



RESEARCH

NOVEMBER 2012

RESIDENTIAL TRACTION @ GLANCE

Knight Frank

BANGALORE

Market Overview

Bangalore residential market continued to remain upbeat despite the slowdown witnessed in other cities. Strong end-user driven demand and realistic pricing have aided the city in sailing through unfavorable economic conditions and sustaining its absorption levels.

Zone	Major 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, HRBR Layout
East	Whitefield, Old Airport Road, Old Madras Road, KR Puram
South	Koramangala, Sarjapur Road, HSR Layout, Jayanagar, JP Nagar, Bannerghatta Road, Kanakapura Road

The city, known for its IT/ITeS sector stronghold, has evolved into a matured residential market with low volatility witnessed in recent years. The years 2010 and 2011 saw the launch of around 85,808 units while the same period was responsible for the absorption of approximately 54,687 units. The residential micro-markets, particularly towards the south and east, accounted for a majority of the launches and absorption due to the presence of several prominent IT Parks. The northern part of the city has also come to be recognized as an active residential market, though at present there is only one IT Park in the region. Several infrastructure initiatives and investments have made this region an attractive real estate option.

STRONG END-USER DRIVEN DEMAND AND REALISTIC PRICING HAVE AIDED THE CITY IN SAILING THROUGH UNFAVORABLE ECONOMIC CONDITIONS AND SUSTAINING ITS ABSORPTION LEVELS.

Meanwhile, the hitherto neglected western zone of the city has also received an impetus with the launch of a few projects by national level developers. The high-end residential projects are primarily located in the central part of the city and observe a consistent absorption level. Thus, Bangalore residential market has shaped up well with most micro-markets of the city witnessing encouraging growth and development.

Market Activity

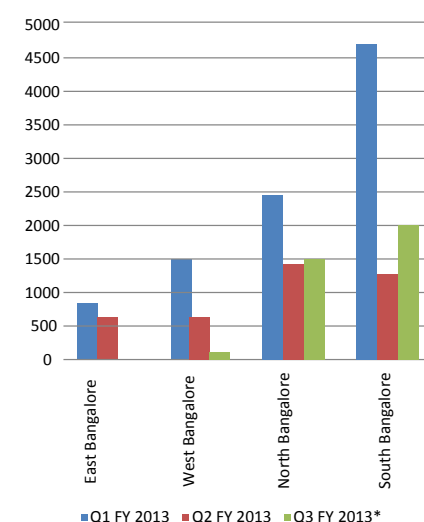
Bangalore witnessed the launch of around 16,700 residential units during the period April-November 2012. The new financial year 2012-13 (FY13) began on a positive note with the first quarter alone witnessing the launch of around 8,853 residential units across various micro-markets in the city. Major developers such as Brigade Group, Sobha Developers, Prestige Group, Nitesh Estates and Salarpuria Sattva Group launched their projects during Q1 FY13. Among the new launches, a mention can be made of Silver Sun by Prestige Group on Sarjapur Road, Brigade Orchards by Brigade Group in Devanahalli and Garden Bay by Prestige in Yelahanka.

The subsequent quarters also saw a substantial quantum of new launches in the

city, consisting of both apartments and villa developments. However, the number of units launched in Q2 FY13 and Q3 FY13 slackened to some extent as compared to the enthusiasm shown in the first quarter. While Q2 FY13 witnessed the launch of around 3,962 units, Q3 FY13 till mid-November 2012 saw 3,556 units being launched. This decline in project launches does not signify a downturn in housing demand as majority of the projects have phased out their completion dates and hence only a part of the total units planned have been opened for booking. More new project launches are in the pipeline till the end of Q3 FY13.

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

Chart 1. Micro-market Split of Units Launched Per Quarter in FY 2012-13



Source: Knight Frank Research

*Q3 FY 2012 denotes residential units launched till mid-November 2012

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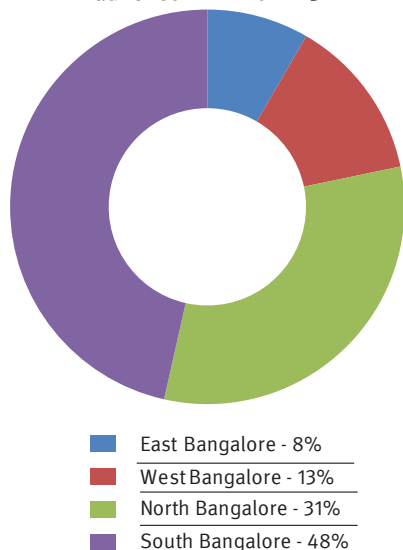
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BANGALORE WITNESSED THE LAUNCH OF AROUND 16,700 RESIDENTIAL UNITS DURING THE PERIOD APRIL-NOVEMBER 2012.

As is evident from the chart, South Bangalore dominated the quarter-on-quarter new launch scenario, followed by North Bangalore. While West Bangalore, too, witnessed some amount of new launches, East Bangalore did not witness much activity this financial year. The micro-market share of new launches in FY13 has been depicted in Chart 2.

Chart 2. Micro-market Share of Units Launched in FY 2012-13*



Source: Knight Frank Research

*Residential units launched till mid-November 2012

South Bangalore witnessed the highest number of new launches in FY13 till mid-November 2012 taking up 48% of the total pie. The area encompassing Sarjapur Road accounted for almost 30% of the total units launched in South Bangalore. Projects such as Salarpuria Seniorita, Prestige Ferns Residency and Sobha Marvella are some of the new residential projects here. A number of projects were launched in Bannerghatta Road as well. These include Eden Hall and Horizon by House of Hiranandani and One Hyde Park by Nitesh Estates. Another key southern residential market Electronics City saw the launch of E-City by Godrej Developers

and Shriram Signia by Shriram Properties. Most of the projects launched in the southern region fall under the mid-end category due to the distance factor.

North Bangalore followed as the region with the second highest number of new residential unit launches. While some of the units were phased additions, new projects included Utsav Raaga by Pune-based Kolte Patil Developers located off Hennur Road, Nikoo Homes at Bhartiya City by Delhi-based Bhartiya Group in Thanisandra and Fortuna Windflower by Fortuna Group at Sahakar Nagar.

West Bangalore, which had not seen much activity in the past, witnessed the launch of the high-end residential project One Bangalore West by Mumbai-based Phoenix Mills in Rajajinagar. A few other projects were launched on Tumkur Road, notably the projects Sovereign Sonaa by Sovereign Developers and Gold County by Godrej Group.

The eastern part of the city, too, saw a number of new projects being launched by reputed developers. These, however, were not as large scale as in other parts of the city. Notable projects launched include Prestige Glenwoods by Prestige Group at Mandur, DSR

Sunrise Towers by DSR Group in Whitefield and Zonasha Paradiso by Zonasha Estates & Projects on Marathahalli Outer Ring Road.

Some of the key residential projects launched during FY13 have been enumerated in Table 1.

At present, the demand for mid-end homes seems to be ruling the trend with supply not quite matching up to it. On the other hand, the premium housing market in the city has been gaining momentum in recent months. Several projects launched this year have unit prices upwards of INR 10 million. In the past, projects with this price tag were located only in the central areas of the city. However, of late, this trend has been shifting to the upcoming location of Hebbal in North Bangalore. Hebbal has fast gained prominence as a high-end residential market with projects such as Godrej Platinum, Equinox Water's Edge and RMZ Latitude. This financial year further saw the launch of premium projects like Embassy Lake Terraces, Prestige Misty Waters and Brigade Caladium. These projects boast of features such as private pools and extravagant landscaping. The promotion of this location can be largely attributed to the ongoing and planned infrastructure development in the northern region, the establishment of Bangalore

Table 1. Select Residential Projects Launched during FY 2012-13

Project Name	Developer	Location	No. of Units	Completion Year
Salarpuria Seniorita	Salarpuria Sattva Group	Sarjapur Road	360	2015
Brigade Orchards	Brigade Group	Devanahalli	600	2013
Ferns Residency	Prestige Group	Haralur Road	1316	2015
Sobha Morzaria Grandeur	Sobha Developers	Bannerghatta Road	129	2015
Lake Terraces	Embassy Group	Hebbal	467	2016
Utsav Raaga	Kolte Patil Developers	Off Hennur Road	291	2014
One Bangalore West	Phoenix Residences	Rajajinagar	580	2014
DLF Woodland Heights	DLF Group	Jigani	1080	2015
Purva White Hall	Puravankara Projects	Sarjapur Road	192	2015
Paradiso	Zonasha Estates & Projects	Marathahalli ORR	136	2014
Gold County	Godrej Developers	Tumkur Road	87	2015
Around The Mangoes	ND Developers	Off Sarjapur Road	50	2014

Source: Knight Frank Research



International Airport being one of the primary catalysts. Although the region still has social infrastructure issues, given the interest evinced by both buyers and developers alike, North Bangalore has enormous potential to develop into a prime residential property hub. The rise of premium housing in the city at a juncture when global economic uncertainties have created negative repercussions indicates the maturity of the Bangalore 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.

Absorption

The city's residential market has proven to be quite resilient in the face of such unfavourable conditions marked by consistent prices and absorption levels. While Q4 FY12 had exhibited a slight lull in absorption in the market, it picked up pace yet again in Q1 FY13. Although a decline was observed in Q2 FY13, developers were not much perturbed as buyers generally wait for the festive season to book their homes. On that note, although absorption level in Q3 FY13 is recorded only till mid-November it has been observed that sales during this festive period have been lower than the corresponding period in the previous year. This decrease in absorption can be due to lack of freebies or discounts generally offered by developers during festivals which boost sales to a large extent. It remains to be seen if absorption levels pick up in the forthcoming months since most transactions

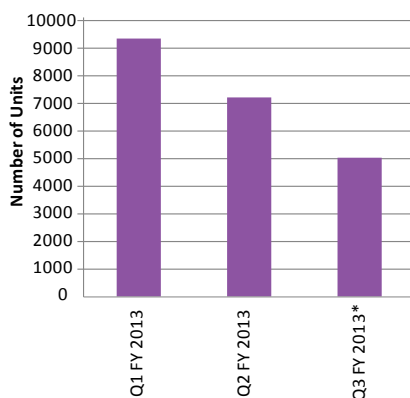
Table 2. Average Price Movement in FY 2012-13 (in INR/sq.ft.)

Micro-market	Q1 FY 2013	Q2 FY 2013	Q3 FY 2013*
Central Bangalore	20,500	20,500	20,500
East Bangalore	4,165	4,500	4,575
West Bangalore	6,550	6,575	6,575
North Bangalore	4,900	5,150	5,250
South Bangalore	5,450	5,500	5,500

Source: Knight Frank Research

*Q3 FY 2012 denotes prices till mid-November 2012 take place in the last quarter of the year.

Chart3. Quarterly Absorption in FY 2012-13



Source: Knight Frank Research

*Q3 FY 2012 denotes residential units absorbed till mid-November 2012

Price

Residential prices in Bangalore have moved in narrow ranges in FY13 from April-November 2012 without much variation, barring a few micro-markets. Locations like Hebbal in the north and Whitefield in the east witnessed price appreciation in Q3 FY13 to the tune of around 7% and 9% respectively

over the prices in Q1 FY13. Prices remained steady in other micro-markets which can be attributed mostly to high inventory levels and availability of large tracts of developable land in the suburban and peripheral locations. As a matter of fact, the primary reason behind the resilience in Bangalore residential market is the cautious pricing strategies adopted by developers. Low volatility in pricing ensures that sales momentum is maintained and buyers' sentiments are not crossed.

Outlook

Bangalore residential market is expected to witness continued buyer interest. New launches by reputed developers continue to be the norm with their project portfolio consisting of a balanced mix of both high-end and mid-end developments. On the price front, a number of factors such as the lending interest rate, inflation rate and other economic conditions that can affect purchase decisions of a buyer will determine the demand for housing and price appreciation in the forthcoming quarters. However, marginal appreciation is envisaged in a few micro-markets like Hebbal and Sarjapur Road that have considerable IT/ITeS sector presence.