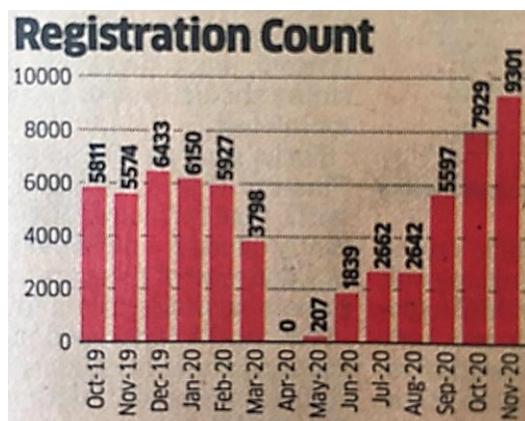


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“Anything real about this estate?”



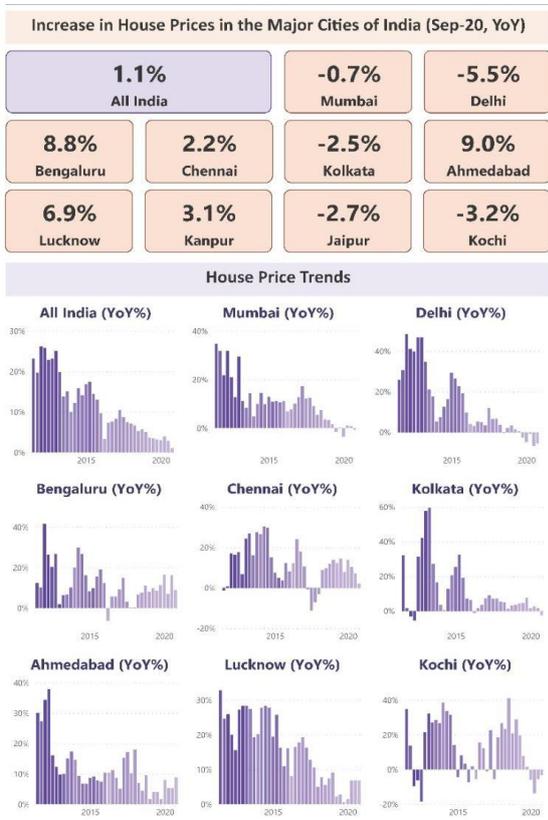
Source: The Economic Times

Reference article in today’s Economic Times “Mumbai Property Registrations at 8yr high, Up 67%” (article copied below). One might think or infer that real estate is back in action or booming again but here are some basic back of the envelope calculations before one gets overexcited. A close look at the table “Registration Count” in this article shows that average monthly sales pre COVID-19 i.e., from Oct 2019 to February 2020 were 5979 houses in Mumbai. From March 2020 to August 2020, say peak COVID-19 period, average monthly sales were 1858; thereby resulting in a monthly shortfall in sales (over pre COVID-19 period) of 4121 houses and total shortfall of 24,726 houses spread over 6months. So pent up demand or purchases deferred or postponed or houses unsold due to COVID-19 in the market is 24726 houses. Please note this is only for 6months, the total unsold inventory in Mumbai is huge (read reports or articles by Pankaj Kapoor, Liases Foras). September 2020 till November 2020 or post peak COVID-19 coincides with the festive season. In September, there was a shortfall in sales of 382 over pre COVID-19 monthly average sales of 5979. In October, the sales were 1950 units in excess or higher than pre COVID-19 monthly average sales of 5979. In November, the sales were 3322 units in excess or higher than pre COVID-19 monthly average sales of 5979. Despite last two months of above average sales or “rushing by homebuyers”, the inventory of houses unsold in 6months of peak COVID-19 (March 2020 to August 2020) is down only 21%. Can “property registration up 67%” be seen in isolation when it is apparent, from the ET chart above, that it is simply bunching up of pent-up demand or postponed purchases of only the COVID-19 period?

News articles at times can be sensational, but does this kind of news flow also suggest desperation within the industry?

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A few charts to ponder on...



Source: India Data Hub

On December 17, 2020 an article in the Economic Times said “all time high property sales” and today “residential property rentals across major markets have witnessed negative to negligible appreciation this year.” If rentals are witnessing “negative to negligible appreciation” why are people buying houses? To keep them vacant and incur holding/opportunity cost? As it is rental yields are 2-2.5% when home loans are at around 7%. Or is it just a technical factor given that State govt stamp duty relief of 3% ends on Dec 31? (Jan 1 to March 31 it will be 3% and post that normalise to 5%)



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Reference

https://www.google.co.in/amp/s/m.economictimes.com/industry/services/property/-/construction/mumbai-property-registrations-at-8-year-high-in-november-up-67-on-year/amp_articleshow/79639014.cms

https://www.google.co.in/amp/s/m.economictimes.com/industry/services/property/-/construction/residential-rentals-take-a-hit-on-job-losses-wfh-model/amp_articleshow/79809727.cms

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Best,

Aashish Wakankar

December 19, 2020

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