

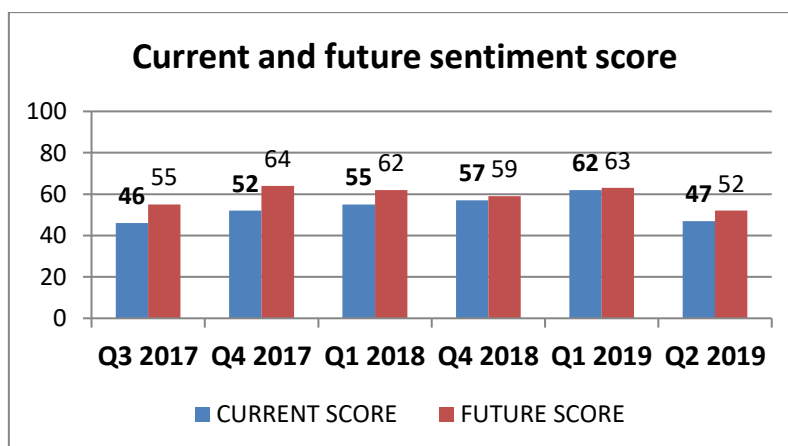
For Immediate Release

Economic slowdown dampens sentiments; Sector outlook slips to ‘Pessimistic’: Knight Frank – FICCI -NAREDCO Real Estate Sentiment Index Q2 2019

Mumbai, 13 August 2019: In the latest survey by Knight Frank – FICCI – NAREDCO - ‘Real Estate Sentiment Index Q2 2019’, Indian real estate stakeholders have downgraded the current period outlook for the ongoing six months to ‘Pessimistic’, indicating no improvement in the level of on-ground activities for the sector. In sharp contrast to the preceding quarters, the overall current sentiment for the real estate sector has been rated at 47 points for the period April – June 2019. The overall slowdown in the economy, coupled with factors like the NBFC crisis, developer defaults and bankruptcies, have slackened the sentiments of the sector, especially for the residential segment. The situation is further compounded by factors like the ongoing liquidity crisis and a diminutive demand scenario. The outlook for the next six months was scored at 52, just above the neutral line. Stakeholders, while showing moderate optimism, are still cautious in their expectations on account of an overall economic slowdown that is impacting the real estate sector.

The sentiments, however, reversed for the office sector where the stakeholders’ outlook remains positive and both leasing and rents which are expected to be on an upward swing in the coming six months.

DIP IN OVERALL SENTIMENTS – UNCERTAINTY LOOMS LARGE OVER THE REAL ESTATE SECTOR

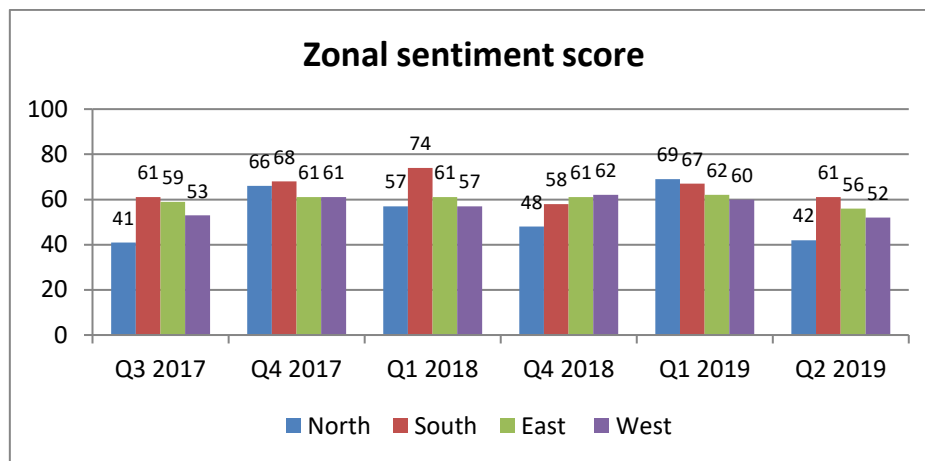


KEY FINDINGS OF THE SENTIMENTINDEX SURVEY

- The future sentiment score has taken a hit in Q2 2019 with the score dropping down to 52 compared to 63 in Q1 2019. Though remaining in the positive zone, the dip in the score indicates that the stakeholders are exercising caution to give a thumbs up to the sector in the coming six months.
- Weak demand, inventory overhang, developer defaults coupled with the worsening of the NBFC crisis has dried up funding for the sector, which in turn has increased the borrowing cost and impacted finances for the already strained sector. In the current scenario, stakeholders meaning to do good business are also finding it tough to convince lenders.

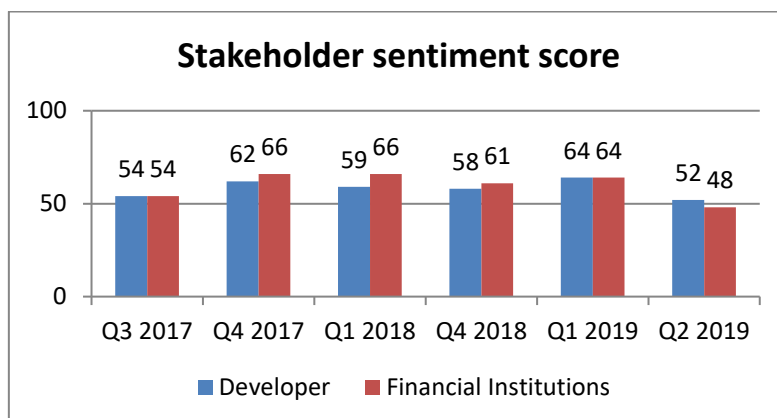
ZONAL SENTIMENT SCORE - NORTH GOES IN RED, WEST TRIMS OUTLOOK

Adversely affected by the inventory pressure, weak demand and low buyer confidence, the future sentiment score for North India has gone in the pessimism zone in the second quarter of 2019 while stakeholders in West India have also lowered their outlook for the next six months, which is in sync with the overall slowdown in the market sentiment.



Score>50: Optimism; Score=50: Same/Neutral; Score<50: Pessimism

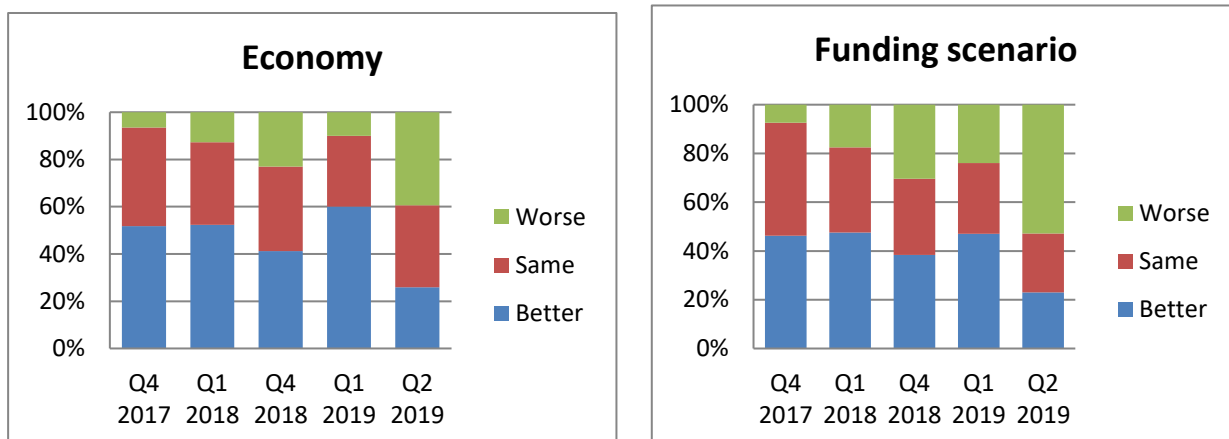
STAKEHOLDER SENTIMENT SCORE – DEVELOPERS WARY, LENDERS EXERCISE CAUTION



Score>50: Optimism; Score=50: Same/Neutral; Score<50: Pessimism

- The sentiment score of the developers and the financial institutions regards the real estate scenario for the coming six months has significantly plummeted in Q2 2019. The worsening NBFC crisis has hit the real estate sector in full force resulting in dried up credit line to the already cash-strapped developers.
- Financial institutions have moved into the ‘pessimistic’ zone at 48 while developers remain just over neutral at 52 mostly guided by the growth in affordable housing.

SLOWDOWN IN ECONOMY AND CAUTIOUS FUNDING ON THE CARDS



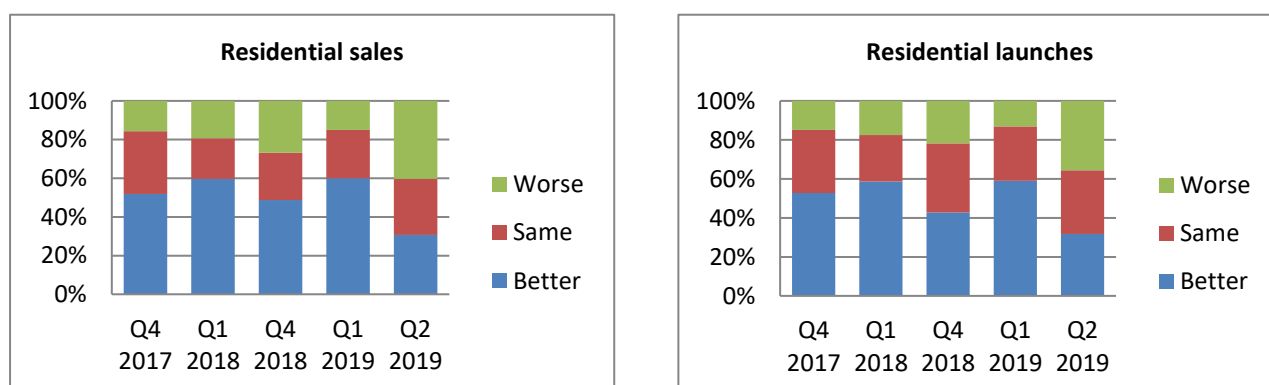
- **74%** of the stakeholders have opined that the economic situation will be the same or may even worsen in the coming six months showing low confidence on market situation to be able to elevate the current situation.
- A slowdown in consumption, lower investment and tightening of borrowing ecosystem has further compounded to negativity in outlook. Global rating agencies including International Monetary Fund (IMF), DBS Bank and Asian Development Bank (ADB) have lowered India's GDP outlook.
- **53%** of the stakeholders have opined that the funding scenario may worsen in the next six months with lenders exercising caution in lending to sectors such as real estate, automobile and other consumption driven sectors.

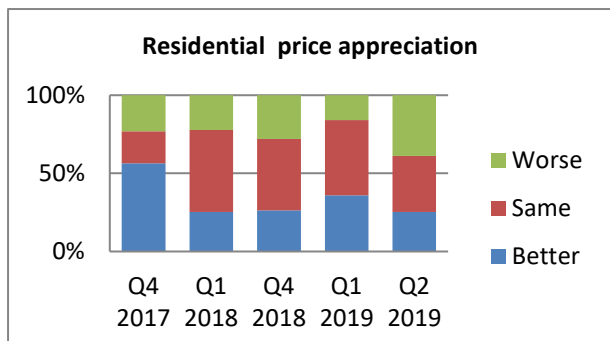
“The ‘pessimistic’ outlook of stakeholders of real estate have only reiterated the current negative growth conditions that the sector is staring into. The economic slowdown, which has moved well beyond real estate into segments like auto, FMCG and FMCD, is firmly establishing a slowdown in buyer sentiments, indicating further delay in end user purchase decision. The real estate sector in specific has been witnessing tough sales environment which is only expected to continue.” said **Shishir Bajjal, Chairman and Managing Director of Knight Frank India.**

Shishir added further, *“The government has started to take remedial measures to boost overall liquidity in the market to help increase sales volumes across industries. We hope that comprehensive steps, like those taken to boost affordable housing, will be taken by the government in the near future to uplift the entire real estate segment.”*

RESIDENTIAL SECTOR IN THE DOLDRUMS

The outlook for the residential new launches, sales and price appreciation has taken a hit in Q2 2019.





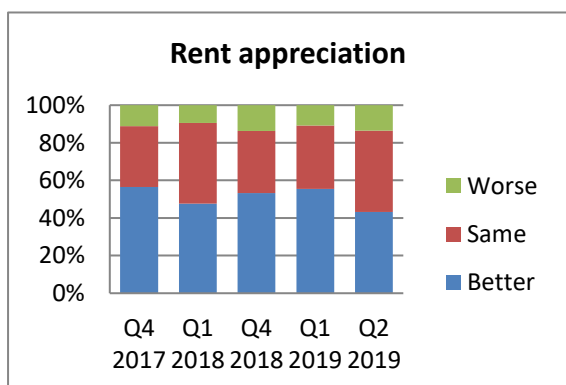
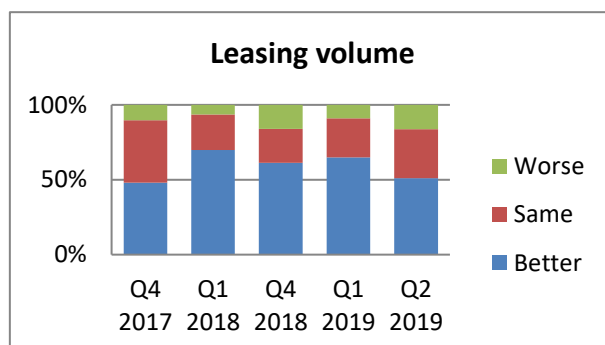
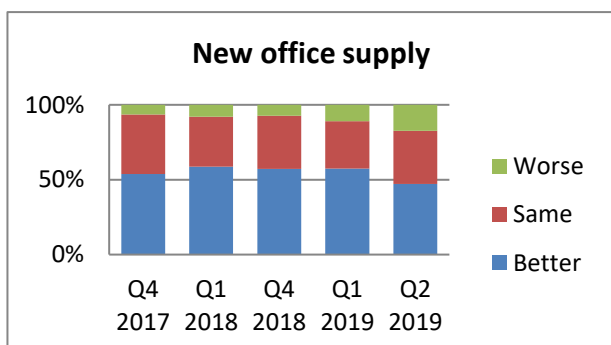
- **A majority 69%** of the stakeholders have maintained that the residential sales will remain tepid or may even go down further in the coming six months.

- Sentiments regarding residential price appreciation also look lacklustre with **75%** of the stakeholders opining that the residential prices will continue to remain muted. Taking

cognisance of the slowdown in the sector, the Reserve Bank of India (RBI) has cut the repo rate by 110 basis points in the last four reviews however, reduction in the domestic spending and investment activity will loom large given the flat income growth.

OFFICE MARKET HOLDS STEADY

- The outlook for office sector remained positive as 83% of respondents say that office supply as well as demand will see positive movement. Stakeholders also gave a positive outlook towards rental growth for the next six months.



Dr. Niranjana Hiranandani as a National President of apex real estate body NAREDCO flags off the alarming concerns of the sector by voicing that, The deepening economic slowdown compounded with subdued investment outlook and sluggish consumption appetite have hampered the GDP

News Release



growth traction. Liquidity being the oil of the India's growth engine needs a quick fix resolution enabling Indian Real estate to play its role in enhancing GDP growth in tandem with ample job creation. As known globally, real estate and infrastructure development have proved to be the economic drivers, Indian stands no different. Hence, the quick line of action from Central Government and apex regulatory bodies will be paramount in easing the pessimistic scenario looming over the sector for a positive out growth, he concluded.

"Global geopolitical headwinds and slowdown in domestic consumption are currently weighing down the Indian economy. India Incorporation at large is feeling some stress. To cope up with consumption slowdown, more policy support and private capex is vital to bring growth impetus to the economy. The Government needs to ensure that there is a stable business environment and no more disruption takes place, which causes short term setbacks and industry can afford any more. However, India's growth story is intact from a long-term perspective. The public investment will bring job opportunities and revive the consumption engine. Economic security would be the key to kick start the real estate segment." **said Sanjay Dutt, Chairman, FICCI Real Estate Committee and Managing Director & CEO, TATA Realty and Infrastructure Ltd.**

~ end ~

About Knight Frank

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 18,170 people operating from over 523 offices across 60 markets. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. For further information about the Company, please visit www.knightfrank.com.

In India, Knight Frank is headquartered in Mumbai and has more than 1,000 experts across Bangalore, Delhi, Pune, Hyderabad, Chennai, Kolkata and Ahmedabad. Backed by strong research and analytics, our experts offer a comprehensive range of real estate services across advisory, valuation and consulting, transactions (residential, commercial, retail, hospitality, land & capitals), facilities management and project management. For more information, visit www.knightfrank.co.in

For further information, please contact:

Piyali Dasgupta (Knight Frank India)

+91 9833571204

piyali.dasgupta@in.knightfrank.com

Vinay Rajani (White Marquee Solutions)

+91 9167642913

vinay@whitemarquesolutions.com