

EVOLVING CONSUMER PREFERENCES FOR RESIDENTIAL INVESTMENTS & WHAT IS AIDING THE CHANGE

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Holding over 12 years of experience working across key positions in companies like Redones Holding, Astoria Solutions, RP Edu Group, and currently working with Aparna Constructions & Estates and Kilaru Naturals, Rakesh possess a strong marketing acumen demonstrated by education and experience



The real estate sector in India made an effective comeback in 2018-19 especially in metros and tier I cities. It was a year of consolidation and revival. With improved regulatory policies and rationalized tax structure, consumers have a reinvigorated interest in the sector. The revived consumer confidence has stabilized the market and laid the foundation for massive growth.

In the latter half of 2018, there was a surge in the supply of housing units with approximately 50,000 new units launched across Delhi, Mumbai, Chennai, Bengaluru, Pune, Kolkata and Hyderabad. Amongst other types, affordable housing has gained significant momentum. The increase in inventory enables homebuyers to choose from a wide range of affordable projects available to purchase. Other factors that have boosted the demand for affordable projects are the growing job opportunities and consumer demand which has increased exponentially.

With the increasing supply of housing units, additional options are being made available for homebuyers. Amongst the most preferred configurations, trends show, one BHK apartments are the most popular in Mumbai while two BHK apartments are the predominant option in most other major cities such as Delhi, Bengaluru, Pune and Hyderabad. Affordability continues to be the primary reason behind the popularity of smaller units in Mumbai. Another reason for this is, smaller apartments are easier to sell than larger configurations as the demand for one BHK unit outweighs supply in Mumbai. As property rates are lower in other cities, the same principle applies for the two BHK configurations there. In Hyderabad, majority of homebuyers plan to live with their families, hence two BHK and three BHK apartments are preferred over other configurations, with two BHK being the most popular



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choice. Hyderabad, specifically, is uniquely positioned in terms of value-for-money for both homebuyers and investors.

Luxury housing continued to witness strong demand in India. This is attributed to the depreciating value of the Rupee, which encouraged a surge of NRIs looking to invest in luxury real estate. While affordable houses may not offer many amenities, additional features and facilities play an equally important role for selection of property, in addition to the house configuration being offered. Gated communities would commonly offer amenities such as recreational facilities, swimming pools and club houses. Growing awareness has encouraged homebuyers to

become environmentally conscious, which is also a desired characteristic consumers look for, in properties they invest in. Additionally gated communities offer security, property maintenance and eco-friendliness as they are surrounded by lush and green environs.

Despite the slowdown in the Indian Economy, the real estate sector managed to stay afloat and the key drivers for this revived interest can be attributed to regulatory reforms such as RERA, GST, relaxation in FDI which encouraged

for the sector. The lower tax regime reduces the pricing disparity between under-construction and completed properties. A reduced price will dispel hesitation associated with under-construction properties. This will incentivize sales of under-construction properties and spur demand for new projects. Lowering the GST for affordable housing projects would provide people of low-income groups with homes and bring property ownership within reach of a wider audience.



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more investment, steady demand generated through urbanization, and the emergence of affordable housing.

The Government's support has motivated builders to become increasingly inclined towards building affordable projects. These projects were given a major impetus in the Union Budget 2017 and were granted infrastructure status. The 'Housing for All' initiative aims to build 20 million affordable housing units across India by 2022. Since, the affordable housing sector is the most incentivized segment for both builders and buyers, many reputed builders are now launching projects in the affordable segment. The availability of affordable housing will further bolster the market and widen the pool of potential buyers.

Amongst the policies, RERA has the potential to be the most significant policy intervention in the real estate sector. Its implementation has introduced much-needed formality to the sector and boosted homebuyer confidence. Under RERA, builders will have to provide a timeline for construction and delivery which has to be verified by a valid authority. Without approvals, builders are not allowed to promote or sell any project. This has effectively weeded out unscrupulous players from the market and allowed only credible builders to flourish - to the advantage of all homebuyers.

The reduction in GST on under-construction properties and affordable housing will have positive implications

The real estate sector requires supportive measures that will improve upon the recently gained momentum. The granting of infrastructure status to the entire real estate sector is at the forefront of these requirements. We have seen the impact of infrastructure status on affordable housing with many reputed builders now launching projects in the affordable segment. The sector also looks forward to a streamlined approval process with 'Single Window Clearance'. This will ensure project approvals to be processed more quickly, resulting in reduced construction costs, thereby substantially reducing property costs.

Furthermore, the sector can benefit from revised income tax slabs that reduce overall tax expenditure. This will augment the ability of the salaried class to invest in real estate. Expanding the availability of income tax deductions for homebuyers can incentivize new buyers and widen the market opportunity.

The real estate sector is a significant contributor to India's growth and is its second largest employing sector. According to a joint report by CREDAI and JLL, the sector is expected to have revenues worth \$180 billion within a year. With the revival of consumer demand, the housing sector is expected to contribute 11 percent of the GDP by 2020 and will continue to have a far-reaching impact on India's overall economic performance. **SI**

