

Home Sales May Rebound in 2013; Prices Seen Stable

Quicker project approvals & lower cost of finance to give a fillip to deals; Mumbai expected to record highest CAGR of 14% on pent-up demand, says a research report

Demand Uptick

Absorption of new residential units across six key cities expected to rise at 7% CAGR

Residential volumes to recover in CV13 driven by pick-up in new launches on improved policy environment

RBI reduced repo rate by 25 bps to 7.25%, fuelling hopes that home loans will become cheaper

Further drop in property prices across major metros expected to up demand of homes

Mumbai remains key candidate for turnaround in CV13, after a muted CV12

Property sale registrations in Mumbai rose to a 24-mth high in Dec

CV12 vs CV11 Absorption Trends (Units)

City	Units sold in 2011	Units sold in 2012	% Chg (YoY)
NCR	91,295	56,156	-38
MMR	93,635	65,827	-30
Bengaluru	38,063	39,148	3
Chennai	30,213	26,098	-14
Pune	44,901	41,944	-7
Hyderabad	16,275	14,185	-13
Kolkata	12,965	13,795	6

Source: Prop Equity, JP Morgan, CV12 annualised based on data available till Dec'12

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BANGALORE, MUMBAI

Home sales in India could rebound in 2013, helped by quicker project approvals and lower cost of finance, according to analysts. "Residential markets have entered CV13 on an encouraging note, with robust off-take seen in new launches across markets over the last three months," JP Morgan said in its January report. "We expect volumes in residential markets to improve over the next 12 months on pick-up in pace of new launches coupled with price discounts and mortgage rate cuts."

According to CRISIL, Residential units across six key cities — Mumbai, the National Capital Region, Pune, Bangalore, Chennai and Hyderabad — is expected to increase at a compound annual growth rate (CAGR) of 7% to 251 million sq ft in the next two years. During this period, Mumbai is expected to record the highest CAGR of 14%, due to pent-up demand, while capital values across regions are expected to rise marginally. In the second half of 2013, the research body said.

The projection is a contrast to numbers reported for last year. According to JP Morgan, sales of residential units across major markets like Mumbai and NCR had dipped between 7% and 38% in first three quarters of 2012. On Bangalore and Kolkata bucked the trend, recording growths of 3% and 6%, respectively. "Sales at new projects are showing signs of recovery and a lot of

new launches are being worked based on customer responses. Prices may not see any major uptick, but demand is certainly better than last year, including in Mumbai and NCR," said Lalit Kumar Jain, president of developers' association CREDAI, which has about 10,000 members. Backing the estimate is state-run lender Punjab National Bank, which has seen a 14% growth in home loans in the last quarter. "In the last four to five years, property price escalated steeply in major metros, but now it has stagnated. The next six months will be a turnaround time for the housing

industry with inflation easing and chances of the cash reserve ratio coming down," said SS Bhatia, its general manager for retail. Last month, the Reserve Bank of India reduced the repo rate by 25 basis points to 7.25%, fuelling hopes that home loans will become cheaper. "Further reduction of interest rate will lead to higher off-take of property. Loan disbursal has been reasonable, but actual recovery will depend on the economy," said VK Sharma, chief executive of LIC Housing Finance. Ashish Puravankara, joint managing director of Puravankara Projects, said, "Last year was a consolidation phase for builders but this year the market will recover, riding on new launches across various geographies. Markets like Chennai and Bangalore have outperformed other bigger

real estate markets."

The Bangalore-based builder saw about half its stock in a newly launched property in the city being snapped up in 10 days.

"We have already sold 2.14 million sq ft in the current fiscal and expect to exceed three million by the end of the year."

Similarly, Mumbai in last few months has seen a rise in the number of launches on the back of approvals and response to new projects. Property sale registrations in the city rose to a 24-month high in December, reflecting a jump of 5% from a year ago and 42% from the previous month. "Market has started to respond, especially after the interest rate reduction," said Ganuay Gupta, director of Omkar Realtors and Developers.

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