



Recap &

Outlook

Residential Property Market





Recap 2023

India's standout year in the global landscape: While global headwinds buffeted many in 2023, India emerged as a beacon of resilience. Contrasting the 3.0 per cent global growth, India moved ahead 6.3 per cent, its fastest pace in recent years.¹ This remarkable feat stands against the backdrop of complex geopolitical turmoil and inflationary pressures that triggered steep interest rate hikes across economies to tame inflation. Hence, despite 2023 being the first year where the COVID-19 concerns primarily receded, the economic recovery momentum only waned as the year unfolded. Advanced economies ambled along a lackluster 1.5 percent annual growth while China, once the engine of global growth, faced a bumpier recovery due to a ballooning debt burden and crisis seen in the real estate sector impairing consumer confidence. In this challenging context, India's robust performance solidified its position as the year's upside surprise.

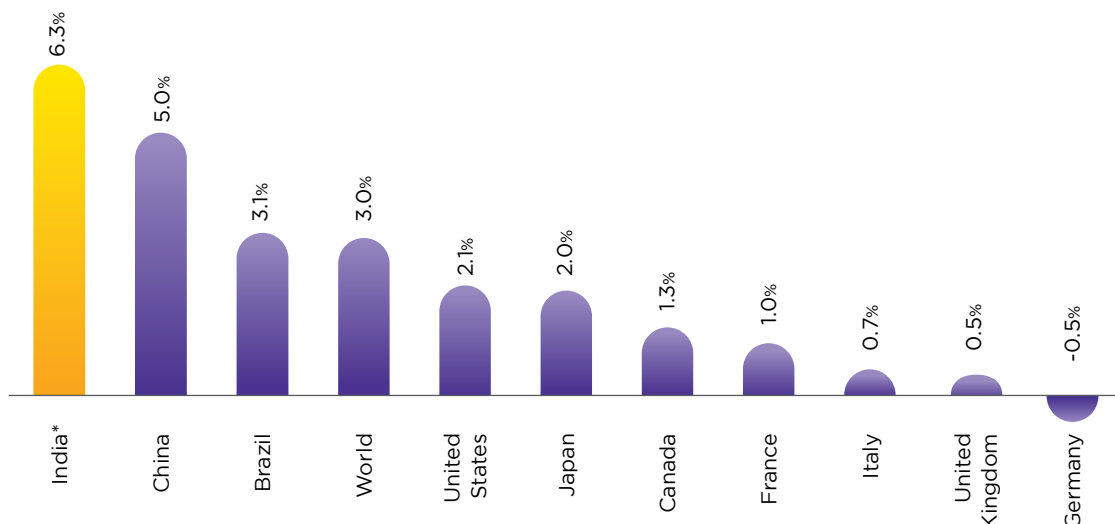
Fueled by job security and pandemic savings, consumer confidence boomed, igniting a spending spree across India's cities. The Goods and Services Tax (GST), a barometer of retail spending, surged 10-15 per cent monthly throughout 2023, the buoyancy extended to the credit market, where personal loan growth rocketed 18-20 per cent every month since January, defying expectations even as the central bank hiked the repo rate to 6.5 per cent. Strong supply fundamentals and robust domestic demand have buoyed economic growth, as India outperformed its global peers. The positivity is reflected across sectors, especially real estate, which has thrived in its much awaited upcycle.

India real estate sector on an upswing: Post the pandemic, the real estate sector has defied expectations across asset classes. The office market propelled by service sector growth and a gradual return-to-work trend witnessed robust leasing and investor activity. Warehousing, fueled by e-commerce and manufacturing booms, continued its remarkable ascent. Despite the online onslaught and the pandemic dampener, the retail market found resilience in experiential shopping, attracting notable developers with premium projects across key cities. Rising discretionary spending in Tier-1 and Tier-2 cities have attracted several global luxury brands to set up their stores in the country solidifying their positions as hubs of aspirational consumption. Meanwhile, the launch of India's first retail REIT in 2023 attracted investor interest in the sector's long-term prospects. As for the residential property market, 2023 marked the ascent and a renewed interest in property buying from both end users and investors alike.



Throughout 2023, India's macroeconomic indicators maintained a steadfast upward trajectory. The Purchasing Manager's Index (PMI) which is a key economic indicator that measures economic trends in the manufacturing and services sector has hummed and sustained the above-50 mark. The unemployment rate is at a six-year low.²

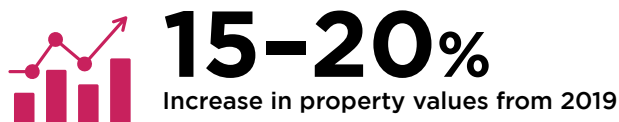
Top-10 Economies GDP Growth Estimates - 2023



*Note: For India, data and estimates are presented on a fiscal year basis.
Source: International Monetary Fund (IMF), Housing Research

¹ International Monetary Fund (IMF), Housing Research | ² Periodic Labour Force Survey (PLFS) Annual Report 2022-2023, Housing Research

Residential realty's rise reshapes 2023: The property market in 2023 was characterized by optimistic sentiments among homebuyers. The majority of prospective buyers expressed confidence in both the economy and their future earnings, as revealed in our consumer sentiment survey. In the top eight cities, there was a 20 per cent year-on-year increase in new launches by the end of the year. Property sales surpassed the growth in new supply, registering a 33 per cent year-on-year increase during the same period. New supply set the record, trending at an all-time high, while property demand is 90 per cent closer to the historic high-levels of 2013. Despite the absence of stimuli such as stamp duty waivers or tax incentives, the surge in sales persisted, driven by pent-up demand and a strong inclination towards homeownership. Another factor underscoring this positivity amongst buyers is the 36-37 per cent yearly growth in credit in housing loans in July 2023, post pause on repo rate hike. Importantly, this growth is not confined to the top eight cities but is also evident in Tier-2 cities. Our IRIS index, which measures high-intent property search volume for key cities indicates a faster growth in online property searches in Tier-2 cities compared to the top eight cities.



While 2023 presents a favorable outlook, it is essential to recognize existing challenges. A significant issue is the limited availability of products that align with homebuyer preferences within the right price range, particularly in major Indian cities. Ready properties, which have been in high demand since the onset of the pandemic, constitute only 20 per cent of the available inventory in primary markets of the top eight cities. The heightened demand for these properties has led developers to charge a premium. When comparing capital values to pre-pandemic levels in 2019, there is an average 15-20 per cent increase in the top eight cities of India. The price appreciation is even more pronounced in key areas near commercial hubs, pricing out many potential homebuyers. Despite the notable growth in demand throughout 2023, a significant portion of potential buyers remains uncertain, opting for renting as the next viable alternative amid the limitations of product and pricing.

Rental markets get a boost: 2023 saw a rental boom fueled by two key factors: skyrocketing property values and a supply crunch caused by limited ready-to-occupy apartments. Our IRIS index distinctly demonstrates this spike, with rental activity across key metros consistently outpacing that of buy through 2023. The rental demand rose sharply in service sector hubs like Gurugram, Bengaluru, Pune, and Hyderabad. In prime areas across these white collared cities, monthly rents soared by as much as 25-50 per cent compared to 2019 levels, significantly boosting rental yields, and thereby attracting investors to the fold.

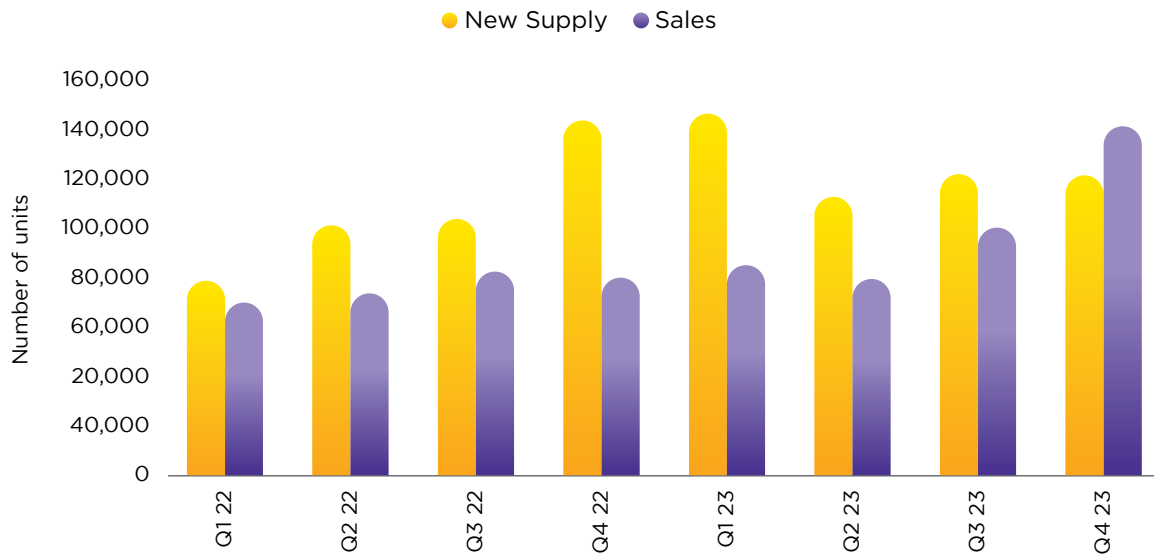


PropTech investments remain steadfast: Although COVID-19 was a black swan event, it in actual fact served as a positive force propelling digital transformation within the real estate sector, traditionally considered a slow adopter. Despite the overall global slowdown, PropTech firms received a substantial influx of USD 243 million in the first half of 2023, nearly matching the previous year's investment for the same period. Construction Technology and Shared Economy claimed the lion's share, constituting 87 percent of the overall private equity inflow. PropTech's disruptive potential to enhance efficiency, streamline transactions, extend consumer reach, and elevate overall experience continued to attract robust investments in the past year.



As we look back, 2023 shaped up to be a favorable year for property markets, heightened by prevailing optimism among homebuyers. Robust demand fueled a remarkable double-digit growth in property prices and median rents, particularly within sought-after micro-markets. However, the growth narrative extended beyond metro clusters; Tier-2 cities witnessed a surge in high-intent online search activity, indicating a potentially faster growth trajectory ahead. With this recap of the year, let's unpack the discerning trends in property markets across Indian cities.

Residential Market Activity

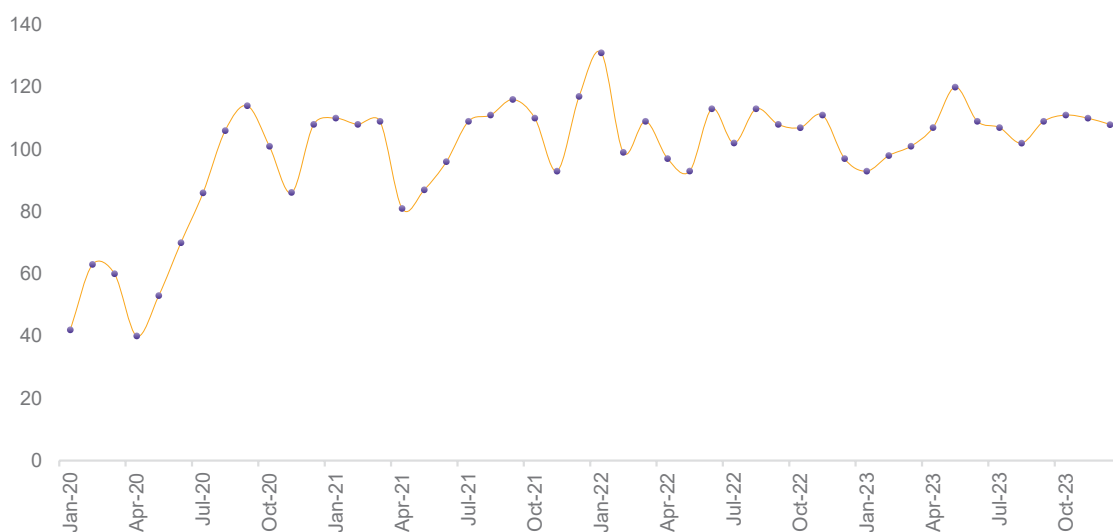


	2022	2023	% change
New Supply	4,31,510	5,17,070	20% YoY ↑
Sales	3,08,940	4,10,790	33% YoY ↑

Note: All units rounded-off to nearest thousands.

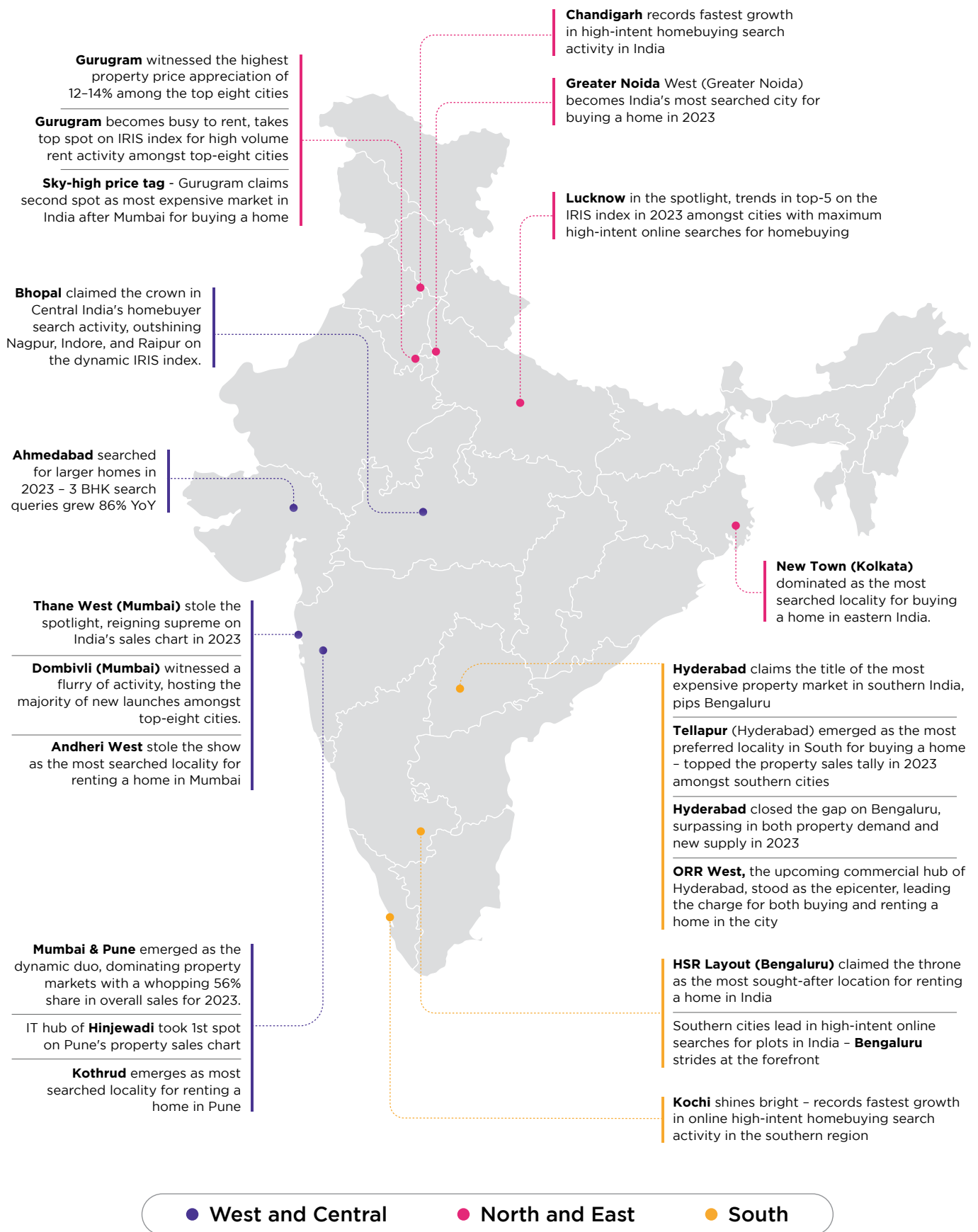
Source: Real Insight Residential - Annual Round-up 2023, Housing Research

Housing.com IRIS Index (Buy)



Note: Housing.com's IRIS Index is a leading indicator for upcoming property demand based on high-intent search volume activity for buying a home on our portals across key 42 Indian cities.

Source: Housing Research



Source: Housing Research

Outlook 2024

Property markets will thrive on upbeat homebuyer sentiments

Indian property markets are poised for sustained enthusiasm propelled by a coming together of positive factors with both demand and supply registering robust double-digit growth. This momentum derives significant impetus from surging homebuyer confidence, with 77 per cent and 62 per cent of potential buyers expressing optimism about their future economic and income prospects in the next six months. The recent stability in interest rates, following the Reserve Bank of India's (RBI) pause button, further reinforces this positive sentiment.

The vigor of homebuyers is vividly mirrored in our IRIS index, a leading indicator of future market demand, which reached 80 per cent closer to the historical peak in December 2023. Considering the typical six-month timeline for property purchases to finalise, these indicators portend a positive demand momentum for the forthcoming quarters. Buoyed by this sustained momentum, developers are ramping up activity, with a strong project pipeline for 2024 and strategic expansion beyond their core markets.

Property prices in key areas to remain northbound

Two years of momentum post the pandemic lull has solidified a new growth trajectory for the Indian property prices, registering a consistent quarterly increase of 6-8 per cent. This figure significantly surpasses the subdued 1-2 per cent annual growth observed pre-pandemic, yet it's crucial to note that inflation, hovering within the same range, keeps net price gains in check. However, this average masks a more nuanced picture. Key micro markets surrounding commercial hubs in major cities defy the broader trend, showing faster price appreciation fueled by strong demand and a premium attached to readily available properties. We expect this localised surge to continue, with localities near central business districts in Gurugram, Bengaluru, and Hyderabad outpacing other areas in terms of value growth.

Gated communities, ready-to-move-in, spacious living on the wishlist

Post-pandemic living priorities have reconfigured India's real estate landscape. The surge in demand for gated communities in India has been accelerated by the COVID-19 pandemic, with individuals actively seeking secure and safe living environments. Gated communities provide sense of security and exclusivity and boast a diverse range of amenities, making them particularly attractive to city homebuyers. According to our recent consumer survey, a significant 64 per cent of potential homebuyers expressed a preference for homes within gated communities. This focus on secure enclaves extends beyond physical walls, with work-from-home realities amplifying the desire for bigger spaces. High-intent search queries for 3+BHK apartments skyrocketed sixfold in 2023, highlighting the shift towards spaciousness.

Another noteworthy post-pandemic trend is the increased preference for ready-to-move-in properties. With offices beckoning again, the demand for ready-to-move-in properties has grown significantly. A striking 80 per cent of potential homebuyers in our consumer survey are actively seeking ready properties, reflecting a strong inclination toward immediate occupancy. These evolving preferences are set to influence the real estate narrative in 2024.

Gated communities, larger configurations, and ready-to-move-in properties will not just be in high demand; they will also command a premium attached to the choice.

Developer cachet and credibility will be deciding factors for homebuyers

Beyond mere bricks and mortar, homebuyers are prioritizing trust and assurance in their property choices. This shift is evident in the resounding 58 per cent of high-intent buyers choosing reputable developers with a proven track record of delivering on promises. The market echoes this preference, with projects from established players experiencing rapid oversubscription and swift inventory depletion post-launch. These sought-after projects, commanding a significant 30-40 per cent share in demand and supply across top eight cities, hold a distinct advantage. In a market with limited quality developers and constrained choices, the ability to offer quality options creates a powerful value proposition, which will allow these players to charge a premium.

Premium buys and upgrades await in 2024

In the past year, the majority of residential new supply was concentrated in the INR 1-3 crore and above price bracket. While 31 per cent of new supply in 2023 catered to this segment, demand for properties in this bracket garnered a notable 24 per cent share of sales, skyrocketing from a pre-pandemic average of 10-15 per cent. The increased desire for larger spaces within quality projects and a focus on habitability and livability have driven the demand for homes in the higher price bracket. As evident in the 7.5-fold jump in the high-intent online search activity for premium properties in 2023, the coming year will be more pronounced for this segment.

Rent rollercoaster to continue amid growing demand

Limited ready homes near key city hubs, coupled with soaring property prices, are forcing many into the rental fold. This sentiment is also echoed by potential homebuyers in our consumer survey. With our IRIS index for high-intent rental activity outpacing the buying index, rental demand is expected to remain robust in 2024. We expect the growth in demand will put upward pressure on rents across cities, particularly in areas near commercial nodes. Notably, Gurugram, boasting the highest online rental activity, is poised to spearhead the demand surge. Southern cities are set to command higher returns, including Hyderabad and Bengaluru, with rental yields in Hyderabad and Bengaluru already pegged at 4-4.5 per cent and are also trending on the IRIS index for heightened rental activity.

Investor appetite soars, market momentum takes flight

Fueled by resurgent demand momentum and robust price growth in key micro-markets, 2023 witnessed a remarkable revival of investor confidence in the Indian real estate market. The post-pandemic surge in homeownership aspirations and the renewed view of property as a long-term wealth generator have spurred investors to strategically re-enter the market with a mid-to-long-term horizon.

This sentiment is further validated by the NIFTY Realty index's remarkable 80 per cent YoY jump in December 2023, exceeding even pre-2013 highs. With strong demand fundamentals and a clear trajectory of capital appreciation, 2024 is poised to see an even stronger wave of investor participation.

Move-in magic to drive resale market boom

The primary market's constrained inventory of ready-to-move-in properties has fueled a surge in demand for resale apartments, pushing prices upwards and significantly narrowing the long-standing gap between their value and that of new units. In major cities, this gap has almost vanished, contracting from its pre-pandemic (2018-2019) range of 10-15 per cent to near parity in the current market. Data further strengthens this narrative. Online search patterns reveal a telling shift, with a remarkable 65 per cent of homebuyers actively seeking resale options. This surge in online interest underscores the robust demand expected for resale properties in 2024.

Tier 2 cities to drive the next chapter of real estate growth

The Indian real estate narrative is shifting beyond the familiar confines of top cities, with Tier 2 emerging as a powerful engine of growth. A confluence of factors – policy initiatives, enhanced connectivity, and the rise of national and multinational companies – has propelled these burgeoning hubs onto the radar of investors, developers, and homebuyers alike. Further fueling this demand are the dynamics of reverse migration and the evolving work-from-home culture. Notably, Tier 2 cities exhibited performance on par with top cities on Housing.com's IRIS index, a leading indicator of high-intent property buyer activity. While mature cities will retain their significant share in the market, Tier 2 cities stand out as new economic nodes, drawing a steady influx from rural and smaller urban areas within their spheres of influence.

The IRIS index for these cities registers an impressive 53 points lead above that of the top eight metros. Leading the charge will be cities like Lucknow, Jaipur, Kochi, Surat, and Mohali, all of which witnessed notable surge in high-intent property search volume for buying property in 2023.

Mirroring trends in major cities, homebuyer preferences in Tier 2 is expected to tilt towards apartments in amenity-rich projects by established developers, who are increasingly taking positions and expanding their footprint in these promising markets.

Construction Tech & AI to twin turbocharge PropTech's accent

The relentless march of digital innovation on the supply side of real estate promises to fuel a continuous stream of investment into the PropTech ecosystem. Construction Technology, having captured the lion's share of investments in 2023, stands poised for sustained growth as developers and stakeholders increasingly recognize the power of integrating technology into their construction processes. This upward trajectory is further amplified by the burgeoning potential of emerging technologies like AI, machine learning, advanced advertising solutions, 3D printing, and VR/AR tools, ensuring a vibrant PropTech landscape throughout 2024.

As 2023 nears its end, the Indian real estate sector isn't merely rebounding; it's poised for a breathtaking leap in 2024. Across Residential, Office, Retail, Hospitality and Industrial & Warehousing landscapes, surging demand, strategic land acquisitions, and record-breaking investments paint a vibrant picture of India's consumption story. Developer confidence, fueled by soaring sales and a flourishing luxury segment, will unleash a healthy supply pipeline, not just in established metros and tier 1 cities, but also in the burgeoning potential of Tier 2 and 3 hubs. Propelling this trajectory will be a confluence of tailwinds: strong economic growth, stable interest rates, and a shift in perception towards property as both a safe haven and a potent long-term wealth-building tool. This strategic view, fueled by India's ascent as the world's fastest-growing nation, ignites further optimism for the sector's remarkable performance in the new year.



Localities to watch out for to buy a home in 2024

Greater Noida West (Greater Noida), Mira Road East and Malad West (Mumbai), Kondapur (Hyderabad), Whitefield (Bengaluru)

Bigger is better

Search queries for buying apartments with 3+BHK configuration grew 6x times YoY in 2023

Premium homes to set the tone for property demand

Apartments with a ticket size of INR 1-2 crore and above witnessed the highest growth in high-intent online property searches, surging 7.5 times YoY in 2023

Consumer sentiments remain upbeat

77% & 62% of potential homebuyers are confident regarding the overall economy and income stability

Branded developers to command premium

Such projects witness overwhelming demand in 2023, marked by over-subscription & rapid inventory sellouts post-launch

Ready, Set, Sold!

Ready properties to fetch higher prices as limited supply and high demand drove up property prices for such homes in 2023

Tier-1 cities to watch-out for in 2024

Mumbai, Hyderabad, and Pune; these cities accounted for maximum online searches for buying a home in 2023

Keep an eye on these Tier-2 cities

Lucknow, Jaipur, Kochi, Surat, & Mohali; these cities recorded maximum growth in online property search volume for buying a home in 2023 compared to the preceding year

Rentals will hold amidst limited ready inventory

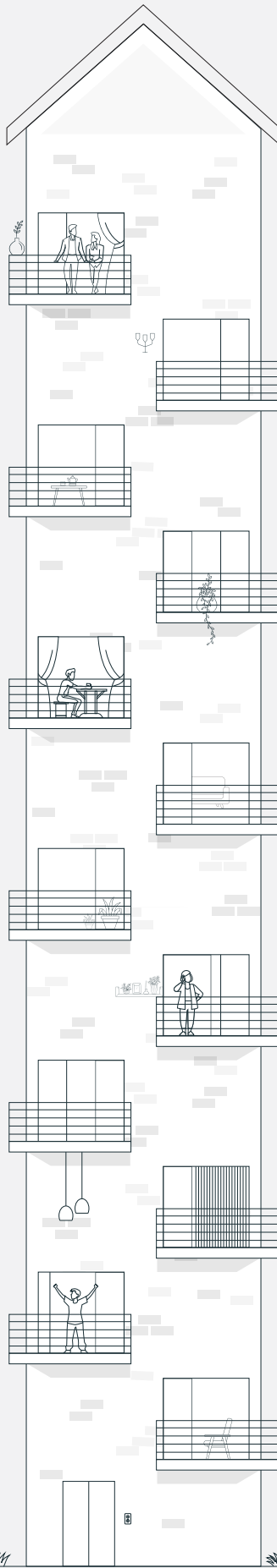
Key areas across major cities witnessed a 25-50% uptick from pre-pandemic levels owing to the demand boom

Property price to maintain vigorous ascend

In bygone years, the prices grew 15-20% from pre-pandemic levels of 2019 owing to sustained demand

Gated communities to take center-stage

Consumer preference arises from pandemic induced need for safety and security





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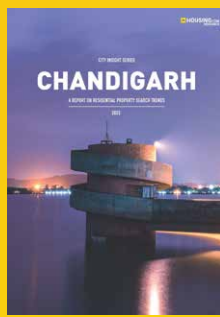
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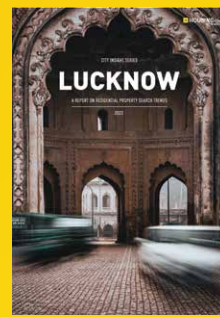
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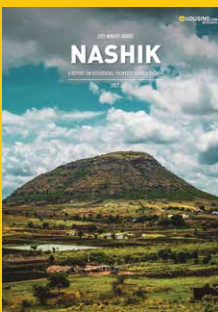
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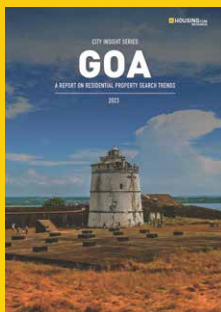
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