

RESIDENTIAL
RESEARCH



RESIDENTIAL TRACTION @ GLANCE

National Capital Region
April 2013

MARKET OVERVIEW

Nearly 33,500 residential units were launched in H2 FY13, showing a dip of almost 31% compared to H2 FY12. However, there was a 6% increase in project launches compared to H1 FY13.

NATIONAL CAPITAL REGION

The National Capital Region has seen plenty of alterations in its urban landscape over the last four decades. It is interesting to see this metamorphosis from one consolidated region to a number of smaller self-sustaining urban pockets. The first Master Plan of Delhi was prepared in 1958 emphasising on the requirement of planned development in the region. It was this plan that recommended a statutory body for the NCR and thus the National Capital Region Planning Board (NCRPB) was set up. It was during the late 1970s that the satellite towns of Noida, Ghaziabad and Gurgaon started to develop. The idea of setting up these satellite towns was to accommodate the growing population of Delhi. However, it was during the 1990s when these satellite towns started observing fast paced developments due to the economic opportunities. Each of these towns developed unique characteristics. Gurgaon and Noida evolved as important business districts, whereas Ghaziabad and Faridabad emerged as important industrial towns.

The commercial and industrial development led to an upsurge in the residential real estate demand in all these satellite towns. The unique characteristics of each of these towns also had a big role in defining their respective residential markets. While Gurgaon developed as a mid to high end segment residential market, Noida has a mix of residential launches ranging from the affordable to luxury segment. Both these markets have seen ample interest from investors coupled with the demand from end users. Ghaziabad and Faridabad are primarily

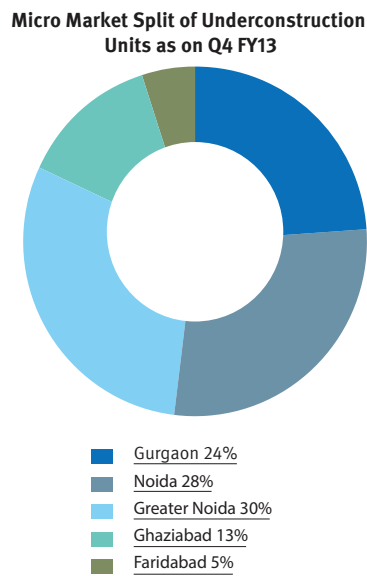
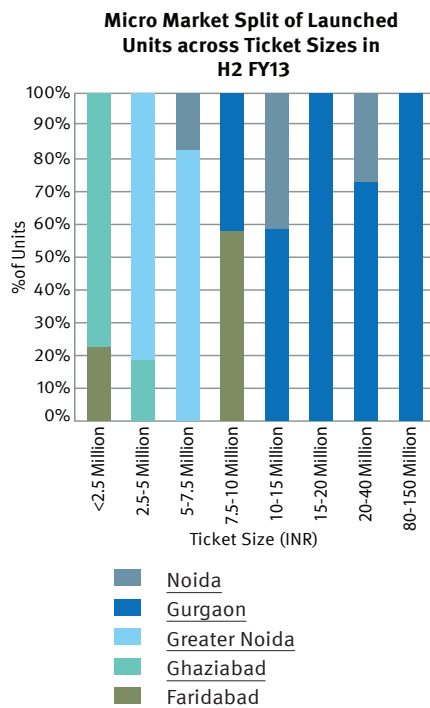
affordable to mid segment residential markets with demand driven by end users.

Gurgaon has evolved as a millennium city, other than being the industrial and financial centre of Haryana. It has become one of the most sought after IT/ITeS outsourcing hubs. Overall the residential development in Gurgaon comprises mid and luxury segment options. There are limited projects in the affordable range. Gurgaon's residential development is taking place in particular pockets. A major chunk of residential supply lies on the Northern Periphery Road (NPR), a stretch on the Dwarka Expressway. This area is known as New Gurgaon with residential land use as per the Gurgaon Master Plan 2021. The expressway is in close proximity to the commercial/industrial areas of Manesar. Most of the projects in this location are multi-storey and fall in the mid-segment category. Along with the NPR some other locations in Gurgaon that have seen major residential supply are Golf Course Extension and Sohna Road.

Noida also emerged as another outsourcing hub within the NCR. A number of IT/ITeS companies have set up their base here. It has also witnessed enough traction from the automobile ancillary industry. Most of the residential projects launched in this satellite town are in the mid segment housing. Locations like the Noida- Greater Noida expressway have seen tremendous growth in residential projects owing to high demand from the commercial and IT/ITeS developments in the vicinity.

Greater Noida was envisaged as a world class city with planned infrastructure. It is a planned industrial location, an educational hub and also an affordable housing option. Even though Greater Noida was primarily developed as an extension to Noida, it is fast

Nearly 5,20,000 residential units are under various stages of construction in the NCR market. Almost 50% of this is expected to be ready for possession by the end of 2014. Quite a number of projects that were launched in 2010 have seen execution delays pushing the completion dates to 2014 and early 2015.

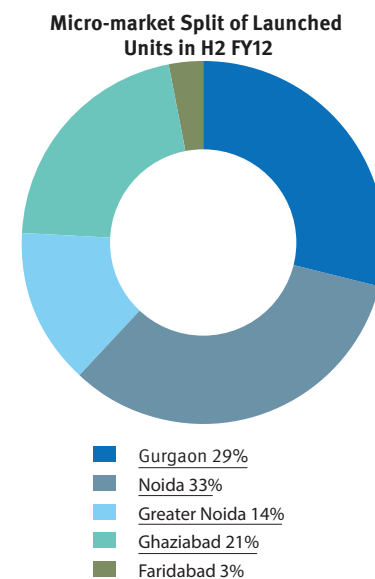
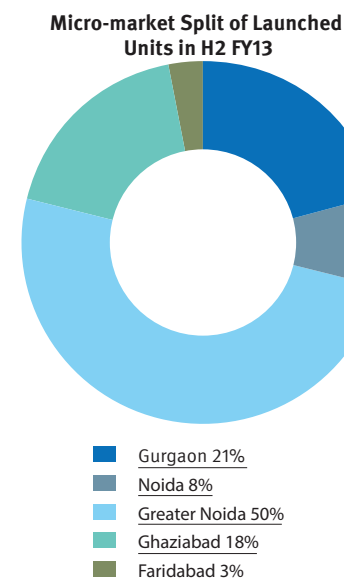


evolving as a self-sufficient market. Most of the residential options here are in the affordable segment, hence attracting a lot of buyers. Residential development has come up along the Yamuna Expressway and other locations like Sector Alpha, Gamma, Beta, Chi, Phi and Delta. The proposed metro line will further improve the connectivity of this location not only with Noida but also Delhi.

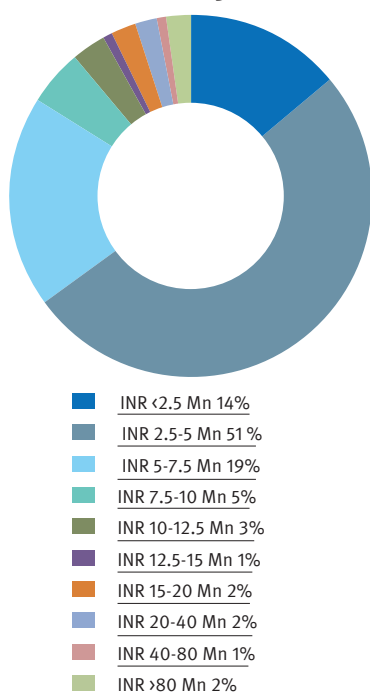
Both Faridabad and Ghaziabad are industrial towns with negligible commercial development. In Faridabad, locations like Old Faridabad road and residential sectors on NH-2 and Suraj Kund road have seen ample residential supply during the last few years. However, newer locations like Neharpur and Sectors 70-89 have also witnessed a number of residential project launches, ranging from affordable to mid segment. Similarly locations like Indirapuram, Sahibabad, Vaishali, Vasundhara, Raj Nagar Extension and NH-24 Crossing Republic in Ghaziabad have been the focus of residential development. Most of the projects are in the affordable and mid-segment.

Market Activity

Overall the NCR residential market remained subdued with sluggish demand and lower project launches. Nearly 33,500 residential units were launched in H2 FY13, showing a dip of almost 31% compared to H2 FY12. However, there was a 6% increase in project launches compared to H1 FY13. It is quite evident that developers have kept a check on new launches in view of the weak demand. The liquidity crunch faced by the developers is yet another reason for a slowdown in launches. Developers continue to cope with execution pressures as construction costs have risen, in turn requiring more funds to be diverted towards existing projects. Noida



Absorption by Ticket Size H2 FY13

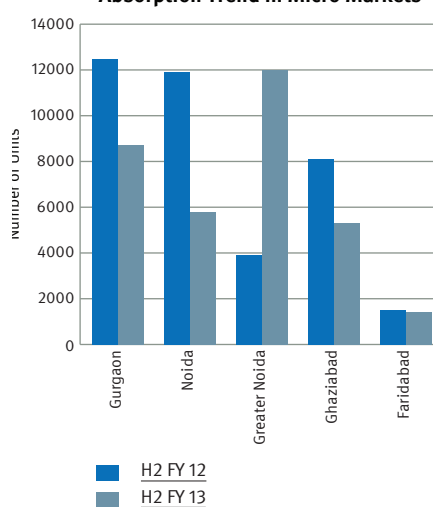


Source: Knight Frank Research

witnessed a steep dip in launches in H2 FY13 compared to H2 FY12. Greater Noida recorded a 40% increase in project launches over H2 FY12 clearly showing that the developers are concentrating on the affordable segment, which has seen far better traction compared to other product offerings in higher price range. Greater Noida witnessed the highest number of launches in H2 FY13 taking up about 50% of the total pie. Most of the project launches were in the price range of INR 2900-3500 per.sq.ft. Majority of the project launches in Greater Noida took place on the Yamuna Expressway, Tech Zone IV, Sector 16A and 16B. Amrapali Verona Heights, Gaur City II, Sun World City, VVIP Homes were some of the prominent project launches here.

Gurgaon followed as the region with the second highest number of launches. Most of the project launches in Gurgaon took place on the Dwarka Expressway in the price range of INR 5500-8500 per.sq.ft. The Grand by Sare Group, Tulip Spectra, Emerald Bay by Puri Constructions, Sky Court by DLF and Bestech Park View: Sanskriti were some of the notable project launches in H2 FY13.

Absorption Trend in Micro Markets

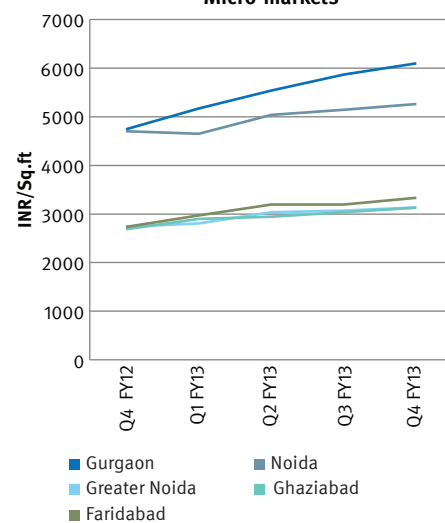


Source: Knight Frank Research

Ghaziabad witnessed a 42% drop in project launches in H2 FY13 compared to H2 FY12. This can be attributed to the lack of suitable land parcels. Raj Nagar Extension remained the preferred location for launches, followed by Crossings Republic NH-24. Price range for the project launches was in the range of INR 2300-2600 per.sq.ft.

It is interesting to see the ticket size wise split of launched units across micro-markets

Weighted Average Price Movement in Micro-markets



Source: Knight Frank Research

** Prices are weighted average prices of under construction residential units and do not take into account the secondary market.

in the NCR. Earlier Noida had a good mix of affordable, mid-segment and high end housing options, whereas there were barely any launches in the ticket size of INR 2.5-5 mn. in H2 FY13. Gurgaon market on the other hand had hardly anything to offer in the ticket size of 2.5-5mn. and 5-7.5mn. in H2 FY13. Both these markets have seen price appreciation during the last two years, leading to an escalation in launch rates.

Table 1: Select Residential Projects Launched during H2 FY13

Project Name	Developer Name	Location	No. of Units	Price (INR/Sqft)
Amrapali Jaura heights	Amrapali Group	Tech zone-IV, Greater Noida	612	3,100
Tulip Spectra	Tulip Infratech	Sector 104, Gurgaon	250	7,200
Amrapali Titanium Floors	Amrapali Group	Sector 119, Noida	54	5,900
The Grand	Sare Group	Sector 92, Gurgaon	278	5,250
Bestech Park View: Sanskriti	Bestech Group	Sector 92, Gurgaon	600	5,600
Emerald Bay	Puri Constructions	Sector 104, Gurgaon	700	8,100
Sky Court	DLF	Sector 86, Gurgaon	675	7,000
Spring View Heights	Sare Group	NH24, Ghaziabad	440	3,050
Eminence	Wave Infratech	Sector 32, Noida	265	8,300
Iridia	Horizon Concept	Sector 86, Noida	700	6,750
Eldeco Inspire	Eldeco Infrastructure	Sector 119, Noida	200	4,200
Park Sentosa	BPTP	Sector 77, Faridabad	700	4,000
Mascot Manorath	Mascot Homes	Sector 16B, Greater Noida	650	3,050
Amrapali Verona Heights	Amrapali Group	Techzone IV, Greater Noida	2300	3,200
Sunworld City	Sunworld Infrastructure	Sector 22D, Greater Noida	1500	2,650

The NCR residential market has an estimated 1,40,000 units of unsold inventory which is approximately 27% of the units under construction. However this has remained stable and not got up substantially compared to H1 FY13, despite a slight slow down in absorption.

Supply

Nearly 5,20,000 residential units are under various stages of construction in the NCR market. Almost 50% of this is expected to be ready for possession by the end of 2014. Quite a number of projects that were launched in 2010 have seen execution delays pushing the completion dates to 2014 and early 2015. Nearly 58% of the under construction units fall in Noida and Greater Noida followed by Gurgaon which constitutes nearly 24% of the under construction units.

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About 66% of the unsold units are concentrated in Noida and Greater Noida, due to the start of a number of big projects here. Even though it is quite high, there is an improvement compared to early 2012 where both these markets together constituted nearly 78% of the unsold units.

Absorption

The NCR residential market observed total absorption of 33,200 units in H2 FY13 showing a dip of about 12% compared to H2 FY12. However, demand has remained stable compared to H1 FY13. Clearly the dip can be attributed to the limited number of project launches, higher interest rates and weakened consumer sentiments and confidence. Greater Noida is the only

micro-market that has shown an upward trend in sales, primarily due to a number of project launches in the affordable range. Since Noida is one of the most important markets in the NCR with affordable and mid segment housing options, limited number of launches have impacted the overall demand. Faridabad is the only market to have shown stable demand compared to H2 FY13. Nearly 65% of the absorption has been in the affordable and mid segment housing with a ticket size less INR 2.5 mn. and 2.5-5 mn.

Price

Even though demand remained subdued in the NCR market, there has been a steady price appreciation in most of the micro-markets. The NCR market is unique as investors play an important role. Even though end users remain cautious and wait for interest rates to dip, investors do not shy away from buying homes. This prevents the prices from dipping even after speculation of corrections. Also, rising construction costs led developers to increase the prices of new launches in most of the micro-markets like Noida and Gurgaon. Peripheral micro-markets of Gurgaon, Noida, Greater Noida, Ghaziabad and Faridabad have seen a steady increase in weighted average prices during H2 FY13 compared to H2 FY12.

Outlook

The NCR residential market shows a cautious outlook owing to the slowdown in both project launches and absorption. Developers are also facing a liquidity crunch due to limited access to both domestic and international funds leading to a slowdown in construction activity and project delays. Consumer confidence has been marred due to higher interest rates, inflation and the current economic outlook. However, our 'quarters to sell' analysis, that assesses the market health by comparing construction and sales timelines show a positive outlook for the NCR residential market. Locations like Dwarka Expressway, Noida Expressway and Greater Noida are expected to see an increase in prices owing to the strong demand. Also, RBI's recent announcement of a cut in policy rates is expected to have a positive impact on the real estate sector. Both, consumer and investor sentiments are expected to improve in the coming quarters.

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