

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

Chennai

—
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

Validity of building plans extended to 5 years

The Tamil Nadu government extended the building plan approval validity by two years. Apart from facilitating RERA implementation, this would accord developers ample time to acquire funds for large scale projects.

State commences regularisation of unapproved plots

The State government announced a regularisation drive for unapproved plots registered before October 20, 2016. This mollified the pain of property owners following the Madras High Court's ban on the registration of such plots.

Guideline values slashed by 33 percent

The State Cabinet reduced the guideline values for the registration of sale deeds by 33 percent. However, to cover up the revenue loss, the benefits of the reduction were countered by a four percent hike in registration fee on conveyance deed, exchange, gift and in case of settlement deeds to those outside the family, crippling market sentiment.

Second phase of Chennai Metro inaugurated

The commencement of the underground metro stretch between Thirumangalam and Nehru Park cheered the market. The line helped decongest roads and is also expected to boost land values and the rental market along the stretch.

Urban Local bodies empowered to grant building permissions

The government made it easier for builders to obtain clearances within 30 days by empowering local bodies to grant planning permissions for residential projects with areas over 4,000 sq ft. Quicker approvals would mean lesser delays in completion and more savings on construction cost.

Chennai at a Glance

Price movement in key micro-markets

Locality	Average 'Ask' Rate (Per sq ft)	QoQ Change	YoY Change
Ambattur	3,800-4,600	1%	-1%
Anna Nagar	8,800-10,500	-3%	1%
Arcot Road	5,500-6,900	-4%	-4%
Madipakkam	4,100-5,200	0%	3%
Medavakkam	3,900-4,700	0%	0%
Nungambakkam	12,000-15,200	2%	5%
Perambur	4,500-5,850	-1%	-3%
Poonamallee	3,100-3,900	-2%	5%
Porur	4,100-5,500	0%	1%
Velachery	5,000-7,000	3%	-2%

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

99ACRES OUTLOOK

The general sentiment that defined Chennai's real estate landscape in Apr-Jun 2017 was that of wariness. The atmosphere comes as no surprise since the city had taken several hits in the last two quarters due to the government's initiatives to cleanse the economy of black money, followed by cyclone *Vardah*. This was further compounded by the political upheaval that ensued after the death of then Chief Minister, *Jayalithaa*. Uncertainty over the latest regulatory changes – RERA and the Goods and Services Tax (GST) left the realty stakeholders baffled and indecisive.

Developers were left in a lurch with the state's delayed notification of RERA rules on account of the political

insecurity. Deferred approvals had them struggling to complete projects, which stifled new launches. Meanwhile, prospective homebuyers continued to display cautiousness, repudiating purchase decisions and anticipating price cuts post the implementation of the new policies.

The additional Floor Space Index (FSI) announced for affordable housing is likely to uplift the appeal of such projects for the developer community. Empowering local authorities to expedite approvals could also turn tables in favour of Chennai's realty. It remains to be seen if the State Government's initiatives for the sector will improve market sentiment.

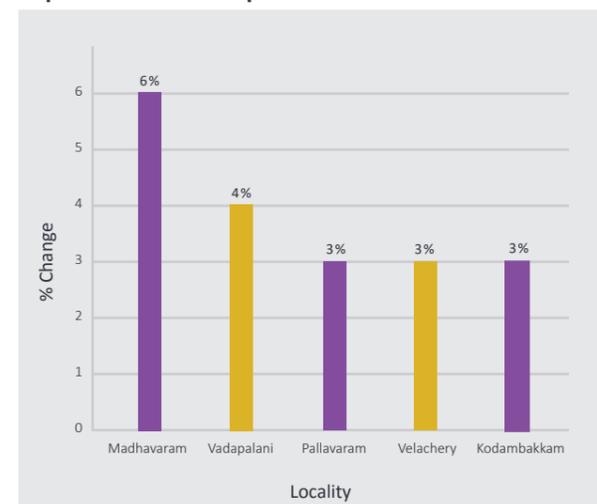
CHENNAI

Two quarters after demonetisation, Chennai's realty landscape continues to be growth-hungry. The delay in the notification of Tamil Nadu RERA rules prevented buyers from entering the market, restricting price movement. While the city battles with the shadows of the turmoil post demonetisation and the demise of its erstwhile Chief Minister, it managed to hold capital values from dipping substantially.

Key Highlights

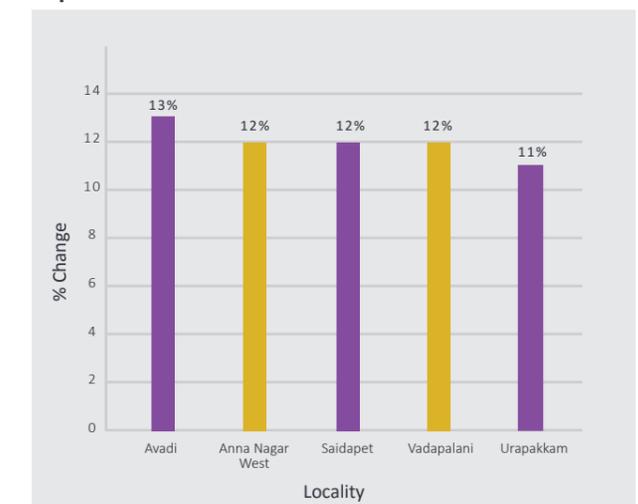
- Unlike the previous quarter when the market witnessed significant discounts from developers to overcome the slump in transactions, average weighted prices remained stable this quarter. Only 30 percent of the micro-markets witnessed a dip in capital values against 70 percent localities recording negative price movement in Jan-Mar 2017. Caution on account of the upcoming policy changes led developers to avoid new launches or offer rebates.
- Deferred purchase decisions led several premium localities to witness a drop in average capital values. While Adyar and Besant Nagar reported four and two percent dip in prices, respectively, traffic bottlenecks and parking woes pushed prices down in Egmore and Anna Nagar, QoQ.
- Another high-end locality, Mylapore saw average weighted property rates falling by two percent, QoQ. Its proximity to the relatively low-priced T Nagar appears to have worked against it, while the latter, being the focus of Chennai's Smart City plan, elicited a two percent hike in 'ask' prices this quarter.
- The satellite bus terminus planned at Madhavaram, along with the proposal to link the region with Siruseri and Perubakkam under Phase II of Chennai Metro, propelled demand in the locality. As a result, Madhavaram emerged as the top grosser with a five percent quarterly growth in capital values.
- The shift in the interest of commercial players towards southern micro-markets continued to drive growth in Vadapalani and Velachery. While prices in Vadapalani grew by four percent, Velachery managed a three percent rise, QoQ, due to its strategic location along the IT corridor.
- Rental values scaled up by an average of four percent, YoY, due to the enhanced metro connectivity in the city. Prominent localities along the recently inaugurated Phase II of Chennai Metro witnessed a boost in rental values as well as land prices. Saidapet, Anna Nagar West, and Vadapalani, recorded rentals rising by 12 percent in Apr-Jun 2017, as compared to the same period in 2016.

Top Performers - Capital Market



* %change represents quarterly capital movement

Top Performers - Rental Market



* %change represents yearly rental movement

DEMAND-SUPPLY ANALYSIS

As low sentiment continued to impinge on Chennai's real estate market for the second consecutive quarter, developers refrained from launching new projects. This helped narrow down the disparity between demand and supply of apartments in the second quarter of 2017. Buyer preference noticeably shifted from land to residential apartments on account of the ban on unauthorised plots, despite the government's regularisation drive. Meanwhile, sales volume remained under pressure across budget categories.

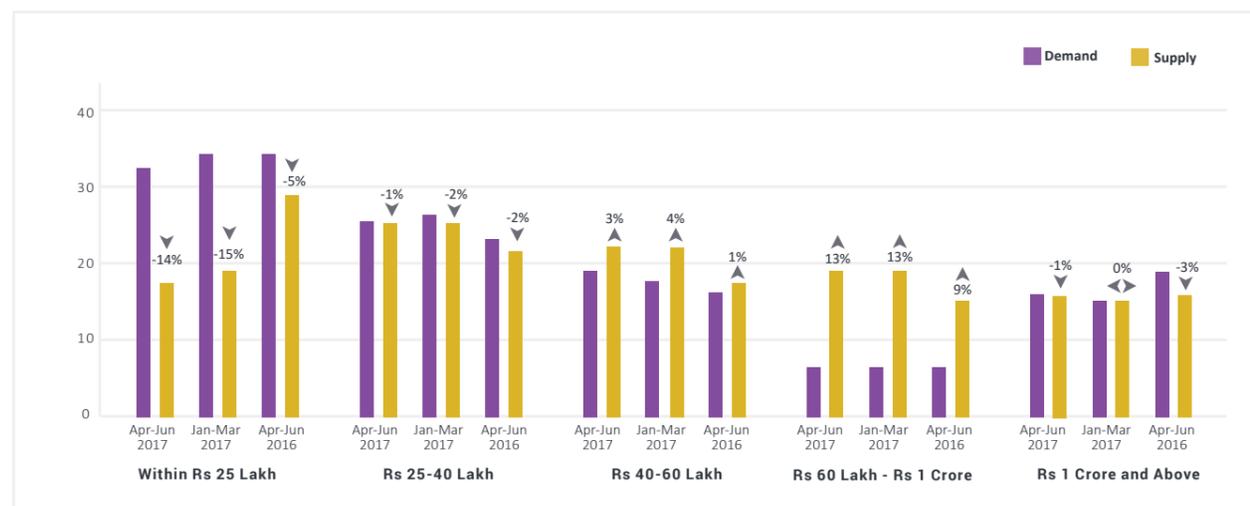
Key Trends

- Apr-Jun 2017 witnessed developers concentrating on completing ongoing projects to avoid being included under RERA. Consequently, the share of ready-to-move apartments rose significantly. Restrained new launches, on the contrary, pushed the share of under-construction properties from 17 percent in Jan-Mar 2017 to 12 percent this quarter.
- Echoing the nation-wide sentiment, homebuyers in Chennai showed massive preference for ready properties. The segment continued to reign in the city with almost 90 percent demand for completed units.
- With more than half of the total demand for residential apartments in the city directed at units priced up to Rs 40 lakh, the affordable and mid-income categories retained their position on the popularity charts. However, these segments were plagued by severe short supply despite the State's initiatives to promote affordable housing.
- Meanwhile, luxury units continued to be oversupplied even though this segment receives the lowest preference from buyers in Chennai. Misplaced focus of developers hurt the demand-supply equilibrium in the luxury housing segment as properties in the price bracket of Rs 60 lakh to Rs 1 crore witnessed supply exceeding demand by almost 15 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	Apr-Jun 2017	% Change
Adyar	12800	-6
Anna Nagar	10300	-3
Besant Nagar	13950	-2
Chitlapakkam	5075	0
Choolaimedu	7800	2
Chromepet	4900	-2
Guindy	7800	-1
Kodambakkam	8850	3
Kolathur	5120	-1
Madhavaram	4550	6
Madipakkam	5200	0
Medavakkam	4620	0
Mogappair West	5950	-1
Mylapore	14690	-2
Nungambakkam	15100	2
Pallavaram	5475	3
Pallikaranai	5175	2
Perambur	5830	-1
Perumbakkam	4175	-3
Perungudi	6700	-1
Poonamallee	3920	-2
Porur	5460	0
RA Puram	17350	2
Selaiyur	4770	-1
Sholinganallur	5040	-1
Siruseri	4000	1
T Nagar	10750	2
Tambaram	4320	1
Thiruvanimiyur	10680	-3
Thoraipakkam	6500	1
Urapakkam	3660	1
Vadapalani	9100	4
Valasaravakkam	6840	0
Velachery	6990	3
Virugambakkam	7475	2

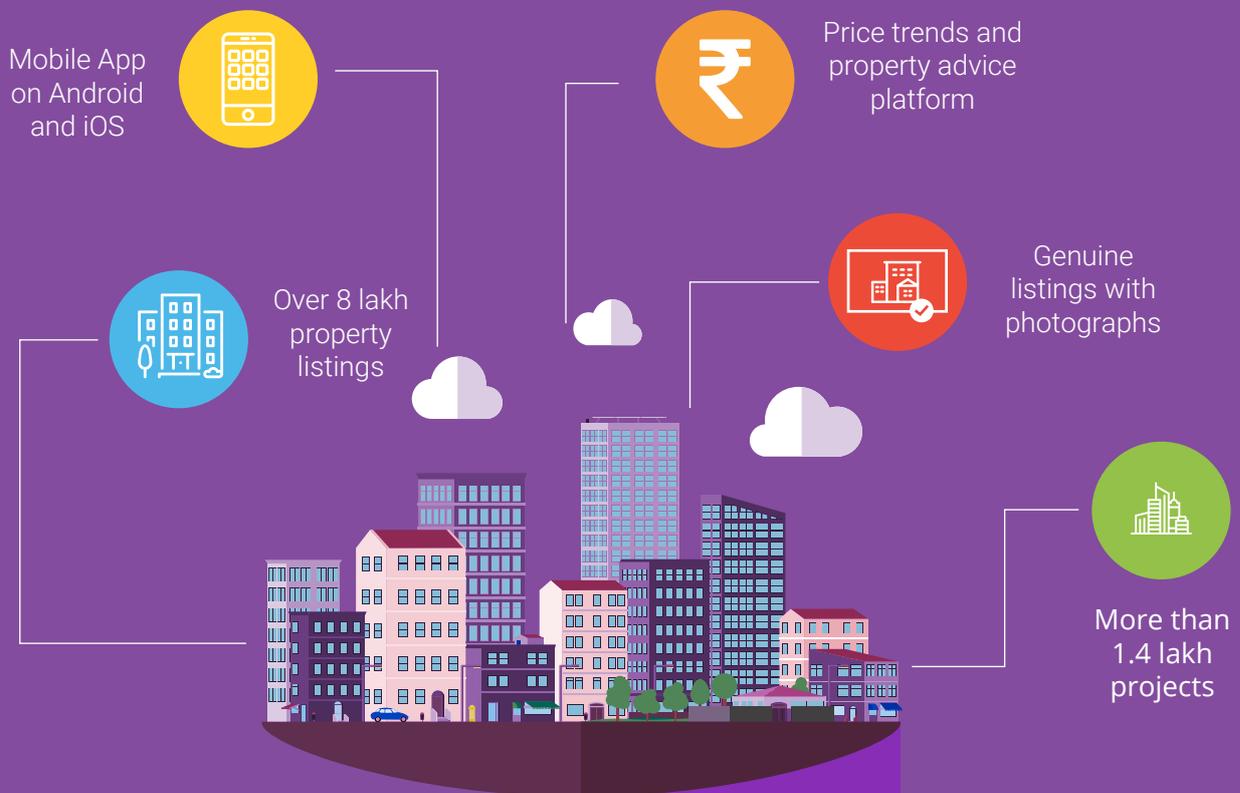
RENTAL VALUES - APARTMENTS

Locality	Apr-Jun 2017	% Change
Adyar	25	4
Anna Nagar West	19	12
Avadi	9	13
Choolaimedu	20	11
Chromepet	12	0
Egmore	26	4
Guduvancheri	9	6
Kattupakkam	12	9
Kelambakkam	11	10
Kolathur	12	9
Madipakkam	13	8
Medavakkam	12	0
Mugalivakkam	12	9
Mylapore	27	4
Nungambakkam	21	3
Oragadam	11	10
Pallavaram	13	8
Pallikaranai	13	4
Perambur	13	8
Perumbakkam	11	-8
Perungudi	17	6
Porur	13	0
RA Puram	29	4
Saidapet	19	12
Selaiyur	12	5
Sholinganallur	16	7
T Nagar	21	0
Tambaram	11	5
Thiruvanimiyur	20	5
Thoraipakkam	17	6
Urapakkam	10	11
Vadapalani	19	12
Vandalur	10	-5
Velachery	16	0
Virugambakkam	16	0

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