


CEMENT

27 March 2025

Lower residential inventory positive for cement consumption

- In the residential segment, sales have grown 3x since the pandemic with ~14 months inventory assuming no new projects are launched
- The commercial office segment's net absorption (50mn sqft) is at a new peak, outpacing supply (48.1mn sqft) for the first time post 2017
- Recent sales sluggishness only a breather, real estate up-cycle post pandemic likely to continue as trends indicate cycles last ~8-9 years

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We arranged an expert call with Mr. Shobhit Agarwal, MD & CEO, Anarock Advisors, on 26 March 2025. Following are the key takeaways.

Healthy signals in commercial office segment: The commercial office space absorption rate beat the completion rate in FY24 (absorption of 50.0mn sqft > completion rate of 48.1mn sqft) for the first time since FY17. The demand is well spread, ending the ITES segment's dominance from 42% in FY19 to 28% in FY24 with co-working and the BFSI segment gaining prominence. Occupancy at international offices was 70% in the segment in the pre-pandemic phase compared to Indian corporate occupancy at ~50% currently. Hyderabad could see the highest risk due to excess supply.

Residential sector inventory drops to 17%: In this segment India remains an affordable market globally with sales growth at 3x since the pandemic. Inventory has dropped to only ~14 months (assuming no new projects are launched). Sales value grew 16% YoY with growth the highest in the Mumbai Metropolitan region (~41%) and lowest (2%) in Kolkata. The new supply (units) has dropped steeply in the Pune (28% YoY) and Hyderabad (24% YoY) regions. The share of luxury and ultra-luxury units continued to rise in 2024, over 3.4x of 2018 and, according to Mr. Agarwal, could face the highest risk as it now forms 17% of total supply vs 4% in FY18.

Retail and warehousing segment: In the retail segment the leasing absorption rate was 6.5mn sqft (flat YoY) but the new completion rate lagged at 1.1mn sqft on a higher base of 5.3mn sqft. The occupancy rate has fallen to below 10% in FY24. Also, the warehousing segment has grown at a healthy CAGR of 13% from FY18-FY24 with demand driven by huge data centres due to digitisation.

Positive leads for cement sector demand: We feel the positive outlook for the real estate sector across segments augurs well for the cement sector. Importantly, in the residential sector (cement consumption is higher) the affordability ratio (home loan pay/income) is improving to 38 in FY24 similar to FY17 (it has dropped since then). This and lower inventory indicate cement demand from the sector will be healthy.



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