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INSITE REPORT

Ahmedabad

January - March 2017



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 Jan-Mar 2017.



Contents

From Narasimha's Desk **03**

CBO's perspective on current market sentiment

National Outlook **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

Impact of Union Budget **06**

Impact of Union Budget 2017-18 on the Indian real estate market

Market Movers **07**

News that impacted Ahmedabad's realty market in Jan-Mar 2017

Ahmedabad at a Glance **08**

Capital price movement in key micro-markets of Ahmedabad

Ahmedabad **09**

Key highlights - Ahmedabad's capital and rental market in Jan-Mar 2017

Demand-Supply Analysis **10**

Demand-supply trends of residential apartments in Jan-Mar 2017

Annexures **11**

FROM NARASIMHA'S DESK...

Home loan interest subsidies, infrastructure status to affordable housing and change in the holding period of LTCG tax are expected to spur the market

The year 2016 drew to a culmination with jitters instigated by some of the most radical alterations in the history of Indian real estate. RERA, GST Bill, demonetisation and Benami Transactions (Prohibition) Amendment Act surfaced as game-changing policies that brought anxiety and distractions to the housing market. Nevertheless, they promise greater transparency, optimism and lucrative returns for investors in the long term.

The realty market across the country reposed in the first quarter of 2017. Several initiatives announced in the Union Budget 2017-18 talked about enhancing infrastructure, improving connectivity and providing affordable housing. Home loan interest subsidies, infrastructure status to affordable housing and change in the holding period of LTCG tax are expected to spur the market. In tandem with the improving buyer sentiment, listings and page views on 99acres.com are at an all-time high, with the site having almost 60% page view share* and 48% time share** against players in the same space.

At a city-level, Delhi NCR and Mumbai saw minimal changes in property prices, restricted new



launches and a revival in enquiries during the quarter. Southern counterparts such as Bangalore and Hyderabad thrived on the back of government initiatives, commercial expansion, and emergence of IT hubs. Chennai, however, battled degeneration of residential housing stemming from political crisis and natural calamities.

The latter half of 2017 is speculated to see realty bounce back, provided the current leakages in the system are effectively plugged.

Narasimha Jayakumar
Chief Business Officer
99acres.com

Data source: SimilarWeb

*Page View Share is the market share of total webpages viewed on site

**Time Share is the market share of total time spent on site

National Outlook



HOME BUYING SENTIMENT

Union Budget 2017-18 triggered a positive wave after a nationwide slowdown gripped the market post currency ban. A recovery in enquiries and transactions across metros reflects a revival in homebuyer interest. Ready units in the affordable housing segment garnered maximum traction.



PROPERTY PRICES

Popularity of low-budget homes proliferated due to focus on mass housing. Property prices remained under pressure as developers prioritised offloading existing stock and retreated from launching new projects at revised prices. Bangalore and Hyderabad narrated better stories than other metros.



RENTAL LANDSCAPE

Prospective homebuyers refrained from finalising purchase decisions due to uncertain market conditions and hopes of further price correction. The rental business, subsequently, benefited. Average 'asks' across metros, barring Pune and Chennai, received a fillip, YoY.



SUPPLY

New launches contracted further due to partial implementation of RERA, uncertainty over GST Bill, and a mammoth inventory overhang across metros. Supply in the secondary market soared following demonetisation, as investors made desperate attempts to exit real estate equity.

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



Budget & Realty



Affordable housing receives infrastructure status

Availability of funds at lower interest rates and associated tax sops would propel developers to build more economical units. The allowance of 100 percent tax deduction for affordable housing projects delivered within five years instead of the earlier mandate of three years would also help bridge the lacunae of 20 million houses in the time to come.



Infrastructure sector gets a shot in the arm

Recognising the role that infrastructure plays in spurring economic growth, the central government earmarked Rs 3.9 lakh crore for the development of roadways, railways, metro and airways. Thrust to the connectivity quotient is anticipated to translate into huge benefits for realtors and investors alike.



Rural housing grabs the limelight

A colossal amount of Rs 23,000 crore has been allocated under *Pradhan Mantri Awas Yojana* (PMAY) and Rs 19,000 crore towards the *Pradhan Mantri Gram Sadak Yojana* (PMGSY). While the former targets replacement of 1 crore *kachha* houses by 2019, the latter aims to improve the connectivity of all rural habitations of the country.



Homebuyers to benefit from subsidies

The government announced subsidies of three and four percent for buyers opting for home loans worth Rs 12 lakh and Rs 9 lakh, respectively. Loan applicants, however, need to have an annual income under Rs 18 lakh and Rs 12 lakh. Further, they must invest in properties having a carpet area equal to or less than 600 sq ft and 900 sq ft. This would mean a relief of over Rs 2 lakh for property buyers.



Holding period for LTCG tax reduces

The holding period for long term capital gains (LTCG) tax has been reduced from three years to two years. Until now, home owners would have to hold on to their property for at least three years to avoid short term capital gains tax, which has a higher tax implication than LTCG tax.



Changes in tax norms for multiple property owners

The tax deduction available on loan repayment for a second home has been limited to a maximum of Rs 2 lakh. Until now, there was no ceiling on the tax deduction for investing in second homes. This might discourage investors from investing in multiple properties.

Market Movers

State allows volumetric development along riverfront

The state government approved *Sabarmati* riverfront volumetric General Development Control Regulations (GDCR). This will allow developers to carry out volume-based development on the riverfront.

State annuls illegal land transactions

The state government passed an order to quash all land transactions done in the last two years by district collectors. The move was taken following the misinterpretation of the Tenancy Act announced in 2015.

AMC allots Rs 6,551 crore for infra upgrade

The State budget allotted a whopping Rs 6,551 crore towards development of stores for generic drugs, new community halls, traffic management and mayor's premier league match, which would enhance the liveability index of the city.

Ashram Road's CBD project gets delayed

The ambitious Central Business District (CBD) planned along the *Ashram Road* in Ahmedabad has been delayed with no progress since its announcement by the Ahmedabad Urban Development Authority (AUDA) in 2013. This might hurt realty sentiment in the city.

Construction approvals to be digitised

The state government allocated Rs 35 crore towards setting up a comprehensive permission system enabled with Geographic Information System (GIS) based master plan for urban local bodies. Through this, the government plans to migrate all land and construction approvals online.



Ahmedabad at a Glance

Price movement in key micro-markets

Locality	Average 'Ask' Rate (Per sq ft)	QoQ Change	YoY Change
Bodakdev	5,500-6,700	1%	3%
Chandkheda	2,500-2,800	0%	4%
Gota	3,100-3,300	1%	2%
Maninagar	3,000-3,900	1%	3%
Naranpura	4,000-4,600	-1%	1%
Satellite	5,500-6,200	0%	3%
South Bopal	3,500-3,800	-2%	2%
Thaltej	4,700-5,500	-1%	2%
Vastrapur	4,500-5,300	-3%	1%
Vejalpur	3,200-3,600	1%	3%

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

99ACRES OUTLOOK

The residential sales volume in Ahmedabad hit an all-time low in Oct-Dec 2016 with just 2,800 units getting sold. While the numbers showed marginal improvement in Jan-Mar 2017, they were not enough to trigger a complete recovery. Sales are likely to spurt in 2017 with mid-income housing ruling the roost. In addition, the announcements made in Union Budget 2017-18 are anticipated to fuel demand for low-cost housing in the city.

The premium housing segment continues to garner interest from High Net worth Individuals (HNI) and Non-Resident Indians (NRI).

The city will continue to record healthy leasing activities in both commercial and retail spaces, providing an impetus to the housing demand.

With the state getting ready to implement Real Estate (Regulation and Development) Act in the upcoming quarter, the trust deficit between buyer and builder is also expected to narrow down. However, it will also tighten the noose on the developers, resulting in restricted new launches. In the long term, this move, along with upbeat demand, may put an upward pressure on property prices.

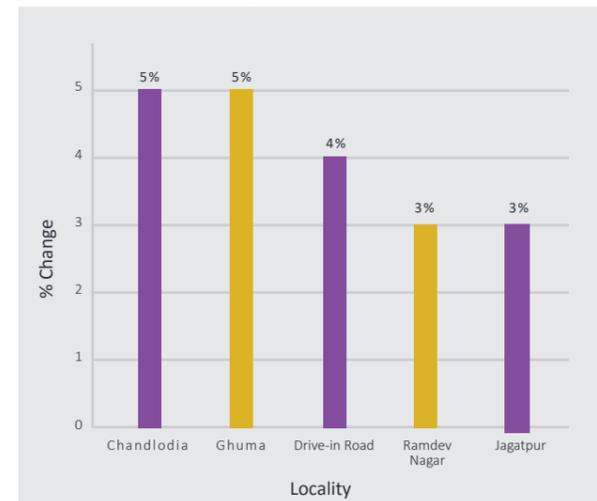
AHMEDABAD

A drop in lending rates propelled Ahmedabad's real estate landscape to combat the marginal slowdown caused by demonetisation in the previous quarter. The city witnessed improvement in terms of project enquiries and site visits in Jan-Mar 2017. The demand for mid-income housing stocks priced in the Rs 30-60 lakh budget range remained buoyant.

Key Highlights

- Despite a significant hike in property registrations, the average weighted capital values across the city posted no growth in the quarter ending March 2017. While SG Highway and surrounding areas attracted low and mid-income segment homebuyers, West Ahmedabad remained the favourite among HNI and NRI buyers who preferred premium projects.
- Availability of pocket-friendly housing inventory added to the attractiveness index of Shela, Chandlodia, Ghuma and Jagatpur, which saw property prices moving up by two to five percent, QoQ. Meanwhile, the premium markets of Drive-in Road and Ramdev Nagar saw maximum project completions resulting in a moderate hike in 'ask' rates.
- Inventory levels surged in saturated markets of South Bopal and Navrangpura with investors, buyers and tenants refraining from purchasing or leasing properties. As a result, both the regions saw the capital and rental rates plunging by varied margins.
- The rental market of Ahmedabad continued to trace growth trajectory and reported a five percent annual hike in average weighted prices. Industrial expansion and healthy leasing activity in shopping malls along the SG Highway attracted tenants to the residential pockets of Thaltej, Makarba, South Bopal and Science City, resulting in rental rates reporting positive movement to the tune of eight to 11 percent, YoY.
- Healthy demand for high-end housing stock coupled with robust social infrastructure boosted the premium rental markets of Memnagar, Ambawadi, Ramdev Nagar and Bodakdev.
- The sub-market of SG Highway registered maximum concentration in terms of the development of Grade A office spaces. However, the micro-market recorded meek leasing activity, resulting in the lease rates of office spaces remaining range-bound.

Top Performers - Capital Market



* %change represents quarterly capital movement

Top Performers - Rental Market



* %change represents yearly rental movement

DEMAND-SUPPLY ANALYSIS

Buoyant buyer sentiment on the back of healthy investment potential in the industrially advanced city led the developers to keep their ante up in terms of project completions and new project conceptualisation. Even as the city recorded a few new launches in the latest quarter, the overall supply of under-construction homes went down as the developers focused on completing ongoing projects.

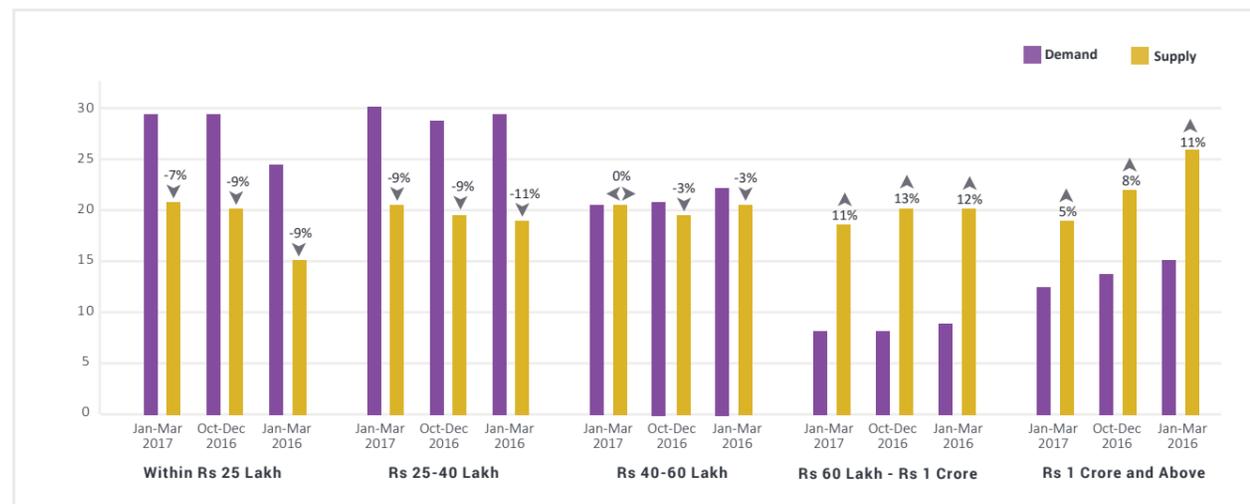
Key Trends

- Ahmedabad witnessed minor alterations in demand and supply of residential stock in the current quarter. The number of enquiries recorded a marginal dip as buyers awaited clarity over RERA and GST Bill. Nine out of 10 buyers continued to prefer ready stock over under-construction homes.
- While the overall inventory levels remained unchanged, QoQ, a hike in supply of ready-to-move-in homes was triggered by project deliveries and a surge in activity in the secondary market, following demonetisation in November 2016.
- Almost all budget categories recorded an improved demand-supply equation. For instance, the supply in the affordable housing segment, i.e. properties priced within Rs 25 lakh, increased marginally, even as its demand remained constant. The budget bracket – Rs 40-60 lakh – too, recorded a surge in availability, and was equiposed with demand in the current quarter.
- Disequilibrium between market offerings and buyer preference in the premium markets, too, got trimmed in the first quarter of 2017. In the wake of waning buyer base, the availability of Rs 60 lakh – Rs 1 crore budget bracket dipped by two percent and that of Rs 1 crore and above segment plunged by four percent.

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 properties in various budget categories

Annexure

CAPITAL VALUES - APARTMENTS

Locality	Jan-Mar 2017	% Change
Ambawadi	6197	0
Bodakdev	6400	1
Bopal	3640	0
Chandkheda	2700	0
Chandlodia	3150	5
Drive-in Road	5300	4
Ghatlodia	3890	1
Ghuma	3725	5
Gota	3270	1
Gurukul	5700	0
Jagatpur	3300	3
Jodhpur	5900	1
Maninagar	3900	1
Motera	3400	1
Naranpura	4630	-1
Naroda	2125	-1
Navrangpura	5800	-4
New CG Road	3150	-2
New Ranip	3000	0
Prahlad Nagar	5967	3
Ramdev Nagar	5160	3
Sardar Patel Ring Road	3200	2
Satellite	6190	0
Science City	4400	2
SG Highway	3697	1
Shela	3055	2
Shilaj	3280	1
South Bopal	3860	-2
Thaltej	5350	-1
Vaishnodevi Circle	3415	2
Vasna	3810	-1
Vastral	2170	-1
Vastrapur	5290	-3
Vatva	1795	-2
Vejalpur	3610	1

RENTAL VALUES - APARTMENTS

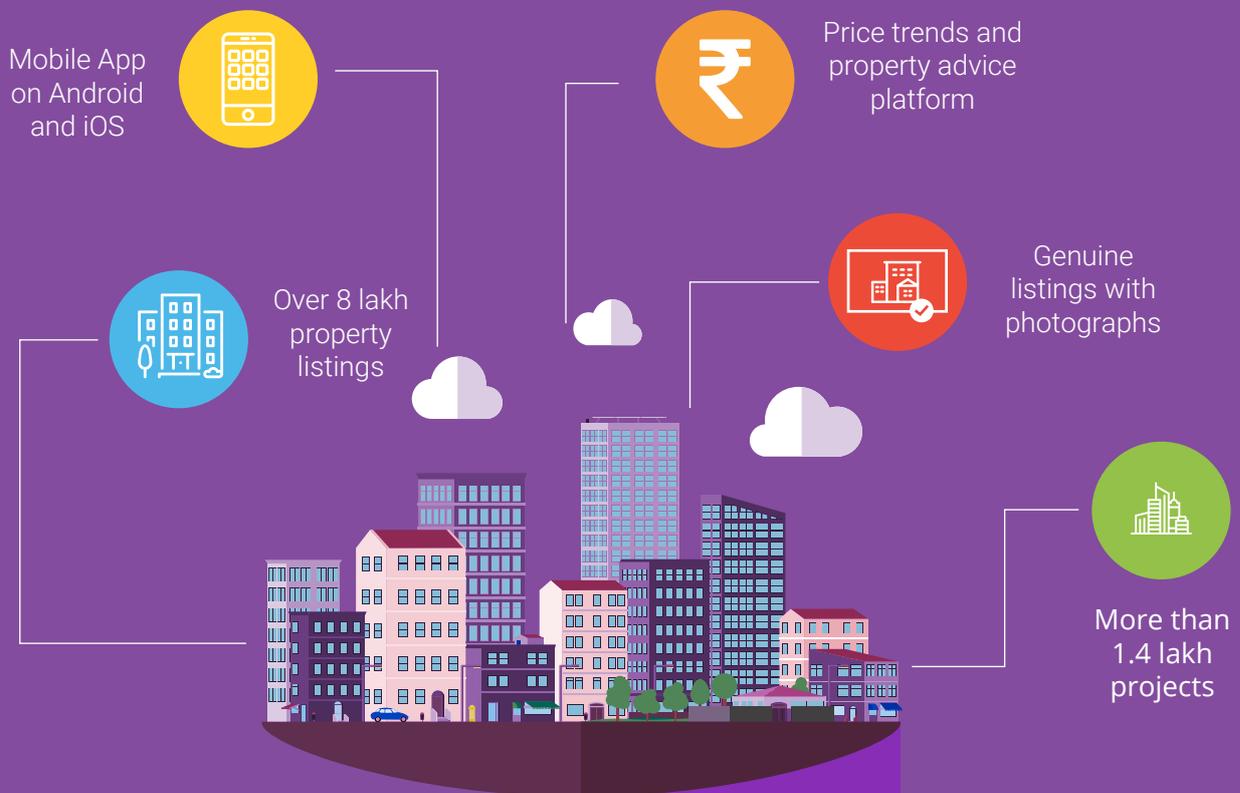
Locality	Jan-Mar 2017	% Change
Ambawadi	15	7
Anand Nagar	14	8
Ashram Road	14	4
Bodakdev	15	7
Bopal	11	0
Chandkheda	8	7
Drive-in Road	14	0
Ghatlodia	8	7
Gota	8	7
Gurukul	13	0
Jagatpur	8	-6
Jivraj Park	12	0
Jodhpur	15	7
Makarba	13	8
Maninagar	12	9
Memnagar	15	7
Motera	8	7
Naranpura	14	8
Navrangpura	14	-7
Nehru Nagar	16	7
New CG Road	7	0
New Ranip	7	0
Paldi	13	8
Prahlad Nagar	16	3
Ramdev Nagar	15	7
Sargasan	7	0
Satellite	15	4
Science City	10	11
SG Highway	10	11
South Bopal	12	9
Thaltej	14	8
Vaishnodevi Circle	9	6
Vasna	11	-5
Vastrapur	15	4
Vejalpur	12	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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