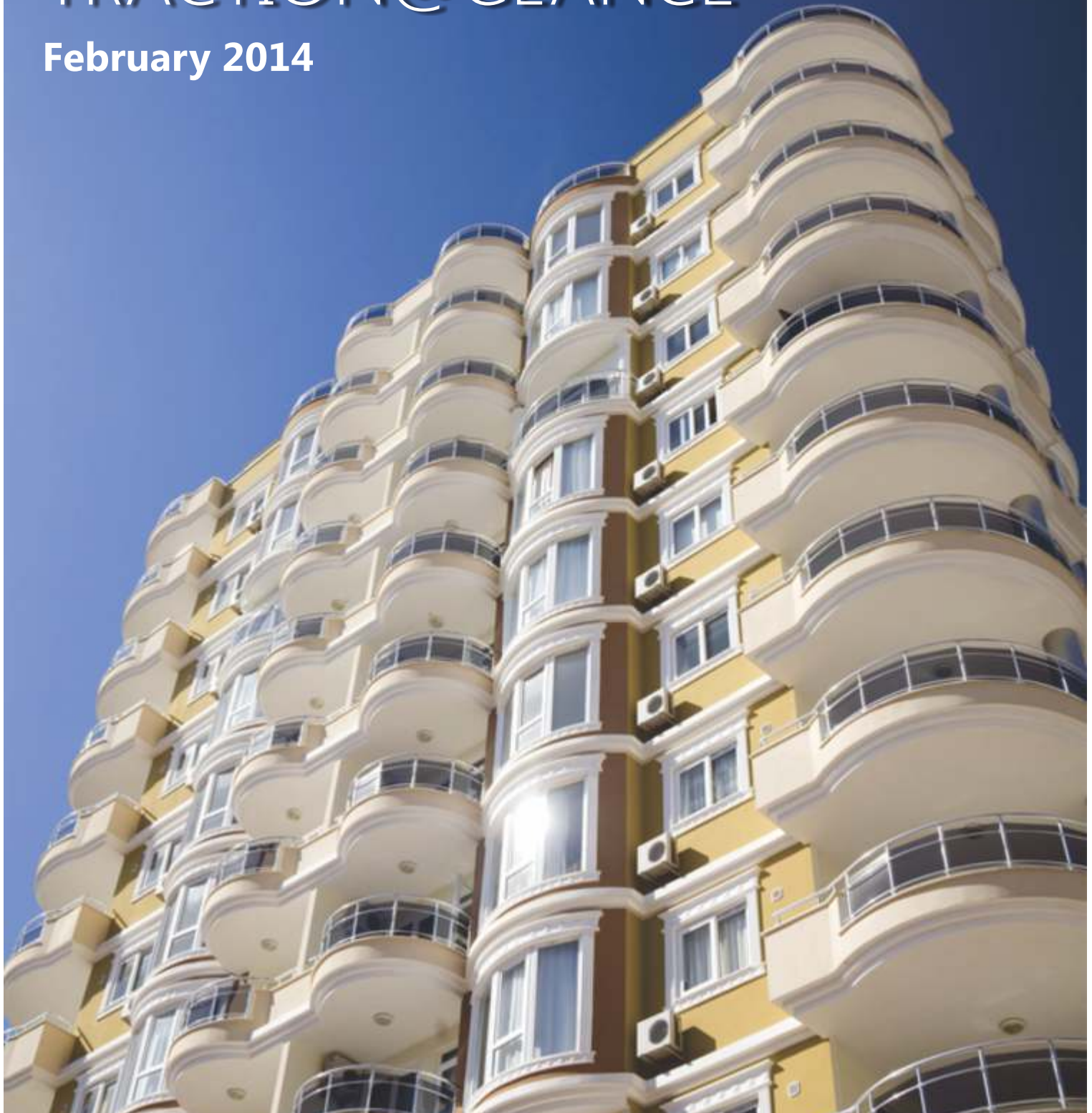


RESIDENTIAL TRACTION@GLANCE



HYDERABAD RESIDENTIAL TRACTION@GLANCE

February 2014

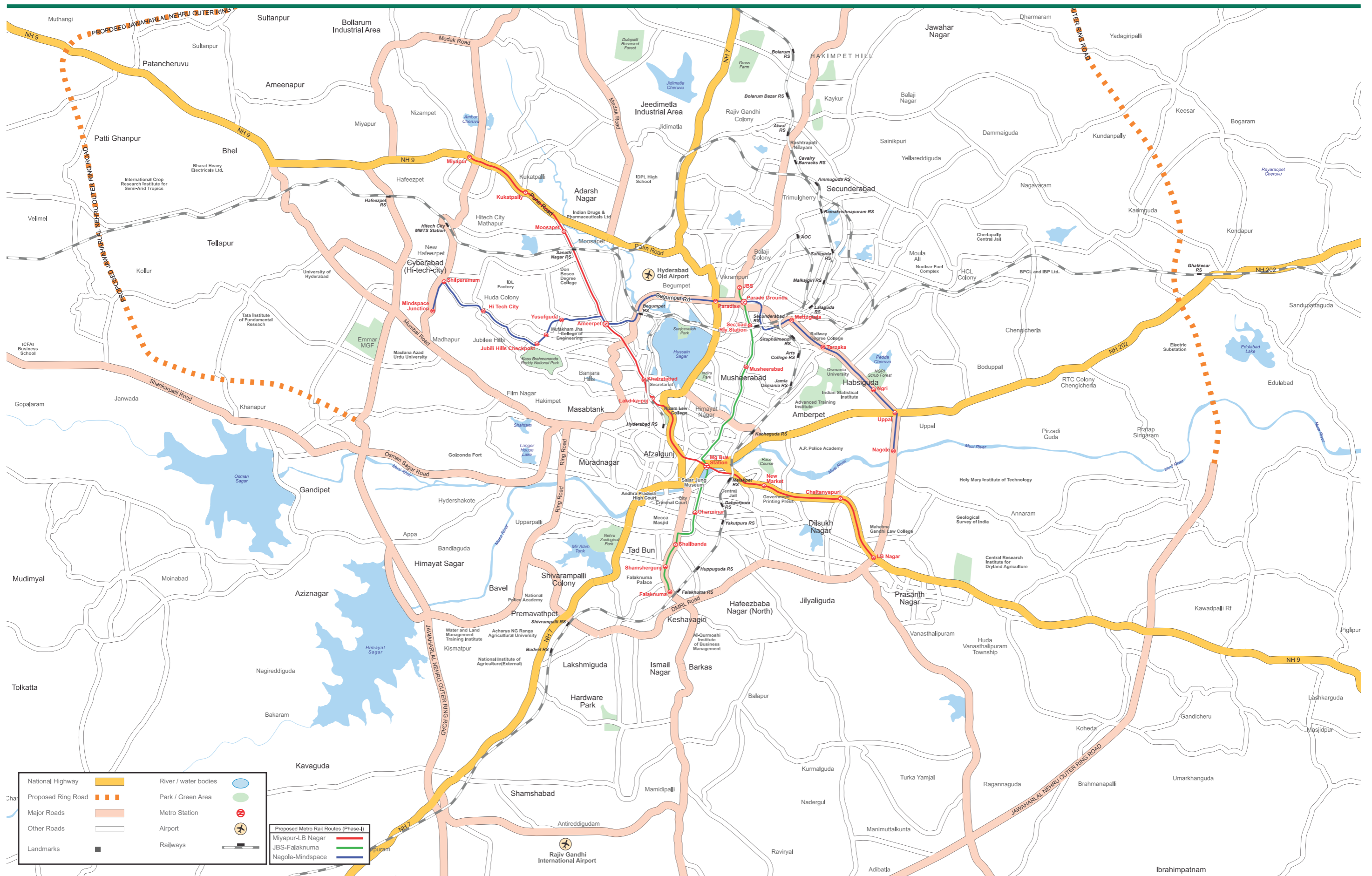


MARKET OVERVIEW

NEW LAUNCHES

ABSORPTION

HYDERABAD MAP



National Highway		River / water bodies	
Proposed Ring Road		Park / Green Area	
Major Roads		Metro Station	
Other Roads		Airport	
Landmarks		Railways	

Proposed Metro Rail Routes (Phase-I)	
Miyapur-LB Nagar	
JBS-Falaknuma	
Nagole-Mindspace	

MARKET OVERVIEW

Hyderabad witnessed a further slowdown in the year 2013. Factors such as slow economic growth, rising interest rates by banks, high inflation and political instability among other factors have added to the uncertainties. Nevertheless, Hyderabad fared slightly better compared to other IT/ITeS dominated cities of Chennai and Pune with only a 4% drop in sales volume during this time last year.

Hyderabad is undoubtedly the most affordable residential markets out of the country's top seven cities of NCR, Mumbai, Bengaluru, Chennai, Pune and Kolkata. The city has been known as the second silicon valley of India after Bengaluru and has emerged as an IT/ITeS and biotech destination. Not only is it the administrative, financial and economic capital of the state but also the largest contributor to the state's GDP. A number of proposed infrastructure initiatives are expected to further fuel the growth of the real estate sector in Hyderabad city. Outer Ring Road (ORR), an eight lane expressway is being built in the city and work is in progress on the last stretch between Shamirpet and Pedda Amberpet. A large part of the ORR is already operational providing good connectivity with Shamshabad airport. The ORR provides a circular connectivity with the city and helps in decongesting the Inner Ring Road and major arterial roads. Hyderabad Metro is also under construction, Phase I of the project will connect Miyapur and LB.Nagar, Nagole and Shilparamanam, JBS and Falaknuma. Unlike the ORR, the Metro cuts through the city connecting north with south and east with west in a linear manner. Besides, the proposed Hyderabad Metro Rail Information Technology Investment Region (ITIR) is also expected to boost the real estate development in the city. The ITIR would include special economic zones for the IT/ITeS sector, industrial parks, free trade zones, warehousing zones and export oriented units.

Despite having all the constituents in place for a successful real estate market, the city has still not got its due. Hyderabad has been reeling under abundant uncertainties most of which emerged due to political upheaval. As a result of this, the state of the market has remained the same since the past five years. Largely an end user market,

Hyderabad has witnessed weakened consumer sentiments that have affected the market deeply with no signs of recovery since the past two years. Developers on the other hand have taken cues from buyer expectations and have refrained from increasing the prices.

Like other residential markets in the country, Hyderabad witnessed a further slowdown in the year 2013. Factors such as slow economic growth, rising interest rates by banks, high inflation and political instability among other factors have added to the uncertainties. Nevertheless, Hyderabad fared slightly better compared to other IT/ITeS dominated cities of Chennai and Pune with only a 4% drop in sales volume during this time last year. A greater dip in project launches helped the unsold inventory levels to stabilise. New launches in Hyderabad have come down from 19,000 in 2012 to 16,200 units in 2013 resulting in a fall of 15%.

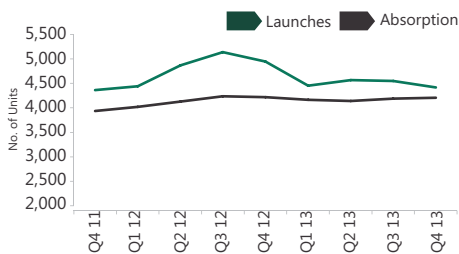
FIGURE 1
YoY Change in Launches and Absorption

	Launches	Absorption
Chennai	-35%	-33%
Pune	-34%	-33%
Hyderabad	-15%	-4%

Source: Knight Frank Research

The fact that Hyderabad is an end user market having a latent housing demand is substantiated by evaluating a trend of the past two years. A long term analysis (8 quarters) of the moving average of launches and absorption clearly shows that the absorption levels have been more or less stable, whereas launches peaked in Q3 12 and have been trending downwards since then. Even the short term moving average (4 quarters) confirms the trend. Recognising the fact that buyers in the Hyderabad market prefer completed projects over under construction ones, developers are concentrating on project execution.

FIGURE 2
Long Term (8 Quarters) Moving Average Trend Of Launches & Absorption

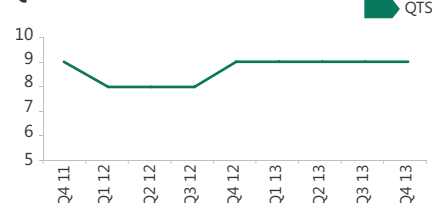


Source: Knight Frank Research

During 2010-2012, nearly 54,000 residential units were launched in the Hyderabad market. New project launches peaked in the year 2011 and despite an improvement in demand the unsold inventory levels inched up.

Hence, by the end of year 2011 the QTS (Quarters to Sell) ratio for the Hyderabad market peaked at 9 indicating that unsold inventory will take more than two years to get absorbed. QTS refers to the number of quarters required to exhaust the existing unsold inventory in the city. Taking a cue from the piling unsold inventory, developers sliced the number of new project launches by one-third in Q1 2012. This coupled with a 20% increase in absorption brought down the QTS to eight in Q1 2012. Post this the QTS remained stagnant at eight till the end of Q3 2012. A flurry of launches in Q4 2012 pushed the QTS back to the Q4 2011 level of nine. This has remained as is since the past five quarters, primarily due to a slowdown in absorption.

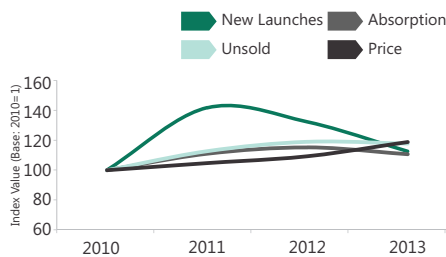
FIGURE 3
QTS



Source: Knight Frank Research

As of December 2013 about 24% of the total available units in the primary market remain unsold in the Hyderabad market. Although it is not quite high compared to other IT/ITeS driven markets, a healthy absorption rate is required to bring it down and sustain the prices.

FIGURE 4
Index Of Real Estate Indicators



Source: Knight Frank Research

In order to understand the market dynamics further it is important to study the city in parts. The Hyderabad residential market can be broadly classified into five micro-markets, each of which has different characteristics, price points and buyer profile.

FIGURE 5
Residential Micro-Markets in Hyderabad

HMR- Central	Begumpet, Banjara Hills, Jubilee Hills, Panjagutta, Somajiguda
HMR- West	Kukatpally, Madhapur, Kondapur, Gachibowli, Raidurgam
HMR- East	Uppal, Malkajgiri, LB Nagar
HMR- North	Kompally, Medchal, Alwal, Qutubullapur
HMR- South	Attapur, Rajendra Nagar, Shamshabad

Source: Knight Frank Research
*HMR refers to Hyderabad Metropolitan Region

The western zone comprising locations like Kukatpally, Madhapur, Kondapur, Gachibowli, Miyapur, HITEC City, Gopannapalli, is the largest contributor to residential supply in Hyderabad. Of the total units under construction, the western zone accounts for a significant share of around 60%. Demand in this region is end user driven, majority catering to the employees of IT firms in

and around HITEC city and Gachibowli. Supply in this micro-market has seen a boost due to its proximity to workplaces, upcoming retail development and supporting infrastructure in the form of connecting railway stations, the National Highway and Express Highway that connect to the airport. Development in this region is moving southwards with developers showing interest in locations like Narsingi and Appa Junction. These locations are now perceived as the next growth corridors and are expected to gain traction in the coming years.

The northern zone is the second most preferred residential micro-market and is driven due to good infrastructure facilities and proximity to the cantonment area. This region constitutes nearly 14% of the total under construction units in the Hyderabad market. Most of the supply in the north zone has come up in Kompally, Qutubullapur, Nagpur Highway, Yarpal and Shamirpet.

The eastern zone comprises locations such as Uppal, Nacharam, Mallapur, Kapra, Cherlapalle, Pocharam, Kuntloor, Rampally and Ghatkesar. Nearly 10% of the total units under construction fall in this zone. Uppal remains one of the favoured destinations in this micro-market. Phase II of the ORR, that is under construction will improve the traffic situation and connectivity in the eastern zone.

Malakpet, Attapur, Upparpally, Saidabad, Santoshnagar, Rajendranagar and Shamshabad fall under the southern zone. With the development of Shamshabad International Airport and other developments like SEZs, Hardware Park and Fab City, this zone has been growing as a residential location. However, its distance from the city is still a deterrent to demand.

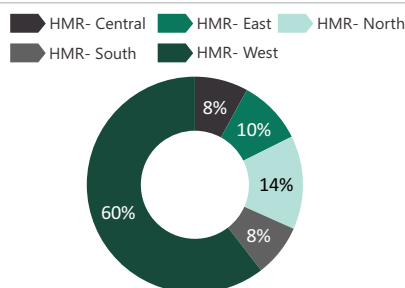
Residential demand in the central zone comprising areas like Begumpet, Maredpally, Somajiguda, Himayatnagar, Chikkadpally, Banjara Hills and Jubilee Hills is primarily driven by government officials, businessmen, corporate office employees and NRIs. These locations cater to higher income groups as well as the upper middle income segment.

At a micro-market level South Zone has the maximum unsold inventory. Despite having prices in the affordable range this market has failed to attract buyers. Most of the projects with high unsold units are located in Rajendra Nagar and Shamshabad. Although both these locations are well connected with the other parts of the city, distance from the IT/ITeS hub could be a probable reason for a higher ratio of unsold units.

The west zone has a comparatively lower ratio of unsold units, considering that nearly 60% of the total under construction units falls under it. This confirms that there is an inherent demand only for the right kind of product. Location of the project, socio-economic profile of the area, type of unit plans and presence of amenities are some of the key factors that impact the buying decision in Hyderabad.

Credibility and trust on the developer have a high influence in choosing a property, prominent developers have relatively low unsold inventory compared to others.

FIGURE 6
Micro-market Split Of Underconstruction Units As On December 2013



Source: Knight Frank Research

NEW LAUNCHES

Share of West Hyderabad in the overall new launches pie has been going up gradually with each passing year. Nearly 11,000 residential units were launched in this micro-market during 2013 constituting nearly 70% of the new launches. Gachibowli, Kukatpally and Manikonda continue to remain preferred locations within this zone. These locations cater to the demand from the IT/ITeS sector, wherein employees prefer to buy a house instead of staying on rent. It is interesting to see the ticket size wise split of launched units across micro-markets in the Hyderabad market. The west zone has product offerings in all ticket sizes be it affordable, mid-segment or high end housing, making it a favourable destination for home buyers.

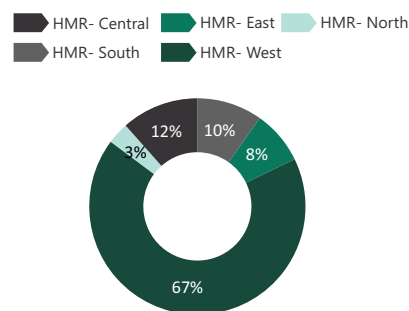
East Hyderabad's share in the new launches has also shown improvement in 2013. This region has a lot of potential to grow further as land prices are still low compared to other developed parts of the city. Once Phase II of the ORR is operational, connectivity issue will also be resolved. Majority of the launches took place in Pocharam, Shamirpet and Uppal in the price range of ₹1900-2300 per.sq.ft.

Share of North Hyderabad in the overall new launches pie has shown improvement in 2013. MedchalAlwal and Kompally were some of the prominent locations for project launches during 2013. Kompally is predominantly witnessing the development of villa projects in the price range of ₹5.0-10.25 mn/ unit. Alwal on the other hand has a number of stand-alone projects in the price range of ₹2,200-2,500 per/sq.ft.

Central Hyderabad's share in project launches has shrunk in 2013. Unaffordable prices in this region, non-availability of land parcels and poor

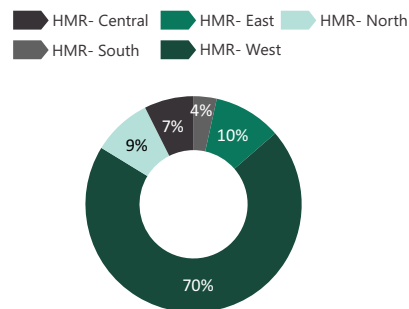
sales due to the weakened consumer sentiments have refrained developers from launching more projects. Most of the project launches in Central Hyderabad took place in Banjara Hills, Begumpet and Kavadiguda in the price range of ₹7500-8500 per.sq.ft.

FIGURE 7
Micro-market Split Of Launched Units in 2012



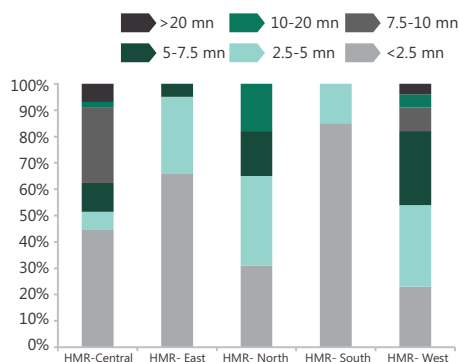
Source: Knight Frank Research

FIGURE 8
Micro-market Split Of Launched Units in 2013



Source: Knight Frank Research

FIGURE 9
Micro-Market Wise Ticket Size Split of Launched Units During 2013



Source: Knight Frank Research

ABSORPTION

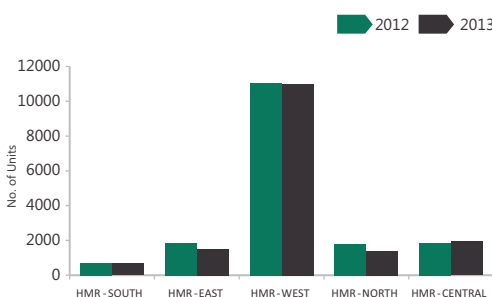
The residential sales volume has dipped by 4% in the year 2013 compared to 2012. Approximately 16,500 residential units were absorbed in 2013.

Hyderabad is an end user market, with a stable sales appetite which is not highly influenced by the number of launches. Developers confirm that the number of enquiries has not gone down but buyers are taking time in closing deals.

Plummeting launches during the year 2013 had little impact on the sales volume, as home buyers prefer not to book in a recently launched property but wait for the delivery of the project. The western micro-market has shown the highest absorption in terms of volume which can be attributed to the type and volume of inventory available in this market. Nearly 11,000 residential units were absorbed in this micro-market during 2013.

East and north micro-markets have witnessed a drop in sales volume during 2013 when compared to 2012. Despite the prices being in the affordable range these markets have failed to attract enough buyers. However, smaller projects with less than 50 units with minimum amenities have seen good traction as they were offered at an even lower price.

FIGURE 10
Micro-Market Level Absorption in 2012 & 2013



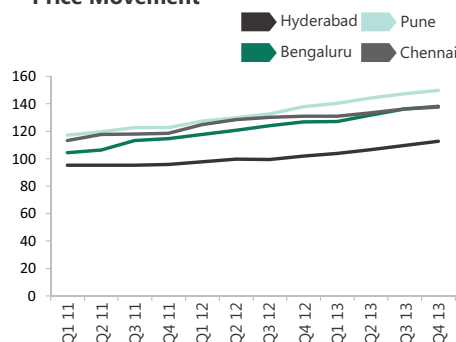
Source: Knight Frank Research

PRICES

Despite steady absorption levels in the past two years the Hyderabad residential market has seen hardly any movement in prices. With only a 13% increase in weighted average prices since 2009 the Hyderabad market has been the worst performer among the IT/ITeS driven markets. Bengaluru, Pune and Chennai have witnessed a minimum of 38% increase since the year 2009.

However, select markets closer to the business districts such as Madhapur, Kondapur and Gachibowli have seen price appreciation to the tune of 9% during 2013. Despite this the capital values still fall short of the 2007-08 levels. Weighted average capital values in the western zone are in the range of ₹3000-3200 per.sq.ft. Prime residential locations of Jubilee Hills and Banjara Hills have seen an increase of about 7-10 % during 2013 due to limited supply. Jubilee Hills and Banjara Hills command high capital values ranging between ₹7000-7500 per.sq.ft. which is quite high, compared to other micro-markets. Property prices in East and South Hyderabad have been steady. Locations such as Uppal, LB Nagar and Bowenpally recorded a price appreciation to the tune of 3-5% during 2013.

FIGURE 11
Index of Weighted Average Price Movement



Source: Knight Frank Research

During 2010-2012, nearly 54,000 residential units were launched in the Hyderabad market. New project launches peaked in the year 2011 and despite an improvement in demand the unsold inventory levels inched up.

The Hyderabad residential market has remained stagnant during 2013, with a slight drop in absorption. Considering the recent decision on the formation of a separate state Telangana the prevailing uncertainties will fade away. Clarity on this issue is expected to boost the absorption by the end of the year or early 2015.

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OUTLOOK

The Hyderabad residential market has remained stagnant during 2013, with a slight drop in absorption. Considering the recent decision on the formation of separate state Telangana the prevailing uncertainties will fade away. Clarity on this issue is expected to boost the absorption by the end of the year or early 2015. Considering the city's potential as an IT/ITeS hub it is only a matter of time before companies start making some investments. However, there will be a lull until the elections, post which we expect the demand to pick up. and see prices moving upwards. West Hyderabad, where majority of the new jobs are being created, will continue to witness the maximum traction in the residential space going forward, followed by East Hyderabad. Development of the ORR is also facilitating developers to launch projects in far flung locations at lower prices, without compromising on connectivity. Narsinghi and Appa Junction in West Hyderabad are the next growth corridors with ample land availability and good connectivity to the HITEC City.

Report Author

Ankita Nimbekar, Research Consultant

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Research

Dr. Samantak Das
samantak.das@in.knightfrank.com

Consultancy & Valuation

Saurabh Mehrotra
saurabh.mehrotra@in.knightfrank.com

Office Agency

Mudassir Zaidi
mudassir.zaidi@in.knightfrank.com

Cities

Mumbai

Naushad Panjwani
naushad.panjwani@inknightfrank.com

NCR

Rajeev Bairathi
rajeev.bairathi@in.knightfrank.com

Bengaluru & Hyderabad

Satish BN
satish.bn@in.knightfrank.com

Pune

Shantanu Mazumder
shantanu.mazumder@in.knightfrank.com

Chennai

Kanchana Krishnan
kanchana.krishnan@in.knightfrank.com

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