The housing sentiment index, immediately after the announcement of Union Budget 2014, saw a steep decline against the euphoric sentiment witnessed immediately after general elections in May 2014, according to a survey.

A survey by IIM Bangalore and property portal Magicbricks.com, said the aggregate Housing Sentiment Index (HIMB Magicbricks HSI) immediately after Union Budget 2015 was at 84, a steep drop of 31 per cent compared to the index in May 2014 (an HSI score of 100 represents neutrality, meaning people don't expect house prices to either increase or decrease). The survey said 48 per cent of home buyers were waiting for prices to come down, reflecting the unaffordable levels to which property prices have soared in the last few years especially in Tier-1 cities.

Positive sentiment

“Budget 2015 did not address the expectations of the consumers and this is reflected in the consumer sentiment,” Sudhir Pai, CEO, Magicbricks said in a statement.

“Consumers are still in the wait and watch mode and are likely to take a decision once more clarity is visible on market trends and monetary policy front.”

Bengaluru was the only city to be posting positive sentiment, but is now in neutral territory with HSI at 100, a drop of 30 per cent since May 2014.

Salary increases have remained subdued for the past one year making houses unaffordable, the survey said.

Dr. Uma Sitharaman, Lead Researcher, IIMB-Century Real Estate Research Initiative (CRIERI) said that given the current scenario of unsold inventory and price stagnation in major cities, “interest rate reductions may increase sentiment a few notches, but the issue that needs to be addressed is inflated prices.”

Procedural delays

“The government must make more efforts to reduce procedural delays and increase supply, especially in affordable housing segment,” Ms Sitharaman said.

The government could provide incentives for affordable housing so developers actually cater to the masses.

This may not improve sentiments in the short term but at least address the supply-demand problem to an extent.

Sentiments by price

The survey has found out that Rs. 20-50 lakh is the most preferred price range with 26 per cent of the respondents looking for houses in this price range.

There was a 30 per cent reduction in sentiment compared to the post election sentiment for buyers within this price bracket.

The biggest drop of 35 per cent in sentiment was observed in the Rs. 1-2 crore segment.