

OUTDO



**THE GERA PUNE
RESIDENTIAL
REALTY REPORT
JUNE 2016**



INTRODUCTION

The effects of the headwinds for the real estate sector are finally showing up across various parameters. New project launches are down, prices on an overall market basis are down (new projects are launched at lower prices than existing projects in the same areas), there has been a resizing of apartments over the past few years to cater to the demand for smaller homes. The average size has gone down from 1063 psf in June 2014 to 954 psf in June 2016.

While the overall apartments for sale has increased by 2.7% between December 2015 and June 2016, the value of the apartments for sale is virtually unchanged at approx. Rs.55,323 crores. This too is indicative of the flattening of the overall scale of the industry.

However, it is not all bad news. Though there is a build up of inventory, sales continue to take place across the spectrum. The total inventory overhang in June 2016 is infact marginally lower than the inventory overhang in December 2015. The percentage of the inventory available for sale has marginally gone down showing a shift in a healthy direction. This shows the sales and introduction of new inventory have atleast for the past few months leveled off.

While the normal way to look at the market is to look at the rates per square foot, when the rates per sft go down, it appears that there is a reduction, however, a broader look tells a different story. There has been a steady increase over the past few years in the loading as well as the extra costs. Adding these costs results in an effective increase in the overall cost of homes. Home buyers are best advised to compare projects on a carpet area basis and also compare the sanctioned plan with the sale plans.

Our analysis of the inventory of 3,23,372 homes currently under development in various stages show a total of 2,30,547 homes in the early and mid stage of construction. This means all these homes (and projects) will be covered

under the RERA. We further analyzed projects that were in the early and mid stage of construction that were launched over 3 years ago. There are 1,39,393 homes being developed (as on June 2013) of which 96,971 homes are sold. It is highly likely that almost all these homes have passed their promised delivery dates and these customers will likely find relief through RERA. Depending on the rules formulated, these projects may see a strain on profitability if compensation is required to be given to customers for these projects.

The gently blowing winds of change have turned into gale force winds. The industry is in the process of changing at a pace as never seen before.

NEW LAUNCHES

New project launches (including new phases of existing projects) have slowed down from 1,064 in the first half of 2015 to 947 projects in the second half of 2015 down to 890 in the first six months of 2016.

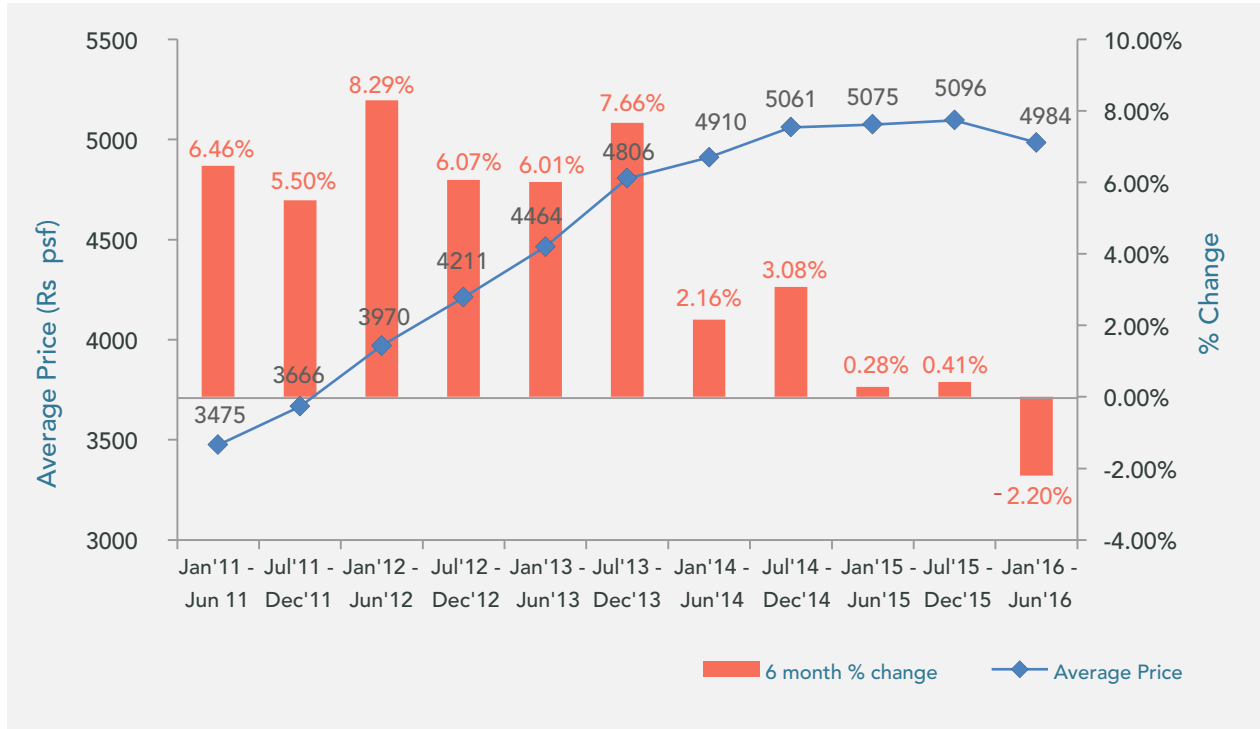
PRICES

Prices of apartments (on a simple average basis) have dropped relative to the previous 6 months for the first time in the last 5 years. Prices have reduced by -2.20% in the January 2016 to June 2016 period continuing the slowdown witnessed in prices over the last two years.

As on June 2016, the overall average rate psf across the city stood at Rs. 4984 psf. The average price of new projects launched is Rs 4481 psf, whereas the average prices of new phases launched of existing projects is Rs.5039 psf (*Table 1*) and (*Table 1.1*)

On analyzing where the prices have shown the largest drop, the same is visible in new projects. *See the detailed analysis in section Table 1.* The reduction in the average rates is on account of new projects being launched at rates that are lower than the rates for the existing projects. On looking at the composition of prices of the stock

FIG 1 –SIX MONTHLY PRICE MOVEMENTS



introduced in the past 6 months, we found that the rate psf on account of new projects is substantially lower than the rates psf of new phases added to projects existing prior to January 2016.

Table 1 shows the average rate psf for each of the 6 zones

(for a breakup of submarkets in each zone, see Table 4 on Page 6) as well as the rates psf of the new phases of existing projects and the rates of the new projects. On an average, the new projects are priced over 11% less than the new phases of existing projects.

TABLE 1 : AVERAGE RATE PSF (COMPARISON OF AVERAGE RATE FOR EACH ZONE WITH THE AVERAGE RATE PSF OF NEW PHASES OF EXISTING PROJECTS AND NEW PROJECTS IN THE SAME ZONE)

Zone (see zone break-up on Page X)	Average rate psf (of all projects in the zone)	Average Rate psf. as on Jun'16 (Existing projects where New Phases have been launched between Jan'16 to Jun'16)	Average Rate psf. as on Jun'16 (New projects launched between Jan'16 to Jun'16)
Zone 1	4595	4943	4085
Zone 2	4827	4692	4643
Zone 3	4107	4477	3586
Zone 4	5755	5546	5341
Zone 5	10834	11026	9588
Zone 6	4026	4130	3958
OVERALL	4984	5039	4481

OVERALL INVENTORY

From an inventory perspective, the overall market has grown by 6.06% in the last 6 months (January 2016 to June 2016) from 3,04,905 units under construction in December 2015 to 3,23,372 units in June 2016 as against 8.54% in the previous six months (July 2015 to December 2015) and 16.83% in the six monthly period before that (January 2015 to June 2015). While individual six monthly periods may suggest a slowdown in construction activity the YoY figures indicate that the pace of construction activity has remained fairly stable. The July 2015 to June 2016 growth rate is 15.11% while from July 2014 to June 2015 the market grew by 14.36%.

Unsold stock is an important indicator of market health. On that front, while the market has expanded by 6.6% the unsold stock has increased by 2.71% in the last six months from 1,04,565 units in December 2015 to 1,07,402 units in June 2016 indicating a potential recovery in market demand.

Another important indicator is the growth in number of active projects on ground, which has almost doubled to 3,496 projects since December 2012. This suggests that

the Pune residential market has been able to balance growth with prices. Prices have increased by only 18.35% over the same period (from Rs. 4211 psf in December 2012 to Rs. 4984 psf in June 2016)

ASSESSMENT OF INVENTORY FOR SALE BY PRICE RANGE

On assessing the inventory for sale by price point over the past 1 year, all price ranges have seen an increase in the unsold stock except the value category where unsold stock has dropped indicating that it's a segment that has seen traction in the last 1 year (Fig 3).

The Budget category (where prices presently are below Rs. 4060 psf) has seen an increase of 8.73% from 40,814 unsold units to 44,378 unsold units. The Value category (current prices between Rs. 4061 & Rs. 5076 psf) has seen a decrease of 3.90% in unsold stock from 24,768 units to 23,803 units. Similarly, the unsold stock in the Premium category has increased by 60.40% and by 56.46% in the Premium Plus category. The Luxury segment has seen an increase of 20.30% in unsold inventory 4325 units unsold in June 2015 rising to 5203 units in June 2016.

FIG 2—OVERALL SUPPLY SITUATION

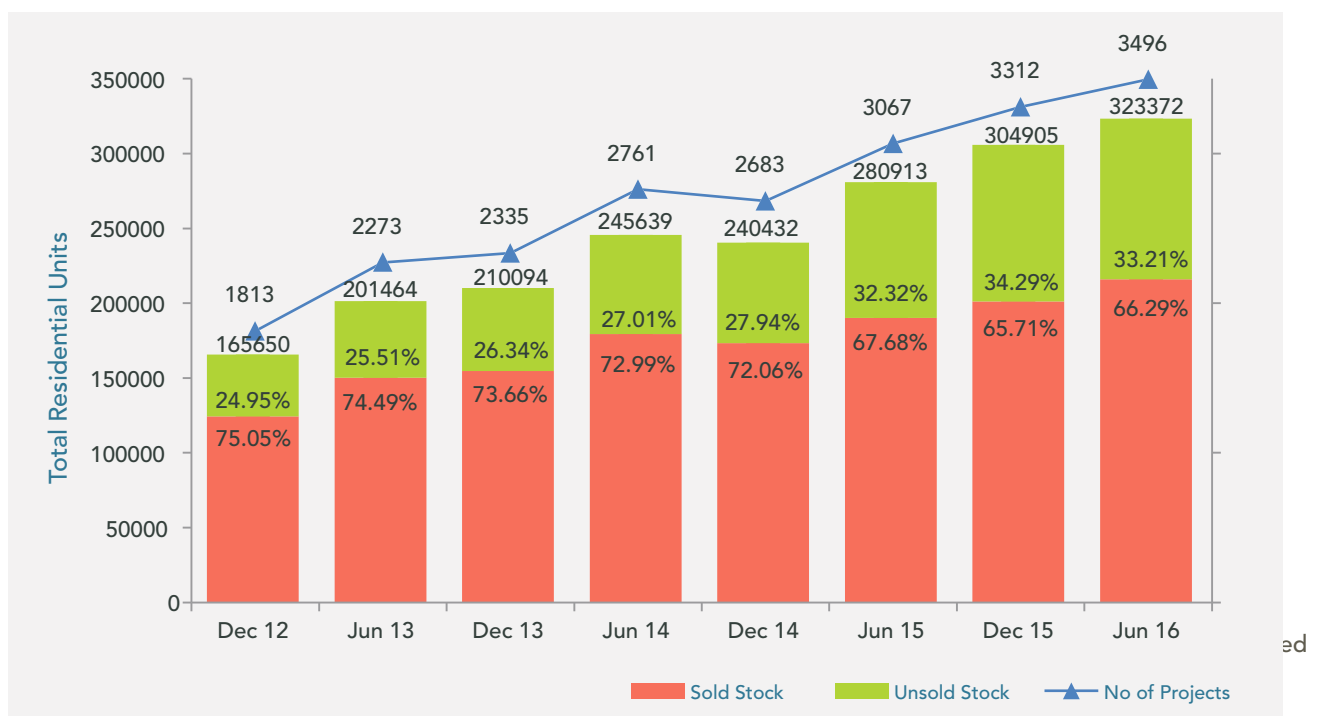


FIG 3 – INVENTORY AVAILABLE FOR SALE BY SEGMENT

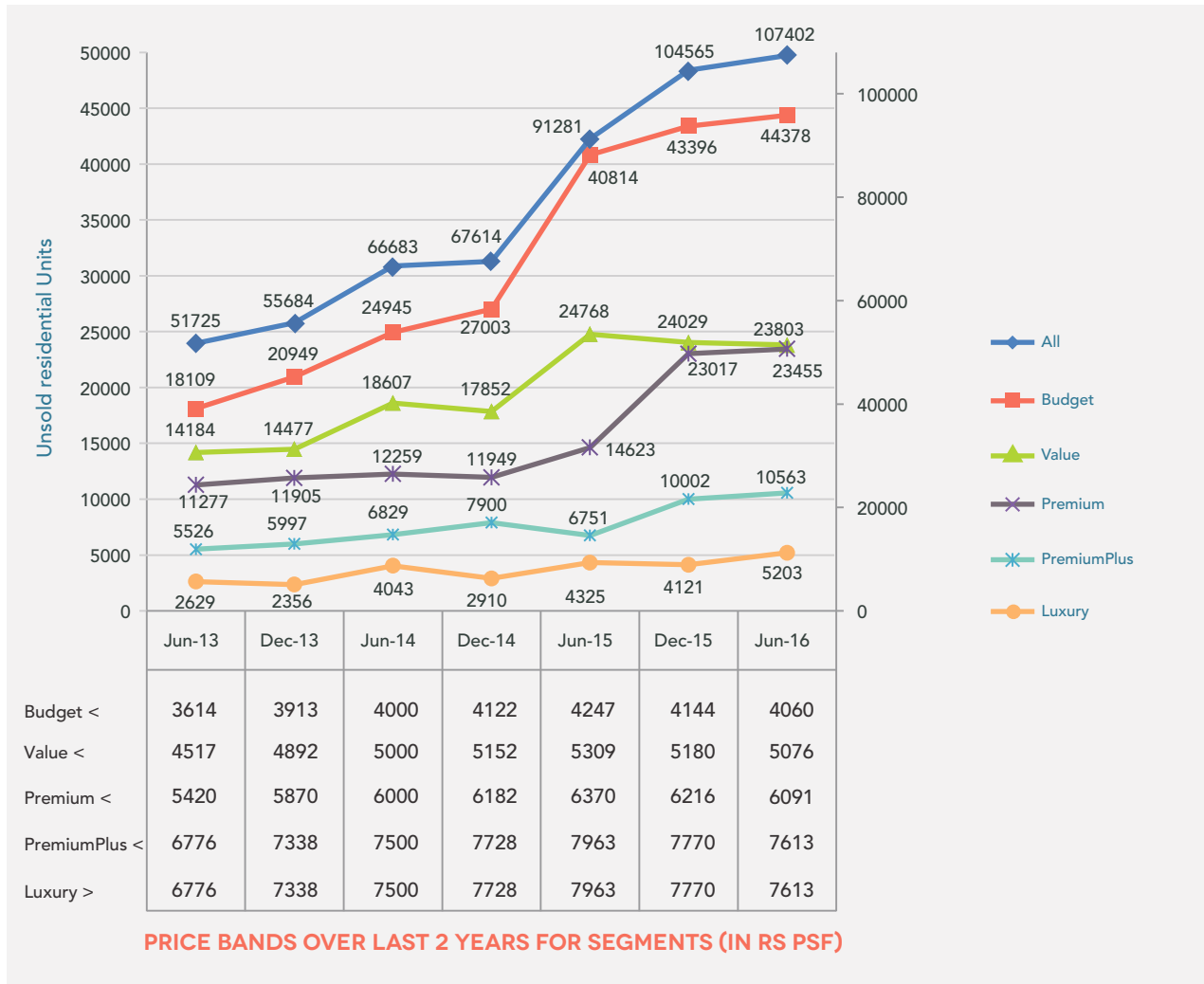
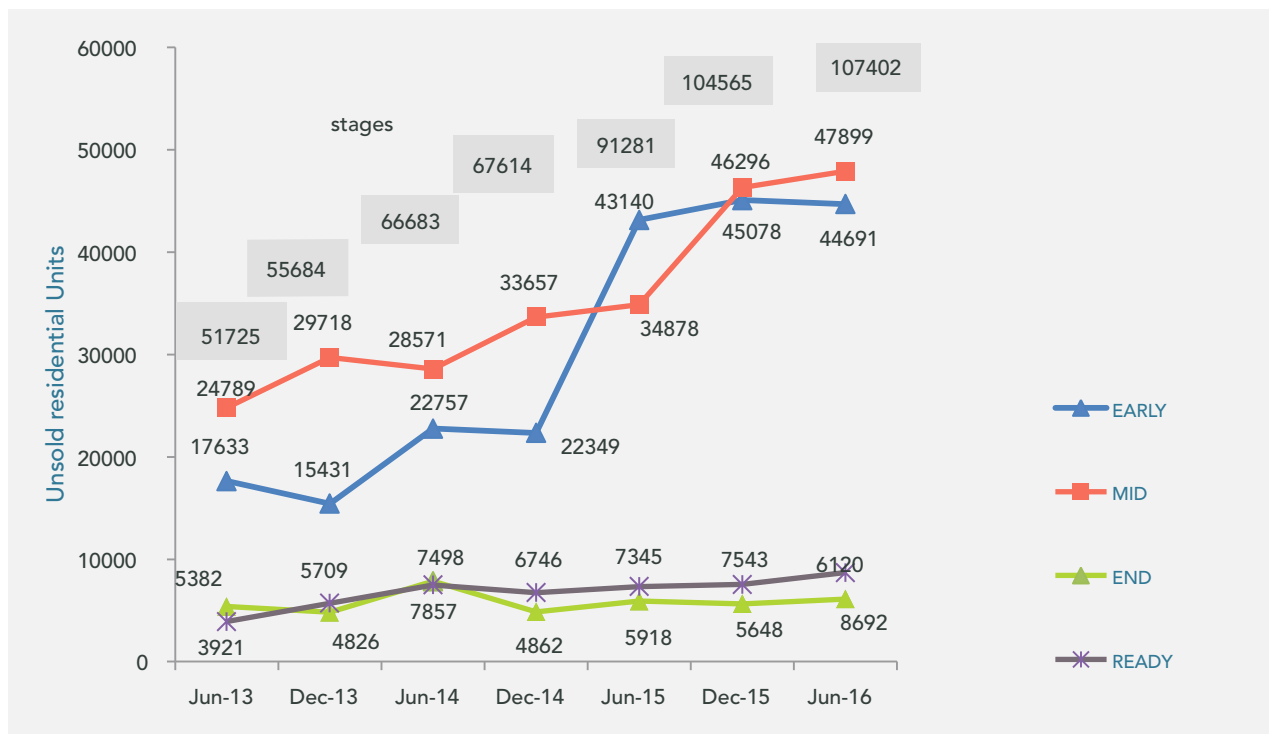


FIG 3.1 – INVENTORY AVAILABLE FOR SALE BY STAGES



significantly and is up by 6.38% in the last six months on an overall basis (see Table 2). This further suggests that demand is returning in residential real estate after a prolonged period of stress. The segments that are expected to move quickest are the Budget & Value segment which have an Inventory Overhang of 11.96 mths & 13.46 months respectively.

(see Table 3).

While inventory overhang has generally remained stable it has decreased in the Premium Plus segment and increased in the Luxury segment.

The reduction in inventory overhang in the Premium Plus segment is due to the increase in sales (between January 2015 to December 2015 the sales was 5917 units while from July 2015 to June 2016 it is 7517 units).

Inventory overhang has increased from 13.56 months to 19.65 months in the Luxury segment due to an infusion of new inventory. Sales in this segment have remained stable (between January 2015 to December 2015 the sales was 3625 units while from July 2015 to June 2016 it is 3178 units). However, 24 new projects and 25 new phases have been launched over the past six months. Central Pune* accounts for 53% of these 49 new projects/phases. The breakup is as follows :-

TABLE 2: SALES BY CATEGORY (IN NUMBER OF UNITS)

6 MTHS PERIOD ENDING	July 2013 to June 2014	July 2014 to June 2015	July 2015 to June 2016
Total	94,242	88,397	92,546
Budget	39,946	43,073	44,529
Value	22,108	19,824	21,225
Premium	19,672	15,036	16,097
Premium Plus	8,331	7,056	7,517
Luxury	4,185	3,408	3,178

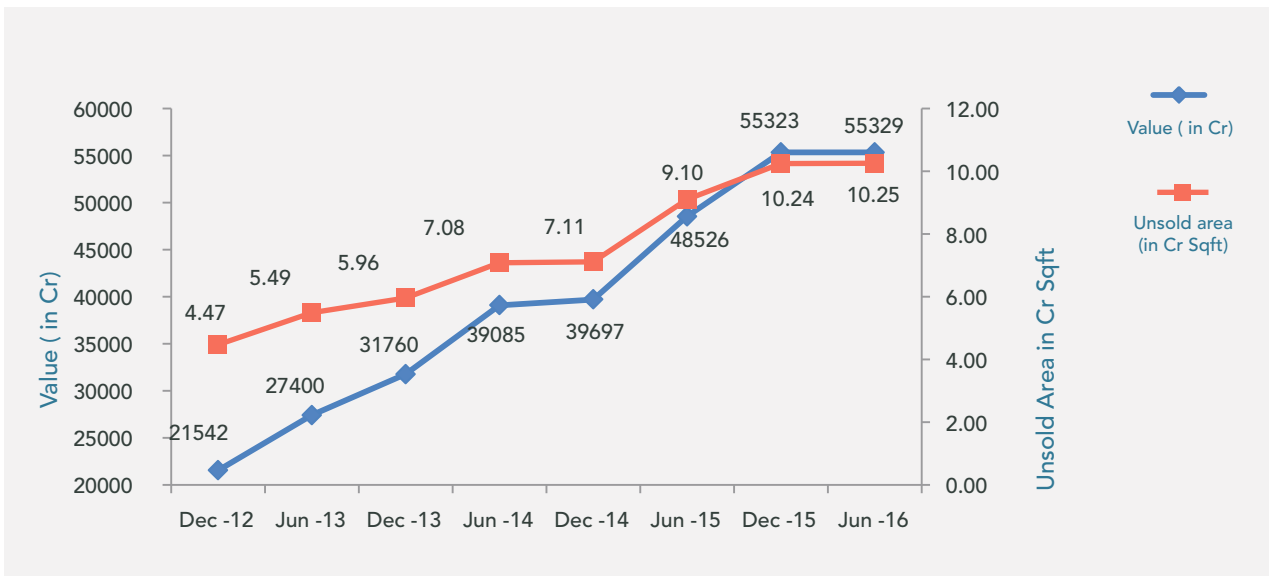
TABLE 3 : INVENTORY OVERHANG BY CATEGORY

TOTAL	Jun'16 Inventory For Sale	YoY Sales Volume (in no of units) Jul'15 To Jun'16	INVENTORY OVERHANG BY (MTHS)
Total	1,07,402	92,546	13.93
Budget	44,378	44,529	11.96
Value	23,803	21,225	13.46
Premium	23,455	16,097	17.49
PremiumPlus	10,563	7,517	16.86
Luxury	5,203	3,178	19.65

Direction	New Projects/Phases	Percentage
East	7	14%
South	7	14%
West	9	18%
Central	26	53%
TOTAL	49	100%

*Boat Club Road, Koregaon Park, Deccan, Erandwane, Karve Road, Central City area etc

FIG 4 – VALUE OF INVENTORY FOR SALE (IN RS CR) & AREA OF INVENTORY FOR SALE (IN CR SQFT)



INVENTORY FOR SALE – VALUE AND VOLUME

The gross value of the unsold inventory stands at Rs.55,329 crores on June 2016 which is virtually the same as the gross value of Rs 55,323 crores as on December 2015 (Fig 4). The area too has not seen much change. The increase in number of units therefore is on account of reconfiguration of sizes.

SUB MARKETS WITH MAXIMUM NEW STOCK ADDED

The following chart (Fig 5) indicates those areas where the maximum new stock has been added in the past six months. Only 17.79% of the stock added between Jan'16 to Jun'16 is within PMC limits (Fig 6) indicating that most of the incremental stock is added outside the Pune Municipal Corporation limits. This indicates the

FIG 5- NEW UNIT LAUNCHES (TOP 20 MICROMARKETS WITH THE FRESH SUPPLY LAUNCHED JAN'16 TO JUN'16)

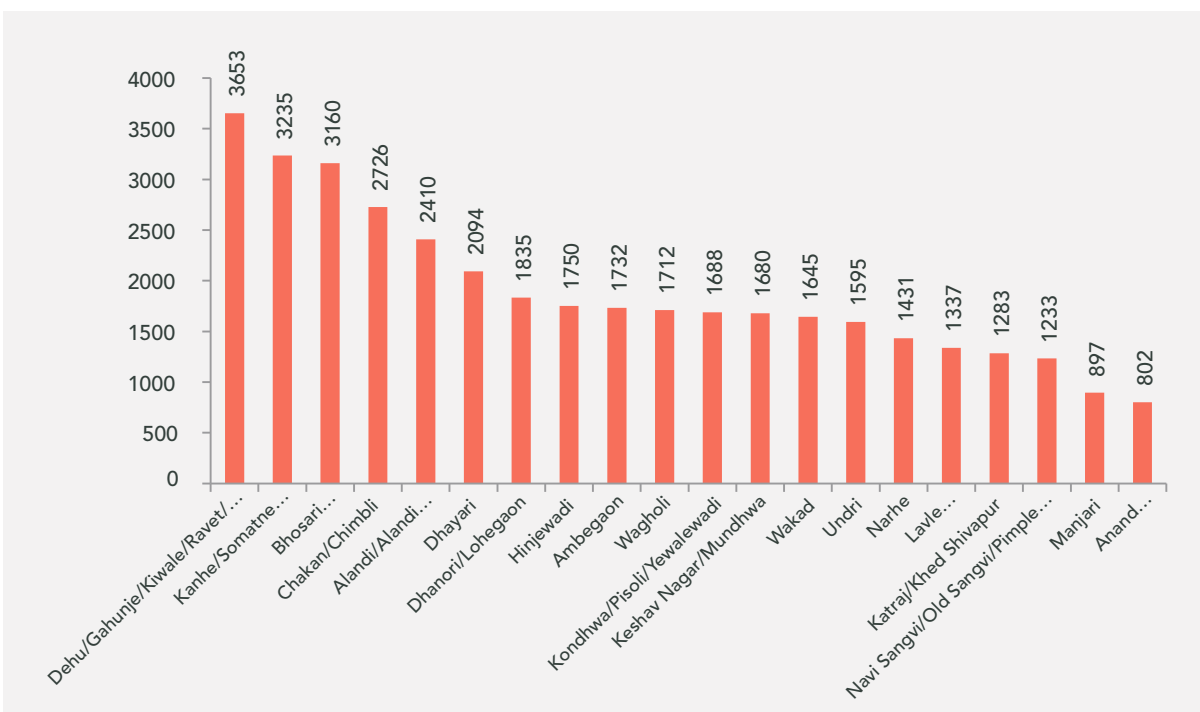
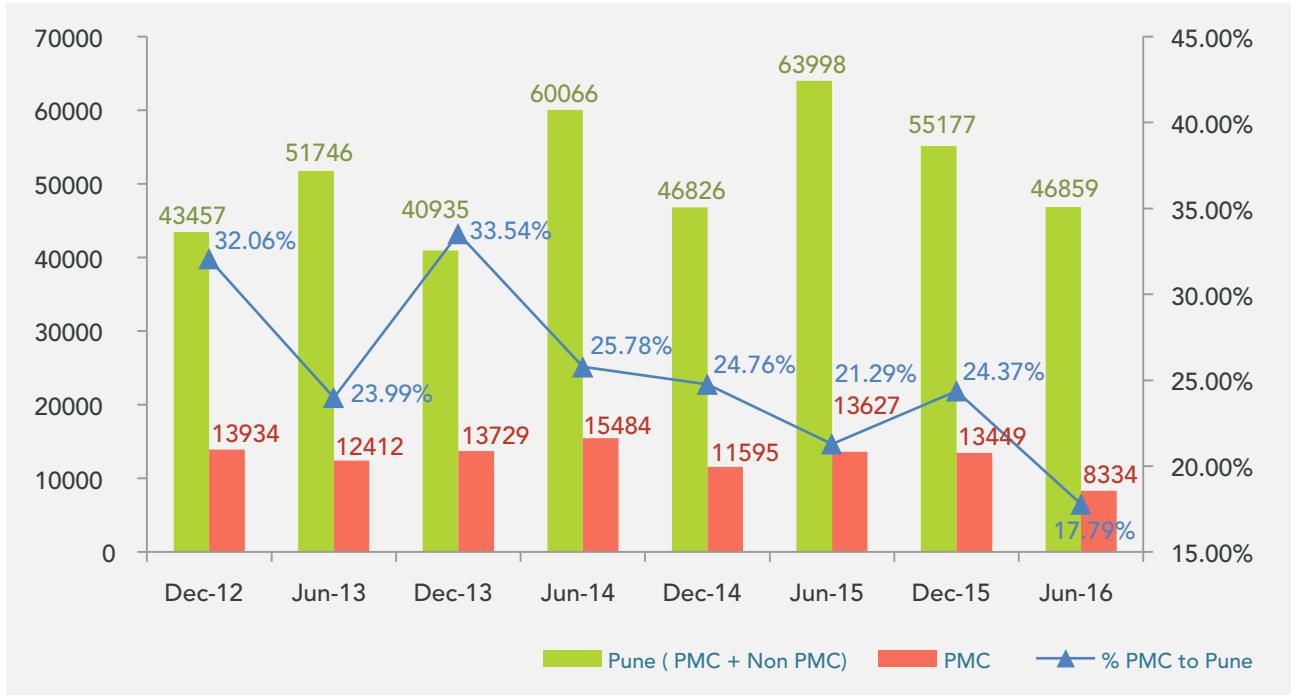


FIG 6 – FRESH SUPPLY LAUNCHED (PMC VS NON PMC)

growth of the city outward beyond PMC limits.

The market share of the Pune Municipal Corporation has seen a steady decline in unit terms. The last 6 months have seen the share of units launched in the PMC drop to below 18%. The prices of properties in the PMRDA

are below the average and most inventory falls within the Budget & Value categories. The majority of the demand is in these categories. This could explain the drop in launches in the PMC where the average rate is Rs. 7039 psf. & non PMC is Rs. 4131 psf.

TABLE 4 : ZONES

- 1 Nagar Road | Vimannagar | Kharadi | Wadgaonsheri | Vishrantawadi | Dhanori | Wagholi | Mundhwa | Keshav Nagar | Ghorpadi | Bolhai | Kalas | Koregaon Bhima | Lohegaon | Lonikand | Sanaswadi | Shikrapur | Talegoan Dhamdhare
- 2 Hadapsar | Mohammedwadi | Fursungi | Manjari | Uruli Kanchan | Lonikalbhor | Kondhwa | NIBM Road | Bibwewadi | Undri | Lullanagar | Salisbury Park | Market Yard | Pisoli | Saswad | Yavat | Yewalewadi
- 3 Ambegaon | Katraj | Warje | Dhayari | Narhe | Dhankawadi | Khed Shivapur | Kondhave - Dhavade | Shivane | Uttam Nagar
- 4 Aundh | Baner | Balewadi | Wakad | Pashan | Bavdhan | Sus | Hinjewadi | Pimple Gurav | Pimple Saudagar | Pimple Nilakh | Ambadvet (Ahead of Pirangut) | Baner Pashan Link Road | Bhugaon | Bhugawade | Bhukum | Chandkhed | Mahalunge | Pirangut | Punawale | Sus Road | Tathawade | Urawade
- 5 Shivaji Nagar | Model Colony | Prabhat Road | Mukundnagar | Sahakarnagar | Koregaon Park | Peth | Ganesh Khind Road | Mitra Mandal | Singhad Road | Kothrud | Karvenagar | Wanowrie | Gultekdi | Vadgaon | Kalyaninagar | Satara Road | Anand Nagar | Bhosale Nagar | Boat Club Road | Camp | Pune City | Dattawadi | Fatima Nagar | Gokhale Nagar | Hingne | Khadki | Parvati | Wakadewadi
- 6 Akurdi | Bhosari Pradhikaran | Chakan | Chikhali Pradhikaran | Chinchwad | Dange Chowk | Dapodi | Kalewadi | Kasarwadi | Kivle | Moshi Pradhikaran | Nigadi Pradhikaran | Pimpri | Rahatni | Sangvi | Talegaon | Alandi | Alandi - Dehu Road | Alandi Moshi Road | Alandi Road | Bhosari | Charholi Br | Chikhali | Dighi | Kanhe | Moshi | Ravet | Somatne Phata | Thergaon | Wadgaon Maval

FIG 7-TOP 10 MICROMARKETS WITH THE HIGHEST PRICE GAINS IN THE LAST 2 YEARS

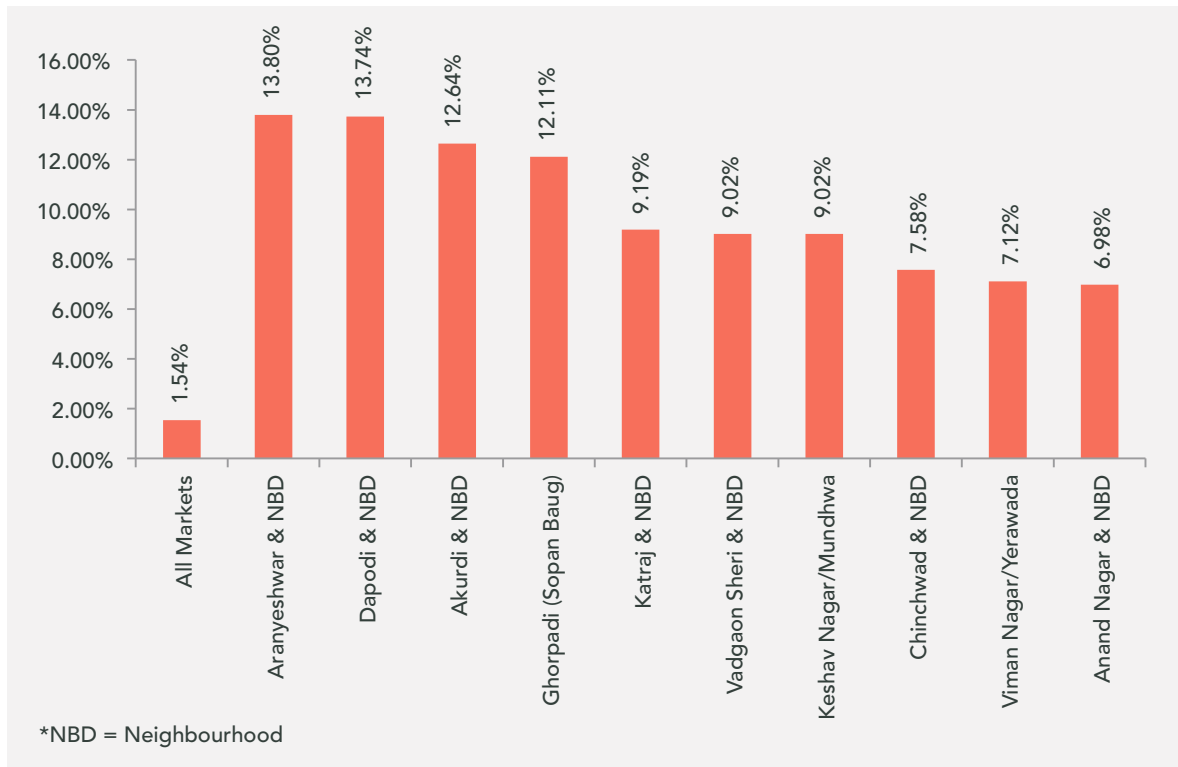
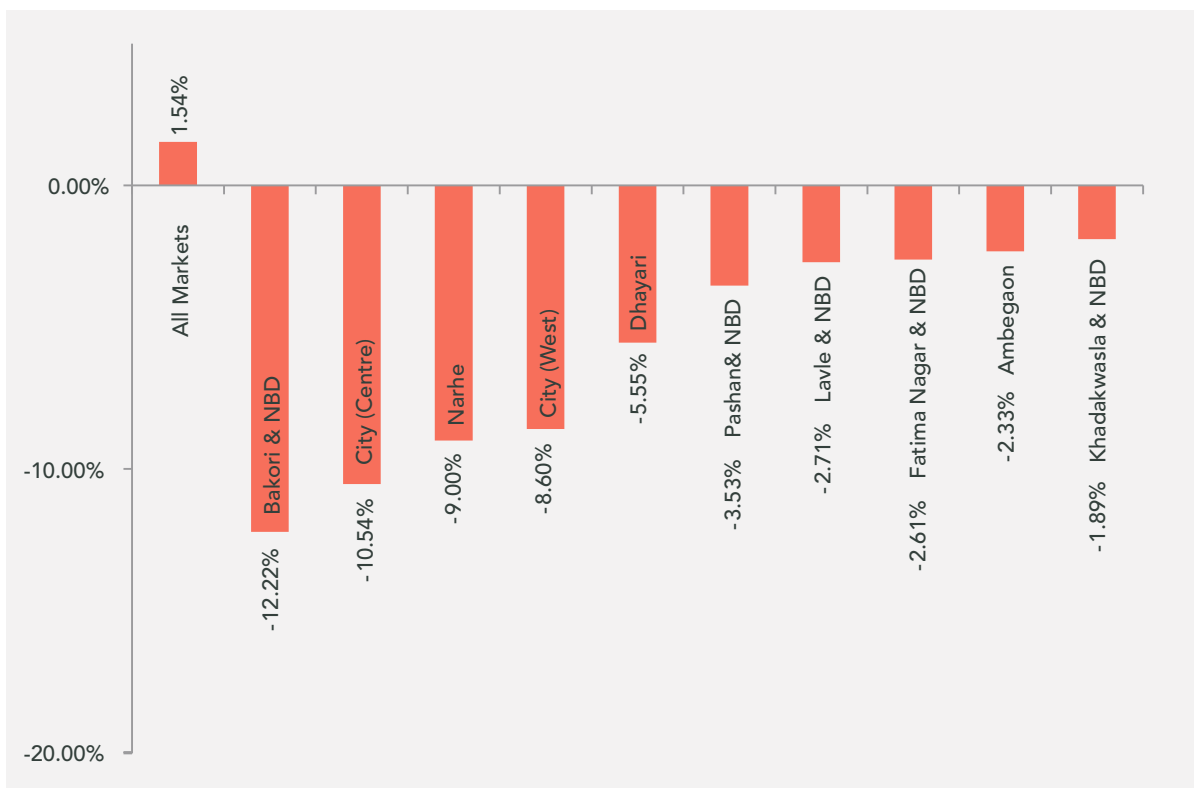


FIG 8-BOTTOM 10 MICROMARKETS WITH THE LOWEST PRICE GAINS IN THE LAST 2 YEARS



CONCLUSION

With the decrease in prices, Pune is a market where residential real estate is amongst the most affordable in the country given that it also ranks amongst the most livable cities in India.

While on one hand the challenges continue for the sector, the resizing of apartments and new projects being launched at lower prices is showing the first signs of a turn around.

Construction activity has also maintained its pace between 14% to 15% YoY while prices of new projects launched are below the psychological barrier of Rs. 5000 psf.

The impact of RERA as well as the translation of the intent to reality of the government to improve the speed of approvals will further cause turbulence in the months ahead.

The average inventory overhang remains at 13.93 months which by any measure is healthy and amongst the best across India, if not the best. All in all, the real estate market is currently in what is the most turbulent time in probably the past 60 years.



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