

Residential Realty **Consumer Sentiment Outlook**

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

JULY — DECEMBER 2022



FOREWORD



Mr Dhruv Agarwala

Chief Executive Officer - REA India
Housing.com | PropTiger.com | Makaan.com

“ The first half of 2022 has witnessed both encouraging and troubling events. While the global headwinds from the COVID-19 pandemic had just begun to settle, the start of the geopolitical conflict in February this year fuelled the uncertainties yet again. The conflict has manifested into upward pressures on commodity prices, supply side shocks and a hike in fuel prices, overshadowing the improving economic scenario and consumer sentiments to an extent for the coming period. The current scenario has triggered international agencies such as International Monetary Fund (IMF) to pare its world economic growth projections to 3.2 per cent in 2022, than the earlier projected 3.6 per cent.

In the case of India, the high-frequency indicators and consumption trends point towards a subdued impact of the current global uncertainties owing to the limited direct exposure to the ongoing conflict. Corroborating with this, the manufacturing and services PMI are well above the 50-mark. The unemployment rate in July has hit a 6-month low. Consumption indicators such as fuel and power usage, Goods and Services Tax, credit growth, air traffic, and e-payments have sustained momentum post the initial shocks in the first half of 2022.

Mirroring the overall trends, the residential markets in the top eight cities have also sustained growth momentum. While sequentially, the growth has moderated slightly, the demand has grown to 76 per cent in H1 2022 as compared to a year-ago period. The rising importance of owning a home and the need for safety and security have been key driving factors which were weighed down over the past two years by the pandemic. In line with this, according to our consumer survey, the potential buyers chose real estate as a preferred asset class. The survey also shows that while the economic outlook is moderated, the homebuyers, who are mainly end users, are confident about their future earnings, which is a positive factor with a significant bearing on the credit availing capacity.

Overall, the consumer sentiments are cautious yet optimistic for the coming six months. In the current situation, where upward inflationary pressures and rising property prices have put a damper on consumer sentiment, market stimuli such as stamp duty waivers, tax rebates and flexible payment plans, and discount schemes will definitely act as boosters for the fence-sitting buyers. Availability of the right product at the right price points will be crucial for pushing the demand back to the pre-pandemic levels for the rest of the year. Armed with this knowledge, let us dwell on the details of consumers' outlook on the economy and homebuying for the coming six months.

Stay safe and take care! ”

FOREWORD



Mr Rajan Bandelkar

President
NAREDCO

“ Real Estate Sector in India is witnessing green shoots of recovery, thanks to various policy interventions implemented by Government, aiding the Real Estate sector to grow and ensuring speedy recovery of the industry Post Covid.

The residential markets across India remain upbeat despite growing concerns about rising interest rates. The stronger sales momentum anticipated in the coming months and quarters stems from the fact that property remains the best asset class in comparison to buying gold, mutual funds or making a fixed deposit. Our latest Consumer Sentiment Outlook (July-December 2022) suggests that real estate has remained a favourite asset class among potential buyers.

Demand for housing will continue to be high. Consumers' ever-increasing desire to own a home and their goal for financial security and stability has been a significant driving force for housing sales over the past two years. The upcoming festive season will likely bring more deals favouring first-time homebuyers willing to enter the market. With end users remaining confident about the economy in the coming months, the real estate sector will likely register a remarkable quarter, setting a precedent for the coming year. ”

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MARKET OVERVIEW

The sustained growth momentum of leading indicators has cushioned the impact of ongoing global uncertainties on the consumer sentiments across sectors.

1. Geopolitical uncertainties over shadow consumer sentiments

The first half of 2022 was characterised by mixed developments. While the grip of the COVID-19 pandemic had finally loosened over the world economy owing to reducing cases and mass vaccination, the ensuing geopolitical conflicts since February 2022 is yet again fuelled the global uncertainties. The reverberations of the same are being felt across nations in the form of supply-side shocks, and hike in fuel and energy prices, resulting in upwards inflationary pressures and triggering tighter financial conditions, all of which have tempered the economic outlook for the coming period.

In the wake of the ongoing conflict and its impact, international agencies have pared the economic outlook for the coming period. For instance, the International Monetary Fund has projected the global economy to grow at a conservative pace of 3.2 per cent in 2022, from the earlier projected 3.6 per cent in July 2022.

In the case of India, the impact has remained subdued owing to the limited direct exposure to the conflict as high-frequency indicators continue to stay afloat. Services PMI was at 59.2 per cent in June, an eleven-year high in June. Manufacturing PMI has also sustained itself above-50 mark. The unemployment rate is at 6.8 per cent in July 2022, the lowest in the last six months.

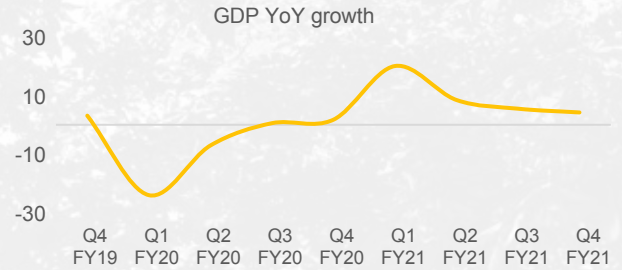
Having said that, the rising commodity prices have cast a shadow on consumer sentiments impacting the demand dynamics across sectors. Corroborating with this, the Reserve Bank of India's future expectations index underwent a marginal moderation of 2 points and reached 113 points, albeit staying in the optimistic zone. Overall, consumers are moderately positive amidst the risks of rising inflation on the one hand, and a rather stable employment scenario, on the other.



2. Indian consumption landscape

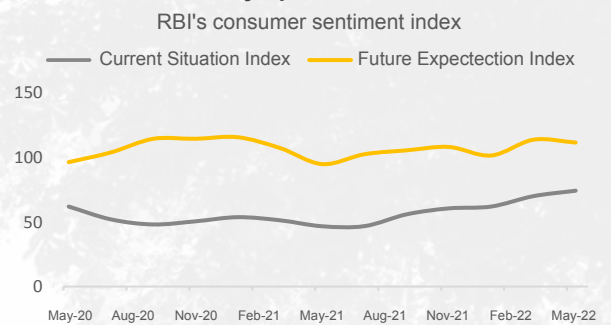
- India's gross domestic product (GDP) recorded a 4.1 per cent YoY growth in Q4 FY2021, moderating sequentially for the third quarter straight on the back of current global uncertainties and the waning low base effect.
- However, overall growth for FY 2022 stood at 8.7, marginally lower than the earlier estimates of 8.9 per cent.
- While strong growth in the manufacturing and services sector continues to lend optimism, the hike in lending rates, slower global growth and higher fuel prices will continue to overshadow the growth prospects for the coming months.
- The Reserve Bank of India's current situation index pegged at 75.9 points has reached a two-year high. The future expectation index also reached 113.0 in May 2022, compared to 96.4 in the year-ago period.
- The future sentiments, however, have moderated marginally sequentially, indicating that the ongoing conflict has had an impact on consumer sentiments.
- The index, which accounts for the consumer's current and future sentiments, suggests that the households are more confident about the employment and income scenario for the coming months.
- Non-food credit and personal loans have recorded a 13.7 per cent and 18.1 per cent YoY growth, respectively, in June 2022.
- The housing sector also witnessed a growth of 15.1 per cent YoY in June 2022, after reaching an all-time low of 6.4 per cent in March – the peak of the geo-political conflict.
- While the growth momentum has sustained on the back of an overall favourable market scenario, the ending of the accommodative stance has impacted consumer sentiments, especially in the housing sector, as property prices have also witnessed a 7 per cent YoY uptick at the end of H1 2022.
- The central bank hiked the repo rate to the current 4.9 per cent from the all-time low of 4.0 per cent, starting from April 2022.

India's GDP growth drops to 4.1 per cent in Q4 FY 2021



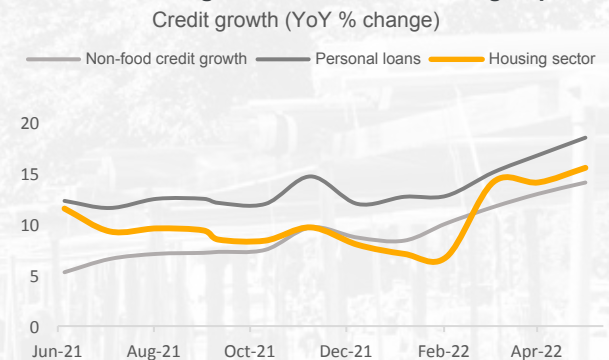
Source: MOSPI, Housing Research

Consumer cautiously optimistic about future outlook



Source: Reserve Bank of India (RBI), Housing Research

Non-food credit growth records double digit uptick



Source: MOSPI, Housing Research

Consumption sustains recovery momentum amidst global uncertainties

E-payments	UPI transactions hit a record high – cross 6 billion in July 2022
Power consumption	India's power consumption grows 3.8 percent
Air travel	Air passenger traffic grew 3 times YoY in June 2022
Petrol consumption	Fuel consumption grew 18 percent YoY in June 2022

Source: Official sources, Housing Research

RESIDENTIAL REALTY CONSUMER OUTLOOK FOR H2 2022

Homebuyers are optimistic about the economy and their income for the coming six months amidst the ongoing global uncertainties. They are searching for ready-to-move-in properties with healthcare facilities, and open and recreational areas in close vicinity.

India's residential realty has sustained its momentum in H1 2022. According to Housing Research, in the April-June 2022 quarter, the new supply reached a 7-year high, while demand recorded a 5 per cent sequential uptick. However, the sector is currently grappling with rising input costs due to upward inflationary pressures. This hike in construction costs is eventually being passed on to the homebuyers by developers amidst the diminishing profit margins. To add to this, currently, the market lacks stimuli such as stamp duty waivers, tax rebates, and discounts and schemes, which have had a bearing on the homebuyer sentiments.

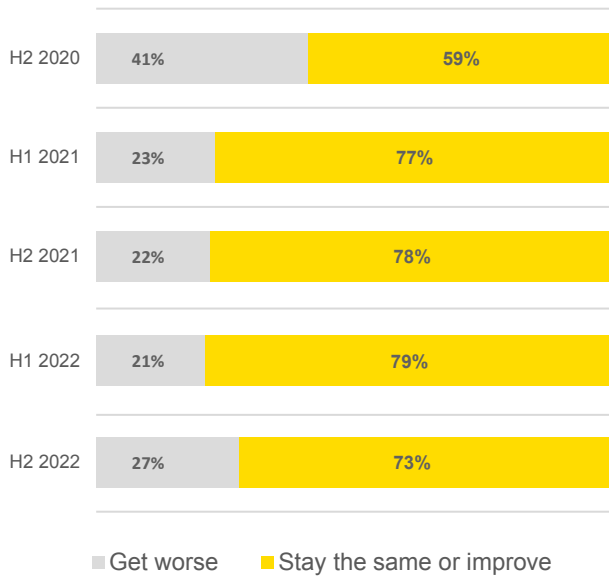
Corroborating with the tepid market sentiments, our consumer survey indicates an overall cautious yet optimistic approach amongst homebuyers for the next six months. While the economic outlook has moderated marginally, consumers are optimistic about their future earnings. Homebuyers, mainly end-users, are looking for properties with healthcare services, and recreational and open areas in close vicinity. With this background, let us dwell deeper into what homebuyers are looking for in the coming six months.



Section A. ECONOMIC OUTLOOK

A.1 Economic outlook for coming six months

Homebuyer economic outlook remains moderate for the coming months

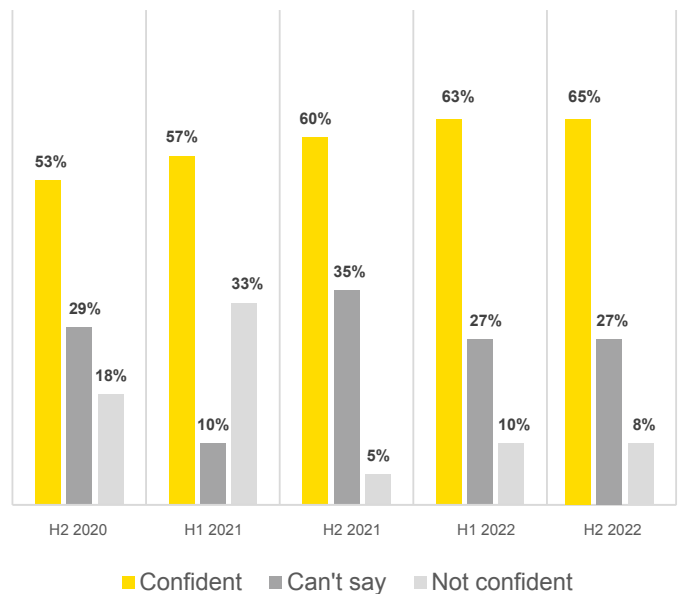


Source: Housing Research

- The repercussions of the ongoing geopolitical conflict, and resulting inflationary pressures have, to an extent, cast a shadow on the economic outlook. Corroborating with this, the Reserve Bank of India's consumer confidence survey indicates a marginal drop in the economic scenario for both current and future expectations.
- Mirroring the overall market sentiments, Housing.com's consumer survey indicated that 73 per cent of homebuyers opined that they are optimistic about the economic scenario for the July-December 2022 period, marginally lower than the 78 per cent in the same period the previous year.
- Although, the outlook still remains optimistic as compared to the bottomed-out sentiments during the first wave of the COVID-19 pandemic.

A.2 Income outlook for the coming six months

Confidence in future earnings continues to strengthen amongst consumers



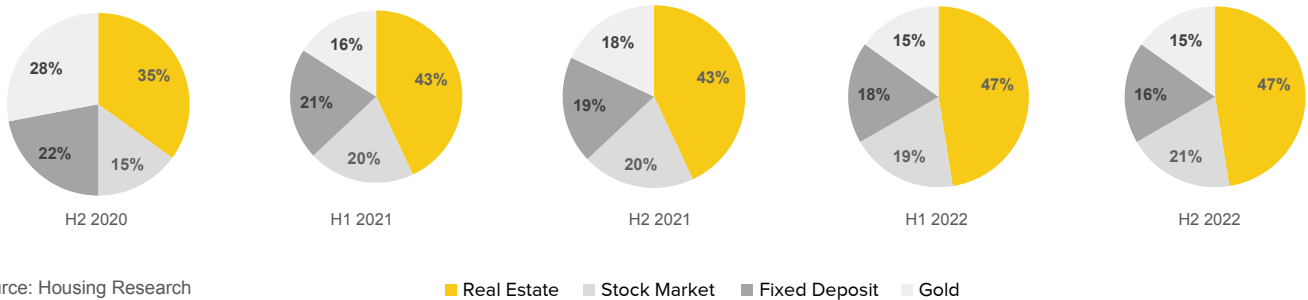
Source: Housing Research

- The employment scenario has remained mostly stable and unchanged post the spike in the unemployment rate to 8.11 per cent in February 2022
- The strengthening of services activity, as seen from the Services PMI, which reached an 11-year high in June 2022, has buoyed the hiring scenario across major organisations. Collaborating with this, the office leasing activity, especially for flexible workspaces, has also gone up, according to industry experts.
- The stability is also visible from the homebuyer responses in our survey, where 65 per cent suggested that they are confident about their income stability for the coming six months, the highest since 2020.
- The confidence in future earnings forms a crucial sentiment from the homebuying perspective as it abets in acquiring credit for the end-users.

SECTION B. HOMEBUYING OUTLOOK

B.1 Asset class investment outlook

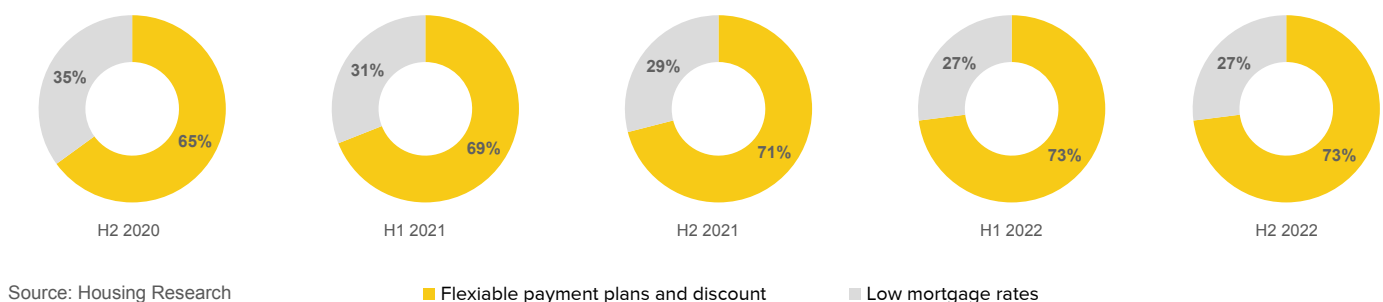
Real estate continues to be a preferred investment option amongst consumers



- According to our survey, real estate continues to be a preferred asset class, with nearly half (47 per cent) of the respondents indicating the same.
- The sentiment has received a significant boost owing to the structural and social changes, such as the increased value of home ownership, the need for extra space amidst a hybrid working policy and the exigency for safety and security.
- Also, other asset classes are relatively more sensitive to macro-economic fluctuations. For instance, stock markets worldwide went through tremendous stress due to global uncertainties. In India, the Sensex, a benchmark index of BSE, rapidly dived to a 7-month low during the beginning of the geopolitical conflict in February 2022.

B.2 Demand drivers

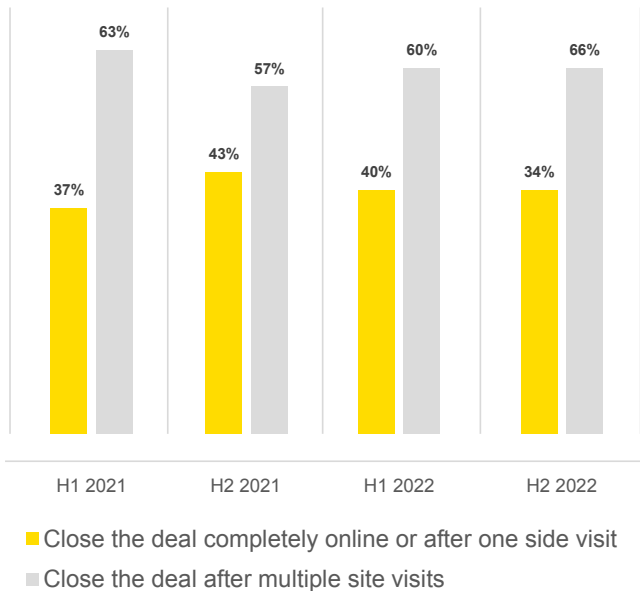
Homebuyers prefer property options with flexible payment plans and discounts



- Property prices across major Indian cities have witnessed a spike due to the rising input costs and premium charged over ready-to-move-in inventory. Our analysis suggests that residential prices grew at the fastest pace of 7 per cent for the second time straight in the April-June 2022 quarter. Moreover, the market currently lacks sops such as stamp duty waivers, tax rebates and low-interest rates.
- Hence, flexible payment plans and discounts have gained more importance amongst homebuyers, 73 per cent of whom have opined that it will drive them closer to purchasing a home in the coming months.
- Our survey also indicates that 48 per cent of respondents are anticipating the property prices to rise even more in the coming six months.
- High capital values and lack of market stimuli have added to the woes of homebuyers who had resumed searching for property post the pandemic-induced lull. According to Housing Research, it is imperative for the government and other stakeholders to adopt initiatives, such as stamp duty waivers, tax sops and reduction in home loan rates, to incentivise the fence-sitting buyers.

B.3 Levels of comfort in using online platforms

Homebuyers more open for site visits in the coming six months

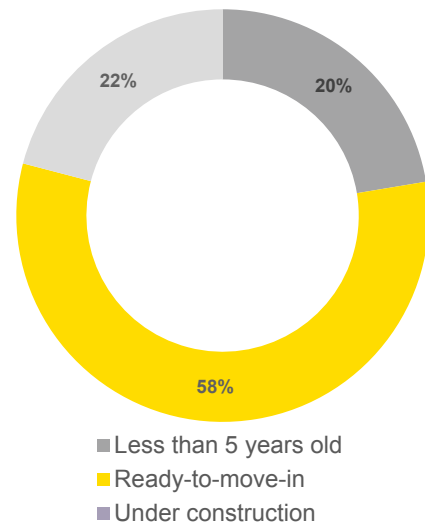


Source: Housing Research

- The pandemic has boosted the digital acceleration across the real estate cycle, as online business platforms became a mainstay for sustaining the buyer-seller link amidst the subsequent lockdowns in the past two years.
- This is also evident from our survey, where an impressive 37-43 per cent of homebuyers over the past have opined that they are willing to not only search but also close the deal completely online or in just one site visit.
- For the coming six months, 34 per cent of homebuyers have suggested that they are willing to buy a home completely online or after one site visit.
- On the other hand, the share of people opting for multiple site visits has gone up to 66 per cent on the back of vaccination and minimal restrictions – a positive trend in the current real estate scenario, as it indicates intensifying homebuying activity in a conventional market like India.

B.4 Type of property

End-users to dominate the sales pie – RTMI properties most preferred by homebuyers



Source: Housing Research

- The residential market in India was previously grappled with issues, such as defaulting developers, litigations, and non-completion of trunk infrastructure and projects, creating a trust deficit amongst consumers. While the implementation of the Real Estate (Regulation and Development) Act (RERA) has relatively streamlined the sector, homebuyers are still shying away from investing in an under-construction property, given the past hiccups.
- Corroborating with this, our survey suggests that 58 per cent of the homebuyers, who are mainly end-users, are looking for ready-to-move-in (RTMI) property, a slight uptick from 57 per cent in H1 2022.
- While the homebuyer preference lies in the RTMI inventory, our insights suggest that only 25 per cent of the available primary stock currently falls in this category.
- Moreover, 62 per cent of homebuyers want to buy the property from developers, who charge a high premium on such homes, thus widening the gap between consumer preference and the availability of the right product at the right price points.

What are homebuyers looking for in close vicinity for their property?

01

Healthcare facilities

02

Recreational and open spaces

03

Day care

04

Close to office

05

Food & entertainment centers

06

Away from city centre

Source: Housing Research

- As the COVID-19 pandemic has progressed across geographies, consumer behaviour has quickly evolved to adjust to the changing norms owing to the prerequisites of social distancing, with additional emphasis on health in general.
- The pandemic-accelerated shifts are also visible in real estate. For instance, our survey suggests that healthcare facilities continue to be one of the top amenities that homebuyers want in close vicinity of their property across the top eight cities.
- Another amenity that consumers are actively looking for near their properties is recreational and open spaces. The lockdown and restrictions on movement during the pandemic have highlighted the need for and importance of open spaces in close proximity to the homes.
- Also, a trend that could be discerned from the survey responses was that homebuyers are looking for properties near the city centre. This can be attributed to the fact that most of the healthcare services in urban areas are concentrated in and near the city centres.

Online sales and marketing platforms most preferred by homebuyers to educate themselves about property

01

Search and compare properties on websites

02

Through friends and family

03

Hire a professional property broker

04

Compare price trends of selected localities

05

Watch informative market videos on project and locality

06

Follow news and social media for locality and developer review and ranking

Source: Housing Research

- Homebuyers have ranked online sales and marketing platforms as the top way of educating themselves about properties while shortlisting their options.
- While digital sales and marketing platforms have been on the block since 2009, they have since evolved to offer full-stack solutions of not only discovery but also advisory and transactional support.
- The pandemic has further driven both the homebuyers and developers explore such online business platforms extensively. In line with this, our market insights also suggest that the search and discover in Indian residential markets always begins online.
- The next popular way of acquiring information about a property is through personal acquaintances or through professional brokers and agents.
- As most of the online platforms have a plethora of property options along with relevant information, ratings and reviews, other sources such as news and social media were ranked the last for informing homebuyers regarding the property.

KEY FINDINGS

Pan India

- Homebuyers are cautious yet optimistic about the economic scenario for the coming months, with 73 per cent opining that the economy will improve in H1 2022, as compared to 78 per cent in the year-ago period. While the ongoing global uncertainties have moderated the outlook, the sentiments regarding the economy still remain well above the dip recorded during 2020.
- The income outlook, on the other hand, continues to strengthen and has reached an all-time high of 65 per cent since 2020. Strong services activity, optimistic hiring scenario and range-bound unemployment rate have all acted as sentiment boosters, bolstering consumer confidence in their future earnings.
- Real estate continues to be the preferred asset class compared to other assets such as stocks, gold and fixed deposit. This can be accredited to pandemic-induced factors, such as the increased importance of home ownership, the hybrid working model, and the need for safety and security.
- In the backdrop of upward pressure on property prices and waning sops such as stamp duty waivers and low-interest rates, the majority (73 per cent) of the homebuyers opined that flexible payment plans and discounts would be the driving factors for buying a home in the next six months.
- The pandemic has visibly altered homebuyer preferences. As also seen from our survey, where most respondents are looking for properties having healthcare services followed by recreational and open spaces in close vicinity.
- Digital sales and marketing platforms have been ranked as the top avenues to acquire information about properties, according to potential homebuyers. While search and discovery always begin online, such platforms have evolved to offer advisory and transactional support.

City-wise

- Homebuyers in Ahmedabad, Delhi NCR, Chennai, and Kolkata are more optimistic about the economic and income scenario for the coming six months as compared to the other top eight cities.
- More than half of the potential homebuyers in the southern cities of Bengaluru, Chennai and Hyderabad, and Ahmedabad in the west have reported that they expect the property prices to rise more in the upcoming period.
- In Bengaluru, Delhi NCR, and Kolkata, 65-70 per cent of consumers are looking for ready-to-move-in properties, higher than the combined average of 58 per cent of the top eight cities.

ANNEXURE – 1

Approach and Methodology

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 tremulous situation.

In order to present an all-inclusive view of the real estate consumer sentiments, the report is divided into two sections. Section A comprises the macroeconomic trends, and Section B comprises survey findings and an assessment of the consumer's sentiments regarding the 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 2022. The insights presented represent the view of more than one thousand potential real estate consumers.

Cities covered under the survey



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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 : www.naredco.in

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