

Bhupendra Pratap Singh

L&B Registered Valuer

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Chartered Engineer, MBA (Real Estate)



Geopolitics, Trade Wars, and the Cyclical Property Markets: Another Correction Imminent?

The Indian real estate sector has long been a mirror of the broader economy—rising during times of optimism and correcting when challenges surface. Few industries reflect the push and pull of global forces, domestic policies, and consumer sentiment as vividly as real estate. As we are in the latter half of 2025 the question arises: **Is India's property market on the brink of another cyclical slowdown?**

Understanding Real Estate Cycles

Like manufacturing and financial markets, real estate operates in cycles. Periods of expansion, marked by high demand and surging prices, are often followed by corrections when supply overshoots demand, or macroeconomic pressures weigh on affordability. These cycles are shaped not only by domestic factors—such as interest rates, demographics, and policies—but also by global events, which increasingly spill into Indian markets. The real estate industry in India has seen several such cycles over the years, with periods of rapid growth followed by market corrections.

A Historical Perspective

- **1991–2000: The Reform Boom and Asian Crisis Aftershock**
Post-liberalization reforms fueled rapid urban growth, housing finance

penetration, and speculative activity. Yet, the **Asian Financial Crisis** mainly in Indonesia, Thailand, Malaysia, South Korea, and the Philippines. They saw their currency exchange rates, stock markets, and prices of other assets all plunge. The GDPs of the affected countries even fell by double digits, which **triggered a correction in 2000**, reminding India that global shocks can deflate even its strong domestic momentum.

- **2001–2008: Infrastructure Push and the Global Financial Crisis**

The early 2000s witnessed urban expansion, the launch of **JNNURM** (Jawaharlal Nehru National Urban Renewal Mission), and investor frenzy fueled by easy liquidity. Announcement of the DLF IPO, largest of that time, became a symbol of irrational exuberance. The party ended abruptly with the 2008 Global Financial Crisis, as the **Lehman collapse** sparked a liquidity freeze worldwide, **correcting Indian property valuations also by 2008**.

- **2009–2016: FDI, Growth, and Demonetization Shock**

FDI liberalization and middle-class expansion fueled another bull phase. But oversupply, coupled with **demonetization in 2016**, dealt a severe blow. With much of the market reliant on cash components, liquidity dried up, triggering a sharp decline in transactions and prices.

- **2017 Onwards: Transparency, RERA, and Post-COVID Rebound**

Regulatory reforms (RERA, GST) and government initiatives such as **Make in India** and **Smart Cities**, along with improved liquidity, nuclear family demand, and infrastructure investments drove a rebound. Post-pandemic, pent-up demand, low home loan rates, and government stimulus pushed **property prices to historic highs**. Developers marketed aggressively, with many projects selling out at launch.

But history suggests, peaks are inevitably followed by corrections. Are we nearing one again?

2025: Winds of Uncertainty

Today, India's property market is not insulated from global turbulence. Several developments cloud the horizon:

Geopolitical Conflicts:

- The **Russia–Ukraine war** has kept energy prices volatile.
- The **Hamas–Israel conflict** risks spreading across the Middle East, threatening oil supply routes.
- Rising tensions in the **South China Sea** and the US–China rivalry adds another layer of global instability.

Energy shocks ripple directly into construction costs—cement, steel, and logistics become costlier—squeezing margins for developers and raising end-user prices.

- **Global Trade Fragmentation & Protectionism:**

The recent escalation of US tariffs across multiple regions has intensified global trade tensions, impacting supply chains and capital flows worldwide. This wave of protectionism has curtailed global capital flows and heightened uncertainty and increases uncertainty. Real estate, heavily dependent on long-term capital confidence, feels these tremors.

- **Impact of Interest Rates & Inflation:**

Central banks worldwide, have kept rates elevated to combat inflation. For Indian homebuyers, this translates into higher EMIs and reduced affordability. The effect is already visible in Tier-1 cities where absorption rates have slowed in recent quarters.

- **Slowing Global Growth:**

With the IMF projecting sluggish growth in advanced economies, **foreign capital inflows into Indian real estate (REITs, private equity) may taper.** Developers, already grappling with high debt, may struggle to refinance at affordable terms.

Domestic Red Flags

While global pressures are mounting, internal factors compound risks:

- **Unsold Inventory:** NCR, MMR, and parts of Bangalore are again showing signs of inventory buildup, reminiscent of the 2013–2016 glut.
- **Policy Overhang:** State elections bring policy uncertainty. Successive governments have avoided hard reforms like rationalizing circle rates, preferring populist moves.
- **Affordability Ceiling:** After two years of sharp price escalation, household incomes have not kept pace. Affordability ratios are approaching unsustainable levels, particularly in Delhi NCR and Mumbai.

What It Means for Stakeholders?

- **Homebuyers:** A potential correction could provide entry opportunities at better valuations. Buyers should negotiate aggressively and prefer ready-to-move or near-completion projects to avoid construction risk.
- **Developers:** Focus must shift toward **affordable and mid-segment housing**, efficient capital structures, and faster project deliveries. Luxury supply risks saturation.
- **Investors:** REITs remain a relatively safer bet compared to direct property investment, given their transparency and yield visibility. However, timing is crucial; a cautious approach is advisable.
- **Policymakers:** The need of the hour is **balance—rationalize circle rates**, streamline approvals, and consider **reducing stamp duties** to keep transactions transparent without burdening buyers.

Lessons from Past Cycles

Every downturn in Indian real estate has stemmed from two core triggers: **excessive optimism** (leading to oversupply) and **external shocks** (crises, conflicts, or policy missteps). The current cycle appears no different. Unless demand fundamentals—income growth, affordability, and job creation—catch up with valuations, the market risks another correction

Conclusion: Slump or Soft Landing?

The trajectory of Indian real estate in the coming years will depend not only on domestic policy agility but also on how effectively the economy insulates itself from global shocks. With urbanization and demographic momentum still strong, India has the structural advantage to convert this potential slump into a period of recalibration rather than crisis.

The question is not whether the cycle will turn—it inevitably will—but **how deep the correction will be**. If policymakers manage reforms prudently and developers exercise discipline, India may avoid a crash and instead face a softer landing.

For stakeholders, vigilance, adaptability, and patience will be key. **History shows that Indian real estate consistently rewards those who approach it with patience, discipline, and a long-term perspective.**

