Residential traction @ Glance

Knight Frank

National Capital Region
Market Overview

The NCR has often been referred to as one of the strongest real estate destinations in India. It is an attractive market not only for developers, but also for investors. Multinational companies from all around the world have set up their base in the NCR, which has given a big boost to the real estate sector in the region. Good connectivity, planned infrastructure and availability of skilled manpower have become a pull factor not only for international but also domestic companies. The government has also played an important role by taking up new infrastructure initiatives that have led to tremendous development. IT/ITeS, Manufacturing, Pharma and BFSI industries have been driving the demand for office space in the region and have driven residential demand to a great extent.

Residential development in the NCR has also been fast-paced since the past couple of years. Most of these developments have taken place in the vicinity of the commercial hubs. Despite being in the news for all the erroneous reasons whether it is a threat of oversupply situation, huge project delays, lack of affordable housing or land acquisition issues, the NCR’s residential market still remains one of the most stable markets in India. It is also the largest residential market in the country by sheer volume of residential units launched. It currently has higher number of units compared to the other five metropolitan cities of Mumbai, Chennai, Bangalore, Kolkata and Hyderabad put together.

Gurgaon’s residential development is taking place in particular pockets. A major chunk of residential supply lies on the Northern Periphery Road (NPR), a stretch on the Dwarka Expressway. This area is known as New Gurgaon with residential land use as per the Gurgaon Master Plan 2021. The expressway is in close proximity to the commercial/industrial areas of Manesar. Most of the projects in this location are multi-storey and fall in the mid-segment category. Along with the NPR some other locations in Gurgaon that have seen major residential supply are Golf Course Extension and Sohna Road.

Due to the limited availability of large land parcels in Noida, group housing developments have been restricted to newer locations in Sectors 44, 50, 51, 52, 62, 74, 77 and residential Sectors 93, 94, 137, 143 and 168 on the Noida–Greater Noida Expressway. Greater Noida has also emerged as another important residential market, a number of residential projects have come up in Sectors 1, 16B, 16C, Tech Zone 4, Zeta I and the Yamuna Expressway.

In Faridabad, locations like Old Faridabad road and residential sectors on NH2 and Suraj Kund road have seen ample residential supply during the last few years. However, newer locations like Neharpur and Sectors 70-89 have also witnessed a number of project launches, ranging from affordable to high-end residential.

Ghaziabad which is one of the industrial towns in the region has witnessed bulk residential supply in Indirapuram, Sahibabad, Vaishali, Vasundhara, Raj Nagar Extension and NH24 Crossing Republic. Most of the projects in these locations are affordable and mid-segment.

Market Activity

The NCR did not witness a steep fall in project launches during last year despite the global economic slowdown. Ghaziabad contributed to nearly 34% of the number of project launches in FY 2012, followed by Gurgaon and Noida. Nearly 86,000 residential units entered the market in FY 2012. These were equally distributed over the micro-markets of Gurgaon, Noida, Greater Noida and Ghaziabad. Most of the project launches in Noida took place on the Noida–Greater Noida Expressway and Sectors 74, 75, 77. Some of the big projects launched in this micro-market are Supernova by Supertech Developers, 3rd Phase of Uni Homes by Unitech, Jaypee Greens Aman II and Lotus Zing by 3C. Developers have shifted their

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focus from Golf Course Extension and Sohna road in Gurgaon to Dwarka Expressway, evident from the number of projects launched in Gurgaon. Majority of the launches took place on the Dwarka Expressway. Gurgaon Greens by Emaar MGF, Unitech South Park, Puri Diplomatic Greens and BPTP Amstoria were some of the prominent projects launched here. Raj Nagar Extension witnessed ample activity in terms of project launches in FY 2012. Upto last year Crossing Republic and Indirapuram were the preferred locations for developers in Ghaziabad, however only a small number of projects were launched here during FY 2012. Developers were able to gauge the pulse of the market and launched more affordable and mid segment projects than premium projects in FY 2012. Nearly 40% of the units launched, fall in the INR 2.5-5 million ticket size.

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Supply
As of March 2012, nearly 5,00,000 units are under various stages of construction in the NCR market. About 50% of the upcoming supply in the NCR market is expected to be ready for possession by 2013, as a bulk of projects were launched towards the end of 2009 and early 2010. Nearly 57% of the upcoming supply falls in Noida and Greater Noida. Gurgaon constitutes nearly 19% of the upcoming supply. About 94,000 units are slated to enter this market by 2015. It is interesting to see the ticket size wise split of upcoming supply across micro-markets in the NCR. The chart shows that Ghaziabad’s contribution to the supply gradually decreases with increasing ticket sizes, whereas on the other hand Gurgaon has hardly anything to offer in the ticket size.

<2.5 million and 2.5 to 5 million, and its share gradually goes up with an increasing ticket size. Noida has an evenly distributed product mix across all ticket sizes, not only in terms of prices but size of units as well. The NCR being the largest residential market faces challenges at the unsold inventory levels. However the market has shown stability and there has been no drastic dip in the sales velocity in FY 2012. The vacancy levels have improved and stand at 36% in Q4 2012 as compared to 40% in Q2 FY 2012. Gurgaon shows vacancy levels as high as 39%, since bulk of projects have been further added to the Dwarka Expressway in FY 2012. Also the average ticket size in Gurgaon is high as compared to other micro-markets. Employees working with various companies in Cyber City, Golf Course Road and Udyog Vihar contribute exceedingly to the demand in Gurgaon. Most of the end users want to buy properties that are ready to move, within a year or two. However, there are

About 78% of the unsold inventory is concentrated in Noida and Greater Noida, due to the start of a number of big projects here, including Noida Extension that generated a controversy over land acquisition. Noida and Greater Noida were favourable destinations for developers as both locations have very good connectivity with Delhi and land was being made available by the government at cheaper rates. Even though these locations have a demand for housing from the IT/ ITeS companies and residents of East Delhi and parts of Eastern UP, the appetite for absorption of such huge supply is still questionable.

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Few such projects. Construction activity has not picked up on the Golf Course Extension road and developers have been pushing the completion dates further. Northern Periphery Road will take another four to five years to get the infrastructure in place for buyers to even consider moving.

Nearby 66% of the absorption has been in the affordable and mid segment housing with a ticket size less INR 2.5 million and 2.5-5 million. Based on the average sales velocity of FY 2012, the unsold inventory in all the markets will take approximately four quarters to be fully absorbed.

Absorption

The NCR witnessed a dip in sales velocity in Q3 FY 2012 compared to the previous two quarters, but it has gathered momentum in Q4 FY 2012 across all micro-markets. The reason for such a dip could be limited number of project launches in Q3 FY 2012 and uncertainty in the minds of the buyers due to prevailing global financial conditions and speculations. Greater Noida witnessed the lowest dip in sales in Q3 2012 due to the prevailing uncertainty over Noida Extension location. Nevertheless sales have shown an upward trend in Q4 2012 as customer confidence seems to have been restored. The NCR Planning Board has suggested certain changes in the Master Plan for Greater Noida. Once these are incorporated, developers can revive work. Faridabad and Ghaziabad have shown negative growth in sales, both these cities do not have enough commercial developments to support the residential demand. Even though most of the affordable projects with a ticket size less than INR 2.5 million are in these two locations, vacancy levels are high, showing a mismatch between the supply and buyer preference.

Price

Prices have moved in narrow ranges in FY 2012. The NCR has fared well as compared to other metro cities and not seen a drop in prices. The NCR market is unique as investors also play an important role. Even though end users were cautious and waiting for interest rates to dip, they had no inhibitions in buying properties that kept the prices stable even after speculation of correction. Delhi has further seen an increment in prices in the residential areas of Anand Niketan, Friend’s Colony, Maharani Bagh, Greater Kailash and Green Park due to the hike in circle rates for the second time by the Delhi State Cabinet. Peripheral micro-markets of Gurgaon, Noida, Greater Noida, Ghaziabad and Faridabad have also seen a steady increase in weighted average prices during the four quarters of FY 2012.
Outlook

Market shows a positive outlook as sales have picked up in Q4 FY 2012. Even though the quantum of units launched in the NCR market is very high, quarters to complete analysis shows that unsold inventory will be absorbed two quarters ahead of the completion based on long term sales velocity at an aggregate level. RBI slashing the repo rates will also have a positive impact on consumer sentiments as it might lead to reduction in interest rates for home loans in the near future. Noida Extension projects are also expected to resume construction work in the upcoming months subject to approval from National Capital Region Planning Board (NCRPB). Haryana Development Authority has also introduced self certification system that will reduce the time for approval of building plans and prove advantageous for developers. However, developers are still facing liquidity crunches. Construction costs have gone up too. These factors might restrict developers from launching a number of projects. Prices in the suburban micro-markets of the NCR are expected to remain stable over the next few quarters. However Delhi might see some appreciation in capital values due to limited residential supply.