

January—June 2022

Residential Realty

# Consumer Sentiment Outlook

The residential realty consumer sentiment outlook is a half-yearly assessment to gauge residential demand predispositions for the coming six months.

# FOREWORD



## Mr Dhruv Agarwala

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

“

We have entered the third year of the pandemic, where on the one hand, the vaccination drive continues to encourage ‘business as usual,’ and on the other, the new variants, such as Omicron, continue to threaten the slowdown of the recovery rally and dampening of the consumer sentiments. However, despite the third wave, India is projected to grow at 8.7 per cent in 2022, 1.7 per cent higher than former estimates by the World Bank.

The country is better prepared to handle the subsequent waves of the pandemic as compared to the first one due to the ongoing vaccination drives. Despite the second wave being much more severe in terms of loss of life and livelihoods, income and consumption were impacted to a lesser extent than the first wave. The unemployment was in the range of 6-8 per cent in 2021, post spiking to 11 per cent during the peak of the second wave and both the services and manufacturing PMI continue to remain above-50 mark.

The recovery signs are also evident in the residential market. The importance of owning a home has never been so prominent as safety and security have become paramount. As seen from our survey, the respondents have chosen real estate as their preferred asset class even amidst the pandemic. The homebuyers, mainly end-users, are now looking for both habitability and affordability while closing in on a purchase.

However, the residential demand, which picked up in 2021, where sales grew by 13 per cent YoY, is yet to reach the pre-pandemic levels. We require more targeted measures, such as stamp duty waivers, tax rebates, increasing the cap for affordable housing in metro cities, for economic recovery and invigorating confidence in the consumers. Armed with this knowledge, let us dwell on the details of consumer’s outlook on the economy and homebuying for the coming six months. ”

# FOREWORD



**Shri Rajan Bandelkar**

President  
NAREDCO

“ The post pandemic green shoots of economic revival have been made possible by the strong buyer demand and policy measures taken by the Government. After the setback brought in by the pandemic, 2021 turned out to be the year of revival, especially for the real estate sector. As the trend shifted towards working and studying from home, people recognised the need for bigger homes and houses with best in class amenities to support the “new normal”. Hence, as depicted by the results of survey conducted by NAREDCO and Housing.com, it is evident that nearly 47% respondents still consider real estate to be a preferred investment.

The study shows that there is a 13% increase in the demand for housing real estate. This trend, which is likely to increase in 2022, is due to the faster pace of development driven by the use of latest technology in construction and implementation of RERA. Lower rates of interest for home loans are also a confidence booster for buyers to invest in their dream homes. There has also been a paradigm shift in the process of home buying. With technology taking centre stage, people are now exploring virtual tours and online purchase methods. This sentiment came across in the study as well with close to 40% respondents of survey willing to buy home online. Like every other industry during the pandemic, the real estate sector has also been swept up in the wave of digital redesigning of its operations which has not only helped in coping with the restrictions, but also opened up new avenues for business growth. The consumer sentiment towards Real Estate is becoming positive and with the increasing demand, the sector is set to achieve new benchmarks in 2022. ”

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# MARKET OVERVIEW

The strengthening of business activities post the second wave and moderate impact of third wave has lent optimism to the consumer sentiments across all sectors.

## 1. Year three of the pandemic

The world has entered the third year of the pandemic. The previous two years have been characterised by encouraging as well as troubling developments both economically and socially. The commencing of vaccination in several countries during 2021 set the stage for recovery from the economic lows of the preceding year, thus lending optimism to consumer sentiments. Currently, 60 per cent of the world's population has received at least one COVID-19 vaccine dose. In fact, three-fourths of the population in developed countries like the US, UK, Canada, France, Germany and Japan are already fully vaccinated.

The vaccination underpinned the global businesses and services activity, which maintained a strong recovery momentum throughout 2021, thus buoying the incomes and encouraging the consumers to return to the markets. The global manufacturing and services PMI has remained in the expansion zone in 2021 (above-50 mark). However, the year was also characterised by the resurgence of the pandemic waves and new variants that got carried forward in 2022. The new variant, Omicron, has clouded the recovery rally of the global economy since the end of 2021.

With Omicron making inroads and increasing the levels of uncertainty, several global agencies have parred the economic outlook for the coming year. For instance, World Bank has downsized the economic growth to 4.1 per cent for 2022, from the previous 4.3 per cent in June 2021.

Keeping in line with this, major economies are also projected to grow at a slower pace in 2022 compared to the earlier estimates. However, it is to be noted that India is expected to grow at 8.7 per cent in 2022 as opposed to the former projection of 7.5 per cent.

## 2. India sustains the recovery rally

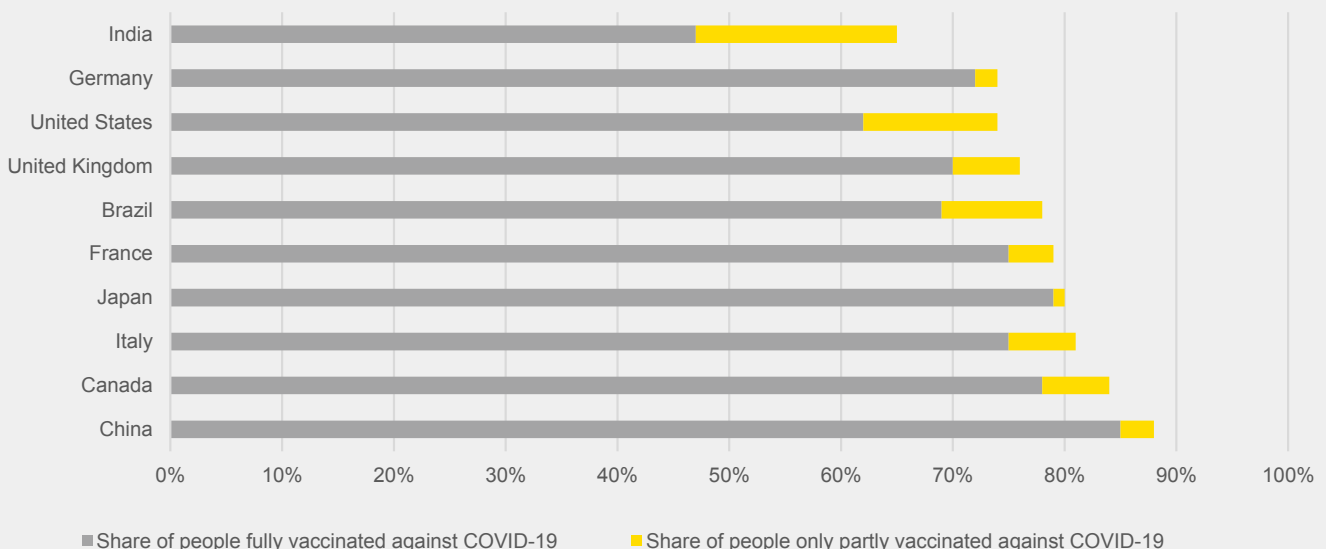
India has witnessed two substantial pandemic waves since 2020. While the country experienced its worst troughs during the first wave in 2020, the impact of the second wave in 2021 was cushioned due to mass vaccination, local lockdowns instead of national lockdown, and several structural and policy changes to cushion the impact of the COVID-19 pandemic.

The opening up of economic activities and recovery in the manufacturing and service sectors underpin the consumer sentiments. Corroborating with the improving cues, leading indicators such as manufacturing and services PMI have remained in the expansion zone (above-50 mark) and were pegged at 55.5 in December 2021.

The strengthening of business activities post the second wave has lent optimism to the economic and income scenario, thus reinforcing the consumer sentiments. Having said that, the new variants and resurgence of the pandemic waves continue to pose a threat as ensuing lockdowns and disruption in economic activities would dampen the consumer sentiments.

### Three-fourth population in developed countries fully vaccinated; India catching-up

Share of people fully and partially vaccinated in major economies

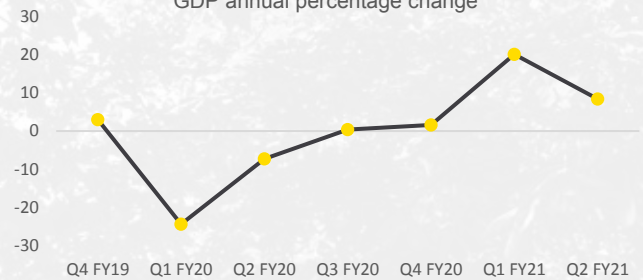


Source: Our World in Data (University of Oxford), Housing Research

### 3. Indian consumption landscape

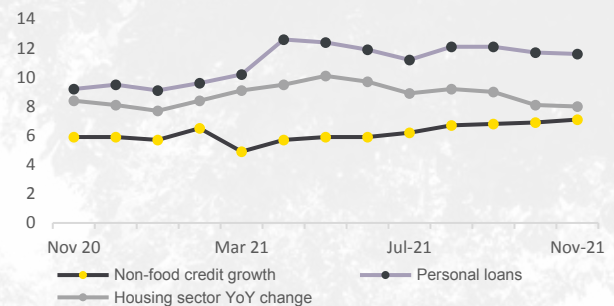
- India's gross domestic product (GDP) recorded an 8.4 per cent YoY growth in Q2 FY2022, sustaining recovery despite the second wave of the pandemic.
- The local lockdowns and vaccination drives supported the business continuity during 2021.
- While the new variants continue to be a threat, businesses across sectors are adapting and becoming increasingly prepared to tackle the successive pandemic waves.
- The improving consumer confidence, growing consumption, and Reserve Bank of India (RBI) maintaining the accommodative stance has catapulted the credit growth.
- The non-food credit growth recorded an uptick and reached 7.1 per cent in November 2021, compared to 5.9 per cent during November 2020.
- The personal loans grew 11.6 per cent in November 2021 compared to 9.2 in the same period the previous year. In fact, one of the major lending banks in India issued a record number of credit cards in the final quarter of 2021.
- The RBI's consumer sentiment index, which accounts for the consumer's current and future sentiments on general economic situation, employment scenario, overall price situation, and income and spending, has also recorded an uptick.
- The current situation index pegged at 62.3 points has reached a nine-month high. The future expectation index also reached 109.6 in November, compared to 107 in the previous month.
- The index suggests that the households are more confident about the general economic, employment and income scenario for the current and future period.

**India GDP records 8.4 percent growth in Q2 FY22**  
GDP annual percentage change



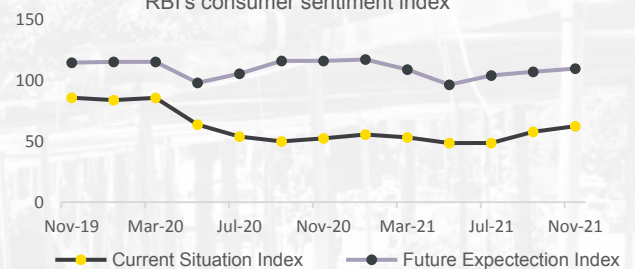
Source: MOSPI, Housing Research

**Non-food credit accelerates to 7.1 per cent**  
Credit growth



Source: MOSPI, Housing Research

**Consumer confidence continues to improve**  
RBI's consumer sentiment index



Source: RBI, Housing Research

#### Consumption recovers from the second wave lows

<b>E-payments</b>	UPI transactions hit a record high - reach 456 crore in December 2021
<b>Power consumption</b>	India's power consumption rise 4.5 percent
<b>Air travel</b>	Air passenger traffic 71 percent in November 2021
<b>Petrol consumption</b>	Fuel consumption at 9-month high

Source: Official sources, Housing Research

# RESIDENTIAL REALTY CONSUMER OUTLOOK - H1 2022

The potential homebuyers are confident about the economic and income scenario for the coming six months. They are searching for properties with proximity to social infrastructure along with flexible payment plans and discounts to close the purchase.



The overall improvement in consumer confidence has also trickled down to the residential realty markets. While the residential demand in 2021 was below the pre-COVID levels, it has surpassed the bottomed-out levels of the preceding year. The residential sales grew 13 per cent YoY in 2021. Unlike the first wave, construction activities continued as inoculation arrested the mass exodus of migrant workers during 2021, thus infusing confidence in homebuyers to continue their searches. Also, unhindered site visits provided the last-mile push to fence-sitters for closing their home purchases.

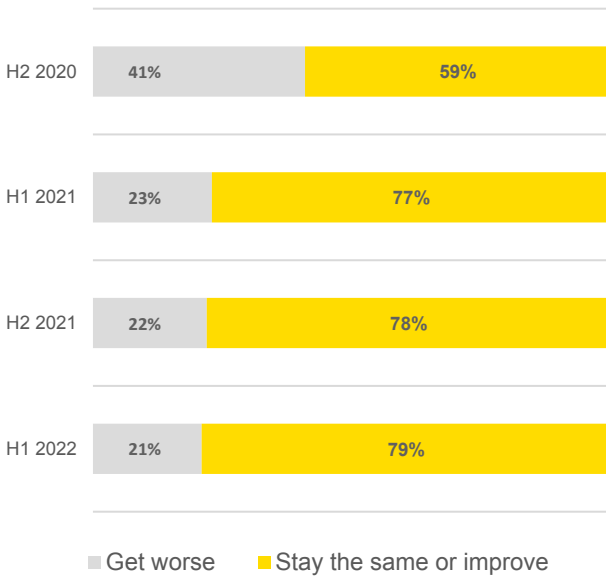
Corroborating with the recovery in the residential realty, our consumer confidence survey of potential homebuyers indicates an optimistic economic and income outlook for the coming six months. Our survey trends suggest that homebuyers who are mainly end-users, are looking for affordability and habitability as social infrastructure has taken precedence. We have also seen homebuyer confidence increasing in digital platforms, where the majority of home searches start. With this background, let us dwell on the details of the economic and homebuying outlook of consumers for the coming six months.



## SECTION A. ECONOMIC OUTLOOK

### A.1 Economic outlook for coming six months

Future economic outlook remains positive for the ensuing quarters despite the third wave

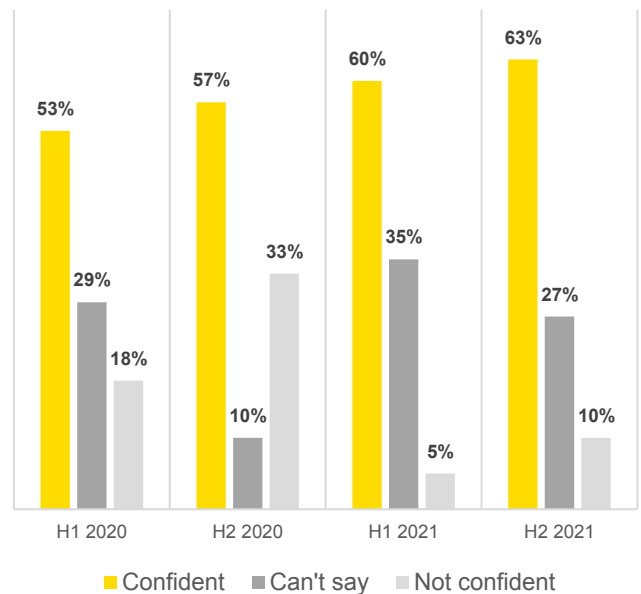


Source: Housing Research

- The economic outlook continues to move into the optimistic zone post the setback during the first wave. Comparatively, the economy was much more prepared to handle the second wave than the first, thus arresting the impact on livelihoods and buoying an optimistic consumer outlook during the second half of 2021.
- The majority of the homebuyers (79 per cent) opined that the economy would continue to stay in the positive zone or improve in the next six months.
- It is to be noted that only 21 per cent of respondents suggested that the economy will worsen compared to 41 per cent during the first wave of the pandemic.
- The vaccination and ease of doing business have buoyed the confidence of both investors and consumers.

### A.2 Income outlook for coming six months

Income outlook improves on the back of business continuity and on-going vaccination



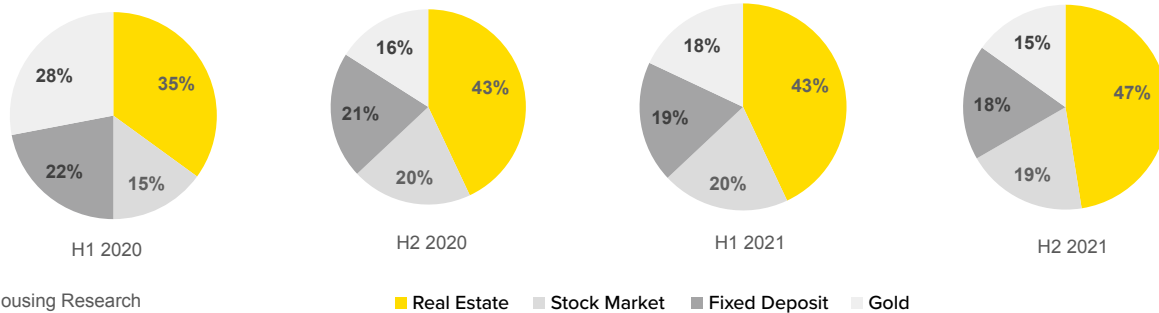
Source: Housing Research

- The unemployment rate has been in the rangebound (6-8 per cent) after spiking to 11 per cent during the second wave. Additionally, according to the Employees Provident Fund Organisation, the formal job creation in India jumped by 37.9 per cent YoY in November of last year.
- The improving employment scenario and uninterrupted business activities through remote and hybrid work policies have bolstered the consumer's confidence in their future earnings.
- The positivity is also demonstrated in our survey, where the majority (63 per cent) of the homebuyers are confident about their income for the advancing six months.

## SECTION B. HOMEBUYING OUTLOOK

### B.1 Asset class investment outlook

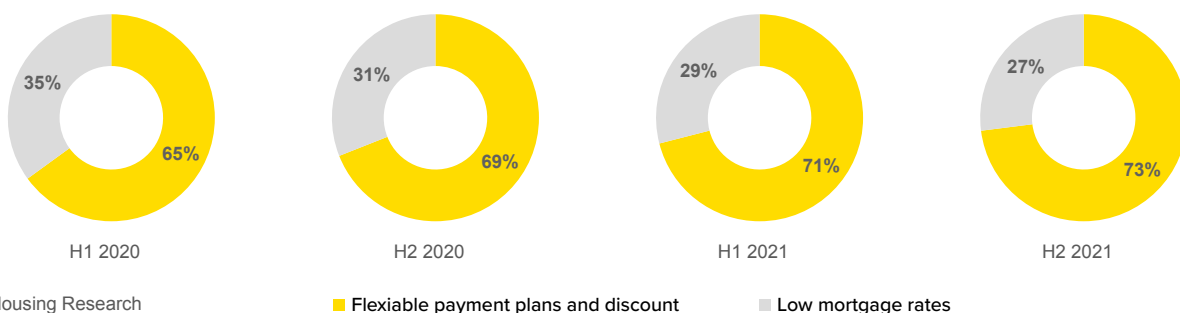
Consumers continue to prefer real estate over other investment asset class amidst pandemic



- The attributes of safety and security have reinstated the importance of owning a home amidst the pandemic.
- Moreover, where businesses are adopting hybrid working policies, some have moved completely online, thus reiterating the need of staying at home.
- According to our survey, 47 per cent of the consumers prefer to invest in real estate, the highest compared to other asset classes such as stocks, gold, and fixed deposit.
- Post the resurgence of the pandemic wave in 2021, it has become resoundingly clear that the majority of people prefer real estate not only for investment but for end-use as well.

### B.2 Demand drivers

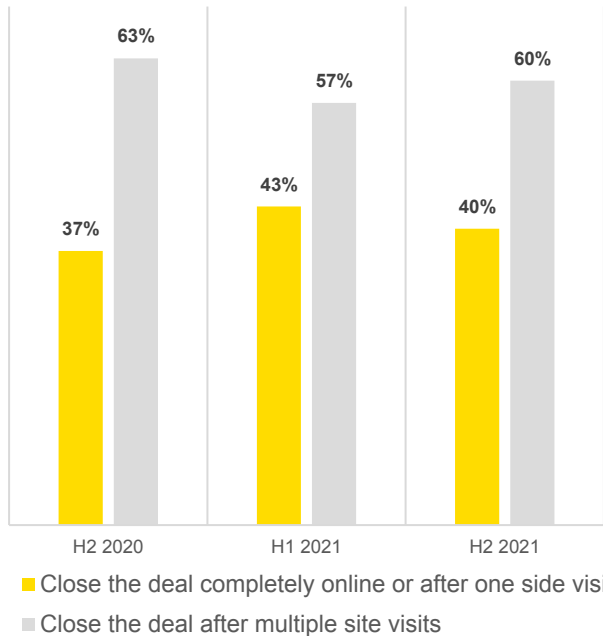
Flexible payment plans to drive end-users closer to home purchase



- Maximum homebuyers (73 per cent) opined that flexible payment plans and discounts would bring them closer to making the purchase.
- While RBI's accommodative stance and resultant historic low rates act as sentiment boosters, the residential real estate prices are substantially higher, especially in the top eight cities of India. In fact, more than half (51 per cent) of the potential homebuyers feel that residential prices will rise even more in the coming six months.
- Hence, flexible payment plans and added discounts will always be important and have been ranked the highest driving factors to close the purchase.
- To attract the fence-sitting buyers and rationalise home prices, the government can adopt a couple of initiatives such as pushing tax rebate on housing loans interest rate, reduction of Goods and Services Tax (GST) on construction materials, expanding credit availability to small developers, stamp duty reductions, amongst others.

### B.3 Levels of comfort in using online platforms

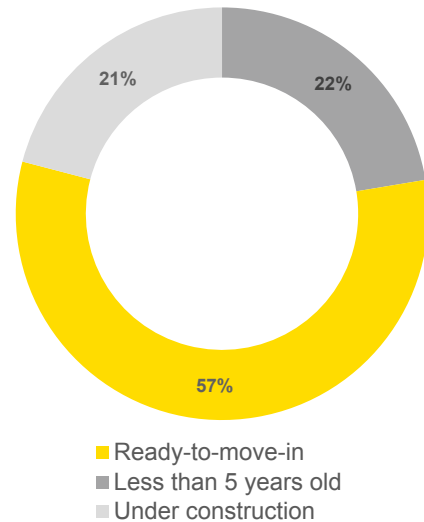
Online business platforms continue to regain homebuyer confidence



Source: Housing Research

### B.4 Type of property

Homebuyers prefer to purchase RTMI units

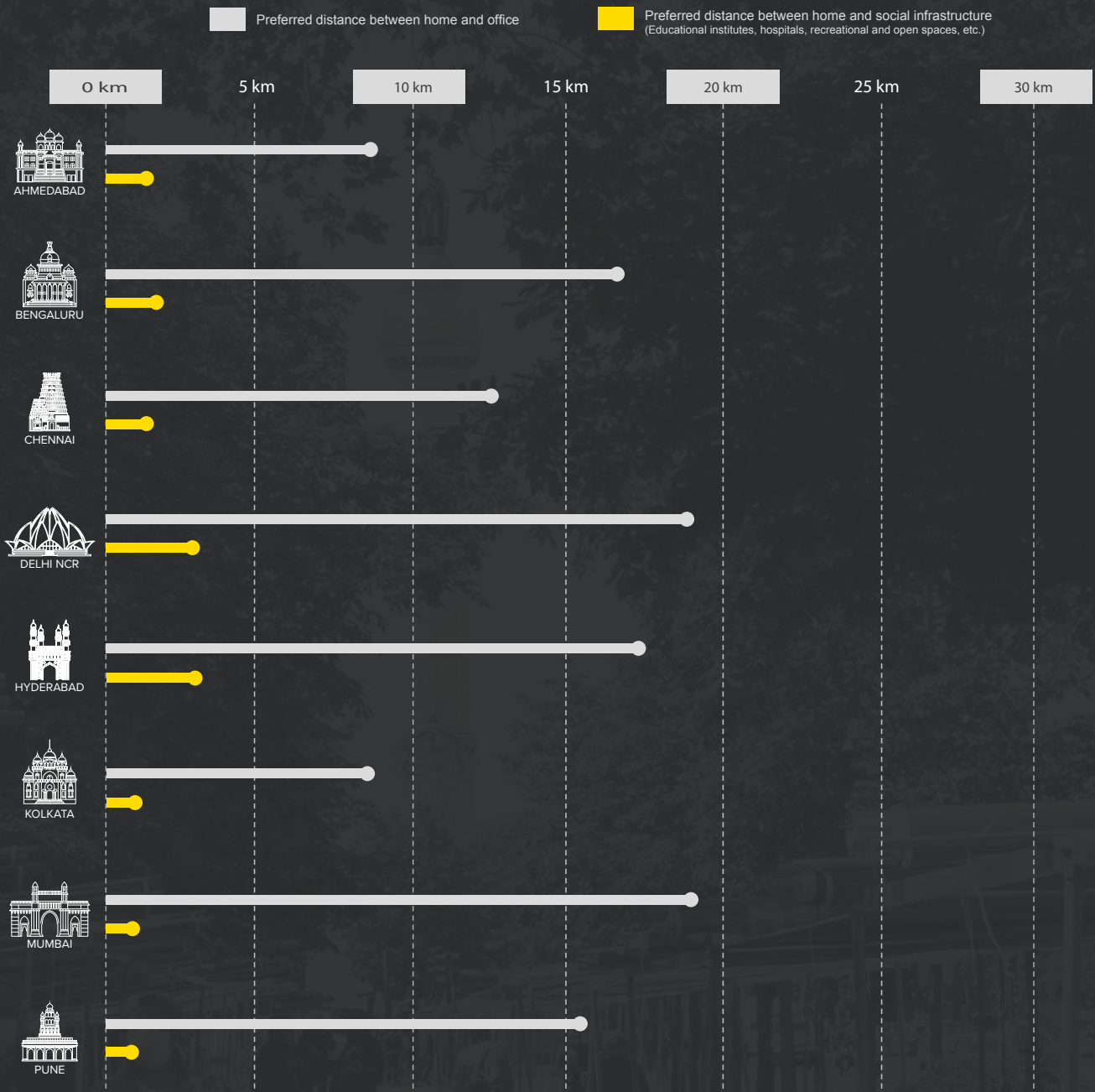


Source: Housing Research

- The pandemic has pushed both developers and homebuyers to explore digital platforms for selling and buying a home.
- While the search for a home always begins online, we see that the confidence for buying a home completely online from such digital platforms has also been increasing. Of the total respondents, 40 per cent are willing to buy a home completely online or close the deal after just one site visit.
- Since India is a conventional real estate market, the majority of the homebuyers prefer multiple site visits before closing in on a purchase. Most people are opting for multiple site visits, especially post the commencement of the vaccination drives.

- The survey indicates that 57 per cent of the potential homebuyers would buy a ready-to-move-in (RTMI) property, indicating that the residential markets are still gaining the confidence of the end-users.
- The trust deficit created by delays in delivering projects, litigation and lack of adequate redressal channels has gripped the residential markets in India for the last few decades.
- Although the government policies such as Real Estate Regulation and Development Act (RERA) and Special Window for Affordable & Mid-Income Housing (SWAMIH) fund have comforted the redressal issues and are gradually infusing confidence in the homebuyers.
- These initiatives have also brought consolidation as fly-by-night developers have exited the markets, thus buoying the consumer confidence in developers. We see 51 per cent of respondents willing to purchase a home from a developer over a resale project.

## Pandemic brings focus on habitability; proximity to social infrastructure paramount for homebuyers.



Source: Housing Research

- We see homebuyers across the top eight cities looking for a property with access and proximity to social infrastructures such as educational institutions, healthcare facilities, and recreational and open spaces. The majority of respondents want such facilities within 1-1.5 km from their homes.
- In case of distance to workplaces, potential homebuyers in the IT hubs of Bengaluru, Pune and Hyderabad are willing to stay further away (10-15 km) from offices as compared to other metros such as Ahmedabad, Kolkata and Chennai. The same can be attributed to major IT companies having switched to work-from-home and hybrid working policies for the unforeseeable future.
- In the case of Mumbai and Delhi NCR, we see a similar trend with homebuyers willing to stay 15-20 km away from their workplaces. However, this can be attributed to buyers opting for properties in peripheral areas due to affordability.
- Overall, we see a trend where social infrastructure has gained importance while closing in on a home purchase. The importance of buying a home near workplaces is slowly waning off due to the flexibility provided by the hybrid and remote working culture.

## KEY FINDINGS

### All India

- Homebuyers are optimistic about the economic and income scenario for the coming six months. The ongoing vaccination drive and business continuity have lent optimism to future earnings, thus buoying the consumer sentiments despite the third wave of the pandemic.
- Real estate remains the preferred asset class even amidst the third wave. The pandemic has reinforced the importance of owning a home due to associated attributes such as safety and security. Also, the work-from-home and hybrid working policies have only increased the need and importance of owning a property.
- Flexible payment plans and discounts will drive homebuyers closer to purchase in the ensuing quarters. While historic low-interest rates act as a sentiment booster, the residential prices are still substantially high, making flexible payment plans and added discounts vital for buyers, who are mainly end-users.
- Apart from affordability, habitability has taken precedence while closing in on a home purchase. Homebuyers across the top eight cities are looking for a property with social infrastructure such as educational institutions, healthcare facilities, recreational and open spaces within 1–1.5 km.
- As the use of technology and online search platforms has accelerated during the pandemic, we see consumers slowly utilising such platforms to not only search property but also to buy a home completely online or after one site visit.

### City-wise

- Homebuyers in Gurugram, Bengaluru, Hyderabad, Noida and Pune are more confident about the economic and income scenario for the coming six months as compared to other major cities.
- The majority of respondents (60-70 per cent) in Delhi NCR, Mumbai, and Bengaluru were looking to buy a ready-to-move-in property.
- In Gurugram, Hyderabad and Greater Noida, real estate is the preferred asset class for 60-65 per cent of potential homebuyers, the highest compared to other cities.
- Homebuyers in the IT hubs of Bengaluru, Pune and Hyderabad are willing to stay further away (10-15 km) from offices as compared to the other top eight cities.

## ANNEXURE – 1

### Approach and Methodology

The consumer sentiment insight series is an attempt not only to gauge the buying and renting predispositions of the real estate consumer but also to understand their outlook on the overall economic scenario and their confidence in the stability of income in the current tremulous situation.

In order to present an all-inclusive view of the real estate consumer sentiments, the report is divided into two sections. Section A comprises the macroeconomic trends, and Section B comprises survey findings and an assessment of the consumer's sentiments regarding the economy, income, and home buying.

The survey is undertaken by Housing Research once every six months through a random sampling technique for a fair representation across regions. The latest survey was conducted between July to December 2021. The insights presented represent the view of more than three thousand potential real estate consumers.

Cities covered under the survey



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National Real Estate Development Council (NAREDCO) was established as an autonomous self-regulatory body in 1998 under the aegis of Ministry of Housing and Urban Affairs, Govt. of India. It is in this year that the Government of India redrafted the National Housing & Habitat Policy, giving due importance to the Housing and Real Estate sector, thereby declaring housing for all citizens by the year 2010. The Indian housing and real estate sectors and the allied industries hailed the establishment of NAREDCO, as the apex national body for the real estate industry and visualized it as a single platform where Government, industry and public would discuss various problems and opportunities face to face which would result in speedy resolution of issues. It was formed with the mandate to induce transparency and ethics in real estate business and transform the unorganized Indian real estate sector into a matured and globally competitive business sector.

The National Real Estate Development Council functions as Development & Promotion Council for housing & real estate sector in India and strives to be the collective force influencing and shaping the real estate industry. It seeks to be the leading advocate of developing standards for efficient, effective, and ethical real estate business practices, valued by all stakeholders of real estate sector and viewed by them as crucial to their success. NAREDCO works to create and sustain an environment conducive to the growth of real estate industry in India, partnering industry and government alike through advisory and consultative processes.

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

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