



SEPTEMBER 2012

RESIDENTIAL TRACTION @ GLANCE

Knight Frank

Kolkata

Market Overview

The residential real estate market of Kolkata has witnessed a significant change in its skyline over the past five years. The old colonial style bungalows and mansions have made way for high rises showing the influence of modernization and changing lifestyles. Nuclear families with requirements for modern apartment lifestyles have become the order of the day. The Kolkata residential market has traditionally been an end user market with a very small proportion of investors. The growth of the IT/ITeS sector and increasing floating population are the major factors that have led to the increasing demand in the residential sector. The government has also been offering land at subsidized rates to developers to start group housing projects in the PPP mode, which has boosted supply and a number of national players like DLF, Godrej and Unitech have set up operations in Kolkata.

Kolkata's prime residential locations are concentrated in its central and south central parts. Most established residential markets with limited new developments include CBD locations like Park Street, Camac Street and south central locations like Gurusaday Road, Jodhpur Park, Gol Park and Lake Garden. Besides these, other important residential developments are Alipore and Ballygunge, New Alipore, Rashbehari, Tollygunge and Gariahat. Major activity in terms of planned residential and commercial development has taken place in the eastern micro-markets along the EM Bypass. Development of Sector V, Salt Lake City as the IT/ITeS hub has further fuelled the demand to a great extent. Other suburban locations that have witnessed ample project launches are Jessore Road and BT Road in the North and Behala, Garia in the South.

Table 1: Residential micro-markets in Kolkata

Central Kolkata	Dalhousie, Elgin Road, Park Street, Camac Road, APC Road, Park Circus
East Kolkata	EM Bypass, Sonarpur, Tapsia, Anandpur
North Kolkata	Shyam Bazaar, BT Road, Jessore Road, Lake Town, VIP Road, Baguiati
South Kolkata	Ballygunge, Behala, Alipore, Tollygunge, Maheshthala, Budge Kamalgachi, Garia
West Kolkata	Kona Expressway
Rajarhat	Rajarhat

Market Activity

While end users contribute significantly to the housing demand in Kolkata, there has been growing interest from investors. Developers have been able to capitalize the demand and have launched a number of projects in the affordable and mid segment housing in the last couple of years. Most of the developers have decided to get into a joint venture with the government. This has not only helped the government to unlock huge urban land parcels but also helped in developing ample housing stock. This arrangement has also ensured timely completion of the projects and put a check on the pricing which in turn is beneficial for consumers.

Kolkata residential market has seen a dip in the number of project launches in FY12 compared to the previous year. Nearly 5800 units were launched in FY 12 compared to 11,000 units in FY 11. Several developers are awaiting approvals from the new government to be able to launch new projects. Most of the project launches have been in the suburban residential pockets of the city. South Kolkata contributed to nearly 33% of the number of project launches in FY 12, followed by Rajarhat and North Kolkata. Most of the project launches in South Kolkata took place in Behala, Sonarpur, Maheshthala and Tollygunge. Some of the big projects launched in this location are Eden City, Eden Tolly Signature and Greenland-The Eco Village. South Kolkata has always been the

most preferred residential destination due to good connectivity with the rest of the city.

In recent years North Kolkata has also emerged as a favoured residential destination. Locations like Madhyamgram, Barasat and Jessore Road have seen ample project launches. A number of infrastructure initiatives are underway and have positively impacted the real estate market in these locations. With the widening of Jessore Road and the Belghoria Expressway becoming operational, connectivity and traffic congestion have largely improved. Some of the projects launched in North Kolkata include Mangolia City, Natural City and Neeldiganta.

It has been observed that the residential market has remained sluggish in Q1 FY 13. Kolkata market has witnessed limited number of project launches.

AS OF JUNE 2012,
NEARLY 42,000
RESIDENTIAL UNITS ARE
UNDER CONSTRUCTION
IN THE KOLKATA
MARKET, OUT OF
WHICH NEARLY 8000
UNITS ARE SLATED TO
BE COMPLETED BY END
OF 2012



Supply

As of June 2012, nearly 42,000 residential units are under construction in the Kolkata market, out of which nearly 8000 units are slated to be completed by end of 2012. A bulk of residential units is under construction in South Kolkata and Rajarhat that will cater to the high end and mid segment housing demand of the region. Nearly 69% of the under construction units fall in South Kolkata and Rajarhat. It is quite evident from the ticket size split of the upcoming supply that South Kolkata and Rajarhat have an equitable mix of high end and mid-segment housing options. Some of the most expensive residential locations include Ballygunge and New Alipore, while locations like Garia, Behala, and Maheshtala primarily comprise affordable housing. It is interesting to observe that West Kolkata's contribution to supply gradually decreases with increasing ticket size, whereas on the other hand Central and East Kolkata have hardly anything to offer in the less than INR 5mn segment.

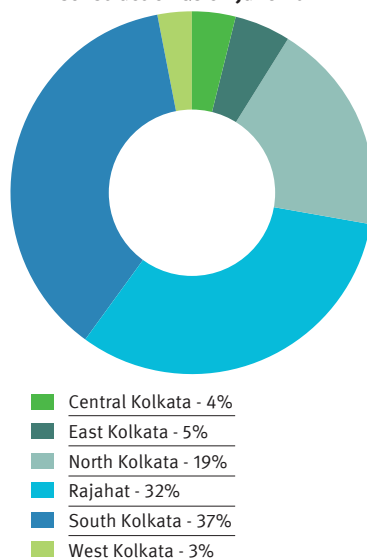
NEARLY 69% OF THE UNDER CONSTRUCTION UNITS FALL IN SOUTH KOLKATA AND RAJARHAT

Absorption

Kolkata witnessed the absorption of around 14,500 residential units in FY 12. While the absorption remained sluggish in the first half of FY12, demand picked up in Q3 and Q4. Absorption has not been impacted much by the dip in launches. This shows that the market has a good balance of end users and investors which ensure that the transaction levels do not plummet to a great extent. The positive trend in demand has continued in this financial year as well since absorption rate in Q1 FY13 has been encouraging.

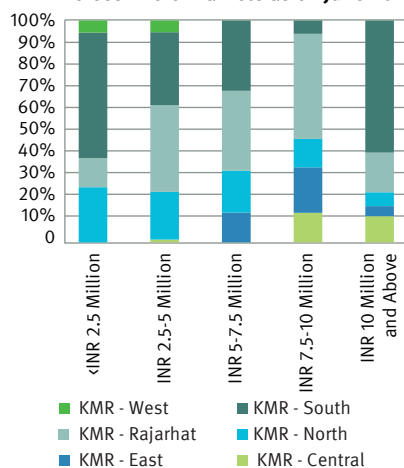
Kolkata is the smallest residential market compared to the other metros, yet it faces challenges at the unsold inventory levels. Even though demand has picked up, it will still take some time for the vacancy levels to go down. As a large quantum of residential units were infused in the market during FY 10 and FY11. The residential market of Kolkata has 14300 unsold units out of which nearly 37% is contributed by Rajarhat, followed by

Micro-market Split of Units Under Construction as on June 2012



Source: eyestate

Ticket Size Share of Units Under Construction Across Micro-markets as on June 2012



Source: eyestate

South Kolkata contributing to about 34% of the unsold inventory.

Although residential vacancy levels are trending upward, they are not alarmingly high. The highest vacancy levels are observed in projects with ticket sizes INR 5.0-7.5 mn, especially in the South Kolkata micro-market. The major chunk of buyers in the Kolkata market are end users, who give equal importance to factors like connectivity, presence of good social infrastructure, proximity to work locations, configuration of units and amenities provided in the project in addition to just the price. The relative absence of investors/ speculators in Kolkata compared to other markets ensures that price volatility is at the minimum and price

KOLKATA WITNESSED THE ABSORPTION OF AROUND 14,500 RESIDENTIAL UNITS IN FY 12. WHILE THE ABSORPTION REMAINED SLUGGISH IN THE FIRST HALF OF FY12, DEMAND PICKED UP IN Q3 AND Q4

levels reflect the underlying market reality. A decrease in office market traction today is symptomatic of a stagnant economy and consequently also a major deterrent to positive residential market sentiments. However absorption levels have started to pick up in the office market and this uptrend bodes well for the residential market as well which will benefit from the same in coming quarters.

An analysis of the vacancy levels across various markets in comparison to the available under construction units in these respective micro-markets shows that West Kolkata has been the worst performer with vacancy levels as high as 48%. West Kolkata has limited number of project launches in locations like Kona Expressway, yet these projects have not been absorbed by the market.

THE POSITIVE TREND IN DEMAND HAS CONTINUED IN THIS FINANCIAL YEAR AS WELL SINCE ABSORPTION RATE IN Q1 FY13 HAS BEEN ENCOURAGING

It has been observed that nearly 61% of the absorption till June 2012 has been in the affordable and mid segment housing with ticket sizes less than INR 5 Mn.

Prices

The residential market has been resilient to the low project launches and constrained transactions. Property prices in the prime locations continue to witness an upward trend. South Central locations like Ballygunge and Alipore have seen an appreciation to



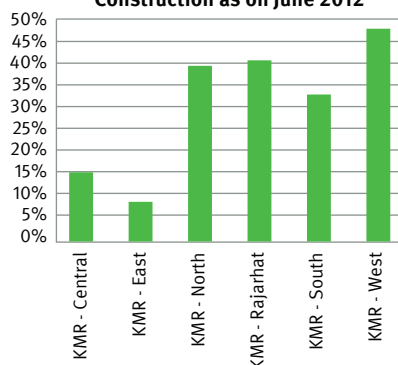
THE RESIDENTIAL MARKET OF KOLKATA HAS 14300 UNSOLD UNITS OUT OF WHICH NEARLY 37% IS CONTRIBUTED BY RAJARHAT, FOLLOWED BY SOUTH KOLKATA CONTRIBUTING TO ABOUT 34% OF THE UNSOLD INVENTORY

the tune of 10-11% in FY 12 due to consistent demand and limited supply in these areas as compared to FY 11. Capital values in these locations are in the range of INR 10,000-15,000/sq.ft. On the eastern side of the city, EM Bypass has also observed an appreciation of 11-12%. Capital values in these locations range between INR 5000-8000/sq.ft. The western part of the city has not seen much movement in prices due to limited demand. Prices in suburban residential locations like Rajarhat, Behala, Garia and Maheshtala range between INR 2000-4000sq.ft. As the demand for affordable housing is high, these locations have seen a 20% appreciation compared to FY 11.

Outlook

The Kolkata residential market, which showed signs of sluggishness in terms of launches in FY 12, is expected to look up positively in the next few quarters. Even though consumer sentiments are still cautious, the demand

Unsold Units as % of Total Units Under Construction as on June 2012



■ Unsold units as % of total units under construction
Source: eyestate

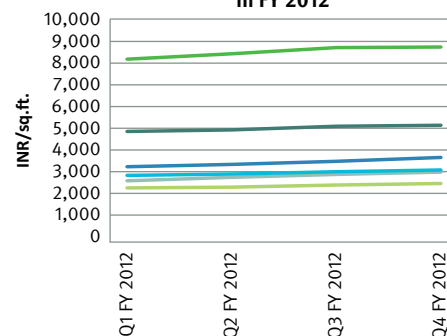
Absorption by Ticket Size as on June 2012



■ < INR 2.5 Million - 17%
■ INR 2.5-5 Million - 44%
■ INR 5-7.5 Million - 14%
■ INR 7.5-10 Million - 14%
■ INR 10 Million and Above - 11%
Source: eyestate

in mid segment properties is expected to strengthen further. Absorption has picked up in the recent quarters and supply is

Weighted Average Price Movement in FY 2012



■ Central Kolkata ■ East Kolkata
■ North Kolkata ■ Rajarhat
■ South Kolkata ■ West Kolkata
Source: eyestate

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

truncated, as a result prices are expected to remain stable. Quarters to complete analysis shows that the unsold inventory will be absorbed one quarter ahead of the completion based on long term sales velocity. Overall the market outlook for the next few quarters seems positive. However developers will still be cautious due to the looming uncertainties in the overall economic scenario.

ABSORPTION HAS PICKED UP IN THE RECENT QUARTERS AND SUPPLY IS TRUNCATED, AS A RESULT PRICES ARE EXPECTED TO REMAIN STABLE

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