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KOLKATA RESIDENTIAL MARKET UPDATE

APRIL - JUNE 2020



Market Sentiment

INSITE

FROM CBO'S DESK

A drastic drop in the number of new residential launches and poor sales volume defined the 'real' story of residential realty across metro cities in Apr-Jun 2020. Shortage of construction workers, liquidity constraints faced by developers and the withdrawal of homebuyers impacted market sentiment adversely.

Delhi NCR, Mumbai and Hyderabad lost the largest share of new launches and reported a dip of 80-95 percent, each, QoQ. Cumulatively, the period witnessed an addition of a mere 1,400 units in the top eight metros. The ensuing credit crunch with both buyers and developers is expected to shrink housing sales from four lakh units in 2019-20 to 2.8 lakh units in 2020-21. While all metro cities reported status quo in average weighted capital prices, experts foresee average 'asks' in the resale segment dipping by an average of 10-15 percent in the months to come.

To sustain businesses, several developers underwent digital transformation with virtual project launches and e-site visits

providing some relief from the COVID-19-induced crisis. After some setbacks, the traffic and responses on 99acres returned to pre-COVID levels by the end of June 2020. A survey by 99acres revealed that 75 percent of its registered buyers now prefer shortlisting or buying a property through real estate portals. Further, 60 percent of the participants averred that they would prefer undertaking a virtual tour before physically visiting the project site.

Nonetheless, to witness a complete revival, the industry would need more support from the Centre beyond measures such as home loan moratorium and declaring COVID-19 as a Force Majeure event to witness revival.



Maneesh Upadhyaya
Chief Business Officer
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COVID-19 AND REAL ESTATE



IMPACT ON INDUSTRY

The COVID-19 crisis disrupted the supply chain of realty raw materials, and led to reverse migration of labourers and fund constraints at developers' end. The sector went through a major digital transformation as developers shifted online to market their projects and engage with customers, and Government bodies, such as NCLAT and RERA started addressing homebuyers online.

The Apr-Jun 2020 quarter saw the lowest number of new launches since 2013 and sales remained 75 percent lower than the previous quarter. Invoking of Force Majeure brought some relief as ongoing projects got up to a nine-month extension under Real Estate (Regulation and Development) Act, 2016. The suspension of Insolvency and Bankruptcy Code (IBC) for a year, too, is a relief for developers.

IMPACT ON HOMEBUYERS

With ongoing projects delayed by at least six months, homebuyers expecting possessions received a setback. Job losses and pay cuts affected the paying capacity of homebuyers, who shelved their buying decisions in the wake of market uncertainties and expectations of price cuts. While reduced home loan interest rates from most banks make it an opportune time to invest in real estate, a large share of prospective homebuyers await more clarity in the ensuing months.

The extension of the Credit-Linked Subsidy Scheme (CLSS) under Pradhan Mantri Awas Yojana (PMAY) might be a benefit for those looking for affordable homes. Existing homeowners welcome home loan moratorium of six months announced by the Government in April.

NATIONAL OUTLOOK

HOME BUYING SENTIMENT

Home buying sentiment remained muted during April due to the nationwide lockdown; with enquiries picking up slight pace in June. Genuine homebuyers flocked the market looking for attractive schemes and discounts. NRI demand, too, resurged, with some conversions in the mid-income housing bracket across cities.

PROPERTY PRICES

While the negotiation window widened up to 10-15 percent across budget segments, any actual correction in prices was not noticed. Barring Delhi NCR, all metros maintained status quo in average weighted capital 'asks', QoQ. With wafer-thin margins at the hand of developers, any price correction in future is unlikely.

RENTAL LANDSCAPE

Amid restrictions to move around, the rental market remained intact in Apr-Jun 2020. There was no movement in average 'asks' across cities, except for some discounts and leeway offered by property owners to support the tenants struggling financially. PG accommodations and guesthouses took the brunt as people moved to their hometowns due to an extended lockdown.

SUPPLY

New project launches remained nil during the quarter and progress on ongoing projects suffered on account of reverse migration of labourers and disruptions in the supply chain. Property owners unwilling to sell at a reduced price exited from the secondary market. Unsold inventory stood at 6 lakh units at the end of Apr-Jun 2020.

MARKET MOVERS

WBHIRA extends the completion deadline

Identifying COVID-19 as 'Force Majeure', West Bengal Housing Industry Regulatory Authority (WBHIRA) granted an extension of nine months to complete under-construction projects in the State. For special cases, the authority may allow additional time of three months for the completion of the project.

Metro projects are back on track

The Phoolbagan underground metro station of the East-West Metro corridor has received safety clearance. The station will be open for the public once lockdown is lifted completely. In addition, the construction work of New Garia to Netaji Subhash Chandra Bose International Airport metro corridor has restarted.

Civic body goes digital

As a part of single-window clearance program, Kolkata civic body has started accepting online applications for building plans from July 1, 2020. The current norms allow a project to be completed within five years, or else another application has to be submitted for re-sanctioning of the project. In addition, the government has launched an online portal to simplify the registration process. This portal will enable document verification and payment of stamp duty online as well.

KMC plans to repair eight flyovers

The Kolkata Municipal Corporation (KMC) has audited eight infrastructure nodes to prioritise repair work based on the severity of structural damage. The Kalighat Bridge and Chingrighata Flyover will be demolished to construct new nodes. Other flyovers, such as Bijon Setu, Ultadanga Flyover, Sealdah Flyover, Aurobindo Setu, and Baghajatin Bridge, will be repaired by retrofitting with steel frames.

COMMERCIAL REAL ESTATE OUTLOOK

- Many IT/ITeS companies are planning to surrender a part of their leased office spaces even after lockdown is completely lifted.
- Toyota Kirloskar Motor is planning to relocate its marketing teams from Kolkata to low-rental offices, including co-working spaces.
- Demand for the Co-working sector receives a major setback as many players are operating with limited strength or have shut down.
- IBM plans to reduce about 50 percent office space in Kolkata and other metro cities in India.

KOLKATA'S REALTY AT A GLANCE



* Property prices represent quarterly change * Rental 'asks' represent yearly change
 * Supply is basis properties listed on 99acres.com * Demand is basis queries received on 99acres.com



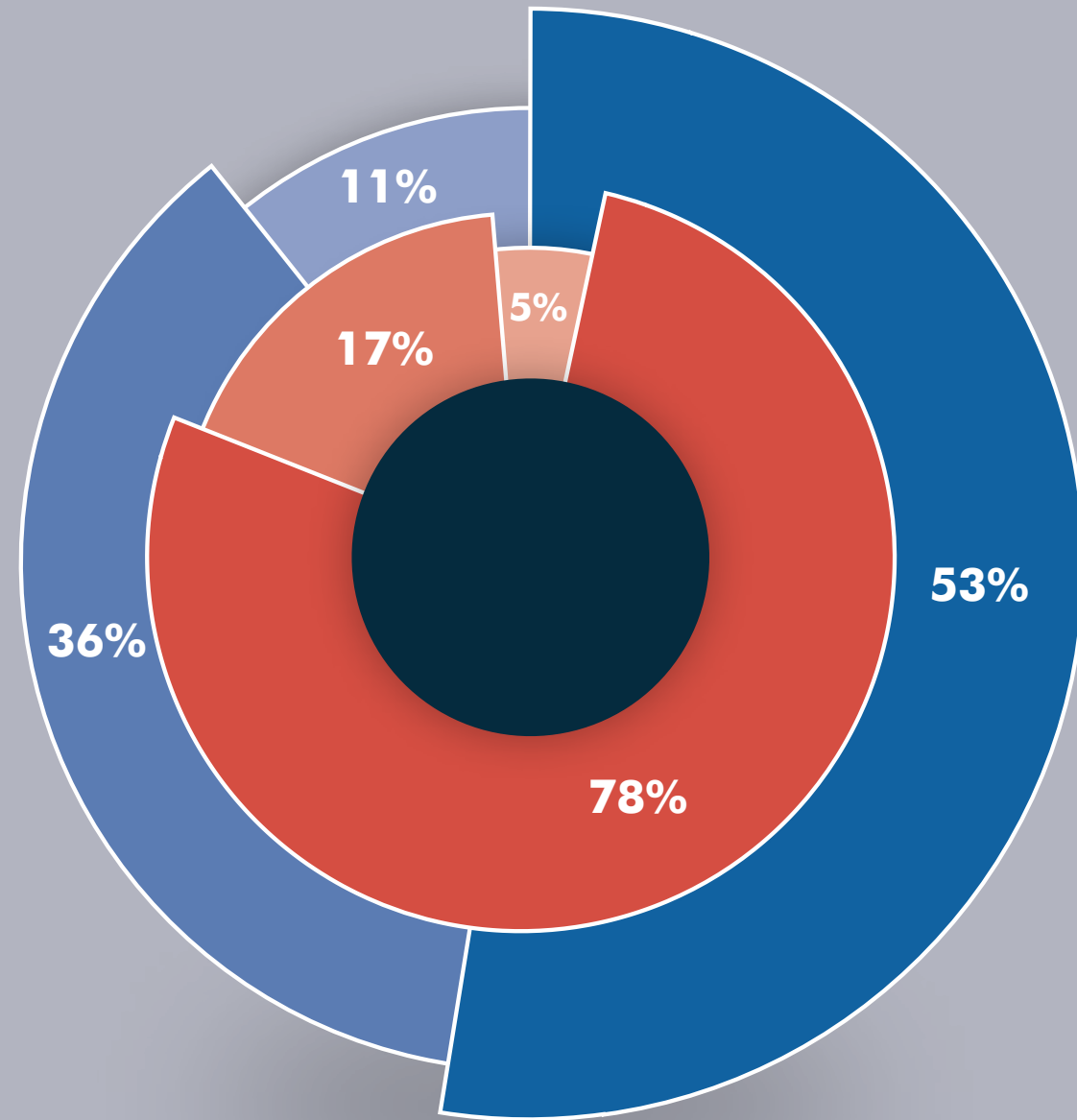
Price movement in key micro-markets

Localities	Apr-Jun 2020	QoQ % Change	YoY % Change	Rental Yield
Rajarhat	Rs 3,890 - 4,970	0%	2%	3%
Garia	Rs 3,700 - 4,390	0%	1%	4%
Behala	Rs 3,310 - 4,200	-3%	4%	5%
Baguihati	Rs 2,850 - 3,410	0%	4%	4%
Tollygunge	Rs 4,880 - 6,540	-1%	-4%	4%
Kestopur	Rs 2,970 - 3,400	2%	4%	4%
Jadavpur	Rs 4,460 - 5,520	-1%	-3%	4%
Bansdroni	Rs 2,930 - 3,750	-5%	-8%	5%
Joka	Rs 4,150 - 4,980	2%	10%	2%
Salt Lake	Rs 6,210 - 7,090	0%	5%	4%

* Average 'ask' rates have been calculated as per listings posted on 99acres.com

** Rental Yield has been calculated for a 1,000 sq ft apartment

DEMAND & SUPPLY DYNAMICS



	Demand	Supply
Affordable Housing (Within Rs 40 lakh)	●	●
Mid-income Housing (Rs 40 lakh - Rs 1 crore)	●	●
Luxury Housing (Rs 1 crore and above)	●	●

* Graph depicts demand and supply of residential inventory across budget segments in the studied quarter

99ACRES' OUTLOOK

With the COVID-19-induced extended lockdown and the subsequent impact on new project launches, construction activity and housing demand, the expectations of a revival in Kolkata's realty sector loom large. Cash-strapped builders refrained from adding new inventory to the market in Apr-Jun 2020.

Many buyers have cautiously put their home purchase decisions on hold. The homebuyers are expecting a price correction in the ensuing months. Uncertainty in the jobs market has also contributed to a negative buying sentiment. The developer community, on the other hand, reels under the impact of construction delays, labour scarcity and rising price of raw materials.

With Unlock 1.0 coming into effect from June 2020, the popular residential pockets of East and South Kolkata have shown modest signs of recovery. Sales volume, however, is still low.

In the subsequent quarters, builders are likely to concentrate on completing the ongoing projects and clearing their unsold inventory, which stands at 30,000 units. Mid-to-small players may undergo consolidation with established developers to sail through the crisis.

The revival of Kolkata's realty is highly dependent on the renewed demand in the post-COVID world. Developers may plan to launch new residential projects and attractive offers before *Durga Puja* festivities to lure fence-sitters back into the real estate market.

KEY HIGHLIGHTS

CAPITAL & RENTAL

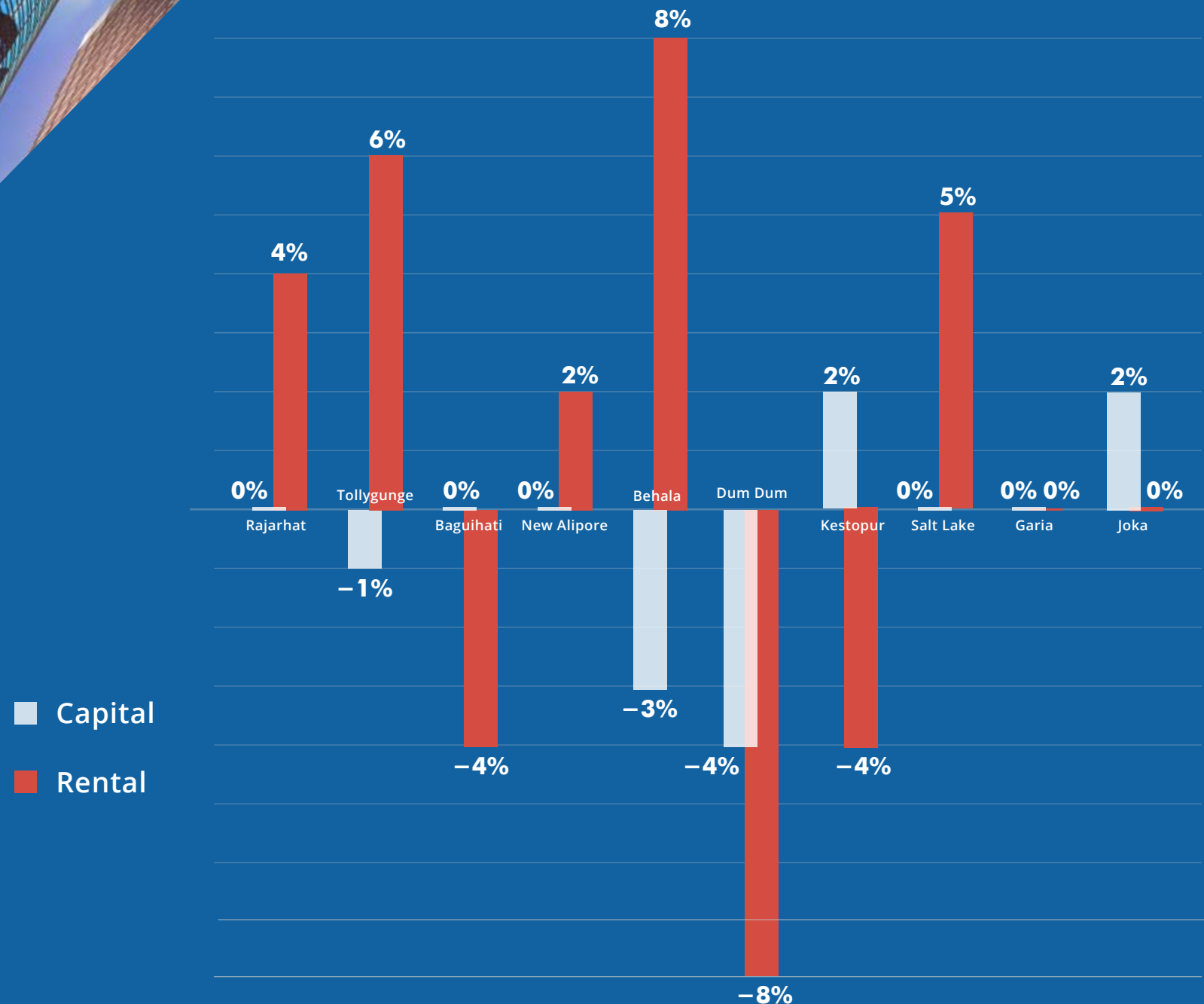
The unprecedented COVID-19 pandemic has put an abrupt halt on launches and site visits starting mid-March 2020. To adapt to the new normal, developers have invested in new technologies, such as 3D floor plans, e-brochures and virtual site visits, to attract potential buyers.

The average capital values in Kolkata maintained status quo in Apr-Jun 2020. However, there has been a steady demand for residential properties in New Town, Rajarhat and prime areas of South Kolkata, such as Joka, Behala, Garia and Tollygunge. In the absence of physical site visits, the ready-to-convert homebuyers have booked properties online with a nominal amount, given an easy refund policy. The closure of sale transactions is expected to take place upon lifting of the lockdown.

Due to proximity to the IT hub and affordable rental rates, eastern areas, such as Salt Lake, New Town and Rajarhat, remained popular amongst the tenant community. Metro connectivity and better social infrastructure attracted students and working professionals to residential hubs in South Kolkata such as Joka, Tollygunge, Behala and Garia.

The residential rental market remained subdued due to restrictions on site visits. The tenant community either deferred the rental payments or requested for a concession. As the threat of pay cuts or job losses remains a possibility, the scope for rental growth is limited in the near future. It will also have a direct impact on rental yield as tenants are demanding a reduction in rental rates to tackle the financial burden caused by the pandemic.

The opening of the Phoolbagan metro will propel housing demand in Phoolbagan, Kankurgachi, CIT Road and Narkeldanga. However, a proportionate increment in property prices is unlikely during the crisis.

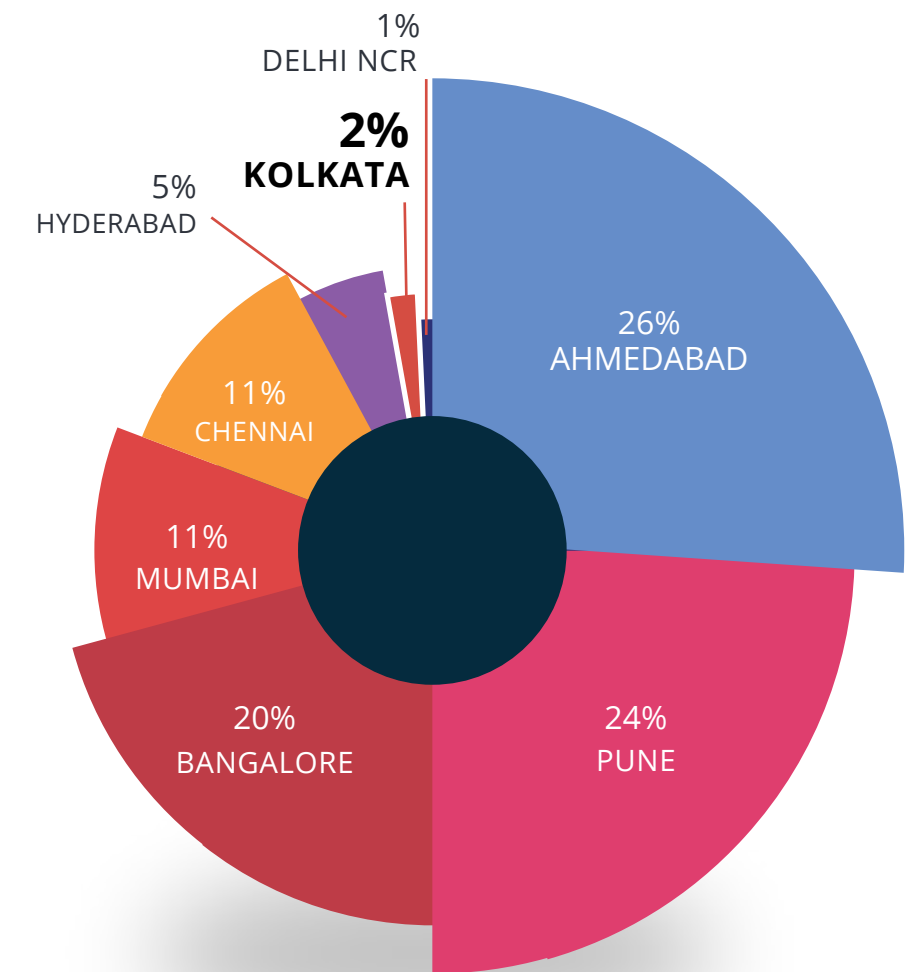


* %change represents quarterly capital movement and yearly rental movement

CONCLUDING REMARKS

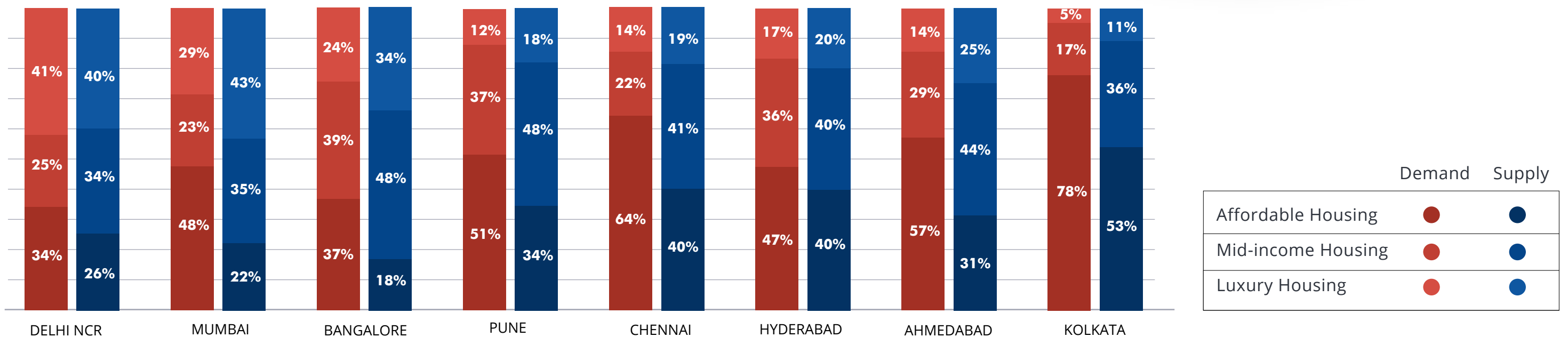
The extended lockdown has further dampened the real estate market of Kolkata that was already reeling under an economic crunch before the COVID-19 outbreak. The nine months' extension to complete ongoing projects has been a breather for the developer community. The extension, in turn, is likely to benefit thousands of homebuyers as developers will reschedule the payment structure to fit with the revised completion deadlines. Lower mortgage rates, along with other relief measures introduced by the government to uplift the economy may aid in the revival of Kolkata's realty in the ensuing months.

NEW LAUNCHES



The data depicts share of new launches across metro cities in the studied quarter

BUDGET-WISE DEMAND SUPPLY



* Graph depicts demand and supply of residential inventory across budget segments in top eight metro cities in the studied quarter

ANNEXURES

CAPITAL VALUES

Locality	Apr-Jun 2020
Action Area I	4960
Action Area II	4750
Action Area III	4740
Agarpara	2500
Alipore	12900
Bagha Jatin	4020
Baguihati	3260
Ballygunge	10300
Bansdroni	3600
Bara Nagar	3450
Barasat	2540
Barrackpore	2760
Behala	3700
Bhawanipore	10000
Birati	3130
Brahmapur	3200
Chinar Park	4100
Dakshineswar	3800
Dum Dum	3250
Dunlop	4100
Garfa	4700
Garia	4140
Haltu	6300
Jadavpur	5100
Jodhpur Park	7700
Joka	4380
Kaikhali	4050
Kalikapur	4770
Kamalgazi	3990
Kankurgachi	7500
Kasba	5480
Kestopur	3360
Khardah	2870
Lake Gardens	6200
Lake Town	4960

RENTAL VALUES

Locality	Apr-Jun 2020	Locality	Apr-Jun 2020
Madhyamgram	3030	Action Area I	16
Madurdaha	4500	Action Area III	16
Mahamayatala	3950	Alipore	33
Maheshtala	3600	Baguihati	12
Mukundapur	5300	Ballygunge	30
Naktala	4480	Bansdroni	15
Narayanpur	3500	Behala	14
Narendrapur	3900	Bhawanipore	26
Nayabad	3350	Chinar Park	12
Netaji Nagar	3800	Dhakuria	22
New Alipore	6910	Dum Dum	11
New Garia	3610	Garia	14
Park Circus	7100	Gariahat	30
Patuli	5100	Haltu	19
Picnic Garden	4600	Jadavpur	19
Purbalok	4700	Jodhpur Park	22
Rajarhat	4810	Joka	9
Rajpur	3020	Kaikhali	14
Sakher Bazar	3830	Kalikapur	16
Salt Lake	6310	Kasba	18
Santoshpur	4700	Kestopur	11
Sodepur	3150	Lake Gardens	19
Sonarpur	3060	Lake Town	16
Teghoria	4100	Madhyamgram	10
Thakurpukur	3170	Maheshtala	11
Tollygunge	5550	Mukundapur	16
Topsia	7240	Naktala	15
Ultadanga	6900	Narendrapur	14
Uttarpara	3200	New Alipore	22
		New Garia	16
		Park Circus	23
		Patuli	16
		Rajarhat	14
		Salt Lake	20
		Santoshpur	15

*All prices are per sq ft rates

METHODOLOGY

The Insite Report by 99acres.com captures the quarterly capital trends, the annual rental analysis of residential apartments and rental yield in top 10 popular micro-markets across 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 2020.

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