

India Residential Real Estate Market Outlook 2020

Research report by **360 Realtors**



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Foreword

This is the onset of the New Year & many homebuyers will be contemplating purchasing homes. Hence, in order to offer them valuable insights, we have compiled the Market Outlook 2020, wherein trends pertaining to individual cities have been scrutinized & studied in detail.

In the aftermath of the economic slowdown in 2019, Real Estate markets across India have experienced challenges in the form of muted demand & investment, a large build-up of unsold inventory & liquidity crunch. As the GDP growth has slowed to 4.5%, the sentiments in the Real Estate industry have been further hampered. Though the government has taken some bold steps to restore traction in the market, such as the setting up of an Alternate Investment

Fund (AIF), repo rate cuts and reduction in corporate tax, it will take some time for these measures to have the desired effect.

The year 2020 will be a continuation of the previous year with the market continuing to bottom out with the help of end-user demand. Although we are yet to see the market get back to an ideal state of growth, the overall fundamentals look healthy backed by a large aggregate population, rapid

rate of urbanization & growth in the middle-class. The fact that the Indian Real Estate market has shown a certain degree of stability is also evident by renewed optimism among the developers who have been adapting to the transparency brought about by the introduction of RERA and GST, and they are gradually stepping up supply to cater to the rekindling demand.

Research by 360 Realtors has shown there will be incremental growth in new launches in 2020. There will be ample takers in the market for the right ticket sizes, as the market fundamentals will be run mostly by end-users. Average prices in most of the markets will either remain stable or dip down marginally

2020 will also witness a predominant role for technology in Real Estate. Proptech, as it is popularly called, will start moving to the centre from the periphery. There will be gradual growth in technology-driven marketing, data analytics, digitization & mobile apps. The role of events will also evolve as they will be marked by increased applications of digital walkthroughs, augmented reality & virtual reality.

Indian Real Estate Market Outlook 2020

The market outlook for 2020 looks promising backed by huge underlying aggregate demand, growth in the middle-class population & relentless investments into infrastructure development. Although markets are marked by high unsold inventories, transaction volumes are also picking up. In big markets like Mumbai Metropolitan Region (MMR), the current inventory is more than 250,000 units. At the current level of transactions, it will take around 14.3 quarters for the inventories to completely get sold off. In Delhi-NCR, the inventory is around 150,000 units & at the current rate, it will take around

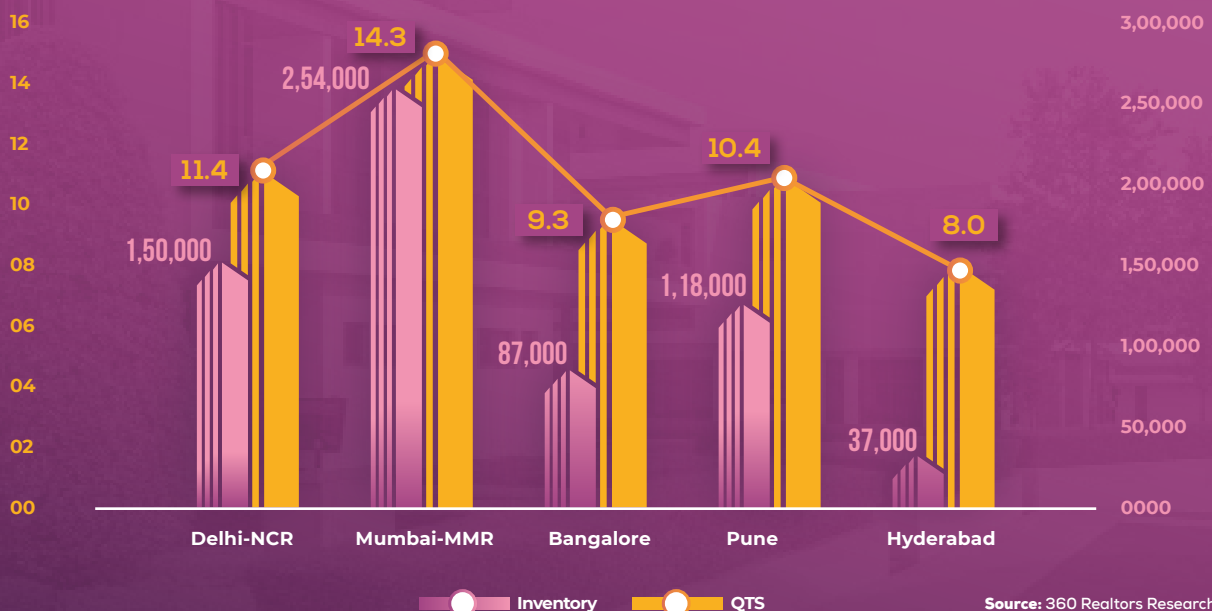
11.4 quarters for the complete turnaround.

The flow is smoother in other markets like Bangalore & Hyderabad, where robust IT/ITeS industries are resulting in renewed optimism. Quarter to Sales (QTS) is relatively smaller in such markets – Bangalore (9.3 Quarters) & Hyderabad (8 Quarters).

Major developers around the country are focusing on the completion of the existing inventory & selling it. They are coming up with discounts alongside freebies such as free clubhouse membership, free

modular kitchens, international trips, cars etc. Interestingly, new launches are also picking up in major markets, although they are yet to touch the peak seen during the 2010-11 period. The new launches are mostly coming up in proximity to the existing employment catchments, IT parks & SEZs to feed into the growing demand near such places. There is also a growing focus on the affordable & mid-income segments, as these are where the market forces are primarily unravelling.

Market Activity



Delhi - NCR

Delhi-NCR continued to show a moderate uptick in sentiments on the back of end-user demand in the market. New launches slowed down in 2016-2018 due to larger policy changes such as RERA, GST implementations, etc. In 2019, around 21,000 new units entered the market. Around 40% of the new launches are concentrated in Gurugram. Other affordable markets like Greater Noida are also witnessing a substantial rise in new launches. New launches in Greater Noida are mostly in the range of INR 30-50 lacs, thereby attracting a lot of attention of first-time homebuyers, who are looking out for affordable options. Sentiments in this market will further get an upward thrust

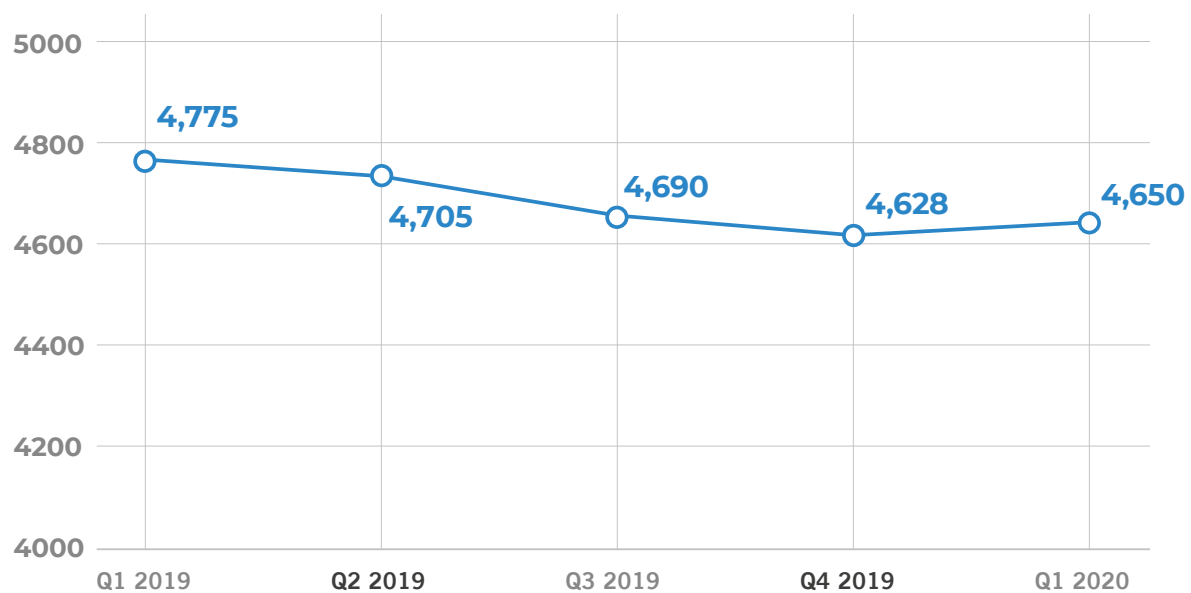
Market Snapshot	
New Launches (2019)	21,000
Y/Y Price Growth (2020)	-2.6%
Total Transaction (2019)	52,500
Current Inventory (2020)	150,000

from the government's decision to extend the Aqua line metro to Greater Noida West. As the market activities have risen, the overall inventory has also come down. The current inventory overhang is to the tune of around 150,000, a gradual dip compared to the previous year when the total inventory was over 200,000. In 2020, the inventory overhang is expected to further ease out as the completion of projects such as

Dwarka-Expressway & Sohna Elevated Road will result in more homebuyers' preferences towards these areas. However, the market in Delhi-NCR is still reeling under the pressure of a large number of stalled projects that have

arisen from either litigation or lack of funds. Around two-thirds of the stalled projects in India are located in the Delhi-NCR. In Q1 2020, average prices are around INR 4,650/ Sq. Ft. easing out by around 2.6% on a yearly basis. On a Q/Q basis, there is a very moderate increase in average prices.

Property Price Trends in Delhi-NCR



Source: 360 Realtors Research

Bengaluru Real Estate

Bengaluru, or the Silicon Valley of India, is one of the most dynamic markets in India where market forces automatically adjust to the prevailing sentiments. Like other major markets in India, in Bengaluru as well, there is a growing propensity towards more affordable projects, mostly in the ticket size of around INR 30-50 lacs. As market sentiments are shifting towards affordability, developers are also focusing more on the given segment. Research by 360 Realtors has indicated that around 42% of the new launches are in the given category. The market in Bengaluru is also marked by substantial growth in consolidation, as smaller developers are increasingly being taken over, by bigger developers with deep pockets.

Market Snapshot

New Launches (2019)	24,000
Y/Y Price Growth (2020)	+ 2.3%
Total Transaction (2019)	37,500
Current Inventory (2020)	87,000

In terms of new launches, in the past 12 months, around one-third of the new launches have been concentrated in the southern parts of the city. The spurt in new launches in Southern Bengaluru is backed by growth in businesses in nearby IT hubs such as Outer Ring Road (ORR), off-Sarjapur Road & Electronic City, etc.

In the Eastern parts of the city, micro-markets such as Whitefield, Mahadevpura & Kadugodi are also witnessing buoyant sentiments as the share of the new launches

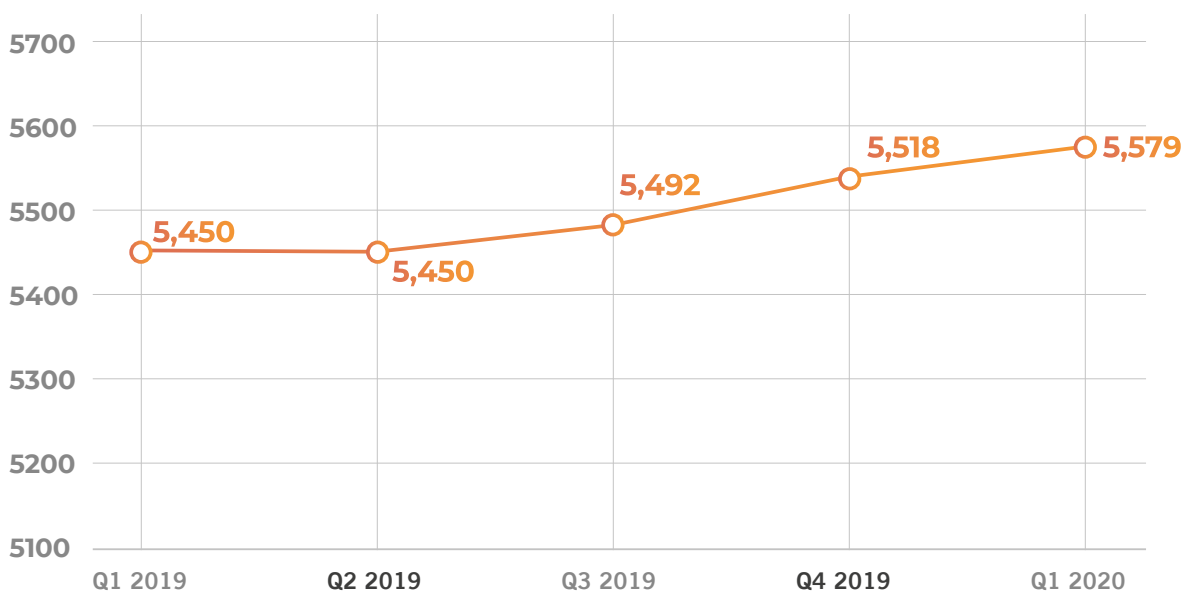
is around 30%. The previous year, due to the ongoing metro project, new launches nearly dried up in West Bengaluru.

Interestingly, Bengaluru is also one of the few markets in India, where average property prices have moved up by around

2.4% on a Y/Y basis. The positive momentum in prices is backed by growing IT/ ITeS catchments in the Southern & Western parts of the city.

The current inventory in the market is around 87,000 units, gradually easing out compared to the year before when the inventory was to the tune of around 100,000 units.

Property Price Trends in Bangalore



Source: 360 Realtors Research

Hyderabad

Hyderabad continues to be a thriving residential market in India, marked by higher demand & lower supply. Due to the higher supply, the average property prices continue to move up in a positive fashion in the market.

The surge in the demand is also emanating from expansion in numerous industries such as IT, retail, manufacturing & BFSI. This is resulting in more employment & migration from other cities thereby giving a positive push to the demand.

On the back of high demand, the average property prices continue to move upwards in a positive

Market Snapshot

New Launches (2019)	12,000
Y/Y Price Growth (2020)	8.1%
Total Transaction (2019)	18,500
Current Inventory (2020)	37,000

fashion. In the last 12 months, average prices have reached INR 5,050 per Sq. Ft, growing by over 8%.

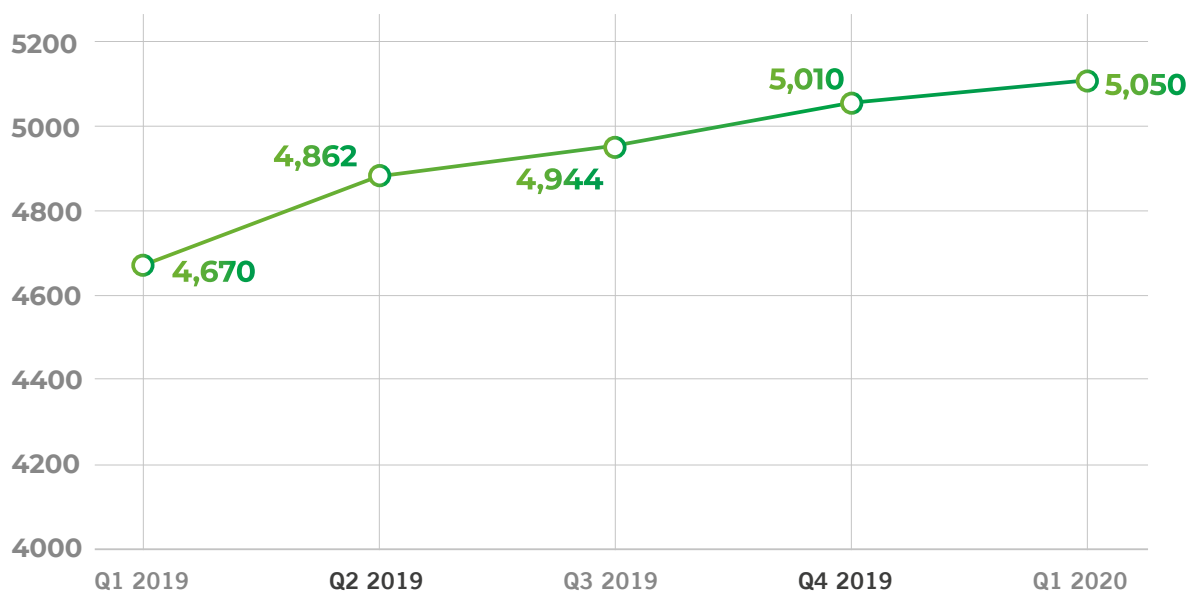
Interestingly, as the city is witnessing a higher concentration of middle & senior-management professionals, Hyderabad is also witnessing a notable surge in demand for higher ticket size

products falling in the range of INR 8-10 million & INR 10-15 million.

New launches have doubled to 12,000 units in 2019 in order to match the steep rise in demand. The transaction volume has been pegged at 18,500 units in 2019.

The current inventory is around 37,000 units.

Property Price Trends in Hyderabad



Source: 360 Realtors Research

Mumbai - MMR

Slowdown persisted in Mumbai marked by a slowdown in transaction volumes & drying up of new launches. As the commercial capital of India, it is natural that the shockwaves of an economic slowdown will reverberate across the Mumbai region. Job cuts in major industries such as BFSI, automobiles, & telecommunications has further affected the sales momentum.

Average property prices are pegged at INR 12,410 per Sq. Ft in the region- correcting by around 4.4% in a span of 12 months- one

Market Snapshot

New Launches (2019)	67,000
Y/Y Price Growth (2020)	-4.4%
Total Transaction (2019)	71,000
Current Inventory (2020)	254,000

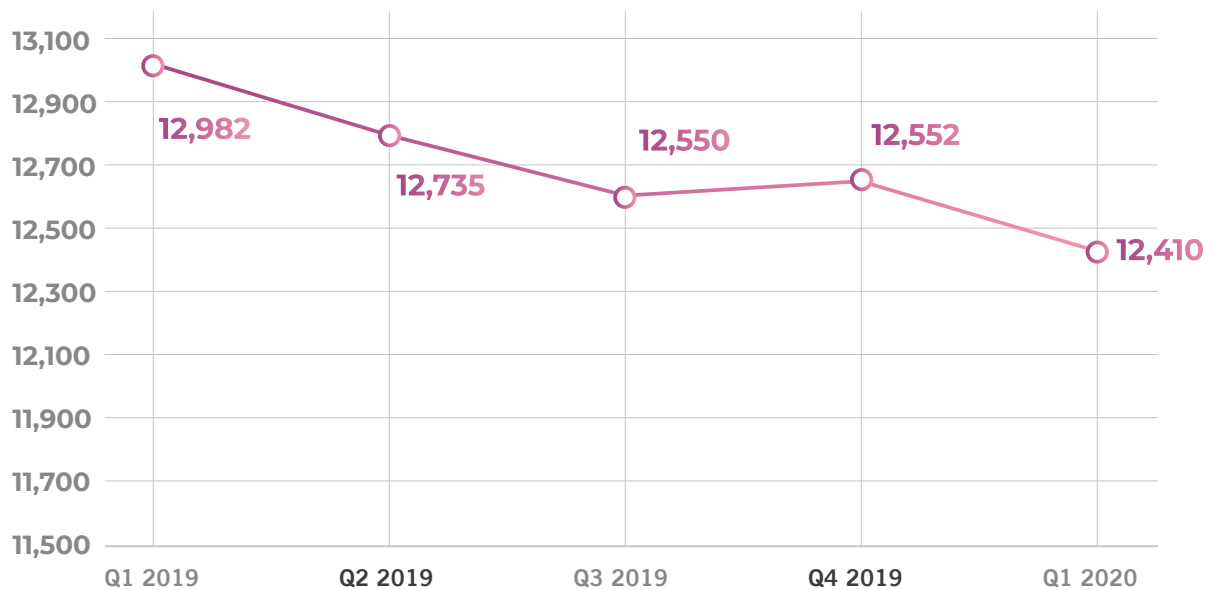
of the steepest declines in the Indian market. On a Q/Q basis, prices have corrected by around 1.1%.

Like other major markets in India, the flight towards affordability is visible in the Mumbai market as well. Over half of the new

launches are within the INR 7.5 million price bracket. In order to further lure buyers, developers are coming up with a host of freebies such as discounted prices, free gym & clubhouse memberships.

The market continues to suffer from a high inventory, which is slightly over 250,000 units - almost unchanged when compared with the previous 12 months.

Property Price Trends in Mumbai - MMR



Pune

Pune continues to be one of the robust Real Estate markets in India underpinned by healthy demand from the growing IT/ITeS sector, availability of mid-income housing & major growth corridors unraveling in the suburban regions of eastern & western parts of the city. A sizable part of the demand is concentrated in the budget of INR 35-50 lacs. However, despite strong sentiments, prices have moderated in Pune. The price

Market Snapshot

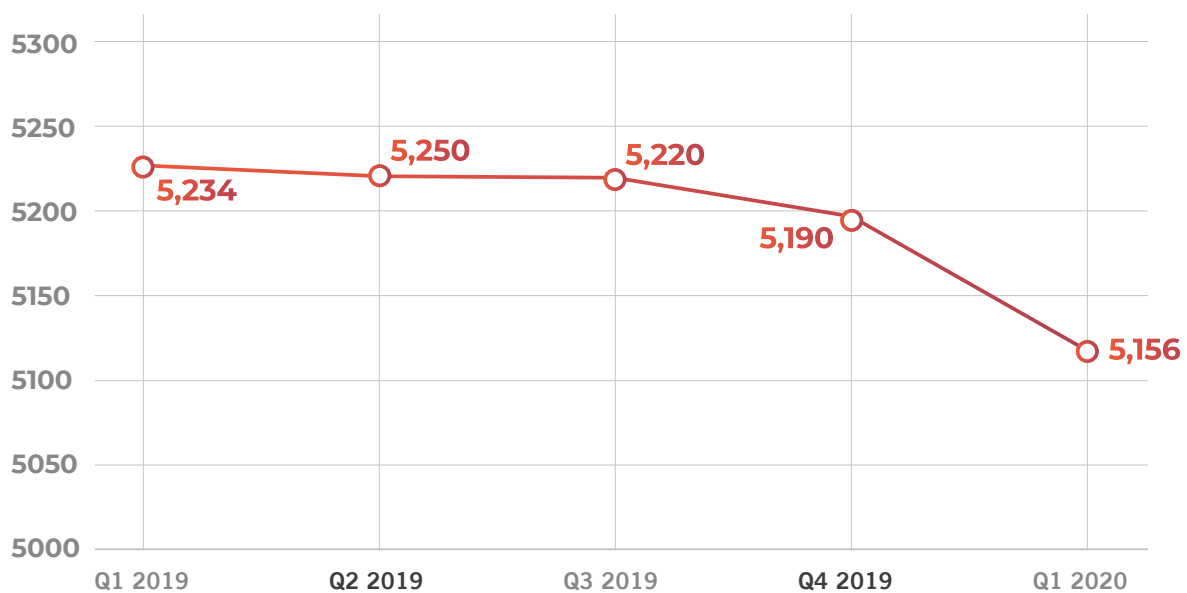
New Launches (2019)	29,000
Y/Y Price Growth (2020)	-1.5%
Total Transaction (2019)	45,500
Current Inventory (2020)	118,000

correction is rooted in numerous factors such as developers coming up with discounts to turn around their inventory as well as more new launches coming in the affordable segment. Over three-fourth of the new launches

are concentrated in the INR 50 lacs segment in 2019. Similar trends will continue to unfold in 2020 as well wherein focus will be more on the affordable & mid-income housing segments.

Pune is also suffering from high inventory, which is roughly around 118,000 units, marginally dipping by around ~ 16,000 units, when compared to the previous year.

Property Price Trends in Pune



Source: 360 Realtors Research



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