Pandemic Has Changed Our Long-Held Opinions On Real Estate

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Bijay Agarwal, Managing Director, Salarpuria Sattva Group

The pandemic has changed our long-held opinions on real estate and how we used to perceive it. One of the primary outcomes of this pandemic, has been an increasing desire for risk mitigation by real estate developers. This has had an impact on office spaces due to the rising trend of Remote Working. We can expect grade A office spaces to stay and necessary measures to be taken to maintain physical distancing and other precautions that are part of the new normal.

Monetarily speaking, industry trends such as low interest rates and global liquidity have also encouraged a spike in real estate transactions. Another interesting development with respect to the commercial segment was the successful listing of India's second office REIT during this pandemic. We can expect tailwinds for this asset class continuing in 2021 as well.

Amongst other real estate asset classes, the residential segment has shown a marked recovery in fundamental demand over the past few months. This is largely a result of low housing finance rates, regained interest for owning spaces and the reduction of stamp duty in some states. This asset class can gain even more traction with themes like inventory funding, last mile funding and affordable/mid-market housing. Besides residential and pure commercial real estate; warehousing, co-working spaces and data centres will be in the limelight in 2021.

What are some of the realty sector's issues that need immediate government attention?

With real estate still grappling to stay afloat during this pandemic era, the Govt. has shown support with favourable policies and stimuli to keep the liquidity up in the sector. However, there are still a number of areas where immediate Govt. attention is required. Amongst the key ones, Govt. interventions in controlling raw material prices for construction is a necessity. With a consistent and sudden upsurge in the cost of steel, cement and other raw materials, real estate developers are experiencing an unforseen increase in construction costs. This will in turn cause delays in delivery, and in some cases even failure to complete projects, thereby impacting home buyers at large.

What are the major changes Indian real estate will see in the coming years?

Real estate has survived a series of industrial shifts in the past. Demonitisation, GST & RERA to name some. Covid 19 is no different from these. The demand for both residential and commercial real estate is expected to grow in the next 6 to 12 months once the pandemic settles. In the coming years, the real estate sector has to understand changes in consumer values, perceptions, consumption patterns and social behaviours so that they can create a product more apt for the buyer of the future.

What are your expectations from the upcoming budget?

The year, 2020 has changed the normal course of life due to COVID-19 pandemic. The real estate sector has faced unprecedented challenges since the outbreak of the pandemic in India earlier last year. The government and regulators have continued to provide with fiscal and policy support to the industry. Land is an important resource for any real estate development. Any developer has limited resources to acquire land with 100% ownership. The alternate resources for any development is joint development on area basis and for revenue sharing.

Since the implementation of GST on T.D.R is being interpreted for application of GST on transfer of right to develop the land. Due to this amendments, most of the projects either residential or commercial has reduced significantly.

During this budget if there is a relaxation on GST for joint development transaction on T.D.R, it will be a huge benchmark for developers to take up projects for development. Thus, will also bring huge employment directly and indirectly in the country.

Presently the input on GST has restricted. The government should consider allowing input of Commercial GST against the rent receivables. Also waiver on the applicability of GST on T.D.R. allocated by the government as well as market purchases to improve the production potential for any project.

PMAY's Credit Linked Subsidy Scheme (CLSS) which is currently extended until March 2021, is expected to be further extended until March 2022 for another year. This will only further benefit the low income group planning to buy a house to avail the CLSS subsidy.

Industry status to the real estate sector will further boost the increasing of low-cost funds, cut capital costs and make land acquisition easier, passing the benefits to consumers. To speed up project execution, a single-window clearance system can aid.

What are the growth strategies planned for the company for the near future?

On the residential front, we are planning to launch three new housing projects in Bengaluru. These three projects, put together, will have around 1,200 units, including 500 plots. One of the projects will be in the affordable housing category. In our commercial portfolio, we currently have 12 million sq ft area under construction and have further plans to start construction on another 8 million sq ft next year. In the co-working space which is a key focus area of the group, 1 million sq ft is under development.