

HOW REAL ESTATE

BUYERS VIEW MODI 2.0

A Consumer Survey Report by 360 Realtors



FOREWORD

As Modi has come back to power with a thumping victory, there is a visible euphoria everywhere. A stable government with a clear majority in the parliament augurs well for the economic outlook of a country. On the day of the results itself, the Sensex crossed the record 40,000 marks. Further fuelling the flurry is the fact that Prime Minister Modi's carries a reputation for broader reforms & taking radical steps if required. It is widely believed that in its 2nd installment, the new government will continue unraveling newer reforms alongside

strengthening existing policies & regulatory initiatives. A clear majority & non-reliance on other allies will further back such emboldened steps.

The euphoria & high hopes with the new government have been demonstrated in our market survey as well. In the survey an overwhelming (81%) have shown that Modi 2.0 will bring improvements in Indian Housing Industry. Such an immense jump in the sentiments can be explained on the basis of multitude factors. Besides a healthy economic outlook, it is believed that

investments in infrastructure will give a major push to the housing demand. During its election manifesto, the government has pledged to invest USD 1.4 trillion to develop infrastructure. Heightened investments in infrastructure will boost the economy & create thousands of jobs, thereby bolstering the housing demand as well.

The industry is also poised to grow on the back of new broader reforms, improvisations in existing reforms, surge in institutional capital along with the recent slashing of the repo rate by 25 bps, etc. However, not everyone who participated in the survey believed any major upturn in property prices. Around 43% of the respondents did not believe in any major spurt in the market. Around 19% of the respondents have indicated that the rise will be moderate- in tune to around 2-5%.





Investors activities in the Indian Real Estate have dwindled- compared to 4-5 years back- when it comprised of around 40% of the market participation. Today with moderate investor participation of around 15-20%, any sudden spurt in the prices is unlikely. However, lower investor participation will also limit any potential risk from the speculative forces & ensure that Indian Housing Industries continue to work in a stable & secured fashion.

In a nutshell, it could be assumed that Mr. Modi's overwhelming victory is once again bringing renewed optimism into Indian Real Estate. Despite recent plunge in consumer spending, analysts be-

lieve that Mr. Modi's election promises of developing the infrastructure, offering generous payouts to the farmer & boosting the exports in conjunction with tax benefits given in the interim budget can be the game changer. It can give the required thrust to the economy & reverse the recent lowering in consumer confidence levels.

The recent slashing of the repo rate further confirms the intent of the government to bring in more liquidity in the market.

A healthy economic outlook along with a resurgent consumer spending will drive more housing demands in

the times ahead. It is also believed that government in its second tenure will put more efforts towards the Smart City plans, industrial corridors & housing for all thereby leading them towards their logical conclusion.



Ankit Kansal
Founder & MD, 360 Realtors

THE 360 REALTORS'

CONSUMER SENTIMENT SURVEY

The 360 Realtors survey has been conducted to understand what home buyers (potential as well as the ones who purchased recently) believe about the impact of Modi 2.0 on Indian Real Estate. It is natural that in this biggest democratic event in the world, an overwhelming victory like this will generate so much of euphoria & ecstasy. It was visible from board-room discussions to the front pages of the national dailies to the innumerable social media discussions that have of late become integral to our daily lives.

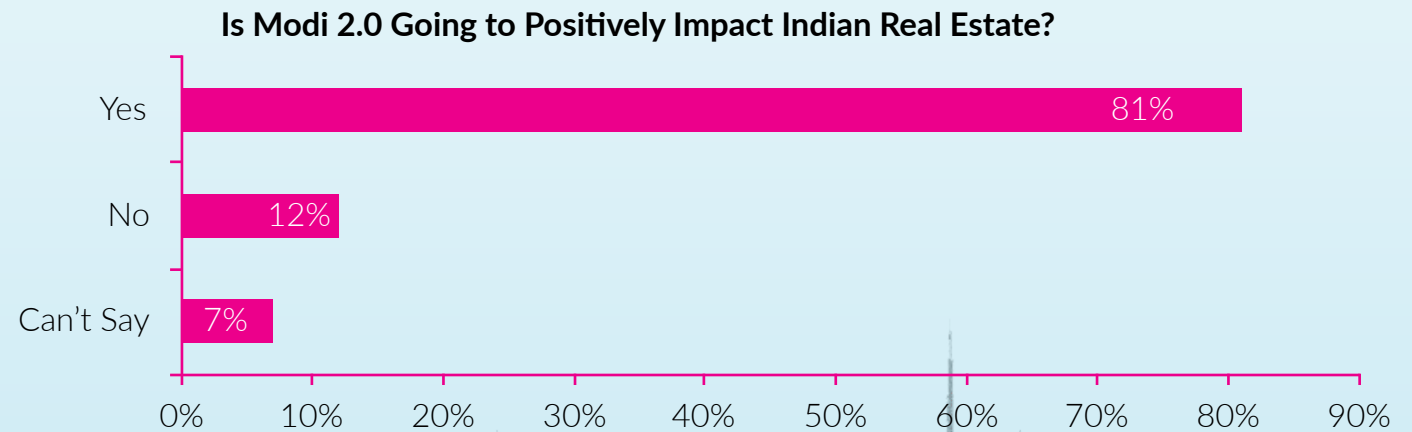
However, cutting across this exponentially proliferating excitement, we wanted to learn what exactly the home buyers have in mind when it comes to the reelection of Mr. Modi with such extraordinary numbers. So the online survey was undertaken with 3000 home buyers. Probably, one of the biggest surveys in recent times, it has been aimed at learning more about the home buyer's perception, factors that drive the perception & potential rise in the prices.



A SIGNIFICANT

MAJORITY OF BUYERS BELIEVE IN MODI MAGIC

On being asked about whether Modi 2.0 will help in improving the sentiments in Indian Real Estate, 81% replied in a positive tone. Around 12% of respondents replied in a “No”. The remaining respondents were inconclusive about any impact of Mr. Modi’s 2nd term in Indian Real Estate.



Source: 360 Realtors' Survey



In its 1st installment, the Modi Government has taken a host of initiatives & policies such as RERA, Demonetization, GST implementation along with amended old acts such as Insolvency Act & Benami Property act, etc. Likewise, the government has also envisioned an infrastructure backed growth by proposing ambitious missions such as 100 Smart Cities, AMRUT Cities, Industrial Corridors, SEZs, Housing for all & much more.

These schemes & initiatives stipulate to usher Indian Real Estate into a new era of urbanized growth, prosperity & general well being. Likewise, such initiatives are set to impart revolutionary makeover into the Indian Real Estate industry, by bringing in an unparalleled amount of transparency, a relentless drive towards organization & revitalizing the overall landscape.



360 REAL ESTATE

It has been widely believed in the industry that none of the government in the past has taken so many radical steps on the Real Estate, in just a single tenure. However, in a vast country like India, policy reforms take time to offer positive results. Although there has been notable progress with initiatives such as RERA & GST resulting in more structure & transparency in the sector, there is a lot that needs to be done.

Likewise, major urban development missions such as Smart cities & housing for all will require a lot of time to move out of policy contours & become a reality. In a vast nation like India that has severely suffered from widening Infrastructure gap & acute housing shortages in the past, it will take a relentless drive, sustained efforts & host of research & collaborations to bring initiatives to its logical & practical conclusion.

In this regard, Indian buyers in the majority are pinning their hopes on the fact that the new government will continue to give sustained support to its proposed initiatives & ensure that what has been envisioned, finally reaches out to the masses.



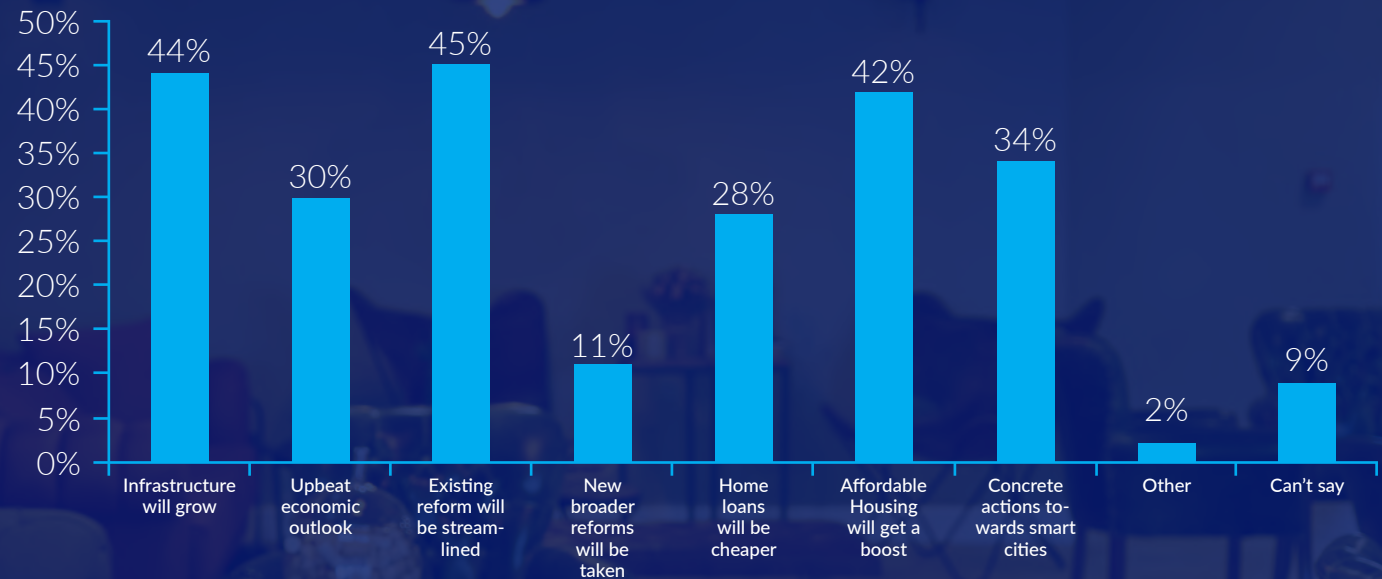
FACTORS THAT WILL DRIVE INDIAN REAL ESTATE IN THE FUTURE

SURVEY RESULTS

The positive momentum in the Real Estate will stem from numerous factors. A moderate 30% of the respondents have indicated that a healthy economic outlook will unfold after Modi's storming back into power. After a slowdown in the economy, the Indian economy gained momentum previous year, as it expanded by 8.2% in Q1 FY 2019 on the back of growth in manufacturing, power, water supplies & defense sector.

However, the euphoria has not lasted long. Major institutions are easing out on the projected growth of the economy in FY 2020 due to lowering of private consumption, agrarian crisis & decline in exports.

Respondents Who Believe Modi 2.0 Will Have a Positive Impact



Source: 360 Realtors' Survey

It is expected that after coming to power, Modi 2.0 will take prudent steps to revitalize the economy in the form of easing out of the FDI policies, incentives to spur exports & policies to boost the start-up ecosystem. The recent cut in the repo rate is a welcome step (It should be noted that when the survey was conducted, the repo rate decision was yet to be taken). It can work in tandem with bullish financial markets, moderate inflation (around ~4% range) & an expected rise in industrial productions in the 2nd half of the year.

However, in order to further accelerate growth, more bold steps such as privatization can follow in the times ahead. A potential bounce back in the economy will drive housing demand.



Around 44% of the respondents believe that growth in housing demand will be backed by investments in infrastructure. In its election manifesto, the government has promised to pour in over USD 1.4 trillion to develop Indian infrastructure. A sizable part of the proposed capital outlay has been earmarked for logistics & transport industry.

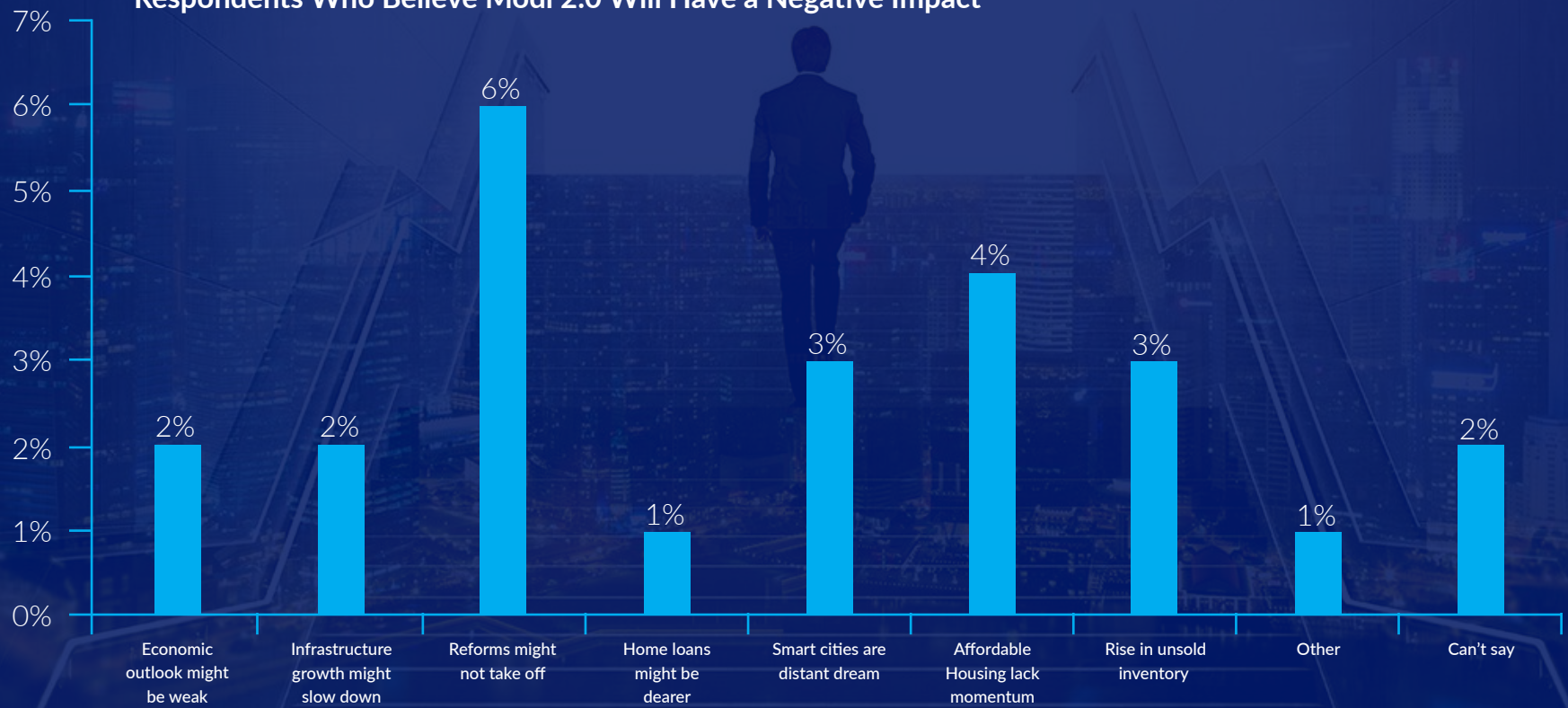
The government has plans to develop 12000 KMs of national highway every year till 2024. This is achievable, as, in FY 2018-2019, the government laid out 10000 KM of the national highway. Industries such as construction will be the direct beneficiary of such a huge scale development plan. As better infrastructure will emerge, other industries such as agriculture, manufacturing, exports etc. will get a thrust, thereby helping the overall economy to move faster.

Respondents have also showcased their confidence on the fact that Modi 2.0 will emphasize on smart cities & housing for all in a committed fashion. However, very few respondents believe that newer reforms will be taken. Indian Real Estate is looking for single window clearances since long. Every development project needs to take an innumerable number of No Objection Certificates (NOC) that often delays the projects by 1-2 years.

One of the reasons for delay and growing piles of unsold inventories are also rooted in delays in approvals & tedious processes that are required with each project. The industry is hopeful that the current purview of RERA will be expanded & also bring approving authorities in its ambit thereby further speeding up the overall process.

Likewise, prudent steps will be taken to rationalize the current GST regime. Industries such as cement pay a huge GST of 28% & hence there is a pressing need to offer them some possible relief. A cut in GST will positively impact the Real Estate as well, as the correction will be directly transferred to end users.

Respondents Who Believe Modi 2.0 Will Have a Negative Impact

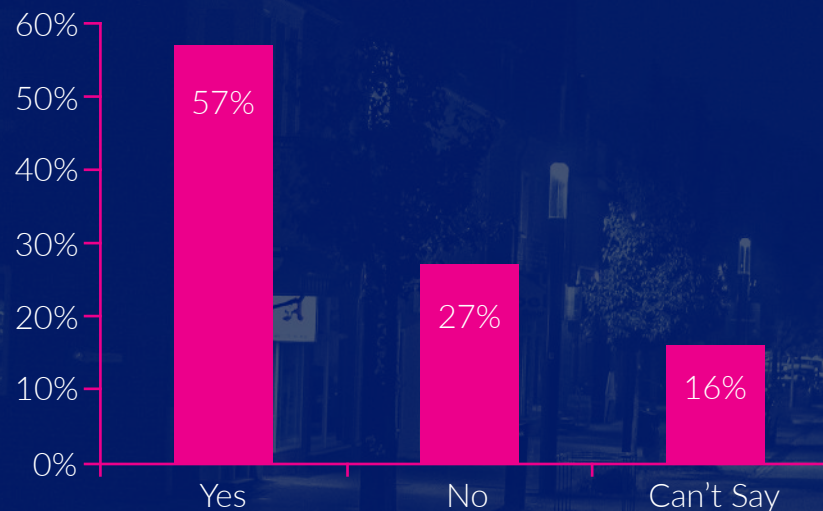


Source: 360 Realtors' Survey

A MODERATE

RISE IN PROPERTY PRICES IN NEXT 12 MONTHS

Will Avg. Property Prices Rise in the Next 12 Months?



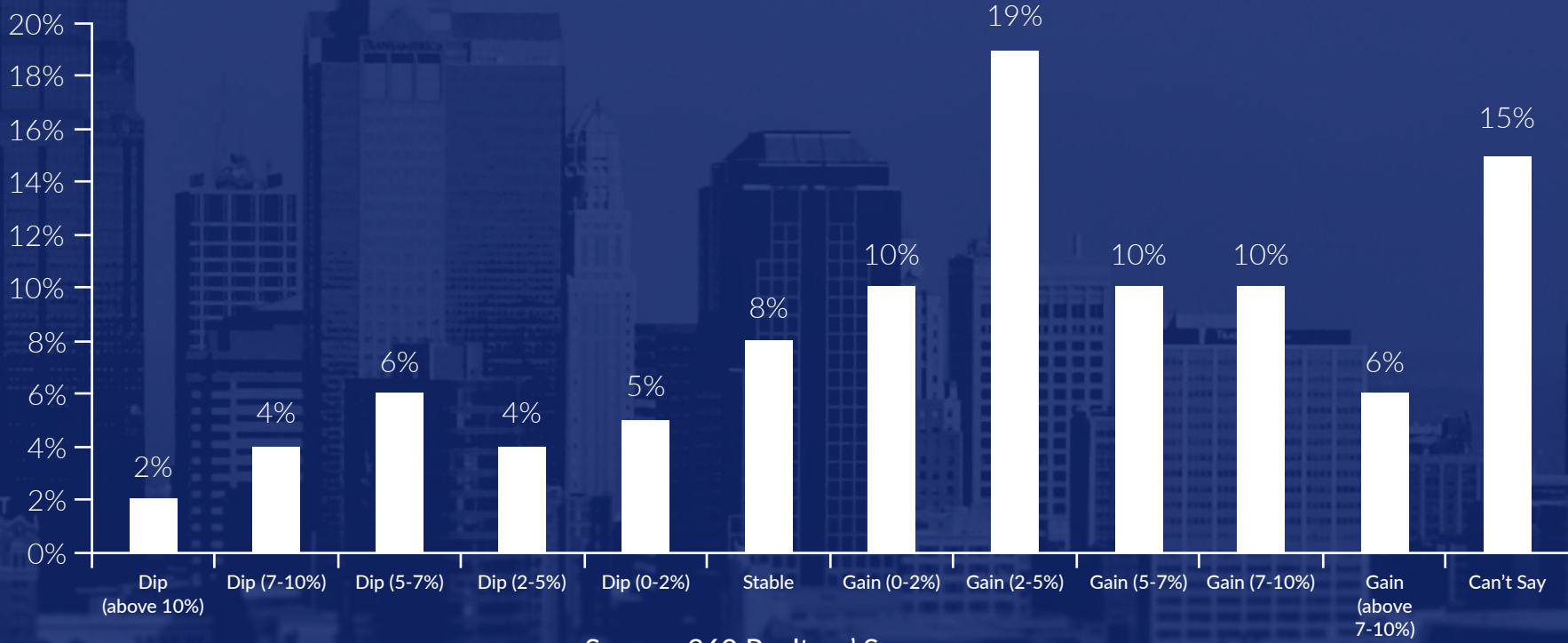
Source: 360 Realtors' Survey

The survey points towards a moderate rise in property prices in the next 12 months. On being asked whether property prices will increase in the next 12 months, around 57% responded in an affirmation.

On further probing on the magnitude of price change, around 19% of the respondents believe that average property prices might increase by 2-5% in the next 12 months. As a Real Estate advisory, we also find it a feasible number.

We believe that property prices will remain moderate for the next 6 months, & thereafter an upturn will unfold. As the market will be mostly end-user, the price growth will be moderate & it might not be very feasible to believe a steep hike in prices. The nature of the market will also be buyers' driven with limited scope for developers to maneuver.

How Avg. Property Prices Will Change



Source: 360 Realtors' Survey

Around 15% have shown their inability to find any concrete insights on the potential price rise. Around 8% of the respondents have indicated that prices might remain stable in the next 12 months. A stable property price with no or minimal change also seems to be a plausible scenario. Amidst large piles of un-

sold inventory, the key focus will be towards turning around the inventory. The developer fraternity will continue to introduce exciting offers, discounts & freebies to incentivize property purchase. The times ahead will be interesting for buyers as they can bargain the best possible deal.



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A black and white photograph of a modern building's facade, viewed from a low angle looking up. The building has a grid-like pattern of windows and balconies. The sky is visible in the background, with some light clouds. The text '360 REALTORS' is overlaid on the image in a large, bold, sans-serif font. The '360' is white with a dark grey shadow, while 'REALTORS' is dark grey with a white shadow, creating a 3D effect.

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DEVELOPERS

40+

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