ANAROCK®
VALUES OVER VALUE

INDIA REAL ESTATE RESIDENTIAL

ANNUAL REPORT 2017

MMR | NCR | BENGALURU | PUNE | HYDERABAD | CHENNAI | KOLKATA

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FOREWORD

The past year witnessed a spate of structural changes and policy reforms that totally shook up the Indian real estate sector. The numbers tell it all – with nearly 1.26 lakh housing unit launches and 2.03 lakh unit sales in 2017, the figures have dropped to an all-time low since 2012. However, this turmoil did not hit all of a sudden; the Indian residential real estate sector has been witnessing a downward pressure since 2015 and the developers have been grappling with subdued demand since then.

Also, last year saw the decisive participation of the Central Government in transforming the real estate sector into a transparent and buyer-friendly marketplace. The Benami transactions act, coupled with GST and demonization, has systematized the sector and curbed black money inflow to make the entire ecosystem a lot more transparent than it was before.

RERA was a complete game-changer for Indian real estate. This act not only aims to promptly resolve the issues of long-suffering homebuyers but also to do away with the multiple layers of information - often inaccurate or misleading - on project details, delivery timelines, developer's track record, litigations, etc. available in the public domain. Moreover, the stringent execution norms under RERA have put developers on the back foot; subsequently, 2017 witnessed fewer launches and a higher emphasis on timely delivery of under-construction projects.

The continued thrust on affordable housing showed visible results in 2017. The top 7 Indian cities recorded almost 44% new supply of units priced within the budget of INR 40 lakh. 41% of the overall sales in 2017 were in this vital segment. The Government's 'Housing for All by 2022' initiative took centre-stage in 2017 and enticed several stakeholders to participate in this ambitious mission.

The positive move towards affordable homes has created a substantial housing supply with effective integration of public-private partnership (PPP) in several states under the Pradhan Mantri Awas Yojana (PMAY). Also, increasing the size of the carpet area which PMAY stipulates for MIG housing has unlocked future growth prospects of this segment by ensuring more participation and absorption of existing unsold units.

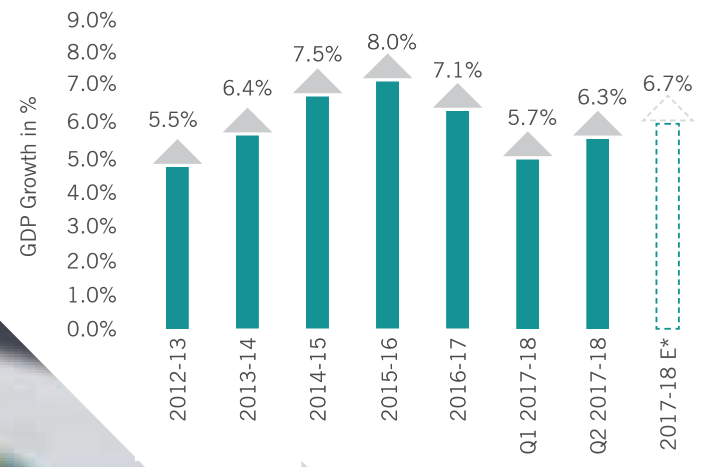
2017 also witnessed the emergence of a new sales trend wherein ready-to-move-in and nearing-completion properties sold like hot cakes as compared to under-construction properties with long gestation periods. This trend connotes the emergence of homebuyers who were previously fence-sitters - the new enabling environment encouraged them to 'seal the deal'.

With the end of the era of opacity, information asymmetry and customer victimization, Indian real estate has now entered into a new era which promotes transparency, accountability and financial discipline. This will lead to the emergence of professional players, more confident buyers and overall vastly improved market conditions.

MACRO ECONOMIC INDICATORS

GDP: Shifting Gears, Likely to Hit the Growth Track Soon

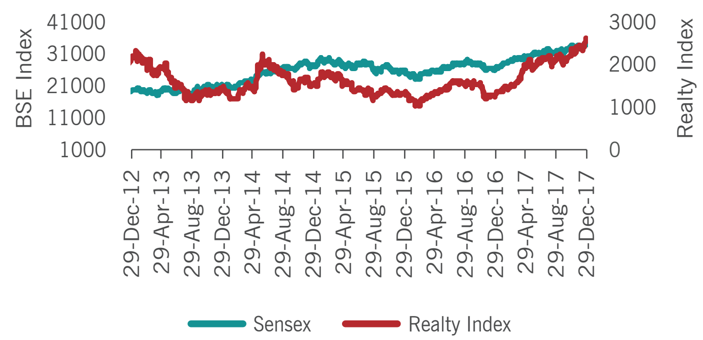
- The lingering effect of demonetization and slow consumer demand dragged India's GDP growth to a three-year low at 5.7% in Q1 2018 (FY). However, with acceleration in manufacturing activities, it rebounded to 6.3% in the July-September quarter (Q2 2017), showing signs of recovery.
- As per IMF estimates, the Indian economy is expected to grow at the rate of 6.7% in 2017-18 (FY) and at 7.2% in the next financial year (2018-2019).
- The impact of demonetization and GST seems to be gradually bottoming out. Bank recapitalization, improvement in the country's ease of doing business raking and credit ranking upgrade by Moody's are most likely to help in dispelling the sense of gloom in Indian economy over the mid-to-long term.



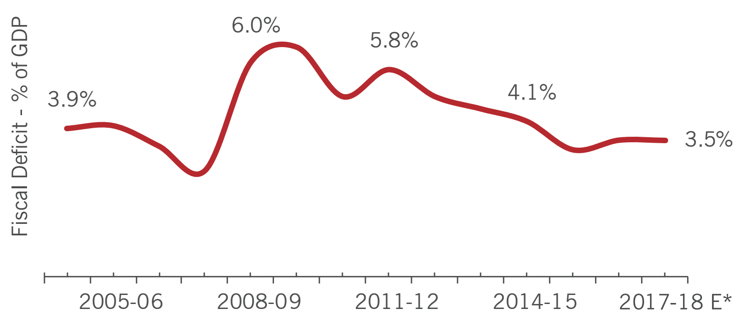
E*=Estimated figure

Booming Stock Markets: Sensex @ 34,000+, Realty Index growth 98%

- BSE Sensex rose from 26,500 points in Jan-2017 to around 34,000 points by Dec-2017 end, registering a jump of around 28%.
- BJP's victory in 4 state assembly elections, ranking upgrades by the World Bank and Moody's, better corporate results and improving global markets helped in improving the market sentiments.
- While the real estate sector is going through a turbulent phase post demonetization, RERA and GST implementations, the Realty Index has gained around 98% between Jan and Dec 2017.
- However, concerns related to rising inflation, fiscal slippages and gradually increasing bond yields indicative some corrections over the first half of 2018.



Fiscal Deficit, Target Revised to 3.5% of GDP

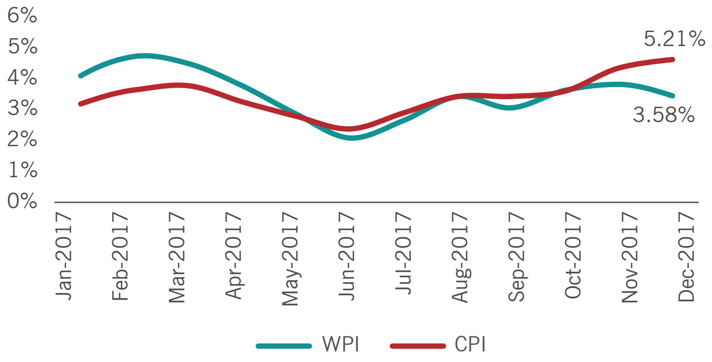


E*= Estimated target for FY 2017-18

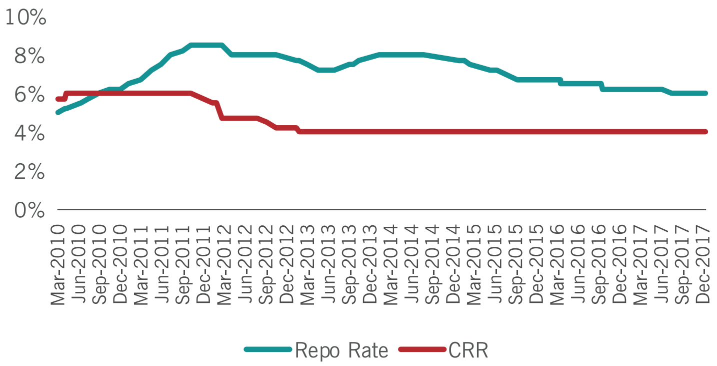
- Muted revenue collections due to a sharp cut in GST rate on more than 200 items, coupled with rising fiscal expenses, led the Government to revise the previously targeted fiscal deficit from 3.2% to 3.5% for the current financial year (2017-18).
- The predefined target of fiscal deficit had already crossed its prescribed limit by 12% in November 2017, much before the final timeline of March 2018.
- After missing the deficit target for 2017-18, fiscal deficit target for next financial year i.e. 2018-19 has been revised to 3.3% of the GDP against the earlier target of 3%.

Inflation inching up, Govt. to take control measures

- Whole-sale Price index (WPI) in December 2017 stood at 3.58% after touching a 8-month high of 3.99% in November 2017.
- Consumer Price Index (CPI), the key to measure the retail inflation surged to a 16-month high in December 2017 and reached to 5.21%, recording a significant rise since Jan 2017 when it was just 3.16%.
- The upward movement in crude oil price and erratic movement in food prices will keep inflation in the closely monitored zone of the Reserve Bank of India (RBI).



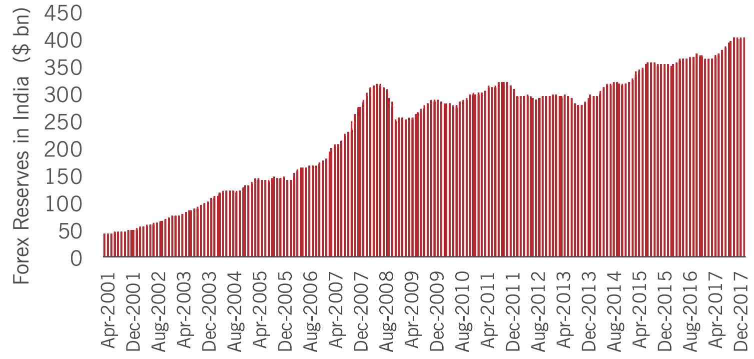
Repo Rate @ 6%; RBI keeps Interest Rates Unchanged



- The central bank - RBI, has maintained a neutral stand from the last six months, in terms of key changes related to policy rates. Repo rate stood at 6%, reverse repo at 5.75%, while CRR remained unchanged at 4%.
- Soaring crude oil prices, recent increase in employee allowances by the 7th pay commission and global reflation risks were key factors, that kept RBI on wait-and-watch mode.
- The concerns over fiscal slippages, rising fuel import bill and tightening global financial conditions have already pushed the bond yields to a higher levels, thus further limiting any scope of rate cuts in future.

Forex Reserves Hit a Record High of $405 Billon

- During the year Indian forex reserves touched a new high and reached around $405 billion.
- The rise in forex reserves has been aided by continuous increase in foreign currency assets, mainly a result of huge inflows via foreign direct investments in several projects and portfolio investments.
- The improvement in the rank of ease of doing business and government's push towards make in India is expected to keep the inflow of forex at a robust levels.



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INDIA RESIDENTIAL REAL ESTATE MARKET OVERVIEW 2017

Residential Market Overview Top 7 Cities - Snippet 2016 vs 2017

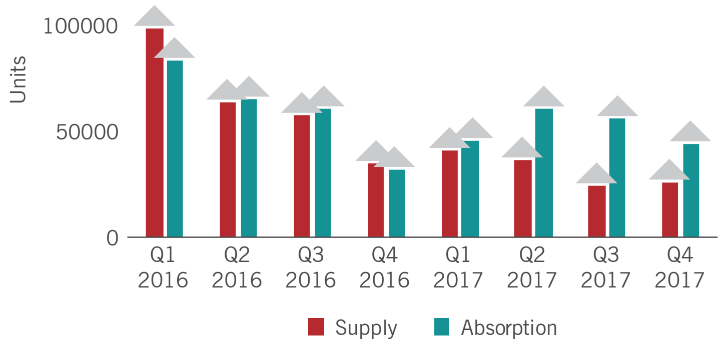
City	Launches (% Change)	Sales (% Change)	Price (BSP) (% Change)	Unsold Inventory (% Change)
MMR	-33%	-24%	0%	-2%
NCR	-45%	-22%	-1%	-7%
Bengaluru	-64%	-2%	3%	-21%
Pune	-67%	-6%	2%	-14%
Hyderabad	-57%	21%	4%	-21%
Chennai	-72%	-26%	1%	-24%
Kolkata	-21%	-23%	1%	2%

% Changes is on Y-o-Y basis for above parameters, BSP - Basic Selling Price (INR/sf)

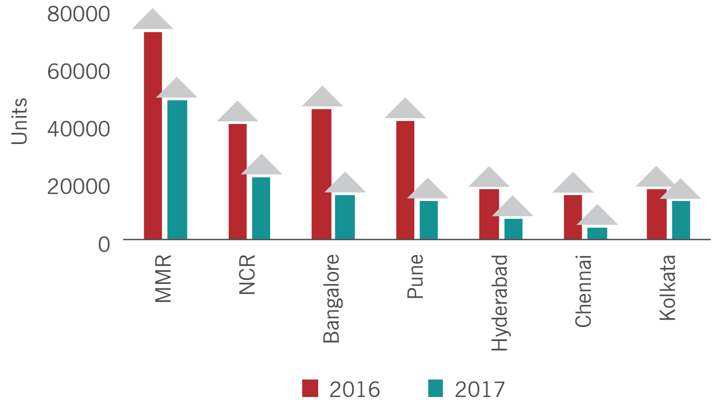
- Due to the spate of reforms and structural changes, new launches across top cities fell significantly in 2017.
- While almost all the cities recorded a decline in sales, Hyderabad bucked the trend by recording an increase of about 21%, as compared to the previous year.
- Ready-to-move-in projects received better traction compared to under-construction projects in 2017, as buyers wanted to stay away from any kind of execution risk and also the confusion around GST.
- Prices across the top cities remained range-bound in 2017 due to the availability of a huge quantum of unsold stock and cautious buyer sentiments.
- Restricted new launches and sustained absorption in 2017 brought down the unsold inventories in most of the top cities.

New Launches and Absorption Trend - Top Cities (2016 vs 2017)

- 2017 ended with the lowest number of new launches since 2012 due to the impact of triple tsunami - demonetization, RERA and GST. Most developers refrained from launching new projects and as a result, new supply in 2017 recorded a decline of 48% over 2016.
- Interestingly, from the last seven consecutive quarters, housing sales have surpassed new launches.
- Approximately 2.03 lakh units were sold during 2017, registering a overall decline of about 15% in sales when compared to the previous year.



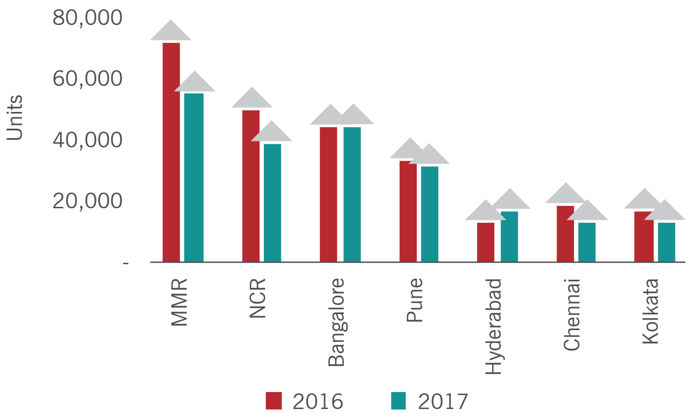
City Wise Launches - 2016 vs 2017



- Nearly, 1,26,000 units were launched across the top seven cities in 2017. MMR contributed the maximum and accounted for 38% of unit launches, followed by NCR, Bengaluru and Pune at 18%, 13% and 11%, respectively.
- Chennai recoded the sharpest decline over previous year supply by 72%, followed by Pune, Bengaluru and Hyderabad, at 67%, 64% and 57%, respectively.

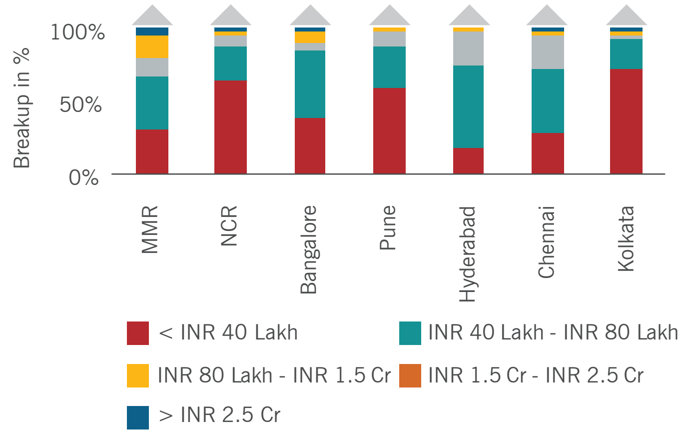
City Wise Absorption - 2016 vs 2017

- Over the previous year, while Bengaluru and Pune witnessed a nominal drop in absorption of 2% and 6% respectively, while the remaining cities viz. Chennai, NCR, MMR and Kolkata have recorded a drop of between 20%-25% in the year 2017.
- Amidst declining absorption, MMR followed by Bangalore recorded comparatively better absorption as compared to other tier I cities.
- Compared to the previous year, Hyderabad was the only city to witness a surge of 21% in the absorption in 2017.

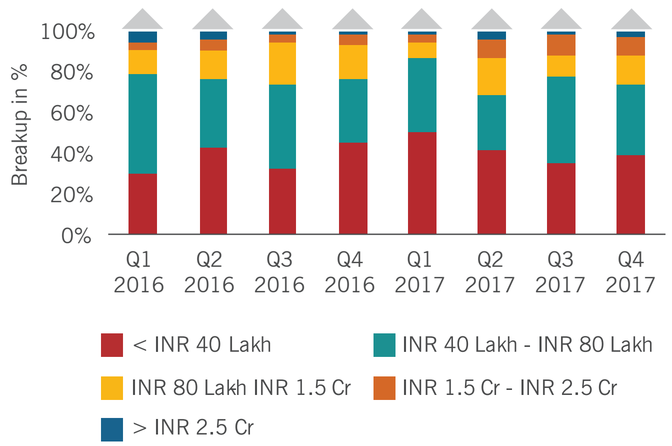


City Wise Ticket Size Launches – 2017

- Kolkata, NCR and Pune have recorded 60% and above supply in the under INR 40 lakh budget properties segment in 2017.
- The majority of projects in the under INR 40 lakh segment were launched in peripheral areas of cities catering to the housing demand of workforce employed in industrial and manufacturing units.
- The southern cities have recorded an approximate 50% of new launch supply in the budget range of INR 40 lakh – INR 80 lakh.
- Hyderabad recorded around 59% its total new launches in the budget range of INR 40 lakh – INR 80 lakh.



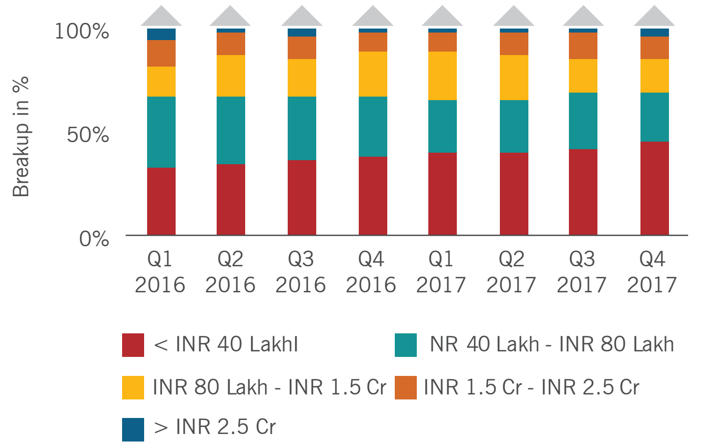
Ticket Size Wise Supply Trend – QoQ (2016 vs 2017)



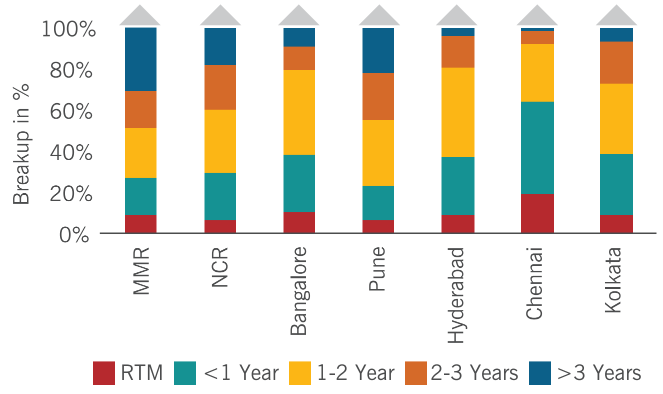
- Approximately 44% of total launches in 2017 were in the below INR 40 Lakh budget range, followed by INR 40 - 80 lakh, INR 80 lakh – INR 1.5 Cr and INR 1.5 Cr – INR 2.5 Cr at 34%,12%, and 7%, respectively.
- The luxury segment (> INR 2.5 Cr) had a meagre share of 3% in 2017 new launches.
- The Government's continued push towards affordable housing, coupled with the recently-awarded infrastructure status, was one of the prime reason for this segment to occupy center stage in 2017.

Ticket Size Wise Absorption Trend – QoQ (2016 vs 2017)

- Properties below INR 40 lakh with a share of 41% continue to dominate sales in 2017.
- In terms of overall absorption, the affordable segment was followed by INR 40 lakh - INR 80 lakh, INR 80 lakh - INR 1.5 Cr and INR 1.5 Cr - INR 2.5 Cr budget ranges with 26%, 19% and 11% share respectively.
- The share of properties priced greater than INR 2.5 Cr was a paltry 3%.

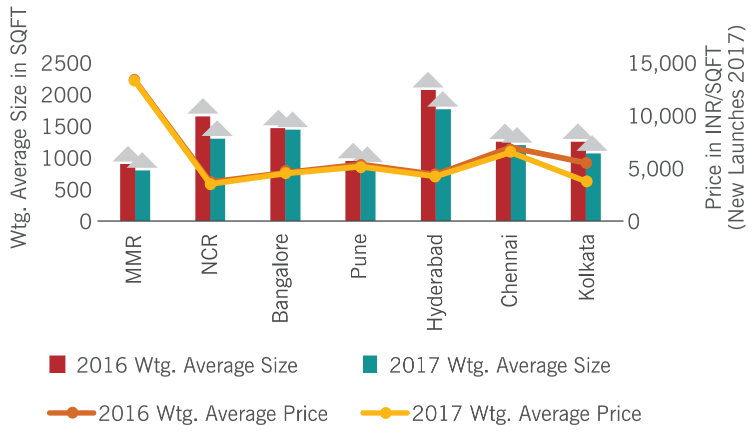


Supply as per Completion Time lines – Top Cities



- Approximately 7.27 lakh units remained unsold at the end of 2017 across the top cities. NCR, MMR and Bengaluru were the major contributors to this huge quantum of unsold units.
- While around 9% ready-to-move-in properties are lying unsold, an approximate one-fourth of total unsold inventory will get completed within one year.
- Chennai, Hyderabad and Kolkata together have approximately one lakh unsold units. The majority of unsold stock (36%) in these cities is at mid-stage of construction and likely to be completed in 1- 2 years.
- Chennai, Bengaluru and Hyderabad have the highest share of ready-to-move-in unsold stock. However, considering the current market dynamics and buyers' preference for ready-to-move-in units, the unsold inventory of ready-to-move-in inventory is likely to improve in 2018.

City Wise Average Size and Price - 2016 vs 2017



- In the Year 2017, all the top seven cities recorded a fall in weighted average size of new launch units ranging between 2% to 21%, compared to the 2016.
- Interestingly, NCR has registered the maximum drop in the average size of new launches over 2016, almost by 21%. Hyderabad, Pune and Kolkata have recorded a drop of close to 15%.
- Weighted average price of new launches in 2017 across the top cities remained either range-bound or witnessed a drop of 2% - 7%, over 2016 new launches. The main reason for this was a significant rise in the share of the affordable segment in overall new supply.

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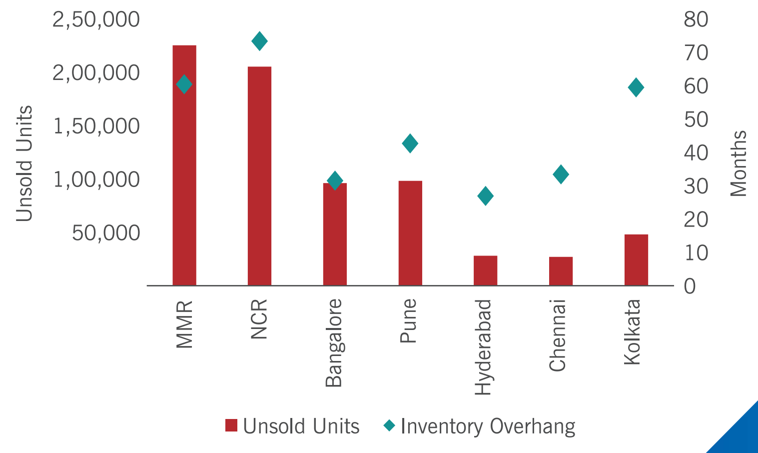
Unsold Inventory w.r.t. Inventory Overhang

- RERA implementation and subdued demand restricted the rate of new launches in 2017. This helped in marginally reducing the unsold inventory by 10% in the top seven cities.
- Although there was a marginal dip in the unsold inventory in 2017, the overall unsold inventory in the primary market of tier I cities will still take approximately 50 months to be absorbed
- NCR has the maximum inventory overhang of about 75 months, followed by MMR (61 months) and Kolkata (60 months).
- The Southern cities have a lower inventory overhang compared to Northern and Western cities. Hyderabad has the lowest inventory overhand of 25 months, followed by Bengaluru at 30 months and Chennai at 32 months.



MUMBAI METROPOLITAN REGION (MMR) RESIDENTIAL REAL ESTATE OVERVIEW 2017

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MMR Residential Overview - 2017

Units Launched
48,000

Total Unsold Units
2,25,000

Inventory Overhang
61 Months

Under Construction Units
4,00,000

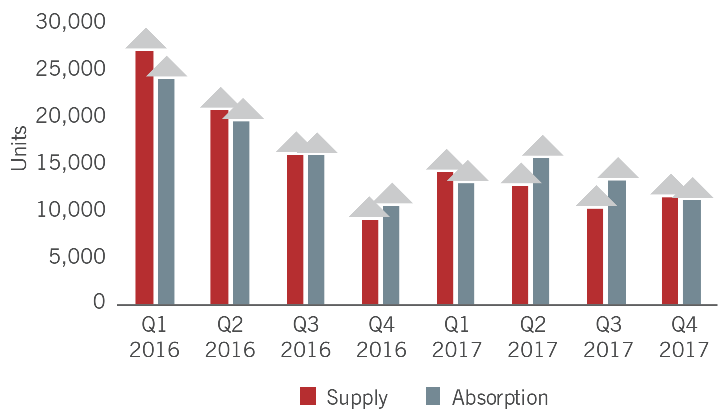
% Change in Supply – 2016 vs 2017
-33%

Predominant Budget Range in 2017
INR 40 lakh - INR 80 lakh

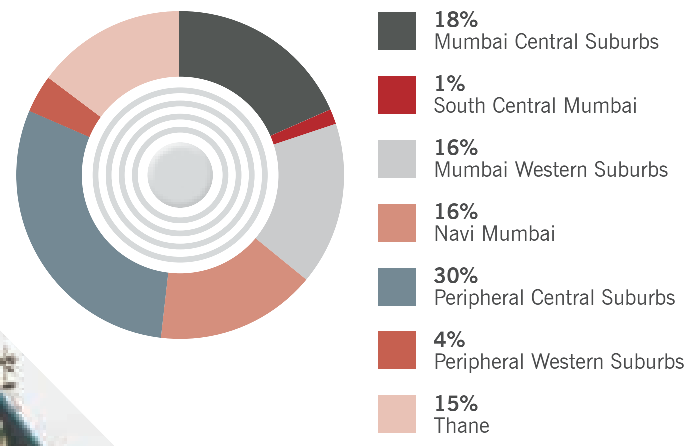
% Change in Price – 2016 vs 2017
0% (Stagnant)

Supply - Absorption Dynamics – QoQ (2016 vs 2017)

- On the backdrop of timely and smooth implementation of RERA, improving buyers confidence and an influx of a considerable supply of new projects in its Peripheral Central Suburbs, MMR topped the list of top seven cities in terms new supply during 2017.
- MMR recorded an addition of nearly 48,000 new units, which constituted 38% of the overall new supply in the country. However, compared to 2016, MMR recorded a dip of 33% in 2017 new launches.
- In terms of sales, MMR recorded a share of 26% in overall sold units. Interestingly, during the year, with around 52,000 unit sales, absorption surpassed newly-launched units by almost 10%.



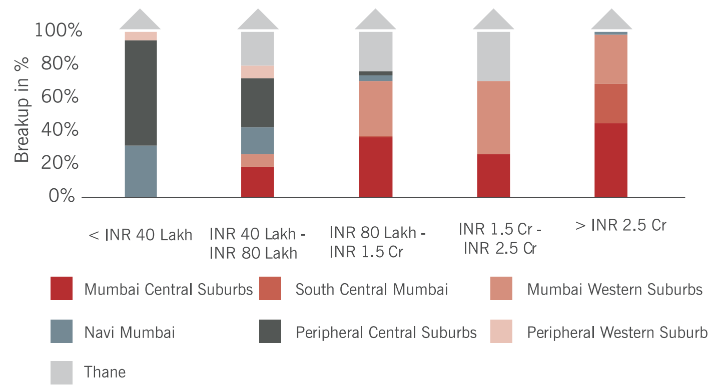
Zone Wise New Launch Supply - 2017



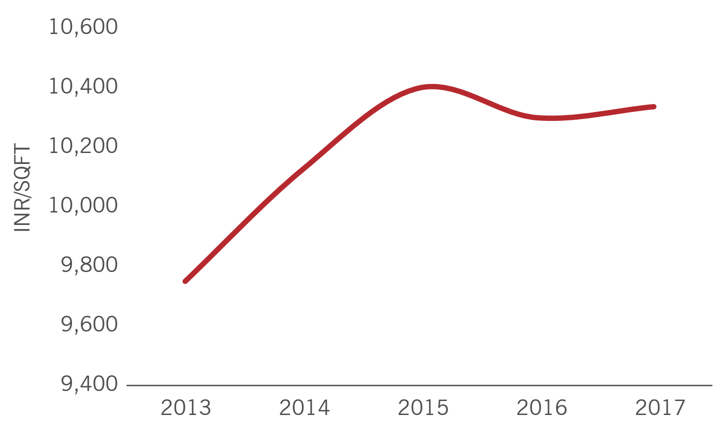
- The Peripheral Central Suburbs recorded the maximum addition of new launch units in MMR during the year 2017. They added around 14,000 new units that constituted 30% of the total new supply in the MMR.
- Zones like the Central suburbs, Western suburbs, Navi Mumbai and Thane, contributed around 18%,16%,16% and 15%, respectively towards the new launches.
- The Peripheral Western Suburbs Zone witnessed a meagre 4% of MMR's total new supply, while the core island precincts - South Central Mumbai - recorded a negligible addition of 1% .
- Thane and Navi Mumbai together recorded a total addition of nearly 15,000 units during the year 2017.

Zone Wise Ticket Size Breakup – New Launch Supply (2017)

- Out of the total new supply in MMR, nearly 32% units were launched within the < INR 40 lakh range, followed by properties in the range of INR 40 lakh - 80 lakh, INR 80 lakh – INR 1.5 Cr, INR 1.5 Cr – 2.5 Cr above INR 2.5 Cr, at 30%, 20%, 13% and 5%, respectively.
- The Peripheral Central Suburbs zone has turned out to be the affordable housing hub of MMR, with an approximate 63% of total units in this zone launched in the budget range of INR 40 lakh. With affordable property prices and availability of land banks for large-scale residential development, this zone is likely to remain the most sought-after destination of MMR in terms of affordability.
- Mumbai's Central suburbs, Western suburbs and South central region remained the cynosure of luxury (> INR 2.5 Cr.) housing projects and attracted 45%, 30% and 23%, respectively of this segment's overall supply.



Price Movement YoY (2013-2017)



- Due to subdued demand, huge unsold inventory and impact of recent reforms, capital values of residential properties in the MMR largely remained range-bound.
- With immense pressure on developers to offload their existing inventory, the current year has turned out to be a buyer's market. In a few cases, developers offered pseudo-discounts in the range of 5%-20% by giving away freebies with home bookings.
- After a continuous upsurge for many years, the weighted average price in MMR witnessed a marginal correction of 1-2% in 2016 and continued to be range bound in 2017.

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NATIONAL CAPITAL REGION (NCR) RESIDENTIAL REAL ESTATE OVERVIEW 2017

NCR Residential Overview - 2017

Units Launched
22,000

Total Unsold Units
2,05,000

Inventory Overhang
75 Months

Under Construction Units
4,50,000

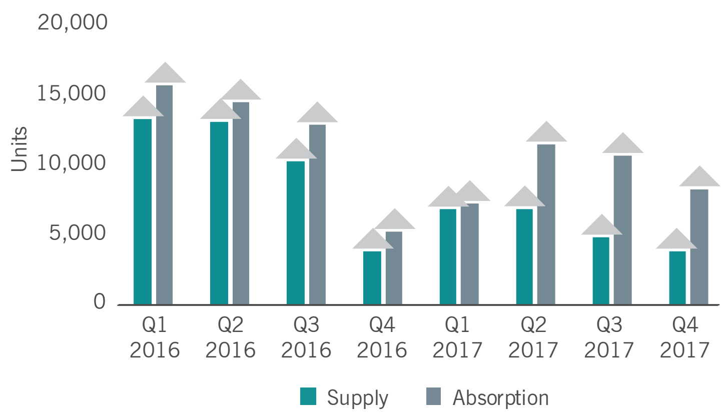
% Change in Supply – 2016 vs 2017
-45%

Predominant Budget Range in 2017
<INR 40 lakh

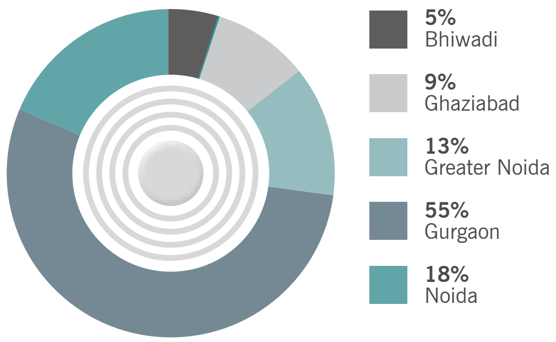
% Change in Price – 2016 vs 2017
-1%

Supply - Absorption Dynamics – QoQ (2016 vs 2017)

- NCR witnessed its third consecutive decline in new supply since 2015. Compared to 2016, year 2017 recorded a 45% drop in new launch units and 22% in overall sales.
- NCR has turned out to be a goldmine for affordable housing, as during the year 2017, 63% of regions' new launch supply was added in < INR 40 lakh budget segment.
- Interestingly, for the last eight consecutive quarters, sales have consistently exceeded new launches.
- During the year 2017, there were approximately 37,000 units sold in NCR, which accounted for a 19% of the entire sales in tier I cities.



Zone Wise New Launch Supply - 2017



- Amongst all the cities of NCR, Gurgaon, witnessed the maximum new launches and contributed the lion's share of 55% in overall new supply. The dominance of Gurgaon was on the back of new launches in Sohna, New Gurgaon and Dwarka Expressway.
- With around 4,000 units and 18% contribution in overall new supply of NCR, Noida turned to be second-biggest contributor after Gurgaon. It was followed by Greater Noida, Ghaziabad and Bhiwadi at 13%, 9% and 5%, respectively.

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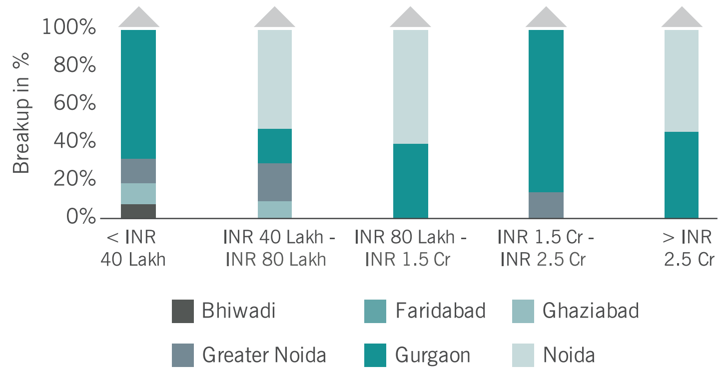
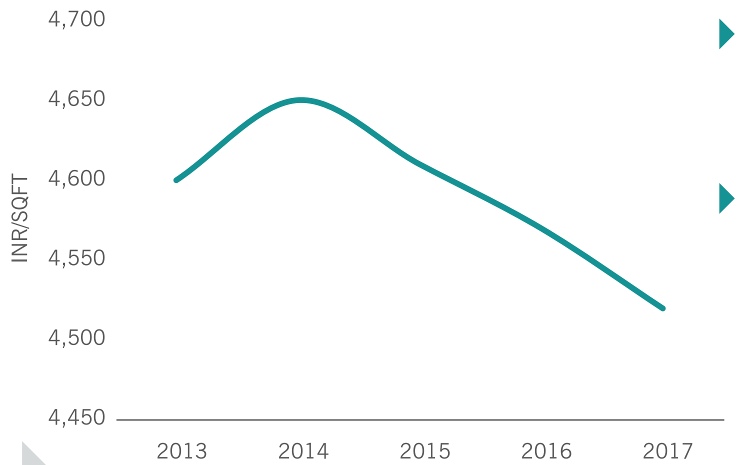
Zone Wise Ticket Size Breakup – New Launch Supply (2017)

- The affordable segment (< INR 40 lakh) remained the predominant budget range and contributed around 63% in the region's new launch supply.
- Properties in the range of INR 40 lakh - INR 80 lakh, INR 80 lakh – INR 1.5 Cr, INR 1.5 Cr – INR 2.5 Cr contributed 23%, 10% and 3%, respectively towards the new launches.
- Units priced higher than INR 2.5 Cr, witnessed negligible new unit additions and were less than 1% of the overall new supply in 2017. This addition was distributed entirely in only two cities viz. Noida and Gurgaon.
- Sohna, Yamuna Expressway, Bhiwadi, Greater Noida West and Rajnagar Extension have yielded the key hot-spots for affordable housing, and they together contribute nearly half of the segment's supply in NCR.



Price Movement YoY (2013-2017)



- Subdued demand has kept housing prices under pressure in this market. There has been a marginal correction in NCR's weighted average price since 2014.
- The region witnessed a further correction in 2017 and recorded a decline between 1-3% over 2016.

BENGALURU
RESIDENTIAL REAL ESTATE OVERVIEW 2017

Bengaluru Residential Overview - 2017

Units Launched
16,000

Total Unsold Units
96,000

Inventory Overhang
30 Months

Under Construction Units
1,80,000

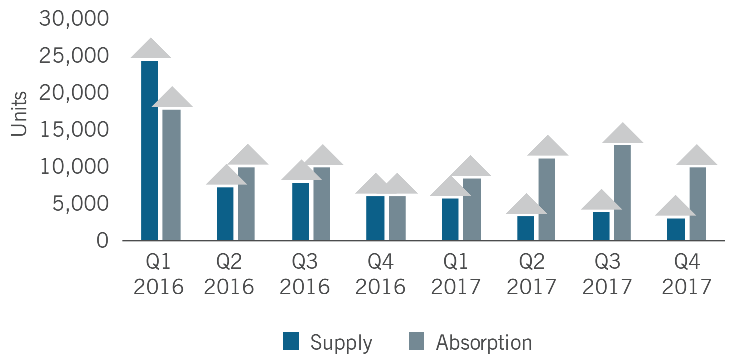
% Change in Supply – 2016 vs 2017
-64%

Predominant Budget Range in 2017
INR 40 lakh - INR 80 lakh

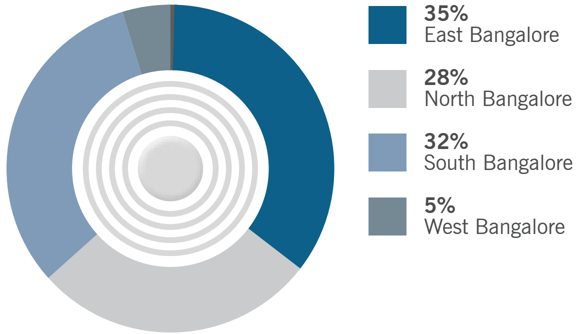
% Change in Price – 2016 vs 2017
+3%

Supply - Absorption Dynamics – QoQ (2016 vs 2017)

- Bengaluru recorded about 16,000 new units' addition during 2017, which was nearly 64% lower than 2016.
- In terms of sales, Bengaluru turned out to be the second-best city after Hyderabad.
- After registering a significant fall in Q4 2016 against the backdrop of demonetization, sales in the city showed a continuous and gradual uptick for first three quarters of 2017. The number of overall sold units stood close to 42,000 during the year 2017.



Zone Wise New Launch Supply - 2017



- With a 35% contribution, East Bengaluru turned out to be top zone in the city in 2017 in terms of new launches. Hoodi, Gunjur and Budigere Road are a few of the key micro-markets where a majority of new launches were noted.
- In terms of zone-wise contribution in city's overall new supply, East Bengaluru was followed by the South, North and West Zones at 32%, 28% and 5%, respectively.
- Whilst Kanakpura Road, Electronic City, Bommasandra and Bannerghata Road were key micro-markets with considerable new launches in South Bengaluru, Devenahalli, Thanisandra and Yelahanka Newtown in the North recorded maximum action during 2017.

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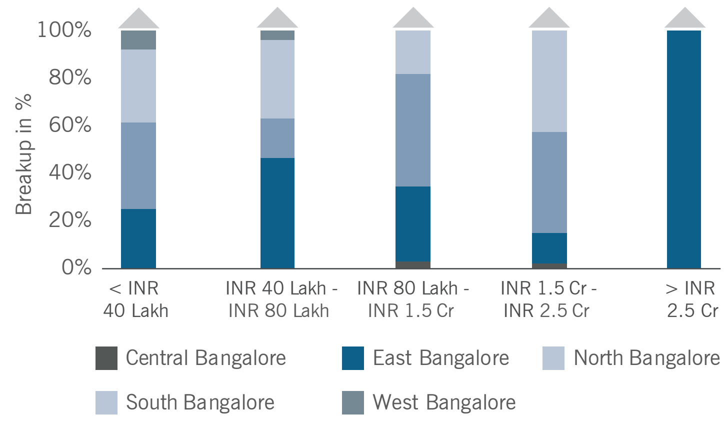
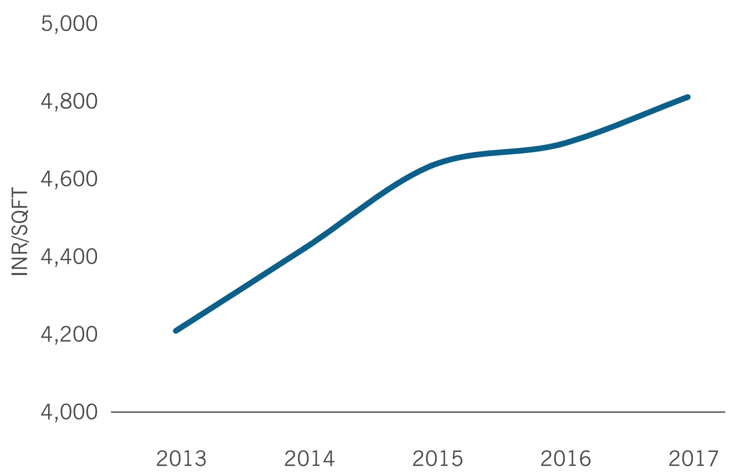
Zone Wise Ticket Size Breakup – New Launch Supply (2017)

- The mid segment i.e. INR 40 lakh - INR 80 lakh ticket size, turned out be the predominant price budget range and recorded maximum new supply among all segments. Nearly half (48%) of the total unit launches in 2017 were in this price bucket.
- East Bengaluru constituted the maximum supply of INR 40 lakh - INR 80 lakh budget range and took the pie of 47% from the segment's overall supply.
- With a 38% contribution in overall new supply, the affordable segment was the 2nd-most dominant. North Bengaluru constituted the maximum affordable supply for the city by accounting for 36% of this segment's supply. It was followed by South Bengaluru with 31%.
- The supply of units priced more than INR 1.5 Cr remained low at around 7% of the total new supply.



Price Movement YoY (2013-2017)



- Bengaluru recorded an annual rise of 3% in average capital values during the year 2017.
- The vibrant commercial office market and fairly well-distributed IT zones kept the residential pockets of Bengaluru in a relatively comfortable position as compared to other cities.

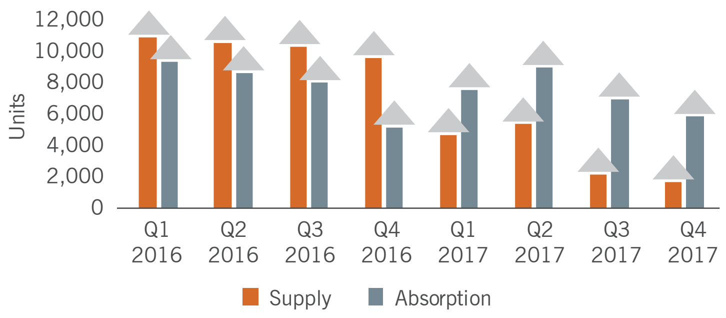
PUNE
RESIDENTIAL REAL ESTATE OVERVIEW 2017

Pune Residential Overview - 2017

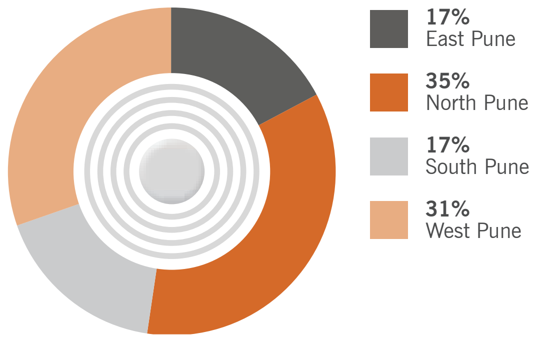
Units Launched	13,800
Total Unsold Units	98,000
Inventory Overhang	42 Months
Under Construction Units	2,00,000
% Change in Supply – 2016 vs 2017	-67%
Predominant Budget Range in 2017	<INR 40 lakh
% Change in Price – 2016 vs 2017	+2%

Supply - Absorption Dynamics – QoQ (2016 vs 2017)

- The residential market of Pune recorded a whopping decline of 67% in 2017 new launch supply as compared to 2016.
- However, during the same time-frame, sales activity gained momentum in the city, and surpassed the new launch supply during the past four consecutive quarters. Nearly 29,000 units were sold in 2017.
- Concurrently, constant improvement in sales activity and declining new launch supply brought down the unsold inventory level by 14% over 2016. As of now, nearly 98,000 units are available in the residential market in Pune, in different stages of construction.



Zone Wise New Launch Supply - 2017

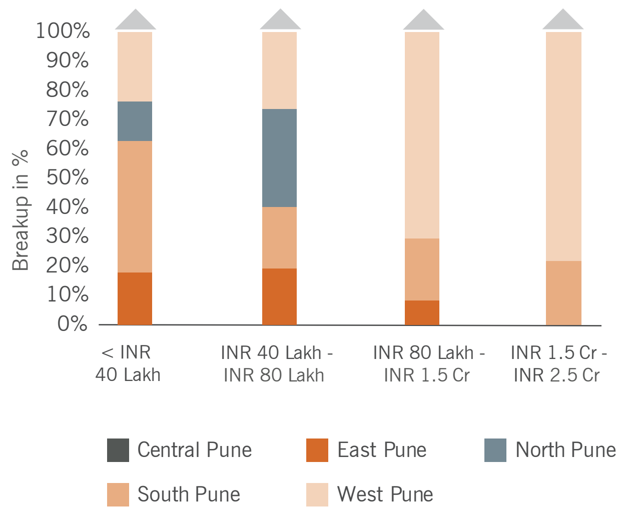


- Of the overall supply, North Pune recorded the maximum launches accounting for 35%, followed by West Pune at 30%. South and East Pune accounted for 17% each.
- Going forwards, micro-markets in proximity to commercial and industrial hub with the availability of ample land banks will remain on the developer's radar for future expansion.

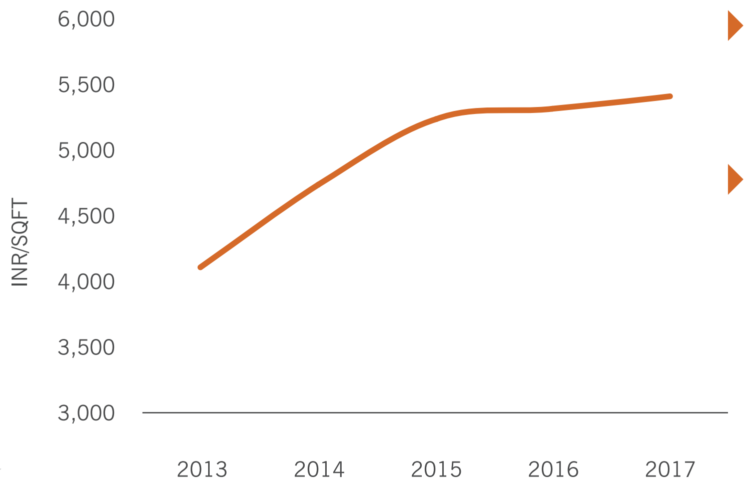
ANAROCK
VALUES OVER VALUE

Zone Wise Ticket Size Breakup – New Launch Supply (2017)

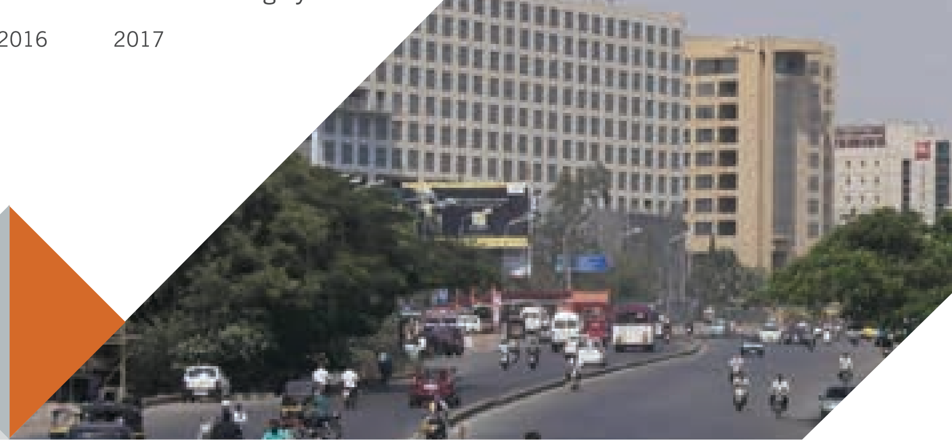
- Out of the total new supply in Pune, nearly 59% units were launched within < INR 40 lakh range. This was followed by properties in the range of INR 40 lakh - INR 80 lakh, INR 80 lakh - INR 1.5 Cr and INR 1.5 Cr - INR 2.5 Cr, at 28%, 12% and 1% respectively.
- North Pune recorded the maximum launches under the budget range of INR 40 lakh, accounting for 45% of the overall supply, followed by West, East and South Pune, at 24%, 18% and 13%, respectively.
- Interestingly, North and West Pune recorded launches in all the budget segments. While the former recorded maximum launches in the affordable segment due to the presence of industries/manufacturing units in the precinct, the latter witnessed the majority of launches in luxury and ultra-luxury segment properties due to mushrooming commercial development and mounting demand in large ticket size properties.
- East and South Pune, which together account for almost 35% of the overall supply, recorded the majority of launches in the affordable and mid-segment properties.



Price Movement YoY (2013-2017)



- The residential market of Pune witnessed stagnation in capital values since the last two years. In 2017, it recorded a minuscule price increase of 2%.
- Change in buyer's preference towards ready-to-move-in properties over under-construction properties also resulted in sluggish demand, and subsequently capital values remained largely stable.



HYDERABAD
RESIDENTIAL REAL ESTATE OVERVIEW 2017

ANAROCK
VALUES OVER VALUE

Hyderabad Residential Overview - 2017

Units Launched
7,600

Total Unsold Units
28,000

Inventory Overhang
25 Months

Under Construction Units
55,000

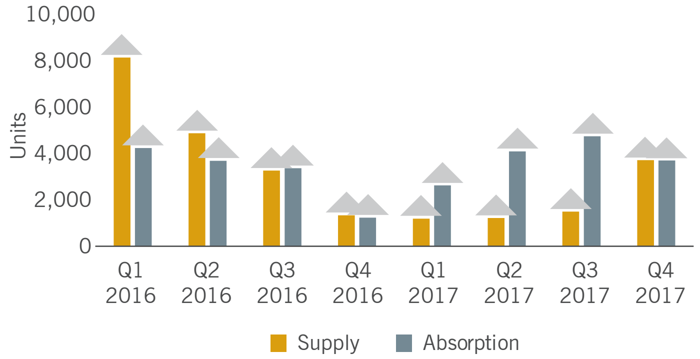
% Change in Supply – 2016 vs 2017
-57%

Predominant Budget Range in 2017
INR 40 lakh - INR 80 lakh

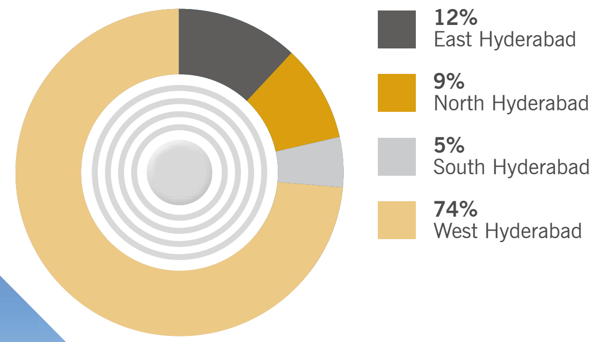
% Change in Price – 2016 vs 2017
+4%

Supply - Absorption Dynamics – QoQ (2016 vs 2017)

- The residential market of Hyderabad recorded a drop of 57% in 2017 new launch supply as compared to the previous year. The city added around 7,600 units in 2017, which is the lowest number since 2011. Even in the political turmoil during 2011-14, the city used to witness annual launches in the range of 10,000 – 14,000 units.
- However, the sudden drop is not attributed to any disastrous situation in the city, but primarily to the state's inability to set up an effective RERA mechanism. Launches came to standstill because of the non-availability of the state RERA portal until the end of 2017.
- However, sales activity gained momentum in the city and surpassed new launch supply in 2017. Compared to 2016, sales recorded a 21% increase. The rise in sales and subdued new launch supply brought down the level of unsold inventory by 21% in 2017.



Zone Wise New Launch Supply - 2017

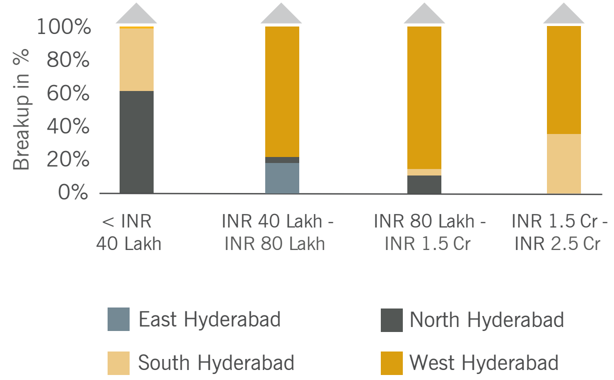


- Of the overall new launch supply in 2017, West Hyderabad added the maximum number of units and accounted for 74%, followed by East, North and South Hyderabad, at 12%, 9% and 5%, respectively.
- West Hyderabad remained the most prominent zone of the city due to continuous commercial development in the region coupled with improved infrastructure and augmented connectivity to other core areas of the city on the back of the recently operational metro rail and proposed mono rail in the region.
- Micro-markets such as Chandanagar, Narsingi, Kokapet, Gachibowli and Kondapur in West Hyderabad have recorded almost 46% of total new launches of the city. Also, the Hyderabad Metropolitan Development Authority (HMDA) has developed an IT-ITeS SEZ at Kokapet, which is expected to ensure that West Hyderabad remains on developers' radars.

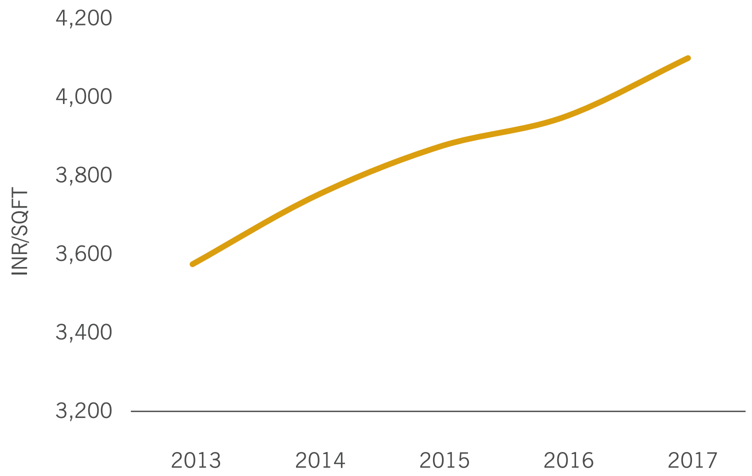
ANAROCK
VALUES OVER VALUE

Zone Wise Ticket Size Breakup – New Launch Supply (2017)

- Hyderabad is a hub of mid-segment properties and hence the predominant budget range in 2017 was INR 40 lakh – INR 80 lakh, which accounts for an approximate 65% of total units launched, followed by INR 80 lakh – INR 1.5 Cr, < INR 40 lakh and INR 1.5 Cr – INR 2.5 Cr, at 24%, 7% and 4%, respectively.
- West Hyderabad had the maximum share in the predominant budget range, which was around 78% of the total launches, followed by East and North Hyderabad, at 18% and 4%, respectively.
- In addition to this, West Hyderabad recorded the majority of launches in the luxury segment (INR 80 lakh – INR 1.5 Cr.) and ultra-luxury (INR 1.5 Cr. – INR 2.5 Cr.) too, at 85% and 64%, respectively.



Price Movement YoY (2013-2017)



- The capital values of residential properties in Hyderabad appreciated by around 4% in 2017, which is the highest annual growth amongst all the top cities. Also, over the period of 5 years the city has recorded a moderate appreciation of around 15% in the capital values.
- Political stability coupled with improving infrastructure and the state government's investment-friendly industrial policies are expected to keep Hyderabad on a growth trajectory.

CHENNAI RESIDENTIAL REAL ESTATE OVERVIEW 2017

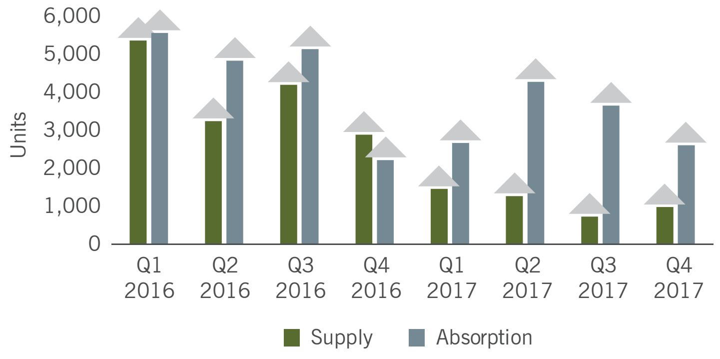
ANAROCK
VALUES OVER VALUE

Chennai Residential Overview - 2017

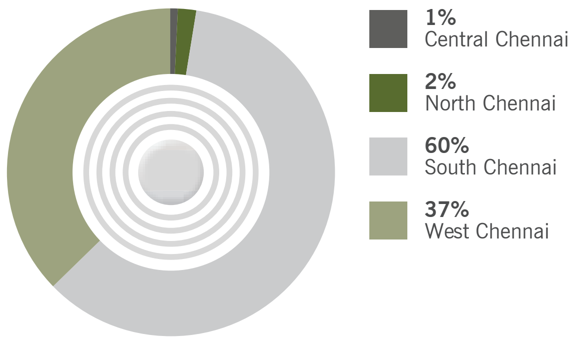
Units Launched	4,400
Total Unsold Units	27,000
Inventory Overhang	32 Months
Under Construction Units	45,000
% Change in Supply – 2016 vs 2017	-72%
Predominant Budget Range in 2017	INR 40 lakh - INR 80 lakh
% Change in Price – 2016 vs 2017	+1%

Supply - Absorption Dynamics – QoQ (2016 vs 2017)

- The residential market of Chennai has been the worst-affected by the downturn amongst the top cities. The city recorded a significant drop in new launches as well as sales in 2017 over 2016, at 72% and 26%, respectively.
- The Chennai residential market suffered primarily due to massive floods in 2015 and prolonged political instability in the state.
- Subsequently, sluggish new launch supply has brought down the unsold inventory level by 24% in 2017 over the previous year. The unsold inventory levels in the city are the lowest amongst the other top cities.



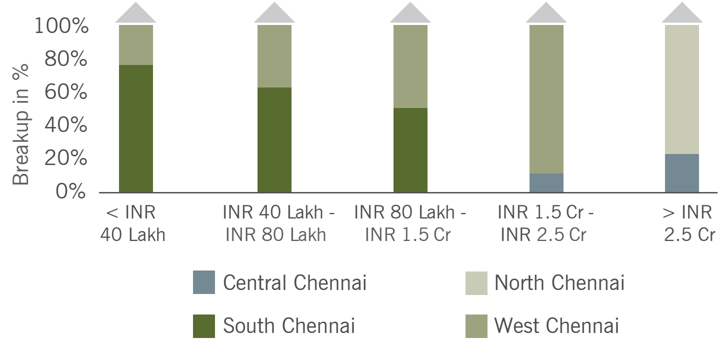
Zone Wise New Launch Supply - 2017



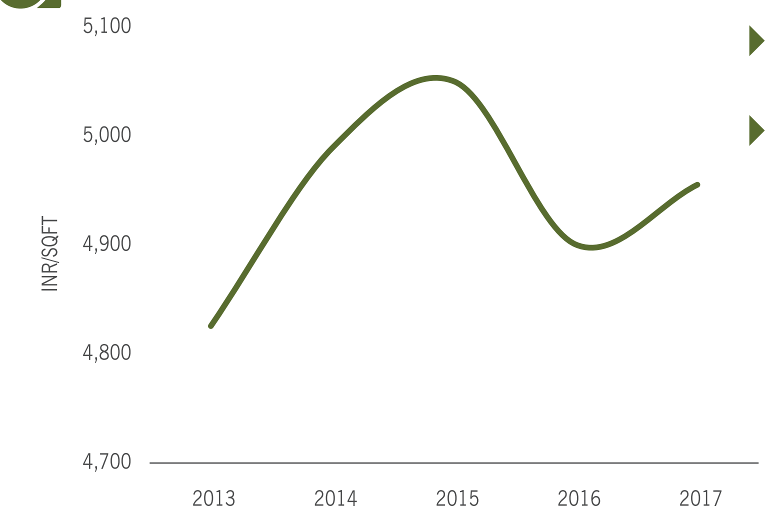
- South Chennai accounted for 60% of the new launches in the city followed by West, North and Central Chennai, at 37%, 2% and 1%, respectively. This zone has presence of major growth corridors of the city such as Old Mahabalipuram Road (OMR), Grand Southern Trunk Road (GST Road) and East Coast Road (ECR).
- West Chennai has witnessed rapid industrial development in the last couple of years and recorded the launch of nearly 1,600 housing units in 2017. This year, micro-markets such has Nolambur and Korattur recorded the launch of large projects such as Casagrand Nolambur (496 units) and Casagrand Asta (325 units).
- North and Central Chennai recorded negligible new launch supply in 2017.

Zone Wise Ticket Size Breakup – New Launch Supply (2017)

- Of the overall supply in Chennai, nearly 43% units were launched within INR 40 lakh – INR 80 lakh budget range, followed by properties in the range of INR 80 lakh – INR 1.5 Cr, < INR 40 lakh and INR 1.5 Cr. – INR 2.5 Cr., at 28%, 25% and 2% respectively.
- South Chennai, the IT and manufacturing hub of the city, recorded maximum unit launches in the affordable (< INR 40 lakh) and mid-segment (INR 40 lakh – INR 80 lakh) project categories, at 76% and 63%, respectively.
- West Chennai recorded almost 90% of supply in the luxury segment (INR 1.5 Cr. – 2.5 Cr.)
- North Chennai, which has recorded almost 2% of the overall supply, witnessed the launch of large ticket size projects in 2017, comprising 77% of the overall supply of ultra-luxury segment (> INR 2.5 Cr.)



Price Movement YoY (2013-2017)



- The city recorded a meagre 1% increase in capital values.
- Over the short term, property prices are likely to remain range bound in Chennai. It is expected to witness an increase with improved buyer sentiments and political stability.

KOLKATA
RESIDENTIAL REAL ESTATE OVERVIEW 2017

Kolkata Residential Overview - 2017

Units Launched
13,700

Total Unsold Units
48,000

Inventory Overhang
60 Months

Under Construction Units
90,000

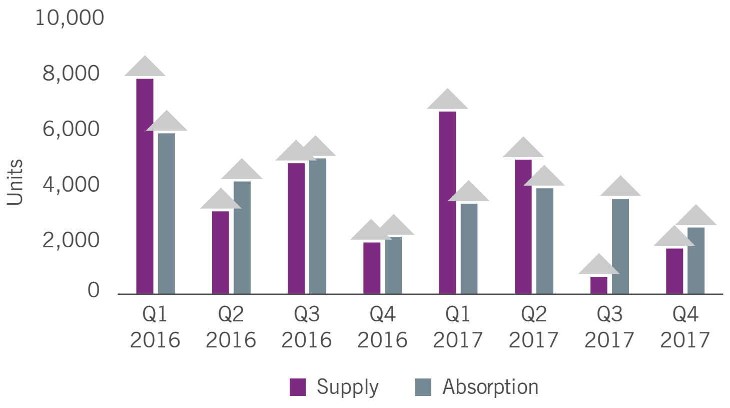
% Change in Supply – 2016 vs 2017
-21%

Predominant Budget Range in 2017
<INR 40 lakh

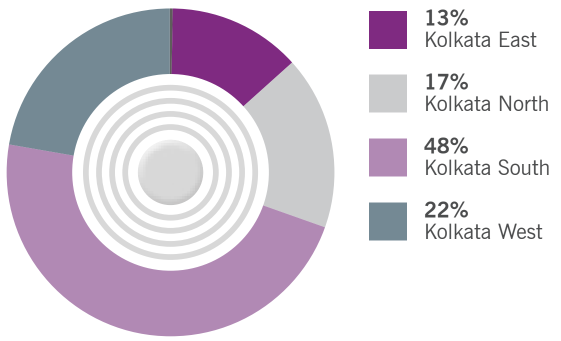
% Change in Price – 2016 vs 2017
+1%

Supply - Absorption Dynamics – QoQ (2016 vs 2017)

- Kolkata - the third-largest urban agglomeration in India - witnessed a supply of nearly 13,700 new units during the year 2017, registering a third consecutive year of decline since 2015. New launches in 2017 were 21% lower than in the previous year.
- Due to the continuous slowdown and cautious buyer sentiments, the city recorded a 23% drop in sales as the number of sold units in 2017 stood close to 13,000 against the 16,800 in the year 2016.
- Whilst unsold stock across all the top cities has reduced during the last one year, Kolkata was the odd one out and recorded an increase of 2% in unsold stock.



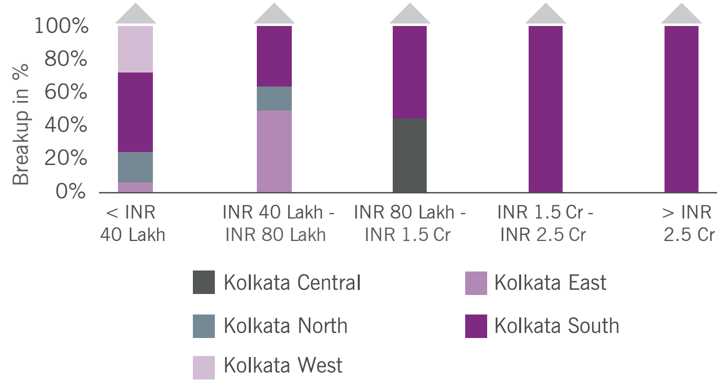
Zone Wise New Launch Supply - 2017



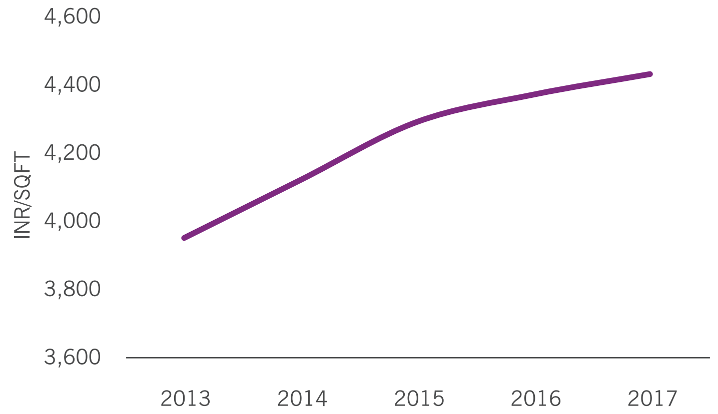
- During the year 2017, the Southern zone of Kolkata recorded maximum new launches and contributed nearly half (48%) of the city's overall new supply.
- Following the South Zone, Kolkata West contributed 22%, North 17% and East 13%, in overall city's supply in 2017.
- The Central zone recorded less than 1% of the overall supply in the city.

Zone Wise Ticket Size Breakup – New Launch Supply (2017)

- At 80% of the overall new supply, the budget range < INR 40 lakh, dominated in 2017. The segment encompassed close to 11,000 units out of total of 13,700 units launched in the city.
- South Kolkata formed the largest portion of the < INR 40 lakh price bucket's units supply by contributing 48% to it. It was followed by the West and North zones of Kolkata at 28% and 18%, respectively. East Kolkata took a meagre 6% share of the pie, while the Central zone got no supply in this budget segment.
- Apart from the < INR 40 lakh budget range, other buckets together recorded an addition of around 2,700 new units. The budget range INR 40 lakh - INR 80 lakh stood 2nd in terms of new supply, and received around 2,250 new units' addition in 2017.



Price Movement YoY (2013-2017)



- Prices in 2017 remained range bound in Kolkata and witnessed a small increase of 1-2% over the pervious year.
- The unsold inventory of 48,000 units, corresponding to an inventory overhang of 60 months, will keep price appreciation in check in the coming few quarters.

ANAROCK
VALUES OVER VALUE

OUTLOOK 2018

2017 will surely go down in Indian real estate sector history as a year that brought a significant sea-change and totally reformed the ways and means of doing business in the sector. The triple tsunami of demonetization, RERA and GST shook up the industry and every stakeholder on the development and sale side had to re-align their business to the changing market conditions. Real estate developers, contractors, consultants and brokers would surely like to forget the past year as a nightmare and enter 2018 with positivity and an eye on a brighter future.

A quick look at the numbers of the first month of 2018 reveals that the market is changing for good. With new launch sales of 500 units across the top 7 cities of India in January 2018, new launch sales have doubled from December 2017. This uptick is a major motivational boost to stakeholders who had been grappling with subdued demand for the past few years. Although one month in 2018 is not a major indicator of how the markets will behave during the ensuing 11 months, it surely provides guiding cues for the year. Although there are certain teething troubles in the sector that is adjusting to the new ways of doing business, a few trends are likely to stick around in 2018.

- **A continuing buyers' market:** With the crackdown on black money and benami transactions, stringent norms and compliances under the RERA regime, investors - and, more importantly, speculators - have been pushed out of the market. The Indian real estate sector was extremely buyer-friendly in 2017 and presented an opportune time to 'seal the deal.' This trend is likely to continue in 2018 as well and may, in fact, be strengthened amidst limited new launches. A quick comparison of new launches indicates that in January 2018, new launches declined by 17% from the previous month and were noted to be around 5,500 units. The crazy days of pre-launches and soft-launches have come to an end, and the market has gained some amount of sanity.

- **Focus on affordable housing:** With notable incentives and benefits offered to the affordable housing sector - including relaxed GST rates, granting of infrastructure status and changes in area considerations for affordable units - the Government seemed quite focused on the development of affordable housing during the past year. This trend is likely to strengthen further in 2018 as there will be a major action in this segment as the Government focuses on its 'Housing for All by 2022' mission. However, it will also be a testing time for the affordable housing segment, as the same-year sales for new launches in 2017 have been lackluster - only 19% of units were absorbed.

- **Sustained demand for ready-to-move-in projects:** With the implementation of GST in 2017 and uncertainty on the input tax credit (ITC) calculation, the overall outflow of funds for a home buyer seemed to have increased. Although GST is expected to be a tax-neutral proposition and the Government has clear anti-profiteering rules, the prevailing uncertainty is leading to a natural preference of homebuyers for ready-to-move-in projects. In addition, many buyers have previously burnt their hands by investing in under-construction projects which were overly delayed . As a result, buyers have now become extra-cautious. In addition, with around 1.7 lakh units likely to complete in 2018, there will be a significant spread of options in ready-to-move-in and nearing-completion projects for buyers to pick from as per their requirements.

- **Consolidation of businesses:** Also, due to the crackdown on black money and benami transactions, dubious players are likely to be pushed out of the market. In addition, under strict compliance norms and accountability in the RERA regime, many small businesses may not be able to manage the requirements and may choose to exit. As a result, we are likely to witness a massive consolidation of real estate businesses in 2018. This will include all stakeholders of the real estate sector, including developers and real estate consultants. Post cleansing of the system, only good players with the right business intent will continue to operate in the Indian real estate sector.

In a nutshell, 2018 is likely to be a year of revival defined by improved buyer sentiment, restricted new launches, improving sales, declining unsold units and consolidation in the Indian real estate sector. As time unfolds, we will witness an era of the new and improved organized real estate business in the country.

ANAROCK PROPERTY CONSULTANTS PVT. LTD.

(Formerly Jones Lang LaSalle Residential Pvt. Ltd)

The ANAROCK Group is one of India's leading real estate services company having diversified interest across real estate value chain. The Group's key strategic business units comprise the Residential business: broking and advisory services to clients; Investment business: debt, equity and mezzanine funding, and Research and Consulting business. ANAROCK's Investment arm has built a revolutionary business model of bulk-purchasing residential apartment inventory through a proprietary investment fund.

With a growing team of over 1000 professionals, ANAROCK operates in all key property markets across India- Mumbai, Chennai, Bangalore, Gurgaon, Noida, Ghaziabad, Hyderabad, Kolkata and Pune, and has international presence in Dubai. With in-depth market information, quality advice and developer tie-ups for optimal deals, we have been serving the industry since 2011.

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