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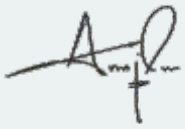
Report on Construction & Real Estate Services Sector

Addendum To Doubling The Economic Growth: Way Forward To A Sustainable Job Creation For A Trillion Dollar Economy

October 2018



Foreword



Anuj Puri
Chairman

ANAROCK Property Consultants



Located in the western region of India, Maharashtra is the second most populous state in the country and the third largest by area. Due to its strategic location, it is one of the most favored state in India for trade. It is also the wealthiest state which contributes nearly one-fifth to the overall economy of the country. Besides being the most industrialized state in the country, the government has also made the state most attractive in terms of foreign investments due to its rampant policy support.

The state has evolved significantly over the past few decades. From being entirely dependent on agriculture and industry for its economy earlier, it has slowly but gradually shifted towards the service sector as well. Currently, with nearly 50% of the employment in industry and service sectors, these sectors are contributing more than 85% to the state's economy. Interestingly, construction and real estate services play a vital role in the growth of the industry and service sector in the state. With highly-developed infrastructure and ever-increasing population, the real estate market tends to be the biggest contributor to the economy of the state.

Real estate services and construction sector aggregately are contributing nearly one-fifth to the overall state's GDP and thus are the most important sectors for the economic growth of the state. Maharashtra government's focus on creating world-class infrastructure and push for creation of housing in urban and rural areas is expected to further increase the contribution of these sectors to its economy in the coming years.

In an endeavor to capture the changing contribution of construction and Real Estate services in the overall economy of Maharashtra and how they are going to be the key sectors for Maharashtra's target of US $1 trillion economy, Anarock property consultants present a report on "Construction and Real Estate Services" an addendum to FICCI's "Addendum To Doubling The Economic Growth: Way Forward To A Sustainable Job Creation

For A Trillion Dollar Economy" which deep dives into the current scenario of these sectors in the overall economy and various factors which will influence its contribution in the upcoming years. This addendum report will serve as a guide to the industry stakeholders in understanding the potential these sectors hold and how the risks associated with these sectors may hamper the US $1 trillion economy 2025 dream for the state.

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Jaspal Bindra

Chairman,
FICCI- Maharashtra State Council
Mumbai

In 2017, FICCI came up with the theme of 'Maharashtra 2025: Leapfrogging to a $1trillion economy' and shared a roadmap to achieve this goal within a span of 7-8 years. Since India is looking at becoming a $5 trillion economy by 2025, it's important that, states such as Maharashtra contribute the most towards this ambitious yet achievable goal. To achieve the goal of a $1 trillion economy, Maharashtra will need to bring in Industry friendly policy reforms as well as provide sectoral push by categorising them in various growth categories, including sectors with hyper growth potential.

Since, Real Estate service and construction sector has the potential to significantly contribute towards the GSDP of the state, which will also help in creating new jobs; FICCI Maharashtra State Council is pleased to join hands with ANAROCK Property Consultants to bring out the Real Estate sectoral report on Maharashtra. The report aims to give a bird's eye view of the contribution of Real Estate Services and Construction sector in overall economic growth of Maharashtra.

The report also lists various scenarios, which are based on overall demand & supply in this sector and how it will impact the growth of the state in longer term. An effort has also been put to list out various opportunities and impediments in this sector and role of the state government to ease out those challenges through robust policy reforms. GST and RERA are two positive reforms, which, with further refinement, will make the sector more attractive and investment friendly.

With the focus of the state government to develop world-class infrastructure, including Metro, Ports, Airports, super communication expressways, to create better-living conditions and provide affordable housing in the state, we strongly believe that the sector will be a major contributor towards new job creation and will be given due importance in various policies and regulations of the state.

FICCI - Progressive Maharashtra Summit, where this report will be released, can further be used to deliberate various opportunities and challenges being faced by Real Estate Services and Construction sector and come out with a suggestive roadmap for making it one of the biggest contributor towards job creation and economic growth of Maharashtra.

I am confident that readers will have positive takeaway from this report.

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Maharashtra: A Snapshot

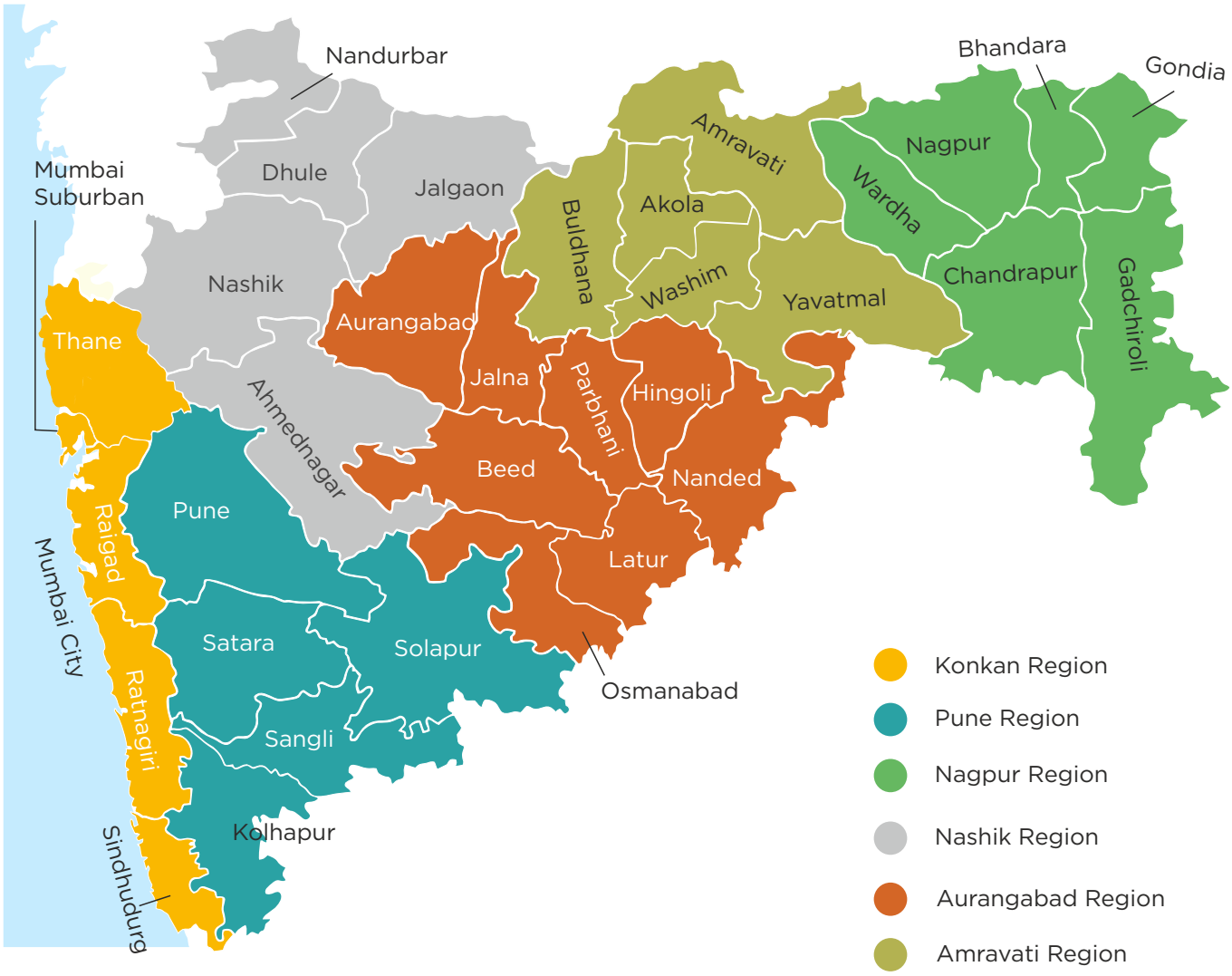
An Overview

Located in the western region of the country, Maharashtra possesses a 720-km long coastline. The state is surrounded by Gujarat, Madhya Pradesh, Telangana, Karnataka and Goa. The state's capital - Mumbai - hosts Asia's oldest stock exchanges and is a hub for all the financial institutes in the country. Apart from the financial sector, many leading corporates houses are also present in the city.

11.24 crore
(as per Census 2011)
Population

3.08 lakh sq. km.
geographical area

Ranked **2nd**
by population



The state has taken a lead in changing the business environment by adopting varied measures to enhance 'Ease of Doing Business'. The recently launched Start-Up policy is being hailed as a pioneering move by the innovative and creative sector, which aims at not only giving institutional but also intellectual support to the new budding entrepreneurs. The policy underscores the State's take on the big challenge of unemployment, by encouraging job creators rather than job seekers. Also, Maharashtra became the 1st state to unveil Aerospace and Defense manufacturing policy and FinTech policy aimed at spurring job creation.

Maharashtra is divided into 36 districts which are grouped under 6 revenue divisions/clusters viz; Konkan, Pune, Nashik, Aurangabad, Amravati and Nagpur.

The urbanization rate is high

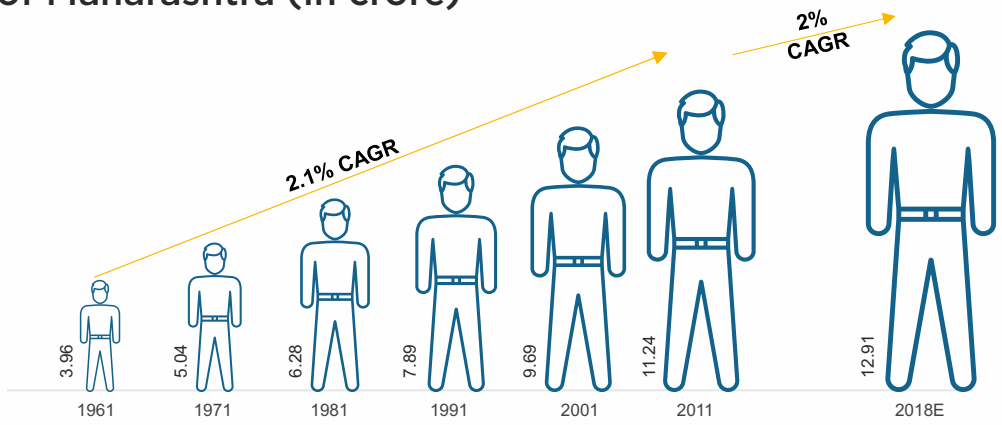
Nearly 45% of the state's population resides in the urban areas

Ranked 3rd in terms of area



Gateway of India, Mumbai

Population of Maharashtra (in crore)



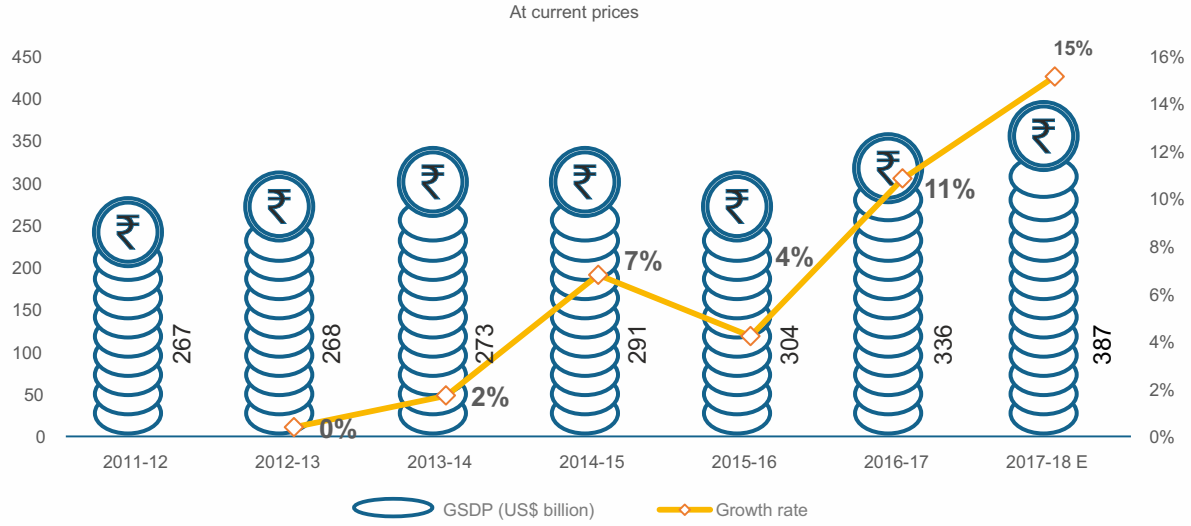
Note: E: Estimated
Source: Census data, ANAROCK Research

Maharashtra's population has been growing at 2.1% CAGR over the past 50 years, which is faster than the population growth of India which has witnessed a growth rate of nearly 1.2% CAGR over the same period. Mumbai, the capital of Maharashtra and the financial capital of India, has attracted many people from other parts of the country in search of employment. Migration from various parts of the country to Maharashtra for purposes such as employment, education, etc. has led to the state's burgeoning population growth, higher than entire India.

Gross State Domestic Product (GSDP)

Maharashtra State GSDP (at current prices) has witnessed a growth of 4.7% CAGR over the period 2011-12 to 2016-17. The state has witnessed sharp growth of ~11% during fiscal 2017 vis-à-vis fiscal 2016. The major contributor to the growth has been the service sector which contributes more than 50% to the GVA of the state.

Maharashtra GSDP (at current prices)



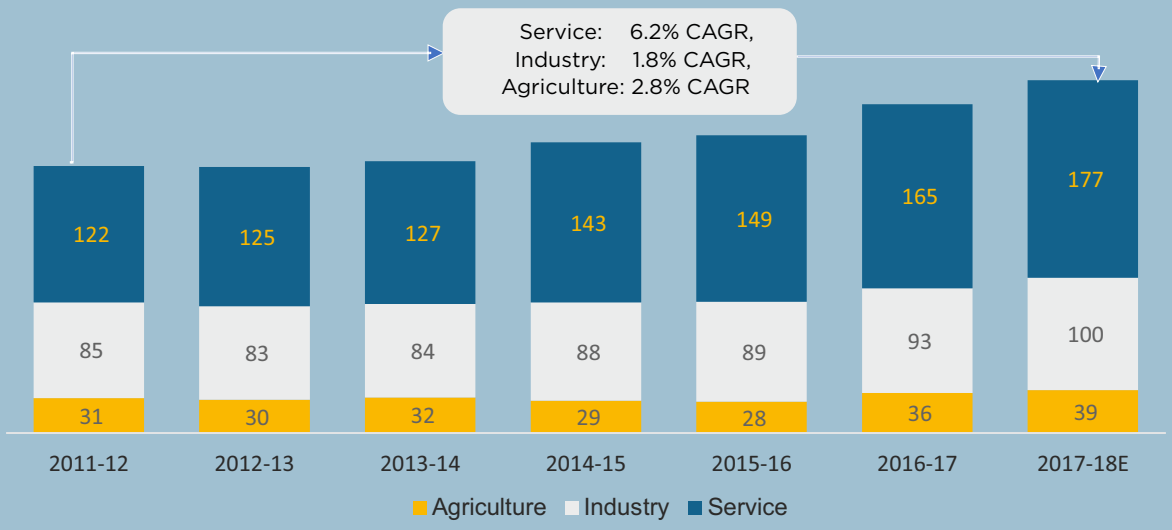
Note: E: Estimated; P: Projected
Source: Economic Survey of Maharashtra 2017-18, ANAROCK Research

The state is estimated to grow by 15% (on year) during fiscal 2018 supported by improved industrial performance and high output by the service sector. The state's push to provide 'Single Window Clearance' & 'Ease of Doing Business' coupled with various other policies will cater to the growth in the near future.

Sectoral contribution to GSDP

The service sector has witnessed a moderate CAGR of 6.2% during fiscal 2012 to fiscal 2017. The sector has contributed nearly 56% to the gross value added (GVA) during fiscal 2017 up from 51% during fiscal 2012. The expansion of the BFSI and IT-ITeS sector during the past decade has resulted in the growth of the service sector in Maharashtra.

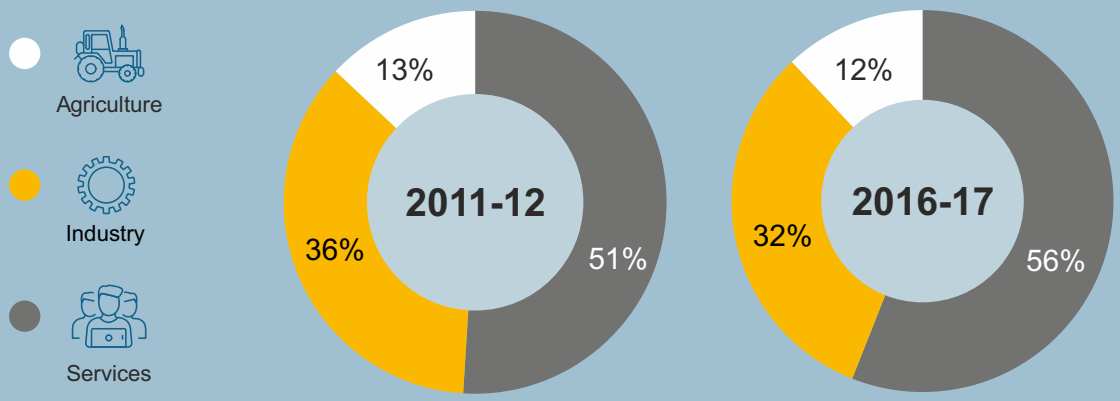
Sectoral break-up and contribution to GVA (at current prices in $ billion)



Note: E: Estimated; P: Projected
Source: Economic Survey of Maharashtra 2017-18, ANAROCK Research

Slow growth was witnessed by industries in Maharashtra during the same period (fiscal 2012 to fiscal 2017) at ~2% CAGR which accounted for a decline in the share in the GVA over the years. Agriculture which adds just 12% to the GVA has witnessed a growth of ~3% over the same period. As the sector is highly dependent on rain and is significantly labour-intensive, it is difficult to attain a sharp growth here.

Sectoral share in GVA (at current prices)



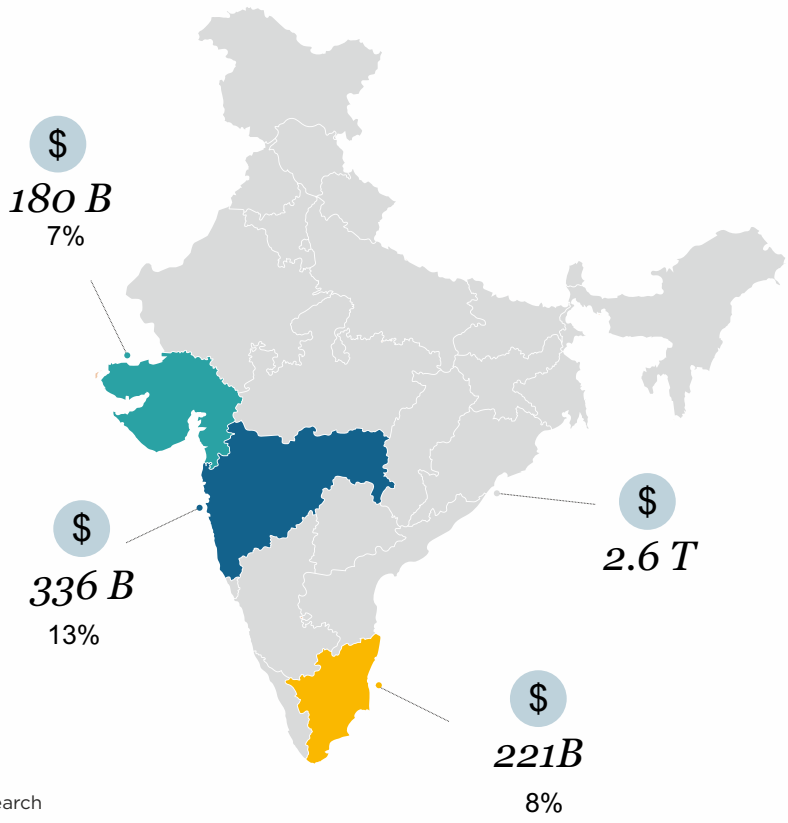
Source: Economic Survey of Maharashtra 2017-18, ANAROCK Research

Contribution to India's GDP and comparison with other Indian states

Maharashtra which acts as a hub for ports, major international airport, well connected via road and rail to other parts of the country has grown sharply primarily on account of normal rainfall which accounted for a sharp growth in agricultural-related activities during fiscal 2017. The state has been contributing around 13-14% to the India GDP in the past few years. Maharashtra being the biggest industrial state in India has a diversified profile of industries operating in the state. This acts as a key reason for its higher contribution to the GDP of India. Mumbai and Pune houses Auto, Banking/BFSI and IT/ITeS industries and are the key contributors to the states' GSDP.

Maharashtra's contribution to India's GDP stands the highest of all states in India, nearly 13% ($2.6 trillion as of 2016-17). The other two top states, Tamil Nadu and Gujarat cumulatively contribute nearly 15% to India's GDP.

GDP contribution (as of Fiscal 2017): Top 3 States



Source: Economic Survey of States, MOSPI, ANAROCK Research

With the evolved service sector, the state's economy is expected to grow further and the contribution to the Indian economy is likely to increase in the future periods.

World Economy 2017

Country	World	USA	Japan	France	Germany	China	India	Maharashtra
GDP growth rate (%)	3.0	2.2	1.7	1.7	2.0	6.8	6.5	7.3

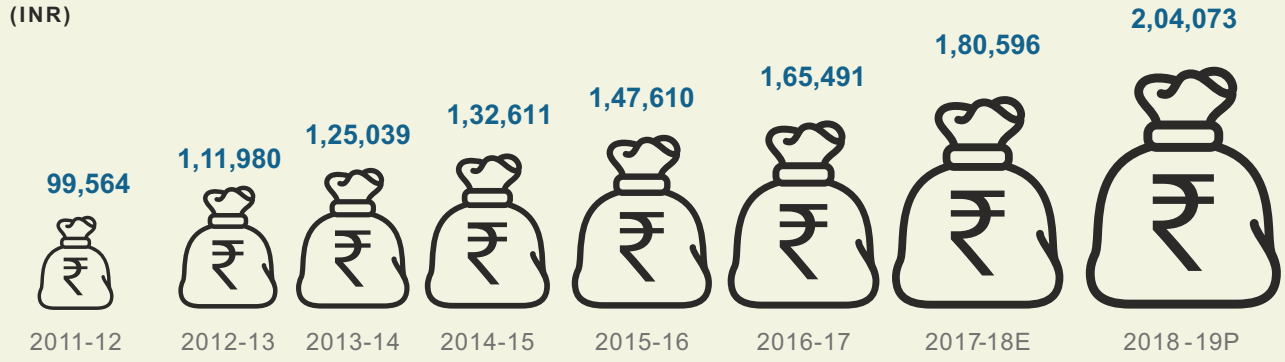
Note: @ for 2017-18 (at constant price in INR)
Source: Economic Survey of Maharashtra 2017-18, ANAROCK Research

Maharashtra's GSDP is growing at a much faster rate than the world economy making it one of the most favored states for investments.

Maharashtra GDP per capita (at current prices)

Per capita GDP (at current prices) of Maharashtra state is INR 1,65,490 as of fiscal 2017 which has grown by ~11% CAGR over the period fiscal 2012 to fiscal 2017. Rising population on account of migration to the state for business, education or employment purposes and the flourishing nature of the industries in the state is accounting for the rise in per capita GSDP even with increasing population. Per capita GDP stood at INR 99,564 during fiscal 2012. The Government's focus to improve infrastructure with apt policy changes has resulted in an improvement of GSDP over the past 5 years. Per capita GSDP is expected to grow at a similar rate of 9-11% during fiscal 2018.

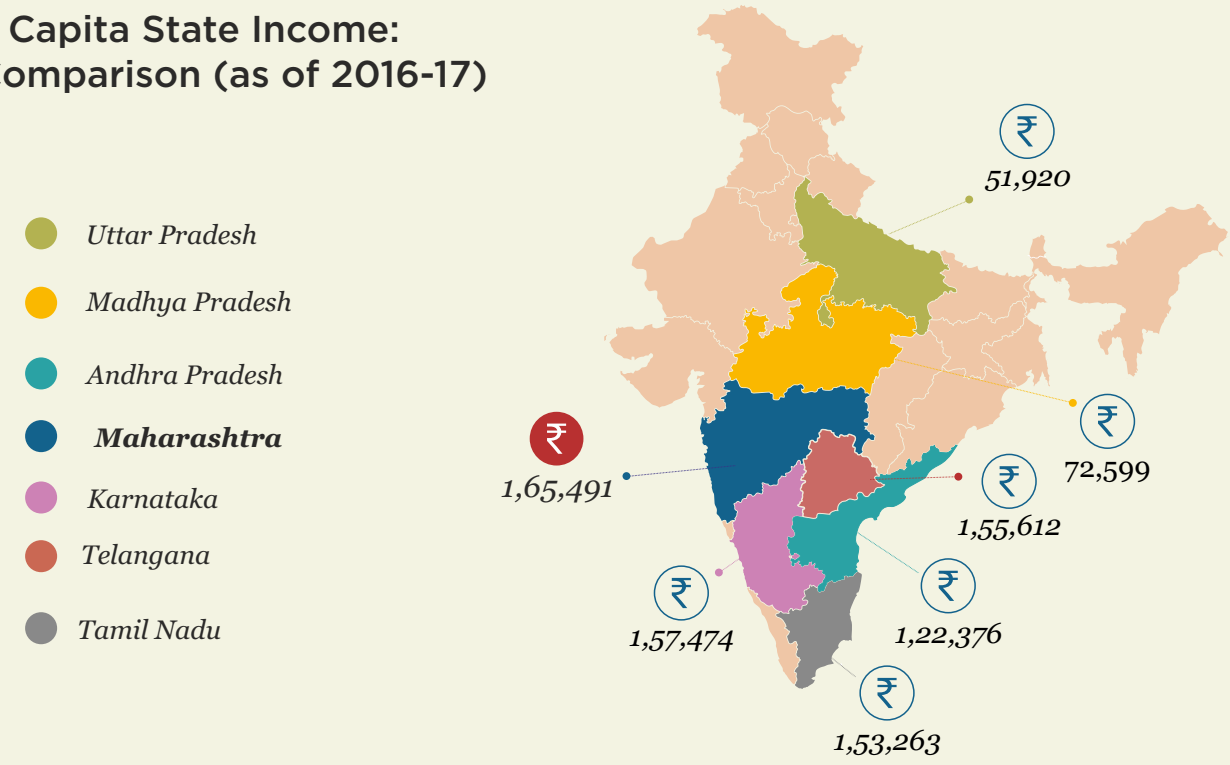
Per capita GDP (at current prices)



Note: E: Estimated; P: Projected
Source: Economic Survey Maharashtra 2017-18, ANAROCK Research

Compared to the developed states such as Karnataka, Telangana and Tamil Nadu, Maharashtra's per capita GDP as of fiscal 2017 is 5-8% higher. Whereas compared to developing states such as UttarPradesh and Madhya Pradesh, per capita income for Maharashtra is nearly 3-4 times.

Per Capita State Income: A Comparison (as of 2016-17)

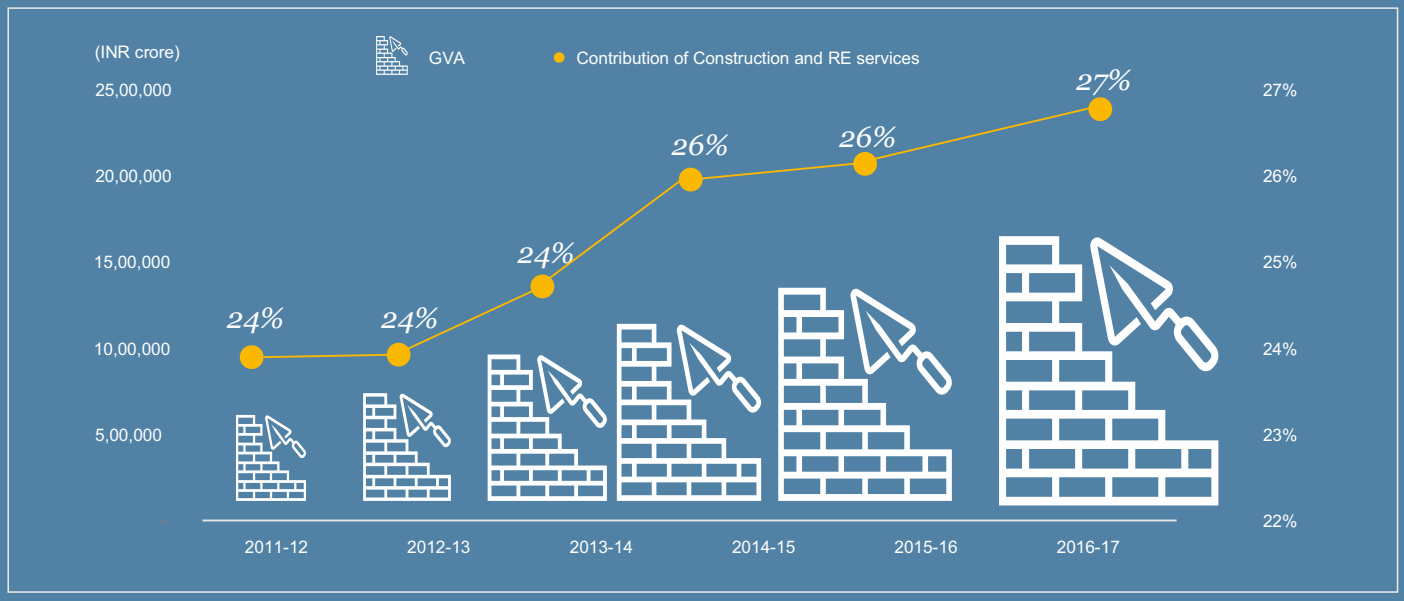


Source: Economic Survey of Maharashtra 2017-18, ANAROCK Research

Construction and Real Estate services

Construction sector comprises of development of real estate and physical infrastructure to benefit and ease out the living conditions. Real Estate services are post-launch services which help to bridge the gap between the developer and the buyer. Aggregately, these sectors contribute nearly 25% of Maharashtra's GVA. Huge expansions in the state in terms of real estate and infrastructure is imparting a massive push to both these sectors and act as a key for the overall economic development of the state.

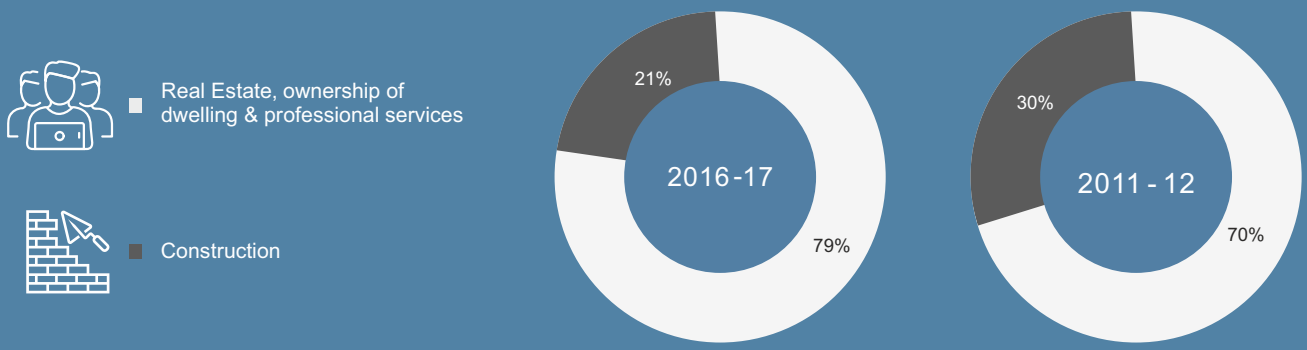
Contribution of RE services and Construction in GVA



Source: Economic Survey of Maharashtra 2017-18, ANAROCK Research

Real Estate developments in the top four cities; Mumbai, Pune, Nashik and Nagpur are the key contributors to the state GSDP. The Government's focus remains on developing a world-class infrastructure in the state to support the rising demand and make Maharashtra's presence felt on the world map. New initiatives taken by the government to upgrade infrastructure in the state is expected to boost the growth of the sectors in future periods. Of Construction and RE services, the latter is a larger contributor to GSDP and has witnessed an increase in share between 2011-12 to 2016-17 from 70% to 79%, respectively. With incessant housing demand and the Government's push to promote affordable housing, the contribution of these sectors to GSDP is likely to increase further in the future periods.

Share of RE services vs Construction in GVA



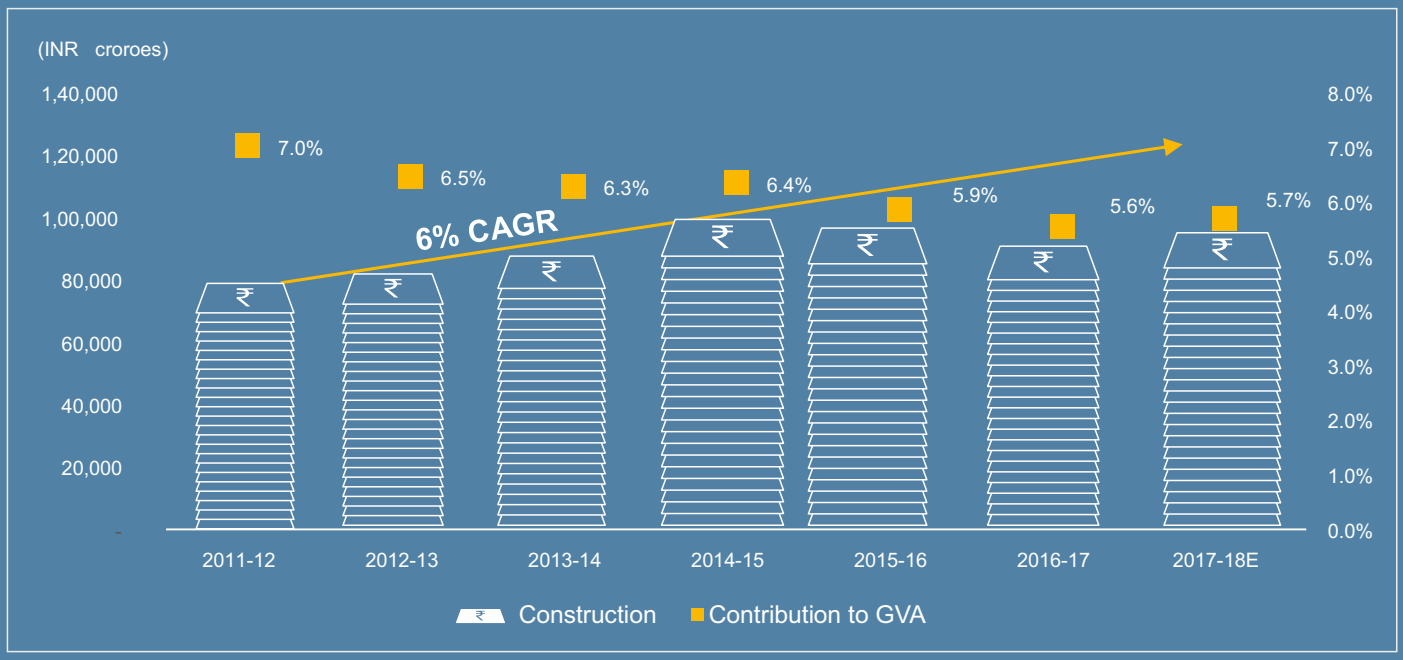
Source: ANAROCK Research

Construction Sector

Construction is the backbone of the economy of any state/country. To uplift Maharashtra's profile, the Government is implementing new policies such as electric vehicle policy, industrial policy, ease of doing business, etc. which in turn will increase the construction activities in the state. Construction sector contributed nearly INR 1.09 lakh crore to Maharashtra's GSDP during the year 2016-17, clocking a CAGR of ~6% from INR 806 hundred crores in 2011-12. The rapid development of real estate and focus to expand the roads & highways in the city along with upgradation of Mumbai airport have been the key contributors to the sector during the period.

The sector contributes between 5-7% of the overall GVA of Maharashtra. Its share is expected to inch up in 2017-18 with projects such as Navi Mumbai International Airport, Mumbai-Ahmedabad Bullet train and Mumbai Trans-Harbour Link (MTHL) and a few other projects kicking off.

Contribution of Construction in GVA



Source: Economic Survey of Maharashtra 2017-18, ANAROCK Research

The construction sector witnessed a sharp growth of 10% and 9% in 2013-14 and 2014-15, respectively when many infrastructure projects including upgradation of Mumbai airport and doubling of railway line in Maharashtra were executed. With the Government's focus on setting up of new industrial parks, commercial complexes, affordable housing, new international airport and development of the 720km -long coastal stretch, the construction sector is likely to witness a massive push in the years to come.

Enablers

- Development of a greenfield Navi Mumbai airport to cater to the rising air traffic of Mumbai. Phase-I of the airport is likely to commence operations by 2020.
- Maharashtra has a 720km-long coastline which is still underdeveloped. The state is setting up its first cruise terminal station at Mumbai which is expected to start operations by 2019.
- Development of Mumbai-Nagpur 8-lane super express highway to enhance connectivity between the two districts and open new opportunities for real estate and industrial development. The work on the project is expected to commence by 2019.
- Development of Nagpur as a logistics hub due to its strategic positioning on the India map. An air cargo terminal is also being planned here. Privatization of the airport is expected to start by 2019.
- Development of Rewas port, Vijaydurg port, Redi port, Vadhavan port, Trombay port and Karanja port through private sector participation. 13 port projects have been sanctioned under the Sagarmala project for Maharashtra.
- Under JNNURM, Basic Services to Urban Poor (BSUP) & Integrated Housing & Slum Development Programme (IHSDP) have been implemented by the Maharashtra Housing & Area Development Authority.
- Metro rail connectivity to be added/enhanced in cities such as Mumbai, Pune, Nagpur and Nashik. In a phased manner, the metro is expected to start operations by end of 2019.
- Expansion of Jawaharlal Nehru Port Trust (JNPT) by adding a new terminal to handle the increasing port traffic. The new berth is expected to be fully operational by 2022 and is estimated to add 50% more to its current capacity making it one of the biggest facilities at the global level.
- The Government of Maharashtra is likely to approve the master plan of International Financial Services Centre (IFSC) which will coexist with the proposed terminal for the Mumbai-Ahmedabad bullet train at Bandra Kurla Complex.
- Aurangabad Industrial City (AURIC) is being developed on 10,000 acres as a well-planned and Greenfield smart industrial city which is a part of DMIC. It is still under planning stage and is expected to commence within a few years.
- Six private Biotechnology parks are proposed with the investment of INR 3.1 billion.
- The electric vehicle policy which is set to come in Maharashtra is expected to open opportunity for investments in the automobile sector.

Constraints

- Lack of skilled labor is one of the biggest challenges. The dominance of unskilled labor leads to quality issues and timely delivery problems.
- The sector lacks a clearly defined process and procedures for construction and its management which leads to time and cost overruns.
- The sector is very cost intensive in nature as huge investments flow into these projects in the initial phase and the payback period is gradual.
- Focused development of only four cities in Maharashtra, i.e. Mumbai, Pune, Nashik and Nagpur acts as a barrier as other regions in the state are far behind in terms of development.
- Safety and maintenance of infrastructure is a key constraint to the construction sector.
- High dependency on the private sector for the creation of infrastructure.

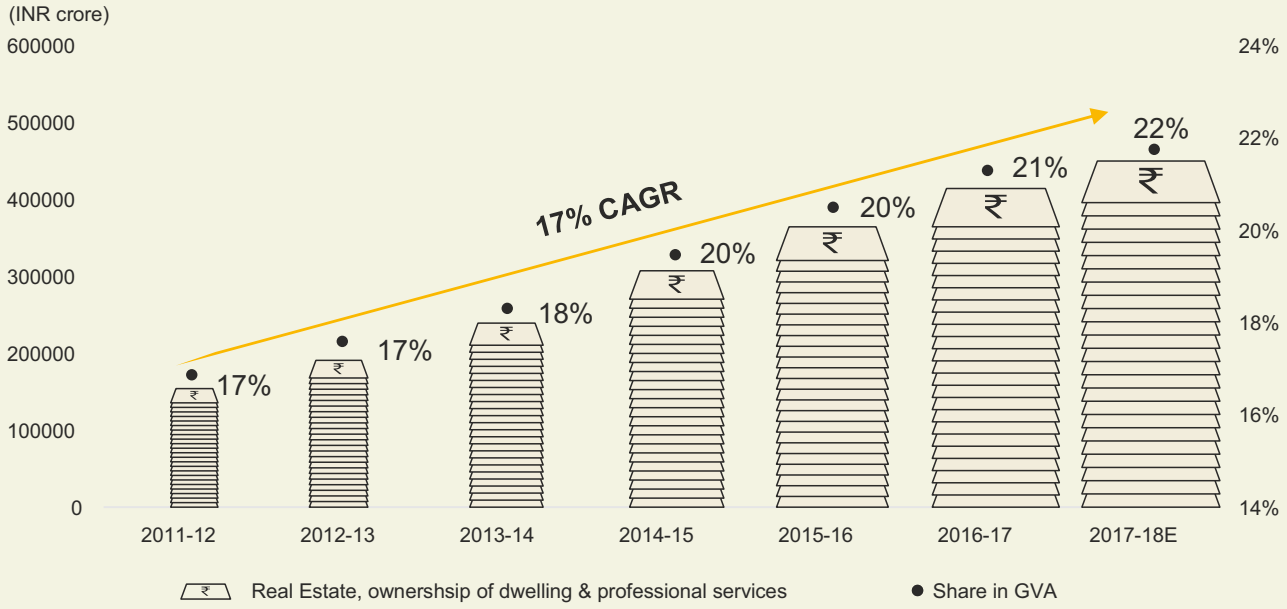
Imperatives

- High migration and rising demand from corporates to increase housing and corporate parks' requirement.
- Industrial policies of Maharashtra and government's focus to push ease of doing business policy to make way for new industries and expansion of existing industries in Maharashtra.
- Increasing focus to design new models for Public Private Partnership (PPP) in the state to uplift the construction sector.
- Focus on improving connectivity by road/rail/air and intra-city transportation by the development of metro rail.
- Transparent policy for Foreign Direct Investment (FDI) to continue to make Maharashtra the most favored state for FDI in future times as well.
- Increasing focus to uplift infrastructure in the state leading to the second highest employment generator after agriculture.
- Increasing focus on affordable housing to push the construction sector at a much faster rate than anticipated. Maharashtra government is targeting nearly 3.5 lakh affordable houses under PMAY Housing for all 2022 scheme.
- Make in Maharashtra, a sub-policy of the central government pushing Make in India, to push industrial parks in the construction sector in future times.
- Lower interest rates and rising per capita GSDP to aid in satisfying the rising housing demand.

Real Estate Services

Real Estate services focusing on the sales and leasing of real estate assets are contributing more than one-fifth to the GVA alone. The sector has witnessed the sharp growth of 17% CAGR during 2011-12 to 2016-17. The sector contributes nearly INR 5 lakh crore to Maharashtra's GVA. The share of Real Estate and dwelling services have increased from 17% in 2011-12 to 21% in 2016-17. The sharp increase in housing demand due to high inward migration in cities such as Mumbai and Pune have accounted for major growth in the sector.

With increasing focus on affordable housing and the Government's push on housing for all under various schemes led by central government, the contribution of real estate, ownership of dwelling & professional services is expected to grow sharply in future times. From the current contribution of 21%, it is expected that the sector will contribute at least one-fourth to Maharashtra's GVA by 2024-25.



Source: Economic Survey of Maharashtra 2017-18, ANAROCK Research

The sector has witnessed a sharp growth over the period 2011-12 to 2016-17. However, the structural changes that DeMo brought in, hit the sector slightly bringing the growth down to 13% during the year. Nonetheless, with the implementation of policies such as GST and RERA, the buyer confidence is being restored and this move of increasing transparency in real estate business is opening doors for the sector's growth in future times.



Technology hub of Pune.

Enablers

- Increasing focus on the development of affordable housing coupled with the emotional factor of owning a house is increasing demand for RE services in Maharashtra.
- Rising demand from corporates, expansion of existing industries and entering of new industries in Maharashtra, is increasing demand for commercial real estate in the state.
- Entry of foreign players and rising share of organized retail is increasing demand for RE services in Maharashtra.
- Penetration of corporates in Tier-II cities and retail malls in Tier-II and Tier-III cities is leading to an increased demand for RE services.

Constraints

- The sector has low entry barriers which result in the entry of huge unskilled labor.
- The market was highly unorganized in nature but post the implementation of RERA, the primary market has become more organized in nature. However, the secondary market (resale) which holds a big chunk in the sector is still unorganized which leads to increased competition and in-turn limits its contribution to Maharashtra's GSDP.
- Increasing penetration of online platforms like nobroker.com has made it easier for a seller to list his/her property for free where the buyer can check and directly get in touch with the seller. These platforms are proving to be detrimental to the RE services sector.

Imperatives

- Higher migration from other states as well as rural areas to urban and/or metro cities in search of a better livability.
- Focus to uplift infrastructure leading to huge greenfield construction which leads to land acquisition and demand for RE services.
- Government policies such as RERA and GST increasing transparency and improving buyers' sentiments towards the sector.
- Global players are entering the industry with various models such as asset management and maintenance management for real estate projects in the region.
- Lower interest rates and improving affordability coupled with sentiments of owning a house is pushing demand for more construction and is resulting in higher demand for RE services.
- Increasing focus towards affordable housing to create new demand for RE services.



Skyline view of Nashik City

Mumbai Metropolitan Region (MMR) and Pune contribute the maximum to Real Estate Service Sector

MMR and Pune region of Maharashtra are the hubs of residential, commercial and retail development. The demand for housing in these cities is the highest across Maharashtra. Availability of infrastructure facilities, tremendous employment opportunities, global connectivity and corporate hubs for various industries result in increased demand for housing. Residential real estate in MMR and Pune region is majorly expanding in the peripheral areas as the core areas of both the cities have limited land to cater to the large-scale housing requirements arising out of massive urbanization.

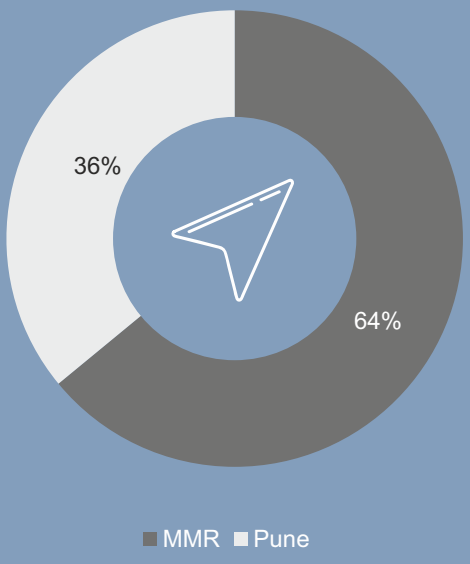
Residential Real Estate: Demand-Supply Scenario

Nearly 7.7 lakh residential units were launched in MMR and Pune aggregately since 2013 to 2018 (YTD). Of these 7.7 lakh units, nearly two-thirds of the supply comprising 5 lakh units came in MMR. Increased focus on affordable housing and penetration into the peripheral areas is accounting for such high launches. MMR is one of the biggest markets for residential real estate in the country.

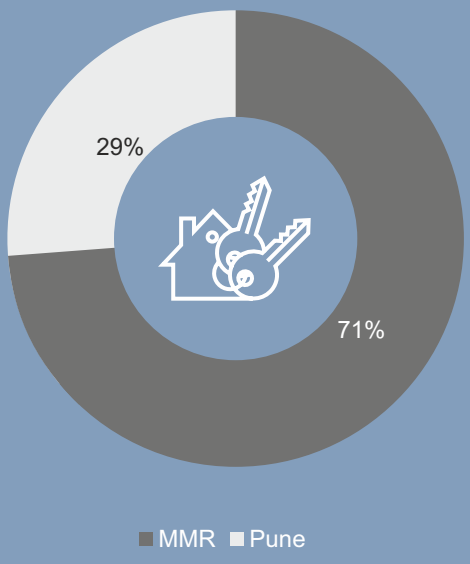
Residential Real Estate: Unsold inventory

MMR and Pune aggregately have nearly 3.1 lakh unsold units. With high unsold inventory in these regions coupled with new launches topping up inventory for sales and huge expansions planned in the peripheral areas of both these regions, the RE services are expected to flourish in future times. Of the total unsold inventory, MMR holds nearly 71% of the overall unsold inventory.

Proportion of residential launches in MMR and Pune



Proportion of Unsold inventory



On the absorption front, nearly 5.7 lakh units were sold during the period 2013 to H1 2018. High absorption rates in MMR and Pune region account for high demand for RE services in the state. With the high demand for residential real estate in these regions, the RE services start playing their role since the inception of the projects.

Source: ANAROCK Research

Construction and RE Services' contribution to Maharashtra Economy by 2025: A Perspective

Construction Sector

Construction sector contributes nearly 6% to Maharashtra's economy as of 2016-17, growing at a CAGR ~6% from 2011-12 to 2016-17. The government has planned many initiatives which are expected to further accelerate the growth of construction and in turn propel the RE service sector in the future periods. Key planned infrastructure initiatives by the government which is expected to accelerate the contribution of construction in GSDP are:

Key Infrastructure projects under planning/implementation in Maharashtra

Project	Expected date of operations*
Nagpur Metro Rail	Partial operations start by 2019
International Cruise Terminal Station, Mumbai	2019
Privatization of Airport, Nagpur	To commence by 2019
Mumbai Metro Rail	2020 onwards
Navi Mumbai Airport, Mumbai	Phase-1: 2020, Full operations: 2030
Mumbai -Nagpur Super express highway	2021
Pune Metro Rail	2021 onwards
Railway line between Manmad -Indore	2021-2022
Addition of new berth at JNPT, Mumbai	2022
Mumbai -Ahmedabad Bullet train, Mumbai	2022
Trans-Harbour sea link, Mumbai	2023
Bandra-Versova Sea link, Mumbai	2023
Hyperloop connectivity between Mumbai - Pune	2024
Expansion of Mumbai-Pune Express Highway	To commence by 2019
Nashik Metro Rail	Under planning
Corporate town like BKC, Mumbai	Under planning
Aurangabad Industrial City	Under planning

Note: *Indicative dates
Source: ANAROCK Research

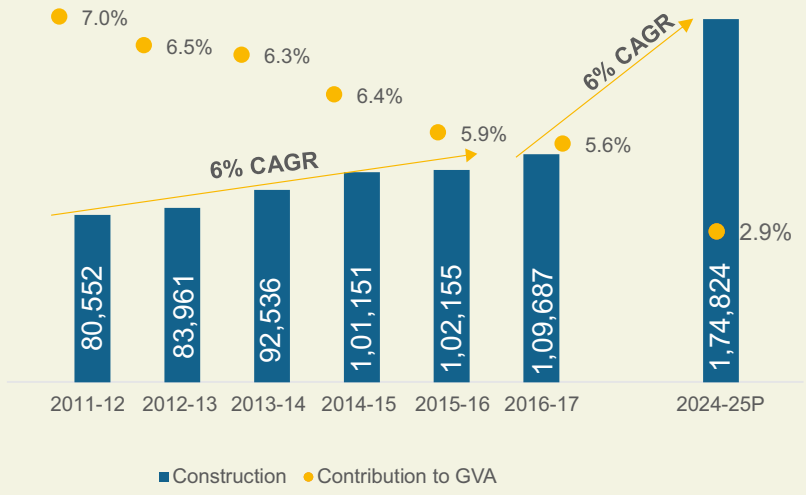
The projects mentioned are expected to be key contributors to Maharashtra's economic growth if executed as per the stipulated timelines. Based on the analysis, any delays in the execution of these projects is expected to give a different perspective to the contribution of construction in the overall economy of Maharashtra by 2025. This is estimated with 4 cases which are:

Base case

The base case refers to a similar growth in the sector over the period 2016-17 to 2024-25. The sector witnessed a CAGR growth of 6% by 2016-17 over 2011-12. The sector is estimated to reach ~INR 1.75 lakh crore by 2024-25 from INR 1.09 lakh crore in 2016-17. With Maharashtra's economy looking to earmark the US $1 trillion by 2025, construction sectors' contribution to Maharashtra's GVA at the current growth rate of 6% CAGR is estimated to decline to ~2.9% from 5.6% in 2016-17.

If construction sector continues to grow at a similar rate till 2024-25, it will not be a good indicator for the economy of Maharashtra as construction acts a backbone of every economy. And for achieving the target of US $1 trillion economy, the contribution from the construction sector should be significantly higher.

Contribution by 2024-25 in GVA



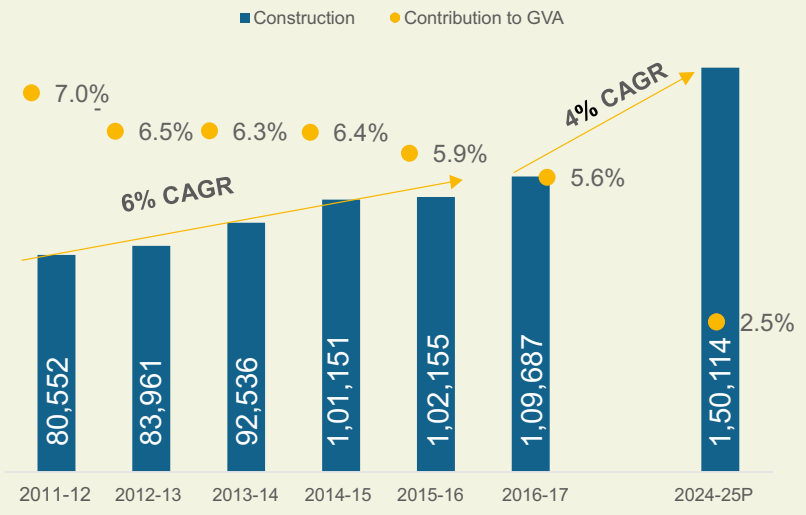
Note: P: Projected; Share of construction in GVA is calculated assuming US$ 1= INR 69
Source: ANAROCK Research

Downside Case

This case considers that the sector faces huge challenges such as change of government or delays in project clearances or project delays due to land acquisition or various other factors. In such a scenario, the sector is estimated to witness a lower CAGR growth of 4% till 2024-25 over 2016-17. The sector is estimated to grow to INR 1.5 lakh crore by the end of 2024-25. The contribution of the construction sector to Maharashtra's GVA is estimated to be 2.5% by 2024-25.

If construction sector grows at a slower rate of 4% CAGR till 2024-25, it will not be a bad indicator for the economy of Maharashtra as construction acts a backbone of every economy. And for achieving the target of US $1 trillion economy, the contribution from the construction sector should be higher.

Contribution by 2024-25 in GVA



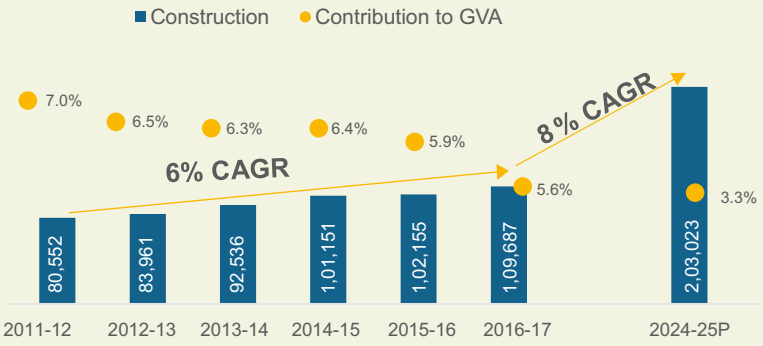
Note: P: Projected; Share of construction in GVA is calculated assuming US$ 1= INR 69
Source: ANAROCK Research

Upside case

The case refers to construction sector witnessing a CAGR growth of 8% till 2024-25 over 2016-17. The sector will witness a faster growth from current levels on account of the focus of the government to uplift the infrastructure status of the country and imparting a massive push to execute the majority of planned projects on time. The Construction sector is estimated to clock INR 2.03 lakh crore by 2024-25 if the sector witnesses a faster growth of 8% CAGR backed by execution of the majority of planned developments.

If construction sector grows at 8% CAGR over the next 8 years, the sector is likely to be a good contributor to Maharashtra's GVA and it is expected that the target US $1 trillion can be achieved steadily.

Contribution by 2024-25 in GVA



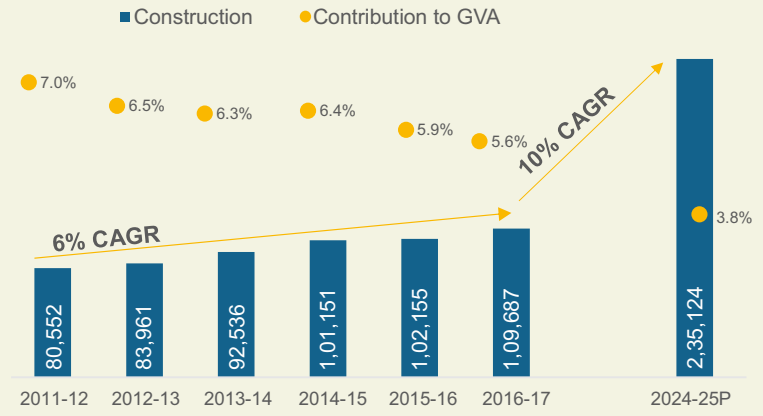
Note: P: Projected; Share of construction in GVA is calculated assuming US$ 1= INR 69
Source: ANAROCK Research

Best case

If the sector faces no challenges and government is able to execute all the planned infrastructure projects in a timely manner, it is expected that the sector is likely to witness a CAGR growth of 10% till 2024-25. This is the best-case scenario for the construction sector, as it will breach its peak historic growth rates during the period 2016-17 to 2024-25. The sector is likely to reach INR 2.35 lakh crore by the end of 2024-25. Its contribution to GVA is estimated to be 3.8% by end of 2024-25.

This is the best-case scenario where the sector is estimated to witness a CAGR of 10% till 2024-25. This case will ease out the reach of US $1 trillion by 2024-25 as the sector will be one of the major contributors to the state's GVA by then coupled with world-class infrastructure available to uplift the living standards of the state.

Contribution by 2024-25 in GVA



Note: P: Projected; Share of construction in GVA is calculated assuming US$ 1= INR 69
Source: ANAROCK Research

Real Estate Services

Real Estate service sector has been a key contributor to Maharashtra's economy clocking a CAGR growth of 17% between 2011-12 to 2016-17, the sector contributes nearly one-fifth of the overall GVA as of 2016-17 and is estimated to grow sharply in the coming years acting as a key contributor to Maharashtra's goal of US $1 trillion economy. Key cities such as Mumbai and Pune are expected to remain the major contributors to the RE service sector considering the sheer scale of their huge agglomeration and high migration rates. Based on the analysis, any change in government policy which hits the sector, it is expected to give a different perspective for the contribution of Real Estate service's in the overall economy of Maharashtra by 2025 with 4 cases. They are as:

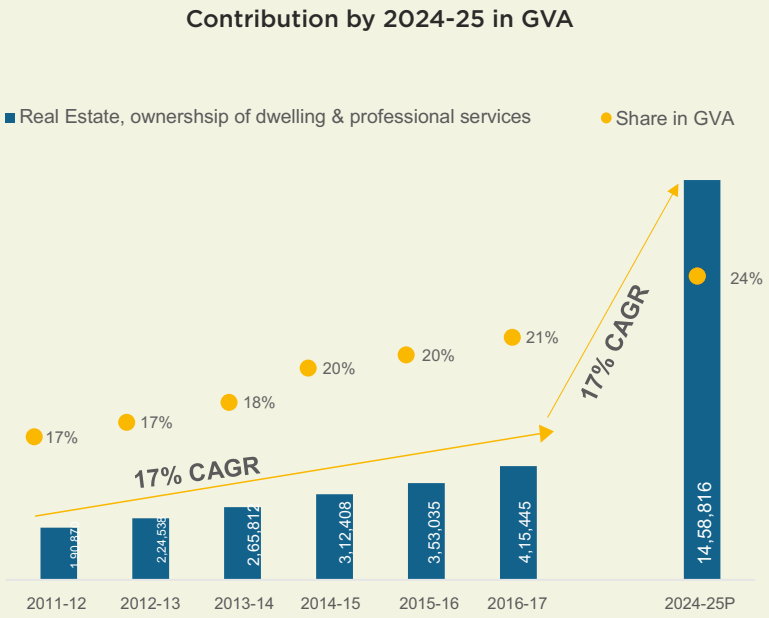


Dr. Babasaheb Ambedkar International Airport
(IATA: NAG, ICAO: VANP) serving the city of Nagpur.

Base case

The base case refers to a similar growth in the sector over the period 2016-17 to 2024-25. The sector witnessed a CAGR growth of 17% by 2016-17 over 2011-12. The sector is estimated to reach ~INR 14.60 lakh crore by 2024-25 from INR 4.15 lakh crore in 2016-17. With Maharashtra's economy earmarking the US $1 trillion by 2025, RE service's contribution to Maharashtra's GVA at the current growth rate of 17% CAGR is estimated to increase to ~24% from 21% in 2016-17.

At the same growth rate of 17% CAGR till 2024-25, the sector's contribution is estimated to touch nearly one-fourth of Maharashtra's GVA. The sector is expected to be one of the key contributors to Maharashtra state's US $1 trillion economy by 2025.

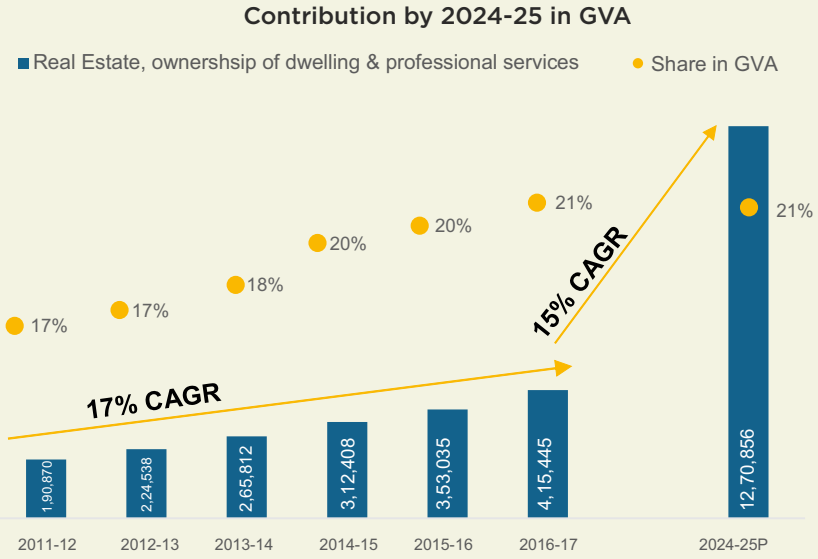


Note: P: Projected; Share of construction in GVA is calculated assuming US$ 1= INR 69
Source: ANAROCK Research

Downside case

If the sector faces challenges in terms of government policy changes or slow market conditions, the sector is expected to witness a lower growth of nearly 15% CAGR over the next 8 years till 2024-25. The sector is estimated to touch INR 12.70 lakh crore by end of fiscal 2025.

The contribution of Real Estate service's in Maharashtra's GVA is estimated to stand same by the end of fiscal 2025 at 21% if the sector witnesses a slower growth than the current levels.



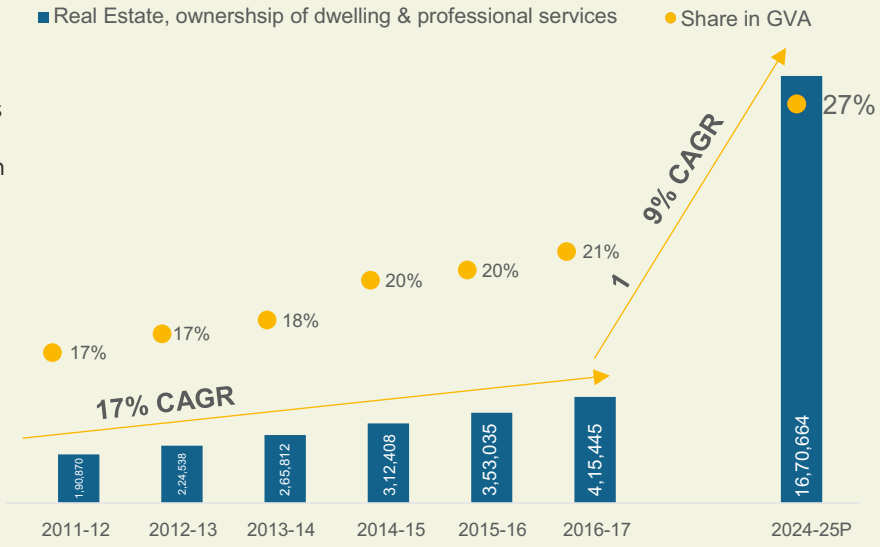
Note: P: Projected; Share of construction in GVA is calculated assuming US$ 1= INR 69
Source: ANAROCK Research

Upside case

The case refers to RE service sector witnessing a CAGR growth of 19% till 2024-25 over 2016-17. The sector will witness a faster growth from current levels on account of high housing demand due to rising per capita income and resulting in higher launches and sales. The sector is estimated to clock INR 16.70 lakh crore by 2024-25 if the sector witnesses a faster growth of 19% CAGR backed by execution of the majority of planned developments.

RE service sector growing at a faster rate of 19% CAGR over the period 2016-17 to 2024-25 will ease out the state's target of touching the US $1trillion economy by the end of fiscal 2025. The sector is estimated to contribute nearly 27% to the GVA in such a scenario.

Contribution by 2024-25 in GVA



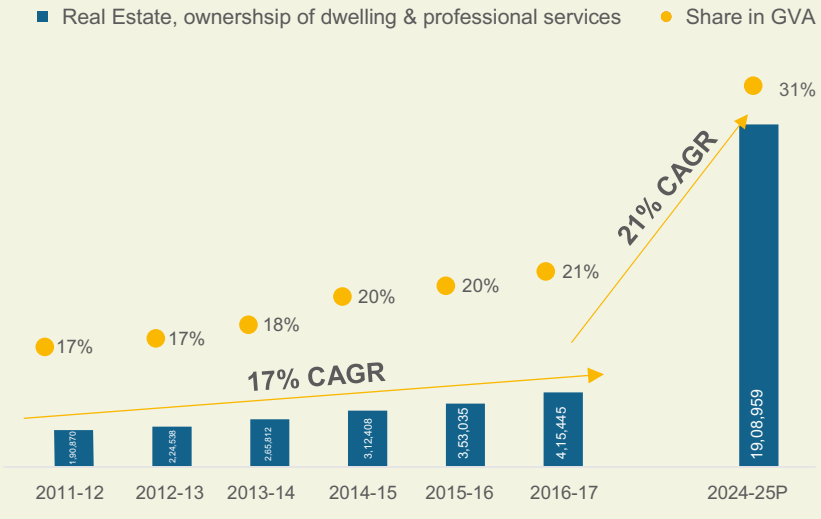
Note: P: Projected; Share of construction in GVA is calculated assuming US$ 1= INR 69
Source: ANAROCK Research

Best case

If the sector faces no challenges and government is able to support lowering down of the unsold inventory to a manageable level and execute all the planned infrastructure projects on a timely manner, it is expected that the sector is likely to witness a CAGR growth of 21% till 2024-25. This is the best-case scenario for RE Service sector, as it will breach its peak historic growth rates during the period 2016-17 to 2024-25. The sector is likely to reach INR 19.09 lakh crore by the end of 2024-25. Its estimated to make nearly one-third contribution to Maharashtra's GVA by end of 2024-25.

This is the best-case scenario where the sector is estimated to grow at a CAGR of 21% till 2024-25. With such sharp growth in the service sector, achieving the US $1 trillion mark would be a smooth sail.

Contribution by 2024-25 in GVA



Note: P: Projected; Share of construction in GVA is calculated assuming US$ 1= INR 69
Source: ANAROCK Research

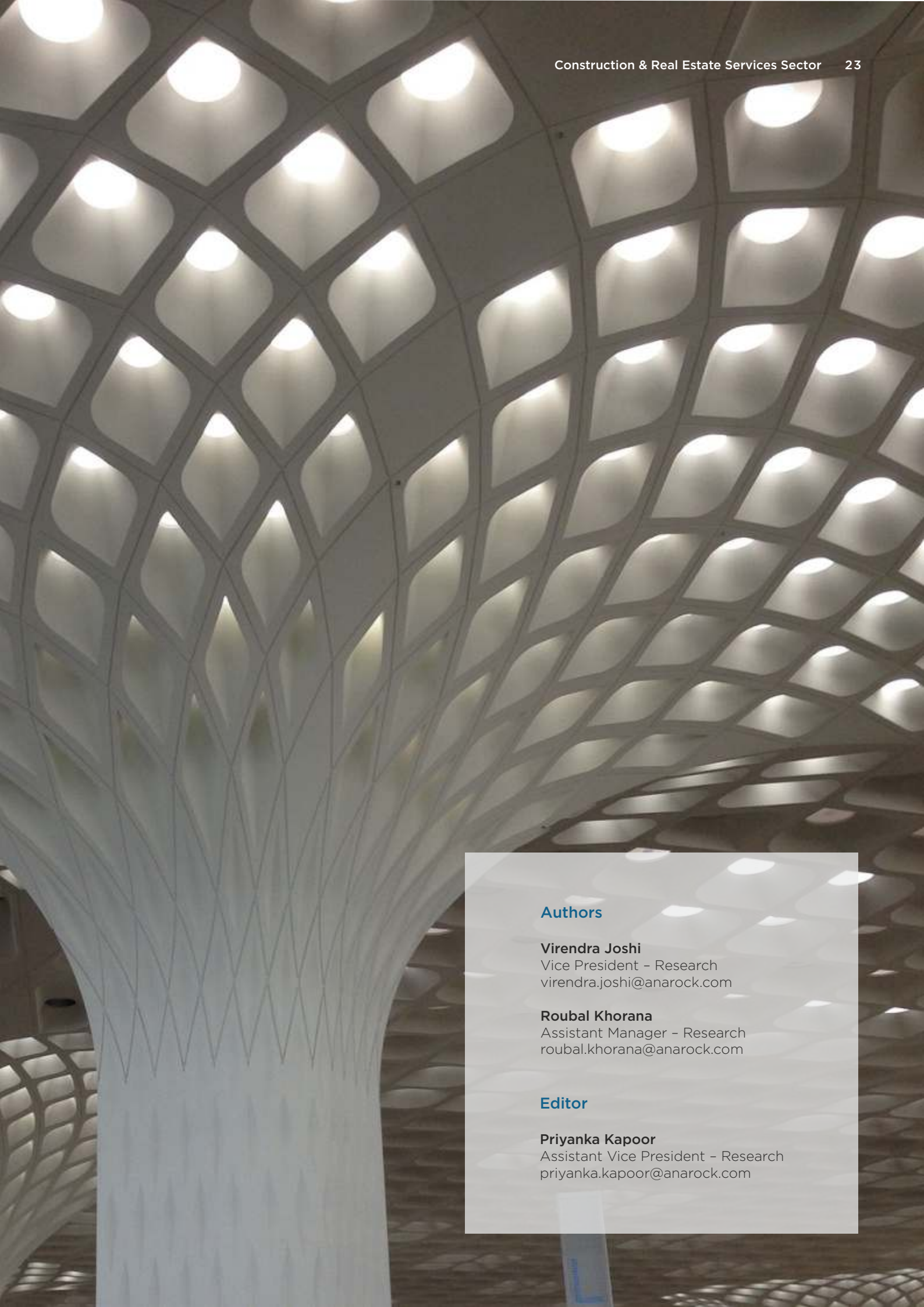
Conclusion

Maharashtra, the economic capital of the country and the highest contributor to India's economy has immense offerings within its boundaries. The state which attracts the highest FDI in the country has been in a balanced situation where policy support favors ease of doing business. The state is home to major industries like automobiles, IT/ITeS, banking, BFSI, one of the oldest stock exchanges in the continent, pharmaceuticals etc. and is all set to create its mark on the global map, eyeing US $1 trillion economy by fiscal 2025.

The state which employs majority of its population in the Agriculture sector generates maximum income from services and industries. The state acts as a lucrative destination for setting up new facilities of new entrants as well as expansions of existing players.

Construction and Real Estate ownership of dwelling and professional services are one of the biggest contributors to Maharashtra's GVA. With the focus of the government to develop world-class infrastructure to create better-living conditions and provide affordable housing in the state, the construction and RE services sector are expected to be the key contributors to Maharashtra's target of US $1 trillion economy by fiscal 2025. However, these sectors have high risks associated with them and only if they are systematically planned with good policy support, will it aid to the success of Maharashtra's wish of reaching US $1 trillion economy by fiscal 2025.





Authors

Virendra Joshi
Vice President – Research
virendra.joshi@anarock.com

Roubal Khorana
Assistant Manager – Research
roubal.khorana@anarock.com

Editor

Priyanka Kapoor
Assistant Vice President – Research
priyanka.kapoor@anarock.com

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For research services, please contact:

Prashant Kumar Thakur
Head of Research
prashant.thakur@anarock.com

Registered Office:

ANAROCK Property Consultants Pvt. Ltd.

1002, 10th Floor, B Wing, ONE BKC,
G Block, Bandra Kurla Complex,
Bandra East, Mumbai 400 051
Tel: +91 22 4293 4293

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Contact:

Deepak Mukhi
Additional Director & Head
FICCI - Maharashtra State Council

33-B, Krishnamai, Sir Pochkhanwala Road,
Worli, Mumbai - 400 030
T: +91-22-24968000
Email: deepak.mukhi@ficci.com

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