REALTY INSIGHTS

Incisive and decisive intelligence on the Indian property market

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Editor's Note

Despite the recent slowdown in major housing markets across India due to over-supply and lower rates of absorption, Indian realty is poised to grow in the times to come. Markets have started to show signs of revival as seen from an upbeat buyer sentiment in some of the major markets across the country. Home prices are expected to rise in next 6-12 months fuelled by stronger demand. Apart from end users, investors have also started to enter the market. The potential upswing in the near future will be underpinned by stable economic growth, structural policy reforms, expansive middle class and attractive demographic dividends. The growth in the sector will be further accelerated with formalization happening in the industry and a host of prudent steps taken in the interim budget.

Despite incremental progress and reforms in the industry, the USD 60 billion primary Indian residential realty is still plagued by information deficiency and distortion. There is a dearth of usable and actionable insights that can be leveraged by discerning home buyers in India. Even if there is information available, their nature and purpose might not be completely unquestioned.

In order to bridge the information void, we have launched Realty Insights magazine as an unbiased authority on Indian housing markets. We are positioning it as a content-rich source comprising of a host of news and analyses, insightful market commentaries, special features, data-driven reports, and much more.

In the cover story, we have captured the rise in international institutional deal inflows into Indian Real Estate. Major international players continue to remain confident on the prospect of Indian housing industry. Interestingly, a sizable part of that investment is directed towards the residential sector. This also reinforces the fact that despite a slowdown in the past, the fundamentals in the Indian housing markets continue to remain intact, thereby piquing investor interest.

In the research section, we have covered how the nature of home purchase is once again transforming in India, with a rise in the influence of the investor fraternity. In the backdrop of resurgence in the market, currently around 25% of the property purchases in the country is influenced by pure play investment activities. The expansion in investment activities in the country is attributable to an upbeat macroeconomy, attractive payment offers, availability of lightweight investment opportunities and much more.
Our special feature highlights the growing demand for green buildings in the country. In the news and analysis section, we have written a dedicated article on each of the four regions in India- North, South, East and West.

We hope that you enjoy the wealth of valuable insights that we have offered in this issue of Realty Insights and will continue to offer in future issues to provide you with an in-depth perspective on the evolving Real Estate market. We also welcome any suggestions that you may have from your side to further enhance the content of the magazine and are open to any feedback that will help us in delivering top-of-the-line analyses and inputs to you.

Paritosh Kashyap
Managing Editor- Realty Insights

Paritosh

Disclaimer

Economic Outlook

Despite uncertainties on the global canvas, Indian GDP will continue to accelerate undeterred in the times ahead.

Judhajit Samajdar

In the recent times, as the global economy slowed down, India also did not remain completely unscathed. Economic sentiments in India softened and growth curves got moderated. Policy activities like demonetization further undermined the economy in the country.

However, by the end of FY 2017-2018, the Indian economy once again started to revive and healthy sentiments once again became part of the general lexicon. In Q3 FY 2017-2018, India registered a growth of 7.2%, becoming the fastest-growing major economy across the globe. Since then, the economy has been mostly maintaining its position in the comfort zone of 7-8%. During Q3 FY 2018-2019, GDP growth slowed down to 6.6% on the back of slowdown in consumer spending, manufacturing growth and agriculture outlook. The overall growth of FY 2018-2019 has been estimated at 7%, still a benign number.

There have been setbacks recently, as consumer confidence plummeted in the backdrop of global trade wars, uncertainties over oil imports and a liquidity crisis. However, the consumer confidence index has restored as these factors have bottomed out.

Despite the downside risks in the global economy, India is expected to maintain its potential in the times ahead. GDP growth is expected to be 7.5% in FY 2019-2020 (IMF Estimates). The healthy sentiments on India are further reinforced from a growth in FDI inflow as international investors hold India high up on their radar.

The country will also leverage growth in global outputs. Heightened economic activities on the global canvas should translate into more activities in India, in the form of outsourcing and offshoring activities. However, the domino effect of global trade wars, contingencies over oil prices and the US Fed taking stronger control initiatives cannot be completely discounted.

Looking at the current momentum, some experts do not completely rule out the possibility of a double digit growth in the foreseeable future. However, this will require the service sector to grow by 20%, besides an accelerated growth in industry and agriculture to the tune of 8% and 4%, respectively. To realize ambitious growth objectives, India also needs to systematically build its service capabilities, as the current situation will fall short of the intended benchmarks. A poor supply capacity will inadvertently result into inflation kicking in, once the demand grows on account of above 8% GDP growth rates. A potential rise in petroleum prices can also bring in some setback to its higher growth plans.

Even if a double digit growth is far-fetched, going forward, the economy will continue sustained economic growth, propelled by a rise in the service sector, manufacturing and private consumption. This will also help in sentiments on the Indian Real Estate that is, of late, undergoing an uptick in demand. An upbeat economy and a rise in per capita income will naturally contribute towards vitalizing the existing confidence on realty markets. Many buyers have been sitting on the fence for the past some time and hence positive growth statistics will inspire them to take the call. In fact, besides end users, investors have already started to enter the market once again. Earlier, during the time when Real Estate was decelerating, investors shied away from the sector. However, with a potential bounce back in the industry, the 360 Realtors' Consumer Sentiment Survey indicates that currently around 24% of the purchase decisions are influenced with an intent to invest.

International Institutional Investors Pivoting Aggressively Towards Indian Real Estate

International institutional investors pivoting aggressively towards Indian Real Estate in search of risk-adjusted higher returns.

Asha Singh, Paritosh Kashyap, Judhajit Samajdar

Over the years, institutional players have been aggressively expanding their exposure to the Indian realty market. There has been a marked preference for matured residential, office and retail asset classes. Interestingly, over 60% of the deal inflows into the Real Estate markets is emanating from international sources that testify to the growing presence of India on the global Real Estate map. Numerous international investors, PE players, sovereign funds and wealth funds are also setting up their offices in India to deepen their foothold in the country and understand the dynamics of the country more closely.

In 2017, the total deal inflow into Indian realty was estimated to be around USD 6.6 billion (INR 42,800 crore), climbing by over 17% on a Y-o-Y basis. This was also remarkably higher from the investment inflows in the year 2014, when the number was pegged at USD 2.5 billion (INR 16,000 crore). One of the major factors that has resulted in notable growth is increased transparency and formalization in the Indian Real Estate industry. Policy overhauls such as RERA, demonetization, REIT and GST are bringing seismic changes in the industry dynamics.

The surge in deal inflows was also influenced by the large ticket size of the deals. As per research by Knight and Frank, individual ticket sizes in India are roughly estimated at USD 158 million (INR 1,100 crore). Similar statistics have been chronicled by KPMG. This is roughly four times the average ticket size in 2011.

In terms of asset classes, the appetite was more for office real estate. On the back of a moderately growing economy and undersupply of quality space, the office market in India looked promising. Meanwhile, as the residential market was going through a price compression, the potential yield in the sector looked uninspiring.

Interestingly in 2018 around 45% of the investments have been channelized into the residential sector, which shows changing preferences amongst global players.

In Dec 2017, Singapore-based sovereign wealth fund GIC group bought a one-third stake in the rental arm of DLF following an investment of around INR 8,900 crore. Likewise, global institutional investor Xander group, which is one of the pioneers in emerging markets, has invested around 4,250 crore in a host of projects, including retail and commercial portfolios.

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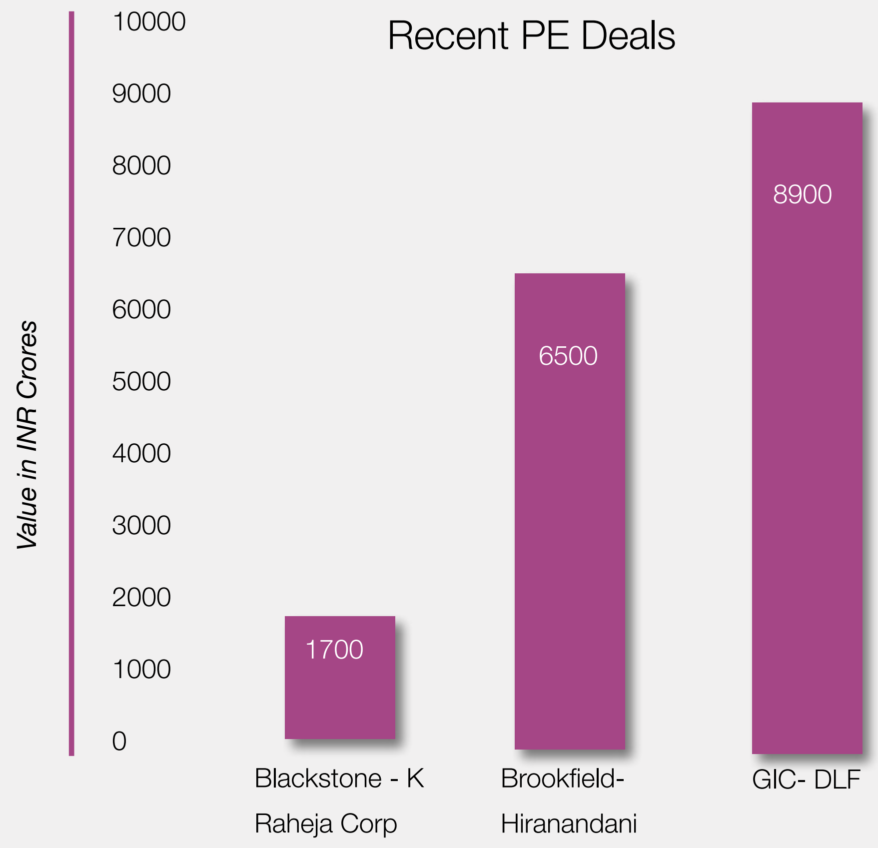

Meanwhile, investors also continued to scout lucrative deals in the logistics and industrial segment, as the sector is poised to offer promising returns in the near future. In 2017, the total amount of investment inflow received by the logistics and industrial sector has been around INR 6,300 crore. The Canadian pension fund, CPPIB, has made a notable investment of over 3000 crore to develop a JV, namely, IndoSpace Core that will buy warehouses and logistics projects in the country.

Residential Sector Upping the Ante

Meanwhile, in 2017 the investments into the residential sector stood at INR 15,600 crore, easing out by around 30% YOY. Due to demonetization in November 2016, sentiments towards the housing industry remained soft in 2017, deterring many potential institutional investors. Also, the time was marked by a drying up of new launches, which further restricted the role of institutional monies. As developers were suffering from higher inventories, there was a preference towards completing the existing inventory rather than commencing new works.

Due to demonetization in November 2016, sentiments towards the housing industry remained soft in 2017, deterring many potential institutional investors.

However at the onset of 2018, with the revival in the housing industry, international institutional investors have once again started gaining strong momentum on the housing assets in India. Piramal Enterprises and Ivanhoe Cambridge, the Real Estate arm of Canadian fund Caisse de dépôt et placement du Québec (CDPQ), have reccently announced an INR 500 Crore investment in Lodha Palava- a project based out of the Mumbai Metropolitan Region (MMR). It is also believed that numerous other international players are looking out for lucrative deals.

Investors are also drawn towards the affordable housing sector due to a higher underlying demand. Abu Dhabi Investment Authority (ADIA) has struck an unprecedented deal with HDFC to facilitate investment into the affordable Real Estate in the country. The fund that is worth over INR 6,300 crore will be invested into affordable and middle income projects from numerous developers including Mahindra Life Space, Acme, Rustomjee Group, Radius, Godrej Properties, and more. Recently, Blackstone, the world's largest PE arm, has bought a stake in Aadhar Housing for INR 800 crores.

A Sustainable Real Estate on Track

The overwhelming response towards the Indian Real Estate industry could in general be attributed to multiple factors. Firstly, there has been a constant rise of interest in emerging markets over the years. The traditional viewpoint that developed markets give the most handsome returns is being increasingly challenged. Major emerging frontiers of the world are downplaying their developed counterparts on the back of sustained economic growth, spurred urbanization and accelerated domestic demand. In order to contain risk and maximize profit, notable numbers of institutional investors are now looking forward to the emerging markets.

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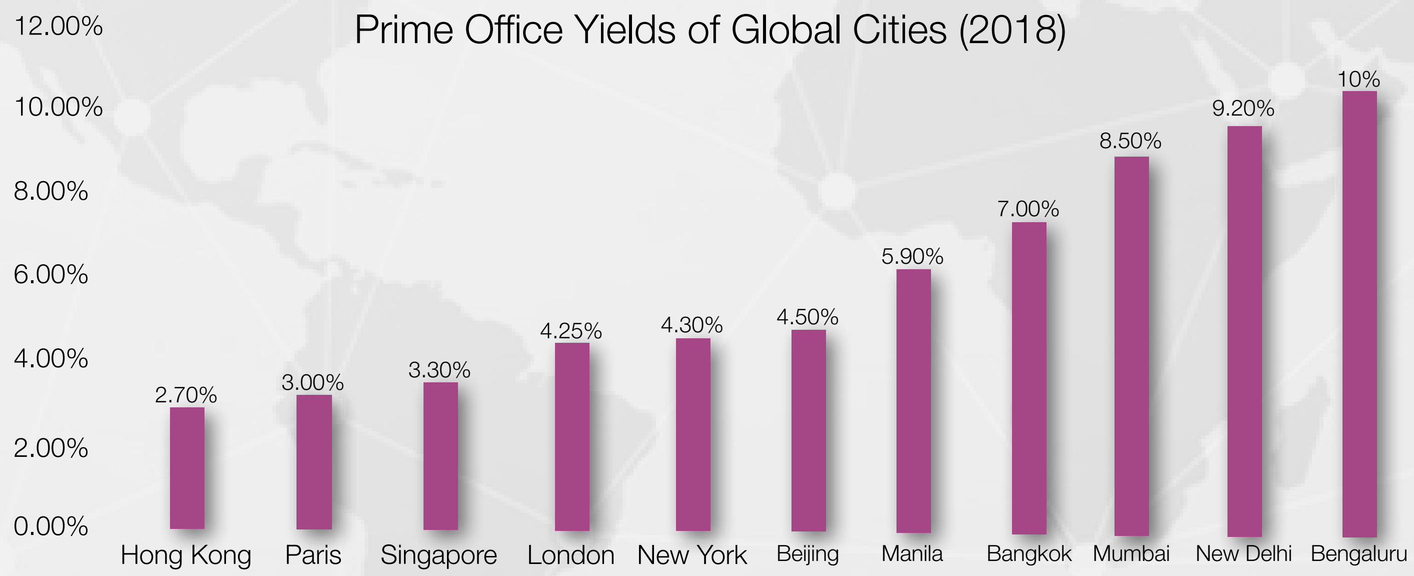
India being one of the fastest growing emerging markets around the world becomes a natural favourite for the investor community. The underlying strength in the Indian economy could be further explained on the basis of the graph below that shows how prime office yields in Indian cities are way higher than some of the major developed cities in the world. With statistics clearly in favour of India, it is natural that the country will hold a position high up on the radar of international PE offices.



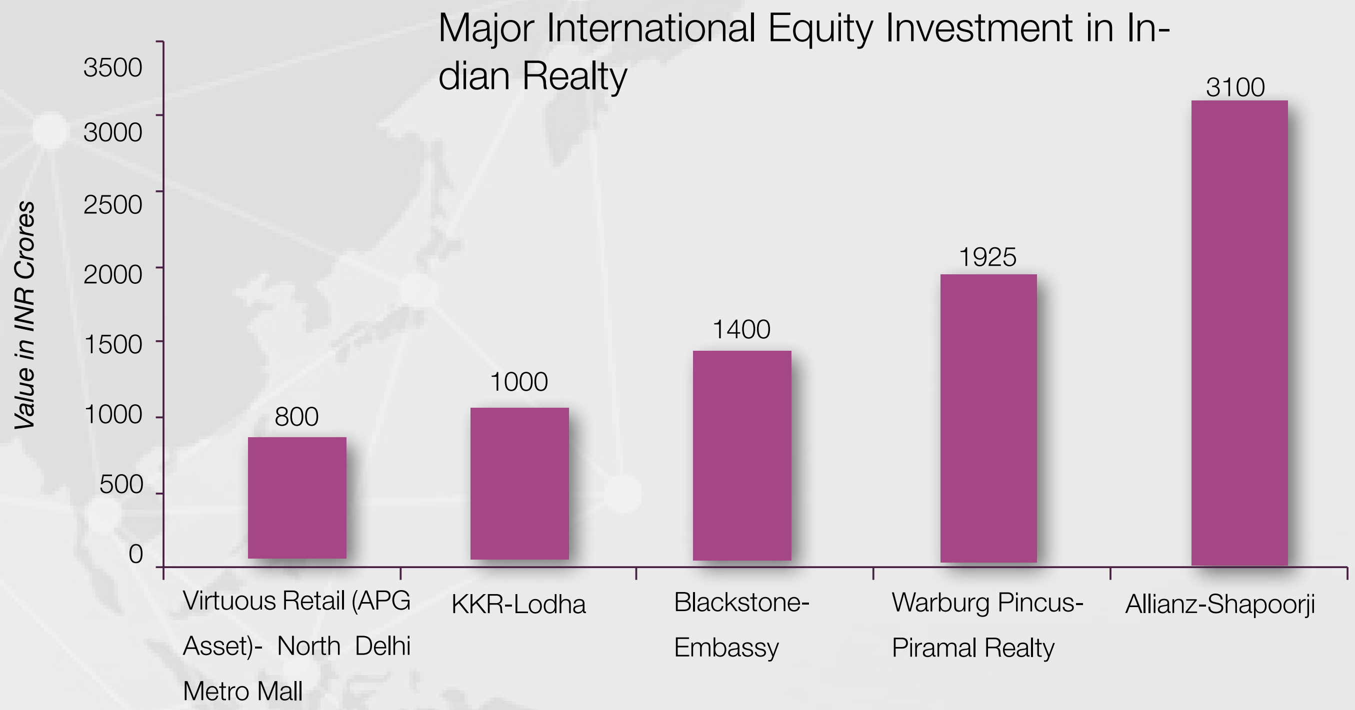
(Source: 360 Realtors Business Intelligence)

Developers, both commercial and residential, who have been successful in turning around the inventory, are now once again embarking on new launches. The Indian economy is also back in a comfortable growth trajectory of 7-8% that will further drive growth in the foreseeable future.

As the Indian economy continues to gain steam, its attractiveness to international capital is expected to remain unaltered in the times ahead. Besides a potential rebound, market sentiments in India will also draw from the ongoing host of reforms that have unfolded in the recent times

As the Indian economy continues to gain steam, its attractiveness to international capital is expected to remain unaltered in the times ahead. Besides a potential rebound, market sentiments in India will also draw from the ongoing host of reforms that have unfolded in the recent times. India has made some notable gains in terms of GST implementation, RERA and the demonetization drive. These policy reforms had undermined the sector in the shorter run and hampered sales volume. However, despite short-term pain, these steps will result in long-term gains in the form of increased organization and structure and hence will facilitate more institutional money. This also demonstrates the current government's commitment towards ushering in more transparency into Real Estate, which in turn is reinforcing investor confidence about the market potential.

Ramp Up in Equity Deals



Apart from debt, institutional investors are also ramping up investment via the equity platform, which is a healthy sign. As there is a dearth of profit-earning Real Estate asset classes, many international investors are partnering with local developers, both at project levels as well as at the entity levels. In one of the landmark deals in 2018, US-based investor Allianz with a global Real Estate portfolio of USD 62 billion has invested USD 500 million (INR 3,350 crore) equity in the Shapoorji Pallonji Group to develop the office portfolio. This is in accordance with Allianz's long-term strategy of investing around 5% of its Real Estate portfolio in the Asia Pacific markets.

Blackstone is striking numerous equity deals in the country. As one of the largest investors in Indian realty it has so far allocated around USD 4 billion (INR 24,000 crore) in the market. Previously, Blackstone has partnered with Embassy (Bengaluru), Panchshill (Pune), and Salarpuria Sattva (Bengaluru). Over the course of the next five years, Blackstone will further increase its investment into India.

Special Feature: The Rise of Green Real Estate in India

The time for widespread usage of green buildings based on the integrated adoption of energy-efficient innovations has come in India.

Paritosh Kashyap

India is upping its ante in the energy-efficient sustainable Real Estate market. Increasingly, both commercial and residential projects are embracing and adopting green technologies and innovations. As per the rankings by US Green Building Council (USGBC), India ranks third outside of USA in terms of the number of green buildings. In India slightly over 20 million sq. m. of area is LEED-certified. (LEED stands for Leadership in Energy and Environmental Design). The other two countries that outperformed India are China (47 million sq. m.) and Canada (40 million sq. m). Other nations in the list include Brazil, South Korea, Turkey and UAE.

Although there has been heightened awareness towards the enduring benefits of going green, the numbers are still dismal as out of the total construction, less than 5% of projects are adopting greener and sustainable practices. The lower penetration of green technologies is due to a lack of awareness, higher construction cost, sub-optimal regulatory incentives and poor financing opportunities.

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Little Awareness and High Cost

There is still little awareness about innovation-centric buildings. Both developers as well as end users lack ample knowledge on green buildings. An effective dissemination of information about the potential benefits of such projects can go a long way towards generating more interest for such projects. Apart from government and municipal bodies, banks and lending institutions can also play a significant role in bridging the knowledge gap by incentivizing easier credit for projects and homes that adhere to greener guidelines.

Even amongst buyers who know the usefulness of such projects in tackling environmental menaces, higher costs sometimes dissuade them from making a purchase decision. Buyers just look at the one-time cost and take their decisions based on that. What they miss out is that such projects come with long-lasting benefits that can outweigh the cost involved. Greener buildings involve technological innovations such as reflectors, rainwater harvesting, solar lighting panels and much more that can reduce energy consumption to the tune of 25%. The rate of water conservation is even higher. If one factors such benefits into the equation, the financial proposition is attractive.

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Construction costs are naturally higher in case of greener buildings due to usage of costlier technologies coupled with lack of quality human capital. In order to encourage development of such buildings, the government offers benefits in the form of higher FSI area and tax cuts. However, financial benefits are just linked to the required certifications rather than evaluating the exact energy effectiveness of such projects. An alternate and better approach will involve linking the incentives with the exact benefits achieved in terms of energy and resource conservation.

Green Buildings are the Need of the Hour

The time for widespread usage of green buildings based on the integrated adoption of energy-efficient innovations has come in India. Due to unprecedented urbanization and rapid rise in population, natural resources in Indian cities are getting highly constrained. Currently, the Real Estate industry accounts for consumption of around 33% of electricity, 25% of water resources and 40% of natural raw materials. Likewise, it results in 40% of waste and 35% of greenhouse emissions. If similar consumption patterns continue, unpleasant circumstances will follow, which will be hazardous to the environment.

A prudent approach to effectively manage such relentless rates of growth will be to cohesively integrate smarter, greener and efficient practices throughout the home construction cycle - land identification, levelling, construction process, post-construction and deconstruction. By actively embracing such practices, we can rationalize the use of our natural resources, control greenhouse emissions and curb waste production, leading to more sustainable living for the residents. However, to enable swifter and smoother adoption, it is imperative that various stakeholders including government agencies, regulatory bodies, developer communities, home finance institutions and end users need to be together on the same page and take an integrated approach.


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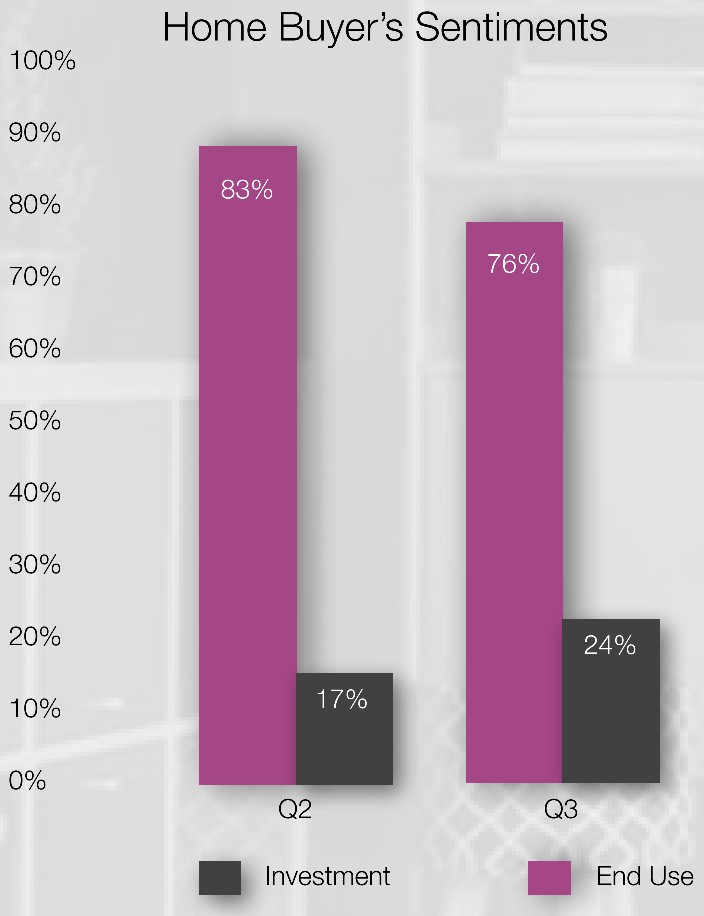
Indian Housing Market- Once Again an Inviting Field for Investors

As sentiments around the housing market in India revive, pure play investors are once again entering residential realty in the country - as per the survey by 360 Realtors.

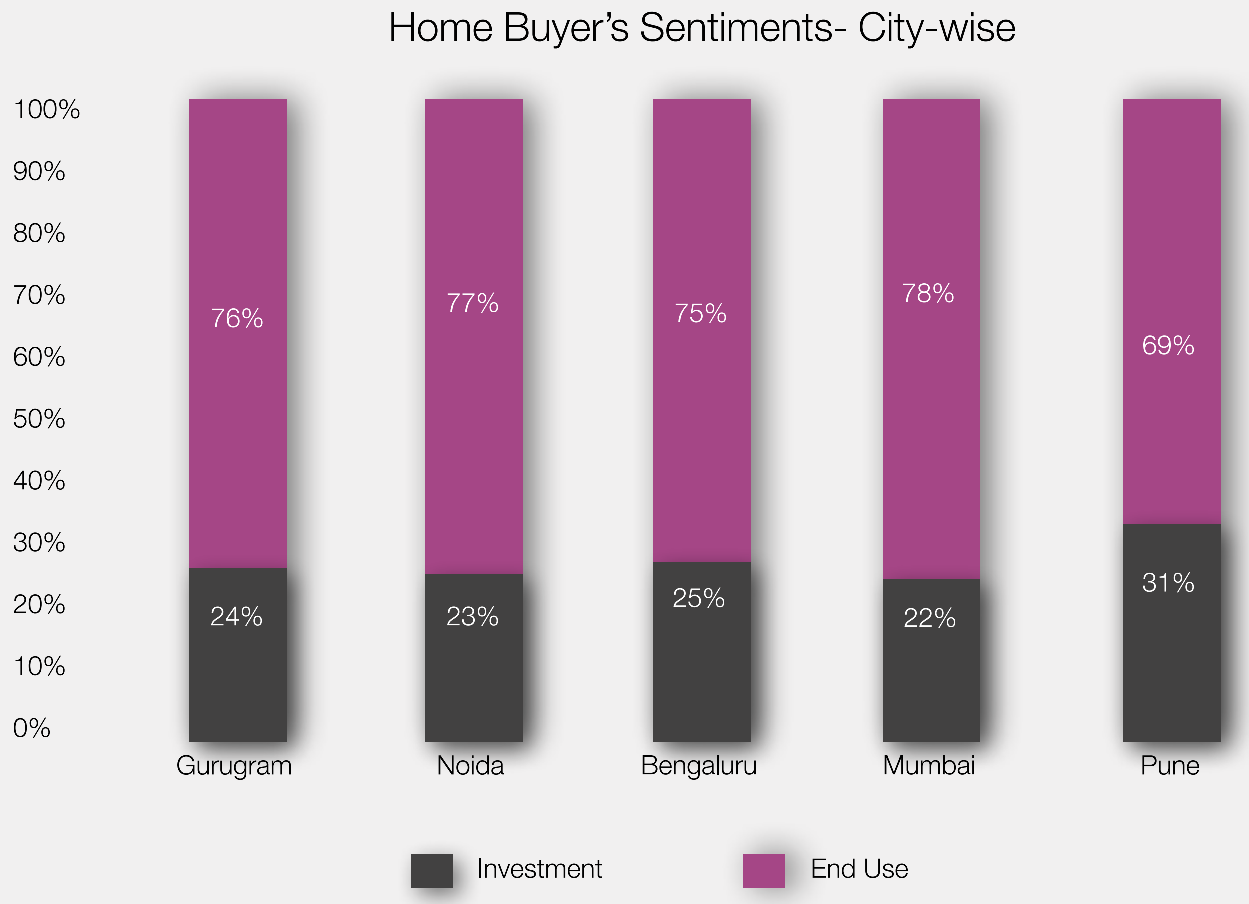
Paritosh Kashyap, Amit Ahlawat, Nivriti Raj, Judhajit Samajdar



(Source: 360 Realtors Business Intelligence)

As per the 360 Realtors' Q3 survey that captured the sentiments of 4000 home buyers spread across five major cities (Mumbai, Gurugram, Noida, Bengaluru and Pune), 24% respondents indicated that they are purchasing with an intent to invest. This is far higher than the previous quarter's research findings.

City-wise, most of the markets have exhibited similar trends, except Pune. Located adjacent to Mumbai, the financial capital of India, Pune has come a long way to consolidate its position as one of the most sought after investment destinations. Besides local buyers, the city constantly features on the radar of investors from Mumbai, NRI source market and even other parts of India. Its attractive property prices complement buyers who are looking out for mid-sized deals.



(Source: 360 Realtors Business Intelligence)

Located adjacent to Mumbai, the financial capital of India, Pune has come a long way to consolidate its position as one of the most sought after investment destinations.

Ticket Size of Home Purchase-Concentration More towards Smaller Sizes

The recent survey by 360 Realtors demonstrates a growing preference for smaller units for investment. As per the survey, slightly less than half of the investors prefer properties priced lower than 40 lacs for investment. Around one-third of the investors are inclined towards properties priced between 40 and 80 lacs. There has been a limited preference for properties priced northwards of 80 lacs.

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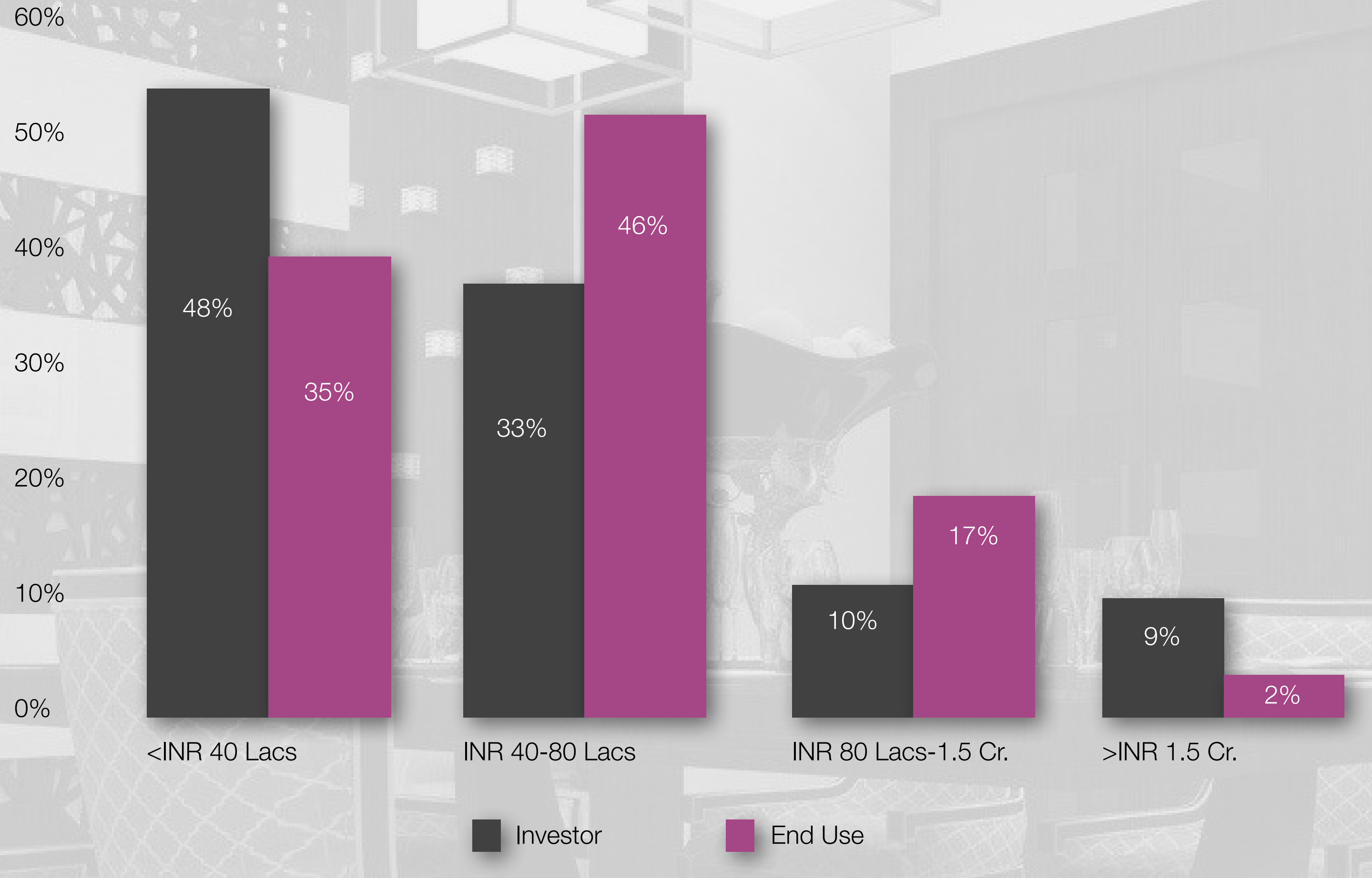
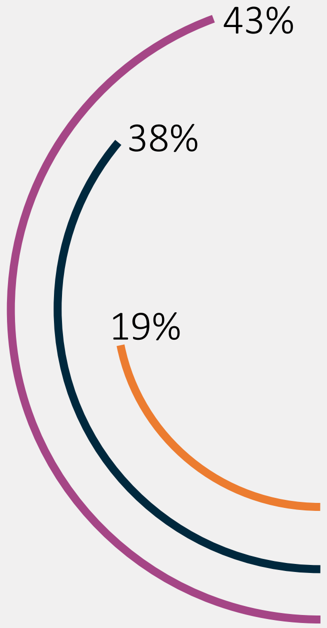


(Source: 360 Realtors Business Intelligence)

Interestingly, the outputs are slightly deviant when compared with end user sentiments as around 46% of such buyers have showcased a marked preference for units priced between 40 and 80 lacs. 35% of the end users have opted for homes priced within the bracket of 40 lacs.

Investors' split



■ 3 BHK and Above
■ 1 BHK and Studio
■ 2 BHK

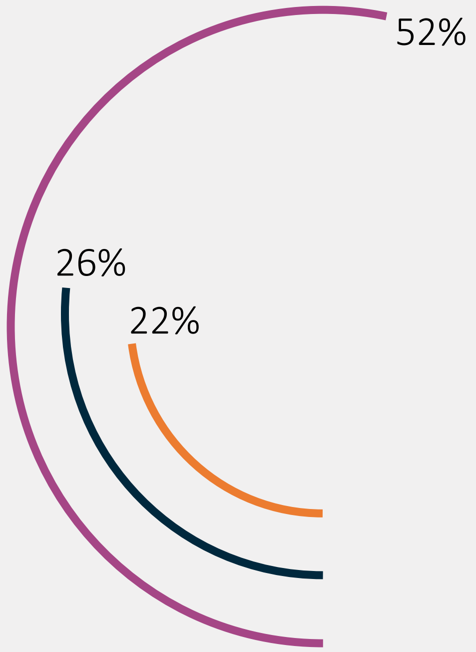
In terms of category-wise preferences, 2 BHK are the most preferred asset class closely followed by smaller units such as 1 BHK and studio apartments.

Less than one-fifth of the investment activities are flowing into 3 BHK and bigger asset classes. As there are growing preferences for risk-adjusted lightweight investments, it is explainable that there is a dip in investments into bigger units.

Amongst end users, over half of the buyers are inclined towards 2 BHK units making it the most preferred unit in the investor as well as the end user segment.

More than a quarter of the end users have opted for smaller units such as 1 BHK and studio units.

End users' split



■ 3 BHK and Above
■ 1 BHK and Studio
■ 2 BHK

Factors Driving Investment Flow

The recalibration in the current market - where investors are once again making a notable presence - could be rooted to a plethora of determining factors. Highlighted below are some of the major factors that are once again inviting investors to play out in the prolific Indian housing market.

Ushering in a New Era of Transparency

Over the past few quarters, with RERA and a host of other reforms coming out of the policy contours, there has been a substantial change in the dynamics of the modern Indian housing industry. Traditionally, Indian Real Estate has been known for its opaque nature. However, with the rollout of new changes, the landscape is getting leveled with equitable power sharing between the buyers and the developers. Policies such as RERA & GST stipulate transparency in every individual transaction, which has heavily boosted the buyer's confidence. Buyers are now much more confident in terms of pouring their hard-earned monies into Real Estate as the chances of possible malpractices have been largely neutralized.

Lightweight Options

Of late, Indian metros are witnessing a rise in demand for smaller units such as 1 BHK, studio apartments and micro-homes, fueled by a growing millennial population. These lightweight units come with a lower entry barrier to invest and hence investors are naturally drawn towards them. As the demands are overwhelmingly high, the expected capital growth and rental yields are also attractive. Low prices connote to smaller debt sizes that further add value in a time when risk appetites are low. (Due to a rising preference for smaller units, preferred ticket sizes are low, as indicated in the above section).

These lightweight units come with a lower entry barrier to invest and hence investors are naturally drawn towards them. As the demands are overwhelmingly high, the expected capital growth and rental yields are also attractive.

Attractive Offers

With an intent to turn around their existing inventories, many Indian developers are coming up with attractive schemes that are further feeding optimism into the market and renewing investor appetite. As large inventories have piled up over the years, developers are coming up with numerous offers such as assured rentals & EMI payouts after possession (sometimes even two years after possession). Such schemes are simplifying the property purchase process, mitigating possible risks and incentivizing more investment into the asset class. Consequently, they are also reeling in more investors.

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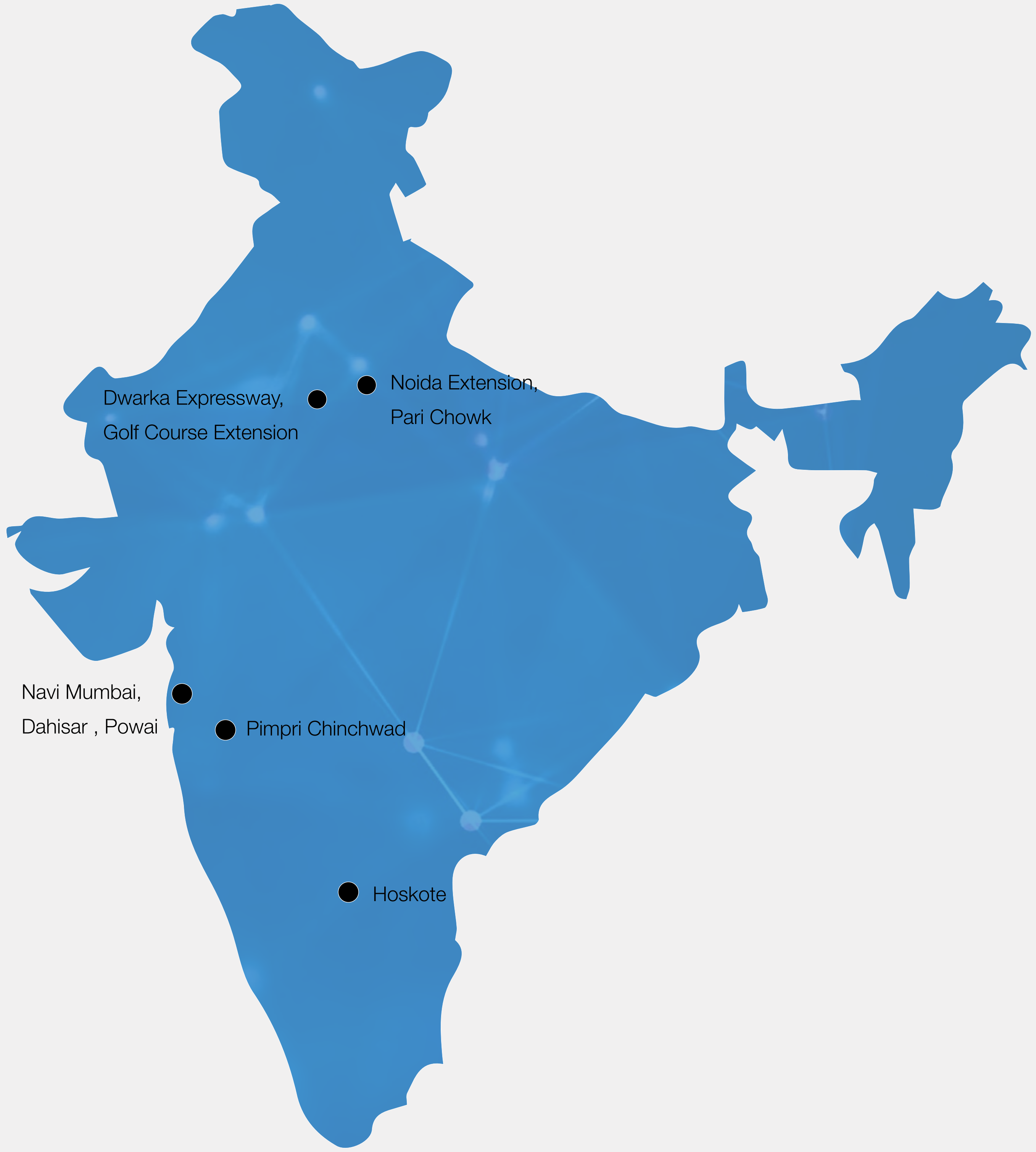
City-wise Dynamics – Major Investment Destinations



Market Will Continue to Get Upward Thrust

Recent times have seen a notable rise in transaction volume. The uptrend will be further backed by the recent GST rate cuts and rise in liquidity in the market after the easing out of REPO Rate Cut.

Going forward, the role of investors will continue to edge up in Indian Real Estate. Prices have stabilized in most of the major markets and are now expected to start moving upwards soon. Hence this will be an ideal time for investors looking to grow their wealth.

However, in terms of volume, investments will fall short of the 2010-14 era, when it was at an all-time high. This is also partly because of the fact that this time, only long-term investors are playing out in the field and there is very limited scope for speculations.The Indian government is committed towards bringing more transparency and structure into the Real Estate sector and facilitating it towards becoming an organized industry.

Methodology

360 Realtors' Market Sentiment Survey is proprietary research that is conducted on a quarterly basis.

Indian Real Estate roughly accounts for around 6% of the total GDP of the country. However, there is a dearth of end user-centric research and insights as most of the research studies commissioned are institutional in nature. In order to bridge this current knowledge void, decipher the underlying market sentiments and offer actionable insights to home-buyers and the fraternity, 360 Realtors conducts the Market Sentiment Survey every quarter.

In the Q3 (current) Survey, 4000 home-buyers have been made to fill the survey questionnaire to understand their prime motive behind home purchase. Respondents were located around five major Indian cities- Gurugram, Noida, Mumbai, Bengaluru and Pune.

Apart from the survey, qualitative interviews were also conducted with two investors from every city to understand more about the evolving consumer preferences.

Rethinking Developers Marketing Strategy

Amidst intensifying competition, thinning profit margins and evolving consumer classes, developers in India need a fresh approach to market their products.

Asha Singh

During 2009-14, when most of the major economies in the world were reeling under the pressure of the economic meltdown, the Indian economy largely remained unscathed. As a result, while Real Estate in many major global markets crumbled, the Indian housing industry continued to rally forward with a notable rise in property prices. A prolific market was followed by a windfall of money for the developer fraternity.

However, by 2015, Indian Real Estate had started showing early signs of a slowdown that continued to escalate further in the times ahead. As sentiments moderated and risk appetite clamped down, developers also started to feel the heat. This was further undermined in late 2016 with the demonetization drive, followed by uncertainties over the implementation of RERA.

By the onset of the current FY, market sentiments have started to resurge once again in India with steady growth in transaction volume. However, developers are forced to cut down their prices to adjust to changing market realities. Likewise, although GST and RERA are a great step for the long-term health of the sector, they have definitely impacted the profit margins.

Despite the industry showing early signs of a strong comeback, not much has changed when it comes to the financial books of many Indian developers. Amidst intensifying competition, developer are suffering from profit compression. Besides, many small developers are still grappling with traditional business practices with limited maneuvering space to modernize their overall system. This is also affecting their profitability.

Tremendous Potential That Requires New Approach

The current Indian housing industry presents a plethora of opportunities. A 1.2 billion-plus population, sprawling middle class and explosive urbanization makes India a massive market for Real Estate growth. As the economy has once again entered the over 7% GDP growth zone, housing demand has started to revive all across India.

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However, Indian markets are also undergoing a metamorphosis and are becoming highly heterogeneous. Numerous consumer classes are popping up across both geographies as well as income bands. In order to tap into these new market segments, it is essential to conduct extensive research and deploy more innovative and multi-faceted marketing and strategic approaches. Marketing can no longer be an extension of the sales function with sole emphasis on sales closure. Rather, it needs to take a strategic approach starting from product conceptualization to execution.

Hybrid Marketing

Going forward, developers' marketing needs to take a more fresh approach that is calibrated to changing market dynamics. Earlier, marketing mostly relied on one strategy fits all. However, there is a pressing need for a multifaceted dynamic approach in the current times.

Developers need to identify the target audience effectively and then based on the same strategize their content and communication. There are target audiences that prefer traditional mediums such as events, outdoors and banners. Similarly, there are market segments that are lured more by new age media such as digital, mobile, social media and digital mailers. The marketing needs to be customized with regards to the audience type.

In the times ahead, there will be a rise in hybrid models of marketing as more events powered by digital walkthroughs and virtual realities will gain popularity, thereby multiplying the marketing reach multifold. Likewise, interplay of content and technology will see new modes of marketing adopting both quality content and digital innovations.

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Changing Roles of Channel Partners

The last decade has seen the emergence of organized channel partners. Organized players equipped with state-of-the-art infrastructure, large sales force networks and worldwide offices have shown their efficacy in faster turnaround of inventories. However, the times ahead will require a wider and strategic role by channel partners.

Advisories should act as strategic partners and contribute towards the entire value chain from product conceptualization to devising the go-to market strategies to the final closure and post-purchase support. By offering both advisory services and sharing resources, they can create a win-win for everyone- themselves, developers and the customers.

Clarity in Communication

Since homebuyers nowadays have better access to information, clarity of information is also an area where developers need to focus more. Softer functions such as corporate communications have traditionally been neglected in Indian Real Estate. However with more organization and structure coming into the industry and gradual depletion of the information asymmetries, transparent communication will play a pivotal role. Additionally, as the introduction of RERA calls for more transparency, everyone in the Real Estate ecosystem needs to play their part towards seamless flow of information.

The times ahead will continue to see multi-dimensional changes in the way Real Estate marketing is conducted. Gradually from a speculation-driven approach, Real Estate marketing will be more focused on the USPs of the products, aspirations of the end users, transparency in information and an increased use of technology and analytics. Interestingly, the shifts will be seen throughout the value chain from launching of the products to sales executions to the post purchase cycles.

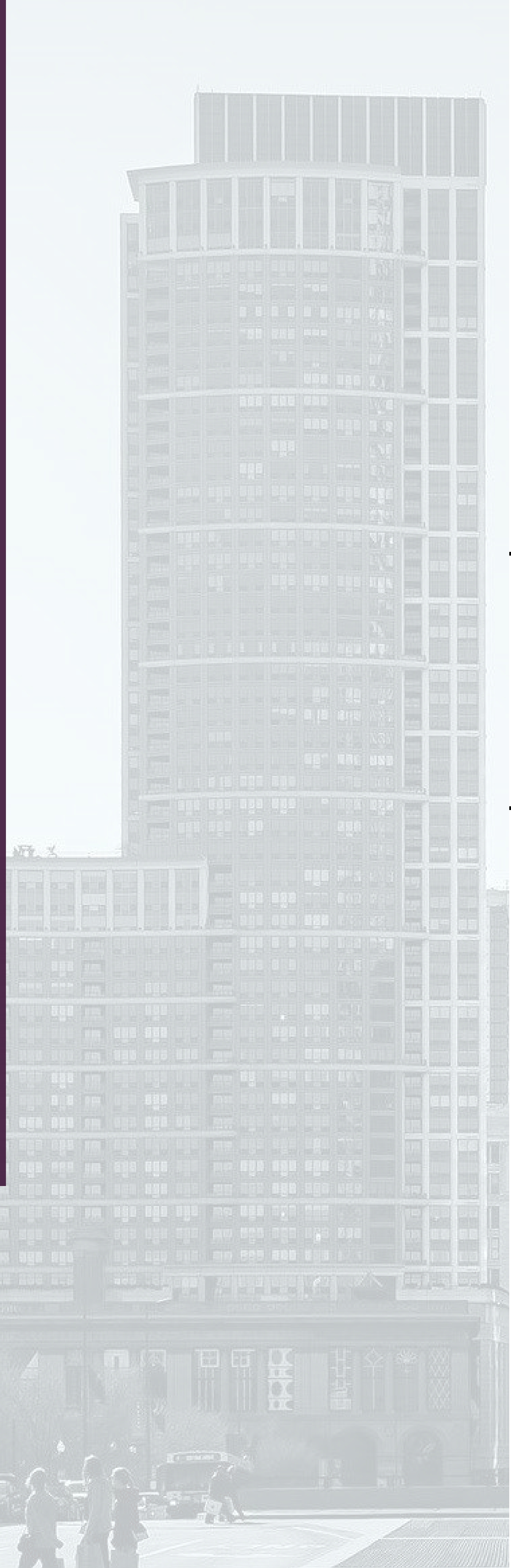
RERA Will Safeguard Buyers' Interests in Kolkata

Regardless of the snag in the market, the West Bengal RERA can boost Kolkata Real Estate by bringing in more structure and transparency

Pankaj Jha

In August 2017, the West Bengal (WB) parliament passed its own RERA bill, also called the WB Housing Industry Regulation Act (HIRA). HIRA is more or less the replica of RERA apart from a couple of small provisions. The bill has been recently implemented. HIRA can go a long way in safeguarding buyers' interests in the state, where hundreds of fraudulent property purchase cases are reported to the police every month. Intended to clamp down on such malpractices, HIRA is feeding renewed optimism into the housing market.

As per the guidelines, every developer has to register their property with HIRA and provide all the required details, including the stipulated time by which the project is expected to be completed. Similar to RERA in other states, developers will not be allowed to promote, advertise, book and sell properties without registration with HIRA. In case of non-adherence, punitive actions will be taken.



Muted Demand in Kolkata

The property market in Kolkata has been under pressure for some time. Interestingly, demonetization had limited impact on Kolkata's housing market wherein property prices had been going downhill over the past few years. When demonetization occurred, prices were already at their all-time low and a further southward movement was not possible. The muted demand can be attributable to numerous factors. Compared to other major metropolises such as Gurugram, Bangalore and Mumbai, Kolkata has remained on the sidelines when it comes to attracting larger corporates. Although a few IT companies such as Wipro, Cognizant and TCS have set up their offices in the city, the presence is relatively fragile. This has eventually undermined the demand for quality residential units in the city.

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Kolkata, like other cities such as Mumbai, Pune, Bangalore and Kochi, boasts of a large population from a diverse diaspora. However, unlike these cities where expats prefer to have a foothold in their hometown by purchasing a home, expats from Kolkata have mostly avoided investing in it. Ironically, many Kolkata residents prefer to buy properties in Mumbai as a future investment thinking that in case of a homecoming, Mumbai might be a plausible option to stay. Earlier, Lodha conducted numerous marketing events in Kolkata and sold over a hundred units in its Mumbai-based projects in the city. The city has also been accused of running cartels, making it very difficult for good quality Grade-A developers to acquire land in upcoming areas such as Rajarhat New Town and Tollygunge.

Untapped Potential

Despite the sluggish state of the current Real Estate market in the city, there is a palpable end user-induced demand in the city. This was further illustrated when 80% of the Trump Tower project (located on EM by-pass) got sold within a few months of its launch. As a city, Kolkata stands somewhere in the middle of old -world charm and new-age dynamism. As a result, the city has tremendous potential to take off. In the past few years, a battery of new township projects have emerged such as Garia Baishnabghata-Patuli township, Behala township, Alipore township and the currently emerging townships in Rajarhat, Action Area and New Town. These are modern townships with a plethora of opportunities. Interestingly, the prices are also moderate, thereby fuelling more demand.

Despite the sluggish state of the current Real Estate market in the city, there is a palpable end user-induced demand. This was further illustrated when 80% of the Trump Tower project (located on EM bypass) got sold within few months of its launch.

Although pure play investment activities have been on the fringes, end users have plenty of opportunities as property prices are still reasonably low in the city. Grade-A apartments in some of the sought-after locations such as Rajarhat, Newtown, Salt Lake Sector-5, Bypass to South Garia and areas close to the airport can cost around INR 80 lacs. Apartments in gated communities in off locations can cost between INR 35-50 lacs.

With the advent of the East- West corridor that connects Salt Lake with the Howrah area, the logistics facilities within the city will get a facelift. This will also augur well for the upcoming Real Estate market of the city.

In this regard, rolling out of HIRA can help in thawing the ossified sentiments by facilitating increased transparency and buyer's confidence and convenience. If properly implemented, it can play a major role in the clampdown of existing malpractices and attract bigger players to play out in the city. It will also help in redirecting capital from nearby states such as Odisha and Jharkhand, where a booming mining industry is resulting in a windfall in certain pockets.

Borivali-Dahisar Makes a Strong Comeback on the Mumbai Map

In western suburbs, Borivali- Dahisar is once again becoming the flavor of the season with rise in property purchases.

Raju Dham

Mumbai has always been a sought-after Real Estate destination in the country. Its cosmopolitan charm and status as the commercial capital of India has translated into a vast and prolific housing market. However, as the country reeled under downward pressure, many markets in Mumbai also suffered. Prices in many major markets in Mumbai were already very high and hence a softening in sentiments eventually resulted in price corrections.

But last year as markets in India started to rally ahead, many micro markets in Mumbai once again became the flavor of the season. One such micro-market is the Borivali-Dahisar stretch located on the Western suburbs (precisely northwest of Mumbai).

Borivali is located about 18 kilometers from Mumbai Airport. It has emerged as one of the major neighborhoods of Mumbai. There are a plethora of social amenities in the area including hospitals, schools, parks, colleges, cafes, restaurants, and shopping malls. This lovely area is known for its green neighborhood with gardens in almost every block - a luxury in a metropolis like Mumbai. This suburb in Mumbai has the Sanjay Gandhi National Park in the east and mangrove forests in Gorai in the west. The Dahisar and Poisar rivers pass through this area which makes it further enchanting.

Dahisar, which is further North of Borivali and can be reached in a few minutes, has scenic hills on the eastern side and Manori creeks and saltpans on the western side. It was once a favorite choice of nature lovers to settle down due to small hills, dense mangroves, orchards and the famous Dahisar River. (However, on account of the unprecedented rate of urbanization and industrialization in the past few years, the area does not hold the same repute.)

This stretch is undergoing a transformation with the efforts of the government towards decongestion of traffic and regulations over other illegal activities. As flyovers are being built over the Western Express Highway and metro lines constructed over link road, traffic will be regulated leading to better connectivity through SV Road, Link Road, Western Express Highway, and the Suburban Rail Network. Moreover, the area is in proximity to workplaces across Mira Road, Kandivali, Malad, Goregaon, Jogeshwari, and Andheri, thus making it a suitable choice for working individuals. There are also numerous other employment hubs in the region including Mindspace IT Park, Nirlon Knowledge Park, Techno Park, and SEEPZ.

There has been an increase in prices of property in Borivali and Dahisar due to the rising demand. The localities are good investment bets as prices are expected to go up even more in the next few years. Major developers are coming into the region. Prices of a 2 BHK unit starts somewhere at ~ 1.7 crores and can go much higher. Due to rising demand for affordable projects along with the growing volume of millennial and young buyers, the region is also witnessing a lot of new launches comprising of smaller units such as studio apartments and 1 BHK residences. A 1 BHK (350 – 450 sq. ft.) in the region will cost around 55- 70 lacs.

This stretch is undergoing a transformation with the efforts of the government towards decongestion of traffic and regulations over other illegal activities.

The availability of property spanning both the economical and luxury price segments, good infrastructure and the rapid development of attractive projects are key factors in creating and sustaining the strong demand in Borivali-Dahisar. This will to lead to a further increase in the enthusiasm of the younger working population which is significantly pivoting towards this region. On the back of these catalysts, the high transaction volume in this market is likely to continue in the long term.

The boost in end-user confidence can also be attributed to the slew of policy reforms in the form of RERA and demonetization which is inviting domestic homebuyers as well as NRIs to take advantage of the transparency that has been created in the landscape. Moreover, the weakening of the rupee is also encouraging an upward movement in activity in both the Borivali and Dahisar circuits.

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Will Yamuna Expressway Turn Attractive After Jewar Airport

Once operations commence in the Jewar Airport, fragile Real Estate sentiments in Yamuna Expressway are expected to change.

Sunny Gupta

Work is expected to begin soon on the proposed international airport in Jewar, Yamuna Expressway. Over 1,400 hectares of land have been identified for the first phase. The process of land acquisition is currently going on. Yamuna Expressway Industrial Development Authority (YEIDA) has been appointed as the nodal agency for the project, While PWC has carried out techno-feasibility work. The study has been submitted in the month of October and is currently with the Ministry of Aviation. Once approved, the airport will be open for global bidding.

After becoming operational in another 5-6 years, Jewar will carry around 30-40 million passengers yearly. Once fully completed, it will be the largest airport in the country with an estimated annual traffic of over 300 million in the next three decades. The airport will be spread across a sprawling area of around 5,000 hectares, making it 1.5 times larger than the existing international airport in New Delhi. As there are plenty of empty spaces around, the expansions are expected to be relatively hassle-free.

Possible Gains in Yamuna Expressway

Once it has commenced operations, Jewar will be a transformative force in the wider Delhi-NCR aviation canvas along with enriching the Western UP belt. The government is already working on connecting the present metro corridor with Pari Chowk in Greater Noida. The new metro line will commence soon.

After the airport becomes operational, the six-lane Yamuna Expressway will be converted into eight lanes as the number of daily commuters is expected to reach around 5 million.

The airport project will also make a significant impact on other nearby regions such as Agra, Meerut, Mathura along with neighbouring areas in Rajasthan, as they would ideally use Jewar rather than the existing airport in Delhi. As the largest proposed airport in the country, it will also be a harbinger of further progress to a thriving economic community, involving an aviation institute, cargo airport and a host of upscale hotel projects. These major developments in tandem might revive the property market in the region that has been quite fragile in the recent times.

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Yamuna Expressway was once proposed as a hub for industries, commerce, tourism and Real Estate. As a result major Real Estate developers have been drawn towards the region. However, any positive sign is currently non- existent, due to large inventory overhang, poor infrastructure development and stiff competition from neighbouring areas such as Greater Noida.

In the foreseeable future, the airport might renew investor confidence. However, the potential growth will also be pinned on how conducive the overall environment is in attracting and retaining new companies and industries. So far commercial activities have edged up, but nothing substantial has been noticed.

Proposed Infrastructure

As the work on Jewar will soon take off, the government is also mulling over some complementary infrastructure projects, which can further enhance the economic significance of the airport. Studies are being conducted to understand how feasible it will be to join both the airports in Delhi-NCR through a high speed metro line.

As the work on Jewar will soon take off, government is also mulling over some complementary infrastructure projects, which can further enhance the economic significance of the airport. Studies are being conducted to understand how feasible it will be to join both the airports in Delhi-NCR through a high speed metro line. Besides, three alternative roads have also been proposed to maximize connectivity between the airport and various regions of the NCR. Such proposals can vastly improve the connectivity of the region. This will further fill the gap by attracting private companies in the region, thereby enabling the region to become a self sustainable and thriving economic community. This will further fuel residential demand in the Yamuna Expressway micro market.

Realty Dynamics Set to Change as Hyderabad Metro Starts Operations

Areas in and around the metro line in Hyderabad are becoming an inviting field for end users and investors.

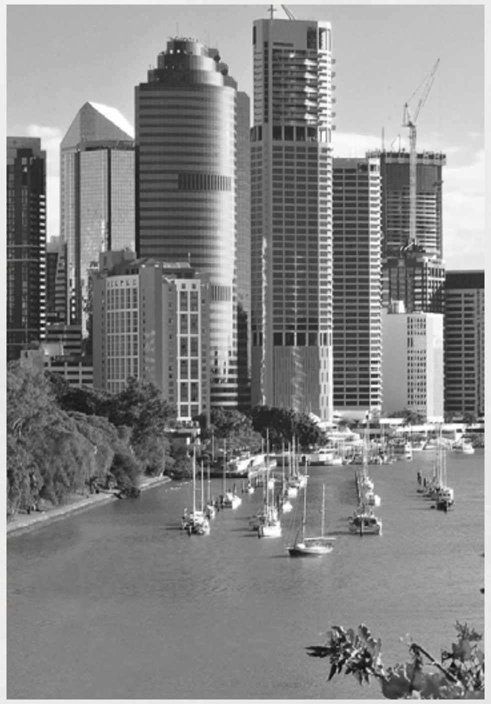
Gitanjali Singh

In November 2017, the first phase of Hyderabad Metro was inaugurated by Prime Minister Narendra-Modi. The 30-km elevated stretch from Miyapur to Nagole comprises of 24 stations including some of the prominent locations such as Secunderabad, Ameerpet, and Begumpet. Phase 1 has been functional since then with a daily ridership of over 65,000. Trial runs are underway on the stretch between Hitec City and Amarpreet. Once completed, the total metro project will involve 72 km, at a cost of slightly less than INR 19,000 crore. Developed by L&T, the project also holds the distinction of being the world's largest PPP project.

Besides reducing the commute time by over 50%, the metro project is going to make an enduring impact on-Hyderabad's realty dynamics. If not a boom, the ambitious metro project is already set to make the Real Estate industry in the city bloom.

Capital and Rental Rates are Soaring

Capital values and rental rates have already started soaring high in and around the existing and proposed metro line.The ascending tendencies are justified as examples of other cities in the past have showcased that Real Estate and infrastructure feed into each other. With the metro in the vicinity, the commute is becoming very smooth and fast and hence buyers are willing to pay a premium to book an apartment in such locations.



Besides, L&T will develop 18.5 million sq. ft. of commercial projects, namely,Transit Oriented Development (TOD) in and around the metro line. The phased development project will be marketed as Hyderabad Next. This will involve world class entertainment and retail facilities including shops, malls, education institutes, hospitality and other projects. With the advent of top-notch facilities close by, the demand for residential projects will further get a thrust around the transit line.

Besides end users, the transit lines will also invite the investor fraternity to make meaningful buying decisions. Research have shown that property prices have appreciated by ~ 5% in 2018 in nearby areas such as Miyapur and Kukatpally etc. Likewise, rental rates have also moved up sharply in the face of high demand. Going forward, as the project further develops, it will continue to be a natural pull for investors looking out for risk-adjusted returns.

Shift in Preferences

Metro is now making property purchases feasible in the economical locations of North and East Hyderabad. Earlier, due to the absence of mass commute facilities, the IT/ ITeS workforce preferred to book accommodation near their employment bases which were mostly concentrated in the western parts of the cities.

However, as the metro can facilitate hassle-free commute, buyers have started considering other locations in the eastern and northern parts of the city. 2 and 3 BHK apartments in Miyapur could be bought for 35 and 55 lacs, respectively. Such attractive rates are impossible in areas such as Gachibowli, Madhapur and HITEC City, which hitherto have been the first choice of IT/ITeS workforce. As demand dynamics are transforming, lot of Grade-A quality developers have started to enter into these relatively virgin markets. To match the inflow of the workforce, the social infrastructure in the form of good quality schools, retail options, malls, and other facilities are also ramping up.

The elevated metro project has infused further momentum in Hyderabad's Real Estate market. Capital values and rental rates have already started soaring high in and around the existing and proposed metro line.The ascending tendencies are justified as examples of other cities in the past have showcased that Real Estate and infrastructure feed into each other. With the metro in the vicinity, the commute is becoming very smooth and fast and hence buyers are willing to pay a premium to book an apartment in such locations.

The Rise of Micro-Apartments in India

Micro-homes are not just about affordability. What sets micro-homes apart is their design, and the fact that they are equipped with all the modern comforts and amenities and are at a prime location.

Editorial Team, Sinduja Raman

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At the dawn of the present decade, globally there has been an increased demand for micro-living. These are small compact-sized swanky apartments that come with a host of facilities. The innovative idea first cast its foothold in American cities such as LA, New York, Seattle, Boston and San Francisco. As the population of single households grew northwards of 40%, there was a growing appetite for quality, modern and affordable living near the bustling prime locations of the city. Amongst the young city dwellers, there was a growing preference for location over square footage.

The American youth or the millennials preferred to stay close to their workstations and education institutes rather than spending endless hours in commuting to strike better work-life balance. This resulted in mushrooming of tiny modern apartments across the downtown areas of the cities that were in sync with requirements of individual households and smaller families. Simultaneously, the popularity of such apartments picked up in other major global metropolises such as London, Hong Kong, Berlin and Singapore. It is estimated that over USD 1.25 billion has been poured into micro-apartments in London.

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The growing popularity of micro-apartments was also spurred by the financial crisis wherein micro-apartments offered a suitable and economical alternative. However, micro-living was not always about affordability. As many bigger PE players and popular developers entered the space, there was a notable rise in the stature of micro-apartments. In fact there are micro-apartments that are more expensive than their regular counterparts. They offer modern lifestyles and advanced services that are in sync with the aspirations of the modern youth.

In order to further reach out to the audience, micro-apartments are coming up with numerous value-added services, hitherto unheard of in Indian housing societies. Services such as concierge facilities, room laundry services, multiplex theatre, and sky lounges are becoming very popular with the youth of India. These services are in sync with their fast-paced lifestyle.

Micro Homes in India

In lock-up with the global trends, there is a marked preference for smaller units in Indian metropolitan cities as well. It is probably the same factors in India that is feeding the demand for smaller units in Indian markets. Demand for affordable units, preference for a more concept-driven living and growing population of Indian millennials are driving demand for smaller units in Indian cities.

Although as a concept micro-apartments are still very nascent in India as demand is more concentrated across studio apartments and one-bedroom units; but given the fact India is home to the largest millennial population in the world, the concept has huge potential to take off.

Currently the Indian millennial population (born between 1982 and 2000) has an estimated population of over 440 million that puts it on a higher pedestal than other major economies such as China and USA. The millennial population is not just expanding in size, but they are also multiplying their economic footprint. As per a market research conducted by Morgan Stanley in 2017, the Indian millennial is expected to spend over USD 330 billion annually.

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Real Estate is not going to be unscathed from rising influence of the millennial class. Research has indicated that around 1 out of every 10 millennial in India plans to purchase a home ahead of a car. Similarly over 35% of the millennials will spend in housing in the next 5 years.

Indian millennials share nearly the same cultural ethos as their global counterparts. They are self driven, seek constant self appreciation and are willing to experiment. Likewise, they are socially very well aware and prefer to live in congregation. This opens a huge market for smaller innovatively designed units such as micro-apartments.

So far very limited products have been launched, but going forward the product line will be huge, as many grade-A developers are coming up with such concepts that are custom.

Apart from end users, micro-apartments will also attract the investor community in big volume. Globally empirical data has suggested that rental returns in micro-units are generally 50 to 100 basis points higher than regular apartments. The higher returns are driven by robust demand and better utilization of the available resources. Likewise, the rates of appreciation are also expected to outperform other larger sized units.

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