



Research & Consultancy

Economic Overview

Residential Markets -  
Key Trends

Key Residential Project  
Launches - August 2015

Geography Wise Capital  
Market Watch

## REALTY ROUNDUP: AUGUST 2015

### ECONOMIC OVERVIEW

- WPI-based inflation, as measured by the wholesale price index (WPI), fell 4.05% year-on-year in July 2015, following a 2.40% drop in the previous month and missing market forecasts, as the cost of petrol declined further while prices of food dropped. The wholesale inflation has been in the negative territory since November 2014.
- CPI inflation in India decreased to 3.80% Y-o-Y in July 2015, down from 5.40% in June, 2015. It is the lowest figure on record as food cost rose at a slower pace.
- The RBI, in its August 2015 monetary policy review, kept all the policy rates unchanged from the previous monetary policy held in June, 2015 when it had reduced the repo rate by 25 basis points from 7.5% to 7.25%.
- The Index of Industrial Production (IIP) with base 2004-05 for the month of June 2015 stands at 178.5, which is 3.8% higher Y-o-Y. The cumulative growth for the period of April-June 2015-16 over the corresponding period of the previous year stands at 3.2%.
- Spread across nine states, the Union Government has selected 305 cities and townships for buildings residences under the 'Housing for All by 2022' scheme. The Ministry of Housing and Urban Poverty Alleviation has already signed memoranda of

agreement (MoA) with these states, including Madhya Pradesh, Odisha, Rajasthan, Chhattisgarh, Gujarat, Telangana, Jammu & Kashmir, Kerala and Jharkhand.

- The Ministry of New and Renewable Energy (MNRE) has given a green signal for the development of 50 solar cities, three of which will be based in the NCR. Agra, Amritsar, Bhopal, Chandigarh, Howrah, Kochi, New Town and Madhyamgram are few of the places which received sanctions for solar cities. The ministry has created a panel of 26 consultants to design a master plan for the same.
- The ministry of urban development approved of a proposal permitting hotels to develop and sell residences. This means that hotels can now use 40% of the floor area ratio (FAR) for commercial and residential purposes. However, the housing units can cover only 20% of the FAR allotted.
- CREDAI has planned to start a data mining system, in order to offer a realistic and precise picture of the state of real estate in India. This data will facilitate information with regard to number of new launches, total inventory, unit prices and absorption rate.
- According to a report by CBRE, Bangalore and Chennai accounted for more than 45% of the total number of homes sold across the country. While the real estate market witnessed a steep downfall in the National Capital Region (NCR), Mumbai and Hyderabad saw slight dip in sales. The report also added that Mumbai, Chennai and Kolkata to have stable prices in the high and mid-end segments.

### **Delhi NCR & North India**

- In the recent commercial realty deal in Gurgaon, tech giant Google has leased 430,000 sq ft of office space from Unitech. The leased space is located in the Signature Towers II of the project's second phase, where Google already has eight floors, spreading over 160,000 sq ft.
- After a long break, the Lucknow Municipal Corporation (LMC) is all set to re-enter the realty market. The corporation announced its plans to build over 100 residential buildings with more than 1,500 units. Alongside, the civic body also plans to construct multiple commercial complexes to rent out to IT and legal firms, and entrepreneurial start-ups.
- Supertech Ltd has joined hands with Arabian Construction Company (ACC) to develop a residential project in Sector 68, Gurgaon. Tunnel Form Technology will be used for this construction. The project is expected to be completed within 30 months. ACC is also constructing Supertech's project in Noida.
- Karkardooma and Trilokpuri in East Delhi are expected to see ~8,000 new flats as a part of two infrastructure projects. While Karkardooma will have 5,000 apartments, Trilokpuri will see the construction of 3,000 flats, opposite the Sanjay Lake. These projects will be developed according to the transit-oriented development (TOD) guidelines, and will feature both residential and commercial spaces.

## **Mumbai & Pune:**

- The state government of Maharashtra has announced a new IT/ITeS policy, offering extra floor space index (FSI) to IT firms, exemption from stamp duty and power supply at industrial rates instead of commercial. IT companies will also get subsidies on electricity tariffs as well as concessions on value added tax. Such benefits are expected to create more demand for IT parks and commercial spaces in the state
- The Maharashtra Housing and Area Development Authority (MHADA) may build about 1.5 lakh affordable homes in Mumbai's peripheral regions. Due to space crunch in the mainstream areas of the city, MHADA has identified 386 hectares of government land in the peripheral areas. These areas include towns such as Bhiwandi, Kalyan, Panvel, Pen, Thane, Vasai, Virar and Palghar, among others.
- The much-hyped plan to commercially develop railway land in Bandra, Bhandup, Mulund and Thane, is stuck in hurdles. While the 43,000 sq m land parcel in Bandra saw two failed tenders, the railway's decree of not leasing out land for over 45 years, is proving to be a bigger impediment. This is a major hurdle in the way of the railway's who aim at earning more than the Rs 100 Bn mark and investing the same in rail infrastructure.
- With the Union Transport Minister Nitin Gadkari aiming to establish a business district on the Port Trust parcel, a proposal for a 130-storey building has been submitted. This lofty project will not only monetise the otherwise under-utilised land, but also address the problem of space crunch in the financial capital. The project development is expected to cost over Rs 100 Bn.
- In a bid to ensure integrated locality development, the Maharashtra government plans to launch cluster redevelopment policy in the Mumbai Metropolitan Region (MMR), Navi Mumbai and Thane. Under this policy, builders can redevelop a plot spanning one acre (in the least) with a floor space index (FSI) of up to 4. The state is currently experimenting this policy across a 16.5 acres plot in Bhendi Bazaar.
- Pune's office space absorption rose by 38% in the first half of 2015 as compared to the same span last year, stated a Colliers International report. While Jan-Mar 2015 witnessed absorption of 0.89 million sq ft of office space, Apr-Jun 2015 recorded 1.84 million sq ft of space taken up, primarily by IT/ITeS occupiers. Almost 70% of absorptions happened in grade-A establishments situated in Airport Road, Baner and Hinjewadi.
- Pune-based Guardian Developers has launched the concept of interest-free homes to the residential realty landscape of India. The developer has introduced a set of payment rules that a prospective buyer will have to adhere to. While the customer will be required to pay 20% of the total amount as down payment, the remaining can be paid in 84 equal instalments.

## **RESIDENTIAL MARKET - KEY TRENDS**

CITY	TOP 7 CITIES : RESIDENTIAL KEY TRENDS
<b>Delhi NCR</b>	<ul style="list-style-type: none"> <li>➤ Transactions in Noida have still not picked up and there were no new launches in the micro-market.</li> <li>➤ Only a few projects have been initiated as pre-launch projects in Sector 150, Noida such as ATS Villas and high-rise apartments by Rudra Group.</li> <li>➤ In Gurgaon micro-market, builders have been offering discount schemes, easy payment plans and buy-backs in order to improve the demand and reduce the unsold inventory.</li> <li>➤ In Golf Course Road and Golf Course Extension, prices have witnessed a correction of 5 - 7 % on an average in the last 3 to 5 months.</li> <li>➤ Sohna micro-market has witnessed an interest from the buyers which can be gauged from an increase in the number of enquiries, but these have not translated into sales. There has been no appreciation in this micro-market in the last one year due to high inventory buildup.</li> <li>➤ Dwarka Expressway has not seen much of a change in sentiment with sales staying low in this micro-market.</li> <li>➤ Project deliveries in New Gurgaon have kept the prices stable.</li> <li>➤ Being an end-user driver market, Sohna Road micro-market has seen some traction in addition to the fact that the prices have corrected by 10-12% on an average in one year.</li> </ul>
<b>Kolkata</b>	<ul style="list-style-type: none"> <li>➤ Kolkata residential real estate markets continued to have subdued sentiments in terms of absorption and new launches.</li> <li>➤ There were no new launches in this market and the number of queries also remained low.</li> <li>➤ Capital values remained largely stable. Various developers were seen to be offering discounts, free car parks and freebies to lure buyers and boost their sales volumes. A few developers were also seen to waive off location and floor-rise PLCs.</li> <li>➤ Absorption mainly comprised of end-users only.</li> </ul>
<b>Mumbai</b>	<ul style="list-style-type: none"> <li>➤ Mumbai residential real estate prices continue to be stable at current levels with a continuation of the ongoing inertia in sales reflected by higher number of site visits per customer to close a transaction successfully.</li> <li>➤ The market witnessed a wait and watch mode amongst customers and developers who continued to speculate on implications of the new Development Control Regulations.</li> <li>➤ Sales in this month were weak as compared to previous month.</li> <li>➤ Residential market in Thane saw a good momentum particularly in the ticket size of 7.5 – 10 Mn.</li> <li>➤ There was only one launch in the high-income segment category in Prabhadevi.</li> </ul>
<b>Pune</b>	<ul style="list-style-type: none"> <li>➤ The residential real estate market in Pune witnessed a good movement in the past month.</li> <li>➤ The mid-income segment in the ticket size of Rs 7.5 – 8.5 Mn saw a higher</li> </ul>

	<p>uptake.</p> <ul style="list-style-type: none"> <li>➤ Developers continue to lure customers with heavy discounts and offers, flexible payment and deferred payment schemes. Some developers organised carnivals and various promotional activities in the past month to boost their sales.</li> <li>➤ Kharadi, Keshavnagar in East Pune and Baner, Hinjewadi in West Pune as well as some projects in South Pune witnessed a good absorption rate.</li> </ul>
<b>Bengaluru</b>	<ul style="list-style-type: none"> <li>➤ The residential real estate market in Bengaluru witnessed a good absorption by end users as compared to the previous month.</li> <li>➤ While capital values remained stable, discounts and buyback schemes were offered by developers.</li> <li>➤ The market saw a good movement in the resale inventory and demand for plots increased.</li> <li>➤ Inventory in the ticket size of 7 - 10 Mn saw a higher uptake.</li> </ul>
<b>Hyderabad</b>	<ul style="list-style-type: none"> <li>➤ Enquiries in the Hyderabad real estate market which seemed to have picked up pace in July, saw a slow down in sales in the month of August. Sales were registered only in the western region of Hyderabad.</li> <li>➤ Price points remained stable; however, there were no new launches in the month of August.</li> <li>➤ Demand was seen to be higher for ready-to-move in units and those having possession date within next 12 months. The ready-to-move in inventory also commanded a premium over the under construction properties.</li> </ul>
<b>Chennai</b>	<ul style="list-style-type: none"> <li>➤ Absorption in Chennai residential market experienced a further slow down in the month of August. Barring a few projects by Category C developers and ready to move-in properties which sold well; not much activity was seen in the residential sales.</li> <li>➤ There were no new launches in Chennai in the month of August while the price points remained stable.</li> <li>➤ Real Estate developers in Chennai have resorted to offering discounts and freebies to home buyers, in order to boost the sales volume.</li> <li>➤ However, Chennai residential real estate market is expected to see some positive movement post the recently concluded Tamil Nadu Global Investor meet. The investor meet attracted a lot of government initiatives and is likely to push the investments in this region which can effectively boost the realty market as well.</li> </ul>

Source: ICICI PSGs Channel Sources

#### KEY RESIDENTIAL PROJECT LAUNCHES: AUGUST 2015

City	Projects	Developer	Location	Capital Value (INR)	Expected Possession
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				per sq. ft.)	
Delhi NCR	Sweta Estates Pvt. Ltd.	Central Park-3 (Independent Builder floors)	Sector 32 & 33, Sohna	Starting from INR 50 lacs	Dec-2018
Kolkata	There were no new launches in Kolkata in the month of August				
Mumbai	(Name not announced)	Wadhwa Group	Prabhadevi	34,000	Dec-2018
Pune	Castella	Marvel Realtors	Balewadi	6,000	Dec-2017
	Yashwin	Vilas Javdekar Group	Baner – Sus	5,100	Dec-2018
	Fria Phase 2	Marvel Realtors	Wagholi	4,650	Dec-2018
	Abhilasha Phase 2	Rohan Builders	Wagholi	4,050	Dec-2018
	Godrej Infinity	Godrej Properties	Keshavnagar	5,750	Dec-2018
Bengaluru	There were no new launches in Bengaluru in the month of August				
Hyderabad	There were no new launches in Hyderabad in the month of August				
Chennai	There were no new launches in Chennai in the month of August				

## GEOGRPAHY-WISE CAPITAL MARKET WATCH

### DELHI NCR:

- Singapore's sovereign wealth funds GIC and DLF Home Developers, a subsidiary of India's largest real estate developer DLF, entered into a joint venture to invest in two upcoming projects in Delhi's Moti Nagar. The Rs 20 Bn investment by GIC is part of a larger plan by DLF to raise around Rs 75 Bn with talks underway to get investors for some other projects too. The joint venture with GIC will develop over five million square feet, including one million square feet in the fifth phase of Captital Greens and four million square feet on SIEL land.

### MUMBAI & WEST:

- Piramal Fund Management, part of the Ajay Piramal-owned Piramal Group, said on Wednesday it has entered into an agreement with Mumbai-based Omkar Realtors and Developers to exit from Mumbai luxury residential project Omkar 1973 with an internal rate of return of 24% on its investment. The exit would translate into about Rs 5 Bn for Piramal Fund. It had invested Rs 2 Bn in the project between August and December 2011. The current exit from Omkar 1973, is the fund's first full exit. It plans to fully exit from the fund by December 2016 giving returns of between 22% and 24%.

- An affiliate of Warburg Pincus will invest Rs 18 Bn for a minority stake in Piramal Realty, the real estate development arm of Piramal Group. The stake to be acquired remained undisclosed. Piramal Realty has also raised about Rs 9 Bn (\$150 Mn) from financial services firm Goldman Sachs, for a minority stake. The funds will be used to expand the company's current real estate portfolio and acquire prime properties in and around Mumbai.

### **BENGALURU:**

- Bengaluru-based real estate firm Unishire has raised funding of Rs 1.26 Bn through issue of non-convertible debentures to investor Reliance Yield Maximiser Alternative Investment Fund. The funds raised will be utilised for clearing high cost debt, on-going projects construction and also for expansion, the company said in a statement. The funds raised will be released in two tranches of Rs 900 Mn and Rs 360 Mn with maturity periods of 45 months. Unishire currently has an area of 5.6 million sq ft under construction and another 6.4 million sq ft planned for development in the next 3 to 5 years.

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