

India Residential Real Estate Report

2018 Recap: Affordable Housing steals the show



Foreword



A handwritten signature in black ink, appearing to read 'Anuj Puri'.

Anuj Puri
Chairman
ANAROCK Group

Real estate sector has probably seen the first positive signs of recovery in 2018 post the policy and reformatory changes from 2016 onwards. While the much-visible positive results of these regulatory changes will be yielded in the long-term, they indubitably created a new environment of transparency and efficiency in the sector. Consolidation via mergers and acquisitions governed all segments, paving way for only 'financially capable' players to beat the heat.

A spate of policy reforms favouring affordable segment were introduced during the years which were quite in sync with the government's vision to provide "Housing for All by 2022." Meanwhile, the new launch supply in top 7 cities increased by 33% in 2018 on an yearly basis. Interestingly, affordable housing contributed significantly to this supply growth.

However, the sector continued to be gripped with the issue of stalled/delayed projects coupled with liquidity crisis - further exacerbated by the NBFC crisis in last quarter of CY2018.



As it stands, 2018 saw residential supply and sales pick momentum following a significant growth in affordable new supply and high buyer interest for ready-to-move-in properties across the top 7 cities. As many as 1.95 lakh new units were launched across the top 7 cities during the year while housing sales stood at 2.48 lakh units. Remarkably, sales has seen a steady q-o-q rise this year - the first time after 2015.

If we delve deeper, nearly 40% new supply catered to the affordable segment - within INR 40 lakh budget. On an average, the unit sizes reduced 8% from 1,260 sq. ft. in 2017 to 1,160 sq. ft. in 2018. These shrinking unit sizes eventually helped reduce the overall ticket prices for homes and thus adjusted into the affordability bracket of homebuyers. Rising sales across the cities helped reduce the unsold stock by over 7% in a year.

New trends emerged with homebuyers preferring to buy properties that are either ready-to-move-in or those nearing completion against under-construction ones. This trend was further

validated by ANAROCK's consumer sentiment survey wherein nearly 80% prospective buyers preferred to buy ready-to-move-in properties or those nearing completion.

Overall, the year 2018 was a mixed bag of surprise for Indian real estate with residential segment seeing green shoots of revival, yet away from its earlier peak levels. Bengaluru residential market stood at the top with inventory overhang declining to an year low of 17 months. NCR still has a long way to go as it stands at 52 months inventory overhang - highest across the top 7 cities.



A Recap of Structural Reforms and Policy Changes



Insolvency and Bankruptcy Code, 2018

Insolvency and Bankruptcy Code, 2018 gave more power to homebuyers by treating them at par with banks and other institutional creditors. This status will help them recover their dues from realty firms that turn bankrupt.



Carpet Area Enhancement for MIGs

To attract home buyers, the Government **Enhanced the Carpet Area of MIG Houses** from 120 sq. m. to 160 sq. m. under MIG-I category and from 150 sq. m. to 200 sq. m. under MIG-II category.



Interest Rate Hikes

RBI hiked **Repo Rates** by 50 basis points during the year, a back-to-back revision of 25 basis points in June and then in August.



Affordable Housing Fund Set Up

The Government set up a dedicated **Affordable Housing Fund** under National Housing Bank (NHB) for priority sector lending. It is targeted to build 1 crore houses in rural areas under PMAY by FY 2018-19.



Improvement in 'Ease of Doing Business' Rankings

India climbed 23 spots in the World Bank's 2018 **'Ease of Doing Business'** rankings and now stands 77th among 190 nations. This is likely to boost the investor confidence substantially and attract global investments.

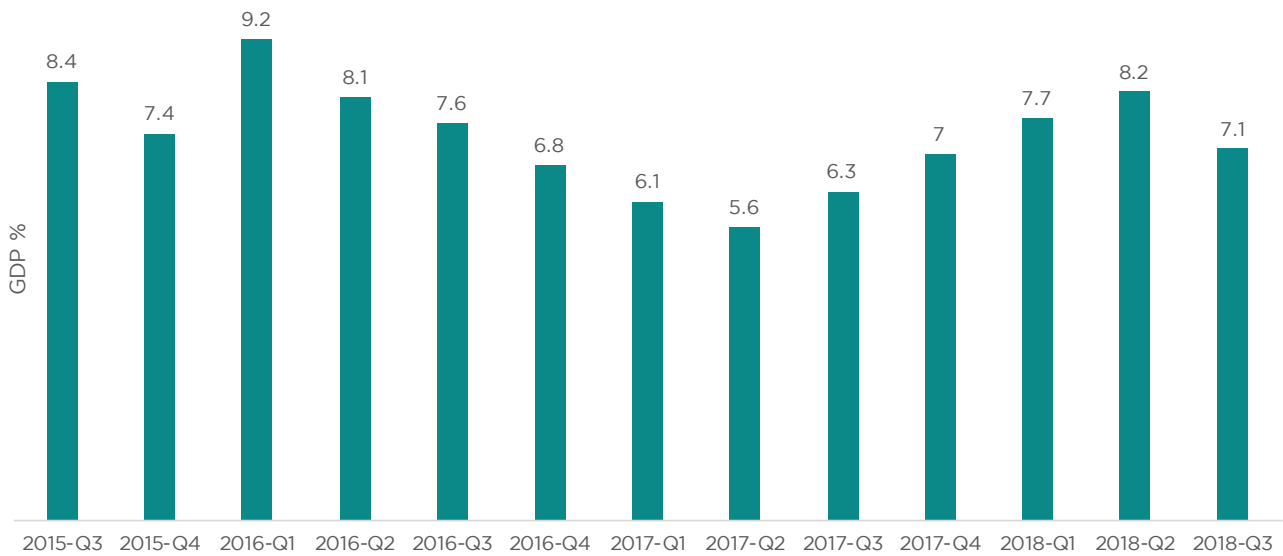


Boosters to the Retail Business

The Government allowed 51% FDI in multi-brand retail and **100% FDI in single-brand retail** under the automatic route. It also plans to tweak norms for retail trade - similar to SEZs - and enact a 365 days working policy.

India: Macro-Economics on a Strong Footing

India GDP Growth Rate

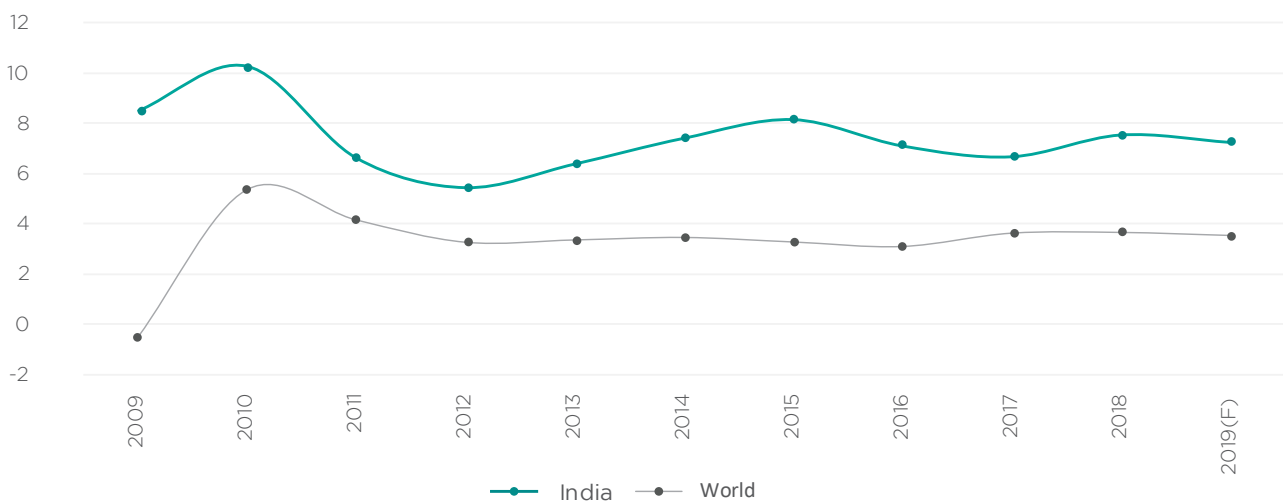


Source: Ministry of Statistics and Programme Implementation (MOSPI)

Pace of GDP growth slowed down post demonetization in 2016 and implementation of GST in 2017. However, it soon recovered and peaked in Q2 2018 to reach 8.2% on the back of good manufacturing output and rising investments.

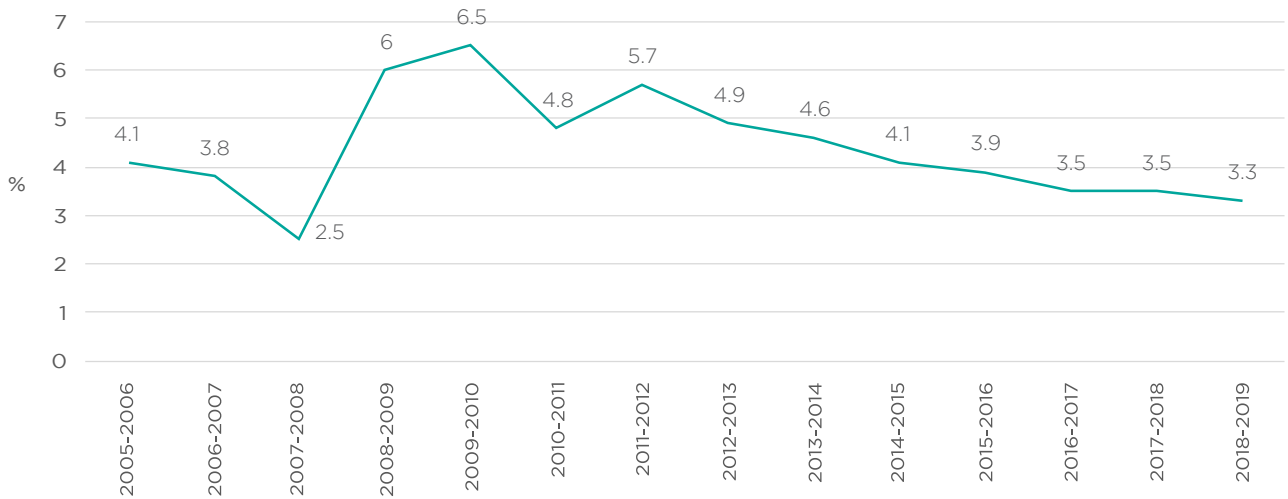
As per IMF's new projections, GDP will grow by 7.3% in FY2018-19 (lower than initial estimates of 7.4%), due to high oil prices and a tight monetary policy regime in India. Nonetheless, India is likely to be one of the fastest growing economies in the world.

GDP Annual growth rate (%)



Source: OECD Economic Outlook- Statistics and Projections

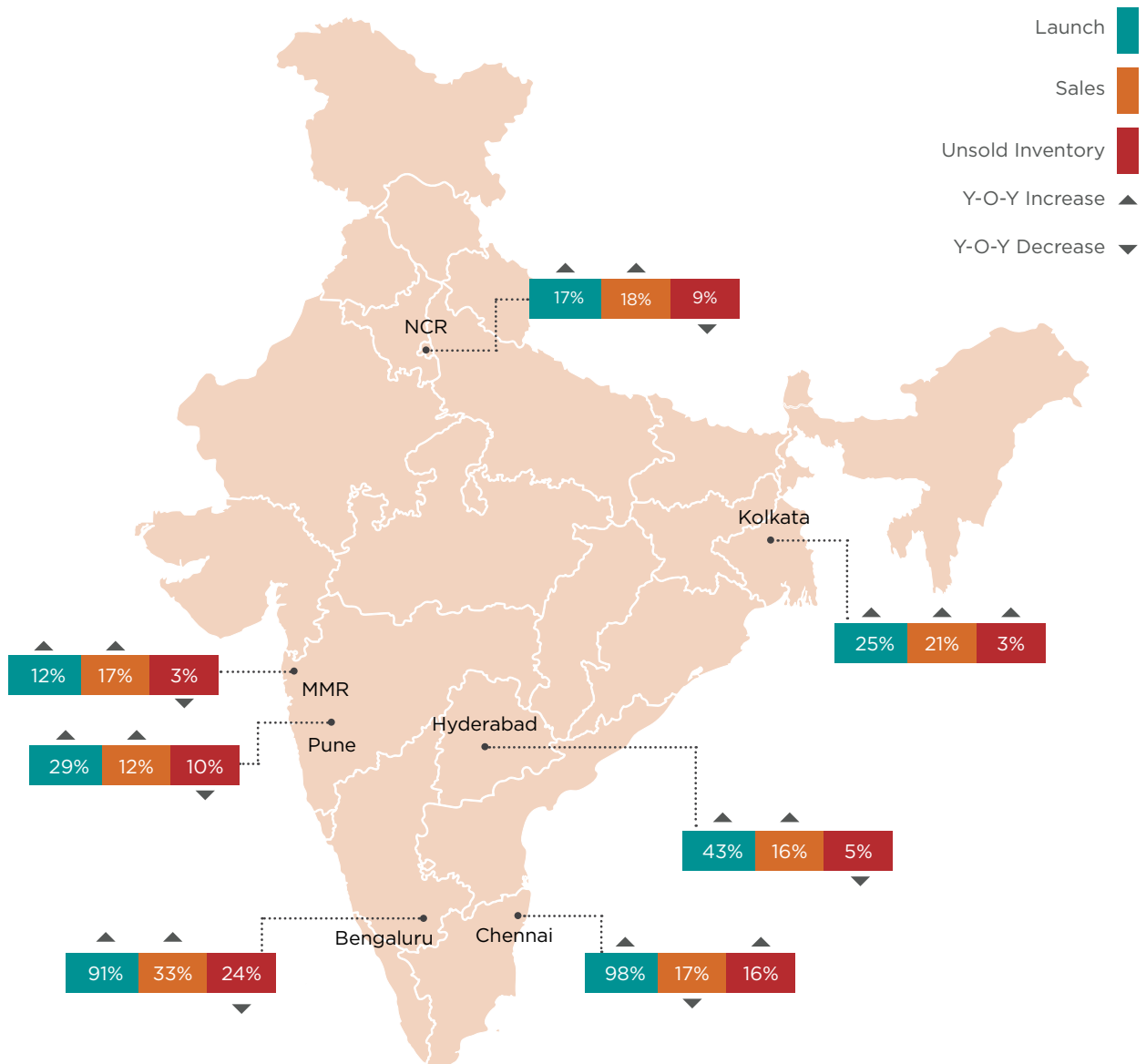
Fiscal Deficit (%)



Fiscal deficit as a percentage of GDP is a good measure of the Government's ability to meet its financing needs and to ensure good management of public finances. The declining fiscal deficit as a % of GDP for India surely looks encouraging.

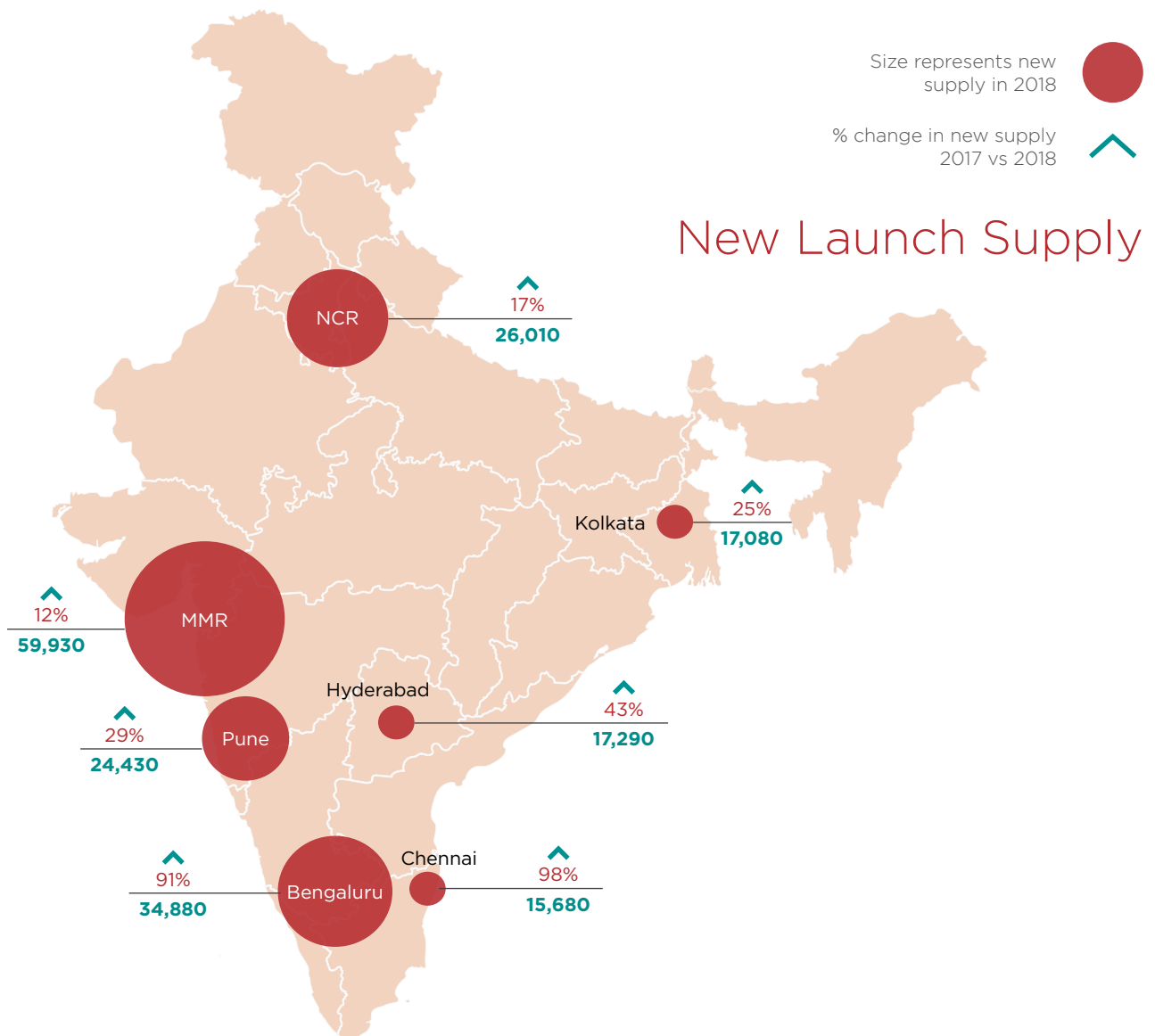


2018 Residential Real Estate: A Snapshot



- 2018 witnessed positive growth in both new launches and sales as against the previous year. New launches increased 33% in 2018 as compared to preceding year and sales rose 18% during the same period. With marginal improvement in housing demand, unsold inventory decreased 7% over the previous year and was recorded at 6.73 lakh units as of 2018.
- With the structural changes and policy reforms imbuing financial discipline, transparency and accountability in the sector, the future certainly looks bright, although there maybe some short-term troubles due to the ongoing liquidity crunch and the impending general elections.

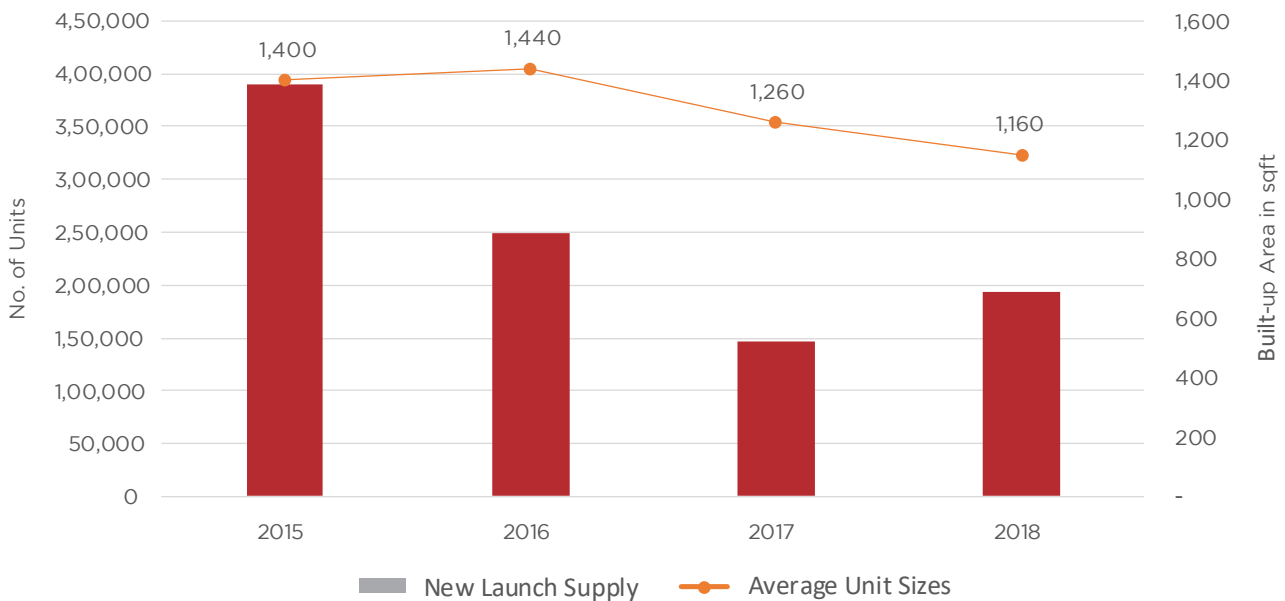
MMR Dominates 2018 New Launches; Accounts for 31%



- MMR holds the highest share of 31% (59,930 units) of new launches in 2018. However, it recorded the lowest increase in new launches (only 12% over the previous year), primarily due to the massive unsold inventory lying in the city. In terms of share of new launches, Bengaluru holds the second spot with 18% supply (34,880 units), followed by NCR and Pune at 13% each with 26,010 and 24,430 units, respectively.
- Chennai real estate activity picked momentum post the political stability being reinstated in the state. The city recorded a 98% increase in 2018 new launches as compared to the previous year. Bengaluru and Hyderabad also recorded an annual increase in new launches to the tune of 91% and 43%, respectively.
- NCR recorded only 17% increase in supply over the last year, primarily due to the huge unsold stock prevailing in the market and continuance of subdued demand amidst gloomy business conditions.

Small is the New Big: Developers Shrink Property Sizes

New Launch Supply vs Avg. Unit Sizes



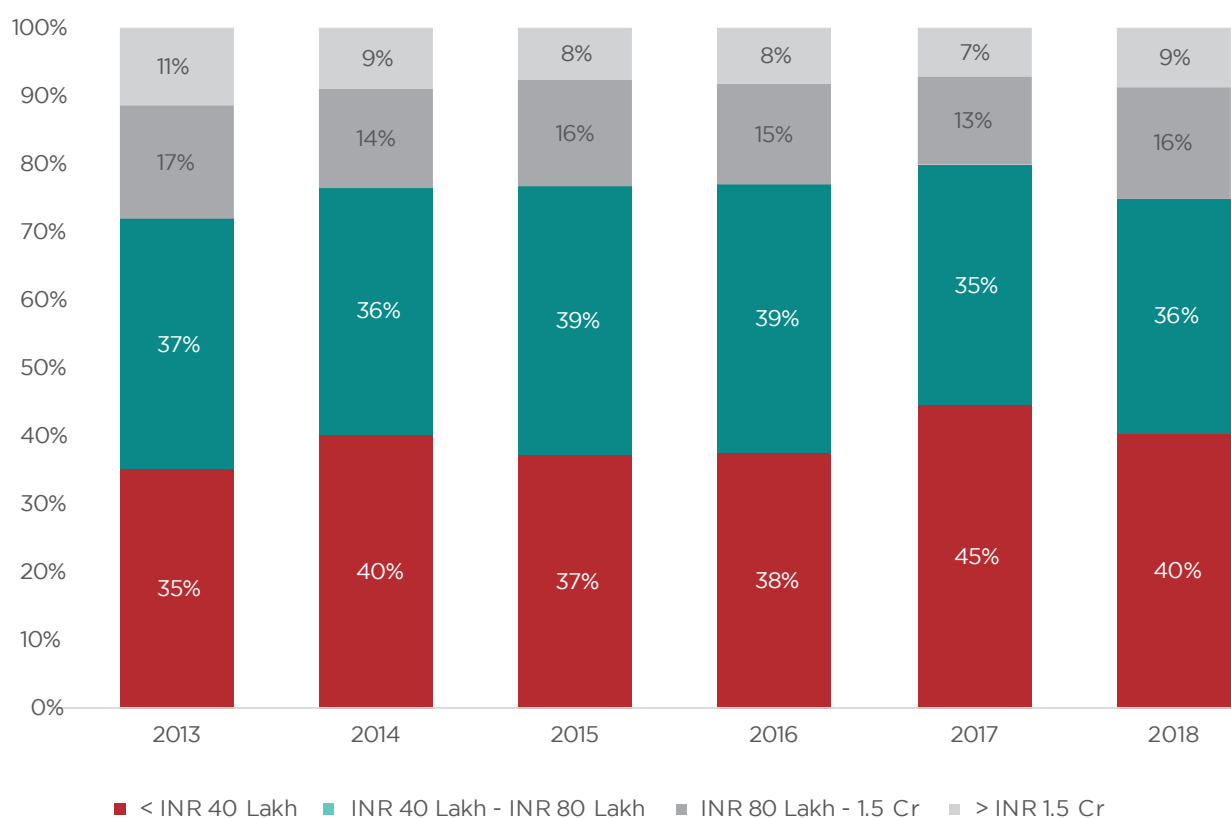
Source: ANAROCK Research

City	MMR	NCR	Bengaluru	Pune	Hyderabad	Chennai	Kolkata
% decline in avg. size (2015 to 2018)	27%	14%	10%	20%	16%	15%	18%
% decline in avg. size (2017 to 2018)	11%	4%	13%	7%	9%	8%	11%

- Homebuyers have become extremely price conscious during the past few years. As a result, developers are consciously reducing the average property sizes across cities to fit their properties in the expected budget range. Alternately, buyers also don't mind buying smaller size units since it comfortably fits in their budget.
- Also, due to increasing trend of nuclear families, working professionals/couples prefer to cut down the maintenance hassles and the underlying costs and instead opt for smaller units at prime locations.
- In this backdrop, average property sizes continued to shrink over the years – nearly 17% from 2015 to 2018 i.e. from 1,400 sq. ft. to 1,160 sq. ft. In 2018, average sizes reduced by 8%, indicating that builders are laser focused in luring buyers by offering apt properties.

Affordable Segment Gets the Lion's Share

New Launch Supply by Budget Segmentation



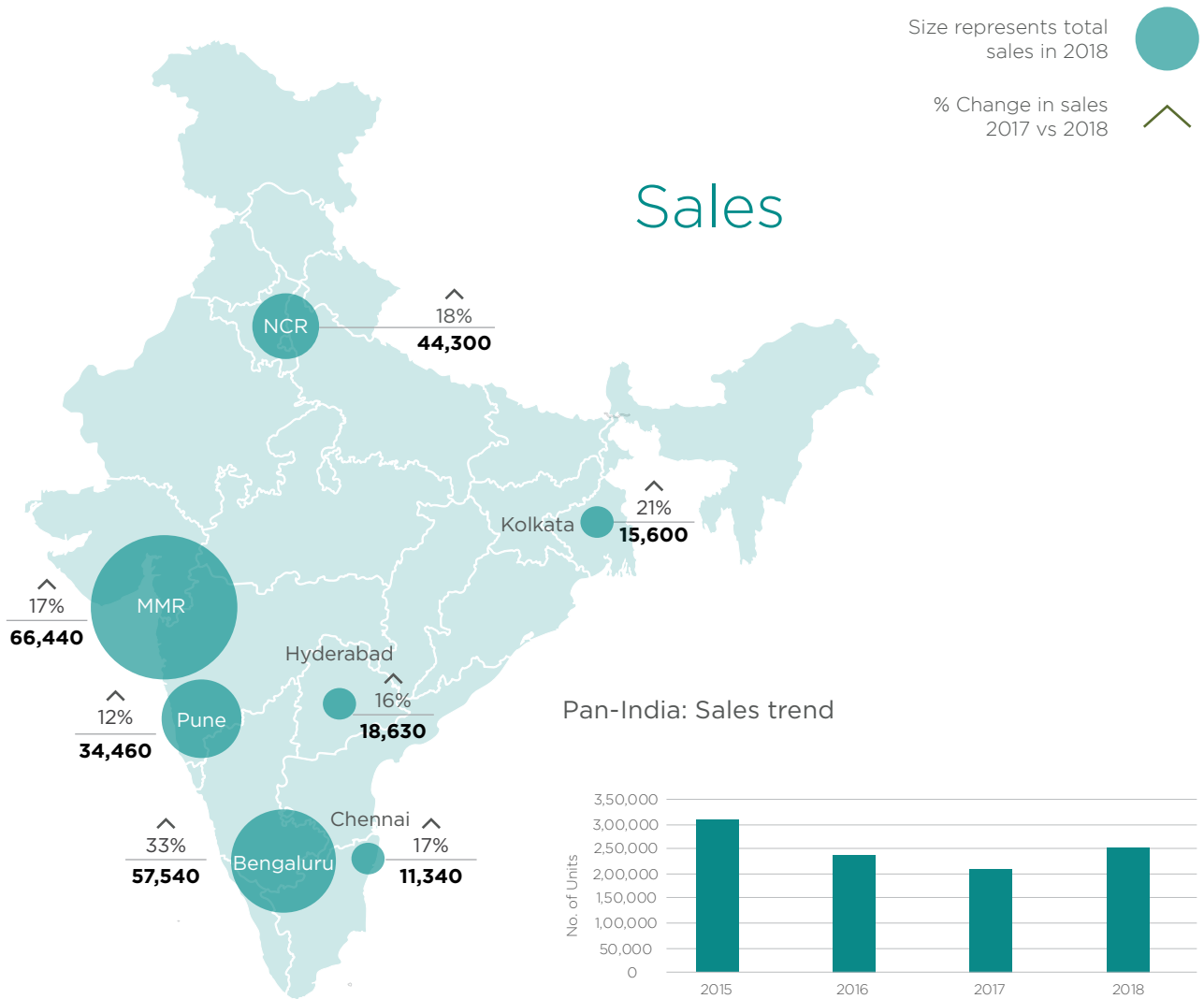
City	MMR	NCR	Bengaluru	Pune	Hyderabad	Chennai	Kolkata
% share of affordable units in each city's new launches (2018)	40%	47%	17%	52%	15%	49%	73%
% share of affordable units collectively across top 7 cities (2018)	31%	16%	8%	16%	3%	10%	16%

- Supply of units priced less than INR 40 lakh comprised the highest share of 40% (77,590 units), followed by INR 40 Lakh - INR 80 Lakh segment with 36% share (70,070 units) in 2018. The continued focus on affordable housing by developers is primarily due to the initiatives taken by the government to promote this segment under the mission of 'Housing for All by 2022'.
- Interestingly, <INR 40 lakh supply increased by 18% in 2018 compared to the previous year. This clearly indicates that this segment is also being tested in the market and merely promoting the project as an 'affordable' one is not enough to lure buyers.



Kolkata

Housing Sales Rise 18% in 2018

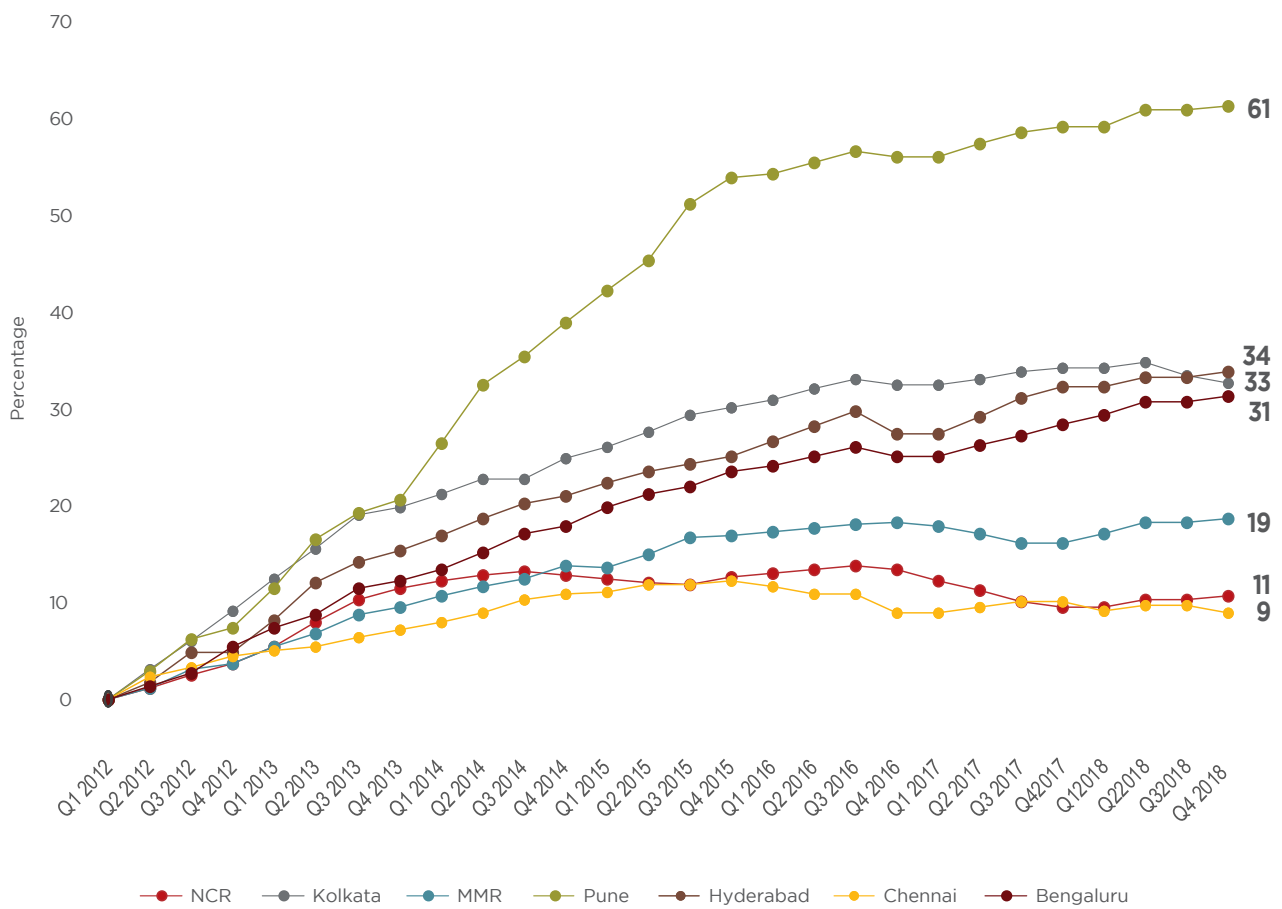


- With the dust of policy reforms finally settling down, housing sales have seen a positive trend q-o-q in 2018, rising yearly by 18% from 2.11 lakh units in 2017 to 2.48 lakh units in 2018.
- Bengaluru, the silicon valley of India, recorded 33% rise in sales from 2017 to 2018. Considering that the city generates massive employment opportunities and has

ample supply (around 40%) of properties that are ready-to-move-in and those nearing completion within one year, demand seems to have picked up. This is in line with the ANAROCK consumer survey, which indicated that there's high preference for ready-to-move-in and nearing completion units considering there's no execution risk in such properties.

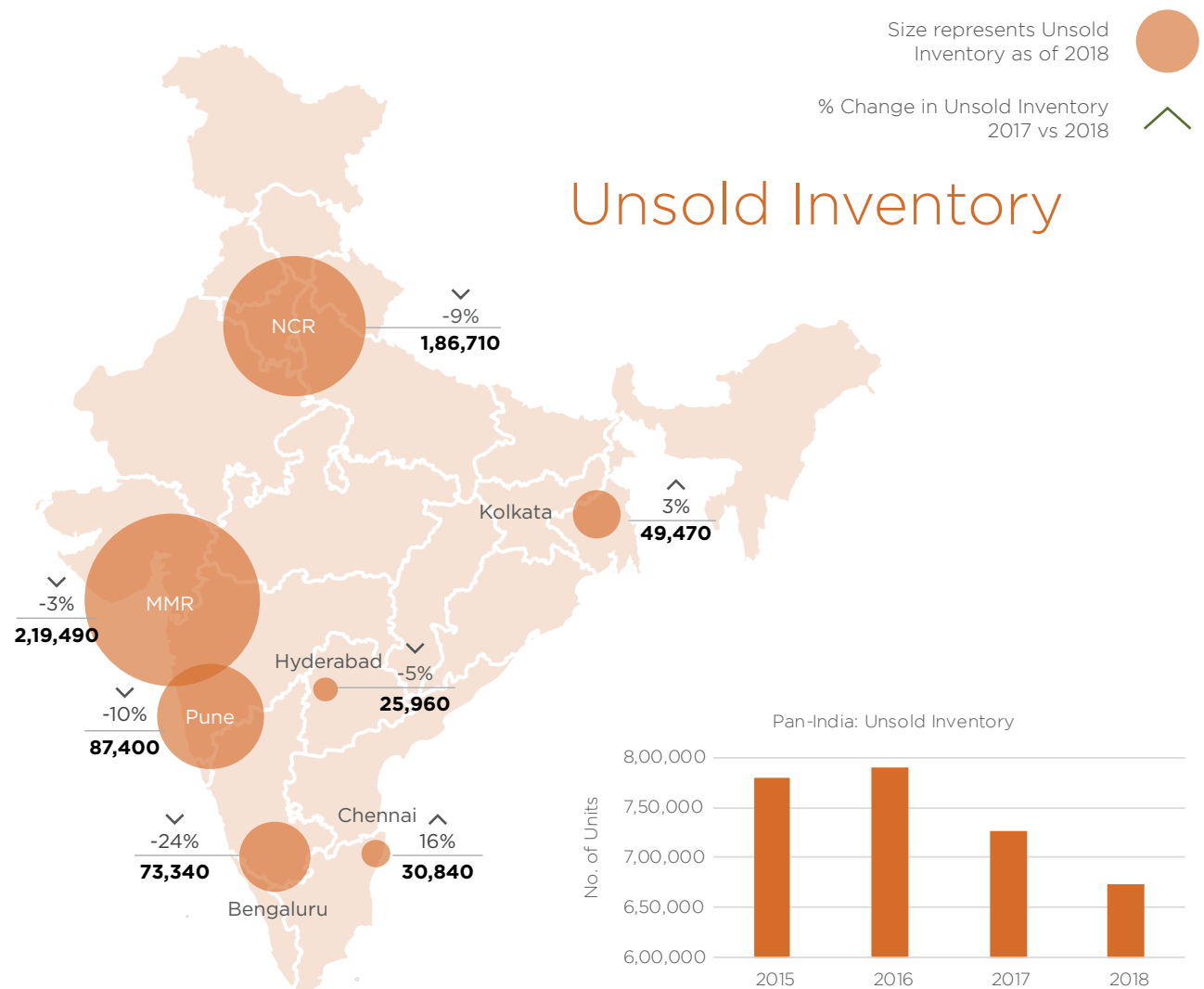
Pune Sees Maximum Price Appreciation

Price Change in Percentage by Cities



- Pune witnessed maximum price appreciation of 61% over the last 7 years, followed by Hyderabad and Kolkata with 34% and 33% respectively.
- Except Pune, the average property prices rose marginally during the last 7 years due to the presence of a huge unsold stock and subdued business environment. There is only a marginal sign of recovery in the last one year and prices have risen by 1% along with a 7% decline in unsold stock.
- Chennai witnessed the lowest price appreciation of 9% from 2012 to 2018. Property prices in the city started declining from 2016 due to natural calamities like floods and political uncertainties, resulting in an overall slowdown including fall in property prices.

Bengaluru Sees Highest Drop in Unsold Inventory

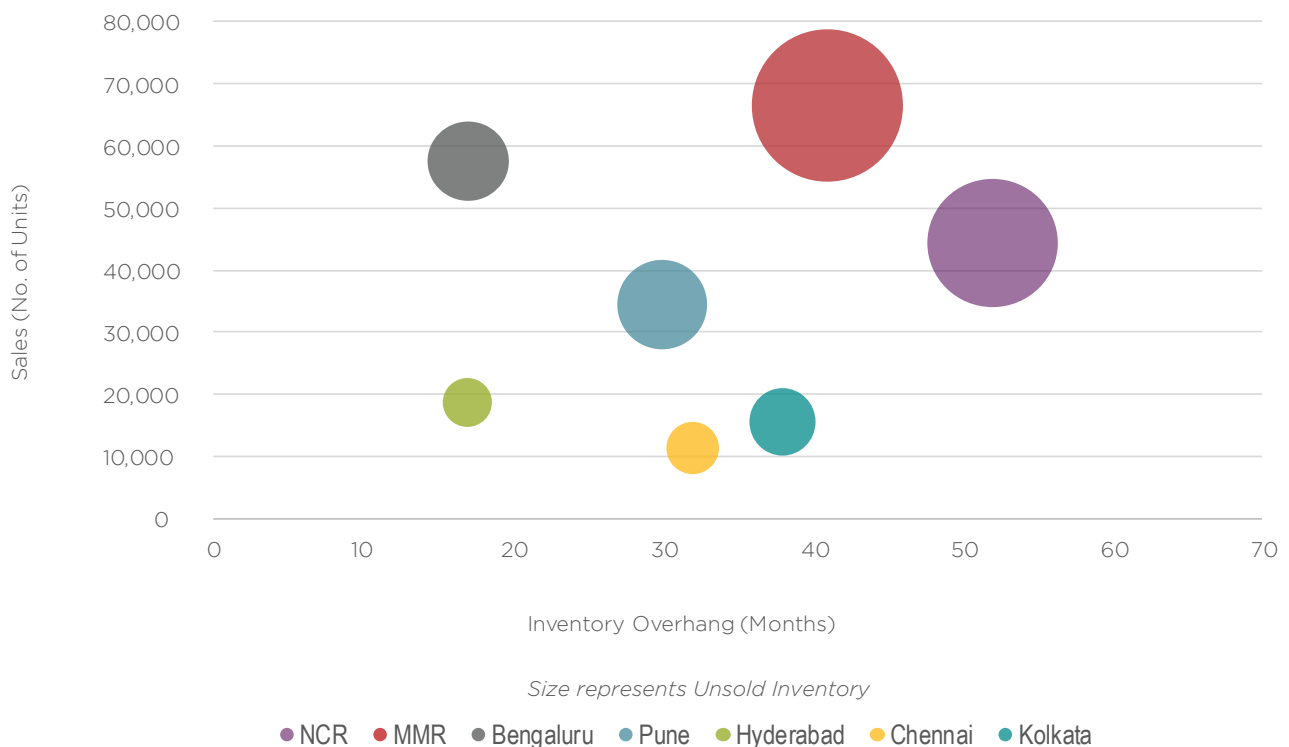


- MMR has the highest unsold inventory of 2.19 lakh units. There was a drop of only 3% from the previous year due to subdued demand amidst rising new launches (which recorded a 30% rise) in 2018. NCR stands at 1.9 lakh unsold units, followed by Pune and Bengaluru with 0.87 lakh units and 0.73 lakh units respectively.
- Contrary to this, Chennai saw 16% increase in unsold stock over the last year, due to high

- new launch additions (98% increase over previous year) amidst a 17% drop in sales compared to 2017.
- Bengaluru witnessed maximum drop in overall unsold inventory by as much as 24%. High housing sales in the IT hub of India is largely driven by the end-users and the prevailing realistic property prices.

Inventory Overhang Improves by 14 Months

Inventory Overhang vs Sales vs Unsold Inventory



- PAN-India inventory overhang improved over the year and was recorded at 33 months in December 2018, compared to 47 months in 2017. This change is primarily due to good sales rate as new projects launched over the year were aptly priced and builders consciously restricted new supply infusion.
- Bengaluru and Hyderabad are currently the best markets having lowest inventory overhang of 17 months each. As these cities offer ample new employment opportunities and have been able to manage the demand-supply scenario for the last few years, the situation seems

better here. Also, being largely end-user driven markets, these cities turned around faster than the larger metro cities.

- The unsold stock in Greater Noida and Yamuna Expressway markets have primarily led to higher inventory overhang in NCR (52 months), the highest across top 7 cities of India.

Note: Months inventory overhang is the time required for the current unsold stock to be absorbed in the market, assuming no new supply is added.



*City
Snapshots*

Mumbai



1

Bengaluru

2018 Residential Real Estate Snapshot

Rising Demand Leads to Decline in Unsold Stock

Residential Snapshot

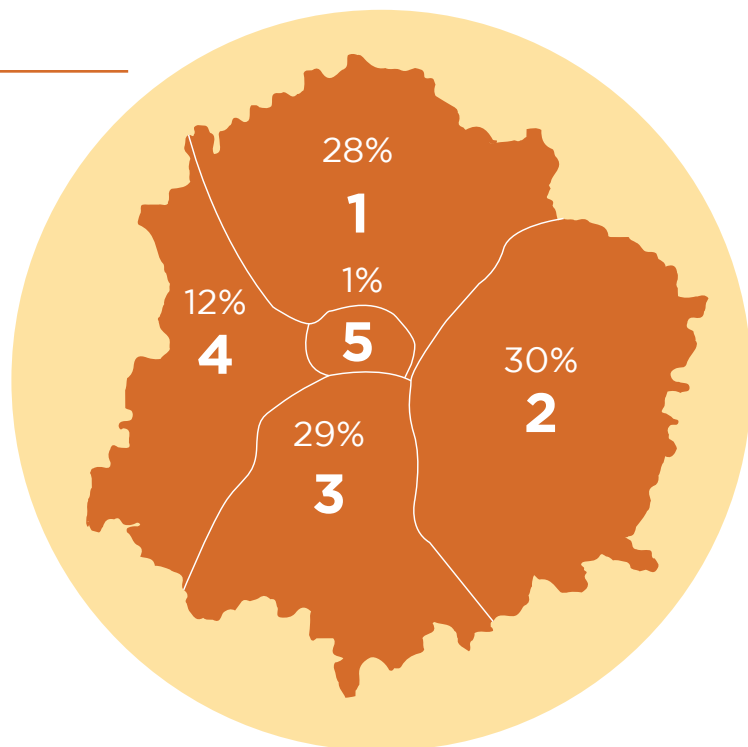
Launches: 34,880 units
 Sales: 57,540 units
 Unsold: 73,340 units
 Avg. Price: INR 4,890 per sq. ft.

Demographics

Population (2011): 96.22 Lakh
 Density: 4,381 people per sq. km.

1. North Bengaluru
2. East Bengaluru
3. South Bengaluru
4. West Bengaluru
5. Central Bengaluru

New Launch Supply Share by Zones

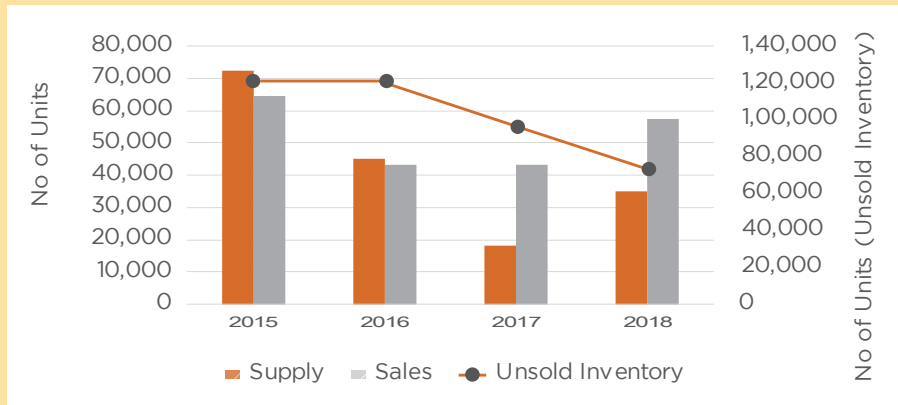


Zone-wise Distribution

- West Bengaluru noted a massive 457% rise in new launch supply in 2018 as compared to the previous year, primarily due to continued housing demand from professionals employed in the nearby industries.
- East Bengaluru holds highest share (30%) of launches followed closely by South and North Bengaluru with 29% and 28%, respectively.
- South Bengaluru recorded the highest rise in sales (51%) in 2018, resulting in a 25% drop in unsold inventory during the same period.



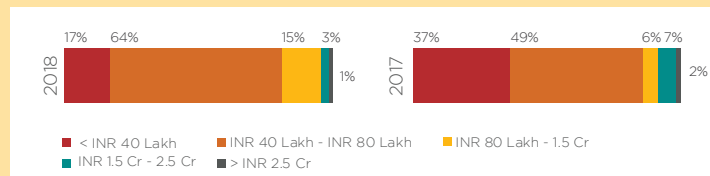
Supply-Sales-Unsold Inventory Trends



- In 2018, new launches grew 91% over the year to 34,880 while sales increased by 33% over the year to 57,540 units.
- Builders' conscious efforts to launch the right project in a given location helped minimize the demand-supply gap. Their focus on the mid-segment helped improve sales and reduce the unsold inventory.
- The city's unsold inventory as of 2018 was 73,340 units, a 24% decline over 2017 - highest across the top 7 cities.

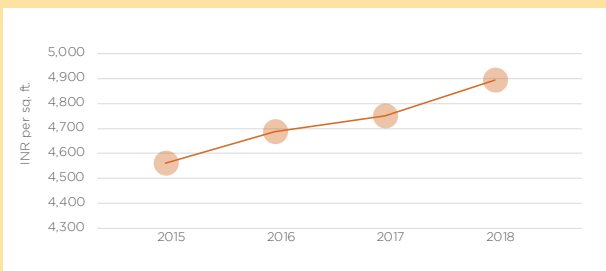
Developers Re-focus on Mid-Segment

Budget Segmentation

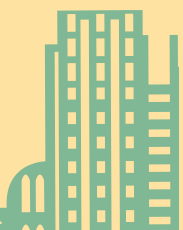


- The IT-ITeS boom and start-up ecosystem in Bengaluru has helped improve the home buying capacity of buyers over the years. Considering the profile of these buyers, the developers re-focused on the mid-segment which emerged dominant in 2018.
- Most luxury projects were launched in East Bengaluru, followed by South and North zones.

Price Trends



- Bengaluru recorded a 7% rise in property prices over the last 3 years. With regulatory changes and structural reforms settling in, the city has again embarked on an upward growth trajectory.
- With developers' increased focus on mid and luxury segments, average property prices improved 3% in 2018 over the previous year and were recorded at INR 4,890 per sq. ft.
- Bengaluru has seen 2% rise in prices from Q1 2018 to Q4 2018 since maximum increase in supply was in the luxury segment.



2

Chennai

2018 Residential Real Estate Snapshot

New Launches Make a Come Back, Rise 98%

Residential Snapshot

Launches: 15,680 units
 Sales: 11,340 units
 Unsold: 30,840 units
 Avg. Price: INR 4,920 per sq. ft.

Demographics

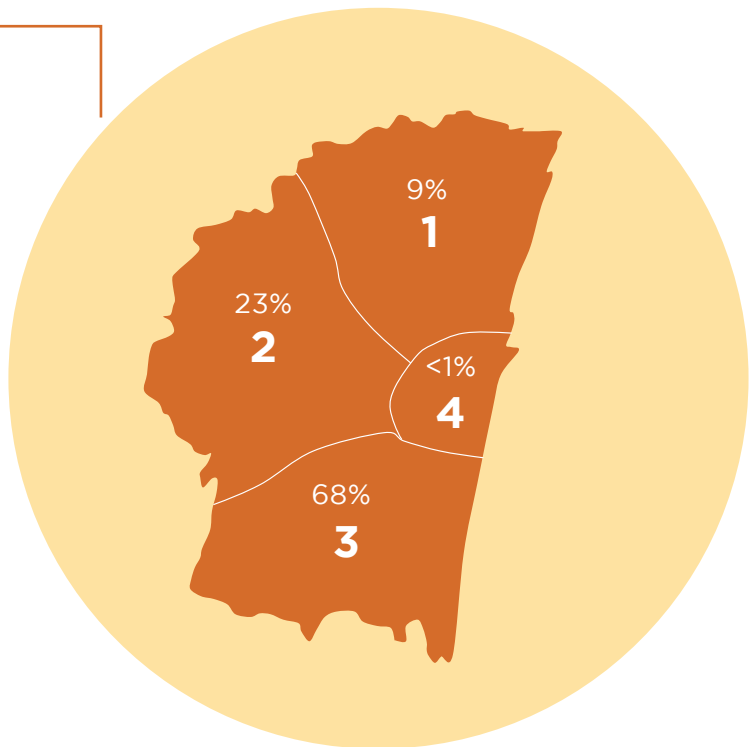
Population (2011): 46.47 Lakh
 Density: 26,553 people per sqkm

1. North Chennai
2. West Chennai
3. South Chennai
4. Central Chennai

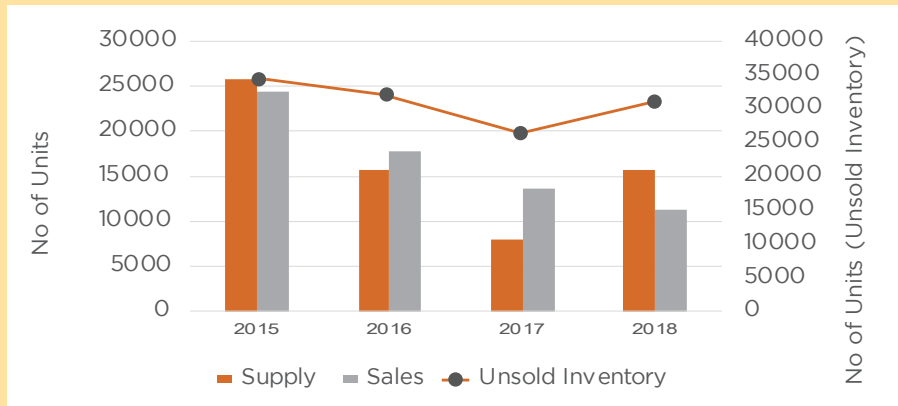
New Launch Supply Share by Zones

Zone-wise Distribution

- Emerging investment hotspots and increasing employment opportunities led to a rise in real estate developments in South Chennai. This zone dominated the new launches in 2018 with 10,710 units being added here.
- West Chennai is the second-most dominant market in terms of new launch supply with 3,530 units being added in 2018. Mangadu, Avadi and Oragadam witnessed good supply addition.
- North Chennai has seen 42% rise in unsold inventory due to limited initiatives taken by the Government to improve the infrastructure of this region.



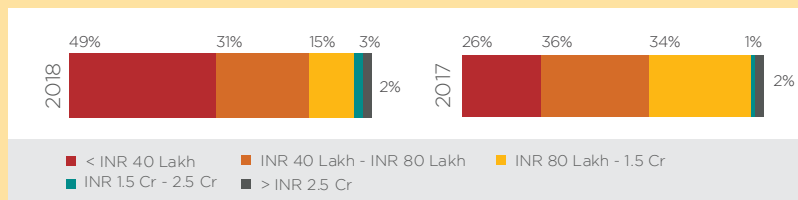
Supply-Sales-Unsold Inventory Trends



- Since Chennai witnessed several catastrophic events during the past few years including natural and political, the real estate activity was quite slow. However, it picked momentum in 2018 with new launches increasing by nearly 98% against the previous year.
- However, amidst subdued demand, sales declined by 17% over the previous year and as a result, unsold inventory increased by 16% in 2018.

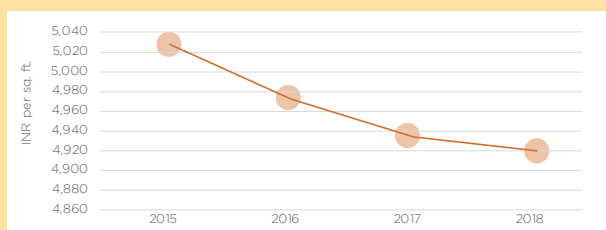
High Focus on Affordable Segment, Comprises 49% Launches

Budget Segmentation



- Chennai added 7,640 units in the affordable segment, a 267% rise in 2018 over the last year. The city seems to have embarked on the affordable path to cash-in on the growing opportunity.
- 80% of the affordable units were added in Chennai South zone during the year. This zone has been buzzing with IT-ITeS and industrial developments and as a result, the real estate activity has heightened.
- With the rise in the affordable segment launches over the years, the city’s average unit sizes declined from 1,200 sq. ft. in 2017 to 1,100 sq. ft. in 2018.

Price Trends



- Natural calamities and political instability in Chennai over the past few years impacted the real estate market and average property prices declined by 2% between 2015 to 2018.
- With only a marginal decline in 2018 prices over the previous year, there is surely some sign of improvement in the market conditions.
- The decline in 2018 average prices can also be attributed to nearly 267% increase in affordable launches in 2018 over the previous year.

3

Hyderabad

2018 Residential Real Estate Snapshot

‘Real’ Users Help Reduce Unsold Inventory

Residential Snapshot

Launches: 17,290 units
 Sales: 18,630 units
 Unsold: 25,960 units
 Avg. Price: INR 4,130 per sq. ft.

Demographics

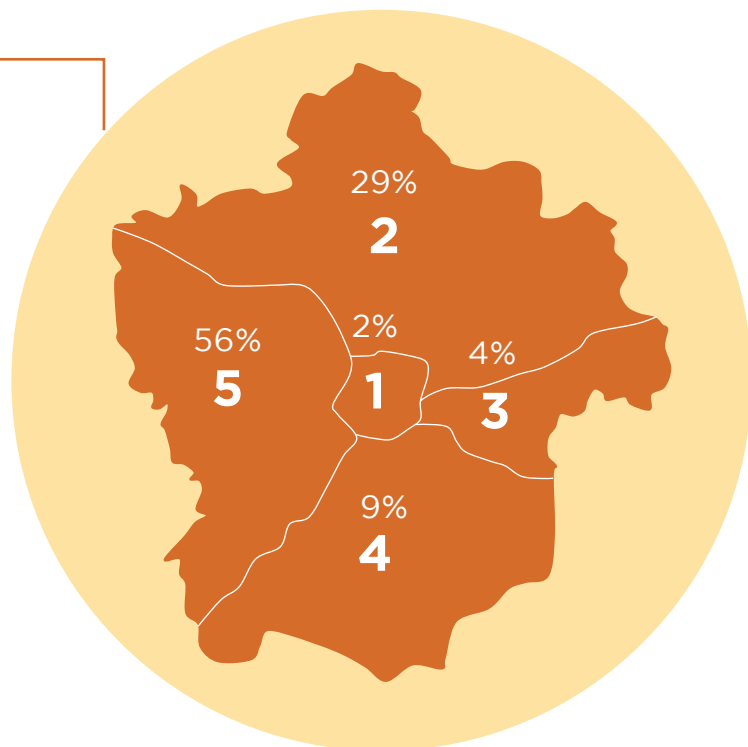
Population (2011): 38 Lakh
 Population Density: 17,649 people per sqkm

1. Central Hyderabad
2. North Hyderabad
3. East Hyderabad
4. South Hyderabad
5. West Hyderabad

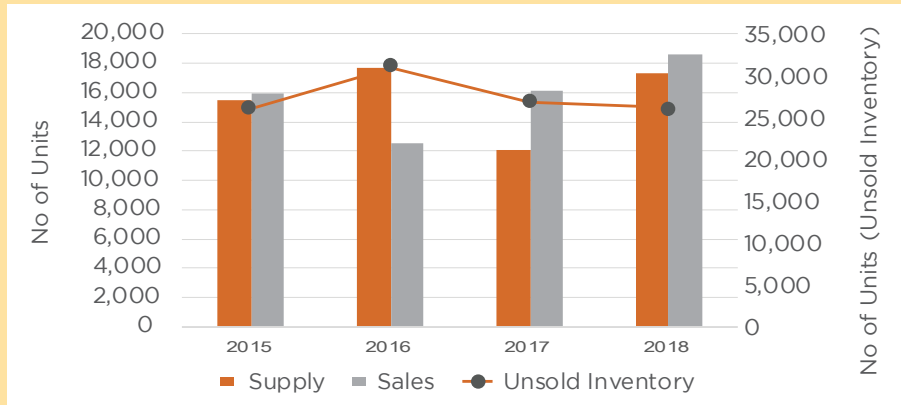
New Launch Supply Share by Zones

Zone-wise Distribution

- Most of the IT-ITeS developments are happening in West Hyderabad, which attracted maximum new launch supply in 2018 as well.
- North Hyderabad, the next dominant zone with 29% of share in overall supply in 2018, boomed due to good connectivity to IT hubs through Gachibowli-Miyapur Road and Old Mumbai Highway.
- East Hyderabad zone saw a rise in sales by 38%. The rising demand is due to low prices compared to other zones and improved connectivity via the ORR.



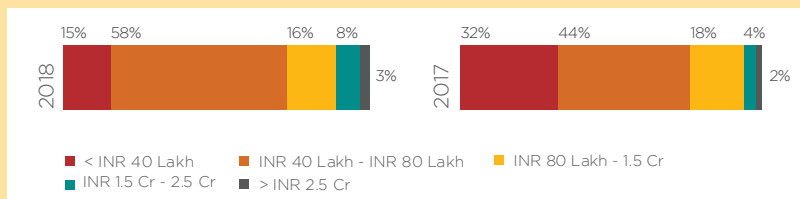
Supply-Sales-Unsold Inventory Trends



- Hyderabad has recorded improvement in new launch supply with 43% and sales with 16% in 2018 over the preceding year.
- Housing sales surpassed new launches consecutively for the 2nd year in a row. This is a good indicator of the health of the market.
- Unsold inventory in the region dropped to 25,960 units in 2018, a 5% decline over 2017.

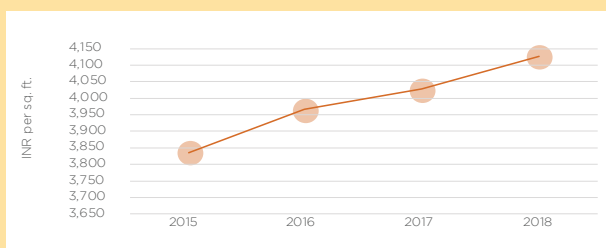
Activity in Mid-segment Rises, comprises 58% New Launches

Budget Segmentation



- Mid-segment constitutes maximum share comprising 58% new launches in 2018 as most of the additions were in West Hyderabad (56%), which is comparatively an expensive locality.
- Major share of mid-segment launches have been in Manikonda, Kollur, Tellapur, and Bachupally localities in West Hyderabad.
- Luxury segment (> INR 1.5 Cr) has seen nearly 154% rise in new launches from 2017 to 2018 with most of the launches coming in West Hyderabad.

Price Trends



- Rising migrant population in the city due to ample employment opportunities in the buzzing IT-ITeS sector has fueled real estate growth in Hyderabad.
- There has been an incessant increase in demand, especially post-Telangana formation, and it has helped in continuous price hike over the last few years.
- Higher new launches in mid and luxury segments has resulted in price increase by 2% in the last one year.

4

Kolkata

2018 Residential Real Estate Snapshot

Aggressive Supply Additions Leading to Rise in Unsold Inventory

Residential Snapshot

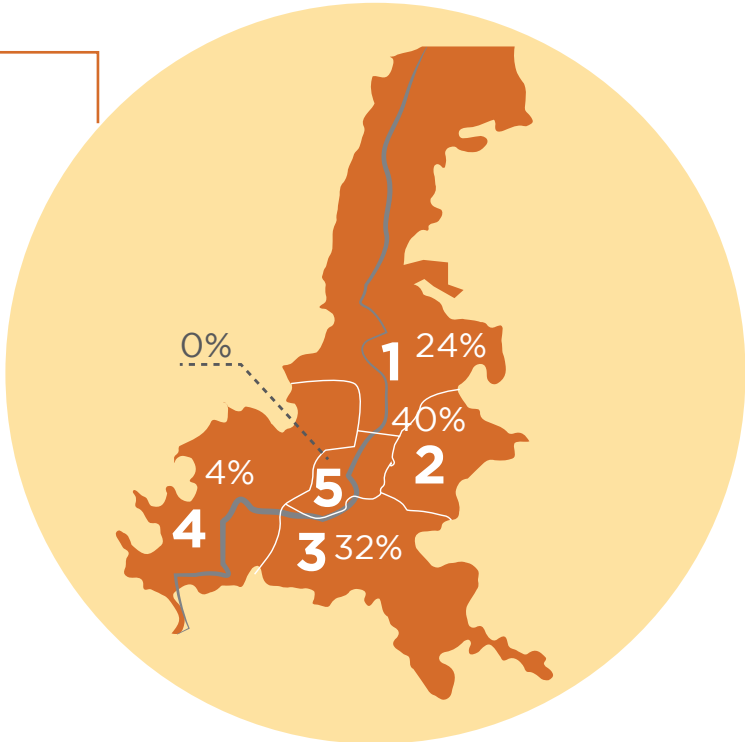
Launches: 17,080 units
 Sales: 15,600 units
 Unsold: 49,470 units
 Avg. Price: INR 4,420 per sq. ft.

Demographics

Population (2011): 45 Lakh
 Population Density: 22,000 people per sqkm

- 1 Kolkata North
- 2 Kolkata East
- 3 Kolkata South
- 4 Kolkata West
- 5 Kolkata Central

New Launch Supply Share by Zones

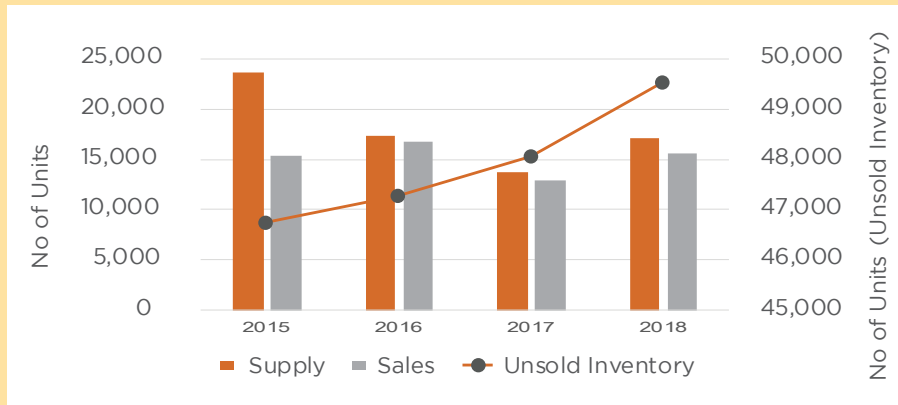


Zone-wise Distribution

- Unlike 2017, where Kolkata South was the hotspot for new supply, this year the focus shifted to Kolkata East. Rajarhat and Salt Lake - buzzing with IT-ITeS developments - have been driving housing demand in the region.
- Already, pent up unsold inventory in Kolkata West resulted in muted launches in the region and focus shifted to off-load existing stock during the year.
- Upcoming metro development has accounted for aggressive expansions in Eastern and Southern part of Kolkata resulting in huge unsold inventory pile-up in the regions.



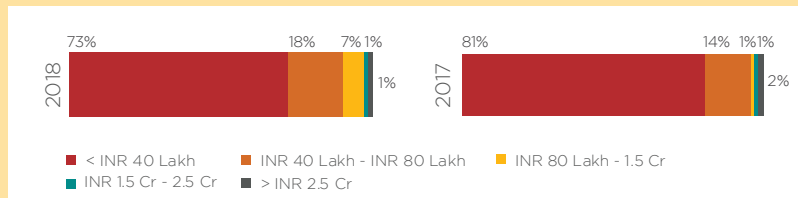
Supply-Sales-Unsold Inventory Trends



- Supply additions increased by 25% in the year to 17,080 units whereas sales increased by 21% yearly to reach 15,600 units in 2018.
- With previously added significant units in the affordable segment amidst moderate demand, developers have now shifted focus to luxury and mid-segment as well.
- Unsold inventory in the region increased to 49,470 units, a 3% increase over 2017.

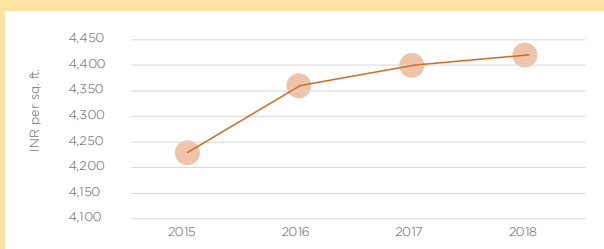
Affordable Segment Dominates Supply in 2018

Budget Segmentation



- Even while the share of new supply in affordable segment declined in 2018 against the previous year, it continued to dominate the market. There was a slight rise in developers' focus towards other budget categories as well in 2018.
- Interestingly, affordable housing share in the overall new supply in each of the top 7 cities is the highest in Kolkata, followed by Pune and Chennai with 52% and 49% respectively.
- In 2018, major share of mid-segment and above category launches have been in Kolkata East zone.

Price Trends



- Due to base effect, the market has been witnessing 1% annual growth between 2015 to 2018.
- However with the unsold inventory on the rise, the prices are expected to stabilize in the near term.
- During 2018, the average property price in Kolkata was INR 4,420 per sq. ft.

5

Mumbai Metropolitan Region

2018 Residential Real Estate Snapshot

Inventory Overhang Hits 2-year Low

Residential Snapshot

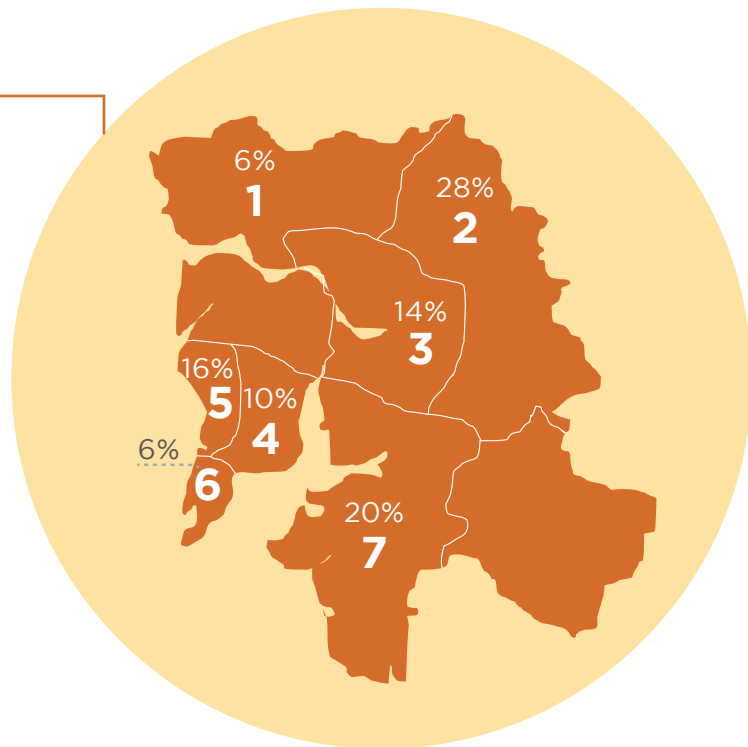
Launches: 59,930 units
 Sales: 66,440 units
 Unsold: 219,490 units
 Avg. Price: INR 10,500 per sq. ft.

Demographics

Population (2011): 1.24 Crore
 Population Density (Metro): 4,764 people per sqkm

- 1 Peripheral Western Suburbs
- 2 Peripheral Central Suburbs
- 3 Thane
- 4 Central Suburbs
- 5 Western Suburbs
- 6 South Central Mumbai
- 7 Navi Mumbai

New Launch Supply Share by Zones

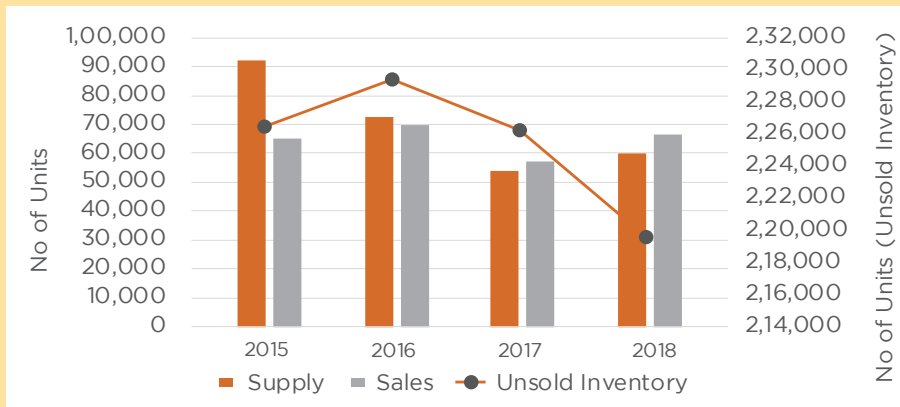


Zone-wise Distribution

- Peripheral Central Suburbs, Navi Mumbai and Western Suburbs dominated the overall new launches with nearly 2/3rd of the launches in these regions.
- Rising focus on affordable housing and planned infrastructure developments have accounted for more launches in the peripheral regions of Greater Mumbai.
- Developers adding luxury projects accounted for an increased share in South Central Mumbai compared to 2017 where it accounted for only 1% of the overall launches.



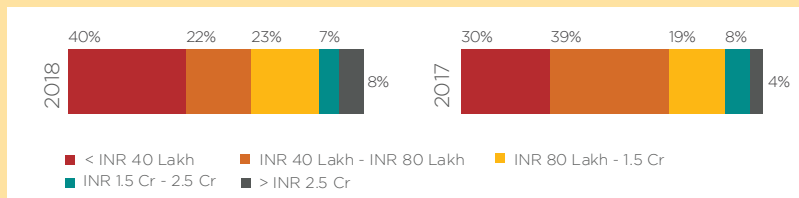
Supply-Sales-Unsold Inventory Trends



- Incessant push towards affordable segment coupled with focus on developing large-size projects led to nearly 12% rise in new launches with 59,930 units in 2018 compared to 2017.
- Positive impact of regulatory changes have started to show results on sales, which improved consecutively for the 2nd year and surpassed the number of new launches in the region.
- Unsold inventory in the region dropped to 219,490 units, a 3% decline over 2017 - though still the highest among the top cities.

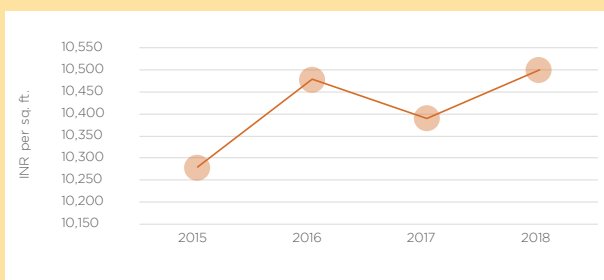
Affordable Launches Concentrated Towards Peripheral Regions

Budget Segmentation



- Share of affordable housing (<INR 40 Lakh) has increased in the overall launches to nearly 40% of the total launches in the region.
- Due to shortage of land parcels within the city, majority expansions and/or additions were in the peripheral regions of Greater Mumbai resulting in a dip in the mid-segment launches of the city.
- Luxury segment saw an upward trajectory in new launches during the year due to rising demand from end-users.

Price Trends



- Post a decline in 2017, avg. prices (on BUA) in MMR improved marginally by 1% to INR 10,500 per sq. ft. in 2018.
- With immense pressure on developers to offload existing unsold 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 each home booking.
- The price appreciation in the region was muted as focus largely shifted towards affordable housing. Also, the structural reforms have pushed out the investors and the market is purely an end-user driven one.

6

National Capital Region

2018 Residential Real Estate Snapshot

Unsold Inventory Continues to Decline Amidst Restricted Supply

Residential Snapshot

Launches: 26,010 units
 Sales: 44,300 units
 Unsold: 186,710 units
 Avg. Price: INR 4,550 per sq. ft.

Demographics

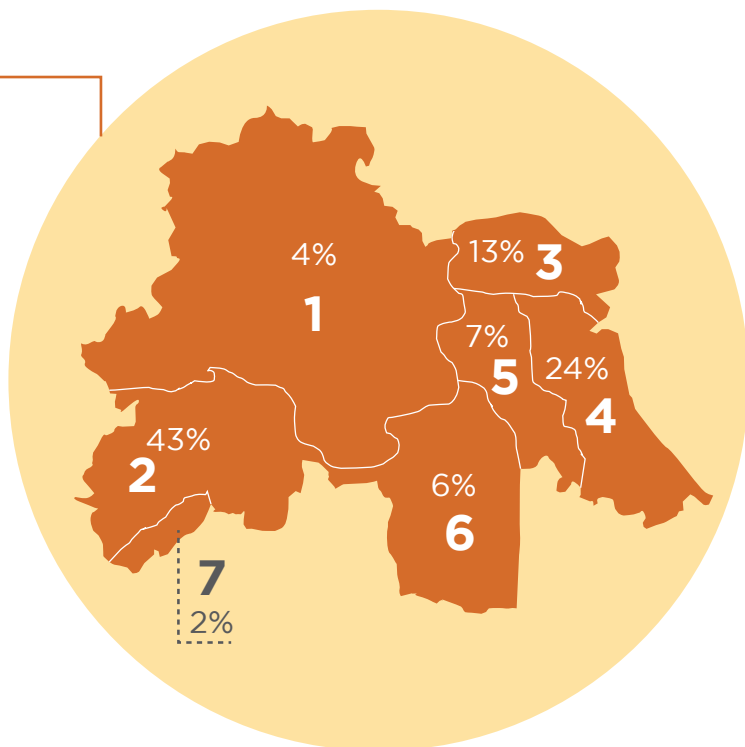
Population (2011): 4.6 Crore
 Population Density: 840 people per sqkm

- 1 New Delhi
- 2 Gurugram
- 3 Ghaziabad
- 4 Greater Noida
- 5 Noida
- 6 Faridabad
- 7 Bhiwadi

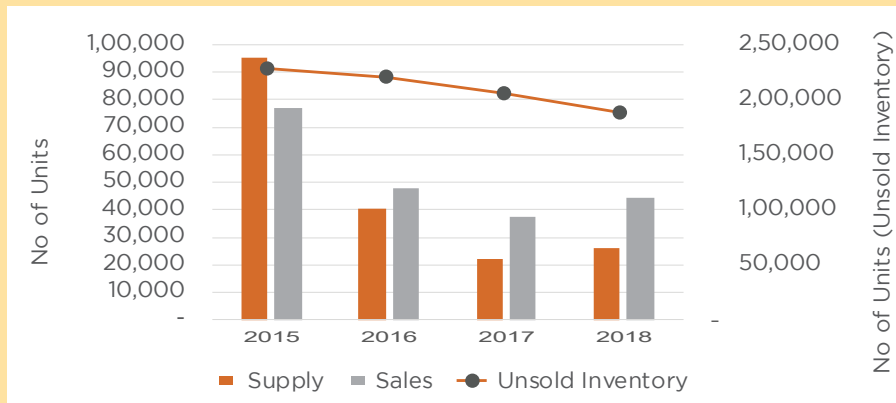
New Launch Supply Share by Zones

Zone-wise Distribution

- Gurugram and Greater Noida held the majority share of launches in NCR with an aggregate share of 67% of the overall launches in the region.
- Backed by infrastructure developments, the developers are focusing on these cities and capturing a higher share.
- Noida, Faridabad, Delhi and Bhiwadi accounted for 7%, 6%, 4% and 2% of the overall supply, respectively.



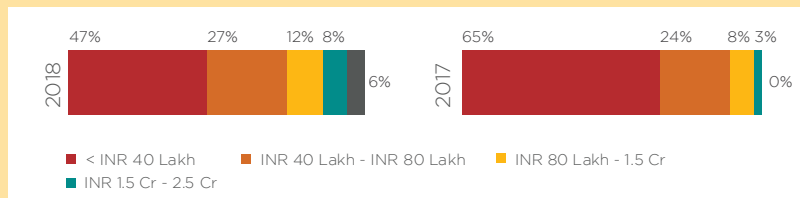
Supply-Sales-Unsold Inventory Trends



- Muted launches coupled with marginally improving demand has accounted for reduction in overall unsold inventory in the region.
- Launches in NCR witnessed a growth of 17% (on-year) to 26,010 units during 2018.
- Sales in NCR improved by 18% to 44,300 units in 2018 backed by rising confidence of end-users – one of the major positives of the new regulatory environment.

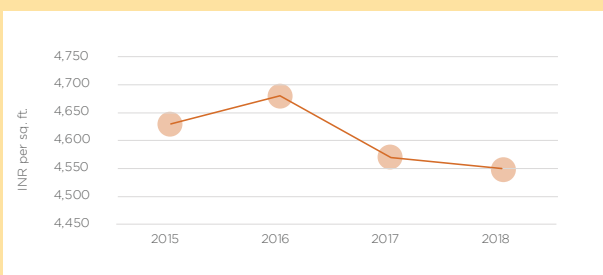
Mid-Segment and Luxury Back in Focus in 2018

Budget Segmentation



- With aggressive growth in the affordable segment over the past few years, NCR developers' focus in 2018 shifted to other budget segments as well. The fact that the market was reviving post the dust of policy reforms settling in, they could take this step.
- Rising employment opportunities and increasing disposal income in the region has also accounted for demand in the mid-segment and above categories resulting in the shift in supply.
- Affordable segment still dominated the overall launches with nearly half of the launches added in < INR 40 Lakh price bracket.

Price Trends



- Subdued demand has kept housing prices under check in this market. There has been a marginal correction in NCR's weighted average price since 2016.
- Prices in NCR remained range-bound during the entire 2018.
- Developers felt the heat to offload unsold inventory and as a result, the prices continued to remain under control in 2018.

7

Pune

2018 Residential Real Estate Snapshot

Housing Demand Rises, Unsold Inventory Declines

Residential Snapshot

Launches: 24,430 units
 Sales: 34,460 units
 Unsold: 87,400 units
 Avg. Price: INR 5,460 per sq. ft.

Demographics

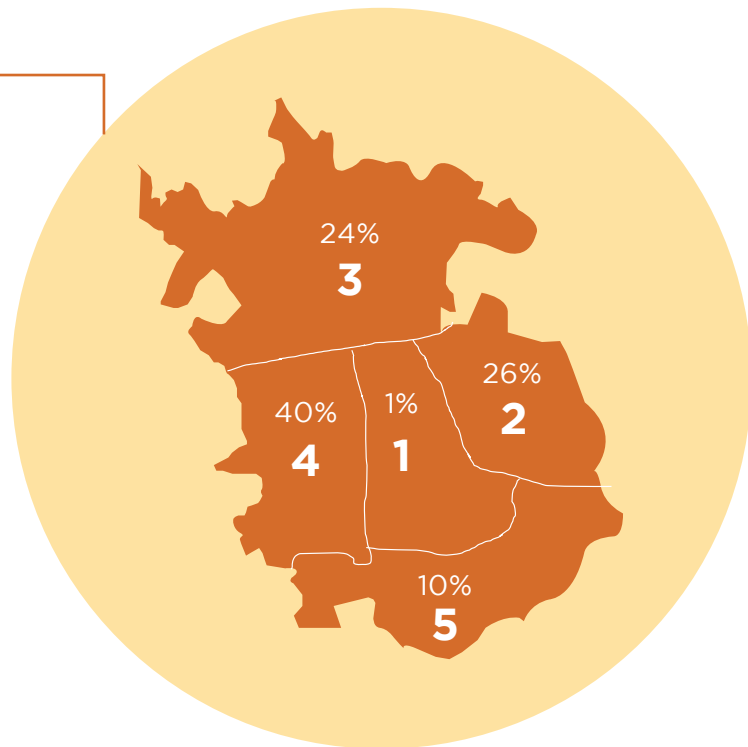
Population (2011): 75 Lakh
 Population Density: 1,000 people per sqkm

- 1 Central Pune
- 2 East Pune
- 3 North Pune
- 4 West Pune
- 5 South Pune

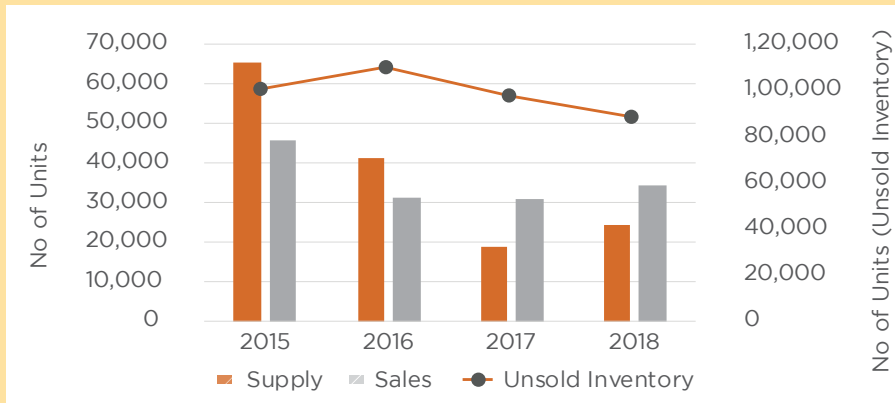
New Launch Supply Share by Zones

Zone-wise Distribution

- West Pune has been the front-runner in the city accounting for nearly 40% of the overall launches.
- The boom of IT-ITeS industries attracting in millennial population from various parts of the country is creating demand for residential real estate in the region.
- To support the increasing demand from IT-ITeS and automobile industries, expansions in the peripheries such as Dehu Road, Pimpri-Chinchwad, etc. has set the base for Northern part to be a hotspot in Pune.



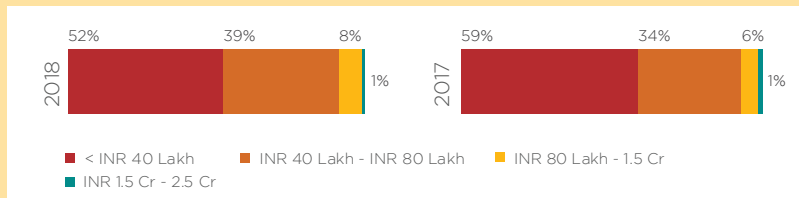
Supply-Sales-Unsold Inventory Trends



- Launches saw a growth of nearly 29% to 24,430 units in 2018. Nearly 80% of the launches were in sub-INR 80 Lakhs category.
- Sales increased by 12% to 34,460 units
- Overall unsold inventory in Pune dropped to 87,400 units at the end of 2018.

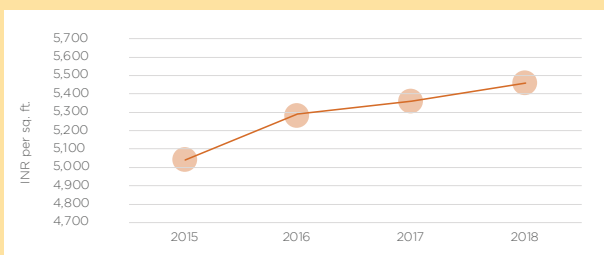
Sub-INR 80 Lakhs Category in Developers' Radar

Budget Segmentation



- Nearly 91% of the overall supply launched in 2018 was in the sub-INR 80 lakh category.
- 52% of the overall launches were in the budget category of < INR 40 lakh.
- The focus has shifted marginally from affordable to mid-segment and luxury projects during 2018 due to rising demand from professionals whose income levels have been on the rise in the city. Favourable commercial activity in the city has also boosted confidence of professionals who in turn are increasing residential demand.

Price Trends



- Pune has witnessed a continuous improvement in demand which has led to an increase in property prices.
- Increasing millennial population in the city and growing IT-ITeS, automobile and other sectors is fueling the real estate demand here.
- Pune witnessed a 2% growth (on-year) in 2018 to INR 5,460 per sq. ft. In the last 3 years (2015-2018), the city has witnessed a 3% annual growth.



Outlook

- All in all, year 2018 brought in a new ray of hope for the residential sector, with both sales and new supply gradually picking up across the top 7 cities. The sector grudgingly adjusted itself to an unaccustomed market environment - one of transparency and efficiency. In fact, as per ANAROCK's Consumer Survey, 81% respondents felt that Indian real estate has become more efficient and transparent.
- Amidst these positive changes, the NBFC crisis in the last quarter of 2018 spelt doom for the sector by worsening the liquidity crisis already prevailing in the market. It created chaos among small-size/debt-ridden developers and will continue at least in H1 2019 as there are no strong visible signs of relenting. Strong intervention from the Government and RBI is definitely the need of the hour for speedy recovery of the residential sector.
- Fast forward, the issue of stalled projects - an issue at the core of buyers' discontent in preceding years - must be given more focused attention in 2019. Even while the Government is proactively seeking solutions to this problem, we are still nowhere near a satisfactory catch-all solution.
- The general elections will definitely play a pivotal role in deciding the fate of Indian realty in 2019. Usually, pre-elections period sees many prospective homebuyers adopt a wait-and-watch approach in anticipation of announcements of new schemes and policies by the elected government. For end-users, this time is thus decidedly favourable as they can do some hard bargaining. Alternately, developers refrain from launching new projects, thereby it will result in muted supply in the first half of 2019 particularly. Certainly, it is not only end-users but also investors who are pinning their hopes and aspirations on the upcoming elections, and on sustainable macroeconomic growth in the country.
- As is, back in 2018 both developers and investors turned their eyes towards alternate asset classes namely commercial, retail, warehousing etc. that did fairly well during the year.
- Thus, despite the prevailing pain points in residential sector, as long as developers continue to focus squarely on their core business and be customer-centric and launch the right product at the right prices in 2019, residential segment will gain traction.



About ANAROCK Property Consultants Pvt. Ltd.:

The ANAROCK Group is India's leading specialized real estate services company with diversified interests across the real estate value chain. Our Group Chairman, Anuj Puri, is highly-respected industry veteran and India's most prominent thought leader in the real estate domain. He has over 30 years' expertise in leveraging Indian and global real estate opportunities.

ANAROCK Group's key strategic business units are Residential Broking & Advisory, Retail, Investment Banking, Hospitality, Land Services, Warehousing, Industrial & Logistics, Investment Management and Strategic Consulting. ANAROCK's growing business teams' account for over 1500 real estate specialists with operations across all major Indian markets and dedicated services in Dubai. ANAROCK has formed strategic business alliance with global partners - HVS | ANAROCK to bring global best practices in Hospitality Consulting Services. We also have a global footprint with over 80,000 preferred channel partners and affiliates in US and UK market.

Every facet of ANAROCK's rapidly-expanding business portfolio is governed by the Firm's core assurance to its clients and partners - Values over Value.

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