

# On the revival path

**PURAVANKARA PROJECT**


## The domestic realty sector is showing distinct signs of recovery

**This fiscal Puravankara is launching quite a few projects**

**A**mid all sorts of apprehensions and doubts, the domestic realty sector seems to have shown a great deal of resilience. While the first quarter of the current financial year was completely washed out due to pandemic-related restrictions, the second quarter has witnessed a remarkable recovery, as home sales across major cities have picked up quite well. Though experts have continued to keep their fingers crossed, this surge in home buying has gone a long way towards boosting sentiments in a market in which developers are eagerly awaiting further improvements in market sentiment during the ongoing festive season.

Experts believe that sustaining this sales momentum in the next few quarters will depend upon several macro and micro-economic indicators, including the liquidity scenario in the changing conditions, where the overall investment avenues and approaches have undergone a transition. Besides, it also remains to be seen how, on the supply side, developers reboot themselves and restart their construction activities during the easing of restrictions.

Towards this end, the Union government's ₹25,000-crore SWAMIH

Investment Fund, which is a special window formed by the Union government last year to ensure completion of stalled brownfield projects in the affordable housing/mid-income category, has generated a good deal of response. SBICAP Ventures, which manages the SWAMIH Investment Fund, has already approved over ₹4,200 crore funding for 33 residential real estate projects that have been stalled for lack of funds. Overall, 123 projects have now been sanctioned, involving a total investment of ₹12,079 crore, which will target and provide relief to 81,308 homebuyers.

"An increase in real estate activities has been a great morale booster for the sector," remarks Shishir Baijal, chairman & managing director, Knight Frank India. "The July-September quarter saw residential sales volumes increase to 55 per cent of pre-Covid levels, showing signs for revival. Even while volumes are yet to catch up to pre-Covid levels, the spurt has been instrumental in perking up sentiments." The return of the end-users in the market, especially in the residential segment, is a matter of cheer for the entire sector, as it indicates economic confidence and long-term commitments, he adds. The festive season

in the third quarter of the fiscal year is likely to further support the revival in the real estate sector. The sector is hoping that government and allied agencies will encourage this growth with more supportive decisions.

### New business models

According to Knight Frank India sources, sales volumes across eight major Indian cities went up 2.5 times to 33,403 units in Q2 2020-21, as compared to 9,632 in Q1 2020-21 and new residential unit launches have increased 4.5 times to 31,106 units from 5,584 units in the previous quarter. Total residential sales across these markets during Q2 2020-21 reached 54 per cent of the 2019 quarterly average, while residential launches improved to 56 per cent.

"With gradual easements, improved segment buoyancy is expected as developers leverage technology platforms to drive sales, reshape product design/layouts for flexible space utilisation and capitalise on end user mindset towards owning residential assets as safety measures to counter future pandemic situations," says J.C. Sharma, vice-chairman & managing director, Sobha Ltd. "As the industry sees consolidation and

new business models being adopted, a revived organised residential real estate segment is expected to emerge in the medium to long term.”

The Bengaluru-based developer, which also has a presence in other markets like Gurugram, Kochi, Thrissur and Chennai, achieved a total sales volume of 8,91,700 sq ft, valued at ₹690 crore, with a total average realisation of ₹7,737 per sq ft during Q2 2020-21. During the quarter, sales volume and total sales value were up by 37 per cent and 41 per cent respectively, as compared to those in Q1 2020-21. In fact, even as compared to the sales volume of ₹682 crore in Q2 2019-20, the performance was better, something which could definitely be termed remarkable in the given scenario.

“The real estate industry in India is going through a significant phase of transition and revival,” adds Sharma. “The combination of low home loan rates, great offers and deals, increasing reliance on the work from home model, availability of homes and never before seen pricing makes this an ideal time for home buyers. Overall, demand sentiment is steadily moving upwards as we move into the festive season.”

“Undoubtedly, the realty market has improved and home buyers are getting back to the market,” says Manju Yagnik, vice-president, Maharashtra, National Real Estate Development Council (NAREDCO) & vice-chairperson, Nahar group. “Most of them have waited quite long, and now, as things look up, they want to buy their homes in the backdrop of improving micro and macro-economic factors. In fact, in my opinion, the current festive season presents the most attractive proposition and buyers are all set to take advantage of this opportunity”. Enthused by this improving market sentiment, the Mumbai-based developer recently launched a residential project in Mumbai, and is planning to launch one more in the commercial capital shortly, even as it has sold over 35 per cent of the inventory in one of its completed Chennai projects.

“Health, safety and work-from-home trends have brought the focus back to the living space,” says Kamal Khetan, chairman & managing director, Sunteck Realty. “People are willing to upgrade to a project with holistic amenities and



The Bengaluru-based Sobha sees a surge in its sales volume

lifestyle offerings. The slump of the real estate sector due to the uncertainty of the global pandemic is nearing an end and market demand is definitely on an upward trajectory. Homebuyers are eager to shrug off the slumber and are geared up for festivities.”

#### A stream of opportunities

During the festive season, Sunteck Realty has planned multiple launches in the central and western suburbs of Mumbai. Further, it will continue its existing scheme for residences which are almost complete: SunteckWorld, Naigaon and SunteckCity, Oshiwara District Centre (ODC), Goregaon (W), which will be delivered in less than six months. These apartments may be booked with a 10 per cent down payment and the rest at the time of possession. In Q2 2020-21, the developer saw substantial growth in pre-sales that were up by 98 per cent q-o-q and 96 per cent y-o-y. The collections also grew at 117 per cent q-o-q to ₹141 crore for 2020-21.

Khetan is of the opinion that the price-points of real estate have largely remained constant for the last few years and, if one considers inflation-adjusted rates, the present-day affordability of residential units across the segment

is effectively at an all-time high. The ‘unlocking’, macro-economic parameters and introduction of the virtual interface all support the home-buyer purchase. Moreover, consolidation is also picking up pace. “All this has created a stream of opportunities for organised builders like us,” adds the Sunteck Realty chief. “We are quite satisfied with the performance of our portfolio in these market conditions and are observing a trend of enhanced interest and increased demand for some of our ready-to-move-in projects.”

This fiscal year, Bengaluru’s Puravankara Ltd is launching 11 projects; spread over close to 10.5 million sq ft, they are a mix of ultra-luxury, luxury and premium affordable housing projects. The developers will be investing close to ₹3,000 crore and anticipating revenues of over ₹6,000 crore. Out of this pipeline, the company has successfully launched close to 2.5 million sq ft, which comprises three projects (two in Bengaluru and one in Pune), while the fourth project will be launched shortly – also in Pune.

“Various industry reports suggest that there has been a rise in residential sales in the second quarter of the year and the momentum will continue to the next

quarter,” observes Ashish R. Puravankara, managing director, Puravankara Ltd. “With buyer sentiment on the rise, we have seen traction in enquiries during the festive season and hoping that a large chunk of it will materialise in final sales. End-user markets like Bengaluru and Pune will continue to remain stable and generate interest among buyers.”

Puravankara’s festive season campaigns have seen good traction so far. India’s first Virtual Realty Expo conducted by Puravankara’s affordable housing brand, Provident Housing (16-25 October), received close to 2,500 unique visits in 10 days. During the expo, customers could visit the projects online and book from the comfort of their homes. Similarly, the ongoing ‘smart festive homecoming’ initiative by its luxury brand, Puravankara, for its ready-to-move-in inventories is flooded with enquires, says a company official.

“With the cautious opening of our economy, we have witnessed an increase in the number of enquiries. In the last quarter, we have seen a stupendous growth in sales. Overall, we have now reached about 65-70 per cent of the pre-Covid volumes and are expecting a further increase in demand going forward. We have seen changes in consumer preferences towards owning a home as compared to renting it earlier. Also, the inclination is towards purchasing it from a reputed developer. However, higher down payment and immediate EMI’s have acted as a hindrance in the customer’s decision-making process,” says Gaurav Sawhney, president, sales & marketing, Piramal Realty. In the festive season, the Mumbai developer rolled out exciting offers across all its residential projects in Mumbai. It introduced a one-of-a-kind annual rental scheme which entitled customers to get a payback of upto 4 per cent. Additionally, it also offered a complete waiver on stamp duty.

Real Estate major Shapoorji Pallonji, which launched an aspirational housing project under the brand Joyville in East Pune last month, has sold over 800 apartments. These flats have been sold in a price range of ₹37.5 lakh to ₹78 Lakh.

The Wadhwa group, one of Mumbai’s leading real estate players, introduced a couple of campaigns for the festive season. With the success of ‘post-paid homes’ on ready inventory, the developer has introduced ‘post-paid homes-plus’

## SUNTECK REALTY



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– move-in-now pay later – an extension of the earlier ‘post-paid homes’ campaign, along with additional benefits, and a ‘high rise – pay wise’ campaign for recently-launched projects.

“The residential segment looks promising in the current scenario, as many people including the young generation are now looking to own a house rather than be dependent on a rental accommodation,” says Navin Makhija, managing director, Wadhwa Group. “We are seeing sales volumes coming back to normal, as things are opening up. Of these sales, a lot of engagement is happening on our digital platforms as well. In fact, about 30 per cent of our sales are happening through our digital platform. This festive season we have provided an array of propositions on our under-construction as well as ready-to-move-in inventory with flexi-payment options, which also solved the customer’s current liquidity woes of paying everything upfront,” adds Makhija.

### Safest asset class

“Realty sales witnessed a short-term slowdown due to the pandemic; however, home ownership gained significance with the stay-at-home mandate,” says Shambhavi Kadam, head, product strategy, residential business, Embassy group. “The crisis has brought home the

value of owning one. The pandemic has re-affirmed the fact that residential real estate is the safest asset class to invest in. This fiscal year has seen moderate enquiries; however, the conversion rate has improved considerably.

“The festival season always spells positivity for consumption, which has an impact across the real estate sector,” says Anshuman Magazine, Chairman & CEO, CBRE India, South East Asia, Middle East & Africa. “Although the market remains cautious, we are witnessing a growing momentum in sales, purchase and leasing of property as developers offer attractive packages and payment schemes. Occupier enquiries and inspections have also improved across the real estate spectrum in all major cities.”

Green shoots are visible, pointing to the start of a recovery in residential real estate, as is evidenced by the improvement in new launches and sales on a quarter-over-quarter basis, says Dhruv Agarwala, group CEO, Housing.com, PropTiger.com & Makaan.com. These are unprecedented times, which have made buyers aware of the important role that homes play in ensuring their well-being as well as their physical and emotional security. This, together with the fact that real estate is a hard asset, and the fact that home loan rates are near a 15-year-low, have encouraged buyers to return to the market. “With several macro-economic indicators showing a positive trend in September, we may well be on the road to a more sustained recovery and the ongoing festival season will be critical in determining the growth trajectory in the sector over the next twelve months,” adds Agarwala.

The 26th Knight Frank-FICCI-NAREDCO Real Estate Sentiment Index Q3 2020 Survey has demonstrated significant improvement in Future Sentiments scores (for next six months) for the sector. The Future Sentiment Score for Q3 CY2020 is in the optimistic zone at 52 points, up from 41 in the previous quarter. The Current Sentiments Score (for the past six months) also recorded a significant improvement from the previous quarter’s low of 22 points, to 40 points in Q3 2020. This revival in sentiments has been attributed to the remarkable upturn seen in the real estate business, especially in the residential segment, in the third quarter of 2020 as a result of the unlocking process.

According to the report, the impact of the ongoing pandemic and the stringent lockdowns on businesses became more apparent in Q2 2020, when market sentiments dipped and hit an all-time low score of 22. With the partial restoration of business activity and improvement in macro-economic indicators in Q3 2020, stakeholder sentiments for the real estate sector have revived substantially, resulting in a Current Sentiment score of 40 for Q3 2020.

In Q3 2020, however, residential launches and sales bounced back from the Covid-induced decline, across cities. The office sector also resumed operations, at varying occupancies across markets as occupiers took steps to ensure continuity in business operations to their highest potential. These developments have resulted in an optimistic stakeholder outlook on the real estate sector, as reflected in the Future Sentiment score of Q3 2020.

The Knight Frank report says that the sentiment score of both developers and non-developers, including other industry stakeholders like banks, NBFCs and private equity funds in the real estate sector, revived significantly in Q3 2020. Developer sentiments on the real estate market for the next six months leapt to a score of 56 in Q3 2020, up from 39 in Q2 2020, bringing this category into the optimistic zone. The non-developer (banks, financial institutions and private equity funds) outlook towards the real estate market also revived to a score of 50 during the period, from 39 in Q2 2020.

### Strong rebound

On the supply side, liquidity support given by the RBI in various forms and the loan moratorium have provided some comfort to developers. On the demand side, discounts and other offers by developers along with the multi-decadal low home loan interest rates, have boosted sales.

“With the economy unlocking, macro-economic parameters have started improving,” says Rajani Sinha, chief economist & national director, research, Knight Frank. “The real estate sector has also started bouncing back in line with the overall pick-up in the economy. Supply as well as demand parameters have improved for the real estate sector and that is getting reflected in the improvement in stakeholders’



NAHAR GROUP PROJECT

Enthusied by the improving market sentiment, the Nahar group has recently launched a residential project in Mumbai

sentiments. Pick-up in demand and supportive measures from RBI and the government have aided in the revival of sentiments for the sector.”

“The industry is optimistic, with renewed consumer confidence due to the unclogging of the economy,” says Niranj Hiranandani, national president, NAREDCO & founder & MD, Hiranandani Group. “The housing demand is expected to rebound strongly due to the pent-up demand, on the parameters of safe and secured investment. The buyers are reaping the accrued benefits of lower stamp duty and lower risk weightage on home loans now linked to the loan-to-value ratio by the RBI. Also, interest rates are at an historic low”.

“The market in Q3 2020 has started picking up pace with demand cycles moving and partial restoration of the economic activities across the country,” says Sanjay Dutt, joint chairman, FICCI Real Estate Committee, who is also managing director & CEO, Tata Realty & Infrastructure. “In the case of commercial real estate, most developers have done an outstanding job of keeping offices operational, which enabled corporates to work from home and access servers without any interruptions. There is a temporary slowdown phase in terms of maintaining rent growth and new expansions. Going forward, social distancing, as a basic principle, will lead to less dense space requirements. Organisations offering flexible timings and remote working will likely to be a new norm.”

Experts are of the view that things

are definitely looking up even as both the supply and demand sides are trying to overcome the headwinds. In the short term, sentiments have improved for sure as developers and buyers are both getting into the market as indicators turn favourable. However, in the short to medium term, the sustainability of this momentum will call for improved macro-economic factors.

“In the longer timeframe, sustaining this momentum will be paramount and, for that, we need all factors to converge and pave the way for creating a robust marketplace where both demand and supply have to be strong enough to drive the growth in a sustained manner,” says Ambar Maheshwari, CEO, Indiabulls Asset Management Co.

According to Maheshwari, the pandemic-afflicted market has accelerated the consolidation process further even as buyers are reposing their trust in reputed builders. The market has already witnessed a spree of partnerships and collaborations in the past and going forward there will be some churning before things move in a steady manner. Liquidity will be a critical factor. There is need for a concerted effort on the part of all stakeholders to ensure that the industry does not suffer on account of liquidity. The government, along with other related agencies, will have to play a proactive role in reviving this sector since real estate is a significant contributor to the overall growth of GDP.

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