

Indian Real Estate Consumer Outlook Survey

H2 2018



Foreword

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The Indian real estate sector has metamorphosed significantly over the last few years. The pace of transformation has been largely accelerated by the Central government's reformatory steps to bring in 'Acche Din' in the realty sector. A new regulatory environment has been created post-implementation of policies like DeMo, RERA, GST, Real Estate Investment Trusts (REITs), the Benami Transactions (Prohibition) Amendment Act, 2016 and the Pradhan Mantri Awas Yojana (PMAY), among others, over the last four years.

These policies have brought in a paradigm shift in the way real estate business is now conducted, thus, inching closer towards greater transparency and accountability, financial discipline, and increased efficiency. Moreover, from being an investors delight, the Indian realty market has evolved into being a 'buyers paradise,' aided further by banks which reduced interest rates on housing loans and price corrections in select markets over the last few years.

The q-o-q growth in both housing sales and new launches in 2018 is a testimony to the fact that the negative impacts of DeMo, RERA and GST have eventually subsided. 'Real' consumers are back from their wait-and-watch mode and ready to take the plunge.

*In this backdrop, ANAROCK Property Consultants conducted a comprehensive survey - **Real Estate Consumer Outlook: H2 2018** - to understand what property seekers want in the near future and whether the current macroeconomic environment is conducive for them to take the plunge in the property market or not. Besides analysing the future trends based on buyers preference, the report also delves deeper into the past behaviour of property buyers from the demand perspective.*

We hope that this report will provide valuable insights to not just consumers, but also other stakeholders in the Indian realty sector including developers, real estate consultants, and local & international property investor community.



“The Indian real estate market has evolved from being an investors delight into being a ‘buyers paradise’, as lower home loan rates & discounted prices dominate home buyers interest.”



The Survey

Methodology

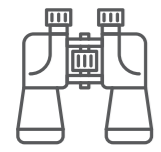
Though in its first edition, the consumer sentiment survey will henceforth be conducted twice a year. The main aim of the survey is to provide consumers, property investors, sellers and owners including local and expatriates with insights into the property market purely from a consumer perspective. As many as 2,621 participants responded to this online survey which was taken from different sources including email campaign, a web link and LinkedIn messages. Thereafter, the answers collected were analysed in-house and data was correlated to the present economic condition. The views expressed in the report are completely unbiased.



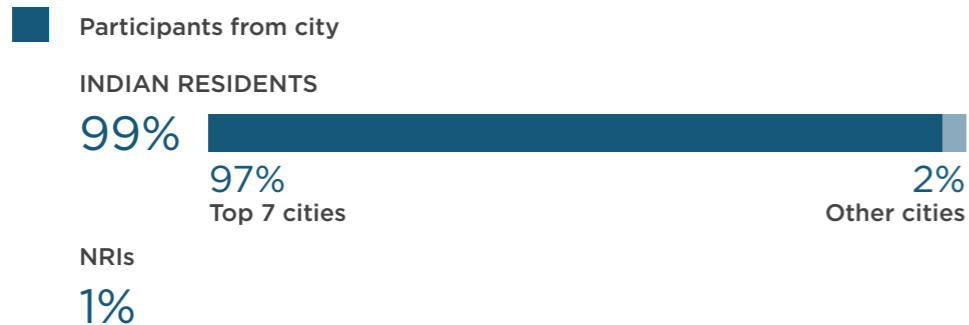
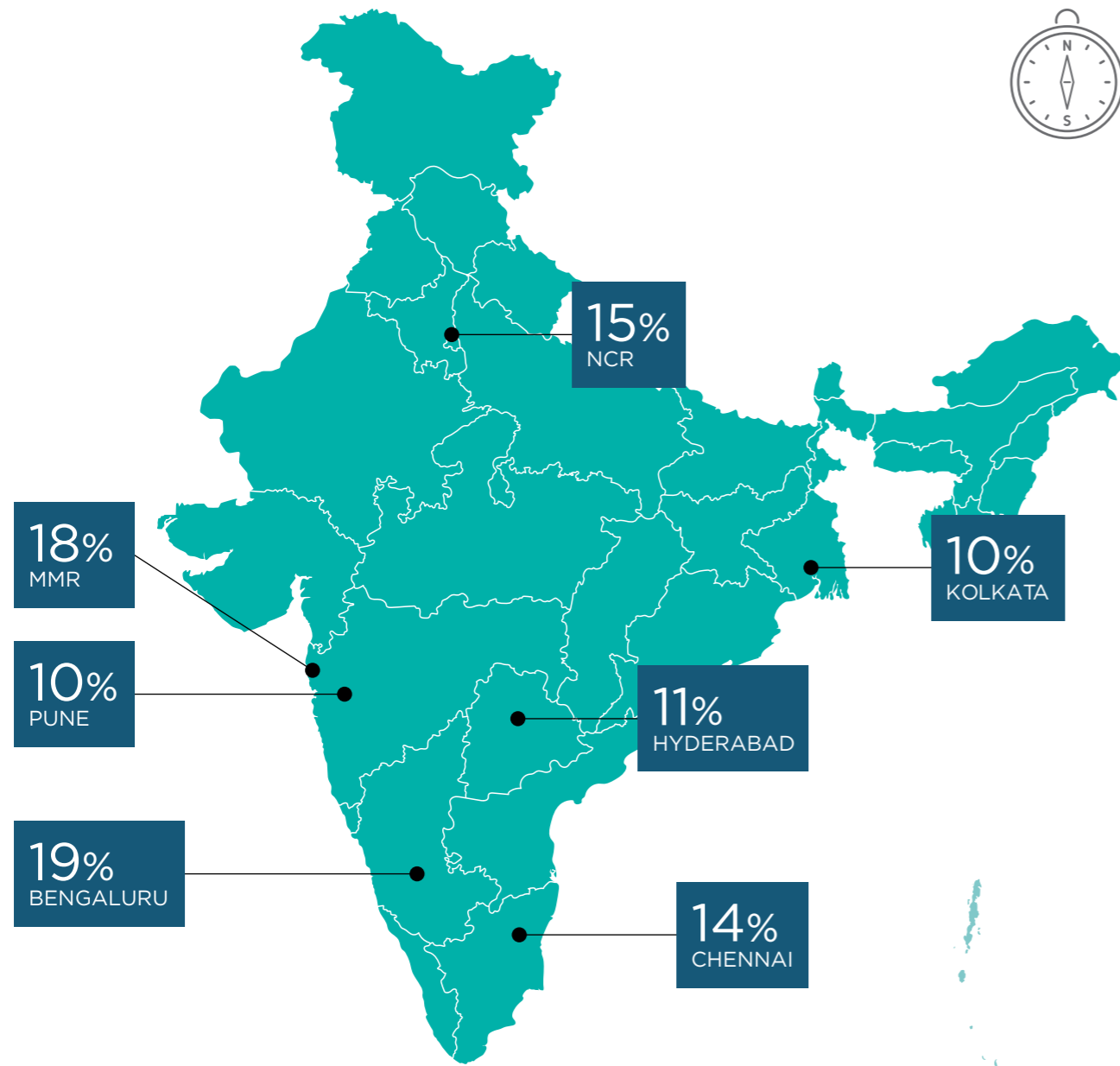
2,621

No. of participants that responded on an online multi-channel survey (conducted through email, web link & LinkedIn)





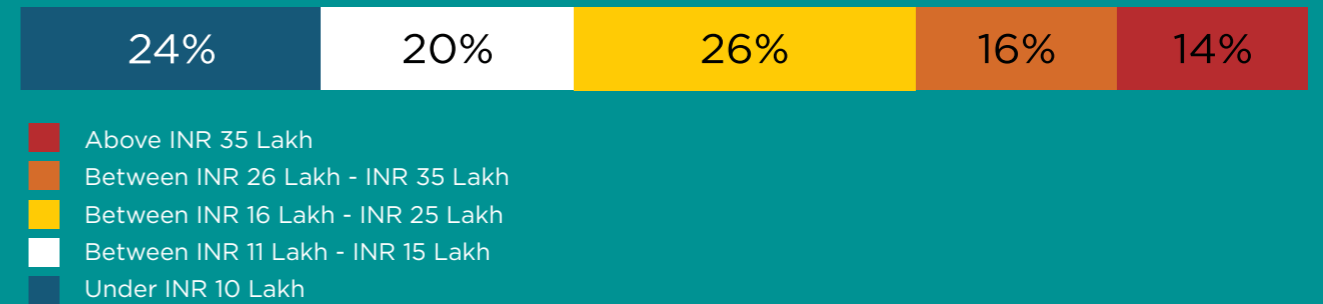
Survey participants: Geographic distribution



Demographic distribution



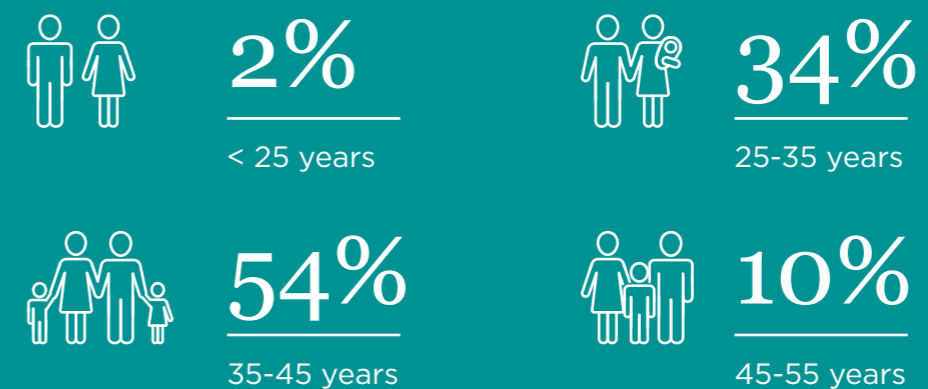
Annual Family Income



Gender Typology



Age Group





Best asset class for investment?

In its bid to eradicate black money from the system, the centre introduced multiple policies including demonetization, Benami Act etc. More so, the use of unreported 'cash' for buying assets like gold was also restricted to mere INR 50,000 per transaction. This immensely impacted the purchase of the yellow metal as well as real estate to a large extent. In this backdrop, it was imperative to know which asset class attracted most investors.

As per ANAROCK consumer sentiment survey, despite all odds, real estate continues to be the first preference for buyers and investors alike with nearly 53% survey respondents preferring to invest in it. Genuine requirement for homes coupled with lower interest rates and discounted prices are once again attracting buyers. Interestingly, the buoyancy in the Stock Market & Mutual Funds market has kept the momentum going for it with 23% votes in its favour, followed by Fixed Deposits with 14%. Surprisingly, the yellow metal seems to have lost its sheen with just 10% respondents preferring to invest in it. Conventionally, India's love for gold as an investment option has been legendary but in recent times it is somewhat fading owing to its unusual lack of sensitivity to multiple geopolitical shocks and the massive injection of liquidity in most banks.

As per ANAROCK consumer sentiment survey,

53%



Prefer to invest in real estate

23%



Prefer to invest in stock market and mutual funds

14%

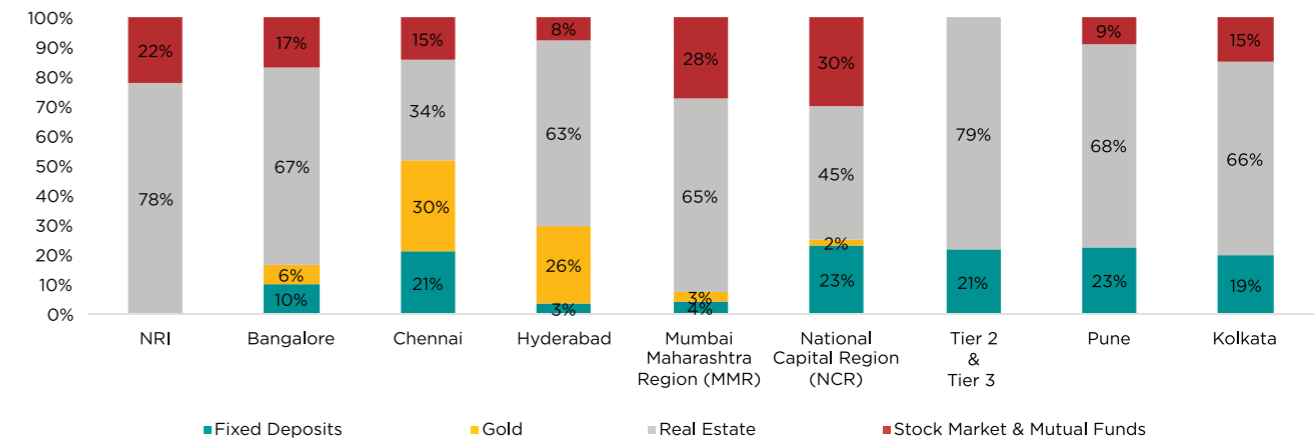


Prefer to invest in fixed deposits

10%



Prefer to invest in gold



At the city-specific level, real estate has emerged as the showstopper across all cities in the country. However, it is interesting to note that Gold which was the last preference of investment collectively in India is the second preference in southern cities of Chennai and Hyderabad. Besides real estate, the love for the yellow metal in particularly the southern states of the country is known to be prevalent since time immemorial.

Meanwhile, Tier 3 cities namely Nashik, Jaipur, Chandigarh, Bhopal etc. have shied away from the Stock and Mutual Funds market completely, probably because of its volatile nature. These cities bank more on traditional investment asset classes including real estate and FDs. Alternately, respondents in MMR, NCR and Bengaluru prefer to stay away from gold and invest more on Stocks and Mutual Funds.

Despite its volatility, the investments in the stock market remained buoyant in these cities in the last one or two years with Sensex soaring as high as 36,000+. And, due to the slowdown seen in the Indian real estate market, most investors found the stock market as the best alternative. Also, investors looking for short term gain preferred the stocks & mutual funds as against other asset classes.

Respondents in Pune and Kolkata, on the other hand, still prefer FDs after real estate. Despite the lowering of interest rates for FDs by all banks, the investors find it a lucrative investment option with assured yearly returns.

As expected, for NRIs, real estate continued to be the preferred investment option. The charm to own a property back in their country of origin still makes NRIs consider real estate as the best investment option. The ongoing visa challenges for Indians in the US is also a major reason why NRIs are opting to invest in real estate here so that on their return they have a property to bank on.



“Declining interest rates of FDs have given way to stock market & mutual funds as the 2nd most-preferred asset class for investment. Alternately, gold has lost its sheen in most cities.”



Already bought or looking to buy a property?

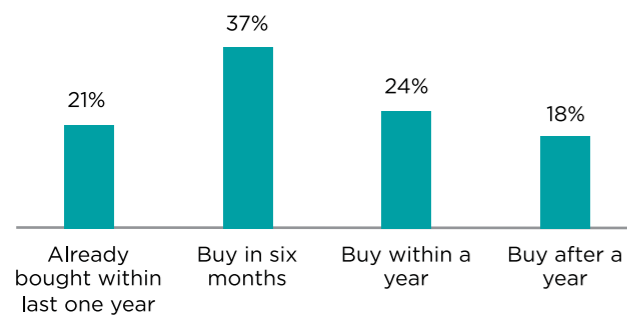
After a long hiatus, several 'real' buyers have come out of their wait-and-watch mode and bought their dream property. The conducive Indian real estate environment over the last few quarters has prompted as many as 21% respondents to take the plunge and buy their property, followed by 37% people who are looking to buy within the next 6 months.

Nearly 18% respondents have postponed their property buying decision by more than a year due to various reasons including job insecurity and in anticipation that there will be a price correction in 2019 due to Lok Sabha elections.

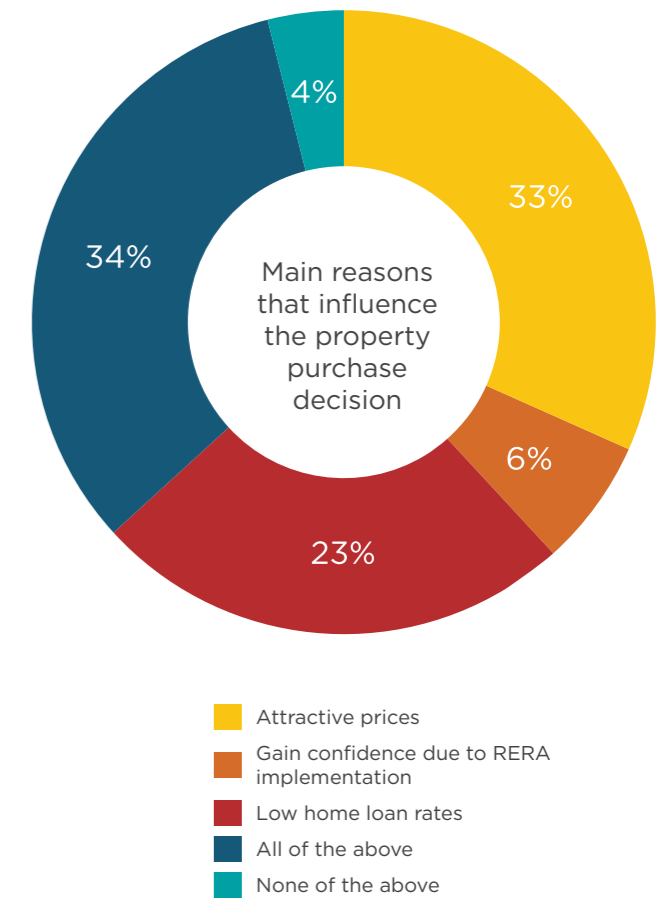
In fact, ANAROCK data suggests that the unsold inventory across the top 7 cities has seen a drop of nearly 10% to 7.0 lakh units in Q2 2018 as against 7.7 lakh units in Q4 2017. Nearly 61% will buy their dream home within the next one year.

61%

Consumers are likely to take plunge in the real estate market within 1 year



The main reason that influenced the property purchase decision of nearly 21% buyers who had already taken the plunge over the last one year included attractive prices offered by the seller/developer, followed by lower home loan rates. Surprisingly, gaining confidence due to RERA implementation is the most non-popular reason amongst the buyers. However, the combination of RERA implementation with attractive prices and lower home loan rates is the most preferred reason for as many as 34% buyers. Only 4% of buyers chose none of the listed reasons, possibly because most of these got their preferred property in a good location. Excluding those who have already purchased property, nearly 77% respondents will be buying property within the next one year, out of which 45% are willing to buy within the next six months.



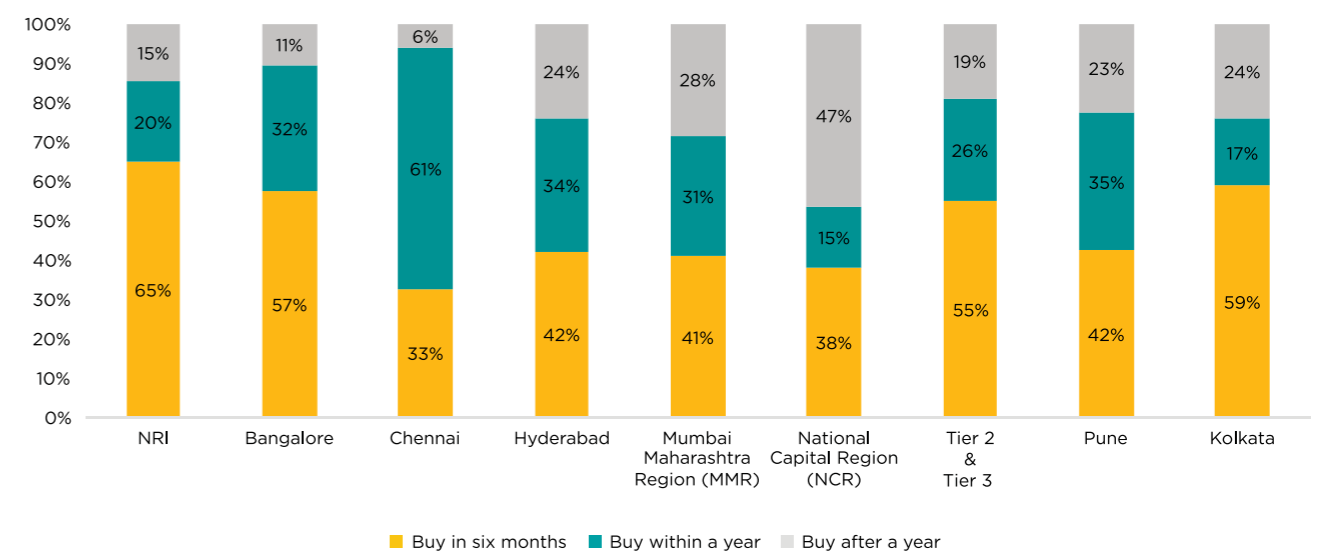
Interestingly, further analysis of city-specific trends indicate that maximum respondents in NCR (nearly 47%) prefer to buy property after an year. This coincides with the ongoing issues prevailing in the real estate market in NCR where consumers are still in the wait-and-watch mode. With high unsold stock in the market and several stalled projects in the region, buyers are still preferring to stay away from the property market.

On the contrary, maximum respondents in Bengaluru, Kolkata and Tier 3 cities are looking to buy a property within the next six months. This is a major cue for developers in these regions. Additionally, the NRIs are also keen to invest in a property in the country of their origin with 65% of them willing to seal-the-deal within the next six months.

65%



NRIs are keen to invest in a property in the country of their origin within the next six months



Will this property be for end-use or for investment?

There has been a paradigm shift in the Indian real estate market over the last few years. From being largely speculative, the realty market has become a buyers' haven where most cities are seeing end-user demand on a high. Unlike earlier, speculative markets like NCR and MMR are witnessing a reverse trend with more 'real' buyers stepping forward.

As per the survey, a whopping 68% respondents across the country who have either purchased in the last one year or looking to buy in the near future are doing so for their end-use only. As expected, 94% NRIs are looking to buy property merely as an investment. The fact that they want to have a property in their country of origin is prompting them to buy in the current lucrative real estate market. This trend is likely to continue in the second half of 2018 as well with end-users dominating the market.

Meanwhile, the survey results also show that 32% respondents are investors who are looking to invest in real estate.

This proves that people's faith in real estate as the preferred asset class for investment still continues despite its lacklustre performance in the past few years. Interestingly, besides NRIs, the respondents in Tier 3 cities, NCR and Hyderabad also have as many as 45%, 43% & 38% respondents respectively looking to invest.

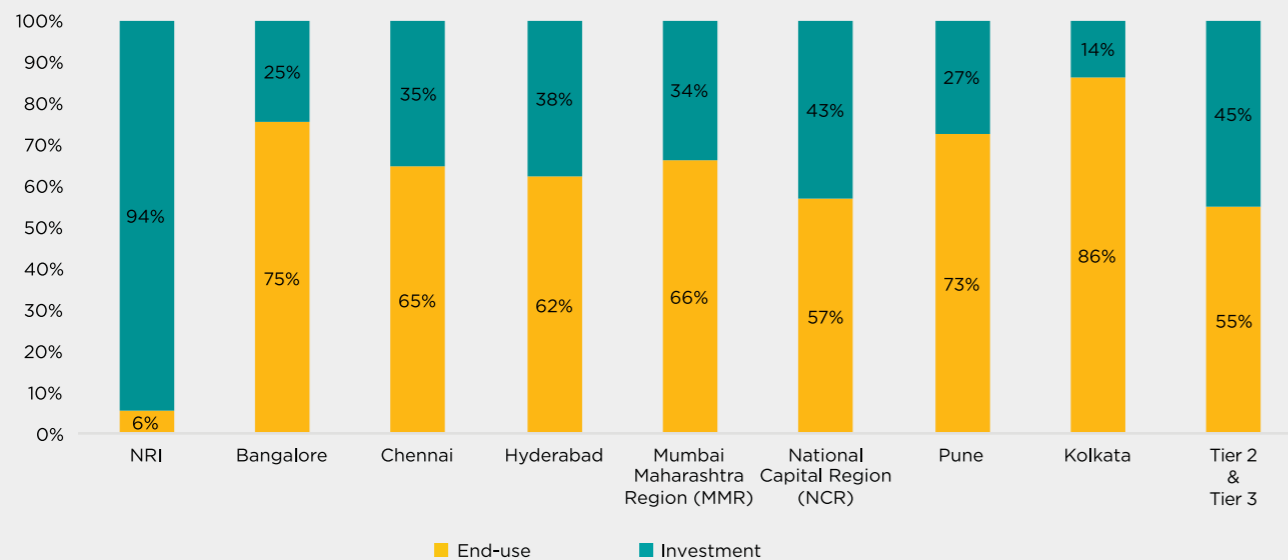
68%

Property seekers will buy a property for end-use



32%

Property seekers will buy a property for investment



If investment, then what is your plan?

On being asked about their plan post-investment, nearly 51% respondents stated that they would like to earn rental income, followed by 34% people who prefer to sell their property after appropriate appreciation. With high disposable income, many home buyers still believe in having multiple real estate assets that will essentially fetch them rental returns annually. Moreover, with rental demand going significantly high in most large cities, it seems like a viable proposition.

If we delve deeper into city-specific trends, Hyderabad tops the chart with 82% respondents looking to earn rental income, followed by Pune, NCR and Bangalore with 70%, 68%, and 55% respectively. It can be noted here that the commercial activity of each of these cities has been on the rise with many multi-nationals expanding their bases in these cities. As a result, the residential rental demand has seen an upsurge in recent times.

Shining Star of the East' - Kolkata - saw cent per cent inclination towards the sale of purchased property after appropriate price appreciation as against earning rental income or building an asset for the future, followed by 68% respondents in Chennai and 59% NRI investors also looking to sell their property. Meanwhile, 15% respondents want to invest in real estate in order to build an asset for the future. Despite its performance in the last few years, Indians' love for property is prevalent since time immemorial.

51%

Earn rental income

34%

Sell a property after appropriate price appreciation

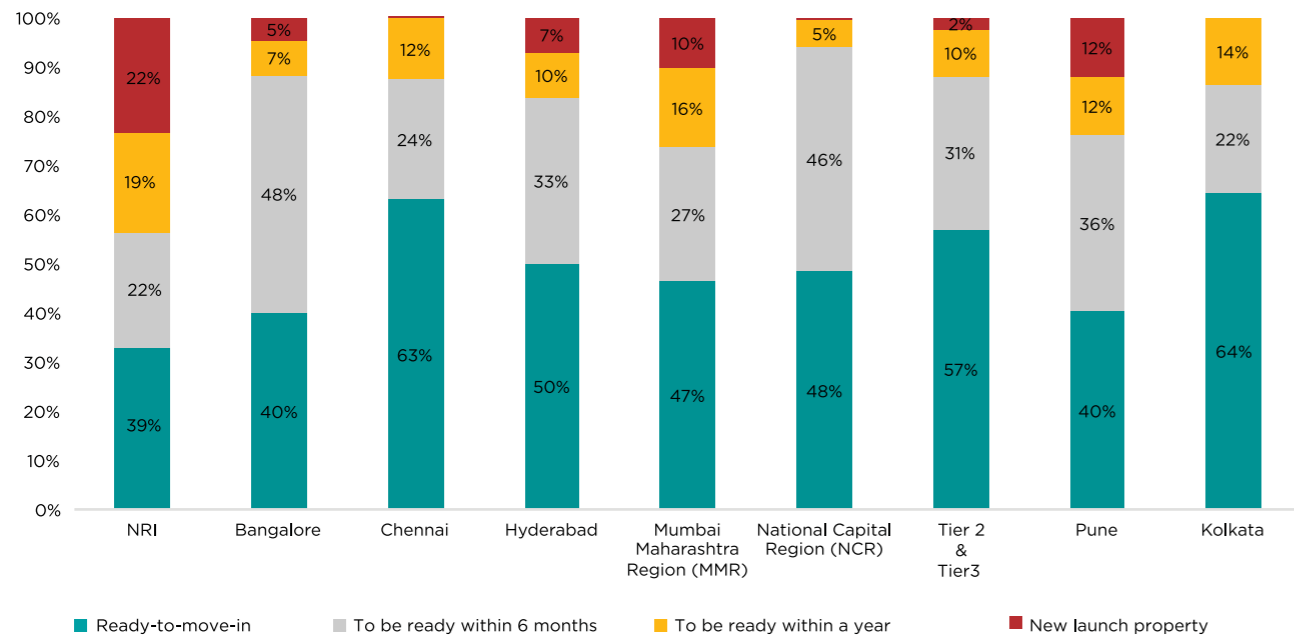
15%

Build an asset for future



“Earning rental income is the preferred choice of 51% property seekers.”

Most preferred property-stage?



Buying property is a very judicious decision and the “Stage of Construction” indirectly affects one’s budget. In a significant trend witnessed in the Indian real estate market recently, demand for new launches has almost ceased to exist in most cities across the country. Ready-to-move-in property has become the flavour of the season with buyers preferring to see what they get. More so, buyers prefer to stay away from risks associated with newly launched projects including incessant delays, few developers claiming bankruptcy or even carrying on with unscrupulous activities, etc. And, with home loan interest rates at an all-time low, most prefer to pay their EMIs while staying in the property of their choice.

Overall, nearly 49% respondents want to purchase a property which is ready-to-move-in with cities like Kolkata, Chennai, and Tier 3 cities leading the show. **However, maximum property seekers in Bangalore, MMR and Hyderabad prefer to buy ‘Under-Construction’ properties which are nearing completion.** This could be due to the reason that developers here are more professional with most adhering to their project completion deadlines. More so, buyers here also prefer to reap in maximum monetary benefits as during this stage the prices are relatively lower.

Only a few prospective property seekers still prefer “New Launch Property” so as to maximise their ROI in these cities.

Meanwhile, 35% respondents are looking to buy property which will be ready-to-move-in within the next 6 months, followed by 11% participants favouring those properties that will be ready within a year. Surprisingly, only 5% buyers want to put their money in new launch projects. This trend can thus go a long way in helping the unsold stock across the country to reduce significantly.

49%



Respondents prefer ready-to-move-in properties

35%



Respondents are looking to buy property which will be in ready-to-move-in stage within the next six months

Where do you intend to buy your property?

Gone are the days when people preferred to stay in the city peripheries, away from the hustle-bustle of city-life. Lack of basic infrastructure amenities, minimal public transport facilities and increasing commute time to workplaces is now prompting buyers to look for options within the city limits and closer to their workplaces, children’s school etc.

In this, MMR contributed significantly because of the sky-rocketing prices in most micro markets in the city centre and even within city limits. However, another point to note is that the local train network along with increasing metro connectivity is attracting most buyers to consider even the suburban areas.

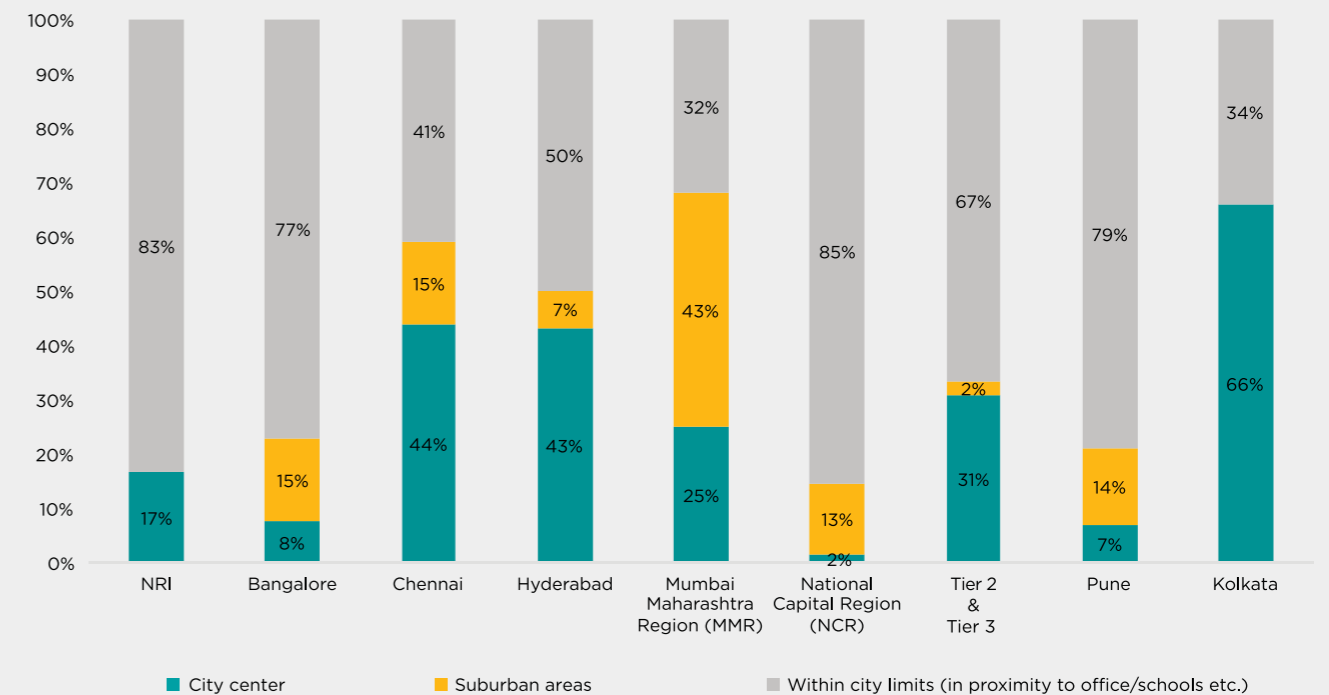
As per the survey, nearly 56% respondents preferred to buy property within the city limits and live in close proximity to office/school or other basic infrastructure facilities. Interestingly, 28% respondents hardly cared much for high prices and preferred to live in the city centre.

56%



Respondents prefer a home closer to their workplace or school, leading to emergence of trends like walk-to-work due to lack of basic infrastructure facilities

The growing traffic woes across most cities in India is prompting several buyers to live closer to their workplaces or better still walk to work. As a result, walk-to-work concept has gained immense popularity in cities where traffic chaos is on the rise due to slow pace of infrastructure development. Bengaluru is a classic example of a city which has seen the emergence of walk-to-work concept in recent times. Only 15% property seekers prefer to stay in suburban areas.



What is your budget for investment?

Affordable Housing has created quite a stir in the Indian real estate market ever since the government announced its vision 'Housing for All by 2022.' A spate of policy reforms and schemes announced over the last few quarters for this segment have resulted in an increased new supply and demand in the category.

As per ANAROCK data, the new supply in the affordable segment increased by 100% in Q2 2018 as against the previous quarter across the top 7 cities. This supply has very much kept in sync with the increasing demand for affordable units. The survey indicates that maximum respondents (nearly 39%) preferred to buy property in the affordable segment (< Rs 40 lakh), followed by 28% respondents seeking properties in the mid segment (Rs 40 lakh to Rs 80 lakh).

In fact, on the supply front too the market continued to be dominated by the affordable and mid-segment, with 77% of unit launches (38,600 units) in Q2 2018 being added in less than INR 80 lakh across the top 7 cities. Out of the total new launches during this period, affordable segment comprised of a whopping 46% share. As expected the seekers for luxury and ultra-luxury properties were less, but the number collectively was quite reassuring as nearly 29% respondents were looking to buy a property priced above Rs 80 lakh.

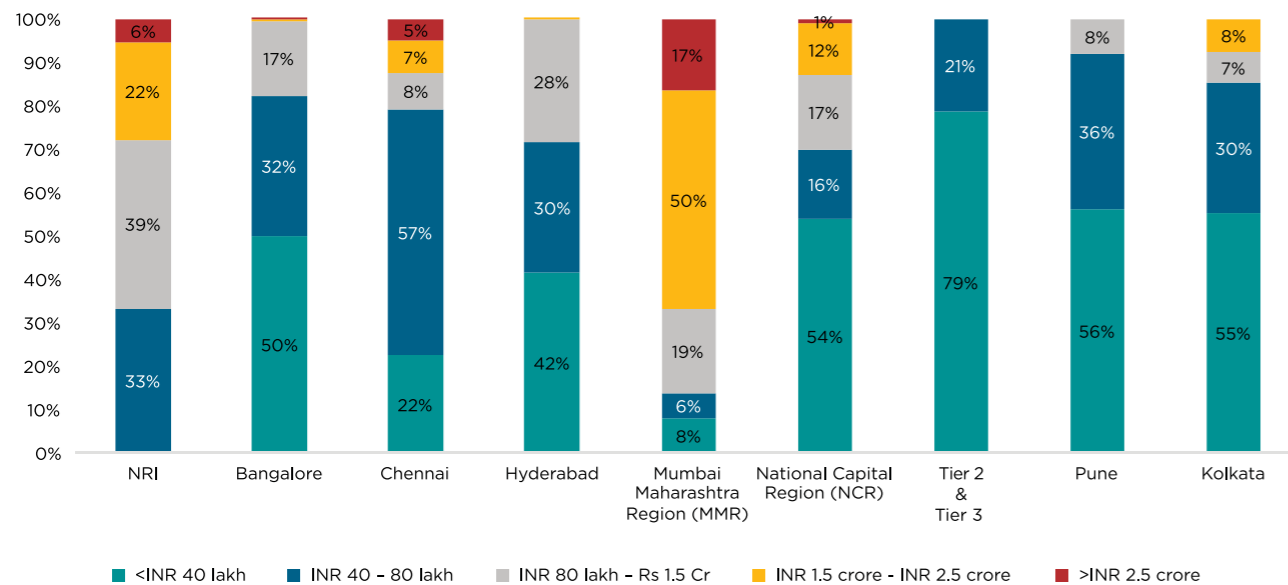


Of this, 13% respondents were looking to buy a property in the ultra-luxury segment priced above Rs 1.5 crore. Interestingly, if we look at city-specific trends, MMR, Chennai & NRI property seekers showed maximum interest in ultra-luxury properties.

Affordable housing in the new pulse of the nation with

39%

Respondents preferring to buy a property in < INR 40 lakh budget



What BHK type and size are you looking for?

'Small is beautiful' is the new buzzword with Indian millennials in major cities like MMR, Bengaluru, NCR and even Chennai. The young professionals prefer to live close to their workplaces so that their daily commute is reduced, and work-life balance is maintained. Additionally, besides keeping the 'affordability' quotient in mind, the so-called millennials prefer to keep it small and avoid maintenance hassles of large homes along with the high cost attached to maintaining it. This is very much reflected in our survey which indicates that a significant 68% property seekers prefer smaller size properties over big ones. The preference for property size also depends on the city density and the capital value of properties.

Besides smaller size units, 2BHKs have become the hot favourite BHK-configuration amongst most property seekers in urban cities. As many as 57% respondents prefer to buy 2BHK homes, followed by preference for 3BHKs, 1BHK & 4BHK with 29%, 12% & 2% respectively. Interestingly, smaller Tier 3 cities prefer 3BHK-configurations and larger sizes as against metros where 2BHKs are most in demand. Following the conventional trends, Hyderabad still has 10% property seekers that want 4BHK units sprawling over larger area. The 'City of Nawabs' has, thus, lived up to its name. Lower property prices in Hyderabad in comparison to most of its counterparts is the prime reason for this preference.

A whopping share of

52%

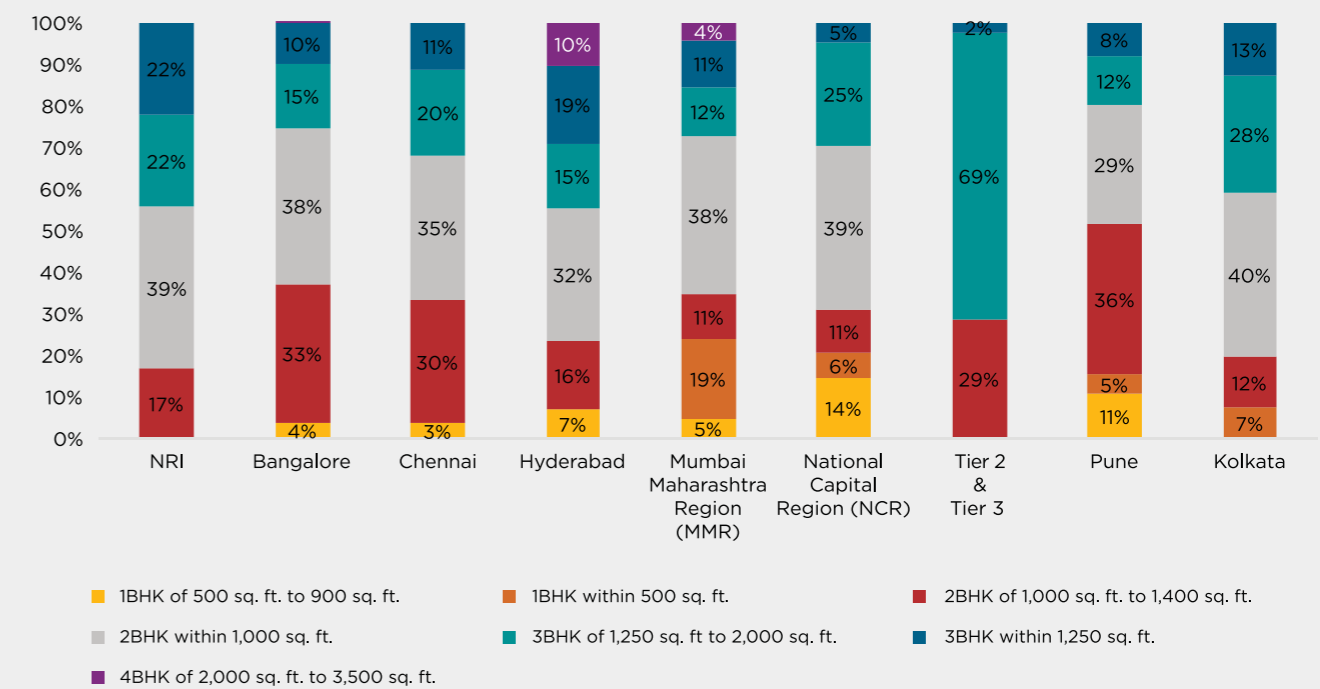
property seekers prefer small-size units



2BHK



is the most preferred configuration



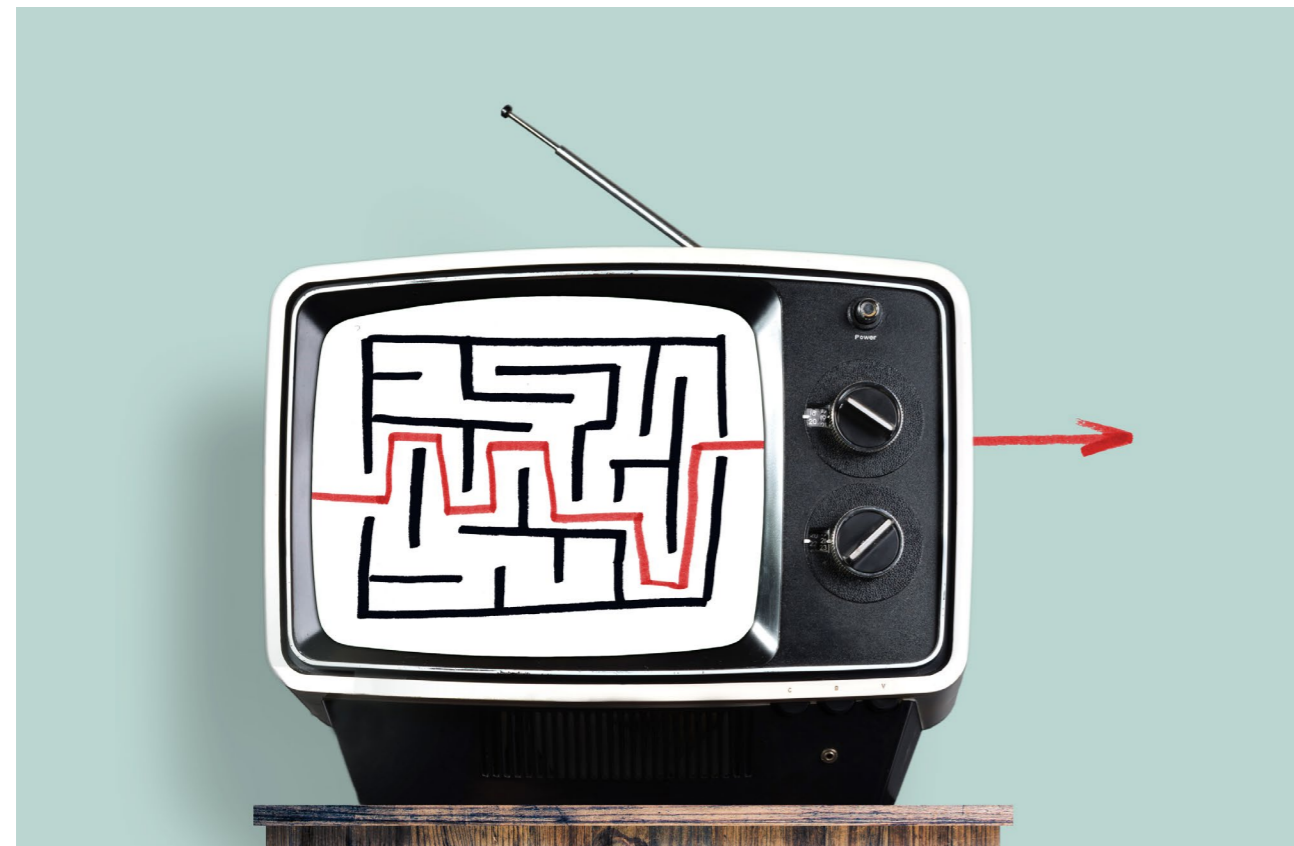
Have DeMo, RERA and GST made the sector more transparent & efficient?

Majority (81%) respondents, think that post-implementation of regulatory policies like RERA and DeMo, the Indian real estate sector has become more transparent and accountable. In fact, as per our data, housing sales and new launches across the top 7 cities saw major uptick q-o-q in 2018 across the top 7 cities. This was essentially due to the rising confidence of consumers in the prevailing positive reformatory environment.

Contrary to this, 18% respondents still want more policies to be implemented so that the sector becomes more transparent and efficient. Further, while responding to the query as to what more policies need to be included for better functioning of real estate, majority respondents demanded for pricing cap of properties as per the city and its location.



81% Yes
18% More policies need to be included
1% No

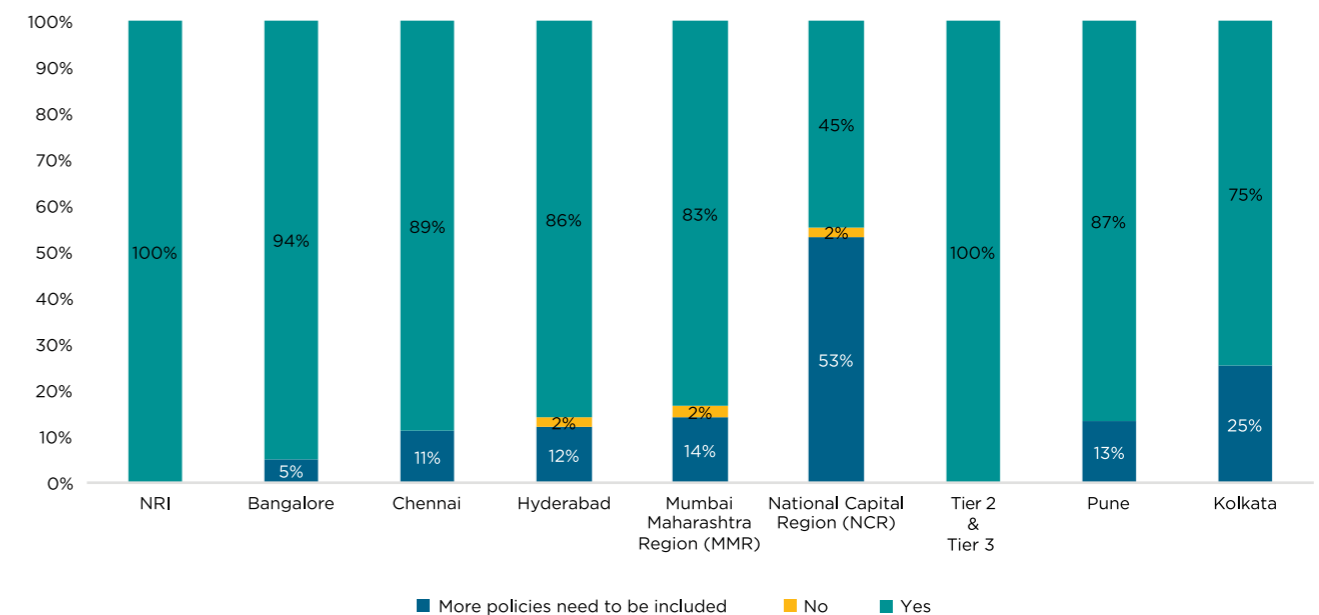


Some respondents demanded more strict policy regarding the bankruptcy act for the developers. Interestingly, the demand has been recently met by the government in a major move, homebuyers will be treated as 'financial creditors' in times of claiming their dues. In a landmark development, just 1% respondents continue to feel that there is still no transparency in the Indian real estate sector.

In one of the major developments in the Indian real estate sector, almost all cities seem to be contended with the implementation of regulatory policies over the last few years. Some of these policies included the RERA, GST, DeMo, Benami Bill, among others. NCR continues to feel that more stringent policies need to be implemented for the betterment of buyers in the region. It is not really surprising that respondents in NCR continues to feel so because of the number of issues pertaining to project delays, developer bankruptcy, land litigation, etc.

Kolkata was another city where 25% respondents still want more policies to be implemented so that real estate market there becomes more transparent, accountable and efficient.

Interestingly, all NRI respondents are happy with the regulatory changes in India as 100% of them think that the implementation of RERA, DeMo and GST have made the sector more efficient and transparent. As per them, the environment here in India is conducive enough for them to invest in property.

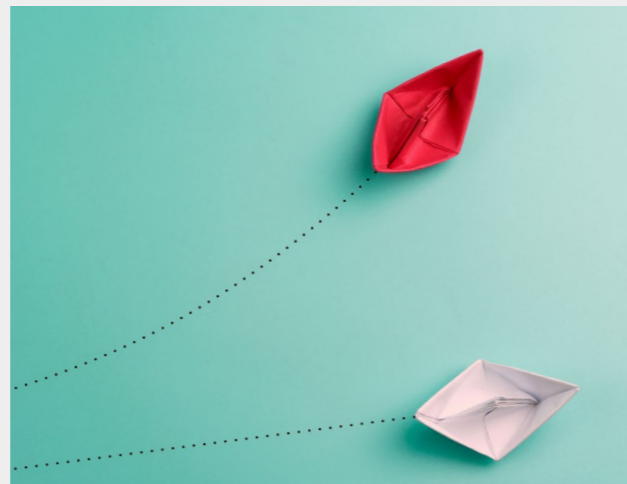


“A whopping 53% consumers in NCR still want more stringent policies in the real estate market to make it more transparent & efficient!”

Indian banking mess: Is investing in real estate better or parking money in banks?

In the wake of the ongoing banking crisis in India wherein many defaulters were brought to the fore, it became imperative to understand what the consumers think. As per the survey, approx. 81% respondents preferred to invest in real estate rather than park their hard-earned money in the banks. The increasing frauds in the banking system has shaken the faith of most people with many feeling wary of even putting their money into banks. This can also be correlated to the fact that only a minor number of people prefer FDs over other asset classes for investment namely stocks and mutual funds.

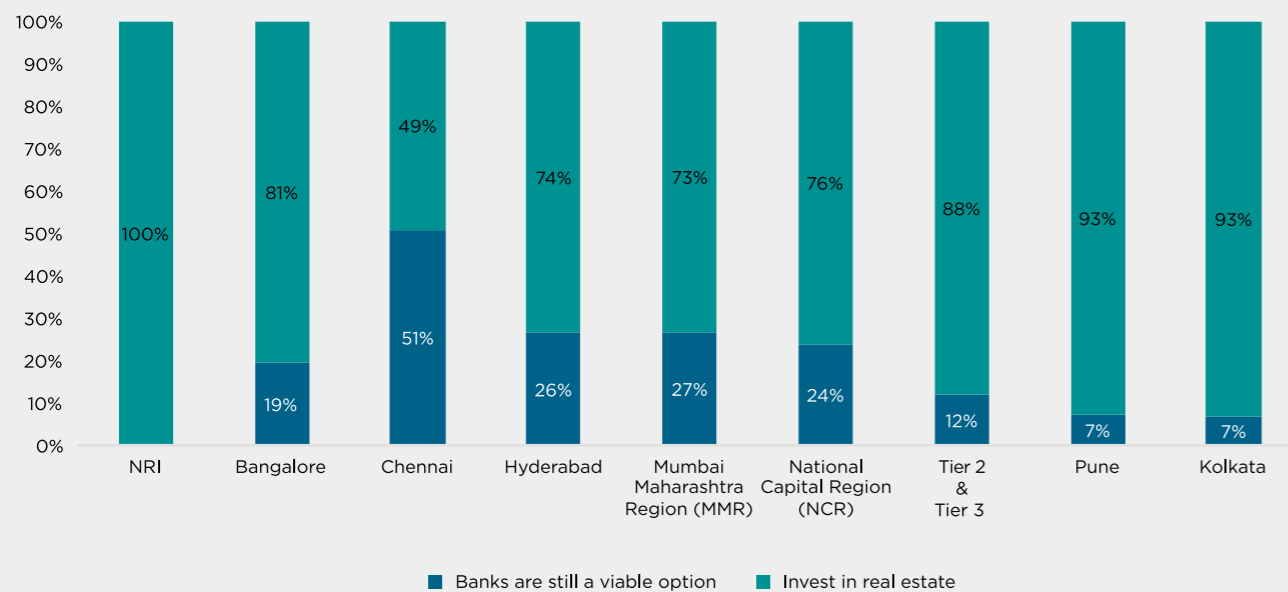
As for the NRIs, cent per cent of them prefer to invest in real estate over banks. For them, building an asset in their homeland is far better than the banks. The declining interest rates for both FDs and a general savings account is another compelling reason for people to shy away from banks.



81%



Respondents believe that investment in real estate is far more viable than parking their hard-earned money in the banks



Expected Return on Investment (ROI) from real estate?

The changing dynamics in the Indian real estate sector over the last few years has quite evidently set the tone for future expectations. Like the matured markets of the West, Indian property buyers have also come of age. For instance, they have become more 'realistic' in their expectations of the return on property investment. As against previous years when investors reaped in more than 100% annual ROI in property market, the expectation is far below this level. Considering the current macroeconomic environment, on an average, a 8-15% annual return from property investment is considered healthy and good.

Taking a cue from matured western markets, Indian property investors have also lowered their expectations of return from real estate, which is rather realistic than speculative.

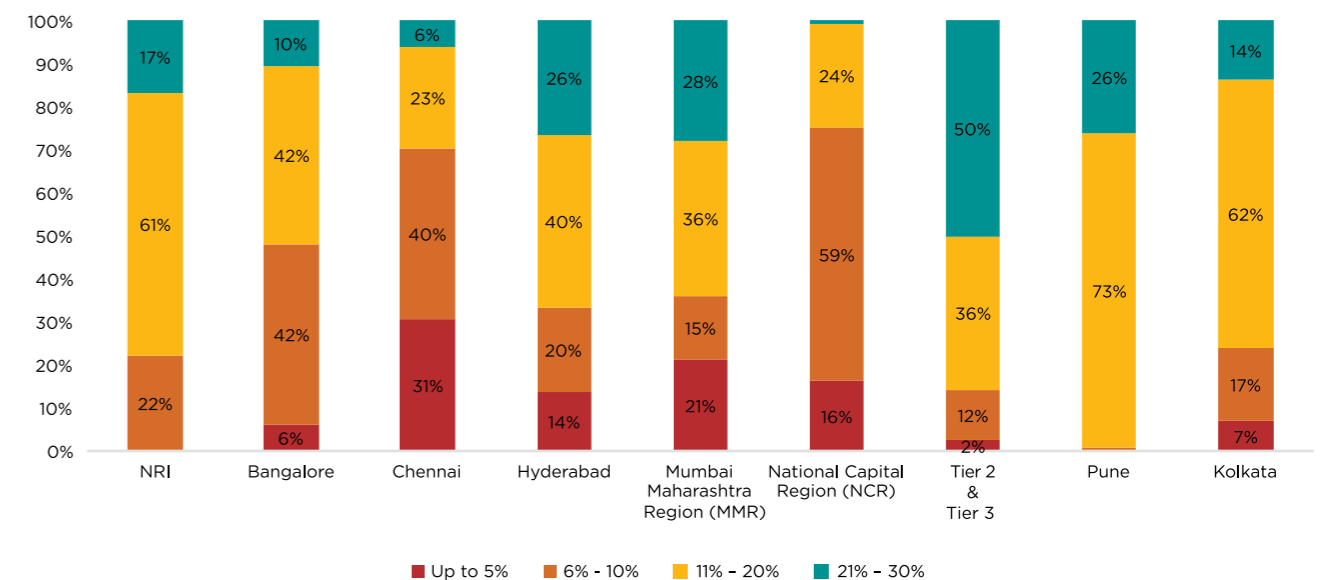
The survey result clearly highlights this changing trend wherein 40% property seekers expect 11-20% annual ROI, followed by 30% respondents who expect 6-10% price appreciation annually.



70%



Property seekers expect <20% annual ROI, giving rise to 'realistic' expectation from property investment



Conclusion: Emerging consumer trends in Indian real estate



“New consumers are here to rule the realty market, which was once very investor-driven”

The Indian real estate sector has certainly come of age. Besides inching closer towards greater transparency, efficiency, accountability and financial discipline, a new stringent regulatory environment has been created post RERA, DeMo, and GST with a dedicated redressal mechanism in place. Unlike earlier, most real estate markets across the country are now being largely driven by 'real' end-users. This was further validated in the survey wherein nearly 68% respondents were looking to buy a property for end-use.

Let's look closer at some of the significant trends that have emerged post ANAROCK's comprehensive survey - Real Estate Consumer Outlook: H2 2018. Most likely, these trends will shape the future of Indian real estate from the consumer-perspective.



Affordable housing: Flavour of the season

A spate of policy reforms and schemes announced by the government in the affordable segment (< INR 40 lakh budget) has brought in a new vigour in home buyers seeking their dream property. In fact, the survey indicates that affordable housing has caught the fancy of nearly 39% property seekers. This consumer demand is followed by the increasing new supply in the affordable segment (<INR 40 lakh).

As per ANAROCK data, nearly 33,700 new units in affordable category have been pumped into the realty market across top 7 cities in H1 2018.



Millennials prefer small-size units in 2BHK-configuration

'Small is beautiful' is the new buzzword with Indian millennials as a whopping 52% respondents prefer small-size units in 2BHK configurations. These young professionals prefer to buy homes in locations that are close to their workplaces so that their daily commute is reduced. Besides 'affordability,' these small homes are low on maintenance and its cost.



Stock market & mutual funds outshine FDs

Declining interest rates of FDs have given way to Stock Market & Mutual Funds as the 2nd most-preferred asset class for investment with 23% votes in its favour, followed by fixed deposits with just 14%. Surprisingly, Gold has lost its sheen in most metros except the southern cities of Chennai and Hyderabad.



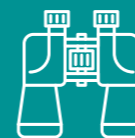
Indian real estate more mature

Changing dynamics in the Indian real estate sector over the last few years has quite evidently set the tone for future expectations. Like the matured markets of the West, Indian property investors have become more 'realistic' in their expectations of the return on property investment rather than speculative. The survey clearly highlights a new trend wherein 40% property seekers expect 11-20% annual ROI, followed by 30% respondents who expect 6-10% price appreciation annually.



Buyers prefer ready-to-move-in properties over new launch ones

Only 5% respondents now prefer to buy property in the new-launch stage. Ready-to-move-in properties have garnered maximum interest with buyers preferring to see what they get. Risks associated with newly launched projects including incessant delays, unscrupulous activities by few developers is the key reason. Overall, nearly 49% respondents want to purchase a property which is ready-to-move-in with cities like Kolkata, Chennai, and Tier 3 cities leading the show.



61% consumers to buy property within a year

After a long hiatus, several 'real' buyers have come out of their wait-and-watch mode and bought their dream property. The conducive Indian real estate environment over the last few quarters has prompted as many as 24% respondents to take the plunge and buy their property, followed by 61% people who are looking to buy within the next one year.

All in all, the new consumers are here to rule the realty market, which was once very investor-driven. They know that they have an upper edge with the overall regulatory environment supporting them to a large extent. With investors ready to exit the market even at lower profit margins, the 'real' consumers are the true gainers. Developers, on the other hand, are also beginning to realize that 'Customer is King' and his satisfaction is of paramount importance in this era of social media.

ANAROCK PROPERTY CONSULTANTS PVT LTD
(Formerly Jones Lang LaSalle Residential Pvt. Ltd)

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ANAROCK serves the needs of investors, developers, occupiers, financiers and the public sector.

With a dynamic team of 1500+ real estate experts, we have deep understanding of clients' requirements and a strong commitment towards business values. ANAROCK is headquartered in Mumbai with presence in all major markets in the country and dedicated services in Dubai. ANAROCK also has a global footprint with over 80,000 preferred channel partners.

Every facet of ANAROCK reflects the core promise and vision to its clients and partners – Values over Value.

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