

With a new government in place, sentiments have soared up across the Vindhyas, but industry growth will differ from city to city

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OVER the past year or so, the general feeling within the real estate and property development industry in South India was that the market sentiments would improve once the general elections conclude and a new government takes over. Well, now, not only has the election exercise been completed, a single party with a majority of its own, backed by alliance partners for additional strength, has come to power.

As a result, expectations for vastly improved market sentiments have simply soared among property developers and consultants across India. This is more evident in the south, which has unique characteristic of its own.

For instance, Bangalore had continued to grow, though subtly, even when chips were down all across the country, while Chennai stagnated over the past year; Hyderabad was rocked by the issue of state bifurcation and Kerala has remained a stagnant market for almost 4-5 years now. With the return of a stable regime at the Centre, a sense of confidence has returned to the property development industry across the region.

"Post elections, there is a lot of expectation and there are signs of positive sentiment in the real estate and property market across the south," says Kalpana Murthy, associate director with international property advisory, Cushman & Wakefield. "There is increasing interest in general and more people are coming out to buy and expectations of an increase in property prices too is going forward. However, the velocity may take time to build up," she added.

According to her, the industry expects interest rates to come down, as there is a general feeling that the new government will do it in order to kick-start dormant market conditions. "The prevailing property prices will continue and may not go up too high. But, the sale of housing units that were not moving so far, will start moving now," she predicts. The Q3 and Q4 of 2014 will be good and that's when actually the post-election impact will be felt, Murthy added.

The Chennai market is already seeing some activity. "There is an increase in interest to buy properties month-on-month over the past two to three months. Fence sitters, who were earlier waiting and watching, are coming in and evaluating various choices and options and taking the plunge. Every micro market in Chennai offers decent options," points out Sanjay Chugh, head - Residential Chennai, JLL Residential Services.

"The fear factor in the market is gone. And the negative sentiment that was ruling high has now given way to positive energy. This momentum was building up slowly, but steadily, over the past couple of months expecting a stable government in place, as well as the fact that prices had bottomed out and cannot possibly go down any further," Chugh observed candidly.

According to him, true to the character of the city, prices did not drop. But, the market became stagnant. Property developers were driving the market to an extent by offering attractive packages to homebuyers, including exemption on pre-EMI payments and modular kitchens, among others. "Now, thanks to the improved sentiments, the market is now in the sale mode," Chugh added.

With metro rail operations set to commence over the next one year, there is increased absorption and price appreciation in areas closer to these routes. With the work on the outer ring road too gathering momentum, there is heightened activity in those regions too. In the case of OMR, Chennai's IT Corridor, it has virtually become an extended area of Adyar and Thiruvanniyur in South Chennai. As a result, it is no longer dependent on the IT sector alone for growth.

In the case of Bangalore, it has remained by far the most popular market in south India. "Bangalore has seen the maximum number of new launches and in turn more bookings. The rates too were hovering in the Rs 6,000 - Rs 9,000 per sq ft range even for the luxury properties. With a stable government in New Delhi, it will perform better in FY15," says Vineet Singh, EVP and Business Head, 99acres.com, a leading portal for properties.

"Unlike NCR and Mumbai, Bangalore is still an end-user driven market. At the same time, it has been considerably insulated on the price front and properties are still affordable in Bangalore, compared to other big

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cities, including Chennai," says Arjun Aggarwal, CEO, Bhartiya City, a property developer with a particular focus on Bangalore.

According to him, the city has multiple micro-markets that keep expanding. As a result, Bangalore held back on prices and it never went beyond the means for most people who desire to own their home. "Within the city, north Bangalore will continue to attract more interest due to its proximity to the international airport and the modern infrastructure that is coming up in this segment," Aggarwal added.

"Bangalore has witnessed increased activity in growth corridors like Hannur Road, Sarjapur Road and Kanakapura and these areas will continue to do well, with improved infrastructure. The trend of owning a property in the peripheral areas of the city, instead of staying in a rental accommodation inside the city, will gain traction," says Cushman & Wakefield's Murthy.

The scenario in Hyderabad is different, confronted, as the city has been in the recent past with constant agitations demanding the bifurcation of the state, which has also kept

the property market in a sort of limbo. Now that it has been done and the two new states - Telangana and Seemandhra - will formally come into being on June 2, there is renewed expectation of not only a revival, but also an upsurge in property prices.

According to Venu Vinod, managing director of Cyber City Builders and Developers Private Limited, the housing demand in Hyderabad was slack for some time because of the agitations. However, there were always enquiries from people from other states, who account for about 50 per cent of the buyers. This can be mainly attributed to the cosmopolitan nature of Hyderabad.

"With the political uncertainty over, there are enquiries from local people as well. There were doubts whether property prices will fall drastically due to the fall in demand. There is also little scope for them to fall further," he said, adding that prices have increased in the last one year by about 20 per cent due to inflation and higher costs of input materials.

According to C Shekar Reddy, president of industry body Credai, there is increase in the number of enquiries for various projects in

Telangana and Seemandhra. The prices are getting stabilised at around Rs 4,000 per sq ft in key Hyderabad areas like Hitec City, which has many IT office hubs, and about Rs 2,500 to Rs 3,000 per sq ft in the peripheral areas.

The industry is hopeful that prices will increase 25 to 50 per cent in about 12 months as the demand is expected to shoot. However, the demand will depend on the new industrial policies of the two respective state governments.

The real estate industry is hoping that the two, Telangana and Seemandra governments, would initiate steps to streamline the process of granting permissions, which should be time-bound. The delays are resulting in project costs going up significantly, Reddy said.

"Real estate prices in Hyderabad will rise in a period ranging from 18 to 24 months. The price rise will be by about 15 per cent. The Hyderabad market has not seen many transactions in the last 8 to 12 quarters as there was no clarity on the statehood issue. With things became clear in February this year, sales have started increasing and the builders are now focused on completing the

pending projects," says Ganesh Vasudevan, CEO, Indiaproperty.com.

According to him, an estimated 70,000 units are in various stages of construction and will be ready in three years; out of these, at least 45,000 units will be complete in about 12 months. The average price is about Rs 2,500-3,000 per sq ft in the peripheral areas, he said.

However, peripheral areas do not have the best infrastructure available, like roads and drinking water. The government should now focus on beefing up external infrastructure in these outlying areas apart from facilitating access funds to the developer community, Vasudevan said.

On the other hand, Visakhapatnam will see greater benefits due to the bifurcation of Andhra Pradesh, as demand is expected to grow faster there. The price appreciation will be faster than in Hyderabad, whose focus will be to liquidate the inventory, he added.

(With inputs from Krishna Mohan in Hyderabad)

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