

Visit Note - Budget Property Exhibition 2009

(Un)real sentiments on the ground

January 21, 2009

We visited the **Budget Property Exhibition 2009** at Borivali, Mumbai, during 16-18th January 2009. The developers which participated included Acme Group, Akruti City, Evershine Builders, Mayfair Housing, Mittal Builders, Nirman Group, etc.

Key takeaways

- Budget Property Exhibition 2009 showcased properties in and around the Mumbai suburbs. However, contrary to its name, there were very few properties in the budget range of Rs5 - 20 lakh (\$10,130 - \$40,525). Even for these, the possession dates are in late 2010 or early 2011.
- Strong interest amongst prospective buyers was reflected in their interaction with the developers. However the expectation of large price discounts continues. The sentiment remains weak even though the interest rates have been moving down and uncertainty over future income. We noticed that most developers were urging buyers to avail the details of discounts from the site office. Also there was high availability of apartments for the high income group rather than low/mid income group.
- Developers continue to market their properties on the basis of super built up area. In most cases, the actual usable (carpet) area of an apartment can be lower by anywhere between 25-35% of the super built up area. In other words, the effective rates per sq. foot continue to be much higher than the rates being quoted.
- Average sizes of apartments have become smaller. Akruti City's project in Thane offers 2BHK apartments of 730 sq. ft. net of loading, the actual area would be around 490 sq. ft., which may be considered too small for accommodating a 2BHK apartment.
- The concept of "nano-housing" is seen quickly gaining popularity of late. Some upcoming projects are exclusively offering nano (small) homes, whose sole USP is affordability. Even some apartments, which are not being dubbed nano, can still be considered nano (such as Akruti City).
- Property prices have corrected by up to 15-25% from the peak, the distant suburbs bearing most of the brunt. However, most properties are still outside the reach of the mid-income segment of buyers, which was the target segment for the expo.
- We expect prices in Vasai and Virar, the distant, extended suburbs of Mumbai, to correct in the next one or two months, as yet another big developer is set to launch projects in these areas.
- Home loan institutions such as LIC Housing Finance, HDFC, ICICI Home Finance, Union Bank of India, Dewan Housing Finance Corporation were offering home mortgages, at interest rates in the 9.5% - 13% range for the projects which participated in the expo.
- We believe that since a number of developers are now offering "budget" apartments, their respective cash-flows may improve going forward. This may be a positive for listed players like Akruti City. It is possible that these semi-nano apartments will find willing buyers, given the low capital cost.
- We observe that a number of leading developers did not participate in the expo. For instance, Hiranandani Constructions, HDIL, Lodha Group, Ajmera, etc. Some of these developers have developed properties in prime locations of Mumbai and suburbs over the last few years.
- As far as unsold inventory is concerned, we believe developers will continue to suffer, as there may be limited demand, even at the so called "reduced" rates. A developer recently reduced rates for a Thane-based semi-premium project from Rs5850 per sq. ft. to Rs4600, ie, by around 21%. It therefore appears that the demand for medium to high end apartments, though not vanished altogether, has certainly been impacted, forcing developers to rationalize rates.

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Details of Properties on offer

Name of Developer / Location	Type	Area (Sq ft.)	Rate/Sq.ft.	Expected date of Possession
Shivam Parivar developers				
<i>Mulund</i>	2BHK	867	6,000	Apr-10
	2BHK	1,065	6,000	Apr-10
<i>Goregoan</i>	2BHK	609	6,800	Dec-09
<i>Ghatkopar</i>	2BHK	656-682	6,800	June-11
Mantri Real Estate				
<i>Goregoan (E)</i>	1BHK	728	5,500	Apr-09
Rajeshwari Build Craft				
<i>Borivali (W) Jayraj Nagar</i>	2BHK	1,080	7,200	Dec-10
Acme Group				
<i>Andheri (E)</i> Old nagardas road	1 ½ BHK	1,107	9,000	ready
	2 ½ BHK	1,145	9,000	ready
<i>Dahisar</i> Vaishali nagar	1BHK	573/ 616	3,200	Oct-10
	1 ½ BHK	722/ 730/ 790	3,300	
Evershine Builders				
<i>Virar (W)</i>	1BHK	500	upto 2,500	Dec-11
	2BHK	650/700	upto 2,500	
<i>Vasai</i>	2BHK	1,070	2,100	Dec-11
Mayfair				
<i>Mira Road</i>	1BHK	623	3,250	ready possession/ under construction
<i>Virar**</i>	1BHK	389	3,500	
	2BHK	514	3,500	
JV of Kalpataru, Dynamix & N. L. Dalmia Group				
<i>Mira Road</i>	2BHK	1,118	3,800	Dec-09
	2 ½ BHK	1,235	3,800	Jun-10
Akruti City				
<i>Thane, Pokharan Road 1</i>	1BHK	570	3,700	Mar -11
	2BHK	650/730	3,850	
<i>Mira Road</i>	2BHK	785	2,750	Mar -11
	3BHK	1,010	2,900	
Mittal Builders				
<i>Naigoan (E), Vasai</i>	1, 2, 2.5 BHK	975/1,110	2,200	Mar-10
	1, 2, 2.5 BHK	720/ 875	2,300	Mar-10
Nirman Group				
<i>Neral, Karjat</i>	1BHK	340	1,321	Mar -11
	1 ½ BHK	457	1,331	

BHK = Bedroom, Hall, Kitchen

** On carpet area basis

All other prices quoted on the basis of super built up area and the loading varies between 25-35%.

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