

# Real Estate



## Residential: Encouraging signs for a strong ending to FY24

Demand was robust in India's residential real estate sector in 2QFY24, and that was seen in the rise in booking values to INR 251bn (+55% YoY; +45% QoQ; for a sample of 13 listed companies). In fact, the positive momentum persisted throughout 1HFY24 (36% YoY growth in booking values to INR 424bn). Property registrations were resilient in Mumbai in Nov'23 and hit a monthly decadal high (since Nov'12), propelled by redevelopment projects. In the broader market context, the top 7 cities surpassed CY22 absorption levels in 10MCY23, driven by MMR, Pune, and Hyderabad. The supply situation also continues to be extremely favourable with steadily declining and decadal-low unsold inventory (674msf across top 7 cities: Source: Propequity). Our overall outlook remains constructive for the residential segment, buoyed by a combination of supply side consolidation, sustained demand, and potential price hikes, suggesting a multi-year housing cycle. We believe listed developers will report a strong 2HFY24 based on their launch pipelines and continued strength in the residential segment.

- Robust demand landscape; leverage not a concern:** In 2QFY24, booking values across a sample of 13 listed companies came in strong at c. INR 251bn (+55% YoY; +45% QoQ; Exhibit 1) largely led by new launches. Furthermore, in 1HFY24, these companies reported 36% YoY growth in booking values (INR 424bn). Given the rapid increase in sales momentum, minimum leverage (lower than 1x net debt to equity; Exhibit 2&3), robust outlook for cash flow, and a proactive business development pipeline, we remain confident that demand for residential real estate will persist. Net debt is also currently under control; however, it is crucial to monitor interest rates as it has the potential to negatively affect demand.
- Mumbai property registrations resilient; redevelopment projects to sustain the momentum:** In Nov'23, despite fewer working days due to the festive season, Mumbai recorded healthy property registrations of 10,902 (+11% YoY; down 8% MoM) and, as a result, achieved revenue of INR 7.1bn (+6% YoY; down 15% MoM), a monthly decadal high (since Nov'12). Residential registrations account for approximately 80% of the total property registrations with the INR 10mn+ ticket size segment contributing 57% ([Link](#)). There has been an uptick in the contribution from this ticket size, as in Jan-Nov'20 the segment accounted for only 51% of total property registrations. Since the Maharashtra government issued discounts on premiums paid by real estate developers for various permissions, there has been a surge in redevelopment projects, leading to an increase in property registrations (Exhibit 10).
- Top 7 cities surpass CY22 performance in 10MCY23:** CY22 was an exceptional year, with 568msf of absorption (CY16-21 average: 343msf; a decadal high). However, on the back of strong demand, absorption in 10MCY23 (576msf) has already surpassed CY22 levels. This has been driven by cities like MMR (137msf), Pune (107msf) and Hyderabad (137msf). Moreover, launches continued to slightly lag absorption (534msf launched in 10MCY23) resulting in inventory reduction and possible price hikes going forward. Unsold inventory declined to 674msf as of 10MCY23 (716msf as in CY22) led by MMR, NCR and Bengaluru.
- FY24 to end on a strong note:** We remain constructive on the residential segment, as the combination of i) supply side consolidation, ii) sustained demand and iii) calibrated price hikes will lead to a multi-year housing cycle. Listed developers are likely to report a strong 2HFY24 based on their launch pipelines and on the back of continued strength in the residential segment. Interest rates remain a key monitorable as we are probably at the peak of the interest rate cycle, and this could potentially impact demand.

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## Exhibit 1. Booking values grew by 36% YoY in 1HFY24

Booking Values (INR bn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY	QoQ	1HFY22	1HFY23	1HFY24	YoY
Godrej	25.2	24.1	32.5	40.5	22.5	50.3	109%	123%	30.7	49.3	72.9	48%
Lodha	28.6	31.5	30.3	30.3	33.5	35.3	12%	5%	29.6	60.0	68.8	15%
DLF	20.4	20.5	25.5	84.6	20.4	22.3	9%	9%	25.3	40.9	42.7	4%
Prestige	30.1	35.1	25.2	38.9	39.1	70.9	102%	81%	28.5	65.2	110.1	69%
Sobha	9.5	9.6	11.1	12.1	11.3	12.8	33%	13%	14.3	19.1	24.1	26%
Oberoi	7.6	11.6	6.3	6.7	4.8	9.7	-16%	103%	10.0	19.2	14.4	-25%
Mahindra Lifespaces	6.0	4.0	4.5	3.6	3.5	4.6	14%	32%	4.5	10.0	8.0	-20%
Phoenix Mills	0.3	0.6	1.7	3.0	1.3	3.2	457%	152%	1.0	0.9	4.5	415%
Brigade	8.1	7.9	10.1	14.9	10.0	12.5	57%	25%	13.1	16.1	22.5	40%
Puravankara	5.1	7.9	8.0	10.1	11.3	16.0	102%	42%	9.1	13.0	27.3	109%
Kolte Patil	4.5	3.7	7.2	7.0	7.0	6.3	72%	-10%	6.8	8.1	13.3	64%
Ashiana	1.4	2.2	4.7	4.2	4.3	3.2	42%	-26%	1.9	3.6	7.5	105%
Sunteck	3.3	3.4	4.0	5.4	3.9	4.0	17%	2%	4.5	6.7	7.8	17%
<b>Total</b>	<b>150.2</b>	<b>162.1</b>	<b>171.1</b>	<b>261.2</b>	<b>172.8</b>	<b>251.0</b>	<b>55%</b>	<b>45%</b>	<b>179.1</b>	<b>312.3</b>	<b>423.7</b>	<b>36%</b>

Source: Company, JM Financial

## Exhibit 2. Leverage under control

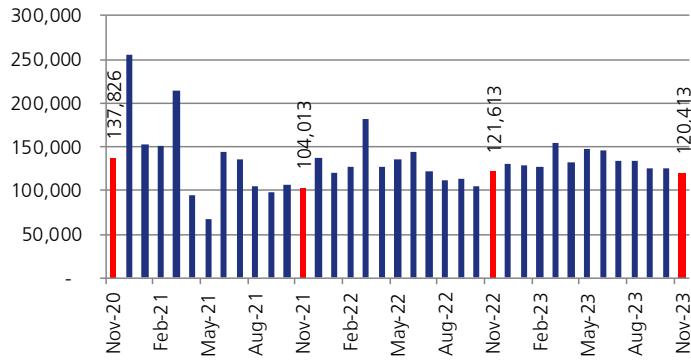
Net debt (INR bn)	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Godrej	-2.4	0.2	3.1	4.6	9.6	13.7	25.9	36.5	53.0	61.7
Lodha	124.4	124.8	99.0	93.1	88.6	88.0	80.4	70.7	72.6	67.3
<b>DLF</b>	<b>238.2</b>	<b>236.3</b>	<b>224.8</b>	<b>217.4</b>	<b>210.6</b>	<b>214.0</b>	<b>204.9</b>	<b>194.9</b>	<b>183.8</b>	<b>178.9</b>
Devco	47.5	39.9	32.2	26.8	22.6	21.4	20.9	7.2	0.6	-1.4
DCCDL	190.7	196.4	192.6	190.6	188.0	192.6	183.9	187.7	183.3	180.3
Prestige	21.7	30.9	41.7	33.6	39.2	40.5	41.7	55.7	64.8	69.6
Sobha	28.2	27.8	26.5	23.4	21.1	18.9	17.7	16.4	15.7	14.4
Oberoi	18.4	17.6	17.2	16.7	15.1	19.9	24.6	30.5	27.2	23.1
Mahindra Lifespaces	1.5	0.4	-0.9	-1.5	0.0	-0.3	0.9	-0.3	-0.4	-0.1
Phoenix Mills (Group level)	43.6	43.0	43.1	43.8	41.9	42.6	39.5	40.4	21.8	21.0
Brigade	30.5	29.6	27.9	25.4	24.1	22.3	19.9	21.4	20.1	25.3
Puravankara	18.5	18.6	18.6	18.5	18.9	21.4	21.4	22.1	21.2	19.9
Kolte Patil	2.8	2.1	1.7	1.3	1.4	2.5	1.9	1.1	0.2	0.5
Ashiana	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sunteck	4.7	5.0	NA	5.4	5.0	4.1	3.8	2.8	2.6	2.6
<b>Total</b>	<b>529.9</b>	<b>536.2</b>	<b>502.7</b>	<b>481.7</b>	<b>475.4</b>	<b>487.5</b>	<b>482.6</b>	<b>492.2</b>	<b>482.7</b>	<b>484.2</b>

Source: Company, JM Financial

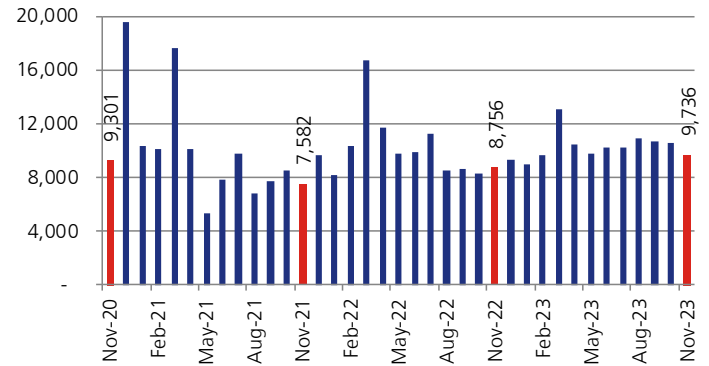
## Exhibit 3. Healthy net debt / equity ratio

Net D / E	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Godrej	0.0	0.0	0.0	0.1	0.1	0.2	0.3	0.4	0.6	0.7
Lodha	1.7	1.6	0.9	0.8	0.7	0.8	0.7	0.6	0.6	0.5
DLF	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5
Prestige	0.3	0.4	0.6	0.4	0.4	0.4	0.4	0.5	0.6	0.6
Sobha	1.2	1.2	1.1	1.0	0.9	0.8	0.7	0.7	0.6	0.6
Oberoi	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.2	0.2
Mahindra Lifespaces	0.1	0.0	-0.1	-0.1	0.0	0.0	0.1	0.0	0.0	0.0
Phoenix Mills (Group level)	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.3	0.2
Brigade	0.9	0.8	0.8	0.7	0.7	0.6	0.5	0.6	0.5	0.6
Puravankara	0.9	0.9	0.9	0.9	0.9	1.1	1.1	1.1	1.1	1.0
Kolte Patil	0.3	0.2	0.2	0.1	0.1	0.3	0.2	0.1	0.0	0.0
Ashiana	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Sunteck	0.2	0.2	NA	0.2	0.2	0.1	0.1	0.1	0.1	0.1

Source: Company, JM Financial

**Exhibit 4. Healthy registration numbers in Nov'23...****Maharashtra monthly registration data (units)**

Source: IGR, JM Financial

**Exhibit 5. ...despite it being a festival-packed month****Mumbai monthly registration data (units)**

Source: IGR, JM Financial

**Exhibit 6. Absorption in 10MCY23 has already surpassed CY22**

Absorption (msf)	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23*
MMR	82	79	76	84	81	76	88	92	87	107	142	137
NCR	96	78	50	54	50	36	49	47	33	47	63	68
Bangalore	75	85	87	75	62	52	61	64	49	63	85	86
Pune	56	52	51	55	49	48	60	73	64	83	109	107
Chennai	35	30	24	20	19	15	20	20	16	20	22	23
Hyderabad	35	36	32	36	41	42	52	56	53	85	127	137
Kolkata	19	18	15	19	18	13	16	19	13	16	19	19
<b>Total Absorption</b>	<b>398</b>	<b>377</b>	<b>336</b>	<b>343</b>	<b>321</b>	<b>282</b>	<b>347</b>	<b>370</b>	<b>315</b>	<b>420</b>	<b>568</b>	<b>576</b>

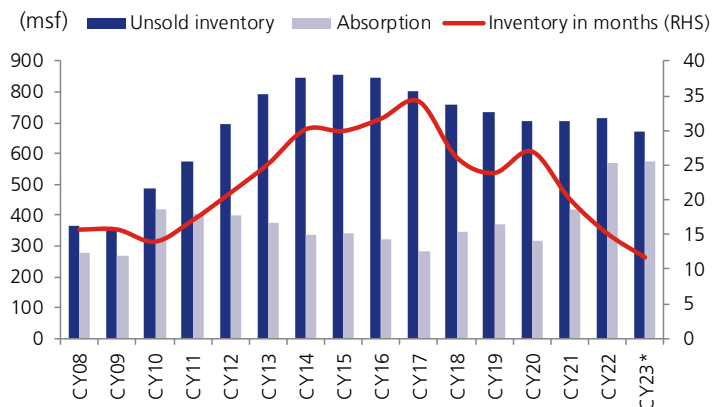
Source: Company, JM Financial  
Note: \*represents 10MCY23**Exhibit 7. Inventory at decadal-low levels**

Unsold Inventory (msf)	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23*
MMR	176	204	220	238	243	254	238	228	209	197	209	192
NCR	180	188	192	181	166	151	134	124	105	95	74	58
Bangalore	118	155	169	165	155	132	131	120	117	93	84	68
Pune	81	94	110	118	123	119	109	106	102	104	99	92
Chennai	52	48	50	47	48	42	38	34	33	28	26	24
Hyderabad	58	66	63	64	69	65	64	86	106	158	197	215
Kolkata	31	36	42	44	43	43	42	39	34	31	28	24
<b>Total Unsold Inventory</b>	<b>696</b>	<b>792</b>	<b>846</b>	<b>856</b>	<b>848</b>	<b>805</b>	<b>757</b>	<b>737</b>	<b>707</b>	<b>706</b>	<b>716</b>	<b>674</b>

Source: Company, JM Financial  
Note: \*represents 10MCY23

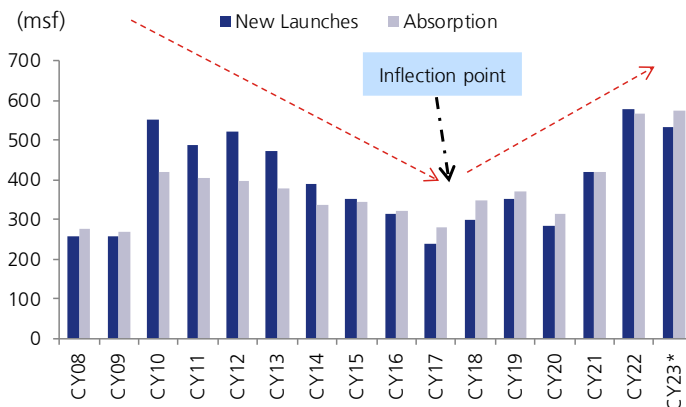
## Top 7 cities

**Exhibit 8. Inventory in months continues to fall**



Source: Propequity, JM Financial  
\*represents 10MCY23

**Exhibit 9. Absorption higher than new launches**



Source: Propequity, JM Financial  
\*represents 10MCY23

**Exhibit 10. Recent announcements of redevelopment projects**

Company	Region	Size	Revenue potential (INR bn)	Source
Puravankara (2 projects)	Andheri	0.58msf of carpet area	15.0	<a href="#">(Link)</a>
Ajmera Realty	Borivali	0.11msf of carpet area	3.3	<a href="#">(Link)</a>
Raymond Ltd	Mahim	NA	17.0	<a href="#">(Link)</a>
Chandak Realtors Pvt Ltd	Andheri	NA	1.6	<a href="#">(Link)</a>
Kolte-Patil	Goregaon	0.48msf of saleable area	9.5	<a href="#">(Link)</a>
Mahindra Lifespaces	Malad	NA	8.5	<a href="#">(Link)</a>

Source: Company, JM Financial

## APPENDIX I

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