

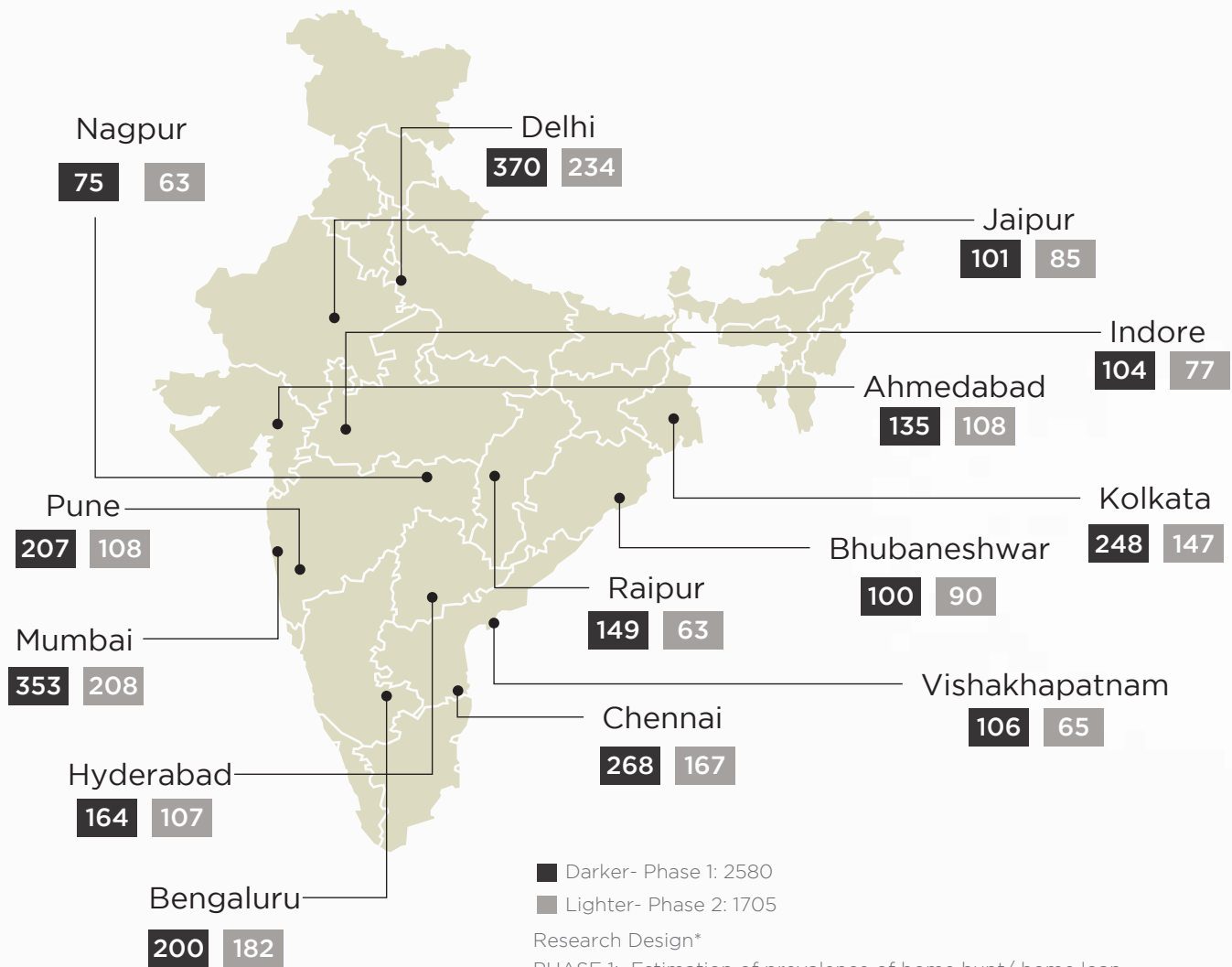


Home Hunt 1.1

March 2017 | By IMGC

Produced in Conjunction with IMRB

SEGMENTS OF PEOPLE SURVEYED



■ Darker- Phase 1: 2580

■ Lighter- Phase 2: 1705

Research Design*

PHASE 1: Estimation of prevalence of home hunt/ home loan

A widespread random home to home survey among 2400 decision makers

PHASE 2: Determination of needs of Home Buyer/ Borrower

Conducted among 1750 home/ loan purchasers

*Refer Annexure for design details



SEC A



SEC B



25-34 years



35-44 years



45-55 years



Salaried



Self Employed



Male



Female



Metro



Mini Metro



Small Town

For details on the centers classified under each town class, SEC calculation, detailed sample size across each demographics, etc., refer to glossary at the end of this document.



2016 Home Hunt

A Report on Trends and Perspectives on Housing and Home Finance

Welcome to the first annual edition of the India Mortgage Guarantee Corporation (IMGC) report on trends in housing and perspectives on housing finance. The report provides unique insights into the attitudes, needs and concerns of the Indian home buyer.

IMGC is the first mortgage guarantee company setup in India to help develop enablers in the mortgage market. Based on the observations made while scouring the market, we concluded there is a need to look at the consumer's point of view while being agnostic to the brand, to capture and track market trends over time.

The market is evolving rapidly and the government is taking steps to increase the level of home ownership by launching various schemes which will go a long way towards shaping the market and reducing the housing shortage in India.

IMGC's Perspective

In a rapidly changing environment, it is important to know the pulse of the consumers, as well as their requirements, which is the most important factor in ensuring efficient delivery.

This report is an endeavor to highlight the needs of the consumers and the challenges faced by them, clearly pointing to the focus areas. While there is a lot happening in the environment, the consumer remains cautious since the impact of change is unknown. In India, the process of evaluation to buy a house is very different when compared to other parts of the world.

The economic environment has been changing over the last 2-3 years, giving a boost to housing on one end while other factors, like taxation, new regulation in the real estate market and more recently demonetization, have created an element of uncertainty which keeps consumers at bay.

As of December	2014	2015	2016
SBI Home Loan Lending Rate Range	10.25%	9.70%	9.65%
Repo Rate	8.00%	6.75%	6.25%
Inflation	4.3%	5.6%	3.4%
Total Mortgage Debt Outstanding	₹ 10 trillion	₹ 11.9 trillion	₹ 12.8 trillion (June 2016)
GDP Growth Rate	6.6%	7.2%	7.1% (Sep 2016)
Mortgage Debt Outstanding as a % of GDP	8%	9%	9.2% (June 2016)

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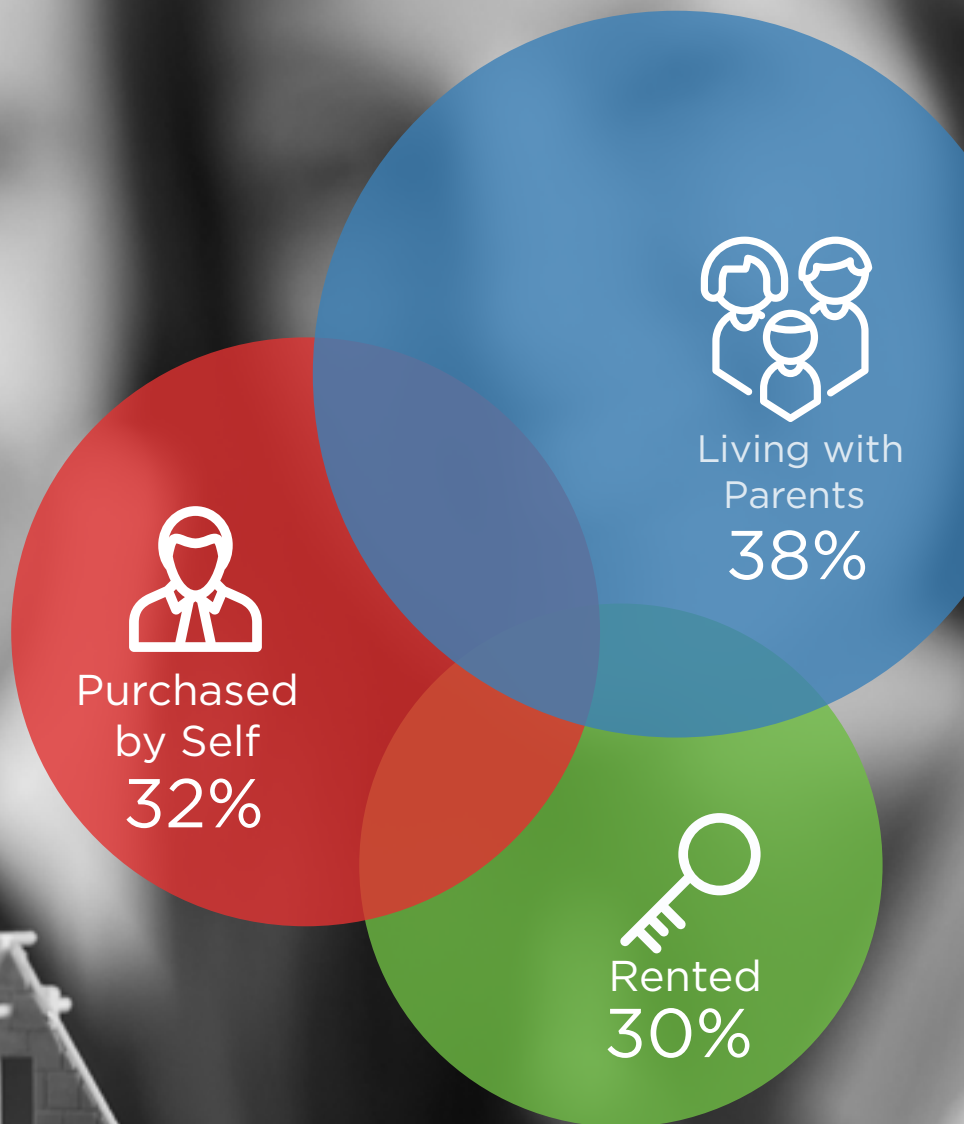
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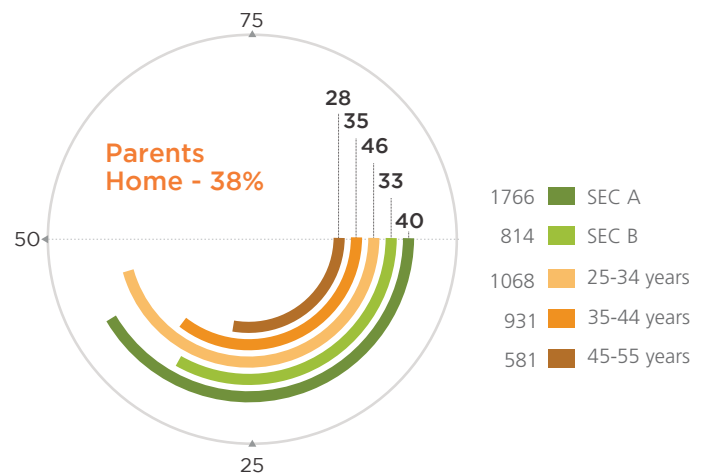
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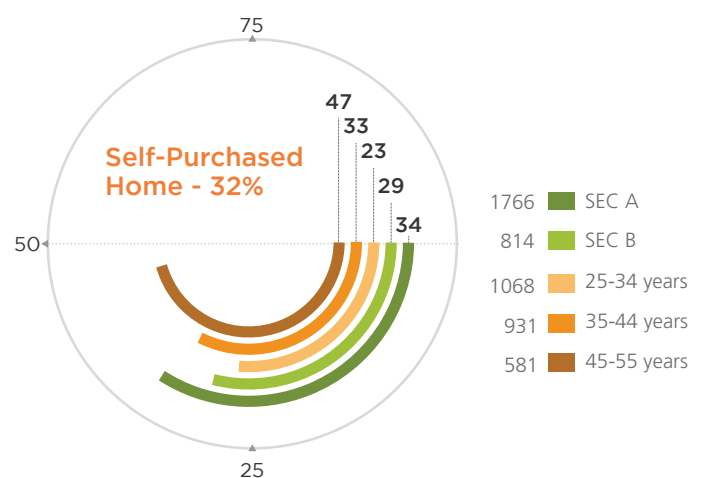
01. From Tenancy to Ownership: Charting the Growth in Demand



India has always been a country with an embedded culture of joint families (read “living with parents”). Though the proportion of population living with parents is gradually declining, currently almost 38% (of the respondents) still live with their parents. Living with parents is more prevalent among the younger age group (25-34 years), with 46% of them indicating financial dependence on parents.

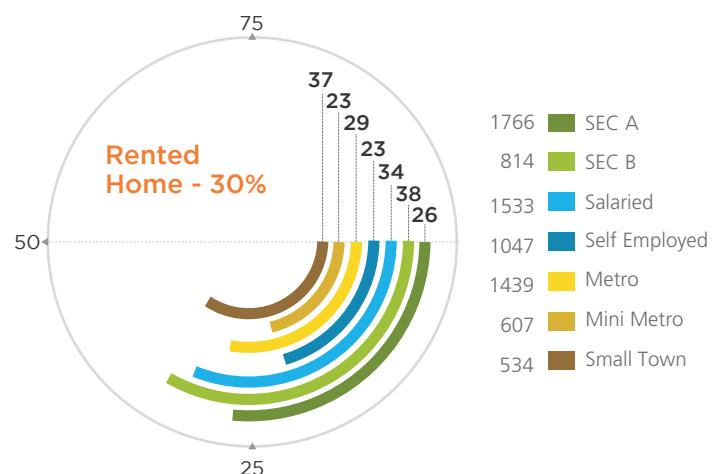


Approximately 32% of the respondents live in self-purchased homes. This reflects their financial independence, which is to be expected as they have many years of earning behind them.



Tenancy is higher amongst the younger age groups, with almost 31% of the respondents between 25-34 years and 32% of respondents between 35-44 years, as against 25% of the respondents above 45 years, opting for rented homes. Also, tenancy is significantly higher in small towns at 37% as compared to 29% in metros and 23% in mini metros.

The salaried class (34%) and the SEC B (38%) also tend to live more in rented accommodation.



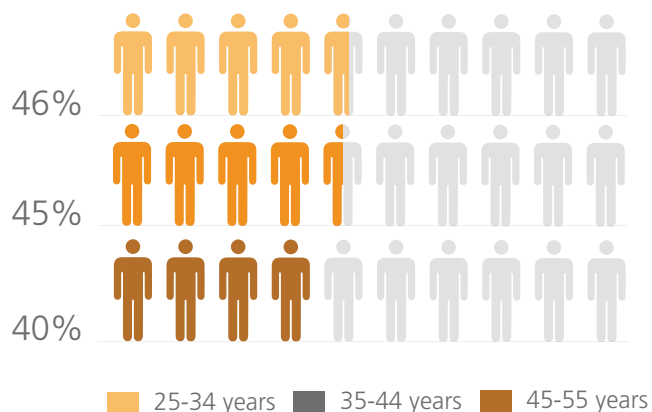
From the above, the need for homes, and thereby expected demand, can be anticipated amongst the following segments of population; more so in small towns, as compared to metros and mini-metros.

- Younger age group (25-44 years)
- SEC B segment

While these segments demonstrate potential demand, later in the report we shall describe the concerns faced by them, which need to be actively addressed to ensure market growth and development.

02. A closer look at the Indian home buyer

Wanting to buy a home



Of the total ~2500 respondents

44%

intend to buy a house in the next 6 months. i.e. **one in every two people** (who are breadearners) across the urban middleclass **plans to buy a house in the near future.**

An analysis of the responses received from the intenders reveals that the intention to buy a house is more prevalent amongst the younger age groups indicating a desire for home ownership. Also, more of self-employed individuals, when compared to salaried ones, and more of SEC A, when compared to SEC B, want to buy a house. This clearly indicates that financial strength plays an important role in moving towards the home buying decision.



For the 56% respondents who don't wish to buy a house in the near future, the top 4 reasons are: high interest rates (38%), lack of savings and unwillingness to borrow (38%), high property rates (32%) and insufficient loan availability (32%).

44%

'Unwillingness to borrow' is more prevalent a reason amongst the 45-55 year olds.

36%

'Insufficient loan' is the reason given by respondents in the age group of 35-44 year olds.

Looking at the two statistics together clearly shows a need to solve for availability of funds at an earlier stage in life.

A higher proportion of SEC B of the society cites lack of earning stability as a reason for not wanting to buy a house, as compared to SEC A.

The current fall in interest rates on account of demonetization could unlock the demand for homes across the urban middle class.

03.

Factors that drive the desire for home ownership

The desire / need for home ownership is similar for both groups: intenders and recent buyers. The level of emphasis on each of the factors shifts as individuals realize their intent of ownership.

Personal Factors

Amongst personal factors, long term security (55%) and pride of home-ownership (52%) are the most influencing factors for more than half of the respondents (home intenders). Other strong influencing factors include the desire to move to a better house (33%) and not paying rent (35%).

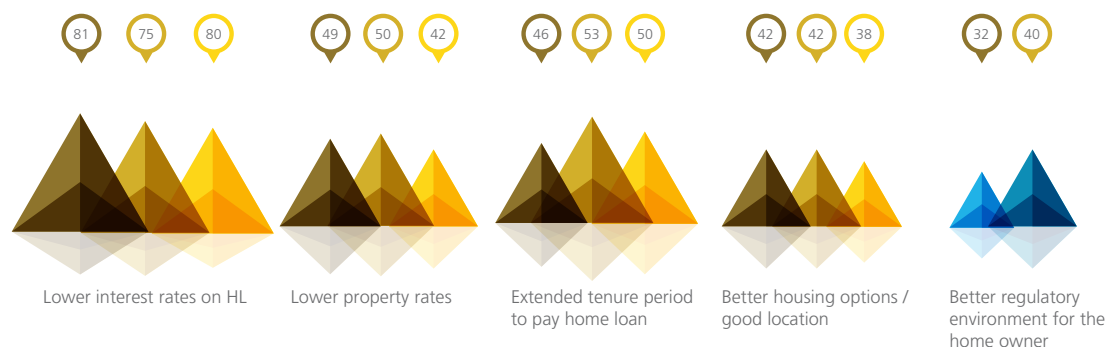


The top reasons why recent buyers bought a house include 'long-term security' (64%) and 'pride of ownership' (59%).

Buying a house as an investment option is the reason for almost half of the respondents (both intenders and recent buyers).

External Factors

The financial factors that influence intenders to buy a house relate to home loans viz. lower interest rates (79%), extended loan tenor (48%) and tax benefits on home loans (38%).



These factors also played an important role (more than intenders) for the recent buyers: lower interest rate (82%); extended tenor (54%) and tax benefits (41%).

'Lower property rates' is also one of the important influencing factors for almost half of the respondents (both intenders and recent buyers).



04. Sizing up the demand

Almost half of the intending respondents are looking for spaces less than 500 sq. ft. This clearly reflects a need for affordable housing. The percentage of respondents seeking houses:

51%

Metros
(Less than 500
sq. ft.)

50%

Mini-Metros
(Less than 500
sq. ft.)

31%

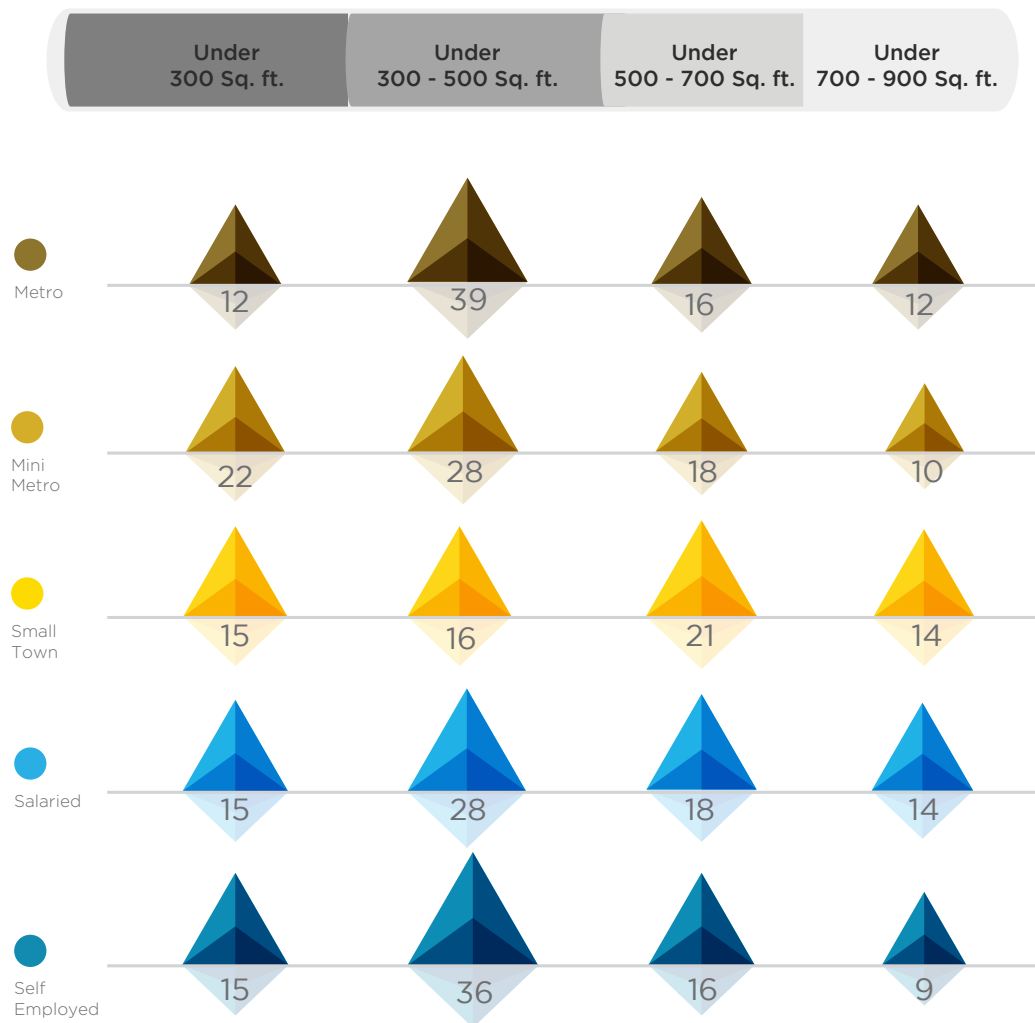
Smaller Towns
(Less than 500
sq. ft.)

This perhaps is a reflection of the real estate prices being lower in small towns.

Also while 48% of home intenders were looking to buy houses smaller than 500 sq. ft., only 42% of buyers actually bought a house smaller than 500 sq. ft. This clearly demonstrates a willingness to stretch finances (this aspect is discussed in detail later in the report).



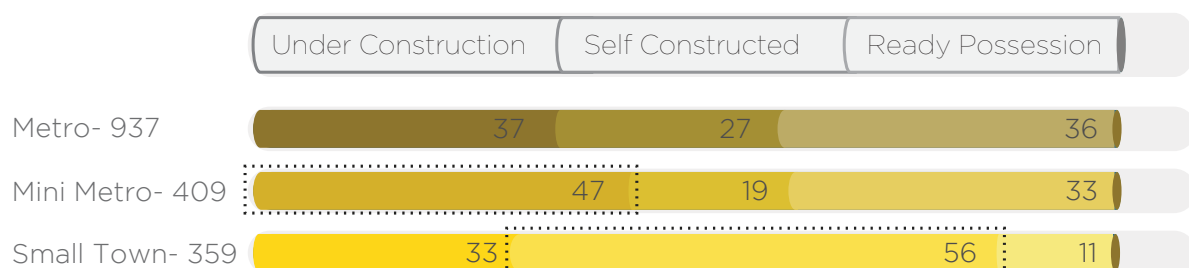
The proportion of people in the age groups 25-34 years and 35-44 years seeking smaller houses (less than 500 sq. ft.) is also higher (50%) as compared to respondents in the 45-55 years age group (39%). This could be on account of the underlying thought process, as well as changing needs as one progresses through various stages of life.



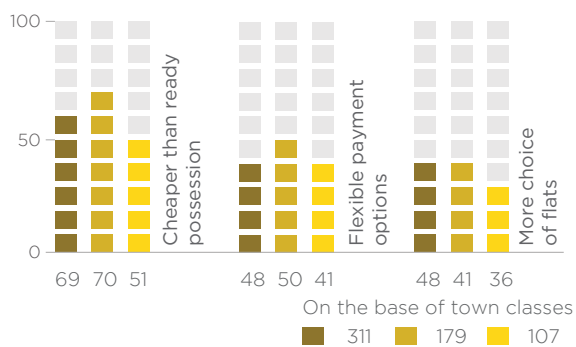
A younger first time home buyer may not consider house purchase as the final one and may look at moving with improvement in financial status, whereas a person closer to retirement may be financially more stable and may consider this as final purchase. This is also reflected in the fact that 18% of respondents in the higher age group (45-55 years) are seeking a house more than 1100 sq. ft. which is almost double the respondents in the youngest age group of 25-34 years (10%) and 1.5 times the respondents in 35-44 years age group (13%).

Across all respondents (intender v/s buyers) there is no clear preference between under-construction, self-constructed or ready apartments.

Preference of type of property varies across town classes. There is a clear preference towards self-constructed houses (56%) in small towns as compared to under-construction units in mini-metros (47%) and metros (37%). It will be interesting to see the trend for this preference in the years to come, given the delays in real estate development.

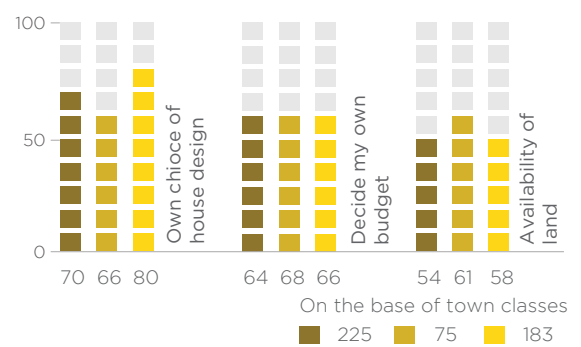


Under Construction: 39%



The top most reason for preferring under-construction house is that it is 'cheaper than ready possession'. Two in three respondents have selected this reason. 'Flexible payment option' is the next most selected reason (1 in 2 respondents). Based on the data, it seems clear that financial constraints, further pushed by availability of homes, are a key consideration for buying under-construction houses. This is also reflected in the outcome that the younger respondents (25-34 years) amongst intenders also prefer under-construction over other options.

Self Construction: 31%



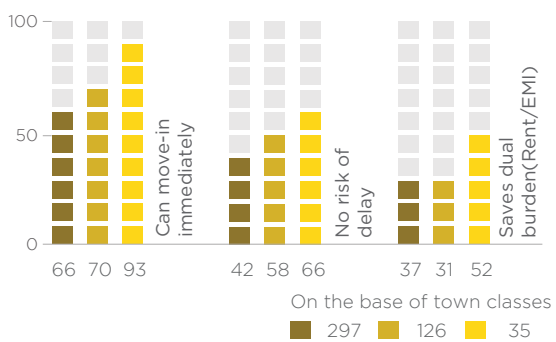
The top three reasons chosen for preferring a self-constructed house is:

- Choice of design
- Construction as per budget
- Availability of land

'Cheaper as compared to builder-constructed apartment' is also a reason chosen by more than one in three respondents.



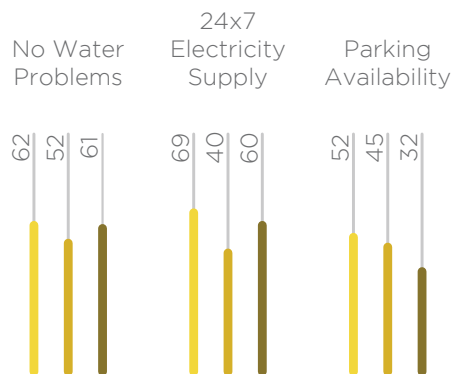
Ready Possession: 30%



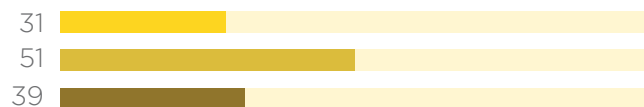
For ready possession, the top most reason is 'can move-in immediately' followed by 'no risk of delay in possession' (48%). This clearly reflects the apprehension of people towards under-construction property.

Most important influencers

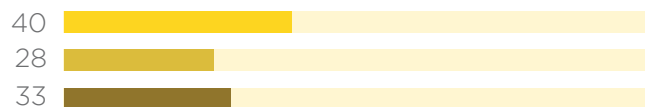
01 Basic Amenities: 96%



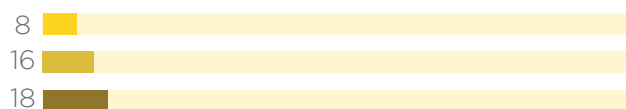
02 Finance Factors: 40%



04 Proximity Benefits: 34%



03 Builder / Building Factor: 15%



05 Environment Factors: 14%



Key factors related to home purchase were arrived at based on respondents selecting the top 5 factors that would be evaluated by them at the time of purchase. The outcome was as expected: basic amenities as a consideration was chosen by almost every respondent (96%), finance (40%) and location benefits (34%) are the two next important factors influencing a purchase decision.

Across all cross-sections of respondents, the priorities are the same with the only exception being the small town respondents who give priority to proximity / location benefits (40%) over finance factors (31%).

The average ticket size across all intenders was ₹ 34 lacs. As expected, the ticket size is the highest in

metros at ₹ 37 lacs and the lowest in small towns at ₹ 27 lacs. Keeping in mind that more proportion of respondents seek bigger houses (greater than 500 sq. ft.) in small towns, the outcome of average ticket size is a reflection of high real estate prices in metros.

The key difference in ticket size is amongst SEC A (₹ 36 lacs) and SEC B (₹ 30 lacs) clearly highlights the affordability amongst these sections.



10%

Almost two thirds of the total intenders are willing to stretch their budgets

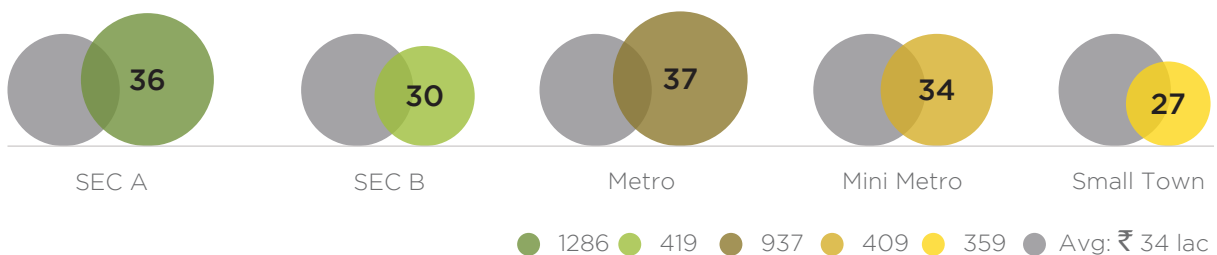
30%

Respondents are not willing to stretch their budgets at all.

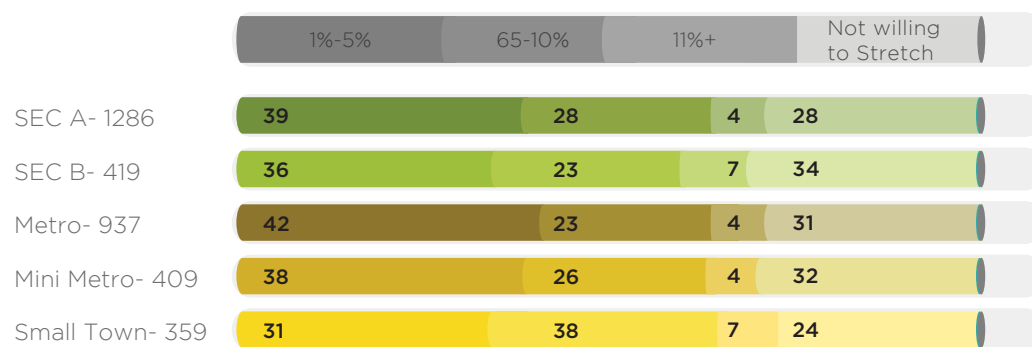
Overall, the ability to stretch the budget was more prevalent in small towns (only 24% said they would not stretch their budget) compared to all other segments that were evaluated. The least flexible in terms of range is the metro buyer, with only 27% being willing to spend more than 5% beyond their original budgets. It is also prevalent more amongst SEC A respondents vis-à-vis SEC B suggesting better affordability / availability of funds among SEC A intenders.

On observing what recent home purchasers have done, the stretch index was the maximum in the budget segment of ₹ 15-30 lac and in the highest segment of ₹ 70 lac – 1 Cr.

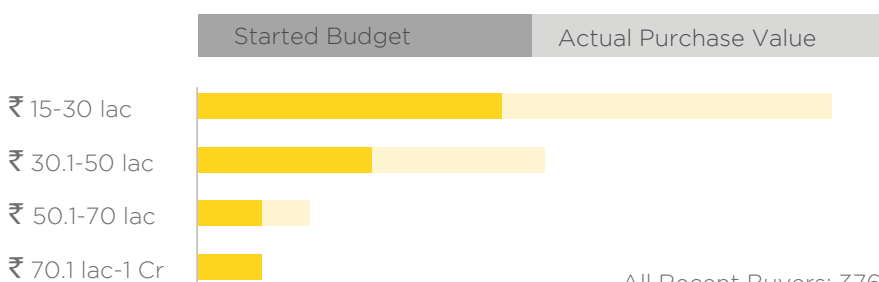
Average Budget in ₹ lac



Budget Stretch-ability



Stated Budget v/s Actual Purchase Value



All Recent Buyers: 376



05. Financing the dream home

As showcased earlier, financial strength plays a key role in the buying decision. Loans / financing is a key component of this equation. Sources of funding can be several as we will see later in this report. However the benefits of financing can only be obtained from borrowing in the formal sector. With that background, the thoughts related to home loans and evaluation of the same is highlighted below.

Perception about home loan



Home loans are a way to avail tax benefits for 2 in 3 respondents. The benefits of home loans are the top thoughts in the mind of respondents as compared to other thoughts (read negative), reflecting an open mind towards borrowing to meet their needs. Family and friends are the most trusted information source (52%) when it comes to financial advice on loans.

The criteria used to evaluate the financing options are as follows:

1. Tax benefits (67%)
2. Longer repayment period over other modes of finance (50%)
3. Lesser or no dependence on friends and family for finance (47%)
4. Cheaper way of financing homes (46%)
5. Easier to avail home loan as compared to other financing options (35%)

As expected, a metro / mini metro respondent has more positive thoughts towards home loans, primarily because of higher awareness and availability.

Challenges faced while applying for home loan



With respect to challenges faced in obtaining a home loan, the top 5 include:

1. High interest rate (43%)
2. Lack of loan history (40%)
3. Getting the desired loan amount (38%)
4. Loan processing time (33%)
5. Eligibility criteria set by bank / financial institution (30%)

The self-employed respondents consider higher interest rates a bigger challenge as compared to salaried respondents. This could be primarily on account of higher interests charged to self-employed borrowers.

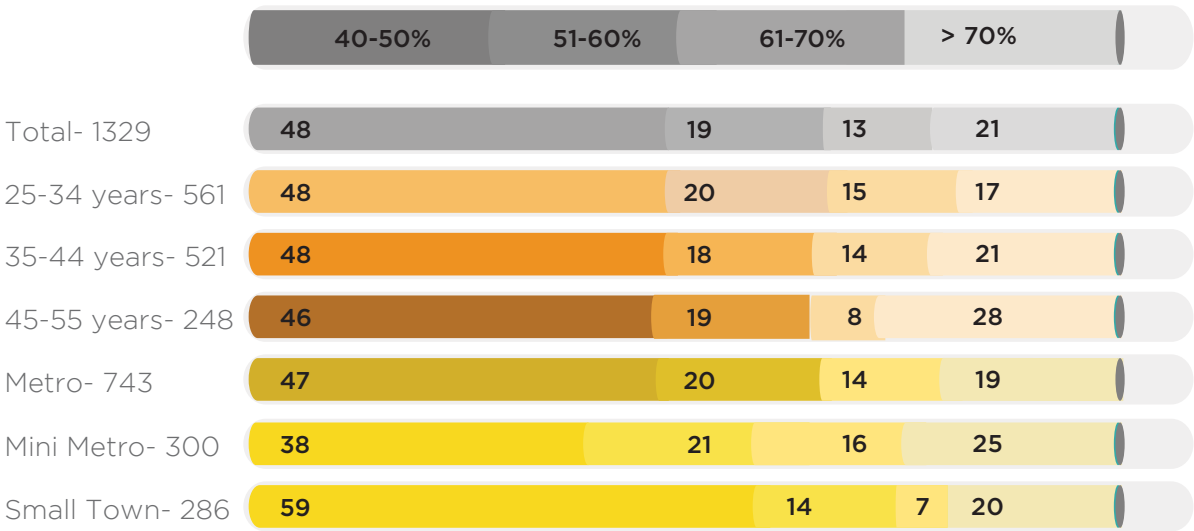
Lack of credit history comes in the way of younger borrowers (44%). This is also a challenge for SEC B borrowers (49%) as well as self-employed borrowers (43%).

Though respondents are aware about the benefits of home loans and are open to borrow, their approach is conservative towards debt. This is reflected in the survey outcome that only one in five respondents seek an LTV beyond 70%. This perhaps stems from the debt-averse mindset.

While the home budget is comparable across age bands, we find that the younger segment seeks relatively lower LTV. It may be possible that they face challenges getting a higher loan amount due to lack of credit history as mentioned by them.

In general, small town borrowers have lower budgets (₹ 27 lacs) and are seeking lower LTVs (only 27% seek LTVs greater than 60%). This could perhaps be due to a preference for self-constructed homes which gives them the flexibility to inject funds gradually with lesser dependence on loans.

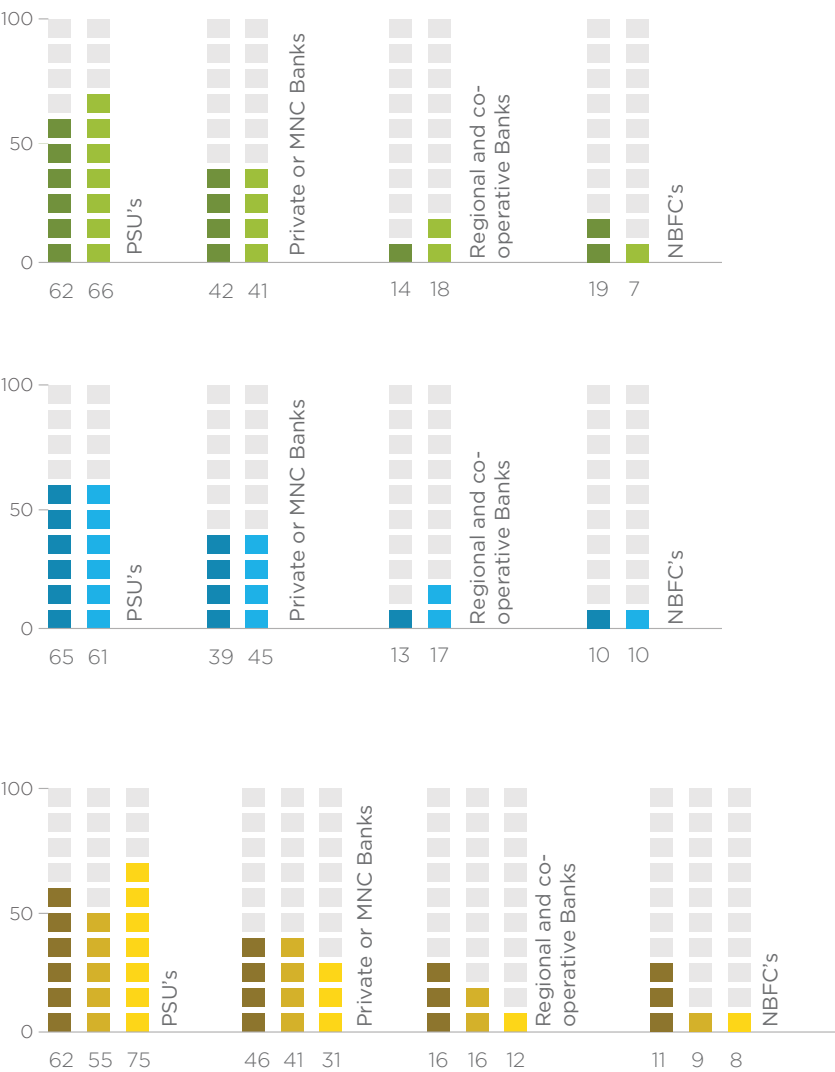
LTV Expected



Lower LTV reflects higher down payment which also explains why the average age of the first-time home buyer is higher: they need time to save enough money for the down payment.



Applied for home loans at



'Personal savings' is the most preferred option by both intenders (62%) and recent buyers (65%) to fund the down payment. This is also reflected in the ownership pattern we have seen earlier where tenancy is high in the initial years which changes as the individual is able to save more. The risk averse nature (not taking too much of a loan) is also a reflection of their behavior. A distant second option is 'borrow from friends / family' at 10% and 9% of home intenders and recent buyers respectively. Personal loan is a close third option at 9%.

Preference for type of lender varies based on level of exposure, comfort and availability of presence of lenders in specific areas or communities. Public Sector Banks, due to their sheer reach, are the preferred lending institutions. This could also be on account of the lower cost of borrowing.

Public sector banks enjoy wider preference in small towns (75%) as compared to metros (62%) and mini-metros (55%). Private / MNC banks enjoy relatively greater preference in metros (46%) as compared to mini-metros (41%) and small towns (31%). NBFCs have very few takers (10%).







Conclusion

The current level of home ownership, coupled with the shortage of homes in urban and rural areas clearly highlights the amount of focus that is required to deliver on the gaps. The Government of India, through various programs, changes in regulations and increased level of transparency is looking at providing the sector with the necessary push. The focus of most real estate firms in the past has been on developing projects in the larger cities, targeted at a segment of population which is different from what we have highlighted as part of this research.

Availability of appropriate housing, at the right price with the required level of financial support, is key to building up this sector and addressing the needs of the consumer. While some of the data points would be known anecdotally, the devil is in understanding the underlying needs and motivations of the consumer, and to deliver on their requirements.

Some of the changes to address the affordable housing space have been taken place in the last couple of years including the recent change in the definition which now includes loans up to ₹ 50 lacs. The findings of our research supplement and support the assumptions that are driving the current market trends as well as the focus of the government. The research shows that nearly half of the people (more so the younger consumers) are looking for homes less than 500 sq. ft. This is the profile that is challenged in terms of the ability to save adequate savings / earnings for down payment and in terms of obtaining the necessary amount of loans based on their limited work and banking history. If we dig deeper into the various profiles of consumers, the self-employed consumers show a comparatively higher intent to buy a house, resulting in a greater need for home loans possibly due to the fact that this group is underserved.

The rising incidence of rental, across different types of towns, among the younger consumers, who are living with their family (aggregating 68%), indicates the changing dynamics of the market and showcases what needs to be done to meet the demand. There are two main issues that need to be addressed urgently: availability of the appropriate homes, which is borne out by the anecdotal reports and official statistics on shortage of housing, and challenges pertaining to financing and other related factors. The data captures, to some extent, the supply and demand constraints that need to be tackled to address the issues related to housing.

Glossary

CENTRES COVERED IN EACH TOWN CLASS



Metro - Delhi, Mumbai, Bengaluru, Chennai, Kolkata



Mini Metro - Jaipur, Ahmedabad, Pune, Hyderabad



Small Town - Indore, Raipur, Nagpur, Bhubaneshwar, Vishakhapatnam

SAMPLE SIZE (SS) COVERED (PHASE 1) TOTAL-2580



SEC A SS: 1766



Male SS: 2050



SEC B SS: 814



Female SS: 530



25-34 years SS: 1068



Metro SS: 1439



35-44 years SS: 931



Mini Metro SS: 607



45-55 years SS: 581



Small Town SS: 534















Salaried SS: 1533



Self Employed SS: 1047

SAMPLE SIZE (SS) COVERED (PHASE 2) TOTAL-1705

 SEC A SS: 1286	 Male SS: 1351	 Metro SS: 937
 SEC B SS: 419	 Female SS: 354	 Mini Metro SS: 409
 25-34 years SS: 708		 Small Town SS: 359
 35-44 years SS: 674	 Salaried SS: 943	
 45-55 years SS: 323	 Self Employed SS: 762	

Annexure

RESEARCH METHODOLOGY PHASE 1

- Face-to-face quantitative interviews using Computer Aided Personal Interviewing (CAPI)
- Each survey center divided into multiple zones viz., east, west, north, south
- In each zone, multiple starting areas identified thus enabling appropriate distribution of the survey sample
- Random sampling design with right-hand-rule for selection of house-holds
 - Right-hand-rule: Skip three households after every successful interview
- Quota maintained only on gender (M:F::80:20); rest of the demographics obtained through natural fall-out
- Fieldwork Dates: 28th Sep 2016 to 18th Oct 2016

RESEARCH METHODOLOGY PHASE 2

- Face-to-face quantitative interviews using Computer Aided Personal Interviewing (CAPI)
- Each survey center divided into multiple zones viz., east, west, north, south
- In each zone, multiple starting areas identified thus enabling appropriate distribution of the survey sample
- Purposive sampling with starting areas chosen keeping in mind the intended TG and not matching the starting areas from Phase 1
 - Right-hand-rule: Skip three households after every successful interview
- Quotas maintained on gender (M:F::80:20), SEC A/B (65:35), Imminent purchasers (30%) Loan applicants (40%)-Loan sanctioned (30%); rest of the demographics obtained through natural fall-out
- All respondents surveyed were either Intenders of Home / Recent Buyers in past 1 year
- Fieldwork Dates: 19th Oct 2016 to 18th Nov 2016

About IMG C

India Mortgage Guarantee Corporation (IMG C) was founded in June 2012 with a vision to make early home ownership a possibility with the Mortgage Guarantee (MG) product. IMG C is a joint venture that combines the development mandate of National Housing Bank (NHB), the product expertise of Genworth Financial, and the resources of International Finance Corporation (IFC) and Asian Development Bank (ADB). Setup as a NBFC, the company is regulated by the Reserve Bank of India (RBI) under the "Mortgage Guarantee Company (Reserve Bank) Guidelines, 2008" as revised from time to time.

About Kantar IMRB

Kantar IMRB is a pioneer of market research services in Asia. It partners its clients across the entire brand life-cycle through a unique mix of innovation and analytical thinking to design customized solutions that deliver greatest impact. Kantar IMRB's suite of solutions is designed on frugal, agile innovation and adds value, real value, to help clients make impactful decisions. By leveraging on its large array of syndicated services and specialist divisions, Kantar IMRB helps clients in crafting marketing and consumer strategies. Kantar IMRB has created products and frameworks for global clients using the expertise and knowledge of emerging markets. With a multi-disciplinary and multi-cultural workforce, Kantar IMRB is at the forefront of research and consulting services

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