



RESIDENTIAL REAL ESTATE

**Residential real estate sector records
multi-year high performance**

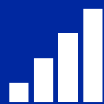
JULY 2022





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The strong absorption has been supported by pent-up demand, improved affordability, all-time-low home loan interest rate and certain state incentives.



- The Residential Real Estate Sector reported robust performance in FY2022, with sales being the highest in over nine years in the top seven cities. In FY2022, the sales in the top seven cities stood at 437 mn sft, registering a growth of 28%. Further, the average sale rate increased from Rs 5990 to Rs 6423 per sq ft in FY2022, an increase of 7%. On the back of high absorption and calibrated launches, the inventory and the years-to-sell position is at a multi-year low, which reflects the significant easing of the inventory overhang in the Residential Real Estate sector



- In FY2022, for the listed companies in ICRA's sample set, on the back of multiple tailwinds the aggregate area sold stood at 61.81 million sft against 44.38 million sft in FY2021, recording a strong growth of 39%. Further, on the back of healthy collections, the aggregate net debt of companies in the sample set declined from Rs. 21,897 crore to Rs. 18,594 during this period.



- ICRA's outlook on the Residential Real Estate sector is Stable. The operational performance of the sector is likely to remain steady in FY2023 on high base of FY2022 while the leverage levels are expected to remain comfortable.

¹ Top Seven Cities: Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Bangalore, Hyderabad, Pune, Kolkata, Chennai, Ahmedabad

² Prestige Estate Projects Limited, Sobha Limited, Puravankara Limited, DLF Limited, Ashiana Housing Limited, Godrej Properties Limited, Mahindra Lifespaces Developers Limited, Oberoi Realty Limited, Sunteck Realty Limited, Kolte-Patil Developers Limited, and Macrotech Developers Ltd

Residential real estate sector reports robust performance

Exhibit: Multi-year low unsold inventory – Top Seven Cities¹

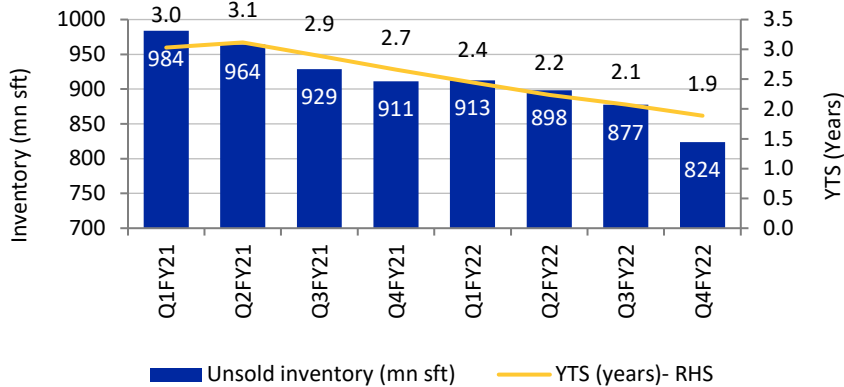
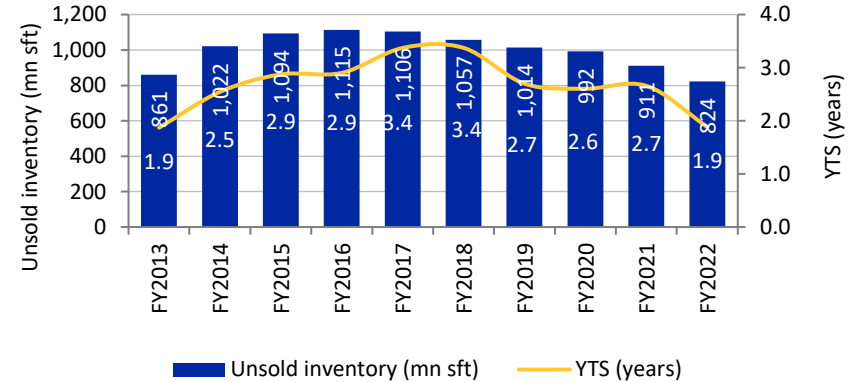


Exhibit: Trend in Yearly Inventory Position and YTS



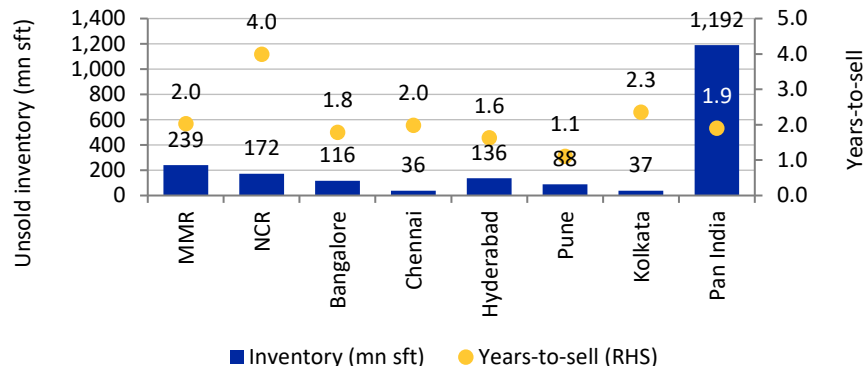
Source: ICRA research, PropEquity

- The residential real estate sector witnessed strong demand and absorption in FY2022. The strong absorption has been supported by pent-up demand, improved affordability, all-time-low home loan interest rate and certain state incentives. The performance is also supported by preference for larger and better homes, a result of flexible working models adopted by corporates and by the strong income growth in the IT/ITES sector. Some of the trends evident from the performance of developers during the last two years include higher sales in premium and luxury projects, especially those in the completed stages and increasing preference for established brands, especially for newly launched projects. The new launches have been calibrated across markets over the years, as the players were facing inventory overhang and modest sales.
- Launches in top seven cities stood at 82 mn sft in Q4 FY2022, which is lower than the 113 mn sft area launched in the preceding quarter as well as the 104 mn sft area launched in the corresponding quarter of the previous year.

¹ Top Seven Cities: Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Bangalore, Hyderabad, Pune, Kolkata, Chennai, Ahmedabad

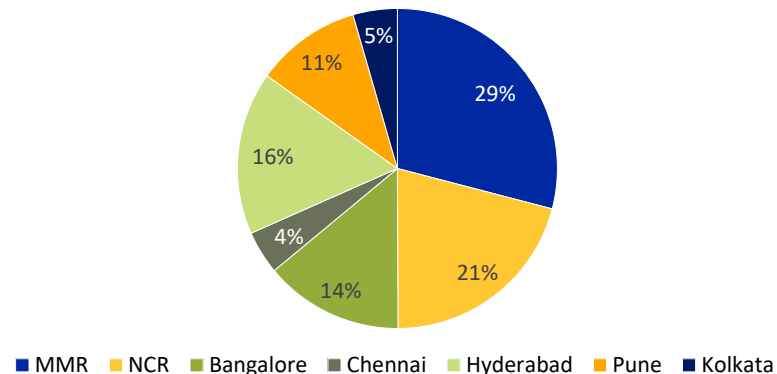
The largest unsold inventory is in MMR though the highest years of inventory are of the NCR market

Exhibit: Inventory position and YTS across cities



Source: ICRA research, PropEquity

Exhibit: Breakup of unsold inventory in top seven cities

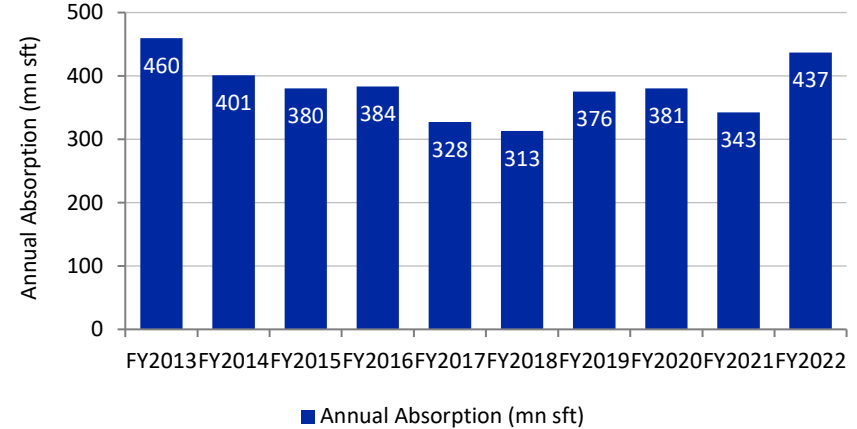
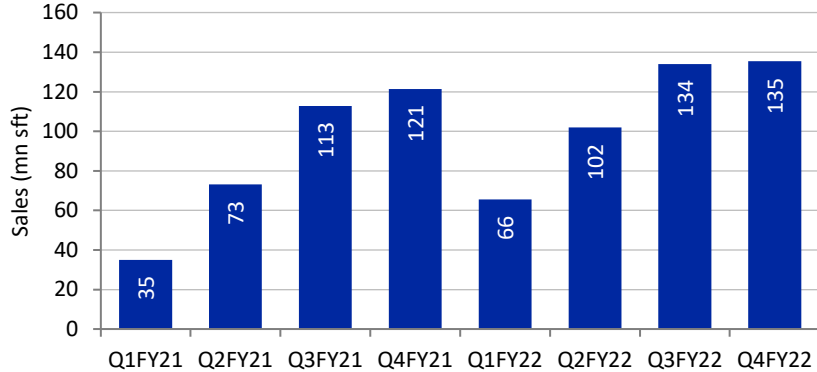


Source: ICRA research, PropEquity

- The current years-to-sell (YTS) for the unsold inventory is the lowest in the last eight years. The YTS had earlier deteriorated and had hit a high during the 12-month period between Q3 FY2017 to Q4 FY2018 when the sector saw the impact of the demonetisation, the Real Estate Regulatory Act (RERA) and the Goods and Services Tax (GST) and was trending lower from thereon. Post the pandemic, the inventory overhang reduced significantly due to improved sales traction and reduced launches and the sector is now having a healthy YTS number; which is likely to spur new launches across markets. The unsold inventory stood at 824 mn sft and YTS at 1.9 years, against 911 mn sft and 2.7 years, respectively in Q4 FY2021. Amongst the top seven cities, the largest unsold inventory is in the MMR, followed by the NCR, and the two together accounted for half of the unsold inventory of top seven cities.

Highest quarterly sales in over a decade in the top seven cities

Exhibit: Multi-year high sales in top seven cities

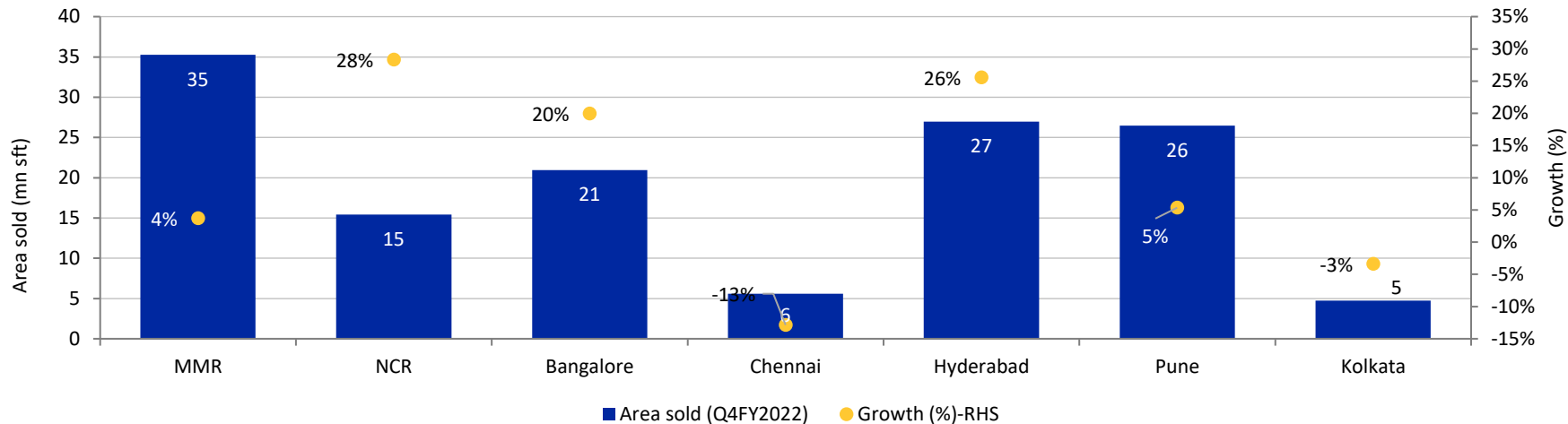


Source: ICRA Research, PropEquity

- The sales in the top seven cities increased from 121 mn sft in Q4 FY2021 and 134 mn sft in Q3 FY2022 to 135 mn sft in Q4 FY2022. In FY2022, the sales in the top seven cities stood at 437 mn sft, registering a growth of 28%. The average sale rate increased from Rs 5990 to Rs 6423 per sq ft in FY2022, an increase of 7%, on account of the change in product-mix with higher share of premium and luxury units, price hikes taken to absorb input cost pressure, and pricing flexibility arising out of healthy sales and resultant lower inventory overhang. ICRA expects the prices to remain firm over the medium term. Amongst the top seven cities, the highest growth in the area sold in Q4 FY2022 was in the NCR, which witnessed 28% growth, while on the other hand, the lowest was in Chennai, which witnessed a contraction.

City-wise area sold and growth in absorption

Exhibit: Area sold and growth in area sold in Q4 FY2022 - Top Seven Cities



- Amongst the top seven cities, the highest growth in the area sold in Q4 FY2022 was in NCR, which witnessed 28% growth, while on the other hand, the lowest was in Chennai, which witnessed a contraction.

Companies in ICRA's sample set reported strong performance and improvement in leverage position in FY2022

Exhibit: Movement in leverage and coverage metrics for companies in ICRA's sample set

Amounts in Rs Cr	FY2021	FY2022	Growth
Aggregate net debt	21,897	18,594	-15%
Aggregate value sold	34,452	52,128	51%
Aggregate collections	24,494	38,999	59%
Net debt/Value sold	0.63	0.36	
Net debt/Collections	0.89	0.12	

Source: ICRA Research, Company data

- On the back of multiple tailwinds, the aggregate area sold for the listed companies in ICRA's sample set² increased from 17.55 mn sft in Q4 FY2021 and 17.64 mn sft in Q3 FY2022 to 21.39 mn sft in Q4 FY2022, registering a YoY growth and QoQ growth of 22%. The aggregate value sold for the companies in ICRA's sample set increased from Rs. 14,861 crore in Q4 FY2021 and Rs. 15,876 crore in Q3 FY2022 to 18,007 crore in Q4 FY2022, while the average selling price increased from Rs. 7763 per sft to Rs. 8433 per sft in FY2022, a healthy increase of 9%. In the same period, the aggregate area sold stood at 61.81 million sft against 44.38 million sft, recording a strong growth of 39% and the value of area sold was Rs. 52,128 crore against Rs. 34,452 crore in FY2021. On the back of healthy collections, the aggregate net debt declined from Rs. 21,897 crore to Rs. 18,594 during this period.
- Furthermore, the aggregate net debt and the debt protection indicators of the companies in the sample set is at a comfortable level.

² Prestige Estate Projects Limited, Sobha Limited, Puravankara Limited, DLF Limited, Ashiana Housing Limited, Godrej Properties Limited, Mahindra Lifespaces Developers Limited, Oberoi Realty Limited, Sunteck Realty Limited, Kolte-Patil Developers Limited, and Macrotech Developers Ltd



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