

FICCI-KNIGHT FRANK REAL ESTATE SENTIMENT INDEX

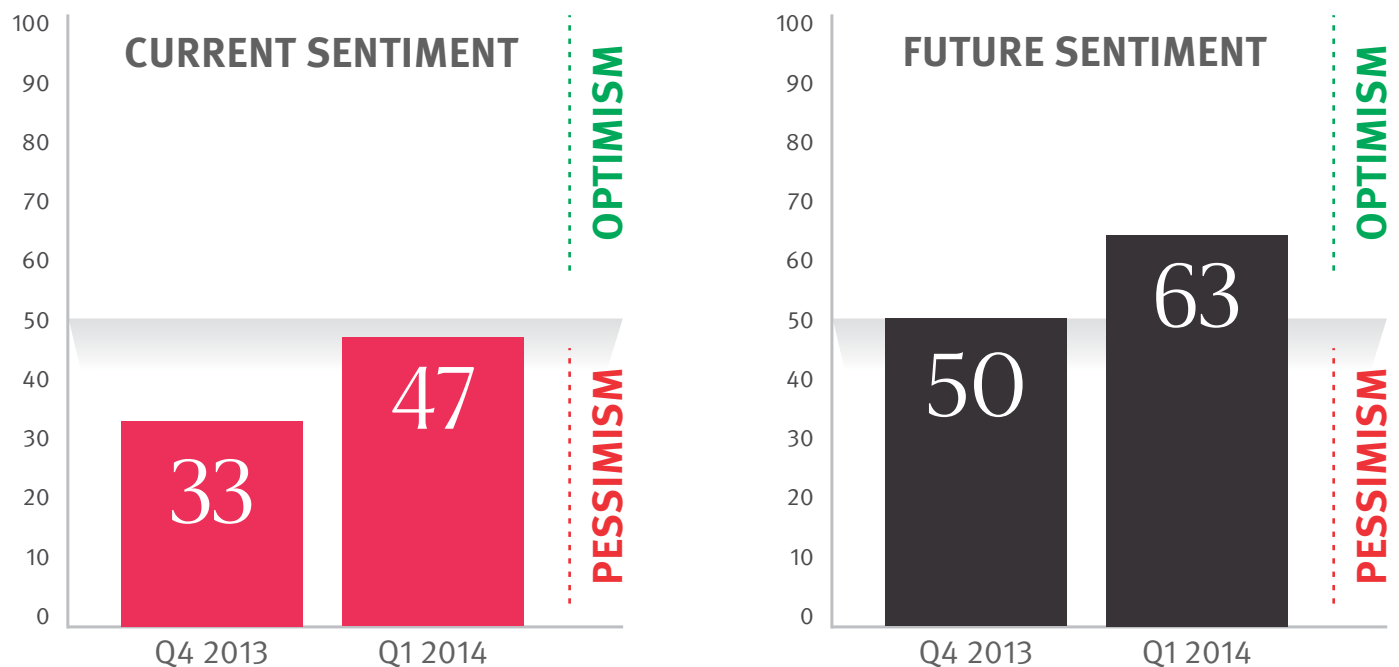
Q1 2014

The real estate sentiment index is jointly developed by Knight Frank India and FICCI. The objective is to capture the perceptions and expectations of the industry leaders in order to judge the sentiment of the real estate market.

Approach

The index is based on a quarterly survey of key stakeholders including developers, private equity funds, banks and NBFCs. The survey comprises questions pertaining to economy, project launches, sales volume, leasing volume, price appreciation and funding. Respondents choose from the following options for which weights have been assigned a) Better (100 points) b) Somewhat Better (75 points) c) Same (50 points) d) Somewhat Worse (25 points) e) Worse (0 Points). The index is calculated by taking the weighted average score of the percentage of responses in each of these options. Hence a score of 50 represents a neutral view; a score above 50 demonstrates a positive outlook whereas a score below 50 shows a negative sentiment. In order to present a holistic view on the real estate industry two indices are computed at the aggregate level. The current sentiment index indicates the respondent's assessment of present scenario compared to six months back and the future sentiment index represents the expectations in the coming six months. However, rest of the analysis focuses on future sentiment only. The survey was conducted during January-March 2014.

STAKEHOLDERS GIVE A THUMBS UP TO THE IMMINENT CHANGE IN POLITICAL LEADERSHIP

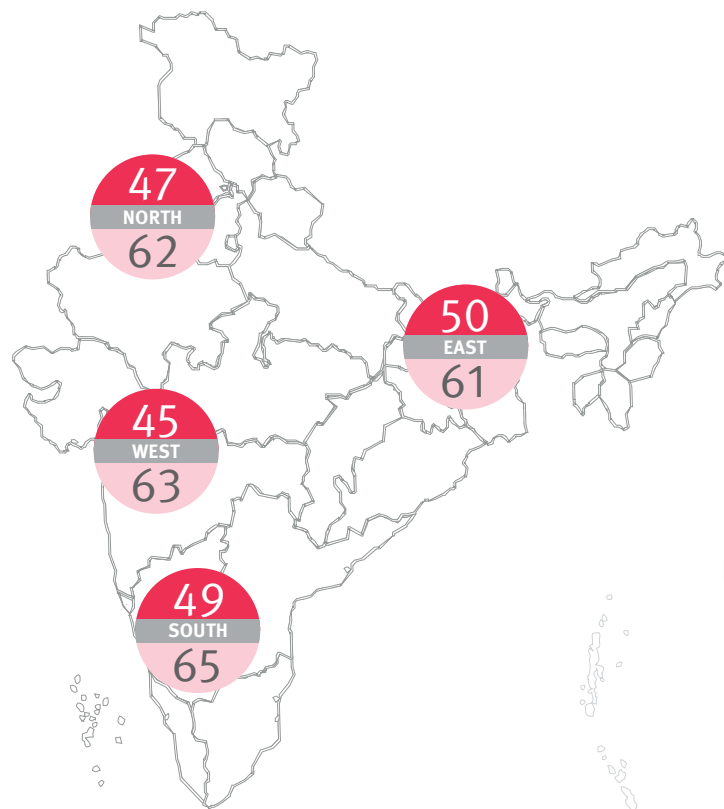


FINDINGS

- As the country awaits the election verdict, both the current as well as future sentiment depict a significant upward trend
- Although there is an improvement in the current score at 47, it is still below the 50 mark implying that stakeholders feel the current real estate market is somewhat worse compared to six months back
- Real estate stakeholders are markedly bullish about the future and expect the business environment to be upbeat in the coming six months as election polls point towards an imminent change in regime

ZONAL SENTIMENT SCORE (FUTURE)

■ Q4 2013 ■ Q1 2014 SCORE >50: Optimism SCORE 50: Same/Neutral SCORE <50: Pessimism



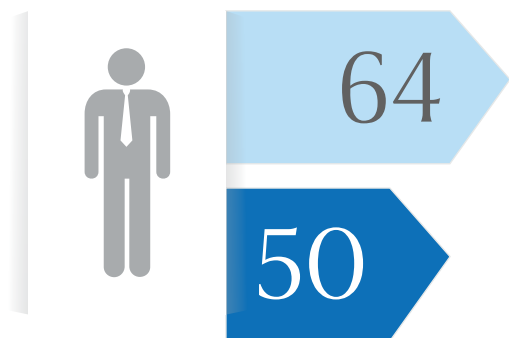
FINDINGS

- Future sentiment score has improved across all zones, displaying a strong positive outlook across geographies
- The South zone seems the most upbeat about the future

STAKEHOLDER SENTIMENT SCORE (FUTURE)

■ Q4 2013 ■ Q1 2014 SCORE >50: Optimism SCORE 50: Same/Neutral SCORE <50: Pessimism

DEVELOPER



FINANCIAL INSTITUTIONS



FINDINGS

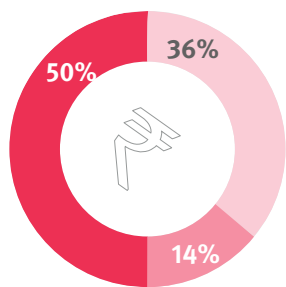
- Q1 2014 Survey results show an evident optimism for the future. Both developers and financial institutions expect the real estate sector to perform much better in the coming six months
- Financial institutions' view of the future has strengthened quite a lot compared to the last quarter where they were slightly pessimistic

Q1 2014

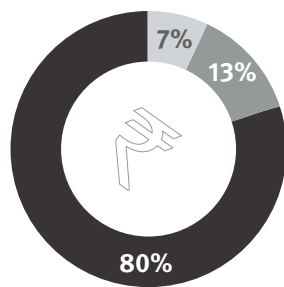
EXPECTATION OF A BUSINESS FRIENDLY ENVIRONMENT BOOSTS SENTIMENT

FUTURE SENTIMENT

● Better ● Same ● Worse

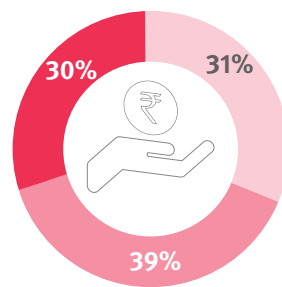


Q4 2013

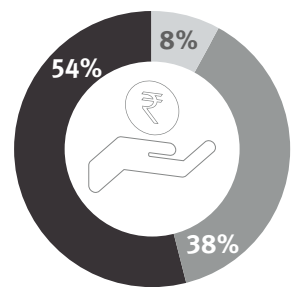


Q1 2014

Economy



Q4 2013



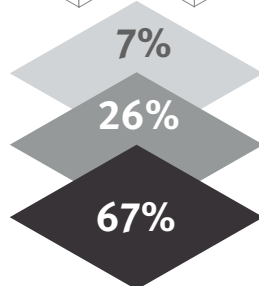
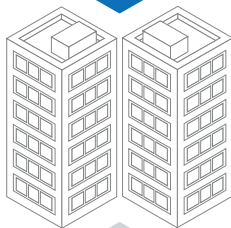
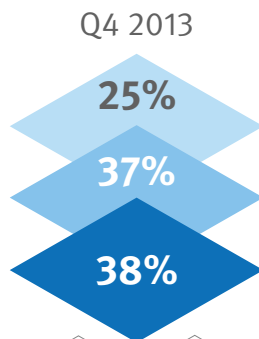
Q1 2014

Funding Scenario

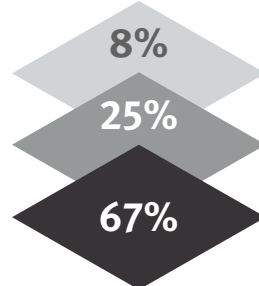
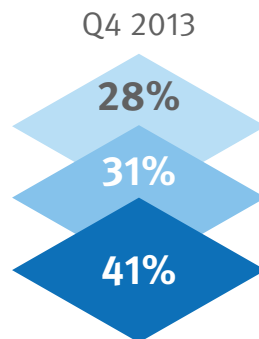
RESIDENTIAL PRICE GROWTH EXPECTED TO STAY STAGNANT

FUTURE SENTIMENT

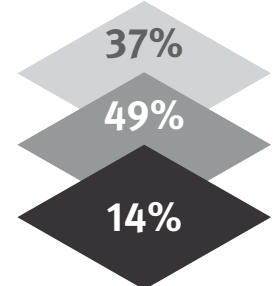
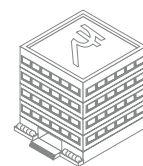
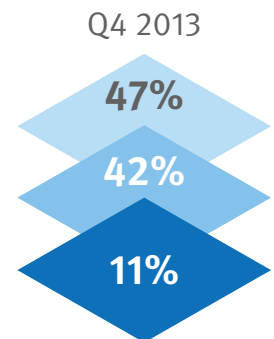
● Better ● Same ● Worse



Residential
 Launches



Residential
 Sales

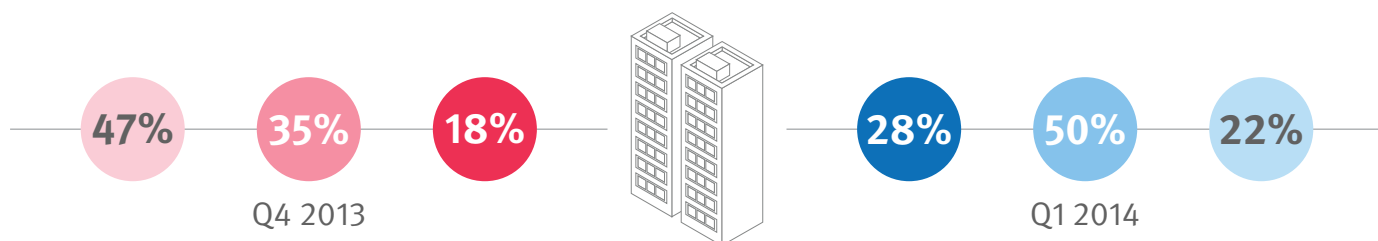


Residential Price
 Appreciation

OFFICE SPACE LEASING VOLUME EXPECTED TO SOAR

FUTURE SENTIMENT

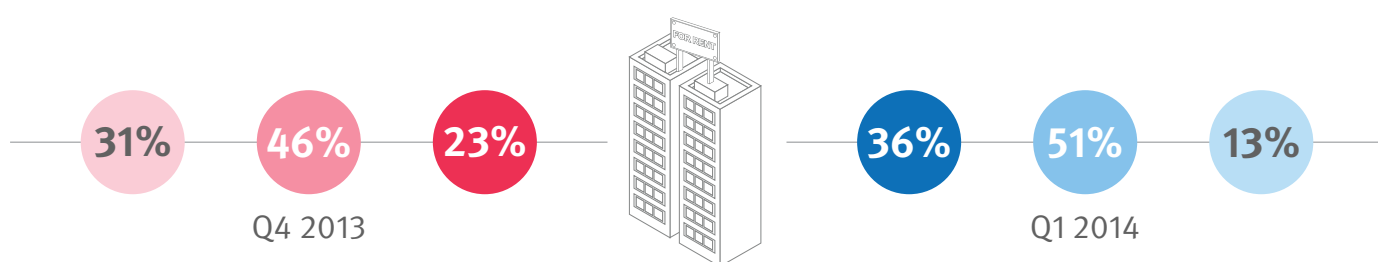
● Better
 ● Same
 ● Worse



New Office Supply



Leasing Volume



Office Rental Appreciation

FINDINGS

- Majority of the respondents are quite bullish about the future of the economy and the funding scenario; a substantial reduction is observed in the number of negative responses in both the cases compared to the preceding quarter
- Residential project launches and sales volume are expected to grow in the coming six months. However, price appreciation is likely to remain sluggish
- New office supply is likely to stay in check during the next six months, while stakeholders expect an upsurge in leasing volume by the end of Q3 2014.
- Nearly 87% of the respondents feel that office space rental growth will either strengthen or remain unchanged in the coming six months. This indicates that stakeholders have a strong perception that office rentals have already bottomed out.

Outlook

The latest round of the FICCI Knight Frank Real Estate Sentiment Index survey aptly captures the optimism of stakeholders. The stakeholders have pinned their hopes on the imminent change in political leadership at the centre leading to a significant increase in the future sentiment score to 63 in comparison to 50 in the last survey. This optimism is not a case in isolation in any particular region in the country but extends to all four regions covered in the survey. Further, all stakeholders, developers as well as financial institutions have opined in unison about their optimism for the future.

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