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WAKEFIELD



PROPSTACK

ANALYZING MUMBAI'S HOUSING MARKETS POST RERA

NOVEMBER 2017

Introduction

The Central Government enacted the REAL ESTATE (REGULATION AND DEVELOPMENT) ACT or RERA as it is popularly called in 2016 and it came into force from 1st May 2017.

The key purpose of enacting RERA and setting up a Regulator is to ensure transparency and accountability in the real estate sector and protect all stake holders as necessary.

Maharashtra is one of the first states to support the implementation of the Act. It is the only state to have set up a permanent Regulator as required under the Act.

Additionally, the state was the first to receive an application for mandatory registration of an ongoing project and has achieved the highest number of such registrations amongst all the states

Cushman & Wakefield Research and Propstack present their analysis of the housing projects in the Mumbai Metropolitan Region (MMR) that were registered until 31st August 2017. This will help all stakeholders to get a pretty good view of the current state of the new housing supply in the MMR as for the first time, there is quality data available on the currently under-construction housing projects.

Methodology of this study

The study is restricted only to the Mumbai Metropolitan Region (MMR) and covers projects in Mumbai, Navi Mumbai and Thane areas.

Only residential projects have been considered for our analysis. However, we have considered projects under the category of 'Others' in MahaRERA as some of the large projects (purely residential or residential with a mix of shops/commercial) were also found in this category.

The localities have been mapped based on pin codes extracted from the MahaRERA database. Data entry errors were observed in case of 79 projects and have been corrected at our end for data analysis. It must be noted that this correction was confined to large projects only.

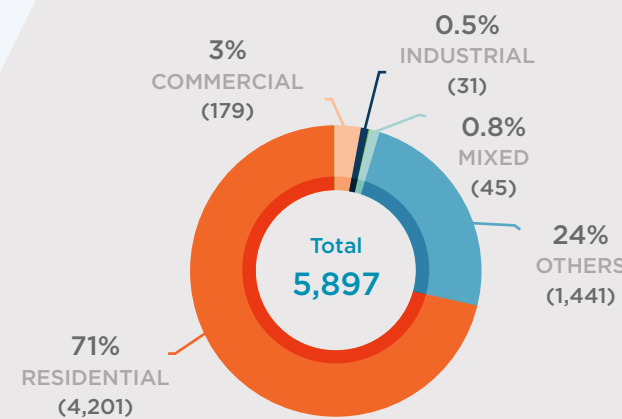
For the purposes of the report, MMR has been divided into 6 markets namely, Western, Eastern, South Mumbai, Navi Mumbai, Thane and Beyond Thane.

In case of 22 projects, the total sold area of the project was greater than the total area of the project. These have been accordingly excluded from our analysis.

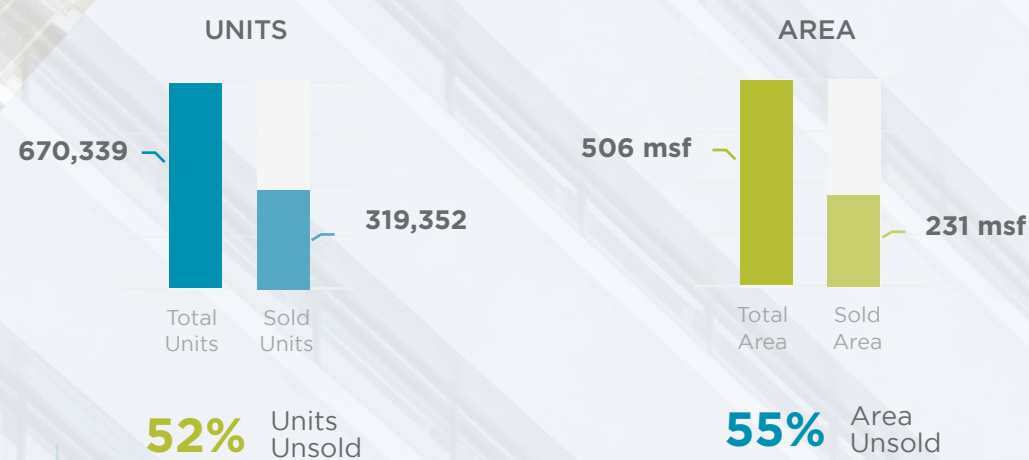
In case of 204 projects, the revised date of completion was not updated and have been accordingly excluded from our analysis with respect to 'delivery and delay'.

Data entry for 'Apartment Type' is not standardized. We found that there were 17,148 variations for this. However, 9 variations contributed to 76% of the total count and hence we have only considered these in the configuration/apartment type analysis.

While data entry errors were observed in apartment sizes in carpet area (sq. m), it has not impacted our analysis as we have used this data only to arrive sold % in a project.



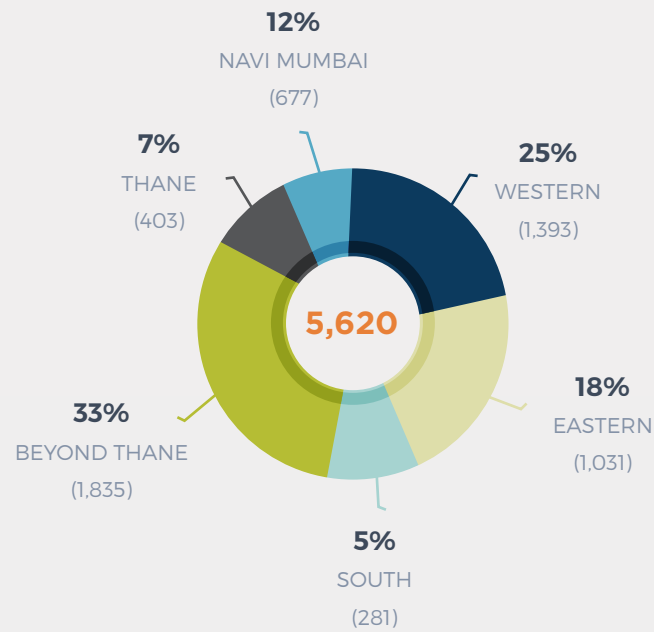
We are analysing **5,620** Projects for our study
(Residential & Other only)



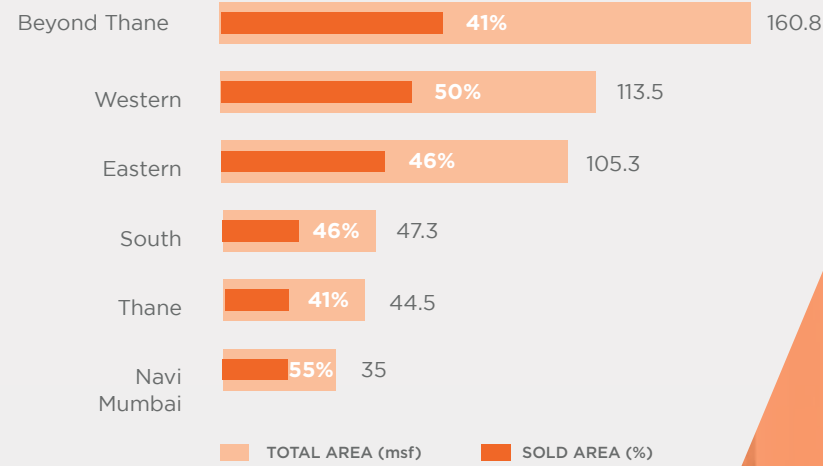
More than 50% area unsold

Though **52%** of the units registered under MahaRERA are shown unsold, the unsold units are larger in size as the total area for unsold units is higher at **55%**.

NO. OF PROJECTS



TOTAL AREA



Nearly half the projects (48%) are within the BrihanMumbai Municipal Corporation (BMC) limits, which however, has nearly 53% of the total area and higher average sales of around 48%.

However, a third of total projects are located beyond Thane of which nearly 60% area is unsold. These projects are mostly large townships and demand for these is somewhat lackluster owing to absence of adequate social and physical infrastructure and employment opportunities.

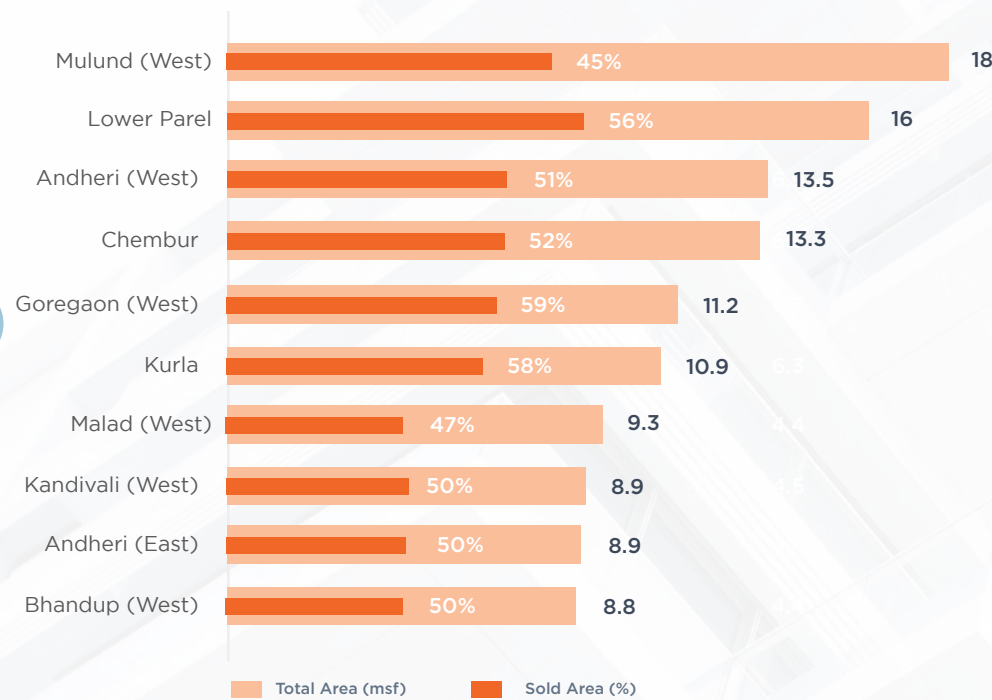
Western Suburbs continue to witness the highest activity in terms of launches and sales within the BMC limits.

Highest sold - Western Suburbs, least sold - Beyond Thane

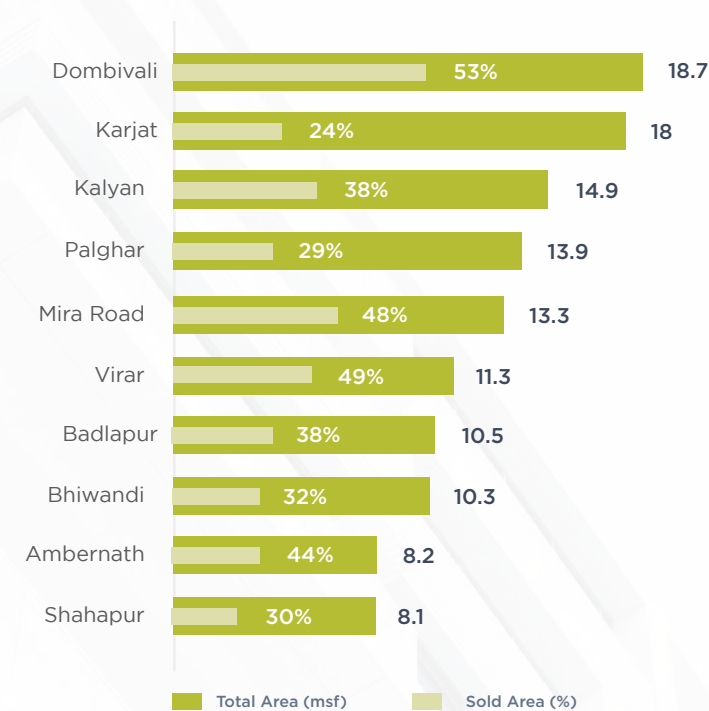
6 of the top 10 localities are in Western Suburbs with 2 in Central Mumbai and 1 each in South Mumbai and Eastern Suburbs.

Except Mulund (West) and Malad (West), all other locations have recorded 50% or more sales velocity.

TOP 10 MUMBAI LOCALITIES CONTRIBUTE 45% OF TOTAL AREA



TOP 10 BEYOND THANE LOCALITIES CONTRIBUTE 80% OF TOTAL AREA

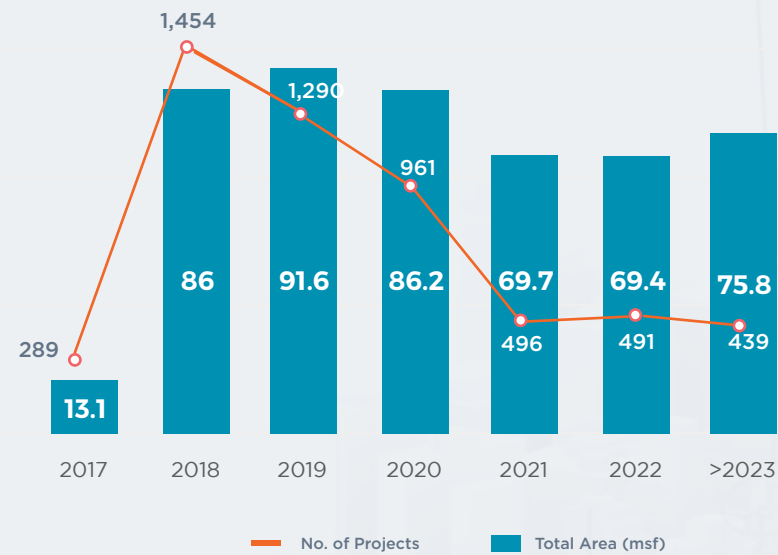


The top 2 locations of Dombivli and Karjat have almost equal area under construction in the beyond Thane belt.

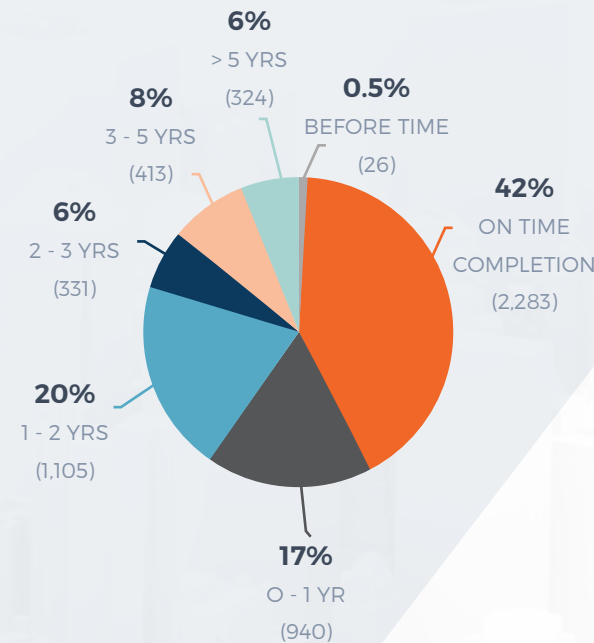
However, the demand profile for both is different as Karjat is mainly considered to be a second home / holiday home destination whereas Dombivli is more attractive for affordable to mid segment housing buyers looking for self-contained large township projects.

43% projects delayed upto 3 years

YEAR WISE COMPLETION



DELAYS



Nearly 76% of the under-construction projects are scheduled to be completed by 2020.

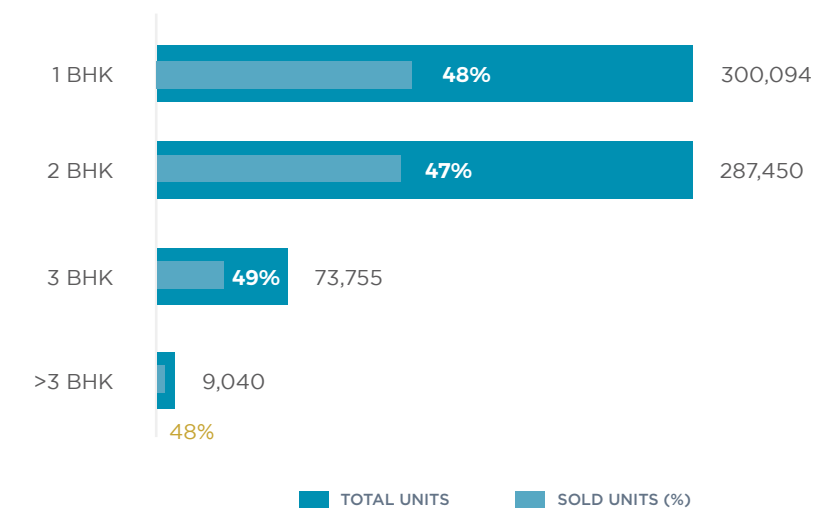
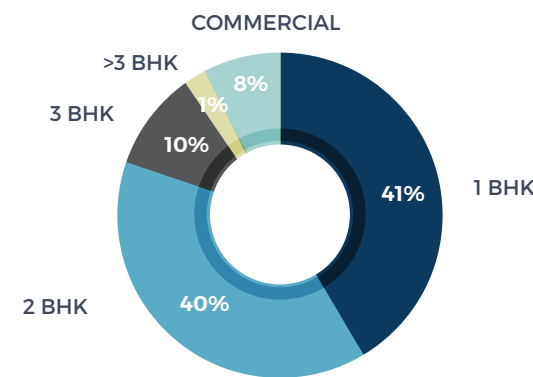
Most of the developers have revised their completion timelines while registering under MahaRERA

42% of the projects are expected to be delivered on time with over 43% of the projects showing delays of up to 3 years and the rest beyond 3 years.

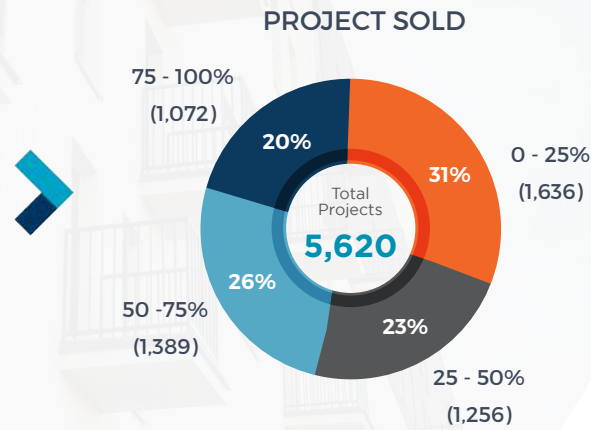
Beyond 2020, average size of the project to be completed increases by nearly 4 times from 45,000 sf in 2017 to about 173,000 sf in 2023

1 and 2 BHKs are similar in terms of supply and demand

Though under - construction 1 and 2 BHK units form 81% of the market in the MMR, the sale of units is almost uniform at 48% irrespective of the number of bedrooms



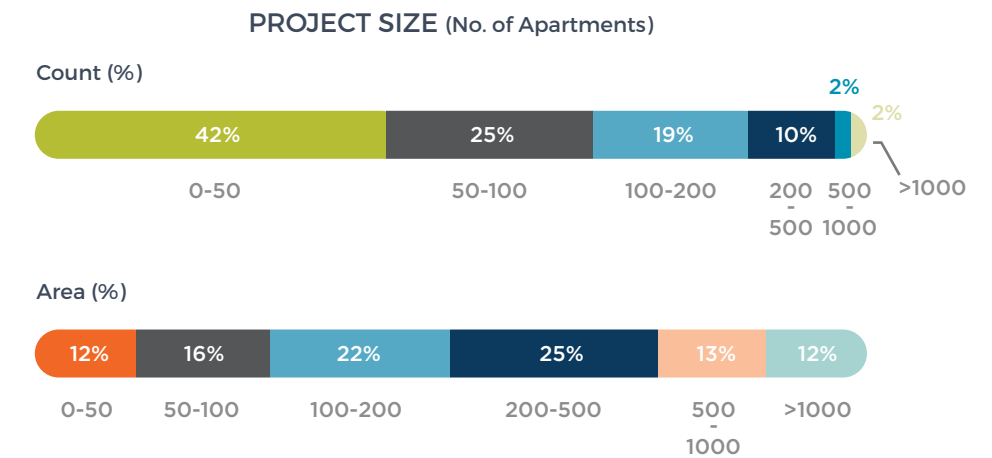
Just over half (54%) of the under-construction projects in MMR have seen less than 50% sales



Market is fragmented - lots of small projects

Nearly two-thirds of the ongoing projects within the MMR are small-sized projects offering up to 100 units

However, they represent only 28% of the total area under construction with projects offering between 100 to 500 units representing 47% of the area.



Price Trends

The data on MahaRERA does not provide any information on the pricing of the projects registered. However, we have correlated our own primary data with this and provide the adjacent analysis.

Within BMC limits - South Mumbai mainly caters to the high-end / luxury segments while Eastern and Western Suburbs focus on mid and high-end segments. Average ticket size varies significantly in areas such as Lower Parel, Tardeo Worli, etc. for a typical 2 BHK / 3 BHK as compared to the prominent localities in the suburbs. For instance, average price in South Mumbai ranges from INR 25,000 - 80,000 /sf compared to INR 12,000 - 45,000 in the suburbs.

Outside BMC limits - Average ticket size of units are typically highest in Thane and keeps reducing, moving northwards towards Badlapur on the eastern side and Virar on the western front.

AVERAGE TICKET SIZE OF ONGOING PROJECTS (INR Million)

Config.	South	Western	Eastern	Navi Mumbai	Thane	Beyond Thane
1 BHK	-	6-15	8-13	5-7	6-8	2-5
2 BHK	25-40	12-22	14-20	7-11	8-13	4-8
3 BHK	50-80	15-35	20-32	14-20	17-22	7.5-13
>3 BHK	>80	>35	>32	>20	>22	>13

Figures indicate average quoted base values of under-construction projects based on saleable area.

Conclusion

The establishment of the MahaRERA and the availability of detailed project level data is an important landmark in the growth and maturity of housing markets. The unrestricted access levels the playing field for all stakeholders and is surely going to go a long way in re-establishing buyer confidence in the developers through transparency and accountability, which was missing since the last few years.

Buyers can not only gain more accurate information on the projects where they have bought or intend to buy units, but also develop a better understanding of the developer through information about the other projects that the developer is involved in.

Buyers can also understand the market dynamics of various micro markets through direct information rather than relying on marketing and sales sources, which can be highly misleading.

An important take-away from this analysis is that since all types of units have shown more an average unsold inventory of around 50-52%, developers cannot blindly launch units without understanding the buyer demand and preferences.

It has become extremely important for developers to take proper stock of the current market conditions vis-à-vis the structural changes necessitated through changes in the policy regime such as RERA, Benami Transactions (Prohibition) Act, GST, etc. and then launch new projects in the future that meet buyer aspirations and needs.



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For more information about Cushman & Wakefield, please contact:



ANSHUL JAIN
Country Head & Managing Director - India
anshul.jain@cushwake.com



SOMIL AGRAWAL
Head of Strategic Marketing, India
somil.agrawal@cushwake.com

For more information about Research Services, please contact:



SIDDHART GOEL
Senior Director - Research Services
siddhart.goel@ap.cushwake.com



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For more information about Propstack, please contact:



SANDEEP REDDY
Director
sandeep@propstack.com



RAJA SEETHARAMAN
Director
raja@propstack.com



SHUBHANKAR DONGRE
Director
shubhankar@propstack.com

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