

FRESH OPPORTUNITIES

*WITH THE INDIAN ECONOMY PORTRAYING A HEALTHY GROWTH, THE FUTURE IN THE INDIAN REAL ESTATE SECTOR IS LIKELY TO WITNESS GENERATION OF NEW REVENUES THROUGH NEW SERVICES AND BUSINESS MODELS, SAYS **MILAN KOTHARY***

Market dynamics almost always counteract market concentration but as long as we do not let speculation overpower sustainable growth, the future of real estate will be significantly stable and appropriately sustainable.

Having stated thus, it is important to note that like any other sector or industry in a given economy the real estate sector too is to be represented by production increase measured by fresh supply and actual demands, and not merely by any price hype.

An appropriate response to market conditions helps prevent the imbalance between supply and demand that eventually leads to the 'boom and bust cycles' that we have experienced only recently.

At any given point of time the market can only take what is given and as prices and sales continue to drop albeit at a diminished rate, it is obvious that it will, once again, revert to being a 'buyer's market', achieve stabilisation and experience a healthy growth backed by 'actual' demand. What ruled the market, until recently, was sheer speculators' greed rather than the buyer's purchasing power. Among many other lessons, the most prominent thing that economics teaches us is that to make money- values have to be added.

The volatility and the buoyancy we witness today are a harbinger to the emerging far-reaching, long-term trends that will drive robust but steady growth.

Foremost would be the institutionalisation of the sector and a definite change in the years to come.

Ownership structure... Instead of individuals, institutions would own, invest or manage real estate assets leading to sophistication in the financial structuring of real estate investments. They will provide access to funds, both debt and equity from public as well as private sources. REITS and REMFs will become a prominent feature and even individuals will be able to invest in the real estate sector almost akin to what's happening in the capital market today.

On the product side, there would be great advancement in construction management, technical know-how, project management and facilities management. Even individual societies would opt for add-on professional services to ensure smooth operations on the lines of corporate management. With easy access to online data, computerised land records, increase in the level of transparency and an array of choices, property transactions will be a lot easier than they are today. The buyer will be spoilt and pampered by choices. Technology would be a strategic core utility that would impact all aspects of real estate - from operation to occupancy.

With the buyer becoming more informed, Infrastructure will assume a new level of importance by significantly becoming the new and advanced fourth dimension to the sector.

The long-term future of the industry lies ultimately in the Indians themselves. India's population is relatively young and thus a new positive mindset about opportunities is taking shape in this country. This population would create a huge supply gap especially in the residential sector. With the nuclear system slowly replacing the joint family system the numbers in this sector would be even more optimistic.

The Indian Government's Tenth Five Year Plan has already estimated a shortage of 22.4 million dwelling units while, according to FICCI (Federation of Indian Chambers of Commerce and Industry) 80 to 90 million housing units will have to be constructed over the next 10 -15 years. The investment for such massive construction along with the related infrastructure is estimated at roughly US \$ 666 billion to US \$888 billion at roughly US \$33 billion to US \$ 44 billion per year. More nuclear families would imply more residential units - more residential units would lead to far-reaching effects on other aspects of real estate like infrastructure, retail, commercial, hospitality etc.

With the Indian economy portraying a healthy growth, the future in the Indian real estate

sector is likely to witness generation of new revenues through new services and business models. Plans will no longer be centralised around 'location, location, location' but rather round 'location, opportunity, income'. Thinking would no longer be restricted to square footage, walls and views but in terms of services, functionality and experiences to enable buyers to choose what they want to do and when, where and how.

In any market, 'Good times follow the bad times and bad times follow the good,' and so it is with Real Estate. The Real Estate chapter can be divided into 'a cyclical wave' and a 'secular trend', intercepted by 'seasonal fluctuations' and 'irregular anomalies'.

We have just ridden the 'rough cyclical wave' punctuated by 'irregular anomalies'. The 'secular trend' has just begun and barring a few seasonal fluctuations, this 'trend' would be a positive one ruled by favorable demographic shifts, economic growth, advancement in technology, increase in demand, correction in prices, shift in trends and a positive change in preferences.

John F. Kennedy had once made a reference to the Chinese word for 'CRISIS' and how it was composed of two characters, one representing danger, the other opportunity. This 'Real Estate Crisis' has done just that... created opportunities in dangerous times... opportunities that would lead us to a better, brighter and a more stable 'Real Estate' future.

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