

Residential Realty in Hyderabad

Brief Snapshot –Sector Overview



INCUBATE PROFESSIONAL SERVICES, HYDERABAD

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The Hyderabad real estate residential market with more than 500 small and medium companies and about 40 large companies is witnessing consolidation as value definition in realty market is coming of age. The industry life cycle in FY2007 witnessed approximate revenue of Rs.6000 Cr. and is expected to grow 30% in the coming couple of years.

Supply-Demand

Hyderabad has seen a demand between 26000 to 32000 dwelling units (including all types of Housing) in the last two quarters. With an expected slump in the coming two years the estimated demand is approximately 20000 dwelling units per quarter with a demand correction of 25% over the last years' demand. Majority of this demand is for grade 'B' and grade 'C' housing. It is expected that atleast 12,000 units of prime 'A' grade housing (Rs. 80 Lacs – Rs. 100 Lacs) will be added in FY 2008 and 2009. Similarly, the supply for other categories of Housing looks optimum with heavy explosion of ventures in high economic zones of the City.

Key Growth Factors:

Growth in IT and allied industries: With an estimated job creation of around 6,00,000 jobs in area surrounding Hi-tech City and Gachibowli, and major SEZs still finding ground in the City the residential housing need is expected to be on positive trend for short to medium term till 2009.

Fist House outlook: Majority of the employed professionals still lack a first house in the City and with higher disposable incomes Hyderabad continues to be a destination for residential investment among local dwellers. Also being one stop retirement destination in the state of Andhra Pradesh, Hyderabad continues to attract housing investments from retired personnel too.

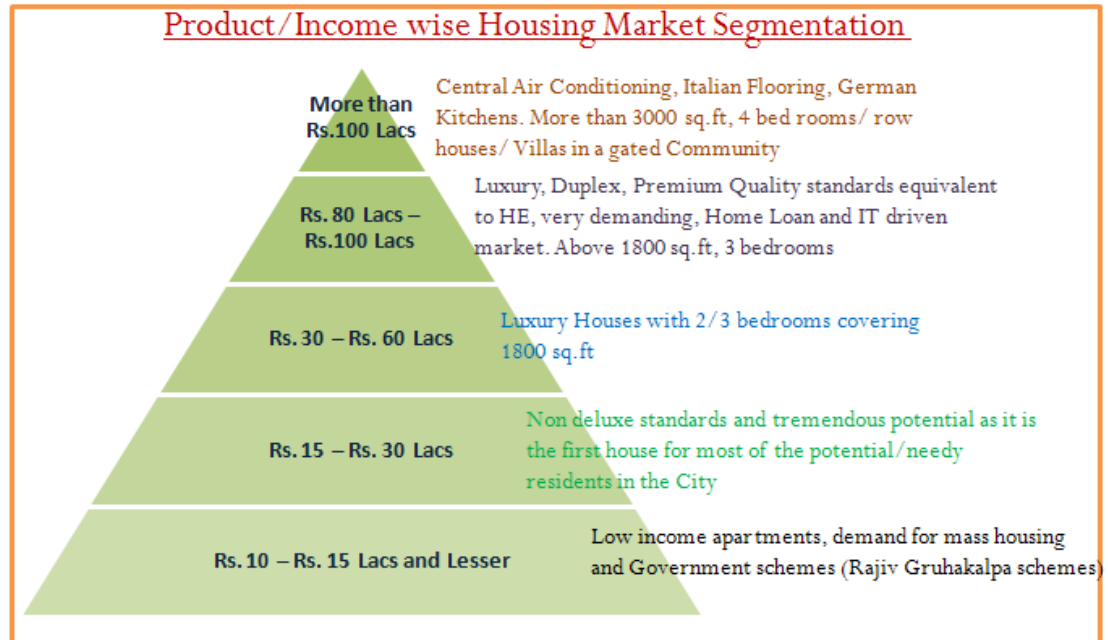
Nuclear Families: A phenomenon kicked off by Globalization and mobility indicates positive scope in the coming years for nuclear families desiring for independent accommodation leading to multiple housing units for different generations.

Investment from NRIs: Hyderabad still holds an enviable position for property holding in India, as it is considered the second hottest destination after Bangalore for NRI investments. The speculator environment in 2006-2007 had an effect in smoothening this demand, but is expected to spurge again with transparent and reputed builders in the market.

Financial Accessibility: Hyderabad is expected to have about 5% of the total housing finance market in India and the market is estimated to have grown 40% in the last three years ending 2007. Hyderabad is still considered to have more Loan-Eligible customers than among the leading 5 metros in the country.

Market Segmentation:

Value proposition to customers is the single most differentiator after Location considerations for the ventures coming up in the city.



- ▶ Most of the grade 'A' supply will be added to the north-west of the City, along with the Old, new Mumbai Highways, encompassing Kukatpally and Gachibowli areas. Areas of new residential development include Jubilee Hills, Kavuri Hills, Madhapur, White Fields Kondapur, Gachibowli, Nanakramguda and Medchal region.

Outlook for FY2008 & FY2009:

The prices and demand of residential properties in FY2007 weakened with a mix of factors including rise in interest rates, spiraling and speculative property prices, drop in HNI and NRI interest. The market is expected to see considerable activity in the second half of FY2008 and FY2009. The property prices are expected to remain range bound (with in a tolerance level of 10%) in the coming years.

With a spurge of residential ventures in concentrated areas like Nizampet, Bachupally and Nalagandla the market may see slower absorption of these properties as the supply offers

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plenty of choice to customers. Only projects which are attractive and offer value to customers will be able to command a premium price.

- ▶ Areas enroute Shamshabad, in the vicinity of Expressway is expected to move ahead in demand, with expected spurge of commercial and retail economic activity in the region with the Airport's success.
- ▶ Demand for premium high-density dwelling developments, townships, Villas and row houses across GHMC will continue but at lower levels as prime target customers, namely NRIs and high net worth are considering themselves out of speculative investments due to range bound price stagnation.
- ▶ Three major factors hindering the market growth are high interest rates, towering Auctions pricing leading to higher land values, increase in raw material costs, steep price rise of properties and shortage of skilled staff for project execution.
- ▶ Hyderabad is on road to witness skyscraper projects including the projects of Aliens Space Station, ICICI Tower, APIIC Twin towers, Lanco Hills (Signature and Residential Towers). All of these are considered/proposed to raise over 30 floors.