

India: Real Estate

Feet on the Street: Delhi-NCR site visit update

Industry context

We recently visited some property sites in Gurgaon, Noida and Greater Noida and interacted with brokers/consultants. Key takeaways:

- Prices of some residential launches have risen significantly** since March 2009, by 20%-30% in some cases. However, there have been a number of launches by small local developers, which may temper any further price hikes until after the monsoon.
- Absorption has slowed** down from levels seen in late 2009, which we believe may be as a result of significant price hikes. Our channel checks suggest that overall market absorption may remain lower than 4Q2009 until the end of the monsoon season, **but steady nonetheless**.
- There is **end-user demand in Gurgaon, but investors and brokers account for a high proportion of sales in Noida and Greater Noida**.
- Channel checks with consultants suggest limited potential for new launches in Greater Noida given that prices in Noida (which is closer to and has better transportation links to Delhi) imply low margins for developers. Greater Noida has yet to see much real employment generation and as such most buyers appear to be investors.
- Office vacancy rates remain high** in Gurgaon, Noida/Greater Noida. Rents are down 40%-50% from the 2008 peak but have bottomed out e.g. DLF Cyber City at Rs55/sq ft/month now. No shortage of supply but consultants indicated that this has partly been sold to investors; some developers still have high market share and can control pricing. **While absorption is low, it is picking up** and the recovery is likely to be gradual rather than V-shaped. **Rents could move up** Rs10-Rs15/sq ft over the next 12-18 months.
- Unitech project site visits indicate progress with construction** activity. Anant Raj – fit outs in progress at Manesar IT park but tenants yet to move in; construction work underway in Kirti Nagar retail mall.

Source of opportunity

Our Buy rated stocks are Anant Raj (ANRA.BO), DLF (DLF.BO), Indiabulls RE (INRL.BO) and Unitech (UNTE.BO). We maintain Neutral on HDIL (HDIL.BO) and Sobha (SOBH.BO) and Sell on Parsvnath (PARV.BO).

RATINGS AND TARGET PRICES

Stock	Ticker	Rating	Current Price (Rs)	12-m TP (Rs)	Potential upside / (downside)
Anant Raj	ANRA.BO	Buy	133	185	39%
DLF	DLF.BO	Buy	309	463	50%
HDIL	HDIL.BO	Neutral	286	379	32%
Indiabulls	INRL.BO	Buy	153	269	76%
Parsvnath	PARV.BO	Sell	113	118	4%
Sobha	SOBH.BO	Neutral	274	250	-9%
Unitech	UNTE.BO	Buy	73	105	43%

Priced as on close of market on March 31, 2010. Note: (1) Our 12-m TPs are based on FY11E potential RNAV; (2) For risks to our views please refer prior research; (3) For important disclosures, please go to <http://www.gs.com/research/hedge.html>.

Source: Datastream, Goldman Sachs Research estimates.

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Unitech site visits in Noida and Greater Noida indicate progress

Exhibit 1: Six floors of shell built

Unitech Grande Noida site visit on March 27, 2010



Source: Goldman Sachs Research.

Exhibit 2: Foundation being laid on previous visit

Unitech Grande Noida site visit on October 01, 2009



Source: Goldman Sachs Research.

Exhibit 3: Piling/Structure work in progress

UniHomes Noida site visit on March 27, 2010



Source: Goldman Sachs Research.

Exhibit 4: Barren plot on previous visit

UniHomes Noida site visit on October 01, 2009



Source: Goldman Sachs Research.

Exhibit 5: UniHomes plot in Greater Noida

UniHomes Greater Noida site visit on March 27, 2010



Source: Goldman Sachs Research.

Exhibit 6: Not much progress since our prior visit

UniHomes Greater Noida site visit on October 01, 2009



Source: Goldman Sachs Research.

Exhibit 7: Shell complete, fit-outs underway
Habitat Greater Noida site visit on March 27, 2010



Source: Goldman Sachs Research.

Exhibit 8: Possession handed over for two towers
Horizon Greater Noida site visit on March 27, 2010



Source: Goldman Sachs Research.

Anant Raj – Manesar progress; some way to go in Kirti Nagar

Exhibit 9: Further progress with fit-outs
Anant Raj Manesar IT park site visit on March 28, 2010



Source: Goldman Sachs Research.

Exhibit 10: Fit-outs were ongoing in January
Anant Raj Manesar IT park site in January 2010



Source: Goldman Sachs Research.

Exhibit 11: Tenants yet to move in

Anant Raj Manesar IT park site visit on March 28, 2010



Source: Goldman Sachs Research.

Exhibit 13: Interior work in progress

Anant Raj Kirti Nagar Mall visit on March 28, 2010



Source: Goldman Sachs Research.

Exhibit 12: Kirti Nagar still has some way to go

Anant Raj Kirti Nagar Mall visit on March 28, 2010



Source: Goldman Sachs Research.

Exhibit 14: Interior work in progress

Anant Raj Kirti Nagar Mall visit on March 28, 2010



Source: Goldman Sachs Research.

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