

# Real Estate Quarterly Trends (Q2 FY24)



TruBoard Partners

— *Beyond the Obvious*

# Summary

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Although the supply of new launches in the residential sector moderated to 1,23,000 units in Q2 FY24, it is expected to pick up in Q3 FY24 amidst the festive season cheer.



Mumbai, Bengaluru and Pune recorded the highest new launches in the residential sector at 24,000 and 14,000 units respectively.



Within the commercial sector, new supply grew 7% on-quarter across tier-1 cities owing to government incentives and policies aimed at enticing businesses to set up offices in these cities.



Net occupancy in commercial real estate in Q2 FY24 was highest in Hyderabad at 2.76 million square ft, followed by Bengaluru and MMR at 2.56 and 1.8 million square ft respectively.

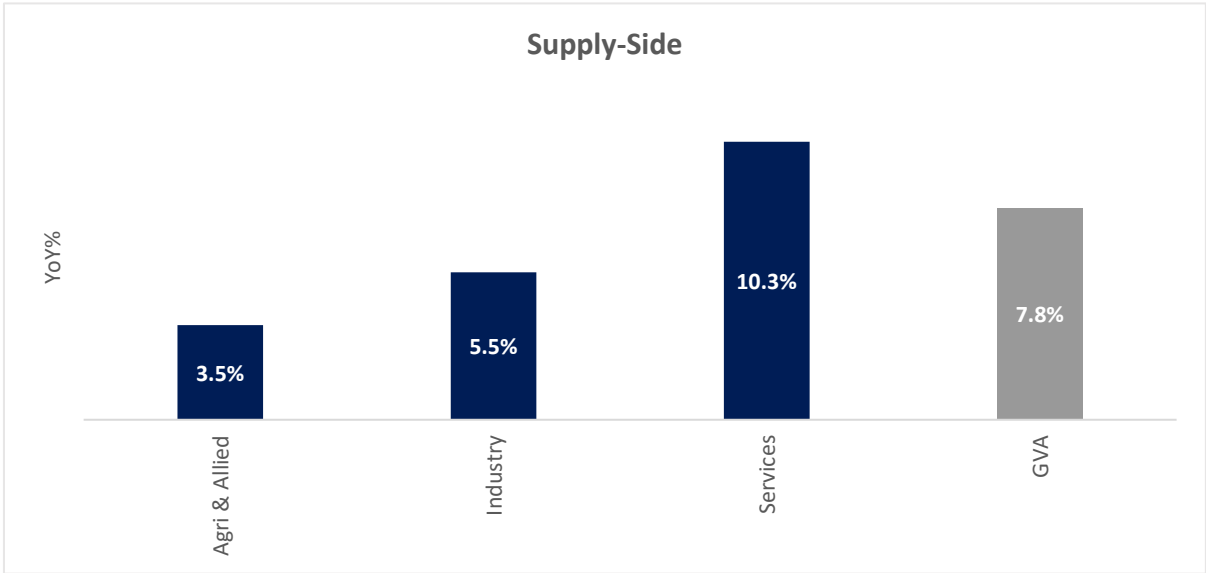
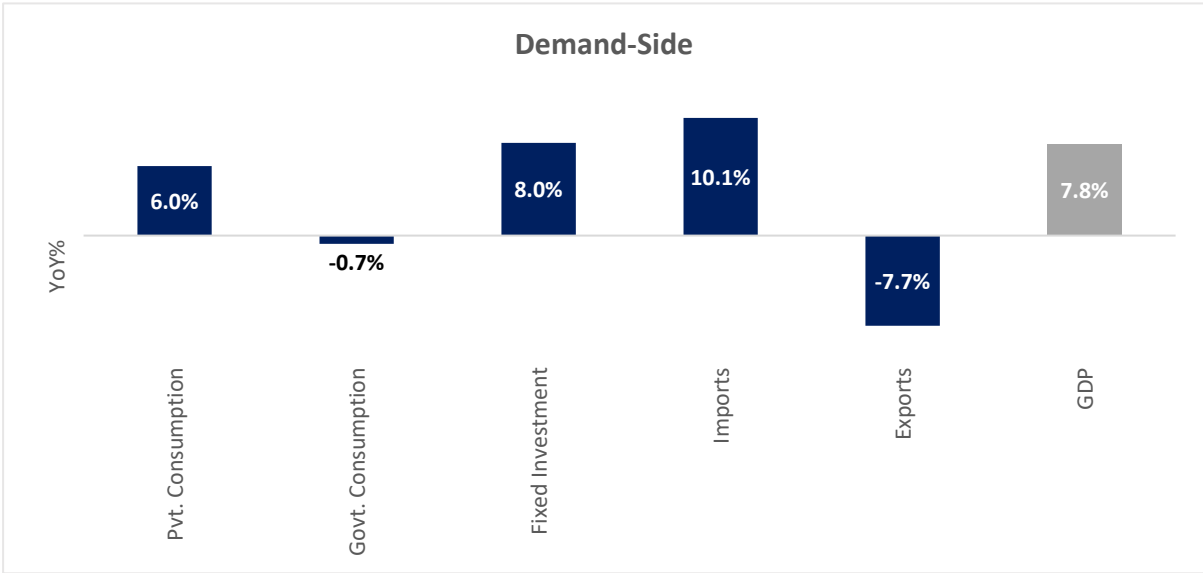


Absorption ratio\* in residential sector in Q2 FY24 was highest in Bengaluru at 27%, followed by Gurugram and Pune at 26% and 25% respectively.



Cost of construction increased by 0.3% on-year during Q2 FY24, compared to a contraction of 1.4% the previous quarter.

# GDP continued its growth trajectory in Q1 FY24



Real GDP in Q1 FY24 witnessed an on-year growth of 7.8%, compared to a growth of 6.1% the previous quarter.

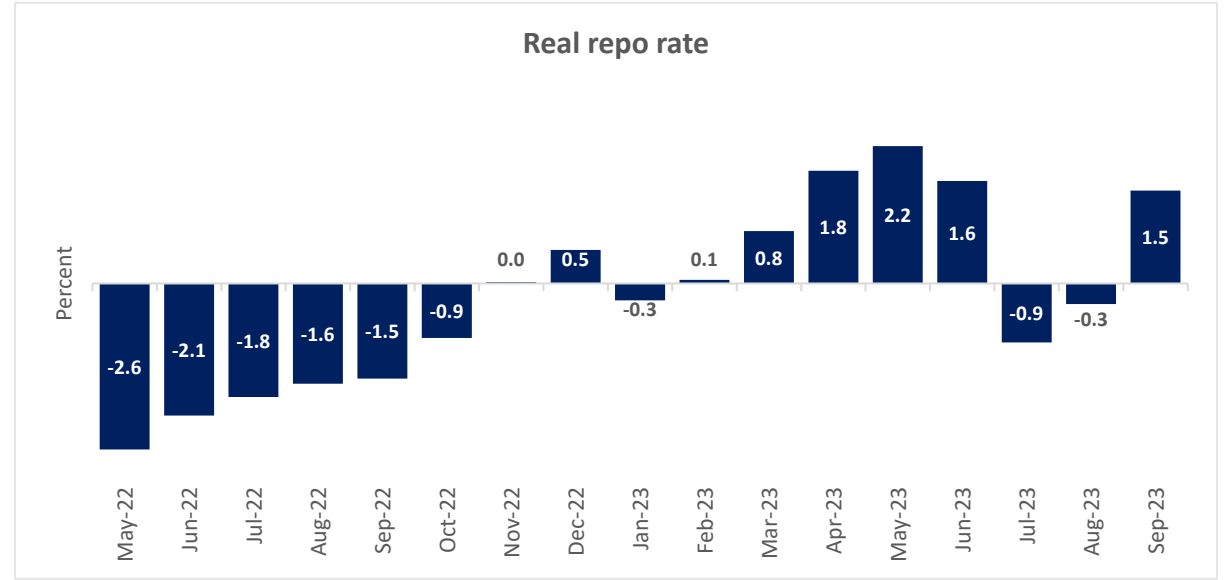
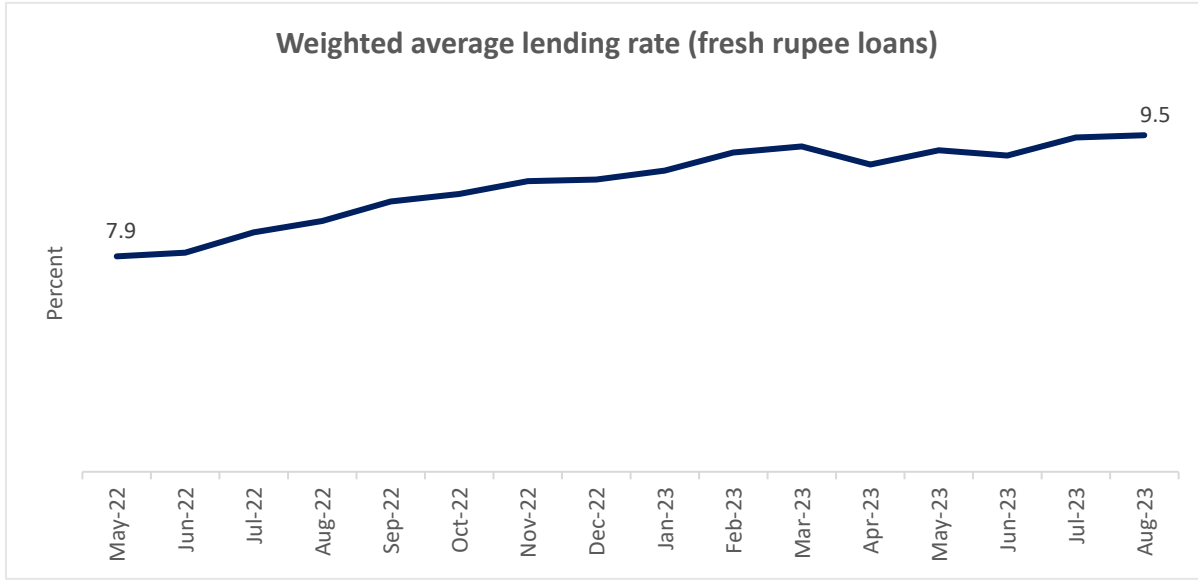


On the demand-side, domestic private consumption drove growth in Q1 FY24, constituting 57% of GDP, compared to 55% in Q4 FY23. Risks to domestic consumption in the next quarter emanate from erratic monsoons taking a hit on agricultural output.



On the supply-side, construction sector recorded tepid growth at 7.9% compared to 10.4% the previous quarter.

# Rising interest rates impact homebuying demand



Policy repo rate has risen by 250 bps since Apr'22 and has almost been transmitted to interest rates for home loans.

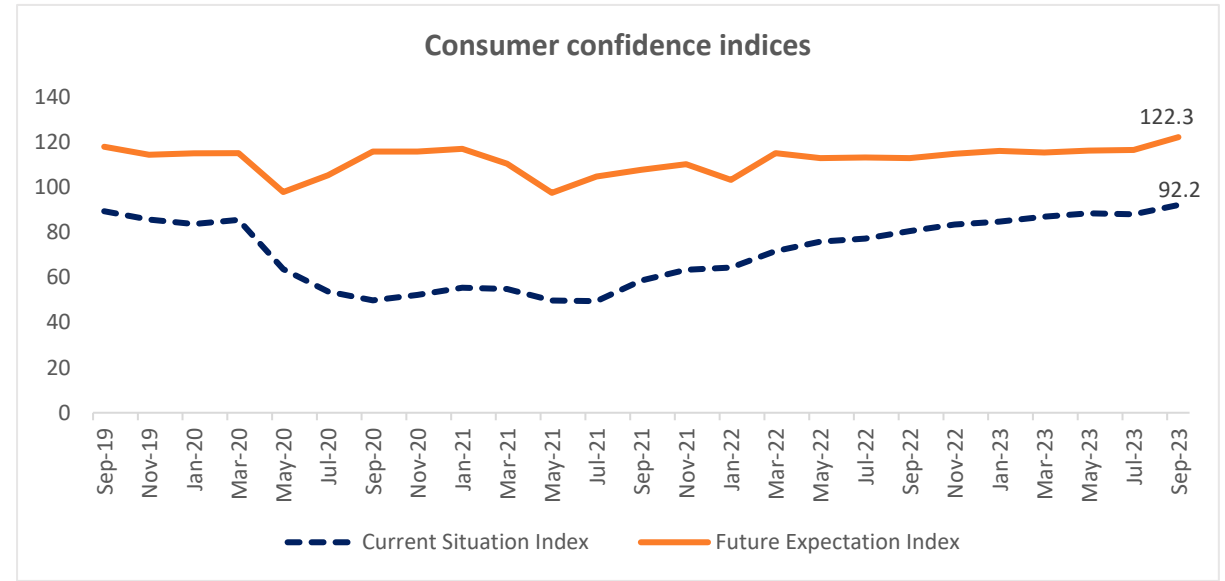
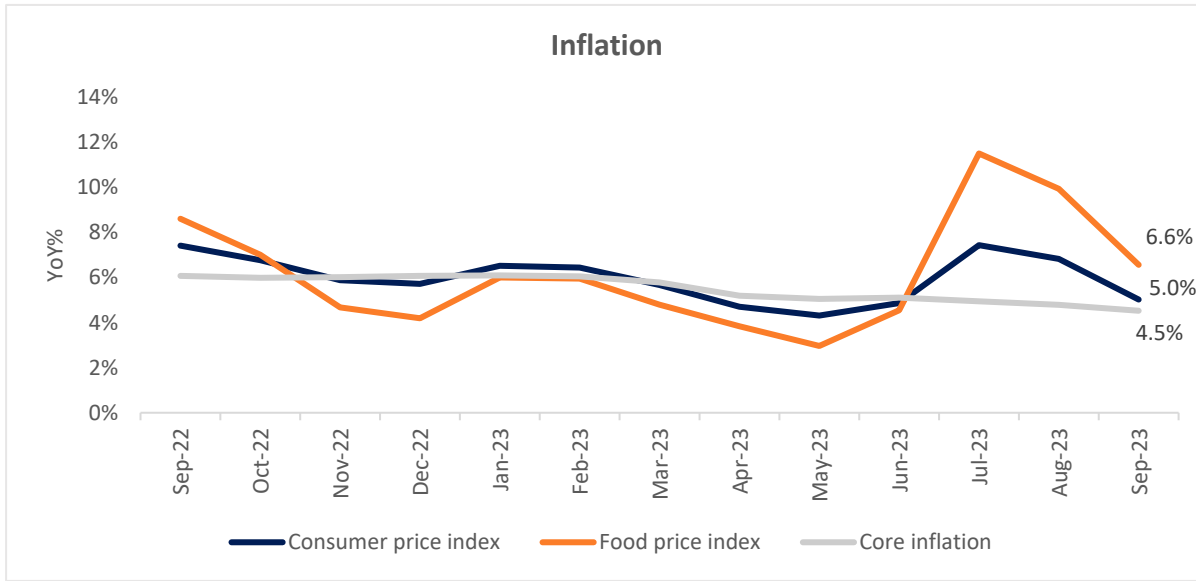


With real repo rate reaching pre-pandemic levels, the demand for retail loans decelerated to 18.2% on-year in Sep'23 due to a moderation in credit to the housing sector.



Interest rate sensitive segments of affordable and low-income housing have started feeling the pinch of rising rates.

# Inflationary pressures in Q2 FY24 leave consumer confidence undeterred



Owing to seasonal factors (high fruits and vegetable prices), CPI in Q2 FY24 came in at 6.4%, breaching RBI's upper tolerance limit by 40 bps, compared to 4.6% the previous quarter. Core inflation (excluding food and fuel) however, inched lower to 4.8% in Q2 FY24 compared to 5.1% the previous quarter.



Continued improvement in consumer sentiments, reflected in quarterly surveys by the RBI suggest sustained consumer confidence on current and future economic conditions.

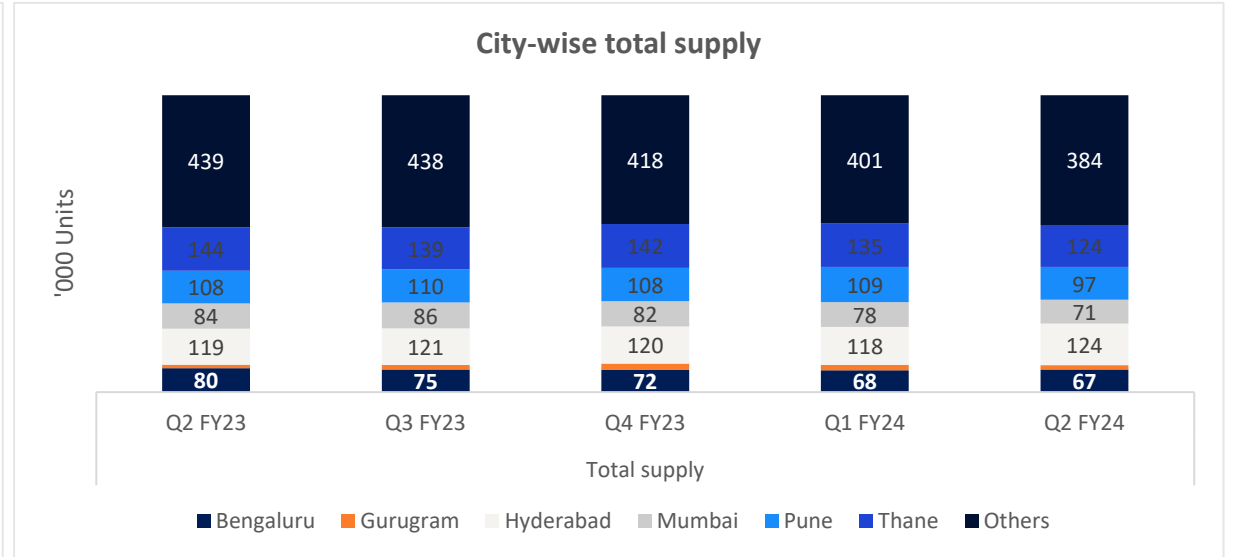
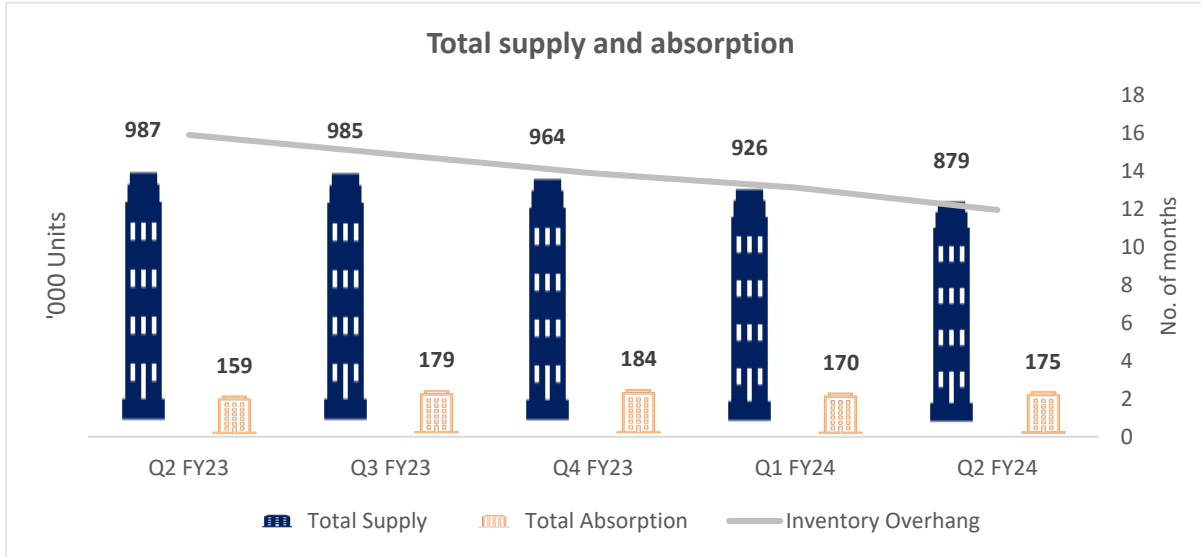
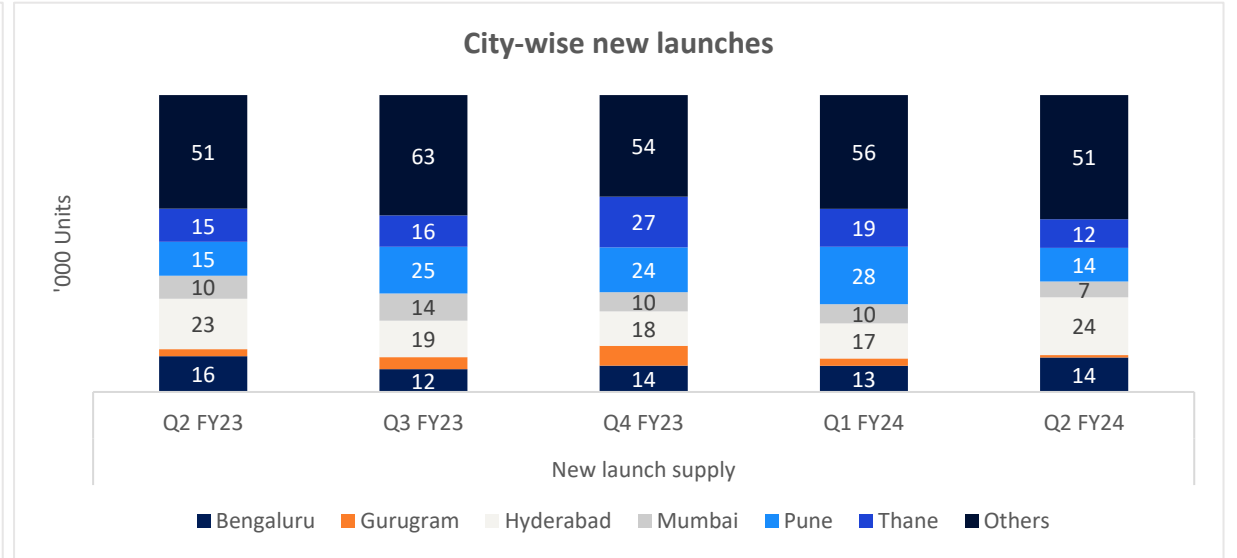
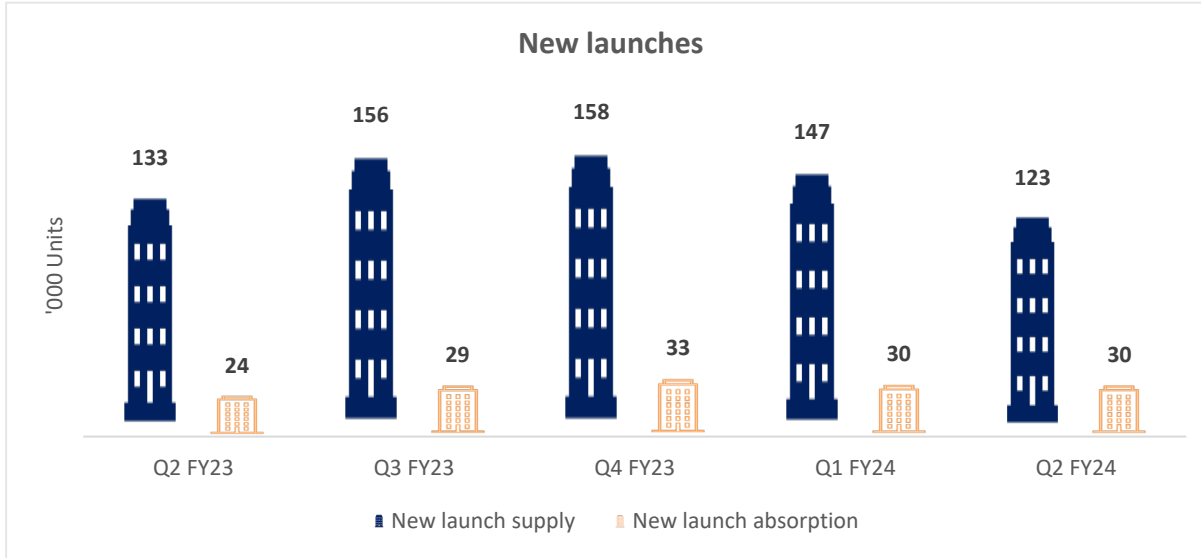


RBI's decision to hold the repo rate at 6.5% for the fourth time in a row is expected to contain further deterioration in paying ability of homebuyers. EMIs have increased ~20-25% on account of past rate hikes.

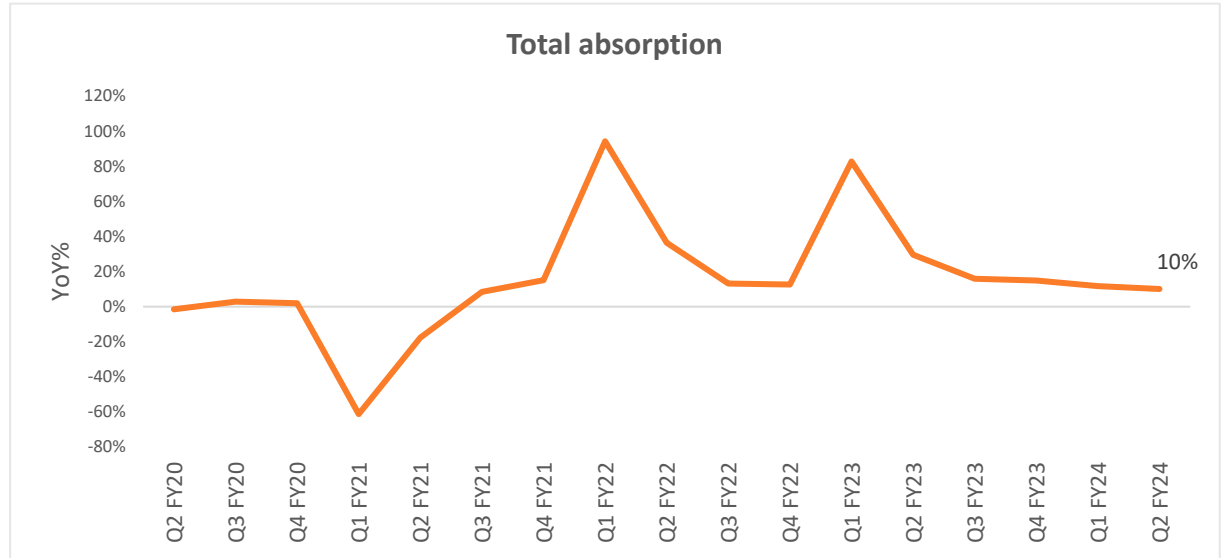
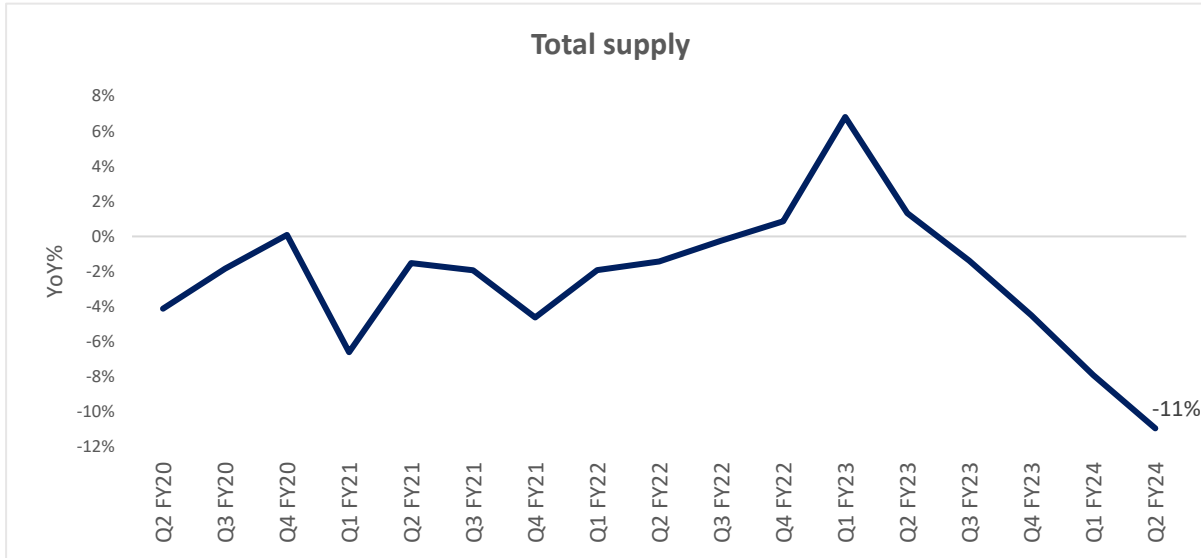
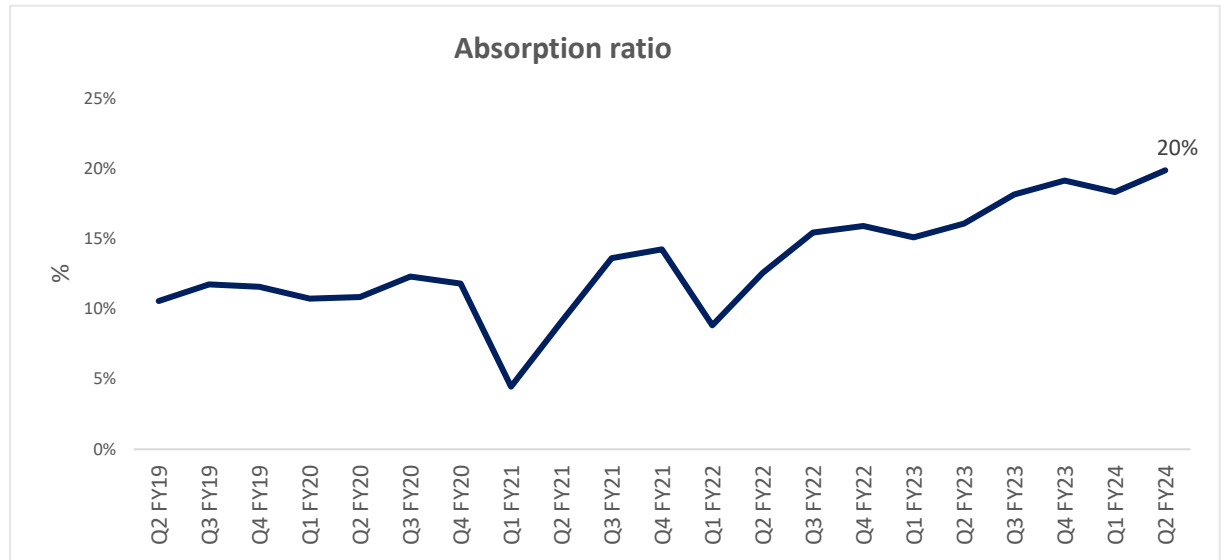
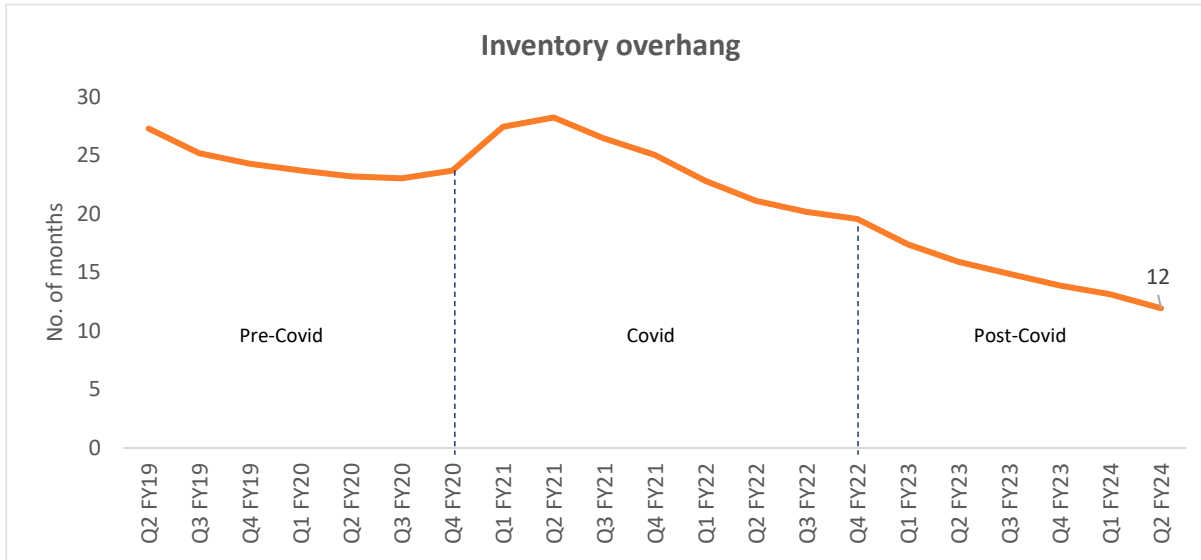
# High frequency indicators suggest buoyant domestic demand

% YoY	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Currency in Circulation	8.3%	9.3%	7.7%	8.2%	8.6%	8.1%	7.8%	7.7%	7.8%	4.1%	4.4%	4.0%	3.8%
Registered motor vehicles	7.5%	48.5%	19.0%	-6.4%	16.9%	19.5%	17.7%	-3.2%	11.0%	10.3%	10.6%	9.3%	20.3%
Petrol consumption	8.8%	8.9%	8.2%	6.0%	14.3%	8.9%	6.8%	2.9%	11.0%	6.2%	6.2%	2.9%	8.2%
Rail passenger traffic	87.6%	62.2%	51.1%	40.7%	64.5%	29.8%	20.5%	20.2%	17.7%	12.5%	10.3%	9.4%	3.9%
Air passenger traffic	50.1%	29.8%	11.5%	14.2%	95.6%	56.8%	21.4%	22.2%	15.2%	18.8%	24.7%	22.8%	18.4%
GST revenue	26.2%	16.6%	10.9%	15.2%	12.7%	12.4%	12.7%	11.6%	11.5%	11.7%	10.8%	10.8%	10.2%
Personal loans	19.4%	20.1%	19.6%	20.0%	20.4%	20.4%	20.6%	19.4%	19.2%	20.9%	31.7%	30.8%	30.4%
IIP: Consumer durables goods	-5.5%	-18.1%	5.0%	-11.2%	-8.2%	-4.1%	-8.0%	-2.3%	1.5%	-6.7%	-2.6%	5.7%	--
IIP: Consumer non-durables goods	-5.7%	-13.0%	10.0%	7.9%	6.5%	12.5%	-1.9%	11.4%	8.9%	0.3%	7.9%	9.0%	--

# Demand & supply trends- all India and city-wise

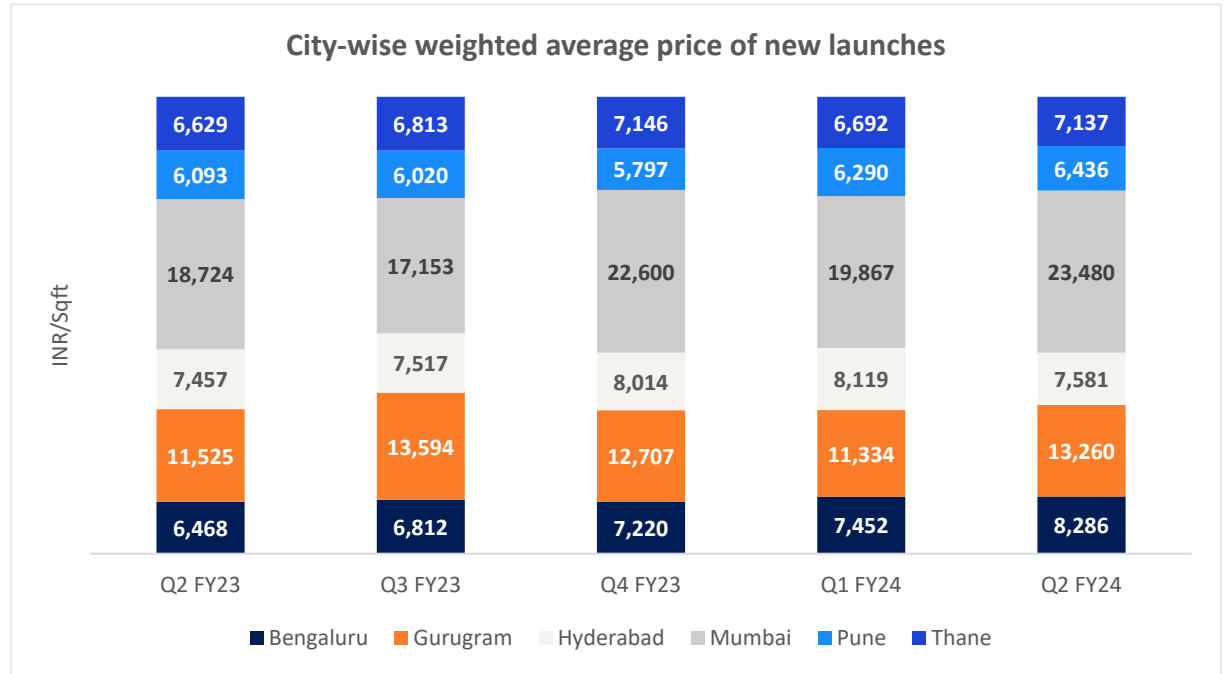
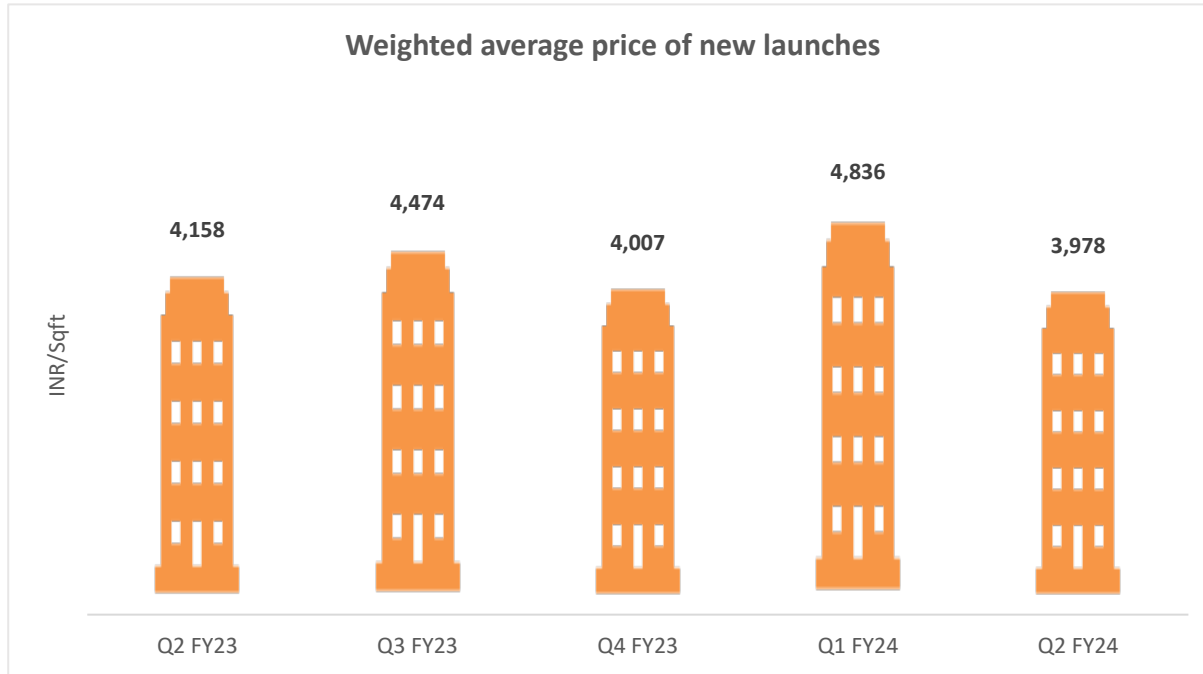


# Demand-supply mismatches lowering inventory overhang





# Price trends- all India and city-wise

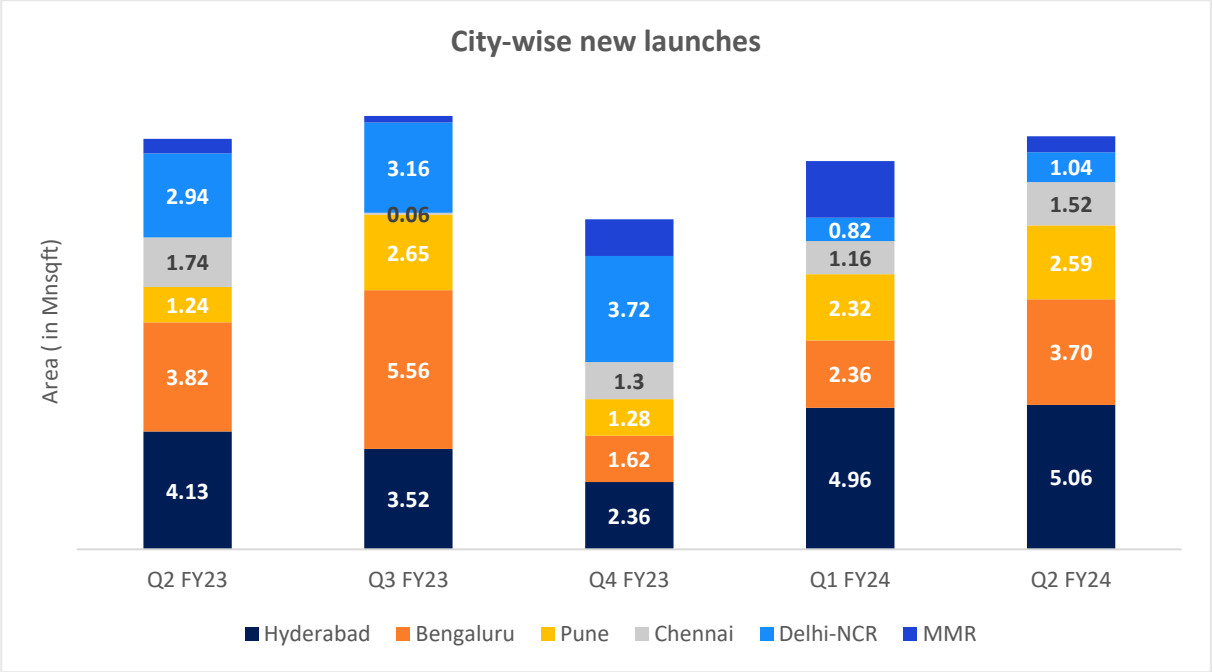
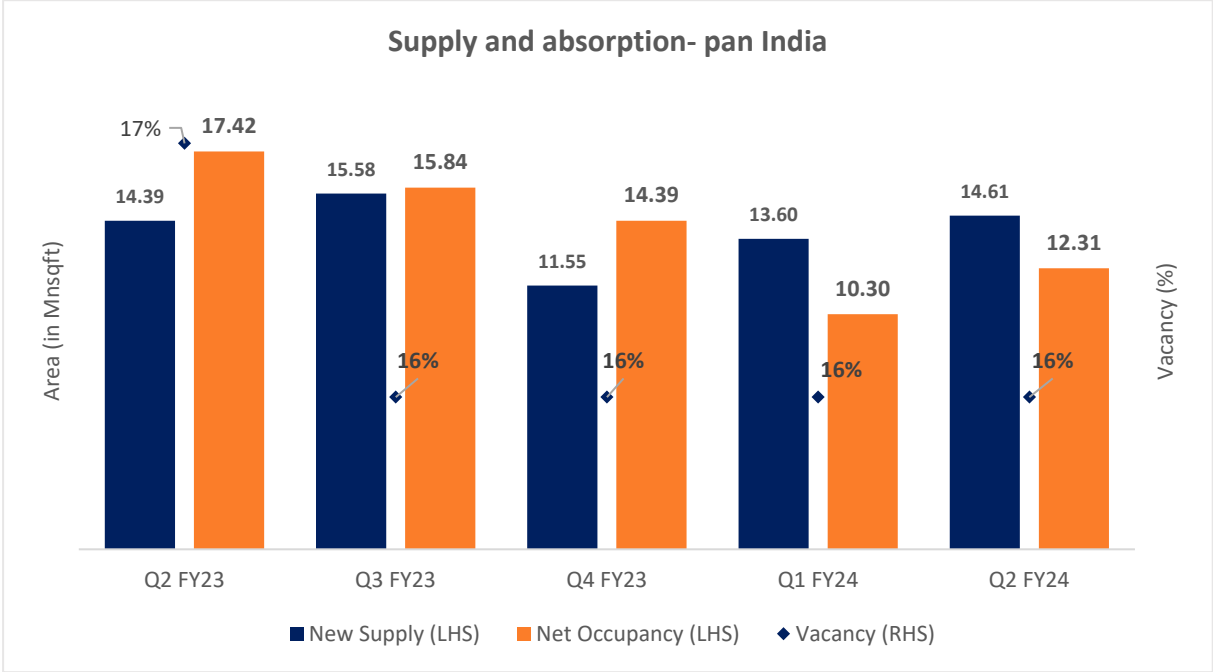


According to RBI's All India House Price Index, property prices rose 5.1% in Q1 FY24 compared to 4.6% the previous quarter.



On-quarter rise in prices of new launches was highest in Mumbai at 18%, followed by Gurugram at 17% and Bengaluru at 11%.

# Commercial real estate – demand and supply trends



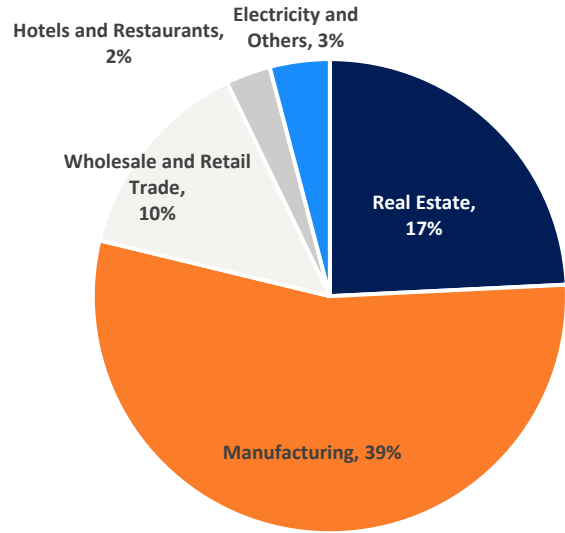
Net occupancy in Q2 FY24 stood at 12.31 million square ft., out of which the largest share was of Hyderabad and Bengaluru at 43%.



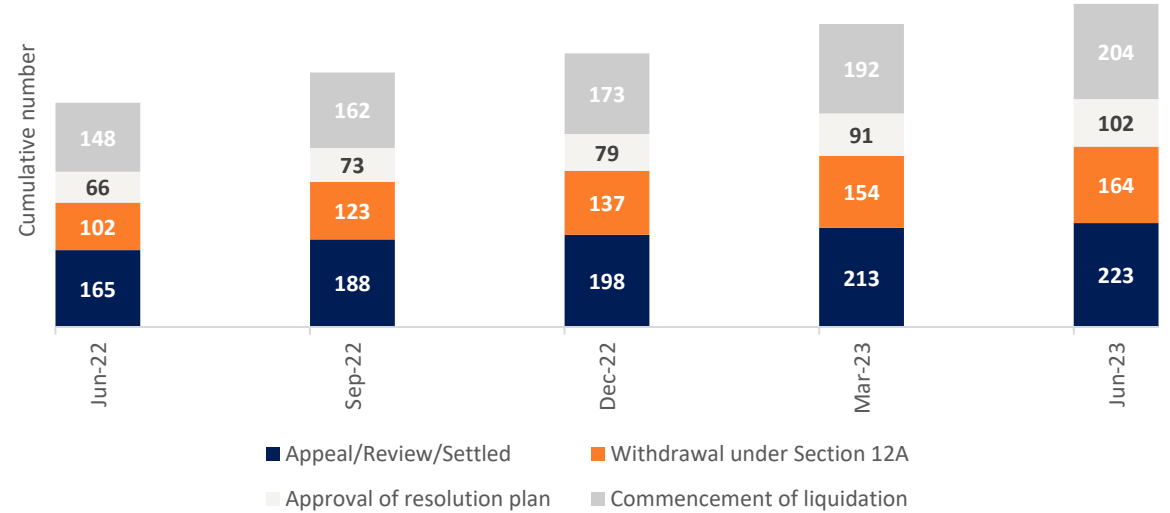
Vacancy levels across tier-1 cities marginally declined from 17% in Q2 FY23 to 16% in Q2 FY24.

# Insolvencies in real estate\*

Sector-wise admitted cases under IBBI as on Q1 FY24



Details of closed real estate cases as on Q1 FY24



On-quarter growth in real estate insolvencies in Q1 FY24 came down to 4% from 10% in Q4 FY23.

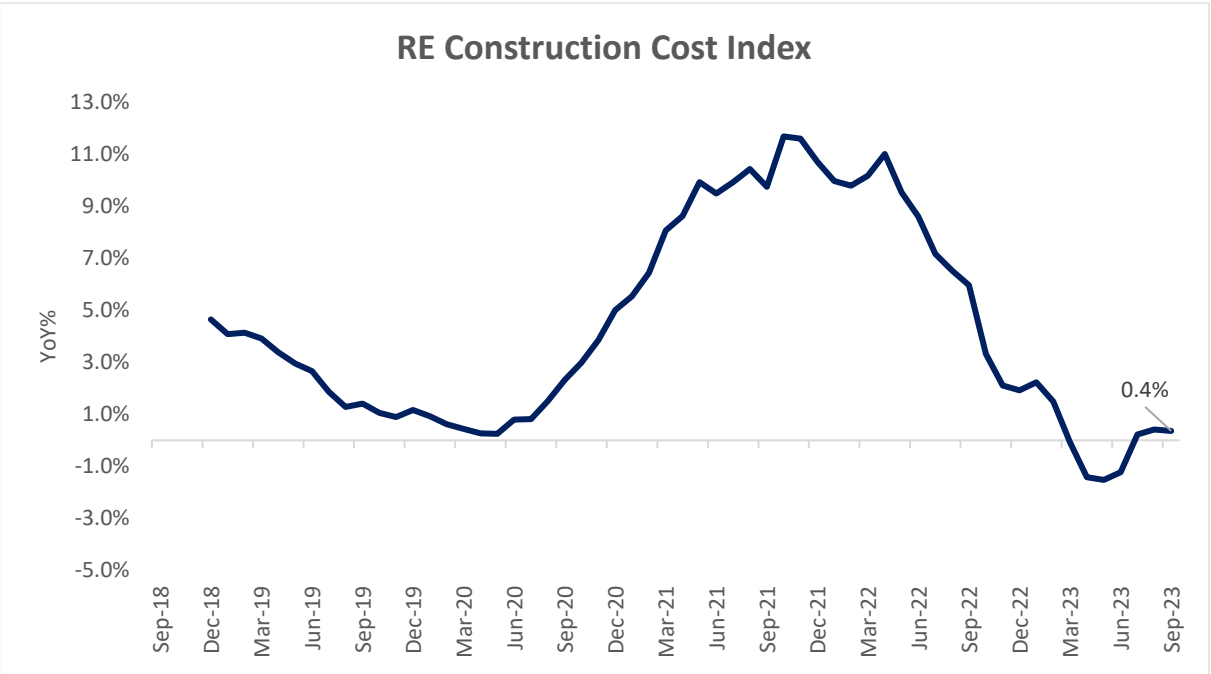
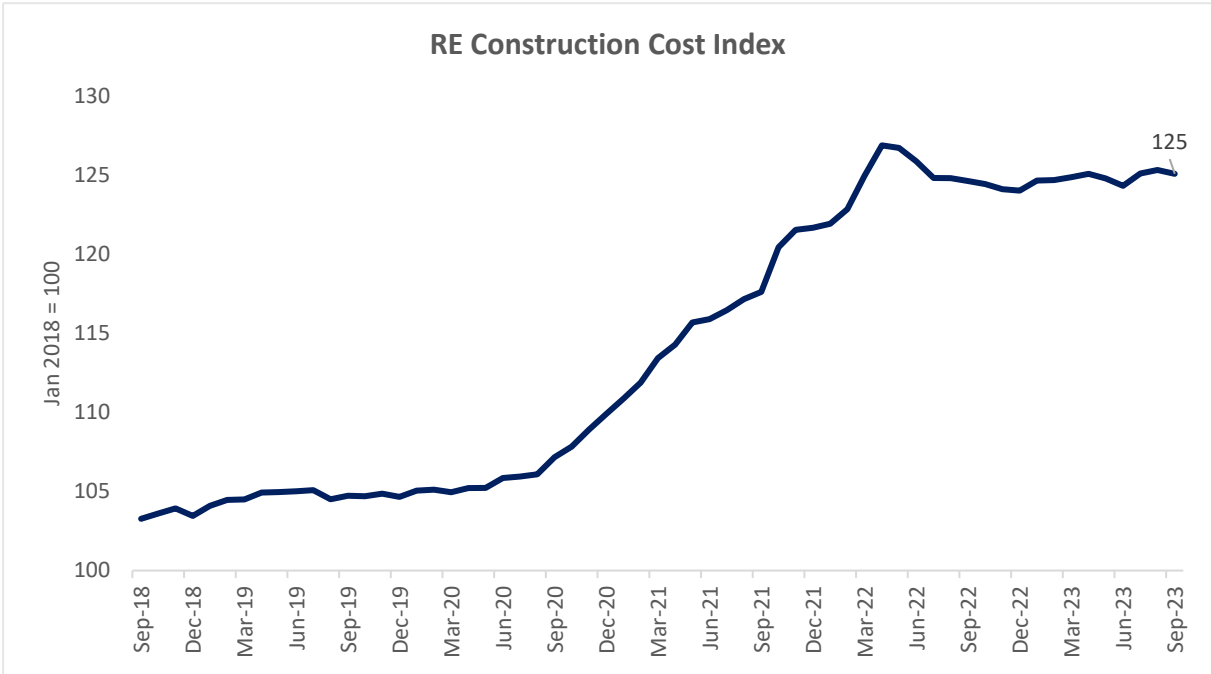


The percentage of resolved cases in the real estate sector as of Jun'23 stood at ~41%.

Source : Insolvency and Bankruptcy Board of India

11 \*Insolvencies in real estate include real estate and construction sector cases

# TruBoard Real Estate Construction Cost Index



The index attempts to gauge trends in construction cost, due to changes in material/commodity cost and labor cost. For this purpose, we assign 75% weight to material/commodity cost and 25% weight to labor cost.

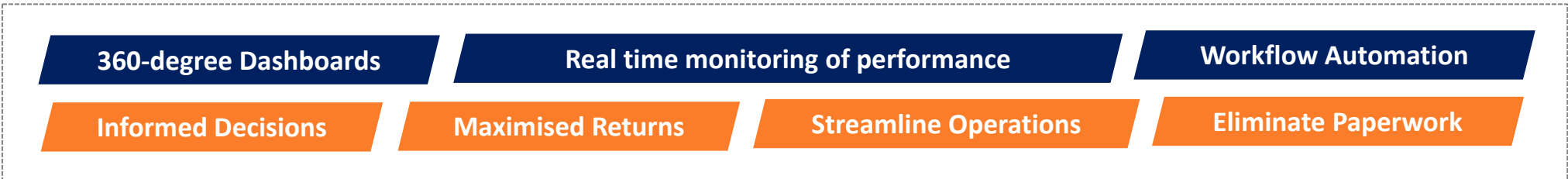
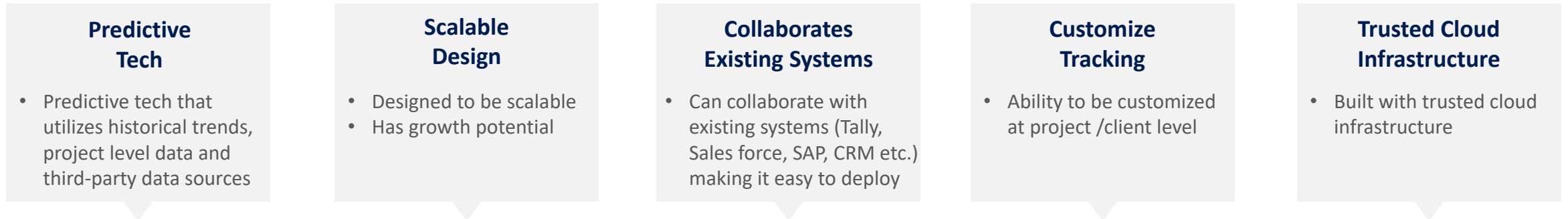


The contraction in commodity prices seems to have bottomed out, still construction costs are unlikely to see a significant rise in the next 3-6 months.



Cost of construction increased by 0.3% on-year during Q2 FY24, compared to a contraction of 1.4% the previous quarter.

# TruGenie: platform for real estate asset performance management



# Thank You

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