Crystal Gazing for 2018

After a dramatic 2017, the year ahead will be one where the reforms and policies introduced last year will finally yield results. The year 2018 should mark a new and hopeful beginning.

The year 2017 was the year of consolidation for the Indian real estate industry with the roll-out of game-changing policies like RERA, the Benami Transactions Amendment Act and demonetisation. One of the most significant trends the Indian real-estate sector was the infrastructure status given to affordable housing and an immense spike in co-working spaces across the metro as well Tier-II cities. Another emerging trend in the sector was the boost given to the warehousing and logistics sector through a number of important JVs. Needless to say that the need for IT office space is still booming and demand is high.

Based on the last year industry sentiments, we can see a visible change in the outlook of the buyers and investors towards the sector. The cautious fence-sitters are willing to come back. Developers have increased their focus towards completion and delivery. Government incentives have led private equity players to look actively at affordable housing. Anticipated as the turnaround year, 2018 is expected to see new launches and good sales. We see the year 2018 to be very exciting for the sector.

BIJAY AGARWAL

As per **Bijay Agarwal, MD, SalarpuriaSattva Group,** the recent initiatives and policies introduced by the government like RERA, REIT and GST, transparency

RAHUL NAHAR

and subsequently the buyer's confidence will only increase in the realty market. 2017's trends like the affordable housing segment, co-working spaces and the transformation of the office sector will only continue, and be further strengthened.

"The real estate sector has gone through numerous reforms in the previous year. Housing demand was always there and there is clear visibility of this sector performing much better with new dressing in terms of reforms and given that there is a demand which is yet to be catered especially in tier II and III cities. Real-estate market will be driven substantially by end users going forward due to the government incentives, and the benefits available under ''Housing for All "mission. In the non-metros, there will be equal participation of end users and investors as these regions have a scope of potential growth. In fact, investors will now move towards non-metro to catch the benefit of price rise which is yet to happen. Also, investors can now invest in any project pan India as information of project is available on RERA site which helps them to make an informed decision on other geographical regions," stated **Rahul Nahar, Founder, Xrbia Developers Ltd.**

The rise of co-working/ shared office spaces, increasing use of Automation, AI and technology will be key disruptors in the sector. With affordable housing receiving a thrust, this segment is expected to see enhanced activity in the year ahead.

DR. NIRANJAN HIRANANDANI

THE GAME CHANGERS

Initiatives by the Indian Government have created the ideal foundation for Indian real-estate potential growth. These include,reform-led policies such as the streamlining of approval processes, simplifying of taxation (GST), building institutional capacity, introduction of RERA & REITs and infrastructure related programs like '100 Smart Cities', the Delhi–Mumbai Industrial Corridor (DMIC) and Pradhan Mantri Awas Yojana (PMAY) which will create investment opportunities across the country.

Dr. Niranjan Hiranandani- Founder & CMD, Hiranandani Communities & President (Nation), National Real Estate Development Council (NAREDCO) said,"The Indian economy and indeed, real estate have experienced a 'Systems Reboot'. The new paradigm includes various encouraging initiatives by the Government, along with a new regulatory regime.The sector, going into 2018, looks very bullish and I expect it to grow at a CAGR of 15 per cent, YoY basis. For Indian real estate, 2018 comes with the promise of growth amidst home seekers getting their 'dream homes' while for investors, it should reflect enhanced attractiveness as an asset class."

Industry pundits suggest that the commercial spaces will continue be the attractive investment alternative in 2018 and beyond. These include retail, warehousing and logistics parks. At the individual investor level also the real-estate is back to being a preferred investment class offering better ROI in the long run.Another aspect where 2018 will build on the growth trends of 2017 is Affordable Housing. The Indian Government support to this segment is expected to not just continue, but grow in 2018. Home Finance being at record low interest levels has provided the extra 'boost' needed that should continue in 2018 as well.

"In 2018, government incentive-backed affordable housing trend will continue to flourish in the peripheral markets. However, smaller ticket size (house value) units made possible by reducing the unit area (apartment configuration) of residential units will redefine affordability even in city areas where prices are considered high.In 2018, shrinking availability of quality leased office assets coupled with yields reaching historic lows will push investors to look at alternative segments like retail and warehousing. On the other

DR. SAMANTAK DAS

hand, signing built to suit deals will become imminent for office occupiers,"stated **Dr. Samantak Das, Chief Economist & National Research Director, Knight Frank India**

THE PACE OF GROWTH

Fundamentally real-estate has been an emotional investment for average Indian. The last couple of years had been rather slow for the sector, the market is expected to recover going forward at a slow pace because of moderate economic growth. "Affordable Housing segment will remain the key demand driver. There has been a considerable growth in the commercial sector which is well

PRADEEP JAIN

complemented by the growth of the corporate environment and the demand for office space in strategic locations and I feel that at this time REIT's should be made more tax efficient so that it becomes a reality and boosts investments in the commercial real estate segment."

Pradeep Jain, Founder Chairman, Parsvnath Developers Limited expressed his views for the coming year.

The positive highlights of last year apart from RERA, GST were the huge office space absorptions of about 30 mnsqft across the country over the year and large investments made in real-estate with a long term view by large foreign equity funds such as CPPIB, GIC, Black Stone etc. The Year 2018 will be a year with a positive outlook as real estate prices will start showing a slow but steady increase in the rates.

According to **Adarsh Narahari, Secretary CREDAI Bengaluru,**

ADARSH NARAHARI

"For 2018 we are expecting recovery for the industry with all the pent up demand coming into play. The prices are expected to go up as there have been very few launches in the previous year and a fair amount of ready to move projects. I also expect more equity investments to enter various real estate verticals such as residential, commercial, retail etc. Furthermore, the new verticals in the industry such as senior living, student housing and co living spaces will become more mainstream."

Indeed, with increased costs(due to implications of RERA etc) and in general, increase in the off take would reflect in prices going up. Quite a few developers are planning to launch new projects. The current trend of customers to invest in ready to move in or nearing ready possession apartments is ensuring

ANIKET HAWARE

the inventory coming down. The he PMAYCredit subsidy scheme too will get more publicity by the financial Institutions and developers that will help the first time buyer to aspire for a bigger home and with a lesser burden.

Aniket Haware, Managing Director Haware Builders said, "2018 is expected to be a year of amalgamation — with the outcomes of all policy initiatives taken in 2017 beginning to take shape. The confidence of home buyers is likely to recover. The 2018 will be the year of expectations for both developers as well as buyers"

GOING FORWARD

The budget announcement on allowing 100 per cent deduction for profits to housing projects building homes up to 30 sq. meters in the four metro cities and 60 sq. meters in other cities is likely to spur supply of affordable homes this upcoming year 2018, demand for which makes for almost 90 per cent of the demand for homes in India.Moreover, the demonetization, GST and RERA will cause land prices to ease in the next few years - especially in far-flung areas around Indian metros and the Tier-II and Tier-III cities.

"I believe real-estate development will no longer be a minimum capital-high return-low governance model. The more established players in the market will grow from strength to strength, edging out smaller developers in the process. The post-RERA era will also see housing finance companies help achieve overall financial closure for

KHUSHRU JIJINA

projects as they enable end user sales. Only those finance providers who can provide early-stage equity, on-going construction debt and late-stage completion finance will be regarded as financiers of choice, while others focusing on one or two verticals within the capital stack risk seeing their market share erode further," mentioned **Khushru Jijina, Managing Director, Piramal Finance &Piramal Housing Finance Ltd.**

In addition, the recent improvement of India in World Bank's Ease of Doing Business ranking as well as up gradation of the country's sovereign rating by Moody is expected to further enhance Indian realty long-term growth potential. With improving of consumer

RAMESH NAIR

and investor confidence, real estate will surely move towards a more regularized way of operating.

Ramesh Nair, CEO & Country Head, JLL India concurs, "The Indian real-estate industry is reaping the benefits of a reform-driven environment. The new regulatory environment will demand greater accountability from developers and only those who adapt and change shall be able to sustain their business while also improving their chances for attracting institutional investments. We expect the new reforms to improve investor confidence and prepare the template for a more organised and transparent sector leading to it finding its footing as the most favoured investment destination."

The benefits of regulatory reforms as can already be seen in the reduced project delays and protection for homebuyers. A major positive has been that real estate players are forced

ARCHITECT MILIND PAI

to become more transparent in their business, especially planning and pricing as well as better execution and timely delivery..

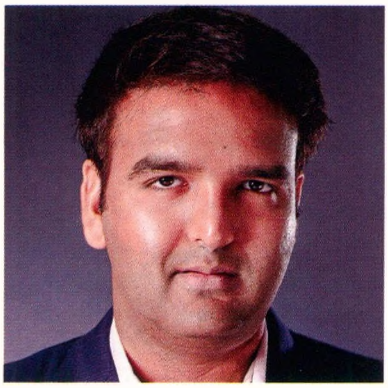
"Market is getting consolidated in favour of the organized players with better processes and deliberately. While there will be moderate demand, customer will look for value from quality and price perspective. The architectural field will grow exponentially but quality of design may not keep pace, especially with RERA mentality wherein developers may be inclined to do simpler designs to save cost escalation and delivery periods. Organized players will start offering eco-friendly semi furnished / furnished apartments. Flungible FSI concept will play a major havoc in the designing options of the Building aesthetics as options get limited with the limitations of elevation features and slowly declining balconies, "said **Architect Milind Pai**

As a matter of fact, the sector's significant regulatory changes and government's strong focus on housing, Smart Cities and large industrial corridors make it imperative that technology and becomes a key enabler for any participant who wishes to create scale and efficiency in the sector.

"There is a fundamental shift post RERA. Real-estate projects now require to be designed in detail at an early stage with virtually no changes post sanction. This necessitates a highly process driven approach taking into account integrated project delivery and all stakeholders, who may be consultants, project managers, marketing, quantity surveying, engineering consultants and architects. We see this as a beginning of a golden year for real-estate where projects that are designed will be delivered very close to or virtually identical to what they were originally conceptualized as, leading to long term trust from buyers/ clients.The Realty market this year will see growth in cities like Bangalore, Hyderabad and Pune while we think Mumbai will

ARCHITECT MANIT RASTOGI

remain stagnant. We do foresee Delhi NCR picking up especially in both Commercial and Residential typologies. However, we feel East India will remain predominantly static," explained **Architect Manit Rastogi, Founder Partner – Morphogenesis.**



ANAND PIRAMAL

As part of adapting to the new reforms, developers going forward will adopt a consolidated approach to strategically market and sell their inventories. Smaller developers are now exploring joint development/joint ventures and other modes of partnership with established players, to improve sales and to raise equity and/or debt funding. Implementation of GST is likely to reduce construction costs to some extent. Passing on these cost savings to customers can give a fillip to demand for homes.

Anand Piramal, Executive Director, Piramal Group & Founder Piramal Realty added, "2018 will see buyer sentiments recovering from the uncertainties of recent times. Specifically, the luxury housing segment, for which demand is very end-user driven, is witnessing robust growth owing to HNIs and increasing customer aspirations for a luxurious lifestyle. Such an increased customer appetite works well for our business which aspires to build properties that represent world class standards of customer centricity, design, construction and quality."

Leasing activity in 2018 for office space is expected to remain broadly steady. Hyderabad, Delhi NGR and Mumbai are likely to witness a marginal rise in take-up on the back of healthy supply pipeline. The supply slippages noted in 2017 are likely to result in a stronger pipeline for 2018, which is going to be led by cities such as Delhi NCR, Hyderabad, Bangalore and Mumbai. While IT/ITeS occupiers continue to lead demand activity, other prominent sectors such as BFSI, engineering and manufacturing, research and consulting are likely to garner a larger share in the leasing activity in 2018.. The housing market will gain traction in the coming months. Taking a cue from the end-users, the housing market is becoming buyer focused with supply addressing the demand emerging. India is also coming back into the purview of the global investor community and the segment is seeing an uptick in capital inflows. Also, the concerted efforts (both on the supply and demand side) towards affordable housing, are likely to result in increased participation from private players in this segment. The demand for retail space is likely to remain strong during the year ahead. Family entertainment centers and multiplex operators are also going to be active in leasing space at existing and upcoming malls in the coming months. With the implementation of the GST we expect there to be consolidation of large warehousing firms, entry of reputed developers backed by institutional funding and rise in demand for large mother warehouses. With new technologies coming in, the concept of 'hub and spoke model' is likely to gain prominence, driven by operational efficiency and cost reduction.

Anshuman Magazine, Chairman, India and South East Asia - CBRE

REALTY PLUS VIEW

In 2018, the industry will be influenced by last year's disruptive policy initiatives, evident from current consolidation in the developer, brokers and finance segments. The tech companies in the real-estate and construction sector, known as PropTech too will come in prominence. Developers embracing new ways of business like Enterprise Resource Planning, Project Management, and Customer Service will be imperative. We expect the growth momentum in the realty space in 2018,although occurring unequally across various regions of the country.