

PRESS RELEASE

March 8, 2023

Residential real estate sector sees strong demand in Q3 FY2023 with 11% year-on-year (YoY) growth in area sold; share of luxury segment on an increasing trend: ICRA

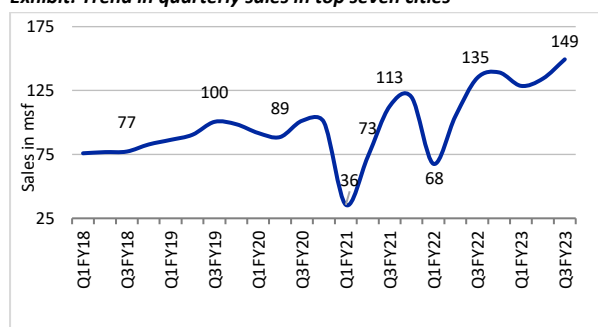
Highlights:

- **Post pandemic, share of the luxury and mid segments to the overall sales across the top seven cities has been on the rise and the same has increased from 14% and 36%, respectively, in FY2020 to 16% and 42%, respectively, in 9M FY2023**
- **Value of area sold is expected to grow by around 8-12% in FY2023 and 14-16% in FY2024**

At 149 million square feet (msf), the reported sales in Q3 FY2023 in the top seven cities¹ in India is the highest quarterly sales recorded in over ten years. The area sold in 9M FY2023 increased to 412 msf against 307 msf in the corresponding period previous year, supported by continued end-user demand and good affordability. Post pandemic, there has been a gradual shift in the overall segment-wise composition with rise in the share of the luxury and mid segments to the overall sales across the top seven cities. The share of the luxury and mid segments to the overall sales has increased from 14% and 36%, respectively, in FY2020 to 16% and 42%, respectively, in 9M FY2023. A similar trend was observed in terms of launches as well.

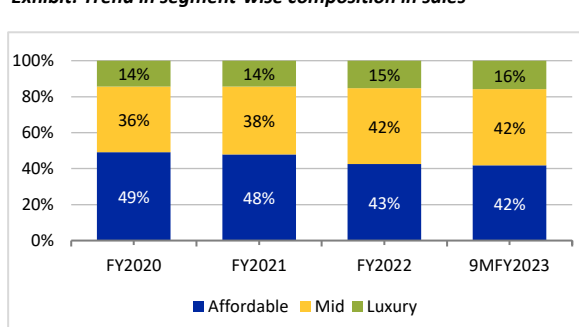
Ms. Anupama Reddy, Vice President and Co-Group Head, Corporate Ratings, ICRA, said: *“The value of the area sold in the residential real estate sector is expected to grow by 8-12% in FY2023 and a further 14-16% in FY2024². The shift towards larger spaces/ upgrade and preference for home ownership is expected to continue, thereby supporting the demand in the mid and luxury segments. Notwithstanding the rate hikes by the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) during the current fiscal, the home loan interest rates are still lower than the peak pre-Covid interest rates and the affordability continues to remain healthy. While low inventory overhang and calibrated launches work in favour of developers, the impact of a growth slowdown on the job market and increase in interest rates on affordability pose risks.”*

Exhibit: Trend in quarterly sales in top seven cities



Source: Propequity and ICRA Research

Exhibit: Trend in segment-wise composition in sales



Source: Propequity and ICRA Research

The unsold inventory levels dipped to 839 msf as of December 2022 from 923 msf as of December 2021. Consequently, the years-to-sell (YTS) for the unsold inventory decline to a decade-low 1.5 years. Further, the

¹ Source: Propequity; top seven cities: Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Pune

² ICRA's sample set: Ashiana Housing Limited, Brigade Enterprises Limited, DLF Limited, Godrej Properties Limited, Keystone Realtors Limited, Kolte-Patil Developers Limited, Macrotech Developers Limited, Mahindra Lifespaces Developers Limited, Prestige Estate Projects Limited, Puravankara Limited, Sobha Limited and Sunteck Realty Limited

average sale price (ASP) rose by 10% in Q3 FY2023 on a YoY basis, driven by the partial pass-on of increase in input costs, as well as change in the product mix with a higher share of luxury units.

Commenting on the leverage metrics of the sample, **Ms. Reddy**, said: “ICRA expects the collections to remain strong. While the outflows towards new launches and land investments are likely to increase, ICRA expects the net debt/cash flow from operations to remain healthy at less than two times in the next two years, supported by stable inflows and consequent deleveraging of the balance sheet.”

Click the below link to access our previous press releases on the sector:

[Replacement rate remains comfortable at below 1 time due to calibrated pace of launches by residential real estate developers](#)

[Vacancy levels to remain range-bound at 16.0-17.0% in FY2023 despite sizeable supply addition](#)

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