

NCR

RESIDENTIAL TRACTION @GLANCE

October 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

- The NCR market is striving for a better equilibrium
- Developers focusing on project completion; deferring new launches
- NCR witnessed a total absorption of 35,000 units in H1 2013, showing an increase of 18% from H1 2012

In the wake of current uncertain economic fundamentals, residential real estate markets in the country continue to remain suppressed. Pressures of substantial unsold inventory and liquidity constraints have compelled developers to slow down project launches. Sales volumes are slithering due to weakened consumer sentiments.

Market Overview

The National Capital Region (NCR) has witnessed a slowdown during 2012. Massive delays in project deliveries coupled with the economic slowdown have affected demand as consumers have become cautious and are delaying home buying decisions. Taking leads from this trend, developers have begun focussing on project execution and are deferring new launches. Over the past two years project launches have fallen by nearly 40% compared to the peak levels of 2010. Both long and short term moving average of launches confirms a plummeting trend. However there is a marginal recovery of project launches in the last couple of quarters.

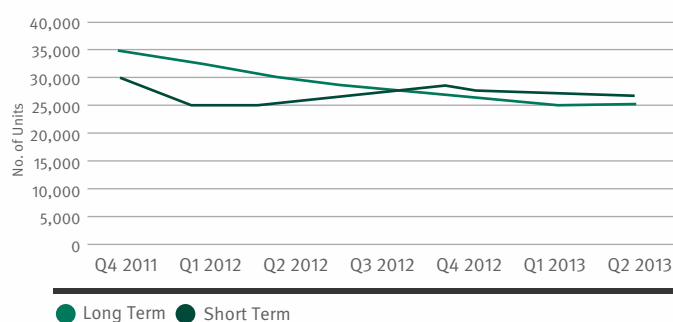
A similar analysis of residential sales velocity highlights that the long term moving average of absorption in the NCR market has recently stabilised after a falling trend. In fact, demand has significantly improved in the last few quarters leading to a substantial improvement in the short term moving average. It is important to note that this upward trend in absorption with limited launches clearly indicates that the NCR market is striving to reach a better equilibrium. In case this trend continues for a couple of quarters, the supply demand gap will taper further leading to an upward pressure on property prices.

Despite favourable absorption levels in the recent quarters, NCR's residential market displays a high quarters to sell (QTS) ratio as the volume of unsold inventory has been building. QTS refers to the number of quarters required to exhaust the existing unsold inventory in the city. The QTS ratio stands at 8, which is undeniably high, but has stabilized during the last three quarters, showing a positive sign for the market. It has moved up from 5 to 8 between Q4 11 and Q4 12 as the unsold inventory has been accumulating. The recent slowdown in launches was much needed to control the inventory pile up. Nearly 540,000 residential units are under construction in the NCR market. The unsold inventory is pegged at approximately 132,000 units, comprising unsold units in ready as well as under construction projects.

Greater Noida and Noida constitute more than half of the under construction units in the NCR market. Both these micro-markets are backed by the on-going robust infrastructure developments. Noida is perceived to be a prime end-user market in Uttar Pradesh due to the presence of good physical and social infrastructure along with proximity to South Delhi and abundant job opportunities. Greater Noida on the other

hand enjoys the presence of large contiguous land parcels that are ideal for group housing projects. However, as compared to Gurgaon and Noida, the residential market in Greater Noida has been somewhat cautious because of the lack of commercial presence to support the residential supply.

MOVING AVERAGE TREND OF LAUNCHES



Source: Knight Frank Research

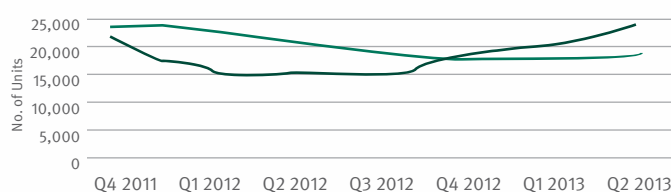
Gurgaon is the second largest contributor to NCR's residential market. This micro-market constitutes 24% of the under construction units. New infrastructure developments and the presence of prominent builders like DLF, TATA, Unitech, IREO, M3M, Rahejas and Emaar have made Gurgaon one of the favoured residential markets in the NCR with primarily mid to high segment projects. The primary developing areas in Gurgaon are Golf Course Extension Road, Southern Peripheral Road Dwarka Expressway, Manesar and Jaipur Highway. Bhiwadi and Dharuhera are the upcoming residential hubs catering to the affordable housing demand that has been created by the continual industrial development in these locations. Along with being affordable these projects are offering good infrastructure, public amenities and connectivity options to lure buyers.

Ghaziabad and Faridabad constitute nearly 20% of the units under construction in the NCR market. Both these markets are backed by industrial growth. In Faridabad locations like Old Faridabad, sectors on NH2, Neharpar and Surajkund Road have seen ample residential project launches during the last few years. On the other hand Indirapuram, Crossings Republic and Raj Nagar Extension are some of preferred locations within Ghaziabad.

RESIDENTIAL RESEARCH

THE NCR RESIDENTIAL MARKET INDICATED SIGNS OF STABILITY IN H1 2013. NEARLY 49,000 UNITS WERE LAUNCHED IN THIS PERIOD SHOWING MARGINAL INCREASE OF 11% AS COMPARED TO H1 2012. HOWEVER, A COMPARISON WITH THE FIRST HALF OF 2011 AND 2010 REVEALS A DIP OF 33% AND 59% RESPECTIVELY. IT IS QUITE EVIDENT THAT DEVELOPERS ARE KEEPING NEW LAUNCHES IN CHECK IN ORDER TO BRIDGE THE SUPPLY AND DEMAND GAP.

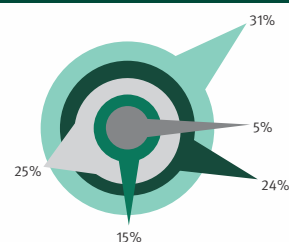
MOVING AVERAGE TREND OF ABSORPTION



● Long Term ● Short Term

Source: Knight Frank Research

MICRO-MARKET SPLIT OF UNDER CONSTRUCTION UNITS AS ON JUNE 2013



● Noida ● Faridabad ● Greater Noida ● Ghaziabad ● Gurgaon

Source: Knight Frank Research

Market Activity

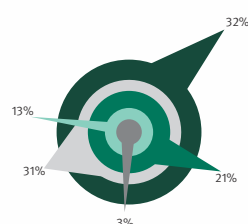
GREATER NOIDA CONTRIBUTED TO ABOUT 40% OF THE UNITS LAUNCHED IN H1 2013, SHOWING A THREE TIMES INCREASE COMPARED TO H1 2012. HOWEVER, THIS SHOULD BE VIEWED IN LIGHT OF THE FACT THAT 2012 SAW AN EXCEPTIONALLY LOW NUMBER OF NEW LAUNCHES DUE TO THE LAND ACQUISITION ROW. RESOLUTION OF THIS ISSUE IN THE LATTER HALF OF 2012 HAS NORMALISED THE MARKET AND LAUNCHES HAVE NOW REACHED THE 2011 MARK.

Preferred locations were Yamuna Expressway, Tech Zone – IV and Jaypee Sports City in the price range of ₹2,500-3,500 /sq.ft. Availability of huge land parcels and reasonable prices facilitate developers to launch projects in the affordable and mid-segment range with a ticket size less than ₹5 million. The fact that developers have been focussing on affordable and mid-segment housing concurs well with an increase in project launches in Ghaziabad which is another market having similar offerings. Majority of the projects launched in Ghaziabad are in Raj Nagar. Extension, mainly a mid -segment residential area that boasts of good connectivity and infrastructure, with under construction highways and proposed metro lines.

Most of the unit launches in Ghaziabad are below ₹5 million, with an average unit size of 1,000-1,500 sq.ft.

Gurgaon accounted for 22% of the launches in H1 2013, bringing its share down to two-third the levels of H1 2012. It is interesting to note that the only premium projects launched in NCR H1 2013 have been in Gurgaon within the price range of ₹9,000-11,000 per/sq.ft. indicating the dominance and demand for the luxury segment. Spearheading Gurgaon's development is the Northern Peripheral Road (NPR) or the Dwarka Expressway, where developers like Paras Buildtech, DLF Ltd., Unitech, Emaar MGF, Ireo Management, Vatika Group and Raheja have come

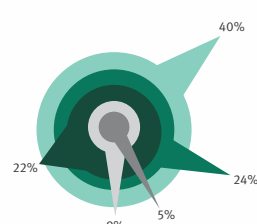
MICRO-MARKET SPLIT OF LAUNCHED UNITS IN H1 2012



● Noida ● Faridabad ● Greater Noida ● Ghaziabad ● Gurgaon

Source: Knight Frank Research

MICRO-MARKET SPLIT OF LAUNCHED UNITS IN H1 2013



● Noida ● Faridabad ● Greater Noida ● Ghaziabad ● Gurgaon

Source: Knight Frank Research

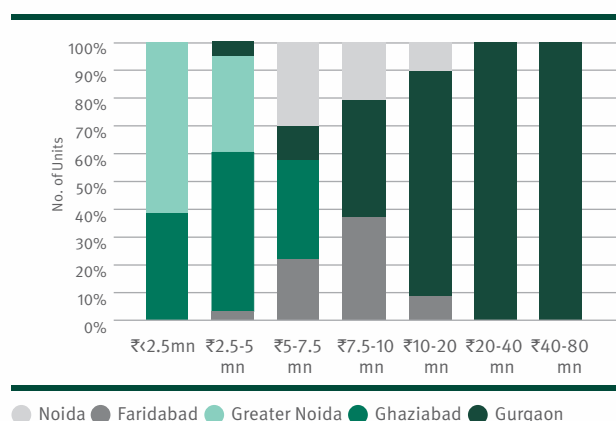
up with premium projects offering buyers, unit sizes ranging from ₹1,500-2,500/sq.ft. Majority of the new launches in H1 2013 have also come up along the NPR.

Noida registered a steep dip of 72% in newly launched projects compared to H1 2012, reflecting the cautious sentiments of developers to not over supply the market. This dip can be attributed to various factors such as limited availability of land parcels for group housing projects. The last scheme for plotted development was introduced in 2008 and most of these projects are already under construction. Moreover, the allotment rates of group housing have been raised by 15% in Noida, weakening the feasibility of affordable housing options. Along with the above mentioned reasons, litigation between developers and buyers, consumer agitations and regulatory bottlenecks have all contributed to reduced launches in Noida as opposed to H1 2012.

A ticket size analysis of the units launched in H1 2013 shows that 65% of the units were under ₹5 million and mostly concentrated in Ghaziabad and Greater Noida. This trend can be attributed to the economic slowdown pushing the developers to come up with units in the said ticket range. Maximum launches in the band greater than

the ₹10 million ticket size have been seen in Gurgaon, where robust infrastructure development is directing premium residential development. Projects like Paras Quartier by Paras Buildtech on the Southern Periphery Road - proposed to be a part of NH-236 linking the Mehrauli-Gurgaon Road with NH-8 and Unitech's The One in Sector 69 are examples of premium developments commanding a ticket size in the band of ₹40-66 million.

MICRO-MARKET WISE TICKET SIZE SPLIT OF LAUNCHED UNITS IN H1 2013



Source: Knight Frank Research

SELECT RESIDENTIAL PROJECT LAUNCHES IN H1 2013

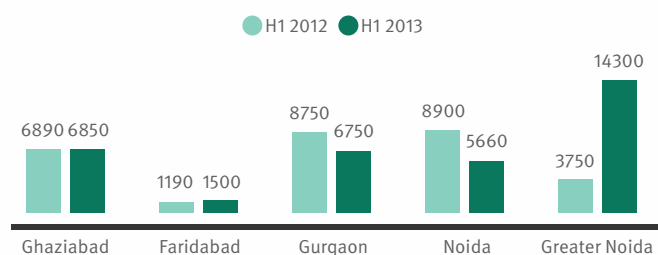
Project Name	Developer	Location	No. of Units	Price (₹/sq.ft.)
Buddh Circuit Studio Apartments Ph-II	Jaypee	Jaypee Sports City, Greater Noida	1,500	3,300
Curiosity	Orris Infrastructure	Sector 22D, Greater Noida	1,000	2,600
Golf Village-Golf Country	Supertech Limited	Yamuna Expressway, Greater Noida	1,100	2,700
Orrizonte	Horizon Concept	Knowledge Park-3, Greater Noida	300	4,200
Oriss Kohana	Orris Infrastructure	Sector 89, Gurgaon	1,800	8,000
Paras Quartier (Iconic Tower)	Paras Buildtech	Faridabad Road, Gurgaon	82	11,000
Park Way	JMD Builders	Sector 33, Gurgaon	27	9,100
Unitech The One	Unitech	Sector 69, Gurgaon	448	10,000
Wave City (Dream Homes)	Wave Infratech	NH-24 Bypass, Ghaziabad	3,000	2,550
Agarwal Group	City Suites	NH-24 Bypass, Ghaziabad	700	2,300
Wave Elegancia	Wave Infratech	Sector 32, Noida	400	8,300
The Downtown	Sikka Group	Sector 98, Noida	220	16,400
Rise Developer	Rise Sky Bunglows	SurajKund, Faridabad	160	7,300

Source: Knight Frank Research

Absorption

During H1 2013 the NCR residential market witnessed a total absorption of 35,000 units showing an increase of 18% from H1 2012. This increase in sales can be ascribed to the high number of project launches in the affordable category. Absorption in Greater Noida rose almost four times compared to the same period in 2012 suggesting a strong demand for affordable options, which is easy on the buyer's pocket. Absorption levels dipped in both Gurgaon and Noida, largely due to increasing unaffordability of housing options available in these markets.

ABSORPTION TREND IN MICRO-MARKETS



Source: Knight Frank Research

Price

Ample price movements were observed in the NCR residential market as compared to H1 2012. During the last one year Gurgaon has seen a steep price appreciation of 26%, primarily due to high investor demand of residential projects on the Dwarka Expressway and Southern Periphery Road. This increase in the weighted average capital values has led to a slowdown in demand as ticket sizes have gone up in this market. Similarly Noida and Greater Noida have also witnessed price appreciation in the range of 12-16% during the past one year. Weighted average capital values for Noida and Gurgaon have already crossed the ₹5,000 /sq.ft mark causing an inevitable shift of focus to other micro-markets, for developers and consumers alike. Despite falling demand the capital value appreciation in Gurgaon and Noida can be explained due to a steeper fall in project launches thereby putting an upward pressure on prices.

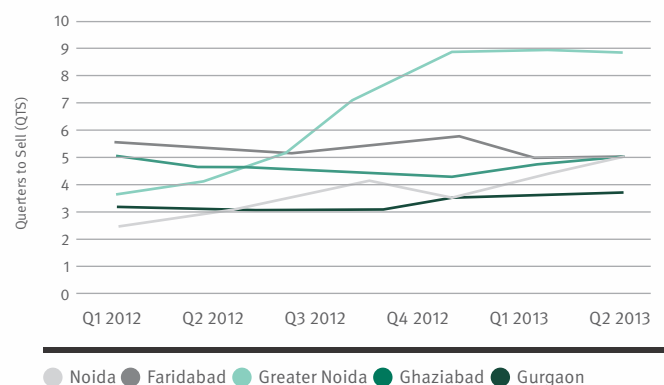
Outlook

As per the current trends, the NCR residential market is showing a slowdown in terms of project launches. However, this bodes well with the current market sentiment as absorption has picked up which will further help in bridging the supply demand gap. Liquidity constraints coupled with the increase in construction costs will continue to pose a challenge for developers leading to a further slowdown in project launches. While the economic slowdown and

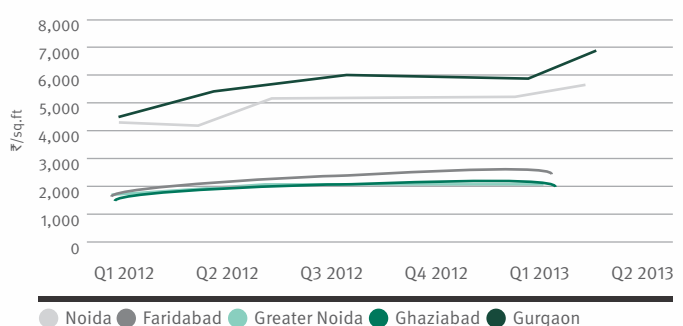
Despite a slowdown in demand Gurgaon residential market shows the lowest QTS, which has been inching up since the last two quarters. Similarly QTS in the Noida residential market has moved from 2 to 5 within a span of 6 quarters.

On the other hand, despite promising absorption levels in H1 2013, Greater Noida demonstrates the highest QTS ratio of 9. It is noteworthy that an increase in sales velocity has helped the market in stabilizing the QTS ratio which was otherwise moving upwards constantly.

QTS MOVEMENT IN MICRO-MARKETS



WEIGHTED AVERAGE PRICE MOVEMENT



Source: Knight Frank Research

** Prices are weighted average prices of under construction residential units and do not take into account the secondary market

weakened buyer sentiments have discouraged sales in some areas analysis show that locations like Dwarka Expressway, Noida Expressway and Greater Noida will continue to lure investors if not end users. A number of projects under construction are scheduled to be completed in 2013, especially on the Noida – Greater Noida Expressway which will push prices further.

RESIDENTIAL RESEARCH

Report Authors

Ankita Nimbekar - Consultant, Research
Ankita Sood - Consultant, Research

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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

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