

Getting to the core for growth

MAXIMUM CITY

With buyers being more cautious about their investment decisions in real estate, tier I cities are re-emerging as the most preferred options, says Neha Dewan

PROSPECTIVE home buyers need to look at certain drivers of accessibility, infrastructure and locational viability in a city to earn a profitable return on investment. After the global economic downturn, buyers are now being more cautious about their real estate investment decisions. Locations which show affordability and future capital appreciation potential are preferred. According to a Jones Lang LaSalle Meghraj (JLLM) survey, the most viable cities in terms of residential investment potential currently are Gurgaon and Noida in Delhi NCR, Mumbai, Pune, Chennai and Hyderabad.

Abhishek Kiran Gupta, head-research, JLLM, says tier I cities are currently the most preferred residential investment options. "These have a multitude of diversified market drivers and huge latent demand due to inward migration and higher spending power. The preferences range from affordable options within closest proximity to traditional workplace hubs to rationally priced luxury housing at status address locations."

Besides the tier I cities, there are also, some other cities that are gaining ground for investment purposes. Cities such as Bhubaneswar, Patna, Gwalior, Pune, Rudrapur and Nagpur are some examples. "These cities have several attractive features such as being IT, BPO, academic, pharmaceutical or financial and commercial hubs. Hence, a lot of people are migrating to these cities thereby adding to the demand for real estate," feels Rajeev Rai, VP (corporate), Assocham. The developer has residential housing projects in Delhi NCR.

Demand, according to developers, is mainly concentrated in the Rs 30 lakh to Rs 60 lakh category. "The demand has been picking up over the last few months. It is mostly for the affordable housing segment with end-users making up a majority of the market," says Vijay Jindal, CMD, SVP Group.

Interestingly, a lot of developers shifted their product portfolio from luxury housing to affordable segment when economic downturn slowed down demand.

Mr Gupta of JLLM feels that unlike its counterparts, the residential sector has begun to show signs of stability in many markets, and even recovery in certain cities.

"Whether this trend will continue depends on economic factors (mortgage rates, GDP growth, labour market stability) and on prudent decisions by developers on issues relating to prices and quality of product being offered," he says.

Industry experts say that upcoming growth corridors with good infrastructure facilities and connectivity to important pockets of the city hold a lot of potential.

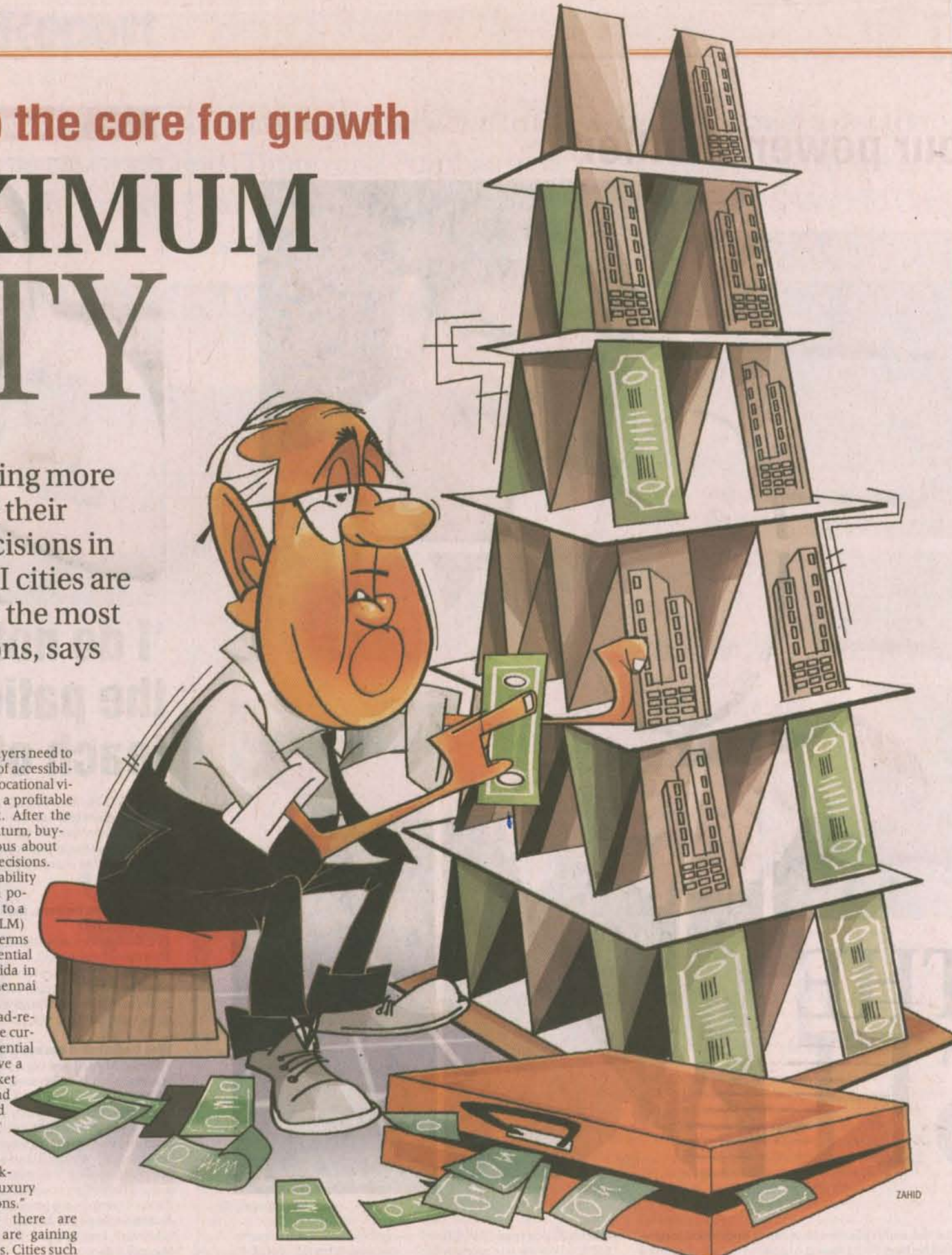
Venu Gopal, associate director-real estate

practice, Ernst & Young, highlights locations that hold promise. "In the NCR, Gurgaon provides a wide range of options from premium housing to mid-income residential projects as far as pricing and connectivity is concerned. Northern Bangalore holds good potential, primarily due to the airport at Devanahalli and the surrounding infrastructure development like Bellary Road widening, express highway and proposed high speed monorail. In Chennai, the

southern and western peripherals of the city are witnessing significant residential developments. As for Hyderabad, Madhapur and other areas surrounding the Hitech city hold good potential."

However, a few important factors have to be kept in mind before investing in a particular city. Factors such as current and expected infrastructure development, linkages on major connectivity corridors, the client profile in the area and the presence of major developers in the area in both residential and commercial space will all make a key difference for an investment decision in a city, according to Harinder Dhilon, V-P, marketing, Raheja Developers. The developer's residential projects are coming up in Dharuhera and Gurgaon.

Factor in all considerations before you take a decision. Paying extra attention to the choice of location, clear title of the property and relevant approvals from the developer will help in making a good choice.



BANG ON TARGET

Residential capital values

GURGAON		PUNE		HYDERABAD	
Sohna Road	4000-4500	Kharadi	2650-5200	Gachibowli	2800-4500
Golf Course Ext Rd	3500-5000	Wakad	2800-4250	HiTech City	3000-5500
Golf Road	5000-7000	Baner	3500-8000	Miyapur	2300-3300
MUMBAI		CHENNAI		NOIDA (sectors)	
Malabar Hill	35,000-1,00,000	Boat Club	18,000-23,000	131, 136 & 137	2800-3200
Mahalaxmi	18,000-27,500	Poes Garden	18,000		
Bandra (W)	16,000-45,000	RA Puram	15,000-18,000		

Source: JLLM
Fig in Rs per sq ft