

Real Estate

MCHI Exhibition – No festive crackers

We visited the semi-annual MCHI Exhibition held in Mumbai on Oct 6–9. Our key takeaways: (a) Property prices have remained flattish since the last exhibition (held six months back). (b) Limited discount/freebies are on offer. (c) Fewer new projects are on sale (with some at the pre-launch stage). We believe builders may feel greater pain if liquidity conditions don't improve over the next quarter, when short-term money is to be repaid and the proportion of customer advances begins to shrink (especially in Mumbai). Long-term, we are **OVERWEIGHT** on the sector as we believe most of these risks are factored in. Volume revival and peaking out of the interest rate cycle would be the key triggers (besides macro conditions).

- ❖ **Property prices flat, not down as of now:** Prices of most projects were largely flat since the last exhibition in April'11. Some of the completed projects were still available for sale, suggesting limited offtake for these properties (*Kalpataru Aura, Runwal Orchard, Gundecha Symphony and Nahar Amrit Shakti*). While no clear discounts/price cuts were on offer, a few developers were willing to negotiate with serious buyers—a scenario seen earlier as well.
- ❖ **Limited new projects in the offing:** We note that only a few new projects (*Godrej Platinum, new towers in Nahar Amrit Shakti*) have been launched in the ongoing festive season, while some are at the pre-launch stage (*Sunteck City, Ekta Tripolis, Rustomjee BKC*). The pricing for most of these projects was broadly in line with that in the vicinity.
- ❖ **Festive discounts available on home loans:** A few home loan providers have initiated the festive offer by giving 25bps lower interest rates to customers. Among the offers available, HDFC is giving a 25bps interest waiver for (the next) three months while SBI is providing a 25bps interest waiver and a 50% cut in processing charges for employees of its corporate clients.
- ❖ **Partial impact of the new code of conduct:** MCHI has enforced a new model code of conduct to help improve the image of the developer community. A partial impact of the same was visible in the exhibition, with more projects being advertised based on the carpet area as against the built-up area.
- ❖ **Our view:** We believe that liquidity conditions should start improving once the interest rate cycle peaks out and volumes rebound. We are **OVERWEIGHT** on the sector from a long-term perspective, primarily because we believe the current market prices factor in most of the sector risks and there is enough value for the long-term investor. Our top picks are DLF, Sobha and Oberoi.

Fig 1 - New Project Launches

Project	Location	Price	Remarks
Godrej Platinum	Vikhroli	10700	launched Yesterday
Ekta Tripolis	Goregaon (W)	10701	Under pre-launch. Basic construction work started, launch expected in a months' time
Nahar Amrit Shakti	Chandivali	12000	Two new premium towers at 12000psf
Sunteck City	Goregaon (W)	9500	Under pre-launch.
Ruparel Solitaire	Matunga	18000	Re development property in Pre-launch stage
Rustomjee Elanza	Malad	-	Rs17.2mn for a 2BHK (737sft carpet Area).
Rustomjee Meridian	Kandivali (E)	Not on sale	Phase I has been sold (till 7th Floor) under pre-launch. Rest is not open for sale
Rustomjee BKC Annex	Bandra East	18000	In pre-launch stage. Builder asking upto 50% upfront as advance booking

Source: RCML Research

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Recommendation snapshot

Company	CMP	Target	Rating
Anant Raj Industries	54	150	Buy
DLF	218	330	Buy
Godrej Properties	653	780	Hold
Indiabulls Real Estate	71	200	Buy
Oberoi Realty	230	330	Buy
Peninsula Land	42	83	Buy
Phoenix Mills	202	300	Buy
Puravankara Projects	63	130	Buy
Sobha Developers	212	380	Buy
Sunteck Realty	330	670	Buy
Unitech	26	75	Buy

Projects where prices have not changed since April

Project	Location	Price
Gundecha Symphony	Andheri (W)	14000
Kalpataru Aura	Ghatkopar (W)	9300-9900
Runwal Orchard	Ghatkopar (W)	9500
Kalpataru Gardens	Kandivali (E)	9500-11000
Kohinoor City	Kurla	10500
Mantri Park	Goregaon (E)	8000

Home loan offers

Bank	Offer
SBI Bank	A 25bps interest waiver and 50% off in processing fees for corporate clients
HDFC	A 25bps interest waiver
GIC Housing	Processing fee of Rs 2000 (vs. Rs 10000 for others)
Axis bank	Fixed rate for 20 years at 11.75% for loan up to Rs 7.5mn



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