

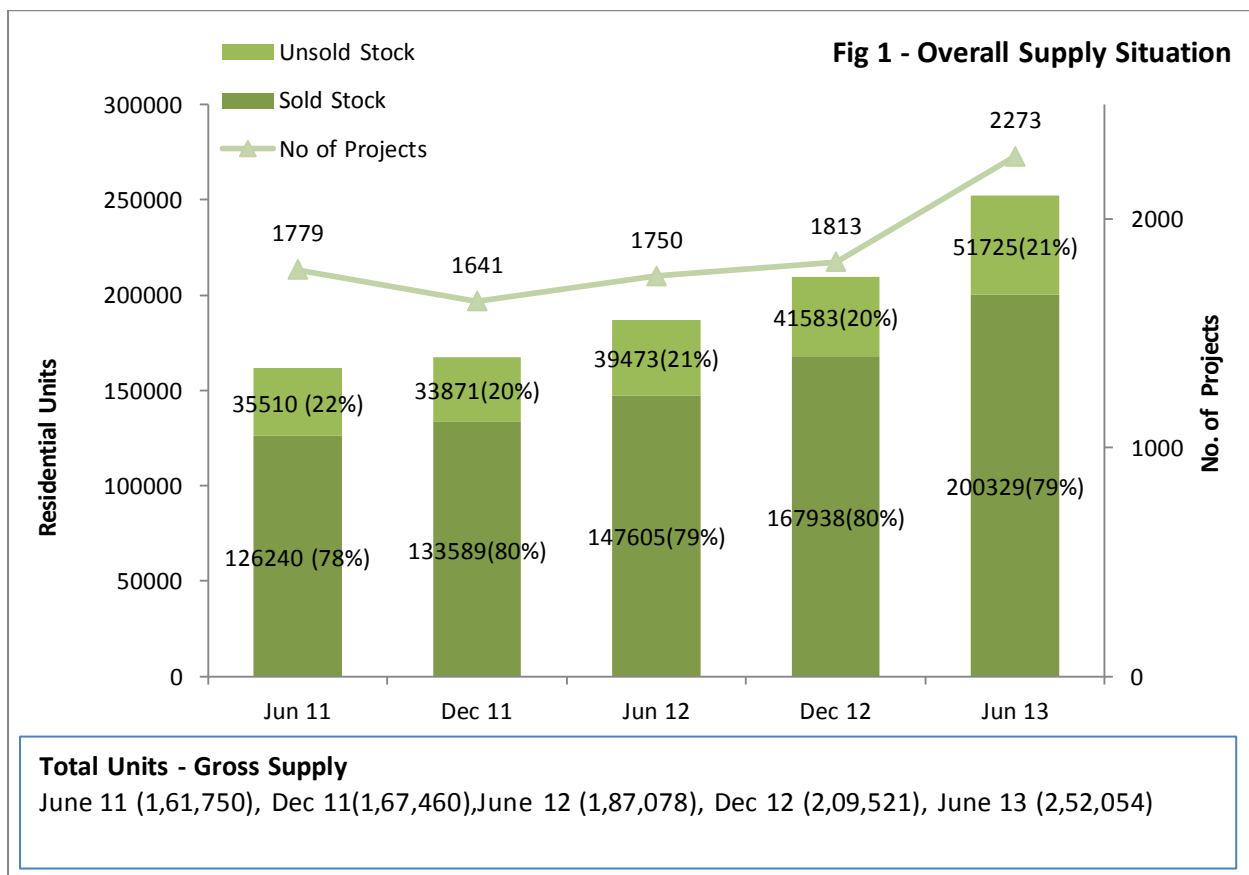


Jan 2013 - June 2013

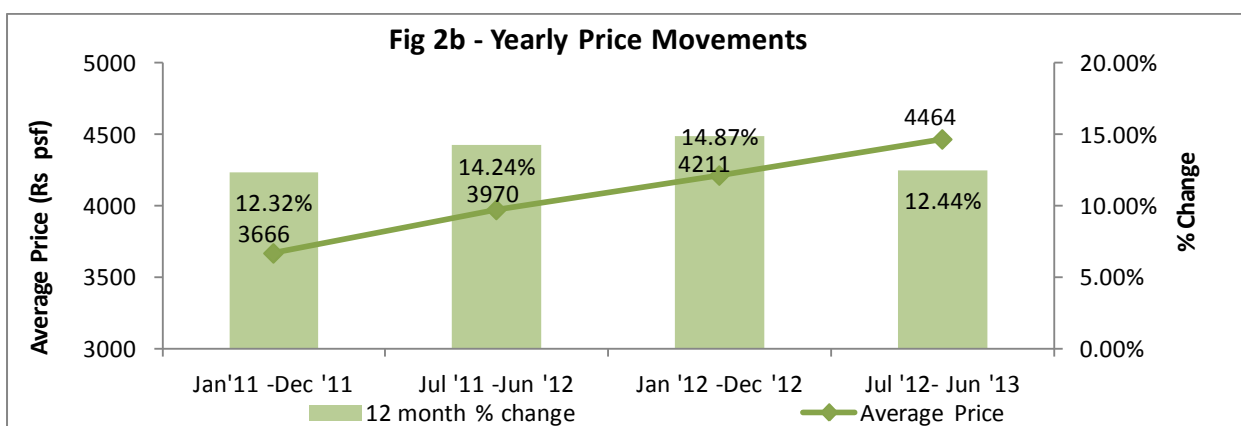
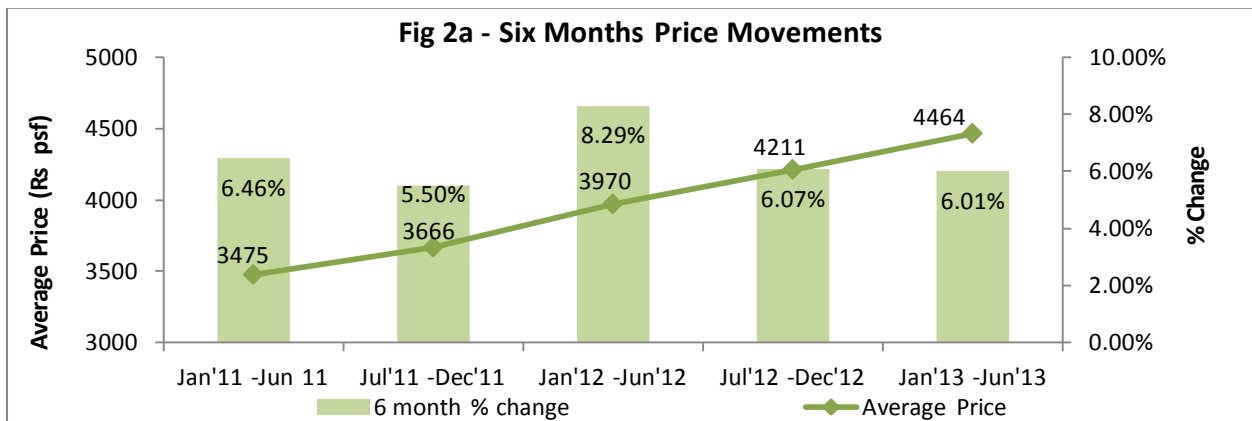
PUNE RESIDENTIAL REAL ESTATE REPORT

The period between January 2013 and June 2013 witnessed a significant infusion of supply in the form of 494 new projects alone adding 27,008 units and 25,215 units were added to existing projects. This led to the Pune Realty market expanding by 20.30% from December 2012 to June 2013 (as against 12% in the previous 6 months). The total number of units – gross supply (considering both, under construction and in ready projects with stock to sell) is 252,054 spread over 2273 projects. All in all this is a significant expansion of the market. Of the total stock, 79.48% is currently sold out. The total unsold stock now stands at 51,725 units. The sold stock in December 2012 was 80.15% while the sold stock in July 2013 was at 79.48%.

Even with substantial supply being added, the market continues to show remarkable stability in terms of sellout – the average unsold stock has remained steady in the range of 21% since June 2011 (**Fig 1**)



Over the last 6 months, the average market price has risen from Rs. 4211 per sf. up 6.01% to Rs. 4464 per sf. The average prices a year ago were Rs.3970 per sf. (the YoY increase, Jul '12 to Jun '13 has been 12.44%). Even though the absolute prices have gone up, the speed of increase has reduced. The last 12 months has seen a price increase of 12.44% where as the price increase for the previous 12 months was 14.87%. This trend is also reflected in the more sensitive, six monthly price momentum which at 6.01% is slowly trending downwards (Fig 2a & 2b)



The total unsold stock of 51,725 is approximately 6 ½ months of inventory which is a very comfortable situation from an inventory overhang perspective.

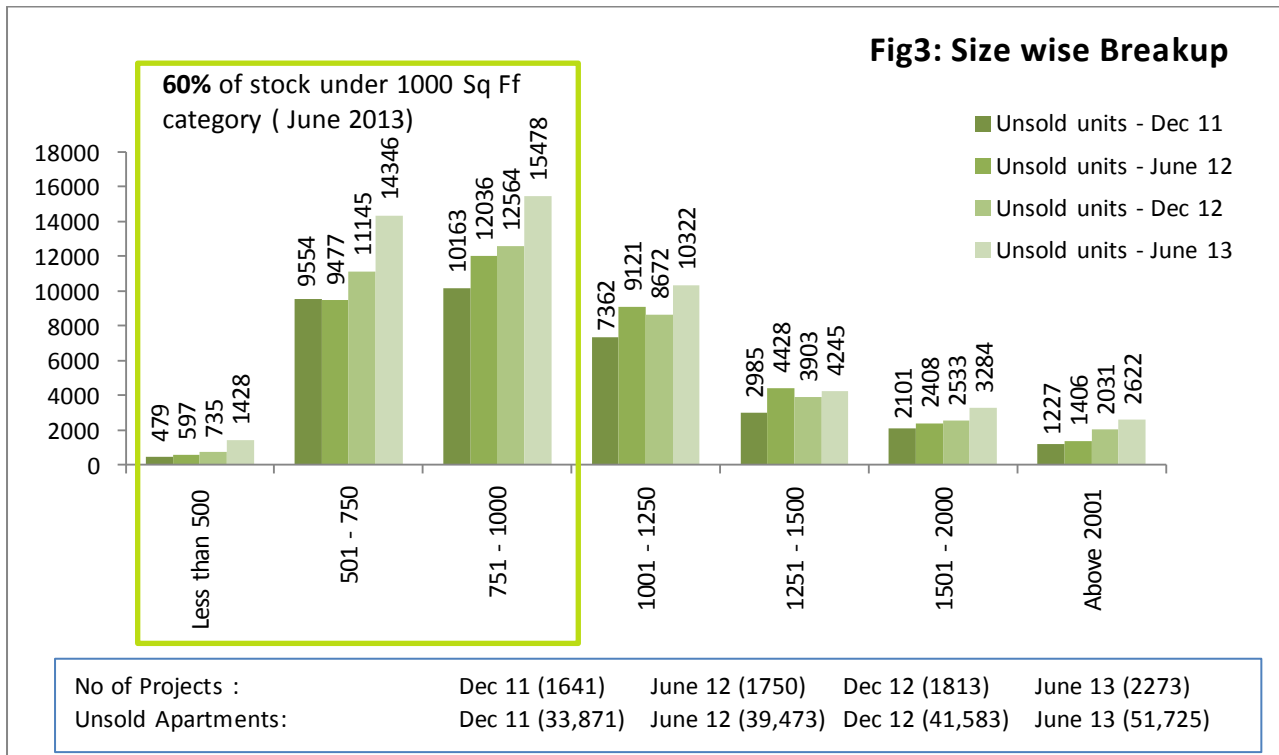
The inventory overhang position has increased to 6 ½ months on an overall basis. When viewed in isolation, this can be viewed as a cause for concern, however, since this is happening on account of an increase in supply and not on account of demand tapering off indicates that while there is no major cause for concern, on an overall basis, the overall market will not see substantive price rises in the near future. This is true for the market as a whole and individual micro markets will see varying price rises around the moderate market increments.

MARKET SUPPLY/AVAILABILITY

BREAK UP OF SUPPLY BY SIZE OF APARTMENTS

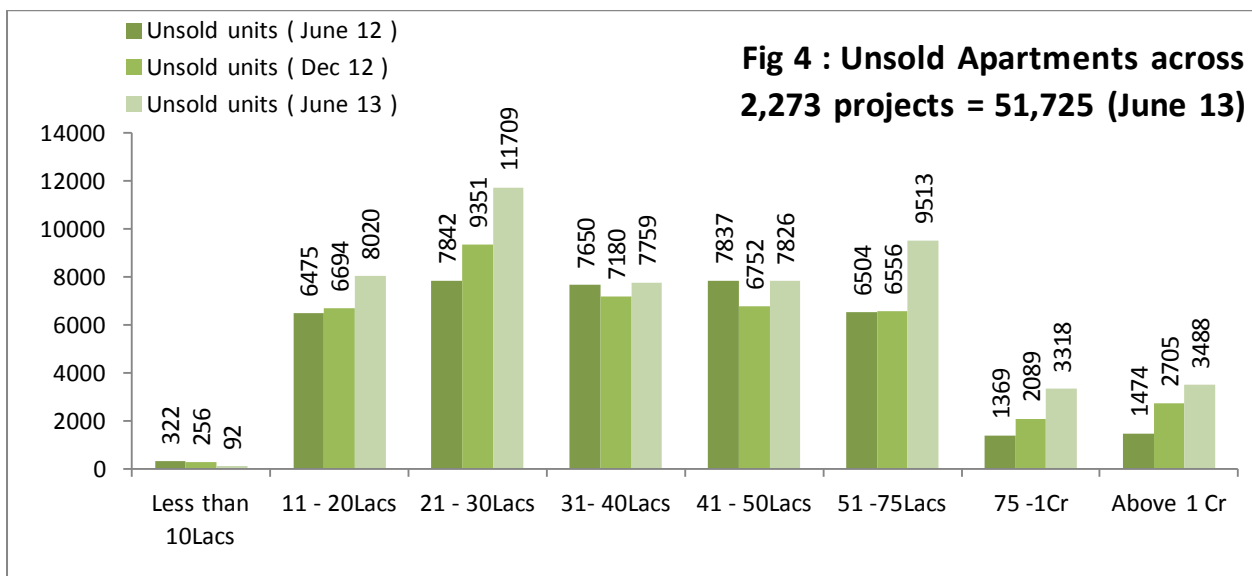
When we look at the total unsold stock and divide it based on the size of the flats, we find that the maximum number of unsold apartments (15,478) is in the range of 751 sf. to 1000 sf. In fact, out of a total unsold stock of 51,725, 60% of the flats are below 1000 sf. This clearly indicates that the developers are focusing on the value and affordable segments of the market.

Fig 3 shows the number of unsold apartments broken up by size of the apartments over the last 4 reports. There is a notable increase of supply in the 501-750 Sq.ft. size segment, with stock climbing up sharply by 28.72% (from 11,145 in Dec-12 to 14,346 in June 13). Roughly 60% (8983 units) of the 15,748 units unsold are from the fresh supply launched during the past six months. This jump is clearly due to the fresh supply launched in this size segment.



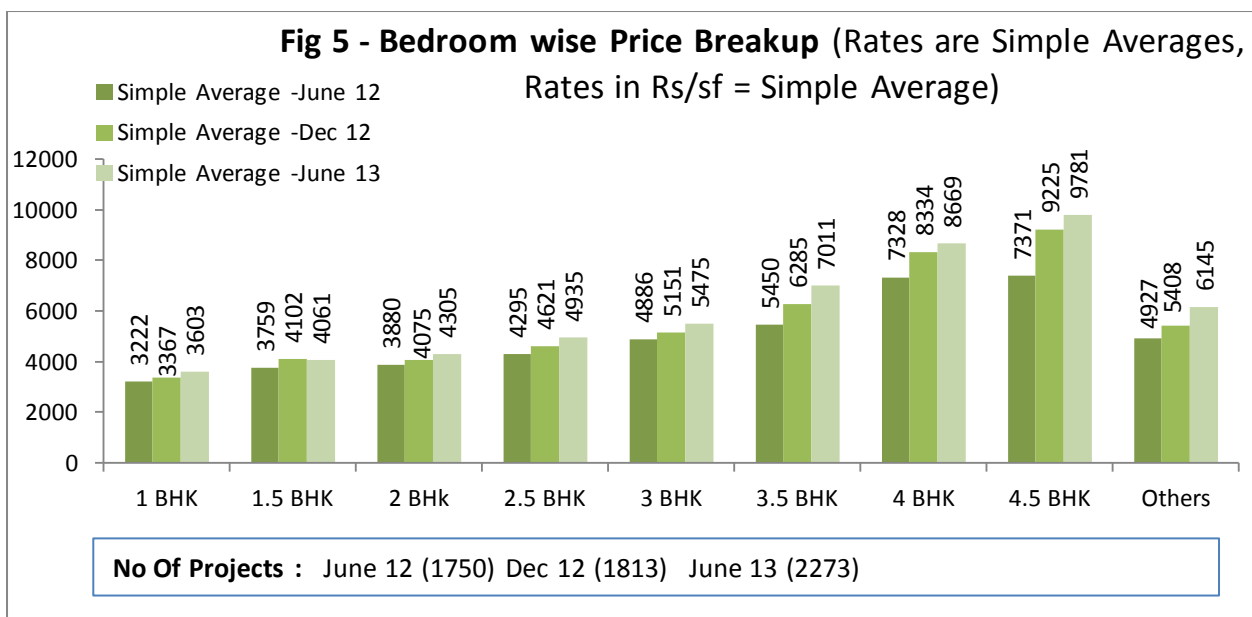
BREAK UP OF SUPPLY BY BUDGET

Roughly 53% of the stock is below the 40 lakhs cost bracket while 87 % of the stock is under 75 lakhs. Approx. 13% of the unsold stock is above 75 lakhs. The presence of almost 13.15% of unsold apartments in the 75 lakh+ bracket (as against 11.52% in December 2012 & 7.2% in June 2012) **confirms that there has been a consistent shift** towards catering to the high end segment of the market (**Fig 4**), however, the shift is more in the 3 & 4 bedroom segment. There are 3318 unsold apartments between 75 lakhs and 1 Cr (which stood at 2089 in December 2012 & 1369 in June 2012) while there are 3488 apartments unsold above 1 Cr (which stood at 2705 in December 2012 & 1474 in June-2012). Unsold stock has increased in both these cost brackets. The Pune Realty Market is in an expansion mode with more premium homes being launched.



AVERAGE PRICES OF APARTMENTS BY SIZE

On analyzing the price points across the market, we find that larger apartments are selling at higher prices (Fig 5). This is explained by the fact that larger apartments are coming up in more city centric and prime locations. These larger homes also come with higher specifications and amenities that further raise the prices. In fact the prices of the larger sized homes have increased at a rate greater than the lower sized homes which further reiterates the demand for “premium homes” is picking up pace on the back of home buyers looking to upgrade.



LOCATION BASED ANALYSIS

We divided the city into 6 zones each consisting of numerous neighborhoods/micro markets. The zones covered are listed below-

Zone 1: Nagar Road | Vimannagar | Kharadi | Wadgaonsheri | Vishrantawadi | Dhanori | Wagholi Mundhwa | Keshav Nagar | Ghorpadi | Bolhai | Kalas | Koregaon Bhima | Lohegaon | Lonikand Sanaswadi | Shikrapur | Talegoan Dhamdhare

Zone 2: Hadapsar | Mohammedwadi | Fursungi | Manjari | Uruli Kanchan | Lonikalbhor | Kondhwa NIBM Road | Bibvewadi | Undri | Lullanagar | Salisbery Park | Market Yard | Pisoli | Saswad | Yavat | Yewalewadi

Zone 3: Ambegaon | Katraj | Warje | Dhayari | Narhe | Dhankawadi | Khed Shivapur | Kondhave - Dhavade | Shivane | Uttam Nagar

Zone 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

Zone 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 City | Dattawadi | Fatima Nagar | Gokhale Nagar | Hingne | Khadki | Parvati | Wakadewadi

Zone 6: Akurdi | Bhosari Pradhikaran | Chakan | Chikhali Pradhikaran | Chinchwad | Dange Chowk Dapodi | Kalewadi | Kasarwadi | Kiwle | 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

The average rate across all micro markets put together is Rs 4448 psft. The micro markets that have witnessed the maximum increase in prices over the last 24 months are listed below (Fig 6)

Top Ten Highest Gainers (In the last 24 months)

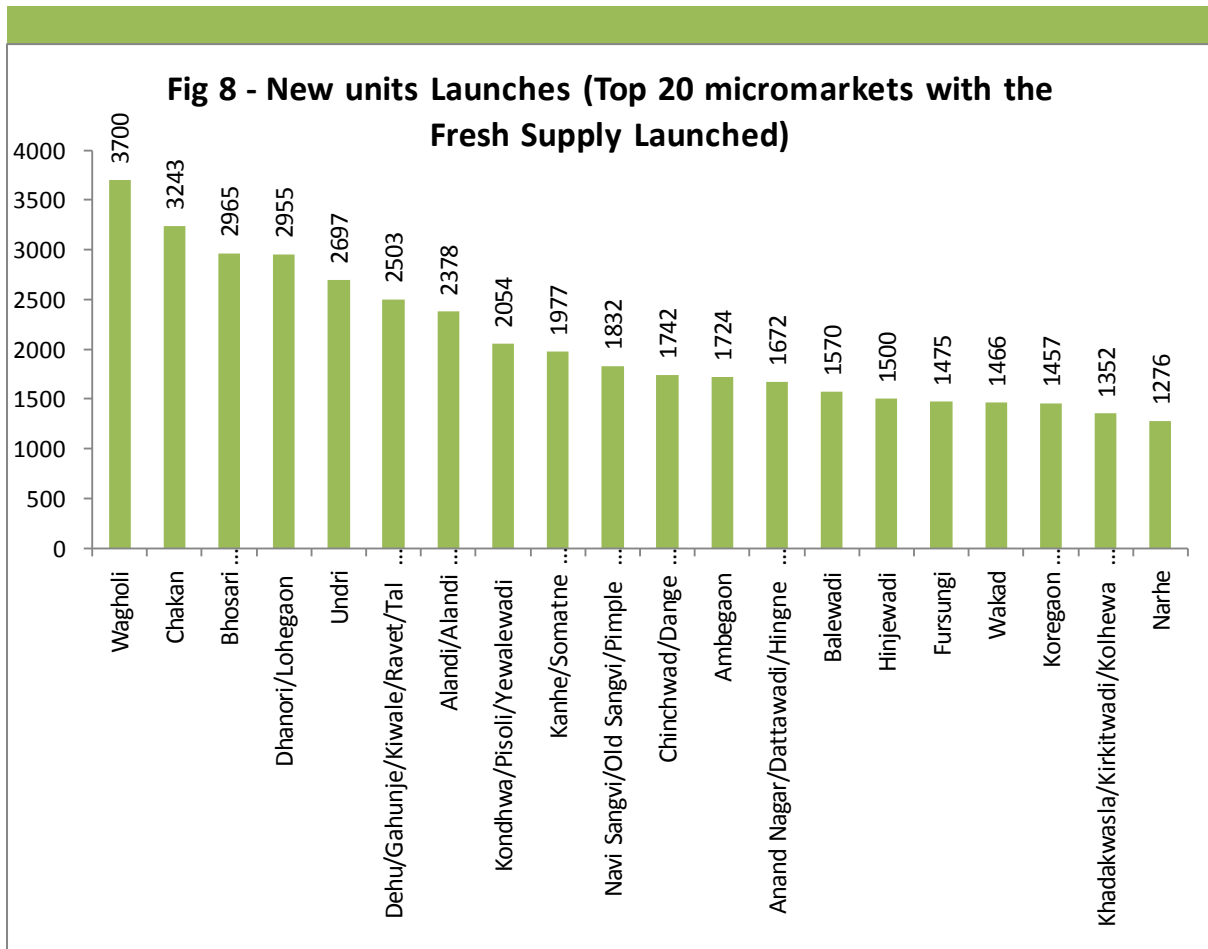
Location	Price appreciation 24 months
Bakori/Bolhai/Shirsatwadi	75.67%
Vishrantwadi/Kalas	50.88%
Erandwane/Karve Road/Karvenagar/Kothrud	49.01%
Pimpri/Kalewadi	48.31%
Khadakwasla/Kirkittwadi/Kolhewadi/Nanded/Nanded Phata/Panshet	45.46%
Akurdi/Nigdi/Nigdi Pradhikaran	45.26%
Baner	42.23%
Kondhawe Dhawade /Shivane/Uttam Nagar	40.93%
Ambadvet (Ahead of Pirangut)/Mulsi/Tamhini Ghat	40.14%
Dehu/Gahunje/Kiwale/Ravet/Talawade/Tathawade/Punawale	39.44%

The micro markets that have witnessed the lowest 24 month growth are listed below (Fig 7)

Bottom 10 Lowest Gainers (In the last 24 months)

Location	Price appreciation 24 months
Katraj/Khed Shivapur	1.76%
Koregaon	15.98%
Undri	16.50%
Aundh	16.55%
Ghorpadi (Sopan Baug)	19.62%
Boat Club Road/Tadiwala Road/Koregaon Park/Kalyani Nagar	20.63%
Market Yard/Lullanagar/Salisbury Park/Mukund Nagar	21.10%
Keshav Nagar/Mundhwa	23.38%
Purandar/Saswad	23.96%
Lavle	25.26%

The chart (**Fig8**) of newly launched units (new projects + new phases of old projects), clearly suggests that market expansion is happening evenly. The top two areas with the maximum new supply are Wagholi and Chakan, both border East Pune and West Pune. The next two areas with maximum supply (Bhosari and Dhanori/Lohegaon), are also bordering East and West Pune respectively. In fact, from the top 10 areas where maximum units have been launched, 5 are from West Pune and 5 are from East Pune.



Conclusion

The Pune residential market continues to show resilience amidst a negative economic environment at a macro level. At a local level, the fact that developers have launched projects in more numbers than ever before and the sellout ratio continues to be at the average market sell out indicates that the demand continues from home buyers. The price increases have also tapered off marginally in line with the reduction in inflation over the last 6 months.

All in all, the market currently seems to be in a state of equilibrium, however, the absolute number of unsold units can lead to a situation of oversupply if the macro economic conditions deteriorate drastically. The depreciation of the Rupee in the recent past makes it attractive for NRIs to invest in India thereby providing developers an alternative customer base.

Our past report of January 2013 had predicted an annual price rise of 13% to 17% with a bias on the higher side on the expectation of a reduction in home loan rates and pro-reform budget stimulus. This however did not happen. The first 6 months have seen an increase of only 6%.

Looking forward, we believe that the next 12 months have more risks than the last few years on account of the impending national elections as well as the macro economic situation. Further, the current macro-economic situation does not seem to leave any room for policies leading to a reduction in the interest rates. We also expect the cost structures for developers to be negatively impacted on account of the Real Estate Regulation legislation that is currently being considered by the Government. The draft in its' current form will lead to a price rise – this is a fallout of the populist move by the Government to regulate developers and the effect of price rises for the home buyer can be considered collateral damage.

Disclaimer: *As with other investments, real estate too carries a certain amount of risk. Readers are advised to undertake their own due diligence and make their decisions based on their own research rather than rely on the article above. Any views offered above are of the Company and being a real estate developer, there may be a developer side bias in the article.*