News Release

Significant rise in residential launches; office records robust growth in H1 2018 – Knight Frank India Real Estate Report

~Bengaluru shows stellar growth in residential and office markets~

Mumbai, July 25, 2018: Knight Frank India today launched the ninth edition of its flagship half-yearly report - **India Real Estate.** The report presents a comprehensive analysis of the **residential** (across eight cities) **and office** (across seven cities) **market performance** for the period **January – June 2018 (H1 2018)**.

Office Takeaways

- *Highest H1 transaction volume in 6 years; robust growth at 13% YoY. Increased space take-up by the 'Other Services' sector aids transaction volumes*
- *Pune experiences maximum growth in transactions at 118%; Bengaluru continues to clock the highest transaction numbers*
- *New completions remain subdued, down 10% YoY*
- *Mumbai sees maximum space come online while NCR sees the most YoY growth in office supply*
- *New completions continue to be inadequate in the face of robust transactions, keeping vacancy levels low; Bengaluru leads southern region with lowest vacancy*
- *Most Indian cities experience strong positive rental growth. Bengaluru sees highest growth at 17% YoY; greater share of relatively lower priced business districts leads to reduced rentals for Mumbai*
- *Co-working service providers account for 13% of total transacted space – an emerging trend; IT/ITeS share declines*

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INDIA MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
New completions mn sq m (mn sq ft)	1.7 (18.2)	-10%
Transactions mn sq m (mn sq ft)	2.0 (21.5)	12%
Weighted average rental in ₹/sq m/month (₹/sq ft/month)	779 (72)	5%
Stock mn sq m (mn sq ft)	60.4 (650)	-
Vacancy (%)	12.1%	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Residential takeaways:

- *Significant jump in launches by 46% YoY*
- *Launches concentrated at lower ticket sizes; 51% of total supply concentrated in the under INR 5 mn ticket size.*
- *Increased focus on lowering ticket sizes; Mumbai and Bengaluru, the largest markets, account for 56% of total supply during H1 2018. These markets experienced a significant rise in the share of units launched in under INR 10 mn and INR 5 mn respectively over H1 2016*
- *Mumbai sees maximum growth in launches at 128% YoY while NCR and Pune see more than 75% growth. Reprieve on dumping ground issue fuels Mumbai's growth*
- *Price drop intensifies in Mumbai, Pune and Kolkata at 9%, 8% and 8% respectively. 'Effective' price drop of 10-15% continues in cities like Mumbai, NCR, Pune and Kolkata. Hyderabad bucks the trend with an exceptional price growth at 8% YoY*
- *Sales stagnate despite increased launches, reduced prices, government reforms and incentives. Bengaluru's stellar growth prevents pan India decline in sales; Kolkata witnesses sharpest drop amongst all markets*

- *Quarters-to-sell (QTS) stagnant at around 3 years since 2015 due to drastic drop in launches. Project Life Cycle (PLC) continues to increase and is well above 6 years currently. NCR witnesses steepest increase in PLC*

INDIA MARKET SNAPSHOT

PARAMETER	H1 2018	CHANGE YOY
Launches (housing units)	91,739	46%
Sales (housing units)	124,288	3%
Unsold inventory (housing units)	497,289	-17%
Quarters to sell (QTS)	11.2	-

Note- 1 square meter (sq m) = 10.764 square feet (sq ft)
Source: Knight Frank Research

Speaking on the occasion, Shishir Baijal, Chairman & Managing Director, Knight Frank India said, *"The turbulent times that we have experienced starting from November 8, 2016 to the changes that have happened in 2017 have really shaped the way the residential market is moving ahead. This coupled with cities like Mumbai, where the ban on construction took place and Delhi, where the NGT (National Green Tribunal) ruling happened, has really stalled the entire industry. However, a lot of time has elapsed since then. Both RERA and GST have been set in motion and accepted by the industry which industry has recalibrated itself to a new level in terms of workplaces and policies. The office sector, on the other hand, has been doing very well with the vacancy levels at single digits in many cases and rentals steadily moving upwards.*

However, with the forthcoming general elections, high inflation and interest rates slowly inching up, a lot uncertainty still exists in the market. It could perhaps still be a rocky way ahead for the real estate industry and we all continue to look ahead for the impetus that is required for the industry to revive."

About Knight Frank

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