



## RESIDENTIAL REAL ESTATE

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**Demand to remain steady; sales value to grow by 13-16% in FY2024**

**March 2023**



## 1 ICRA'S outlook on the sector



## 2 Trend in aggregate sales and inventory



## 3 Key metrics of ICRA's sample set



## 4 Comparison on performance of Tier I and Tier II cities



## 5 Rating Actions



*Sales value growth of 13-16% likely in FY2024 supported by adequate demand backed by healthy affordability.*

*While underlying sector fundamentals remain healthy with low inventory overhang and calibrated launches, the impact of rising recessionary pressures on the job market and increase in interest rates on affordability remains to be seen.*



- ICRA's outlook on the residential real estate sector is Stable. ICRA expects the sales velocity, collections and inventory position to remain healthy in FY2024.
- The residential real estate sector reported robust performance in 9M FY2023, with sales being the highest in over nine years in the top seven cities. Further, the sales increased by almost 35.9% to 421.6 msf in 9M FY2023 on a YoY basis.



- The unsold inventory level dipped to 851 msf in Q3 FY2023 from 927 msf in Q3 FY2022 in the top seven cities. The current years-to-sell (YTS) for the unsold inventory is the lowest in the last five years at 1.6 years supported by the uptick in sales.



- In FY2023, for listed companies in ICRA's sample set, it expects the area sold to increase by 5% to 60.8 msf and value of area sold by 9-11%. The area sold is further expected to increase by 8-10% in FY2024 to 66.5 msf. Alongside, the value of the area sold is expected to increase by 13-16% in FY2024.



- ICRA expects leverage to remain comfortable with Net debt/Cash flow from operations to be < 2 times in FY2023 and FY2024 backed by healthy cash flow from operations.

<sup>1</sup> Source: Propequity and ICRA Research

Top Seven Cities: Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Bengaluru, Hyderabad, Pune, Kolkata, Chennai

<sup>2</sup> Listed entities: Sobha Limited, Ashiana Housing Limited, Puravankara Limited, DLF Limited, Kolte-Patil Developers Limited, Mahindra Lifespace Developers Ltd, Godrej Properties Limited, Prestige Estate Projects Ltd, Brigade Enterprises Limited, Sunteck Realty Limited, Keystone Realtors Limited and Macrotech Developers Limited



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