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INSITE

AHMEDABAD RESIDENTIAL MARKET UPDATE

JULY - SEPTEMBER 2020



Market Sentiment

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FROM CBO'S DESK



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The Jul-Sep 2020 quarter set the pace for the recovery of Indian residential real estate market. Post an initial lull in sales and new launches in the previous quarter, the current quarter came as a breather as sales resurged by almost 2.5 times of the pre-COVID levels. Both Delhi NCR and Mumbai saw a significant improvement in transactions, QoQ, as end-users flocked to leverage the lucrative deals floating in the market. Price correction, unlike anticipated, remained a far cry; however, with a negotiation window of up to 10-15 percent, the deals closed in at a reduced price of 2-5 percent of the pre-COVID levels.

New launches went up, QoQ, but remained lower than the previous year. Majority of the developers focused on completing the ongoing projects, which were stuck during the nationwide lockdown. While work on almost all housing projects resumed in the current quarter, a lot of them continue to face delays spanning quarters. Liquidity constraints with the

developers have further fueled the penchant for ready or near-ready housing units. There seems to be a newfound demand for independent houses and builder floors, which offer increased privacy and scope for social distancing, as opposed to residential apartments.

A gradual improvement in the realty market was also evident from the owner listings posted on 99acres, which went up by seven percent against the pre-COVID times. Buyer responses also reported a 30 percent surge in the same time period.

On the policy framework front, a fiscal stimulus of Rs 10,000 crore for stuck realty projects, along with the sustenance of Repo Rate at four percent, an all-time low, are likely to push the market towards a revival in the ensuing quarters. The upcoming festive season may see a further improvement in the absorption of residential units, across cities.

COVID-19 AND REAL ESTATE

IMPACT ON HOMEBUYERS

After an initial set back amid pay cuts and job losses, homebuyers were seen returning to the market in Jul-Sep 2020. Reduced home loan rates, sweetened deals by developers and more scope of negotiations in the resale segment were seen as the key drivers. The quarter continued witnessing the popularity of ready housing units, and improved demand for independent houses and builder floors in most metro cities. Window shoppers exited and genuine homebuyers were seen leveraging the discounts available in the market. Noticeably, the quarter reported renewed interest from the NRI homebuyer community against the backdrop of depreciating rupee and attractive deals in the new home category.

IMPACT ON INDUSTRY

Even as supply chain reopened in Jul-Sep 2020, a ban on Chinese imports impacted the cost of development in the realty landscape. Developers cited increased expenses, and thus, little scope to reduce prices in the primary market. Yet, in a bid to offload the existing inventory, several schemes were introduced in the quarter. Digital transformation continued as developers took to the online medium to interact with potential homebuyers at various stages of the buying cycle. Several governmental procedures shifted online as organisations adopted to the new normal. The infusion of Rs 10,000 crore to aid the completion of stuck realty projects was hailed by the industry.

NATIONAL OUTLOOK

HOME BUYING SENTIMENT

Home buying sentiment improved as public sector banks and private players slashed home loan interest rates to a 15-year low. This, along with resumption of construction work, helped take the enquiries up by 80 percent of the pre-COVID times. Developers reported a 50 percent recovery in the number of transactions.

RENTAL LANDSCAPE

Rental market remained in doldrums despite the opening up of the nationwide lockdown. Tenants avoided moving as the majority of offices continued with the work-from-home model. Resultantly, the rental rates did not see any movement and offtake was meek in both residential and commercial segments.

PROPERTY PRICES

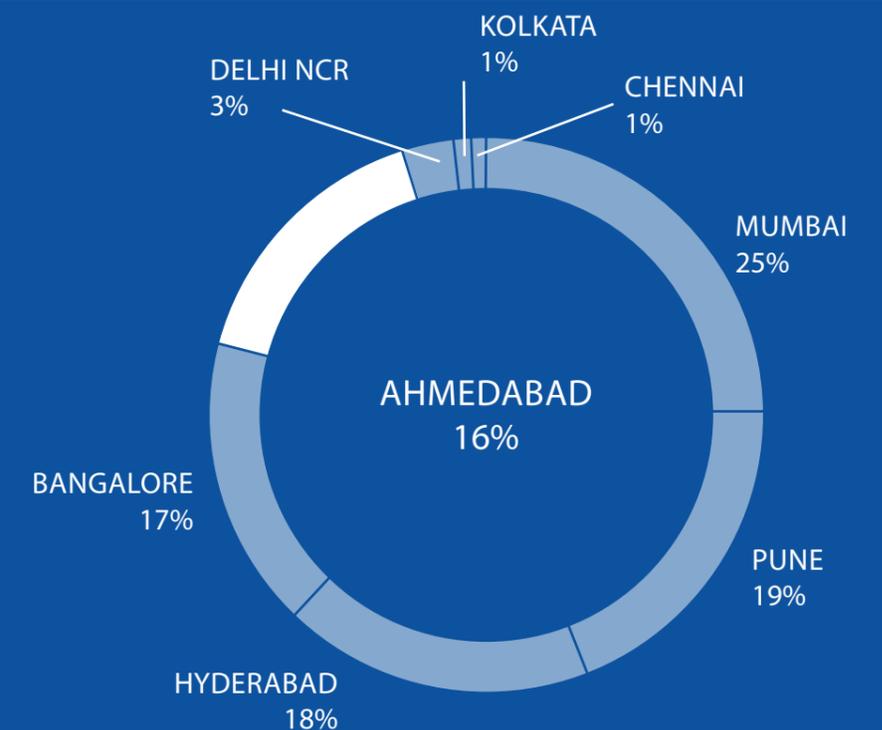
The resale segment remained under pressure with deals closing at a 2-5 percent discounted rate on average. Developers also kept new unit prices unchanged even as some spoke of increased costs amid a ban on Chinese imports. However, initial speculations of hefty price corrections did not hold true for either of the segments.

SUPPLY

With an addition of over 31,000 units in metro cities, new launches went up by 4.5 times, QoQ. The resale segment, too, reported an improvement as several property owners returned to the market after lockdown restrictions were gradually lifted. Unsold inventory stood at 4.40 lakh units at the end of September 2020.

SHARE OF NEW LAUNCHES

The quarter witnessed the launch of about 240 new residential projects in top eight metro cities. Despite being severely hit by the Coronavirus pandemic, Mumbai led all cities with a 25 percent share in new and re-launched projects. Pune, Hyderabad, Bangalore and Ahmedabad followed suit with a 16-19 percent share, each. Delhi NCR made a meagre three percent share of the total new launches, with a few projects in Greater Noida, Ghaziabad and Gurgaon. Kolkata and Chennai reported minimal new activity from developers.



Note: The data depicts share of new launches across metro cities in the studied quarter. The numbers include re-launched projects.

MARKETMOVERS

Skyscrapers to don Gujarat real estate

Gujarat government approved the construction of buildings having 70 floors or more in Ahmedabad, Vadodara, Surat, Rajkot, and Gandhinagar. The move will not only help accommodate the rising population but will also save farmlands in the neighbouring areas that were earlier being utilised for the development of residential and commercial structures.

State extends the tenure of Food Safety President for handling RERA cases

Even post the directives of the Gujarat High Court to appoint a full-time judge at the Gujarat Real Estate Appellate Tribunal, the State provided a one-year extension to the President of Food Safety Tribunal, who is currently handling RERA cases. As litigants wait for an independent judicial member to head the RERA Tribunal, the wait for justice does not seem to come to an end. In the absence of a full-time judge, pending cases are likely to mount up further, adding to customer woes in the near-long term.

AMC knocks-off key infrastructure projects due to fund paucity

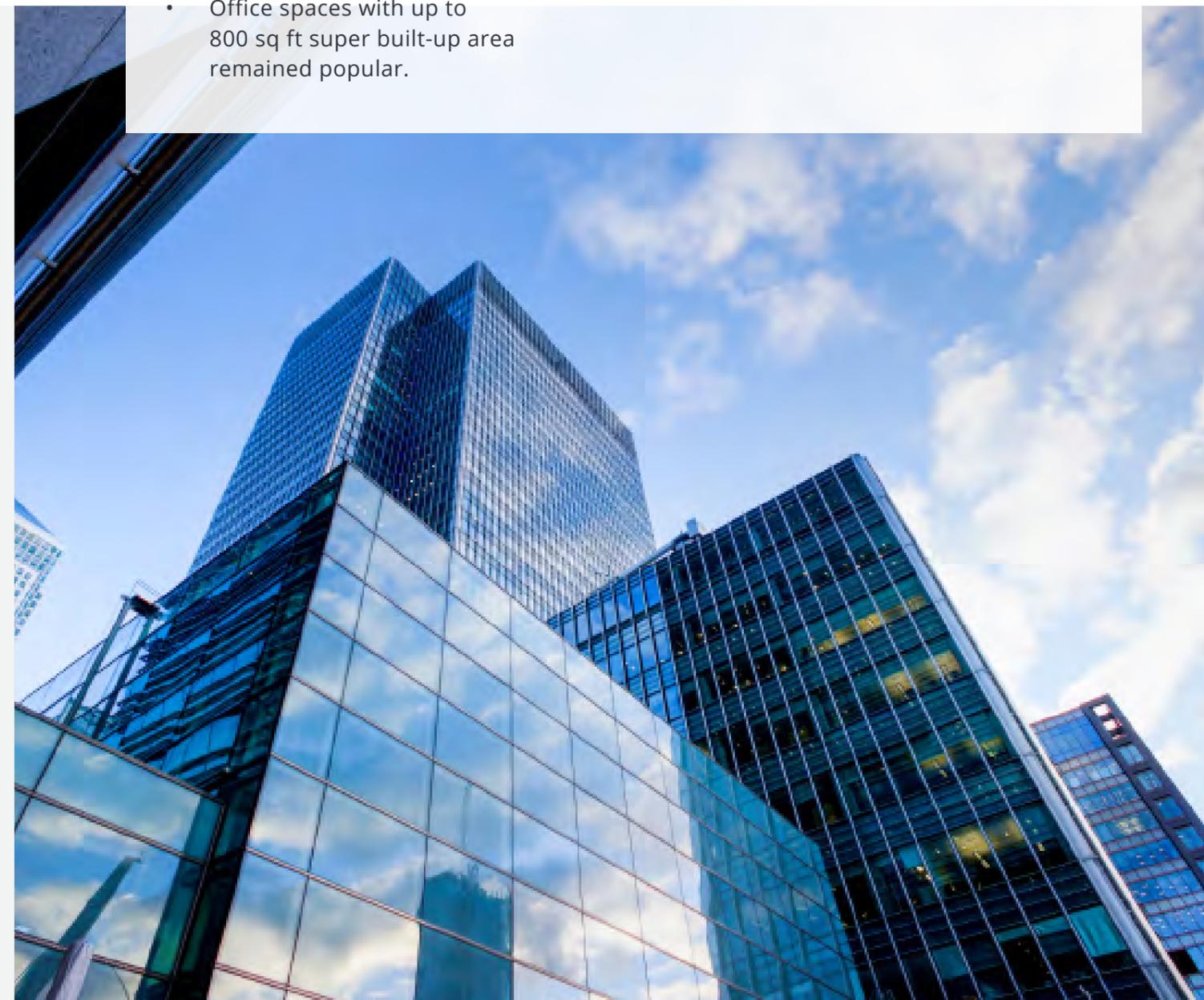
Ahmedabad Municipal Corporation (AMC) temporary suspended key infrastructure projects worth Rs 360 crore due to the drop in AMC's income caused by the COVID-19 pandemic. These include projects involving the construction of new bridges, roads, multi-level parking, community halls, and sports complexes across the city.

Gujarat notifies affordable rental housing policy

With the intent to provide affordable housing facilities on rent to migrants and middle-class workers, the State launched its affordable rental policy in September 2020. The State also decided to provide 50 percent additional Floor Space Index (FSI) to developers for the development of residential spaces and additional 10 percent for utility amenities. The policy, in the long run, will help boost the affordable rental market in Ahmedabad and other major cities of Gujarat.

COMMERCIAL REAL ESTATE OUTLOOK

- Similar to Apr-Jun 2020, the West Zone continued to dominate occupier interest in Jul-Sep 2020. Resultantly, SG Highway, Ring Road, Sindhu Bhavan Road, and Keshav Baug grabbed maximum share of commercial leasing in the city.
- IT-BPM, Engineering, Manufacturing, and Professional service segments remained the prominent occupiers of commercial spaces in Ahmedabad.
- Office spaces with up to 800 sq ft super built-up area remained popular.
- The plan to develop a Rs 300 crore information technology and IT-enabled services park at the Gujarat International Finance Tec-City (GIFT) near Gandhinagar went in doldrums as the government held back investment until further bookings.
- With over 40 percent of the stock lying vacant, commercial rentals remained under pressure and witnessed a correction of 15-20 percent in the studied quarter.

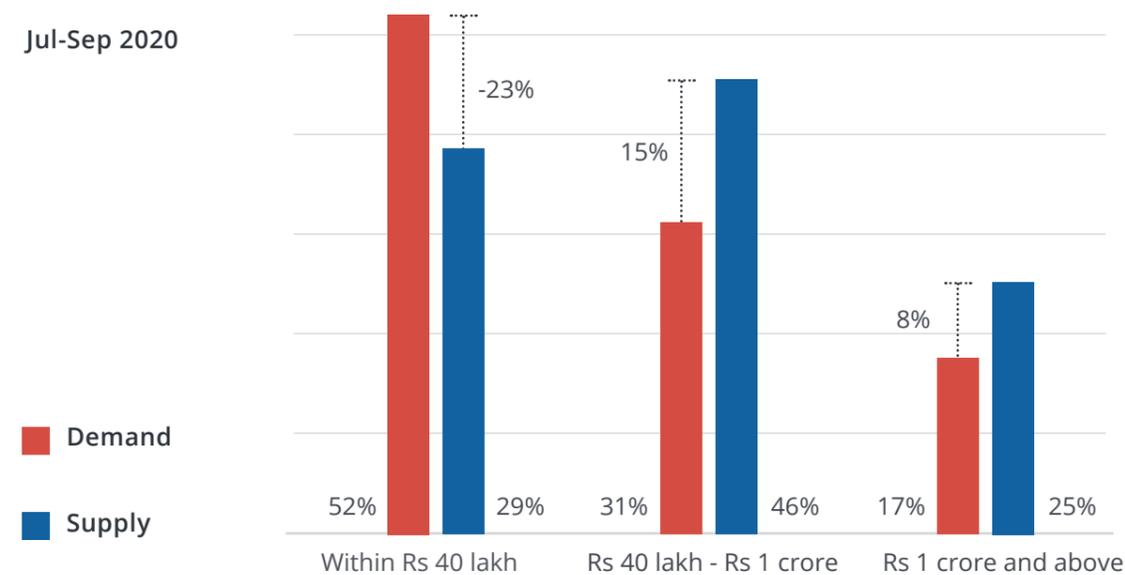


AHMEDABAD'S REALTY AT A GLANCE



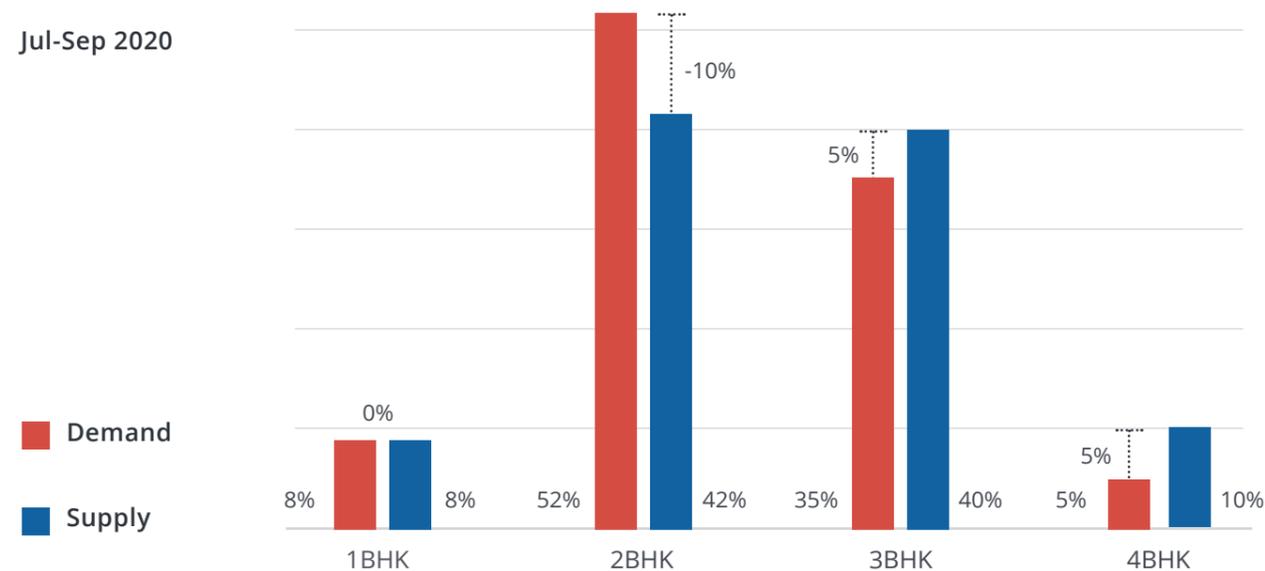
BUDGET-WISE DEMAND AND SUPPLY

Jul-Sep 2020



BHK-WISE DEMAND AND SUPPLY

Jul-Sep 2020



Note: Supply is basis properties listed on 99acres.com in the studied quarter.
Demand is basis queries received on 99acres.com in the studied quarter.

Key micro-markets across budget segments

Budget Range	Localities based on Consumer Demand and Active Listings	Average Property Prices (Rs per sq ft)	Average Rental 'Asks' (Rs per sq ft/month)	Rental Yield
Within Rs 40 lakh	Nikol	2,500-3,200	7	2.71%
	Vastral	2,400-3,100	8	3.20%
Rs 40 lakh - Rs 1 crore	Chandkheda	4,000-4,800	9	3.18%
	Ghatlodia	4,200-5,100	11	2.93%
	New Ranip	3,800-4,400	8	2.57%
Rs 1 crore and above	Jodhpur	5,700-6,600	16	2.93%
	Bodakdev	6,500-7,800	17	3.05%
	Vastrapur	5,900-6,900	16	3.40%

Note: Rental Yield has been calculated for a 1,000 sq ft apartment.

Average property prices and rental rates have been calculated as per listings posted on 99acres.com in the studied quarter. The range of property prices may vary by 10 percent depending on the age and furnishing status of the residential apartments.

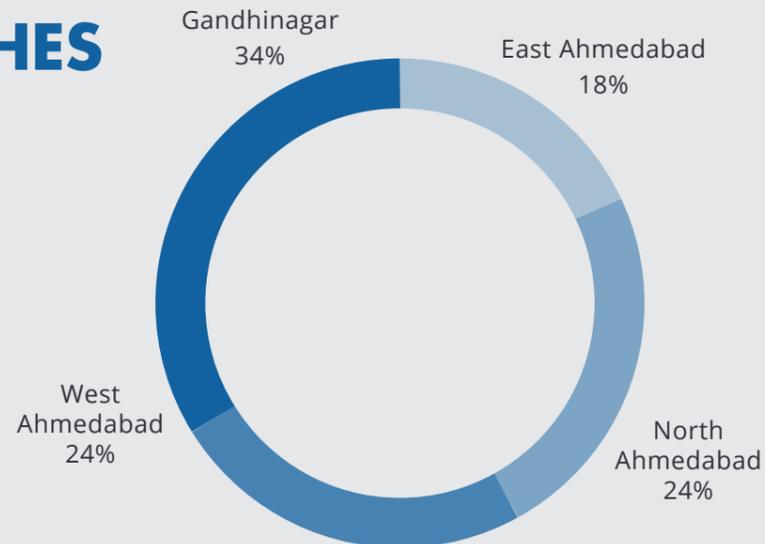
Key micro-markets across BHK-configurations

Configuration	Localities based on Consumer Demand and Active Listings	Average Unit Size (Sq ft)	Average Property Prices (Rs per sq ft)
1 BHK	Shahibaug	800-850	5,900-7,200
	Memnagar	650-830	4,800-5,600
2 BHK	Jodhpur	930-1030	5,700-6,600
	Bodakdev	1,050-1,080	6,500-7,800
	Paldi	1,000-1,900	5,200-5,900
3 BHK	Naranpura	1,530-1,560	4,300-5,500
	Chandlodia	1,200-1,350	3,200-3,600
	New Ranip	1,300-1,350	3,800-4,400

Note: Average property prices and rental rates have been calculated as per listings posted on 99acres.com in the studied quarter. The range of property prices may vary by 10 percent depending on the age and furnishing status of the residential apartments.

ZONE-WISE SHARE OF NEW LAUNCHES

After Gandhinagar, West and North Ahmedabad, especially the stretch along SG Highway, continued to be the most active real estate market with almost 25 percent share, each, in terms of new residential launches.



Note: The data depicts share of new launches across zones in Ahmedabad in the studied quarter.

RENTAL LANDSCAPE

Key micro-markets based on consumer demand and active listings

Localities	Most Supplied Rental Units	Market Share	Rental Rates (Rs per Month)	YoY % Change in Rental 'Asks'
Jodhpur	3BHK	61%	Rs 20,600-26,000	7%
	2BHK	29%	Rs 13,800-17,500	
Naranpura	2BHK	57%	Rs 11,600-16,700	4%
	3BHK	33%	Rs 19,000-22,000	
Bodakdev	3BHK	39%	Rs 21,500-28,500	3%
	2BHK	34%	Rs 14,000-17,000	
Vastrapur	3BHK	49%	Rs 20,600-27,000	3%
	2BHK	47%	Rs 14,500-19,500	
Ghatlodia	2BHK	52%	Rs 10,500-13,000	5%
	1BHK	32%	Rs 7,500-10,000	

Note: Average rental rates and supply have been calculated as per listings posted on 99acres.com in the studied quarter. Key micro-markets have been selected based on expressions of interest raised on 99acres.com in the studied quarter.

99ACRES' OUTLOOK

As compared to Apr-Jun 2020, the real estate market of Ahmedabad narrated a merrier tale in Jul-Sep 2020. Sales that had earlier plummeted to near inconsequential levels in Q2 2020 revived considerably as site visits reached almost 60 percent of the pre-COVID-19 levels post the gradual ease in the lockdown restrictions this quarter. In sync with the demand, over 70 percent of the sales were reported in the below Rs 50 lakh price bracket, of which, around 45 percent were in the budget bracket of Rs 25-30 lakh.

The affordable and the mid-income housing segments, i.e. properties priced below Rs 40 lakh and Rs 80 lakh, respectively, ruled the roost in terms of demand, garnering over 70 percent buyer interest in Ahmedabad.

The city reported the addition of almost 38 projects this quarter, as against nearly 32 in Apr-Jun 2020. A lot of these projects are by the developers who had re-applied for registration post the increase in Floor Space Index (FSI). A majority of the projects were launched in North and West Ahmedabad, offering mostly 2 BHK and 3 BHK units.

The liquidity crisis that intensified in 2019 has had a telling impact on the residential market with developers focusing more on offloading the existing inventory. Resultantly, the unsold inventory levels fell from 8,000 units in Apr-Jun 2020 to 7,500 units in Jul-Sep 2020. The Quarters to Sell (QTS), too, fell in tandem with the depleting inventory levels - from three in the previous quarter to 2.5 in the current period.



KEY HIGHLIGHTS

After reporting a grim scenario in Apr-Jun 2020, Ahmedabad exhibited some signs of recovery in Jul-Sep 2020. Discount schemes and attractive payment plans offered by the developers helped bring back the fence-sitters to the market. Areas, such as Shela, Vatva, Naroda, Shilaj, Chandkheda, Vaishnodevi, Nikol, Vastral, Bodakdev, Thaltej, and Bopal, remained popular among buyers and developers alike, witnessing the majority of new launches, as well as maximum conversions in the city.

Property prices remained under pressure due to the increasing incidents of deal cancellations. However, select localities, such as the stretch between Shilaj and Thol, witnessed an increase in the capital values due to improved demand for individual plots and weekend homes in the area. A large number of people in Ahmedabad are now looking to invest in a second home, away from the hustle-bustle of the city. Proximity to the prominent Karnavati sports club of Ahmedabad helped areas, such as Chekhla, Moti Devti and Rancharda, gain prominence among such buyers.

Rental enquiries began picking up starting September. Localities, such as Sargasan and Jivraj Park, remained popular among the tenants. Seamless connectivity with Gandhinagar Infocity Area is one of the major reasons behind Sargasan gaining prominence as a sought-after rental hub in Jul-Sep 2020. The locality has majorly been a hit amid IT/ITeS professionals working in Infocity, who instead of going back to their respective homes during the lockdown, opted to stay back near the workplace.

Proximity to Prahlad Nagar, which is a prominent corporate hub in Ahmedabad helped Jivraj Park garner healthy traction from the tenant community. Going ahead, the launch of affordable rental policy by Gujarat government is likely to provide a thrust to the city's rental market.

CONCLUDING REMARKS

Having witnessed a substantial decline in the residential sales in H1 2020, which stood at a decadal low at 2,520 units, Ahmedabad reported a gradual pick-up in demand from June 2020 onwards. Further, an increase in the migration of workers from rural to urban areas post lockdown helped the market come back on track in terms of project construction. Going ahead, while the quantum of new launches is expected to remain on the lower side in the next quarter, the city is likely to witness an increase in the number of enquiries on the back of the upcoming festive season. Property prices, however, are expected to remain muted, giving an upper hand to the buyers, as developers continue to offer innovative payment plans to drive sales and liquidate the existing residential inventory.



ANNEXURES

CAPITAL VALUES

Locality	Jul-Sep 2020	Locality	Jul-Sep 2020
Bapunagar	2730	Ambawadi	16
Bodakdev	6500	Anand Nagar	16
Bopal	3800	Bodakdev	17
Chandkheda	3400	Bopal	13
Chandlodia	3500	Chandkheda	9
Ghatlodia	4300	Ghatlodia	11
Gota	3800	Gota	10
Gurukul	5250	Gurukul	15
Jagatpur	3900	Jagatpur	9
Jodhpur	6300	Jivraj Park	14
Makarba	4150	Jodhpur	16
Maninagar	3960	Kudasan	8
Motera	4050	Makarba	16
Naranpura	5400	Maninagar	13
Narol	2100	Memnagar	15
Navrangpura	5870	Motera	10
New Ranip	3500	Naranpura	14
Nikol	2600	Navrangpura	17
Paldi	5650	Nehru Nagar	17
Prahlad Nagar	5670	New Ranip	8
Satellite	6050	Paldi	15
Science City	5400	Prahlad Nagar	17
Shahibaug	7000	Ramdev Nagar	16
Shela	3550	Sargasan	8
Shilaj	3900	Satellite	16
South Bopal	4100	Science City	12
Thaltej	6000	Sola	12
Vaishnodevi Circle	4100	South Bopal	13
Vasna	4500	Thaltej	15
Vastral	2600	Vaishnodevi Circle	11
Vastrapur	5650	Vasna	12
Vatva	2100	Vastrapur	16
Vejalpur	3910	Vejalpur	14

*All prices are per sq ft rates

METHODOLOGY

The Insite Report by 99acres.com captures the trends in the capital and rental markets across top eight metro cities – 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 BHK configurations. The report also gives insight into the key micro-markets based on consumer demand and active listings in the rental market. While demand is a function of expressions of interest raised on 99acres.com, supply is based on property listings posted on 99acres.com in Jul-Sep 2020.

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