REIT space

The REIT market in India now represents over 9% of the total office stock across the top eight cities, underpinned by substantial institutional investment. Key drivers of the REIT growth include rapid urbanisation, expanding infrastructure, supportive regulatory frameworks, and investor-friendly policies such as lower minimum investment thresholds and the introduction of fractional ownership through SM REITs. Rising awareness among retail investors and new avenues for participation are further strengthening liquidity and expanding the potential of this emerging segment.



Emergence of rental housing and co-living

Flexible living models are gaining ground, especially among younger professionals and migrant populations in urban centers. Co-living spaces and organised rental housing are expanding, driven by affordability pressures, lifestyle flexibility, and supportive policy frameworks like the Model Tenancy Act.



ESG and green real estate mainstreaming

Sustainability imperatives are now central to real estate development. Institutional investors increasingly prefer ESG-compliant projects, while end users prioritise wellness, energy efficiency, and green certifications. Developers are embedding sustainable design and smart infrastructure as integral parts of new project offerings.



Real estate to become digital, sustainable, and resilient

India's real estate sector is poised to redefine growth in 2025-26, propelled by smart urbanisation, sustainable development, and digital innovation. While navigating affordability and global volatility, the market is transitioning towards future-ready assets, flexible living formats, and enhanced investor participation, setting the foundation for a resilient, technology-driven real estate ecosystem.

Real estate technology trends for the future

In 2025, the Indian real estate industry will be significantly shaped by the integration of advanced technologies aimed at enhancing efficiency, transparency, and customer experience.



Tokensiation of real estate

Tokenisation of real estate involves converting physical property assets into digital tokens on a blockchain, allowing fractional ownership and easier trading. In the Indian real estate industry, this innovation offers improved liquidity, better transparency, and broader investor participation, especially for retail investors. It enables people to invest smaller amounts in high-value properties, as well as tamper-proof transactions and real-time tracking of ownership. With appropriate regulatory support, tokenisation can revolutionise the Indian real estate market by making it more efficient, inclusive, and investor-friendly, aligning with the government's push toward digital transformation and financial inclusion.



PropTech innovation - automation and robotics

Innovations such as artificial intelligence (AI), machine learning, and big data analytics, will revolutionise property valuations, market predictions, and personalised property offerings. The rise of smart homes, powered by the Internet of Things (IoT), will enhance energy efficiency, security, and convenience. Automation and robotics will redefine construction methods, increasing speed and reducing costs.



Virtual reality (VR) and augmented reality (AR)

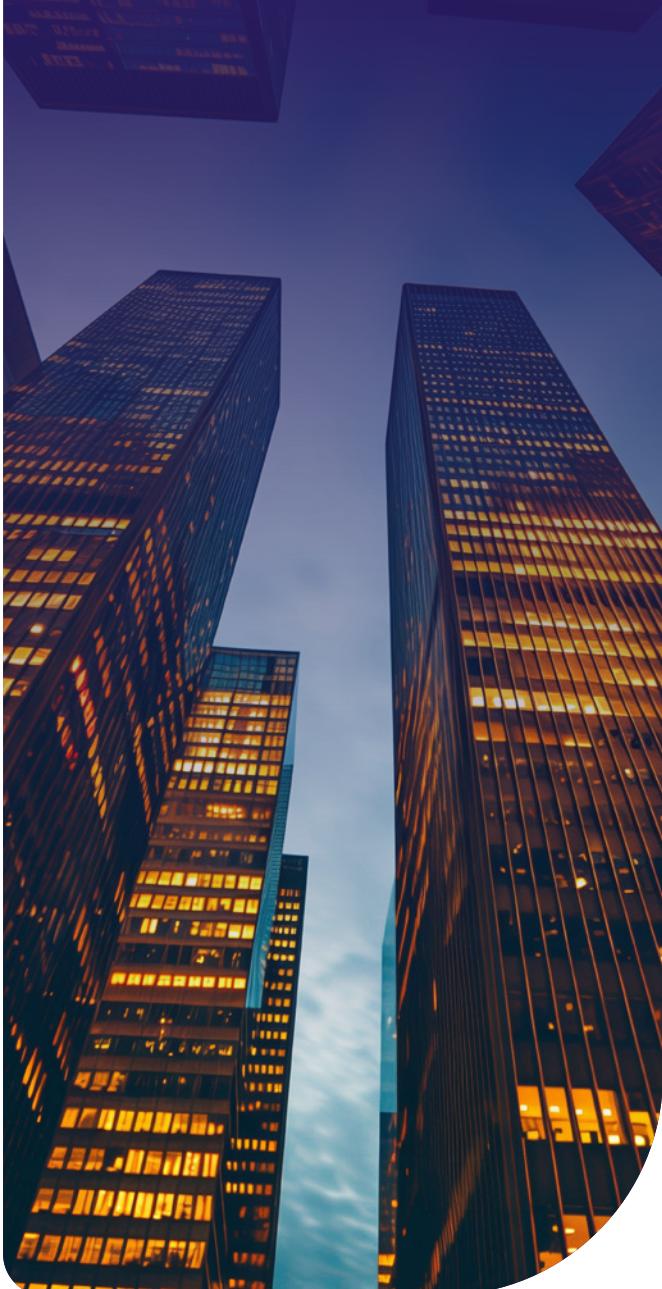
VR and AR will enable immersive virtual tours, allowing potential buyers to explore properties remotely, transforming the home-buying process.



AI-driven sustainability

AI-driven sustainability will enable faster, more sustainable building techniques. Data-driven insights will become crucial for developers and investors, optimising property management, investment decisions, and customer engagement.

Emerging trends in real estate technology predict improvements in efficiency, sustainability, and security. These trends indicate a shift towards innovation. Through these technologies, the industry will be able to streamline operations and create value for clients.



3

Investment momentum and M&A pulse

A snapshot of real estate
transactions



India's real estate sector demonstrated strong resilience through FY 2024–25, with deal volumes rising consistently across quarters despite macroeconomic challenges. India's real estate sector maintained robust activity in FY 2024–25, achieving a total of 99 transactions with a combined value of around USD 6.99 billion. Deal volumes steadily improved compared to FY 2023–24, reflecting strong investor interest despite broader macroeconomic headwinds.

Private equity (PE) remained the dominant funding channel, accounting for USD 3.15 billion across 48 transactions, nearly half of the overall investment activity. M&A volumes increased notably to 36 deals, although values moderated to USD 619 million, highlighting a strategic shift toward mid-sized consolidations and platform-driven acquisitions.

Public market activity also contributed meaningfully, with IPOs and QIPs together raising approximately USD 2.99 billion, signalling strong capital markets support for the sector. Notably, QIP activity was particularly active in FY 2024–25, driven by institutional appetite for Grade A commercial, warehousing, and retail portfolios.

Investment flows continued to favour operational residential developments, income-yielding commercial assets, and logistics platforms, while early-stage proptech and co-living models gained visibility. The emergence of small and medium REITs (SM REITs) offered new avenues for fractional ownership and democratised access to institutional-grade real estate.

Investment activity was fuelled by expanding urbanisation, infrastructure development, demand for Grade A assets, warehousing, and emerging proptech sectors. The

M&A landscape was dominated by domestic mid-sized consolidations, platform acquisitions by REITs, and targeted transactions in income-generating assets.

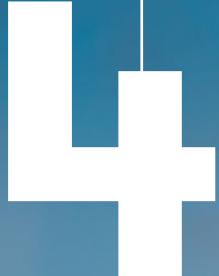
Looking ahead, FY 2025–26 is expected to build on this momentum, with increased platform consolidation, greater participation from global and domestic institutional investors, deepening proptech integration, and a sharper focus on sustainable, ESG-compliant assets. The continued evolution of SM REITs and the growth of alternative real estate asset classes are poised to reshape the investment landscape further.



In essence, the Indian real estate sector is entering a new phase characterised by institutional maturity, technological innovation, and consolidation. Investment flows are set to intensify in both traditional and emerging asset classes over the next few years.

Source: Grant Thornton Bharat Dealtracker





Headwinds and roadblocks

Challenges faced by the real estate sector



India's real estate sector demonstrated resilience during FY 2024–25, yet it faced a complex set of challenges, many of which are expected to persist into FY 2025–26.



Economic and financial pressures

Global economic volatility and elevated domestic interest rates impacted homebuyer affordability and increased the cost of capital for developers. As housing prices rose faster than incomes, affordability constraints became more pronounced, particularly in mid-income and affordable segments. Private equity remained active, but fundraising for early-stage projects tightened.



Execution and cost challenges

Supply chain disruptions, rising material costs, and margin pressures strained project viability. Developers needed to diversify sourcing and manage budgets carefully to sustain timelines. Additionally, growing sustainability expectations, particularly for commercial Grade A assets, added incremental compliance costs, although ESG adoption remains at an early stage in India.



Regulatory and approvals hurdles

Land acquisition complexities, delayed environmental clearances, and slower municipal approval processes continued to cause project delays and added execution risk. While regulatory reforms like RERA have improved sectoral transparency, procedural hurdles remain particularly acute for new developments and smaller players.



Urbanisation and infrastructure gaps

Urban expansion continued to outpace infrastructure creation, leading to congestion and pressure on civic amenities, especially in Tier-2 and emerging Tier-3 cities. Infrastructure bottlenecks affected project attractiveness and viability beyond metro locations.



Digital transformation and cybersecurity risks

The push towards technology-driven real estate, including smart homes and digital transactions, has increased vulnerabilities to cybersecurity risks. Protecting sensitive data and adapting internal processes became essential, requiring additional investments by developers and service providers.



Evolving consumer preferences

Shifting demographics, a growing middle class, and post-pandemic lifestyle changes fuelled the demand for flexible living spaces, wellness-centric communities, and integrated live-work-play developments. Developers needed to rapidly adapt project designs and marketing strategies to remain aligned with new buyer expectations.



Global and political volatility

External macro factors — such as geopolitical tensions, commodity price fluctuations, and global capital flow uncertainties — continued to impact investor sentiment and posed risks to transaction volumes, particularly in cross-border investments.



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Future outlook 2025-26 and beyond

India's real estate sector enters FY 2025–26 on a resilient footing, supported by structural drivers such as urbanisation, infrastructure expansion, capital market innovations, and accelerating digitalisation. Despite global uncertainties and domestic affordability challenges, the sector is expected to continue evolving towards greater institutionalisation, technological integration, and sustainable growth.



Residential demand is anticipated to sustain its momentum, driven by the mid-income and premium segments, while affordable housing may face ongoing affordability pressures. Developers are expected to strategically pivot towards well-connected suburban hubs and Tier-2 cities, leveraging infrastructure-led growth corridors. Cities like Jaipur, Bhubaneswar, Nagpur, and Vishakhapatnam are becoming growth hotspots due to increased government focus on regional development and rising employment opportunities outside of traditional metros. Developers are shifting focus from high-end to volume-based affordable projects that offer greater sales velocity and cater to the aspirations of India's growing middle class. At the same time, the concept of "live-work-play" communities—self-sustained townships offering integrated amenities—is gaining momentum among urban homebuyers.



Commercial real estate will likely remain robust, fuelled by the continued expansion of global capability centres (GCCS), technology sector leasing, and growing tenant demand for flexible, ESG-compliant Grade A office spaces. Digitalisation, tenant experience upgrades, and smart asset management will become increasingly critical for maintaining occupancy and rental growth. Office spaces will not disappear but will evolve to become more flexible, collaborative, and technology-enabled. The demand for Grade A offices, tech parks, and managed co-working spaces is expected to remain strong, especially in IT hubs like Bengaluru, Hyderabad, Pune, and Chennai. Further, India is fast becoming a global hub for data centres, thanks to the exponential rise in digital consumption, which is attracting heavy investment from technology firms and global investors.



Industrial and logistics assets are poised for further expansion, supported by domestic manufacturing incentives (PLI schemes), fuelled by the boom in e-commerce, rapid digitisation of retail, and the push for robust supply chain networks. This sector is shifting from fragmented, unorganised setups to institutional-grade warehousing parks. The implementation of GST and the National Logistics Policy is helping to streamline operations and attract foreign direct investment (FDI) in this space.



Investment trends are expected to deepen around platform-led acquisitions, strategic mid-sized consolidations, and expanding REIT platforms. The evolution of small and medium REITs (SM REITs) is unlocking new investor participation, and emerging innovations such as real estate tokenisation—although still nascent—offer the potential to further democratise ownership and enhance liquidity in traditionally illiquid asset classes.



Technology integration will continue to reshape the sector, with AI, blockchain, IoT, and data-driven asset management transforming development, leasing, and customer engagement models. Cybersecurity, data protection, and smart infrastructure investments will become core operational priorities.

A defining trend in the coming years will be adopting sustainable practices and green building standards. With increased awareness of climate change and pressure from regulators and investors, real estate players are moving toward net-zero buildings, energy-efficient materials, and ESG-compliant designs. Smart home technologies integrated with AI and IoT will also become mainstream, as consumers prioritise security, convenience, and energy conservation.



Key watch areas for FY 2025–26 and beyond:



Continued consolidation among mid-sized developers and asset platforms



Residential and logistics growth in emerging urban corridors



Rising importance of cybersecurity and digital trust in real estate transactions



Expansion of SM REITs and early-stage exploration of tokenisation models



Resilient capital market support through QIPs, REITs, and strategic private equity flows



Growing investor preference for operational, ESG-compliant assets

While affordability challenges, regulatory bottlenecks, and global macro risks will persist, India's real estate sector is well-positioned to build on its adaptability, deepen technological innovation, and drive a more resilient, inclusive, and sustainable growth cycle through FY 2025–26 and beyond.

From a resilient residential market, evolving urbanisation trends, and growing platform-led investments, to the rise of small and medium REITs and early explorations into tokenisation, India's real estate landscape is rapidly maturing. The sector's response to disruptions, headwinds, and demographic shifts speaks volumes about its inherent agility and its ability to reimagine the future. As we look ahead, FY 2025-26 and beyond will be shaped by consolidation, digitalisation, sustainability, and infrastructure-led growth. While affordability challenges, regulatory complexities, and global volatility remain important watchpoints, India's real estate sector is structurally better placed today to navigate uncertainty and seize emerging opportunities.

Shabala Shinde

Partner and Real Estate Industry leader



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Developer speak

For this edition of Realty Bytes, we spoke with **Jagadish Nangineni, Managing Director, Sobha Group**. He discusses the real estate industry, its future outlook, and how the Sobha Group contributes to it.



What current trends shape the real estate market, and how is your company adapting to them?

The scale of operations of real estate players across asset classes is on a significant upward trend, aided by economic growth and demographic shifts. In addition to this, technology is playing a key role in our lives, and society is becoming more environmentally conscious. On the supply side of the industry dynamics, the density and nature of developments are also increasing across urban cities to cater to the demand.

Hence, to respond to these requirements, we are incorporating technology during design, at construction sites, and in our operations to enable innovation, scale, and speed while enhancing the team's organisational capabilities. Since we are a backwards-integrated operating company, our ability to design and execute sustainable developments has been a key factor in our success, which is being enhanced with more rigour.



How do you address challenges such as economic downturns or market volatility in the real estate sector?

Sobha's core business is to deliver world-class quality homes to our customers within the committed time. Product is at the heart of our company. Based on this philosophy, we have built an international brand over the past 30 years. Such a strong brand reputation helps us in all market scenarios.

Real estate is a cyclical sector; hence, one should aim to ride out a downcycle with minimum damage and get the most out of an upcycle. In the recent upcycle post-COVID, we reduced our debt significantly while delivering world-class residences to our customers on time. Our financial strength, combined with prudent capital allocation in investments and spending going forward, would keep us in good standing.



Sobha recently announced plans to enter the Mumbai market. What opportunities do you see in this region? Do you see the luxury segment as an evolving trend in the sector?

Mumbai is India's largest real estate market for residential development, with over 35% share in the top cities. Our entry is strategic and long-term oriented, as we aim to tap into this lucrative market with high-quality developments that align with Sobha's legacy. We plan to cater to discerning buyers who value exclusivity, design, and superior craftsmanship, ensuring a strong foothold in one of the most competitive markets in the country.



As sustainability living is an emerging trend/buzzword in the sector, being a front runner in providing sustainable living, are there any interesting projects at Sobha's end to look forward to?

Sustainable living and projects are about both design and impeccable execution. We have recently been given India's only Net Water Zero certification for our project, Sobha City, Thrissur, which was conceived two decades ago. This showcases two things: a) sustainability was at our core much before it became a "trend", b) we have been setting benchmarks in this aspect on a continuous basis.



Can you share a recent success story or project that you're particularly proud of?

We are proud of every project we deliver, and it would be difficult to name one particular project as a success. However, if scale, innovation, and impact are parameters, Sobha Dream Acres has created a unique ecosystem in Bengaluru. The project is being developed on 81.32 acres with 6945 homes, catering to end users with affordable budgets.

We used the most advanced pre-cast technology to develop the project quickly with Sobha quality. It required deeper backwards integration than what we had done previously, integrating design and construction more intricately to enable delivery.

The ecosystem that developed post-delivery has a significant impact on the community of residents and investors. The community has transformed into a dynamic one with happy people and positive relationships in an environment designed to gather for every possible activity and celebration. As a by-product, it has resulted in the highest rental yield and the best appreciation as well.

“

The Indian real estate industry is at a transformative juncture, driven by economic growth, rapid urbanisation, evolving consumer preferences, affordability, and technological advancements. With a growing demand for quality housing, commercial spaces, and integrated developments, the sector is poised to play a pivotal role in shaping the nation's economy and infrastructure. Adopting green building practices, digitised land records, and tech-driven solutions will redefine how real estate is developed and experienced. India's real estate sector has the potential to align with global standards, setting benchmarks in quality and innovation. As we move forward, Sobha remains committed to delivering excellence through innovation and benchmark quality, creating spaces that inspire, and contributing to the country's vision of becoming a developed economy by 2047.

Jagadish Nangineni
Managing Director, Sobha Group

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