Realty Decoded– Q2 FY'18

October 2017

Executive Summary

Å Q2 FYô18 was the first full quarter in the new RERA and GST regime and as expected both new launches and sales struggled in this quarter. On a year on year basis

- New launches dropped by 53% over Q2 FYô17
- Sales dropped by 18% over Q2 FYô17
- Inventory overhang increased to 42 months from 35 months in Q2 FYô17

Å Amongst the top 9 cities only Mumbai and Gurugram had shown improvement in both new launches and sales. Market in Gurugram was driven by affordable housing under Haryana Affordable Housing Policy 2013 and market in Mumbai benefited out of early implementation of RERA

Å Sales showed a marked improvement in September over July and August, driven by festival offers launched by most developers. Festival offers worked very well in Mumbai, Pune and Bangalore but could not yield similar results in Noida, Chennai and Hyderabad

Å Though overall sales dropped by 18%, ready to move in units sales have consistently grown at 21% annual rate whereas sales of under-construction units have de-grown at 22% annual rate over last 4 years. Even in under-construction units, sales of older projects have been better than newly launched

Å Ahmedabad and Chennai have highest share of ready to move in units in unsold stock

Å Units which were priced in the budget of <50 Lakhs contributed > 50% in new launches as well as in sales

Å Average prices are finally sloping upwards in Gurgaon, Mumbai and Hyderabad after a long stagnation

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Residential Landscape: Top-9 cities as of Q2 FY'18

Pune and Noida witnessed steep increase in launches over the previous quarter. Except Gurgaon which saw few big affordable housing allotment, all other cities have seen decline in sales.

AHMEDABAD

Y-o-Y (%)	
Launches	-91%
Sales	-46%
BSP	2% (2,960)
Inventory Overhang	-72% (50)

BENGALURU

Y-o-Y (%)	
Launches	-58%
Sales	-27%
BSP	2% (4,926)
Inventory Overhang	-19% (37)

CHENNAI

Y-o-Y (%)	
Launches	-91%
Sales	-23%
BSP	1% (5,052)
Inventory Overhang	-58% (40)

GURUGRAM

Y-o-Y (%)	
Launches	85%
Sales	+60%
BSP	9% (6,024)
Inventory Overhang	47% (35)

HYDERABAD

Y-o-Y (%)	
Launches	-89%
Sales	-18%
BSP	4% (4,132)
Inventory Overhang	-39% (29)

KOLKATA

Y-o-Y (%)	
Launches	-92%
Sales	-21%
BSP	-1% (3,831)
Inventory Overhang	-26% (39)

MUMBAI

Y-o-Y (%)	
Launches	19%
Sales	6%
BSP	4% (8,672)
Inventory Overhang	-26% (54)

NOIDA

Y-o-Y (%)	
Launches	-51%
Sales	-29%
BSP	-2% (3,896)
Inventory Overhang	-26% (68)

PUNE

Y-o-Y (%)	
Launches	-37%
Sales	-32%
BSP	1% (4,952)
Inventory Overhang	-96% (45)

Notes:
1. Y-o-Y is comparison between the corresponding quarter of the previous year and the current quarter
2. BSP is represented in Rs./sq.ft.
3. Inventory overhang is represented in months.

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Source: PropTiger DataLabs Sep'17

Despite festival season, most key parameters were in red

Residential Trends in top-9 cities* Q-o-Q

	Q2 FY'17	Q3 FY'17	Q4 FY'17	Q1 FY'18	Q2 FY'18
Launches	14%	-8%	19%	-43%	-25%
Sales	-1%	-16%	13%	3%	-16%
Price Trend	0%	0%	-1%	1%	2%
Inventory Overhang	0%	23%	-16%	-5%	13%

Strong/Marginal Decline

Stable

Strong/Marginal Increase

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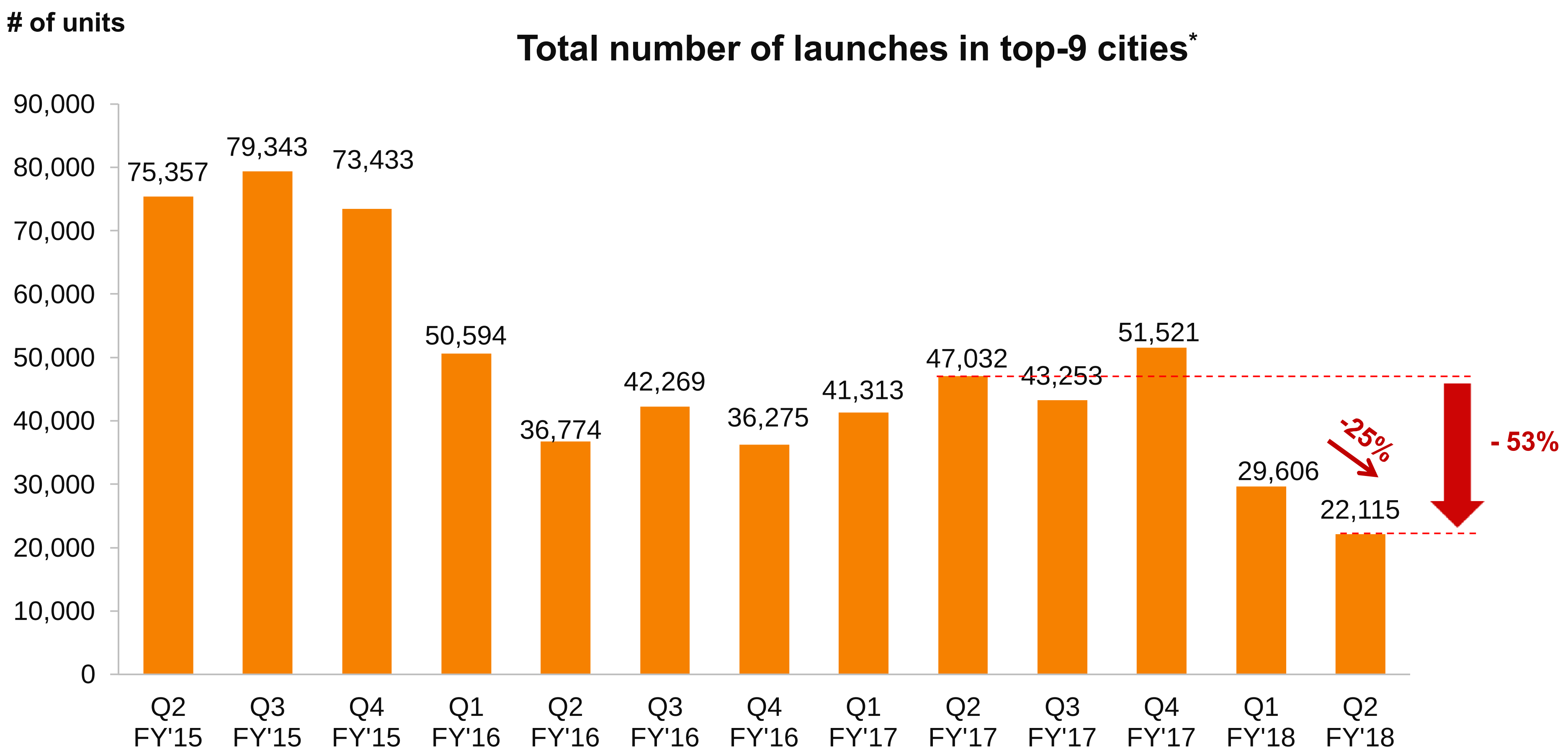
Notes: * Top 9 Cities are Mumbai (including Navi Mumbai & Thane), Pune, Noida (including Greater Noida & Yamuna Expressway), Gurugram (including Bhiwadi, Dharuhera & Sohna), Bengaluru, Chennai, Hyderabad, Kolkata and Ahmedabad.
Analysis includes apartments and villas across the regions.

Source: PropTiger DataLabs Sep'17

1é é é é … Launches: RERA Continued To Impair Launches

Launches continued to be impacted by RERA and were 53% lower than Q2 FY'17



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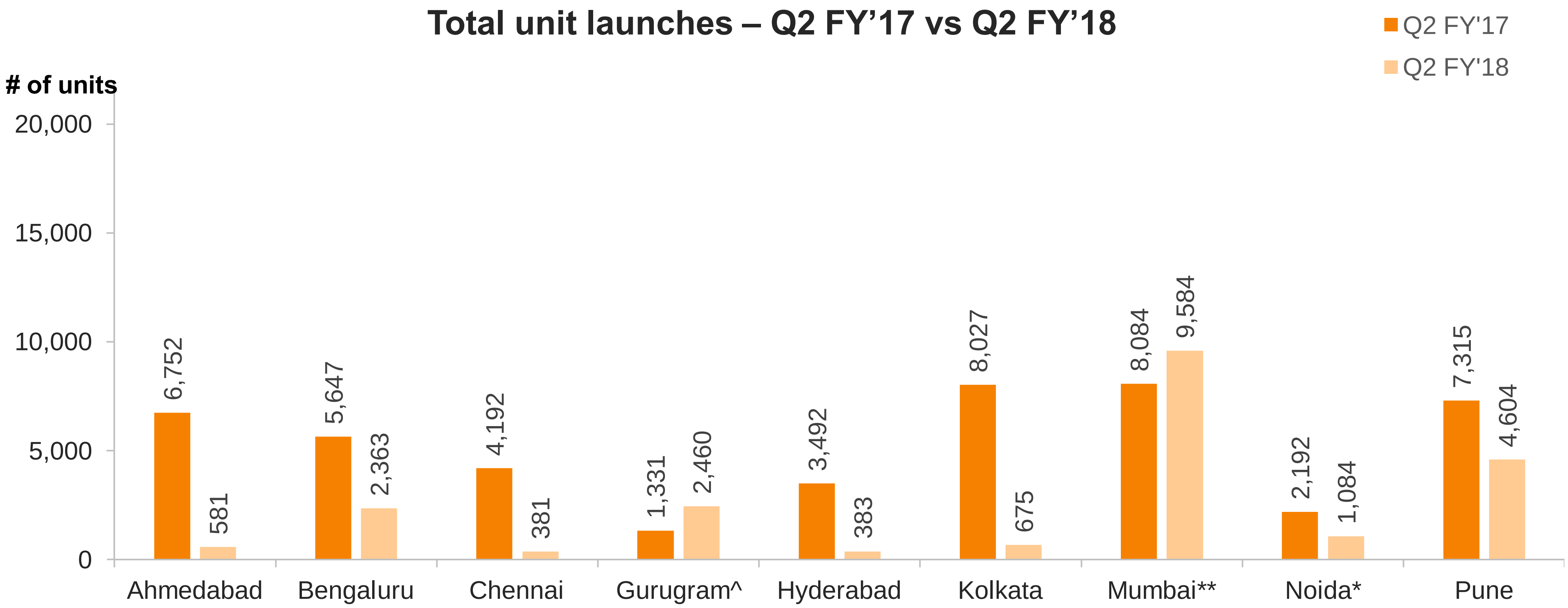
Source: PropTiger DataLabs Sep 17

Except Mumbai & Gurugram, decline in launches was consistent across cities



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** Mumbai includes Navi Mumbai and Thane.
^ Gurugram includes Bhiwadi, Dharuhera and Sohna.
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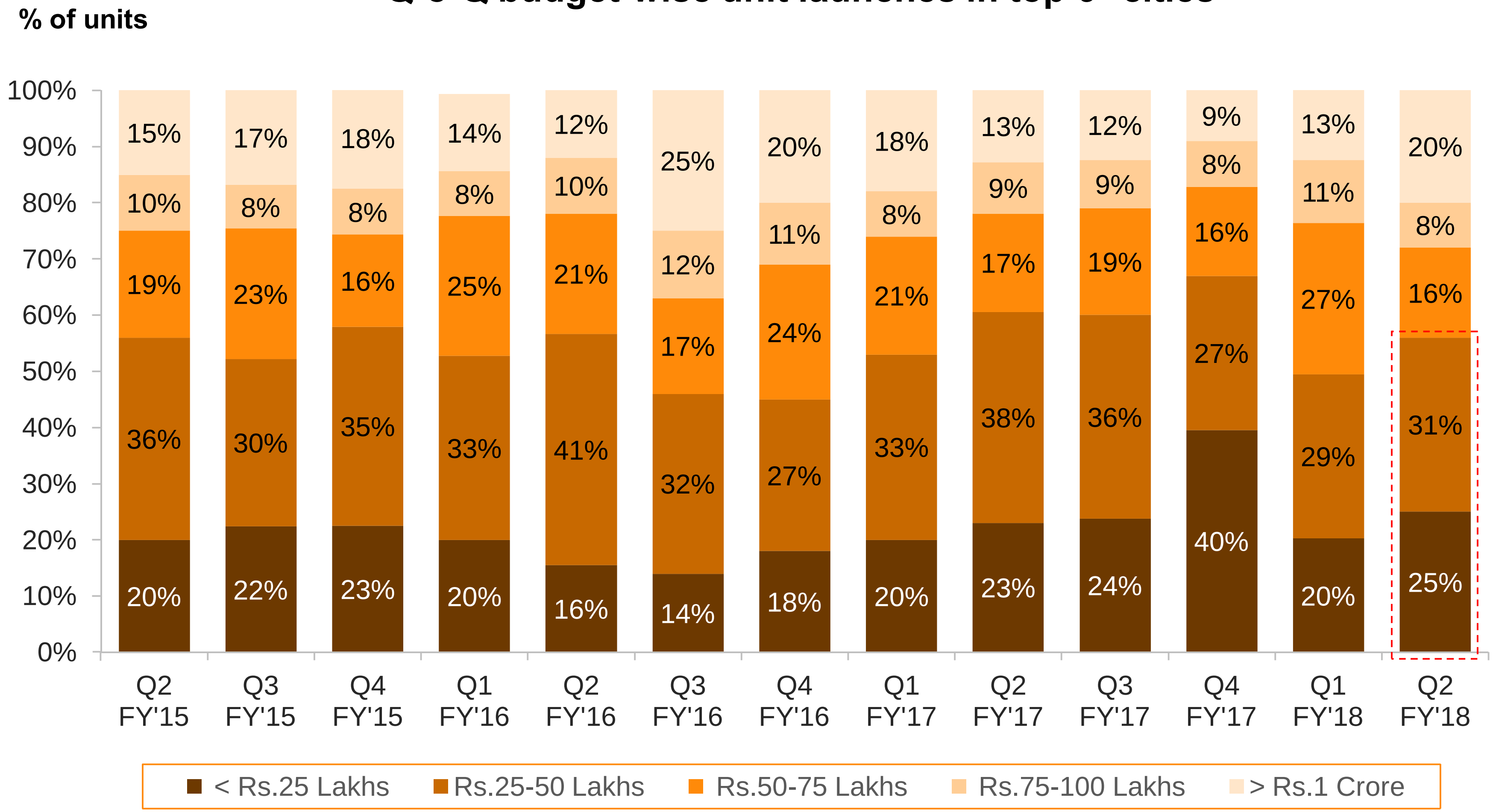
Source: PropTiger DataLabs Sep 17

After decline in Q1 FY’18, share of affordable housing again crossed 50% mark in Q2 FY’18

Q-o-Q budget-wise unit launches in top-9* cities



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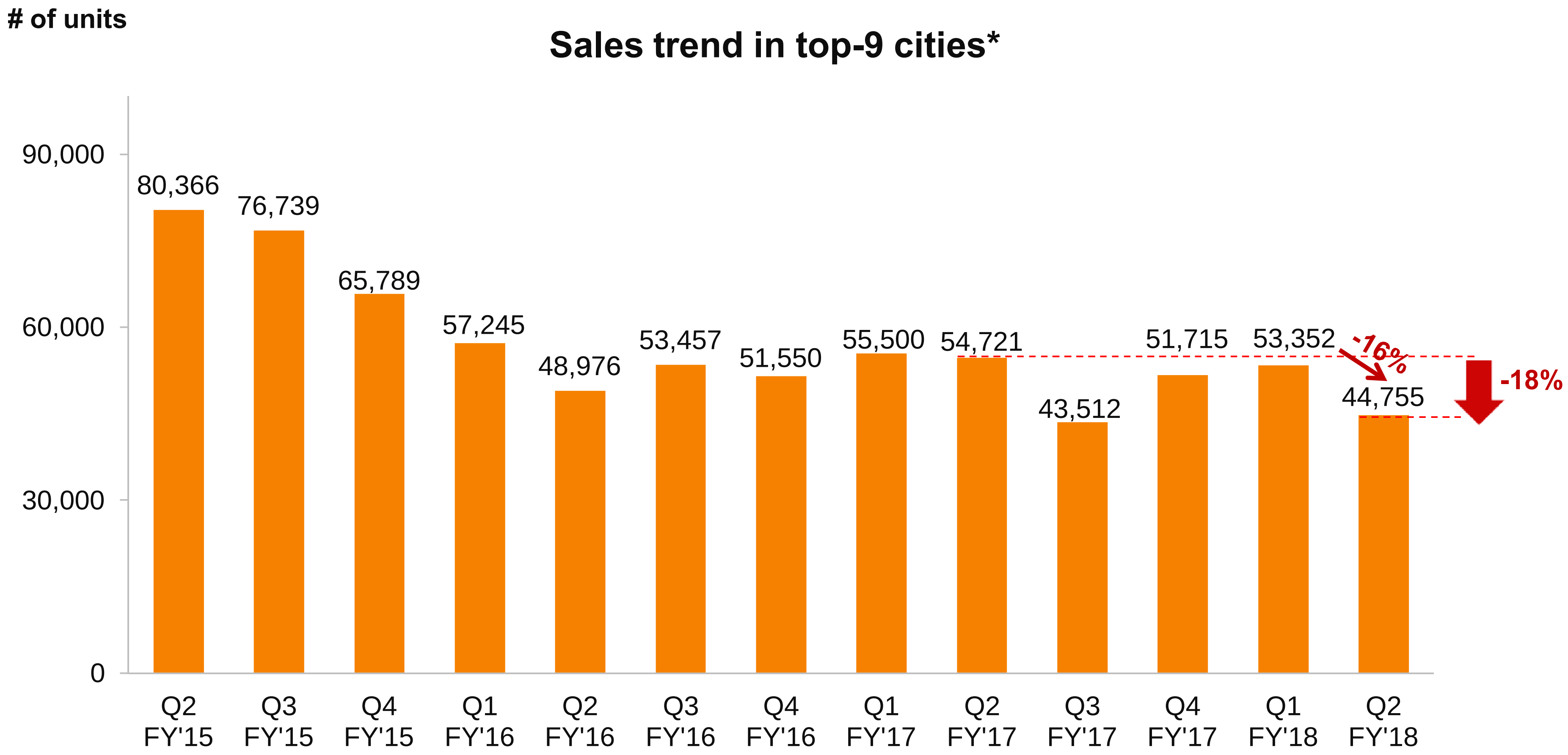
2é é Consumer & Demand : Sales Momentum Subdued

Sales declined by 18% over the Q2 FY'17 primarily due to slow RERA registration



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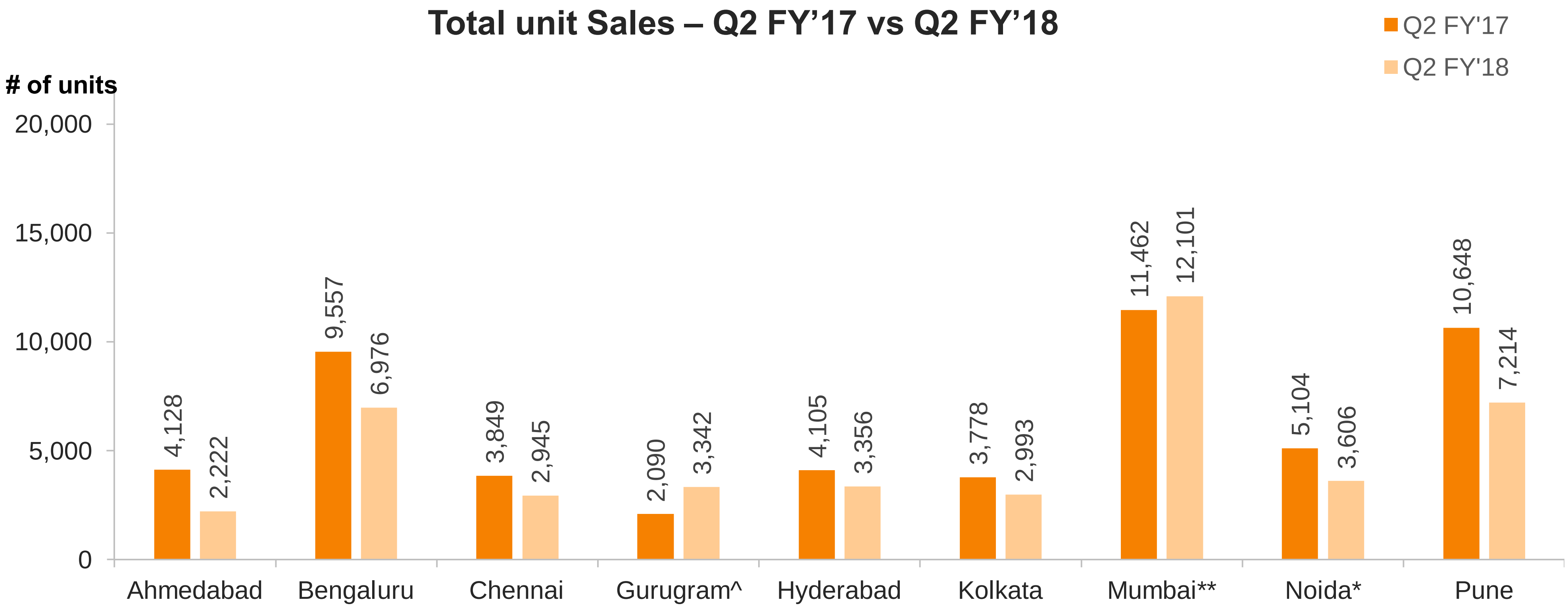
Only Gurugram and Mumbai have shown improvement in sales compared to other cities



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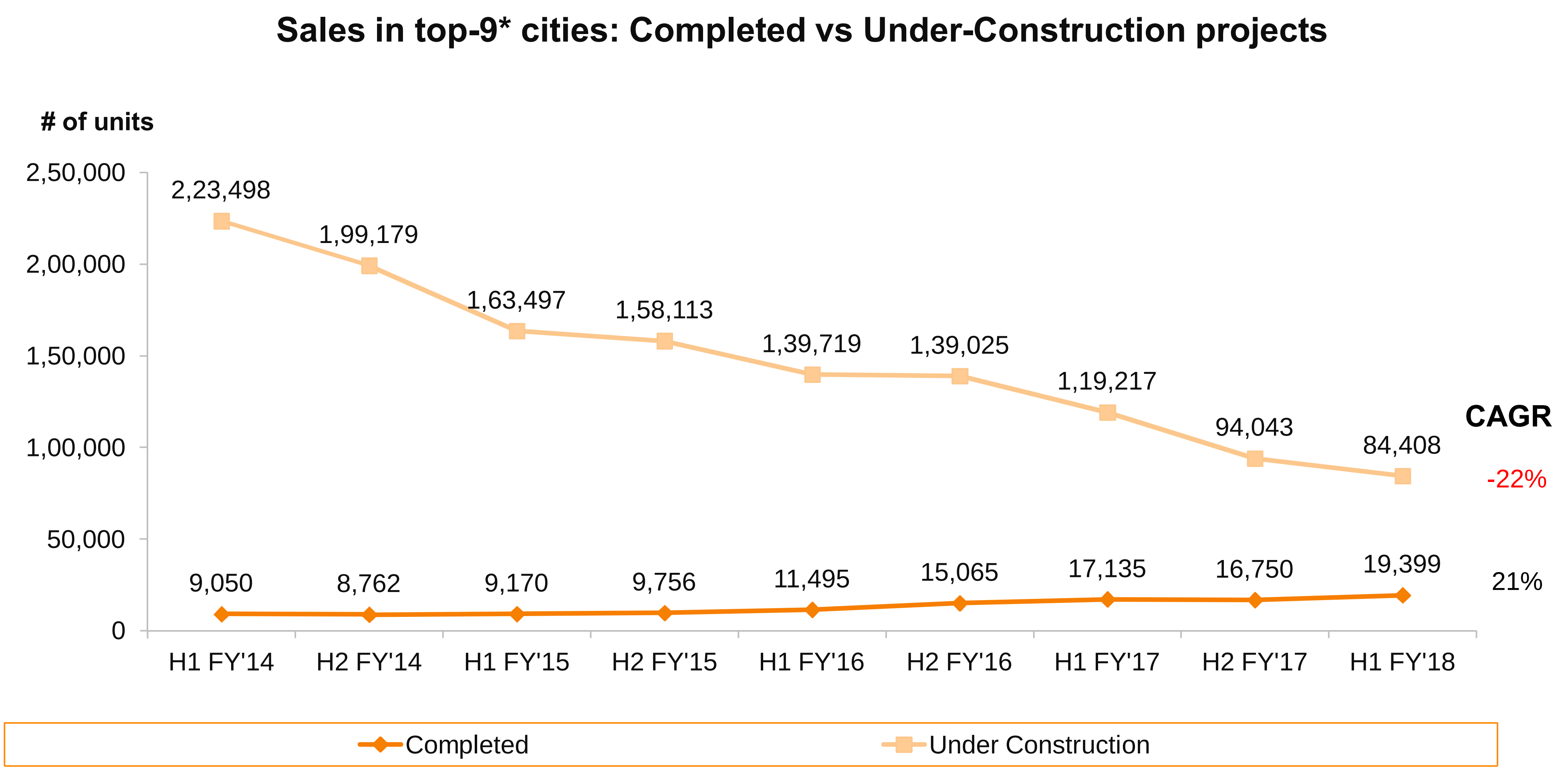
Source: PropTiger DataLabs Sep' 17

Sales of ready to move in units continued to grow unlike reduction in under-construction unit sales



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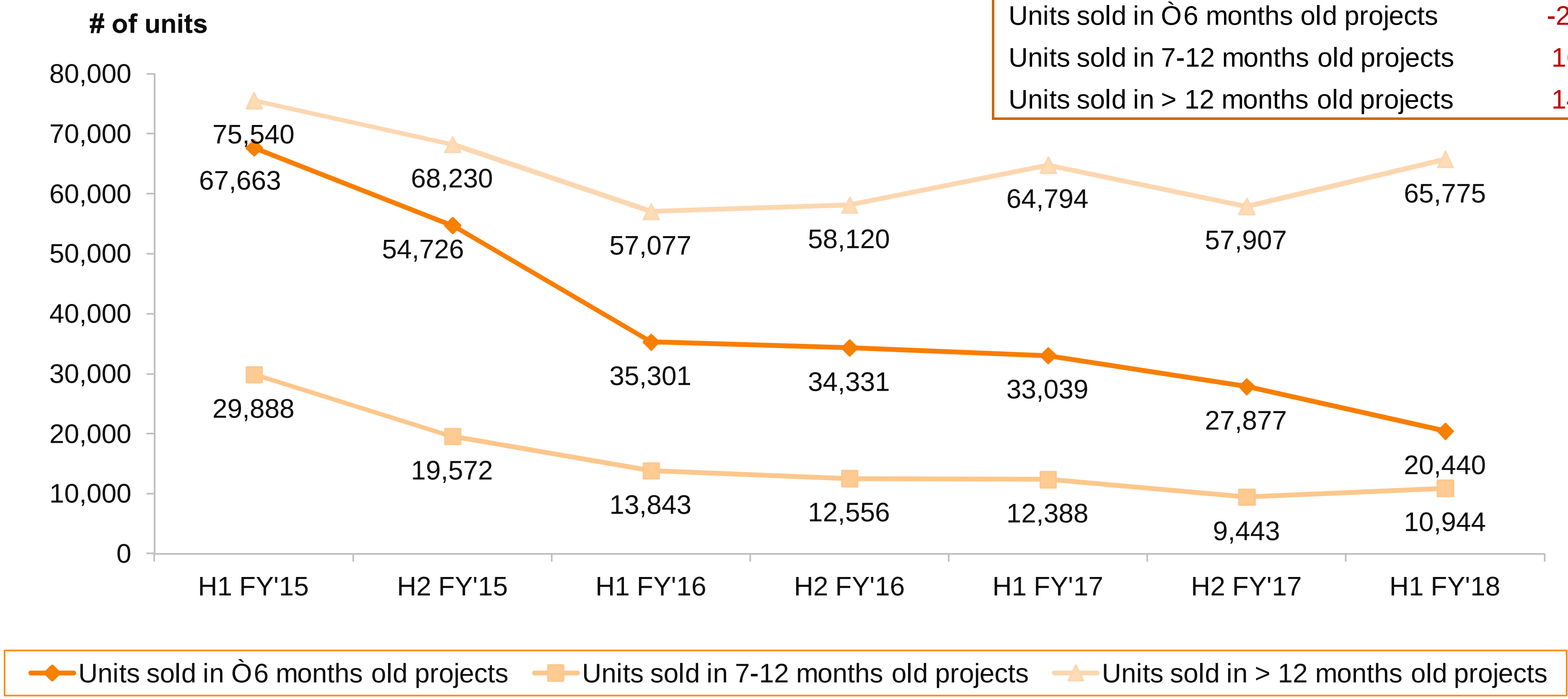
Source: PropTiger DataLabs Sep'17

Even in under-construction units, sales improved in older projects compared to newly launched projects

Period	% Change (H1FY'18-o-H2 FY'17)
Units sold in Ò6 months old projects	-27%
Units sold in 7-12 months old projects	16%
Units sold in > 12 months old projects	14%

Sales in top-9* cities: New projects vs old projects



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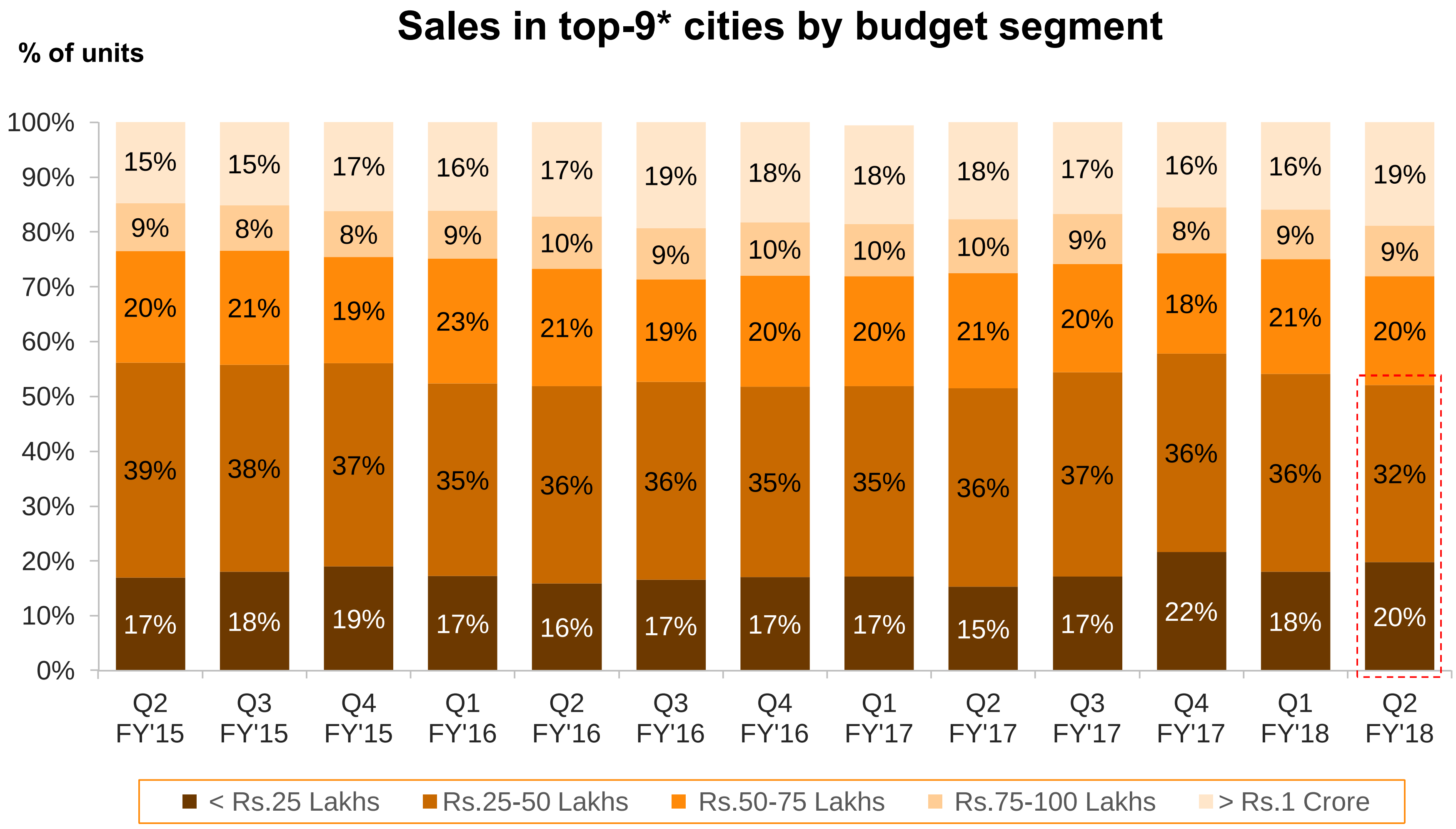
< Rs. 50 Lakhs segment continued to play a larger role in sales



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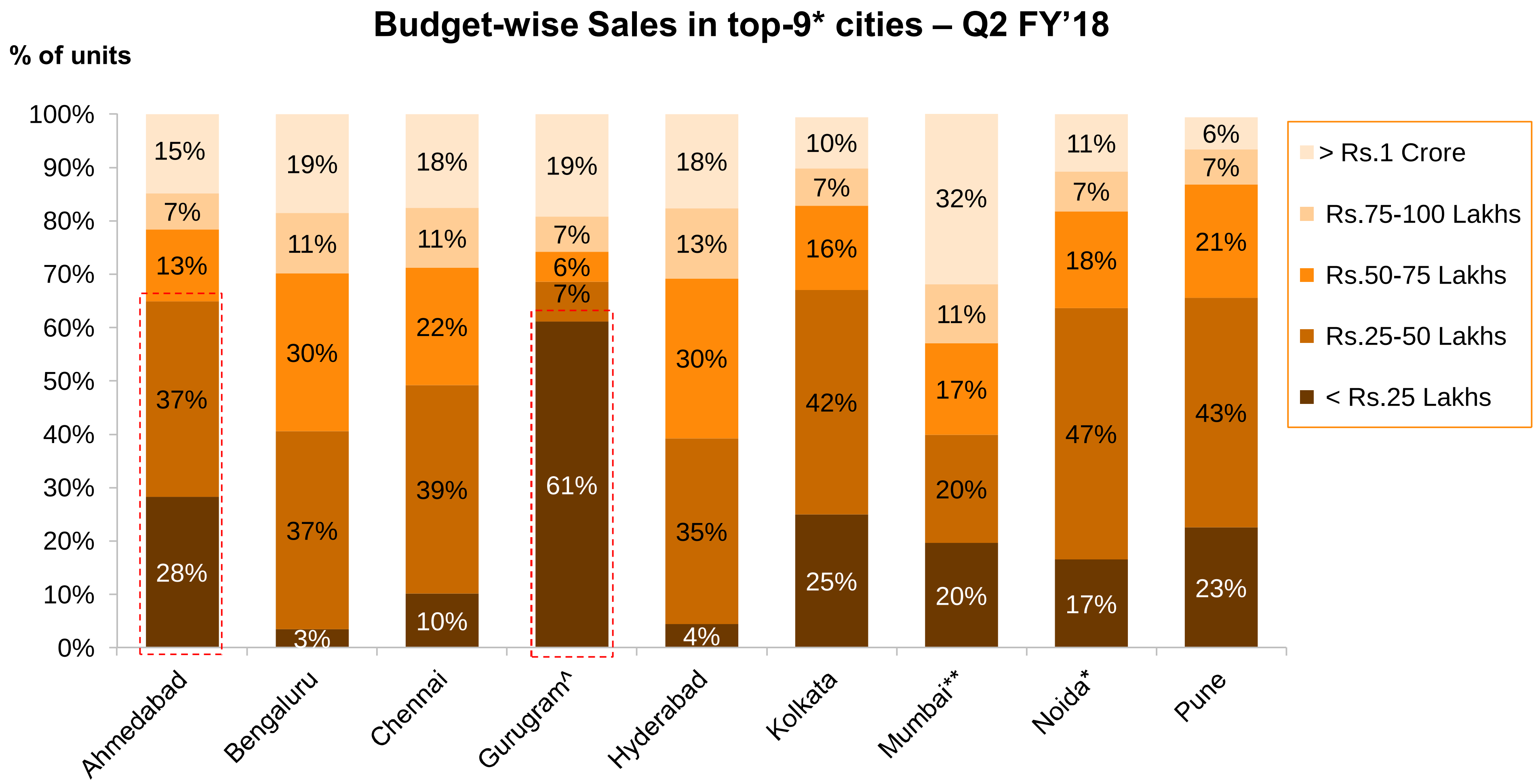
Source: PropTiger DataLabs Sept17

Gurugram tops the charts for sales in < Rs. 25 Lakhs during the quarter owing to successful affordable housing policy



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^ Gurugram includes Bhiwadi, Dharuhera and Sohna.
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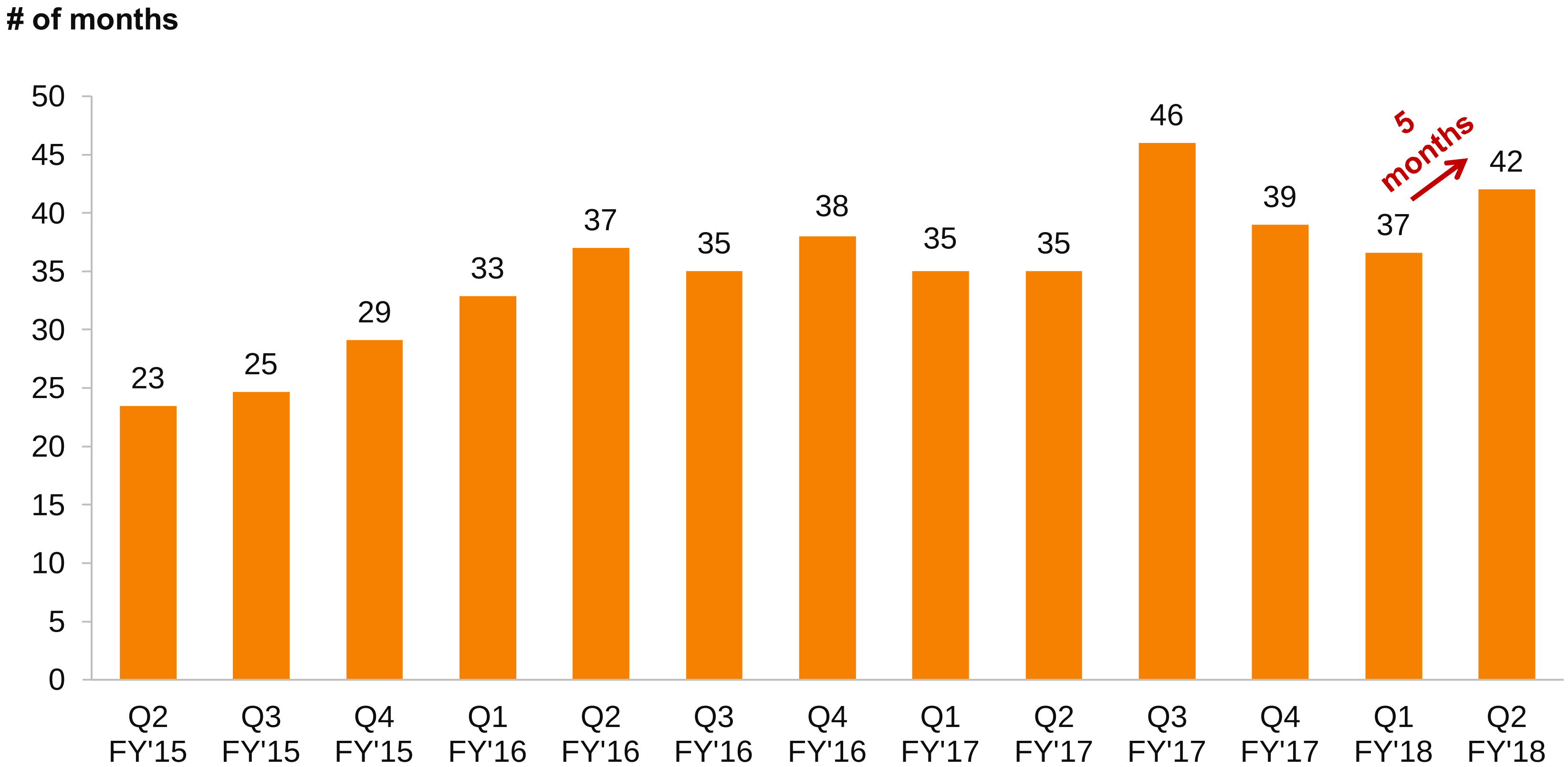
Source: PropTiger DataLabs Sep'17

3é é é Inventory:

Inventory Overhang Erodes

Inventory overhang at the end of Q2 FY'18 increased to 42 months due to drop in sales during the quarter

Q-o-Q overall inventory overhang in top-9* cities



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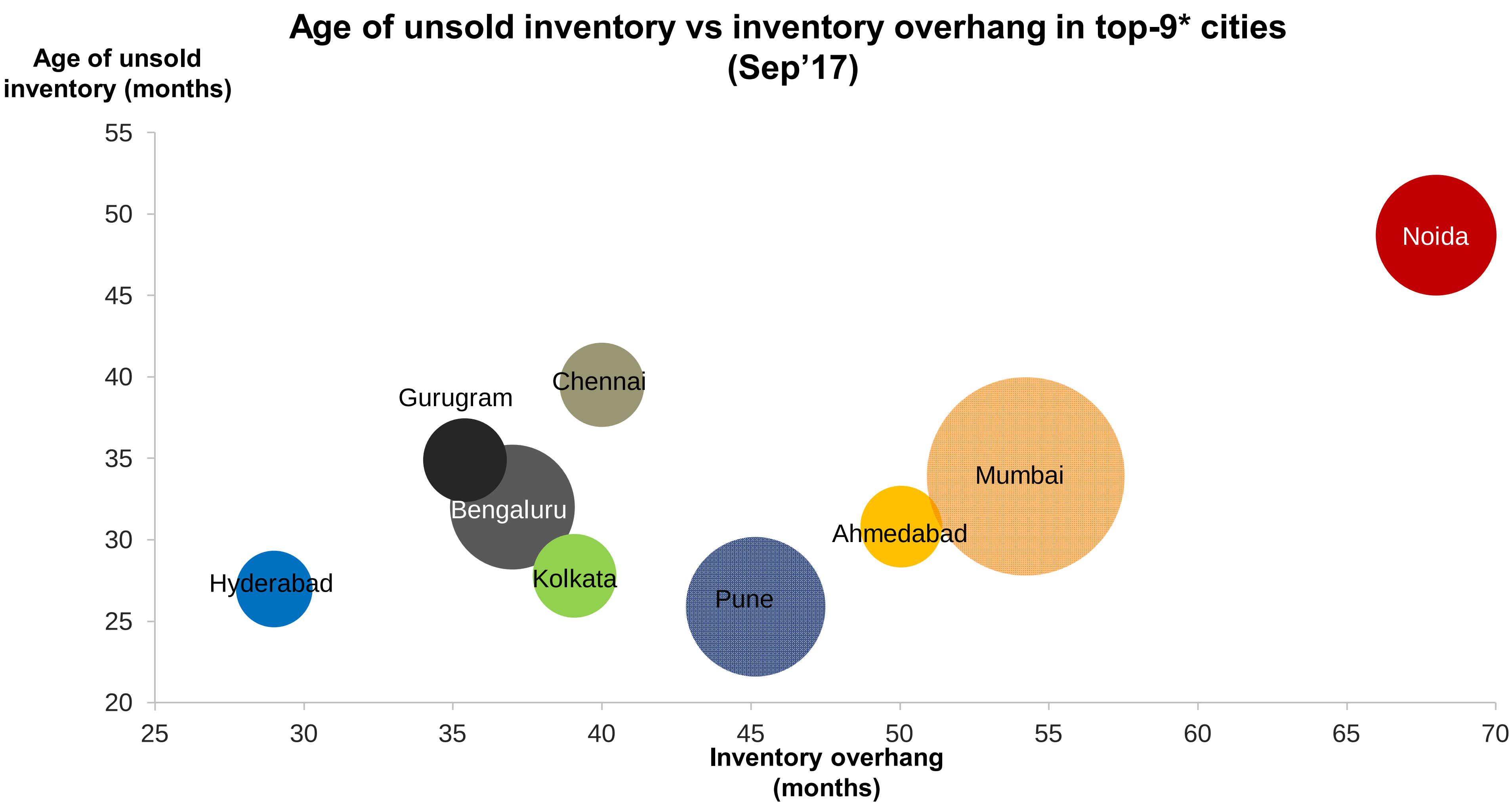
Source: PropTiger DataLabs Sep017

Hyderabad & Gurugram have the lowest inventory overhang at the end of Q2 FY'18



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Analysis includes apartments and villas across the regions.

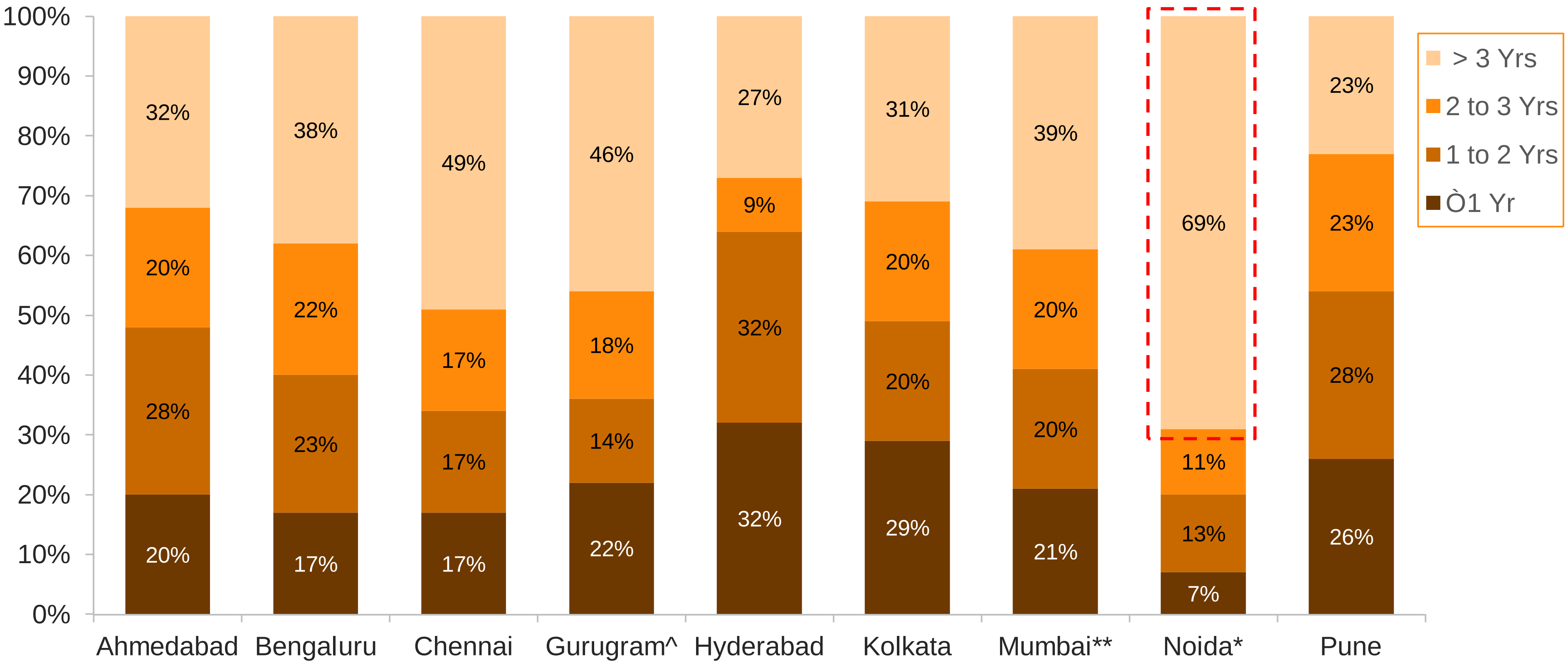
Size of the bubble indicates total inventory in units.

Source: PropTiger DataLabs Sep'17

Noida holds the highest share of unsold inventory aged above 3 years followed by Chennai & Gurugram

% of inventory

Age of unsold inventory in top-9 cities (Sep'17)



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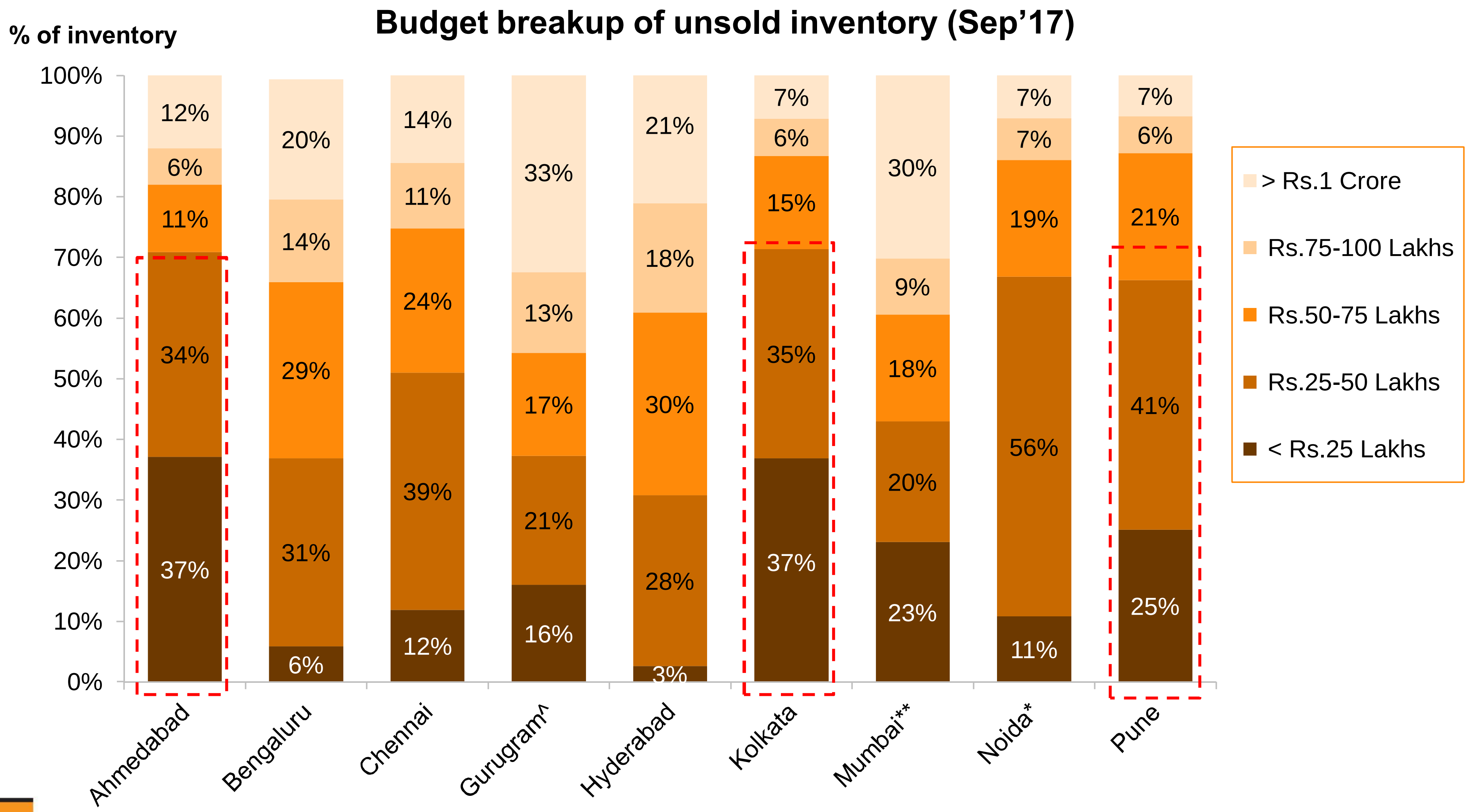
** Mumbai includes Navi Mumbai and Thane.
^ Gurugram includes Bhiwadi, Dharuhera and Sohna.
Analysis includes apartments and villas across the regions.

Source: PropTiger DataLabs Sep'17

Kolkata and Ahmedabad have more than 70% of the unsold inventory in the <50 Lakhs segment followed by Pune



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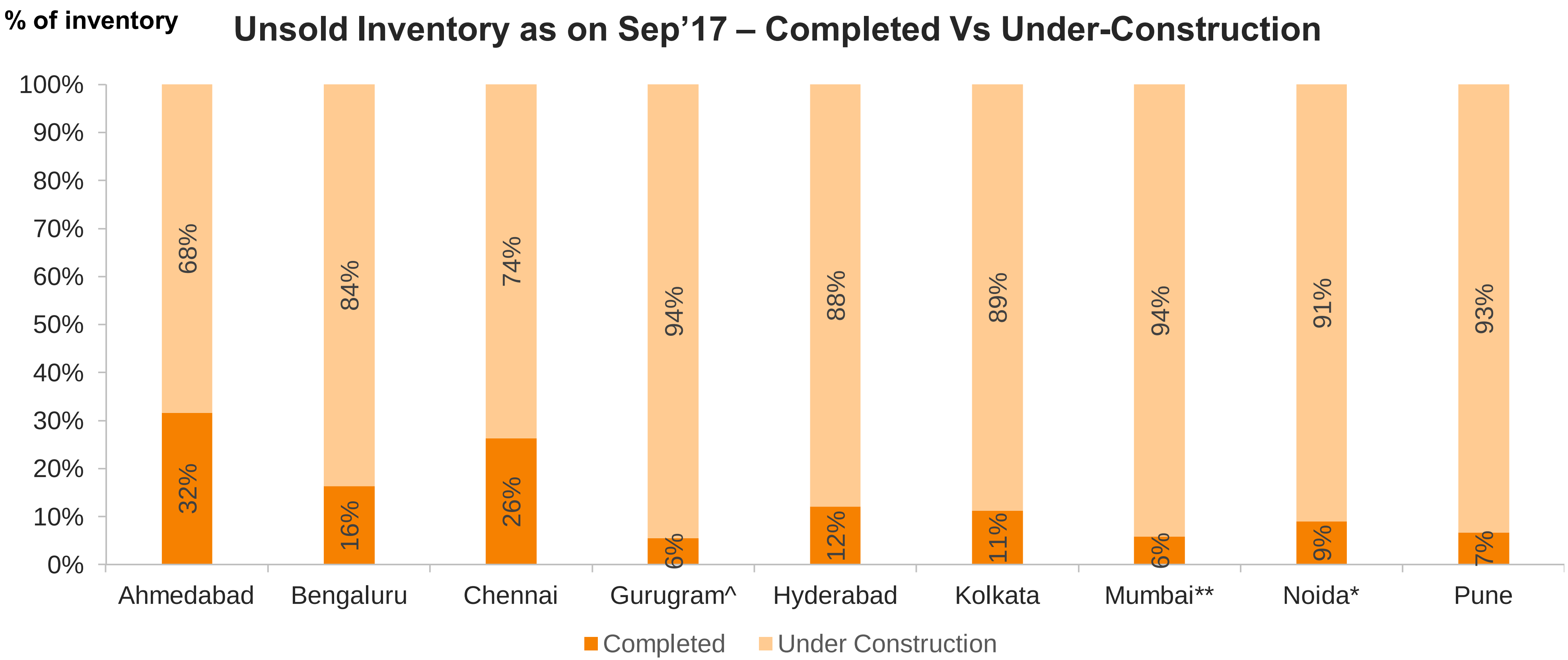
Source: PropTiger DataLabs Sep'17

Ahmedabad and Chennai have highest share of ready to move in units in unsold inventory



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Source: PropTiger DataLabs Sep 17

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Positive Changes

Gurugram witnessed highest price appreciation followed by Mumbai and Hyderabad

Weighted average^^ BSP (Rs./sq.ft.) of apartment units as at the end of quarter

City	Q2 FY'17	Q2 FY'18	Price Change (Y-o-Y)
Ahmedabad	2,912	2,960	2%
Bengaluru	4,811	4,926	2%
Chennai	4,998	5,052	1%
Gurugram^	5,525	6,024	9%
Hyderabad	3,991	4,132	4%
Kolkata	3,879	3,831	-1%
Mumbai**	8,349	8,672	4%
Noida*	3,987	3,896	-2%
Pune	4,891	4,952	1%

Notes: ^^ Price weighted on number of units supply in respective projects in a city.
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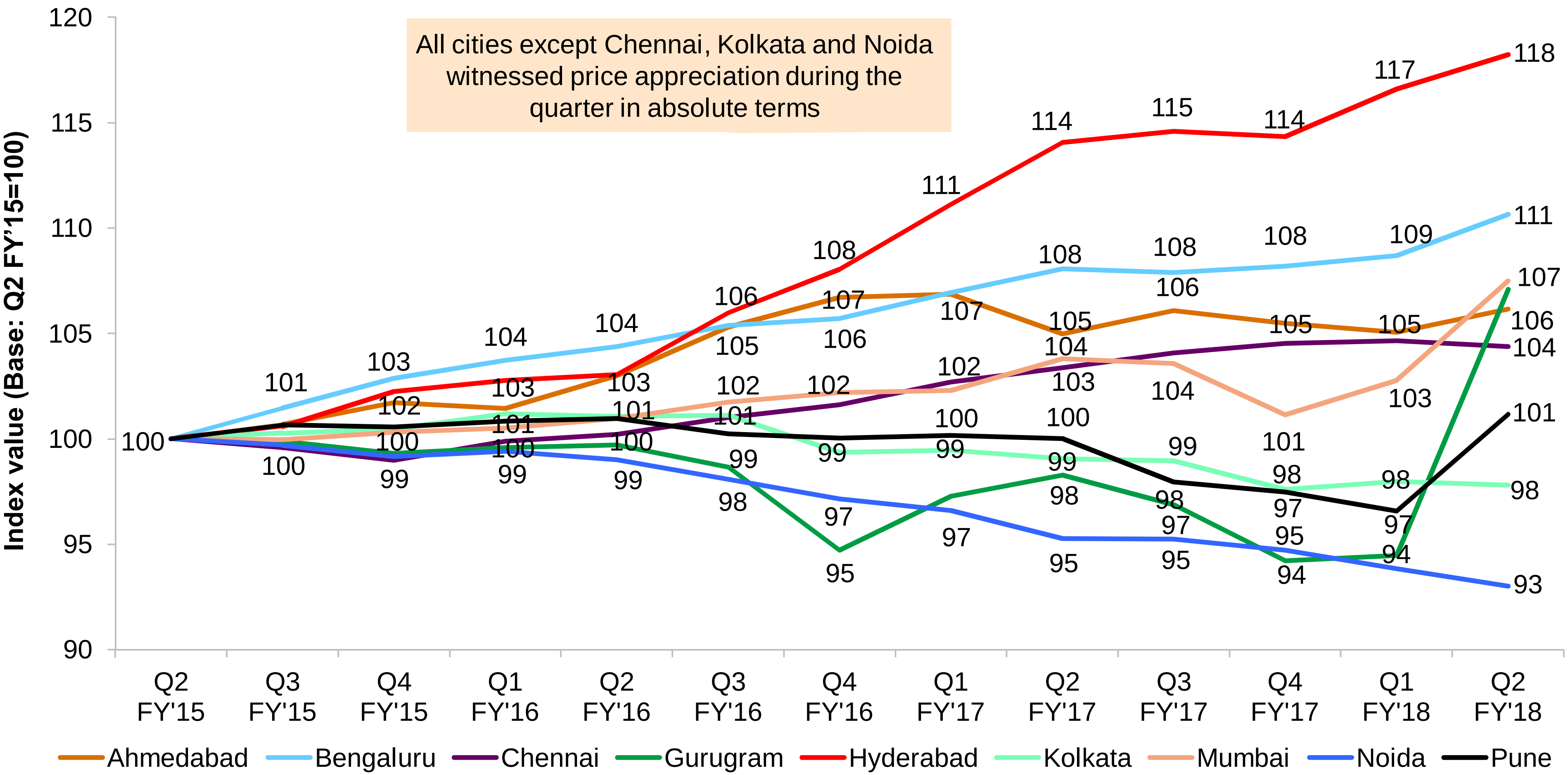
Source: PropTiger DataLabs Sep 17

Gurugram witnessed a sudden jump in the prices with 13% increase Q-o-Q

Weighted average price index of residential units in top-9* cities



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Outlook for Q3 FY’18

Å We expect sales and new launches will show a growth of 30 ï 40% on year on year basis in Q3 FYâ18 primarily because of lower base of Q3 FYâ17 (demonetization period) as well as improvement in customer confidence

Å States like Maharashtra where RERA has been effectively implemented will gain most with improving customer confidence

Å Many states have not yet started resolving customer grievances under RERA act or have come up with an effective RERA website. Such delays will hold back revival of customer confidence in these states

Å Effective rate of 12% of GST has been a dampener for the under-construction property buyer as developers have not been clear on input tax credit. Sector is expectantly looking forward to November GST council meeting to get some respite on the rate

Å Inclusion of immovable property in GST will be another big reform which can create short term hurdle in industry. Though this will be discussed in November GST council meeting but getting it through will not be that easy

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