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- WPI-based inflation increased to 6.5% in September 2013 (well above RBI's comfort level of 5%), up from 6.1% in August 2013, led by inflation in primary food products (18.4%) and fuel and power (10.1%). Fruits and vegetables contributed 71.2% and crude petroleum contributed 21.4% to the increase in wholesale inflation.
- Fruits and vegetables inflation increased to 49.1% in September 2013, up from 42.4% in August 2013 and crude petroleum inflation increased to 6.1% in September 2013 from a deflation of 2.5% in August 2013. Due to adverse supply conditions, onion prices witnessed 323% inflation in September 2013. CPI based inflation increased from 9.5% in August 2013 to 9.8% in September 2013.
- The manufacturing sector has been adversely impacted due to a sustained weakness in both domestic and global demand. IIP (Index of Industrial Production) over April-August 2013 grew by just 0.1% YoY. This has reduced the pricing power of companies to offset rising input/wage costs. In September 2013, the manufacturing and core inflation stood at 2.0% and 2.1% respectively. Although both manufacturing as well as core (non-food manufacturing) inflation increased marginally in September 2013 from August 2013, they continue to be low and well within the Reserve Bank of India's (RBI) target range of 5% or less.
- The Indian services firm recovered slightly last month from the sizable slump in over four years. The HSBC Services PMI stood at 47.1 during October 2013 up from 44.6 in September 2013, which was the weakest since April 2009.
- In the monetary policy in October 2013, RBI increased the repo rate and the reverse repo rate by 25bps to 7.75% and 6.75% respectively. The current target of the RBI is to strike a balance, first by reducing inflation and second by targeting growth. Further, the RBI lowered the MSF (Marginal Standing Facility) rate by 25bps to 8.75%. While the repo rate has been hiked, the effective cost of short-term borrowings has declined in recent weeks. As per RBI, banks borrowed INR14,310 Cr. from its Marginal Standing Facility on October 31 2013, above the INR8,909 Cr. borrowed on October 30 2013. Banks usually tap the MSF rate during acute cash tightness.
- The rupee has appreciated from its lows in August 2013 (68.93) and stabilised recently on account of aggressive measures and actions by the Government and the RBI. During September and October 2013, the rupee increased by 5% and 2% respectively and is currently hovering around 61.4 levels.
- Real Estate (RE) companies expressed disappointment over the RBI's decision to hike the short-term lending rate as it would result in higher cost of funds for both the developers and the home buyers. Increase in EMI is likely to affect sentiments and thereby impact the demand in the ongoing festive season. Historically, RE companies witness the maximum sales during the October-December period, mainly on account of festive season.
- Foreign direct investment (FDI) into India declined to 8-month low of USD1.4 Bn in August, down 38% YoY. FDI had touched a low of USD1.10 Bn in December last year. During the April-August period of 2013-14, FDI has increased by 4% to USD8.46 Bn from USD8.16 Bn in the first five months of 2012-13. The sectors that helped in registering the hike during the five months include services (USD1.19 Bn), pharma (USD1.07 Bn), automobile (USD661 Mn.) and construction (USD592 Mn.). The maximum FDI during the period came from Singapore (USD2.37 Bn.), followed by Mauritius (USD2.13 Bn.), the Netherlands (USD980 Mn.), Germany (USD529 Mn.), and the US (USD475 Mn.).
- Government has approved the widening of highways in Maharashtra and Punjab, which entails investments of over INR3,000 Cr. The Cabinet Committee on Economic Affairs (CCEA) approved the four-laning of the Aurangabad-Yedeshi highway in Maharashtra at an investment of INR2,406.6 Cr. In Punjab, the Sangur-Haryana border road will be widened for INR612.28 Cr. The main townships on the project highway are Sangur, Patran and Khanauri.
- As per RBI, average housing prices index increased by a meager 0.89% during 1Q FY13 compared to 2.5% increase during 4Q FY12 while property rates increased by 14% YoY. The price increase was highest for Lucknow, followed by Ahmedabad and Kochi.
- The Centre is likely to appoint RE experts and consultants in 15 major states for helping them to prepare affordable housing policy and streamline the rules for approving realty projects. These experts and consultants are likely to study various rules and regulations related to building plan approvals, Housing and Urban Poverty Alleviation.
- Three foreign banks — Citibank, Standard Chartered Bank and HSBC Bank — have launched semi-fixed interest rate home loans, popularly known as teaser loans, to attract customers during the festive season. Launched last month, Citibank's loans offer a fixed interest rate till September 2015; from October 1 that year the interest rate will be variable and linked to the base rate. According to the Citibank website, the rate (without the home credit facility) will be 10.25% a year till September 30, 2015; thereafter it will be the base rate plus 1%. As per HSBC's website, the interest rate will be 10.25% for one year and thereafter linked to the base rate plus an existing floating rate margin applicable to the customer segment and the loan amount. Standard Chartered has a base rate of 10.25% with effect from September 12. This bank's product has a fixed tenure of three years. The interest rate for a semi-fixed rate loan will be 10.26% till 2016.
- Indiabulls Housing Finance reduced home loan rates by 0.15% to 10.25%, following in the footsteps of state-run banks which have slashed lending rates to woo customers during the ongoing festive season.
- In a bid to attract home buyers and aid sales, RE developers have launched a slew of incentives such as waiver of stamp duty, registration fees, broker or agent's bills, a foreign trip to celebrate new house purchase, a sedan, air conditioners, furnishings and modular kitchens, worth several Lac. Two out of every three builders are offering a discount or a freebie to boost sales during the festive period. Historically, around 50% of the developers' full year sales are booked during the 3-4 months of festive period. While residential RE sales volumes have picked up owing to the festive period, they are slower compared to the sales volumes of previous years. The slower sales are mainly on account of uncertainty in economy and jobs, high food inflation and interest rates of housing loans. We believe that the RE market will continue to be on revival path in the current festive season riding on back of renewed buyer interest and attractive discounts and freebies from developers.
- Tata Realty and Infrastructure (TRIL), the commercial property and infrastructure development arm of Tata Sons, has launched an INR600 Cr. domestic RE fund with Tata Asset Management. The fund will invest in income generating assets such as malls, office complexes among others. TRIL is expected to close the fund raising in the next three months.

Residential Roundup

- Northern residential RE markets of Delhi NCR remained essentially stagnant on MoM basis. Sohna region stood out and witnessed various new launches by certain developers. While primary markets largely remain subdued, decent activity could be seen in the secondary markets, backed by slightly high differential between the primary and resale market rates.
- Western residential RE markets of Mumbai and Pune witnessed muted activity during the month. Certain developers in Mumbai were witnessed to be offering freebies and discounts on floor-rise PLC's during the festive season of Diwali, in order to boost sales. While there exists a genuine end-user demand in Pune, basic affordability has gone down owing to increase in saleable areas of the residential units.
- The residential RE market in Bangalore witnessed moderate activity during the month. RE transaction volumes were mainly concentrated in East, South and North Bangalore. Chennai residential markets remained stable on MoM basis and slightly subdued on YoY basis in terms of transaction volumes.

Residential Market Key Trends

City	Top 7 Cities - Residential Market Key Trends
Mumbai	<p>Mumbai residential RE market witnessed lower traction during October 2013 with no new major project being launched. While residential RE prices continue to be stable at current levels, transactions volumes were a tad lower than previous month. Amidst the slew of festive discounts and freebies, a key trend that emerged was that key developers such as Sunteck and Ekta waived off floor rise or offered discount on floor rise charges. Overall, enquiries have slowed down over the past one month. Further, NRI enquiries have slowed down mainly due to weak political environment and slowdown in economy. Several developers are offering discount of around 10-20% to the current prices, where there is genuine buying interest. Also, many of the developers are offering flexible payments schedule to their buyers in order to lock in sales.</p> <p>During October 2013, the HC passed an order for clearing of mangroves spread across 108 hectares of land thereby paving way for the clearance of the planned airport in Navi Mumbai. Investors are offering huge discounts for their units in order to exit their investments in Navi Mumbai region. As per data from Director General of Registrations, September 2013 recorded the lowest property sales registrations since 2010. The property registrations stood at 4,114, down 8.6% YoY. On the other hand, registrations for January-September 2013 period stood at 48,429, up 11.2% YoY. We expect RE activity to gain momentum going forward backed by new launches and improves sales volumes over the next few months. Further, we expect residential RE prices in Mumbai to remain stable owing to limited availability of stock and paucity of land.</p> <p>Maharashtra Chamber of Housing Industry (MCHI), hosted its 22nd real estate and housing finance exhibition from October 17-21, 2013. With over 120 participants, the exhibition had more than 2,500 properties on offer including affordable homes, second homes, luxury homes, commercial/retail properties and investment and financing opportunities. The exhibition received a very good response with an overall footfall of around 10,000. RE prices have largely remained stable or have increased marginally by 5-10% since the last MCHI property exhibition held in April 2013. Developers resorted to promotional schemes, freebies and attractive gifts to lure buyers. Additionally, few developers were offering price discounts of 5-10% in cases where there was a purchase intent.</p> <p>Glamis Villa, a bungalow on Bhulabhai Desai road off Breach Candy in South Mumbai was sold for INR180 Cr. to an industrialist family. The owner of over 1,000sq.mtrs. of land, the Fazalbhoy family, put it up for sale barely two months ago. It was acquired by M P Aggarwal, chairman of Sajjan India Ltd, through a local property broker. The INR180 Cr. sum includes INR30 Cr. payment to a tenant to vacate the premises.</p> <p>Billionaire investor Rakesh Jhunjhunwala bought half of a seafaring building, comprising six plush apartments, in Malabar Hill area owned by Standard Chartered Bank, for INR176 Cr.</p> <p>The State Government is planning to launch a Floor Space Index (FSI) of 4 for real estate projects that are mushrooming along future Metro corridors, including the Colaba-Bandra Seepz Metro in order to increase population density around areas with better access to public transport.</p> <p>The Mumbai Metropolitan Region Development Authority (MMRDA), has decided to develop the much-delayed INR9,630 Cr. Mumbai Trans Harbour Link (MTHL) project and is in talks with various foreign agencies such as World Bank and the Japan International Cooperation Agency, Asian Development Bank for funding/raising debt.</p> <p>As per MMRDA, the phase I of Mumbai monorail between Wadala and Chembur as well as the first metro line Vesova-Andheri- Ghatkopar will become operational by December 2013.</p> <p>MMRDA has appointed RITES (a Central Government enterprise that provides engineering consultancy services.) to study the feasibility of extending the Charkop-Bandra-Mankhurd Metro to Dahisar.</p> <p>Looking to fast-track redevelopment of some of the oldest buildings in the island city and generate a sizable number of tenements to sell in its lottery as affordable housing, the state housing authority has decided to issue tenders and take up the redevelopment of 27 cessed buildings that it had acquired. Re-development of these properties (plot size ranging from 700sq.mtrs. to more than 4,000sq.mtrs.) is likely to generate an additional stock of 2,200 houses.</p> <p>Indian Property Advisors Pvt. Ltd. (IPAL) is planning to raise a USD300 Mn. (INR1,850 Cr.) offshore, single-city fund, which would be invested in residential projects across Mumbai. In the second round, the private equity firm would look at raising similar funds for Bangalore and Chennai.</p> <p>Godrej Properties Limited (GPL), entered into a development agreement with Ador Group, to develop a premium residential project spread across 6.7 acres of land on LBS Marg in Bhandup (W). This project has a potential saleable area of around 72,000sq.mtrs. (7.76 Lac.sq.ft.) and is located just off the Mulund exit from the Eastern Express Highway thereby, providing it with excellent connectivity to South Mumbai.</p>
Delhi NCR	<p>Delhi NCR markets remained essentially subdued on MoM basis during the month of October 2013; as the market activity both in terms of new launches and absorption could not breach expectations during the Diwali season. On YoY basis, NCR region witnessed significantly lesser number of new launches and transactions, because of unfavorable economic scenario and upcoming state elections. During the same time last year, markets were comparatively active largely on account of high traction on Dwarka Expressway belt and clearing of Noida Extension land acquisition issues.</p> <p>While developers are cautiously planning new launches, very few new launches were seen by category A developers in Gurgaon and Noida. However, Sohna region stood out and witnessed various new launches by developers such as CHD, Eldeco, IILD, Gold Souk and Silver Glades. Sohna region (with average residential prices of INR4,000/sq.ft.) is a peripheral region extending Gurgaon, which has recently witnessed traction vis-a-vis other regions of Gurgaon.</p> <p>During this festive season, apart from flexible/innovative payment plans such as PLPs (gold coins linked plans), few developers were also witnessed to be offering discounts and freebies such gold coins, home accessories and lucky draws to attract buyers. Such offerings were mostly witnessed in Noida, Greater Noida and Ghaziabad regions.</p> <p>While primary markets largely remain subdued, decent activity could be seen in the secondary markets, backed by slightly high differential between the primary and resale market rates. While resale rates had witnessed a downward revision in prices a couple of months back, prices are likely to remain stable in near future because majority of investors showcase an appetite to hold on to their investments for a long time.</p>
Bangalore	<p>The residential RE market in Bangalore witnessed moderate activity during October 2013 mainly owing to cautious sentiments. RE transaction volumes are mainly concentrated in East, South and North Bangalore. During October 2013, key developers such as Mantri, Prestige and Puravankara pre-launched new projects. Most of the new launches are concentrated in South, East and North Bangalore and are priced at 10-15% below the prevailing market prices. We expect the sales volumes to improve going forward as new launches pick pace. Historically, the sales volumes start picking pace from Dussera onwards, however, this year the sales volumes have been slower mainly owing to cautious buyer sentiments.</p> <p>Bangalore has been witnessing heavy investments from Andhra Pradesh (AP) investors in the RE sector, mainly owing to the Telangana crisis and the uncertainty over Hyderabad's status. The Telugu investors - Reddys, Ammas and Naidus, pre-dominantly, and a sprinkling of Brahmmins, have been investing in land banks, sites, plots, apartments and villas all around Bangalore, but pre-dominantly in South and South East Bangalore. As per Mr. R Nagaraj Reddy, president of Confederation of Real Estate Developers of India (CREDAI) Bangalore, Telugu investors have bought big land parcels of 50-100 acres alongside Bangalore's periphery with the goal of developing the land at a later date. Further, the investment in Bangalore's RE sector from Andhra Pradesh in the last few weeks has been assessed at a whopping INR1,000-1,500 Cr.</p> <p>Pune-based Gera Developments has planned to venture in South India with its planned residential project of 2,000 units in Whitefield in Bangalore. This project is likely to be launched in February-March 2014.</p> <p>Global investor Xander and Mantri Developers formed an equal joint venture for Bangalore's largest residential township of 13 Mn.sq.ft. spread over 120 acres of land located in Hebbal, adjacent to Manyata Embassy Business Park. This project is likely to be launched in H1 CY14 and will consist of 9,000 units priced at INR 1Cr. onwards and smaller units at around INR 75Lac onwards.</p> <p>Raffles Residency Pvt. Ltd. (RRPL) unveiled Raffles Park in Whitefield, its first residential project development in India. The group has been promoted by the Singapore-based Jumabhoy family. This 61 five-bedroom villa project will be spread across 15 acres with each villa likely to be priced at around INR 4.75Cr. onwards and is slated for completion by December 2015.</p>
Chennai	<p>Chennai residential markets remained stable on MoM basis and slightly subdued on YoY basis in terms of transaction volumes. No significant new launches happened during the month, except for a launch of a new phase in existing "Temple Greens" project by VGN Developers at Poonamallee. It is noticeable that residential inventory has substantially increased vis-a-vis the previous year; with major concentration on peripheral locations such as OMR, Oragadam and Sriperumbur. Consequently, many developers seemed to be under pressure to negotiate prices by approximately INR100-200/sq.ft. in certain projects.</p> <p>Average prices in the primary markets within the city have witnessed an uptrend of approximately INR500-600/sq.ft. over the span of past 9-10 months; however prices in the peripheral locations such as OMR, Oragadam and Sriperumbur have largely remained stable. Maximum demand falls in the mid-segment price band of INR 35-50 Lac.</p> <p>During the festive season of Diwali, a few developers were also seen to be offering freebies, gold coins and price discounts to the tune of INR100-200/sq.ft. in order to boost their sales.</p>
Hyderabad	<p>The residential RE market in Hyderabad was stagnant in October 2013 with a slight dip in the number of enquiries. While residential RE prices continue to be stagnant, the transaction volumes were lower compared to previous month. There were no new major launches during October 2013. Most developers are offering discounts and loads of freebies to lure buyers and boost sales volumes. Apart from the economic slowdown and low buyer sentiments, the RE sector in Hyderabad is impacted due to the prevailing political condition. Developers are offering good discounts to buyers to lock in sales where in case of genuine buyer interest. During October 2013, Andhra Pradesh Real Estate Developers' Association (APREDA) had conducted a property event from October 25-27 2013 which received a good response with a footfall of about 10,000.</p> <p>Home buyers expect residential RE prices to fall going forward and hence, are holding on to the purchases. In some cases, the customers are demanding for rates that prevailed 6-8 months back. We expect the RE sector to gain traction once there is full clarity regarding Telangana and Andhra Pradesh mainly backed by good end-user demand. There are no new major residential projects likely to be launched in the near term owing to delay in approvals. Recently, the Municipal Commissioner of Hyderabad has been transferred and hence the new project approvals are being delayed. Prestige is likely to launch a new residential project at Gachibowli.</p>
Pune	<p>The residential RE market in Pune witnessed muted activity with no new major project launches during October 2013 except the new phases of some ongoing projects. Despite lot of promotion and marketing activities by developers, residential RE sales volumes remained flat during October 2013. While the prices continue to be stagnant over the past 1-2 months, the developers are offering heavy discounts where there is genuine buyer interest in order to lock in sales. While there exists a genuine end-user demand in Pune, basic affordability has gone down owing to increase in saleable areas of the residential units. For instance, a 2BHK unit costs INR75-85 Lac on an average whereas there exists a demand for 2BHK units in the range of INR40-65 Lac, hence there is a huge demand-supply mismatch. Home buyers now prefer ready to move in projects compared to under construction projects. We expect RE sales to pick pace and improve over the next few months.</p> <p>Mumbai-based PE Fund, Avenue Venture Partners Vestasthodi (AVPREF) by Mr. Sachin Kulkarni and Mr. Nitin Kulkarni. AVPREF has already invested INR20 Cr. in an 'Anandgram' project, planned development on 22acres plot on Pune-Solapur highway. AVPREF is likely to invest INR40 Cr. in two different housing projects to be set up by Vestasthodi, of which the first one mentioned above has already been finalized and the process of land acquisition of the same has also been completed.</p> <p>RE and hospitality major ABUL (Avinash Bhosale Infrastructure) group in association with Clover Builders and Clover Realty firms has launched 'Verde' (green in Spanish), an ultra premium residential complex in Kalyani Nagar in Pune. This project comprises a total of 128 units of 3BHK and 4BHK apartments in the 3,000-4,800sq.ft. range and five units of 7,000sq.ft. duplexes and would be priced in the range of INR5.5-8.5 Cr. The project is likely to be completed over the next 3.5 years and yield sales revenue of INR 700-800 Cr.</p>
Kolkata	<p>Kolkata residential real estate markets witnessed a marginal uptrend on MoM basis in terms of absorption and new launches; yet market activity could not breach expectations. The month of October 2013 witnessed a few new launches by category A developers, however; most of the new launches were by category B/C developers. Eastern micro-market of Rajarhat witnessed new projects by Purli Realty, PS Group and Realtech Group offering residential units in the price range of INR3,500-5,000/sq.ft. Rajwada Group and SD Group launched mid-segment projects in Narendrapur and Jessore Road respectively.</p> <p>Capital values remained largely stable; however an uptrend of approximately INR100/sq.ft. was witnessed in many projects on MoM basis during the month. Maximum demand was witnessed in mid-segment units priced in the range of INR 3,000-4,000/sq.ft. Maximum activity was witnessed in the eastern micro-market of Rajarhat, southern peripheral location of Narendrapur and a part of Hoogly region near Kolkata.</p> <p>During the festive occasion of Diwali, various developers were seen to be offering discounts and freebies to lure buyers. A few developers were also seen to waive off location and floor-rise PLCs.</p>

Source : Secondary Market Source, ICICI PSGs Channel Sources

Key Residential Project Launches

	Project	Developer	Location	Capital Value (INR/sq.ft.)
Mumbai	Prasadam	Ahuja Constructions	Ambarnath	2,750
	Vardhman Flora	Vardhman Group	Byculla	INR 2 Cr./2BHK and INR 2.5Cr./3BHK
	Orchid Heights	D B Realty & ILFS	Mahalaxmi	INR 15-24 Cr./unit
	KUL Radiance	Kumar Urban Development	Bandra East	INR 1.1 Cr./1BHK
	NCP Enchante	Kumar Developers	Wadala	15,489 onwards
Delhi NCR	NA (Apartments)	Eldeco Infrastructure	Sector 2, Sohna	4,250
	NA (Studio Apartments)	CHD	Sector 34, Sohna	4,000
	NA (Apartments)	Homestead	Sector 25, Sohna	2,600 - 3,000
	Aerens R (Plots)	Gold Souk	Sector 17, Sohna	2,777 - 3,111
	Laburnum 2 (The Melia)	Silverglades	Sector 35, Sohna	4,850
	Green Burg	Microtek Group	Sector 86, Gurgaon	7,150
	Club Terraces	SARE Homes	Sector 92, Gurgaon	5,800
Udaan	Jaypee	Jaypee Sports City, Greater Noida	3,565	
Chennai	No Significant New Launches			
Bangalore	Brigade Cosmopolis	Brigade	Whitefield	6,290
	Raffles Park	Raffles Residency	Whitefield	INR 4.75 Cr./unit onwards
Hyderabad	Lodha Casa Paradiso (new tower)	Lodha	Sannath Nagar	3,591
Pune	Verde	ABIL Group and Clover Builders and Clover Realty	Kalyani Nagar	INR 5.5-8.5 Cr./unit onwards
	Gera Isle Royale	Gera Developers	Bavdhan	6,500-7,000
	Glamore	Kolte Patil Developers	NIBM Annex	5,500
Kolkata	Curiosity	Realtech Group	Rajarhat	5,000
	Purti Aqua	Purti Group	Rajarhat	3,500
	Panjwada Nirvana	PS Group	Rajarhat	4,100
	Rajwada Nirvana	Rajwada Group	Narendrapur	3,550
	SD Aqua View	SD Group	Jessore Road (near Madhyamgram)	3,000

Source : Secondary Market Source, ICICI PSGs Channel Sources

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