

# News Release

## ***Historic drop in quoted residence prices, first in a decade: Knight Frank India***

***~Co-working service providers whip-up e-commerce-styled demand~***

**Mumbai, January 10, 2018:** Knight Frank India today launched the eighth edition of its flagship half yearly report - **India Real Estate**. It presents a comprehensive analysis of the **residential and office market performance of MMR** for the period **July–December 2017 (H2 2017)**.

### **Residential Takeaways:**

- *Residential sales in H2 2017 were up by 19% YoY; better due to low base of demonetisation hit H2 2016. Sales volumes recorded 3% YoY growth in 2017*
- *Home launches in H2 2017 plummeted by 23% YoY and as developers' focus shifted towards completing existing projects. From an annual perspective 2017 saw 32% fewer launches YoY and new projects and same was down by staggering 83% from peak in 2010*
- *For the first time in this decade, Mumbai witnessed a decline in quoted prices. The weighted average prices were down 5% YoY in 2017*
- *Developers are offering bouquet of sops such as 24-month rent assurance, stamp duty waivers, no floor rise charges and waive off of other preferential location charge, etc. Collectively discounts add up to 11–12%*
- *Unsold inventory in 2017 came down by 25% YoY leading to a QTS (Quarters to Sell) of 7.6 quarters. However, the QTS number to 7.6 cannot be interpreted as a sign of a healthy market as they have come on back of reduction in launches rather than any major uptick in sales and also the age of inventory has progressively increased from 10.1 in 2014 to 15.6 in 2017*

### **MMR MARKET SNAPSHOT**

PARAMETER	H2 2017	Change YoY	2016	2017	Change YoY
Launches (housing units)	7,490	-23%	34,190	23,253	-32%
Sales (housing units)	30,179	19%	60,374	62,256	3%
Price (wt. avg.)	-	-	8,120	7,717	-5%
Unsold inventory (housing units)	-	-	154,967	115,964	-25%
Quarters to sell	-	-	10.1	7.6	-
Age of unsold inventory (in quarters)	-	-	13.2	15.6	-

Source: Knight Frank Research

### **Office Takeaways:**

- *New office space supply hit double digits for the first time since 2012, 76% higher YOY*
- *Vacancy levels see a marginal rise to 20.2% from 19.6% in 2017 on account of new completions*
- *Demand in peripheral markets pull up office leasing by 6% in 2017*
- *Co-working demand had a big role in the jump in transactions in H2 2017. This segment has been emerging as a new occupier category similar to the e-commerce wave of 2014–15 in Bengaluru*

## MMR MARKET SNAPSHOT

PARAMETER	H2 2017	Change YoY	2016	2017	Change YoY
New completions (Mn sq ft)	2.8	190%	5.9	10.4	76%
Transactions (Mn sq ft)	4.4	36%	7.1	7.5	6%
Weighted Average Rental (INR/sq ft/month)	-	-	121	115	-5%
Stock (Mn sq ft)	-	-	124	134	8%
Vacancy (%)	-	-	19.6%	20.2%	-

Source: Knight Frank Research

**Dr. Samantak Das, Chief Economist & National Director – Research** said, *“For the first time in this decade the Mumbai market has experienced a drop in residential prices. Unlike the conventional narrative developers cut down prices to offload their unsold inventory. The base price has come down by 5% which combined with other offers/discounts/freebies translates into an effective price benefit of 11-12% for buyers. This includes bouquet of incentives such as waivers on stamp duty, floor rise and assured rental schemes. In addition we have observed that the retail inflation has been growing higher than the city price which provides an additional benefit to buyers as far as house price is concerned. The trend stems from the periodic deterioration of the market’s health with launches coming to a grinding halt. In terms of sales the Mumbai market recorded 19% uptick in H2 2017 on account of low base of the demonetisation-hit same period last year, however overall sales volumes reflect a declining pattern.*

*The office market has witnessed newfound buoyancy with new completions recording double digit growth for the first time since 2012. While peripheral markets continued to attract occupiers, new-age businesses such as co-working space providers have fortified their presence.”*

### About Knight Frank

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