

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 illuminated with a warm, golden light, suggesting either sunrise or sunset. The perspective is looking up from the ground, making the buildings appear to converge towards the top of the frame.

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# INSITE REPORT

## Hyderabad

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April - June 2017

[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 Apr-Jun 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 RERA **06**

Impact of Real Estate (Regulation and Development) Act, 2016 on the Indian real estate market

### Market Movers **07**

News that impacted Hyderabad's realty market in Apr-Jun 2017

### Hyderabad at a Glance **08**

Capital price movement in key micro-markets of Hyderabad

### Hyderabad **09**

Key highlights - Hyderabad's capital and rental market in Apr-Jun 2017

### Demand-Supply Analysis **10**

Demand-supply trends of residential apartments in Apr-Jun 2017

### Annexures **11**

# 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

#### ***Durgam Cheruvu suspension bridge to boost connectivity***

*The recently launched 10.48 km long hanging bridge across Durgam Cheruvu is anticipated to augment connectivity and reduce traffic congestion along the Jubilee Hills Road. Other areas benefiting from the development include Banjara Hills, Hitec City, Gachibowli and Madhapur.*

#### ***Land scam worth Rs 15,000 cr upsets market***

*Miyapur's realty market was beset by a massive land scam, leaving investors uncertain and hampering market sentiment. As a result, land investments in the region are speculated to remain restrained in the forthcoming quarters.*

#### ***Telangana implements ECBC and Cool Roofs initiative***

*Telangana became the first state in India to implement the Energy Conservation Building Code (ECBC) 2017 and Cool Roofs initiative. With this, the state has reaffirmed its dedication towards achieving India's climate goals.*

#### ***Delay in notifying RERA rules***

*The Telangana government failed to declare RERA rules before the April 30 deadline, leaving the fate of several real estate projects in oblivion. Lack of clarity over RERA rules has left developers perplexed and marred buyer sentiment.*

#### ***Karimnagar Smart City to boost housing demand***

*Its inclusion in the list of Smart Cities is set to overhaul housing demand in Karimnagar. The city is likely to grow at par with Hyderabad on the back of several proposed initiatives including a high-level cable-stayed bridge across Manair River, which will aid tourism.*

# Hyderabad at a Glance

## Price movement in key micro-markets

Locality	Average 'Ask' Rate (Per sq ft)	QoQ Change	YoY Change
Appa Junction	3,000-3,600	3%	8%
Banjara Hills	5,300-7,100	3%	10%
Beeramguda	1,800-2,150	2%	-2%
Boduppal	2,000-2,500	4%	0%
Chandanagar	2,900-3,500	3%	4%
Gachibowli	4,000-4,600	0%	7%
Kukatpally	3,450-4,100	1%	5%
Miyapur	3,100-3,400	2%	2%
Nagole	2,550-3,000	1%	1%
Tolichowki	2,700-3,250	3%	0%

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

## 99ACRES OUTLOOK

The Apr-Jun 2017 quarter was a mixed bag of bouquets and brickbats for the otherwise stable real estate market of Hyderabad. New launches in the city hit an all-time low at just over 2,500 units in H1 2017, down by over 50 percent compared to H1 last year. Lack of clarity on the implementation of RERA in the state served as a major dampener for supply. Transactions were meagre too, as investors struggled with analysing the impact of RERA and Goods and Services Tax (GST) on the property prices.

Not only the residential segment, the office space market, too, suffered as project completion rate remained poor. This led to an appreciation in the lease values of Grade A office spaces on account of limited supply. The vacancy levels around the IT corridors remained meek at two to three percent, highlighting the healthy appetite for office spaces in Hyderabad. Lack of quality IT spaces is going to be Hyderabad's Achilles heel as IT/ITeS and Banking, Financial Services and Insurance (BFSI) sectors are anticipated to grow at a consistent pace.

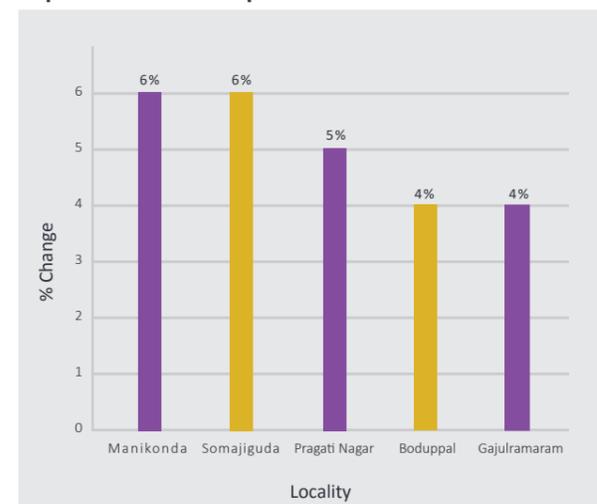
## HYDERABAD

While the southern market of Hyderabad has not been as severely impacted by demonetisation as its northern counterparts, the housing demand remained subdued across the city. With the State failing to meet RERA timelines and investors waiting for the impact of GST to unfurl, the city was seen recording negligible capital movement in Apr-Jun 2017. Residential hubs near IT corridors garnered maximum housing demand on account of their strategic location.

## Key Highlights

- Touted as one of the most affordable metros, predominantly due to its end-user driven market, Hyderabad witnessed a stable market with nominal changes in capital values, QoQ.
- The realty market witnessed a marginal drop in enquiries across all configurations in anticipation of clarity over reforms such as RERA and GST. Traction was further restricted due to the unearthing of a massive land scam, which hurt buyer and investor sentiment alike.
- Despite spoilers, Manikonda and Somajiguda managed to record six percent growth in average capital values, each, QoQ. Strategic location, robust infrastructural growth and availability of affordable housing stock acted as growth propellers for the housing belts.
- Popular micro-markets in the western quadrant such as Hitec City, Jubilee Hills and Kukatpally maintained status quo in terms of housing demand. However, this did not stop the locales from posting marginal movement in residential leasing values. This largely hinted at the subdued buying sentiment, with potential consumers preferring to stay on rent due to towering capital 'asks'. These localities witnessed rental values appreciating to the tune of 12-13 percent, each, YoY.
- New launches in the quarter were put on the back burner as developers struggled with offloading existing inventory and waited for GST and RERA to put things in order. The IT corridor happened to witness a few launches in the quarter, thus, continuing to be the most inventory-laden region in the city.
- Average weighted land values in key micro-markets situated along Srisailem Highway inched up on the back of affordability, infrastructure development and their speculative investment potential. Further, surging commercial interest in Adibatla led to a spike in residential demand, pushing land values up.

## Top Performers - Capital Market



\* %change represents quarterly capital movement

## Top Performers - Rental Market



\* %change represents yearly rental movement

### DEMAND-SUPPLY ANALYSIS

While new supply in the city was hampered due to limited project launches, demand, too, dwindled due to factors such as delay in implementation of RERA and uncertainty over the incidence of GST in real estate. Consequently, realty stakeholders forestalled buying and selling decisions, waiting for the market to regain life in the forthcoming quarters. Hopes are pinned on the festive season starting with *Varalaxmi Vratam* and the month-long *Bonalu* festival in July and August when realty sales surge every year.

#### Key Trends

- The demand for residential apartments surged by 10 percent and captured almost half of the total market share in the current quarter. The Miyapur land scam severely hit plot deals across the state, shifting investor focus towards completed properties, especially those which were ready to be occupied.
- On the supply front, the availability of apartments dropped approximately by 10 percent. While the secondary market suffered due to the withdrawal of sellers from the market on account of wary homebuyers, new supply, too, remained meek as developers waited for clarity over RERA and GST.
- Most of the residential stock in Hyderabad continued to be concentrated in the lower budget bands going up to Rs 40 lakh. While demand, too, remained the highest for this bracket, there was a slight dip in preference of homes priced under Rs 25 lakh as buyers took a back seat and retreated to a contemplation mode.
- Supply of luxury and ultra-luxury properties in the city continued to outweigh demand, underlining the weak traction that these housing categories receive. This also highlighted developers' failure to deliver as per the buyers' pocket.

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
AS Rao Nagar	2350	2
Alkapuri	2800	2
Ameerpet	4150	2
Appa Junction	3565	3
Attapur	3400	1
Bandlaguda	2900	-3
Banjara Hills	6900	3
Beeramguda	2150	2
Begumpet	4420	2
Boduppall	2500	4
Chandanagar	3450	3
Dilsukh Nagar	3050	2
Gachibowli	4380	0
Gajulramaram	2700	4
Hafeezpet	3800	1
Himayat Nagar	4700	-4
Hitec City	5280	2
Jubilee Hills	6700	1
Kapra	2400	-2
Kokapet	3950	-3
Kondapur	4300	1
Kothapet	3000	1
Kukatpally	4100	1
LB Nagar	3180	1
Madhapur	5400	2
Madinaguda	3500	3
Manikonda	3300	6
Mehdipatnam	3600	1
Miyapur	3200	2
Nagole	2930	1
Nallagandla	4300	4
Nanakramguda	4700	3
Narsingi	3720	-2
Nizampet	2680	3
Pragati Nagar	2800	5

### CAPITAL VALUES- APARTMENTS

Locality	Apr-Jun 2017	% Change
Qutbullapur	2190	0%
Sanath Nagar	4600	0%
Shaikpet	5000	-1%
Somajiguda	4750	6%
Tellapur	3900	1%
Tolichowki	3150	3%

### RENTAL VALUES - APARTMENTS

Locality	Apr-Jun 2017	% Change
Ameerpet	12	-4
Appa Junction	13	8
Attapur	10	0
Banjara Hills	15	7
Begumpet	14	4
Chandanagar	13	8
Gachibowli	16	0
Himayat Nagar	15	4
Hitec City	18	13
Jubilee Hills	18	13
Kondapur	14	4
Kukatpally	14	12
Madhapur	16	7
Madinaguda	11	10
Manikonda	13	8
Mehdipatnam	10	-9
Miyapur	11	5
Nizampet	10	6
Somajiguda	15	11
Tolichowki	11	-5

\*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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