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RESIDENTIAL REAL ESTATE

Launches likely to grow by around 15% in FY2024 and reach decadal high

September 2023

Agenda

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1 ICRA's outlook on sector

2 Trends in key operational metrics in the top seven cities

3 Emerging trends in the residential real estate sector

4 Key metrics of ICRA's sample set

5 ICRA's Ratings in the Sector and Annexures

Highlights

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The area sold is likely to increase by 8-9% in FY2024 on a high base of FY2023, supported by continued end-user demand and healthy affordability. The launches are expected to be at a decadal high of around 680 msf in FY2024.

- **ICRA expects the area sold in the top seven cities in India to increase by 8-9% to 650 msf in FY2024 on a high base of FY2023.** In FY2023, sales in the residential real estate sector across the top seven cities in India remained resilient with 603 million square feet (msf) of area sold, a growth of ~34% year-on-year (YoY), backed by strong end-user demand and healthy affordability. This was despite an increase in the policy rates translating to higher home loan interest rates. In Q1 FY2024, the area sold increased by 11% YoY.

- **ICRA expects the launches to be at a decadal high of around 680 msf in FY2024** (higher 15% YoY) and the launches in Q1 FY2024 were at 131 msf, on an aggregate basis, across the top seven cities. Consequently, the replacement ratio is estimated to inch to slightly above one time in FY2024, compared to 0.98 in FY2023.

- **The average sale price (ASP) rose by 11% in FY2023 on a YoY basis and is expected to further increase by 4-6% in FY2024.** This is driven by change in the product mix with a higher share of luxury units and pricing flexibility arising out of healthy sales and the resultant lower inventory overhang.

- **ICRA's outlook on the residential real estate sector is Stable.** Though the sales growth rate is likely to moderate in FY2024 on a high base of FY2023, ICRA expects the overall sales velocity, collections and inventory position to remain healthy. The net debt levels may increase by around 19-21% in FY2024, given the increased land acquisition for new business development by developers in addition to the increase in construction finance debt due to a ramp-up in project execution. Nonetheless, the leverage, net debt/cash flow from operations, is expected to be comfortable between 1.1 times and 1.3 times in FY2024, supported by healthy cash flows.

Source: Propequity and ICRA Research; Top Seven Tier 1 Cities: Bengaluru, Chennai, Hyderabad, Kolkata, MMR, NCR, Pune; ICRA's sample set: Ashiana Housing Limited, Brigade Enterprises Limited, DLF Limited, Godrej Properties Limited, Keystone Realtors Limited, Macrotech Developers Limited, Mahindra Lifespaces Developers Limited, Prestige Estate Projects Limited, Puravankara Limited, and Sobha Limited; Net debt is defined as total gross debt from the residential segment minus cash and cash equivalents

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Thank You!