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Realty Bytes

Outlook for real estate and construction sector

February 2020

Contents

Foreword

Co-working and co-living spaces dominated the real estate sector in 2019, led by a spur in demand from the millennials, who represent more than 42% of the working population.

2019 was a year of introspection for the real estate sector. The economy grew at a slow pace, and its tremors were felt in the sector too. The government appeared proactive and announced a lot of interim measures to boost the confidence of the developers. Hopes were pinned on the Union Budget 2020. However, the proposals were significantly focused on the agricultural and rural economy and neutral for the real estate sector.

In 2019, the sector saw the emergence of co-working and co-living spaces. The demand was spurred by the millennials, representing more than 42% of the working population in all major cities, who are more comfortable in renting and working in a co-working space. Consequently, significant investments were made in this segment, making it a space to watch out for in 2020.

The Real Estate (Regulatory and Development) Act (RERA), which came into effect from 1 May 2017, is taking time to stabilise. However, some states like Maharashtra maintain the lead in implementing RERA. The deal pipeline during 2019 remained patchy as investors stayed away from committing to or investing in traditional real estate business.

In this edition of Realty Bytes, other than key updates, we also bring you an interview with Mr. Atul Goyal, CFO, Brigade Group, and his take on the future of co-working spaces.

We are hopeful that 2020 will be the beginning of a defining decade for the real estate sector.

Alok Saraf
Associate Partner and
Real Estate Sector Leader
Grant Thornton Advisory Private Limited

News updates

Booming real estate demand may gobble up more farmland (8 January 2020)

In the last one and a half decades, roughly 35,000 acre of arable land in the outskirts of Visakhapatnam has been turned into housing plots. But a host of issues, including agitation for the bifurcation of Andhra Pradesh, have dampened the demand.

Are NRIs the next leg of investors in Indian real estate market? (7 January 2020)

The Indian real estate market looks alluring for dollar investors because the demand for institutional and commercial properties is set to rise in the next few years. The concurrent need for malls, shopping complexes, cinema halls, commercial buildings, office complexes and logistic and warehouse spaces is growing in tandem with increasing occupancy in residential apartments in housing hubs.

Investment in India's real estate sector to rise 5% to USD 6.5 billion (1 January 2020)

Driven by a huge demand for commercial office assets from IT firms, investment in India's real estate sector is likely to rise by 5% to USD 6.5 billion (around INR 46,000 crore) in 2020.

Emerging trends that may reshape real estate sector in 2020 (9 December 2019)

Some trends that may shape the sector are technological transformation, foreign interest, focus on consumer demand, market consolidation to become more pronounced and growth of new segments like co-living, affordable spaces, co-working space, data centers and warehousing space.

Sector overview

The real estate sector is expected to reach USD 1 trillion by 2030 and is likely to contribute 13% to the country's GDP by 2025 backed by positive trends in investor sentiments, emerging trends of co-working space and quality offices, government's initiatives, together with stabilisation of RERA and GST.

Some of the key policy initiatives taken by the government for the real estate sector are as follows:

- **Real Estate (Regulation and Development) Act, 2016**: It aims to enhance transparency, bring greater accountability in the realty sector and set disclosure norms to protect the interest of all stakeholders.
- **Affordable Housing Fund (AHF)**: AHF has been created in the National Housing Bank (NHB) with an initial corpus of INR 10,000 crore, using priority sector lending shortfall of banks/financial institutions for micro-financing of housing finance companies; 100% deduction is allowed in profits for affordable housing construction.
- **Pradhan Mantri Awas Yojana (PMAY)**: 1.12 crore houses have been sanctioned in urban areas.
- **The Smart Cities Project**: Plans to build 100 Smart Cities provide a prime opportunity for real estate companies
- **National Urban Housing Fund (NUHF)**: NUHF was approved with an outlay of INR 60,000 crore.
- **Additional funding**: The Union Cabinet has approved the setting up of an AIF amounting to INR 25,000 crore to revive around 1,600 stalled housing projects across top cities in the country.
- **Real estate investment trust (REIT)**: SEBI has given approval for REITs, which will help in allowing all kinds of investors to invest in the Indian real estate market.
- **Interest subsidy for first-time homebuyers**: Deduction of additional interest of INR 50,000 per annum allowed for first-time home buyers for loans of up to INR 35 lakh sanctioned during the next financial year for houses with a value not exceeding INR 50 lakh.

Key Budget 2020 announcements

Industry

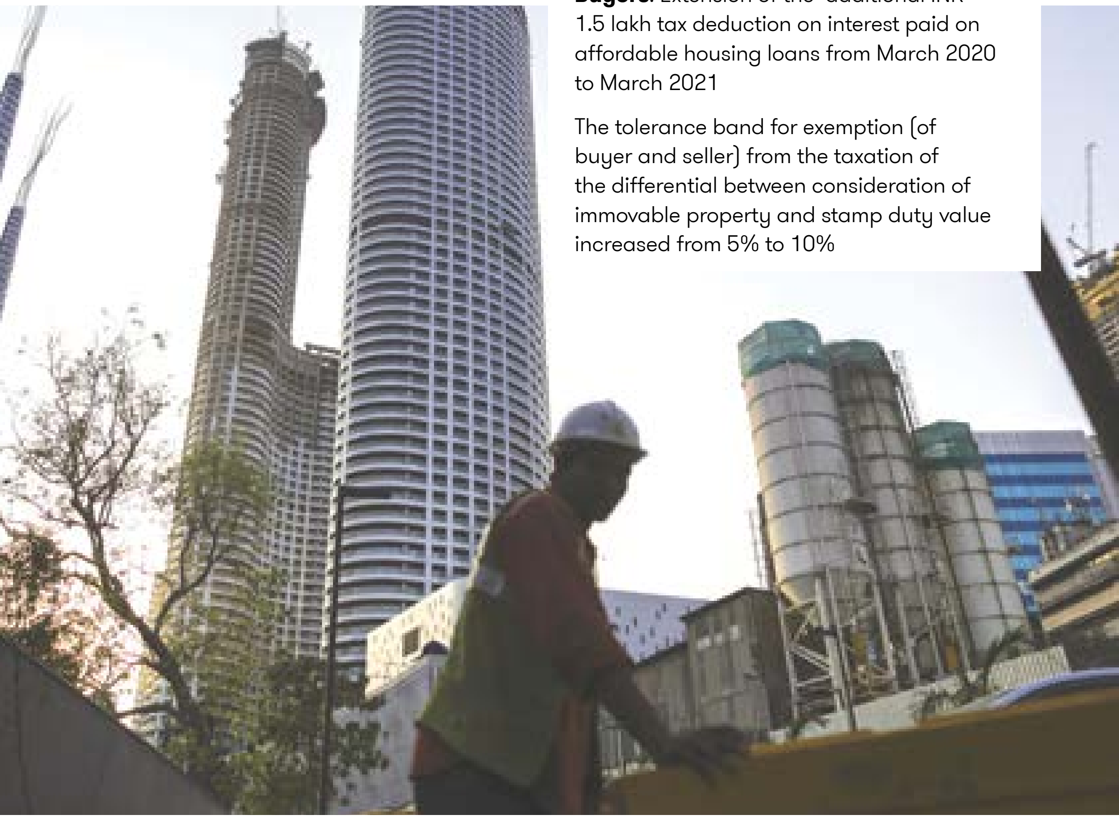
Five Smart Cities proposed to be developed in collaboration with states under the PPP mode; these cities to be chosen to develop upcoming economic corridors, manufacturing and technology

Direct tax

Developers: Tax holiday on profits earned by developers engaged in development of affordable housing projects extended by 1 year (from 31 March 2020 to 31 March 2021)

Buyers: Extension of the additional INR 1.5 lakh tax deduction on interest paid on affordable housing loans from March 2020 to March 2021

The tolerance band for exemption (of buyer and seller) from the taxation of the differential between consideration of immovable property and stamp duty value increased from 5% to 10%



Market highlights

Residential market

Real estate developers in the housing segment struggled to stay afloat due to poor sales and acute cash crunch, and homebuyers continued their battle to get their dream homes, dragging many builders to insolvency court.

Regulatory environment boosts market volumes; H1 2019 saw launch of new units rise by 21% y-o-y to 107,143 units, while sales grew by a steady 4% y-o-y to 133,317 units.

51% of launches during H1 2019 occurred in the ticket sizes under INR 5 million (INR 50 lakh) and 78% under INR 10 million (INR 1 crore) as developers keenly focus on affordable housing and lower ticket sizes.

NCR and Kolkata saw a drop-in unit launches in H1 2019, while supply volumes in Ahmedabad vaulted by a massive 157% for the same period. Hyderabad and Bengaluru grew by 47% and 34%, respectively.

Overall sales improved by 4% in H1 2019, making this the third consecutive quarter to record sales improvements. The quarter showed arrest of a declining trend, which could be the inflection point leading to sales growth in the market

Commercial market

Affordable homes priced up to INR 45 lakh were in demand due to incentives like lower GST, additional deduction of INR 1.5 lakh for interest paid on home loan and interest subsidy under the Credit Linked Subsidy Scheme.

Supply reached a decade high 2.2 million square metres (23.9 million square feet), increasing by 31% y-o-y.

Transaction levels also recorded a similar decade high of 2.6 million square metres (27.4 million square feet) for space transacted in a single period during H1 2019 due to demand from IT/ITeS and co-working spaces.

Transactions in Bengaluru reached a historic high with supply of 8.3 million square million. In H1 2019, supply increased by over 100% at 7.6 million square metres in the same time.

Average rental values across the eight cities increased by 10% y-o-y during H1 2019. Ahmedabad experienced the maximum y-o-y rental growth of 14.3%, while Bengaluru and Hyderabad grew at 13.5% and 11.3% y-o-y respectively.

What does 2020 look like?

Both residential and commercial sector to grow

Besides warehousing sector gaining traction, rapid urbanisation and white-collar migration will ensure strong growth for the commercial sector. Concepts like Housing for All and affordable housing will continue to be key growth drivers.

More traction in sub-urban cities

Markets such as Pune, Chennai, Hyderabad and Bengaluru have seen a rise in demand for homes. The affordable housing segment will create demand in secondary markets like Goa, Coimbatore, etc.

More sustainable and green living

Developers will focus on technological advancements in procuring raw materials that are eco-friendly and sustainable designs that are environment-sensitive.

Rise of co-living and co-working spaces

Apart from millennials who are inclined towards co-living spaces, the rise in gig economy has added to the demand in major cities like Bengaluru, Hyderabad and Pune.

Tapping into tech to reshape the sector

Latest technology such as data gathering, artificial intelligence and machine learning will play a key role in redefining the sector in India as smart homes become the choice of customers.

Luxury housing redefined

The luxury housing will evolve to accommodate a holistic and elevated living experience that the developers will have to incorporate.

Dealtracker - Real estate updates

Real estate M&A deals – H2 FY20

Acquirer	Target	Deal type	% stake	Cross-border/ Domestic
Prestige Falcon Realty Ventures Private Limited	DB Realtors Private Limited	Strategic stake	29%	Domestic

Real estate private equity deals - H2 FY20

Investor	Investee	USD million
DMI Alternatives	Vista Spaces LLP	14

Co-working spaces in India

Overview

Co-working space is a business service provision model that lets individuals and teams work independently or collaboratively in a shared office space. Even though it is a shared office space, a co-working space provides an environment akin to the one found in an established venture.

Currently, 10% of office spaces are co-working and are expected to rise to approximately 25% in the next few years. According to a report by real estate consultancy firm CBRE, in the first quarter of 2019, co-working spaces witnessed a 277% upsurge in leasing to nearly 3 million square feet - growing by nearly 70% every quarter.

Those who cannot afford a workplace look for shared office spaces rather than spending on office infrastructure. From conducting interviews and business meetings to organising big events and workshops, co-working spaces are of great help. Along with facilities like Wi-Fi connection, CCTV, printer, fax machine, etc., co-working spaces offer pantry, cafeteria, gaming area and more.

How co-working spaces make money?

- Renting out office furniture to individual and teams
- Renting out space for events like conferences, seminars, training workshops, etc.
- Virtual offices that businesses use for listings and mails and packages, while the team works from home
- Marketing for promotional activities
- Premium membership - A one-time fee usually charged annually to access marquee facilities

Co-working spaces have penetrated across the country, including tier II and III cities.

India has over 300 co-working spaces with over 720 centers and a total area of 15 million square feet.

Other than WeWork and Regus, other notable players such as GoWork, Oyo Workspaces, Awfis and 91Springboard are rapidly expanding.

An increase in demand for co-working spaces, coupled with the widespread adoption of technology and government initiatives, is likely to push the market out of stagnation. According to research, India's real estate sector may have a market value of USD 1 trillion by 2030.

Major players in co-working spaces in India

WeWork	Awfis	Trios	Rise Mumbai
Innov8	The Hive	InstaOffice	Incuspaze
91 Springboard	Smartworks	The Office Pass	The Hub
Regus	Commune Coworks	Corporate edge Horizon center	Vatika Business Center & Coworking Spaces
CoWrks	Ministry of New	Spacejam Coworking	Zoomstart
BHIVE	WorkLoft	Hustle Cowork	Ikeva
The Daftar	Ecosphere Coworking	Altf	

How does a co-working space charge?

Most of the co-working spaces charge on per seat basis. The cost starts from INR 3,500 per seat to INR 25,000 per seat for offices and solo-preneurs. Every company has its own structure to charge for occupancy.

Future trends of co-working

Consolidation through mergers and acquisitions

We have already seen a few acquisitions in this space such as Oyo's takeover of Innov8 and One Co.Work acquiring iShareSpace. Smaller or city-specific players will either look to get acquired in the future or will be targets of operators looking to enter or strengthen their presence in a market.

Increase in the share of large enterprises

The share of enterprises in the shared workspace environment will continue to grow as large companies embrace this trend for their flexible and increasingly permanent workspace needs. Large corporates are approaching co-working companies for a fully managed workspace for long-term deals, but they want access to all the shared amenities.

Demand for niche spaces

As the independent one-unit co-working spaces look to survive in this changing industry, more niche co-working spaces will emerge focused on specific communities like women entrepreneurs, chefs, wellness, etc.

Customer focus and hospitality

Workspace is no longer just about space. It has to suit different working styles, inspire, have spaces to focus and socialise and, most importantly, provide an experience.

Future trends of co-working (cont'd.)

Boost in start-up ecosystem

A growing number of co-working spaces in tier II cities like Indore, Kochi, Hyderabad, Ahmedabad, Rajkot, Udaipur, Jaipur, Kota, Surat and Pune have boosted the start-up ecosystem, with more such spaces planned in tier III cities.

Steady move to tier II and III cities

Delhi-NCR, Mumbai and Bengaluru were the most favoured markets for co-working operators in India, taking charge of more than half of leasing in this section during January-March 2019. The trend is slowly moving to tier II and III cities.

Slowdown due to low co-working margins

Co-working is at a nascent stage. The growth numbers do not reflect the future. Whether it will become the future of office space is hard to predict because of the challenges, among others, like churn of co-working members, monthly recurring operations costs and big giants eating the small ones.

Continuous growth despite still-recovering real estate

Co-working or managed offices make up only between 1% and 3% of the commercial real-estate inventory. But growth is doubling every year and is expected to continue.

Industry highlights

In Mumbai, 21% of all office rentals were those of co-working spaces.

Co-working has now established itself as a fundamental part of the commercial real estate (CRE) leasing activity and a full-fledged sector in its own right, giving tough competition to conventional office spaces.

More than 200 companies are running these spaces in the country as of 2019.

Co-working spaces in India such as CoWrks, Awfis, SmartWorx and Innov8 have generated strong investor interest.

The leasing of office space stood at 3 million square feet in January-June 2018 and 8.3 million square feet for the entire previous year across cities like Delhi-NCR, Bengaluru, Mumbai, Chennai, Hyderabad, Kolkata and Pune.

CBRE also highlighted that co-working operators were now focusing on tier II cities as well, including Lucknow, Jaipur, Chandigarh and Goa.

A JLL-CBRE report says that co-working spaces have disrupted the CRE segment in India with approximately 325-330 co-working operators in the top cities, and the average transaction size has increased from 52,000 per square feet in 2018 to 77,000 per square feet in Q1 2019.

The government in Uttar Pradesh is keen on promoting start-ups and the culture of co-working spaces in the state, especially Lucknow.

Co-working players are curating unique experiences and engagements for building tenants by providing state-of-the-art amenities like gyms, cafés, creches and managing the complete building ecosystem by bringing alliances, events and community focus to the occupants.

Recently, OYO hotels and homes acquired Delhi-NCR based Innov8 for INR 220 crore and made its entry into the co-working space.

India is the second largest market for flexible workspaces in Asia-Pacific (APAC), second only to China.

While co-working spaces were initially preferred mostly by smaller companies and start-ups, today they are also preferred by large and medium-sized businesses for their affordable infrastructure and business opportunities.

The concept of co-working is not restricted to larger cities alone. There is a growing trend in tier II cities like Chandigarh, Ahmedabad, Kochi, Indore, Nagpur and Jaipur.

With India being called the second-largest hub for start-ups globally, the co-working market is also saturated with players with different scale of operations.

As of 2019, the co-working industry in India accounted for 10-12% of the total leasing market.

Industry take

Interview with
Atul Goyal,
Chief Financial Officer
Brigade Group

“Trend of traditional leasing and co-working will flourish”

Edited excerpts of an interview with Mr. Atul Goyal, Chief Finance Officer, Brigade Group, where he shares his views on the recent trends and what the future holds for the real estate sector:

The concept of co-working was not started by developers. Regus began this trend in the UK in 1980s and developed millions of square feet with profitable operations across multiple regions. However, newly funded start-ups have started advertising the concept, which has led to more acceptance. Will developers be interested in becoming operators and add the hospitality bent of mind to this concept?

In India, developers avoid getting into the operational aspect of co-working as the requirements are micro-based and require huge time commitment. As a result, they are leasing some part of the space in their commercial buildings for other companies to manage on a fixed fee model. This ensures higher income yield from the investments.

Eventually, consolidation is expected to happen in the coming years as operators bring their experience. In the case of Brigade Group, it has launched a separate business unit BuzzWorks, dedicated to co-working, which manages services on the developer’s behalf.

In 2020, investments worth USD 400 million are expected in the Indian co-working space segment, led by fresh investments from domestic and international PE/VC firms. Of the 38 million professionals globally, 13 million from India will be working out of co-working spaces in 2020. The average size of transactions in the co-working segment in India has seen an uptick, from 52,000 square feet in 2018 to 77,000 square feet in Q1 2019.

Is co-working being discussed in board rooms? How has it impacted the future business plans of the real estate developers?

At Brigade Group, we have a significant focus on the co-working segment. We believe that if as a developer the company is not involved in the segment, it might eventually be pushed out of business. As a result, this is one segment that a company cannot afford to miss. As the leasing span is low in this segment, it helps increase the lease rates. Ideally, the company looks for one-third of the space in co-working to help existing and new tenants.

In India, around 8-10% of the office spaces are occupied by co-working spaces currently. The number is expected to rise in the next few years. To capture this growth and increased focus on co-working space, Brigade Group has developed it as a separate SBU, by onboarding professionals with the required tech skills. Further, these spaces are being set up to promote start-ups, where entrepreneurs and professionals can work, develop and collaborate to mainstream innovative ideas.

Traditional developers are targeting up to 60-70% lease from traditional leasing while keeping the rest for co-working spaces, thereby allowing flexibility and agility to businesses. This trend of co-existence between traditional leasing and co-working is expected to stay and flourish in the times to come.

As India is the third largest start-up hub in the world and has the second largest freelancer workforce in the world, there is a huge potential for co-working spaces in the country. As per a report published in The Economic Times, around 46% of India's workforce is millennials who are on the lookout for tech-enabled smart offices.

Incubation centres attract like-minded start-ups to develop a progressive ecosystem – often called as the start-up capital of India. The developers are foreseeing immense growth in this segment as it provides a good way to manage office space in efficient ways, resulting in higher rental yields.

We have seen a number of operators operating in this space with similar offerings. Do you see this is the right time for consolidation and, if yes, do you think developers will be a natural ally?

Mix-use development is a new upcoming trend. Independent working people like to take a small office near homes in cities like Bengaluru. Hence, developers are focusing on adding co-working spaces in housing complexes. Partnership is more favourable and preferred when there are economies of scale. Consolidation is expected to happen in the coming years as area under leasing increases.

Given the low-entry barrier of the co-working industry, any supplier with a vacant commercial space can start a business. However, scale is as important considering it brings profitability resulting in new consolidation opportunities. Hence, larger players with significant scale will be the ones who will attract attention from both customers and investors.

There were a few notable acquisitions in this space last year. An interesting trend was smaller or city-specific players becoming potential targets in the future for operators looking to enter or strengthen presence in one market. Eventually, players with larger footprints could see interest from overseas considering that the Indian business environment is more favourable and stable in the current global economic scenario.

What is the role of technology in co-working space? Will AI and blockchain add any value?

Developers agree that the co-working concept is one of the best things to happen in their business, which usually lags technological implementations. Developers want to adopt technology but the challenge is its high cost, especially in the initial years. In commercial construction, project management is being used to leverage technology and professional tools, while the engineering companies are using various tech-enabled measures to analyse project progress and control cost.

Companies are taking steps to adopt AI, especially for marketing to ensure better user experience and also in operations to

have better efficiency. A case in point is the concept of automated parking. In parking, micromanagement is key, hence technology is best suited to solve this challenge, resulting in automated parking. Similarly, technology is expected to percolate to more aspects of the construction sector in times to come.

While business centres have always been a part of the commercial real estate offerings, the recent rapid rise in start-ups has led to the growing demand for collaborative spaces. Further, factors such as technological innovation and digital transformation have fueled this trend. Unlike the traditional business centres, co-working offices offer unique amenities such as video conferencing, innovative meeting spaces, gymnasium, spa, food courts, gaming zones, sleeping pods, crèche, etc.

Today there is a lot of focus on environment-friendly spaces. How do you think co-working can lead by example?

Brigade Group is promoting start-ups and leveraging its accelerator programme to implement and scale-up solutions related to real estate. Co-working operators today are not only providers of physical spaces; they are eventually becoming enablers of accelerator programmes for start-ups

To illustrate – one start-up that focuses on plumbing solutions is adopting technology in its premises to save water. Similarly, there are solutions being proposed by start-ups that are working on air pollution management without using air purifiers and reducing associated costs by up to 80%.

Co-working spaces are limited to tier I cities like Bengaluru, Mumbai, NCR, Hyderabad, etc. How likely are they expected to expand beyond tier I?

The new-age economy has reduced the need for migrating to major cities for business opportunities. Tier II cities are the future of co-working and likely to be one of the major drivers for the segment to expand in the next phase. Co-working spaces in tier II cities provide agility to companies – for their marketing and operations roles. These cities with their increasing disposable income, talent pool at a lower cost and plenty of space to expand are rapidly becoming favourable investment destinations for corporate India.

The office rental costs continue to rise across business districts, and co-working platforms see great opportunity for the sector to generate profit from the rising demand for flexible, innovative and collaborative workspace designs. A burgeoning shared and gig-based economy, start-ups looking for cost-effective workspaces and even large corporates looking to expand operations across new markets in an inexpensive manner have propelled the demand for co-working spaces.

Today, lack of prime locations due to parking problems and associated costs are some of the problems faced by tier I cities. Meanwhile, tier II and III cities have more affordable spaces, better quality of life and lower property taxes and rates to offer. In 2015, the government's Smart Cities Mission was launched to tackle the escalating problems being faced in the urban areas. While many big cities succeeded in enlisting themselves under the scheme, it is the smaller cities that are showing visible progress.

It is expected that smaller cities would further see growth of co-working spaces as they are witnessing a spurt of start-ups and incubation spaces. Having seen the co-working concept succeed in larger cities, rapid urbanisation has ignited a co-working revolution in tier II cities such as Vishakhapatnam, Kochi, Ahmedabad, Coimbatore, Thiruvananthapuram and Chandigarh. The growth into tier II cities and foreign expansion are being fuelled by relationships with the same customers who ask for solutions in other countries.

RERA headway

RERA headway

Overview of RERA

The Real Estate (Regulation and Development) Act, 2016 was passed by the Parliament in March 2016, but it became effective in May 2017.

As per the Act, RERA committees have been set up across India to promote uniformity and transparency, as well as to regulate the real estate sector.

It has been two years since the deployment of RERA across the country, and the Centre's aim to enforce it in each state is gathering visible momentum.

Even the northeastern states including Manipur, Meghalaya, Mizoram, Nagaland and Sikkim – which earlier shied away - have agreed to officially notify RERA rules soon.

West Bengal is the only state that notified its own real estate law under West Bengal Housing Industry Regulatory Authority (WBHIRA). RERA has ushered in a regime of transparency and accountability and weaned away fly-by-night developers to a great extent, said Abhinav Joshi, Head of Research, CBRE India.

Key benefits

RERA aims to reduce project delays and mis-selling. Authorities have made it mandatory for all builders/developers to carry out RERA registration before they start a project.

The Act has been sub-divided into smaller regulatory bodies, each of which look after the real estate development in a single state or union territory in India.

RERA rules are applicable to both residential and commercial properties.

The standardisation brought about by RERA aims to protect the interests of buyers and developers alike.

It has brought about more accountability and transparency within the real estate industry.

MahaRERA

Maharashtra Real Estate Regulatory Act

Overview

Maharashtra was the first state to implement RERA.

It has handled over 60% of all RERA applications in India.

Dadra and Nagar Haveli, Daman and Diu come under MahaRERA.

The website is easy to navigate.

Objectives

Bring optimum transparency in the sale of plots, apartments and buildings

Protect customers' interest in real estate transactions

Initiate fast dispute settlement with a settling method

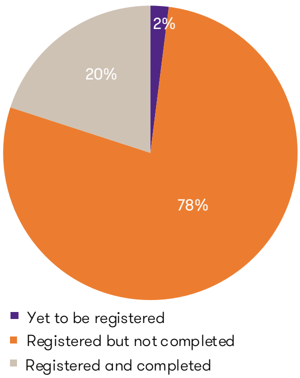
Form an appellate tribunal to receive complaints from buyers

Unique features

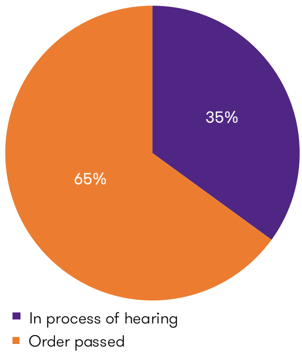
- Number of applications processed: More than 18,000 applications have been processed. This makes up well over 60% of the total RERA applications handled in the country.
- Number of grievances redressed: In the past year, the regulatory authority handled around 2,387 complaints of which over 2,000 appellants completed the appeal process and around 1,200 of these were resolved.
- How MahaRERA website differs from the rest: The website mentions up-to-date information on current projects as well as new projects.
- Buyer-friendly policies: One of the noteworthy policies undertaken by MahaRERA is the ban on advertisements of any developer's projects until it is registered. Also, once builders cross the three-month extension deadline of completion, they are prohibited from requesting further extensions, and instead have to pay fines of up to INR 10 lakh.
- Some of the policies are also beneficial to developers such as the one where MahaRERA allows developers to make corrections even after they get the signed RERA certificate of their property.

Major recent developments in MahaRERA

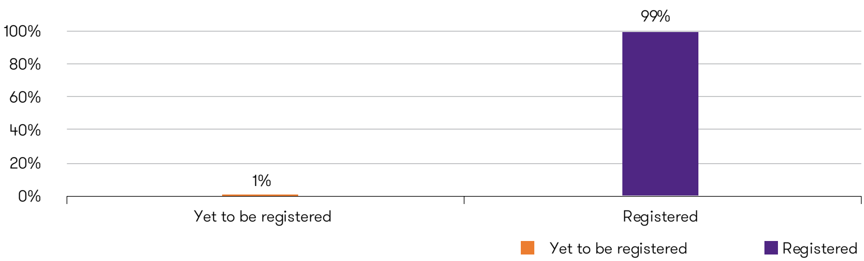
Real estate project registration



Distribution of complaints received with the authorities



Real estate agent registration



Sector highlights from major cities

- The Indian real estate sector is currently valued at INR 8.3 lakh crore as per the NITI Aayog's recent estimate, as the sector tries to recover from one of the worst slowdowns in over a decade.
- A report by realty consultant Knight Frank India, published in July, estimated that unsold home inventory in eight key cities – Mumbai, NCR, Bengaluru, Chennai, Hyderabad, Ahmedabad, Pune and Kolkata - was 450,263 units in the first half of 2019. And although new launches in these cities were up by 21% in the first half of 2019 (compared to the same period in 2018), sales rose just 4% in the same period.
- The Mumbai Metropolitan Region had the highest unsold inventory, at 136,525 units, in the first half of 2019. NCR came in second with 130,000 unsold units, while Bengaluru was third with 85,387 unsold units.

Pune

The number of live projects in Pune went down from 3,733 in June 2017 to 3,490 in December 2019. The total number of projects on hold (where work has commenced but is currently stopped) has reached 249. These include 40,023 apartments of which 23,466 apartments are sold. This means approximately 24,000 families are stuck with incomplete projects.

Chennai

Office transactions in Chennai were at an all-time high of 5.2 million square feet in 2019, registering a 50% increase over 2018, mainly driven by IT and ITeS sectors.

Hyderabad

Real estate in Hyderabad remained upbeat due to a stable political environment, constant inward migration of working professionals and enhanced infrastructure, among other factors. Initiatives like Hyderabad Metro Rail and development of arterial roads and elevated corridors in and around IT hubs of Gachibowli, HITEC City and Tellapur helped boost the city's profile and prospects. Also, the creation of new districts in its vicinity - like Shamshabad, Bhuvanagiri, Yadadari and Vikarabad - created fresh avenues for overall real estate growth.

Role of technology

Technology is finally coming to real estate. By 2020, it will have both altered the economics of all the sub-sectors of the industry and changed the way real estate developers and investment community operate.

The need for physical space is already shrinking across most real estate sub-sectors. Retail chains are disappearing from the high streets of western countries to sectors such as video as their customers move online. Meanwhile, as online shopping delivery times become shorter, the need for warehousing close to customers grows.

In retail, stores will always have a role to play, although in sectors such as books, music and video, most goods will be bought online. Sectors such as health and beauty and homeware are likely to prove more resilient. The secret will be to combine physical and online retail on a single operating platform. For example, shopping centres that mix shopping with restaurants, entertainment and social life are likely to remain appealing.

Meanwhile, the requirement for office space is also likely to diminish. Tele-commuting is just in its infancy and is likely to grow substantially in the next few years. As office culture becomes more accepting of video conferencing rather than meetings, and as digital files replace paper, people may spend more time working from satellite offices and home.

Emerging trends

Spurt in NRI investments, tailwinds to propel real estate to a trillion-dollar economy

The transparency in policies and the ease to do business have attracted many foreign investors to enter the real estate market and capture a substantial share. Now, with the increase in NRI investments, the real estate sector is expected to escalate more in 2020. As per a recent industry research report, there has been NRI investment of approximately INR 46,000 crore in the last three months. The growth outlook across both residential and commercial real estate is turning positive now.

Adoption of sustainable housing by builders and agents

The future of the real estate industry is sustainable housing. Architects and builders are working towards creating buildings with sustainable infrastructure, green housing concept with good air quality, spaces for social gatherings and better concept to manage resources and waste. Developers will look forward to integrating sustainability criteria into prime office buildings, new cities and individual homes. Therefore, in order to secure the future of the next generation, investments in designs that support sustainability are expected to increase.

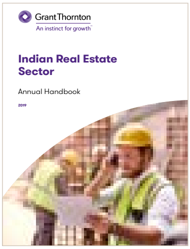
REITs to bring in further transparency in real estate transactions

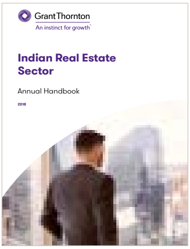
The reformative steps and policies in the form of RERA, GST, REIT (real estate investment trust), the Benami Transactions (Prohibition) Amendment Act and Pradhan Mantri Awas Yojana have made the real estate sector more transparent with financial discipline and increased efficiency. The concept of REIT is a great boon to the investors. It will allow for capital appreciation and income from the property without having to essentially purchase and maintain it. It will open real estate to a broader spectrum of investors who are particularly looking to invest in the affordable housing sector. Implementation of REITs is further believed to encourage NRIs to invest in real estate in India.

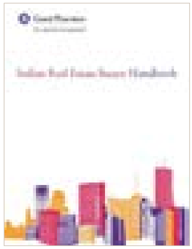
Insights for real estate leaders in India

Grant Thornton in India strives to speak out on matters that relate to the success and sustenance of your business. Through our publications, we seek to share our knowledge derived from our expertise and experience. The Firm publishes a variety of monthly and quarterly publications designed to keep dynamic business leaders apprised of issues affecting their companies.

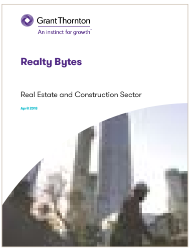
Annual Handbooks







Realty Bytes: Quarterly publication on key developments of the sector



Other thought leadership publications

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Sources

Times of India
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The Hindu Business Line
The Economic Times
The Hindustan Times
Maharashtra Real Estate Regulatory Authority
CBRE Report

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