

PRICE REVISION

Property rates may face a slump in some cities: NHB chief

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Property prices in some Indian cities could be heading for a slump following their recent surge, according to S. Sridhar, chairman and managing director of Central Bank of India and National Housing Bank. A property boom went bust towards the end of 2008 before a recovery set in last year.

"There is no bubble at present. Though prices have corrected last year by 10-15%, a bubble-like situation is in formation in places like Mumbai, Pune and Bangalore," Sridhar said in an interview. "If not checked, we may face a situation (in the three cities) like the US and other markets that witnessed a slump during 2008-09." Property prices are higher than they were last year as the Indian market has revived, Sridhar said.

For instance, by the end of June 2010, average capital values in Mumbai at Rs26,750 per sq. ft exceeded mid-2008's Rs26,500 per sq. ft. when property prices were at their peak.

Bangalore too has witnessed a steep rise in average values. During June-end, it reached a level of Rs11,000 per sq. ft against Rs9,900 per sq. ft in June 2008. The three cities, Mumbai, Bangalore and Pune, however, witnessed price cor-



Reality check: NHB's S. Sridhar.

rections till mid-2009. Rates started stabilizing during the second half of the previous year. The price trend was corroborated by analysts.

"In some parts of Mumbai, property prices have reached beyond the levels of the year 2008," said Ravi Ahuja, executive director, development services (India), **Cushman and Wakefield**, a property consultant. "Developers too have announced premium projects at higher price."

Mumbai and Bangalore have been witnessing new launches in the premium-to-luxury segment. For example, **Lodha Developers Ltd** has announced high-end and luxury segment projects in Mumbai with apartments starting from Rs8 crore onwards. Even **DLF Ltd**, India's

biggest property developer by market value, plans to launch its luxury project in Mumbai in the near future.

Another indication comes from the National Housing Bank's residential property price index, or Residex. According to Sridhar, the Residex for the January-June period, which is to be released in October, shows an upward movement in property prices. The data that is publicly available dates back to December 2009.

Launched in July 2007, the Residex covers 15 cities that includes the bigger cities such as Delhi, Mumbai, Kolkata, Chennai, Bangalore, Pune and Hyderabad. It also includes some state capitals such as Lucknow, Jaipur, Patna, Ahmedabad and Bhopal.

"In Mumbai and Delhi, demand has outpaced supply. There is a steep rise in prices," Sridhar said. "The increase in prices has been sharper than the increase in residential rental rates in these regions."

According to estimates provided by property consultants, **Jones Lang LaSalle Meghraj**, average capital values during the first three months of the year have appreciated by 2-7% compared with the previous quarter. Delhi and the National Capital Region centred on it, and Mumbai continue to make up more than 50% of the residential launches in the country. The launches still cannot fulfill demand.

According to the consultancy, prime cities in the first three months witnessed the launch of over 62,000 residential units against 45,000 units in the previous quarter.

According to the data available with the ministry of housing and urban poverty alleviation, urban areas will be short of an estimated 26.53 million dwelling units by 2012.

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