

REALTY

DECOODER

Q2 FY'16

OCTOBER 2015







Sales and Launches

- Number of home units launched and number of units sold have continued to fall as compared to the previous quarter. While home unit launches fell from 51k in the first quarter of financial year 2015-16 to 37k in the second quarter (Q2), sales also fell from 57k to 49k, a fall of 14%.
- However, home sales in the second quarter continued to exceed launches. This has led to the total outstanding inventory seeing a reduction quarter-by-quarter, albeit by only 5-12k each quarter.
- Mumbai, Bengaluru, Pune together account for 60% of the overall home sales in the top nine cities, thereby displacing the National Capital Region (Noida and Gurgaon combined).
- Ready-to-move-in units account for only 4-7% of total unsold inventory. Majority of the inventory overhang is in various stages of construction.

End Users driving the market

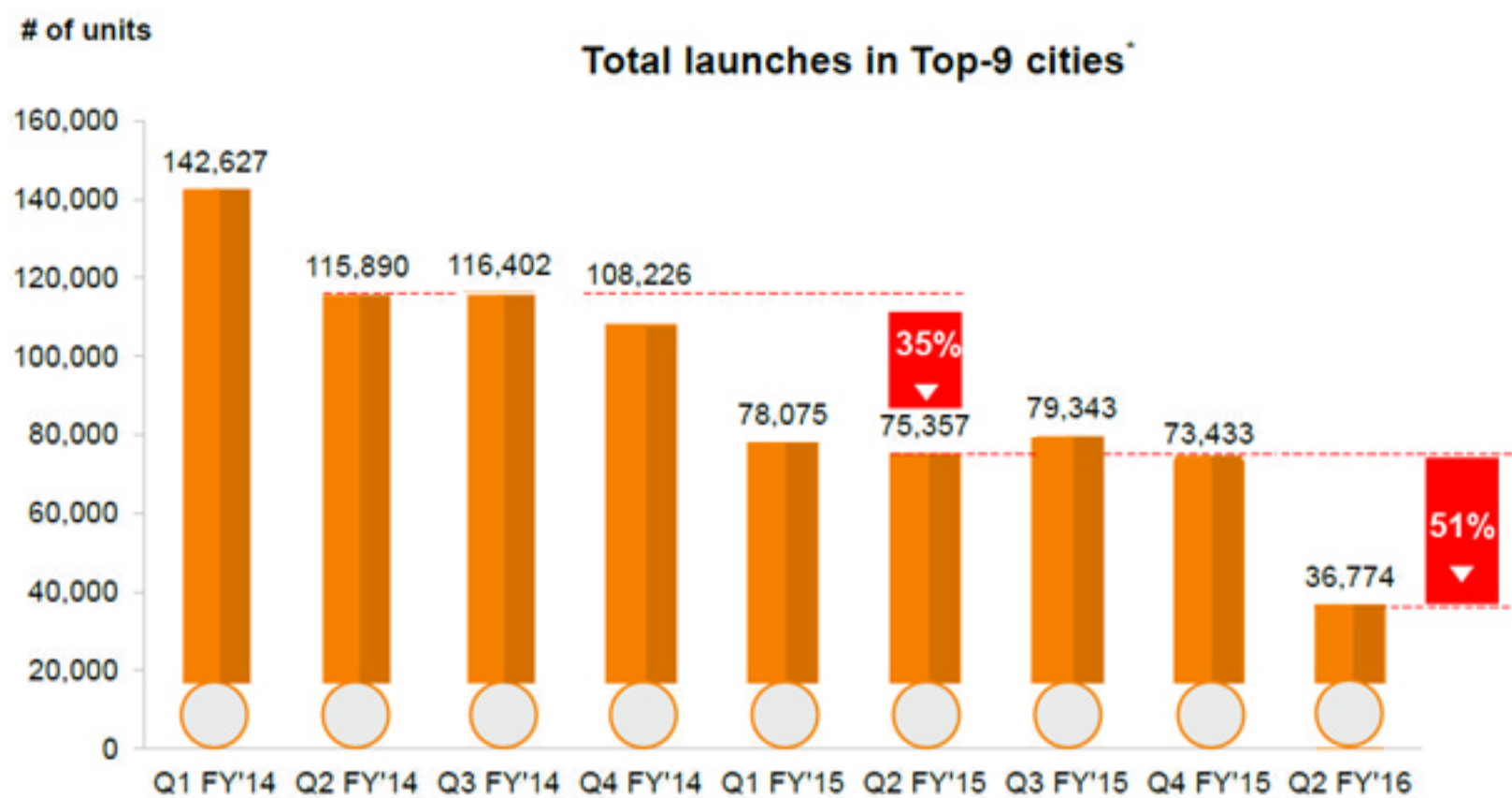
- Another positive trend for the market is the quality of sales manifested by low percentage of investors in the total mix. Except for Gurgaon and Thane, all other markets have 20 % investors.
- With only 5% investor base, Hyderabad could be the market to watch out for, as more stability comes in after the state bifurcation.

Prices and future outlook

- Prices have increased by 0-4% for major markets in the past one year. In real terms (after deducting inflation), prices have seen a fall. However, we do not see any across-the-board price fall happening now or later.
- Buyers seeking apartments for self-use need not wait for any particular trigger and should avail of the best financing options to purchase their dream home. Investors, too, have smart markets and micro-markets available for investment at present.
- The third quarter should see some push in home sales because of the festive season, and from real impact of the 50 basis point repo rate cut by the Reserve Bank of India. If the moments carries over to the fourth quarter remains to be seen.
- While global economic conditions are bleak, India along with the USA may be remembered 20 years later as the only stars of this decade. As the macro-economic steps taken by the Indian Government bear fruit, overall economic conditions should improve gradually, thereby creating more jobs. This, in turn, would create better purchasing power among people. Till then, we could see the real estate market continuing to plod along its way.

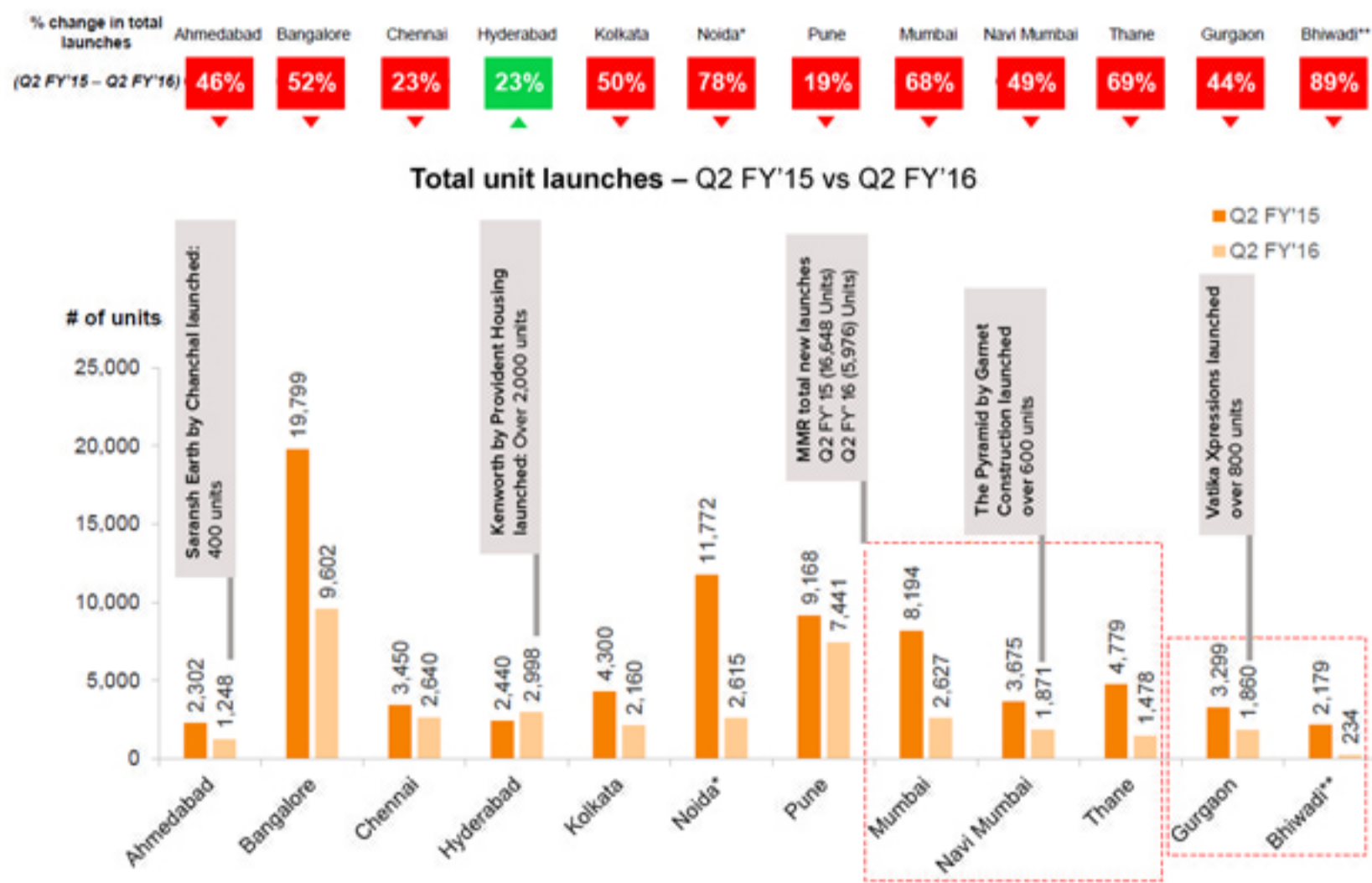


New launches continue to fall, possibly looking at the bottom now



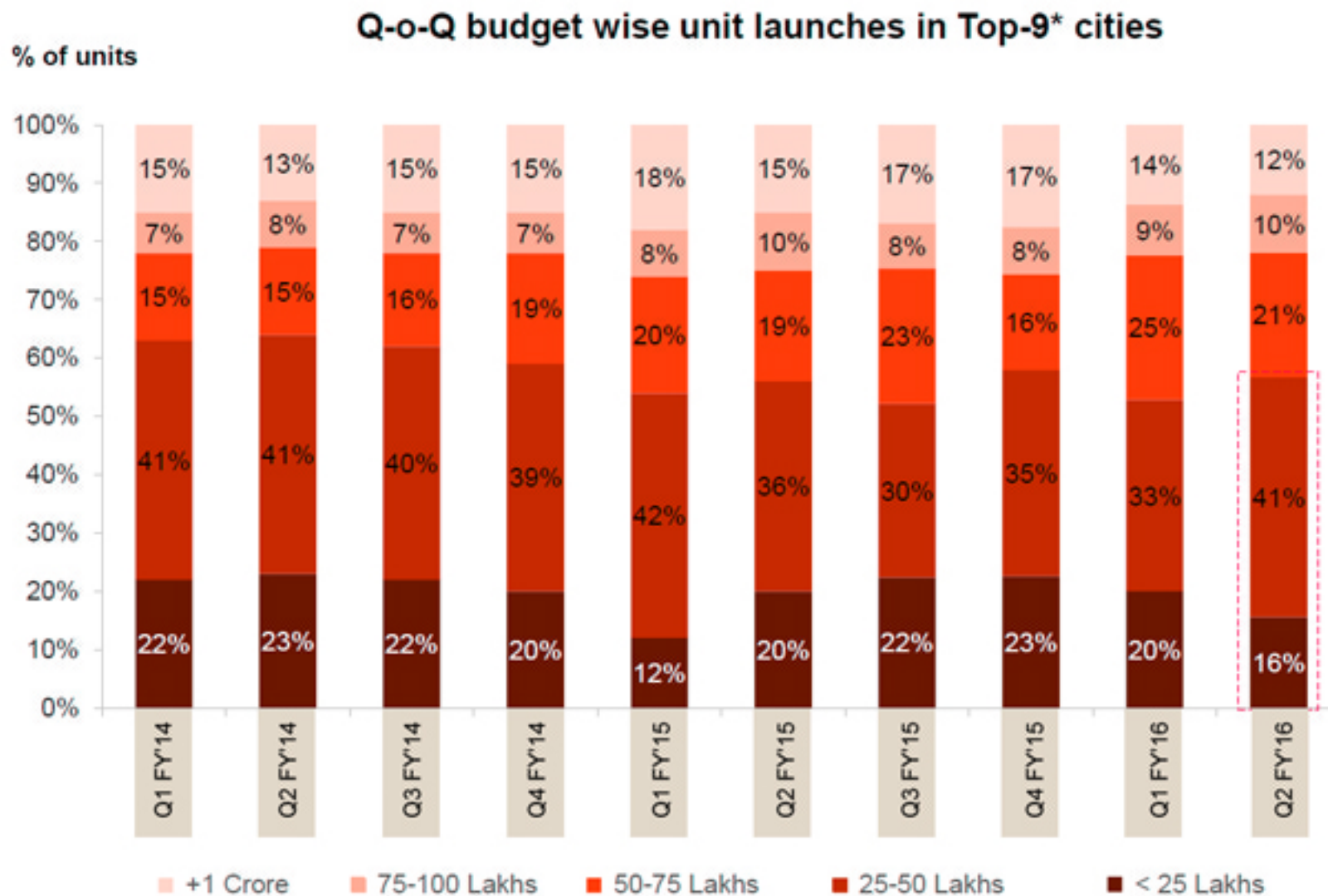
Note:
*Top 9 cities are Mumbai (includes Navi Mumbai and Thane), Pune, Noida (includes Greater Noida and Yamuna Expressway), Gurgaon (includes Bhiwadi, Dharuhera and Sohna), Bengaluru, Chennai, Hyderabad, Kolkata and Ahmedabad
The analysis includes apartments and villas across the regions.

New launches reduced 20-70% across cities



Note:
*Noida includes Greater Noida and Yamuna Expressway.
**Bhiwadi includes Bhiwadi, Rewari, Dharuhera, Behror, Manesar and Neemrana.
Sohna is excluded from the analysis because of no launches in the respective quarters.
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Affordable segment saw 57% of total launches

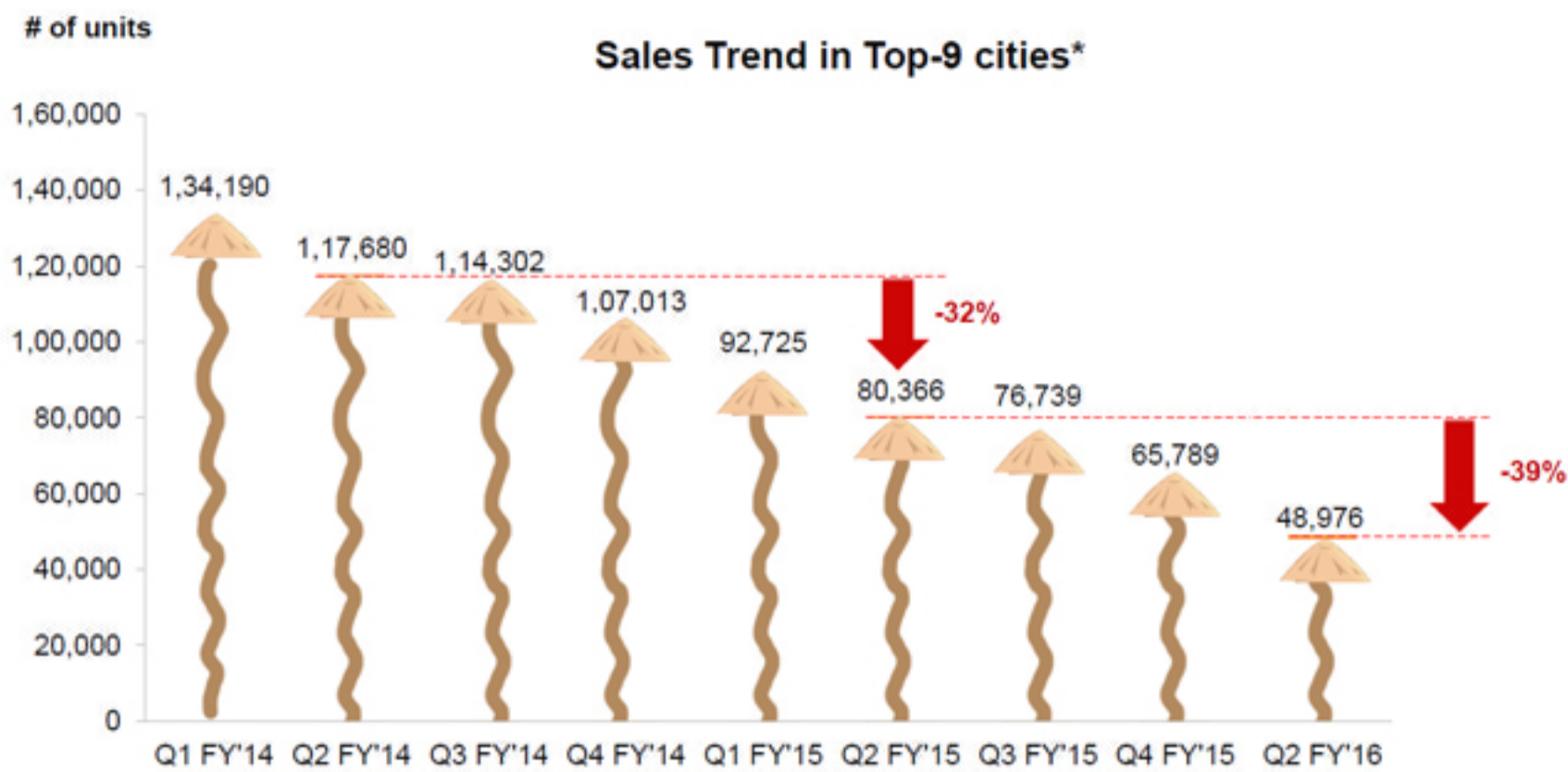


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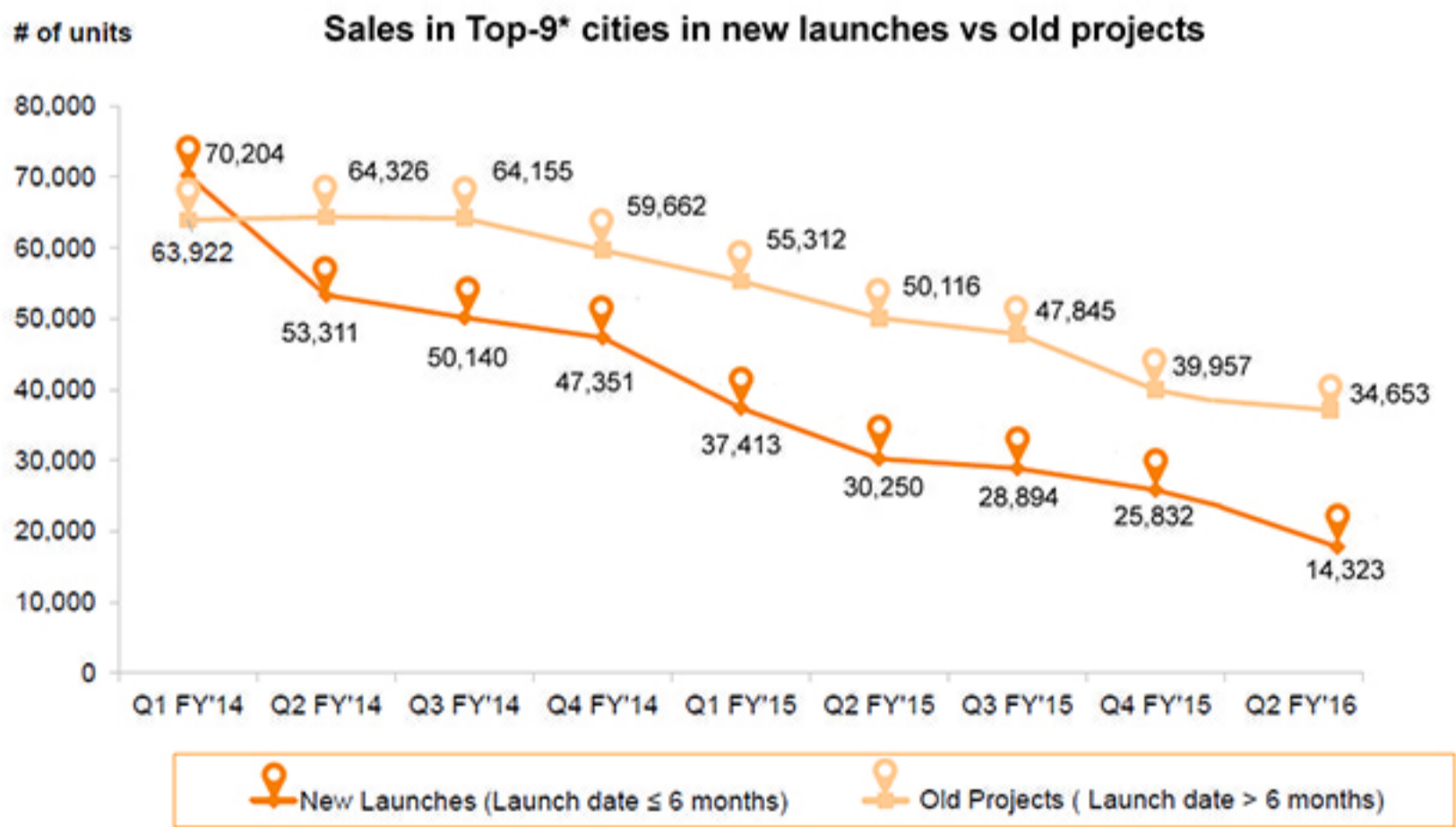


Sales fell 14% over the previous quarter



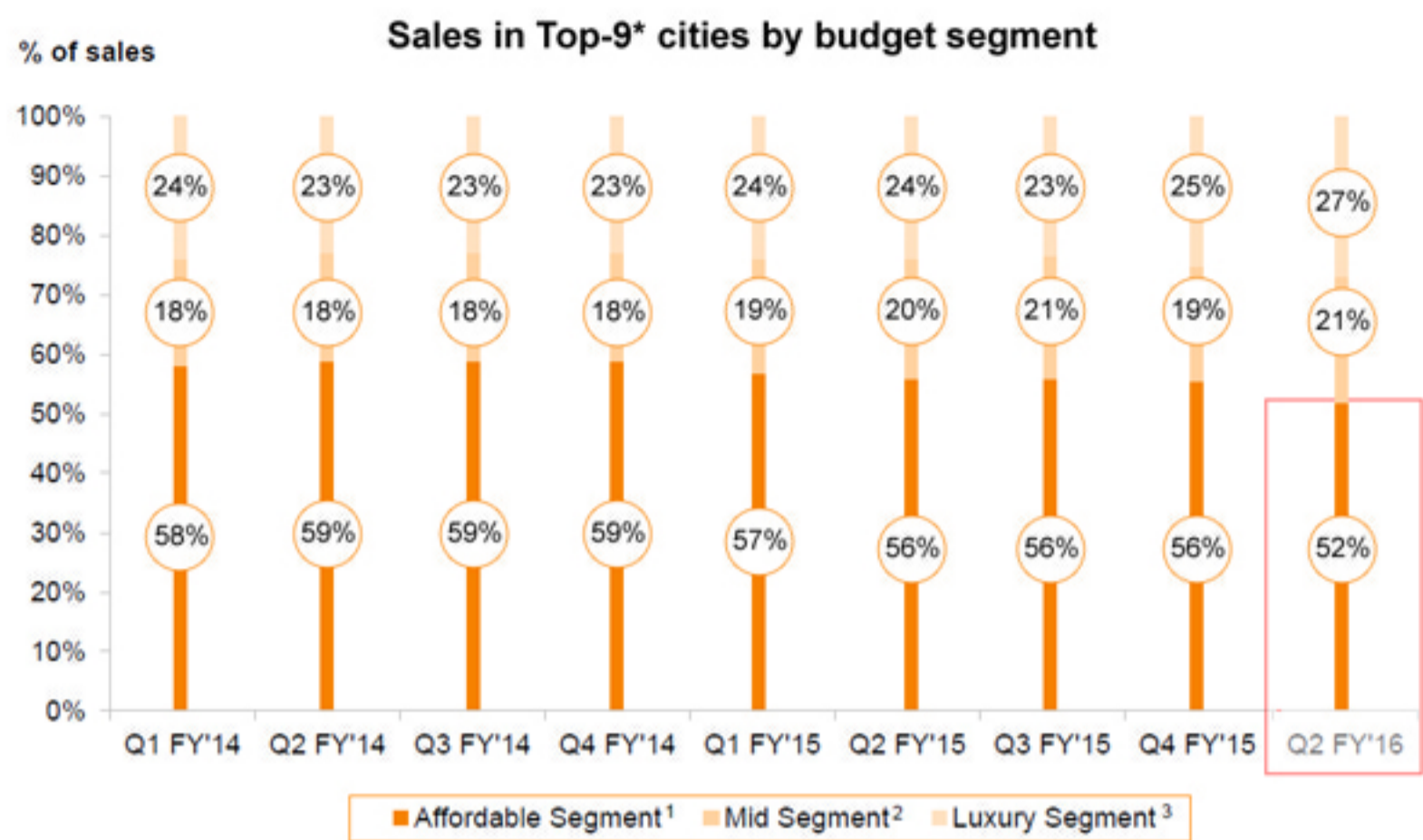
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Buyers preferring older projects to newly launched ones



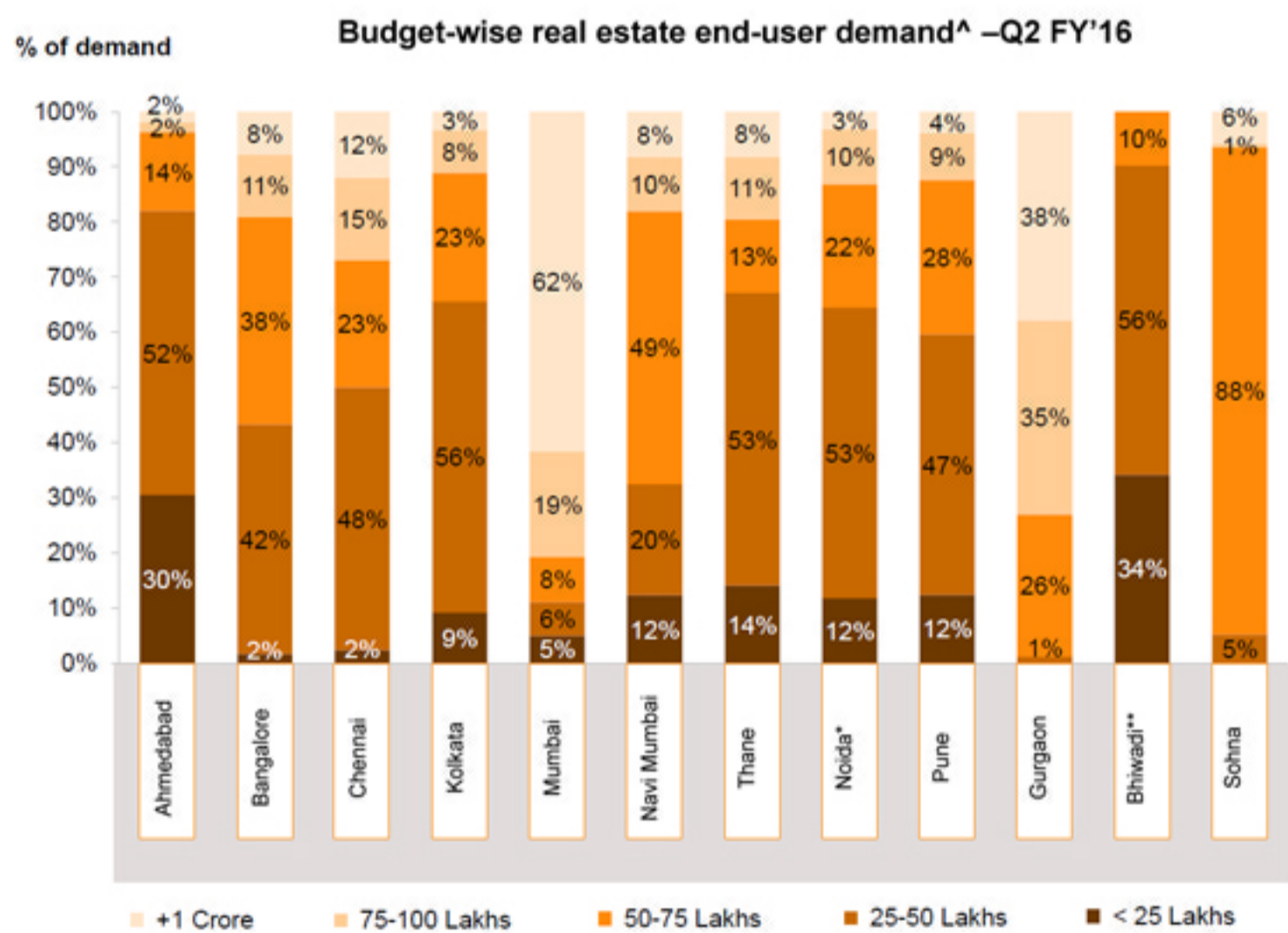
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Half of the sales continues to be in the affordable segment (Rs 50 lakh)



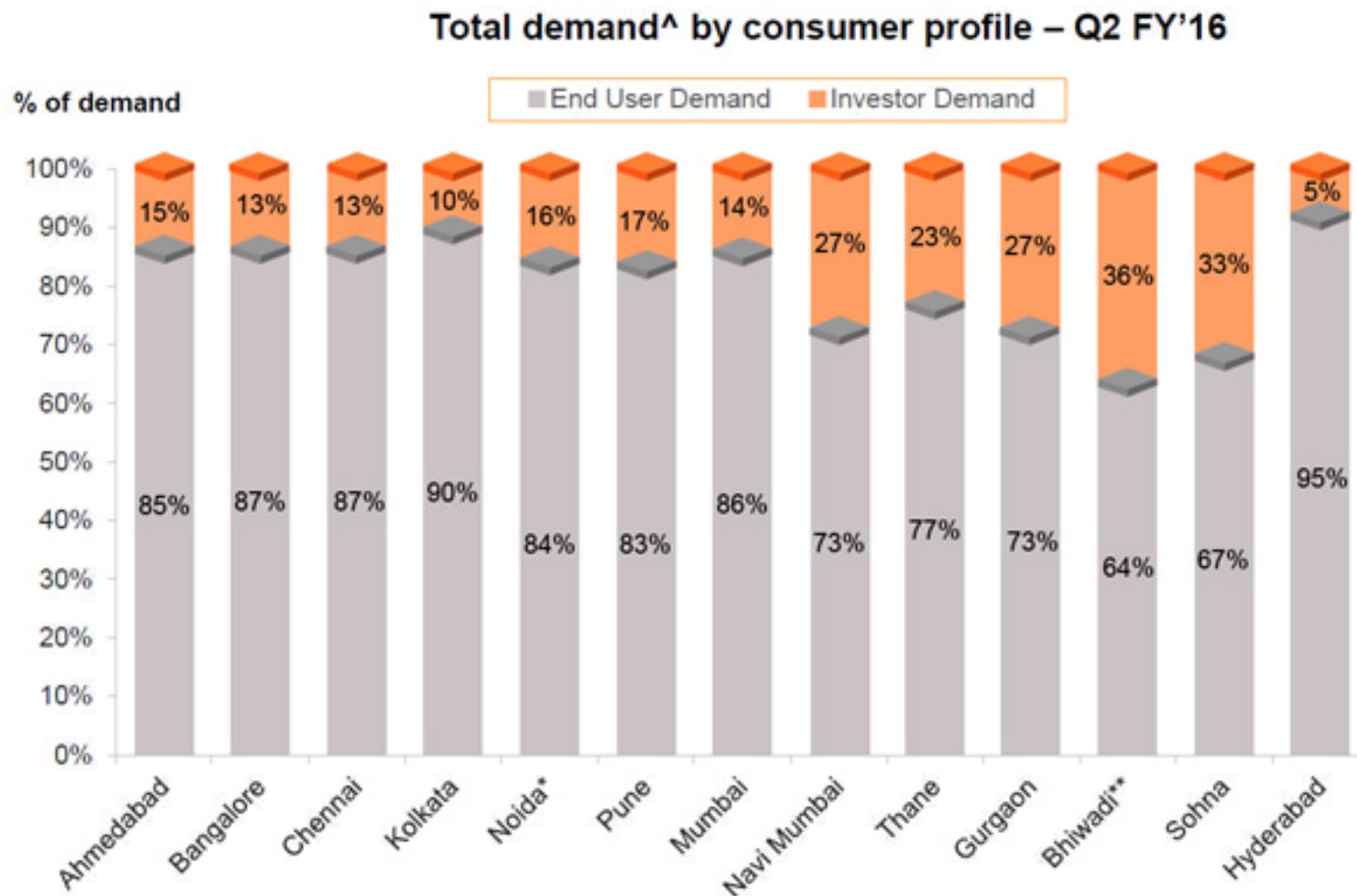
Note:
1: Affordable segment: Units within Rs 50 lakh budget
2: Mid-segment: Units within Rs 50-75 lakh budget
3: Luxury segment: Units in Rs 75 lakh budget

Highest demand in the Rs. 25-50 lakh range; Gurgaon and Mumbai are outliers



Note:
*Noida includes Greater Noida and Yamuna Expressway.
**Bhiwadi includes Bhiwadi, Rewari, Dharuhera, Behror, Manesar and Neemrana
^Based on survey of enquiries received by PropTiger
Analysis includes apartments and villas across the regions.

Gurgaon area and Mumbai suburbs continue to have some investor demand. It is subdued elsewhere



Note:

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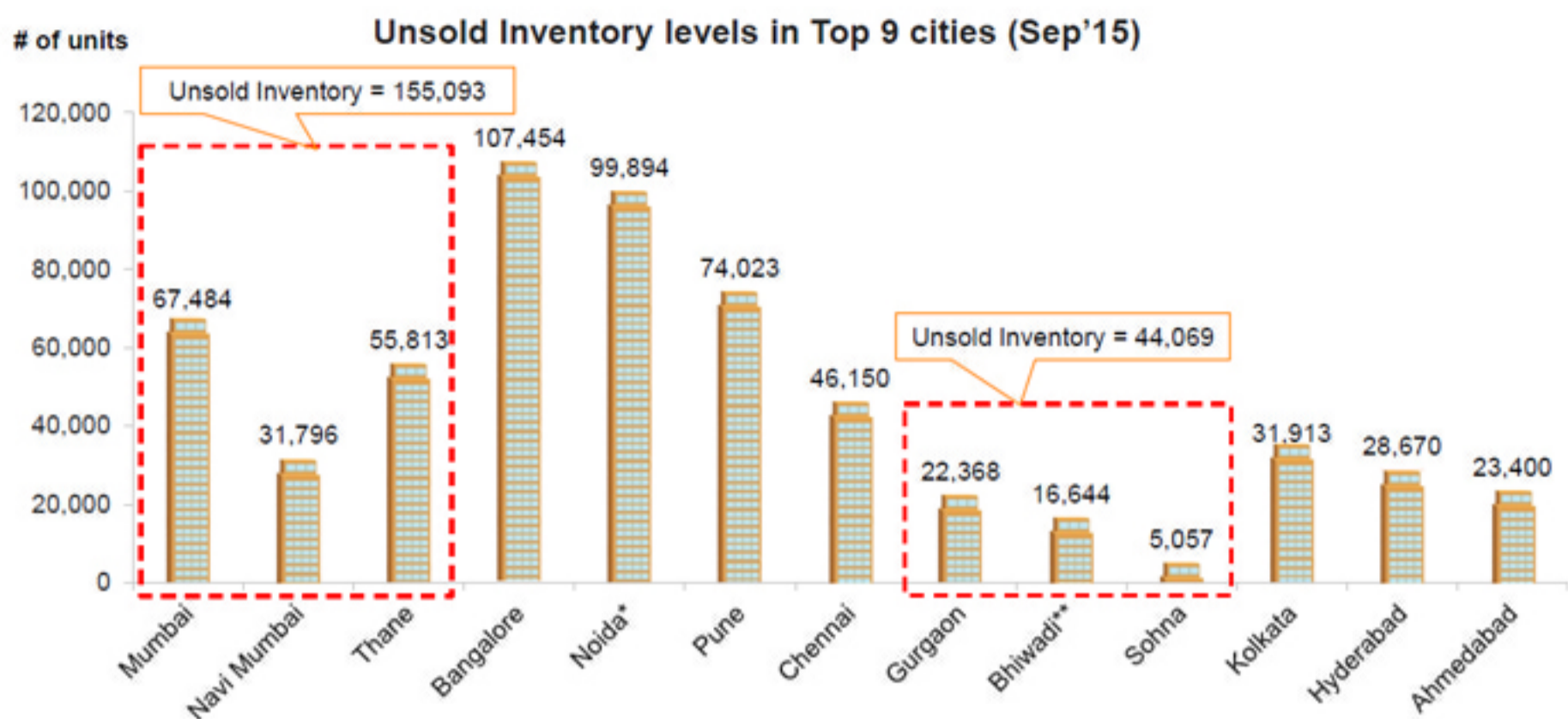
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Source:

PropTiger Datalabs Oct 2015 10

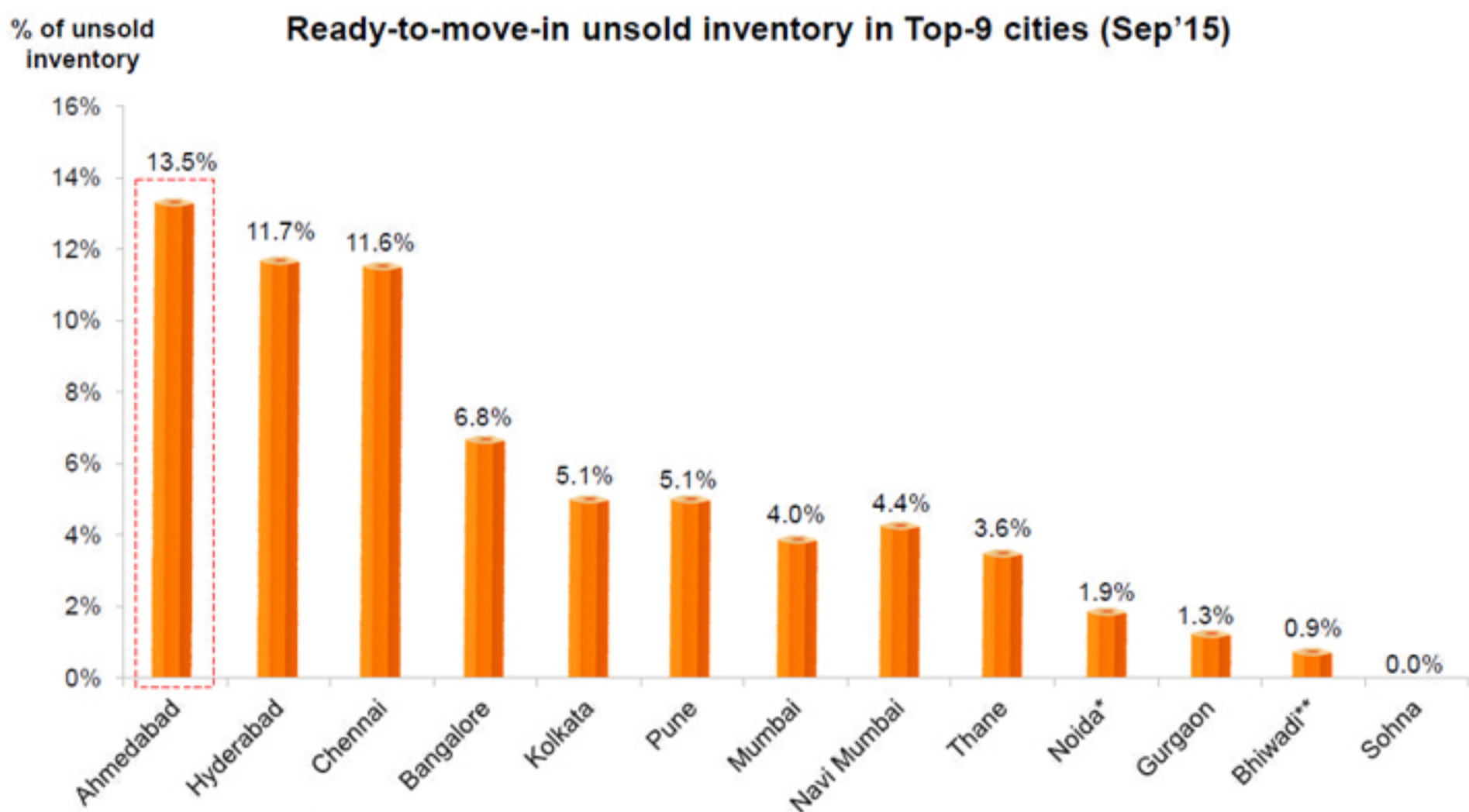


Mumbai, Bengaluru and Noida have the most unsold inventory
(60% of total unsold inventory)



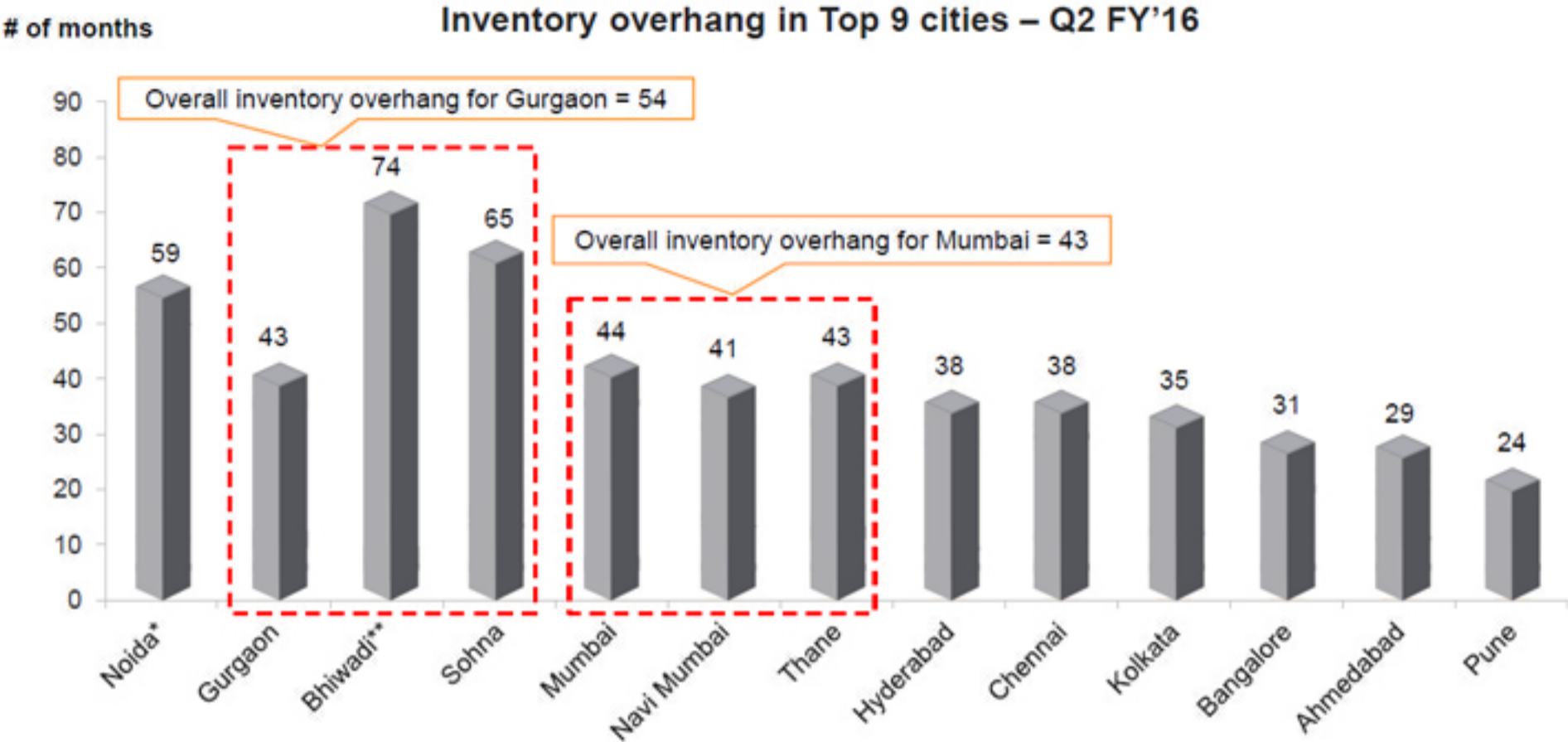
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While unsold Inventory is high, little of that is in the ready-to-move-in segment.



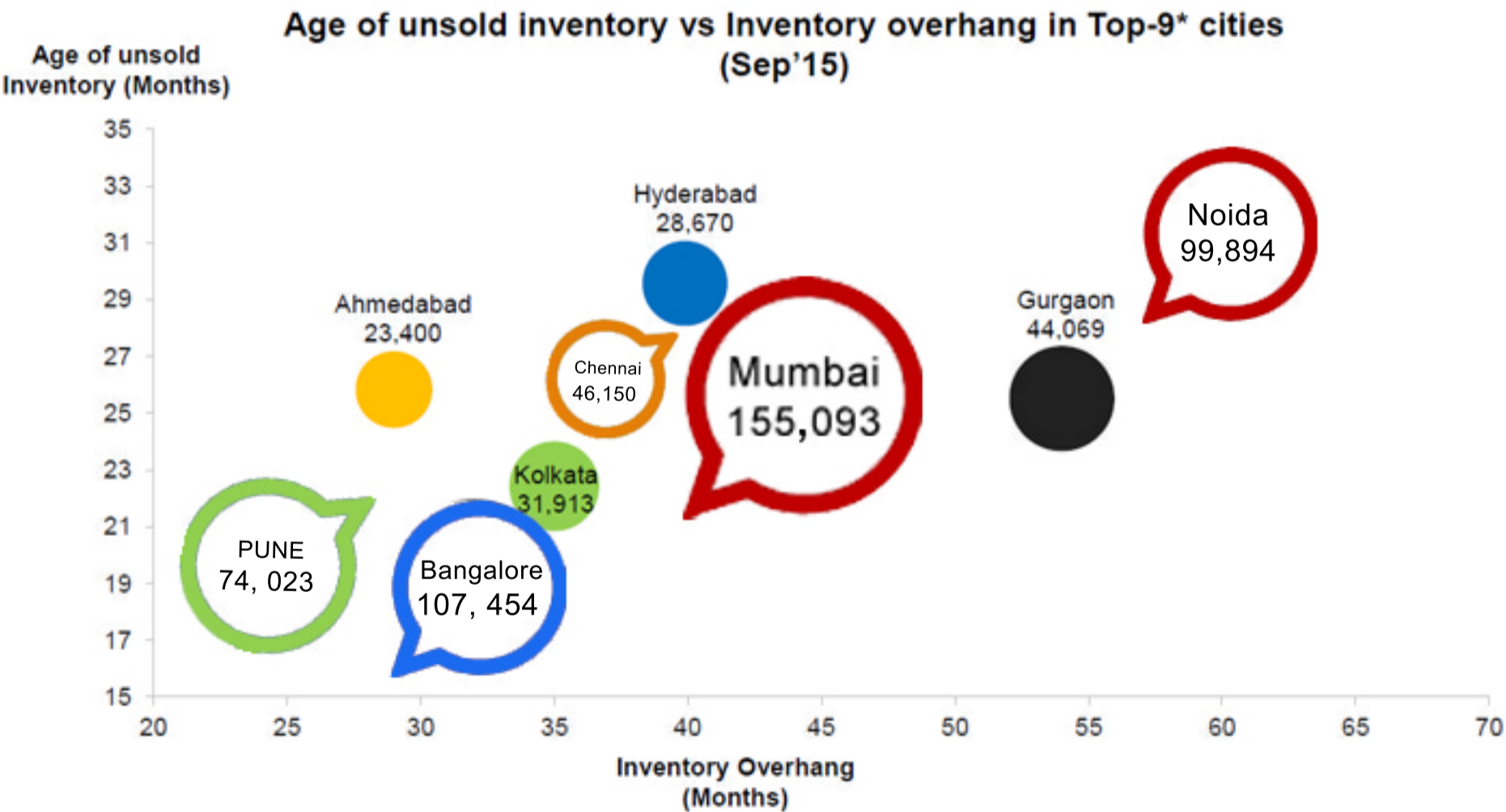
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NCR and Mumbai continue to grapple with acute inventory overhang issue



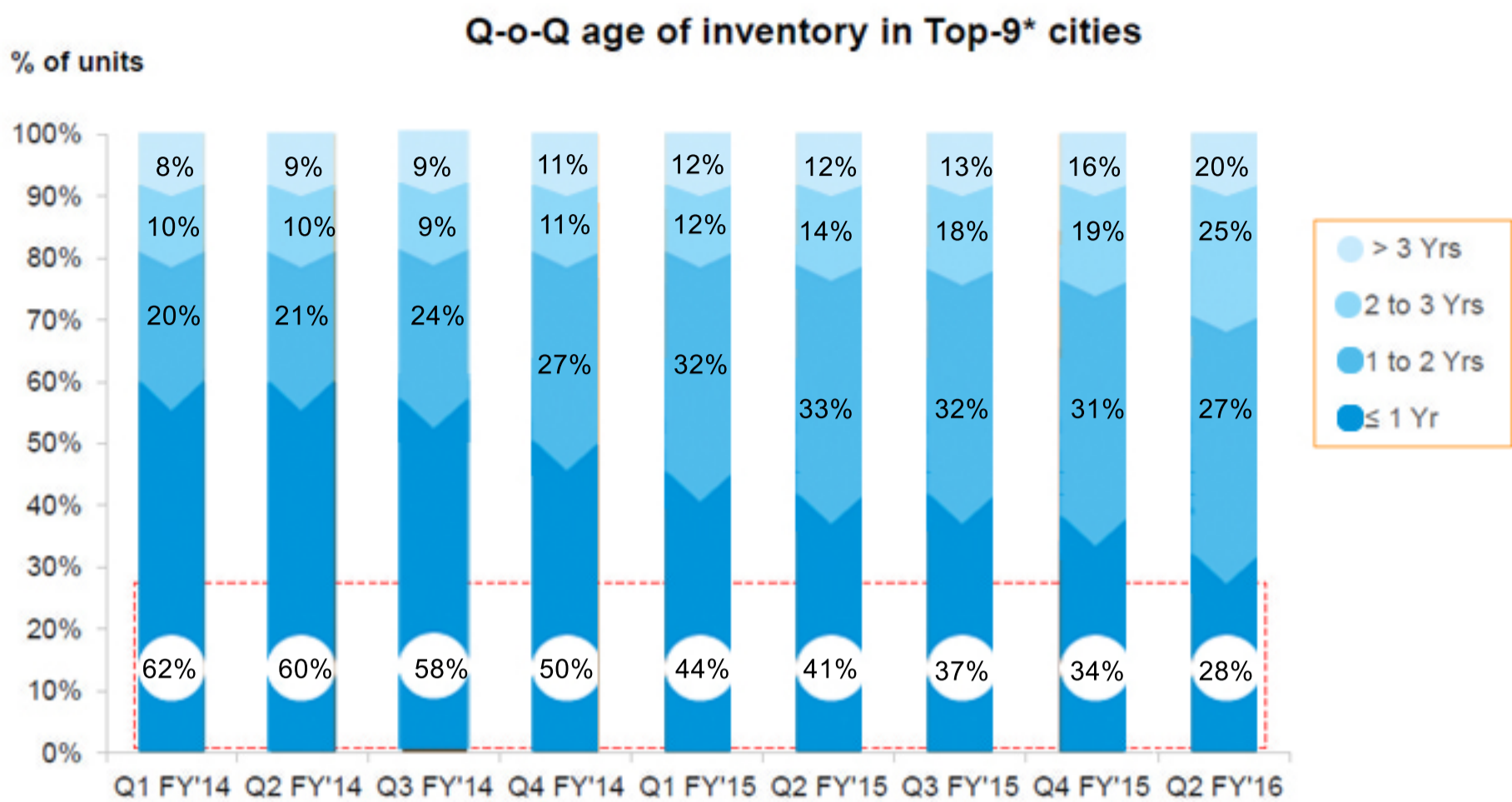
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Pune leads the pack with highest liquidity:
Low-aging and low-inventory overhang



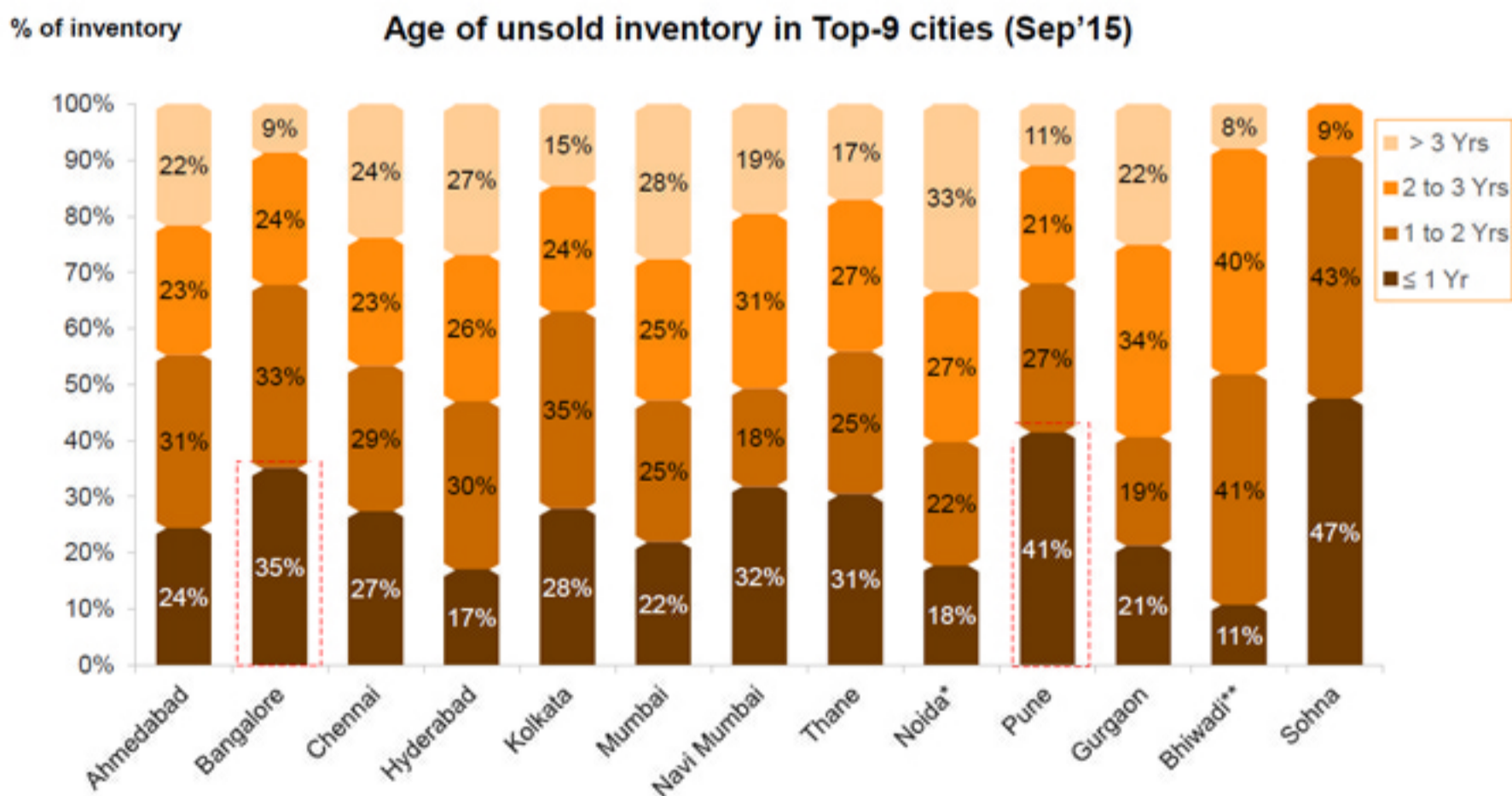
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Size of the bubble indicates total inventory in units

Fresh projects contribution in inventory falling as a percentage



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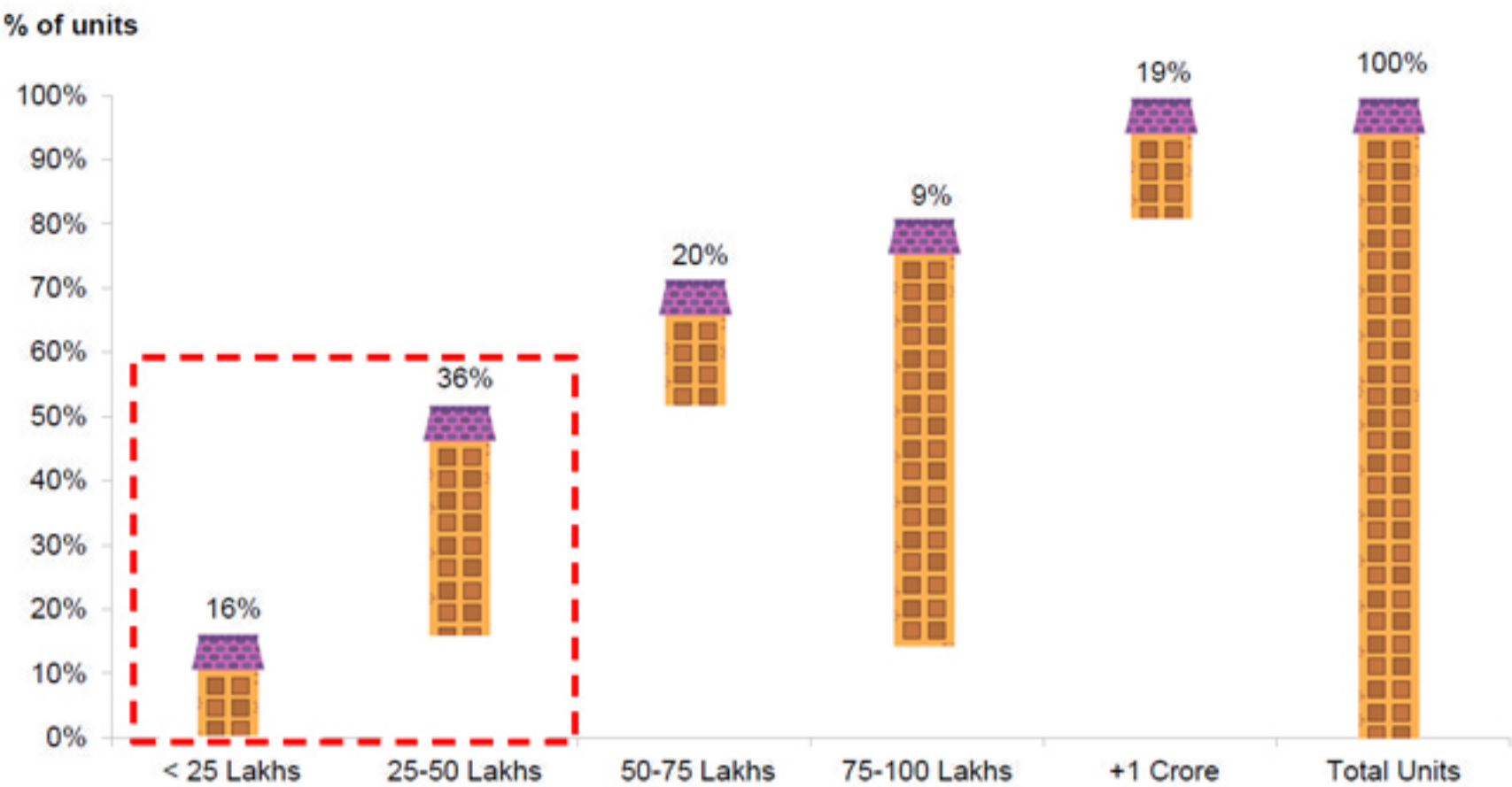
Lower overhang in Bengaluru and Pune reflecting in higher fresher projects in the inventory



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52% of total unsold inventory is affordable (< Rs 50 lakh)

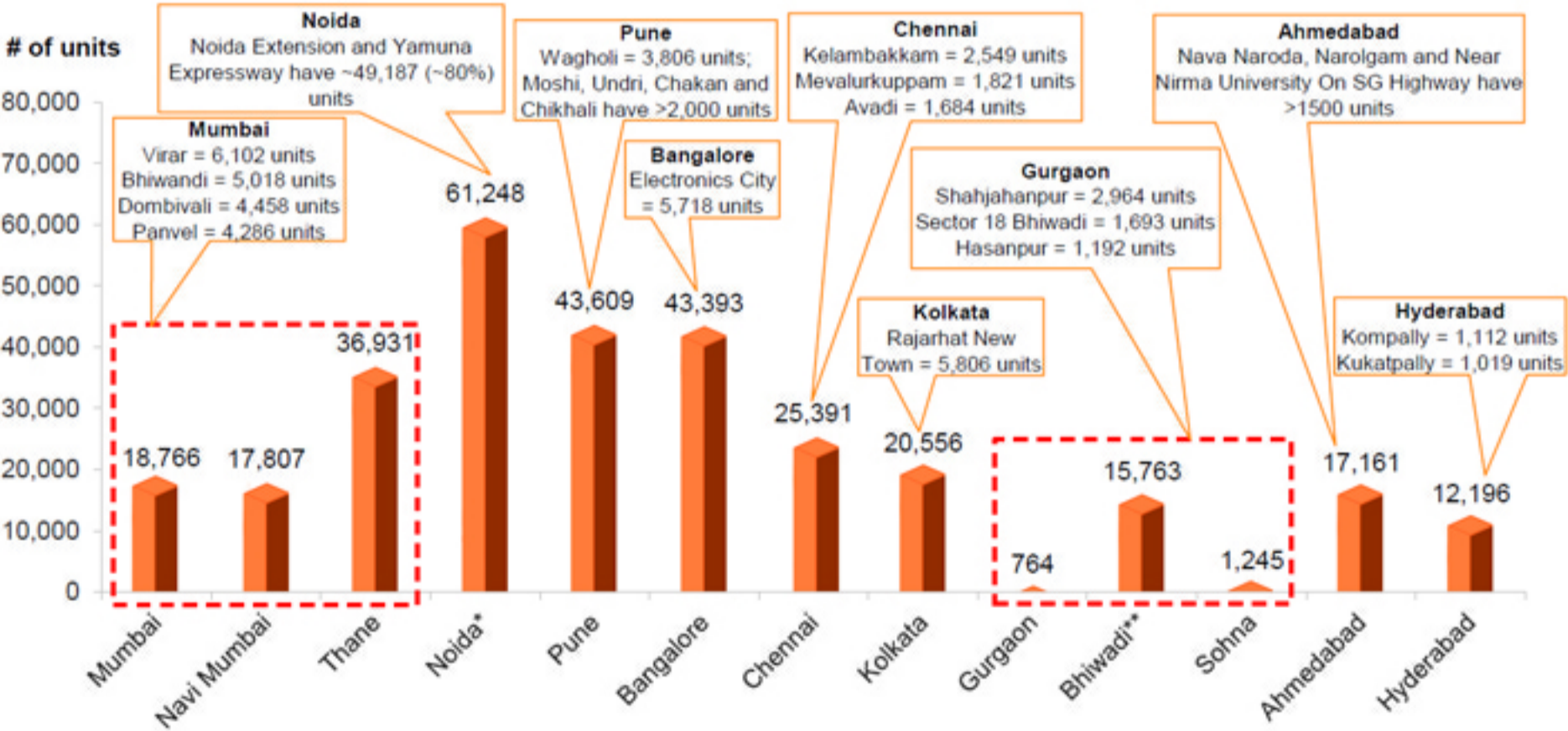
Budget breakup of unsold inventory in Top 9* cities (Sep'15)



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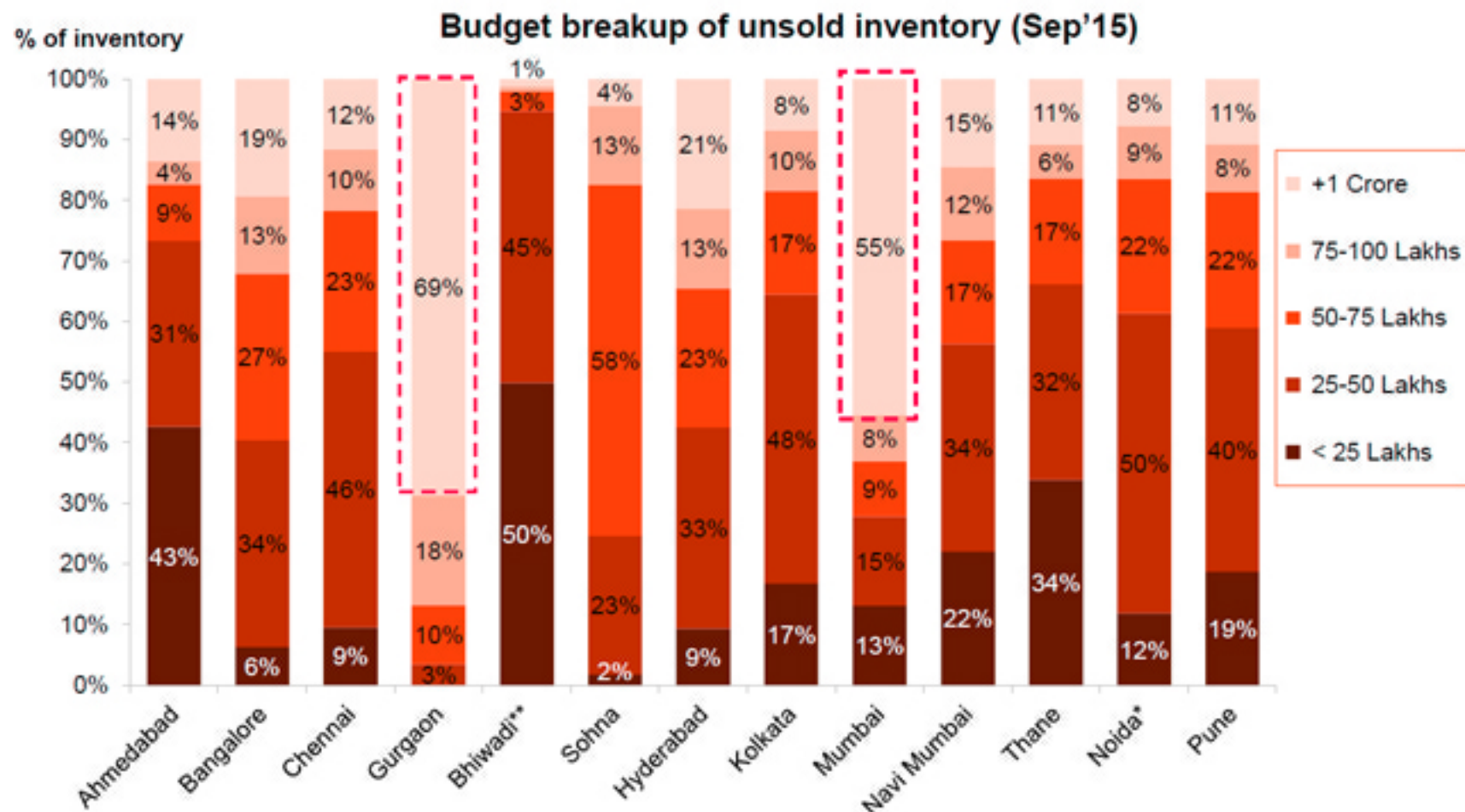
Noida has the highest unsold inventory in the affordable segment

Unsold inventory in Top 9 cities - Affordable Segment^ (Sep'15)



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Luxury segment contributes the highest to unsold inventory in Gurgaon and Mumbai



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Prices have increased marginally across the cities

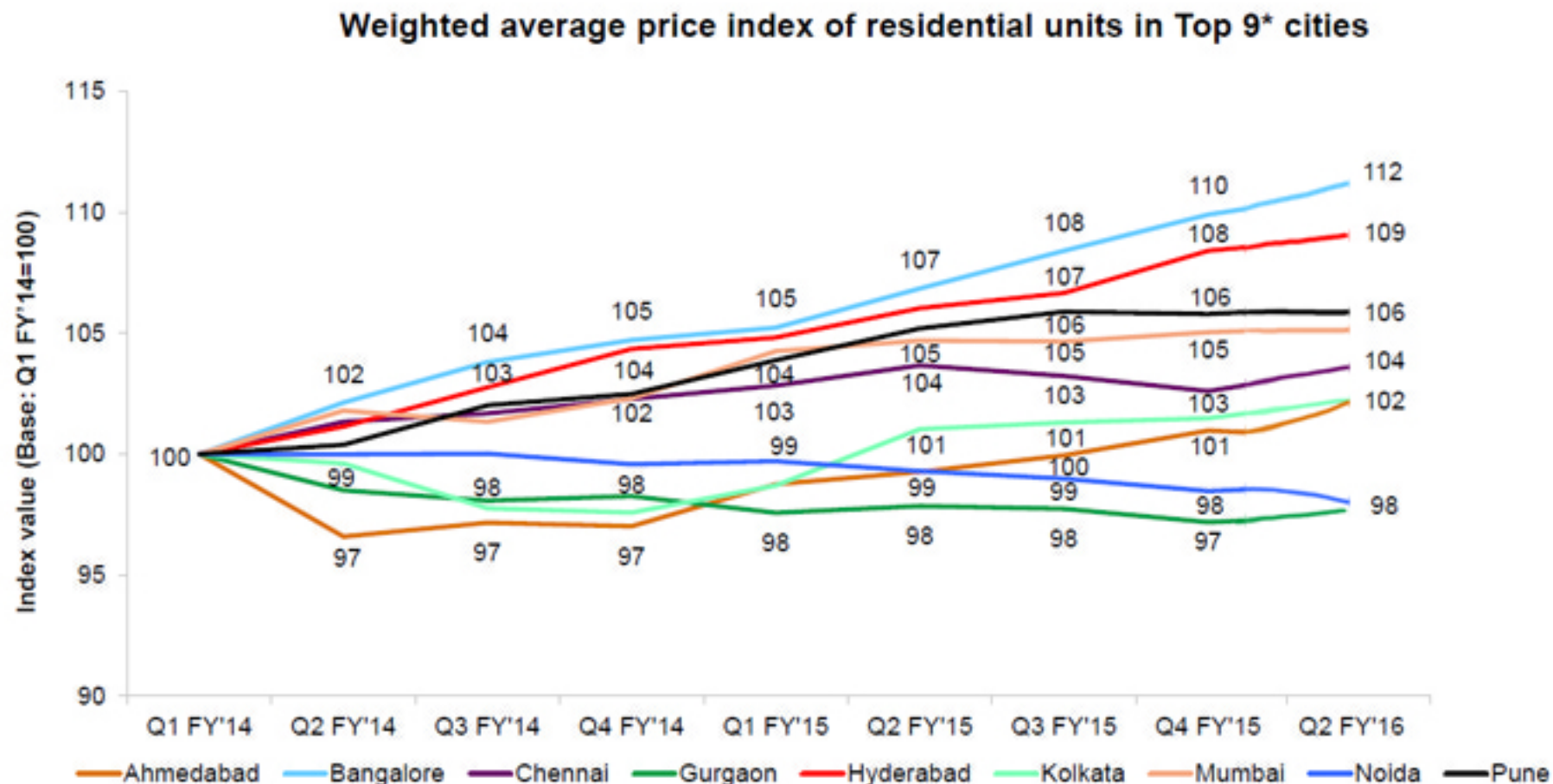
If adjusted for inflation, might be a negative change

Weighted average* BSP (Rs./sq.ft.) of apartment units as on quarter end

City	Q2 FY'15	Q2 FY'16	Price Change (Y-o-Y)
Ahmedabad	2,748	2,827	2.9%
Bangalore	4,420	4,633	4.8%
Chennai	4,807	4,827	0.4%
Hyderabad	3,470	3,602	3.8%
Kolkata	3,906	3,946	1.0%
Pune	4,891	4,938	1.0%
Mumbai	11,325	11,780	4.0%
Navi Mumbai	5,370	5,508	2.6%
Thane	5,370	5,398	0.5%
Noida	4,433	4,352	-1.8%
Greater Noida	3,447	3,545	2.8%
Yamuna Expressway	2,999	3,171	5.7%
Gurgaon	7,559	7,557	0.0%
Bhiwadi	2,825	2,821	-0.1%
Sohna	3,813	4,049	6.2%



Bengaluru has seen the highest price appreciation among cities in past 10 quarters



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Major policy developments of the previous quarter

1. The Maharashtra Cabinet cleared the New Cluster Development Policy for Mumbai.

- 1,000-1,500 land parcels identified for cluster development.
- Redevelopment allowed only for buildings and structures on a minimum area of 4,000 sq.m.

2. Reduction in repo rate by 0.50% on September 29, 2015

- Reduction in the repo rate happened for the fourth time in 2015 to boost economic growth.
- Most banks have revised their home loan interest rates.

3. Noida Authority slashed land conversion rate to 10%

- After approving a mixed land use policy in the city, the Noida Authority has reduced the conversion rate from 25% to 10% on the lines of a similar policy being followed in Delhi.

4. Reduced eco-sensitive zone near the Okhla Bird Sanctuary, Noida

- The National Board for Wildlife standing committee finally gave its green signal to earmark the reduced eco-sensitive zone around the Okhla Bird Sanctuary.
- The order will allow nearly 1 lakh home buyers to get possession.

5. Bengaluru homes to get dearer on 5% Metro cess

- The Karnataka government has levied a 5% Metro cess on the market value of fresh land developments, to facilitate implementation of the mass rapid transit project.

Key funding transactions of last quarter

- During the first nine months of this year, PE funds invested about \$2.4 billion in the real estate sector, across 53 transactions, surpassing the full-year investments of \$2.1 billion in 2014 across 80 deals.
- FDI in the construction development sector (townships, housing, built-up Infrastructure) during April to June 2015 is worth Rs. 216 crore (US \$34 million).
- Goldman Sachs has agreed to invest \$150 million (Rs. 900 crore) for a minority stake in Piramal Realty.
- Godrej Properties and APG entered into an agreement for Rs. 1,050-crore investment in residential projects across major cities in India.
- Shapoorji Pallonji forays into affordable housing in Rs.1,280-crore JV with StanChart, IFC and ADB.
- Peninsula Brookfield Investment Managers has invested Rs.100 crore in a residential project of Umang Realtech in New Delhi.
- DLF sets up JV with GIC for two central Delhi projects with investment of Rs.1,990 crore.
- Orris Infrastructure raised Rs. 325 crore from NBFC IndoStar Capital by issuing unlisted NCDs.
- Blackstone to buy Gurgaon builder Alpha G: Corp for Rs.1,600 crore.
- Supertech has raised Rs.100 crore from Indiabulls Real Estate Fund to quicken the pace of construction of its housing projects.

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