

Residential Market Viewpoints

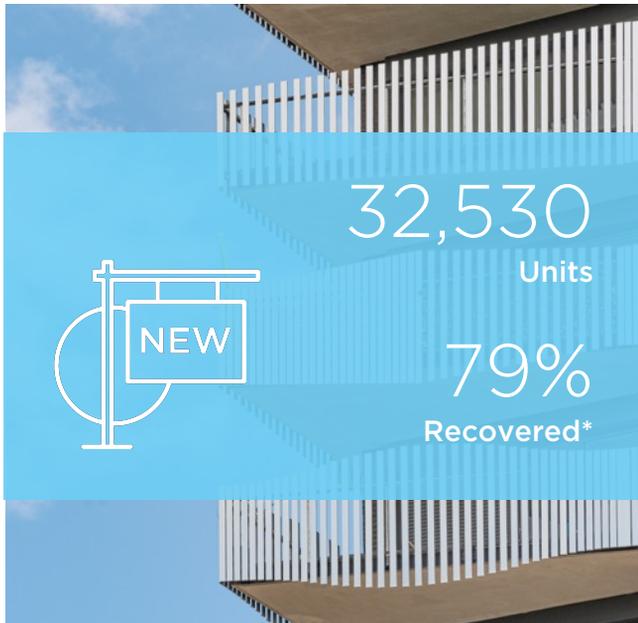
PAN INDIA



Q3
2020



Key Highlights



New Launches

Launches across the top 7 cities recovered 79% from the pre-COVID-19 levels of Q1 2020. Typically, the third quarter is known to record the lowest launches due to the onset of monsoon and the inauspicious 'shradh' period. But this time, it seems to have bucked the trend.

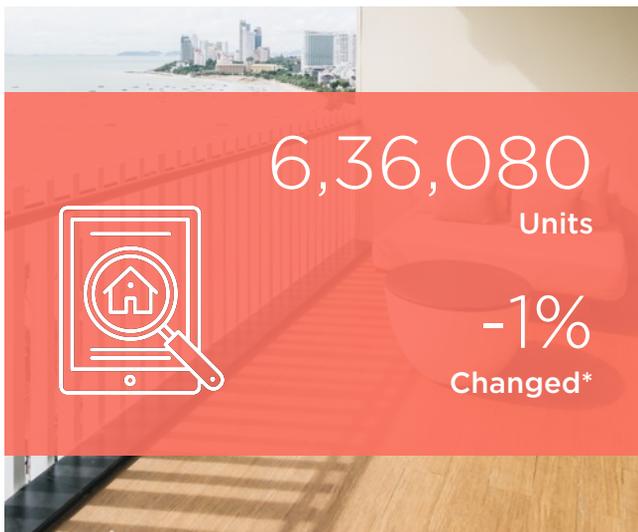
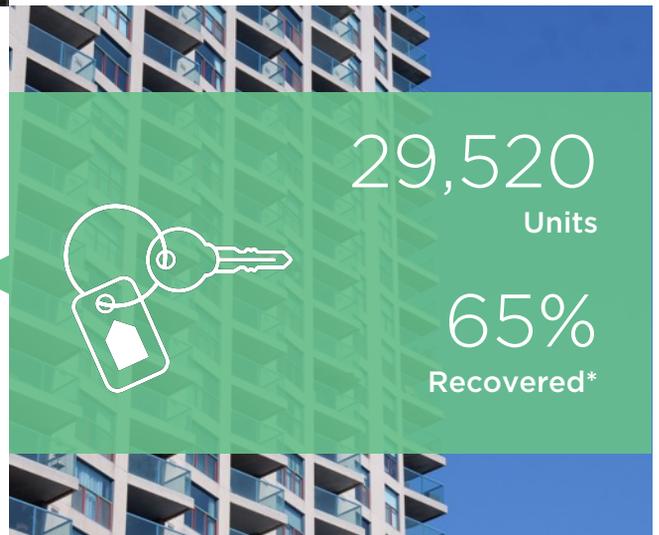
Hyderabad, Kolkata and NCR have exceeded the launches during Q3 2020 from pre-COVID-19 level of Q1 2020. MMR and Bengaluru have recovered nearly 75% and 68%, respectively in the third quarter compared to Q1 2020.

The mid segment dominated Q3 2020 launches and accounted for nearly 41% of the total supply. This is a notable shift in the market which was dominated by affordable segment launches for the past several years.

Sales

Sales across the top 7 cities have recovered in the range of 62% to 73% compared to the pre-COVID-19 levels of Q1 2020. Chennai recorded the highest recovery of 73% while the recovery rate for other cities was in the range of 63% to 67%.

Projects nearing completion and those offering ready to move in inventory were seen to have the highest traction during the quarter as buyers looked to mitigate execution risks arising due to delays.



Unsold Inventory

Supply exceeded the sales after 14 quarters resulting in a minor increase in unsold inventory in Q3 2020. Nonetheless, the unsold inventory levels are less than that of Q1 2020.

Note: PAN India refers to Top 7 cities of India only
*Q3 2020 vs Q1 2020

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)

Top 7 Cities



MMR

7,890

New Launch Units

9,200

Sold Units

2,08,250

Unsold Units

INR 10,610/sf

Average Price

6,810

New Launch Units

5,200

Sold Units

1,72,630

Unsold Units

INR 4,580/sf

Average Price

NCR



5,840

New Launch Units

5,400

Sold Units

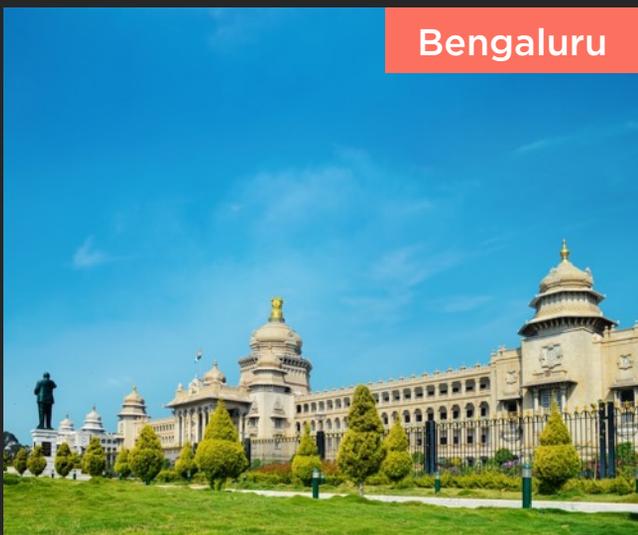
60,820

Unsold Units

INR 4,975/sf

Average Price

Bengaluru





Pune

4,180
New Launch Units

4,850
Sold Units

91,240
Unsold Units

INR 5,510/sf
Average Price

4,900
New Launch Units

1,650
Sold Units

27,510
Unsold Units

INR 4,195/sf
Average Price



Hyderabad



Chennai

1,560

New Launch Units

1,600

Sold Units

32,980

Unsold Units

INR 4,935/sf

Average Price

1,350

New Launch Units

1,620

Sold Units

42,650

Unsold Units

INR 4,385/sf

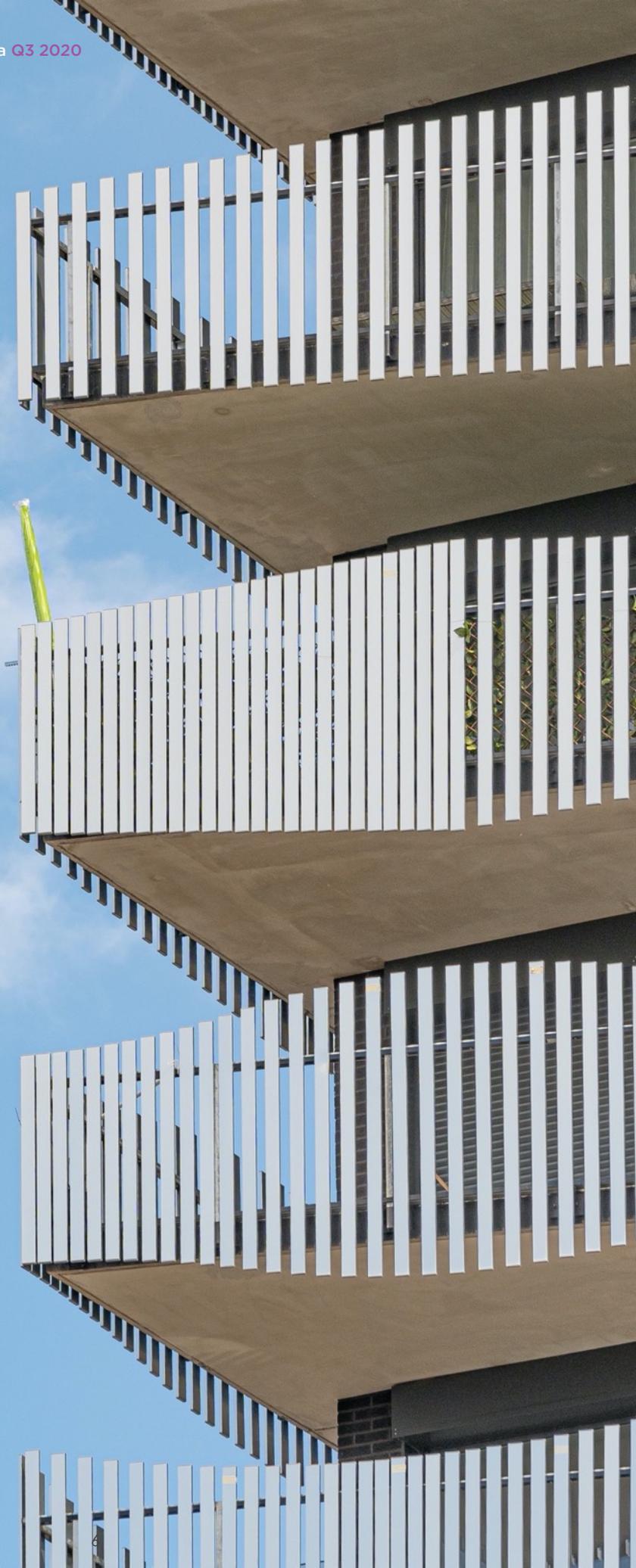
Average Price

Kolkata



New Launch Supply Trend

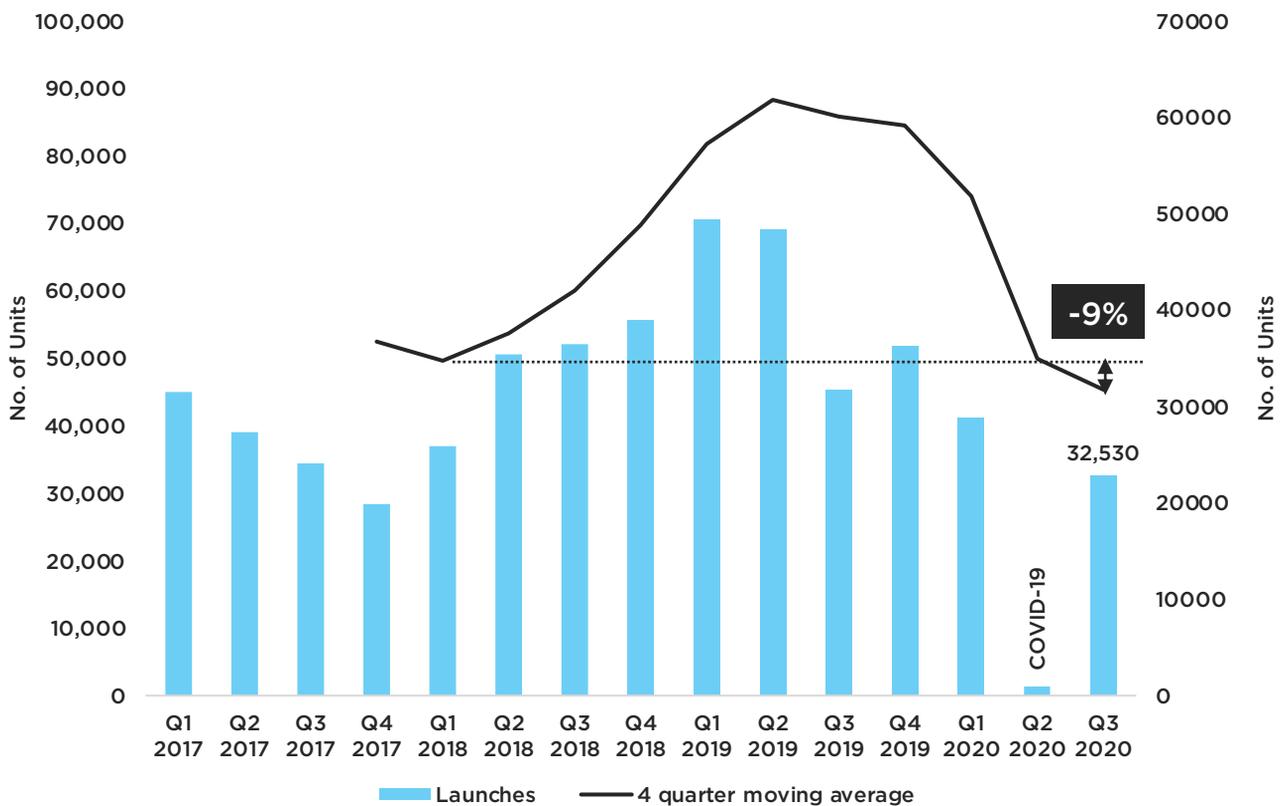
Q3
2020



New Launch Supply Trend

Q3 2020

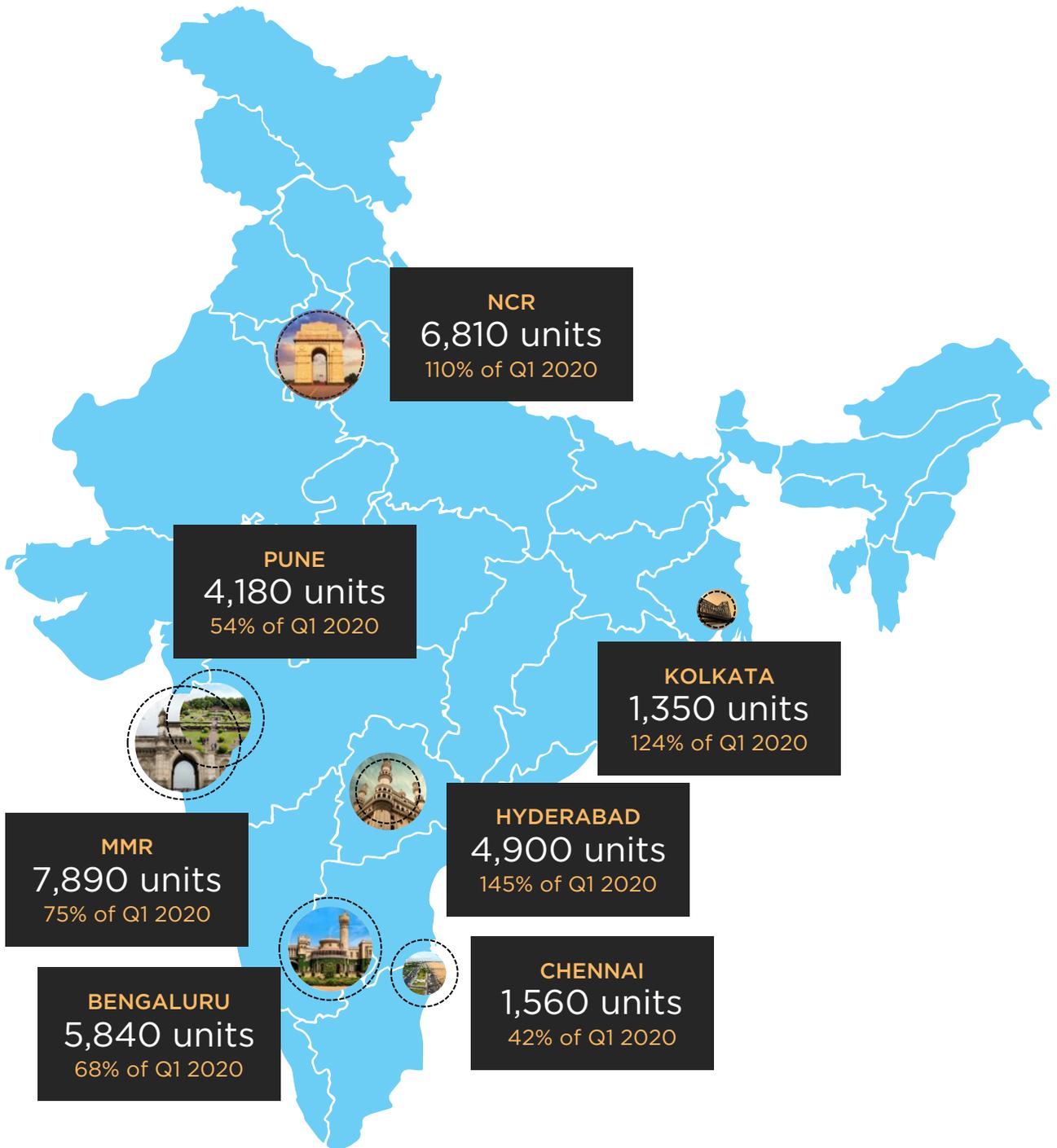
New Launches



- Launches across the top 7 cities recovered 79% from the pre-COVID-19 levels of Q1 2020.
- In Q3 2020, the four-quarter moving average of new launches was down by 9% from the previous trough in Q1 2018.
- Bengaluru, Pune, NCR and Hyderabad have already exceeded their current four-quarter moving average compared to Q1 2018.

City-wise Supply Q3 2020

As a % of Q1 2020



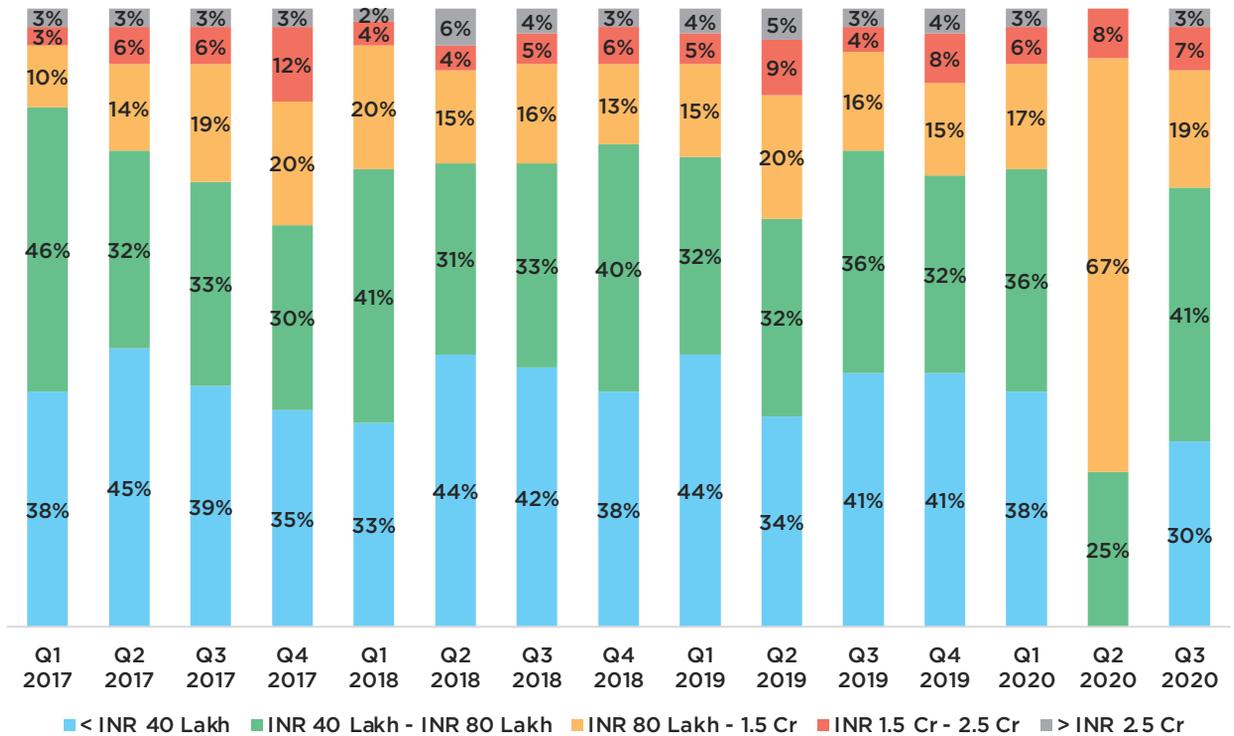
Note: Map not to scale, for representation purpose only

Size of the circle with picture represents supply in Q3 2020, and size of the dotted circle represents supply in Q1 2020

New Launch Supply Trend

Q3 2020

Budget Segmentation of Supply



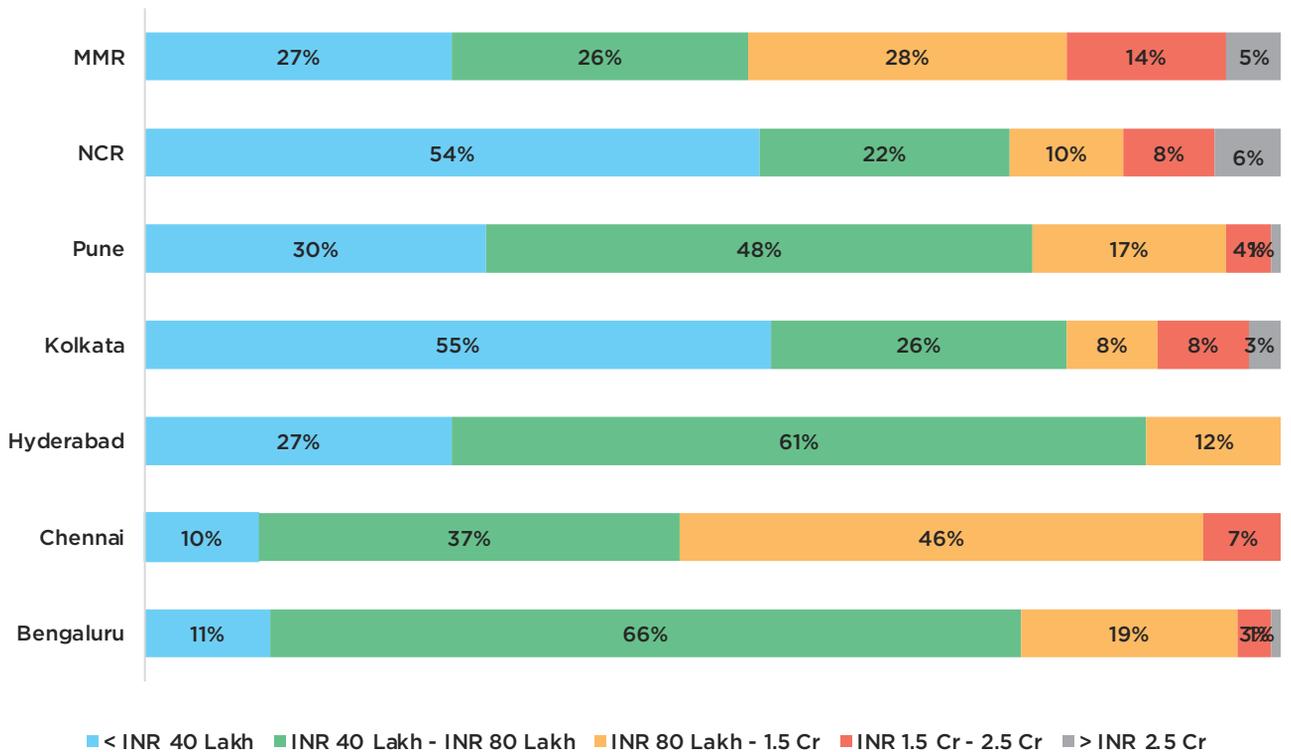
- The share of affordable housing has dropped to 30% in Q3 2020 which is the lowest in the last 15 quarters.
- The mid segment witnessed some traction and accounted for nearly 41% share of the supply.

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

Q3 2020

City-wise Budget Segmentation of Supply (Q3 2020)



- Hyderabad, which always had a limited affordable housing supply, witnessed significant addition during Q3 2020. This has been the highest supply in the sub INR 40 Lakh segment since Q1 2019.
- Bengaluru and Pune focus more on the mid-end segment. The diverse employment base in these cities create the demand for the mid segment.
- Q3 2020 supply in MMR appears to be evenly spread out across the segments unlike previously when it was dominated by the affordable and mid-segment.

Sales Trend

Q3
2020



Sales Trend

Q3 2020

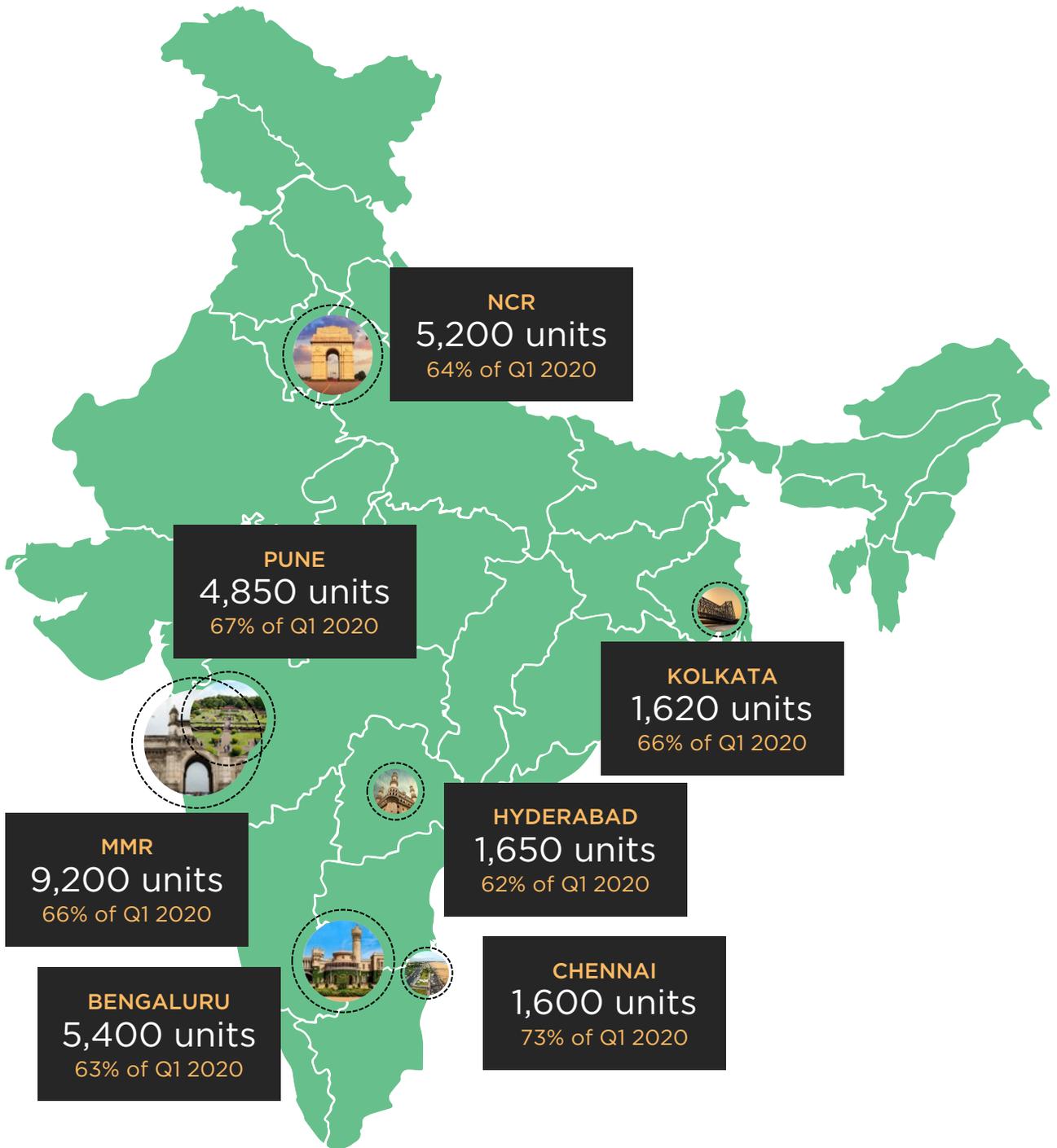
Sales Trend



- Total sales in Q3 2020 have recovered nearly 65% of the pre-COVID-19 levels of Q1 2020.
- The four-quarter moving average of the sales marked a new trough; still down by 31% from the previous trough in Q4 2017.
- After 14 quarters, absorption has been less than launches and this may be attributed to the change in buying pattern.
- Buyers are preferring completed projects or those nearing completion to mitigate any execution risk and project delays.

City-wise Sales Q3 2020

As a % of Q1 2020



Note: Map not to scale, for representation purpose only

Size of the circle with picture represents sales in Q3 2020, and size of the dotted circle represents sales in Q1 2020

Unsold Inventory Trend

Q3
2020

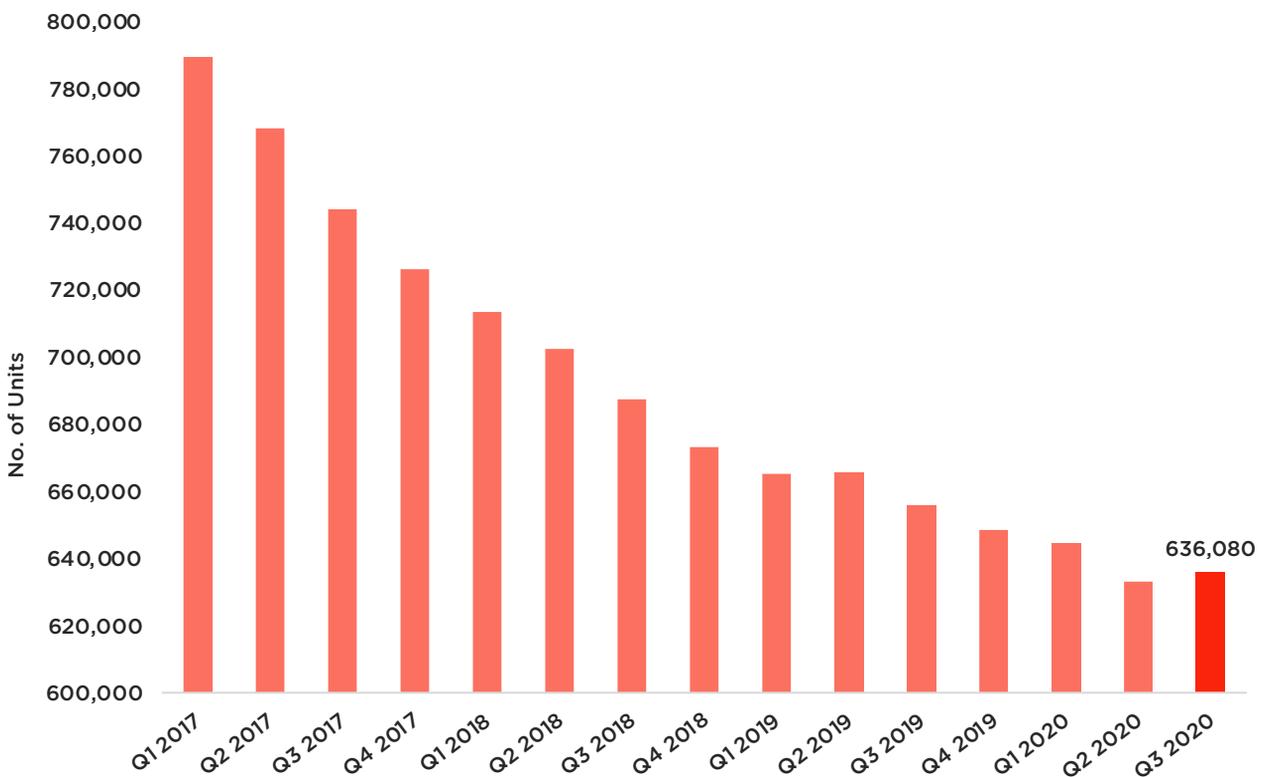


Unsold Inventory Trend

Q3 2020



Unsold Inventory



- Unsold inventory marginally decreased by 1% compared to Q1 2020.
- All the cities registered a decline in the range on 1% to 3% during the same period. However, NCR remained unchanged and Hyderabad recorded an increase in unsold inventory during the quarter.

Unsold Inventory Trend

Q3 2020

City-wise Unsold Inventory

City	Q3 2020	Q1 2020	Q3 2019	Q3 2020 vs Q1 2020	Q3 2020 vs Q3 2019
NCR	1,72,630	1,73,120	1,77,900	Nil	-3%
MMR	2,08,250	2,13,180	2,20,870	-2%	-6%
Bengaluru	60,820	62,790	63,540	-3%	-4%
Pune	91,240	93,310	92,560	-2%	-1%
Hyderabad	27,510	24,910	23,890	10%	15%
Chennai	32,980	33,510	31,380	-2%	5%
Kolkata	42,650	43,600	45,570	-2%	-6%



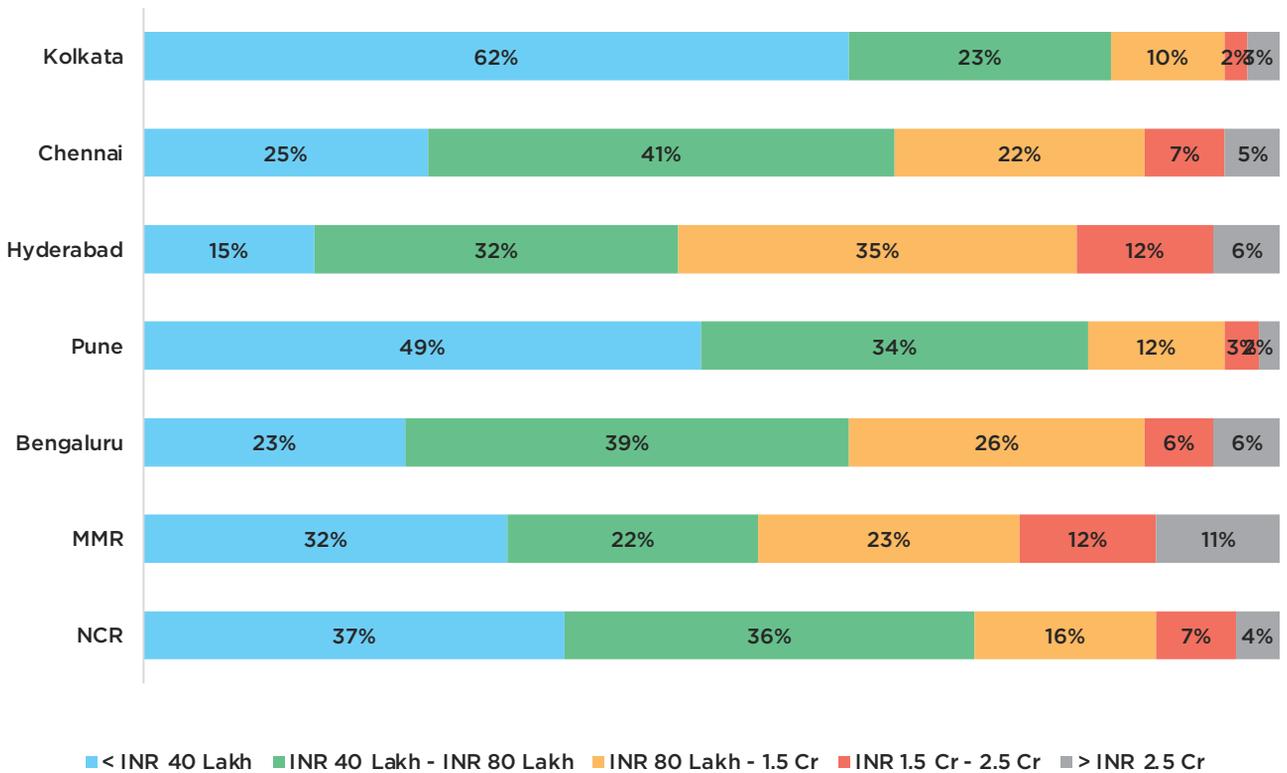
Hyderabad recorded a significant increase of 10% in unsold inventory due to high volume of launches during the quarter. However, the city continues to record the lowest unsold inventory across the major cities as of Q3 2020.

Unsold Inventory Trend

Q3 2020



City-wise Budget Segmentation of Unsold Inventory (Q3 2020)



- The affordable and mid segment accounts for the highest share (66%) of total unsold inventory across the top 7 cities.
- Pune has the highest unsold inventory in the affordable segment due to an incessant supply addition.

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)

Unsold Inventory Trend

Q3 2020

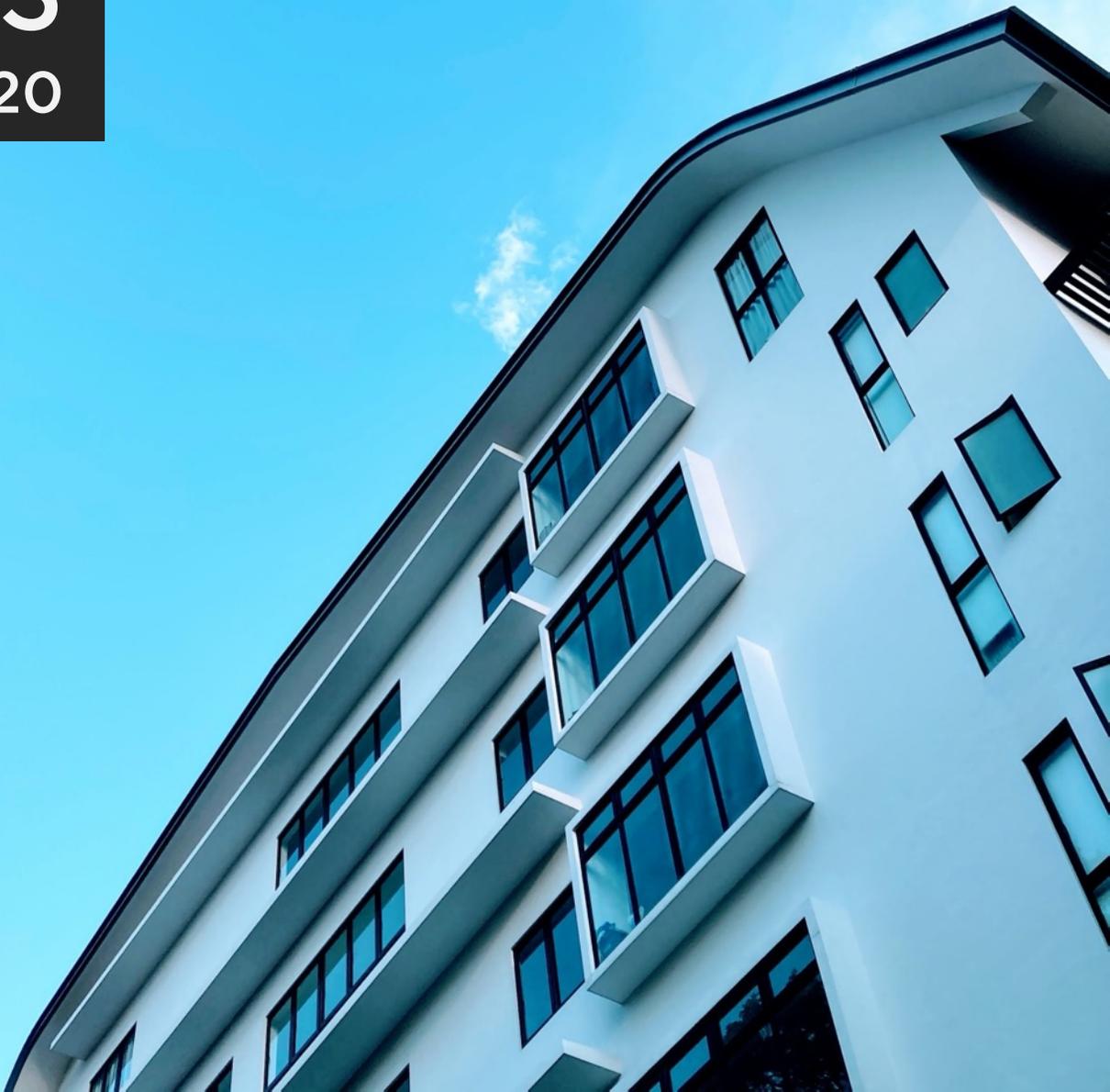
Capital Values & Inventory Overhang

City	Avg. Base Selling Price (INR/sf)	Q3 2020 vs Q1 2020 (% change)	Q3 2020 vs Q3 2019 (% change)	Inventory Overhang (months)	Q3 2020 vs Q1 2020 (months)	Q3 2020 vs Q3 2019 (months)
NCR	4,580	Nil	Nil	79	+29	+35
MMR	10,610	Nil	Nil	55	+19	+21
Bengaluru	4,975	Nil	Nil	26	+09	+11
Pune	5,510	Nil	Nil	46	+15	+19
Hyderabad	4,195	Nil	Nil	39	+17	+23
Chennai	4,935	Nil	Nil	56	+18	+25
Kolkata	4,385	Nil	Nil	64	+22	+26

- Prices remained range bound in all the cities during Q3 2020. Developers launching new projects seemed to adhere to the prevailing prices.
- PAN India inventory overhang increased by 18 months owing to subdued sales during the quarter.

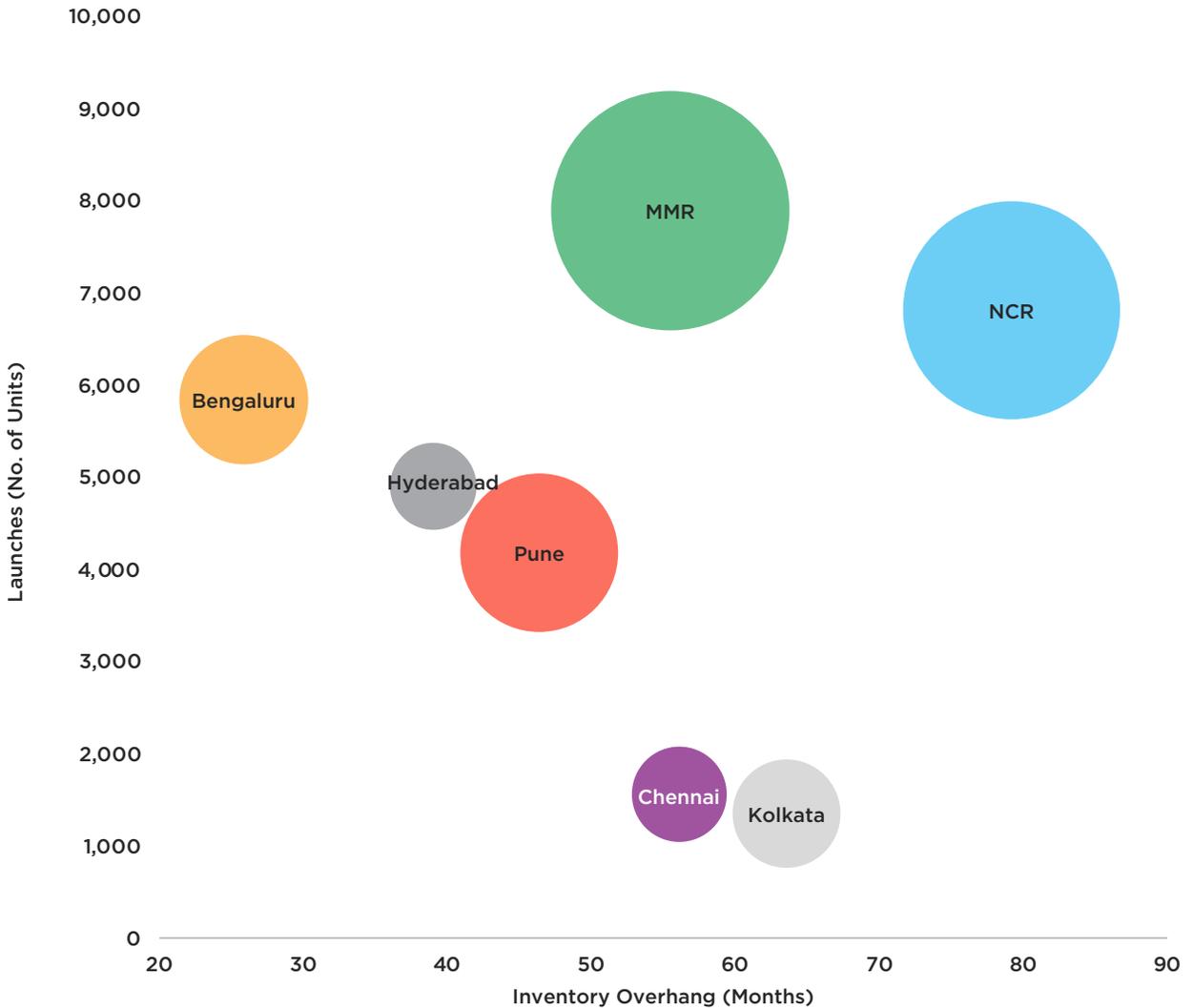
Residential Market Overview

Q3
2020



Multivariate Analysis

Inventory Overhang - New Launch Supply - Unsold Inventory



Inventory overhang increased in all cities due to sluggish sales in Q3 2020 compared to Q1 2020.

India Residential

Key Emerging Trends

Need for larger or functional homes

With the forced lockdown and continued WFH and online schooling, people are now eyeing larger homes or functional and flexible homes that can accommodate working spaces.

A rise in demand for plotted developments, weekend homes and farmhouses

Self-owned homes (villas or row houses) provide better social distancing compared to the apartments. As a result, demand for plotted developments, weekend homes and farmhouses are on a rise.

Townships may gain higher interest

There is a rising preference to live, work, and play in controlled environments. As a result, we may witness a rising interest in townships in the years to come.

RTM in demand

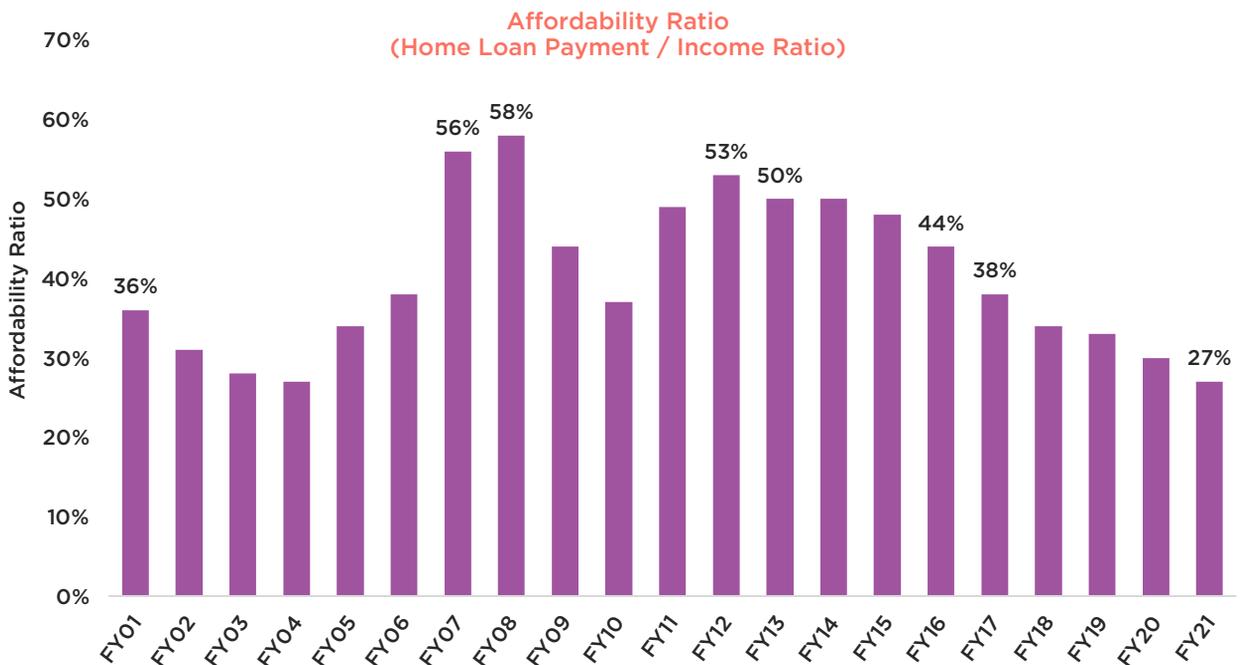
Homebuyers are looking to purchase units that can be seen, views that can be assessed, and homes that are readily available. As a result, there's a huge demand for ready-to-move-in units.

Homebuyers prefer to deal with the large corporates and branded developers

It provides them a feeling of comfort that their investments will not go in vain and the houses will be delivered as promised.

Improved affordability

The ratio of the home loan payment to income has been reducing over the years. According to industry estimates, affordability for a mid-income apartment in Indian city will be at 27% in FY21, which is the best in the last two decades.



Learnings from COVID-19

Success mantras for real estate developers to thrive and flourish

Embrace digital

Homebuyers are finding it convenient to do virtual site visits and discussions and come in close contact with the real estate developers only during the final stages. As per estimates, out of 10 virtual site visits done for prospecting, homebuyers are now physically visiting only the top 3 shortlisted projects.

End-user driven market

It is important to provide lucrative deals and offers as per the homebuyers' requirements. Nearly 80% of the demand comes in from the end-users.

NRIs are actively looking to buy houses

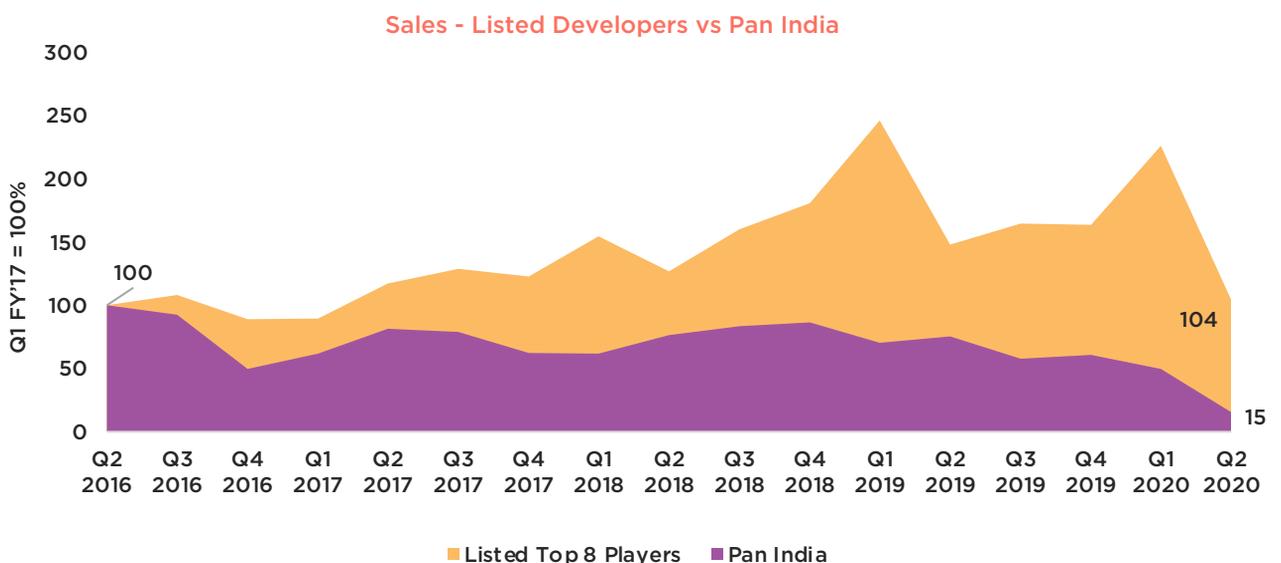
Depreciating rupee and homecoming have made property purchases extremely lucrative for the NRIs.

Focus on affordable-to-mid-segment

Affordable-to-mid-segment housing will continue to remain in demand as homebuyers having an appetite for new property purchases will look to rationalize their quantum of investments. Nearly 70% - 75% supply has been in this segment across the top 7 cities of India and that is where the demand lies as well.

Branded developers gaining market share

Buyers are willing to pay a premium for the projects developed by established developers to mitigate any risk of execution and ensure quality. As a result, it is imperative to establish the brand and stick to the promises.



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)

Note: Top 8 developers considered are: Brigade Enterprises, Godrej Properties, Kolte Patil, Mahindra Lifespace Developers, Oberoi Realty, Prestige Estate, Purvankara Ltd and Sobha Ltd.
 Source: Companies, ANAROCK Research

Conclusion

As the country and the economy makes efforts to return to normalcy by gradually unlocking the commercial activities, all sectors are witnessing a renewed traction. The residential real estate sector is also benefitting from the renewed confidence of all the stakeholders including buyers, developers and property consultants.

Sales and launches during the third quarter have shown signs of revival. It is anticipated that the momentum will continue in the coming quarter. The last quarter may witness a significant recovery which will be driven by the pent-up demand and kick-off of the festive season.

Low interest rates have helped to better the affordability of the buyers. As the dark clouds of unemployment clear, the buyers may actively look for houses during the auspicious days and close deals as prices may continue to remain range bound for some more time.

As work from home may continue in the near future and may even be allowed forever to a particular segment of employees, the buyers may be keen to explore more functional homes that can provide workspaces as well. To alleviate the risk of project delays, end-users may prefer to associate with the branded developers and be keen to purchase ready to move in units.

5 Key Takeaways

1. **Improved affordability** due to low interest rates and range-bound prices may attract fence sitters.
2. **WFH and online schooling** is likely to remain for some more time which may create the need for flexible and functional homes.
3. **Ready-to-move-in units** are going to be the first preference for buyers to mitigate the execution risk and construction delays.
4. **The share of branded developers** in overall sales is likely to increase as buyers are looking at timely delivery and quality of built houses.
5. **Affordable and mid segment** to remain in focus as buyers may remain price sensitive even though the certainty of employment may improve in the future.



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 and Project Management Services (in partnership with Mace). 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, and within a period of two years, has successfully completed over 400 exclusive 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

For research services, please contact:

Prashant Thakur

Director & Head of Research

prashant.thakur@anarock.com

ANAROCK Property Consultants Pvt. Ltd.

1002, 10th Floor, B Wing

ONE BKC, Plot No. C-66, G Block

Bandra Kurla Complex

Bandra East, Mumbai 400 051

MahaRERA Registration No. A51900000108 available at

<http://maharera.mahaonline.gov.in>

© 2020 ANAROCK Property Consultants Pvt Ltd.
All rights reserved.

All information in this report is provided solely for internal circulation and reference purposes. ANAROCK makes no statement, representation, warranty or guarantee as to the accuracy, reliability or timeliness of the information provided. No part of this report may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods.

ANAROCK
VALUES OVER VALUE