



BENGALURU

RESIDENTIAL TRACTION @ GLANCE

September 2013

The Residential Traction @ Glance series analyzes the residential market of a city with regards to new supply, absorption, ticket size split of launched units, unsold stock, price trend, major project launches and future outlook.

MAIN HIGHLIGHTS OF THE REPORT

- Witnessed a **higher rate of launches and absorption** during H1 2013 vis-à-vis cities like **Mumbai and the NCR** that saw a decline under the spell of the economic slowdown.
- Launch of around **28,000** units during H1 2013, higher by **33%** over H1 2012.
- Absorption clocked a gain of **22%** in H1 2013 over its corresponding period in 2012.
- Positive signs in **IT/ITeS sector demand** and the **benefits of rupee depreciation** bode well for the residential market.



Bengaluru's residential segment proved its resilience convincingly by maintaining a fairly healthy sales volume and new project launches during H1 2013, while other metropolitan cities saw a decline under the spell of the economic slowdown.

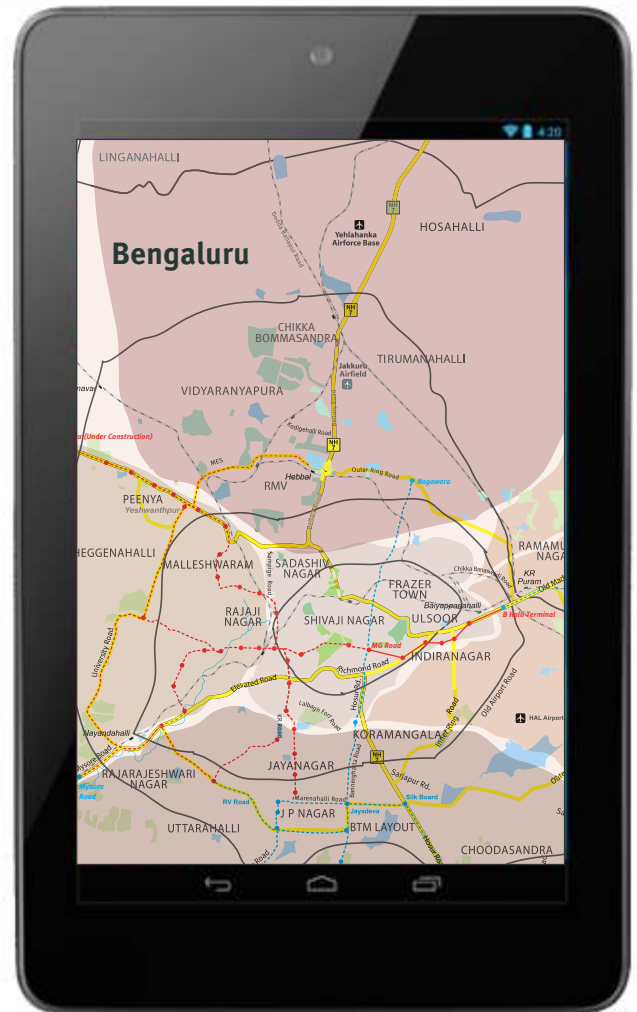
The Bengaluru residential market continued to rally forward during the first half of 2013 (H1 2013) despite the Indian economy's struggle to stay afloat. The city has thus come a long way from being a Pensioners' Paradise to emerging as a hotbed of residential activity, given the current rate of launches and the annual absorption trend vis-a-vis other older and prominent residential markets of Mumbai and the National Capital Region (NCR). Currently, there are around 120,000 units under construction in Bengaluru. The unsold inventory is pegged at approximately 50,000 units, comprising unsold units in ready as well as under construction projects, with an average period of six quarters to sell (QTS). QTS refers to the number of quarters required to exhaust the existing unsold inventory in the city.

The IT/ITeS sector remains the key demand driver of the Bengaluru residential market. In addition, factors such as affordability, growth of nuclear families and rise in the migrant workforce form the foundation of the residential market. Bengaluru has been expanding radially to meet the residential demands of its increasing populace. Based on the geographical pattern its residential market can be divided into Central, North, South, East and West Bengaluru.

MAJOR RESIDENTIAL DESTINATIONS

Central	MG Road, Vitthal Mallya Road, 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, Electronics City

Source: Knight Frank Research



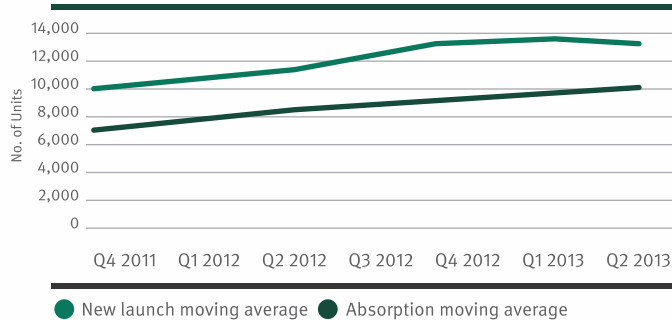
CURRENTLY, THERE ARE AROUND 120,000 UNITS UNDER CONSTRUCTION IN BENGALURU. THE UNSOLD INVENTORY IS PEGGED AT APPROXIMATELY 50,000 UNITS, COMPRISING UNSOLD UNITS IN READY AS WELL AS UNDER CONSTRUCTION PROJECTS, WITH AN AVERAGE PERIOD OF SIX QUARTERS TO SELL (QTS).

Launches and Absorption

Bengaluru witnessed the launch of around 28,000 residential units during H1 2013, signifying a quantum leap of 33% over the figure in H1 2012. Similarly, absorption during the same period in 2013 was pegged at 22,000 units. While absorption in cities like Mumbai plunged by 32% in H1 2013 as compared to its corresponding period in 2012, Bengaluru managed to score a gain of 22% in H1 2013 over the same period in 2012. This fact underscores the strength of the market which has performed in a bleak economic scenario. A closer observation

of the moving averages of both new launches and absorption over the past eight quarters (Q4 2011 to Q2 2013) reveals the fact that unlike the residential markets in Mumbai and the NCR, there has been a rather smooth upward progression in Bengaluru. Prices in the Bengaluru market albeit steady have not grown at the same pace, as this market is dominated by end-users who have an abundant choice of competitively priced products coming up in the suburbs.

8 QUARTERLY MOVING AVERAGE TREND OF NEW LAUNCHES AND ABSORPTION



Source: Knight Frank Research

AROUND 28,000 RESIDENTIAL UNITS WERE LAUNCHED DURING H1 2013, SIGNIFYING A QUANTUM LEAP OF 33% OVER THE FIGURE IN H1 2012. ABSORPTION ALSO CLOCKED A GAIN OF 22% IN H1 2013, COMPARED TO ITS CORRESPONDING PERIOD IN 2012.

While the first quarter of 2013 (Q1 2013) did not see much activity, Q2 2013 was characterized by a flurry of new launches. However, demand has kept up with this increase in launches during the same period which has helped maintain the residential market equilibrium.

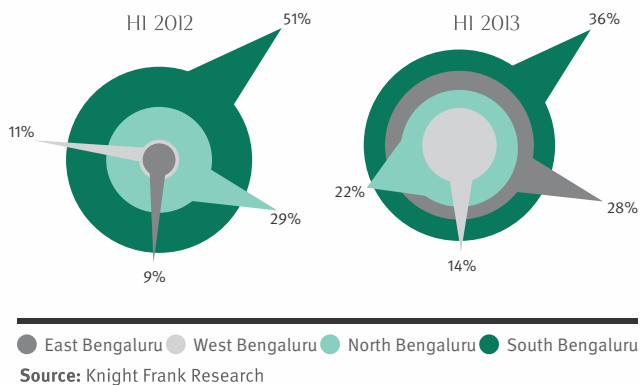
The IT/ITeS sector which is one of the most important drivers of residential demand in the city has experienced the benefits of rupee depreciation and signs of recovery in the western economies. This, coupled with affordable prices, has improved market sentiments and demand is likely to remain upbeat.

Despite the surge in absorption levels observed during H1 2013 in Bengaluru, the volume of unsold inventory continues to build up. However, it is not a major concern for the Bengaluru market as the QTS has been declining gradually from seven quarters to reach the present level of six quarters, which is a positive sign considering the fact that QTS has gone up in Mumbai and the NCR.

A graphical depiction of micro-market share of units launched in H1 2012 and H1 2013 shows the domination of South Bengaluru residential markets during both the periods.

MARKET SENTIMENT WILL REMAIN UPBEAT OVER THE MEDIUM TERM AS THE IT/ITES SECTOR REVENUES ARE EXPECTED TO STAY STRONG DUE TO THE SIGNS OF RECOVERY IN THE WESTERN ECONOMIES AND THE BENEFITS OF RUPEE DEPRECIATION. ON THE PRICE FRONT, THE QUANTUM OF NEW LAUNCHES WITNESSED BY THE CITY IN THE RECENT PAST AND THE ABUNDANCE OF DEVELOPABLE LAND WILL RESTRICT SUBSTANTIAL UPWARD MOVEMENT.

MICRO-MARKET SHARE OF UNITS LAUNCHED IN H1 2012 AND H1 2013



South Bengaluru had witnessed the highest number of new launches in H1 2012 taking up 51% of the total pie. Sarjapur Road and its adjacent areas had contributed towards a large chunk of the total number of new launches in the region. Although South Bengaluru maintained its lead over other markets in H1 2013 as well, its share dropped by 29% compared to H1 2012. Electronics City accounted for 32% of the total number of units launched in H1 2013 in South Bengaluru. While some of the units were part of additional phases, new projects in H1 2013 included Bren Woods by SJR Group in Electronics City, Liberty Square by Atlantis Builders in Kanakapura Road and Manar Pure Earth by Manar Developers in Sarjapur Road.

East Bengaluru observed a large number of new project launches in H1 2013 taking up its share by three times from just 9% in H1 2012 to 28%. Over the years, this region has evolved into a self-sufficient micro-market. Corporates have made large investments in office spaces in locations like Whitefield and ORR East while infrastructure initiatives have fructified in tandem. This has increased the attractiveness of East Bengaluru as a residential destination. Besides the strong presence of the IT sector, public sector companies such as HAL, BEML, ITI and NGEF were instrumental in the residential growth of the eastern zone of the city. Whitefield and its adjacent areas such as Hoodi, Mahadevapura and Brookefields were responsible for almost 60% of the total units launched in the eastern

region. Some of the new projects launched in H1 2013 are Brigade Lakefront by Brigade Group in Whitefield, Shalom by Gina Developers in KR Puram and VDB Azure by VDB Developers in Gunjur.

BENGALURU HAS EMERGED AS A HOTBED OF RESIDENTIAL ACTIVITY, GIVEN THE RATE OF LAUNCHES AND ABSORPTION IN H1 2013 VIS-A-VIS OTHER OLDER AND PROMINENT RESIDENTIAL MARKETS OF MUMBAI AND THE NATIONAL CAPITAL REGION.

SELECT RESIDENTIAL PROJECTS LAUNCHED IN H1 2013

Project Name	Developer	Location	No. of Units	Price (₹/sq.ft.)
Cosmopolis	Brigade Group	Whitefield	880	5,990
Miraya Rose	UKN Properties	Whitefield	88	9,500
Orchids	Golden Gate Properties	Kannur	167	4,000
Palazza City	SJR Prime Corporation	Sarjapur Road	1,000	4,300
Skylark Ithaca	Skylark Group	KR Puram	700	3,700
Sunrise Park	Prestige Group	Electronics City	1,047	3,900
Valmark Apas	Valmark	Bannerghatta Road	116	6,390
Web City Phase 2	Mantri Developers	Hennur Road	272	4,740

Source: Knight Frank Research

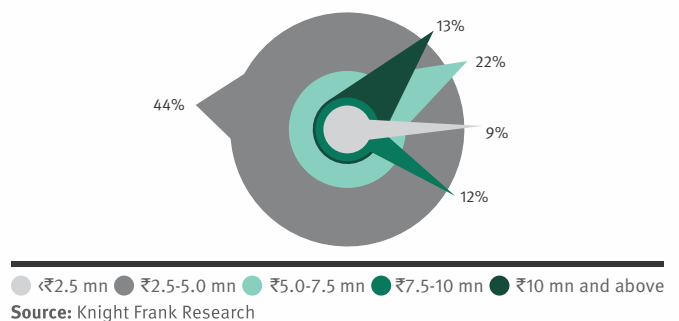
West Bengaluru and North Bengaluru also witnessed a number of new project launches in H1 2013, leading them to account for a respective 14% and 22% of the total pie. While Mysore Road in the western region saw phased additions of notable projects like Provident Sunworth by Provident Housing as well as new launch of Melody by Salarpuria Sattva, the northern part of the city saw prominent launches in Thanisandra and Hennur Road with projects like Orchid Gardenia by NR Greenwood Developers and Mantri Webcity by Mantri Developers respectively.

A closer look at the ticket-size split of units launched during H1 2013 shows us that mid-end homes seem to be the most popular with developers, as this segment finds the most takers in the current economic environment. Around 44% of the projects launched in H1 2013 belonged to the price bracket of ₹2.5-5.0 mn while 9% catered to the price range below ₹2.5 mn. Significantly, Electronics City, located 20 km. from the city centre, accounted for around 26% of the total units in the price range below ₹2.5 mn.

RESIDENTIAL RESEARCH

On the other hand, the upper mid-end and premium housing market with unit prices higher than ₹7.5 mn. has been gaining momentum in the city as well. Altogether, 25% of the total units launched in H1 2013 belonged to these categories and this share has moved up from 22% since the previous reference period. The launch of these units in the higher price range, despite global economic uncertainties, indicates the maturity of Bengaluru's real estate market. First generation entrepreneurs, senior management from the IT/ITeS sector and NRIs have been observed to be primarily driving the demand for these high-end projects. However, absorption has been rather slow in these high-end projects in H1 2013.

TICKET SIZE SPLIT OF UNITS LAUNCHED IN H1 2013



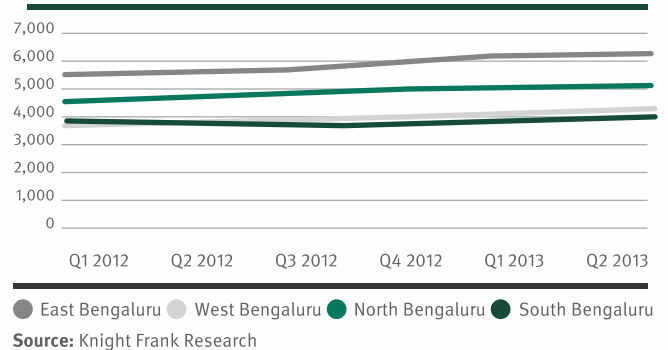
Price

The city's residential market observed its weighted average price appreciate by 8-13% in Q2 2013 over the prices in Q2 2012, across various zones. The prices in the northern and southern micro-markets of Bengaluru moved in narrow ranges during the period Q2 2012 to Q2 2013, to the tune of 8-9%, owing to high inventory levels and availability of large tracts of developable land. Meanwhile, there was some upward movement observed in the eastern and western

regions of the city. Locations like Whitefield in the east and Rajajinagar in the west witnessed weighted average price appreciation of around 10-13%. Other western locations like Tumkur Road and Magadi Road, too, saw prices move up by around 12% during the same period. This can be attributed to the improving infrastructure. The Metro Rail under construction in the region will provide enhanced connectivity in the near future.

GOING FORWARD, DEMAND IS LIKELY TO BE CONCENTRATED AROUND THE RESIDENTIAL PROJECTS ALONG THE OUTER RING ROAD, COMPRISING THE STRETCH HEBBAL – KR PURAM – MARATHALLI – SARJAPUR ROAD. GOOD CONNECTIVITY AND INFRASTRUCTURE COUPLED WITH FAVOURABLE PRICING WILL ENSURE BUYERS' INTEREST IN THESE LOCATIONS.

WEIGHTED AVERAGE PRICE MOVEMENT



Outlook

Bengaluru's residential market has shown strong traction during H1 2013. Besides the appreciable number of launches and absorption in H1 2013, the fact that property prices have been relatively stable in the past few years also makes it quite attractive to the buyer. The first half of 2013 attracted a fair amount of private equity investment in the residential and commercial sectors.

period around the corner, demand witnessed during H1 2013 is expected to continue in the next few quarters as well. We expect market sentiment to stay upbeat over the medium term as the IT/ITeS sector revenues are expected to stay strong due to the signs of recovery in the western economies.

Going forward, demand is likely to be concentrated around the residential projects along the Outer Ring Road, comprising the stretch Hebbal – KR Puram – Marathalli – Sarjapur Road. Good connectivity and infrastructure coupled with favourable pricing will ensure buyers' interest in these locations. With the festive

On the price front, the quantum of new launches witnessed by the city in the recent past and the abundance of developable land 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.

RESIDENTIAL RESEARCH

Research

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

Consultancy & Valuation

Saurabh Mehrotra
saurabh.mehrotra@in.knightfrank.com

Residential Agency

Mudassir Zaidi
mudassir.zaidi@in.knightfrank.com

Regions

West

Naushad Panjwani
naushad.panjwani@in.knightfrank.com

North

Rajeev Bairathi
rajeev.bairathi@in.knightfrank.com

South

Satish BN
satish.bn@in.knightfrank.com

Cities

Pune

Shantanu Mazumder
shantanu.mazumder@in.knightfrank.com

Hyderabad

Subrata Sharma
subrata.sharma@in.knightfrank.com

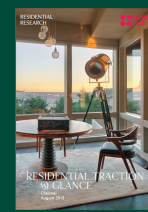
Chennai

Kanchana Krishnan
kanchana.krishnan@in.knightfrank.com

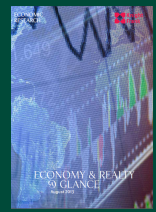
Recent market leading research publications.



**Pune Office
Traction@Glace
August 2013**



**Chennai Residential
Traction@Glace
August 2013**



**Economy & Realty
@Glace
August 2013**

Knight Frank India research provides development and strategic advisory to a wide range of clients worldwide. We regularly produce detailed and informative research reports which provide valuable insights on the real estate market. Our strength lies in analyzing existing trends and predicting future trends in the real estate sector from the data collected through market surveys and interactions with real estate agents, developers, funds and other stakeholders.

This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank to the form and content within which it appears.

Knight Frank Research Reports available at
www.KnightFrank.com/research