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Sector Update

Real Estate Sector

Update on Mumbai property exhibition

- **No raining discounts:** We attended the Maharashtra Chamber of Housing Industry (MCHI) property 2008 exhibition to take stock of the reality with developers and buyers. Many of the real estate developers gave discounts in the form of stamp duty and registration fees reimbursement to buyers, which accounts to a discount of 5-6%. While, some offered free parking space, interest subvention scheme or did not charge floor rise. Taking these into consideration, we believe average discount being offered on the properties is in the range of 5-8%. But, we expect developers to offer higher discounts for a genuine buyer, once he is close to finalising the deal. We got a sense of this from some of the developers, who indicated that further discount can be negotiated at the site.
- **Affordability seems to be the biggest challenge:** In most cases, we observed that property prices were maintained and/or increased from the level they were about six months back (refer exhibit 1). The exhibition being in Mumbai (financial capital of India) and taking into account the slowdown that capital market related activities have seen, we feel that the current prices are not in line with the affordability of buyers. In prime suburbs of Andheri, Malad and Goregaon, we note that property prices were in the range of Rs8,000-12,000 psf and with average apartment size of 1,200 sq ft, the total cost to the buyer is c.Rs 10-15 mn, which we believe is quite high.
- **High interest rates also hurt affordability:** Housing finance companies at the exhibition were offering housing finance @12% (for loans above Rs3 mn) for a tenure of 20 years. Taking a loan amount of Rs5 mn at an average interest rate of 12% (on 20 year loan) is higher by 100 bps from that of last year. We estimate higher interest rate to cost Rs3,445/month extra to the potential buyer; in turn affecting his affordability.
- **Our view:** We see the discount on offer as the last attempt of developers to hold on to current prices with a marginal discount of 5-8%, before they are forced to adjust property prices taking into account the challenging macro economic realities. We do not expect volumes to recover in the current economic uncertainty which would worsen the cash flow problems for the sector. We expect sharp and visible correction in prices by developers from early next year.

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Exhibit 1. : Selected List of Properties in the exhibition

Developer	Name of Property	City	Area	Price (Rs psf)	Possession	Discount
Arihant		Mumbai	Navi Mumbai	3,700		No Stamp Duty + Registration
Happy Home	Jade Garden	Mumbai	Near BKC - Opp MIG Club	20,000	Oct-10	No Discounts
Kanakia Spaces	Niharika	Mumbai	Thane (W)	5,000	Jun-10	No Stamp Duty + Registration
Kohinoor	Kohinoor City - Phase III	Mumbai	Kurla (west)	8,800	Dec-09	Rs 100 Discount for 4 days
M S Shah Developers	Olive	Mumbai	Andheri E	6,500		No Stamp Duty + Registration
Man Infraprojects	Valley Vista	Navi Mumbai	Nerul	6,000	Apr-11	Car parking free
Mantri Real Estate	Mantri Park	Mumbai	Goregaon (E)	5,550	Jun-09	No stamp duty + Registration
Mayfair Housing	Silver	Mumbai	Juhu	17,000	Dec-09	No discount
NeelSidhi	Atlantis	Navi Mumbai	Nerul	5,600	Dec-10	No Discount
Skyline Group	Skyline Oasis	Mumbai	Vidyavihar (W)	9,000	Ready Possession	No discount
Sobha Developers	Sobha Carnation	Pune	Kondhwa, NIBM	3,555	Jun-10	No discount
Bhoomi	Rock Enclave	Mumbai	Kandivali W	6,500	Ready Possession	No Discount
	Rock Avenue	Mumbai	Kandivali W	6,500		No Discount
	Elegant	Mumbai	Kandivali E	5,700		No Discount
Damji Shamji Shah Group	Mahavir Milestone	Mumbai	Thane W	6,800		No Stamp Duty + Registration
	Mahavir Universe	Mumbai	Bhandup W	6,561	Dec-09	No Stamp Duty + Registration
	Mahavir Millennium	Mumbai	Thane W	4,951		No Stamp Duty + Registration + Rs300 psf discount
	Mahavir Platinum	Mumbai	Cheda nagar	6,750		No Stamp Duty + Registration
	Mahavir Empress	Mumbai	Ghatkopar W	8,000		No Stamp Duty + Registration
Rajesh Builders	Raj Legacy	Mumbai	Vikhroli W	10,400		No Stamp Duty + Registration
	Raj Maximus	Mumbai	Borivli W	9,500	Mar-10	No Stamp Duty + Registration
	Raj Sunflower	Mumbai	Borivli W	11,500		No Stamp Duty + Registration
RNA Developers	RNA Sapphire	Mumbai	Andheri W	11,000	Mar-09	Lucky Draw
	RNA Royal Park	Mumbai	Kandivali W	6,500		Lucky Draw
Godrej		Kalyan		3,000	Jul-10	No discount
		Banglore	Bellary Rd	5,000	Mar-09	No discount
		Planet Godrej	Mahalakshmi	35,000		No discount

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Developer	Name of Property	City	Area	Price (Rs psf)	Possession	Discount
Akruti City	Gardenia	Mumbai	Mira Rd E	3,650		No Stamp Duty + Registration
	Country woods		Pune	2,950		No Stamp Duty + Registration
	Vedant			9,500		No Stamp Duty + Registration
Hiranandani Est	Villa Grand	Mumbai	Thane	6,100	Dec-09	No discount
	Canary	Mumbai	Thane	6,600		No discount
Acme	Ozone	Mumbai	Thane W	7,500	Mar-11	No Stamp Duty + Registration
	Amrut	Mumbai	Dahisar E	4,500		No Stamp Duty + Registration
Sheth	Grandeur	Mumbai	Vasant Marvel, Borivali (E)	7,600		No discount
	Polaris	Mumbai	Goregaon W	11,000	Jun -09	No discount
	Ivy	Mumbai	Vasant Valley, Malad (E)	7,900	Jun -09	No discount
	Vasant Pride	Mumbai	Thakur Complex, Kandivili (E)	6,000	Jun -09	No discount
	Silve Bell	Mumbai	Off LBS Marg, Mulund(W)	6,200	Oct - 09	No discount
HDIL		Mumbai	Ghatkopar(E)	7,500	Dec-10	No FR till 8th floor
	Dearms	Mumbai	Bhandup	5,750	Ready Possession	No stamp duty + Registration
Rustomjee	Elanza	Mumbai	Malad (W)	9,000	Dec-10	Interest Subvention scheme 2.5%
	Urbanaia	Mumbai	Thane (W)	5,130	Dec-10	Interest Subvention scheme 2.5%
	Ozone	Mumbai	Goregaon (W)	10,500	Mar-09	No discount
Kalpatru Properties	Kalpataru Estate	Mumbai	JVLR, Andheri	10,000		No Stamp Duty + Registration
	Kalpataru Riverside	Navi Mumbai	Panvel	3,800	Jun-10	No Discount
	Kalpatru Aura	Mumbai	Ghatkopar (W)	7,800	Jun-09	No Stamp Duty + Registration
	Kamdhenu	Mumbai	Mulund (E)	5,200	Ready	No Stamp Duty + Registration
	Shrusti	Mumbai	Mira Road	4,750	Dec-09	No Stamp Duty + Registration
Dosti Group	Flamingos	Mumbai	Sewree	15,000	Ready Possession	Interest rate of 8.75%, no other discount
	Acres	Mumbai	New Wadala	11,600		Interest rate of 8.75%, no other discount
	Vihar	Mumbai	Thane(W)	5,750	Dec-10	Interest rate of 8.75%, no other discount
Nirmal Lifestyle	City of Joy	Mumbai	Mulund (W)	10,500	Jun-09	No Stamp Duty + Registration
	Galaxy	Mumbai	Mulund (W)	10,500		No Stamp Duty + Registration
Mahindra Lifespace	Eminente	Mumbai	Goregaon (W)	8,500	Ready Possession	No Discount
	Splendour	Mumbai	Bhandup (W)	6,950	Jun-11	No Discount
Ahuja Construction	Clubbe Life	Mumbai	Borivali (W)	7,500	Dec-09	Discount of Rs300-400 psf
	Karma Kastle	Mumbai	Tilak Nagar, Chembur (W)	7,200		Discount of Rs300-400 psf

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Developer	Name of Property	City	Area	Price (Rs psf)	Possession	Discount
Lok Housing	Lok Surbhi	Mumbai	Kalyan (W)	2,300	Jun-09	No Discount
	Lok Everest	Mumbai	Mulund (W)	6,500	Ready Possession	No Discount
	Lok Raunak	Mumbai	Marol, Andheri (E)	6,600	Dec-10	No Discount
Buildtech Builders	Orient Ganesh	Navi Mumbai	Koperkhairane	3,000	Nov-08	No Stamp Duty + Registration
	Orient Ram	Navi Mumbai	Koperkhairane	2,700	Nov-08	No Stamp Duty + Registration
	Orient Star	Navi Mumbai	Kamothe	2,500	Jun-10	No Stamp Duty + Registration
	Orient Arcade	Navi Mumbai	Kamothe	2,500	Jun-09	No Stamp Duty + Registration
Royal Palms	Garden View	Mumbai	Aarey Colony, Goregaon (E)	6,500	Jun-09	15% discount on price
	Lake View	Mumbai	Aarey Colony, Goregaon (E)	7,200	Ready Possession	15% discount on price
	Summit	Mumbai	Aarey Colony, Goregaon (E)	6,500	Ready Possession	15% discount on price
Supreme Universal	Lake Homes	Mumbai	Powai	9,000		
	Lake Primrose	Mumbai	Powai	8,500		
Neptune	Color Scape	Mumbai	Mulund (West)	8,991	Dec-09	
	Living Point	Mumbai	Bhandup	7,991		
Nahar's Amrit Shakti	Vinca, Yucca, Yarrow	Mumbai	Chandivili	12000 - 14000	Apr-09	20% on Booking and the balance 80% on Possession - Special tie up with HDFC. No Pre EMI till possession
	Ivy, Mimosas, Tilia	Mumbai	Chandivili	12000 - 14000	Mar-10	
Neelkanth	Kingdom	Mumbai	Vidyavihar	7,500	Dec-09	No Discount
	Woods Phase II		Thane	5,600	Jun-09	No Discount
	Woods Phase III			5,500	Dec-10	No Discount
Oberoi Construction	Oberoi Exquisite	Mumbai	Goregaon (East)	7500-8500	3-4 years	No Discount
	Oberoi Splendor	Mumbai	JVLR, Andheri East	14,000	Dec-09	No Discount
	Oberoi Springs	Mumbai	Andheri (west)	20,765	Dec-08	No Discount
	Oberoi Woods	Mumbai	Goregaon (East)	16,500		

Source: Company data, JM Financial.

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