

Residential Real Estate- Pune

**Sustained end-user demand to drive
12-14% growth in area sold in Pune
in FY2024**

JANUARY 2024





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Calibrated launches and healthy sales momentum contributed to notable reduction in the inventory overhang with an improvement in years-to-sell (YTS) at 0.8 years as of September 2023 from 1.8 years as of September 2020.

Area sold in the Pune market is expected to expand by 12-14% in FY2024, supported by continued end-user demand.



- Pune is the third largest residential real estate market among the top seven cities in India, accounting for 19% of the area sold in FY2023 and is expected to maintain its share at similar level in FY2024.



- The area sold in Pune grew at 28% YoY in FY2023, supported by strong end-user demand and healthy affordability despite headwinds such as increasing interest rates. ICRA expects the area sold to increase by a further 12-14% in FY2024, on the high base of FY2023.



- The years to sell (YTS) for unsold inventory witnessed a sustained reduction in Pune to 0.8 years as of September 2023 from 1.8 years in September 2020, driven by improved sales velocity and calibrated launches. The YTS is expected to remain around 1 time as of March 2024. During FY2023, the area sold at 113 msf, outstripped the launches at 109 msf, resulting in a healthy replacement ratio of ~1.0 times, which is expected to be sustained at a similar level in FY2024.



- The average selling prices in the Pune market have witnessed a healthy uptick and have grown by 11% to Rs. 6,108 psf in Q2 FY2024 from Rs. 5,505 psf in Q1 FY2023, driven by the increase in share of mid and luxury segments during this period.



- ICRA's outlook on the residential real estate sector is Stable and it expects the overall sales velocity and collections to remain healthy for its sample set. The sales are estimated to grow by 15-17% in FY2024 and ~11-12% in FY2025, and the collections are likely to increase by 19-21% in both FY2024 and FY2025, supported by an expected increase in unit sales, hike in average selling price and a ramp-up in project execution. The gross debt levels may increase by 17-19% in FY2024 and remain at similar levels in FY2025. Nonetheless, the leverage, as measured by gross debt/CFO, is likely to remain comfortable between 1.70-1.75 times in FY2024 and 1.55-1.60 times in FY2025, supported by healthy cash flows.

A close-up photograph of a person in a dark suit and white shirt, holding a black pen and pointing at a bar chart on a document. The document also features a pie chart and some text. The person's hand is visible, and the pen is held in a way that suggests they are explaining or analyzing the data. The background is slightly blurred, focusing attention on the document and the person's hand.



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