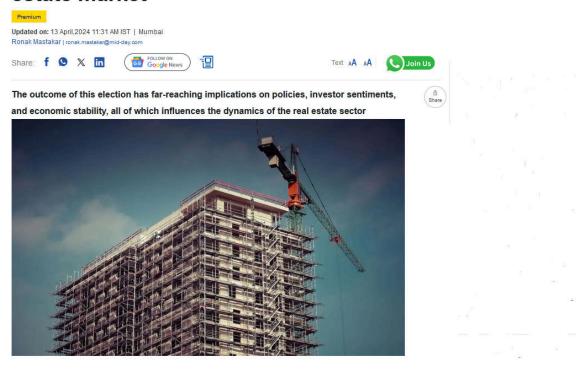
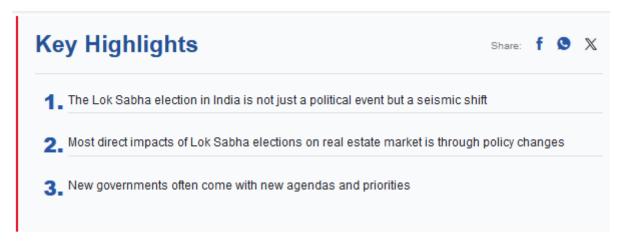


# Lok Sabha elections 2024: How polls can impact the real estate market





The Lok Sabha election in India is not just a political event but a seismic shift that reverberates across various sectors, including the real estate market. The outcome of this election has far-reaching implications on policies, investor sentiments, and economic stability, all of which influences the dynamics of the real estate sector.

"As an industry player, we agree that the Lok Sabha elections can influence the domestic real estate market and shape public notions and sentiments. Taking a cue from our past experiences, we have observed that a stable government and positive economic outlook have always offered a boost to investor confidence, amplifying demand for the commercial real estate segment. Historical trends from the 2014 and 2019 Lok Sabha elections suggest that the sector is likely to witness another surge in commercial property sales and new project launches in this election year as well. For instance, in the 2014 election year, the average property prices in Mumbai, Pune, New Delhi, Kolkata, Bangalore, Chennai, and Hyderabad soared by over 6 per cent, compared to just a 1 per cent hike in 2019. These figures underscore the varying market sentiment and consumer confidence during both election years," said IndiaLand Group Chairman Harish Fabiani.

"Typically, decisive election outcomes are known to fuel buyer sentiment, which boosts purchasing activities in the market. This is because these elections are often perceived as an end to a period of uncertainty for commercial and residential property buyers, who may otherwise hesitate due to impending policy changes and drastic structural reforms such as GST, demonetisation, or alterations in GST rates and norms. In addition, the current market scenario suggests that both the domestic residential and commercial markets are likely to continue experiencing demand growth, which has remained positive following the announcement of election dates," he added.

Manju Yagnik, Vice Chairperson of Nahar Group and Senior Vice President of NAREDCO-Maharashtra, said: "India's residential real estate industry seems set for another peak in 2024, driven by several positive factors that could support home sales and new product launches. Homebuyers are showing considerable optimism, which may result from the impending Lok Sabha elections' revival of the market. This is not a new phenomenon; historical data shows a clear relationship between elections and residential real estate development in India. Looking back at previous patterns, there has frequently been a spike in new property launches and house sales in the years around the Lok Sabha elections."

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"For example, during the crucial 2014 election year, the top seven Indian cities had strong sales of around 345,000 housing units. At the same time, there was an unparalleled surge of almost 545,000 new property debuts, indicating a time of increased activity and investor confidence. Although there was relative stability in the following years, particularly from 2016 to 2018, the pattern resurfaced in 2019. Approximately 261,000 housing units were sold, while roughly 237,000 new launches occurred. Housing sales also increased throughout this period. This cyclical pattern highlights how elections affect the real estate market since they frequently trigger increased market activity. The present situation is similar to past ones in that the approaching elections stimulate the housing market," Yagnik added.

## Policy changes:

One of the most direct impacts of Lok Sabha elections on the real estate market is through policy changes. New governments often come with new agendas and priorities, which can lead to alterations in taxation policies, regulatory frameworks, and infrastructure development plans. For example, a government emphasising affordable housing may introduce incentives or subsidies for developers, which could boost construction activity and demand in the real estate sector.

"Encouraged by recent political changes, homebuyers show a strong interest in real estate investments, increasing demand in several locations. A tangible sense of confidence influences the mood of the market and prepares for another boom in home launches and sales. The convergence of advantageous policy measures, trust in the economy, and political stability boost the prospects of the residential real estate industry. Government efforts have boosted the market momentum by encouraging homebuyers and increasing housing demand. The residential real estate industry trend is set for expansion as we move through 2024; all signs point to a thriving landscape. The dynamic interaction of socio-political elements and economic processes will shape the real estate industry's future in the following months, even though historical trends provide insightful information. However, historical trends and general optimism present a positive assessment of the housing market for the upcoming year," Manju Yagnik said.

Harish Fabiani said that decisive election outcomes are known to fuel buyer sentiment, which boosts

purchasing activities in the market. "This is because these elections are often perceived as an end to a period of uncertainty for commercial and residential property buyers, who may otherwise hesitate due to impending policy changes and drastic structural reforms such as GST, demonetisation, or alterations in GST rates and norms. In addition, the current market scenario suggests that both the domestic residential and commercial markets are likely to continue experiencing demand growth, which has remained positive following the announcement of election dates," he added. "We also believe that a majority of prominent real estate regulatory reforms and guidelines are already in place. This helps remove any doubts and concerns about drastic reforms in the sector at least for the near future. Also, when we factor in favourable GDP predictions and track the robust growth prospect of the domestic economy supported by infrastructure development, new commercial ventures, and foreign investments, we think the real estate market sentiment will remain positive in the coming years. If these prospects were not enough the controlled inflation level has infused a sense of confidence in property buyers and investors. With the sector recording substantial demand for commercial spaces and smart office infrastructure, the past years have also witnessed developers closing major land deals and exploring new real estate segments, including green real estate more actively. These factors collectively paint a promising picture of the sector in 2024 and we expect to witness another potential peak in the industry as the elections gain control of the broader market," Fabiani said.

#### Stakeholder and investor sentiment:

The uncertainty surrounding elections can create volatility in the financial markets, including the real estate sector. Investors tend to adopt a cautious approach leading up to elections, as they assess the potential outcomes and their implications. This uncertainty can temporarily dampen investment activity in the real estate market, as investors wait for clarity on the policy direction of the new government. However, once the elections are over and the government's agenda becomes clear, investor sentiment often rebounds, leading to renewed interest and activity in the real estate sector.

"In the lead-up to the Lok Sabha elections, the real estate market often finds itself in a state of suspense, as stakeholders wait with bated breath to see which party will take the reins of governance and what their vision for the future entails. This period is marked by a cautious approach from buyers and investors alike, given the uncertainty around policy directions and economic strategies.

Furthermore, the heightened scrutiny of financial transactions by the election commission, aimed at curbing illicit cash flows, adds another layer of complexity to real estate dealings, traditionally known for their cash component. As a result, we see a palpable slowdown in market activity, as participants adopt a 'wait and see' approach until the political landscape clarifies post-elections," Sridhar Samudrala, Founder of Hecta, said.

#### Economic stability:

Lok Sabha elections can also impact the overall economic stability of the country, which in turn affects the real estate market. A stable government with a clear mandate is generally perceived as conducive to economic growth and investment. On the other hand, a fragmented mandate or political instability can lead to concerns about policy paralysis and economic uncertainty. Such uncertainty can weigh on consumer confidence and investment decisions, potentially slowing down the real estate market.

Seema Jobanputra, Director of Ashar Group, said, "During times of political and economic uncertainty, potential homebuyers often take a cautious approach, delaying their purchasing decisions until there is a clear direction. However, a strong electoral mandate can dispel such uncertainties, instilling confidence among homebuyers to proceed with their property acquisitions. Moreover, a stable government can implement favourable economic policies that benefit the real estate sector. Actions like moderating home loan interest rates and investing in infrastructure projects can encourage homeownership and enhance property values. Although broader economic conditions and credit availability also impact the elections' influence on real estate, a stable government is generally viewed as a positive catalyst for the sector."

"Historical data from the previous two election years, 2014 and 2019, indicate notable surges in housing sales, reaching new highs. In 2014, sales in seven major cities - New Delhi, Mumbai, Bengaluru, Pune, Hyderabad, Chennai, and Kolkata - skyrocketed to around 345,000 units, coinciding with a record-breaking number of launches, totalling nearly 545,000 units," she added.

Seema Jobanputra further said that the prevailing indicators strongly support the residential market for 2024, potentially leading to another peak in both housing sales and new launches. "Following the announcement of election dates, housing demand remains positive across various cities, with homebuyers maintaining a high level of optimism regarding the real estate market," she added.

#### Infrastructure development:

Elections often serve as a catalyst for infrastructure development initiatives. Political parties may make promises of infrastructure projects such as highways, airports, metro rail networks, and smart cities to woo voters. "The implementation of these projects can have a significant impact on the real estate market, as they enhance connectivity, improve amenities, and increase the overall attractiveness of certain locations for real estate investment," a real estate expert said.

## Regional variations:

It's important to note that the impact of Lok Sabha elections on the real estate market can vary across regions. "Different states and cities may have distinct political dynamics, economic fundamentals, and real estate trends. Therefore, the extent to which elections influence the real estate market may differ from one region to another," the expert said.

#### Conclusion:

Lok Sabha elections play a pivotal role in shaping the trajectory of the real estate market in India. Through policy changes, investor sentiment, economic stability, and infrastructure development, elections can exert significant influence on the demand, supply, and pricing dynamics of the real estate sector. As such, real estate developers, investors, and stakeholders closely monitor election outcomes and adapt their strategies accordingly to navigate the evolving landscape of the real estate market.