

Home prices

in India largely remains correction free

360 Realtors Research

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Foreword

Post lockdown, things are now gradually coming back on track. In the past couple of months, the world witnessed an unprecedented event that none of us would have even imagined. The perennial coronavirus is not just a grappling medical crisis but has also badly impacted businesses & markets worldwide.



Ankit Kansal
Founder & MD, 360 Realtors

“

Barring few surprises, demand destruction was seen in most of the major businesses around the world. Indian Real Estate also suffered casualties, despite a visible momentum in many upcoming markets such as Pune, Bangalore, & Noida.

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As partially lockdown is suspended in most of the places, Real Estate sales will pick up shortly. This will further be augmented with the help of some very attractive schemes by developers, giving upward thrust to the market, despite an overall muted sentiment.

It is believed that prices will further fall as developers will try to lure buyers. Past experiences have yielded that in bearish markets; generally developers try to reduce property prices to drive demand. Though undoubtedly the logic is based on empirical pieces of evidence, anyone who closely knows the pulse of the industry will understand that in the past few years property prices have already bottomed out. As developers are already working on shoe-string margins, a further arrest is a little difficult.

To further scrutinize the sentiments, we have conducted surveys with major developers in various cities. The survey indicates that any steep price cut is far-fetched. However, against aggregate trends, there will be developers giving discounts, especially in slow-moving inventories. In such cases, developers will like to absorb losses with the major intent of turning around the inventory.

Meanwhile, there will be a host of attractive schemes that will continue to push the market in a positive direction. These schemes are tailor-made looking at the current dynamics & can mitigate risk to a great extent while ensuring smarter returns. Homebuyers will show interest as such schemes are limited period offer & there is a fair chance of them getting rolled back, once the situation further normalizes.

Research Methodology

Developers Interviewed - Geographic Distribution



The survey comprised of 4 major markets- Delhi NCR, Pune, Bangalore, & the Mumbai Metropolitan Region (MMR). In each market, developers were identified & survey questions were sent to them. The response was extracted across two major dimensions- possible price

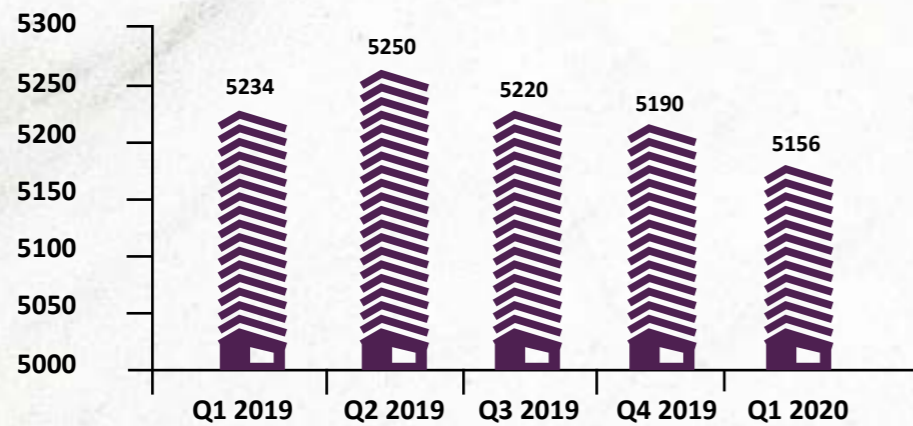
cuts in the affordable/ mid-income segment in the next 6 months & possible price cuts in the premium segment for the same period. To further refine the findings, price cuts were classified as maximum & minimum possible cuts to render a ringside view of the market.

PUNE

Pune continues to be a robust Real Estate market driven by healthy underlying demand, large IT/ ITeS workforce, & affordable property price brackets. Pre-COVID, average property prices were pegged at 5,156 INR/ Sq. Ft. The mar-

ket has a relatively higher unsold inventory at 118,000 units. However, at an annual transaction of more than 45,000 units, Pune appeared robust & was set to grow further.

Property Price Trends in Pune (Pre-COVID Analysis) INR/ Sq.Ft

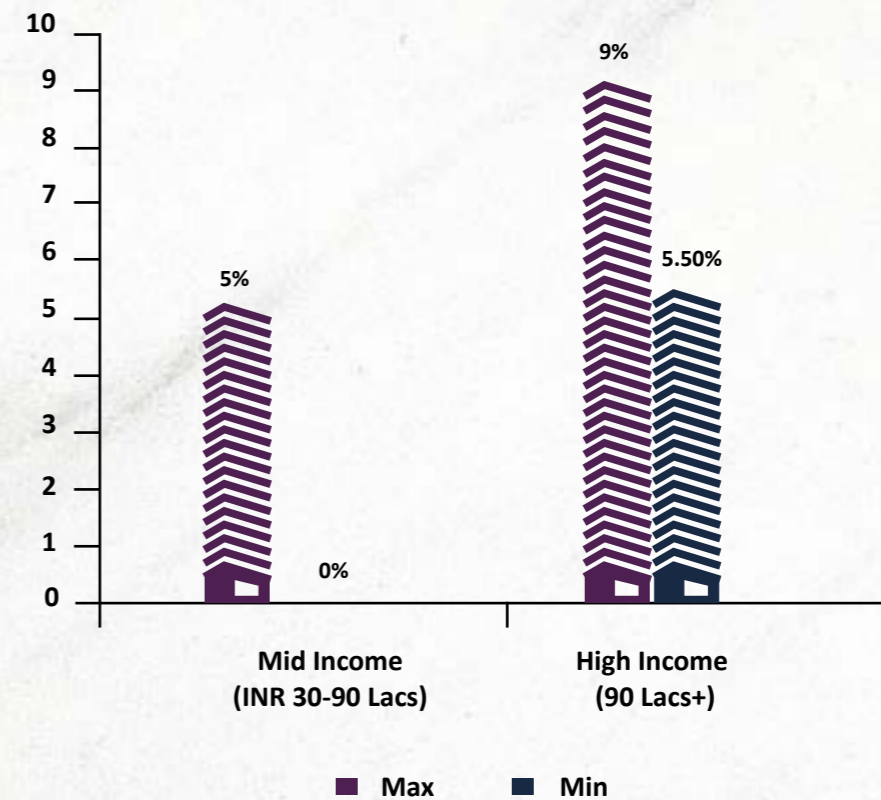


Source: 360 Realtors Research

After the COVID outbreak, growth has lost some steam. The affordable & mid-income segments in Pune (INR 30-90 lacs) will continue to evolve. However, as existing inventories are high, few developers can give up to 5% of added discounts to modulate demand. Others, where traction is visible will shy away from any additional discounts. However, plans like 10:90 (pay just 10% as the token amount and book an apartment and pay the remaining after pro-

cession) along with assured rental products will continue to drive demand. In higher price brackets, there may be a possibility of larger corrections. However, as the demand is concentrated in affordable price brackets, developers will avoid new launches in large ticket size segments. Micro-markets like Wakad, Manjari, Kharadi, Hinjewadi Phase 1, & Balewadi will gain momentum.

Anticipated price corrections in next 6 months- Pune



Source: 360 Realtors Research

Bangalore

Similar factors like Pune such as a prolific IT/ITes & a buoyant manufacturing hub (electrical, medical, automotive, biotechnology etc.), are driving demand in Bangalore. The city is amongst few selected markets in India, which showed a price growth in 2019.

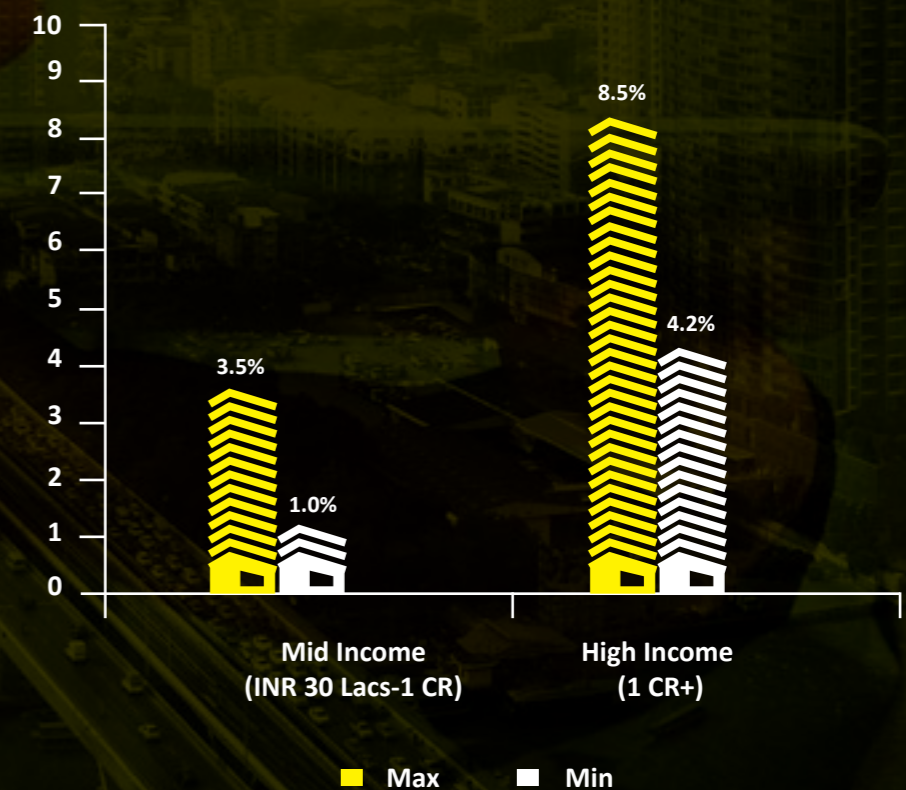
At the onset of 2020, Bangalore has an unsold inventory of 87,000 units. The Annual transaction velocity was around 38,000 units.

Property Price Trends in Bangalore (Pre-COVID Analysis) INR/ Sq.Ft



Source: 360 Realtors Research

Anticipated price corrections in next 6 months- Bangalore



Source: 360 Realtors Research

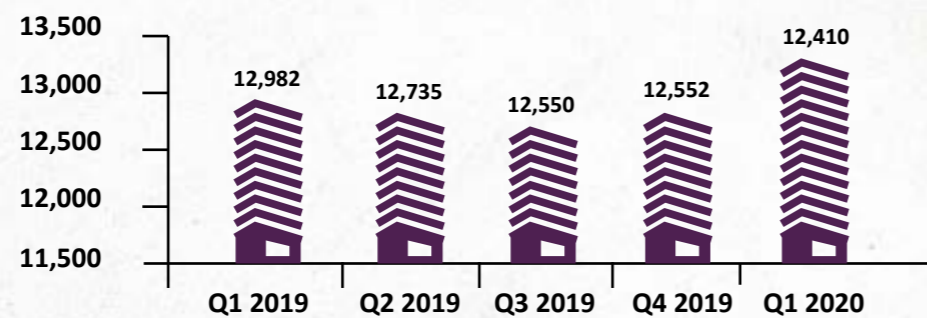
Even after COVID, the city continues to see momentous growth in emerging corridors such as Devanahalli, Kanakapura Road, Marathalli, ORR, Sarjapur Road, & Whitefield. A maximum possible price cut of 3.5% can be expected in the affordable & mid-income segment (INR 30 lacs- 1 CR). In higher brackets, larger price cuts might be given to lure more buyers. The discounts will also depend on the inventory stand. In the case of larger unsold inventory, developers will bring in more discount based offers.

Mumbai Metropolitan Region (MMR)

In recent times, MMR has slowed down on the face of large unsold inventories. There are over 250,000 unsold units in the region. After the outbreak, sentiments will further decelerate in the largest Real Estate market in India. The previous year, the majority of the launches were concentrated in the INR 50-75 lacs segment, mostly in the outer skirts of the city. Similar trends will continue in the foreseeable future.



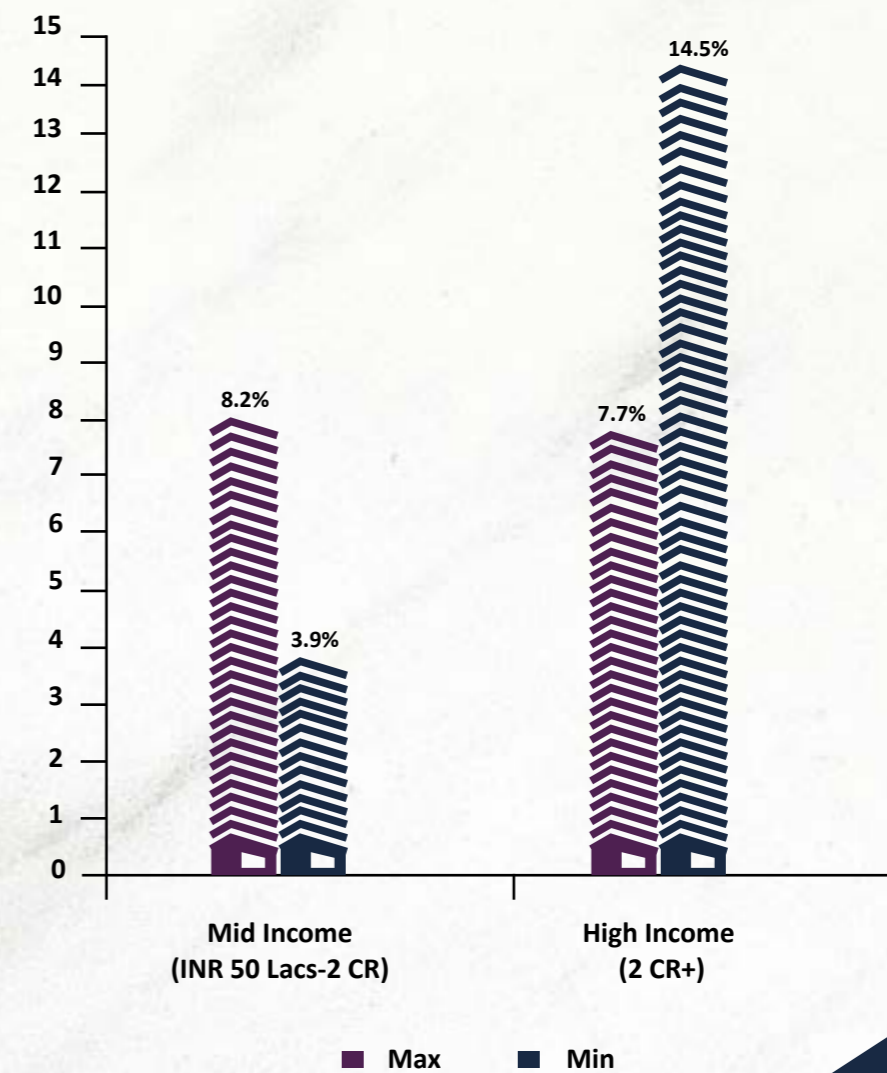
Property Price Trends in MMR (Pre-COVID Analysis) INR/ Sq.Ft



Source: 360 Realtors Research

The MMR market will see relatively larger price cuts especially in the affluent segment (INR 2 CR+). In such a segment one can expect a correction to the tune to 7.7-14.5%. The corrections will be relatively smaller in the mid-income segment.

Anticipated price corrections in next 6 months- MMR



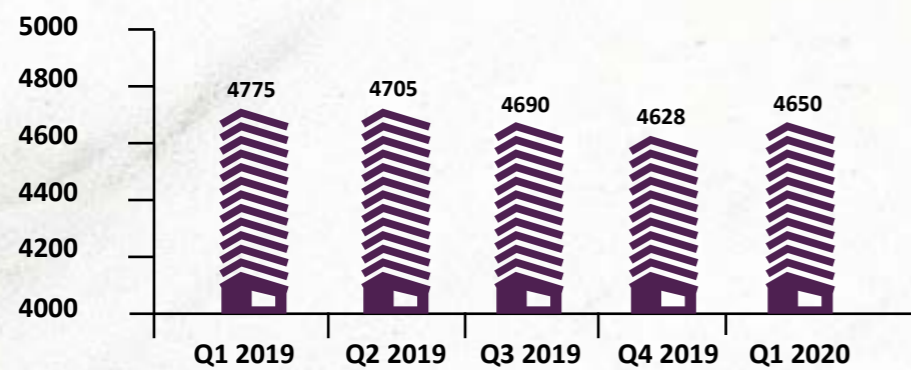
Source: 360 Realtors Research

Delhi NCR

After a prolonged slowdown, the Delhi-NCR residential market showed an uptick in momentum in 2019. Over 20,000 units were launched & the markets seemed to capitalize on corrected property prices. However, after

COVID, a momentary loss in momentum is inevitable. The sufferings will aggravate due to large unsold inventory overhang of around 150,000 units.

Price Trends in Delhi NCR (Pre-COVID Analysis) INR/ Sq.Ft

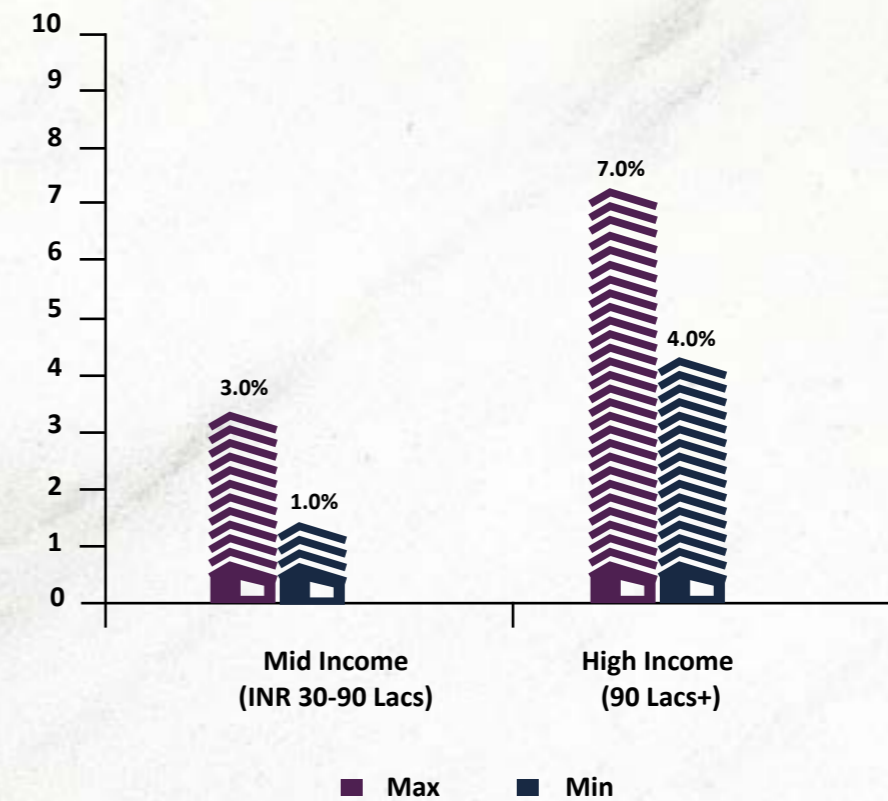


Source: 360 Realtors Research

Markets are currently showing muted demand. Yet developers are launching new schemes such as 10:90, 20:80, leasing assistance, etc. to draw buyer's attention. To some extent these

new schemes are gaining ground, as buyers are capitalizing on the offer. However, as the inventory overhang is high, products that are not picking up fast will see some price correction.

Anticipated price corrections in next 6 months- Delhi NCR



Source: 360 Realtors Research

Q/ A Desk

To learn more about the current pricing trends, the 360 Realtor's Research Team had a chance to interact with Mr. Sanjeev Arora, Director- 360 Realtors. Mr. Arora shared some practical insights into the present Housing Market Trends in India.



Sanjeev Arora
Director Operation,
360 Realtors

Q Despite the general belief that price cuts are inevitable, why don't we see any substantial corrections?

It is natural that when an event such as COVID unfolds that immobilizes the entire economic ecosystem, people believe there will be price cuts. However you have to closely examine how modern Real Estate is operating currently. There already had been iterations of price corrections in the past, which has forced most of the developers to operate on a single-digit margin. In such a situation, it will not be feasible to give a further discount.

Moreover, you also understand how construction takes place. The major cost of construction includes land prices, labour costs, & material costs. Now nothing amongst them is going to reduce. They will rise further. Land prices are not coming down. Similarly labor is not readily available at the moment. Construction material prices will also increase. Under such circumstances, there is a very thin chance of any further price correction.

Q How are developers then building momentum, when the markets remain correction free?

Developers are giving attractive offers to offset the recent slowdown in demand. Many such offers are deployed in the current time, & might be rolled back, once normalcy will be restored. They are done to arrest the current slowdown in sentiments.

Such plans are increasingly becoming popular with buyers & investors. For instance take the case of Godrej 10:90. One just has to pay 10% to book the property and the remaining can be paid after possession.

Q Are such plans sustainable given that developers will receive just 10%, do the entire construction, & then receive the remaining payments?

Brands like Godrej have good cash flow & have the financial bandwidth to launch and execute such projects. However, not every developer can withstand such schemes. One needs deep pockets for such plans to materialize.

Q What are your suggestions for our Home Buyers?

for a market like India with huge aggregate demand, every time is a good time. Sentiments are bearish, but it is a buyer's market. There are plenty of good schemes available from reputed developers. Buyers should try to seize the opportunity as they might not last long.

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