

Realtors offer budget homes to stay in biz

■ Falling absorption rates in metros forcing developers to launch projects in the affordable segment

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New Delhi, July 6

HIGH interest rates on housing loans, lack of liquidity and sky-high rates of housing projects have managed to hit both absorption rates as well as supply of housing units in the residential real estate market of the four metros, forcing developers to launch projects in the affordable segment in anticipation of impending price correction.

Samir Jasuja, founder and CEO of PropEquity, said: "If the trend of falling absorption continues, there could be price correction in the range of 5-20%, especially in the micro-markets of Gurgaon, Mumbai and Hyderabad."

Echoing similar views, Ashutosh Limaye, head (research and REIS), Jones Lang LaSalle (JLL) India, said: "The Indian residential market has bounced back a bit from the tough times and recovery is becoming visible. We expect new launches in the price bracket of ₹2,000 per sq ft to ₹5,000 per sq ft."

Analysts say in anticipation of a price correction, around 50% of the new launches in the first quarter of 2012 were in the

Absorption in units						
City	Absorption: Affordable housing		Absorption: Middle-income housing		Absorption: Luxury housing	
	2011-Q1	2012-Q1	2011-Q1	2012-Q1	2011-Q1	2012-Q1
Chennai	379	261	1802	1462	422	273
Kolkata	233	249	565	362	273	251
Mumbai Metropolitan Region	874	1249	3695	698	1084	210
National Capital Region	658	250	9003	2144	1006	1267
Total	2,144	2,009	15,065	4,666	2,785	2,001

Supply in units						
City	Supply in affordable housing segment in		Supply in middle-income housing segment in		Supply in luxury housing segment in	
	2011-Q1	2012-Q1	2011-Q1	2012-Q1	2011-Q1	2012-Q1
Chennai	1,660	1,246	8,736	4,447	1,283	970
Kolkata	618	1,104	2,405	2,618	820	820
MMR	4,783	8,951	16,910	3,646	5,515	1,664
NCR	40,142	1,898	32,877	13,717	2,955	4,784
Total	47,203	13,199	60,928	24,428	10,573	8,238

* Source: PropEquity; industry estimates

whereas the affordable housing segment had only declined by 6% over last year comparable period. The absorption rate in housing units under the luxury segment declined by 40% and, therefore, the developers are only looking at limited launch in this segment, experts said.

quarter of this year over 2011. For example, in the Mumbai market, against an absorption rate of 3,700 units in 2011 period, this year, only around 700 units in the middle-income housing segments were sold. Even on the supply side, against the availability of 17,000 units

who ventured into affordable housing as an experiment to explore the depth of demand now have long term business plans in the segment."

JLL in a recent report on affordable housing also said that amongst the developers, Tata Housing (Shubh Griha) and VB-

Mumbai. Also, Housing Development and Infrastructure (HDIL) and Usha Breco Realty have experimented the format with their projects successfully in Palghar and Boisar.

Notable developers that have announced future developments targeting this segment

tion, pricing, lifestyle and overall development. The residential market has triggered the growth, more so in new areas like Greater Faridabad because of the development and affordable price," Jindal said.

For the luxury segment, the pace of launches continues to remain slow forcing developers to adopt a cautious approach. "As we are concentrating on timely execution of these project, we are not looking for new launches as of now. However, we may come up with a new project depending on the market conditions and sentiments of buyers," said Vineet Nanda, president (sales) for M3M India.

Real estate data analytics and research firm PropEquity has said in a recent report that the total absorption in the national capital region (NCR) has dropped to 8,676 units against 19,994 units during the first quarter of the calendar year 2012. The research also highlighted that the total residential supply in the said quarter was 20,399 units.

Liases Foras, another property research company, also said sales volumes remained robust (similar to previous quarter levels) with strong volumes across micro markets excluding Hyderabad.