

Revival is back for the Indian real estate market especially in Tier II & III cities – reveals Boston Analytics survey

Growth driven by:

- Increase of low-budget housing in tier II & III cities
- Availability of low home loan rates across the country

Mumbai, March 17, 2010: The country's realty sector has witnessed a revival in the last few months driven by a significant increase in the level of construction activity of low-budget housing coupled with low home loan rates (as a result of stimulus packages announced by the government). A Boston Analytics monthly survey on the real estate sector reveals:

- Increased supply and pace of construction activity
- Improvement in pessimism related to real estate prices, and
- Low rates of interest on home loans appear to be encouraging signs for the Indian real estate sector

All these factor are coming together to encourage Indian consumers to firm up their home purchase decisions. Sentiment related to spending on homes has improved in the last three months

The Boston Analytics monthly survey on real estate sentiment points towards interesting tier-wise differences in sentiment related to the pace of construction activity and real estate prices.

Table 1: Tier-wise differences in observed and expected change in construction activity (December 2009 – February 2010)

Tier	Observed Change (compared to 12 months ago) in CONSTRUCTION ACTIVITY represented by the Optimism score *			Expected Change (in the next 12 months) in CONSTRUCTION ACTIVITY represented by the Optimism score*		
	Dec '09	Jan '10	Feb '10	Dec '09	Jan '10	Feb '10
Tier I	82.0	77.5	77.6	90.6	85.4	82.5
Tier II	87.9	87.9	88.7	83.9	85.6	84.9
Tier III	82.7	87.4	82.7	85.6	89.7	89.0

Sentiment related to pace of construction activity (as depicted by Optimism scores*) in Table 1 above conveys more optimism with regards to observed change in construction activity in Tier II and Tier III cities relative to Tier I cities when compared to the score 12 months ago. Additionally, the real estate projects which are in various stages of completion in Tier I, Tier II and Tier III cities and towns appears to be infusing optimism about the expected change in construction activity among respondents across Tiers.

Table 2: Tier-wise differences in observed and expected change in real estate prices (December 2009 – February 2010)

* The Optimism score measures the degree of optimism expressed by respondents about a particular issue. Optimism scores between 0 and 25 indicate that respondents are very pessimistic, 25 to 50 suggest pessimism, 50 to 75 signify optimism, and a score of 75 or more signifies extreme optimism.

Tier	Observed Change (compared to 12 months ago) in REAL ESTATE PRICES represented by the Optimism score *			Expected Change (in the next 12 months) in REAL ESTATE PRICES represented by the Optimism score*		
	Dec '09	Jan '10	Feb '10	Dec '09	Jan '10	Feb '10
Tier I	16.2	22.1	19.5	8.6	12.3	15.5
Tier II	17.9	16.1	16.4	12.1	13.0	14.5
Tier III	22.7	19.8	24.7	17.3	9.4	11.8

With the increase in supply as indicated above, pessimism about real estate prices on an observed basis has improved in the last two months in Tier II and Tier III cities and towns.(as depicted in Table 2 above). However, on the expectations side, the trend is consistent across tiers, i.e. a smaller number of respondents (relative to survey results in previous months) are expecting prices and home loan interest to rise in the near future and hence the decline in optimism score*.

Table 3: Nationwide Home Purchase Intentions – December 2009 to February 2010

Home Purchase Intentions	Dec-09	Jan-10	Feb-10	Dec-09	Jan-10	Feb-10
	Absolute Numbers			Optimism scores*		
	461	465	730	4.8	6.1	7.7

As depicted above, home purchase plans have improved in the last three months. The number of respondents (in absolute terms) reporting home purchase plans jumped from 466 in January 2010 to 730 in February 2010. Correspondingly, the Optimism scores* related to home purchase plans registered a phenomenal increase from 6.1 in January 2010 to 7.7 in February 2010.

Elaborating on the survey findings, Shirin Bagga, Economist, Boston Analytics, said, “Increased supply, improvement in pessimism related to real estate prices, and low rates of interest on home loans seems to be encouraging Indian consumers to firm up their home purchase decisions”.

As pointed out by the Economic Survey of 2009-10, the importance of the construction and real estate sector in creation of both physical and financial assets has been growing over the years. The construction sector now accounts for 8 percent of GDP at constant prices, up from 7.7 percent in 2004-05. Similarly, the share of real estate ownership of dwelling and business services in overall GDP has increased to 9.2 percent in 2008-09 from 8.9 percent in 2004-05.

Data is derived from a survey of monthly survey targeting 10,000 respondents across 15 cities across fifteen Indian cities—Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad, Chandigarh, Nagpur, Kochi, Jaipur, Lucknow, Bhubaneswar, Patna, and Vishakhapatnam. A stratified sampling process was adopted for this survey, with the strata based on the socio-economic conditions of the respondents in order to ensure a proper representation of the population. All data is collected via face-to-face interviews.

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About Boston Analytics

Boston Analytics provides its corporate, consulting and financial clients the most current, accurate and actionable research and analysis—so they can be the first to uncover and exploit opportunities. The firm's work powers knowledge processes and enables effective decisions at all levels of its clients' businesses. Boston Analytics brings together leading analytical minds worldwide, delivers robust offerings of knowledge services, and works as a genuine partner. Boston Analytics is headquartered in Boston with offices in New York, London, and Mumbai. For more information visit www.bostonanalytics.com

Boston Analytics also offers monthly data on the real estate sector related to the observed (in the last 12 months) and expected (in the next 12 months) change in sentiment related to construction activity and real estate prices, differences in preferences for various housing formats, home purchase intentions in the next 12 months. **For further information please contact:**

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