



RESEARCH
Q2 2024 APRIL- JUNE 2024)



KNIGHT FRANK-NAREDCO

REAL ESTATE SENTIMENT INDEX

Q2 2024 (Apr-Jun 2024)

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

As we transition through 2024, a host of factors are playing out globally. The global economic landscape shows resilience despite ongoing challenges. Inflation rates are gradually aligning with central bank targets, enabling a more supportive monetary policy. India, benefiting from stable post-election conditions, remains a strong growth beacon. Domestic consumption is robust, supported by consumer loans, though there are some signs of growth moderation. Food inflationary pressures persist, but are converging overall towards price stability targets. With a projected GDP growth rate of 7.2% for FY 2025, India's outlook remains positive. An effective monetary policy by the Reserve Bank of India has helped sustain growth with price stability, positioning India as one of the fastest-growing large economies globally.

The real estate industry has seen broad-based recovery across all segments since the pandemic, with the residential market experiencing the swiftest resurgence. Sales in the primary market have surged to an impressive overall volume of 1,73,241 units in the top 8 cities, reaching a 10-year high in H1 2024. This robust performance is driven by positive economic sentiment, which has also buoyed the office market. The office sector maintained its momentum in H1 2024, achieving near-record transaction volumes. H1 2024 saw continued strong performance, setting a new high for half-yearly transaction volumes at 3.2 mn sq m (34.7 mn sq ft). This achievement, following the record-setting H2

2023, highlights the growing strength and resilience of the Indian office market.

In Q2 2024, Knight Frank NAREDCO Real Estate Sentiment Survey findings indicate a cautious yet optimistic outlook for the Indian Real Estate Sector, with the Current Sentiment Score declining from 72 in Q1 2024 to 65 in Q2 2024, marking a decrease from multi-year highs to current levels. This drop reflects a tempered view on recent real estate growth, influenced by election and budget speculations. The Future Sentiment Score also decreased from 73 in Q1 2024 to the current level of 65 in Q2 2024. Despite this decline, the sentiment remains in positive territory, showcasing the sector's resilience with notable activity in residential and office markets.

I invite you to read the 41st edition of the Knight Frank-NAREDCO Real Estate Sentiment Index for Q2 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 extend my deepest gratitude to all industry stakeholders for their participation in this survey, and hope that you will find the Report insightful and interesting.

PARTNERS' TAKE ON THE SECTOR



G. Hari Babu
National President – NAREDCO

“ In Q2 2024, the Knight Frank NAREDCO Real Estate Sentiment Survey paints a picture of a resilient and optimistic Indian real estate sector. Although there has been a slight adjustment in sentiment, the overall outlook remains positive. This shift reflects a more cautious approach in light of recent political and budget-related uncertainties. Despite these adjustments, confidence in the sector’s future is strong.

The residential and office markets continue to show notable activity, signalling ongoing growth and opportunity. Developers and other key stakeholders, including banks and financial institutions, are maintaining a positive outlook. This suggests that while there may be short-term challenges, the sector is well-positioned to adapt and thrive. The continued optimism and activity in the market highlight the sector’s ability to sustain its momentum and drive forward, amidst changing conditions.

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.

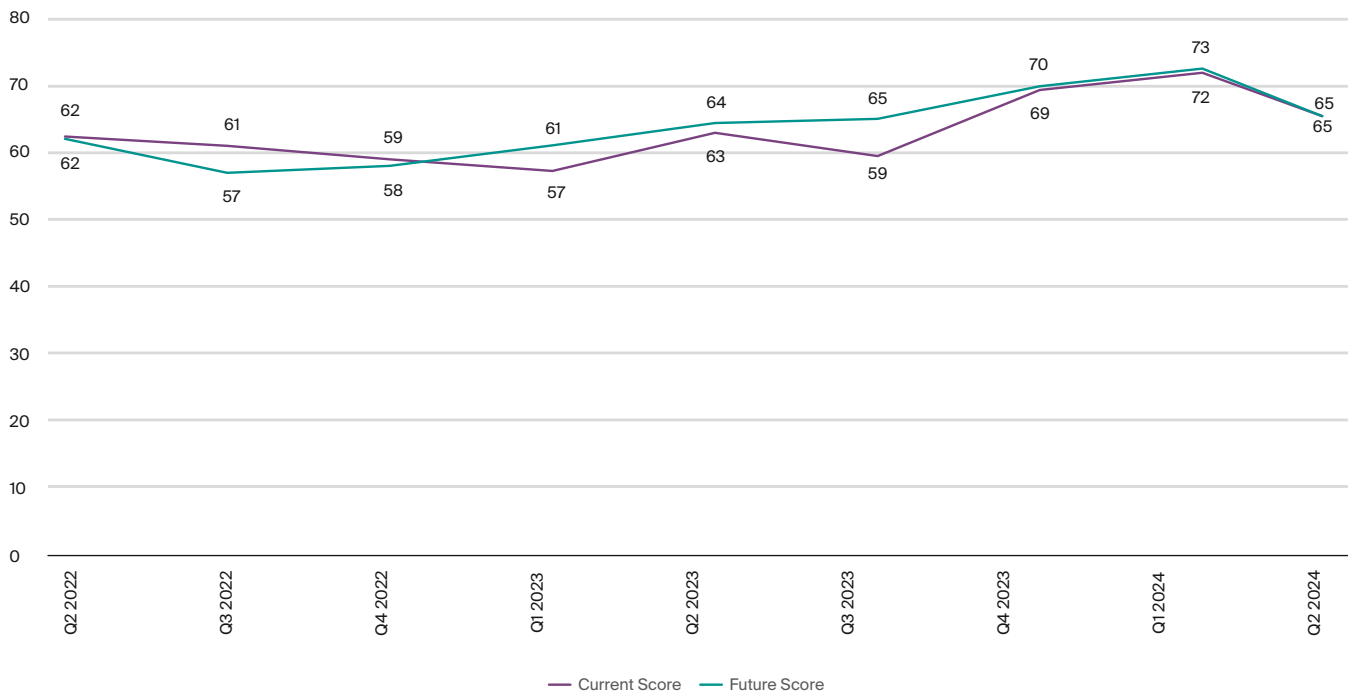
This survey edition is for the period April 2024 to June 2024 i.e., Q2 2024.



SENTIMENT INDEX SURVEY FINDINGS

Section A: Overall Sentiment Score

MODERATION YET OPTIMISM SEEN IN CURRENT AND FUTURE SENTIMENT SCORES



Source: Knight Frank Research

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

A1. Current Sentiment Score

- The Current Sentiment Score signifies stakeholders' current outlook in comparison to six months back. The Current Sentiment Score has moderated from a decadal high sentiment score of 72 in Q1 2024 to 65 in Q2 2024, indicating a more measured outlook among stakeholders. Whilst the Current Sentiment Score has inched down, it continues to be indicative of optimism.
- This adjustment reflects careful assessment, as stakeholders navigate through complex global economic scenarios while maintaining an optimistic approach towards Indian market fundamentals. While there is a notable dip, the sentiment remains within positive territory, suggesting a continued belief in the sector's long-term prospects amidst evolving market conditions.

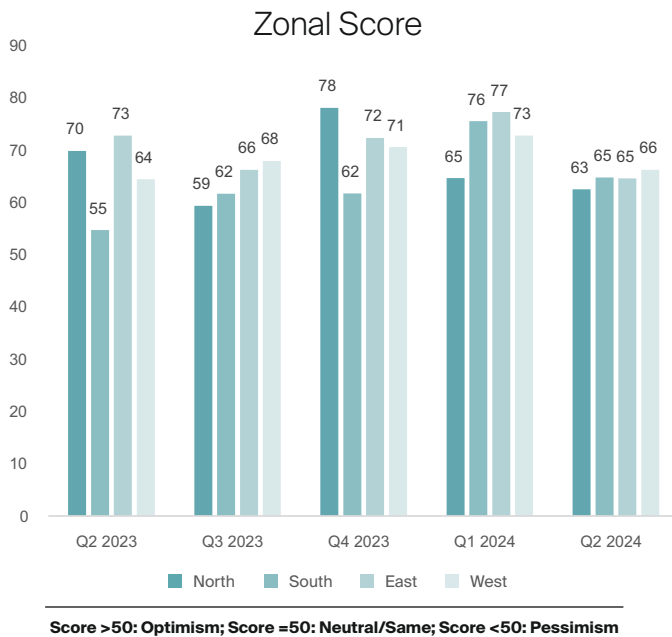
A2. Future Sentiment Score

- The Future Sentiment Index has adjusted from 73 in Q1 2024 to 65 in Q2 2024, reflecting a positive yet more conservative outlook for the near term. This recalibration may be attributed to caution around potential macroeconomic developments, including fiscal policies and geopolitical events, that could influence market confidence.
- Despite the decline, the sentiment score reflects a fundamentally positive outlook, underscoring stakeholder confidence in the sector's resilience and adaptability.

SECTION B: FUTURE SENTIMENTS

B1. Zonal Future Sentiment Score

ZONAL SCORES DECLINE, REMAIN IN OPTIMISTIC TERRITORY



Source: Knight Frank Research

Findings

- The North Zone's Future Sentiment Score decreased slightly, from 65 in Q1 2024 to 63 in Q2 2024. However, the scores remained firmly in the optimistic zone signifying inherent confidence in market performance in the next six months.
- A more notable adjustment was observed in the South Zone, with the score decreasing from 76 to 65. Despite the moderation in the score, the scores for all remained comfortably above 50 in the optimistic zone. The East Zone's score declined from 77 to 65, highlighting a tempered outlook.
- The discontinuation of the 2% stamp duty cut had a likely impact on the East Zone Future Sentiment Score where stakeholders in the region seem to be adopting a wait-and-see approach.
- The West Zone saw moderation in sentiment, with the score decreasing from 73 to 66. However, the zonal score remains in the optimistic territory.

B2. Stakeholder Future Sentiment Score

MODERATION IN DEVELOPER AND NON-DEVELOPER SENTIMENT SCORES



Source: Knight Frank Research

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

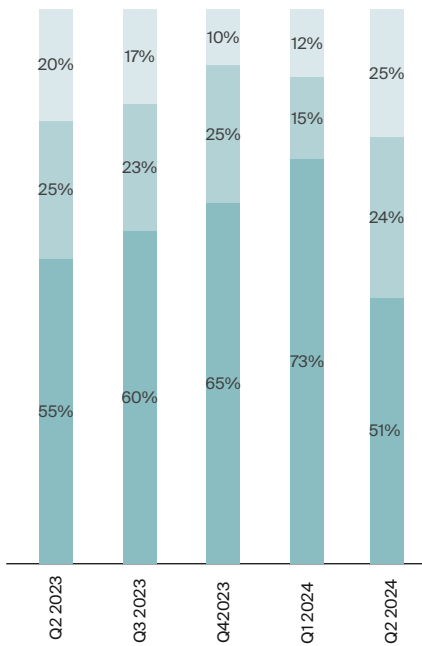
Findings

- The Developer Future Sentiment Score moderated from 72 in Q1 2024 to 61 in Q2 2024, indicating a measured outlook. Developers remain cautious yet optimistic, having experienced strong sales since the beginning of 2023. While the market initially seemed poised for sustained growth with significant tailwinds, the extended uptrend cycle has led to a more guarded stance, as concerns about potential market consolidation have begun to surface.
- The Non-Developer Future Sentiment Score (which includes banks, financial institutions, PE funds) adjusted from 73 to 68. This shift reflects stakeholders' careful evaluation, considering the macroeconomic concerns that are weighing heavily.

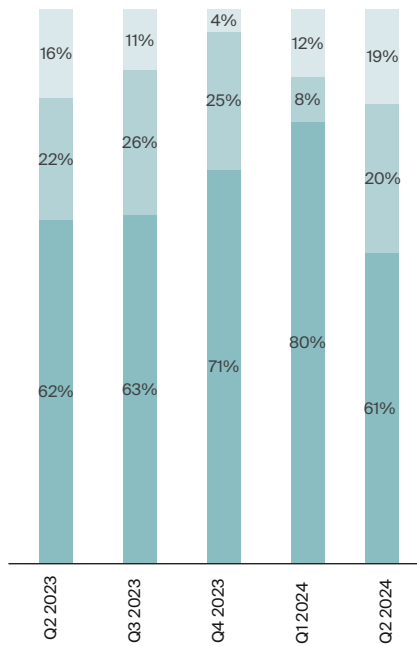
B3. Residential Market Outlook

MODERATION IN FUTURE OUTLOOK

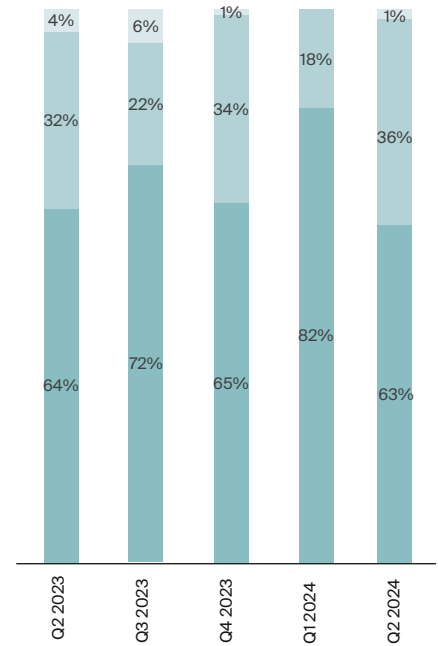
Residential Sales



Residential Launches



Residential Prices



■ Increase ■ Same ■ Decrease

Source: Knight Frank Research

Findings

- The future outlook for the residential market remains in the optimistic territory, even with stakeholders adopting a cautious outlook for the next 6 months. Taking a speculative view of the real estate sector with impending budget during the period, the stakeholders remained watchful as we had observed during the previous election period of 2019.
- While 51% of the stakeholders anticipate an increase in sales, a significant 24% respondents expect stability, and 25% predict a potential decrease.
- 61% of the stakeholders foresee an increase in residential launches, reflecting ongoing demand. However, 20% expect stability, and 19% foresee a decrease, suggesting a balanced outlook.
- With 63% expecting a rise in prices, the outlook remains positive, though tempered by 36% anticipating stable prices and a very small minority predicting a decline.

B4. Office Market Outlook

STEADY AND OPTIMISTIC OFFICE MARKET OUTLOOK



Source: Knight Frank Research

Findings

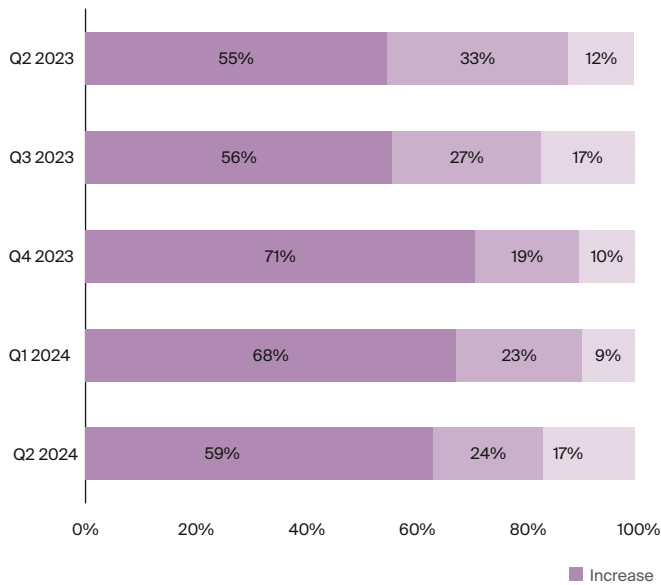
- 63% or a majority of respondents predict an increase in office leasing, driven by positive business sentiments and economic recovery. 24% foresee stability, and 13% expect a decline, underscoring a balanced yet overall optimistic outlook.
- 47% of respondents anticipate an increase in new office supply, indicating confidence in continued sector growth. However, 29% expect supply levels to remain unchanged, with 24% forecasting a decrease, reflecting a prudent view of market potential and supply-demand dynamics.
- 67% of stakeholders anticipate an increase in office rents,

reflecting strong demand and confidence in the market. Meanwhile, 27% expect rents to remain stable, and 7% foresee a decrease, indicating a cautious yet positive perspective on rental growth.

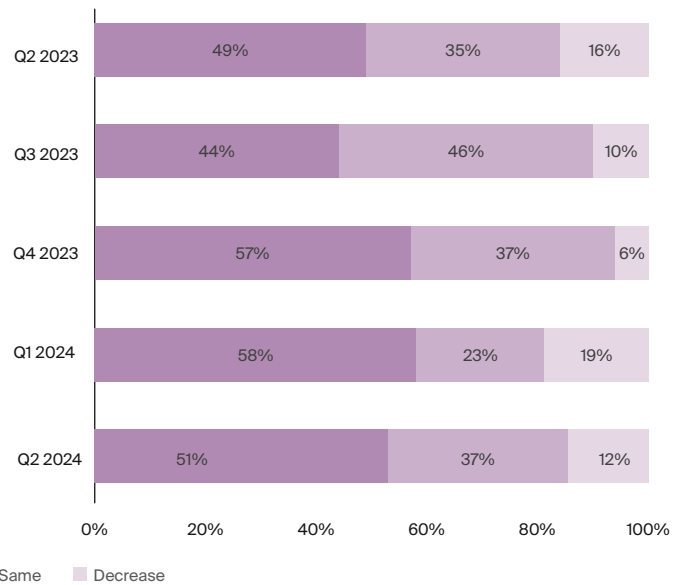
B5. Economic Scenario and Availability of Funding

ECONOMIC OUTLOOK STEADY

Overall Economic Momentum



Availability of Funding



Source: Knight Frank Research

Findings

- 59% of respondents expect an improvement in the economic scenario, reflecting optimism about India's economic resilience and potential growth. However, 24% foresee stability, and 17% predict a decline, indicating a balanced consideration of global economic challenges and their potential impact on the domestic market.
- 51% anticipate an increase in funding availability, demonstrating confidence in the financial sector's continued support for real estate investments. Stakeholder confidence remains strong and optimistic, with investment levels in H1 2024 nearly matching those of 2023 and expected to rise to the higher levels of 2022.

CONCLUDING REMARKS

In Q2 2024, the Knight Frank NAREDCO Real Estate Sentiment Survey indicates a optimistic outlook for the Indian real estate sector. While there has been a modest decline in both the Current and Future Sentiment Scores, reflecting heightened awareness of global economic uncertainties, inflationary pressures, and potential policy changes, the overall sentiment remains positive. Stakeholders, including developers, financial institutions, and investors, exhibit a measured optimism, expecting continued growth in both the residential and office markets. The sector's resilience in adapting to external economic factors and potential market fluctuations will be key to maintaining stability and growth in the forthcoming 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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