

Real estate sector has regained former glory

Bhavathi HG

A Balakrishna Hegde, managing director of Chartered Housing Pvt Ltd, says when the property market sank to a level never seen before, builders were shell shocked. He tells DNA Property's Bhavathi H G that some cheer is returning to the realty market now with home demand slowly rebounding.

Everybody is talking about a rebound in the real estate sector. But we are still seeing resistance from homebuyers to enter a deal. Do you think the residential prices bottomed out or are we going to see a further price correction? As far as Bangalore is concerned, prices have bottomed out. Revival too has been taking place and the pace is neither rapid nor crawling but steady.

While in the period between 2007 and 2008, we saw a decline that happened at a breakneck speed, this is no more the case. Barring a few small projects, there has been a steady progress which is any day better (than the slowdown). This has been good for the industry as a stable price is healthy for the market.

Is there a price pressure with the government's move to levy service tax on all transactions between builders, developers and buyers? How much will this budget provision push up the property prices by?

We, as builders, have been subjected to a price pressure with service tax, VAT (value added tax) and stamp duty charges. But any other service, for that matter, has to pay only one of the above. Why should only we be exempt in this aspect? Our business is transfer of property and we should be paying only stamp duty.

On the other hand, I don't think prices will change with the levy on service tax. The service tax has been existent for some time now. It was only during the notification period, which was for few months, that it was dropped. Now, they have nullified the circular and service tax is back on the scene.

The Budget has put more disposable income in the hands of the people. Do you see this spurring a higher demand for



residential property?

This move will be affecting the affordable and lower segments which are bound to see high growth levels with many well known developers taking on projects targeted at this segment. Since the disposable amount is really a small amount of Rs20,000-40,000, it doesn't make a big difference to the mid and high income groups and will only increase the consumption of goods. But the real estate market will do better for another reason as automobile and corporate companies are out again and hiring people in large numbers.

Therefore, this, in turn, is going to fuel demand for homes in these segments. It is going to be a healthy and holistic growth at all levels.

Do you think the affordable and lower segments have been overlooked in terms of the number of housing projects aimed at this segment? You have been catering to the high and mid segments. Do you plan on any projects in the affordable segment?

When compared to other segments, the demand of the affordable segment is not being catered to. However, we'll see a change in this respect with many projects at the affordable segment cropping up soon. We have been planning one such project ourselves and will deliver on this account in the future. This segment is a very sensitive market as every detail needs to be looked into and a precise pricing needs to be arrived upon. You need to put in a lot of study since a little price

rise will affect (our) profitability. Many big developers in the city will soon be coming out with projects that will cater to this segment.

Which are your upcoming projects?

The high-end segment so far has been a pretty good market and we have two projects in this segment. Chartered Jardin, located in North Bangalore near the Hebbal flyover, has 27 units that are high-end and niche. The highlight of the project is that it overlooks the Hebbal lake and the apartments on all floors have a view of it.

The other one is a 10 apartment complex located in Cooke town. In the mid segment, we have Chartered Beverley hills, an 18 floor apartment complex which has 320 apartments with multilevel car parking apart from a club house and pool. Another is an apartment complex housing 120 apartments and is located near Padmanabhanagar. All these projects are seeing progress and will be ready in the near future.

What is the trend in the vacancy rate of the city over the last few quarters? There are many housing projects where have more than 50% of it is still unsold. Do you think recovery in some sectors will improve sales?

Till the end of the first quarter, we saw a dip in sales. It touched rock bottom and nobody even talked of buying property. It was shocking. But sales have picked up after April and ever since there has been a slow but steady growth in the market. While other parts of the world are still reeling from the aftereffects of the slowdown, the Indian market has not seen any such thing.

It (Indian economy) did well in terms of industry production and core production from second quarter onwards and has continued to do so till today. Unlike other cities where the prices just shot up, Bangalore's property market has more or less remained steady. While prior to March 2009, the market was shaky; it has now regained its former glory. Yes, other sectors are bouncing back and this in turn will boost demand.

What kind of growth do you see in Bangalore's residential property market?

We will see a growth of 20% in the number of units being sold. While the affordable segment between Rs15-20 lakh is doing well, the higher segments have (also) started to perform better. Even the mid-segment is going to see a rise in sales with many more jobs being created.

It is a healthy market where every segment is active and is seeing progress across segments.