

INSITE REPORT 2019

INDIAN REAL ESTATE
JANUARY-MARCH

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Indian Real Estate
 Key highlights on India's realty trends in Jan-Mar 2019



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From CBO's Desk

With sales volume and new launches beginning to improve, Jan-Mar 2019 attested the recovery mode for Indian real estate. Barring Chennai and Kolkata, where demand-supply mismatch and RERA inefficiencies kept the sentiment low, all other metros reported improvement in housing demand and posted marginal hikes in average property values. Interestingly, Hyderabad, riding the wave of commercial expansion and competitively priced inventory, outperformed other cities by scoring a three percent hike in average weighted capital 'asks', QoQ. Ambiguities pertaining to the exclusion of ITC benefits from GST on under-construction units kept prospective buyers uncertain about the real benefit of GST reduction.

Noticeably, MMR tops the inventory overhang charts with over 2 lakh residential units waiting for buyers. Delhi NCR follows closely, where around 70 percent of the 1.42 lakh unsold units are located in Noida and Greater Noida. The total unsold units across top eight metros stand at around 6.5 lakh with the least in Hyderabad.

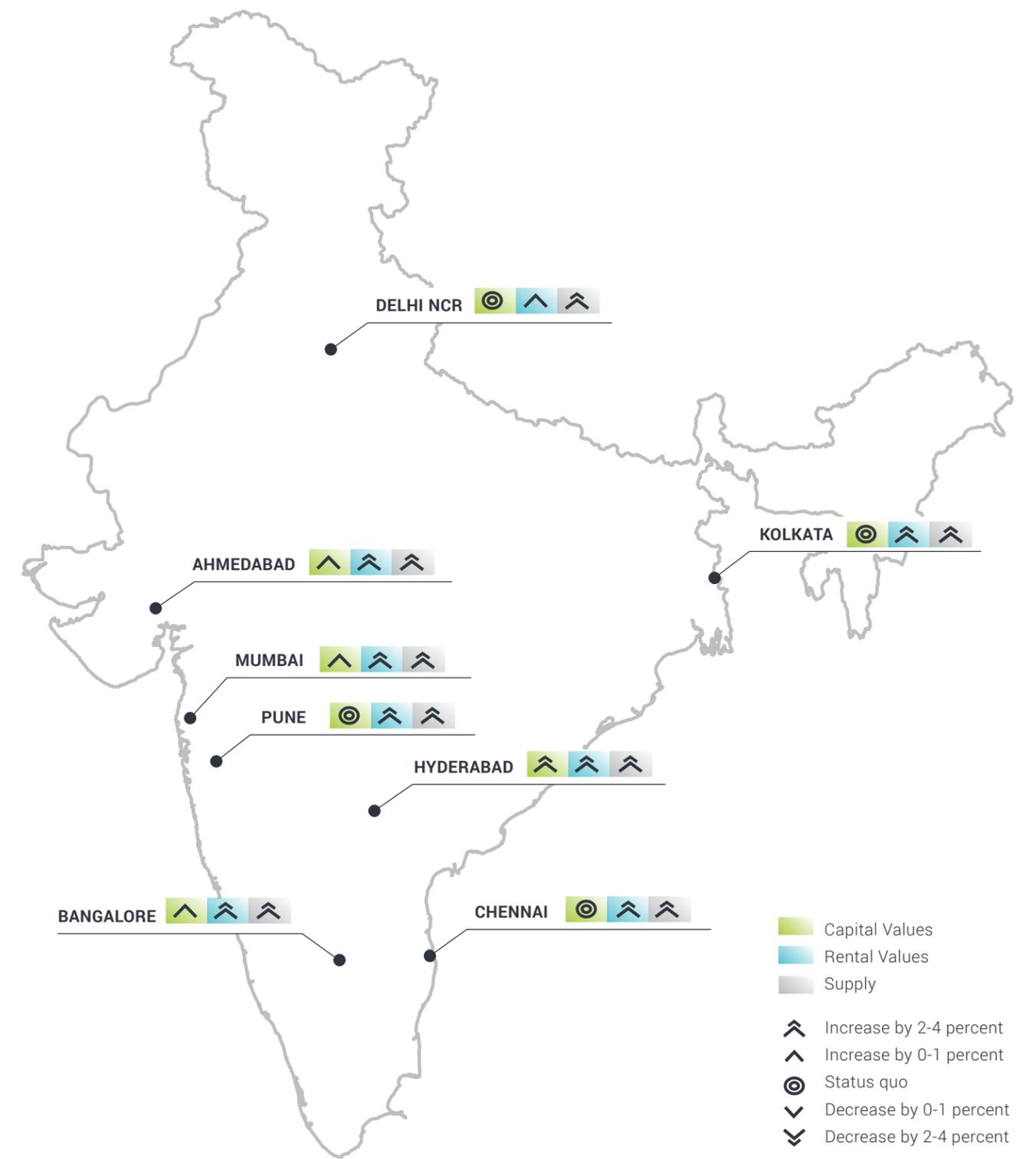
While the sector awaits the results of General Elections 2019 and further progress towards PMAY (U), the financing crunch faced by a section of builders could be a serious thorn in an otherwise positive outlook for FY 2019-20. Affordable sector is likely to see new supply which would cater to the colossal demand in the segment.

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 Jan-Mar 2019.



MARKET INDICATORS



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



Market Movers

Govt revises GST on real estate

The GST Council slashed the effective GST rate on under-construction homes to five percent from 12 percent, and on affordable homes to one percent from eight percent, while taking away the benefit of Input Tax Credit (ITC). However, the transition plan made developers flexible to opt between the old and the new GST regimes. The situation is ambiguous and buyers await clarity over this before investing in the segment.

Tax sops introduced in Interim Budget lift realty sentiment

In a bid to benefit homebuyers, the Government extended the benefit of capital gains tax from investment in one house to two houses, increased the TDS threshold on rental income from Rs 1.8 lakh to Rs 2.4 lakh and exempted the second house owners from notional tax. Further, the extension of the time to levy notional rent on unsold inventory from one year to two years cheered the developer community.

RBI cuts Repo Rate by 25 bps

After a long spell of unchanged rates, the Reserve Bank of India (RBI) slashed the Repo Rate by 25 basis points in both February and April 2019, bringing it to six percent. With the reverse repo rate standing at six percent now, a possible softening in lending rates augurs well for the realty landscape.

REIT becomes a reality in India

Embassy Group, in partnership with US-based Blackstone Group, launched India's first Real Estate Investment Trust (REIT), after years of delay and multiple challenges. The launch is expected to infuse nearly Rs 5,000 crore in the Indian real estate sector, and help tackle the liquidity crisis prevailing for long.

Affordable housing gets a boost

After covering over 90,000 beneficiaries, the Government extended the Credit-Linked Subsidy Scheme (CLSS) for Middle-Income Group (MIG) housing until March 2020. Initially, the scheme was launched for a year until December 2017. Further, the government extended the benefits under Section 80 (1) (B) (A) of the Income Tax Act for another year to all affordable housing projects registered till 2020 in the Interim Budget 2019.

99ACRES OUTLOOK

The Indian real estate landscape displayed a seemingly positive home buying sentiment in Jan-Mar 2019. However, the quantum of sales reflected a paradoxical situation in several cities including Mumbai, Pune, Kolkata, Hyderabad, Chennai and Ahmedabad. The Interim Budget 2019, the revision in GST norms and the upcoming General Elections kept buyers waiting for an opportune time to invest in real estate. Resultantly, the average weighted capital prices in Delhi NCR, Chennai, Pune and Kolkata maintained status quo, QoQ. While Hyderabad topped the capital performance charts with a three percent rise in prices, QoQ, Bangalore, Mumbai and Ahmedabad managed to scale a one percent uptick in average capital prices.

Limited number of new launches in the face of the NBFC crisis and in anticipation of the GST rate cut aided the absorption of the existing unsold inventory, which dipped by 10-20 percent in cities like Delhi NCR, Mumbai, Bangalore and Chennai between H2 2018 and H2 2017. Hyderabad and Ahmedabad saw unsold inventories declining by over 40 percent in the last year. Noticeably, Hyderabad is one of the most affordable real estate markets in the country, and Ahmedabad reportedly had over 500 affordable housing projects registered under Gujarat Real Estate Regulatory Authority – both affirming buyers' inclination towards budget-friendly homes, a limited avenue in the other cities with big-ticket stock.

The inherent market preference and the Government's push to affordable housing segment in the Interim Budget 2019 led developers focus on the category and launch majority units priced within Rs 50 lakh. The luxury segment (properties priced above Rs 1 crore) remained distraught across cities. Demand for the under-construction segment seemed to improve, however, only in projects by renowned builders, triggering a nation-wide phenomenon of consolidation. The number of Joint Venture deals spiked significantly across cities, especially Mumbai and Delhi NCR.

The rental housing segment thrived on the prolonging cautious buyer approach. All cities, barring Delhi NCR, reported a three percent uptick in the rental landscapes. IT/ITeS centres and transport nodes remained the key rental hubs. Excess housing stock in Noida, Greater Noida and Gurgaon kept the rental 'asks' under check, restricting the average annual growth in Delhi NCR to a negligible one percent. The forthcoming quarter is expected to carve another milestone for the Indian real estate sector. Clarity on the actual benefit of reduced GST rates and the results of the General Elections 2019, will further decide the industry's future.

INDIAN REAL ESTATE

The first quarter of 2019 saw the remnants of the past including the liquidity crisis in NBFCs altering the course of Indian real estate. Contrary to expectations, despite improved buying sentiment, sales volume remained tepid across cities, keeping prices under check in Jan-Mar 2019. Debt-laden developers struggled to complete ongoing projects and held new launches in anticipation of the revised GST regime. The trimming of the unsold inventory is seen as a boon, as the average 'quarters to sell' (QTS) now stand at 10.2, as against 11.2 a year ago.

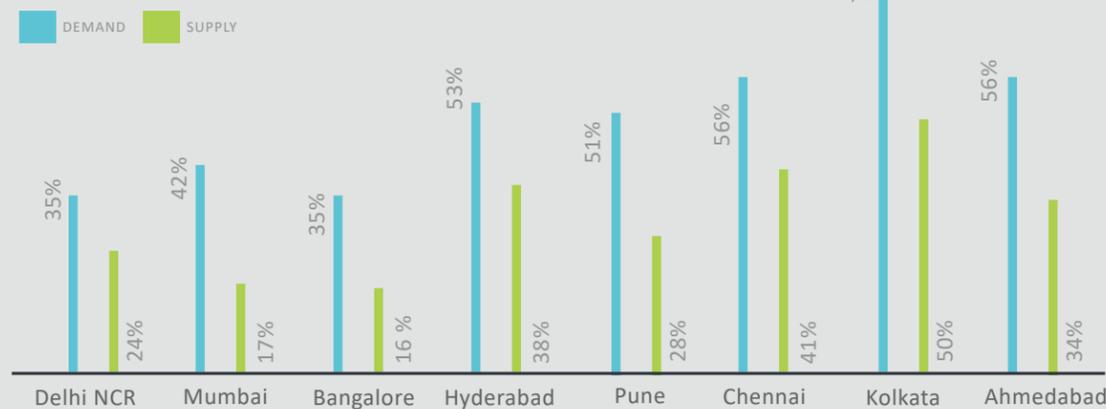
KEY HIGHLIGHTS

The Jan-Mar 2019 quarter, which marked several milestones for the real estate sector in India, started with the Interim Budget 2019 introducing multiple pro-sectoral reforms including tax sops for buyers and developers. The boost given to affordable housing spoke volumes about the course that the Indian real estate sector would pick up in the times to come. It was soon followed by a cut in the repo rate by 25 basis points, and then the reduction in the GST slabs on under-construction and affordable housing segments. The launch of India's first Real Estate Investment Trust (REIT), too, was seen as a significant step towards an organised real estate industry in India.

The Government's efforts towards giving a fillip to affordable housing reaped returns as sales remained inclined for homes priced within Rs 50 lakh, across cities. This was evident with the government extending the Credit Linked Subsidy Scheme for Middle-Income Group (MIG) housing to up to 3.4 lakh beneficiaries, after witnessing healthy demand from homebuyers. Until now, the government has released a total subsidy of nearly Rs 75,000 crore.

Taking cues, developers, too, focused on launching budget homes, albeit minimal in the face of a liquidity crunch this quarter. The subsequent reduction in the GST rate for affordable homes to one percent, from the erstwhile eight percent, and the revised definition of affordable housing including units priced under Rs 45 lakh propelled buying sentiment; but deferred both sales and new launches until the Apr-Jun 2019 quarter, which also happens to host the General Elections in India.

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

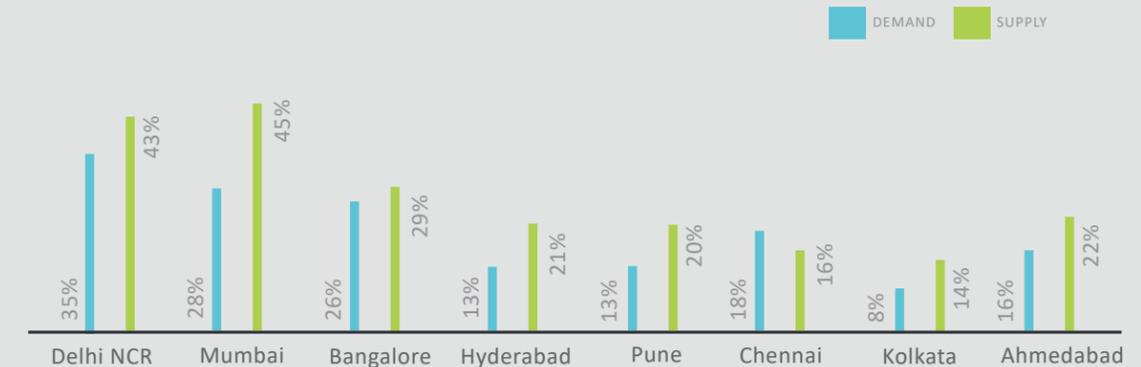
Cumulatively, property sales in Jan-Mar 2019 stood at nearly 78,500 units across the top eight cities in India, almost 60 percent higher than the last year (Jan-Mar 2018). Mumbai Metropolitan Region (MMR) topped the charts with the sale of almost 24,000 units, followed by Bangalore where over 15,000 units were sold, and Delhi NCR with over 13,500 units. Noida and Greater Noida accounted for over 50 percent of the total sales recorded in Delhi NCR.

Homebuyers' affinity towards ready homes remained intact, however, under-construction units seemed to break the two-year long impasse and reputed developers garnered increased buyer traction, especially in the affordable pockets of Thane, New Gurgaon and Bangalore. Despite capturing nearly 50 percent sales

in the budget-friendly category across Delhi NCR, Noida and Greater Noida reeled under the pressure to offload its under-construction inventory, as homebuyers remained wary of investments amid prolonged delay in completion of projects and little action from the regulatory authorities.

RERA continued to instill confidence amongst aggrieved homebuyers; however, inefficient implementation of the Act in Delhi, Telangana and Tamil Nadu marred home buying sentiment. Maharashtra remained the frontrunner in the implementation of RERA with over 20,180 projects registered with it. Telangana faired with a measly 550 registered projects. With several States pulling the plug and becoming stringent about project registrations under RERA, the future seems promising.

LUXURY HOUSING



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

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