

Infrastructure is most important when it comes to real estate development being viable, not just in new micro-markets

**FAST FACT**

THE CORPORATE REAL ESTATE SECTOR ALONE COULD CLOCK IN 10 MILLION SQ FT OF DEMAND BY THE END OF 2015

# REALTY SECTOR LOOKS FORWARD TO A NEW DAWN WITH A NEW GOVERNMENT

**RAVI SINHA** writes that while there are a number of challenges that lie ahead for the newly-formed government in terms of reviving the realty sector, it also clearly enjoys the confidence of the top industry personnel

PICTURE BY DAVID PEARSON/ALAMY/INDIAPICTURE

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rates. This will certainly have a trickle down benefit in the long run by way of creating supply and ensuring that property rates remain rational and within the reach of consumers. Even the mid-income and affordable segment needs to witness traction by way of approvals, as that will narrow down the existing massive supply deficit in these segments," says Khetan.

Sanjay Dutt, executive MD, South Asia, Cushman & Wakefield, says that the new stable government at the centre should be able to provide a new direction and guidance to core policies that will have a direct and indirect impact on the sector. "With the legislature and the executive getting back to the business of governance for the next five years, investments in various businesses and sectors of the economy, are expected to pick up pace, all of which will generate more demand for real estate assets. A stable government will also lift the sentiments of the investor community. Hence, both, end-users and investors, are also expected to increase their investments in the sector and contribute to its growth," predicts Dutt.

A jubilant Rohit Poddar, managing director, Poddar Developers, says it is a fantastic, decisive and historic mandate by the people of India who have voted for development, education and jobs instead of non-performance, policy paralysis and a multitude of unsustainable sops.

The euphoria and optimism of the real estate sector certainly indicates that the developers were just waiting for the new government to take charge of offices and put an end to the era of speculation and policy paralysis. However, the only caveat here is that the new government has to weather the huge burden of expectations. The real estate sector, however, looks at this as an opportunity. The sentiments are bullish within the sector and that is what matters in the real estate market.

(The writer is CEO, Track2Realty)

If policy paralysis, inflation, and negative sentiments were hurting the cause of the Indian business community in general and the real estate sector in particular, the developers have reasons to look upto the new government at the centre, which has received a huge mandate, based on the promises of curbing inflation and leading to an economic turnaround. May 16, 2014, appears to have changed the mood and outlook of the business community across the country. The developers in the financial capital of the country, Mumbai, seem to be equally elated. Their optimism is not based on just emotions but the grounded reality that if the new government has to do a turnaround of the economy, then the housing sector has to play a key role.

The developers and independent property consultants are so positive about the prospects of the sector with the new government at the centre that some of them are even looking back on the hey-days of 2007-08. Corporates in general, have reacted positively to the news of the NDA forming the next government. The Sensex had breached the 25,000 mark and the Nifty breached the 7,500 mark. The rupee has staged a smart recovery with Narendra Modi taking on the reins of the new government.

Anshul Jain, chief executive, DTZ India, asserts that with a majority stake in the government, it is expected that the parliament will function smoothly with lesser number of walk-outs by the opposition making and will improve the sovereign ratings of India which will be good to attract foreign investors to India Inc. "The corporate real estate sector alone could clock in 10 million sq ft of demand by the end of 2015." Availability of funds will ease and interest rates are expected to come down as inflation cools. This will have a direct impact on the supply side of the real estate market.

Anshuman Magazine, chairman and managing director, CBRE South Asia, also vouches that the election results will certainly improve the sentiments in the real estate market. "If the GDP growth picks up, one of the early beneficiaries would be the real estate industry. However, the economic fundamentals have to be tackled; infrastructure projects implemented with a sense of urgency and housing mortgage interest rates, have to decline before we would

see any significant impact on the real estate market," says Magazine.

Srinivasan Gopalan, CFO and COO, The Wadhwa Group believes the new government seems determined to bring out dynamic changes that will benefit the Indian real estate sector, making it investment-friendly and attractive.

Sachin Sandhir, MD, RICS South Asia, categorically says that the country has voted for a stable government at the centre by giving a clear majority to a single party. While there may not be any immediate impact on the economy, the electoral verdict signals a clear mandate for the growth of housing and construction sectors in the country, and will boost employment and growth in the next 12 months period. "The housing sector particularly is facing a number of challenges – the biggest of all is the subdued buyer sentiment. Prospective homebuy-

ers have become wary of entering into the market on account of problems such as high retail inflation, lack of regulation, faulty builder-buyer agreements favouring developers, rising property prices and uncertainty over the completion of a number of projects. Hopefully, the new government will try to bring back consumer confidence into the market by removing these impediments," says Sandhir.

Manju Yagnik, vice-chairperson, Nihar Group, explains that "Real estate is one of the sectors providing second highest revenue to the governments' exchequer and creating the maximum employment opportunities. Industry status to the real estate sector and a single window clearance scheme is what we look forward to from this government. This will make it easy for the developers to raise money for their projects from fi-

ancial institutions and banks instead of resorting to private sources of funds that demand high interest rates. We also need control over prices of raw materials such as steel and cement."

Kamal Khetan, CMD, Sunteck Realty, is of the opinion that speeding up of a number of stalled projects on the infrastructure side and the realty sector, should be the primary focus of the new government. There is an urgent need to speed up infrastructure development. A number of key projects are delayed or pending. "Infrastructure is most important when it comes to real estate development being viable, not only in new micro-markets but also in established micro-markets that have witnessed stagnation on account of an infrastructure deadlock. Collective reformations is the need of the hour, right from speedy project approvals to reduced home loan

**QUICK BYTES**

IF THE GDP GROWTH PICKS UP, ONE OF THE EARLY BENEFICIARIES WOULD BE THE REAL ESTATE INDUSTRY. HOWEVER, THE ECONOMIC FUNDAMENTALS HAVE TO BE TACKLED; INFRASTRUCTURE PROJECTS IMPLEMENTED WITH A SENSE OF URGENCY AND HOUSING MORTGAGE INTEREST RATES, HAVE TO DECLINE BEFORE THERE IS ANY SIGNIFICANT IMPACT ON THE REAL ESTATE MARKET.

WITH THE LEGISLATURE AND THE EXECUTIVE GETTING BACK TO THE BUSINESS OF GOVERNANCE FOR THE NEXT FIVE YEARS, INVESTMENTS IN VARIOUS BUSINESSES AND SECTORS OF THE ECONOMY ARE EXPECTED TO PICK UP PACE, ALL OF WHICH WILL GENERATE MORE DEMAND FOR REAL ESTATE ASSETS.