

Pune Residential Real Estate Overview

December 2011



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Geography:

Pune is situated on the western margin of the Deccan plateau and is bordered by hills on the South and East. Located at approximately 50 kms from the Western Ghats and 100 kms to the east of Konkan, i.e., the west coast, it lies along 18°31' N latitude and 73°52' E longitude. It is situated on the leeward side of the Sahyadri Mountains at an altitude of 559 meters above sea level.

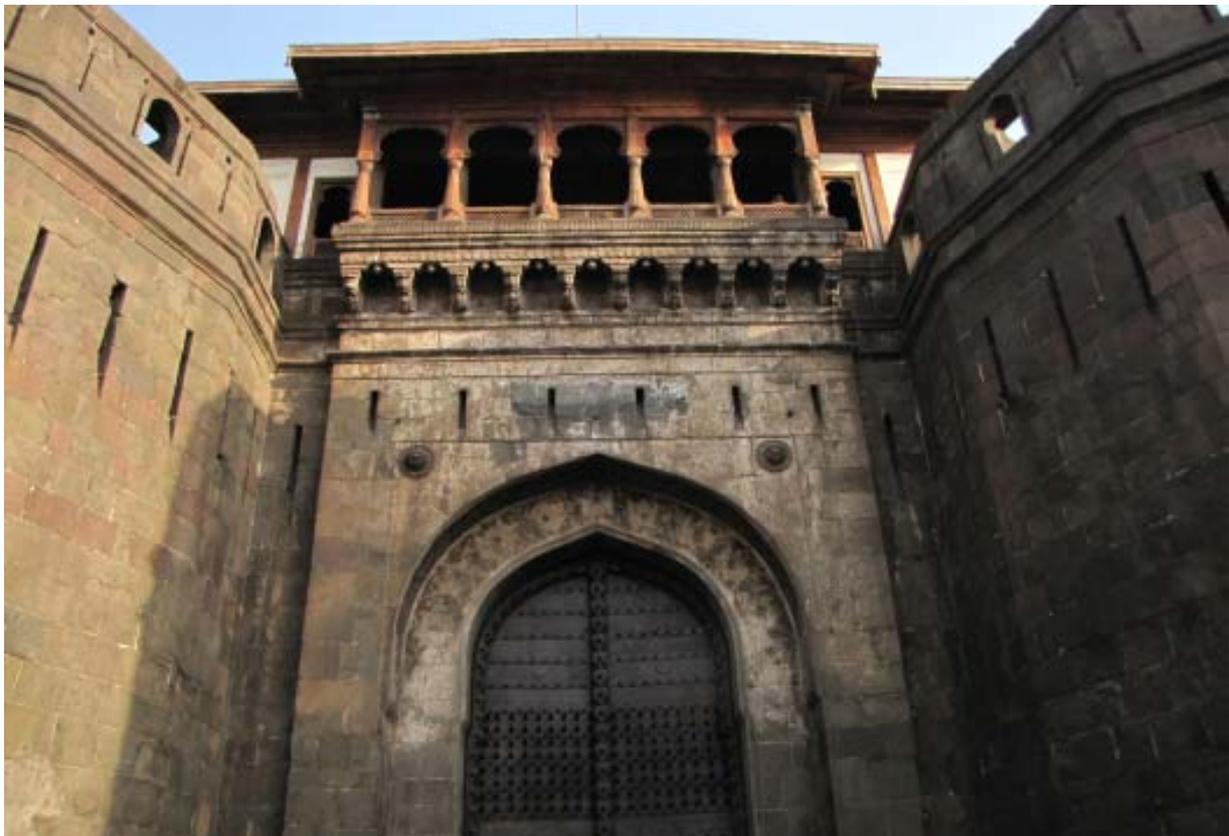
The Mula-Mutha river, a confluence of two rivers, flows through the city. The Pavana and Indrayani rivers flow along the northwestern outskirts of Pune's urban area. The Sinhagad-Katraj-Dive Ghat range forms the southern boundary of Pune's urban area. The highest point within the city is the Vetal hill (800 m) whereas the highest point of the urban area is the Sinhagad Fort (1400 m).

History:

The Rashtrakutas once ruled the city before it was acquired by the Mughals during the 17th century. Pune was a temporary home to the Maratha King Chhatrapati Shivaji from 1635. Peshwa Baji Rao I, Prime Minister of Chhatrapati Shahu, relocated to Pune and constructed Shaniwar Wada, a palace near the Mutha River, during the early 18th century. Remains of the Shaniwar Wada still stand today, serving as a reminder of the city's eventful history. Pune was the center of the Peshwa rule during this time-period.

The Battle of Khadki that took place on the outskirts of Pune between the British East India Company and Peshwa Bajirao II resulted in the defeat for the rulers of Pune. The victorious British built the Poona and Kirkee cantonments, now called Pune and Khadki.

The Pune Municipality was established in 1858 and many educational institutes moved into this area. While India was struggling for Independence, Pune positioned itself as the center for religious and social reform movements. It was home to several prominent leaders - Bal Gangadhar Tilak, Jyotirao Phule, Gopal Krishna Gokhale, Mahadev Govind Ranade, R.G. Bhandarkar and Maharshi Vitthal Ramji Shinde.



Shaniwar Wada

`Oxford of India' to `Detroit of India'

Known as the 'Oxford of India', Pune is home to a large number of well-known educational institutes, among them the prestigious Pune University with its affiliated colleges such as Fergusson College and College of Engineering. In recent years several deemed universities have also come up and the number of colleges continues to grow. The SNDT University for Women was established in 1916. The Bhandarkar Oriental Research Institute, established in 1917, is now famous for its research on the Prakrit and Sanskrit languages; over 20,000 ancient manuscripts are housed at this institute. In the latter half of the 20th century, the National Defence Academy and the National Chemical Laboratory were established in the city.

Over the years, the automobile industry has gained prominence in Pune, giving it the title of the `Detroit of India'. Among the automobile companies that operate out of Pune are Bajaj Auto, Tata Motors, Daimler Chrysler (Mercedes Benz), Kinetic Engineering and Force Motors Ltd. In addition the city witnesses a dominant presence of IT and software companies, primarily operating out of Hinjewadi.

Administration:

The administration of Pune is divided into 14 "Talukas" or territories. Except for the Pune city, the other 13 talukas are under 11 "Nagarpalikas" or Municipal Corporations and 13 "Panchayat Samitis".

Pune is divided into two "Mahanagarpalikas", viz Pimpri-Chinchwad Municipal Corporation and Pune Municipal Corporation; and three cantonment boards, viz Pune Cantonment Board, Khadki Cantonment Board and the Dehu Road Cantonment Board.

Census 2011 Key Highlights

Description	2011	2001
Actual Population	9,426,959	7,232,555
Male	4,936,362	3,769,128
Female	4,490,597	3,463,427
Population Growth	30.34%	30.73%
Area Square Km	15,643	15,643
Density/Square Km	603	462
Proportion to Maharashtra Population	8.39%	7.47%
Sex Ratio (females per 1000 males)	910	919
Average Literacy Rate	87.19%	80.45%
Male Literacy Rate	92.72%	88.34%
Female Literacy Rate	81.13%	71.89%

Source: Census 2011

Ring Road:

Aimed at augmenting the connectivity across the major peripheral roads and ensuring the smooth flow of heavy vehicles.

- Implementing Agency: Public Works Department (PWD)
- Total Length: 117 km with a width of 90 m to facilitate movement of heavy vehicle traffic
- Project Status: Land acquisition under progress

Short Term	10-12 months	Slight Moderation in capital value
Long Term	50-60 months	10-12% YoY appreciation in capital value with an upward bias on a conservative note

Pune has a resilient real estate market. The real estate prices in this micro market were corrected during the recession as buyers lost their funds in the equity markets. However, post recession, the realty market has bounced back and is on a stronger and healthier footing.

The real estate prices in the short run is expected to moderate slightly owing to high interest rates, high inflation and a weak global economic scenario.

However, in the long run, given the bullish NASSCOM IT employment projections, discussed later in the report, the Pune residential real estate prices are expected to remain supported.

- **East Pune Vs. West Pune**

Investors are showing an increasing tendency to make a clear demarcation between East and West Pune, comparing the two areas in terms of where they can expect better returns.

Growth in East Pune is being largely driven by Kharadi and Hadapsar (Magarpatta Cyber City). There is a mixture of BFSI, IT and BPO industries in this section of the city. However, this area also sees some demand flowing in from peripheral areas like Shikrapur and Ranjangaon, which are located closer to East Pune.

West Pune is increasingly becoming an IT hub, largely concentrated in the Rajiv Gandhi Infotech Park located in Hinjewadi. Four townships have been launched in and around this area to meet the huge demand for homes in the vicinity, viz Megapolis (150-acre township); KUL Ecoloch (110-acre township); Kolte Patil I Ven (421-acre township) and Paranjape Blue Ridge (140-acre township).

- **Central Pune witnessing a lot of redevelopment projects**

Central Pune locations like Apte Road, Bhosale Nagar, Deccan, Model Colony, Prabhat Road and Shivaji Nagar are witnessing a significant number of redevelopment projects like Garima (Rohan Builders), Castle Royale (Avinash Bhaosale Group) to name a few. Land is scarce in these areas, so builders are mainly constructing stand-alone luxury units and this location commands an address premium.

- **Chakan contributing towards Pune becoming "Detroit of India"**

Chakan is quickly emerging as the new auto hub in Pune with the presence of global automobile companies like Mercedes Benz and Volkswagen. However, some of low end residential development is coming up in this micro-section targeting blue collared workers. Companies looking to expand operations prefer Chakan over the Pimpri-Chinchwad belt owing to the industrial land prices being relatively cheaper in the former (INR 400 - 500 psf) vis-à-vis the latter (INR1500 - 1600 psf).

- **Is Pune becoming a "weekend getaway" for Mumbaikars?**

Pune offers more spacious apartment configurations than Mumbai and at much cheaper prices; for example, an apartment in Ghatkopar, Mumbai would have an average area of 900 sq.ft and cost INR 10,000 psf while an apartment in Baner, Pune would have an average area of 1000 - 1200 sq.ft. and cost INR 5,000 psf. Apartments in Pune offer much more breathing space.

Since it is situated on the leeward side of the Western Ghats, the climate in Pune is more pleasant than in Mumbai, which is in the tropical zone and closer to the sea and hence humid throughout the year.

Pune is thus increasingly becoming a "weekend getaway" for Mumbaikars who want to relax in spacious homes and enjoy a cool, pleasant climate. Moreover, the city is just a 3-4 hour drive away from Mumbai and is well connected by the NH 4 highway.

- **Is a correction expected in the Pune real estate market?**

In the period prior to the slowdown, the Pune real estate market delivered rapid appreciation largely driven by the booming IT sector. During the March 2007-2009 period major IT companies delivered increases in net profits in the range of 38-66%. Increased profits converted into higher bonuses for IT professionals, leading to a sudden increase in their purchasing power and translating into greater demand for real estate. Excess demand started to reflect in the prices; of the 36 areas monitored by the ICICI HFC indices (represented in the graph later in the report) 26 registered price increases of more than 2.5 times over the March 2005 to December 2007 period.

The market fundamentals went haywire thereafter. Equity markets were decimated during the slowdown period (January 2008 - December 2009). The Sensex dipped to lows of 8,000 levels (Sensex, March 9, 2009 - 8,160.4 level). From trading at above 20,000 levels (January 1, 2008 - 20,300.71), the Sensex dropped to 17,464.81 on December 31, 2009, registering a drop of 14% over the two year period. Therefore, reduced bonuses along with the declining Sensex levels sucked up the demand from the market.

However, the markets have matured in the post slowdown period. Real estate prices have recovered; of the 36 areas monitored, prices have increased by over 20% in 32 areas over the December 2009 to June 2011 period. The over confidence in the market has given way to caution on both sides. Builders are now venturing into projects after factoring in their capacity to deliver and releasing the supply into the market after sensing the demand for the units. Buyers are also resorting to due diligence of the builder and the project before booking any property.

However, the high inflation rate, touching almost double digits and high interest rates on home loans will hinder rapid absorption in the short run as they put pressure on the purchasing power of the buyers.

Overall, the scenario is dependent on the global economic picture in the long run. As of today, we remain positive with respect to the real estate price growth scenario over the long run as it is expected to be fuelled by the growth momentum in the IT industry. According to the NASSCOM Strategic Review 2011 report, India is expected to touch USD 130 billion in IT - BPO revenues by FY 2015, a CAGR of 14%. By FY 2015, the Indian IT-BPO industry is expected to contribute about 7% to annual GDP and create about 14.3 million employment opportunities (direct and indirect). Apart from IT, the growth momentum in Pune is expected to be supported in the future by the automobile industry as companies look to expand their manufacturing operations in Chakan.

- **Short term speculation discouraged in real estate projects**

Builders heavily discourage any short-term speculation in real estate projects. Buyers are requested to register their units within 15-60 days of paying the token amount. Investors are allowed to exit their units only after the builder has transferred possession. The predominant reason for this is to avoid unwanted confusion in the real estate market with regards to prices. On very rare occasions, the investor is allowed to exit his unit by paying a cancellation charge levied by the builder.

- **Investors are increasingly preferring 2 BHKs over other configurations**

According to a NASSCOM HR survey report 2011 on Pune, 33% of employees are aged below 25 years, while around 55% are in the age bracket of 26-35 years, 10% are aged 36-45 years and only 2% are older than 45 years. Given the above break-up, we witness that almost 88% of the total IT workforce is under 35 years.

This is a life stage when working professionals start a family and require a 2BHK. The same report reveals that 37% of the IT-BPO workforce comprises of women. The increased disposable income of such families makes this configuration more affordable.

Henceforth, 2BHKs will attract a high end user demand compared to configurations of 2.5 and above, ensuring the investor a faster exit. 1BHKs have not witnessed a similar off take as the 2BHKs remains affordable in this micro market. The common notion that end users will upgrade from a 1BHK to a 2BHK somewhat fails in this micro market. End users are ready to stretch their budget for a 2BHK today rather than stay in a 1BHK and relocate to a 2BHK tomorrow. Investors prefer 2 BHK over 1BHK as they can find end users with deeper pockets more easily for the former; hence, the investor can expect a higher capital appreciation.

- **Demand demographics in the Pune real estate market**

The Pune real estate market witnesses an end user to investor ratio of 60:40. This market has a huge retail investor presence and lacks the presence of underwriters. An interesting observation was that 50% of the participants in the investor space were from Mumbai while the other 50% comprised NRIs (Non Resident Indians) and investors from Pune. The reason for such a significant presence of investors from Mumbai is that Pune is in close proximity, seems to be promising in the long term and demands lower capital investment relative to Mumbai.

After analyzing the macro-trends in Pune realty, we can now delve deeper to analyze the micro-trends.

Major Locations within Pune

We have classified the real estate space in Pune into five distinct zones - Central Pune, North Pune, South Pune, East Pune and West Pune.

Central Pune: Bhosale Nagar, Deccan, Model Colony, Prabhat Road, Shivaji Nagar

North Pune: Chinchwad, Akurdi, Pradhikaran, Talegaon, Chakan, Ravet

South Pune: Ambegaon, Katraj, Kondhwa, Parvati, Salisbury Park, Sinhagad Road, Mohammadwadi, NIBM, Warje

East Pune: Boat Club, Hadapsar, Kalyani Nagar, Kharadi, Koregaon Park, Wagholi, Viman Nagar

West Pune: Aundh, Balewadi, Baner, Bavdhan, Hinjewadi, Kothrud, Pashan, Pimple- Saudagar, Wakad

Major Locations: Bhosale Nagar, Deccan, Model Colony, Prabhat Road, Shivaji Nagar

Key Highlights

- The central part of Pune houses monuments of historic importance like Shaniwar Wada, the erstwhile palace of the Peshwas.
- Land availability in the central city is limited and traditional residential areas like Prabhat Road and Bhandarkar Road have very few locations suitable for the development of residential real estate.
- As compared to other regions in Pune, there are no major residential developments other than standalone buildings in this part of Pune.
- Pinnacle Group, Paranjpe, Rohan, Alliance Group and Oxford Properties are some of the prominent developers in Central Pune.

Growth Stimulators

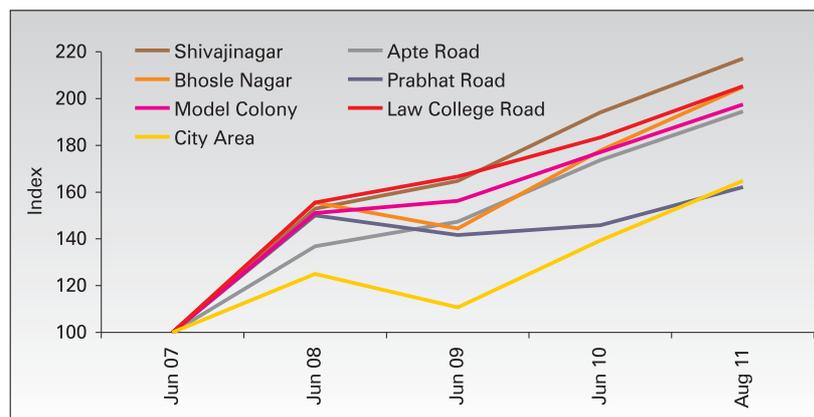
- Shivaji Nagar is close to Pune Railway Station and houses corporates like L & T Infotech and institutes like Indian Institute of Planning and Management.
- Deccan is a cultural district and houses many art galleries, theaters and cinema halls.
- J.M. Road and F.C. Road are high streets and most of the retail players vie for this area with Pune Central and Shoppers Stop to name a few.

Residential Market in Central Pune

Average Apartment Size of 2 BHK (in sq. ft.)	1172
Average Apartment Size of 3 BHK (in sq. ft.)	1590
Total Supply (in million sqft) by 2012	0.16
Total Supply (in no. of units) by 2012	88

Source: ICICI PSG

Price Trends in Central Pune*



*Assuming 100 as a base for June 2007

Source: ICICI Mortgage Valuation Group

Property rates of 'ready - to - move in' in prime residential markets of Central Pune**

Location	Average Capital Values (INR/sq.ft)	Rentals for 2 BHK (INR/month)
Apte Road, Model Colony	11,000 - 15,000	20,000 - 25,000
Prabhat Road, Deccan Area	11,000 - 15,000	20,000 - 25,000
Bhosale Nagar	10,000 - 12,000	15,000 - 20,000

**indicative mid market segment

Source: ICICI PSG

Major Locations: Chinchwad, Akurdi, Pradhikaran, Talegaon, Chakan, Ravet

Key Highlights

- Talegaon is strategically located with easy access to Mumbai, Pune and Nashik and has already witnessed high level of industrial activity.
- Mindspace Realty, Naiknavare, Namrata Dev and Goel Ganga are some of the prominent developers in North Pune.

Growth Stimulators

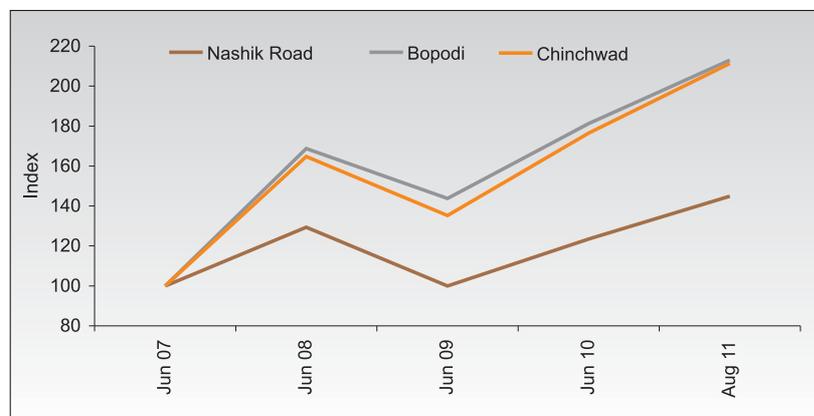
- Accessibility to the upcoming Technology Park (Talawade) and IT sector (Hinjewadi) will propel the real estate growth in Pimpri-Chinchwad.
- Excellent infrastructure and connectivity to Central Pune are the key positives of this area.
- Ravet also witnessed major developments due to its affordability and project launches.

Residential Market in North Pune

Average Apartment Size of 2 BHK (in sq. ft.)	1000
Average Apartment Size of 3 BHK (in sq. ft.)	1500
Total Supply (in mn. sq. ft.) by 2012	2.04
Total Supply (in no. of units) by 2012	1134

Source: ICICI PSG

Price Trends in North Pune



*Assuming 100 as a base for June 2007

Source: ICICI Mortgage Valuation Group

Property rates of ' ready - to - move - in' in prime residential markets of North Pune**

Location	Average Capital Values (INR/sq.ft)	Rentals for 2 BHK (INR/month)
Chinchwad	3,200 - 4,200	10,000
Talegaon	2,500 - 3,100	7,000
Nashik Road	2,750 - 3,000	7,000
Ravet	2,800 - 3,400	-

**indicative mid market segment

Source: ICICI PSG

Major Locations : Ambegaon, Katraj, Kondhwa, Parvati, Salisbury Park, Sinhadgad Road, Mohammadwadi, NIBM

Key Highlights

- Sinhadgad Road houses the Institute of Armament Technology (IAT) and the Sinhadgad Institute. The road further leads to the base of the famous Sinhadgad Fort.
- Mohammadwadi, surrounded by hills with scenic beauty, has beautiful bungalows.
- Kondhwa has evolved as an important residential area in the recent past. While the area towards Katraj is developing as a low cost housing destination, with the budget factor weighing in more here, the area towards Wanowrie and NIBM is becoming a preferred location for premium housing.
- D.S.K, Nyati, Kumar Properties, Amit Enterprises, Marvel, Kolte Patil and Mittal Group are some of the prominent developers in South Pune.

Growth Stimulators

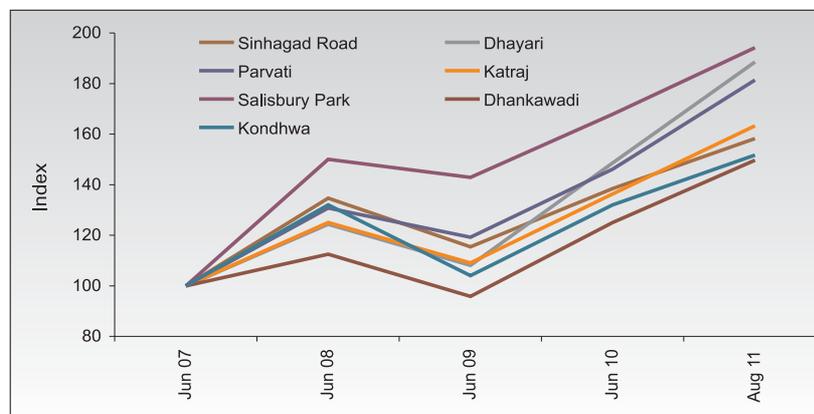
- With the Bangalore Bypass and the Expressway running alongside, Ambegaon has acquired a new facet. As Kothrud in West Pune has become a premium location, customers have started moving towards Sinhadgad Road and Ambegaon area.
- Katraj has some good educational institutes like the Bharti Vidyapeeth Dental College and Rajiv Gandhi Institute of IT and Biotechnology.
- Apartment buyers are showing a greater preference for NIBM, Kondhwa and Lullanagar where development is planned, open land exists and water supply is better. Moreover, it offers excellent connectivity to M G Road and Magarpatta.

Residential Market in South Pune

Average Apartment Size of 2 BHK (in sq. ft.)	952
Average Apartment Size of 3 BHK (in sq. ft.)	1721
Total Supply (in mn. sq.ft.) by 2012	9.79
Total Supply (in no. of units) by 2012	7558

Source: ICICI PSG

Price Trends in South Pune



*Assuming 100 as a base for June 2007

Source: ICICI Mortgage Valuation Group

Property rates of ' ready - to - move - in' in prime residential markets of South Pune**

Location	Average Capital Values (INR/sq.ft)	Rentals for 2 BHK (INR/month)
Ambegaon	3,200 - 3,800	8,000
Katraj	3,500 - 4,000	10,000
Kondhwa NIBM	3,500 - 5,000	12,000
Kondhwa Khurd	3,000 - 3,200	8,000
Salisbury Park	12,000 - 13,000	20,000
Sinhagad Road	3,500 - 5,000	12,000

***indicative mid market segment*

Source: ICICI PSG



Salisbury Park

Major Locations: Boat Club, Hadapsar, Kalyani Nagar, Kharadi, Koregaon Park, Wagholi, Viman Nagar

Key Highlights

- Boat Club and Koregaon Park are considered to be some of the most up-market areas in Pune.
- Over the last few years Viman Nagar has also become one of the finest locations in Pune with many exclusive and luxurious residential projects, IT parks, hotels and educational institutes. It is well connected to the central areas of Pune.
- Camp lies in the cantonment area. Most of the corporate houses and up - market shopping malls are located here.
- Lohegaon is well connected to Viman Nagar and Kalyani Nagar via a newly constructed VIP road. It is also well connected to almost all the other parts of the city.
- Hadapsar and Kharadi have emerged as preferred locations for the IT/ITES sector. These locations serve not only as hubs for IT activities but are also preferred residential destinations promoting the 'walk to work' culture which is fast becoming popular.
- Due to its proximity to Koregaon Park and Kalyani Nagar, Mundhwa has also experienced good development in the last few years and with expected conversion of large land parcels into non - agricultural land, this area will witness major developments in real estate.
- This part of Pune houses top hotels like Vivanta by Taj Blue Diamond, 'O' Hotel and Westin in Koregaon Park and the Hyatt Regency in Viman Nagar and Four Points by Sheraton on Nagar Road.
- Prominent developers in this region include Marvel, Kolte Patil, Rohan, Gera, Goel Ganga, Kumar Builders, Panchshil, Nyati and Brahma.

Growth Stimulators

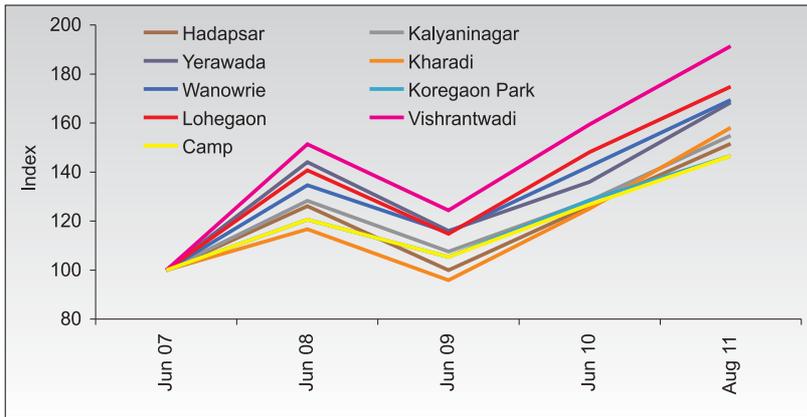
- Boat Club and Koregaon Park are the most sought after addresses in the city.
- Kalyani Nagar, located in the vicinity of upscale neighborhoods like Koregaon Park, Boat Club Road and Mangaldas Road, is an upcoming area for housing.
- IT, Retail and Manufacturing are propelling growth in East Pune.

Residential Market in East Pune

Average Apartment Size of 2 BHK (in sq. ft.)	1296
Average Apartment Size of 3 BHK (in sq. ft.)	1652
Total Supply (in mn. sq.ft.) by 2012	23.17
Total Supply (in no. of units) by 2012	14918

Source: ICICI PSG

Price Trends in East Pune*



*Assuming 100 as a base for June 2007

Source: ICICI Mortgage Valuation Group

Property rates of 'ready - to - move - in' in prime residential markets of East Pune**

Location	Average Capital Values (INR/sq.ft)	Rentals for 2 BHK (INR/month)
Koregaon Park	10,000 - 15,000	35,000 - 40,000
Boat Club	15,000 - 17,000	30,000 - 40,000
Kalyani Nagar	6,500 - 13,000	18,000 - 26,000
Wagholi	2,600 - 3,200	6,000
Kharadi	3,500 - 5,000	12,000
Hadapsar	2,800 - 5,000	11,000
Vishrantwadi	3,800 - 4,200	10,000
Viman Nagar	4,900 - 5,800	14,000
Wanowrie	4,700 - 8,000	12,000 - 18,000

**indicative mid market segment

Source: ICICI PSG



Eon IT Park

Major Locations : Aundh, Balewadi, Baner, Bavdhan, Hinjewadi, Kothrud, Pashan, Pimple- Saudagar, Wakad

Key Highlights

- Aundh is a bustling location and has emerged as one of Pune's up-market areas. An improved road network has enhanced its connectivity with the central parts of Pune.
- Paud Road and Kothrud are traditional Maharashtrian localities and draw a similar clientèle.
- Baner has also become a popular destination amongst those who desire to be near the Aundh area but prefer a more affordable option.
- Kumar Properties, Kolte Patil, Aditya Builders, GK Developers, Nyati, Paranjpe, Pride Purple, Vascon and Wadhvani Constructions are some of the prominent developers in West Pune.

Growth Stimulators

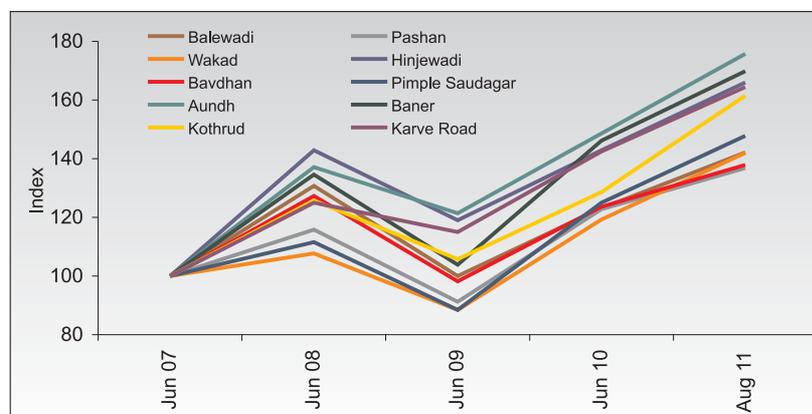
- Proximity to Rajiv Gandhi Infotech Park, Hinjewadi and the Mumbai-Bangalore by-pass has boosted real estate activity in this area, seen by many as one of the future key growth areas in Pune.
- Aundh has witnessed a lot of development in the past one year, with a large number of shopping centers and supermarkets like Ozone Reliance Mart, Croma etc. coming up. The locality is well serviced by public transport and has all the necessary amenities such as banks, post offices, shopping centers and schools.
- Pashan and Baner are situated in the vicinity of the IT Park at Hinjewadi and the Mumbai-Bangalore Highway.
- Aundh is the most preferred of these localities because of its relative proximity to the city center.
- Investors from Mumbai are also interested in buying property in Hinjewadi on account of easy access from the Mumbai-Pune Expressway.

Residential Market in West Pune

Average Apartment Size of 2 BHK (in sq. ft.)	1050
Average Apartment Size of 3 BHK (in sq. ft.)	1527
Total Supply (in mn. sq.ft.) by 2012	13.85
Total Supply (in no. of units) by 2012	9379

Source: ICICI PSG

Price Trends in West Pune*



*Assuming 100 as a base for June 2007

Source: ICICI Mortgage Valuation Group

Property rates of ' ready - to - move - in' in prime residential markets of West Pune**

Location	Average Capital Values (INR/sq.ft)	Rentals for 2 BHK (INR/month)
Aundh	5,000 - 10,000	18,000 - 20,000
Bavdhan	3,800 - 4,500	12,000
Hinjewadi	3,200 - 4,200	8,000
Pimple Saudagar	3,800 - 4,500	12,000
Wakad	3,500 - 4,200	12,000
Pashan	3,800 - 5,000	12,000
Pimple Nilakh	3,800 - 5,000	12,000

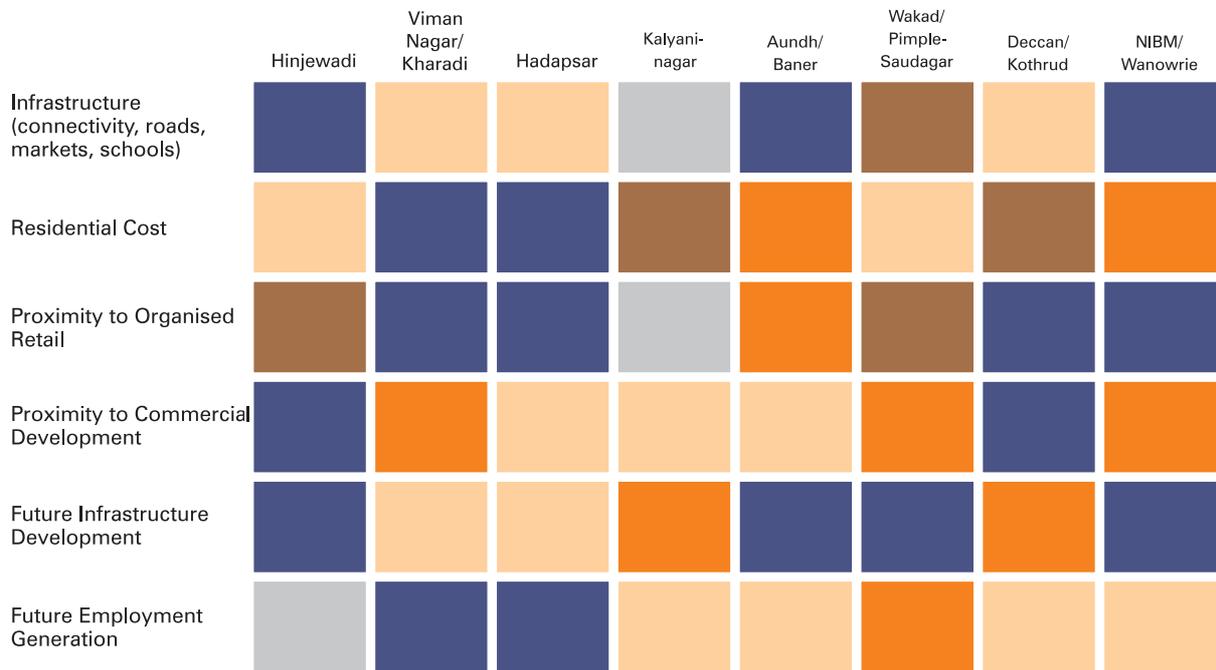
***indicative mid market segment*

Source: ICICI PSG



Infosys Pune Phase II

A comparative study of different locations within Pune shows Hinjewadi as having an edge over other locations. This is due to its potential for future infrastructure development along with commercial development, which in turn would lead to new employment opportunities.



Source: ICICI PSG

ANALYSTS

TRESA RAJIV

Manager – Research
ICICI Property Services Group
tres.rajiv@icicihfc.com

GAURAV MAHESHWARI

Economist, Private Clients Research Group
ICICI Bank Ltd.
gaurav.maheshwari@icicibank.com

For further enquiries please mail us at : psgresearch@icicihfc.com

or

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