

Economy Overview

Residential Overview

Residential Roundup

Key Residential Project Launches

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- Inflationary pressures persisted in July as output prices rose at the fastest rate since February 2013. Post slowing down for three straight months, the CPI Inflation rose to 9.87% in June 2013, up sharply from 9.3% in May 2013.
 - While the Wholesale Price Index (WPI) has slipped below the 5% mark, the comfort zone for the Central Bank, the CPI continues to haunt the RBI with near double digit rate. The stronger than expected monsoon has not yet softened food inflation as much as it should have.
 - The Purchasing Managers Index (PMI) for manufacturing industry stood at 50.1 in July, slightly lower than 50.3 in June, pointing towards stagnation of manufacturing operating conditions in India. The output in India's manufacturing sector fell for the third consecutive month in July signaling towards falling new orders, though economic conditions and raw material shortages.
 - The Indian currency has depreciated by more than 13% since May 2013 and is currently hovering around the INR 60/USD level, mainly due to capital outflows by overseas investors.
 - The Current Account Deficit (CAD), which moderated to 3.6% of GDP in January-March quarter in FY13, down from a record high of 6.5% of GDP in October-December quarter, stood at 4.8%, which is well above the level of 2.5% of GDP, recorded for three years in a row.
 - On the back of subdued domestic industrial activities, RBI revised the GDP growth projection for FY14 to 5.5% from 5.7% recorded in the previous quarter.
 - The RBI in its first quarter (April-June, 2013-14) Monetary Policy on 30 July 2013, kept all the key interest rates unchanged, thereby hinting at rate cuts in future subject to market stability. The policy or repo rate stood at 7.25% and the reverse repo rate stood at 6.25%. The cash reserve ratio remains unchanged at 4%. Through FY13, RBI has reduced repo rate by 100 bps, CRR by 75 bps and cut the Statutory Liquidity Ratio (SLR) by 100 bps.
 - Real estate developers expressed disappointment over RBI's decision to keep key rates unchanged as they are of the view that a rate cut was required to boost the current sluggishness in housing demand. We are of the view that low and mid-income earning individual buyers may wait longer until the conditions are ripe for either (i) interest rates reduction and/or (ii) price cuts by developers.
 - The Central Government relaxed investment norms in multi-brand retail and raised FDI caps in several sectors while making it 100% in telecom. The new set of clarifications has been in the positive direction. The three clauses which were the major stumbling blocks for the retailers-50% investments in back-end infrastructure, sourcing from small and medium enterprises (SME) and cities where stores can be opened-have been further relaxed. The Government diluted the mandatory 30% local sourcing norms and permitted states to include cities with population less than 1 million for allowing multi-brand retailing. Retailers like Walmart, Carrefour, Metro and Tesco, who have back-end infrastructure in place, can benefit.
- Despite the enthusiasm on the new set of clarifications, industry experts and representatives of global retailers believe that investments will take some time to roll in; it is still believed that there is still an air of confusion on investment norms.

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- The real estate activity in the Mumbai and Pune residential markets remained sluggish over the month of July 2013, largely owing to the seasonal trend.
- The Gurgaon and Noida market sentiments remained essentially dried-out in terms of absorption and new launches. Peripheral locations such as Yamuna Expressway and Noida Extension witnessed some traction.

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City	Top 7 Cities : Residential Key Trends
Mumbai	The real estate activity in the Mumbai residential market was sluggish over the month of July 2013, largely owing to the seasonal trend-every year real estate activity slows down over June-August period due to the monsoons. There were very few new launches during the last month and sales transactions also remained flat on MoM basis. We expect the new launches and sales transactions to receive an uptick with the onset of the festive season with Ganesh Chaturthi in September 2013. Further, developers usually offer lucrative discounts and attractive payment schemes during the festive season in order to boost sales volumes. During July 2013, capital values remained stable, largely, as the sales activity witnessed a slowdown mainly owing to the monsoon season. On the other hand, the demand for the investment of residential properties and end-user homes in Mumbai has remained stable over the past couple of months.
Delhi NCR	<p>The Gurgaon and Noida market sentiments remained essentially dried-out, both in terms of new launches and absorption. Number of units launched in the time span of Jan-May 2013 has seen a dip of approximately 32% in Gurgaon from the corresponding period in 2012. In the month of July 2013, Gurgaon witnessed a new launch of DLF's premium project "Camellias" (Magnolias Ph-II) offering units at the minimum ticket size of INR 18 Cr. approximately. BPTP floors and Vatika plots were launched on Sohna Road and New Gurgaon respectively.</p> <p>Developers' offering various payment schemes such as subvention is indicative of difficulty in offloading primary market units. In the secondary markets as well, investors are finding it tough to exit, in certain pockets of Gurgaon. It is noticeable that the total absorption of primary units in Gurgaon and Noida has gone down by 18% and 28% respectively, in the Jan-May 2013 period, vis-à-vis the corresponding period in 2012. Moreover, there is an inventory overhang of 12 months for Gurgaon and 18 months for Noida. The prices have remained stable, largely, on MoM basis.</p> <p>The Noida peripheral locations of Yamuna Expressway followed by Noida Extension witnessed some traction in terms of new launches and absorption. However, only small developers were seen to be launching ambitious projects.</p> <p>Going forward, while both developers and buyers are exercising caution, we anticipate some activity around the month of September 2013 before/during the festive season of Diwali.</p>
Bangalore	<p>Bangalore witnessed residential launches of over 10,500 residential units in Q2 FY 2013-14, accounting for approximately 31% of the total launches. East Bangalore registered the highest number of launches, followed by the northern submarket and south-east Bangalore. Healthy demand from IT population resulted in developers preferring these locations for new project launches. Mid-segment accounted for the largest chunk of launches adding up to almost 50% of the total launches followed by the affordable category with 34% of the launches and remaining in the high-end segment.</p> <p>North Bangalore witnessed an upward trend in capital values due to the continued investor interest for both mid and high-end properties.</p> <p>Nikoo Homes is launching the third phase of its integrated township, Bhartiya City, in Thanisandra, North Bangalore. The project is expected to offer units priced INR 30 Lac and INR 2 Cr., across various housing options.</p> <p>Bangalore based real estate firm, Sriram Properties is raising INR 450 Cr. from Private Equity funds to acquire multiple residential projects in Chennai and Bangalore. Earlier this year, the real estate developer bought a 12.5 acre land parcel from Golden Gate Properties in Sarjapur Road situated along Bangalore's IT corridor for INR 110 Cr.</p>
Chennai	<p>Chennai is witnessing sales predominantly in the range of INR 30-50 Lacs in the mid-segment and INR 2.5-3 crore in the luxury-segment.</p> <p>Prestige Group is expected to launch a super luxury villas project on the ECR Link Road at an inaugural price of INR 5.8 Cr. Artha Property (Bennett and Coleman Group) is expected to launch its villa and residential project "One World" at Vandalur-Kelambakkam Road. The project will be launched at an inaugural price of INR 2.9 Cr. and 1 Cr. respectively.</p>
Hyderabad	<p>With the decision of the Congress Working Committee and the ruling UPA coalition coordination committee to accord statehood to the Telangana region, the investors who had been planning to pull out of Hyderabad due to unresolved political climate are now expected to have the assurance that they have taken the right decision and more investments should pour in.</p> <p>Due to the Telangana agitation, the residential capital values witnessed stagnation since 2009 and had driven the investors to neighboring cities such as Bangalore and Chennai. Real estate developer Suchir India had launched its new project, Odyssey at Ghatkeasar, near Yamanpet, with units priced between INR 36-40 Lac on offer.</p>
Pune	Pune's residential real estate market was flat, both on MoM basis and YoY basis. While the monthly slowdown is due to lackluster activity owing to monsoon season, the slowdown on YoY basis is mainly owing to the cautious approach of home buyers. While there were very few new launches and sales transactions during July 2013, the residential demand in Pune continues to be robust largely owing to the demand-supply mismatch especially in the mid-income housing segment. Further, the residential real estate prices remained flat on MoM basis. We are of the view that there should be a pick up both in new launches and sales transactions with the onset of festive season with Ganesh Chaturthi in September 2013.
Kolkata	<p>The residential real estate market of Kolkata witnessed very moderate activity during the month of July, both in terms of new launches and absorption. A premium project "Rail Tree" priced approximately INR 10,000/sq.ft. and offering 52 units was launched by the P S Group, Srijan Builder and Vinayak Group at the northern location of Kankurgachi. Daffodil Group launched "Daffodil Poetry" offering approximately 125 units at Sonarpur location in South Kolkata, quoting a price point of INR 4,500/sq.ft. Moreover, various projects by developers such as Siddha Group and Srijan Builder are in pipeline to be launched in the next few months. While the absorption remained sluggish during the month, units priced in the range of INR 2,500-3,000/sq.ft. witnessed maximum demand. Capital values of few projects priced sub INR 10,000/sq.ft. saw an increase of approximately INR 150-200/sq.ft., whereas prices of projects selling above INR 10,000/sq.ft. essentially remained stable.</p> <p>Going forward, the absorption is expected to pick-up during the first half of August 2013, owing to 3 days Credai Bengal Property Fair, where developers offer attractive schemes/freebies and various new launches. Moreover, developers like Siddha Group and Atri Group are offering discounts and freebies to buyers throughout the month of August 2013.</p>

Source : ICICI PSGs Channel Sources

Key Residential Project Launches

	Projects	Developer	Location	Capital Value (INR/sq.ft.)
Mumbai	Auris Serenity	Transcon Sheth Creators Pvt. Ltd.	Malad (W)	1.53 Cr. onwards
	Omkar Ananta	Omkar	Goregaon (E)	1.24 Cr. onwards
Delhi NCR	The Camilia	DLF	Sector 42, Golf Course Road	25,000
	Pedestal Floors	BPTP	Sector 70A, Sohna Road	5,200 approx.
	Vatika Express City Plots	Vatika Group	Sector 89A, New Gurgaon	1,02,000/sq.m.
	Wave Vasila	Wave Group	Sector 32, Wave City Centre	7,920
Bangalore	Bhartiya City (Third phase)	Nikoo Homes	Thanisandra, North Bangalore	30 Lac - 2 Cr.
	Century Artizan	Century Real Estate	Off Bellary Road	NA
Chennai	NA	Prestige Group	ECR Link Road	5.8 Cr.
	One World	Artha Property	Vandalur - Kelambakkam Road	1 Cr. /2.9 Cr.
Hyderabad	Odyssey	Suchir India	Ghatkeasar	36 Lac/ 40 Lac
Pune	Forest County Phase II	Cover - Vascon	Kharadi	5,200
	Kunal Aspiree	Kunal Group	Balewadi	5,600
Kolkata	Rail Tree	PS Group, Srijan Builder, Vinayak Group	Kankurgachi	10,000
	Daffodil Poetry	Daffodil Group	Sonarpur	4,500

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