

FICCI-KNIGHT FRANK REAL ESTATE SENTIMENT INDEX

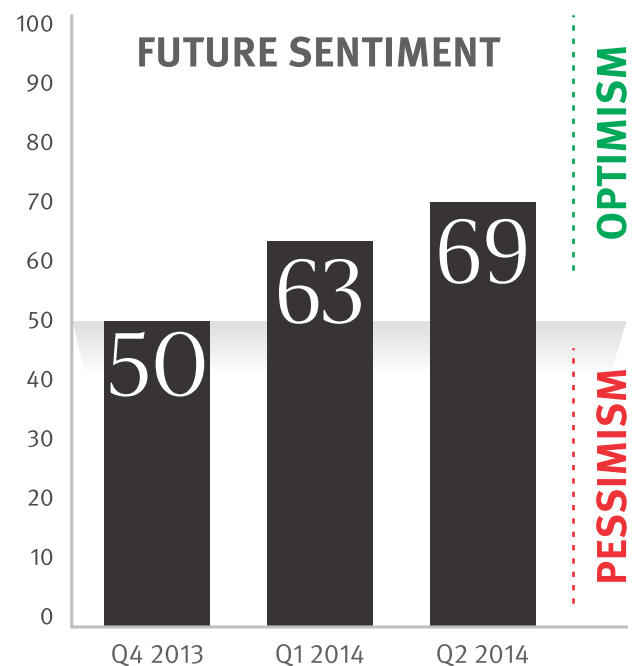
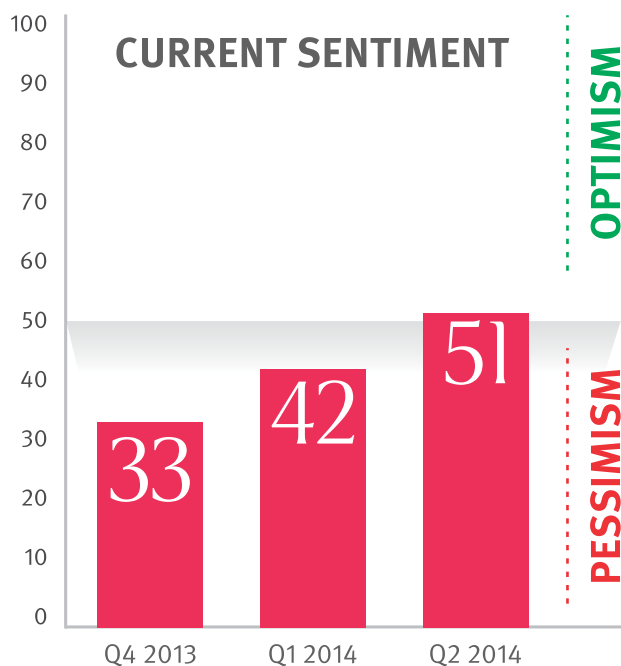
Q2 2014

The real estate sentiment index is jointly developed 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 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, banking and non-banking 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 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, and a score below 50 shows a negative sentiment. In order to present a holistic view on the real estate industry, two indices are computed. The current sentiment index indicates the respondent's assessment of the present scenario compared to six months ago, and the future sentiment index represents the expectations in the coming six months. However, the rest of the analysis focuses on future sentiment only. The survey was conducted during April-June 2014.

STAKEHOLDERS BULLISH ABOUT THE REAL ESTATE SECTOR POST ELECTIONS



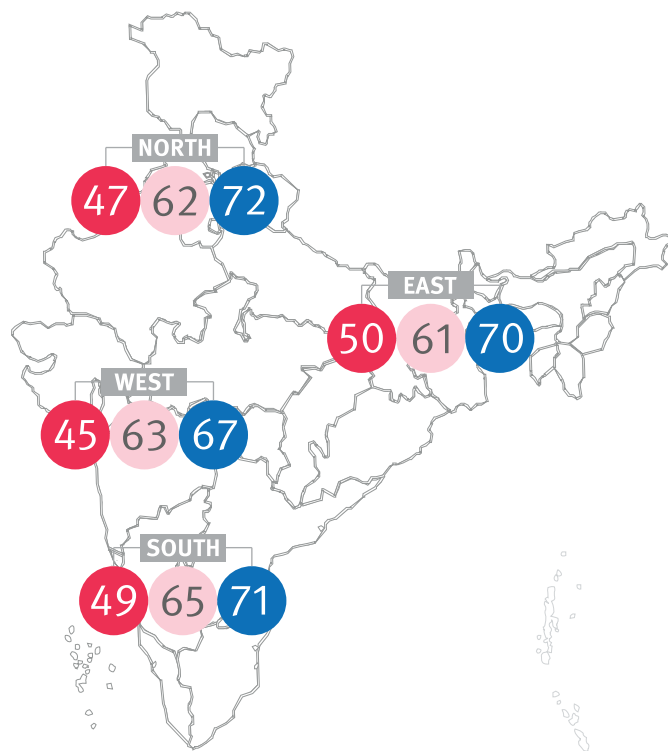
FINDINGS

- The FICCI-KNIGHT FRANK Sentiment index has surged to 69, up by 6 points in Q2 2014, the highest index level since our survey began, three quarters ago. The majority of the stakeholders are bullish about the sector post the elections, as both the current and future sentiment depict a significant upward trend
- Although the future sentiment gained some momentum in the last quarter itself, the current score has decisively breached the 50 mark in Q2 2014, implying that stakeholders feel that the current market is also showing green shoots of recovery
- Real estate stakeholders seem markedly bullish about the future, in view of the stable government at the Centre, and expect faster decision-making and reforms in the coming quarters

ZONAL SENTIMENT SCORE (FUTURE)

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

■ Q4 2013 ■ Q1 2014 ■ Q2 2014



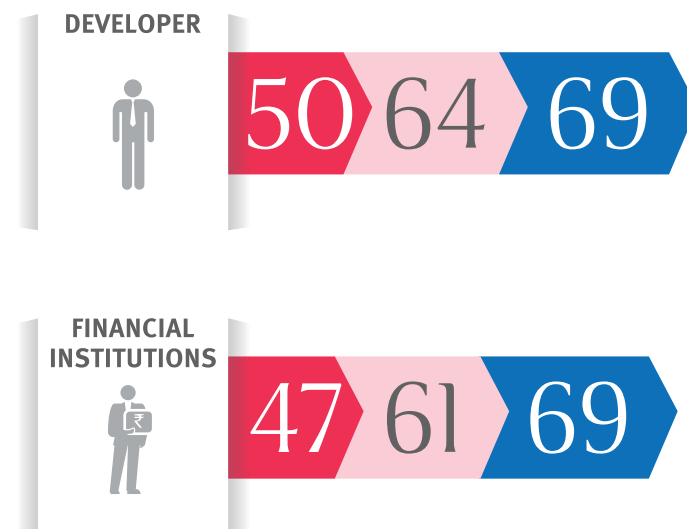
FINDINGS

- Optimism is quite evident at the zone level as well. The future sentiment score has improved across all zones, displaying a strong positive outlook across geographies
- The North Zone seems the most upbeat about the future

STAKEHOLDER SENTIMENT SCORE (FUTURE)

SCORE >50: Optimism SCORE 50: Same/Neutral
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■ Q4 2013 ■ Q1 2014 ■ Q2 2014

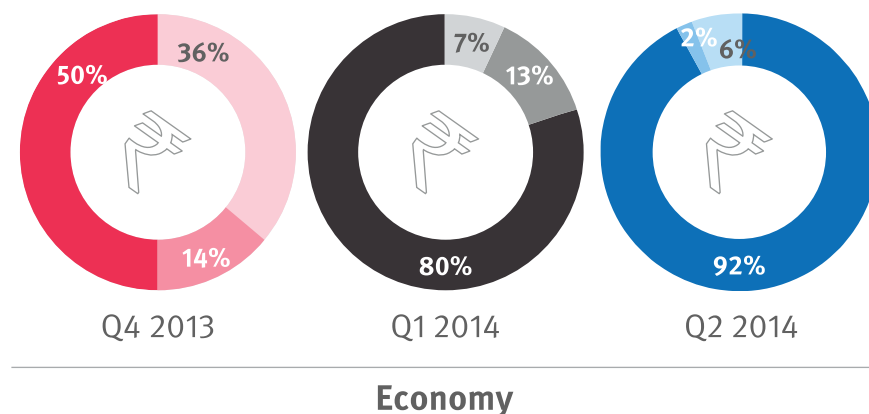


FINDINGS

- At the score of 69 points, both developers and financial institutions continue to show optimism for the future and expect the real estate sector to perform much better in the coming six months
- Quite evidently, the buoyancy is due to the elections. Some of the expectations from the new government are industry/ infrastructure status to the real estate sector, efficient approvals and easier funding among others

EXPECTATION OF A BUSINESS-FRIENDLY REGIME BOOSTS SENTIMENT (FUTURE)

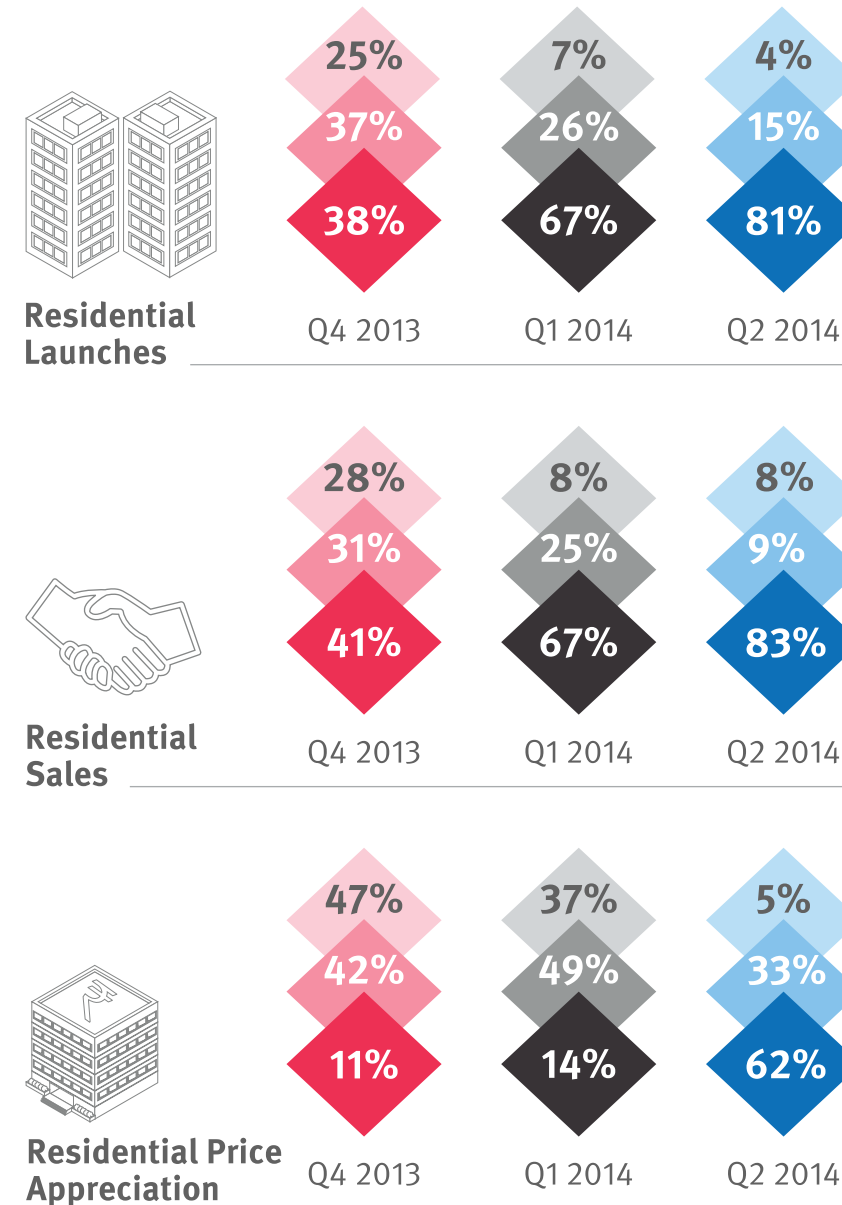
■ Better ■ Same ■ Worse



Economy

MARKET SIGNIFICANTLY OPTIMISTIC ABOUT THE RESIDENTIAL SECTOR

■ Better ■ Same ■ Worse

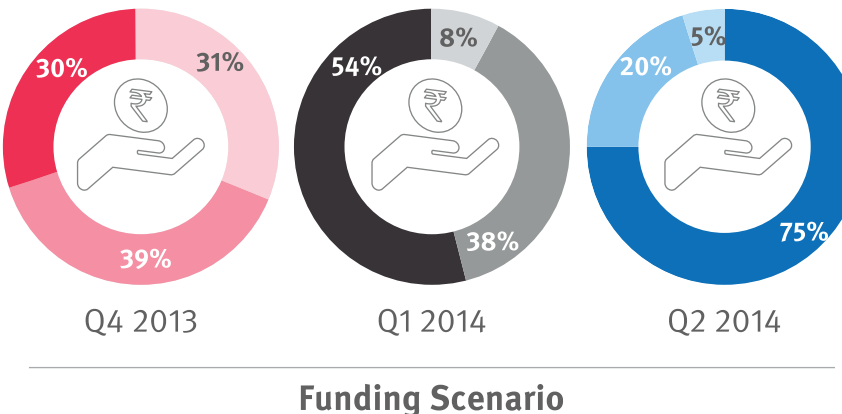


FINDINGS

- The residential sector is highly driven by sentiment; a clear win at the Centre has provided much-needed clarity to the stakeholders, which reflects in the survey results. More than 80% of the respondents feel that residential project launches and sales volume will improve in the coming six months
- The bullish undertone of the market is especially manifested in the expectations for residential price appreciation, which has seen a huge spike in Q2 2014

FINDINGS

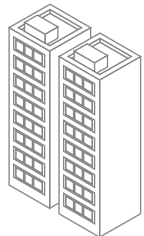
- In Q1 and Q2 2014, over 90% of the respondents expect the economy and funding scenario to be either the same or better. However, respondents in Q2 2014 have had a significant leaning towards a markedly better economic scenario
- There is a striking improvement in the level of optimism on the funding scenario in Q1 2014 and this has been carried forward to Q2 2014 as well
- 75% of the respondents anticipate the availability of funds to be better in the next six months



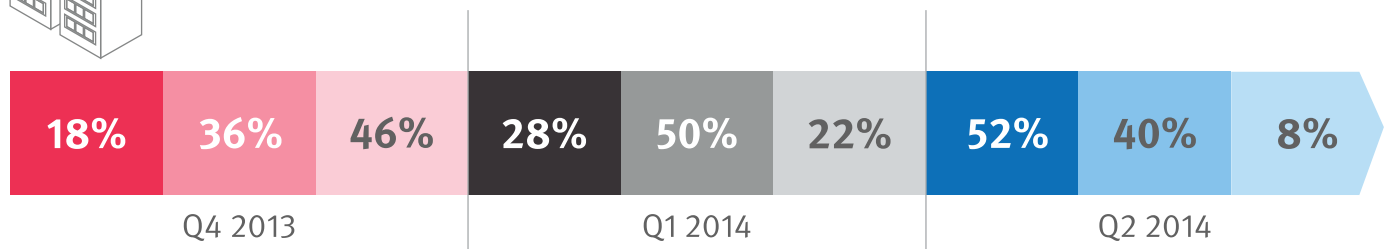
Funding Scenario

OFFICE SPACE LEASING VOLUME EXPECTED TO OUTSTRIP UPCOMING SUPPLY

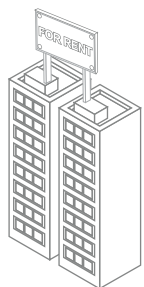
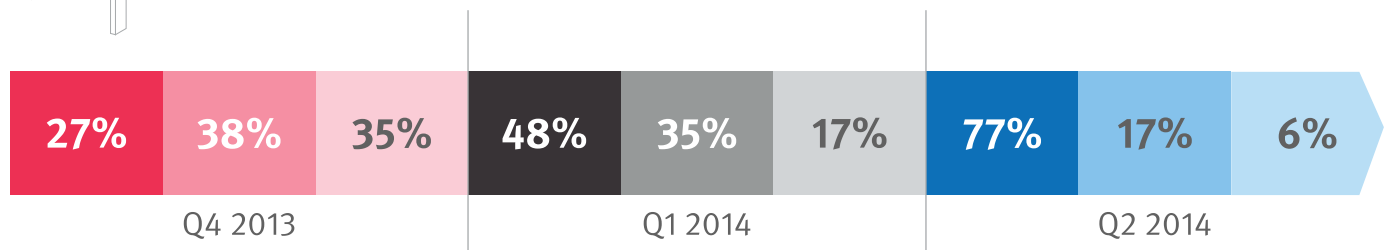
●●● Better ●●● Same ●●● Worse



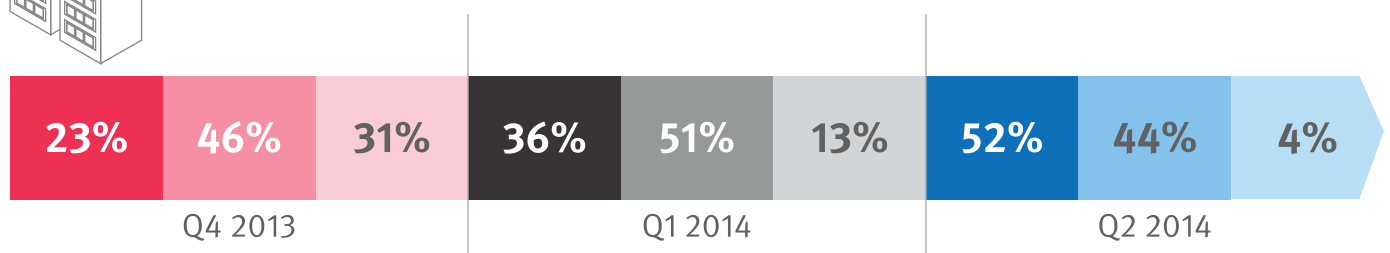
New Office Supply



Leasing Volume



Office Rental Appreciation



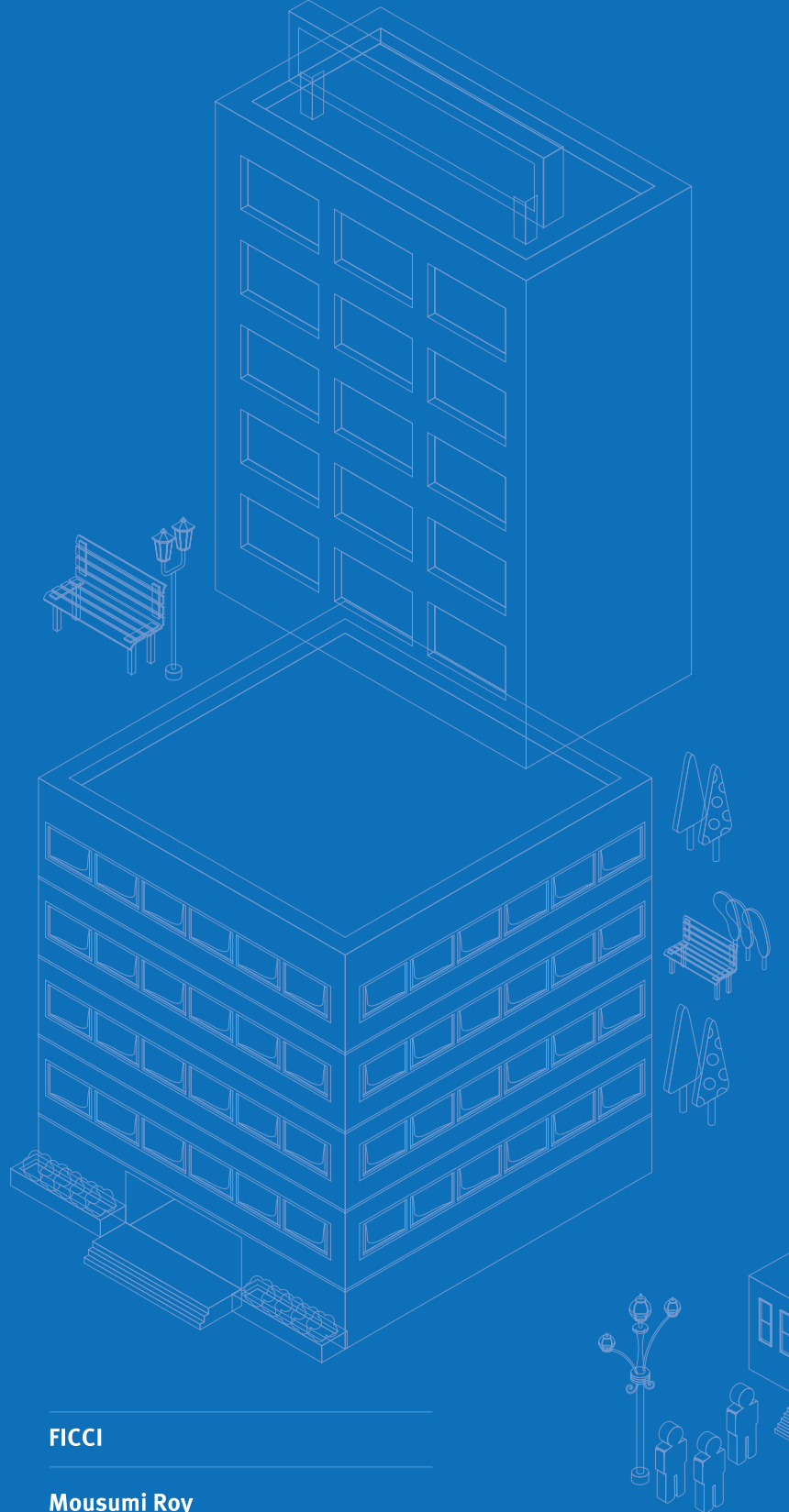
FINDINGS

- More than three-fourth of the survey respondents believe that leasing volumes will witness an upsurge by the end of Q4 2014
- However they expect new office supply to remain under

check, which is likely to have an impact on rental appreciation. Majority of respondents feel that office space rental growth will strengthen in the coming six months

Outlook

The fact that political stability has a perceptible effect on the real estate sector is quite apparent from the optimism showcased by stakeholders post the elections. Although the future sentiment score showed improvement in the last quarter itself, a six-point increase in Q2 2014 brings the score to an all-time high since the beginning of the survey. This optimism is broad based and encompasses all regions and asset classes. Further, all stakeholders, developers as well as financial institutions are unanimously optimistic about the future. It remains to be seen whether sentiments continue to remain upbeat in the quarters following the budget.



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