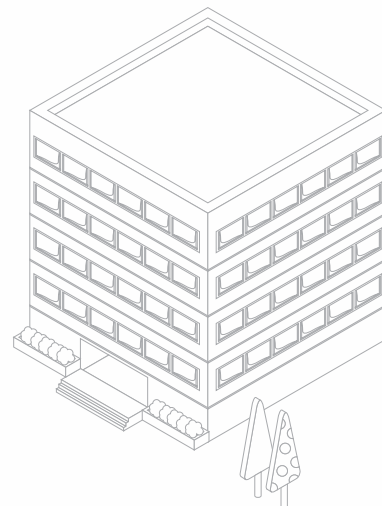


FICCI-KNIGHT FRANK REAL ESTATE SENTIMENT INDEX

Q4 2014 (October to December)

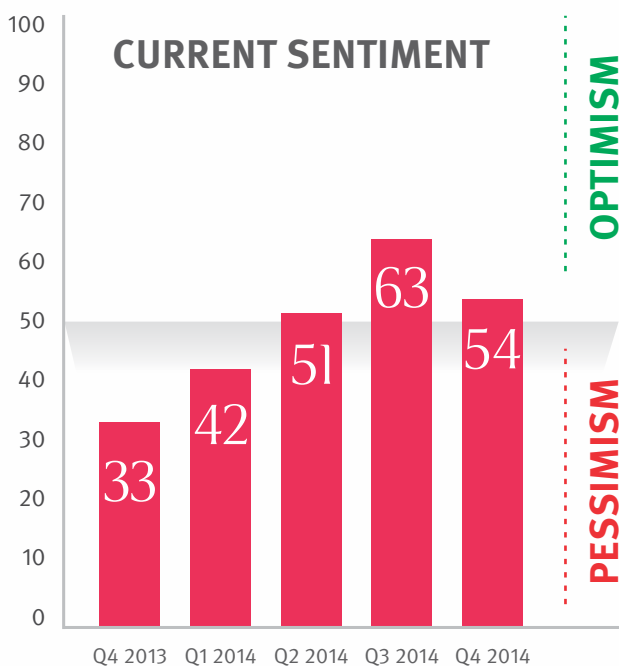
The real estate sentiment index is jointly developed by Knight Frank India and the Federation of Indian Chambers of Commerce and Industry (FICCI). The objective is to capture the perceptions and expectations of industry leaders in order to judge the sentiment of the real estate market.



Approach

The index is based on a quarterly survey of key supply-side stakeholders; including 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 options. Hence, a score of 50 represents a neutral view; a score above 50 demonstrates a positive outlook, and a score below 50 indicates a 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 ago, and the future sentiment index represents their expectations for the next six months. However, the rest of the analysis focuses only on future sentiment. The survey was conducted during October-December 2014.

STAKEHOLDERS' SENTIMENT DROPS FOR THE FIRST TIME IN FIVE QUARTERS

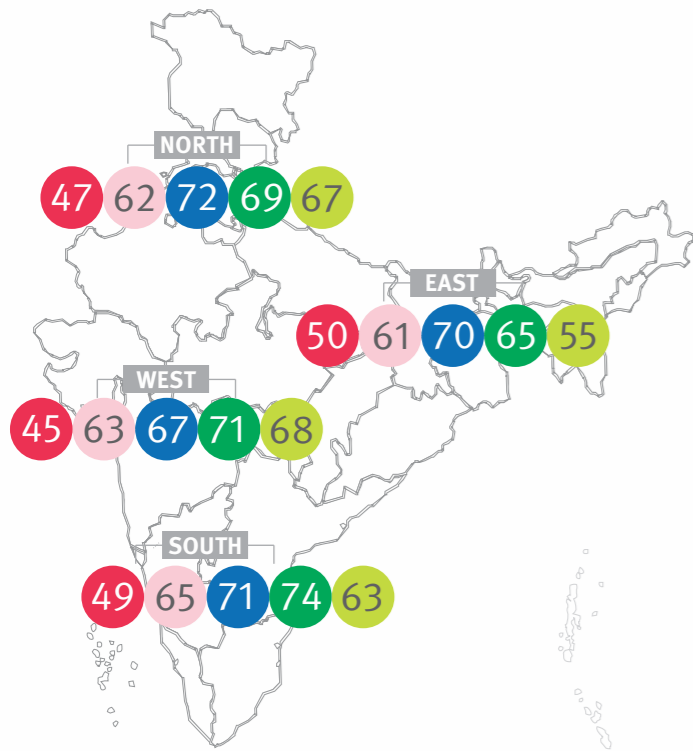


FINDINGS

- Stakeholders' sentiments have rationalised post the euphoric results of the landmark 2014 elections. This is depicted clearly by the dip in the Sentiment Index during Q4 2014.
- Although this is the first quarter when the current and future sentiment scores have dipped, they are still comfortably over the 50 mark and therefore underscore the positive momentum that has gripped the Indian economic/ business environment over the past six months.
- A perceived delay in the delivery of big election promises such as the implementation of the General Sales Tax, the insurance bill and a soft stance on cutting interest rates have played a major part in causing sentiment index levels to dip in Q4 2014.
- Also, at play is a significant base effect as the future expectations were already very high at the end of the previous reference period (June 2014) and a rationalisation was foreseeable.

ZONAL SENTIMENT SCORE (FUTURE)

SCORE >50: Optimism SCORE 50: Same/Neutral
SCORE <50: Pessimism
■ Q4 2013 ■ Q1 2014 ■ Q2 2014 ■ Q3 2014 ■ Q4 2014

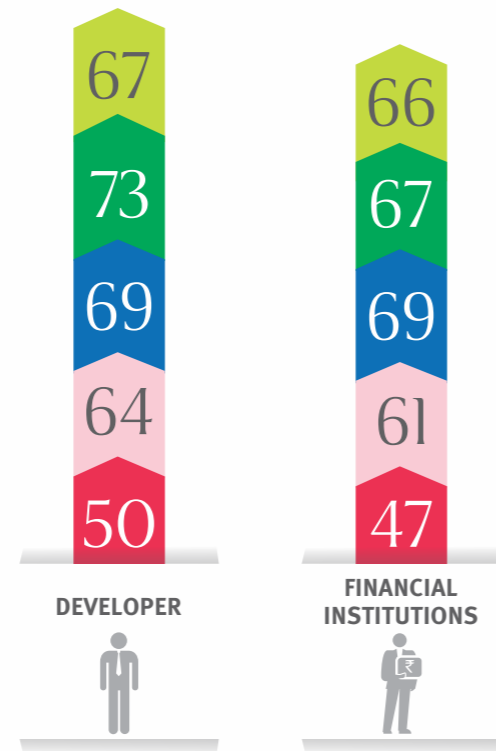


FINDINGS

- Although stakeholders across the country continue to be optimistic about the future, all zones experienced a dip in sentiment levels during Q4 2014 compared to the preceding quarter.
- The south and east zones saw a more pronounced dip in the index level.

STAKEHOLDER SENTIMENT SCORE (FUTURE)

SCORE >50: Optimism SCORE 50: Same/Neutral
SCORE <50: Pessimism
■ Q4 2013 ■ Q1 2014 ■ Q2 2014 ■ Q3 2014 ■ Q4 2014

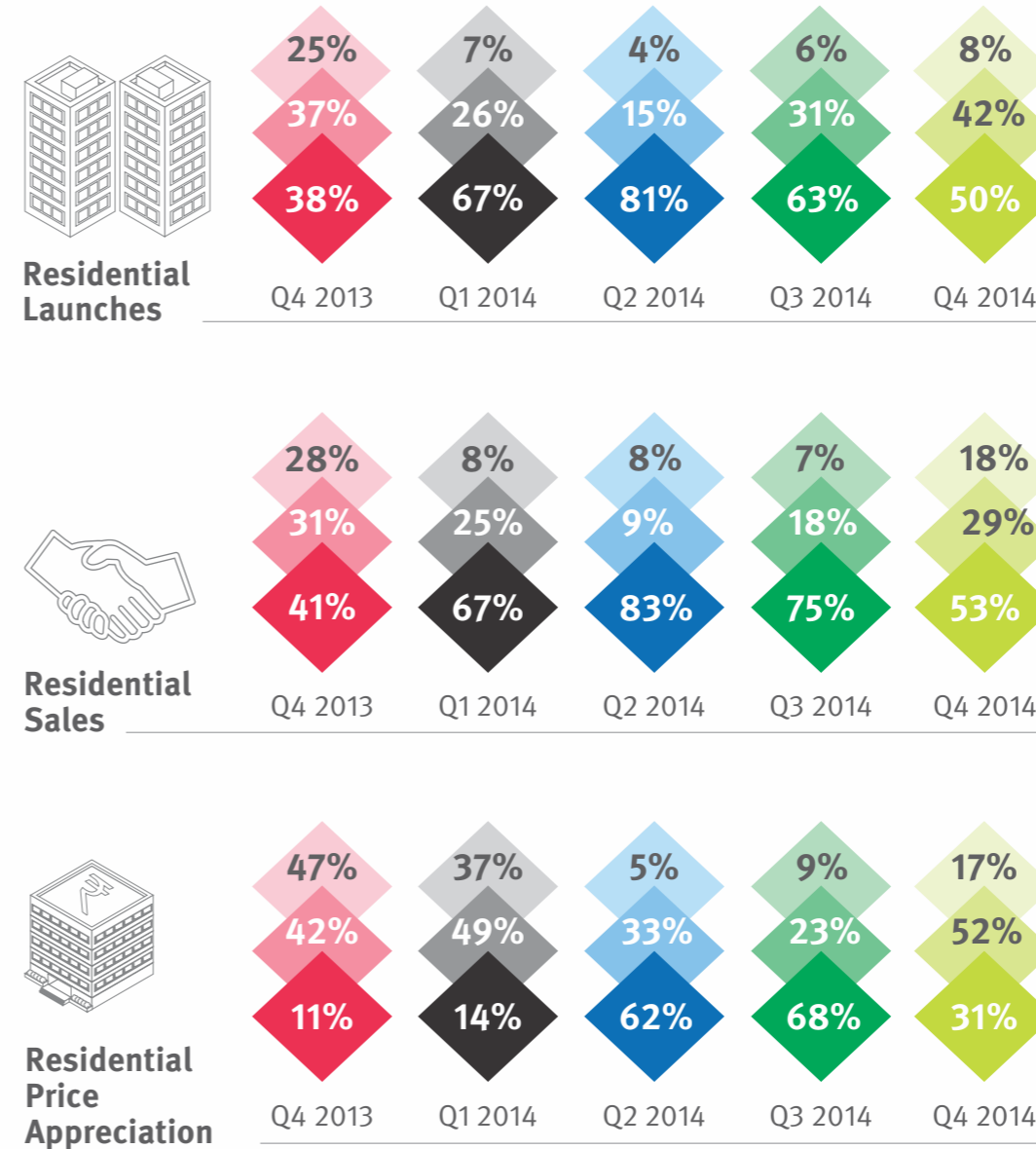


FINDINGS

- The Developer future sentiment levels had spiked in the September ending quarter in expectation of the impending festive season. Since the festive season has not paid off as the developers expected, the index is now again close to June 2014 levels.
- Financial institutions on the other hand have been holding steady with their positive outlook over the past three quarters.

THE RESIDENTIAL SECTOR SENTIMENT SHOWS CONSIDERABLE DECLINE

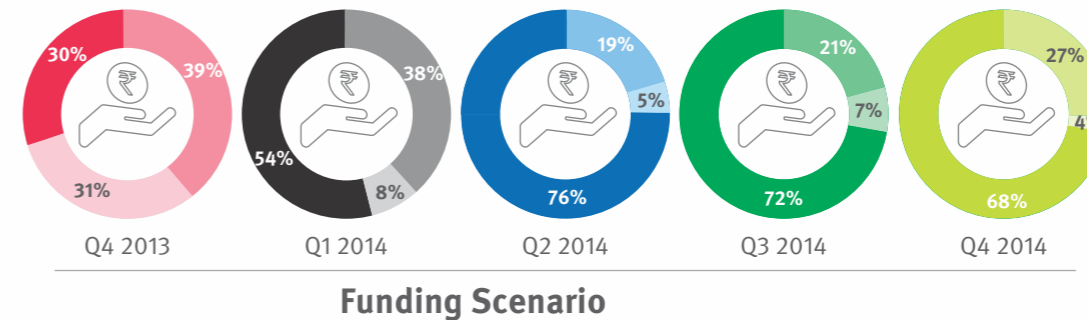
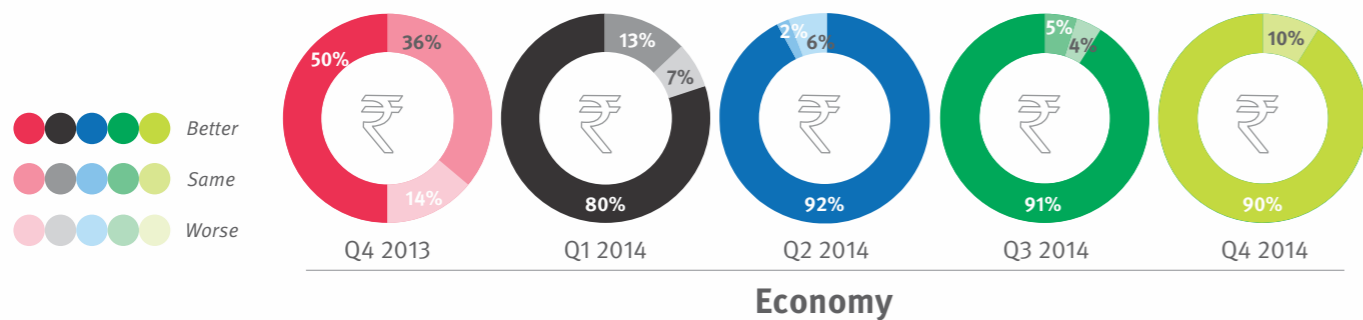
● Better ● Same ● Worse



FINDINGS

- Stakeholder sentiments in the residential space have seen a sustained fall relative to the launches and absorption over the past three reference periods. Increasing illiquidity caused by falling transaction numbers and delayed economic revival have weighed down the market.
- The proportion of respondents expecting an increase in prices has more than halved in Q4 2014 compared to the preceding period. Currently, just 31% of respondents believe that prices will increase in the following six-month period.

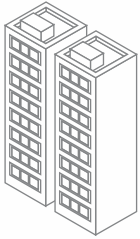
THE BUSINESS FRIENDLY REGIME CONTINUES TO NURTURE ECONOMIC SENTIMENT



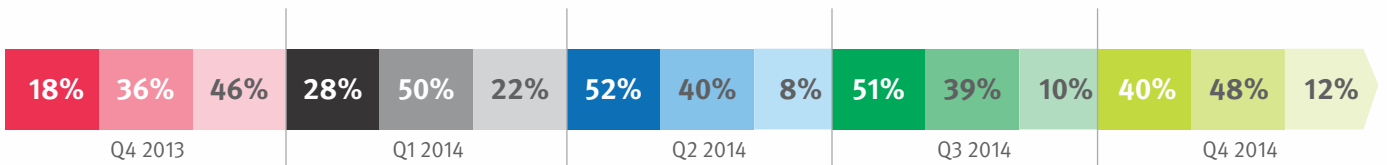
FINDINGS

- In Q4 2014, it is observed that over 95% of the respondents expect the economy and funding scenario to be either the same or better in the next six months. This is in line with our findings in the last round of the survey.
- Optimism pertaining to the economy is far more intense compared to the funding scenario.

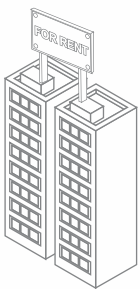
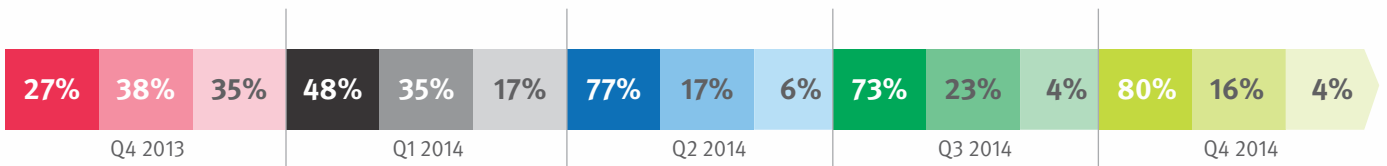
COMMERCIAL OFFICE SPACE MARKET POISED FOR BETTER TIMES



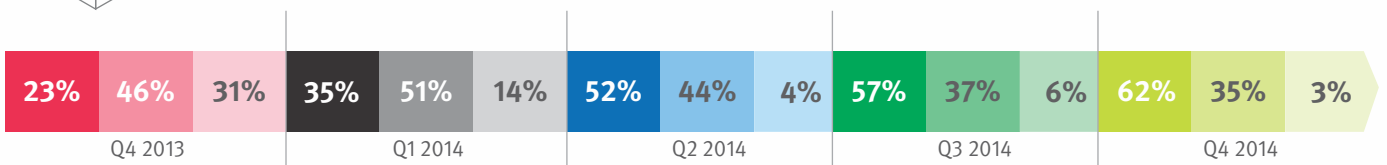
New Office Supply



Leasing Volume



Office Rental Appreciation



FINDINGS

- Stakeholders' sentiments remain strong regarding the health of the office market during Q4 2014. The confidence in the Indian economy continues to grow and an increasing number of respondents believe that the transaction volumes and rentals will improve in the next six months.
- However, they expect new office supply to remain under check, which in tandem with the higher leasing volumes is likely to have an impact on rental appreciation. A majority of the respondents feel that the office space rental growth will strengthen in the next six months.

CONCLUDING REMARKS

Having completed five rounds of quarterly surveys, it gives us an opportunity to evaluate how the real estate market has performed in comparison to the expectations of the stakeholders. The survey we conducted during Q1 2014 gave us positive results on all real estate parameters for the subsequent six months. While the ground reality for the six months ending September 2014 is consistent with the expectations in case of the office space market even though growth in new completions has been modest, it has not been in line with reference to the residential market. New unit launches as well as absorption levels have dropped in the face of higher expectations for the same period.

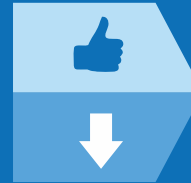


Residential

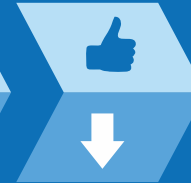
Expectation for the end of September 2014

Actual by the end of September 2014

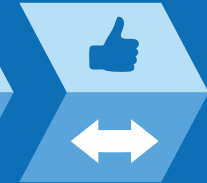
New Launches



Sales Volume



Price Appreciation



Office

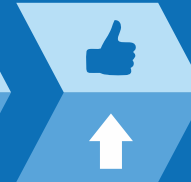
Expectation for the end of September 2014

Actual by the end of September 2014

New Completions



Leasing Volumes



Rental Appreciation



Though the Indian economic story is headed in the right direction post the change of guard at the centre, the five point drop in the future Sentiment Index levels indicates a definite rationalisation in the expectation of stakeholders regarding the pace at which changes will be effected in the country. The residential market has disappointed stakeholders, but sentiments are still positive for the first half of 2015. It remains to be seen how things will pan out as reducing inflationary pressures and policy implementation help revive the economy.

Knight Frank India

Dr. Samantak Das

Chief Economist & Director - Research
 samantak.das@in.knightfrank.com

Yashwin Bangera

Lead Consultant - Research
 yashwin.bangera@in.knightfrank.com

FICCI

Mousumi Roy

Senior Director & Head Real Estate -
 Urban Infrastructure
 mousumi.roy@ficci.com

Disclaimer: This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever shall be accepted by FICCI or Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document.

As a general report, this material does not necessarily represent the view of FICCI and Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of FICCI and Knight Frank to the form and content within which it appears.