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RERA pause for realty growth

Ravi Ahuja & Uttara Nilawar

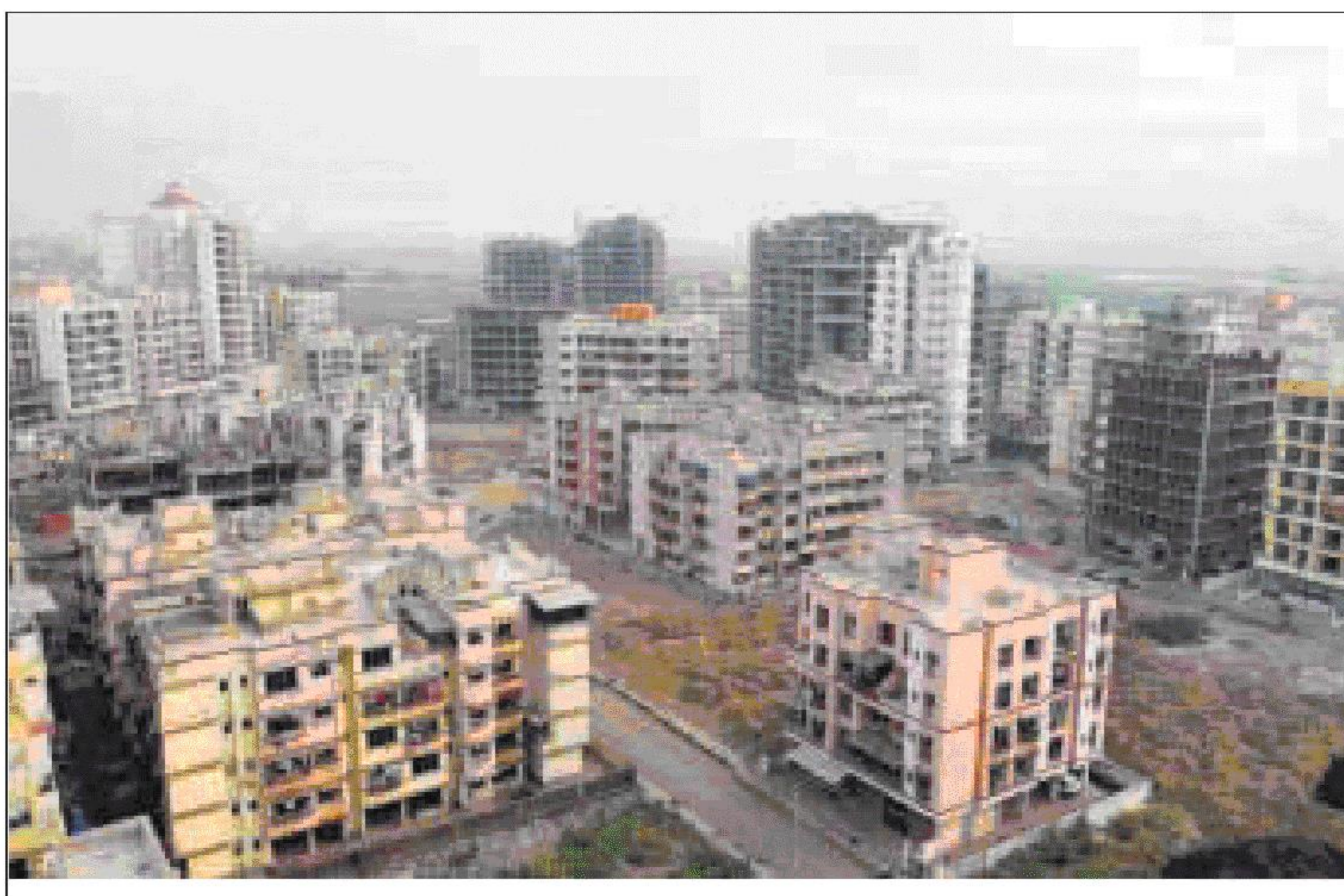
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After the demonetisation drive and announcement of RERA, market sentiment was suppressed and impacted the new project launches significantly during H2 2016. A major recovery from that is unlikely in the short term.

In H1 2017, there was a slight improvement in supply to 14,000 new launches (including 3,800 pre-launches) in the Mumbai Metropolitan Region (MMR) and its suburbs representing a 16% increase over H2 2016.

As buyers' preference was skewed towards ready-to-move-in properties in the luxury secondary market owing to uncertainty in the primary market due to RERA, developers refrained from launching luxury products in the market. During H1 2017, about 58% of the new launches were in the mid-end segment, whereas luxury and high end properties represented only 17% and 25% share in the total new launches. Although there were not many new launches in affordable housing, we witnessed increased interest among developers in entering this segment. A few notable developers announced their investment plans for the affordable housing sector in H1 2017.

As sales started to pick up after demonetisation in the mid-end segment, many reputed developers like Puranik Builders and Sheth Corp were able to



Prices are unlikely to rise for a while due to a series of new policies

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raise funds from non-banking financial institutions (NBFCs) in the form of structured debt. The prices are stable and are not expected to rise for a short term due to a series of new policies and the current market scenario.

Hence, the private equity players should view this as an opportune moment to fund developers and receive attractive returns in the next 2-3 years when a transparent regime may lead to a hike in prices. After a dip of 2-6% in the premium secondary market since last half-year capital values have stabi-

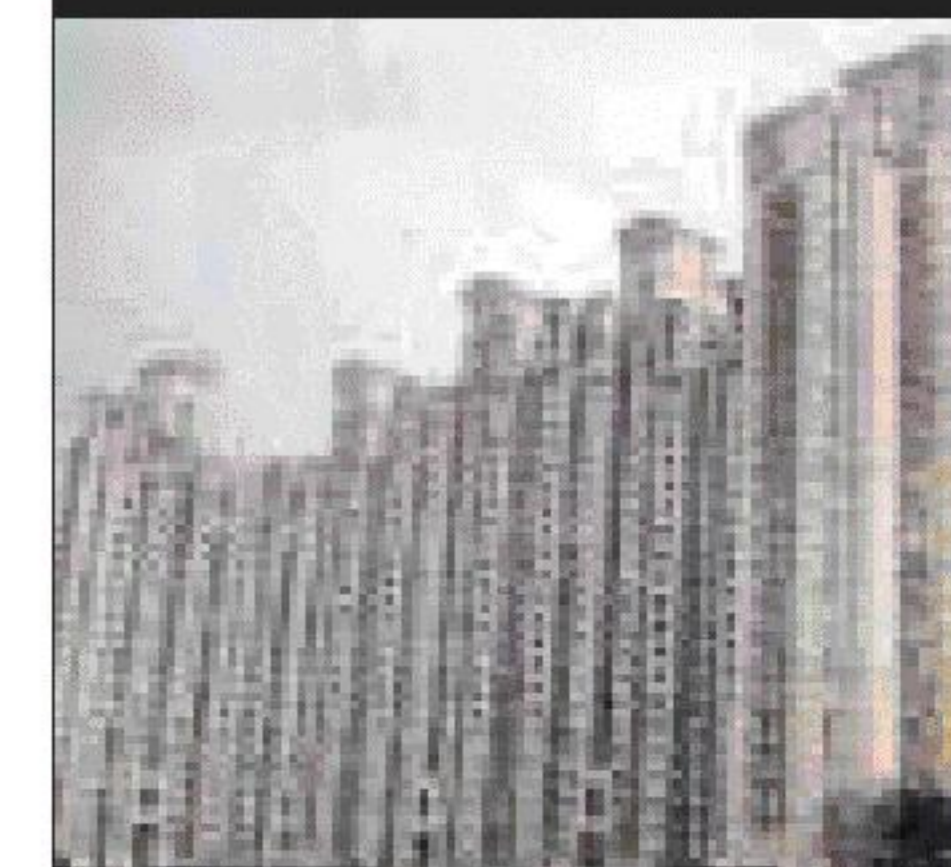
lised, and there will be no significant correction in the coming quarters. There has not been much movement in the rental market, so rents are likely to be stagnant.

For the past six months, the primary market was in a pause mode with very few launches as developers were trying to complete registration formalities with the RERA regulatory authority. For the same reason, buyers are also in a wait-and-see mode, but once project registration is in full swing, buyer sentiment is likely to improve. Buyers should invest only in RERA-

compliant projects and carry out all their transactions through registered real estate agents. Additionally, developers should complete registration with all necessary documents and approvals prior to launching any new projects. They should also refrain from any form of advertising before they receive a registration number from the authority.

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PROPERTY RATES



SOUTH MUMBAI

| | |
|----------------|-----------------|
| Napeansea Road | 78,500 - 85,700 |
| Girgaon | 25,100 - 25,200 |
| Lower Parel | 22,400 - 24,200 |
| Mahalaxmi | 30,300 - 34,800 |
| Worli | 43,900 - 44,800 |
| Parel | 22,400 - 24,200 |

CENTRAL MUMBAI

| | |
|----------------|-----------------|
| Bhandup East | 11,800 - 12,100 |
| Ghatkopar East | 13,500 - 13,700 |
| Kanjurmarg | 212,300-12,400 |
| Powai | 17,300 - 17,800 |
| Sion | 17,600 - 18,900 |
| Vikhroli | 11,100 - 11,800 |

Source: Proptiger Datalabs
1) These are asking rates for properties on primary and secondary sale, and not transacted rates.

2) The rates may vary depending on market conditions

3) Range of values vary depending on the building, location, amenities provided, floor, view from the apartment and age of the building

* Pagri/old tenancy deals are dominant in these micro markets

