HOUSING RESEARCH | NAREDCO
National Real Estate Development Council
Under the aegis of Ministry of Housing & Urban Affairs, Government of India

CONCERNED, YET POSITIVE

Real Estate Consumer Sentiment Survey

(April - May 2020)

Insight Series 1

PERSPECTIVE

Dhruv Agarwala
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We are amid an unprecedented crisis that has brought the world economy to a screeching halt. COVID-19 is a global economic and social calamity that has caused sharp disruption in demand and supply across sectors. The world is in the red and according to the International Monetary Fund's (IMF) April forecast, the global economy growth would see a 3 percent contraction in 2020–2021 and this could see a further downward revision given that there is no immediate medical resolution at this given time.

The past two months have been testing times for all businesses, which in turn have put livelihoods under immense pressure. It is too soon to define these circumstances as the new normal and any forecast will be mere speculative, since we do not know how the pandemic would pan out in the coming months. The Indian economy is slowly opening up in a phased manner, and the government has infused liquidity into the system with a stimulus package equivalent to 10 percent of the country's GDP, along with the reduction of the repo rate to 4 percent and extension of the moratorium period till 31st August, these are all steps in the right direction.

The real estate sector that was already experiencing its share of challenges with woes of slump in demand, liquidity crisis and adjusting to the structural reforms of RERA and GST, the COVID-19 outbreak has come as a major setback. The two-month economic clampdown has impacted construction activity and will affect project timelines over the coming months along with difficulty to raise funds. Under such circumstances, it is imperative for our industry to understand the consumption drivers and sentiments of the real estate consumers and gauge what their outlook is for the coming six months. I hope you find the insights helpful.

Stay well.

PERSPECTIVE

Dr. Niranjan Hiranandani
National President - NAREDCO
Founder & MD - Hiranandani Group

The world is experiencing an unprecedented crisis with the global pandemic of Covid-19. This has disrupted the economic growth, plunging it into the great depression. The lockdown has brought an ailing economy to a grinding halt, which is now under the pressure of unlocking. The pandemic has come as a rude shock for the Indian real estate industry, which is already grappling with a credit-choked system, muted investments and subdued demand. Though the Government of India and RBI has announced an overall fiscal stimulus, equivalent to 10 percent of the country's GDP, its positive impact seems to be futuristic.

Every challenge is a sought after opportunity. This testing time has forced the industry to reinvent the wheels of business models with new pillars of growth. Innovation, agility, consumer-centric approach and technology have been the predominating driving factors. The dearth of tech-embedded business models have emerged as the clear winner along with recasting new product orientation across the segments. Business models are under recalibration to overcome the uncertainty looming over economic growth. Challenging times have helped to change the perception of owning a house, with safety, security and convenience being the prime factors for the discerning homebuyers. Favourable buyer's market, all time low home loan interest, long tenure of home loans, and government incentivisation are steps in the right direction to achieve the target of 'Housing For All by 2022'. A new set of homebuyers like returning NRIs, millennials and females have emerged as potential buyers. The industry will also witness new business models like consolidation, JVs and mergers to tap the future opportunities. The supply chain disruption has opened up floodgates of opportunities for emerging asset classes such as warehousing, industrial hubs and logistics to lead and flourish. Infrastructure development is the key to any future development, as it is the new growth epicentre. 'Walk to Work' culture shall be a new preference with decentralisation of commercial spaces to peripheral locations. Commercial demand will bounce back keeping social distancing and the new normal in mind. Residential spaces will undergo change with additional flexi space high in demand, technology, community living and self-sustainability topping the priority chart of the customers. All in all, the real estate industry has to realign, refocus and redraw the business continuity model with more financial discipline, a compliance mechanism and product innovation culture in mind. The sector will be back on its feet enhancing the confidence index and taking leadership in employment generation and GDP growth of 'New India'.

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. According to the International Monetary Fund (IMF), the economic clampdown has translated into contraction of economic output, not seen since the Great Depression in the 1930s and the Global Financial Crisis of 2008–2009. Under such circumstances, it is imperative to understand the consumption drivers and sentiments of the homebuyer and rent consumers. 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 amid the COVID-19 pandemic and Section B comprises the survey findings and an assessment of the consumer's sentiments regards economy, income, home buying and renting. The survey was undertaken by Housing Research and was conducted between April to May 2020, through a random sampling technique for a fair representation across regions. The insights presented entirely represent the view of more than three thousand potential homebuyers.

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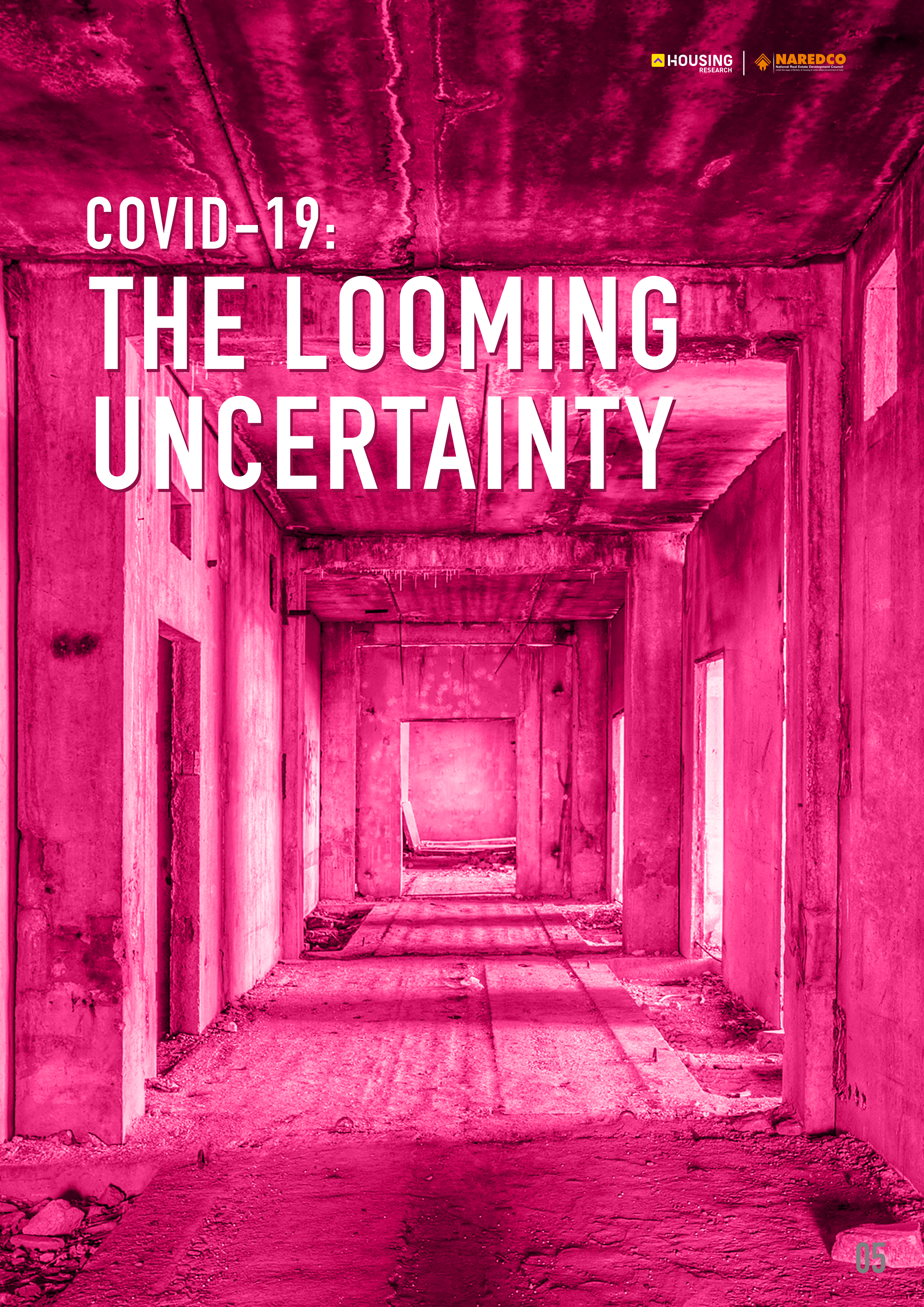
COVID-19: THE LOOMING UNCERTAINTY



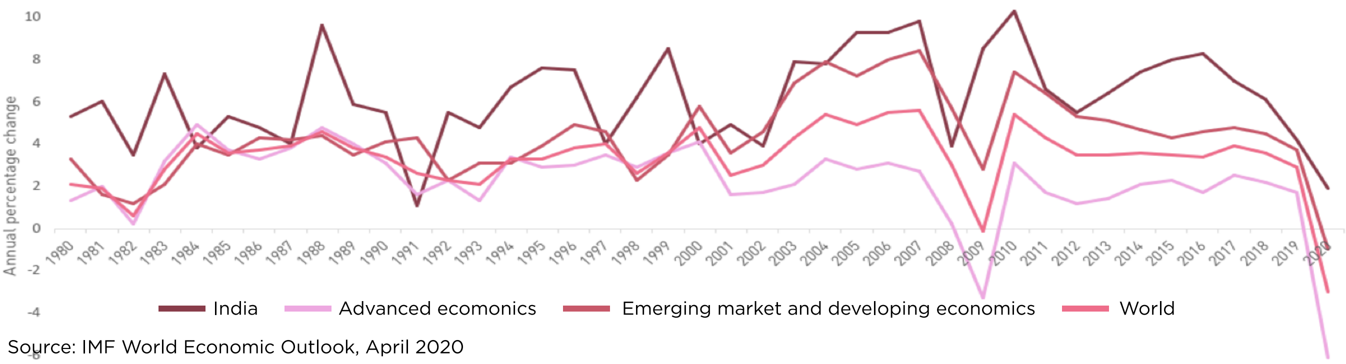
A CRISIS OF A DIFFERENT KIND

The world has seen many social and economic crises before, but the pervasive and profound impact of the COVID-19 outbreak is unprecedented. Not only has this pandemic severely affected human well-being, but also, it has crippled economies due to the large-scale restrictions on economic activities, disruption in supply chains, and caused a severe contraction in consumption due to the looming uncertainties, all not seen since the Great Depression in the 1930s or the Global Financial Crisis in 2008. The far-reaching effects of the pandemic could be more pronounced in the wake of no immediate medical solution, especially for emerging markets and developing economies.

ending May 2020, with the unemployment rate shooting up to 14.7 percent in April 2020. The situation is even more worrisome for emerging countries, such as India, which is under one of the world's most stringent lockdowns since 22nd March 2020, as a large portion of its workforce is employed in the unorganised sector.

In a bid to stay afloat most governments are announcing fiscal stimulus measures to infuse life in their economies. The US has cut its policy interest rates and has already announced a financial stimulus equivalent to 13 percent of its gross domestic product (GDP), while Japan is leading the Group of 20 (G20)

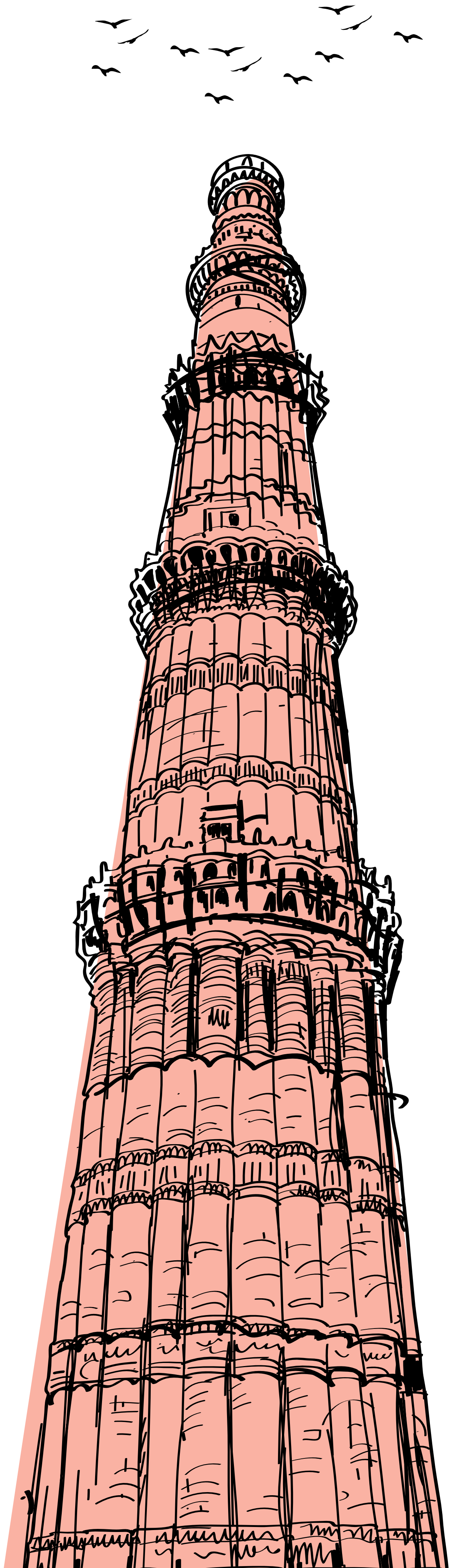
'The world is in the red' — The IMF indicates a 3 percent contraction in global economic growth for 2020–2021, signals downward revision.



Source: IMF World Economic Outlook, April 2020

The 'Great Clampdown', which has put 90 percent of the world's economies under a lockdown, has severely impacted sectors such as aviation, leisure and hospitality, automobile and retail. The world's largest economy is filing for unemployment claims, the tally in the United States of America reached the 40 million mark

economies with a commitment to spend 21 percent of its GDP as the corona bailout package. The second largest economy, China, has also announced USD 559 billion worth of cost cuts to inject liquidity in the system to help the factories reeling from financial loss due to the suspension in production.



THE INDIAN VIEW

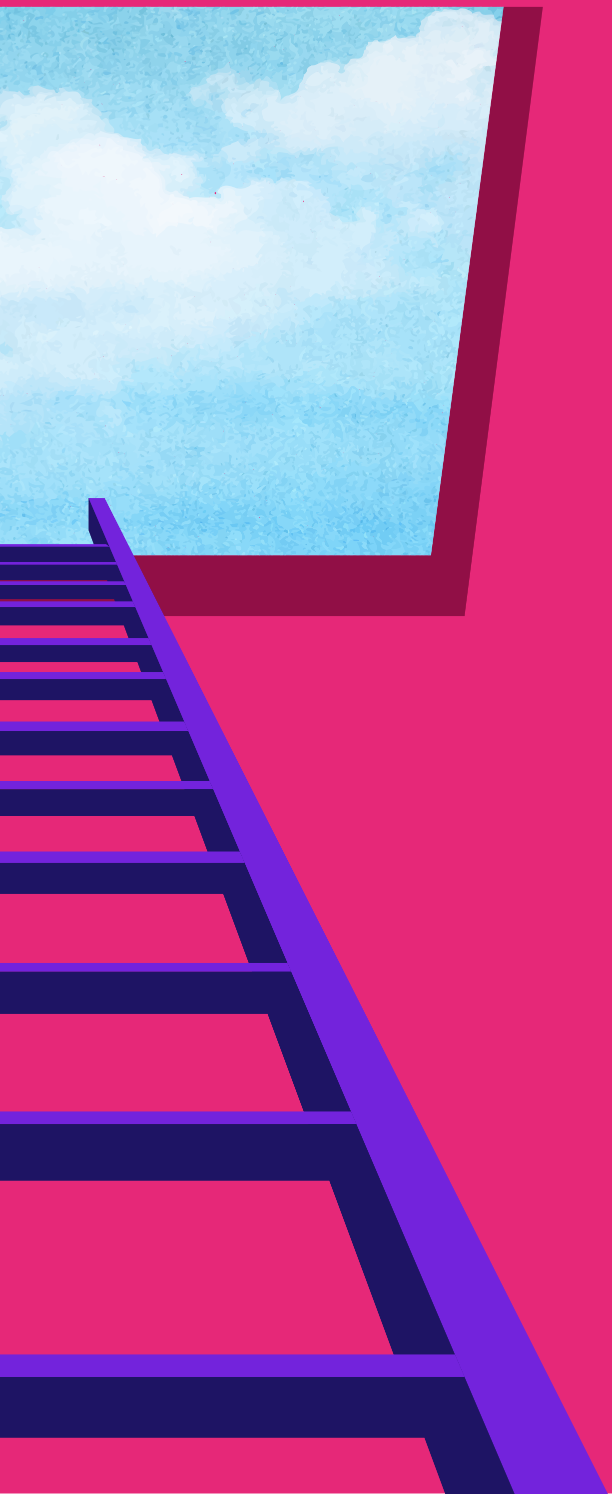
As we know, the Indian economy was already undergoing a slowdown even before the COVID-19 outbreak. The matter got aggravated with the complete clampdown of economic activities that brought the economy to a grinding halt, especially the Micro, Small and Medium Enterprises (MSME) sector, which forms the backbone of the Indian economy and contributes one-third to the country's financial resources.

The GDP growth in FY2020 plummeted to a 11-year low of 4.2 percent, the lowest since 2008–2009, and slumped to 3.1 percent in Q4 FY2020 according to the estimates by the National Statistical Office. Taking cues from the foreseen adverse impact on consumption and demand due to the standstill in economic activity, many rating agencies have also revised their growth forecasts downwards for India, expecting GDP growth to fall sharply in FY 2020–2021. According to the Centre for Monitoring Indian Economy (CMIE), the unemployment rate spiked to 23.5 percent in April from a single digit 8.7 percent in the month of March 2020, which does not bode well for the consumption story of the India economy. The government has doled out a bailout package of ~USD 260 billion (10 percent of GDP) to revive the economy of the country which is set to open in a phased manner from a two-month lockdown.

COVID-19 AND THE REAL ESTATE SECTOR

Having been in the line of fire for the past few years, the second largest employment sector supporting economic activity in the country has been pushed back right when it was beginning to see some revival in the second half of 2019. Structural reforms such as demonetisation, the Real Estate (Regulation and Development) Act, 2016 (RERA) and Good and Services Tax (GST), and liquidity issues arising out of the Non-Banking Financial Companies (NBFCs) crisis had already cast a shadow on the demand and liquidity situation for the sector, which has only got worse by the ongoing COVID-19 pandemic.

Even though construction activity was permitted to be carried out by the government in the first week of May, the mass exodus of migrant workers, who form the major workforce for the construction industry, has put a question mark on the project timelines. According to the World Bank, the livelihood of approximately 40 million migrant workers has been severely impacted due to the lockdown. Apart from this, developers, NBFCs and Housing Finance Companies (HFCs) may also be adversely affected by financing issues, as banks get more risk averse in the current scenario. Remaining at an all-time low, the Reserve Bank of India's Consumer Confidence Index for the month of May 2020 also paints a dismal picture for consumer expectations for the year ahead. As mentioned earlier, the sector was already undergoing a slump in demand but now it is accompanied by the uncertainty on the



overall economic scenario and future employment, which has a great bearing on altering a home buying or renting decision. On one side, where confidence is in the pessimistic zone across sectors, the current scenario has brought lot of changes to the way businesses operate and has added new dimensions to the supply-demand dynamics. In real estate, for instance, the use of technology has become the norm for the day as much as the culture of work from home, which was only perceived to be available to the privileged few. It may be too soon to call this the new normal, but we believe that going forward, apart from the policy changes, the forced structural changes brought about by the current COVID-19 situation in terms of steps involved in home buying, renting and the overall outlook towards real estate will see a paradigm shift. Our research suggests that the real estate consumer is coming around the bottomed-out sentiments in early April this year, which is evident from the increase in queries that are slowly inching towards the pre March 2020 levels.

With this background, we delve into the buying and renting predispositions of the Indian real estate consumer amid the current COVID-19 situation. The series not only attempts to gauge the current consumer sentiments but also gives an insight into what the consumer is thinking for the coming six months regards his income, and when is he ready to actively start looking out to either buy or rent his next home.

REAL ESTATE CONSUMER SENTIMENT SURVEY

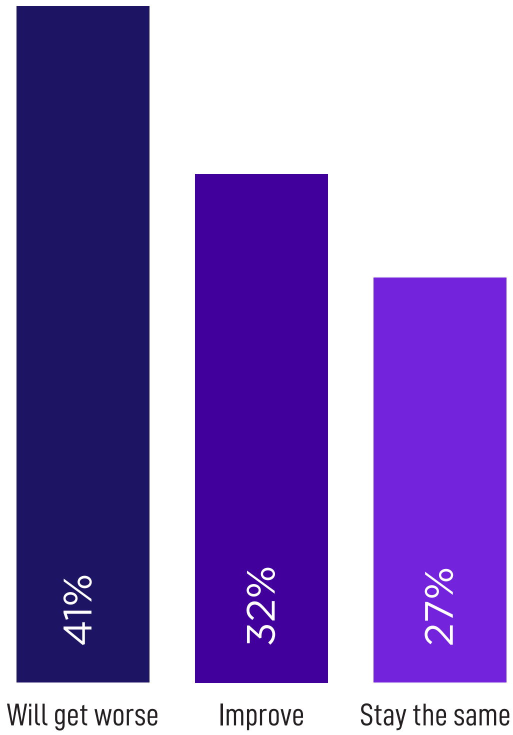
(April - May 2020)

ECONOMIC OUTLOOK

Our survey findings suggest that majority (59 percent) of the respondents think that the overall economic scenario will either remain at the current levels or may slightly see some revival in the coming six months. Though 41 percent of the respondents feel otherwise, it is evident that the opening of the economy in a phased manner in India has gone past the initial phase of fear and paranoia.

Though the government was easing-in relaxations from 'Lockdown 3.0', the recent announcement of a 'three-phase unlock plan' to commence business as usual with significant safeguards and SOPs in place has infused confidence in not only the investors, but also the consumers.

Homebuyers' economic outlook

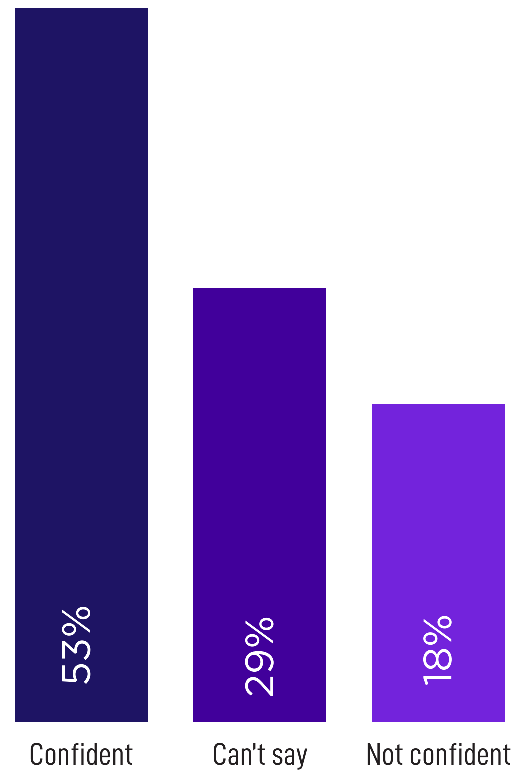


Source: Housing Research

Where 53 percent of the respondents are confident of their income for the coming six months, 47 percent have opined that they are not too sure of how things will pan out in the next two quarters. The nation wide lockdown has brought the economy to a screeching halt, with the unemployment rate in India surging to 23.4 percent in May 2020 from a single digit 8.7 percent in March 2020, according to CMIE.

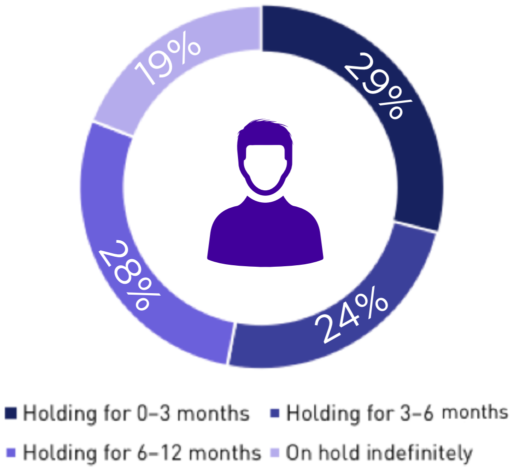
The uncertainty over the economic scenario is expressed across regions, especially east zone, with 47 percent of the respondents opining that the overall economic scenario will worsen in the coming six months.

Income stability outlook

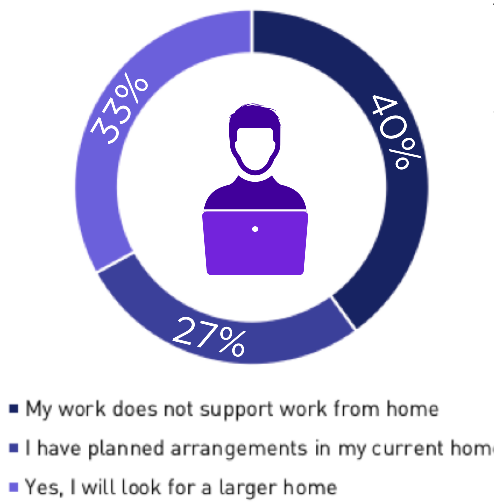


Source: Housing Research

Buyers are in a wait and watch mode for the coming six months; albeit not putting search on hold indefinitely



Work from home has made consumers think of larger homes for buying and renting



Source: Housing Research

The overall uncertainty on the economy and employment for the coming six months has led to the deferment of search for a property for three to six months. Fifty-three percent of the respondents have said that they have only postponed their search for a home for the coming six months and will resume their search post that. Under the current circumstances, it is a silver lining that only a small percentage (19 percent) of homebuyers have put their search on an indefinite hold.

The lockdown has also seen a structural shift in the way businesses and institutions work. With strict protocols in place, where all schools and other educational institutions are conducting their classes online, businesses also have been following a work from home (WFH) practice for the past two months, which has had a significant bearing on the sentiments around space allocation within families, this has made some homebuyers to dwell on the idea of upgrading the current configuration.

Our survey suggests that though 40 percent of the respondents' work does not support them working from home, a significant 33 percent have expressed the need to upgrade their current configuration for need of a larger home.

It is too soon to say that working from home will be the new norm, but the fact that companies such as Twitter, Google, Tata Consultancy Services and many others have indicated that they will allow their workforce to continue to work from home will have an impact on how a home is perceived in future.

THE HOMEBUYER DELIBERATION

The survey findings also highlight that even though the real estate market is in the doldrums for the past few years, and has gone through policy and business recalibrations, it is still considered as the worthwhile form of investment (35 percent) followed by gold (28 percent) and fixed deposits (22 percent).

Majority of the respondents (73 percent) for the survey were first time homebuyers who are looking to buy a ready-to-move-in house for end use and fall in the age cohort of 25–45 years.

The slump in the real estate sector over the past five years has been brought about by a combination of factors of which defaults by some prominent developers and a delay in project deliveries has caused a trust deficit in the homebuyers.

Thus, the fence-sitting homebuyer is wary of investing in a newly launched project and is looking for a ready-to-move-in property. No GST and an aversion to project delays makes the ready-to-move-in option more lucrative for the homebuyers. Sixty percent of our respondents opined that when they will resume their search in the next six months, they will prefer a ready-to-move-in property, closely followed (21 percent) by a property which has a delivery timeline of 6–12 months.

Along with the intent to buy, there are certain drivers that have been highlighted by the homebuyers that will motivate them to close-in on their next home. In our survey findings, the right price with added discounts, and the credibility of the developer have been ranked the highest driving factors to close the purchase.

Real estate still a preferred investment option followed by gold

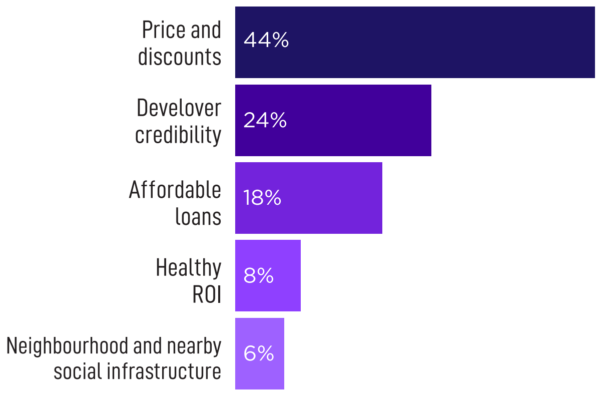
The keen first time homebuyer

End user to drive demand

Ready-to-move-in and nearing completion most attractive

Source: Housing Research

Drivers for demand for the coming six months



Right price and developer credibility tops the checklist for homebuyers

Source: Housing Research

THE RENT CONSUMER APPREHENSION

India with its 1.3 billion population has a huge appetite for rent. Taking cognizance of this fact, the government's Model Tenancy Act 2019 brought-in lot of new ideas for the sunrise sectors in residential, such as 'Co-living', with an aim to institutionalise and streamline the unorganised rent market in India.

Though real estate is still considered a good avenue for investment, rent is mostly an option for many consumers who think it is either too expensive to buy a house or does not see it as a viable option due to their nature of work.

We delved into the renting predispositions of our consumers and majority (47 percent) of the consumers opined that they would want to buy a house but see it as an expensive proposition. However, they would be motivated to purchase a house for self if it is rightly priced.

Nature of jobs was another point highlighted by the consumers which does not make it viable to invest in a stationary asset. Since most of the respondents (67 percent) fall in the age cohort of 25-35 years, they preferred renting a house for self currently, but are open to buying a house for end use after a two-year window.

As per our research, the momentum for rent queries on our portal dipped after 22nd March 2020, after the country came under a virtual standstill due to the restrictions on movement enforced during the lockdown. As of May 2020, traffic on our portal has come back to the pre 22nd March levels.

Rent consumer is keen to buy a house but price is a deterrent

47% Expensive	28% Job location	15% New job	10% No interest

Motivating factor for renting a house

Rank 1 Price	Rank 2 Proximity to work	Rank 3 Quality of property

Source: Housing Research

KEY TAKEAWAYS

THE COVID-19
predicament like no other

01

'The world is in the red' – The IMF indicates a 3 percent contraction in global economic growth for year 2020–2021, signalling a downward revision.

02

In a bid to stay afloat most governments are announcing fiscal stimulus measures to infuse life in their economies. Where USA, Japan, China and India, among other countries, have announced fiscal stimulus equivalent to 10–21 percent of their GDP to fight the novel coronavirus.

03

The GDP growth in FY2020 plummeted to a 11-year low of 4.2 percent, the lowest since 2008–2009, and slumped to 3.1 percent in Q4 FY2020.

04

Rating agencies have revised their growth forecasts downwards for India expecting GDP growth to further fall sharply in 2020–2021.

05

Impacting consumption, the unemployment rate in India hovers between the 23–24 percent mark in April–May of 2020.

06

The government has doled out a bailout package of ~USD 260 billion (10 percent of GDP) to revive the economy of the country which is set to open in a three-phase unlock plan from one of the strictest two-month lockdowns enforced worldwide.

07

Mass exodus of migrant workers who form the major workforce for the construction industry has put a question mark on the project timelines in the already whirling real estate sector.

08

Our research suggests that the real estate consumer is coming around the bottomed-out sentiments in early April this year, which is evident from the increase in queries that are slowly inching towards the pre March 2020 levels.

THE REAL ESTATE CONSUMER

01

Though the overall economic scenario remains cautious, the real estate consumer is confident of his income for the coming six months.

02

Real estate remains the preferred investment avenue followed by gold.

03

The COVID-19 impact has only deterred the buyer to put his search for home on hold for the coming six months and not indefinitely. Significant section of homebuyers are motivated to move to larger homes due to the work from home arrangement.

04

Most of the homebuyers are first time homebuyers who are looking for a home for end use within the right price aligned with developer credibility. Ready-to-move-in homes remain the popular choice.

05

Renting remains a viable option for consumers with movable jobs, however, the right price will be a motivating factor for them to buy a house in the next two years.

HOUSING RESEARCH

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NAREDCO

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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