

Residential Realty

CONSUMER SENTIMENT OUTLOOK

JANUARY-JUNE 2021

The residential realty consumer sentiment outlook is a half-yearly assessment to gauge residential demand predispositions for the coming six months.



FOREWORD



Dhruv Agarwala

CEO — Elara Group
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Just when India was gearing up for a positive turnaround in 2021 post the economic crisis last year, the second wave of COVID-19 pandemic hit the country. While the impact on health and human life was more severe during this period, local restrictions and the commencement of the inoculation drive alleviated the economic impact. As we speak, approximately 350 million people have already been partially vaccinated. The rating agencies have pegged their growth estimates on the vaccination drive to support the revival of the Indian economy.

As concerns over the pandemic have mellowed, consumer activity is regaining momentum after the lull during the peak of the second wave. Moreover, the employment and income outlook are stronger than before as the unemployment rate spiked to 11.9 percent during the second wave compared to 23.5 percent the previous year. Mirroring the overall trends, the demand in the residential real estate sector, which shrunk in April and May 2021, picked-up significantly in June which shouldered 50 percent of the total sales in Q2 2021.

As seen from our survey which gauges the homebuyer outlook, the consumers have faith in the sector and have expressed their choice of residential real estate being the most preferred investment asset class, topping gold, stocks, fixed deposit, and other avenues. Corroborating this positivity, the consumers highlighted that they would resume their home-buying search in the coming three months as compared to deferring it by almost a year during the first wave. The survey also underlines that healthcare has assumed absolute importance and will drive home-buying decisions in the coming time.

Given the renewed importance of owning a home amidst the pandemic buoyed by the work-from-home trend and all-time low home loan interest rates, we believe that the consumer sentiments will stay positive for the coming quarters lending an overall optimistic outlook to the sector. I hope you find the insights helpful.

Stay safe and take care!

FOREWORD



Dr. Niranjan Hiranandani

National President — NAREDCO
Founder & MD — Hiranandani Group

Real estate is sentiment driven; and the pace of economic recovery from the COVID-19 pandemic largely reflects consumer sentiment in the 'new normal'. The second wave, as also the predictions about a third wave, when counter-balanced with the pace of vaccination, are among the leading factors which have impacted consumer sentiment, and this is reflected in the report.

Consumer sentiment reflects on the level of confidence which the consumer feels, based on the current situation as also projections about the near future. The report is based on perceptions and expectations on the general economic situation; the employment scenario; the overall price situation as also consumers' income and spending; and how these will impact housing sales over the next few months.

The report brings out the positive consumer outlook for the coming six months, as homebuyers focus on a new set of parameters including proximity to healthcare facilities, recreation and open spaces within the project. Wellness is now an important aspect while selecting a new home, while the importance of proximity to transport hubs from the perspective of work commute has reduced in a world where the hybrid model of flexi-working is part of the 'new normal'.

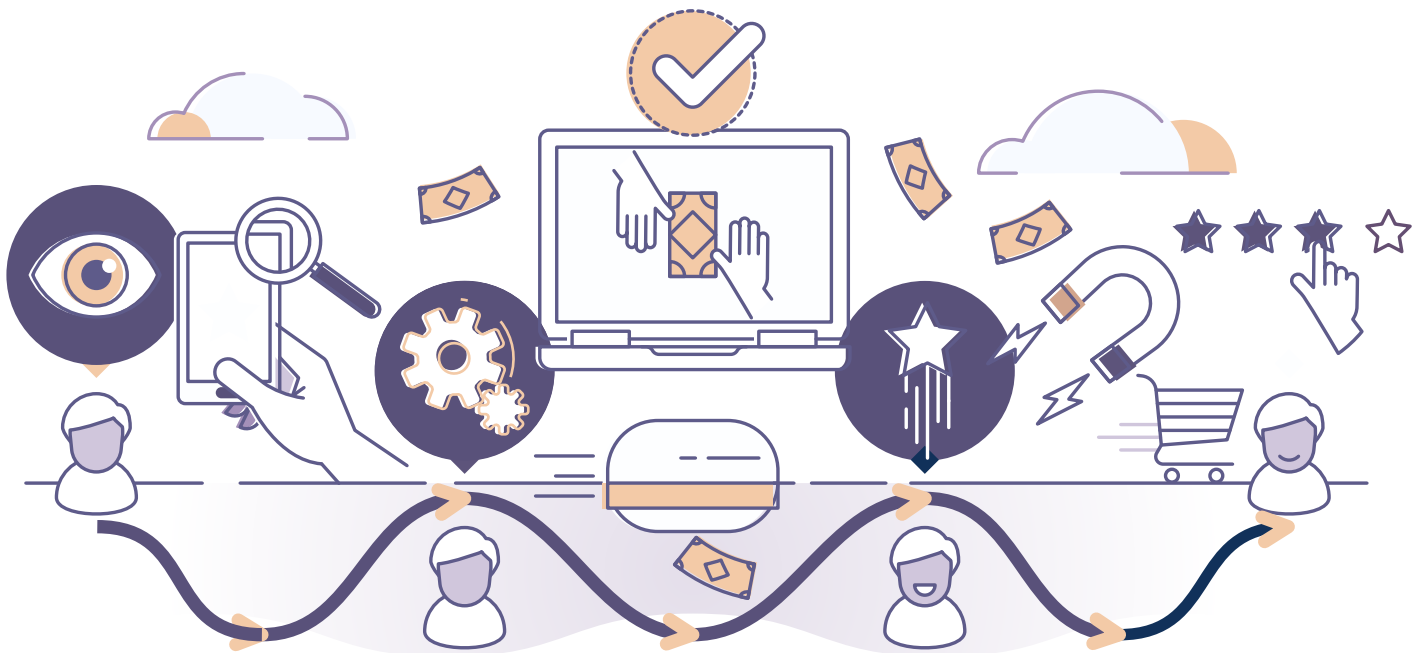
The second wave largely sees consumers more confident about their income, with obvious impact on spending as also willingness to opt for a home loan. This has created an optimistic cue for the Indian real estate sector in the near future.

Stay safe!

APPROACH

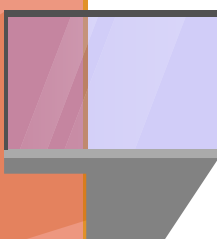
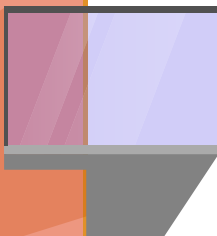
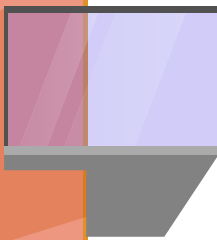
The consumer sentiment insight series is an attempt not only to gauge the buying and renting predispositions of the real estate consumer, but also to understand their outlook on the overall economic scenario and their confidence in the stability of income in the current COVID-19 pandemic situation. In order to present an all-inclusive view of the real estate consumer sentiments, the report is divided into two sections. First section comprises the macroeconomic trends and second section comprises survey findings and an assessment of the

consumer's sentiments regards economy, income, and home buying. The survey is undertaken by Housing Research once every six months, through a random sampling technique for a fair representation across regions. The latest survey was conducted between January to June 2021. The insights entirely represent the view of more than three thousand potential homebuyers who reach out to Housing.com to complete their property search.



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OUTSET

Second wave strikes, consumers remain cautious, yet optimistic amid vaccine roll-out.



2020 vs 2021

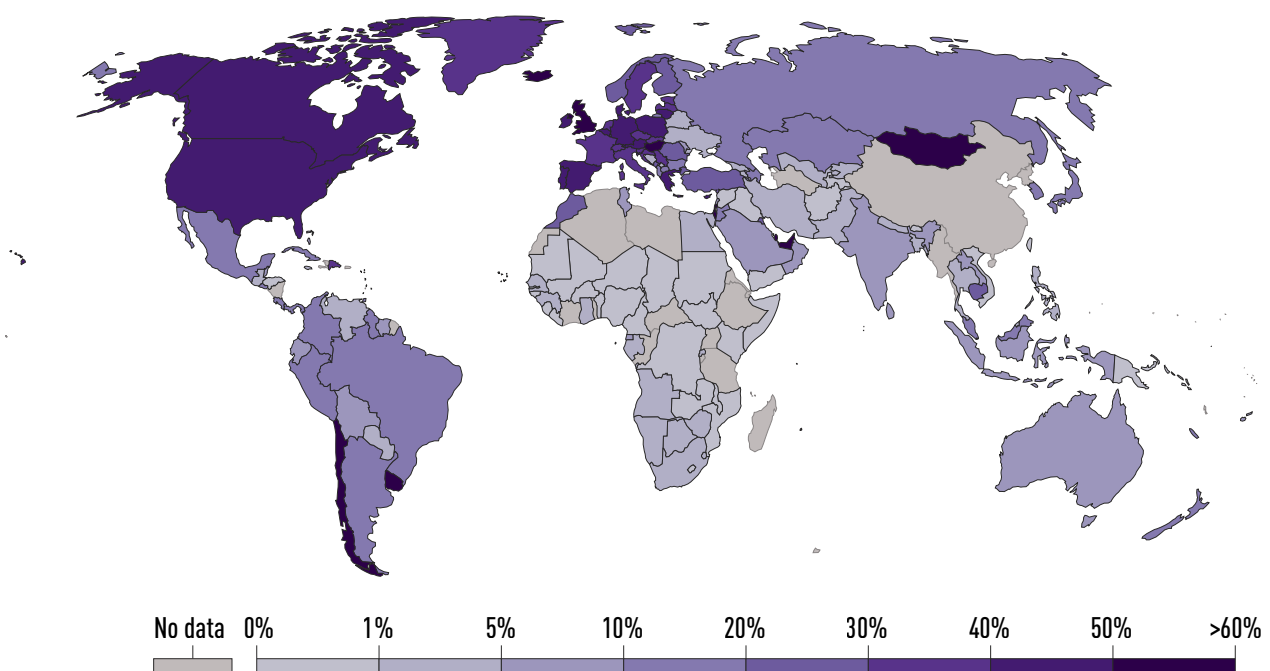
Vaccine roll-out a game changer

The COVID-19 pandemic hit several countries globally in 2020, unleashing a series of historic lows, leading to an economic downturn and marring consumer sentiments. Major economies such as the US, the UK, France, Germany, Japan, China, Brazil, and India were pushed into a ‘technical recession’ in the second and third quarter of 2020 (calendar year), post which the global economy started seeing a V-shaped recovery. Although, the uncertainty due to rising cases and no vaccine in sight augured a grim picture for the remainder of 2020. However, the advent of 2021 saw mass production and distribution of the much needed vaccines – a break in the clouds for the world economy.

The global economy is projected to grow at 6 percent in 2021, after last year’s historic estimated contraction of 3.2 percent, according to the International Monetary Fund (IMF). Currently, approximately 1 billion people in the world have been fully vaccinated. Infact more than half of the population in major economies such as the US, the UK, Canada, Germany and Italy have received at least one dose. As economic activities continue to resume simultaneously, the inoculation process has not only brought back confidence in the global markets but is also one of the key factors buoying consumer sentiments in 2021.

~1 billion people globally have been fully vaccinated

Share of the population fully vaccinated against COVID-19



Source: Our World in Data (University of Oxford), Housing Research

Note: Share of the total population that have received all doses prescribed by the vaccination protocol. This data is only available for countries which report the breakdown of doses administered by first and second doses.

SECOND WAVE TAKES

a toll on India

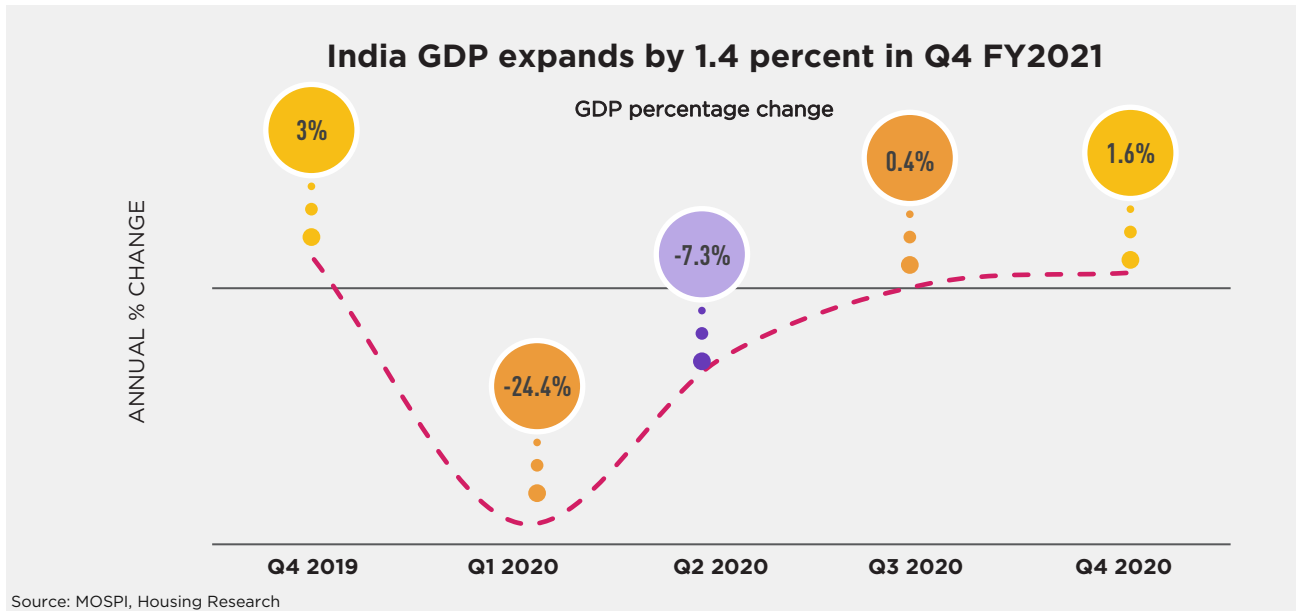
The first wave of COVID-19 pandemic hit India in March 2020, after which the country went into one of the strictest national lockdowns in the world. As the economic activities came to a grinding halt, the Indian economy registered one of its worst troughs in history. High-frequency indicators such as the manufacturing PMI, services PMI, industrial production, fuel consumption, power consumption, passenger vehicle sales and many more contracted like never before. The unemployment rate reached a new high of 23.5 percent in April 2020. Congruently, the consumer sentiments also spiralled into negative territory

Fast forward to 2021, and the year started on a positive note of mellowing down of COVID-19 cases and roll out of the vaccine. However, India witnessed a surge in coronavirus cases in March 2021, culminating in a second wave, with a daily peak of 4,00,000, compared to 1,00,000 cases during the first wave. The economic indicators which were gaining recovery momentum hit a roadblock during April and May 2021. However, while the second wave was far more severe than the first, the local lockdowns (as opposed to a national lockdown) and the vaccine powered strengthening of economic activities point towards a speedier recovery than the first wave. Corroborating with this, although the variables lost their steam during the second quarter of 2021, they have not bottomed out as per the corresponding period in the previous year.

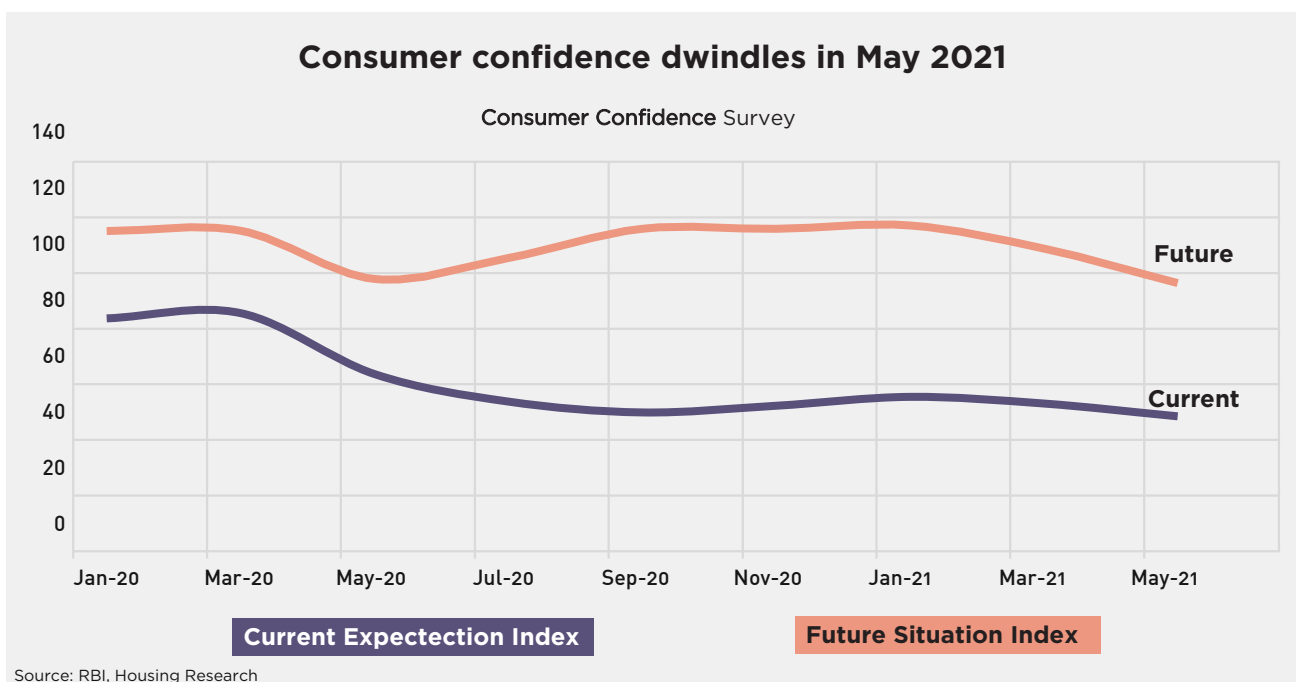


INDIA

Consumption landscape



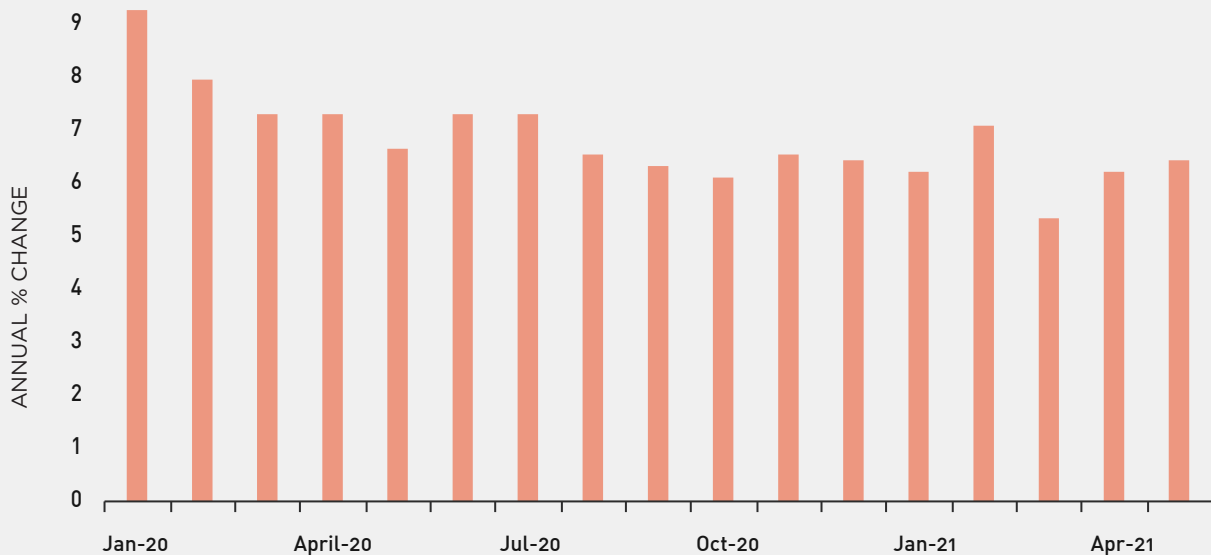
- The economy contracted in the April-June and July-September quarters of 2020, pushing India into a technical recession.
- However, the country is seeing a V-shaped recovery as the Gross Domestic Product (GDP) of India expanded by 1.6 percent in Q4 FY2021.
- The GDP growth is backed by the opening up of the economy, which has set the path of recovery for the manufacturing, construction and services sectors.



- The RBI's consumer confidence saw a downward trend in May 2021, a period during which the COVID-19 second wave reached its peak. Also, the unemployment rate in May 2021 was the highest since the last lockdown.
- The current consumer confidence index dipped to 48.5 in May 2021, compared to 53.1 in March 2021 on the back of weakened sentiments surrounding the economic and income situation.

Credit growth improves slightly in May 2021, personal loans and housing loans see uptick

Non-food credit growth



Source: RBI, Housing Research

- The non-food credit growth improved marginally to 5.9 percent in May 2021 as compared to 5.7 in April 2021.
- The RBI's accommodative stance has seen personal loans recording a growth of 12.4 percent YoY in May 2021. Also, the housing segment (including priority sector housing) saw an uptick of 10.1 percent YoY compared to same period in May of 2020.

India consumes more during second wave, than the first



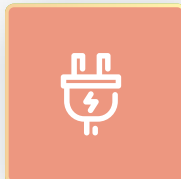
Passenger vehicle sales

Vehicle sales more than doubled in June 2021 YoY - 2.31 lakh units sold during the period



E-payments

Reach record-high - INR 2.8 billion transactions registered in June 2021



Power consumption

Returns to pre-pandemic levels - 17 percent YoY increase in first half of July 2021



Air travel

Air passenger traffic grew 15 times during the second wave - 16 million passengers travelled in April-May 2021



Petrol consumption

92 percent closer to pre-pandemic levels despite the hike in prices

RESIDENTIAL

Real estate outlook

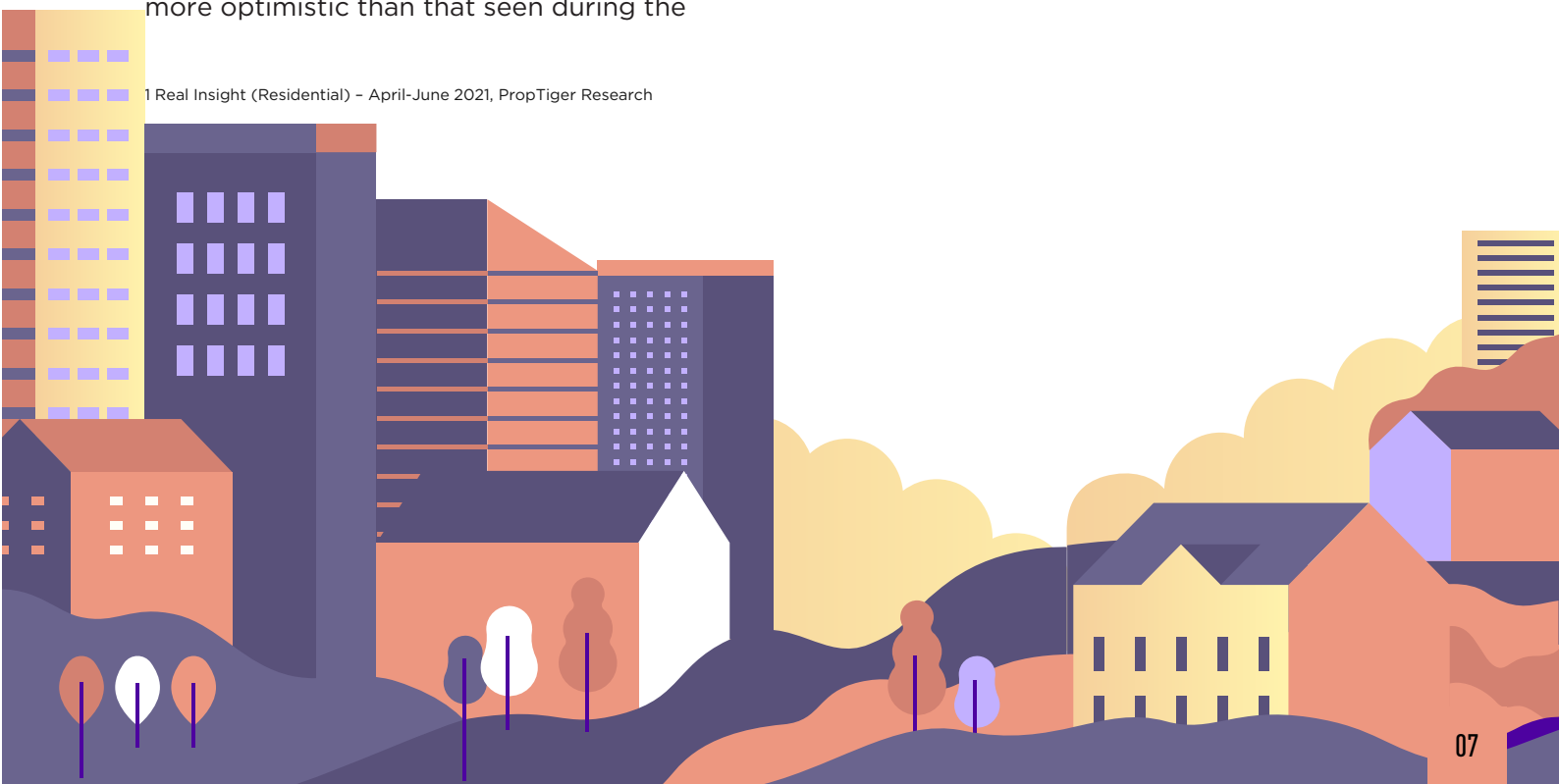
Caught in the whirlwinds of the second wave, the recovery momentum of the residential real estate sector in India also slackened during April-May 2021. Our analysis indicated that the aggregate residential demand in Q2 2021 declined by 16 percent YoY¹. However, it is worth noting that June 2021 clocked nearly 50 percent of the housing sales in Q2 2021, hinting at a more robust recovery. This comes on the back of subsiding cases and lifting of local restrictions. Also, as the central bank continues to have an accommodative stance, the low interest rates continue to motivate the homebuyers.

Corroborating with the above, our consumer sentiment survey of the potential homebuyers also indicates that while the sentiments dipped during the second wave, the outlook for the coming six months is more optimistic than that seen during the

same period in 2020. Also, as the pandemic has brought about social and structural shifts such as social distancing and work-from-home, such changes have trickled-down in buyers' preferences while narrowing down on a home search.

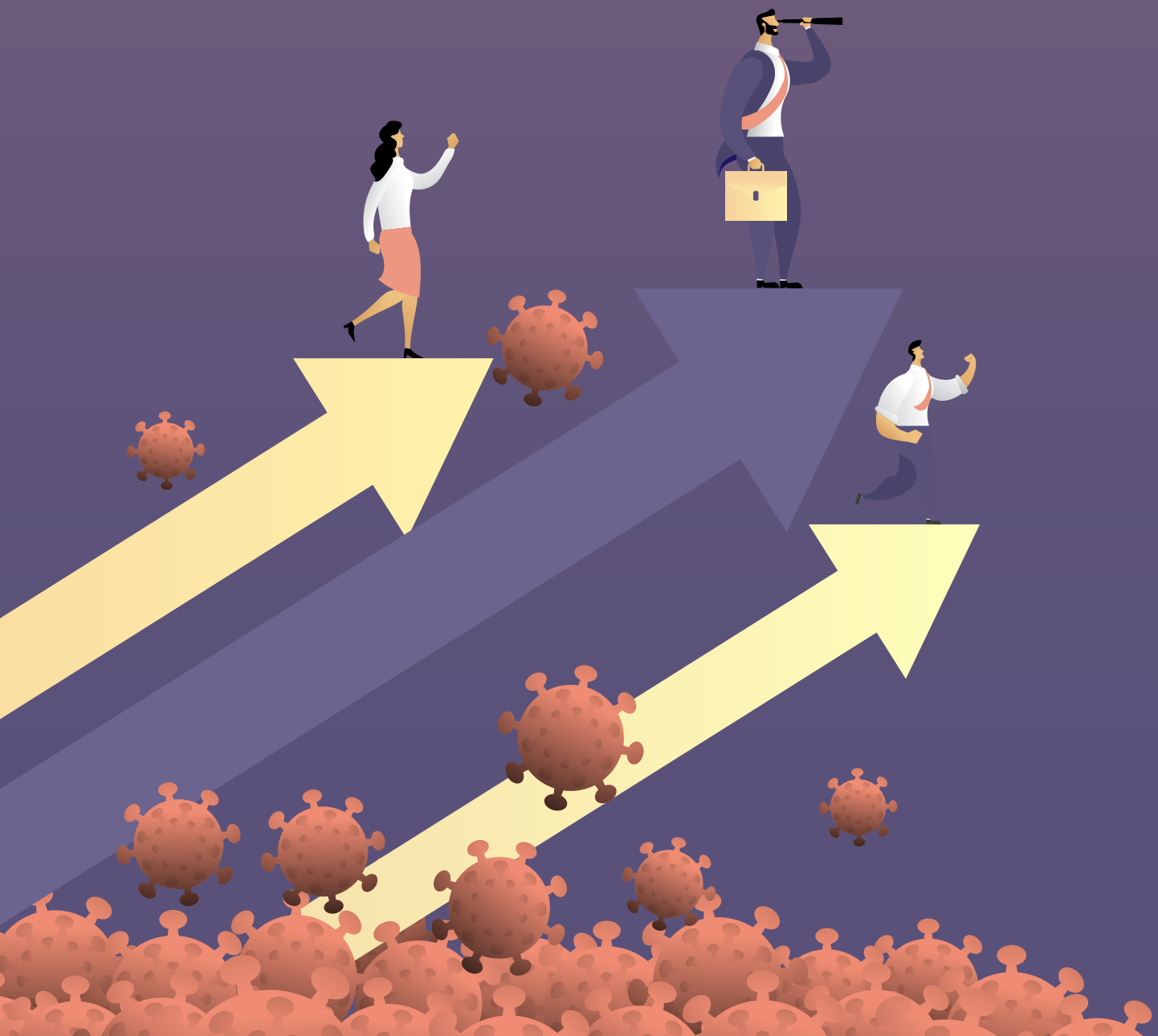
Our survey trends also suggest that the homebuyers are warming up to the digital avenues. Amenities such as healthcare facilities and recreational and open spaces have gained the spotlight while buying a home. With this background, let us dwell further into the consumer perspective on the economy, income and homebuying.

¹ Real Insight (Residential) - April-June 2021, PropTiger Research

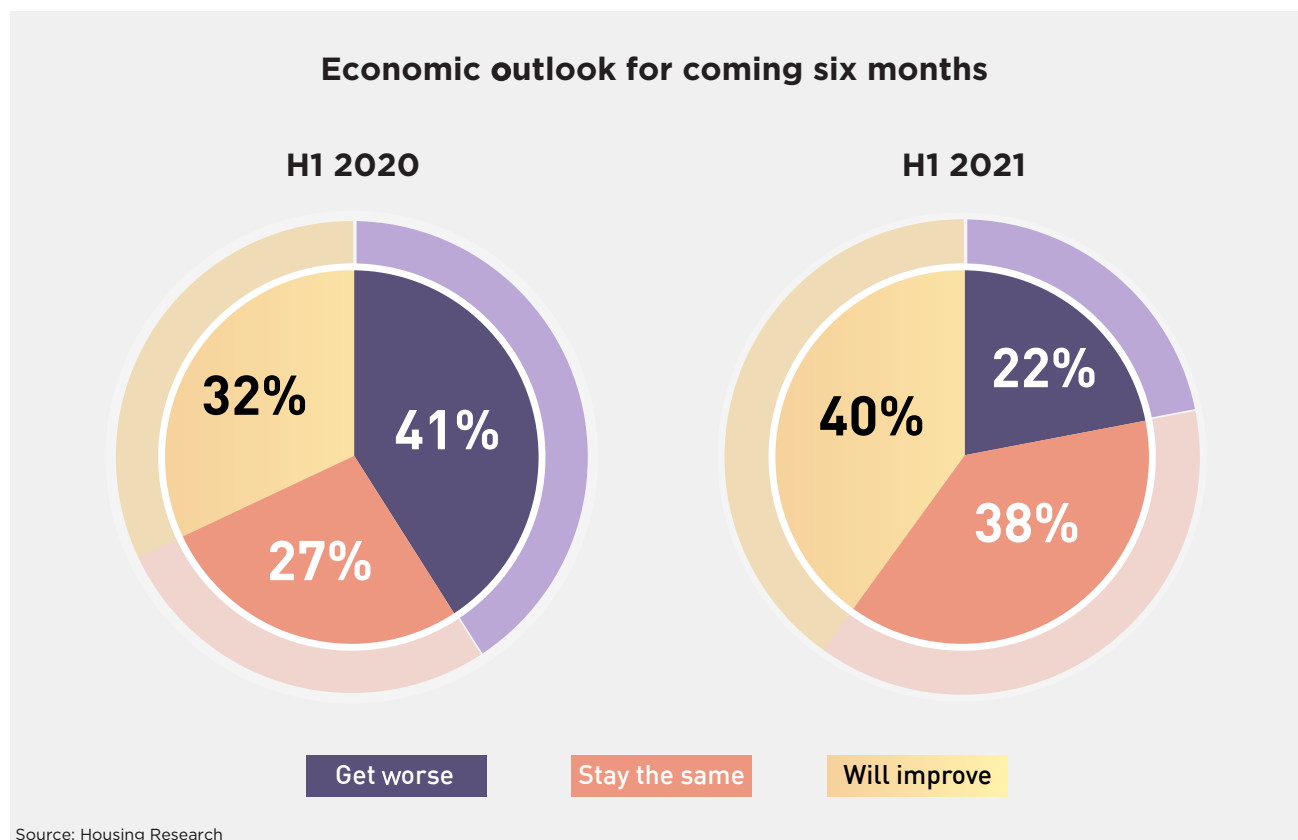


ECONOMIC OUTLOOK

Consumers display optimism for the coming months, as the economy hints at a speedier bounce back than the first wave.

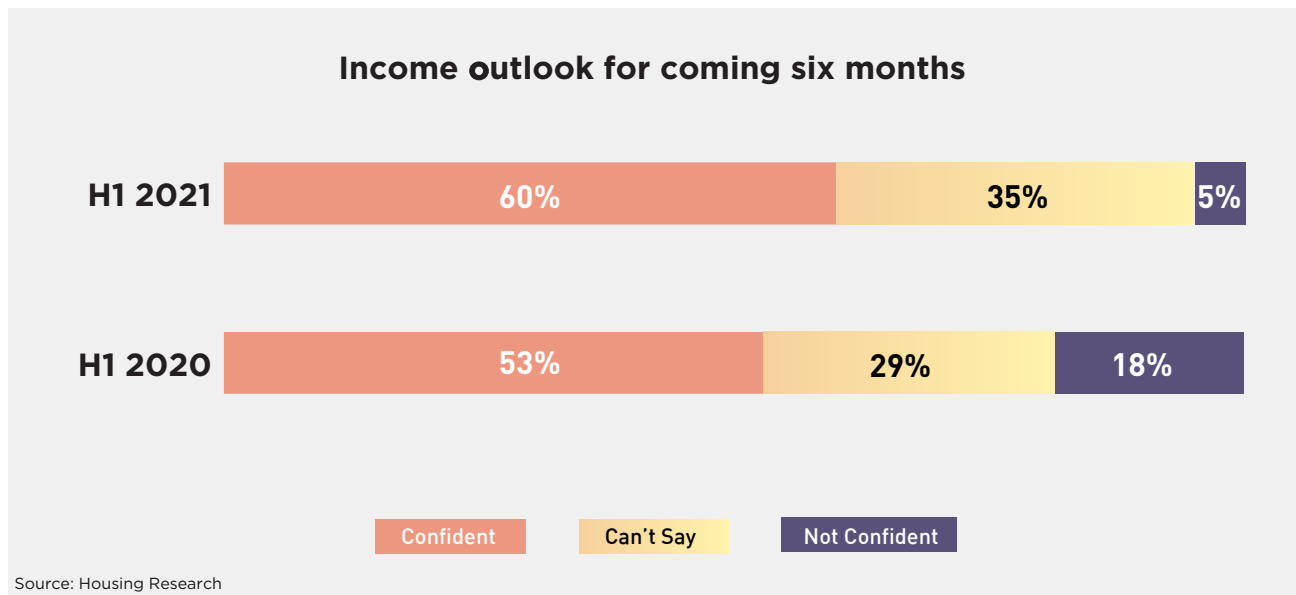


Sentiments remained depressed amidst second wave; future outlook remains positive hinting at stronger revival than 2020



- While the second wave has seen dwindling consumer sentiments, our survey findings suggest that the future outlook for the year remains in the optimistic zone.
- Of the total respondents, 40 percent think that the overall economic scenario will improve for the coming six months.
- Juxtaposed against the same period the previous year, where only 32 percent of respondents indicated a positive outlook, the overall scenario in H1 2021 suggests that the sentiments have not bottomed out during the second wave as the first. This comes on the back of opening up of local lockdowns and augmentation of the vaccination drive, which have infused confidence in the consumers.

Income outlook continues to improve despite the second wave of the pandemic



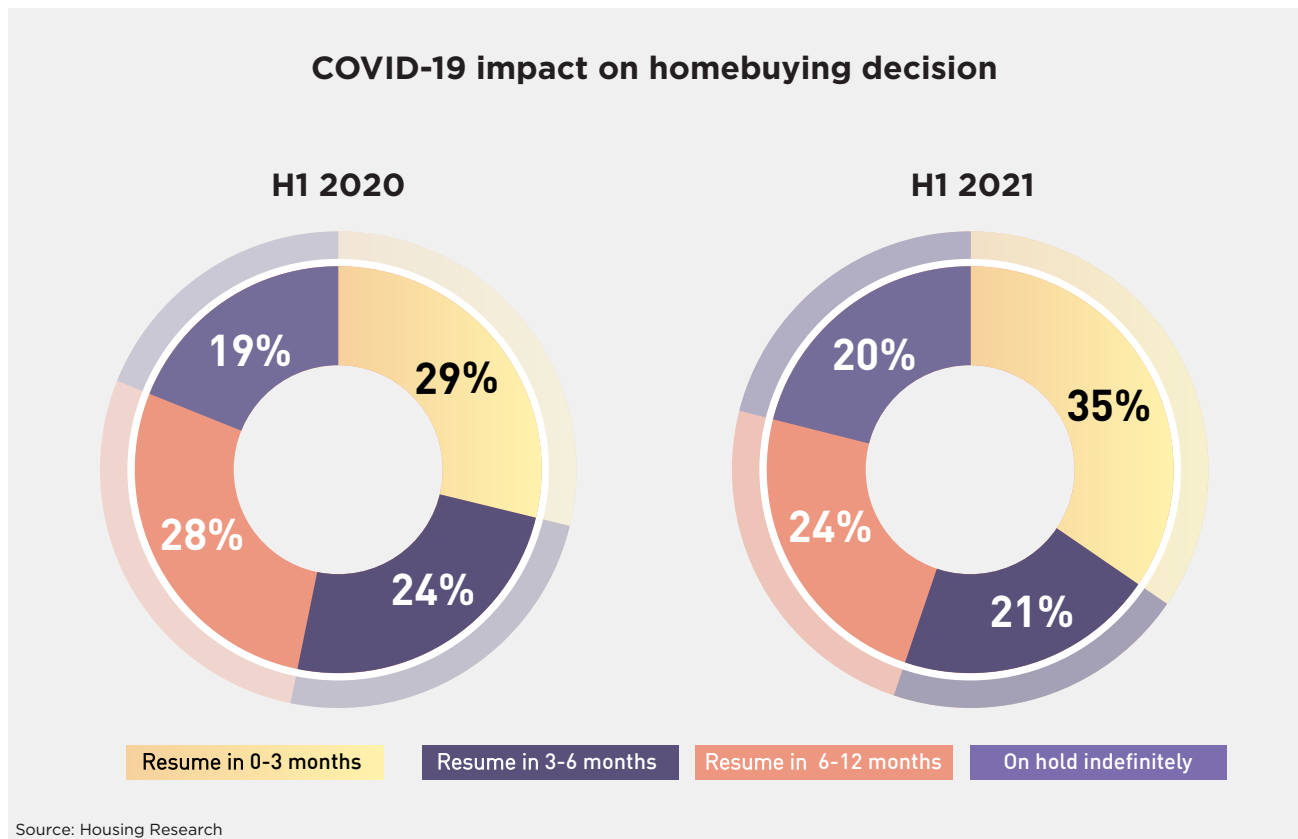
- The impact of the second wave on employment has been less severe than the last wave. According to CMIE, the unemployment rate had peaked at 23.5 percent in the first half of 2020. In contrast, the highest unemployment rate recorded in H1 of 2021 was 11.9 percent.
- Our survey also points towards a similar trend, as the income outlook is consistently improving compared to the lockdown period last year.
- Of the total respondents, 60 percent were confident about the income for the coming six months, which also corroborates with the overall economic scenario, witnessing a V-shaped recovery.

HOMEBUYING OUTLOOK

Homebuyers hint at resuming searches the coming three months as the second wave ebbs; availability and proximity to healthcare services become the key deciding factor.



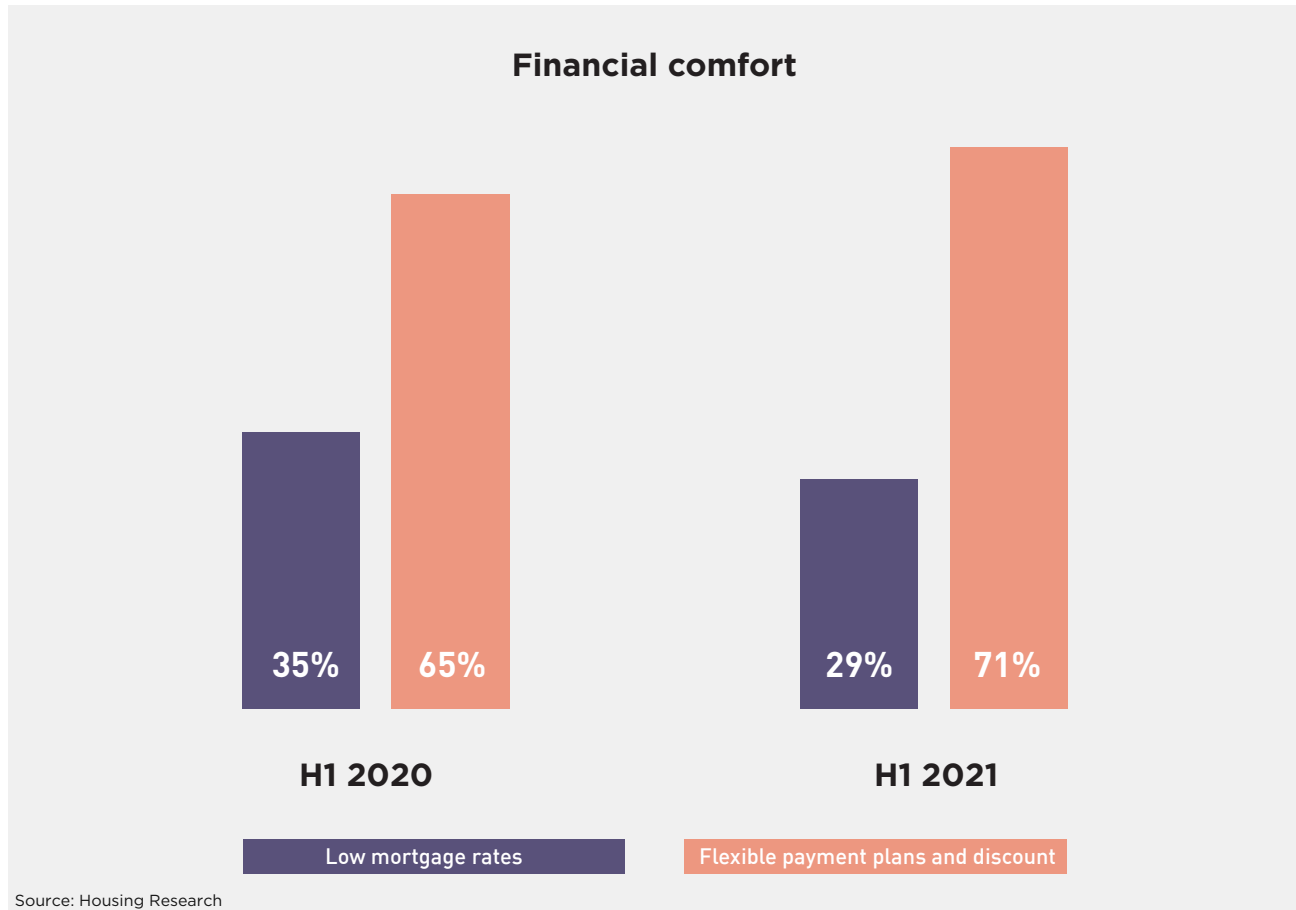
Homebuyers remain cautiously optimistic in H1 2021, express interest in resuming home search in the coming three months



- During the first nationwide lockdown in 2020, the overall uncertainty regarding economy and employment resulted in buyers deferring the search for a home by a year.
- However, the pandemic has reinforced the importance of owning a house during its course. This, coupled with a more optimistic outlook, has seen majority (35 percent) of the respondents resuming their home search in the coming three months. A time period coherent in nature keeping in view the extended lockdowns.
- It also corroborates with the fact that while residential sales derailed in April and May 2021, the homebuyers returned to the markets, as June 2021 recorded nearly 50 percent of the overall sales in Q2 2021².

² Real Insight (Residential) – April-June 2021, PropTiger Research

Flexible payment plans and discounts would drive fence-sitting homebuyers



- The survey findings highlighted that majority of the potential homebuyers opine that the intent to buy would be boosted by the right pricing along with flexible payment plans and discount schemes. In fact, the focus on these parameters has only grown stronger since last year.
- For instance, stamp duty cut in Maharashtra and the resultant increase in sales registrations only substantiates the buyers interest in availing discounts, flexi-plans and rebates. In Mumbai, the property registration, including primary and secondary, jumped two times QoQ in the final quarter of 2020, a period with the maximum cuts on stamp duty.
- The majority of the respondents (71 percent) have reported that flexible payment and discounts will provide for the financial cushioning required in the current times and drive them to culminate the searching of a home into a purchase.

HEALTHCARE BECOMES PARAMOUNT

- The growth in the top cities in India had derailed in 2020 due to the uncertainty pertaining to the COVID-19 pandemic. The gaps in healthcare infrastructure and the threat of resurgence of cases have only exacerbated the situation. All of this has brought the emphasis on healthcare infrastructure.
- In line with this, buyers' preferences while closing in on a home have also started to change.
- While pre-COVID homebuyers mainly focused on amenities such as furnishings, parking, power backup, amongst others, our survey indicates that healthcare infrastructure and recreational and open spaces are now taking precedence.
- In our survey, the proximity to healthcare services was the highest-ranked amenity by the potential homebuyers.
- Our research also indicates that the real estate growth is currently not in sync with the healthcare infrastructure in most of the top-eight cities.
- However, as healthcare has gained more importance, we may see more developers tying up with healthcare service providers in future.

TOP RANKED AMENITIES

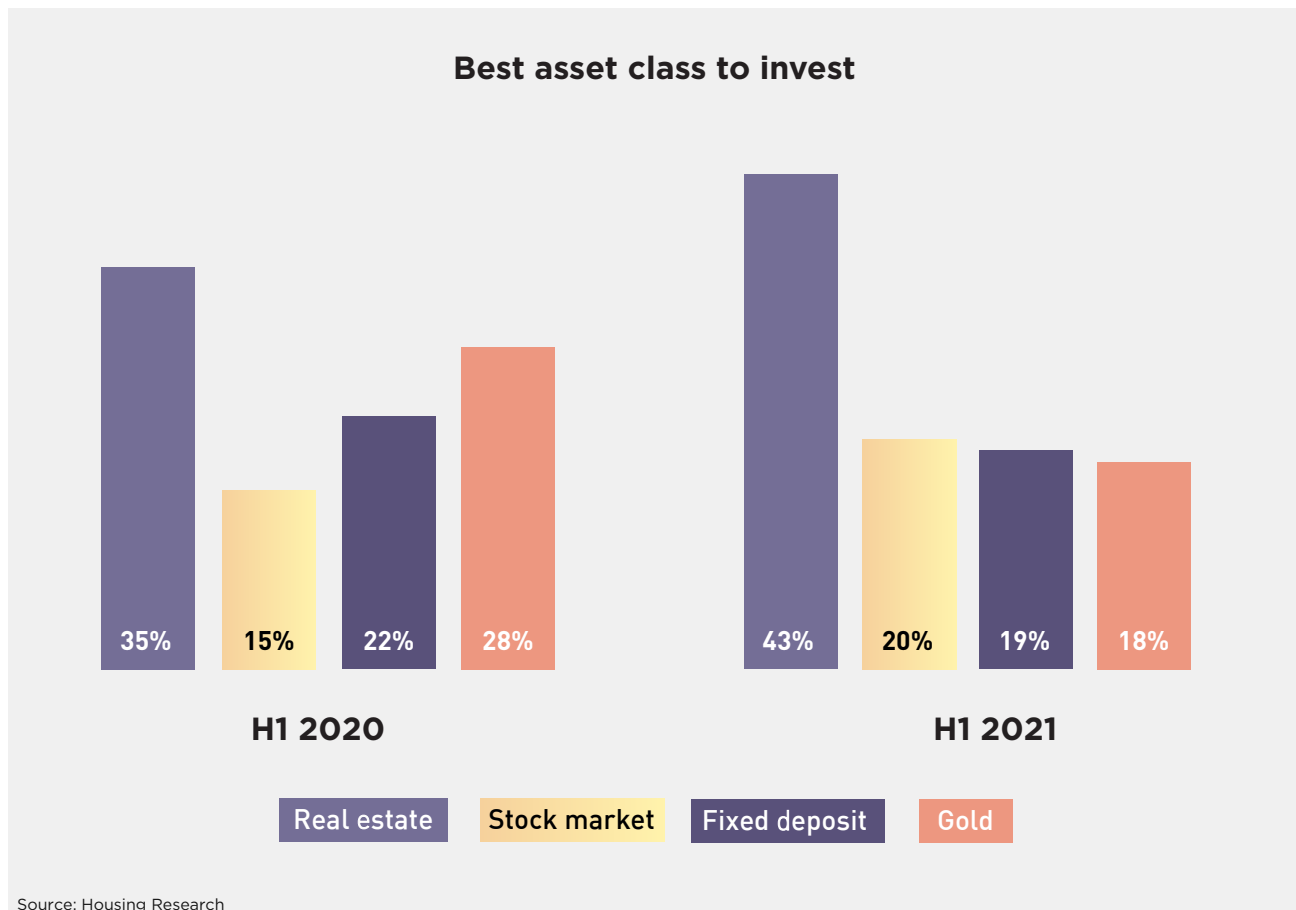
PROXIMITY TO HEALTHCARE SERVICES

RECREATIONAL AND OPEN SPACES

DAY CARE CENTRE



Real estate continues to be the preferred investment asset class, even amidst the pandemic – takes precedence over fixed deposit and gold

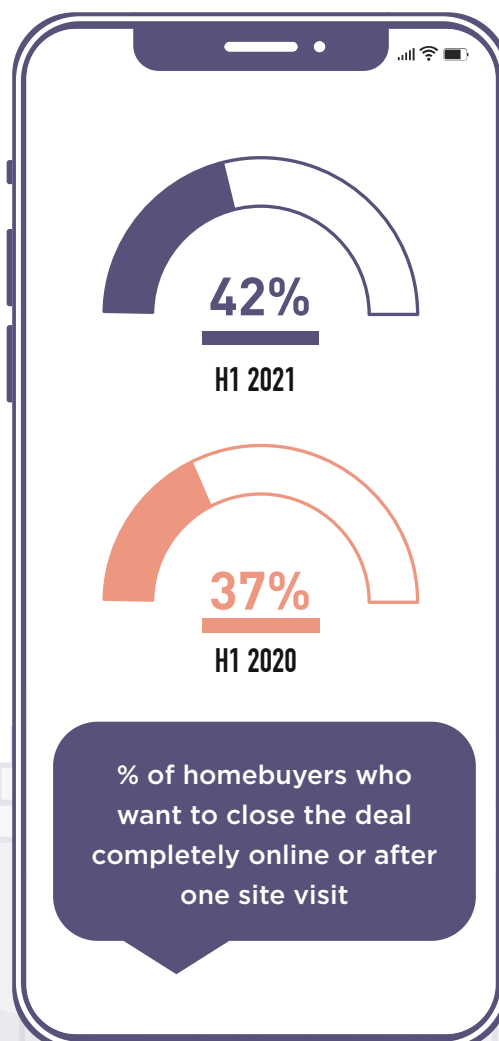


- Residential real estate continues to be the most preferred investment asset class for the majority of the potential homebuyers. Of the total respondents, 43 percent feel that real estate is a worthwhile investment compared to other assets such as fixed deposits, gold and the stock market in H1 2021. In comparison, 35 percent of the homebuyers reported that real estate was the preferred asset class in the same period the previous year.
- Infact, the speedier bounce back of real estate amidst the second wave coupled with less stringent lockdowns has only strengthened the sentiments around the sector compared to H1 2020.

Pandemic accelerates digitisation in real estate search and discovery; online business platforms continue to gain homebuyers' confidence

- The survey findings highlight that 42 percent of the homebuyers are comfortable closing the deal completely online or after one site visit in H1 2021 - a noteworthy increase from 37 percent in the preceding half of 2020.
- The lockdowns impacted people's movement, discouraging the homebuyers from venturing out, thus severely affecting the buyer-seller relationship.
- The changing social norms and prerequisites of social distancing have compelled stakeholders to increase the use of technology and online platforms in the sector.
- Homebuyers are warming up to online business platforms for not only searching for a home but exploring it in more extensive ways.

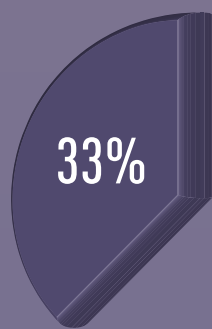
Levels of comfort in using online platforms



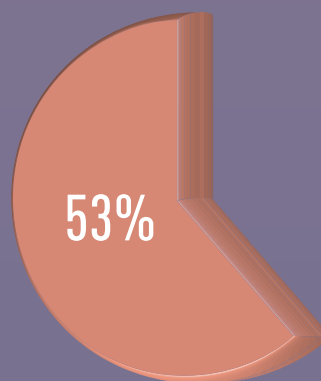
WORK FROM HOME A DRIVING FACTOR FOR UPGRADING TO A LARGER HOME.

- As per our survey findings, the trend has only grown stronger with time. In H1 2021, 53 percent of homebuyers reported that they want to upgrade their home compared to 33 percent in the corresponding period of the last year.
- The need for social distancing during the pandemic has brought about structural shifts in the functioning of organizations and institutes.
- Several businesses adopted the work-from-home strategy starting from the first national lockdown and have continued to do so.
- Even with the ongoing vaccination drive, businesses are opting for hybrid working formats – a mix of working from the office and home.
- The dynamics of the requirement of space within a home are undergoing a change, with more and more homebuyers deliberating over upgrading to a larger area.
- Although too soon to say, the shift in structural norms for working will impact buying decisions in the future.

Percent of respondents working from home and wanting to upgrade



H1 2020



H1 2021

Source: Housing Research

METRO OUTLOOK

Respondents of **Delhi NCR, Chennai** and **Bengaluru** more **confident about the economic scenario** for coming six months than other cities.

Homebuyers in **Hyderabad** keen to **resume home searches**, quicker than other metros – 40 percent respondents to resume search in coming three months.

~55-60% of the potential homebuyers in **Mumbai, Pune** and **Delhi NCR** looking for bigger homes as work-from-home continues, the highest compared to other metros.

Proximity to healthcare services an important amenity for homebuyers across cities, nearly **50 percent** respondents indicate to look for it while purchasing a home.



KEY FINDINGS

- The economic and income outlook for the coming six months is more optimistic as compared to H1 2020. The sentiments have strengthened on the back of local lockdowns instead of national lockdowns, less severe unemployment scenario, and vaccine availability.
- While the second wave did see homebuyers shying away from making a purchase, opening up of activities and subsiding coronavirus cases have seen buyers resuming the home searches quicker than the previous lockdown period.
- Healthcare infrastructure has gained importance during the pandemic, and proximity to the same is becoming the most sought-after amenity for selecting a property. Recreational spaces and day care centre have also made it to the list.
- As the overall scenario lends itself to optimism, real estate remains a preferred asset class even amid the second wave of the pandemic.
- As businesses continue to adopt work-from-home and hybrid policies, homebuyers are motivated to look for a larger home to accommodate the changing dynamics of space allocation and use.
- The use of technology and online search platforms has accelerated during the pandemic, with homebuyers using such platforms more extensively than before.



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National Real Estate Development Council (NAREDCO) was established as an autonomous self-regulatory body in 1998 under the aegis of Ministry of Housing and Urban Affairs, Govt. of India. It is in this year that the Government of India redrafted the National Housing & Habitat Policy, giving due importance to the Housing and Real Estate sector, thereby declaring housing for all citizens by the year 2010. The Indian housing and real estate sectors and the allied industries hailed the establishment of NAREDCO, as the apex national body for the real estate industry and visualized it as a single platform where Government, industry and public would discuss various problems and opportunities face to face which would result in speedy resolution of issues. It was formed with the mandate to induce transparency and ethics in real estate business and transform the unorganized Indian real estate sector into a matured and globally competitive business sector.

The National Real Estate Development Council functions as Development & Promotion Council for housing & real estate sector in India and strives to be the collective force influencing and shaping the real estate industry. It seeks to be the leading advocate of developing standards for efficient, effective, and ethical real estate business practices, valued by all stakeholders of real estate sector and viewed by them as crucial to their success. NAREDCO works to create and sustain an environment conducive to the growth of real estate industry in India, partnering industry and government alike through advisory and consultative processes.

For More info : <http://www.naredco.in/index.asp>

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PropTech: The future
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Time for Internal
Globalisation Small cities
setting the tone for revival



Concerned, Yet Positive:
Real Estate Consumer Sentiment Survey
H1 2020

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