

MUMBAI

The first half of 2016 witnessed a few launches spread across Navi Mumbai, Mumbai and Thane. The market sentiment was, however, marred by multiple delays in project clearances throughout the year.

The city posted some revival in housing demand due to the combined impact of RERA formalisation and inducements offered during the festive season, but 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.

The high-ticket market, Mumbai, was one of the most impacted due to its mammoth share of cash-driven luxury and ultra-luxury segments. Enquiries and sales took an immediate hit after the announcement. The slowdown, however, seems temporary and the year 2017 is expected to open with buyers adopting a cautious stand until the uncertainty over the impact of RERA and *Benami* Prohibition Act recedes. Huge gap between circle rates and market rates might result in slight price correction in the secondary market. The primary market in Mumbai will remain unaffected.

GROWTH INDUCERS

- Thane Municipal Corporation (TMC) approved 100 infrastructure projects for the city. Further, higher incentives for land acquisition in order to fast-track pending developmental projects and approval of the cluster redevelopment policy to revamp the dilapidated and illegal structures augured well for the city's realty market.
- The government proposed funds worth Rs 4 lakh crore to improve transportation and connectivity in Mumbai. While Brihanmumbai Municipal Corporation (BMC) proposed to develop eight exclusive bus corridors by 2019, Environment Ministry gave a nod to the over-delayed Trans-Harbour Link.
- Mumbai-Ahmedabad Bullet Train and Navi Mumbai International Airport projects, too, received a boost and Mumbai Metro network remained on an expansion spree.
- As per Mumbai's new Development Plan, BMC rose the base Floor Space Index (FSI) from 1-1.33 to 2 for the entire city, promoting vertical growth. Navi Mumbai started working on its own development plan, almost after two decades.
- Giving a boost to affordable housing in the city, MCHI-CREDAI planned to construct 5.69 lakh low-cost homes and the State government offered to provide construction funding to developers at an annual interest rate of 11.15 percent.
- The state government cut stamp duty rates for houses smaller than 250 sq ft and offered concessions for homes up to 450 sq ft.
- The decision to set up a separate Housing Development Authority improved market sentiment.

GROWTH IMPEDIMENTS

- The passage of the Real Estate Regulatory Bill nullified the provisions under the Maharashtra Housing Act, the most important being the deemed conveyance of land titles to housing societies in cases where land owners refuse to transfer the titles. This paved way to a lot of anxiety and uncertainty in the market.
- High Courts' ban on construction activity in order to solve the dumping ground issue further delayed residential projects in the city.
- The 7-8 percent hike in ready reckoner rates dampened buyer sentiment in the already exorbitant realty market of Mumbai.
- BMC's proposal to develop affordable homes in 'No Development Zones' and relaxation on the land usage for large projects raised concerns over burdening the existing infrastructure.
- More than 80 percent properties in Thane were reported to be in complete violation of the development control norms.

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

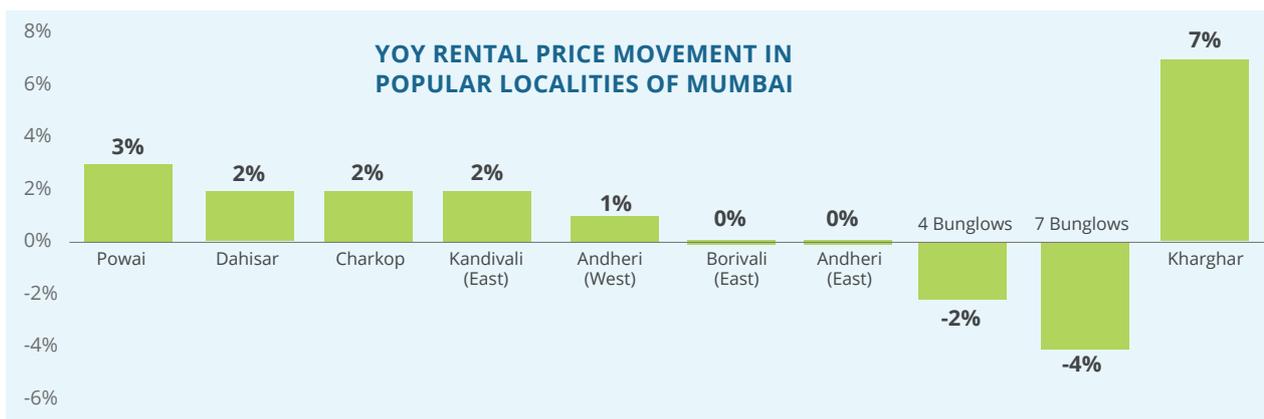
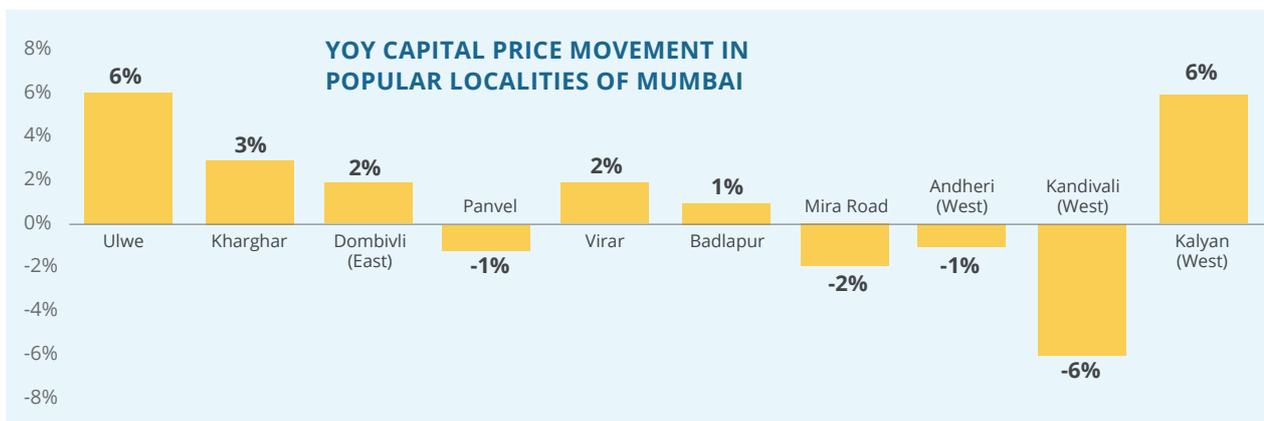
**Rental values depict annual change in average asks for respective quarters

MARKET SENTIMENT

The passage of the new draft Development Plan Mumbai 2034 has proved to be beneficial for the realty landscape of the city. Enhanced office space absorption coupled with infrastructure overhaul also acted as growth catalysts in 2016. Mumbai alone recorded Private Equity Investments over Rs 13,400 crore between June 2015 and 2016, translating into a 44 percent yearly growth.

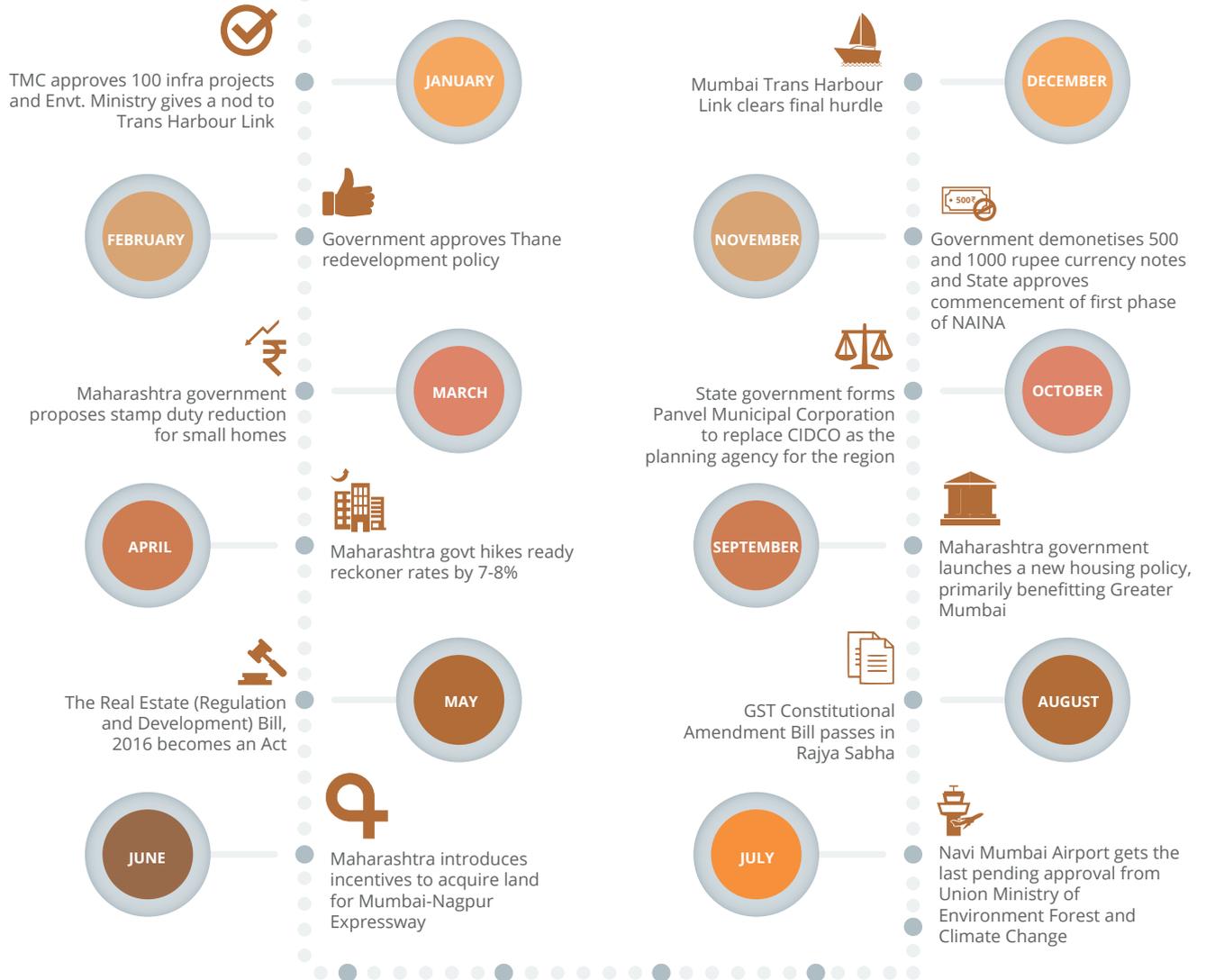
KEY HIGHLIGHTS

- Mumbai recorded a 20 percent YoY rise in sales volume in H1 2016. A dip in the ticket size of new launches attracted fence-sitters. The affordable and mid-income housing segments drove maximum demand, especially in the micro-markets of Thane and Navi Mumbai, while the premium sector remained subdued.
- Passive sales in Mumbai Metropolitan Region (MMR) resulted in an accumulation of almost 2.40 lakh units by August 2016.
- Bagging several big-ticket transactions in the year, Worli emerged as the new luxury-housing destination in Mumbai. The locality recorded a YoY price appreciation of four percent.
- The proposal to develop Kolshet in Thane into a transport hub gave a fillip to the area's residential market. In the last one year, property prices in the region grew by six percent.
- Navi Mumbai emerged as a popular destination amongst end-users. The region clocked a rise in property registrations between April-October 2016. Registrations, however, dipped by a whopping 45 percent, immediately after demonetisation.
- While Ulwe received an infrastructure boost worth Rs 13 crore in December 2016, CIDCO planned to develop Kharghar on the lines of Bandra Kurla Complex (BKC). It also offered 380 Mid and High Income Group flats in Ulwe and Kharghar during the festive season.
- The rental market in MMR surged by around 1.5 percent YoY. Western Suburbs continued to be the most active rental market across zones.
- To promote vertical development, the State government approved the new Transfer of Development Rights (TDR) rules in Bhiwandi-Nijampur, Thane, Mira Bhayander, Vasai-Virar and Kalyan-Dombivli.



THE YEAR GONE BY...

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