
8TH EDITION

Residential Realty

Consumer Sentiment Outlook

JULY-DECEMBER 2023

The residential realty consumer sentiment outlook is a bi-annual assessment of property demand sentiments for the coming six-months.



FOREWORD



Dhruv Agarwala

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

“ Despite the growth momentum in the second half of 2023, inflationary pressures and weakening industrial production and trade remain a cause for concern. The International Monetary Fund (IMF) projects global growth to slow from 3.5% in 2022 to 3 per cent in 2023, but inflation is expected to fall from 8.7 per cent in 2022 to 6.8 per cent in 2023. Central banks around the world are tightening monetary policy in an effort to tame inflation, and this is expected to help bring prices back under control.

However, the pace of recovery is slow and varies across regions and countries. Emerging and Developing Asian countries are expected to grow at the fastest pace, largely driven by India and China. In fact, India is expected to grow at the highest rate of 6.1 per cent among major economies. This growth is largely driven by strong domestic demand despite a weak external environment. Though the headline retail inflation has breached the Reserve Bank of India's (RBI) comfort range (2-6 per cent) and stood at 6.8 per cent in August, it remains on the apex banks' expected lines in the near term.

The RBI's Consumer Confidence Index further attests to this resilience in consumer sentiments, indicating a steady improvement in both current and future economic and income outlooks. Consumer confidence is reflected in the Indian property markets, as well, where both demand and supply have maintained an upward momentum, growing 15 per cent and 44 per cent yearly in the first half of 2023, respectively. The demand is fuelled by renewed interest in homeownership coupled with people spending more time at home amidst the hybrid working scenario.

We anticipate this positivity to continue in the latter half of 2023, as also evident from the findings of our 8th edition of the Residential Realty Consumer Sentiment Outlook survey. The insights suggest that potential homebuyers are optimistic about the economy and their future earnings, which augurs well for driving demand in the property market.

With property markets witnessing an impressive upcycle, the sector has topped as the most preferred investment asset class, surpassing traditional options such as gold, stocks, and fixed deposits. We see that the right product at the right price points will be key to bringing potential buyers closer towards purchase.

Encouragingly, the ongoing market trends and consumer sentiment data are sources of cautious optimism, hinting at a favourable outlook for the property market, with expectations of continued growth. However, there remain some downside risks to the outlook, including the ongoing war in Ukraine, rising commodity prices, and the potential for a global recession, which needs to be closely monitored.”

FOREWORD



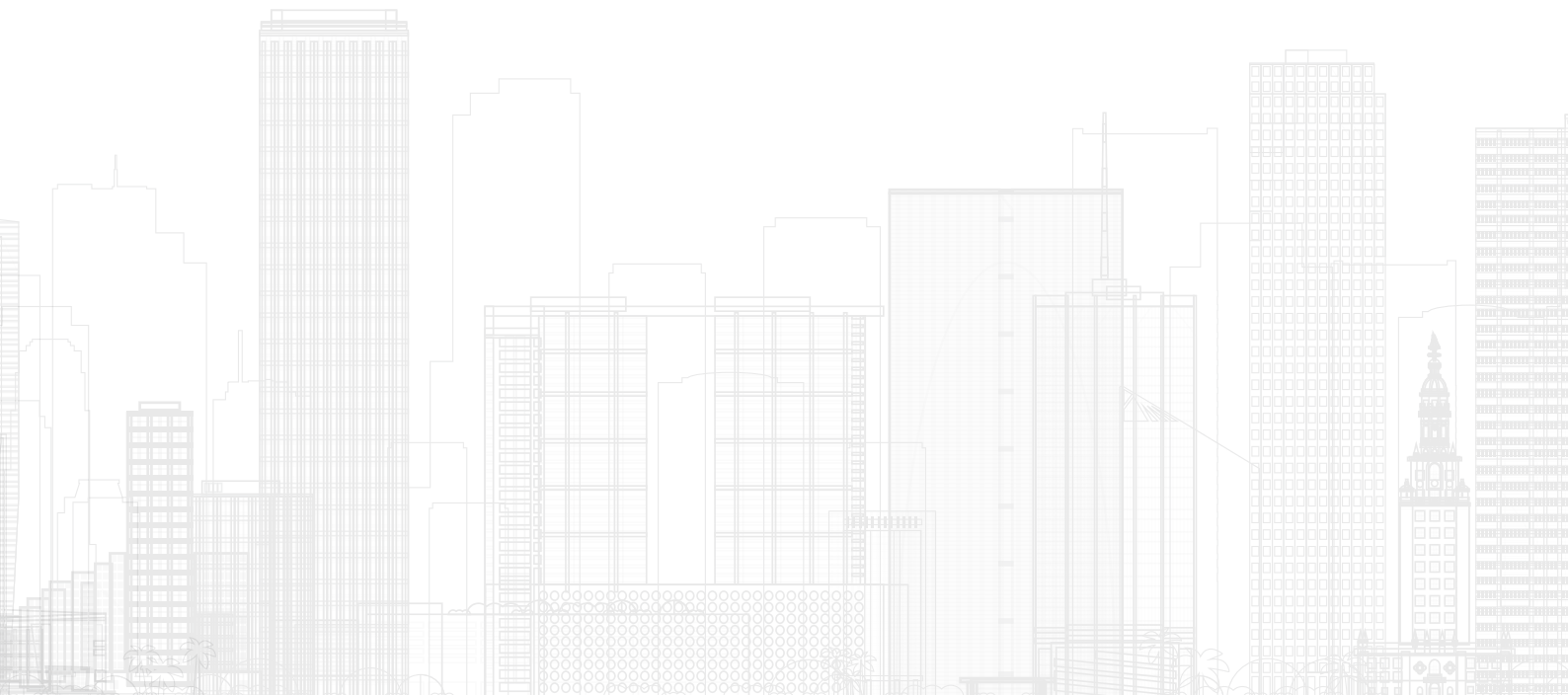
Shri Rajan Bandelkar

President
NAREDCO

“ Recently concluded G20 will have a positive impact on the overall economy. India’s engagement in the G20 can shape its real estate landscape through policy, investment, and sustainability considerations. Talking about the latest report, I would say that this positive sentiment surpasses the levels recorded during the pandemic in 2020. The report offers valuable insights into the evolving preferences and factors influencing property purchases. Homebuyers in India are increasingly optimistic about the economic landscape; this confidence reflects resilience in consumer sentiment, far surpassing the dip experienced during the peak of the pandemic.

While the income outlook has marginally dipped, real estate remains the preferred asset class for 48 per cent of respondents. With rising property prices and interest rates, incentives such as stamp duty and GST waivers, along with flexible payment plans, top the list of factors influencing home purchases in the next six months. These measures aim to make homeownership more accessible and appealing. Ready-to-move-in homes and gated communities are the most sought-after property types.

Additionally, the survey underscores the importance of personalized assistance after shortlisting properties. This post-selection support is crucial for closing purchases and enhancing the overall homebuying experience. As demand remains on an upward trajectory, homebuyers are actively searching for the right properties that fit their budgets. The surge in new units, reaching a decadal high in H1 2023, is expected to further fuel property demand across India’s top cities in the coming quarters.”



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OUTLOOK

India's property market maintains a positive outlook in the second half of 2023. The growth in consumption across segments is also mirrored in the property markets, which sustained their upward trend in the first half of the year. The primary residential market in the top-eight cities witnessed double-digit growth, with both new supply and sales in H1 2023 recording a year-on-year increase of 44 per cent and 15 per cent, respectively.

The much-awaited upcycle in the property market is evident with the increase in the credit growth in housing, which clocked double-digit growth as a factor of the pent-up demand and also a revived interest in the property market as a lucrative investment option.

The buoyant consumption patterns and improved sentiments amid the inflationary pressure indicate an overall optimistic approach amongst homebuyers for the coming six months, as is also highlighted in our latest consumer sentiment survey.

The findings suggest that the consumer economic outlook remains positive, with the respondents also

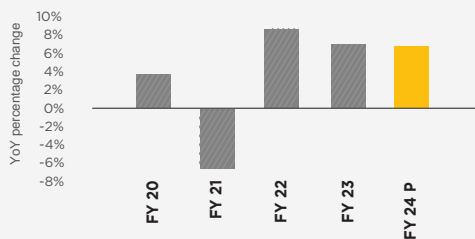
expressing optimism regarding their future earnings, a component that bodes well for the property market. The trends also suggest that homebuyers, mainly end-users, are looking for budget-friendly properties which are nearing completion or are in the ready- to-move-in category. Amenity-rich gated communities have emerged as a preferred choice for the aspirational and upwardly mobile home buyers who participated in the survey from across the top 8 cities.

It is evident from various data sets that more and more buyers are searching for homes, and there is an underlying demand for home ownership that has significantly surged during the pandemic. Our IRIS index, a leading indicator to gauge upcoming demand in key cities of India, also highlights the demand surge and is steadily above the 100-mark.

However, amidst this positive sentiment, finding the right product at the right price points remains a key challenge for buyers. With this background, let us dwell deeper into what is the outlook of the Indian property buyers for the coming six months.

India consumption landscape exhibits encouraging trends propelled by positive sentiments

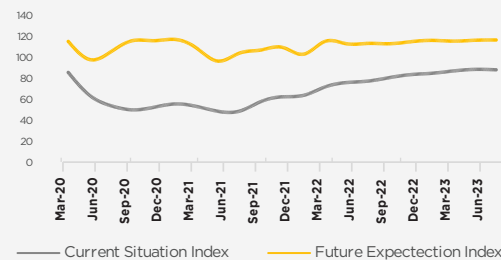
India's GDP projected to grow at 7 per cent in FY 23



Source: Economic Survey 2022-23, Housing Research. P - Projected

Consumer optimistic about current and future outlook

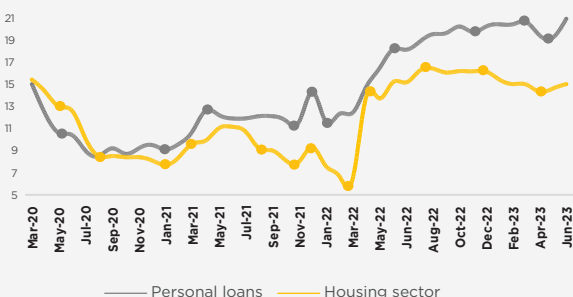
RBI's consumer sentiment index



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

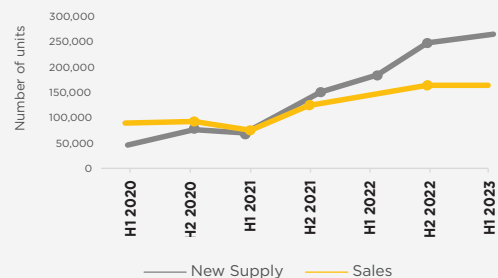
Housing credit growth records double-digit uptick

Credit Growth (YOY% change)



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

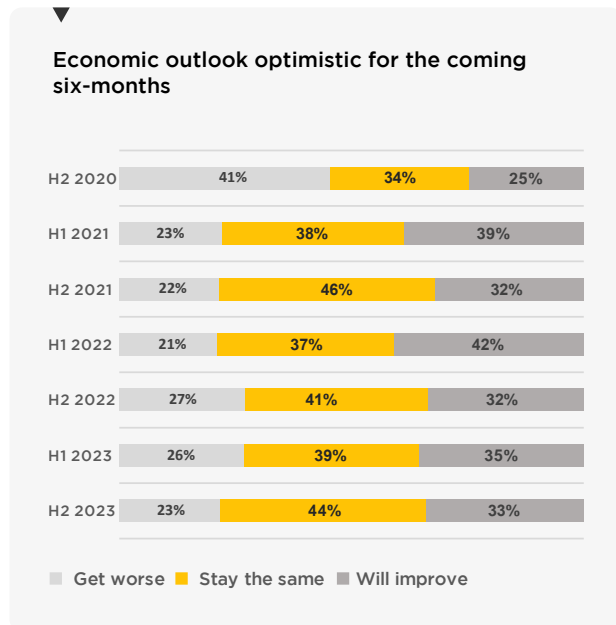
Residential new supply and sales sustain growth momentum



Source: Real Insight Residential April-June 2023, Housing Research

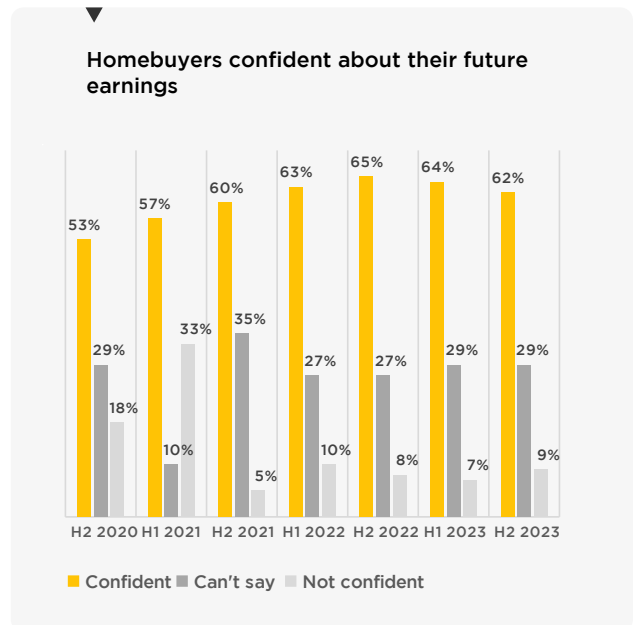
SECTION A. ECONOMIC OUTLOOK

A.1 Economic outlook for the coming six months



Source: Housing Research

A.2 Income outlook for the coming six months



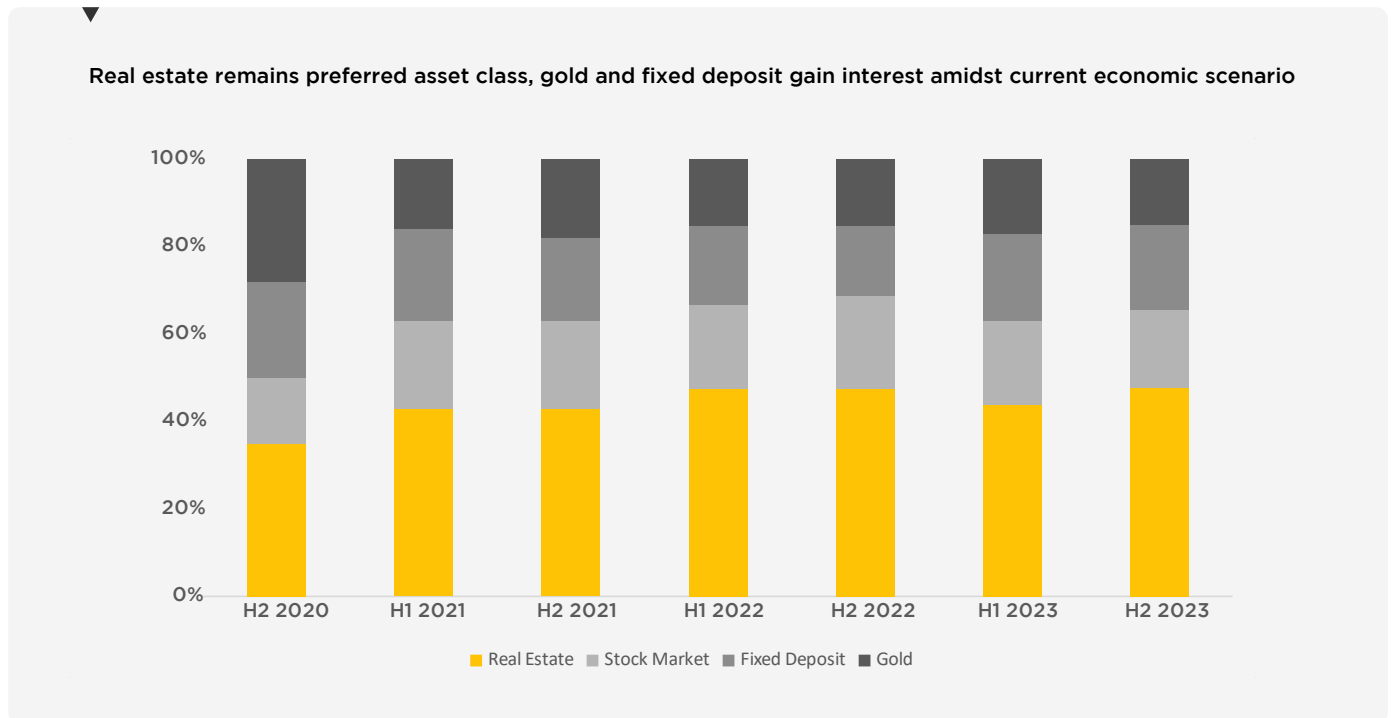
Source: Housing Research

- Our survey indicates that 77 per cent of the consumers are positive about the economic scenario for the coming six months, with 33 per cent of them opining that it will continue to improve. Corroborating with this, the Reserve Bank of India's consumer confidence survey also indicates an improvement in sentiments regarding the overall economic scenario for both current and future expectations.
- Although the sentiments remain positive, they remain slightly lower as compared to the levels seen immediately after the second wave of the pandemic in the second half of 2021.
- We see that the economic outlook remains strong for the coming six months despite the global uncertainties amidst inflationary pressures and supply-side shocks. The trends captured in the economic outlook for India also mirror the growth outlook of agencies such as the International Monetary Fund (IMF), which maintains a buoyant outlook for China and India, with the two largest emerging market economies expected to contribute around half of global growth this year, with the rest of Asia and Pacific contributing an additional fifth.

- India's leading indicators, including the manufacturing and services Purchasing Managers' Index (PMI), have been in the expansion zone, reaching 58.6 and 60.1, respectively, in August 2023. Though the services PMI is below its 13-month high clocked in July of this year, it remains above the 50-mark by growth in finance and insurance.
- Consumption indicators such as fuel, power, automobile sales, and Goods and Services Tax (GST) collections have all maintained upward momentum throughout the first half of 2023.
- In line with this, 62 per cent of the high-intent property buyers opined that they are confident regarding their income for the coming six months. Although sequentially, the sentiments dipped marginally as compared to the January-June 2023 period.

SECTION B. HOMEBUYING OUTLOOK

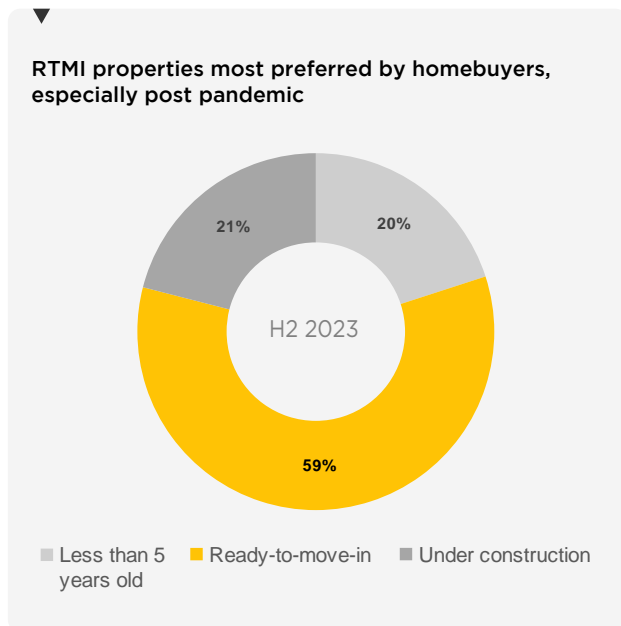
B.1 Asset class investment outlook



Source: Housing Research

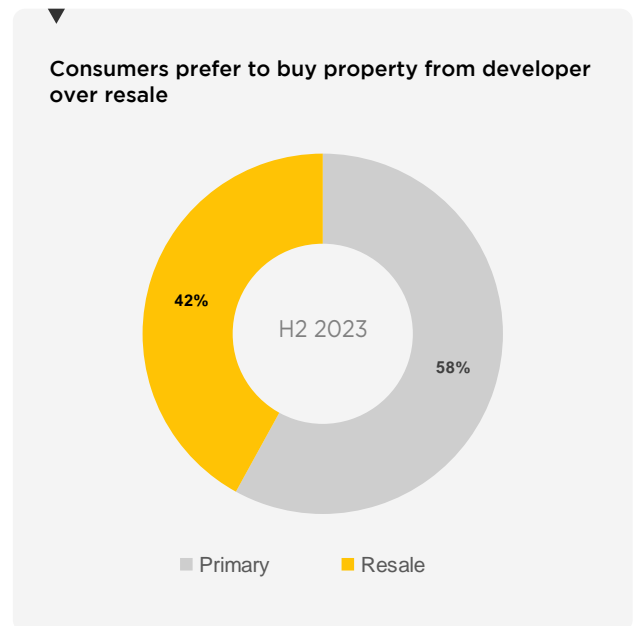
- Real estate continues to be the preferred asset class with 48 per cent of the respondents opining that they would want to invest in property as it is a stable hedge against inflation and is a time-tested wealth-building tool. The interest in real estate, especially in the residential segment, has grown on the back of a positive shift in sentiments regarding homeownership after the uncertainties posed by the COVID-19 pandemic.
- The surge in demand is evident from the fact that the markets sustained their growth momentum in the first half of the year, with both new supply and sales in the primary residential market recording double-digit growth of 44 per cent and 15 per cent YoY in the first half of 2023. The new supply is at a decade-high, and sales are at the highest since the same period in 2019.
- The demand pick-up has led to a substantial increase of 6-7 per cent in the weighted average property prices. Notably, certain prime localities in cities such as Gurugram, Hyderabad, and Bengaluru have experienced double-digit growth. Beyond attracting end-users, this upswing has reignited the interest of investors who had adopted a cautious stance, waiting for better returns amid a slowdown in demand.
- The sector is currently in the midst of an upcycle, and what's noteworthy is that even in the face of consecutive rate hikes followed by a pause by the Central Bank, the revived enthusiasm for property markets continues to shape market sentiments. This is further validated by our IRIS index, a leading indicator of forthcoming property demand in key Indian cities, which has consistently held steady at the 100-mark throughout Q2 2023.

B.2 Type of property



Source: Housing Research

B.3 Primary Vs Resale Property

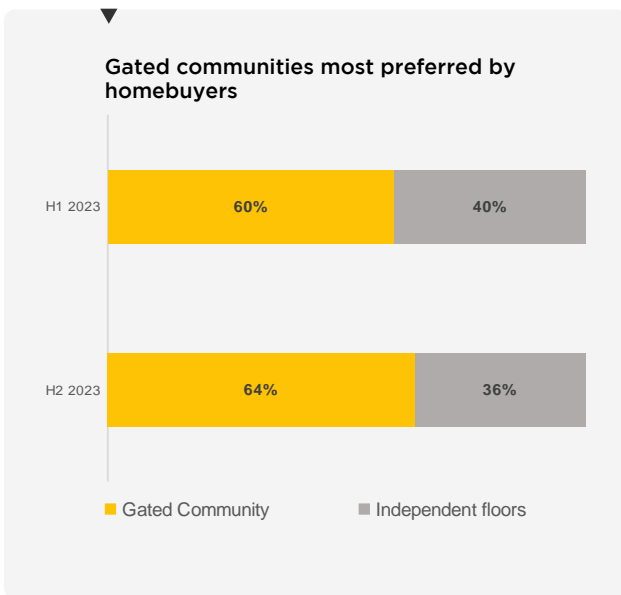


Source: Housing Research

- The residential market in India has long faced issues such as defaulting developers, litigations, and non-completion of projects, creating a trust deficit amongst homebuyers. While the implementation of the Real Estate (Regulation and Development) Act (RERA) has relatively straight jacketed the processes, buyers are still cautious about purchasing under-construction properties.
- To add to this, the pandemic exigencies and need for safety and security have boosted the sentiment of homeownership amongst end-users who are increasingly looking for ready homes to move in at the earliest.
- The trend set during pandemic has continued and 59 per cent of the respondents, are looking for ready-to-move-in (RTMI) property for coming six months, a marginal downtick from 61 per cent in H1 2023.

- Our consumer survey suggests that 58 per cent of the potential homebuyers are looking to buy a primary/ fresh property. Primary market refers to the sale of newly built properties by the developer or builder directly to the end-user.
- Conventionally, a primary property was typically priced higher due to various expenses involved in its construction, whereas the resale properties were usually priced lower.
- However, in the current scenario where majority endusers are looking to buy a ready-to-move-in property, the delta between a primary and resale property has reduced significantly owing to the demand-supply dynamics.
- Additionally, buying directly from a developer comes with much-needed advantages of flexible payment plans, schemes and discounts that provide financial ease to the buyer as opposed to resale, where a large part of payment must be paid upfront.

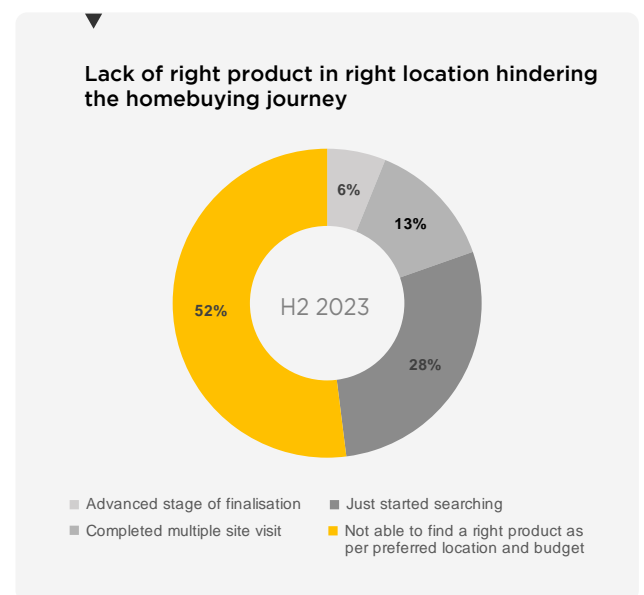
B.4 Preferred type of property format



Source: Housing Research

- Our findings highlight that the majority (64 per cent) of the potential homebuyers are looking to buy a property in a gated community as compared to independent floors or homes.
- The COVID-19 pandemic has accelerated the growth of gated communities in India, as people have sought out safe and secure places to live. Gated communities offer a sense of security and exclusivity, as well as a variety of amenities that appeal to homebuyers. They are also becoming more popular among investors as they offer the potential for higher returns.
- This format offers a sense of security along with open and recreational areas and is increasingly becoming the preferred format for senior citizens and nuclear families with children.
- As people from various social and economic backgrounds flock to Indian cities, these urban areas are becoming more cosmopolitan. This shift has led to rising aspirations and a growing desire for improved lifestyles, a demand that well-maintained condominiums are addressing.
- Moreover, the prevalence of work-from-home arrangements and hybrid work models has drawn individuals to spend more significant portions of their time within their residences and immediate environs. These factors are gaining significance in the decision-making process when it comes to property purchases.

B.5 Stage of purchase



Source: Housing Research

- A discernible trend identified in our consumer sentiment survey for the coming six months reveals that a majority of prospective homebuyers are faced with a challenge of finding a property that aligns with their budget and location preference.
- 52 per cent of prospective homebuyers in the top eight cities have indicated their inability to locate a property that aligns with their location, budget, and amenities preferences. Consequently, many of them have opted for a cautious "wait and watch" stance.
- In the current market landscape, where the majority of buyers are primarily end-users, there is a significant preference for ready-to-move-in properties which, paradoxically, constitutes only a mere 20 per cent of the 9.44 lakh unsold units within the primary market. Furthermore, developers are charging a premium on such properties amidst the current market dynamics, leading to a significant annual uptick in property values for this segment.
- Despite the availability of more affordable properties in peripheral areas, such areas often face challenges related to accessibility, amenities, retail, and overall infrastructure. As a result, potential homebuyers are leaning towards buying properties near the city, even if they are working from home or following a hybrid work model.
- We see that post-pandemic sales trends and consumer insights reveal a clear pent-up demand in the property market. This is evident from a significant 15 per cent year-on-year increase in property sales during the first half of 2023. However, to capture the demand fully and bring the fence sitters to the fold, the supply of properties that align with consumer preferences in terms of budget, location, and amenities is crucial.

Flexible payment plans, a key driver for fence-sitters



Source: Housing Research

- A significant proportion of prospective homebuyers have expressed a preference for convenience in payment options and the availability of incentives that will help in easing the burden of a substantial downpayment and enable the spreading of costs over an extended duration. Among the most cited demand catalysts are flexible payment plans, exemptions or reductions in stamp duty and GST, coupled with developer side discounts.
- As the property market drives on sentiments, such waivers as also in the past done by Maharashtra and Karnataka act as boosters to attract property buyers who are hesitant to enter the market due to the escalating property prices.
- It is seen that over the past two years, property prices in major Indian cities have experienced growth rate, surging at an impressive pace of 6-7 per cent after the decade long downcycle. This surge in prices has extended to various micro - markets, where developers are commanding premiums over ready-to-move-in (RTMI) properties.
- Further, the cumulative hike (2.5 per cent) in repo rate post May 2022 has put an upward pressure on home loan EMIs, overshadowing the consumer sentiments.
- Taking the third spot on homebuyer's list while shortlisting the property is maintenance free period. Maintenance expenses typically encompass the costs that go towards the upkeep of all the common spaces shared among residents of the apartment complex which is to be paid monthly or annually.
- It amounts for a significant chunk of one's monthly expenses and increases depending upon the available amenities thus making maintenance free period an attractive option for homebuyers.
- Guaranteed rental takes towards the last of home buyer preferences. Having a rental income till the property is complete eases the financial burden of the homebuyers and vouches for the location to be a desired one. Also, income from a pre-decided date eases the fears surrounding the completion of the project.

Personalised assistance highly coveted by consumers in homebuying process

01

Personalised assistance with already filtered properties as per your requirement



02

Assistance in understanding and closing legal documentation (stamp duty, registrations, title deeds, etc)



03

Assistance in home loans (eligibility, processes, documentation, etc)



04

Post purchase assistance (movers and packers, interiors, etc)



Source: Housing Research

- Purchasing a property is a tedious task that involves careful comparison, analysis, and consideration of various factors for making an informed decision.
- This sentiment is echoed in our consumer survey, where respondents have emphasised the importance of personalised assistance in finalising their property purchases after narrowing down their choices. They expressed a strong desire to engage with and receive guidance from experts during the evaluation process, encompassing aspects such as location assessment, amenities, and future investment potential.
- Second on the list of priorities is the need for guidance in comprehending and successfully concluding the legal aspects of the property purchase process. Homebuyers opined that they need guidance to navigate the legal process and also require assistance in conducting due diligence to mitigate the potential for future complications and safeguarding their investments, particularly given the legacy issues of transparency and trust deficit in the sector.
- Ranked third in the list of services sought during the home-buying journey is the assistance with home loans. The typical requirements include guidance in understanding the array of home loan options available and selecting the most suitable one for their individual circumstances. Additionally, support in managing the required documentation and navigating the application process is also highlighted as a desired service during the home-buying journey.
- Regarding support needed during the home buying process, post-purchase assistance, encompassing services like interior designing, moving, and property management, occupies the fourth position in terms of priority for potential homebuyers. While various platforms have begun consolidating these services to provide comprehensive support to prospective home-buyers, it's worth noting that post-purchase assistance is viewed as an auxiliary service and is not deemed as critical by most homebuyers.

Modular kitchen tops the list of homebuyers, when it comes to freebies

01

Modular kitchen, chimney



02

Cabinets and woodwork



03

Lifetime free club membership



04

White goods (Water purifier, microwaves, home automation system)



Source: Housing Research

- As per our survey findings, modular kitchen and accompanying wooden fittings, such as cabinets, are identified as basic hygiene features in a property by the potential homebuyers. The inclusion of these hard finishes can incur a substantial upfront expense and offering them as complimentary additions can not only save buyers time but also reduce the financial burden associated with self-installation.
 - In the past, promotional offers like these were employed to entice buyers during sluggish market conditions. However, with changing times and evolving aspirations, these inclusions within the apartment unit are now considered essential by homebuyers.
 - Lifetime club membership and white goods such as water purifiers, microwaves, home automation systems, etc took third and fourth spot on the list of inclusions that will drive homebuyers closer to purchase.
- As observed previously, modern homebuyers are increasingly seeking gated communities that provide recreational amenities like swimming pools, tennis courts, and clubhouses.
 - Although white goods and home automation are ranked in the fourth spot, they tend to be less enticing to homebuyers as many of them already possess these appliances, unlike the allure of a modular kitchen or custom woodwork.

IN SUMMARY

The 8th edition of our Residential Realty Consumer Sentiment Outlook survey paints an optimistic picture of the economic outlook for the next six months. It is encouraging to note that the economic outlook and income outlook remain strong despite global uncertainties – a crucial factor for the property market investment decisions.

The real estate sector remains a preferred investment choice, with respondents expressing a desire to invest in property due to its stability against inflation and wealth-building potential. The first half of the year has seen demand for residential real estate grow, with both new supply and sales in the primary residential market logging double-digit growth numbers. Ready-to-move-in properties continue to be a favourite but are in short supply across cities. Gated communities have gained popularity due to safety and security concerns, and the pandemic has accelerated this preference as people seek safe and secure living environments with amenities.

Analysing city sentiments, it becomes evident that Ahmedabad, Gurugram, and Pune display a higher degree of optimism regarding the economic and income outlook for the coming six months compared to other major cities.

Additionally, a preference for primary residential properties over resale homes is observed in cities like Ahmedabad, Hyderabad, and Bengaluru. This inclination can be attributed to an increased influx of new homes into these markets, providing prospective buyers with a broader range of choices. Notably, Gurugram and Noida present a different scenario, with more than half of the potential homebuyers expressing difficulty in finding properties that coincide with their preferred location and budget. This aligns with the current market dynamics in the region, characterised by a slow influx of new supply. Moreover, the available ready-to-move-in properties in the primary market are either commanding a premium or are not situated in the desired locations, creating challenges for homebuyers in the region.

In conclusion, the property market reflects clear indicators of pent-up demand, with buyers actively seeking properties that tie with their budget and location preferences while also offering growth potential. The outlook for the property market in the coming six months remains cautiously optimistic. While there are potential challenges on the horizon, the overarching trend suggests that the long-term upswing is expected to persist.



ANNEXURE

Approach and Methodology

The consumer sentiment insight series is a survey that measures consumers' inclination towards property markets. It also assesses their outlook on the overall economic climate and their confidence in the stability of their income over the coming six months.

To present an all-inclusive view of the real estate consumer sentiments, the report is divided into two sections. Section A comprises the macro-economic 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 2023. The insights presented represent the views of more than one thousand high-intent property buyers on Housing.com's platform.

Cities covered under the survey





Founded in 2012 and acquired by REA India (formerly known as Elara Technologies Pte. Ltd.) in 2017, Housing.com stands as India's premier full-stack PropTech platform catering to homeowners, home seekers, landlords, developers, and real estate brokers. Housing.com provides comprehensive listings for a wide range of properties, including new homes, resale homes, rentals, plots, commercial spaces, and co-living accommodations across India. Company is backed by robust research and analytics offering a spectrum of real estate services encompassing advertising, marketing, sales solutions for real estate developers, personalized search & insights, virtual viewing, AR&VR content, home loans, end-to-end transaction services, and post-transaction support for both buyers and renters. Additionally, we offer a suite of online services through our Housing Edge brand, including features like Pay on credit, movers & packers, lending services, online rent agreements, and an array of DIY services, catering to both customers and landlords. With a presence in 24 tier 1 and 2 cities our mission is to simplify the home buying, selling, and renting journey for our valued customers. REA India is a group company of global PropTech leader, REA Group of Australia that is over 20 Billion AUD company. For further details about the Company, please visit www.housing.com.

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National Real Estate Development Council (NAREDCO) was established as an autonomous self-regulatory body in 1998 under the aegis of the 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. They 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 the real estate business and transform the unorganised Indian real estate sector into a mature and globally competitive business sector. The National Real Estate Development Council functions as Development & Promotion Council for the 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 the 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 the real estate industry in India, partnering with industry and government alike through advisory and consultative processes.

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

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