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EP02: Future of luxury real estate with focus on sustainability



In conversation with ETRealty, M Murali Chairman, Shriram Properties and Mallanna Sasalu CEO, Provident Housing, discussed about recent trends shaping the luxury real estate industry, sustainable construction and development, best practices which builders can apply while construction of a project and government incentives required to motivate builders to develop more such projects.

What trends you have witnessed in the last two years in luxurious real estate? Murali: Nothing happened overnight, this has been happening over a period of last 4-5 years' time, RERA has lead to the consolidation of the industry differentiated between boys and men that has controlled all the supply side.

On the other hand demand has been growing particularly as covid led demand I would call it could led demand covid has created a new demand for real estate development, Particularly on the luxury side this has happened sometime during the year 2021 and not last year early 2021 people started looking at saving extra money for themselves and also of course it's a wrong doing but moonlighting people started looking at earning themselves very well and all the companies also started paying well better then what they were paying in covid.

More importantly people had gone into the savings mode that's the most crucial part, covid has brought done people to their basics people are moving all over. See Indians are good in savings and for them the most important ones are gold and homes stock market and all much later but they were moving away from saving mentality before covid. Covid brought them to the basics it brought them back to the savings mentality and on the other hand they started making more money I mean post or during covid that helped in increasing the demand particularly on luxury side not only that during this covid people suffered a lot they needed some extra space so they thought this is the time for them to go for an additional room or additional two rooms. So that you mean incase of an emergency they will always be having the extra room because of that demand has come.

Affordable has gone done is a separate subject, there's a demand for affordable housing there is continues demand for affordable housing I don't expect that to come down for the next ten

years, there's a constant demand of bin market and mid premium segment I don't expect that to come down for the next seven to eight years. For luxury real estate a new demand has come in because of all these factors which will continue for next three to five years in my view because Indian economy is doing phenomenally well and all these will continue to make more and more earnings hence the demand is here to stay for longer time even for luxury.

Mallanna: In addition to what Murali said, the input cost has gone up, land prices have gone up. Rs 30 lakh-Rs 40 lakh property was considered to be affordable housing. Now no one can develop 2BHK or 3BHK house at Rs 30- 40 lakh unless you find a land outside the city where accessibility will be problem right so now the affordable housing of today according to me is defined as anything in upwards from Rs 50 lakh going upto Rs 1-1.2 crore.

If you look at that market that market continues to be strong, as Murali said, if it continues to drive in another ten years going forward market is going to be there maybe not between Rs 50 lakh to Rs 1-1.2 crore but according to inflation it may go to Rs 60 lakh to Rs 1.4 crore.

Coming back to this luxury housing as Murali said that yes people are now looking for a safety place after covid the realisation has come in that we have to own our own house because most of the people left homes and went way and they didn't have their homes then they came back but didn't have the similar house so people think now it's a good thing to invest in housing.

India primarily even after 10-15 years the mentality of the people is going to be is to own a house that's the reason you might see a slight increase in luxury housing and it will continue, the luxury also there are several layers there's luxury, there's super luxury, there's ultra-luxury so it depends on which market we are addressing, I think now the markets are doing well in all the sectors of residential development.

Question Do you think increasing demand is leading builders to expand into different cities?Murali: This has nothing to do with the luxury and all that, there's a general demand being going up look at India's economy it is the brightest economy in the world and they are doing phenomenally well and we should not give all the credit to the developers but to the prime ministers commitment, hard work the way he has been driving the entire nation just not one part of economy.

Driving the entire nation with positivity, the perception what is created India is looked upon by the world today that is pushing the big demand on one hand on the other hand consolidation has taken place in this industry it's the most key part it is not new to any industry but it's new to real estate this had happened to NBFC's in the earlier two thousands if you map two thousand I mean NBFC's has also been through series of challenges but sometime in 2005-6 it all stabilised.

Today's it is a well grown industry very qualitative place, very quality place in NBFC's, real estate just started about 6-7 years ago now it's maturing today in a big way that consolidation if you take India real estate a simply people think it's complicated it's actually very simple, ten cities matter in India's real estate Delhi, Noida, Gurugram, Mumbai, Pune, Kolkata, Bengaluru, Chennai, Hyderabad. Ten cities cater over to 70% of the demand coming up.

If you map these 10 cities not more than 50-60 real estate developers which cater to 70% of the demand. Each city not more than 10-12 people catering to 80% of the demand so consolidation is playing a big role on the other hand demand is being growing hence all the credible large developers are looking at a much bigger expansion because India is going to grow further multi-fold hence it's an opportunity to grow very aggressive, you talked about joint development it is coming out of the extreme opposite view.

The non-performing assets from the bank, NBFC's or the institutions and the other developersthat are stuck those projects are plenty today. My estimate of all these projects to be gettingdelivered is not even 20% even the 20% which is getting delivered will take another 7-8 yearsthat's alone is going to be a big supply hence people can comfortable move into complete assert lane model we move in development management and JDA's where you don't need toput in lot of capita to get into the development because we have got a good plan, we have got a good sales engine, we have got capability to deliver hence you don't need to worry about looking in the capital to much whereas you can pickup those stress projects.