Chapter 1: Introduction to Study

This chapter delivers an insight of the research topic to the reader. It begins with an introduction to the research topic with further focus on the purpose and objectives of the research. This chapter provides detail idea about the framework of the study and also explains the structured construction of the research report.

1.1. Background of study

Development of the nation relies on the economic situation of the nation. The major indicator of the growth is GDP, which shows the combined view of sectorial and industrial performance of the country. Thus, growth of the nation should be stabilize and sustain by the improving condition of the particular industry. Parallelly, Good Infrastructure development also attracts more industry in the nation, which include better housing facilities, commercial and production space and other public infrastructure facilities. Real estate playing an essential role in the progress and modernization of the infrastructure of the nation. It provides platform to the industries in terms of growth. The industry attracts more people in terms of employment and for the expansion of the market width. It needs more housing and infrastructure to satisfy the rising need of employee in the industry. Besides this, till date India ranked second in the world in terms of total population. It is necessary to develop the infrastructure to satisfy the needs of the rising population. This in turn leads to expansion and progression of the real estate segment.

Real estate sector of India is facing fluctuations due to many uncertain factors like increased bubble trading in the market because of expansion of economy. Inclusion of more and more foreign capital as an investment in to this sector also one of the reason to make it more uncertain and causes fluctuations. Besides such fluctuation foreign capital also works as a fuel for the growth engine of real estate which brings liquidity and open market in to the nation like India. In certain condition of tough competition it is very difficult to predict the price level of the real-estate segment, which causes uncertainty amongst the market participant’s. Apart from that, demonetization of Indian economy and Announcement of new RERA act for the real estate acquisition and possession likely to stabilise the price and
likely to balance the market situation and make the real estate market stagnant for a while. Real estate market also become stagnant because of the low demand for the new real estate and such other forces of the economy like inflation, Growth of the nation, Direct Investment in the sector and many more. On the other hand buyer/investor in the real-estate got the modernization in the real-estate assets in terms of new infrastructural development and interest subsidy announced by the government which changed the mindset of the typical real estate buyer and investor in this new era of development. Buyer becomes selective in purchase decision of property and changed their behaviour from the traditional time. Now they are looking for more and more modern amenities rather than traditional simple shelter purpose only. They need all basic necessities nearby to their property. So Investment Pattern in this real estate market also becomes an important part to maintain the new consumption of the real estate. Entire study conducted and constructed based upon the survey of previous and past literature in the area of the real estate to find some untouched facts and research areas of Indian reality segment. To serve the purpose, many articles and researches on the Indian real estate segment were studied to have the exact idea about the Gap of the research. Also for the prediction of the current investment pattern to avoid the backlog in the real estate segment.

Review of past literature done with special focus to the trend and investment pattern of the real estate. This further also confers that, very few studies on real estate trend and investment pattern done in the past particularly in India. Besides this, the studies were done based only on market comparison and market parameters. Such other versatile studies around the globe came across during the review of literature out of which many researchers have revealed the facts and conclusion based upon their logical understanding and their area of expertise. So there was a gap observed to draw a conclusion on the basis of some specific factors that can somewhat define the real estate market situations. Here, this study basically focuses on the identification of trend in the real estate due to fluctuations in the Economic and Market indicators which include some key economic indicators of the nation and some major financial market indices. Besides this, there is also strong need observed for the study of investment pattern on the buyer point of view. Thus study is also going to analyse the factors which defines the investment pattern in the real estate segment. As this segment is gaining more popularity day by day so analysis of the investor behaviour also
becomes equally important as the market fundamental studies. Because some investment specific factors leads to influence the investment decision in the real estate sector, which further leads to influence on the investment pattern of the real estate segment. It also directly affects to the demand of the segment and which is crucial for the development of the real estate segment and equally important for the boosting up the growth of the nation as a whole. This study is important for the development as we all knows that development of the infrastructure facility will bring the development of the nation and ultimately it will dominate the development of the people of the nation.

International Monetary Fund World Economic Outlook (April-2015), published GDP (nominal) per capita of India in 2014 at current prices is $1,627 compared to $1,508 in 2013. There was a slight decline in GDP in the year 2014 compared to year 2014. India having the ninth largest economy of the world. But, due to its huge population of more than 1.26 billion, India is at 145th position in term of GDP (nominal) per capita. Per capita income of India is 6.69 times lower than world’s average around of $10,880. This figure is 68.66 times lower than richest country of world and 6.5 times greater than poorest country of the world. India is at 34th position in the list of Asian countries.¹ So this shows that Indian needs much more development to come up with the strong position to satisfy the need of rising population.

Each Industry segment bearing the plausible effect on the economic situation of nation. Real-estate segment from last few decades gaining the momentum and growth trend, which is far better for the nation. This was because of the development in the infrastructural facilities of the nation. India having attractive real estate market in Asia mentioned by Michael Smith- head of Asian real estate investment banking at Goldman Sachs in (Fortune Magazine, 2006)². Mahurkar & Senthil (2004)³ studied; real estate in India is a good break to engage money for short-term as well as long term investments, which are secure and productive as compared to volatility of return, exist in the other market like stock market

and bank deposits. Kaiser (1997)\textsuperscript{4} estimated that, the Indian real-estate to remain unaffected by a recession periods for the upcoming four decades. Real estate is one of the fastest growing industries in India as mentioned in the research of Natalija, in their research titled Advantage India. Market analysis of real-estate return in India at an average of 14% annually with a tremendous improvement in real-estate on account of the Business Process Outsourcing industry explosion. Benefits from the real estate ownership like rentals have been grown steadily and there is an emerging need for quality infrastructure. A significant demand is also likely to be generated as the outsourcing growth moves into the manufacturing sector. Further, annual average 34% growth rate observed in housing sector, whereas the hospitality industry grown at 10 - 15% last year. Investment in real-estate to be less risky than stocks and other financial instruments as suggested by the Ibbotson & Siegel (1984)\textsuperscript{5} in their research. They further recommended investment in real estate sector provides good diversification. This conclusion also supported by the research of Chan, Hendershott & Sanders (1990)\textsuperscript{6}. As mentioned earlier in the first part investment in the Indian real-estate market is a secure and growth oriented, further it is providing the better returns in comparison to the other volatile financial market like stocks and bonds explained in the research of Mahurkar & Senthil (2004).

1.1.1. Trend in Real Estate (A Quantitative Approach)

Residential real estate market in India encompasses 80% of the total real-estate market potential. Further it contributes five-six percent of the Indian GDP mentioned by the Narkar & Neema’s (2006)\textsuperscript{7} in their research and supported by the research of Corporate Catalyst (India) Pvt.Ltd.Report (2015).\textsuperscript{8}

Real-estate portfolio management have improved dramatically over the past decades, creating new potential for corporate-real estate to deliver workstation solutions in a sensible

manner and cost-effective manner throughout the life cycle of the real estate mentioned in the research of Audrey Schriefer & Jyoti Ganesh (2002). There are various threats involved in the growth of real estate. Thus, decision maker with a greater understanding of the critical variables and their possible impact upon the real estate should manage the real-estate portfolio in a better way claimed by Atherton et al. (2008) in their research of real estate portfolio management tools.

A research done by Joshi (2006) employed a structural VAR model proposed by Blanchard and Quah (1989) to study the impact of monetary variables and income growth on the housing price shocks in India to assess the price bubble in Indian real estate sector. He further established the linkages between the macroeconomic fundamentals and the growth in real estate segment.

Few global researches on Real estate market analysed real estate market dependent to several microeconomic factors. Projecting techniques of housing prices in regional real estate markets should consider both exogenous as well as endogenous variables to come out with causality of the real estate market with the other variables, concluded in their study of correlation between UK regional property markets from the period 1976-2001 by using the quarterly property indices of Nationwide Building Society, Worthington and Higgs (2003)9.

Growth in residential market has a dependency on disposable income in the hand of the real estate buyer, decrease in interest rates, rapid growth of middle class, as well as growth of urban area also dominate to the real estate price movement. Explained by the study of Narkar & Neema’s (2006) in their research with context to India. Fundamental analysis of the real estate movement can be well explained by time series Trend in the real estate prices and investments. Further, explanation of linkages amongst the real estate market and key economic variables and major financial market price indices plays a crucial role to understand the movement and trend of the real estate market.

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1.1.2. Investment Pattern in Real Estate (Qualitative Approach)

Apart from the fundamental or basic analysis it is necessary to identify the investment pattern in the real estate market because it’s not just an investment but shelter too. So consumer and investors both are having their different mind-set behind purchase of real estate. Very Few studies found in the area of investment pattern in India but reasonable studies done across the globe on this. Mehmedović et.al. (2010) defined qualitative aspects of decision making in the real estate market, which suggested further real estate is a financial asset. This provides the holder of the property with the benefits as well as the encumbrances inherent in the ownership of the land. They identified the factors drives the first time buyers’ investment decision. The study also highlighted the need of some additional quantitative measures to analyse and understand the exact situation of the real estate market. The growth of organized retail real estate is largely dependent on the demographic factors like increasing disposable incomes, buying habits, the entry of new players in the market and increasing market participants, concluded by the Yadav & Mahajan (2006) in their research. However, Sreejith & Raj (2007) argued with some areas of improvement for the retail real estate revolution in India, one with the rising social issues among families with a lower income base and greater loss of self-employment opportunities while explicitly explaining the contribution of retail to India’s economic growth. Nonetheless, International real-estate consulting group Knight Frank ranked India on 5th in the list of 30 upcoming and developing retail real estate markets and projected remarkable 20 per cent growth rate for the segment. Thus the above few literature focused to the variety of investment factors that leads to influence the real estate sector from the other hand. Investment pattern in the real estate segment also plays a vital role because this is also bearing an equal importance behind the movement in the real estate market.

1.2. Need for the Study :-

Worthington and Higgs (2003)\textsuperscript{13} revealed that Real estate market Situation is dependent to several microeconomic factors. Besides this, the growth of organized retail real estate segment is driven by demographic factors as observed in the research of Yadav & Mahajan (2006)\textsuperscript{14}. Variety of investment specific factors like facilities, demographics, behaviour of investor, legal changes governs the buyers’ investment decision in the Real estate market suggest by Mehmedović \textit{et.al.} (2010)\textsuperscript{15} in their study.

Study of Related Literature in the area of Real Estate concluded that there are lack of structured studies in this area and need to identify the comprise effect of key indicators on the real estate price fluctuation as a whole. More over to that, another backlog of this segment came out during the observation was very few qualitative studies to know the investment pattern of the investors and real estate consumer. So this study designed on the basis of the gap observed in the past literature to predict the real estate market situation from both the point of views (E.g. from the Price Fluctuation point of view and from the Investors pattern view point)

1.3. Purpose of study

“Main purpose of the study is to identify the \textbf{Trend in the Real Estate} segment and also to reveal the \textbf{Investor’s pattern} in the Real estate segment of the Gujarat.”

Along with the main purpose, Study also serves several untouched areas like, explanation of Trend with respect to key economic indicator fluctuations and major market movement Moreover investment pattern analysed based on the Real Estate Buyer Categorization, here study also gives three dimensional views of all types of the real estate buyer along with their preferable segments of real estate. Besides that, study seeks to identify the major factors which bearing the influence on the real estate market, behind this purpose main goal


is to identify the blockages in the segment and try to put forward to the vital stack holders like real estate market participants and other related parties to the segment.

So, in total purpose of study is to investigate the movement of the real estate market from the view point of the major financial market and key economic indicators as well as from the real estate investment point of view, which further focus to the various combination of variables affect to the real estate investment pattern in the real estate market.

1.4. Research Questions

Study strives to answer two major questions. It should be answered through the detailed analysis of the real estate sector. The main issues identified on the basis of the literature were factors responsible for price movement in the real estate segment and the investment pattern. The real estate market movement is the interlocking wheel of the Trend prevailing in the real estate and Investment pattern. All these wheels are interdependent, that means that any of the wheel gets affected or slowdown the pace then, rest of the two wheels gets affected automatically, so the basic Questions which considered answering through this study are;
Question 1 What is the Trend in Indian Real Estate Segment?

Question 2 What is the Investment Pattern in Real Estate?

Question 3 How Real Estate Prices reacts to the Key Economic Indicator Fluctuations and Major Financial Market Movement?

Question 4 How FDI in Real Estate Affected by the Major Financial Market Fluctuation and Economic Fluctuation of the Nation?

Question 5 What is the Impact of the Demographic diversity on the Investment Pattern of the Real Estate?

Question 6 What are the Linkages between Real Estate Price Index and Other Major Financial Market Index?

Question 7 What is the Impact of basic Real estate related factors on the investment pattern of the real estate market?

Question 8 What are those Factors which influence the real estate investment pattern?

1.5. Objectives of study

Study has been designed with aim to answer the mentioned questions above. Further the following are the objective aimed to satisfy the requirement of the research in terms of research questions

1. To Study the Trend and Explore the factors which explain trend in Real Estate
2. To explore and predict the Linkages between Real estate Prices and FDI in Real estate with the Key Economic Indicators and Key Financial Market
3. To investigate the real estate investment decisions of an individual investor
4. To analyse the Investment Pattern in the Real Estate Market and influence of investors demographics thereon
5. To Analyse the Impact of market variables & behavioral variable on the Real estate investment pattern
6. To investigate the impact of perceived economic variables on the Real-estate Investment Pattern

The above objectives were designed to achieve the desired result of the study
1.6. Hypothesis of the Study

1) Hypothesis for Analysis of Trend in Real estate

H_{1.1} There is significant relationship between Real Estate price movement and Interest rate
H_{1.2} There is significant relationship between Real Estate price movement and Inflation Rate
H_{1.3} There is significant relationship between Real Estate price movement and GDP Per Capita
H_{1.4} There is significant relationship between Real Estate price movement and Nifty Indices Movements
H_{1.5} There is significant relationship between Real Estate price movement and Gold Indices Movements
H_{1.6} There is significant relationship between Real Estate price movement and Silver Indices Movements
H_{1.7} There is significant relationship between Real Estate price movement and Movement in Foreign Direct Investment (FDI) in the Real estate segment.

H_{2.1} There is a significant Impact of key economic Indicators on Housing Price Index
H_{2.2} There is a significant impact of Major Market Indices Movement on Housing Price Index

H_{3.1} There is significant relationship between Foreign Direct Investment (FDI) in the Real estate segment and Interest rate
H_{3.2} There is significant relationship between Foreign Direct Investment (FDI) in the Real estate segment and Inflation Rate
H_{3.3} There is significant relationship between Foreign Direct Investment (FDI) in the Real estate segment and GDP Per Capita
H_{3.4} There is significant relationship between Foreign Direct Investment (FDI) in the Real estate segment and Nifty Indices Movements
H_{3.5} There is significant relationship between Foreign Direct Investment (FDI) in the Real estate segment and Gold Indices Movements
H_{3.6} There is significant relationship between Foreign Direct Investment (FDI) in the Real estate segment and Silver Indices Movements
H4.1 There is an impact of GDP Per Capita, Interest Rate Inflation Rate on FDI in Real Estate
H4.2 There is an impact of NIFTY, GOLD, and SILVER on FDI in Real Estate
H5 There is no unit root – the time series is stationary.
H6.1 There is an evidence of cointegrating relationship of HPI and Key Economic Indicators
H6.2 There is an evidence of cointegrating relationship of HPI with Major financial Market indices
H6.3: There is an evidence of cointegrating relationship of FDI in Real estate with Major financial market indices
H6.4: There is an evidence of cointegrating relationship of FDI in Real estate and Key Economic Indicators

2) Hypothesis for Analysis of Investment Pattern in Real estate

H1.1: There is significant difference between the mean of Age and Real estate investment by an Investor
H1.2: There is significant difference between the mean of Age and Real estate investment by the consumer
H1.3: There is significant difference between the mean of Age and Real estate investment by the speculators in Real estate Market.
H2.1: There is significant difference between the mean of Region of respondents and Real Estate investment by an Investor
H2.2: There is significant difference between the mean of Region of respondents and Real Estate investment by the consumer
H2.3: There is significant difference between the mean of Region of respondents and Real Estate investment by the speculators in Real estate Market.
H3.1: There is significant difference between the mean of Education of respondents and Real estate investment by an Investor
H3.2: There is significant difference between the mean of Education of respondents and Real estate investment by the consumer
H3.3: There is significant difference between the mean of Education of respondents and Real estate investment by the speculators in Real estate Market.
H₄.₁: There is significant difference between the mean of Occupation of respondents and Real estate investment by an Investor

H₄.₂: There is significant difference between the mean of Occupation of respondents and Real estate investment by the consumer

H₄.₃: There is significant difference between the mean of Occupation of respondents and Real estate investment by the speculators in Real estate Market.

H₅.₁: There is significant difference between the mean of Income of respondents and Real Estate investment by an Investor

H₅.₂: There is significant difference between the mean of Income of respondents and Real Estate investment by the consumer

H₅.₃: There is significant difference between the mean of Income of respondents and Real Estate investment by the speculators in Real estate Market.

H₆.₁: There is significant difference between the mean of Gender of respondents and Real Estate investment by an Investor

H₆.₂: There is significant difference between the mean of Gender of respondents and Real Estate investment by the consumer

H₆.₃: There is significant difference between the mean of Gender of respondents and Real estate investment by the speculators in Real estate Market.

H₇.₁: There is significant difference between the mean of Stage of Life Cycle of Respondents and Real estate investment by an Investor

H₇.₂: There is significant difference between the mean of Stage of Life Cycle of respondents and Real estate investment by the consumer

H₇.₃: There is significant difference between the mean of Stage of Life Cycle of Respondents and Real estate investment by the speculators in Real estate Market.

H₈: All the extracted factors are consistent and belong to same construct.

H₉: There is a Significant Influence of Personal Variables on Real estate investment Pattern

H₁₀: There is a Significant Influence of Market Specific Variables on Real estate Investment pattern

H₁₁: There is a Significant Influence of Investment Specific Variables on Real estate Investment pattern
H12: There is a Significant Influence of Behavioural Variables on Real estate investment Pattern
H13: There is a Significant Influence of Facility Variables on Real estate investment Pattern
H14: There is a Significant Influence of Economic and Cost Specific Variables on Real Estate investment pattern
H15: There is a Significant Influence of Legal Variables on Real estate investment pattern

1.7. Significance of the Study

This study comprises the vital importance in terms of development of the Real estate sector. Further this study makes real estate market more predictable. This study focus on the several vital factors which holds the direct relations with the real estate market (e.g. other major financial market and Major Economic indicators). Study also focus on investment specific variables which further determine investment pattern in real estate market. So this study will be helpful to forecast real-estate trend and it also reveal the factors, crucial and influence investment pattern. This in turn helpful to understand the demand situation in the market.

1.8. Structure of Thesis

The whole thesis designed in a logical order to have the exact idea about the study. For the purpose of ease of understanding the work divided in to the 10 chapters as per the content covered in the particular chapter. Chapters organized and arranged as per the chronological order and on need base. The following is the highlight of coverage in the individual chapter

Chapter 1- This chapter gives a brief idea about the study which includes purpose and significance of study. Further it also gives brief to the research area along with the detail background of the study. Besides that it covers the research questions and objectives to carry this study, which further clear the framework of the thesis and make it much more sensible for the target audience to understand the thesis framework.

Chapter 2- This chapter provides the basic understanding about the Real estate area. This includes the conceptual framework and foundation of the real estate sector. It also covers
the details foundation and description of real estate sector which includes types of real estate, variety of segments in real estate.

Chapter 3: This chapter gives brief on previous and past studies (Research Papers, Reports of various authorities, Newspapers) published in the varieties of media like News Paper, Internet and some referred journals. It includes the survey of National and global article published in physical and electronic form. This chapter further gives the reader understanding about the past researches done in the area of real estate and also it makes them understand the idea behind choosing this area for study.

Chapter 4 - Chapter focuses on methodology adopted for this study, it also explains the reason behind each instrument adopted for study. Like, types of study, sampling and Methods for data collection used in this study. This chapter is also a foundation of the Analytical work of the data collected from the various sources which at the end should be concluded in terms of empirical findings.

Chapter 5 - This chapter presents the data analysis explaining the Trend in real estate. which covers the logical presentation of data in various statistical forms to answer the objectives of the study by justifying the hypothesis built for the study. It also includes various techniques and statistical test applied on the secondary data collected to investigate the Trend.

Chapter 6 - This chapter presents the data analysis explaining the Investment Pattern in real estate. This covers the logical presentation of data in various Figures and cross tabulation to answer the objectives of the study by justifying the hypothesis built for the study. It also includes various techniques and statistical test applied on the secondary data collected to identify investment pattern in real estate market.

Chapter 7 - This chapter deals with the findings & suggestions derived from the study, further it deals with some vital aspects come out through this study.

Chapter 8 - This chapter provides Conclusion, Further research scope and Managerial Implications. This can further be used in the future research purpose to carry the study further in this area