

MW MARKET WATCH

Q3 2016 - 17



Key Residential Trends - Chennai

Sentiments, New launches and Enquiries

- Political instability and demonetization coupled with the onslaught caused by cyclone Vardah kept the real estate market in Chennai subdued during most part of the Q3.
- The market was showing signs of post monsoon recovery during October as enquiries had started picking up. However, enquiry flow started dropping post demonetization. This was mainly because of the widespread anticipation regarding significant fall, of around 20 to 30 per cent, in property prices. As a result, potential buyers postponed their buying decisions until capital values reach the anticipated levels.
- The demand mostly revolved around affordable 2 BHK apartments costing between Rs 40 to 60 lakhs. Localities along the commercially driven OMR (Old Mahabalipuram Road) corridor remained the most sought after housing destination in Chennai.
- Considering the weak market sentiments, most developers preferred to keep their scheduled new launches on hold.

Sales Volumes, Inventory and Price Trends

- As a consequence of the various unfavourable events, the quarter witnessed marginal absorption. Though the effect of demonetization was minimum, political instability due to the death of former CM left a strong impact on the market.
- Highest movement was witnessed by projects located in South Chennai. Most of the absorption was attributed to young and middle aged buyers working in IT and corporate sectors. Investor activity on the other hand remained subdued.
- As opposed to anticipations regarding significant fall in property values, the prices more or less remained stable during the entire quarter. However, developers were ready to offer marginal discounts in the range of Rs 100 to 300 on the per square feet rates.
- Apart from discounts, developers were offering easy payment schemes such as the subvention scheme.

Expected likely trends during the Q4 2016-17

- Going forward, Chennai's real estate market is expected to remain subdued until the end of Q4 as potential customers have pushed their buying decisions to the next financial year. Also, the city will need some time to come out of the political instability it is going through.
- However, the auspicious period of Pongal is expected bring some positivity in the market.
- Majority of developers are expected to hold new launches until the market starts opening up after the formation of a stable government.
- Capital values are expected to remain stable during the next quarter as developers are in no position to decrease their prices.



- Key upcoming infrastructure includes the Phase I of Chennai Metro rail. The 45 km long route is expected to get commissioned by the December 2017.
- Phase II of the project is still under planning stage. The DPR (Detailed Project Report) has been reportedly submitted in December 2016. Phase II metro will span over 3 corridors- Madhavaram Milk Colony to SIPCOT for 44.3 km (via Padi, Valasaravakkam and Medavakkam), CMBT to Light House for 15.7 km and Madhavaram Milk Colony to Sholinganallur for a stretch of 44.6 km (via Perambur, Luz, Adyar and ECR).

Key new launches during the quarter

Developer	Project	Location	Additional Details
Doshi Realty	Doshi Wellspring	Vengaivasai	Spread over 0.88 acre, the project will consist of 75 apartments in 2 and 3 BHK formats. 2 BHK apartments will range between 914 sq ft and 1,052 sq ft and will be priced between `39 lakh to `45 lakh; while the 3 BHK apartments will range between 1,081 sq ft and 1,242 sq ft and will be priced between `46 lakh to `53 lakh. The project is expected to be completed by Dec-2017.
Hiranandani	Anchorage	Egattur	The project will consist of 246 apartments in a single 45-storeys tower. The apartments will be available in 2, 3, 4 and 5 BHK format with area ranging between 1,295 sq ft and 3,461 sq ft. The base price for the apartments will be `79 lakh.

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