

# New projects, fresh policies and more

Ruth Dsouza Prabhu, April 17, 2015, DHNS

The last financial year, while tumultuous for many in realty, has shown great promises in terms of growth. But will those promises become a reality? as



**The financial year 2014-'15 was quite an interesting one for the real estate sector. While the first half of the year was extremely sluggish, the formation of a new and seemingly stable government became the biggest catalyst for growth in the industry. The residential sector has been little slow on the uptick, but with current market sentiments, it is definitely on the road to recovery.**

The budget presented in the parliament had several measures for the real estate sector. This improved the overall sentiment attached to real estate and began to bring in more attention from domestic as well as international investors. "The formation of a stable government at the centre that has a clear vision and mission had a positive impact on the sector in 2014-2015," says Prashant Mirkar, general manager, marketing, House of Hiranandani.

"There were several breakthroughs like incentives for infrastructure financing by the RBI, lowering of interest rates on home loans, unveiling of 'Make-in-India' campaign, framework for REITs and the latest entry to the list - relaxation of FDI norms in construction sector that augmented well for real estate."

## Looking back

Let's take a look at the financial year that went by in terms of its realty value. For starters, Bengaluru's residential market witnessed good volume of new residential launches during the year. About 50,000 units were launched during this period, which is about 20 per cent increase Y-O-Y. "However, sales remained lower than the last financial year, during this period," says Trivita Roy, AVP, research and real estate intelligence service, JLL India.

"About 50 per cent of the launched units were sold during this period, which was relatively lower than last year. Most of the residential launches were in the western part of the City. Rents and capital values of residential sector increased by about five to ten per cent, due to slow sales last year. For the FY 2015-16, home-buying sentiments are likely to improve. Increased demand is likely to increase property prices even further."

"Commercial space absorption in Bengaluru alone crossed over 11 million square feet in the 2014, leaving larger established cities like Mumbai and NCR behind by over 25 per cent," explains Om Ahuja, CEO, residential, Brigade Group. The commercial absorption trend, he says, reflects robust business confidence and fuelling good absorption in the residential space, with the sale of over 67,000 units and new supply being at little above 70,000 units, made Bengaluru the best real estate market in the whole country in terms of fundamentals.

"Unsold inventory levels in Bengaluru were not alarming compared to other cities of India. With the pick-up in the commercial leasing absorption, we will witness over 60,000-75,000 jobs in the next 12 months, which will lead to higher demand for residential units in the City and have faster absorption of the unsold inventory compared to other cities where job creation continues to be a big challenge," he adds.

According to Suresh Hari, secretary, CREDAI, Bengaluru the financial year gone by saw a mixed trend.

While the first quarter was sluggish with new project launches being kept under wraps due to challenges faced by the industry, the second and third quarter were a little more vibrant. "But the expectations of the market were challenging. Post-elections and with expected policy initiatives, the market picked up considerably since the third quarter. The price post third quarter firmed up and an average increase of 10-15 per cent was seen across segments. Luxury segment price was almost same with very minor price fluctuations," he informs.

### **The year ahead**

The real estate community is of the general opinion that the industry is poised for greater things. "The future of the industry as a whole, will depend on faster implementation of the projects, adherence to delivery schedules, for which faster approvals will have to be granted to the developers," asserts Prashant.

He adds that in terms of cities, Bengaluru has been the fastest growing city of India over the last few years and has seen a stable appreciation in prices. "We witnessed very good demand last year from Non Resident Indians (NRIs) looking at settling down in India in the future. Amongst our properties, we found increased investor interest in North

Bengaluru at Devanahalli because of its proximity to the International Airport.

Several IT and major industry players have set up a base there or are planning major facilities to take advantage of the state-of-the-art infrastructure, transportation and connectivity. This is bound to drive prices in the future," he says. Speaking about the contribution of infrastructure developed to better real estate growth, Om says, "Evolved cities globally have witnessed infrastructural improvements having a multiplying impact on the capital values of the real estate.

City CBD (Central Business Districts) area access is no longer a challenge globally as most cities have established SBD (Suburban Business Districts) with good connectivity. Bengaluru took a step in this direction many years back, making Whitefield, Hebbal, Sarjapur Road, Bannerghatta Road, Budigere, Old Madras Road, Yeshwantpur, Kanakpura Road and Mysore Road SBDs with robust business activity, educational hubs and medical hubs. With metro connectivity becoming a reality in 2015, connectivity of these zones with CBD will have extremely positive impacts on the capital values of the real estate. There's huge potential of prices moving up in these zones by 10-15 per cent as immediate benefit."

Of course, while the sector is growing by leaps and bounds, there are several issues that continue to plague it. "There are certain lacunae in policies and several sanctions continue to remain on hold. Aspects such as the interpretation of height criteria and TDR (transferable developmental rights) rules and the circular direction on EWS (Economically Weaker Sections) for smaller projects also need to be looked into. With the active role of

realty associations and legal processes, some of the challenges have been met. The next couple of months should see a discernable number of new projects being launched," Suresh maintains.

All in all, the past financial year, while tumultuous for many, has also been witness to spurts of impressive growth. Here's hoping that the current financial year brings every home seeker a little bit closer to their dream home.