

# BANGALORE

Bangalore stepped into 2016 with robust demand from both end-users and investors. The capital growth and new residential launches, however, remained subdued due to piling unsold inventory.

The combined impact of RERA formalisation and inducements offered during the festive season propelled housing demand by a perceptible margin. Before this could have translated into a growth story, Centre's demonetisation move brought the market to a slowdown. India's attempt to crack down on black money hit the cash-dependent real estate industry the most.

Bangalore seemed to be the least impacted by demonetisation, although property enquires dipped in the short-term. The slowdown looks temporary and the year 2017 is expected to open with buyers adopting a cautious stand until the uncertainty pertaining to the impact of RERA and *Benami* Prohibition Act recedes. Insignificant gap between circle rates and market rates will prevent price correction which other metros are vulnerable to, especially in the resale market.

## GROWTH INDUCERS

- Bangalore seemed to be on an infra-development spree in 2016. While Namma Metro's East-West corridor received a nod, the State government also fast-tracked its plan to develop *Bidadi* Township, Peripheral Ring Road, elevated corridors and Satellite Town Ring Road (STTR) projects in a bid to ease traffic congestion in the city.
- The State government allocated funds worth Rs 7,300 crore exclusively for infrastructure upgrade in the next two years.
- The city bagged two major civic infra projects - a dedicated power plant and a waste management centre in Whitefield. The power plant is planned to be made operational by May 2018.
- Steps taken to streamline the building approval process augured well for the realty landscape of authority-developed areas.
- To restraint the rising menace of illegal constructions, the government made green clearance mandatory for high-rises and proposed the usage of satellite images.
- Bangalore Development Authority (BDA) allotted nearly 3,500 apartments to the city's economically weaker sections.
- Bangalore outstripped other metro cities in office space absorption. The largest deals that the city

minted were with Google and Apple, which leased 1 lakh sq ft and 50,000 sq ft of office space, respectively.

- The proposed amendments made in the *Akrama Sakrama* Scheme to allow regularisation of *B Khata* properties constructed up to March 2015 brought cheer amongst property owners.

## GROWTH IMPEDIMENTS

- Revision of guideline values in both residential and commercial markets made real estate more expensive and impacted buyer sentiments adversely.
- The impending Namma metro project still stands incomplete after missing both June and November deadlines. Additionally, the city also lost its Bus Rapid Transport (BRT) project as it was considered inviable.
- National Green Tribunal's (NGT) order on increasing the buffer zone around city's lakes led to demolition of properties, negatively impacting growth prospects in the affected areas. BDA's mega housing project, too, hit a roadblock as it was denied environmental clearance on similar grounds.
- Bangalore's exclusion from the Smart City mission, dashed investor's hopes of a burgeoning market. The passage of the Karnataka Urban Development Bill posed threat for the green and open spaces in Bangalore. The new bill plans to reduce the mandatory share of open spaces from 15 percent to 10 percent.

## 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

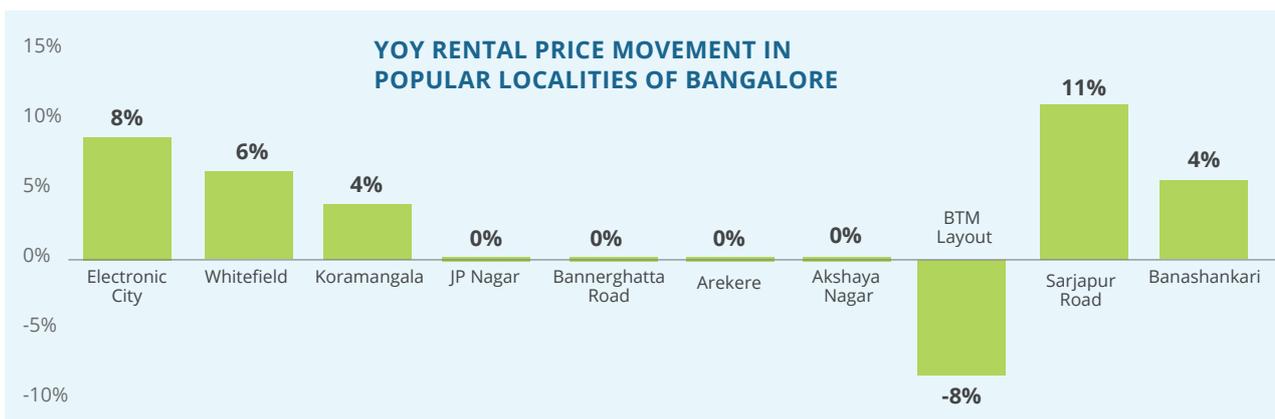
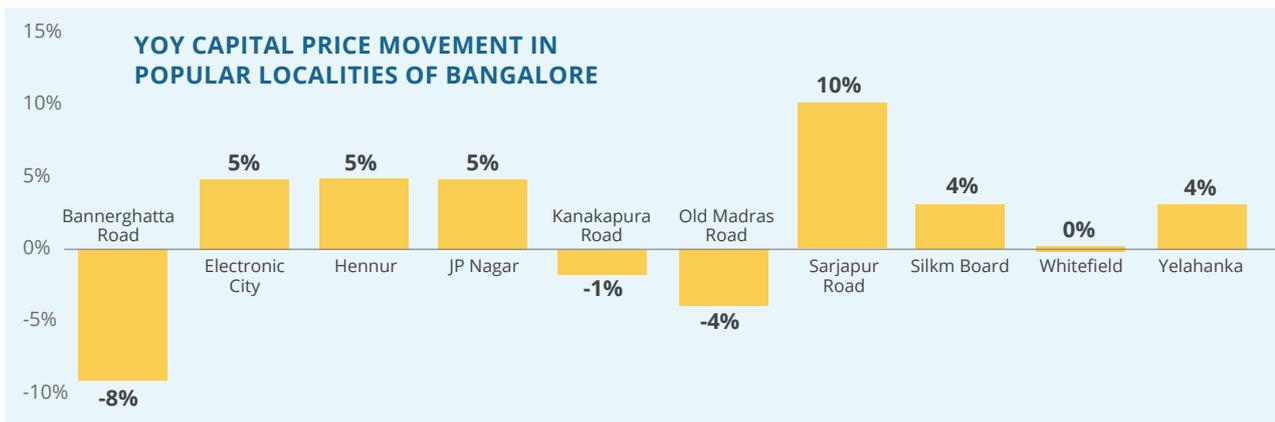
\*\*Rental values depict annual change in average asks for respective quarters

## MARKET SENTIMENT

While the city recorded a healthy office space absorption rate during 2016, Bangalore's housing landscape was marred by several factors including the accumulation of nearly 82,000 undisposed housing units. Muted sales in the first half of 2016 and developers' refusal to reduce property rates also impacted the market. Further, the state government's stringent attitude towards encroachment delayed several projects along lakebeds, troubling the investors.

## KEY HIGHLIGHTS

- The city recorded approximately 21,800 new unit launches by the end of Q3 2016. The QoQ dip in new projects is majorly attributed to the momentary civil unrest over Cauvery Water, followed by demonetisation. Mired Transfer of Development Rights (TDR) Policy led to clearance delays, adding to developers' woes.
- Hebbal and Thanisandra Road in the North and Panathur-Varthur Road in the East led the influx of new residential supply in the city.
- More than 90 percent of the new project launches were reportedly made in the mid-segment category to cater to the active buyer base. Despite that, a sizeable number of enquiries were noted for Bangalore Development Authority (BDA) flats as buyers hunted for economically viable options.
- Sales volumes augmented by 5-6 percent during the festive season. Availability of ready-to-move-in apartments in affordable price brackets turned out to be an ideal combination for fence-sitters.
- Torrential rains in August-September flooded localities such as Kodichikkanahalli, off Sarjapur Road, Gottigere and Bannerghatta Road, impacting residential demand and price movement.
- Mysore Road bagged Rs 43 crore for development work. The area is touted to be a potential investment destination. In the last one year, property rates along the housing belt have appreciated by over 10 percent.
- The rental market witnessed only a marginal hike in the year as supply superseded demand in localities near employment hubs.
- Demand for plotted developments augmented near metro corridors due to higher Floor Space Index (FSI) being approved for projects falling within 500 m of the metro.



# THE YEAR GONE BY...

## IN NEWS



**99 acres**

India's No.1 Property Portal

CONTACT US

0120 4879450 | Monday - Friday | 9:30 AM to 6:30 PM IST | Email: [content@99acres.com](mailto:content@99acres.com)