



Research & Consultancy

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## REALTY ROUNDUP: JULY 2015

### ECONOMIC OVERVIEW

- WPI-based inflation, as measured by the wholesale price index (WPI), fell 2.40% year-on-year in June 2015, following a 2.36% drop in the previous month, as the decline in cost of petrol eased while prices of food slowed further. The wholesale inflation has been in the negative territory since November 2014.
- CPI inflation in India increased 5.40% Y-o-Y in June 2015, compared to 5.01% in May. It is the highest figure since October 2014 due to stronger rise in food prices.
- The RBI, in its June 2015 monetary policy review, cut the repo rate (short-term lending rate) from 7.5% to 7.25%, but left all other policy tools. It had left the key rate unchanged in the April policy fearing rising inflation.
- The Index of Industrial Production (IIP) with base 2004-05 for the month of May 2015 stands at 180.0, which is 2.7% higher Y-o-Y. The cumulative growth for the period of April-May 2015-16 over the corresponding period of the previous year stands at 3.0%.
- To move forward the stuck Land Acquisition Bill 2013 in Rajya Sabha, the central government has put forth a proposal to amend the existing bill. The amendment will allow every state to frame their own laws for acquiring land.

- Government announced its plans to create a Special Purpose Vehicle (SPV), High-Powered Steering Committee (HPSC) and an Apex Committee to implement the Smart City initiative in a planned manner. The SPV will implement and operate the project while the other two bodies will monitor it. The SPV might see participation of NGOs, Resident Welfare Associations, Women Groups, town planning and other government bodies.
- The Parliamentary Select Committee is planning to implement a stricter Real Estate (Regulation and Development) Bill 2013 in order to curb instances of fraudulence. New provisions might entail prosecution in the form of imprisonment for failure to discharge duties, which is currently limited to financial penalties. The committee's report is expected to be tabled in the parliament in the upcoming monsoon session.
- While the original Real Estate Regulatory Bill had provisions of only registering properties over 1000 sq m, a parliamentary committee has recommended incorporation of smaller housing projects as well. The 21-member panel headed by Anil Madhav Dave have suggested stringent regulation of the realty sector to ensure efficiency and transparency of property sales.
- After establishing the STAR Fund, ArthVeda Fund Management Pvt Ltd (AVFM), has launched a new ASHA Fund which will invest in low income housing projects in tier-II and tier-III cities. A total of INR 20 Bn has been allocated to ASHA fund, while the STAR fund has INR 15 Bn budget which is being invested in middle income housing projects.

### Delhi NCR

- Ghaziabad has made it to the initial Smart City list being prepared by the Uttar Pradesh government. All the recent infrastructural activities such as paper-free work, installation of cameras and use of LEDs, among others, helped the city score 82 points in the assessment. A total of 13 cities have been shortlisted by the state, out of which, seven are from western UP.
- In order to compete with the neighbouring cities of Gurgaon and Noida, the Delhi government has planned to bring down the commercial and retail prices in the city. The government intends to accomplish this aim by developing vacant land parcels currently controlled by the Delhi Development Authority (DDA), informed Satyendra Jain, state minister for industry, health and power at a Confederation of Indian Industry (CII) summit.
- Currently under trial, the Delhi state government is expected to launch an online facility to register properties, a first-of-its-kind endeavour in the country. People will also be able to get rent agreement and power of attorney online. Homebuyers will be able to pay their registration fee and stamp duty charges via this facility.
- The Supreme Court of India has dismissed Delhi Development Authority's (DDA) appeal to extend the deadline for allotment of plots in Rohini. These plots are to be allotted to 14,000 applicants. The land-owning agency was seeking extension from

the apex court over hurdles being created by local villagers. The court had ordered authorities to complete the allotment work by July 31, 2016

- Hindustan Land Developers Pvt Ltd have launched a residential-cum-office project named iPort at Noida Expressway. Spread over 10 acres, the project will feature a golf course, retail shops, offices, food court and ATMs alongside residential apartments. The project is in line with the walk-to-work culture in demand nowadays.
- According to a Colliers International report, about 60% rise has been recorded in office space absorption in Gurgaon in the first six months of 2015. A total of around 1.17 million sq ft office space has been taken by corporate giants such as Arvato, SAP, Zomato, Snapdeal, BCG Group and NTT Data.

### **Mumbai & Pune:**

- The state government of Maharashtra is planning to give an average of 5% rebate in property tax to green buildings. However, the government is yet to fix the definition of a 'green' or eco-friendly construction. Currently, Pune offers a similar kind of tax rebate along with 5% additional Floor Space Index (FSI) to sustainable properties.
- Out of the 139 SEZs in Maharashtra, developers of 69 projects covering 2,971.25 hectares have de-notified or exited the projects. Two of the major reasons behind the exit are general economic slowdown and modified stand of the central government regarding SEZs. Opposition from local residents near the Mumbai-Pune-Nashik-Thane-Raigad belt is another reason cited for these exit.

### **Bengaluru:**

- Godrej Properties, under its Rs 11 Bn tie up with investment service provider APG, announced it plans to construct a residential project along the Kanakpura Road in Bengaluru. The project will be developed on an 18-acre plot and will be targeted towards mid-segment buyers. Godrej Properties is planning to invest in residential properties across India under the same tie-up.

### **Rest of India**

- The Himachal Pradesh government has made seeking prior approval mandatory before registration of a plot's sale deed. In order to ensure the planned and regulated development in all areas, the state government has decided to ensure strict enforcement of the Town and Country Planning Act and its rules.

## **RESIDENTIAL MARKET - KEY TRENDS**

CITY	TOP 7 CITIES : RESIDENTIAL KEY TRENDS
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<p><b>Delhi NCR</b></p>	<ul style="list-style-type: none"> <li>➤ Transactions in the Noida and Gurgaon market have been slow and there were no new launches in this market.</li> <li>➤ On Golf course road prices have witnessed a correction of almost 5 - 7 % in last 3 months (except for DLF Park Place).</li> <li>➤ Dwarka Expressway - The sentiment for this micro-market improved with some interest and enquiries from buyers after the stay on the construction of around 2.5 km-stretch of the Dwarka Expressway was cleared last month.</li> <li>➤ There have been a slew of project launches in New Gurgaon, especially in Sector-79 and Sector-85. The sales have not picked up because of which attractive payment plans are being offered by the developers.</li> <li>➤ Areas along Sohna Road in Sector 68 have seen some activity due to new launches</li> <li>➤ There were no new launches in the Southern Peripheral Road.</li> <li>➤ Absorption in terms of number of units sold in the month of June was lower than May by 4.5% and stood at 3,548 units. While the sales value decreased by 1.4% to record a sales value of INR 29.54 Bn in the month of June. <i>(Source: PropEquity)</i></li> </ul>
<p><b>Kolkata</b></p>	<ul style="list-style-type: none"> <li>➤ Kolkata residential real estate market seemed to pick up pace in the past few months.</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> <li>➤ Rajarhat saw higher absorption as compared to other locations in the city.</li> <li>➤ Absorption in terms of number of units sold in the month of June was higher than May by 0.25% and stood at 1,551 units. While the sales value increased by 2.5% to record a sales value of INR 8.43 Bn in the month of June. <i>(Source: PropEquity)</i></li> </ul>
<p><b>Mumbai</b></p>	<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. The market witnessed the investors waiting for positive cues before investing and the transaction volumes were also lower compared to previous months.</li> <li>➤ The market witnessed a wait and watch mode amongst customers and developers who continued to speculate on the implications of the new Development Control Regulations.</li> <li>➤ There were no new launches in the month of July in Mumbai.</li> <li>➤ Sales in this month were marginally lower as compared to previous month.</li> <li>➤ Resale market saw a positive movement in the month of July.</li> <li>➤ Absorption in terms of number of units sold in the month of June was higher by ~13% compared to May and stood at 7,039 units. While the sales value increased by 3% to record a sales value of INR 62.33 Bn in the</li> </ul>

	month of June. <i>(Source: PropEquity)</i>
<b>Pune</b>	<ul style="list-style-type: none"> <li>➤ The residential real estate market in Pune witnessed good amount of absorption in the past month.</li> <li>➤ Developers were seen to offer heavy discounts to push their sales.</li> <li>➤ With prices at current stable levels and developers offering heavy discounts and offers, Pune is presenting great opportunity for investors and end-users.</li> <li>➤ Kharadi, Keshavnagar in East Pune and Baner, Hinjewadi in West Pune witnessed higher absorption compared to other locations in Pune.</li> <li>➤ Absorption in terms of number of units sold in the month of June was down by ~3% compared to May and stood at 3,830 units. While the sales value increased by 1.12% to record a sales value of INR 22.43 Bn in the month of June. <i>(Source: PropEquity)</i></li> </ul>
<b>Bengaluru</b>	<ul style="list-style-type: none"> <li>➤ The residential real estate market in Bengaluru witnessed a slowdown in the number of launches and sales as compared to the previous month.</li> <li>➤ While capital values remained stable, discounts and buyback schemes were offered by developers hinting towards an intrinsic price correction.</li> <li>➤ The market saw a good movement in the resale inventory.</li> <li>➤ Inventory in the ticket size of 70 – 80 Lakhs saw a higher uptake.</li> <li>➤ Absorption in terms of number of units sold in the month of June was down by ~0.56% compared to May and stood at 3,894 units. While the sales value increased by 3.3% to record a sales value of INR 30.40 Bn in the month of June. <i>(Source: PropEquity)</i></li> </ul>
<b>Hyderabad</b>	<ul style="list-style-type: none"> <li>➤ Enquiries in the Hyderabad real estate market have seem to return after a period of lull, especially; along the metro project and in western region of Hyderabad.</li> <li>➤ Price points which saw a somewhat upward revision were seen to stabilize in the past month.</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> <li>➤ Hyderabad real estate market is expected to register a positive growth owing to the infratructure boost given by the government in the city.</li> <li>➤ Absorption in terms of number of units sold in the month of June was down by ~2.2% compared to May and stood at 1,080 units. While the sales value decreased by 3.2% to record a sales value of INR 8.50 Bn in the month of June. <i>(Source: PropEquity)</i></li> </ul>
<b>Chennai</b>	<ul style="list-style-type: none"> <li>➤ Chennai residential markets had a subdued month of July reflected by number of enquiries and overall transaction volumes (M-o-M). Price points remained stable; however developers have been giving discounts on BSP to the extent of INR 100-200 per sq. ft. to boost sales.</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Real Estate developers in Chennai have resorted to offering discounts and freebies to home buyers, in order to boost the sale volume.</li> <li>➤ Absorption in terms of number of units sold in the month of June was down by ~1.2% compared to May and stood at 1,449 units. While the sales value decreased by 0.01% to record a sales value of INR 9.28 Bn in the month of June. <i>(Source: PropEquity)</i></li> </ul>
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Source: ICICI PSGs Channel Sources

### KEY RESIDENTIAL PROJECT LAUNCHES: JULY 2015

City	Projects	Developer	Location	Capital Value (INR per sq. ft.)	Expected Possession
Delhi NCR	Mulberry	Ashiana	Sohna, Gurgaon	4,450	Dec-2019
	Blue Lagoon	Orris	Sector 85, New Gurgaon	5,500	Dec-2019
	Sierra	M3M	Sector 68, Gurgaon	6,000	Dec-2019
	Expressions	Vatika	Sector 88 B, Gurgaon	6,000 – 6,500	Dec-2017
	Olympia	Sare Group	Sector 92, Gurgaon	5,500	Jun-2019
Kolkata	Realtech Nirman	Hijibiji	Rajarghat	4,350	Dec-2019
	Merlin	Maximus	B T Road	3,250	Jun-2018
	Green Chiner	Loharuka	Rajarhat	5,300	Dec-2018
	Nirvana	Siddha	Sarat Bose Road	14,000	Dec-2018
Mumbai	There were no new launches in Mumbai in the month of July				
Pune	Star Gaze	Kolte-Patil Developers	Bavdhan	5,900-6,300	Dec-2018
	Yashwin	Vilas Javdekar Group	Baner Annexe	5,400	Dec-2017
	Comfort Nest	Aditya Shagun Group	Balewadi	5,800	Dec-2017
	Yolo Homes	Mont vert and Radical Spaces	Bhugaon	5,300	Dec-2018
	Sky First	Sky I Developers	Bhugaon	3,700	Dec-2018

	3 Jewels	Kolte-Patil Developers	Katraj Kondhwa	4,900	Dec-2018
Bengaluru	There were no new launches in Bengaluru in the month of July				
Hyderabad	There were no new launches in Hyderabad in the month of July				
Chennai	There were no new launches in Chennai in the month of July				

## **GEOGRPAHY-WISE CAPITAL MARKET WATCH**

### **MUMBAI & WEST:**

- Mumbai based real estate developer Phoenix Mills, has raised INR 2.82 Bn through qualified institutional placement. It has issued 7.9 Mn equity shares at INR 353.60 each to qualified institutional buyers and had obtained shareholder approval to raise up to INR 10 Bn through QIPs. The company is planning to utilize these funds for growth opportunities, to repay debt and for general corporate purposes.
- An affiliate of Warburg Pincus will invest INR 18 Bn for a minority stake in Piramal Realty, the real estate development arm of Piramal Group. The funds will be used for growth and acquiring new land parcels in and around Mumbai.

### **BENGALURU:**

- Bengaluru based real estate company Krishna Enterprises Housing and Infra, has raised INR 850 Mn from Chicago based PE firm Walton Street Capital. The proceeds will be used for construction of three new projects and for payment of INR 350 Mn debt.
- Edelweiss, a financial services group has invested INR 2 Bn in Saya Groups' residential project Saya Homes. The developer, which has already delivered two projects in Indirapuram, is currently developing 2.4 Mn sq ft in the area.

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