

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

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.



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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

Political uncertainty hurts realty sentiment

The end-user driven market of Chennai continues to grapple with the demise of Chief Minister Jayalalitha. The ongoing political strife has led to incessant delays in policy implementation, project and land approvals, thereby impacting realty sentiment adversely.

Sand prices spiral up

The *Cauvery* water dispute and subsequent ban on mining from river beds have led to an acute shortage of sand. Paucity of this prime raw material has provoked an artificial inflation wherein one cubic feet of sand is now being sold at Rs 60-75.

IT firms migrate inland to avoid impact of natural disasters

After the ravages caused by floods and cyclone *Vardah* in the last quarter of 2016, IT/ITeS companies are shifting out of the Old Mahabalipuram Road (OMR) and making a beeline to safer locales in new cities such as Coimbatore, Hyderabad and Bangalore.

Ban on registration of unapproved plots

With 80 percent of plots in Chennai being approved only by the *panchayats*, the Madras High Court's blanket ban on registrations would heavily impede sales volume in this category.

Stagnancy in public infrastructure development

The lack of governance in the state has arrested growth of projects such as the Chennai-Bangalore Industrial Corridor, Peripheral Ring Road, widening of the East Coast Road and expansion of the airport.



Chennai at a Glance

Price movement in key micro-markets

Locality	Average 'Ask' Rate (Per sq ft)	QoQ Change	YoY Change
Ambattur	3,700-4,500	1%	2%
Anna Nagar	8,000-10,100	0%	5%
Arcot Road	6,000-7,100	-2%	2%
Madipakkam	4,600-5,200	2%	3%
Medavakkam	4,000-4,700	-1%	1%
Nungambakkam	13,000-17,000	2%	5%
Perambur	4,400-5,900	1%	5%
Porur	4,000-5,400	1%	6%
T Nagar	8,000-10,500	-3%	-4%
Velachery	5,000-6,700	1%	1%

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

99ACRES OUTLOOK

Sales volume plunged in Chennai in the last quarter of fiscal 2016, hit by multiple exigencies such as demonetisation, cyclone *Vardah* and CM Jayalitha's demise. The subsequent political instability continues to hinder policy implementations, adversely impacting execution of key infrastructure projects. Some of the pivotal projects at stake are the smart city plan, a new international airport, and Vandalur and Porur flyovers.

Policy announcements regarding Real Estate (Regulation and Development) Act, Benami Transactions (Prohibition) Act and reduction of home loan interest rates failed to steer the city's realty landscape on to a recovery path. Socio-economic constraints clogged growth opportunities. Additionally, the ban on registration of unapproved plots is anticipated to have a long-term impact on the city's real estate market. Hopes for a realty revival now hinge primarily on a turnaround in the political scenario of Tamil Nadu.

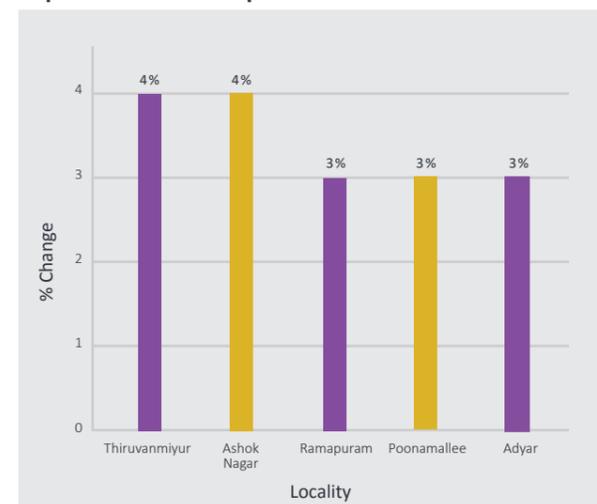
CHENNAI

The lethargy in Chennai's capital market continued unabated from Oct-Dec 2016, with even the rental landscape following suit in Jan-Mar 2017. In the backdrop of political instability, unremitting delays in policy implementation and a 45-month old inventory stockpile, the subdued market sentiment does not come as a surprise. Only localities in proximity to IT hubs or those harbouring hopes of infrastructure overhaul witnessed positive price movement in the current quarter.

Key Highlights

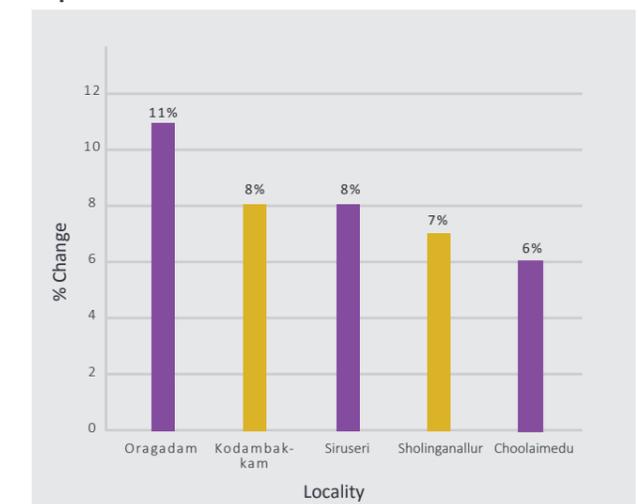
- Average weighted capital prices in Chennai remained under pressure, posting no growth in Jan-Mar 2017 against the last quarter of 2016. The rental market, too, remained subdued, YoY.
- The southern pockets of Thiruvanmiyur, Ashok Nagar and Adyar reported a growth of three to four percent, each, in Jan-Mar 2017. Although strengthening of road infrastructure is on the cards, the rise in property values can be attributed to ambitious 'ask' prices in these resale-heavy locales.
- In a city facing the brunt of *panchayat*-approved plots, Poonamallee and Ramapuram boasted of housing the maximum number of residential plots sanctioned by the Directorate of Town and Country Planning (DTCP), thereby, witnessing a price spike of three percent each, QoQ.
- The south-central residential markets of Choolaimedu, Madipakkam, Nungambakkam and Sithalappakkam remained buoyant as a result of proximity to IT hubs. The housing pockets posted a quarterly increase of two percent, each, on the capital charts.
- After recording a minimal appreciation in Oct-Dec 2016, Chennai revealed a dipping rental graph in Jan-Mar 2017, vis-à-vis the same quarter in 2016. Factors such as demonetisation and local disturbances caused by cyclone *Vardah* and political unrest impacted rental demand from migrants.
- Braving the tide, Oragadam in South Chennai emerged as the frontrunner with a whopping surge of 11 percent in average weighted prices, followed by Kodambakkam and Siruseri. Rental values progressed by eight percent, each, YoY. While Oragadam and Siruseri owed their popularity as a rental destination to their proximity to IT-SEZs, the residential pocket of Kodambakkam thrived on account of being centrally located.
- Buyer sentiment in Sholinganallur buoyed as a result of being a junction, offering easy access to the automobile and IT hubs in the surrounding region. Prices, here, surged by seven percent in Jan-Mar 2017, as compared to the same quarter in 2016.

Top Performers - Capital Market



* %change represents quarterly capital movement

Top Performers - Rental Market



* %change represents yearly rental movement

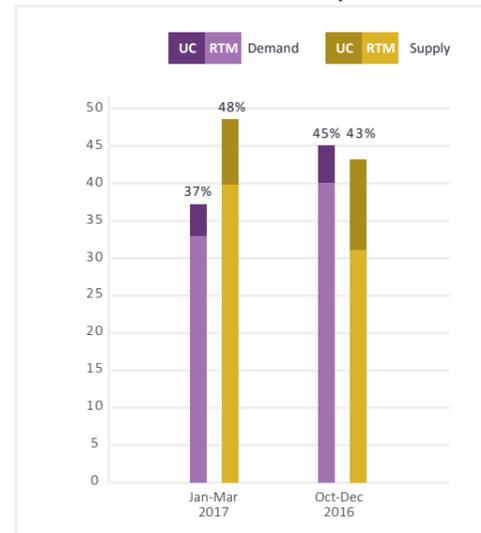
DEMAND-SUPPLY ANALYSIS

Chennai's housing market was seen struggling with factors ranging from natural calamities and political instability stemming from changes in leadership to the Centre's currency ban move. All these events restrained sales volume and kept home buying sentiment diffident. Seeing buyers on a receding mode, the developer fraternity eased the pace of new launches, thereby, leading to a reduction in unsold inventory.

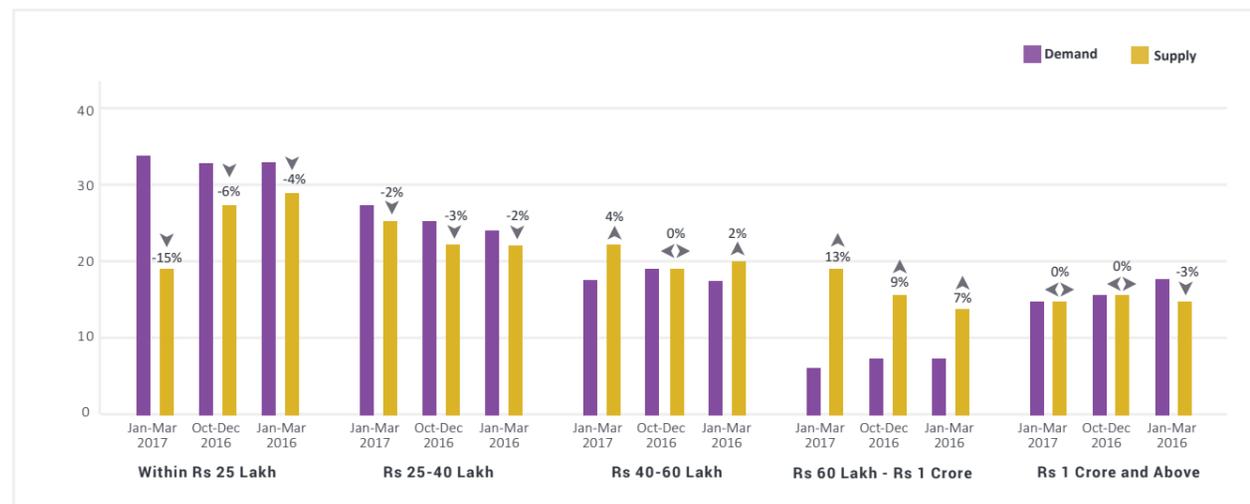
Key Trends

- Emulating the trend prevalent in the top eight cities of India, Chennai, too, witnessed a massive preference for completed properties. The demand-supply gap in the ready category contracted by almost 10 percent in Jan-Mar 2017, vis-à-vis Oct-Dec 2016, alluding to developers' focus on clearing the existing stock.
- Buyers in Chennai exhibited a proclivity towards homes carrying a price tag of Rs 40 lakh or below. This was evident in the demand for houses in the affordable and mid-income segments being as high as 60 percent, cumulatively.
- Although the popularity for mid-income properties (Rs 25-40 lakh) almost matched its availability, the affordable bracket (within Rs 25 lakh) posted a stark shortfall in supply, almost half the demand.
- In contrast to this, the high-income (Rs 40-60 lakh) and luxury (Rs 60 lakh-Rs 1 crore) segments together captured over 40 percent of the market, while demand for premium housing remained meek.
- Only the ultra-luxury category (Rs 1 crore and above) reported an equilibrium in the demand-supply quadrants.

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
Adyar	13580	3
Ambattur	4500	1
Anna Nagar	10600	0
Ashok Nagar	10000	4
Basant Nagar	14165	1
Chromepet	5000	-1
Egmore	15210	-1
Guindy	7900	0
Kilpauk	10800	-4
Kodambakkam	8575	1
Kolathur	5150	-1
Korattur	6400	1
Madipakkam	5200	2
Medavakkam	4640	-1
Mogappair (West)	5990	1
Mugalivakkam	5225	1
Mylapore	15000	-2
Nungambakkam	14800	2
Pallavaram	5290	2
Pallikaranai	5090	1
Perambur	5900	1
Perumbakkam	4300	2
Perungudi	6790	1
Poonamallee	4014	3
Porur	5460	1
RA Puram	16980	0
Ramapuram	6200	3
Sholinganallur	5100	-1
Siruseri	3950	-1
T Nagar	10500	-3
Tambaram	4290	-1
Thiruvanimiyur	10967	4
Urapakkam	3640	1
Vadapalani	8730	0
Velachery	6770	1

RENTAL VALUES - APARTMENTS

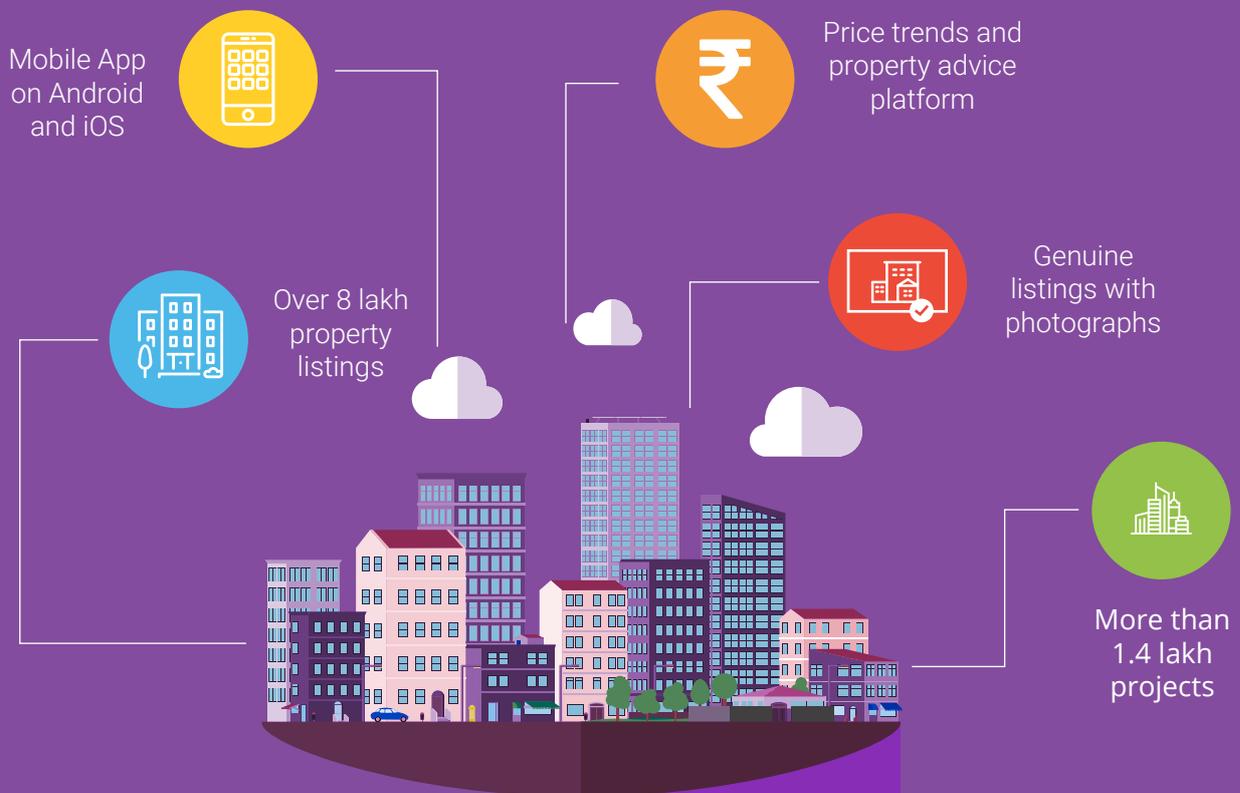
Locality	Jan-Mar 2017	% Change
Adyar	25	0
Ambattur	12	0
Ashok Nagar	20	0
Avadi	10	6
Basant Nagar	26	0
Choolaimedu	19	6
Chromepet	12	0
Egmore	35	-5
Guduvancheri	10	-9
Iyyappanthangal	13	-13
Kattupakkam	13	-4
Kelambakkam	12	5
Kilpauk	22	-7
Kodambakkam	21	8
Korattur	15	-3
Madipakkam	12	5
Medavakkam	12	0
Mugalivakkam	13	-7
Mylapore	27	-4
Nungambakkam	24	4
Oragadam	10	11
Pallavaram	14	-7
Pallikaranai	13	4
Perambur	13	-7
Perumbakkam	13	4
Perungudi	18	3
Porur	16	-3
Saligramam	18	-5
Selayur	12	-4
Sholinganallur	15	7
Siruseri	11	8
T Nagar	23	0
Tambaram	11	-5
Urapakkam	11	0
Velachery	17	-8

*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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