

Bangalore realtors ride high on affordability

Rising salaries and hiring in IT sector are pushing transaction volumes

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Rising affordability due to aggressive hiring and wage rises in the information technology (IT) sector is making real estate firms in Bangalore confident of launching new projects after a lull of 2-3 years.

The three major developers in the city — Sobha Developers, Puravankara and Brigade - which had not launched any new project over the last one-and-a-half year, are planning to collectively launch 34 million square feet (msf) in the current fiscal.

Baaskaran Subramanian, chief financial officer of Sobha Developers, said the recent trend is driven by higher transaction volumes being registered by city's builders, which had reduced the number of unsold inventory with them.

"With the improving affordability, our existing unsold stock has come down drastically. Besides this, we have also cleaned up our balance-sheet by reducing debt and improving cash flow. That done, we can go ahead with new projects now," he said.

He said Sobha Developers' transaction volume jumped 150% in the first quarter of the fiscal 2011 over the same peri-

■ High rise

New real estate project launches by Bangalore developers in FY11

Company	Unsold inventory (msf*)	Launch plan in Fiscal 2011 (msf)
Sobha	3.39	7-8.00
Puravankara	3.00	18.00
Brigade Group	12.00	8.00

Source: JP Morgan report *million square feet (msf)



od last year. On the other hand, its unsold inventory dwindled by 0.625 msf in the last 3 months.

"Beginning of this year, it (unsold inventory) stood at 3.9 msf. We want to reduce it by 3 msf by end of this year," said Subramanian.

Ashish Puravankara, director, Puravankara Projects Ltd, also claimed his company's sales had shot up in double digits over the last 4-6 months.

"Our sales have gone up drastically with improvement in the economic conditions and IT companies giving promotions and increments to employees," he said.

Saurabh Kumar and Gunjan Prithyani, analysts with JP Morgan, said in a note on Tuesday that Bangalore was the "only market, which is showing growth in new customer acquisitions."

"The transaction volumes in the (Bangalore) market have increased 25% year on year over second half of the fiscal 2010 and the trend seem to be holding in the current quarter

as well," said the report.

It further said that the affordability in Bangalore was at all-time best in the last 10 years. This, the analysts said, would be positive for volumes and pricing strength in fiscal 2011 and fiscal 2012.

"In fiscal 2011, we are assuming 75 basis points (bps) increase in mortgage rate and 10% increase in pricing. However, this is countered by an assumed 15% rise in income," write Kumar and Prithyani in their report.

Anand Agarwal and Abhishek Bansal, Credit Suisse analysts, in their report released on Monday said affordability in Bangalore and Chennai was better than Mumbai as mortgage was a lower percentage of income in these cities.

"Compared to Mumbai (around 125%), affordability in Bangalore and Chennai was better as monthly mortgage payment stood 83% and 77% of monthly disposable incomes respectively in these cities," said Agarwal and Bansal.

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