

Future real estate outlook remains optimistic, office market sentiment improves: Survey

Synopsis

The Current Sentiment score, as per a survey conducted jointly by property consultancy Knight Frank and industry bodies NAREDCO and FICCI, has dropped from 57 in Q1 2021 to 35 in Q2 2021, but the drop is less intense than it was during the first Covid wave (Q2 2020) when the score had hit an all-time low of 22.



The sentiments among various **real estate** stakeholders have remained optimistic as realtors managed to cope better with the second wave of the Covid19 pandemic. With relatively less stringent lockdown restrictions and learnings from the last year helped developers and other stakeholders weather the situation. The availability

of vaccines and aggressive vaccination has further helped the optimistic outlook for the sector.

The Current Sentiment score, as per a survey conducted jointly by property consultancy Knight Frank and industry bodies **NAREDCO** and **FICCI**, has dropped from 57 in Q1 2021 to 35 in Q2 2021, but the drop is less intense than it was during the first Covid wave (Q2 2020) when the score had hit an all-time low of 22.

The **Future Sentiment** score has inched down marginally from 57 in Q1 2021 to 56 in Q2 2021 continuing to remain in the optimistic zone. Here as well, the outlook of stakeholders reflects more resilience in Q2 2021 than in Q2 2020.

Stakeholder outlook on the **office market** saw an improvement in Q2 2021 especially with respect to leasing activity. In Q2 2021, 40% of survey respondents were of the opinion that office leasing activity would increase over the next six months, up from 34% last quarter. Around 21% of the Q2 2021 survey respondents, up from 15% in Q1 2021, expects office rents to increase in the next six months while 40% expect rents to remain stable.

A score of 50 represents a 'neutral' view or 'status quo'. Above 50 demonstrates 'positive' sentiment while below that indicates a 'negative' outlook.

The optimism in the residential market outlook has continued in Q2 2021. More than 50% of the Q2 2021 survey respondents continue to expect an increase in residential launches and sales in the coming six months.

“The tragedy of the second wave of pandemic has pushed the overall industry sentiments down in the second quarter of 2021. However, our learning from the first wave, as well as a less stringent lockdown in the second wave, have

equipped us well to mitigate the severity of the economic ramification, showing some level of positive outlook among the stakeholders when compared to the dead low sentiment score of 22 during the same period last year. The availability of vaccines, a robust vaccination programme, along with continued economic activities have been the primary reason for the optimistic future sentiment score, as compared to last year,” said Shishir Baijal, CMD, **Knights Frank India**.

According to him, the real estate sector is treading cautiously and acknowledges that there is latent demand for both office and residential sectors, albeit hindered by the prolonged pandemic.

Buoyed by the post-second wave resumption of economic activity, Future Sentiments of stakeholders for the next six months have remained in the optimistic zone across most regions.

In terms of geography, the West zone saw the sharpest recovery in the Future Sentiment Score. This zone’s Future Sentiment score jumped from 53 in Q1 2021 to 60 in Q2 2021. With the resumption of economic activity, future sentiments (for the next six months) of stakeholders have remained in the optimistic zone, across most regions.

North zone’s Future Sentiment score has inched down marginally from 56 in Q1 2021 to 55 in Q2 2021, while for the South zone, the score has fallen from 63 in Q1 2021 to 57 in Q2 2021. The Future Sentiment score of the East region has entered the pessimistic zone with a fall from 53 in Q1 2021 to 48 in Q2 2021.

“Despite the debilitating impact of a pandemic, the outlook of the sector is really positive. There are several factors behind the growing positive sentiment. The nationwide vaccination drive has been a tremendous sentiment booster for the sector. The industry is also doing its bit by strengthening health infrastructure to support COVID patients and by initiating vaccination drives to inoculate over 2 crore construction workers. Furthermore, the sector is aggressively adopting digital technologies to streamline the supply chain, attract home buyers, and most importantly, ensure business continuity,” said Getamber Anand, Co-Chair, FICCI Real Estate Committee & CMD, ATS Infrastructure.

According to him, in the initial phase of 2021, the sector was gearing for a spirited turn-around, which was disrupted by the second wave. The industry has been capitalising upon certain positive trends and emerging opportunities. Despite lockdowns, developers have completed some major commercial projects and have put them for possession and lease. This shows the stronger confidence of developers in business opportunities in the new normal.”

On the macroeconomic front, more than 80% of the Q2 2021 survey respondents continue to have an optimistic outlook for the economy in the coming six months. While on the credit availability front, stakeholder outlook has improved in Q2 2021 with 46% respondents – up from 41% in Q1 2021 – expecting an increase in the coming six months.

The future outlook of both developers and non-developers including banks, financial institutions and private equity funds remains in the optimistic zone in Q2 2021, although there has been a significant fall in the sentiment score for non-developers.

(Catch all the ***Business News***, ***Breaking News*** Events and ***Latest News*** Updates on ***The Economic Times***.)

Download ***The Economic Times News App*** to get Daily Market Updates & Live Business News.