

Housing price growth likely to moderate next year

Interest rate cuts, strong rental demand may keep the market buoyant in 2025

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Housing prices rose at a brisk pace in 2024. While the market may remain resilient, the pace of price growth is expected to moderate in 2025.

Amid high and rising prices, buyers need to assess their financial preparedness before making the purchase decision.

Rapid price rise

Residential property prices across markets have risen by 5-10 per cent over the past year. "Certain markets in North India, such as Delhi-NCR and Chandigarh, saw price increases exceeding 14-15 per cent," says Pankaj Kapoor, managing director, Lias Foras.

According to data from Colliers and Lias Foras, the average price at the end of September 2024 across eight top markets stood at ₹11,000 per square foot, up 11 per cent year-on-year (Y-o-Y). In specific segments of some markets, the increase was sharper.

"Cities like Bengaluru and Delhi-NCR saw price increase of up to 26 per cent Y-o-Y for 3-4 BHK units, in the July-September quarter," says Vimal Nadar, senior director and head of research, Colliers India.

While demand remained high, supply was constrained. "Slowdown in approvals, due to the general elections in the first half and state elections in the second, resulted in tapering down of new launches," says Anuj Puri, chairman, Anarock Group. According to him, prices also increased due to rising input costs and strong demand.

The premium segment was a key driver. "Residential units priced above ₹1 crore drove market volumes. The sub-₹1 crore segment did not see a similar pickup," says Vivek Rathi, national director of research, Knight Frank India.

Will prices moderate?

Experts believe that price growth is

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City	Average price (₹/sq ft)	Q-o-Q	Y-o-Y
Delhi-NCR	8,017	10	57
Chennai	7,179	0	22
Kolkata	5,844	9	22
Ahmedabad	4,736	1	21
Mumbai	12,590	3	21
Pune	6,953	7	18
Bengaluru	7,512	9	15
Hyderabad	7,050	5	7

Note: Data for October-December 2024 quarter is not available yet
Source: Real Insight Residential: July-September 2024 by PropTiger.com



likely to continue, but the pace is likely to moderate, especially in North India. "In the Delhi-NCR market, we expect moderation in price growth as new supply comes in," says Kapoor.

Puri, too, says that several new launches may occur in 2025 as listed developers have a significant pipeline of new supply.

Positive drivers

Interest rate cuts, expected in 2025, could add to buoyancy in the housing market, according to Nadar.

Strong rental demand could be another driver. "If interest rates decline but rental yields stay strong, expect further appreciation in capital values," says Kapoor.

Infrastructure improvements could also lead to price spurts. "Many areas in cities like Mumbai, which were earlier difficult to access, are now becoming well connected and

have become more attractive," says Kapoor.

Growing demand for lifestyle-oriented homes, nuclearisation of families, stable income growth, and availability of home financing are other trends that will support property prices, according to Rathi.

He highlights that with the Real Estate Regulatory Authority (Rera) making developers more accountable, consumer confidence has improved.

The state of the economy will also play a key part. "If the economy remains robust, with geopolitical tensions, etc not having a significant impact, then property demand will remain high," says Puri.

He adds that rising cost of land and other inputs could lead to developers increasing prices.

Potential impediments

If prices rise steeply from current

levels, buyers may postpone purchases, according to Puri.

Speculative excesses could also hurt demand. "If builders become overly greedy and start driving prices too high through speculation, that could become an issue," says Kapoor.

Rathi highlights that any threat to economic growth and income could potentially affect demand.

Buy now or wait?

The real estate bull run shows no sign of ending. If prices continue to rise, buyers may end up purchasing at a higher price.

"Those who have the financial wherewithal and are buying for self-use should take the plunge," says Puri.

Use rental yield as a barometer to check if the price is attractive. "If the yield is above 3-3.5 per cent, the property is likely to appreciate," says Kapoor.

Are you ready financially?

Fear of missing out (Fomo) due to rising prices, desire for a bigger home, etc. can at times cause buyers to overstretch themselves.

"Consider your household's financial health and all your other goals. Buying a house might seem like an urgent goal, but it is rarely the only one," says Vishal Dhawan, founder and chief executive officer (CEO), Plan Ahead Wealth Advisors.

Avoid over-leveraging, especially now when home loan rates are on the higher side.

"Even in dual-income households, EMIs should be planned considering only one income. If the second income becomes temporarily unavailable, say, due to job loss, starting a family, or a sabbatical, you should not feel overburdened," says Dhawan.

Take into account the full cost of home ownership. Besides the property price, there are several other costs - stamp duty and registration fees, ongoing maintenance, renovation, and so on.