ANAROCK

VALUES OVER VALUE

Indian Residential Real Estate Consumer Sentiment Survey

H1 2019

Foreword

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The Indian real estate is currently riding on a new wave of optimism, following the triple benefits offered to it by the government in less than just two months of 2019. Acting like the booster shots, these sops will not only spike up home-buyers' sentiments but also boost confidence of other stakeholders concerned – developers and long-term investors. From sops in the Union Budget to meagre fall in home loan rates post RBI's cut in repo rates and to the most recent GST rate cut for both affordable and premium homes, this was precisely the start that residential sector needed to accelerate its momentum in 2019.

In retrospect, housing sales and new supply saw green shoots of revival in 2018 but issues like liquidity crunch, stalled/delayed projects, high capital cost etc. continued to grapple the residential sector. The NBFC crisis in second half of 2018 added fuel to the fire and hijacked the residential sector's growth over the short to mid-term. While we anticipated its deep spill-over effect in 2019, the government and the RBI's concerted efforts to pull the sector out of its woes are aiding in at least boosting the confidence of homebuyers, rather than further aggravating it. These sops will go on to aid fence-sitters to take the plunge and thereby increase sales for developers who are keen to clear their total unsold stock of 6.73 lakh units across the top 7 cities.

*In this backdrop, ANAROCK Property Consultants conducted a comprehensive survey - **Real Estate Consumer Outlook: H1 2019** - to understand what property seekers are thinking 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 buyer's preference, the report also delves deeper into the past behaviour of property buyers from the demand and supply 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.

"Affordable Housing has gained centre-stage in residential segment today due to multiple sops offered by the government over the last 5 years, driving both sales and new supply. It comprised 39% share of overall new supply between 2014-2018."

The Survey

Methodology

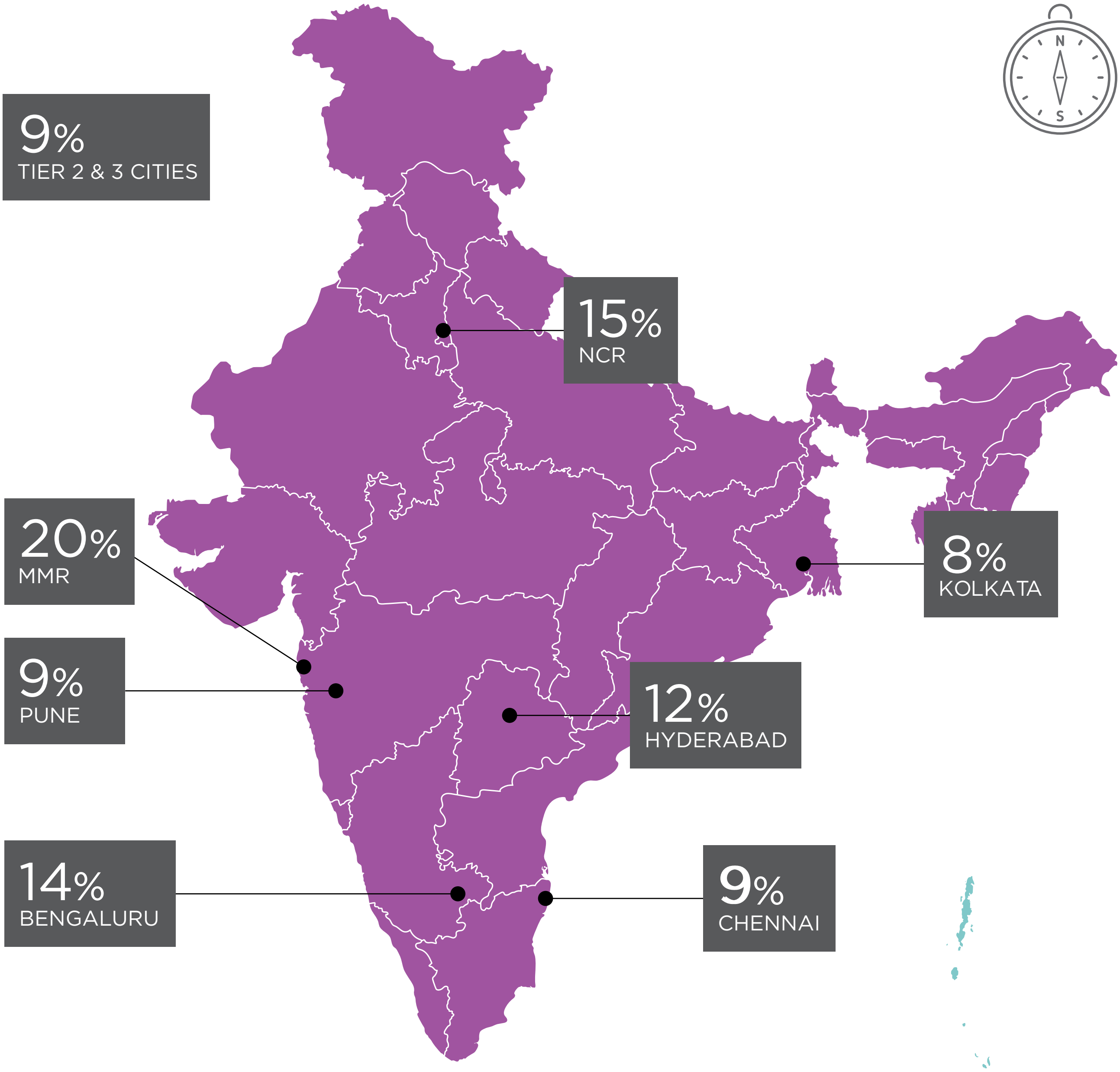
Similar to the preceding survey, the second edition of the ANAROCK Consumer Sentiment Survey – H1 2019 tries to understand buyers' preference and their consumption pattern which invariably leads to emergence of significant trends in the Indian real estate industry. The main aim of the survey is to provide all stakeholders – consumers, developers, investors, sellers and owners including local and expatriates – deeper insights into the property market purely from a consumer perspective.

Conducted in the first quarter of 2019, the online survey saw nearly 2,797 participants (including NRIs) responding to it via different sources including email campaign, a web link and LinkedIn messages. The sample was carefully selected so that it would give a relatively fair representation of the overall population demographics in terms of geographical distribution. Thereafter, the answers collected were analysed in-house and data was correlated to the present economic conditions. The views expressed in the report are completely unbiased.

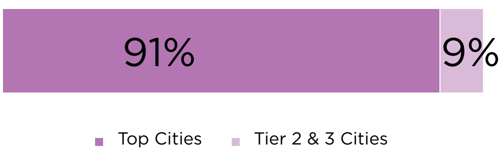
2,797

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

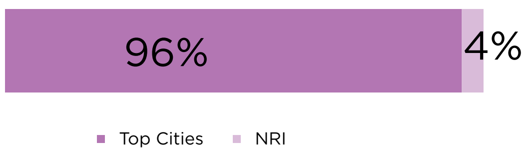
Survey participants: Geographic distribution



India : % Share of Participants

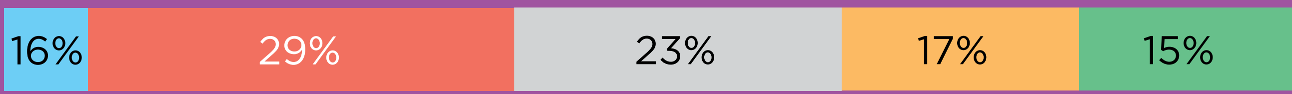


Global : % Share of Participants



Demographic distribution

Annual Family Income



- Above INR 35 Lakh
- Between INR 26 Lakh - INR 35 Lakh
- Between INR 16 Lakh - INR 25 Lakh
- Between INR 11 Lakh - INR 15 Lakh
- Under INR 10 Lakh

Gender Typology

Male

Female

Age Group

8%
< 25 years

33%
25-35 years

40%
35-45 years

16%
45-55 years

3%
> 55 years

Best asset class for investment?

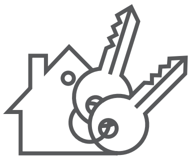
With the dust of DeMo, RERA and GST finally settling in and Indian real estate seeing green shoots of revival in 2018 – with both housing sales and supply numbers seeing a rise – buyers' faith in real estate seems revitalized. Investors, who too had taken a back seat in previous years saw a revival in their faith in real estate over other asset classes namely stocks and mutual funds, gold and FDs largely because of increased transparency and efficiency.

Year 2019 began on a positive note with the government announcing multiple sops to both consumers and investors in the Interim Budget and further reduction of GST rates in under construction properties. Thus, consumer sentiments in the prevailing market conditions seemed positive as nearly 57% respondents preferred to invest in real estate as an asset class, its share increasing by 4% against the preceding survey - H2 2018. Several factors that worked in favour of real estate included competitive property prices, GST rate cuts and budget announcements favouring particularly affordable housing. This eventually boosted confidence of both buyers and investors and is likely to further improve residential demand in the coming quarters.

Interestingly, the stock market and mutual funds – despite being volatile in nature – is the second preferred choice among all respondents with 25% preferring it over FDs or gold. In comparison to previous survey results, there was a meagre increase of 2% in its overall share.

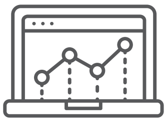
As per ANAROCK consumer sentiment survey,

57%



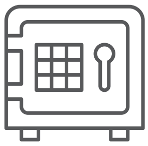
Prefer to invest in real estate

25%



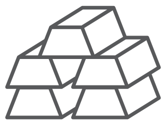
Prefer to invest in stock market and mutual funds

13%

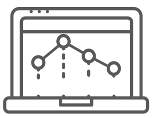


Prefer to invest in fixed deposits

5%

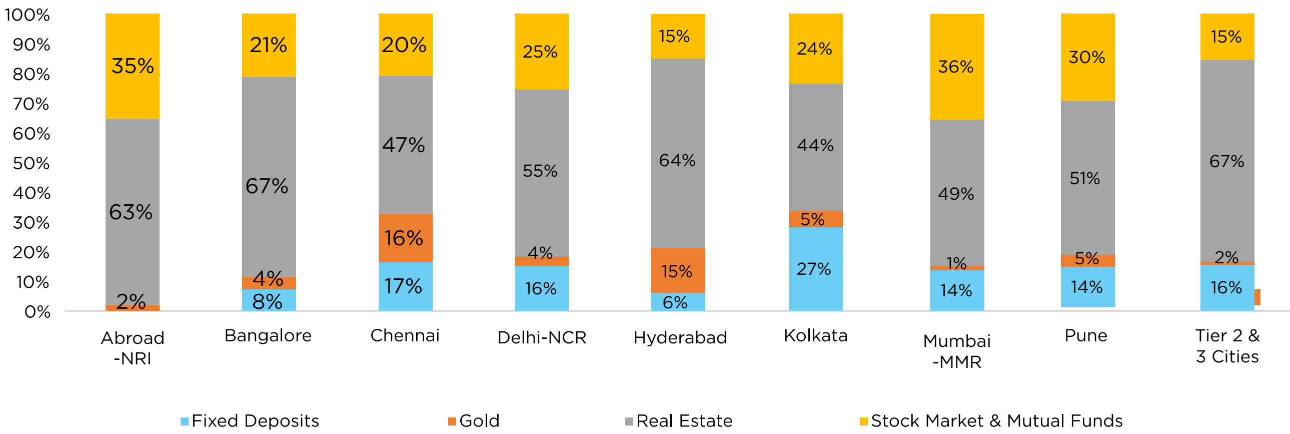


Prefer to invest in gold



Falling interest rates in FDs make it a not-so lucrative option for investment

City-Wise Preferred Assest Class



Despite being the least risky investment option in the prevailing scenario, only a handful comprising 13% respondents preferred to park their money in fixed deposits as an asset class. Falling interest rates over the last few years – from 7.75% in March 2016 to as low as 6.8% in 2019 - has been a major deterrent for investors looking to invest in FDs. In fact, its share declined further by 1% as compared to previous (H2 2018) survey results.

Surprisingly, gold as an asset class for investment, continued to lose its sheen even further with merely 5% respondents preferring it over other asset classes. Investors are increasingly getting sceptical on its lustre because with changing times more and more people are having access to modern financial systems that offer a variety of asset classes for investment. Thus, gold – now being considered a dead asset by many – is largely attractive to those who are still not aware or accessible to other financial asset classes

At the city-level, Kolkata saw least preference for real estate as an asset class among all other cities in the country as only 44% respondents preferred to invest in it. It's for this reason probably that the pile of unsold stock in the city increased by 3% in December 2018 to 49,470 units against the previous year. Meanwhile, nearly 28% participants preferred FDs in the 'City of Joy' – highest amongst all cities. In contrast, Bangalore saw maximum participants (comprising 68%) looking to invest in real estate. As expected, people in Tier 2 & 3 cities also largely preferred real estate over other asset classes.

Interestingly, 36% participants in MMR preferred to invest in stock markets and mutual funds – the highest in the country. Rightly so, people in the financial capital bestowed faith in this asset class as the returns were far better than even real estate over the last five years. For instance, BSE Realty itself saw 25% jump during the period.

Despite being volatile in nature, the investments in the stock market remained buoyant in most cities over the last one to two years with Sensex soaring as high as 37,800+. And, due to the slowdown seen in the Indian real estate market, most investors saw the stock market as the best alternative. Also, investors looking for short term gain preferred to invest in stocks and mutual funds as against other asset classes.

This was also seen in the jump in number of NRIs considering stocks as an investment option. As many as 35% respondents now prefer to invest in it as against just 22% in the previous survey. One of the prime reasons for this surge could be the declining faith of NRIs in Indian real estate due to incessant project delays. Since most NRIs buy under construction properties to yield maximum returns, their faith has been jostled, particularly in NCR where several projects are still in a limbo. 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.

Merely 44% participants in Kolkata prefer real estate as an asset class for investment

Already bought or looking to buy a property?

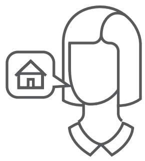
Indian real estate sector is in a sweet spot now due to the new reformatory environment marked by greater transparency and efficiency. This is extremely beneficial not only for developers but also for the homebuyers. Positive buyer sentiments, favourable macroeconomic conditions and better-valued products at the right location have prompted approx. 24% of the respondents to successfully purchase a property over the last few quarters. This is followed by 35% of the respondents who are looking buy a home within the next six months.

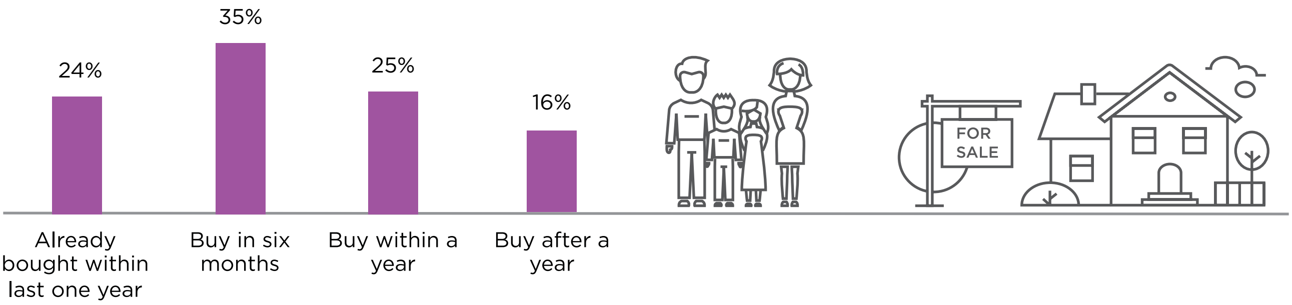
The rise in consumer sentiments was further validated by the declining number of unsold stock. As per ANAROCK data, the unsold inventory across the top 7 cities declined by 7% to 6.73 lakh units in Q4 2018 as against 7.26 lakh units in Q4 2017, indicating that due to the overall positive sentiments among home buyers, those sitting on the fence since long have ultimately taken the plunge. Interestingly, 25% respondents will buy within 2019 itself.

Having said that, there are still 16% respondents who are confused and thus hesitant to make an informed decision about investing in real estate in 2019. One of the major deterrents for prospective buyers was the high GST rates. However, in a recent development, the government slashed the GST rates of under construction properties to 5% without ITC for premium properties and merely 1% without ITC for affordable homes. This is likely to attract more buyers to make a property purchase and thereby boost up housing sales. Another booster for the real estate sector was offered in the interim budget in February wherein the government offered multiple sops to both - affordable buyers and investors as well. This is likely to bode well for the overall residential sector in 2019, provided a new stable government is formed at the Centre who takes on the baton of change further.

60%

consumers likely to take the plunge in Indian real estate within 2019





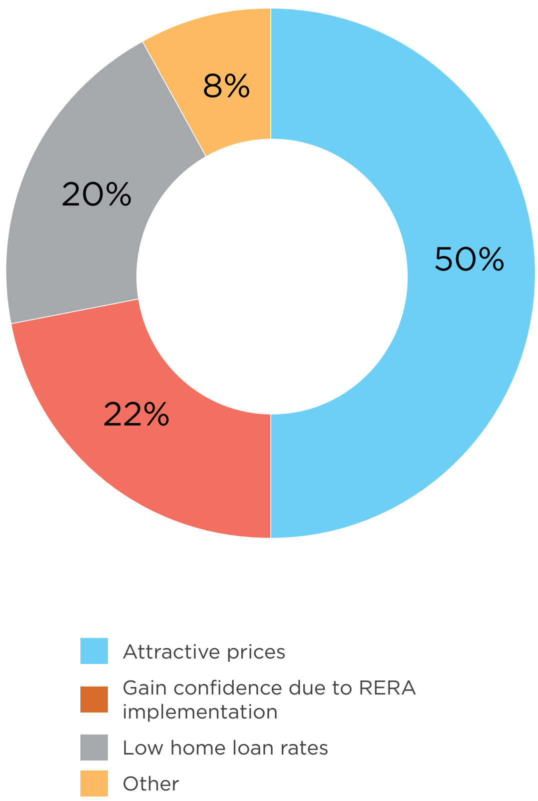
If already bought within last one year, specify the key reason for buying the property?

Despite all headwinds including the liquidity crisis in 2018, housing sales and new launches jumped up by 18% and 33% respectively across the top 7 cities compared to 2017, as per ANAROCK data. Interestingly, the residential inventory overhang came down to a year low - from 47 months in Q4 2017 to 33 months in Q4 2018 across the top 7 cities. The DeMo effect in late 2016 had increased it to 50 months in Q1 2017 from 40 months in Q4 2016. At any given point, an inventory overhang of 18-24 months signifies a fairly healthy market.

This decline in the overall inventory numbers indicated that the Indian residential sector had somewhat adjusted itself to the new structural changes and was poised to grow from the previous years. Interestingly, one of the major reasons that influenced over 50% of the home buyers to take the plunge in 2018 was attractive prices offered by developers. The fact that developers cautiously launched projects and matched it with the inherent buyer demand helped sales pick momentum in 2018 to a large extent. Simultaneously, they reduced the average property sizes to fit their product in the 'affordability bracket' for many discerning buyers.

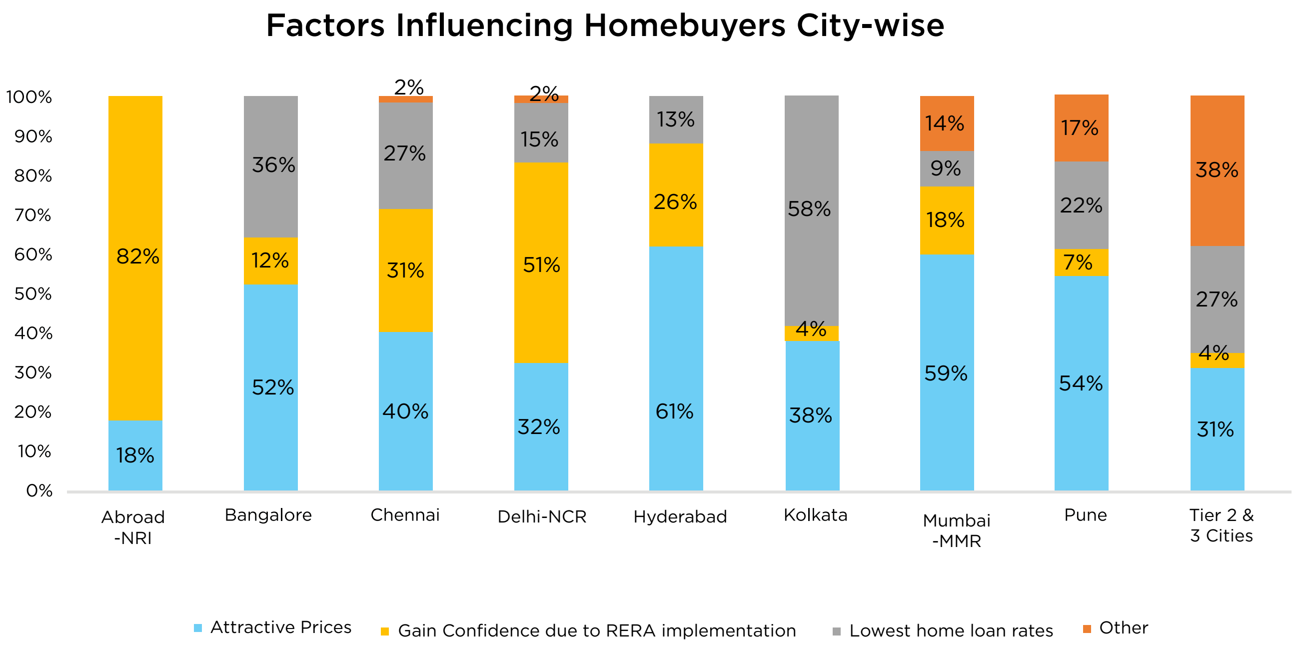
Another factor that influenced nearly 22% respondents to buy property in the previous year was RERA implementation. Buyer confidence saw a significant boost post the launch of this landmark reform which is set to alter the very scarred image of the Indian real estate sector. Though states have diluted certain rules, yet buyer confidence is high because of the concerned authority that is addressing the complaints of the disgruntled buyers. This helped them to purchase their dream property. Further, approx. 20% respondents purchased the property due to lower home loan rates. If we look back, housing loan interest rates have declined by 16% in 5 years - from the average of nearly 10.3% in 2014 to approx. 8.85% in 2018.

the past few years. Interestingly, besides NRIs, the respondents in Tier 2 & Tier 3 cities, NCR and Hyderabad also have as many as 45%, 43% & 38% respondents respectively looking to invest.



50%

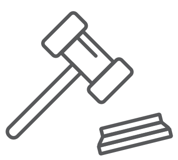
buyers bought property in 2018 due to attractive prices



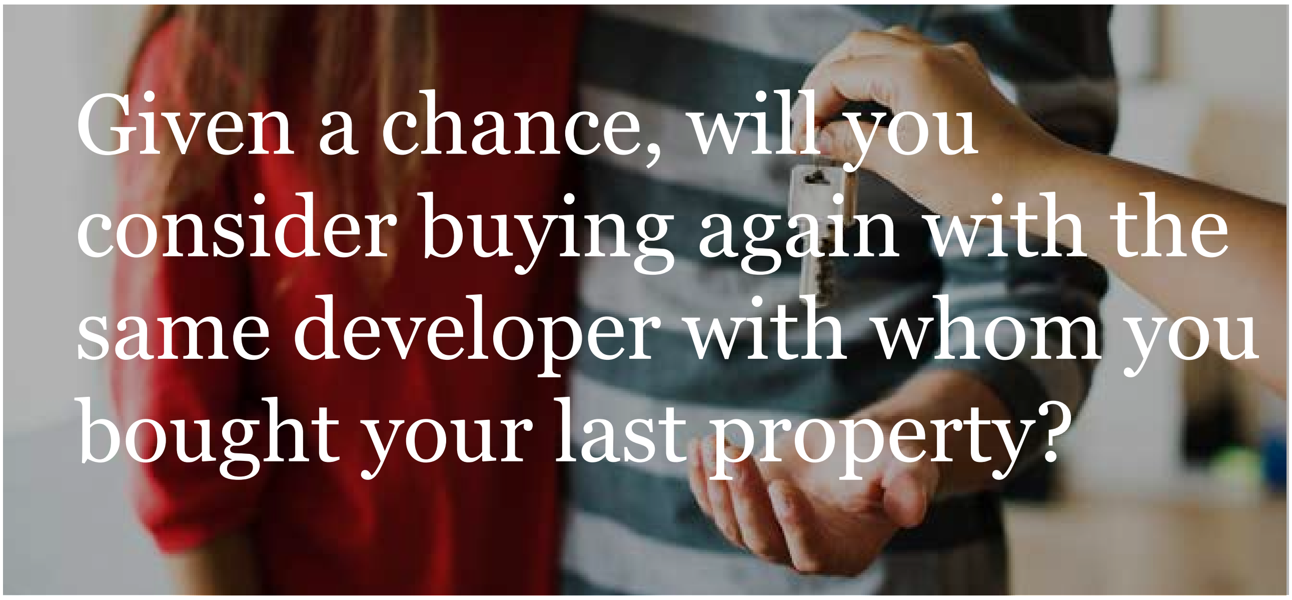
The reformatory changes in the Indian real estate sector post the formation of a new government in 2014 gave a major setback to developers as housing sales declined y-o-y. This was an expected trend given that any policy change exhibits teething issues coupled with all-round confusion. However, with the dust of the reforms settling in, 2018 saw housing sales jump up by 18% against preceding year. The reason that triggered this jump was largely the attractive prices offered by developers. To clear their unsold stock, many developers offered freebies and discounts to the yearning customers and eventually lured them to buy property. Interestingly, attractive prices in Hyderabad lured as many as 61% respondents to buy a property, followed by MMR, Bangalore and Pune with 59%, 54% and 52% respectively. In an unusual scenario, more than attractive prices, Delhi-NCR saw 50% buyers buy property due to effective RERA implementation within the region. This clearly suggests that for buyers in NCR, more than pricing it is the unscrupulous activities of few developers that was a major cause of worry.

On the other hand, in Kolkata and tier 2 & 3 cities, RERA has hardly made any impact on their buying decisions. Surprisingly, lower home loan rates have impacted at least 58% and 27% respondents respectively in them.

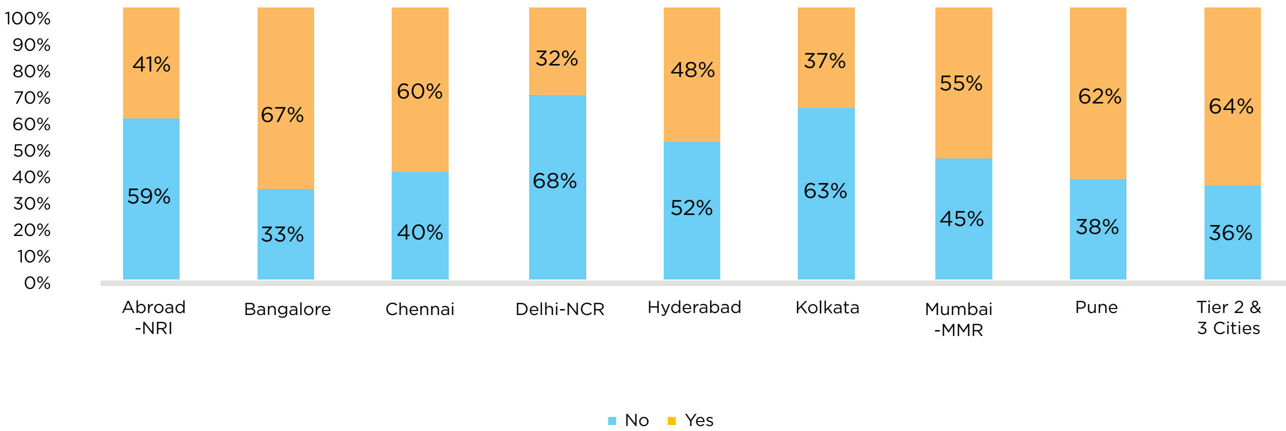
Alternately, for 62% NRIs, RERA implementation was the major factor influencing their buying decision. Rightly so, NRIs largely invest in under construction properties and the prevailing issue of stalled/ delayed projects prevented them from going ahead with their decisions. Hence, RERA gave them the confidence to make investments in Indian real estate.



RERA implementation influenced over 50% buyers in Delhi-NCR to buy a property in 2018



Given a chance, will you consider buying again with the same developer with whom you bought your last property?

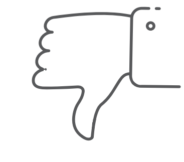


In today's time, customer satisfaction is of paramount importance for most companies providing a product or any service to people. Thus, in order to understand how consumers' felt about their product from their respective developer, we came up with this question. Surprisingly, only 52% of the respondents seemed satisfied with their earlier-bought home and given a chance they will again buy a property from the same developer.

At the city-level, majority respondents (about 68%) in Delhi-NCR will not consider buying a property from the same developer. It is no surprise that buyers in this region have been left at the mercy of their developer's whims and fancies. Also, other factors that could be preventing buyers is either due to project delay or a compromise with quality. Many homebuyers in NCR incessantly complain of the quality of their homes. Similarly, in Kolkata too, more than 63% buyers will not consider buying a second property from the same developer.

On the contrary, end-user driven markets like Bangalore, Pune and Chennai seem to be satisfied with the developer as a greater number of respondents will buy their second home from the same developer if given a chance. This suggests that there is more professionalism in these markets with developer giving close to what they promise.

48%



buyers state that if given a chance they will not buy a property from the same developer

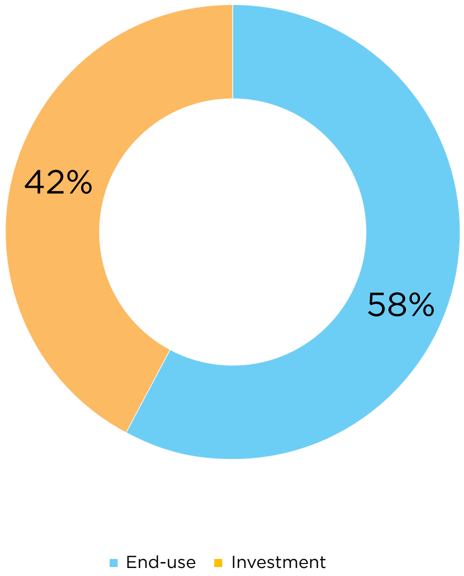
Will this property be for end-use or for investment

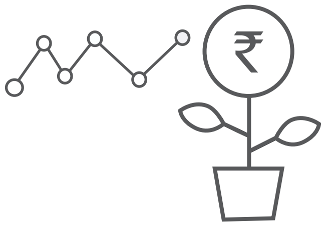
In a role reversal, end-users have kept the real estate market ticking over the last few years, while investors have taken a back seat. Sales have been largely spearheaded by 'real' buyers who are buying for their self-use. Given that a large number of people are migrating to cities due to better job prospects, they prefer to buy a property within the city of their work. As a result, there is massive demand for homes across the top cities. Also, stagnant property prices in these cities due to the overall slowdown in real estate market over the last few years has cautioned investors to sit back and watch.

Therefore, **similar to the previous survey (H2 2018), buying a property for end-use is still the major motive with nearly 58% property seekers looking for their self-use while only 42% looking to buy for investment purpose. However, there was a 10% increase in those respondents who want to buy real estate as an investment.**

Several factors are adding on to make property investment a lucrative option for the discerning investors. helping the unsold stock across the country to reduce significantly.

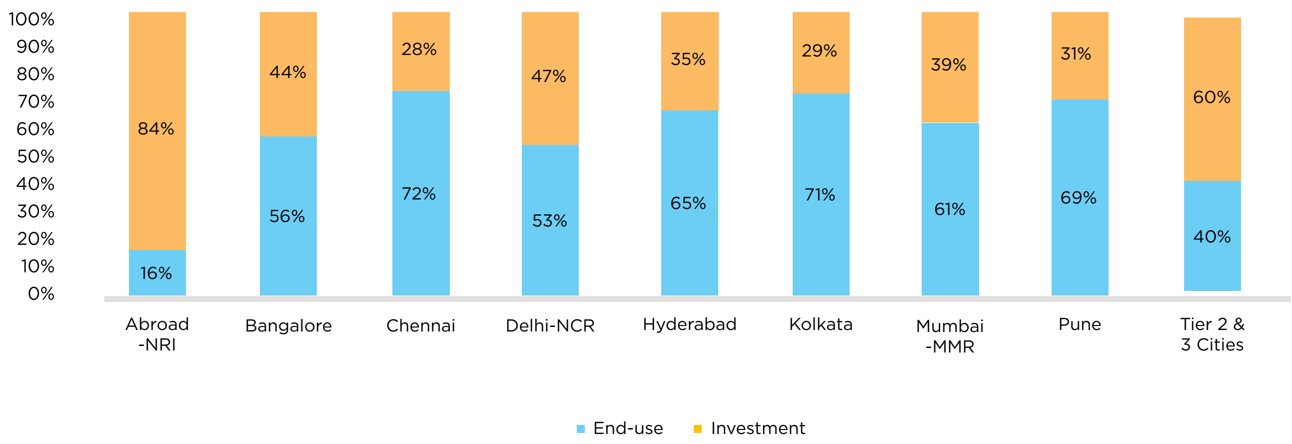
For the housing sector to do well in the long run, the 'real' need was to woo back long-term investors who exited the residential market along with speculators. Realizing this, the government offered multiple sops to investors in the recent interim budget. For instance, the TDS threshold limit for house rents have been increased up to INR 2.4 lakh from the previous INR 1.8 lakh. It is likely to attract more investors for buying second homes to earn rental income. Also, rollover of capital gains tax on sale of houses increased from 1 house to 2 houses will incentivize genuine home buyers and investors to buy new houses. The tax on notional rent of a second home has been exempted, once again making property investment more attractive and also giving a fillip to second home ownership sentiment.





42%

buyers bought property for investment, up by 10% against last survey



As expected, NRIs and buyers in Tier 2 & 3 cities were largely looking to buy a property from an investment perspective. Rightly so, NRIs are looking to invest in India in recent years due to multiple reasons including a new reformatory environment, the depreciating rupee value against dollar and their preference to invest in the country of their origin. On the contrary, all top cities saw major participants opting to buy for self-use. Surprisingly, the southern city of Chennai had nearly 72% respondents as end-users, followed by Kolkata with 71%, Pune with 69% and Hyderabad with 65%.

Unlike earlier, Bangalore, which is largely known for being an end-user driven market, saw a reverse trend in the current H1 2019 survey findings wherein there was a good 19% increase in the share of those looking to buy property for investment. As per the recent survey, the share of respondents looking to invest in property in the IT capital jumped to 44% from the previous 25% in H2 2018.

Burgeoning commercial activity, a cutting-edge start-up culture and realistic property prices dictated by end-user demand have kept Bangalore's real estate market vibrant, and generally more resilient than other cities. The strong IT/ITeS economic dynamo continues to power most of the city's residential demand and supply, and housing sales have remained healthy despite all macroeconomic headwinds. In fact, the city's housing sales increased by 33% in 2018 against the preceding year, the highest amongst all cities. Overall unsold stock declined by 24% and stood at 73,340 units in Q4 2018 in contrast to 96,000 units in Q4 2017.

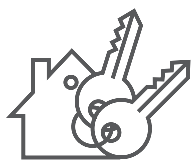
In contrast, speculative markets like Delhi-NCR and MMR witnessed a reverse trend with more end-users stepping forward.

Meanwhile, tier 2 & 3 cities respondents emerged as the most optimistic towards buying property for investment with nearly 60% votes in favour of buying property for investment. The share of investors increased by 15% in the current survey results.

The very fact that the smaller towns are being seen as the future growth engines of the country is attracting investors to consider property buying here. More so, the ambitious 100 Smart Cities program which aims to transform the selected cities' real estate markets across the country saw some of these smaller cities show maximum progress than their tier 1 counterparts. This effectively has paved way for more investments in the smaller towns and cities such as Surat, Jaipur, Vadodara etc.

End-user driven market of Bangalore saw

44%

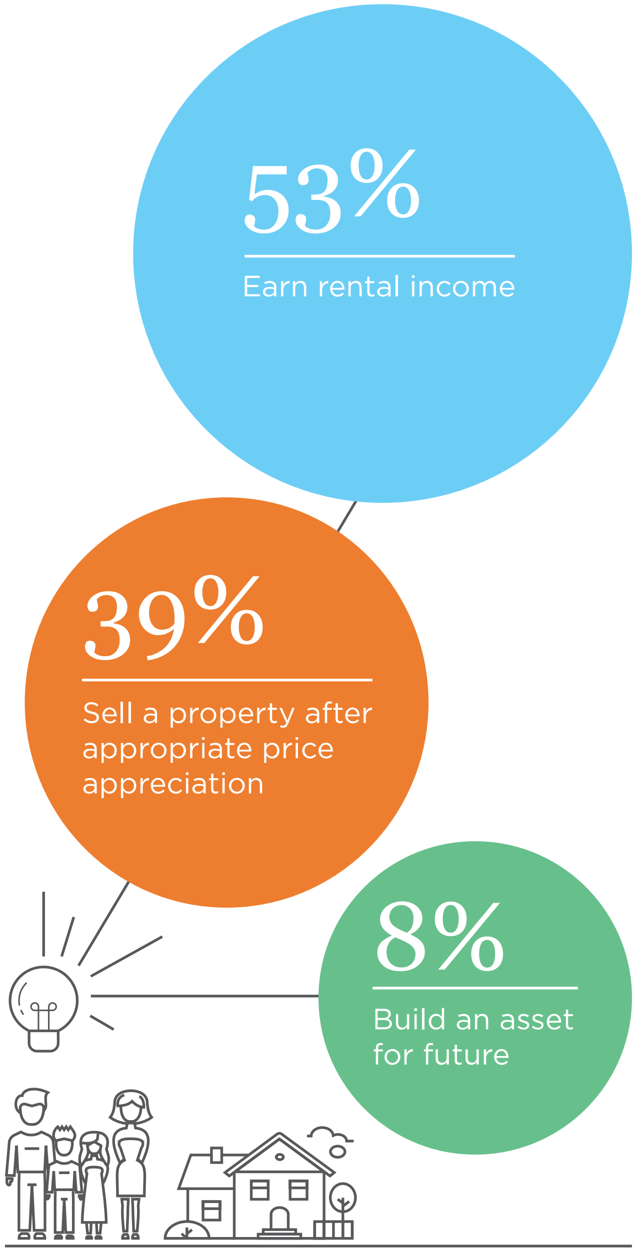


respondents buy homes for investment

If investment, then what is your plan?

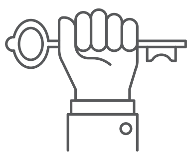
Rising migrant population in tier 1 cities due to better job opportunities and rapid urbanization is leading to a massive demand for housing in the top 7 cities. As a result, there is an increased demand for rental housing in these cities especially by those people who just started to work or even by those who have transferred to a new city with their families. This gives a good option to those investors who want to earn a steady rental income.

The survey highlighted that at least 53% respondents who are buying a property for investment prefer to earn a rental income. The recent budget also offered major benefits to such investors such as increased TDS threshold on rental income from INR 1.8 lakh to INR 2.4 lakh and benefit of capital gains tax from investment in one house to that in two houses. This will invariably boost demand for housing as more and more people will find it lucrative to invest in property and earn a steady rental income.



Meanwhile, 39% participants preferred to sell their property after appropriate appreciation, which is a 5% increase against H2 2018 survey results. High disposable incomes and mitigated job risks has prompted many homebuyers to have multiple real estate assets that will essentially fetch them decent returns in the long term. Moreover, it is advisable that those looking for good price appreciation must ideally hold on to their property for a long-term – say 5-10 years - so as to get maximum profits. since time immemorial.

Gone are the days when people preferred to hoard their real estate assets for the future. The trend is largely to invest in it and either earn a rental income or sell it after making an appropriate price appreciation.



53%

property buyers want to earn a steady rental income

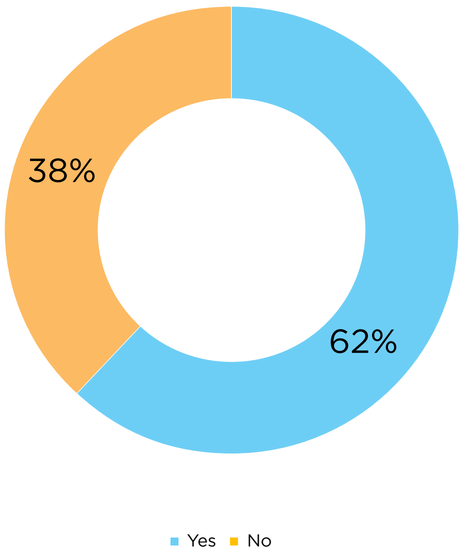
If invested in real estate in last 5 years, then have you been satisfied with the returns?

The Indian real estate sector has metamorphosed significantly over the last decade. This pace of transformation has been accelerated further by the central government's reformative steps to bring in 'Acche Din' in the realty sector. A new regulatory environment has been created with the implementation of several policies such as RERA, GST, REITs, the Benami Transactions (Prohibition) Amendment Act, 2016 and the Pradhan Mantri Awas Yojana (PMAY), among others, over the last five years.

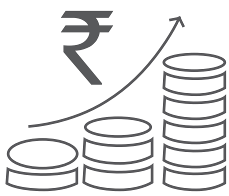
These policies have ushered in a new ray of hope as they are expected to bring in greater transparency and accountability, financial discipline, and increased efficiency in the sector. As a result, the expectations of buyers have also become more realistic now – like in the developed nations. Unlike earlier, speculators have now largely exited the markets which in a way is good for overall real estate.

Going forward, it is also imperative that buyers remain cautious while investing in real estate. Buyers now realize that real estate investment no longer works on the whims and fancies of speculators, rather with the sector becoming more regulated under various reformatory changes, vigilance on any speculative activity has been stepped up. **The 'good old days' of reaping fast and massive profits from real estate have given way to more realistic expectations on the returns on investment - ranging between 8-12% annually. That said, affordable housing is the flavor of the season and for investors there is no better time than today to grab a pie of this segment.** This segment is likely to fetch the highest returns in the long-term (almost 8-10% annually) amongst all others considering that there is immense activity in the segment. But what buyers must be extremely vigilant about is selecting the right property in the right location, with a builder of good track record and one whose balance sheets, at least at the face-value, appear sound.

Cities that are likely to see consistent growth over the next few years include Bangalore, Hyderabad, Pune and MMR. The former three destinations will continue to see growth driven by the IT/ITeS sectors.

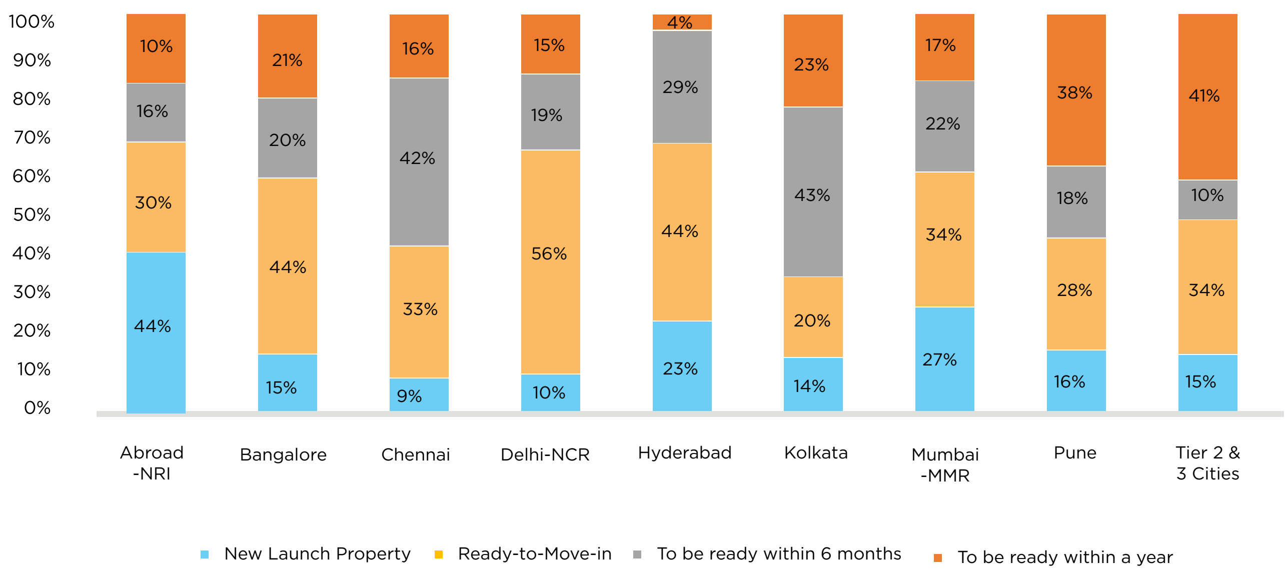


62%



buyers satisfied with the ROI on their property in last 5 years.

What stage of property would you prefer?



Investment in property is more of a strategy in today's time which if gone awry can spell doom for the buyer as it eventually becomes a dead asset. Hence, for maximum returns it is important to buy at the right stage of construction. But given that lakhs of projects in the country have been seriously delayed or are altogether stuck led to massive decline in demand for new launch projects.

As per ANAROCK data, the top 7 cities currently have a total stock of 5.6 lakh delayed units worth INR 4,51,750 Cr. These units were launched either in 2013 or before it. Lakhs of buyers across top cities - have been left in the lurch by their builder, amounting to inconceivable mental stress and financial pain. Top cities like NCR and MMR collectively account for 72% of the total stuck housing units across top 7 cities worth INR 3,49,010 Cr – nearly 77% of the total worth of the stuck projects.

Thus, ready-to-move-in properties is seen as a good value proposition for the discerning homebuyers which are the least risky. Overall, about 36% respondents prefer to purchase ready-to-move-in property, followed by 24% who want a property that will be ready within the next 6 months, while 22% prefer to buy those which will be ready within a year. Interestingly, as per the H1 2019 consumer **survey, the share of buyers looking to for buy a new launched property has improved by at least 13% against the previous survey H2 2018. Currently, 18% participants now prefer to buy new launch properties against 5% in the previous edition.**

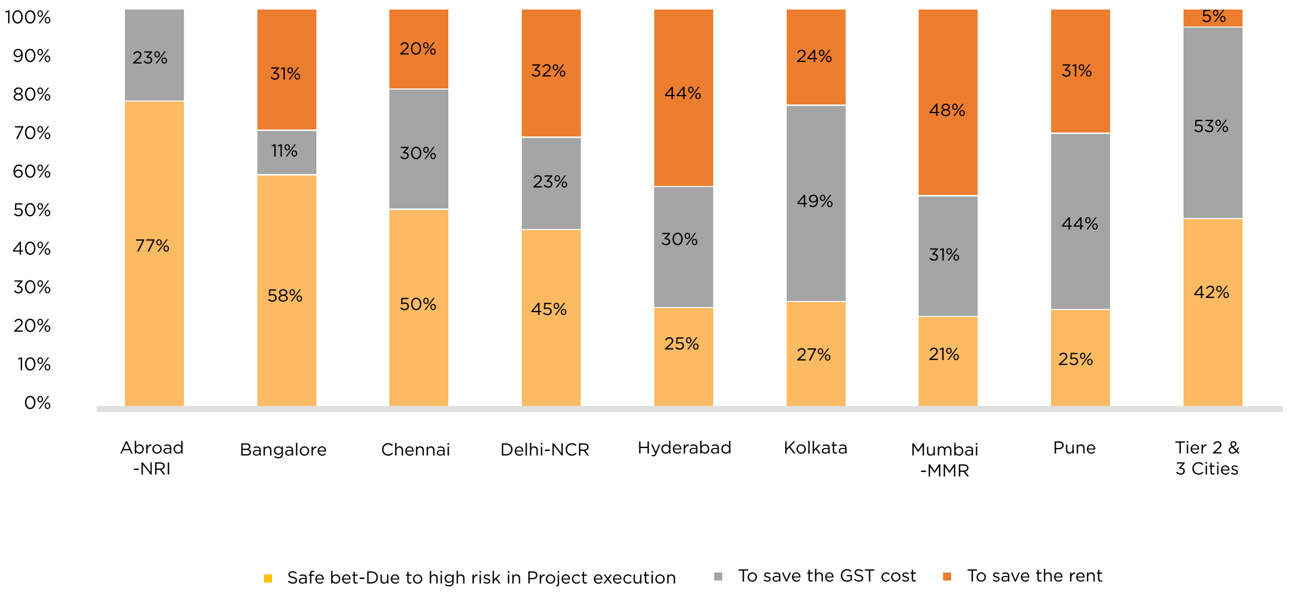
RERA implementation across states is the key reason why buyers' confidence on new properties is on a high. Moreover, the last few years have positively resulted in the exit of few dodgy developers who scarred the very image of realty sector. ANAROCK data also suggests that approx. 80% of the new projects launched in 2018 were by reputed developers with relatively strong financial health.

Not surprisingly, 56% respondents in Delhi-NCR preferred ready properties. Alternately, NRI respondents showed overwhelming response towards new launch property (about 44%), followed by MMR with 27% and Hyderabad with 23%.

18%

buyers now favour new launch properties against mere 5% in previous survey - H2 2018

If ready-to-move-in, then what is the reason to opt for it?



The issue of stalled projects is currently at the core of buyers' discontent. As a result, ready-to-move-in homes became the flavour of the season. **And as per survey results, the key reason cited by almost 39% buyers for opting for them was "safe bet due to high risk in project execution."**

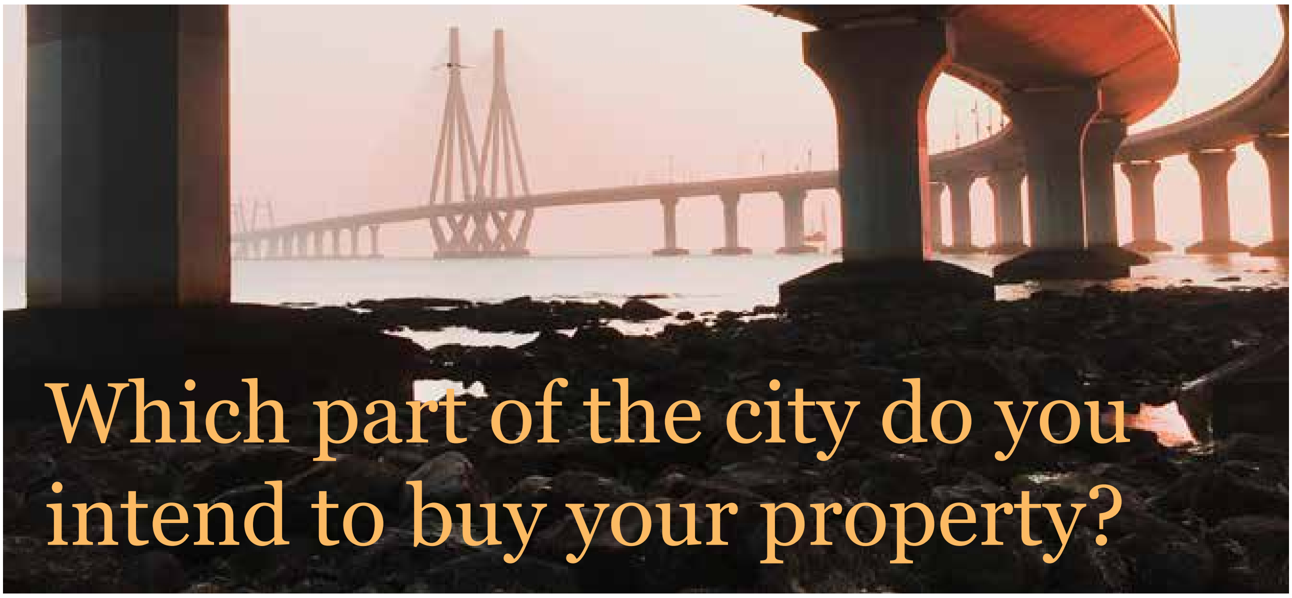
Simultaneously, nearly 32% property seekers preferred to buy a ready property with immediate possession so that they don't have to pay both rents as well as EMIs. They would rather stay in their own house and pay EMIs.

Meanwhile, one of the major deterrents for homebuyers to purchase under construction units in 2018 was the high GST rates of 12% on these properties. Almost 30% property seekers preferred to save this additional cost against ready properties which are exempt from GST. Also, the price margin between ready and under construction properties has narrowed down significantly because of the massive unsold stock in most cities. Nevertheless, even if an RTM property costs slightly more, its value is assured. However, the recent rate cut on GST from 8% to1% for affordable homes and from 12% to 5% in regular units will further boost the confidence of home buyers towards the under-construction properties.

The key reason cited by almost

39%

buyers for opting ready-to-move-in was "safe bet due to high risk in project execution."



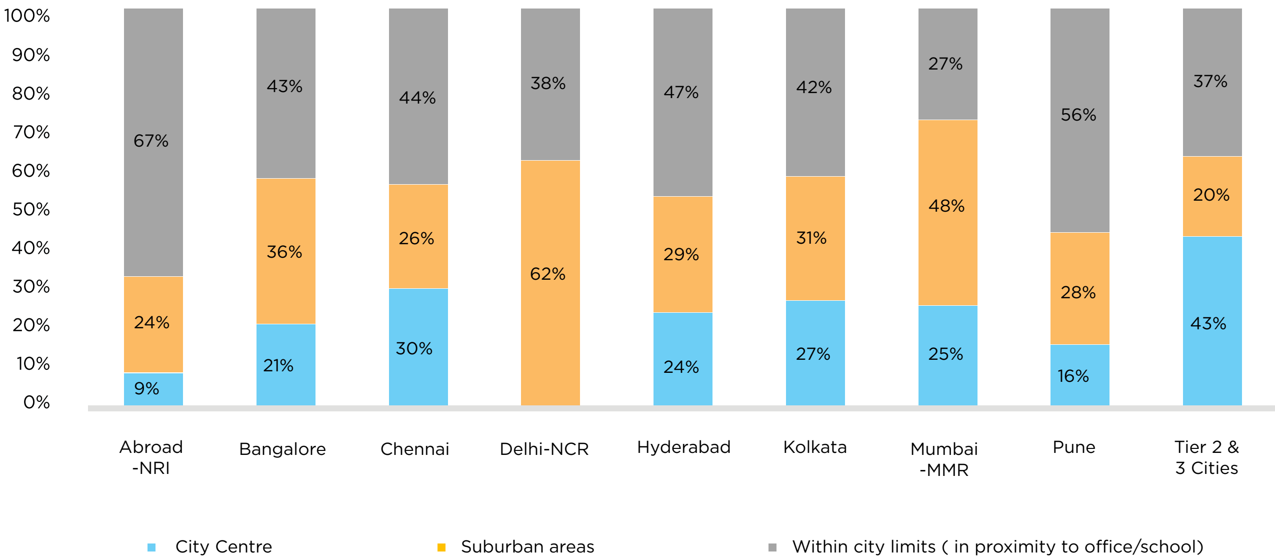
Which part of the city do you intend to buy your property?

For millennial homebuyers, location plays a significant importance today. They would rather live closer to their work place or children's school than in far-flung suburbs.

As per the survey results, majority 41% respondents preferred to buy property within the city limits in close proximity to office/ school or other basic infrastructure facilities. However, for nearly 38% respondents, sky rocketing prices in city centres or even within city limits is proving to be detrimental in purchasing a property. Hence, they are willing to buy property in suburban areas.

This was essentially seen in expensive cities including NCR and MMR where skyrocketing prices prompted buyers to consider suburban areas. Add to this, affordable housing project launches and improved infrastructure facilities in suburban areas are also driving demand here.

Interestingly, 22% respondents didn't care much for high prices and still preferred to live in the city centre. Over 30%, 27% and 25% of respondents from Chennai, Hyderabad and MMR respectively preferred to buy properties in the city centre.



Buyers in expensive markets like NCR & MMR prefer suburban areas for property buying

What is your budget for investment?

At present, mid segment (INR 40 lakh – INR 80 lakh) seems to be the flavour of the season with nearly 38% respondents favouring to buy within this budget, followed by 32% participants who prefer to buy in affordable category - within INR 40 lakh. Nearly 19% respondents want to invest in luxury category (INR 80 lakh-INR 1.5 crore) and only 11% want to buy above INR 1.5 crore budget range. Collectively, these two segments account for whopping 70% of the buyer demand.

Following increased buyer demand, builders have consciously launched projects in categories that buyers prefer. This is validated by data which indicates that the share of new supply in affordable and mid segment combined (within INR 80 lakh) was a whopping 77% over the last five years, with 39% in affordable and 37% in mid segment.

Moreover, following the government's push for affordable housing over the last five years - in line with its vision of Housing for All by 2022 - there has been a significant increase in activity in this segment. Several builders have come forward to grab a pie of this buoyant segment. 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.

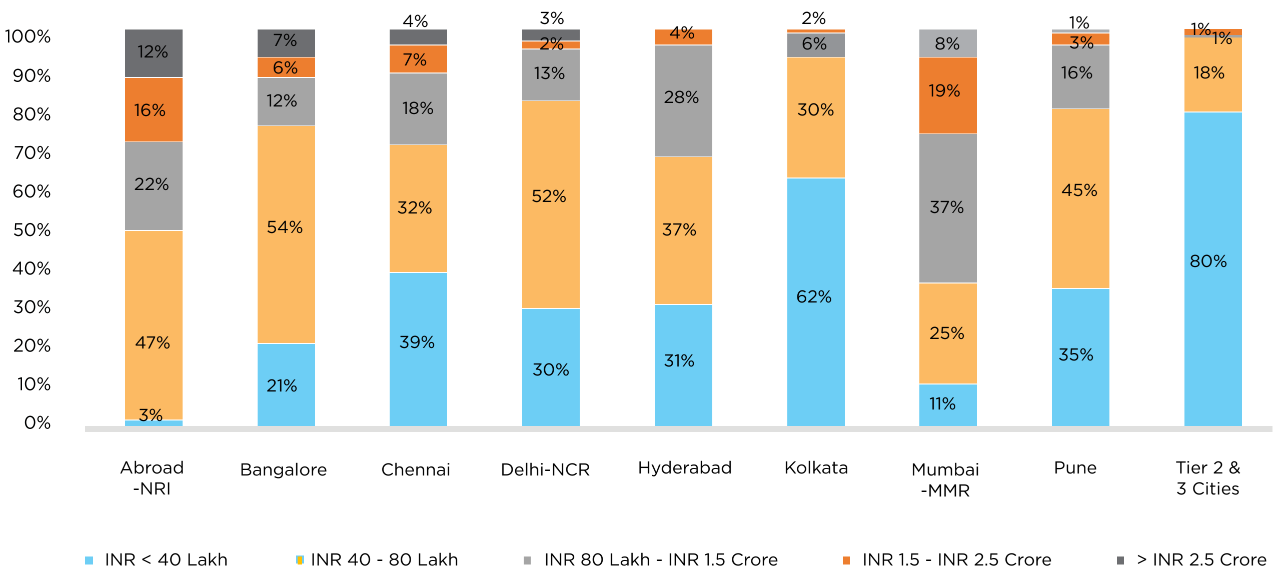
Surprisingly, as compared to previous survey results (H2 2018) the preference for mid segment properties increased by 10% in the current survey results (H1 2019).

At the city-level, buyers in Bangalore, Delhi-NCR, Pune and Hyderabad are the major cities where their preference shifted gears from affordable budget range to mid segment category with 54%, 52%, 45% & 37% respectively.

However, respondents in Tier 2 & 3 cities (80%), Kolkata (62%) and Chennai (39%) continue to prefer homes within the affordable budget range.
In India's most expensive real estate market - Mumbai-MMR – over 64% respondents prefer to invest in properties above INR 80 lakh budget range.

70%

prospective buyers prefer a property within sub INR 80 lakh budget



What, according to you, is an 'Affordable Home' price in your city?

For nearly 41% respondents, INR 30 lakh – INR 45 lakh budget range is the most affordable price for buying homes in their respective cities. For instance, 66% respondents in Pune, 55% in Bangalore, 51% in Tier 2 & 3 cities and 47% respondents in Hyderabad feel that properties within INR 45 lakh budget are ideal to be categorised as affordable.

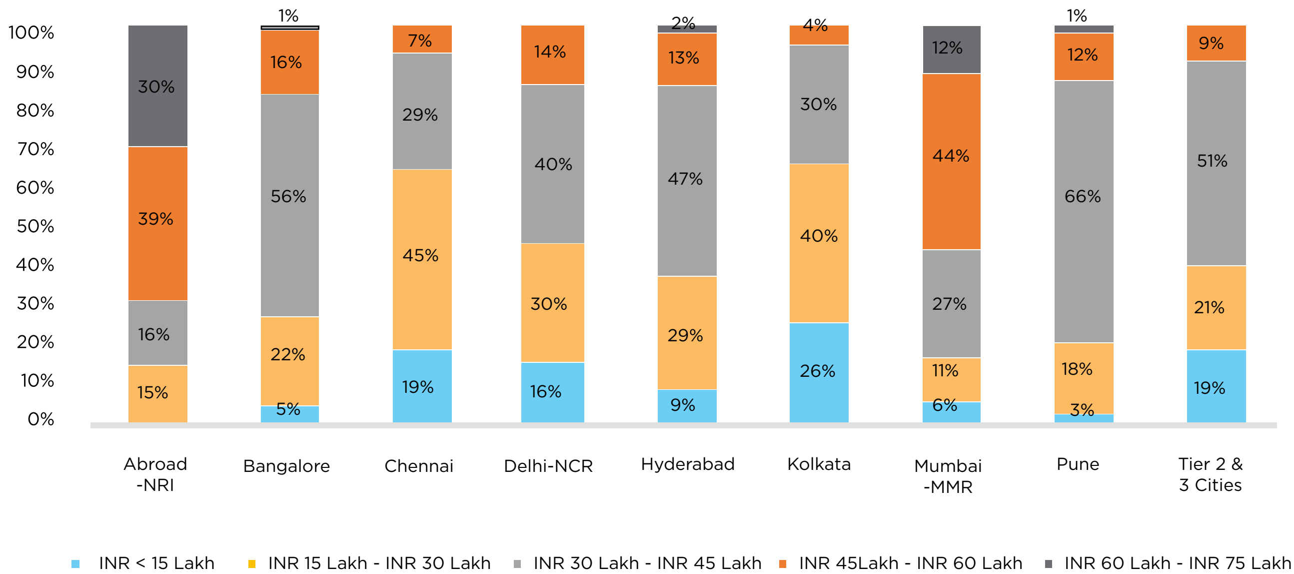
This coincides with the very definition of affordable housing that was changed very recently by the government. Earlier, the definition of affordable homes was limited to property sizes - 60 sq. mt. in metros and 90 sq. mt. in non-metros. It extended this with the pricing as well to <INR 45 lakh pan-India. Now, all properties with the said sizes within INR 45 lakh will be considered affordable and thus can avail its underlying benefits.

Meanwhile, 65% respondents in Chennai, 65% in Kolkata and 45% in Delhi NCR think that any home priced below INR 30 lakh is affordable for them in their respective cities. Considering the skyrocketing prices in Delhi-NCR, it is surprising that buyers feel so. On the other hand, buyers in MMR were being very realistic as 44% respondents felt that properties within INR 45 lakh-INR 60 lakh budget range were affordable. NRIs painted a somewhat similar story where 38% (majority) respondents chose INR 45 lakh- INR 60 lakh budget range as feasible for affordable housing in India.

Overall, nearly 34% respondents think property costing below INR 30 lakh is affordable.

41%

buyers consider properties within INR 30 lakh – INR 45 lakh as affordable across top 7 cities



What BHK-type and size are you looking for?

Similar to previous survey trends, 2BHKs continue to attract maximum buyers. Over 55% respondents preferred to buy 2BHK homes, followed by 33% for 3BHKs, 9% for 1BHKs and merely 2% for 4BHK units. For most buyers, a small 2BHK home within the city limits is far better option than a large one in far-flung areas.

Moreover, on being asked their preference for either compact homes or large ones in the respective BHK-types, nearly 53% respondents stated that would rather buy homes in compact sizes.

This is largely because when it comes to housing, size matters for all kinds of reasons. The added floor space of larger homes definitely spells comfort, convenience and family scalability, every additional square foot either comes at a higher price or pushes available options further away from the central regions of a city.

Millennial homebuyers prefer affordability coupled with good location over larger-sized homes in distant suburbs. Simultaneously, developers are intent on making their housing projects more pocket-friendly for a higher customer base. As a result, the top 7 Indian cities collectively saw average apartment sizes shrink by nearly 17% between 2014 and 2018.

Over

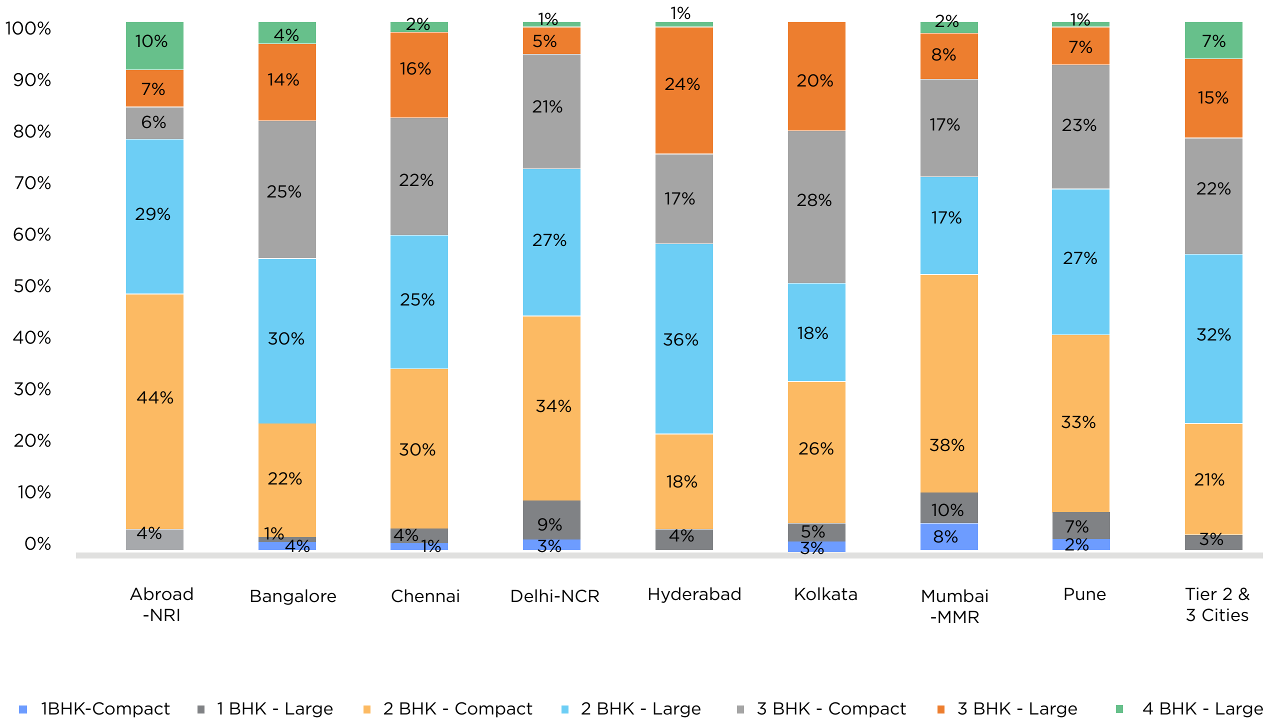
55%

respondents preferred 2BHKs

while

53%

favoured compact size homes



While compact sizes were the first choice of respondents, it varied from city to city. For instance, over 65% respondents in Hyderabad and Tier 2 & 3 cities each preferred to buy large-size homes instead of compact ones. Builders are also heeding to buyer demand by launching relatively bigger size homes. Among the top 7 cities, Hyderabad had the highest average property size of about 1,600 sq. ft. of projects launched in 2018. This dovetails favourably with the fact that property prices here have been more realistic than in most other cities.

Meanwhile, respondents in Bangalore were equally tilted towards both compact and large size homes. As is, Bangalore saw least decline in average property sizes at around 12% in five years. The current average apartment size in Bangalore is 1,260 sq. ft. Interestingly, prior to 2017, the average sizes in Bangalore fluctuated by merely 1-2% y-o-y; in 2018, they dropped by over 12% against the preceding year.

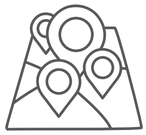
Configuration	Compact	Large
1 bed	within 500 sq. ft.	500 - 750 sq. ft
2 beds	within 900 sq. ft.	1000 - 1200 sq. ft
3 beds	within 1200 sq. ft.	1250 - 2000 sq. ft
4 beds	2000 - 3500 sq. ft	

Which city do you intend to invest in?

Needless to say, majority respondents prefer to invest in cities where they are currently residing/working in. However, it interesting to know the variation in city choices for those considering investments outside their city.

Low property prices coupled with improved infrastructure facilities in Tier 2 & 3 cities attracted maximum investors to plan their investment in these cities. As per ANAROCK consumer sentiment survey, overall Tier 2 & 3 cities are the first choice amongst property seekers with 26% votes in favour of it, followed by Bangalore which emerged as the second most preferred destination for investment with 21% votes.

Nearly 18% respondents across India preferred Pune as their third option for investments, followed by MMR with 13% votes in its favour. Surprisingly, southern cities like Hyderabad and Chennai saw merely 8% and 4% votes in their favour respectively. Delhi-NCR and Kolkata were least preferred.



Tier 2 & 3 cities are the new hotspots for majority investors

Top Home Buying Destinations

Top preferred home buying destinations

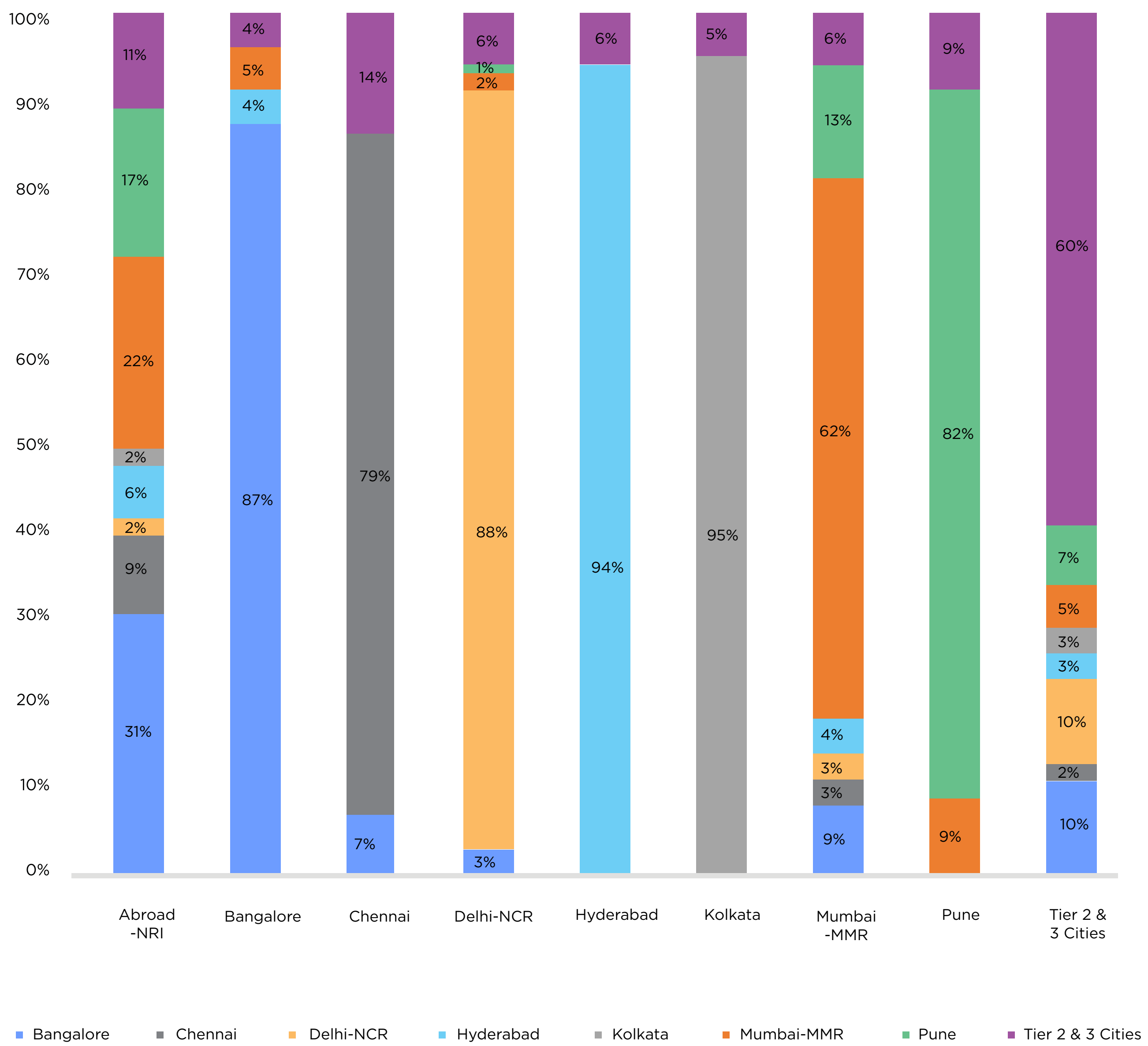
Rank	For Indians	For NRIs
1	Tier 2 & 3 Cities	Bangalore
2	Bangalore	Mumbai - MMR
3	Pune	Pune
4	Mumbai - MMR	Tier 2 & 3 Cities
5	Hyderabad	Chennai
6	Delhi - NCR	Hyderabad
7	Chennai	Delhi - NCR
8	Kolkata	Kolkata

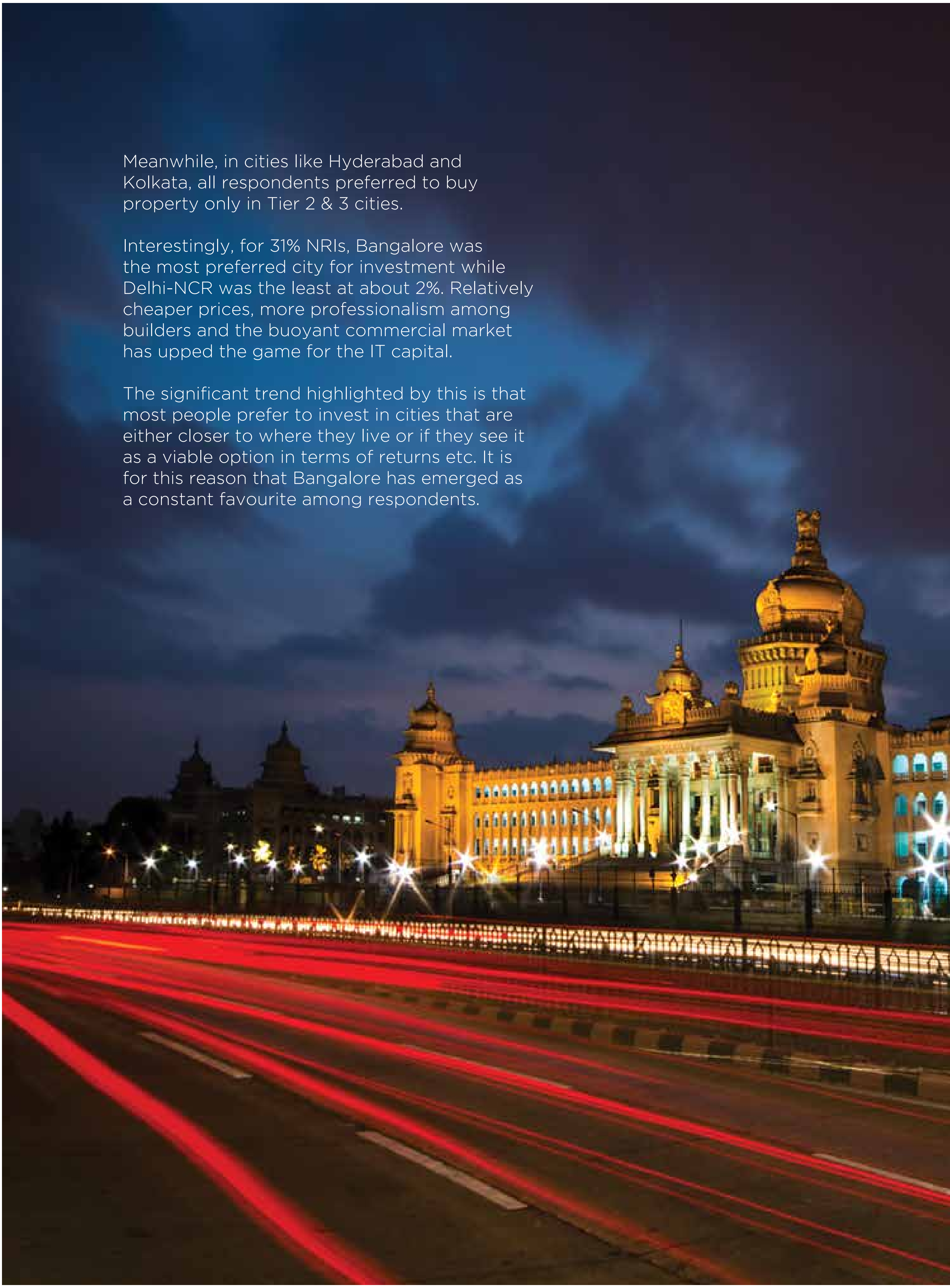
If we deep-dive further into specific cities, more than 40% respondents in Tier 2 & 3 cities prefer to invest in top cities. Out of this, 28% respondents want to invest in Bangalore, followed by 25% preferring Delhi-NCR, followed by 17% for Pune and 12% for MMR. Kolkata, Hyderabad and Chennai had the least preference with 8%, 7% and 4% respectively.

In Bangalore, majority participants preferred MMR as their top choice for investment, followed by tier 2 & 3 cities like Mysore, Mangalore, Tumkuru etc. while Hyderabad was their third choice.

In Chennai, decent 21% respondents want to invest in nearby tier 2 & 3 cities such as Vellore, Coimbatore, Mahabalipuram etc., followed by Bangalore as their second choice.

Similarly, in Delhi-NCR, nearly 12% prefer to invest in smaller cities like Sonipat, Jaipur, Chandigarh and, followed by Bangalore and MMR respectively. While for Mumbaikars as expected Pune was the first choice, followed by Bangalore and tier 2 & 3 cities.



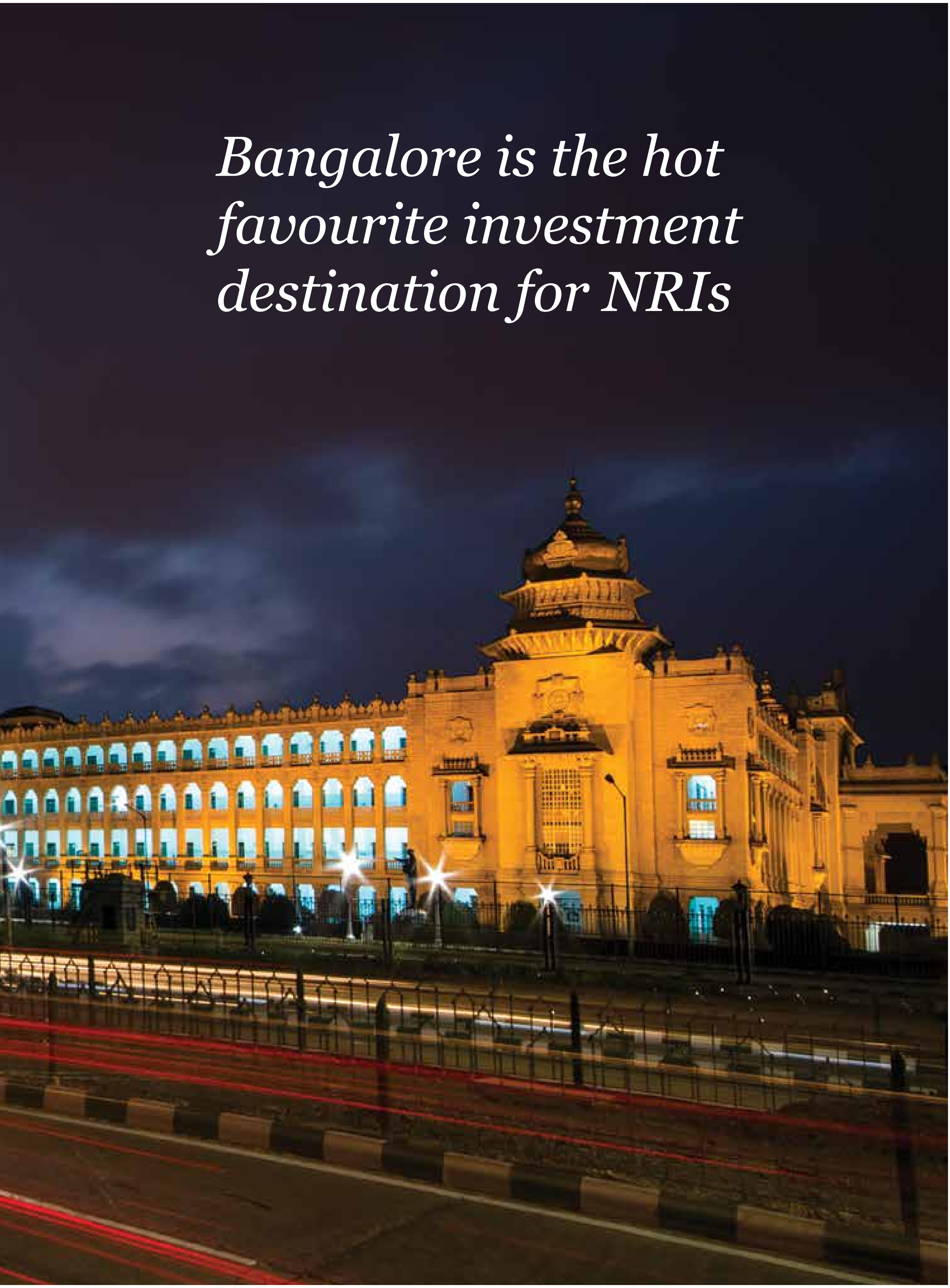


Meanwhile, in cities like Hyderabad and Kolkata, all respondents preferred to buy property only in Tier 2 & 3 cities.

Interestingly, for 31% NRIs, Bangalore was the most preferred city for investment while Delhi-NCR was the least at about 2%. Relatively cheaper prices, more professionalism among builders and the buoyant commercial market has upped the game for the IT capital.

The significant trend highlighted by this is that most people prefer to invest in cities that are either closer to where they live or if they see it as a viable option in terms of returns etc. It is for this reason that Bangalore has emerged as a constant favourite among respondents.

Bangalore is the hot favourite investment destination for NRIs



Conclusion: Emerging Consumer Trends in Indian Real Estate

The last five years of Modi-government have brought about a paradigm shift in Indian real estate. His envision to set the 'house' in order and alter the scarred face of the realty sector - a haven for black-money hoarders - is beginning to show positive results. He introduced major policy overhauls, amended old Acts, gave impetus to infrastructure development, and brought in schemes like 100 Smart Cities and Housing for All by 2022. All in all, the government aptly set the stage for Indian real estate to flourish in the long-term.

That said, there were short-term repercussions with new supply and housing sales declining during the five year-period by 64% and 28% respectively. This trend signified that builders became cautious while launching a product and were diligently trying to bridge the demand-supply mismatch. Like in previous survey, affordable housing continued to dominate both demand and supply and small compact homes garnered maximum buyer interest.

Besides these usual trends, some new ones emerged in the recent ANAROCK's comprehensive survey - Real Estate Consumer Outlook: H1 2019. The survey not only captured the pulse of the property buyers in the wake of new changes but are likely to shape the future of Indian real estate from the consumer-perspective.

48% buyers not satisfied with their developer, will not buy again from them

In a stark revelation, at least 48% buyers state that if given a chance they will not buy a property from the same developer. This resentment was largely seen in Delhi-NCR where nearly 68% said they will not buy a property again from the same developer. Hence, developers will need to re-strategize and align with buyer expectations rather than making tall promises early on and later faltering on them.

Long-term investors see potential in Indian real estate

'Conducive reformatory environment and the government sops in the recent budget have given a new lease of life to the Indian real estate with long-term investors coming back to invest in the sector. Unlike speculators, these investors have realistic expectations – similar to those in mature markets. While 58% property buyers bought it for end-use, a good 42% ended investing in real estate, up by 10% against the previous survey.

Attractive Prices lure 50% buyers to buy property in 2018

Even while real estate across cities remained unaffordable for many, at least 50% participants bought a property because they felt that they got a good deal from their respective builder. In a significant development, a compromise on the overall size of the property was also no deterrent for most buyers as builders reduced property sizes to fit their product into the affordability bracket.

70% buyers prefer properties priced within INR 80 lakh budget

Much to the buyers delight, builders are now consciously launching projects in the affordable and mid segments over the last five years in order to bridge the demand-supply gap. Data indicates that the share of new supply in affordable and mid segment combined (within INR 80 lakh) was a whopping 77% during the period, with 39% in affordable and 37% in mid segment.

RERA revives consumer faith in New Launch projects –

Even while ready-to-move-in homes is the preferred choice for several buyers, new launches – which took a major hit in the previous survey – saw a decent revival. More than 18% respondents now prefer to buy new launch properties as against mere 5% in the previous survey. Interestingly, 44% NRIs would consider new launch properties as against under construction or ready homes.

Tier 2 & 3 cities emerge new hotspots for majority investors –

Low property prices coupled with improved infrastructure facilities in Tier 2 & 3 cities are attracting maximum investors to plan their investment in these cities. As per ANAROCK consumer sentiment survey, overall Tier 2 & 3 cities are the first choice amongst property seekers with 26% votes in favour of it, followed by Bangalore which emerged as the second most preferred destination for investment with 21% votes.

About ANAROCK:

ANAROCK is the leading real estate services company in India and has successfully completed 300 exclusive project mandates since June 2017. The Firm has diversified interests across the real estate value chain and deploys its proprietary technology platform to accelerate marketing and sales. The Chairman, Anuj Puri, is a highly-respected industry veteran and India's most prominent real estate thought leader. ANAROCK's services include Residential Broking and Technology, Retail, Investment Banking, Hospitality (via HVS ANAROCK), Land Services, Warehousing and Logistics, Investment Management, Research and Strategic Consulting. ANAROCK's team of over 1800 qualified and experienced real estate professionals operate across all major Indian markets, as well as the Middle East. ANAROCK also manages over 80,000 fully-vetted channel partners to ensure global business coverage. Our core assurance of consistent ethical dealing with clients and partners reflects our motto - Values Over Value.

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