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Price gap between move-in, under-construction flats narrows

Demand for ready homes on the rise

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CHENNAI, JULY 19

Ready-to-move-in houses have been moving faster than under-construction homes in the realty market for the past two years. Though residential sales have plummeted due to the pandemic, customers now increasingly prefer ready-to-move-in units. The trend is expected to reduce unsold stocks this year.

In 2017-18, ready-to-move-in units accounted for 8 to 10 per cent of the residential sales. It had moved up to 20 to 25 per cent in 2019-20. Availability of inventory coupled with a narrowing price gap between the two had helped sales of ready-to-move-in houses in the past couple of years.

"Under RERA, developers are careful about completing existing projects without delay rather than announcing newer projects. The subdued demand situation also makes them cautious about new launches. This has increased availability of ready-to-move-in units in the markets," said Mani Rangarajan, Group COO, Housing.com, Makaan.com and PropTiger.com.

Further, the price gap between ready-to-move-in and under-construction homes in the top 7 cities has been reducing in the past two-three years. By 2019, the price gap had come down to 3-7 per cent. In 2018, the difference was 5-9 per cent and in 2017 it was around 8-12 per cent.

Ready-to-move-in houses usually demand a premium on the 'instant gratification' quotient, freedom from rent and zero construction risk. They also do not attract GST. However, in the last two-three years, the price-gap between these two categories has shrunk, as the developers are reluctant to hike prices of ready properties amidst the overall slowdown. "In a market scenario of limited housing sales, price hikes dampen homebuyer sentiments further. Ready unsold stock will not find many takers if prices increase," finds Anuj Puri, chairman of Anarock.

The pandemic has further squeezed the demand for residential properties. Customers now do not want to pay a pre-EMI and wait for completion. A recent survey by Housing.com found that 60 per cent of the first-time home-buyers preferred ready-to-move-in houses.

Unsold inventory stood at 31 per cent of sales in 2017-18 but this came down to 27 per cent by March 2020 and is expected to further come down this year.

Co-living space on PE radar

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MUMBAI, JULY 19

With demand for co-living space rising, private equity and venture capital funds are making significant investments in the sector. Apart from marquee global PE investors like Goldman Sachs, Warburg Pincus, and Nexus Ventures who have recently announced their investment plans in the space, domestic investors like JM Financials are betting big on the sector.

JM Financial Private Equity, the private equity investment arm of the Mumbai-based financial services major, recently made a Rs 40-crore investment in the Coimbatore-based shared living space provider Isthara Parks Pvt Ltd, which has 6,000 operational beds.

Other co-living companies have also been attracting PE investment. Zolostays, another leading player in the shared living space, which manages around 25,000 operating beds, recently landed a $56 million funding led by Investcorp along with existing investors Nexus Ventures, Mirae Assets, and Trifecta Capital.

Similarly, Colive, which provides shared accommodations at affordable rates, secured $9.2 million in Series A funding from a clutch of investors led by property developer Salarpuria Sattva in April 2019. Colive has around 10,000 operating beds across Bengaluru, Hyderabad, and Chennai.

According to a joint report by real estate consultant JLL and the Ficci, the co-living segment is expected to log a compound annual growth rate (CAGR) of 17 per cent in the next five years to touch $14 billion.