

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 scale.

99 acres

India's No.1 Property Portal

INSITE REPORT

Ahmedabad

April - June 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 Apr-Jun 2017.



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FROM NARASIMHA'S DESK...

Capital pricing has already corrected downwards and is unlikely to dip any further. On the contrary, increased compliance costs under RERA may propel housing prices.



While the first two months of 2017 witnessed the real estate industry grappling with the aftermath of demonetisation, the entire first half of the year saw the sector attempting to come to terms with other new regulations and the GST tax regime. Cautious homebuyers continued to remain wary of under-construction properties. Sales activity, however, encouragingly picked up in March and April. May 1 earmarked the dawn of the single largest reform in the history of Indian real estate through the implementation of the Real Estate (Regulation and Development) Act, 2016 (RERA).

According to the data tracked by 99acres, total newly launched units in the first six months numbered around 62,000 across the top eight cities. While sales declined to about 1,20,000 units, down by approximately 10 percent in H1 2017 vis-à-vis H1 2016, the resale and rental demand remained robust. Resale inquiries on 99acres grew by 33 percent, YoY, in June 2017. Comparative affordability of fresh properties and availability of ready-to-move units in prime areas propelled demand in the secondary market.

With various states in advanced stages of notifying their respective RERA laws and authorities, we expect developers and primary channel partners to register their projects in the Jul-Sep quarter. The consumer confidence, too, is anticipated to revive substantially, September 2017 onwards. The fact that more than 70 percent new launches will be made under the Rs 50 lakh bracket will play a major market booster.

Pricing in real terms has already corrected downwards and is unlikely to dip any further. In fact, increased compliance costs under RERA may propel housing prices. Goods and Services Tax (GST), too, is a boon for the industry as many organised developers will be able to claim input tax credit and thus, improve their margins and pass on benefit to buyers. GST for under-construction projects is capped at 12 percent (18 percent on 2/3rd value), allowing some tax savings to buyers. Absence of indirect taxes on land is expected to propel land transactions substantially as owners may try and monetise their holdings.

Enjoying credit subsidy under Pradhan Mantri Awaz Yojana (PMAY),

affordable housing is also expected to receive a fillip. Demand may pick up in suburban locations, particularly in Mumbai. New infrastructure projects of national importance such as successful completion of metro's Phase I in Bangalore, planning of a new NCR airport in Jewar, Mumbai intra-city transport improvements etc. will also spur housing demand in these cities.

Tier II cities and smaller state capitals were less impacted by the above mentioned reforms and continue to witness robust demand. H2 2017 is anticipated to witness increased housing demand, even in these cities due to availability of affordable supply and a good quality of life. Many of these are also "Smart Cities" as identified by the government.

Narasimha Jayakumar
Chief Business Officer
99acres.com

National Outlook



HOME BUYING SENTIMENT

Buyers are diffident, perplexed and seeking clarity on two of the most radical reforms – RERA and GST. While housing sales and demand continue to be sluggish, fence sitters are expected to be back in the market once the said confusion paves way to a cleaner trade in the forthcoming quarters.



PROPERTY PRICES

Property prices maintained status quo across all metro cities. A few distressed sales as well as ambitious 'asks' could do little to pull the pendulum in one direction. Additionally, the capital market remained frigid as developers restricted new launches to get RERA-ready.



RENTAL LANDSCAPE

Rental market in the top eight metros either benefitted or stood resilient in the face of colossal market distractions. Slow implementation of RERA and uncertainty over GST are at play here. Average 'asks' charted an upward course across metros, barring Delhi NCR.



SUPPLY

Residential supply in inventory-laden metros of Mumbai and Delhi NCR condensed further with bare minimum new launches. Secondary market, which remained unaffected by RERA and GST, stood strong. New projects are expected to be on the back burner till the market gains more clarity.

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



IN FOCUS

Real Estate (Regulation and Development) Act, 2016

NEW LAUNCHES TAKE A HIT

As builders shelved new launches due to market distractions emerging from tightened norms and tedious paper work to get the RERA-compliant stamp, the market recorded over 40 percent fall in fresh supply in H1 2017 against H1 2016. The supply is anticipated to be meek in the forthcoming quarters, too.

SALES VOLUME NOSEDIVE

The market remained in a contemplative mode in H1 2017, awaiting clarity over RERA. Buyers and investors opted to stay on the back foot leading to plummeting sales volume. Against 135,016 housing units sold across top metros in H1 2016, the number went down by over 10 percent to be at 120,755 in H1 2017.

EXECUTION SEES A LAG

Implementation shortfalls across states such as absence of regulatory authorities and diluted norms highlight that India is still coming to grips with the new mandates. So far, 19 states and Union Territories have notified RERA rules. The Government has set a deadline of July 30 for all states to put RERA mechanisms in place.

CAPITAL MARKET PLATEAUS

Trust deficit among buyers marred sales, thereby putting capital 'asks' under pressure. Among the worst-hit markets, NCR recorded a 20 percent correction in residential property prices over the past 18 months, culminating into a negative return for investors.

Market Movers

Environment clearance comes under the ambit of local authorities

Real estate developers in Ahmedabad can now seek green nod from urban local bodies. The authority originally rested with Gujarat Pollution Control Board (GPCB). The change would reduce the delay in acquiring construction approvals and ease business in the city.

AMC collaborates with private developer for slum development

The Ahmedabad Municipal Corporation (AMC) collaborated with Nila Infrastructure in a Public Private Partnership (PPP) for rehabilitating 360 slum-dwelling families living in Khodiyarnagar Asarwa. At a total development cost of Rs 25.16 crore, the project is plugged to make the city slum-free.

Gujarat notifies interim real estate regulator

In a bid to expedite the implementation of RERA rules in the state, the government notified an interim regulator in accordance to the provisions of the Act. The move is expected to bring temporary relief to the stakeholders, who have been deferring project launches and property purchase due to the delay.

Over 7 lakh unauthorised properties regularised

With the passage of the Gujarat Land Revenue (Amendment) Bill, 2017, the State ensured regularisation of seven lakh unauthorised properties built on agricultural land. In addition to giving clear titles to such land owners, the bill would also open avenues to avail home loans for purchasing such homes.

Ahmedabad at a Glance

Price movement in key micro-markets

Locality	Average 'Ask' Rate (Per sq ft)	QoQ Change	YoY Change
Bopal	3,190-3,900	-1%	0%
Chandkheda	2,295-2,800	2%	6%
Ghatlodia	3,150-3,950	1%	1%
Maninagar	3,300-4,100	1%	2%
Naroda	1,800-2,200	4%	2%
Paldi	4,700-5,700	1%	1%
Satellite	5,000-6,200	0%	4%
Science City	4,100-4,700	2%	3%
South Bopal	3,200-3,900	1%	1%
Thaltej	4,600-6,000	2%	1%

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

99ACRES OUTLOOK

The implementation of Real Estate (Regulation and Development) Act could do little to lift market sentiment in Ahmedabad. The confusion prevailing over the project registration process kept new launches at bay. The buyer community, too, remained in the state of inertia, unwilling to invest with multiple market distractions including RERA and GST at play.

The State's failure to form a RERA regulatory authority and implement the rules also belittled consumer trust. In contrast to the anticipations in the previous quarter, the

ensuing uncertainty prevented the market from inching towards a demand-supply equilibrium. Inventory pile up of residential properties by unorganised developers coupled with soaring prices continued to serve as growth bottlenecks. While commercial transactions maintained pace, they did not translate into burgeoning residential demand. Nevertheless, the cumulative impact of RERA and GST might push property rates up by an average of five to six percent in the subsequent quarters. Realtors are pinning hopes on the forthcoming festive season when property sales witness a noticeable surge every year.

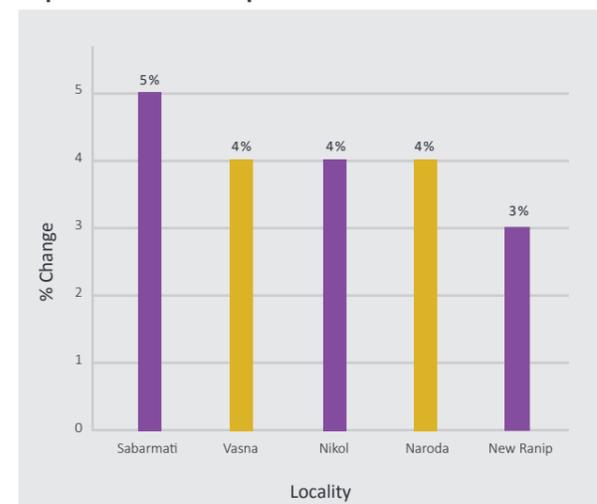
AHMEDABAD

The macro picture revealed positivity in the realty landscape of Ahmedabad as RERA progressed to become a reality. The market, however, was far from recovery in Apr-Jun 2017. Sales remained muted and new launches dipped by a huge margin. Despite soaring inventory, property prices remained impassive across budget segments as sellers declined negotiations. Property enquiries picked up pace but not many materialised into deals.

Key Highlights

- Wary homebuyers, low sales and minimal activity from developers led the city's residential market to the brink of stagnancy. Average weighted capital prices posted a marginal hike in Apr-Jun 2017 as against the previous quarter. The growth is largely attributed to the artificial hike in 'ask' rates on the back of anticipated capital appreciation post RERA implementation.
- Affordability continued to be the driving factor for the active homebuyer segment in the city. Not surprisingly, price-competitive locations such as Sabarmati, Vasna, Nikol, Naroda, New Ranip and Vatva emerged as the top grossers with a price movement to the tune of three to four percent, QoQ.
- After a stagnant capital market in Jan-Mar 2017, SG Highway posted a three percent hike in the quarter ending June 2017. Commercial and retail expansion coupled with the area's popularity amongst the workforce of Sanand and Gandhinagar kept the market afloat.
- Quality residential units and government housing projects reported a few sales. Constructions by unorganised players, however, struggled to garner buyer interest. A huge difference in the pricing of private and government properties augmented the popularity of the latter amongst middle-income homebuyers.
- Property transactions in premium areas dunked as buyers shifted focus towards larger units in peripheral areas at competitive prices. Consequently, popular locales such as Shahibaug, Bodakdev, Navrangpura and Satellite witnessed meagre price movement in the current quarter.
- The rental market, too, remained subdued as the city failed to attract plentiful migrant population. The north-western quadrant recorded a relatively better rental movement in Apr-Jun 2017 as opposed to Apr-Jun 2016. Localities such as Motera, Ghatlodia and Chandkheda witnessed rental values surging to the tune of 11-14 percent, YoY.
- SG Highway continued to remain amongst the top-grossers in the rental market owing to the ample supply of cost-effective housing units.

Top Performers - Capital Market



* %change represents quarterly capital movement

Top Performers - Rental Market



* %change represents yearly rental movement

DEMAND-SUPPLY ANALYSIS

The combined short-term impact of RERA and GST led new launches in Ahmedabad to witness a decline by almost 80 percent in the last six months. This withheld the flow of the fresh inventory in the city. The supply in the resale market remained afloat over quarters. Low appetite for negotiations and distressed sales, however, kept transactions minimal.

Key Trends

- Supply levels of residential properties remained stagnant in Apr-Jun 2017. However, there was a remarkable shift from under-construction to ready-to-move-in units, indicating the dominant share of resale units in the total inventory available on sale.
- Uncertainty over tax incidence under GST on under-construction properties severely hit its demand, bringing it to a mere three percent from seven percent in the previous quarter.
- Properties priced within Rs 40 lakh continued to be the most demanded and supplied in the city. There were marginal variations in the demand-supply dynamics of this budget bracket, both QoQ and YoY. The city witnessed a slight increase in availability of properties priced within Rs 25 lakh over the last one year.
- The quarter witnessed a marginal surge in supply of the Rs 40-60 lakh budget category, too, leading the city to strike a perfect balance between the demand and supply of high-income properties.
- Understanding the market requirements helped builders maintain the minimal gap in demand and supply of premium properties. A marginal hike in demand was responded with a similar hike in supply, maintaining the oversupply at five percent in Apr-Jun 2017.

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	Apr-Jun 2017	% Change
Ambawadi	6150	-1
Bodakdev	6450	1
Bopal	3610	-1
Chandkheda	2750	2
Chandlodia	3020	-4
Drive in Road	5270	-1
Ghatlodia	3940	1
Gota	3320	2
Gurukul	5800	2
Maninagar	3950	1
Motera	3450	1
Naranpura	4745	2
Naroda	2200	4
Narol	1950	-3
Navrangpura	5900	2
New CG Road	3225	2
New Ranip	3100	3
Nikol	2200	4
Paldi	5600	1
Prahlad Nagar	6000	1
Ramdev Nagar	5140	0
Sabarmati	3200	5
Sardar Patel Ring Road	3190	0
Satellite	6220	0
Science City	4500	2
SG Highway	3790	3
Shahibaug	6370	2
South Bopal	3890	1
Thaltej	5450	2
Vaishnodevi Circle	3480	2
Vasna	4000	4
Vastral	2175	0
Vastrapur	5290	0
Vatva	1850	3
Vejalpur	3580	-1

RENTAL VALUES - APARTMENTS

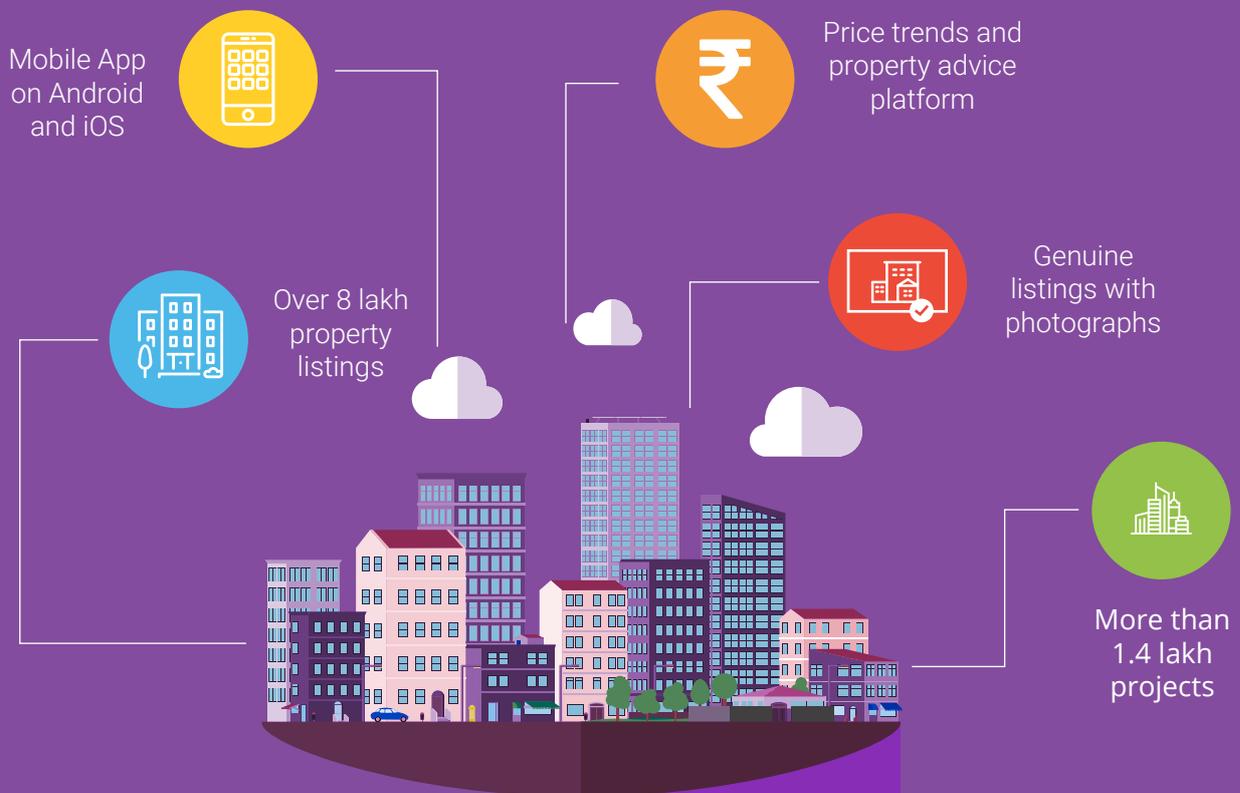
Locality	Apr-Jun 2017	% Change
Ambawadi	15	0
Anand Nagar	14	0
Bodakdev	16	-3
Bopal	11	0
Chandkheda	8	7
Drive in Road	15	-6
Ghatlodia	10	11
Gota	8	-6
Gurukul	15	-3
Jagatpur	8	0
Jodhpur	15	7
Makarba	13	-7
Maninagar	12	0
Memnagar	15	0
Motera	8	14
Naranpura	14	0
Navrangpura	17	13
New CG Road	8	-6
New Ranip	8	0
Paldi	13	0
Prahlad Nagar	16	3
Ramdev Nagar	15	7
Sargasan	7	0
Satellite	15	4
Science City	10	0
SG Highway	10	11
South Bopal	12	-8
Thaltej	15	4
Vaishnodevi Circle	9	-15
Vasna	11	-8
Vastrapur	15	4
Vejalpur	13	-4

*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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