

THE PERIPHERIES – GREATER MUMBAI'S FUTURE SUBURBS

Scoping Out MMR's New Growth Corridors

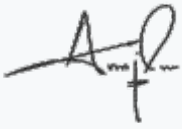
in association with



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Foreword



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Mumbai the capital city of Maharashtra and is popularly known as the 'Financial Capital of India'. Also recognized as 'The City of Dreams' due to its strategic location, Mumbai is one of the most preferred cities for trade and commerce.

Over the last few decades, the city has evolved from an industrial hub to a service sector-driven destination, Mumbai has witnessed rapid development and seen expansion of its limits with all the industries slowly and gradually moving to the adjoining areas of Greater Mumbai. Rapid agglomeration led to the expansion of Greater Mumbai to Mumbai Metropolitan Region (MMR) which houses Greater Mumbai, Navi Mumbai, Thane City, and the two peripheries namely western peripheral suburbs and central peripheral suburbs.

MMR is one of the biggest real estate markets in India and houses projects of all major developers. While in the early days the city witnessed only luxury and ultra-luxury real estate developments, the developers have continuously evolved in terms of the offerings catering to the rising and changing needs of the city.

Interestingly, MMR contributes nearly 25% of the overall supply across the top 7 cities. Varied developments across all real estate categories ranging from affordable to ultra-luxury makes MMR stand out from the rest as far as real estate developments across the country is concerned. Amidst the transforming real estate sector in MMR, developers are moving north and east to cater to the rising demand and thus peripheral suburbs are emerging as the most prominent destinations where affordability is high and the dream of owning a house can easily be turned into a reality. With the market still evolving, maximum demand in the past for these peripherals was primarily the spill-over demand from the suburbs.

However, the government seems focussed to upgrade the infrastructure of these peripheral suburbs and create more employment opportunities here.

In an endeavour to capture the rising demand for peripheral suburbs and how they will emerge as preferred destinations in the future, ANAROCK Property Consultants presents this white paper titled – "The Peripheries - Greater Mumbai's Future Suburbs; scoping out MMR's new growth corridors" which deep dives into the current status of these peripheral suburbs and how new development plans can contribute to the evolution of these regions. This report will serve as a guide to all the stakeholders in understanding the potential that these peripheral suburbs withhold and how they can shape up the future of MMR.



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Mumbai Metropolitan Region: A Snapshot

An Introduction

Mumbai (officially known as Bombay until 1995) is the capital city of Maharashtra. It is the country's financial and commercial capital with the presence of many BFSI companies, NSE and BSE and also a principal port on the Arabian Sea. Mumbai Metropolitan Region (MMR) is in the heart of Maharashtra and known as one of the largest and the most densely populated urban area in the world. Notably, MMR is the wealthiest city in India and contributes more than 6% to India's GDP. It has also been recognized as the 12th wealthiest city globally having a total wealth of INR 950 billion.

Mumbai Metropolitan Region Development Authority (MMRDA) is the apex planning body for the MMR and its counterpart for Navi Mumbai is CIDCO. There are also several municipal governing bodies in the MMR, amongst which the Municipal Corporation of Greater Mumbai (MCGM) is the most significant.





22.8_M
Population



4,355
sq km Area



Districts in MMR
Mumbai, Thane
& Raigad



Governing Bodies
MMRDA¹
& CIDCO²



¹ Mumbai Metropolitan Region Development Authority
² City and Industrial Development Corporation

Location Mapping

Mumbai is located on the west coast of Maharashtra and considered as an integral natural harbour that records about 70% of the marine trade of India.

7 Island:

The city previously had an extensive group of seven Islands (**Isle of Bombay, Colaba, Old Woman's Island, Mahim, Mazagaon, Parel, Worli**), which were connected to form the current shape of the core city. These islands now constitute the southern part of Mumbai

Suburbs:

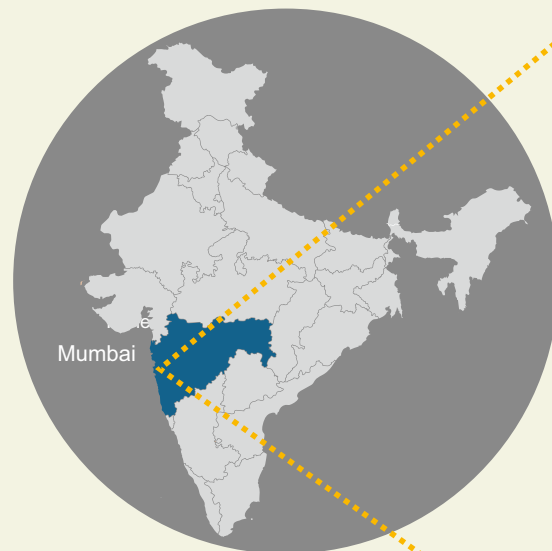
Suburbs are the extended part of the 7 islands of Mumbai, which is collectively known as Greater Mumbai. The suburbs are divided into two regions viz; western and central. Over a period of time, these suburbs have evolved as the core business centres and key residential destinations of Greater Mumbai.

Peripheral Suburbs:

This area falls beyond the metropolitan region. It is essentially rural or semi-urban in character. The peripheries are also divided into central and western parts as per the city's zoning pattern. Connectivity and transportation to these peripherals are rapidly being improved and large-scale developments are being undertaken here.

Navi Mumbai:

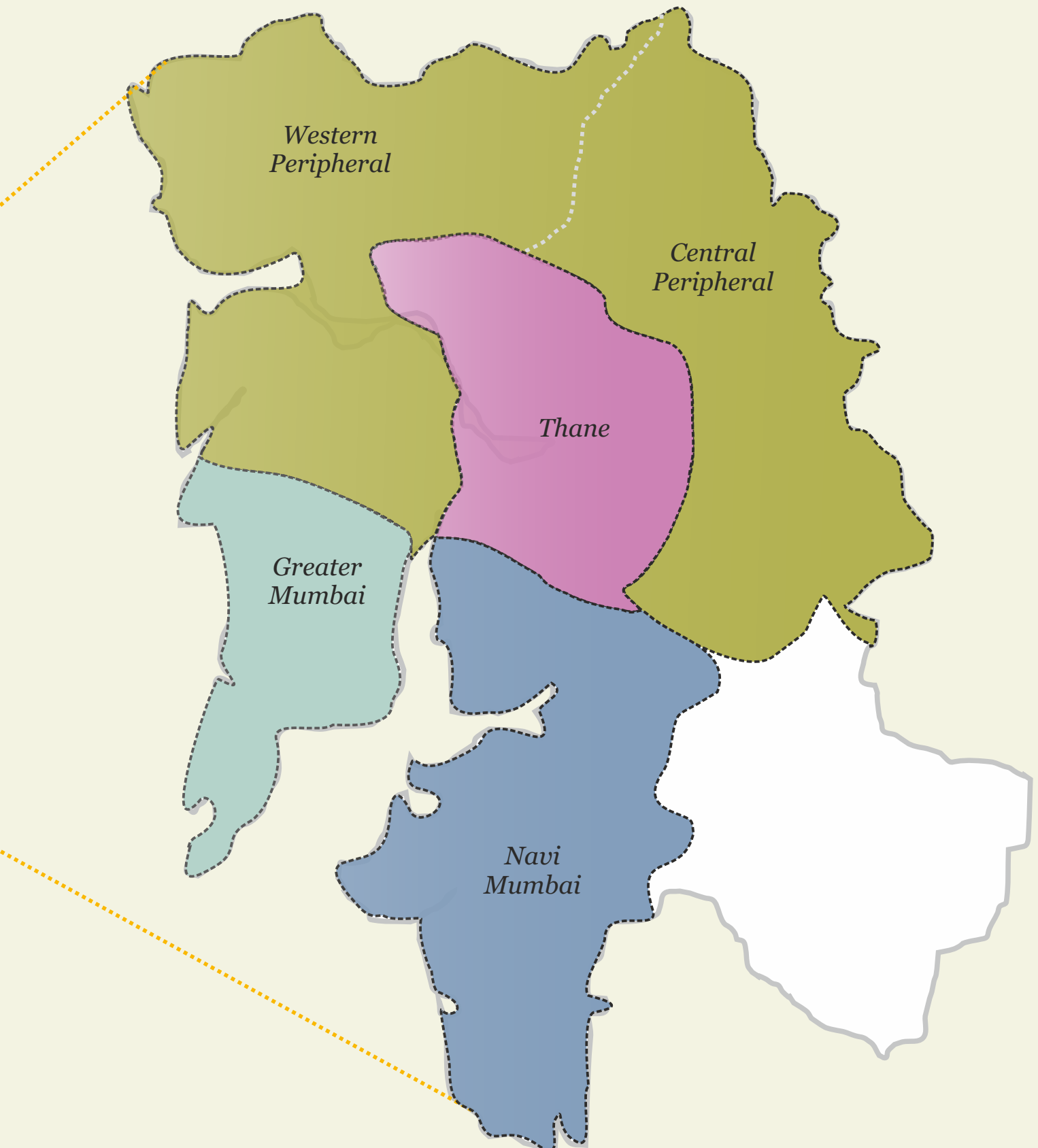
The Satellite Township - Navi Mumbai is one of the important cities in MMR and is planned and developed by CIDCO. **Navi Mumbai not only reaps the benefits of good infrastructure and connectivity to the main city (Mumbai) but also is a self-sustaining destination.**



Thane:

This city has evolved rapidly from a distant industrial town known as 'Mumbai's cousin' to a buzzing self-sustaining destination, flooded with real estate developments. **With its excellent infrastructure, Thane has already emerged as an independent megapolis.**

Mumbai Metropolitan Region



Economic profile

Contribution to *GDP*



Mumbai is by far the most globalized city in South Asia. The most recent analysis of New World Wealth (global research group) indicates that Mumbai is the 12th richest city in the world, surpassing Toronto, Frankfurt and Paris.

With a total GDP of INR 3.85 lakh Crores as of 2017, Mumbai is a key economic growth engine of India. The city contributes around 2.5% to the nation's GDP. Mumbai offers a wide range of job opportunities which leads to a massive migration here from other parts of the country as well as from other cities across the globe. Although once dominated by the cotton textile industry, Mumbai's economic base is now quite diversified. The city's industries and services include BFSI, Fashion, Food, Media, Transport, Healthcare, Logistics amongst others which makes Mumbai a 'City of Opportunities.'

The increasing business opportunities offer its inhabitants a better potential for a higher standard of living. **As per the 2017 economic survey, there were more than 1,000 industrial units in Mumbai having a total investment of INR 19,040 crores and creating an employment of 1.39 lakh.**

Per Capita Income



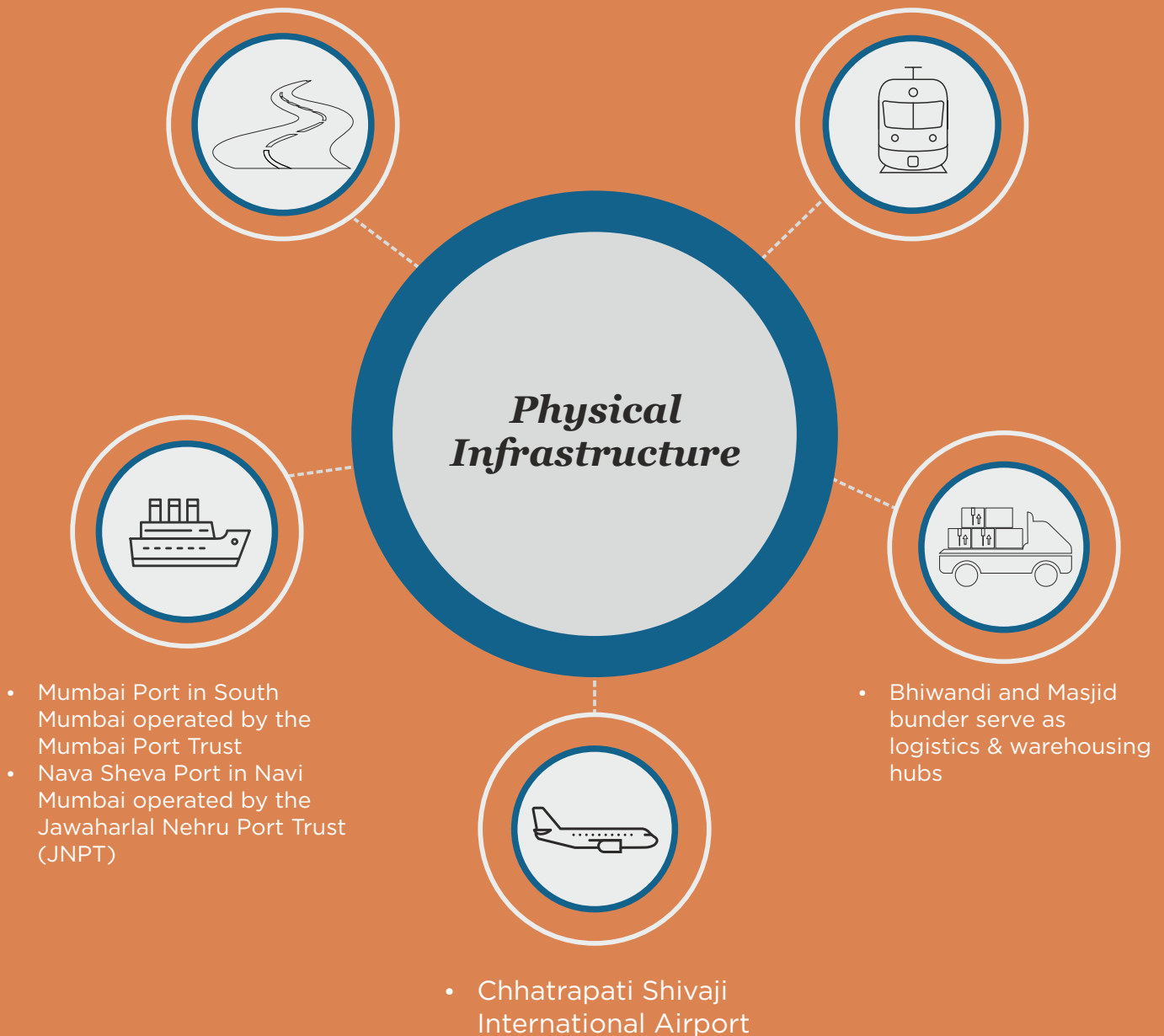
Mumbai's per capita income in 2016-17 stood at INR 2,79,965, witnessing a sharp growth of nearly 10% over a period of 5 years (2011-12 at INR 1,75,742). Even with faster population growth compared to India, the per capita income in the city is rising at astonishing levels showcasing the high potential the city has to offer both in terms of employment as well as entrepreneurship.

Infrastructure

Existing

- Sion-Panvel Highway
- Eastern and Western Express Highway
- Bandra Worli Sea-Link
- Eastern Freeway

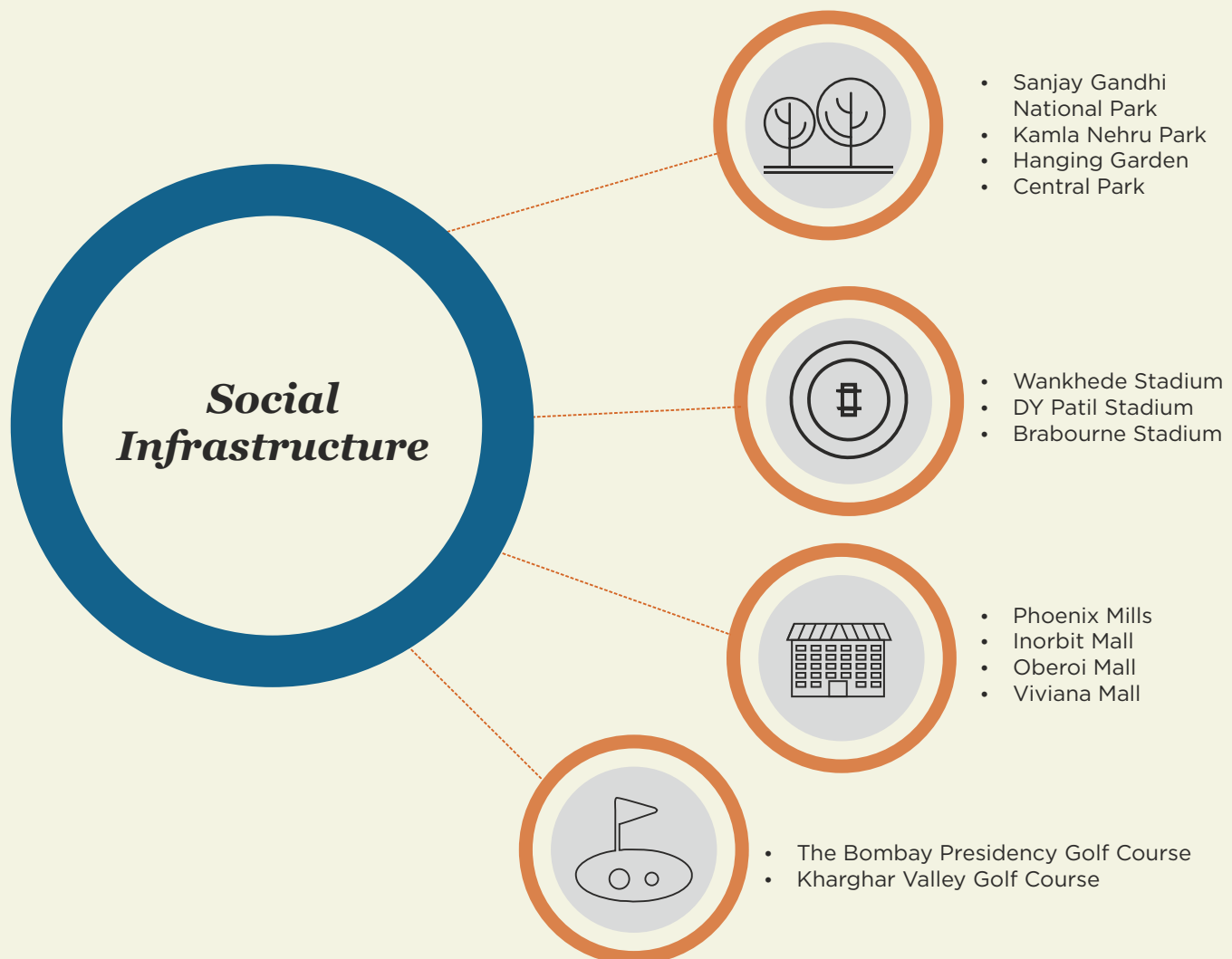
- Western line
- Central line
 - Harbour line
 - Vasai Road-Diva-Panvel line
 - Trans-harbour line
- Mumbai Metro-Phase 1
- Monorail Phase 1



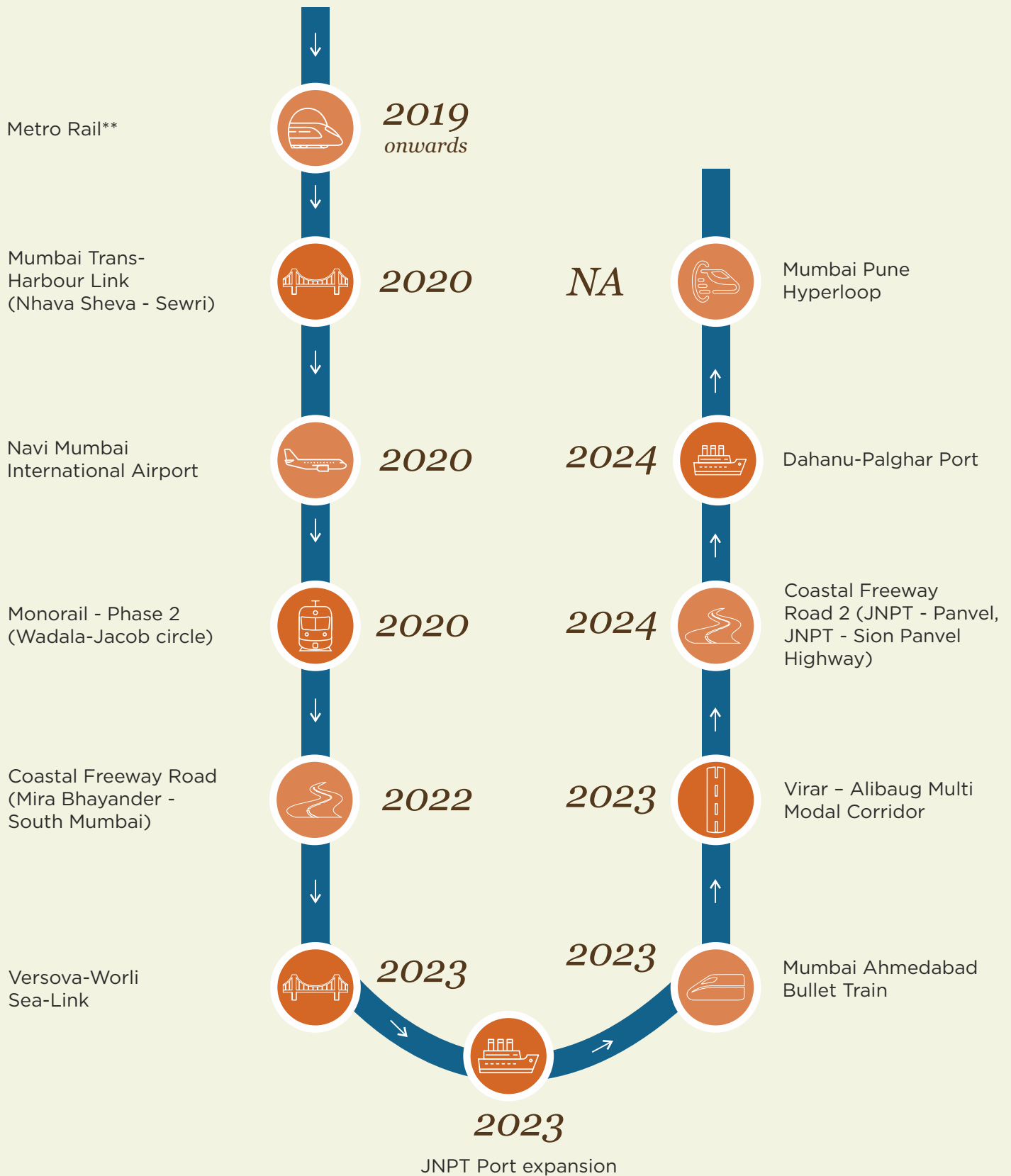
According to The Ease of Living Index (an initiative of the ministry of housing and urban affairs) survey 2018, Mumbai tops the physical segment among all the cities. This segment includes aspects such as infrastructure, transport, housing, reducing pollution, amongst many other parameters.



Apart from high-quality physical infrastructure, MMR also has an excellent social infrastructure which improves the quality of life of the residents. MMR has a wide base of educational institutes right from the basic schooling till high levels of education. One of the best medical facilities in the country is also available in the region that caters not only to the needs of the residents but also generates medical tourism from people coming to the city from the other parts of the country and world. Being the financial capital of India, real estate in the city is highly evolved and is continuously progressing to uplift the quality of life. The region also offers various modes of entertainment with its parks, golf course, cricket stadiums, malls, etc.



Upcoming and Planned Developments - Physical Infrastructure



Note: *As per available information. The actual date of operations may vary.

** Metro rail is expected to be developed in a phased manner. Phase-2 is expected to commence operations from 2019 onwards.

In addition to this, two upcoming Industrial Corridors – **Mumbai-Bengaluru Economic Corridor (MBEC)** and the **Delhi-Mumbai Industrial Corridor (DMIC)** pass through the city. MBEC will connect India's IT capital (Bengaluru) with its financial capital (Mumbai) and **improve the trade & commerce between Karnataka and Maharashtra**. On its commencement, several industries like steel, cement, auto components, readymade garments, food processing and textile are expected to gain momentum due to ease of trade. This will further increase the employment opportunities within these sectors and its allied industries. Whereas the **DMIC is building a series of industrial zones and smart cities to boost India's export capability**

MBEC and DMIC are expected to shape the industrial and urban development inland from Mumbai. Although this will directly impact Maharashtra more than Mumbai, its success will surely influence the trajectory of Mumbai's growth and specialisation. The 1000 km Mumbai-Bangalore economic corridor project has made little progress to date but has the potential to decongest both cities and create more productive links between industrial clusters.

Social Infrastructure

The governing agencies of MMR continuously strive to have a balanced development to uplift the living standards of the residents. With a laser-focus to develop physical infrastructure, an equal amount of importance to social infrastructure development is imparted by the governing bodies. The upcoming developments are focussed on constructing parks, schools, hospitals and entertainment zones. Development of a drive-in-theatre in the BKC region of Mumbai, one of its first in the country is a classic example of the highly evolving social infrastructure of the region.

Apart from this, commercial real estate development in terms of office spaces and malls is a big focus area, considering that there is an ever-increasing requirement of good quality commercial spaces in the city. Mumbai is also expected to witness the expansion of domestic and global hospitality chains, even beyond the Greater Mumbai region to cater to the rising demand in regions such as Navi Mumbai and Thane.



BKC, Mumbai

Residential Snapshot

The residential real estate segment of MMR is one of the largest markets in India. In terms of supply, MMR contributed nearly 25% of the overall launches (1.95 million) across the top 7 cities in India, between 2013 to Q3 2018.

MMR's residential market has been the most attractive market in the western region. With large-scale presence of corporates in Banking/BFSI, Automobiles, IT-ITeS, Consulting, Pharmaceuticals etc., there has been a massive employment creation in the city, followed by flourishing real estate developments. Even during the most turbulent times, MMR residential market was far more stable than its other major counterpart – National Capital Region (NCR) considering that the city has a large depth of product offerings that are spread across various regions.

MMR has been a target hotspot for real estate investors across the globe. Many NRIs have been active here and are likely to continue investing in the market considering that the city is constantly being upgraded. The city offers a mix of projects across affordable, mid-segment, luxury and ultra-luxury to cater to demand arising from different types of buyers. With the highest population of HNIs residing in the city, MMR is one of the top preferred markets in terms of luxury and ultra-luxury real estate in India.

MMR contributes nearly 25% of the overall supply across top 7 cities in India between 2013 to Q3 2018

The region offers a mix of projects across affordable, mid-segment, luxury and ultra-luxury category

MMR is divided majorly into 3 zones, i.e. Mumbai (including peripheral areas), Thane city and Navi Mumbai. All these zones have been buzzing with real estate developments during the past few years. Not only the local residents and NRIs but also people residing in other parts of the country (and world) are targeting MMR region to expand their real estate portfolios.

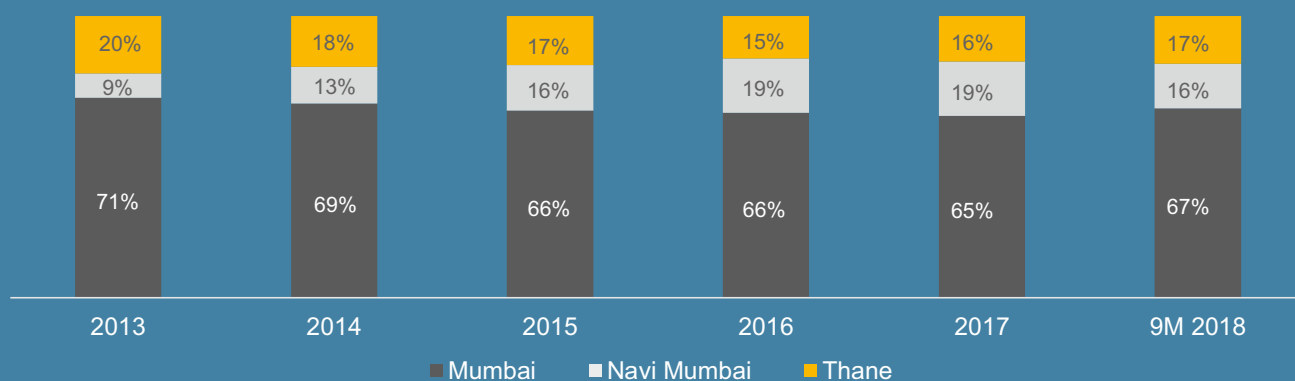
Demand-Supply Scenario

MMR has witnessed huge supply addition during the past 5 years. Between 2013 to Q3 2018, the market has seen more than 0.5 million units launched across the region and distributed across different budget segments, ranging from affordable to ultra-luxury. MMR witnessed aggressive launches in 2013, 2014 and 2015. More than 60% of the 0.5 million units launched in MMR came in these 3 years. From 2016 onwards, with changing market dynamics, the developers restricted large-scale new inventory and focused more on off-loading the existing unsold stock.

Total of 0.5 million units were launched in MMR between 2013-Q3 2018

More than 60% of the launches in MMR took place before 2016

Break-up of launches in MMR

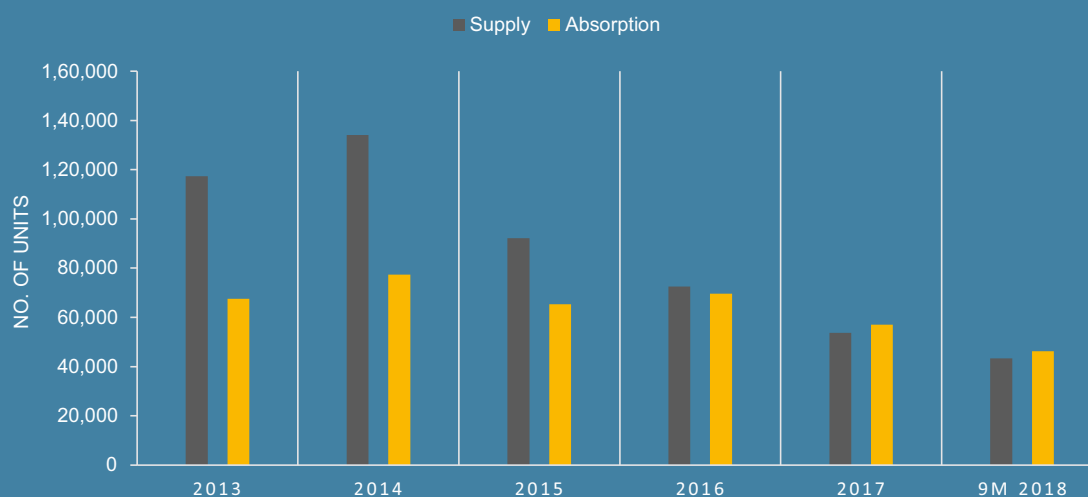


Source: ANAROCK Research

A large part of the supply launched between 2013 to Q3 2018 has been in Mumbai and its peripheral areas, comprising nearly 65-70% of the overall launches in MMR region. Thane city and Navi Mumbai have accounted for the remaining one-third of the launches. However, with the planned and proposed infrastructure initiatives such as the upcoming international airport, expansion of JNPT port, trans-harbour sea-link, metro rail and many other, the developers' focus has now shifted to Navi Mumbai and Thane. Also, the rising property prices in Greater Mumbai are leading to a natural progression of residents towards the peripheral areas. While Mumbai's share in overall launches in MMR declined from 71% in 2013 to 67% in first three quarters of 2018, Navi Mumbai has witnessed an increase in share from 9% to 17%.

MMR has always witnessed high absorption of real estate as compared to other top cities of India. However, aggressive launches between 2013-2015 have led to a massive unsold inventory pile-up in the region. The booming residential market in the region attracted many branded and unbranded developers to launch projects here. However, post-2015, the slowdown in launches and steady absorption rates in the region have managed to either match the launches or surpass the launches resulting into lowering of unsold inventory in the region. Nearly, 0.4 million units were absorbed in MMR between 2013 till Q3 2018 with an average of 64,000 units absorbed per year. Balanced launches across different types of budget segments have always kept the demand ticking in MMR.

Demand-supply trend in MMR



Source: ANAROCK Research

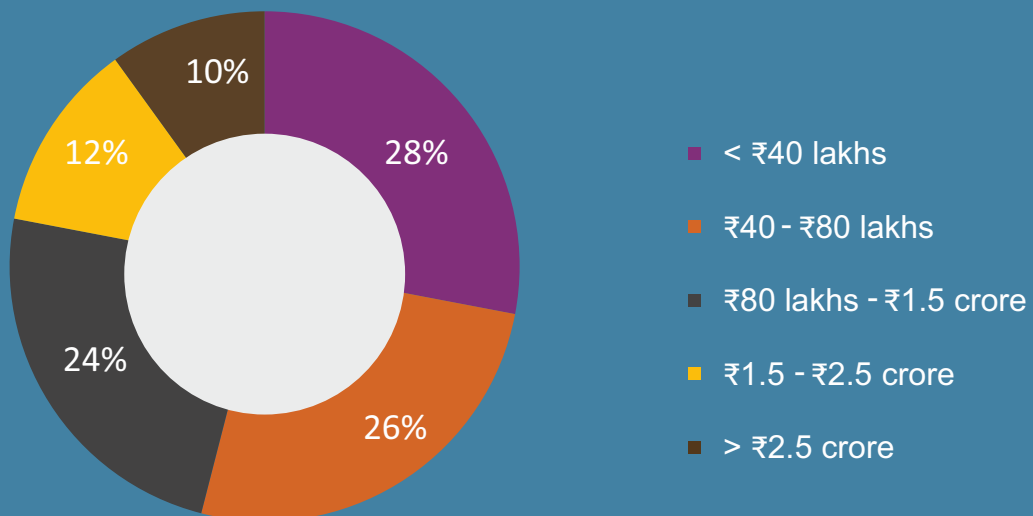
MMR: Supply Distribution

The supply in MMR has always been balanced due to the sheer geographic spread of the region and an equal demand from all budget segments. Due to the expansion of city limits from Greater Mumbai to the peripheries, more than 1.8 lakh units since 2013 have been launched in the western and central peripheral regions. These regions have witnessed more than 90% of the launches within the affordable and mid-segment priced less than INR 80 lakhs. This shift due to opening up of new areas has resulted in striking an equilibrium between the affordable and mid-segment units and the high-end and luxury units, which previously dominated the city. Overall, since 2013, nearly 54% of the supply in MMR came in < INR 80 lakhs category and the remaining addition was of the units priced more than INR 80 lakh.

Launches in MMR have always been focused on catering to all types of buyers due to the presence of a diversified population and as a result, the developers have managed to capture each segment in the region.

More than 1.8 lakh units were launched between 2013-Q3 2018 in the peripheries

Nearly 54% of the supply in MMR is in < INR 80 lakh slab



Note: The above prices are the ticket sizes on BUA. It doesn't include additional charges and taxes.

Source: ANAROCK Research

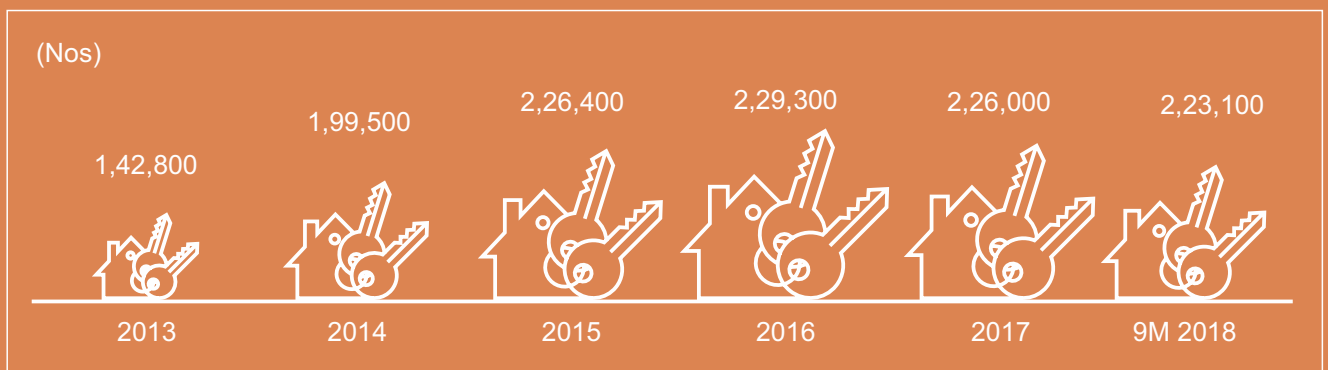
Unsold inventory

As the markets expanded and were buzzing with real estate developments, the unsold inventory in MMR also started to rise. As of Q3 2018, nearly 0.2 million units remained unsold in the region. MMR accounts for around 37% of the overall unsold units across the top 7 cities in India. Unsold inventory in MMR has witnessed a growth of nearly 56% till the end of Q3 2018 over 2013. Aggressive launches between 2013 till 2015 have added to the unsold stock. However, post-2015, with restricted launches and stable absorption rates the market has reversed its trend and the unsold stock has started to decline.

As of Q3 2018, there are >0.2 million unsold units in MMR

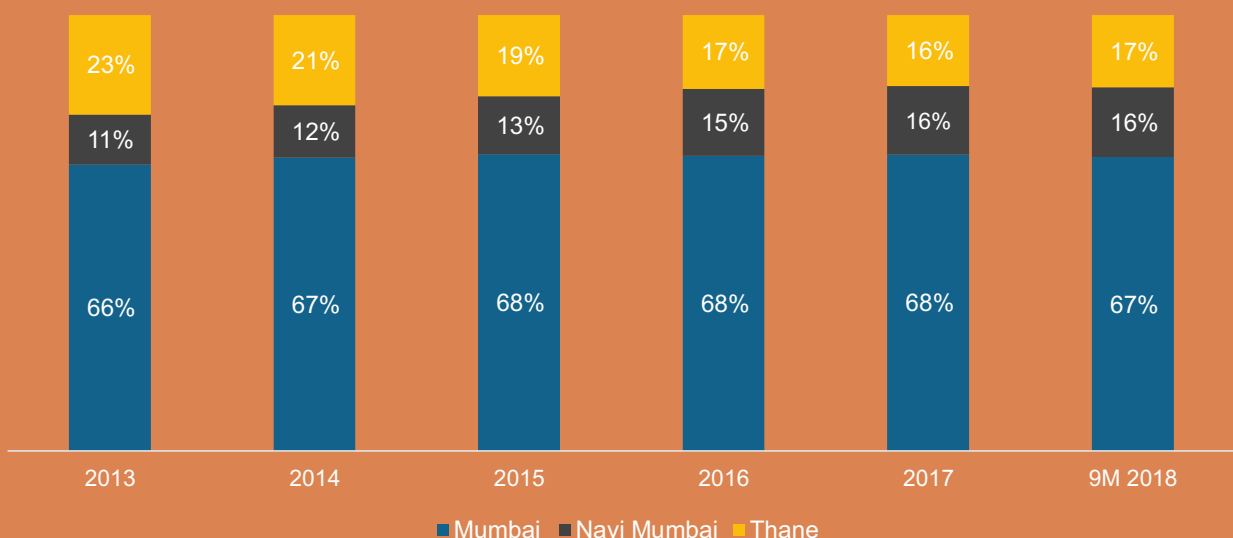
MMR accounts for nearly 37% of the total unsold stock across top 7 cities

Unsold inventory trend in MMR



Source: ANAROCK Research

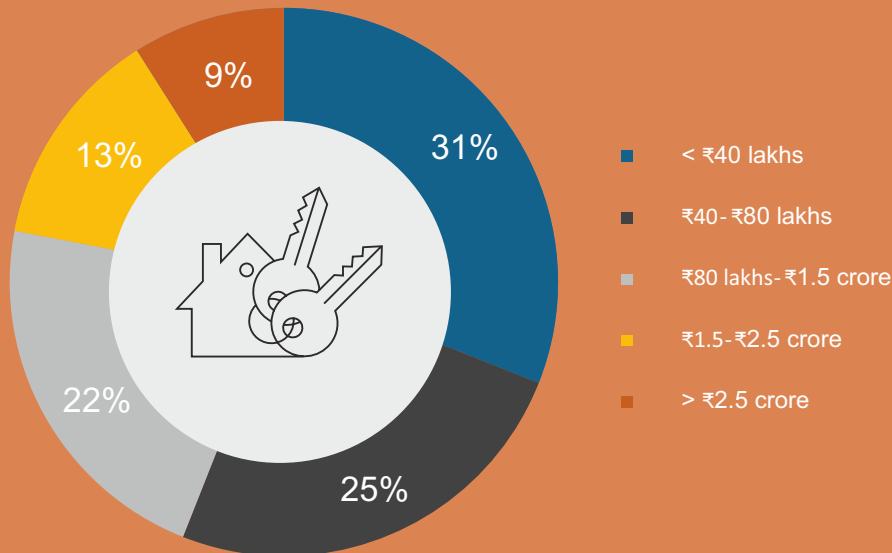
Break-up of unsold inventory



Source: ANAROCK Research

Majority of unsold stock in MMR is in Mumbai and its peripheral areas. Thane city and Navi Mumbai account for nearly one-third of the unsold stock in the region and the trend has been similar during the past 5 years. Lesser launches in Thane and Navi Mumbai, coupled with better offtake compared to Mumbai (due to higher affordability) has kept the unsold stock in these regions on the lower side.

Unsold stock distribution

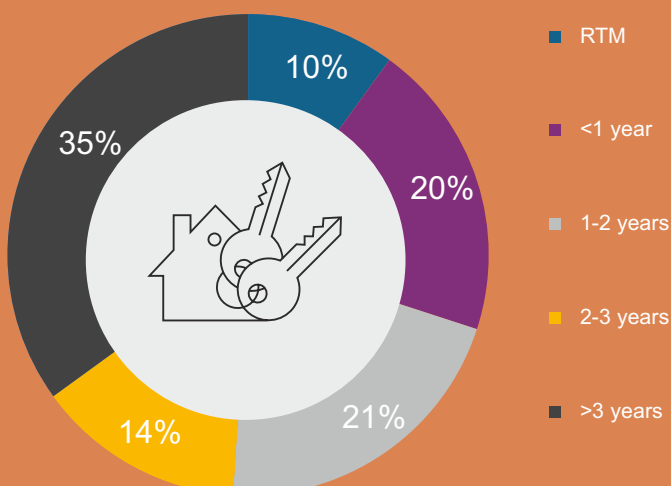


Note: The above prices are the ticket sizes on BUA. It doesn't include additional charges and taxes.
Source: ANAROCK Research

Source: ANAROCK Research

Nearly 60% of the unsold stock in MMR is in the affordable and mid-segment of units priced less than INR 80 lakhs. Demand for projects priced less than INR 80 lakhs is high in the market due to which the focus of developers in launching such inventory has never stopped even with the slowdown in the market. Being the financial capital of the country and having a massive presence of HNIs, the demand for high-end projects also remains high.

Age of Unsold inventory



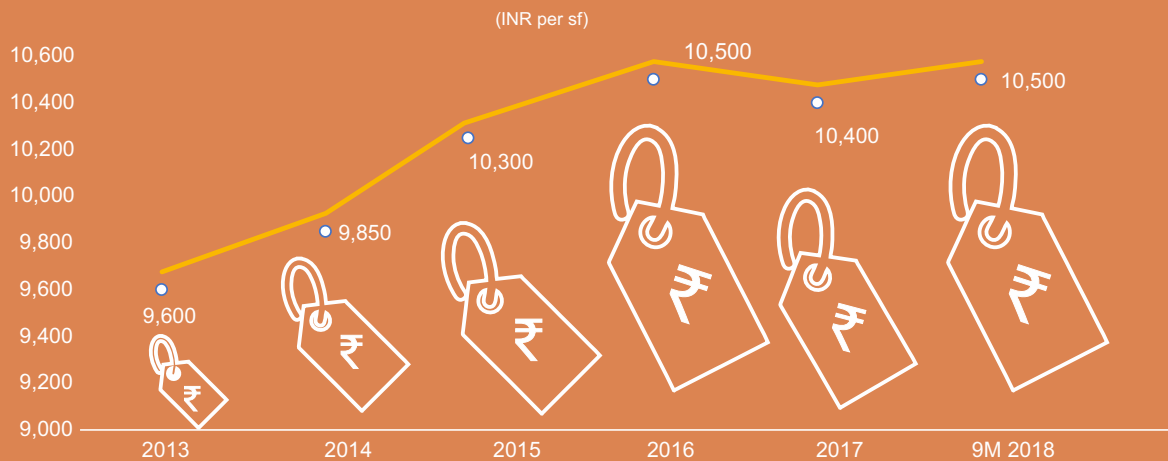
Majority of the unsold stock in MMR is still under various stages of construction. A handful of existing stock currently is in the ready-to-move-in stage which the developers are looking to sell at a fast pace. Post the implementation of DeMo, GST and RERA, new trends have emerged in the market wherein end-user demand has increased while the investors have taken a back seat. To mitigate risks associated with incessant project delays, many buyers are now preferring ready-to-move-in properties so that they buy what they can see.

Source: ANAROCK Research

MMR: Pricing Trends

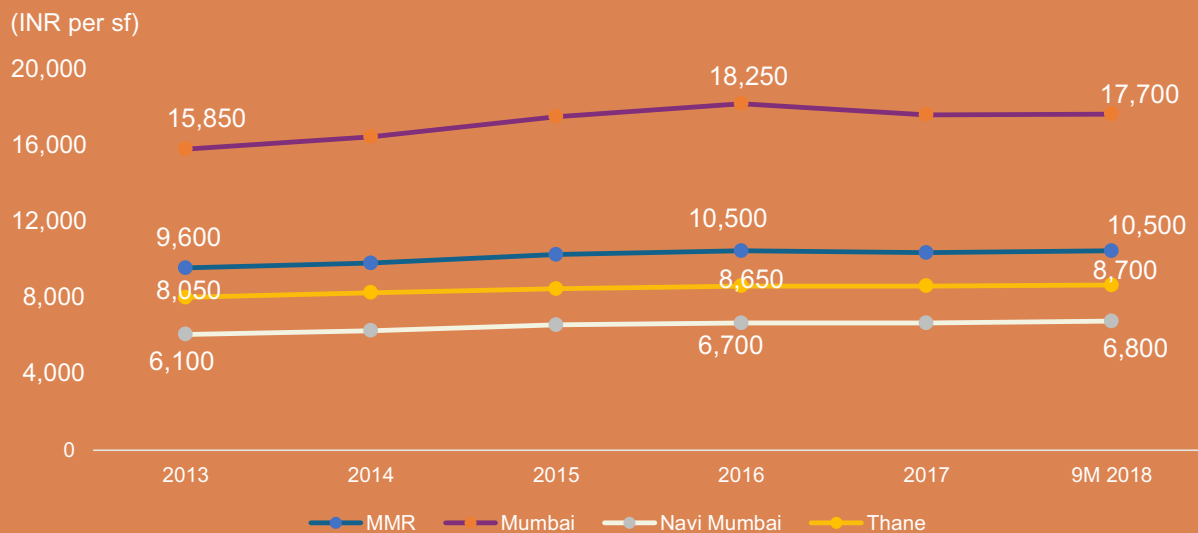
During the past 5 years, average prices have continuously risen in MMR. However, post DeMo, (towards the 2016-end), the market took a hit. With the dust of DeMo settling in, the residential market in MMR has begun to show some signs of recovery.

Price trends in MMR



Note: The above prices are base prices on BUA
Source: ANAROCK Research

Break-up of pricing in MMR



Note: The above prices are average base prices on BUA
Source: ANAROCK Research

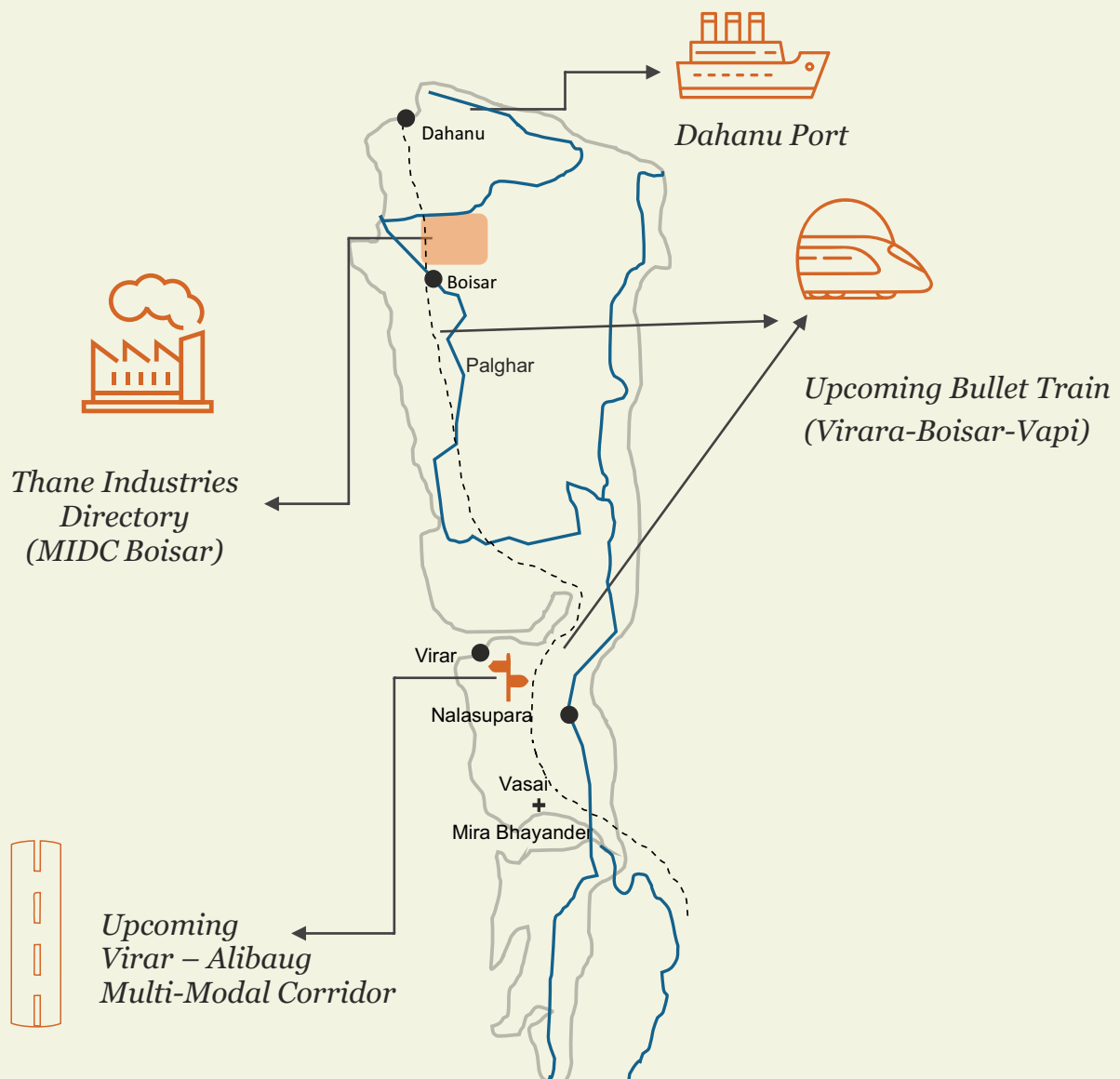
In terms of average prices, Navi Mumbai is one of the most affordable markets in MMR. With supply ranging between 15-20% of the overall MMR supply, it has clocked the highest price appreciation during the past 5 years. The impact of the triple tsunami (DeMo, GST and RERA) has been absorbed in the overall MMR market and the region has again started to gain momentum.

The Peripheries – Greater Mumbai's Future Suburbs

An Overview

Greater Mumbai also known as 7 islands along with the Central and Western Suburbs has been expanding and developing in terms of real estate and infrastructure for a long time. Greater Mumbai's transition from an industrial destination to a financial hub has resulted in majority of industries relocating to the peripheral areas. Greater Mumbai is surrounded by 4 peripheral areas viz; Thane city, Navi Mumbai, Western peripheral suburbs and Central peripheral suburbs. All the peripheral areas have their individual characteristics and not only act as a support system to Greater Mumbai, but a few of them have also evolved as self-sustaining destinations.

Western Peripheral Suburbs



The Western peripheral suburb area comprises towns beyond Dahisar such as Bhayandar, Mira Road, Vasai, Virar, Palghar, Boisar, Dahanu and a few others. The area has largely turned into an industrial zone since many manufacturing facilities are located here. With rising demand amidst limited land availability, traditional industrial destinations in the core city reached a stage of saturation and a lot of industries previously operating in Greater Mumbai relocated to these areas. With low cost of land and improving inter and intra-state connectivity, businesses have flourished in the western peripheral suburbs. And with these evolving industries in the region, new employment opportunities opened doors for the residing people in the region.

The industries in the region get an added location advantage due to easy accessibility to Greater Mumbai and its peripherals, Gujarat and other parts of Maharashtra. Polymers, Cotton Yarn, Steel etc. are few of the major industries present in the region.

Adequate road/rail connectivity exists in the region to provide good access to Greater Mumbai and other parts of the MMR. In addition, the infrastructure is constantly being upgraded and the region is likely to witness a massive transformation in the years to come.

Western peripheral suburbs region has turned into an industrial zone

Adequate rail/road connectivity with Greater Mumbai



CST Station, Mumbai

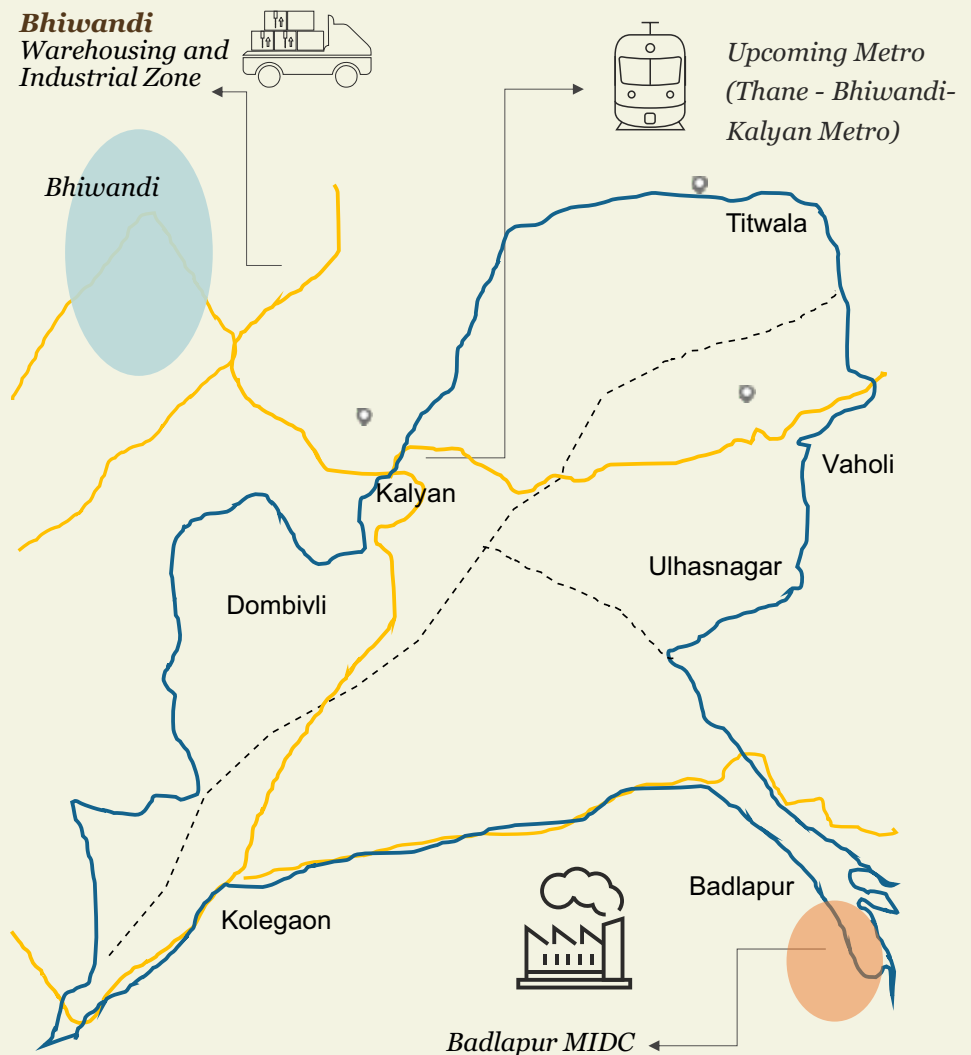
Central Peripheral Suburbs

The Central peripheral suburbs comprise towns beyond Thane city such as Dombivli, Kalyan, Bhiwandi, Neral, Ambernath, Badlapur, Karjat, Kasara, amongst others. The area is largely an industrial zone with the presence of MIDC areas in the region. The central peripheral suburbs also act as a logistics and warehousing hub for the MMR as it allows the operators to escape the city and transit the goods and material seamlessly to other parts of the state and country.

Bhiwandi acts as the logistics and warehousing hub of MMR. With the Mumbai-Nagpur Super expressway under development, Nagpur - which is the logistics hub for the state - will have smooth connectivity with the central peripheral suburbs. This is expected to enhance the current businesses in the region and create opportunities for the future.

Real estate developers have spotted the opportunities in this peripheral area which emerged as an agglomeration to the existing city and have already flooded the market with massive real estate developments.

The region houses major industries in textiles, chemicals, packaging sector, etc. With the planned development, this region is expected to reap the benefits in the logistics, warehousing and industrial developments. The area is well connected by road and the suburban rail network provides excellent connectivity to other parts of MMR.



Acts as a logistics and warehousing hub for MMR

Mega developments to enhance business opportunities

Evolution of Navi Mumbai and Thane as an independent entity

Navi Mumbai

Navi Mumbai was planned as a satellite township to Greater Mumbai to lower the rising pressure on the core city's infrastructure. It has been developed by CIDCO in a planned and phased manner. The city offers a balanced development between physical and social infrastructure to self-sustain and reduces dependency on Greater Mumbai. The city offers a mix of service and industrial sector which contributes to the economic growth of the region.

The city has seen rapid real estate developments with commercial spaces, retail malls and residential projects that offer a luxurious lifestyle. The upcoming planned international airport is another star added to Navi Mumbai, which will help boost the city's economy and further accelerate the residential, commercial and retail developments in the region. The city acts as an IT-ITeS hub with major players like Reliance, L&T etc. having their presence in the market. In terms of social infrastructure, the city is termed as an educational hub with many schools and colleges offering various courses. In addition, multi-speciality hospitals cater to the healthcare needs and entertainment centres and parks are present to make the city liveable.

Navi Mumbai planned as a satellite township to Greater Mumbai eventually evolved as a self-sustainable city

Thane relegated as Mumbai's cousin emerged as an IT hub

Fabrication plants, dairy, steel etc. are the key industries present in the region which provide ample employment opportunities to the blue-collared as well as white-collared professionals. The city is a classic example of how a dependent city establishes itself as a self-sustaining destination and makes its presence felt not only on Maharashtra's map but also in India.

Nightscape - Navi Mumbai





Thane

After being considered as a relegated cousin of Mumbai's suburbs for a long time, Thane has finally earned a reputation for its quality residential developments on the back of its improving physical and social infrastructure. With modern infrastructure, multiple water bodies, large open areas and presence of several shopping centres, Thane has become a suitable choice of the new-age homebuyers.

The micro market enjoys excellent connectivity to suburbs of Mumbai via Ghodbunder Road, Eastern Freeway, NH 8, JVLR, SCLR, Mumbai-Nashik Highway and the Thane-Belapur Road. Besides, the Central Harbour Rail Line, Thane-Panvel Rail Line and Central suburban rail line connect Thane to Mumbai's railway network. The social infrastructure in Thane is also adequate that offers several avenues for fun and entertainment. It is surrounded by prominent business hubs such as Airoli and Powai, due to which the residential housing demand has risen in the city. Thane is witnessing an increase in office space development as well and is home to multiple renowned hospitals and several educational institutes and colleges.

Mumbai is gearing up to several mega infrastructure projects such as metro rail, Mumbai trans-harbour link, bullet train, a new airport and many more. This will surely enhance the real estate activity of Thane and give it a further upward momentum in terms of growth and investments. The upcoming IT campuses and commercial hubs will also increase the employment opportunities and hence increase the housing demand in Thane.

Thane market is predominantly a hub for engineering companies coupled with government offices such as Passport Seva Kendra, TMC, MTNL having their offices here. Commercial developments in the region are enabling employment opportunities in the city and making it a real estate hotspot of the MMR.

Thane city and Navi Mumbai now act as key employment hubs of MMR with many companies currently operating in the region. With the expansion of these organisations coupled with huge developments in terms of commercial parks and IT parks, these cities have evolved from being the industrial hubs to having multi-modal economic corridors contributing independently to overall Maharashtra's economy. With ample employment opportunities and ongoing infrastructure developments, residential real estate demand is rising in these regions. Along with the emergence of these regions as a support to ease out the growing pressure of Greater Mumbai, these markets have slowly but gradually moved to become independent entities sustaining the growing demand.

Real Estate Snapshot: Peripheries of Greater Mumbai

An Overview

Residential real estate in the peripheries of the western and central suburbs of Greater Mumbai has witnessed a huge shift during the past few years. Availability of low-cost land parcels and a shift towards affordable developments acted as a driver for the residential market growth in these regions. The peripherals which were rural or semi-urban areas in the past have started to evolve as urban hubs with the migration of manufacturing facilities from the Greater Mumbai region to these peripheral areas. Industrial migration created employment opportunities for the residing population which in-turn led to a higher demand for real estate in the region.

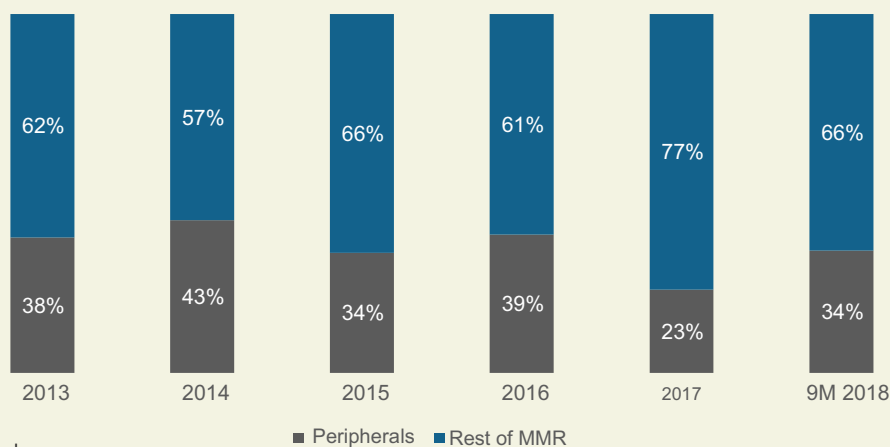
Of the overall launches in MMR between 2013 to Q3 2018, majority launches were in the peripheral areas. Since 2013, nearly 1.8 lakh units are launched in the western and central peripherals of MMR which is nearly one-third of the overall launches. Low cost of owning a house and low rental values have resulted in a lot of migration from the suburb areas of Greater Mumbai to these peripherals. On an average, nearly 35% of the annual launches in the MMR came in the western and central peripherals. Availability of huge land parcels in these regions is letting the developers launch huge township projects to cater to a larger segment of the society.

1.8 lakh units launched in the peripheral areas since 2013

Low price of land parcels in the peripherals leading to affordable housing development

On an average, 35% of the yearly launches are in peripheries

Supply launches: Peripherals vs Rest of MMR



Increased focus on developing affordable housing in order to cater to the demand arising from high rates of population migration that MMR witnesses, the need to develop affordable housing is at its peak. High land prices within the Greater Mumbai region acted as a hindrance for affordable developments in the core areas and has created development opportunities in the peripheries. Many reputed developers such as Tata Housing, Mahindra Lifespaces have their presence in these peripheral areas.

Western Peripheral Suburbs

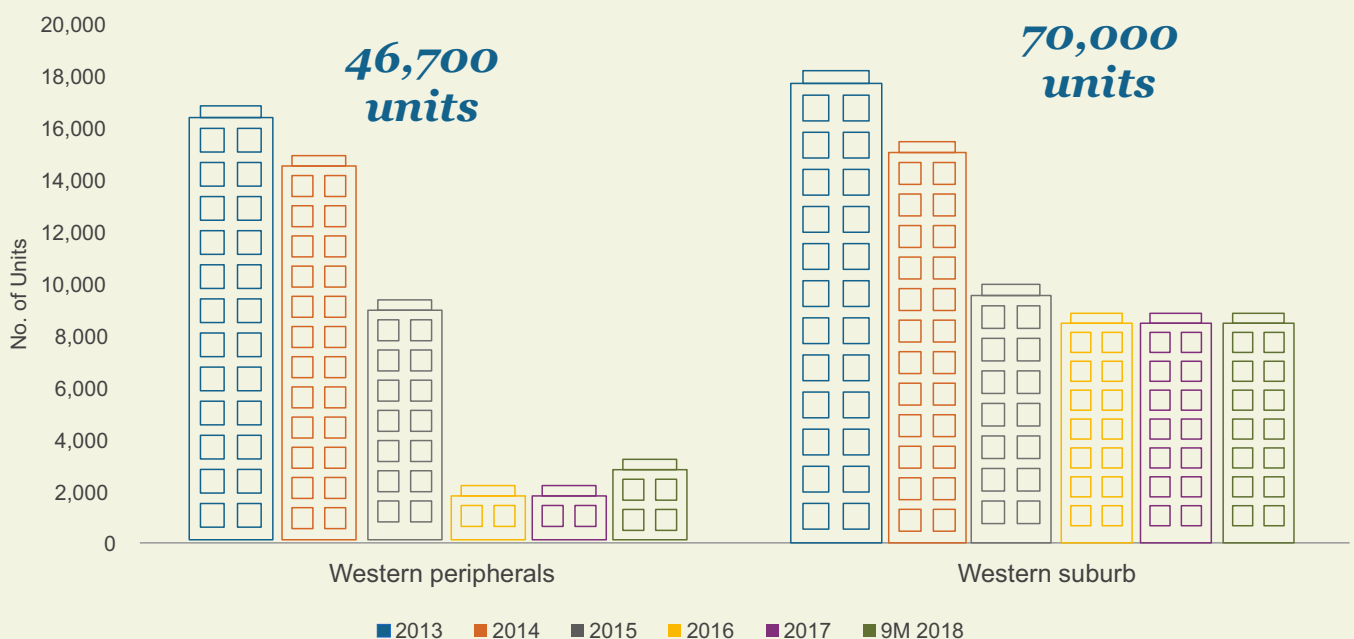
Western peripheral suburbs lie in the north of Greater Mumbai, beyond Dahisar and extends till Dahanu Road. Development of industrial zone in the region acted as a catalyst for real estate development in the zone. With the current focus to uplift the infrastructure in the peripheries, the real estate market in the zone is expected to flourish. However, with restricted employment opportunities currently in the zone, major real estate demand arises from the migration of residents from the western suburbs to the peripheral areas. The requirement of a bigger house and/or unaffordable prices/rentals is leading to a spill-over demand to the western peripherals.

46,700 units launched in the western peripheral suburbs vs 70,000 units launched in western suburbs

48,100 units sold in the western peripheral vs 45,100 units in western suburbs

Unsold stock in the western peripheral suburbs at a 5-year low vs western suburbs witnessed doubling of unsold stock

Launches in Western Peripheral Suburbs vs. Western Suburbs

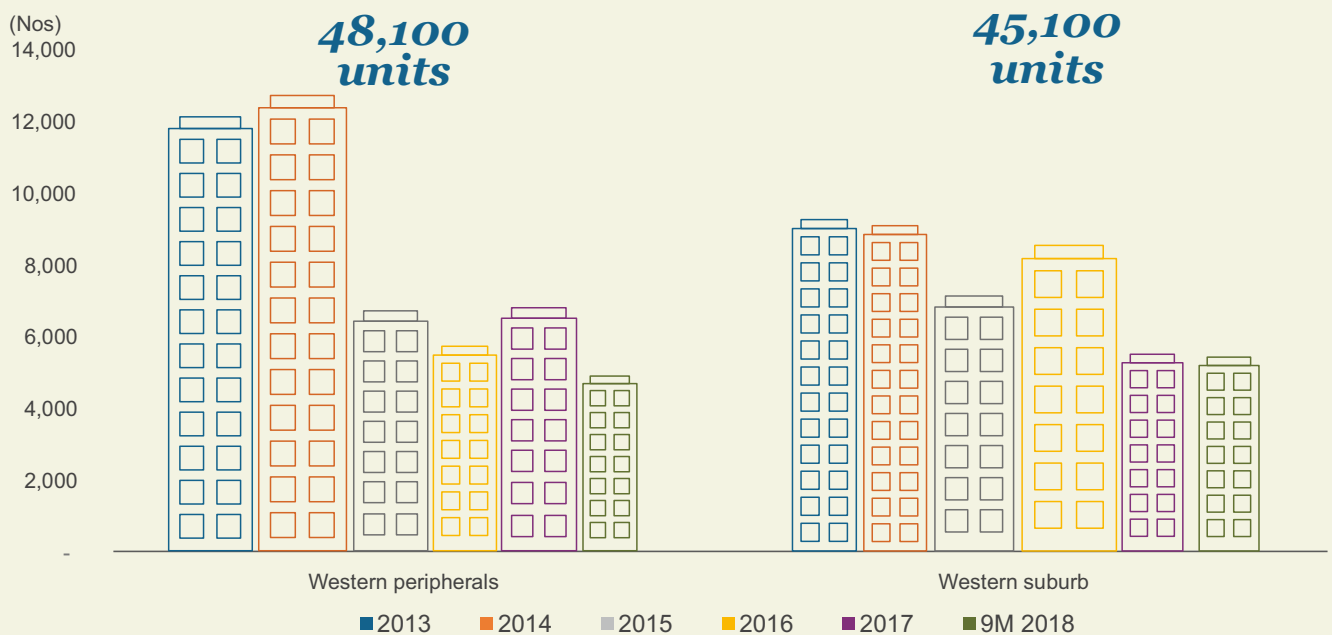


Nearly 46,700 units were launched in the western peripherals between 2013 to Q3 2018. Majority of the supply (70%) was added in 2013 and 2014 itself. Launches have been restricted post-2014 as the formation of new municipal corporation in 2016 resulted in approval delays and the developers adopted the wait-and-watch policy till the time the new governing body becomes stable. However, the residential market is again gaining traction post the new infrastructure development plans that will improve the economy of the region.

During the period 2013-Q3 2018, nearly 70,000 units were launched in the western suburbs compared to 46,700 units launched in the peripherals. However, oversupply situations and slower demand in the region have resulted in a slowdown in launches over the period. Interestingly, western suburbs have witnessed a continued downward trend in terms of new launches over the last 5 years.

The key reason for the drop in launches is due to the uncertainty that prevailed in the market during the formation of a new district from the old Thane district. This resulted in delayed approvals for the projects from the concerned bodies. Lack of civic infrastructure, shortage of water supply, and the triple tsunami of regulatory reforms restricted developers to launch new projects. However, reputed developers such as Tata Housing and Mahindra Lifespaces have continued to launch new phases of their existing projects and have witnessed high demand for the same.

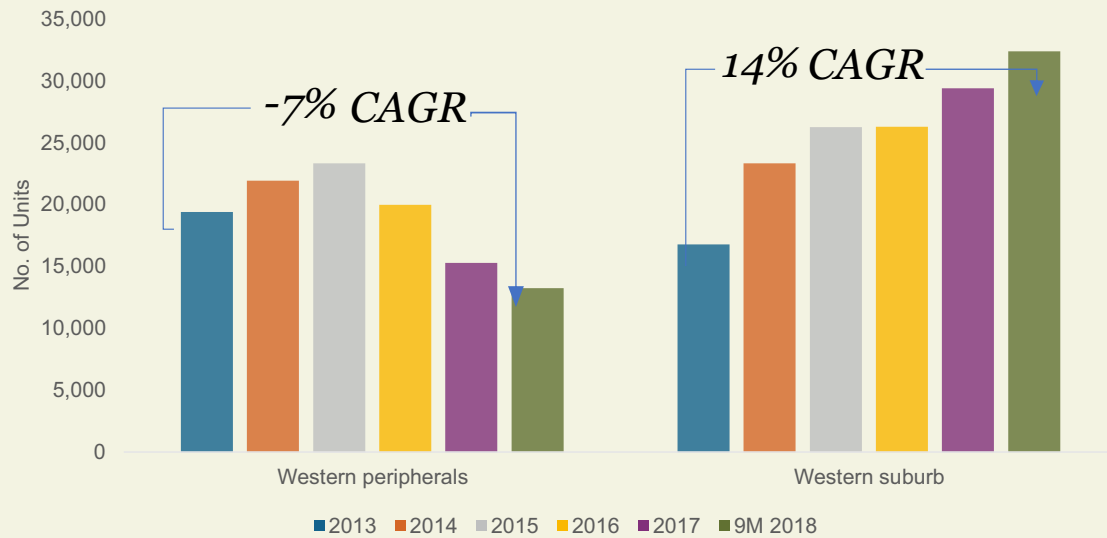
Absorption: Western peripheral suburbs vs. Western suburbs



In terms of absorption, the western peripheral suburbs witnessed the sale of nearly 48,100 units between 2013 and Q3 2018. The units sold in the region during the period is higher than the launches, thereby positively impacting the unsold stock in the region. With the current development plans, the zone is expected to flourish faster as compared to the growth witnessed in the past. With the formation of the new district, the newly formed municipal corporation is leading its way in tackling the basic issues which led to the slowdown in launches in the western peripheral suburbs. Also, with the rise in industrial demand, new industries entering the zone, and the expansion of existing industries, the demand for real estate in the industry is high and growing.

Western suburbs during 2013 to Q3 2018 period have witnessed the sale of nearly 45,100 units, much lesser than the launches (~70,000) during the same period. As a result, the unsold stock in the western suburbs nearly doubled to 32,400 during Q3 2018 from 16,800 over the past 5 years. Heavy traffic congestion and rising property prices are making the market unviable and in an urge to have a better lifestyle, there's a constant migration to the peripheral areas.

Unsold stock: Western peripheral suburbs vs. Western suburbs



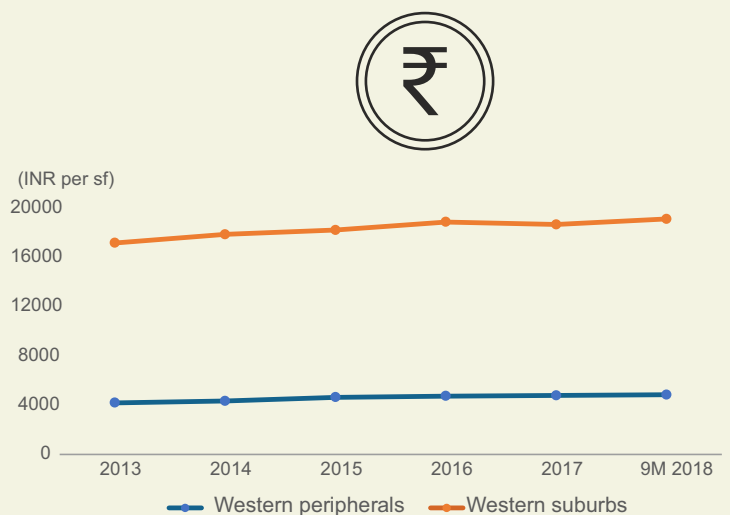
Source: ANAROCK Research

As of Q3 2018, around 13,200 units were unsold in the western peripheral suburbs, which is a mere 6% of the overall unsold units in MMR. The unsold stock in the western peripheral suburbs has witnessed a decline of nearly 32% till Q3 2018 since 2013. The high demand in the region and restricted launches have accounted for the overall improvement in the market dynamics.

During the same period, the unsold stock in the western suburbs nearly doubled from 16,800 units in 2013 to 32,400 units by the end of Q3 2018. The increase in unsold stock in the region is due to low demand due to high prices. More so, people are scouting for a high quality and less chaotic life, as a result of which demand in the peripheral areas is rising.

Price trends: Western peripheral suburbs vs. Western suburbs

The prices in the western peripheral suburbs have witnessed a continuous appreciation during the past 5 years. The market has witnessed a growth from INR 4,200 per sf in 2013 to INR 4,850 per sf during Q3 2018. High demand coupled with restricted launches have supported the price appreciation. The trend in the western suburbs has also been similar during the same period. From INR 17,200 per sf in 2013, the market has grown to INR 19,100 by the end of Q3 2018. With high unsold inventory and diminishing quality of life, the residential real estate trends in the Western suburbs may flip during the next few years.



Source: ANAROCK Research

Key Growth Drivers

Western peripheral suburbs have witnessed a huge demand from investors and a spill-over demand from the western suburbs. While the market seems to have momentarily paused due to the changing government authorities, going forward, it is expected to change the course of its growth with the focus of the government in uplifting the area and making the quality of life better in the region. Following are the key drivers for the western peripheral suburbs market to flourish:



Plans to develop physical infrastructure such as the Mumbai-Ahmedabad bullet train which has stops in the peripheral suburb, the upcoming port at Dahanu and the Virar- Alibaug multi-modal corridor is expected to create economic zones and boost trade in the region.



Availability of huge land parcels at a cheaper rate makes the development far more affordable.



Government's push towards affordable housing is attracting reputed developers to the region.



Situated at the outskirts of Mumbai and near the Gujarat border, the industries in the peripheries enjoy easy approach to other parts of MMR, Maharashtra and Gujarat, thereby pushing trade.



Division of the erstwhile Thane district and formation of the new Municipal corporations in the western peripheral suburbs is expected to speed up developments in the zone.



Presence of reputed real estate developers such as Tata Housing and Mahindra Lifespaces increases the buyer confidence and ups the demand.

Central Peripheral Suburbs

Central peripheral suburbs are in the eastern part of Greater Mumbai, beyond Thane city and extend till Karjat and Kasara. Presence of large-scale industries acting as the warehousing and logistics hub defines the central peripheral suburbs. With the current boom to uplift the infrastructure of the peripheral suburbs, the real estate market in the zone is expected to flourish further in the future periods. Apart from the industrial sector, the upcoming commercial developments for the corporates to expand, employment in the zone is expected to witness a boom. Majority of the population residing in the zone is migrating from Thane or the central suburbs. Demand for a bigger house and rising employment opportunities in the zone is driving real estate demand in the zone. Good road and rail connectivity coupled with the new initiatives planned by the government is expected to provide an additional push to the residential market in the zone.

More than 1.4 lakh units launched in the central peripheral suburbs since 2013 vs 69,900 units in the central suburbs

95,500 units sold in the central peripheral suburbs since 2013 vs 47,900 units in the central suburbs

90% of the unsold stock in the central peripherals under various stages of construction

Launches: Central peripheral suburbs vs. Central suburbs

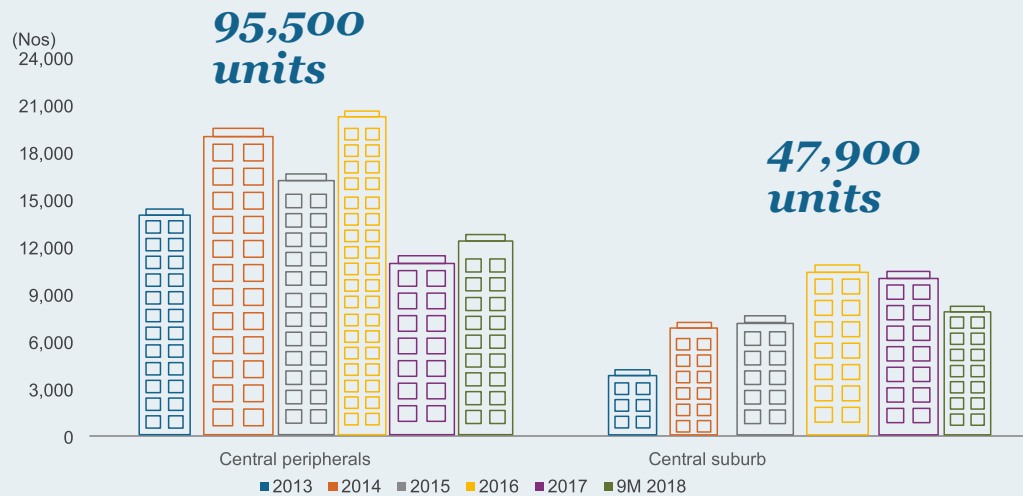


Source: ANAROCK Research

Nearly 1,40,800 units were launched in the central peripheral suburbs during 2013-Q3 2018 period. An average of 23,400 units were launched in the zone on a yearly basis. Nearly three-fourths of the launches in the region were in the affordable segment (units priced less than INR 40 lakhs), which made the real estate market much more attractive. A mere 2% of the overall supply launched in the zone was above the mid category ranging from INR 80 lakhs to INR 1.5 crore. The remaining launches in the catchment belonged to the mid-segment of INR 40 lakhs to INR 80 lakhs. The central peripheral suburbs attracted nearly 27% of the overall launches in MMR between 2013-Q3 2018. High demand is thus backed by high supply in the region. Easy availability of land parcels at an affordable rate makes the market very attractive and is pulling interest from both developers and buyers alike which is invariably changing the landscape of the zone.

During the same period (2013-Q3 2018) central suburbs witnessed nearly 69,900 launches. Already dealing with the oversupply situation along with a slowdown in demand, the residential launches in the central suburbs have been restricted in nature. Even with the presence of prominent business districts such as Powai and Vikhroli in the zone, there was a continuous shift from the central suburbs to Thane, Navi Mumbai and peripheral central suburbs, primarily due to rising prices.

Absorption: Central peripheral suburbs vs. Central suburbs

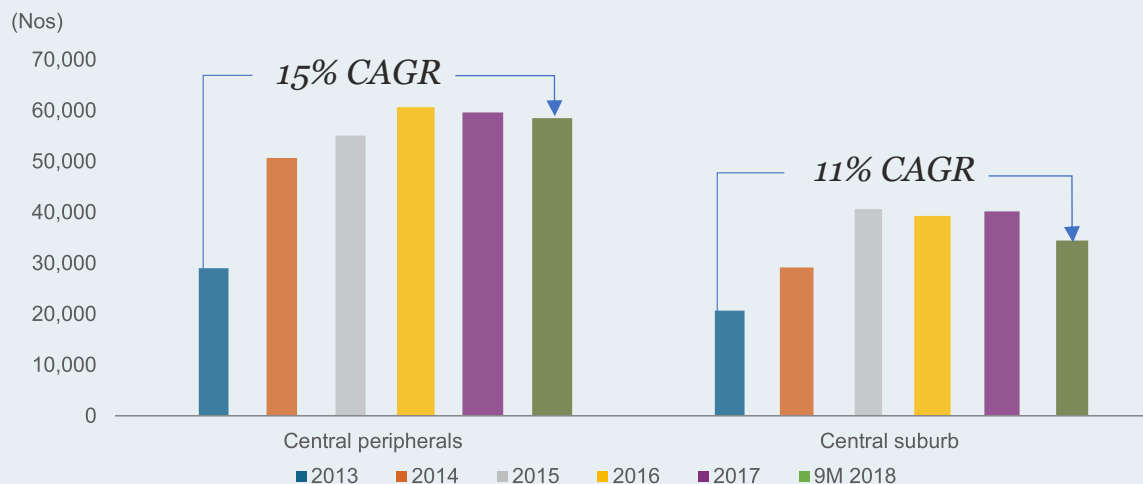


Source: ANAROCK Research

In the central peripherals, an average of 15,900 units were sold on a yearly basis. The sales majorly happened in the budget category of < INR 40 lakhs. Between 2013 to Q3 2018, a total of 95,500 units were sold in the catchment which constitutes nearly 25% of the overall sales in MMR during the same period. High buyer confidence and the availability of basic infrastructure with the expansion of existing industries created housing demand in the zone.

During the same period, nearly 47,900 units were sold in the central suburbs zone with an average of 8,000 units sold per year. High prices and low buyer confidence and an urge for a better lifestyle have accounted for lower sales in the central suburbs. Majority stock in the central suburb zone is >INR 80 lakhs, thus limiting the scope of buyers. The absorption in Central suburbs stood a mere 13% of the overall sales of MMR during the same period.

Unsold stock: Central peripheral suburbs vs. Central suburbs



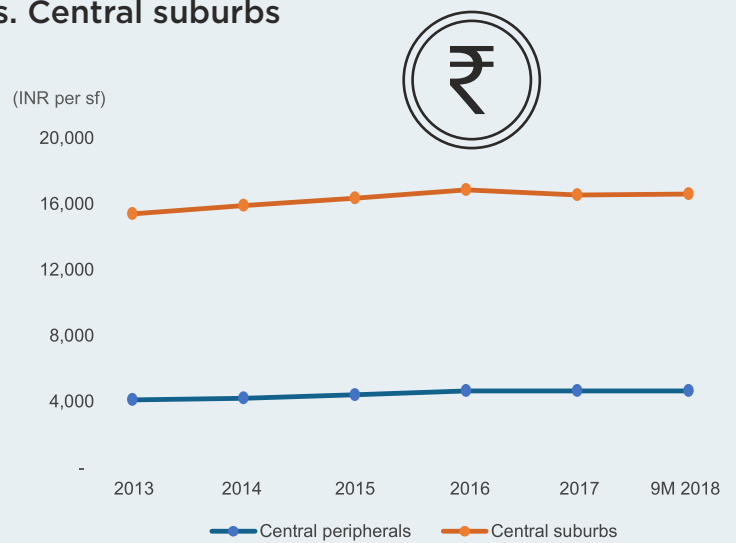
The unsold stock in both the central peripheral and central suburb zone has inched up during Q3 2018 compared to 2013. In the peripheral zone, unsold inventory more than doubled during the period with the unsold stock rising from 29,000 units in 2013 to 58,500 units during Q3 2018. Aggressive launches in the market led to the rise in unsold stock. Also, the focus of developers to grab land parcels near the proposed physical infrastructure developments has led to the rise in unsold stock. Of the overall unsold stock in the peripherals, nearly 90% of the supply is under various stages of construction. Looking at the high future potential of the zone, developers have shifted their focus to the peripherals and have launched projects aggressively in the market.

During the same period, the unsold stock in the central suburbs increased from 20,600 units during 2013 to 34,400 units by the end of Q3 2018. Low absorption rates during the 2013-2015 period have resulted in a huge unsold stock pile-up in the market. With increased unsold stock, the developers have restricted the launches in the zone in order to off-load the existing stock and lower the burden of unsold stock from their books.

Price trends: Central peripheral suburbs vs. Central suburbs

The peripheral zone has witnessed sharp price appreciation. The prices in the zone have shown an upward trajectory since 2013. From INR 4,100 per sq. ft. during 2013, the market is currently selling at INR 4,650 per sq. ft. High demand from end-users as well investors and planned developments which will boost employment opportunities, have led to the market's growth.

During the same period, the prices in the central suburb zone grew from INR 15,400 per sq. ft. during 2013 to INR 16,600 per sq. ft. by Q3 2018. With flourishing commercial developments and improving connectivity to other parts of MMR, the prices in the zone witnessed a growth between 2013-Q3 2018. However, if the unsold inventory situation does not improve, the prices in the market may not be able to hold on in the future periods.



Key Growth Drivers

Central peripheral suburbs are well connected to Greater Mumbai with a grid of rail and road network. Being the logistics and warehousing hub coupled with the presence of a diversified industry base in the region, the real estate growth has been significant here. There are many new initiatives taken by the government and municipal corporations in order to make the life of peripherals more attractive in the future. The key drivers for the central peripheral suburbs include:



Booming logistics sector and the Government's focus on further organizing the warehousing industry.



Besides physical developments like MRTS, Virar-Alibaug multi-modal corridor, Nagpur super expressway is further expected to improve the economy of the region and boost employment.



Availability of large land parcels at affordable rates.



Adequate existing connectivity from the peripherals to other parts of MMR via rail/road.



Plans to develop commercial complexes in the region is expected to boost the service industry in the region.



Thane, Mumbai

Conclusion

From 7 islands previously connected together to form a core city to the suburbs and now extending up to the peripheral suburbs, MMR has evolved over the years. Rapid urbanization and rising population have continued to extend the boundaries of the city. With evolving needs and an urge to cater to different classes of the population, the city has started to develop significantly beyond the Greater Mumbai limits. With prices in the main city (town and suburbs) skyrocketing and making it unaffordable for majority population, developers have moved towards the North and East towards the western peripheral suburbs and central peripheral suburbs, respectively. Property prices here in these peripherals are largely affordable with majority new supply priced less than INR 40 lakh.

Rising demand for affordable housing has acted as a key driver for this expansion. In order to fulfill the emotional need of owning a house, several people began to migrate to these new regions as prices in main MMR were unaffordable for many. Being a service-driven city, the major business districts continued to expand within the Greater Mumbai boundaries and have recently started to evolve in Navi Mumbai and Thane. Presence of employment zones in Greater Mumbai, Navi Mumbai and Thane makes these peripherals highly dependent on these regions. However, with the government planning infrastructure developments, improving connectivity in a strategic manner so as to have a balanced development between the peripherals and the suburbs, the former will no longer be an alternative merely due to affordability but are expected to be the preferred choice in the future periods.

Affordability, better lifestyle, economic and sustainable developments are expected to change the scenario of these peripheral suburbs and just like Navi Mumbai and Thane emerged as independent self-sustaining destinations, the western and central peripheral suburbs may also evolve as independent entities or may merge into the existing suburbs due to enhanced access to other parts of MMR.





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