



FICCI-Knight Frank Real Estate Sentiment Index

Q4 2015 (October-December 2015)

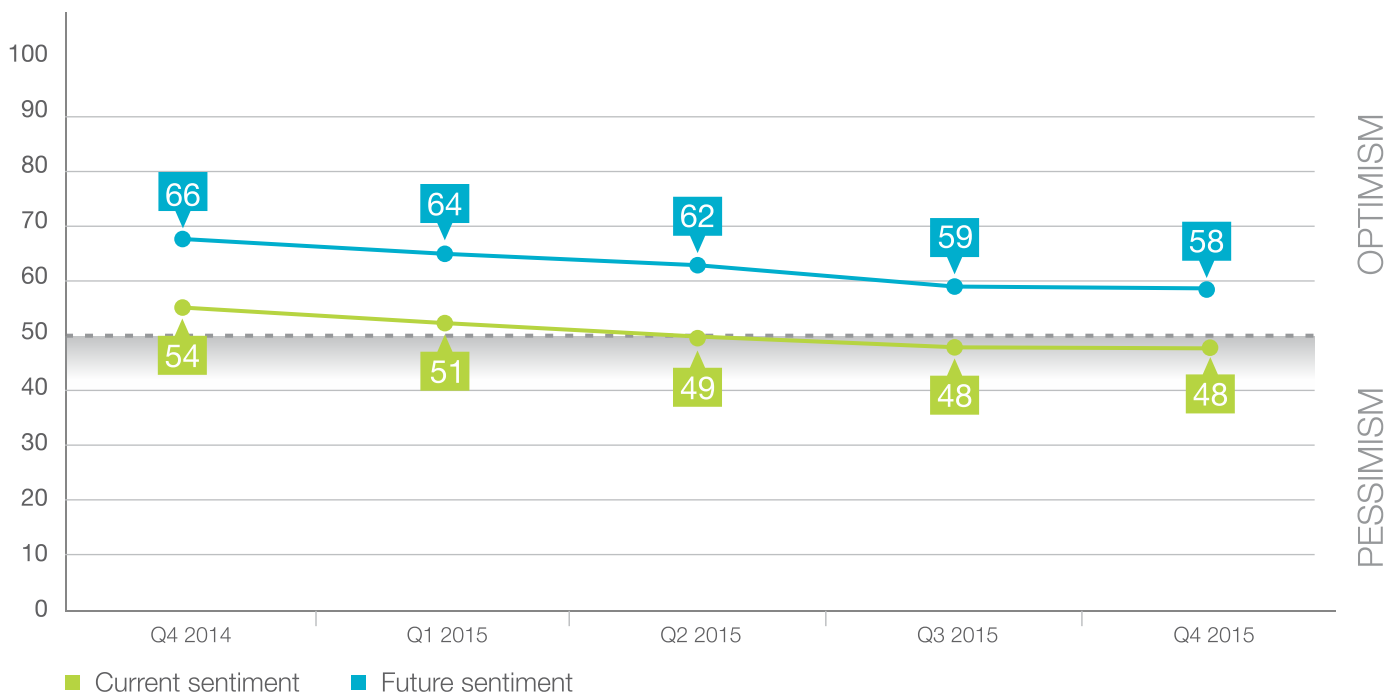
The real estate sentiment index is developed jointly by Knight Frank India and the Federation of Indian Chambers of Commerce and Industry (FICCI). The objective is to capture the perceptions and expectations of industry leaders in order to judge the sentiment of the real estate market.

APPROACH

The real estate sentiment index is based on a quarterly survey of key supply-side stakeholders, which include developers, private equity funds, banks and non-bank financial companies (NBFCs). The survey comprises questions pertaining to the 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) and e) Worse (0 points). The index is determined by calculating the weighted average score of the percentage of responses in

each of these categories. Hence, a score of 50 represents a neutral view; a score above 50 demonstrates a positive outlook; and a score below 50 indicates negative sentiment. In order to present a holistic view of the real estate industry, two indices are computed: the current sentiment index indicates the respondents' assessment of the present scenario compared to six months prior, and the future sentiment index represents their expectations for the next six months. However, the rest of the analysis focuses only on the future sentiment. This survey was conducted from October to December 2015.

STAKEHOLDER SENTIMENTS AT AN ALL-TIME LOW



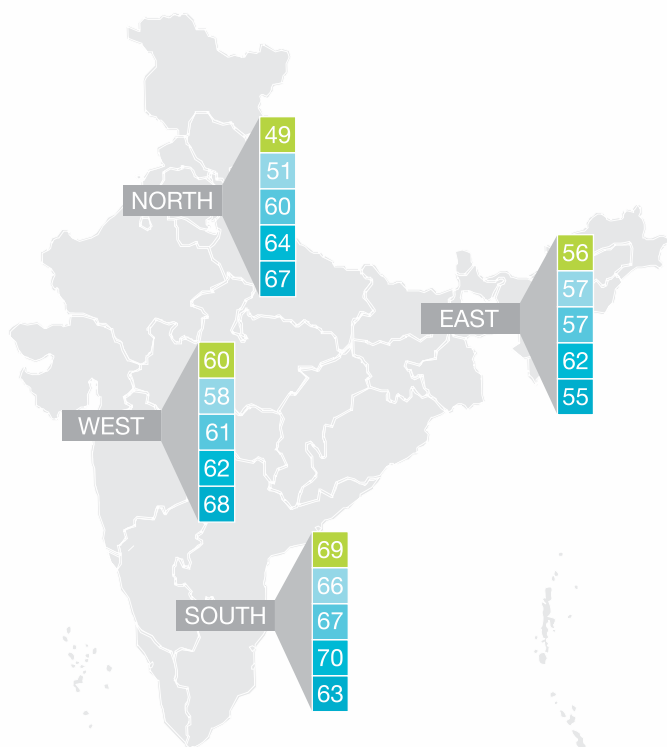
FINDINGS

- At a six-quarter low, both the current and future sentiments continue to reflect the real estate stakeholders' weakening confidence. For the third quarter in a row, the current sentiment score is below the positive mark.
- The current score, at 48, shows that the stakeholders believe that the current market scenario is worse than it was six months ago. The underperformance of the residential market has weakened stakeholder confidence across all regions.
- While the current sentiment is negative, the future sentiment score stands at 58. Though the score indicates that the coming six months are likely to improve, this continuous five-quarter fall reflects the fading stakeholder confidence. A marginally positive expectation from the office sector in the future is keeping the future sentiment score in the positive zone.

ZONAL SENTIMENT SCORE (FUTURE)

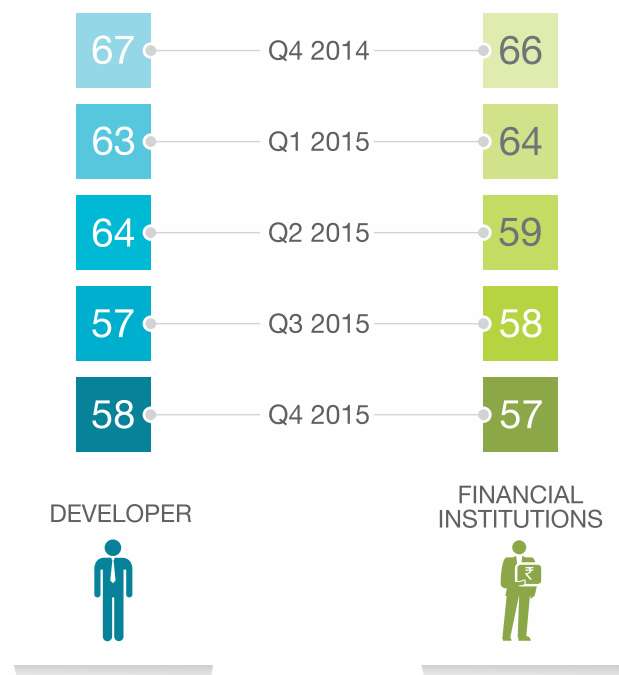
SCORE >50: Optimism SCORE 50: Same/Neutral
SCORE <50: Pessimism

■ Q4 2014 ■ Q1 2015 ■ Q2 2015 ■ Q3 2015 ■ Q4 2015



STAKEHOLDER SENTIMENT SCORE (FUTURE)

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FINDINGS

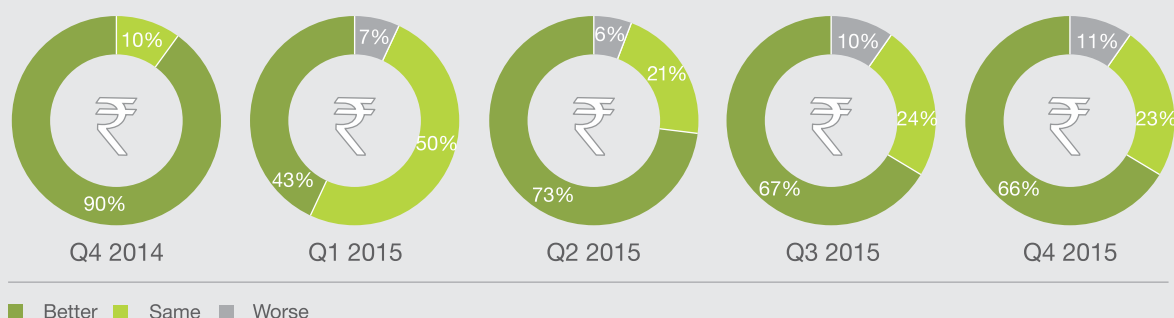
- The North zone has been witnessing a continuous decline in the future sentiment score since Q4 2014. Stakeholder sentiments barely made it into the positive territory in Q3 2015 and the Q4 2015 survey results indicate that the sentiments have weakened further, as the score for the North zone stands below the positive mark in view of the challenges faced by the underperforming residential sector in NCR.
- Stakeholder sentiments have improved slightly in the South and West zones.

FINDINGS

- The Q4 2015 survey results show that developers and financial institutions believe that the market scenario will improve in the next six months. However, the level of optimism shows a declining trend since Q4 2014, especially for financial institutions.

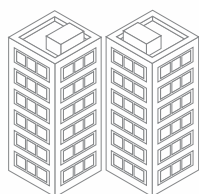
Economy

OPTIMISM FOR THE ECONOMY CONTINUES

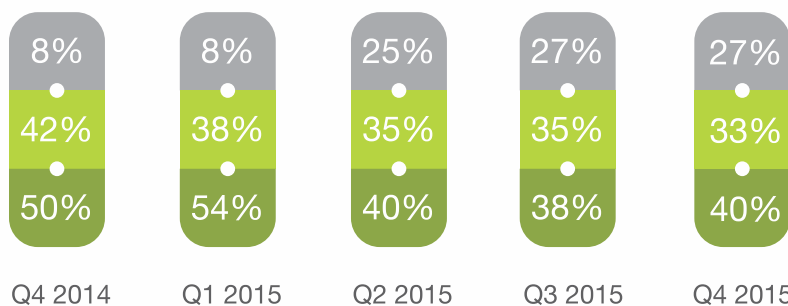


NO RECOVERY IMMINENT IN THE RESIDENTIAL SECTOR

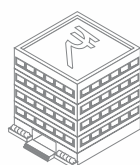
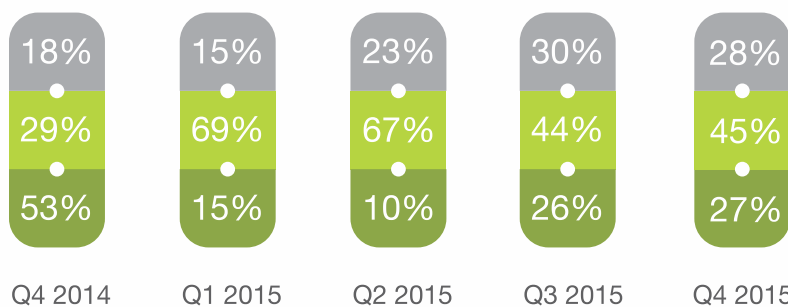
■ Better ■ Same ■ Worse



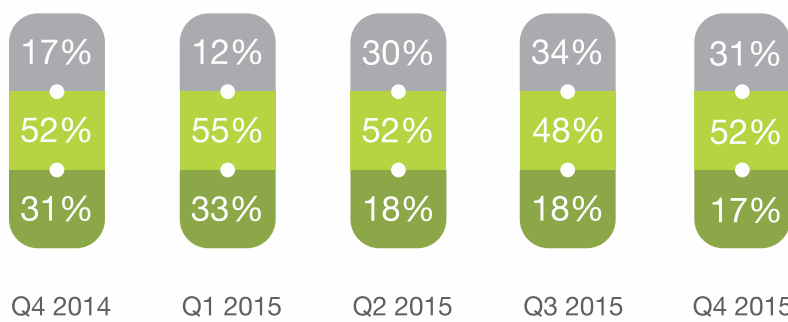
Residential Launches



Residential Sales



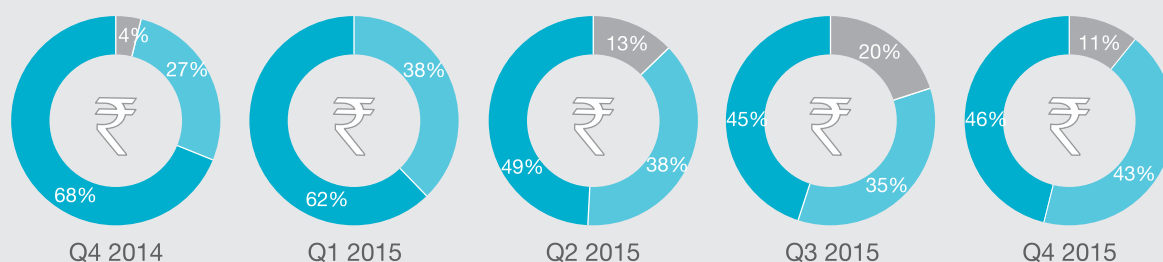
Residential Price Appreciation



FINDINGS

- The Q4 2015 survey results reveal that stakeholders continue to be pessimistic about the overall residential sector. However, the proportion of respondents with a negative outlook towards the sector has been arrested in Q4 2015.
- Although the residential sector has seen some improvement in terms of shrinking unsold inventory levels due to the limited number of project launches in the last two quarters, it is still reeling under immense pressure; stakeholders believe that both new launches and the sales volume will remain muted in the coming six months.
- Only 17% of the survey respondents feel that there will be a slight improvement in the residential price appreciation.

Funding Scenario



■ Better ■ Same ■ Worse

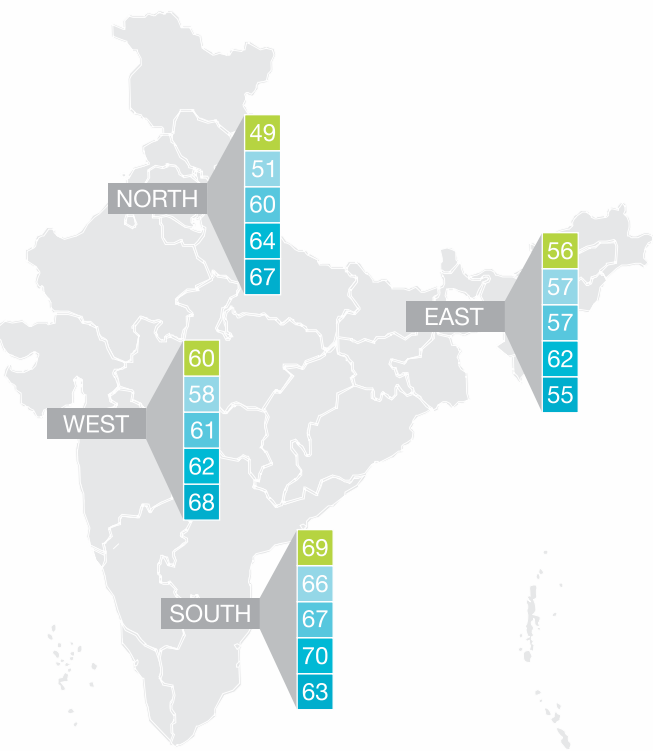
FINDINGS

- The stakeholder sentiments for the economy continue to be reasonably positive. Nearly 89% of them believe that the economic scenario will either improve or remain the same in the coming six months.
- However, concerns about the funding scenario continue in Q4 2015 - the majority of stakeholders believe that it will either remain the same or worsen by Q2 2016.

ZONAL SENTIMENT
SCORE (FUTURE)

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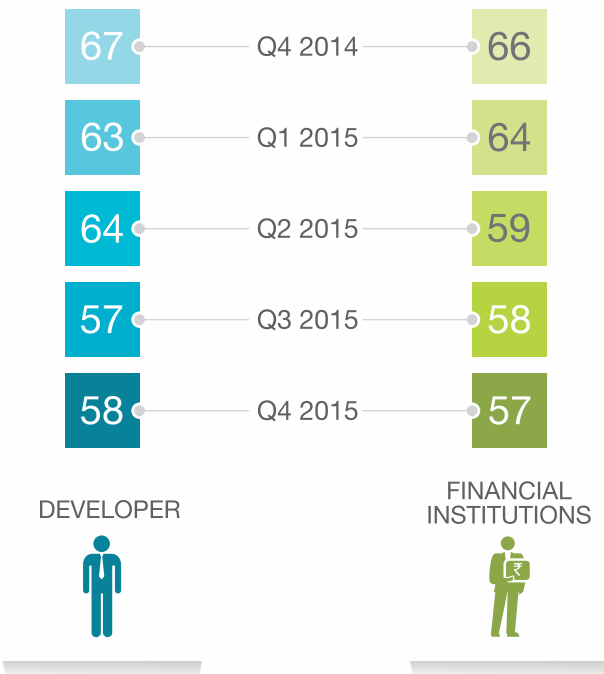


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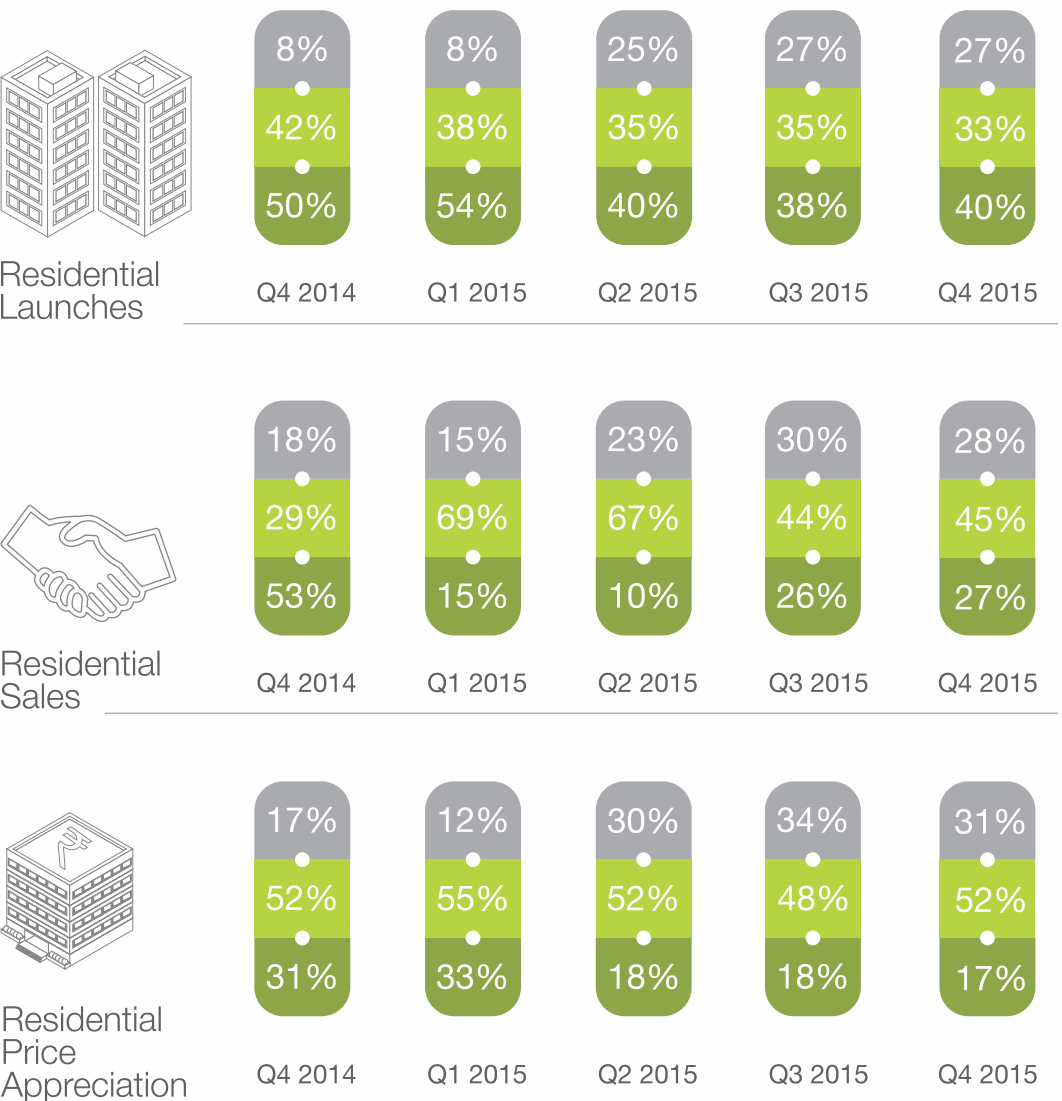


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- The Q4 2015 survey results show that developers and financial institutions believe that the market scenario will improve in the next six months. However, the level of optimism shows a declining trend since Q4 2014, especially for financial institutions.

NO RECOVERY IMMINENT IN THE RESIDENTIAL SECTOR

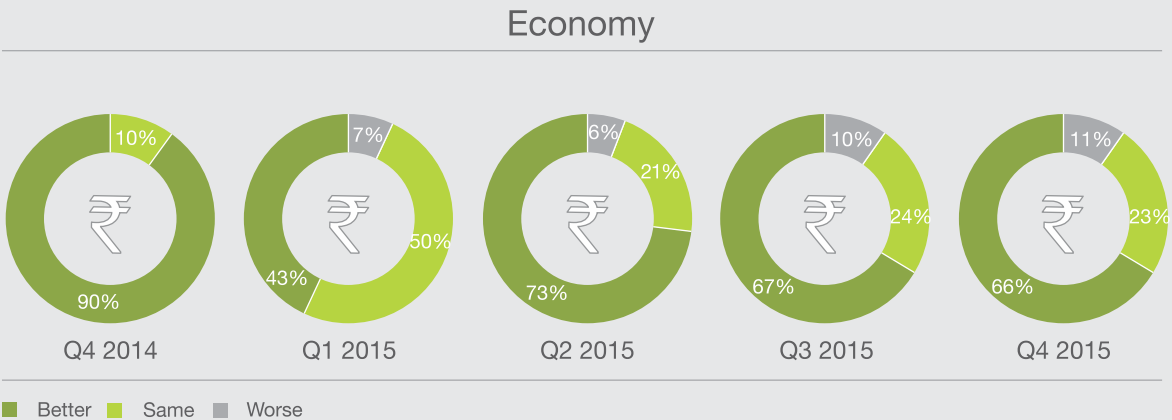
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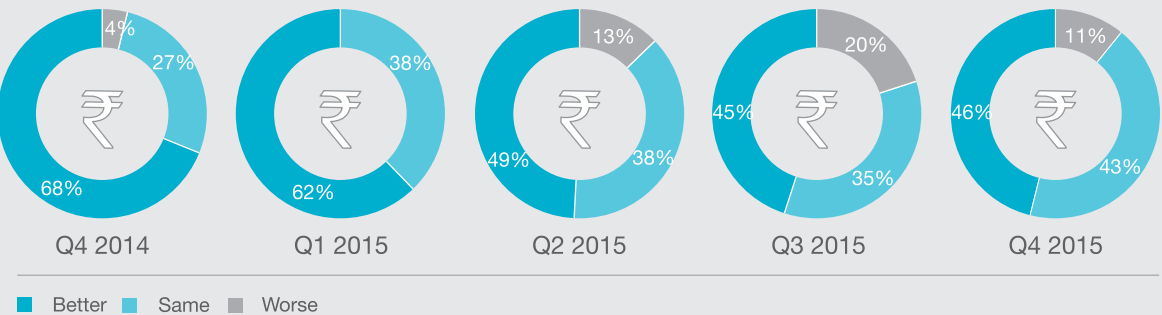
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Funding Scenario

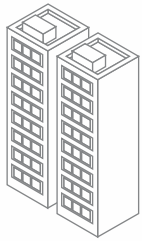


FINDINGS

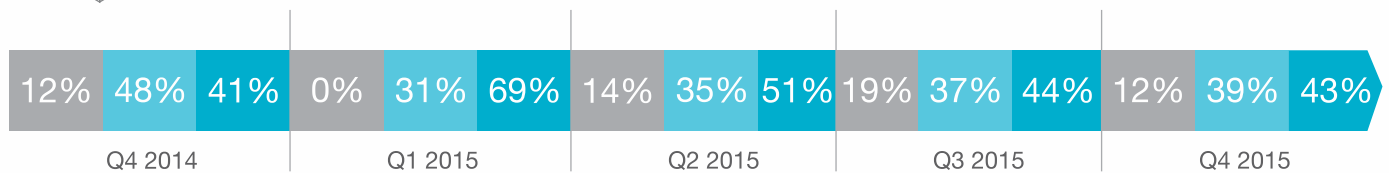
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COMMERCIAL OFFICE SPACE MARKET POISED FOR BETTER TIMES

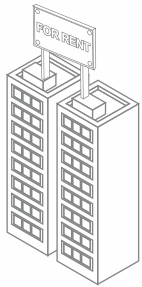
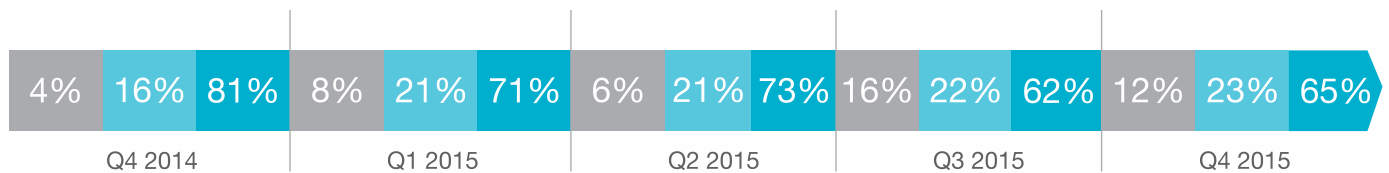
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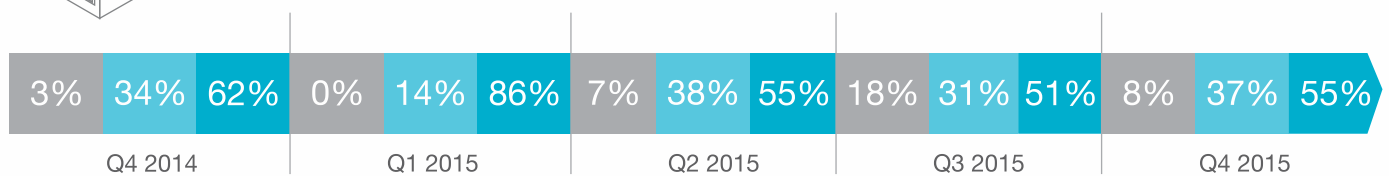
New Office Supply



Leasing Volume



Office Rental Appreciation



FINDINGS

- Unlike the residential sector, the stakeholders are quite optimistic about the office market, especially in terms of leasing volumes. Around 65% of the respondents expect the leasing volume to improve in the coming six months.
- The majority of the survey respondents believe that the new office supply will remain subdued, which will ensure that rents stay buoyant. More than 50% of the respondents feel that office space rentals will strengthen by the end of Q2 2016.

CONCLUDING REMARKS

The analysis of stakeholder expectations from the residential and office sectors for September 2015 versus the actual figures reveals interesting insights into the real estate market. The survey that we conducted in Q1 2015 (January–March 2015) gave us positive results for both, the residential and office sectors for the subsequent six months. While the ground reality for the six months ending September 2015 post the Q1 2015 survey is consistent with the expectations in the case of office space leasing volumes and rental appreciation, new completions have reduced. In the residential sector, stakeholder expectations were positive for new launches; however, in reality, the launches have shrunk further. Similarly, the expectations in the case of residential sales volume was slightly muted; stakeholders believed that the sales would remain at par with Q1 2015 levels; however, home sales have plummeted further.



Residential

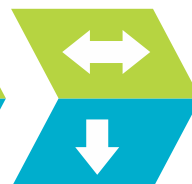
Expectation
by the end of
September 2015

Actual
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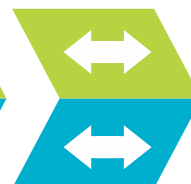
New Launches



Sales Volume



Price Appreciation



Office

Expectation
by the end of
September 2015

Actual
by the end of
September 2015

New Completions



Leasing Volumes



Rental Appreciation



Expectations from the residential price appreciation was fairly rationalised in Q1 2015, when the survey respondents indicated that the rate of residential price appreciation would remain steady, which is what happened on the ground as well.

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