

The logo for 99 acres, featuring the text "99 acres" in a bold, blue, sans-serif font. The background of the entire page is a low-angle photograph of several modern skyscrapers with glass facades, reaching towards a bright, hazy sky. The buildings are arranged in a way that creates a sense of depth and height.

99 acres

India's No.1 Property Portal

INSITE REPORT

Chennai

October - December 2016

www.99acres.com



Methodology

The Insite Report by 99acres.com captures the quarterly capital trends and the annual rental analysis of residential apartments in key real estate markets – Delhi NCR, Mumbai Metropolitan Region (MMR), Bangalore, Pune, Chennai, Hyderabad, Kolkata and Ahmedabad. In order to assess the prevailing sentiment, the report delves deep into demand and supply of properties across varied budget segments and occupancy stages. While demand is a function of queries received, supply is based on property listings posted on 99acres.com in Oct-Dec 2016.



Contents

From Narasimha's Desk **03**

CBO's perspective on current market sentiment

Pan India Trends **04**

Snapshot of real estate ambience across top 8 metro cities

Market Indicators **05**

Changes in capital rates and inventory status QoQ; and rental values YoY

Market Movers **06**

News that impacted Chennai's realty market in Oct-Dec 2016

Demonetisation strikes Chennai **07**

Impact of demonetisation

Chennai at a Glance **08**

Capital price movement in key micro-markets of Chennai

Chennai **09**

Key highlights - Chennai's capital and rental market in Oct-Dec 2016

Demand-Supply Analysis **10**

Demand-supply trends of residential apartments in Oct-Dec 2016

Annexures **11**

FROM NARASIMHA'S DESK...

Counter-inflation initiatives such as tax sops and reduced home loan interest rates would accentuate home ownership appetite

The Indian real estate market has been struggling with snowballing inventory and demand-supply disequilibrium for 3-4 years now. Just when the industry was heading towards a revival around the festive season, demonetisation deferred growth prospects. Consequential impact in the form of market anxiety, liquidity deficit and pressure on property rates may prolong recovery.

The year 2017, however, is anticipated to be a landmark period for real estate due to the implementation of several reformatory announcements such as RERA, Benami Transactions Act and GST Bill. These radical steps clubbed with counter-inflation initiatives such as tax sops and reduced home loan interest rates would accentuate home ownership appetite and help the market recoup.

Southern metros such as Hyderabad, Chennai and Bangalore are projected to see brighter days due to their



end-user driven markets and massive budget allocations for infrastructure upgrades. Delhi NCR and Mumbai, however, could take longer owing to an inventory overhang and inflated property prices. Nevertheless, changing economic scenario and consumer-friendly policies would pave the way to a transparent and organised industry in the forthcoming quarters.

Narasimha Jayakumar
Chief Business Officer
99acres.com

Pan India Trends



HOME BUYING SENTIMENT

Apprehensions pertaining to several revolutionary policy reforms such as RERA, Land Acquisition Bill, GST Bill, *Benami* Transactions Act and demonetisation kept buyers in a state of dilemma. Fence-sitters continued to remain wary of investing and waited for price correction and market certainty.



PROPERTY PRICES

Limited number of new launches due to an inventory overhang kept property prices under pressure. The cautious stance of homebuyers restrained capital appreciation across cities. The currency pullback move led the average 'ask' prices to either stagnate or dip in Oct-Dec 2016.



RENTAL LANDSCAPE

The rental market across the top metros continued to remain buoyant as steady demand for properties kept vacancy levels in check. The prevailing market uncertainty due to multiple policy reforms compelled potential buyers to hold on to rented accommodations, augmenting demand and price points.



SUPPLY

Piling unsold inventory led developers across the country to shift their focus towards offloading existing housing stock. Homebuyers, too, preferred ready homes over under-construction units. With the formalisation of RERA rules, new launches are expected to remain subdued in 2017.

Market Indicators

	Capital Values	Rental Values	Supply
BANGALORE	↔	▲	▼
DELHI NCR	▼	▲	▼
MUMBAI	↔	▲	▼
CHENNAI	↔	▲	▼
PUNE	▼	▲	▼
HYDERABAD	↔	▲	▼
KOLKATA	↔	▲	▼
AHMEDABAD	▲	▲	▼

* Capital values represent quarterly change * Rental values represent yearly change * Supply is basis properties listed on 99acres.com



Market Movers

Cyclone Vardah unsettles life in Chennai

The calamity threw life out of gear in Chennai resulting into damaged homes, snapped power lines and wrecked bridges and roads. Tiruvallur, Kancheepuram, Nellore and Chittoor were the worst impacted housing pockets.

New commercial developments to improve office space supply

Commercial landscape in the city is set to witness a sea change with two new projects - DLF's Information Technology Special Economic Zone and Tata's Ramanujan IT City - in the offing. Residential pockets neighbouring these hubs are, hence, set to garner healthy housing demand.

GCC plans to penalise tax defaulters

The Greater Chennai Corporation (GCC) announced its plans to seal illegal establishments across the city. Several illicit properties were identified on Nelson Manickam Road and Anna Salai. The Authority targets to collect Rs 600 crore from the first list of defaulters.

CMDA waives off NOCs on STPs in new buildings

The Chennai Municipal Development Authority (CMDA) waived off NOCs on sewage treatment plants (STPs) for new projects. Cutting down the project completion timeline by a month, the move would largely benefit suburban pockets where sewage network had not been developed.

Work on trans-shipment hub to begin soon

Construction of Enayam Port near Colachel is expected to commence soon. Enayam will be the major gateway port for Indian cargo and trans-shipment hub in the region, likely to leg-up industries around.

Demonetisation Strikes Chennai



READY TO MOVE

Sales of ready-to-occupy properties plummeted post demonetisation. Property buyers displayed resistance and deferred purchase decisions in anticipation of price cuts and reduced home loan interest rates in the upcoming quarters. Besides, buyers await the implementation of RERA, Benami Prohibition Act and GST policies before finalising deals.



UNDER CONSTRUCTION

Liquidity crunch took a major toll on under-construction projects. Heavily dependent on the cash component, building activities across the city muted. A number of buyers suspended homebuying decisions. Deal cancellations were reported on account of delayed deliveries. Enquiries for under-construction properties witnessed a 40-60 percent drop post demonetisation.



LAND

Land transactions have come to a standstill in Chennai post demonetisation. Buyers dependent on home finance have extended their purchase decisions and thus, the residential land transactions are expected to experience a lull in the forthcoming quarters. Such deflationary market condition project lower 'ask' rates in future, however, not enough to trigger massive sales.



RESALE

While currency prohibition aimed at aligning real estate practices to favorable international standards of doing business, its immediate influence on resale market of Chennai has been reportedly unfavorable. Forecasting a similar scenario in the near future, transaction volumes are estimated to decline and prices would reel under pressure.



RENTAL

Denoting stability, rental market in Chennai remained unaffected post the note ban. Fence-sitters further deferred buying decisions in anticipation of a price correction in the next 2-3 quarters, benefitting rental demand and price points. Suburban areas in proximity to IT/ITeS clusters would continue to be the most sought-after pockets and rentals might move north here in the next one year.

Chennai at a Glance

Price movement in key micro-markets

Locality	Average 'Ask' Rate (Per sq ft)	QoQ Change	YoY Change
Ambattur	3,400 - 4,000	3%	3%
Anna Nagar	8,075 - 10,540	1%	-2%
Arcot Road	5,700 - 6,700	1%	7%
Madipakkam	4,050 - 4,700	0%	4%
Medavakkam	3,700 - 4,420	0%	1%
Nungambakkam	11,900 - 21,000	4%	4%
Perambur	4,250 - 5,200	1%	-1%
Porur	4,200 - 4,850	-2%	4%
T Nagar	7,350 - 9,775	0%	-5%
Velachery	4,675 - 6,205	2%	-4%

* Average 'ask' rates have been calculated as per listings posted on 99acres.com in the current quarter

99ACRES OUTLOOK

The last quarter of 2016 commenced on a positive note with sales going north in October due to the festive fervour. The market, however, was hit by the demonetisation move in early November and cyclone Vardah in the first week of December. Consequently, market uncertainties and multiple distractions led to a dip in enquiries and demand across the city.

Nevertheless, multiple infrastructure reforms such as the airport metro line and initiatives towards Chennai's Smart

City project are anticipated to drive the city's real estate market to a growth path. There are other stimulators on the anvil including a new international airport and flyovers at Vandalur and Porur.

As ambiguity pertaining to several policy announcements such as RERA, Benami Transactions Act and GST Bill begins to recede starting April 2017, demand and trade would witness a revival.

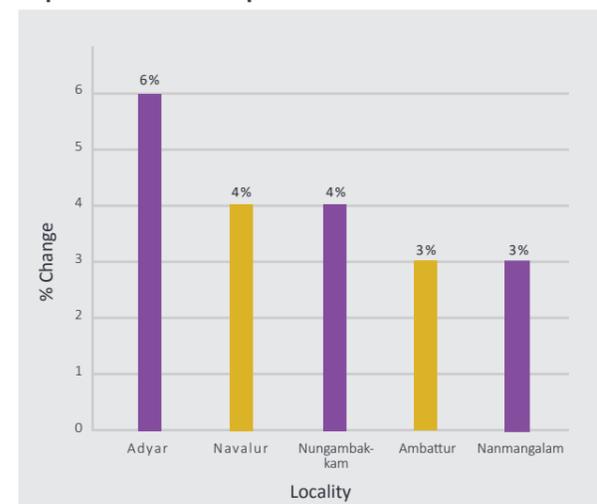
CHENNAI

While Chennai's realty displayed healthy demand momentum in the previous quarter, the market remained subdued in Oct-Dec 2016. Hit by the double whammy of demonetization and natural calamity in the form of cyclone Vardah, housing demand in the city reported a sudden dip. Barring few localities close to IT pockets, capital and rental values across the metro registered marginal price movement.

Key Highlights

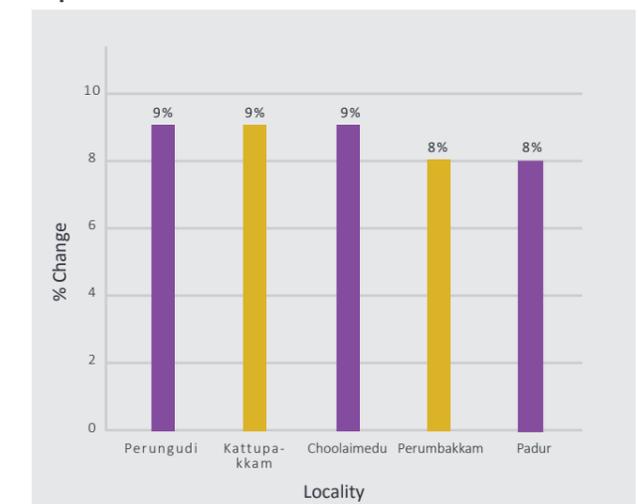
- Backed by the presence of IT hubs and Central Business Districts (CBDs), southern Chennai continued to churn healthy capital appreciation in Oct-Dec 2016. Whereas, the non-IT markets, in the absence of healthy demand, suffered due to the ongoing market uncertainty. Most of the homebuyers deferred purchase decisions and adopted a wait-and-watch approach post the demonetisation announcement.
- In the wake of a vigorous housing demand by IT workforce, Adyar in the South led the market with six percent capital hike, QoQ. Following suit, micro-markets such as Navalur, Nungambakkam, Ambattur and Nanmangalam also reported quarterly appreciation of 3-4 percent, each. While the quarter opened with healthy sales volume owing to ascended demand from working professionals hailing from mid-income segment, the enquiries dipped post the note ban move.
- The saturated premium pockets of Egmore, T Nagar and Anna Nagar, which are heavily dependent on the resale inventory, failed to garner traction in the cash strapped market.
- Outweighing the capital values, rental rates in the city fared well, reporting a marginal annual growth. Micro-markets such as Perungudi, Perumbakkam, Chooleimedu, Kattupakkam and Padur posted rental appreciation to the tune of 8-9 percent on account of their proximity to CBD's and IT hubs.
- The builder floor market lacked sheen and reported a fall in average rentals YoY, whereas gated communities remained popular among tenants owing to multiple amenities assured within one society.
- Growing office space demand continued to outstrip supply, exerting an upward pressure on monthly rents. While average annual rentals along OMR registered a nine percent uptick pre-demonetisation, leasing rates maintained status quo post the radical move. Several micro-markets reported 3-4 percent hike due to paucity of Grade A office space in the city.

Top Performers - Capital Market



* %change represents quarterly capital movement

Top Performers - Rental Market



* %change represents yearly rental movement

DEMAND-SUPPLY ANALYSIS

While the Centre's demonetisation move jolted sentiment across the country, Chennai's realty market also suffered due to unforeseen developments including the Chief Minister's demise and the *Vardah* cyclone. Consequently, fresh supply was restricted and demand, too, received a major blow. Number of new launches were limited to areas such as Ambattur, Porur and Navalur near major IT hubs.

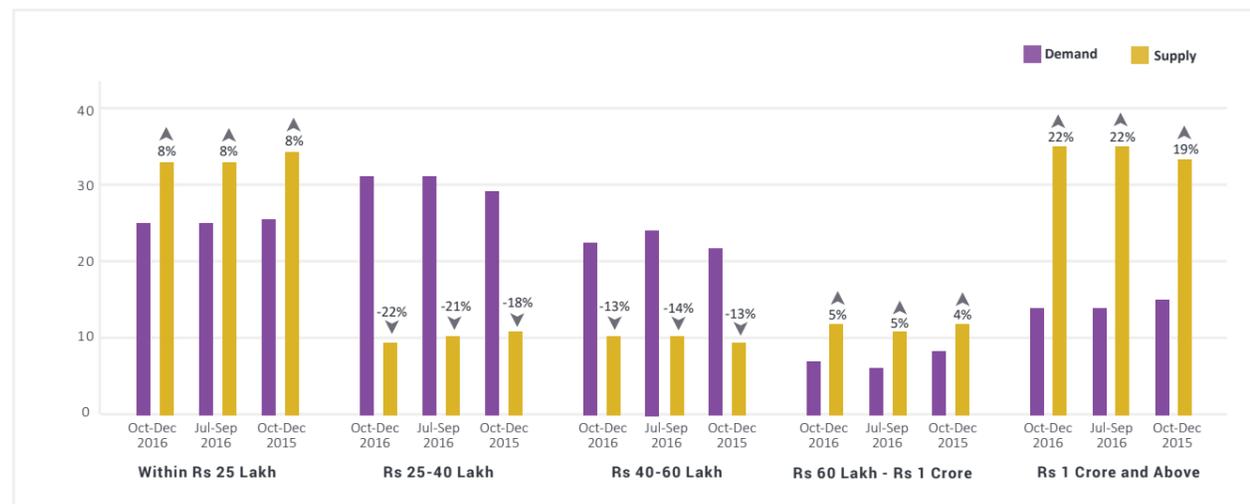
Key Trends

- Residential apartments in budget bracket of Rs 25-40 lakh captured over 30 percent of the total demand. With majority of properties in this price bracket situated towards peripheries in vicinity to IT hubs, offering sound infrastructure and smooth connectivity, demand led supply by 22 percent.
- Following suit, configurations priced within Rs 40-60 lakh also bore the brunt of inadequate supply. As against the consumer demand, developers offered premium projects. Mid-income housing segment consequently reported restricted supply.
- Across all the budget segments, low-key residential projects priced within Rs 25 lakh continued to be the second most preferred property type, witnessing stable demand, especially from industrial workforce.
- While the overall residential inventory supply inched by two percent in Q4 2016, it failed to meet the city's appetite, flaring the demand-supply gap. Ready-to-move units occupied the maximum share owing to its popularity among first time homebuyers, whereas demand for under-construction configurations remained limited to investors.

Distribution of Residential Apartments



Graph depicts the availability of residential apartments wrt other property types, QoQ, along with the distribution of under-construction and ready stock



Graph depicts the fluctuation in supply wrt demand for residential apartments in various budget categories

Annexure

CAPITAL VALUES - APARTMENTS

Locality	Oct-Dec 2016	% Change
Adambakkam	6536	1
Adyar	13200	6
Besant Nagar	14075	1
Chitlapakkam	5150	1
Choolaimedu	7510	3
Chromepet	5050	-1
Egmore	15400	0
Gerugambakkam	4350	1
Guindy	7923	0
Iyyappanthangal	4350	-1
Kilpauk	11200	-2
Kodambakkam	8500	2
Kolathur	5333	3
Kovilambakkam	4533	-5
Madambakkam	4100	0
Madhavaram	4320	0
Manapakkam	5690	0
Mugalivakkam	5179	-4
Mylapore	15300	-1
Padur	4350	1
Pallavaram	5183	-2
Pallikaranai	5060	-3
Perumbakkam	4233	-3
Perungudi	6737	2
Poonamallee	3900	-1
RA Puram	17000	-1
Saligramam	8080	-3
Selayur	4875	1
Sholinganallur	5146	-2
Tambaram	4333	-2
Thiruvanmiyur	11315	3
Thoraipakkam	6450	3
Urapakkam	3600	-1
Vadapalani	8700	1
Valasaravakkam	6900	1

RENTAL VALUES - APARTMENTS

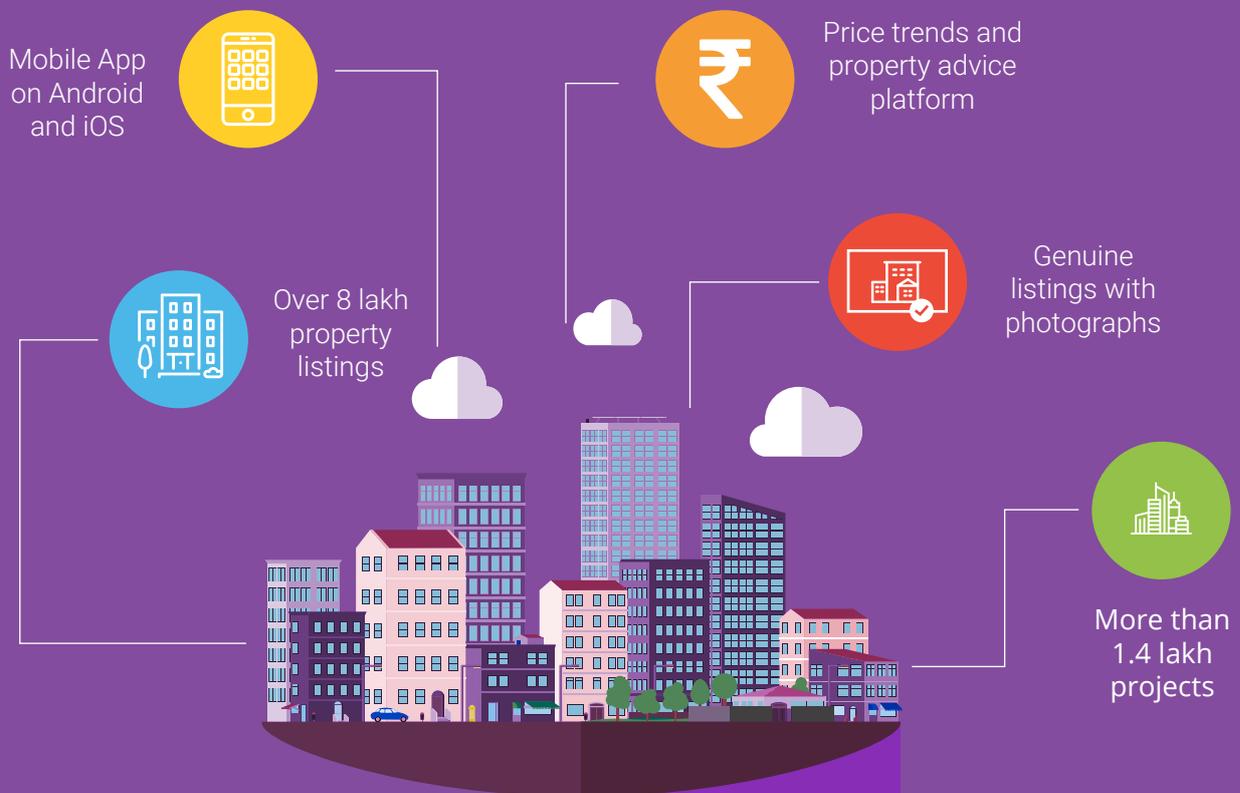
Locality	Oct-Dec 2016	% Change
Adyar	25	4
Alwarpet	30	-6
Anna Nagar West	18	-10
Besant Nagar	25	0
Choolaimedu	19	9
Chromepet	14	4
Egmore	32	-3
Kattupakkam	12	9
Kelambakkam	12	5
Kilpauk	22	-2
Kodambakkam	21	5
Madipakkam	12	5
Medavakkam	12	0
Mylapore	28	-2
Nungambakkam	23	-8
Oragadam	11	5
Padur	13	8
Pallavaram	14	0
Pallikaranai	13	-4
Perumbakkam	13	8
Perungudi	18	9
Porur	16	7
RA Puram	30	-11
Saidapet	19	-8
Selayur	12	-4
Sholinganallur	16	3
Siruseri	11	5
T Nagar	24	2
Tambaram	11	0
Thiruvanmiyur	21	0
Thoraipakkam	16	-6
Urapakkam	10	-9
Vadapalani	20	-5
Valasaravakkam	15	7
Velachery	18	-3

*All prices are per sq ft rates *Capital change depicts quarterly alterations in average 'asks' *Rental change depicts yearly alterations in average 'asks'

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CONTACT US

0120 4879400 | Monday - Friday | 9:30 AM to 6:30 PM IST | Email: content@99acres.com