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and Pune. Investment in developed plots is preferred as Kuwait NRIs are bullish over the price appreciation witnessed in a booming market like India. Apartments and villas are sought after and commercial property investment is preferred in mega cities that will yield a lucrative return on investment.

US SCENARIO

The NRI population across the US, estimated at 30 million including PIOs, has been primarily targeted due to a dip in the local housing market and the returning NRIs aggravating the demand for Indian properties. Unlike earlier, estate agents marketing Indian properties are gearing up to get a slice of the real estate market pie.

Property shows are usually held in places like the Bay Area, California, Las Vegas, New Jersey, Texas and a few other cities in the US.

Property shows organised by individual builders do not tend to advertise widely, probably due to budget constraints. These shows rely on dissemination of information through the internet, primarily through emails and associations. As a result, the response for the single-builder shows has generally been of lesser significance. This compels NRIs to utilise such expos as a learning process

rather than doing serious business.

On the contrary, property shows organised by firms not in the construction industry tend to be well advertised, and the response has been better. From the participant perspective, it is said that the number of bookings for apartments/villas is much higher in shows where there are multiple options from various companies on display.

The need for home loans has been uniformly felt as a majority of US NRIs are keen to avail home loans for investment in residential property. Though private banks and housing finance companies have taken the initiative in the past to offer home loans, not much effort has been put in by public sector banks having well established to lure the US NRIs. This is in spite of the fact that there are more branches in the US and also the growing potential for home loan market among NRIs.

The maximum demand is still for residential units ranging from apartments to penthouses and villas, particularly for ones located in southern cities like Bengaluru, Chennai and Hyderabad. Even among these cities, the overriding priority is Bengaluru. This is because US NRIs prefer the garden city for their eventual return as the city is now home to a number of MNCs boasting of Indian operations. The second priority is for Chennai followed by Hyderabad.

It does not mean that the demand for other cities is less. Mumbai and Delhi are increasingly sought after though the number of developers marketing apartments there are less. Due to a spurt in migration in the recent past, demand encompasses cities like Kochi and Pune as well for skilled professionals in areas like medicine. Perhaps seminars on current market scenarios, trend in investment and update on NRI regulations would further boost confidence levels among US NRIs.

BENGALURU Corridors of opportunity

The realty sector in Bengaluru is witnessing resurgence with the IT/ITES sector providing the impetus again. Commercial space requirement is growing with more number of multinationals once again converging on the city. While local rules and regulations continue to rankle many, a professional approach and quality work is ensuring better returns for the developers in the city. **PHILIP D ANTHONY** reports from the city on the latest developments.

Bengaluru is all set for a boom. The rapid transit system called "Namma Metro" that will be operational soon, and various other developments in terms of connectivity and infrastructure will definitely catalyse the growth of Bengaluru. Another major factor is the growing population of youngsters. The strong presence of PSUs, leading IT organisations, defence and aerospace organisations, well-recognised educational and research institutions, autonomous universities, affordable lifestyle (housing), good career opportunities, and a host of other positive factors are

attracting the youth from all over the country to this garden city.

"The city is full of youngsters with high aspirations and a lifestyle that is supported ably by the infrastructure. One of the main drivers of Bengaluru's real estate market is the burgeoning population of youngsters with high purchasing power," says **Karun Varma, Managing Director, Jones Lang LaSalle (Bangalore)**, adding, "And they are spoilt for choices with condominiums, townships, gated communities, etc, offering them all the perks that are difficult to find elsewhere."

The maximum demand is still for residential units ranging from apartments to penthouses and villas





Artist's impression of the upcoming Neotown by Patel Realty at Electronic City

Viswa Prathap Desu, Vice President – Sales & Marketing, Brigade Group, is vocal on the fact that the demand is high and prices for residential property has also gone up. He observes, "The rebound of IT/ITES sector has given a new lease of life to the industry, though office rentals are still seeing an oversupply." **Ashraf AR Buhari, Managing Director, ETA Star Property Developers Ltd,** says, "As Bengaluru's IT sector alone employs over five lakh people, the demand for housing need not be overstressed. The surge in demand for housing can be visualised from

the fact that during the recent property show in the city, a leading nationalised bank has given in-principle approval for home loans valued at Rs 850 crore. The demand for budget apartments is substantial while it is moderate for high-end homes. Regarding the commercial property mart, Bengaluru continues to retain the top slot in terms of office space absorption in the country consecutively for years now."

Jackbastian K Nazareth, CEO, Puravankara Projects Ltd, observes, "IT sector has recovered and has been improving in the last two-

three quarters consequently having a positive impact on all the major cities in the south like Bengaluru, Chennai and Hyderabad. The real estate market in Bengaluru is growing and is expected to maintain this momentum for the next two-three years." He adds, "The Karnataka state budget tabled by the Chief Minister in the Assembly during February 2011 has revealed impressive growth statistics for all the sectors including the real estate. Impressive earnings posted by the real estate developers in the last two quarters in Bengaluru bear testimony to this and the primary driver is the sale of apartments done in the residential market. Vacancy levels have also come down for commercial space (office and information technology) and the fresh supply in the coming quarters are also expected to be absorbed as expansion plans are being announced by various companies. Overall, we feel that this growth will be balanced and is sustainable for the next two-three years."

"There has been a spectacular growth of 22.7 per cent in the export revenue generated by IT services while the domestic market has also seen a healthy growth of over 16 per cent in the IT sector in 2010-11," comments **Dr Sanjiv Aundhe, COO, Fire Luxur.** He adds, "With Bengaluru being the IT hub, it has directly impacted the overall sentiments and income earning abilities of the residents. The real estate market has witnessed growth across the segments of residential, retail and office. However, this growth is more pronounced in developments that are delivering as per commitments made and the expectation of the market."

INFLATION, PRICING AND MARGINS

According to Varma, inflation has had its effect on the industry, as much as the IT downturn earlier. "There has been a fall of 20-30 per cent from levels of 2007 and is still around 10 per cent down in 2011," he says. How-

ever, many builders prefer to maintain that they have caught up with 2007 levels and are in fact doing much better. **JC Sharma, Managing Director, Sobha Developers Ltd,** says, "We are really delighted by our performance in the last three quarters. While our sales have been on a constant rise, the price realisation has also increased from Rs 3,000 per sq ft to Rs 4,000 per sq ft. We are proud to state that Sobha has become a Rs 1,000-crore brand in the residential segment, which we have achieved in the calendar year 2010. This puts us in the top league of listed real estate companies and the first from south India to achieve this target."

Desu says that Brigade Group has also seen a good comeback. "Prices were affected right after the boom to up to 15-20 per cent of 2007 levels. But in 2010, we did manage to reach the same levels and we are currently seeing a growth of 10-20 per cent." He clarifies that this may have been because most of their projects got completed in 2009-10 and deliveries started happening. Another factor may have been the fact that many of their projects were in the high-end segment which have seen little fluctuations.

Buhari elucidates that there is a mismatch between demand and supply for select asset categories. "Like all other developers, the spiralling inflationary pressures have impacted the margin of our operation. As ETA Star has been consistent in development and performance, we do not anticipate problems in the coming years. In fact, the coming years would provide us better opportunity to launch more projects. The market is predominantly driven by end-users now. The impact of hike in home loan rates and increased margin money insisted by housing finance companies and banks have impacted the market but it is only a temporary phenomenon," he observes.

Nazareth has this to say on the pricing in the city, "The current average

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Ashraf AR Buhari, MD, ETA Star Property Developers Ltd



The Namma Metro is all ready to start chugging this year

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price for a residential apartment in Bengaluru across micro-markets ranges between Rs 3,000-3,400 per sq ft, which is about 10-15 per cent of the current average prices in Mumbai. All the specifications and amenities are provided as part of this rate and hence this becomes lucrative for end-users as well as investors. These rates are also representative of the income levels of the majority of the population and hence creation of asset bubbles are not witnessed as is seen in Mumbai or Delhi.

According to Buhari, land cost is the main deterrent in any project. He observes, "Labour and input costs have gone up and a labour shortage of 30 per cent has hurt the industry leading to cost and time overrun in projects with the result - developers' margin is narrowing down. We believe that irrational prices limit the market. Real estate industry should always target the end-user, catering to the real need in the market. Bengaluru real estate

at current values, certainly homes in The Empyrean (an ETA Star project), offer value for money for the end-user, thereby making it an attractive investment."

"As the city is now poised for all-round development with improved infrastructure and connectivity levels, investors will stand to benefit while investing in the right location," points out Buhari. "A significant feature is that real estate investors will have multiple options ranging from smaller to higher investment categories," he adds. Sanjiv Aundhe, says, "The prices of raw materials like cement and steel have increased by 20-30 per cent in the past one year and due to which developers like us are facing acute pressure on margins."

Naveen Nandwani, Director - Bangalore & Hyderabad, Cushman & Wakefield India, says, "The real estate market in the city was characterised by return of confidence and re-instatement of positive sentiments



Jackbastian K Nazareth, CEO, Puravankara Projects Limited

during 2010. Residential, retail or commercial - all the asset classes exhibited good performance. In the residential segment, developers were observed to increase the pace of delivery of under-construction projects, thereby, a number of projects were close to completion/ready for occupation during the year. The capital values recorded some increase during the first three quarters of 2010, however, by the fourth quarter, most micro markets witnessed stabilisation in the prices. Steered by reasonably stable prices and attractive home loan rates, demand levels - primarily in the end-user driven mid segment was considerably better."

Leading brokers agree on one point that prices in Bengaluru are just about the right mark. "Currently the highest demand is for 2-3 bedroom flats at a price range of Rs 40-50 lakh," says a broker based out of north Bengaluru. However, according to **Naresh Dandapat, Regional Director - South, Knight Frank India Pvt Ltd**, Bengaluru has witnessed the lowside during the recession and "became a scarecrow, a silent spectator to the growth in real estate in north and western India in 2010." He points out, "It took a conservative slow-go-safe approach and been stabilised by the Q3. Off late, market in Bengaluru is slowing down compared to Q3. Sentiments are low due to price rise by developers and in housing loan interest rates. Bengaluru housing prices are expected to dip by the middle of 2011 driven by rising inventories as most of the developers are concentrated in residential projects post recession. About 3.6 million sq ft of residential property space remains unsold and within the next six months another 16 million sq ft under construction will hit the market and is about 45 per cent more than demand, enough to tip the market into relative over-supply and correction in pricing is indicated."

Ravindra Pai, Managing Director, Century Real Estate, explains, "Demand has picked up and sales have

stabilised. However, Bengaluru is yet to witness any significant increase in prices post 2010. Pricing in Bengaluru is still very affordable. Customers can still get good quality apartments in prime locations at attractive pricing."

THE NORTH & WESTERN CORRIDOR

Covering Tumkur Road/Bellary Road/Hebbal to New Airport/Devanahalli in the north to Kengeri, Bidadi-Mysore Road in the west:

The move to the north (Bengaluru-Bellary/Hyderabad Road) started in the early part of the millennium when all the players in the sector saw the upcoming new airport in Devanahalli as a sure-fire realty booster in the sector. The sentiment continues to be the same. Varma observes, "The Outer Ring Road in the region, especially in the Hennur-Banaswadi section, close to Hebbal, is a hotbed of activity and is expected to be one of the prime destinations of the IT sector."

The Manyata Embassy Business Park which has won the 'Best IT Special Economic Zone 2009-2010' by the STPI is one of Embassy Property Developments Ltd's (EPDL) ongoing commercial projects. The business park is spread over 110.49 acres of land located in the northern quadrant of the ORR, which is one of the fastest growing commercial locations in Bengaluru. **KY Gopikrishnan, Director & CEO, EPDL**, feels that Bengaluru market has bounced back very well after the slowdown in 2009. "Commercial transactions reached close to the 10 million mark with large amount of growth happening in the last two

One of the main drivers of Bengaluru's real estate market is the burgeoning population of youngsters with high purchasing power.



Karun Varma, MD, Jones Lang LaSalle (Bangalore)

OFFICE MARKET RENT COMPARISON

Office Micro Markets	Dec 07	Feb 11	% Change
CBD/Off CBD	73	82	12%
Suburban	51	55	8%
Peripheral-ITPL	46	48	4%
Peripheral-Whitefield, Electronic City	28	30	7%
Peripheral-ORR (Sarjapur-Hebbal)	44	46	5%

Courtesy: Knight Frank

[Boom Town]

quarters of the year. Residential demand has also picked well during this period," he says. The inflation has had little impact on the group with a substantial output of commercial space over the years backed by a very strong tenant relationship model with over 52 per cent being repeat business year on year. The average completion per annum for the group over the last 5 years is over 4.5 million sq ft."

"With residential space also available at affordable rates, all the catalysts are here to boost real estate," says Varma. The entry-level pricing is around Rs 3,500. All big builders have projects here including Embassy Group, Century Real Estate, Sobha Developers, Godrej Properties, Legacy Group, etc. Knight Frank Bangalore predicts that this region will see a supply of over 10,000 residential units spread over 20 million sq ft in this year alone. It does not seem far fetched to predict that this might double or treble in the coming years as the region extending up to the new airport and beyond sees a plethora of activities both by private as well as government initiatives: an IT hardware park, the Devanahalli Business Park (DBP), an aerospace SEZ, the Information Technology Investment Region (ITIR), a financial city with investments of Rs 1,000 crore, a host of hotels and malls and a signal-free highway – all these are guaranteed to help the region grow beyond expectations. However, Malkani echoes a common refrain, "Availability of water is a main cause of concern in this region."

"The Yelahanka–Doddaballapur road is witnessing a huge demand for landed properties such as villas and private gated colonies. The north is developing in a more efficient and organised fashion and Sarjapur Road and Bannerghatta Road still have its loyal customers. It is but natural that developers and investors alike are skeptical of new developments in the east and south-east of Bengaluru," says Ravindra Pai.



Bengaluru Metro Rail Alignment - Phase I

Naveen feels that north Bengaluru has not yet seen commercial and retail developments at par with the developments in south or east Bengaluru. He says, "Currently, the residential development planned in and around north Bengaluru caters to the upper and middle income segment with not much option for the low income segment. In the commercial office space segment, only few developments like Manyata Embassy Business Park and Kirloskar Business Park find mention. High streets are developing in areas around north Bengaluru; however, the pace is comparatively slower though the location has a good catchment and diverse consumer profile for retail developments."

THE SOUTH AND EASTERN CORRIDOR

It covers Koramangala/Bannerghatta Road/Kanakapura Road/Hosur Road/Whitefield/Hoskote Road

Chairman of Mantri Developers Sushil Mantri's dream run in the realty sector started with a foresight that marks the acumen of a developer. Having noticed that most of the developers he met were focused on moving towards north Bengaluru, he decided that the south, especially, Bannerghatta Road held immense potential. Today, this location features most of Mantri's sold out projects.

"Any corridor's growth is invariably dependent on the state government's policy measures and how it enacts legislative measures to keep the existing industry intact and announce better policies to attract new industries to its fold. The southern corridor has huge potential but each state is facing a different set of political issues to tackle. For instance, Hyderabad is plagued by the Telangana agitation and the sentiment has not improved till a lasting solution to resolve this impasse is found out," says Ashraf Buhari.

South Bengaluru has always been a premium location. While Indiranagar had an old Bangalore charm and value added by its proximity to the old airport, Koramangala and Jayanagar were the blue-eyed regions for the city. The former, with its close proximity to Electronic City, was destined to grow. It is also close to Sarjapur Road and thereby the ORR. There is a consistent demand for workspace in the region due to the availability of a professional workforce.

Gopikrishnan says "In our view the Southern and Eastern corridors are fairly mature markets and will continue to see reasonable activity. Whitefield continues to be a source of concern considering the traffic bottlenecks and high vacancy situation. However we expect substantial growth in the Northern corridors in the next few years."

South Bengaluru incidentally, also has the advantage of also having the new NICE Road which makes travel between two extreme ends of Tumkur Road and Electronic City quicker.

Bharat Lal Meena, Commissioner, Bangalore Development Authority (BDA), says, "The city is witnessing growth across all areas. Improving infrastructure is playing a big role in the way the city is growing. There is increased attention in the west and north towards Tumkur Road and the New Airport Road." He is referring to the fact that the new elevated road and the improved road connection up to Nelamangala has made commuting easy and given a boost to realty here. Varma, however, points out that this road just takes you from point A to point B without any exits (except near Bangalore International Exhibition Centre/NICE Road entry point) and is meant more for long distance travellers. "On the eastern front, the elevated highway from Silk Board to Electronic City is however a working commuter's road which has already eased up traffic in the region and given real estate (which is currently filled up) a boost," he says. This road has brought cheer to many and more so to Patel Realty's Neotown, a 120-acre integrated township that is coming up next to the many IT companies that are lodged here. "We had timed our project's completion around this time," says **Pravin Malkani, President, Patel Realty India Ltd.** An offshoot of Patel Engineering, the company was involved in building the Bengaluru-Hosur road in the early 1990s and promoters had bought this land at a time when Electronic City was actually manufacturing electronic products and not IT software. The foresight has given them a goldmine.

Naveen Nandwani feels that south Bengaluru is an established micro market with good developments across all asset classes – residential, commercial or retail. "The residential sector in south Bengaluru has emerged as the most preferred desti-

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KY Gopikrishnan, Director and CEO, EPDL

nation with projects across both high and mid segments of major developers of the city. Similarly, the east Bengaluru comprising locations Whitefield, Marathahalli among others has quite a few significant developments in the commercial, retail as well residential segment. The state government has initiated a number of infrastructure projects in the micro market to improve its connectivity besides basic social facilities. Quite a few mall projects are also in various stages of construction in the micro market."

THE OTHER ROADS OF PROSPERITY

Sarjapur Road is synonymous with Wipro as its head quarter is on this road. While a number of builders have projects here, pricing has been more affordable compared to neighbouring Koramangala. The price ranges between Rs 3,500-5,000 per sq ft compared to Rs 7,500 in Koramangala.

Sarjapur is located strategically at the end of Outer Ring Road where there are over two lakh employees working. In itself, Sarjapur Road is a busy IT corridor with a mix of educational institutions, retail outlets and even five star hotels.

Mysore Road has been relegated to back but the industrial area up to Ramanagaram is seeing an influx of small and medium industries. Housing demand in Kengeri new township is growing rapidly. This region too offers potential for builders. Bidadi is being aggressively promoted and there is potential for a different class of housing needs here, says a prominent broker.

NEED FOR ALTERNATE DRIVERS

According to Jones Lang LaSalle Bangalore, 2010 saw transactions of almost 10 million sq ft of which 90 per cent was in the IT/ITES domain. There is no doubt that this is one of the key drivers of the real estate industry in Bengaluru. Even though the US still continues to be plagued by economic recession, the Indian IT in-

dustry is pushing ahead with demand picking up. There is a recovery which is palpable and the city is regaining its preferred IT destination tag. All the big guns of the IT industry across the borders are keen on expanding their existing operations. The demand for office space is expected to gather momentum in the next few years. A recent Cushman & Wakefield report states, "The city is expected to see the highest demand for office space within 2010-14 of approximately 42 million sq ft."

The near totality of dependence on the IT/ITES sector and past experiences has not made a dent in the confidence of the realty sector here. The downturn of earlier years had virtually knocked the sector cold, but not many are worried that there might be a repeat of the 2007-08 episode. Patel Realty's Neotown is a township that is wholly dedicated to the IT sector placed plum in the centre of Electronic City amidst a host of IT conglomerates. Malkani is not unduly worried if the industry goes through a recession again. "We have to understand that the IT industry in Bengaluru is no longer in a transitory stage. It is, by virtue of its status and size, an IT capital of the globe. It is not just a BPO centre; it is a software development centre of substance. Bengaluru has acquired critical mass in IT domain as has China in manufacturing. It has consolidated its position and future upheavals may not be as damaging as in the past."

The Sobha Group is optimistic that 2011 will be a great year for the industry. Puravankara Group is also confident that the growth will continue for the next two-three years. "We are aggressively pursuing opportunities for residential, office and retail asset classes to capitalise on this growth momentum and have lined up launches of around 8.4 million sq ft of development in the next four-five months in addition to the current development of 20.25 million sq ft of development in progress," says Jackbastian.

Demand has picked up and sales have stabilised. However, Bengaluru is yet to witness any significant increase in prices post 2010. Pricing in Bengaluru is still very affordable. Customers can still get good quality apartments in prime locations at attractive pricing.



P Ravindra Pai, MD, Century Real Estate

Yet, common sense prevails on many to spread their eggs across the baskets. This is why many builders are ensuring that at least 25 per cent of their clientele are from the non-IT sector. Brigade stole a march over its competitors by bagging the World Trade Centre rights. The centre is now up and ready and will be open to occupancy in this year. Says Prathap, "The World Trade Centre will see many different categories of businesses and that is one of our goals. We have textiles, finance, trading etc. But still, there are many enquiries from IT companies too," he says with a smile.

The BDA Master Plan 2015 by the state government has indicated that 12,000 acre is to be allocated for 'hi-tech' use. This is spread over a vast area - from Kengeri and Electronic City to Varthur and Begur in the south. There are also plans for seven SEZs with a proposed investment of Rs 4,725 crore and is expected to generate employment of over a lakh. The global investors' meet last year has also brought in hope. Industries other than IT have promised investments ranging from Rs 221,244 crore (steel), Rs 36,991 crore (cement), and Rs 25,214 crore (power). This is spread across the state, but it means that Bengaluru will get a share of the pie and the people here as well.

Speaking on rate change over the last three years, Naresh says, "Properties priced between Rs 20 to 30 lakh are doing extremely well followed by Rs 40 to 60 lakh. And despite a 10 to 12 per cent revision in price, most of the builders are seeing good sales. A lot of builders are also planning high-end residential apartments in CBD and SBD areas which are commanding a huge premium due to the location. In fact, all the property developers have commenced with their plans of expansion in Bengaluru for growing residential and commercial needs."

According to Naresh, the global slow-down has been a blessing in disguise as it helped sobering down of price levels. "But there is a good chance

that prices will resurrect and hit the roof again." On rentals he has this to say, "The rents have remained stable for the last three quarters as the high supply in pipeline kept them under pressure, a comparative study unveils a 12-15 per cent increase in rental values between the same period in FY 2009-10 and FY 2010-11. The average rentals for offices in the CBD and the SBD were at Rs 65 and Rs 35 a square foot however with the improving market has pushed the rental in secondary business districts anywhere between Rs 40-55 per sq ft whereas central business districts is demanding about Rs 70-85. However, supply is expected to exceed demand, and will keep an upward pressure on vacancy. As the rental values have declined substantially since the onset of the downturn in mid 2008 and the economy is improving, any further rental correction seems unlikely. Rents and capital value in most of the business districts would be at their expected low and capital values will remain undervalued. Though the absorption is low at 3.6 MSFT, supply of Grade A office space available in SBD and PBD amounts to 8.3 MSFT and approximately 4.3 MSFT office space under construction. This SBD scores over other IT growth corridors of Bengaluru due to better connectivity to the CBD and availability of large land parcels."

Over all, there seems to be a 70-80 per cent demand for commercial space from the IT/ITES sector. On the residential front, developers say that their buyers from the IT sector constitute 40-60 per cent. "While the IT/ITES sector does propel the industry's growth, let us not forget that there are various other sectors that employ a huge number of people," says one builder. "In times to come, with investments from other sectors, there will be a balance between the industries and our risks will be well spread out," says a CREDAI member. What brings hope is that this might be true, but will it be soon enough? 🏠

The real estate market has witnessed growth across the segments of residential, retail and office. However, this growth is more pronounced in developments that are delivering as per commitments.



Dr Sanjiv Aundhe, COO, Fire Luxur