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## Price spike may push up housing inventory

MURALI MALAYAPPAN, CHAIRMAN and managing director, Shriram Properties agrees. "The current scenario, characterised by stagnant interest rates, rising residential prices, and a high sales benchmark from the previous year, may result in a temporary slowdown in sales growth," Malayappan said.

This challenge is impaired by the influx of new property launches. Additionally, high input costs and slim profit margins present significant hurdles, he said, adding that to address these challenges effectively, it is essential to explore strategies for cost optimisation, embrace lean construction practices, and employ financial management techniques.

However Shriram's larger peers disagree. "Speculation is not new. It has been there some markets here and overseas. It demonstrates that people have belief in the sector. If economy grows faster, there could be a shortage (of new residential properties)," said Sanjay Dutt, managing director and CEO of Tata Realty & Infrastructure.

Dutt said stagnation could set in some of the markets where there is excess speculation one or two years from now. "But I feel that will be complemented with reduction in inflation and interest rates making real estate environment favourable."

Viswa Prathap Desu, chief operating officer-residential, Brigade Enterprises, said there has been a shift in customer preferences from ready-to-move-in homes to newer launches primarily due to lack of ready inventory being available. "The demand dynamics coupled with shifting customer preferences is expected to continue to drive robust sales along with healthy price increases," Desu said.

He said the current demand curve suggests that prices will continue to increase in FY25 as well.

# Price spike may push up housing inventory

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Mumbai, March 25

**UNSOLD INVENTORY IN** residential properties is likely to increase due to a sharp price rise and increase in launches.

Housing prices went up sharply by 15-35% in 2023, especially in key markets like National Capital Region (NCR), Hyderabad and Mumbai. Luxury property prices have gone up even more at 20-50%, as per CLSA.

"This (rise in prices) has also led to an increase in speculative demand, especially in the NCR market. Such a sharp increase in prices may deter end-users, which will then lead to high unsold inventory as speculative buyers try to offload their units," CLSA said.

Between 25-40% of buyers are speculators/ investors in NCR, as per channel checks done by the brokerage.

"If unsold inventories rise, it would certainly put downward pressure on prices," said an analyst who did not want to be quoted.

Besides price rise, an increase in launches in residential properties may lead to higher unsold stock in FY26, India Ratings and Research said recently. The robust sales seen in residential real estate in FY24 could moderate in FY25, it said. "Factors such as escalating home prices and interest rates, a high base of FY23-FY24, and an influx of new launches are likely to limit the growth rates," the rating firm said.

## PRICE STORY

■ Housing prices went up 15-35% in 2023 in Delhi-NCR & Mumbai

■ Luxury property prices rose even more at 20-50%

■ 25-40% of buyers are speculators/ investors in NCR

■ Price rise leads to rise in speculators, and deters end users



Source: CLSA, India Ratings

Price rise in the last two years and sticky interest rates could lead to moderation in prices of specific types of products, it said.

"Largely, the affordable segment (less than ₹5 lakh) and mid-segment (₹50 lakh to ₹1 crore), as a proportion of overall sales has been showing a declining trend for top eight cities for these segments. Developers may resort to price moderation for faster inventory offtake," said Vikas Anand, associate director, India Ratings & Research.

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