

# RESIDENTIAL TRACTION @ GLANCE

Pune Metropolitan Region  
June 2013

# MARKET OVERVIEW

**The Pune residential market experienced an uptrend in absorption during most of FY 2013 but volumes dipped significantly in Q4 FY 13 as the market reacted to increasing prices.**

## Pune Metropolitan Region

The city of Pune has witnessed an enormous change over the last decade. Approximately 150 km. east of Mumbai, it is the second largest city in the state of Maharashtra and the 8th largest urban agglomeration in India. Pune boasts of a strong presence in the engineering and automobile sectors. Economic activity in the city has been triggered by the presence of corporate giants like Bajaj, TELCO, Fiat, General Motors and Bharat Forge. Over the years this has helped consolidate Pune's position as a major manufacturing center in India.

Over the past few years, Pune has also emerged as a major IT destination. Infosys, Wipro, TCS and Syntel have their bases here and have been expanding operations at a brisk pace. Its proximity to India's financial capital Mumbai has also helped in accelerating real estate activity in the region. The Mumbai-Pune expressway, that connects both the destinations, has made Pune a much sought after location for even out of town investors.

In recent years, real estate development across the city has geared up to keep pace with changes in demand. The past few years have witnessed an increase in residential demand that spread across all income categories and various locations,

specifically toward the eastern and western periphery.

North Pune has evolved as an industrial area with various Auto & Auto Ancillary and Engineering industries dominant here. Pimpri and Chinchwad in the north are host to some of India's leading auto companies' manufacturing plants such as Bajaj Auto, Tata Motors, Force Motors and DaimlerChrysler. Additionally, engineering majors like Thermax, Forbes-Marshall, ThyssenKrupp and Alfa Laval also have their manufacturing base here. North Pune has always been a self-sufficient zone with the residential market thriving on the employment generated by the manufacturing sector. Pimpri, Chinchwad, Nigdi and Moshi are some of the prominent residential destinations here.

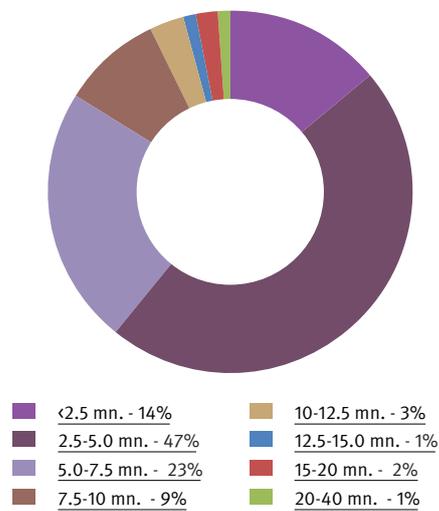
Central Pune is the oldest part of Pune and also its commercial heart with various corporate offices located in the Central Business District (CBD) areas of Bund Garden Road, M.G Road, Deccan and Shivaji Nagar. The best physical and social infrastructure, presence of organized retail, excellent connectivity with various parts of the city and limited availability of vacant land have ensured its standing as the most premium micro-market of the city. Destinations such as Koregaon Park, D.P Road, Model Colony and Kothrud are among the primary residential areas commanding the highest residential prices in Pune.

**Table: Residential Markets**

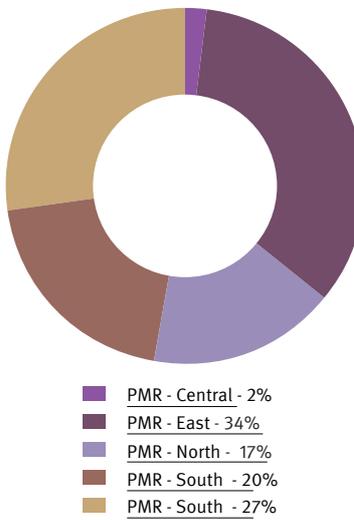
Market	Major Residential Locations
North	Pimpri, Chinchwad, Nigdi, Moshi, Dighi
Central	Bund Garden Road, Koregaon Park, Deccan, Model Colony, Kothrud, Swargate
South	Warje, Katraj, Kondhwa, NIBM Road, Undri
East	Kalyani Nagar, Yerwada, Viman Nagar, Kharadi, Wagholi Road, Hadapsar
West	Aundh, Baner, Pashan, Bavdhan, Wakad, Hinjewadi, Ravet

The incidence of apartment launches priced in the INR. 5.0mn. – 7.5mn. and over INR. 7.5mn. categories has been increasing in recent times.

**Chart 1: Ticket Size Split of Under Construction Inventory as on Q4 FY13 (January-March 2013)**

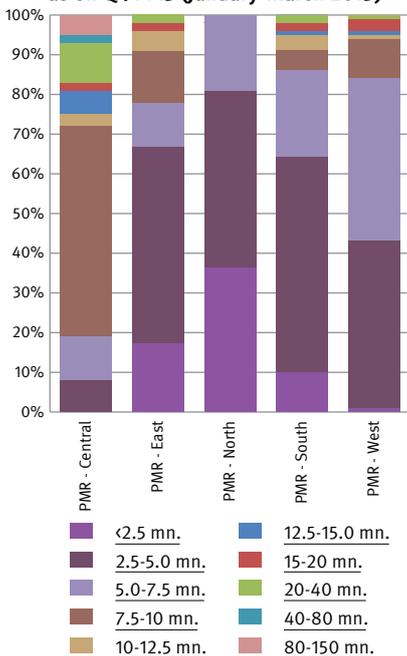


**Chart 2: Micro-Market Split of Under Construction Inventory as on Q4 FY13 (January-March 2013)**



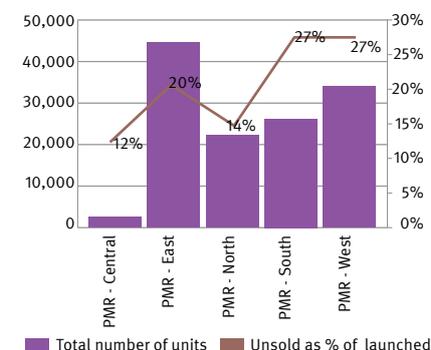
Source: Knight Frank Research

**Chart 3: Micro-market split of under construction inventory across ticket-sizes as on Q4 FY13 (January-March 2013)**



Source: Knight Frank Research

**Chart 4: Micro-Market Unsold Under Construction Inventory Levels**



Source: Knight Frank Research

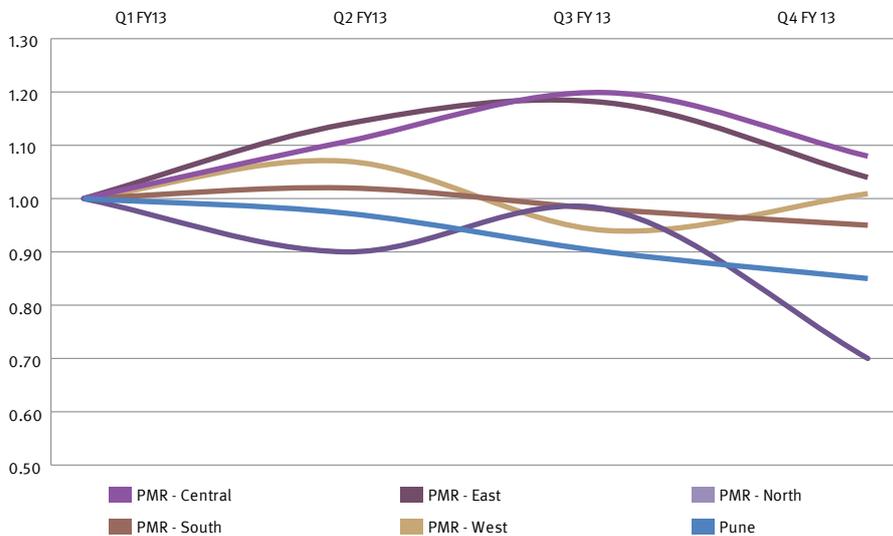
Over the years South Pune has developed as a cheaper alternate residential zone compared to Central Pune. People preferring to reside in proximity to the city centre but unable to afford a house there, favour this micro-market. However, the absence of any significant employment opportunities has restricted the growth of this micro-market as compared to others. Katraj, Kondhwa, NIBM Road and Warje are some of the major residential destinations here.

Large number of IT/ITeS offices, robust physical and social infrastructure, established organized retail market, presence of the Pune airport and good connectivity with the city centre have resulted in East Pune emerging as the most preferred residential zone over the last decade. The growth of Magarpatta City as a successful self-sustaining integrated township and setting up of EON IT Park have further boosted the residential market here. However, the emergence of Hinjewadi in West Pune as an alternate IT/ITeS destination has given corporates an alternative that rivals the best options this eastern micro-market has on offer. A lot of blue chip IT/ITeS companies prefer Hinjewadi over East Pune due to the availability of vast vacant land on which built-to-suit (BTS) offices can be constructed for captive use. Although East Pune continues to attract small and mid-sized IT/ITeS companies, most of the larger players are setting up campuses in West Pune.

The rapid evolution of Hinjewadi as an IT/ITeS destination has led to an unprecedented growth of the western part of the city in the last ten years. Residential locations in close proximity to Hinjewadi such as Aundh, Baner, Pashan and Wakad have immensely

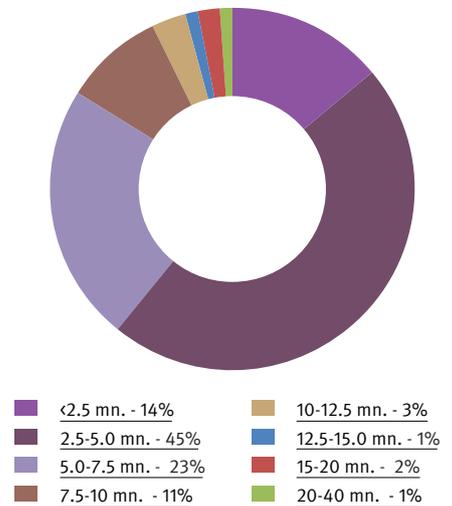
Over half of the inventory in the north and south micro-markets is priced under INR. 5.0 mn.

**Chart 5: Absorption Trend for Four Quarters Ending Q4 FY13 (January-March 2013)**



Source: Knight Frank Research

**Chart 6: Absorption by Ticket Size as on Q4 FY13 (January-March 2013)**



Source: Knight Frank Research

benefited from the large number of IT/ITeS jobs created here. Availability of large tracts of vacant land at affordable prices and excellent road connectivity with the city centre have set this micro-market on a steep growth trajectory.

### Market Activity

The IT/ITeS sector's emergence in tandem with the setting up of various manufacturing units in Pune over the last decade has resulted in the city's real estate market expanding in all four directions. The growing IT/ITeS sector will continue to fuel the residential markets as it is the largest employer and has the highest paying jobs in Pune. Since 2009, the city has witnessed the launch of close to 170,000 units, approximately 24% of which remain unsold. The market has experienced an increasing rate of project launches during this period and absorption levels have not kept pace with them. This resulted in unsold under construction inventory levels trending up from 12% in 2009 to the current 24%. Close to 42,500 units were launched during the four quarters ending March 2013.

The Pune home buyer shows a marked appetite for products priced within a budget of INR. 5mn. as was seen in the case of Xrbia at Hinjewadi whose entire inventory flew off the shelves mere days after its

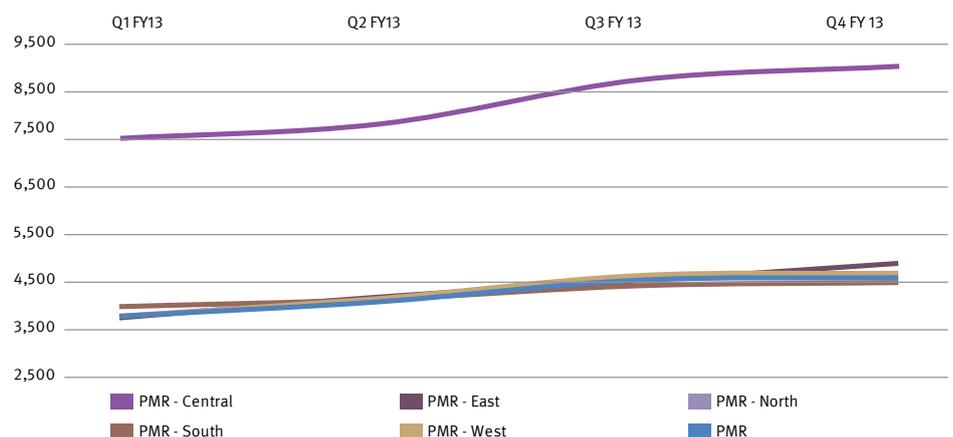
launch. Developers have targeted this demographic and the fact that 61% of the under construction inventory is focused on it augurs well for the market. However, the incidence of apartment launches priced in the INR. 5.0mn. – 7.5mn. and over INR. 7.5mn. categories has been increasing in recent times. A little over 82% of the under construction inventory is priced under INR. 7.5 mn.

### Supply

Over 65% of the upcoming supply in the Pune market is expected to be ready for possession by Q4 FY14 as a bulk of

projects were launched/ re-launched towards the end of 2009 and early 2010. 61% of the upcoming supply falls in the east and west micro-markets. Hadapsar, Wagholi and Kharadi account for 65% of the under construction inventory in the east while Hinjewadi, Bavdhan and Pimple Saudagar claim over 62% of the units under construction in the west. Just Wagholi in the east and Hinjewadi in the west constitute nearly 20% of all units coming online till the end of FY 2014. Similarly, Chakan in the north and Kondhwa to the south will see the largest share of units attain completion in these micro-markets during the same period.

**Chart 7: Price Trend For Four Quarters Ending Q4 FY13 (January-March 2013)**



Source: Knight Frank Research

\* Base taken as Q1 FY 2013, graph only depicts the trend in prices over three subsequent quarters

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## Just Wagholi in the east and Hinjewadi in the west constitute nearly 20% of all units coming online till the end of FY 2014.

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It is interesting to see the ticket size wise split of upcoming supply across micro-markets in Pune. The chart shows that the eastern and western locations have a wide variety of products that cater to home buyers across almost all ticket sizes. The western micro-market however, has a significantly bigger share of units priced in the INR. 5.0 – 7.5 mn. ticket size. Over half of the inventory in the north and south micro-markets is priced under INR. 5.0 mn.

As a bulk of the under construction inventory in Pune is within affordable levels, market vacancy levels are relatively healthy at 24% compared to markets like Mumbai and NCR where vacancies range significantly over 30% levels.

### Absorption

The Pune residential market experienced an uptrend in absorption during most of FY 2013 but volumes dipped significantly in Q4 FY 13 as the market reacted to the constantly increasing prices.

59% of the units absorbed so far have been in the affordable and mid segment housing with a ticket size less than INR. 5.0 mn. Based on the average sales velocity over the preceding four quarters, the unsold inventory in the Pune markets will take approximately five quarters to be fully absorbed.

### Price

Prices have stayed buoyant during FY 2013 on the back of steady absorption. The Pune market is largely end user driven and as such not subject to much volatility. However, in recent years investors especially from Mumbai have been buying in the Pune

market despite the fact that exit options are not available without transfer charges before possession in most cases.

## OUTLOOK

FY 2013 showed a marked uptrend as sales have picked up compared to the previous year, albeit absorption levels dipped during Q4 FY 13 as the market reacted to the increasing prices. The slowdown in the IT/ITeS sector also affected market sentiment as buyers were reluctant to make long term investment decisions. Sales activity is expected to stay muted over the next two quarters as the status quo prevails.

The core of the residential market is definitely moving to the eastern and western periphery of Pune where the IT/ITeS and manufacturing hubs are concentrated. The ample availability of land in these peripheral locations ensures that the residential product coming up is well within the affordability criteria of their catchments. With the walk to work concept popular among the IT/ITeS workforce and development of the Outer Ring Road along with allied social infrastructure, the attractiveness of relatively affordable locations like Wagholi and Hinjewadi as residential destinations will only increase in the long run.

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## Sales activity is expected to stay muted as the market comes to terms with the increasing prices.

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