

PUNE

Positive price movement in 2015 paved a favourable path for Pune's real estate market. The city embarked on its journey into 2016 with sizeable investments flowing into the residential market. Housing requirement generated on the back of a bustling IT industry kept market sentiments afloat.

The combined impact of RERA formalisation and inducements offered during the festive season propelled housing demand by a modest margin. Before this could have translated into a growth story, Centre's demonetisation move brought the market to a slowdown. India withdrew higher denomination notes as a legal tender to crack down on black money. Due to the large cash component involved, real estate emerged as one of the worst-hit industries. While the slowdown looks temporary, the year 2017 is expected to open with buyers adopting a cautious stand and waiting for the uncertainty pertaining to the impact of RERA and *Benami* Prohibition Act to recede. The end-user demand, thus, could take a year to return with full gusto.

GROWTH INDUCERS

- Pune was not only picked under the first list of final Smart Cities, but also led other selected cities with respect to the planning and implementation of the project. Its proactive approach towards becoming a Smart City is anticipated to benefit the realty landscape in the year to come.
- The proposal by Pimpri Chinchwad Municipal Corporation (PCMC) to frame a new Development Plan (DP) using satellite images and the one by Pune Municipal Corporation (PMC) to use Geographical Information System (GIS) for keeping a track of illegal structures became the stepping stones for a digitalised city.
- PMC lay additional focus on the city's civic infrastructure and suggested formalisation of 19 new urban civic bodies to boost and manage urbanisation in the city.
- The over-delayed metro project got awarded with a financial aid of Rs 6,300 crore from the World Bank and had its first phase approved by the Union Cabinet in December 2016.
- In order to ease commutation in the city, authorities proposed transport projects such as Metro extension till Nigdi and new bus corridors in Pimpri Chinchwad. The announcement to have a new airport at Purandar was also welcomed by real estate enthusiasts.

- PCMC promised funds worth Rs 22,000 crore to undertake infrastructure projects in the city. It even allocated nearly 13,000 flats to EWS beneficiaries in June 2016.

GROWTH IMPEDIMENTS

- The year began with a pile-up of approximately 1 lakh undisposed housing units, majority of them being in Pimpri Chinchwad.
- Nearly 80 percent of the consumer complaints in the city were regarding project delays which continued to cloud the realty landscape with uncertainty in 2016.
- Peripheral areas of Pimpri Chinchwad such as Majri, Sus, Hinjewadi, Hadapsar and Undri witnessed rampant illegal construction in the last one year. The authority's attempt to crack these down by undertaking a demolition drive adversely impacted market sentiment.
- Traffic snarls continued to plague realty fortunes of high-growth potential areas, especially the IT-hub - Hinjewadi. The Industrial Association of the region also came up with suggestions to do away with traffic woes and boost realty.
- Infrastructure and housing projects in Pune were severely hit in the last quarter of 2016. The cash deficit caused by demonetisation resulted in a preposterous shortage of construction labourers, impacting the completion deadlines.

MARKET INDICATORS

	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Oct-Dec 2016	Jan-Mar 2017*
Capital Values	↔	↓	↑	↓	↔
Rental Values**	↑	↑	↑	↑	↑
Residential Inventory	↓	↑	↓	↓	↓

* Projected price movement and inventory status

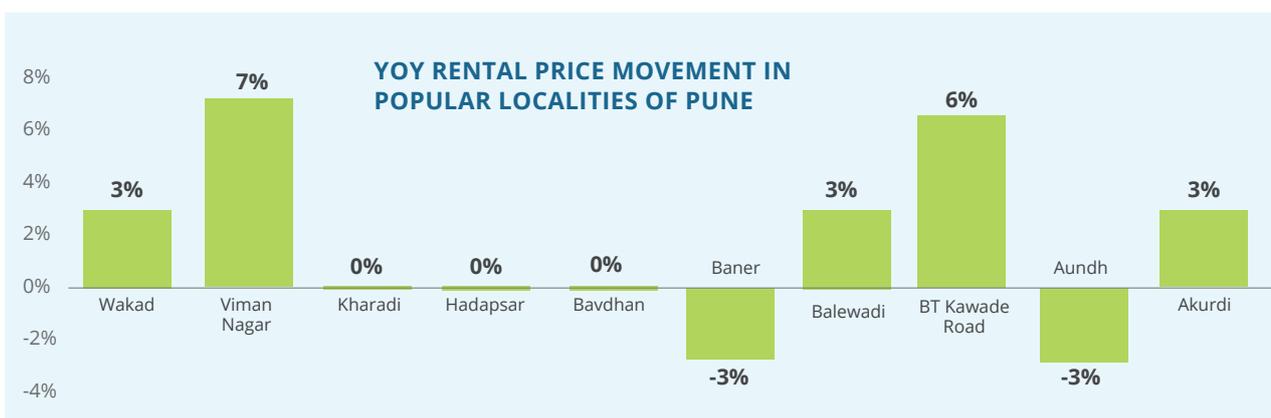
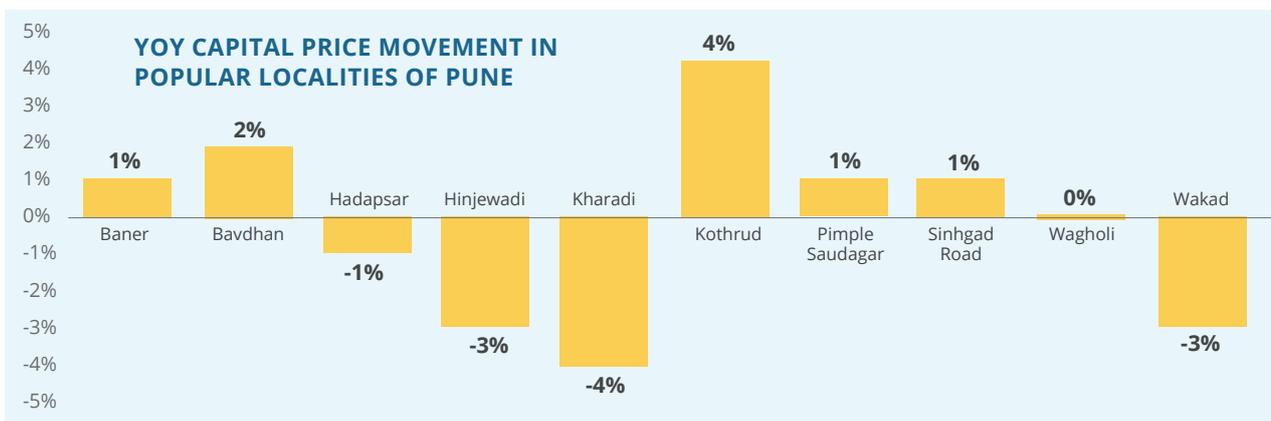
**Rental values depict annual change in average asks for respective quarters

MARKET SENTIMENT

The unceasing absorption of Grade A office spaces in Pune kept the housing demand buoyant all through 2016. Initiatives towards the implementation of the Smart City project revived investor interest in real estate, signalling a recovery across micro-markets. The conscious attempt by developers to retain consumer interest led to a moderate capital appreciation in 2016, but not enough to chronicle a robust price hike as witnessed in 2015.

KEY HIGHLIGHTS

- Housing demand received a huge impetus in the current year as the city recorded 6.3 million sq ft of office space absorption, one of the highest in the country. Vacancy levels dropped significantly as huge deals were finalised in the current year.
- Awaiting the new Development Control Regulation norms (DCR), developers restricted new residential launches, resulting in a 32 percent drop in H1 2016. The dip was reaffirmed with the municipal authority reporting a 20 percent decline in applications for building permissions.
- The city witnessed a launch of approximately 13,000 units by the end of Q3 2016. Majority of these properties fell in the mid-income segment category as developers focussed on catering to the genuine buyers or end-users. North-west and North-east regions recorded maximum number of new project launches.
- South-east locales such as Undri and Pisoli posted a robust pick-up in demand owing to affordability and significant number of new launches in the first two quarters of 2016. However, low rate of transactions restricted price growth in the two areas. Rampant construction even led to a slight dip in Undri's average weighted prices YoY.
- Areas such as Kharadi, Hadapsar, Balewadi and Wagholi remained popular amongst both buyers and tenants due to their meliorating connectivity to key business areas. The upcoming 30 acres IT Park in Kharadi is anticipated to further fuel housing demand in the nearby areas.



THE YEAR GONE BY...

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