ICRA

RESIDENTIAL REAL ESTATE

Area sold will continue to slide in FY2026e; larger players will outperform

SEPTEMBER 2025

Agenda

ICRA

1 **Trends in key operational metrics in the top seven cities**

2 **Emerging trends in the residential real estate sector**

3 **Key metrics of ICRA's sample set**

4 **ICRA's outlook for top seven cities**

5 **ICRA rating actions on residential real estate portfolio**

Highlights

Click to see full report

Area sold in top seven cities reduced by 5% YoY and 6% QoQ in Q1 FY2026; overall, area sold is estimated to decline by 0-3% in FY2026.

The replacement ratio is likely to sustain at around 1.0 time in FY2026 (0.9 times in FY2025).

- **ICRA expects the area sold in the top seven cities* in India to decline by 0-3%, reaching 620-640 million square feet (msf) in FY2026** following 8% YoY decline in FY2025 to 643 msf, due to sharp contraction in project launches along with a high base effect. Further, a material increase in average selling prices (ASP) of residential units by more than 10% annually during FY2023–FY2025 remained a drag on affordability of buyers. However, GST rate cut on key inputs, income tax relaxation along with reduction in policy repo rate will aid the sector.

- **ICRA projects the launches in the top seven cities to grow by 4-7% to around 630-650 msf in FY2026.** This is likely to be supported by the spillover of launches from the previous year and current comfortable unsold inventory. The launches in FY2025 declined by 14% to 604 msf due to delayed approvals and on account of the high base effect. Given the moderations in sales velocity and expected calibrated launches, the years-to-sell (YTS) is anticipated to remain comfortable at 1.0 – 1.1 times in FY2026 (PY: 1.1 times).

- **Driven by increasing share of luxury housing, ASPs saw sustained material hike by 11% in FY2024 and 16% in FY2025 and is further estimated to improve by 6-8% in FY2026**. Moreover, low inventory overhang, comfortable YTS and industry consolidation also helped in better pricing power of prominent developers.

- **ICRA's outlook on the residential real estate sector is Stable**. Given the consolidation, the performance of reputed players is anticipated to outperform the broader underlying industry trends. Reputed players continue to gain market share, reflecting growing buyer confidence. Along with policy reforms like Goods and Service tax (GST) and Real Estate Regulatory Authority (RERA), the same have reshaped the sector accelerating consolidation and favouring developers with strong execution and governance. Over the past 2-3 years, these developers have substantially deleveraged through strong operating cash flows and/or fund raises through Qualified Institutional Placement (QIP)/ Initial Public offer (IPO). While debt may rise moderately in FY2026 to support growth, leverage is expected to remain comfortable.

*Source: Propequity and ICRA Research; *Top seven cities: Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Pune; ICRA's sample set: Sobha Limited, Ashiana Housing Limited, Puravankara Limited, DLF Limited, Brigade Enterprises Limited, Keystone Realtors Limited, Prestige Estates Projects Limited, Godrej Properties Limited, Macrotech Limited, Kalpatru Projects International Limited and Aditya Birla Real Estate Limited.*

Analytical Contact Details

Name	Designation	Email	Contact Number
Ashish Modani	Senior Vice President and Group Head	ashish.modani@icraindia.com	022 6169 3358
Anupama Reddy	Vice President and Co-Group Head	anupama.reddy@icraindia.com	040 6939 6427
Sweta Shroff	Sector Head and Assistant Vice President	sweta.shroff@icraindia.com	124 4545 307
Yash Garg	Senior Analyst	yash.garg@icraindia.com	124 4545 337

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

ICRA

Thank You!