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Value Drives The Affordability Story

India's housing market is shifting beyond price-based decisions towards long-term value, supported by stronger incomes and favourable financing.



India's residential real estate market is entering a more mature phase where affordability is no longer defined merely by the price tag of a home. Instead, it is increasingly shaped by a combination of income growth, financing conditions, infrastructure development, employment generation and the long-term value that a property offers. Despite a sustained rise in housing prices across most major cities over the past few years, affordability has remained relatively resilient, allowing residential demand to stay close to post-pandemic highs.

As Sumeet Chunkhare, Chief Marketing & Communications Officer, Sobha Ltd., observes that homebuyer affordability across India's leading residential markets has remained relatively resilient despite rising property prices, supported by steady income growth, a stable interest-rate environment and greater financial discipline among buyers. He adds that demand has continued to remain strong in cities with robust employment ecosystems such as Bengaluru, Mumbai, Delhi-NCR, Hyderabad and Pune.

Sarveshaa SB, CMD, Bhadra Group, says, "Lower borrowing costs, stable employment, rising household incomes and moderated price growth have strengthened purchasing power, with decisions increasingly influenced by long-term value, connectivity and product quality. Yet affordability remains uneven across cities and buyer segments."

The latest affordability trends indicate that India's housing market is witnessing a structural shift. Buyers today are evaluating not only whether they can afford to buy a home but also whether the purchase will create lasting value through better connectivity, superior infrastructure, quality construction and appreciation potential.

"Lower borrowing costs, stable employment, rising household incomes and moderated price growth have strengthened purchasing power."

Sarveshaa SB, CMD, Bhadra Group

Affordability Remains Supportive Despite Rising Prices

According to Knight Frank India's Affordability Index for H1 2026, homebuyer affordability has remained broadly supportive across India's leading residential markets, largely due to the cumulative impact of 125 basis points of monetary easing by the Reserve Bank of India (RBI). The index measures the proportion of household income required to service monthly home loan EMIs.

Six of the country's eight major residential markets currently remain within the affordability threshold of 50% of household income. Ahmedabad continues to be India's most affordable housing market with an affordability ratio of 23%, followed by Kolkata at 25% and Pune at 28%. Bengaluru stands at 35%, while Mumbai Metropolitan Region (MMR) and the National Capital Region (NCR) continue to remain above the affordability threshold, reflecting the premium associated with these markets.

Although affordability has weakened marginally in Bengaluru and NCR compared to last year due to continued price appreciation, the overall picture remains stable. Lower borrowing costs resulting from the RBI's easing cycle have offset part of the impact of higher property prices and helped sustain homebuyer demand.

Knight Frank India notes that affordability improved consistently between 2016 and 2021, received a further boost during the pandemic when interest rates fell to historic lows and deteriorated briefly after the RBI's 250-basis-point rate hike cycle beginning in May 2022. Since early 2023, however, a stable interest-rate environment followed by cumulative rate cuts has restored affordability across most cities.

As Shishir Baijal, International Partner and CMD, Knight Frank India, points out that housing affordability continues to be one of the strongest drivers of residential demand. While rising property prices have moderated some of the gains, healthy employment levels, stable incomes and supportive financing conditions continue to underpin buyer confidence. Sustained income growth and balanced market fundamentals, he believes, will remain critical for preserving affordability over the long term.

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Interest Rates Have Played a Defining Role

The RBI's monetary policy has emerged as one of the biggest determinants of affordability over the past few years. The cumulative reduction of 125 basis points in policy rates has significantly lowered borrowing costs, making home loans more manageable for end-users. Even though the Monetary Policy Committee has maintained the repo rate at 5.25% in recent

meetings amid inflation and geopolitical uncertainties, the accumulated benefit of earlier rate cuts continues to support affordability.

According to industry experts, stable lending rates have provided greater certainty to buyers planning long-term financial commitments. Shalin Raina, Managing Director, Residential Services, Cushman & Wakefield, believes that the residential market is entering a more balanced phase where moderated price appreciation and predictable borrowing costs are encouraging genuine homebuyers to convert purchase intent into actual transactions.

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Income Growth Has Offset Price Appreciation

While residential prices have risen across nearly all major cities, affordability has not deteriorated proportionately because household incomes have also improved. The expansion of technology companies, Global Capability Centres (GCCs), financial services, manufacturing and knowledge-driven industries has significantly enhanced earning capacity in urban India. Stable employment and dual-income households have strengthened purchasing power, enabling buyers to absorb higher property prices.

Mallanna Sasalu, CEO-South, Puravankara Limited, notes that affordability is ultimately determined more by earning capacity than by housing prices. As employment opportunities have expanded, buyers have been able to upgrade to better-quality homes despite appreciation in property values.

Murali Malayappan, CMD, Shriram Properties, similarly observes that stronger incomes, especially among dual-income families, have substantially improved affordability. Homeownership is increasingly viewed as a long-term financial asset rather than simply a consumption decision, reinforcing sustained demand.

"Higher-value employment across technology, GCCs and advanced manufacturing has strengthened buyers' ability to own better homes."

Mallanna Sasalu, CEO-South, Puravankara Ltd.

Affordability Is No Longer Just About Price

Perhaps the most significant evolution in India's housing market is the changing definition of affordability itself. Homebuyers today are evaluating an entire value proposition rather than merely comparing prices. Construction quality, timely delivery, location, infrastructure, connectivity, sustainability, community planning, developer credibility, wellness amenities and long-term appreciation have become central to purchasing decisions.

Sriram Mahadevan, CEO, Shapoorji Pallonji Real Estate, and MD, Joyville by Shapoorji Housing, says "Homebuyer affordability across India's leading residential markets has witnessed a gradual improvement over the past year, driven by stable interest rates, healthy income

growth and developers offering a wider range of products across price segments. While property prices have appreciated in most key cities, the increase has largely been supported by stronger purchasing power and sustained end-user demand rather than speculative buying." Today's buyer, he adds, is looking beyond just affordability, they are evaluating long-term value, connectivity, quality of life and the credibility of the developer.

Sumeet Chunkhare of Sobha further says, "This shift is visible in the way buyers now look beyond the initial purchase price and assess the long-term value a home can deliver. Factors such as superior design, infrastructure connectivity, sustainability features and the overall lifestyle proposition have become equally important in the decision-making process. This has strengthened demand for reputed developers with a proven track record of execution and transparency."

Vimalendra Singh, Chief Business Officer (Residential), Mahindra Lifespaces, believes that affordability is no longer determined solely by the ticket price of a home. Buyers are increasingly assessing overall value, including connectivity, quality, sustainability, lifestyle amenities and lifetime ownership costs.

This sentiment is echoed across the industry. According to Square Yards, today's homebuyers are becoming increasingly value-conscious, giving greater importance to infrastructure, connectivity and appreciation potential than absolute pricing.

Similarly, Varun Nagpal, Founder and CEO, Vianaar, argues that buyers have shifted from asking whether they can afford a home to asking what long-term value that home will continue to generate over the next decade.

Ashish S. Raheja, MD and CEO, Raheja Universal Pvt. Ltd., says, "The conversation around homebuyer affordability has evolved significantly over the last few years. Buyers today are looking beyond the initial purchase price and evaluating the long-term value a home offers through location, design, wellness and curated lifestyle experiences. In the premium segment, affordability is increasingly viewed through the lens of value creation rather than cost alone. This shift is also shaping how developments are conceived. At Raheja Universal, initiatives like Horizon on the 60th floor, Raheja Imperia I, Worli, reflect the belief that buyers today are investing in an ecosystem of experiences, not just a residence."

"Today's buyer is looking beyond just affordability, they are evaluating long-term value, connectivity, quality of life and the credibility of the developer."

Sriram Mahadevan, CEO, Shapoorji Pallonji Real Estate, and MD, Joyville by Shapoorji

Housing Infrastructure Is Redefining Residential Demand

Infrastructure development has emerged as one of the strongest drivers of affordability across India's residential markets. Metro rail expansion, expressways, ring roads, airports and improved social infrastructure have opened entirely new residential corridors where buyers can access larger and better-quality homes at comparatively lower prices than established city centres.

Prasun Kumar, CMO, Magicbricks, says, "Buyers are increasingly choosing infrastructure ecosystems rather than cities themselves. Markets offering stronger connectivity, employment opportunities and social infrastructure are attracting greater demand. Greater Noida, supported by the upcoming Noida International Airport and expanding expressway network, exemplifies this transformation into a self-sustaining economic corridor."

Industry experts believe infrastructure-led development will continue to create new investment destinations while improving affordability through the expansion of urban boundaries.

Premium Housing Is Becoming More Resilient

Another defining trend is the resilience of premium and luxury housing. Contrary to conventional assumptions, higher-priced housing continues to witness strong demand because affordability for this segment depends less on interest rates and more on wealth creation, income growth and lifestyle aspirations.

Dr. Vivek Garg, Founding Director, NVT Quality Lifestyle, observes that luxury buyers today include entrepreneurs, senior professionals, global executives, returning NRIs and young wealth creators who view residential property as both a lifestyle asset and a long-term investment.

These buyers are increasingly willing to pay premiums for superior construction quality, larger homes, integrated communities and better living experiences. The pandemic has further accelerated this shift by increasing demand for larger homes, wellness-focused developments, private open spaces and thoughtfully designed communities.

Buyer Behaviour Has Become More Mature

One of the most notable changes in recent years is the dominance of end-user demand over speculative investment. Developers across the country observe that buyers are making more informed decisions based on long-term ownership rather than short-term capital appreciation.

Trust, regulatory compliance, timely delivery and brand reputation have become major purchase considerations.

Established developers with proven execution capabilities are increasingly benefiting from this shift, particularly in premium housing.

As Parvinder Singh, CEO, Trident Realty, points out, "Affordability today is closely linked to buyer confidence. Flexible payment plans, better project planning and quality developments are enabling more families to achieve homeownership despite higher property values."

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The Affordability Story Differs Across Cities

While the national outlook remains positive, affordability varies significantly across cities. Ahmedabad, Kolkata and Pune continue to offer the strongest affordability levels due to favourable price-to-income ratios.

Bengaluru remains relatively affordable despite sustained appreciation, supported by strong employment growth driven by technology companies and GCCs.

Mumbai and NCR, however, continue to face affordability challenges because of exceptionally high capital values. Yet even in these markets, strong infrastructure development, redevelopment opportunities and lower borrowing costs continue to support residential demand.

Experts note that affordability is increasingly becoming a local story rather than a national one, shaped by each city's unique balance between income growth, property prices and infrastructure development.

Looking Ahead

India's housing affordability story is no longer one of cheap homes but of stronger purchasing power, stable financing and better value creation.

Going forward, affordability is expected to depend on several structural factors: sustained income growth, employment generation, continued infrastructure investments, disciplined lending practices and developers' ability to deliver quality housing that justifies rising prices.

While construction costs and land values are likely to remain under pressure, the broader residential market appears to be transitioning towards a healthier equilibrium where demand is driven primarily by genuine end-users.

The evolution of affordability also reflects the growing maturity of India's residential market. Buyers are no longer making decisions based solely on purchase price. Instead, they are evaluating homes as long-term assets capable of delivering superior lifestyles, stronger appreciation and lasting financial security.

As India's urbanisation story continues and new economic corridors emerge, affordability will increasingly be measured not just by how much a home costs today, but by the value it continues to create over its entire lifecycle.