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INDIAN REALTY PRESENT & FUTURE TRENDS

The South India real estate experts share their perspective on the current and future trends in overall Indian real estate and southern states realty markets in particular.



The Indian real estate market is undergoing significant consolidation, and with the implementation of RERA, transparency in the sector has considerably improved. The government's efforts over the past decade have significantly fostered growth, yielding notable successes like streamlined regulations and innovative approaches, such as those implemented in Gujarat to tackle corruption and inefficiency. To further enhance progress, centralizing localized operations and standardizing approval processes is crucial, as this can elevate real estate's contribution to GDP from 8% to 15% within the next few years.

The real estate sector is a powerhouse, contributing 7% to GDP and standing as the second-largest employer after agriculture.

As per **Adarsh Ranka, Partner, Indian member firm, EY Global**, “Despite having only 2.4% of the world's land housing 17% of its population, this industry has seen transformative changes over the past three years with innovative projects like REITs and co-working spaces. Hats off to the southern developers who have led this wave of innovation with agility and creativity!”

Briefing on the recent trends in both the residential and commercial real estate, **Ashwinder R Singh, VC & CEO, BCD Group Co-Chair CII Real Estate (NR)**, said, “The past two years have been remarkably good for the industry, with a noticeable trend towards "affordable plus" housing as three-bedroom homes become the fastest-selling units nationwide. In the commercial sector, there's a shift towards flexible workspaces driven by convenience and brand positioning. Meanwhile, industrial growth is thriving in Pune, Ahmedabad, and Chennai, driven by India's growing prominence in global manufacturing.”

Elaborating on whether the current project trends and feedback suggest a return to traditional Bangalore **standards Murali Malayappan, Chairman & MD, Shriram Properties Ltd**, said, “The Covid-19 pandemic significantly disrupted the real estate sector, refocusing attention on traditional family values, increased savings, and a preference for owning larger homes suitable for remote work and extended families. This has led to heightened demand for spacious residences, a trend anticipated to continue over the next 12 to 18 months as individuals continue to prioritize investment in real estate.”

Somy Thomas, Managing Director - Valuations and Co-Head - Capital Markets, Cushman & Wakefield India, added, “There is considerable debate regarding the sizes of apartments in Bangalore. Two decades ago, a three-bedroom apartment was approximately 2000 square feet, reflecting the city's reputation for spacious living. However, due to factors such as affordability and pricing, apartments have become smaller, though post-Covid, there is renewed demand for larger living spaces.”

Sharing his view on the same, **Madhusudhan G, Chairman & Managing Director, Sumadhura Group**, agreed that prior to the COVID-19 pandemic, homes were perceived differently, but the pandemic transformed them into multifunctional spaces. “The change has been further heightened by rising household incomes, especially in the tech sector, resulting in higher savings and increased demand for housing services. Despite this demand, the scarcity of new housing developments has resulted in a housing shortage and price surge, creating a fear of missing out among potential buyers.”

Sharing a cautious optimism **Dr. R. Kumar, Founder & Chairman, Navin's**, said, “Real estate's contribution to national GDP, currently at 7.35%, is projected to climb to 15% by 2037, indicating a promising long- term growth. In Bangalore, residential property prices surged by about 50% between 2019 and 2023, with an unexpected spike of 25-30% last year alone. Developers need to tread carefully as price hikes might benefit landowners more than builders since escalating land costs could negate their profits. On the commercial front, industrial developments and coworking spaces are thriving, with around 11 million square feet absorbed in Bangalore last year. Interestingly, office space rentals have remained steady at \$1 per square foot over the past years, ensuring continued expansion opportunities.”

Somy Thomas concurred, “The real estate sector's success hinges on affordability, especially considering income levels and well-known metrics like the HDFC affordability index in India. High demand and limited supply contribute to positive market sentiment, ensuring the sector's resilience despite challenges like high interest rates and layoffs in the tech sector abroad. “Over the past decade, particularly from 2010 to 2014, there has been a notable lack of appreciation. However, the last three years, specifically 2022, 2023, and 2024, have experienced substantial double-digit inflation.”

REAL ESTATE TECHNOLOGY TRENDS

Elaborating on how technology, including AI and blockchain, is impacting the real estate sector, particularly in managing sales and customers, **Ashwinder R Singh** shared, “Key to this transformation are four technological pillars: Proptech, AI, blockchain, and IoT. Proptech democratizes data, turning it from a competitive advantage into an essential tool. AI enhances

market insights by refining recommendations and helping developers understand their target segments more precisely. Blockchain adds unparalleled transparency and security to transactions, similar to its impact on cryptocurrency. Lastly, IoT drives the development of smarter homes and cities through energy and water conservation advancements. Incorporating these innovations will pave the way for a more efficient and smarter future in real estate. Blockchain is something phenomenal and we have seen how the cryptocurrency world is moving, especially bitcoin”

Adarsh Ranka added, “Many of us anticipated that post-COVID, life would return to normal, with everyone heading back to offices. However, what we see instead is a surge in hybrid and remote work. This shift has been a boon as well as a challenge for the industry, encouraging the development of innovative solutions, tech tools and adaptability within industries.”

Dr. R. Kumar stated, “As we navigate the hybrid work model, both employers and employees experience unique challenges. Working from home often blurs the lines between work and personal life. Hence, some employees prefer the social interactions that office life brings. Many miss the networking opportunities that office settings provide, which virtual platforms struggle to replicate. Over time, the balance between remote and in-office work is expected to evolve naturally. Offices will regain significance with flexible schedules, turning hybrid work into a more adaptable approach.”

Speaking about the challenges that persist in the real estate and AEC industries regarding the adoption of technology, **Nirmalya Chatterjee, Country VP and Managing Director, Nemetschek Group**, stated, “My initial observation is that there is a misconception about the cost of adopting technology. People often think it will be expensive, but this is not true. When considering the return on investment, technology greatly enhances profitability. The second challenge is the lack of skilled resources in the market. Our education system, particularly engineering and architecture colleges, have remained unchanged for many years, while industry demands have evolved. There is a mismatch between what students learn and what industries require when they graduate. This gap needs to be addressed. Thirdly, when new technology is adopted, it often gets abandoned over time due to project pressures. People revert to manual processes because they feel overwhelmed. However, maintaining the use of new technology can lead to more efficient and faster project execution in the long run, although at the initial stage, it can be difficult to maintain the patience.”

Sapna Srivastava, Editor, Realty+ added, “It is essential to keep up with technological advancements. It is also necessary to adapt to the rapid changes occurring around us. Indeed, our education system must align with the industry’s demands. I am confident that architects present here would agree that our education system needs significant improvement to meet these challenges. India is a highly cost-sensitive market. Therefore, it is essential to consider tech tools for pre and post construction phases to optimize project timelines and costs. The willingness to adopt technology is there in AEC industry, however more implementation is required.”

On the growing awareness about ESG **Ashwinder R Singh** added, “ESG principles are now essential in commercial real estate, with clients demanding ESG-compliant buildings before

leasing, turning it into a necessity rather than a luxury. Sustainable buildings are both economically beneficial and crucial for health and energy conservation, which the younger generation increasingly recognizes despite initial costs. Addressing sustainability is also a social responsibility, as ignoring it could lead to unlivable conditions and higher costs in the future. Residential projects are now focusing on innovations like rainwater harvesting, gray water recycling, and solar power, underscoring the importance of external and internal design elements for an ideal living environment. Achieving a zero-carbon environment is crucial as real estate aims to contribute 15% to GDP amidst increasing construction activities.”

Dr. R. Kumar shared, “Our company takes pride in being the national green building champion, with the largest residential green building footprint in the country. As awareness grows, the demand for eco-friendly homes will rise, making green buildings a necessity for developers in future. Embracing this environmentally conscious mindset is the way forward for sustainable living.”

THE FUTURE OUTLOOK

According to **Adarsh Ranka**, past few years have witnessed a transformation in asset classes, from co-working and data centers to co-living spaces. These have emerged as exciting investment options.” However, the realty sector, despite being regulated, lacks official industry status, which would ease capital raising for developers and simplify approvals, ultimately enhancing affordability. Despite its significant GDP contribution, the political administration often fails to recognize its impact on the economy’s overall prosperity,’ he added.

Dr. R. Kumar was of the view that Bangalore is a magnet for young talent and educational opportunities, making it a hub for youth influx; thus, co-living and co-working spaces are poised to thrive as the city continues to accommodate the mobility of modern lifestyles. He said, “Among other Indian cities, Bangalore is the one experiencing significant growth amidst numerous challenges. Unfortunately, the government’s lack of response to the city’s infrastructure issues remains a concern. The city real estate developers give example of Hebbal, where road congestion can be alleviated by reallocating defense land to create additional lanes. But this requires the commitment and determination currently missing in Bangalore. Given that Bangalore is expected to absorb approximately 18,000,000 square feet of gross commercial office space this year, dedication to sustain growth remains a challenge.”

Ashwinder R Singh added, “Senior living and religious tourism are two fast growing real estate asset classes. Senior housing is crucial in metros like Mumbai and Bangalore, while religious tourism is set to emerge as a new asset class, with increased interest in places like Ayodhya and Kashi Vishwanath. What’s more, the real estate industry, once slow to adopt technology, is now being transformed by it. Real estate now embraces technology across all aspects, from compliance and funding to construction and sales.

Murali Malayappan stated, “I firmly believe that property prices will rise further this year, with a projected increase of 10 to 12% due to high demand and limited affordability. The significant investments by the younger population in mutual funds and the stock market underscore a trend that could pivot back to real estate if some minor corrections occur in the

financial markets. This potential shift would benefit the real estate industry over the next three years.”

Madhusudhan G added, “We are currently selling at 14,000, and if you compare it with 6,000 from 2014, it reflects a compound annual growth rate of approximately 6-7%. Developers in Bangalore who failed between 2014 and 2022 faced challenges due to the lack of anticipated price increases, with only financially disciplined developers managing to sustain themselves. Also, the shift towards flexible spaces is not because of capital expenditure but for convenience. For larger companies taking up commercial spaces, it is more about brand positioning. There is now a lot of focus on mental wellness, sustainability, etcetera while deciding office space.”

Somy Thomas stated, “This is an opportune moment for us to focus on investor sentiments as there has been a notable decline since the global financial crisis of 2008-2009, partly due to private equity money pursuing risky investments. Currently, although structured debt is available domestically, foreign direct investment and equity investment remain scarce compared to that period. Having said that, both domestic and global capital show strong interest in India’s market, with major investors like Blackstone and Brookfield contributing significantly. This influx of global funds offers huge benefits due to their lower return expectations compared to local capital sources.”

Sharing his perspective on the growth and technological advancements in the real estate industry over the next 5 to 10 years, **Nirmalya Chatterjee** said, “The construction sector in India is projected to contribute 15% to the nation’s GDP, up from its current level of 7% or 7.5%. With this significant increase, technology will play a crucial role. Currently, India is the fifth largest economy globally, with ambitions to become the third largest within a few years. I am confident that we will achieve this goal. The construction sector supports this aim by already being the third largest worldwide. Therefore, adopting technology in this sector is not merely beneficial but essential for developers, architects, and other stakeholders. We are currently strengthening partnerships with government agencies, such as collaboration with the IT and Digital Ministry in Tamil Nadu and partnership with the Rajasthan government. There’s a recent shift in Maharashtra that looks promising for technology adoption in government projects.”

Sapna Srivastava concluded, “To effectively conserve resources, it is crucial to monitor and measure them accurately. Technology offers cost-effective solutions that architects and the industry can use to promote growth, especially in India’s expanding construction sector. Therefore, as the real estate marches on path of progress, integration of technology is essential for the industry’s future development.”

Since the introduction of FDI in 2005 and 2006, foreign capital inflow has surged but has recently slowed down, mainly due to better returns in the strong US economy and the depreciation of the rupee. However, the current domestic capital is sufficient to sustain the industry for at least 10-15 years without reliance on foreign funds, making it ‘Atmanirbhar’ or self-reliant.

Since 2007, transparency and statutory compliance in the industry have significantly improved, leading to enhanced investor confidence. The availability of debt and reduced need for equity have significantly boosted the real estate sector, with \$13 billion invested by NRIs last year.

The government takes approximately 30% of the earnings through taxes and duties like GST, stamp duty, and approval costs. Although there's a perception of large profit being made by developers, the reality is that they earn only about 4-5% after all expenses.

The India plus one story globally is playing out very well. The top three markets Pune, Ahmedabad and Chennai are really doing well on the industrial side, where we are seeing a lot of action because of the way they are positioned.

Cumulatively the stable economy, the growing Indian GDP and the demographic dividend, all predict a steady growth story for Indian real estate in next few years, boosted by sustainability & technology initiatives of the sector.

Though the years from 2014 to 2022 saw stagnant growth, it will not continue due to limited supply and rising incomes that are driving demand. Industry anticipates a minimum annual increase of 10-12% for the next few years.

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