



**HAPPY DAYS ARE HERE!**



**THE STAGE IS SET  
FOR A BRIGHTER PERFORMANCE  
BY INDIAN REALTY**



Our residential market report of the second quarter of financial year 2016-2017 (quarter ending September 2016) show heartening trends overall.

Residential sales across eight major cities in India improved 19% annually, especially during the festive season. Further improvement is expected when more affordable apartments are available in these markets. Interestingly, improved sentiments were evident even during the period of *pitra paksh*, a time considered inauspicious for big-ticket purchases by many Indians.

The Real Estate Sector is getting more end-user oriented. Liases Foras data for the quarter also indicates a steadily growing inclination of buyers to purchase ready properties. Almost 30% of the sales are attributed to such units. Factors that have propelled this trend are: *Delays* - Most buyers find it logical to steer clear of any uncertainty over under-construction properties; and *Ambiguity* over GST/ Other taxes. This is a sign of maturity as far as buyers' preferences are concerned.

Add to this, the clean sweep by the Government of India! Scrapping Rs. 1000 & Rs. 500 notes, the Prime Minister Mr. Modi has given Swachh Bharat new meaning. Demonetisation of high-value currency notes that are mostly used for realty transactions may create difficulties for the luxury market and land transactions, as the cash component ranges between 30% and 50% of the deal value in such transactions. Prices in the land segment could see a 20% to 25% correction once corruption is reduced and black money is out of the equation.

Most certainly, I see that *Achche Din* to buy a home is coming up! Many factors have made the housing market attractive. RERA, the Black Money clampdown, Inventory pile-up and the more conducive Interest rate cycle.

### **Pankaj Kapoor**

Founder and MD, Liases Foras Real Estate Ratings and Research Pvt Ltd

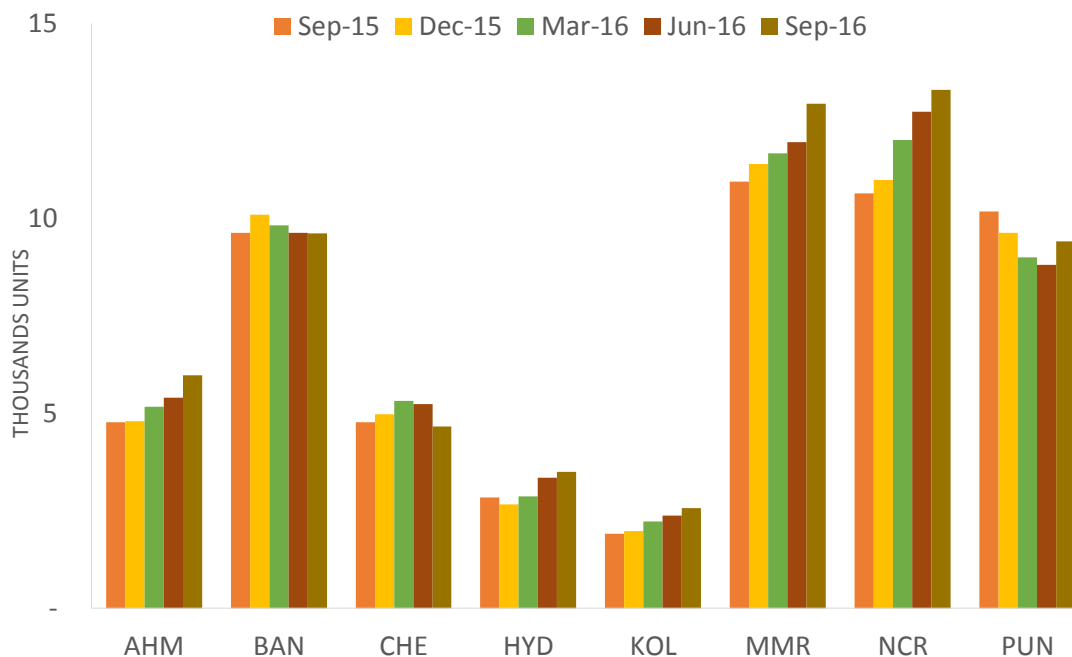
## STAGNANT PRICES AND CONDUCTIVE INTEREST RATE ENVIRONMENT SET THE STAGE FOR A BRIGHTER PERFORMANCE BY INDIAN REALTY

With a 19% annual growth in unit sales across the 8 tier I cities, Indian realty couldn't have had a better onset of festive times. Ahmedabad, MMR and Pune in the West showcased marked improvement in performance, while Hyderabad led the pack in the South. Four quarters' Moving Average sales across tier I cities climbed to 62,000, which is a considerable increase from 54,000 in Q1 FY14-15. The sector started seeing green shoots from the beginning of FY 14-15 and the momentum has continued even in this quarter.

This is the best September quarter sales performance we have seen in the past five years. Sales were dominated by Mumbai Metropolitan Region and the National Capital Region - they have posted 39% and 11% growth respectively, on a year-on-year basis. We believe **Time correction** has certainly helped buyers improve their affordability. The ongoing Diwali quarter is slated to be even bigger, given the improvement in sentiment and economic growth. Housing loan interest rates have eased to a nearly 6-year low and that is helping drive the end-user demand.

Not only did the affordable segment with units priced up to Rs 50 lakhs show a higher demand during the quarter, the luxury segment with apartments priced over Rs 2 crores also witnessed a 38% annual growth in demand. Mumbai Metropolitan Region, NCR and Bengaluru were the biggest contributors to sales in this segment.

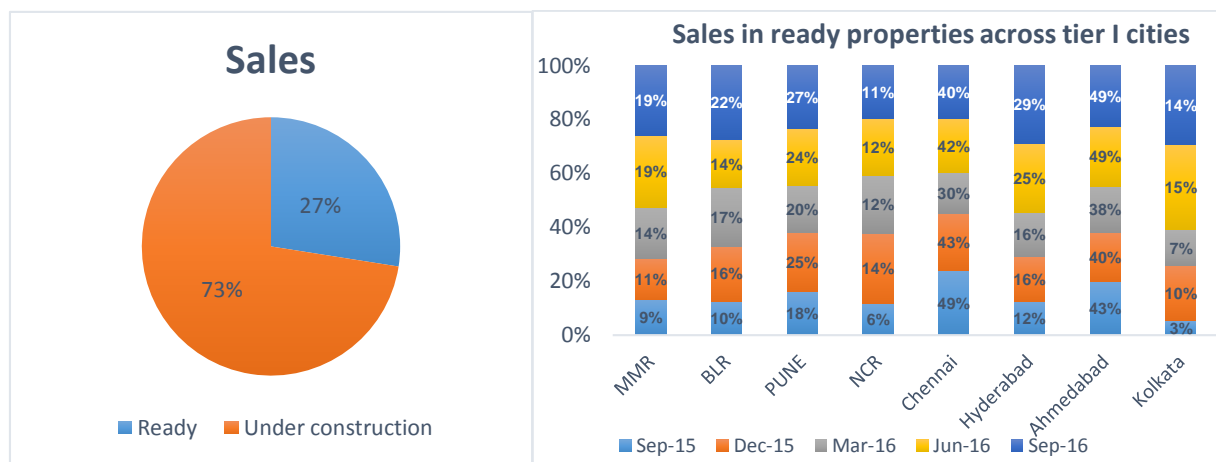
Unit sales across 8 Tier – I Cities



Source: Liases Foras

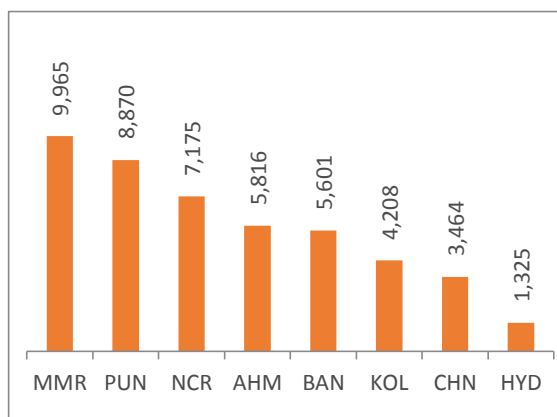
## SALES OF READY PROPERTIES PICK UP

One of the most important observations for the quarter is the steadily growing inclination of buyers to purchase ready properties. About 25% to 30% of the sales are attributed to such units. There could be a couple of factors that have propelled this trend. As delays become the order of the day, most buyers are likely to steer clear of any uncertainty pertaining to this. Ambiguity over the implication of GST and other taxes is perceived as another main factor which has led to increased sales in ready properties. This is a sign of maturity as far as buyers' preferences are concerned. Whatever are the reasons behind this change in trend, we consider it to be an indication that the sector is shifting towards being more end-user oriented.



Source: Liases Foras


## New Launches dropped 20% annually in Q2 FY16-17



New launches dropped 20% YoY in Q2 FY16-17 and the total units launched across eight tier I cities this quarter approximately stand at 46,500. Developers are more inclined towards offloading existing inventory than adding more stock. Another factor which has retarded the pace of new launches, or more specifically pre-launches, is the RERA. Due to the prescribed regulations and norms, many builders are staying away from launching their projects before procuring all necessary approvals. In all the cities, with an exception

of Chennai, Kolkata and Ahmedabad, we can see a drop in new launches over the year.

**MMR** saw the highest new launches but the annual decline is 12%. *Palava City Phase II (Phase Golden Tomorrow)* in Dombivali (E) was one of the major launches this quarter.



**NCR** also saw a more than 40% drop in fresh supply over the past one year. Rise Group launched two big projects in NH-24, Ghaziabad and Greater Noida, namely *Organic Ghar* and *Rise Resort Residences*. *Sidhartham* by Gaursons India was another big launch on NH-24, Ghaziabad.

In **Bangalore**, new launches slumped 51% from September 2015. This plunge is can be attributed partly to the civil unrest over the Cauvery water issue between Tamil Nadu and Karnataka that prevailed for some time, and partly to the Bruhat Bengaluru Mahanagar Palike's (BBMP) initiative to tackle the infringement of storm water drains through city-wide demolitions. Because of these factors many developers did not initiate construction for new projects to avoid getting stuck over regulatory issues in the future. *GM Global Techies Town* at Electronic City Phase1, *Five Rings* at Huskur and *Skylark Dasos* at Cox Town are the top launches for the quarter.

**Hyderabad** followed the same trend and reported more than 75% drop in new launches. *Signature* at Sainikpuri by Kranti Group, *Gardenia* at Himayat Nagar and *Bright View* at Yapral are some of the significant launches for the quarter.

21% more units were launched in **Ahmedabad** in Q2 FY 16-17, as compared to the same quarter last year. *Vandematram Mahadev Lily* at Maninagar was the biggest launch for the quarter. Two other major launches for the quarter, *Orchid Heaven* and *Stanza*, came up in Shela.

**Kolkata** saw a marked increase in new launches wherein two major projects *Malabar Residency* at Rajarhat and *Aamar Bari* at Baruipur added 3,500 units which is 80% of the total new supply in the city.

**Chennai** also witnessed a surge of fresh supply in Q2 FY16-17. *Poonamalle Farms* at Thandurai and *Casa Grande* at Madhavaram contributed more than 10% of new supply.

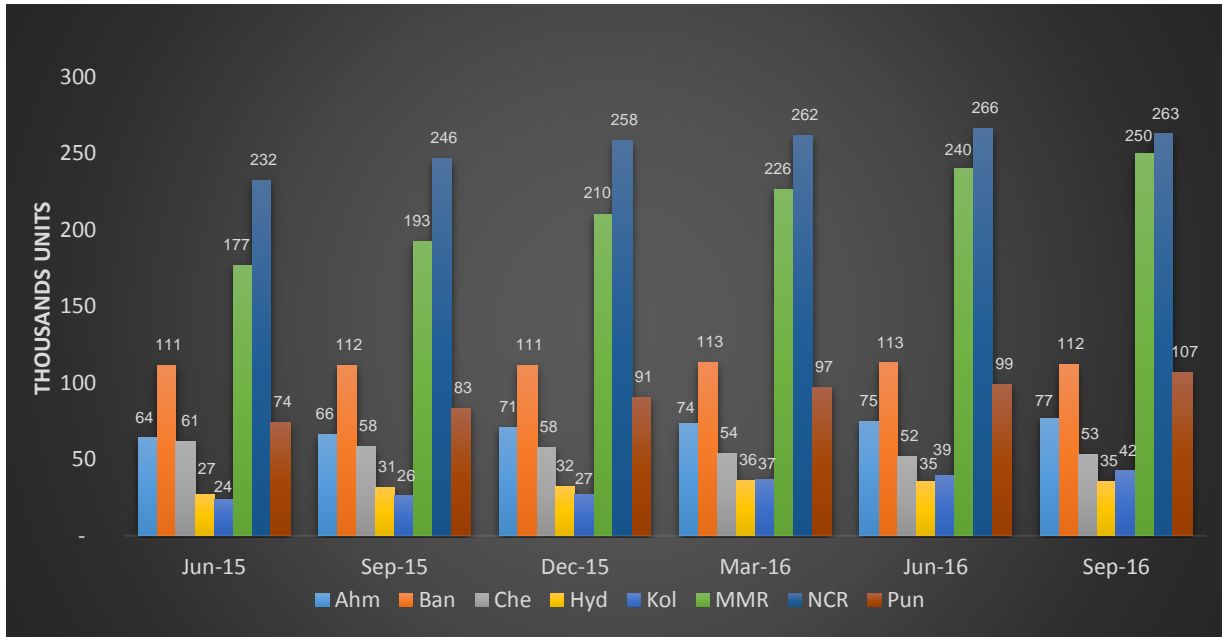
New launches in **Pune** rose only slightly over the past year, but on a quarterly basis, it increased by 42%. Major launches for the quarter are *Life Melange* at Bhugaon, *Pyramid Residency* at Ravet and *Pinnacle Neelanchal* at Baner.

#### **Q2 FY16-17 saw 15% Growth in Unsold Stock**

Unsold stock stagnated in NCR and Bangalore, while Chennai saw a mild decline from 61,000 in June 2015 to 52,000 in Sep 2016. But what is noteworthy is the rise in unsold inventory in the West. Both MMR and Pune saw a steady climb of around 30% in unsold stock from Q2 FY2015-16 to Q2 2016-17. For MMR, the unsold stock surged to 250,000 units in Q2 FY 16-17, while in Pune it crossed the 100,000 mark this quarter.

However, the maximum annual increase in unsold stock was witnessed by Kolkata owing to massive new supply for the quarter. On an annual basis, it increased 63% in Q2 FY 16-17.

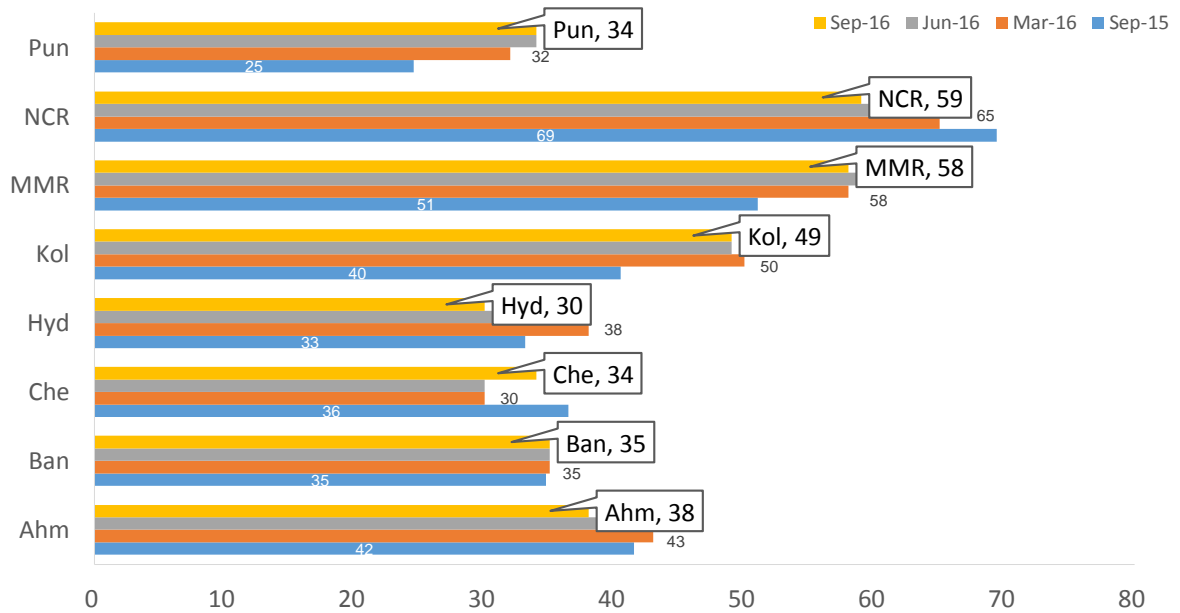
## Unsold Stock across 8 Tier - I cities



Source: Liases Foras

### Tier I Cities Months Inventory saw a mild increase

#### Months Inventory across 8 Tier - I cities



Source: Liases Foras

As a result of steady growth in both sales as well as unsold stock, the month's inventory showed a mild increase. Across eight tier I cities, Months Inventory edged up 2% over the year in Q2 FY16-17 and stood at 45.

Cities with higher months inventory and low unsold stock, have higher price correction risk. For eg: MMR and NCR are bigger markets, hence even with sky-high months inventory there are less chances of price correction, since there is plenty of stock. The higher priced units are offset with other lower priced units. However, in cities which have a comparatively smaller market, high months inventory stokes chances of price correction. For eg: if Pune with its existing inventory level has months inventory as high as MMR or NCR, it will be more exposed to prospects of softening in prices.



### Q2 FY 16-17 saw Stagnant Prices and Interest Rate-driven Affordability

A combination of stagnant property prices over the past two years and recent reduction in interest rates defines a phase called **Economic Harmony**. This single factor has led to a 15% year-on-year jump in home sales across the top 8 cities in the country to 78.2 million sq. ft. in the quarter ended September 2016-17. The weighted average price across the eight Tier-I cities remained stable over the quarter. However, weighted average price rose 3% over the past one year.

Source: Liasis Foras

#### Ahmedabad

Q2 FY16-17 has been quite positive for Ahmedabad in terms of sales. On the price front, the city saw annual appreciation to the tune of 13%. The locations that have seen annual appreciation in prices are Ambavadi, Odhav, Vasna, Naranpura and Nikol.

#### Hyderabad

Following Ahmedabad closely is the Southern city of Hyderabad. The YoY increase in price appreciation was mainly led by Kokapet, Appa Junction, Moti Nagar and Gachibowli. On the other hand, prominent locations like Kondapur and Manikonda recorded a price decline on an annual basis.

#### Chennai

Some of the locations that led to the 3% YoY increase in weighted average price in Chennai are Thoraipakkam, Shollinangalur, Thodukadu, Noombal and Mangadu.

#### Bengaluru

Weighted average prices in Bangalore edged 2% higher over the year with North Bangalore witnessing an uptrend. Thannisandra, Hennur and Yelahanka saw price appreciation followed by Domlur, Kanakpura Road, Boganhalli and Kannamangala. Some of the locations that have recorded YoY decline in average prices are Sarjapur, ORR-Marthahalli and Banashankari 3<sup>rd</sup> stage.

## MMR

Though weighted average prices have been stagnant in the MMR, certain areas have seen considerable movement. The Central suburbs and Extended Central suburbs such as Kanjurmarg East and Kurla East have witnessed an appreciation in prices. Major locations in Western Suburbs such as Borivali (West), Malad (w) and Andheri (w) also replicated the trend. On the other hand, annual price decline could be seen further South of MMR, Lower Parel, Worli and Napeansea Road. Softening of weighted average prices was recorded in Taloja in Navi Mumbai.

## NCR

The weighted average price level was stable in NCR this quarter. Gurgaon and Noida saw annual price drop while certain locations like Golf Course Road in Gurgaon and Indrapuram in Ghaziabad saw increase in prices. When analysed on a quarterly basis, Bhiwadi, Greater Noida and Faridabad saw an uptrend in prices, while Noida witnessed a price decline.

## Pune

Weighted average price slid 3% over the year. Locations like Pashan, Magarpatta, Viman Nagar and Moshi saw decline in the range of 15% to 25%, while Bhugaon, Bhawani Peth and Kondhwa saw mild appreciation.


## The Prospects Ahead

Q2 FY 16-17 ended on an upbeat note and has sown seeds for better prospects in future. It has once again been proved that reduced gap between affordability and pricing is the key to an efficient real estate market. However, that is just one aspect of the story. As a prime sector of the Indian economy, real estate

has its own set of challenges. Regulatory and taxation issues top the list of these challenges.

**GST** or the Goods and Services Tax is impending for quite some time and has kept the realty market on tenterhooks. While an all-encompassing tax is sure to bring in simplicity in transactions, it is actually the tax rate that will decide the benefits in monetary terms. Real estate is still awaiting clarity on various aspects of the GST such as abatement scheme, service tax, VAT on under-construction properties, etc. It can be said that GST will bring about a change in the real estate sector at certain levels, but it all depends on the nature of transactions and rate of tax.





On the other hand **RERA** is yet to be fully functional. While Central draft regulations have been issued, states have been asked to notify their rules. Except for Gujarat, many states are yet to submit their draft notifications. It is believed that once fully implemented, RERA is something that has the capacity to drastically transform the way the real estate sector currently operates.

In the meantime, Maharashtra has announced its New Housing Policy. It is mainly focused on redevelopment of state-run Maharashtra Housing & Area Development Authority (MHADA) in Greater Mumbai. This is a city that has been starved for space for the longest time. Affordable housing was becoming an alien concept in Mumbai. In the wake of such a dire situation, the State government took charge and formulated actions to carve out extra space for housing. The Maharashtra Government's move to realise sustainable residential pricing and meeting the demand for affordable pricing through redevelopment and increased FSI is indeed laudable.

Finally the cherry on the cake is the Government of India's decision to **demonetise** higher currency notes. Black money is a menace in the real estate and has been the root cause of many evils in the sector. A move aimed at eradicating black money will bring about softening in prices of land and residential units. This will usher in end-user participation and bring in economic efficiency. In the short-run transactions might reduce but this is a pain worth taking for deep-cleansing the system.

Events like RERA notification, GST and Demonetisation have set the stage for the next quarter. Things look upbeat and we are optimistic that these measures will heal the real estate of its existing ailments in the long run. We look forward to a more mature, evolved and credible real estate sector in times to come.



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# About Us

Liases Foras: The Pioneer in Scientific Research in Real estate

Strategic Partner: **dmg::information**

Founded in 1998, Liases Foras is a non-brokerage research centric firm that offers data and advisory services. Our works on industry and scientific prognosis of the local market is highly regarded. We have an organized and structured data source on real estate and property trends in India, which is updated on quarterly basis by primary market survey.

In 2015, DMG information, UK acknowledged us as their strategic partners.

## Data & Coverage

Liases Foras has a geographical coverage of more than 125000 projects all over India. As of today, we monitor more than 18,000 ongoing projects every quarter spanning 55+ cities in India, which comprises 80+ Census cities. We have tracked over more than 50 billion sq ft of Residential, Commercial and Retail supply over time.

Segments, Services  
and Key Clients

## PRODUCTS



Ressex, our online data interface, provides structured solutions to day-to-day questions pertaining to real estate markets and projects.



Comparables is a first of its kind, a unique web based valuation validation tool.



It is the first of its kind analysis of the on-ground performance of more than 8500 developers across 55 census cities of the country.



With our razor-sharp analytics, we help banks, HFCs and corporates to identify the potential opportunity and underlying risks.



Project Monitoring, Legal Due diligence and Technical evaluation across projects in a single platform.

## ADVISORY SERVICES



Every structure belongs to its location and time. The analyses scan into various options to find out the one which gives the highest/ maximum development realisation.



Liases Foras offers transparent, scientific, data-driven and unbiased valuation solutions.



We prepare City Development Plans outlining the vision and development strategy for unlocking land in a city.



We specialise in the field of real estate-specific consumer surveys.



Extending beyond the best-use prognosis, we write uncluttered, contextual design briefs for Master Planners/Architects.



This study is to ascertain that the envisaged development and product plan of the developers are correct or risky. The overall objective of the study is to analyse the competition and validate the envisaged product-mix at the subject-site.



Risk Reports are carried out primarily to assess the state of the market and measure the price correction during oversupply scenario or default risks in the market.