



India Residential Real Estate Q1-2018

Quarterly Report

April 2018



C O N T E N T S

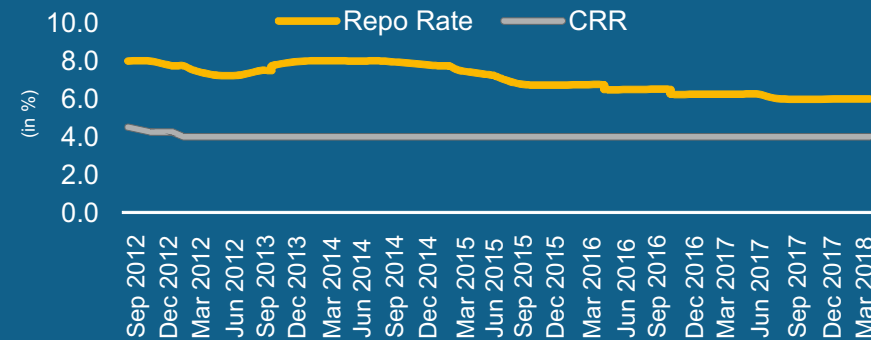
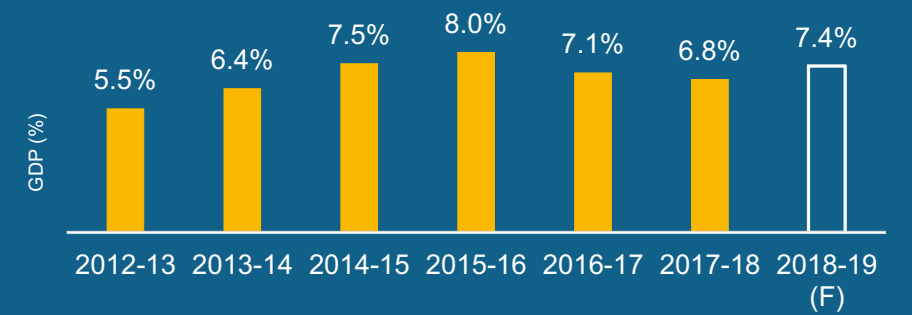
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India: Robust Macro- Economic Fundamentals

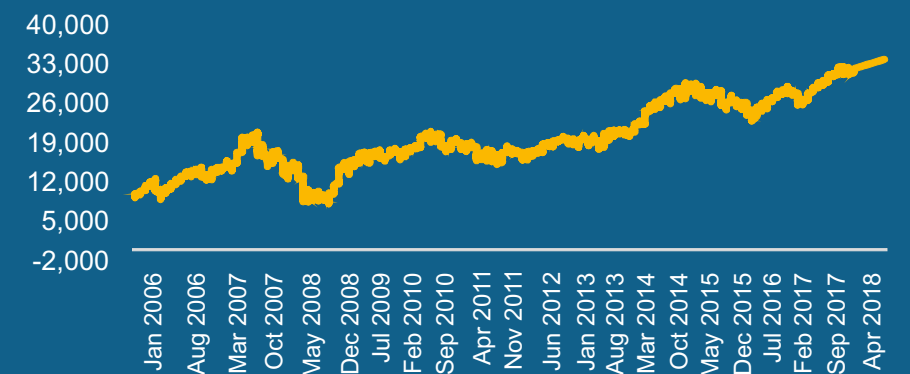
- India's macro-economic fundamentals seem to be robust ~ indicates long-term growth potential.
- Conducive business environment brings India back on the radar for additional investments and corporate expansions.
- The Government is cognizant of the fact that it is a daunting task to keep all engines fired for the economic growth, but is taking right measures through large-scale policy reforms and structural changes.

GDP: Shifting gears, likely to hit the growth track soon

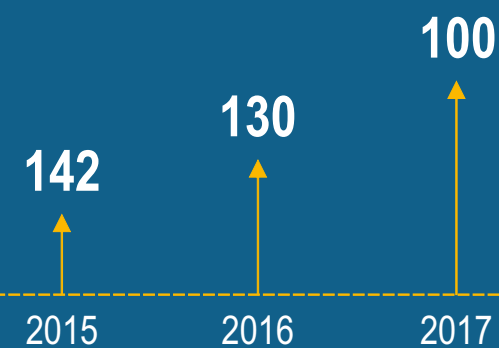


Repo Rate @ 6%; policy measures to control inflation

Volatile Stock Markets: Sensex @ 33,000+

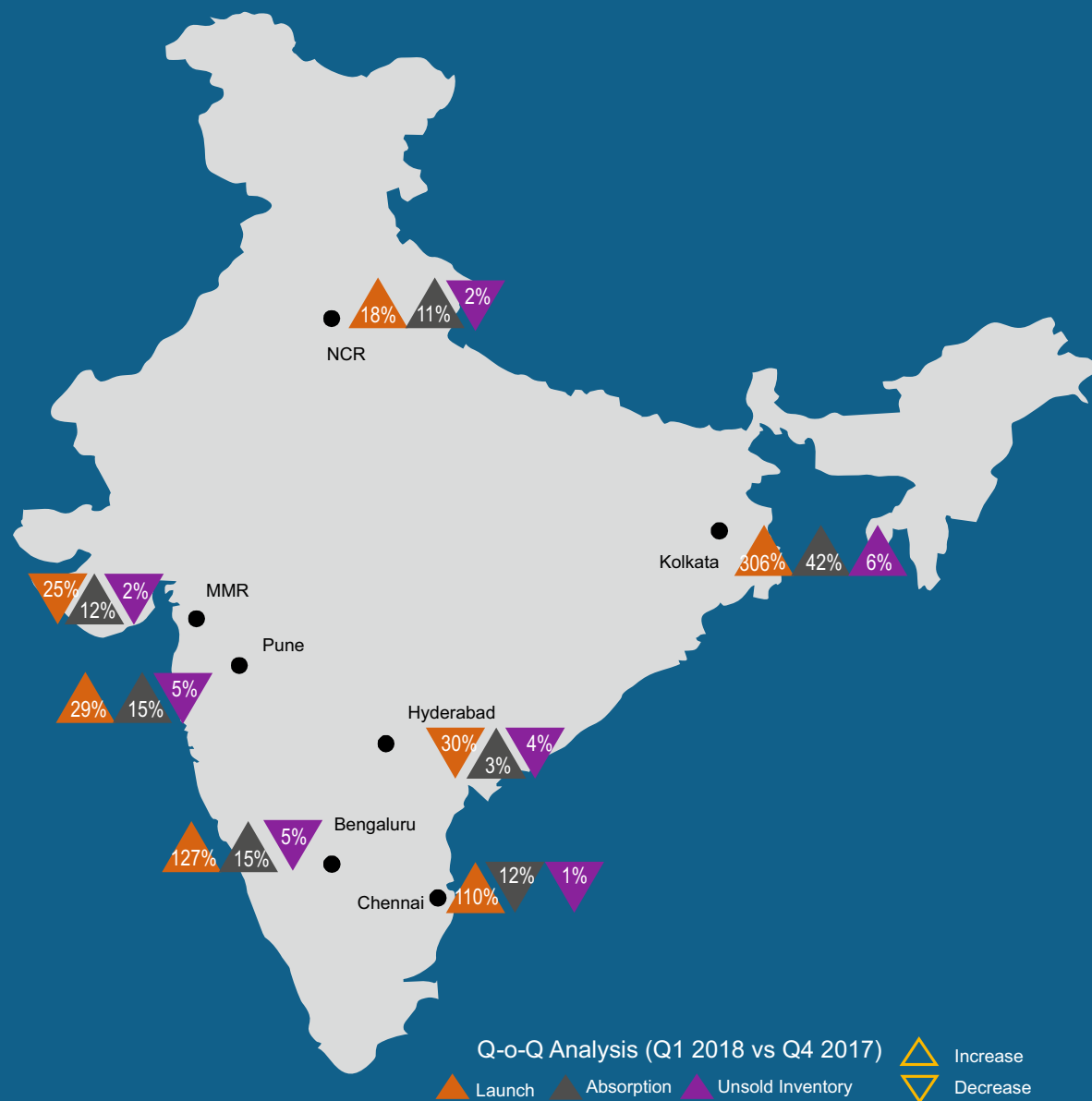


Rank



Improvement in 'Ease of Doing Business'

Q1 2018 Starts On A Positive Note



- MMR with 8,600 units, recorded the highest new launches in Q1 2018, 40% being in ₹ 80 lakh - ₹ 1.5 crore budget segment.
- Bengaluru stands next to MMR with 6,800 units launched in Q1 2018, 83% being in ₹ 40 lakh - ₹ 80 lakh budget segment.
- Prices largely remained stable in Q1 2018 as compared to the previous quarter.
- Unsold inventory across top 7 cities declined 2% from the previous quarter and was recorded at 7.11 lakh units.

City	New Launches	Units Sold	BSP (₹/sqft)
Bengaluru	6,800	11,500	4,850
Chennai	2,100	2,300	4,910
Hyderabad	2,600	3,800	4,100
Kolkata	6,500	3,400	4,430
MMR	8,600	12,300	10,400
NCR	4,500	9,100	4,520
Pune	2,200	6,800	5,400
TOTAL	33,300	49,200	

Note: Top 7 cities: NCR, MMR, Bengaluru, Chennai, Hyderabad, Pune and Kolkata

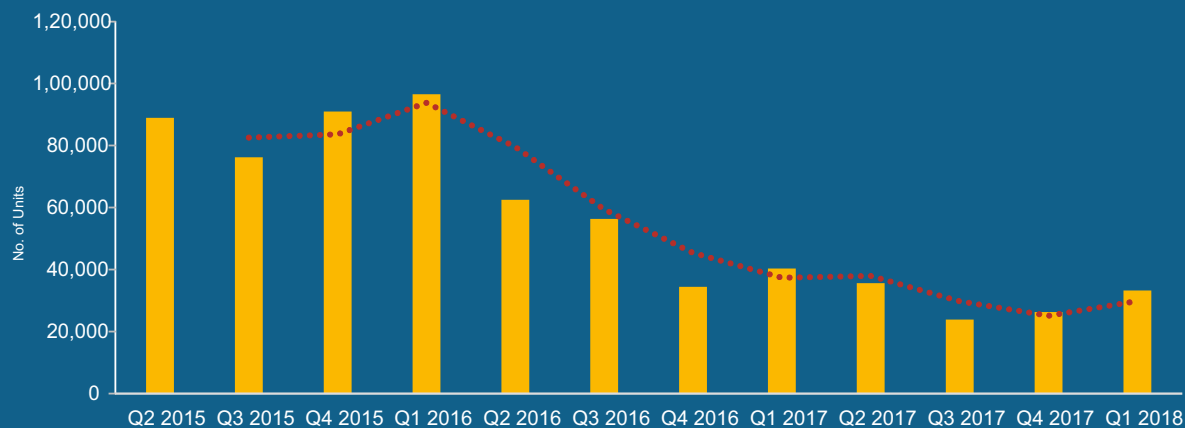
Note: Affordable: < ₹40 Lakh, Mid-segment: ₹ 40 Lakh - ₹ 80 Lakh



Launches Record a 27% Quarterly Improvement

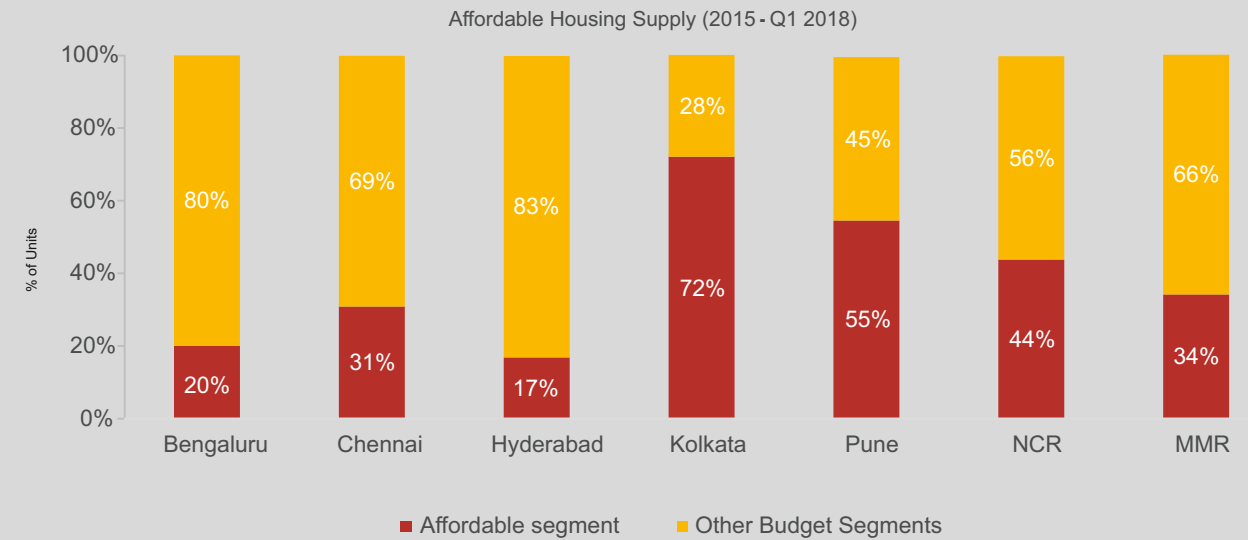
- Kolkata witnessed a sharp quarterly rise of 300%+ in Q1 2018 new launches compared to Q4 2017, primarily due to launch of a large affordable housing projects.
- New launches in Bengaluru improved by 127% in Q1 2018 from Q4 2017, driven by a rise in mid segment launches.
- Chennai launches improved by 110% in Q1 2018 from Q4 2017 and the city seems to have overcome the input challenges.
- Launches dropped in Hyderabad by 30% from Q4 2017 to Q1 2018, due to developers focussing on executing current projects.
- At the PAN-India level, Q1 2018 launches declined by 66% from the 12-quarter peak noted in Q1 2016.

Quarterly New Launch Trends



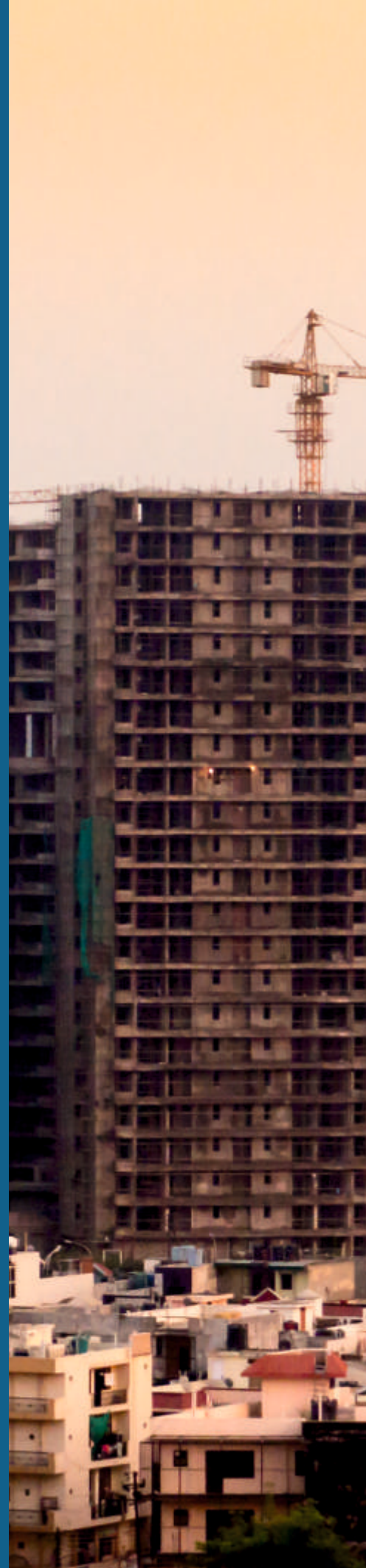
Note: Top 7 cities: NCR, MMR, Bengaluru, Chennai, Hyderabad, Pune and Kolkata
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Affordable Housing Takes Centre Stage



- PAN-India affordable housing new launches improved by 23% from Q4 2017 to Q1 2018. The impact of large-scale policy reforms and incentives to this segment is now showing some on-ground traction.
- NCR seems to be focused on the affordable housing segment and has noted a quarterly improvement of 8% in Q1 2018. The affordable segment's share in the total supply has risen continuously in NCR from 39% in 2015 to 45% in 2016 and 65% in 2017.
- Kolkata witnessed a tremendous increase in affordable housing new launches, growing by 470%+ from Q4 2017 to Q1 2018. The city has been witnessing an increase in affordable segment's launches from 2015 and is continuing on the same track.

Note: Top 7 cities: NCR, MMR, Bengaluru, Chennai, Hyderabad, Pune and Kolkata
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Absorption Increased by 12% from Q4 2017

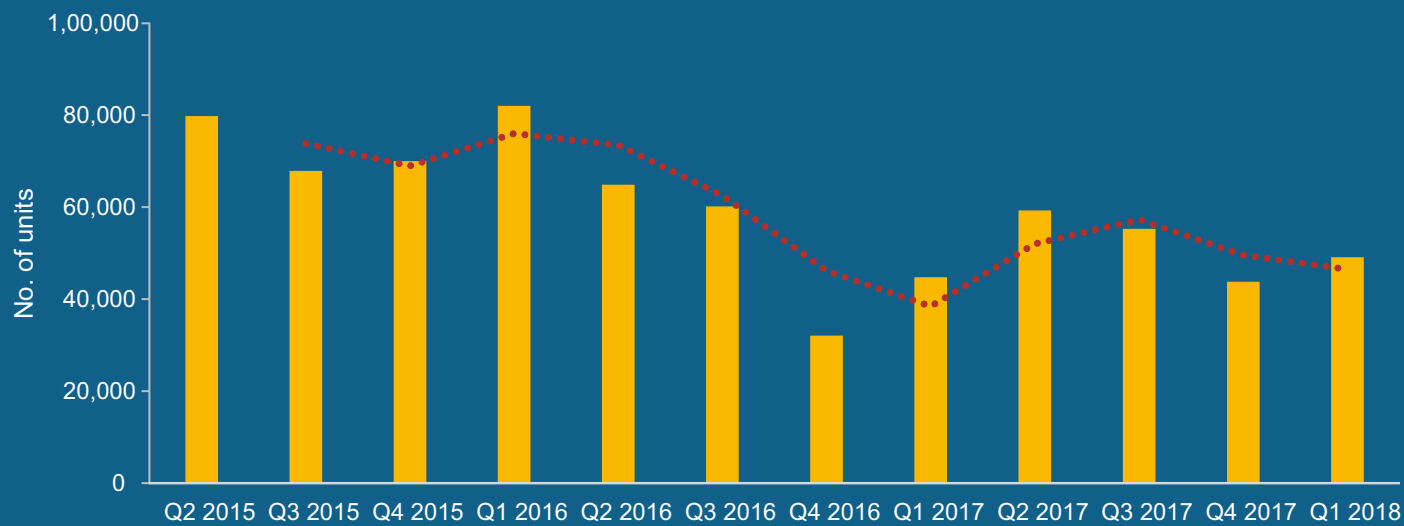
- With the dust of DeMo, RERA and GST settling down, absorption seems to be on a rise with almost all cities witnessing a quarterly improvement.
- Absorption improved by 42% over the previous quarter in Kolkata, which was the highest across top 7 cities of India.
- Absorption rose marginally (3%) in Hyderabad as compared to Q4 2017 while it declined by 12% in Chennai. These cities have witnessed good absorption rates in the previous quarter and now seem to have paused for a while.



Unsold Inventory Decreases by 2% from Q4 2017

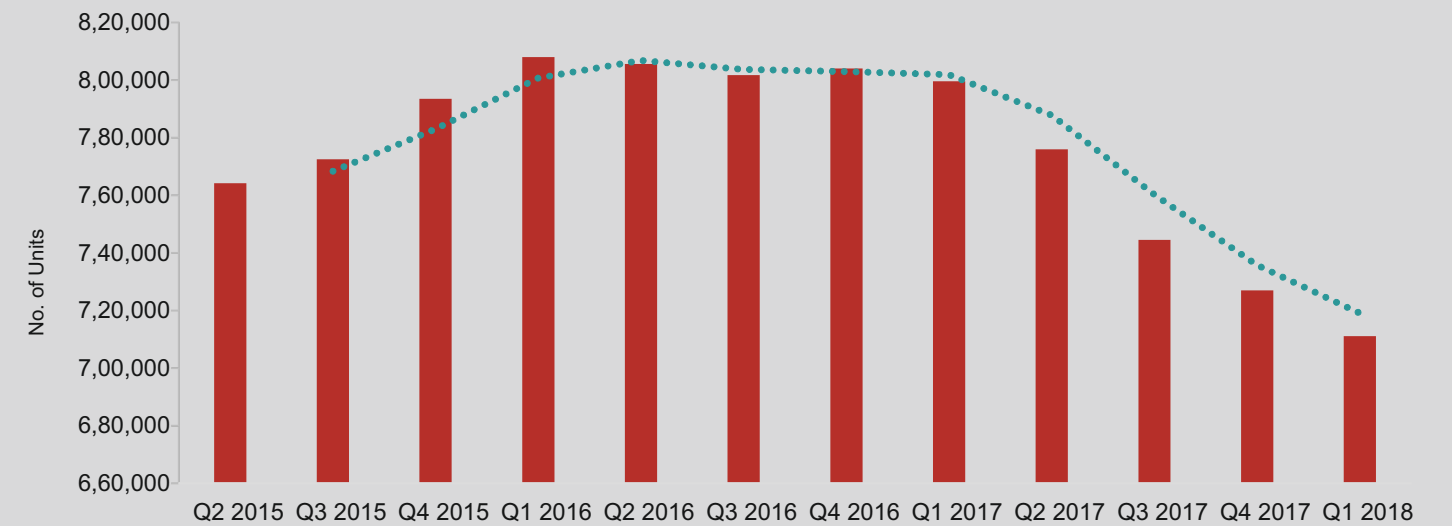
- With improving market conditions, the offtake of houses improved in Q1 2018. However, new launches also increased and as a result, Q1 2018 unsold inventory decreased only by 2% compared to the previous quarter.
- As of Q1 2018, MMR had the highest unsold inventory with 2.21 lakh units accounting for 31% of the total unsold units across top 7 cities of India. MMR has been largely driven by investors and speculators and with changing market conditions, the city seems to be reorienting itself to the requirements of the end users.

Quarterly Absorption Trends



Note: Top 7 cities: NCR, MMR, Bengaluru, Chennai, Hyderabad, Pune and Kolkata
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Quarterly Unsold Inventory Trends

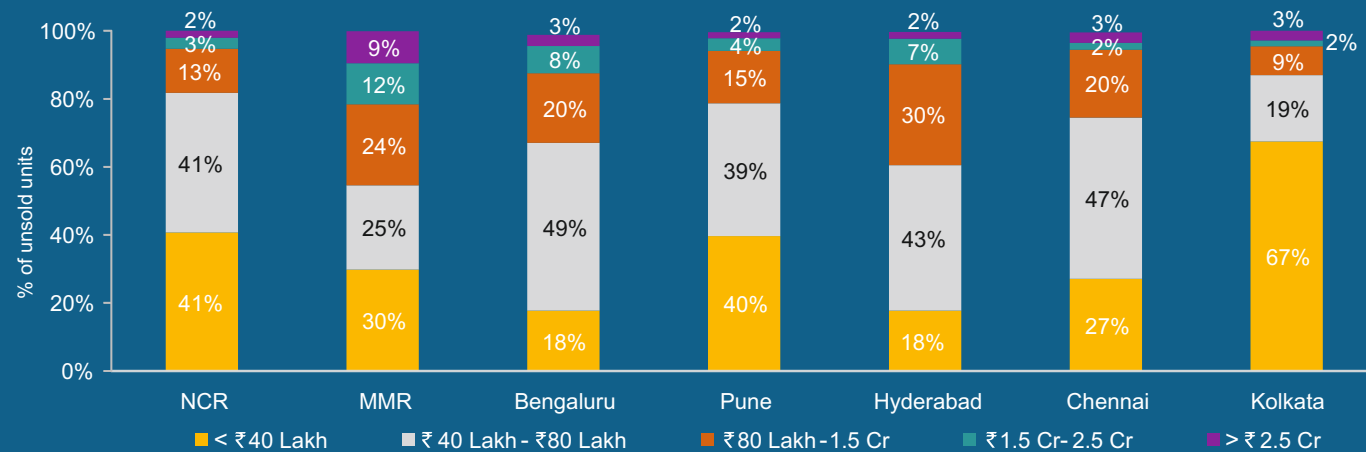


Note: Top 7 cities: NCR, MMR, Bengaluru, Chennai, Hyderabad, Pune and Kolkata
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70% Unsold Inventory Priced Less than ₹ 80 lakh

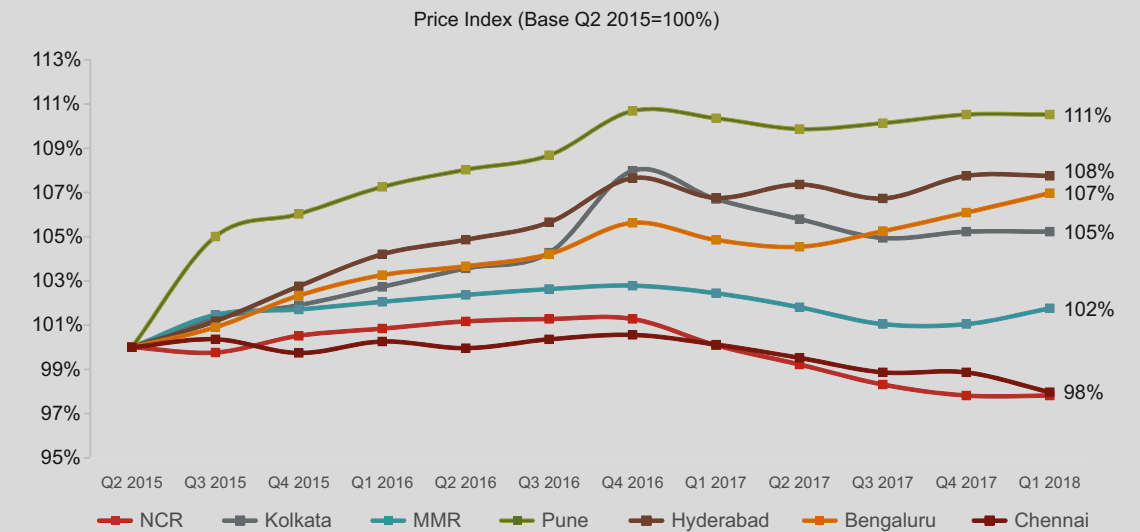
- MMR has the highest unsold inventory accounting to 31% of the total across top 7 cities and a majority (30%) is in the affordable segment. The peripheral areas of MMR have witnessed significant residential real estate activity which led to this inventory pile-up.
- Out of the total 7.11 Lakh unsold units as of Q1 2018, South India accounts for 20% with majority being in ₹ 40 Lakh - ₹ 80 Lakh budget segment.
- Hyderabad and Chennai account for 4% each of unsold inventory across top 7 cities, majority of it being in ₹ 40 Lakh - ₹ 80 Lakh budget segment.
- Kolkata accounts for 7% of the total unsold inventory with major unsold units being in less than ₹ 40 Lakh budget segment as the city has a predominant supply in the affordable segment.

Unsold Inventory Break-up: As per Budget Segment (Q1 2018)



Note: Top 7 cities: NCR, MMR, Bengaluru, Chennai, Hyderabad, Pune and Kolkata
 Note: Affordable: < ₹40 Lakh, Mid-segment: ₹ 40 Lakh - ₹ 80 Lakh

PAN India: Price Trend



- MMR and Bengaluru witnessed a marginal quarterly improvement in the prices while all other cities remained largely stagnant.
- Prices have remained range-bound during the past few quarters as the sector has been reeling under subdued demand amidst massive structural changes and policy reforms.

Note: Top 7 cities: NCR, MMR, Bengaluru, Chennai, Hyderabad, Pune and Kolkata
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2018 is likely to be a cautious year for the Indian real estate sector which is just recovering from the shocks of economic reforms. Also, due to risen compliance norms, we may witness a large-scale consolidation in the sector with fly-by-night operators being pushed out once and for all.

Political



- Improved ease of doing business ranking is a big positive.
- 2019 elections are around the corner.
- Investments will be done on a cautious mode.
- Trump's views on outsourcing may bear an impact.

Economic



- The fundamentals are robust but in the near term there may be some teething troubles.
- Interest rates have begun to harden; 2H 2018 to witness a further rise.
- Rising oil prices may lead to an increase in inflation.

Social



- Real estate will continue to have a 'social' stature tag.
- Millennials are backpackers and globetrotters - may not want to purchase homes.
- Rising lifestyle expenses in large cities may push developments towards smaller towns.

Technological



- 3D printing may be experimented.
- Mivan technology may gain further prominence.
- Rising focus on sustainable developments ~ increase in green buildings.
- Massive focus on 'good' construction to avoid RERA penalties.

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