

How ELECTIONS 2019

WILL IMPACT
INDIAN
REAL ESTATE



FOREWORD

As the elections are due in 2019 in India, the overall atmosphere is very charged. Apart from a high-octane political game, elections imply a massive impact on the macro economy, thereby influencing the real estate markets as well. As the largest Indian real estate advisory, it does intrigue us to know how much impact the upcoming elections will have on the Indian real estate which has recently recovered from a state of prolonged doldrums.

Empirical evidences from the past have suggested that new launches generally dry up during the time of elections as buyers defer their decisions. Not just in India but globally as well, the markets generally slow down during election time primarily due to uncertainties in the economic and policy affairs. Academic research conducted in USA have suggested that as elections bring policy unpredictability which lead to high cost of reversals, buyers tend to postpone their decision to venture into real estate.

Brewing up previous evidences from India and abroad, many analysts at the beginning of the year believed that during election time, market sentiments will continue to go downhill. However, the results that we have received from our latest survey paint a different picture. No major impact is expected out of



the upcoming elections. Although there have been buyers who believe that the elections might unravel policy contingencies, the effect is seemingly limited.

As per the survey that captured 1000 potential buyers, 55% have reported that their buying decisions won't be affected in the light of the upcoming elections. Around 31% have showcased their apprehension and demonstrated that they will definitely wait till the results. The remaining have shown inconclusiveness.

The renewed optimism despite elections can be explained on the basis of increased transparency in the sector over the past few years. In the past, real estate in India has been mostly unstructured, haphazard and highly unorganized. Amidst such uncertainties, it is evident that large-scale events such as elections would multiply the confusion, thereby adversely impacting the market. On the contrary, the current real estate sector is much more organized and marked with increased transparency. Policies such as RERA and GST have brought in a lot of structure to the sector along with safeguarding buyers' interests and boosting their overall level of confidence. In addition, a host of announcements in the interim budget and reduction in the repo rate has furthered the overall positivity towards the sector.



Ankit Kansal

Founder and MD, 360 Realtors

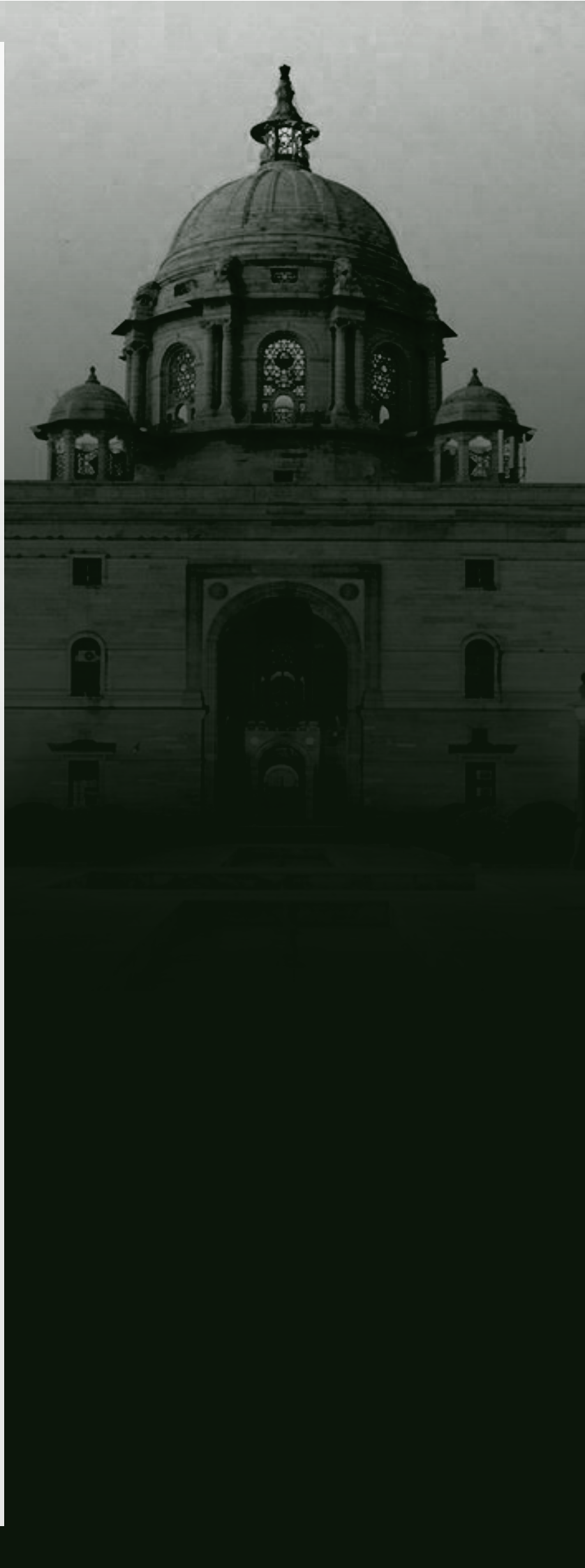
ARE THE ELECTIONS GOING TO PLAY A MINIMAL ROLE THIS TIME?

Elections have played a major role on real estate markets in India as many buyers put their buying decisions on hold till the time results are out. The softened demand for real estate is mostly rooted in the fact that a mass event such as elections comes up with increased amount of uncertainties about the market outlook. Given the fact that real estate markets have been mostly unstructured in the past, it was natural that buyers would prefer to take a pause before going ahead with any major decision. However, this time elections might not have much of an impact on the real estate sentiments.



As per the 360 Realtors report that has surveyed 1000 discerning buyers from various parts of India, 55% of the buyers have indicated that their property buying decisions will remain unaffected from the elections. 31% have indicated that they will wait till the results are out and a new government is formed. 14% of respondents have demonstrated they cannot say anything at the moment.

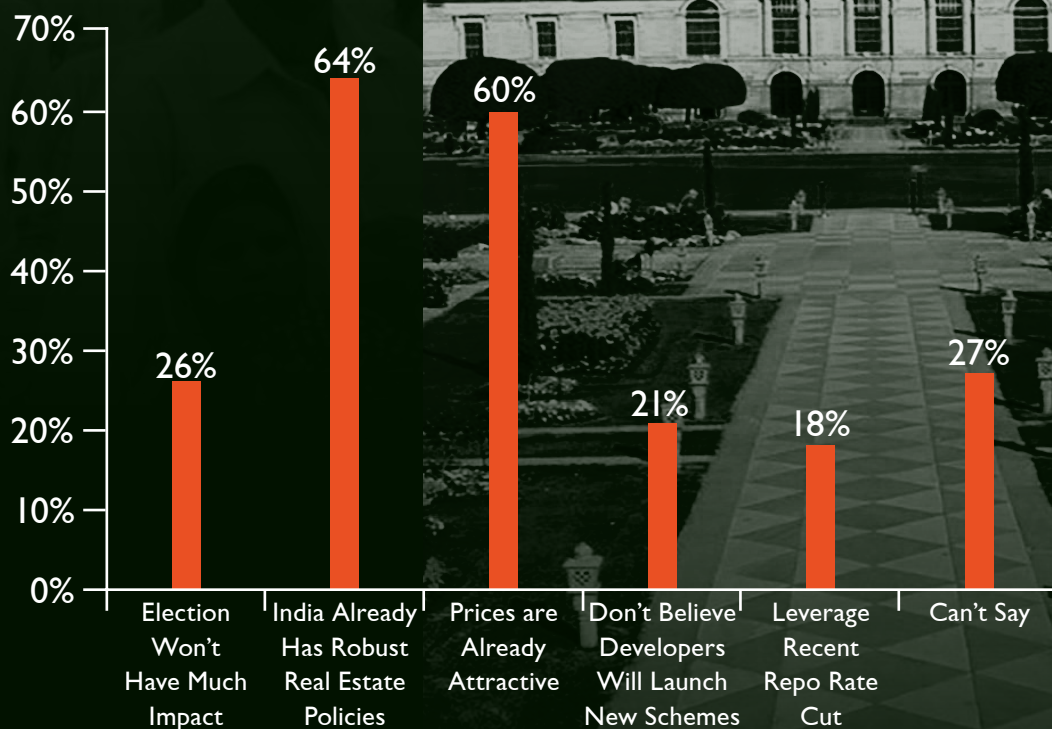
As a substantial number of buyers are going ahead with their decisions, it is indicative of a seismic change in the market sentiments. The minimal impact of the elections could primarily be understood on the back of notable reforms in the industry. Despite the fact that market sentiments have been subdued in 2015-2017, it will be an understatement to believe that real estate has not progressed over the years. The government in India has taken proactive steps leading to vigorous formalization in the sector that was otherwise highly unstructured and susceptible to the external environment. As a host of policy changes have unfolded in the recent past including GST, RERA and demonetization, Indian home buyers are confident about the potential of the market. Due to price compression in the recent times, the rates are quite attractive, thereby inviting buyers in big volume. Hence, amidst growing formalization and attractive rates, it is natural that property transactions will mostly remain insulated from the upcoming elections.



FACTORS THAT WILL DRIVE THE MARKET



Factors That Will Drive The Market Despite Elections



Source: 360 Realtors' Business Intelligence

In the survey, the respondents were allowed to select multiple factors to understand their buying motivations during the time of elections. Amongst the buyers who are opting to buy despite elections, over a quar-



ter have suggested that elections won't have much impact. Around two-thirds have suggested that India already has a robust policy framework to safeguard against any possible uncertainties emanating out of election results. This indeed is a major shift from the prevailing sentiments where strong correlations have been drawn in the past between property market movements and election results.





60% of the respondents have indicated that prices are still moderate, thereby getting drawn towards the market. Across major markets in India, prices have corrected to a greater extent during 2015-2017 before finally becoming stable at the beginning of 2018.

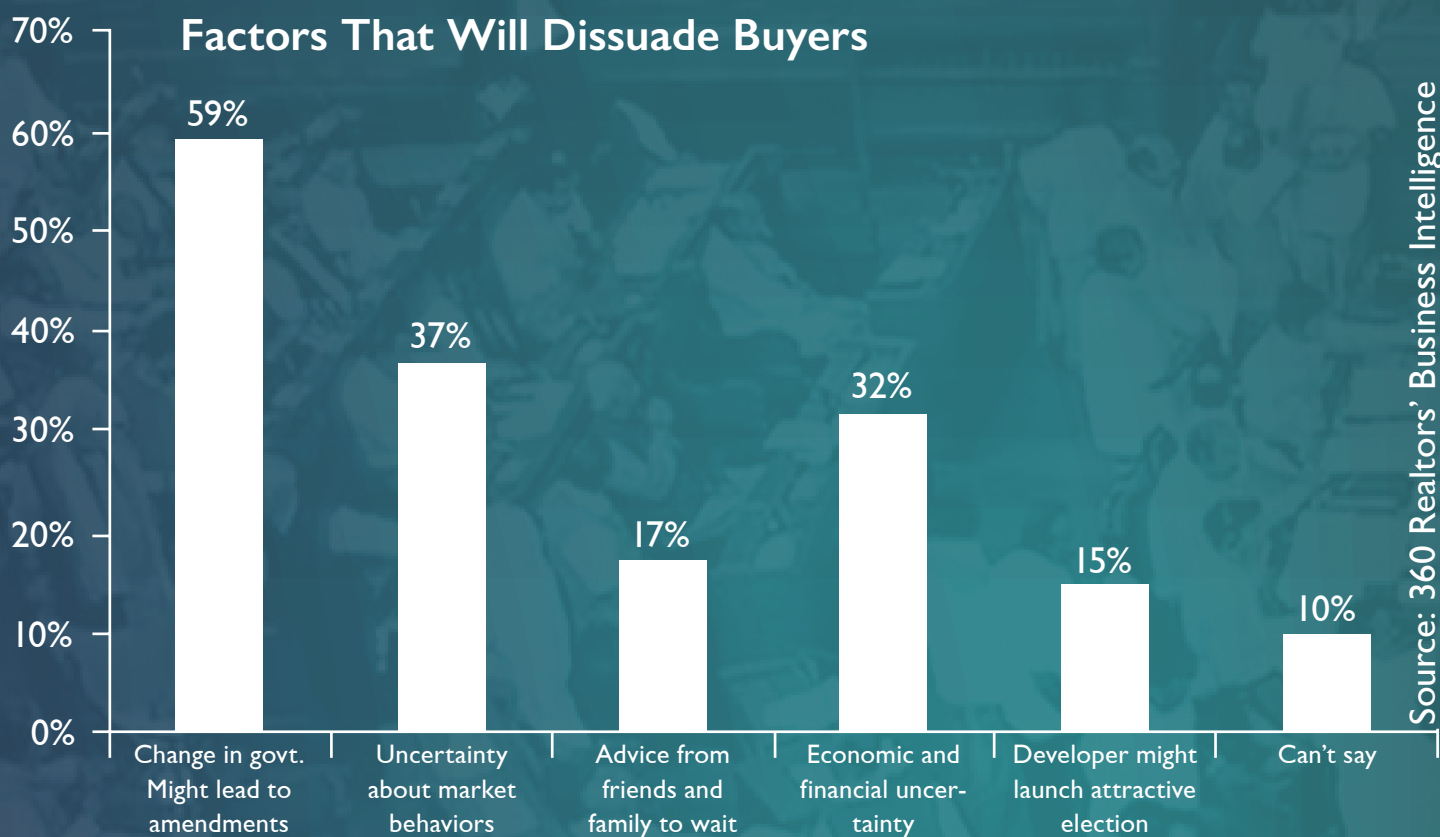
Although prices have started to pick up in some of the upcoming micro-markets, in other locations they are currently stable without any sign of an upward thrust. This trend might continue for some more time before showing positive price change.

Sometimes buyers wait during the elections thinking that developers might launch attractive schemes. However, more than one fifth has indicated they do not expect any new schemes post elections. In fact the market is already flooded with numerous attractive offers as the inventory overhang is soaring high in some of prominent real estate markets in India.

Slightly less than one-fifth of the respondents have suggested that as the recent repo rate cut will lead to cheaper credit, they would like to grasp the favorable situation soon than waiting for election results to come out.

A SUBSTANTIAL 31%

WOULD STILL PREFER TO WAIT AND WATCH



Despite the fact that skepticism with respect to the elections have softened notably, around 31% of the respondents have indicated that they would prefer to wait and watch rather than making a purchase.

Slightly less than 60% of such respondents have indicated that a change in the government might lead to policy amendments. Around 37% have expressed their view about uncertain market behaviors due to elections. 17% of the respondents have indicated that friends and family have advised them against any purchase at the moment. Roughly 1 out of 3 such respondents has demonstrated that many times elections might be associated with economic and financial upheaval as a whole and hence it is advisable to wait. Slightly less than one-sixth of such respondents have suggested that developers might launch attractive schemes after elections to further lure buyers. Hence, they will wait to benefit from attractive schemes.



Commitment | Honesty | Reliability

360 REALTORS

PRESENCE
IN 9 COUNTRIES
GLOBALLY

10000+
SATISFIED
CUSTOMERS

350+
REPUTED
DEVELOPERS

40+
CITIES
IN INDIA

WWW.360REALTORS.COM | 1800 1200 360