AXIS CAPITAL

Real Estate

Down but not out; consolidation to gain pace

Real Estate | Sector Report | September 24, 2025

Axis Capital's coverage universe

Company	Reco	Old TP (Rs)	New TP (Rs)	Upside (%)
DLFU	Buy	1,060	1,060	45
LODHA	Buy	1,580	1,580	34
PEPL	Buy	1,960	2,000	27
GPL	Buy	3,300	3,300	63
OBER	Reduce	1,750	1,750	8
PHNX	Add	1,590	1,700	8
BRGD	Buy	1,350	1,350	48
SOBHA	Buy	1,920	1,920	22
SIGNATUR	Buy	1,780	1,780	63
RUSTOMJE	Buy	870	870	41
MAXESTAT	Buy	810	805	77
SRIN	Buy	660	660	54
EMBASSY	Buy	454	479	18
MINDSPCE	Add	449	489	10
BIRET	Buy	372	392	19
NXST	Buy	170	180	13

Source: Company, Axis Capital

In the past one year, the NIFTY Realty index underperformed the headline NIFTY index by ~14% on moderation in housing demand and weakening macro sentiments. However, as per PropEquity, industry volumes have stabilized after moderation and are expected to get back to marginal growth, as saturated markets like NCR and Bengaluru unlock growth potential and volumes in MMR and Hyderabad recover with resolution of supply-side challenges. Further, with a favorable interest rate cycle, rising liquidity from H2E onwards, and consumption boosters, we expect the growth momentum to continue at least for the next two years. Listed players will also benefit from consolidation on account of better launch absorption and expansion in new markets. **PEPL**, **GPL**, **DLF**, and **MAXESTAT are our top picks**.

Demand moderated from peak but now stable, has headroom for growth

Housing demand in the Top 7 cities dipped for the first time in four years, reporting an 8% decline in volumes in FY25. The moderation was led by some saturation but was impacted by supply-side issues due to regulatory delays. MMR, Pune, and Hyderabad – the key growth contributors over FY21-24 – saw 15-55% decline in launches. Monthly average volumes for the Top 7 cities dipped from their peak of 58 mn sq ft in May'24 to 53 mn sq ft in Jul'25, though still better than in FY23. With ambiguity around EC approvals now behind, MMR should see a revival in supply while Hyderabad is hinting at resuming normalcy. Correspondingly, concentrated markets like NCR, Bengaluru, and Chennai have started seeing supply opening up, which should unlock growth potential. Thus, we expect industry volumes to return to at least mid-single-digit growth. Low inventory, sustained affordability, and steady demand will continue to ensure a steady 5-7% price growth.

Listed universe will continue to gain share and drive healthy growth

Our listed sample set continues to outshine the industry, with 22% growth in pre-sales in FY25, taking the market share to 21%. A third of this growth was also led by these companies' share gains in new markets upon entry in the past four years. Consolidation is expected to continue both in the old and new markets on better launch absorption for the listed players (50% in FY25) vs unlisted players (37% in FY25). We expect our coverage universe to deliver a 24% CAGR in pre-sales over FY25-27E, of which 43% will come from growth in the new markets and 57% from the old markets.

Record year of office leasing in CY24; momentum continues

As per C&W, the Top 8 cities reported net leasing of 51 mn sq ft in CY24, the highest ever (vs 45 mn sq ft in CY19). The momentum continued in H1CY25, with 30% growth in leasing. Growth was seen across the top markets, led by increasing presence of GCCs driving both, direct office space take-up and through flexible workspace operators. Growth is expected to continue in the near term, which will reduce vacancies and drive rental growth.

REITs well positioned on underlying asset class buoyancy and rate cuts

In the past six months, the three office REITs generated 12-20% returns and now trade at around the last reported NAVs and at a two-year forward dividend yield of 6-7%, i.e. in line with 10-year G-secs. The performance was led by narrowing vacancy and decline in cost of capital. We believe a large part of the re-rating is behind and returns will be linked to earnings CAGR which is expected at 10-11%. Any further cut in interest rates could be a catalyst. However, Nexus REIT still trades at 11% discount to NAV and is likely to be the biggest beneficiary of consumption growth post the recent GST cuts. Thus, Nexus REIT remains our top pick followed by Embassy REIT.

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