

Consumers remain unhappy fence-sitters

Takeaways from 23rd MCHI-CREDAI Property Expo

- We visited the 23rd MCHI-CREDAI Property Expo at BKC, Mumbai. While it used to be a biannual event, the gap between the 22nd and the 23rd expositions is almost a year, as weak consumer sentiment has kept new project offerings sparse.
- In our interactions at the Expo, we perceived signs of a gradual, but slow uptick in consumer sentiment. Developers' conviction has improved on the back of increasing enquiries. Property rates are up 0-20% since the last Expo (October 2014) – a tapered trajectory unlike the exponential upswing in the past.
- Despite time correction, the absolute ticket size remains high. Additionally, limited relevant discounts and severe delays in execution in past launches act as dampeners. Consumers remain unhappy fence-sitters.



Bigger scale and wider segment & regional participation

23rd Edition grew on scale and participation from developers. 150+ developers (compared to ~100 participants in last edition) have displayed 1,500+ properties in Mumbai & MMR, Pune, Nasik, Ahmadabad, Baroda, Goa, Bangalore, Chennai, Delhi and Kochi, along with 22 banks and HFCs. Larger participation was also driven by higher number of small-to-mid-sized developers with various mid-segment projects in extended MMR micro-markets. Additionally, MCHI continues to be an advertising platform for developers from Tier-2 & Tier-3 cities.

Northern micro-markets rule the roost in supply

This time separate pavilions were set up to highlight properties in the Island city, Western Suburbs, Central suburbs and Extended areas. Clear majority in terms of supply belongs to the northern part of suburbs viz. Kandivali, Goregaon, Malad, Borivali and Andheri (Western Suburbs) and Thane, Mulund, Bhandup (Central Suburbs). Projects displayed in Island City were limited in quantum and confined in micro-markets of Worli-Parel and Wadala and select developers like Indiabulls, Dosti, L&T, Sunteck, Ajmera, Peninsula, Marathon etc.

Rates inched up, but not exponentially; Time correction underway

Property rates in Expo continue to quote higher by 5-20% YoY as always barring select cases of unaltered rates (a positive surprise). For older projects, compared to last year, (1) Extended Suburbs (Virar and above, Dombivali and above) grew 10-15%, (2) Borivali/Kandivali grew ~15%, (3) Goregaon, Thane and Mulund underperformed with 0-10% YoY growth. Minimum ticket size within Mumbai (1-BHK at Mulund or Kandivali) is INR8m and in Thane (1-BHK at GB Road) is INR6m.

Discount schemes – limited in numbers and extent

Discount schemes are not much (5-10%) and many (15-20 developers), and in many cases limited to Expo buying only. EMI-subvention schemes were the major ones (Runwal, Dosti, Tata, Ajmera, Seth etc) with further evolution in payment plan viz. 20:80, 25:75 (older ones) 10:70:10:10; 10:80:10 etc (new introduction). Other mode of discounts includes (1) 5% worth gold on property value (Rajesh Lifespaces), (c) monthly rent back schemes like paying of fixed rental till possession (in some cases from date of booking itself or from the date of proposed delivery) by Normal Lifestyle, Acme etc, (d) zero floor rise (Acme group), (e) free Modular Kitchen, 1-parking free etc. However, majority of the projects didn't have discounts with very high adhoc cost like INR0.7-0.8m for parking slot. Our interactions hinted for moderate negotiation possibility for serious customers if sales process progresses further.

Displayed projects highlights high execution delays -> risk premium high

Merely 10% of the projects showcased can be considered as completed, while balance with a significant proportion of offerings was 18-36 months away from delivery (Dec-15 to Dec-17). There were 20-25 new launches (read not present in last Expo). Among the older projects, we found reasonably good number of instances with deferred delivery dates or sub-normal progress in construction (delay could be by 2-2.5 years in select instances). In most cases developers attributed the same to challenges in approvals, norms etc in past couple of years, and highlighted improved dynamics hereon. Delays justified the high pricing premium of 20-30% visible for branded developers and advanced projects.

Mortgages offered at 10-10.5%

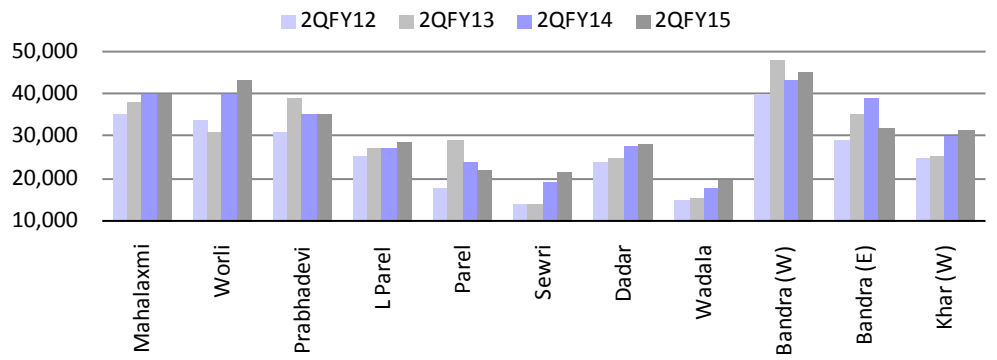
Home loan intermediaries were present in large number with five different rate points 10.1% (SIB, LIC), 10.15% (HDFC, ICICI, Kotak, IBull, Tata Capital), 10.20% (Canara, BoI), 10.25% (Axis, P&B), 10.5% (DHFL). LTV offered between 75-80%.

Gradual but slow recovery in sentiment; pricing strategy would be key

Customer participation seems better than last Expo, albeit not yet as appealing as it was a couple of years ago. Developers' pricing strategy will play a crucial role here on for Mumbai real estate, since high ticket size has been the key deterrent against perk-up in actual off-take - despite improvement in consumer sentiment. We believe Mumbai should outperform our regions over next 2-3 years due to low base effect, but recovery could be gradual. 2HFY15 would be testing time with many launches planned by Godrej Properties, Oberoi Realty, Mahindra Lifespaces, IBREL among the listed players. We expect Oberoi Realty with good mix of ready assets (Goregaon) and new launch plan (Mulund, JVLR, Worli) to see superior operational turnaround. With valuation at ~25% discount to NAV, it remains our preferred Mumbai pick.

Majority of recent Island City supply are in Worli, Wadala and Lower Parel. Super luxury offerings in Worli led price trend up

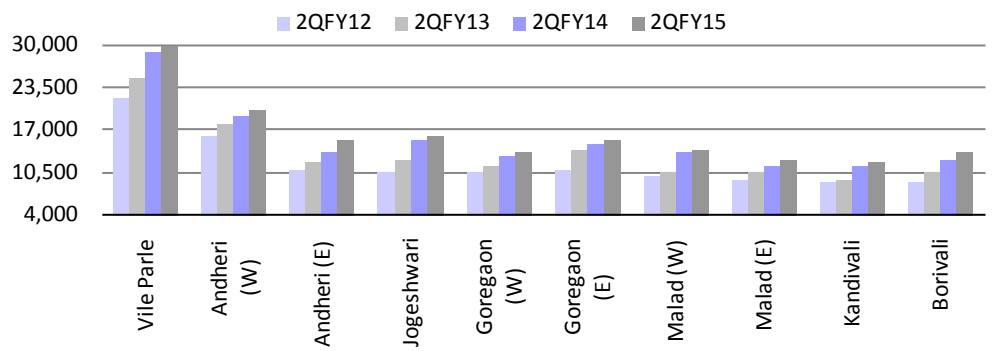
Trend in Property rates in Island City and High-end Western Suburbs (INR/sf)



Source: Expo, MB, Industry, MOSL

Most micro-markets witnessed sharp price uptick in Western suburbs with recent price outperformers being Borivali, Kandivali due to better off-take

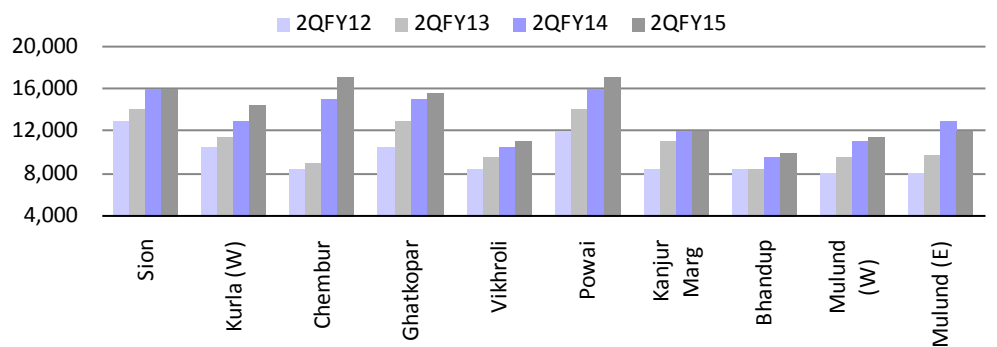
Trend in Property rates in Western Suburbs (INR/sf)



Source: Expo, MB, Industry, MOSL

Mulund and Thane have witnessed the maximum price growth in past 2-3 years (~2x), albeit flattened in recent times due to impact on affordability

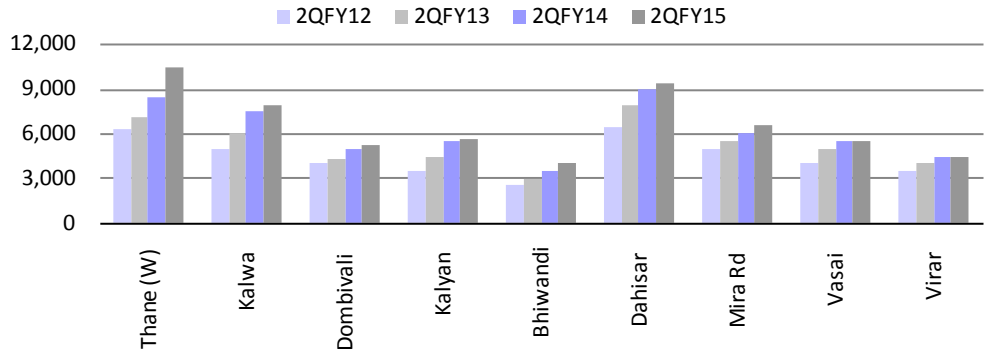
Trend in Property rates in Eastern Suburbs (INR/sf)



Source: Expo, MB, Industry, MOSL

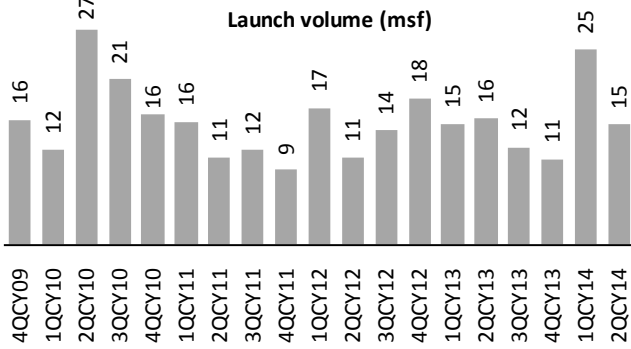
Trend in Property rates in Extended Suburbs (INR/sf)

Strong price upswing in extended regions was led by shift in demand away from costly main land



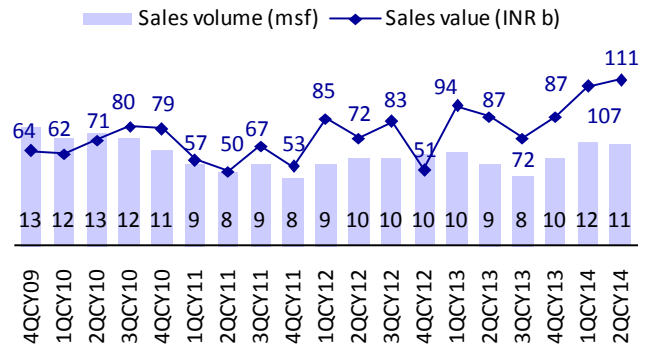
Source: Expo, MB, Industry, MOSL

Launch volume have improved in recent past



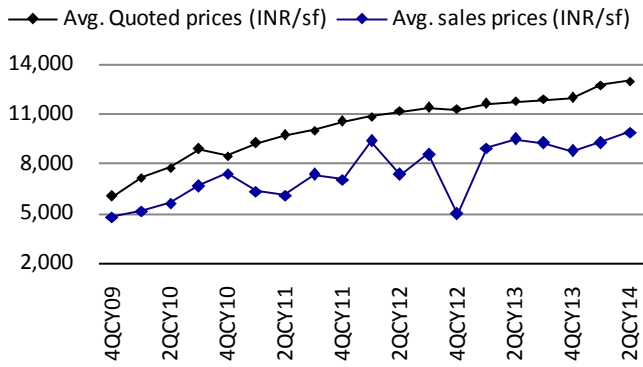
Source: Liases Foras, MOSL

But volume is skewed towards northern/extended regions



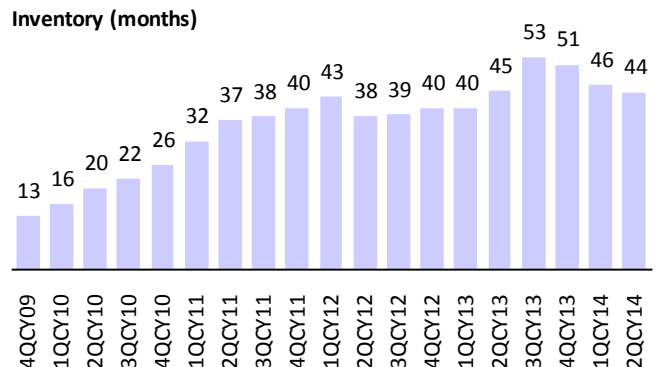
Source: Liases Foras, MOSL

Property price continue rise, but at moderate pace



Source: Liases Foras, MOSL

Interrupted recovery fails to improve unsold inventory



Source: Liases Foras, MOSL

Western Suburbs

Developer	Project	Micro-market	Rate (INR/sf)	Possession
Ajmera Realty	Ajmera Pristine	Borivili (W)	14,040	Mar-16
Rajesh Lifespaces	92 Bellevue	Borivali (W)	18,000	Dec-17
Acme Group	Acme Oasis	Kandivali (E)	13,500	Dec-17
Acme Group	Acme Avenue	Kandivali (W)	10,900	Dec-16
Rajesh Lifespaces	White City	Kandivali (E)	12,200	Dec-14
Sunteck Realty	Signia High	Kandivali (E)	13,500	Mar-18
Rajesh Lifespaces	Raj Infinia	Malad (W)	14,000	Dec-16
Romell Group	Romell Diva	Malad (W)	13,500	Jun-15
Sheth Creators	Auris Serenity	Malad (W)	14,000	Dec-17
Acme Group	Acme Hills	Goregaon (E)	12,000	Dec-17
Romell Group	Romell Aether	Goregaon (E)	13,900	Oct-16
Romell Group	Unmiya Grandeur	Goregaon (E)	14,000	Oct-16
Sunteck Realty	Sunteck City - Avenue 1	Goregaon (W)	15,500	Mar-17
Sunteck Realty	Sunteck City - Avenue 2	Goregaon (W)	13,750	Mar-18
Paranjape Group	Ujval CHS	Goregaon (E)	16,400	Nov-17
Paranjape Group	Vijaynagar Royal Court	Andheri (E)	20,160	Feb-15
Sheth Creators	Vasant Oasis	Andheri (E)	15,250	Dec-15
Bajaj International	Emerald	Andheri (E)	18,500	Dec-17
Acme Group	Acme Boulevard	Andheri (E)	13,999	Oct-18
Paranjape Group	Vighnarajendra	Andheri (W)	15,120	May-17
Bajaj International	Shubhada	Vile Parle (E)	26,000	Dec-16
Paranjape Group	Mayur Airline CHS	Santacruz (E)	22,050	Nov-17
Paranjape Group	Prayog CHS	Santacruz (E)	21,420	May-17

Source: Expo, MOSL

Island City and Bandra

Developer	Project	Micro-market	Rate (INR/sf)	Possession
Indiabulls Real Estate	Indiabulls Blu	Worli	65,000	Dec-16
Indiabulls Real Estate	Indiabulls Sky	Lower Parel	40,000	Jun-15
L&T Realty	Crescent Bay	Parel	19,750	Dec-17
Sheth Creators	Beaupride	Bandra (W)	42,000	Mar-17
Ajmera Realty	Ajmera Aeon	Wadala (E)	19,800	Dec-15
Ajmera Realty	Ajmera Zeon	Wadala (E)	19,500	Dec-16
Ajmera Realty	Ajmera Treon	Wadala (E)	18,900	Dec-17
Dosti Group	Dosti Ambrosia	Wadala (E)	19,500	Jun-15

Source: Expo, MOSL

Eastern Suburbs

Developer	Project	Micro-market	Rate (INR/sf)	Possession
Ackruti City-Hubtown	Rising City	Ghatkopar (E)	12,600	Jun-18
Dhamji Shamji Group	Tivon Park	Ghatkopar (W)	11,700	Dec-15
Hiranandani Const.	Hiranandani Adalia	Powai (W)	21,000	Dec-18
Hiranandani Constructions	Hiranandani Zen	Powai (W)	25,000	Dec-18
L&T Realty	Emerald Isle	Powai (W)	17,150	Mar-17
Rajesh Lifespaces	Raj Grandeur	Powai (W)	23,000	Jun-15
Rajesh Lifespaces	Raj Trinity	Powai (W)	18,000	Dec-17
Neptune Group	100 Above	Bhandup (W)	11,290	Oct-17
Neptune Group	Flying Kites	Bhandup (W)	11,690	Dec-15
Neelkanth Group	Neelkanth Vihar	Vidyavihar (E)	17,000	Ready
Runwal Group	Runwal Forest	Kanjur Marg (W)	11,750	Dec-18
Dhamji Shamji Group	Galaxy	Mulund (W)	14,000	Mar-17
Nirmal Lifestyle	US Open Apartments	Mulund (W)	11,304	Dec-17
Nirmal Lifestyle	Nirmal Turquoise	Mulund (W)	12,006	Dec-17
Nirmal Lifestyle	Nirmal Olympia	Mulund (W)	11,000	Dec-17
Nirmal Lifestyle	Nirmal Panorama	Mulund (W)	10,800	Dec-17
Nirmal Lifestyle	Nirmal Omega	Mulund (W)	12,204	Dec-17
Rajesh Lifespaces	Raj Altezza	Mulund (W)	11,700	Jul-16
Runwal Group	Runwal Anthurium	Mulund (W)	11,750	Oct-17
Runwal Group	Runwal Greens	Mulund (W)	12,500	Dec-16
Tata Housing	Gateway Towers	Mulund (E)	12,250	Dec-18
Rajesh Lifespaces	Raj Tattva	Thane (W)	9,500	Dec-17
Rajesh Lifespaces	Raj Torres	Thane (W)	9,500	Dec-17
Raunak Group	Unnati Woods - Gold	Thane (W)	7,150	Dec-18
Raunak Group	Unnati Woods	Thane (W)	7,450	Dec-16
Runwal Group	Eirene	Thane (W)	7,794	Jun-18
Runwal Group	Runwal Pearl	Thane (W)	8,500	Jun-16
Acme Group	Acme Ozone	Thane (W)	10,000	Dec-16
Dosti Group	Dosti Vihar	Thane (W)	10,500	Jun-15
Dosti Group	Dosti Imperia	Thane (W)	10,050	Apr-15
Dhamji Shamji Group	Millenium	Thane (W)	9,999	Dec-14
Dhamji Shamji Group	Kalpavruksha	Thane (W)	8,100	Ready
Hiranandani Constructions	Hiranandani Estate	Thane (W)	14,000	Dec-15
Neelkanth Group	Neelkanth Palms	Thane (W)	11,700	Ready
Nirmal Lifestyle	Sports City	Thane (W)	12,006	Dec-17

Source: Expo, MOSL

Extended Suburbs

Developer	Project	Micro-market	Rate (INR/sf)	Possession
Indiabulls Real Estate	Indiabulls Greens - Ph 1	Panvel	6,199	Mar-15
Indiabulls Real Estate	Indiabulls Greens - Ph 2	Panvel	5,499	Jun-17
Marathon Group	Marathon Nexzone	Panvel	5,590	Dec-17
Dosti Group	Dosti Centerio	Dombivali (E)	5,600	Dec-15
Lodha Developers	Casa Bella Gold	Dombivali (E)	6,200	Ready
Lodha Developers	Casa Rio Gold	Dombivali (E)	6,000	Dec-15
Lodha Developers	18th Avenue	Dombivali (E)	5,800	Dec-16
Runwal Group	My City	Dombivali (E)	4,800	Dec-18
Neptune Group	Swarajya	Kalyan (W)	4,400	Jun-17
Nirmal Lifestyle	Lifestyle City	Kalyan (W)	5,598	Jul-17
Tata Housing	Amantra	Kalyan (W)	6,990	Mar-16
Panvelkar Group	Panvelkar Aquamarine	Ambarnath (E)	3,500	Jan-16
Indiabulls Real Estate	Golf City - Ph II	Savroli	5,800	Jun-16

Source: Expo, MOSL

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