

Investment decision drivers

The reasons for investment in real estate are almost constant, but the situation is always dynamic. A look at the drivers and the current status of cities where buying is happening, and why!

The reasons for property to appreciate can be many and varied, but the fact remains that development of basic amenities is the biggest driver for any area to emerge a winner. Every city that has seen a sustained interest in improving the 'livability' factor of its residents has been rewarded by growth on all fronts.

Milan Kothary, MD, GVA Intercapitalis India, international property consultants says, "The economic slowdown having brought greater rationality to real estate prices and with clear visibility of the Government's seriousness in developing the infrastructure, there is an upsurge in demand in the residential sector and indications of the Government's seriousness in developing the infrastructure are clearly visible. Vital public infrastructure is the greatest driver for the development of any vertical in the Real Estate sector since good infrastructure especially 'Mass Rapid Transit Systems' leads to mushrooming of residential segments which in turn create a ripple effect for development of other commercial segments including office space, retail, hospitality, health and entertainment. Wherever infrastructure has been developing/developed, it has invariably set off real estate activity in its vicinity."

The other drivers of real estate are the work and play aspects. Here also **Kothary** says, "With the 'Mall' culture being slowly accepted as a lifestyle and the introduction of major 'brands' both international and local, attractive discounts, competitive prices, varied options, organized events and other entertainment options, the retail segment will certainly become a major commercial market driver to contribute significantly to the revival."

A study jointly undertaken by KPMG and ASSOCHAM has projected that about 300 hypermarkets are likely to come up in Tier-I and Tier-II cities by 2011. Statistical reports also estimate the number of operational malls to grow more than two-fold by 2015 with major retail developments in Tier – II and Tier – III cities in India. As said earlier, changing lifestyles, increase in demand for branded products, favourable demographic patterns, increasing consumerism in urban areas and an upswing in rural consumption has and will continue to fuel this growth.

INVESTMENT HOTSPOTS TODAY

Apart from perennial favourites like Mumbai and Pune are places like Nagpur, Nashik, Goa and even weekend destination homes in Alibag or Karjat.

MUMBAI

The demand for homes in Mumbai is always on a high, and with the current drop in pricing the sales figures have also risen. Raja Kaushal, Executive Director & COO, BNP Paribas Real Estate, India says, "Mumbai has seen a good demand for residential real estate at all ticket sizes. Demand increased for high-end apartments and also for the low ticket size between Rs. 15- 20 lakh in the suburbs. The hospitality sector of Mumbai has seen a demand for three to four star hotel properties from international investors and NRI groups. There is a demand for budget hotels in CBD-South Mumbai and the western suburbs. The Trident, BKC will open anytime from now, and Sofitel Hotel, BKC, will be ready by 2010 end. There is also a big demand for family clubs, business clubs. Another new sector is the serviced apartments – Oakwoods in Juhu generated good response."

He continues, saying, "The corporate space has seen a new trend of moving into campusstyle developments, for instance, the HCC Vikhroli office. The increasing supply and improving quality of stock with green buildings being constructed is a good sign.

PUNE

One of the prime reasons for Pune's growth is having more than one economies of growth. Along with the flourishing IT and auto sector, even administration and education are major sources of economy. Pune has definitely become a crowd puller owing to its unique strong points such as presence of prestigious IT brands, compactness of the city, rich cultural heritage and vibrant community life. Enormous office spaces with nearby residential complexes have been created encouraging a 'walk to work' concept. The rental market is also on the rise.

Along with primary residential and commercial market even, the city's second home market has given a new outlook to the real estate scene in Pune. With growing interest from both developers and homebuyers, the belt from Lonavala to Pune is growing considerably. While Pune itself has grown tremendously in recent times, with new areas like Hinjewadi, Chakan and Pimpri-Chinchwad opening up, destinations on the outskirts of Pune like Lonavala, Talegaon, Kothrud, Hadapsar, Pashan, Sinhagad are seeing major changes in terms of infrastructure and amenities. However cost and availability of the land is a major constraint in making housing affordable. The most effective solution for this is to increase the municipal limits of the existing cities; simplify the process of conversion of land from agricultural to residential/ commercial; relax the Floor Space Index (FSI) policy.

International property consultants JLLM have pointed out in a report that with Talegaon not picking up in the anticipated manner, Pune's new growth corridor now encompasses Kharadi and Nagar Road. This can be safely considered as the most lucrative real estate investment zone for 2009-2010.

Raja Kaushal, Executive Director & COO, BNP Paribas Real Estate, India says, "In Pune the high-end apartments are still in demand though there is falling demand for all other categories as there is a lot of oversupply in the market. In the commercial property sector there is good demand in CBD areas from IT/BPO companies."

NASHIK

Nashik is undergoing brisk real estate development. Currently, the city may not be in a position to compete with the real estate growth and investments as compared to those in established destinations like Mumbai and Pune, but given the escalating land prices in the above locations, investors and developers alike are looking at Nashik because of its affordable price range. Local residents, followed by people from Mumbai and Pune, are doing

majority of the investments. The developing infrastructure will see the prices soaring so investments in this area will definitely ensure good returns for the investors.

GOA

Goa has always been preferred due to its scenic beauty, friendly people and low crime rate. The major market for Goa comes from the metros and NRIs. Being a clean and the pollution free

city, people find it preferable to invest in Goa, especially when looking for a better lifestyle and good appreciation on returns. The areas of Panjim, Margao, Miramar, Calangute have less prices. The coastal areas of Palolem, Anjuna, Baga, Candolim, Sinquerim, Nerul, Sangolda, Saligao and Old Goa have high prices. Homes in Goa near the sea have higher prices.

Goa has shown impressive growth due to its easy connectivity towards metros like Mumbai, Bangalore and Pune. Due to its calm atmosphere and hospitable nature, Goa is also viewed as the ideal choice for second homes or weekend homes by people especially after retirement. Goa offers tremendous options to investors and property buyers.

ALIBAG

The green belt of Panvel-Alibag-Revdanda- Kashid region across the Mumbai harbour is very accessible now with water transport options expanding. Additionally, since there is a marina

planned at Mandwa jetty in Alibag, and so also on the Mumbai side (a tender for a marina at BPT, Shewri has been floated) the ease of reaching the pristine beauty of Alibag has been enhanced. Road connectivity will be enhanced with the MMRDA having announced the Multi Modal Corridor from Virar to Alibag, with an eight-lane road and a metro rail link. The present journey will be reduced by half, on a shorter road with an improved surface. The planned trans harbour link, which is in the offing will help to make this a very popular choice!

To sum up, India as a whole has been ranked as fourth most preferred investment destination outside their home country by a cross-section of HNI individuals spanning countries, finds a report by Barclays Wealth recently. This indicates that investment in property would be the best way forward, and why wait for foreign money to endorse Indian real estate worth!



