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INSITE

INDIA RESIDENTIAL MARKET UPDATE

JANUARY-MARCH 2022



Market Sentiment

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FROM CBO'S DESK



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Residential markets across the top eight cities together contributed to a 4-year high in sales volume in Jan-Mar 2022. Homebuyers were seen visiting sites and closing deals in new homes and resale markets despite initial lockdowns due to rising virus load in January 2022. Nevertheless, increasing raw material costs due to the Ukraine-Russia conflict kept the builder fraternity worried. Developer bodies in Maharashtra and Delhi threatened to halt construction activities in the absence of Government intervention.

On the supply front, Jan-Mar 2022 witnessed over 500 residential projects registered under respective State RERA bodies in the top seven metros. Mumbai continued to lead the pack with close to 45 percent share in new launches. Pune and Chennai followed suit with 27 and 15 percent contributions, respectively. Across metros, the demand for properties

priced within Rs 40 lakh remained the highest, with Kolkata, Chennai and Ahmedabad topping the charts. While average weighted property prices stayed stable, certain popular micro-markets in metro cities commanded higher premiums due to locational, infrastructural and associated advantages. Rentals remained under pressure this quarter, but rental vacancy dipped across metro cities as more and more corporates started shifting to hybrid work mode beginning February 2022.

Traction on 99acres, too, corroborates the rising sales volume as buyer responses on the platform reported a 10 percent growth in Jan-Mar 2022 against the quarter ending December 2021.

INFOCUS: UNION BUDGET 2022-23

FOR THE HOMEBUYERS

Giving a push to the Pradhan Mantri Awas Yojana (PMAY), the Central Government announced the completion of nearly 80,000 units in the financial year 2022-23. A fund of Rs 48,000 crore has been allocated for the task, and additional 60,000 beneficiaries will be identified in rural and urban areas. Further, an allocation of Rs 60,000 crore for tap water supply in 3.8 crore households will help improve livability. The sanctioning of Rs 20,000 crore to expand the National Highway network by 25,000 km in FY23, and the implementation of mass transit projects on a hub-and-spoke model in view of rapid urbanisation are also expected to pave the way for new realty markets and provide a slew of opportunities to homebuyers. While the Budget did not comprise any direct benefits for homebuyers, such as Income Tax relaxations, or an increase in the limit of home loan interest for a tax rebate from Rs 2 lakh to Rs 5 lakh, some announcements aimed at fast-tracking economic growth impeded by COVID-led disruptions.

FOR THE INDUSTRY

The Union Budget 2022-23 displayed an increased focus on holistic infrastructure development, clean energy, digitisation and technology. The Government extended the scope and usage of Parivesh- a portal launched in 2018 for green approvals for housing units. Further, the provision of 'anywhere registration' of deeds and documents under the 'One Nation One-Registration Software' is also anticipated to be a game-changer for the realty sector. Infrastructure status to Data Centres to boost the fast-evolving digital environment, an extension of tax benefits to new manufacturing units, a unified logistics platform and the development of 100 new cargo terminals in the next three years are expected to significantly improve the supply chain ecosystem in the country. Measures will also be taken to reduce the land and construction related approvals to promote affordable housing for middle-class and EWS buyers.

NATIONAL OUTLOOK

HOME BUYING SENTIMENT

Housing sales in Jan-Mar 2022 remained upbeat with considerable growth in numbers QoQ. The anticipated hike in home acquisition cost amid the rising raw materials prices coupled with a decadal low home loan interest rates drove homebuyers to close deals faster than before. The stamp duty hike in Maharashtra w.e.f April 1 and an expected increase in circle rates in the posh areas of Delhi by around 30 percent also stood in corroboration.

RENTAL LANDSCAPE

Significantly affected by the wrath of COVID-19, the rental market continued to reel under pressure in the studied period. Except for Mumbai that displayed a two percent hike in average home rentals, the monthly home leasing rates across metro cities tumbled by around 1-3 percent. However, with many companies resuming offices, the market is expected to see some improvement and reduced vacancy rates in the upcoming quarters.

PROPERTY PRICES

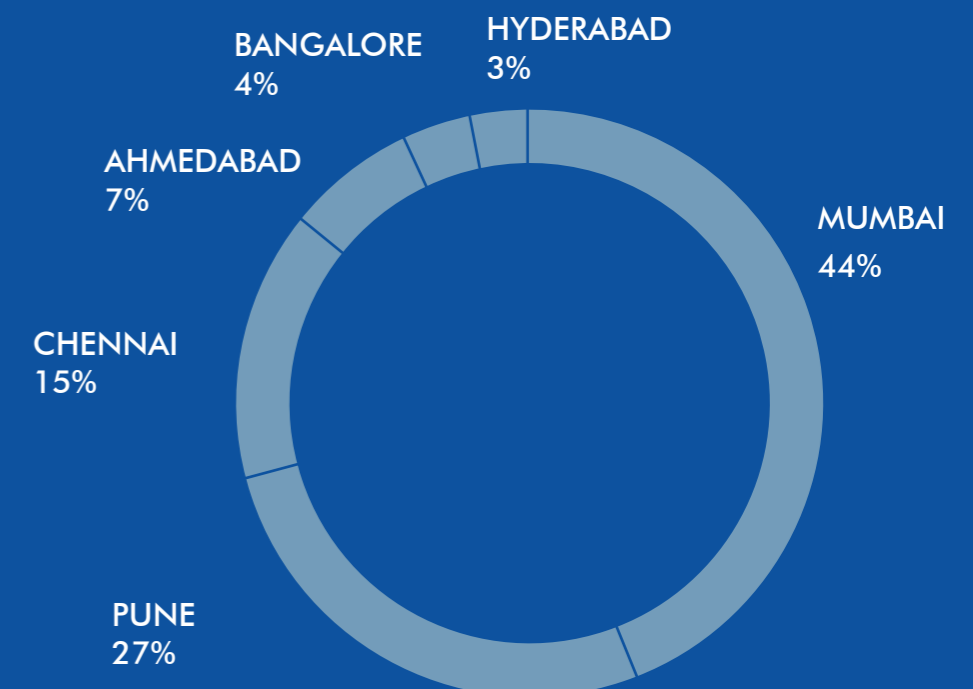
Average homebuying rates witnessed a hike across the top metro cities barring Mumbai, where property prices remained unchanged QoQ. Rising construction costs coerced developers to increase the 'asks'; however, the change was marginal amid the enormous unsold residential stock of around 6.5 lakh units at the quarter ending March 2022.

SUPPLY

RERA registrations under different State bodies stood at over 500 housing projects in Jan-Mar 2022. Mumbai, Pune, Chennai and Ahmedabad witnessed the maximum share of registered housing societies in the period. However, builders in Delhi NCR continued to maintain a cautious approach, with the region contributing an insignificant share to the overall new supply added in the period. Bangalore and Hyderabad witnessed around 3-5 percent growth in new project launches, QoQ.

SHARE OF NEW LAUNCHES

The top metro cities in India witnessed the registration of over 500 projects under various Real Estate Regulatory Authorities in Jan-Mar 2022. Western markets like Mumbai and Pune saw the registration of around 400 projects, while southern cities like Bangalore, Chennai and Hyderabad accounted for 110 new RERA registrations. Nevertheless, Delhi NCR in the north continued to trail behind with negligible share of projects registered in the studied period.



Note: The data depicts share of RERA-registered projects in metro cities of India, barring Kolkata

MARKET MOVERS

Central Government approves over 2 lakh homes under PMAY-U

The approval of nearly 2.02 lakh homes under the Pradhan Mantri Awas Yojana-Urban (PMAY-U) across eight States, i.e. Assam, Bihar, Jharkhand, Kerala, Madhya Pradesh, Odisha, Rajasthan and Tamil Nadu, is aimed at realising the ambitious target of 'Housing for All' by 2024. As of March 2022, 52.55 lakh units under PMAY-U and 1.75 crore Kaccha houses have been completed under PMAY-G.

Average construction cost up by 12 percent YoY

The average cost of construction in India has increased by approximately 12 percent YoY to Rs 2,600 per sq ft in March 2022. Industrial expenses have also increased from 1,900 per sq ft to 2,100 per sq ft. The hike is amid the rising cost of construction materials like cement and steel that occupy a considerable share of total project cost and witnessed around 20 percent escalation in prices over a year.

Home supply to improve amid SWAMIH Fund assistance

The approval of 105 deals under the SWAMIH Investment Fund for the completion of 61,000 residential units and preliminary approvals to 144 deals for the completion of 85,000 homes has come as good news for homebuyers as it is expected to fast-track the delivery of stuck projects. By far, 2,500 homes have been completed, and around 10,000 units are expected to be delivered this year.

Authorities cracks whip on realty developers

The National Consumer Disputes Redressal Commission (NCDRC) has tightened the noose on realty developers stating that builders cannot coerce flat owners to pay maintenance charges in the absence of an Occupancy Certificate (OC). Additionally, the Supreme Court too passed a ruling on this regards that builders will be liable to compensate homeowners who have to bear higher taxes and water charges in the absence of an OC.

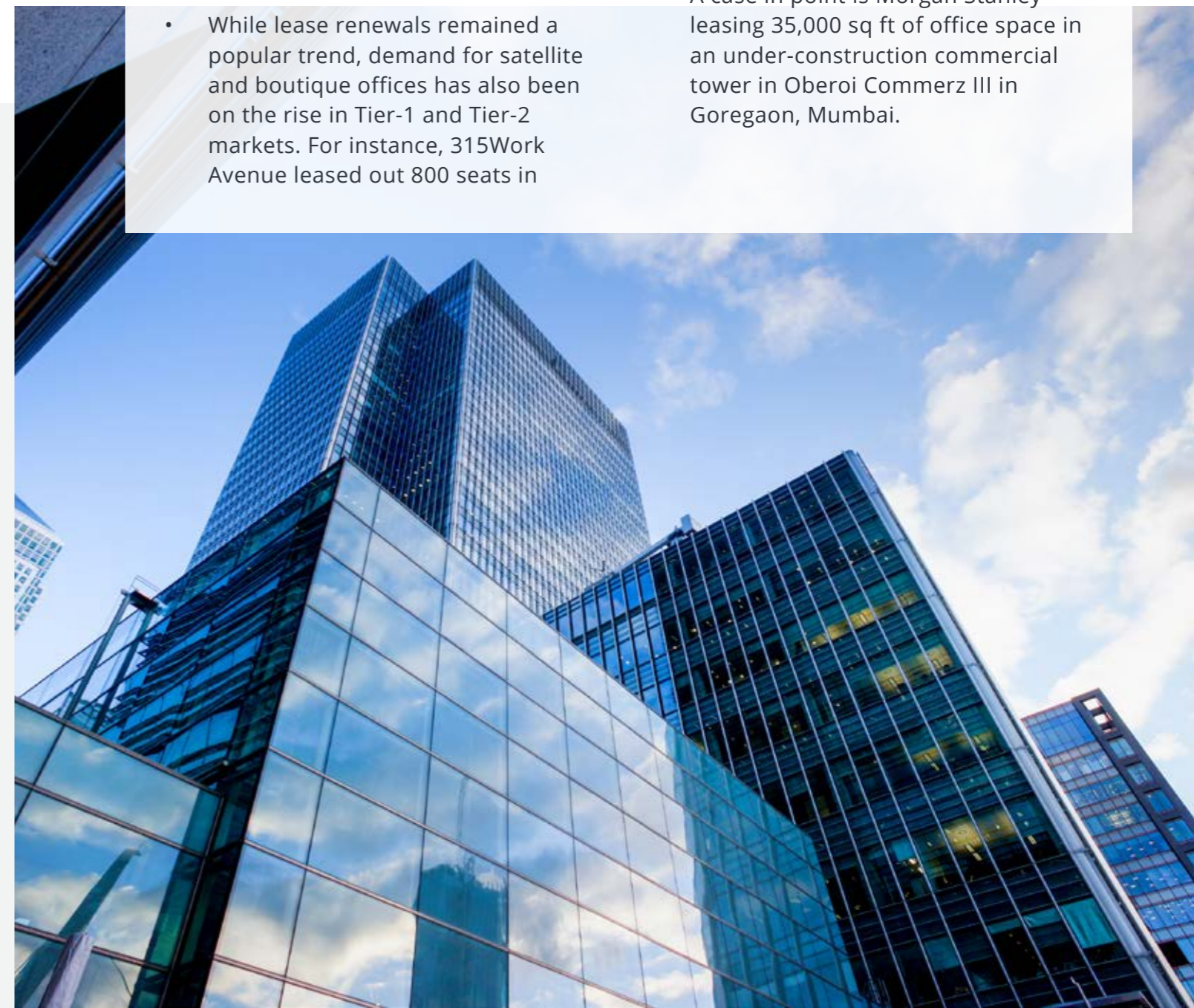
COMMERCIAL REAL ESTATE OUTLOOK

- Net office space absorption across the metro cities jumped two-fold from 5.43 million sq ft in Q1 2021 to 11.55 million sq ft in Q1 2022. The leasing rate grew in all cities, barring Bangalore, which witnessed nearly 30 percent dip to 1.67 million sq ft. Hyderabad led the pack with 3.44 million sq ft, followed by Mumbai with 1.44 million sq ft of net absorption.

Baner, Pune and IndiQube signed up one-lakh sq ft of office space in Coimbatore amid the growing demand for flexible spaces. DevX also launched its third co-working space in Vadodara.

- Companies with large requirements leased under-construction commercial offices to ensure rentals are locked in at competitive rates. A case in point is Morgan Stanley leasing 35,000 sq ft of office space in an under-construction commercial tower in Oberoi Commerz III in Goregaon, Mumbai.

- While lease renewals remained a popular trend, demand for satellite and boutique offices has also been on the rise in Tier-1 and Tier-2 markets. For instance, 315Work Avenue leased out 800 seats in



INDIAN REALTY AT A GLANCE

Property Prices

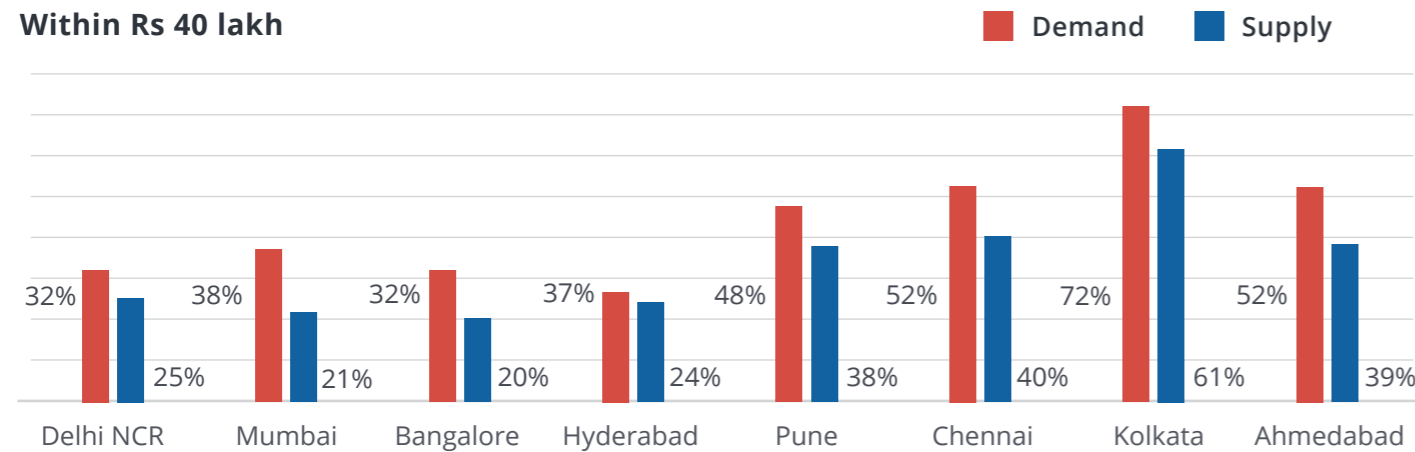
Rental Rates

Demand

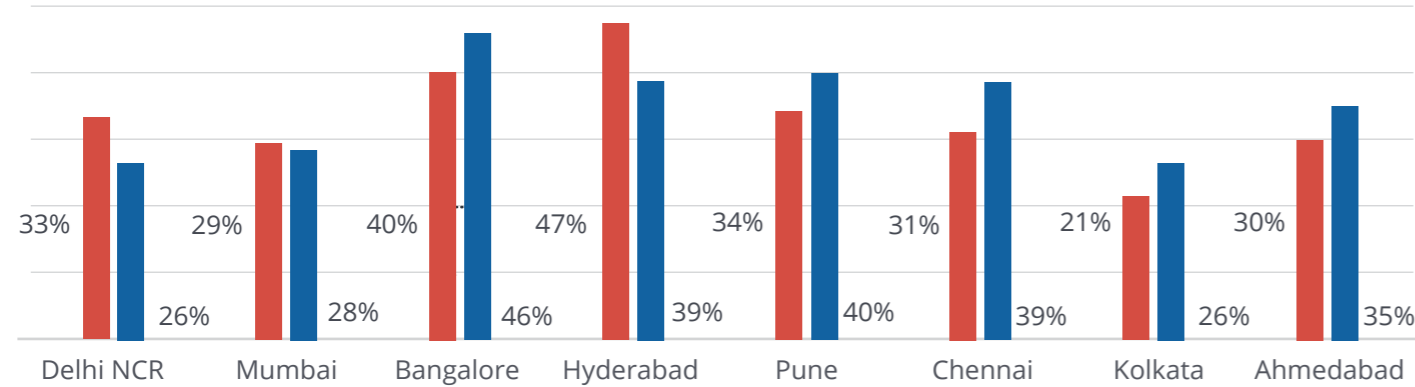
Supply

DEMAND AND SUPPLY DYNAMICS

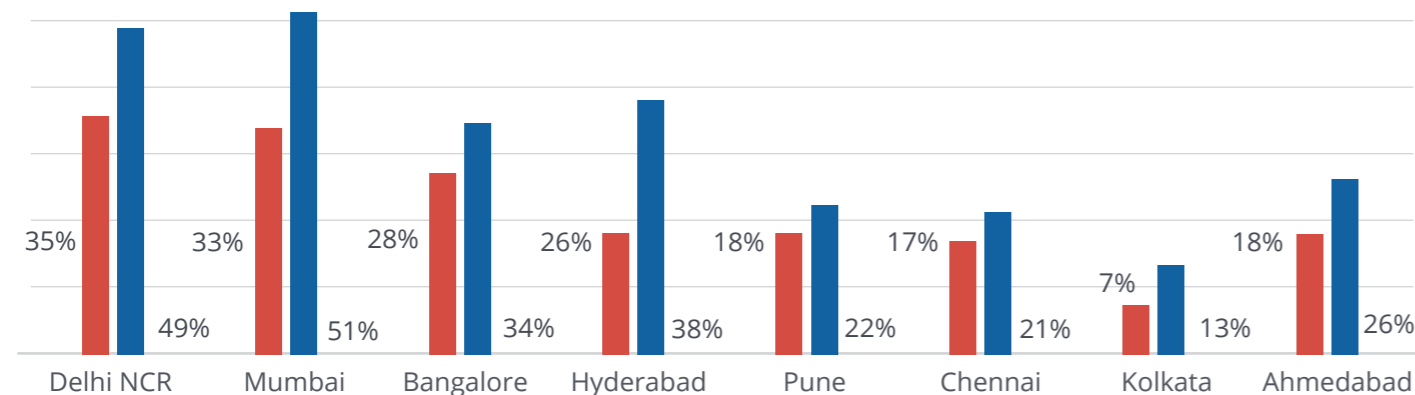
Within Rs 40 lakh



Within Rs 40 lakh - Rs 1 crore



Above Rs 1 crore



Note: Graphs depict city-wise demand and supply of residential properties in various budget brackets in the studied quarter. Supply is basis properties listed on 99acres.com * Demand is basis queries received on 99acres.com

99ACRES' OUTLOOK

The first quarter of 2022 started on a positive note. Amid the receding impact of Omicron and a significant decline in caseload, the housing sales across the top eight metro cities witnessed around 8-10 percent growth QoQ. Delhi NCR, Mumbai and Bangalore remained the leading markets amid diluting COVID norms, increased homeownership appetite, and the impending hike in stamp duty charges in Maharashtra, starting April 1, 2022.

New supply in the quarter increased approximately by 24 percent QoQ. Over 550 projects were added in the period, including new launches as well as under-construction housing societies. Western cities witnessed maximum new supply occupying over 75 percent market share. Mumbai led the pack with three-digit growth with over 235 housing projects, while Pune followed suit with around 150 projects added to the city. However, new launches in the latter were

marginally lesser than in the previous quarter. Despite improved fresh supply, the unsold residential inventory in the quarter ending March 2022 slipped to around five percent to 6.5 lakh units.

Average property prices increased marginally by a percent in the studied period. However, amid the average construction costs increasing by approximately 12 percent due to oil price hike, realtors in Mumbai and Delhi NCR threatened to stall construction or increase the home values in case of no respite.

In the backdrop of offices reopening and espousing hybrid model, the rental market witnessed some transactions after many quarters. The vacancy rate across major cities saw a gradual downtrend; however, the lull created by multiple variants of COVID refrained landlords from resorting to pre-COVID rental rates.



KEY HIGHLIGHTS

With finance industry giants like State Bank of India (SBI) and HDFC surpassing the pre-COVID levels of home loans sanctions as on January and March in FY 2021-22, the homeownership appetite in the market was high. The sentiment remained strong as the Reserve Bank of India (RBI) continued to maintain a neutral stance on the repo rate and reverse repo rate at 4 percent and 3.5 percent, respectively, for the 10th consecutive time in February 2022.

Ready-to-move units or projects nearing completion continued to capture the maximum demand share amid zero GST and timely possession barring cities like Ahmedabad, where home buyers' inclination was majorly lop-sided towards under-construction units. While 2 BHK units observed maximum offtake, demand for 3 BHK units also gained a steep hike. Multi-decadal low-interest rates and affordability ratios in prominent cities like Mumbai, Pune, Ahmedabad and Chennai, standing at 20-25 percent currently against 53 percent a decade ago, corroborated the market sentiment.

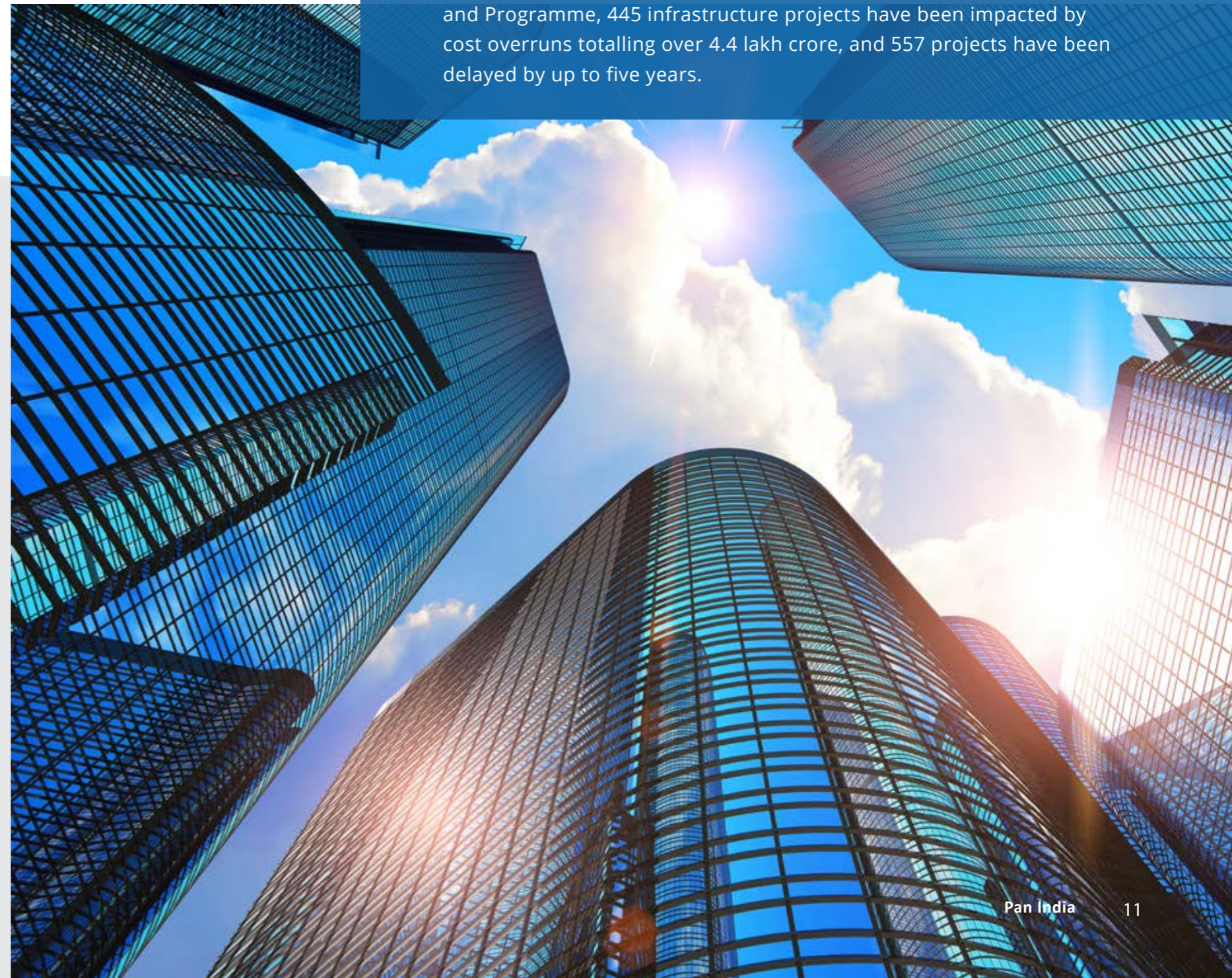
Affordable housing units priced within Rs 45 lakh seized the maximum demand across budget segments; however, mid-segment units (Rs 40 lakh-1 crore) recorded most conversions. Restricted supply of affordable homes and increased focus of patrons on spacious units amid the hybrid office model contributed to improved sales volume in the said category.

New housing society launches increased by approximately 60 percent YoY. Surprisingly, Chennai recorded multifold growth in yearly launches. Approximately 77 projects were registered with TN RERA in Jan-Mar 2021, against 16 housing projects listed a year back. Delhi NCR and Bangalore saw maximum decline in new supply YoY of around 80 percent and 40 percent, respectively.

Rental sentiment improved across metros in Jan-Mar 2022. Resumption in offices helped buoy rental demand. Unlike the last year, when the landlord community struggled to find tenants, Jan-Mar 2022 saw transactions improving. This, however, could not translate into any hike in average rentals, YoY.

CONCLUDING REMARKS

The homebuying trend across the top eight metro cities continued to improve in Jan-Mar 2022, following a substantial hike in sales in the previous quarter. A part of the growth could be attributed to the anticipated hike in home values due to rising construction costs and attractive schemes provided by developers like the 10:90 payment scheme, 100 percent refund guarantee and builder-buyer agreements. However, conversions and new launches might take a hit in the absence of any breather from the State governments on developmental costs front. Infrastructure projects that are already facing cost overruns might further suffer a setback. As per the Ministry of Statistics and Programme, 445 infrastructure projects have been impacted by cost overruns totalling over 4.4 lakh crore, and 557 projects have been delayed by up to five years.



METHODOLOGY

The Insite Report by 99acres.com captures the trends in the capital and rental markets across top eight metro cities – 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 BHK configurations. The report also gives insight into the key micro-markets based on consumer demand and active listings in the rental market. While demand is a function of expressions of interest raised on 99acres.com, supply is based on property listings posted on 99acres.com in Jan-Mar 2022.

