

KOLKATA:

The Shining Star of the East



Foreword

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Kolkata, the ‘City of Joy,’ not only resonates its rich old-world-charm, but also infuses a perfect blend of modernity with traditionalism.

The city’s residential real estate development has come a long way and has emerged as the key affordable housing destination of India with around 62% of new units added between 2013 and Q1 2018 being priced less than INR 40 lakh.

Being the British Capital of India, Kolkata is still dotted with old British architecture, royal buildings like Victoria Memorial and even the most famous Indian Coffee House, rendering a feel-good factor. Keeping in tune with the changing facade of most metros due to rapid urbanization and increase in multi-faceted developments, the city’s real estate market has also metamorphosed over the last decade.

The recent push by the West Bengal government to accelerate infrastructure development in the city is likely to bode well for the overall real estate market. For instance, to establish seamless connectivity, the state government has undertaken multiple projects including the widening and extension of arterial and secondary roads along with construction of flyovers and pedestrian underpasses across the city. Various international companies are in the fray to collaborate with the government.



Furthermore, fast-paced development of the INR 5,000 crore East-West Metro Corridor, connecting Salt Lake to Howrah and the CBD, is already underway. Other than connecting the southern and northern fringes of the city via metro and providing a lifeline for many office-goers, further extension of East-West Metro from Salt Lake City to NSC Bose Airport is also being contemplated. All-in-all, these multiple infra upgrades are likely to enhance the city’s quality of life which will invariably propel real estate growth in Kolkata in the near future.

Other factors driving the city’s real estate growth include the rising demand by IT-ITeS and BFSI sectors.



Relatively affordable property prices coupled with the government's push for development is attracting several IT majors to the city which is giving a major boost to the city's residential market with investors and homebuyers making a beeline for investments. Besides the city center areas, micro markets such as Rajarhat New Town and Salt Lake City have witnessed rapid real estate development over the past several years. The former is today home to several reputed IT majors including Cognizant, Tech Mahindra, IBM, Genpact, Hewlett-Packard, Wipro and TCS, amongst others.

In this report titled ***Kolkata: The Shining Star of the East***, we have analysed the major trends emerging in the 'City of Joy'. In one of the major developments, 'affordable housing' has gained significant traction in the city during the past few years. Following the increasing demand for basic housing, the state government has also given a major push to this segment by recently introducing a new housing scheme 'Nijoshree.' The scheme will provide homes under two categories to people whose monthly income is above INR 15,000 and above INR 30,000 and, thereby, further boost affordable housing in the city.

City Snapshot



Located on the eastern bank of river Hooghly, Kolkata is the capital of West Bengal



24,500/km²
Density of people



14M
Total population within Kolkata Metropolitan Area (as of 2011 census)



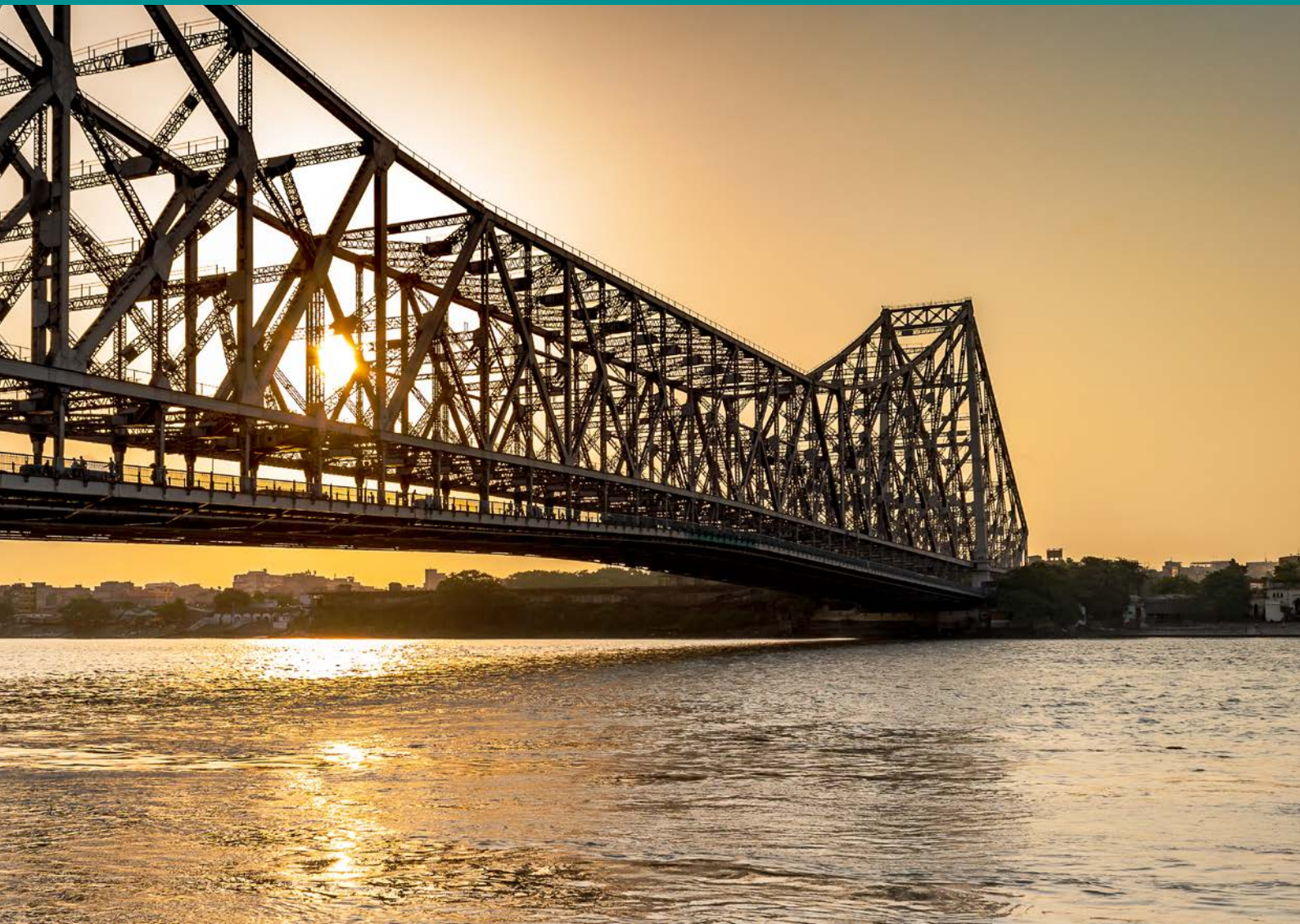
185km²
Area



3rd
most populous metropolitan area in India



4.5M
Total population within Kolkata City





Calcutta Stock Exchange (CSE) is India's

3rd
largest bourse



Opened in

1870

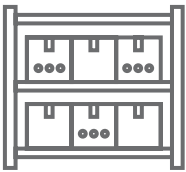
the Port of Kolkata is not only India's oldest operating port, but also a major riverine port



An economic hub to nearly

1,000

industries - textile, mining, pharmaceuticals, manufacturing, IT-ITeS, defense, food processing, and heavy engineering

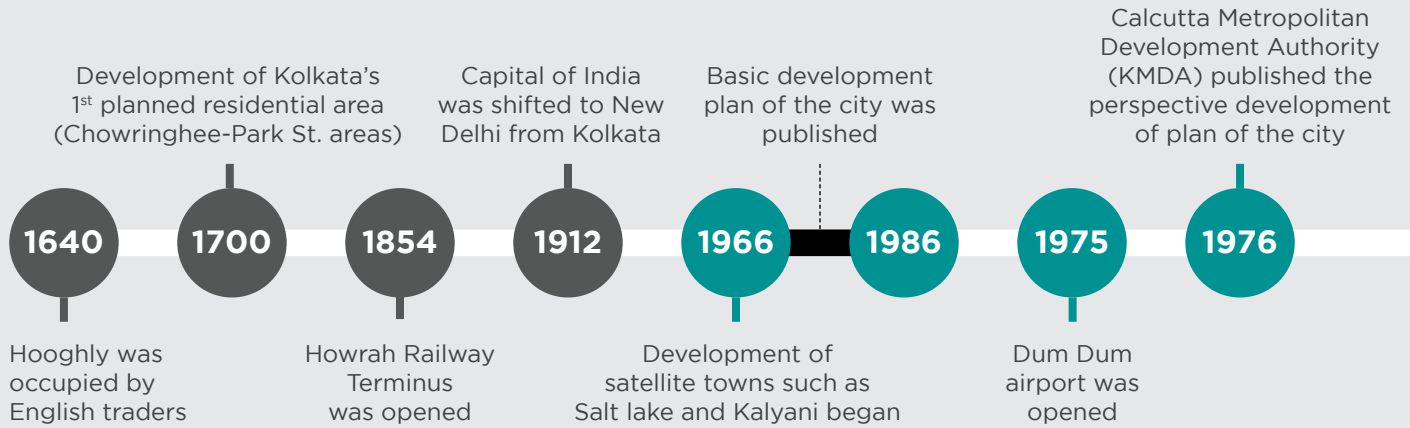


Kolkata is a commercial, cultural, and educational center of East India. Besides Mumbai and Chennai, the city also acts as a major primary warehousing hub in India.

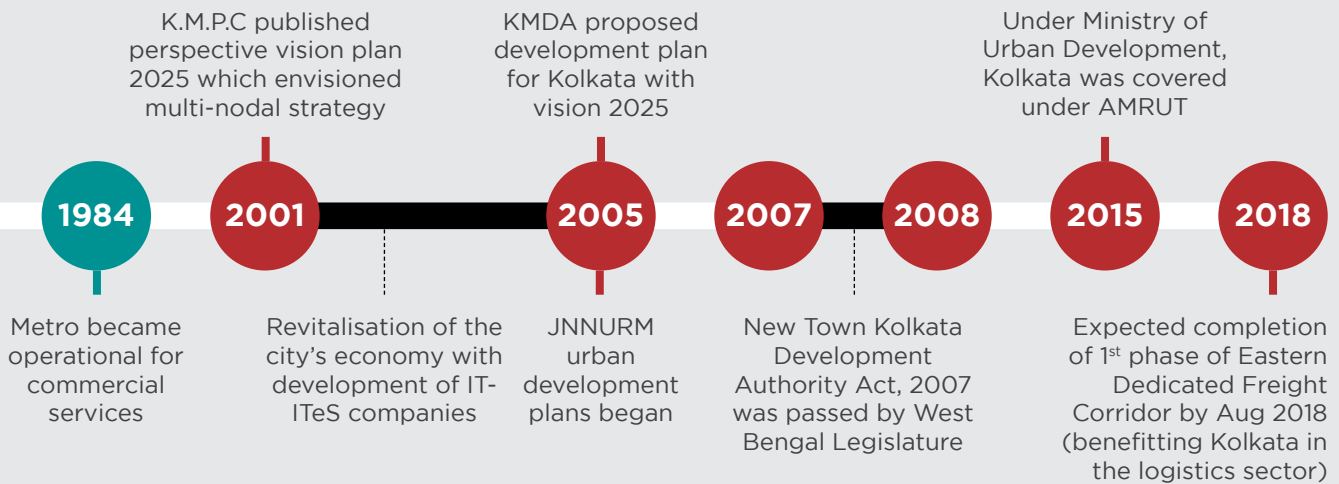


City's Development Timeline

KEY HIGHLIGHTS



- Before Independence (Pre-1947)
- After Independence (Post 1947)
- New Millenium India



Major Infrastructure Initiatives

State government of Kolkata under JNNURM has planned for the following physical infrastructure development:



ROADWAYS: Extension and widening of the arterial roads, construction of pedestrian pathways, bridges, flyovers and elevated roads throughout the city. Broadening and strengthening of the secondary roads of the city to address the increasing population and enhance connectivity.



METRO: Connecting Salt Lake to Howrah as well as CBD areas, state government has planned a further extension of East-West Metro, which is under progress and worth INR 5,000 Cr.

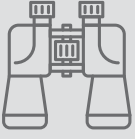


E-CONNECT: Kolkata offers 580Mbps of communication infrastructure to the citizens with the intention of enhancing the quality of life.



NIJOSHREE HOUSING SCHEME: Post the success of "Banglar Bari" a rehabilitation scheme for the slum dwellers, state government has launched a new housing scheme 'Nijoshree' to satisfy the housing demand and boost affordable housing.

Kolkata: Zonal Classification



Kolkata is broadly divided into five zones:

CENTRAL: Central Kolkata hosts the Central Business District (CBD) and also an upmarket retail hub with significant high-end residential developments

EAST: The eastern part comprises of newly-developed areas

WEST: West Kolkata is witnessing the emergence of various new commercial developments

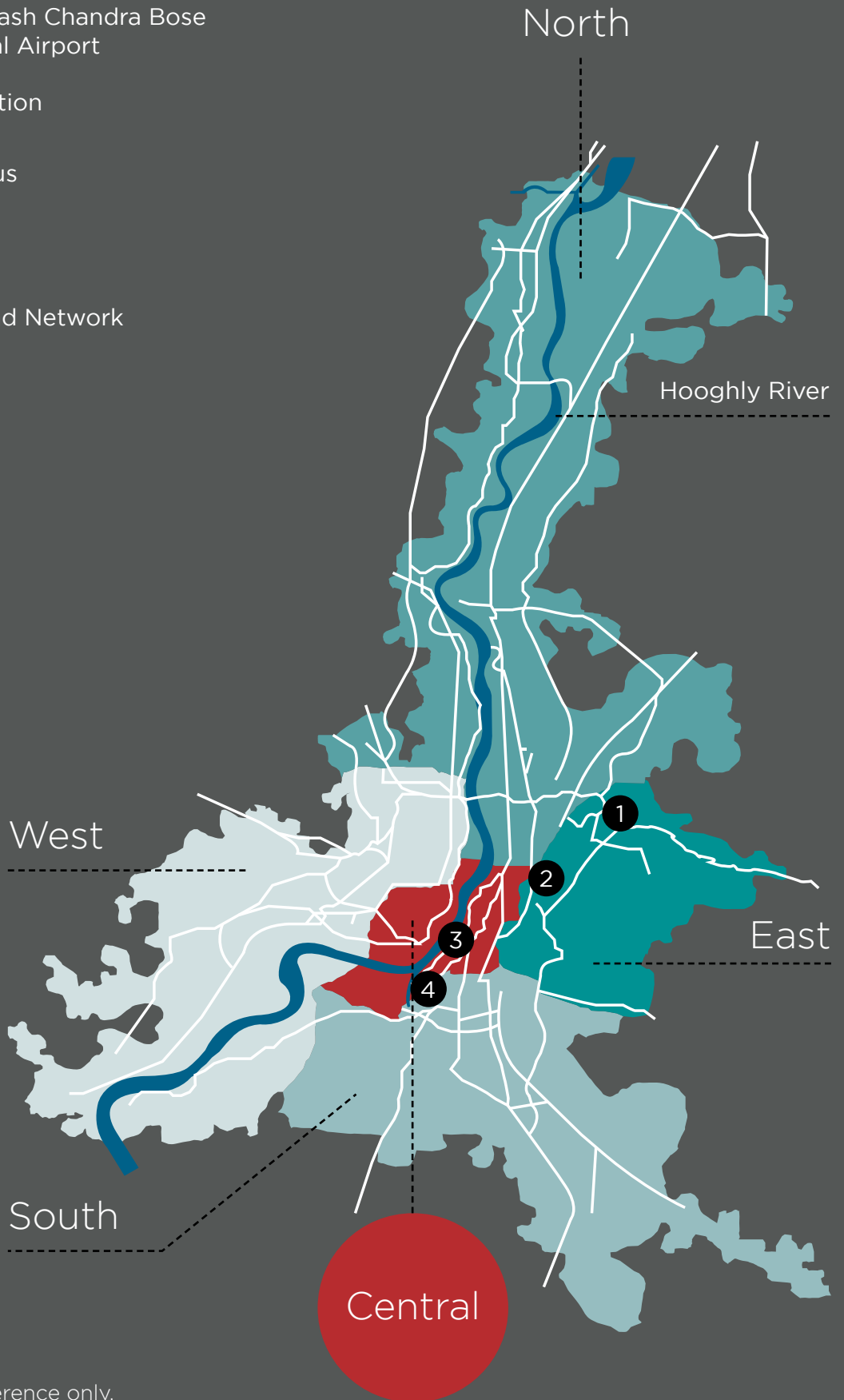
NORTH: North zone is one of the oldest regions in Kolkata comprising of dilapidated buildings, crowded bazaars, overpopulated slums and narrow alleyways

SOUTH: South Kolkata, predominantly a residential region, also comprises of upscale neighborhoods





- 1 Netaji Subhash Chandra Bose International Airport
- 2 Railway Station
- 3 Bus Terminus
- 4 Port Trust
- Arterial Road Network



Not to scale, for reference only.

Residential Real Estate Dynamics

2013 - Q1 2018

Between 2013 and Q1 2018, 119,000 residential units were launched in Kolkata, of which 68% were added between 2013 and 2015.

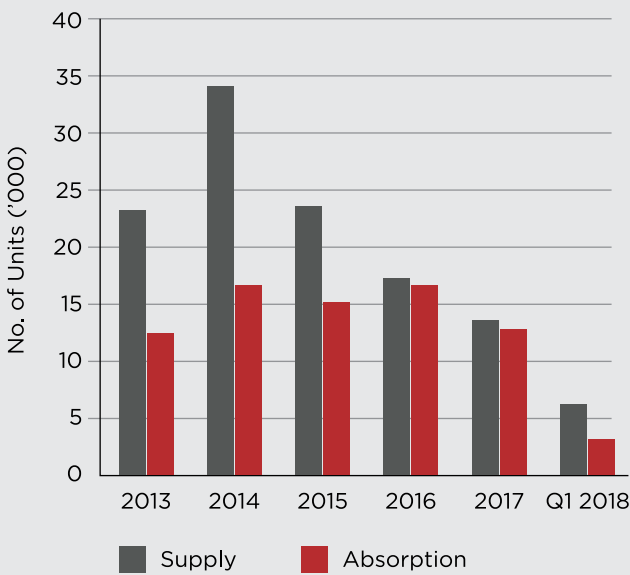
With the rising unsold inventory due to declining demand amidst the impact of policy reforms such as DeMo, RERA and GST, new launches dipped significantly post 2015, and the annual new supply addition declined by 41% in 2017 as compared to 2013.

Around 78,000 units were absorbed in Kolkata, of which 57% sales materialized between 2013 and 2015.

Whilst absorption also declined due to the overall impact of structural changes and policy reforms, the dip was not as significant as that in new launches. In fact, the annual absorption improved by 3% in 2017 as compared to 2013, indicating that the restricted supply and rising demand was impacting the market positively.

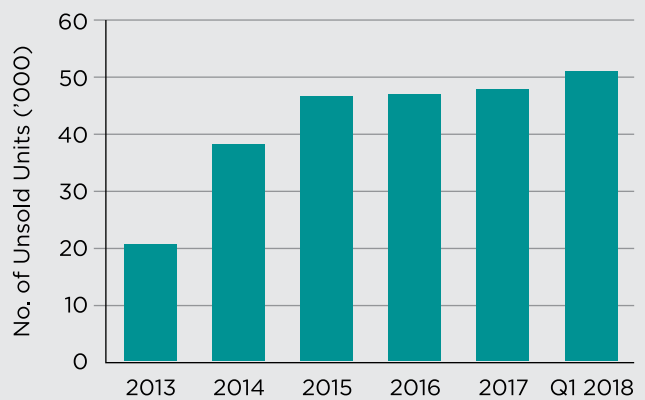
2016 and 2017 saw a notable trend wherein absorption was almost at par with the total supply, thus reverting market sanity. Whilst Kolkata saw restricted supply post 2015, the unsold inventory had already piled up and the city had nearly 51,000 unsold units as of Q1 2018.

Figure 1: Supply-absorption trend



Source: ANAROCK Research

Figure 2: Unsold inventory trend

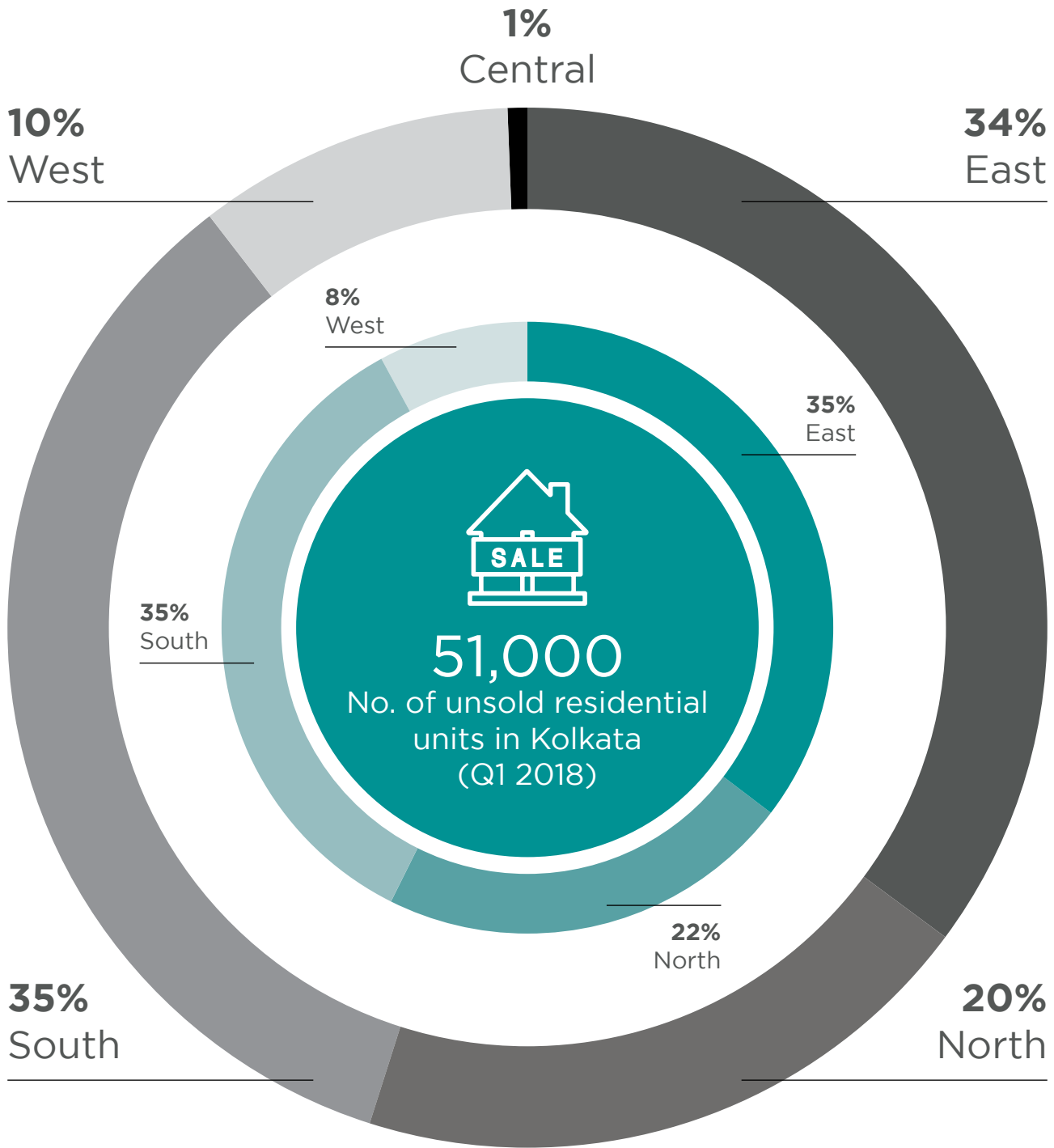


Source: ANAROCK Research



Kolkata accounts for 7% of the overall unsold inventory across India's top 7 cities (Q1 2018)

Figure 3: Zone-wise residential unit launches (2013-Q1 2018)
 Figure 4: Zone-wise residential unsold units (Q1 2018)



- Zone-wise residential units launches (2013-Q1 2018)
- Zone-wise residential unsold units (Q1 2018)

Source: ANAROCK Research

Residential Real Estate Deep Dive

SUPPLY

Trends clearly indicate that affordable housing (< INR 0.4 Cr) dominates the property spectrum in Kolkata and there has been a gradual increase in its supply over the years. This was followed by the supply in the mid-segment (INR 0.4-0.8 Cr units).

Of the overall supply between 2013 and Q1 2018, affordable segment accounted for around 64%, followed by mid-segment at 23%.

Recently announced state government initiatives like 'Nijoshree' housing scheme, dedicated funds for affordable housing announced by the central government and reduced GST rates for affordable housing primarily led to the boost in affordable housing supply.

ABSORPTION

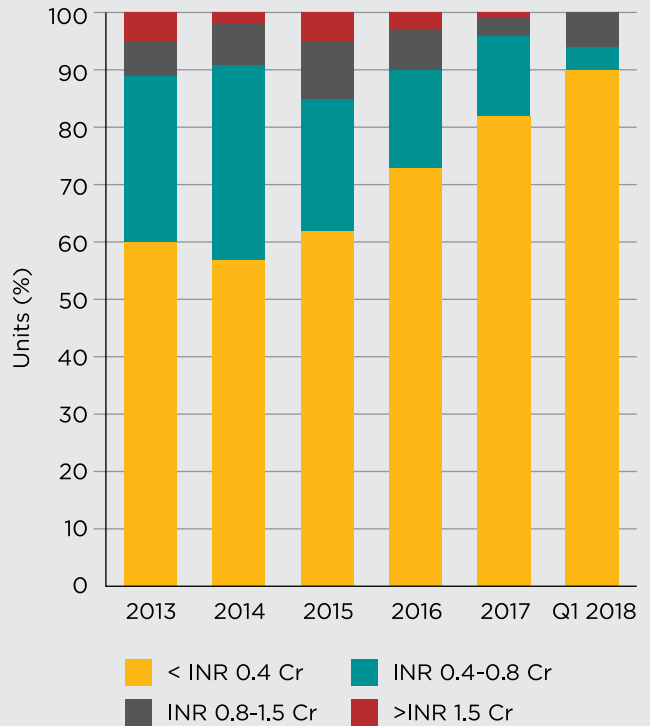
Following the home buyer demand for affordable housing, developers were quick to launch projects in this category. Hence maximum absorption was observed in < INR 0.4 Cr budget since 2013 to Q1 2018, followed by INR 0.4-0.8 Cr budget segment.

UNSOLD INVENTORY

With the drop in sale from 2016 end to mid-2017, due to the impact of triple tsunami of DeMo, RERA and GST, there's a significant pile-up of unsold inventory in Kolkata. Majority of the units are in < INR 0.4 Cr budget segment due to ample supply in the affordable segment.

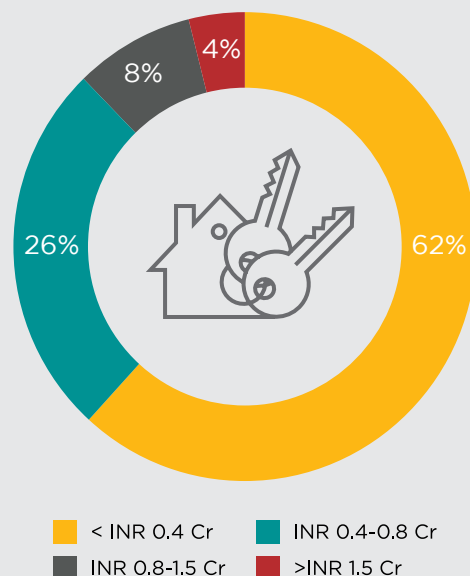
In terms of unsold inventory ageing pattern, only 9% of the units are ready-to-move-in, whereas more than 50% units are due to complete in the next 2 years giving significant options to the home buyers.

Figure 5: Budget-wise supply trend



Source: ANAROCK Research

Figure 6: Budget-wise absorption trend

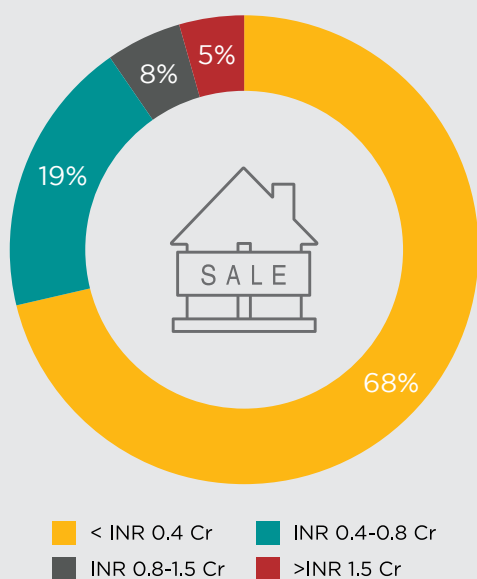


Source: ANAROCK Research



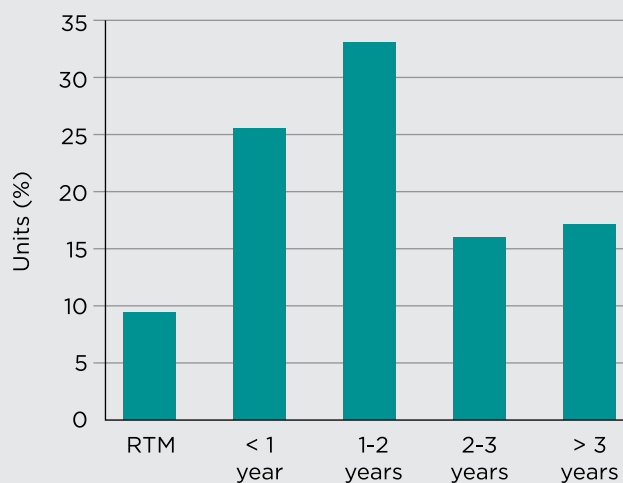
Affordable housing (< INR 0.4 Cr budget segment) dominates the property spectrum in Kolkata (2013-Q1 2018)

Figure 7: Budget-wise unsold units (Q1 2018)



Source: ANAROCK Research

Figure 8: Unsold inventory as per completion timelines



Source: ANAROCK Research

East Zone

KEY HIGHLIGHTS

Prominent micro-markets:

- Salt Lake City (or Bidhaan Nagar)
- Rajarhat New Town (or Jyoti Basu Nagar)
- EM Bypass

EM Bypass and Rajarhat Road are the arterial roads, running along the eastern rim of Kolkata. EM Bypass connects Ultadanga (North) to the Kamalgachi (South) and also Bidhaan Nagar in the north-east to southern parts.

GROWTH STIMULATORS

- Well-planned existing/upcoming road network
- Noapara to New Garia metro corridor and the upcoming corridors under phase 2 enhance the connectivity quotient of the region
- EM Bypass facilitates smooth connectivity to various part of Kolkata
- Proximity to IT-ITeS establishments at Sector V in Salt Lake
- Presence of Central Business District (CBD) in Action Area II of Rajarhat New Town

RESIDENTIAL REAL ESTATE DYNAMICS

Prominent micro-markets such as Rajarhat New Town, EM Bypass, Tangra and Salt Lake City in east Kolkata, account for 34% of the total supply in the city.

Prime residential developments within this zone witnessed a major jolt during 2017 due to multiple reformatory changes brought in 2016. There was a 60% drop in absorption from 2016.

Being a prime hub for townships, retail and economic activity coupled with good physical and social infrastructure facilities, east zone picked up pace wherein 3,750 units were launched in Q1 2018, accounting for more than 50% of the overall supply infusion in the city during this quarter.

As of Q1 2018, eastern zone had 18,000 unsold units, accounting for 35% of the city's overall unsold stock.

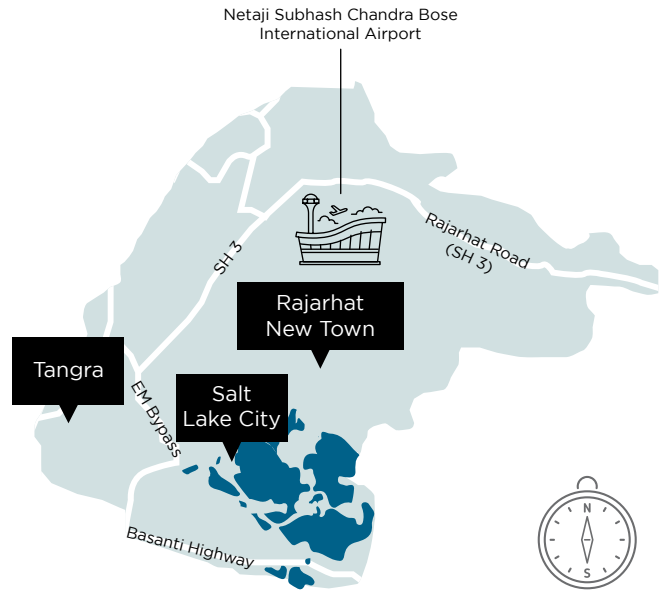


Figure 9: East Kolkata supply-absorption trend

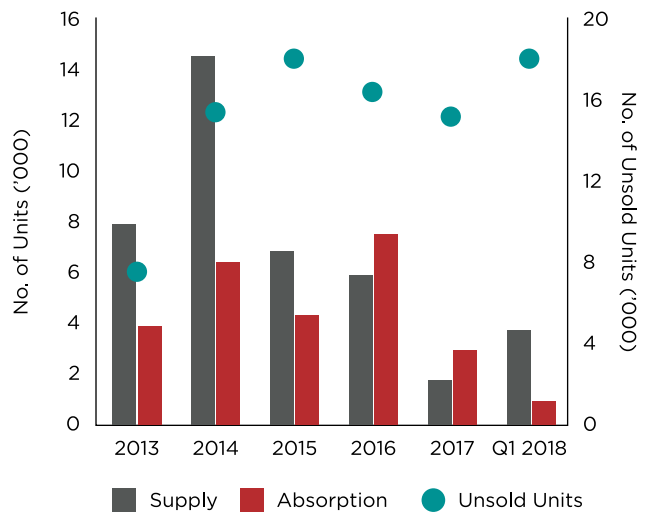
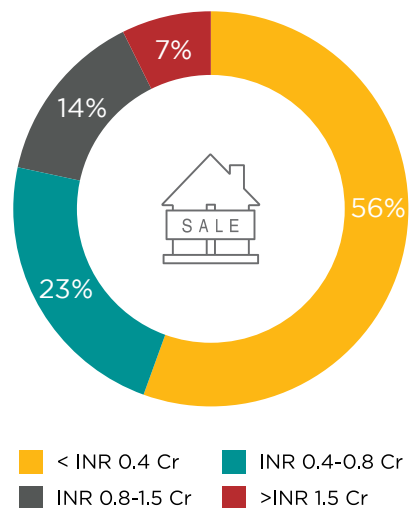


Figure 10: Budget-wise unsold units (Q1 2018)



North Zone



KEY HIGHLIGHTS

Prominent micro-markets:

- Barasat
- Dum Dum
- Uttarpara
- Barrackpore
- Belgharia

Grand Trunk Road, Barrackpore Trunk Road, Kalyani Expressway, Belghoria Expressway, Jessore Road and SH 13 are the arterial roads in the north zone. The north peripheries comprise of industrial units of jute, tannery, glass, iron and steel rolling amongst many others.

Dum Dum is considered to be a key hub of Kolkata due to its proximity to the airport, Metro rail north terminal, ground rail and circular rail.

GROWTH STIMULATORS

- Existing and upcoming metro rail network to enhance connectivity with rest of the city
- Proximity to Rajarhat New Town is a major growth driver of this zone
- Presence of excellent road network and planned widening of existing road network.
- Proximity to Netaji Subhas Chandra Bose International Airport

RESIDENTIAL REAL ESTATE DYNAMICS

North zone accounts for 20% of the total city's supply added from 2013 to Q1 2018.

Due to the impact of triple tsunami of reforms, 2017 supply dropped by 62% from 2016. Existing unsold inventory of around 11,000 units also impacted the addition of new supply. Nevertheless, Q1 2018 started on a positive note with fresh supply of 900 units.

As of Q1 2018, north zone accounts for 22% of the city's overall unsold stock.



Figure 11: North Kolkata supply-absorption trend

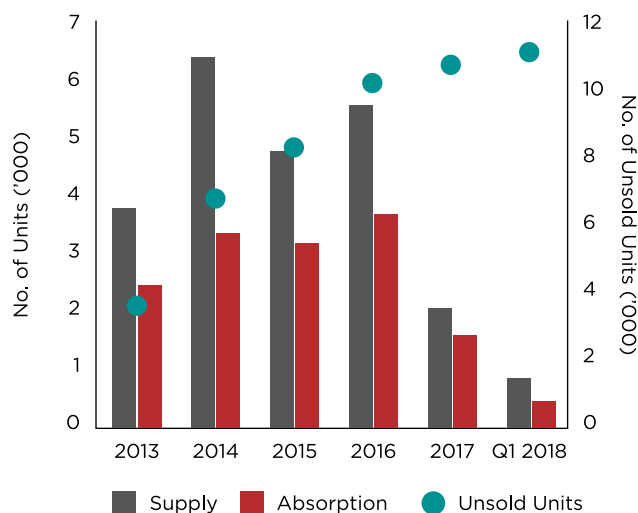
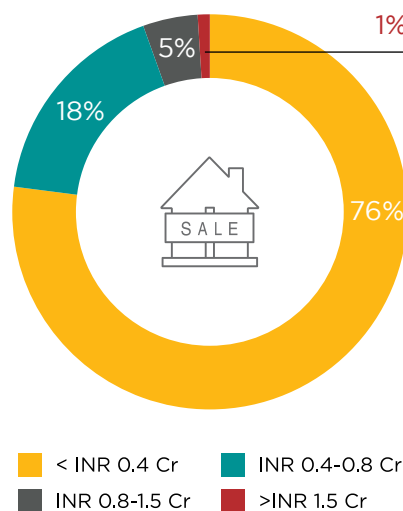


Figure 12: Budget-wise unsold units (Q1 2018)



South Zone



KEY HIGHLIGHTS

Prominent micro markets:

- Kalikapur
- Garia
- Narendrapur
- Joka
- Baruipur

A part of EM Bypass, Gariahat Road and Diamond Harbour Road are the arterial roads in the southern zone. This region predominantly comprises of residential developments and huge number of educational establishments. Gariahat in Ballygunge is considered to be the biggest retail market of south Kolkata.

GROWTH STIMULATORS

- Upcoming metro rail network under phase 2 to provide hassle-free connectivity to the residents of southern Kolkata
- Various flyovers are being constructed to reduce traffic congestion in the region

RESIDENTIAL REAL ESTATE DYNAMICS

Southern zone accounts for 35% of the total city's supply, which is the highest amongst all zones from 2013 to Q1 2018.

Due to the presence of educational institutes, retail developments and good connectivity, despite the impact of reforms, southern zone supply in 2017 improved by 55% from 2016. Q1 2018 also opened on a positive note with 1,800 units' addition, making the zone second highest in terms of supply in this quarter.

With 17,000 unsold units as of Q1 2018, southern zone accounts for 35% of the city's unsold inventory.

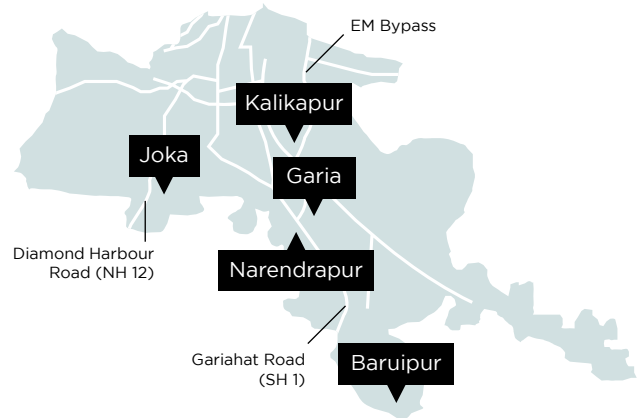


Figure 13: South Kolkata supply-absorption trend

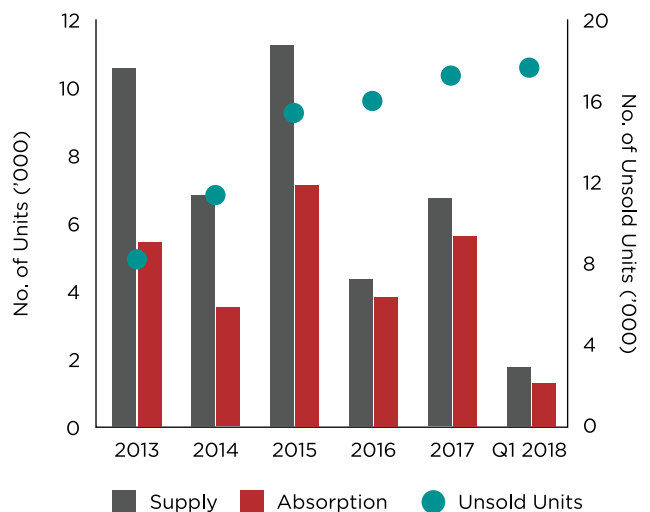
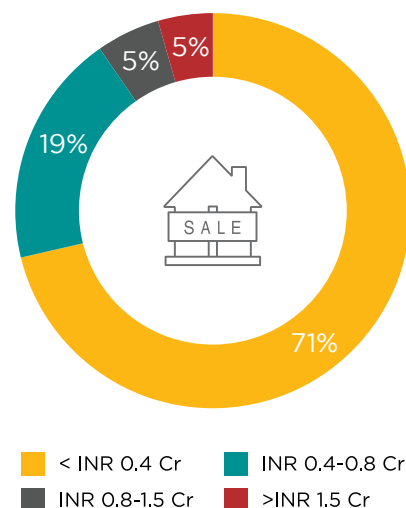


Figure 14: Budget-wise unsold units (Q1 2018)



West Zone



KEY HIGHLIGHTS

Prominent micro markets:

- Maheshtala
- Santragachi
- Howrah
- Makardaha
- Bandhaghat

A section of Belghoria Expressway (NH 12), NH 6, NH 16, SH 15 and Kona Expressway are the arterial roads in the western zone. Kona Expressway in the region is part of the Golden Quadrilateral project which connects the four largest Indian metros: Delhi, Mumbai, Chennai and Kolkata.



GROWTH STIMULATORS

- The stretch along Kona Expressway near Dankuni is likely to witness rampant developments due to excellent connectivity with Delhi and Mumbai highway
- Upcoming metro rail network from eastern Kolkata till Howrah to drive the residential development of this region
- Proximity to various National Highways and Kona Expressway is likely to boost the industrial/commercial development in this zone

RESIDENTIAL REAL ESTATE DYNAMICS

This zone accounts for 10% of the total city's supply added from 2013 to Q1 2018.

Due to the commercial development, physical infrastructure and public transport network, even amidst the impact of reforms, western zone supply in 2017 improved by more than 100% from 2016.

As of Q1 2018, West zone has 4,000 unsold units accounting for 8% of city's unsold inventory.

Figure 15: West Kolkata supply-absorption trend

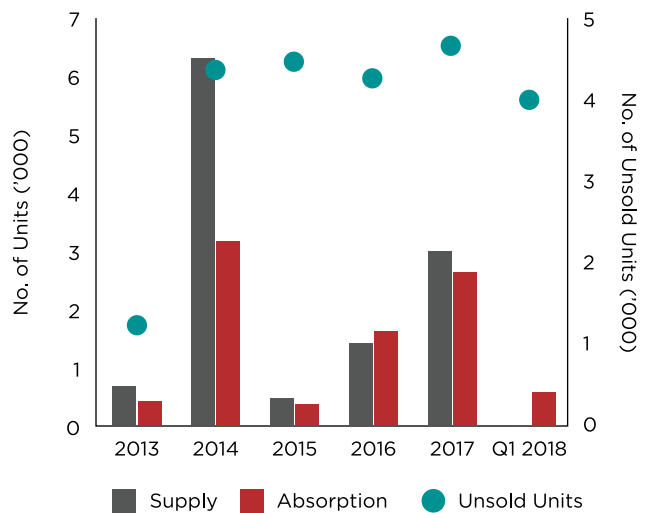
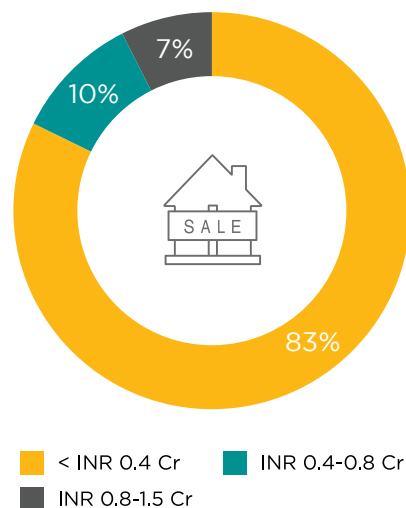
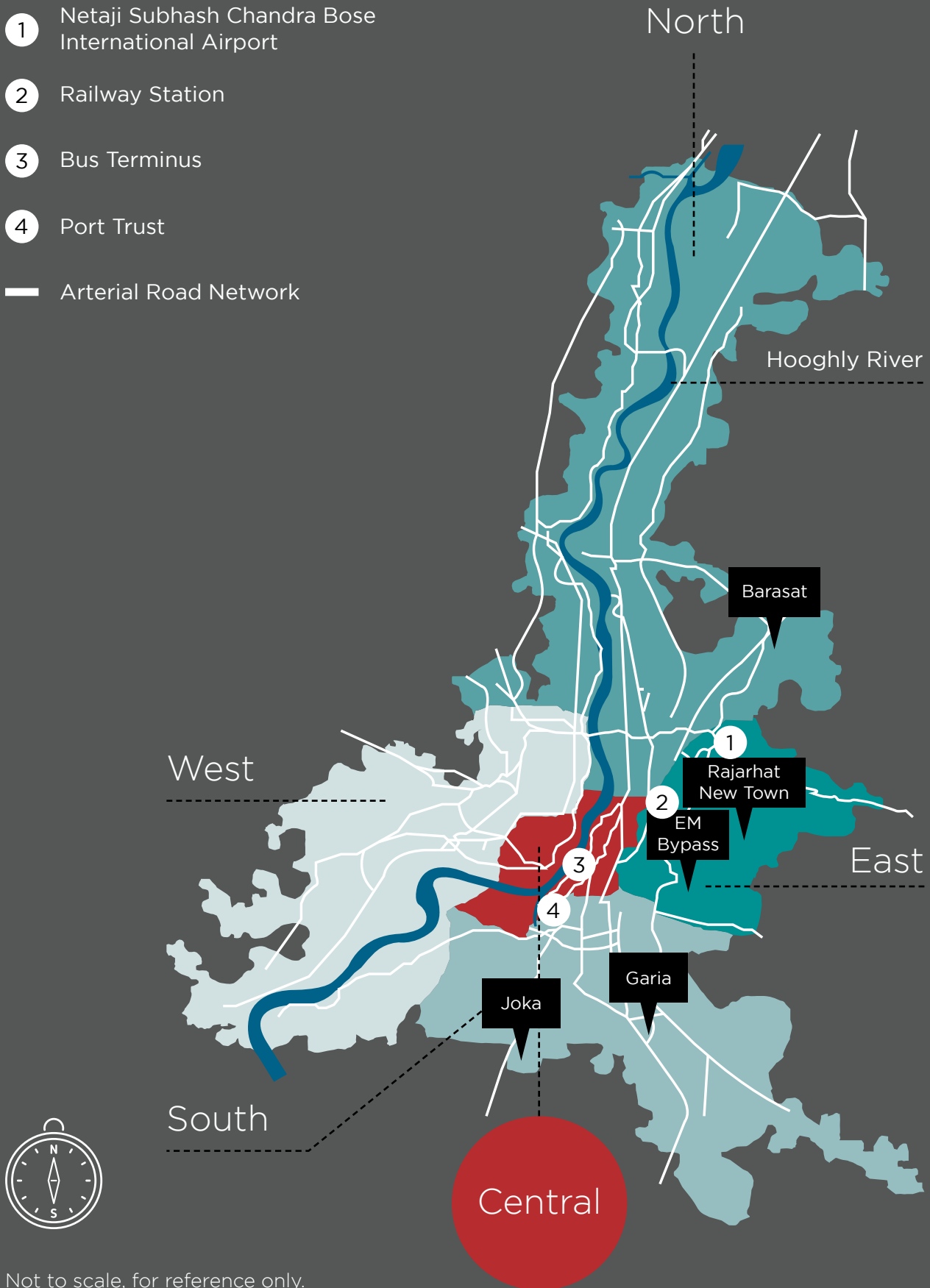


Figure 16: Budget-wise unsold units (Q1 2018)



Top 5 Residential Hotspots

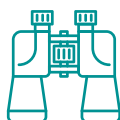
- 1 Netaji Subhash Chandra Bose International Airport
- 2 Railway Station
- 3 Bus Terminus
- 4 Port Trust
- Arterial Road Network



Not to scale, for reference only.



Hotspot



Zone



Supply of units (2013-Q1 2018)



% of total city supply in Q1 2018



Price (INR/sf)



Dominant Budget Segment (INR)

BARASAT

This locality is witnessing an improvement in its physical and social infrastructure facilities, which is likely to bode well for Barasat in the years to come.

North

2,350

2%

2,000 to 2,400

< 0.4 Cr

EM BYPASS

An important arterial road that connects Bidhannagar in north east to Kamalgazi in south. Its close vicinity to economic hubs, with good physical and social infrastructure, is boosting real estate development in this area. Convenient access to nearby commercial centres and upcoming metro network are adding value to the location.

East

5,100

4%

6,300 to 6,900

0.8 - 1.5 Cr

RAJARHAT NEW TOWN

A booming cosmopolitan township located near the international airport, has good connectivity to transport hubs and houses major IT economic destinations in its vicinity. It possesses a well-developed physical and social infrastructure.

East

34,400

29%

4,700 to 4,800

< 0.4 Cr

JOKA

This strategic location has ample public transport facilities, metro connectivity, good social & physical infrastructure. As a result, residential real estate activity is upbeat. Joka is well-connected to Kolkata, via two four-lane highways, Diamond Harbour Road and James Long Sarani.

South

7,600

6%

2,700 to 3,100

< 0.4 Cr

GARIA

This location is well-connected to important destinations of the city and is in close proximity to major economic hubs. With the development of New Garia - Airport Metro link and social infrastructure, the location is touted to be a suburban residential hotspot.

South

3,000

3%

3,500 to 3,800

0.4 - 0.8 Cr

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