

India Residential Real Estate: 2014 vs 2026 - Healthier Slowdown

- **Current moderation in residential sales after a strong upcycle seems a far healthier pause than the 2013–2014 downturn**
- **In the current cycle- supply from developers is more disciplined, inventory levels seems more manageable, lending market is more balanced, developer balance sheet appears less frothy and there is a mature ecosystem with more regulatory teeth.**

Key insights:

- ✓ India’s residential market witnessed a moderation in sales in CY25, often compared to the last downturn in 2013–14.
- ✓ While surface indicators (softening sales, rising inventory) appear similar, underlying fundamentals are materially stronger today. As a result, the risk of systemic distress is significantly lower vs 2014.
- ✓ Earlier cycle was characterised by oversupply, very buoyant lending environment, over-leveraged developer balance sheets and limited ecosystem related to diligence and monitoring vendors. On the other hand, current cycle is characterised by balanced supply, limited capital availability, mostly deleveraged developers and better regulation, mature ecosystem (diligence and monitoring vendors).

Parameter	2014 Slowdown	2026 Slowdown	Verdict
Demand vs Supply	<p>Demand Lagging Supply Developers, flush with credit and buoyed by post-GFC optimism, launched projects aggressively Annual launches in top markets peaked near 500k units during 2012–2014 Demand, however, was already stalling Developers continued to launch new phases of projects even as existing inventory remained unsold Even though sales to launch ratio was reducing between CY12-14, there was significant launches by developers</p>	<p>Supply is Disciplined Supply broadly aligned to demand; even after sales moderated in CY25, sales to launch ratio was healthy at 0.97</p>	<p>✓ More balanced and disciplined supply</p>
Unsold Inventory	<p>Significant Build-Up of Unsold Inventory By 2014–2015, unsold inventory across India's top cities had reached an estimated 700k-900k units with QTS exceeding 30–40 months in markets like NCR and MMR. Inventory overhang was further complicated by the fact that a large portion of it was stalled or incomplete.</p>	<p>Manageable Unsold Inventory Absolute inventory levels are lower today than in 2014 by a significant margin, and the QTS metric is far more benign. While unsold inventory is again inching up but the absorption rates are healthy and does not seem to be a systemic supply overhang.</p>	<p>✓ More manageable inventory levels</p>
Credit Access	<p>Buoyant lending market Despite sluggish physical markets, significant buildup in AUM by lenders - aggressive funding for both land and construction Overall NBFC CRE AUM increased to INR 1.5 trn by 2018</p>	<p>Disciplined lending market Despite robust underlying market, not much growth in lender AUM. NBFC CRE AUM is still less than INR 1.0 trn. Limited avenues available to developers for land funding</p>	<p>✓ Disciplined capital availability</p>

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Developer Leverage	<p>Highly levered developers Many developers including listed ones had debt-to-equity ratios exceeding 2–3x at the corporate level, plus project-level debt layered beneath. The combined debt burden across land, construction, and sales-linked financing made even a moderate demand slowdown potentially fatal for cashflows</p>	<p>Manageable debt levels Developers have deleveraged significantly with lean balance sheets; average net debt-to-equity ratio has fallen to a historic low of 0.05 in FY25 as per Anarock. As per Crisil, owing to steady cash flows from ongoing and upcoming project launches and a prudent approach to debt-raising for development activities, the credit metrics of developers are expected to remain strong.</p>	<p>✔ Leaner balance sheets</p>
Overall ecosystem	<p>Nascent ecosystem Limited diligence and monitoring vendors. Limited options for plug and play like DM, step-in agencies, sales channel partner etc.</p>	<p>Mature ecosystem Significant regulatory improvement (RERA, IBC). RERA mandates escrow of 70% of collections; reduces diversion risk Enhancement in diligence and monitoring eco-system (mature diligence and monitoring agencies, escrow mechanisms, better quality Debenture Trustees, step-in agencies, etc.)</p>	<p>✔ Mature ecosystem</p>

While the current softness in India's residential market deserves careful monitoring, the 2026 slowdown is a far healthier pause than the 2013–2016 downturn. We see that there is overhang in some segment but it is not a systemic distress and view the current environment as an opportunity to deploy capital with attractive risk reward returns.

References:

1. Knight Frank Research
2. India Today Article, <https://www.indiatoday.in/business/story/top-real-estate-developers-eye-big-sales-as-debt-hits-historic-low-2780470-2025-09-02>

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