

RESIDENTIAL
RESEARCH



RESIDENTIAL TRACTION @ GLANCE

Bengaluru
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MARKET OVERVIEW

The city, known for its IT/ITeS sector stronghold, has evolved into a matured residential market with low volatility witnessed in recent years.

The Bengaluru residential market has continued to rally forward since the sector hit a low during the economic slowdown witnessed in the country in 2009-2010. The city's residential segment further proved its resilience by maintaining a reasonable sales volume and new project launches even as global economic uncertainties encumbered growth in the services sector. The key demand drivers for Bengaluru's residential market such as employment opportunities, affordability and favourable demographics remained pertinent in attracting interest from end-users and investors alike, primarily consisting of the IT/ITeS population as well as a significant number of Non Resident Indians and expatriates.

Bengaluru has been expanding radially to meet the residential demands of its increasing populace. Its residential market can be divided based on geographical pattern into Central Bengaluru, North Bengaluru, South Bengaluru, East Bengaluru and West Bengaluru.

The city, known for its IT/ITeS sector stronghold, has evolved into a matured residential market with low volatility witnessed in recent years. The residential micro-markets, particularly towards the south and east, typically accounted for a majority of the new launches and absorption due to the presence of several prominent IT Parks. Of late, the northern part of the city has also come to be recognized as an active residential market. Several infrastructure initiatives and investments have made this region an attractive real estate option. The western zone of the city, that had hitherto been lagging behind in residential real estate development, has also received

an impetus with the launch of several large scale projects by national level developers. The central part of the city has remained a bastion for high-end residential projects and observes a consistent absorption level. Thus, the Bengaluru residential market has shaped up well with most micro-markets of the city witnessing encouraging growth and development.

Market Activity

Bengaluru witnessed the launch of around 35,500 residential units during the year 2012. The city's market picked up largely towards the last quarter of the year, resulting in a number of new launches by prominent developers. This trend continued into 2013 as well and the first quarter saw the launch of around 8,000 residential units.

Most of these projects are scheduled to be completed in 2015, thereby denoting the possibility of a glut of ready projects in the market in that period. A detailed depiction of quarter-wise launch of residential units has been given in Chart 1.

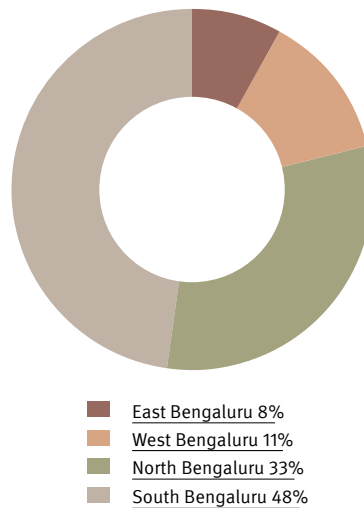
As is evident, South Bengaluru dominated the quarter-on-quarter new launch scenario, followed by North Bengaluru. Comparatively, the western and eastern part of the city did not witness much activity during 2012.

Bengaluru witnessed the launch of around 35,500 residential units during 2012 while approx. 8,000 units were launched in Q1 2013.

At present, the demand for mid-end homes seems to be the trend popular with developers consciously launching new projects that would appeal to customers in the current economic environment.

Zone	Manor Residential Destinations
Central	MG Road, Vitthal Mallya Road, Frazer Town, Lavelle Road, Richmond Road, Langford Town
West	Malleswaram, Rajajinagar, Tumkur Road, Vijayanagar, Yeshwanthpur
North	Banaswadi, Hebbal, Bellary Road, Hennur, Yelahanka, Jakkur, HBR Layout
East	Whitefield, Old Airport Road, Old Madras Road, KR Puram
South	Koramangala, Sarjapur Road, HSR Layout, Jayanagar, JP Nagar, Bannerghatta Road, Kanakapura Road

Chart 2. Micro-market share of units launched in 2012



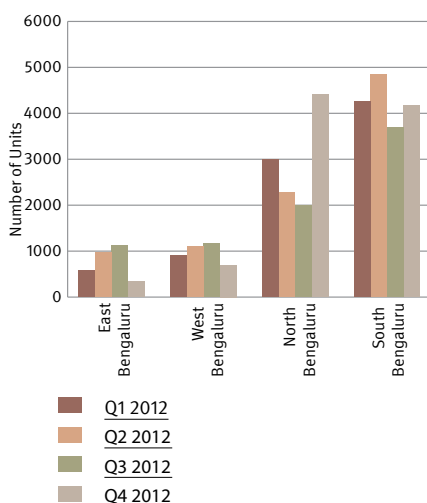
Source: Knight Frank Research

South Bengaluru witnessed the highest number of new launches in 2012 taking up 48% of the total pie. Sarjapur Road and its adjacent areas contributed towards a large chunk of the total number of new launches in the region. Projects launched in 2012 along Sarjapur Road include Salarpuria Seniorita and Prestige Ferns Residency. A number of projects were launched in Bannerghatta Road as well while Kanakpura Road saw the initiation of second phase construction of projects such as Mantri Serenity by Mantri Developers and Forest View by Sobha Developers.

North Bengaluru saw the second highest number of new residential unit launches in 2012. While some of the units were phased additions, new projects included Utsav Raaga by Pune-based Kolte Patil Developers located off Hennur Road and Nikoo Homes at Bhartiya City by Delhi-based Bhartiya Group in Thanisandra. Of late, Hebbal has come to be recognized as an upmarket residential destination in the region with the launch of projects such as Embassy Lake Terraces and Prestige Misty Waters in 2012. The promotion of this location can be largely attributed to the ongoing and planned infrastructure development in the northern region, the establishment of Bengaluru International Airport being one of the primary catalysts.

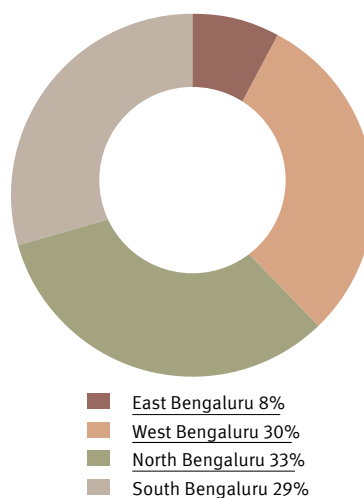
Going forward, the Bengaluru residential market is expected to witness continued buyer interest, albeit with cautious optimism.

Chart 1. Micro-market split of units launched per quarter



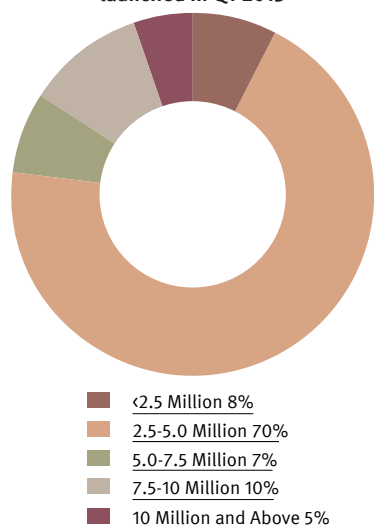
Source: Knight Frank Research

Chart 3. Micro-market share of units launched in Q1 2013



Source: Knight Frank Research

Chart 4. Ticket size split of units launched in Q1 2013



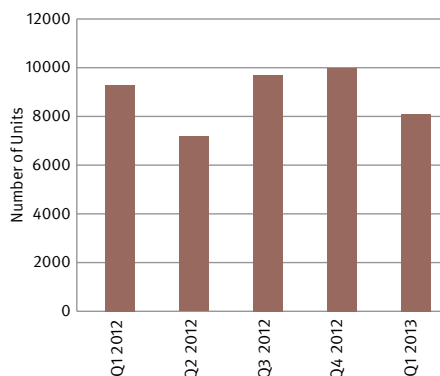
Source: Knight Frank Research

West Bengaluru and East Bengaluru also witnessed a number of new project launches in 2012, leading them to account for a respective 11% and 8% of the total pie. However, these were not as large scale as in other parts of the city. Notable projects in the eastern region include Prestige Glenwoods by Prestige Group at Mandur and Oceanus Classic by Oceanus Dwellings Group in Whitefield. Among the new launches in the western region, a mention can be made of One Bengaluru West by Mumbai-based Phoenix Mills in Rajajinagar as well as Gold County by Godrej Group on Tumkur Road.

The first quarter of 2013 saw the northern region leading the way in terms of new launches, accounting for 33% of the total pie. A majority of these launches were pertaining to plotted developments and villas. This region was closely followed by West Bengaluru with a substantial share of 30%. The proliferation of new residential units in the western part of the city can be largely attributed to the launch of Provident Sunworth by Provident Housing on Mysore Road, that has over 1,450 units.

South Bengaluru accounted for 29% of the total number of new residential units

Chart 5. Quarterly absorption trend



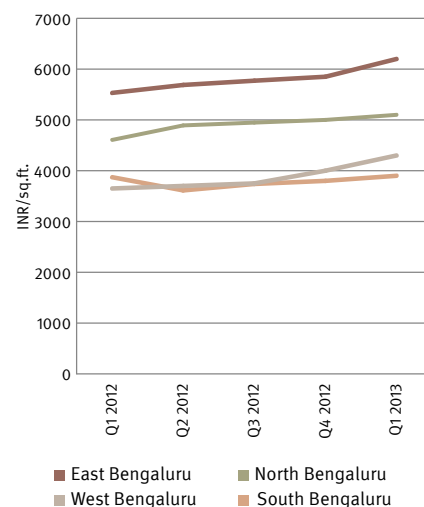
Source: Knight Frank Research

launched in Q1 2013, mostly comprising smaller projects. The eastern part of the city remained placid with only a few new launches in Q1 2013.

Some of the key residential projects launched in Q1 2013 have been enumerated in Table 1.

At present, the demand for mid-end homes seems to be the popular trend with developers consciously launching new projects that would appeal to customers in the current economic environment and sentiments. Around 70% of the projects launched in Q1 2013 belonged to the price bracket of INR 2.5-5.0 million while 8%

Chart 6. Weighted Average Price Movement



Source: Knight Frank Research

catered to the price range below INR 2.5 million. On the other hand, the upper mid-end and premium housing market in the city has been gaining momentum as well. Several projects launched in Q1 2013 have units with prices upwards of INR 7.5 million. The launch of these units in the higher price range, despite global economic uncertainties, indicates the maturity of the Bengaluru real estate market. First generation entrepreneurs, senior management from the IT/ITeS sector and Non Resident Indians have been observed to be primarily driving the demand for these high-end projects.

Table 1. Select residential projects launched in Q1 2013

Project Name	Developer	Location	No.of Units	Price (INR/sq.ft.)
RBD Still Waters Apartment	RBD Shelters	Haralur Road	300	3,900
Provident Sunworth	Provident Housing	Mysore Road-NICE Junction	1,450	3,510
Purva Sunflower	Puravankara Projects	Magadi Road	326	6,515-7,000
Renaissance Woods	Renaissance Holdings	Jalahalli	88	3,600-4,200
Ivory Heights	Nagarjuna Constructions	Mahadevapura	286	5,990
Nitesh Palo Alto	Nitesh Estates	Marathalli Sarjapur Ring Road	251	6,300
Indraprastha	Sobha Developers	Rajajinagar	356	11,295
Terraza	Unishire	Thanisandra	182	3,950

Source: Knight Frank Research

On the price front, the quantum of new launches witnessed by the city in the past two years will restrict substantial upward movement.

Absorption

The renewed momentum witnessed in the Bengaluru residential market has been marked by consistent prices and absorption levels. The year 2012 saw the absorption of approximately 36,000 residential units while around 8,100 units were sold in Q1 2013. Although Q2 2012 had exhibited a slight lull in absorption in the market, it picked up pace yet again in the subsequent quarters, as buyers generally tend to wait for the festive season to book their homes. However, absorption levels were slightly subdued in the southern and northern peripheral micro-markets of the city. These regions have the highest number of upcoming residential units as well. Large availability of units launched amidst the prevailing unfavourable global economic situation as well as deficient infrastructure may have resulted in the decreasing absorption level.

Price

In Bengaluru, the relatively cautious pricing strategies adopted by developers in residential properties have led the city to resist the negative impacts of the global turmoil. Low volatility in pricing ensures that sales momentum is maintained and buyers' sentiments are not crossed. While the prices in the southern micro-markets of Bengaluru moved in narrow ranges during 2012, there was some upward movement observed in other parts of the city. Locations like Hebbal in the north and Whitefield in the east witnessed price appreciation of around 10-12% in Q1 2013 over the prices in Q1 2012. Western locations like Tumkur Road and Magadi Road, too, saw prices move up by around 15% during the same period, which can be attributed to the

improving infrastructure. The Metro Rail under construction in the region will provide enhanced connectivity in the near future. Prices remained steady in other suburban and peripheral locations owing to high inventory levels and availability of large tracts of developable land.

Outlook

Bengaluru residential market is expected to witness continued buyer interest, albeit with cautious optimism. North Bengaluru will continue to be one of the sought after residential markets owing to the various infrastructure initiatives underway, such as the proposed high-speed rail link, the elevated expressway to BIAL and the monorail. The western suburbs, on the other hand, will be connected by Metro Rail, thereby leading to increased consumer interest in the region. However, work in most of these projects has been rather slow.

In South Bengaluru, the slew of residential projects under construction on Sarjapur Road is expected to be completed in the next 2-3 years and shall witness a healthy absorption level owing to the IT/ITeS populace engaged with the office projects along the Outer Ring Road, who prefer ready-to-occupy projects. Whitefield, in the east, will continue to attract buyers, owing to its proximity to workplace centres and the presence of retail and social infrastructure.

In another recent initiative, the Bengaluru-Mumbai Industrial Corridor that was mentioned in the Union Budget is expected to significantly ease congestion in Bengaluru besides benefitting many areas of the state. Although plans on the corridor are still in the nascent stage, its development will create scope for residential units in the form of integrated townships due to the connectivity and employment opportunities here.

On the price front, the quantum of new launches witnessed by the city in the past two years will restrict substantial upward movement. However, a number of factors such as rising development cost and cost of capital will lead the developers to peg their products at a slightly higher price bracket in the short term.

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