

India Real Estate in 2019 - Housing Hit Slow Track, Office Spaces Upbeat

Indian real estate showed no appreciable momentum in 2019. Dwindling consumption, low investment appetite & the global slowdown precluded all growth potential

MUMBAI, MAHARASHTRA, INDIA,
December 19, 2019 /

EINPresswire.com/ -- The Indian real estate sector's performance painfully reflected the macro-economic state of affairs of 2019. The liquidity crisis did not relent and dented any 'real' growth during the year.

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VALUES OVER VALUE

Anuj Puri, Chairman – ANAROCK Property Consultants says, “Multiple developers fell off the grid while others still struggle to stay viable. However, strong players with healthy balance sheets - in many cases diversified beyond real estate - sailed through 2019 and recorded decent housing sales and revenue growth. Towards the end of 2019, more than 72% (approx. USD 47 bn or nearly INR 3.3 lakh crore) of the total loans advanced to Grade A builders (USD 65 bn) are safe and stress-free. Grade B and C developers collectively accounted for just USD 28 bn of the total loan advances.”

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ANAROCK Property
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Commercial office real estate flourished and remained the top-ranking real estate asset class. Residential continued to struggle under the funding crunch and slow annual sales growth. Other asset classes like co-working, logistics & warehousing, co-living and student housing gained

traction in 2019, attracting slow but steady investments (collectively USD 210 mn).

Government's Housing Interventions - Amidst the gloom, the government gave real estate major shots in the arm in the first leg of its second term in office. There were concerted attempts to revive the economy while simultaneously addressing challenges in the struggling automobile, real estate and retail industries. Most notable among these:

- The creation of an alternative investment fund of INR 25,000 Crore for last-mile funding of stalled housing projects
- Deep cuts in corporate taxes.
- Further relaxation in FDI norms for single-brand retail and expansion of the definition of mandatory 30% domestic sourcing norms

While these interventions have not shown any significant impact so far, they have boosted the confidence of India Inc. and the affected sectors.

"2019 saw RERA gain firmer ground with over 40% growth in project registrations," says Anuj Puri. "To make under-construction projects more attractive, the government slashed GST rates to 5% - unfortunately, without ITC benefit. The government also took a major step towards safeguarding homebuyers' interests by banning the once-popular (but often misleading) subvention schemes. RBI reduced the repo rates by a significant 135 bps all through 2019 and mandated commercial banks to link home loan rates to it."

All in all, in terms of policy interventions in 2019, real estate drew considerable fire but failed to display appreciable growth. The seeds sown in 2019 are expected to bear visible fruit in 2020.

Residential in 2019 - Only Affordable Housing Shone

For the housing sector, 2019 was a non-event in terms of sales growth and investor interest. Sentiments remained subdued, sustaining almost solely on end-user activity focused on ready-to-move-in or almost-complete homes.

Branded developers gained ground, with some listed players performing exceptionally well on sales and commensurate revenue growth. As per ANAROCK research, the housing sales value of India's top 9 listed players touched INR 108 billion in the 2nd and 3rd quarters of 2019, amounting to a 5% q-o-q growth. However, some other big names were dragged into insolvency.

Smaller developers continued to perish or collaborate with the big players due to extreme financial constraints. To be certain, the liquidity crisis gave no respite to the housing sector. Private equity inflows in residential real estate remained subdued, with major PE funds focusing on the commercial segment.

For the housing sector, the only light at the end of the dark financial black hole was the announcement of the alternative investment fund (AIF) of INR 25,000 Crore to facilitate the completion of stuck affordable and mid-segment homes.

In fact, affordable housing remained upbeat in 2019 thanks to multiple government sops throughout the year. First-time homebuyers were given further tax deductions (now amounting to INR 3.5 lakh in a year) on interest amount of home loans below INR 45 lakhs availed within FY 2020 end. Luxury and ultra-luxury segments remained limited to end-user interest, with no serious investor activity.

Of the estimated 2.3 lakh new unit launches in 2019 in the top 7 cities, nearly 40% or approx. 92,000 units were in the affordable segment, followed by mid-segment with a 33% share. The luxury and ultra-luxury segments accounted for the least share with 10% (approx. 23,000 new units).

- Housing sales in 2019 saw a modest 4-5% annual growth with over 2.58 lakh homes sold during



Anuj Puri, Chairman - ANAROCK Property Consultants

the year. (Over 2.48 lakh housing units were sold in 2018.)

- New housing launches in 2019 saw 18-20% annual growth with new launches in the region of over 2.3 lakh units. (1.95 lakh units were launched in 2018.)

Housing Prices Remained Stagnant in 2019

Average housing prices in 2019 maintained status quo across the top 7 cities, with a minuscule 1% yearly gain in MMR, Pune, Bangalore and Hyderabad. NCR and Chennai saw no change at all, while Kolkata saw a 1% decline in 2019. Interestingly, between the pre-and-post DeMo period (2016 vs 2019), the end-user and IT-driven markets of Bangalore, Hyderabad and Pune saw the maximum price increase in three years - at 6%, 5% and 4% respectively

Commercial in 2019 - The Year's Torch-bearing Sector

India's office real estate sector was decidedly vibrant in 2019, with demand for Grade A office space spiralling upward while vacancy levels in prime locales reduced. India's first REITs received an overwhelming response and within just six months of its launch, its value increased over 37%. Thanks to REITs, India entered the league of mature markets in 2019.

(Download the full report: <https://bit.ly/2RPON7A>)

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