



---

# India Real Estate

---

Residential and Office

---

January to June 2019



Connecting People  
& Property perfectly.

# Content

<i>India</i>	<i>Pg. no. 6 - 19</i>
<i>Infrastructure</i>	<i>Pg. no. 20 - 27</i>
<i>RERA Misses The Boat</i>	<i>Pg. no. 28 - 31</i>
<i>Shared Spaces</i>	<i>Pg. no. 32 - 33</i>
<i>Ahmedabad</i>	<i>Pg. no. 34 - 51</i>
<i>Bengaluru</i>	<i>Pg. no. 52 - 71</i>
<i>Chennai</i>	<i>Pg. no. 72 - 87</i>
<i>Hyderabad</i>	<i>Pg. no. 88 - 105</i>
<i>Kolkata</i>	<i>Pg. no. 106 - 125</i>
<i>Mumbai</i>	<i>Pg. no. 126 - 145</i>
<i>NCR</i>	<i>Pg. no. 146 - 169</i>
<i>Pune</i>	<i>Pg. no. 170 - 187</i>

## FOREWORD



**Shishir Baijal**  
Chairman and Managing Director

It has been an eventful year so far with the past government being given a fresh and stronger mandate by the country for another term signalling stability of policy direction. In addition to the 75-bps reduction since February this year, the RBI has also changed its stance from 'Neutral' to 'Accommodative' in response to the dire need to boost aggregate demand and reinvigorate private investment activity. The apex bank has also implicitly stated its intent to aid the NBFCs facing a liquidity crisis and protect banks that have large exposures to these NBFCs. The relaxation of GST rates from 5% to 1% for affordable housing and from 12% to 5% for others also shows the government's will to aid the beleaguered sector.

Regulatory and financial measures taken by the government have played their part in supporting end-user sentiments in the residential segment. The Indian real estate market has also shown tangible signs of stability, as developers have been reconciling to the new normal since the implementation of the RERA and GST and increasing supply gradually. Albeit marginal, the residential market has now seen the third consecutive half-yearly period of YoY growth in demand as well as supply during H1 2019. However, this has been largely based on the volumes generated in the affordable housing segment that has seen a host of

incentives under the government's 'Housing for All by 2022' programme. The Mumbai residential market experienced the largest sales volume among all the cities, while the most YoY growth was experienced by NCR at 10% YoY during H1 2019.

The office space market that was constrained more because of the lack of supply rather than any slack on the demand side, unlike the residential segment, saw over 2.2 mn sq m (24 mn sq ft) get delivered in H1 2019. This is historically the highest quantum of supply coming online during a half-yearly period and prompted a similar record level of transactions at 2.6 mn sq m (27 mn sq ft). Additionally, five out of the eight markets under coverage experienced double-digit rental growth, reiterating the underlying strength of the Indian office market.

The spurt in demand for higher end roles in the Artificial Intelligence and data security domains have led to a welcome and significant 59% YoY increase in demand from the IT/ITeS sector during H1 2019. BFSI is the only sector that saw a negative growth in transactions YoY and is undergoing a period of strife in the wake of the NBFC crisis and the still serious NPA issues. It has been actively consolidating its real estate footprint with the objective of liquidating non-core assets and saw its space take-up reduce by nearly

8% YoY.

The incidence of shared spaces has been growing steadily in the Indian real estate markets, especially in the office markets where co-working operators have been experiencing prolific growth over the recent past. The space taken up by these operators has more than quintupled since H1 2017 to 0.5 mn sq m (5.5 mn sq ft) in H1 2019. The perception of real estate as a service offering is gaining popular appeal and is gathering traction in the residential market as niche segments such as co-living, student housing and senior living are attracting significant institutional interest.

While the underlying demand for residential property remains strong and recent trends suggest the beginnings of a recovery in market volumes, it is still a long road toward the resurrection of the residential market that is also plagued by macro concerns of economic growth that automobile and other consumer sectors are facing today. With the developers' fraternity correcting the mistakes of the past on product and pricing and the regulator working toward building new benchmarks in the sector, we think that it is a matter of time before the consumers' sentiment revives along with an improvement in economic momentum.

# India



# Residential Market

## India Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
Launches (housing units)	182,207	76%	91,739	111,175	21%
Sales (housing units)	242,328	6%	124,288	129,285	4%
Unsold inventory (housing units)	468,372	-11%	497,289	450,263	-9%
Quarters to sell	10.2	-	11.3	9.3	-

Source: Knight Frank Research

Note: India numbers denote Mumbai, NCR, Bengaluru, Chennai, Hyderabad, Ahmedabad, Pune and Kolkata

- The Indian residential market has continued the modest momentum in market volumes in H1 2019 that it had garnered during 2018 as developers and home-buyers alike are reconciling to the new Real Estate (Regulations and Development) Act, 2016 (RERA) and Goods and Services Tax Act (GST) regime. The consistent rate cuts by the RBI and reduction of GST rates to 1% for affordable housing and 5% to others have helped keep end-user sentiments stable in a landscape clouded by the ongoing Non-Banking Financial Company (NBFC) issues and resulting funding crisis for developers.

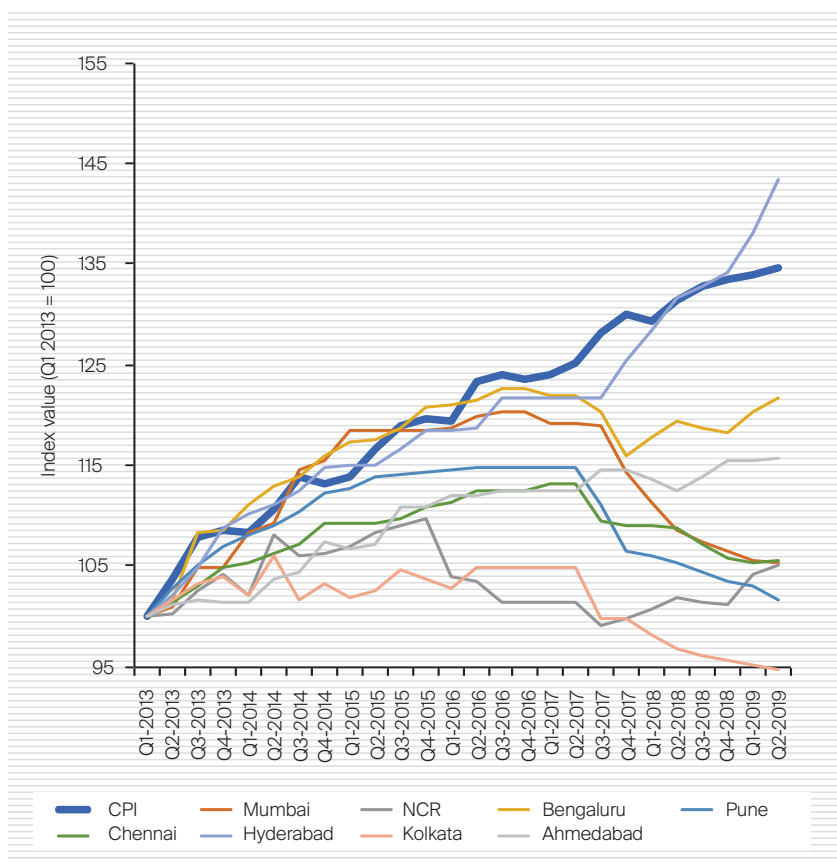
increased transparency have led to a steady increase in supply and sales numbers that have both hit their highest level since demonetisation during H2 2016.

- H1 2019 saw the number of units launched grow by a significant 21% year-on-year (YoY) to 0.11 mn units while sales grew by a steady 4% YoY to 0.13 mn units. It is heartening to note that both supply as well as sales have seen their third consecutive period of marginal growth largely driven by developers' focus on affordable housing and government's incentives under the "Housing for All by 2022" programme.

*H1 2019 saw the number of units launched grow by a significant 21% year-on-year (YoY) to 0.11 mn units while sales grew by a steady 4% YoY to 0.13 mn units.*

- Regulations imposed by the government to ensure accountability on the developer such as the RERA, GST and the Benami Transactions (Prohibition) Amendment Act, 2016 have effectively brought speculative activity to a standstill and laid the foundation of a healthy end users' market.
- While these measures have helped home-buyer sentiment, they have irrevocably changed the business of real estate for the developer. The developers' community is coming to terms with this new normal and beginning to stabilise and find its footing as can be seen by the recovery in the volume of apartments launched since H1 2018.
- This period of stabilisation, right-sizing and right-pricing of new residential product and improving home-buyer sentiment due to

### Consumer Price Inflation well above real estate price growth



Source: Knight Frank Research



- This stabilisation in volumes can be attributed largely to the fact that developers have been focussing on affordable housing and on lower ticket sizes. 51% of launches during H1 2019 have occurred in the ticket sizes under INR 5 mn and 78% under INR 10 mn.
- Market traction could have been better during H1 2019 but for the NBFC liquidity crunch that continues to put pressure on the already cash-strapped developer who has few financing options today. Banks have also been actively reducing their exposure to real estate and customer advances are a thing of the past in the RERA regime.
- Of the eight cities under coverage, only NCR and Kolkata saw supply fall further during H1 2019 while supply volumes in Ahmedabad vaulted by a massive 157% for the same period. Hyderabad and Bengaluru grew by 47% and 34%, respectively. Maharashtra has been the frontrunner in applying the RERA in letter and spirit which caused some distress on the supply side, but this seems to be resolving itself as can be inferred from the fact that Mumbai has accounted for almost 41% of the units launched during the year.
- The Mumbai residential market also experienced the largest sales volume among all the cities, while the NCR saw double digit growth in sales at 10% YoY during H1 2019. The Kolkata residential market however, has experienced very poor traction in volumes with launches and sales plummeting

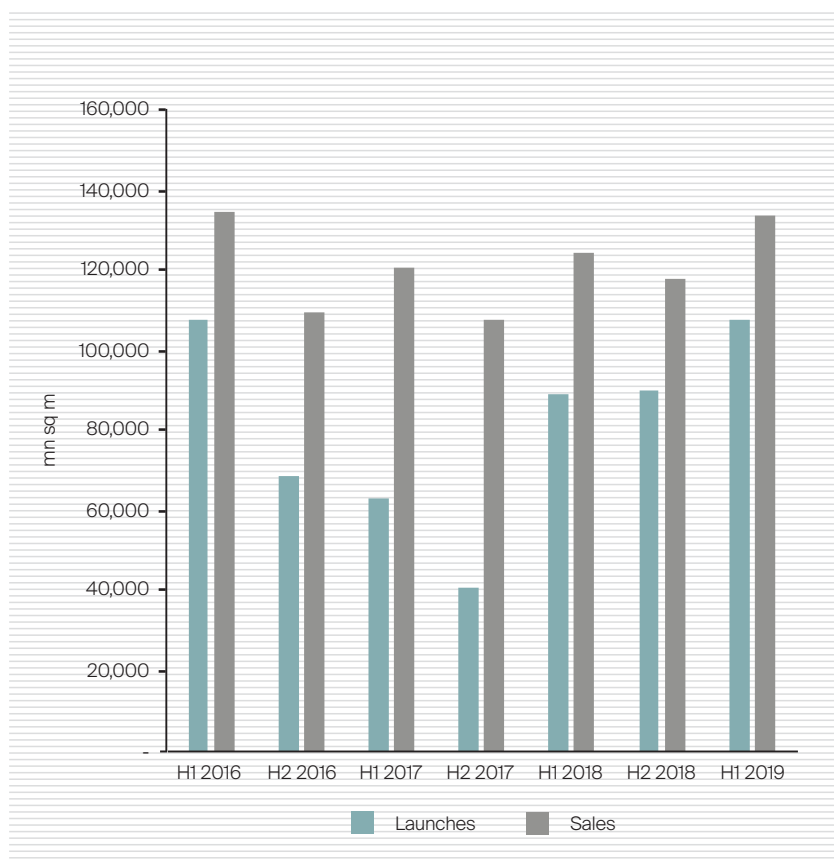
90% and 30% respectively. This is primarily due to the procedural delays caused by the West Bengal Housing Industry Regulatory Authority and the pronounced dependence of developers on the distressed NBFC sector.

- The current quarters-to-sell (QTS) level stands lower at 9.3 quarters at the end of H1 2019 compared to 11.3 quarters in H1 2018, thanks to comparatively higher sales since 2018 and lower unsold inventory levels. Even the age of unsold inventory has decreased across the eight major cities signifying that the unwinding or unloading of older residential stock is finally

happening.

- One must also consider the entire time taken by a developer from launch to the complete sale of a project that is considered the life cycle of a project from the developer's perspective. The reduction in the QTS and age of unsold inventory has pulled down the Project Life Cycle (PLC) of the eight cities under review from 27.4 quarters in H1 2018 to 24.8 at the end of H1 2019. While still not equivalent to the 24 quarters during H2 2016, it points at a recovery of sorts for developers from the upheavals caused by the demonetisation drive and the

### India Residential Market Activity



Source: Knight Frank Research

introduction of the GST and RERA regimes since then.

- Weighted average prices have stagnated across cities with Mumbai, Pune and Chennai seeing prices fall by a further 3%, 4% and 3% YoY, respectively. Hyderabad continues to see exceptional price growth at 9% YoY due to the high proportion of ready inventory and very little supply coming online during 2018. Even though new launches have increased in H1 2019, compared to H1 2018, it will take time to satiate the pent-up demand in this city.
- During the last four years, the growth in residential prices in most of the top eight cities of India has been below retail inflation growth and the gap has progressively increased since H1 2016. This has helped keep the end-user interested and caused the de-growth in sales to be much more muted compared to launches. Hyderabad has been the only market to buck the trend and record residential price growth over the retail inflation level.
- This end-user friendly movement in prices and the reduction in average unit sizes of new launches across cities are steps in the right direction and more in-line with the contemporary home-buyer's needs.
- The fact that H1 2019 represents the third consecutive period of YoY growth, albeit marginal, for both, sales as well as launches, lends credence to the belief that the Indian residential market is

attempting a modest recovery. However, developers still need to grapple with the funding crisis that is a big threat to their financial survival in the short term. The government relaxing norms for NBFCs to liquidate their loan portfolios and its contemplating the increase in tax deductions on home loans will play its part in stimulating the market.

---

*Weighted average prices have stagnated across cities with Mumbai, Pune and Chennai seeing prices fall by a further 3%, 4% and 3% YoY, respectively. Hyderabad continues to see exceptional price growth at 9% YoY due to the high proportion of ready inventory and very little supply coming online during 2018.*

---

---

■ ■

*The fact that HI 2019 represents the third consecutive period of YoY growth, albeit marginal, for both, sales as well as launches, lends credence to the belief that the Indian residential market is attempting a modest recovery*

---

■ ■

---

■ ■

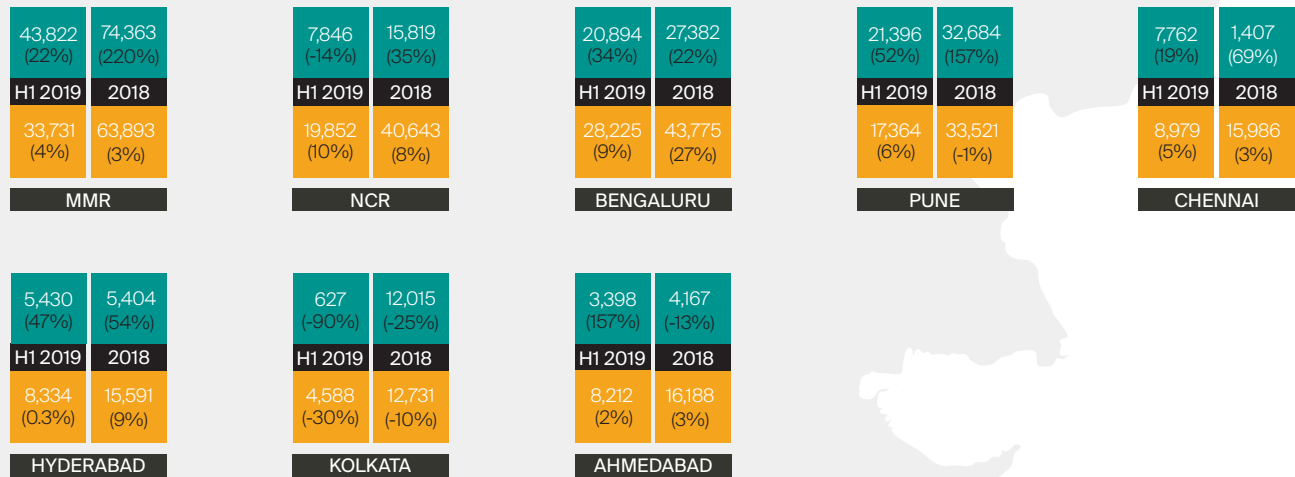
*The NBFC liquidity crunch continues to put pressure on the already cash-strapped developer who has few financing options today. Banks have also been actively reducing their exposure to real estate and customer advances are a thing of the past in the RERA regime.*

---

■ ■

# Residential Launches and Sales

■ Launches (housing units)      ■ % change (YoY)  
■ Sales (housing units)



Source: Knight Frank Research

# Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Change)      ■ Age of inventory (in quarters)  
■ QTS (in Quarters)



Source: Knight Frank Research

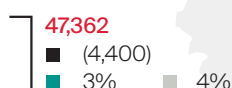
# Residential Pricing

■ Price Range in H1 2019 in ₹/sq mtr     ■ 12 Month Change  
■ Price Range in H1 2019 in ₹/sq ft     ■ 6 Month Change

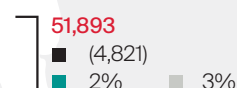
## MMR



## NCR



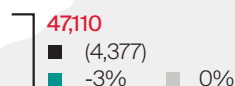
## BENGALURU



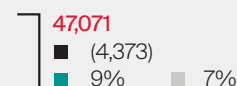
## PUNE



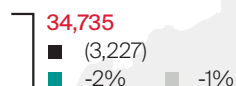
## CHENNAI



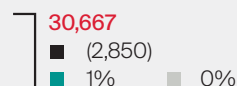
## HYDERABAD



## KOLKATA



## AHMEDABAD



Source: Knight Frank Research

# Office Market

## India Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	3.7 (39.3)	15%	1.7 (18.2)	2.2 (23.9)	31%
Transactions mn sq m (mn sq ft)	4.4 (47.6)	11%	2.0 (21.8)	2.6 (27.4)	26%
Weighted average rental ₹/sq m/month (₹/sq ft/month)	848 (79)	11%	771 (72)	860 (80)	10%
Stock mn sq m (mn sq ft)	64.6 (695)	6%	62.6 (674)	67 (721)	7%
Vacancy (%)	13.1%	-	12.7%	12.7%	-

Note – 1 square metre (sq m) = 10.764 square feet (sq ft)  
Source: Knight Frank Research

# 26%

Increase in lease transactions in H1 2019

- Office space supply has lagged demand since 2013 as developers chose to commit a majority of investments into residential real estate in hopes of saving existing projects or scoring a comparatively quicker profit, despite a strong underlying demand from office occupiers. Even private equity investors have been more inclined to acquire stabilised assets as an overwhelming majority of their investments have been routed toward the acquisition of already matured assets.

their global expertise in the operational aspects of their Indian office property investments.

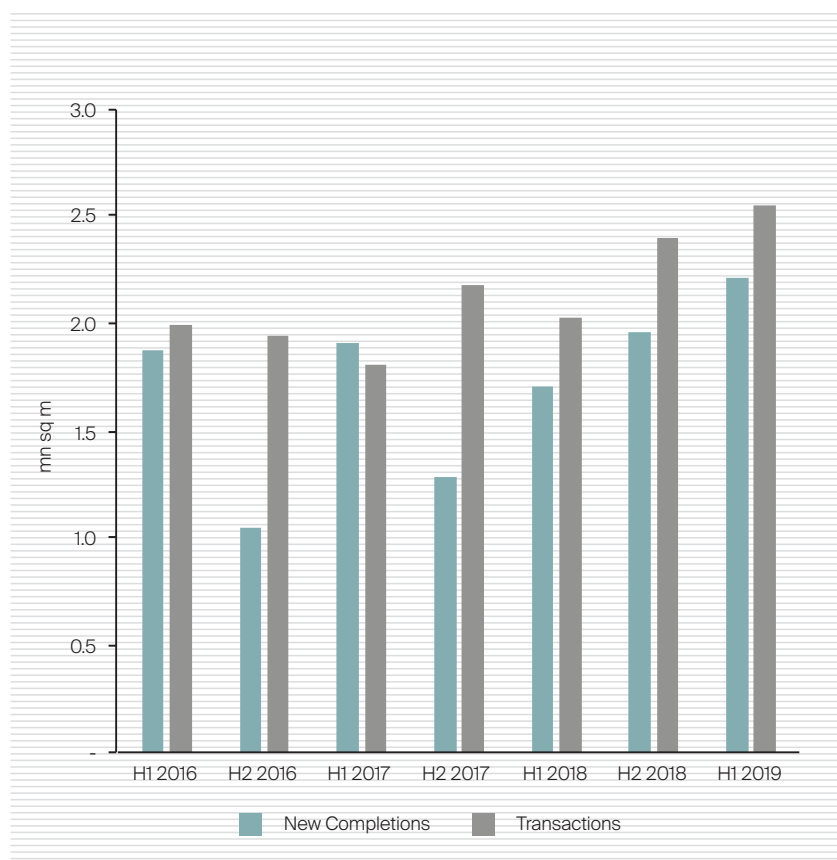
- With this shift of focus from residential to office development, the office space market experienced an increase in supply during 2018 that continued to gain momentum during H1 2019. Supply increased by 31% year-on-year (YoY) to 2.2 mn sq m (23.9 mn sq ft) in the current analysis period, a decadal high.
- Transaction levels that were

limited largely due to the dearth of viable office space, responded in kind and clocked a similar decadal high of 2.6 mn sq m (27.4 mn sq ft) for space transacted in a single period during H1 2019.

- Additionally, five out of the eight markets under coverage experienced double-digit rental growth underscoring the underlying strength of the Indian office market. Mumbai and Chennai saw rental growth at a respectable 7.5% and 3.5% YoY growth, respectively, while Kolkata

- However, investment returns from residential real estate have been hampered by the inception of the Real Estate (Regulation and Development) Act, 2016 (RERA) that has effectively increased the compliance requirements and exit horizons of the residential developer substantially. Additionally, the slump in homebuyer demand and the ongoing correction in real estate prices have also played their part in rekindling the interest of developers and institutional investors, wanting to capitalise on the tight market conditions in the office market.

### India Office Market Activity



Source: Knight Frank Research

- Financial institutions are also looking to play a larger role in the operation of their office property investments. Large private equity and pension funds such as Blackstone and the Canada Pension Plan Investment Board (CPPIB) are now actively applying

rentals grew at a barely positive 0.6% YoY. Average rental values across the seven cities grew at 10% YoY during H1 2019.

Ahmedabad experienced the maximum YoY rental growth at 14.3%, while Bengaluru and Hyderabad grew at 13.5% and 11.3% YoY respectively during the analysis period.

- The information technology / information technology enabled services (IT/ITeS) sectors' share in transactions has shown signs of weakening in recent periods due to macro headwinds in the form of a slowdown in spending, as well as an inclination to insource by the USA and several European countries. However, a recent surge in hiring since the end of 2018 due to an increase in demand for higher-end jobs in domains such as Artificial Intelligence (AI) and data security has increased the real estate requirements of the sector as well. The IT/IT/eS sector accounted for 35% of the transacted volume in H1 2019 as compared to the 28% in the previous period.

- Contrastingly, the Banking, Financial services and Insurance (BFSI) sector that had seen its share increase from 13% in H2 2017 to 18% in H2 2018, saw its share slump again to 13% in the current analysis period due to an active focus by Non-Banking Financial Companies' (NBFCs) and banks with higher NPAs to curb expansion plans and liquidate non-core assets.
- Demand from the Other Services sector has consistently outstripped the IT/ITeS, manufacturing and BFSI sectors on the back of increased take-up by ecommerce and co-working companies.
- The co-working story that is a global phenomenon has taken root in India and this can be observed in the increasing quantum of space companies such as Coworks, WeWork, Daftar India and Awfis have been taking up space in Mumbai, Bengaluru, Pune and the NCR. Across the top eight cities, such co-working space providers have taken up around approximately 0.37 mn sq m (4.0 mn sq ft) of office space

during H1 2019, a 42% growth over H1 2018.

*H1 2019 sees decadal highs in office transactions as well as completions.*

### Sector-Wise Split of Transactions

Industry	H1 2018	H1 2019
BFSI	18%	13%
IT/ITES	28%	35%
Manufacturing	14%	12%
Other Services	40%	40%

*Note: BFSI includes BFSI support services; Other Services includes co-working, media, telecom, etc.  
Source: Knight Frank Research*



---

Supply increased by 31% year-on-year (YoY) to reach a decadal high of 2.2 mn sq m (23.9 mn sq ft) in the current analysis period. Transactions clocked a similar high of 2.6 mn sq m (27.4 mn sq ft) for space transacted in a single period during H1 2019.

---

---

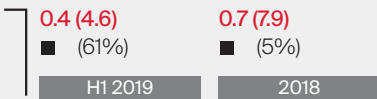
Across the top eight cities, co-working space providers have taken up around approximately 0.37 mn sq m (4.0 mn sq ft) of office space during H1 2019 which represents a 42% growth over H1 2018 and accounts for approximately 15% of the total space transacted during this period

---

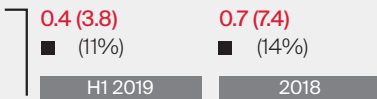
# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

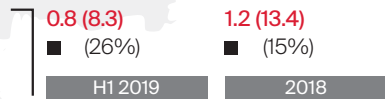
## MMR



## NCR



## BENGALURU



## PUNE



## CHENNAI



## HYDERABAD



## AHMEDABAD



## KOLKATA

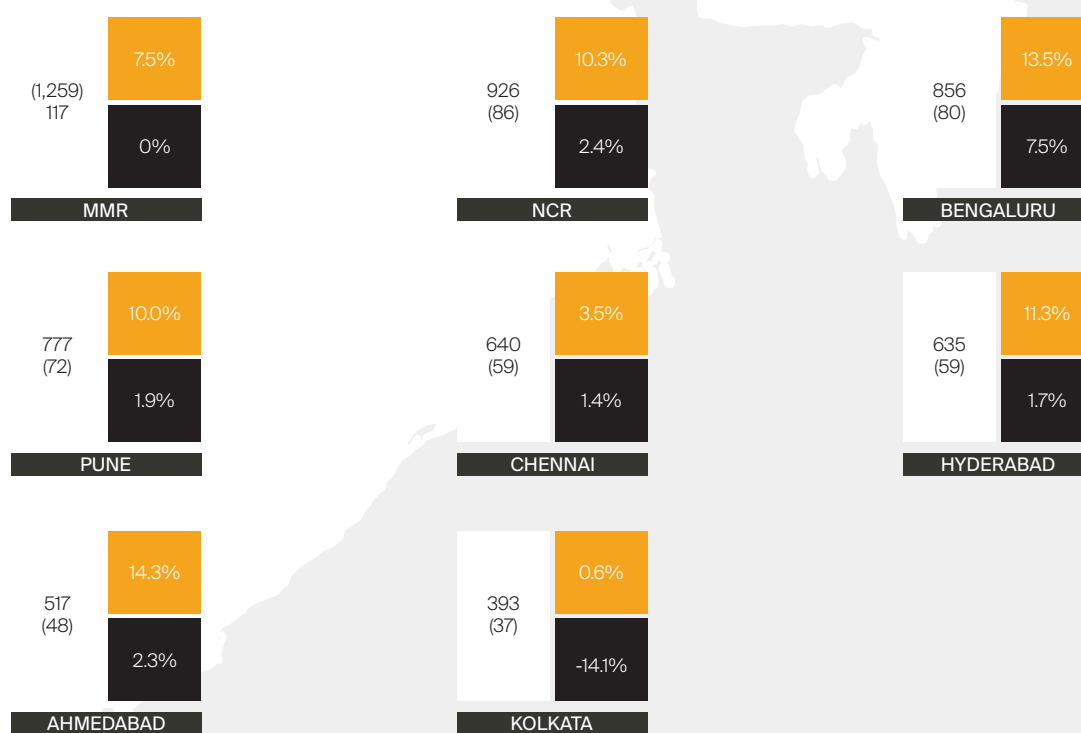


Source: Knight Frank Research

# Office Rental

□ Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)

■ 12 month change    ■ 6 month change



Source: Knight Frank Research



# *Infrastructure: The Lynchpin of India's Real Estate Story*

- by Rajeen Vijay



*Along with the growth of realty, it is equally important to appreciate the role of infrastructure, as it provides the overall liveable environment and impacts the community in its day-to-day life.*

*As like other sectors of the economy, real estate is dependent on infrastructure and it is easily influenced by its availability or lack of it, or by the quality of its construction. However, the significant development that has taken place over the last few years is that infrastructure now looks at complimenting real estate to improve its viability and fund its growth. Not only that – while parts of India are still waiting to be provided with basic infrastructure there are other parts of the country where aspiring Indian wants to see “infrastructure as a service” and wish to compare them with the best global standards and forms of service they see in the realty and hospitality sectors.*

*This transition has happened over decades and as India moves up towards being in the top three to five economies in the world, it is important to understand how infrastructure and realty have evolved over the last few decades.*

*The definition of the term ‘infrastructure’ is quite wide and has different meanings to various societal*

*needs. There is core infrastructure like roads, highways, ports, airports, power, etc. to social infrastructure like schools, hospitals and community facilities. These terminologies developed over the years as India started focusing on infrastructure.*

*The growth in infrastructure sector has been a long and painstaking one. Historically, India has invariably had a lower focus on infrastructure leading to lower provisions in the Union Budget. Post-independence, the initial focus was on creating power infrastructure and nothing significant happened on the infrastructure front for several decades. The road sector has gained prominence since the year 2000, when the then government envisioned and developed the Golden Quadrilateral Corridor connecting Delhi–Mumbai–Chennai–Kolkata followed by the North–South and East–West corridors. Around the same time, the telecom infrastructure also started to take ground with many private players creating telecom infrastructure – particularly the mobile telephony, which is now such an integral part of life and has assumed significant proportions (more than a billion Indians own a mobile phone). The success of privatisation in road and telecom infrastructure soon moved into aviation, ports and then power from the early and mid-2000s till 2010.*

*From 2000–2010, the private sector increasingly started to invest in the creation and expansion of infrastructure. During this period, the private sector investment in infrastructure also increased to about 30% of the total investment. This rose to about 37%–38% in the 12th Five-Year Plan, however, as of 2018, it has reduced to about 25%.*

*While the government spending in infrastructure has generally remained within 5%–6% of GDP, most of it came through its own sources. With the private and banking sector now struggling with over exposure and risks on PPP assets, the government is working towards creating an enabling environment and regulations for private sector investment in infrastructure. While that is being developed, the government is also looking at alternate and efficient ways of generating funds to continue infrastructure investments.*

*While some of the funds came through cess, tolls and tariffs in usage of public infrastructure, the government is actively working to use/monetise land assets and corresponding real estate assets to source additional revenues and reduce fund requirements.*

*The non-farebox revenues are continuing to gain prominence with increasing share of revenues being*

targeted from it. The privatised Delhi and Mumbai airports, forming part of aviation infrastructure, now earn more from real estate and associated revenues (the non-aero or non-farebox revenues) than the aero revenues. This is now increasingly being used across rail and metro projects. These include: railway station redevelopment being undertaken by IRSDC and RLDA Multi Functional Complexes.

For India to move from about a USD 2.5 trillion economy to USD 5 trillion economy by 2025, India needs to increase its growth in infrastructure. It is estimated that India needs about a USD 4.5 trillion investment in infrastructure by 2040, assuming India grows annually at a rate of about 5.5%.

To achieve these, the government has embarked on several large programmes (see Exhibit 1). These are expected to bring the required impetus in the economy – be it manufacturing, agriculture or services, and cater to the huge growth that India expects to realise over the next two decades.

Such infrastructure provisions will bolster the real estate market by opening not only, the serviced lands and market for real estate but also the private sector expertise in the services industry. The industrial corridors programme is providing thousands of acres of serviced land in a 'Smart City' environment across India. This opens up opportunities for the private sector to provide professional city management services for such cities, which is lacking critically in a traditional municipal environment. These can be extended to more than 100 townships owned by several PSUs like NTPC, SAIL, BHEL, NHPC, etc. including to the defence sector, which is looking at alternative ways to manage their residential townships and non-sensitive areas.

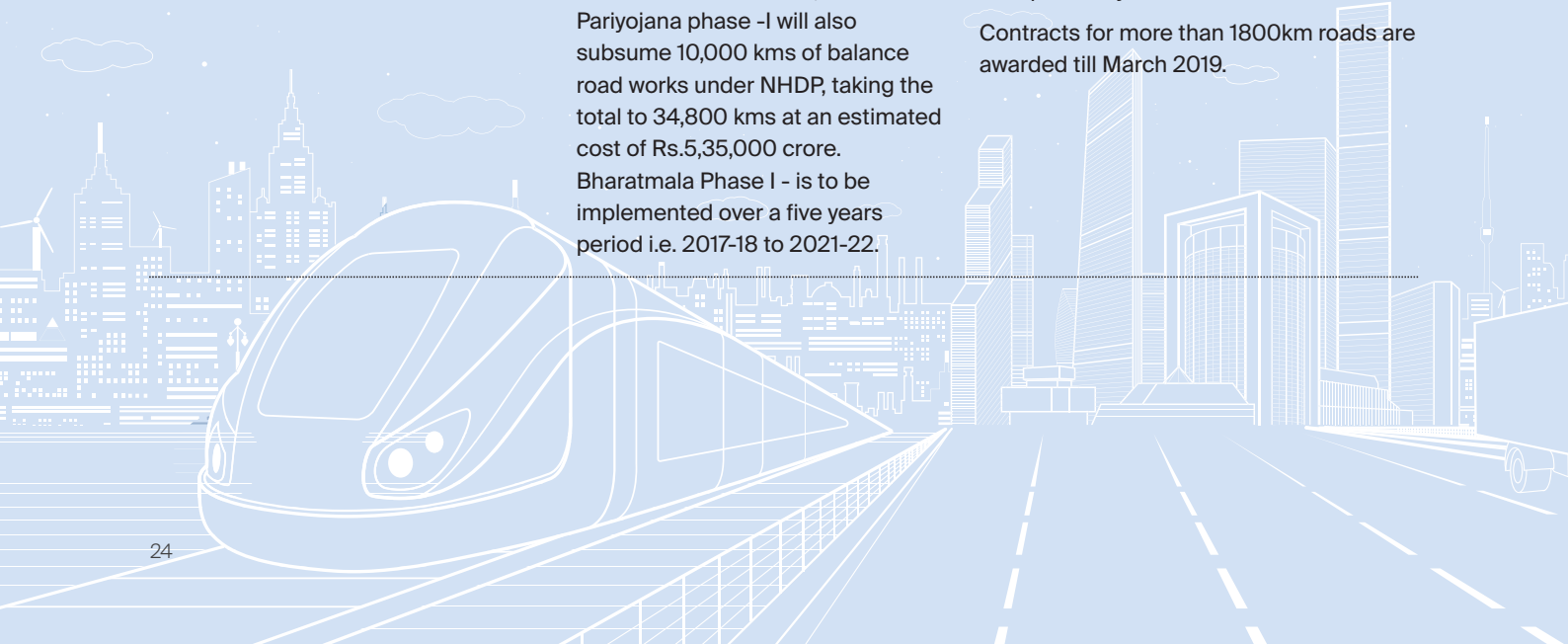
Investment opportunities in the infrastructure sector continue to grow and along with it the continuous development of realty.

Amongst the several infrastructure investments made in the country, the metro rail has been the one with the potential to have a significant impact on real estate. India, today, has more than 500 km of operational metro lines in 10 cities and another 15 are vying for investments to build around 650 km of metro rail across the country. The question is do we have enough money to build and run this expensive infrastructure in smaller cities? Besides Delhi, Mumbai and may be a few other metropolitan cities, where there is a substantial metro\* and public transport network along with a pent-up public transport demand, others are unlikely to succeed or even survive based on farebox revenues only. Being investment intensive, local authorities must gear up to leverage real estate, land monetisation and VCF tools to garner funds to support its operations and further expansion. This would require substantial efforts from local authorities to manage proactively the administrative and regulatory challenges. To improve financial sustainability, Nashik Metro is envisaging a hybrid metro that will cost only about INR 500 million per km compared to INR 2,500 million over a conventional metro rail system. It is for us to demonstrate how best a good public transit environment and real estate be built together.

Note: \*Under construction in Mumbai

Exhibit 01

Program	Investment	Observation	Status
Delhi Mumbai Industrial Corridor (DMIC) and other industrial corridors (CBIC, AKIC, BMIC, VCIC)	USD 90 billion for DMIC only	<p>These industry-led smart cities are not only expected to increase manufacturing and its share in GDP but also promote a wholistic Work-Live-Play urban environment.</p> <p>Out of 24 investment nodes, there is a plan to develop 8 industrial cities in the first phase of Delhi Mumbai Industrial Corridor, of which 5 are under implementation now.</p> <p>Other Corridors have also 3-6 investment nodes under consideration.</p>	<p>Under DMIC, 4 Cities at Dholera (Gujarat), Shendra Bidkin (AURIC City) near Aurangabad (Maharashtra), Integrated Industrial Township - Greater Noida (UP), Vikram Udyogpuri (MP) are under implementation. In addition, one mixed land use development (16 million sqft) with a convention centre is under implementation in Dwarka, Delhi.</p> <p>Phase I of all the 4 cities is nearing completion and expected to be operational in 2019-2020. Some Industrial units in Shendra Bidkin (AURIC City) have already started operations and IIT Greater Noida has committed investments translating on ground. Dwarka Convention centre is also in advanced stages of construction and expected to be operational in 2020.</p>
Bharatmala	Estimated cost of Rs. 5,35,000 crore.	<p>Bharatmala proposes to expand the current 6 National Corridors (4 under Golden Quadrilateral and 2 under North South and East West) into 50 Corridors and increasing the freight share from 40% to 80% of the goods movement by road in the country. Out of total 83,677km, around 24,800 km are being considered in Phase I of Bharatmala. In addition, Bharatmala Pariyojana phase -I will also subsume 10,000 kms of balance road works under NHDP, taking the total to 34,800 kms at an estimated cost of Rs.5,35,000 crore.</p> <p>Bharatmala Phase I - is to be implemented over a five years period i.e. 2017-18 to 2021-22.</p>	<p>MoRTH has identified stretches for development of about 9,000 km length of Economic corridors, about 6,000 km length of Inter-corridor and feeder roads, about 5,000 km length of National Corridors Efficiency improvements, about 2,000 km length of Border and International connectivity roads, about 2,000 km length of Coastal and port connectivity roads, about 800 km length of Expressways.</p> <p>Contracts for more than 1800km roads are awarded till March 2019.</p>





Program	Investment	Observation	Status
Sagarmala	As a part of this Programme, more than 604 projects (Cost: Rs. 8.8 Lacs Cr.) have been identified for implementation.	<p>Sagarmala aims to address infrastructural and operational challenges in the logistics sector by reducing cost and time for transporting goods, in turn benefiting industries and export/import trade.</p> <p>The components of scheme include: Port Modernization &amp; New Port Development; Port Connectivity Enhancement; Port-linked Industrialization; Coastal Community Development</p> <p>Under Sagarmala Programme, about 600 projects, at an estimated investment of approximately Rs.8 Lac Crore, will be taken up by the relevant Central Ministries/ Agencies and State Governments preferably through private/PPP mode.</p> <p>In addition, 6 new port locations (Vadhavan, Enayam, Sagar Island, Paradip Outer Harbour, Sirkazhi and Belekeri) have also been identified</p>	<p>Its will be implemented in a phased wise manner and is expected to be completed till 2035.</p> <p>Till Sept 2018, a total of 522 projects were under implementation, development or completion. Projects worth about Rs 15000 cr were completed, Rs 238,000 cr under implementation and Rs 180,000 cr under development.</p>



Program	Investment	Observation	Status
100 Smart Cities	INR 48,000 crore (Central Government) over five years, i.e. on an average, the Central Government will spend INR 100 crore per city per year.	<p>The main objective is to provide core infrastructure, a clean and sustainable environment by applying smart solutions in the cities. The core infrastructure elements in the Smart City would include:</p> <ul style="list-style-type: none"> <li>i. adequate water supply,</li> <li>ii. assured electricity supply,</li> <li>iii. sanitation, including solid waste management,</li> <li>iv. efficient urban mobility and public transport,</li> <li>v. affordable housing, especially for the poor,</li> <li>vi. robust IT connectivity and digitalisation,</li> <li>vii. good governance, especially e-governance and citizen participation,</li> <li>viii. sustainable environment,</li> <li>ix. safety and security of citizens, particularly women, children and the elderly,</li> <li>x. health and education.</li> </ul>	Government of India has released funds amounting to INR 13,850 crore till March 2019 under this mission. Projects are at different stages of implementation/ development across cities.



Program	Investment	Observation	Status
High Speed Rail Projects (Bullet trains)	Estimated cost INR 1,08,000 crore	<p>A high-speed rail corridor between Ahmedabad and Mumbai has been proposed with the total length of this corridor being 508.17 km.</p> <p>81% of the project cost has been funded by loan from the Government of Japan, at a rate of interest of 0.1% with a repayment period of 50 years with a 15-years grace period.</p>	The project is targeted for commissioning by the year 2022-23. Land acquisition is under progress.

Other important projects under implementation or development:

1. Mumbai Trans-Harbour Link
2. Navi Mumbai International Airport
3. Setu Bharatam Project
4. Inland Waterways NW1 and NW2 works
5. Chardham Highway Project
6. Gujarat Gorakhpur Gas Pipeline
7. Chenab Bridge



# RERA misses the boat

– by Divya Grover

The Real Estate (Regulation and Development) Act, 2016 (RERA) partially came into effect on 1st May 2016 with 60 out of 92 sections.

Subsequently, the remaining 32 sections came into force on 1st May 2017. More than two years after RERA's full implementation, the

status across the top cities is as below:

## RERA Implementation Tracker

City name	Status of rules	Web portal	Establishment of Regulatory Authority	Establishment of Appellate Tribunal
Ahmedabad	Notified	Functional	Permanent	Interim
Bengaluru	Notified	Functional	Permanent	Permanent
Chennai	Notified	Functional	Permanent	Permanent
Delhi	Notified	Functional	Permanent	Interim
Gurugram	Notified	Functional	Permanent	Permanent
Hyderabad	Notified	Functional	Interim	Interim
Kolkata#	Not notified	Not set up	Not established	Not established
Mumbai	Notified	Functional	Permanent	Permanent
Noida	Notified	Functional	Permanent	Permanent
Pune	Notified	Functional	Permanent	Permanent

Source: Knight Frank Research, Ministry of Housing and Urban Affairs (MoHUA)

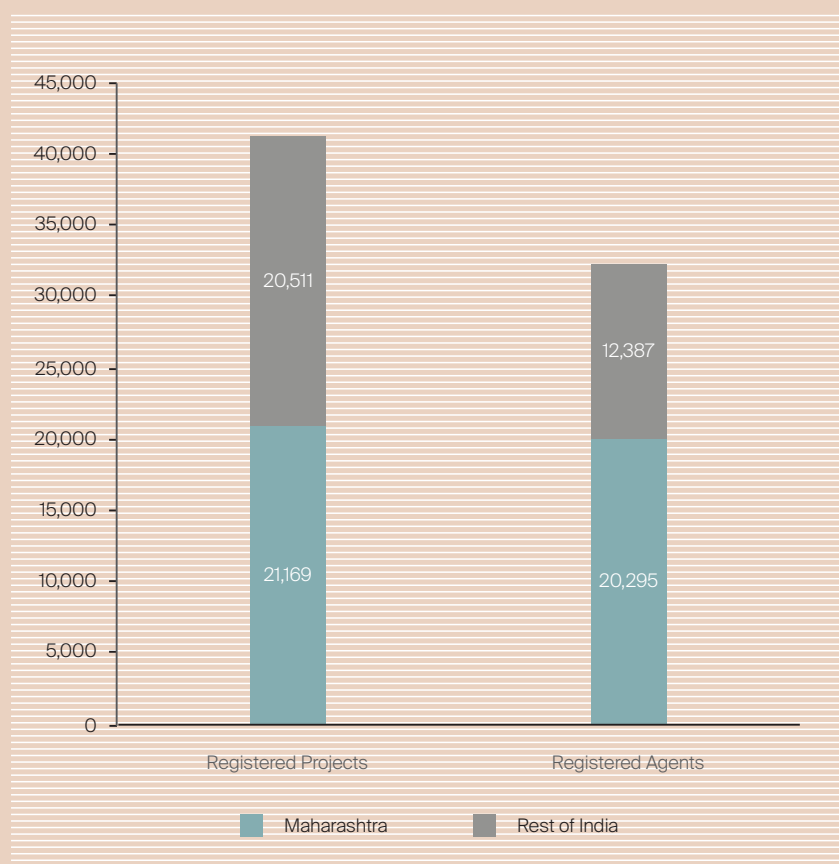
Notes: #West Bengal has enacted its own Act namely 'West Bengal Housing Industry Regulation Act, 2017' (HIRA), however, the state has been advised by MoHUA to notify the rules under the Real Estate (Regulation and Development) Act, 2016. HIRA has registered 442 projects and 227 agents as of 26th June 2019.

As per Central RERA, the timeline of three months (1st May 2017–31st July 2017) was provided to promoters for RERA compliance and to register ongoing projects. But the registration of projects is still going on across states and as of 15th June 2019 – 41,680 real estate projects and 32,682 real estate agents have been

registered under RERA across the 29 states and seven union territories. Since Maharashtra was the first and foremost state in India to adopt RERA in its true letter and spirit, its coverage, in terms of RERA registered projects and agents, has far outpaced the others. They have in fact, incorporated innovative features

like geographic information system (GIS) to help prospective buyers access project details seamlessly and enable them to view amenities near the project of their interest, such as hospitals, schools and public parks by zooming in on the map on the MahaRERA website.

### *Maharashtra leading across India in terms of projects and agents registration*



Source: Knight Frank Research

- Of the total projects registered under RERA in India, Maharashtra accounts for 51%, while the balance 49% is spread across the Rest of India.
- Of the total real estate agents registered under RERA in India, Maharashtra accounts for 62%, while the balance 38% is spread across the Rest of India.

The region-wise break up for percentage accounted in the total projects registered and total real estate agents registered categories is as below. These regions have been selected due to the presence of eight

prominent cities and the national capital of Delhi and represent the biggest real estate markets in terms of residential inventory and consumer demand vis-à-vis other cities.

State	Share in projects registered across the country	Share in real estate agents registered across the country
Gujarat	13%	3%
Karnataka	6%	5%
Tamil Nadu	2%	2%
NCT of Delhi	1%	1%
Telangana	2%	2%
West Bengal	0%	0%
Maharashtra	51%	62%
Haryana	1%	5%
Uttar Pradesh	6%	9%
Others*	18%	11%
India Total	100%	100%

*Notes: \*Rest of India*

*Source: Knight Frank Research, Ministry of Housing and Urban Affairs (MoHUA)*

Top **3** states for registered projects

- Maharashtra
- Gujarat
- Karnataka and Uttar Pradesh

RERA was not applicable in the state of Jammu & Kashmir, however, the state has notified its own legislation named as 'The Jammu and Kashmir Real Estate (Regulation and Development) Act, 2018' on 16th December 2018 which is identical to RERA.

Top **3** states for registered real estate agents

- Maharashtra
- Uttar Pradesh
- Karnataka and Haryana

Due to disparity in the manner with which each state is collating the details and making the buyer complaint information to the RERA Authority public on the state RERA websites, the only parameter available for uniform comparison is based on number of cases disposed by each state as of 31st March 2019.

*Of the total projects registered under RERA in India, Maharashtra accounts for 51% while the balance 49% is spread across the Rest of India.*

Total number of cases disposed as of 31st March 2019 across major states is as below:

State	Number of cases disposed	Share in no. of cases disposed across the country
Gujarat	651	4%
Karnataka	1,049	6%
Tamil Nadu	196	1%
NCT of Delhi	Info awaited	-
Telangana	0	0%
West Bengal	-	-
Maharashtra	3,844	21%
Haryana	3,123	17%
Uttar Pradesh	5,989	33%
Others*	3,344	18%
India Total	18,000	100%

*Notes: \*Rest of India*

*Source: Knight Frank Research, Ministry of Housing and Urban Affairs*

### Key findings on RERA implementation status

- Due to the slow pace with which RERA has been implemented across India, a large inventory of real estate projects remains outside the purview of RERA. 41,680 projects represent a very small number of overall real estate projects in the country. Thus, the aim of protecting buyers from unfair real estate practices remains elusive for a large majority of real estate consumers.
- Uttar Pradesh, Karnataka, Haryana and Gujarat are the most active states from a RERA compliance perspective after Maharashtra.
- Though Haryana accounts for only 1% proportion of the total projects registered under RERA in India, it has made considerable progress in fast-tracking buyer complaints and disposed of more than 3,123 cases or 17% of the total cases disposed in India under RERA as of 31st March 2019.
- Gujarat, National Capital Territory of Delhi and Telangana are still functioning with an Interim Real Estate Appellate Tribunal. The absence of a Permanent Real Estate Appellate Tribunal directly impacts the pace with which the dispute redressal machinery works.

- RERA has increased transparency in some states but leveraging technology to create informative and user-friendly RERA portals for consumers is an area which is lagging. Many state level RERA portals are yet to make quarterly updates of developers available on the platform. Also, with the huge data that the state level authorities have collected, unless it is analysed efficiently and made available in interesting formats in the public domain, it can do little to bring about a real change or identify problem areas.

Top **3** states for cases disposed as of 31st March 2019

- Uttar Pradesh
- Maharashtra
- Haryana

*To make RERA a success, there is an immediate need for the Central Government to step in and create a platform to address the concerns and challenges different states are facing. The Housing and Urban Affairs Secretary recently announced its intention to set up a common online platform for buyers, developers and RERA authorities for all states and UTs to exchange views but it remains to be seen how far will it help in addressing the challenges arising out of lack of uniform laws across states, different state level RERA rules, capabilities of different RERA authorities and their grievance handling mechanisms.*

## Shared Spaces

# The next frontier in Indian real estate – by Yashwin Bangera

Real estate has traditionally been the most coveted asset class for the average Indian and represents a standard of achievement that little else can compete with. An individual's or business' ownership of real estate has always been looked at more favourably compared to a rental option as it was considered as a symbol of the owner's financial status. Even office spaces as a rental option have gained favour only since the turn of the millennium, before which the standard development model used to be much like what most residential development still is today, i.e. build and sell. This need for ownership has caused prices to spiral and rendered real estate to be the exclusive premise of the privileged in urban India.

However, spiralling prices have given impetus to a rental market, especially in commercial real estate, weaning prospective buyers of the need to own the asset and associate more value with its core utility itself. Further, real estate users, especially millennials and contemporary businesses, are increasingly averse to keeping capital locked in, or making financial commitments to an

asset or activity that is ultimately secondary to their fundamental purpose. This growing need for financial flexibility also spawned the increasing perception of using real estate to augment core activities to enhance productivity of the workplace, or enhance the experiential aspect of one's residential property.

India, today, is witnessing a proliferation of start-ups and small and medium-sized enterprises (SMEs), buoyed by the government's concerted efforts to create a sustainable eco-system for entrepreneurs in the country. On their part, the entrepreneurs—many of them being millennials—believe in harbouring global aspirations with a staggeringly ambitious mind-set that was not in evidence a few years back. These start-ups are characteristically capital poor and need to keep their cost structure at the bare minimum. Real estate expenses make up approximately 9%–12% of overall operating costs (can differ from market to market) for an established corporate and could account for more in a start-up.

The start of the current decade saw the already global phenomenon of co-working take root in India as the promise of flexibility and increased productivity caught the attention of office occupiers. Co-working spaces enable businesses to bypass the fixed rental cost with the additional capex requirements of fit outs and operational hassles of a traditional office space and opt for the flexibility of a co-working office. This not only allows the new business to occupy a contemporary workplace on a per seat basis but also the flexibility to increase, reduce or to exit the workplace, that is critical in the fluid environment that new businesses have to contend with. More importantly, it allows them to focus on their core business rather than non-core areas such as real estate. Co-working players have been growing from strength to strength with a more than five-fold increase in transactions since H1 2017 and accounted for approximately 15% of the leased space market in India in H1 2019.



## Co-Working's Share in Total Lease Transactions

	Mumbai	NCR	Bengaluru	Pune	Ahmedabad	Chennai	Hyderabad	India
H1 2017	2%	-	7%	9%	-	3%	-	4%
H2 2017	14%	8%	5%	8%	-	3%	-	7%
H1 2018	18%	19%	19%	0%	2%	3%	11%	13%
H2 2018	1%	17%	5%	5%	9%	20%	10%	8%
H1 2019	5%	12%	20%	10%	10%	24%	18%	15%

Source: Knight Frank Research

While the need for flexibility and a more service oriented value-added offering has become a phenomenon in the Indian office space market, the same needs have also caused the proliferation of shared spaces in the Indian residential real estate landscape as well. Co-living properties have occupied this space well and are positioned as a tech-driven, plug-and-play residential option with an active focus on building communities for like-minded individuals. They represent the same service-oriented offering of a co-working property and provide the much-needed community aspect that the mobile millennial often craves for. All operational aspects such as housekeeping, utility bill

payments, maintenance and even entertainment is taken care of for the residents of the property.

While most developers see the growth in shared spaces as a phase the market is going through, some see it as a way to monetise residential assets in a market beset with buyer inertia, and some see it as a way to enhance the marketability of an existing office property. A few, like the Embassy and RMZ groups have taken the plunge and invested heavily to capitalise on this emerging trend. Oyo and Lemon Tree, both hotel operators, have also recognised the potential of shared living spaces and have jumped on the co-living bandwagon.

This transition of real estate or rather the perception of it changing from a tangible product to a service offering in urban India, represents a monumental leap in the evolution of this asset class. This could also prove to be a potential solution for the housing shortage in urban India, that along with inadequate employment is the most pressing issue faced by the Indian government today. Housing has always been seen as an affordability problem, in terms of acquiring a home, and ill-conceived rental or mass housing schemes have been non-starters in the past. Perhaps the time is ripe for a re-look at these models for urban India, in light of the growing acceptance of shared living spaces.



# Ahmedabad

# Residential Market

## Ahmedabad Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New launches (housing units)	4,167	-13%	1,323	3,398	157%
Sales (housing units)	16,188	3%	8,087	8,212	1.5%
Price (weighted average)	30,570/ sq m (2,840/ sq ft)	1%	30,354 sq m (2,820 sq ft)	30,677 sq m (2,850 sq ft)	1%
Unsold inventory (housing units)	14,863	-45%	20,120	10,049	-50%
QTS	3.7	-	7.1	2.5	-
Age of inventory (in quarters)	9.9	-	10.1	9.7	-

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research



# 1.5%

YoY increase in sales in H1 2019

- In the recent past new launches have to a great extent been constricted due to various policy measures. It would be safe to assume that the market has now adjusted to those policy initiatives and in some cases those policy measures have been repealed, which explains the jump in new launches in H1 2019, compared to H1 2018. On the face of it, a jump of 157% in new launches will look like a massive increase but, it needs to be remembered that this jump has happened from a very small base.
- Considering that the new launches were constricted in the recent past, the new launches number in H1 2019 look healthy but it needs to be remembered that its still low compared to what the city used to witness prior to 2016.
- It further needs to be noted that the new project launches, this time around, has largely been pushed by the affordable housing sector. While the share of affordable housing, in the total units launched in the city, has come down in H1 2019 compared to H1 2018, it still holds the lion's share. Most of the affordable housing projects have been launched in the northern and eastern parts of the city. Some of the micro markets in these areas that have been in the thick of action are Rakhial, Gota, Ghatlodiya, Chandkheda, Chandlodiya, Jagatpur, Nana Chiloda, Motera, New Mani Nagar, Vastral, Nikol and Sola village.

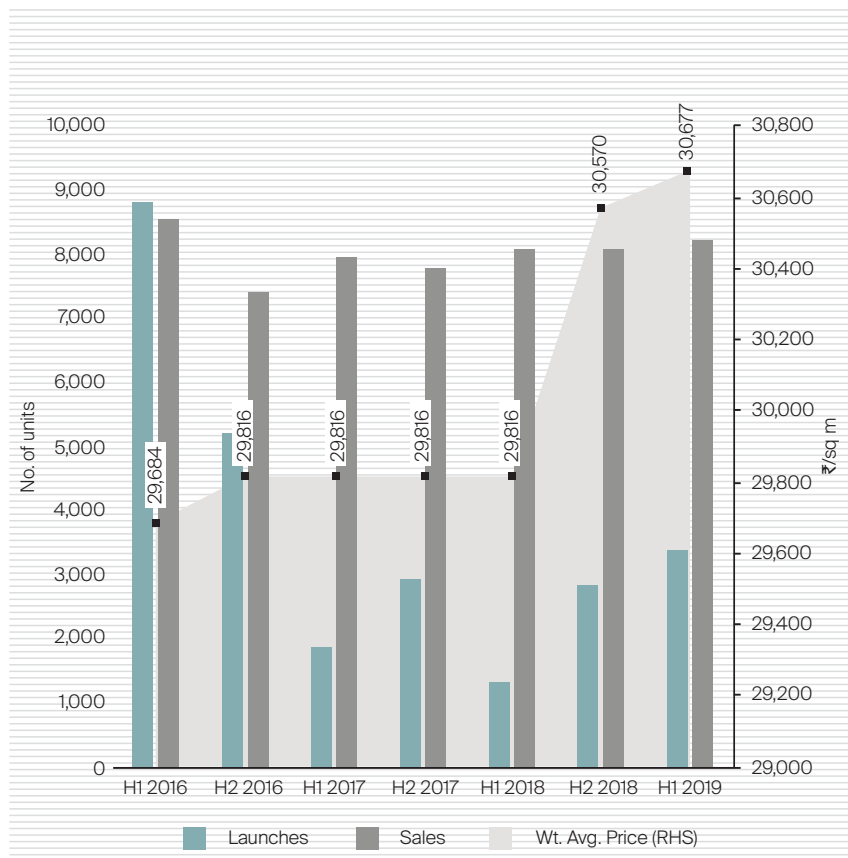
- Apart from the above-mentioned locations, the western part of the

city too was in the thick of action. South Bopal, which has been a favourite among working professionals, continues to hold on to its esteemed position. Its strategic location coupled with the ever-improving infrastructure have been the primary reasons for this area being able to dominate the real estate landscape of the city.

- The most noticeable feature of this area is that a couple of years ago, the interior roads were typically single-lane roads, that too which were broken. Now the area has a totally different look and feel. While there are housing projects in the area, which are

*It would be safe to assume that the market has now adjusted to policy initiatives and in some cases those policy measures have been repealed, which explains the jump in new launches in H1 2019.*

### Ahmedabad Market Activity



Source: Knight Frank Research

under different stages of construction, the wide roads and the presence of some form of social infrastructure is what attracts one's attention. In fact, in certain stretches road construction is underway, especially on the roads leading to Shela village. And if you plan to visit this area, typically on a holiday, then one cannot miss the numerous cricket coaching centres operating in full swing.

- The outstanding performance of the new project launches in H1 2019, is a good thing for the Ahmedabad residential market, but there was a general cause of concern, about one major factor, among most stakeholders in the city. The increasing land prices in the city, according to most stakeholders, is a cause of concern. Most of them were of the view that if land prices continue to soar unabated, then it could hamper the growth of the real estate sector in the city.
- On the infrastructure front, an initiative that could have a positive impact on the real estate development of the city, is the widening of SG Highway. The fact that the city has been expanding on the western side, the widening of SG Highway will add to the attractiveness of this part of the city. Not only will this initiative give a boost to office markets (as SG Highway is the hub for office markets) but will add further value to residential property development, especially in the corridor between SP Ring Road and SG Highway.
- Sales of housing units on the other hand remained steady. What's heartening about the real estate sector, in the city, is that despite the ups and downs that were witnessed in new project launches, sales have continued to grow steadily over the years. Sales, in H1 2019, were 1.5% higher than H1 2018. Steady demand and availability of ready-to-move-in houses, within a particular price bracket, ensured that the sales maintained its healthy momentum. In one of our meetings with one of the leading developers in the city, he confided that the demand for 2 BHK has been strong in the city and that his inventory of 2 BHK houses has been exhausted.
- The one common insight, over the years, that echoes across all stakeholders in the city, is that Ahmedabad is a very price-sensitive market. While it has been an established trend that the affordable housing segment has the main driver of new project launches, the same is getting reflected in the sale housing units too.
- East and North Ahmedabad are primarily considered the affordable markets in the city and these two markets witnessed close to 56% of the sales within the city in H1 2019. Some of the areas that witnessed hectic sales activity were areas like Ranip, Chandkheda, Gota, Naroda and Vastral.
- The western part of the city, home largely to working professionals, maintained its share in sales, in H1

---

*On the infrastructure front, an initiative that could have a positive impact on the real estate development of the city, is the widening of SG Highway.*

---

2019, compared to H1 2018. The areas that witnessed the lion's share of the activity were areas like South Bopal, areas along Sindhu Bhavan Road and Bopal Ambli Road. What has made these areas more liveable, especially South Bopal, is the developing social infrastructure and the improved access to these areas over the last few months.

- Prices of housing units in the city have largely remained stable in recent years. If one looks at capital values of housing units, they have moved up by 1% in H1 2019, compared to the same period last year.
- The low level of new launches and steady sales has had a bearing on the quarters-to-sell (QTS) and the existing unsold inventory. In H1 2019, the QTS stood at 2.5. At present, the city has more than 10,000 unsold units, which are in various stages of construction.

- East Ahmedabad is one of the better performing markets in the city, which attests the homebuyers' affinity towards affordable houses. This micro market has a low QTS of 2.4 and its age of inventory is 9.3. Affordable pricing coupled with easy access to major employment hubs and integrated development has helped this micro market to attract homebuyers.
- In H1 2019, North Ahmedabad has the highest level of inventory. This however, should not be much of a concern because its QTS is only 2.2 and the age of inventory is only 8.6. This micro market along with East Ahmedabad has emerged as a major hub for affordable housing projects, and as already indicated earlier, it is a favourite among homebuyers.
- Like North Ahmedabad, the western part of the city too has a high level of unsold inventory but

in the recent past this micro market has witnessed a lot of traction. It is a preferred location for people working in GIDC Sanand and companies located along SG Highway.

### *Micro-Market Classification*

Micro market	Locations
Central	Paldi, Vasna, Navrangpura, Maninagar, Dudheshwar, Ambawadi
East	Naroda, Vastral, Nikol, Kathwada Road, Odhav
North	Gota, New Ranip, Tragad, Chandkheda, Motera
South	Narol, Vatva, Vinzol, Hathijan
West	SG. Highway, Prahlad Nagar, Bopal, Thaltej, Science City Road

Source: Knight Frank Research

---

*Sales, in H1 2019, were  
1.5% higher than H1  
2018.*

*Steady demand and  
availability of ready  
to-move-in houses,  
within a particular  
price bracket, ensured  
that the sales  
maintained its healthy  
momentum.*

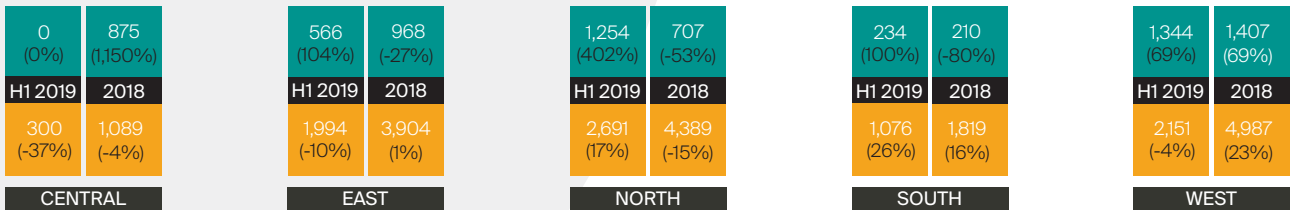
---

**157%**

*YoY increase in new launches  
in H1 2019*

## Residential Launches and Sales

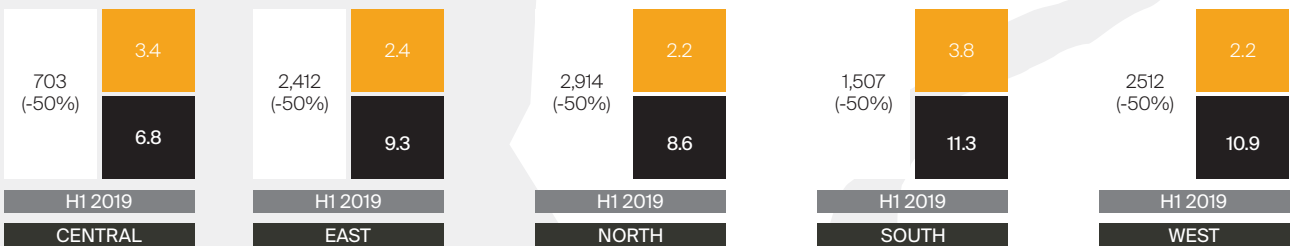
■ Launches (housing units)      ■ % change (YoY)  
■ Sales (housing units)



Source: Knight Frank Research

## Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Change)      ■ Age of inventory (in quarters)  
■ QTS (in Quarters)



Source: Knight Frank Research



# Residential Pricing

■ Price Range in H1 2019 in ₹/sq mtr     ■ 12 Month Change  
■ Price Range in H1 2019 in ₹/sq ft     ■ 6 Month Change

## CENTRAL

### AMBAVADI

**64,121-66,478**  
■ (5,957-6176)  
■ 1%     ■ 0%

## EAST

### NIKOL

**24,800-27,125**  
■ (2,304-2520)  
■ 0%     ■ 0%

## NORTH

### CHANDKHEDA

**33,045-35,445**  
■ (3,070-3,293)  
■ 1%     ■ 0%

## NAVRANGPURA

**63,152-64,121**  
■ (5,867-5,957)  
■ 0%     ■ 0%

## VASTRAL

**21,528-24,111**  
■ (2,000-2,240)  
■ 1%     ■ 0%

## MOTERA

**34,014-38,696**  
■ (3,160-3,595)  
■ 0%     ■ 0%

## SOUH

### ASLALI CIRCLE

**13,778-15,737**  
■ (1,280-1,462)  
■ 0%     ■ 0%

## WEST

### BOPAL

**34,445-36,544**  
■ (3,200-3,395)  
■ 1%     ■ 1%

## VATWA

**17,050-17,782**  
■ (1,584-1,652)  
■ 1%     ■ 2%

## PRAHLAD NAGAR

**58,987-61,635**  
■ (5,480-5,726)  
■ 1%     ■ 1%

Source: Knight Frank Research

# Office Market

## Ahmedabad Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	0.29 (3.09)	6%	0.08 (0.91)	0.25 (2.65)	192%
Transactions mn sq m (mn sq ft)	0.09 (1.03)	-29%	0.04 (0.40)	0.05 (0.59)	25%
Weighted Average Rental in ₹/sq m/month (₹/sq ft/month)	505 (47)	15%	452 (42)	517 (48)	14%
Stock mn sq m (mn sq ft)	-	-	1.80 (19.37)	2.43 (26.11)	35%
Vacancy (%)	-	-	24.63%	34.03%	-

Note - 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 25%

Increase in transactions in H1 2019

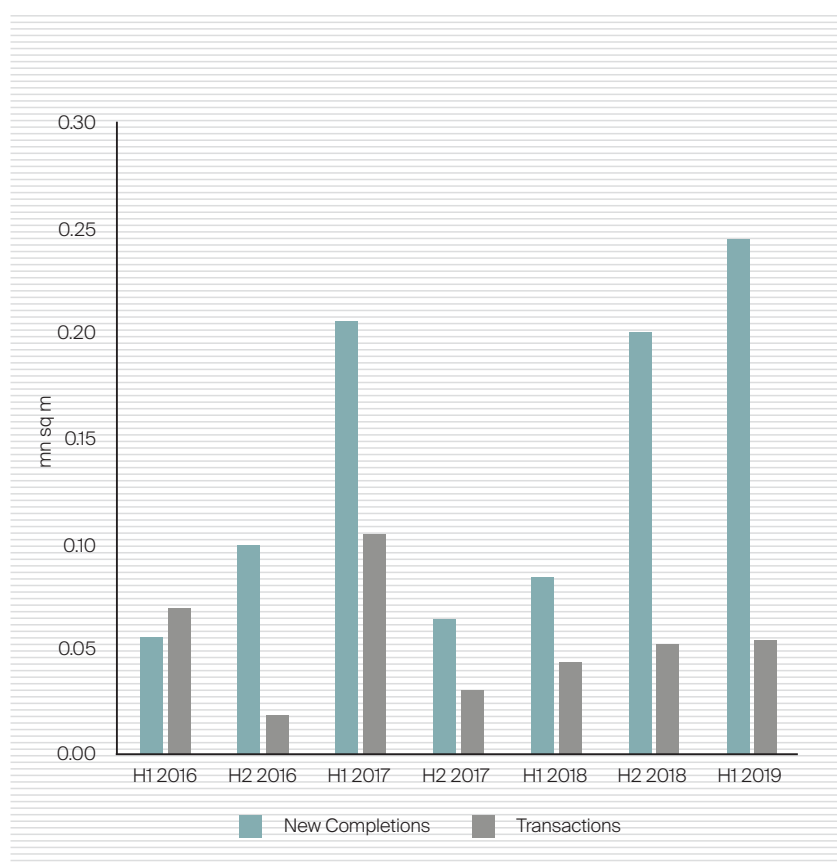
- Beyond doubt H1 2019 is one of the better years for the Ahmedabad office market. There are a couple of reasons for the same. Quality supply has made its way into the market and the city has witnessed a decent volume of transacted space.
- New completions in the H1 2019 were up 192% compared to H1 2018. New completions in H1 2019 stood at 0.25 mn sq m (2.65 mn sq ft). This was largely because of a huge amount of quality supply entering the market in micro markets like Paldi, Bopal Ambli Road, Sindhu Bhavan Road, Ambli Road, Vijay Cross Road, Keshav Baug, Ranip, SP Ring Road and SG Highway. It goes without saying that slowly but steadily the western part of the city is becoming the nerve centre of the office market in Ahmedabad, especially areas along the SG highway.
- SG Highway used to be one of smoothest stretches of road in the city but over the years there has been an immense increase in traffic on this stretch. Further, the corridor between SG Highway and SP Ring Road is one of the most prized real estate areas within the city and is home to many premium residential as well office developments. In a bid to ease traffic on this stretch of the road, the state government has started widening work of the SG highway. In addition, flyovers will be constructed at Pakwan Circle, Ujala Circle and Sanand

crossroads. A 4.18-kilometre-long elevated road has also been planned between Sola Bhagwat junction to Hebatpur crossroads near Zydus Hospital. It is expected that this project will take two years to complete.

- The city also witnessed decent volume of transactions, in recent times, in H1 2019. The first half of 2019 witnessed transactions to the volume of 0.05 mn sq m (0.59 mn sq ft), which is up by 25% compared to H1 2018.

- The number of transactions in H1 2019 are at the same level as witnessed in H1 2018. What is however, encouraging to note is that the average deal size has gone up by 22% compared to H1 2018. In H1 2019, the average deal size was 1,297 sq m (13,963 sq ft) compared to 1,064 sq m (11,457 sq ft) in H1 2018.

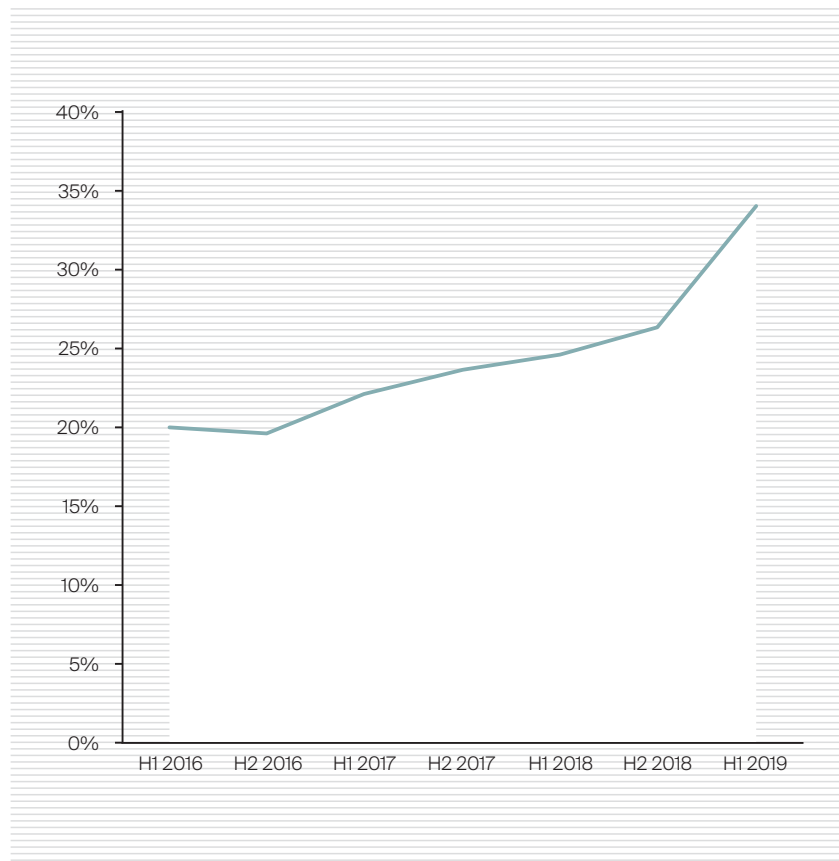
### Ahmedabad Market Activity



Source: Knight Frank Research

- The office market in Ahmedabad is still in its infancy, compared to urban centres like Mumbai, Bengaluru and Delhi NCR. The necessary infrastructure is in place, and of late, developers have moved in to meet the requirements of companies that are either moving into the city or expanding their presence in the city. In the present day, this has led to a situation where the supply outstrips demand. This explains the double-digit vacancy rates in the city, which has increased since H1 2018. In H1 2019, the vacancy rate in the city was 34.03%, up from 24.63% in H1 2018.
- Unlike other real estate markets, such as Bengaluru and Hyderabad, the office market in Ahmedabad is not driven by the information technology / information technology enabled services (IT/ITeS) sector. Till H1 2018, the Banking, Financial services and Insurance (BFSI) sector used to garner the lion's share of transacted office space in the city. What is however, heartening to know is that the share of the IT/ITeS sector has been gradually increasing in Ahmedabad. In H1 2018, the share of the IT/ITeS sector was 10% of the total transacted space in the city. In H1 2019, the share stood at 14%.
- Manufacturing is the other sector that has increased its share in the total transacted space within the city. In H1 2019, the manufacturing sector garnered 27% of the total space transacted in the city. Its share stood at 23% in H1 2018.
- The Other Services sector continues to garner the lion's share of the total transacted

### Ahmedabad Office Market Vacancy



Source: Knight Frank Research

- space within the city. In fact, its share has moved up in H1 2019 compared to H1 2018. Companies operating in the co-working space picked up 5,848 sq m (62,943 sq ft) of space in H1 2019, which is 20% of the total space picked up by companies in the Other Services sector.
- While the central business district (CBD) West continues to garner the majority share of transactions, even in H1 2019, what needs mention is that it has been gradually losing its share to other markets. In H1 2018, of the total transacted space, the share of CBD West stood at 97% and in H2 2018, it was 83%. In H1 2019, its share was only 52%.
- As regards business districts, the share of the peripheral business district (PBD) stands at 43%. It has to be noted that this micro market till the very recent past did not witness any significant transactions; however, in H1 2019, it saw significant rise in transactions. The average deal size in PBD in H1 2019 was 3,893 sq m (41,902 sq ft). The locations that were in the thick of action were Nava Vadaj, Ranip, Gota, SP Ring Road, Makarba and Shilaj.
- Even though CBD West has lost market share in H1 2019, it still continues to be the market leader among business districts. In H1 2019, within CBD West, SG Highway continues to hold on to

its number one position. In fact, it has bettered its share in CBD West compared to H1 2018 when its share stood at 32%. In H1 2019, the share of SG Highway in the total transacted space in CBD West stood at 34%.

- Even though the office market in Ahmedabad is in its initial growth stage, among the early signs of this market steadily growing is that rentals are firming up both in

CBD West and PBD. Lack of quality office space is creating an upward pressure on rentals in the city. As a result, rentals in H1 2019 moved up by 14% compared to H1 2018.

- Though the office market in the city is considered to be in its nascent stage, there are a couple of transactions where rents have been above INR 753/sq m/month (INR 70 per sq ft per month). To

give an example, there is a transaction at Gota where the rent is INR 861/sq m/month (INR 80 per sq ft per month). There was also a transaction on Drive In Road which was done at ₹ 764/sq m/month (₹ 71 per sq ft per month). Elsewhere, on SG Highway there were transactions done at INR 753/sq m/month (₹ 70 per sq ft per month).

## Business District Classification

Business district	Micro markets
CBD West	Bodakdev, Keshav Baug, Prahladnagar, Satellite, SG Highway, Thaltej
PBD	Gandhinagar, GIFT City
CBD	Ashram Road, Ellis Bridge, Paldi

Source: Knight Frank Research

## Sector-Wise Split of Transactions

Industry	H1 2018	H1 2019
BFSI	24%	4%
IT/ITES	10%	14%
Manufacturing	23%	27%
Other Services	43%	54%

Note: BFSI includes BFSI support services; Other Services includes co-working, media, telecom, etc.  
Source: Knight Frank Research

## Average Deal Size and Number of Deals

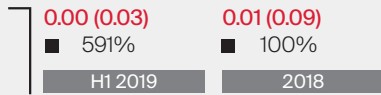
	H1 2018	H1 2019
Average Deal Size in sq m (sq ft)	1,064 (11,457)	1,297 (13,963)
Number of Deals	42	42

Source: Knight Frank Research

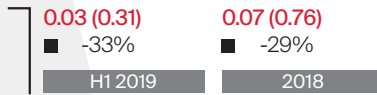
# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

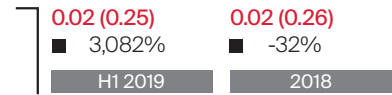
## CBD



## CBD WEST



## PBD

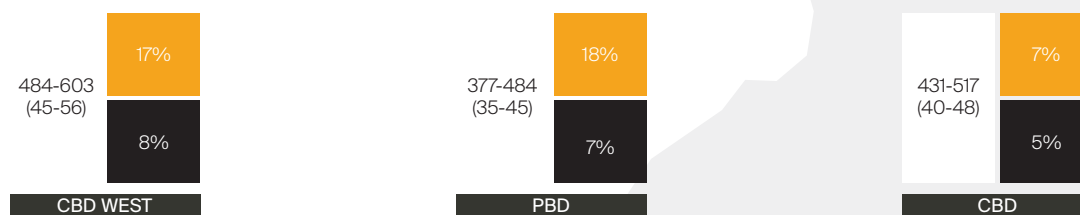


Source: Knight Frank Research

# Office Rental

□ Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)

■ 12 month change    ■ 6 month change



Source: Knight Frank Research

## Upcoming infrastructure in and around Ahmedabad

Project name	Project scale	Observations	Current status
Six-laning of SG Highway	44.5 Km	The project involves six-laning of the SG highway and construction of flyovers at major junctions to ease traffic conditions on this road.	Expected to be completed by 2022.
Privatisation of Ahmedabad airport	-	The existing airport is expected to be developed into a world-class airport as well as become a hub for retail development. The project will also unlock 27.65 acres of land for real estate development.	Construction yet to commence.
New terminal at Ahmedabad airport	-	A new terminal is planned next to the existing domestic terminal. The Terminal 3 building planned in the vicinity of the domestic terminal is expected to come up in an area of 8,000 sq metres.	Planning stage.
Ahmedabad-Mumbai High Speed Rail Corridor	508.5 Km	This is the country's maiden bullet train project. Work on the same commenced in August 2018. The 508-km-long route starts from the Bandra-Kurla Complex in Mumbai and ends in Ahmedabad. The 12 proposed stations are Mumbai, Thane, Virar, Boisar, Vapi, Billimora, Surat, Bharuch, Vadodara, Anand/Nadiad, Ahmedabad and Sabarmati. The journey is expected to take a little over two hours. Ahmedabad and other locations in Gujarat would be direct beneficiaries of the project, triggering commercial and residential real estate developments.	Scheduled to start operations on 15 August 2022. The National High Speed Rail Corporation is the implementation agency for the project. Over 60% land acquisition has been completed in Gujarat. Currently Joint Measurement Surveys are in progress.
Upgrade of the Sardar Patel Cricket Stadium at Motera	-	When completed, this will be the biggest cricket stadium in the world, bigger than the Melbourne Cricket Ground. Once complete it will house 1.10 lakh spectators. Among other things, it will add to the attractiveness of the real estate in the northern part of the city.	Expected to be completed by 2021.



Ahmedabad Metro Rail	Phase-1: 40.03 Km  Phase-2: 28.26 Km	Metro rail services are operational only on a limited section (between Vastral and Apparel Park). The foundation stone of the second phase was laid in February 2019. The second phase includes the Motera-Mahatma Mandir corridor and the Gujarat National Law University (GNLU)-GIFT City corridor.	The first phase is expected to be completed by 2020.
Dholera Special Investment Region (SIR) -		<p>The Dholera SIR is the largest node of the Delhi Mumbai Industrial Corridor. The Dholera SIR is a greenfield industrial city located approximately 100 kilometres south-west of Ahmedabad. The Dholera SIR will have world class infrastructure facilities like metro connectivity from Ahmedabad and Gandhinagar, Sea Port, International Airport for Cargo and Passenger, 10 lane and 6 lane expressways, and Kalpasar dam project. Infrastructure development for phase-I under way. Work on central spine road already started. Land being allotted for industrial development.</p> <p>Five thousand megawatts of solar energy will be produced in Dholera SIR region. Tenders for the same have been floated and work will start soon.</p>	Under construction. Phase-1 expected to be completed by 2022.
Dholera International Airport -		<p>The proposed international airport has received all the clearances from MOEF, GOG and GOI. The project has now been put on fast track. A joint venture SPV between AAI and Gujarat government has been formed for development of the Greenfield Dholera International Airport in Ahmedabad District. Union Ministry of Civil Aviation has sanctioned INR 5,083 crore for the development of the proposed international airport.</p>	Work expected to start in 2020.

# The Major Infrastructure

## Push – by Pankaj Anup Toppo

In the past few years there have been a slew of infrastructure projects that have been announced that will in one way or the other affect the way you live and more importantly commute to work within the city of Ahmedabad. It goes without saying that views on a particular matter will vary across individuals and that was true even with regards interactions with various stakeholders in the city. However, there were a couple of points on which stakeholders across the table were in joint unison. “People in Ahmedabad do not like to travel much when commuting from point A to point B. The maximum they would spend on travel time is not beyond 30 minutes to reach the place.” Credit also needs to be given to the concerned authorities who have planned the city in a manner that even though it has grown over the years, commuting is not much of a constraint, as it is in some other major cities across the country.

Among the various measures taken by the concerned authorities to improve the infrastructure of the city was the construction of the Sarkhej–Gandhinagar Highway, more popularly known as SG Highway. In the present day, this 45-kilometre stretch is one of the major realty hotspots in the city. The pressure of urbanisation did take its toll on this stretch of road and there were numerous recommendations, in the recent past, to take necessary action. The concerned authorities have taken heed to these recommendations and have begun work on the six-laning of SG Highway and construction of flyovers.

### Why SG Highway?

As mentioned earlier, this stretch of the road is now one of the major realty hotspots in the city. As regards the office market, in Ahmedabad, over the years it has started to move

towards the western part of the city, and presently, it would not be wrong to say that this highway is the nerve centre of the commercial capital of the state. The highway which used to bear a deserted look with no developments along it, barring the Nirma University, in the early part of the previous decade, currently has upscale commercial and retail development. As per Knight Frank Research, SG Highway is the market leader among micro markets in the commercial business district (CBD) West. If one looks at the volume of office transactions, in the city, in H1 2019 (first half of 2019), SG Highway accounted for 34% of the total transacted space. In H1 2018, its share stood at 32%. Further, the passage between SG Highway and SP Ring Road is home to one of the premium residential developments. Located further down south off this highway city, is South Bopal, one of the most promising residential

locations in the city of Ahmedabad. The importance of this road does not end here. It's a known fact that the local population in Ahmedabad love eating out. Sindhu Bhavan Road, branching off from SG Highway at Pakwan circle, has in recent years emerged as a major retail destination.

### **The plan**

To ease road conditions on SG Highway, apart from six-laning of the highway, flyovers will be constructed at major junctions. Flyovers will be constructed at Bhadaj (Science City), Zundal, Narmada main canal (Bhat), Kahtwada, Barejadi and over the Geratpur railway line. In addition, flyovers will also come up at Pakwan circle, Ujala Circle and Sanand crossroads. Further, an elevated corridor will come up between Sola Bhagwat junction to Hebatpur crossroads near Zydus Hospital. The

importance of improving traffic conditions on SG Highway can be gauged from the fact that the foundation stone for the construction of flyovers was laid by Vijay Rupani, Chief Minister, Gujarat and Nitin Patel, Deputy Chief Minister, Gujarat.

### **Other initiatives**

The other point on which most stakeholders across the board are in agreement is the fact that the concerned authorities have always been very proactive in improving the state of infrastructure. Thus, it is no surprise that efforts are being made to improve the state of infrastructure in the upcoming areas, thereby ensuring that quality of life improves in such places. Such efforts go a long way in ensuring that homebuyers too start finding such locations attractive enough to live in. Among the other measures taken by the Ahmedabad Urban Development Authority (AUDA)

has been to approve two flyovers on SP Ring Road at Dehgam. An underbridge has also been approved at South Bopal along with a flyover at Shantipura Crossroads and a foot-overbridge across SP Ring Road at Vastral Junction. The board has also allocated INR 20 crore for water supply in Bopal, Ghuma and Shela. Further, INR 30 crore has been approved for drainage projects in Bopal, Ghuma, Manipur and Godhavi and funds have also been allocated for storm water drainage in Shela, Ghuma and Mehmabad.

It is evident that the concerned authorities are fulfilling their responsibilities to not only unlock the real estate potential in upcoming areas but also are undertaking measures to further enhance the potential of the present day established locations.



# Bengaluru

# Residential Market

## Bengaluru Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
Launches (housing units)	27,382	22%	15,556	20,894	34%
Sales (housing units)	43,776	27%	25,803	28,225	9%
Price (weighted average)	₹ 50,390/ sq m (₹ 4,681/sq ft)	2%	₹ 50,881/sq m (₹ 4,727/sq ft)	₹ 51,893/sq m (₹ 4,821/sq ft)	2%
Unsold inventory (housing units)	92,718	-15%	98,865	85,387	-14%
Quarters-to-sell	10.3	-	10.7	8.6	-
Age of unsold inventory (in quarters)	12.7	-	12.6	12.5	-

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 9%

YoY increase in sales in H1 2019

- The year 2019 started on a vastly positive note for Bengaluru's residential real estate market. Not only has the restructuring of regulatory environment cleansed the market of fly-by-night operators and promoted consolidation in the real estate industry, it has also been the harbinger of the much-awaited recovery bringing new supply infusion as top developers realised it's no time to miss a trick. In the past two years, developers tasted success with sales of plotted developments in emerging northern and southern peripherals coupled with traction in ready-to-move-in inventory and 1 BHK apartments, which sold like hot cakes even during a prolonged period of low sales velocity, making them confident of getting back to the business of launching new supply and gain a bigger piece of the pie as the market revives. Improving buyer sentiment has helped developers launch new projects in micro markets which were on their radar, but they had to hold off on the launches due to pessimistic buyer outlook towards home purchases.
- In H1 2019, a total of 20,894 new residential units were launched in Bengaluru registering a 34% upsurge over the year-ago period. In the past two and a half years, this is the maximum number of new supply infusion in terms of number of units in the city. While H2 2018 registered a 41% annual uptrend in new launches, it was mainly due to a lower base of only 8,384 units launched in the H2 2017 period when new supply was largely curtailed by developers to become RERA compliant and focus was on clearing inventory overhang.
- The reduction of GST on affordable homes from 8% to 1% in March 2019 and redefinition of size of affordable homes to 60 sq m units in a metro and 90 sq m units in a non-metro has boosted demand and given aspiring buyers a chance to own slightly bigger homes. As a result, the share of the INR 2.5–5.0 million ticket sized category in total new launches in H1 2019 was 41% while the INR 5.0–7.5 million category accounted for 26% share of the pie. The fact that these two categories cumulatively account for two-thirds of total new launches signals an important shift in developer behaviour as the buyers' market has successfully been able to dictate price tag terms to them and they continue to resize and reposition their existing products as well as invest in new projects to appease the target end-user segment, which remains cautiously bullish given the right pricing.
- Apart from the above two ticket size categories, the proportion of new launches in the less than INR 2.5 million category was noted at 18% in H1 2019. Compared to the year-ago period, when this ticket size accounted for only 4% of total new launches, this is a substantial augmentation of supply in this category both in percentage and unit terms. Well supported by subsidies given under Pradhan Mantri Awas Yojana (PMAY) and the lowest GST levy of 1% on under-construction supply, the proportion of supply for this ticket size category is largely increasing as part of big integrated township projects where builders are offering smaller unit sizes in compact 1 BHK formats.
- Of the total launches in H1 2019, South Bengaluru remained the most favoured belt garnering 40% share of the total pie. Far flung southern peripherals such as Electronic City, Sarjapur, Akshayanagar and Chandapura witnessed a lot of new project launches by both Grade A and Grade B developers, as housing demand in the southern belts remains steady due to proximity to multiple employment clusters such as Outer Ring Road, Sarjapur Road and Electronic City. However, compared to H1 2018, when the share of new launches in this belt was 52% of overall launches, this is a marked reduction.
- As the northern belt witnesses increased leasing of office space and infusion of new office stock, supply in the primary residential market is also increasing in tandem. In H1 2019, North Bengaluru accounted for 28% of overall launches compared to only a 12% share in H1 2018. However, the real surprise is the resurgence of new launches in East Bengaluru. Whitefield and nearby residential belts were badly hit due to the ongoing Phase 2 metro construction and road widening along the planned metro corridor, which had a severe impact on both ongoing construction activities as well as end-user

sentiment. As the metro rail work has now progressed to an advanced level for the 14-km elevated corridor, buyers are back for home purchases in the east, as they expect a rise in residential prices once the Metro becomes operational. This has also given impetus to developers to relook at East Bengaluru for new launches to capitalise on this new demand wave. In H1 2019, East Bengaluru accounted for 26% of new launches whereas in H1 2018, it had only 6% share in the overall launch pie.

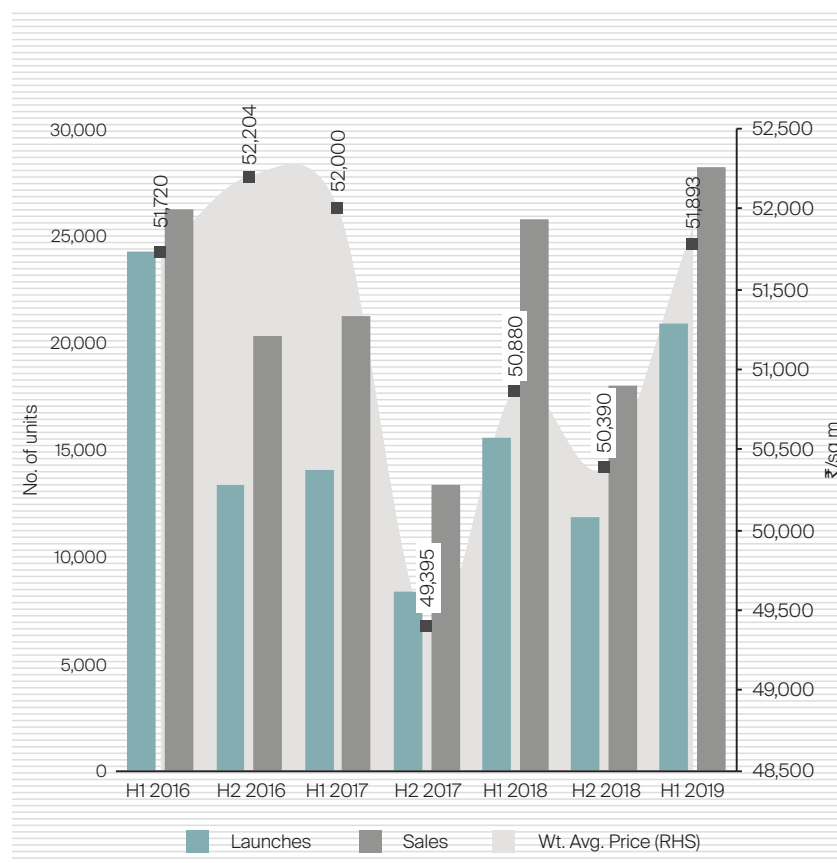
- Residential sales had already started recovering in 2018 registering a 22% and 35% year-on-year (YoY) sales growth in H1 2018 and H2 2018, respectively. However, the sales growth in terms of actual number of units sold was not as pronounced as it appeared for the simple reason that this high double-digit growth was recorded on the back of a lower base in both the H1 2017 and H2 2017 periods when the market was reeling under the pressure of low sales volume in the aftermath of demonetisation, RERA and GST implementation. In H1 2017 and H2 2017, 21,210 and 13,336 residential units were sold, respectively, in Bengaluru, whereas during 2015 and 2016, nearly 25,000 units were sold every six months.
- In H1 2019, the sales volume was very robust in the first quarter of 2019, which is the January–March period. However, the sales momentum slowed down in the April–June quarter. Nevertheless, sales numbers in absolute units

remained stronger than H1 2018. From 25,803 units in H1 2018 to 28,225 units in H1 2019, sales have heightened by 9% YoY. This sales growth is largely driven by ready-to-move-in inventory and projects which have recently received occupancy certificate (OC). Housing demand from the IT/ITeS sector and start-up professionals and new job opportunities is steering the sales volume to solidify with each passing half-yearly period.

- The H1 2019 period could have been better in terms of sales volume, had it not been for the confusion in the mind of end-

users when under-construction projects' GST levy was reduced from 12% to 5% for new launches post 1st April 2019. The ensuing chaos between the March and April 2019 period when the GST Council meeting gave developers the option to continue with 12% on under-construction inventory with input tax credit (ITC) or transition to the 5% regime without ITC also led to a momentary halt in sales as prospective buyers waited for 1st April 2019.

### Bengaluru Market Activity



Source: Knight Frank Research

- In line with past trends, South Bengaluru noted the maximum proportion of overall sales with a 42% share with locations such as Kanakpura Road, Electronic City and Sarjapur garnering good sales velocity. North Bengaluru accounted for 26% of the overall sales volume in H1 2019 while East Bengaluru accounted for 23% share. By the end of this year, other things remaining constant, we expect a marked recovery in residential sales which would be the actual barometer of market health, as by then the impact of short-term fluctuations, whether regulatory or tax regime related, would have tapered off.
- In H1 2019, the weighted average pricing of residential products has largely remained stagnant at INR 51,893 per sq m (INR 4,821 per sq ft), which is only a 2% YoY uptick over H1 2018. Several freebies such as floor rise waiver, one-year free maintenance, free clubhouse membership, various subvention plans, GST waivers and number of other discounts continue to remain in the market. However, for buyers willing to seal the deal, the actual discount would be much higher, and developers may throw in some more perks to make the offers lucrative. The prices have largely flattened out in the city and provide a good opportunity to prospective buyers to acquire their dream home.
- Steady sales volume has been instrumental in reduction of unsold inventory successively over the past 1.5 years and the same trend continues in H1 2019 too. In H1 2019, the unsold

inventory at a city level scaled down by 14% YoY and stands at 85,387 units. Ready-to-move-in inventory, the right price tag and rationalisation of GST levy for under-construction properties are the primary reasons for the residential market to bounce back. Consequently, the quarters-to-sell (QTS) for the city has also trimmed down to 8.6 from 10.7 from the year-ago period.

- While the residential markets are slowly recovering, there are still many residential projects in specific micro markets which are struggling for completion as the stress in the market due to lack of capital cannot be ignored. As a result, the age of inventory in the city has remained stagnant at 12.5 in H1 2019 due to a serious question mark on completion status for many projects due to lack of construction finance despite healthy sales volume and continually declining QTS.
- The series of defaults, which started with IL&FS continued with Reliance ADAG, Essel Group and the latest victim being DHFL, has cast a dark shadow on the recovering real estate market and can put prices under severe stress and derail the healthy momentum of recovery. As banks don't lend to the real estate sector and obtaining construction finance has become tougher, the funds flow to the realty sector is expected to dry up further and operational sustenance and debt reduction for developers remain a huge concern.
- As the dust settles on multiple

revisions in the Goods and Services Tax (GST) rates and the new market realities take centre stage, real estate developers are coming to terms with a mode of operation where raising capital is becoming increasingly difficult in view of the upheaval in the Non-Banking Financial Company (NBFC) sector causing a ripple effect in the form of liquidity squeeze to the real estate sector and very high cost of borrowing for whatever capital that still exists in the market. Stringent credit norms, scrutiny of a developer's financial health, past track record and an enhanced focus on reducing asset liability mismatch at their end has severely hit developers' cash flow causing a major hindrance in keeping up with delivery timelines of projects, which can lead to more disputes with home buyers. The only silver lining to this unfolding scenario is the competitive edge these market conditions provide to a handful of leading real estate development companies to become bigger, expand footprint and take advantage of consolidation opportunities that exist on their home turf as well as other cities.

- Apart from the unfolding recovery in the residential sector, the H1 2019 period also witnessed some other announcements which will have a bearing on Bengaluru's real estate market. In March 2019, the Supreme Court revoked the National Green Tribunal (NGT) order on revised buffer zones for lakes and rajakaluves. In 2016, the NGT had increased the 30-metre buffer zone around lakes in



Bengaluru to 75 metres. The Bruhat Bengaluru Mahanagara Palike (BBMP) then decided to issue the Occupancy Certificates (OCs) and Commencement Certificates (CCs) for nearly 35,000 properties and construction projects whose approval was put on hold due to the 4th May, 2016 NGT order. This will be a huge relief for the sector in the long term but did not have the desired impact of boosting sales in the short term, as by the time the Supreme Court order came, developers had already realigned their efforts towards marketing of RERA compliant and ready-to-move-in inventory in view of the NGT ban.

- In February 2019, the Bangalore Metro Rail Corporation Limited (BMRCL) published a draft Transit Oriented Development (TOD) policy for the city and invited comments from the public. The draft TOD policy conjures up an integrated commuting network for the city, which is also expected to be clubbed as part of the draft Revised Master Plan (RMP) 2031. The Revised Master Plan 2031 has eventually been submitted to the state government by the Bangalore Development Authority (BDA) and is awaiting the final nod. With the construction for Phase 2 of the Metro Rail project progressing at a snail's pace and severe criticism of the RMP 2031 by citizens' groups due to lack of

planning and nonchalance to the growing city limits due to frenetic real estate development, fears of 'Day Zero' and acute water crisis cannot be ignored.

- As India's Silicon Valley is already grappling with depleting groundwater table and shortage of drinking water, the state government is in the process of discussing with developers about ways to tackle the water crisis and ensure adequate water supply for new projects. There is growing conjecture that the government may evaluate imposing a construction ban for five years, but at this stage the matter remains ambiguous and further clarity is awaited.

### Micro-Market Classification

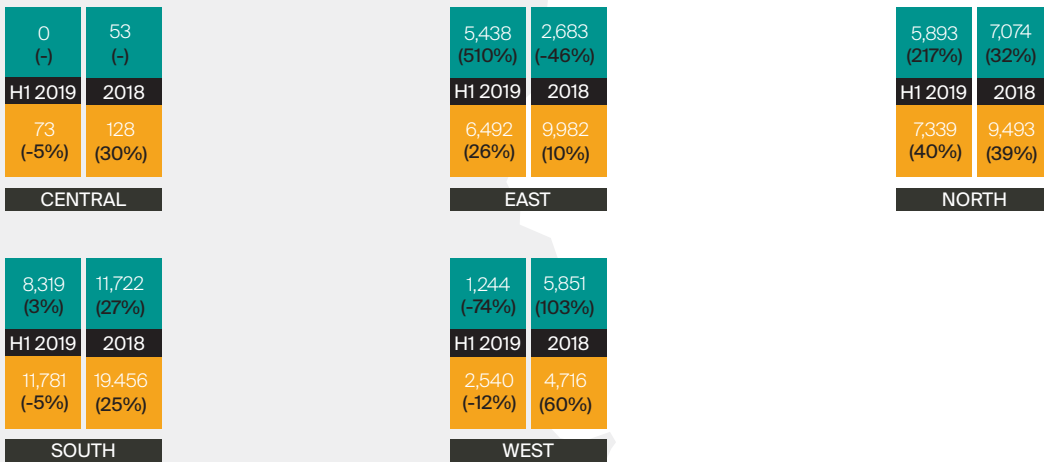
Micro market	Locations
Central	MG Road, Lavelle Road, Langford Town, Vittal Mallya Road, Richmond Road
East	Whitefield, Old Airport Road, Old Madras Road, KR Puram, Marathahalli
West	Malleswaram, Rajajinagar, Yeshwantpur, Tumkur Road, Vijayanagar
North	Hebbal, Bellary Road, Hennur, Jakkur, Yelahanka, Banaswadi
South	Koramangala, Sarjapur Road, Jayanagar, JP Nagar, HSR Layout, Kanakpura Road, Bannerghatta Road

Source: Knight Frank Research

*Ready-to-move-in inventory, the right price tag and rationalisation of GST levy for under-construction properties are the primary reasons for the residential market to bounce back.*

# Residential Launches and Sales

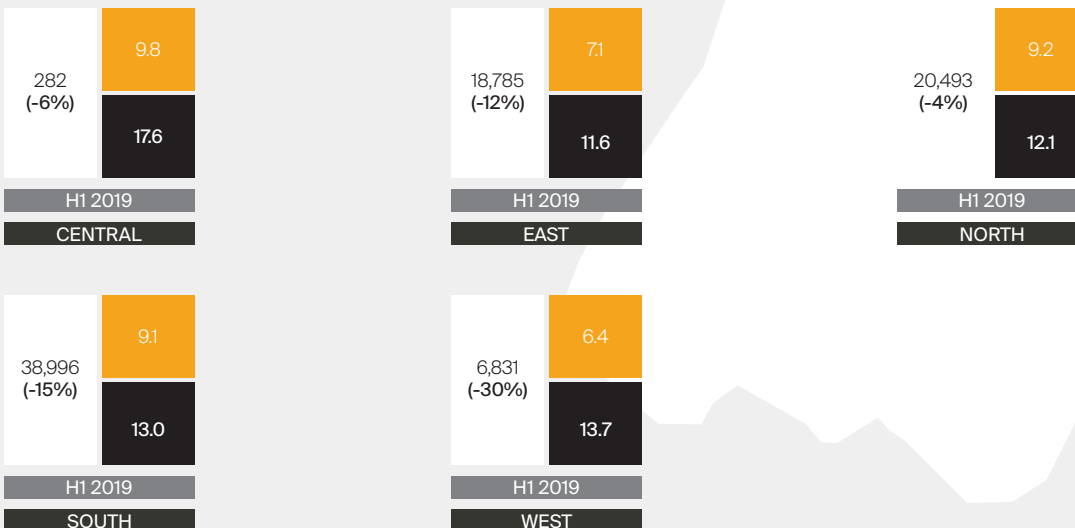
■ Launches (housing units)      ■ % change (YoY)  
■ Sales (housing units)



Source: Knight Frank Research

# Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Change)      ■ Age of inventory (in quarters)  
■ QTS (in Quarters)



Source: Knight Frank Research

# Residential Pricing

■ Price Range in H1 2019 in ₹/sq mtr     ■ 12 Month Change  
■ Price Range in H1 2019 in ₹/sq ft     ■ 6 Month Change

## CENTRAL

### LANGFORD TOWN

**161,459-226,042**  
■ (15,000-21,000)  
■ 0%    ■ 0%

## EAST

### KR PURAM

**40,903-69,965**  
■ (3,800-6,500)  
■ -2%    ■ 3%

## NORTH

### HEBBAL

**59,202-107,640**  
■ (5,500-10,000)  
■ 3%    ■ 3%

## LAVELLE ROAD

**226,042-322,917**  
■ (21,000-30,000)  
■ 0%    ■ 0%

## WHITEFIELD

**48,438-75,347**  
■ (4,500-7,000)  
■ 5%    ■ 5%

## YELAHANKA

**43,056-75,347**  
■ (4,000-7,000)  
■ 5%    ■ 0%

## MARATHAHALLI

**45,209-75,347**  
■ (4,200-7,000)  
■ 2%    ■ 2%

## THANISANDRA

**43,056-82,883**  
■ (4,000-7,700)  
■ 6%    ■ 2%

## HENNUR

**43,056-80,730**  
■ (4,000-7,500)  
■ 5%    ■ 0%

## SOUTH

### SARJAPUR ROAD

**43,056-80,730**  
■ (4,000-7,500)  
■ 0%    ■ 0%

## WEST

### YESHWANTPUR

**64,584-113,022**  
■ (6,000-10,500)  
■ 1%    ■ 3%

## KANAKPURA ROAD

**43,056-69,965**  
■ (4,000-6,500)  
■ -5%    ■ 0%

## MALLESWARAM

**86,112-150,696**  
■ (8,000-14,000)  
■ 0%    ■ 0%

## ELECTRONIC CITY

**37,674-57,049**  
■ (3,500-5,300)  
■ -2%    ■ -2%

## RAJAJINAGAR

**69,966-161,460**  
■ (6,500-15,000)  
■ -2%    ■ 0%

## BANNERGHATTA ROAD

**37,674-75,347**  
■ (3,500-7,000)  
■ 5%    ■ 0%

## TUMKUR ROAD

**32,292-64,584**  
■ (3,000-6,000)  
■ 0%    ■ 0%

Source: Knight Frank Research

# Office Market

## Bengaluru Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	0.7 (7.6)	-6%	0.3 (3.7)	0.7 (7.6)	107%
Transactions mn sq m (mn sq ft)	1.2 (13.4)	15%	0.6 (6.5)	0.8 (8.2)	26%
Weighted average rental ₹/sq m/month (₹/sq ft/month)	797 (74)	17%	754 (70)	856 (80)	14%
Stock mn sq m (mn sq ft)	13.8 (148.7)	6%	13.4 (144.8)	14.5 (156.3)	8%
Vacancy (%)	4.3%	-	3.5%	4.1%	-

Note - 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 26%

YoY transaction growth in H1 2019

- During H1 2019, Bengaluru retained its upmost position as India's healthiest office market accounting for 31% of total office space leasing across the top eight cities. In line with past trends, Bengaluru has always been at the pinnacle of office space demand in the country and with each successive half-yearly period, the volume of office space leased is only increasing. According to a leading job portal's report on hiring activity, the IT-software industry registered a growth of 33% in May 2019 and is one of the fastest growing industries. And, as India's IT-software industry's nerve centre, Bengaluru recorded 20% growth in new hiring. Despite an economic slowdown and low GDP growth rate, quality office spaces at competitive rentals and a combination of right talent pool have been the key defining drivers for multinational companies to continue expansion in the city. To add to that, the growing gig economy and a robust start-up ecosystem is also creating a lot of demand for flexible working spaces in Bengaluru making it the cynosure of co-working operators.
- In H1 2019, Bengaluru's office space leasing touched a new benchmark of 0.77 mn sq m (8.27 mn sq ft), a marked spike of 26% over H1 2018. This surpasses all previous record growth in leasing volume and is substantially higher than the annual leasing volume recorded in other IT hubs such as Hyderabad and Pune. Leaving

Mumbai and NCR far behind, in terms of office space demand, this sky-high leasing achievement is indicative of the undying occupier interest in India's Silicon Valley. Though office space leasing in Bengaluru has always remained healthy, hovering in the range of 0.4 to 0.6 mn sq m (5 to 6 mn sq ft) every six months, this is a massive growth and the highest year-on-year (YoY) percentage increase recorded in the past 4.5 years.

- In the past two years, new occupiers that wanted to set footprint in Bengaluru or existing tenants who wanted to consolidate operations across multiple facilities to one IT park, had to curtail or alter their plans due to minimal office space vacancy that existed in the market or sequentially low supply infusion, which too was pre-committed, making it impossible for them to execute expansion strategies despite keen interest. The new supply infusion of 0.71 mn sq m (7.65 mn sq ft) in H1 2019, has made it possible for such tenants to set up their offices in Bengaluru and take advantage of locking long-term leases at low rentals, while they still last.
- Of the total office space leased in H1 2019, Outer Ring Road accounted for 30% share, the highest of the total pie. Despite still being the most sought-after micro market, the paltry vacancy levels have forced occupiers to

set up offices in other nearby micro markets to remain closer to the talent pool residing in the eastern and south-eastern suburbs of Bengaluru. From 43% of overall leasing in H1 2018, the leasing share of this micro market in H1 2019 has reduced by nearly 11% YoY. With under-construction supply on this belt still few months' away from completion, this trend may continue and demand spillover from Outer Ring Road to other locations may increase as well in the foreseeable future.

- The Peripheral Business District (PBD) East constituted 21% of total office space leasing in the H1 2019 period. From only an 11% share in total leasing in H1 2018, the current period under review has seen a resurgence of occupier interest in this micro market for two reasons. Firstly, Whitefield and nearby office clusters in PBD East were badly hit due to the ongoing Phase 2 metro construction and road widening along the planned metro corridor over the past two years, which had a severe impact on occupier sentiment due to which they stayed away from this micro market. As the metro rail work has now progressed to an advanced level for the 14-km elevated corridor, occupiers are now back in PBD East scouting for office spaces, as they expect a steep rental rise once the Metro becomes operational. Apart from taking advantage of rent arbitrage

by locking long-term leases now, the expected smooth connectivity once the Metro becomes operational, will also provide hassle-free public transport for the workforce employed in Whitefield.

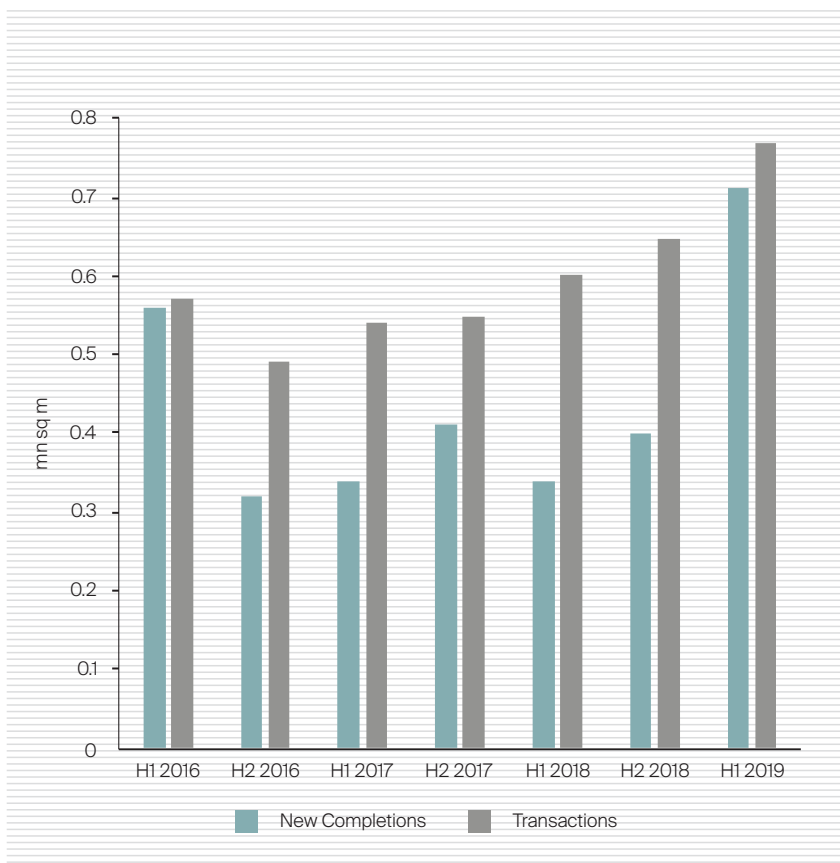
- Secondly, PBD East has been under the pressure of severe supply crunch since the past one and a half years. In H2 2017, it accounted for only 4% of total new supply, which was followed by only 9% of overall new supply in the subsequent half-yearly period of H1 2018. In H2 2018, no new supply infusion was witnessed. Overall, only 0.09 mn sq m (1.01

mn sq ft) of new supply has come to PBD East since H2 2017. However, in H1 2019, the scenario completely changed as PBD East witnessed new supply infusion of 0.3 mn sq m (3.39 mn sq ft) on the back of new IT parks supply by Grade A developers, which came on the block during this period, which translated into healthy leasing for this micro market, elevating its share to the second highest in the city.

- Apart from Outer Ring Road and PBD East, the Suburban Business District (SBD) accounted for a whopping 20% of overall leasing in H1 2019. On a YoY basis, leasing

in SBD has increased by a massive 86%. Information Technology and Information Technology Enabled Services (IT/ITeS) and co-working are two major occupier segments that led to a large leasing volume in SBD compared to the previous periods. Software companies, cloud-based information security companies and technology companies leased spaces on Old Airport Road, Koramangala, Madiwala and nearby locations. Amongst the co-working players, leading operators such as IndiQube, Workshaala, TableSpace, and WeWork continued to scale up operations in Koramangala, JP Nagar and Domlur.

### Bengaluru Office Market Activity



Source: Knight Frank Research

- Demand spillover from Outer Ring Road due to minimal vacancy and availability of large floor plates in PBD South were the key drivers for 17% share of the overall leasing for this micro market. Central Business District (CBD) and Off CBD and PBD North accounted for 10% and 2% share of the total leasing volume, respectively, during this period.
- In terms of sectoral split, the IT/ITeS sector retained its foremost spot accounting for 48% of the overall leasing volume in H1 2019. On a YoY basis, this is a 60% increase over the H1 2018 period. Expansion by technology companies to set up global inhouse centres (GICs) and the emergence of new companies catering to artificial intelligence, machine learning, the Internet of things (IoT), data security and blockchain have been the key drivers for increased volume of

office space take-up in Bengaluru.

- The co-working sector accounted for 20% or one-fifth share of Bengaluru's overall leasing or 0.15 mn sq m (1.69 mn sq ft) in H1 2019. Representing a 33% annual growth over H1 2018, expansion by co-working companies was primarily concentrated in PBD South, CBD and off CBD, SBD and PBD East. In a bid to augment existing co-working infrastructure, many co-working operators leased multiple spaces in Bengaluru's prime business hubs to cater to multinational corporations' (MNCs) mixed portfolio strategies of fixed and flexible workspaces, which is a norm now, and signals a marked shift in the workspace culture. Many co-working operators now have multiple centres in each of Bengaluru's micro markets.

- Flush with funding from investors, these co-working operators are going all out to garner a larger market share and reach targeted valuations to enable buyouts as the co-working industry has been witnessing undercurrents of consolidation for quite some time now. Big fish in the co-working space, such as WeWork, which are getting ready for an initial public offering (IPO), are steadily building up its portfolio in India to strengthen its business with Bengaluru remaining its hotspot for expansion. With new buildings and spaces becoming available, the growth and consolidation in the co-working space is likely to continue parallelly.

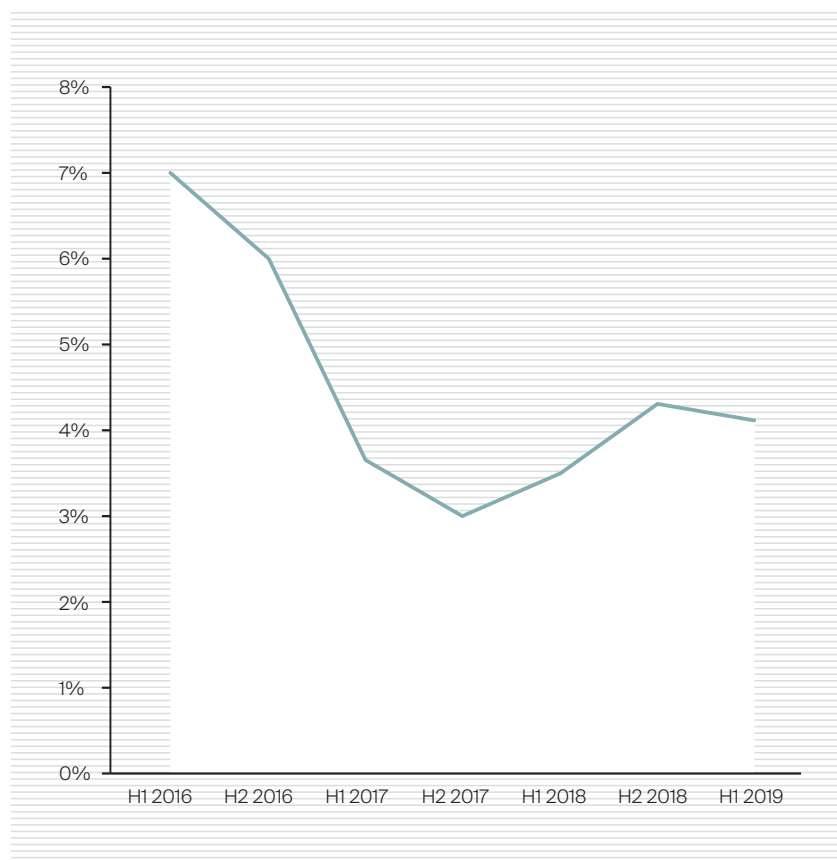
- Manufacturing and Banking,

Financial Services and Insurance (BFSI) accounted for 8% and 6% share, respectively. Though the Other Services sector accounted for a cumulative 38% share in overall leasing volume, barring the co-working sector, the share of sectors such as e-commerce and other industries which are included in the Other Services Sector remains remarkably low. More than half of the leasing volume captured under the Other Services Sector is attributed to the co-working sector due to which the share of this sector in leasing remains high.

- The H1 2019 period has been a

very significant one for new supply infusion in Bengaluru as the city witnessed the highest ever volume of new completions since the past nine years. With 0.71 mn sq m (7.65 mn sq ft) of new supply becoming available in the market, the minimal vacancy situation was momentarily eased providing suitable options to occupiers who were unable to expand footprint due to lack of Grade A spaces that met their office space requirements. Due to low level of new supply influx in H1 2018, the H1 2019 period has registered 107% YoY growth, most of which is attributed to PBD East which accounted for 45% share of this

### Bengaluru Office Market Vacancy



Source: Knight Frank Research

new supply. Whitefield and Brookfield remained two top locations in PBD East, where Grade A builders finished new buildings ahead of completion schedules to cater to the pent-up occupier demand.

- Outer Ring Road remained under severe pressure as only 0.14 mn sq m (1.5 mn sq ft) of new supply entered the market, which hardly suffices to meet occupier expectations. Accounting for 20% share, the new supply volume in Outer Ring Road was matched by PBD North which, too, remained at par with this micro market. PBD South and CBD and off CBD accounted for single digit share of 8% and 7%, respectively, in new completions, while no new supply became available in SBD.
- H1 2019 was a healthy period in terms of both office space leasing and new supply, but just like previous periods, new leasing continued to far outpace the supply keeping current occupancy rates well past 95%–96%. Office space vacancy continues to maintain status quo and was pegged at 4.1% at the end of the H1 2019 period, just like H1 2018. The remarkable performance of Bengaluru's office sector bodes well for upcoming periods and with a huge supply pipeline of at least 36 million with expected completions in the next three years, the strong momentum of office space leasing should continue.
- The weighted average transacted rentals for Bengaluru surged by 14% YoY and were noted at nearly

INR 856/sq m/month (INR 79.6/sq ft/month) during this period. The healthy occupancy in the office market across business districts led to an inevitable rental rise with Outer Ring Road and PBD South accounting for a 13% YoY increase each. In other business districts, the rental growth remained in single digits. Strong demand trends have put upward pressure on rentals, a trend that is expected to continue. Being the most favoured tech city in India, strengthening of rents is a good indication for investors, as it is directly related to higher rental yields. Developers, too, have a reason to rejoice as now they are getting good returns on their capex.

- Real estate developers in Bengaluru are now also gearing up to plan new office projects in partnerships with local developers in cities such as Mumbai, as well as set up co-working spaces as future strategies for commercial portfolios. A leading Bengaluru-headquartered developer has recently signed an agreement with a Mumbai based developer to redevelop a decades-old film studio into an office park. Developers with large office portfolios in Bengaluru, having expanded to other southern cities, are now looking west to actively expand their portfolios. Two more developers, who had not yet ventured into the co-working business, are gearing up to launch their flexible office space brands in 2019, while some are also evaluating opportunities to get into setting up data centres.

- In a visible sign of Bengaluru's office sector moving towards maturity and setting enviable milestones, India's first real estate investment trust, Embassy Office Park REIT, was listed on 1st April 2019 on the bourses, a week ahead of its listing date. The high quality tenant base of Embassy REIT along with a stable portfolio on the back of long-term rental growth provide stability to the office assets in the portfolio, which will provide an upward fillip to the yield and bodes well for returns with the investors.

■ ■

*The co-working sector accounted for 20% share of Bengaluru's overall leasing or 0.15 mn sq m (1.69 mn sq ft) in H1 2019.*

■ ■



## *Business District Classification*

Business district	Micro markets
Central business district (CBD) and off CBD	MG Road, Residency Road, Cunningham Road, Lavelle Road, Richmond Road, Infantry Road
Suburban business district (SBD)	Indiranagar, Koramangala, Airport Road, Old Madras Road
Peripheral business district (PBD) East	Whitefield
Peripheral business district (PBD) South	Electronic City, Bannerghatta Road
Peripheral business district (PBD) North	Thanisandra, Yelahanka, Devanahalli
Outer Ring Road (ORR)	Hebbal ORR, Marathahalli ORR, Sarjapur Road ORR

Source: Knight Frank Research

## *Sector-Wise Split of Transactions*

Industry	H1 2018	H1 2019
BFSI	13%	6%
IT/ITeS	38%	48%
Manufacturing	8%	8%
Other Services	41%	38%

Note: Note: BFSI includes BFSI support services; Other Services includes co-working, media, telecom, etc.

Source: Knight Frank Research

## *Average Deal Size and Number of Deals*

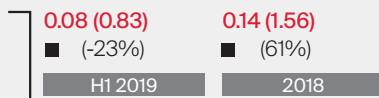
	H1 2018	H1 2019
Average deal size in sq m (sq ft)	4,312 (46,420)	5,228 (56,275)
Number of deals	141	147

Source: Knight Frank Research

# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

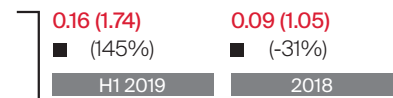
## CBD AND OFF CBD



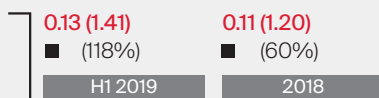
## SBD



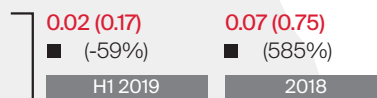
## PBD EAST



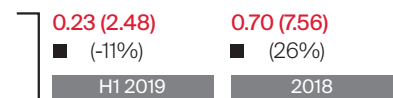
## PBD SOUTH



## PBD NORTH



## OUTER RING ROAD



Source: Knight Frank Research

# Office Rental

□ Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)

■ 12 month change    ■ 6 month change



Source: Knight Frank Research

# Upcoming infrastructure in the Bengaluru Metropolitan Region

Project name	Project scale	Observations	Current status
Peripheral Ring Road (PRR)	65 Km	This eight-lane road connecting Hosur Road and Tumakuru Road will help decongest the city and improve connectivity in the peripherals.	Environmental Clearance pending. Expected completion date yet to be decided.
Bengaluru Metro Rail Phase 2 (Extensions)	34 Km	This route will enhance the connectivity in North-South and East-West parts of the city.	Under-construction. Expected completion in 2021.
<ol style="list-style-type: none"> <li>Baiyappanahalli to Whitefield</li> <li>Mysuru Road to Kengeri</li> <li>Nagasandra to Bengaluru International Exhibition Centre (BIEC)</li> <li>Yelachenahalli to Anjanapura</li> </ol>			
Bengaluru Metro Rail Phase 2 (new lines)	19 Km 25 Km	These new lines will enhance connectivity between the far-off southern peripherals with the city centre and the north-eastern part of the city.	Planned. Expected completion in 2021.
<ol style="list-style-type: none"> <li>RV Road to Bommasandra</li> <li>Gottigere to Nagawara</li> </ol>			
Bengaluru Metro Rail Phase 2A	17 Km	This new line will decongest the traffic situation on Bengaluru's prime employment hub, Outer Ring Road, which is a major catalyst for its office sector's growth.	Bangalore Metro Rail Corporation Ltd. (BMRCL) yet to float tender.
ORR Metro-Silk Board Junction to KR Puram			Expected completion in 2023.
Bengaluru Metro Rail Phase 2B	37 Km	Planned connectivity to access the airport from the eastern and south-eastern parts of the city.	Bangalore Metro Rail Corporation Ltd. (BMRCL) yet to float tender.
KR Puram to Kempegowda International Airport (KIA)			Expected completion in 2023.
Flyover from Indiranagar-Domlur to Sarjapur Road and Hosur Road	2 Km	Extending through major junctions, including Ejipura traffic signal, Inner Ring Road, Sony World Junction and Kendriya Sadan junction, this flyover will enhance connectivity between the off-central and southern belts.	Under construction. Expected completion in 2019.
Varthur Kodi Bridge	0.09 Km	Expected to ease connectivity issues to reach to Sarjapur and Whitefield from Varthur	Under construction. Expected completion in 2019.

Satellite Town Ring Road (STRR)	204 Km	Expected hassle-free inter-city connectivity, which will prevent vehicles from entering the busy routes of Bengaluru. Dabaspete, Doddaballapur, Anekal, Ramanagar, Devanahalli, Nelamangala, Magadi, Kanakpura and Hoskote to be linked by road and this project may trigger organised residential activity in these towns near Bengaluru.	Detailed Project Report (DPR) yet to be approved and finalized. Expected completion in 2022.
Kempegowda International Airport (KIA) Terminal 2	-	Area of 255,000 sq m. The new terminal will help serve nearly 50 million passengers per annum (MPPA) and help in handling the growing passenger traffic. Once operational, it will create more employment opportunities and fuel economic growth of the region.	Phase I of Terminal 2 is under construction. Phase II of Terminal 2 is at a planning stage. Expected completion in 2021.
Major Arterial Road (MAR)	11 Km	Easy connectivity between Magadi Road and Mysore Road through Nadaprabhu Kempegowda Layout. Real estate land prices in these areas and plotted developments will benefit from this project.	Planned. Expected completion in 2022.
Elevated Corridor Phase 1 to 6	102 Km	Expected to decongest the overcrowded traffic situation in the various zones. North-South 1; Hebbal to Central Silk board East-West 1; KR Puram to Goruguntepalya East-West 2; Varthur Kodi to Jnanabharthi Connecting Corridor 1; East-West Corridor 2 at St John's Hospital Junction to Agara Connecting Corridor 2; East-West Corridor 1 at Ulsoor to East-West Corridor 2 at D'souza Circle Connecting Corridor 3; East-West Corridor 1 at Wheeler's Road Junction to Kalyan Nagar	State government's approval received. Next steps awaited.*
Bengaluru-Mysore Infrastructure Corridor (BMIC)	111 Km	4 km of Expressway is completed. 41 km of Peripheral Road from Electronic City to Tumkur Road is operational. Once fully constructed, it is planned to pass through Mysuru, Srirangapattana, Pandavpura, Mandya, Maddur, Channapattana, Ramangara, Kengeri and Bengaluru.	A report on alleged irregularities in this project is yet to be received by the Assembly.*
Suburban Railway	161 Km	Mass public transportation network will help ease connectivity and may reduce vehicular traffic movement. Total 81 suburban stations – 31 elevated and 50 ground level; Corridor 1 – Kengeri to Whitefield, Corridor 2 – KSR Bengaluru city to Rajankunte, Corridor 3 – Nelamangala to Baiyappanahalli and Corridor 4 – Hilalige to Devanahalli	Special Purpose Vehicle (SPV) yet to be established.*

Note: \* These are significant infrastructure projects announced for Bengaluru that remain at the drawing board stage.

Due to their magnitude and impact on connectivity across the city, they have been mentioned here

Source: Knight Frank Research

# Bengaluru developers making inroads into new markets

– by Divya Grover

Bengaluru based real estate developers have carved out a niche for themselves in the realty business and established their credibility and brand value through decades of operational excellence and customer centric approach. The first-generation real estate developers such as Sobha Ltd, Purvankara Ltd, Prestige Estates Projects Ltd and Embassy Group, having tasted success in the home market and maneuvered their way through different market cycles based on sheer project execution capability have emerged as industry giants. And they want to get bigger.

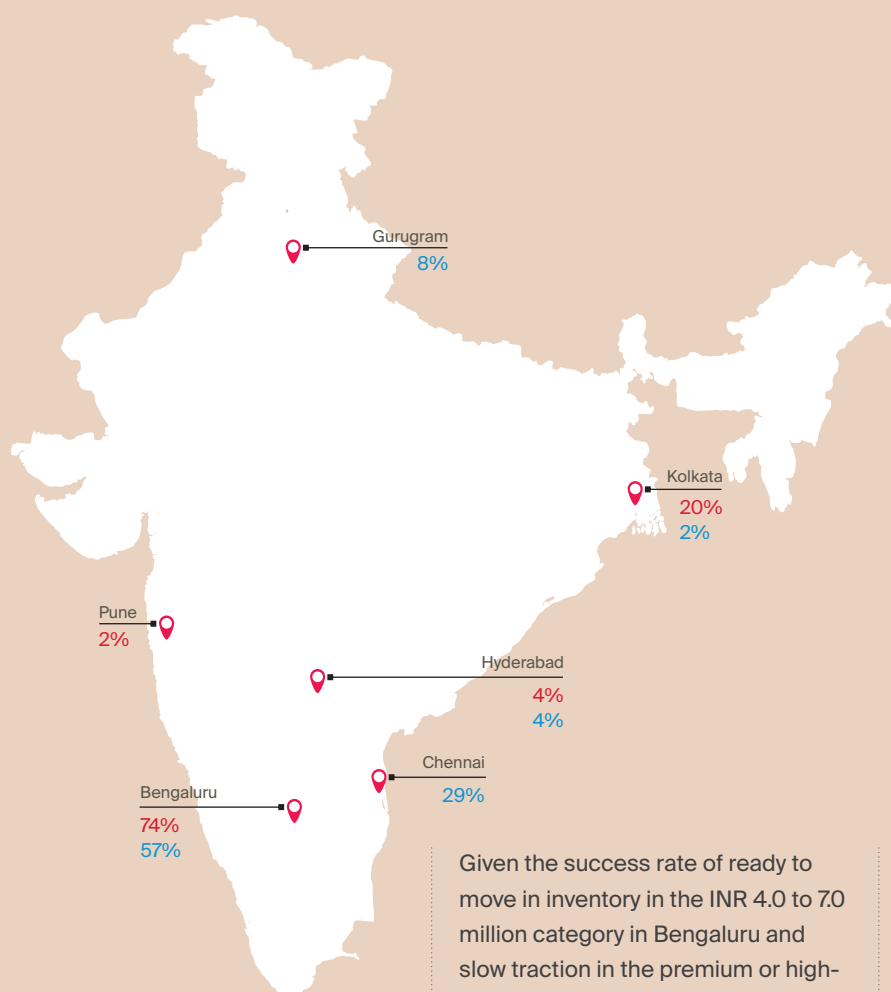
On the other hand, Grade A developers in some other cities grapple to get the house in order considering the new regulatory structure and slowdown in residential sales creating serious cash flow problems for operational sustenance. To add to that, new capital has almost dried up post the NBFC fiasco and whatever is available is at an extremely high cost of 14-15% or going up to 18% in many cases. The legal trouble in which some of the country's biggest real estate players find themselves post the Real Estate (Regulation & Development) Act, 2017 (RERA) implementation as well as cleansing of the sector as many fly by night operators have shut shop or left

the industry, has provided a level playing field for them to spread their wings. A golden opportunity to lap up a bigger market share nationally which was not there before RERA came into the picture. Despite Bengaluru still being the stronghold of their current and future real estate activities, these city-based developers are steadily venturing into other cities armed with their domain expertise to garner a bigger share in the Pan India residential sales revenue.

As per Knight Frank Research, since 2017, Bengaluru based developers launched 82% of new launches in the city, but at the same time started taking exposure in cities such as Chennai and Kolkata which accounted for 8% and 5% of their new product launches respectively. Chennai's slow recovery in the residential sector and its proximity to Bengaluru is a major reason for developers to launch new projects here as it enables close monitoring of project progress from the regional headquarters. Kolkata's residential sector badly battered by delays in project delivery and waning consumer confidence is also witnessing Bengaluru based developers making in-roads in the city. Compared to Bengaluru, the relatively smaller size of these

residential markets is a big comforting factor for these developers in addition to low entry barriers. Preference to venture into western cities such as Mumbai and Pune or National Capital Region (NCR) in North remains a long-term strategy but strong presence of local developers in these cities is the reason why most of these plans are yet to come to fruition, barring a couple of projects here and there.

From a strategic perspective, Bengaluru developers are testing waters in new markets by taking limited exposure rather than going all out to make a big bang in these territories. A closer look at the various ticket size brackets reveals a similar trend with Bengaluru still holding foremost position in new product launches. However, the percentage of launches shifts significantly in favour of other cities in the less than INR 2.5 million bracket and upwards of INR 10 million brackets. Ticket sizes less than INR 2.5 million have been garnering good sales traction in Kolkata along the metro corridor in locations such as Barasat, Madhyamgram, Narendrapur and Joka and it is not surprising that 20% of launches in this price bracket by Bengaluru based developers were in Kolkata in the past two and a half years.



■ % of new launches in ticket sizes less than INR 2.5 million category (INR 25 lakhs)

■ % of new launches in ticket sizes upwards of INR 10 million category (INR 1 crore)

Given the success rate of ready to move in inventory in the INR 4.0 to 7.0 million category in Bengaluru and slow traction in the premium or high-end segment, developers wanting to take exposure in products above the price tag of INR 10 million are doing so by exploring Chennai's micro-markets such as Mogappair, Sholinganallur or Vengaiwasal Main Road or in popular high-end locations in Hyderabad such as Jubilee Hills. A larger demographic of small and medium enterprise businessmen in these cities provides a ready end user base in comparison to the IT/ITeS sector professionals' end user base of Bengaluru whose propensity to spend on higher ticket size residential products is much higher and enquiries for these products translate into sales much faster.

Apart from exploring new markets, utilization of existing land bank in different cities for future development is a key area being scrutinized by Bengaluru developers to arrive at a suitable product mix. Also, diversification of their real estate portfolio into asset classes other than residential, in a scenario where raising capital is increasingly becoming challenging with each passing day remains a top priority. Many developers have already announced co-working ventures and are leaning towards joint venture partnerships to mitigate risk. A leading Bengaluru-headquartered developer has recently signed an agreement with a Mumbai based developer to redevelop a decades-old film studio into an office park. Developers with large office stock in Bengaluru, having expanded to other southern cities, are now looking west to actively expand their commercial portfolios. Two more developers, who had not yet ventured into the co-working business, are gearing up to launch their flexible office space brands in 2019, while some are also evaluating opportunities to get into setting up data centres.

Source: Knight Frank Research  
 Note: As per data from 2017 and onwards



# Chennai



# Residential Market

## Chennai Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
Launches (housing units)	10,373	12%	6,523	7,762	19%
Sales (housing units)	15,986	3%	8,585	8,979	5%
Price (wt avg)	47,245/sq m (4,389/sq ft)	-3%	48,567/sq m (4,512/sq ft)	47,110/sq m (4,377/sq ft)	-3%
Unsold inventory (housing units)	19,027	-23%	22,579	17,810	-21%
Quarters to sell	4.8	-	5.7	4.5	-
Age of unsold inventory (in quarters)	14.5	-	14.5	14.4	-

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 19%

YoY increase in launches in H1 2019

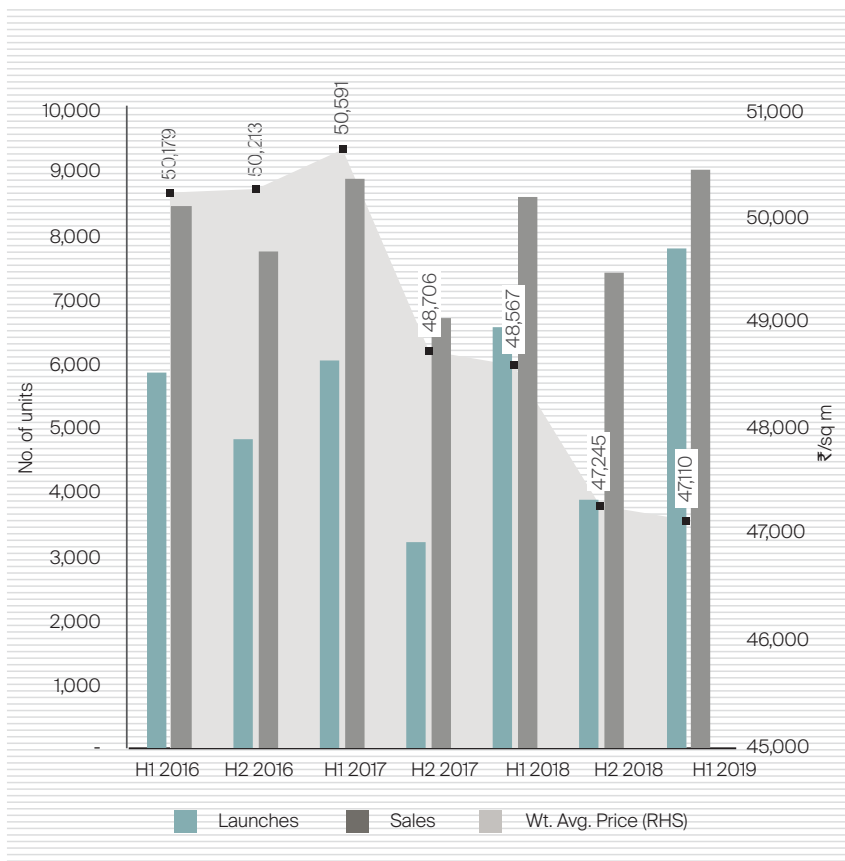
- The Chennai residential market is showing modest signs of recovery as both launches and sales reflect a positive growth year-on-year (YoY) in H1 2019.
- Launches grew by a robust 19% YoY, in H1 2019, on the back of the Tamil Nadu Combined Development Regulations (TNCDR) and Building Rules, 2019 getting notified in February 2019. These rules bring into effect the much-awaited increase in floor space index (FSI) from 1.5 to 2, for all types of buildings across the state. Developers had been holding back new projects all through 2018 to avail this benefit and the February notification has given a vent to this hold up, as is reflected by the H1 2019 launch numbers.
- Also, the developer community is coming to terms with the new Real Estate (Regulation and Development) Act, 2016 (RERA) and the Goods and Services Tax (GST) regime and is reconciling with the changing market needs. The new found understanding of rightsizing at right pricing has also contributed to a spurt in launches.
- Another reason for growth in launches is the presence of a festive quarter i.e. January to March in this period. Pongal that comes in January is considered auspicious by homebuyers and developers wanted to capitalise on this, after the lull of 2018.
- On the demand side, there has been a modest growth in sales, but was much lower than anticipated. Sales have grown by a modest 5% YoY, in H1 2019,

despite there being a festive quarter in this half of the year.

- Further, the consistent rate cuts by the Reserve Bank of India (RBI) and reduction of GST rates to 1% for affordable housing and 5% to others, have certainly helped keep end-user sentiments stable but they are yet to reflect in their homebuying decisions.
- Sales were largely concentrated in two categories during H1 2019, viz. the INR 3–5 mn ticket size segment and the ready-to-move-in segment; the former by virtue of being affordable and the latter owing to no GST and no risk of project delays.

- Also, micro-markets such as Navallur that are within a reasonable travelling distance from existing employment hubs and where social infrastructure is gradually evolving, are doing well and are expected to continue to do so in the future.
- But overall, demand continues to be lacklustre as homebuyers continue to resist high property prices. Additionally, emerging trends like preference to be asset-light and choosing to pay rents over EMIs are significantly contributing to low demand from homebuyers, especially millennials.

### Chennai Market Activity



Source: Knight Frank Research

- South Chennai, by virtue of housing the IT corridor and the largest concentration of office space has also evolved as a residential hub attracting the most residential transaction volumes in the city historically. In H1 2019 as well, South Chennai experienced the most activity, both in launches and sales.
- Unsold inventory came down by 21% YoY in H1 2019. However, a major factor in this downfall has been the significantly low launch numbers, all through 2018, resulting in a net decrease in unsold inventory.
- The Quarters-to-sell (QTS) level also trended slightly lower for the same reason and stood at 4.5 at the end of H1 2019. However, it is important to note here, the present water crisis in Chennai has been slowing down construction activity and could eventually result in six-to-nine month project delays which means QTS could be up by at least two-three quarters.
- As mentioned earlier, developers have now grasped the changing market needs and accordingly launched projects with rightsizing at right pricing. This can be deduced from the fact that a substantial 50% of the total H1 2019 launches were from the less than INR 2.5 mn category and another 24% were from the INR 2.5–5 mn category.
- Residential prices have corrected by a further 3% YoY in H1 2019. However, this market-driven reduction is yet to help sales gather enough momentum. While the increase in sales is welcome, they will have a material impact only when they occur in significant volumes. As things stand now, reduced prices are, in fact, eating into the profit margins of developers, further choking their liquidity.
- The aggravating Non-Banking Financial Company (NBFC) crisis has squeezed credit flows to the real estate sector. Developers are struggling with finances as NBFCs now refuse to honour even their prior commitments, including construction costs, and this is resulting in project delays. Homebuyers have been impacted as well, as home loan disbursals have reduced.
- Another recent development of prominence is Chennai's water crisis. The city has faced dry years in the past but this time the crisis is more severe as Chennai's main reservoirs have gone bone-dry in the last one year. Poor water management, despite warnings given by satellite images, is believed to be the main reason for this crisis. Water stress is bound to impact not just the resident population but also the business and economic activity, real estate included. Water is a crucial input for all construction activities and the present scarcity has already started stalling construction work. With this backdrop, possibility of a six-to-nine month delay in project deliveries is high and such delays will significantly impede the already stressed real estate market.

---

### *Micro-Market Classification*

---

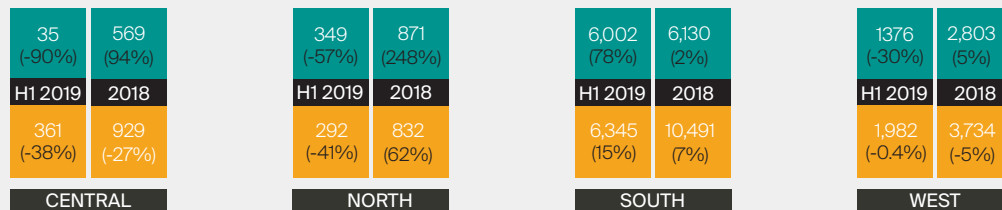
Central Chennai	T. Nagar, Alandur, Nungambakkam, Kodambakkam, Kilpauk
West Chennai	Porur, Ambattur, Mogappair, Iyappanthangal, Sriperumbudur
South Chennai	Perumbakkam, Chrompet, Sholinganallur, Guduvancheri, Kelambakkam
North Chennai	Tondiarpet, Kolathur, Madhavaram, Perambur

---

Source: Knight Frank Research

## Residential Launches and Sales

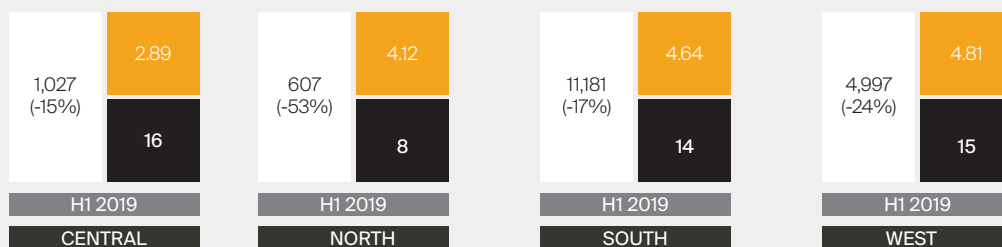
■ Launches (housing units)      ■ % change (YoY)  
■ Sales (housing units)



Source: Knight Frank Research

## Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Change)      ■ Age of inventory (in quarters)  
■ QTS (in Quarters)



Source: Knight Frank Research

# Residential Pricing

■ Price Range in H1 2019 in ₹/sq mtr     ■ 12 Month Change  
■ Price Range in H1 2019 in ₹/sq ft     ■ 6 Month Change

## CENTRAL

### ANNA NAGAR

**110,800-125,000**  
■ (10,200-11,600)  
■ -3%    ■ -2%

## NORTH

### KOLATHUR

**44,000-58,100**  
■ (4,100-5,400)  
■ -3%    ■ -2%

## SOUTH

### PERUMBAKKAM

**43,000-48,400**  
■ (4,000-4,500)  
■ -4%    ■ -2%

## WEST

### PORUR

**54,900-61,400**  
■ (5,100-5,700)  
■ -4%    ■ -2%

## KILPAUK

**151,000-167,000**  
■ (14,000-15,500)  
■ -2%    ■ -1%

## PERAMBUR

**61,400-70,000**  
■ (5,700-6,500)  
■ -4%    ■ -3%

## KELAMBAKKAM

**34,400-42,000**  
■ (3,200-3,900)  
■ -4%    ■ -2%

## MOGAPPAIR

**64,600-72,100**  
■ (6,000-6,700)  
■ -4%    ■ -1%

Source: Knight Frank Research

# Office Market

## Chennai Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	0.1 (1.3)	-28%	0.1 (1.2)	0.03 (0.3)	-76%
Transactions mn sq m (mn sq ft)	0.3 (3.5)	-23%	0.2 (1.8)	0.2 (1.9)	6%
Weighted Average Rental ₹/sq m/month (₹/sq ft/month)	631 (59)	3%	619 (57)	640 (59)	3.5%
Stock mn sq m (mn sq ft)	6.6 (71.2)	2%	6.6 (71.05)	6.7 (71.5)	1%
Vacancy (%)	10.6%	-	11%	10.2%	-

Note - 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 6%

YoY growth in transactions in H1 2019

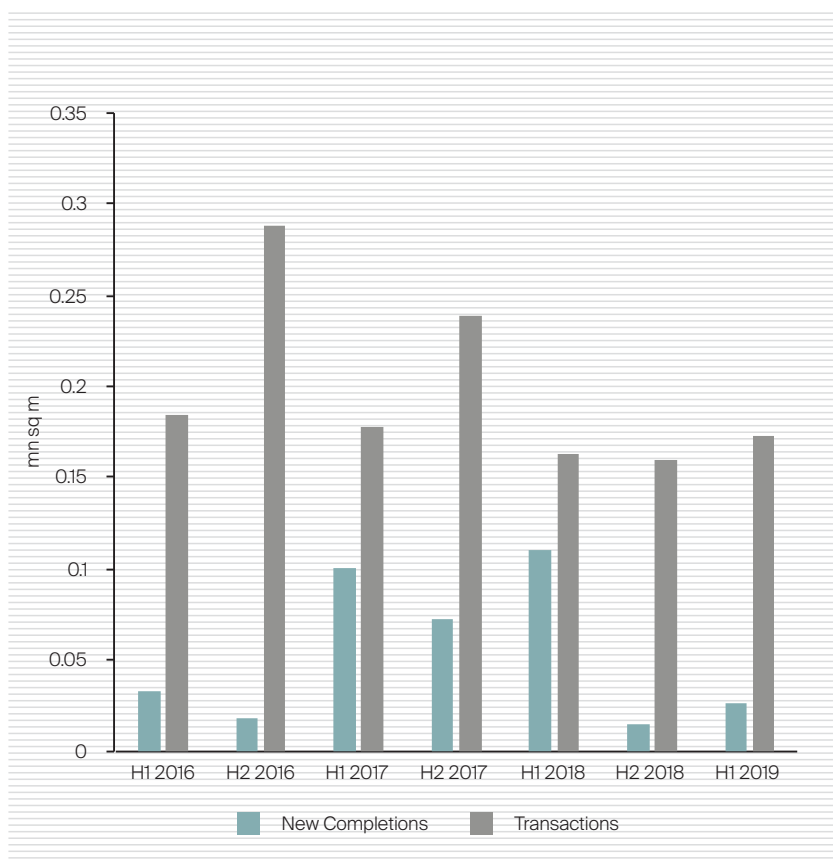
- Chennai's office market seems to have finally stabilised after a continuous fall in transaction volumes since H1 2018. In fact, for the first time since H1 2017, there has been a positive growth year-on-year (YoY) in transaction numbers of Chennai office market. In terms of supply, however, the gloom of inadequacy continues.
- H1 2019 transaction numbers indicate a positive movement in comparison to the stagnancy of 2018. There has been a positive 6% YoY growth, in H1 2019, on the backdrop of four negative YoY growth numbers, successively, and a steady slump for two consecutive periods.
- Supply contracted further with just 0.03 mn sq m (0.3 mn sq ft) new completions coming into the market during this period. This is a 76% fall YoY and definitely not favourable for an already supply-starved market.
- Weighted average rentals remain steady at a modest 3.5% YoY growth for the overall Chennai office space. Peripheral business district (PBD) Ambattur witnessed an uptick in the rentals thanks to the increased number of transactions that took place in this micro-market, in H1 2019. Similar is the case with the central business district (CBD) that accounted for the second highest share in number of transactions, after PBD Ambattur, across Chennai, in H1 2019.

- Stable demand from Chennai occupiers helps keep vacancy levels steady at 10.2% for H1 2019.
- Lack of quality supply continues to remain one of the major reasons for low transaction volumes in the Chennai office market, especially for the Banking, Financial services and Insurance (BFSI) sector.
- The issue of inadequacy of good quality supply, especially in the preferred locations such as the suburban business district (SBD) and SBD Old Mahabalipuram

Road (OMR), is slated to be addressed with up to 2.3 mn sq m (25 mn sq ft) of new office space expected to come online by 2021-22. Most of this new supply is being built in the adjacent areas of Guindy – Mount Poonamallee High Road stretch, and off OMR – near Perungudi, i.e. SBD and SBD OMR districts. The challenge here is then to retain occupier interest in Chennai office market in the interim.

- For now, occupiers seem to have decided to persist with the

### Chennai Market Activity



Source: Knight Frank Research

numerous co-working office space options available at their disposal, as these offer a good mix of quality office space, an employee-friendly work environment, state-of-the-art technology and a hassle-free plug and play experience. The demand for co-working spaces in Chennai has significantly increased in the last one year and as of H1 2019, co-working holds a 24% share in the entire transactions pie of the Chennai office market.

- Further, three of the top five transactions, in terms of transacted area in H1 2019, are by co-working players, bringing to

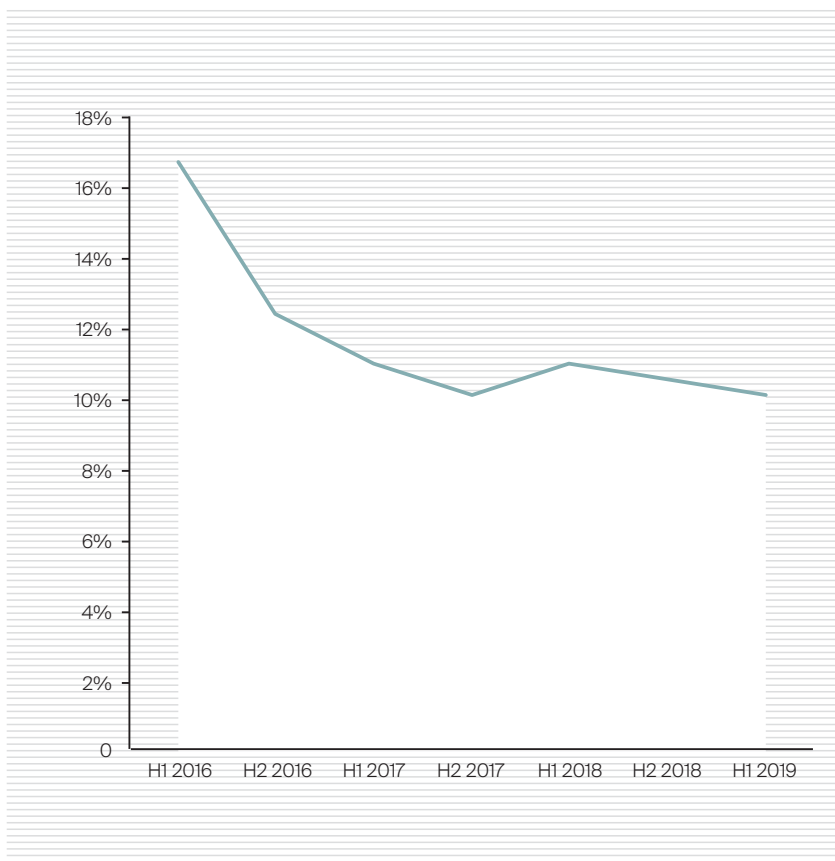
light the fact that these players are, in fact, drivers of transactions volumes, at present, in the Chennai office market.

- While SBD and SBD OMR business districts continue to dominate the Chennai office market with a combined share of more than 50% in the total transactions pie of H1 2019, PBD Ambattur is a pleasant surprise with 0.03 mn sq m (0.31 mn sq ft) space transacted in this period, a 1269% growth (a near 14-fold jump) YoY. The primary demand drivers for PBD Ambattur were data centres, a growing phenomenon across the country.

CBD also witnessed a growth in its absorption numbers driven mostly by the Other Services sector. In the last few periods, shift in occupier preference to quality office spaces in SBD and SBD OMR had resulted in a slump in absorption in CBD.

- The share of the Other Services sector in the total transactions pie of Chennai office space has increased significantly, going from 34% in H1 2018 to 61% in H1 2019. Growing activity in the co-working industry, part of the Other Services sector, is the pre-dominant reason for this increase.
- The information technology / information technology enabled services (IT/ITeS) sector, once the largest consumer of office space in the city, has been showing a declining share in the total transactions pie, coming down from 43% in H2 2016 to 27% in H1 2018. In H2 2018, the sector bounced back with a 44% share, indicating a possible trend correction. However, in H1 2019, its share in total office space consumption has again gone down to 29%. This, despite the increased activity in the data analytics domain, especially in data centres.
- The BFSI sector accounted for a meagre 2% in Chennai's total office space consumption for H1 2019. As mentioned earlier, lack of quality office space has been impacting the BFSI sector's presence across Chennai. Further, the sector's falling share in office space consumption could be

### Chennai Market Vacancy



Source: Knight Frank Research



symptomatic of the falling growth in this sector which is a result of the macro issue of non-performing assets (NPAs).

- Another recent development of prominence is Chennai's water crisis. The city has faced dry years in the past but this time the crisis is more severe as Chennai's main reservoirs have gone bone-dry in the last one year. Poor water

management, despite warnings given by satellite images, is believed to be the main reason for this crisis. Water stress is bound to impact not just the resident population but also the business and economic activity, real estate included. Water is a crucial input for all construction activities and the present scarcity has already started stalling construction work. On this backdrop, possibility of a

six-to-nine month delay in project deliveries is high and such delays will significantly impede the already slow recovery of the real estate market. The supply-starved office market will probably take the biggest hit as the much needed, new buildings, slated for a 2021-22 launch, will not be able to meet their delivery timelines.

## Business District Classification

Business district	Micro markets
Central business district (CBD and off CBD)	Anna Salai, RK Salai, Nungambakkam, Greams Road, Egmore, T. Nagar
Suburban business district (SBD)	Mount-Poonamallee Road, Porur, Guindy, Nandanam
SBD – Old Mahabalipuram Road (OMR)	Perungudi, Taramani
Peripheral business district (PBD) – OMR and Grand Southern Trunk Road (GST)	OMR beyond Perungudi Toll Plaza, GST Road
PBD – Ambattur	Ambattur

Source: Knight Frank Research

## Sector-Wise Split of Transactions

Industry	H1 2018	H1 2019
BFSI	23%	2%
IT/ITeS	27%	29%
Manufacturing	17%	7%
Other Services	34%	61%

Note: BFSI includes BFSI support services;  
Other Services includes co-working, media, telecom, etc.

Source: Knight Frank Research

## Average Deal Size and Number of Deals

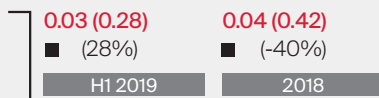
	H1 2018	H1 2019
Average deal size in sq m (sq ft)	1,891 (20,355)	2,244 (24,156)
Number of deals	86	77

Source: Knight Frank Research

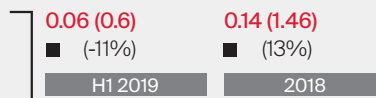
# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

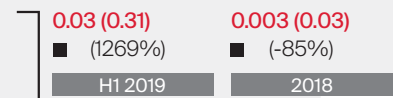
## CBD



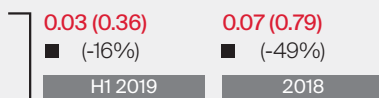
## SBD



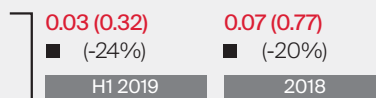
## PBD AMBATTUR



## SBD OMR



## PBD OMR & GST ROAD

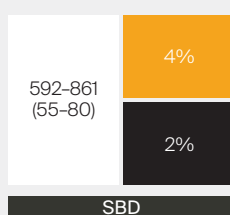
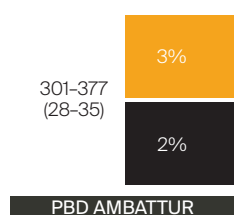
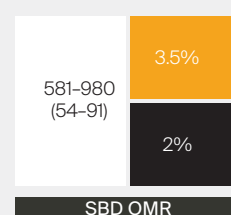
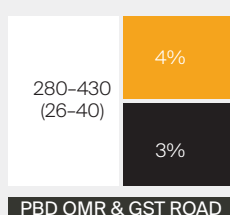
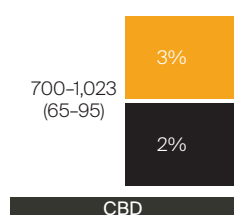


Source: Knight Frank Research

# Office Rental

□ Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)

■ 12 month change    ■ 6 month change



Source: Knight Frank Research

## Upcoming infrastructure in the Chennai Metropolitan Region

Project name	Project Scale	Observations	Current status
Mass Rapid Transit System (MRTS) Phase II Extension (Velachery–St. Thomas Mount)	5 Km	This MRTS extension is expected to benefit numerous people, especially those working in IT establishments and offices in Park Town, Fort, RK Salai, Adyar and Taramani. The St. Thomas Mount station will emerge as a single point interchange for five different modes of public transport – public buses, Southern Railway, MRTS, Suburban South Line, and Metro Line 2.	This project has been grappling with land acquisition issues since opening of Velachery MRTS in 2007. In June 2019, it has been brought under the purview of Tamil Nadu government's Pro-Active Governance And Timely Implementation (PRAGATI) platform, for reviewing and monitoring.
Chennai Metro Corridor III (Madhavaram – Siruseri)	45.81 Km	Part of Chennai Metro's phase-II project, this corridor aims at providing a widespread north-south connectivity through the city centre. Mostly underground, this metro corridor connects the industrial clusters in the north and south, making the commute easier for employees of this sector.	Soil testing is in progress. Construction is expected to commence by mid of 2020. Expected to be completed in 2026.
Chennai Metro Corridor IV (Poonamallee – Lighthouse)	26.1 Km	Part of Chennai Metro's phase-II project, this corridor aims at providing a widespread east-west connectivity through the city centre. Mostly underground, this metro corridor connects the office catchment in the city to the residential locations such as Valasaravakkam, Porur Poonamallee	Soil testing is in progress. Construction is expected to commence by mid of 2020. Expected to be completed in 2026.
Chennai Metro Corridor V (Madhavaram – CMBT)	16.34 Km	Mostly underground, this metro line will enhance connectivity along north western micro markets such as Retteri, Kolathur and Tirumangalam.	Soil testing is in progress. Construction is expected to commence by end of 2019. Expected to be completed in 2025.
New Terminal and Greenfield - Airport		Proposed 5 mppa capacity at New Terminal and 40 mppa capacity at Greenfield Airport. Both the projects will help increase the passenger as well as the cargo handling capacities of Chennai Airport. The increased connectivity will support office market activity and identify new residential growth corridors with economic activity.	New Terminal is under-construction, expected to be completed by 2022.  Government approval for the Greenfield Airport is awaited.

Chennai Peripheral Ring Road (Ennore - Mamallapuram)	133.381 Km	The Peripheral Ring Road is envisaged as a ring road connecting north-south stretch of Chennai from Ennore and Kattupalli ports to the East Coast Road at Mamallapuram town. The project will not only ease the traffic burden of the city, but it will also enhance connectivity across city's major industrial belts such as Singaperumalkoil, Sriperumbudur, Oragadam, Pudukottai, Periyapalayam, etc. The four-lane divided carriageway will enhance connectivity between sea ports and important industrial pockets, spurring commercial and cargo activity in Chennai.	This project has been grappling with land acquisition issues. In January 2019, loan was sanctioned by a Japanese agency to begin work on phase -1 of the project and it is expected to be completed by 2023.
Elevated Corridor (Chennai Airport - Chengalpet toll plaza)	40 Km	Planned along NH-32, it will improve connectivity from the city to the southern outskirts, and eventually to the green field airport.	Proposed
Elevated Expressway along Rajiv Gandhi Salai	45 Km	Proposed to reduce the heavy traffic congestion witnessed along Rajiv Gandhi Salai. Planned from Taramani to Siruseri under Phase-I and from Siruseri to Mahabalipuram under Phase-II. Post announcement of Metro corridor along OMR, this project is uncertain considering the road alignment with metrorail.	Proposed
Chennai Monorail Corridor I (Vandalur - Kathipara)	40 Km	This monorail corridor will provide better connectivity for Vandalur and Tambaram with the city centre via Velachery. This project would provide better accessibility for southern suburbs located along Velachery Tambaram main road.	Still to take off
Chennai Monorail Corridor II (Porur - Vadapalani)	21 Km	This monorail corridor will connect West Chennai via Porur. This project would provide better accessibility for southern suburbs located along Arcot road. Upon announcement of Chennai Metro Phase 2 corridors, objective of this project seems redundant and would require relook of the alignment.	Still to take off
Chennai Monorail Corridor III (Poonamallee - Kathipara)	18 Km	This monorail corridor will enhance connectivity of Poonamallee, as Porur is also a node on Metro Corridor II. Upon announcement of Chennai Metro Phase 2 corridors, objective of this project seems redundant and would require relook of the alignment.	Still to take off

Note: mmpa denotes million passengers per annum, Kms denotes kilometres.

# City's water crisis may result in project delays

– by Pradnya Nerkar

Chennai is, at the moment, facing its worst ever water crisis - the worst in last 30 years. The city has faced drought in the past but this time the water crisis is severe as Chennai's main reservoirs have gone bone-dry. The city's drinking water supply comes from four major reservoirs and all of them have dipped far below the zero level, holding not even 1% of their capacity at present. Additionally, the city has gone without a drop of rain for 200-days at a stretch.

Poor water management, despite warnings given by satellite images, is believed to be the main reason for this crisis. A deficient monsoon is worsening the situation further. Chennai's daily requirement of water is 1300 millions of litres per day (mld) and even in the non-drought times, the city's Metrowater was able to supply only 830 mld. At present, it's capacity of water supply has stooped down to 500-525 mld a day, demonstrating the magnitude of the water stress. Also, naturally, the preference is being given to meeting drinking water and domestic needs of residents and consequently, commercial / industrial needs have taken a backseat, real estate included.

Construction is a water-intensive activity in the real estate industry.

Water is an important input from the time the foundation is laid till the time the project is complete. Chennai's present water crisis has, therefore, negatively impacted construction activity. Piped water supply has reduced drastically and ground water table is alarmingly low; the only way developers have access to water is through private suppliers. But even this source is getting unviable as with every passing day of the drought, private suppliers are increasing the charges levied and making water an expensive input for developers; resulting in increased construction costs. Consequently, most developers have had to slow down or halt construction work, increasing the possibility of a six-to-nine month delay in project deliveries.

While the best solution to address the present crisis is the natural replenishment of water reservoirs in Chennai and its surrounding areas, the city will have to wait until November for this, when the north east monsoon arrives, if it arrives. Developers and other industries have already pinned their hopes high on this. Until then, possible ways out of this conundrum include setting up of waste water treatment plants at construction sites to avoid or minimise use of potable water for construction, setting up rain water

harvesting plants at project sites to replenish groundwater, and making use of innovative technologies and materials that minimise water usage. The 2011-16 Jayalalithaa government had made it mandatory to have rain water harvesting structures in every building and undoubtedly, the city has benefited from this in times of drought. More such policy interventions, that mandate water conservation, are the need of the hour. Besides, prominent developers like Mahindra Lifespaces have already resorted to water conservation measures such as using gypsum plaster (instead of the sand cement plaster) and self-curing concrete. It is only a matter of time for other developers to adapt to such measures, on a large scale. With numerous such steps in the right direction, construction activity would be executed with much lesser water requirement than at present.

However, for now, the reality of possible project delays cannot be ignored. Amongst all, the supply-starved office market will probably take the biggest hit, as the much needed, new buildings, slated for a 2021-22 completion, will not be able to meet their delivery timelines.

## *Co-working drives office space absorption* – by Pradnya Nerkar

The co-working story that is a global phenomenon has taken root in India and Chennai is no exception. Occupiers are increasingly preferring co-working office space options, as these offer a good mix of quality office space, employee-friendly work environment, state-of-the-art technology and a hassle-free plug-and-play experience. Lack of quality supply in preferred locations of the city such as the central business district (CBD) is further pushing occupiers to look towards the fully-equipped co-working spaces.

The demand for co-working spaces in Chennai has significantly increased in the last one year and as of H1 2019, co-working holds a 24% share in the total transactions pie of Chennai office market as compared to a mere 3% in H1 2018. The quantum of space taken up by these players is also seeing growth. There has been a 65% growth in two years in the volume of space occupied by co-working players in Chennai, from 0.01 mn sq m (0.06 mn sq ft) in H1 2017 to 0.04 mn sq m (0.44 mn sq ft) in H1 2019. Consequently, the share of the Other Services sector (of which co-working is a part) in the total transactions pie of Chennai office space has jumped to a significant 61% in H1 2019 from 34% in H1 2018. Further, three of the top five

transactions, in terms of transacted area in Chennai, in H1 2019, are by co-working players and they include 13,446 sq m (1,44,730 sq ft) by Workafella, 8,640 sq m (93,000 sq ft) by CoWrks, and 7,897 sq m (85,000 sq ft) by Smartworks. It is therefore clear that co-working players are at present driving office transaction volumes in Chennai.

Additionally, co-working transactions are spread across CBD, suburban business district (SBD) and SBD Old Mahabalipuram Road (OMR) markets in Chennai indicating a significant demand for co-working across the city. In fact, the primary driver of a 28% year-on-year (YoY) growth in office transactions in CBD is the 0.013 mn sq m (0.14 mn sq ft) deal by Workafella. This transaction has, in some measure, brought the office occupier's attention back to the CBD from the quality office premises in SBD and SBD OMR.

The spurt in co-working activity is attracting more and more established players to enter this market along with new ventures and start-ups. Besides Workafella, Cowrks and Smartworks; prominent players in the Chennai co-working market include The Hive, Isprout, Oyo Work Spaces and Cactus Corporate Co-working, among others.

*There has been a 65% growth in two years in the volume of space occupied by co-working players in Chennai.*



# Hyderabad



# Residential Market

## Hyderabad Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New launches (housing units)	5,404	54%	3,706	5,430	47%
Sales (housing units)	15,591	9%	8,313	8,334	0.3%
Price (weighted average)	44,025/ sq m (4,090/ sq ft)	7%	43,185 sq m (4,012 sq ft)	47,071 sq m (4,373 sq ft)	9%
Unsold inventory (housing units)	7,169	-59%	12,749	4,265	-67%
QTS	1.9	-	3.4	1.1	-
Age of inventory (in quarters)	17.5	-	18.5	15.8	-

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 0.3%

YoY increase in sales in H1 2019

- It will not be wrong to say that the worst is over for the Hyderabad real estate market, especially the residential property market. While the sales have largely remained steady, new launches had taken a hit, especially from H1 2016 onwards. In fact, new project launches hit a new low in H2 2017. The gradual constriction in the new launches, had nothing to do with any fundamental flaw in the market but it was more to do with the market trying to adjust to the new policy initiatives introduced by the government.
- Even after the Real Estate (Regulation and Development) Act, 2016 (RERA) came into full force in the state, in the first week of September 2018, it took a while for the new office to start functioning in top gear. "Now the huge backlog of files that had got stuck at the RERA office has been cleared," stated one of the stakeholders. The backlog of files being cleared by the RERA office provided some breather to new launches in the city in H1 2019.
- Even though the new launches have reached levels of H1 2015, it could have been much better in H1 2019. It needs to be mentioned that the environment committee is not in place in the state for close to a year. As per different estimates by stakeholders close to 150–200 projects are awaiting environment clearance. Had the committee been in place, the number of units launched in H1 2019 would have been much higher.
- While the absence of a committee to give the environment clearance

has been missing for a while and it's a matter which should get resolved at the earliest, the fact that the state capital has been in election mode, till the very recent past, cannot be ignored. First, it was the matter of the state elections, followed by the Lok Sabha elections and then the Zila Parishad elections. Now that such matters have been diligently handled and that there is continuity, in political leadership in the state, better days for the real estate sector should not be too far away. We sincerely hope that the committee to give environment clearance will be in place soon.

- While it cannot be denied that the situation of new launches in H1 2019 would have been much better, than it is now, had the environment committee been in place, the situation is still much better than it was in the recent past. New launches have moved up 47%, in H1 2019, compared to the same period last year.
- What is interesting about new launches in H1 2019 is that this time a considerable number of launches have happened in the INR 2.5–5 mn category. It was largely the northern part of the city which witnessed launches in this price bracket.. At the other end of the price bracket, there were also instances of ultra-premium projects being launched in the city. Some of the locations that were in the thick of action, especially with regards the new launches in the city, are micro markets like Pragathi Nagar, Bolarum, Bachupally, Tellapur, Kokapet, Yaprul, Bandlaguda, Shad Nagar and Nanakramaguda.

---

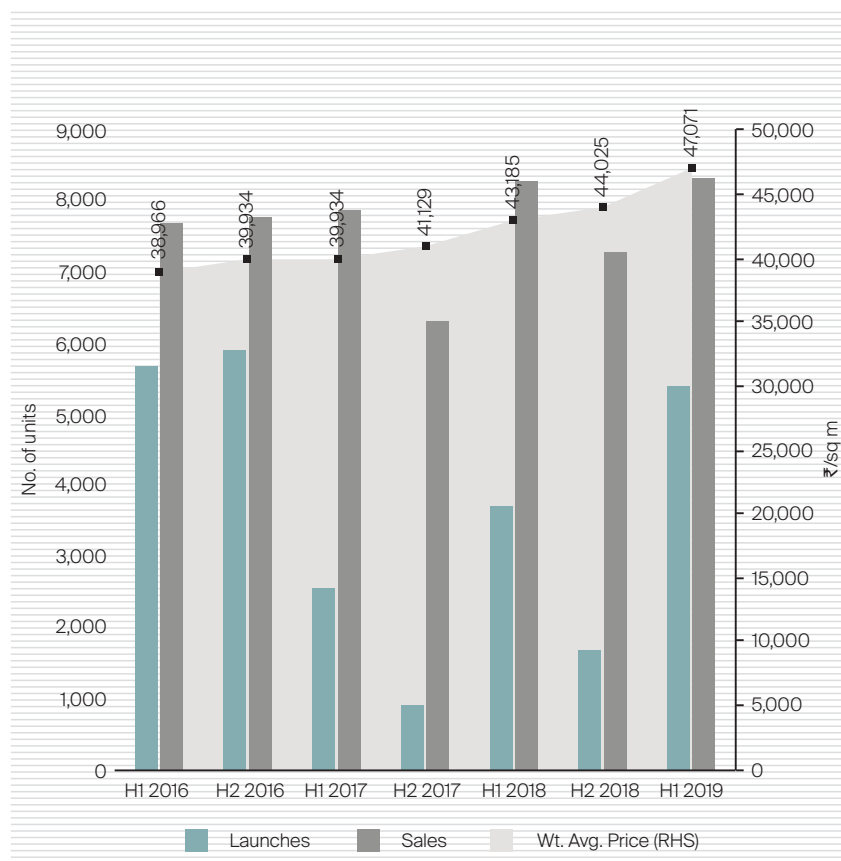
■ ■

*The gradual constriction in the new launches, had nothing to do with any fundamental flaw in the market but it was more to do with the market trying to adjust to the new policy initiatives introduced by the government.*

---

■ ■

## Hyderabad Market Activity



Source: Knight Frank Research

*Now that matters have been diligently handled and that there is continuity, in political leadership in the state, better days for the real estate sector should not be too far away.*

- Sale of housing units on the other hand have largely remained steady, unlike new launches which have to a great extent have been topsy-turvy, especially in recent years. Even in H1 2019, sales have remained steady. It is at the same levels, in H1 2019, as it was in H1 2018.
- One cannot deny the fact that the good show of the office market has been rubbing off on the residential property market, in the city, and nowhere it is more evident than the sale of housing units.
- As has been the case with the city,

the western part of the city saw the maximum sale of housing units in H1 2019. Of the total housing units sold in Hyderabad, close to 63% were sold in the western part of the city. It however, needs to be noted that on a y-o-y (YoY) comparison, the number of units sold in the west has gone down, in H1 2019, compared to the same period last year. Even the share of the west has gone down from 69%, in H1 2018, to 63% in H1 2019.

- During our field surveys, it was apparent that there was a clear preference, among homebuyers, for ready-to-move-in units or

those housing units where the possession was within the next six months. Further, housing units by reputed developers too were being preferred by the homebuyers.

- The western part of the city continued to hold sway with regards sale of housing units in the city. Proximity to office locations like Financial District, Madhapur, Gachibowli and Kondapur coupled with the presence of robust infrastructure have been the major pull factors for homebuyers in Hyderabad.
- The loss of the west has been the gain of the northern part of the city. As already mentioned, going forward, the northern part of the city will be home to affordable housing projects in the Hyderabad. The fact that the share of the northern part of the city has shot up to 22%, with regards total sales, in H1 2019, is proof enough that such projects are being picked up by homebuyers.

- “While sales have remained steady in recent times, new launches have got constricted due to various policy initiatives,” stated one of the major stakeholders in the city. Even though new launches have increased in H1 2019, compared to H1 2018, it will take a while to satiate the pent-up demand in the city. This has contributed to two things.
  - First, the price of residential units in the city have gradually been moving north, more so of the units that are nearing completion. The mismatch created in demand and supply, because of new launches, should further push up prices in Hyderabad in the coming days.
  - Second, the quarters-to-sell (QTS) in the city has been squeezed to a new low. The QTS of unsold inventory is the number of quarters required to exhaust the existing unsold inventory in the market. The existing unsold inventory is divided by the average sales velocity of the eight

preceding quarters in order to arrive at the QTS number for that particular quarter. A lower QTS indicates a healthier market.

- With drastic reduction in launches and steady sales, the QTS has further reduced in H1 2019 compared to H1 2018. As already mentioned earlier, the QTS which stands at 1.1 quarters will move to more reasonable levels after housing projects waiting to get their environment clearance start getting added to the supply.

### Micro-Market Classification

Micro market	Locations
HMR – Central	Begumpet, Banjara Hills, Jubilee Hills, Panjagutta, Somajiguda
HMR – West	Kukatpally, Madhapur, Kondapur, Gachibowli, Raidurgam, Kokapet
HMR – East	Uppal, Malkajgiri, LB Nagar
HMR – North	Kompally, Medchal, Alwal, Quthbullapur
HMR - South	Rajendra Nagar, Shamshabad

Source: Knight Frank Research

---

*During our field surveys, it was apparent that there was a clear preference, among homebuyers, for ready-to-move-in units or those housing units where the possession was within the next six months.*

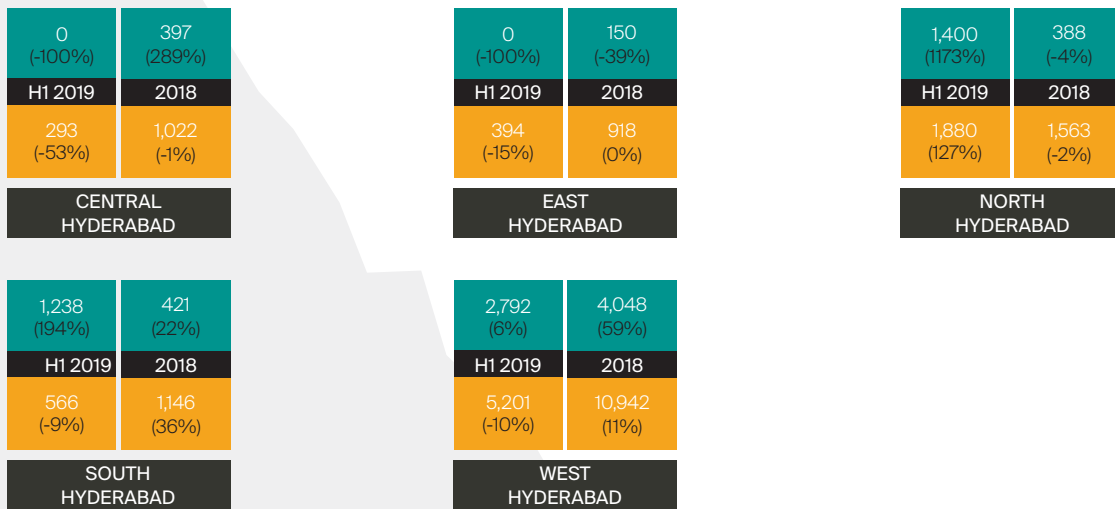
---

**47%**

*YoY increase in new launches in  
H1 2019*

# Residential Launches and Sales

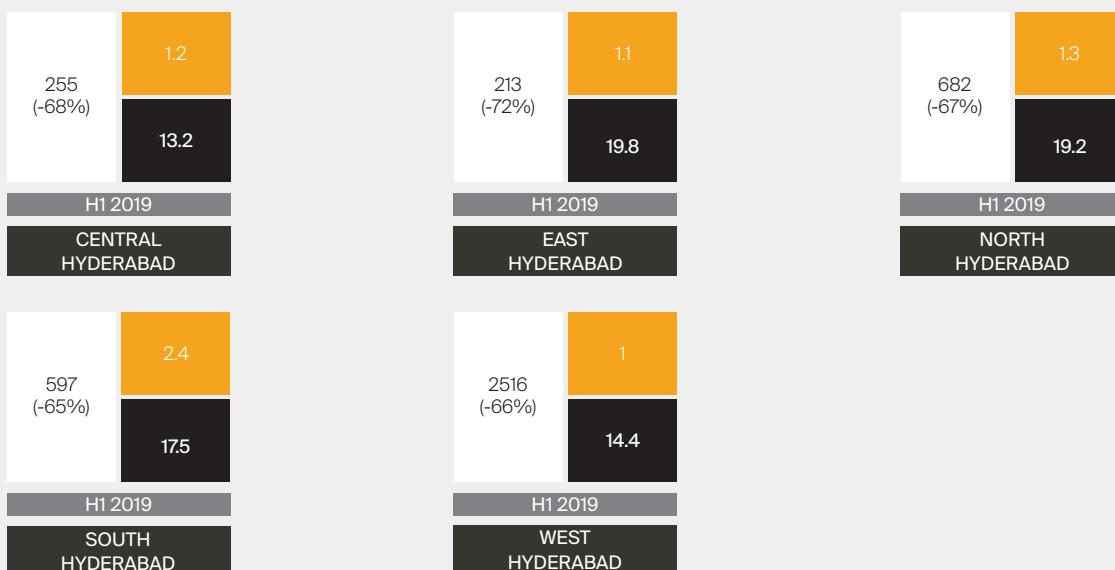
■ Launches (housing units)      ■ % change (YoY)  
■ Sales (housing units)



Source: Knight Frank Research

# Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Change)      ■ Age of inventory (in quarters)  
■ QTS (in Quarters)



Source: Knight Frank Research

# Residential Pricing

■ Price Range in H2 2019 in ₹/sq mtr     ■ 12 Month Change  
■ Price Range in H2 2019 in ₹/sq ft     ■ 6 Month Change

## CENTRAL HYDERABAD

### BANJARA HILLS

**108,716-112,634**  
■ (10,200-10,600)  
■ 3%    ■ 2%

### JUBILEE HILLS

**118,296-119,373**  
■ (10,990-11,090)  
■ 3%    ■ 1%

## SOUTH HYDERABAD

### RAJENDRA NAGAR

**51,990-53,583**  
■ (4,830-4,978)  
■ 3%    ■ -1%

### BANDLAGUDA

**42,819-45,575**  
■ (3,978-4,234)  
■ 8%    ■ 0%

## EAST HYDERABAD

### LB NAGAR

**44,132-48,007**  
■ (4,100-4,460)  
■ 3%    ■ 2%

### NACHARAM

**40,451-42,938**  
■ (3,578-3,989)  
■ 4%    ■ 2%

## WEST HYDERABAD

### KOKAPET

**52,173-55,854**  
■ (4,847-5,189)  
■ 4%    ■ 3%

### MANIKONDA

**47,254-48,266**  
■ (4,390-4,484)  
■ 7%    ■ 4%

## NORTH HYDERABAD

### KOMPALLY

**35,650-35,790**  
■ (3,312-3,325)  
■ 4%    ■ 1%

### SAINIKPURI

**29,063-29,999**  
■ (2,700-2,787)  
■ 2%    ■ 0%

Source: Knight Frank Research

# Office Market

## Hyderabad Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	0.36 (3.86)	19%	0.16 (1.73)	0.37 (3.97)	129%
Transactions mn sq m (mn sq ft)	0.65 (7.03)	24%	0.25 (2.69)	0.36 (3.85)	43%
Weighted Average Rental in ₹/sq m/month (₹/sq ft/month)	624 (58)	14% -	571 (53)	635 (59)	11% -
Stock mn sq m (mn sq ft)	-	-	5.78 (62.26)	6.35 (68.36)	-
Vacancy (%)	-	-	6.76%	7.13%	-

Note - 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 43%

Increase in transactions in H1 2019



- The office market story of Hyderabad has been a talking point not only in real estate circles within the city but also in other urban centres. The manner in which the office market in the city has bounced back post the bifurcation of the state is truly commendable. And the growth story of the office market starts getting better with each passing year.
- Thus, in many ways, both in terms of new completions and transactions, H1 2019 has been one of the best periods that the city has ever witnessed. In fact, the volume of new completions and transactions is a new record for the city for any half of the year. The last time the city witnessed new completions anywhere close to what has been witnessed in H1 2019, was way back in 2008 when 0.36 mn sq m (3.90 mn sq ft) of space entered the supply.
- It needs to be mentioned that the story of new completions in the city, especially in recent years, has been one of constricted supply and that of projects being in the pipeline. What we see in H1 2019 is that the projects that were in the pipeline have now started to see the light of day. This trend is expected to continue at least for the next two to three years.
- On similar lines, the volume of space transacted in H1 2019, is second only to the space transacted in H2 2018. During H2

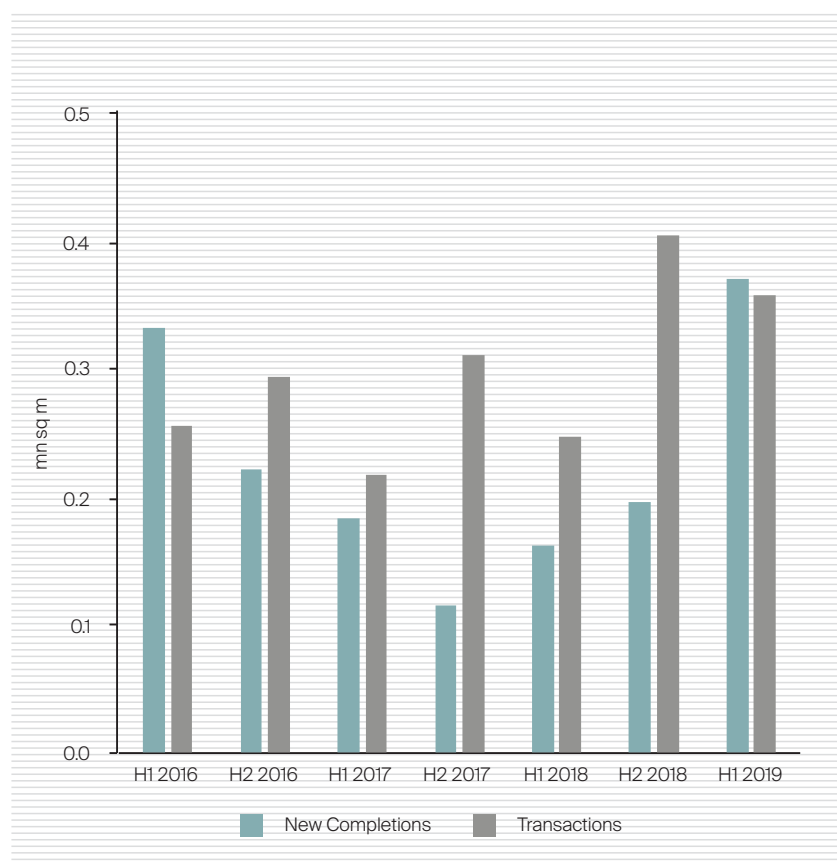
2018, record volume of 0.40 mn sq m (4.35 mn sq ft) was transacted in the city. During H1 2019, 0.36 mn sq m (3.85 mn sq ft) was transacted in the city, which is 43% more than the space transacted in the city in H1 2018.

- There are a couple of factors that have made Hyderabad the favoured location for occupiers. First, is the robust infrastructure of the city, which gets augmented over regular periods of time. While other markets are trying to catch up in terms of providing the

requisite infrastructure, Hyderabad already has the necessary infrastructure in place that will meet the future requirements of the city. There is however, a certain section among stakeholders who have started to voice their concerns about the possible pressure on infrastructure, especially on the western side.

- Second, even though the rentals of office space in Hyderabad have moved up in recent years, they are still below those prevailing in most

### Hyderabad Market Activity



Source: Knight Frank Research

mature markets. Further, even though the demand for office space far exceeds the supply, developers in the city have been able to meet the requirements of the occupiers and that too at a competitive price.

- Third, and perhaps the most important reason, is the fact that Hyderabad is a very welcoming city. While the city has the talent pool, to meet the requirements of the occupiers, it is also successful in attracting the right talent from across the country.
- It has generally been seen that the supply has been trying to catch up with the demand for office space

in the city. H1 2019 is perhaps the first time, in recent years when the supply making its way into the city outstripped the volume of space transacted in the city.

- With supply for the first time outstripping the volume of transacted space in H1 2019, vacancy levels have moved up marginally. In H1 2019, vacancy levels stood at 7.13%. Having said that, low vacancy is one of the biggest challenges for Hyderabad, as occupier interest continues to be on the rise and there is not enough supply to meet the same. Vacancy levels in markets like Madhapur, HITECH City, Gachibowli and Nanakramguda

area as low as 2–3%.

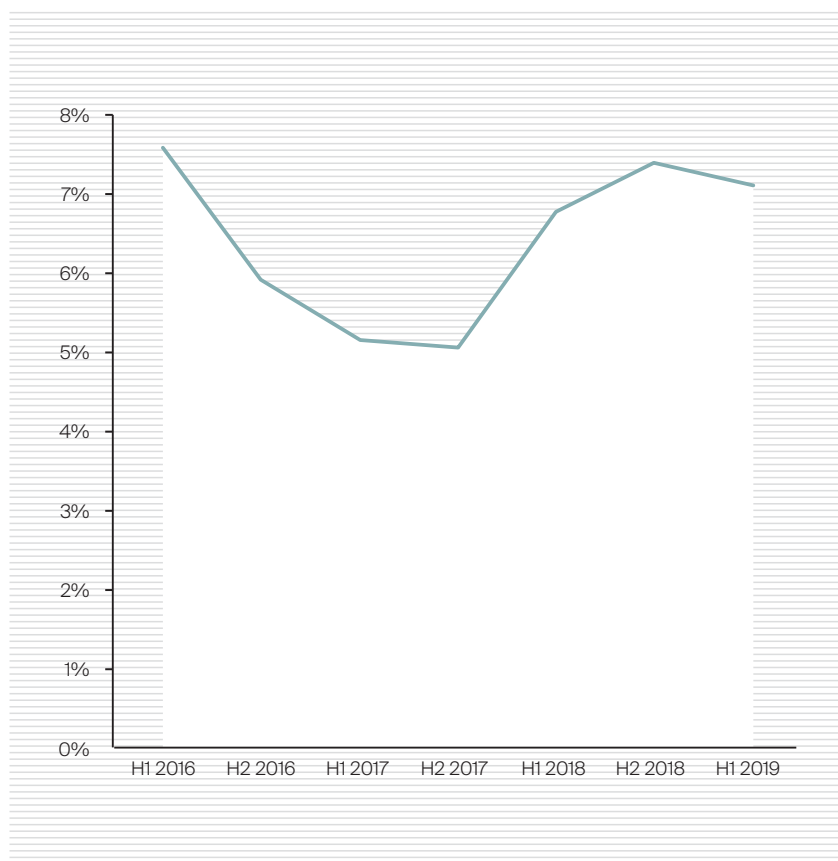
- The information technology / information technology enabled services (IT/ITeS) sector has traditionally dominated the office transaction pie in Hyderabad. In H1 2019, the IT/ITeS sector continues to maintain its dominant share in the volume of transacted space in the city. The IT/ITeS sector accounted for 41% of the transacted space in the city. The Other Services sector is a close second, accounting for 39% of the space transacted in H1 2019. It needs to be noted that compared to H1 2018, the IT/ITeS gained market share in H1 2019. Further, in H1 2019, the Banking, Financial services and Insurance (BFSI) sector share stood at 4% compared to 7% in H1 2018. The share of the manufacturing sector is marginally higher in H1 2019 compared to H1 2018.

- The co-working space continues to make its presence felt in Hyderabad. Of the total transacted space in the city, companies operating within the co-working space picked up close to 18% space. However, what is heartening is that of the total space picked up by companies operating in the Other Services sector, the share of companies in the co-working space was 46%, this share stood at 25% in H1 2018.

- The average deal size in H1 2019 was reported to be 4,468 sq m (48,097 sq ft), which is 115% higher than in H1 2018.

- H1 2019 witnessed 80 deals, which is lower than the number of

### Hyderabad Market Vacancy



Source: Knight Frank Research

deals accounted for in H1 2018. Even though the number of deals in H1 2019 is lower than in H1 2018, the average deal size has shot up by 115%.

- Among business districts, the suburban business district (SBD) continues to garner the lion's share of transacted office space in the city. Of the total transacted space, in the city, in H1 2019, SBD accounted for 49%. Next in line was the peripheral business district (PBD) West, which accounted for 46% of the transacted office space in H1 2019. The central business district (CBD) and off CBD accounted for the third most transacted office space, but its share was only

3.5%. The share of PBD East was only 0.9%.

- Madhapur, which had lost its dominant share to Raidurgam in H2 2018, regained its position as the most preferred business district in H1 2019. Its share in the total transactions, in H1 2019, in SBD, stood at 67%.
- Going forward it is expected that office space will further expand in the west, thereby increasing the attractiveness of micro markets like Kokapet, Narsingi and Puppalguda.
- Lack of vacant office stock coupled with steady demand has

pushed the weighted average rentals in the Hyderabad office market to INR 635 sq m/month (INR 59 per sq ft per month) at the end of H1 2019, a growth of 11% year-on-year (YoY).

- H1 2019 witnessed rentals move up across micro markets compared to H1 2018. The upward movement in rentals can be gauged from the fact that rentals in Kothaguda in SBD witnessed transactions at INR 861/sq m/month (INR 80 per sq ft per month). Rentals in Madhapur, in PBD West, too reached INR 807/sq m/month (INR 75 per sq ft per month).

## Business District Classification

Business district	Micro markets
CBD and off CBD	Banjara Hills, Jubilee Hills, Begumpet, Ameerpet, Somajiguda, Himayat Nagar, Raj Bhavan Road, Punjagutta
SBD	Madhapur, Manikonda, Kukatpally, Raidurg, Kothaguda
PBD West	Gachibowli, Kokapet, Nanakramguda, Nanakramguda, Serilingampally,
PBD East	Uppal, Pocharam

Source: Knight Frank Research

## Sector-Wise Split of Transactions

Industry	H1 2018	H1 2019
BFSI	7%	4%
IT/ITES	36%	41%
Manufacturing	15%	17%
Other Services	43%	39%

Note: BFSI includes BFSI support services; Other Services includes co-working, media, telecom, etc.

Source: Knight Frank Research

## Average Deal Size and Number of Deals

	H1 2018	H1 2019
Average Deal Size in sq m (sq ft)	2,079 (22,377)	4,468 (48,097)
Number of Deals	120	80

Source: Knight Frank Research

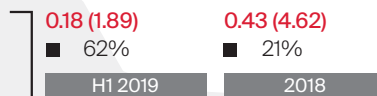
# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

## CBD & OFF-CBD



## SBD



## PBD WEST



## PBD EAST

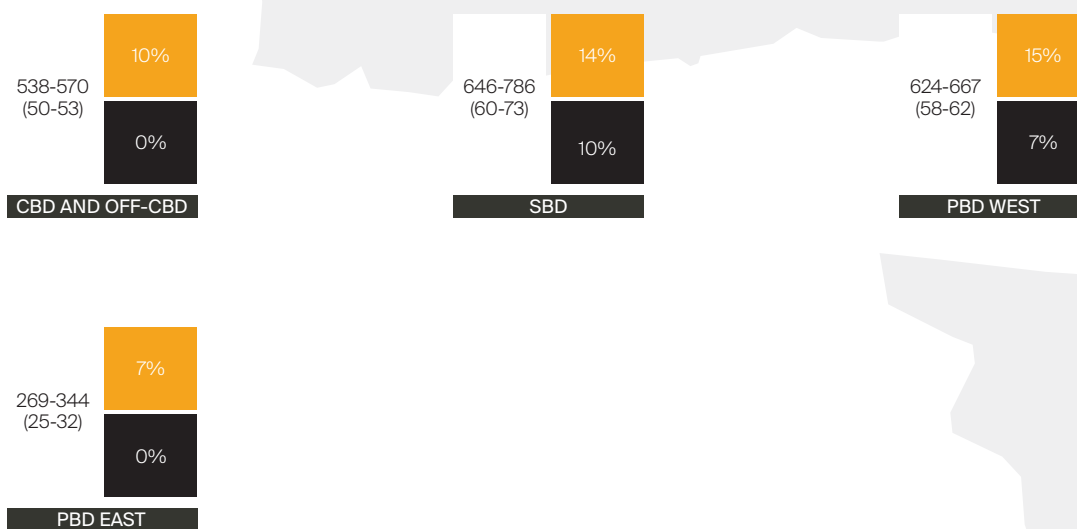


Source: Knight Frank Research

# Office Rental

□ Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)

■ 12 month change    ■ 6 month change



Source: Knight Frank Research

# Upcoming infrastructure in and around Hyderabad Metropolitan Region

Project name	Project scale	Observations	Current status
Hyderabad Metro Rail Project Phase 1	72 Km	<p>Proposed in Three Corridors</p> <p>Corridor 1: Miyapur to LB Nagar</p> <p>Corridor 2: Jubilee Bus Stand to Falaknuma</p> <p>Corridor 3: Nagole to HITEC City</p> <p>This will provide improved connectivity between east Hyderabad and west Hyderabad</p>	<p>Miyapur to Ameerpet of Corridor 1 inaugurated on 29th November 2017</p> <p>Ameerpet to LB Nagar of Corridor 1 inaugurated on 24th September 2018</p> <p>Nagole to Ameerpet of Corridor 3 inaugurated on 29th November 2017</p> <p>Ameerpet to HITEC City of corridor 3 inaugurated on 20th March 2019</p> <p>Corridor 2: Expected to be complete by Dec 2019</p>
Hyderabad Metro Rail Project Phase 2	115 Km	<p>Raidurgam – Gachibowli – Shamshabad Airport</p> <p>Nagole – LB Nagar – Falaknuma – Shamshabad Airport</p> <p>Miyapur – Gachibowli – Tolichowki – Lakadikapool</p> <p>Miyapur – BHEL – Patancheru</p> <p>LB Nagar – Hayathnagar</p> <p>Jubilee Bus Stand – Alwal</p> <p>Tarnaka – ECIL Cross Roads</p> <p>It will provide connectivity to airport, key central locations and outskirts of the city</p>	<p>Planning stage</p>
Regional Ring Road	330 Km	<p>Expected to connect next leg of towns from the city such as Siddipet, Toopran, Narsapur, Sangareddy, Shankarpally, Chevella, Shadnagar, Bhongir, Choutuppal</p> <p>This initiative will connect the next leg of cities from Hyderabad (adding more land area to the real estate landscape of the city)</p>	<p>Planning stage.</p>

Four/Six Lane Roads along the banks of Musi River	42 Km	<p>Four/Six Lane Roads along the banks of Musi River connecting Nagole (East Hyderabad) and Kismatpur (West Hyderabad)</p> <p>Improved connectivity between east Hyderabad and West Hyderabad</p>	Planning stage
Strategic Road Development Program (SRDP)		<p>Several flyovers and underpasses are proposed to upgrade road infrastructure in the core city</p> <p>Ayyappa Society Underpass Improved connectivity in IT corridor (Madhapur &amp; HITEC City) – West Hyderabad</p> <p>Mindspace Underpass Improved connectivity in IT corridor (Madhapur &amp; HITEC City) – West Hyderabad</p> <p>Chintalkunta (LB Nagar) Underpass Improved connectivity in LB Nagar – East Hyderabad</p> <p>Kamineni Hospital Flyover Improved connectivity between LB Nagar &amp; Nagole – East Hyderabad</p> <p>Raheja Mindspace Flyover Improved connectivity in IT corridor (Madhapur &amp; HITEC City) – West Hyderabad</p> <p>LB Nagar Flyover Improved connectivity between Dilsukhnagar &amp; Hayathnagar via LB Nagar – East Hyderabad</p> <p>Malaysian Township Flyover Improved connectivity between Kukatpally &amp; HITEC City – West Hyderabad</p> <p>Cable Bridge (Road Number 45 to Durgam Cheruvu) Improved connectivity between Jubilee Hills &amp; HITEC City – West Hyderabad</p> <p>Biodiversity Junction Flyover Improved connectivity between Raidurgam, Gachibowli &amp; HITEC City – West Hyderabad</p> <p>Botanical Garden Flyover Improved connectivity between Gachibowli, Kondapur &amp; HITEC City – West Hyderabad</p> <p>Sagar Cross Road Flyover Improved connectivity between LB Nagar &amp; Karmanghat – East Hyderabad</p> <p>Flyovers on National Highway 163 (Warangal Highway) Improved connectivity between Amberpet, Uppal &amp; Pocharam – East Hyderabad</p>	<p>Inaugurated in January 2018</p> <p>Inaugurated in April 2018</p> <p>Inaugurated in May 2018</p> <p>Inaugurated in July 2018</p> <p>Inaugurated in November 2018</p> <p>Inaugurated in January 2019</p> <p>Inaugurated in April 2019</p> <p>Under construction (expected to be completed by October 2019)</p> <p>Under construction</p> <p>Under construction</p> <p>Under construction</p> <p>Under construction</p>

# The Metro Push

– by Pankaj Anup Toppo

Metro services started in Hyderabad only in November 2017, and within this short span of time, the city has the second largest metro rail network, after Delhi. This is quite a feat and something which the local Hyderabadis should be proud of. If the Delhi National Capital Region (NCR) is taken as an example, the metro rail services will go a long way in unlocking the real estate potential of the city and give a boost to the 'Look East' policy. These are still early days for the metro services in Hyderabad but gradually the local population has started to get used to this new mode of transport in the city. In the present day, only a section of the entire network is operational. "We are planning to create an eco-system where people are more attuned to taking the metro," stated one of the senior officials at L&T Metro Rail, Hyderabad. While the state of the infrastructure in the city is good, there are voices which have started to speak out about the pressure on the

existing road network. Going forward, the way the city has been growing, the importance of an infrastructure project like the metro rail will go a long way in improving the quality of life in the city, thereby, further pushing up the attractiveness of its real estate.

## The Hyderabad metro

In the present day, only a section of the Hyderabad Metro Rail is functional—HITECH City to Nagole and from Miyapur to LB Nagar. Presently, only 56 kilometres of metro rail network is operational, by October of this year, the network will increase to 65 kilometres. While the people have started getting used to this new mode of transport, there are voices which think otherwise. It needs to be mentioned that when the monsoons hit Hyderabad this year, metro rail services came to the rescue for most of the people in the city. If reports of the day are to be believed, then close

to 3 lakh people took the metro on that day thanks to the flooded streets.

## The helping hand

Naysayers will continue to blame the delay in the implementation of the project but efforts are being made to create an eco-system to help people take advantage of the metro services. For starters, providing last-mile connectivity is one of the major focus areas. It needs to be noted that in the present day, the metro does not operate on the western part of the city, the hub of real estate development. It only goes as far as HITECH City. Going forward, the metro rail services will be extended up to Raidurg on that line. This should most likely happen in August this year. Once that happens, the metro rail services will finally make its entry into the newer part of the city, which is largely a result of the real estate development that the city has been witness to in recent years. We hope



that in coming years, the Hyderabad Metro Rail services will make further inroads in that side of the city. Till that happens and in areas closer to the metro, efforts are being made to provide the last-mile connectivity. “We have started providing such services in areas like Financial District and nearby areas,” stated a senior official at L&T Metro Rail. In a move to further provide last-mile connectivity, the Hyderabad Metro Rail (HMRL) has introduced self-driving cars. For this initiative, HRML has tied up with Zoomcar and hired 25 metro cars at the Miyapur station. These cars are being run to the Shamshabad airport and Madhapur from Miyapur. Commuters alighting at Miyapur station can make use of these cars to reach their destinations. The tariff for these cars is INR 40 per hour. Further, KT Rama Rao, working president, Telangana Rashtra Samithi, has advocated increasing the number of coaches and the frequency of the metro rail services.

### **The impact**

With metro rail only operating in a section of the city, the real impact of this mega project will not be felt in the present day. In the second phase of the metro, it will reach Shamshabad Airport, in the south, Patancheru and Hayatnagar in the west and Alwal in the north. Once the entire metro network is fully functional, then the day will not be far when it will have a similar impact as it has in Delhi NCR. While companies moving to the east is a debate best left for another day, one thing is for sure, it will provide much-needed relief, in case infrastructure in the west starts feeling the pressure because of the real estate development in recent years. One of the stakeholders clearly mentioned that the real impact of the metro rail services will be when a person living in Uppal travels to the west for work daily. Even now people travel to West Hyderabad for work, but only till HITECH City. Once

connectivity improves, the metro will most likely unlock the real estate potential of the east, that day hopefully should not be too far away. There are enough precedents for such a scenario to become a reality. After all Connaught Place would not have been what it is today had it not been for the Delhi Metro. Lastly, once that happens, a person living in Kukatpally will not bat an eyelid before boarding a train to Charminar to enjoy the mouth-watering delicacies that the city offers. The retail development of the old city also cannot be ruled out. Chandni Chowk, in Delhi is another precedent.



# Kolkata

# Residential Market

## Kolkata Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
Launches (housing units)	12,015	-25%	6,393	627	-90%
Sales (housing units)	12,731	-10%	6,591	4,588	-30%
Price (weighted average)	₹ 35,080/sq m (₹ 3,259/sq ft)	-4%	₹ 35,446/sq m (₹ 3,293/sq ft)	₹ 34,735/sq m (₹ 3,227/sq ft)	-2%
Unsold inventory (housing units)	38,536	-2%	39,054	34,575	-11%
Quarters-to-sell	12.6	-	12.2	11.3	-
Age of unsold inventory (in quarters)	13.4	-	12.6	13.6	-

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 90%

YoY drop in launches in H1 2019

- West Bengal is the only state in India to enact its own real estate law – Housing Industry Regulatory Act (HIRA), 2017 instead of replicating the Central Government's Real Estate (Regulation and Development) Act, 2016 (RERA). The state government has continued with its own version of the Central RERA despite the Supreme Court's notice to the state government to repeal it. The ensuing confusion about its constitutional validity has been a major factor behind Kolkata's residential market downtrend to persist and for sales volume not to pick up, while other cities where RERA was implemented timely and in true letter and spirit are well on the road to recovery.
- As of 19th June 2019, only 442 projects have been registered and approved under HIRA, out of which Kolkata accounts for nearly 30% of the projects, which is too less given the total inventory of ongoing projects. Since HIRA is still in its infancy and is yet to start catering to buyer complaints and set up an Appellate Tribunal, Kolkata's residential market faces many drawbacks such as slowdown in construction timelines and low homebuyer confidence due to lack of transparency. As a result, developers are hesitant to launch new residential projects and new supply in the primary residential sector has come to a grinding halt.
- Following the Non-Banking Financial Company (NBFC) crisis, which surfaced in 2018, there exists an acute liquidity crunch in the market which makes it very difficult for real estate developers to raise capital, pushing up borrowing costs and causing further delays in construction. Due to the cautious NBFC lending scenario and a freeze on finances, developers remain mindful curtailing new launches. This is a huge challenge for builders' survival in the real estate market and as a result, funds have eventually dried up and are not getting disbursed.
- New launches have almost come to a standstill also because of the delay in various clearances for building construction and the wait extends to nearly one and a half to two years. It takes about 12–15 months for a project to receive the necessary approvals like Encumbrance Certificate (EC), building and layout plans, etc. The remaining extended time is taken for the project to receive fire, safety and environmental sanctions.
- With the ongoing market downturn exacerbated by the delays in obtaining approvals and the difficulty in obtaining new capital, only 627 residential units were launched in Kolkata during H1 2019 recording an alarming drop of 90% year-on-year (YoY). Though residential launches had been sequentially declining since H1 2015, with each subsequent half-yearly period recording slowdown in launches, the extent with which new project launches have declined during H1 2019 effectively translates to the city's primary market coming to a standstill during this half-yearly period.
- South Kolkata captured the maximum share of 50% of the total new launches pie in the first half of 2019. Being a well-established residential spot, this micro market has a dense network of major roads connecting the locality with the rest of the city. The upcoming metro development from Dum Dum to Garia, extension of the EM bypass and the local railway connectivity have boosted the prospects of this micro market and developers are gradually expanding footprint in far-off southern locations like Joka, Sonarpur, Mahayam Tala and Mukundapur.
- Unlike the past trends, the western micro market saw an increased market share for new launches. From 18% in H2 2018 to 29% in H1 2019, this micro market has witnessed a lot of developers sitting up and taking note of the latent housing demand here. Developers are gradually making their mark in West Kolkata by catering mainly to the affordable property segment in the ticket size range of < INR 2.5 million. This micro market was followed by North Kolkata garnering a share of 21% in new launches in locations such as Madhyamgram and Barasat. During the H1 2019 period, there were no new launches in Rajarhat, which is attributed to the existing oversupply situation.
- With the migration of population from neighbouring Tier II and Tier III cities for career opportunities

and better standard of living, there is a huge demand for affordable housing in Kolkata's far off northern and southern peripherals. During H1 2019, 81% of the total launches fell under the ticket size category of INR 2.5–5 million and 11% accounted for launches up to the ticket size of INR 2.5 million. To address the unmet demand for smaller house configurations and the large potential for mass housing, Kolkata witnessed the maximum launches in this pricing category. The new GST rate of 1% on affordable housing, which aims to boost the housing demand for the Lower Income Group (LIG), should boost the number of new launches in these ticket sizes going forward.

- The Goods and Services Tax (GST) Council notified that with effect from 1st April 2019, new GST rates on all under-construction residential real estate will be 1% without Input Tax Credit (ITC) for the affordable housing segment and 5% without ITC for the non-affordable housing segment. This new GST structure for the realty sector is expected to boost and protect the interests of homebuyers as the cost of land is excluded from the taxable value of the project. The lack of clarity on the old and new GST rates and its effects led to uncertainty in the homebuyers' mind and impacted payments yet to be received on units sold.
- During H1 2019, residential sales in Kolkata noted a 30% YoY drop over H1 2018 and reached its lowest over the past decade.

Delayed implementation of HIRA, aftermath of the NBFC crisis and uncertainty about the extent of ITC led to weak buyer sentiments to prevail causing a major dent in the number of units sold in the primary residential market.

- South Kolkata accounted for the maximum share of 34% in residential sales due to good sales traction for the projects in the affordable housing segment. This micro market was followed by North Kolkata garnering a share of 21%, Rajarhat at 18%, West Kolkata at 17%, East Kolkata at 9% and Central at 1%.
- Residential sales volume particularly remained low in East Kolkata and Rajarhat with an annual drop of 59% and 46%, respectively. Despite the presence of Salt Lake Sector V, the IT/ITeS hub of Kolkata, the eastern micro market noted slow sales mainly due to delayed progress on the East–West metro corridor and the dominance of luxury products in EM Bypass. This 16 kms metro stretch will connect Salt Lake with Howrah and consists of 12 stations. Going forward, with the metro construction picking up pace and influx of new office supply, the region is expected to boost residential and commercial real estate.
- Despite Rajarhat being a major employment hub in the city, with a well-developed road infrastructure and enjoying proximity to the international airport, this region is slowly getting saturated on the back of

low sales velocity and pile up of unsold inventory. This region is now struggling to bring back buyer confidence on the back of an oversupply situation and slow progress on the Airport–Garia metro link.

- On the other hand, the western micro market emerged as an exception to witness an upward sales movement with 22% YoY despite the downturn in the city's overall sales volume. This improved sales volume is driven by positive end-user sentiments coupled with the buzz of low-cost housing in the region due to some new projects announced last year.
- In H1 2019, Kolkata's oversupplied residential market noted a significant decline of 11% YoY in unsold inventory over H1 2018. This is the first time in the last five years that Kolkata witnessed a double-digit YoY decline in unsold inventory. This is because of a holdback in launches, as developers struggle to clear their unsold projects. The major share of this mounting unsold inventory was recorded by the under-construction property segment with a share of 87%.
- The quarters-to-sell (QTS) unsold inventory is the number of quarters required to sell the existing unsold inventory in the market. A lower QTS indicates a healthier market that is moving towards recovery. The QTS for Kolkata climbed down from 12.2 in H1 2018 to 11.3 in H1 2019 but that is largely due to cutback in new launches by developers in the current half-yearly period rather

than healthy sales velocity. With the new GST regime notified on under-construction housing, the share of unsold inventory is expected to decrease and should boost consumer demand.

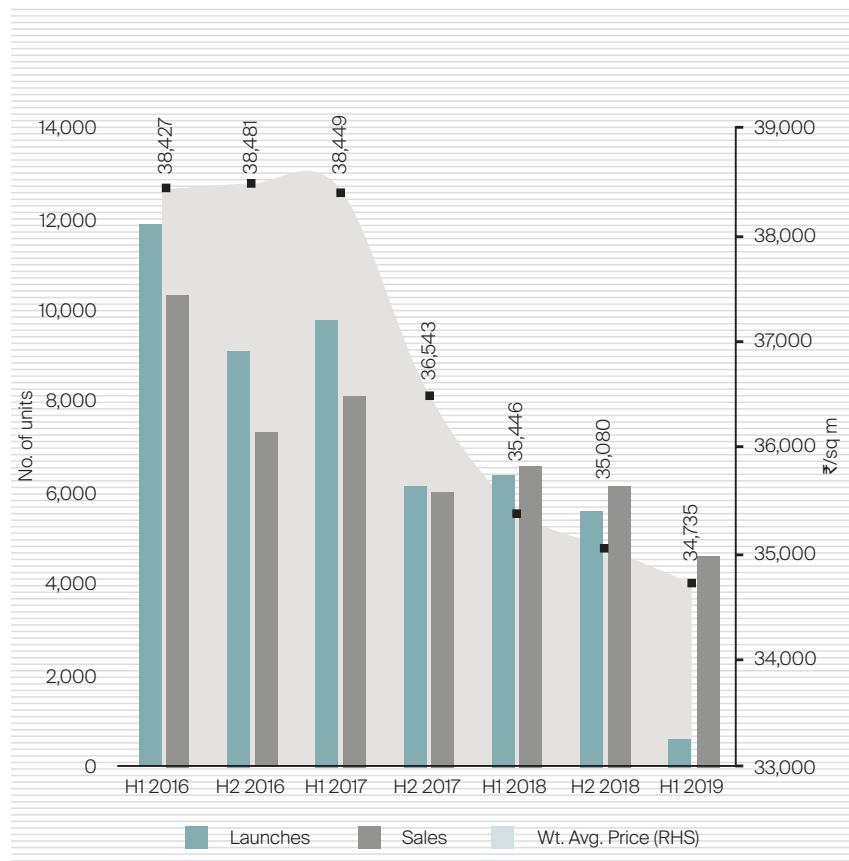
- Sales in affordable housing projects are picking up momentum in West Kolkata locations such as Howrah, Rishra, Konnagar and Uttarpara. The lower inventory base coupled with good sales traction have led to a low QTS of 6.3 quarters in H1 2019. Additionally, the unsold inventory in this micro market went down by 23% YoY.
- Being an end-user driven market, the city-level weighted average residential pricing in Kolkata saw a correction of 2% YoY. Sluggish sales and piling unsold inventory have been pulling down residential prices constantly for the last two years. Though developers are trying to bring back end users and improve buyer confidence, there seems to be no more scope for reduction on prices as the input costs have gone up on account of higher GST on some raw materials used for construction. Add to that, the marketing costs for developers has also increased, as they are now tying up with more channel partners and offering them higher commissions to bring buyers to the negotiating table. Digital marketing initiatives are also on the rise as developers do not want to leave any stone unturned to increase reach to prospective buyers. While impact on base selling prices reflects a minor correction in the current period,

for buyers willing to close the deals soon, the cash discounts offered can be much more.

- Rajarhat along with South and East Kolkata, registered a price correction of 2%–5% on the back of piling unsold inventory and low sales velocity. Many developers are aggressively expanding marketing through more channel partners to push sales. Though homebuyers are eyeing these markets for their purchases before the Dum Dum to Garia metro link becomes operational while prices are still low, the enquiries are not translating into sales bookings in a robust manner.



- The recovery phase for Kolkata's residential market is yet to set in. There is an absolute need for the state government's HIRA to come in-line with the Central Government's RERA to enhance and balance the conditions of Kolkata's housing market in favour of buyers. The state regulator should bring in the much-needed transparency and dispute resolution mechanism which will bridge the gap between buyers and sellers of real estate and help in revival of the residential market. The absence of a credible regulatory watchdog is a major bottleneck holding back the sector's comeback.

### Kolkata Market Activity



Source: Knight Frank Research

- The delay in metro construction from Dum Dum to New Garia, and land acquisition challenges from North to South Kolkata will also delay the planned connectivity, impacting the take-up of residential units in this belt going forward.
- With the upcoming 5 km stretch of East-West metro link between Salt Lake Sector V and Salt Lake Stadium receiving the long-awaited international safety nod and Kolkata Metro Rail Corporation (KMRC) plans to complete this second phase by 2021. The second phase of the metro development covers an entire line of 16 km from Salt Lake to Howrah and can be an important growth catalyst for the real estate industry of Kolkata.

  
*Sales in affordable housing projects are picking up momentum in West Kolkata locations such as Rishra, Konnagar and Uttarpara. The lower inventory base coupled with good sales traction have led to a low QTS of 6.3 quarters in HI 2019.*  


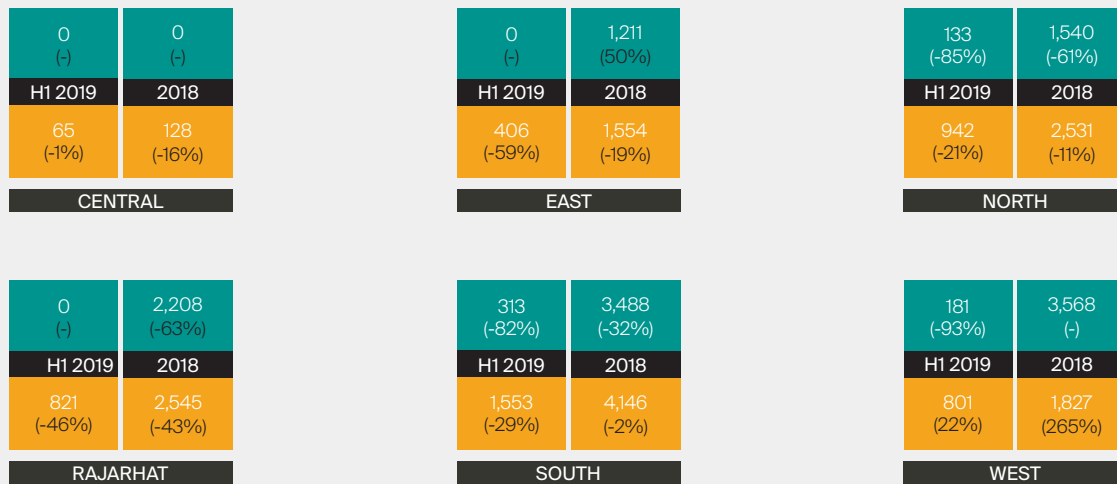
### *Micro-Market Classification*

Micro market	Locations
Central	Park Street, Rawdon Street, AJC Bose Road, Minto Park, Elgin Road
East	Kankurgachi, Beliaghata, Salt Lake, Narkeldanga, Keshtopur, EM Bypass (eastern parts)
North	Baguiati, Uttadanga, Jessore Road, Shyambazar, Lake Town, BT Road, VIP Road
Rajarhat	Rajarhat New Town
West	Howrah, Rishra, Hooghly, Uttarpara, Chandan Nagar, Rajpur, Kona Expressway
South	Ballygunge, Alipore, Tollygunge, Narendrapur, Behala, Garia, Maheshtala, EM Bypass (southern parts)

Source: Knight Frank Research

## Residential Launches and Sales

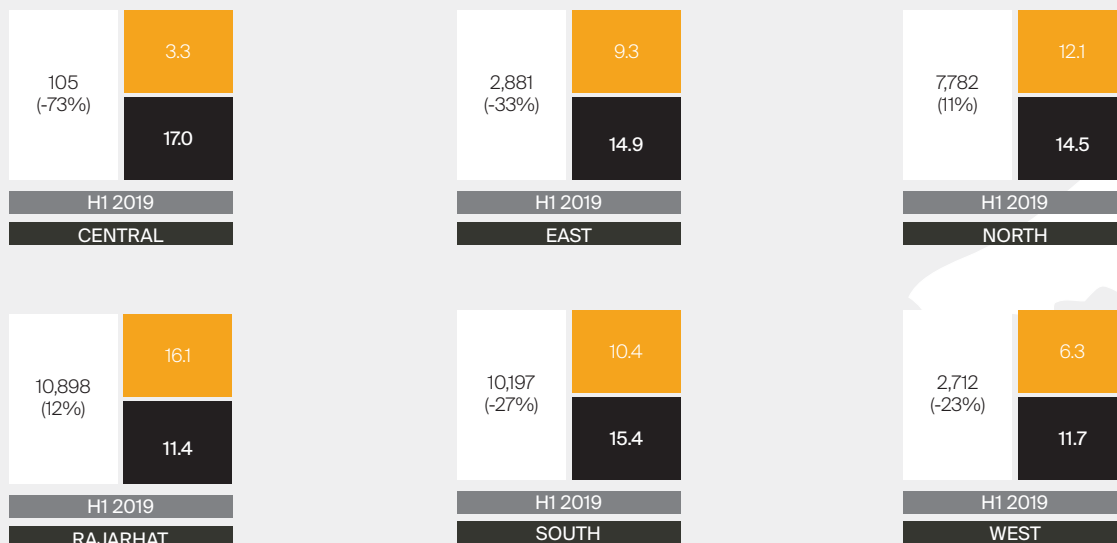
■ Launches (housing units)      ■ % change (YoY)  
■ Sales (housing units)



Source: Knight Frank Research

## Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Growth)      ■ Age of inventory (in quarters)  
■ QTS (in Quarters)



Source: Knight Frank Research



# Residential Pricing

■ Price Range in H1 2019 in ₹/sq mtr     ■ 12 Month Change  
■ Price Range in H1 2019 in ₹/sq ft     ■ 6 Month Change

## CENTRAL

### PARK STREET

**129,167–215,278**  
■ (12,000–20,000)  
■ 0%    ■ 0%

### RAWDON STREET

**107,639–209,896**  
■ (10,000–19,500)  
■ 0%    ■ 0%

## RAJARHAT

### RAJARHAT NEW TOWN

**37,674–74,271**  
■ (3,500–6,900)  
■ -5%    ■ -5%

## EAST

### KANKURGACHI

**55,972–91,493**  
■ (5,200–8,500)  
■ 0%    ■ 0%

### SALT LAKE

**51,667–81,806**  
■ (4,800–7,600)  
■ -2%    ■ 0%

## SOUTH

### BALLYGUNGE

**86,111–204,514**  
■ (8,000–19,000)  
■ -2%    ■ -2%

### TOLLYGUNGE

**55,972–150,695**  
■ (5,200–14,000)  
■ -2%    ■ -1%

### BEHALA

**34,445–49,514**  
■ (3,200–4,600)  
■ 0%    ■ 0%

### NARENDRAPUR

**27,448–48,438**  
■ (2,550–4,500)  
■ 0%    ■ 0%

## NORTH

### MADHYAMGRAM

**26,910–34,983**  
■ (2,500–3,250)  
■ 0%    ■ 0%

### BT ROAD

**32,292–43,056**  
■ (3,000–4,000)  
■ 0%    ■ 0%

### JESSORE ROAD

**37,674–57,049**  
■ (3,500–5,300)  
■ 0%    ■ 0%

## Office Market

### Kolkata Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	0.22 (2.37)	48%	0.01 (0.08)	-	-
Transactions mn sq m (mn sq ft)	0.07 (0.80)	-29%	0.02 (0.22)	0.06 (0.63)	188%
Weighted average rental ₹/sq m/month (₹/sq ft/month)	458 (43)	8%	391 (36)	393 (37)	1%
Stock mn sq m (mn sq ft)	2.37 (25.54)	10%	2.16 (23.25)	2.37 (25.54)	10%
Vacancy (%)	35%	-	31%	32%	-

Note - 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 188%

YoY growth in transaction volume in H1 2019

- In the past decade, commercial real estate in Kolkata has failed to stir occupier's appetite for office space take-up and the office market has struggled to bring in large tenants and investors to provide it with the much-needed shot in the arm. The commercial real estate sector's growth in Kolkata has suffered largely on the account of perception about its business environment and lack of political will to lure multinational companies to set up businesses in the city. In 2012, the state government abolished the state Special Economic Zone Act, 2003 and hence, lucrative subsidies that could have been beneficial for new occupiers of special economic zone (SEZ) space, such as waiver of electricity tariff in full without any restriction of period, stamp duty, registration fee, import and export duties, were no longer available. In 2008, a leading business conglomerate's upcoming factory for production of budget cars had to be relocated from Singur near Kolkata to Sanand in Gujarat which invited a lot of criticism. Because of this, many companies that were evaluating opportunities for office space take-up in Kolkata, too, rolled back their plans.
- As a result, in the past decade, the office market's growth in major Indian cities such as Bengaluru and the satellite cities of Delhi and Mumbai attracted a bulk of the office space demand and led to development of towering IT parks, SEZs and business parks which provided large-scale office space infrastructure for corporates to set up operations. Kolkata's office sector has only 2.37 mn sq m (25.54 million sq ft) stock as of now.
- Historically, Kolkata's office market remained subdued over the last four years with the city witnessing an average leasing of 0.09 mn sq m (1 mn sq ft) of office space on an annual basis. On the upside, with total transactions standing at 0.06 mn sq m (0.63 mn sq ft) in H1 2019, the city recorded the healthiest half-yearly period signifying a year-on-year (YoY) uptrend of 188%. Availability of quality Grade A office stock in locations such as Salt Lake Sector V and Rajarhat New Town has driven this growth for office transactions. Also, the upcoming 32 km metro link from Airport to New Garia passing via EM Bypass, Rajarhat New Town and Salt Lake, is expected to boost office space-take up in and around Salt Lake Sector V and Rajarhat New Town both.
- The maximum take-up was noted by the information technology and information technology enabled services (IT/ITeS) with a share of 61% of the overall leasing activity. With large IT giants coming in and expansion of major companies like Reliance Jio, Tata Consultancy Services (TCS), Capgemini, Accenture and Cognizant, headcount projections are going

---

In H1 2019, Kolkata recorded the healthiest half-yearly period signifying a year-on-year (YoY) uptrend of 188%. Availability of quality Grade A office stock in locations such as Salt Lake Sector V and Rajarhat New Town has driven this growth for office transactions.

---

up steadily due to the spillover in population from other neighbouring cities and rural areas in search of job opportunities, all of which has translated in an increased space take-up by the IT/ITeS sector. This was followed by Banking, Financial services and Insurance (BFSI), which comprised of a 35% share, while manufacturing and the Other Services sectors accounted for the remaining 2% each.

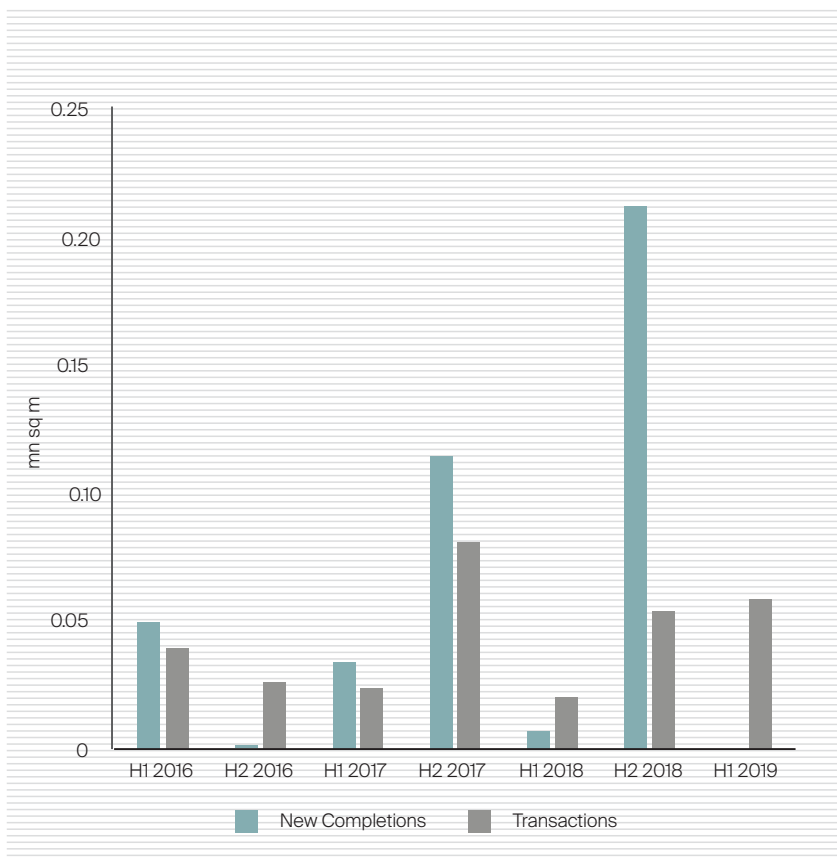
- After the launch of Kolkata's Silicon Valley Project in Rajarhat New Town, a large IT giant announced that it would commence work on its software development centre in Kolkata, investing nearly INR 100 crore in the first phase. The company formally took possession of a 50-acre plot in Rajarhat Action Area III during 2018 and the first phase will be a 48,774 sq m (525,000 sq ft) facility. This is expected to generate employment for over 5,000 people, which will also act as a positive growth catalyst for Kolkata's office market and can attract other tenants.
- Peripheral business district-1 ([PBD-1] [Salt Lake City]) garnered a 53% share of the total gross leasing pie in H1 2019 and is currently the major employment hub of Kolkata. This planned satellite town, built on a reclaimed salt water lake, enjoys smooth connectivity through the Eastern Metropolitan Bypass (EM Bypass) to the rest of the city, as well as a good public transportation system making commuting easy for employees. Salt Lake City is likely to witness an upcoming supply

infusion of approximately 23,226 sq m (250,000 sq ft) by the end of this year. With the influx of new office supply and the upcoming East-West metro link, this region is expected to grow further and hence, should invite more occupiers.

- This micro market was followed by PBD-2 (Rajarhat New Town) recording a share of 45% in the overall leasing volume. This obscure increase of 468% YoY over H1 2018 is due to lower leasing volume in H1 2018. This business district has emerged as the next preferred destination for businesses to set up operations due to factors like upcoming

*Peripheral business district-1 (PBD-1 Salt Lake City) garnered a 53% share of the total gross leasing pie in H1 2019.*

### Kolkata Office Market Activity



Source: Knight Frank Research

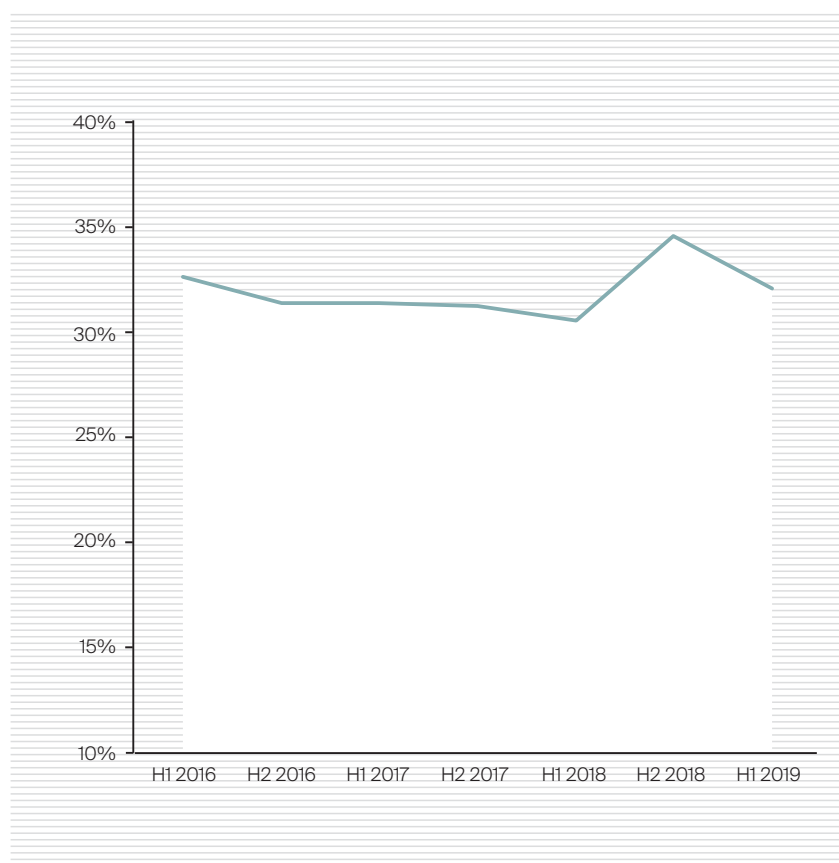
metro connectivity, well-developed road infrastructure and proximity to the international airport as well as to the IT/ITeS hub – Salt Lake Sector V. Rajarhat New Town remains a good alternative for office occupiers due to relatively affordable office rentals and availability of larger floor plates.

- Kolkata's office market noted an average deal size of 1,726 sq m (18,578 sq ft) in H1 2019, showing an uptick of 2% YoY. However, the number of deals shot up by 183% YoY. This is in line with past trends as Kolkata's office market was dominated by smaller-sized

leasing transactions. More than half of the transactions during this period amounted to less than 929 sq m (10,000 sq ft).

- No new office supply was added in Kolkata during the first six months of 2019. In the past five years, developers choose to reschedule their ongoing projects which resulted in deferral of new office supply. This is mainly due to an oversupply of available office stock in the city. The city witnesses continued deferment of a few large IT parks, especially in locations such as Rajarhat New Town, owing to slow pace of construction activity amidst high

### *Kolkata Office Market Vacancy*



Source: Knight Frank Research

Rajarhat New Town remains a good alternative for office occupiers due to relatively affordable office rentals and availability of larger floor plates.

vacancy levels.

- Due to low take-up of office spaces and waning occupier interest, the office market's vacancy level stands at 32%. Locations such as Rajarhat New Town have huge vacant office spaces waiting for occupiers to come in. This is due to lack of public transportation options which accelerated the problem of commuting for employees. This also results in higher cost to company if there is a need to provide transportation facilities to the workforce, which has kept many companies away despite well-developed physical and social infrastructure.
- The weighted average office rentals in H1 2019 remained at-par with the transacted rentals in H1 2018. High vacant stock level and availability of many alternative options for occupiers are building pressure on rentals which dropped by as much as 14% in the past six-month period.
- Central business district (CBD) and off CBD, being the traditional commercial city centre and led by huge occupier demand, used to witness office rentals of more than INR 1,076/sq m/month (INR 100/sq ft/month), which is not the case anymore. Since the region experiences serious congestion and low levels of Grade A quality office stock, rentals here remained stable over the last few years. As an alternative, low and competitive rentals prevailing in PBD-1 (Salt Lake City) and PBD-2 (Rajarhat New Town) have facilitated constant development

and aim to de-congest these crowded business districts.

- Despite the top-notch civic and social infrastructure, the key reasons that Kolkata lagged behind other cities, is lack of job opportunities and the perception problem. Going forward, the entry of two IT majors is expected to provide job opportunities to the residents of Kolkata and will also encourage other big players to set up shop here, considering the good quality of existing skilled manpower. For the long-term growth of real estate development, the state government is required to bring in more business-friendly policies encouraging and facilitating large corporates to set up base in Kolkata and negate the perception about uncertainty in business ecosystem.

*The weighted average office rentals in H1 2019 remained at-par with the transacted rentals in H1 2018. High vacant stock level and availability of many alternative options for occupiers are building pressure on rentals.*

## Business District Classification

Business district	Micro markets
Central business district (CBD) and off CBD	Park Street, Camac Street, Theatre Road, AJC Bose Road, Elgin, Rabindra Sadan, Esplanade, Lenin Sarani, S N Banerjee Road, Central Avenue, Dalhousie Square, Mangoe Lane, Brabourne Road, Chandni Chowk, Rawdon Street, Loudon Street, Lee Road, Lord Sinha Road, Hastings, Hare Street, Kiran Shankar Ray Road, Upper Wood Street, Hungerford Street, Circus Avenue, Syed Amir Ali Avenue, Chowringhee
Suburban business district (SBD-1) Park Circus Connector	Topsia, JBS Haldane Avenue, EM Bypass-Park Circus Connector
Suburban business district (SBD-2) Rashbehari Connector	EM Bypass-Rashbehari Connector, Anandapur Main Road, Rajdanga, Ballygunge, Ashutosh Mukherjee Road, Gariahat, Hazra, Chetla, Jessore Road, Nagerbazar
Peripheral business district (PBD-1) Salt Lake City	Salt Lake Sector V
Peripheral business district (PBD-2) Rajarhat New Town	Rajarhat New Town, BT Road, Bantala

Source: Knight Frank Research

## Sector-Wise Split of Transactions

Industry	H1 2018	H1 2019
BFSI	0%	35%
IT/ITeS	68%	61%
Manufacturing	5%	2%
Other Services	27%	2%

Note: Note: BFSI includes BFSI support services; Other Services includes co-working, media, telecom, etc.

Source: Knight Frank Research

## Average Deal Size and Number of Deals

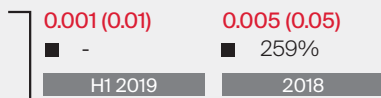
	H1 2018	H1 2019
Average deal size in sq m (sq ft)	1,695 sq m (18,250 sq ft)	1,726 sq m (18,578 sq ft)
Number of deals	12	34

Source: Knight Frank Research

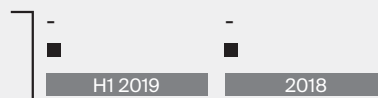
# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

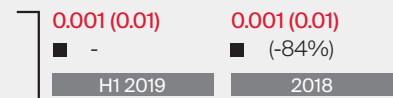
## CBD & OFF-CBD



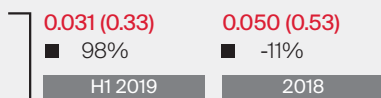
## SBD-1 (Park Circus Connector)



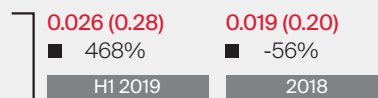
## SBD-2 (Rashbehari Connector)



## PBD-1 (Salt Lake City)



## PBD-2 (Rajarhat New Town)



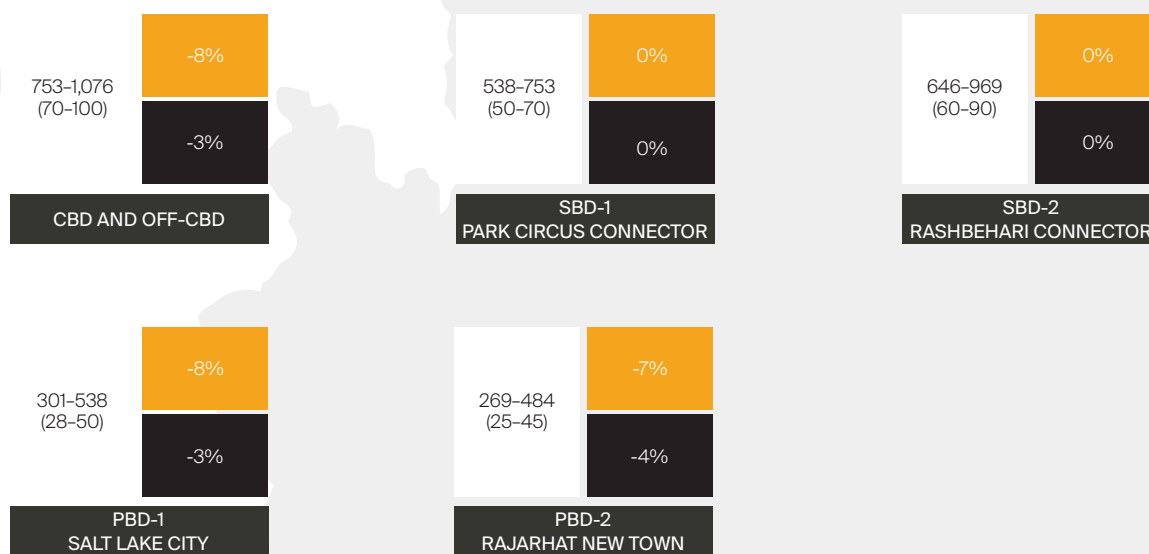
Source: Knight Frank Research



# Office Rental

□ Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)

■ 12 month change    ■ 6 month change



Source: Knight Frank Research

## Upcoming infrastructure in the Kolkata Metropolitan Region

Project name	Project scale	Observations	Current status
Kolkata Metro East-West Line 1 Extension (Noapara to Dakshineswar)	4.4 Km	This is the shortest metro route and a part of the Noapara-Barrackpore network. At a total cost of ₹454 crores, this link will ease the traffic going towards Barrackpore	Work is progressing for extension of Line 1 from Dum Dum to Dakshineswar via Noapara. A temporary level crossing was set up on the site to remove encroachment. With an operational level crossing, it is easier for cranes and other vehicles to reach the site and speed up construction. Expected completion is by 2023.
Kolkata Metro East-West Line 2 (Salt Lake to Howrah)	16 Km	This partially elevated phase of the metro line will link Salt Lake Sector V with Howrah via Salt Lake Stadium. It is being built at a total cost of INR 8,996 crores.	Work is progressing for extension of Line 1 from Dum Dum to Dakshineswar via Noapara. A temporary level crossing was set up on the site to remove encroachment. With an operational level crossing, it is easier for cranes and other vehicles to reach the site and speed up construction. Expected completion is by 2023.
Kolkata Metro Line 3 (Joka to Esplanade)	16.7 Km	This metro line runs along major arterial roads such as Diamond Harbour Road, Khidirpur Road, Gurunanak Sarani and Hemanta Bose Sarani. It is being built at a total cost of ₹2,619 crores.	Sanction of the estimate for construction between Majerhat and Esplanade is pending with Railway Board and is expected to be granted in 2019. Once granted, the line extension will start. Expected completion by 2022.

Kolkata Metro Airport Line (New Garia to Netaji Subhash Chandra Bose International Airport)	32 Km	This longest metro corridor will be partially underground and pass through EM Bypass, Salt Lake and Rajarhat New Town. The metro corridor is being built at a total cost of ₹4,260 crores	Under construction. Expected completion in 2021.
MAA Flyover Connector (MAA and AJC Bose Flyovers)	1.1 Kms	This ramp will facilitate a continuous drive from EM Bypass through AJC Bose Flyover to the Race Course. Construction on this project started in 2016.	Under construction. Expected completion in 2019.
Ruby Cross (on EM Bypass) Flyover	NA	This elevated corridor is expected to enhance the connectivity on EM Bypass near Ruby Hospital Junction.	Planned*
Ultadanga to Girish Park Flyover	3 Km	This proposed two-lane flyover will ease connectivity from Ultadanga to Girish Park and from Kankurgachhi to Bengal Chemicals off EM Bypass.	Planned*

Note: \*The expected completion timelines are yet to be released by the Kolkata Metropolitan Development Authority (KMDA).  
Source: Knight Frank Research

# *It's a long road to recovery for Kolkata's real estate sector* – by Divya Grover

Kolkata's real estate sector is yet to enter the recovery phase. H1 2019 was a very subdued period for the residential sector as it hit an all-time low for both new project launches and sales in the past decade. While new launches plummeted by 90% year-on-year (YoY), sales registered a 30% dip during the same period over H1 2018. The weighted average residential prices have sequentially dwindled since H1 2017 and now stand at INR 34,735/sq m (INR 3,227/sq ft) making it difficult for developers to sustain a further price drop should sales velocity fail to rebound. In the office sector, new supply remained nil while office space take-up was recorded at 0.06 mn sq m (0.63 mn sq ft), a trend we expect to continue. With nearly one-third of the city's office stock lying vacant and rentals remaining stagnant, there is little hope of a revival in sight.

There are several factors that have hindered Kolkata's real estate sector's growth over the last decade:

- a) Slow economic growth - Despite the Kolkata Metropolitan Region being India's third most populous metropolitan area after Delhi and Mumbai, the economic growth in Kolkata is stagnant. Key indicators such as unemployment rate and job growth rates are far behind other industrialised states, as the city is not able to turn its huge demographic pool to its advantage for economic development.
- b) Perception about business environment - In 2008, a leading business conglomerate's upcoming factory for production of budget cars had to be relocated from Singur near Kolkata to Sanand in Gujarat, after unrest on land acquisition challenges which invited a lot of criticism and created a negative image for the state as a difficult place to do business. Because of this perception, many companies that were evaluating opportunities for office space take-up in Kolkata, too, rolled back their plans.
- c) Policy framework behind the times - To support the real estate sector's growth, an enabling policy environment is a must. Unfortunately, the state government in West Bengal has been struggling on this front on two accounts:
  - i) Urban Land Ceiling Act, 1976 - The state government needs to immediately annul this archaic law which has long been abolished by many other states in India and was repealed by the Central Government itself in 1999. Introduced in 1976, the purpose of this act was to prevent excessive land hoarding in urban centers by restricting only 500 sq m vacant land holding (7.5 cottahs or one-eighth of an acre) by one single person. As a result, the process to aggregate land parcels possessed for large scale real estate developments poses many challenges in West Bengal.
  - ii) SEZ Policy repealed - The state level Special Economic Zone Act, 2003 was abolished in 2012. As a result, several subsidies available to tenants of SEZ such as electricity tariff waiver, stamp duty and registration fee exemption etc. were no longer available and hindered the entry of new tenants in Kolkata as well as expansion plans of Information Technology / Information Technology Enabled Services (IT/ITeS) companies operating in the state.
- d) Aftermath of recent policy announcements - Multiple policy announcements such as demonetisation, the Benami Transactions (Prohibition) Amendment Act, 2016 and implementation of the Goods and Services Tax (GST) impacted the real estate markets across the country but Kolkata's residential sector was the worst-hit as the

timing of these announcements served it one blow after the other at a time when it was struggling with weak sales volume. In addition, West Bengal has enacted its own Act namely 'West Bengal Housing Industry Regulation Act, (HIRA) 2017. However, the state has been advised by the Ministry of Housing and Urban Affairs (MoHUA) to notify the rules under the Real Estate (Regulation & Development) Act, 2016 (RERA).

### **Impact on office real estate market**

The above factors have led to slow job growth in the corporate sector and office space take-up has been sluggish in the city. From 2015 to 2018, only 0.33 mn sq m (3.60 mn sq ft) space was leased, while developers continued to build speculative office spaces in hope of attracting large tenants from the IT sector. In the same period, 0.71 mn sq m (7.60 mn sq ft) office supply hit the market which further inflated the high vacancy in the city. The rollback of SEZ benefits, no lease and buyback model for office buildings and huge migration of population to other cities had an adverse impact on occupiers over the decade. As a result, in the past decade, the office market's growth in major Indian cities such as Bengaluru and the satellite cities of Delhi and Mumbai attracted a bulk of the office space demand and led to

development of towering IT parks, SEZs and business parks which provided large-scale office space infrastructure for corporates to set up operations. Other cities such as Hyderabad, Pune and Chennai also benefited from the IT sector's growth. In sharp contrast, in Kolkata, the office space demand is largely driven by enquiries for only small sized space take-up and huge office space take-up or transactions above 4,645 sq m (50,000 sq) ft are infrequent. Tenants remain hesitant due to uncertainty in the business ecosystem and in the absence of large IT sector occupiers, it is difficult to attract companies despite low rentals.

### **Impact on residential real estate market**

Impaired by low sales volume, weak buyer sentiment and the impact of multiple policy reforms, Kolkata's residential real estate market is completely at a standstill. To make matters worse, there is an oversupply situation in key business districts as well as emerging southern peripherals. Rajarhat and Joka are two such examples where developers pinned high hopes on a spike in office space activity and the upcoming metro and connectivity to Diamond Harbour Road respectively, which led to large-scale residential development in these micro-markets. In the present market scenario where launches have been completely

withdrawn from the market and developers are struggling to bring buyers to the table, the sales commissions provided to channel partners are also witnessing some uptick increasing their overall marketing costs. Only the affordable ticket sizes less than INR 30 lakhs in locations such as Garia, Narendrapur, Madhyamgram and Barasat are finding takers keeping the sales momentum alive as the low-ticket sized products are attracting buyers even in tough market conditions.

With the ecosystem for the real estate sector's growth in the doldrums and scarcity of capital, high cost of borrowing and lack of buyers coming forward to seal the deals, the only ray of hope for revival of Kolkata's real estate market is scrutiny of HIRA's operational practices and implementing new changes to its structure so that it falls in line with the Central Government's vision. Once that happens, the real estate market in Kolkata will benefit from the enhanced transparency and positively impact buyers' confidence bringing the fence sitters back. Also, to drive the office sector's growth the state government should outline innovative policies and also rethink their stand on the Urban Land Ceiling Act, 1976 and the SEZ Act to attract large scale office space demand. An enabling policy framework will go a long way for office and residential sector's growth in the long-term.

# Mumbai

A large cable-stayed bridge, likely the Jambhekar Cable Bridge in Mumbai, is shown from a low angle, emphasizing its height and the intricate network of cables. The bridge spans across a body of water with waves visible in the foreground. The sky is a clear, bright blue. A prominent purple diagonal shape overlays the left side of the image, extending from the top left towards the bottom right.

# Residential Market

## MMR Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
Launches (housing units)	74,363	220%	35,974	43,822	22%
Sales (housing units)	63,893	3%	32,412	33,731	4%
Price (wt avg)	77,418/sq m (7,192/sq ft)	-6.8%	78,933/sq m (7,333/sq ft)	76,591/sq m (7,115/sq ft)	-3%
Unsold inventory (housing units)	126,434	9%	119,526	136,525	14%
Quarters to sell	8.0		8.0	8.5	
Age of unsold inventory (in quarters)	15.9		15.4	15.5	

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research



# 4%

Increase in sales in H1 2019

- The trend of strong growth in new launches of 2018 in the Mumbai Metropolitan Region (MMR) tapered down in H1 2019. The launches grew by 22% year-on-year (YoY) during H1 2019 after registering a stellar 220% YoY growth in 2018. However, a point of caution on the strong growth in launches in 2018 is that the growth in 2018 came on a low base of 2017, which had witnessed the decadal low launches of 23,253 units. Launches in 2017 were the lowest in the decade due to variety of policy level hinderances that year like the Real Estate (Regulation and Development) Act, 2016 (RERA), the Goods and Services Tax (GST) and ban on new constructions due to the dumping ground issue.

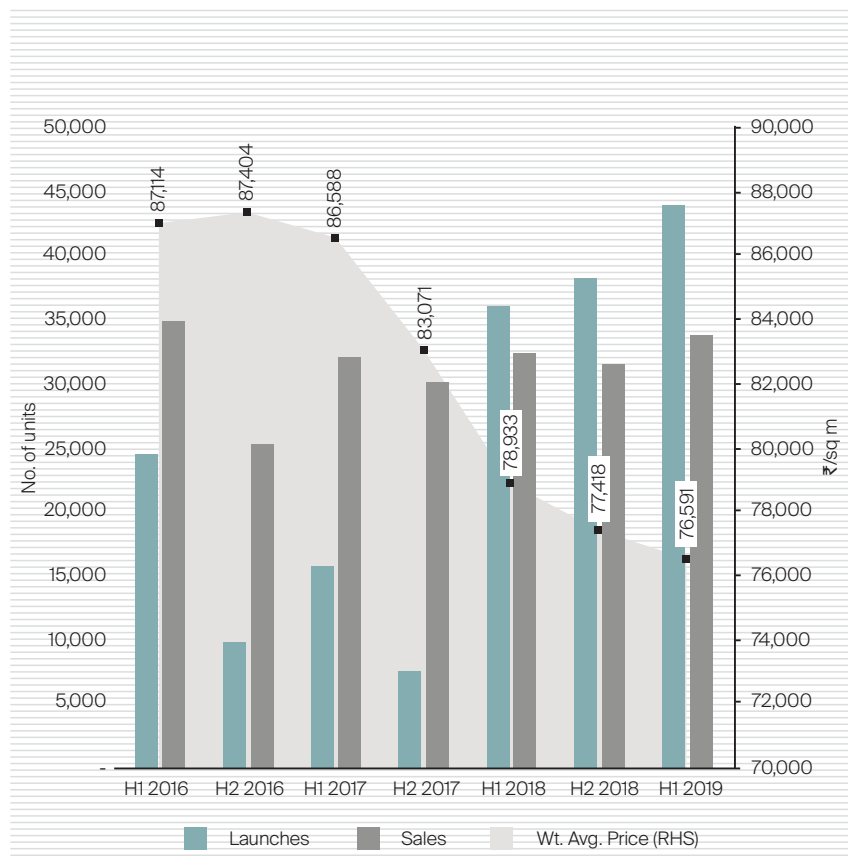
- Further, developers want to make the most of the reprieve from the dumping ground ban. Last time this ban on new construction, which was enforced in March 2016, lingered on for over two years, during which only on-going projects were allowed to continue but no new projects were permitted. Fear of a similar situation repeating itself again is forcing developers to expedite the process of launching new projects.

- Thane market witnessed the largest quantum of new launches on account of new projects launched by some of the country's biggest corporates. Thane was followed by the Peripheral Western Suburbs and the Peripheral Central Suburbs, in terms of quantum of units launched.

- Compact homes, which are priced at lower ticket sizes and affordable houses, continue to dominate launches. 62% of launches during H1 2019 were in the sub-INR 7.5 million ticket size and 82% were below INR 10 million ticket size.

*Developers want to make the most of the reprieve from the dumping ground ban, as the last ban lingered on for over two years, during which new projects could not be launched. Fear of a similar situation repeating itself is forcing developers to expedite the process of launching new projects.*

### MMR Market Activity



Source: Knight Frank Research



- During H1 2019, sales in MMR grew marginally by 4% YoY to 33,371 units. Sales in H1 2019 were affected by two major events- GST cut and elections.
- In the interim budget of February 2019, it was announced that the Goods and Services Tax on real estate would be rationalised. Thus, buyers slowed down their decision making. Even developers were awaiting clarity on the status of input tax credit, which was clarified in the month of March. During that period, developers tried to assure buyers that any cut in GST rates would be reflected in their apartment cost, however, homebuyers were sceptical.
- After getting clarity on GST rates in March, in the months of April and May, homebuyers were again hesitant to commit to purchase real estate as they were uncertain about the outcome of impending elections. Not just real estate, the impact of elections was visible in the sales slowdown in other sectors as well.
- The GST rates on under-construction apartments have been rationalised, the tax regime is similar to that of pre-GST era, when the aversion to purchase a house in an under construction due to tax impact was lower. This rationalisation of GST rates should help developers bring some segment of homebuyers back to under-construction apartments.
- Only for on-going projects, the government had given the option to developers to adopt the old GST regime of 12% on underconstruction apartments with Input Tax Credit (ITC) or shift to the new regime of 5% GST without ITC. Most developers have opted to retain the old GST rates of 12% with ITC, however, they are passing on the benefit of Input Tax Credit (ITC) to new homebuyers and charging net 5% GST.
- The Reserve Bank of India (RBI), has cut repo rates by 75 bps in the first six months of 2019, but these interest rate cuts have failed to have any impact of sales as banks are yet to pass on these cut to homebuyers. Some banks have reduced lending rates on new home loans, but the reduction is marginal. As the credit growth in the economy is outpacing the growth of deposit at banks, banks would find it difficult to cut the interest rates on home loans.
- Affordable houses continued to drive sales in H1 2019. Sales in the relatively affordable markets of MMR – Thane, Peripheral Central Suburbs and Peripheral Western Suburbs combined, grew by 6% YoY during H1 2019. However, sales in the pricier BMC markets grew only by 3% YoY in the same period. Peripheral Central Suburbs witnessed the highest sales growth in MMR of 9% YoY during H1 2019 followed by Thane at 7% YoY.
- The trend of constructing compact homes in Mumbai continues and is becoming pervasive. In some locations, the projects with such compact apartments have done well, while in others, despite the project being in better locations and established catchments, they are struggling. It is a big challenge for developers to get the product size right as per the location in this segment.
- The prices of apartments in MMR continue to correct and several locations have witnessed reduction in prices. The weighted average price for MMR was down 3% YoY during H1 2019. The prices have corrected by 12% from the peak of H2 2016. Apart from reduction in base prices, several freebies such as: no-floor rise, two-year free maintenance, free clubhouse membership, various subvention plans, GST waivers, assured two-year rental schemes and a host of other indirect discounts continue to remain in the market. Pre-EMI schemes are in vogue and are being used to lure homebuyers to make a site visit. As the market has been subdued for few years now, some developers are offering deferred payment plans even for OC-ready projects.
- Apart from the price cuts mentioned above, the actual discount offered during the transaction would be higher, as developers are more than happy to negotiate on the pricing in order to ensure that the deal is closed. It is a complete buyer's market.
- On account of launches being higher than the sales, the unsold inventory levels in MMR has inched up 14% YoY to 136,525 units during H1 2019. Quarters-to-sell (QTS) for the MMR market went up from 8 quarters in H1

2018 to 8.5 quarters in H1 2019 and the age of unsold inventory increased from 15.4 quarters to 15.5 quarters in the same period.

- The current QTS of 8.5 quarters should not be interpreted as a sign of a healthy market. Over the past few years, in MMR, launches have constantly lagged the sales (from H2 2014 till H2 2017). This has led to decline in unsold inventory from 204,070 units to 126,434 units and QTS from 11.5 quarters to 7.6 quarters in the same period. If we look at the latest QTS of 8.5 quarters in conjunction with the age of inventory of 15.5 quarters, then the sum of the age of inventory and QTS results in a total of 24 quarters or almost six years. This implies that the existing unsold inventory has been languishing in the market for almost four years and it will take over two years to

sell assuming no new launches come in.

- The current residential demand is driven by end users and the scale is tilted in the favour of buyers. Developers who have been willing to negotiate on prices are able to generate sales. But it has been observed that if the developer is not willing to reduce prices, most buyers are ready to wait and are in no hurry to close the transaction. They are expecting the price to come down in the future, which was not the case until a few years back.
- Many developers have stopped offering developer subvention plans and prefer subvention schemes offered by banks or Non-Banking Financial Companies (NBFCs), as they don't want to take the risk of customer default on their books. The

liquidity crisis in the NBFC sector, which struck during H2 2018, is still casting its shadow on the MMR market and cost of funds have gone up for developers to the tune of 180–250 bps. Like we witnessed in H2 2018, the NBFCs are still going slow on home loan disbursals, which is also affecting the demand.

### Micro-Market Classification

Micro market	Locations
Central Mumbai	Dadar, Lower Parel, Mahalaxmi, Worli, Prabhadevi
Central Suburbs	Sion, Chembur, Wadala, Kurla, Ghatkopar, Vikhroli, Bhandup, Mulund
Navi Mumbai	Vashi, Nerul, Belapur, Kharghar, Airoli, Panvel, Ulwe, Sanpada
Peripheral Central Suburbs	Kalyan, Kalwa, Dombivli, Ambernath, Bhiwandi, Mumbra, Karjat
Peripheral Western Suburbs	Vasai, Virar, Boisar, Palghar, Bhayandar, Nalasopara
South Mumbai	Malabar Hill, Napean Sea Road, Walkeshwar, Altamount Road, Colaba
Thane	Naupada, Ghodbunder Road, Pokhran Road, Majiwada, Khopat, Panchpakhadi
Western Suburbs	Bandra, Andheri, Goregaon, Kandivali, Borivali, Santacruz, Vile Parle

Source: Knight Frank Research

*The trend of constructing compact homes in Mumbai continues and is becoming pervasive. In some locations, the projects with such compact apartments have done well, while in others, despite the project being in better locations and established catchments, they are struggling. It is a big challenge for developers to get the product size right as per the location in this segment.*

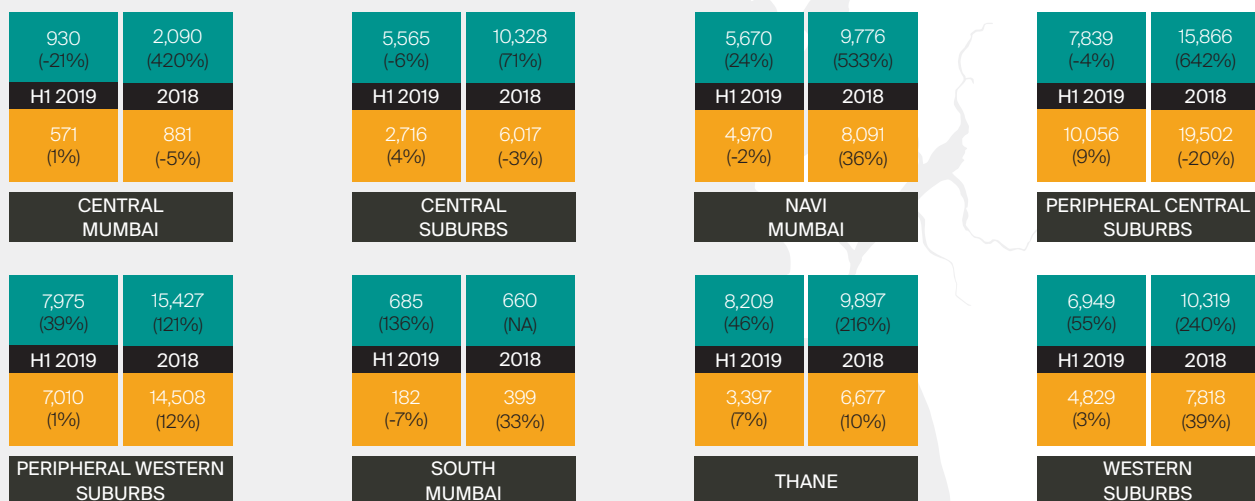
*The GST rates on under-construction apartments have been rationalised, the tax regime is similar to that of pre-GST era, when the aversion to purchase a house in an under construction due to tax impact was lower. Most developers have opted to retain the old GST rates of 12% with ITC, however, they are passing on the benefit of Input Tax Credit (ITC) to new homebuyers and charging net 5% GST.*

# 12%

*Reduction in weighted average prices  
in MMR since the peak prices of H2 2016*

# Residential Launches and Sales

■ Launches (housing units)      ■ % change (YoY)  
■ Sales (housing units)



Source: Knight Frank Research

# Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Change)      ■ Age of inventory (in quarters)  
■ QTS (in Quarters)



Source: Knight Frank Research

# Residential Pricing

■ Price Range in H1 2019 in ₹/sq m      ■ 12 Month Change  
■ Price Range in H1 2019 in ₹/sq ft      ■ 6 Month Change

## SOUTH MUMBAI

### TARDEO

**430,560-645,840**  
■ (40,000-60,000)  
■ -1%    ■ 0%

## CENTRAL MUMBAI

### LOWER PAREL

**269,100-387,504**  
■ (25,000-36,000)  
■ -2%    ■ -1%

### WORLI

**333,684-592,020**  
■ (31,000-55,000)  
■ -3%    ■ -3%

## CENTRAL SUBURBS

### GHATKOPAR

**129,168-236,808**  
■ (12,000-22,000)  
■ 1%    ■ 1%

### MULUND

**115,174-150,696**  
■ (10,700-14,000)  
■ -5%    ■ -2%

### POWAI

**156,078-215,280**  
■ (14,500-20,000)  
■ -1%    ■ 0%

## WESTERN SUBURBS

### ANDHERI

**161,460-236,808**  
■ (15,000-22,000)  
■ -4%    ■ -1%

### BANDRA (WEST)

**430,560-645,840**  
■ (40,000-60,000)  
■ 0%    ■ 0%

### BORIVALI

**118,404-161,460**  
■ (11,000-15,000)  
■ -4%    ■ -1%

### DHAISAR

**96,876-118,404**  
■ (9,000-11,000)  
■ -5%    ■ -1%

### GOREGAON

**139,932-161,460**  
■ (13,000-15,000)  
■ -3%    ■ -0%

## PERIPHERAL CENTRAL SUBURBS

### BADLAPUR

**29,063-37,674**  
■ (2,700-3,500)  
■ -5%    ■ -2%

## PERIPHERAL WESTERN SUBURBS

### MIRA ROAD

**59,202-78,577**  
■ (5,500-7,300)  
■ -4%    ■ -1%

## THANE

### GHODBUNDER ROAD

**64,584-107,640**  
■ (6,000-10,000)  
■ -12%    ■ -5%

## NAVI MUMBAI

### PANVEL

**40,903-69,966**  
■ (3,800-6,500)  
■ -6%    ■ -3%

## DOMBIVLI

**48,438-64,584**  
■ (4,500-6,000)  
■ -4%    ■ -2%

## VIRAR

**47,362-59,202**  
■ (4,500-5,500)  
■ -7%    ■ -3%

## NAUPADA

**150,696-193,752**  
■ (14,000-18,000)  
■ -7%    ■ -4%

## KHARGHAR

**72,119-96,876**  
■ (6,700-9,000)  
■ -4%    ■ -1%

## VASHI

**107,640-161,460**  
■ (10,000-15,000)  
■ -1%    ■ 0%

# Office Market

## MMR Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	0.61 (6.5)	-37%	0.41 (4.4)	0.18 (1.9)	-56%
Transactions mn sq m (mn sq ft)	0.74 (7.9)	5%	0.27 (2.9)	0.43 (4.6)	61%
Weighted average rental ₹/sq m/month (₹/sq ft/month)	1,259 (117)	1.7%	1,172 (109)	1,263 (117)	7.8%
Stock mn sq m (mn sq ft)	13.1 (140.6)	5%	12.86 (138.4)	13.24 (142.5)	3%
Vacancy (%)	19.6%		21.5%	17.8%	

Note - 1 square metre (sq m) = 10.764 square feet (sq ft)  
 Source: Knight Frank Research

# 61%

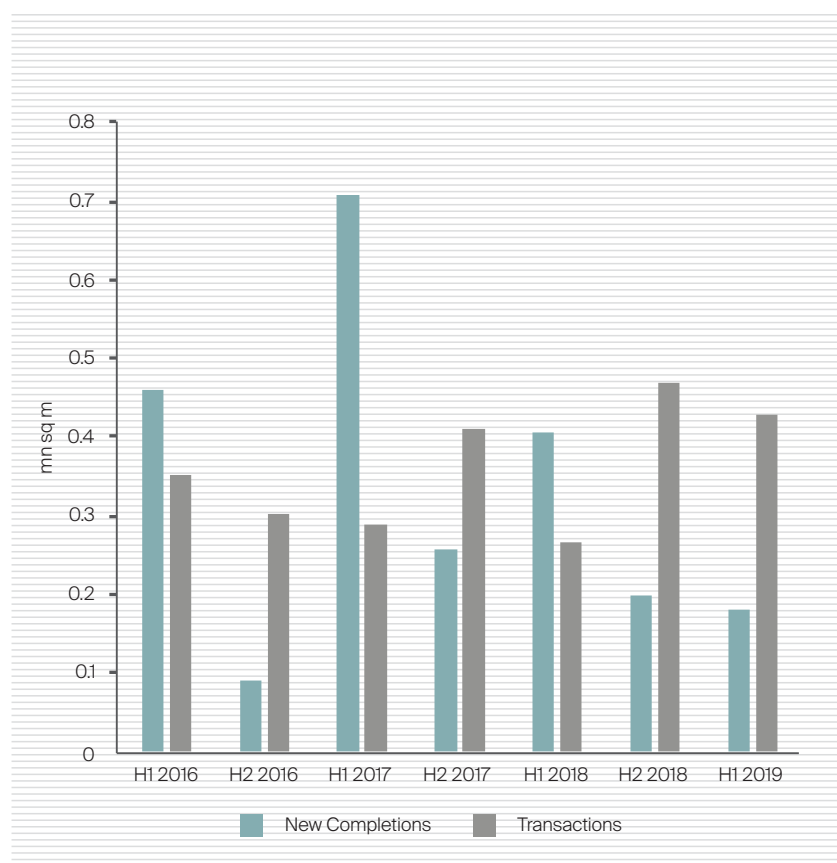
YoY growth in transactions in H1 2019

- Office space supply hits the market in lots and the completion numbers are highly volatile. In H1 2019, new completions were lower by 56% year-on-year (YoY) at 0.18 million square metres (1.9 million square feet). Only three out of six business districts witnessed addition in supply in H1 2019 – peripheral business district (PBD), suburban business district (SBD) Central and SBD West.
- The transaction activity in the Mumbai Metropolitan Region (MMR) office market was strong at 0.43 mn sq m or 4.6 mn sq ft in H1 2019 registering a growth of 61% YoY. There were several large transactions in H1 2019, which involved occupiers from the Banking, Financial services and Insurance (BFSI) segments, Other Services sector and co-working players.
- Since H2 2018, SBD Central has started witnessing significant occupier interest. The business district witnessed 143% YoY growth in transactions in H1 2019.
- The affordable peripheral business district (PBD) had the highest share of transactions in H1 2019 at 31%. SBD West and SBD Central, combined, garnered 50% share of the transactions in H1 2019 and their individual shares were 29% and 21%, respectively. Due to limited supply and low vacancy levels, the share of Central Mumbai was low at 3% of total transactions during H1 2019.

- The Other Services sector, which includes media, consulting, e-commerce, co-working, etc. continued to dominate transaction activity in H1 2019 garnering 39% share of total transactions followed by BFSI at 34%.
- Co-working operators have been taking up space aggressively over the past few years and they have now established their presence in almost all major business districts of the city. Co-working operators took up 0.02 mn sq m or 0.3 mn

sq ft of office space in H1 2019 and constituted 14% of the transactions by the Other Services sector in H1 2019. Many co-working centres in MMR are witnessing robust transaction activity and are running at or reaching full capacity. The transaction volumes indicated above do not capture the space subleased by co-working operators, but the concept of co-working has been adopted widely by occupiers across sectors and not just start-ups.

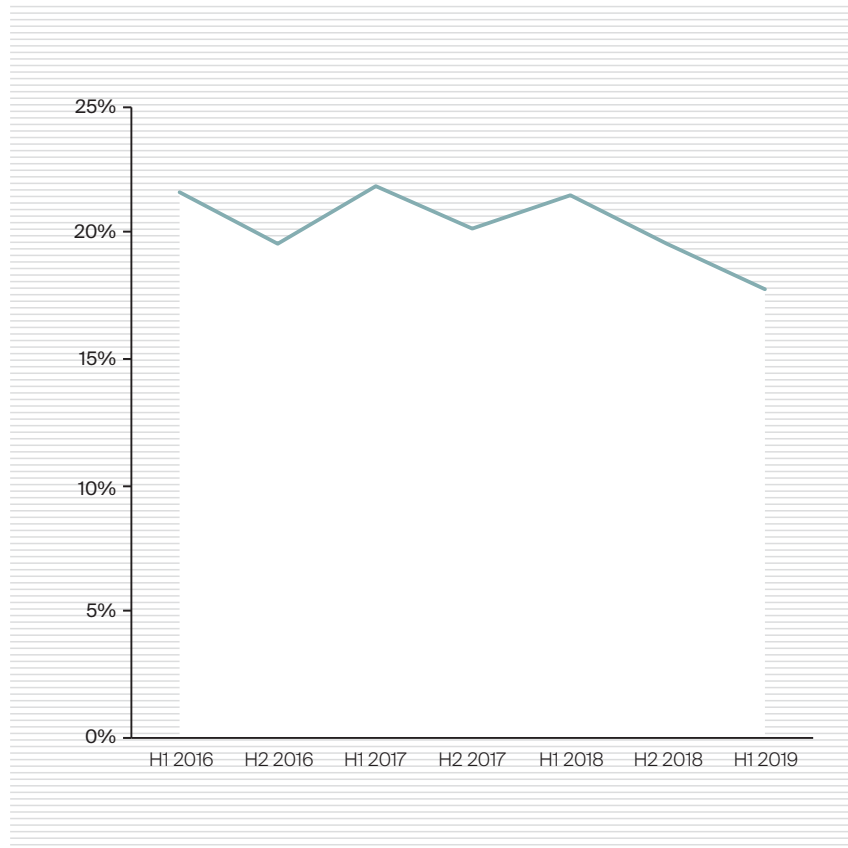
### MMR Market Activity



Source: Knight Frank Research

- The trend of consolidation of space by occupiers continues across the MMR office market. Despite the number of transactions in the same period increasing from 105 to 160, the average size of deals increased from 2,548 sq m (27,429 sq ft) to 2,700 sq m (29,059 sq ft).

### MMR Office Market Vacancy



Source: Knight Frank Research

- As supply could not keep pace with the transactions for two consecutive periods of H2 2018 and H1 2019, vacancy levels declined from 21.5% during H1 2018 to 17.8% during H1 2019. Amongst business districts, PBD continued to have the highest vacancy of nearly 26.4% followed by SBD West at 23.3%.
- Weighted average transacted rentals for the MMR office market went up by 7.8% YoY during H1 2019, as share of the expensive business district of Bandra Kurla Complex (BKC) and off-BKC in transaction activity was higher than it was during H1 2018. The rentals across most business districts were steady except for Central Mumbai, BKC and off BKC, and SBD Central.
- Central Mumbai witnessed the highest rental growth of 6% YoY during H1 2019, followed by BKC at 5% YoY and SBD Central at 5% YoY. The strong rental growth in these markets was on account of lower vacancy levels coupled with strong demand from occupiers to take up space in these markets. The share of CBD and off-CBD areas in total transaction was close to 2% during H1 2019 and this poor demand for office space in these markets is reflected in the lack of rental growth in these markets

# 7.8%

Growth in weighted average transacted rentals



## Business District Classification

Business district	Micro markets
CBD & Off CBD	Nariman Point, Cuffe Parade, Ballard Estate, Fort, Mahalaxmi, Worli
Bandra Kurla Complex & Off Bandra Kurla Complex (BKC & off BKC)	BKC, Bandra (East), Kalina, Kalanagar
Central Mumbai	Parel, Lower Parel, Dadar, Prabhadevi
SBD West	Andheri, Jogeshwari, Goregaon, Malad
SBD Central	Kurla, Ghatkopar, Vikhroli, Kanjurmarg, Powai, Bhandup, Chembur
PBD	Thane, Airoli, Vashi, Ghansoli, Rabale, Belapur

Source: Knight Frank Research

## Sector-Wise Split of Transactions

Industry	H1 2018	H1 2019
BFSI	32%	34%
IT/ITeS	16%	11%
Manufacturing	9%	16%
Other Services	43%	39%

Note: BFSI includes BFSI support services; Other Services includes co-working, media, telecom, etc.

Source: Knight Frank Research

## Average Deal Size and Number of Deals

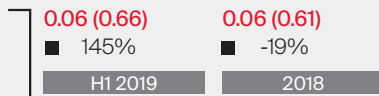
	H1 2018	H1 2019
Average deal size in sq m (sq ft)	2,548 (27,429)	2,700 (29,059)
Number of deals	105	160

Source: Knight Frank Research

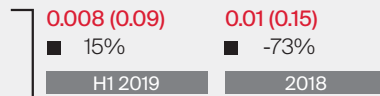
# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

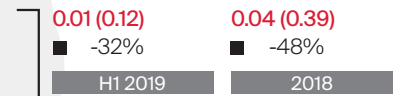
## BKC & OFF BKC



## CBD & OFF CBD



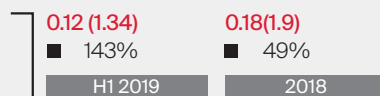
## CENTRAL MUMBAI



## PBD



## SBD CENTRAL



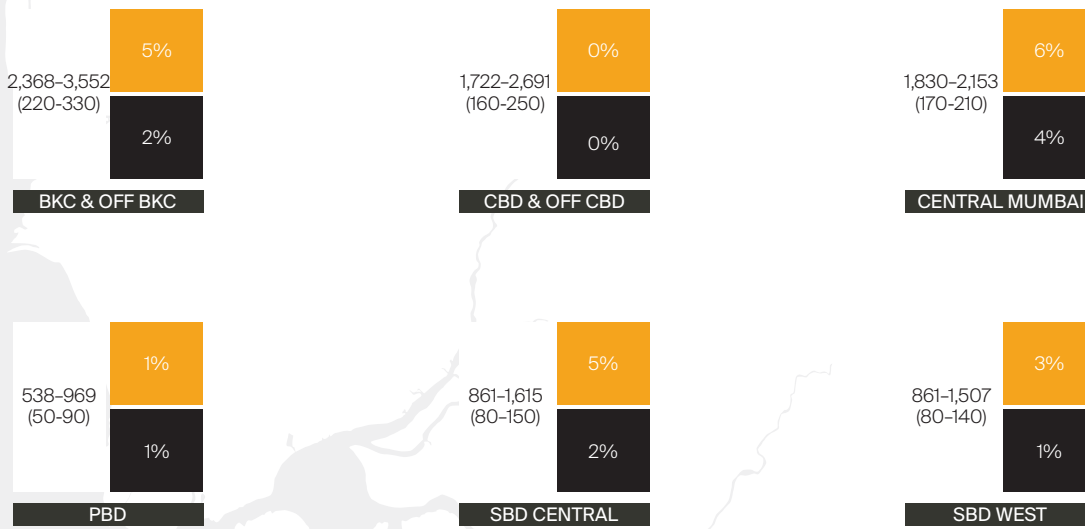
## SBD WEST



Source: Knight Frank Research

# Office Rental

Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)  
 12 month change     6 month change



Source: Knight Frank Research

## Upcoming infrastructure in the Mumbai Metropolitan Region

Project name	Project scale	Observations	Current status
Mumbai Metro Line 2 A (Dahisar-DN Nagar)	18.6 Km	This metro line will reduce travel time on the link road and residents in this corridor would benefit. This metro line is also providing connectivity to major malls in the Western Suburbs, which would help increase footfalls in the malls. Significant potential for Transit-Oriented-Development (TOD).	Work is being carried out in full swing, however, the administration has indicated that it would miss the initial deadline of 2019.  To be completed in first half of 2020.
Metro Line 3 (Colaba-Bandra-Airport-Seepz)	33.5 Km	This is the first fully underground route for the city. 45% of tunneling work has been completed.  This metro line would boost connectivity in the South Mumbai region where existing road networks are inadequate to carry the current traffic load and parking issues persist.  Significant potential for TOD.	Tunnelling work has been completed in some phases. However, in some places the tunnelling work has been held up due to public litigations. This is adding to the project cost.  Phase 1 between Colaba to BKC to be operational in 2021 and entire corridor by 2022.
Mumbai Metro Line 4 (Wadala-Ghatkopar-Thane-Kasarvadavali)	32 Km	Soil testing has been completed at most of the locations and in some places, columns are being cast.  The biggest beneficiary of this metro line would be the people residing in the Thane-Kasarvadavali belt who currently lack access to any Mass Rapid Transport System (MRTS).	Expected completion in 2023.

Mumbai Trans Harbour Link	21.8 Km	<p>This proposed six-lane sea bridge will connect Sewri in Mumbai to Nhava Sheva in Navi Mumbai. The bridge would be crucial to the increased traffic requirements on account of the upcoming Navi Mumbai International Airport.</p> <p>Once complete, this link will influence the real estate in the Ulwe region and other parts of Navi Mumbai. The project will unlock a very large land masses for real estate development. The region around the airport are likely to witness prime real estate activity.</p>	<p>After much delay, work has begun in full swing. The work has been divided in phases and given to multiple contractors.</p> <p>10% of the work has been completed.</p> <p>Expected completion by September 2022.</p>
Navi Mumbai International Airport	NA	<p>The existing airport has a capacity of 40 million (mn) passengers, which is almost saturated. The new airport at Navi Mumbai will handle 10 mn passengers in its first phase and will go up to 60 mn passengers by 2030.</p> <p>This airport will increase the office activity in the Navi Mumbai region.</p>	<p>The concession for the project has been awarded to GVK led consortium. The work of Ulwe river diversion has been completed as planned. The hill cutting exercise is progressing on schedule.</p> <p>Expected to be fully operational by 2023.</p>
Navi Mumbai metro	23.4 Km	<p>Stage 1 - Belapur to Pendhar</p> <p>Stage 2 - Khandeshwar to Taloje MIDC</p> <p>Stage 3 - Interconnection of Line - I &amp; II</p> <p>This project will connect the office markets of Navi Mumbai with the residential catchments. In the future phases, it is planned to be connected with the metro lines in BMC region and also extended to the new Navi Mumbai airport.</p> <p>Corridor II - Mankhurd-NMIA-Panvel - 32 km and second stage Sewree - NMIA 22 km</p> <p>Corridor III - Dighe-Turbhe-Belapur - 20 km</p> <p>Corridor IV - Ghansoli-Vashi-Mahape - 9km</p> <p>The project is progressing slower compared to metro lines undertaken by MMRDA in BMC and TMC regions.</p>	<p>Exact date of completion is not known as it has missed earlier deadlines.</p>

<p>Mumbai Metro 7 Dahisar-Andheri East</p>	<p>16.6 Km</p>	<p>This metro line will reduce the travel time and congestion on the Western Expressway.</p> <p>Once all metro lines are functional, a commuter who would be using this metro line would need to change metros to reach BKC, which the most important office market of the city. Commuters generally don't prefer changing multiple modes of transport during commute. They prefer to continue in the same vehicle or MRTS without much interchange. Hence, it would be ideal to extend this metro line to BKC. Right now there are plans to extend it till airport only.</p>	<p>Work is being carried out in full swing, however, the administration has indicated that it would miss the initial deadline of 2019.</p> <p>To be completed in first half of 2020.</p>
<p>Goregoan-Mulund Link Road (GMLR)</p>	<p>14 km which includes a tunnel of 4.7 km under SNGP</p>	<p>This project will serve as additional East-West connectivity booster, as JVLR suffers from severe traffic jams for most part of the day and the metro construction has exacerbated the problem.</p> <p>The project has got approvals from wildlife board, however, as a significant portion of the project passes through an eco-sensitive zone of Sanjay Gandhi National Park, many approvals would be required from various boards.</p> <p>The project will impact real estate in areas around Mulund, Nahur and Kanjurmarg.</p>	<p>Exact date of completion cannot be estimated as complex approvals from various central level agencies would take time.</p>

Bandra-Versova Sealink	17.7 Km	<p>This sea-link will be amalgamated with the coastal road project, however, it would be executed by Maharashtra State Road Development Corporation (MSRDC).</p> <p>It would have intermediate interchange points at Bandra Bandstand, Carter Road and Juhu Koliwada.</p> <p>The existing road networks in these suburbs of Mumbai are grossly inadequate to handle the traffic which this sea link would bring in, and would have to be augmented.</p>	<p>EPC contractor has been selected with appointed date as 24 June 2019 and scheduled completion period of 60 months, i.e. May 2024.</p>
Coastal road	35.6 Km	<p>This project is being executed by the Brihanmumbai Municipal Corporation (BMC) and will connect Kandivali, in the Western Suburbs, to Nariman Point. The project will add a huge amount of new space to Mumbai through land reclamation.</p> <p>The existing road networks connecting these regions are saturated, hence, it is imperative that this project is completed on time.</p> <p>Work has started in some places in South Mumbai but the High Court has enforced a stay on work. The High Court has allowed work to continue on stretches where the work has commenced already but no new work can be carried out till the Environment Impact Assessment and study on the impact on fishermen's livelihood is carried out.</p>	<p>Expected to be completed by 2023.</p>

# Can the updated Integrated Township Policy (ITP) and infra push usher a paradigm shift in the Navi Mumbai office market? – by Nibodh Shetty

Navi Mumbai was envisaged as a satellite city near Mumbai (Brihanmumbai Municipal Corporation or BMC region), which was planned to decongest Mumbai by taking office spaces away from the main city. However, it did not happen as envisaged and one of the reasons was the poor connectivity to the main city via roads and Mass Rapid Transport Systems (MRTS). Moreover, even the occupiers were reluctant to move to Navi Mumbai, as large percentage of their employees were residing in the Western Suburbs and due to poor connectivity, the employees were reluctant to travel to Navi Mumbai.

Over the years, as the markets of Navi Mumbai and the Central Suburbs developed into residential catchments, occupiers did start to take up space in Navi Mumbai. For the initial period, smaller information technology / information technology enabled service (IT/ITeS) companies

and a few large ones who could not afford the high rentals of Mumbai took up space there. However, the IT/ITeS companies which required large spaces at one location, preferred other cities like Bengaluru, Hyderabad, Pune, NCR and Chennai over Navi Mumbai, as these cities had large campus-style developments, availability of talent, lower residential prices and a lower associated cost of living.

The earlier policies of Maharashtra state were not very conducive for campus-type developments. Thus, if we refer to the table the share of IT/ITeS companies in Navi Mumbai declined and the office spaces started emerging as an operations hub of Banking, Financial services and Insurance (BFSI) sector.

Navi Mumbai, despite having large quantum of vacant office stock and the office rents being lower than business districts of Bengaluru, NCR and Pune, does not feature as one of the options in expansion plans of large IT/ITeS occupiers. People across India have the perception that the Mumbai Metropolitan Region (MMR) has several issues such as – lack of infrastructure to support the city's growth, poor town planning, overcrowded MRTS, huge traffic jams, unaffordable apartment prices, lack of large campus-style developments, affordable apartments being located very far away from the places of employment and high cost of living. As a result, IT/ITeS occupiers who require large spaces, employ thousands and require affordable home rates are reluctant to consider MMR.

However, Navi Mumbai, on a standalone basis, has better infrastructure than Mumbai, the traffic snarls are lower compared to other cities and Mumbai as the roads are wider, the city has proper town-planning, it has good utility infrastructure, efficient bus networks and well-planned railway stations/networks offering connectivity to the entire Navi Mumbai region, Thane and Central Suburbs of Mumbai.

Currently, Navi Mumbai suffers from perception issues of being plagued

Sector wise share of occupiers in transaction activity	2010	2014	2018	H1 2019
BFSI	8%	5%	20%	41%
IT/ITeS	80%	60%	25%	6%
Manufacturing	9%	33%	13%	35%
Other Services sector	4%	2%	43%	18%

Source: Knight Frank Research



because it is associated as being the same as Mumbai by people living outside MMR. However, if Mumbai and Navi Mumbai are considered as two separate cities, then the difference in overall quality of infrastructure between the two is evident. For residents of Mumbai, travelling to Navi Mumbai is considered a challenge. These factors are hindering the growth of Navi Mumbai.

### **The big infra push**

Earlier, Navi Mumbai used to lack connectivity to the main city through roads and MRTS. But with the upcoming major infrastructure projects such as – metro lines in MMR which includes the Thane–Wadala Metro, Dahisar–Mankhurd Metro, Thane–Bhiwandi–Kalyan Metro, the trans-harbour sealink, proposed Vikhroli–Koparkhairane bridge, trans-harbour railway line and upgraded harbour railway line, the connectivity issues between Mumbai and Navi Mumbai are being/would be resolved. The new Navi Mumbai airport will further increase the office activity in that part of the city.

Once, these projects are operational, most of which would be completed in the next five years, people residing in Mumbai will not be averse to travelling to Navi Mumbai.

### **The Integrated Township Policy**

The Integrated Township Policy (ITP) now permits residential development including affordable housing for EWS and LIG and rental housing on the land parcel subject to certain conditions. The policy also promotes malls, multiplexes, entertainment zones, hotels, recreation centres, convention centres, gymnasium and educational institutions on the land parcel. This policy has got a good reception from developers. Most of the large developers are tweaking their plans and planning mixed use developments under this policy on their land parcels to promote 'walk to work' culture. Huge quantum of residential supply is expected to be generated through this policy right next to the office buildings and most of this residential supply is planned to come in at lower prices. The land parcels under ITP are being re-designed to promote campus-style culture which would have a mix of office, retail and residential along with ample greenery and amenity spaces. With this policy, Navi Mumbai could emerge as a hub of campus-style developments in MMR.

Campus developments are in huge demand amongst occupiers in other cities and the office spaces in such campuses often command a premium. In Mumbai as well, we could witness occupiers preferring to

shift into such developments. Presently, there are only two or three office projects that can be considered as campus-style developments within the BMC region.

Hence, on account of the connectivity boost, ITP, lower residential prices, lower office rentals, better quality of infrastructure and campus styled developments, Navi Mumbai has the potential to become the eventual port of call for a larger set of occupiers in Mumbai who have been averse to moving into Navi Mumbai as well as the IT/ITeS occupiers who have generally preferred other cities of India.



# NCR of Delhi

# Residential Market

## NCR Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
Launches (housing units)	15,819	35%	9,123	7,846	-14%
Sales (housing units)	40,646	8%	18,047	19,852	10%
Price (weighted average)	45,639/sq m (4,240/sq ft)	2%	45,908/sq m (4,265/sq ft)	47,362/sq m (4,400/sq ft)	3%
Unsold inventory (housing units)	1,42,007	-15%	1,57,907	1,30,000	-18%
Quarters-to-sell	15	-	17	13	-
Age of inventory (in quarters)	22	-	21	19	-

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 10%

Increase in sales in H1 2019

- The National Capital Region (NCR) of Delhi continues to maintain its slow but steady pace of sales and new project launches in the first half of 2019. The market currently is characterised by controlled new launches and a steady sales velocity, which has somewhat muted the weighted average prices.
- The new launches in NCR have shrunk to a single digit with H1 2019 pegging the new launches at approximately 7,846 units registering a 14% year-on-year (YoY) drop. Once touted as being one of the largest residential markets in the country, with a six-monthly average of 40,000–50,000 units launched, the new launches in NCR have been on a downward spiral since 2015.
- Policy fallacies such as the opening of new land for development, allotment of group housing licenses in areas with no infrastructure, project delays due to litigations and the liquidity crunch owing to the slow pace of sales and the recent Non-Banking Financial Companies (NBFCs) crisis, along with stagnant incomes have all adversely affected NCR's residential appetite.
- However, even though the market is reeling under inventory pressure and a wait-and-watch buyer behavior, what brings respite to the matter is that now all developers have aligned their business with the Real Estate (Regulation and Development) Act, 2016 (RERA) and the Goods and Services Tax (GST), which is leading to the rapid consolidation and filtering of the market in

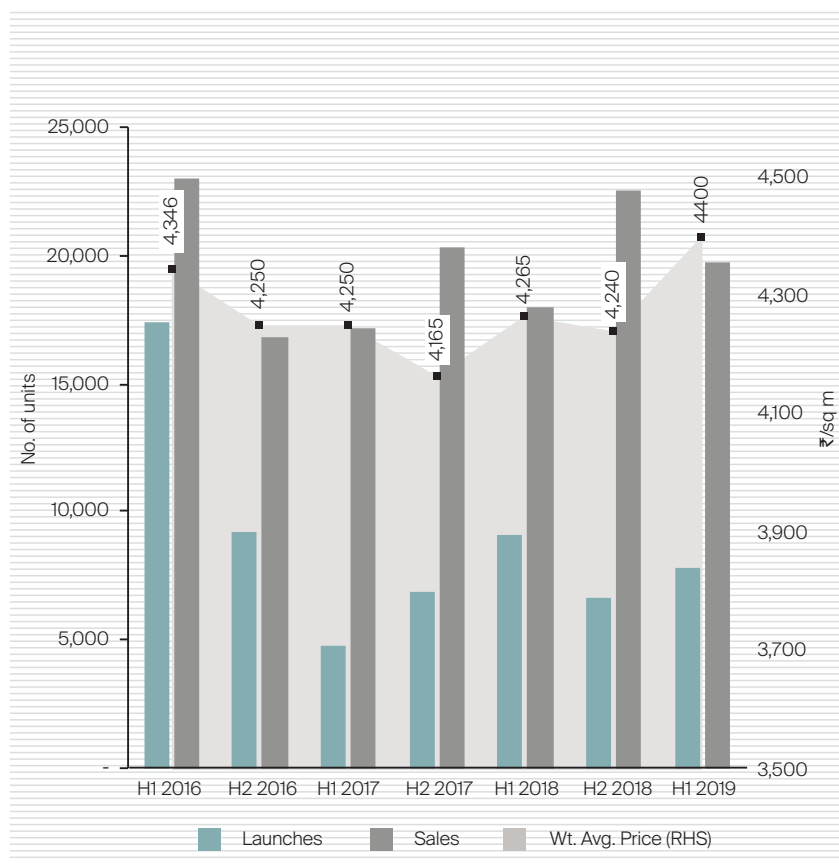
Gurugram in Haryana and Noida and Greater Noida in Uttar Pradesh, which form the major portion of the real estate chunk of the National Capital Region.

- The compliance environment induced by RERA and the NBFC crisis has made the developers take cognizance of the situation and cautiously launch new projects. Since most of the projects have a construction-linked payment plan, the cash-strapped developers are concentrating on completing their existing projects to boost their cash flows.
- With speculative interest waning

in the market, sales in NCR are driven primarily by end-user demand who are cautious in selecting projects. Having been put on the backfoot by looming uncertainties over project deliveries, infrastructure delays and the recent insolvency proceedings on developers, the buyer today is cautious even with muted residential prices.

- On the demand side, it is safe to say that NCR has transformed into an end-user market, unlike its past image. Demand in NCR stood at approximately 19,853 units in H1 2019 registering a positive YoY 10% increase from the same period in 2018.

### NCR Market Activity



Source: Knight Frank Research

- Our market survey with various stakeholders suggest that only ready-to-move-in projects are garnering interest from buyers, as they safeguard the buyer and gives him confidence for the delivery of the project. This proposition is made more lucrative with the implementation of GST, which is applicable only on under-construction projects. The trickling new launches and the steady sales velocity has however had a positive impact on the quarters-to-sell (QTS) in NCR, which has significantly come down to 13 quarters in H1 2019 compared 17 quarters in the same period of 2018. The quarters-to-sell unsold inventory is the number of quarters required to exhaust the existing unsold inventory in the market. The existing unsold inventory is divided by the average sales velocity of the preceding eight quarters to arrive at the QTS number for that quarter. A lower QTS indicates a healthier market.
- Steady sales velocity has helped Greater Noida and Gurugram emerge as NCR's better performing markets, with a QTS of 12 and 11 quarters, respectively, in H1 2019, closely followed by Noida at 14 and Ghaziabad at 17 quarters.
- Weighted average prices in the NCR residential market have registered a marginal YoY 3% increase over H1 2018, which effectively translates into a stagnant market. The market saw a price correction in 2013 and the scenario has not changed ever since. Developers have been cautious of increasing prices given the slow sales velocity and the absence of investor interest

from the market. Our market findings suggest that developers have even increased their brokerages to push sales.

#### **GURUGRAM**

- Gurugram saw new launches by notable developers in Sector 59, 66, 67, 68 and 36, taking up 30% of the total new launches in H1 2019 in Delhi NCR. Approximately 44% of the launched units fall in the above INR 7.5 mn price bracket. Though there has been YoY drop in new launches in Gurugram, the trend is in line with the overall market scenario.
- Demand in Gurugram remains steady with a negligible YoY 3% drop in sales in H1 2019. Ready-to-move-in inventory spread across micro markets such as New Gurugram, Golf Course Extension and Southern Peripheral Road have started to attract the fence-sitting buyers. Our survey findings suggest that buyer enquires have increased across these micro markets, however, the conversions are taking place at a cautious pace. To push sales, some prominent developers have even increased their brokerages.
- The streamlining by the Haryana RERA and the rapid pace of completion of delayed infrastructure projects, such as the Dwarka Expressway, have brought back confidence in the market.

#### **NOIDA, GREATER NOIDA**

- Noida, contributed significantly to the new launches in NCR in H1 2019, taking up 46% of the overall pie, followed by Greater Noida

with a share of 15%. It is worth noting that Noida has been shying away from new launches since 2017. The market which was increasingly getting infamous for fly-by-night developers is seen to be getting out of the woods with new launches by notable developers in Sector 107 and 150 in H1 2019 in the broad range of INR 7.5 mn-INR 20 mn price bracket.

- The concept of over leveraging land and launching new projects both in Noida and Greater Noida has been arrested with the compliance and transparency infused by RERA. Further, the prompt insolvency proceedings against some of the major developers by the National Company Law Tribunal (NCLT) has cautioned developers against promising more than they can execute.
- Greater Noida, yet again, takes the lion's share of the demand pie with approximately 8,762 units sold in the first half of 2019 registering a YoY increase of 22% followed by Gurugram, Ghaziabad and Noida. Greater Noida market has been consistent in its sales velocity because of its affordable options in the ready-to-move-in category in the sweet spot of INR 2.5-INR 5 mn price bracket.
- Demand in Noida has also picked up in H1 2019 and registers a YoY growth of 19%. Moving in close ranges, sales in Noida have been uninspiring given the project delays and defaults by major developers. The impact of filtering of developers and market consolidation will take time to manifest in terms of increase in sales in absolute numbers.

# Residential Launches and Sales

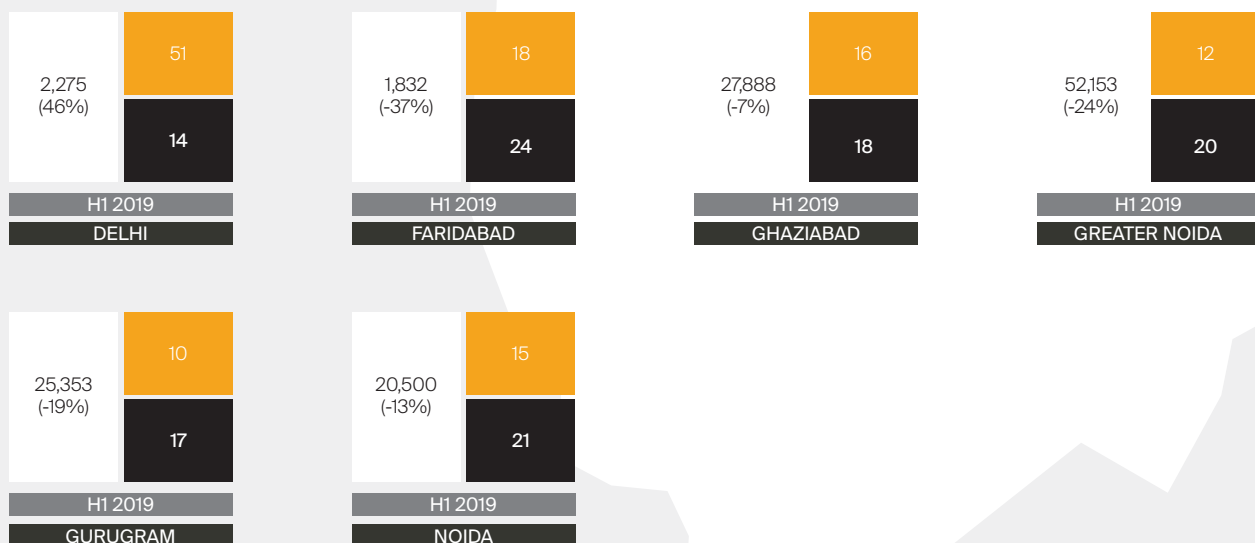
■ Launches (housing units)      ■ % change (YoY)  
■ Sales (housing units)



Source: Knight Frank Research

# Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Change)      ■ Age of inventory (in quarters)  
■ QTS (in Quarters)



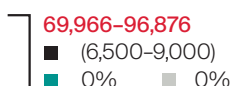
Source: Knight Frank Research

# Residential Pricing

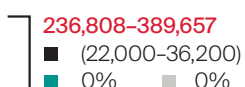
■ Price Range in H1 2019 in ₹/sq mtr     ■ 12 Month Change  
■ Price Range in H1 2019 in ₹/sq ft     ■ 6 Month Change

## DELHI

### DWARKA

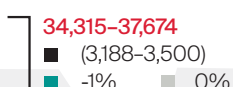


### GREATER KAILASH II

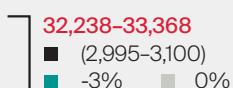


## GREATER NOIDA

### SECTOR 1

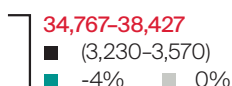


### OMICRON I

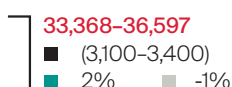


## FARIDABAD

### SECTOR 82

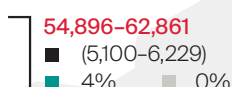


### SECTOR 88

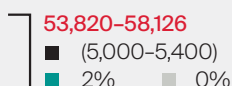


## GURUGRAM

### SECTOR 77

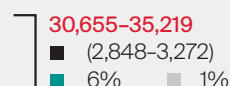


### SECTOR 81

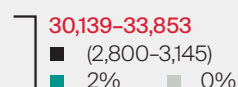


## GHAZIABAD

### NH-24 BYPASS

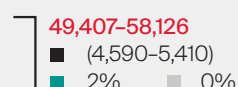


### RAJ NAGAR EXTENSION

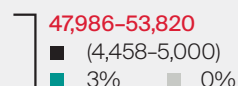


## NOIDA

### SECTOR 78



### SECTOR 143



Source: Knight Frank Research

# Office Market

## NCR Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	0.71 (7.6)	86%	0.33 (3.6)	0.55 (5.9)	64%
Transactions mn sq m (mn sq ft)	0.68 (7.4)	14%	0.32 (3.4)	0.35 (3.8)	11%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	893 (83)	11%	840 (78)	929 (86)	11%
Stock mn sq m (mn sq ft)	-	-	13.9 (150)	14.8 (160)	7%
Vacancy (%)	16.10%	-	16.50%	16.8%	-

Note - 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

# 64%

YoY growth in new completions in H1 2019



- The first half of 2019 has begun on a positive note for the National Capital Region (NCR) office market with a year-on-year (YoY) 11% increase in the total transacted space. Characterised by the closing of some large deals, the NCR office market clocked 0.35 mn sq m (3.8 mn sq ft) in H1 2019.
- Supply outstripped demand, with approximately 0.55 mn sq m (5.9 mn sq ft) of new supply entering the market in H1 2019 as opposed to 0.33 mn sq m (3.6 mn sq ft) in the same period in 2018.
- Quality new supply has been eluding the Delhi NCR market for quite some time now leading to near single digit vacancy in key business districts like DLF CyberCity in Gurugram, and Aerocity in the secondary business district of Delhi. However, in H1 2019, 86% of the new completions have come up in key locations in Gurugram and Noida, adding quality stock to the Delhi NCR market. The pressure on quality supply has been evident in key markets of Gurugram for some time now and is evident in the increase in pre-commitment transactions in recent times.
- Though leasing has been steady, the new completions entering the NCR market have slightly elbowed the overall vacancy levels to 16.8% in H1 2019 compared to 16.4% in H1 2018. However, it is to be noted that, vacancies in the micro

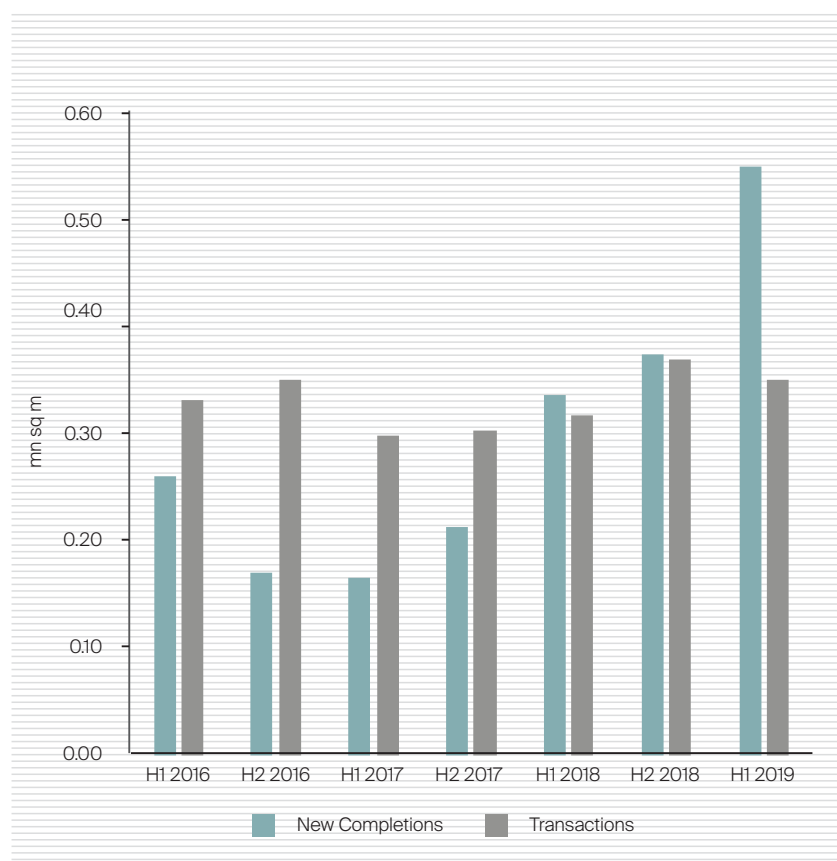
markets of Gurugram and the secondary business district have reduced to single digit, which has put an upward pressure on rentals.

- The Banking, Financial services and Insurance (BFSI) sector saw a resurgence in H1 2019, increasing its share to 15%, the highest since 2013, from a single digit 6% in H1 2018. Occupiers such as ICICI Direct and Kotak Mutual Fund in the central business district (CBD) and secondary business district (SBD) respectively of Delhi, and

Kisan Credit Card and American Express in Gurugram significantly added to the leasing.

- The share of information technology / information technology enabled services (IT/ITeS) has been uninspiring compared to its peak in 2012-13. The first half of 2019 was no different with the sector registering a YoY de-growth of 33% in its leasing activity. Some of the occupiers who pushed leasing in this sector are Google, Wipro and Maven Wave in Gurugram,

### NCR Market Activity



Source: Knight Frank Research

and NEC Technologies and Delphix in Noida.

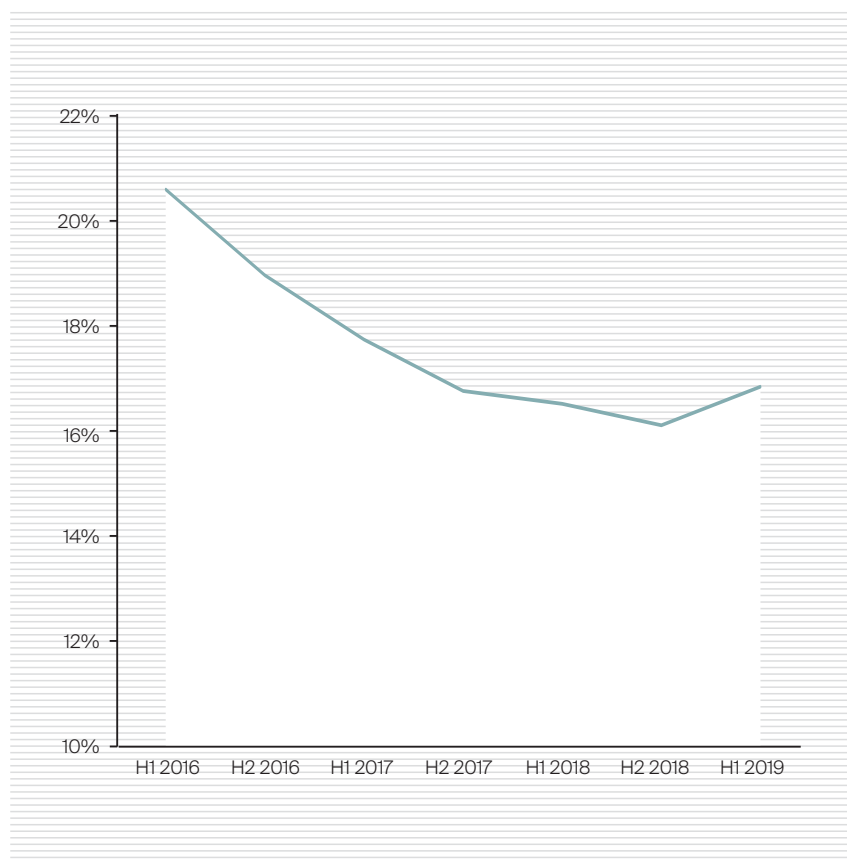
- Share of the Other Services sector has seen a YoY growth in terms of leasing activity in H1 2019. The sector led the transaction activity and took up 59% of the overall transaction pie. The Other Services sector comprises occupiers from consulting, media, design, legal, e-commerce, co-working and Other Services-based industries. Lately, co-working has been a major contributor in propelling the Other Services sector's leasing activity. In H1 2019, approximately 22% of the sector's transacted space was taken up by co-working occupiers such as GoHive, Garage Society and CoWrks in Gurugram, and Skootr and Smartworks in CBD Delhi and Noida.

- Though the number of deals in Delhi NCR came down to 81 in H1 2019 from 105 deals in the same period in 2018, large size deals have propelled the transaction activity taking the total transacted space to 0.35 mn sq m (3.8 mn sq ft). The first half of the year saw its average transacted space inch up to 4,340 sq m (46,718 sq ft) from 3,023 sq m (32,538 sq ft) in the same period in 2018. Approximately 69% of the transacted space recorded in H1 2019 was above 4,645 sq m (50,000 sq ft).
- Weighted average rents have been on a positive upswing in the Delhi NCR market with H1 2019 recording a YoY 11% increase compared to the same period in 2018.

- Though considered as an agglomeration, the key business districts in NCR, which are Gurugram, Noida and the CBD and SBD of Delhi, which make up the major chunk of the market, are facing a dearth of quality office spaces. CBD Delhi is characterised by old buildings, but as it is the centre of NCR with negligible new or quality supply, it commands the highest rentals. The market, however, has been moving in close ranges since it has reached maturity now.
- On the other hand, the new emerging sub-business districts of SBD Delhi was seen to

command steep rentals to the tune of INR 2,421 per sq m per month (225 per sq ft per month) in H1 2019, given the availability of premium office buildings such as Worldmark 2 in Aerocity. The need for quality office space and the pent-up demand can be understood from the fact that occupiers are pre-leasing the upcoming office buildings in Gurugram.

### *NCR Market Vacancy*



Source: Knight Frank Research

## GURUGRAM

- Office leasing in Gurugram yet again lead the tally for Delhi NCR in H1 2019. Increasing its percentage share by a good 21%, Gurugram clocked 0.28 mn sq m (3.0 mn sq ft) in H1 2019 compared to the same period in 2018. Having become the address of choice for most corporates and Fortune 500 companies, 79% of the total office take-up was from Gurugram in the first half of 2019.
- The dearth of quality new supply or connectivity issues to the existing ones, has led to the inching up of rents in key office locations within Gurugram such as DLF CyberCity and Golf Course Extension Road. However, our market findings suggest that occupiers have now started looking at Golf Course Extension Road for relocation or expansion from Udyog Vihar and DLF CyberCity, which is evident from the YoY 94% jump in the leasing activity on Golf Course Extension Road in H1 2019. Due to rentals ranging between INR 538-700 per sq m per month (INR 50-65 per sq ft per month) and good connectivity via Rapid Metro and the Faridabad-Gurugram road and NH-8 to Delhi and other office locations in Gurugram, as well as residential catchments, we estimate Golf Course Extension Road to cater to the mid-segment occupiers in the coming quarters.
- Some of the locations that witnessed major traction in Gurugram in H1 2019 are DLF CyberCity, Golf Course Road and NH-8, which accounted for 68% of the total space transaction pie

of Gurugram in H1 2019. With key occupiers such as Google, OYO, WPP, Siemens and Ernst & Young taking up majority of the office space in H1 2019.

- Going forward, we see a positive move of decentralisation in Gurugram. With improving connectivity options, office locations such as New Gurugram and Golf Course Extension Road will see interest from occupiers looking to surpass the steep rentals in DLF CyberCity and Golf Course Road.

## NOIDA

- The first half of 2019 has not been impressive for Noida. The market recorded a YoY de-growth of 40%, clocking a mere 0.05 mn sq m (0.58 mn sq ft) of office space. The prominent locations for occupier interest in this half include the established office micro market of Sector 62 and Noida Expressway. Occupiers such as India Mart, Smartworks, Delphix, Kia Motors and Today Tea were among the prominent occupiers in the first half of 2019.
- Noida-Greater Noida Expressway has upped its game in infrastructure with the metro connectivity up till Pari Chowk now becoming operational and competitive office rentals in the range of INR 517-INR 753 per sq m per month (INR 48-INR 70 per sq ft per month). In this regard, the recent development of the upcoming International Airport project at Jewar is being keenly watched by realtors and occupiers alike.

## DELHI

- CBD Delhi, one of the premium office micro markets of the Delhi NCR market saw a YoY de-growth of 19%, in terms of leasing activity in H1 2019. However, if sequentially compared to the preceding quarter there has been a significant uptick. Predominantly a BFSI market, major occupiers in CBD Delhi in H1 2019 include Reliance Industries, Skootr and Kotak Mutual Fund. Rental values in CBD Delhi have seen no major change than the same period in 2018; however, the market commands the highest rentals to the tune of INR 2,314-INR 3,767 per sq m per month (INR 215-INR 350 per sq ft per month)
- SBD Delhi on the other hand, registered a slight uptick of YoY 7%, in terms of total transacted space, however, the market is way below its 2016-2017 levels. Major occupiers who took up space in the area include Amazon, HeroMotoCorp and ICICI Direct.

---

## *Business District Classification*

---

Business district	Micro markets
CBD Delhi	Connaught Place, Barakhamba Road, Kasturba Gandhi Marg and Minto Road
SBD Delhi	Nehru Place, Saket, Jasola, Bhikaji Cama Place, Mohan Cooperative and Aerocity
Gurugram Zone A	M.G. Road, DLF Cyber City, Golf Course Road, NH-8 (upto Rajiv Chowk)
Gurugram Zone B	Golf Course Extension Road, Udyog Vihar, Sohna Road, Gwal Pahari and Nh-8 (ahead of Rajiv Chowk)
Gurugram Zone C	Manesar and others
Noida	Sectors 16, 18, 62 and 63 and the Noida–Greater Noida Expressway
Faridabad	Areas near the Haryana Delhi border at Badarppur

Source: Knight Frank Research

---

## *Sector-Wise Split of Transactions*

---

Industry	H1 2018	H1 2019
BFSI	6%	15%
IT/ITeS	22%	13%
Manufacturing	18%	13%
Other Services	54%	59%

Note: BFSI includes BFSI support services; Other Services includes co-working, media, telecom, etc.

Source: Knight Frank Research

---

## *Average Deal Size and Number of Deals*

---

	H1 2018	H1 2019
Average deal size in sq m (sq ft)	3,023 (32,538)	4,340 (46,718)
Number of deals	105	81

Source: Knight Frank Research



*The Delhi NCR market saw a price correction in 2013 and the scenario has not changed ever since. Developers have been cautious of increasing prices given the slow sales velocity and the absence of investor interest from the market. Our market findings suggest that notable developers have even increased their brokerages to push sales.*



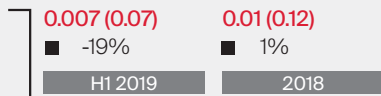
**3%**

*Marginal increase in weighted average prices in Delhi NCR in H1 2019*

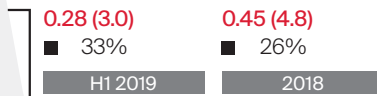
# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

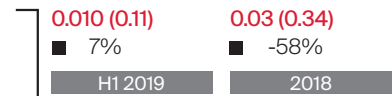
## CBD DELHI



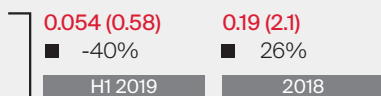
## GURUGRAM



## SBD DELHI



## NOIDA

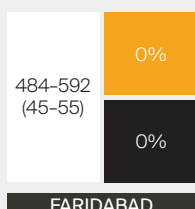
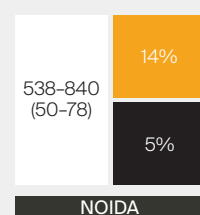
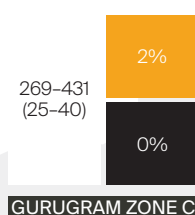
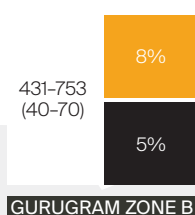
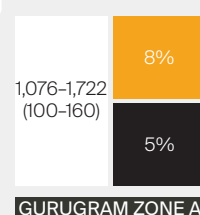
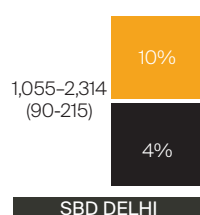
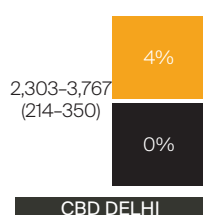


Source: Knight Frank Research

# Office Rental

□ Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)

■ 12 month change    ■ 6 month change



Source: Knight Frank Research

## Upcoming infrastructure in the NCR of Delhi

Project name	Project scale	Observations	Current status
Dwarka Expressway or Northern Peripheral Road or NH-248-BB	29 Km	<p>Most of the hurdle areas have been cleared, except the nod from the Delhi government for transplantation for 13,000 trees.</p> <p>Land has been identified near Manesar to shift the Kherki Daula Toll Plaza.</p> <p>Once completed the expressway will not only provide alternate connectivity to Delhi but create an upswing in the residential and commercial inventory along the corridor.</p>	<p>Foundation stone laid in March 2019 and most of the contracts have been awarded.</p> <p>Expected completion by December 2021.</p>
Delhi-Mumbai Expressway	1,250 Km	<p>The greenfield eight-lane, access-controlled project is expected to reduce road travel time between Delhi and Mumbai to 12 hours from the current 24 hours.</p> <p>Shifting of freight traffic will improve livability across Gurugram and Manesar area.</p>	<p>Tenders awarded in December 2018.</p> <p>Expected completion by December 2020.</p>
Gurugram metro	31 Km with 25 stations	<p>The total cost of the project is INR 51.26 billion and the metro link will start at Huda City Centre, pass via Subhah Chowk Sector 10, Sector 23, and Udyog Vihar to then connect with DLF CyberCity.</p> <p>The metro once operational will improve connectivity and connect the main office micro markets within Gurugram, which in turn will boost the overall realty market.</p> <p>The project will connect Old Gurugram and industrial areas within Gurugram which currently do not have alternate connectivity options.</p>	<p>Detailed project report approved in May 2019.</p> <p>Expected completion by 2025.</p>
Gurugram Rewari Highway	45 Km	<p>The four-lane highway that will start from Sector 88A and 88 on Dwarka Expressway will run parallel to NH-8 and will significantly ease traffic on the Delhi-Gurugram expressway.</p> <p>Residents of Dwarka Expressway can take this expressway to travel to Pataudi and Manesar along with commuters travelling to Rewari and can forgo the NH-8.</p>	<p>Currently the detailed project report is under process, along with the land acquisition process.</p>



Delhi-Ghaziabad-Meerut Regional Rapid Transit System	82 Km with 16 stations	<p>This line will connect Delhi with the densely populated state of Uttar Pradesh.</p> <p>The expected travel time will be 55 minutes and will promote sub-regional development. The project also has a significant potential for transit-oriented-development (ToD).</p>	<p>Approvals obtained. Funding largely secured. First round of construction contracts awarded.</p> <p>The priority section, which is from Sahibabad to Duhai is targeted for completion by early 2023.</p> <p>Complete project expected to complete by mid 2025.</p>
Delhi-Sonipat-Panipat Regional Rapid Transit System	103 Km with 16 stations	<p>Once completed, this corridor will connect Delhi to towns such as Sonapat, Gannaur, Samalkha and Panipat in the state of Haryana and will open up newer areas of growth.</p> <p>The expected travel time will be 65 minutes</p>	Expected completion 2023.
Delhi-Gurugram-Rewari-Alwar Regional Rapid Transit System	164 Km and 22 stations	<p>This is a semi high-speed rail corridor which will connect the industrialised regions of Delhi, Gurugram, Rewari and Alwar.</p> <p>Originating from Sarai Kale Khan in Delhi, it will connect Munirka, Aerocity and move via Gurugram, Sotanala and Rewari to reach Alwar in Rajasthan.</p> <p>Once completed, this rapid transit system will bring down the travel time between Delhi and SNB to 117 minutes.</p>	<p>Detailed project report approved by the Rajasthan government.</p> <p>Phase 1 (Delhi-Gurugram-SNB [Shahjahanpur-Neemrana-B ehour] Urban Complex) to be completed by 2024.</p>
Jewar airport, Greater Noida	Total of four phases. Phase 1 – 4,000 acres.	<p>The upcoming airport will lie 56 km from Noida and 72 km from Indira Gandhi International (IGI) Airport.</p> <p>Once completed, the Jewar airport will reduce the burden of the existing IGI Airport that caters to the whole of Delhi NCR.</p> <p>The airport will open up Greater Noida and Noida for economic development which in turn will be a positive boost for the realty market in the region.</p>	<p>Bid document approved by Ministry of Civil Aviation.</p> <p>In May 2019, the Noida International Airport Limited (NIAL) invited global players to float bids for development of the airport</p> <p>Construction work is expected to start in early 2020 and the first phase is expected to be completed by 2023.</p>
Ambience underpass and elevated U-turn at Shankar Chowk	-	The underpass will hugely benefit travellers/residents who must take a U-turn from Rajkori to enter Gurugram.	The under construction underpass is expected to get completed by 2020.

Project name	Project scale	Observations	Current status
Delhi Mumbai Industrial Corridor	1,483 Km	<p>The mega infrastructure project will have 24 industrial regions, eight smart cities, two international airports, five power projects, two mass rapid transit systems, and two logistical hubs running along the six states of Delhi, western Uttar Pradesh, southern Haryana, eastern Rajasthan, eastern Gujarat, and western Maharashtra.</p> <p>As a part of the project, the Integrated Industrial Township Greater Noida Limited (IITGNL) is coming up at Greater Noida on 747.5 acres of land. The township is likely to create employment and residential opportunities essential for the development of the DMIC corridor.</p> <p>In a bid to develop world class infrastructure along the corridor, development of India International Convention &amp; Expo Centre (IICC) at Dwarka is also overlooked by DMIC as a knowledge partner. The project is envisioned to create world class exhibition and conference facilities in its mixed use format.</p>	<p>Phase I of the project is under construction and is expected to be completed by 2025.</p> <p>Total project completion with three phases expected to be completed by 2037.</p>
Noida–Greater Noida Metro (Aqua Line extension) Phase 2	15 Km with 9 stations	<p>It starts from Sector 71 to Knowledge Park 5 in Greater Noida.</p> <p>Once completed, the extension will provide for fast connectivity to the dense upcoming Greater Noida West region.</p>	<p>Project to be completed in two phases.</p> <p>Phase 1 – Noida to Greater Noida West's Sector 2.</p> <p>Completion date to be finalised.</p>

Ring Road-DND Junction to Sohna (Part of Delhi - Mumbai Expressway)	59 Km	<p>The access-controlled highway will connect Delhi's Ring Road with the under-construction Delhi-Mumbai Expressway.</p> <p>The highway is planned to decongest Delhi and will start at the Ring Road-DND junction, pass through the Kalindi bypass and Faridabad-Ballabgarh bypass, and will end at the interchange of the Delhi-Mumbai Expressway at the Western Peripheral Expressway or Kundli-Manesar-Palwal (KMP) Expressway.</p>	Foundation stone laid in March 2019.
Rao Tula Ram flyover	2.7 Km	The flyover will improve the connectivity of South Delhi, East Delhi and Noida to the airport and reduce travel time by 15-20 minutes.	Trial run to begin by end June 2019.
Elevated corridor between Jewar airport and IGI Airport	40 Km	Once completed, the corridor will provide for speedy connectivity between the two international airports.	Invitation for e-tender underway by Yamuna Expressway Industrial development Authority (YEIDA) for selection of consultant for feasibility study.
Delhi Metro Phase 3	161 Km	Majority of the work is complete.	Expected completion by 2020.

# Dwarka Expressway – Almost there?

– by Ankita Sood

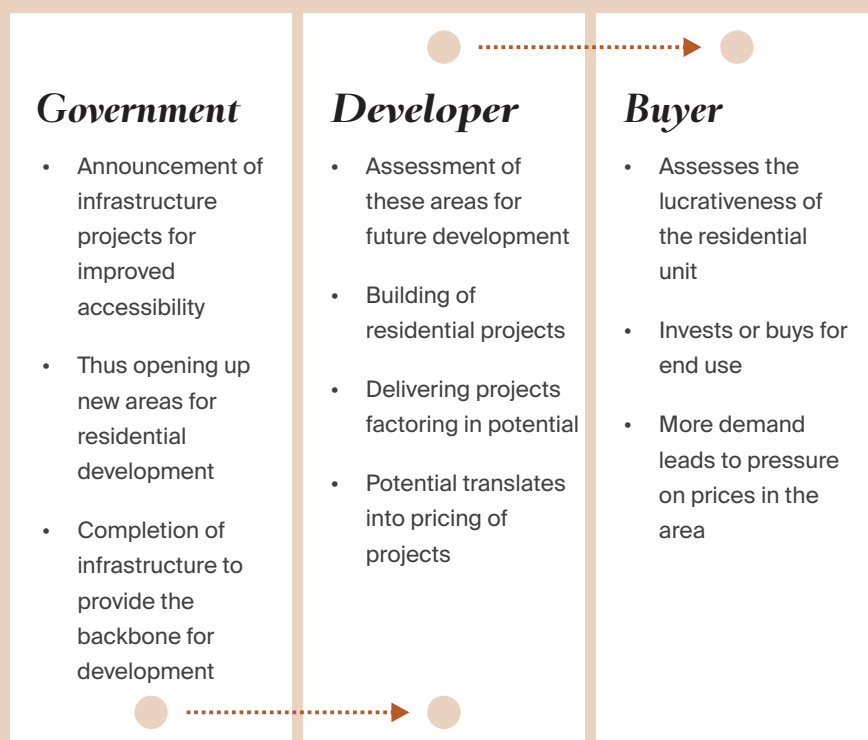
The real estate cycle has three stakeholders—government, developer and the buyer. All of these have to fulfil their part of the deal for the development loop to be completed. As we know, development follows infrastructure and primarily when the government undertakes transport infrastructure development; it is done for the purpose of improving accessibility of the city at a regional or an urban level. This improvement in accessibility is then assessed by the second stakeholder (developer) for monetisation and future development. The third stakeholder (buyer) in the loop then evaluates the lucrativeness of the product offered by the government and the developer,

which is then capitalised in the form of price of housing.

This basic understanding of how development should progress in a city has been put to infamy in the National Capital Region (NCR)—one of the largest real estate markets in the country. NCR has examples of infrastructure projects that have been lingering on for over decades and to add to the irony have already seen capitalisation of prices by leaps and bounds without the residential projects even being delivered. One of the most important examples of such a scenario is the Dwarka Expressway or the Northern Peripheral Road (NPR) in NCR.

*The impact of the Real Estate Regulatory Authority (RERA) has somewhat streamlined the real estate development in the Dwarka Expressway. Today, cash-strapped developers are concentrating on completing their existing projects to boost their cash flows, since most of the projects have a construction-linked payment plan.*

## The real estate cycle



Source: Knight Frank Research

## *The Gurugram irony – The expressway that defied its name*

Gurugram has become a classic example of failed commitments and non-delivery of infrastructure projects by the government. A city that contributes the maximum to the state coffers is dotted with incomplete and unaligned roads that were to be the backbone of the new residential growth areas such as the much-hyped Dwarka Expressway.

### *The background*

The Dwarka Expressway is an eight lane access-controlled, 29 km expressway that was planned as an alternative link road between Delhi and Gurugram to ease the congestion on the NH-48 (previously NH-8). Land for the road was acquired in 2007-2008, but in 2008, writ petitions were filed, challenging the acquisition, and the road could be developed only in patches. The Punjab and Haryana High Court disposed of the petitions in May 2015. The project saw various delays due to land acquisition and resettlement of various residential patches and tree replantation. The matter was then taken up by the Central Government.

In June 2016, the project was handed over to the National Highways Authority of India (NHAI) and was renamed 248-BB. With NHAI taking over the project, the scope of the project has been increased and the length has been revised from 18 km to 27.6 km starting from Shiv Murti in Mahilpur to Kherki Daula Toll Plaza.

In 2018, NHAI issued a Letter of Award – LOA for Dwarka Expressway in the State of Haryana on engineering procurement and construction (EPC) mode under Bharatmala Pariyojana. A centrally-sponsored scheme of the Government of India, the Bharatmala project aims to bridge the gap in road infrastructure in India.

Post the takeover by NHAI, the scope of the project has been increased and the revised expected date of the project has been set as mid of 2021. The project is going to be built in five phases.

#### **PHASE 1**

Shiv Murti in Mahilpur to the railway underbridge in Sector 21 Dwarka, a 5.3-km stretch will be taken up in phase 1. Approximately 3.5 km of this stretch is envisaged as an underground section under the runway.

#### **PHASE 2**

Bijwasan rail underbridge to Delhi-Haryana Border, a stretch of 4.2 km will be taken up in the second phase of construction.

#### **PHASE 3**

New Delhi-Haryana border to the Basai railway overbridge in Gurugram is the third

phase of the expressway, which is the longest stretch running 10.2 km, most of the section will be an elevated dual carriageway or four lanes each. This stretch holds importance as it passes through sectors 102, 103, 104, 105, 106, 109, 110, 111, 112 and 113 in Gurugram where most of the real estate development has taken place.

**PHASE 4**

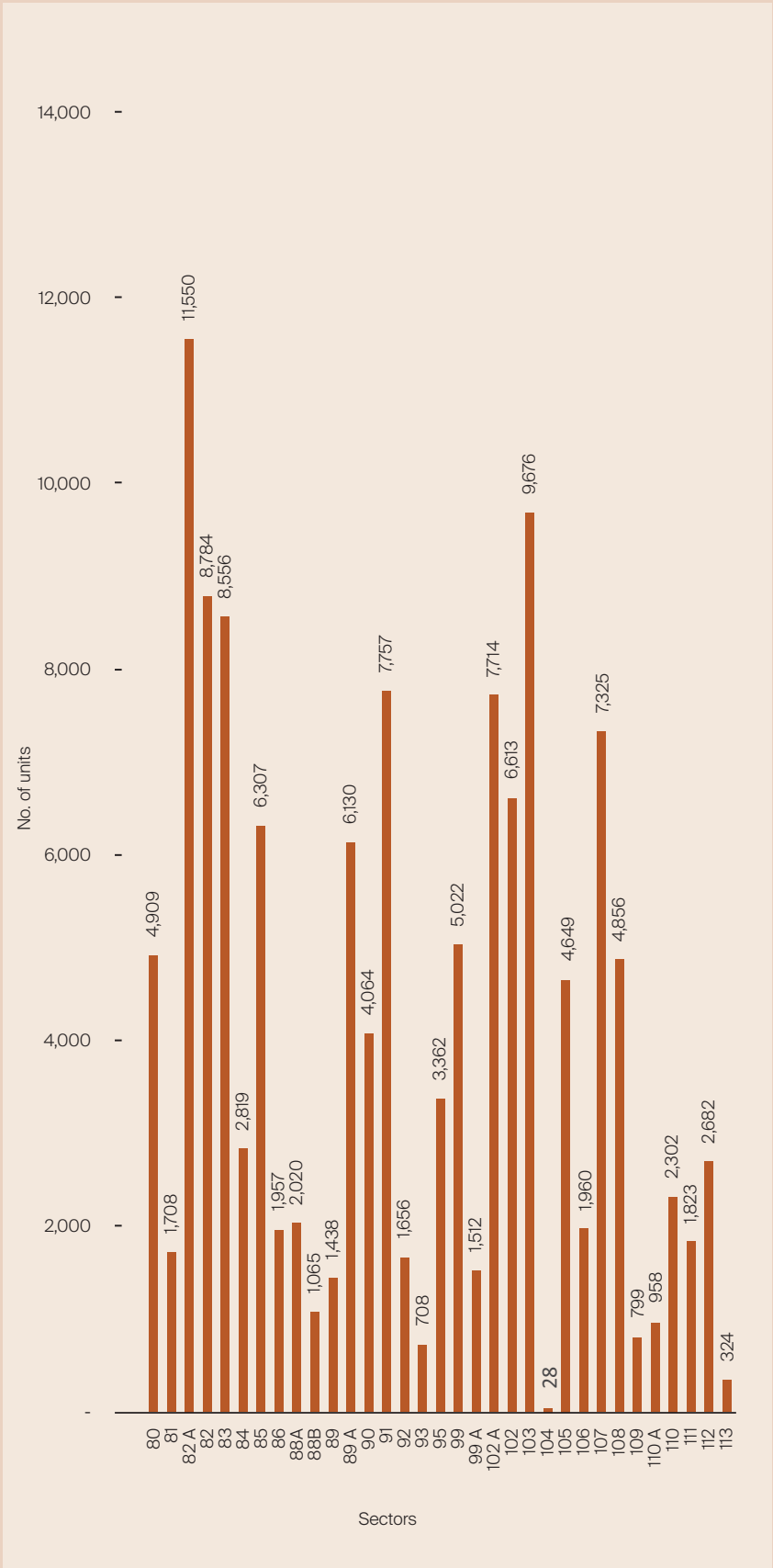
Basai railway overbridge to Kherki Daula toll in Gurugram. This 8.77-km stretch in Gurugram will end at the clover leaf interchange near the Kherki Daula Toll Plaza.

**PHASE 5**

Shiv Murti in Mahilpur to the IGI Airport at T3. Spanning across 4 km, this connection will be in the form of a tunnel that will run parallel to the existing underground Delhi Airport metro line.

Being the IT hub, Gurugram saw an increase in population and per capita income, which then created a huge demand for housing. The government then announced the Dwarka Expressway and envisioned it as a speedy alternate link to Delhi from Gurugram and also as a parallel residential hub to house the burgeoning population. The expressway was initially planned to be 18 km long and the new sectors that opened up from this development garnered huge investor interest in 2011-2012, resulting in escalating property prices along this corridor. This ripple effect of speculative demand caused residential prices in the area to grow at a steep 13% compounded annual growth rate (CAGR) in 2010-2012, even without the road being complete.

The project not only suffered from delay on completion, but overall slow economic pace and the defaults by some developers which put buyers on the backfoot. Approximately 35 projects launched along the expressway are on hold even after



being sold. The situation is such that today more than one lakh units are in abeyance in a limbo on the Dwarka Expressway due to lack of smooth connectivity and sparing buyer confidence on the developers. The repeated missed deadlines have not only tarred the image of the expressway but had also made it a risky proposition for investment or end use.

Insights suggest that approximately 40–50% of the inventory on the expressway lies with investors who have invested in projects along the

expressway in 2011–2012 and are now desperately trying to exit but are not getting buyers due to the current slow market and incomplete expressway. Only ready-to-move-in projects in sectors close to the NH-48 towards Gurugram, popularly referred to as New Gurugram, are garnering some interest from buyers on account of the social and physical infrastructure taking shape. Though the project take-up by NHAI has been seen as a welcome step, it is only the completion of the Dwarka Expressway that will infuse life into the realty along the area.

### *To summarise*

The Dwarka Expressway is one example where the two most important stakeholders; government and developers have let down the buyers. So, it becomes only fair that if we are streamlining the developers through policy initiatives like the Real Estate (Regulation and Development) Act, 2016 for not keeping their promises, the government must also show accountability and take responsibility for the completion of the expressway that is the backbone around which the residential projects were planned. The revised deadline of 2021 is keenly awaited by homebuyers and developers alike for the realisation of their assets.

# Reinstating Dominance

## – Upcoming Prime Business District in Delhi

– by Ankita Sood

The National Capital Region (NCR) of Delhi is spread over 43,374 sq km, making it one of the largest urban agglomerations in the world. It was initially conceived under the first Master Plan for Delhi in 1962 and was conceptualised with the foremost objective of creating a metropolitan area around Delhi, to ease the pressure on the national capital. NCR consists of the entire National Capital Territory (NCT) of Delhi, as well as select urban areas from the neighbouring states of Haryana, Rajasthan and Uttar Pradesh (UP). Due to this lateral development, peripheral areas such as Gurgaon, Noida and Greater Noida emerged as the major sub-regions of NCR.

The growth of the NCR region led to the growth of the service industry, and the region witnessed huge immigration from neighbouring states. This growth is evident from the steep 3.6% annual rise in population during the decade 2001–2011, which pegs the total population at 52.60 mn, of which 59% is urban. The prominence of the main urban centres can be derived from the fact that of the total 31 mn urban population of NCR, 74% is constituted by urban centres, namely the NCT of Delhi, Gurugram, Faridabad, Ghaziabad and Gautam Budh Nagar (Noida and Greater Noida).

The NCT of Delhi forms the core of NCR and accounts for 53% of its urban population. With an area of

1,483 sq km, Delhi is the political seat of the country and houses many institutional and administrative setups. Being landlocked, Delhi has little scope for expansion, and so, barring a few scattered developments undertaken by private developers, most of Delhi has either grown organically around the old city or its arterial roads, or has been developed by the Delhi Development Authority (DDA).

It is this constraint of expansion that soon led to Delhi seeing the emergence of peripheral towns, such as Gurugram, Noida, Greater Noida, Ghaziabad and Faridabad, which came up as decentralisation nodes for economic activities and as residential alternatives to the growing population base. This lateral expansion into the nearby areas opened up new land parcels for development, and slowly Delhi lost its sheen of being the location of choice for prime office.

Today, the Delhi office market is predominantly dominated by the Banking, Financial services and Insurance (BFSI) sector and Connaught Place forms the city's prime office zone, which is also called its central business district (CBD). The CBD of Delhi comprises old Grade B buildings which are mostly strata sold with steep rentals to the tune of INR 2,691–INR 3,767 per sq m per month (INR 250–INR 350 per sq ft per month). As it lies in the heart of the Delhi NCR's office market, CBD

Delhi's Connaught Place is ranked the fourth most expensive office market in the Asia Pacific region.

Since there is limited scope of growth potential for the office market in the CBD area, the office market of Delhi, over the years, has laterally expanded into brownfield Grade B areas such as Mohan Cooperative Industrial Estate, Jasola, Nehru Place and pockets of Vasant Kunj, which today forms the secondary business district (SBD) of Delhi.

Once the most prime office market, Delhi lost its sway with the occupiers looking for new-age buildings with facilities and amenities, and even with lateral expansion to new office locations, Delhi has been at a disadvantage to its neighbour Gurugram which boasts of quality office spaces only a few kilometres from the CBD. Due to the lack of good quality office space, the share of CBD and SBD Delhi remains in single digits in the total transaction pie of NCR.

However, things have started to look up for the prime office market of Delhi with the newly planned office spaces of Aerocity, that will reinstate Delhi's dominance in the NCR office market. Occupiers are eagerly waiting for these upcoming office spaces, which is evident from the fact that the prime office space in Aerocity is running at less than 5% vacancy.



## *Delhi Aerocity*

The influence zone around the Indira Gandhi International Airport in Delhi is developed on the aerocity concept and forms a part of Delhi's SBD office market. The development boasts of its nearness to the airport and other retail and hospitality formats available in the area that has poised it to match some of the international airport cities in the world. The concept of aerocity is gaining considerable traction across the world for becoming commercial hubs for the cities.

Developed by Delhi International Airport Limited (DIAL), a joint venture between GMR Group (54%), Airports Authority of India (26%), and Fraport AG and Eraman Malaysia (10% each), the Delhi aero city is envisaged as a safe, smart and sustainable commercial district with world-class infrastructure and commercial, retail and hospitality zones.

The 43-acre development comprises the 'Hospitality District' in phase 1, which is a fully operational zone with 12 hotels (3,800 keys) and approximately 0.185 mn sq m (2 mn sq ft) of quality office space. The dearth of quality office space in Delhi and near the airport has put an upward pressure on rentals on the limited office stock in Aerocity with

the quoted rental to the tune of INR 2,422 per sq m per month (INR 225 per sq ft per month), which is a close second to CBD Delhi's rental range.

Adding to the existing portfolio for office and retail space in the area, the GMR-led Delhi International Airport Pvt Ltd (DIAL), in March 2019, has initiated the development of phase 2 of Aerocity, with approximately 0.9 mn sq m (9.7 mn sq ft) of mixed-use development by awarding the development rights to a consortium of Bharti Realty. The much-awaited Aerocity expansion will be developed under the "Gateway and Downtown district" concept, along with a 0.19 mn sq m (2.1 mn sq ft) mega retail zone.

### *To summarise*

It is safe to say that over the coming five to seven years, Aerocity will emerge as an attractive office space option for occupiers looking to establish their presence in Delhi NCR. Proximity to the airport and seamless connectivity to Delhi and Gurugram via high-speed roadways, as well as the metro, along with the upcoming development of the area as a retail and food and beverage destination, will enhance the overall commercial appeal of the area.

---

*The much-awaited Aerocity expansion in SBD Delhi will be developed under the "Gateway and Downtown district" concept, along with a 0.19 mn sq m (2.1 mn sq ft) mega retail zone.*

---



Pune

# Residential Market

## Pune Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
Launches (housing units)	32,684	157%	14,100	21,396	52%
Sales (housing units)	33,521	-1%	16,451	17,364	6%
Price (weighted average)	47,068/sq m (4,373/sq ft)	-3%	48,007 (4,460)	46,327 (4,304)	-4%
Unsold inventory (housing units)	27,618	-3%	27,448	31,650	15%
Quarters-to-sell	3.3	-	3.3	3.8	-
Age of unsold inventory (in quarters)	10.8	-	12.3	12.9	-

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

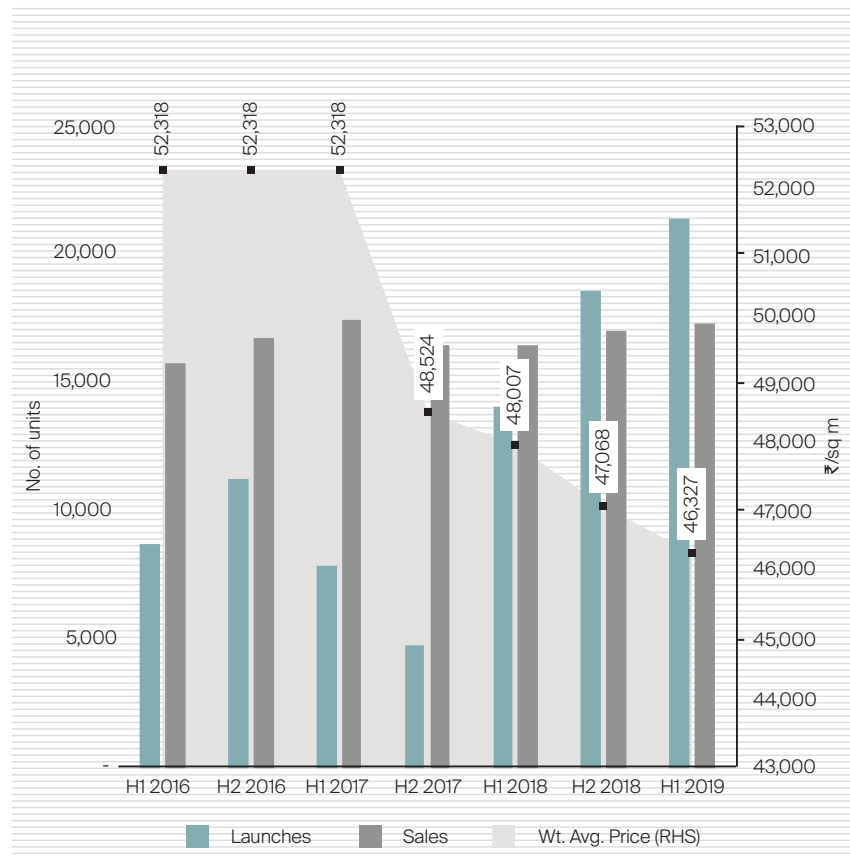
# 6%

YoY growth in sales in H1 2019

- In 2018, Pune had witnessed strong growth in new launches which came on a low base of 2017. The trend of growth in launches continued, however, the growth of launches tapered down from 157% in 2018 to 52% in H1 2019. Developers are trying to launch new projects in order to rightsize their apartments by shrinking the unit sizes, thus bringing down the overall ticket size.
- Affordability of apartments has been a cause of concern for buyers across the major cities of India, and Pune is no different. As the residential market performance has been weak over the past few years, there has been a special focus by developers to make the purchase less strenuous on buyers. Apart from reducing prices, developers are constructing compact homes to mitigate the impact of high prices. These compact homes are smaller in size compared to a similar configuration apartment launched few years ago and thus, the overall ticket size or final price of the apartment is lower. 94% of the launches during H1 2019 were in the affordable sub-INR 7.5 million segment.
- During H1 2019, sales in Pune grew marginally by 6% year-on-year (YoY) at 17,364 units driven by price cuts and sales of compact and occupation certificate (OC)-ready homes. While developers have cut prices, buyers are still finding the existing prices to be high. Moreover, sales growth in H1 2019 was curtailed by two major events, the announcement of rationalisation in the Goods and

*Developers are launching new projects in order to rightsize their apartments by shrinking the unit sizes, thus bringing down the overall ticket size. 94% of the launches during H1 2019 were in the affordable sub-INR 7.5 million segment.*

### Pune Market Activity



Source: Knight Frank Research

Services Tax (GST) rates in the budget and the national elections.

- In the interim budget of February 2019, it was announced that GST on real estate would be rationalised. Thus, buyers slowed down their decision making. Even developers were awaiting clarity on the status of input tax credit, which was clarified only in the month of March. During that period, developers tried to assure buyers that any cut in GST rates would be reflected in their apartment cost, however homebuyers were sceptical.
- After getting clarity on GST rates in March, in the months of April and May, homebuyers were again hesitant to commit to purchase real estate, as they were uncertain about the outcome of impending elections. Not just real estate, the impact of elections uncertainty was visible in the sales slowdown in other sectors as well.
- The markets in the west region of Pune have witnessed the highest growth in sales at 15% YoY during H1 2019, followed by the northern markets which witnessed sales growth of 7% in H1 2019. The western residential markets of Pune are gaining traction due to new office space supply and occupiers taking up space in those regions. The rise in number of office occupiers is driving up demand for residential real estate in that area as employees prefer to purchase homes closer to office. The northern markets have witnessed the addition of a large amount of supply coming particularly in the affordable segments which is driving sales in

these markets.

- In the erstwhile GST regime of 12% on under-construction apartments, buyers clearly wanted to avoid the incidence of tax and preferred to wait for the project to receive OC. Now that the GST rates have been rationalised to 5%, the tax on under constructions is similar to the pre-GST era where aversion to under constructions due to tax impact was lower.
- Only for on-going projects, the government had given the option to developers to adopt the old GST regime of 12% on under-construction apartments with Input Tax Credit (ITC) or shift to the new regime of 5% GST without ITC. Most developers have opted to retain the old GST rates of 12% with ITC, however, they are passing on the benefit of Input Tax Credit (ITC) to new homebuyers and charging net 5% GST. This rationalisation of GST rates should help developers bring some segment of homebuyers back to under-construction apartments.
- The apartment prices in the Pune market continue to decline. Weighted average prices for Pune was down 4% YoY during H1 2019. Apart from reduction in base prices, several freebies such as: block prices for the entire flat irrespective of floor, which also includes maintenance and clubhouse charges, various subvention plans, free appliances, assured two-year rentals, GST waivers and a host of other indirect discounts continue to remain in the market. Pre-EMI schemes are in vogue and are

■ ■

*Apart from reduction in base prices, several freebies such as: block prices for the entire flat irrespective of floor, which also includes maintenance and clubhouse charges, various subvention plans, free appliances, assured two-year rentals, GST waivers and a host of other indirect discounts continue to remain in the market.*

■ ■

being used to lure homebuyers to make a site visit.

- The actual discount offered and reduction in prices in the market would be higher, as when the buyer sits at the table for negotiation, the developer is more than happy to negotiate on the pricing to ensure that the deal is closed.
- Unsold inventory levels in the Pune market were steady and inched up marginally to 31,650 units as launches have been higher than sales in this period.
- The quarters-to-sell (QTS) for the Pune market was 3.8 quarters in H1 2019, higher than QTS of 3.3 quarters during H1 2018. However, a QTS of 3.8 should not be interpreted as a sign of a healthy market. The Pune residential market has arrived at this QTS number on account of significant contraction in launches over the past few years. The launches have constantly lagged the sales since H2 2014 till H1 2018. This led to decline in QTS. If we look at the

QTS in conjunction with the age of inventory of 12.9 quarters, then the sum of the age of inventory and QTS results in 16.7 quarters or over four years. This implies that the existing unsold inventory has been languishing in the market for more than three and half years and it will take over nine months to sell.

- While new launches are back in the Pune market, the spurt in launches has not translated into a significant growth in sales yet. Buyers are still in the 'wait-and-watch' mode and are waiting for prices to come down further. Several sales support measures offered during the period along with reduction in apartment prices and sale of compact homes have supported the current level of sales.
- In the Pune residential market, the banks still command a lion's share of home loans and hence, the on-going Non-Banking Financial Companies (NBFCs) crisis has not had any significant impact on sales. However, at the developer

level, it has had an impact, the magnitude is severe on the smaller developers. Cost of funds from NBFCs have gone up for developers to the tune of 180–250 bps and the disbursements have been slow. Smaller developers were already having a tough time managing their cash flows post implementation of the Real Estate (Regulation and Development) Act, 2016 (RERA), the NBFC crisis has exacerbated the problem for them. On the contrary, this crisis has been a boon for cash rich and large developers; they are finding many opportunities to take over stuck projects at attractive prices.

### *Micro-Market Classification*

Micro market	Locations
Central	Koregaon Park, Boat Club Road, Erandwane, Deccan, Kothrud, Model Colony
East	Viman Nagar, Kharadi, Wagholi, Hadapsar, Dhanori
West	Aundh, Baner, Wakad, Hinjewadi, Bavdhan, Pashan
North	Pimpri, Chinchwad, Moshi, Chikhali, Chakan, Talegaon
South	Kondhwa, Ambegaon, Undri, Dhayari, Warje, Sinhgad Road

Source: Knight Frank Research

---

*The actual discount offered and reduction in prices in the market would be higher than that reported, when the buyer sits at the table for negotiation, the developer is more than happy to negotiate on the pricing to ensure that the deal is closed.*

---

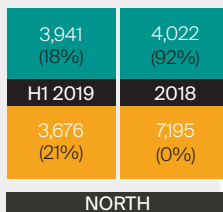
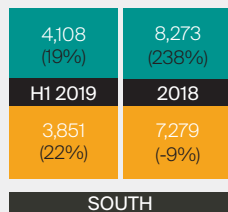
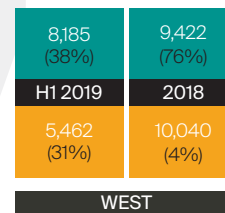
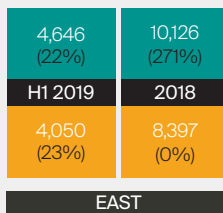
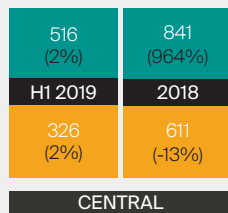
**4%**

*Reduction in weighted average prices in Pune in H1 2019*

## Residential Launches and Sales

■ Launches (housing units)  
■ Sales (housing units)

■ % change (YoY)

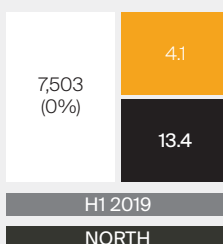
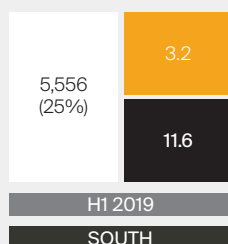
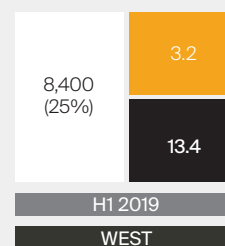
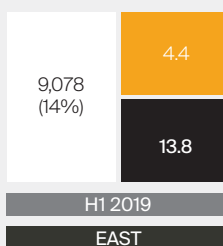
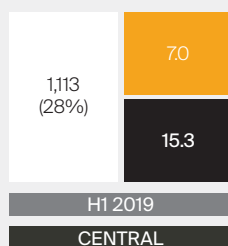


Source: Knight Frank Research

## Residential Unsold Inventory

■ Unsold inventory (housing units) (YoY Change)  
■ QTS (in Quarters)

■ Age of inventory (in quarters)



Source: Knight Frank Research

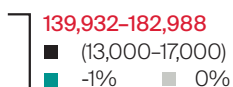


# Residential Pricing

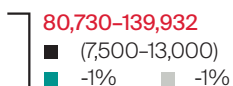
■ Price Range in H1 2019 in ₹/sq m     ■ 12 Month Change  
■ Price Range in H1 2019 in ₹/sq ft     ■ 6 Month Change

## CENTRAL

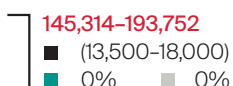
### KOREGAON PARK



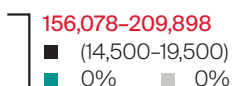
### KOTHRUD



### ERANDWANE

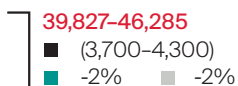


### BOAT CLUB ROAD



## NORTH

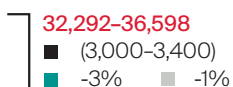
### MOSHI



### CHIKHALI

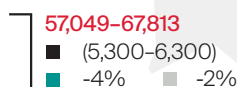


### CHAKAN

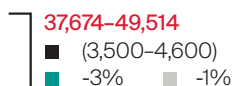


## EAST

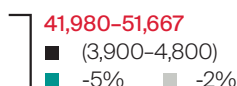
### KHARADI



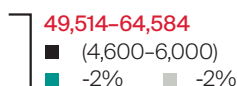
### WAGHOLI



### DHANORI

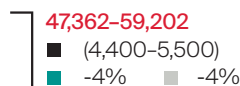


### HADAPSAR

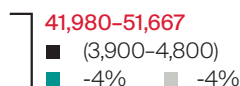


## SOUTH

### AMBEGAON



### UNDRI

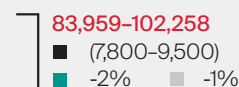


### KONDHWA

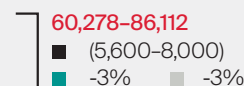


## WEST

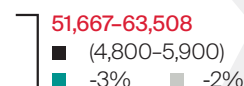
### AUNDH



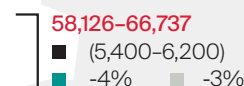
### BANER



### HINJEWADI



### WAKAD



# Office Market

## Pune Market Snapshot

Parameter	2018	Change YoY	H1 2018	H1 2019	Change YoY
New completions mn sq m (mn sq ft)	0.64 (6.9)	229%	0.25 (2.67)	0.14 (1.50)	-44%
Transactions mn sq m (mn sq ft)	0.61 (6.6)	46%	0.36 (3.9)	0.35 (3.8)	-1%
Weighted average rental ₹/sq m/month (₹/sq ft/month)	763 (71)	13%	707 (66)	777 (72)	10%
Stock mn sq m (mn sq ft)	6.4 (69.0)	-	6.0 (64.7)	6.5 (70.5)	-
Vacancy (%)	5.7%	-	7.5%	5.2%	-

Note: 1 square metre (sq m) = 10.764 square feet (sq ft)

Source: Knight Frank Research

**3.8** mn sq ft

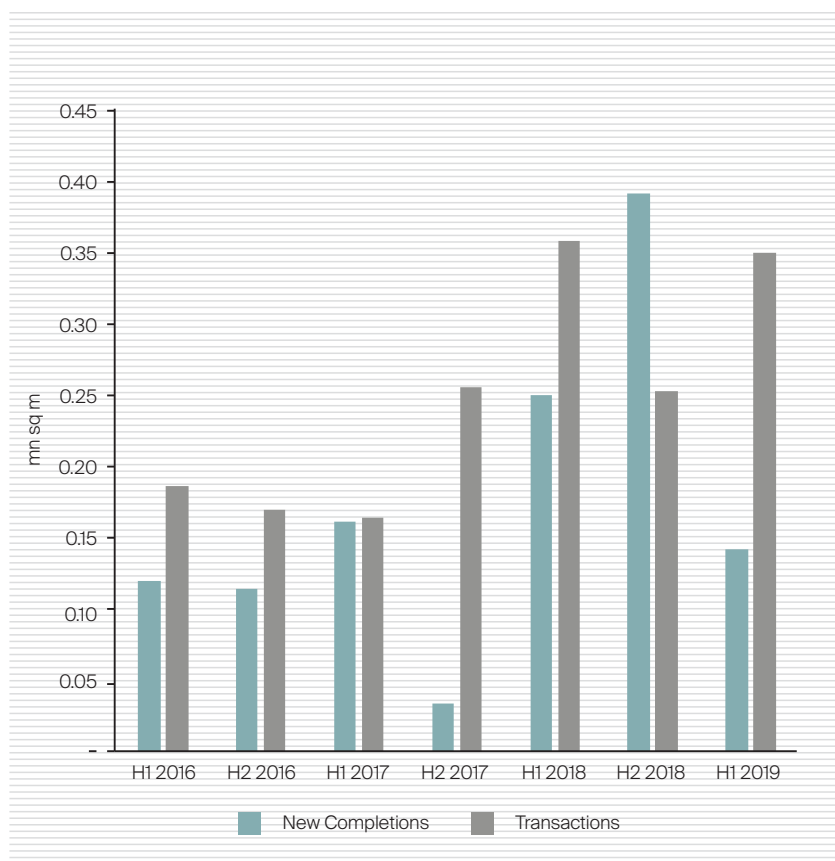
Transactions in H1 2019

- The Pune office market has been reeling under an acute supply crunch over the past three years, as supply was not keeping up with the demand. This crunch continued in H1 2019 with the office supply lagging the transaction activity by a huge margin. The city witnessed the addition of just 0.14 mn sq m or 1.5 mn sq ft of new supply during H1 2019. Such acute supply crunch is forcing occupiers to enter into pre-commitments or scout for built-to-suit (BTS) options.

- The transactions activity in Pune continues to remain robust, with the city witnessing transaction of 0.35 mn sq m (3.8 mn sq ft), which was marginally lower by 1% year-on-year (YoY). Around 0.07 mn sq m or 0.8 mn sq ft of the transactions were pre-commitments. With demand estimated to remain buoyant and the supply remaining a concern, the trend of occupiers entering into pre-commitments is likely to continue in the near future.

- On account of addition of transactions outpacing the addition of new office space, the overall city level vacancy came down from 5.7% in H1 2018 to 5.2% in H1 2019.
- The information technology / information technology enabled services (IT/ITeS) sector has been the largest driver of office space in Pune. H1 2019 saw the IT/ITeS sector take up 0.19 mn sq m (2.1

### Pune Market Activity



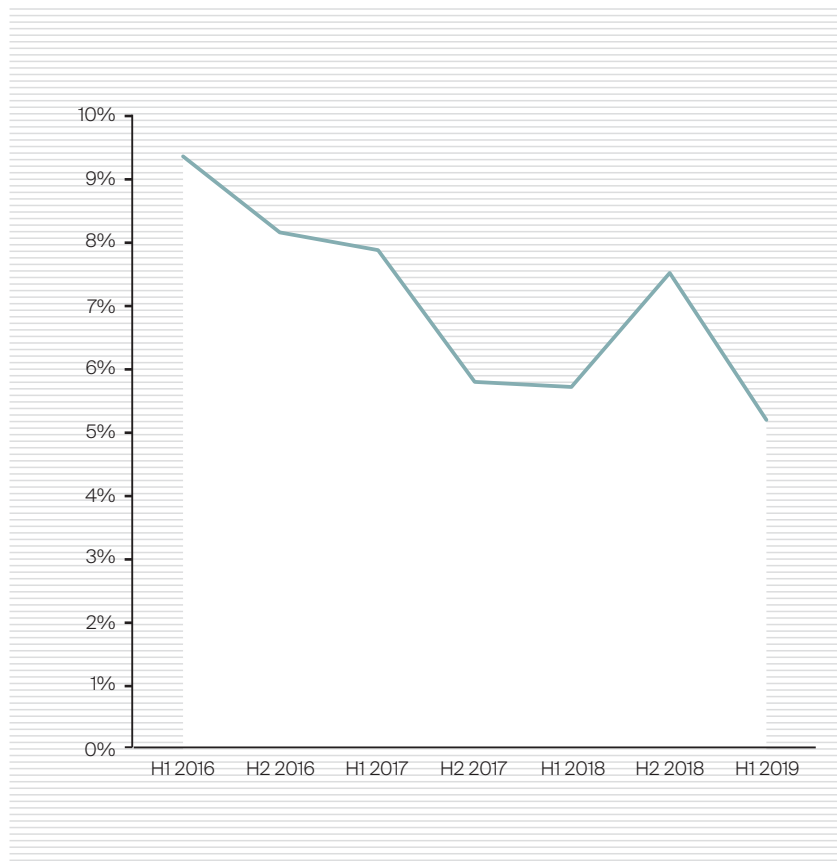
Source: Knight Frank Research

*Around 0.07 mn sq m or 0.8 mn sq ft of the transactions in H1 2019 were pre-commitments. With demand estimated to remain buoyant and supply remaining a concern, the trend of occupiers entering into pre-commitments is likely to continue in the near future.*

mn sq ft), which translates to 55% share of the total space transacted during H1 2019, a significant jump from the 30% share recorded during H1 2018. The Other Services sector which includes e-commerce, consulting, co-working, media, etc. had the second highest share of the space transacted during H1 2019, garnering 22% share of transactions during H1 2019.

- Over the past few years, co-working operators have been actively taking up office space in Pune. In H1 2019, co-working operators transacted around 0.04 mn sq m or 0.4 mn sq ft of office space, which translates into 44% of the space transacted by the Other Services sector.
- The sustained decline in vacancy levels over the past few years coupled with a robust interest by occupiers looking to consolidate or expand their real estate footprint within the city and a significant volume of pre-commitment deals, has led to a strong rental growth at 10% YoY in H1 2019. Weighted average rentals now stand at INR 777 sq m/month (INR 72/sq ft/month) for the Pune office market.
- The office markets of the secondary business district (SBD) East, peripheral business district (PBD) East and SBD West continued to witness strong double-digit growth in rentals, with rents in these markets growing at 12% YoY, 14% YoY and 11% YoY, respectively. The acute shortage of space coupled with the presence of Grade-A

### Pune Market Vacancy



Source: Knight Frank Research

buildings by some of the top developers of the city and preference of occupiers to take up space in these buildings, has contributed to such strong growth in rentals in these markets. Further, SBD East and some markets in PBD East are slowly emerging as preferred destinations for Banking, Financial services and Insurance (BFSI) occupiers; hence, the rents in these business districts are higher than the rents prevailing in typical IT business districts.

- Occupiers continued to consolidate their operations by moving into larger space. The

average deal size increased from 4,166 sq m or 44,843 sq ft per deal to 5,043 sq m or 54,286 sq ft per deal.

- Office space supply is not steady and generally hits the market in huge volumes. However, over the next 2-3 years, Pune is expected to add a significant amount of new office space supply, particularly in the eastern and western business districts. This will help the transaction activity in the city grow, but such huge incoming supply would act as headwinds to the strong rental growth we have been witnessing over the past few years.

## *Business District Classification*

Business district	Micro markets
CBD and off CBD	Bund Garden Road, S B Road, Camp, Deccan, University Road, Shankar Sheth Road
SBD East	Kalyani Nagar, Yerwada, Nagar Road, Hadapsar
PBD East	Kharadi, Phursungi, Wanowrie
SBD West	Wakdewadi, Aundh, Baner, Kothrud, Balewadi
PBD West	Hinjewadi, Bavdhan, Wakad

Source: Knight Frank Research

## *Sector-Wise Split of Transactions*

Industry	H1 2018	H1 2019
BFSI	40%	12%
IT/ITeS	30%	55%
Manufacturing	11%	11%
Other Services	19%	22%

Note: BFSI includes BFSI support services; Other Services includes co-working, media, telecom, etc.

Source: Knight Frank Research

## *Average Deal Size and Number of Deals*

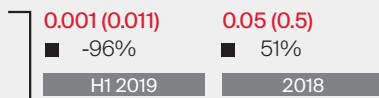
	H1 2018	H1 2019
Average deal size in sq m (sq ft)	4,166 (44,843)	5,043 (54,286)
Number of deals	86	70

Source: Knight Frank Research

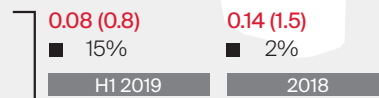
# Office Transactions

■ Transactions mn sq m (mn sq ft)  
 ■ % Change (YoY)

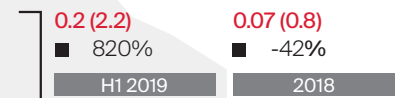
## CBD



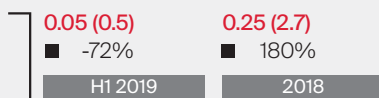
## SBD EAST



## SBD WEST



## PBD EAST



## PBD WEST

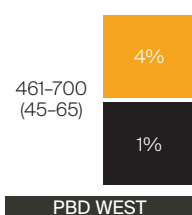
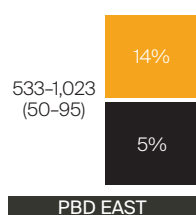
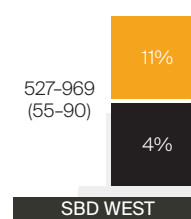
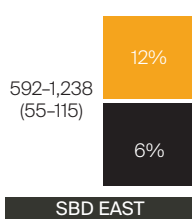
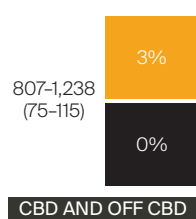


Source: Knight Frank Research

# Office Rental

□ Rental value range in H1 2019 in ₹/sq m/month (₹/sq ft/month)

■ 12 month change    ■ 6 month change



Source: Knight Frank Research

## Upcoming infrastructure in the Pune Metropolitan Region

Project name	Project scale	Observations	Current status
Pune Metro Line 1 (Pimpri Chinchwad Municipal Corporation–Swargate)	16.6 Km	<p>The 16.59-km line will be elevated till Range Hills having nine stations on route and will have five stations underground up to Swargate.</p> <p>Work has commenced on this line. It will ease connectivity between Pimpri-Chinchwad and Pune city.</p> <p>This metro line passes mainly through residential catchments, rather than connecting the residential catchments to major office markets.</p>	Estimated to be completed by 2021.
Pune Metro Line 2 (Vanaz–Ramwadi)	14.7 Km	<p>Work has commenced on this line. This metro line would boost the east-west connectivity in the city and provide better connectivity from the western parts of the city to the airport.</p>	Estimated to be completed by 2021.
Pune Metro Line 3 (Hinjewadi–Shivajinagar)	23.3 Km	<p>The project would be undertaken under the PPP model by TRIL-SIEMENS JV. It will connect Central Pune and other metro lines to office markets in the western regions of Pune and Hinjewadi.</p>	NA



Pune Ring Road	128 Km	The purpose of the ring road is to divert the traffic passing from outside Pune towards other cities, without letting them enter the city. Pune Ring Road will cover 29 villages around Pune city. The Ring Road will also connect the following highways: Pune–Nashik, Mumbai–Pune–Solapur, Pune–Ahmednagar and Pune–Satara.	NA
Bus Rapid Transport System (BRTS)	113 Km	<p>The project is implemented under the JNURM in the PCMC region and the PMC region. Despite the project being implemented since 2006, it has not yet been completed.</p> <p>Pune is the second city of India to experiment with a dedicated bus rapid transit system.</p> <p>At present, there are four operational routes: Aundh–Ravet, Sangamwadi–Vishrantwadi, Nashik Phata–Wakad and Yerwada–Wagholi.</p>	NA

*Abbreviations:*

<i>PPP</i>	<i>Public-private partnership</i>
<i>JV</i>	<i>Joint venture</i>
<i>JNURM</i>	<i>Jawaharlal Nehru National Urban Renewal Mission</i>
<i>PCMC</i>	<i>Pimpri-Chinchwad Municipal Corporation</i>
<i>PMC</i>	<i>Pune Municipal Corporation</i>

## *Evolution of co-working in Pune: From few floors to entire building* – by Nibodh Shetty

'Co-working' is no longer an alien word to masses anymore. Co-working centres are becoming pervasive in almost all the major office markets of the country and even occupiers are no longer averse to exploring co-working options.

Most of the co-working centres across prime business districts of India are enjoying high level of occupancy. In Pune, the co-working scenario is similar to the rest of the country.

Co-working operators in Pune are thriving and trying their best to expand their footprint. However, the supply crunch is hindering their growth. Co-working as a concept in Pune started witnessing traction in the 2016–17 period, at the same time when the operators started expanding aggressively in other cities. In Pune, space taken up by co-working operators form a significant share of transactions. 44% of the space transacted by the Other Services sector in H1 2019 was by co-working operators.

Initially, co-working operators were leasing a single floor or few floors within an office building, but things have changed now. With the existing co-working centres witnessing strong demand, co-working operators are now looking to lease entire buildings. In case of co-working operators leasing a single floor or few floors, the operators were not be able to improve the overall experience of its occupiers. But by taking entire buildings on lease, instead of a floor or few floors, co-working operators can re-design the buildings, amenity

spaces and maintain its support infrastructure to ensure a completely different experience. They can get involved in the facility management, change the interiors, redesign the work spaces and change the look, feel and ambience of the space.

The above trend is also reflected in the average deal size of co-working operators over the past few years. If we refer to the table, the average size of transactions by co-working operators has more than doubled from 36,972 sq ft in 2017 to 75,000 sq ft in H1 2019.

Average deal size	2017	H1 2019
In sq m (sq ft)	3,435 (36,972)	6,968 (75,000)

*Source: Knight Frank Research*

The supply crunch in Pune and low vacancy levels is now forcing co-working operators also to enter into pre-commitments. In H1 2019, the city also witnessed few pre-commitments

by co-working operators in which they have taken the entire building on lease and this trend is likely to continue.

**ABOUT KNIGHT FRANK**

# Locally Expert. Globally Connected.

*Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 18,170 people operating from 523 offices across 60 markets. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants.*

*In India, Knight Frank is headquartered in Mumbai and has more than 1,000 experts across Bengaluru, Delhi, Pune, Hyderabad, Chennai, Kolkata and Ahmedabad. Backed by strong research and analytics, our experts offer a comprehensive range of real estate services across advisory, valuation and consulting, transactions (residential, commercial, retail, hospitality, land & capital), facilities management and project management.*

*For more information, visit [www.knightfrank.co.in](http://www.knightfrank.co.in)*

## Advisory

Supported by research and information experts, our consultants work with government authorities, infrastructure companies, developers, landlords, investors and occupiers to help them make the best use of their property.

We offer the following services to developers, government projects, PE funds and industrial development corporations:

- Valuation
- Development consultancy
- Strategic consultancy
- Government and infrastructure

## Capital Market

Our experts evaluate and structure investments on behalf of high-net-worth individuals, leading institutions, developers and private equity funds. We provide acquisition and divestment services for all asset classes such as commercial, residential, hospitality, retail, and industrial entities.

We offer the following services to fund houses, developers, corporates and developers:

- Fundraising
- Land transactions
- Core Asset Sale

## Office

Our team assists and advises tenants and landlords / property owners on leasing, acquisition or disposition of property. We assist corporates on location selection, sourcing, financial analysis, structuring transactions, due diligence and negotiations. For landlords, we source tenants, market the project, structure the transaction and manage all the documentation.

We offer the following services to corporate, landlords and investors:

- Space Acquisition / Disposal
- Workspace Consulting
- Lease Administration
- Renegotiations / Re-gear
- Renewal Management
- Commercial Space / Project Marketing

## Industrial and Asset Services

Our industrial team helps our clients with location analysis, site selection, securing an industrial plot and working with government agencies for approvals and documentation.

We offer the following services to industrial parks, investors, 3 PL companies, landlords and corporates:

- Industrial land acquisition
- Warehousing
- Industrial asset disposal
- Industrial investment opportunities
- Built-to-suit facilities

## Retail

With a thorough knowledge of current market rentals and leasing trends, our team works with clients to build an entry strategy based on the brand's requirements, conducts location analysis and negotiates the best deal. From national chains to institutions and retailers of international luxury goods, our clients receive the widest range of transactional services for acquisition or disposition of property.

We offer the following services to retailers, high streets, developers and schools:

- Advisory
- Business Development
- Landlord Representation for Mall Owners

## Residential

Our residential team specialises in new homes, resale, leasing and international properties. Working with corporates, MNCs and high-net-worth individuals, we offer comprehensive services to the buyers, sellers, tenants and landlords.

We offer the following services to corporates, investors and individual buyers.

- Primary Sale
- Resale
- Leasing
- International Property
- Second Homes

## Facilities & Asset Management

We understand the complex requirements of facilities management and offer customised solutions backed with international best practices to help our clients maximise operational efficiencies at optimum costs. We lay strong emphasis on sustainability measures while ensuring superior service delivery, quality and safe working environments.

We offer the following services to corporates, developers, commercial property owners, residential and retail properties:

- Consultancy
- Facilities Management
- Asset Management

## Project Management

Our team of qualified architects, engineers and construction professionals help clients with technical due diligence, audit management, programme management and construction management services. Our Engineering, Procurement & Construction (EPC) model provides a one-stop shop for all services from start to close-out.

We offer the following services to corporates, developers, commercial property owners, residential developments and retail enterprises:

- Project Management
- EPC – Design & Build
- Other Services

### Report Authors

Vivek Rathi  
Director - Research

Pankaj Anup Toppo  
Vice President - Research

Yashwin Bangera  
Vice President - Research

Divya Grover  
Assistant Vice President - Research

Ankita Sood  
Lead Consultant - Research

Nibodh Shetty  
Consultant - Research

Pradnya Nerkar  
Associate Consultant - Research

Aishwarya Lalchandani  
Associate - Research

### Copy Editor

Deborah Herbert  
Copy Editor - Advisory Services

### Design & Graphics

Nitin More  
Senior Manager - Design and Graphics

### Key Contacts

#### ADVISORY, RETAIL & HOSPITALITY

Gulam Zia  
Executive Director  
gulam.zia@in.knightfrank.com

Rajeev Vijay  
Executive Director - Advisory  
rajeev.vijay@in.knightfrank.com

Saurabh Mehrotra  
National Director - Advisory  
saurabh.mehrotra@in.knightfrank.com

#### CAPITAL MARKETS

Tushar Rane  
Executive Director  
tushar.rane@in.knightfrank.com

Sharad Agrawal  
Executive Director  
sharad.agrawal@in.knightfrank.com

#### FACILITY MANAGEMENT

Ram Devagiri  
Executive Director & Head  
ram.devagiri@in.knightfrank.com

#### INDUSTRIAL & ASSET SERVICES

Balbirsingh Khalsa  
National Director  
balbirsingh.khalsa@in.knightfrank.com

Pinkesh Teckwani  
National Director  
pinkesh.teckwani@in.knightfrank.com

#### OFFICE AGENCY & LRG

Viral Desai  
National Director  
viral.desai@in.knightfrank.com

#### PROJECT MANAGEMENT

Deben Moza  
Executive Director  
deben.moza@in.knightfrank.com

#### RESEARCH

Gulam Zia  
Executive Director  
gulam.zia@in.knightfrank.com

#### RESIDENTIAL

Girish Shah  
Executive Director  
girish.shah@in.knightfrank.com

#### AHMEDABAD

Balbirsingh Khalsa  
Branch Director  
balbirsingh.khalsa@in.knightfrank.com

#### BENGALURU

Shantanu Mazumder  
Senior Branch Director  
shantanu.mazumder@in.knightfrank.com

#### CHENNAI

Joseph Thilak  
Director  
joseph.thilak@in.knightfrank.com

#### HYDERABAD

Samson Arthur  
Branch Director  
samson.arthur@in.knightfrank.com

#### KOLKATA

Swapan Dutta  
Branch Director  
swapan.dutta@in.knightfrank.com

#### NCR

Mudassir Zaidi  
Executive Director - North  
mudassir.zaidi@in.knightfrank.com

#### PUNE

Paramvir Singh Paul  
Branch Director  
paramvirsingh.paul@in.knightfrank.com





#### COMMERCIAL BRIEFING

For the latest news, views and analysis of the commercial property market, visit [knightfrankblog.com/commercial-briefing/](http://knightfrankblog.com/commercial-briefing/)

## RESEARCH

### Gulam Zia

Executive Director  
[gulam.zia@in.knightfrank.com](mailto:gulam.zia@in.knightfrank.com)

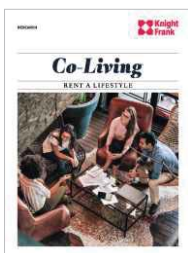
## PRESS OFFICE

### Girish Shah

Executive Director – Marketing & Corporate Communications  
[girish.shah@in.knightfrank.com](mailto:girish.shah@in.knightfrank.com)

Knight Frank India Research provides development and strategic advisory to a wide range of clients worldwide. We regularly produce detailed and informative research reports which provide valuable insights on the real estate market. Our strength lies in analysing existing trends and predicting future trends in the real estate sector from the data collected through market surveys and interactions with real estate agents, developers, funds and other stakeholders.

#### RECENT MARKET-LEADING RESEARCH PUBLICATIONS



CO-LIVING  
RENT A LIFESTYLE



INDIA REAL ESTATE  
JULY - DECEMBER  
2018



THE WEALTH  
REPORT  
2019



INDIA WAREHOUSING  
MARKET REPORT  
2019



#### © Knight Frank (India) Pvt. Ltd.

This report is published for general information only and not to be relied upon in anyway. Although high standards have been used in the preparation of the information analysis, views and projections presented in the report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank to the form and content within which it appears.