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REalVIEW

Dear Readers,

REalVIEW is a monthly news digest bringing to our clients and well-wishers news updates on major developments in the realty industry. The periodical will keep the readers updated on the significant changes and trends affecting real estate development within the country as well as globally, thus helping them in taking informed and calculated investment decisions

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Sunil Kumar V
Founder & Managing Director
Asset Homes

5 trends shaping the future of residential real estate in India



The Indian real estate sector is experiencing a significant evolution, largely driven by the rapid growth of the nation's middle class. This transformative change, marked by a substantial increase in both the population size and the economy's growth, has not only drawn the focus of industry experts but has also sparked considerable interest among investors, developers, and potential end users. This remarkable growth is powered by a combination of factors, including urbanisation, rising incomes, and improved access to education.

With new opportunities and trends, the residential market in India stands as a barometer of societal aspirations, economic vigor, and regulatory shifts. India's residential property market in FY23an all-time high of Rs. 3.47 lakh crores, accounting for a robust 48% year-on-year increase. With a 36% rise of 379,095 units sold; the volume of sales also exhibited an upwardsa growth trajectory. (Source e- <https://www.ibef.org/industry/real-estate-india>)

Every facet of the sector echoes the pulse of a rapidly evolving nation. Here are the key trends that are shaping the residential real estate market in India:

1. Rise of Low-Density Housing: There has been a notable surge in demand for low-density housing options such as villas, townhouses, and plotted developments. Low-density housing, like small neighbourhoods or houses with fewer people, uses up fewer resources such as water, air, and electricity. This type of housing encourages sustainable living for the people who live there for a long time. Shaping neighbourhoods with fewer houses and keeping the land largely unchanged helps save resources by reducing the need for additional infrastructure. The virtues of low-density housing have caught the homebuyers' attention. Prioritising harmony with nature, privacy, and space, people are now gravitating towards low-density housing as a respite from crowded urban centres. Responding to this trend, developers are introducing meticulously planned, low-density projects that emphasise the importance of open spaces, lush greenery, and a sense of exclusivity. This shift underscores a growing appreciation for balanced living environments that seamlessly blend modern amenities with the tranquility of suburban landscapes. As per the annual Luxury Outlook Survey 2023 by India Sotheby's International Realty, about 33% of HNIs and UHNIs are ready to spend more than Rs 10

crores to buy a property. For instance, Landmark Group sold their plots in _their new low density housing project, Landmark Avana situated in new Gurugram, in record time, especially to a new age group that is seeking more space, and a higher quality of life.

2. Technological Integration: The integration of technology is revolutionising the residential landscape, enhancing convenience, security, and comfort. Smart homes equipped with IoT devices, home automation systems, and AI-powered assistants are becoming the new standard, offering residents a seamless living experience while setting new benchmarks for a futuristic living. The projected revenue in the Smart Home market in India is expected to reach US\$6.5bn in 2024.(Source – <https://www.statista.com/outlook/dmo/smart-home/india>

According to Researchandmarkets, India ranked third in terms of smart homes worldwide in 2020. In addition to this, Statista's Digital Market Outlook for 2021 forecasts that the number of smart homes in India is expected to surge to 442 million by 2025 (source – https://smefutures.com/smart-home-revolution-examining-indias-growing-demand-for-home-automation-post-pandemic/#google_vignette)

3. Increased Preference for Homeownership: The onset of the Covid-19 pandemic has instigated a notable transformation in societal perspectives regarding homeownership. Many are now placing a greater emphasis on owning a home rather than opting for rental arrangements. Individuals have come to appreciate the advantages of residing in their own space with dedicated areas for work, study, and recreation. Consequently, there's a heightened awareness regarding the intrinsic value of possessing a home, which offers a heightened sense of security and stability amidst periods of uncertainty. In FY22, banks in India advanced to an estimated 2 trillion Indian rupees in housing loans which is similar to the pre-Covid housing loan levels. This showed renewed homebuyer sentiment, as an increasing number of Indians were investing in purchasing residential property. (Source – <https://www.statista.com/statistics/1201678/india-housing-loans-before-and-during-covid-19-pandemic/>)

4. Luxury housing: Premium and luxury housing have become the focal points of the real estate market. Such exclusive residential projects, boasting top-tier amenities, allure discerning buyers seeking unparalleled living experiences. According to a recent study conducted by India Sotheby's International Realty, there's been a notable uptick in affluent individuals intending to invest in luxury properties over the next couple of years. The landscape of luxury real estate has undergone remarkable changes, driven by shifting consumer preferences influenced by changing demographics, increased technological integration, and rising income levels. Millennials are gravitating towards luxury homes due to their rising income, changing urban lifestyle, and growing affluence. Additionally, the potential for a high return on investment and significant rental income further fuels the demand for luxury properties. The sale of luxury homes in India increased by 130% in the first half of 2023 compared to the corre-

sponding period of the previous year (source – <https://www.ibef.org/industry/real-estate-india>). Landmark Group's new residential project upcoming in Dwarka Expressway promises an ideal residential complex with untold luxury services and modern amenities best suited for the evolving way of living ____.

5. Tier 2 emerges as a strong player: The aftermath of the pandemic prompted many individuals to reevaluate their living spaces and look for secure homes in their hometowns for an increased sense of stability. Consequently, Tier 2 cities have garnered attention as growing real estate hubs. These cities are witnessing a notable surge in investment activity, driving significant changes in their property landscapes. Bolstered by a thriving housing market, Tier 2 cities are experiencing rapid infrastructure expansion, presenting an array of residential and commercial prospects. In addition to this, the government's push for smart cities is also helping the real-estate market growth. The Government has allowed FDI of up to 100% for townships and settlements development projects. (Source – <https://www.ibef.org/industry/real-estate-india>)

The real estate growth in tier 2 cities is catching up with that of tier 1 cities. For instance, Ahmedabad's residential real estate market size of INR 83,390 crores has outshone some of the Tier 1 cities like Kolkata and Chennai with market sizes of INR 38,440 and INR 52,554 crore respectively at the end of fiscal year 2021-22 and this growth has resonated in the Tier II cities as well such as Nashik, Jaipur, Vadodra, Gndhingar etc)(Source – <https://realtytnxt.com/news/tier-ii-cities-emerge-as-significant-engines-of-growth-for-real-estate-industry-in-india-propequity>)

Keeping the recent demand for housing, the government has renewed its focus on affordable housing and developers have recalibrated their strategies to tap into this underserved segment. Affordable housing refers to housing that is priced at a level which is affordable to low and middle-income households. The Landmark Group is expected to deliver its affordable housing project, Landmark the Homes in sector 81 by December 2024. To buy affordable housing in India, one can explore government-funded programs designed specifically for low-income groups or home loan options from private lenders/NBFCs. In the Union Budget 2023-24, a commitment of Rs. 79,000 crore (US\$ 9.64 billion) for PM Awas Yojana has been announced, which represents a 66% increase compared to the last year. (<https://www.ibef.org/industry/real-estate-india>)

Government schemes like the Pradhan Mantri Awas Yojana and Rajiv Awas Yojana have incentivised developers to venture into affordable housing projects, fostering inclusivity and accessibility in the real estate market. With a population growing at a rate of 2.1% per year on average and the low purchasing power of a significant portion of our population, meeting the 40 million urban housing demands needs to be addressed.

India's increasing urban population continues to fuel demand for residential spaces, transforming skylines and cityscapes.

Asset Homes & Columbia Pacific to build senior living projects in Kerala



Asset Homes, a pioneering real estate developer in Kerala, is expanding its portfolio by venturing into the luxury senior living market, aiming to serve the state's burgeoning senior citizen population. In a strategic move to incorporate global expertise into its offerings, Asset Homes has partnered with Columbia Pacific Communities, India's largest and most preferred senior living community operators, to operate the 'Young @ Heart' Senior Living projects across Kerala.

The collaboration was formalised through a memorandum of understanding (MOU) signed by Sunil Kumar V, Founder and Managing Director of Asset Homes, and Sivakumar V, Director, Columbia Pacific Communities, at a ceremonial event in Kochi.

Columbia Pacific Communities, a subsidiary of the Seattle-based Columbia Pacific Group, brings to the table over four decades of experience in constructing, managing, and operating senior living communities across the globe, including in the USA, China, Canada, the UK, Malaysia and India. This partnership aims to set a new benchmark in senior living by offering internationally acclaimed standards in design, construction, amenities, and services, thereby fulfilling the aspirations of seniors for a peaceful and worry-free retirement life fuelled by positive ageing.

India's senior population is expected to reach 500 million by 2050, highlighting an urgent need for high-quality, fully serviced, senior living facilities. Addressing this need, Asset Homes plans to roll out four projects in the initial phase of this partnership, located in Thiruvananthapuram, Kottayam, Kochi and Kozhikode. Named as Asset Young @ Heart by Columbia Pacific, these luxury projects encompassing around 1000 units, are slated

for launch in Q1 of the 2024-25 fiscal year.

Asset Homes has innovatively reimagined housing solutions, introducing four distinct categories to cater to various life stages and preferences. These range from 'Selfie Apartments' for young singles and students, to 'Down to Earth' residences for young couples and professionals, and 'Exotica' homes for those seeking luxury living. The new 'Senior Living' category is designed as a sanctuary for retirees, focusing on their comfort and needs, ensuring a vibrant and fulfilling lifestyle post-retirement.

Sunil Kumar V commented on the launch, emphasising Asset Homes' commitment to evolving with its customers and fulfilling their dreams by providing a diverse array of living options suited for every life stage.

Columbia Pacific Communities is recognised for pioneering the concept of community living for seniors in India, offering an environment that promotes physical fitness, mental alertness, and emotional stimulation. In the wake of COVID-19, the demand for senior living communities has surged, highlighting the importance of a supportive and safe environment that caters to health and wellness needs in a controlled and sanitised setting.

Sivakumar V, Director of Columbia Pacific Communities, expressed enthusiasm about the joint venture, underscoring the value of community living in combating loneliness, fostering positive ageing and providing a zero-headache lifestyle for seniors. This collaboration between Asset Homes and Columbia Pacific Communities promises to deliver world-class senior living communities in India, offering peace of mind and a sense of security to residents and their families alike.

Realty market takes a hit as high transaction costs play spoilsport in Kerala



KOCHI : Reflecting a sluggishness in the real estate market, Kerala’s revenue from land transactions show a declining trend despite a steep hike in stamp duty and registration charges from April 1, 2023.

A closer look at the budget documents reveal that the state government’s revenue from stamp and registration charges is expected to decline to Rs 6,111.79 crore in the 2023-24 fiscal, down by Rs 104.92 crore (around 1.7%) from Rs 6,216.71 crore in 2022-23.

In his 2022-23 budget, finance minister K N Balagopal had proposed a 25% increase in the property tax rate, effective from April 1, 2023. The increase was in a phased manner, with a 5% hike in each of five successive years. The stamp duty was hiked from 5% to 7%, in addition to 2% registration charges.

“While most other states have reduced the property transaction charges to 1% and 2%, the registration charges are at 9% in Kerala (7% stamp duty and 2% registration charges). Because of these high transaction costs, those who are planning to buy flats for investment purposes are refraining from doing so,” said Sunil Kumar V, founder and managing director of Asset Homes, a leading property developer.

Earlier, the government had hiked the fair value of land by 20%, which too came into effect from April 1 last year. The revenue from stamp duty and registration had risen by 28% for the year ended March 2023 from Rs 4,857.33 crore to Rs 6,216.71 crore as people rushed to register their properties before the higher rate came into effect.

The fair price for the land, first implemented in 2010, was revised at least five times. Industry insiders said the fair price for land has gone up by 220% since 2010. Further, from April 1, 2023, the state was supposed to benefit from a 14% direct revenue from higher stamp duty, registration fees, and GST on real estate transactions (7+2+5) but this is not reflected in the numbers.

“The stamp duty and registration charges were hiked at the wrong time. Even if some transactions are happening, it’s only in the urban areas of Kochi and Thiruvananthapuram. The market is sluggish,” said Mary George, economist and a former head of the state government’s public expenditure review committee.

According to her, 11 lakh houses – most of them palatial buildings belonging to expatriate Keralites – are lying unoccupied in the state. “The housing sector is going through a slowdown. Whatever demand we are seeing is only for flats in cities. NRIs are investing in flats, but only if they are sure that it can be rented out,” she said.

STAMP DUTY AND REGISTRATION REVENUE		
Year	Revenue (in cr)	(Growth)
2020-21	4,070.47	
2021-22	4,857.33	+19.33%
2022-23	6,216.71	+27.99%
2023-24	6,111.79	-1.67%

State Planning Board member K Ravi Raman admitted that there has been a contraction in land transactions this financial year, which has extended to the real estate sector in general. He, however, blamed the banks, which are refraining from lending in the state, as the main reason for the sluggishness.

“The levels to which credit-deposit (CD) ratio has declined for major banks such as SBI is shocking. If you are buying some property or the other, you would like to get some assistance from the banks. But that’s not happening,” he reasoned.

Ravi Raman’s argument is substantiated in the latest statistics. For instance, SBI’s CD ratio is just 55% while Federal Bank’s CD ratio is even lower at 45%, even when the state average is nearly 64%. SBI and Federal Bank are the two leading banks in Kerala in terms of deposits. “Interestingly, the NRI deposits are rising in the state while banks are not putting the money back into the economy,” he said.

According to Mary George, land used to be the biggest asset in Kerala but not anymore. “The property prices appreciated faster than gold prices. Now, there is no such appreciation,” she said.

Because of the higher stamp duty and registration charges, people hesitate to register properties, Sunil Kumar said.

“They will hold on to properties without registering it. Though transactions may be happening, it won’t result in ownership changes. Or people show lower prices and register,” he said. Terming the high transaction costs investor-unfriendly, Sunil Kumar pointed out that land registration rates in Gujarat, Karnataka, Tamil Nadu or Mumbai are in the range of 2-4%. “Someone will get better appreciation for their investment in real estate in Mumbai or Bengaluru compared to, say Kochi, at lower transaction costs. Only end users are buying an apartment now,” he added.

<https://www.newindianexpress.com/states/kerala/2024/Feb/15/realty-market-takes-a-hit-as-high-transaction-costs-play-spoilsport-in-kerala>

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