

# Real Estate

## 3QFY25 Preview: Steady quarter; new launches to drive growth in 4Q



While the residential cycle remains on an upward trajectory, the moderation in new launches witnessed in 1HFY25 has continued in 3Q due to lingering approval challenges, especially in Bengaluru, inevitably leading to lower than expected pre-sales. Consequently, most of the key developers are way behind on their launch schedule as of 9MFY25. Hence, as the industry enters into the strongest quarter in terms of seasonality, and listed developers having less than 9 months inventory with a strong project pipeline, we expect healthy uptick in supply and absorption going forward. Key highlights from the coverage universe for 3QFY25 include: i) Macrotech will continue its steady performance and is on track to achieve its FY25 guidance, ii) Performance of DLF and Oberoi in 3QFY25 will be driven by successful launch of Dahlias and OGC (Thane) projects respectively and iii) Sobha can deliver marginal improvement in bookings on sequential basis driven by the launch of Sobha Ayana (Bengaluru) and the balance area in Neopolis but there is a likelihood of the company falling short of its annual guidance of INR 80bn-85bn bookings.

- Delay in launches impacting industry performance:** Moderation in new launches witnessed in 1HFY25 has continued in 3Q because of persistent approval challenges, especially in Bengaluru, inevitably leading to lower pre-sales. While most of the developers have outlined a strong project pipeline, only GPL, Lodha and DLF have been successful in bringing new supply, enabling them to outperform peers in terms of bookings. Going forward, commentary on new launches remains a key monitorable, especially from players having a strong pipeline in Bengaluru, as further delay could lead to companies falling short of their targeted pre-sales.
- Barring Sobha, coverage universe on track to achieve guidance:** With 48% of guidance achieved in 1HFY25 and a strong portfolio of ongoing/upcoming projects across its core markets, Lodha is well placed to achieve the pre-sales guidance of INR 175bn. Performance of DLF and Oberoi in 3QFY25 will be driven by successful launch of Dahlias and OGC (Thane) project respectively. While there can be a marginal improvement in bookings sequentially driven by the launch of Sobha Ayana (Bengaluru) and the balance area in Neopolis, Sobha will need significant catch-up in 4Q if it has to achieve the pre-sales of INR 80bn-85bn (which appears unlikely currently).
- 4QFY25 could witness record launches:** Most of the listed developers have less than 12 months of unsold inventory and 4Q being the seasonally strongest quarter coupled with the fact that key players are way behind on their launch schedule imply an action-packed quarter in terms of new supply. Macrotech can potentially launch over INR 70bn worth of inventory across South Central and Eastern suburbs along with the new project in Bengaluru. In line with the past trend, GPL can have a record 4Q given its substantially large pipeline. Sobha is targeting a large 3.5msf project launch in Bengaluru within the next fortnight. DLF also has two key upcoming projects (New phase of Privana, Gurugram and Mumbai) which may be launched in this quarter.
- Industry Trends:** As per Propequity, the supply across top 7 cities declined 26% YoY in 2QFY25 (adjusted for DDA units in Delhi) to 80k units resulting in 11% YoY decline in absorption of 110k units. On the registration front, Mumbai continued to witness positive traction with over 104k properties getting registered in 9MFY25, up 9% YoY. In CY24, registrations increased 11% YoY to 141k units, the highest in the last 13 years. Mumbai's premium housing segment saw significant traction, with properties priced at INR 20mn and above accounting for 23% of total registrations, up from 18% in Dec'23. Conversely, properties valued under INR 5mn experienced a decline in market share, dropping from 30% in CY23 to 25% in CY24.
- DLF is our preferred pick:** We remain constructive on the residential cycle backed by high absorption / low inventory and visible consolidation trends. DLF with its prominent brand equity, favourable home market dynamics and superior execution skills is best placed to benefit from the sector upcycle.

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## Charts

## Exhibit 1. Coverage universe to report flat bookings YoY

|                          | 1QFY24      | 2QFY24      | 3QFY24       | 4QFY24      | 1QFY25       | 2QFY25      | 3QFY25E      | YoY %      | QoQ %      | 9MFY24       | 9MFY25E      | YoY         |
|--------------------------|-------------|-------------|--------------|-------------|--------------|-------------|--------------|------------|------------|--------------|--------------|-------------|
| DLF                      | 20.4        | 22.3        | 90.5         | 14.6        | 64.0         | 6.9         | 70.0         | -23%       | 912%       | 127.4        | 141.0        | -10%        |
| Lodha                    | 33.5        | 35.3        | 34.1         | 42.3        | 40.3         | 42.9        | 41.0         | 20%        | -4%        | 111.7        | 124.2        | -10%        |
| Oberoi                   | 4.8         | 9.7         | 7.6          | 17.6        | 10.7         | 14.4        | 25.0         | 229%       | 73%        | 34.9         | 50.1         | -30%        |
| Sobha                    | 11.3        | 12.8        | 17.4         | 12.7        | 13.6         | 9.8         | 11.0         | -37%       | 12%        | 42.8         | 34.4         | 25%         |
| Keystone                 | 5.0         | 3.1         | 6.2          | 8.4         | 6.1          | 7.0         | 7.0          | 14%        | 0%         | 17.6         | 20.1         | -12%        |
| <b>Coverage universe</b> | <b>75.0</b> | <b>83.0</b> | <b>155.7</b> | <b>95.7</b> | <b>134.7</b> | <b>81.1</b> | <b>154.0</b> | <b>-1%</b> | <b>90%</b> | <b>334.5</b> | <b>369.8</b> | <b>-10%</b> |

Source: Company, JM Financial

## Exhibit 2. Comments on launches/sales

| Company  | Remarks on 3QFY25 performance   |
|----------|---|
| DLF      | Expect sharp uptick in bookings on QoQ basis driven by the launch of ultra-luxury project Dahlias which has garnered healthy response with bookings of over 75 units. Inventory of INR 25bn across ongoing projects will also support the performance in 3Q   |
| Lodha    | Company can sustain its INR 40b bookings run-rate in 3Q on the back of a new project launch in Pune, new tower launch at 2-3 existing projects in Mumbai and an overall strong portfolio of ongoing projects. Response to premium offerings in Palava remains healthy and with total launches of INR 100bn in 2HFY25 company remains on track to achieve the guidance of INR 174bn bookings |
| Oberoi   | New launch in Thane will be the biggest contributor to pre-sales. Sustenance sales at Gurugram, Borvali and Mulund remains key monitorable  |
| Sobha    | While there can be marginal improvement in bookings sequentially driven by the launch of Sobha Ayana (Bengaluru) and the balance area in Neopolis, Sobha will need significant catch up in 4Q if it were to achieve the pre-sales of INR 80-85b. Expect it to report INR 11bn of bookings in 3QFY25, up 12% QoQ.  |
| Keystone | Expect 14% YoY growth in bookings aided by new launches in Western suburbs and Matunga  |
| Godrej   | 3QFY25 will be yet another strong quarter for GPL as it has successfully new projects in NCR, Pune and Kolkata along with new phases in Wadala and Kandiwali in MMR. Having achieved ~50% of targeted bookings in 1HFY25, company can exceed the guidance given the strong project pipeline   |
| Sunteck  | Sustenance sales across ongoing projects in Oshiwara, Naigaon, Vasai, Mira road and Kalyan to drive sales   |

Source: Company, JM Financial

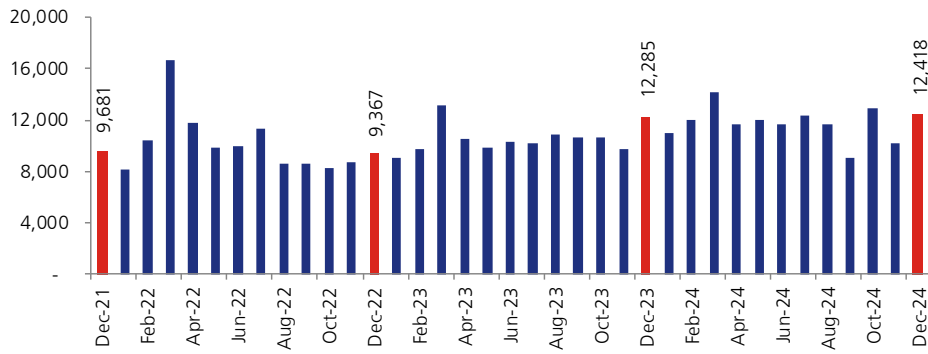
## Exhibit 3. Annuity portfolio

| Annuity Portfolios (INR mn) | 3QFY24 | 2QFY25 | 3QFY25E | YoY  | QoQ  |
|-----------------------------|--------|--------|---------|------|------|
| <b>Phoenix Mills</b>        |        |        |         |      |      |
| Revenue                     | 9,861  | 9,180  | 10,868  | 10%  | 18%  |
| EBITDA                      | 5,518  | 5,177  | 6,271   | 14%  | 21%  |
| PAT                         | 2,794  | 2,181  | 2,785   | 0%   | 28%  |
| <b>EOP REIT</b>             |        |        |         |      |      |
| Revenue                     | 9,364  | 9,973  | 10,842  | 16%  | 9%   |
| EBITDA                      | 7,612  | 8,064  | 8,473   | 11%  | 5%   |
| PAT                         | 2,299  | 15,304 | 2,603   | 13%  | -83% |
| <b>Mindspace REIT</b>       |        |        |         |      |      |
| Revenue                     | 6,001  | 6,379  | 6,665   | 11%  | 4%   |
| EBITDA                      | 4,529  | 4,860  | 4,974   | 10%  | 2%   |
| PAT                         | 1,468  | 1,350  | 1,853   | 26%  | 37%  |
| <b>Brookfield REIT</b>      |        |        |         |      |      |
| Revenue                     | 5,308  | 5,902  | 6,159   | 16%  | 4%   |
| EBITDA                      | 3,770  | 4,236  | 4,370   | 16%  | 3%   |
| PAT                         | 166    | 312    | 733     | 342% | 135% |

Source: Company, JM Financial

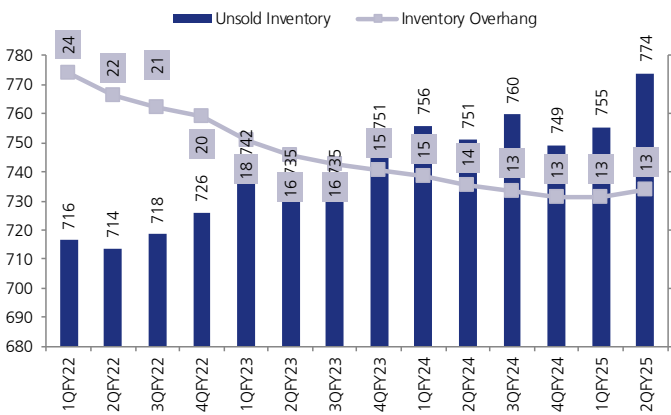
Exhibit 4. Mumbai property registration grows 1% YoY in Dec'24

Mumbai monthly registration data (units)



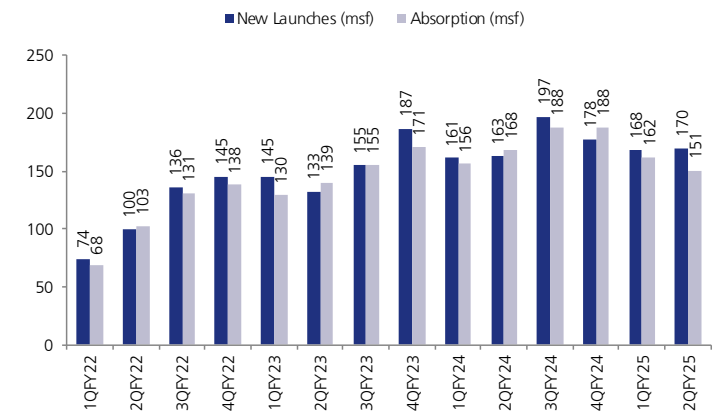
Source: IGR, JM Financial

Exhibit 5. Tier 1 cities unsold inventory and inventory overhang



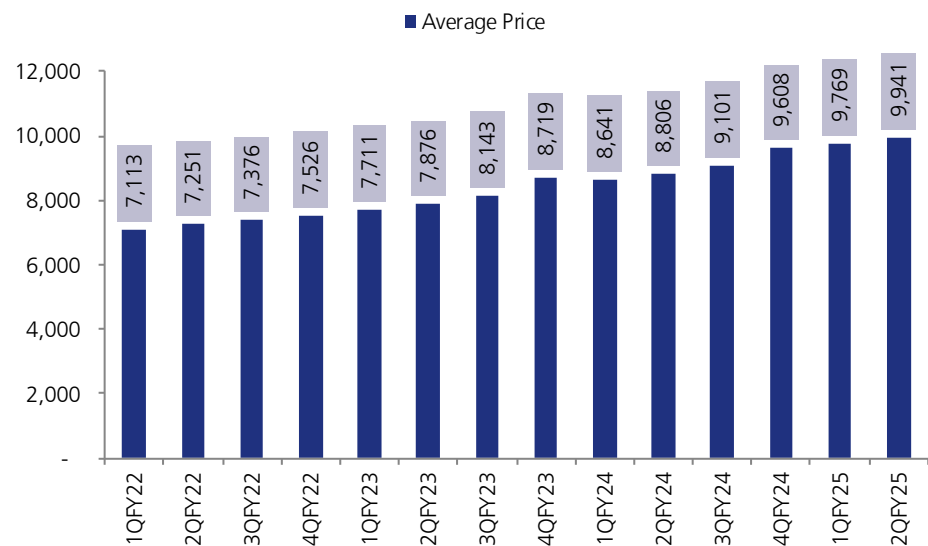
Source: PropEquity, JM Financial

Exhibit 6. Tier 1 cities new launches and absorption



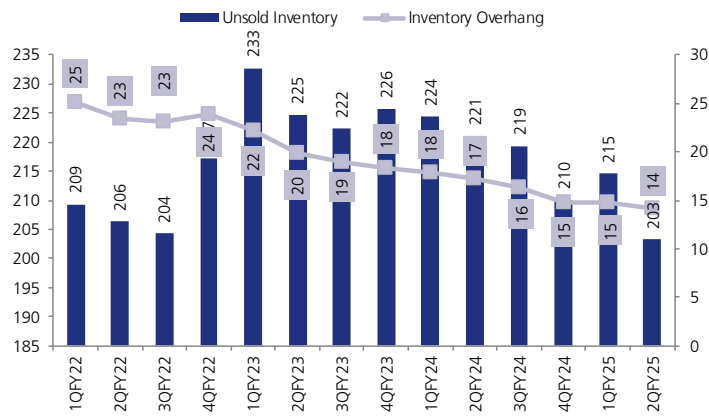
Source: PropEquity, JM Financial

Exhibit 7. Tier 1 cities average price psf



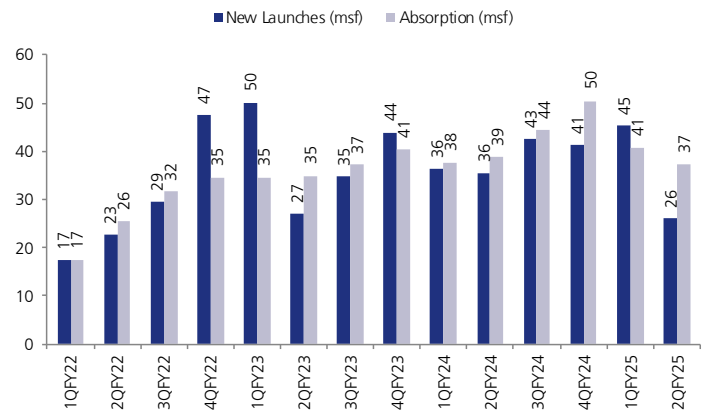
Source: PropEquity, JM Financial

Exhibit 8. MMR inventory now down to 14 months...



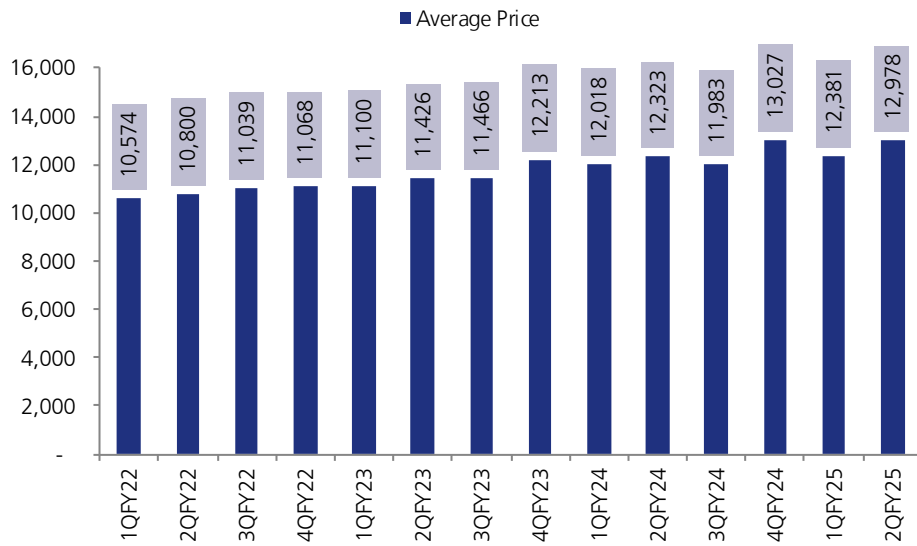
Source: PropEquity, JM Financial

Exhibit 9. ...as supply continued to lag demand



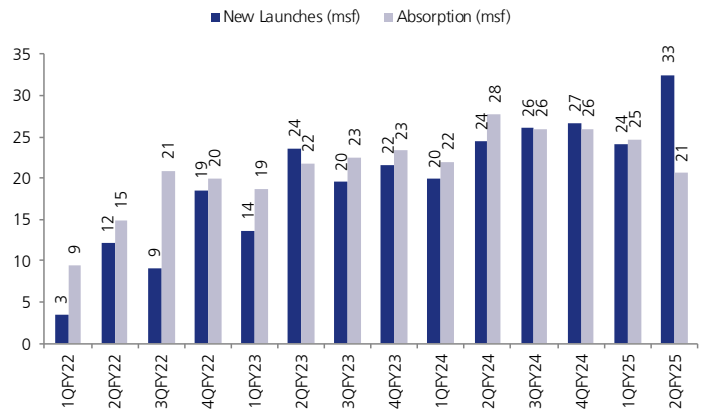
Source: PropEquity, JM Financial

Exhibit 10. In 2QFY25, MMR witnessed 5% YoY growth in pricing



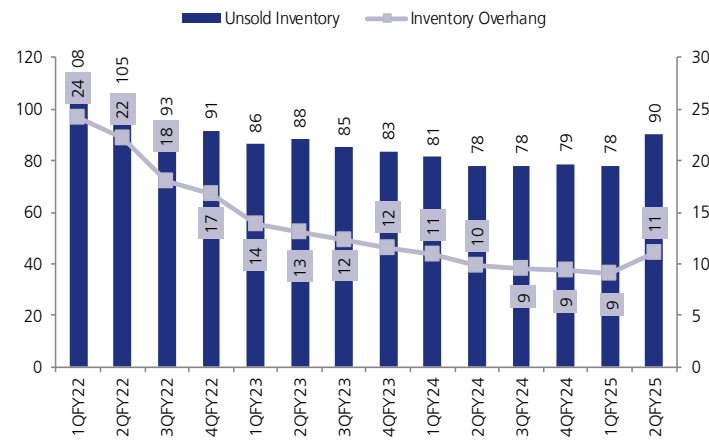
Source: PropEquity, JM Financial

Exhibit 11. With approval-related issues getting resolved, Bengaluru is witnessing rise in supply



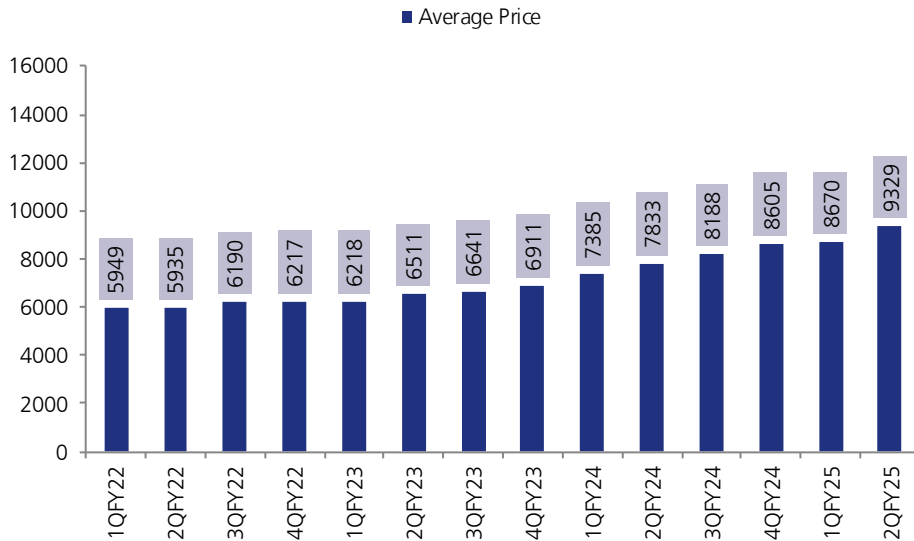
Source: PropEquity, JM Financial

Exhibit 12. Bengaluru inventory at healthy levels of 12 months



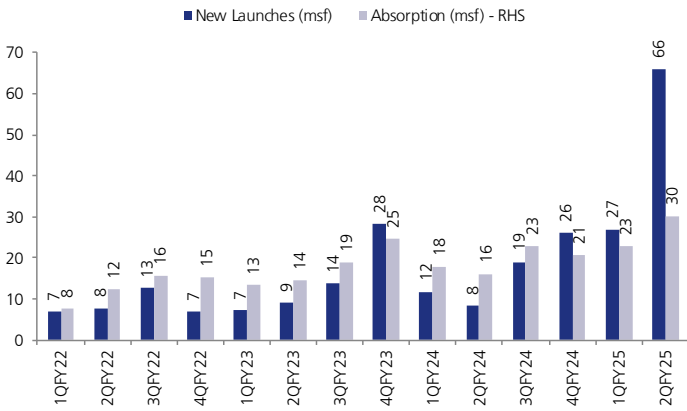
Source: PropEquity, JM Financial

Exhibit 13. Bengaluru – Realisation grew by 19% YoY



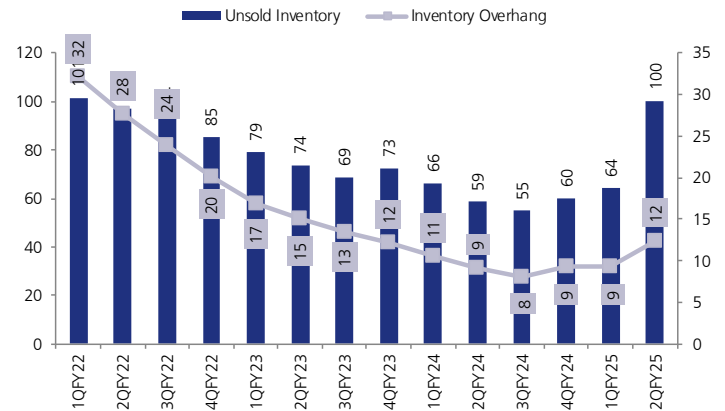
Source: PropEquity, JM Financial

Exhibit 14. Supply was largely driven by DDA scheme units in Delhi...



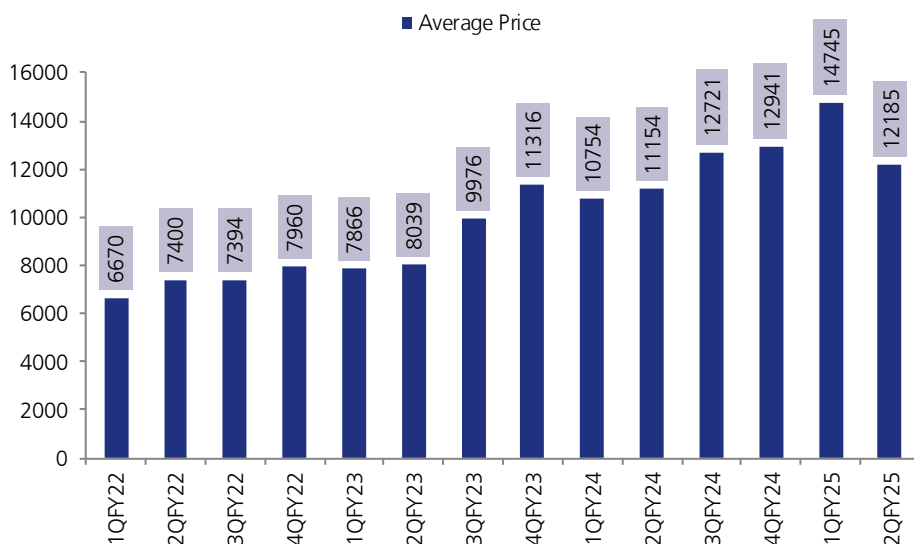
Source: PropEquity, JM Financial

Exhibit 15. ...leading to rise in inventory



Source: PropEquity, JM Financial

Exhibit 16. NCR – Realisation was up 9% YoY



Source: PropEquity, JM Financial

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\* REITs refers to Real Estate Investment Trusts.

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