

CREDAI - **MCHI**



TruBoard Partners

HOUSE PURCHASE SENTIMENT INDEX

RESIDENTIAL REAL ESTATE
TRENDS IN MMR





Real Estate in the current fiscal year has been faced with significant headwinds caused by rising property prices due to increasing input costs. The transmission of the RBI's rate hikes is also picking up, with home loan rates increasing 14 bps, on average till October. However, homeownership sentiment has remained resilient as suggested by the TruBoard-MCHI House Purchase Sentiment Index for the second quarter of FY23.

TruBoard Partners is well equipped to effectively monitor changes within the Real Estate sector during this crucial transitory period. The House Purchase Sentiment Index aims to help industry players, lenders, developers, investors and policymakers gauge the trends shaping demand across MMR.

Our Real Estate ecosystem focuses on digitizing the investment process for capital providers encompassing asset-level data, macro market data, construction management etc. with an overall focus on seamless information flow and predictive capabilities.

Sangram Baviskar

MD's desk

TruBoard Partners



Housing has long been important in the personal lives and finances of individuals. The housing importantly affects the job market, the financial sector, and the rest of the national economy. An improved understanding of housing can help improve housing and macroeconomic Policies and forecasts.

The responses of the real time prospective home buyers echoes the true spirit and aspirations of home buyers in the MMR region. CREDAI-MCHI in collaboration with Truboard Partners have designed the Home Purchase Sentiment Index with consumers' responses to to map the questions about home buying and selling conditions, income gains and job concerns, and house price and mortgage rate expectations. The HPSI can help forecast mortgage originations and house prices, sales, and starts. Teams of CREDAI-MCHI and Truboard Partners have successfully registered differences in the HPSI by income and by age groups.

To effectively and efficiently distill information about consumers' housing-related attitudes, intentions, and conditions, we built the Home Purchase Sentiment Index (HPSI) to help map and gauged the housing market of MMR which will be helpful to both consumers and developers.

I am sure this excellent piece of research will help many in making life wise and business wise decisions.

Happy reading,

Boman Irani

President

CREDAI-MCHI



The collaboration of CREDAI-MCHI and TruBoard Partners has resulted into this excellent House Purchase Sentiment Index. I am proud to share the same with you. The House Purchase Sentiment Index distills information about consumers' home purchase sentiment and accurately reflects consumers' current views and forward-looking expectations of housing market conditions and complements existing data sources to inform housing-related analysis and decision making.

This excellent piece of real time research is constructed from answers given by real time consumers based on their evaluations of housing market conditions and address topics that are related to their home purchase decisions. The questions ask consumers whether they think that it is a good or bad time to buy or to sell a house, what direction they expect home prices and home loan interest rates to move.

I am proud to be a part of India's first of its kind of research report which is the most detailed consumer attitudinal survey. It answer many queries regarding home buying price changes, homeownership distress, household finances and overall consumer confidence. The research is an attempt to gauge home buyer's preferences regarding home buying and choice of micro markets and to provide all stake holders – consumers, developers, investors, sellers and owners – the best insights into the property market from a consumer perspective.

Best regards,

Keval Valambhia

COO

CREDAI-MCHI

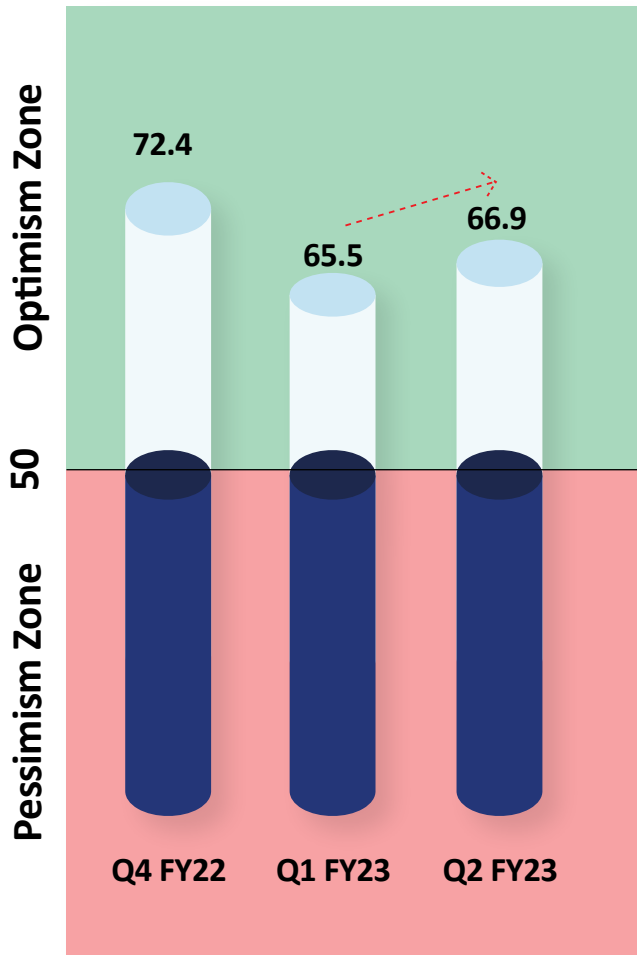
KEY NUGGETS

- Customers in the age groups of 30-40 and 40-50 are most optimistic about buying a house in next 6 months, while customers aged less than 30 years are postponing their buying plans. The overall sentiment for customers aged 30-40 increased from 65.6 in Q1 FY23 to 68.2 in Q2 FY23, while for customers aged less than 30 years, it dropped from 66.4 to 64.4 during the same period.
- Customers aged 50+ might go slow on their buying decisions owing to heavy inflationary pressures and low interest on deposits, rendering their disposable incomes inadequate. The overall sentiment for the age group marginally dropped from 68.6 in Q1 FY23 to 67 in Q2 FY23.
- Rising prices have led to a decline in female homebuyers' sentiments. 45% prospective female buyers expecting a price rise want to buy a house in the next 6 months, as opposed to 47% for males.
- Salaried people are most optimistic about buying a home. 3 out of every 5 salaried customers are planning to buy in spite of believing that prices and interest rates will go up in the next 6 months. .

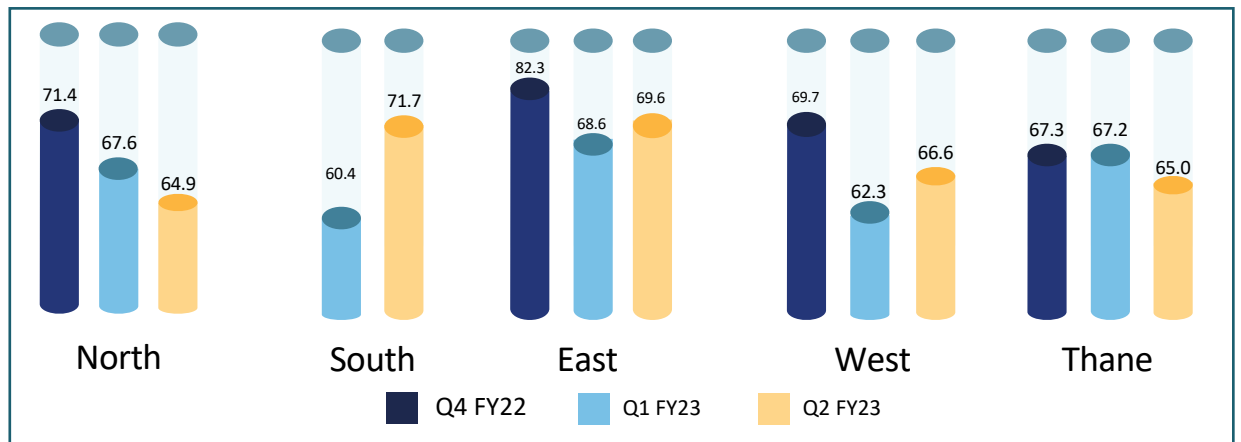


HOUSE PURCHASE SENTIMENT INDEX (HPSI)

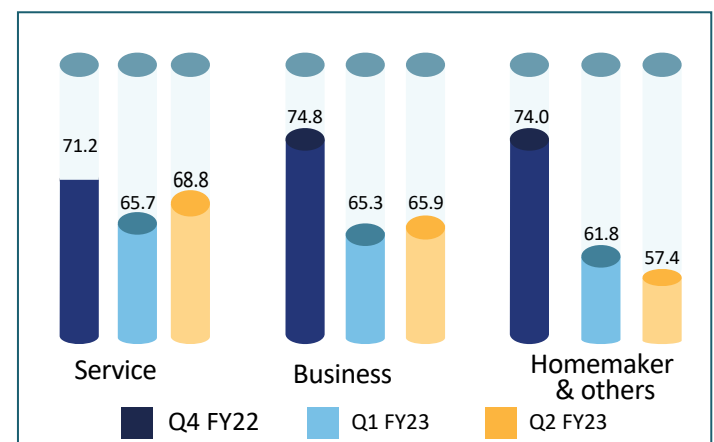
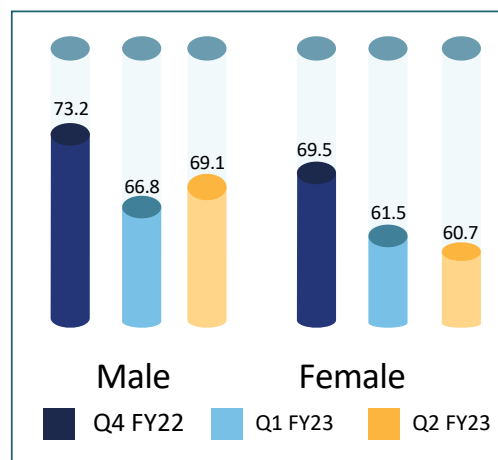
HOUSE PURCHASE SENTIMENT INDEX



REGIONAL TRENDS



DEMOGRAPHIC TRENDS



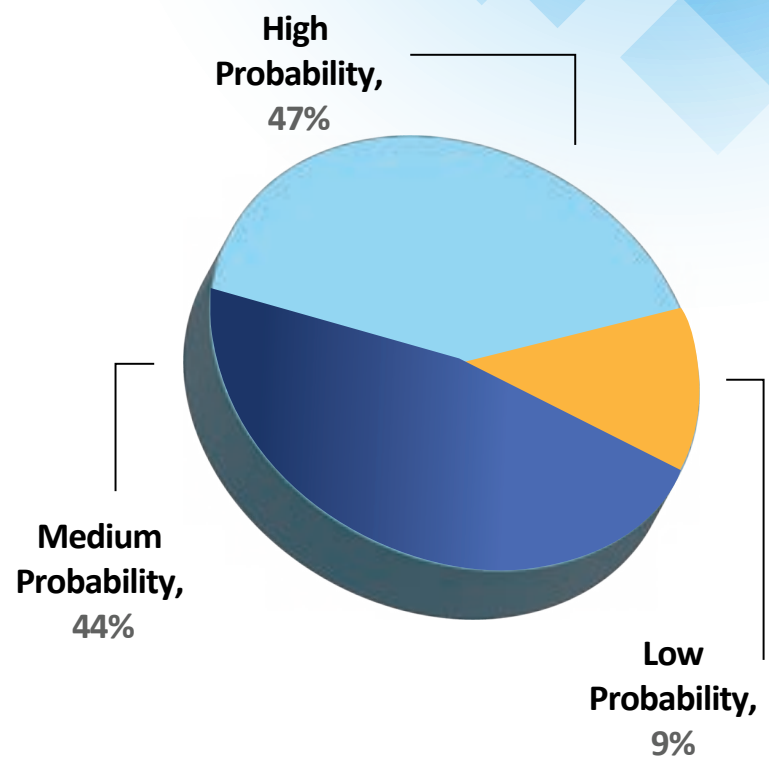
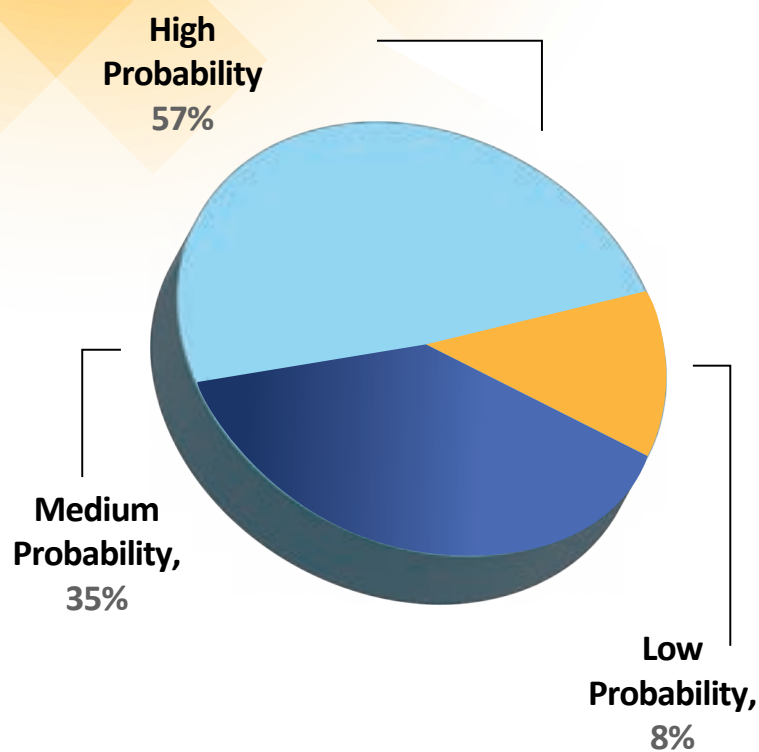
HOUSE PURCHASE SENTIMENT INDEX: MUMBAI METROPOLITAN REGION (MMR)

- From a temporary dip in Q1 FY23, House Purchase Sentiment Index (HPSI) improved 2.1%, quarter on quarter, in Q2 FY23. The overall sentiment in MMR is up from 65.5 in Q1 FY23 to 66.9 in Q2 FY23.
- While the overall uptick is led by an increase in sentiments in southern, eastern and western regions, southern regions recorded the sharpest rise in sentiments. Sentiments in Thane* continue to be strong and well above the threshold, despite a 3.3% decline (q-o-q).
- Male buyers have driven the rise in optimism levels, while female buyers have started factoring in a price rise.
- Optimism to buy is lower among prospective buyers who are business owners compared to salaried individuals.

*Includes Thane, Kalyan and Panvel



PROBABILITY OF SUCCESSFUL SALE



LOW PROBABILITY: Share of customers who want to buy based on optimistic expectations on price and rate trends. Can change their mind if reality diverges from expectation.

MEDIUM PROBABILITY: Share of customers who want to buy based on mixed expectations on future price and rate trends. Sitting on the fence.

HIGH PROBABILITY: Share of customers who want to buy despite expecting higher prices and rates going forward.

EXPECTED IMPACT OF PRICE HIKE ON SALES

- 42% potential home buyers in MMR expect some price rise in next 6 months.
- 26% potential homebuyers believe prices and rates both will rise.
- Despite that, 1 out of every 4 homebuyers who believe prices will rise, want to certainly buy a home in 3 to 6 months.

EXPECTED IMPACT OF RATE HIKE ON SALES

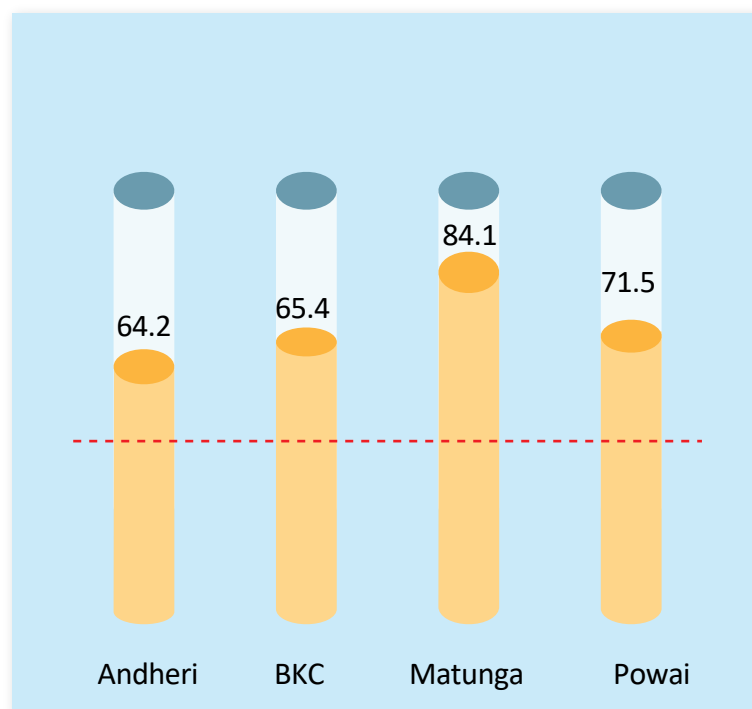
- 37% potential home buyers in MMR expect home loan rate to increase.
- 40% potential homebuyers aged less than 40 years want to buy despite expectations of a rise in home loan rates.
- Both male and female buyers are unsure of a rise in home loan rates.



DIVERGENCES ACROSS SELECT MICRO MARKETS IN MMR REGION

Wide differences in sentiment across Micro Markets

Differences within select MMR Micro Markets



SALES PROBABILITY IN SELECT MMR MICRO MARKETS

- **Andheri:** 69% of prospective buyers are high probability buyers, with possibility of deal closure in 6 months.
- **BKC:** 33% of prospective buyers are high-probability buyers.
- **Matunga:** 48% of prospective buyers are high-probability buyers.
- **Powai:** 82% of prospective buyers are high-probability buyers.

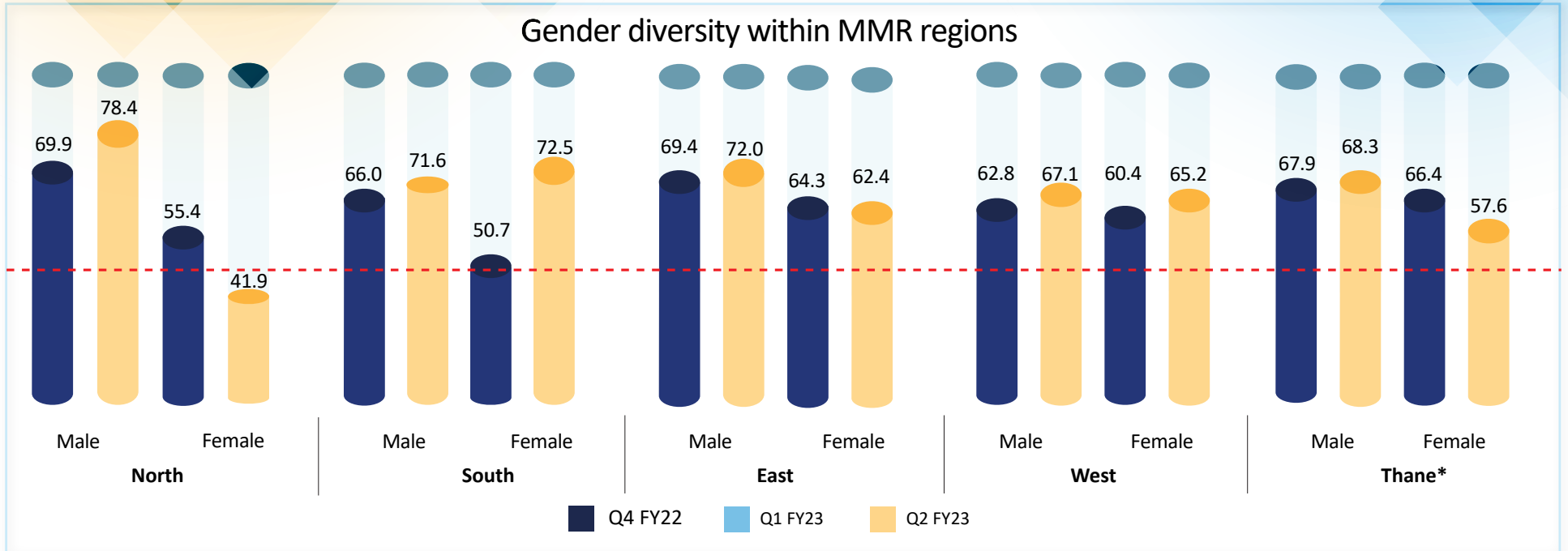
GENDER DIVERSITY IN SELECT MMR MICRO MARKETS

- **Andheri :** Male buying propensity is much higher than females, 50% vs 25% respectively.
- **BKC:** Male buyers are highly optimistic. 50% males surveyed plan to buy in 6 months.
- **Matunga:** Over 88% males surveyed plan to buy in 6 months.
- **Powai:** 58% male and 33% female prospective buyers expect to buy in 6 months.



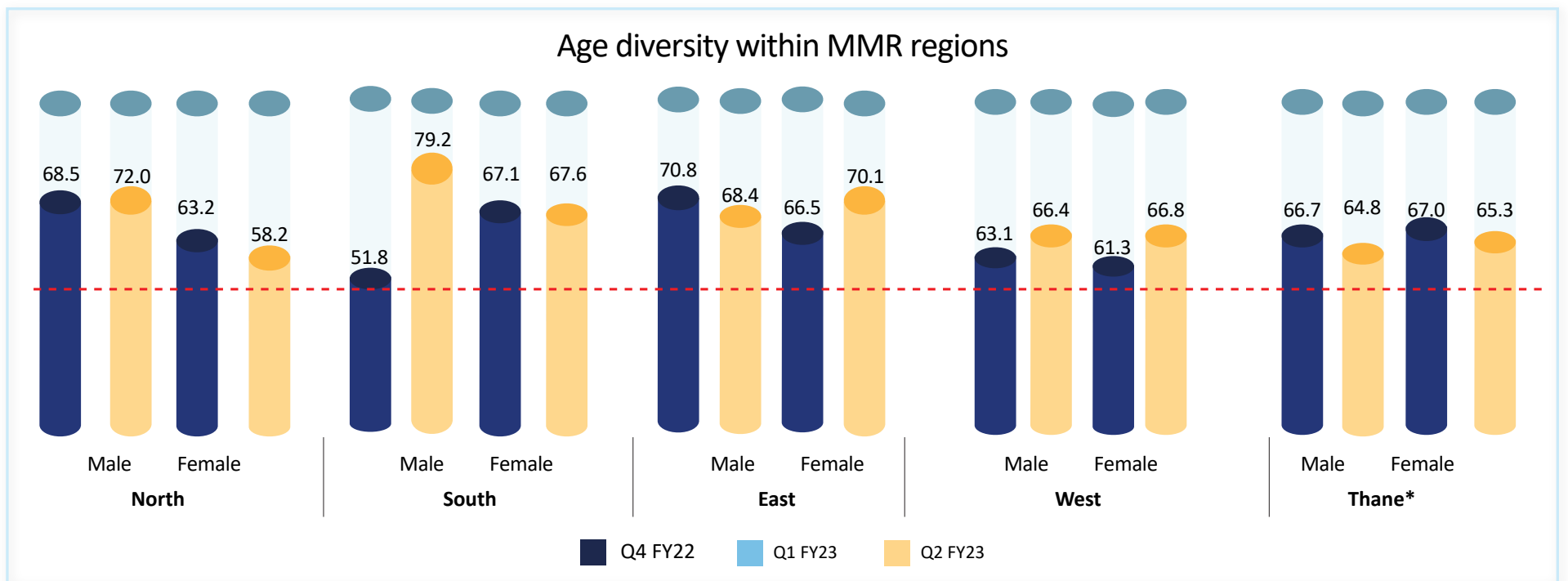
DEMOGRAPHIC DIVERGENCES

Key demographic differences in demand



*Includes Thane, Kalyan and Panvel

- Across regions, female prospective buyers in southern and western suburbs were optimistic about buying a house in the next 6 months.
- Female prospective buyers' sentiment in the southern region witnessed the sharpest rise this quarter.
- Male prospective buyers are more optimistic across all regions.



LT 40Y= Less Than 40 years; 40Y&+= 40 years and above

- Customers aged less than 40 years in northern, southern and western regions are more optimistic, as compared to their counterparts in eastern regions for buying a house in next 6 months.



HPSI METHODOLOGY

The House Purchase Sentiment Index is based on quarterly surveys of prospective home buyers carefully selected across key micro-markets in the Mumbai Metropolitan region (MMR). It provides an advance signal on propensity to buy homes among prospective buyers across major demographic clusters:

- Geographic location
- Age category
- Gender
- Occupation type

This one-of-a-kind index in India is a useful tool for:

- Real estate developers and housing finance companies to forecast demand and plan marketing strategies.
- Investors to gauge the future financial health of RE developers in specific micro markets
- Policy makers (RBI, State Government and Central Government) to ascertain sensitivities on home demand from policy changes.
- Home buyer to gauge the overall sentiment of other consumers.
- Research analysts tracking Real Estate Sector.

METHODOLOGY

The Index is based on a quarterly survey of 690 respondents. The survey questionnaire is designed by TruBoard and the surveys are executed on the field by MCHI.

The survey is conducted by a pen and paper mode by sales agents across major residential sites in MMR. The data is then tabulated in a digital format and is processed as follows to arrive at the Index:

- **Step 1:** Diffusion scores for each question (in the questionnaire) is computed as a weighted share of positive responses out of all responses. The Diffusion Score for each question can range between 0 to 50.
- **Step 2:** A weighted average of Diffusion Scores is computed to arrive at the composite House Purchase Sentiment Index for every micro market where surveys are conducted.
- **Step 3:** A weighted average of all micro market indexes is calculated to arrive at the overall Index for Mumbai Metropolitan Region. The Index ranges between 0-100, with 50 being the threshold beyond which scores are deemed optimistic. Scores below 50 are considered pessimistic.

CREDAI - MCHI

CREDAI-MCHI is an apex body consisting of members from the Real Estate Industry from the Mumbai Metropolitan Region (MMR). With a strong Membership of over 1750+ leading Developers in MMR, CREDAI-MCHI has expanded across MMR, having its own Units in the region of Thane, Kalyan-Dombivli, Mira-Bhyandar, Vasai-Virar, Raigad, Navi Mumbai, Palghar, Boisar, Bhiwandi, Uran-Dronagiri, Shahapur-Murbad, Alibag, Karjat-Khalapur-Khopoli and Pen. CREDAI-MCHI is the only Government recognized body for private sector developers in MMR and consistently working to make the industry more organized and progressive. CREDAI-MCHI under the aegis of CREDAI National which is an apex body of 13000 developers from across the nation has developed into a preferred platform with regard to a regional discourse on housing and habitat through its close and deep networking with the Government.

TruBoard Partners

TruQuest is a knowledge series launched by TruBoard Partners providing succinct updates and views on:

- Liquidity Outlook
- India's macro-economic view
- Trends within the Infrastructure, Real Estate and Renewable Energy sectors
- Impact analysis of new regulations and policies on lending and capital flow

TruBoard Partners

TruBoard provides bespoke solutions for capital providers to better manage their investments and maximise returns. TruBoard brings in a combination of domain expertise and artificial intelligence to the mainstream of financial analysis, enabling speedy and effective decision making. TruBoard's core area of operations are Credit Monitoring, Real Asset Management, Retail Loan Servicing and Collection, and Dispute Resolution and Advisory.



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Note: We thank Debopam Chaudhuri, former head of research at TruBoard Partners for his contribution towards the House Purchase Sentiment Index for Q2 FY23.

Disclaimer:

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