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Economy Overview

- Wholesale price-based inflation (WPI) fell sharply within a short span of three months – to 4.7% in May (lowest rate since Oct. 2009) from 7.3% in Feb. 2013.
- The recent sharp depreciation of the rupee (around 12% since May 2013) has raised concerns over the future trajectory of inflation.
- Index of industrial production (IIP) fell by 1.6% on a YoY basis in May. The current slowdown in the industrial sector is a reflection of both slowing investments as well as a sustained moderation in consumption demand.
- The Consumer Price Inflation (CPI) rose 9.87% YoY in June 2013, up sharply from 9.3% in May 2013.
- This time incrementally inflation is expected to be higher across the three segments -- food, fuel and manufacturing. For food, largely the reason is (costlier) fruits and vegetables and for the other two segments its largely the currency weakness.
- The RBI has cut the key lending rate three times this year, but refrained last month, warning that food prices and the falling currency pose inflationary risks.
- The PMI (Purchasing Managers Index) for the manufacturing industry stood at 50.3 in June 2013, slightly higher than 50.1 in May 2013. However, output witnessed a decline for the second consecutive month.
- The uncertainty regarding the near-term rupee trajectory and likely upward pressures on inflation in June have reduced the likelihood of RBI easing rates at its July policy meeting.
- The RBI made modifications on the policy regarding External Commercial Borrowings (ECB) for low-cost affordable housing projects in India. The circular has eased fund-raising norms through the ECB route for the low-cost affordable housing projects. Both, housing finance companies (HFCs) and developers, are the direct beneficiaries while home buyers will also benefit in terms of concessional interest rates and greater availability of low-cost homes.

Residential Overview

- The Delhi NCR Residential markets witnessed subdued activity across all major micro-locations. Focus has been more on the peripheral locations such as Noida Extension, Greater Noida and Yamuna Expressway.
- Sarjapur Road and its adjacent areas contributed towards a large chunk of the total number of new launches in South Bangalore.
- Pune residential market continues to witness robust demand mainly in the mid-income housing segment and there has been a marginal price increase of 2-3% across projects

Residential Roundup

City	Top 7 Cities : Residential Key Trends
Mumbai	<p>Mumbai residential market continued to witness healthy sales momentum during the month of June 2013 largely attributed to the lucrative discount/payment schemes such as the 20:80 scheme, being offered by many developers across projects. One of the reasons for this sudden increase in projects being offered under the 20:80 scheme is owing to the fact that the Government had announced 30 June 2013 as the deadline for offering the 20:80 payment scheme. While new launches were largely concentrated in the western suburban region, the South Mumbai region witnessed no new key launches. Many projects across Mumbai witnessed a marginal price increase of 3-5% across projects.</p> <p>We expect capital values in Mumbai to remain stable in the upcoming quarters due to the rising input costs. While the demand for the investment residential properties and end-user homes in Mumbai has remained stable over the past one month, we expect an improvement in the second half (Jul-Dec) largely supported by pent up demand, lower interest rates and economic recovery.</p>
Delhi NCR	<p>The Delhi NCR Residential markets witnessed subdued activity across all major micro-locations. While no new residential launches were witnessed in Gurgaon, few launches were noticed in Noida, Greater Noida and Yamuna Expressway belt during the month. Absorption in the primary markets of Gurgaon and Noida essentially tapered, signifying low buyer confidence prevailing in the market. Capital values remained stable during the month.</p> <p>Developers in matured markets of Gurgaon and Noida are predominantly focusing on mitigating the pile-up inventory rather than on infusing more supply into the market. Few renowned developers in Gurgaon are offering subvention schemes, which further reflect the muted market demand for the premium units. Going forward, the peripheral locations such as Noida Extension, Greater Noida and Yamuna Expressway are expected to witness new supply and healthy absorption catering to the mid-segment buyers and investors.</p>
Bangalore	<p>The capital values are expected to be stable for most micro-markets in Bangalore. Factors like sustained demand and high concentration of mid segment housing, proximity to airport and IT hub are expected to cause appreciation of capital values. The rental values are expected to remain stable over the next quarter across most markets. Brigade Enterprises has launched a residential project "Golden Triangle" on the Old Madras Road. The project is offering 2/3/4 BHK at a price range of INR 49 lac, 60 lac and 87 lac respectively.</p>
Chennai	<p>Grand Southern Trunk (GST) Road, Sriperumpudur and Porur have witnessed significant increase in terms of inquiries and conversions over the previous year. The Old Mahabalipuram Road (OMR) belt has seen some traction during the last twelve months, with launches along certain stretches of this 26-km road, witnessing good absorption levels. However, pricing relative to the location remains the key factor in determining the success of a product.</p> <p>VGN Developers, a Chennai based firm, has announced the launch of a residential project VGN Coasta on the East Coast Road (ECR). The 130 crore project will come up opposite MGM Dizzee World, an amusement park on ECR, between Chennai and Mahabalipuram. Spread over 2.17 acres, the project will offer 87 apartments on 16 floors. The project offers 3/4 BHK homes ranging from 2,600 sq.ft. to 4,100 sq.ft., with flats priced from INR 1.82- 2.87 crore depending on the size.</p> <p>Chennai-based Olympia Merlin Developers has launched a high end villa and apartment project on the city's East Coast Road (ECR). It has tied up with McNally Bharat Engineering as its construction partner for this. The 900 crore project — Reflection — spread over 35 acres, will offer 163 villas and 116 apartments in four high-rise towers with sea view. While the apartments are sized around 3,500 sq.ft., the villas come in varied sizes between 4,500 sq.ft. and 6,000 sq.ft. While the apartments are priced around INR 2.5- 3 crore, the villas come in the price range of INR 3.5 - 5 crore.</p>
Hyderabad	<p>The Hyderabad residential market remained muted during the month. Expected launches were deferred due to a delay in the approval process. Though the market witnessed a couple of new launches in the affordable and premium segment in Hyderabad. The capital values have remained fairly stable across micro-markets of Hyderabad.</p> <p>SHRIYA Constructions is coming up with its new residential project SK Wonders NCB at Kondapur, close to Hitec City, in Hyderabad. The project will offer 2/3 BHK apartments ranging from 860 sq.ft. to 1,675 sq.ft. with units priced in the range of INR 27.5-46.8 lac depending on the size specifications.</p> <p>Realty major DLF has sold 32 acre of land in Hyderabad for about INR 650 crore to Suvarnabhoomi Developers as part of its strategy to exit from the non-core assets and reduce debt. The company has signed an agreement with local builder Suvarnabhoomi Developers to sell this plot.</p>
Pune	<p>Pune residential market continues to witness robust demand mainly in the mid-income housing segment and there has been a marginal price increase of 2-3% across projects. West-Pune region, in particular, witnessed healthy transactions in areas such as Hinjewadi and Wakad, mainly backed by demand from IT/ITES employees and given its proximity to Mumbai-Pune expressway. Residential demand in Pune continues to be robust owing to (i) demand-supply gap especially in the mid-income housing segment, and (ii) slower pace of new project launches due to delay in environmental clearances. 25-30% of the overall transaction volumes in Pune continue to be from buyers in Mumbai.</p> <p>Most of the residential projects being launched in Pune are concentrated in the North-Western and South-Eastern areas. Many developers in Pune are moving towards the premium housing segment with larger area offerings (1,250 sq.ft. for a 2BHK apartment) and better amenities. Most of the planned future launches are mainly in the premium residential segment lined up in areas such as Hinjewadi, Wakad, Ravet and Kharadi.</p>
Kolkata	<p>A few new launches were witnessed in Kolkata by the Fort Group and the Avani Group. Buyer demand was predominantly witnessed for the mid-segment units in the price band of INR 40-65 lacs. Southern peripheral locations such as Garia, Narendrapur and the Eastern micro-markets of old Rajarhat and certain parts of EM Bypass witnessed maximum traction. Capital values essentially remained stable, barring a few mid-segment projects which witnessed price hikes to the tune of INR 200-300/sq.ft.</p>

Source : ICICI PSGs Channel Sources

Key Residential Project Launches

	Projects	Developer	Location	Capital Value (INR sq.ft.)
Mumbai	Mayfair Akshay	Mayfair Group	Andheri (West)	23,000
	Park Vista	Bharat Infra	Andheri (West)	21,000-23,000
	Uthopia	Siddhivinayak Developers	Sector 5, Ulwe	5,500
Delhi NCR	Yamuna City	Gaursons	Yamuna Expressway	2,095
	Urban Young	Cosmic Group	Greater Noida	2,785
	Rise Sky Bungalows	Rise Developers	Suraj Kund, Saridabad	7,500
Bangalore	Golden Triangle	Brigade Enterprises	Old Madras Road	49lac/60lac/87lac
Chennai	VGN Coasta	VGN Developers	East Coast Road	1.82-2.87crore
	Reflection	Olympia Merlin	East Coast Road	3.5-5 crore
Hyderabad	Beverly HILLS	Green Homes	Jaipally Village	39lac/43lac
	S K Wonders NCB	Shriya Constructions	Kondapur	3,200
	Vihanga	My Home	Gachibowli	3,800
Pune	Gera Isle Royale	Gera Developers	Bavdhan	INR 2.5crore onwards
	Western Hills	Atul Enterprises	Baner	4,800 (apts) & 5,500 (town houses)
	Marvel Brisa	Marvel Realtors	Balewadi	6,300
Kolkata	Avani Grand	Avani Group	EM Bypass	13,050
	Fort Eleganza	Fort Group	Hazra Road	12,000
	Fort Jardin	Fort Group	Rash Behari	9,400
	Fort Rejoice	Fort Group	Behala	5,500 approx.

Source: ICICI PSGs Channel Sources

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