

Housing Sentiment Index

An
IIMB Magicbricks
Initiative

Jan – Mar 2015

Ahmedabad | Bengaluru | Chennai | Dehi
Gurgaon | Hyderabad | Kolkata
Mumbai | Noida | Pune



HSI

Housing Sentiment Index



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An IIMB Magicbricks Initiative

Housing Sentiment Index (HSI)

Special Post Budget 2015 Survey (Q4 2015)

EXECUTIVE SUMMARY

- Post Budget 2015 sentiment plunged by 29% to 84 when compared to the post-election survey in May 2014. Sentiments have been steadily falling the last few quarters after the euphoria witnessed immediately after elections.
- Although economic sentiments remained positive after elections last year, the real estate sector has been plagued by rising unsold inventory, high construction costs, soaring house prices, supply demand mismatch and high borrowing costs. Budget 2015 barely addressed this sector with key topics like affordable housing completely overlooked. With tax slabs remaining untouched, home buyers are hesitant to take the plunge in spite of the recent rate cuts. We have a long way to go before we can witness '*Achhe Din*' in this sector.
- NCR has witnessed over 30% reduction in sentiment. Gurgaon recored a drop of 38% in sentiments since elections last year. Stalling infrastructure, peak prices and developers unwilling to budge and reduce prices have taken a toll on sentiments in this region. Prices in some parts of Delhi have witnessed corrections of over 20% due to the mounting pressure on developers to dispose of inventory. Although sentiments in Bengaluru also fell by 30% since elections, this is the only city currently with neutral sentiment (HSI 100) as compared to the negative sentiment across the other 9 cities. Mumbai, where sentiments were already subdued last year, witnessed over 20% correction in sentiment since May 2014.
- Sellers continued to be bullish about prices with their sentiment index valued at 146, a drop of 9% since elections. A HSI of 100 suggests that respondents expect prices to remain at current levels, while values lower (greater) than 100 suggest that buyers expect prices to fall (rise).

HOUSING SENTIMENT INDEX (HSI)

- The Housing Sentiment Index (HSI) is jointly developed by IIM-Bangalore & Magicbricks. The index is based on an online survey of prospective home buyers after careful screening by Magicbricks and IIMB. A seller survey was also launched across the nation to track buyer and seller preferences and sentiments. Results of both surveys are documented in this report. Every quarter, we monitor survey responses closely to ensure that the data credibility is high. We also plan to verify the online survey data collected with samples collected from property shows across cities periodically to ensure that the sample data collected is representative of the true population.
- The survey questionnaire has been constructed to specifically capture buyer sentiment on house prices, the degree to which he/she thinks house prices will move, micro market preferences within each city and basic demographic information including buyer preferences for type of property and financing methods.
- The HSI is one of the premier sentiment indices in the Indian real estate market that aims to capture buyer sentiment and serve as a lead indicator to the residential real estate markets. The index is based on the “Diffusion Index” methodology that is widely used to capture market sentiments globally. HSI is calculated by taking the difference of total positive and negative sentiments after adjusting for the magnitude of neutral responses and other biases inherent in survey based work.
- The value of HSI can range from 0 to 200. A score of 100 represents neutrality, which means people don’t expect house prices to either increase or decrease. A score of 200 indicates that all respondents expect house prices to increase. A score of 0 indicates that all respondents expect house prices to decrease.

BUYER AND SELLER SURVEY HIGHLIGHTS

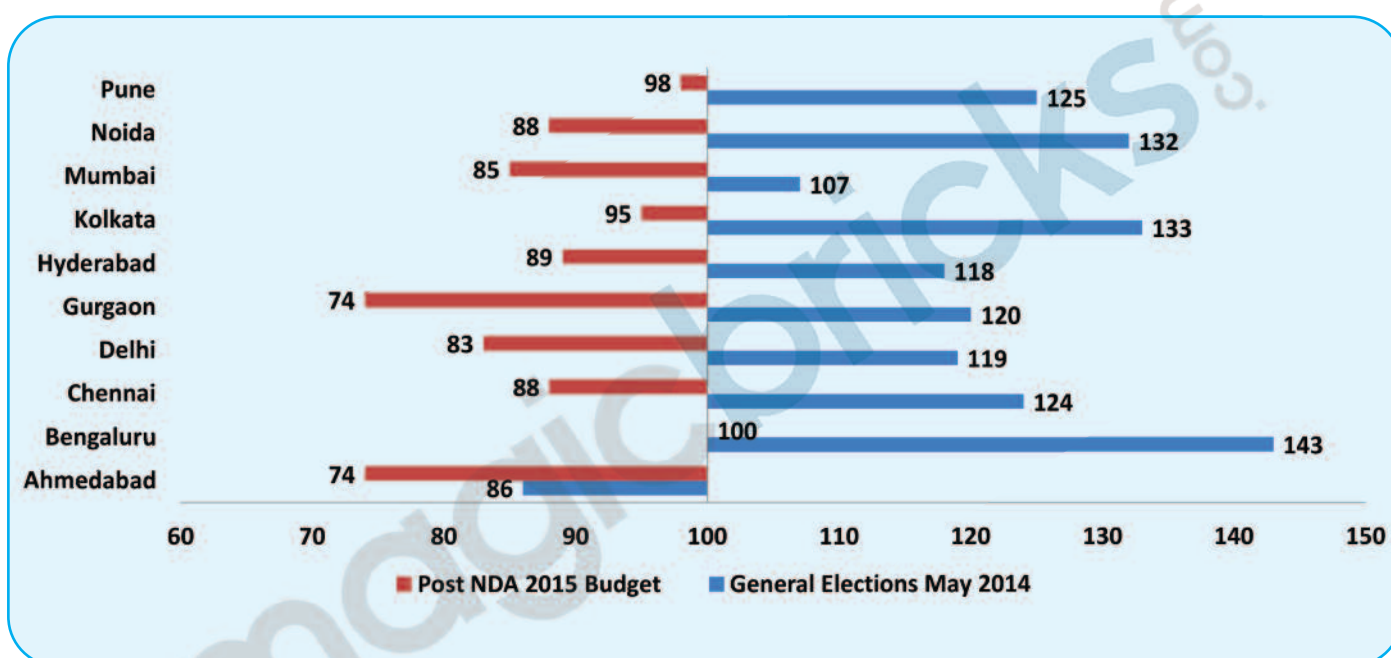
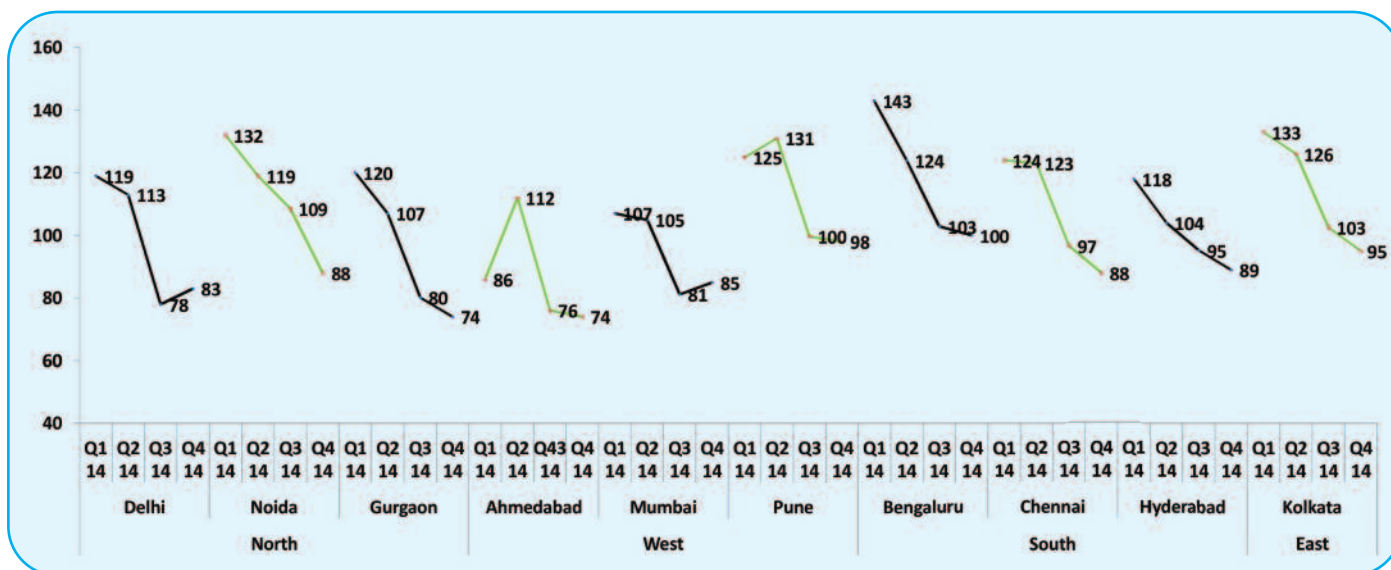
- **Buyer HSI Score:** An aggregate HSI score of 84 for the 10 cities surveyed indicates expectations of a price drop over the next 6 months. Among cities, Bengaluru, with an HSI of 100 leads the list followed by Pune with an HSI of 98. NCR is the worst affected since elections last year with a drop in HSI of over 30%.
- Across cities 63% respondents are looking to buy property as a place of residence for their family, 16% plan to invest in property for rental return, 57% plan to finance their purchase with a home loan and 67% want to buy a flat in a multi-storey apartment. Nearly 48% respondents earn less than Rs 10 lakh per annum with Rs 20-40 lakh property range being preferred by 26% of them.
- **Seller HSI Score:** Seller HSI for the past year has been 30-40% above buyer HSI. More than 75% of sellers are individual owners, 8% are agents and the remaining are builders/developers. While 20% want to book profits, 29% want to move to a bigger accommodation. 20% have owned the property they want to sell for less than a year while another 23% have held it for less than 3 years.

MACROECONOMIC VIEW

MARKET CONDITIONS

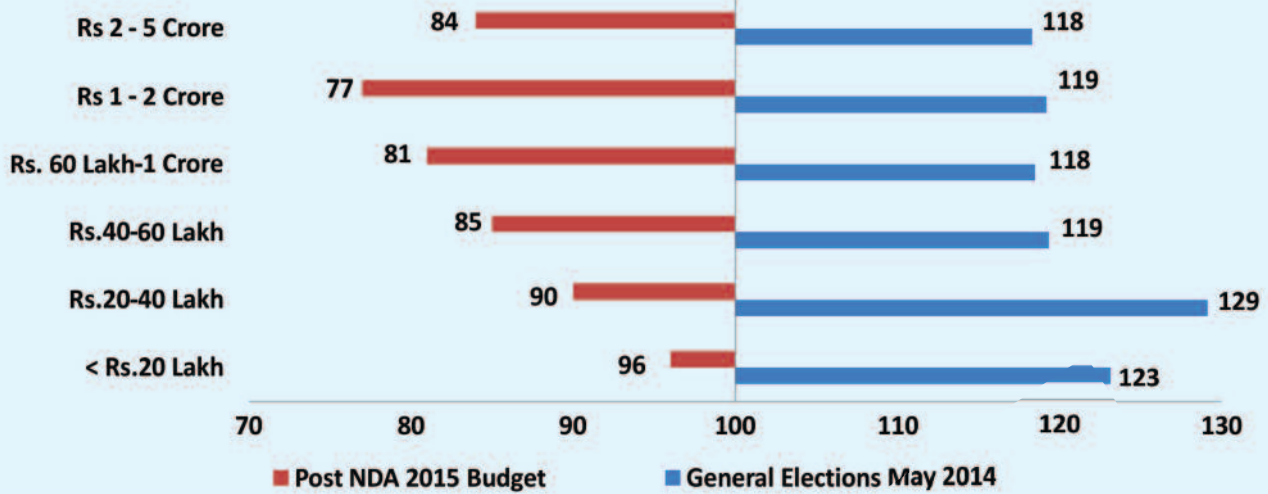
- **Global Markets:** The US equity markets witnessed high volatility during the quarter due to lower growth projections, falling oil prices, tensions due to air strikes on Yemen and apprehensions about the timing of the Fed interest rate hike. Both the S&P and Nasdaq indexes posted the longest stretch of quarterly gains. The dollar increased nearly 7.8% during the quarter against major currencies. Shares in the Euro zone rose by over 18% with Germany's DAX rising 22% in the first quarter of 2015, its strongest performance since its creation. Russia bounced back in Q1 with a gain of over 18%. The emerging markets posted mixed results with Japan, China and India posting positive returns while Brazil and Mexico posted losses. The strengthening dollar and falling oil prices affected some of the emerging market economies.
- **Domestic Economy:** The highlight of the quarter was the Union Budget presented by the NDA government. While the budget has its own shares of positives, it hardly impacted the real state sector; barring Real Estate Investment Trusts (REITs), the sector was largely ignored. Major revisions to calculation of GDP numbers were received with scepticism and concerns. The Reserve Bank of India (RBI) announced a surprise second rate cut for the year so far immediately after budgets. The Indian stock markets closed the quarter with moderate gains after touching life time highs in January and witnessing high volatility throughout the quarter. The budget session of parliament witnessed high drama over the Land Acquisition Bill with the opposition parties claiming the bill to be anti- farmer. The bill, once passed, will replace the ordinance promulgated by the government in 2014.
- **Real Estate:** The introduction of the Benami Transactions (Prohibition) Bill In the Union Budget 2015 addresses domestic black money, specifically in the real state sector and provides a major impetus for increasing transparency in this sector. The Finance Bill includes a proposal to amend the Income-tax Act to prohibit acceptance or payment of an advance of 20,000 or more in cash for purchase of immovable property. The Union budget also allowed Non-banking financial companies (NBFCs) with assets of Rs.500 crore and above to use the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 like any other financial institution. This provides NBFC's a status as well as allows better tracking of wilful loan defaulters.

SENTIMENT BY CITY

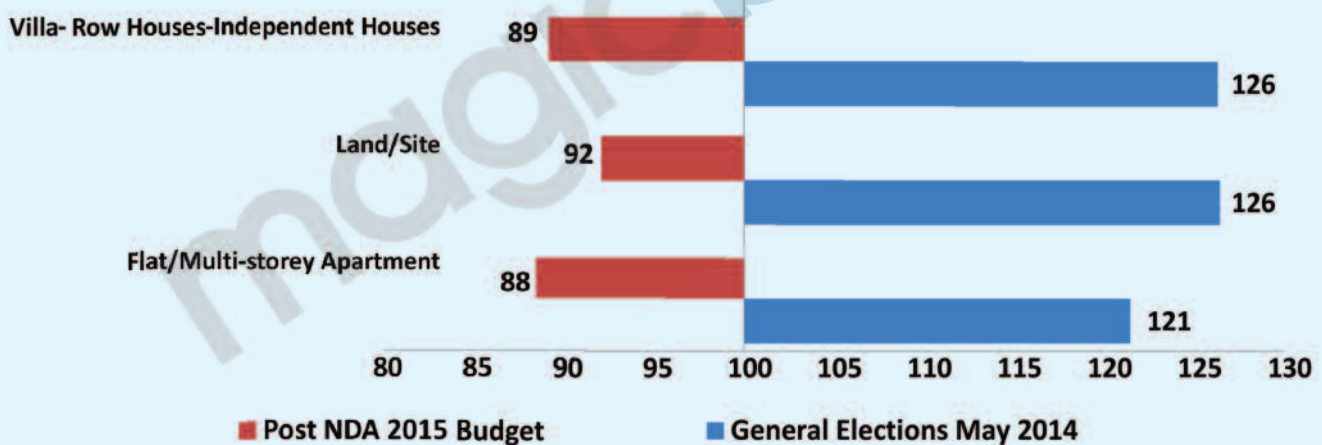


- All 10 cities surveyed witnessed over 20% drop in sentiment since elections last year. The NCR region witnessed a 30% drop with sentiments in Gurgaon dropping by 38%. Bengaluru witnessed a 30% drop in sentiment and is the only city with neutral sentiment (HSI 100).
- The post election euphoria witnessed in all 10 cities has been gradually eroding over the past quarters. While 9 out of 10 cities had recorded positive sentiment in May 2014, all cities barring Bengaluru are now exhibiting negative sentiment. Bengaluru, due to high commercial real estate activity, especially e-commerce purchase of large tracts of land and increased demand for residential real estate from the North, has remained relatively steady. Pune too has been comparatively steady with HSI now at 98. As the Mumbai markets have been highly priced for quite some time now, investors choose Pune over Mumbai for real estate investments.

PRICE AND HOME TYPE PREFERENCE

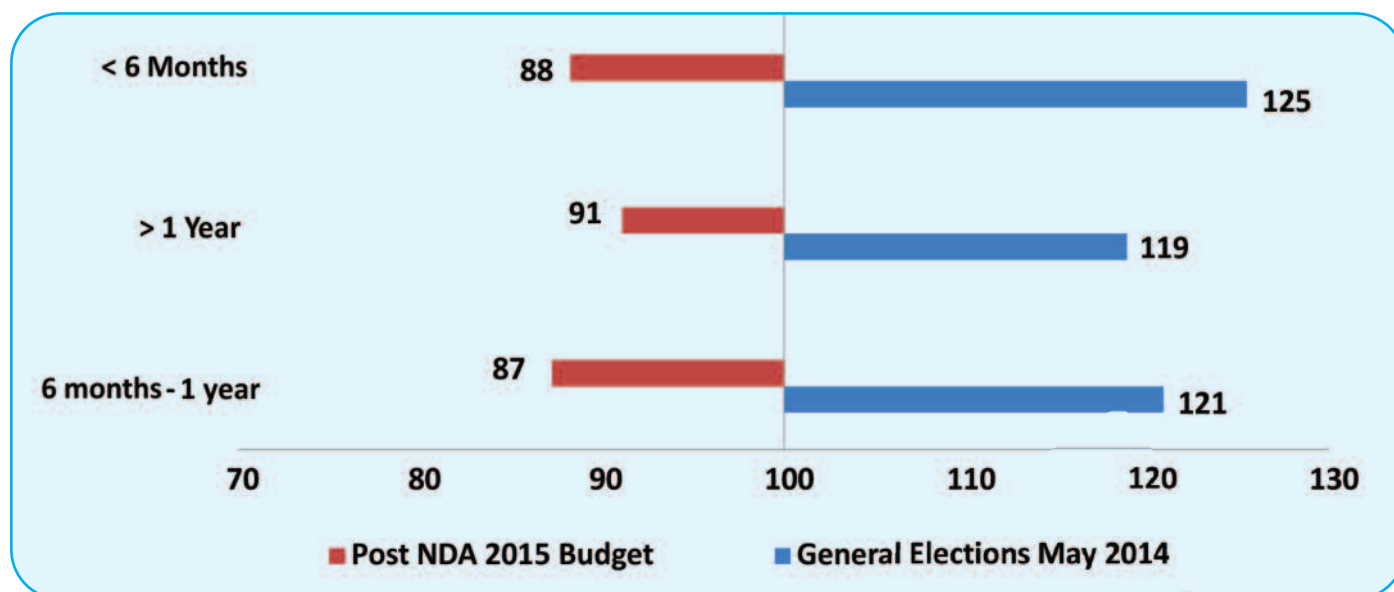


- The Rs 20-40 lakh range is the most preferred with 26% respondents looking for houses in this price range (HSI 90). This was a drop of 30% in sentiment since the elections. (HSI 129 post elections to HSI 90 post budget).
- Almost 15% of respondents are looking for properties below Rs 20 lakh with HSI dropping from 123 to 96 post budget.
- In Kolkata, 35% respondents are looking for properties priced under Rs 20 lakh, the highest percentage among the 10 cities tracked while in Gurgaon the figure stood at 8%, the lowest among the 10 cities.
- Only 2% respondents are looking for properties priced over Rs 2 crore and HSI for this group fell 29% from 118 to 84.

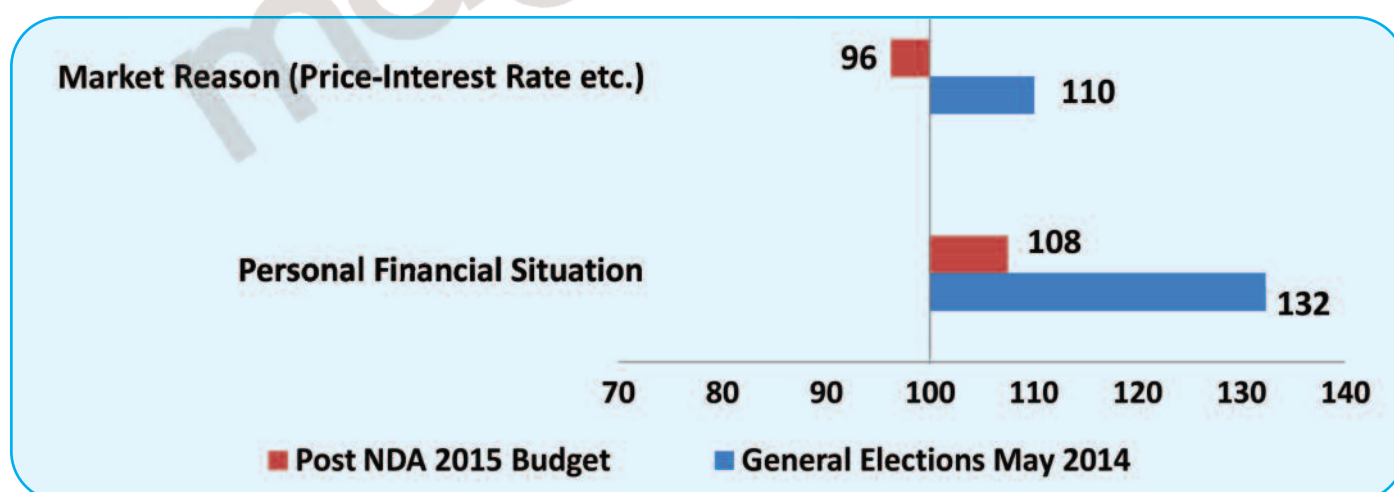


- More than 65% respondents prefer flats (HSI 88) while 13% prefer to invest in land (HSI 92), a drop of 27% in HSI (121) post elections.
- Sentiment for land buyers dipped 27% since elections last year while sentiment for villa buyers dipped 29%.
- In Mumbai, 87% of respondents prefer to invest in flats (HSI 84) while in Hyderabad, 47% prefer the same (HSI 88).

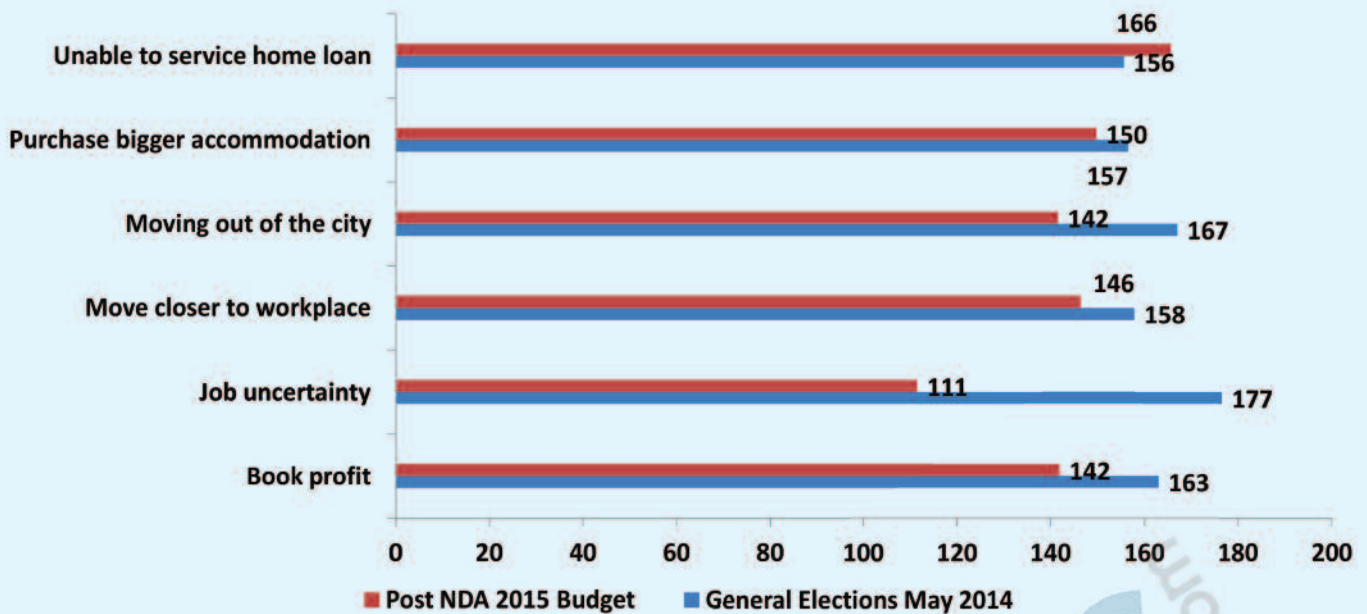
SENTIMENT BY BUYER CONSTRAINTS



- Almost 53% of the respondents want to buy within 6 months as compared to 44% recorded post elections. However, as depicted in the chart above, HSI for this group fell by 30% from 125 post elections to 88 after the budgets. This highlights buyer's eagerness to purchase property but the hesitation to take the plunge due to escalating home prices in most Tier I and Tier II cities.
- As highlighted in the chart below, those citing their own personal financial situation posted a 19% drop in HSI (132 to 108) while those citing market reasons like interest rates and high prices posted a 12% drop in HSI (110 to 96).
- Nearly 50% of respondents are waiting for prices to come down while only 11% cite high interest rate as a deterrent to the home purchase process. Only a drop in interest rates is hence not enough to attract home buyers.
- While 41% of respondents expect prices to decrease, 23% expect prices to increase and the remaining don't expect a change in home prices in the next 6 months.

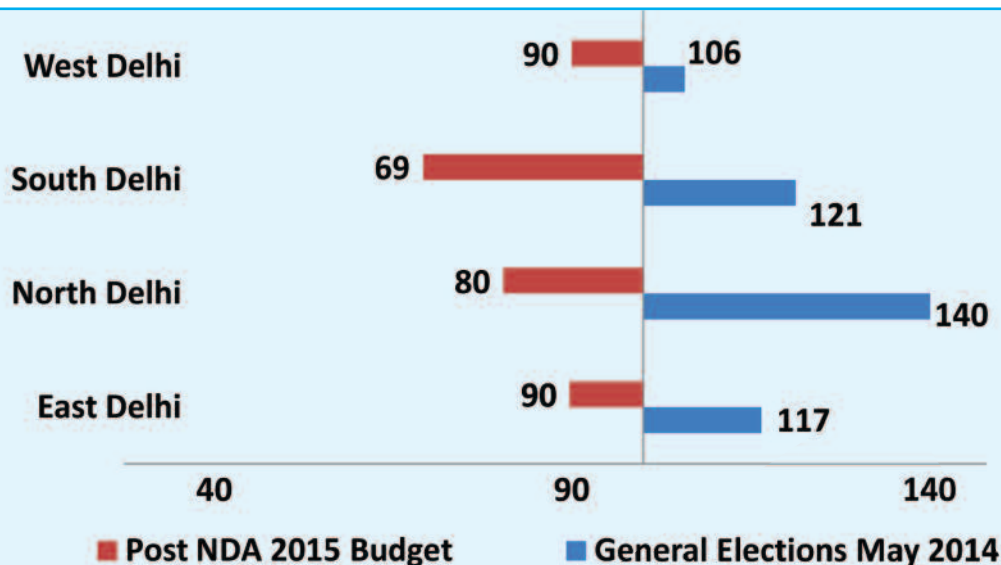


SELLER SURVEY



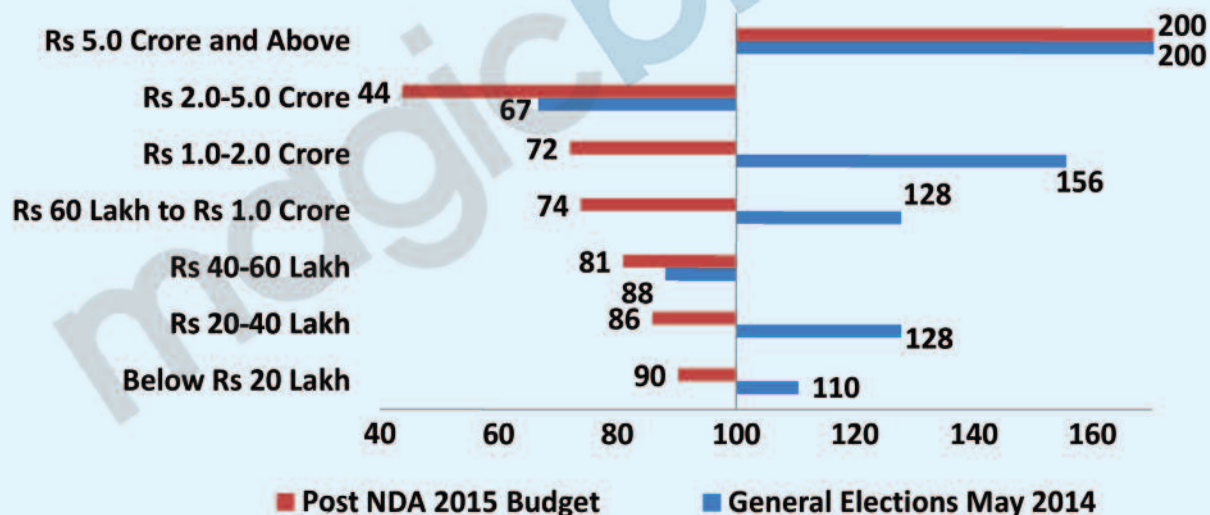
- Not surprisingly, seller HSI for the past year has been 30-40% above buyer HSI.
- Almost 77% of sellers are individual owners, 8% are agents and the remaining are builders/developers. Nearly 20% want to book profits while 29% want to move to a bigger accommodation. While 20% have owned the property they want to sell for less than a year, another 23% have held it for less than 3 years. Slightly more than 20% of the respondents own a property in the Rs 20-40 lakh range followed by another 15% in the Rs 40-60 lakh range. More than 56% want to sell flats followed by 19% who want to sell land/plots.
- Nearly 88% of respondents are looking to sell within the next 6 months (HSI 145, 9% drop since elections last year).
- Bengaluru is the most preferred location among sellers looking to sell to relocate.
- 30 to 39 year olds comprise 25% of seller (HSI 141) followed by 40-49 year olds (22%, 139).

MICRO MARKET SUMMARY - DELHI



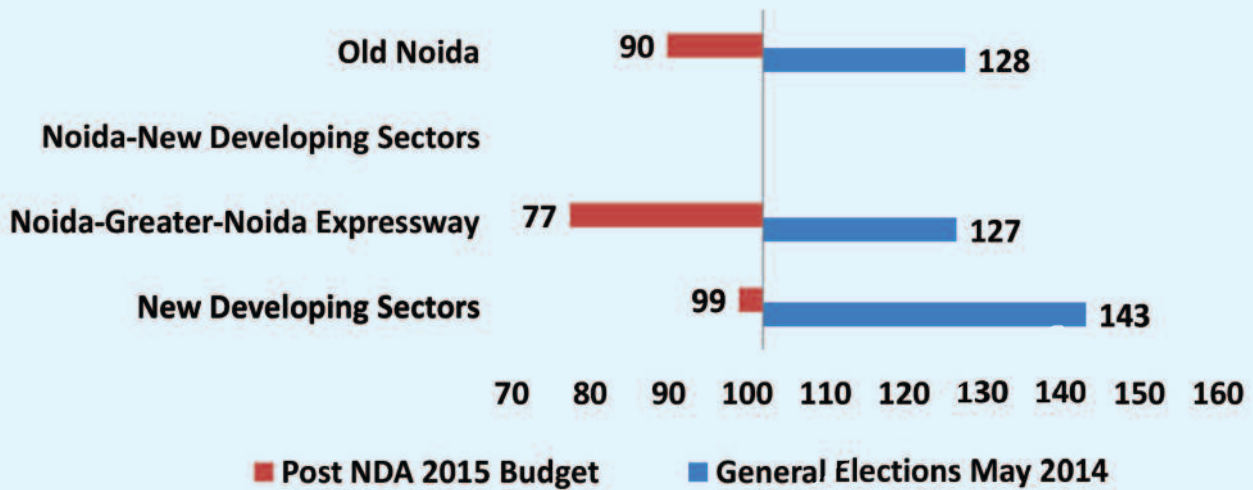
Key Highlights

- HSI decreased by 30% to settle at 83 post budget as compared to 119 recorded immediately after the general elections last year.
- South Delhi, with 27% of respondents witnessed a 43% drop in sentiment from 121 to 69 in the last 10 months. North Delhi too witnessed a similar drop in sentiments.
- Secondary sales are witnessing a comeback due to on time delivery issues and higher prices of new projects. However, real estate markets throughout the NCR remained subdued and sentiments are bound to remain negative in the coming months.



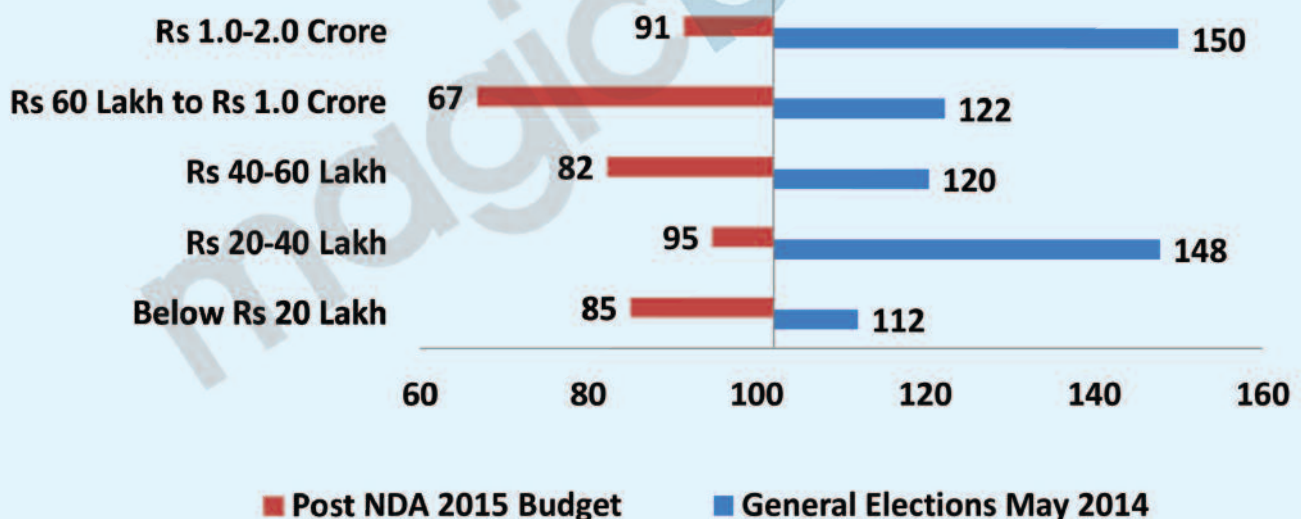
- Almost 27% of respondents prefer buying property in the Rs 20-40 lakh range. As witnessed in the above graph, this price group has witnessed a 33% correction in sentiment since elections last year with HSI falling from 128 to 86 post budget.
- Almost 20% prefer to buy properties priced below Rs 20 lakh and this range too has witnessed a sentiment correction of 18% since elections in 2014 (HSI 110 to 90 post elections).
- Almost 50% of the respondents earn less than Rs 10 lakh and recorded a drop of 34% in HSI.

MICRO MARKET SUMMARY - NOIDA



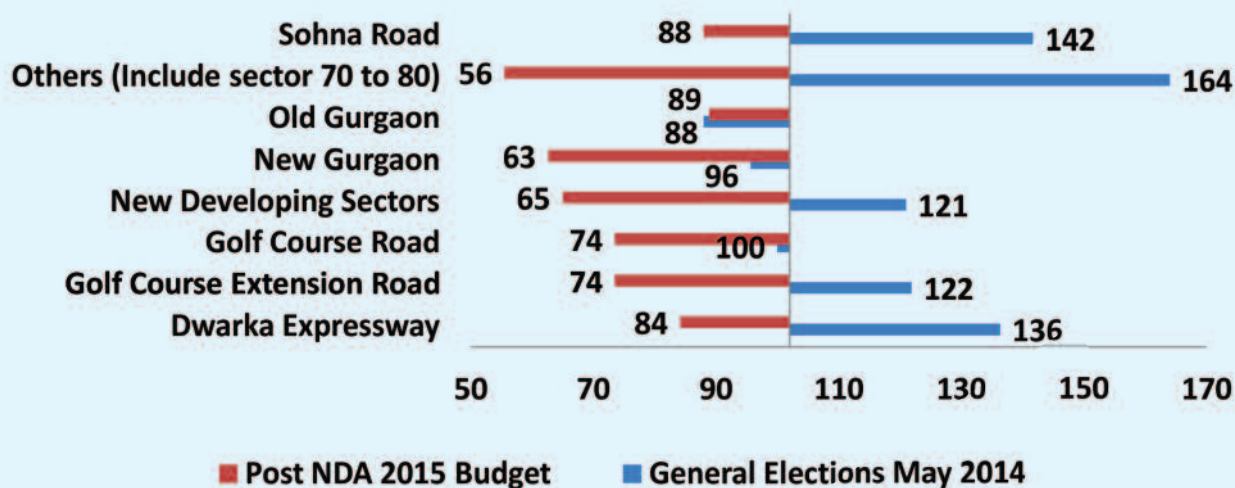
Key Highlights

- HSI decreased by 33% to settle at 88 post budget as compared to 132 noted immediately after the general elections last year.
- Greater Noida Expressway and New Developing Sectors witnessed most respondents with 39% wanting to purchase property in each of these sub-regions. However, Greater Noida Expressway witnessed a 39% drop in HSI from 127 post elections to 77 after the recent budget announcement. Oversupply and more attractive neighbouring locations like Yamuna Expressway have resulted in subdued demand for this region.



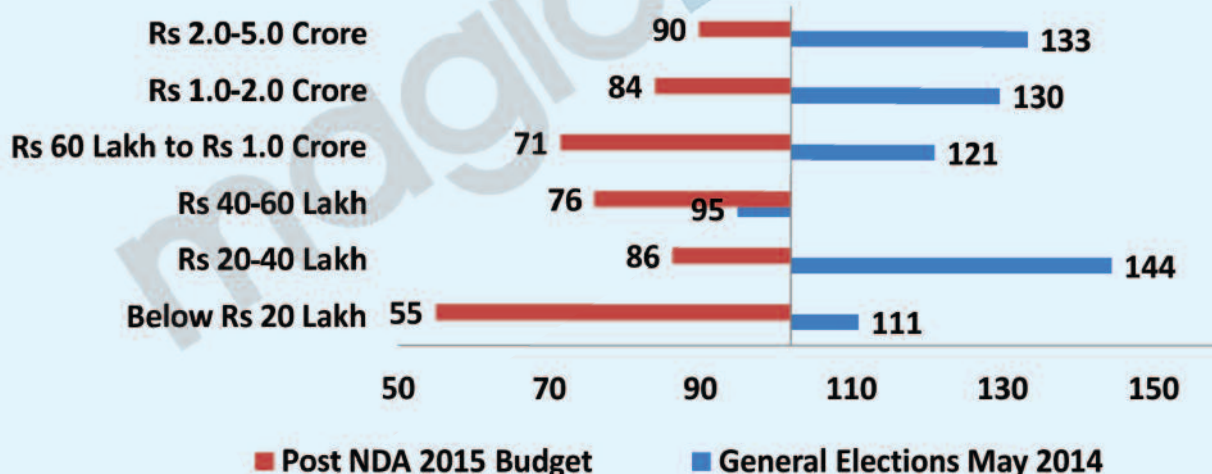
- As can be witnessed from the above graph, over 39% of respondents prefer the Rs 20-40 lakh price range which witnessed a drop of over 35% in HSI. It dropped from 148 after elections to 95 after the budget.

MICRO MARKET SUMMARY - GURGAON



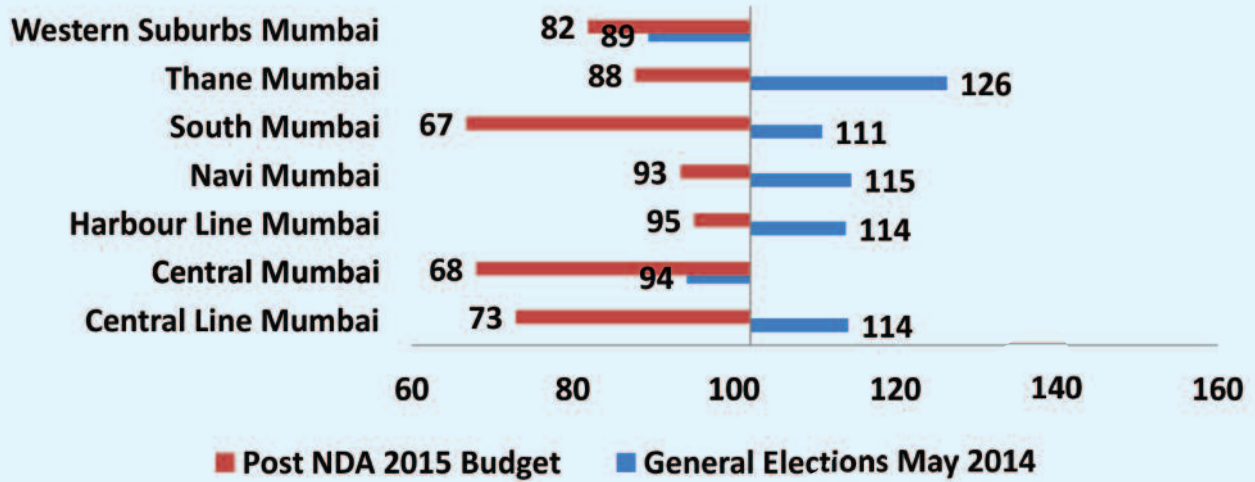
Key Highlights

- HSI decreased by 38% to 74 post budget as compared to 120 immediately after the general elections last year, the worst drop among the 10 cities.
- New Developing Sector witnessed a 46% drop in sentiment from 100 to 74 post elections
- Gurgaon has witnessed rapid escalation in prices in the past few years. Properties priced above Rs 2 crore are preferred by over 8% of the respondents, the highest among all cities surveyed. Oversupply and rapid rise in prices have led to the reduced appetite among consumers to invest in property markets.



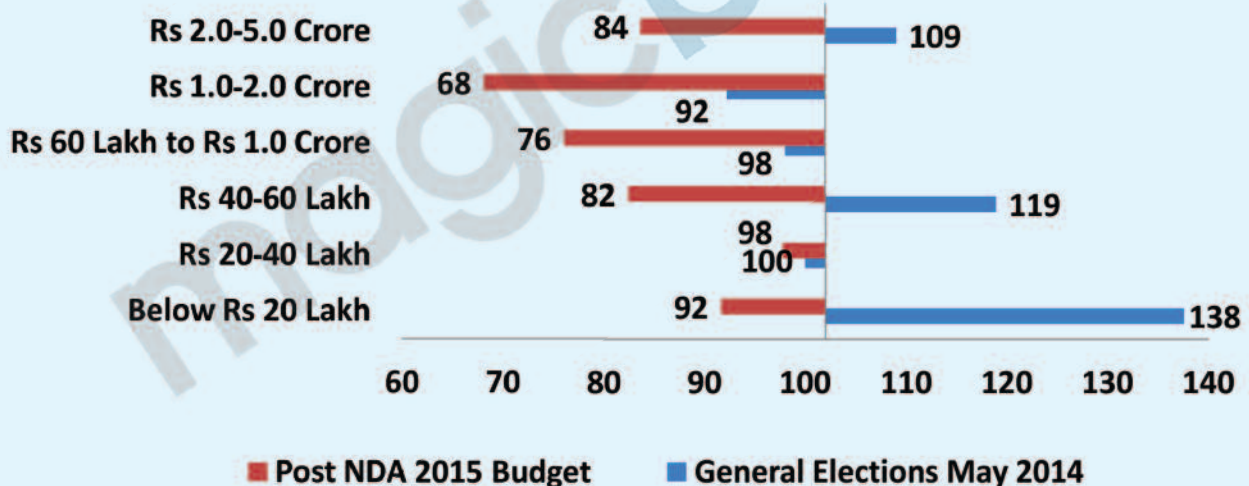
- The Rs 40-60 lakh and Rs 60 lakh to 1 crore budget ranges are preferred by about 24% of respondents each. The latter witnessed a 41% decrease in HSI from 121 to 71 post budget while the former group witnessed a 21% reduction in HSI from 95 to 76.

MICRO MARKET SUMMARY - MUMBAI



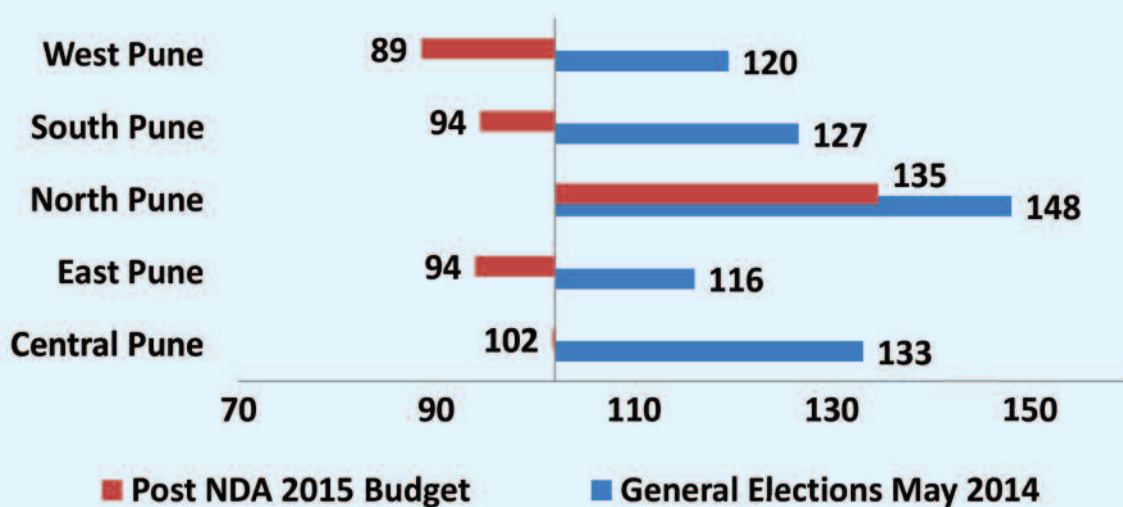
Key Highlights

- HSI decreased by 21% to settle at 85 post budget as compared to 107 recorded immediately after the general elections last year. Mumbai was already facing subdued sentiments a year back and is witnessing a prolonged slow down in real estate markets.
- As evident from the graph above, South Mumbai and Central Line Mumbai witnessed over 35% correction in sentiment since elections last year. Sentiments in Western Suburbs have held out quite well even though it is in the negative territory (drop in HSI from 89 to 82 post elections).



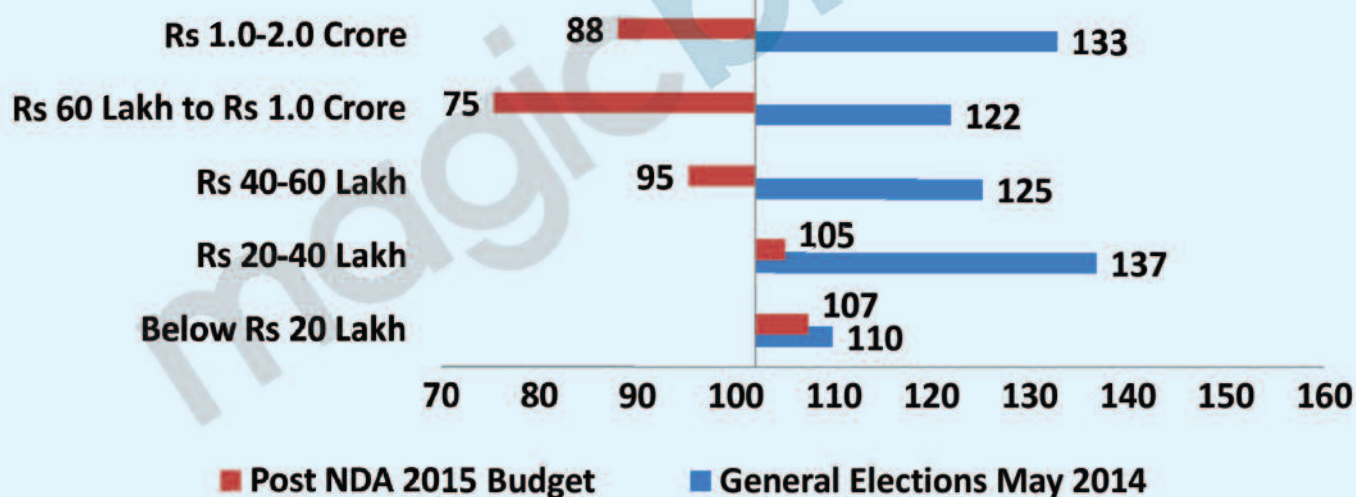
- The Rs20-40 lakh category is the most preferred price range followed by the Rs 60 lakh to 1 crore budget range. The Rs 60 lakh to 1 crore segment witnessed a 22% drop in sentiments from 98 post elections last year to 76 after the budget announcement.
- Close to 14% of respondents prefer properties priced below Rs 20 lakh. The segment witnessed a drop of 33% in HSI (138 post elections to 92 after the budget). The strong demand for low priced properties is a case to incentivise affordable housing.

MICRO MARKET SUMMARY - PUNE



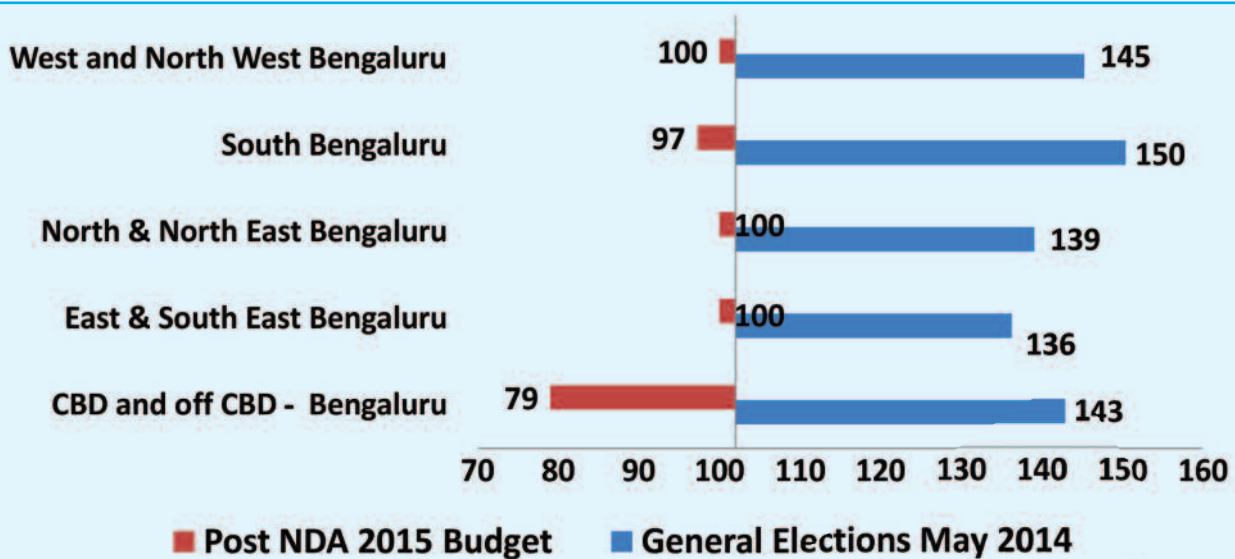
Key Highlights

- HSI decreased by 22% to settle at 98 post budget as compared to 125 recorded immediately after the general elections last year. In spite of falling sentiment, Pune is witnessing a decent demand for property. As neighbouring markets such as Mumbai is unaffordable, investors are flocking to Pune for a share of the real estate asset class.
- West and East Pune are the most preferred destinations due to IT sector growth and good connectivity while North Pune witnessed only an 8% correction in sentiment and is still in the positive territory (HSI 148 to 135 post budget).



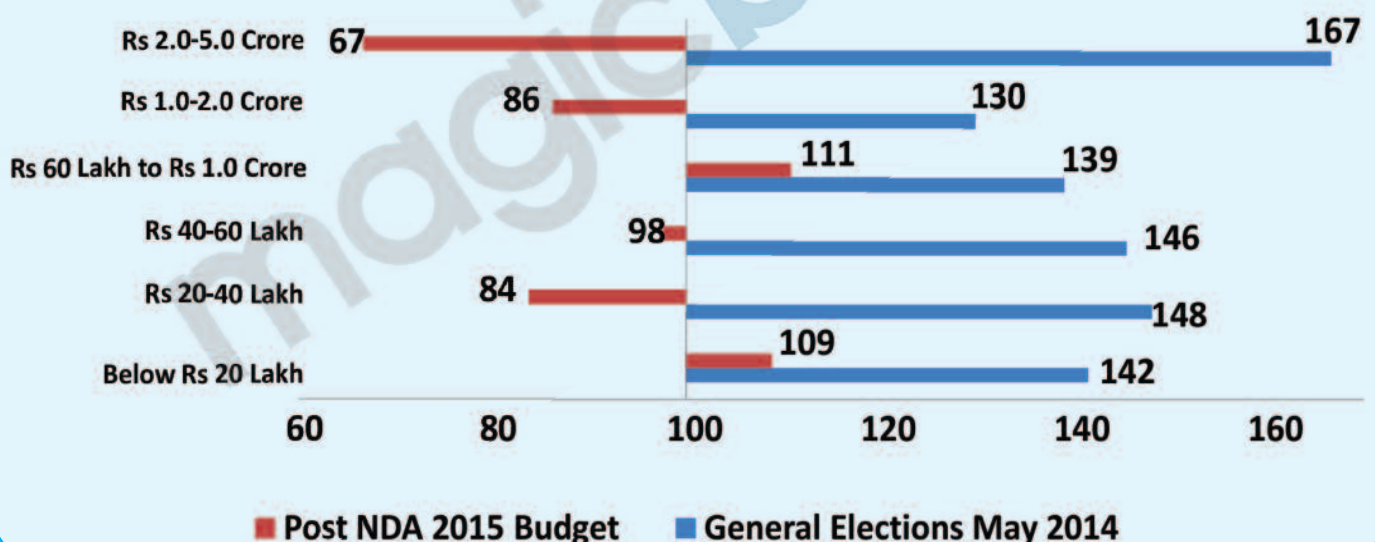
- Strong demand due to IT sector growth and the presence of young population make Pune a very attractive market. Manufacturing industries located on the outskirts of the city are also adding to the strong demand.
- Over 29% of respondents prefer the Rs 20-40 lakh range while another 24% prefer the Rs 40-60 lakh range. Sentiment for both ranges fell by over 23% since elections last year as evident from above graph. About 12% of respondents prefer to invest in property below Rs 20 lakh.

MICRO MARKET SUMMARY - BENGALURU



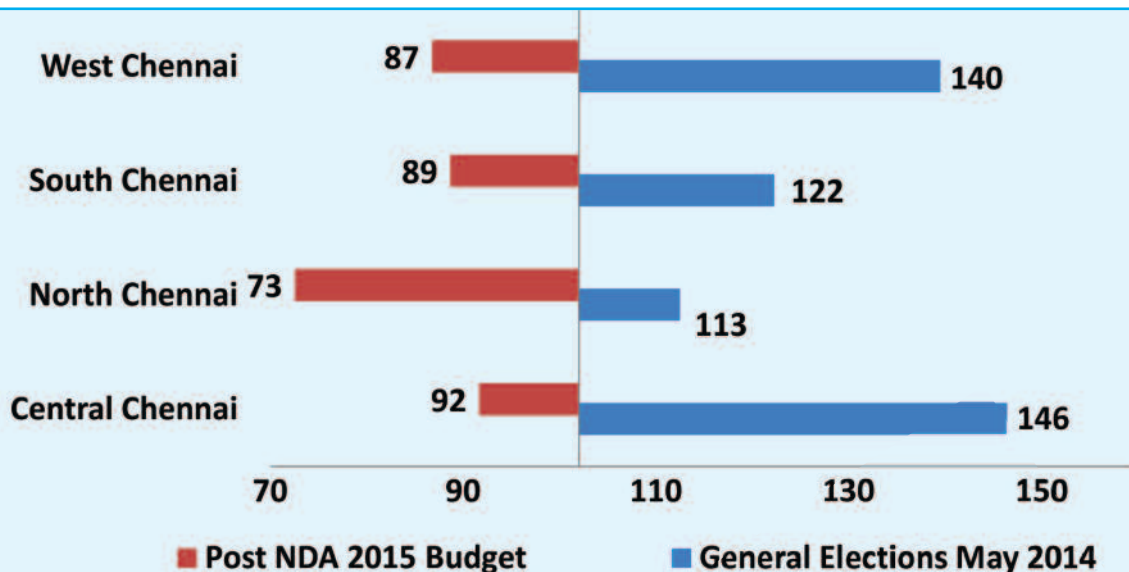
Key Highlights

- HSI decreased to 100 post budget as compared to 143 noted immediately after the general elections last year. In spite of the 30% decrease in sentiments, Bengaluru has been the most stable market with steady demand in the last few quarters. Unsold inventory, although rising, is much lesser compared to other cities.
- In terms of affordability too, Bengaluru fares better than other cities like Mumbai and Delhi. Investors from the Northern parts of the country are turning towards Bengaluru for their real estate requirements. Our seller index too indicates Bengaluru to be the preferred destination for investors.



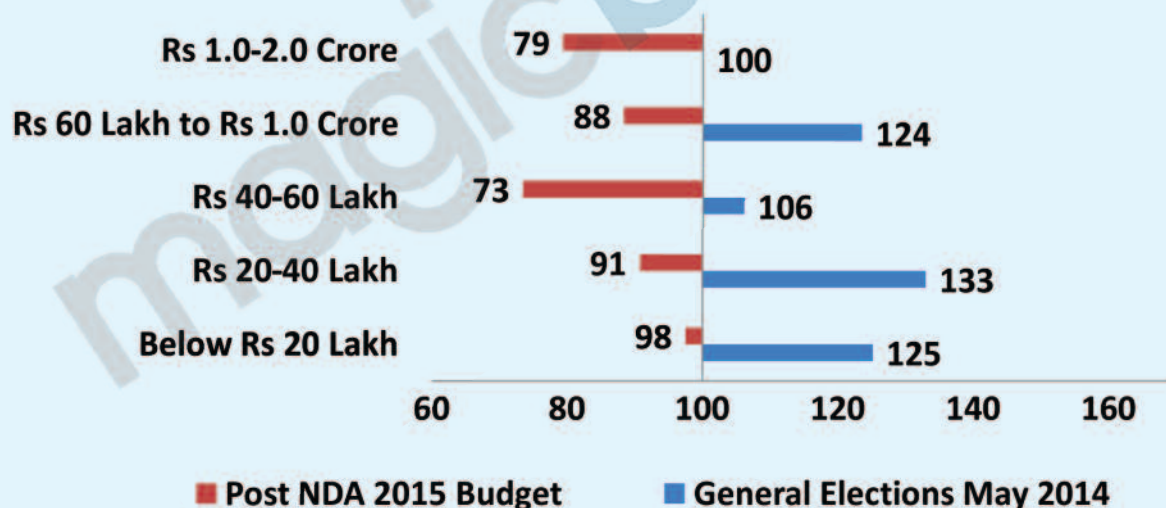
- South Bengaluru is the preferred destination with over 30% of respondents looking for property in this region. As witnessed from the above graph, sentiment in South Bengaluru fell from 150 to 97, a 35% drop. However, barring CBD, all other areas retained close to neutral sentiment.
- The Rs 40-60 lakh is the most preferred price range with 27% of the respondents looking for property in this range. As witnessed from the above graph, sentiment fell by 33% to 98 post elections for this price range.

MICRO MARKET SUMMARY - CHENNAI



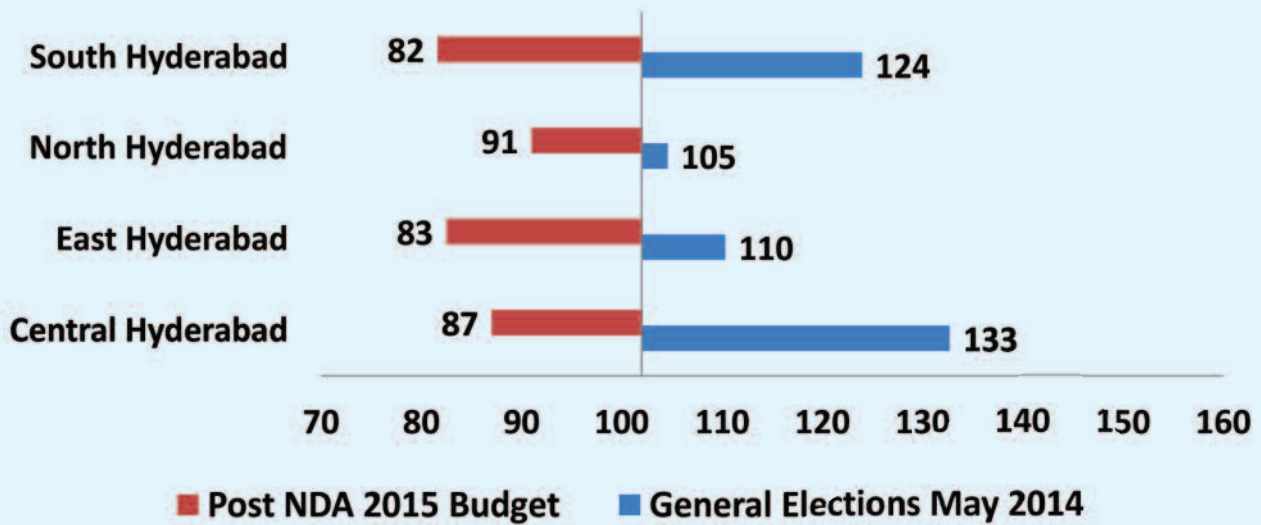
Key Highlights

- HSI fell by 29% to 88 post budget as compared to 124 immediately after the general elections last year. In spite of falling sentiments, Chennai has witnessed a stable real estate market in the last few years with moderate price increase and stable end user demand.
- Ongoing infrastructure projects linking North and South Chennai will lead to steady demand in these parts. South Chennai is the preferred destination with over 60% of respondents preferring this location. As witnessed from above graph, this region witnessed a 27% fall in sentiment from 122 post elections to 89 post budget.



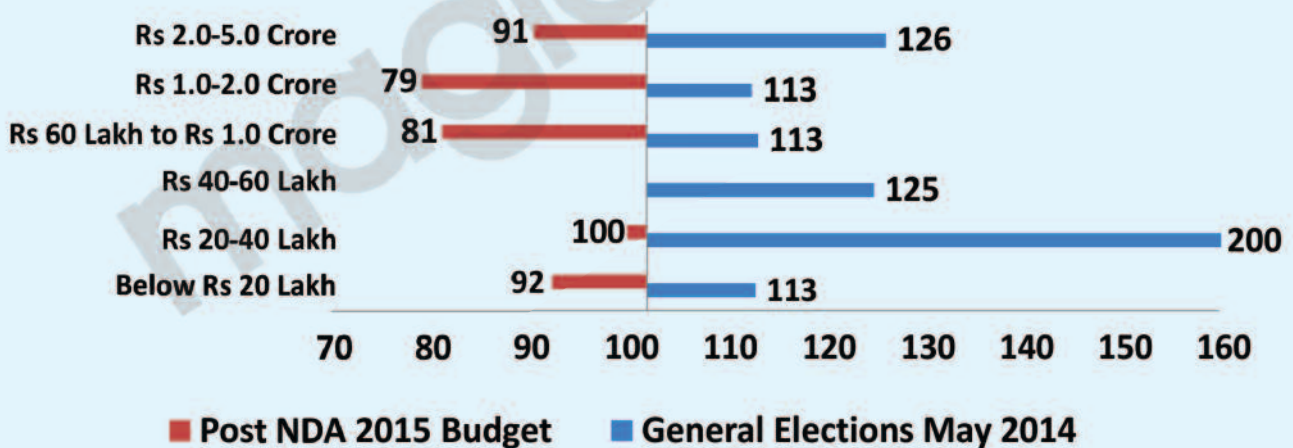
- The Rs 20-40 lakh price range is the most preferred with over 29% respondents preferring this category. As witnessed from the above graph, sentiment for this range dropped by 32% from 133 post elections to 91 post budget.

MICRO MARKET SUMMARY - HYDERABAD



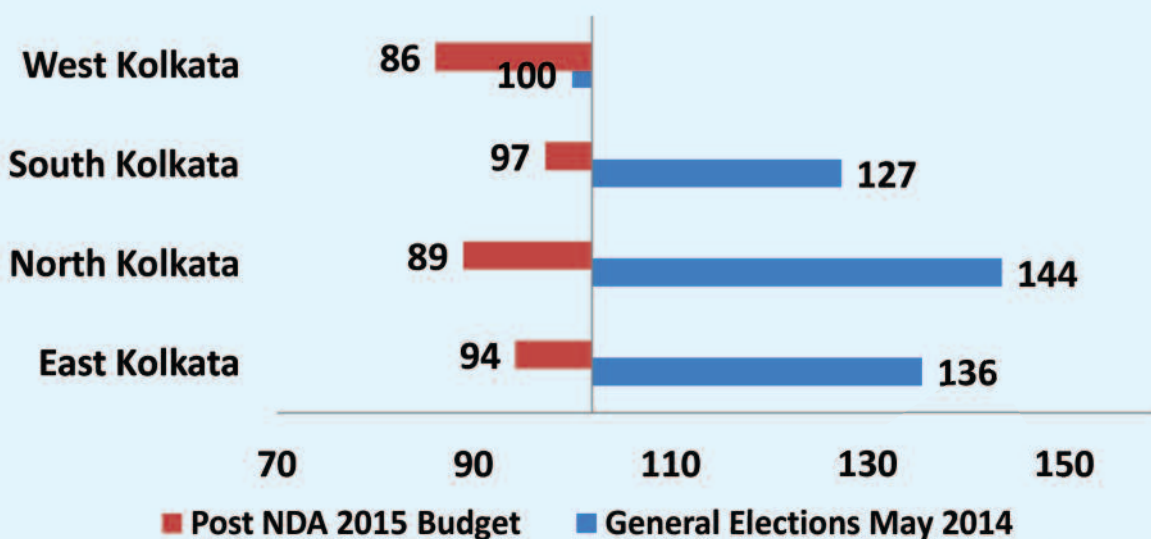
Key Highlights

- HSI fell by 25% to 89 post budget as compared to 118 recorded immediately after the general elections last year. This city had witnessed volatility in sentiment due to the Telengana issue earlier in 2014 but has constantly witnessed subdued sentiments since elections last year.
- Almost 25% of respondents prefer housing in South Hyderabad which witnessed a 34% drop in sentiment. As displayed in above chart, HSI which was at 124 after elections dropped to 82 post budget announcement. While there is overall confidence in the economy, reality on ground is not supporting this.



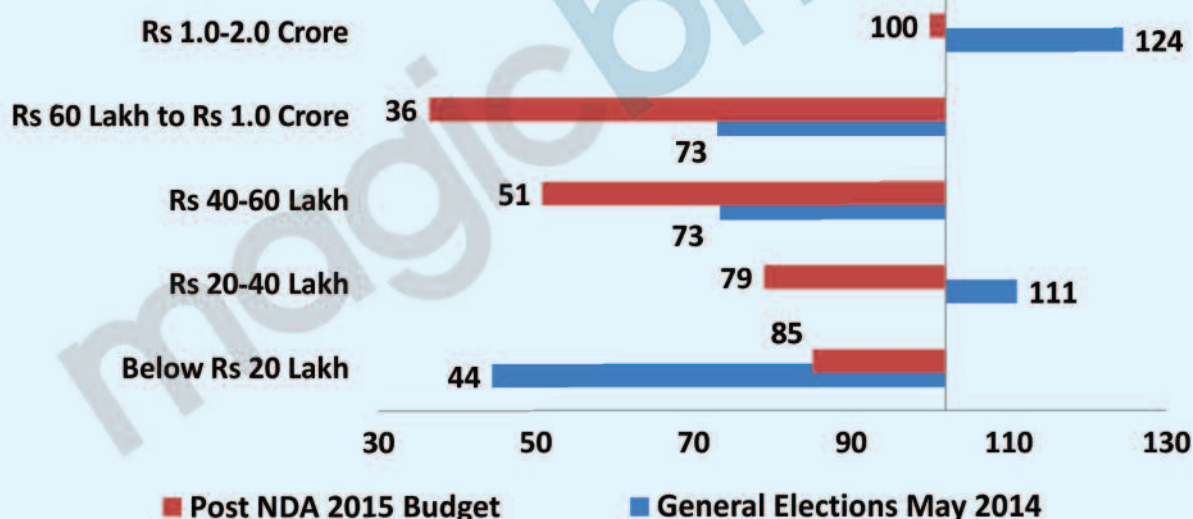
- The Rs 20-40 lakh segment is the most preferred with 31% of the respondents looking to buy property in this range. However this segment witnessed a 28% drop in sentiment and is currently at an HSI of 81. Nearly 17% prefer to buy properties below Rs 20 lakh (HSI 92, drop of 18% since elections).

MICRO MARKET SUMMARY - KOLKATA



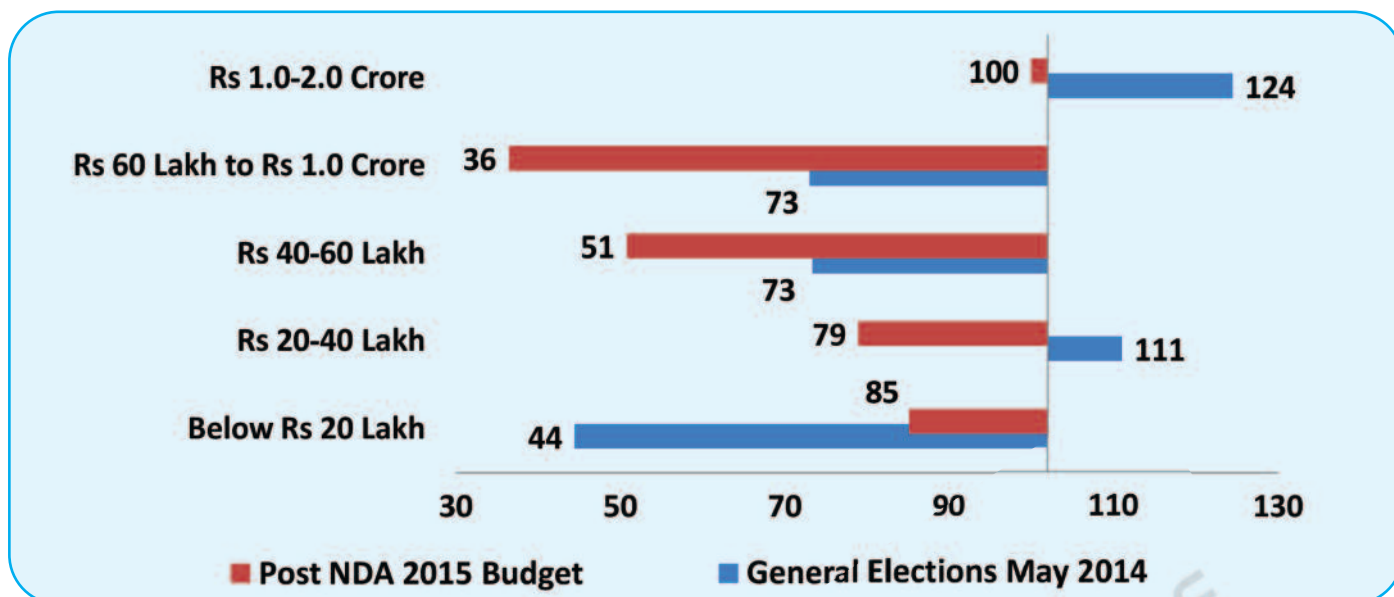
Key Highlights

- HSI fell by 29% to settle at 95 post budget as compared to a HSI of 133 noted immediately after the general elections last year.
- South Kolkata is the preferred destination with 39% of respondents looking for property in this area. This region witnessed a fall in HSI from 127 to 97 as detailed in above graph. The southern suburbs have witnessed many residential projects and are a preferred destination for multi-storey apartment buyers.



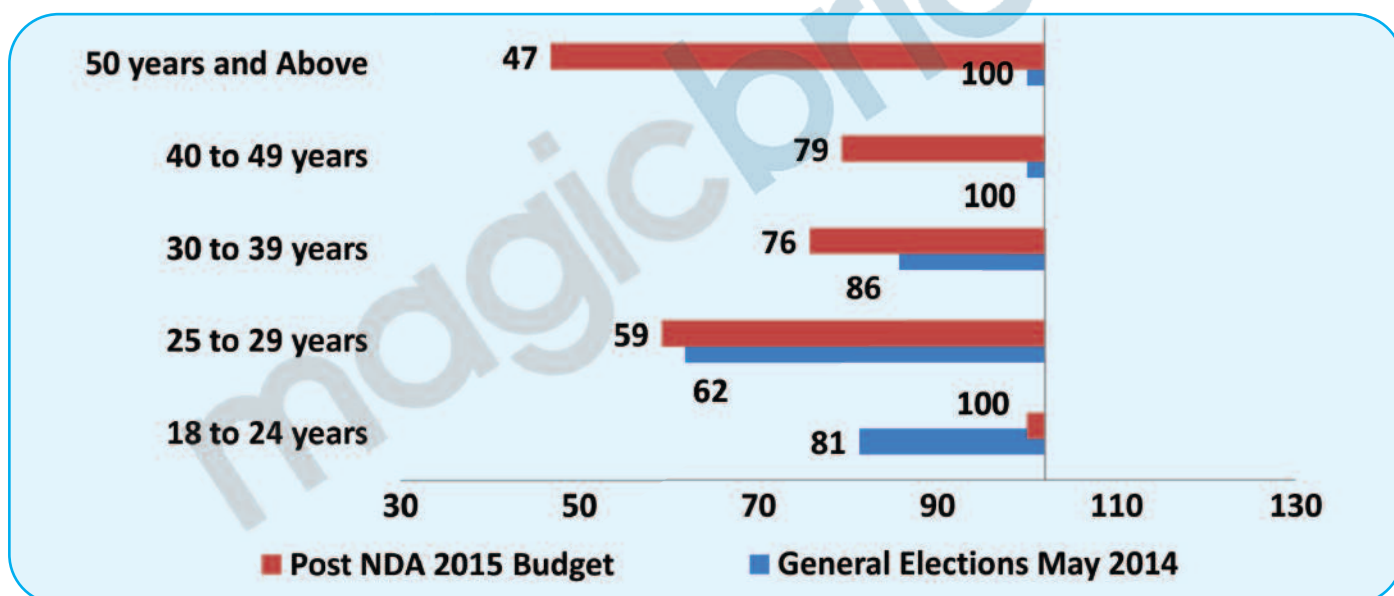
- Nearly 35% of respondents prefer to buy property below Rs.20 lakhs, the highest percentage among the 10 cities surveyed. This group witnessed a drop of 23% in HSI from 133 post elections last year to 102 post budget.

MICRO MARKET SUMMARY - AHMEDABAD



Key Highlights

- HSI fell by 14% to settle at 74 post budget as compared to a HSI of 86 noted immediately after the general elections last year. Sentiment in Ahmedabad have remained pretty subdued even before elections last year.
- South Bhopal, Bhodakdev and SG Highway are some of the preferred locations within Ahmedabad.



- As is clearly evident from the above graph, sentiments across most age groups (barring 18-24 year olds) that were already subdued have fallen further in the last 10 months.

SURVEY METHODOLOGY

- A total of approximately 2,000 buyers are surveyed every quarter in an online survey across 10 cities Mumbai, Delhi, Hyderabad, Pune, Noida, Gurgaon, Bangalore, Chennai, Ahmedabad and Kolkata. The survey is conducted online in the last month of every quarter. Fiscal year calendar is being followed for quarterly notations. We will track respondent survey rates closely and document our findings with every survey.
- We also rolled out a seller survey across the country to track seller sentiments and compare these with buyer sentiments beginning Q3 2013. The questionnaire is similar to the buyer survey and tries to capture movement patterns across the country apart from basic demographics and housing sentiment. We plan to roll out the Seller survey along with the buyer survey each quarter.
- A standard questionnaire was mailed out electronically to select members of Magicbricks portal based on rigorous criteria. Respondents include people from all different backgrounds, income levels & have shown their intent about purchasing a house in the next 12 months. The survey is thus representative of the overall Indian residential real estate industry.
- Respondents assess relative market conditions based on common knowledge and form price expectations for the next 6 months.
- Sampling differences, difference in question wording and differences in response scaling make measuring based on surveys an inexact science, particularly when ordinal scales are used. Nevertheless, it appears that results, in general, fairly track other key results over the period observed. As more data is expected to be collected, we will also explore whether some of the survey's key metrics might serve as predictors of consumer behavior, and as leading indicators of housing market conditions.

INDEX METHODOLOGY

- The IIMB-CRERI Magicbricks Index fills the critical gap in identifying and measuring changes in potential home owners' expectations and decision making in the residential housing sector by quantifying their sentiments and tracking the results on a quarterly basis. The credibility of the study is enhanced given that it is being conducted by an independent third party research unit.
- Diffusion Index methodology is used to compute the index. A score of 100 denotes neutral sentiment. A score above 100 denotes optimism and a score below 100 denotes pessimism. The scores can range from 0 to 200.
- This quarterly barometer is expected to capture changing opinions of potential home buyers regarding housing prices. The index provides early information on potential homebuyers' expectations and views regarding near term home price movements and their decision to buy.

ABOUT IIMB-CRERI

- Indian Institute of Management Bangalore-Century Real Estate Research Initiative (IIMB-CRERI) <http://www.iimb.ernet.in/initiatives/iimb-creri/> was set up through a grant from Century Real Estate who is one of the oldest and most respected companies in the real estate space in India. It is a dedicated research initiative to pursue scientific research on Indian real estate industry. It partners with industry/government organizations to collect data and develop research projects that are aimed to improve understanding of this vital sector of the economy. The initiative complements work at IIMB's other leading Centres such as the Centre for Public Policy. As a leading international management school in India, IIMB has strong linkages to the corporate sector, CSOs and the government, and its rigorous research projects are defined by structured analytical processes and constant engagement with market participants.

IIMB CRERI Team

Dr. Venkatesh Panchapagesan (Head, Real Estate Research Initiative)

Dr. Madalasa Venkataraman (Lead Researcher)

Ms. Uma Sitaraman (Lead Researcher)

ABOUT MAGICBRICKS

- Magicbricks.com is India's No 1 Property portal. With monthly traffic exceeding 6 Million visits and with an active base of over 5Lac property listings, Magicbricks provides the biggest platform for buyers and sellers of property to connect with each other in a clear, transparent manner. Our vision is to be a 1-stop shop for property buyers and sellers; and with this in mind, we have innovated on launching several product features, content and research services and in building of the largest audience pool. We are part of the Times of India Group, India's biggest Media Conglomerate.

HSI Team

Mr. Sudhir Pai, CEO, Magicbricks.com

Ms. Jayashree Kurup, Head Content & Research, Magicbricks.com

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Layout Design: Harsha Khattar

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Testimonials for HSI

We always look forward to our copy of Magicbrick's HSI report as it is an excellent, realistic and in-depth study of the real estate performance of the annual year covering a 360 degree sentiment of buyer preference. It not only benefits buyers but really helps us developers to understand local as well as national market trends- what worked, what didn't, what the buying trends are and demographic analysis of our potential customers- so we can strategize to plan a better year and create something that is more suited to the customer's need.

Gunjan Goel, Director, Goel Ganga Developments

A very well researched effort to help people and the industry understand the dynamics of real estate sector. It will help the target groups to make judgments in an informed manner when it comes to investment.

Manoj Gaur, MD, Gaursons India

Housing Sentiment Index is a remarkable tool and a very notable initiative by IIM Bangalore and MagicBricks.com. Understanding the sentiments of customers is the key to succeed in this sector and this tool exactly tells us the thought process and feedback of actual buyers. It also assists us to analyse the views of customers so that we may work in the right direction for future.

Rajesh Goyal, MD, RG Group

This tool is very informative and enlightening. It has all the minor details about realty market which affects the future plans. The information provided by Magicbricks is very useful in assessing the buying behaviour and sentiments of customers. Developers can easily examine the buyer's mood and market trends which would at the end, help in delivering as per the needs of customers.

Naveen Goel, MD, Radhey Krishna Group

Magicbricks Housing Sentiment Index is an innovative concept capturing interesting data indicators that reflect preferences basis - age, sentiment and micro-market. Further, classification by property preference basis the buyer and seller is unique that enables the market survey into an interesting analysis."

Om Ahuja, CEO-Residential, Brigade Enterprises Limited