



DECEMBER 2012

RESIDENTIAL TRACTION @ GLANCE

Knight Frank

NATIONAL CAPITAL REGION

Market Overview

The real estate market in the National Capital Region (NCR) has experienced large scale development in the last few years. Real estate opportunities in the region have transformed the fate of planned satellite towns of Gurgaon and Noida. Both Gurgaon and Noida are now self-sustaining markets comprising all asset classes- residential, commercial and retail. Investments have been pouring in, as a result of which huge activity is seen in commercial and retail development. Residential demand has also remained strong, despite being characterized as a speculative market owing to the predominance of investors. However recent revision of the circle rates is expected to bring more transparency in the market. Intention is to bring the circle rates closer to market value, hence reducing the cash component in the transactions. Circle rates in the NCR have been considerably lower than the market rates, which meant that the property was registered at a much lower value than the actual transaction value. Since the circle rates have gone up, official valuation of properties will also rise along with the payable stamp duty. This increase will further limit the penetration of cash rich investors into the NCR market, making it less speculative.

Proposed infrastructure initiatives drive the real estate development in the region. Most of the development in the NCR has taken place in the vicinity of the commercial hubs. In the Gurgaon micro-market developers have shifted their focus to the Dwarka Expressway or Northern Peripheral Road. The upcoming expressway will provide an alternative link between Delhi and Gurgaon. A bulk of projects has been launched as a result of which huge construction activity can be seen in this region. Prices have risen manifold in the other residential micro-markets of

RESIDENTIAL DEMAND HAS REMAINED STRONG IN THE NCR, DESPITE BEING CHARACTERIZED AS A SPECULATIVE MARKET OWING TO THE PREDOMINANCE OF INVESTORS. HOWEVER RECENT REVISION OF THE CIRCLE RATES IS EXPECTED TO BRING MORE TRANSPARENCY IN THE MARKET.

Gurgaon, making them out of reach of home buyers. Dwarka Expressway is the only affordable option for mid segment housing. Residential micro-markets of Golf Course Extension and Sohna Road have seen limited launches in H1 FY13.

Noida is another hub for the real estate development in the region and has seen immense traction in H1 FY13 as well. Most of the projects launched in this location are in the mid segment housing. Locations like Noida- Greater Noida expressway have gained a lot of importance due to the planned commercial development along the expressway.

Greater Noida is an emerging important residential location in the region; with a good number of affordable projects it has been able to attract 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.

Market Activity

THE NCR WITNESSED THE LAUNCH OF AROUND 31,000 RESIDENTIAL UNITS DURING H1 FY13. EVEN THOUGH THERE WAS A DIP OF 22% COMPARED TO H1 FY12, IT IS NOT ALARMING.

The NCR witnessed the launch of around 31,000 residential units during H1 FY13. Even though there was a dip of 22% compared to H1 FY12, it's not alarming. The dip can be attributed to lower number of project launches in Ghaziabad, since the focus of both developers and buyers have shifted to Noida Extension. Also demand in the Ghaziabad market is end user driven and restricted due to limited economic activities. Noida also witnessed a significant dip in launches in H1 FY13 compared to H1 FY12. Gurgaon witnessed the highest number of launches in H1 FY13 taking up about 33% of the total pie. Majority of project launches in Gurgaon took place on the Dwarka Expressway. Godrej Summit, Paras Dews, BPTP Terra, The Leaf by SS Group and Mount Ville by Mapsko Developer were some of the prominent projects launched here.

Noida followed as the region with second highest number of launches. Most of the project launches in Noida took place along the Noida- Greater Noida expressway. Notable projects launched include Embrosia, Lotus Peak, Kristal Court, Kasablanca Towers,



GURGAON WITNESSED THE HIGHEST NUMBER OF LAUNCHES IN H1 FY13 CONSTITUTING ABOUT 33% OF THE TOTAL LAUNCHED UNITS IN NCR DURING THIS PERIOD.

Aranya Mansions and Exquisite by Unitech.

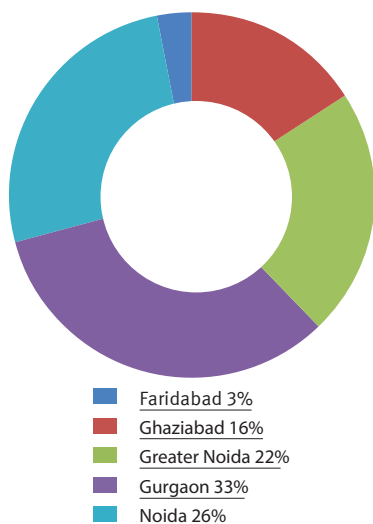
Greater Noida also witnessed ample activity in terms of project launches in H1 FY13. Notable projects launched include Ryne by Realcraft Group, Earth Studio by Earth Infrastructure and Unibera H++ by Unibera Developers.

Table 1: Select Residential Projects Launched during H1 FY13

| Project Name | Developer Name | Location | No. of Units | Completion Year | Price(INR/Sqft) |
|----------------------------|----------------------|---------------------------|--------------|-----------------|-----------------|
| Heart Beat City Phase 3 | M3M | Sector 107, Noida | 1000 | Dec-14 | 5,400 |
| Legend | Shubkamna Buildtech | Sector 150, Noida | 1500 | Dec-15 | 3,195 |
| Trucia | Wave Infratech | Sector 32, Noida | 500 | Dec-15 | 7,900 |
| Renesa | Supertech | Sector 118, Noida | 600 | Oct-15 | 4,500 |
| Boomerang Residency | Jaypee | Sector 128, Noida | 140 | Jun-15 | 11,000 |
| Woodshire | M3M | Sector 107, Gurgaon | 980 | Dec-15 | 5,600 |
| Ireo Gurgaon Hills-Phase 2 | Ireo | Gurgaon-Faridabad Road | 200 | Sep-15 | 11,000 |
| Spring Homes | Orris Infrastructure | Sector 85, Gurgaon | 600 | Mar-15 | 5,800 |
| Highland Park | Ansai Housing | Sector 103, Gurgaon | 600 | Jun-15 | 5,200 |
| BPTP Terra | BPTP | Sector 37D, Gurgaon | 400 | Feb-15 | 6,000 |
| Paras Dews | Paras | Sector 106, Gurgaon | 750 | Nov-15 | 5,700 |
| Gaur Celestial | Gaursons | Indrapuram, Ghaziabad | 450 | Dec-15 | 4,550 |
| Maple | KDP Infrastructure | GovindPuram, Ghaziabad | 400 | Jun-15 | 2,300 |
| Luxury Homes, Phase 2 | RG Group | Sector 16B, Greater Noida | 300 | Dec-15 | 3,500 |
| Earth Studio | Earth Infrastructure | Techzone, Greater Noida | 1500 | Dec-16 | 4,000 |
| Royal Hills, Phase 2 | SRS Real Estate | Sector 87, Faridabad | 320 | Jul-16 | 3,600 |

Source: Knight Frank Research

Micro-market Split of Launched Units H1 FY13



Source: Knight Frank Research

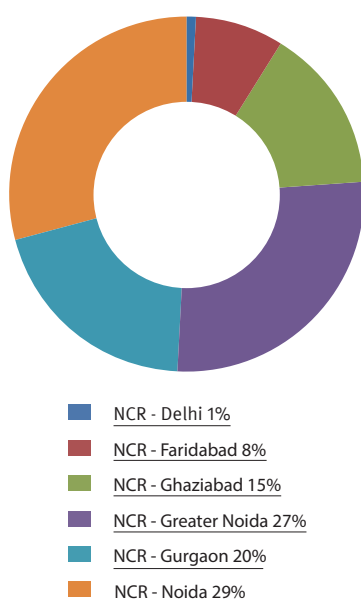
Supply

Almost 45% of the under construction units in the NCR market is expected to be ready for possession by end of 2013, as a bulk of projects were launched in 2010. Nearly 56% of the under construction units fall in Noida and Greater Noida. Gurgaon constitutes nearly 20% of the under construction units.

It is interesting to see the ticket size wise split of under construction units across micro-markets in the NCR. The chart shows that Noida market has a good mix of affordable, mid-segment and high end housing options. Gurgaon market on the other hand has hardly anything to offer in the ticket size INR < 5 million.

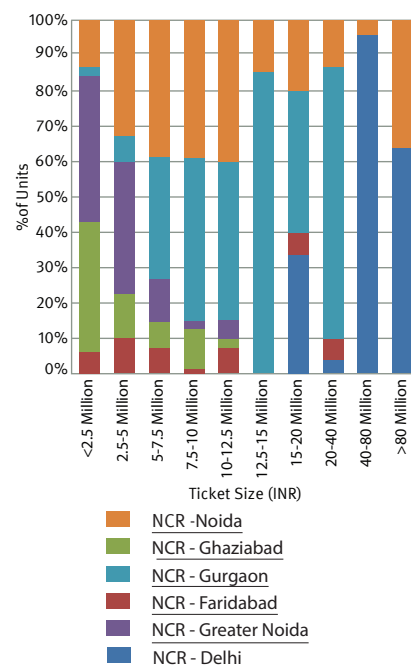
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Micro-market Split of Under construction Unit as on Q2 FY13



Source: Knight Frank Research

Micro-market split of under construction units across ticket sizes as on Q2 FY13



Source: Knight Frank Research

Vacancy levels are high in the NCR market, trending upwards due to slowed sales. Bulk of unsold inventory is concentrated in the micro markets of Noida, Greater Noida and Gurgaon due to high number of project launches.

Absorption

The NCR residential market witnessed a dip in absorption in H1 FY13 compared to H1 FY12. The reason for a dip could be limited number of project launches and weakened consumer

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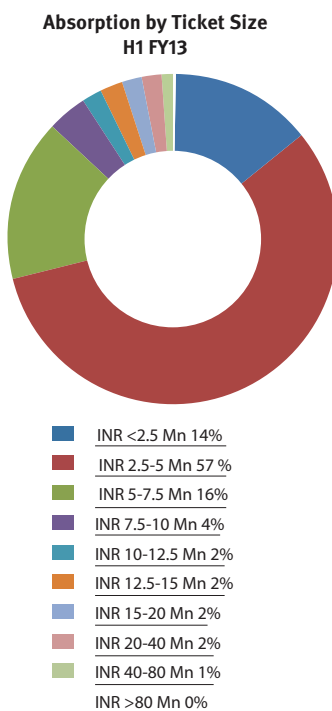
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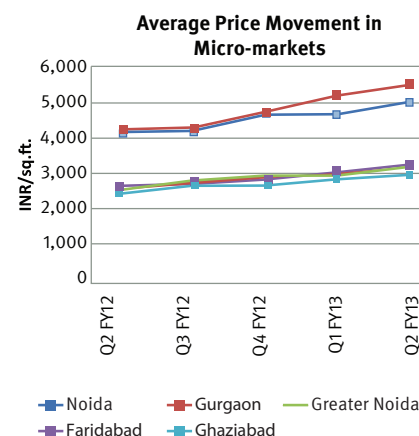


THE NCR RESIDENTIAL MARKET WITNESSED A DIP IN ABSORPTION IN H1 FY13 COMPARED TO H1 FY12.

sentiments and confidence. Greater Noida is the only micro-market that has shown an upward trend in sales, this can be attributed to a number of projects launched 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. The NCR market has a strong presence of investors, hence there is a preference to book projects which have been recently launched. Residential sales usually go up during the festive season and towards the end of the year due to the discounts offered by the developers. It remains to be seen if absorption levels will pick up in H2 FY13.



Source: Knight Frank Research

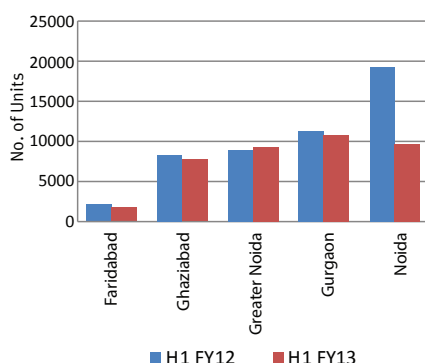


Source: Knight Frank Research

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

demand and supply. Rising input prices, land prices and borrowing costs also impose a big pressure on developers and defer project deliveries. Government is taking measures and pushing real estate reforms which are expected to have a positive impact on the consumer sentiments. It is likely that residential sector in the NCR will see some green shoots of recovery by second half of 2013.

Absorption Trend in Micro-markets



Source: Knight Frank Research

Nearly 71% of the absorption has been in the affordable segment housing with a ticket size less INR 5 million.

NEARLY 71% OF THE ABSORPTION HAS BEEN IN THE AFFORDABLE SEGMENT HOUSING WITH A TICKET SIZE LESS THAN INR 5 MILLION IN H1 FY13.

Price

Unstable macro-economic conditions have affected consumer confidence and sentiments which in turn have affected demand and led to limited increase in quarter on quarter prices. However, there have been considerable appreciations in capital values compared to the last year. Prices have been resilient to the dip in launches. Since there is a dominance of investors in the NCR market, prices have remained stable even after speculation of correction. Peripheral micro-markets of Gurgaon, Noida, Greater Noida, Ghaziabad and Faridabad have seen a steady increase in weighted average prices during H1 FY13 compared to H1 FY12.

Outlook

Market shows a cautious outlook as sales have seen a dip. As per our 'quarters to sell' analysis, that assesses the market health by comparing construction and sales timelines, it is observed that unsold inventory levels are showing an upward trend. Rising property prices and high interest rates have also deterred genuine buyers from taking decisions. There are only a few options to choose from in the mid-segment housing, clearly indicating a mismatch between the

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