STUDY NOTES · BASIC CONCEPT

India’s Housing Market Shift: Why Affordable Homes Are Declining

Indian Economy

26 Apr 2027

Market Overview in Q1 2026

In the first quarter of 2026, India’s real estate sector witnessed a noticeable shift. According to Knight Frank India, overall residential sales declined by 4%, reaching around 84,827 units. The biggest impact was seen in the affordable housing segment (homes priced below ₹50 lakh), where sales dropped sharply by 23% to about 16,273 units. Additionally, the mid-segment (₹50 lakh to ₹1 crore) also recorded a 12% decline, indicating that the slowdown is affecting a broader section of the market.

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Why Are Affordable Homes Declining?

The primary reason behind the fall in affordable housing is the rising cost of development. Land prices have increased significantly, and construction materials such as cement and steel have become more expensive. As a result, developers find it difficult to maintain profitability in low-cost housing projects. This has discouraged them from launching new affordable housing developments, leading to reduced availability in the market.

Supply Shortage and Developer Shift

Developers are increasingly shifting their focus toward premium and luxury housing projects, which offer higher profit margins. This strategic shift has led to a decline in new launches in the affordable segment. With fewer projects being introduced, the supply of affordable homes has reduced, directly impacting sales. This supply-side constraint is one of the key factors behind the current downturn.

Changing Buyer Preferences

Modern homebuyers are no longer focused solely on affordability. Instead, they are prioritizing better locations, improved infrastructure, and lifestyle amenities such as security, gyms, and clubhouses. This shift is particularly evident among urban and higher-income buyers, who are driving demand for premium housing. As a result, the affordable segment is losing traction while luxury housing continues to grow.

Impact of Global and Economic Uncertainty

Global uncertainties, including geopolitical tensions in regions like the Middle East, have influenced buyer sentiment. In uncertain economic conditions, people tend to delay major investments such as property purchases. Additionally, high property prices and financial instability have made middle-class buyers more cautious, further weakening demand in the affordable and mid segments.

High Interest Rates and EMI Pressure

Home loan interest rates remain relatively high, increasing the financial burden on buyers through higher EMIs. This has particularly affected middle- and lower-income groups, who are the primary buyers of affordable housing. As monthly repayment obligations rise, many potential buyers are postponing their purchase decisions, contributing to the decline in sales.

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Market Shift Toward Premium Housing

The current trend clearly indicates a structural shift in the real estate market—from affordable housing to premium and luxury segments. Both developers and buyers are gravitating toward higher-value properties, reshaping the overall housing landscape in India.

Future Outlook and Possibilities

Going forward, government intervention will play a crucial role in reviving the affordable housing segment. Policies such as subsidies, tax benefits, or incentives for developers could boost supply and demand. Additionally, if construction costs stabilize and interest rates decline, the affordable housing segment may regain momentum.