

Higher mortgage rates have been absorbed well

Over the last 7-8 months since last rate hike:

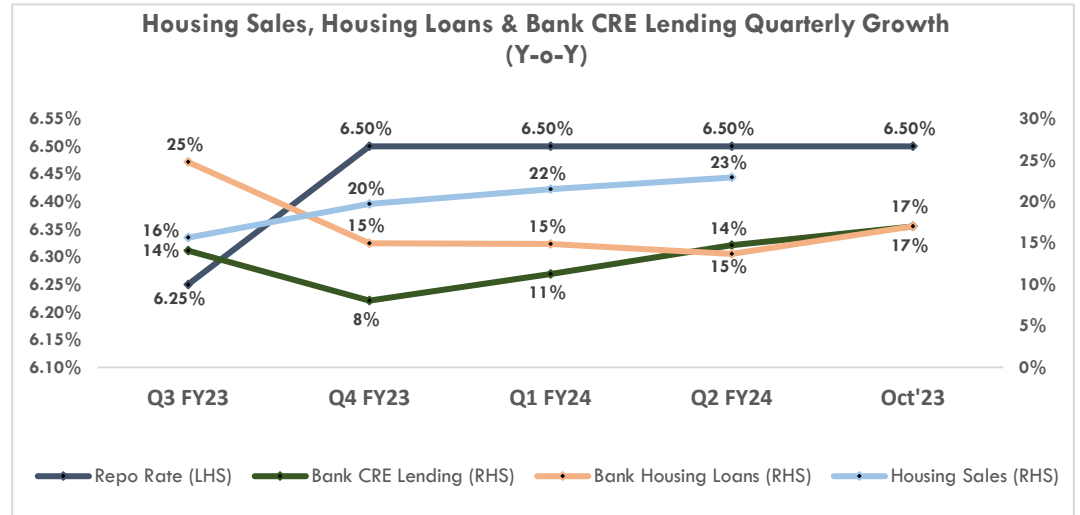
- Residential sales in 9MCY23 have grown by 12.0% over 9MCY22
- Bank housing loan have grown at a CAGR of 19.1% from Mar-23 to Oct-23
- Bank CRE loan have grown at a CAGR of 23.9% from Mar-23 to Oct-23

Despite the last rate hike since Feb 2023, the Indian residential market remains robust

The last repo rate hike was in February 2023 (resulting in a cumulative increase of 250 bps between May 2022 and Feb 2023). Despite this 250bps increase, the residential market in India has remained resilient with steady growth in housing sales, bank housing loans, and bank CRE loan

- ✓ Housing sales in India (data till 7 months from last hike)¹:
 - 3QCY23 recorded the highest quarterly sales since 2008
 - Residential sales in the first nine months of 2023 (196k units) have already reached 91% of CY22 sales
 - Sales have grown across different pricing segments
 - Despite an increase in project launches and unsold inventory, YTS (expected time to liquidate the stock) has further declined from 2.5 years in Q2 2023 to 2.3 years in Q3 2023
- ✓ Bank housing loan (data till 8 months from last hike)²:
 - Growth recorded post covid (Sep 21-Oct'23) of 17.3% is higher than pre-covid (FY17-FY20) of 15.8%
 - Further bank housing has grown at a CAGR³ of 19.1% between Mar-23 to Oct-23 (since the last hike)
- ✓ Bank CRE loan (data till 8 months from last hike)²:
 - Growth recorded post covid (Sep 21 - Oct'23) of 19.5% is higher than pre-covid (FY17-FY20) of 12.0%
 - Further, Bank CRE loans have grown at a CAGR³ (Compounded Annual Growth Rate) of 23.9% between Mar-23 to Oct-23 (since the last hike)

CAGR	FY17-FY20	Sep'21-Oct'23	Mar'23-Oct'23
REPO RATE	4.4-6.0%	4.0-6.5%	6.50%
Bank Home Loans	15.8%	17.3%	19.1%
Bank CRE Lending	12.0%	19.5%	23.9%



Certus view:

Higher mortgage rate does affect housing sales as affordability⁴ gets negatively affected. However, so far, home buyer’s interest has remained unfettered. Sales momentum has been resilient despite the 250bps rate hike and housing price surges show that higher mortgage rates have been absorbed well. This is primarily because, despite the housing price increase and interest rate hike, affordability is close to a two-decade high, as we are still catching up to almost stagnant prices between 2014 and 2020. In our opinion, this momentum will sustain for the foreseeable future due to favourable market conditions (strong economic growth, rise in consumer confidence, change in buyer behaviour, timely project execution, etc), and may get further aided by any downward revision of interest rates, which we believe is likely to happen before the end of CY24.

1. JLL Residential Market Update 3Q2023 (Data for top 7 cities)
2. RBI- Data till 20-Oct-23; excludes the impact of the merger of HDFC Bank and HDFC Ltd.
3. Compounded Annual Growth Rate
4. Affordability equals property prices by annual income. A lower affordability ratio implies that there is a higher affordability

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