

PROPERTY FORECAST 2012

by Makaan.com



Introduction

The year 2011 can best be described as a lackluster year for Indian [real estate](#) sector. There were several headwinds that prevented the sector from delivering to its full potential. High property prices and rising home loan interest rates kept the home buyers away from the property market. [Property](#) transactions in major Indian cities were down by 20-40% for the year.

As we move into 2012 there are several un-answered questions. Where does the [property market](#) go from here? What is the current psyche of home buyers? Is it still a seller's market or buyers will dominate the market movement? Is affordable housing still the top priority, when the common man goes home shopping? Which is the hottest destination for investing in real estate in 2012? To get an insight into these and many more issues, Makaan.com, the fastest growing online property website, conducted a survey among its users.

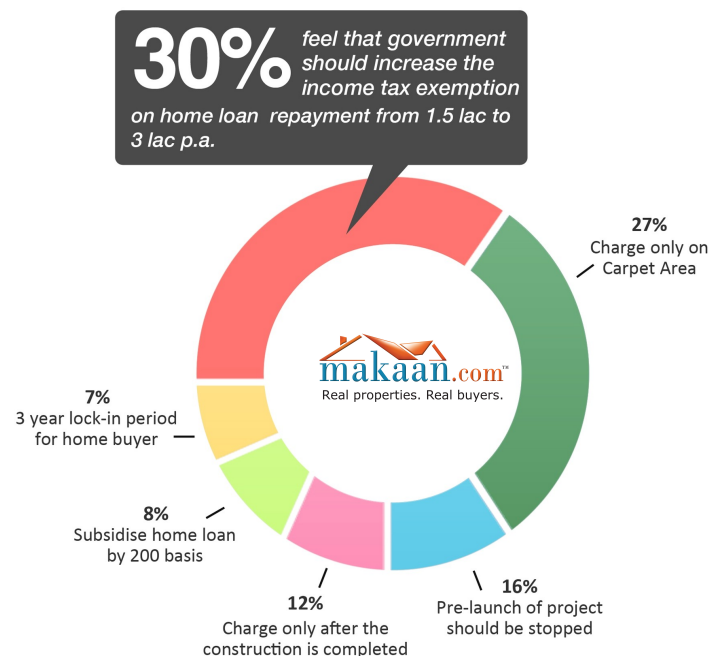


The survey ran on the website between 27th November to 15th Dec 2011, witnessed a voluminous participation of 4430 home buyers from across the country including cities of [Mumbai](#), [Delhi NCR](#), [Bangalore](#), [Chennai](#), [Hyderabad](#), [Pune](#), [Kolkata](#), [Ahmedabad](#), [Chandigarh](#) & more. Most of the survey takers were male, in the age group of 26 – 45 years. The next few pages highlight the major findings of the survey.

Higher Tax Rebate & Carpet Area Are Most Desired Reform Of 2012

Property Forecast 2012 asked home buyers to give an advice that would bring a positive impact on Indian [realty sector](#) in 2012, nationally, 30% people wish for an increase in income tax exemption limit, on repayment of interest on home loan, from current 1.5 lac p.a to 3 lac p.a. Next advice from the home buyers is to resolve the constant conflict of Super area Vs Carpet area. 27% of home buyers want the developers to charge on the Carpet area rather than Super area. They believe this will bring more transparency, as Carpet area is measurable as against the latter which in most cases is ambiguous.

“If you were to give one advise to the real estate community for a better 2012, which out of the following would you pick?”



16% feel uncomfortable with the pre-launches and advise for an absolute ban on it. Another 12% home buyers believe that developers should start charging only after the project completion. This will put a positive pressure on the developers on timely completion of their projects. 8% feel that government should subsidize home loans by 200 points (or 2%) of the market rate. 7% feel that to attract more genuine home buyers there should be a 3 year lock in period for home buyers.

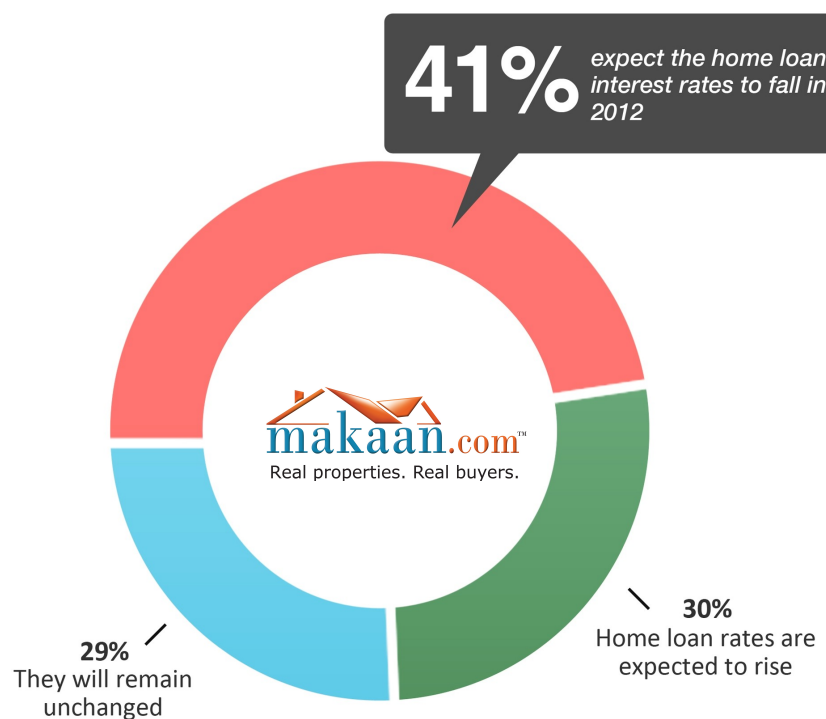
Makaan.com's Take: Suggestions given by the home buyers are really credible and can bring life back in the otherwise lackluster real estate market. The advice to increase home loan exemption limit is the need of the hour, the current limit of 1.5 lac has become insufficient (when seen in light of the jump in property prices over the last 5-8 years). The limit has not kept pace with the price rise and hence should be revised upwards. The second advice of Carpet area has been a topic of debate among the real estate industry body and we believe there will be some progress on this aspect over the course of the year 2012.

Home Buyers Expect The Home Loan Interest Rates To Fall In 2012

As far as purchasing a home is concerned; arranging funds becomes the most critical aspect. Usually home buyers rely on home loan for making a property investment. In the recent past RBI has increased the benchmark REPO rate 13 times in the past 18 months. Home buyers seem to believe that RBI is at the end of the interest rate increase cycle, majority 41% expect the home loan rates to fall in 2012.

On contrary, 30% of the home buyers feel the home loan rates will continue to climb up. The remaining 29% feel that home loans would remain stable in the coming year.

“What will happen to interest rates on home loans in 2012?”

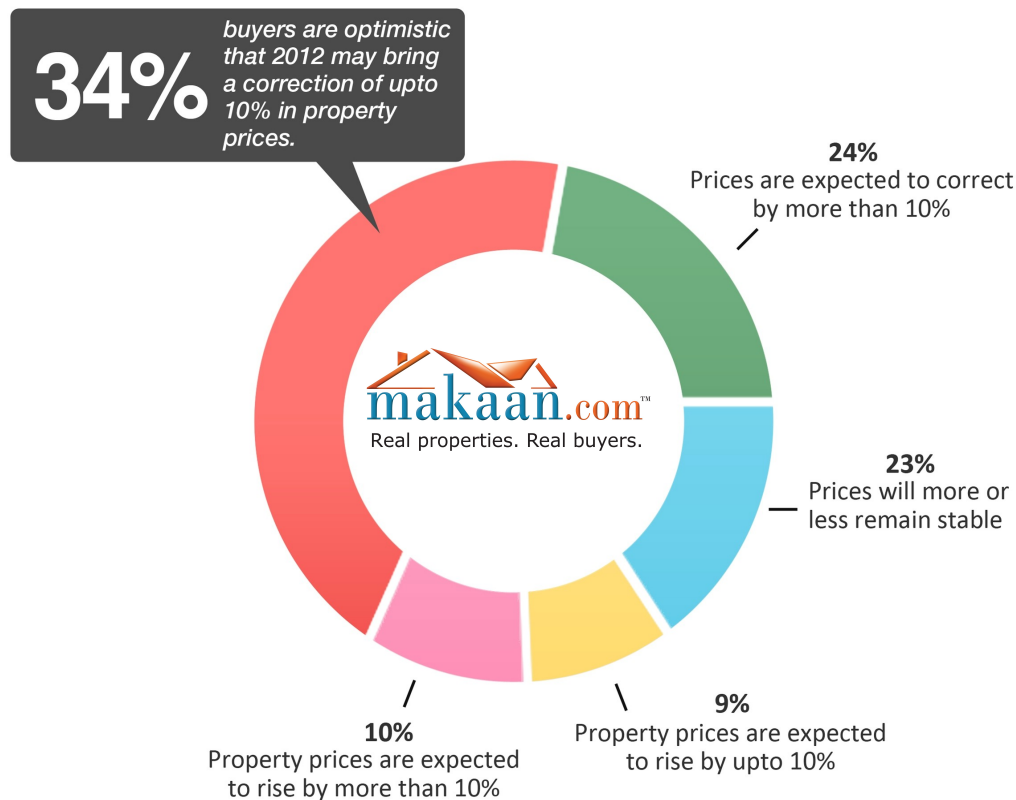


Makaan.com's Take: Our view matches with that of the home buyers. We expect RBI to maintain the rate at the current level till Feb-March 2012 and announce rate softening post that. Banks may respond to RBI moves with a lag of 1-2 months, so home buyers can expect the home loan rates to move southwards only after April 2012.

Home Buyers Looking For A Correction In Property Prices

The meltdown of 2008 and early 2009 saw the [property](#) prices correct by 25-30% in major Indian cities. Post meltdown period saw a very smart recovery in 2010 with [property](#) prices reaching their pre meltdown levels. Most Indian cities saw prices reaching their new high. The sudden drop followed by an equally sharp rise, left many home buyers wondering regarding the genuineness of these moves.

“Where do you see residential property prices heading in 2012?”



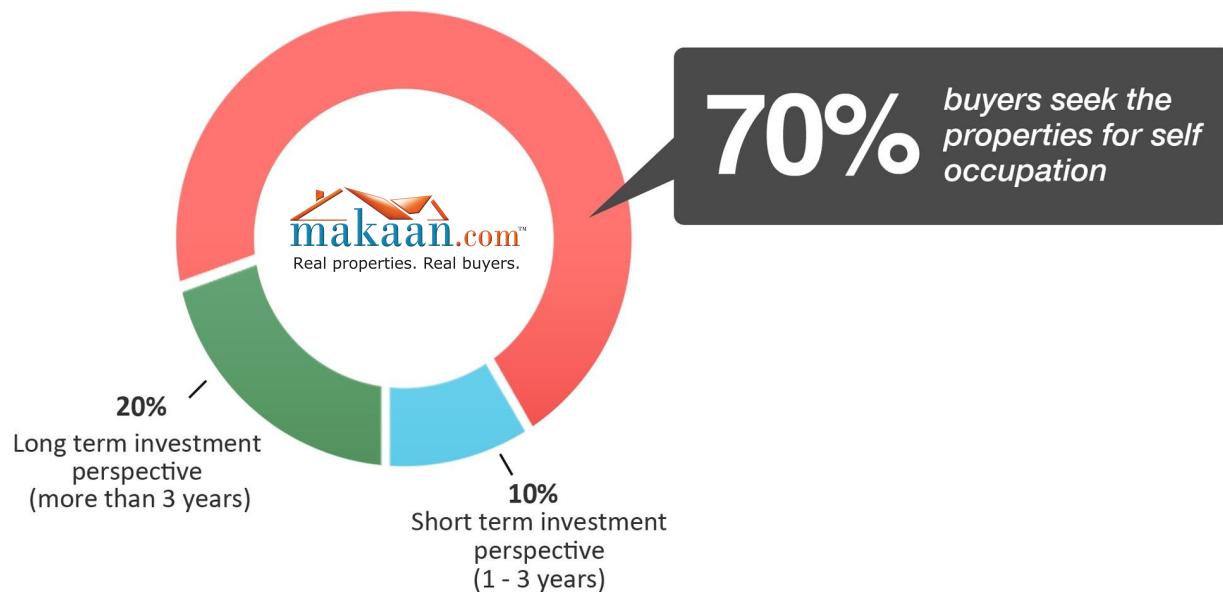
When asked to give property price forecast for 2012, an overwhelming 34% are expecting property price correction up to 10% while another 24% are more optimistic and are expecting a correction of more than 10%. This is in line with the popular sentiment in the [real estate](#) market. On the other hand, 9% believe property prices will increase up to 10% and another 10% believe prices will increase more than 10% in the coming year. The remaining 23% are predicting for stability in property prices.

Makaan.com's Take: We do not expect a meaningful correction in the [property](#) prices in 2012 although there are early sign of some token correction (read under 10%) in some Indian cities. The property prices will remain range bound till the first half of 2012 with a slight negative bias. We are expecting a demand revival during the July-Sept'12 period which will lead to hardening of [property](#) prices in second half of 2012.

End User Demand To Drive Property Market In 2012

2012 is going to be a year that will be dominated by end users. Home buyers seem confident for making a property purchase in 2012 with some help, in the form of a price correction & softening of home loan. We asked home buyers on the main reason for [buying a house](#) in 2012.

“What is the prime reason for buying a residential property in 2012?”

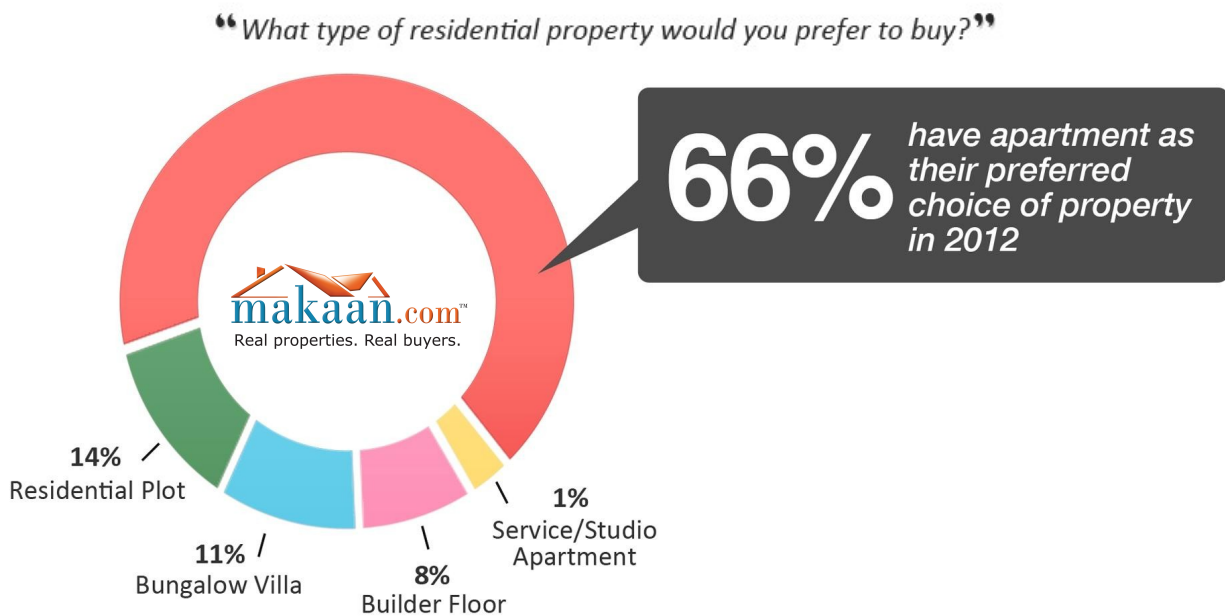


A whopping 70% of the national home buyers want to buy a house for self consumption. It is interesting to know that 20% are looking at buying a house for long term investment (time horizon more than 3 years) and another 10% are looking at investing for short term (time horizon 1-3 years).

Makaan.com's Take: The trend of “end use” consumption is extremely healthy for the [property](#) market. End consumer lead markets typically exhibit moderate but sustainable growth when compared with markets that are driven by speculators & short term investors.

“Apartment” Preferred Option Among Home Buyers

We asked the home buyers to choose amongst [Apartment](#), [Builder floor](#), [Bungalow / Villa](#), [Service / Studio Apartment](#) and [Residence Plot](#) as their favourite property investment. Apartments topped the chart with 66% people opting for it. Residential plots & Bungalow / Villa occupied second & third spot with 14% & 11% votes. Builder floor with 8% and Studio Apartment with 1% came next.

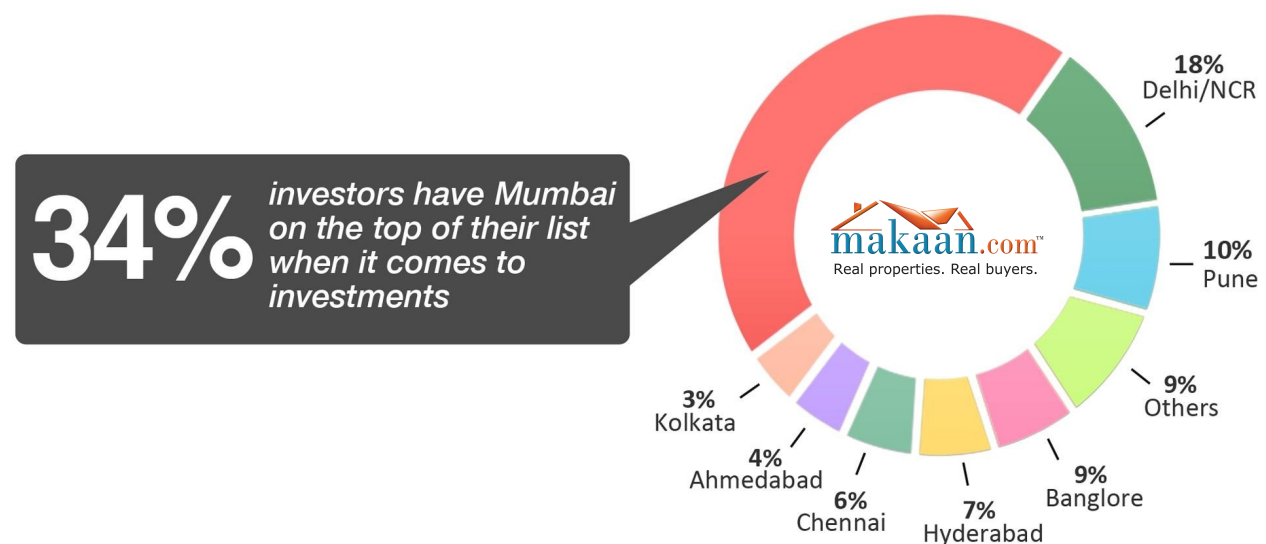


Makaan.com's Take: The preference for an apartment is typically a urban phenomenon and reflects the sentiments of home buyers living in tier 1 & 2 cities in India. This could be because of the security and community living benefits that only an apartment can offer. Outside of tier 1 & 2 cities, India is predominantly a low density environment where the preference will differ from the above.

Mumbai Is The Most Preferred Investment Destination In 2012

Owning a house is a priority for most Indians today. We asked home buyers on their choice of city for making a real estate purchase in 2012. The results show that metro cities continue to attract majority of buyers with 78% of the respondents wanting to buy a house in the 5 major cities of India namely [Mumbai](#), [Delhi](#), [Pune](#), [Bangalore](#) & [Hyderabad](#).

“Which city would be your first choice for buying a residential property in 2012?”



Amongst all cities [Mumbai](#) is considered to be the most sought after location for [real estate](#) investment over next year with 34% of home buyers wanting to own a house in the city. The city remains a favorite destination for many Indians, due to its diverse work force, employment opportunity, cosmopolitan culture and glamour. [Delhi](#) follows [Mumbai](#) with 18% buyers willing to buy a property here. [Delhi](#) has witnessed healthy growth in infrastructural development with a new international airport and spread of metro services to the [NCR region](#). This will attract higher adoption in the coming years. Among the other major cities [Pune](#) (10%), [Bangalore](#) (9%) & [Hyderabad](#) (7%) are the key real estate investment destinations of 2012. Beyond the top five cities, home buyers have shown a preference for [Chennai](#) (6%), [Ahmedabad](#) (4%) and [Kolkata](#) (3%).

Makaan.com's Take: The preference shown is indicative of the population and the underlining real estate market in the above cities. We believe that the unsold inventory of read to move in houses in these cities will provide good opportunity for home buyers in 2012.

About MakaanIQ

[MakaanIQ](#) is an initiative by real estate website [Makaan.com](#), to provide information, intelligence and tools to help property seekers and [real estate industry](#) players take an informed property investment decision. [MakaanIQ](#) offers a host of services for the benefit of the home buyers including latest news on the [Indian real estate sector](#) and analysis of the property trends across major Indian cities. The website allows home buyers to search for property for buying, renting or PG. Home buyers can calculate their [equated monthly installment \(EMI\)](#) or check their affordability by using some simple tools. The website has been integrated with [Makaan.com Property Index \(MPI\)](#), a popular tool that offers up-to-date information related to the movement in residential property prices. For details check www.MakaanIQ.com.

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