

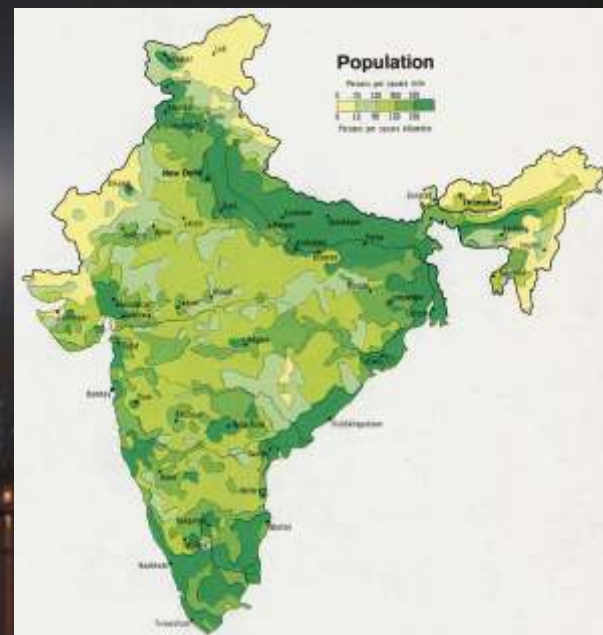
# Real Estate in India : Time to Buy

## Asia is the new Engine of Growth

The turmoil in the US financial market leading to a slowdown in the global economy is **not** likely to affect demand for real estate in countries like India and China; says global realty consultancy firm Jones Lang LaSalle in its report "Gauging Demand".

India and China will remain to be the engines of growth for the global economy; and most of the large multinationals will continue to expand their operation in these regions to make up for the loss in the businesses that they face in developed countries, which are worst affected by the present global slowdown. This is likely to continue the investment in the real estate sector in India and China, even during the present slowdown in other countries.

The report says revenue challenged companies in the developed world are looking towards countries like India to lower their costs of operations through enhanced business process outsourcing (BPO) and off-shoring activities. At the same time, growth oriented companies are looking towards still-young consumer markets in China, India and ASEAN countries to sustain their growth.



## The Future is in the Cities

Urbanization of India is the next revolution. In 2001, 72% of India's population lived in rural areas; whereas by 2011, the figure will have come down to 65%. This translates into a migration of about 10 Crore Indians into cities and towns in this decade. The cities need to be ready with their homes!

At a population density of 12,000 people per sq.km, we need close to 27,000 sq km of new urban



housing, to accommodate the new urbanites. This means we need 18 New Delhis to accommodate the urbanization in this decade!

### **Makes Sense to Buy Sooner than Later**

After being indecisive for the past 6-8 months, home buyers in India now understand that the sooner they buy the better it is. This is especially so if they are buying a house for themselves to stay. The main reasons for this understanding are:

- **God isn't making any more land**

The facts that land is limited and the population is growing every day are undisputed. The number of buyers for any piece of land is increasing over time; hence it always makes sense to invest in property.

- **Construction costs on the rise**

The raw material cost to build a house is rising every day. Over the last six months, the cost of steel has gone up by over 30 percent, and is expected to rise further in August. Prices of cement and labour are also headed northward. Thus, again, it makes sense to build sooner than later.

- **Early mover advantage**

Most buyers use home loans to build or purchase their homes. People who construct or purchase a home early in their life get more time to repay the loan. Also, they enjoy more flexibility as usually people face many large expenses in the latter part of life, like child's education & marriage. Hence, it's advantageous to buy earlier in life.

- **Tax incentives**

The government provides tax incentives on the interest and principal repaid to housing finance companies against a home loan. This encourages people to invest in residential properties sooner in life.

**To summarize, 3 strong factors that augur well for the real estate sector in India are:**

- Asia is the new engine of growth for the world.
- A huge influx is expected in Urban India by 2011 due to the phenomenal urbanization happening in the country.
- The new urbanites and other prospective home buyers are realizing that it makes sense to buy their home sooner than later.

## The New Hyderabad Story - Exploring Green Avenues



After a brief 'wait and watch' period, the real estate market in Hyderabad is buzzing again; courtesy the phenomenal infrastructure plans including the new international airport at Shamshabad, and the Outer Ring Road taking shape. As the connectivity to the new airport improves, new development is expected around the city. Premier Real Estate consulting firm Cushman & Wakefield says that new growth corridors are emerging in the outer limits of the city. Prominent among these are:

- Tellapur, Vattinagulapally and Kokapet in the Western sector,
- Shamshabad, Maheswaram and Mansanpally in the Southern sector.

Gachibowli, Miyapur and Kukatpally in the western parts of the city are expected to receive a majority of the residential supply by 2009-10. These regions are also likely to witness more gated communities and villas. The Hyderabad Urban Development Authority is doing its bit to add to the housing boom. In a bid to decongest the city, it has proposed the development of 22 townships along the city's Outer Ring Road through public-private partnerships. These developments are fuelling the development of New Hyderabad.

Reference: India Today, 7 May 2008 Issue