

MW MARKET WATCH

Q1 2017-18



Key Residential Trends - Chennai

Sentiments, New launches and Enquiries

- Like other top metro cities of India, Chennai real estate market remained under the collective influence of GST and RERA during the quarter. The realty market also witnessed revision in stamp duty and registration charges during the end of the quarter.
- Home buyers were very active during the quarter. The steady enquiry inflow reflected a positive market sentiment. Assuming that developers will be willing to clear out maximum inventory before RERA and GST, buyers were anticipating significant discounts in the asking prices.
- Demand was mostly driven by end users belonging to the IT and corporate sector. Majority of home buyers enquired for 2 BHK apartments priced between Rs. 40 to 60 lakhs. The budget range of Rs 1 to 1.5 crores also saw a good demand.
- Ready to move projects got better response vis-à-vis under-construction projects as buyers as projects with OC were to be excluded from the ambits of both GST as well as RERA. This apart, there was also an increase in the number of buyers looking for resale properties.
- Localities like Tambaram, Pallikaranai and Medavakkam were popular among mid income buyers having a budget rate of around Rs 50 lakhs. Where buyers with Rs 1 crore and above budget were interested properties along the OMR (Old Mahabalipuram Road).
- As expected the quarter did not witness any major new launch. Launches which were in pipeline have been postponed as developers preferred to wait for the commencement of TN RERA and GST.

Sales Volumes, Inventory and Price Trends

- Absorption, on the other hand, was not in line with the enquiry inflow. Consumers were expecting heavy discounts on their purchases. Nevertheless, developers stood firm on their asking prices.
- Many deal closures got postponed as buyers were willing to wait until the prices fell to desirable levels.
- Absorption was mostly driven by ready to move properties. Resale properties costing 10 to 20 per cent lesser than market value also witnessed a good movement.
- Developers offering compact 2 and 3 BHKs witnessed good sales owing to a strong demand from joint families with modest budget.



- Though the prices continued to remain unchanged, buyers were offered discounts in the range of 5 to 10 per cent at the final stage of negotiation. Discounts were also decided on the basis of payment chosen by the buyer.

Expected likely trends during the Q2 2017-18

- Going forward the market is expected to remain relatively passive during the upcoming Q2 of FY 2017-18.
- Initial months of TN RERA will keep the developers busy with compliances and registration of their existing projects. Hence, very few new launches are expected in the upcoming 2 to 3 months.
- On the demand front, buyers are expected to hold their decisions until they see some clarity on RERA and GST. The quarter will also experience seasonal slow-down associated with the inauspicious period of Aadi, which spans across the months of July and August.
- As envisioned by the government, GST is not supposed to put any additional cost burden on consumers. However, it will take some time to gauge the actual effect of GST on prices.
- Phase 2 of Chennai Metro is soon expected to get a clearance from the central government. The proposed phase will have three corridors: Madhavaram to Siruseri (45.77 km), Madhavaram to Sholinganallur (44.66 km) and CMBT (Chennai Mofussil Bus Terminus) to Light House (17.12 km). Once cleared the development will bring huge benefits to respective the micro-markets.

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