

Real Estate

Outlook 2024



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India's Real Estate sector continues to move from strength to strength, and we believe the sector will continue its upward march in CY24 as well. The residential segment remains buoyant (21% YoY growth), with absorption levels at a decadal high across the top 7 cities (687msf in CY23E; JMFe and Propequity). There has been a shift towards premiumisation, as growth was led by accelerating demand in the mid and premium segments (INR 10mn+). The demand-supply scenario is healthy directionally and we expect CY24 pre-sales to grow at 14-15% YoY, keeping inventory levels in check. The commercial segment has witnessed a mixed CY23 with healthy absorption levels (39.7msf) offset by expiries led by the IT/leS sector and elevated levels of completions (46.0msf). However, we believe there are signs for a strong recovery starting H2CY24 led by demand from GCCs and increasing work-from-office trends. The retail segment is also likely to do well in CY24 due to limited Grade-A supply. In summary, buoyed by the robust performance across segments, and underpinned by strong market fundamentals, India's Real Estate sector is poised for a promising CY24.

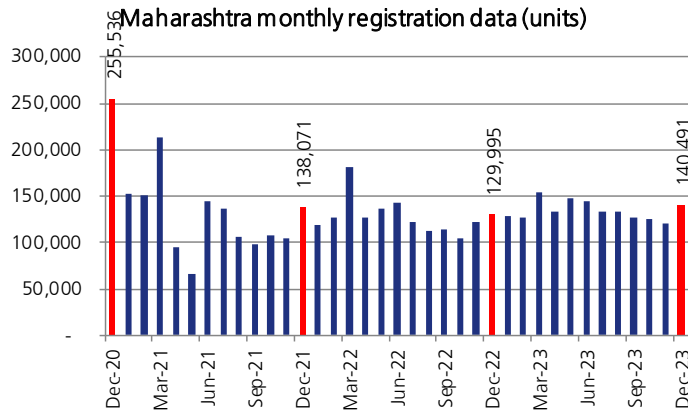
- Residential segment to finish CY23 on a strong note; demand remains undeterred:** Our analysis of data from Propequity and Anarock indicates that the residential demand has been resilient, with pre-sales recording new decadal highs. We estimate absorption to come in at 687msf (+21% YoY) in CY23, largely led by Hyderabad (167msf; +31% YoY), NCR (80msf; +27% YoY) and Bengaluru (102msf; +20%YoY). Mumbai property registrations rose by 4% YoY to 126,965 units in CY23 (Source: IGR). Data from Anarock indicates a similar trend with new bookings at 476,530 units, implying a 31% YoY growth. As indicated in our previous report ([Link](#)), the mid and premium categories continued to outperform the affordable segment in sales growth across all 7 cities.
- New launches to drive pre-sales for the listed (Tier 1) developers:** The industry continues to consolidate with market sales volumes steadily shifting towards the organised segment. The launch momentum has sustained in 3QFY24 and is expected to continue in FY24E as well. DLF has launched its new luxury project 'DLF Privana South' in Sectors 76 & 77, Gurugram, and has achieved sales of c. INR 72bn ([Link](#)). Some of the other launches that saw a good response from buyers were i) Godrej Aristocrat in Gurugram (pre-sales = INR 26bn) ([Link](#)), ii) Lodha Mirabelle, first project of Macrotech Developers in Bengaluru (located near Manyata Tech Park), iii) Oberoi Realty's entry into Thane with the launch of Forest Ville (located in Kolshet) and iv) The Prestige City Hyderabad (12.61msf launched in 3QFY24). Cumulatively, ~725 acres of land has been acquired in the Jan-Nov'23 period for future residential developments, which will in turn, help to maintain a robust launch pipeline (Source: JLL).
- Steady demand for Grade-A retail spaces:** We expect Phoenix Mills to do well as trading occupancies ramp up at the new malls – Phoenix Mall of Asia and Phoenix Mall of the Millennium. However, on a same-store basis, we expect Nexus REIT to perform better than Phoenix. Looking forward into FY25E, consumption growth should continue albeit at a slower pace, due to base effect of FY24E. The retail market is expected to take-up area of ~18.3msf in the CY24E-26E period, indicating a strong demand trajectory for retail spaces (Source: JLL). We like both Phoenix Mills and Nexus REIT in this segment.
- Broad-based recovery on the cards for commercial segment:** As per the latest data on the commercial office sector by property consultant Cushman and Wakefield, i) Overall vacancies were flat at 18.0% in 3QFY24 (17.9% in 2QFY24), and ii) Quoted rents in 3QFY24 grew at c. 4% YoY across Grade-A properties. Across the top 7 cities, net absorption in CY23 was recorded at 39.7msf (+13% YoY) led by Bengaluru (30% share), Hyderabad (19%) and Pune (14%). Leasing activity is expected to get a further leg-up in the next 6-9 months on account of i) clarity on SEZ area (partial denotification), ii) increasing work-from-office trends, and iii) India remaining the most favoured offshoring destination. In our coverage universe, Mindspace REIT and Brookfield REIT both look attractive from a 'total returns' perspective.

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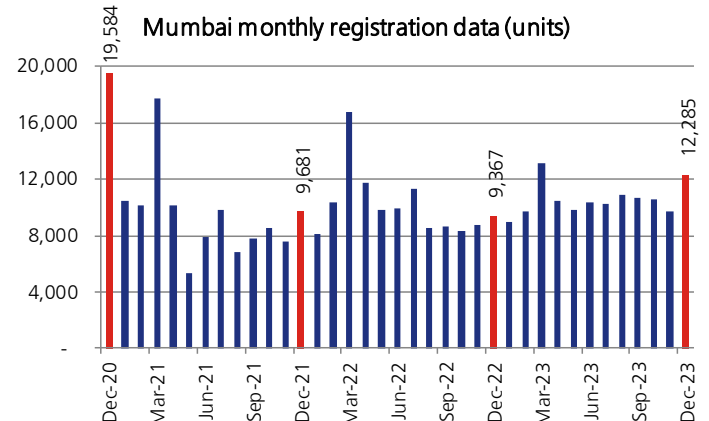
Residential charts

Exhibit 1. Maharashtra property registration data



Source: IGR, JM Financial

Exhibit 2. Mumbai property registration data



Source: IGR, JM Financial

Exhibit 3. Absorption level at decadal high

Absorption (msf)	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23E
MMR	82	78	76	84	81	76	88	92	87	107	143	161
NCR	96	78	50	53	50	36	49	46	32	47	63	80
Bangalore	75	85	87	75	63	52	61	63	49	63	85	102
Pune	56	52	51	55	49	48	61	73	64	83	110	127
Chennai	35	30	24	20	19	15	20	20	16	20	22	27
Hyderabad	35	36	32	36	41	42	52	56	53	85	128	167
Kolkata	19	18	15	19	18	13	16	19	13	16	19	23
Total absorption	398	378	336	343	321	282	347	370	315	421	570	687

Source: PropEquity, JM Financial

Note: CY23E is based on JMFe calculations

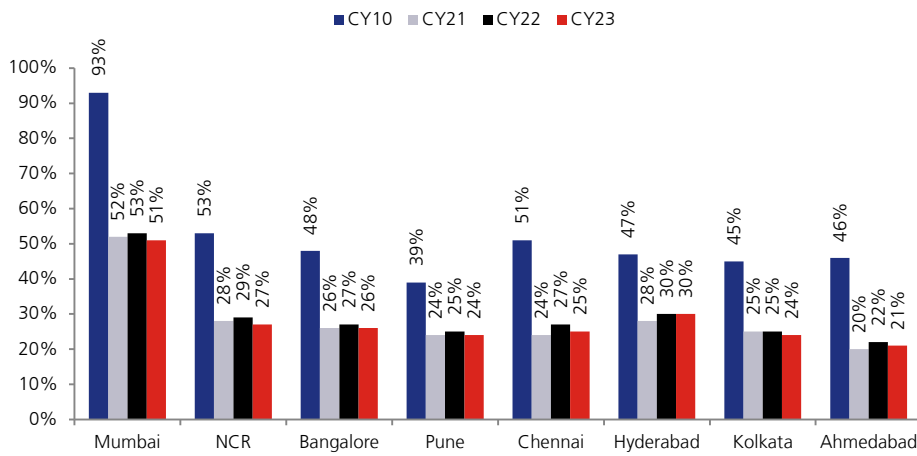
Exhibit 4. Inventory level at decadal low

Unsold inventory (msf)	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23*
MMR	176	204	220	238	243	253	237	228	210	198	210	193
NCR	180	188	193	181	166	151	132	124	105	96	75	56
Bangalore	118	155	169	165	155	132	131	120	117	93	84	69
Pune	82	95	110	118	124	119	110	107	103	106	101	93
Chennai	53	48	50	47	47	41	38	34	33	28	26	25
Hyderabad	58	66	63	64	69	65	65	86	107	159	196	227
Kolkata	31	36	42	44	43	43	42	39	34	31	28	26
Total unsold inventory	697	793	847	857	848	804	756	738	709	710	720	688

Source: PropEquity, JM Financial

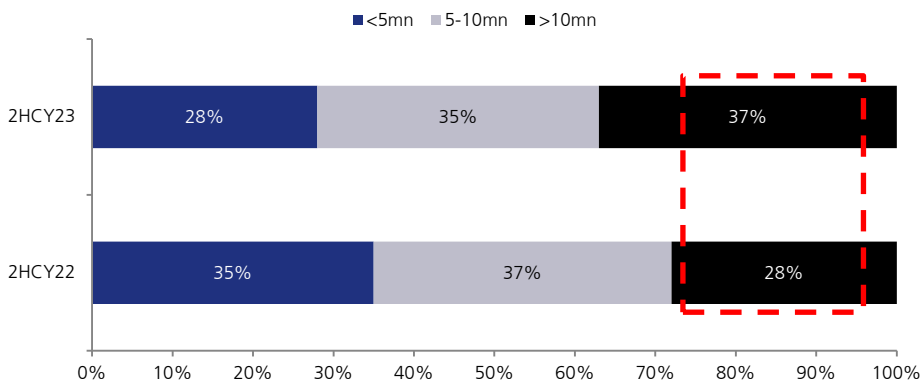
Note: CY23* represents 11MCY23

Exhibit 5. Affordability index (Equated monthly income/income)



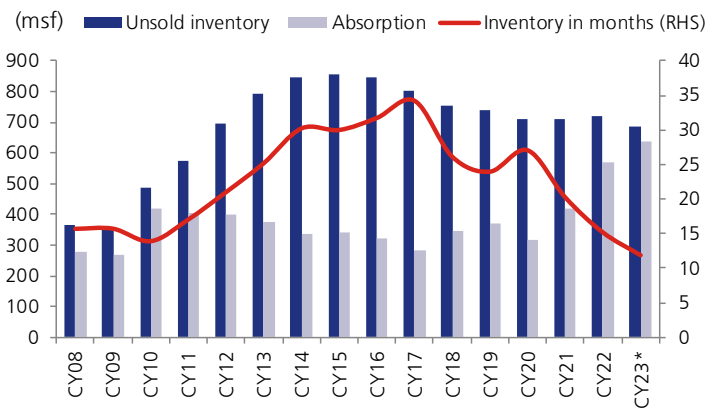
Source: MOSPI, Knight Frank Research, JM Financial

Exhibit 6. Ticket size split comparison of sales during 2HCY22 and 2HCY23



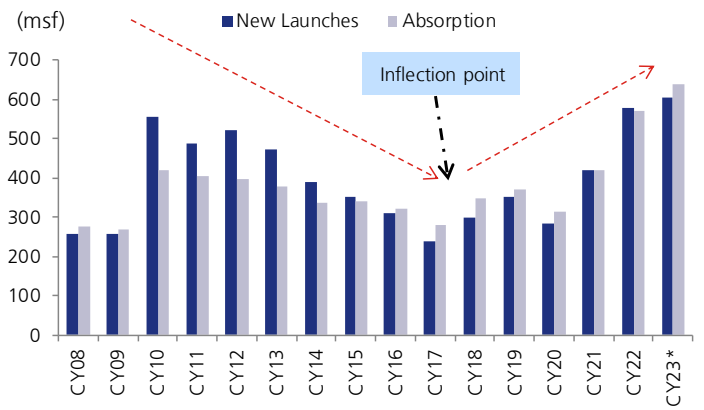
Source: Knight Frank Research, JM Financial

Exhibit 7. Top 7 cities; decadal high absorption levels



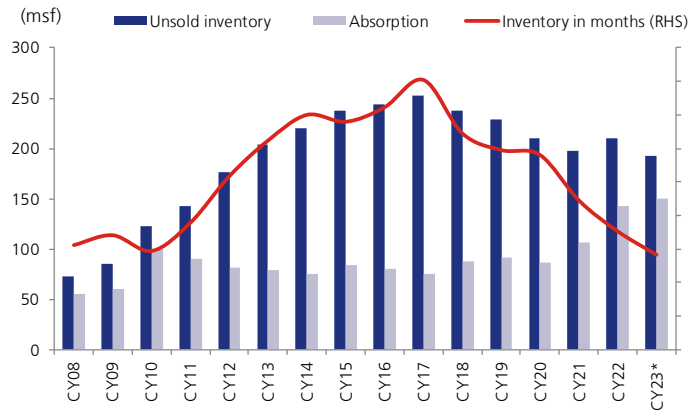
Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Exhibit 8. Top 7 cities; absorption greater than new launches



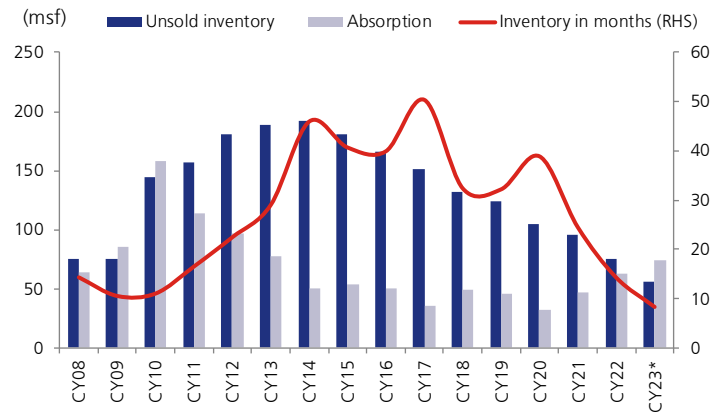
Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Exhibit 9. MMR; absorption at 10 year high levels



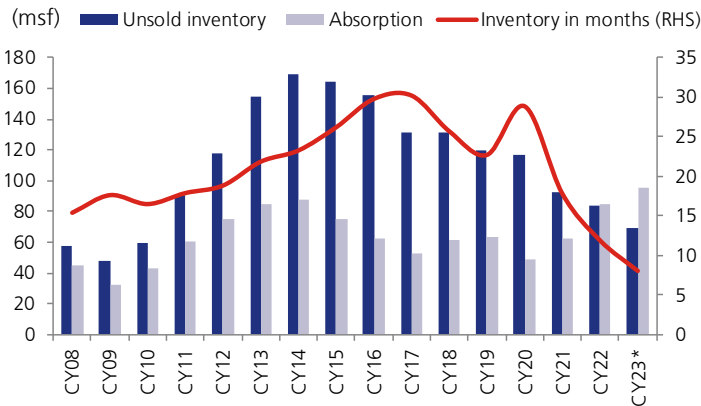
Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Exhibit 10. NCR; absorption in 11MCY23 greater than unsold inventory



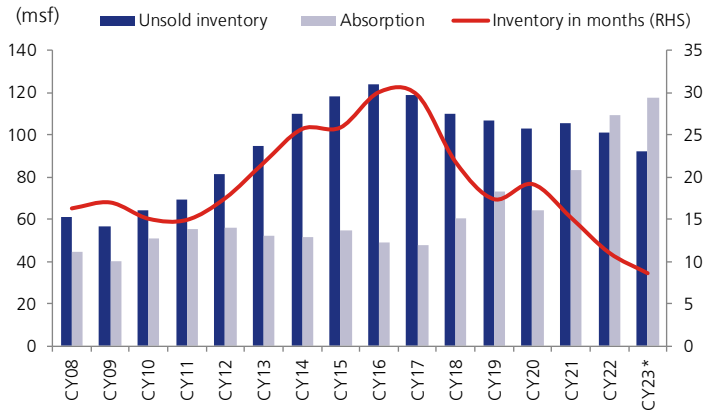
Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Exhibit 11. Bengaluru; inventory in months declining sharply



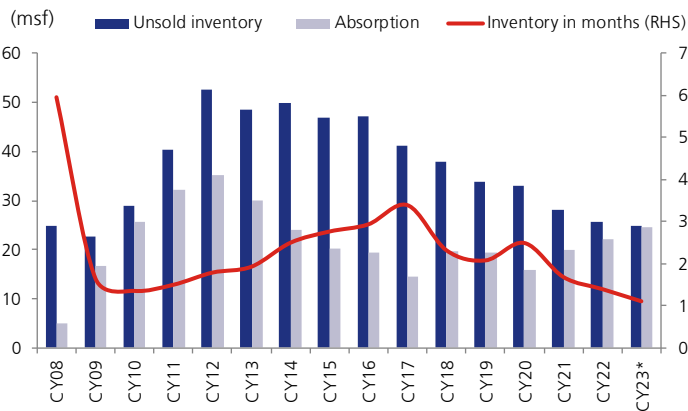
Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Exhibit 12. Pune; absorption levels have doubled in the last 5 years



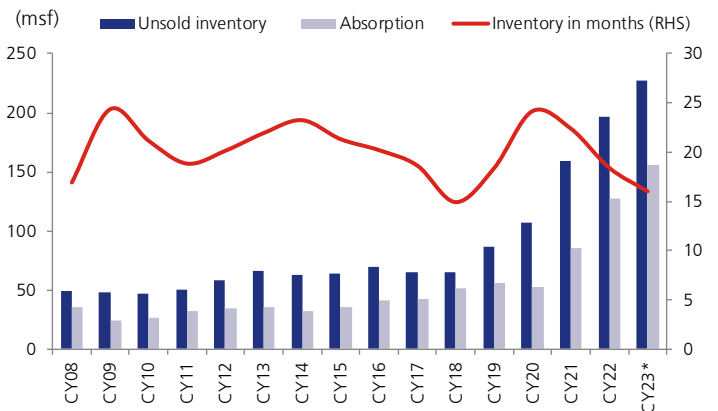
Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Exhibit 13. Chennai; steady absorption levels

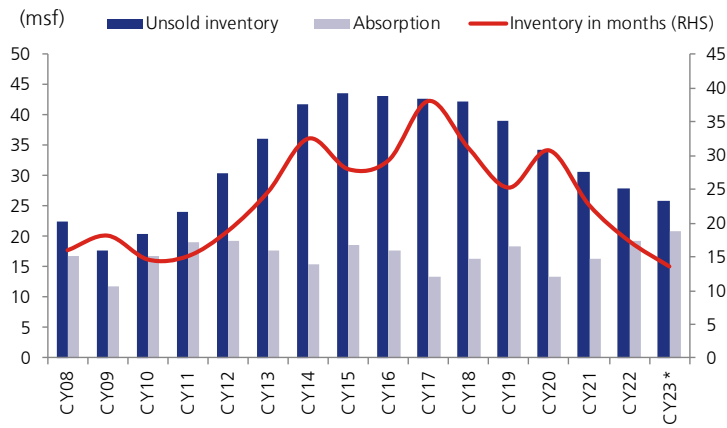


Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Exhibit 14. Hyderabad; significant inventory addition in 11MCY23



Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Exhibit 15. Kolkata; absorption levels gradually rising

Source: PropEquity, JM Financial
Note: CY23* represents 11MCY23

Commercial charts**Exhibit 16. Vacancy levels in top 7 cities**

Vacancy (%)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY (bps)
Bangalore	8.1%	9.0%	9.3%	8.9%	9.0%	9.6%	8.2%	8.0%	9.5%	9.5%	10.8%	11.4%	11.2%	170bps
Hyderabad	8.4%	13.0%	14.0%	13.3%	15.1%	17.3%	19.5%	21.8%	21.1%	20.7%	23.8%	23.8%	24.6%	355bps
Pune	7.2%	6.7%	6.5%	6.9%	8.5%	10.7%	12.5%	11.7%	11.6%	10.7%	9.7%	10.5%	10.8%	-78bps
Mumbai	20.9%	21.1%	22.1%	22.8%	23.1%	23.8%	23.1%	23.2%	21.0%	20.4%	20.2%	19.6%	18.5%	-254bps
Delhi NCR	25.1%	26.4%	26.6%	27.7%	26.7%	26.6%	26.1%	27.0%	25.6%	25.2%	24.6%	23.9%	24.4%	-123bps
Kolkata	32.7%	32.3%	32.2%	31.9%	31.1%	30.6%	29.9%	29.2%	29.0%	29.0%	28.6%	25.4%	24.5%	-450bps
Chennai	11.7%	11.4%	11.4%	12.1%	11.7%	13.6%	16.3%	16.4%	15.1%	14.3%	15.7%	16.6%	17.7%	262bps
Total	15.2%	16.2%	16.6%	16.9%	17.0%	17.9%	17.9%	18.3%	17.8%	17.4%	18.0%	17.9%	18.0%	23bps

Source: Cushman and Wakefield, JM Financial

Exhibit 17. 46msf of area added since 3QFY23

Inventory (msf)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY(%)
Bangalore	154	156	158	159	163	166	168	172	174	174	179	182	188	8%
Hyderabad	66	70	72	73	77	80	84	88	90	90	95	97	102	13%
Pune	55	55	55	55	57	59	62	63	64	65	66	67	70	9%
Mumbai	100	101	103	105	106	107	107	109	109	109	109	110	111	2%
Delhi NCR	119	122	122	125	125	127	128	131	133	134	134	135	138	4%
Kolkata	26	26	26	26	26	26	26	26	26	27	27	28	28	5%
Chennai	54	54	54	55	55	56	58	60	60	60	62	63	66	10%
Total	575	583	591	597	609	622	635	648	656	659	672	683	702	7%

Source: Cushman and Wakefield, JM Financial

Exhibit 18. Quarterly office absorption trends

Net Absorption (msf)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY(%)
Bangalore	1.9	1.7	1.4	1.1	3.5	1.8	4.8	3.7	0.2	1.5	0.6	1.8	8.1	4195%
Hyderabad	1.7	0.6	0.9	1.6	2.5	0.6	1.5	1.2	2.2	1.6	1.5	1.7	2.7	26%
Pune	0.6	0.3	0.2	0.1	0.6	1.4	0.5	0.9	1.2	1.6	1.2	0.9	1.9	58%
Mumbai	0.4	0.2	1.0	0.2	0.5	0.6	0.8	0.7	2.7	0.7	0.5	1.1	2.1	-22%
Delhi NCR	0.8	0.4	0.1	0.8	1.4	1.3	1.3	1.3	3.2	1.7	0.9	1.2	1.6	-50%
Kolkata	0.0	0.2	0.0	0.1	0.2	0.1	0.4	0.0	0.3	0.6	0.2	0.3	0.3	2%
Chennai	1.2	0.1	0.0	0.3	0.3	0.5	0.2	0.9	1.1	0.5	0.9	0.6	1.4	37%
Total	6.5	3.6	3.6	4.2	8.9	6.4	9.5	8.7	10.8	8.1	5.9	7.7	18.1	68%

Source: Cushman and Wakefield, JM Financial

Exhibit 19. Average city wise in-place rentals

Rent (INR psf pm)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	YoY(%)
Bangalore	83	83	83	83	83	83	83	83	83	83	83	83	83	0%
Hyderabad	61	61	61	61	61	61	61	61	61	61	65	65	67	10%
Pune	71	71	71	71	71	72	74	75	75	75	76	75	80	7%
Mumbai	120	120	120	119	119	117	118	119	119	120	120	121	123	4%
Delhi NCR	65	64	64	63	62	62	62	62	62	63	64	64	65	4%
Kolkata	48	48	48	48	48	48	48	48	49	49	48	49	49	0%
Chennai	57	62	58	57	57	58	58	58	58	59	59	59	60	3%

Source: Cushman and Wakefield, JM Financial

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