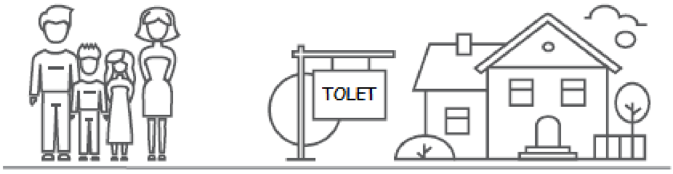
MARKET SEGMENTATION ANALYSIS ON REAL ESTATE RENTAL



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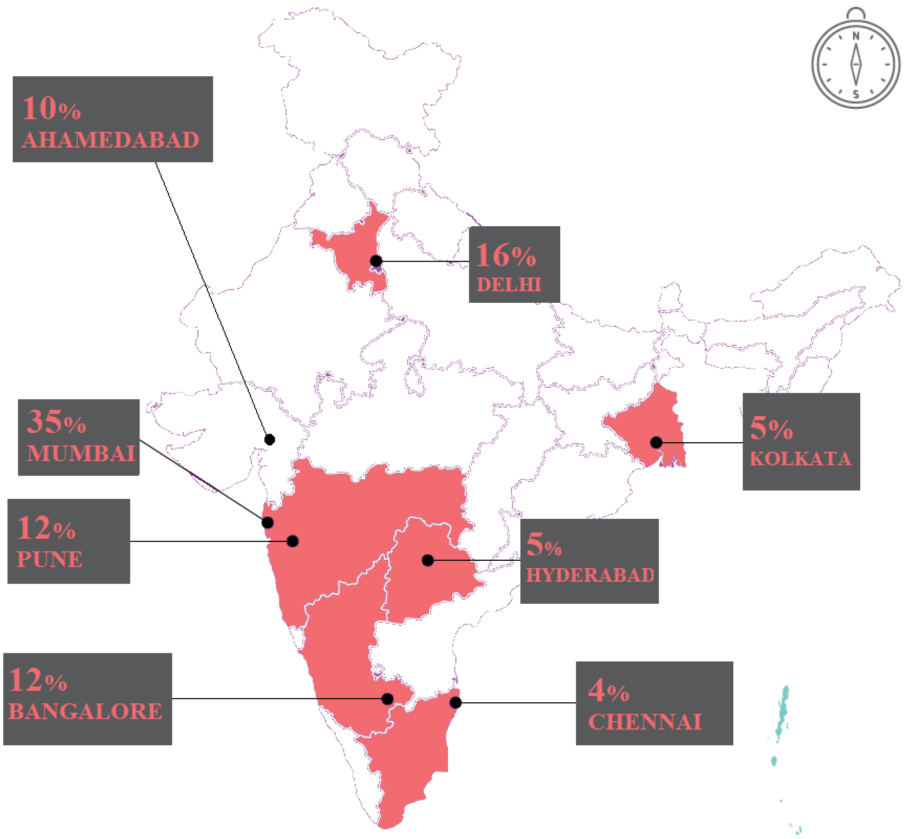
ABSTRACT

Traditionally, low rental yields have been offset by the high capital value appreciation. For example, some pockets of India residential market witnessed property prices doubling in five years or even less. However, due to economic slowdown and structural issues in the residential realty market in India, the capital value appreciation over the last decade has been abysmal. For this analysis, we look at the current residential market of the Top 8 cities of India which includes Delhi in North, Mumbai Metropolitan Region (MMR), Pune, and Ahmedabad in West, Bangalore, Chennai, and Hyderabad in South, and Kolkata in East)



INTRODUCTION

India is blessed with one of the fastest growing real-estate markets in the world. It is not only attracting domestic real-estate developers but also the foreign investors; particularly, the Non Resident Indian (NRI) investments in India who have a bulk of their share in the Indian housing market. Rental housing has been a much passed over subject in context of housing in India. Even after 72 years of independence, there is no policy framework to catalyse private sector participation in this vital subgroup of housing despite 21.72 million urban rented households. Historically, the Indian housing policies have been directed towards home ownership which alone cannot solve the housing conundrum. Zero or no policy interventions for rental housing have been a big deterrent for creation of rental housing stock in the country. As per the Census 2011 data, 11.09 million houses remain vacant in urban areas despite the massive housing shortage. This is due to various factors such as low rental yield, poor maintenance of vacant stock, forceful possession, and dilapidated state of buildings and lack of incentives. As an extension of these market realities, the prospects of converting urban land into investment and provide a steady source of income to landlords remains nil. India residential market offers very low rental yield which is comparable or even less than those prevalent in the advanced countries. As opposed to trend in developed markets, the rental yields in India are even lower than the fixed deposit rates in the country.

MARKET OPPURTUNITY

India's real estate sector is expected to touch a market size of USD 1 trillion by 2030 and start contributing 13% of the Gross Domestic Product (GDP) by 2025. The growing Foreign Direct Investment (FDI) in India is bringing in more transparency and accountability with due diligence taking centre stage at many real estate development companies to keep investors lured. As per the International Monetary Fund's (IMF) last estimates, India's residential rental market was worth more than USD 20 billion, of which 68% or USD 13.5 billion is in urban areas. However, the largely unorganised and informal nature of the rental housing market has made it tough to arrive at the actual market size despite holding a massive potential to address a part of the housing shortage in India. The top 10 states and Union Territories (UTs) with vacant houses contribute to 78% or 8.64 million vacant census houses with a huge potential of being brought under the purview of several rental housing models in the country.

The India rental housing market is segmented based on type, property type, size of unit, location, company, and region. Based on type, the market can be split into standalone spaces and society based. Based on location, the market can be split into metro and non-metro. Here, the metro segment is expected to dominate the market owing to the increasing working and student population in these cities who prefer to live in a co-living space or rented apartments. Major players operating in the India rental housing market include Nestaway Technologies Private Limited, Zolo Stays, ZiffyHomes, OYO Life, CoHo, Stanza Living Company, Grexter, Housr Technologies Pvt Ltd, Stayabode Ventures Private Limited, SimplyGuest and others. The companies are developing advanced technologies and launching new products to stay competitive in the market. Other competitive strategies include mergers & acquisitions and new product developments.

CURRENT RENTAL HOUSING SCENARIO IN INDIA

Strong foothold in urban India

As per Census 2011, there are a total of 27.37 million rented households in India, of which 79.4% or 21.72 million are urban rented households. Of these 21.72 million rented households, the households with a size of 3 or 4 family members alone constitute 50% of the total or 10.95 million urban households. Households with 3 to 4 members are typically nuclear families constituting a married couple with one child or a married couple with two children, respectively. The fact that 50% of typical nuclear families in urban households live with a rented roof over their head dispels the myth of home ownership being a priority in an average Indian family's scheme of things. While households with 1 and 2 members currently constitute only 6% and 12%, respectively, of the total, their share in renting in urban India is expected to go up with changing housing consumption patterns, inter and intra state migration and rising housing unaffordability.

Currently, the total urban rented household's statistics in India may be much more as compared to the Census 2011 data. However, the fact that Tamil Nadu, Andhra Pradesh, Maharashtra, Karnataka, Gujarat, West Bengal, Delhi command a hefty percentage share in the total rented households in urban India is largely attributed to key urban employment hubs in the cities of Chennai, Hyderabad, Mumbai, Pune, Bengaluru, Ahmedabad, Kolkata and Delhi. Most of the urban population in these cities living in informal rented housing accommodation provides a huge opportunity for private developers, property owners and private housing operators to enter the formal rental housing market in India.

FACTORS INFLUENCING THE GROWING NEED OF RENTAL HOUSING IN INDIA

Ownership focus of government housing policies

With the launch of the 'Housing for All by 2022' mission in 2015, an initial provision for creation of 20% stock of the upcoming 20 million homes under this scheme was meant exclusively for rental housing. However, the subsequent rollout of this mission, now popularly known as the Pradhan Mantri Awas Yojana (PMAY), focussed and promoted only home ownership and the rental housing cause was lost somewhere in between. As a result, the rental housing demand in the form of transitional housing, need-based rental housing such as student housing, co-living, working women's housing, industrial workers housing,

government owned public rental housing or social housing for the Economically Weaker Sections (EWS) and Lower Income Groups (LIG) categories as well as market-driven private rental housing remained unmet. Also, the home ownership approach of government policies does not consider the key role that rental housing can play in easing labour mobility and social mobility.

Stagnant residential prices in many cities

During the past 4 years, the growth in residential capital values in most of the top 8 cities of India has been below retail inflation growth and the gap has sequentially increased since H1 2016. As per Knight Frank India's research report, India Real Estate – January to June 2019, the weighted average residential prices have stagnated across cities with Mumbai, Pune, Chennai and Kolkata witnessing a price decline of 3%, 4%, 3% and 2%, respectively. Ahmedabad, Bengaluru and the National Capital Region (NCR) noted only 1%, 2% and 3% price uptick while Hyderabad was the only outlier with a 9% price growth. While this muted price growth has helped keep end-users interested to buy homes, one cannot ignore the fact that such miniscule capital value growth hardly positions residential real estate as an investment asset class. Such stagnation in residential price growth is making the people turn away from residential assets as an investment option. In H1 2019, the top 8 Indian cities' residential price trends are as below.

Housing unaffordability

Urban Indian centres need a consistent supply of workforce to fuel their economic enterprise. However, appropriate housing supply is invariably inadequate either in terms of volume, quality or location. This disparity causes house prices to increase disproportionately compared to income levels and unaffordability to set in. As per Knight Frank Research, the house price to income ratio was as high as 11 in the Mumbai Metropolitan Region (MMR) in 2010, which means that a family had to shell out 11 times its annual earnings for an apartment in Mumbai. This ratio remained high at 6 and 5.6 times for NCR and Bengaluru, respectively. Contracting demand due to skyrocketing prices led to a sluggish period of low residential sales until 2017 and developers were forced to reduce prices in the wake of rising unsold inventory. A series of regulatory reforms starting with the Benami Transactions (Prohibition) Amendment Act, 2016 and the demonetisation of higher denomination currency notes in India, as well as the implementation of the Real Estate (Regulation and Development) Act, 2016 (RERA) and the Goods and Services Tax (GST) did have the desired impact of making the real estate market transparent. Though the reduction of prices and ticket sizes, and the focus on affordable housing improved housing affordability across the country, home ownership still largely remains out of reach for many aspiring homebuyers given the income levels of prospective endusers.

Urbanisation trends:

Urbanisation is an important and irreversible process characterised by increase in number of large cities. During the decadal period of 2001–2011, the growth rate in urban population was 31.8% as compared to 31.5% in the previous decadal period of 1991–2001. Absolute increase in urban population was nearly 91.0 million taking the total urban population to 377.1 million in 2011. As per the Economic Survey 2018–2019, it is projected to increase to 600 million by 2031. Adding a huge 223 million of new urban residents to the city by 2031 will not be feasible if the rental housing market is not developed. While a part of the housing demand of this new urban population burden will be met by home ownership and a part of it may go towards transitional rental housing, need-based rental housing and public rental housing, there lies a huge opportunity for the market-driven private rental housing to be developed as an important sub segment of rental housing. India rental housing market is expected to grow at an impressive rate during the forecast period. The India rental housing market is driven by the growing influx of migrants from non-metro cities to metro cities for occupational and educational purposes. This has drastically increased the demand for affordable rental spaces in the proximity of the working spaces or educational institutions. This has also led to the emergence of the concept of co-living. Additionally, increasing prices of land, houses and flats especially in Tier 1 cities is further expected to propel the market growth through FY2027. Furthermore, sometimes those who have the resources and can afford houses or land do not get appropriate investment opportunities, hence prefer living in a rented property, thereby fueling the market growth.

Creating a rental housing marketplace

While home ownership has been encouraged in India, rental housing has been neglected for decades. With the implementation of the MTA in the offing, the legal structure regulating the landlord-tenant relationships and speedy adjudication of landlord-tenant disputes will provide for an efficient eco-system for creation of a rental housing market in India. From an Indian context, there are two opportunities that can be looked at parallelly to create a formal rental housing marketplace which will be attractive in the long-term and encourage institutional investments in the long run.

RENTAL HOUSING MODELS IN INDIA

Though the rental housing phenomenon is still evolving in India, rental housing models are a vital component of the mainstream housing market across the globe. From an Indian context, rental housing models can be adopted to bring rental housing to the forefront and attract institutional investments.

BUILD TO RENT

Build To Rent (BTR) refers to private rented residential properties, which are constructed specifically for the purpose of renting, rather than sale. As the name suggests, this type of construction refers to purpose built residential inventory to cater to the needs of all kinds of renters. BTR developments is an emerging sub-market in United Kingdom and Australia's private residential market. Such developments are typically owned by institutional investors such as large pension funds or insurance funds and are managed by rental operators. Just like any other residential project, location is a key factor. As BTR is a service-driven housing solution, such developments can solve the housing shortage in locations well connected by public transport that would otherwise be unaffordable to end-users, if the location is right to support the population density. With the financial firepower of investors supporting them, private developers in India can unlock high-value sites in financial or technological hubs, education hubs, and research and development hubs or near transit corridors for BTR developments. Suburban sites near metro corridors which incentivise developers with higher floor area ratio (FAR) for developments near the transport corridor belts, can be good locations for proposed BTR developments and will find ready tenants. The impending regulation of the tenancy laws provides an opportune time for developers to venture into this space. A BTR model can also work well with a Special Purpose Vehicle (SPV) in partnership with urban local bodies or with public sector bodies under Ministry of Housing and Urban Affairs through PPP models or through joint development agreements between parties to share the development risk. If land parcels held by different government departments or publicly held enterprises can be unlocked at competitive rates and offered to private developers for BTR developments, it can help generate long term returns from the development and help builders generate cash flows in times of low residential sales volume. Due to high development costs, such BTR developments can work only for large-scale developments, as smaller projects will not be able to support the operational cost.

RENT TO OWN

In the real estate context, Rent To Own (RTO), also known as Rent To Buy or rental purchase is a terminology used for specialised documented real estate transactions which is very popular in the residential sector in many countries globally, especially the United Kingdom, parts of Europe and the Middle East and Africa. The RTO contract is a legal document for property which consists of clauses for rental and future sale at a predetermined price (at the time of drawing up the agreement) within a time frame, which is typically either between 1–3 years or 3–5 years. Under an RTO contract, the owner or developer agrees to sell the house to the renter in future. During the rental period, a portion of each monthly rental payment is credited to an escrow account which is utilised for down payment against the purchase price when the time comes. The renter or prospective buyer also provides an up-front deposit that can be utilised for down payment if the purchase option is exercised. For the agreed period of 3 or 5 years, the renter lives in the house and makes rental payments, while also utilising this time to save up for the down payment in future. At the end of the lease term, the renter is offered the first right of refusal to purchase the property at he agreed sale price or walk away. If the tenant decides to not exercise the option to buy, the owner or developer is then free to rent or sell the property to another buyer, or to restructure the contract. In such an instance, the deposit already paid is forfeited by the owner/developer as per the terms of the agreement.

RTO schemes work well in certain sub-property types within the residential market and are typically successful during housing market downturns. They became popular during the late 2000s period of global financial crisis. In many Indian cities, where developers are severely stressed due to lack of funding for operational sustenance, such RTO schemes can prove to be very beneficial for both buyers and developers for ready-to-move in unsold stock if there is a legal framework around it. The legal framework surrounding the RTO schemes can be introduced along with the Draft Model Tenancy Act, 2019 implementation to make the private rental market more appealing to tenants with a possibility of asset ownership at a later stage. The Housing and Urban Development Corporation Limited (HUDCO) had launched an RTO scheme in India on similar lines for salaried public / government sector employees, specially at the lower rung to act as a financing partner for government agencies willing to provide housing to its employees but the reach of such schemes was not far and wide and kept the larger tenant or enduser base out of its purview. If the private developers can participate in the RTO schemes and there are Central Government guidelines to regulate this space, they will prove particularly beneficial for developers to dispose of assets which are overpriced and not finding takers.

Residential apartments and villas priced in the category of above INR 10 million to 30 million can largely benefit from this mechanism.

TENANCY ACT 2019

Since rental housing has been a much-neglected sphere, India does not have any residential stock specifically developed to incentivise investments in this space. With the impending rollout of the Model Tenancy Act, 2019, there are bright chances for the rental housing market to not only get regulated but also attract institutional investors or RTO stock. This will provide a new asset class to diversity investment risk too. In view of existing demand for rental housing and this Draft Model Tenancy Act, 2019 to act as a supply side intervention, the upcoming stock for rental housing purpose has the potential to attract investments.

Ambiguities In The Draft Model Tenancy Act, 2019

From Landlord's perspective

- •As part of Section 16, dealing with the tenant to look after the premises, it states that the premises' contents including fixtures and fittings to be kept "reasonably habitable" with regards to its condition at the commencement of tenancy and the normal incidence of living.
- It does not specify any parameters to be taken into consideration for a "reasonably habitable" condition and remains ambiguous.

From Tenant's perspective

- Rental revision percentage should have been capped to avoid disputes with landlords.
- Section 23 (2), pertaining to default in making any refund of the amount of advance rent that the landlord has omitted or failed to refund, does not specify the rate at which the landlord is liable to pay interest which can be a bone of contention with tenants going forward. The rate of interest payable in this situation would be governed by the provision of the tenancy agreement executed between the parties.
- Section 25, pertaining to building of additional structures as part of improvement to premises or new construction, can be misused by landlords to try and evict tenants due to bias.

STUMBLING BLOCKS TO RENTAL HOUSING IN INDIA

Census of India data shows a sharp drop in the share of rental housing from 58% in 1961 to 28% in 2011. While the share of 58% came on a lower base of housing stock as compared to the housing stock in 2011, several factors have obstructed the growth of rental housing market in India and pushed it into informality.

Low rental yields in residential asset class

Rental yield is defined as annual rent as a ratio of the property price after deducting all expenses. Low rental yields have kept landlords away from investing in the property. While there have been few signs of the residential real estate sector's recovery, gross rental yields have been hovering in the range of 3–4.5%. Given below is a comparison of rental yields across few property buckets for similar-sized 2 BHK homes in major locations near employment hubs in key cities.

After deducting all the annual expenses from annual rent, such as property taxes, maintenance charges, agent fee and nonoccupancy costs, the net rental yield is currently hovering in the range of 2–3% across most Indian cities, which is one of the lowest across the world. And they have remained static over the past few years. With better interest rates and returns available in bank fixed deposits, public provident funds and other instruments such as stocks and mutual funds, the lucrativeness of residential real estate as an investment class has lost its sheen. This low rental yield scenario has made end-users cautious of buying properties for investments. Coupled with no capital value appreciation for residential properties, investor participation in housing stock in India is restricted.

Archaic rent control acts

The Rent Control Act, first introduced in India in 1948 with the objective to counteract the inequality of bargaining power between landlords and tenants created many market distortions which proved detrimental for the rental housing market to flourish in India. The Government of India envisaged eliminating the exploitation of tenants by the landlords and land being a state subject, the states adopted it in their own way. The regulations outlined in some of the state-enacted rent control acts prevented landlords from charging market-based increase in rents and tenants in cities such as Mumbai kept paying rents at rates that were frozen years ago. Unable to evict defaulting tenants, landlords have allowed their buildings to either deteriorate or collapse. It comes as no surprise that more than half of the rented units in Mumbai are in a dilapidated state with a worn-out façade. Investments in new rental housing stock is almost negligible in the city. The Rent Control Act and other pro-tenant legislations have disincentivised rental housing for landlords in India and they have started distrusting the state machinery to protect their rights. As a result, there has been a decline in the supply of formal rental housing and increase in informal housing arrangements. While some states have repealed the Rent Control Act, there are still many where several amendments are required.

No regulatory backbone to formalise rental housing

The Central Government, through interventions by the Ministry of Housing and Urban Affairs (MoHUA) has been trying to persuade state governments to bring about rental reforms and as part of that three different model tenancy agreements were proposed in 1992, 2011 and again in 2015. In 1992, the Central Government proposed a model rent control legislation, which was meant for and circulated to all states. The model Act proposed modification of some of the existing provisions on inheritance of tenancy and prescribed a rent level beyond which rent control could not apply. The New Delhi Rent Control Act that was passed in 1997 was based on this but failed to be notified due to resistance from traders who were sitting tenants. Due to

the state level policies and local political climate, reforms in the rental housing sector remained a work in progress since, nearly, the past 25 years. A case in point is a 2016 incident when the Maharashtra government proposed to free residential
properties bigger than 79 square metres (847 square feet) and commercial properties bigger than 50 square metres (540 square feet) from rent control, which faced severe backlash from various stakeholders. As a result, the draconian Maharashtra Rent Control Act could not be repealed, and this proposal was subsequently withdrawn.

Landlord and tenant equation; a legacy of dispute

The landlord-tenant relationship in India has always been a very sensitive subject and despite tenancy and rent-related laws in
Indian states, conflicts do arise between the two. Each state has identified certain grounds for legal eviction of tenants by landlords but in cities where it is difficult to find a rental home, violation of tenancy laws is commonplace. The tenancy laws in India are popularly perceived as "pro-tenant" but there have been many landmark judgements upholding the rights of landlords in cases related to eviction of tenants. The case with landlords staying in other cities or abroad and giving their properties to tenants to protect the premises from illegal occupation or trespassing is even more sensitive as they are away from the scene for prolonged periods. In the event of litigations, there is a long-drawn legal process with expensive legal costs which deters landlords from giving their properties on rent in the first place. The risk of property litigations in cases of conflicts is a major deterrent which has made the rental market unattractive for property owners.

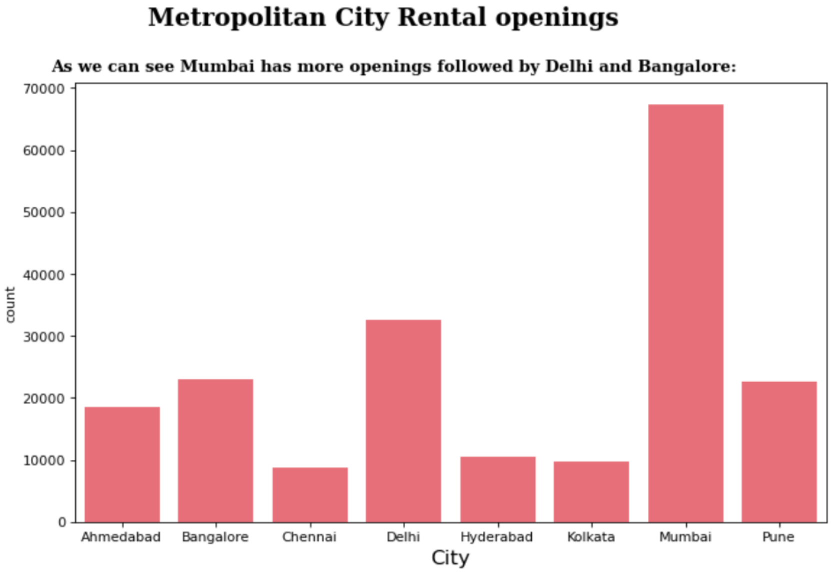
No rental housing industry body

In the absence of a national rental housing industry body to govern all rental housing related matters and bring stakeholders together, encourage dialogue with government, enhance awareness on rental housing matters, there is no organised marketplace for rental housing in India. Other industry bodies such as Confederation of Real Estate Developers Association of India (CREDAI) or National Real Estate Development Council (NAREDCO) champion various industry related causes from time to time and pursue the cause of the housing industry. Since there is no organised rental housing industry body per se, the vacant properties available for rent do not get documented or enlisted centrally, which reduces the net annual rental income for landlords and there is no concentrated effort between private players to work on a mandate to promote the rental housing cause in the country.

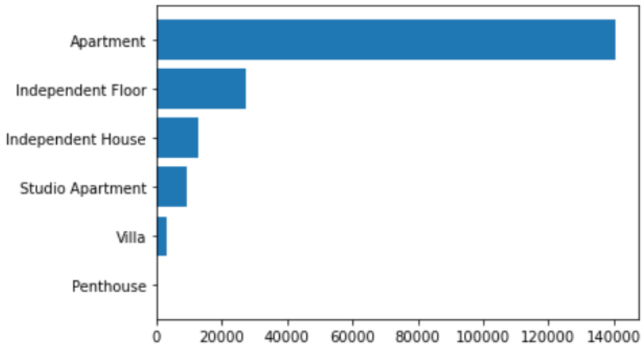
MARKET SEGMENTATION:

Rental Market – Supply Side Dynamics

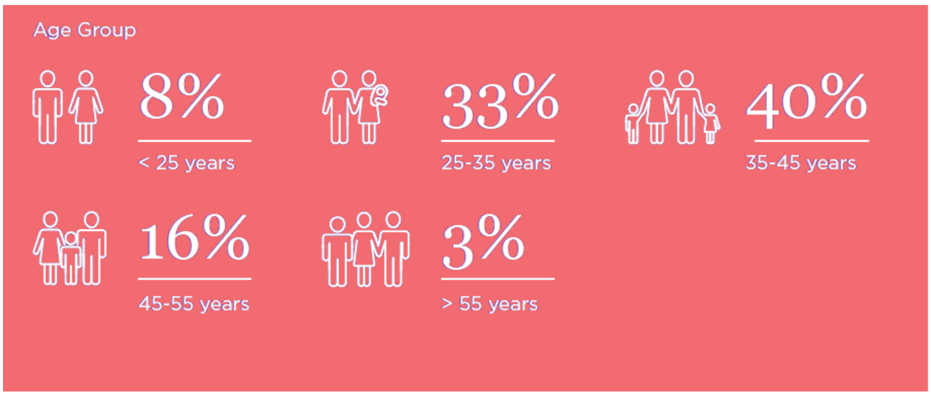
Nature of supply in the Indian rental housing market is a function of the overall development in the residential segment. Large demand, relatively limited supply of land due to various factors and development control regulations has meant that most of the development in residential sector is vertical in nature. Apartments dot the Indian residential housing landscape.



This is also reflected in the percentage share of units available on rent across India. Almost 73% of properties listed are apartments followed by independent floors and independent houses, respectively. While most of the cities have preponderance of apartments, some cities do have almost a quarter or more of rental listings in builder floor segment. Delhi, where due to historic reasons predominant development is low rise builder floors, leads the group with more than 55% listings in this category. Other cities with relatively large scale low rise development include Chennai, Pune and Bangalore. Horizontal development is driven by a mix of three factors i.e. consumer preference, development control regulations and availability of land for large scale development. Cities with large component of low rise development tick all the boxes in these categories.

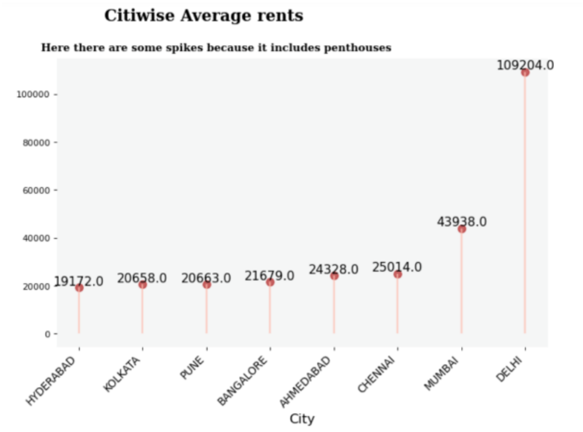


AGE ANALYTICS

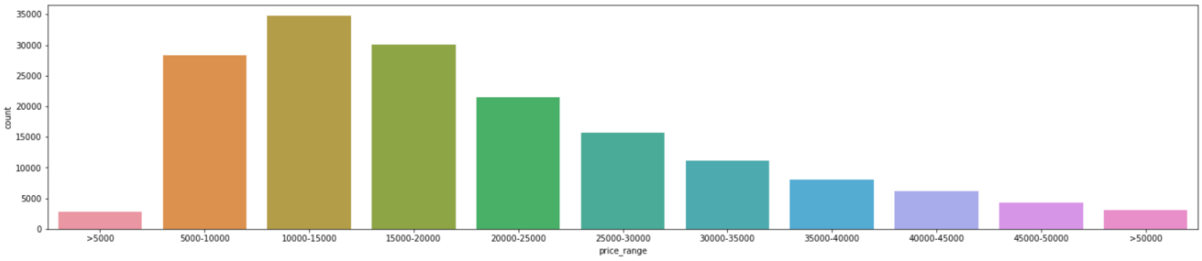


PRICE ANALYSIS

The property market in India has traditionally been unorganized and fragmented. However, the recent past has seen a consolidation of positions in the market as developers are stretching their capacities to the maximum in order to meet the growing market demand, which in turn has encouraged large projects with sourced financing.



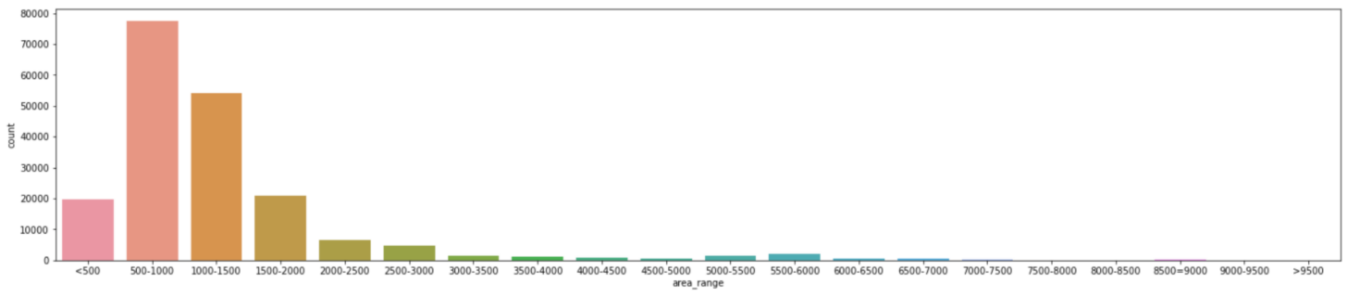
While the rent classification done in the map holds for 8 cities, in some cases like Mumbai and Delhi, the definition will not always hold. This is because relative to other cities, many localities have very high capital value and associated rental. The property might or might not be in premium or luxury segment as high rental is basis only the location. From these graphs we can infer that pent houses costs the most, and Delhi has comparatively more penthouses



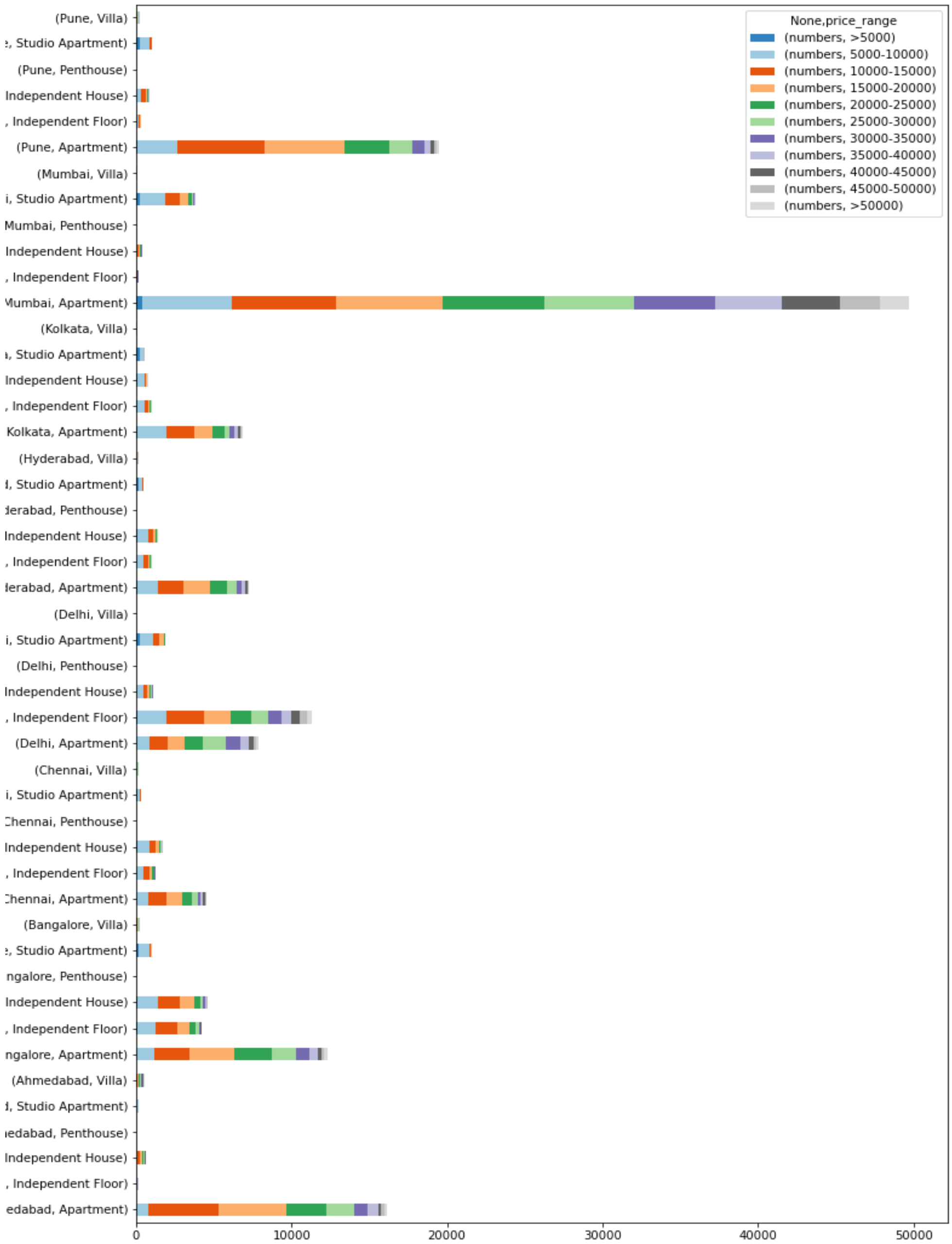
The price range varies from 5000 to 50000 in which most fall under the category of rent 5000-20000. This proves that most people who rent are middle class hence we shall start considering these kind of people so we can cover majority of population of India.

SIZE OF PROPERTIES

The size of a property plays an important role in determining its yield potential. Other things being equal, for same capital value (Rs/sq.ft), a bigger property has higher total cost as compared to a smaller property. However, the percentage increase in rent for a larger property might not be commensurate with percentage increase in the total cost, leading to lower yield.



The average size of properties varies between cities. The average size of units listed for rent across asset types is 1,000 sq.ft and most people prefer 500-1500 sq.ft of area. This broadly holds true even if we consider the average size of only the apartment segment which forms the largest share of rental properties. Only difference is that Kolkata Region has larger sized apartments as compared to Pune. The average size of properties in this case across regions is Delhi (1,586 sq.ft), Hyderabad (1,495 sq.ft), Kolkata (1,174 sq.ft) and Mumbai (1,237 sq.ft.).

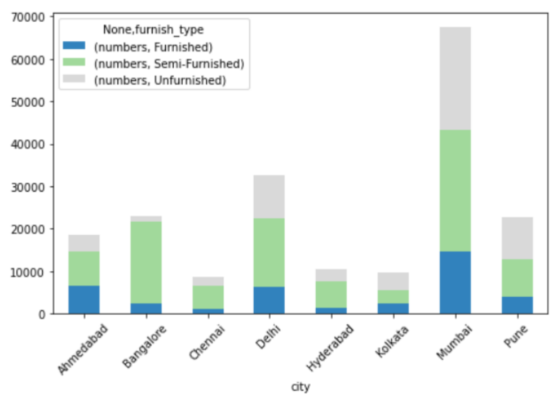


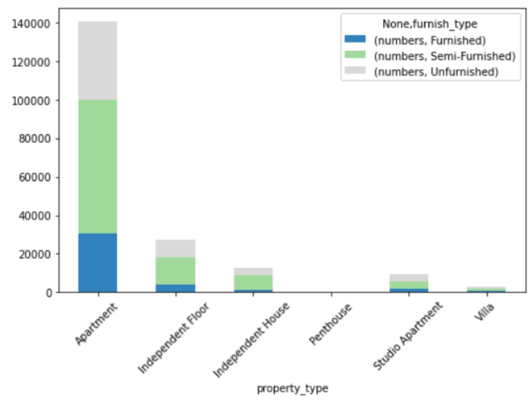
Almost 2/3rd of properties listed for rent fall in Rs 10000-15,000/month and less rent bracket. Within this segment, almost 50% properties are in Rs 5,000-15,000/month rent range. Cities with large number of premium and luxury properties like Mumbai, New Delhi and Bangalore have much higher than national average share of rental properties in premium (Rs 35,000-50,000 per month) and luxury (>Rs 50,000 per month) bracket.

Configuration	Compact	Large
	within 650 sq. ft.	800 - 1000 sq. ft
	within 800 sq. ft.	1200 - 1500 sq. ft
	within 1000 sq. ft.	1400 - 1800 sq. ft
	1800 - 3000 sq. ft	

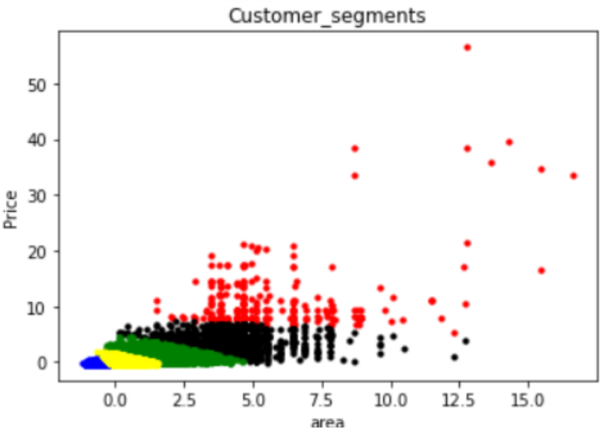
FURNISHING

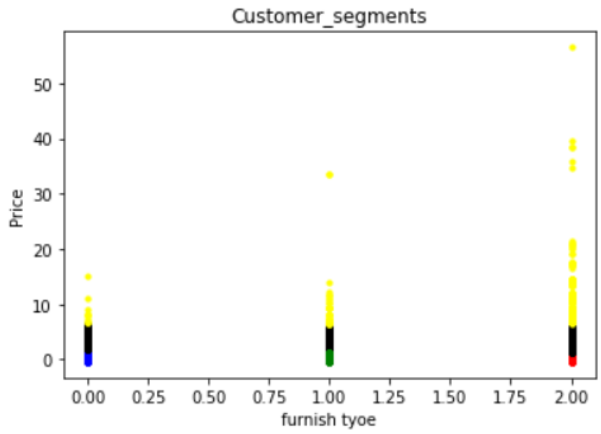
However, the distribution of properties across furnishing status varies amongst the 8 cities. Mumbai and Pune in west and Kolkata in east have a large percentage of unfurnished properties on rent. Incidentally, Mumbai also has the highest share of furnished properties on rent. From rental perspective, India residential market remains an affordable market. Apart from the property type, another important feature of the rental segment is the state of furnishing within the rental property. A property can be divided into three categories basis the status of furnishing i.e. unfurnished, semi-furnished and furnished. There is no universally accepted definition of distinction between an unfurnished and semi-furnished property; it varies from case to case. However, a semi-furnished property is generally considered to be having wardrobes, modular kitchen, functional fans and lights; geysers might or might not be included. An unfurnished apartment on the other hand generally lacks in terms of wardrobe and modular kitchen (instead has a simple kitchen). Many of the units available on rent are in projects which have been completed over last couple of years. The items included in semi-furnished segment are those which are provided by the developer and have zero to little additional input by the home owner. Most apartments and builder-floors in the no-frills lower rental segment fall in the unfurnished category. As the adjacent chart below shows, semi-furnished units dominate the rental space across each of the property type.

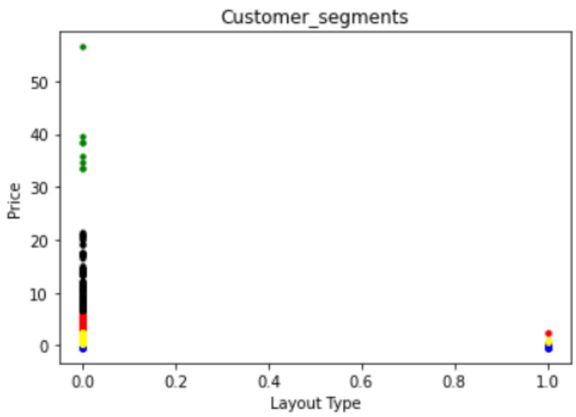


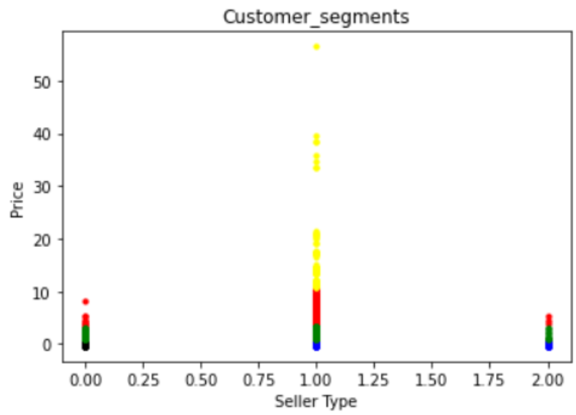


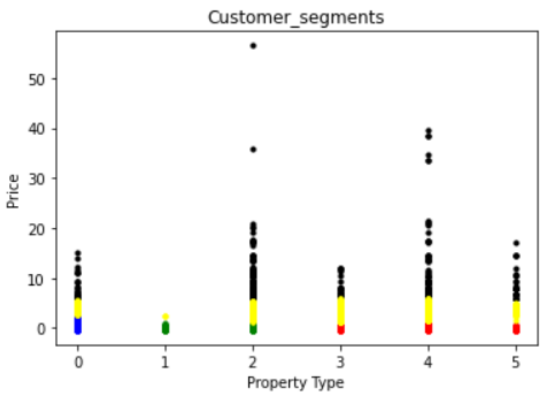
A furnished unit on the other hand comes with white goods and furniture. Though, the extent and quality of the furnishing varies and here again, there is no single definition which defines the bare minimum requirement. The share of furnished units in each category starts rising with increase in rental budget. From Rs 30,000 per month rental budget onwards, the share of furnished units reaches 20% of the total units available in a particular rental budget segment.

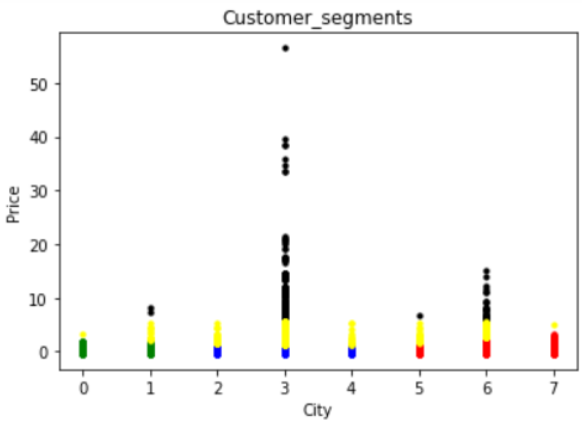


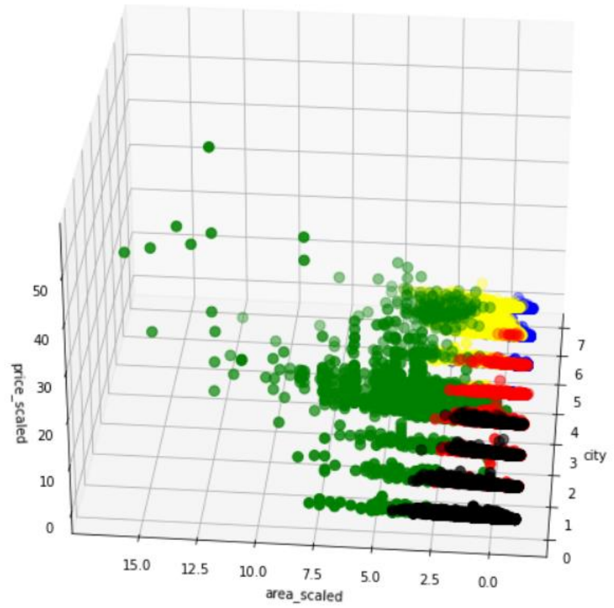


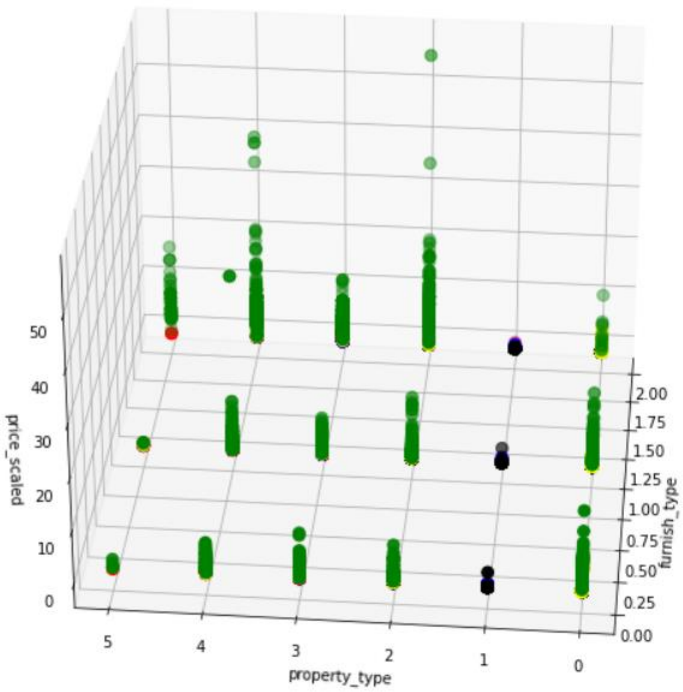












PROFILING AND DESCRIBING POTENTIAL SEGMENTS:

If we were to consider the entire universe of residential properties for each city, the average unit size in each category would be relatively smaller. The large average size of apartments in case like Delhi is because many large format units in the premium and luxury segment (> 2,000 sq.ft in size) are listed for rent. This is an oblique indication that premium and luxury segment has large investor interest; till the time properties can be resold to book a profit, these are finding their way into the rental housing market.

We explore the spread of rental properties by covered area across the cities for apartment segment. The key takeaways are as follows:

- On average, 65% properties across 8 cities are in 500-1,500 sq.ft size bracket.

- West India comprising of Mumbai and Pune have on average 49% rental properties in 500-1,000 sq.ft bracket; Mumbai leads the pair with 67% properties in this size range. Kolkata also has rental properties predominantly (41%) in the smaller size bracket.
- In comparison, Southern Indian cities have only 16% and North India has only 15% rental properties in the above mentioned range.
- Most rental properties in the South and North India are in 1,000-1,500 sq.ft bracket with 41% share each.
- More than 30% rental properties are in 1,500-2,000 sq.ft segment in cities like Hyderabad, Bangalore and New Delhi.
- In 2,000-3,000 sq.ft size bracket Ahmedabad has 31% rental properties as against the average of 8% across 8 cities.
- Again, in >3,000 sq.ft size segment, Delhi has 14% properties against national average of 2%.
- Over 95 % rental buildings are of layout type BHK with again Delhi dominating the most.
- Almost 73% of properties listed are apartments followed by independent floors and independent houses, respectively
- Almost 2/3rd of properties listed for rent fall in Rs 10000-15,000/month and less rent bracket. Within this segment, almost 50% properties are in Rs 5,000-15,000/month rent range.
- Cities with large number of premium and luxury properties like Mumbai, New Delhi and Bangalore have much higher than national average share of rental properties in premium (Rs 35,000-50,000 per month) and luxury (>Rs 50,000 per month) bracket.
- The average size of properties varies between cities. The average size of units listed for rent across asset types is 1,000 sq.ft and most people prefer 500-1500 sq.ft of area.
- The price range varies from 5000 to 50000 in which most fall under the category of rent 5000-20000. This proves that most people who rent are middle class hence we shall start considering these kind of people so we can cover majority of population of India.
- 79 % of the people prefer agent for rental availability followed by direct approach with 20%.

TARGET SEGMENTS

Our analysis shows that some aspect which impacts the rental value other things being equal, furnished properties command much higher rental and yield is disproportionate to investment made towards furnishing. So an offer can be rolled out to investors who want to rent out that the property will be made fully furnished on their behalf and they need to just get the tenant. So from our analysis we can conclude that Property type, Area, Layout type, Furnishing and Price are the potential segments. Targeting segments with area 500-1500 sq.ft and layout type BHK can yield more profit as the majority population prefers this the most. Talking about pricing it is closely associated with furnishing hence semi furnished house which falls under the rent bracket 5000-20000 can yield more profit. This specified segment helps us reach more people and this can compensate our marketing too.

MARKETING MIX

Low rental yields point to the fact that residential investment purely on the basis of rental yield is not sustainable. Especially, considering the fact that national rental yield average at 3% is less than half of prevailing fixed deposit rate offered by the banks. There are multiple reasons for the same. The stock of residential units has expanded massively over last decade and there is ample supply of rental units in the market. Therefore, even when the capital value across the cities have remained mostly stagnant or seen only marginal movement, the rental yields have not increased because rental values have not gone up due to supply of ready units. Further**, in a growing economy, investor will continue to chase capital gains over rental yields.** Driven by rapid urbanization, migration to cities and the rising cost of home ownership, rental housing in India is likely to see a boom in the next two years, according to a report by Savills India.

Product

The type of product would obviously depend on the Housing App Start-up, but throughout our analysis we figured that for India it is best to enter the market with Rental market because the most of Indian population stays in a rental house. Most people would this because it is cost effective, and the current infrastructure would support that. To effectively market a product or service, it's important to identify what differentiates it from competing products or services. We can use the BTR or RTO models for our net profit. It's also important to determine if other products or services can be marketed in conjunction with it. We are developing a Housing application hence the User Interface should be neat and clean so that our users don’t get bored while using. By this we can tackle the local brokers. Our product can also have a 3d mapping of the house so that the users can view it virtually without going to the location. Moreover Geographical mapping can be beneficial like mapping to the nearest utilities. These features differentiates us from our competitors

Price

Affordability is a major issue with the growth of our products. It is important to keep in mind that in order to appeal to the consumers, the company's product has to be cost effective to both purchase and maintain. The sale price of the product reflects what consumers are willing to pay for it. In an average traditional brokers charge 3 month rent as broker charge. We can charge 5% from the advance amount so that we can get a nominal charge. This share should be considered with the development and marketing team so that we can come to a conclusion. Using the app doesn’t need to be charged as many of our competitors provide app usage for free. Other than this for developing this product approximately 5 lakhs will be needed inclusive of developer charges and database charges. We can compensate some expenditure from AD services too if it aligns with the companies policies.

Placement

The type of product created is important to consider when determining areas of distribution. Major urban cities of the country should be targeted as these are the places where infrastructure would support. The APP would work best in metropolitan cities. Another reason for targeting urban cities is that here it is more likely to have an educated population willing to use our app because they are aware of the benefits.

Promotion

Promotion is product dependent. The best possible promotion is to educate people of the benefits of our product. If the Start-up comes up with an affordable product that should definitely be promoted. Joint marketing campaigns also are called a promotional mix. Activities might include advertising, sales promotion, personal selling, and public relations. A key consideration should be for the budget assigned to the marketing mix. Marketing professionals carefully construct a message that often incorporates details from the other three Ps when trying to reach their target audience. Additionally, marketers often study consumers who frequently will influence strategies related to service or products. This also requires a strategy for communicating with consumers in terms of obtaining feedback and defining the type of feedback being sought. Traditionally, marketing commences with identifying consumers' needs and ceases with the delivery and promotion of a final product or service. Consumer-centric marketing is more cyclical. Reassessing the customers' needs, communicating frequently, and developing strategies to build customer loyalty are the goals.