

## A bigger space available for INR2,000 more every month: why one-BHK flats don't sell in NCR

After the runaway success of one-BHK flats in Mumbai, Delhi builders' bet on the format bombed spectacularly. The launch and absorption of one-BHK flats in NCR in 2019 were the lowest in a decade. Spoilers: buyers' fascination with bigger houses, availability and affordable pricing of bigger flats.

By Faizan Haider  
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An under-construction building in Gaur City, sector 4, Greater Noida West, on May 19, 2011.

One-BHK flats were top of Manoj Gaur's mind when his company, Delhi-based realty major Gaurs Group, was chalking out the plan for Gaur City in Greater Noida West. But cold shoulders from buyers stumped him after the project was launched with much elan.

After struggling to find takers for the one-BHK concept in the National Capital Region (NCR), he is now thinking of trying out a new format.

"Though we have sold 70% of the 500 units, the response is not overwhelming and instead of launching one BHK in future, we would go for serviced apartments. The reason for this is cultural difference between Mumbai and Delhi. From the builder side, the cost of constructing a one BHK or a two BHK is almost the same. So, there is no logical reason to construct one BHK," Gaur says.

The launch and absorption of one-BHK flats in NCR were the lowest in 2019 in a decade. And there were too many spoilers — mental block that stops one from buying a small property, the culture of living in bigger houses, and the ability to pay for a bigger space because of government subsidy and low interest rate. This has prompted real-estate developers to go slow on one-BHK flats.

### NCR's love for two BHK

According to PropEquity, an online real-estate data and analytics platform, in 2019 only 628 fresh one-BHK units were launched in NCR. This is a puny number against the record 31,324 units that builders launched across NCR in 2010. Absorption, which reflects the number of units sold, was also lowest with only 5,853 flats sold last year. In 2015, 30,382 flats with one-BHK configuration were sold — the highest of the decade.

	Faridabad	Ghaziabad	Greater Noida	Gurugram	New Delhi	Noida	Total
2010	47	1,887	9,040	342	-	9,818	21,134
2011	15	1,292	6,636	1,387	-	6,108	15,438
2012	157	3,012	4,688	1,435	-	3,040	12,332
2013	271	5,942	5,730	671	-	1,880	14,494
2014	252	1,917	3,159	525	-	1,476	7,329
2015	1,100	2,093	3,547	22,370	-	1,272	30,382
2016	765	3,227	2,796	6,284	20	841	13,933
2017	52	789	2,093	4,809	-	568	8,311
2018	58	1,174	2,259	1,803	-	635	5,929
2019	72	704	1,344	3,223	45	465	5,853

- Data in the above table refers to primary market only
- The data comprises residential apartments, independent floors, and raw houses and villas
- The data is representative of organised real-estate developers only
- Data updated till November 2019
- Data does not include lottery projects



Source: PropEquity

ETPrime

The PropEquity platform covers over 118,010 projects of 34,217 developers across 44 cities in India and add approximately 300 projects every month.

### New launches (no. of units)

	Faridabad	Ghaziabad	Greater Noida	Gurugram	New Delhi	Noida	Total
2010	-	1,843	14,959	715	-	13,807	31,324
2011	-	2,830	10,775	1,953	-	12,067	27,625
2012	520	3,731	6,335	1,967	-	1,800	14,353
2013	193	8,948	7,766	811	-	578	18,296
2014	637	3,048	4,053	400	-	2,055	10,193
2015	-	1,425	3,379	2,667	-	30	7,501
2016	-	207	1,636	282	900	-	3,025
2017	-	548	1,112	862	-	108	2,630
2018	96	1,166	1,980	102	-	604	3,948
2019	-	101	-	359	48	120	628

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According to real-estate developers in NCR, homebuyers prefer to go for two BHK as the difference in EMI is hardly INR2,000-INR3,000 per month.

"The first-time homebuyers usually live in a rented accommodation for long and is habitual of living in a two-bedroom apartment. They usually prefer to stay on rent rather than going for a small house. With the subsidy under Prime Minister Awas Yojana and lower interest rate, the buyer goes for two BHK," says Pradeep Aggarwal, founder and chairman of Signature Global, an NCR-based developer.

Aggarwal says of the total units, Signature Global still keeps 10% one BHK, but other combinations get sold quickly. One BHK takes time. For investors also, rental return from two BHK is better than one BHK.

"In North India, it is difficult to sell smaller flats and that is why demand for one BHK has always been less. In NCR, people prefer two BHK. If you go to tier 2 cities, it is difficult to sell even two-BHK flats there. In tier 3 cities, you can only sell villas. So, although there is a market, one-BHK sale in NCR is not likely to pick up," points out Pankaj Bajaj, managing director of Eldeco, which has projects across western Uttar Pradesh.

### A slow-moving market

According to PropEquity, there are about 30,000 unsold units of one-BHK apartments across NCR. Most of the unsold inventories are in Greater Noida, followed by Noida, and Ghaziabad. Gurugram, which houses many multinational companies, recorded the highest number of launches and absorption of one BHK among NCR towns.

### Unsold stock (units)

	Faridabad	Ghaziabad	Greater Noida	Gurugram	New Delhi	Noida	Total
2010	34	1,748	6,827	1,214	-	4,617	14,440
2011	19	3,286	10,966	1,780	-	10,576	26,627
2012	382	4,005	12,613	2,312	-	9,336	28,648
2013	304	7,011	14,649	2,452	-	8,034	32,450
2014	689	8,142	15,543	18,455	-	8,613	51,442
2015	439	7,474	15,375	7,783	-	7,371	38,442
2016	298	6,119	14,535	3,687	880	6,530	32,049
2017	246	5,878	13,554	5,004	880	6,070	31,632
2018	284	6,086	13,275	5,799	880	6,039	32,363
2019	1,010	5,483	11,931	4,427	883	5,694	29,428

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Source: PropEquity

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The reason for this is cultural difference between Mumbai and Delhi.

According to international property consultant Knight Frank, the number of new units launched in 2019 has registered 45% growth year on year. Approximately 57% of the newly launched units are concentrated in Gurugram and Greater Noida.

On the demand side, NCR is now a cautious end-user market. Demand in NCR stood at 42,827 units in 2019 registering 5% increase year on year over 2018. The maximum demand came from Greater Noida and Gurugram, closely followed by Ghaziabad. Cautious new launches and steady sales have improved the unsold inventory levels in NCR in 2019. Registering 14% drop year on year. The unsold inventory in NCR stands at 122,084 units at the end of 2019.

Post the price correction in 2013 and then again in 2016, residential prices in NCR have been moving in close ranges, with no upward spike.

"We don't see acceptability of one BHK in NCR the way we see it in Mumbai. The market is already down and when you compare one BHK with two BHK, the cost difference is not alarming. This can be considered as a mind block in the northern part of the country and may take some time before one BHK becomes attractive in NCR," says Mudassar Zaidi, executive director - north, at Knight Frank India.

Parveen Jain, chairman and managing director, Tulip Infratech, says the greatest demand in 2019 was for the 'affordable housing', as the segment is considered by a majority of the buyers going for two-BHK and one-BHK units as 'within reach' and the 'best bet' due to affordable prices.

### The rise of the high-rises

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"We have recently launched about 125 one-BHK units in Noida and it was immediately sold out. We are ready with another 2,000 one-BHK flats in Ghaziabad and over 80% of it has been sold. If you launch a product, there will always be a market. A lot of people are focusing on the launch of two and three BHK. This gives us an opportunity to cash in on the demand for one BHK. Most of the buyers are first-time users," says Ashish Agarwal, director, Aditya Developers.

Agarwal says the amenities that builders have to provide is same for one, two, or three BHK flats, and that could be one of the reasons builders feel not much to gain from one-BHK units.

"Local authorities approve number of units in a project, irrespective of the configuration. So, the developer usually goes for two or three BHK, as it will get him more money," Ashish adds.

According to property consultant Anarock, the share of high-rises (ground+20 floors or more) scaled unprecedented heights in 2019. Anarock data indicates that of a total 1,816 residential projects launched across top-seven cities in 2019, over 52% were high-rises.

Mumbai Metropolitan Region topped the list with over 75% of the total 734 projects launched in 2019 in the high-rise category. NCR came next with nearly 70% of its total launched projects in the high-rise category.

There is another category that's seeing offtake.

"In 2019, buyers and investors have shown keen interest in the newly launched and under-construction group-housing projects offering two-, three- and four-BHK apartments along with amenities provided within the housing site," Jain from Tulip Infratech says.