

THE GERA  
**PUNE**  
RESIDENTIAL  
REALTY REPORT

THE YARDSTICK FOR  
PUNE REALTY

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# FOREWORD

**ROHIT GERA**

MANAGING DIRECTOR  
GERA DEVELOPMENTS PRIVATE LIMITED

If someone would have told us in January 2020 that we would spend months locked in our homes, international and domestic travel shut down, no work on construction sites anywhere, we would have laughed it off as impossible. Yet, the world experienced just that. The pandemic and lockdown has had tremendous impact on all industries. Real estate is no different.

Developers had to deal with workers initially locked down at their labour camps and at construction sites, followed by a mass exodus of workers when work was permitted to commence. The challenges of salaries and overheads with no income was compounded by mounting interest burden on loans.

If someone would have told us in July 2020 that the vaccine may not be in place by December 2020, yet, the economy would back on track, real estate sales would be back to the numbers from one year ago, we would have laughed that off too.

This is all that we experienced over the last year.

Seismic events have a tendency to change market dynamics and the pandemic and lockdown is no different. After the introduction of RERA, we saw a sharp drop in the launch of projects and new homes being added to the market came down. The numbers steadily increased over the next 2 years and crashed again in the first half of 2020 on account of the pandemic. New launches recovered somewhat in the second half but still the full year new inventory was over 40% less than the previous year. Sales were also down as expected in the first half of 2020, however, the bounce back of sentiment reflected in sales in the second half of 2020 being almost the same as the same period of 2019.

The introduction of lesser new inventory has led to unsold inventory in number of units being at a 6-year low. In percentage terms, the unsold inventory at 23.1% is near a 10-year low. This has led to the inventory overhang to come down to 10.5 months of inventory.

The replacement ratio is at 0.85, meaning sales are happening faster than new inventory being added to the market.

The outcome of this is reflected in an upward price movement in 2020.

The upward price is also as a result of demand on the back of increased affordability. We assessed affordability by considering the salary required to purchase a 1,000 sq. ft. apartment at the average rate of ₹5,100 psf in December 2015. The interest rates were at 9.45% then. We then increased this salary annually, inflating at the consumer price index rate of inflation. At the increased salary, at today's interest rate of 7.7%, and today's average rate of ₹4,691 psf, a person could buy a home that is 1,544 sq. ft. This means affordability is up by about 50% in the past 6 years.

Increased affordability and reduced availability are a classical set up for prices to start rising. This seems to have started happening.

Normally, this would be considered the beginning of a price rise cycle, however, developers are ready to bring in new supply. This is compounded with the new development control rules that have been recently introduced by the State government where development potential has increased substantially and hence developers are back to the drawing board to redesign their projects – we expect that the same number of new projects will contain a lot more inventory in the near future.

We therefore expect that the short term shortage of supply will lead to a price rise followed by a period of stability in prices on account of increasing inventory being brought into the market.

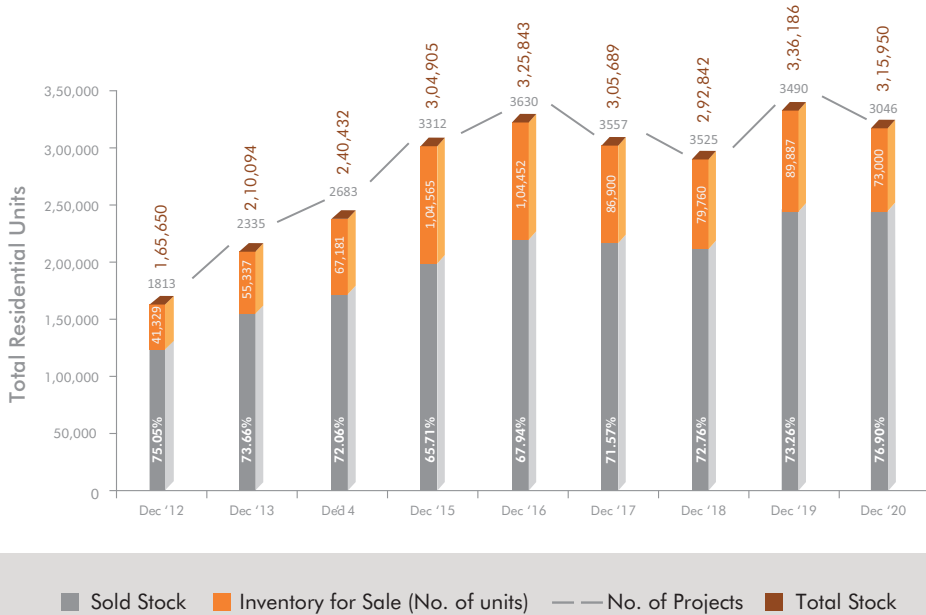
As always, we continue to advise home buyers to be careful of where to buy. It is very easy to get carried away in a rising market. This is especially the time to ensure that the developer they are buying from is financially strong, the project has financial closure and is adequately capitalized to ensure the project does not suffer on account of a cash crunch.



# INVENTORY OVERVIEW



FIG.1 - INVENTORY OVERVIEW



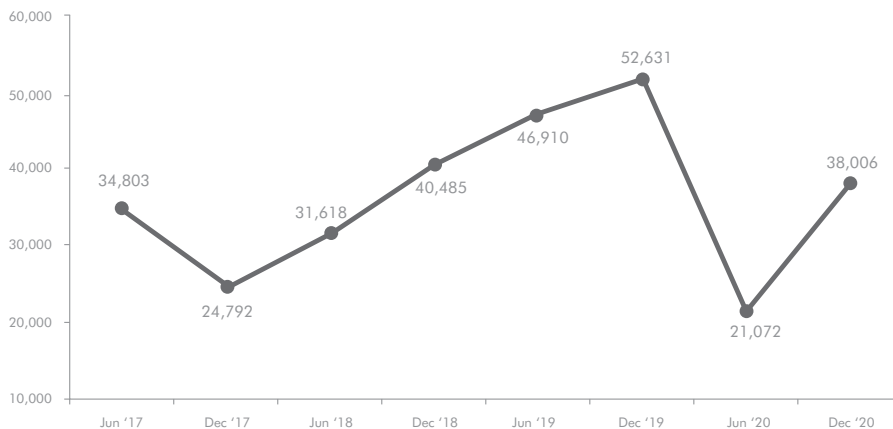
Inventory available for sale at a **6** year low

Total number of live projects being built has fallen significantly to 3,046 in Dec '20 from a peak of 3,630 as on Dec '16. This 16% drop in number of projects however has seen a reduction in the total inventory by only about 3%. The average number of apartments per project therefore has risen from about 90 homes per project to about 103 homes per project.

As of Dec '20, the total number of projects on hold (where work has commenced and presently stopped) has reached 292 (the figure of 3,046 live projects excludes these 292 projects). These 292 projects consist of a total of 44,206 apartments. Based on our information, 26,341 have been sold. Some of these are stuck since before the introduction of RERA, while others have got stuck on account of the various challenges faced by the real estate sector over the years.

# NEW LAUNCHES

**FIG. 2 - NEW UNITS LAUNCHED**  
(Number of units)



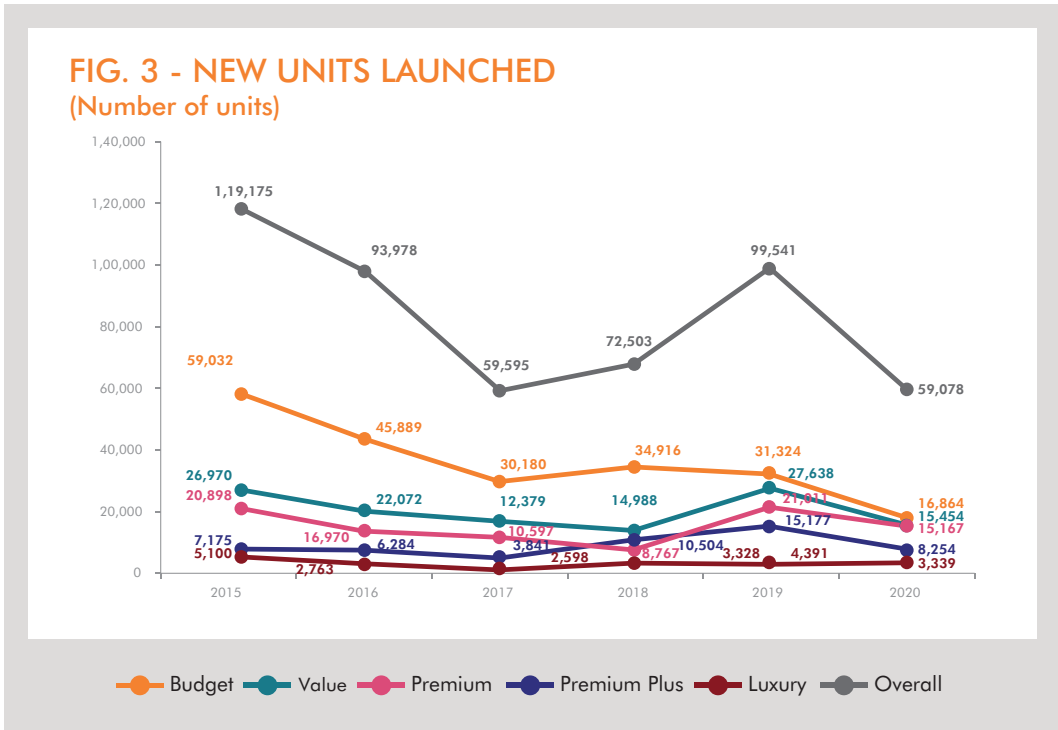
New launches fall by  
**41%**

New apartments being launched in the full year of 2020 is 41% lesser than those launched in 2019. This however was expected and especially showed up in the first half of 2020 when the new launches dropped by over 50%. The second half of 2020 however also saw a drop of over 27% compared to H2 2019. The reduced launches will have an impact on prices if the first half of 2021 does not see new launches compensating for the shortfall of 2020.

Looking at the Zonewise inventory launched, the trend clearly indicates that. However, Zone 1 has registered the least fall over 2019 at -26% in new supply. (For a detailed definition of micro markets in each zone, see page 27 – Annexures).

TABLE 1. NEW STOCK ADDED IN ZONES (Numbers in Units)							
Zone	2015	2016	2017	2018	2019	2020	% change over 2019
1	21,110	12,693	7,581	9,979	11,843	8,748	-26%
2	19,422	15,482	8,206	14,687	16,361	10,778	-34%
3	14,687	16,294	10,965	13,303	12,742	4,961	-61%
4	23,160	16,615	11,802	14,301	24,565	13,762	-44%
5	5,276	2,689	2,380	1,625	3,258	1,963	-40%
6	35,520	30,205	18,661	18,608	30,772	18,866	-39%
<b>Total</b>	<b>119,175</b>	<b>93,978</b>	<b>59,595</b>	<b>72,503</b>	<b>99,541</b>	<b>59,078</b>	<b>-41%</b>

Looking at the 12-monthly data of new launches by segment, the luxury segment has seen a lesser relative reduction in the new apartments launched. The luxury segment has reduced launches by just under 25% whereas surprisingly, the budget and value segment have seen a drop of between 46% and 44% in the new inventory launched in 2020.



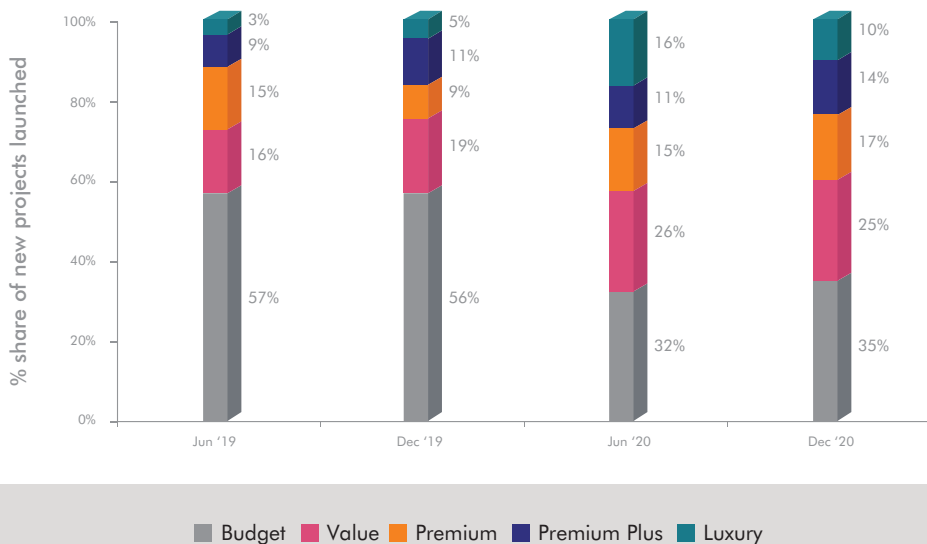


In the six months ended Jun '19, the share of Premium Plus + Luxury segment in the new launches has increased from 12% to now 24% indicating that there is a structural change in the real estate market. Of particular note is the share of the 3-bedroom configuration in new launches which has improved significantly from 5.4% in 2017 to over 12% in 2020. Conversely, share of the 1 bedroom configuration has dropped from ~48% in 2017 to ~30% in 2020. This validates the view that due to the general improvement in affordability, people are now in a position to upgrade their home and developers have started to launch higher configurations to meet this unmet demand.

**TABLE 2. SEGMENT WISE NEW PROJECTS LAUNCHED  
(Number of Units)**

6 months ended	Budget	Value	Premium	Premium+	Luxury	Total
Jun '19	255	73	67	41	15	<b>451</b>
Dec '19	284	97	44	57	23	<b>505</b>
Jun '20	65	52	31	22	32	<b>202</b>
Dec '20	97	71	47	38	27	<b>280</b>

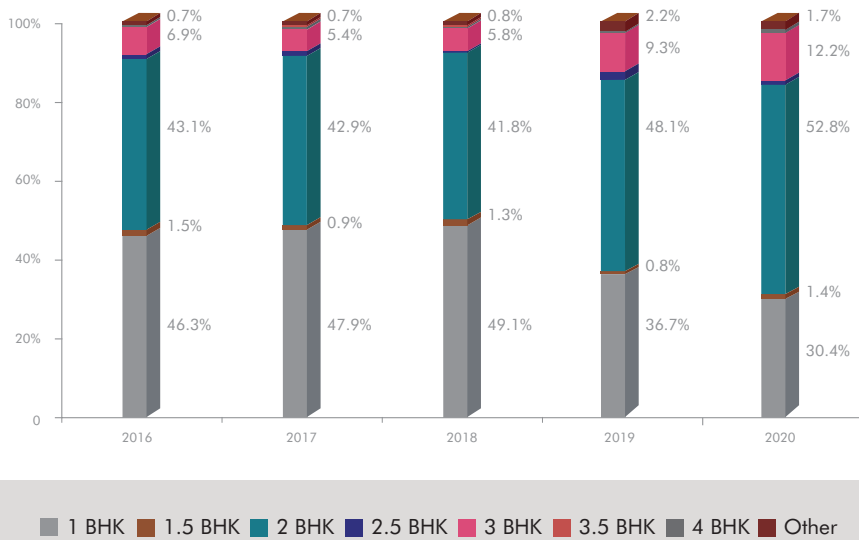
**FIG. 4 - SEGMENT WISE NEW PROJECTS LAUNCHED  
(6 months ended)**



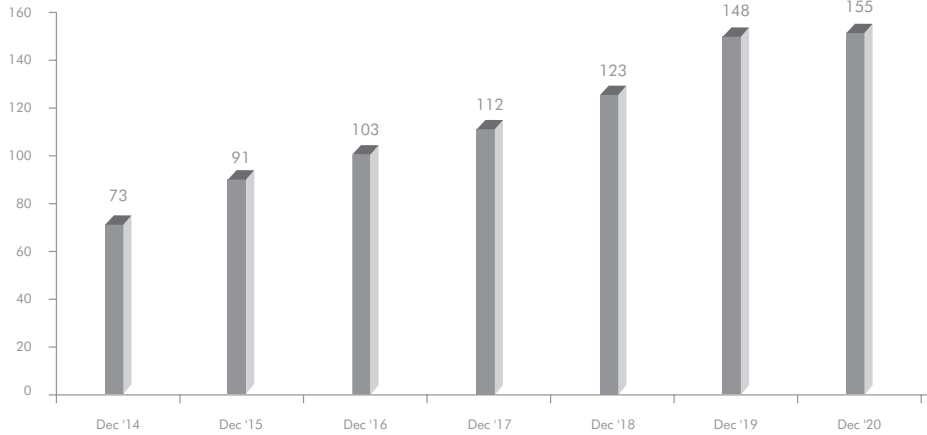
**TABLE 3. BREAKUP OF NEW UNITS LAUNCHED BY BEDTYPE (Number of Units)**

	1BHK	1.5BHK	2BHK	2.5BHK	3BHK	3.5BHK	4BHK	Other	Total
Dec '16	43,529	1,410	40,544	851	6,529	122	373	620	<b>93,978</b>
Dec '17	28,542	524	25,550	717	3,195	413	216	438	<b>59,595</b>
Dec '18	35,618	929	30,325	479	4,184	60	324	584	<b>72,503</b>
Dec '19	36,550	809	47,833	2,288	9,305	276	296	2,184	<b>99,541</b>
Dec '20	17,937	802	31,166	630	7,195	55	303	990	<b>59,078</b>

**FIG. 5 - BREAKUP OF NEW UNITS LAUNCHED BY BEDTYPE (%)**



The trend of large projects being launched continues. The number of projects with a size >500 units has further increased to 155. This number has more than doubled in the last 7 years.

**FIG 6. NUMBER OF PROJECTS (Size >500 Units)**

All this indicates that market share of reputed developers who are able to launch larger projects is increasing. This leaves fewer customers for smaller, less reputed developers who are bearing the brunt of the economic slowdown and challenging environment. This fact is again reiterated when we look at the distribution of projects by size. The number of projects with a size of  $\leq 100$  units has dropped significantly in the last 5 years from 2,531 to 2,004 projects while they have been constantly increasing in the 250+ units bracket. ~13% of the marketplace currently consists of projects sized 250 units & above.

**TABLE 4. DISTRIBUTION OF PROJECTS BY SIZE (As on 6 months ended)**

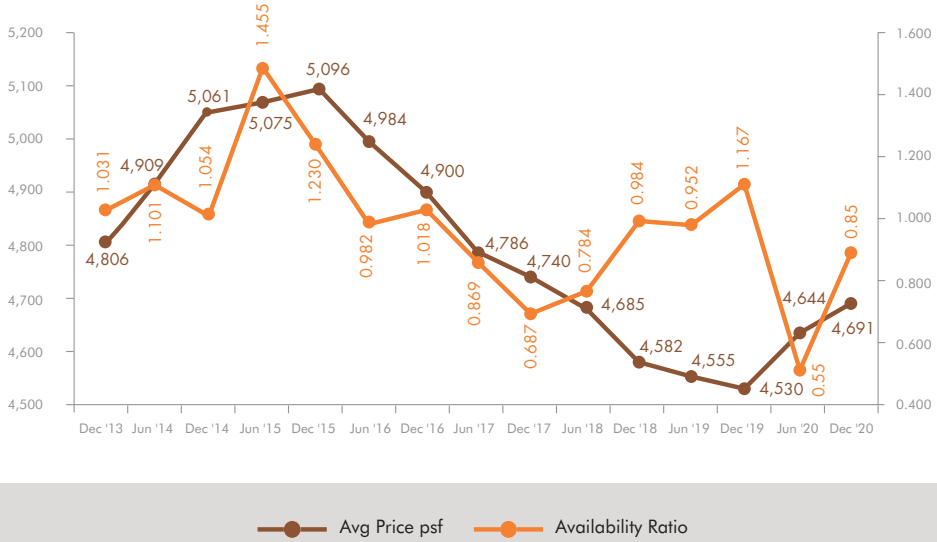
Project Size (no of units)	Dec '16	Dec '17	Dec '18	Dec '19	Dec '20
Less than Equal to 100	2,531	2,503	2,499	2,401	2,004
101-250	757	728	693	713	650
>250	342	326	333	376	392
<b>Total</b>	<b>3,630</b>	<b>3,557</b>	<b>3,525</b>	<b>3,490</b>	<b>3,046</b>



# REPLACEMENT RATIO

The replacement ratio is the new supply added, divided by the number of apartments sold in a period of time. A replacement ratio of 1 indicates that demand and supply are in consonance i.e. inventory being sold is being replaced by an equivalent amount of new inventory. When the ratio is more than 1, supply is being added faster than sales and when replacement ratio is less than 1, sales are faster than inventory addition. Due to the Covid-19 scenario, the replacement ratio had dropped sharply to 0.55 in the 6 months ended Jun '20, indicating that demand was greater than supply i.e. more units were being taken out than being added. This was understandable as sales picked up at the individual customer level but project launches by developers was deferred in the face of uncertainty. The market has responded in classical terms with prices rising and new inventory coming in. Prices increased by 3.54% in 2020 over 2019. The influx of new inventory caused the replacement ratio to increase to 0.85. This still indicates that for every 100 homes being sold to customers, only 85 new homes are being added by developers.

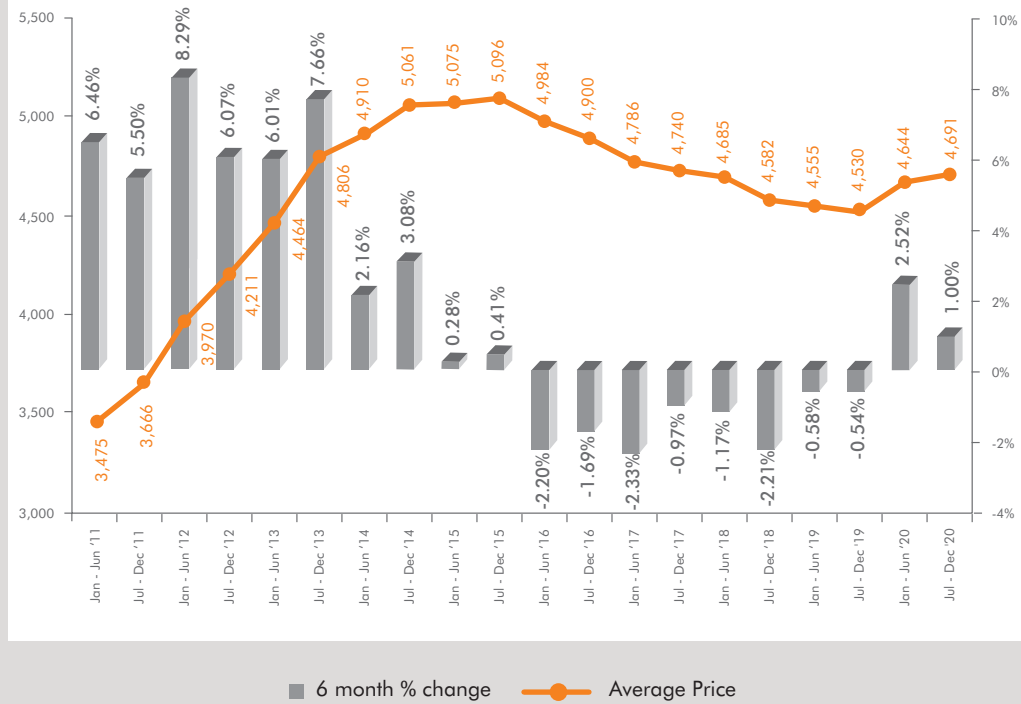
**FIG. 7 - REPLACEMENT RATIO V/S PRICE**



# PRICES



FIG. 8 - SIX MONTHLY PRICE MOVEMENTS



The overall average prices have increased by 3.5% across the entire city compared to 2019. This increase in prices has been driven by the steep increase in the prices of new projects. Prices of new projects have increased by 17.29% over Dec '19. As mentioned earlier there has been an increase in the % share accounted for by higher bedroom types especially 3 BHK which partly explains the higher prices.

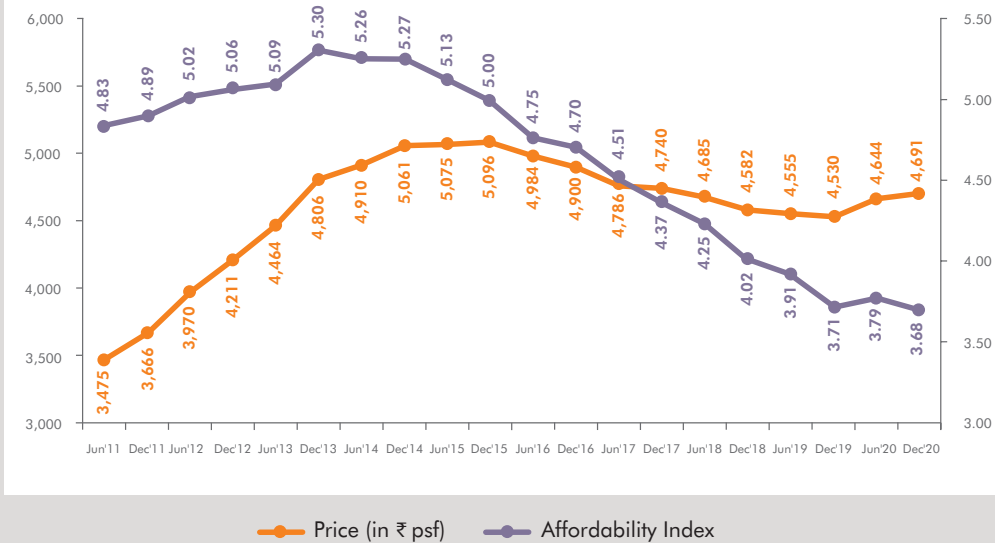
**TABLE 5. NEW SUPPLY LAUNCHED AT HIGHER PRICES**  
**(nos. are in ₹ psf except percentages)**

Project Type	Dec '19	Dec '20	Y-o-Y
New Projects	4,177	4,899	+17.29%
New Phases	4,831	4,709	-2.53%
Existing Projects	4,592	4,673	+1.76%
<b>Overall</b>	<b>4,530</b>	<b>4,691</b>	<b>+3.54%</b>

# AFFORDABILITY



FIG 9 - AFFORDABILITY INDEX V/S PRICE



Affordability is amongst the highest seen in the last **9** years

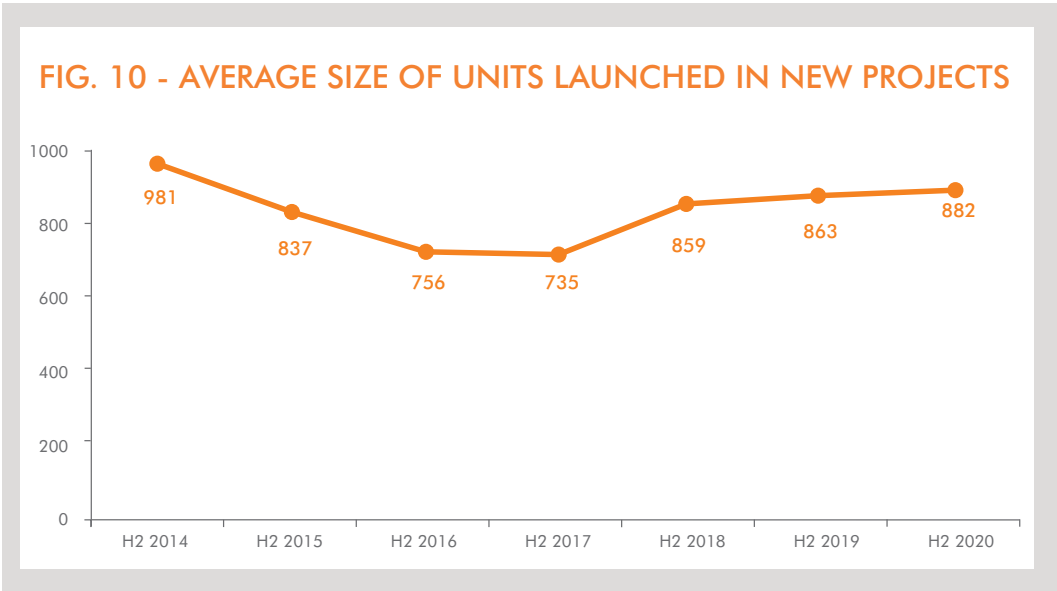
The latest reduction interest rates has led to an increased affordability for home buyers. The affordability is the highest in the last 9 years at 3.68x annual income making this the best time to buy a home. Over time interest rates and prices (from Jun '15 onwards) have trended down, while incomes have risen thereby increasing the affordability significantly.



We evaluated the salary needed to buy a home based on the then prices Psf in Jun '11 considering interest rates at that time. We then increased this salary based on the consumer price index and compared the new cost of the home with the increased salary. In Jun '11, the salary needed to buy a 1,000 sq. ft. home was 4.83 times. This peaked in Dec '14 where the salary needed to buy the same 1,000 sq. ft. house at the increased salary and increased rates was 5.27 times. Since Dec '14, the consistent reduction in rates and the salary increments have led to a situation where the house cost for a 1000 sq. ft home is now at 3.68 times the salary.

The other impact of affordability is that with affordability at an all-time high – customers now can move to the bigger developers who have the capabilities to deliver on promises. When affordability was low, customers had no choice but to settle for a lesser known developers leading to a fragmented market. Now, customers can go for the top-tier developers and this is fueling the consolidation in the market.

# HOME SIZES



Home sizes have continued to increase with the average home size now ~ 900 sq. ft.

# SALES OVERVIEW

Sales growth back to Pre-covid levels

The 6 monthly sales numbers for the July to Dec '20 period is at 44,709 units while the same period last year was 45,110. This 1% difference is negligible and as such, the half year sales have come on par with 2019. Looking at the full year sales, overall sales offtake has dropped by 12.34% over 2019 but there are some configurations that have done well. There has been a significant increase in the market share of 1201-1400 sq. ft. driven by a 24% increase in volume. In fact, if you look at the sales volume of the 800+ sq. ft. segment, sales have barely been impacted and show a marginal reduction of ~2%. Multiple data points indicate a strong wave towards higher configurations.

**TABLE 6. SALES OFFTAKE – 12 MONTHLY**

SIZE	2018	Market share	2019	Market share	2020	Market share	Increase over 2019
<b>Overall</b>	<b>81,907</b>	<b>100%</b>	<b>94,383</b>	<b>100%</b>	<b>82,727</b>	<b>100%</b>	<b>-12%</b>
< 600	24,145	29%	25,690	27%	17,270	21%	-33%
600-800	17,527	21%	18,782	20%	16,372	20%	-13%
801-1000	19,981	24%	24,658	26%	25,554	31%	4%
1001-1200	12,070	15%	14,431	15%	12,459	15%	-14%
1201-1400	2,968	4%	3,992	4%	4,942	6%	24%
1401-1600	2,570	3%	3,454	4%	3,025	4%	-12%
1601-1800	1,029	1%	1,275	1%	1,229	1%	-4%
1801-2000	361	0%	496	1%	432	1%	-13%
2000+	1,256	2%	1,605	2%	1,444	2%	-10%

Looking at the Six monthly sales numbers indicates that over H1 '20, there has been a strong rebound in sales with growth at 18%. Sales growth in H2 '20 is almost at par with H2 '19 indicating that sales are back at Pre-Covid levels. Some of the segments that have shown a strong sales growth are the Premium & Luxury segment, where the growth momentum has been between 50-60% (over H1 '20).

**TABLE 7. SALES OFFTAKE – 6 MONTHLY**

SEGMENT	Jan-Jun '17	Jul-Dec '17	Jan-Jun '18	Jul-Dec '18	Jan-Jun '19	Jul-Dec '19	Jan-Jun '20	Jul-Dec '20	Growth over same period last year
<b>Total</b>	<b>40,063</b>	<b>36,086</b>	<b>40,345</b>	<b>41,562</b>	<b>49,273</b>	<b>45,110</b>	<b>38,018</b>	<b>44,709</b>	<b>-1%</b>
Budget	19,301	17,120	17,687	18,868	21,592	17,728	13,485	14,586	-18%
Value	8,972	6,573	8,445	8,365	9,737	11,183	10,060	10,256	-8%
Premium	7,007	6,647	6,664	5,862	8,999	7,802	7,133	11,344	+45%
Premium Plus	3,460	4,264	5,783	6,819	7,186	6,062	5,873	6,306	+4%
Luxury	1,323	1,482	1,766	1,648	1,759	2,335	1,467	2,217	-5%

# INVENTORY OVERHANG



**TABLE 8. – INVENTORY OVERHANG**

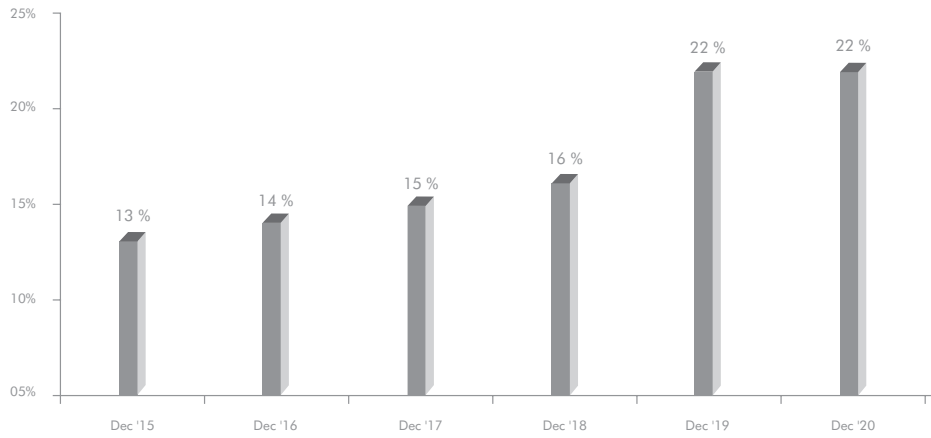
TOTAL	Dec '16	Dec '17	Dec '18	Dec '19	Dec '20
<b>Total</b>	<b>13.34</b>	<b>13.69</b>	<b>11.69</b>	<b>11.43</b>	<b>10.59</b>
<b>Budget</b>	10.96	11.38	10.37	8.30	9.10
<b>Value</b>	13.59	14.31	13.00	14.34	10.57
<b>Premium</b>	17.22	15.43	12.41	12.08	12.14
<b>Premium Plus</b>	15.52	17.23	11.47	13.40	10.44
<b>Luxury</b>	20.09	22.15	17.48	17.49	14.76

Overall Inventory overhang shows a  
**Y-o-Y**  
improvement

The inventory overhang (based on the offtake rate for 6 months) has further improved to 10.59 months. Of note is the improvement seen in the Luxury segment where overhang has improved to 14.76 months from 17.49 months in 2019.

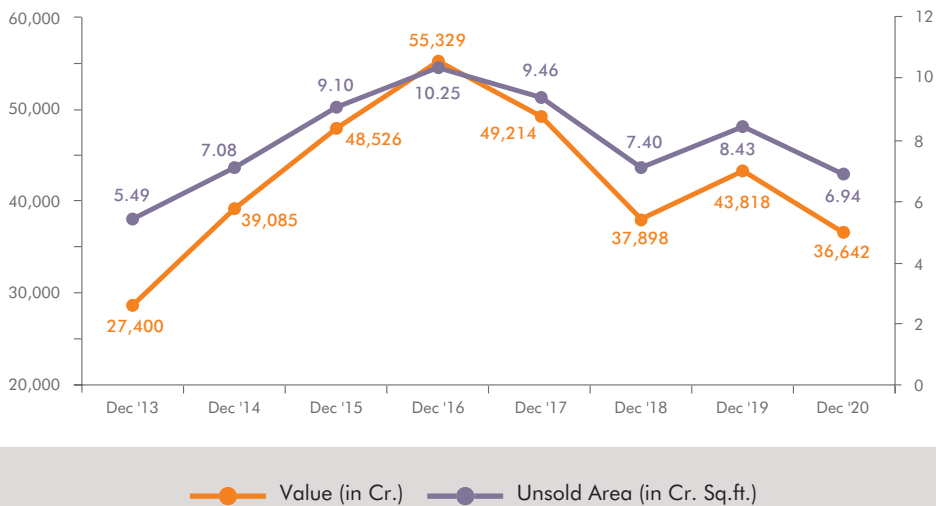
We looked at 20 of the top developers in Pune in terms of brand name and repute. To ensure consistency and uniform comparison we maintained the same list of developers over the past 5 years. We then calculated what was their share in the last 12 months. The data clearly indicates that over the past their share in sales has gotten stronger especially post RERA. These developers have very successfully managed to take away sales from other developers. The top 20 developers account for more than 1/5<sup>th</sup> of the sales volume seen in 2020.

**FIG 11 - SHARE IN YEARLY OFFTAKE OF THE TOP 20 DEVELOPERS  
TOP 20 DEVELOPERS**



# INVENTORY VALUE AND SQUARE FEET

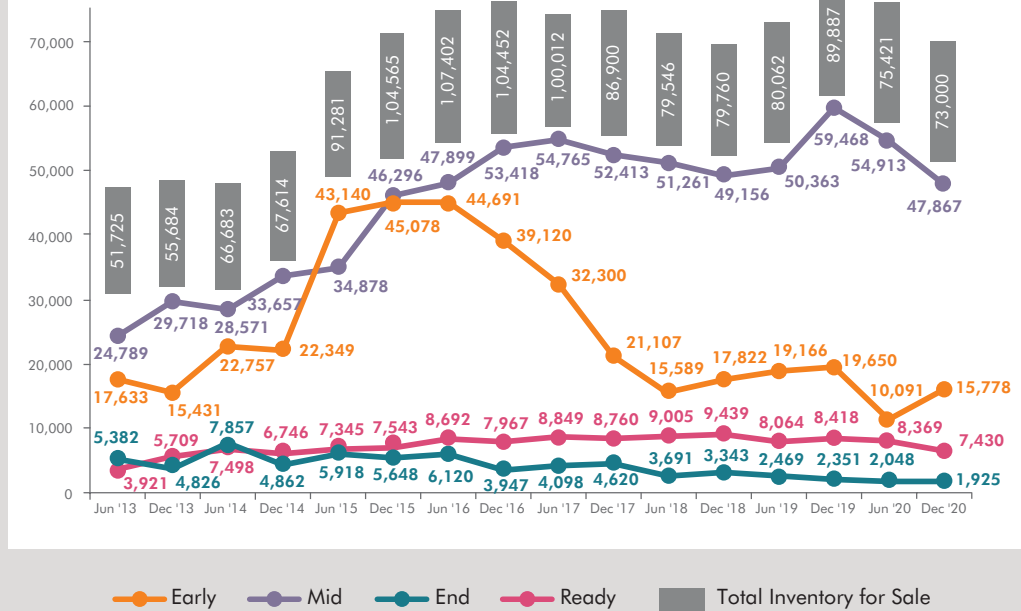
**FIG. 12 - VALUE OF INVENTORY FOR SALE**  
(in ₹ Cr.) & AREA (in Cr. sq.ft.)



Total value of unsold inventory at  
**₹36,642 Cr**

The value of the inventory available for sale has decreased to 6.94 Cr sq. ft. while value of that inventory has decreased to ₹36,642 Cr. This is now at 6-year lows in terms of both value and volume.

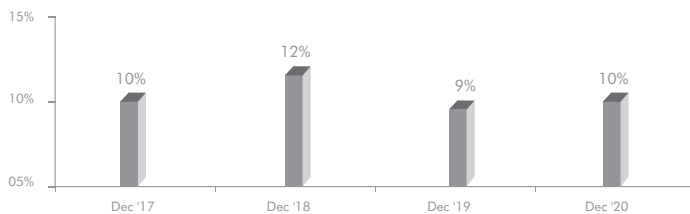
FIG. 13 - INVENTORY FOR SALE BY STAGES



Inventory available for sale at a **6** year low.

We have classified projects into 4 stages based on construction status i.e., Early, Mid, End and Ready. The share of ready inventory in the total inventory available for sale has remained constant between 9-12% in the last few years. Over the last 7 years, ready stock has been a stable 7,500 to 9,000 units despite all the upheavals in the market landscape debunking the hypothesis that customers prefer ready stage inventory to early stage inventory.

FIG. 14 - SHARE OF READY INVENTORY IN THE TOTAL INVENTORY FOR SALE





# CONCLUSION



The sharp recovery seen in the Pune real estate market driven by the share in the higher and more premium product types clearly indicates that market has climbed the wall of worry posed by the Covid situation. Sales volume is at par with pre-covid levels. However, competitive intensity amongst the top tier developers has increased. 7.5% of all the live projects account for ~36% of the offtake and 1/5<sup>th</sup> of the offtake is accounted for by the top 20 developers.

Affordability has brought about a structural change in the market landscape with customers now opting for higher bedroom types with top-tier developers.

Some developers with the desire to match customer aspirations have started pushing the envelope to attain clear undisputable market leadership.

# ANNEXURES



**TABLE 9. PRICING CLASSIFICATION FOR EACH SEGMENT (in ₹ psf)**

SEGMENT	Dec '13	Jun '14	Dec '14	Jun '15	Dec '15	Jun '16	Dec '16	Jun '17	Dec '17	Jun '18	Dec '18	Jun '19	Dec '19	Jun '20	Dec '20
<b>Budget &lt;</b>	4,000	4,122	4,247	4,144	4,060	3,991	3,899	3,808	3,719	3,633	3,728	3,705	3,685	3,777	3,814
<b>Value &lt;</b>	5,000	5,152	5,309	5,180	5,076	4,989	4,873	4,760	4,649	4,541	4,659	4,631	4,606	4,721	4,767
<b>Premium &lt;</b>	6,000	6,182	6,370	6,216	6,091	5,987	5,848	5,712	5,579	5,449	5,591	5,558	5,527	5,665	5,721
<b>Premium Plus &lt;</b>	7,500	7,728	7,963	7,770	7,613	7,484	7,310	7,140	6,974	6,811	6,989	6,947	6,908	7,082	7,151
<b>Luxury &gt;</b>	7,500	7,728	7,963	7,770	7,613	7,484	7,310	7,140	6,974	6,811	6,989	6,947	6,908	7,082	7,151

### Zone 1

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Bokari | Bolhai | Dhanori | Ghorpadi | Kalas | Keshav Nagar | Kesnand | Kharadi | Koregaon Bhima | Lohegaon | Lanikand | Mundhwa | Nagar Road | Ranjan Gaon | Sanaswadi | Shikrapur | Shirsatwadi | Talegaon | Dhamdhare | Viman Nagar | Vishrantwadi | Wadgaonsheeri | Wagholi | Yerwada

### Zone 2

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Bibvewadi | Fursungi | Gultekdi | Hadapsar | Kondhwa | Loni Kalbhor | Lulla Nagar | Manjari | Market Yard | Undri | Mohammad Wadi | NIBM Road | Pisoli | Salisbury Park | Saswad | Uruli Devachi | Uruli Kanchan | Wadki | Yavat | Yewalawadi

### Zone 3

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Ambegaon | Dhankawadi | Dhayari | Donje | Katraj | Khadakwasla | Khed Shivapur | Kirkitwadi | Kolhewadi | Nanded | Kondhawe Dhawade | Narhe | Shivane | Uttam Nagar | Warje

### Zone 4

---

Ambadvet | Aundh | Balewadi | Baner | Baner Balewadi Road | Baner Pashan Link Road | Baner Sus Road | Bavdhan | Bhugaon | Bhugawade | Bhukum | Chandkhed | Ghotawade | Hinjewadi | Kasar Amboli | Mahalunge | Marunji | Nande | Pashan | Paud Road | Pimple Gurav | Pimple Nilakh | Pimple Saudagar | Pirangut | Punawale | Sus | Sus Road | Tathawade | Urawade | Wakad

### Zone 5

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Anand Nagar | Bhosale Nagar | Boat Club Road | Camp | City | Dattawadi | Erandwane | FC Road | Fatima Nagar | Ganeshkhind Road | Gokhale Nagar | Gultekdi | Hingne | JM Road | Kalyani Nagar | Karve Nagar | Khadaki | Parvati | Koregaon Park | Kothrud | Mitra Mandal | Model Colony | Mukund Nagar | Padmavati | Peth | Prabhat Road | SB Road | Sahkar Nagar | Satara Road | Shivaji Nagar | Sinhagad Road | Tilak Road | Vadgaon BK | Wakadewadi | Wanowrie

### Zone 6

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Akurdi | Alandi | Alandi Road | Alandi-Dehuroad | Alandi-Moshi Road | Bhosari | Bhosari Pradhikaran | Bhopkel | Chakan | Charholi | Chikhali | Chikhali Pradhikaran | Chimbali | Chinchwad | Dange Chowk | Dapodi | Dehugaon | Dighi | Dedulgaon | Kalewadi | Kasarwadi | Kamshet | Kanhe | Kiwale | Mamurdi | Moshi | Moshi Pradhikaran | Navi Sangvi | Nigdi Pradhikaran | Phugewadi | Pimpri | Punewala | Rahatani | Ravet | Sanghavi | Somatne Phata | Talawade | Talegaon | Thergaon | Wadgaon Maval | Wadmukhwadi



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