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DELHI NCR PROPERTY CAPSULE 2016

DELHI NCR

The year 2016 started on a note of recovery with several state announcements favouring infrastructure and home buying sentiment. The combined impact of RERA formalisation and inducements offered during the festive season propelled housing demand in Delhi NCR by a modest 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 sector the most. While the slowdown looks temporary, 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. The end-user demand, thus, could take a year to return with full gusto.

Speculations are rife that certain heavy-inventory pockets in Noida and Gurgaon could witness a price correction of 10-15 percent. Resale and luxury markets are expected to bear the maximum brunt.

GROWTH INDUCERS

- The selection of Delhi and Faridabad under the Smart Cities Mission and Delhi Development Authority's initiative towards developing Dwarka as a sub-Smart City are anticipated to groom Delhi NCR's realty.
- Rising focus on affordable housing segment coupled with monetary aids by development authorities for constructing cost-friendly projects are expected to improve home ownership appetite in the region.
- Delhi NCR is set to witness an infrastructure overhaul with copious amount of funds allocated in the respective Municipal/State budget sessions of Delhi, Noida, Greater Noida, Yamuna Expressway and Gurgaon.
- State government focussed on fast-tracking the development of over-delayed road projects such as Dwarka Expressway, Faridabad-Greater Noida Road and Eastern Peripheral Road.
- Gurgaon and Delhi approved their respective Transit-Oriented Development policies and proposed expanding along the metro corridors.
- Where Gurgaon managed to get its own development authority, Ghaziabad inched ahead

towards the formulation of its Master Plan 2041. Noida witnessed several other reforms such as the approval of the exit policy and mixed land use development on SEZ pockets.

- New Delhi Municipal Authority (NDMA) decided against hiking property tax, while Gurgaon slashed circle rates by 15 percent in order to boost realty transactions.

GROWTH IMPEDIMENTS

- Noida Authority spiked stamp duty rates by two percent and land allotment rates by 10-15 percent; whereas circle rates in Ghaziabad were hiked by 2-5 percent, directly impacting the buying capacity.
- Several regions in Delhi reported circle rates superseding market values, impacting the sales volume.
- Land acquisition hurdles continued to delay the construction of Dwarka Expressway.
- Several other infrastructure projects were stalled due to cash deficit caused by demonetisation in the last quarter of 2016.
- Restrictions pertaining to ecological concerns from National Green Tribunal (NGT) halted several residential townships across NCR, further delaying completions.

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

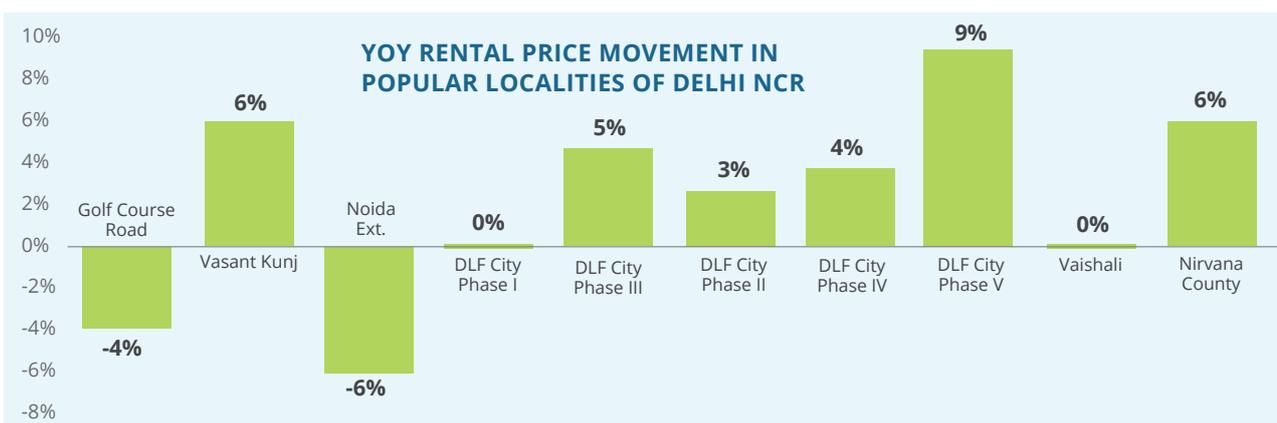
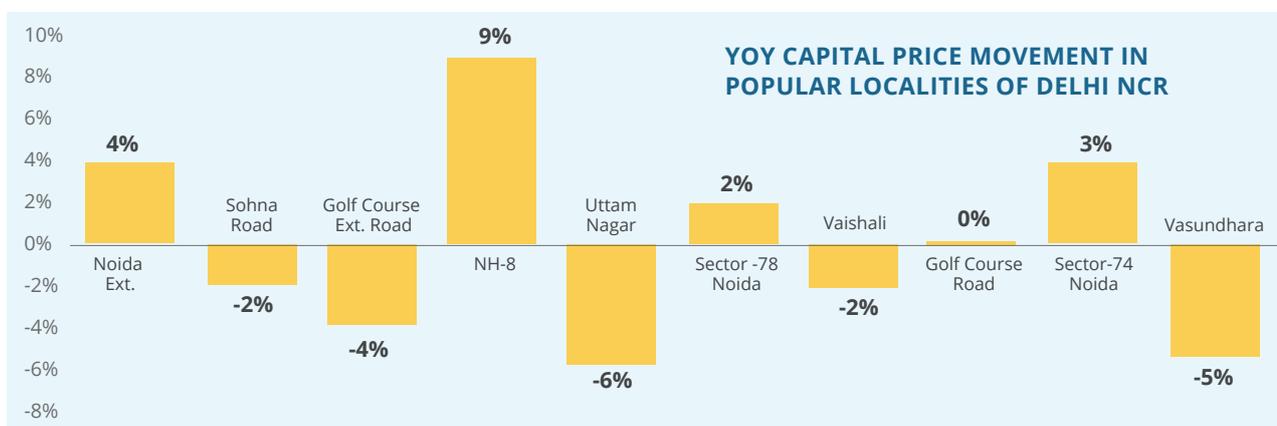
**Rental values depict annual change in average asks for respective quarters

MARKET SENTIMENT

Home enquiries resurrected in the first half of 2016. Buyers, however, remained cautious resulting in subdued transactions. The lack of synergy between buyers and developers over price correction hampered growth. Developers, across zones and budget segments, were seen exercising caution and restricting new launches, especially in the premium category, which reported heavy inventory and limited buyer base. The rental landscape of major micro-markets in Noida and Gurgaon suffered as new cost-effective stock was rolled out at peripheral locations.

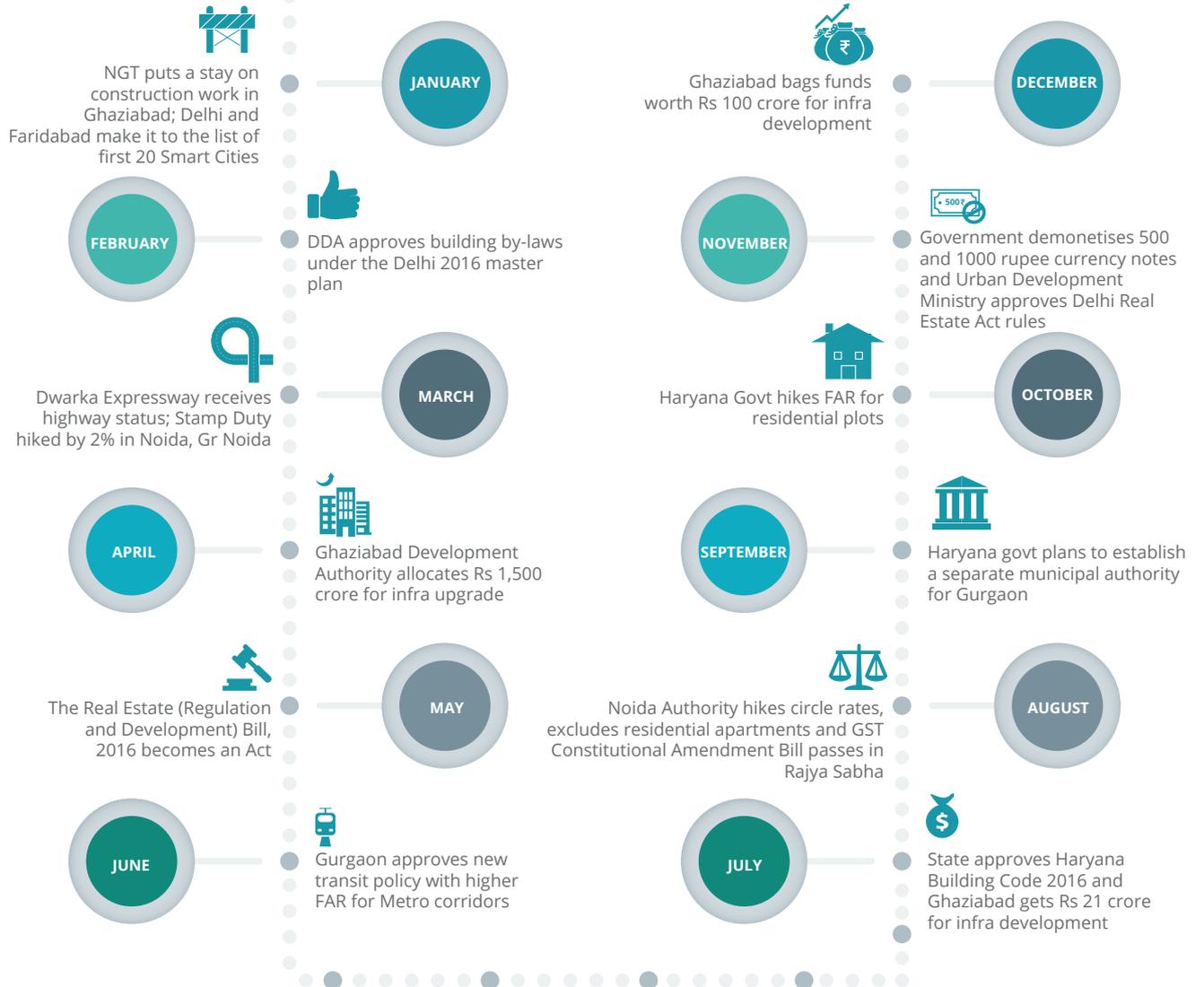
KEY HIGHLIGHTS

- Developers restrained new residential launches in Delhi NCR, due to an inventory overhang and delays in obtaining construction approvals and clearances. New launches in the city, thus, dipped by 20-30 percent YoY.
- By the end of H1 2016, Delhi NCR had about 2 lakh housing units still unsold.
- Gurgaon and Greater Noida collectively witnessed about 80 percent of the overall sales reported in Delhi NCR.
- With about 13,000 residential units being planned near Sohna, the locality is touted to have an enhanced liveability index by 2020. Property rates in the region have decelerated by approximately five percent YoY.
- By September 2016, nearly 25,000 housing units were handed over by developers in Noida and Greater Noida. Another 45,000 units are expected to be completed in the twin cities by March 2017.
- Gurgaon's cosmopolitan status and a growth-conducive environment continued to attract private equity firms. The region alone clocked investments over \$1 billion across residential, commercial and land categories.
- Rental market in premium sectors of Noida suffered on account of several project deliveries along the Noida-Greater Noida Expressway and availability of new properties at economically viable rates.
- The end of 2016 saw demonetisation severely hitting property enquiries and transactions across primary and resale markets in Delhi NCR. Sales volume dropped as an immediate aftermath of the move since buyers deferred purchase decisions anticipating correction in property prices.



THE YEAR GONE BY...

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