

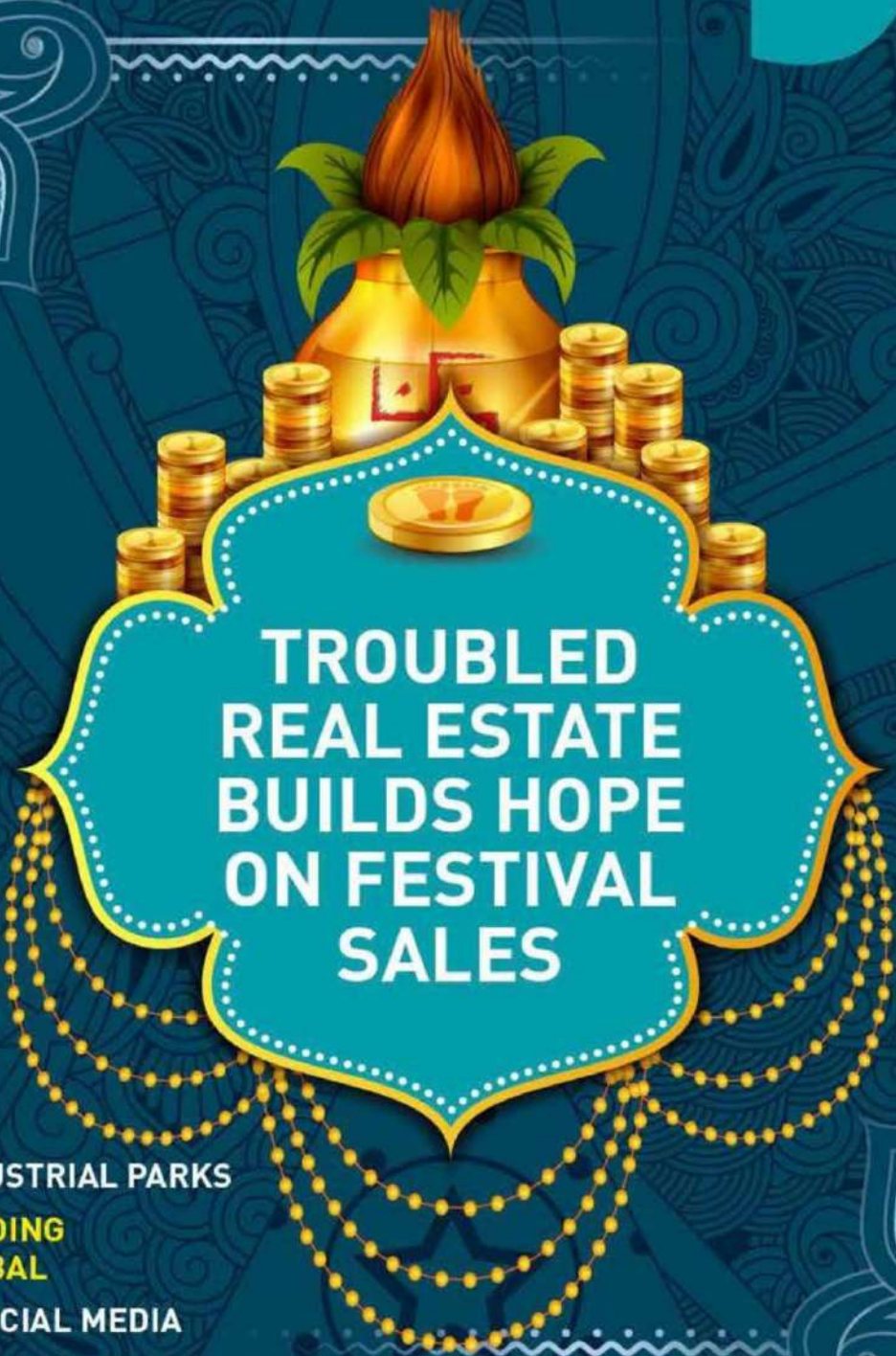
VOLUME 17 | ISSUE 01 | SEPTEMBER 2020

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TROUBLED REAL ESTATE BUILDS HOPE ON FESTIVAL SALES

THE LURE OF INDUSTRIAL PARKS

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**COVER
STORY**



TROUBLED REAL ESTATE BUILDS HOPE ON FESTIVAL SALES

IN INDIA, TRADITIONALLY FESTIVALS AND AUSPICIOUS DAYS ARE PREFERRED FOR MAKING IMPORTANT INVESTMENT DECISIONS. ESPECIALLY, BUYING A HOME IS CONSIDERED FORTUNATE AS HOME-BUYERS ASSOCIATE THE FESTIVE SEASON WITH SECURITY AND PROSPERITY. THIS YEAR THE FESTIVALS HAVE BEGUN WITH THE PANDEMIC STILL LOOMING LARGE. THIS RAISES THE QUESTION, IF THE HOUSING MARKET HAS A REVIVAL ON THE CARDS.

By: Sapna Srivastava

In the initial days of the pandemic, customers deferred their purchase decisions due to the prevailing uncertainty. As lockdown restrictions were gradually eased and economic activity revived, consumer sentiments also improved. At the same time, the 'home' emerged as the centre of our lives – a safe haven that provides shelter, happiness and well-being for families. Having been forced to spend extended periods of time at home, intending homebuyers have started firming up on specifications and requirements.

"Home buying is not a seasonal activity," emphasized **Dr R Kumar, Chairman Managing Director,**



Navin's prominent developer from Chennai. He said, "Home buying cannot wait for festival season. In reality the COVID-19 pandemic has in many ways pushed reality sales. It has put a thought process in their mind to spend only on those things which are essential. The need for a safe and secured home has been felt more keenly now, than in the recent past. People who had been postponing home buying decisions are now thinking of their real needs. They also had lot of time to analyse various options available. Another favourable factor is that the interest rates for home loans have come down to historic low levels. In addition to low interest rates and time availability at disposal and the realization of the advantages of the need and comfort of own home, the Government has also extended PMAY benefits by one more year until 31.03.2021. So this is the best time to buy property, irrespective of the festive season. With material prices like

cement, steel, sand prices and labour costs going up, the real estate prices are going to increase very soon."

Bengaluru developer, J

C Sharma, Vice Chairman and Managing Director, SOBHA Limited said, "The

government has supported the homebuyers as well as the developer by providing relevant benefits during this tough time. Driven by the recent repo rate cut by RBI and measures by the government, real estate developers are hoping for a boost in their enquiries/sales this festive season. Diwali is traditionally the time when most homebuyers purchase their dream homes. The interest rates have been historically low at present and the government's relaxations will aid a person in making this dream come true. However, developers may not see a sudden uptake in sales this year as job insecurities are the biggest concern for homebuyers. On the contrary, buyers that have been seeking to invest in a home and can afford to purchase will opt for it. In order to revive the economy, the government needs to join hands with the real estate sector. To pass the benefit on to the homebuyers, developers would like to see support from the government. Also, developers need a faster and easier mechanism of availing loans from banks. A uniform stamp duty across the states, as well as a revised reckoner's rate, will also benefit the current situation and help developers speed up the process of home delivery."



Saket Mishra, Managing Director, Merlin Group, the

well-known Kolkata developer gave an overview, "Though there were certain halts during lockdown days but post June, we have witnessed a considerable upward trend towards home buying decisions. The dual effects of Covid-19 and devastating cyclone "Amphan" in West Bengal, people have realized the importance of home & specifically in a gated community in hindsight. So far the visits to our project by prospective customers have already reached Pre-Covid numbers. We expect the festive season should further boost such activities and home buying will pick up. It can further provide good influx of serious customers searching for their home. Developers aren't launching new projects but are focused to complete existing and ongoing ones. There is no margin at current price level with huge increase in construction cost. Most of the existing inventories will be exhausted by year end resulting in some increase in price levels, which can incentivize developers to launch new projects."



The COVID has given a big opportunity to all those people who can invest in home as the property prices have stayed more or less stagnant for the last 5-6 years. Moreover, to incentivize the buyers to make their decisions faster, the real estate companies are offering all kinds of incentives.

On an optimistic note, **Gaurav Sawhney, President, Sales and Marketing, Piramal Realty** stated, "Like several other industries, the initial impact of COVID -19 on the residential property market was worrying, but





the industry is starting to recover as fence-sitters took this as an opportunity to fulfil their dream of owning a home. With a reduction in stamp duty rates, interest rates and some brilliant schemes by the developers, we are optimistic that the festive season will act as a stimulus to homebuyers. We expect many end-users to finalize on their decision of buying an apartment in the coming months. The current situation will lead to further consolidation in the real estate industry and homebuyers must be careful and only consider buying from trusted and reputed developers. They should not be enticed by lower rates and discounts but must do a detailed check on the credibility and track record of the developer and the project before finalizing it."

WILL HOME SALES INCREASE THIS FESTIVE SEASON?

The onset of festivals across regions in India brings with the joy and positivity. This also is the time that real estate industry looks forward to capitalize on buyer's high sentiment that makes them optimistic about availing lucrative offers launched by the developers.

In fact, festive sentiments have always been significant for the real estate sector, as big-ticket purchases are generally planned around auspicious times. Branded and reputed developers are likely to benefit from the conversion, as homebuyers would prefer investing in a branded and quality product. According to industry experts, real estate is today a relatively stable asset class which not only provides the security of ownership for buyers, but also ensures multiplier effects on quality of life.

Manab Paul, Founder, Sree Balaji, the notable Kolkata developer added, "This festive season we are definitely expecting some boost in sale. From

July to September we have found a spike in residential requirement especially for ready to move properties. In my own project in the month of September I have sold out all the ready to move inventory. We have noticed 70%- 85% of people have come out of the fear of covid-19. So with Durga Puja and



Diwali coming up, people are looking forward to investing in property. Also, the government has taken certain steps such as interest rates of home loans and reduction and stamp duty which we are extending to our customers as well."

Deepak Goradia- Vice Chairman Managing Director, Dosti Realty, President, CREDAI MCHI shared, "People have realised that owning one's own home will always be an asset. Affordable and mid-end housing is likely to witness the maximum traction owing to the price points as well as PMAY benefits that may aid first time home buyers. Besides this, many developers are also likely to offer additional offers and freebies during the festive season which is the general norm in Indian real estate during the festive season. All these factors are expected to positively impact the festive demand this year."



Eshwar N, Chief Marketing Officer - Casagrand, the leading Chennai realty firm was of the opinion that the real estate market is experiencing a gradual increase in overall consumer sentiment. "Besides the belief of festive seasons being an auspicious time to invest in property, growing consumer's focus of owning a home,

sweetened developer deals coupled with an all-time low interest rate on home loans will help drive sales during the period."

Prashin Jhobalia, Vice President Marketing Strategy, House of Hiranandani expressed, "The market is opening up and the second quarter has been better after the lockdown was relaxed. Despite the slow pace of



the market we have been successful in achieving our recalibrated targets. We are optimistic of the forthcoming festive season and expect it to play a crucial role in providing a thrust to the sector. This will be a time when the demand that has been held since lockdown will witness conversion, as home buyers will prefer going ahead with their planned purchases."

Vimalendra Singh, Chief Sales

Officer, Mahindra Lifespaces

stated, "We have experienced a resurgence in enquiries and bookings July onwards. We expect this festive season to be primarily end-user driven. Additionally, government initiatives such as the recent reduction in stamp duty are also expected to boost home buying activity. The surge in e-commerce and online buying of products and services serves is yet another indicator of continued consumer proclivity to invest in goods and



Certain freebies & discounts would help the fence sitters to take their decisions, but there are many developers who are struggling to complete their ongoing projects because of the financial crisis. So customer should be cautious about brand selection rather than running behind discounts.

assets of value, notwithstanding the pandemic. In fact, at Mahindra Lifespaces, we have been seeing continuing end-user demand and transactions, both in our affordable housing and mid-premium portfolio. Our recently launched value homes project received a very encouraging response with more than 100 homes sold online within only a week of launch, via a first-of-its-kind technology platform that offers an immersive, zero-touch home buying experience. This indicates a positive sentiment towards real estate, especially from end users who are looking to purchase their homes during this festive season."

Amit Parsuramka, SVP and Chief Sales & Marketing Officer, Tata Realty& Infrastructure Ltd & Tata Housing Development

Company Ltd too feels quite optimistic about sales during the upcoming festive season.

"Customers who were in doubt or undecided till now, will surely come forward and buy. Serious buyers have realized that this is the best time to buy.

Opportunists who have been tracking the price trends have realized that this price hedge will not be available later on and hence they would be leveraging on discounts on offer and bargains to close their buys. Buyers should avail the offer and negotiate wherever possible and. Discounts may vary here and there but the right unit may not be available always. If you have made up your mind, then move ahead and close the deal."

ADVICE FOR HOMEBUYERS

Festivities are indeed a time where homebuyers can fall prey to fraud schemes. To avoid it, understand the various schemes before committing yourself to make a big investment. Also, never forget to do a background check

of the source and always trust a builder with relevant track record. One must evaluate the total pricing of the products before making an informed decision and not get misguided with extremely low rates.

Besides offers, it is very important for homebuyers to do their due diligence which includes buying with a reputed developer, ensuring the project is RERA registered, evaluating the location and its scope for future growth, etc. Even banks and other financial institutions provide festive benefits in the form of a lower rate of interest for home loans and flexible payment schemes in order to further streamline or ease buyer's purchase experience. All these aspects need to be appraised holistically to attain the maximum benefit.

Manju Yagnik, Vice Chairperson of Nahar Group, Vice President of NAREDCO (Maharashtra) cautioned,

"Developers are launching new offers during the festive season to boost sales. Freebies on booking property are some of the popular offers on the table. But, it is vital for homebuyers to read the fine print before opting for any of these offers. Remember, the primary focus should be on the quality of construction, on-time delivery, and not minor monetary gains. As an investment in a home is a lifetime investment, future growth prospects, connectivity to Central Business Districts, airport, railway stations, and proper infra development, upcoming projects around the property should be looked at."



Vimalendra Singh, strongly recommended that homebuyers must carefully evaluate prior track record. "Trusted brands will ensure the home buying process is transparent, seamless and hassle-free. Homebuyers can be assured of thoughtful design; construction quality; a range of amenities (this is especially important in the current times); and responsive customer service. Other basic checks should include RERA registration and due diligence to ensure the developer is well funded with a strong balance sheet. To sum it up, one may view incentives as a welcome add-on to the purchase decision, but discounts and offers should not constitute the sole consideration factor."

Lincoln Bennet Rodrigues, Founder and Chairman, Bennet & Bernard Group, Goa's luxury real estate developer feels, small discounts and offers should not drive the home buying decision and buyers should evaluate each offer in terms of the real financial benefit and understand the fine print. They



The phased reduction in stamp duty announced by few state governments and the current low home loan rates are two significant incentive for the homebuyers to expedite their purchase decision.

can be considered a welcome add-on for a good property, but freebies should never sway a property purchase decision. As the Covid 19 situation has altered our way of living, this festive season is opportune for investors to look at second-home investment."

"It is important to evaluate the offers basis one's needs. In many cases developers also allow one to adjust the value of the freebie against the value of the property being purchased in the form of a discount. Most buyers prefer this option as a reduced agreement value equals lower other statutory charges which give a potential homebuyer an additional saving benefit," explained **Deepak Goradia**

Manab Paul expressed similar opinion, "Real estate is a high purchase product that is a once or maximum twice in a lifetime product. Customers won't want to invest in the project just on the promise of a free AC fridge or any other item. And definitely no one should invest in a property just for freebies and discount. Due diligence and research is necessary before buying in a project. They also need to judge whether the project is of substantial use to them. If the location price, size and everything else falls into place then they should definitely invest in the project."

Dr R Kumar offered a few tips to the homebuyers, "Ask probing questions. While the companies may offer you per square foot price, it is always advisable to look at the price in terms of the RERA carpet area which they have declared. You can verify the RERA carpet from RERA website. Only compare this price with another builder and not just the quoted price because there could be different RERA carpet areas for the same 1000 sqft amongst various builders.

Similarly, on discounts you must know the real value of discount. There are several schemes like assured rentals, but are those rentals realistic? if they are not realistic how the builder can give you those rentals, how long will they give you those rentals, is it going to be for the entire lifetime ?, how many years is it going to be given ? If it is shut through 1 year, what will happen?

Do not just go by the incentives and prices, the freebies, you must also go by the stage of construction,

when the project is likely to be over? What are all your other cost of acquisition like your pre-EMI interest payments, what is the cost of your pre-EMI interest payments before you move into your home? Also, moving into ready home will save on your rental or you can rent your new home. Which means the rents will start flowing in much earlier in some projects whereas in some other projects it may take an year or two or whatever, so you'll have to take that rental savings also into consideration while you compare savings between projects.

For under construction projects, you need to make an assessment of the promised time for delivery and a realistic expected time of delivery in spite of RERA being in operation. Any delay could really mean a trouble for you “

BOOSTING HOMEBUYER'S CONFIDENCE

The global pandemic has impacted the overall employment sector but nevertheless, those buyers who are keen on investing in the housing market will benefit from factors like lowered housing values and condensed mortgage rates. The recent announcement by the Maharashtra government to reduce stamp duty charges by 3% till Dec 31, 2020, will significantly benefit serious home buyers as well.

Moreover, during lockdown there were many hurdles to normalize construction progress which ultimately resulted in an increase of construction cost for developers. During normal time, the outcome of same would cause increase in selling price but keeping in mind the forthcoming festive season developers are offering the same price to customers to boost homebuyer's confidence.

In addition, some of the things the government could do to boost the sector includes, lowering housing interest rates to around 5% for a limited period, promoting rental housing further, reducing lending rates of construction finance to developers, reduction on premiums for approximately the next 2 years, rationalisation of ready reckoner rates, etc.

Dr. R Kumar elaborated, “As benefit to homebuyer's, the Central Government can bring down the real GST impact on housing. Though on face of it, the GST is reduced from 18% to 5%, but they have withdrawn the Input Tax Credit mechanism which has actually resulted in home buyers paying a higher GST or higher cost than when it was 18% with ITC. Secondly, State Governments must certainly reduce stamp duty and registration charges from current 11% to 5%. For the next 2 years the State Government can fix a nominal registration fee of some Rs.15000 or Rs.20000 as a fixed fee or just bring it down to just 1%, so that the people are encouraged to buy.

For developers, the government can reduce service connection charges and ensure all approvals are given within 30 days to save on interest cost on land. All these

