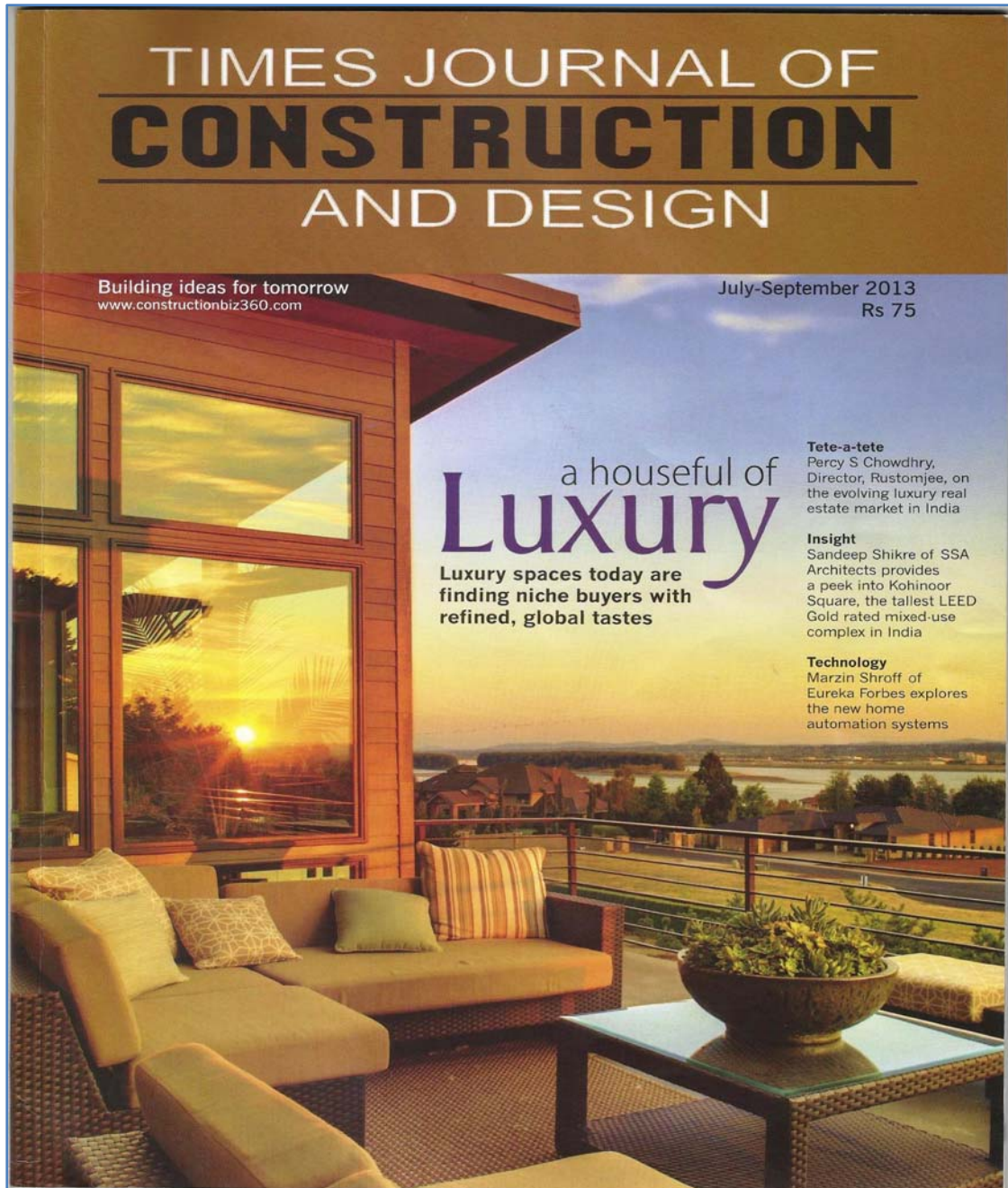


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IN THE LAP OF LUXURY

The Indian luxury real estate sector is in its upswing, and the metropolitan cities have become a hub for high-rise buildings, residential complexes, malls and commercial complexes. Karthik Muthuveeran explores the scenario.

The real estate market in India is constantly evolving. With rising standards of living, preferences too have shifted towards showing a strong appetite for luxury. Luxury homes are seen as a symbol of status and lifestyle, and their demand is driven by the rising incomes and the affluent lifestyles of people, especially the younger generation. No wonder high-rise buildings are slowly but steadily transforming the city skyline.

Luxury Real Estate: Past and Present
In the last two decades, the Indian real estate business has taken an upturn, and is expected

to grow even more in the next 10 years. The growth can be credited to favourable demographics, rising purchasing power and the availability of customer-friendly loans from banks and housing finance companies.

Today, the demand for luxury homes is visible in the major metros. This has led to developers opting for additional lifestyle amenities such as golf greens, schools, hyper-marts, jogging tracks, swimming pools, home automation, modern clubs with exclusive members' lounges, spas, jacuzzis and gyms to attract consumers. Luxury players are also offering world-class designs and architecture



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from various cultures and taking inspiration from western lifestyles.

Ravindra Pai, Managing Director, Century Real Estate, reveals the luxury market scenario: "In the last 5-7 years, the luxury market has come into its own. Today, we see products in India that are equivalent to luxury products anywhere else in the world. From merely having increased specifications, the luxury residences today have a host of lifestyle features embedded into the

city limits. There are not too many projects within city limits due to scarcity of land parcels, and hence there is shortage of supply. The demand therefore is very high. The units get taken up very quickly, and most such projects are sold out within 2-3 months of launch."

The luxury projects in India are going vertical, as this is the only option left for luxury hubs like Mumbai, Bengaluru, Chennai, etc. Big players like Lodha, Hiranandani, Kanakia, Raheja Group, Kohinoor Developers and DLF are offering luxury homes in urban cities only. The developers are coming up with new innovations to woo the potential buyer to render fine lifestyle status. Developers also focus on creating smart living spaces through latest gadgets and technology. Digital locks, electronic surveillance systems, temperature control, wireless communication for internet and in-house entertainment are common in most of the luxury homes. Some of the other notable technologies include systems with sensors to enable residents to control ambiance, light, temperature, etc., through pre-programmed machines.

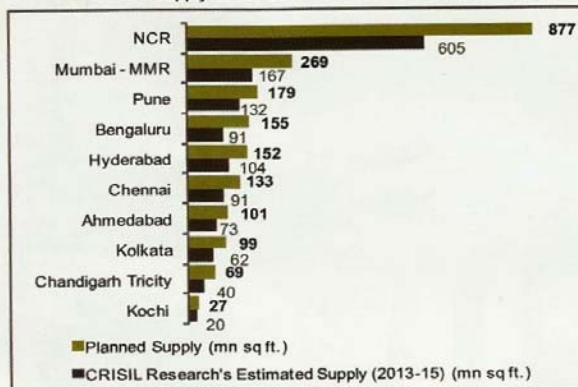
Amar Tendulkar, Head - Architecture and Design, Omkar Realtors and Developers Pvt., elaborates on the market trends: "The luxury housing market in India has been witnessing substantial growth. According to a study conducted by Sulekha Property on the trends in the Luxury Housing Market in India 2011-2012, there has been an increase of 64 percent of online searches for properties in the range of Rs 1 crore to Rs 6 crore on sulekha.com. The increasing number of high-net-worth individuals (HNWIs) will further invite more demand for luxury homes. In case of Mumbai, luxury homes would fit in a much higher price bracket."

Driving Force

What drives real estate prices in India? The factors may vary from country to country, and from city to city. These include:

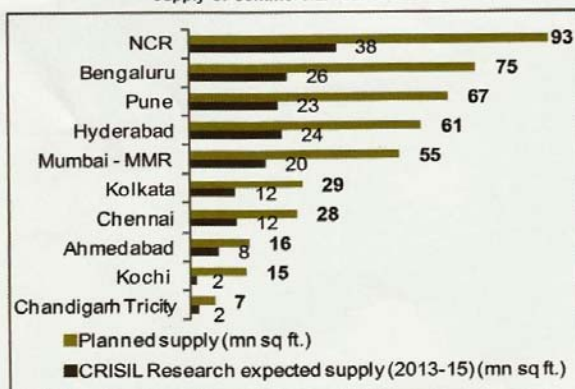
- Booming economy
- Rise in the number of high net individuals (HNIs)
- An increase in the number of non-resident Indians (NRIs)
- Rise in disposable income and growing middle class
- Influx of global lifestyle trends

Supply of residential real estate



Source: CRISIL Research

Supply of commercial real estate



Source: CRISIL Research

offering. Every project has something unique to offer - from bowling alleys to movie theatres.

"The demand for luxury projects is very good. However, this demand is for luxury projects primarily for projects located within

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- Entry of professional players with loads of expertise
- Depreciation of Rupee has triggered consumers to invest in luxury housing

Rajesh Turakhia, Director, Pashmina Developers, says, "India is presently facing a slump in the real estate market. However, this is not the case with the luxury housing segment, which remains unaffected with the ups and downs of the real estate sector."

"The superior returns in the luxury housing segment in the past few years has increased the level of confidence amongst developers. The uniqueness and luxurious amenities of these real estate projects generates the demand for this sort of an investment. Thereby, leading to the need to differentiate and create that product for the select few customers with high aspirations — whether it is a club, bar, gym or branded apartments that are promoted by celebrities."

TOP CITIES FOR LUXURY HOUSING INVESTMENT

Mumbai

The financial capital of India, Mumbai, is the costliest city in India in terms of real estate pricing. With limited space left in prime locations, the city's pricing has direct implication on the demand. The residents of Mumbai have a healthy appetite for luxury housing, mainly because the city boasts a number of HNIs and corporate houses.

Bengaluru

Bengaluru is often termed as the Silicon Valley of India because of the city's IT/ITeS boom. Even during the worst of real estate market slowdown, the housing market in Bengaluru has not seen any major setbacks. But, unlike Mumbai, Bengaluru is a growing market in terms of geography, as Bengaluru still has a considerable amount of land left for construction of more real estates in the vicinity. Due to the incomes of the top-paid IT professionals and corporate head honchos, Bengaluru is more suited for luxury housing.

Delhi NCR

Gurgaon is home to a considerable number of HNIs, which accounts for the rise in demand of luxury housing. The city still remains a hot



market for luxury housing, as it has a generous complement of buyers with high financial clout. With Gurgaon having successfully positioned itself among leading MNCs as the most prime and desirable business destination in North India, the saturation of affluent CXO-level individuals in this city is high. In addition, Gurgaon is the destination of choice for investors with large investment appetite because of the handsome returns they can expect for luxury housing. For these reasons, all luxury projects in Gurgaon so far have done extremely well.

India vs. West

Indian real estate offers some of the best investment options. India is fast catching up with many international companies wanting to invest in real estate.

Speaking about the Indian real estate when compared to the international standards, Ravindra Pai says, "The luxury market in India is today at par with international standards. In fact, purely on a cost per sq. ft basis, luxury residences in India are probably more expensive than in most other cities in the world. In terms of room for improvement, luxury projects in India are less sensitive to the environment, and I suppose this is an area that needs improvement."

In the past few years, many international tie-ups and investment of foreign companies has shown that India requires different level of skills to develop luxury projects. To catch up with the international standards in luxury housing, India needs improvement in technical innovations, skilled manpower, equipments and construction material.

"The Indian luxury sector players are aspiring to catch up with international trends and standards. Currently, we do have a trend of

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branded residences in the market. However, the scope here lies in matching your promise with the actual construction," says Amit Thacker, Head, SD Corporation.

Smart Technologies

Smart automation technologies have changed the face of luxury real estate in India. But keeping up with the technology is an overwhelming proposition. Some real estate developers are even harnessing the internet to build businesses in slow economy.

Umesh Rao, Founder and CEO, Vector Projects (I) Pvt. Ltd., says, "Smart home automation is a new trend which is changing the way people live. It is no longer a futuristic fantasy or just confined to the affluent class, but a reality that is being associated with mainstream design as well and is slowly becoming a part of everyday life."

"Security of family and house hold items has given a new platform to home automation products. People do enquire about security devices, CCTV, electronic check points like video calling systems at entry and doors, automatic running drapes, window dressing, doors and windows, lights, etc. In fact, in coming days it would be a prime requirement of home lovers to set up technology-driven interiors," says Honey Jolly, Design Head, Home Ettu.

Roadblocks

Some of the challenges faced in the luxury real estate market are:

- Demographics: Lack of proper locations in prime localities
- Lack of capital: Another biggest issue faced by the real estate developers is lack of finance available

- Few buyers: With luxury real estate only targeted towards HNIs and upper middle-class families, it is difficult to find buyers
- Too many agents: There are too many agents plying in the real estate industry, which can sometimes act as a roadblock

Vijay Kumar Jindal, CMD, SVP Group, lists the challenges faced: "Separate authorities and regularities for approval, land acquisition and long legal aspects affecting the execution and delivery of such projects."

Luxury Real Estate: Future

The Indian real estate sector promises to be a lucrative destination for foreign investors into the country. Since the liberalisation of FDI norms, significant foreign investments have flown into real estate.

According to Percy S Chowdhry, Director, Rustomjee, "The premium property market is on an upswing and the sector is looking forward to the coming years as a facelift is expected in terms of policies and regulations. In the current scenario, luxury housing accounts for a very small share of the total housing units, but accounts to a significant share in terms of value. With a rise in the number of households in the high income group, this proportion is expected to increase significantly in the coming years. By the end of 2013, the share is expected to increase to 9 percent and 25 percent in terms of volume and value respectively. New product offerings, greater influx of end-user demand and an increasing upwardly-mobile mid-segment, luxury and ultra-luxury housing projects would fuel the growth of luxury market further in this year."

"The customers are demanding high standards of opulence with spacious living areas. With the growing number of ultra HNI, rich and affluent, this segment of the real estate market is set to grow," explains Rajesh Turakhia.

Looking forward, Indian realty is expected to bank upon the growth in Tier II and Tier III cities like Ahmedabad, Kolkata, Coimbatore, Chandigarh and many more for luxury housing. These regions have seen an alarming growth in demand of affordable housing and consequently more residencies are being constructed. As a result, the Tier II and Tier III cities are expected to decisively determine the future of realty sector and its growth in coming decade.