

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.

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# INSITE REPORT

## Hyderabad

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October - December 2016

[www.99acres.com](http://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.



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# 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

### State tops 'ease of doing business' rankings

The twin cities of Andhra Pradesh and Telangana jointly captured the top spot in terms of ease of doing business in the country in 2016, signalling more commercial investments and, subsequently, better housing demand.

### Hyderabad records reduced office space vacancy levels

The office market of Hyderabad remained buoyant with absorption reaching five million sq ft during Jul-Sep 2016 resulting in reduced vacancy levels and improved sale and lease prices.

### Key civic projects get government push

Ambitious infrastructure projects such as two metro corridors and a high-speed rail track are anticipated to improve connectivity across the city. A pharma city in the pipeline and Municipal Corporation's plan to construct 88,000 2BHK homes are further set to drive growth.

### No hike in land values in Telangana

Post the announcement of demonetisation of higher currency notes, the state government of Telangana decided against increasing the land values, fearing a drop in revenues generated through property registrations.

### Industrial Corridor Act on the anvil

With an aim to boost development of industrial corridors in the state, the Andhra Pradesh state government is preparing a draft Industrial Corridor Act. The Act proposes setting up of an Authority, which will act as a Special Purpose Vehicle (SPV) and facilitate execution.

## Demonetisation Strikes Hyderabad



### READY TO MOVE

The primary market, especially in the ready to move category, was least impacted by demonetisation as the mid-income housing stock, which is largely driven by institutionalised finance and involves fewer cash transactions, constitutes more than 50 percent of the total inventory share in the city.



### UNDER CONSTRUCTION

The demonetisation of higher currency notes has halted construction activities across the city due to liquidity crunch at developers' end, accentuated by labour shortage and delay in transportation of raw materials. This has hampered the construction timelines and might further delay project deliveries across the city.



### LAND

Residential land deals hit a new low with 65 percent drop in transactions immediately after the currency ban announcement. While buyers expected a 10-15 percent price correction in land 'ask' rates, sellers refused to bear cuts in profit margins and preferred to take a back seat in short to mid-term.



### RESALE

Sales in the secondary market hit the wall as an immediate aftermath of demonetisation. The excessively cash-dependant luxury and ultra-luxury segments bore the maximum brunt with speculations of robust price corrections over the next one year. Both sellers and buyers are currently wary of finalising deals in the resale market.



### RENTAL

Enquiries dipped negligibly in the rental landscape, primarily owing to distractions following the currency ban. Micro-markets near the IT and Pharma hubs continued to remain upbeat and popular amongst tenants. The rental 'asks' have so far remained stable, however, a marginal hike is expected in the next 2-3 quarters.

# Hyderabad at a Glance

## Price movement in key micro-markets

Locality	Average 'Ask' Rate (Per sq ft)	QoQ Change	YoY Change
Beeramguda	1,700 - 2,000	-2%	3%
Chandanagar	2,635 - 3,345	-2%	5%
Gachibowli	3,610 - 4,500	2%	-2%
Kondapur	3,610 - 4,300	1%	-1%
Kukatpally	3,270 - 3,900	3%	8%
Madhapur	4,080 - 4,930	2%	4%
Manikonda	2,720 - 3,350	0%	5%
Miyapur	2,380 - 3,100	0%	-3%
Nizampet	2,100 - 2,650	-1%	0%
Pragati Nagar	2,450 - 2,550	4%	8%

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

## 99ACRES OUTLOOK

Despite the uncertainties posed by demonetisation, the year 2017 is expected to open on a positive note with a revival in demand for the affordable housing segment. Projects launched in proximity to the employment hubs at right price points will continue to attract buyers. In addition, favourable government policies and key infrastructure projects such as the Mega City project, Metro corridors and Pharma City are expected to increase the attractiveness index of the city, providing much-needed impetus to the future housing demand.

Meanwhile, Real Estate (Regulation and Development) Act, 2016 (RERA) could limit the number of new project launches leading to a drop in inventory supply. Improved demand in the forthcoming quarters, thus, could take the city close to a demand-supply equilibrium.

Fence-sitters could finally conclude transactions fearing property prices to soar post the implementation of Goods and Service Tax (GST) Bill anytime next year.

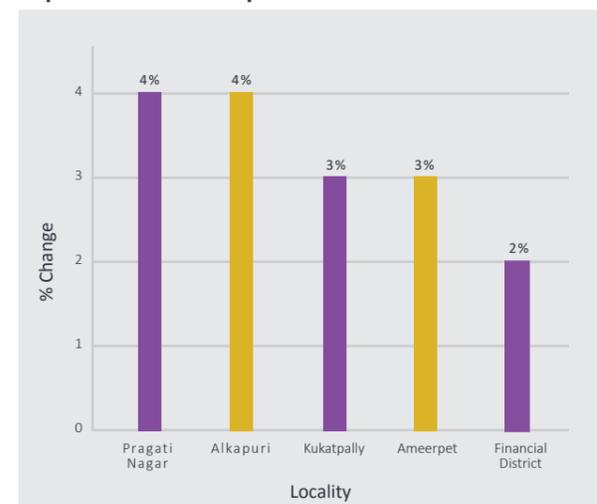
## HYDERABAD

The city rode high in terms of sales volume, especially in the festive month of October, with a slew of new launches and fresh incentives for homebuyers by the developer fraternity. Housing demand, however, remained concentrated in areas close to the employment hubs for mid-segment housing stock priced within Rs 60 lakh.

## Key Highlights

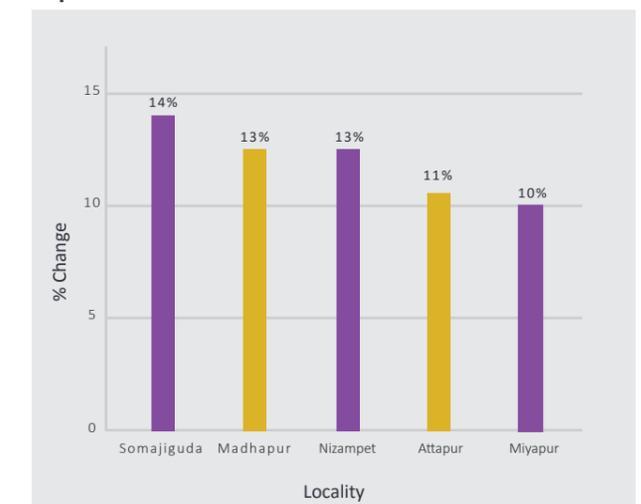
- Being one of the most affordable metros and primarily driven by end-users, Hyderabad exhibited resilience and recorded a stable market with minimal change in property registrations post demonetisation. There was, however, a marginal drop in enquiries across all property types for a month.
- The capital values of residential apartments appreciated by 2-6 percent, QoQ. Many micro-markets in the western part of the city such as HITEC City, Kukatpally, Madhapur and Chandanagar witnessed healthier housing demand than the previous quarter. Factors such as seamless connectivity, developed infrastructure and availability of affordable residential options acted as growth propellers for these localities.
- Residential plots witnessed a moderate growth in average weighted prices, QoQ, primarily due to the completion of Outer Ring Road, which boosted connectivity and investment potential.
- Nandigama continued to trace the growth trajectory owing to its proximity to the capital city of Amravati and recorded a seven percent growth in land values, QoQ. Capital market across Srisailem Highway also benefitted from the government's approval to form Special Purpose Vehicle (SPV) to execute the Pharma City project, recording a healthy four percent quarterly growth. Meanwhile, land rates subsidised in Shamshabad resulting in the region to witness a drop of eight percent in 'ask' prices.
- With a sizeable population of migrants, particularly IT/ITes professionals, Hyderabad's the rental market remained robust, recording six percent annual growth in average values.
- Somajiguda topped the rental charts with 14 percent growth, YoY, owing to self-sufficient infrastructure and proximity to prime commercial hubs. Further, the announcement of Punjagutta-Somajiguda Metro Rail project nearing completion fuelled the leasing 'asks' in the region.
- Gachibowli continued to be bogged down by depletion of ground water coupled with other civic infrastructure woes, resulting in high vacancy levels and a nine percent drop in rental values, YoY.

## Top Performers - Capital Market



\* %change represents quarterly capital movement

## Top Performers - Rental Market



\* %change represents yearly rental movement

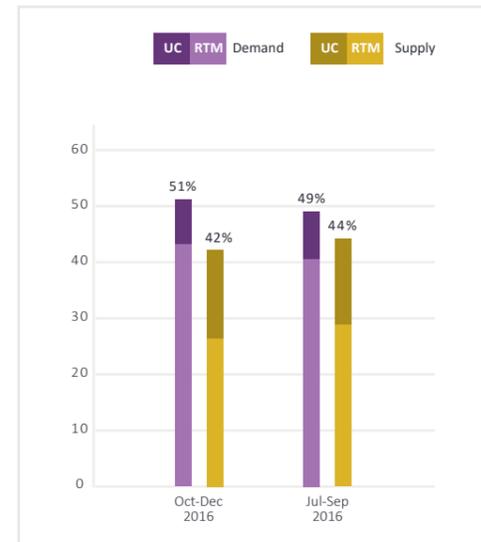
### DEMAND-SUPPLY ANALYSIS

The Oct-Dec 2016 quarter was a mixed bag for Hyderabad's real estate landscape with the Centre's demonetisation move impacting market dynamics and trade. Nonetheless, demand for residential apartments outstripped supply consecutively for the fourth quarter, signifying insufficient number of new launches in the city. Properties priced within Rs 40 lakh continued to rule the roost.

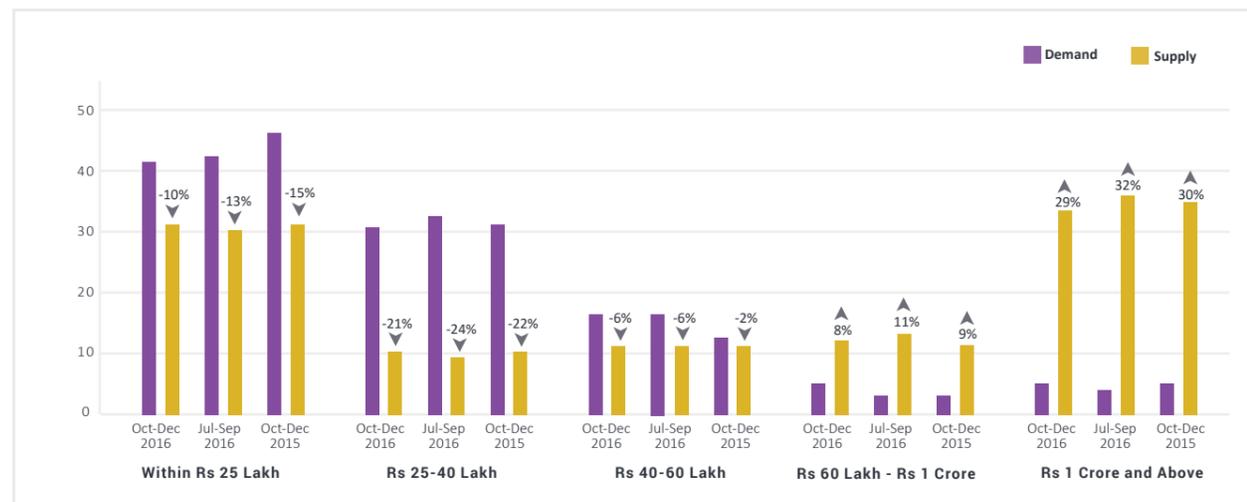
#### Key Trends

- Inventory priced within Rs 40 lakh continued to be the most preferred and witnessed maximum transactions, especially from first-time homebuyers owing to various tax sops announced by the government. However, supply of these properties remained on the lower side as meek profit margins kept developers at bay from foraying into this segment.
- The demand for properties priced at Rs 1 crore and above remained more or less stable. However, it continued to be over-supplied owing to a condensed buyer base.
- Limited number of new launches were reported in the Rs 60 lakh to Rs 1 crore budget bracket as developers were unable to offload the existing stock. The popularity for such housing units remained subdued, resulting in a lopsided demand-supply equilibrium.
- Lack of investor confidence and homebuyers' unwillingness to take risks continued to hurt the flow of investments in under-construction units. The supply of ready inventory, consequently, remained upbeat in Hyderabad all throughout the year.

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
Alkapuri	2800	4
Ameerpet	4100	3
Appa Junction	3450	0
AS Rao Nagar	2250	-1
Attapur	3200	-3
Bandlaguda	2850	-2
Banjara Hills	7300	1
Beeranguda	2050	-2
Begumpet	4620	2
Boduppall	2400	-4
Chandanagar	3317	-2
Dilsukh Nagar	3000	1
Financial District	4250	2
Gachibowli	4500	2
Gajulamaram	2550	-2
Hafeezpet	3600	1
Himayath Nagar	4900	2
Hi-Tech City	5150	1
Kapra	2450	1
Kokapet	4200	0
Kondapur	4250	1
Kothapet	3017	1
Kukatpally	3900	3
LB Nagar	3133	1
Lingampally	3700	1
Madhapur	5200	2
Madinaguda	3300	0
Manikonda	3100	0
Mehdipatnam	3520	-2
Miyapur	3100	0
Nagole	2900	-3
Nallagandla	4170	2
Nanakramguda	4500	2
Narsingi	3650	-1
Nizampet	2550	-1

### CAPITAL VALUES- APARTMENTS

Locality	Oct-Dec 2016	% Change
Pragati Nagar	2600	4
Qutbullapur	2250	-4
Sanath Nagar	4600	2
Shaikpet	4533	0
Somajiguda	4500	0
Tellapur	3900	0
Tolichowki	3000	-4

### RENTAL VALUES - APARTMENTS

Locality	Oct-Dec 2016	% Change
Ameerpet	13	8
Appa Junction	12	9
Attapur	10	11
Banjara Hills	17	0
Begumpet	13	0
Chandanagar	12	9
Gachibowli	15	-9
Himayath Nagar	13	8
Hi-Tech City	16	7
Jubilee Hills	17	6
Kondapur	14	0
Kukatpally	15	4
Madhapur	17	13
Madinaguda	12	5
Manikonda	12	9
Mehdipatnam	10	0
Miyapur	11	10
Nallakunta	12	
Nizampet	9	13
Somajiguda	16	14
Tolichowki	11	0

\*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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