



RESEARCH
Q1 2024 (JANUARY - MARCH 2024)



KNIGHT FRANK-NAREDCO

REAL ESTATE SENTIMENT INDEX

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The Real Estate Sentiment Index is developed jointly by Knight Frank India and the National Real Estate Development Council (NAREDCO). The objective is to capture the perceptions and expectations of industry players to gauge the sentiment of the real estate market.

FOREWORD



Shishir Bajjal
Chairman and Managing Director
Knight Frank India Pvt Ltd

Today, India's economic landscape is characterized by resilience, buoyancy, and a promising outlook. The robust GDP increase of 8.4% in the fourth quarter of 2023 surpasses expectations and solidifies India's position as one of the fastest-growing economies globally. Amidst global economic challenges, the Indian economy remains steadfast, fostering optimism and confidence among stakeholders.

The real estate sector, a key barometer of economic health, mirrors this optimism with the sentiment scores and outlook painting a promising picture for future growth and development. The first quarter of 2024 witnessed a surge in confidence across residential and office markets, driven by factors such as stable economic fundamentals, sustained post-pandemic momentum, and increased transaction volumes.

In the residential market, stakeholders anticipate a rise in prices and continued demand momentum, reflecting an unprecedented level of optimism not seen in a decade. This optimism is underpinned by confidence in residential sales and launches, signalling resilience and growth potential in the sector.

Similarly, the office market outlook remains buoyant with stakeholders expressing optimism towards leasing, rental growth, and supply. India's stable economy and post-pandemic recovery efforts have instilled confidence in the office market, driving

increased transaction volumes and fostering an environment conducive to investment and growth.

Furthermore, stakeholders' expectations of increased economic momentum and funding availability in the coming months reaffirm the positive sentiment prevailing in the real estate sector. A steady economic growth trajectory, coupled with favorable funding conditions, lays a solid foundation for sustained market expansion and investment opportunities.

In conclusion, the first quarter of 2024 sets a promising tone for India's real estate sector, with stakeholders navigating the landscape with confidence and optimism. As India continues on its path of economic growth and development, the real estate sector stands as a beacon of opportunity, offering avenues for investment, expansion, and prosperity in the years to come.

I invite you to read the 40th edition of the Knight Frank-NAREDCO Real Estate Sentiment Index for Q1 2024. This quarterly report encompasses the current and future sentiments concerning the real estate sector, the economic environment, and funding availability as perceived by supply-side stakeholders.

I hope that you will find it insightful and interesting, and I extend my deepest gratitude to all industry stakeholders for their participation in this survey.

PARTNERS' TAKE ON THE SECTOR



G. Hari Babu
National President – NAREDCO

“ The Knight Frank NAREDCO Real Estate Sentiment Index for Q1 2024 paints a buoyant outlook for the Indian real estate sector, underpinned by robust sentiments across various indicators. With the Current Sentiment Index soaring from 69 to 72 and the Future Sentiment Score climbing from 70 to 73, stakeholders demonstrate unwavering optimism, propelled by the government's steadfast commitment to fostering aggressive economic growth.

India not only maintains its stability but also offers a fertile ground for the real estate sector's growth. Stakeholders are exhibiting an inclination towards the expansion of the Indian real estate sector as they foresee a sustained consumer demand based on the Indian economy's robust trajectory in the forthcoming months.

The Q1 2024 Sentiment Index Survey points toward the highest recorded Current Sentiment Index since the inception of the Real Estate Sentiment Index in Q1 2013. NAREDCO remains resolute in its dedication to nurturing a thriving real estate ecosystem characterized by innovation, sustainability, and inclusive growth.

The detailed findings further underscore notable trends in residential and office segments and indicate a significant upsurge in new launches, sales, and prices. It also marks a historic milestone of zero responses for residential price decrease. As we forge ahead, NAREDCO remains committed to driving the real estate sector towards a path of sustainable prosperity and inclusive development.

APPROACH & METHODOLOGY

The Real Estate Sentiment Index is based on a quarterly survey of key supply-side stakeholders which include developers and non-developers, i.e., financial institutions including banks, Non-Banking Financial Companies (NBFCs) and private equity (PE) funds. The survey comprises questions pertaining to the overall economic momentum, funding availability, project launches, sales volume, leasing volume, prices, and rents. For each of the questions, respondents choose from the following options for which weightage has been assigned as follows: a) Increase/Increased (100 points), b) Somewhat Increase/Somewhat Increased (75 points), c) Same (50 points), d) Somewhat Decrease/Somewhat Decreased (25 points), and e) Decrease/Decreased (0 points). The Index is determined by calculating the weighted average score of the number of responses in each of these categories, across questions.

A score of 50 represents a neutral view or status quo; a score above 50 demonstrates a positive sentiment; and a score below 50 indicates a negative sentiment.

To present a holistic view of the real estate industry, the report is divided into two sections. Section A comprises two indices: The Current Sentiment Index that indicates the respondents' assessment of the present scenario compared to six months back, and the Future Sentiment Index that represents their expectations for the next six months.

Section B focuses on the analysis of future sentiments of the stakeholders on

different aspects such as the geography of stakeholders, stakeholder type (developer/non-developer), outlook specific to the residential and office markets, and outlook on the economy and funding scenario at large.

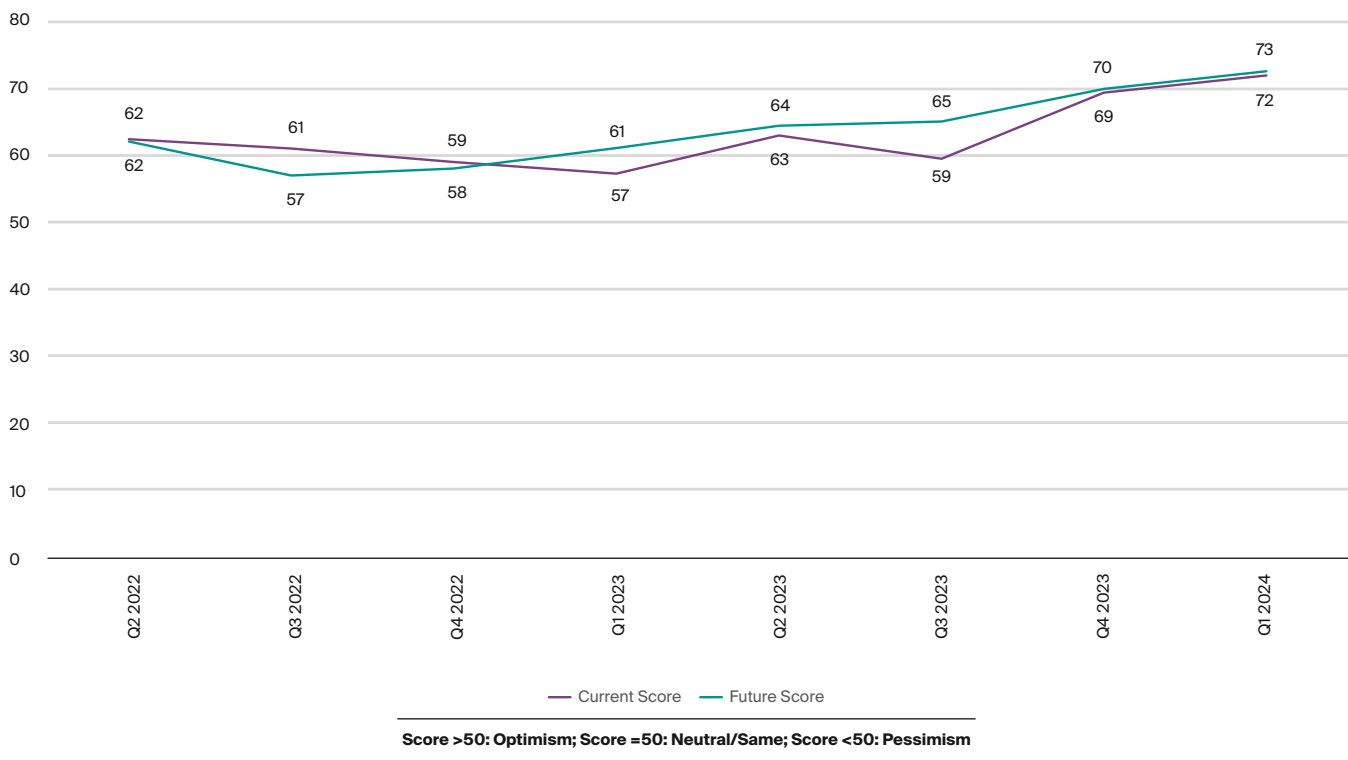
This survey edition is for the period January 2024 to March 2024 i.e., Q1 2024.



SENTIMENT INDEX SURVEY FINDINGS

SECTION A: OVERALL SENTIMENT SCORE

CURRENT AND FUTURE SENTIMENT SCORES ON AN UPWARD TRAJECTORY



Source: Knight Frank Research

A1. Current Sentiment Score

- In Q1 2024, the Current Sentiment Score increased from the previous quarter's score of 69 to 72, which is well within the optimistic zone.
- The Current Sentiment Score reflects the stakeholders' current outlook compared to the preceding six months. The gain in the Current Sentiment Score reinstates the stakeholders' confidence in the Indian economy and the real estate sector's performance.

A2. Future Sentiment Score

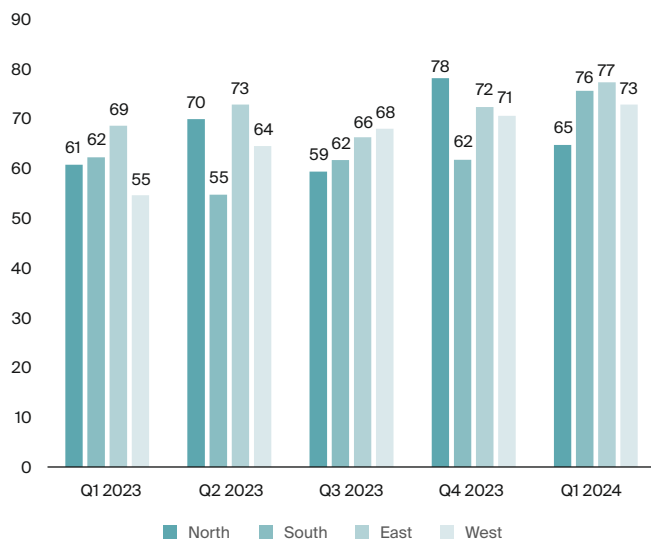
- The Future Sentiment Score has improved from 70 in Q4 2023 to 73 in Q1 2024, due to the stakeholders' optimism about the Indian economy and the sustained demand in the real estate sector that is likely to continue for the next six months.

SECTION B: FUTURE SENTIMENTS

B1. Zonal Future Sentiment Score

ZONAL SCORES RISE IN OPTIMISTIC TERRITORY

Zonal Score



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

Source: Knight Frank Research

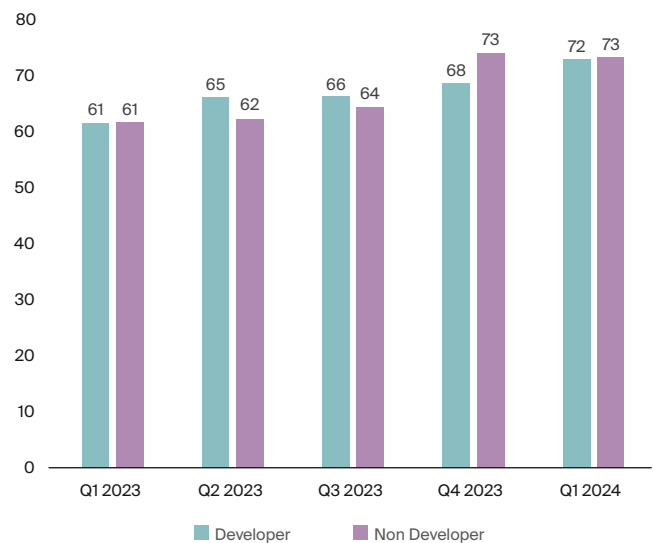
Findings

- In the first quarter of 2024, the scores for all zones, except for the North, increased and remained in the optimistic zone. This indicates that there is a firm belief in the real estate sector's strong performance in the next six months.
- Despite a blip in the North zone's future sentiment score for the first quarter of 2024, it has remained in the optimistic zone. This signifies that there is still a high level of confidence in the market for the next six months.

B2. Stakeholder Future Sentiment Score

DEVELOPER AND NON-DEVELOPER SENTIMENT SCORES IMPROVE

Stakeholder Score



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

Source: Knight Frank Research

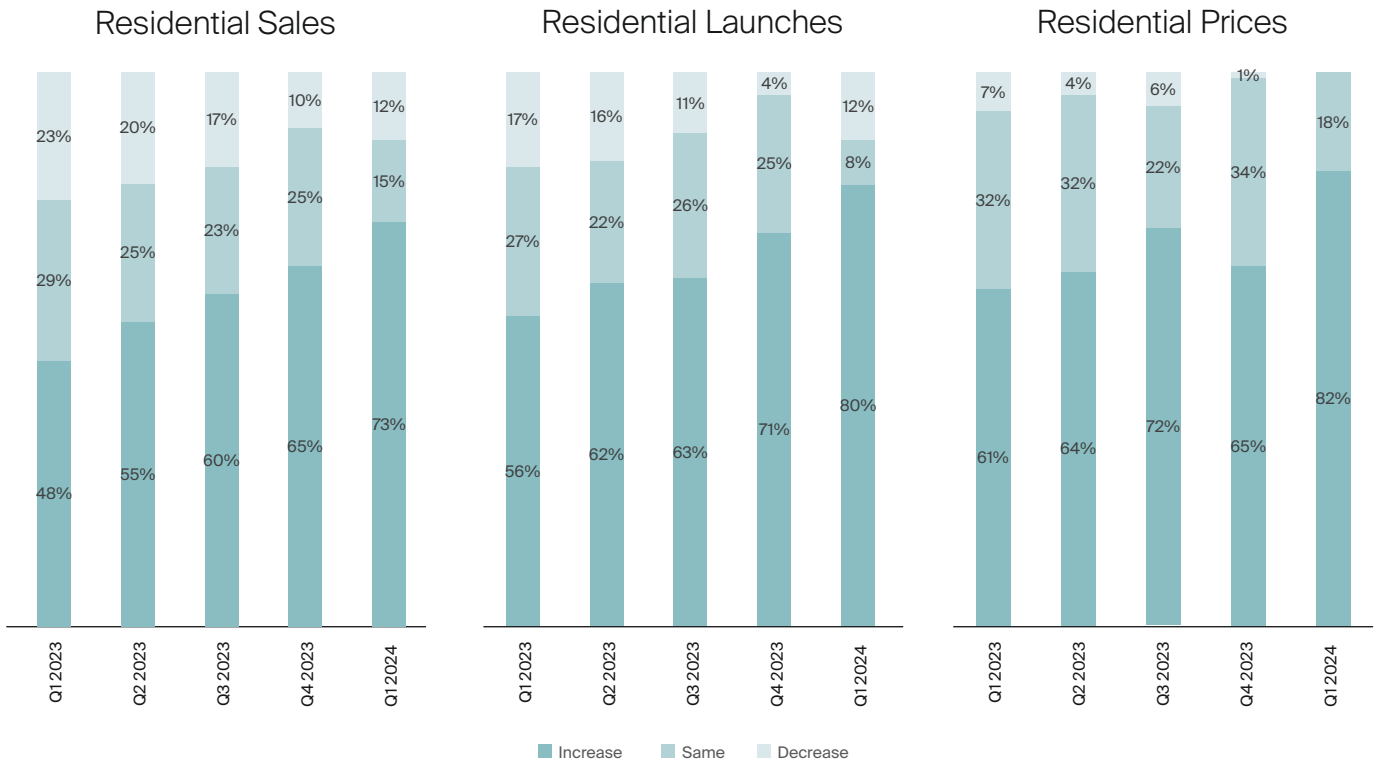
Note: Non-Developers include banks, financial institutions and PE funds

Findings

- The Developer Future Sentiment Score has increased from 68 in Q4 2023 to 72 in Q1 2024. The sale of residential units and office transaction volumes have also increased by 9% and 43% respectively on a YoY basis from Q1 2023 to Q1 2024. This continuous growth has further strengthened the developer's confidence, while maintaining the momentum gained post-pandemic.
- The Non-Developer (which includes banks, financial institutions, PE funds) Future Sentiment Score has remained stable for Q1 2024 at 73. The institutional investors remained watchful in the current periods, while exhibiting enhanced confidence in the Indian economy.

B3. Residential Market Outlook

ROBUST FUTURE OUTLOOK



Source: Knight Frank Research

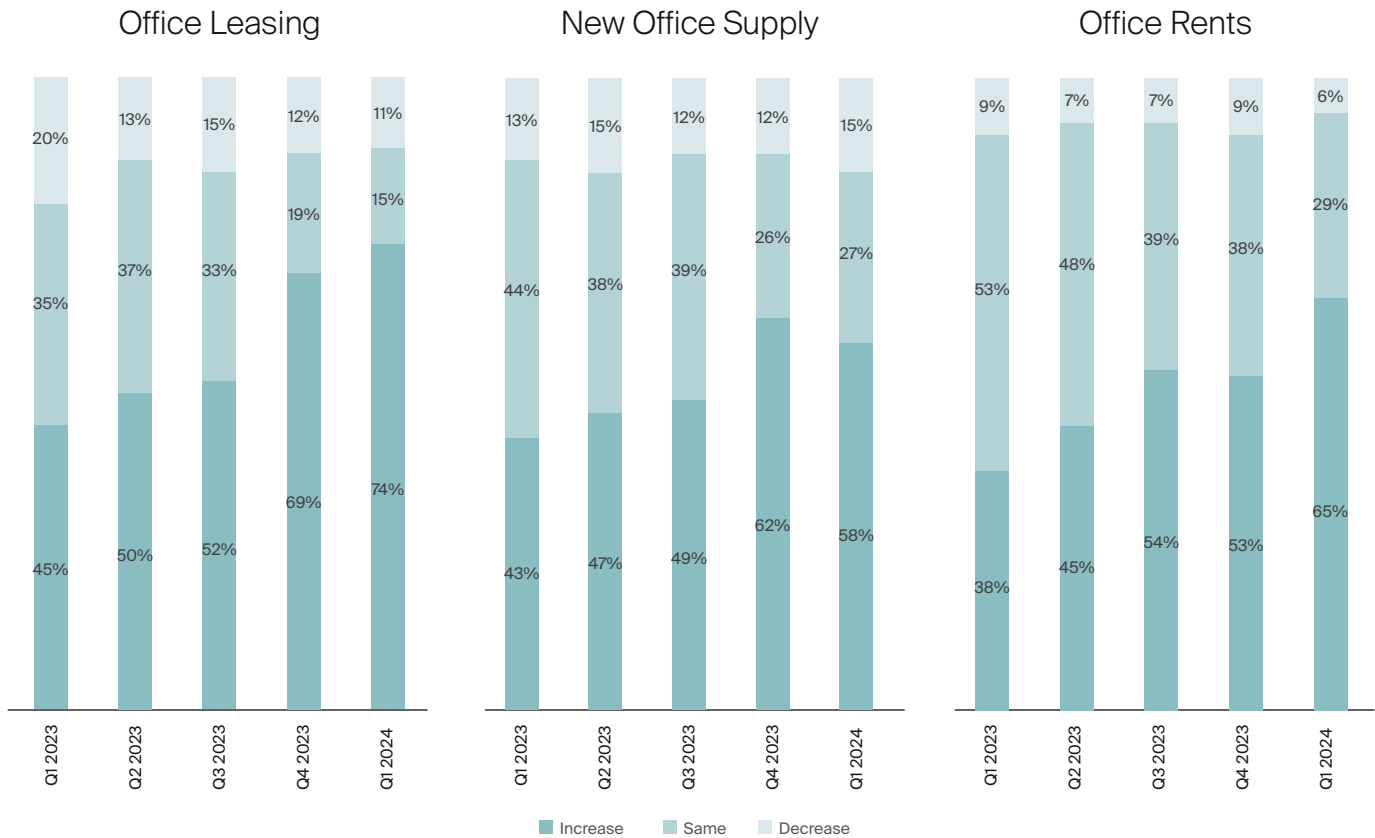
Findings

- The outlook for the residential market in Q1 2024 appears to be very optimistic with an 82% response rate for an expected rise in residential prices. Interestingly, this is the highest level of optimism recorded in the past decade, with no response indicating a potential price decline.
- Furthermore, stakeholders are confident that the demand momentum will continue to drive activity in the market, reflecting an impressive level of optimism in parameters such as residential sales and launches.
- In this quarter's survey, 73% of the survey respondents expect residential sales to increase in the next six months.

- In comparison, 65% of the respondents were of the same opinion in the previous quarter.
- In Q1 2024, 80% of the survey respondents were of the opinion that residential launches will improve in the next six months. In Q4 2023, 71% of the stakeholders held a similar view. With continued growth in the demand, survey respondents believe that the momentum in new residential launches will continue to prevail over the next six months.

B4. Office Market Outlook

OFFICE MARKET OUTLOOK BUOYANT



Source: Knight Frank Research

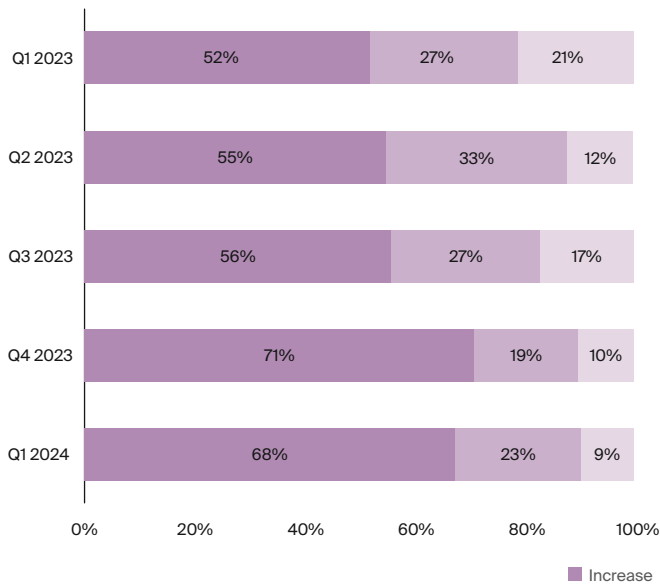
Findings

- In Q1 2024, 74% of survey respondents expect office leasing to improve in the next six months, compared to 69% in the previous quarter. Since the pandemic, optimism towards a rise in the office leasing market has grown significantly and the share of respondents having an opinion towards further increase has reached its highest in this quarter. India's office market has sustained the momentum gathered post pandemic, witnessing YoY growth of 43% in office leasing for Q1 2024 compared to the same period in the previous year. The drive is mainly attributed to the optimism in India's economy, which continued to grow at the fastest rate globally.
- In Q1 2024, 65% of the survey respondents expect office rents to increase. In Q4 2023, 53% of the survey respondents held a comparable view. Similar to office leasing, the level of optimism has grown stronger for office rents as well. The share of opinion towards rental growth has reached the highest for this quarter.
- 58% of survey respondents expect office supply to improve in the next six months. In the previous quarter, 62% of respondents held a similar opinion.

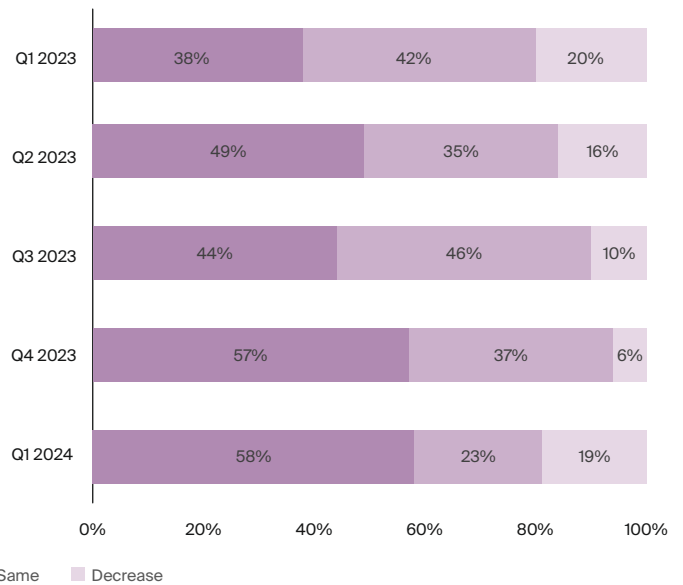
B5. Economic Scenario and Availability of Funding

ECONOMIC OUTLOOK STEADY

Overall Economic Momentum



Availability of Funding



Source: Knight Frank Research

Findings

- In Q1 2024, 68% of survey respondents indicated an increase in their growth expectation on overall economic momentum in the next six months. As India's domestic economy continues to remain steady, consumer and business optimism in the real estate market continues to rise, which reflects in the survey findings.
- In Q1 2024, 58% of survey respondents expect an increase in funding availability in the next six months. In Q4 2023, 57% of survey respondents had a similar opinion.

CONCLUDING REMARKS

India's economy is showing strong growth, with a robust increase of 8.4% in the fourth quarter of 2023. This exceeds earlier expectations and cements India's position as the fastest growing large economy in the world. Despite some volatility, consumer confidence in the domestic economy has reached a five-year high, which is a positive sign for future growth. A strong consumer sentiment is essential for establishing an optimistic growth trajectory. In addition, the Indian real estate market is experiencing significant optimism in the residential and office markets, particularly for residential prices and office leasing and rents. All the signals point to a continued momentum for the next six months.



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National Real Estate Development Council ("NAREDCO") is established as an autonomous self-regulatory body in 1998 under the aegis of Ministry of Housing and Urban Affairs, Govt. of India; with the mandate to (a) induce transparency and ethics in real estate business and transform the unorganized Indian real estate sector into a matured and globally competitive business sector, and (b) create and sustain an environment conducive to the growth of real estate industry in India, partnering industry and government alike through advisory and consultative processes. It is hailed as the apex national body for the real estate industry and have been working as a single platform where Government, industry and public would discuss various problems and opportunities face to face which would result in speedy resolution of issues.

The National Real Estate Development Council strives to be the collective force influencing and shaping the real estate industry. It seeks to be the leading advocate of developing standards for efficient, effective, and ethical real estate business practices, valued by all stakeholders of real estate sector and viewed by them as crucial to their success. NAREDCO works to create and sustain an environment conducive to the growth of real estate industry in India, partnering industry and government alike through advisory and consultative processes.

NAREDCO's mission is to improve the confidence level of the Real Estate stakeholders across the value chain by bringing in professional practices. One of the highly professional methods is to develop an index to assess the market sentiment in order to enhance the confidence levels of lenders, investors and consumers while making lending and / or investment decisions. NAREDCO has partnered with Knight Frank and FICCI to publish a quarterly Real Estate Sentiment Index to fulfil this endeavour.

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