

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

Kolkata

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

Expansion of East-West metro spells good news

The underwater metro corridor, connecting Howrah with Kolkata, promises to metamorphose the static real estate of the residential belt into a livelier market. Home values along the stretch are speculated to spike once the metro line becomes operational.

Road infrastructure between Delhi and Kolkata set to improve

With the Centre expediting the six-laning of a section of NH-2, which also forms a part of the Golden Quadrilateral connecting Chennai, Kolkata, Delhi and Mumbai, the economy of Kolkata is set to witness growth.

Port development augurs well for city's realty

An investment of over Rs 1,600 crore for upgradation of Haldia port and cargo handling facilities will spur commercial realty around the freight corridors of Haldia and Kolkata, thereby, benefitting the residential landscape.

Kolkata awaits a new property tax system

Departing from the timeworn rental-based calculation, the new property tax system, which allows an owner to evaluate tax based on the area, location and nature of house, is expected to incentivise the buyer community.

New Town receives a green rating from IGBC

The forest department plans to plant over 60,000 trees across New Town, thereby improving the locale's liveability quotient and its scope for transformation into a smart city.



Kolkata at a Glance

Price movement in key micro-markets

Locality	Average 'Ask' Rate (Per sq ft)	QoQ Change	YoY Change
Baguihati	2,550-3,200	-2%	1%
Barrackpore	2,000-2,700	-6%	-9%
Behala	3,200-4,000	-2%	-3%
Dum Dum	2,800-3,600	1%	1%
Garia	3,200-4,000	2%	-2%
Jadavpur	4,000-5,300	-1%	-3%
Rajarhat	3,570-4,300	0%	6%
Sodepur	2,400-3,200	0%	5%
Thakurpukur	3,100-3,600	0%	-6%
Tollygunge	4,000-4,800	-3%	1%

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

99ACRES OUTLOOK

Conversion of speculative interest into actual residential launches in the affordable segment and a rise of home prices in the western quadrant of Kolkata came as surprise factors in Apr-Jun 2017. While the homebuyer community's appetite for budget homes within the range of Rs 30 lakh remained unquenched, developers scurried to fulfil consumer demand by re-planning configurations.

Enhancement in civic amenities and the upcoming underwater metro spruced up sentiment in certain pockets of the city. The buoyancy in the landscape is expected to translate into real transactions post the completion of

the first-of-its-kind metro route. At present, realty stakeholders await the effect of the transport infrastructure on residential prices.

In the forthcoming quarters, residential demand is expected to pick pace in Rajarhat and New Town, primarily driven by local companies and IT giants expanding to peripheral locations. While lack of clarity over RERA persists, Kolkata awaits the full impact of Goods and Services Tax (GST) on the overall property prices.

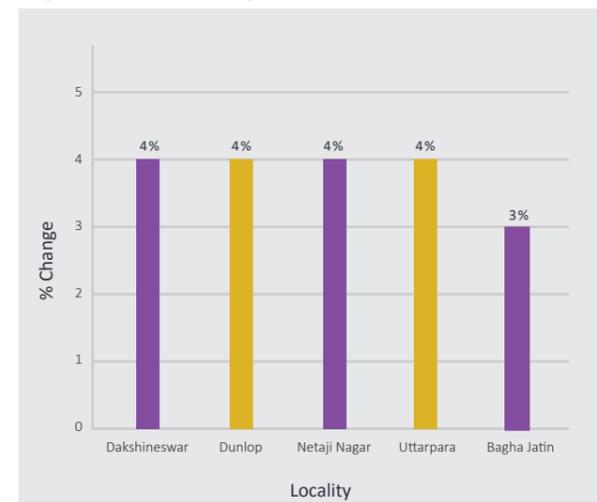
KOLKATA

One of the least policy-responsive and most change-resistant markets in India, Kolkata continued to exhibit a stagnant real estate landscape in Apr-Jun 2017, vis-à-vis Jan-Mar 2017. Residential sales and values witnessed a dip across all budget categories, save the affordable range of up to Rs 30 lakh. However, the general sentiment buoyed in anticipation of a new underwater metro route, upcoming residential projects under *Pradhan Mantri Awas Yojana* (PMAY) and improvement in civic amenities resulting from an earmarked budget of Rs 1,800 crore.

Key Highlights

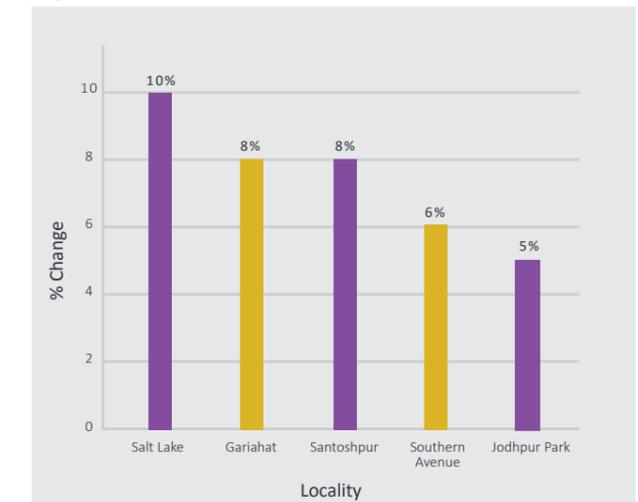
- While the north and south quadrants of Kolkata recorded subdued capital markets in Apr-Jun 2017, the West and central zones boasted of an average growth of two percent in home values, QoQ. East Kolkata, meanwhile, posted negative price movement, albeit insignificant.
- The popular commercial area of Dunlop commanded a four percent increase in residential rates, QoQ, along with Dakshineswar, which is less than 2 km away from the locale. Both the localities exist along Barrackpore Trunk (BT) Road and attribute the increase in home values to this four-laned road.
- Bara Nagar, Belgharia and Khardah, too, owe improvement in home prices to their proximity to BT Road and Dunlop. Capital rates in these localities increased by two to three percent, QoQ.
- The nominal dip in Agarpara can be attributed to price correction and lack of new launches, while the declining residential graph of Barrackpore is an outcome of new projects coming up in the interiors of the locality where land values are significantly lower.
- The rental landscape of Kolkata traced a growth trajectory, rising to the tune of two percent between Apr-Jun 2016 and the same quarter in 2017. However, experts claim that with little or no influx of new industries and workforce, the progression in rental charts could be a result of qualitative enhancements.
- While North Kolkata boasted of the highest growth in rental rates – three percent, YoY, the southern zone followed it closely with a two percent rise in Apr-Jun 2017. The eastern quadrant, too, registered a minimal spike, YoY.
- Not surprisingly, Salt Lake emerged as the highest grosser in the rental market, YoY. Being a premium locality, Salt Lake commands premium rentals due to home improvement endeavours. The micro-market also has the advantage of being close to the business districts of New Town and Rajarhat.

Top Performers - Capital Market



* %change represents quarterly capital movement

Top Performers - Rental Market



* %change represents yearly rental movement

DEMAND-SUPPLY ANALYSIS

Seen from a macroscopic view, Kolkata appears to have achieved a demand-supply equilibrium. Disparity, however, exists within the budget categories. The Apr-Jun 2017 quarter witnessed a higher pace of activity in the affordable segment. A number of residential projects have mushroomed under the banner of *Pradhan Mantri Awas Yojana (PMAY)* and the existing low-cost homes are undergoing configuration re-planning to match the budget requirement of the residents.

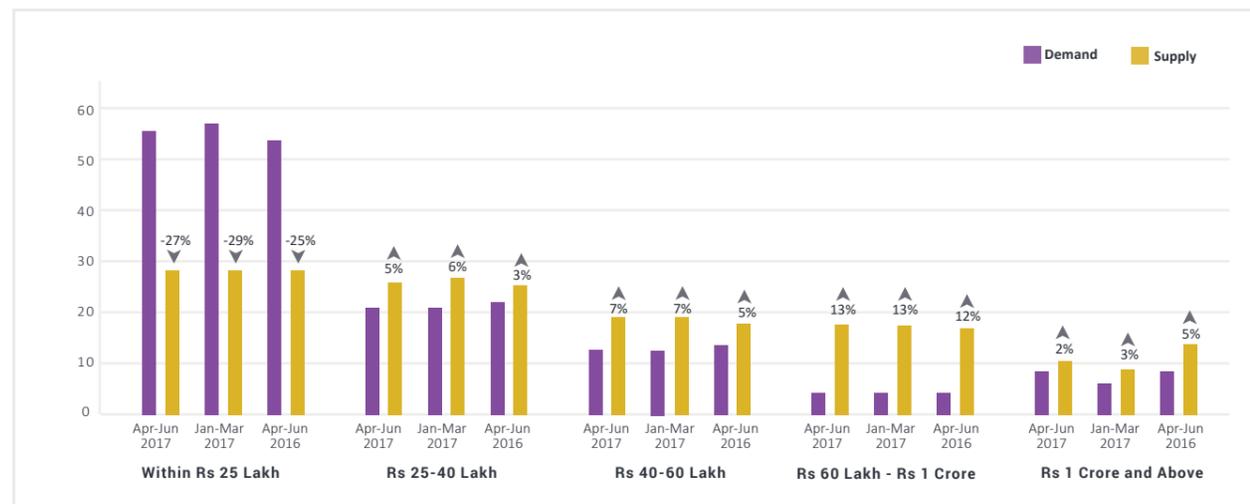
Key Trends

- It did not come as a surprise that the demand for low-priced homes in the budget-conscious city of Kolkata was twice its availability. The demand-supply lacunae might be satiated in the forthcoming quarters once the projects in Sonarpur, Barasat, Rajpur and Tollygunj get completed.
- The difference in popularity and availability of homes was stark in the high-income category of Rs 60 lakh-Rs 1 crore, as well. Supply was more than four times the demand, clearly showcasing the developer fraternity's inability to gauge the requirements of the city.
- The only budget category which could boast of a balanced demand-supply graph in Apr-Jun 2017 was the ultra-luxury bracket of Rs 1 crore and above.
- Replicating the sentiment of the major metros of India, Kolkata too, reported a preference for ready-to-move homes, with less than 20 percent of the homebuyers interested in the under-construction category.

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
Action Area I	4900	-2
Alipore	12800	-2
Baguihati	3170	-2
Ballygunge	11770	1
Bansdroni	3650	-1
Barasat	2200	-6
Behala	3700	-2
Behala Chowrasta	3550	-1
Belgharia	3200	2
Bhawanipore	9450	-2
Chinar Park	4430	2
Dakshineswar	3550	4
Dum Dum	3325	1
Dunlop	3900	4
Garia	3975	2
Jadavpur	5150	-1
Jodhpur Park	7850	-1
Joka	3100	0
Kaikhali	3700	0
Kasba	5400	2
Madurdaha	4400	3
Netaji Nagar	4000	4
New Garia	3600	3
New Town	5100	1
Picnic Garden	4500	2
Prince Anwar Shah Road	10550	0
Prince Anwar Shah Road Connector	5050	1
Rajarhat	4350	0
Salt Lake	5850	3
Santoshpur	4150	-1
Sodepur	3100	0
Southern Avenue	9925	-5
Tollygunge	4725	-3
Uttarpara	2950	4
VIP Road	4600	2

RENTAL VALUES - APARTMENTS

Locality	Apr-Jun 2017	% Change
Action Area I	15	0
Baguihati	11	0
Ballygunge	26	4
Bansdroni	12	0
Behala	13	4
Chinar Park	12	0
Dum Dum	12	5
Garia	13	-4
Gariahat	27	8
Jadavpur	16	0
Jodhpur Park	22	5
Kaikhali	13	4
Kalikapur	15	0
Kasba	18	3
Kestopur	12	-4
Lake Gardens	19	3
Madhyamgram	9	0
Naktala	14	0
Narendrapur	12	-8
New Alipore	21	-2
New Town	15	3
Patuli	14	0
Prince Anwar Shah Road	28	4
Rajarhat	13	0
Salt Lake	17	10
Santoshpur	14	8
Southern Avenue	27	6
Tollygunge	17	0
VIP Road	14	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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