

A State on the Move

TELANGANA



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Foreword

Anuj Puri

Founder & Chairman
ANAROCK Group



Telangana is the newest state of India with a vibrant economy. Post its formation in 2014, the state's economy has grown multifold. It has registered an average growth rate of 8.9% between FY 15 to FY 20. Covering an area of 1.12 lakh sq km and a population base of approx. 3.5 Cr, the agriculture and allied sectors are the key contributors to the state's economy. Nearly 55% of the state's workforce is engaged in this sector.

Apart from agriculture, the state is well-known for its contribution to the field of pharmaceuticals. It played a pivotal role during the COVID-19 pandemic and supplied Remdesivir and Favipiravir in bulk quantities. Additionally, COVAXIN has been developed by Bharat Biotech which is based out of Hyderabad. The state accounted for 30% of the country's total pharmaceutical production and generated employment for more than 70,000 people in the last 4 years.

The buzzing IT-ITeS sector is likely to drive future growth

The state also has the presence of large IT-ITeS companies. It exported nearly INR 1.5 Lakh Cr worth of IT products in 2020-21, registering a growth of 12.98% annually. The sector employs around 6.3 lakh people. The state government's constant push to spread the growth to tier II cities such as Warangal, Karimnagar, Nizamabad, and several others are expected to drive the next wave of growth.

The holistic growth across the sectors is strongly backed up by the sustained physical infrastructure development in the past. Various such mega projects like the expansion of railways network, greenfield and brownfield airports, industrial corridors, Regional Ring Road, and metro rail corridors are planned to unlock the future potential of new micro markets for growth. These are likely to provide the necessary impetus to the already growing real estate market across the state.

The rapid growth of agriculture, MSMEs, pharmaceuticals, and IT-ITeS have been driving the real estate growth across the segments. The real estate market of Hyderabad has always been disciplined and cautious despite being backed up by robust infrastructure development across the city. This has enabled to maintain an equilibrium of supply and demand. However, the market is set to grow in the coming years as evident from the rising launches and sales momentum in the post-COVID-19 period.

Hope you find the report insightful and informative.

Jayesh Ranjan

Principal Secretary of the Industries & Commerce (I&C) and Information Technology (IT) Departments, Government of Telangana

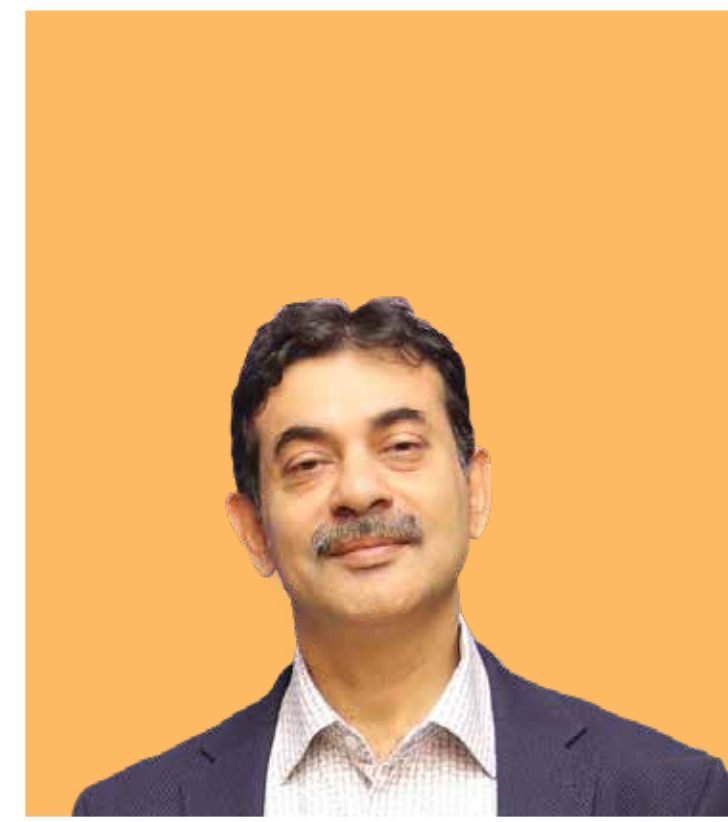
Telangana: Historical region; Young state & grand aspirations

The youngest state of India has a rich and ancient heritage. The able governance and ingenious planning by the state's leaders have been instrumental in Telangana achieving the pinnacle across various parameters.

During the past few years, the state has come a long way and it contributes around 5% to the national economy. The overall growth has always been impressive and is better than the national statistics on several parameters such as per capita income and lower unemployment rate. The government's awareness of the state's high dependence on the primary sector has created a laser focus on the same through various policy developments such as the ICT policy 2021-26 and industrial policy with the objective to Innovate, Incubate and Incorporate. With many large initiatives for the development of services and industries across the state, the secondary and tertiary sectors are also booming.

The state is proud to be the home of the indigenous home-grown vaccine for the COVID-19 pandemic which has benefitted mankind across the world. The pharmaceutical sector has a major presence in the state and Telangana is one of the largest manufacturing hubs in the country and exports nearly half of the country's bulk drugs. The specialized clusters such as Pharma city, Genome valley, and the medical devices park are expected to drive economic activities in the semi-urban centers of the state.

There are more than 1,500 IT-ITeS organizations including several marquee international companies that have made Telangana their operational base. This has been possible because of the ready infrastructure in the urban centers and the large availability of plug-n-play office spaces at sub-dollar rentals, making it the most competitive across the world. The presence of a rich talent pool and a rapidly evolving culture that has warmly received employees from across the country acts as a key enabler to attract global companies to set up their base and expand in Telangana. This has been possible due to the efficient law & order, quality healthcare, and a good standard of living offered by the state.



The development of major infrastructure projects such as the industrial corridors, regional ring road, and mega irrigation projects to aid agriculture is expected to provide further impetus to the economy. This will enable uniform growth opportunities across the state, create balanced employment clusters and result in the demand for real estate as well as other aspirational products and services. It is not far to foresee that the state of Telangana will soon be a preferred destination for businesses across the sectors and people from far and wide will look to make this state their home.

I wish CREDAI Telangana all success for their maiden venture of TS Conclave and look forward to working closely with them to chart the future growth trajectory for our state.

Telangana – A Snapshot

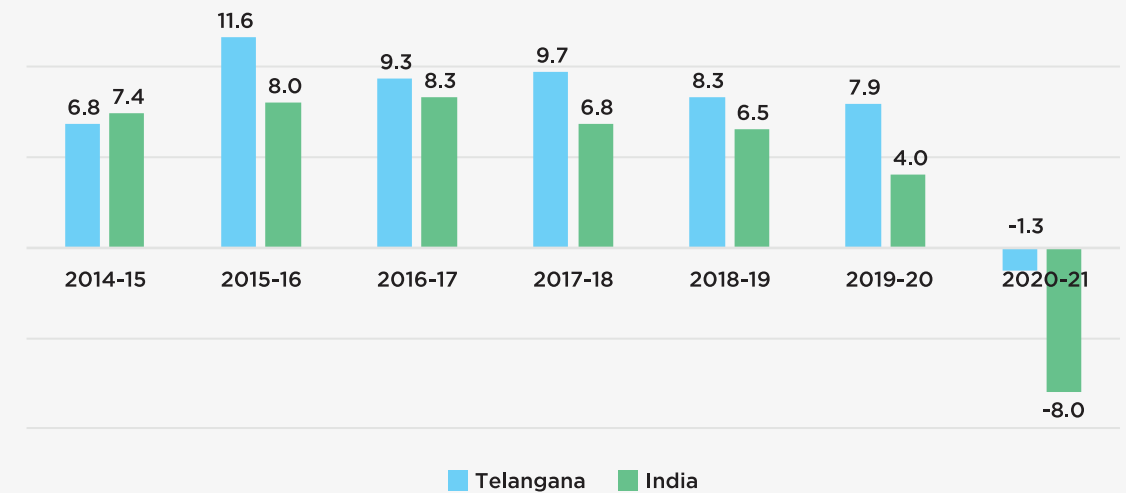
The state's economy is growing **faster than the national average**.



GSDP Growth Rate

Telangana registered an average growth rate of 8.9% between FY'15 to FY'20; significantly higher than the national average of 6.8%

GSDP/GDP growth rate (%)

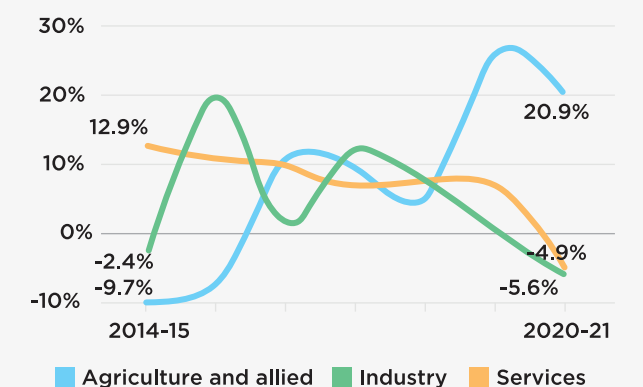


Source: Directorate of Economics and Statistics (DES); Ministry of Statistics and Programme Implementation (MOSPI)

Sectoral GSVA Growth Rates

The agriculture and allied sector has grown significantly by 20.9% in 2020-21. Contrary to the industry and services sector that felt the heat of COVID-19, the agriculture and allied sector's growth was unstirred.

An economy driven by the primary sector has the potential to drive demand for real estate along with aspirational products and services in semi-urban and rural locations.

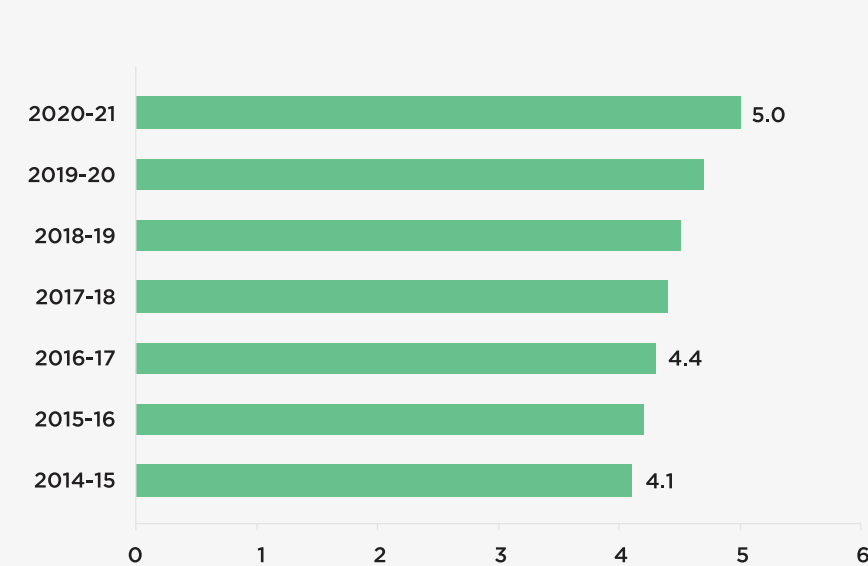


Source: Directorate of Economics and Statistics (DES); Ministry of Statistics and Programme Implementation (MOSPI)

Share of GSDP to India's GDP

The share of the state's economy in the nation's GDP has grown significantly in the past 7 years.

Telangana GSDP share of India's GDP (%)

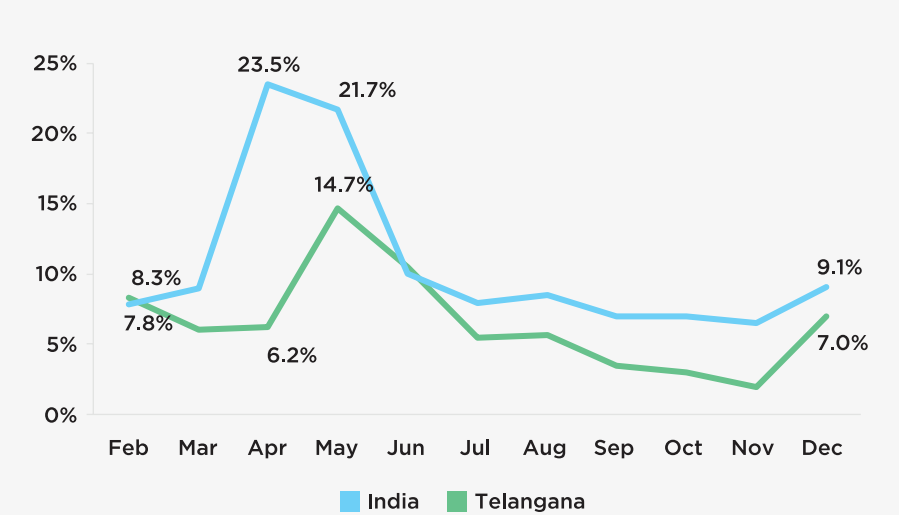


Source: Directorate of Economics and Statistics (DES); Ministry of Statistics and Programme Implementation (MOSPI)

Unemployment rate

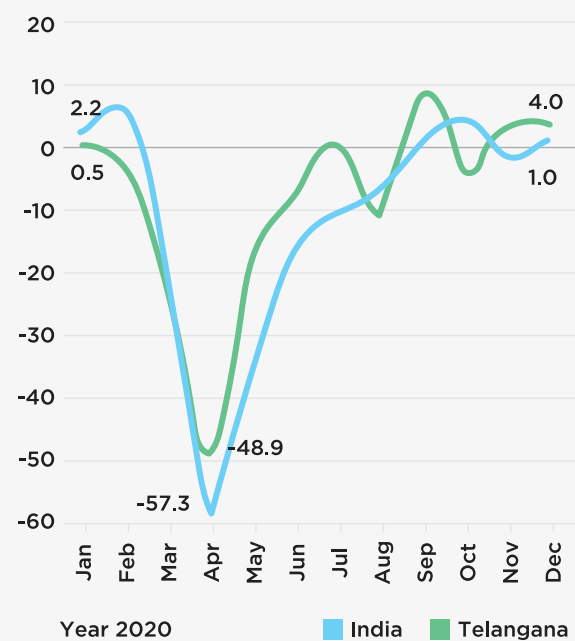
Always lower than the national average

2020 unemployment rate (%)



Source: Centre for Monitoring Indian Economy (CMIE)

Growth rate of industrial production (base 2011-12)



Source: Directorate of Economics and Statistics (DES); Ministry of Statistics and Programme Implementation (MOSPI)

Industrial Index of Production (IIP)

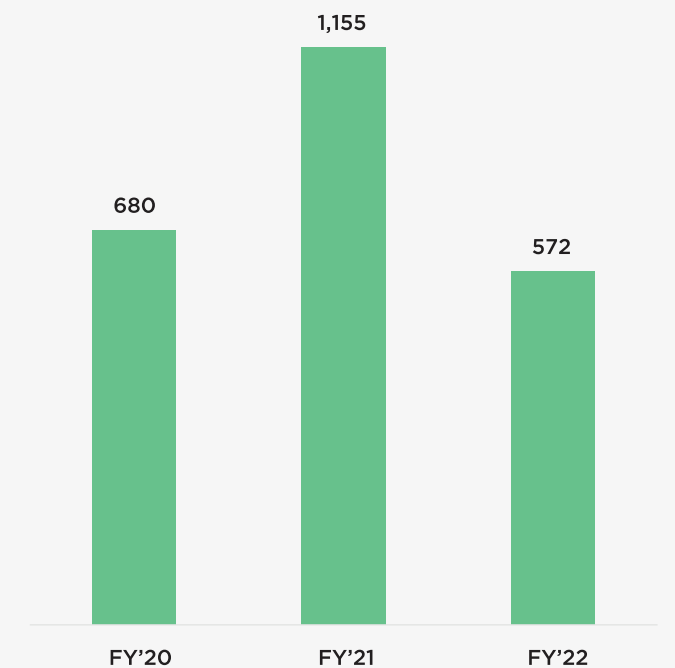
V-shaped recovery post-pandemic; economy is attaining normalcy



Foreign Direct Investments (FDI)

Featured in the list of top 10 states of India by FDI equity inflows despite being the newest state of India

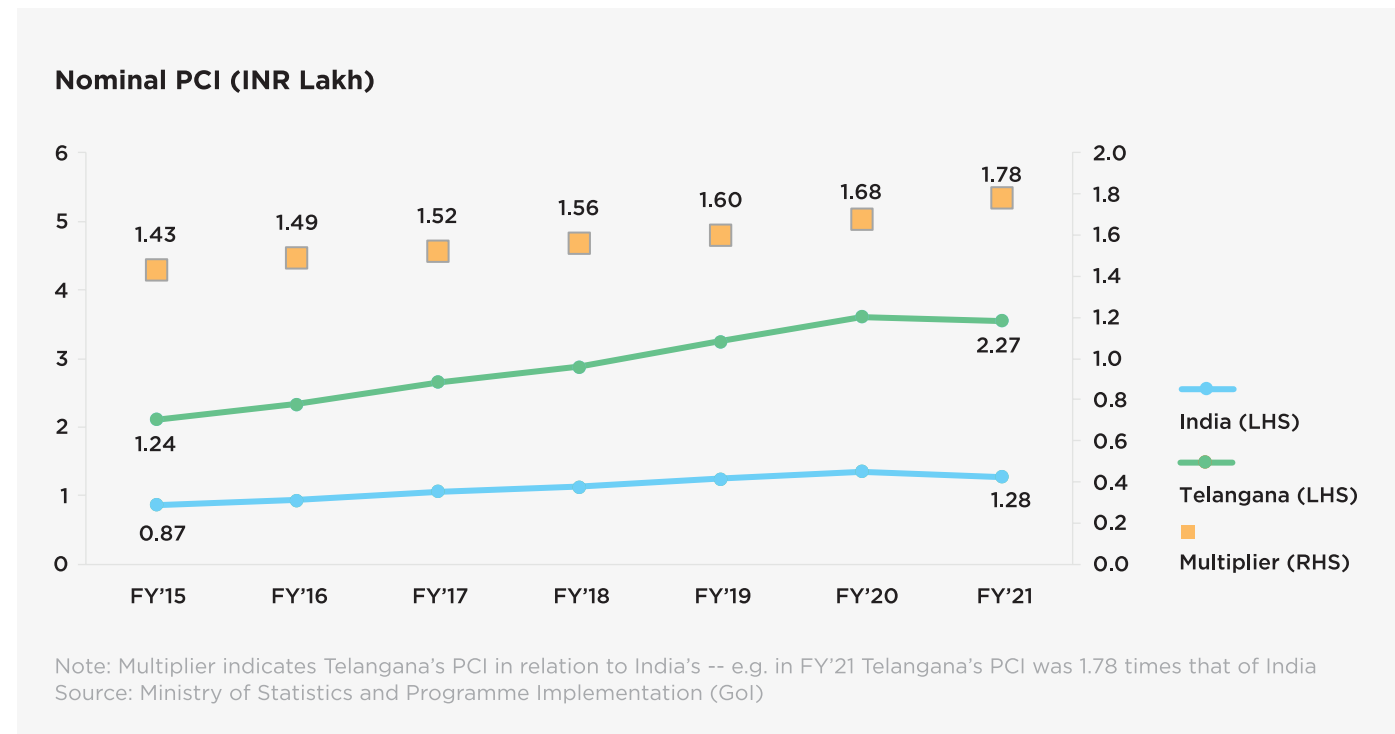
FDI equity inflows (USD Mn)



Note: Data till June 2021
Source: DIPP

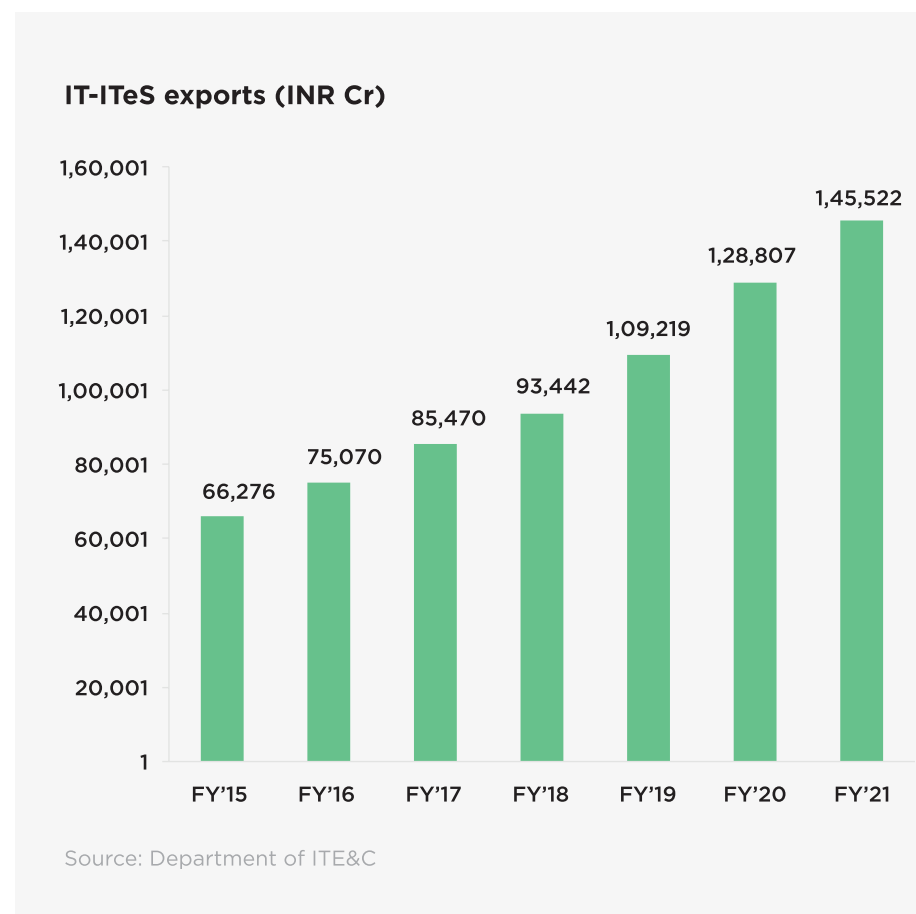
Per Capita Income (PCI)

Telangana's PCI is 1.78 times higher than the national average



IT-ITeS Exports

Telangana reported IT-ITeS exports of INR 1.45 Lakh Cr during 2020-21; registering an annual growth of 12.98%



After the state formation in 2014, Telangana's economy has grown at a fast pace. While COVID-19 halted the growth temporarily, the state's economy is likely to emerge stronger due to a diversified economic base. Growing foreign direct investments along with a buzzing agriculture and IT-ITeS sector is expected to drive future growth.





Physical Infrastructure

Sustained physical infrastructure

improvement supported the state's economic growth

Telangana is strategically located at the South-Central stretch of the Indian peninsula. It is well-connected to the other parts of the country and the world through a multi-modal transport

system. The well-established existing physical infrastructure and a healthy pipeline of upcoming infrastructure projects are likely to support the state's future growth.



Railways

Current Status

Telangana has 1,828-km long railway route which is 2.7% of the total railway route across the country¹.

INR 10,206 Cr sanctioned between 2014 to 2021 for basic amenities and railway safety measures in Telangana. Nearly INR 2,420 Cr was sanctioned during FY22.²

Well-established suburban rail network across Hyderabad.

Around 207 railway stations across the state; 5 main railway stations are - Secunderabad Junction, Hyderabad Deccan, Kacheguda, Warangal, Kazipet Junction.³

Planned⁴

2,495-km new railway lines worth INR 30,351 Cr are at the various stages of construction in Telangana.

136-km Adilabad-Armour railway line is under development.

Kazipet – Balharshah 3rd line project, Kazipet – Vijayawada line, Manoharabad – Gajwel – Kothapalli Newline, Akkanapeta – Medak new line, and Falaknuma – Dhone doubling project are under development.





Airports

Current Status⁵

Telangana has two airports – Rajiv Gandhi International Airport and Begumpet Domestic Airport at Hyderabad.

Rajiv Gandhi International Airport, the biggest airport in the state, handled 4.3 Mn passengers between Apr-Sep'21; increased by 133% compared to the same period last year.

Planned⁵

Six airports planned; the Airports Authority of India (AAI) is conducting Techno-Economic Feasibility (TEF) studies for these airports.⁶

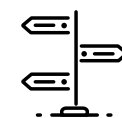
Three greenfield airports at Jakaranpally (Nizamabad), Palvancha (Bhadradi Kothagudem), Mahabubnagar, and three brownfield airports at Mamnoor, (Warangal), Basanth Nagar (Peddapally), and Adilabad have been planned by the state government.⁷

The passenger handling capacity of Rajiv Gandhi International Airport is planned to expand from the current 21 MPPA (pre-Covid, 2019) to 34 MPPA.⁸

“Siddipet is a dynamic place and is close to Hyderabad. We can expect another international airport in the area around Siddipet in the future. The establishment of an IT Tower will facilitate the development of Siddipet on all fronts.”

K. Chandrashekar Rao.

Chief Minister, Telangana⁹



Roads

Current Status¹⁰

The Roads & Buildings (R&B) Department and the Panchayat Raj Engineering Department (PRED) are accountable for laying and maintenance of road infrastructure in the state.

The R&B Department maintains a road network of 31,345 kilometers consisting of national highways, state highways, major district roads, and other district roads.

PRED maintains a road network of 69,844 kilometers of roads in rural areas.

There are 24 National Highways in the state covering a length of 3,910 kilometers, out of which 2,273 kilometers are operated by the National Highways Authority of India while the rest is under the control of the R&B Department.

Public transport - Telangana State Road Transport Corporation operates 9,779 buses in 3,422 routes, which include 11 regions, 97 depots, and 364 bus stations to various destinations in the state and the neighbouring states.

Planned¹¹

340 kilometers of ‘Regional Ring Road’ (RRR) around Hyderabad is proposed.

Surat-Chennai Expressway Corridor passes through Nasik, Ahmednagar, Akkalkot, and Kurnool. This greenfield expressway is expected to reduce the distance between Surat and Chennai to 1,270 km from 1,600 km and is estimated to cost INR 50,000 Cr. NHAI invited bids for a 38.2 km long Telangana section which is estimated to cost INR 869 Cr.

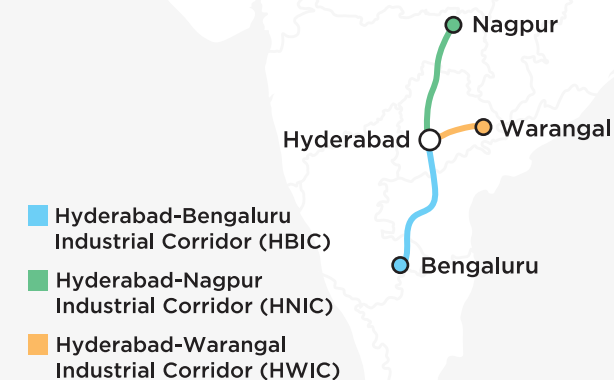
Hyderabad-Nagpur Industrial Corridor, Hyderabad-Warangal Industrial Corridor, and Hyderabad-Bengaluru Industrial Corridor are under development as part of the National Industrial Corridor Programme (NICP).¹²

An industrial township, spread across 3,500 acres, to be developed at Zaheerabad, Telangana under the Hyderabad-Nagpur Industrial Corridor.¹³

As part of the Hyderabad-Warangal Industrial Corridor, master planning has been completed for an industrial township at Hyderabad (8,000 acres)

Hyderabad-Mancherla Industrial Corridor, Hyderabad-Nalgonda Industrial Corridor, and Hyderabad-Khammam Industrial Corridor are likely to be developed in the 2nd phase.

National Industrial Corridor Programme



Note: Map not to scale, for representation purposes only
Source: dpiit.gov.in

The habitats along these corridors will unlock the real estate potential for affordable and mid-end segments for the industrial workforce. Rental housing may also emerge as a segment in the future.

Hyderabad Regional Ring Road

340-km long 4 lanes access-controlled expressway is expected to cover more than 15 districts in Telangana.

Nearly 50% of the land acquisition cost is to be borne by the state government, for which INR 750 Cr has already been allocated in Budget 2021-22.

The expressway is likely to be developed in 2 parts (northern & southern) with an estimated

cost of ~INR 16,000 Cr under the Bharatmala Pariyojana Phase-1 program.

The northern half with a length of 158 km is estimated to cost INR 9,521 Cr and will connect Sangareddy, Narsapur, Toopran, Gajwel, Yadadri, Pragnapur, Bhongir, and Choutuppal.

The southern half with a length of 182 km is estimated to cost INR 6,070 Cr and will connect

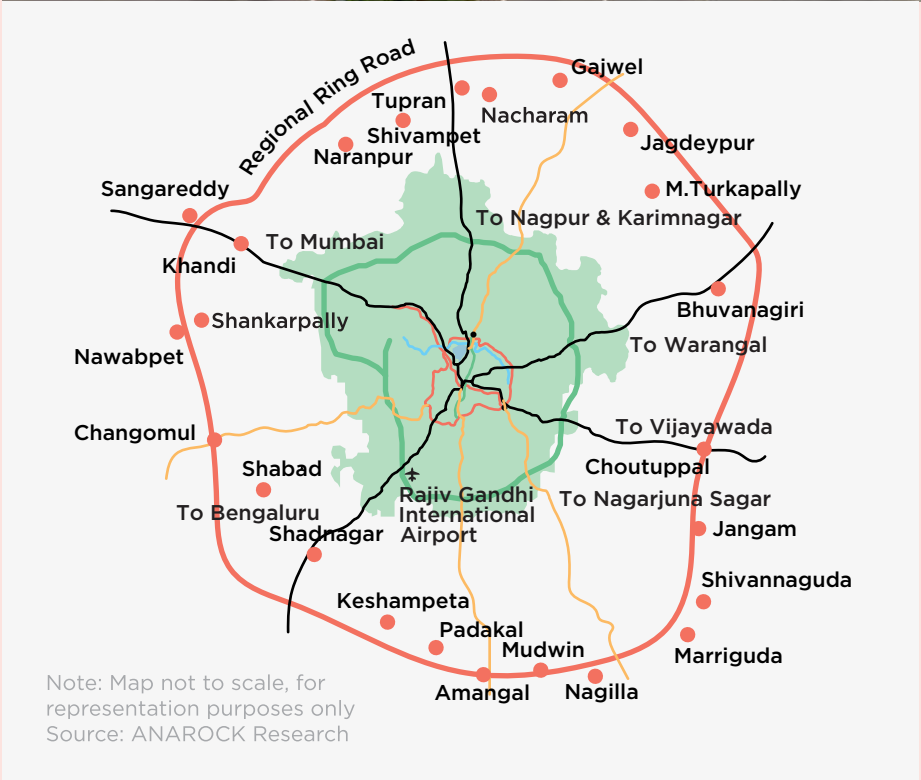
Choutuppal, Ibrahimpatnam, Kandukur, Amangal, Chevella, Shankarpally, and Sangareddy.

NHAI invited bids to prepare DPR for the northern portion of RRR in April 2021.

Once completed, the traffic towards Mumbai, Pune, Nagpur, Bengaluru, and Delhi can be diverted to RRR, reducing congestion and pollution in Hyderabad.



Nearby towns such as Siddipet, Karimnagar, Kamareddy, Mahbubnagar, Nalgonda, and Warangal may witness improved connectivity with the capital city – Hyderabad. This provides the much-needed impetus to further develop the economic activities leading to employment opportunities thereby, generating demand for housing and social infrastructure.



Metro Rail

Current Status

Out of the 73-km long metro rail network, 69.2 km is operational in Hyderabad. It is the 2nd largest operational metro network in India after Delhi.¹⁴

29-km long corridor I from L. B. Nagar to Miyapur and 29-km long corridor III from Nagole to Raidurg are fully operational.¹⁵

11-km long JBS-MGBS stretch on JBS-Falaknuma line (14.78-km long corridor II) is opened recently. Only MGBS to Falaknuma stretch is pending.¹⁶

Daily ridership reached around 4.5 lakh passengers with 780 trips every day before the pandemic.¹⁷

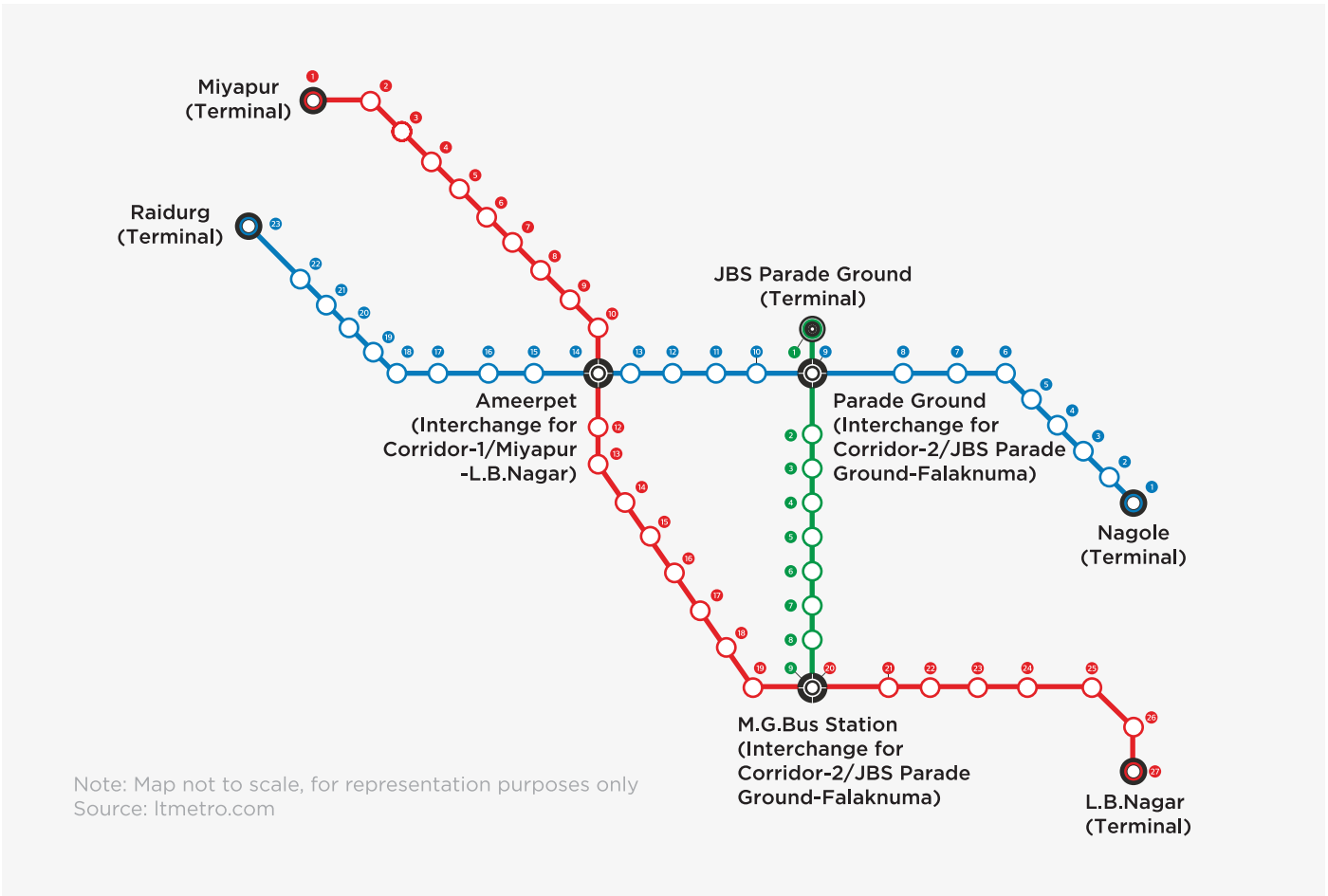
The government invested INR 2,730 Cr while L&T Metro Rail invested INR 19,307 Cr.¹⁸

Planned¹⁹

4-km long MGBS to Falaknuma stretch under Phase 1 of Hyderabad metro rail is pending. Hyderabad Metro's 58-km long Phase 2 is currently in the proposal stage and DPR is already submitted to the state government for approval in February 2020.

The Hyderabad Unified Metropolitan Transport Authority (HUMTA) is preparing the DPR on Light Rail Transit System (LRTS) from KPHB to Narsingi having a corridor length of 25.40 km.

DPR for Warangal's MetroNeo project with an estimated cost of INR 1,020 Cr has been prepared and submitted to the state government for approval. The project is to cover a distance of 15 km with 21 stations connecting Kazipet, Hanamkonda, and Warangal.



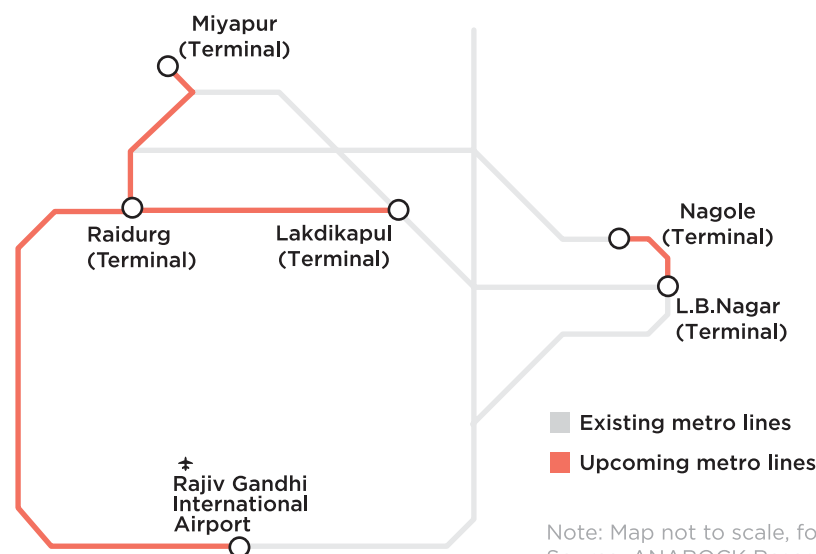
Hyderabad Metro Rail Phase 2

DPR for 58-km long phase 2 of the Hyderabad metro rail project has already been submitted to the state government for approval.

22-km long elevated corridor will connect Miyapur to Lakdikapul via BHEL, Kondapur, Gachibowli, Raidurg, Mehdiapatnam, and Masab Tank.

31-km long Raidurg to Rajiv Gandhi International Airport metro corridor is expected to have eight stations at Bio-Diversity Junction, Nanakramguda, Narsingi, TS Police Academy, Rajendranagar, Shamshabad, Airport Cargo, and Airport Terminal. The metro line is estimated to cost around INR 5,000 Cr out of which 10% of the project cost (INR 500 Cr) is likely to be invested by GMR Hyderabad International Airport Ltd.

5-km long extension will connect Nagole to LB Nagar.



Note: Map not to scale, for representation purposes only
Source: ANAROCK Research

Telangana has a robust physical infrastructure that supported the state's growth for many years. However, the mega infrastructure projects are mainly concentrated in the capital city – Hyderabad. For the holistic upliftment of the state, decentralization of the population and development of physical infrastructure in other cities such as Warangal, Nalgonda, Karimnagar, Adilabad, and Mahabubnagar is necessary and is underway. This will drive the next phase of inclusive growth in the state.



Sectoral Snapshot

Strong fundamentals to support a **well-balanced regional development**

The economy of Telangana is heavily dependent on the agriculture and allied sector. However, the emergence of IT-ITeS sector has provided new avenues of growth to the state's economy.

Decentralization of growth to other cities within the state is necessary for the overall upliftment of Telangana.

Agriculture²⁰

Backbone of the state's economy

Key highlights



Government initiatives to support the sector

- Several irrigation projects such as the Kaleshwaram, Sita Rama, Palamuru-Rangareddy, and Mission Kakatiya were launched to reduce the dependency on rainfed irrigation
 - >50% of net sown area in 2019-20 in the state is irrigated; increased from 39% in 2014-15
- The Irrigation and CAD Department has been restructured to provide water to at least one crore acres of land
- Kaleshwaram lift irrigation project irrigate 18.3 lakh acres of land across 13 districts; completed with a cost of INR 1.06 Lakh Cr
- Sita Rama project to cover 5 lakh acres across Bhadradri, Khammam, and Mahabubabad districts; estimated to cost INR 13,058 Cr
- Palamuru-Rangareddy project to irrigate 12.3 lakh acres across Nagarkurnool, Mahabubnagar, Rangareddy, Vikarabad, and Nalgonda districts; estimated to cost INR 49,595 Cr
- Under Mission Kakatiya, nearly 46,531 water tanks are likely to be restored and have the capacity to serve around 37 lakh acres of land
- Investment support to farmers under Rythu Bandhu; INR 14,651 Cr was disbursed under the scheme during 2020-21 to around 59 lakh farmers, the biggest in terms of financial outlay across the other states
- Providing life insurance under Rythu Bima
- Free 24x7 power supply to the agriculture sector

COVID-19: An Impact Assessment

The agriculture sector in Telangana was the least affected during the pandemic owing to the robust infrastructure and policy support. It can be substantiated by the exponential growth of agriculture and allied sector by 20.9% in 2020-21 despite the pandemic.

While agriculture production was not hampered severely, farmers faced several challenges in transportation as the physical movement of goods and services was restricted during the pandemic. As an example, average paddy arrivals between April-August (2017-2020) were 30,600 MTs; decreased by 50% to 15,716 MTs in 2020.

To keep the sector buoyant during the COVID-19 pandemic, the state government procured

the agricultural produce directly from the farmers. While Paddy worth INR 9,199 Cr was procured, cotton worth INR 10,167 Cr was procured directly in 2020-21 to support the farmers. Nearly 6,400 paddy purchase centres were opened across the state despite the lockdown restrictions. A coupon system was introduced at the centres to minimize crowds. Additionally, the state government promoted

Mobile Rythu Bazaars during the pandemic and encouraged online orders which allowed farmers to directly sell their produce to local consumers. Nearly 500 MTs of perishable produce (mostly vegetables and fruits) was sold through Mobile Rythu Bazaars and delivered directly to consumers' homes.

The thriving agriculture sector is capable of driving the residential real estate developments across the state as incomes are expected to grow largely owing to the government's initiatives. Social infrastructure, connectivity, and alternate economic activities are expected to flourish in the rural and semi-urban markets creating new opportunities.

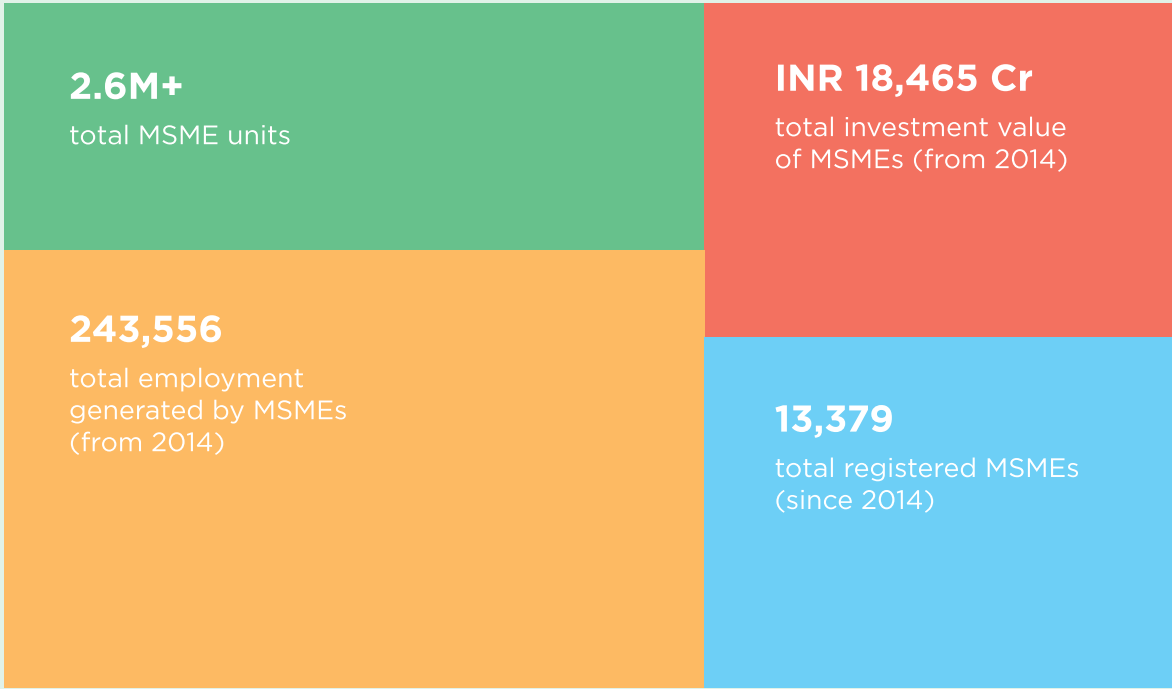


MSMEs²¹

To chalk the path for industrial development across the state

Category-wise MSME details (2014 to 2020)

Category	No. of Units	Investment Value (INR Cr)	Employment Generated
Micro	8,094	2,600	81,121
Small	4,923	11,865	1,31,942
Medium	362	4,000	30,493
Total	13,379	18,465	2,43,556

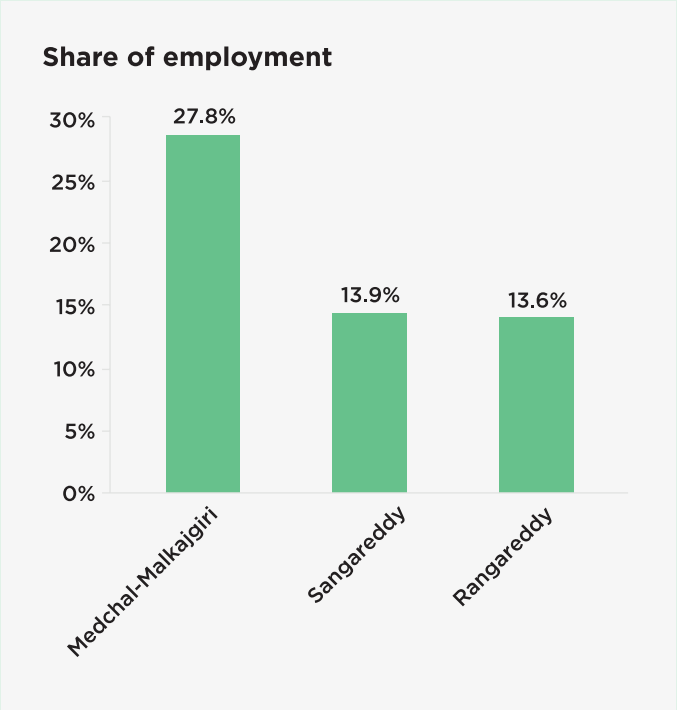
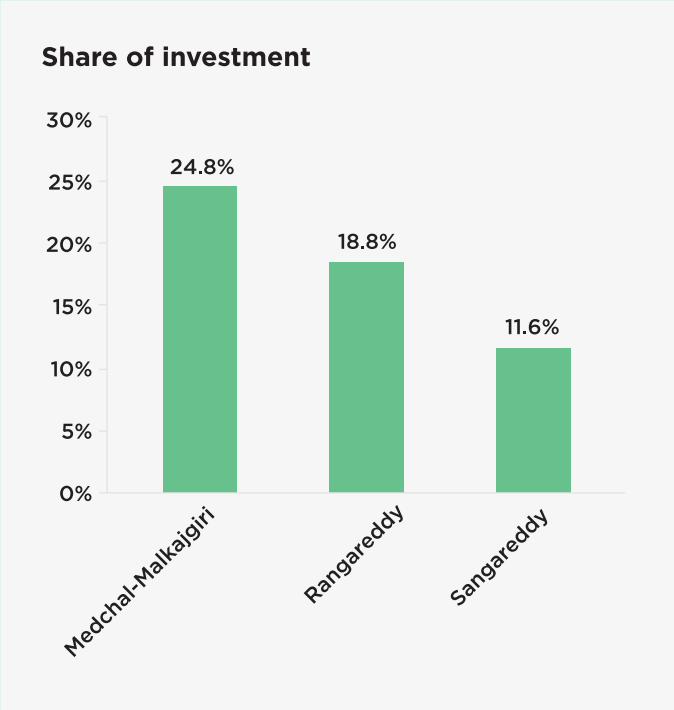
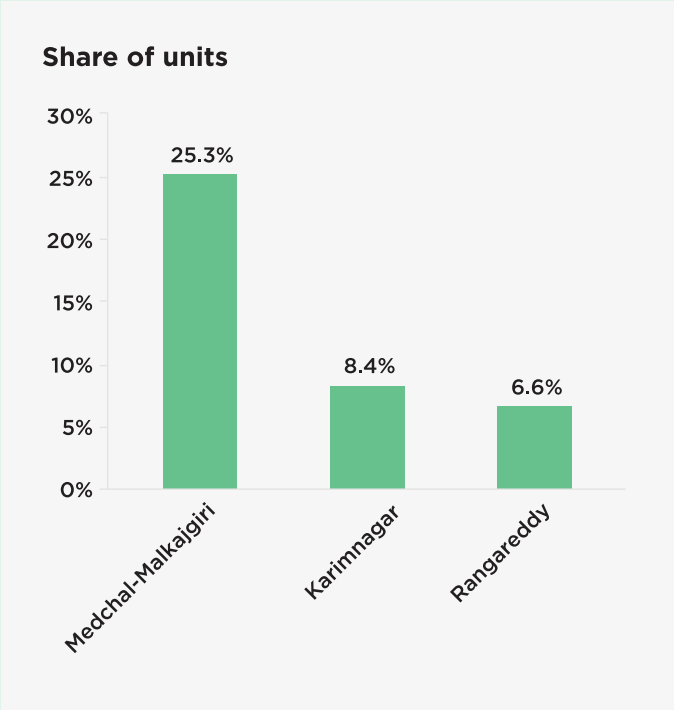


Medchal-Malkajgiri, Sangareddy, Rangareddy, Karimnagar districts account for majority of the MSME units, investment, and employment across the state.

MSME workforce is the major demand driver for affordable housing. These districts have a high potential to be developed as affordable housing destinations in the state.

While nearly 60% of the MSMEs units come under the micro category, around 64% of the investment is generated through small MSMEs. These enterprises altogether accounted for 87% of the employment generated between 2014 to 2020. The state government is capable of drawing a robust growth path for the development of MSMEs in the state. This may further enhance the economic profile of the state.

Top 3 districts by MSME units, investment, and employment



Pharmaceuticals & Life Sciences²²

One of India's biggest pharma manufacturing hubs

Key highlights

1/3rd

vaccines produced globally²³

INR 11,846 Cr

worth of investments attracted in the last 4 years

>70,000 people

employed in the last 4 years

>800

life sciences companies in Hyderabad; Life Sciences Capital of India²⁶

19

life sciences and MedTech incubators²⁸ in Hyderabad

INR 16,705 Cr

worth of pharmaceutical product's exports in 2019-20; accounted for 32% of the goods exports



40%

of total drug production & 50% of bulk drug exports of India²⁵



30%

pharmaceutical production of the country²⁴



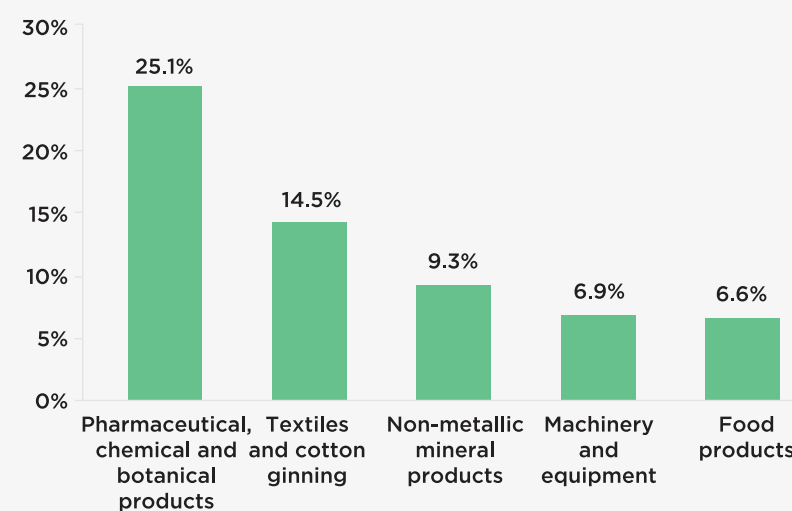
20%

of India's pharma exports come from Hyderabad²⁷

National Centers of Excellence



GVA share of top manufacturing sectors (2019-20)



Source: Directorate of Economics and Statistics

Specialized Medical Clusters

Genome Valley, Hyderabad

Spread across 600 sq km, it is India's first and largest life sciences manufacturing and R&D cluster. The cluster is playing a pivotal role in COVID-19 vaccine development as three of the largest vaccine manufacturers in India have their bases here.

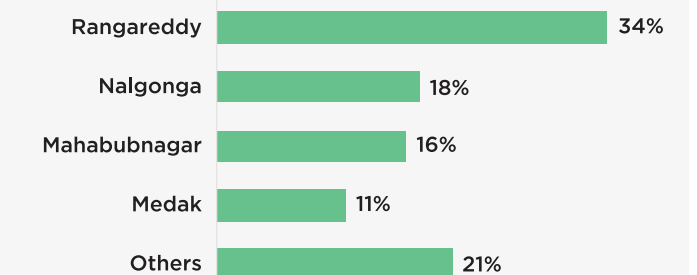
Medical Devices Park, Sultanpur

Spread across 302 acres with an estimated investment of INR 1,130 Cr. Launched in 2017, the park already allocated 92 acres (more than 50% of the allottable land) to 37 companies. The project is expected to generate employment for 5,925 people once fully functional.

Pharma City, Hyderabad

Spread across 19,000 acres, it is the world's largest pharmaceutical industrial park. The project is expected to attract investments worth INR 71,000 Cr along with employment to 5.6 lakh people. The project has been granted National Investment Manufacturing Zone (NIMZ) status in December 2019.

District shares of pharma and chemical products



Note: ASI data for 2017-18 was used to estimate district shares, as Directorate of Economics and Statistics GVA figures are not available at the district-industry level.
Source: Annual Survey of Industries 2017-18

Key Players



COVID-19: An Impact Assessment

Demand for life-saving drugs and vaccines increased drastically during the COVID-19 pandemic. The state's pharmaceutical sector has made a significant

contribution to the COVID-19 response by supplying Remdesivir and Favipiravir in bulk quantities to treat COVID-19 patients. One of the first RT-PCR

Currently, biotech companies in and around Hyderabad contribute to 1/3rd of the world's vaccine production.

test kits approved by the Indian Council of Medical Research (ICMR) was from Hyderabad. Additionally, COVAXIN, the first indigenously developed vaccine

for COVID-19, comes from Bharat Biotech, a Hyderabad-based company. Along with Bharat Biotech, Biological E and Dr. Reddy's are also involved in the

development of the COVID-19 vaccine.



IT-ITeS²⁹

A key driver of growth in the state

Key highlights

6.3 Lakh

people employed

2.21x

export growth compared with national average³⁰

INR 1.5 Lakh Cr

of IT exports in 2020-21; a 12.98% increase over the previous year

Holistic

development with T-hub, We-Hub and TSIC conceptualisation

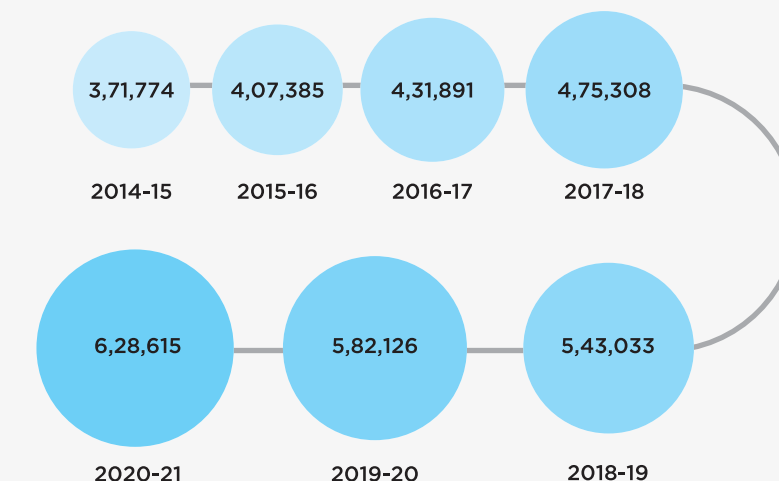
Hyderabad

IT-ITeS concentration in Gachibowli, Madhapur and Nanakramguda. 2 more nascent clusters at Adibatla and Pocharam

ITIR

Information Technology Investment Region to generate 1.5 Mn direct and 5.3 Mn indirect jobs in the next 5 years

IT employment



Source: Department of ITE&C

The state government encourages IT-ITeS companies to consider Tier II locations like Warangal, Karimnagar, Nizamabad, etc. due to the availability of cheaper land (as compared to Hyderabad) and infrastructure, and the presence of a number of professional colleges. As a result, CYIENT and Tech Mahindra opened their offices in Warangal. CYIENT employed 200 engineers and is planning to hire 600 more, while Tech Mahindra is likely to provide employment to nearly 1,000 people³¹.

Key Players

Home to >1,500 IT-ITeS companies

IBM

Microsoft

Deloitte.



TCS TATA CONSULTANCY SERVICES

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Infosys

BANK OF AMERICA

COVID-19: An Impact Assessment

As the physical movement of goods and services was restricted during the lockdown, most of the IT-ITeS companies opted to work from home culture. This led to uninterrupted productivity in the sector. Additionally, the significance of online selling and services amplified during the pandemic due to the fear of contagion. Various businesses went online to tap the market demand.

Increased demand and continuous productivity kept the sector buoyant. IT-ITeS exports in Telangana have grown by 12.98% in 2020-21 despite the pandemic.

The state has hired 46,489 people in the sector. The job growth in the state has been 7.99% in 2020-21 compared to the previous year. This is significantly higher than the national average of 2%.

During the time of the pandemic, the state witnessed large investments which show investors' confidence in Telangana's economy.

Amazon Data Services India is setting up three data centres with an investment of INR 20,761 Cr (USD 2.77 Bn)

National Payments Corporation of India (NPCI) is likely to set up a smart data centre in Hyderabad with an

estimated investment of INR 500 Cr

Goldman Sachs has selected Hyderabad as its location for the global shared services footprint in India

JP Morgan opened their campus in Hyderabad

Fiat Chrysler Automobiles (FCA) is likely to invest USD 150 Mn to set up a new Global Digital Hub in Hyderabad; generating employment for 1,000 people

MassMutual to set up Global Capability Center in Hyderabad with an initial investment of INR 1,000 Cr and employment potential of >300

Industrial growth in the state will be able to create a robust base and reduce dependence on specific sectors and lead to the decentralization of growth to the other cities for the overall upliftment of the state.

SWOT Analysis

Strengths and opportunities outweigh the weaknesses and threats



S Strengths



Strong & growing economy – Telangana registered an average growth rate of 8.9% between FY'15 to FY'20; significantly higher than the national average of 6.8%³²



Agriculture and allied sector provides resilience – The agriculture and allied sector grew significantly by 20.9% in 2020-21, despite the ongoing pandemic³³



High per capita income – Telangana's PCI is 1.78 times higher than the national average³⁴



Robust physical infrastructure – Well-connected to the other parts of the country and the world through multiple modes of transport



Pharma hub of India – Telangana accounted for 1/3rd of vaccines produced globally³⁵. Bharat Biotech, Dr. Reddy's, Divis Laboratories, Hetero Labs, Aurobindo Pharma are some of the major pharmaceutical companies in Telangana



Presence of global IT-ITeS majors – Large corporates such as Apple, Amazon, Microsoft, Facebook, Infosys, Google, TCS, Deloitte, IBM, and many more are located in Telangana



Ease of doing business ranking – Telangana ranked 3rd in the Ease of Doing Business ranking for the year 2019



Maintenance of irrigation facilities – The majority of the rivers are flowing lower than the land level; needs ample power supply to maintain the lift irrigation projects



Development concentration – The majority of the urban population and development have been undertaken in Hyderabad. There is a need for decentralization



Landlocked state – Telangana is dependent on the nearby states for the export-import through ports

W Weaknesses

O Opportunities



Urbanization rate – Telangana has an urbanization rate of 38.88% which provides a huge upside potential for future developments³⁶



Upcoming infrastructure projects – Various mega infrastructure projects such as RRR and metro rail planned to improve the connectivity



Favourable government policies – The government is relatively new compared to other states and is focused on overall development by providing conducive business conditions



Evolving real estate market – A stable employment ecosystem driven by IT-ITeS, pharmaceuticals, and BFSI sectors, rising income, and high aspirations of the younger generation has been fuelling real estate markets across the state



Mineral-rich state – Telangana is the only state in entire southern India with vast deposits of coal³⁷ which can be exploited for growth



Heavy dependency on rains – Rainfall is not certain and poses a threat to the agriculture-led economy



The rapid growth of IT-ITeS companies in nearby states – The presence and growth of IT-ITeS majors in Maharashtra and Karnataka are growing at the fast pace

T Threats





Hyderabad Residential RE

Charting a **new growth trajectory**

A stable employment ecosystem driven by IT-ITeS, pharmaceuticals, and BFSI sectors, rising income, and high aspirations of the younger generation has been fuelling real estate markets across the state.

The average age of people investing in real estate currently is 35 years, significantly lower than the trend in the past few decades where the demography of the buyers was over 50 years of age.

The COVID-19 pandemic has accelerated the trend of youngsters buying homes as a haven and the results are visible in the residential real estate segment of the state's capital – Hyderabad.

The IT-ITeS, pharmaceuticals together with the services, BFSI, and the industrial segments have been driving the housing demand across the various sub-segments of the residential asset class. While apartments are more preferred among the new generation of buyers, villas and plots also feature in the list with similar weightage. The profile of these buyers is diverse, and the purchase decisions are influenced either by an upgrade to bigger and better homes or a second property or to invest and earn from the rental along with

the capital appreciation. The city has metamorphosed with the arrival of the shared economy in the residential space offering professionally managed assets and a stable annuity return.

Hyderabad has always been a plug-and-play city for global corporates who have a large presence here. Also, the physical and social infrastructure is well-developed which makes Hyderabad liveable and a prominent city of India. Post the pandemic the residential real estate market in Hyderabad has been on an expansion spree, as evident from the rise in supply. As the state's economy grows and new employment opportunities arise, the demand for housing is likely to rise.

Demand-Supply Dynamics

The residential real estate sector in the city has always been disciplined and cautious. The developers have been judiciously adding new supply to ensure a demand-supply equilibrium. It is pertinent to note that post the implementation of the reforms such as Demonetisation, RERA, GST, and IBC, the residential real estate sector has altered its trajectory to re-align with the changing market conditions.



This is evident from the trend that, post-2017 the supply was rationalised with the demand leading all along. The last two years before the pandemic has indicated the trends of the maturing market where the supply and demand were nearing equilibrium.

The impact of the COVID-19 pandemic visible in the global economic growth was obvious in the city's real estate development as well. However, the city was quick to recover through innovative ways and means to bring the real estate business back on track. While the construction activities had paused momentarily during the lockdown, the developers were seen to resume the operations quickly with proper adherence to safety and health guidelines issued by the authorities and ensuring the wellbeing of their employees and customers.

The subsequent quarters of 2020 (post Q2) recorded retrieval of the supply and demand only to be momentarily paused again in Q2 2021 for the second phase of the pandemic. The supply was aggressively added as many developers had approvals for the projects which had been postponed due to the unprecedented crisis and lockdown created by the pandemic. The post-pandemic period also witnessed a revival in quarterly demand for residential assets and had achieved the pre-pandemic levels of 2019. As the supply has already gained momentum the demand is expected to catch up soon. There is a high possibility of a trend reversal in the short term where the demand is likely to exceed supply resulting in the reduction of the available inventory and creating ground for an upward price revision.

This growth was mainly driven by rising sentiments of homeownership amidst

the pandemic. The buyers had realised that while other assets such as equities and gold had witnessed significant devaluation leading to erosion of wealth, real estate assets

remained firm and protected. The demand was further stoked by offers and discounts from developers and the lowest interest rates offering the best affordability in recent times.



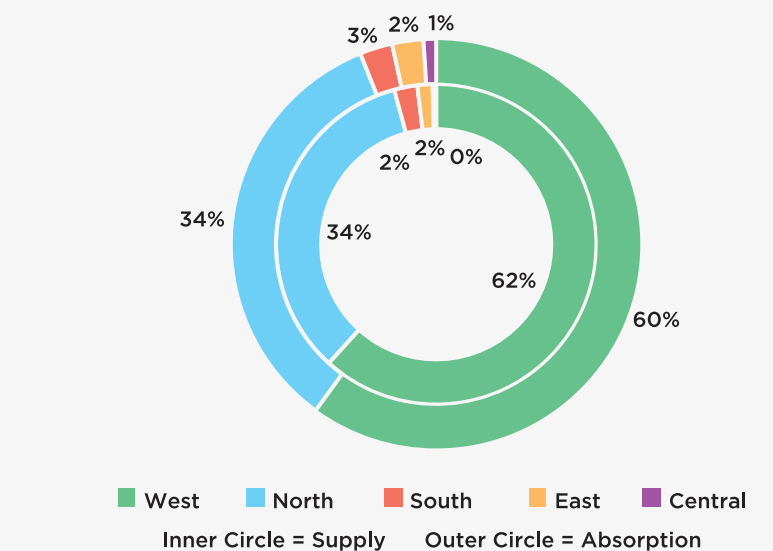
While the first phase of the pandemic was a complete washout, like the rest of the country, the recovery in the city's residential real estate is seen to be steep and dynamic.

Regional Demand-Supply Dynamics

The above factors were instrumental in the rise in demand for apartments in the regions housing the economic hubs of the city. The western and northern regions have been the most preferred ones due to the concentration of employment zones. The activities were seen to be on the rise in the last few quarters.

The eastern and southern regions continue to remain dormant while the action has gained further momentum in the northern and western regions. From 2020 till Q3 2021 the western market continued to dominate with a 60% share of supply and 60% share of demand. The northern region accounted for a 34% share of the supply and demand.

Zonal break-up of demand and supply (2020 - 9M 2021)



Source: ANAROCK Research

It is imperative to decentralize the development and move towards the other regions. While the physical infrastructure has already been established to create momentum for development in the eastern and southern regions, some incentives and focus by the government will be influential to generate interest from buyers, investors, and developers. This will also help to reduce the burden on the existing infrastructure in the western and northern zones and create opportunities for holistic development across the city.

Supply Trend by Budget

A strong economic base driven by the high-income generating sectors of IT-ITeS, BFSI, and pharmaceuticals has resulted in the demand for housing in the mid-end (INR 40 lakh to INR 80 lakh) and the high-end segment (INR 80 lakh to INR 1.5 Cr). More

than 75% of the supply has been infused in these segments in the last few years.

As the course of the economy expands to include manufacturing and industrial segments in the peripheral

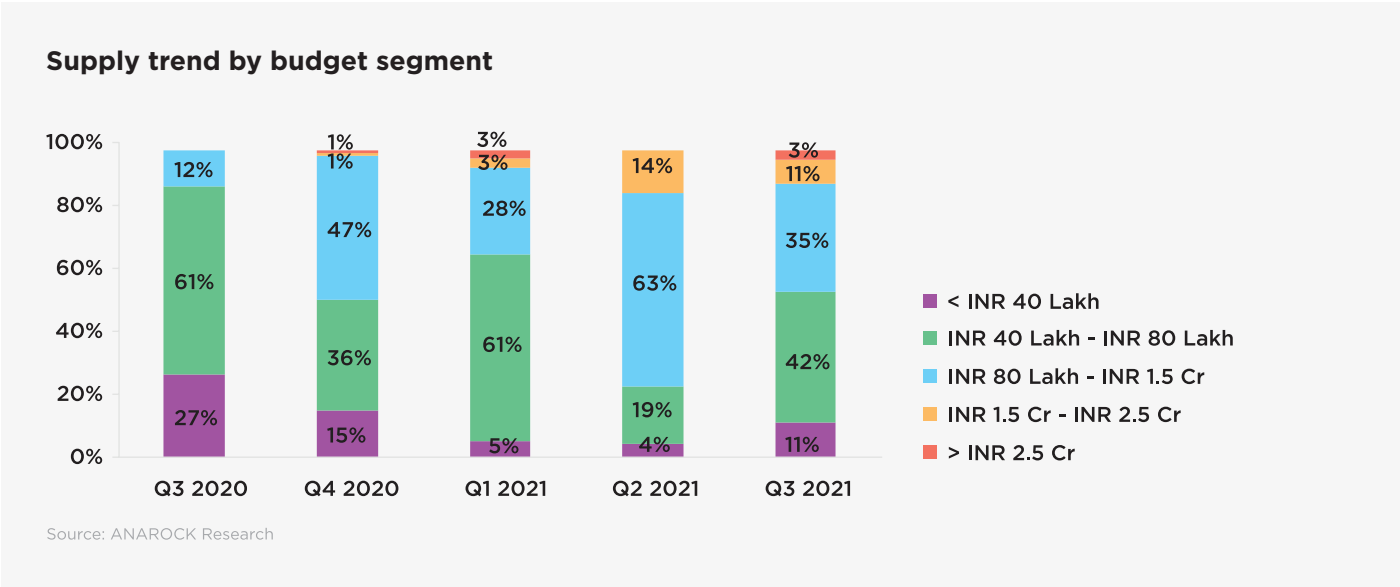
fringes of the city, there is going to be a need for smaller affordable homes.

The residential real estate prices across the city have been steadily appreciating and have risen by 5% over the last five

years. The prevailing weighted average price for residential assets in the city is estimated to be INR 4,240 per sq ft. However,

the difference is wide across the geographical locations and the western region has been seen to be way above the city average.

The majority of the high-end and luxury developments in the city are also concentrated in this region.



To enable holistic growth across the city there is a dire need for the developments to be spread across the sizes and budget segments. A high concentration of mid-end and high-end segments and a practically low supply of affordable housing may not augur well for the economic diversification planned by the government. As the industrial, manufacturing, and logistics sectors gain momentum, housing sector will require to be broadened to accommodate the workforce.



This is likely to create the demand for affordable housing in the locations adjoining the economic hubs. Also, with the shared economy securing traction and the presence of several large players in the space for co-living, the housing segment has the potential for further growth in the future.

Outlook

Telangana’s economy has grown exponentially in the past couple of years on the back of robust physical and social infrastructure developments. The state’s economy is majorly driven by agriculture, pharmaceuticals, and IT-ITeS sectors. Many large corporates have set up their base in the state owing to its resilient and vibrant economy.

Agriculture sector is the backbone of the state’s economy. Various irrigation projects in Telangana are likely to provide impetus to the sector which may generate opportunities and new markets for aspirational products and services across the state.

The large base of MSME units provides ample opportunities for industrial development across the state. Backed by robust infrastructure, this sector is likely to create abundant direct and indirect employment opportunities. This has the potential to generate demand for affordable and mid segment housing across the state.

IT-ITeS activities are largely concentrated in Gachibowli, Madhapur, and Nanakramguda in Hyderabad. However, COVID-19 changed the working dynamics for the sector as WFH has been accepted worldwide. This may lead to the decentralization of IT-ITeS companies from tier I to tier II cities due to the presence of a rich talent pool. Various companies are already exploring Warangal, Karimnagar, and Nizamabad cities as the next IT-ITeS destination.

The strength and resilience exhibited by the pharmaceutical sector during the pandemic provide encouraging opportunities for growth in the future. The prospect of future vaccines and booster dosage is capable of keeping the sector buoyant. The development of pharma city, genome valley, and medical devices park is anticipated to be major employment generators in the medium term.

The real estate market is expected to grow on the back of sectoral development across the state. The demand and supply have already attained equilibrium in Hyderabad. The strong fundamentals and robust infrastructure back the immense potential of the sector. The planned regional ring road and the industrial corridors are likely to unlock the new land parcels in the adjoining districts and boost the overall economic development.

Appendices

¹ Indian Railways Year Book, 2019-20

² Media articles

³ Media articles

⁴ Media articles

⁵ Airports Authority of India

⁶ Media articles

⁷ Media articles

⁸ Media articles

⁹ Media articles

¹⁰ Telangana Socio Economic Outlook 2021

¹¹ Media articles

¹² pib.gov.in

¹³ dpiit.gov.in

¹⁴ Media articles

¹⁵ Media articles

¹⁶ Media articles

¹⁷ Telangana Socio Economic Outlook 2021

¹⁸ Telangana Socio Economic Outlook 2021

¹⁹ Media articles

²⁰ Telangana Socio Economic Outlook 2021

²¹ invest.telangana.gov.in

²² Telangana Socio Economic Outlook 2021

²³ invest.telangana.gov.in

²⁴ invest.telangana.gov.in

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²⁷ NITI Aayog, arthNITI, Volume Seven, 31st August 2021

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³⁰ invest.telangana.gov.in

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³² DES and MOSPI

³³ DES and MOSPI

³⁴ MOSPI

³⁵ Telangana Socio Economic Outlook 2021

³⁶ Telangana State Portal

³⁷ Department of Mines & Geology; Government of Telangana



With the vision to contribute to the overall pace of development of the state of Telangana by transforming its real estate landscape, Confederation of Real Estate Developers' Association of India, CREDAI TELANGANA, is single-mindedly striving to build a robust, efficient, organized, and transparent ecosystem for real estate industry.

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