



Sentiments improve for real estate with Q1 2022 Current and Future Sentiment Scores at new highs: Knight Frank-NAREDCO Real Estate Sentiment Index

Mumbai, April 20, 2022: Sentiments in the real estate sector have remained optimistic and touched new highs on the Knight Frank – NAREDCO Real Estate Sentiment Index Q1 2022. The flagship survey conducted quarterly by Knight Frank India and National Real Estate Development Council (NAREDCO) noted that Current Sentiment soared to a new high of 68 – indicating that most stake holders experienced positive developments in their businesses in the last 6 months including the period of the survey. Importantly, the Future Sentiment score recorded at 75 was at a historical best. This score indicates the expectations of the developers/investors for the next six months from the time of the survey. The flagship survey is in its 32nd edition.

The Current Sentiment score increased from 65 in Q4 2021 to **68 in Q1 2022** as the last six months remained positive for growth for most real estate stake holders. As the Indian economy navigated the third wave whilst being faced by uncertainty of a war in Europe, the real estate sector momentum remained unabated, especially of the residential segment. Commercial real estate segments also showed growth after the hiatus of the pandemic. While the sentiments have been positive for the two previous quarters, this score is one of the best reached in the history of the survey.

The Future Sentiment score, which gauges the stakeholders’ expectations for the next six months, also soared to **75 in Q1 2022** in view of a resolute economic outlook and continued demand for real estate space across asset classes. With the removal of all COVID-19 protocols by the Indian government, there is a further boost in sentiments.

When asked on their **Economic Outlook** for India, 85% of respondents in Q1 2022 expect the overall economic momentum to improve over the next six months. In terms of **Credit Availability Outlook**, 66% of the respondents expect the funding availability to increase over the next six months, while 29% expect it to remain the same during the period.

CURRENT AND FUTURE SENTIMENT SCORES Q1 2022

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Current Sentiment Score	31	22	40	54	57	35	63	65	68
Future Sentiment Score	36	41	52	65	57	56	72	60	75

Source: Knight Frank Research

Score >50: Optimism

Score =50: Neutral/Same

Score <50: Pessimism

Shishir Baijal, Chairman and Managing Director, Knight Frank India said, *“The growth in the residential market has been impressive, elevating the sentiments of the entire sector. As most companies start calling their staff back to work, office space demand has also been growing steadily. The buoyancy in stakeholders’ take on the sector reflects positively in both the Current and Future Sentiment Scores. However, geo- political tensions impacting crude oil prices, are leading to a rise in inflation in Indian market, which can impact demand from end users. The scenario is further complicated with supply chain disruptions, rise in input cost and an impending interest rate hike, all of which need to be watched carefully in the near future.”*

ZONAL FUTURE SENTIMENT SCORE

South Zone remains the most optimistic market with the highest score across zones in the current quarter. The **Future Sentiment Score** for South has inched up from 64 in Q4 2021 to **66 in Q1 2022**. Compared to Q4 2021, the Future Sentiment score for the **North Zone has inched up substantially with an increase from 57 in Q4 2021 to 65 in Q1 2022** as key markets in the North Zone recorded good traction in both office and residential sectors. The other zones – West and East – maintained their optimistic position with a score of 57 each. Despite a marginal fall in East, where the score altered from 58 in Q4 2021 to 57 in Q1 2022, both these regions remained in the optimistic territory.

ZONAL	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
North	28	38	55	58	56	55	63	57	65
South	39	42	65	66	63	57	62	64	66
East	39	40	50	65	53	48	57	58	57
West	34	38	47	66	53	60	67	56	57

Source: Knight Frank Research

Rajan Bandelkar, President, NAREDCO India and Director of Raunak Group said, *“Amidst the geopolitical tensions and a slow economy witnessed over the past few months, the real estate sector in India remained impacted during the first quarter of the year. A result of the global uncertainties - a rise in the cost of raw materials such as steel, cement etc - is a concern for the sector. However, these concerns will likely get mitigated in the next few quarters. The gradual rise in sales across regions and the opening of offices all over the country, along with current occupier interest in office leasing, will contribute significantly to the expected strong recovery and boost consumer sentiments. As seen in the current survey, the sentiment score has increased during the first three months. However, the situation with respect to the supply chains of raw materials may prolong in the near term. Hence, the development strategy should focus on establishing uninterrupted supply chains and faster project deliveries. Such a strategy will help the sector in achieving growth. There is already a positive outlook for Indian real estate in the next six months as the country's evolving urban landscape will continue to fuel the housing and office space demand.”*

OFFICE MARKET OUTLOOK – Q1 2022

With high vaccination coverage and improving business environment, the **outlook towards the Indian office market has enhanced considerably** in Q1 2022. As COVID-19 restrictions have been scaled back nationally in March 2022, 72% of respondents felt that office leasing will maintain a healthy growth curve in the next six months. In Q1 2022, stakeholder’s outlook for office rents also improved as compared to Q4 2021. In this quarter, 55% of respondents opined that office rentals should increase in the next six months, backed by strong demand trends. In terms of new office supply, 67% of the survey respondents are of the opinion that new office supply will increase over the next six months.

	Office Leasing	New Office Supply	Office Rents
Increase	72%	67%	55%
Same	17%	24%	31%
Decrease	11%	9%	14%

Source: Knight Frank Research

RESIDENTIAL MARKET OUTLOOK – Q1 2022

The Q1 2022’s survey findings present a **very optimistic stakeholder outlook for the residential market** in the next six months on the back of strong homebuying demand. 80% of the survey respondents expect residential sales to increase in the next six months. This is a significant improvement over Q4 2021, when 72% of the respondents had a similar view. 78% of the survey respondents in the current quarter expect residential prices to increase in the next six months. During Q4 2021, only 34% of the survey respondents had a similar take. Stakeholders’ sentiments about residential launches also remained upbeat for the next six months. 80% of the stakeholders expect residential supply to increase in the next six months.

	Residential Launches	Residential Sales	Residential Prices
Increase	80%	80%	78%
Same	6%	13%	18%
Decrease	14%	7%	4%

Source: Knight Frank Research

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