

Residential Market Viewpoints PAN India

Q2 2022



04
New Launch
Supply



06
Sales
Trend



07
Available
Inventory



08
Average
Price



Foreword

Housing affordability continues to be good across cities despite price rise

Despite multiple headwinds including high inflation and increasing interest rates, residential activity in Q2 2022 remained quite upbeat across the top 7 cities. To put it in numbers, approximately 84,930 units were sold in Q2 2022 across the top 7 cities while new launches stood at 82,150 units. This is the best performing Q2 since 2015, indicating robust demand and resilience of the sector.

Interestingly, the unsold inventory in top 7 cities witnessed 4% yearly decline, indicating an increasing equilibrium between demand and supply. The pandemic has created an unrelenting appetite for homeownership. Also, the present state of the volatile stock markets has further strengthened the belief that a physical asset is far safer to invest now. Most importantly, the affordability of homes in the top cities continues to be all-time best..

Mid segment (INR 40 lakh – INR 80 lakh) remained the most preferred segment accounting for 33% of new launches, followed by premium segment (INR 80 lakh – INR 1.5 Cr that accounted for 29% of the new supply. Units priced at 40 lakhs and below contributed 20% of the launches while the remaining 18% was contributed by luxury and ultra-luxury segment combined.

A deep-dive into data further indicates that MMR and Pune led the housing activity (both housing sales and new launches) in the quarter among all the top 7 cities. Cashing in on the growing demand by homebuyers, both cities saw new launches of 46,290 units in Q2 2022, comprising 56% share of the total new launches across the top 7 cities. As for the housing sales, MMR and Pune together recorded housing sales of 38,280 units in Q2 2022, accounting for 45% share of the overall sales in top cities.

Interestingly, NCR was second only to MMR in the quarter with nearly 15,340 units sold there. Notably, developers in NCR restricted new supply in the region which eventually helped the unsold inventory to witness 16% yearly decline.

Average property prices in the top 7 cities collectively witnessed a 6% rise on yearly basis. The price rise was mostly due to the increase in construction cost due to high material costs that the developers passed on to the buyers partially.

Overall, residential demand continues to hold strong, and the market continues to be driven by grade A developers who have a strong launch pipeline for remaining part of the year. The market continues to be favourable for the homebuyers as the overall affordability remains attractive despite two consecutive rate hikes by RBI. The sector finally seems to be gaining its momentum, but the trajectory of inflation and RBI's response towards tackling it needs to be closely watched.

ANUJ PURI

Chairman
ANAROCK Group



Key Highlights

Q2 2022 | Pan-India

NEW LAUNCH SUPPLY TREND

New launch supply across the top 7 cities witnessed a significant yearly rise of 127% – from 36,200 units in Q2 2021 to over 82,100 units in Q2 2022.

Key cities contributing to Q2 2022 new unit launches included MMR (Mumbai Metropolitan Region), Hyderabad, Pune, and Bengaluru, altogether accounting for 91% of addition. MMR has witnessed the highest volume of new launch activity in the current quarter, accounting for 36% of the new supply across the top 7 cities. Chennai and Kolkata held the lowest share (2% each) of new launches amongst the top 7 cities in India.

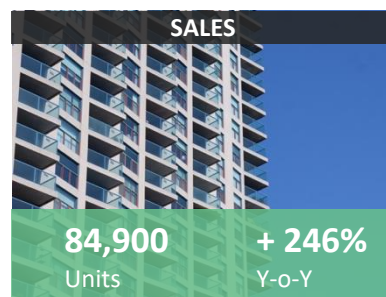
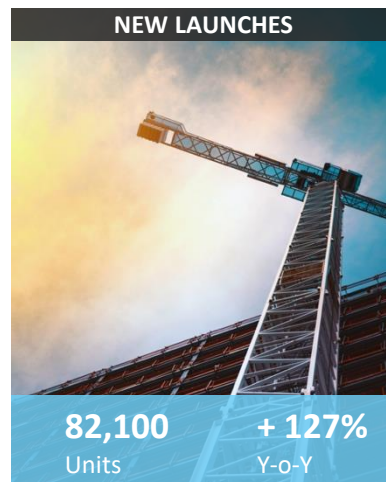
Mid-segment homes priced INR 40 Lakh – INR 80 Lakh continue to dominate new supply with 33% share, followed by the premium (INR 80 Lakh - INR 1.5 Cr) and affordable segments (less than INR 40 lakh) with 29% and 20% share respectively.

SALES TREND

Yearly housing sales in Q2 2022 jumped up by 246% across the top 7 cities, with around 84,900 units sold in Q2 2022 as against 24,570 units sold in Q2 2021. The two leading realty hotspots - MMR and NCR - accounted for over 48% of the total sales in the top 7 cities, with NCR witnessing over 342% yearly jump.

AVAILABLE INVENTORY

On Y-o-Y basis, the available inventory declined by 4% in Q2 2022 over Q2 2021 across the top 7 cities. Amongst the top 7 cities, Chennai witnessed highest yearly drop in the available housing inventory – by 20%, followed by Delhi-NCR which recorded 16% yearly decline.



TOP 7 CITIES

City	New Launches	Sold Units	Available Inventory	Avg. Price (INR/sf)
NCR	4,100	15,300	141,200	4,910
MMR	29,700	25,800	181,500	11,500
Bengaluru	12,500	11,500	57,700	5,400
Pune	16,500	12,500	101,600	5,865
Hyderabad	15,800	11,200	75,800	4,520
Chennai	1,500	3,800	30,000	5,200
Kolkata	2,000	4,800	37,100	4,610

Notes:

Pan-India refers to top 7 cities of India only.

Average price in INR/sf as quoted on BSP on BUA.

^Available inventory includes units from projects that are launched but yet not sold, despite the launch timelines and construction progress.

Budget Segmentation:

Affordable: < INR 40 Lakh

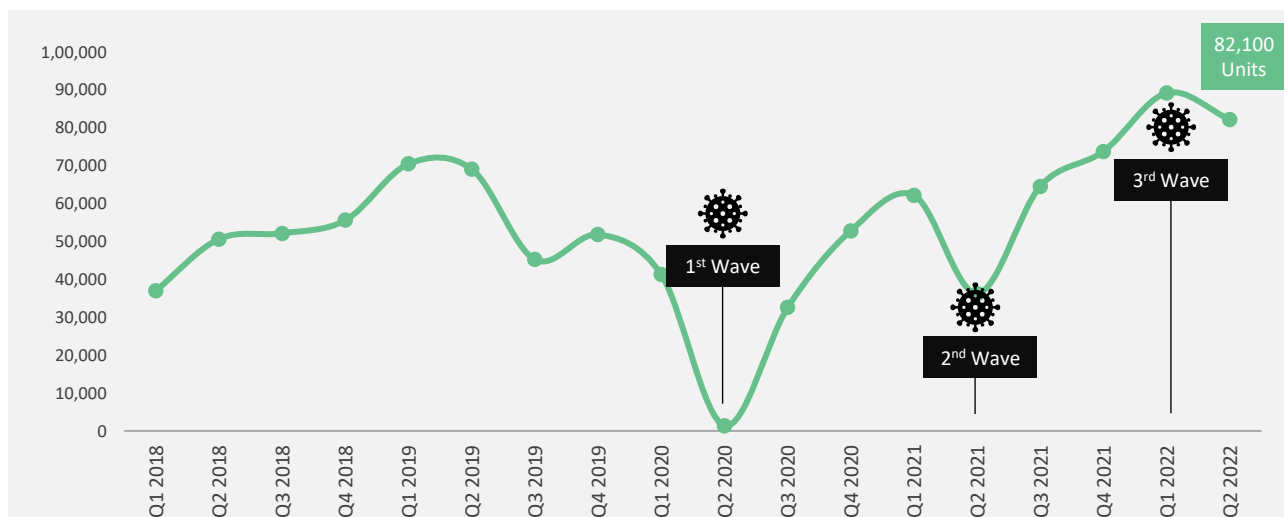
Mid-end: INR 40 Lakh - INR 80 Lakh

High-end: INR 80 Lakh - INR 1.5 Cr

Luxury: INR 1.5 Cr - INR 2.5 Cr

Ultra-luxury: > INR 2.5 Cr

New Launch Supply Trend Pan-India



- 1 The top 7 cities recorded new unit launches of around **82,100 units in Q2 2022** as opposed to 89,100 units in Q1 2022, a **decrease of 8% over previous quarter**. However, on a yearly basis, the new launch supply witnessed a **steep rise by 127%**.
- 2 The quarterly downward trend in the new launch activity across the top cities is due to the developers trying to hold back the new project launches in the light of the **unfolding market sentiments** amid **increased housing prices**.
- 3 **MMR and Pune were the only markets** amongst the top 7 cities to witness a **Q-o-Q rise in the new launch activity in Q2 2022** in order to cater to the unrelenting rise in housing demand in these cities.

TOP 7 CITIES

MMR and Pune accounted for **56% of the total new launches** in top 7 cities; individually registering 332% and 237% yearly rise. **Hyderabad and Bengaluru** followed, contributing **19% and 15%** to the new launches.

Kolkata and Chennai, with 2% share each of total new launches, comprised the lowest volume. Amongst the top cities, **Chennai** is the only city to witness a **negative Q-o-Q and Y-o-Y change** in the new housing supply in Q2 2022.

City	Q2-22	Q1-22	Q-o-Q
NCR	4,100	9,300	-56%
MMR	29,700	23,600	26%
Bengaluru	12,500	13,200	-5%
Pune	16,500	14,500	14%
Hyderabad	15,800	21,550	-27%
Chennai	1,500	3,100	-52%
Kolkata	2,000	3,900	-49%



New Launch Supply Trend

By Budget Segmentation



- 1** **Mid segment homes** priced between INR 40 Lakh – INR 80 Lakh has been the key focus category for developers in Q2 2022, accounting for a **33% share of the overall new launches**.
- 2** **Premium budget residential units** (INR 80 Lakh - INR 1.5 Cr) and the **affordable housing units** priced <INR 40 Lakh were the next concentrated budget categories in the quarter, comprising **29% and 20% share**, respectively.
- 3** **Ultra-luxury**, like the preceding quarters, observed the **lowest new launch activity**, holding a **share of 6%** in Q2 2022.

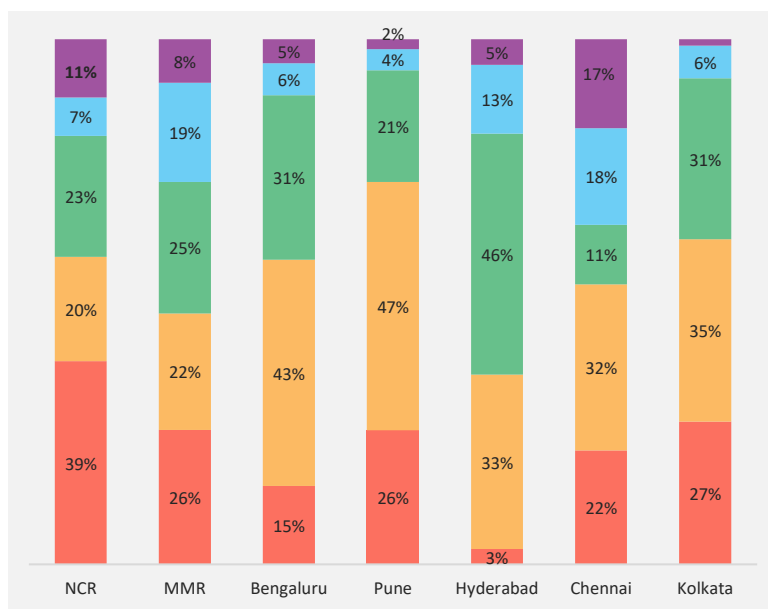
TOP 7 CITIES

In Q2 2022, new supply in the **affordable price bracket** was dominated by **MMR and Pune**, with nearly **71% of the overall new launch activity** concentrated in these two markets, individually having 46% and 25% share, respectively.

Pune and MMR, together contributed 53% of the overall **mid segment launches** across top 7 cities.

MMR, closely followed by **Hyderabad**, together accounted for 62% of the total supply in **high-end price bracket**.

MMR was the front runner in the **luxury and ultra-luxury segments** by accounting for approx. 57% and 51% of the total supply in the respective budget categories.

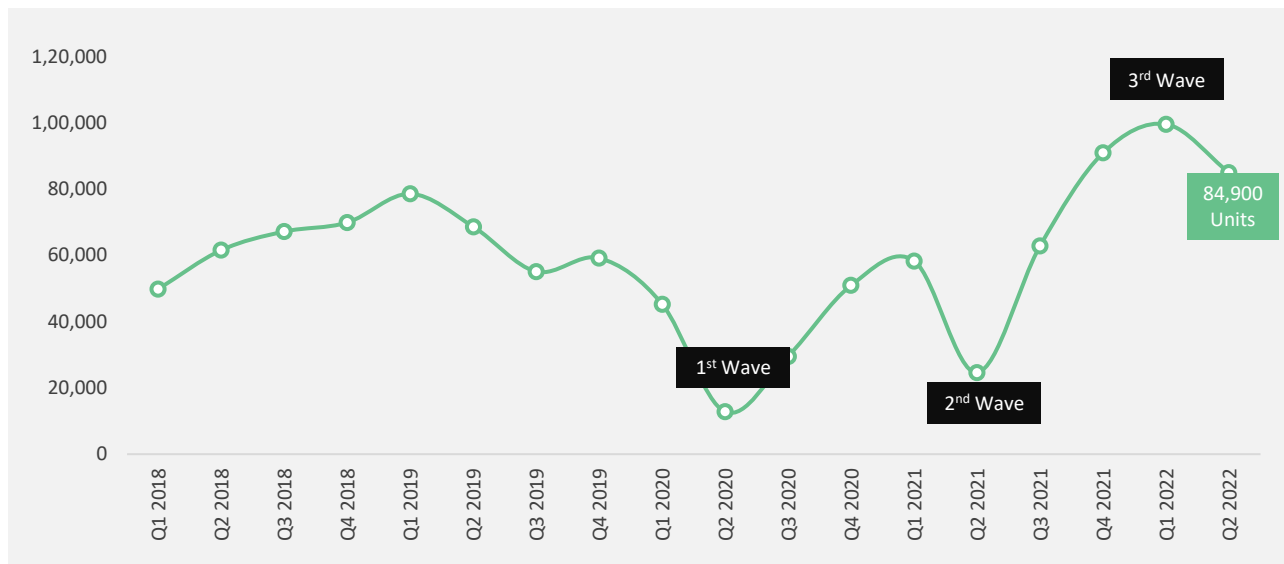


Budget Segmentation:

- Affordable: < INR 40 Lakh
- Mid-end: INR 40 Lakh - INR 80 Lakh
- High-end: INR 80 Lakh - INR 1.5 Cr
- Luxury: INR 1.5 Cr - INR 2.5 Cr
- Ultra-luxury: > INR 2.5 Cr

Housing Sales Trend

Pan-India



- Housing sales across the top 7 cities saw **15% quarterly dip** in Q2 2022 – from 99,550 units in Q1 2022 to 84,900 units in Q2 2022. However, on yearly basis, housing sales witnessed a whopping 246% jump compared to the corresponding quarter previous year.
- Inflationary pressures on input costs** compelled developers to increase property prices in the past few months, and RBI unleashed **two rate hikes** that swelled up **home loan interest rates**. These two factors combined to hike the overall property acquisition cost for homebuyers, leading to a **dip in housing sales**. However, taking into consideration the performance of the Indian economy at a broader level, the **housing sales momentum** is likely to **remain robust** in the coming quarters in the wake of an unrelenting demand for housing.

TOP 7 CITIES

NCR, MMR, Bengaluru, Pune, and Hyderabad together accounted for **90% of the housing sales** across the top 7 cities in the quarter.

MMR witnessed the **highest sales volume** amongst the top cities, with a share of approx. 30%, followed by **NCR** accounting for 18% sales share.

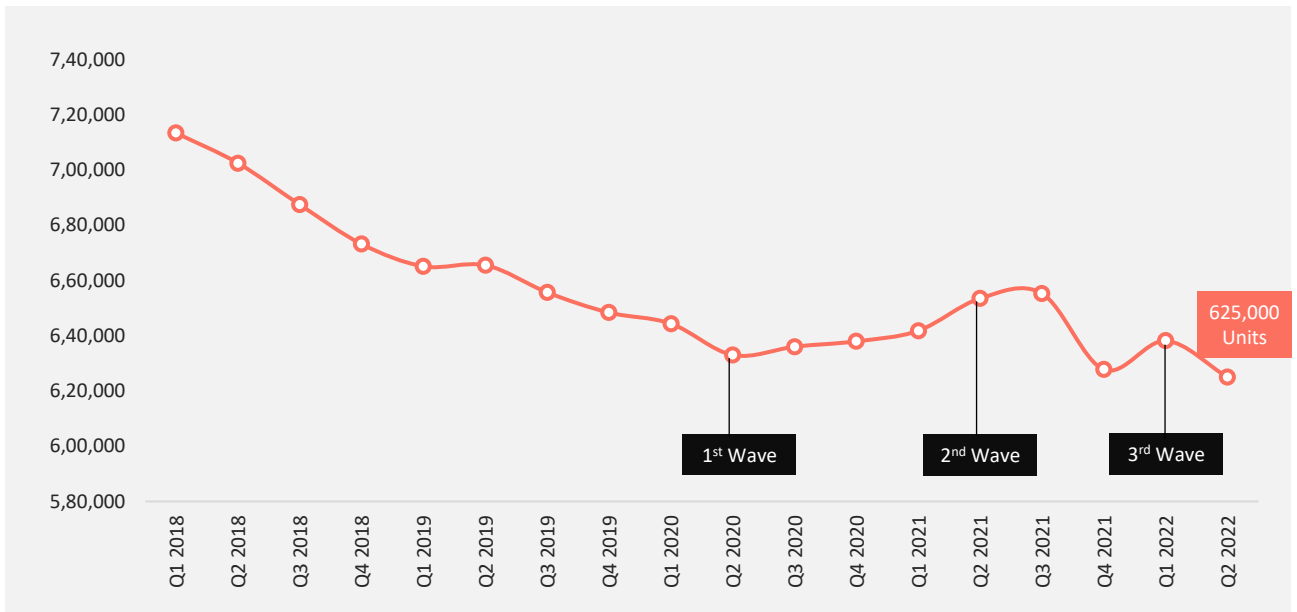
Chennai registered the **lowest housing sales in the quarter**, accounting for 4% share of the overall sales across top 7 cities.

City	Q2-22	Q1-21	Q2-21	Q-o-Q	Y-o-Y
NCR	15,300	18,800	3,500	-19%	337%
MMR	25,800	29,100	7,400	-11%	249%
Bengaluru	11,500	13,450	3,600	-14%	219%
Pune	12,500	14,020	3,800	-11%	229%
Hyderabad	11,200	13,100	3,200	-15%	250%
Chennai	3,800	5,000	1,600	-24%	138%
Kolkata	4,800	5,990	1,500	-20%	220%



Available Inventory Trend

Pan-India



- 1 Available inventory in the top 7 cities stood at **6.25 Lakh units in Q2 2022** as against 6.27 Lakh units in the first quarter of 2022. As a major fallout of **increased property prices and lending rate hikes**, the available inventory across the top cities remained stagnant in the quarter due to **low quarterly home sales**.
- 2 However, on annual basis, the available inventory in the top 7 cities **declined by 4%**.

TOP 7 CITIES

Out of the total available housing stock of nearly 6.25 lakh units across the top 7 cities, **MMR and NCR** have the **highest volume of available inventory**, accounting for 29% and 23% respectively. **Chennai** continues to have the **lowest available inventory** due to restricted new launch activity by the developers.

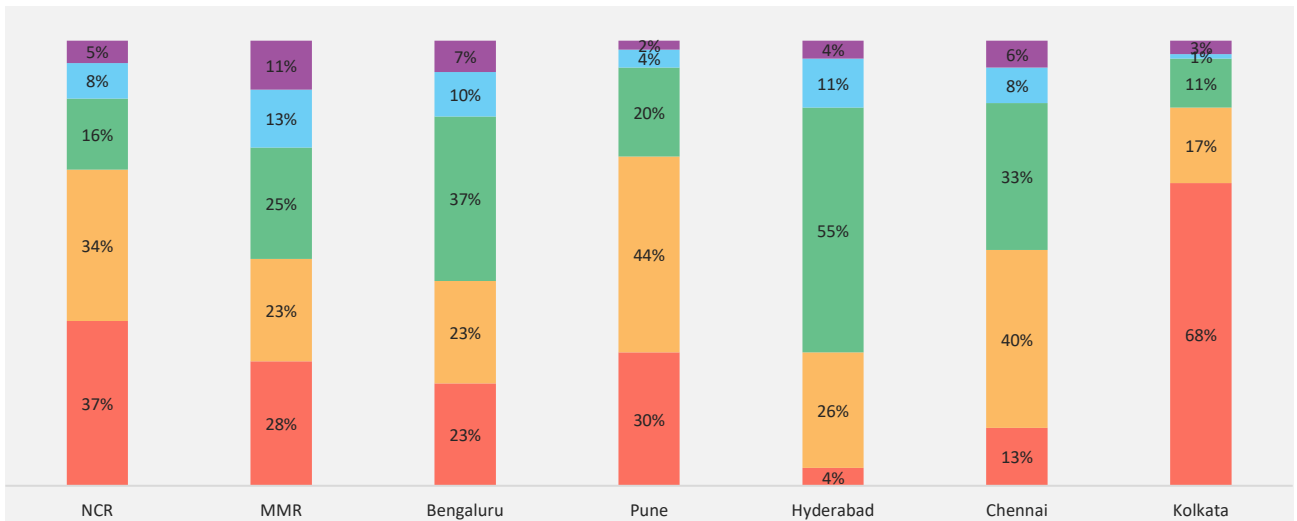
Amid the **current housing sales momentum** and **restricted new supply**, cities such as **NCR, Chennai and Kolkata** registered a **7% quarterly decline** each in the available inventory. Remaining cities - **MMR, Bengaluru, Pune and Hyderabad** saw a **rise** in the available inventory compared to Q1 2022 – b/w 2% to 6%. On yearly basis, all the top cities excluding **Pune and Hyderabad** witnessed **decline** in the available inventory.

City	Q2-22	Q1-21	Q2-21	Q-o-Q	Y-o-Y
NCR	141,200	152,500	168,700	-7%	-16%
MMR	181,500	177,600	196,500	2%	-8%
Bengaluru	57,700	56,650	61,500	2%	-6%
Pune	101,600	97,500	97,600	4%	4%
Hyderabad	75,800	71,200	50,600	6%	50%
Chennai	30,000	32,400	37,700	-7%	-20%
Kolkata	37,100	39,900	40,900	-7%	-9%



HYDERABAD

Available Inventory Trend Pan-India by Budget Segmentation



1 Of the total available inventory across the top 7 cities, **mid segment** properties comprise the maximum share - **of approximately 29%**.

Affordable and premium segments follow subsequently, **with 28% and 27% share**, respectively. **Ultra-luxury segment**, like the previous quarter comprises the lowest share of available inventory - of **6%**.

Budget Segmentation:

- Affordable: < INR 40 Lakh
- Mid-end: INR 40 Lakh - INR 80 Lakh
- High-end: INR 80 Lakh - INR 1.5 Cr
- Luxury: INR 1.5 Cr - INR 2.5 Cr
- Ultra-luxury: > INR 2.5 Cr

2 A further deep-dive into the available inventory break-up across the top 7 cities indicates that in **NCR, MMR and Kolkata**, majority of the available inventory there is in the **affordable price bracket**.

In Pune and Chennai, maximum available stock is in the mid segment (**INR 40 Lakh - INR 80 Lakh**) while in **Hyderabad and Bengaluru**, the highest volume is in the **luxury segment**.

CAPITAL VALUES & INVENTORY OVERHANG

City	Avg. Base Selling Price (INR/sf)	Q-o-Q (%)	Y-o-Y (%)	Inventory Overhang*	Q-o-Q Change*	Y-o-Y Change*
NCR	4,910	2%	6%	27	-25%	-66%
MMR	11,500	3%	7%	21	-16%	-51%
Bengaluru	5,400	3%	7%	15	-16%	-48%
Pune	5,865	2%	5%	25	-15%	-38%
Hyderabad	4,520	2%	7%	22	-14%	-54%
Chennai	5,200	2%	4%	21	-19%	-60%
Kolkata	4,610	2%	5%	23	-22%	-62%

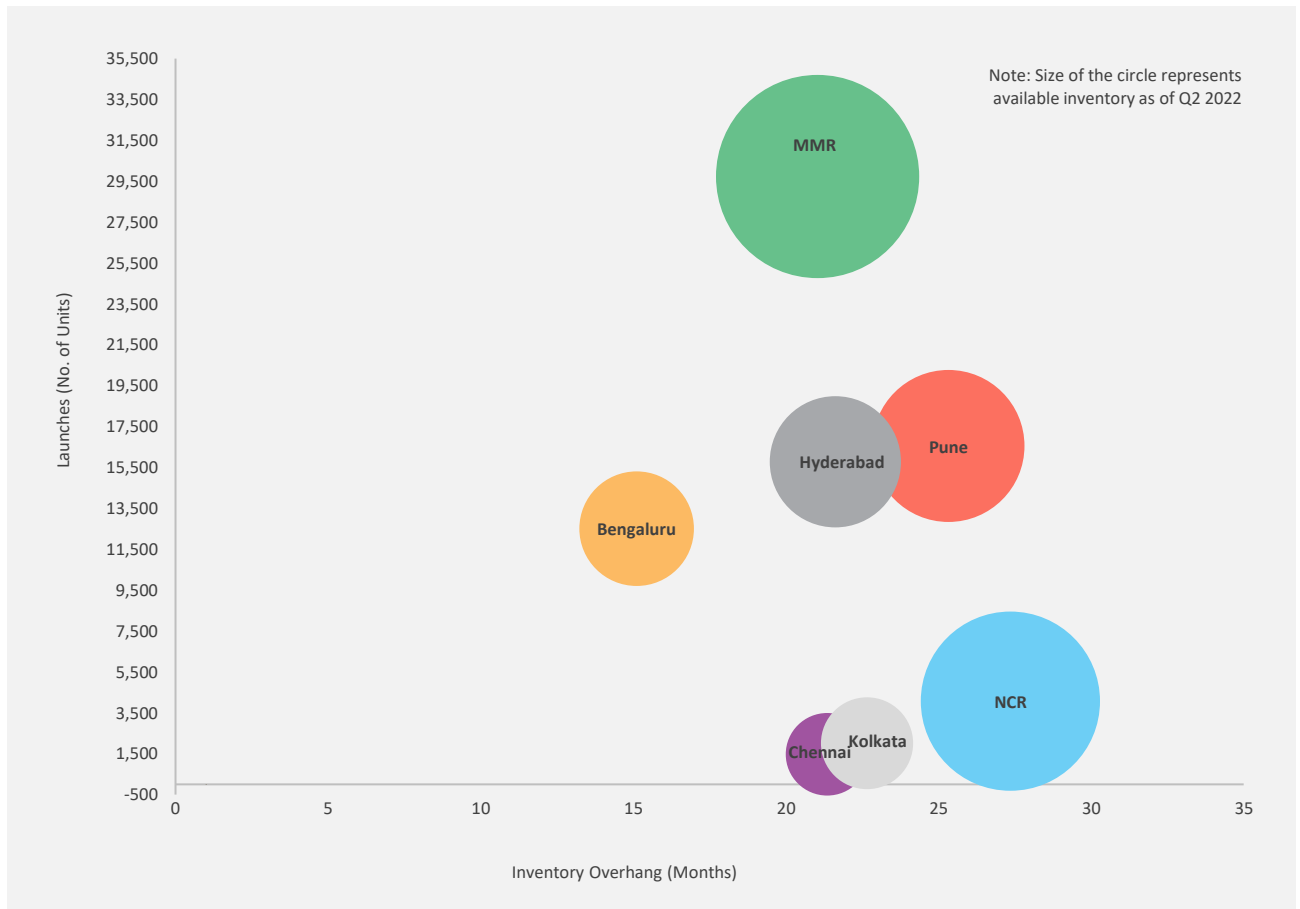
Average price in INR/sf as quoted on BSP on BUA

*In months

1 Average property prices across the top 7 cities have see a **2-3% rise compared to Q1 2022 and 4-7% jump in comparison to Q2 2021**, mainly due to **increase in prices of construction raw materials and a rise in home loan rates**.

2 Top 7 cities inventory overhang has significantly **declined by 5 months** during the current quarter. With the current level of available inventory, it takes **22 months** to offload or liquidate the existing stock.

Inventory Overhang v/s New Launch Supply v/s Available Inventory



- 1 Inventory overhang across the top seven cities in India **plunged to 22 months by end of Q2 2022**, compared to 27 months overhang in Q1 2022 (Q-o-Q decline by 5 months) and 48 months in Q1 2021 (Y-o-Y decline by 26 months).
- 2 **National Capital Region (NCR) took the lead** in reducing its overall inventory overhang by 9 months – from 36 months in Q1 2022 to **26 months in Q2 2022**, followed by **Kolkata** witnessing a **drop by 7 months** on quarterly basis.
- 3 **Bengaluru** and **Hyderabad** registered the lowest Q-o-Q decline of 3 months in the inventory overhang during Q2 2022.



Way Forward

Indian Residential market likely to remain buoyant in the coming months

Considering the residential activity seen since the pandemic and the present scenario, we anticipate housing demand to remain buoyant in the coming quarters. The fact is that there continues to be a housing shortage in the country - MoHUA has projected a housing shortage of 30 million units by 2022.

A host of other factors such as the continued all-time best affordability of homes, lucrative home loan rates despite a slight rise, controlled launches, higher prominence of organized players, and the momentum of Indian economy, also point that the residential sector will emerge stronger in the times to come.

Moreover, developers are cognizant of the changing market conditions and have effectively controlled launches to not create an oversupply situation. This adaptability and agility to respond as per the market conditions will go a long way for the sector's growth. Over the years, we have also seen the sales to supply ratio improve from 0.69 in 2013 to 1.08 as of H1 2022. This is also a good indicator of the sector's growth in future periods.

Furthermore, there are genuine buyers in the market exploring options. As seen, despite price rise and interest rate hikes, housing sales and new launches kept the momentum in the first half. ANAROCK data shows, that in H1 2022, more than 1.71 lakh units were launched in the top 7 cities – at least 74% more than the same period last year. While housing sales in H1 2022 are over 1.84 lakh units – whopping 123% more than last year same period.

Going forward, we anticipate demand to remain steady and be driven primarily by end-users, so there won't be any unnatural speculative spikes. Grade A developers will continue to dominate the residential market and gain more market share. Input cost pressures could lead to further upward revision of prices between 5-8% in 2022. Hardening interest rates, if any in the future, may play a downside risk in overall demand in second half of 2022, but the new pandemic-infused desire for homeownership will remain strong throughout the year.



- 1 **Land prices are rising incessantly** amidst the booming market, implying better returns on real estate investments
- 2 **Surging construction costs and inflation** may further induce a 3-5% increase in property prices
- 3 **Interest rates** are still lucrative & locking in at current rates will give a notional experience to prospective homebuyers
- 4 **Owning property** during uncertain times of pandemic is more profitable as the price volatility is extremely low compared to other investment asset classes

About ANAROCK

ANAROCK is India's leading independent real estate services company with a presence across India and the Middle East. The Chairman, Mr. Anuj Puri, is a highly respected industry veteran and India's most prominent real estate thought leader. The Company has diversified interests across the real estate lifecycle and deploys its proprietary technology platform to accelerate marketing and sales.

ANAROCK's services include Residential Broking & Technology, Retail (in partnership with Vindico), Commercial, Investment Banking, Hospitality (via HVS ANAROCK), Land Services, Industrial and Logistics (in partnership with Binswanger), Investment Management, Research, Strategic Advisory & Valuations, Project Management Services (in partnership with Mace), Flexi Spaces (in partnership with Upflex) and Society Management Services (acquisition of ApnaComplex). The Company has a unique business model, which is an amalgamation of traditional product sales supported by a modern technology platform with automated analytical and reporting tools. This offers timely solutions to its clients, while delivering financially favourable and efficient results.

ANAROCK has a team of over 1,800 certified and experienced real estate professionals who operate across all major Indian (Mumbai, Navi Mumbai, Pune, Ahmedabad, NCR – Delhi, Gurugram, Noida, Chennai, Bangalore, Hyderabad, Kolkata, Lucknow) and Middle East markets. ANAROCK has successfully completed over 400 exclusive residential project mandates. ANAROCK also manages over 80,000 established channel partners to ensure global business coverage.

Our assurance of consistent ethical dealing with clients and partners reflects our motto - Values Over Value.

Please visit www.anarock.com

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