



AFFORDABLE HOUSING

Know your customer!



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Part I

Need for housing

With a total population of around 1.21 billion (2011)¹, India is the second-most populous country in the world. As per Census 2011, more than 31 per cent of the total population, i.e. about 377 million, is urban population, living in 7,933 urban centres including 53 cities with populations above one million and three megacities (Greater Mumbai, Delhi and Kolkata).

The seventy years of independence have seen many socio-economic transformations linked to the urbanisation trend post-colonial rule. As per the report, *Urban India 2011*, by Indian Institute for Human Settlements, there were only five Indian cities with a population greater than 1 million, and only 41 cities greater than 0.1 million population in 1951. However, in 2011 there were three cities with a population greater than 10 million and 53 cities with populations greater than 1 million.

In 1961, the urban population of India was 78.9 million, that is, 18.20 per cent of the total population. By 2011, the share of urban population had reached 377 million accounting for 31.2 per cent of the total population.

With almost 70 per cent of the incremental employment being created in urban centres, the rate of urbanisation is likely to continue, which will lead to almost 40 per cent of the country's population living in urban centres by 2030.

¹ *Census of India 2011*

Shortage of affordable housing

The case for sustainable urbanisation becomes stronger and acquires greater attention in the context of the rural to urban migration, changing demographics, socio-economic composition, increase in households, formation of nuclear families, and a burgeoning middle class.

With most megacities and medium-sized cities witnessing high concentration of urban population, there has been an increasing pressure on housing as well as basic urban infrastructure and services.

Increasing concentration of people in urban areas has resulted in an increase in the number of people

living in slums and squatter settlements. Further, a rapid increase in land prices and real estate developments in urban areas have induced the deprived and the economically weaker sections of the society to occupy the marginal lands typified by dilapidated housing stock, congestion and obsolescence.

It is apparent that substantial housing shortage looms large in urban India and a wide gap exists between the demand and supply of affordable housing, both in terms of quantity and quality.

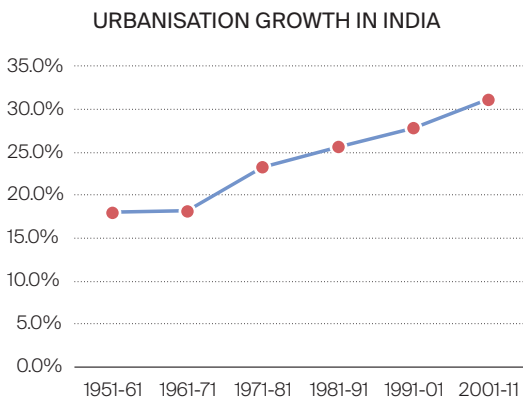
The Ministry of Housing and Urban Poverty Alleviation's TG-12 report mentioned that the country was facing an urban housing shortage of about 18.78 million in 2012, a number

which was later revised to 10² million in 2017. It is estimated that 95 per cent of this shortage is in the affordable housing segment. The fact that majority of these migrants hail from lower income groups, justifies the need for creating more affordable housing units in urban India.

Besides those living in obsolescent houses, 80 per cent of these households are living in congested dwellings and are in need of new houses. The report also highlights that nearly 1 million households are living in non-serviceable *katcha* (mud and brick) houses, while over half a million households are living in homeless conditions.

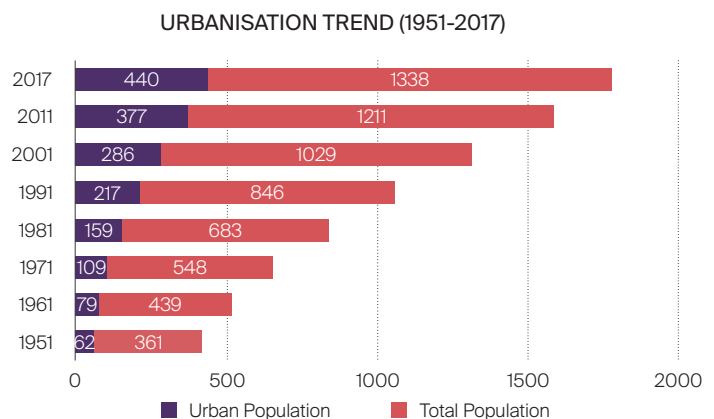
² Report of the Technical Urban Group (TG-12) on Urban Housing Shortage 2012-17, Ministry of Housing and Urban Poverty Alleviation, September 2012

FIGURE 1



Source: Asian Development Bank, Census 2011, Knight Frank Research

FIGURE 2



Source: Asian Development Bank, Census 2011, Knight Frank Research

Policy framework

The Indian government has formulated many policies for housing especially since the late 1980s including the National Housing Policy of 1988. Additionally, many bodies like the National Housing Bank (NHB) and Housing & Urban Development Corporation (HUDCO) were also created to facilitate the implementation of such policies.

Consequently, numerous efforts have been made to provide adequate policy support for low cost housing starting with the

National Housing Policy 1994. However, the first policy specific to urban housing was the National Urban Housing and Habitat Policy 2007 (Ministry of Housing and Urban Poverty Alleviation). It focused on affordable housing as a key objective for sustainable urban development. Subsequently, many programmes specific to affordable housing have since been incorporated like Jawaharlal Nehru National Urban Renewal Mission, Rajiv Awas Yojana, etc.

‘Housing for All by 2022’ initiative

The Pradhan Mantri Awas Yojana (PMAY) launched in 2015 provides a fresh impetus – the PMAY-Urban (PMAY-U) subsumes all the previous urban housing schemes and aims at housing for all to be achieved by the year 2022. The total housing shortage envisaged to be addressed through the PMAY-U is 20 million.

Pradhan Mantri Awas Yojana – Housing for All (Urban) was launched by the Central Government to achieve the objective of providing every

family a *pucca* house with water connection, toilet facilities, 24x7 electricity supply, etc. The Mission would be implemented between the year 2015 and 2022, and is expected to provide central assistance to implementing agencies through States and Union Territories for providing houses to all eligible families/beneficiaries by 2022. All statutory towns as per Census 2011 and towns notified subsequently are eligible for coverage under the Mission.



Implementation methodology

The Mission will be implemented through four verticals giving options to beneficiaries, Urban Local Bodies

(ULBs) and state governments. These four verticals are as follows:

TABLE 1

1 'In-situ' slum redevelopment	2 Affordable housing through credit-linked subsidy	3 Affordable housing in partnership	4 Subsidy for beneficiary-led individual house construction or enhancement
<ul style="list-style-type: none"> Using land as a resource With private participation Extra FSI/TDR/FAR, if required, to make projects financially viable 	<ul style="list-style-type: none"> Demand-side intervention Interest subvention subsidy for EWS, LIG and MIG for new house or incremental housing 	<ul style="list-style-type: none"> With private sector or public sector including parastatal agencies Central assistance per EWS house in affordable housing projects where 35 per cent of constructed houses are for EWS category 	<ul style="list-style-type: none"> For individuals of EWS category requiring an individual house Central assistance at INR 0.15 million per house State to prepare a separate project for such beneficiaries No isolated/splintered beneficiary to be covered

The scheme will be implemented as a Centrally Sponsored Scheme³, except the credit-linked subsidy component, which will be implemented as a Central Sector Scheme⁴. The Mission also

prescribes certain mandatory reforms for easing up the urban land market for housing, to make adequate urban land available for affordable housing.

³ Centrally Sponsored Schemes are the schemes by the centre where there is financial participation by both the centre and states.

⁴ Central sector schemes are schemes with 100 per cent funding by the Central government and implemented by the Central Government machinery.

Credit Linked Subsidy Scheme (CLSS) under the Pradhan Mantri Awas Yojna (PMAY)

CLSS provides for easy institutional credit to Economically Weaker Section (EWS), Lower Income Group (LIG) and Middle Income Group (MIG)

households with interest subsidy credited upfront to the borrower's account. This effectively reduces the housing loan amount and equated

monthly instalments (EMI). This scheme should give a boost to housing projects in the peripheral areas of metros.

TABLE 2

CLSS – An illustration

Criteria	EWS + LIG	MIG-I	MIG-II
Household/Annual income (INR)	Up to INR 0.6 million	INR 0.601 - 1.2 million	INR 1.201 - 1.8 million
Property area (carpet area)	30/60 sq m	160 sq m	200 sq m
Max loan amount for subsidy	Up to 0.6 million	Up to 0.9 million	Up to 1.2 million
Subsidy %	6.50%	4%	3%
Subsidy amount	INR 0.267 million	INR 0.235 million	INR 0.23 million
Max term of loan (on which subsidy will be calculated)	20 yrs	20 yrs	20 yrs

Technology Sub-Mission – For faster and better quality construction

A Technology Sub-Mission under 'Housing for All by 2022' was set up to facilitate adoption of modern, innovative and green technologies and building material for faster and quality construction of houses under various geo-climatic zones. The Technology Sub-Mission will work on the following aspects:

i) Design and planning

- ii) Innovative technologies and materials
- iii) Green buildings using natural resources
- iv) Earthquake and other disaster-resistant technologies and designs

States to play major roles

'Housing for All by 2022' provides flexibility to states to choose the best option amongst the four verticals of the Mission to meet the demand of housing in their states. The process of project formulation and approval in accordance with Scheme Guidelines are left to the states, so that projects can be formulated, approved and implemented faster. It also provides technical and financial support in accordance to the Guidelines to the states to meet the challenge of urban housing.

Other initiatives to promote affordable housing

The first major push by the government to the affordable housing sector came in the Union Budget proposal of 2016-17, where it laid down the guidelines for housing projects to qualify as an affordable housing project.

Qualifying criteria

- Flats/apartments with the carpet area of 30 and 60 square metres
 - Also, the 30 square metres will apply only in case of municipal limits of the four metro cities, while for the rest of the country, including the peripheral areas of metros, 60 square metres will apply.

Timely approval and completion

– A key

- The project approvals need to be received between June 2016 and March 2019
- The project needs to be completed within a period of five years from the date of getting the approval

Granting infrastructure status

- Union Budget 2017-18 granted the affordable housing segment an infrastructure status and thus met a long-standing demand of the real estate sector. This initiative gives banks more elbow room to provide loans for houses in this segment at a much more competitive rate.

Other financial benefits

- To make these projects attractive 100 per cent deduction for profits was allowed
- Minimum Alternate Tax (MAT) will be applicable on such projects
- Providing two years time to developers to pay tax on notional rental income on completed but unsold units
- Reducing the tenure for long-term capital gains for affordable housing from three to two years
- Reserve Bank of India (RBI) also initiated series of measures to promote affordable housing in the country
- RBI defined affordable housing loans as eligible under priority sector lending
- Banks allowed to issue long term bonds (of minimum seven years maturity) to finance loans to affordable housing. Such bonds exempt from the computation of adjusted net bank credit (ANBC).
- RBI allowed the banks to provide home loans up to 90 per cent for properties that cost up to INR 0.3 million
- RBI modified the provisioning or risk-weighted norms for home loans to make them cheaper. The standard asset provisioning on housing loans lowered to 0.25 per cent from 0.4 per cent in June 2017.

Timely completion of projects

A first in affordable housing projects, two parameters play a very important role in the success of a project—the pricing of the project and second, its timely completion. At present, even in affordable housing projects there have been instances of projects not being completed on time. To ensure that this anomaly (of delay in timely completion) in the real estate is removed, the government implemented the Real Estate (Regulation and Development) Act (RERA), 2016 in full letter and spirit from 1 May 2017. Among other things, as per the provisions of this Act, players from the supply side will have to complete their projects within the time they specify to the relevant Authority when applying for registration of their housing project. Since housing projects where more than eight apartments are developed for the purposes of selling will be covered under RERA, affordable housing projects will automatically come under the purview of the new legislation, as they are typically large-scale projects. This will further ensure that the players operating in the affordable housing space complete their projects within the stipulated time. To ensure that developers can do this in an efficient manner, the government needs to further make sure that there are processes in place that will provide approvals in an efficient manner.



Defining affordable housing

The term 'affordability' is considered as a relative term which has different meanings depending on the stakeholders. However, 'Affordable Housing' has been categorised based on certain criteria set by the government to accommodate housing for every household in India.

According to the RICS report, 'Making Affordable Housing Work in India', affordability in the context of urban housing would mean provision of 'adequate shelter' on a sustained basis ensuring security of tenure within the means of the common urban household.

As per 'Taskforce on promoting Affordable Housing' with respect to LIG and EWS, area of the dwelling unit, income level and EMI repayment capability were considered as a benchmark for defining the affordability as mentioned below:

- Carpet area of the dwelling unit should not exceed 300 sq ft for EWS and 600 sq ft for LIG
- For both EWS and LIG, cost of the dwelling unit should not exceed four times of the household's gross annual income
- For both EWS and LIG, monthly repayment obligation/EMI should not exceed 30 per cent of the household's gross monthly income

As per the 'Affordable Housing in Partnership' scheme launched in 2009 by the Ministry of Housing and Urban Poverty Alleviation, criterion for EWS and LIG was categorised in terms of unit area and repayment capability as defined in the following points:

- In terms of built-up area, EWS and LIG category units should not exceed 300 sq ft and 500 sq ft, respectively
- In terms of carpet area, EWS and LIG category units should not exceed 25 sq m and 48 sq m, respectively
- Monthly repayment obligation / EMI for housing loan should not exceed 30 per cent to 40 per cent of monthly income of the buyer

As per 'Pradhan Mantri Awas Yojana', housing for all by 2022 scheme launched in 2015 by the Ministry of Housing and Urban Poverty Alleviation, criteria for EWS and LIG was categorised in terms of income level and unit area as defined below:

- In terms of income level for EWS, annual household income should not exceed 'Rupees three lakhs' (0.3 million) per annum
- In terms of unit area for EWS, carpet area of the dwelling unit should not exceed 30 sq m

- In terms of income level for LIG, annual household income should range from 'Rupees three lakhs to Rupees six lakhs' (INR 0.3 - 0.6 million)
- In terms of unit area for LIG, carpet area of the dwelling unit should not exceed 60 sq m

Housing scenario in India

India's urban housing shortage is being primarily driven by the Economically Weaker Section (EWS) and Lower Income Group (LIG) categories. However, majority of real estate private players have traditionally focused on premium housing owing to its higher returns. This has led to a build-up of huge unsold inventory that has brought the residential real estate market to a near standstill.

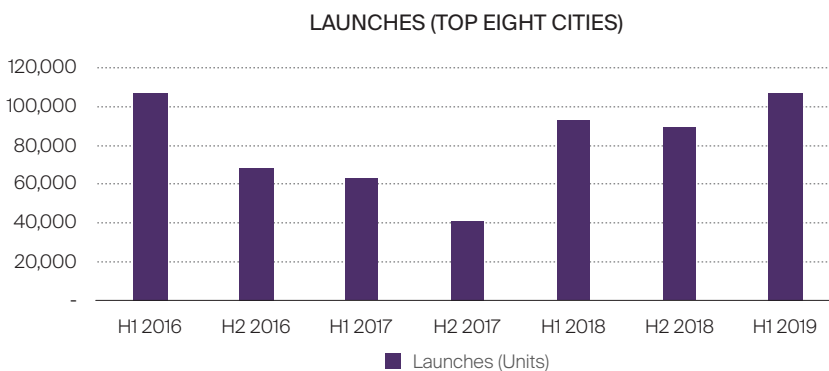
The impetus to the residential market has come due to the government's focused attention on the affordable

housing segment. Over the last few years, the government has announced a series of measures to bring a fresh lease of life into this segment of the market.

As a supply-side intervention, the government launched the 'Affordable Housing in Partnership' under the Pradhan Mantri Awas Yojana (Urban) Programme. Under this mission, the government provides financial assistance at the rate of INR 1.5 lakh per EWS house being built under these different partnerships.⁵



FIGURE 3



Source: Knight Frank Research

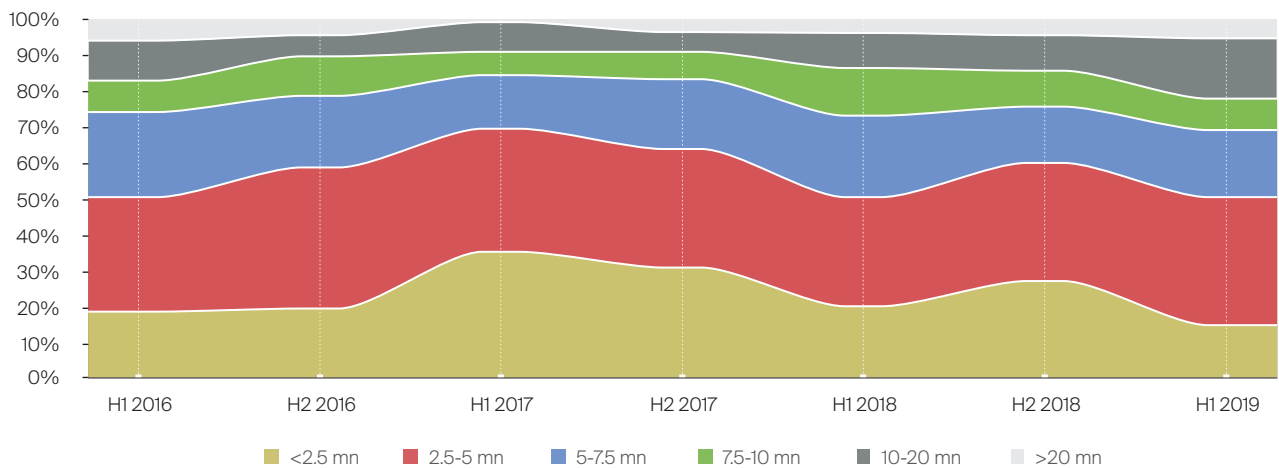
⁵ An affordable housing project can be a mix of houses for different categories (EWS, LIG, and HIG, etc.) but it will be eligible for central assistance, if at least 35 per cent of the houses in the project are for EWS category and a single project has at least 250 houses.

Post the launch of the policy, right-sizing and right-pricing of new residential product and improving home-buyer sentiment have led to a steady increase in supply. As per Knight Frank Research, the residential market of the top eight cities in India – Mumbai, NCR, Bangalore, Pune, Chennai, Hyderabad, Kolkata and Ahmedabad witnessed an infusion of 0.57 million units in the since 2016. Also given the push in the affordable housing sector, the private sector players have participated in the development of the affordable housing programme, which is visible from the latest set of numbers that indicate a consistent high share of less than INR 2.5 mn ticket size since 2016.



FIGURE 4

TICKET SIZE SPLIT OF LAUNCHED UNITS (2016 TO H1 2019)



Knight Frank's criteria for defining affordable housing

Affordable housing and low-cost housing are the most talked about issues in the real estate sector these days. However, there is a distinct difference between the two concepts. In the absence of an institutional rental housing market in India, affordable and low-cost housing denotes ownership and not rental housing.

Low-cost housing generally refers to cost-effective housing that relies on 'low-cost technology' that ensures similar quality and durability as compared to more commonly used technologies. In India, low-cost housing is primarily aimed at EWS and LIG segment and the intervention & involvement of the government authorities is likely to be prominent.

The affordability of a household in each location is an interactive outcome of the house price, household income, spending and saving behaviour and other demographic factors like size of the household. It is recognised that affordability is relative to geographical area, time and income category. Thus, defining affordable housing continues to be a challenge for major players of the real estate sector in India.

However, affordability can be defined as provision of sustainable shelter with basic amenities at an affordable price whilst affordability can be achieved by tweaking the factors affecting the same:

- Cost of land – Provision of incentives to the private developer for developing affordable housing projects and PPP in housing projects as implemented earlier by the government
- Cost of construction – Implementing construction technology to reduce construction cost and using sustainable building material to increase the building performance and to reduce the operational cost
- Financial support – In spite of PMAY's CLSS, support from financial institutes would be required for encouraging the first-time homebuyers in EWS/LIG sectors to avail housing loans by slashing the up-front payment either through instalments or through subvention schemes
- For the purpose of supply analysis, the different categories of affordable housing is defined as per the ticket size of a units:
 - Budget Housing: Ticket size less than INR 2.5 million
 - Affordable Housing: Ticket size between INR 2.5 to INR 5.0 million
 - Premium Affordable: Ticket size between INR 5.0 to INR 7.5 million
 - Premium: Ticket sizes greater than INR 7.5 million

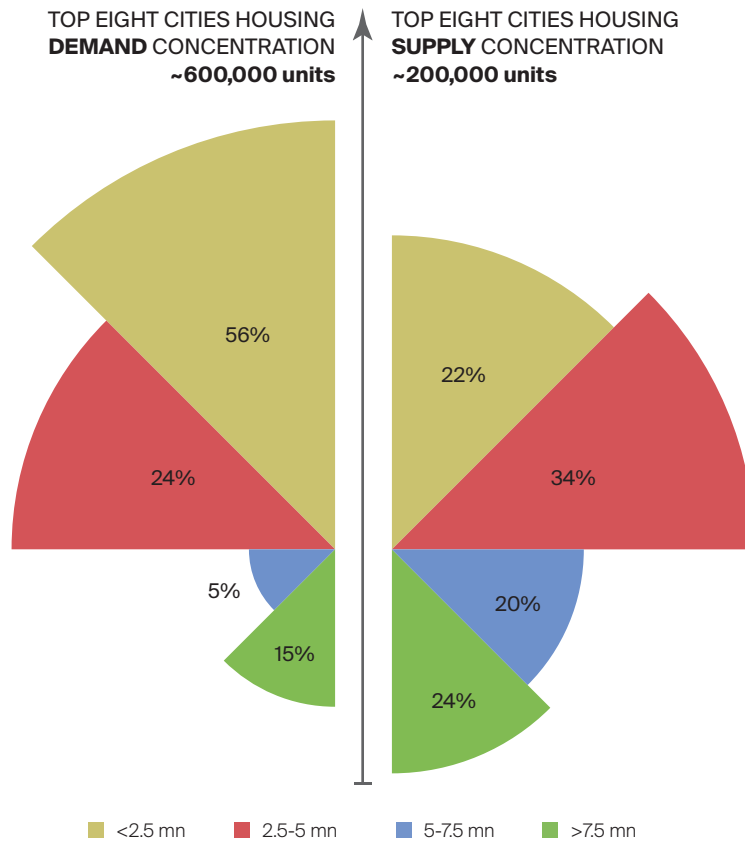
Demand - supply gap

However, the supply intervention is a far cry from the actual demand of the sector. India's urban housing shortage is being primarily driven by the EWS and LIG categories. An analysis of the demand supply shows, that on an average, nearly 0.6 million homes are required every year in the top eight cities versus a supply of 0.2 million units per year.

Notwithstanding the demand, there is a huge supply gap for urban housing and more so in the EWS and LIG Category category, i.e. houses with ticket size less than INR 2.5 million. Whereas the demand in the EWS and LIG Category is around 3.4 Lakh homes, the supply in the category is only 44,000 thousand homes only.

Currently, the biggest factor affecting sales is the unaffordability of the homebuyers. After the launch of the

FIGURE 5



affordable housing policy, the first and foremost step that the industry has taken is to make houses more affordable. Developers have re-looked at the pricing, size and configuration of residential units in their planned developments. The government must further support this move with proactive initiatives to develop peripheral locations with required connectivity and infrastructure.

As result of the push towards affordable housing, a structural shift will be witnessed from the supply side. One can expect affordable housing projects to come up within

metro cities and in urban agglomerations. However, an affordable housing project is a volume game and the major challenge for the Government of India will be to facilitate in providing suitable land parcels, that too at a competitive price for the project to be financially viable. It also goes without saying, the importance of having systems in place that will help in getting approvals in an efficient and timely manner.

Through a field survey in the Mumbai Metropolitan Region (MMR), Delhi NCR and Bengaluru, it was observed that the affordable housing scheme

has received a very good response. In the MMR, affordable housing projects have already started taking shape. XRBBIA Chembur Central by XRBBIA and Crystal Group in Mumbai is one such example. Ruparel Realty's affordable housing project in Kandivali West is another example.

Multi-award winning Provident Sunworth, one of India's largest stand-alone affordable home projects involving a scale of 6,000 homes is a prime example of creating a socio-economic fabric of infrastructure for consumers in the mid-income segment. The affordability tag is not diminished by any quality of life enhancing amenities including swimming pools, clubhouses, badminton and tennis courts. Provident Park Square, off Kankapura Road, Bengaluru is another example that packs all premium amenities desired for a luxurious lifestyle at a comfortable price. Provident is committed to continue with the vision of providing affordable luxury homes, keeping in line with Budget 2017's impetus to Affordable Housing.

Key locations: Affordable housing



Pune

Key locations:

Wagholi, Wakad, Moshi, Hadapsar, Chakan, Hinjewadi, Kharadi, Undri, Talegaon Dabhade

Key developers:

Magarpatta City, Xrbia Developer, Kolte Patil Developers, Kumar Properties, Paranjape Schemes

Key projects:

Megapolis, XRBIA Hinjewadi, Aapla Ghar, Lodha Belmondo, Godrej Infinity

Ahmedabad

Key locations:

Naroda, Changodar, Narol, Changodar, Sarkhej Road, Vadsar, Shella Narol, Jagatpur, Bavla

Key developers:

TATA Housing, Godrej Properties, Safal Construction (BSafal), Safal Construction (HN Safal), Savvy Infrastructures, Adani Group

Key projects:

Swaminarayan Park, Aakash Residency, Godrej Garden City-Affordable Housing Scheme, Atlantis Park, Kesar City, Shiv Ugati City

NCR

Key locations:

- Gurugram: Dharuhera, Sohna Road, Manesar
- Greater Noida - Knowledge Park-5, Yamuna Expressway
- Noida: Sector 134, 151, 137, 129
- Ghaziabad: NH-24, Raj Nagar Extension, Indraprastha Yojna

- Faridabad: Palwal, Sector 81, 82, 85, 87, 89

Key developers:

Supertech Limited, Amrapali Group, Jaypee, Gaursons India, Mahagun, DLF

Key projects:

Kosmos, Eco Village, Cape Town, My Woods, Gulmohar Woods, Red Apple Homez, Tierrea, Basera, Global Heights

Kolkata

Key locations:

Rajarhat, Maheshtala, Barasat Hatisala, Madhyamgram, Baruipur, Sonarpur, Uttarpara, Howrah, Narendrapur, Garia

Key developers:

Hiland Group (Kolkata), Siddha Group, Srijan Realty, Shapoorji Pallonji, Shriram Properties, Merlin Group, Magnolia Infrastructure Development, Dharitri Infraventure, PS Group

Key projects:

Hiland Greens, Dharitri Universia Shriram Grand City, Chander Hut, Sanhita, Genexx Valley, Shukhobrishti, Greenfield City

Hyderabad

Key locations:

Miyapur, Manikonda, Kukatpally, Rajendra Nagar, Gachibowli, Nallagandla, Chandanagar, Nizampet, Kondapur, Kompally

Key developers:

Provident Housing, My Home Constructions, Aparna Constructions and Estates, Janpriya Group, Obili Infrastructure

Key projects:

Kenworth Homes, Obili Smart Homes, Virgin County, Arcadia, Metropolis

Bengaluru

Key locations:

Mysore Road, Yelahanka, Whitefield, Devanahalli, Thanisandra, Electronic City, Chandapura, Kumbalgodu, Kanakapura Road, Magadi Road

Key developers:

Provident Housing, Tata Housing, Shriram Properties, GM Infinite Dwelling, New Haven

Key projects:

Provident Sunwort, Shriram Smrithi, Prestige Falcon, Welworth City, DLF Woodland Heights, Rising City

Chennai

Key locations:

Old Mahabalipuram Road, Sriperumbudur, Kelambakkam, Oragadam, Pudupakkam, Perambur, East Coast Road, Guduvancheri

Key developers:

VGN Property Developers, Unitech, Mahindra Lifespaces, Amarprakash Group, Provident Housing, Akshaya Homes

Key projects:

Mahindra World City, Today, Cosmo City, Lotus Pond, Uni Homes



Part II

Customer insight

Over the years, the real estate market for variety of reasons has become more customer driven. End users have emerged as potential buyers of affordable housing segment and thus their role as purchase decision makers is very important for the success of any project. Measuring their satisfaction or dissatisfaction have been affecting the sales of affordable housing projects. For example, if existing customers propagate good words about their homes/projects among peers, their recommendation immediately catches attention of others. On the other hand, bad words may fail to attract customers towards the project. Therefore, measuring customers satisfaction/ dissatisfaction are extremely crucial.

Knight Frank conducted an extensive primary research exercise across 15 Tier 1 and Tier 2 cities in India.

The details of the cities covered from each of the zones is as follows:

North

- NCR
- Chandigarh
- Jaipur
- Lucknow

East

- Bhubaneshwar
- Ranchi
- Kolkata

West

- Mumbai
- Pune
- Ahmedabad
- Indore

South

- Bengaluru
- Chennai
- Hyderabad
- Kochi
- Coimbatore

FIGURE 6



The key purpose of the research was as follows:

- Customer responses on various factors relating to affordable housing
- Choices, preferences and need gaps of customers
- Perception towards dominant developer brands in affordable housing

The engagement methods primarily used were:

- Focus Group Discussions (FGDs) – Qualitative Research
- Structured Questionnaires based interactions – Quantitative Research

The key target segments for the primary interactions were Purchasers and Intenders of affordable housing projects, i.e.

- End users who have made purchases and are residents of affordable residential housing projects
- Intenders of affordable housing projects, i.e. people who intend to buy into affordable housing project within 1 to 1.5 years and are already interacting with multiple affordable housing brands for purchase

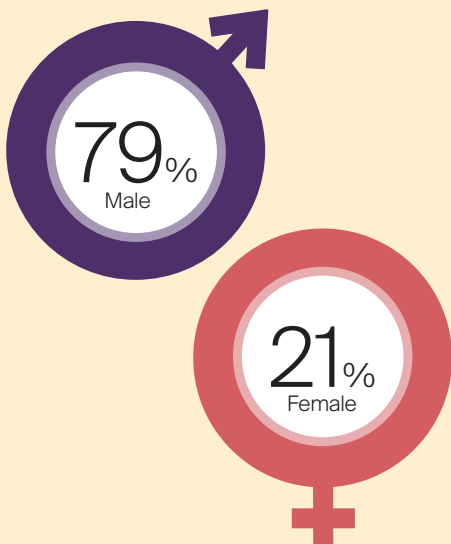
Interviews with Purchasers and Intenders were equally spread across various types/categories of affordable housing projects, which are as follows:

- Absolute Budget Housing
Cost of the house/apartment is less than INR 2 million
- Value Housing
Cost of the house/apartment is between INR 2 - 3.5 million
- Premium Affordable Housing
Cost of the house/apartment is between INR 3.5 - 6 million

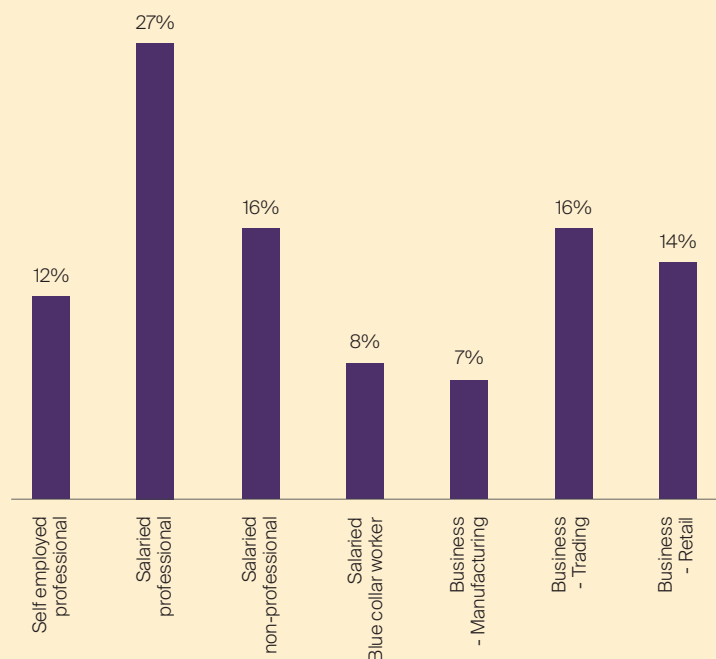
Profile of the people surveyed

FIGURE 7

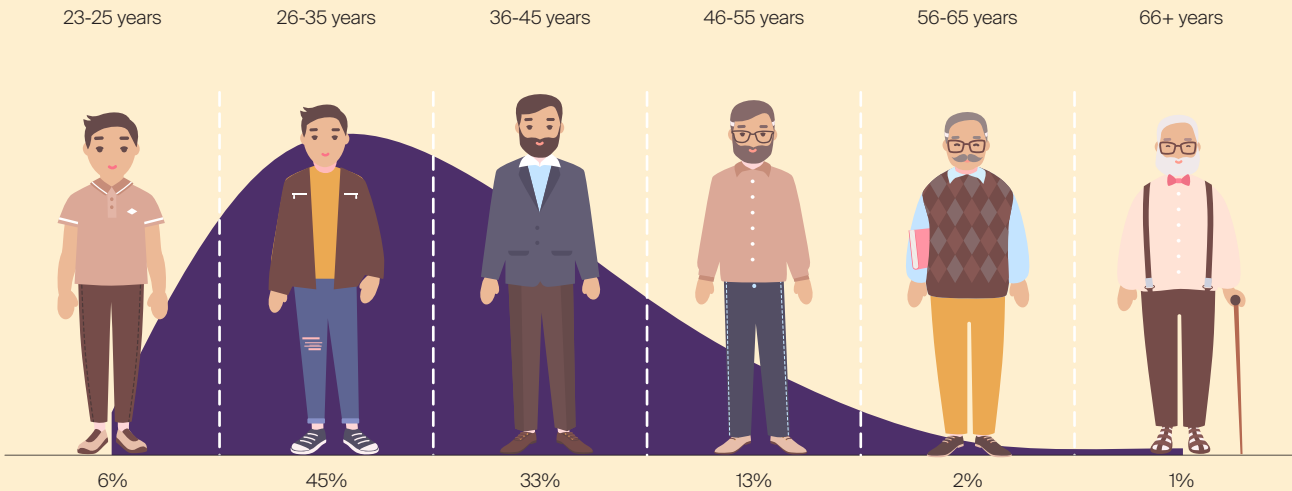
Gender



Occupation



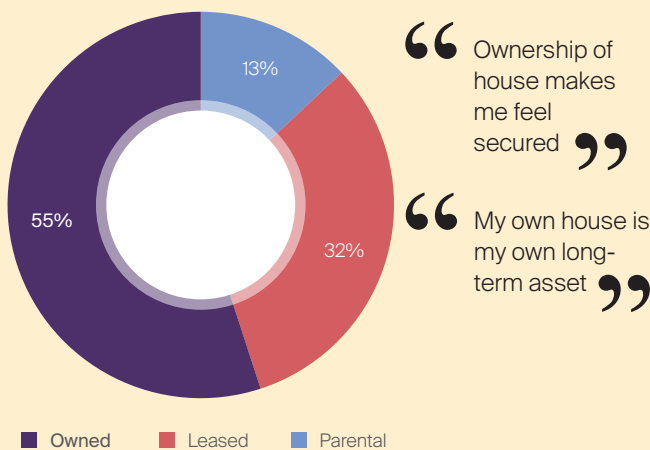
Age



Current residence and need gaps

FIGURE 8

Details of current residence

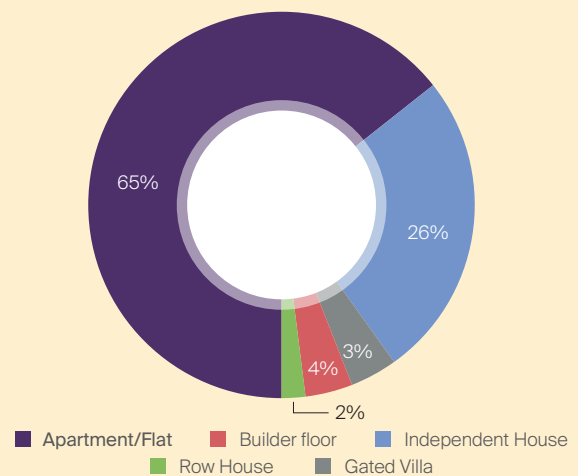


Source: Knight Frank India Primary Research

It is observed that more than 50 per cent people in India live in their own houses, while almost 30 per cent people live on rent. Living in an own house gives a sense of security and content to people as against living in someone else's house.

FIGURE 9

Type of current residence



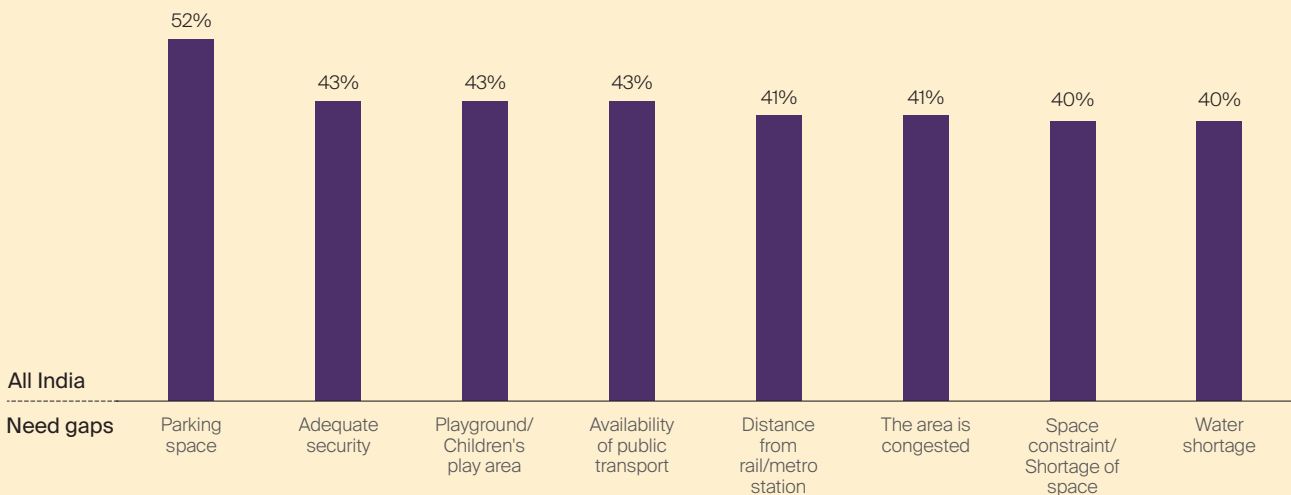
Source: Knight Frank India Primary Research

In India, 'Apartment/Flat' is the most popular type of residence followed by 'Independent House' concept. Apartment/flat has become deep rooted, at least in bigger cities, which is an important parameter of affordability, while independent houses are costly and prevalent only in very few cities in the country. Builder floor, gated villa, row houses are not so common in India as compared to other countries.

Need gaps in current residence

While engaging with respondents, the following factors were highlighted as major gaps in terms of their requirements in their current residence.

FIGURE 10



“
At least parking for one car is needed
”

“
Security should be so good that I can get a good night sleep
”

“
There should be CCTV camera along with Security Guard
”

“
I just need some space and peace of mind
”

Source: Knight Frank India Primary Research

Parking space continues to be a chronic problem on the residential front across India along with security that also comes out as a major concern. People feel that there is a need for parking facility for at least one car and open space is required in the residence which will lead to a sense of comfort at home. Also, they feel that adequate security measures should be undertaken to ensure safety of the residents.

Other missing links with respect to current residence

Some of the other concerns shared by them with respect to current residence are:

Distance from children's school/college	Distance from the workplace	Distance from market/shopping centres
Proper access road	Power cuts	Distance from airport
Structure/layout of the residence	Distance from hospitals, malls, multiplexes	Lack of proper drainage



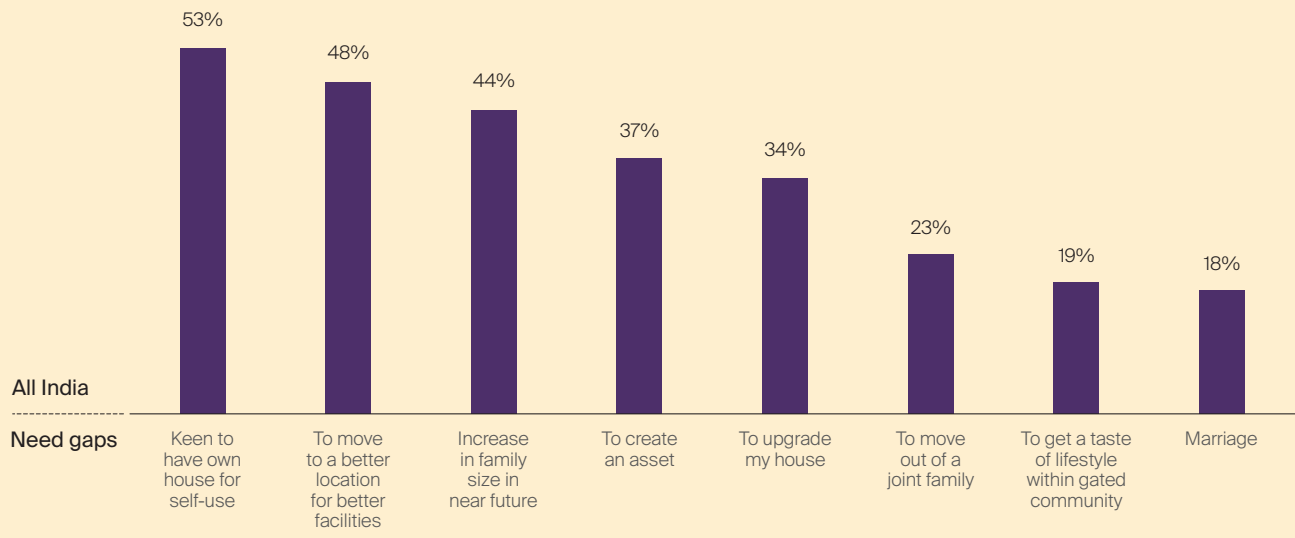
Purchase drivers and considerations

According to homebuyers and intenders self-use, better location and expanding family size, amongst others, are the major drivers for their decision to buy houses.

More than 50 per cent people want to own a house for self-use indicating growing need for 'independence' and 'long-term security'. 'Opportunity to move to a better location for access to better facilities' and 'increase in family size in near future' are other major reasons for purchasing affordable housing in India.

Purchase drivers

FIGURE 11



More than 80 per cent people in **Hyderabad** and **Jaipur** mention that they are keen to have an own house for self-use

“ It is a stepping stone to finer living ”

93 per cent people in Lucknow mention expected increase in family as reason for purchase

“ It is a long-term asset which can be sold later ”

'Marriage' as a reason was more popular among the **purchase intenders** of affordable housing as compared to the purchasers

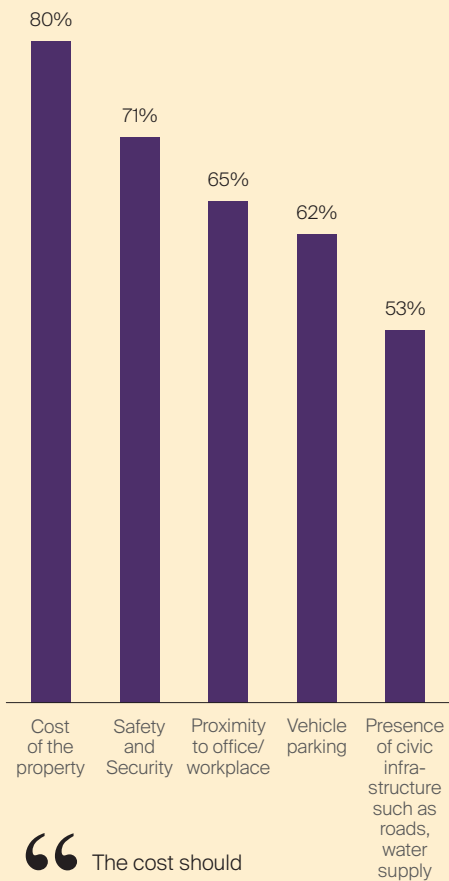
Source: Knight Frank India Primary Research

Purchase considerations

However, while at the time of purchase homebuyers tend to put cost as the top most consideration followed by safety and security. Homebuyers and intenders are also categorical that cost-related transparency like actual cost, maintenance charges, etc. should be mentioned right in the beginning to avoid complications later on.

FIGURE 12

Considerations for purchase - All India



“ The cost should not be a burden and there should be no hidden charge ”

Source: Knight Frank India Primary Research

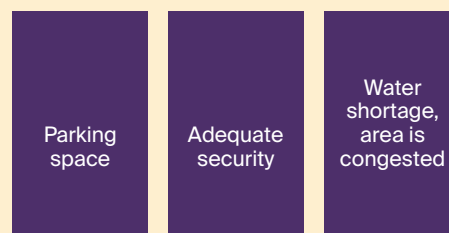


Other missing links with respect to current residence

Availability of public transport	Proximity to children's school	Playground and related infrastructure
Distance from market/ shopping centres	Proximity to local/ neighbourhood markets	Proximity to extended family/relatives
Gardens and parks	Proximity to hospitals and healthcare	Distance from the nearest metro station / rail station
Anticipated growth of the locality / returns on investment	Proximity to multiplexes, malls, etc.	Location due to premiumness, connectivity, etc.
Distance from the airport	Other families who are staying / neighbourhood profile	Presence of amenities such as swimming pool, etc.

Need gaps influencing purchase considerations

FIGURE 13



Top need gaps in current residence

Top considerations for purchase of residence



Interestingly, a close linkage has been observed wherein need gaps mentioned by most of the people in their current residence emerge as top considerations too while looking at the affordable housing property.



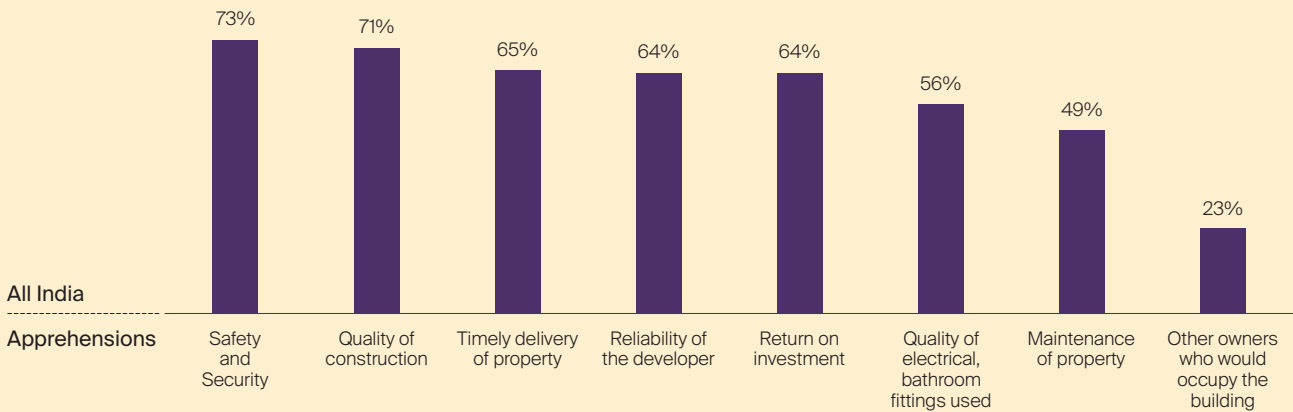
Apprehensions while selecting an affordable housing project

Safety of the residents is the top most apprehension that people have while choosing a place to stay.

'Construction quality' and 'Timely delivery' come out as other major apprehensions while selecting

affordable housing property across most of India.

FIGURE 14



“
Do not want anything China-made
”

“
I can wait for a maximum period of six months for possession of property
”

Brand awareness, perception and satisfaction

Human expressions towards brand familiarity

When an interviewer questions an interviewee about brands, then the expression towards brand familiarity of the interviewee can be categorised as follows:

TABLE 3

Unaided awareness

TOP OF MIND AWARENESS (TOM):

This is the first brand mentioned by a person when multiple names come to mind

SPONTANEOUS AWARENESS (Spontaneous):

The bunch of brands mentioned after the first brand are the ones that a person is spontaneously aware of

Aided with the help of a list of brands

AIDED AWARENESS:

Here, a person is aided with a list of brands by the interviewer and the ones that he is aware of (other than the ones spontaneously mentioned) form a part of the aided awareness

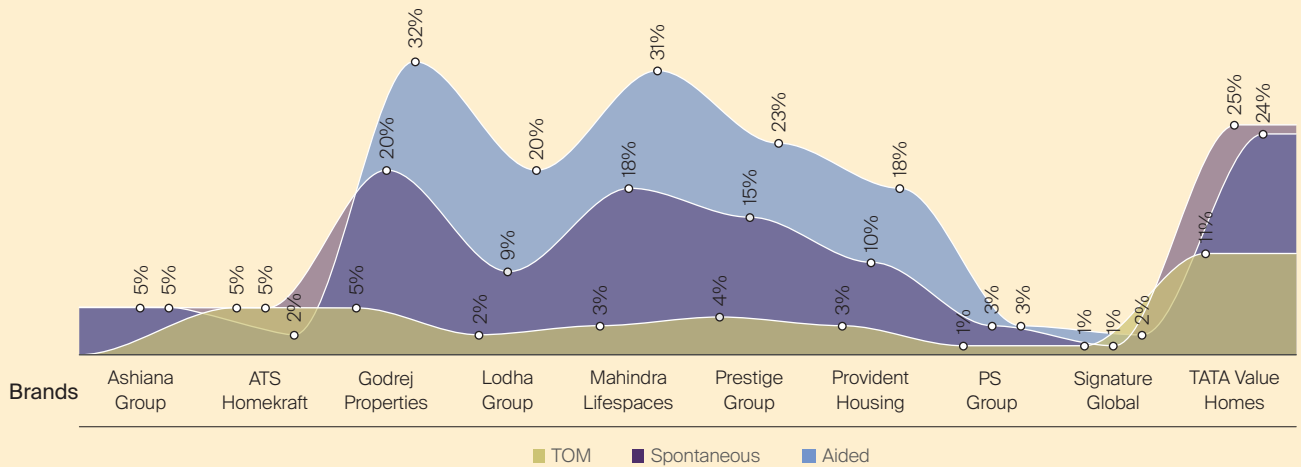
Source: Knight Frank India Primary Research

This study has been able to identify 135 brands through the eyes of home-buying consumers in the

affordable housing segment. However, only TOP brands have been considered for this analysis.

Top brands – All India

FIGURE 15



“ I think big brands are expensive hence prefer to interact with the local players. ”

“ Provident Housing provides good homes at affordable prices. Their prices do not differ by area. They are reliable. ”

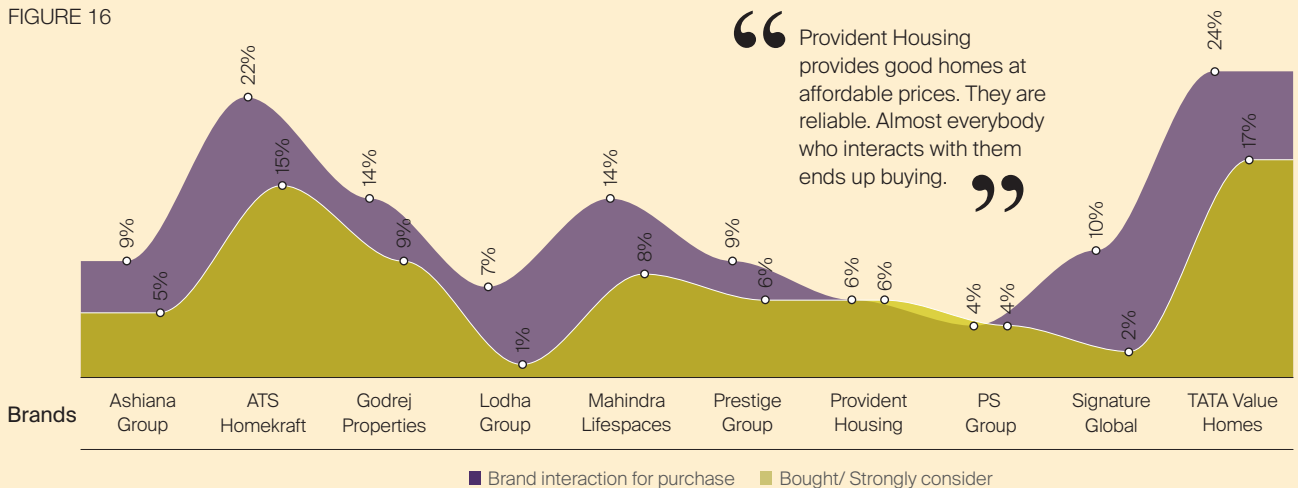
“ Tata is a well-known brand. All facilities in the home will be assured and it will be value for money. ”

Source: Knight Frank India Primary Research

At a national level, Tata Value Homes has the highest level of recall and visibility.

Reliability and trustworthiness – Leading to higher conversion rate

FIGURE 16



“ Provident Housing provides good homes at affordable prices. They are reliable. Almost everybody who interacts with them ends up buying. ”

Source: Knight Frank India Primary Research

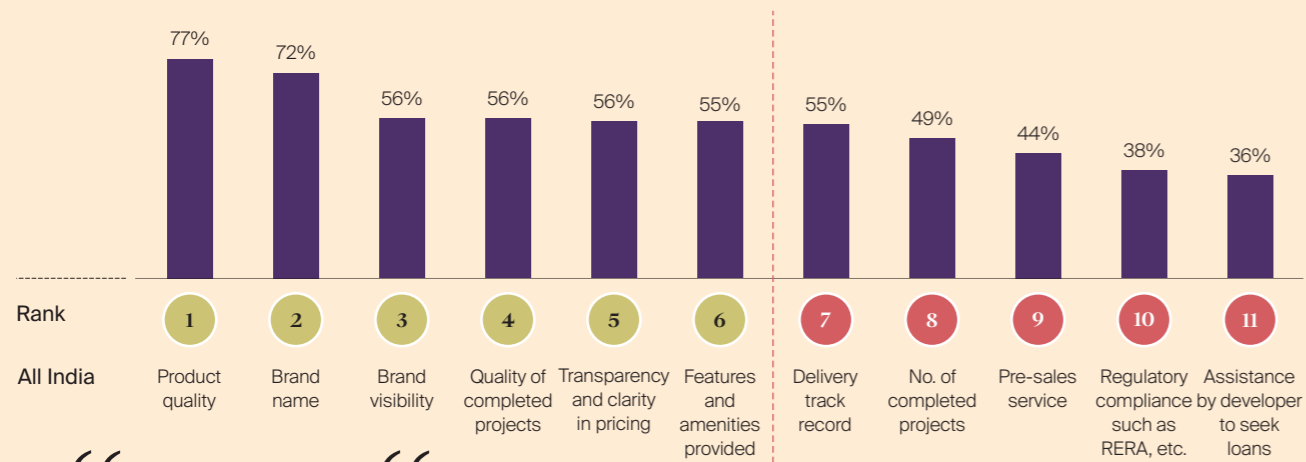
Provident Housing though not as visible as generic brands like Tata, Mahindra and Godrej, it holds a

strong position as a reliable and trustworthy brand. Interestingly, there are many brands which are not

generic and household names like Tata, Mahindra, Godrej, etc. but have also made a mark in the minds of consumers of affordable housing.

Key influencing parameters while purchasing affordable housing

FIGURE 17



“ The product quality is revealed by the brand name. If the brand name is good, it is understood that they have used good quality products. ”

“ I go by reviews and decide whether to go with the brand or not. ”

The mention of features/amenities, delivery track record and pre-sales service is significantly higher among purchasers of affordable housing as compared to intenders.

Source: Knight Frank India Primary Research

At a national level, 'Product quality' and 'Brand name' are the prime factors considered while selecting affordable housing. Other prime factors related to visibility of the brand, past experience, project amenities and pricing are also important.

Important factors considered for purchase and corresponding brand scoring (among purchasers of affordable housing) – All India

TABLE 4

	Ashiana Group	ATS Homekraft	Godrej Properties	Lodha Group	Mahindra Lifespaces	Prestige Group	Provident Housing	PS Group	Signature Global	TATA Value Homes
Brand name	71	67	93	50	93	80	76	54	100	90
Delivery track record	29	56	74	33	80	47	92	46	17	57
Brand visibility	88	61	63	33	73	60	64	54	17	66
Regulatory compliance	24	39	19	50	7	40	40	46	50	36
Product quality	100	70	74	67	93	67	76	100	83	80
Quality of completed projects	65	84	67	50	73	33	68	8	83	48
Features and amenities provided	47	74	70	33	87	67	76	46	50	57
No. of completed projects	29	47	56	33	67	40	80	100	50	56
Transparency and clarity in pricing	24	58	44	67	80	33	64	8	50	49
Pre-sales service	6	37	44	50	60	33	84	92	-	56
Assistance by developer to seek loans	-	49	37	33	67	27	56	-	17	48

Source: Knight Frank India Primary Research

Tata Value Homes, Godrej Properties and Mahindra Lifespaces have high brand awareness, as well as visibility, considering their presence across many business and product verticals beyond real estate.

While brand awareness is an important parameter in all consumer products (housing not being an exception), delivery track record which is an important parameter exclusive to real estate is very strong for Provident Housing as compared to other brands.



Overall customer satisfaction with brands – All India

To understand the overall customer satisfaction level, Knight Frank has interacted with purchasers of affordable housing projects across cities. These homebuyers were end users who had purchased the property of the brand and experienced living in their respective properties. These customers have also interacted with at least 2-3 other brands before purchasing their home. Therefore, they are in a position to assess the performances of these brands right from pre-sales to post-sales stages on various parameters already analysed above.

Reliability, trustworthiness, brand awareness and visibility as well as past track record have played a very important role in deriving the brand satisfaction score by the homebuyers.

Higher satisfaction scores indicate that brands have met the need and expectation of the customers.

Due to the recent policy push by the government, as well as rising demand in the market place, many developers have either already forayed into the 'Affordable Housing' sector or are seriously exploring the possibility of entering into this segment of the real estate sector.

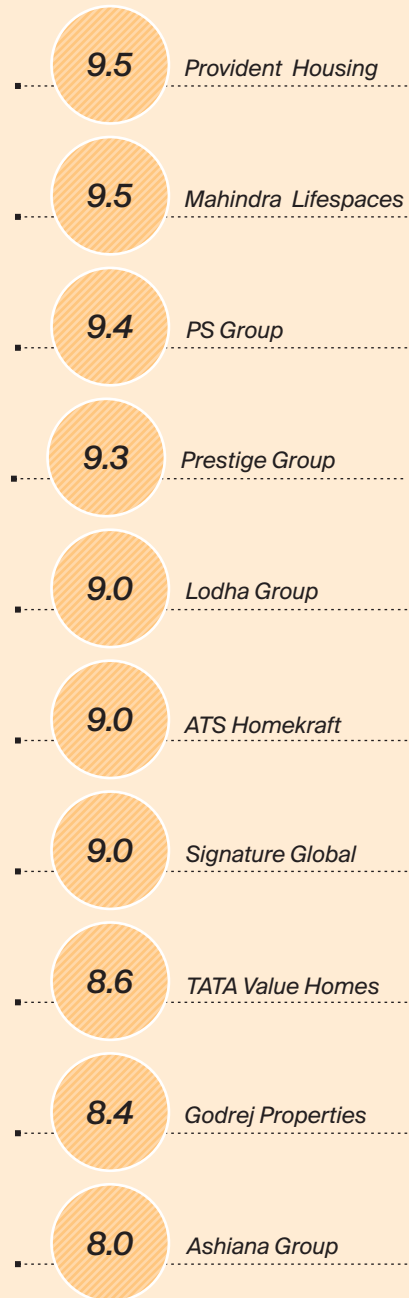
Till date the typical approach towards any affordable housing project has always focussed only on one key element – cost reduction. Other


crucial factors, such as lifestyle of the targeted population, preferences and choices of the end users and corresponding customer satisfaction, residential environment, etc. generally take a back seat. However, over a period of time the market has been gradually evolving in which affordable housing is more linked with meeting the aspirations of India's growing middle class than only driven by cost.

Consequently, the intensity of competition among the suppliers has sharpened, which is quite evident from the mean satisfaction scores of all the above-mentioned brands. Developers who have taken a more holistic approach while developing their affordable housing projects have scored high on the 'Quality of Life' index by blending socio-economic infrastructure facilities such as schools, offices, shopping and leisure activities within the projects. Top brands like Provident Housing, Mahindra Lifespaces, PS Group and Prestige Group have recognised the changing expectations of the customers and thus recorded a higher satisfaction score among the end users.

Customer satisfaction score

TABLE 5



 Mean satisfaction score

Reading customers mind: Extremely critical for future sales

Real Estate market is changing for a variety of reasons. It is increasingly evident that the market is becoming more customer oriented. Actual end users have started playing a key role in the marketplace than ever before. Customers have been increasingly taking purchase decisions based on various factors like product quality, price, brand credibility, features and amenities, services offered by the developers etc. Even post purchase issues like post-sales services including execution of promised features and amenities are influencing future sales and thus businesses of developers.

Such transformation will continue with customers becoming more discerning and intensify the market as end users start to see real estate as a service, contrary to the hitherto practice. In this context it will be extremely important for developers to understand the thought process of their existing customers (both pre and post sales levels) as well as the lost customers. Satisfaction and dissatisfaction of customers will influence the future sales of properties significantly. Whether existing customers are happy or unhappy and corresponding reasons, whether they are promoting the brand of their developers among their peer group, why customers have not bought a property will help developers in designing future strategies and making corrective actions.

Therefore, reading the customers' minds will be key to future success and there are various methods and tools to track customer behaviour on a regular basis. Market research based products are available to track and gauge customers at regular intervals. Some of them are:

Customers Satisfaction Analysis – for measuring satisfaction/ dissatisfaction of existing customers and reasons thereof.

Measuring Net Promoter Score (NPS) – to understand whether existing customers are promoting the brand / developers among their peer group.

Lost Customer Analysis – for measuring satisfaction/ dissatisfaction of lost customers and reasons thereof.

Conducting research-based studies will not only influence businesses directly in terms of sales augmentation, but also help in strengthening brand perception, improvement of services and reasons for losing potential customers to competitors. Interactions with customers can be conducted through various methods like online, telephonic and face-to-face.

Realising this fundamental change of the market, Knight Frank India has

developed expertise in creating customer centric market research-based products like those mentioned above. Such studies help in measuring customers minds deeply and create customers insights. Knight Frank India has in-house expertise and have been undertaking such studies on regular basis. Mr. Sugata Sarkar, with long experience in Market Research, is leading the team. His contact details are as under:

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