

Investors are Heading Back to Indian Housing Market

Insights Drawn from **360** Realtors' Q3 Market
Sentiments Report



Foreword

Traditionally, like any other Asian society, real estate in India has been one of the favored asset classes for the investor fraternity. It has always been perceived as a risk-adjusted, safe investment bet and hence for a sizable volume of investors, real estate held a position higher than the bullion or the stock market.

This trend of capital concentration further got a shot in the arm during 2007-14, when house prices in most of the major metros in India rallied ahead, thereby ensur-

ing an elevated yield for the investor community. Investing in real estate also ensured recurring rental income, which was an added advantage. During this time, owning multiple properties (a lot of times, even more than five) for investment was not unlikely in the market.

However, during 2015-17, Indian real estate slowed down due to an inventory overhang in most of the major markets. The structural decline in the market was further spurred by a host of policy makeovers such as demonetization, GST and RERA, which created uncertainty and hence stymied growth. Although Indian real estate has been far away from a bubble bust, steep price compression and softening of sentiments was visible in major markets.

As a ramification of the fallout in the property prices, its attractiveness as a high potential investment was also questioned. Slowdown in the housing segment deterred the investor class from playing out in the field.

By the end of 2017, realty in India started reviving, but

the sentiments remained mostly skewed towards end users. Pure investment activities mostly remained restricted between 10-15%. This was a far cry from the market that once almost enjoyed up to 40% investment activities.

However with renewed optimism over the last three quarters, investors are once again drawn towards the market. The latest Q3 report by 360 Realtors that has surveyed 4000 home buyers across five major Indian metros indicate that around 24% of the market is led by investors. This is a noticeable improvement from our previous quarter research that pegged the number at 17%.

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Going forward, investment activities are expected to gain further momentum, underpinned by healthy macro economy, growth in the job market and strengthening of the consumer confidence due to recent policy makeovers.



Ankit Kansal
Founder and
MD, 360 Realtors

Key Highlights of the Report

In Q3, 2018, 24% of the respondents have purchased homes with intent to invest.

This is far higher than the previous quarter research that pegged the number at 17%.

At individual metro levels, the percentages of investors are between 22 and 31%.

In terms of investment activities, Pune leads other Indian peers with a percentage of around 31%.

Amongst investors, around 48% prefer to opt for properties priced less than INR 40 Lacs. This shows growing interest for low ticket size assets.

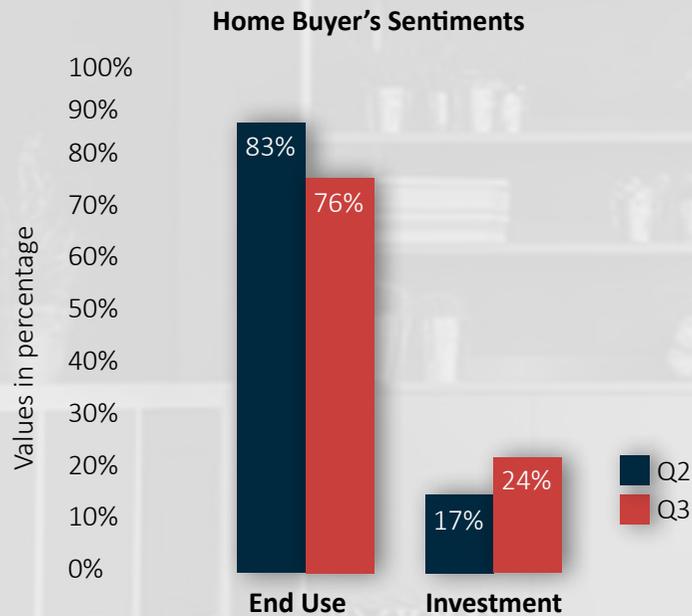
Around one –third of investors are opting for properties priced between INR 40-80 Lacs.

Amongst end users, around 46% are opting for properties priced between INR 40-80 Lacs.



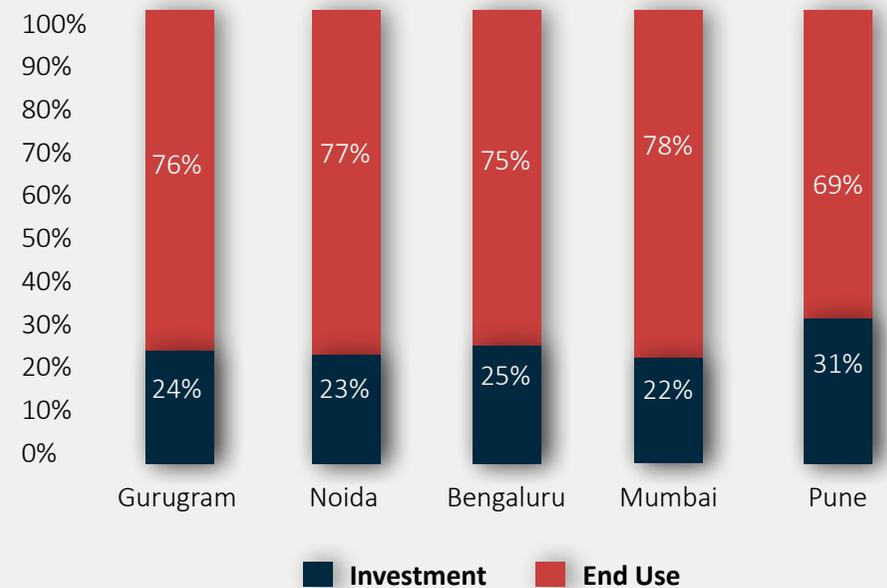
Indian Housing Market

Once Again an Inviting Field for Investors



As per the 360 Realtors' Q3 survey that captured the sentiments of 4000 home buyers spread across five major cities (Mumbai, Gurugram, Noida, Bengaluru and Pune), 24% respondents indicated that they are purchasing with an intent to invest. This is far higher than the previous quarter's research findings.

City-wise, most of the markets have exhibited similar trends, except Pune. Located adjacent to Mumbai - the financial capital of India - Pune has come a long way to consolidate its position as one of the most sought after investment destinations. Besides local buyers, the city constantly features on the radar of investors from Mumbai, NRI source market and even other parts of India. Its attractive property prices complement buyers who are looking out for mid-sized deals.



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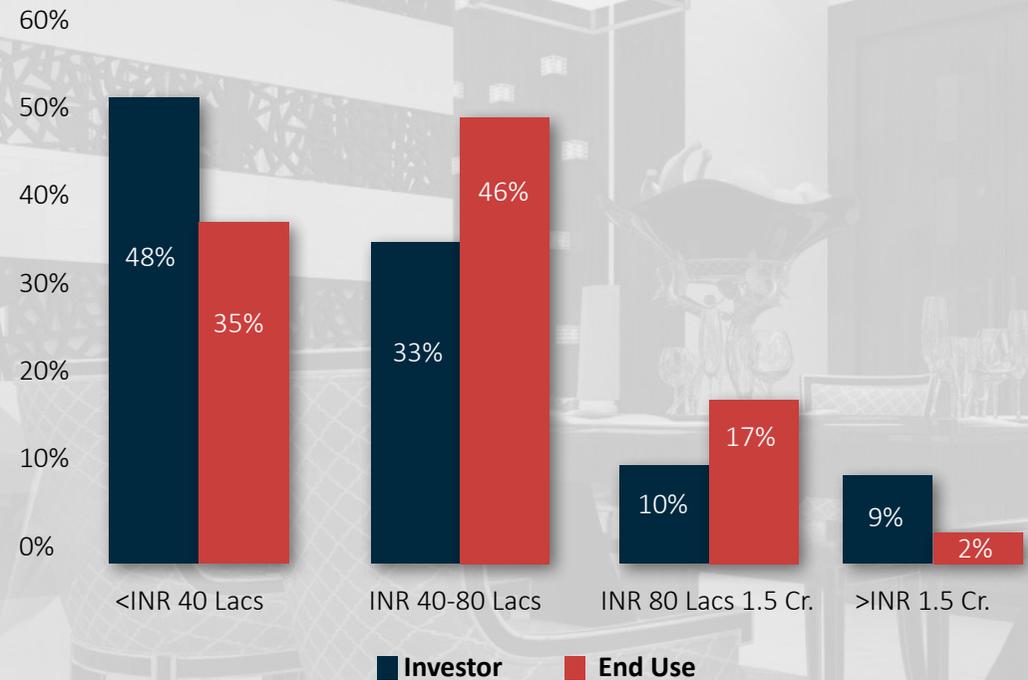
Ticket Size Of Investments

Concentration More towards Smaller Sizes



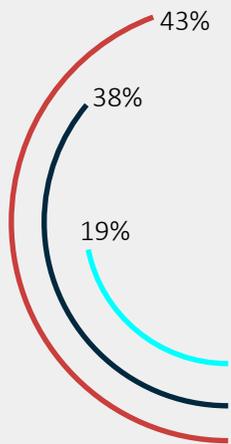
The recent survey by 360 Realtors demonstrates a growing preference for smaller units for investment. As per the survey, slightly less than half of the investors prefer properties priced lower than 40 lacs for investment. Around one-third of the investors are inclined for properties priced between 40 and 80 lacs. There has been a limited preference for properties priced northwards of 80 lacs.

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Interestingly, the outputs are slightly deviant when compared with end user sentiments as around 46% of such buyers have showcased a marked preference for units priced between 40 and 80 lacs. 35% of the end users have opted for homes priced within the bracket of 40 lacs.

Investors' split



- 3 BHK and Above
- 1 BHK and Studio
- 2 BHK

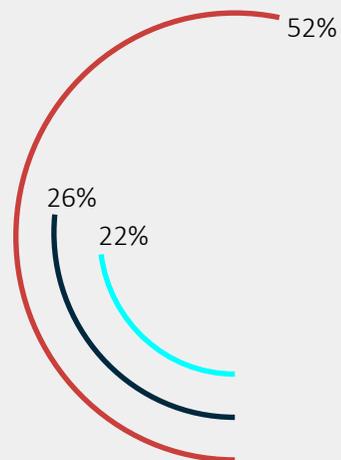
In terms of category wise preferences, 2 BHK are the most preferred asset class closely followed by smaller units such as 1 BHK and studio apartments.

Less than one fifth of the investment activities are flowing into 3 BHK and bigger asset classes. As there is growing preferences for risk adjusted light weight investments, it is explainable that there is a dip in investments into bigger units.

Amongst end users, over half of the buyers are inclined towards 2 BHK units making it the most preferred unit in the investor as well as the end user segment.

More than quarter of the end users have opted for smaller units such as 1 BHK and studio units.

End users' split



- 3 BHK and Above
- 1 BHK and Studio
- 2 BHK



Factors Driving Investment Flow

The recalibration in the current market - where investors are once again making a notable presence - could be rooted to a plethora of determining factors. Highlighted below are some of the major factors that are once again inviting investors to play out in the prolific Indian housing market.



Ushering in a New Era of Transparency

Over the past few quarters, with RERA and a host of other reforms coming out of the policy contours, there has been a substantial change in the dynamics of modern Indian housing industry. Traditionally, Indian real estate has been known for its opaque nature. However, with the roll-out of new changes, the landscape is getting leveled with equitable power sharing between

the buyers and the developers. Policies such as RERA stipulate transparency in every individual transaction, which has heavily boosted the buyer's confidence. Buyers are now much more confident in terms of pouring their hard earned monies into real estate as the chances of possible malpractices have been largely neutralized.

Lightweight Investments

Of late, Indian metros are witnessing a rise in demand for smaller units such as 1 BHK, studio apartments and micro-homes, fueled by a growing millennial population. These lightweight units come with a lower entry barrier to invest and hence investors are naturally drawn towards them. As the demands are

overwhelmingly high, the expected capital growth and rental yields are also attractive. Low prices connote to smaller debt sizes that further add value in a time when risk appetites are low. (Due to a rising preference for smaller units, preferred ticket sizes are low, as indicated in the above section).



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Attractive Offers

With an intent to turn around their existing inventories, many Indian developers are coming up with attractive schemes that are further feeding optimism into the market and renewing investor appetite. As large inventories have piled up over the years, developers are coming up with numerous offers such as assured

rentals, EMI payouts after possession (sometimes even two years after possession) and much more. Such schemes are simplifying the property purchase process, mitigating possible risks and incentivizing more investment into the asset class. Consequently, they are also reeling in more investors.



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City-wise Dynamics – Major Investment Destinations



Investments will Continue to get Upward Thrust

Going forward, the role of investors will continue to edge up in Indian real estate. Prices have stabilized in most of the major markets and are now expected to start moving upwards soon. Hence this will be an ideal time for investors looking to grow their wealth.

The July to September period saw a notable rise in sales of new apartments. At the same time, there has not



been any remarkable change in the new launches. This has eventually resulted into a better turnaround in the existing inventories and dip in the unsold units in the market. As inventory overhang has

started to roll back, the market is expected to get further boost, thereby signaling towards wider investor participation.

However, in terms of volume, investments will fall short of the 2010-14 era, when it was at an all-time high. This is also partly because of the fact that this time,

only long-term investors are playing out in the field and there is very limited scope for speculations. Indian gov-

ernment is committed towards bringing more transparency and structure into the real estate sector and facilitating the sector towards becoming an organized industry.



Methodology

360 Realtors' Market Sentiment Survey is a proprietary research that is conducted every quarter in association with ProptoQ, an agnostic real estate research and information dissemination platform.

Indian real estate roughly accounts for around 6% of the total GDP of the country. However, there is dearth of end user-centric research and insights as most of the research studies commissioned are institutional in nature. Hence, in order to bridge the current knowledge void, decipher the underlying market sentiments and offer actionable insights to homebuyers and the fraternity, 360 Realtors conducts market sentiment survey every quarter.

In the Q3 Survey 4000 homebuyers have been made to fill the survey questionnaire to understand their prime motive behind home purchase. Respondents were located around five major Indian cities- Gurugram, Noida, Mumbai, Bengaluru and Pune.

Apart from the survey, qualitative interviews were also conducted with two investors from every city to understand more about the evolving consumer preferences.