



Insite

Quarterly Real Estate Analysis for BANGALORE

October-December 2015

Price Trends ◀
Growth Drivers ◀
Supply Analysis ◀

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INTRODUCTION

The 99acres.com Bangalore Insite report brings to you major movements in the real estate market of the city, in Oct-Nov-Dec 2015 as compared to Jul-Aug-Sep 2015. The report not only captures the significant trends across various localities in Bangalore, but also brings to you the analysis and the insights that will make this report valuable for investors and end users. The report also includes an in-depth supply analysis to enable sellers and buyers determine the direction of the market.

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Methodology

We have reported quarterly price movement of capital and rental values measured in per square feet for the analysis of Bangalore's residential market. Effort has been made to provide comparable and accurate city level data, since prices and rents are floating and at any point may vary from the actual numbers.

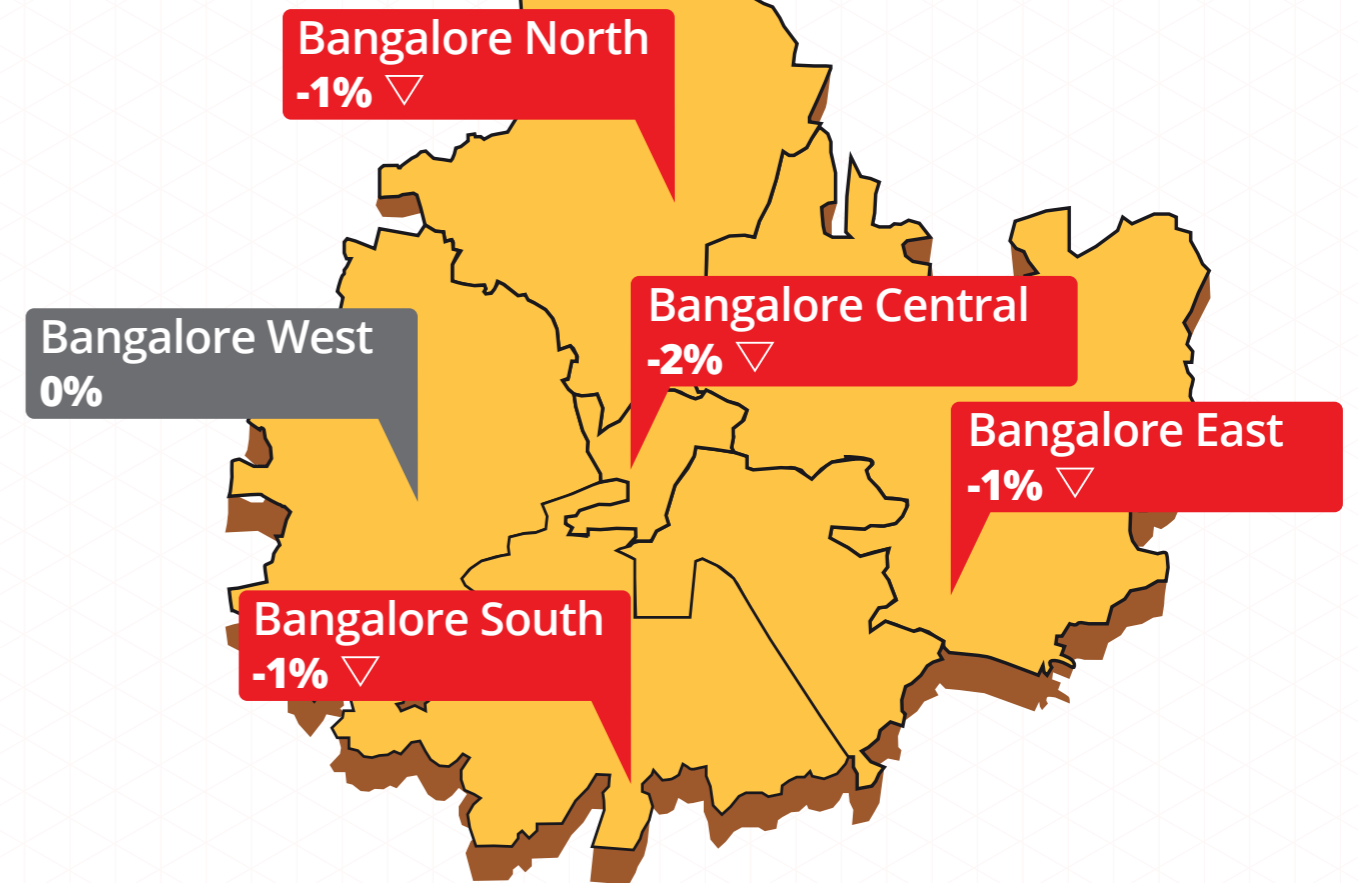
Bangalore

-1%

City Insite Report

Oct-Dec 2015

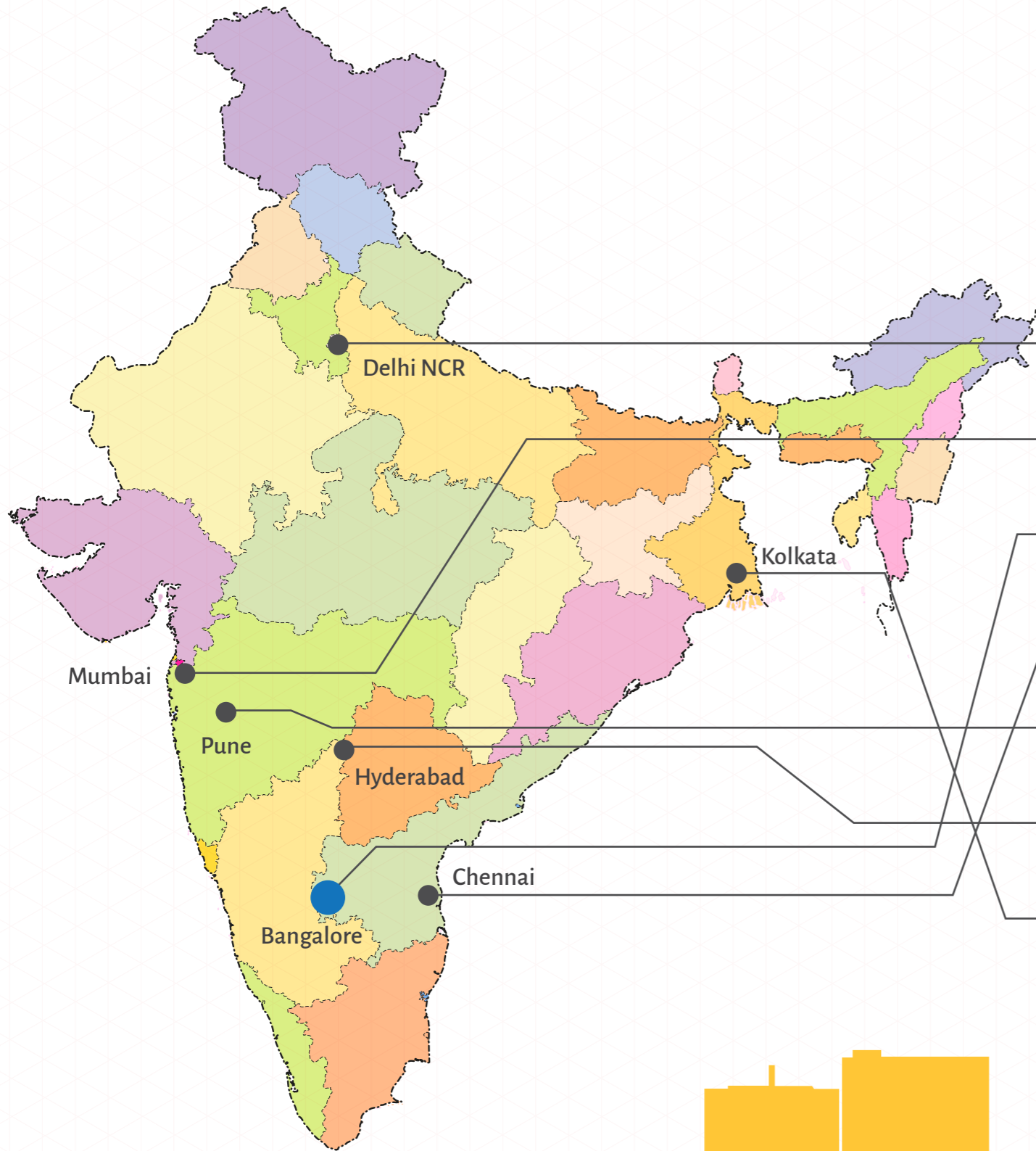
Capital Growth



Falling sales volume force developers to **SLASH** 'ask' prices



▶ Realty Round-up



	Capital Values	Rental Values	Supply
Delhi NCR	▼	◄	▼
Mumbai	◄	▲	▼
Bangalore	▼	▲	▼
Chennai	◄	◄	▼
Pune	◄	◄	▼
Hyderabad	▲	▲	▼
Kolkata	◄	▲	▼

* Capital values represent quarterly change
 * Rental values represent yearly change
 * Supply is basis properties listed on 99acres.com



BANGALORE

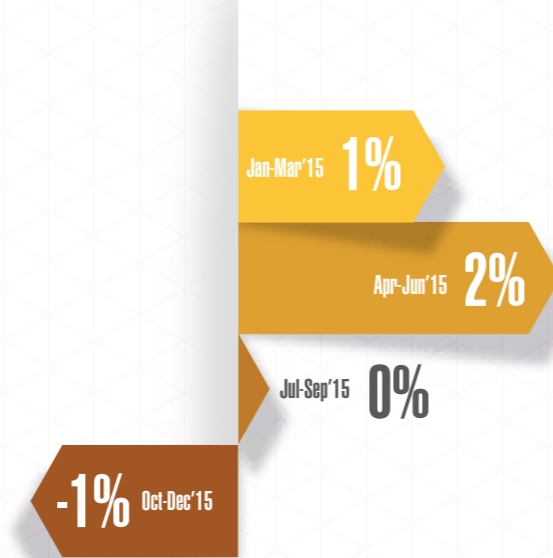
City Highlights



The residential real estate market in Bangalore is gradually moving towards the price correction mode. After a consistent drop in the growth of average quarterly capital prices during the first three quarters of the year, the city finally recorded a negative price movement in Oct-Dec 2015.

- Despite thriving on housing demand generated by the IT/ITeS industry, property prices in Bangalore recorded no change and remained stagnant in the last one year.
- The first half of 2015 generated some hopes and the residential property market recorded a growth of over two per cent in average capital prices. However, the second half witnessed capital rates dropping by a per cent, indicating a market headed for price correction.
- While the market continued to be plagued with inflated property prices and oversupply of housing units in the luxury and high-income housing segments, there were some mood lifters like increased Private Equity (PE) and Foreign Direct Investments (FDI).
- Though the city's residents aggrieved over the poor state of existing civic infrastructure, the government's focus on future development at the city level continued to play a balancing factor for Bangalore's realty market.
- Major projects like the Chennai-Bengaluru Industrial Corridor, Namma Metro and the development of road infrastructure in the city promised brighter days ahead.
- A portion of the Reach II under Phase I of Namma Metro, which covers a stretch of 6.8 km between Magadi Road and Mysore Road, was inaugurated in November 2015. The remaining stretch up to Majestic is expected to get operational by June 2016.
- Construction of the long delayed Phase II of Namma Metro commenced at two places after years of contemplation.

Q-o-Q Price Index



*The graph represents Q-o-Q change in average capital values in Bangalore

This cheered the realty industry with impending hopes for the residential zones along the metro corridor.

- In December 2015, the Karnataka Government approved a budget of Rs 1,200 crore for the development of roads throughout the city. The work on this project is expected to start in January 2016.

KEY INFLUENCERS

Inauguration of Namma Metro between Magadi Road and Mysore Road

France allocates 200 mn euros for expansion of the Metro

Invitation of 5,000 applications for Bangalore Development Authority sites near Kengeri

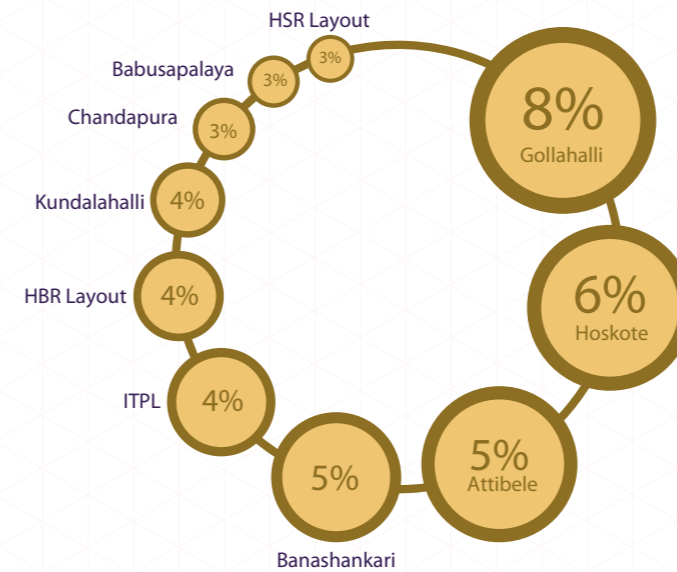
Central Government gives in-principal approval to acquire land for widening Bangalore-Mysore Highway

East and South Bangalore

Capital Analysis



Top Performers in East and South Bangalore (Capital Values)



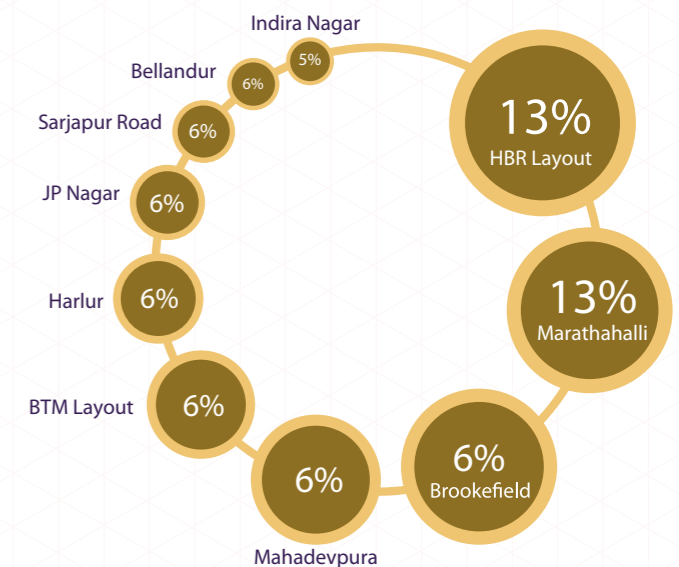
- Inundated by an oversupply of housing units, both East and South Bangalore saw capital rates dipping marginally in the current quarter.
- Affordability drew home buyers to the fringes of East and South Bangalore. This was evident as Gollahalli and Hoskote in the East and Attibele and Chandapura in the South recorded upward price movement to the tune of three to eight per cent in Oct-Dec 2015.
- HSR Layout, Singasandra and Kudlu Gate in South witnessed slight growth in values (one to three per cent) in the last quarter of 2015. This may be attributed to the change in the trash-dump policy, wherein, instead of 500 tonnes daily, only 60 tonnes is now dumped in these areas.
- Localities along the Outer Ring Road (East) continued to record declining sales volume and dipping capital values. After a 10 per cent drop in Jul-Sep 2015, prices toppled again by around five per cent in the current quarter. Varthur Road, Panathur and Ramamurthy Nagar were the worst impacted by the diminishing housing demand.
- Poor state of infrastructure and fast developing dumping yards at various patches are the major reasons behind the weakening housing demand near ORR. There were mass demonstrations by the residents demanding pothole-free roads, sidewalks and skywalks for pedestrians.
- Sarjapur Road, which also recorded a quarter-on-quarter dip in property rates, is also suffering on account of crumbling civic infrastructure.
- Capital values in Whitefield and Electronic City recorded marginal depreciation due to growing unsold inventory.

Rental Analysis



- East and South Bangalore recorded a mere one per cent growth in the average rental values between Oct-Dec 2014 and 2015.
- A spike in hiring activity in the last one year, the subsequent influx of migrants in the city along with the fast-paced growth of start-ups impacted the rental market in the city positively.
- Home owners refused to lower the 'ask' rates in the rental space despite crummy infrastructure and oversupply of housing units along the entire eastern and southern belt.
- HBR Layout and Marathahalli emerged as the top grossers in the said period and recorded an annual growth of 13 per cent each in the rental rates. Well-built social infrastructure attracted the tenant community to these localities.
- Brookefield and Mahadevpura in East Bangalore recorded an annual rental appreciation of six per cent each in the last one year, despite civic woes. While a 2BHK in Brookefield commands a rent of around Rs 17,000 per month, the same in Mahadevpura can be rented out for Rs 15,000 per month.
- Proximity to Namma Metro drove the rental markets of localities such as Indira Nagar and CV Raman Nagar, where average rental rates appreciated by five per cent each in the last one year.
- Old Madras Road, Kanakapura Road, Begur Road and Electronic City saw the rental values declining by seven to eight per cent in the last one year.

Top Performers in East and South Bangalore (Rental Values)

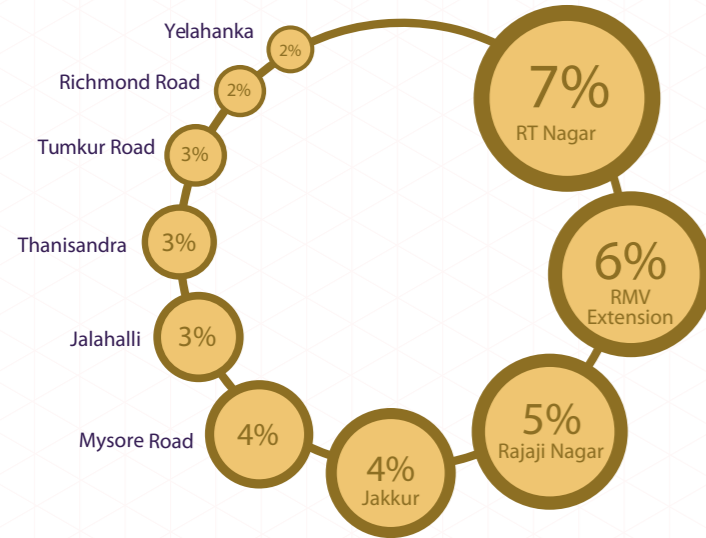


*Rental values represent yearly change

Capital Analysis



Top Performers in North, West and Central Bangalore (Capital Values)



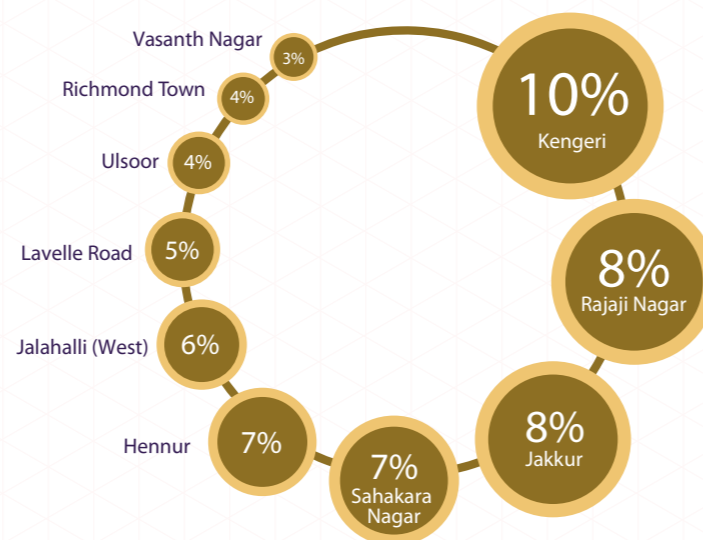
- Plagued by ineffective implementation of infrastructural projects, capital values in North, West and Central Bangalore fell marginally by a per cent in Oct-Dec 2015, as against the previous quarter.
- Revelations of illegal properties and dubious water connections in prominent localities of North, West and Central Bangalore dampened investor sentiments, resulting in falling sales volume. After witnessing a slight price correction in the previous quarters, residential real estate market on Mysore Road raced ahead in the last quarter of 2015. This could be attributed to the government's proposal to convert the road into a six-lane national highway. The area already enjoys connectivity by the Namma Metro and is also touted to grow into a large-scale industrial hub.
- While RT Nagar, RMV Extension and Rajaji Nagar were the most coveted localities in their respective zones, there were no new projects coming up due to paucity of land parcels. This resulted in the prices of existing properties to surge by five to seven per cent in the current quarter.
- Thanisandra in North Bangalore recorded limited sales in the current quarter, however, it boasted of a healthy investment potential backed by the development of Tech Park in Bharatiya City. Capital rates here grew by three per cent in Oct-Dec 2015, as against Jul-Sep 2015.
- Oversupply of residential inventory in Vidyanayapura and Hebbal led to a slight price correction and average capital rates here dipped by two to three per cent each. Developers in Vidyanayapura slashed property rates due to stiff competition and limited demand.

Rental Analysis



- Thriving on the growing number of start-ups and IT/ITeS companies, North, West and Central Bangalore witnessed a bustling rental market. Although between Oct-Dec 2014 and 2015, the overall growth in rental values was limited to one per cent, more than 80 per cent localities either recorded a positive price movement or maintained the same rental rates.
- Kengeri out-performed all other localities with a 10 per cent surge in rental values in the last one year. Affordability and connectivity continued driving rental demand to this peripheral area.
- Towards the North, affordability drove tenants to localities situated along the Bellary Road, especially Jakkur and Sahakara Nagar. Rental values in these areas propelled by seven to eight per cent between Oct-Dec 2014 and 2015.
- Delivery of several premium projects in Hennur gave a thrust to the average rental rates by around seven per cent in the said period.
- Rental values on Lavelle Road grew on the back of successful attempts made by Bruhat Bengaluru Mahanagara Palike (BBMP) to clear the blackspots in the neighbouring areas. Garbage dump yards have been a major spoiler for the rental market of several localities in the city.
- Malleswaram too got rid of about 13 such blackspots. Though the locality did not record a positive price movement, it remained undeterred by the oversupply of housing units.

Top Performers in North, West and Central Bangalore (Rental Values)



*Rental values represent yearly change

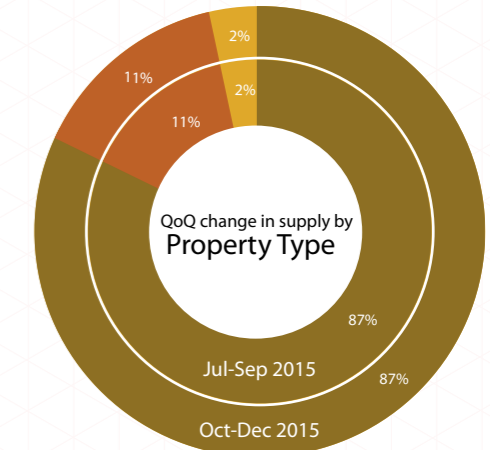
Supply Analysis



Oversupply of housing units engulfed the residential landscape of Bangalore. Buyers and developers shifted focus towards affordable properties. While this segment was the most absorbed in the city, lack of infrastructure in the fringes afflicted sales.

Availability of Different Property Types

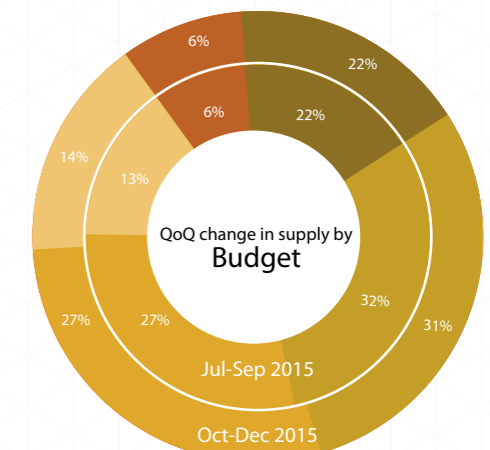
- Bangalore home buyers continued to prefer residential apartments over other property types – independent houses/villas and builder floors. Comparative affordability, value for money and availability of amenities kept demand and supply of residential apartments robust.
- The ongoing power shortage in Bangalore also added to the overall penchant for residential apartments. City authorities maintain that the ordeal will continue until 2016. Considering this, demand for residential apartments is anticipated to surge further because of the presence of power back-up facility.
- East Bangalore continued to suffer on the account of oversupply of residential apartments and the situation worsened in the second half of 2015. Supply of residential apartments in the East rose by two per cent and stood at 39 per cent in Oct-Dec 2015. South Bangalore continued to record the second highest share of apartments in the city.
- There was a notable hike in the supply of builder floors in East Bangalore. This primarily reflects the re-sale or secondary market, infer experts. Several investors attempted to exit their investments in Oct-Dec 2015.



- Residential Apartments
- Independent Houses/Villas
- Builder Floors

Availability of Property by Budget

- Distribution of residential inventory on the basis of varied budget categories in Bangalore remained unchanged over the last two quarters. However, industry stalwarts aver that there is a growing focus on affordable housing (within Rs 40 lakh). Due to its huge demand, inventory in this category enjoys the best absorption rates and developers are increasingly cashing-in on this demand.
- Similar to the previous quarter, the affordable housing segment garnered around a quarter of the total market share. East and South Bangalore took the lead and captured almost three-fourth of the total supply of affordable homes in Bangalore.
- North Bangalore recorded a significant rise in the supply of properties priced within Rs 40 lakh. Popular localities such as Hennur, Yelahanka, Hormavu and Thanisandra had maximum homes on sale under this price range.
- East and South Bangalore topped the share of mid-income housing inventory priced within Rs 40-60 lakh.
- There was a marginal rise in the supply of luxury-housing (Rs 1-2 crore) in the current quarter.



- Affordable Housing (Within Rs 40 Lakh)
- Mid-Income Housing (Rs 40-60 Lakh)
- High-Income Housing (Rs 60 Lakh - Rs 1 Crore)
- Luxury Housing (Rs 1-2 Crore)
- Ultra-Luxury Housing (Rs 2-5 Crore)

- Property in this budget segment garnered traction primarily from Non-Resident Indians (NRIs) and High-Networth Individuals (HNIs).
- Availability of luxury housing spiked up specifically in South Bangalore. Localities such as Kanakapura Road, Bannerghatta Road and Electronic City recorded maximum supply of the same.
- Supply of ultra-luxury housing (Rs 2-5 crore) shifted from Central Bangalore to the South. With the top-management of IT companies buying majority of these homes, preference moved towards developed localities in South Bangalore. JP Nagar and Jayanagar, which are also approachable via the metro, recorded maximum supply of homes priced between Rs 2-5 crore.
- More than half of the properties in the ultra-luxury budget segment in South Bangalore were available as builder floor units.

BHK-wise Distribution of Property

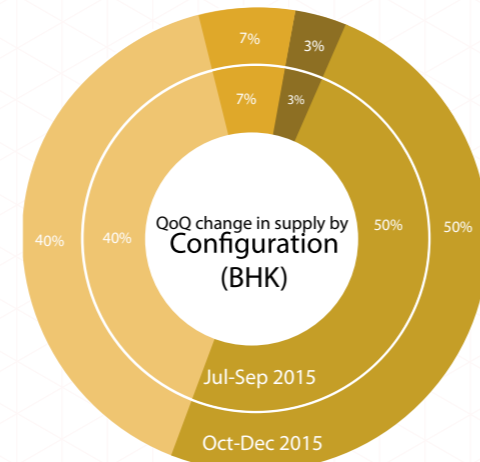
- Supply of various configurations – 1BHK, 2BHK, 3BHK and 4BHK – has remained unchanged in Bangalore since Apr-Jun 2015.
- Being an end-user driven market, the city continued to garner maximum interest and thus, supply of 2BHK units. The category captured half of the total market share in Oct-Dec 2015.
- Majority of the 2BHK units (40 per cent) fell in the mid-income segment (Rs 40-60 lakh), followed by the affordable segment (within Rs 40 lakh).
- North Bangalore recorded an increased availability of 2BHK units this quarter. Experts attribute this to the increase in housing demand from the workforce of start-ups operating in the area.
- With an average size of 1500-1800 sq ft, 3BHK units made up 40 per cent of the total market share. Majority of the 3BHK units were residential apartments.
- Out of the total properties in Central Bangalore, almost half were configured as 3BHK units, most of which were priced beyond Rs 2 crore (ultra-luxury housing), followed by Rs 1-2 crore (luxury housing).
- While 4BHK units captured one-tenth of the total market share, they were mostly concentrated in East Bangalore.

Ready to move vs Under-construction

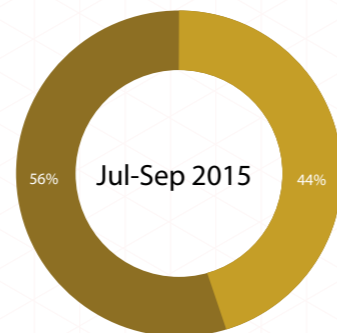
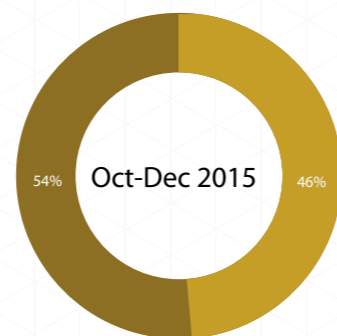
- Though more than half of the inventory in the city was under-construction, the market reflected the developers' mood of completing ongoing projects first.
- While the availability of under-construction projects dropped by two per cent and stood at 54 per cent in the current quarter as against Jul-Sep 2015, supply of

ready-to-move-in inventory swelled up by the same percentage and stood at 46 per cent.

- Buyers continued to prefer ready projects in order to avoid inordinate delays, a common pitfall associated with under-construction projects.
- Out of the total ready-to-move-in properties, majority fell in the mid-income (Rs 40-60 lakh) and high-income (Rs 60 lakh – Rs 1 crore) brackets, which are also the most absorbed categories.



■ 1BHK
■ 2BHK
■ 3BHK
■ 4BHK



■ Ready to Move ■ Under Construction

ANNEXURES

CAPITAL VALUES

Locality	Oct-Dec 2015	% Change
Banashankari	6400	5
Banaswadi	5000	-5
Bannerghatta Road	4600	-3
Brookefield	5100	-4
Cox Town	7000	-3
CV Raman Nagar	4600	-4
Devanahalli	5400	1
Electronic City	3800	-1
HBR Layout	5300	4
Hebbal	5700	-3
Hennur	5450	1
Hennur Road	5200	0
Hoskote	3500	6
Indira Nagar	10100	-2
ITPL	5100	4
Jalahalli	4450	3
Jayanagar	8100	-4
JP Nagar	4800	-4
Kanakapura Road	4800	-1
Kengeri	3450	-7
Koramangala	9150	-8
Marathahalli	5350	1
Mysore Road	4900	4
Nagarbhavi	5700	2
Raja Rajeshwari Nagar	4000	1
Rajaji Nagar	13250	5
RMV Extension	8750	6
RT Nagar	5500	7
Sarjapur	4400	-2
Sarjapur Road	4200	-2

CAPITAL VALUES

Locality	Oct-Dec 2015	% Change
Tumkur Road	5350	3
Whitefield	4500	-2
Yelahanka	4800	2
Yeshwanthpur	7950	2

RENTAL VALUES

Locality	Oct-Dec 2015	% Change
Banashankari	15	0
Bannerghatta Road	14	0
Begur Road	12	-8
Bellandur	19	6
Brookefield	17	6
BTM Layout	17	6
Electronic City	13	-7
Hebbal	15	0
Hennur	16	7
Indira Nagar	22	5
JP Nagar	17	6
Kanakapura Road	11	-8
Kengeri	11	10
Lavelle Road	45	5
Marathahalli	18	13
Richmond Town	27	4
Sarjapur Road	18	6
Thanisandra	13	0
Ulsoor	23	5
Whitefield	16	0
Yelahanka	11	-8

*All prices are per sq ft rates
*Capital values represent quarterly change
*Rental values represent yearly change

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