REAL ESTATE – THE 2019 SLOWDOWN AND WHAT TO EXPECT IN 2020

Bijay Agarwal says that one can expect to see new and emerging trends that will shape 2020 and beyond

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Investments in real estate are a fair indicator of an economy's growth, or slowdown. While some sectors in India have been looking up, others have seen slow growth. It's predicted that the real estate sector is expected to grow at a CAGR of 30%, touching $180 billion by 2020.

Over the last three years, the value of real estate investments, especially in the residential sector have been slow. According to a report 'Real Estate Investment in India' by FICCI and Vetsian, only about $450 million was invested in the first six months of 2019, as compared to $1.2 billion in first half of 2018. Reasons for this being drop in liquidity, income, reduction in residential bookings - resulting in reduction in investments. This has also resulted in slow deliveries, further reducing buyer interest.

Interestingly, this slowdown has not deterred FDI into the sector, and the industry saw nearly $2.7 billion flow in H1 2019. This is, however, lower than the annual average between 2015-2018 (the period saw $25.7 billion). What is keeping the sector on its toes is increase in institutional finance and investment in real estate sector, of which almost 80% are accounted for by PE investors, the report goes on to add. In fact, in 2019, real estate had seen a boost in commercial usage due to revival in sectors like IT and ITeS, retail, consulting and e-commerce, pushing India's office space to cross 600 million sq-ft by 2018 end. In the top seven cities, it will cross 100 million sq-ft during 2018-20. Co-working space across these cities had also increased sharply till September 2018. It touched 3.44 million sq-ft against 1.11 million sq-ft for the same period in 2017.

THE NHB GUIDELINES AND EMI SCENARIO

To drive demand for lower income housing, the government implemented an interest subvention of 1% on all housing loans of up to Rs 10 lakh, if the cost of the unit does not exceed Rs 20 lakh. This is a big step, to cut back the EMIs for home buying for the EWS, and add demand for affordable housing.

The new directive from NHD instructs HFCs to not allow developers to offer debt servicing on behalf of borrowers, issuing schemes like '5:95' and '10:90'. This helps in curbing unwarranted schemes that authorities receive. CRISIL says the new framework will strengthen the sector and add to investor confidence.

THE 2020 GROWTH PATH

With a continuing thrust on affordable housing and PMAY, the budget has been benevolent to the middle-class home buyer. FM has offered to build 1.95 crore houses with all amenities between 2019-22. Bringing down the construction time of homes under PMAY to scale the number, increasing carpet area and even redefining income groups so that maximum citizens can be benefited, the budget has been kind to the common man.

A new concept that could boost the residential sector is the emergence of new buyer class- Gen Y. This generation is price and sustainability conscious, and will drive a new phenomenon- the compact houses. The demand for smaller units will stand at about 16,000 units per year, accounts to 2-4% of the total residential demand.

Co living spaces is another concept that will drive investments in 2020. As co-working spaces increase as part of office spaces, market players say it is expected to witness further growth of 40-50% in 2020.

Through a push in affordable housing that the government is determined to provide, through FDI in commercial spaces, or through increased use of technology, or a change in the nature of living arrangements - these reasons could contribute to what we can hope to be a recovery in 2020.