

INSITE REPORT 2019

INDIAN REAL ESTATE
APRIL-JUNE

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Key highlights on India's realty trends in Apr-Jun 2019



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From CBO's Desk

While the market showed some green shoots of recovery in the form of improved enquiries and sales volume this quarter, new project launches took a backseat owing to General Elections. The affordable and mid-income housing segments strengthened amidst government initiatives and developers' realignment of product-mix. The average weighted prices of residential apartments across the top eight metros witnessed slight variations. Hyderabad and Bangalore, yet again, emerged as the only two metros posting growth in property 'asks', albeit by a marginal one percent, each, QoQ.

After several quarters, the demand for under-construction properties in Pune, Hyderabad and Ahmedabad grew by 3-5 percent, each. Interestingly, 80 percent of this demand is for units priced within Rs 60 lakh. Supply of new and resale apartments also improved by 1-3 percent each in Bangalore, Chennai, Hyderabad and Ahmedabad.

The demand-supply equation in various budget categories still remains disproportionate. Delhi NCR, Bangalore and Mumbai cumulatively report a 50 percent shortfall of houses in the affordable and mid-housing segments.

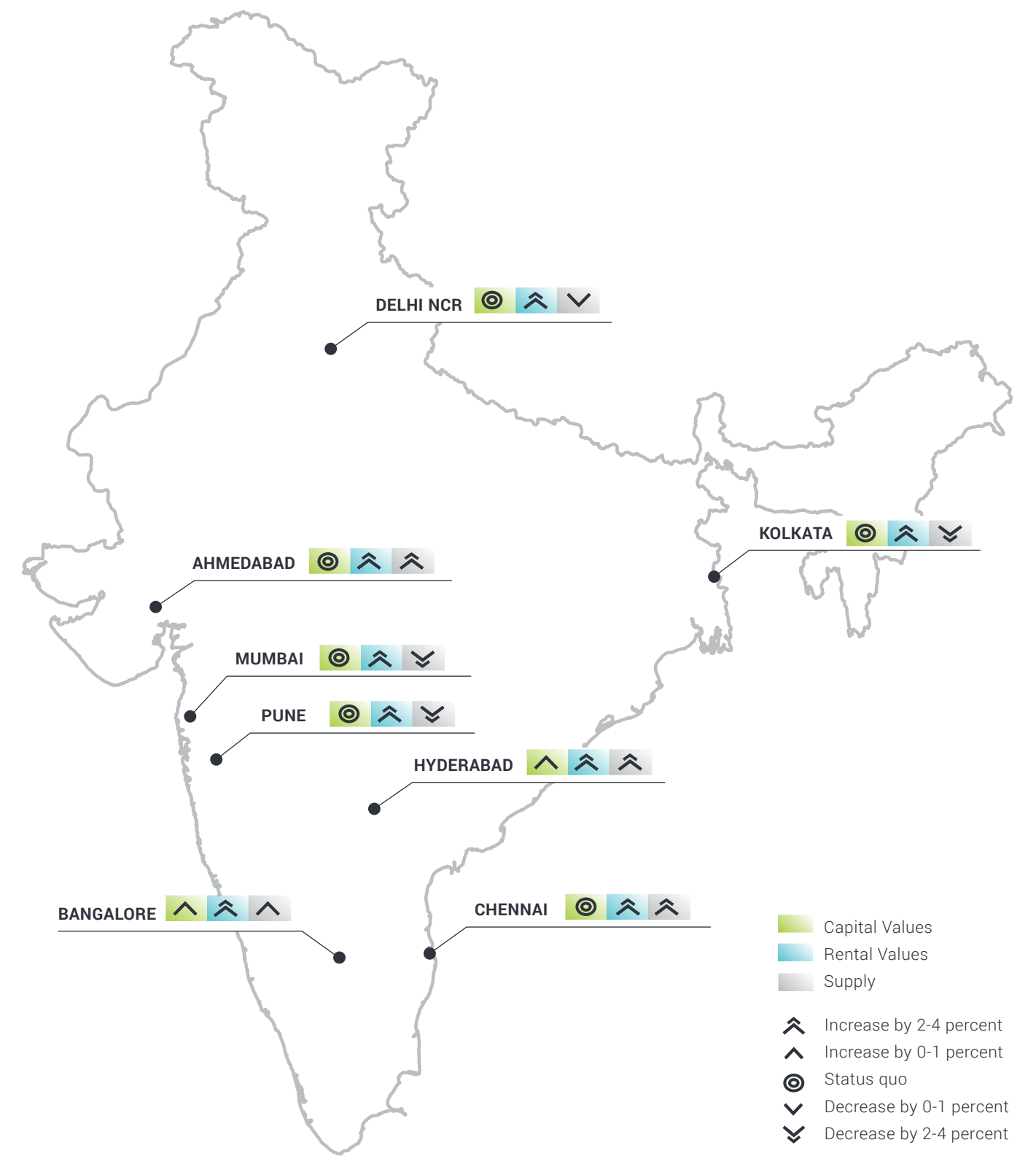
The industry now awaits inclusion of Input Tax Credit (ITC) in Goods and Services Tax (GST) bracket, further cuts in repo rate to improve home-ownership appetite and reduction in unsold inventory, which currently stands at around 8 lakh in top eight metros.

Methodology

The Insite Report by 99acres.com captures the quarterly capital trends and the annual rental analysis of residential apartments in key real estate markets – Delhi NCR, Mumbai Metropolitan Region (MMR), Bangalore, Pune, Chennai, Hyderabad, Kolkata and Ahmedabad. In order to assess the prevailing sentiment, the report delves deep into demand and supply of properties across varied budget segments and occupancy stages. While demand is a function of queries received, supply is based on property listings posted on 99acres.com in Apr-Jun 2019.



MARKET INDICATORS



- Capital Values
- Rental Values
- Supply
- ⬆️ Increase by 2-4 percent
- ⬆️ Increase by 0-1 percent
- 🎯 Status quo
- ⬇️ Decrease by 0-1 percent
- ⬇️ Decrease by 2-4 percent

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



Market Movers

The country elects the Government at Centre

The Apr-Jun 2019 quarter marked a period of transition for the Government of India as the country went through the polling procedure, posing short-term uncertainty and liquidity crunch in the realty sector. However, the reinstatement of the existing Government lent hope to the completion of aspirational projects such as Housing for All by 2022, Smart City Mission, Make in India campaign, and most importantly, the refinements in the game-changing acts such as RERA and GST. This would also mean further and stricter action against Benami properties.

Banks slash lending rates post repo rate cut

After the RBI slashed repo rate by 25 basis points thrice in consecutive policy reviews held in February, April and June 2019, the banks have finally stepped up and started passing the benefits to home loan borrowers. Leading lenders such as State Bank of India (SBI) and Indian Overseas Bank cut lending rates by a marginal five percent. Further, SBI offered a cut of 10 bps in the interest rate for loans up to Rs 30 lakh.

Stringent norms following the NBFC-crisis continue to pose difficulties

The over-cautious approach of the home financing

institutions in issuing advances to realtors has left the latter in a fix. Banks are now focusing on the quality and liquidity of their assets rather than expanding their loan books. The stringent measures, which were triggered post the liquidity crisis in September 2018, have severely hampered the pace of realty projects.

Government unleashes big plans for real estate in the next year

The newly-elected Government announced several pro-growth reforms including 60 lakh additional homes under Pradhan Mantri Awas Yojana (PMAY)-Gramin, and construction of 35,000 km of highway under Bharatmala Pariyojana by 2022. All these plans, coupled with increased regulations, are anticipated to handhold the Indian real estate sector towards the road to revival.

99ACRES OUTLOOK

The Apr-Jun 2019 quarter was rather transitional in nature for the Indian economy. As the country went through the process of electing its next Government in line, businesses took a temporary halt at newfound growth and buoyed largely on factors driving them in the preceding quarters. The Indian real estate landscape emerged resilient in the current quarter after breaking a 10-year record of investments - Rs 17,600 crore - in Jan-Mar 2019. Sales volume picked up pace as housing prices remained stable across most metro cities, barring Hyderabad and Bangalore, which managed to scale an uptick in capital prices, albeit by a marginal one percent in Apr-Jun 2019 versus Jan-Mar 2019.

The momentum in sales was in tandem with the previous quarter, when the nation-wide housing sales figures stood at around 33,000 units, about 13 percent higher than the same quarter in the previous year. New housing supply remained restricted in the face of the ongoing polls, and the prolonged hurdles in obtaining finances from the Non-banking Finance Companies (NBFCs). Resultantly, the inventory stock across the top cities reduced by significant margins, bringing the average time to offload residential inventory to 30 months at the beginning of April 2019.

While affordable housing holds the key to the revival of the real estate sector, most cities are struggling as demand for such units overweighs supply by huge margins. Mumbai, for instance, faced uncertain market sentiment as the buyer focus remained inclined towards affordable projects, which were a few in numbers. The return of the BJP government; however, reaffirmed the focus on affordable housing. With both developers and homebuyers inclining towards home priced under Rs 50 lakh, the housing sector is set to see a major metamorphosis in the times to come.

The introduction of Real Estate Investment Trusts (REITs) and a highly enhanced regulatory environment also holds the baton to overturn the fortunes for the otherwise distraught business segment. With the Government mulling to exempt 10 years of rental profits from tax, real estate developers might be able to overcome some of the fiscal challenges in the rental business model. Some of the key announcements made in the Union Budget 2019-20, which are touted to drive growth in the mid to short-term include, enhanced tax benefit of Rs 3.5 lakh on homes priced under Rs 45 lakh, proposal to introduce the Model Tenancy Law, funding for well-performing NBFCs, and opening of government land parcels for affordable housing developments.

INDIAN REAL ESTATE

Prima-facie, the transiting political scenario and the revised GST structure were the highlights of the Apr-Jun 2019 quarter. However, the successive reduction of the repo rate in February, April and June stole the show by pressurising banks to lower the home loan lending rates. With RERA functioning in full swing, and the newly elected Government keeping real estate and infrastructure development as its focus in the first 100 days of its functioning, a revival is most likely on the cards.

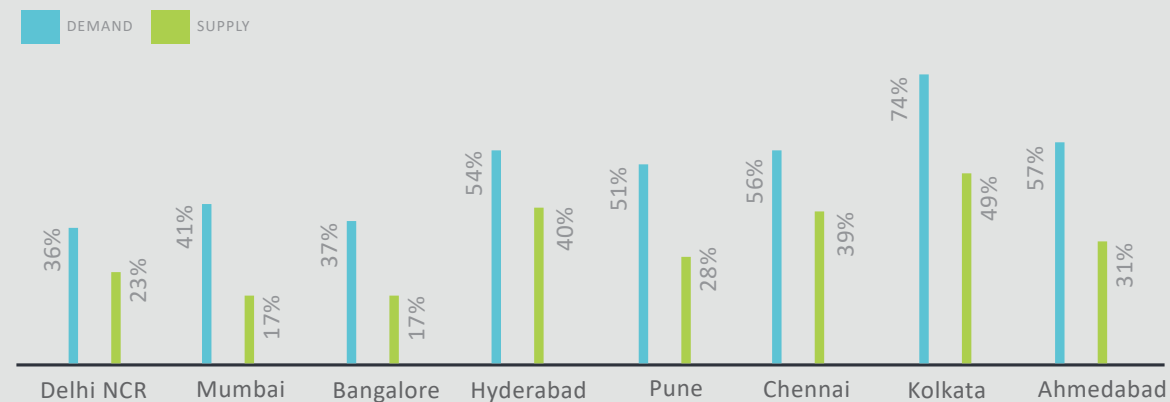
KEY HIGHLIGHTS

The real estate sector reaped the benefits of the pro-sectoral reforms announced in the previous quarters in Apr-Jun 2019. Improved home buying sentiment following the strengthening confidence of homebuyers on RERA and the anticipation of price correction owing to the reduced GST slabs on under-construction and affordable segments helped maintain the momentum of housing sales. Mumbai, Delhi NCR, Bangalore, Chennai, and Hyderabad, remained the most dominant markets and garnered almost 70 percent share of the total sales volume across top eight metro cities. Zonal variations existed, mostly based on the ticket size of the properties.

With over half the housing sales falling in the Rs 50 lakh category in the last six months, the Indian homebuyers clearly defined the course of supply required in the upcoming quarters. The recognition of homes priced under Rs 45 lakh as 'affordable' under the revised GST regime played a major role in boosting the sales in the current quarter. New supply is also expected to bolster in the upcoming months as developers reinstate financial stance. However, there is a strong demand for a single window clearance mechanism to make such projects more viable for the developer community.

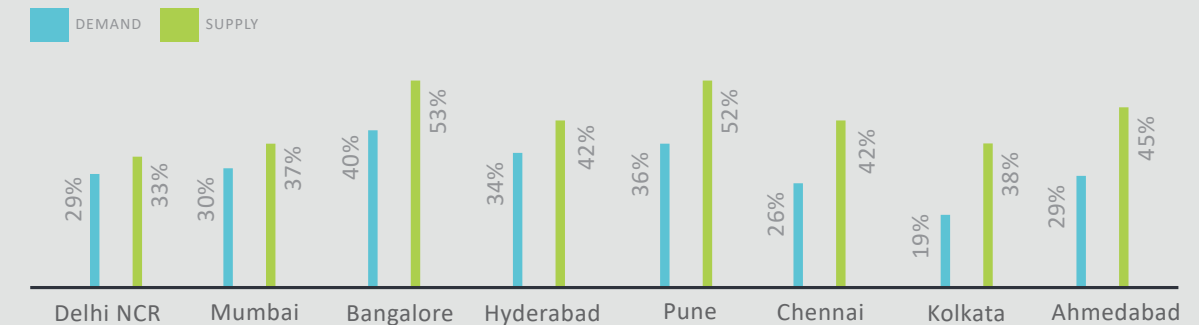
Efforts under Pradhan Mantri Awas Yojana (PMAY) gained steam, as evident from the status of loan disbursements under the Credit Linked Subsidy Scheme (CLSS). Gujarat alone accounted for a net subsidy disbursal of Rs 4,040 crore in Apr-Jun 2019, almost 60 percent higher than the previous quarter. Till date, the Government has disbursed over Rs 12,000 crore as subsidy under CLSS.

AFFORDABLE HOUSING



*Graph depicts the demand and supply of residential properties priced within Rs 40 lakh in metro cities

MIDDLE-INCOME HOUSING



*Graph depicts the demand and supply of residential properties priced between Rs 40 lakh and Rs 1 crore in metro cities

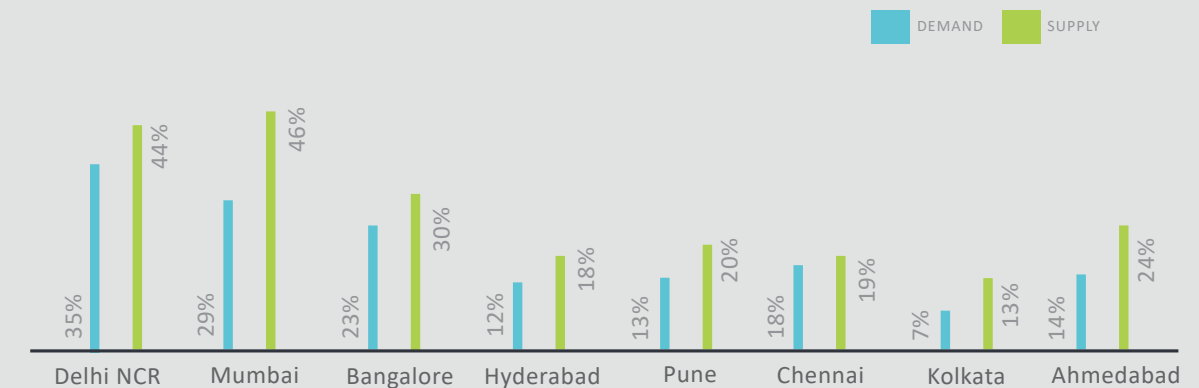
The rental market, marched ahead unabatedly as Apr-Jun 2019 marked yet another uncertain quarter for the capital market. Hyderabad and Pune, both driven by the IT industry, saw the average rental rates surging by four percent, YoY. Other cities which performed well on the rental charts include Mumbai, Chennai and Kolkata with a three percent uptick in rental prices, YoY. Delhi NCR continued to reel under excess inventory of about 1.80 lakh units, which kept rental rates under check.

The demand for under-construction units remained grim as delayed projects continued plaguing realty landscapes. About 5.61 lakh housing units amounting to a whopping Rs 4.5 lakh crore are reportedly stuck in various stages of completion across the top metro

cities. Insolvency proceedings against several builders made matters worse. What came as a ray of hope was the National Buildings Construction Corporation Limited (NBCC's) decision to take over stalled projects in Delhi NCR.

When it comes to providing solutions for distressed projects and homebuyers across the country, RERA holds a lot of responsibility. While Maharashtra continued to lead all States in its efficient functioning, Gujarat picked up considerable pace and raced ahead to the second spot with over 5,300 projects registered so far. Delhi RERA, too, bucked up and launched its portal, speaking volumes about the role of the regulatory authorities in driving Indian real estate to growth.

LUXURY HOUSING



*Graph depicts the demand and supply of residential properties priced above Rs 1 crore in metro cities

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