

What drives property prices

Real estate is influenced by various factors when it comes to appreciation of residential properties



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The real estate sector has seen considerable appreciation over a period. Real estate is a good investment option. These has been a good appreciation of prices post pandemic. Real estate should be considered a reliable investment option, as despite fluctuations in interest rates, the sector has given comparative good returns in a last few year. The government has taken various important measures to boost the real estate sector, such as the Real Estate Regulation and Development Act (RERA) and the Goods and Services Tax (GST). Swapnil Anil, executive director & head, Advisory Services, Colliers India, elaborates, “These policies have helped in improving transparency and accountability in the sector. For example, in comparison with the investment in gold, investing in real estate is considered more beneficial due to the factors such as rental income, long-term appreciation, and low volatility. Residential real estate has delivered

an average CAGR of 7.2 per cent over the past decade, compared to gold’s average CAGR of 5.9 per cent.”

Another reason to invest in realty despite rising interest rate, India’s growth forecast is quite positive in coming years. As GDP grows, so does the purchasing power of the people, which can lead to increased demand for housing and commercial space. The buyers should grab the right opportunities as there are quite quality real estate products are available in the market. Interest rate impact in realty is more focused towards mid and affordable products in the market.

Robust housing demand backed by continued positive homebuyer sentiment and stable interest rates are some of the key factors leading to an increase in housing prices. Garvit Tiwari, director and co-founder, InfraMantra, says, “In the realm of property value growth, five key factors orchestrate appreciation over time. The surge in housing prices finds fuel in heightened demand, stoked by government incentives like reduced stamp duty and extended circle rates.



Urban synergy arises as commercial centres harmonize with residences, fostering a dynamic interplay that enriches appreciation. Beyond bricks and mortar lies the landscape of aspiration, where living proximity to affluence fuels growth.” Tiwari further adds, “Yet, the quintessential driver remains temporal vision — the foresight to predict future demands and needs.” Similarly, BK Malagi, COO, Experion Developers, says, “Post pandemic people

started looking for spacious homes. Prices were frozen for long in many areas. The pressing demand for a bigger and more spacious homes led to price appreciation in many areas. The demand for bigger homes became intense. Bigger units like 4 or 5-BHK properties are selling like hot cakes. Rise in disposal incomes is another factor leading to such a price appreciation. If India is doing well real estate market is also showing visible appreciation.”

Lot of demand is also being generated from the NRIs. Rupee depreciation is also fuelling this demand.

Ankush Kaul, chief business officer, Ambience Group, says, “The Indian real estate market, mirroring its global counterparts, is influenced by myriad determinants when it comes to the appreciation of residential property.”

ments property appreciation.”

Economic Growth & Job Markets: An upward trajectory in the economy and the ensuing blossoming of job markets in certain regions inevitably lead to increased housing demand. Indian cities exemplify this trend, with workers moving in droves and driving up property values.

Government Policies: Regulatory environments play a pivotal role. For instance, the Pradhan Mantri Awas Yojana (PMAY), aimed at providing affordable housing to the urban poor, has sparked interest in the residential property sector. The RERA (Real Estate Regulatory Authority) Act has further instilled confidence among buyers, driving demand and, in turn, prices.

Urbanisation & Lifestyle Shifts: There is an increasing predilection for modern housing facilities and gated communities. This shift in living standards and lifestyle preferences pushes property values in urban and even semi-urban areas.

Demand & Supply Dynamics: “The fundamental principle of economics – when demand outstrips supply, prices surge. In many Indian cities, the limited availability of land combined with the escalating demand for housing, especially in prime areas, has resulted in a significant uptick in property prices,” says Kaul.

Similarly, Vimalendra Singh, chief sales and service officer at Mahindra Lifespaces, says, “Property price appreciation hinges on a dynamic interplay of factors, with infrastructure development taking centrestage in bustling urban landscapes. First and foremost, infrastructure projects have proven to be transformational catalysts for property value escalation. The availability of modern amenities and property upgrades holds significant sway over valuations. In these bustling cities, innovative features like provisions for WFH set-ups, eco-friendly designs, and efficient space utilization can command premium prices as buyers seek a higher quality of life.”

The economic climate and policy changes are vital determinants of property appreciation. Favourable home loan interest rates, tax incentives, and a thriving job market all stimulate demand, bolstering property values.

Avinash Suresh, chief operation officer at Arvind SmartSpaces Ltd, says, “Property appreciation depends on multiple factors, but one of the primary drivers is location. Properties in desirable ar-

reas with access to essential amenities, excellent schools, and proximity to commercial centres tend to appreciate faster. Investors are attracted to emerging locations, where, the growth and improvement in urban infrastructure, such as upgrades in public transit, highways, and road networks, and enhancements in social infrastructure, ultimately leads



MONEY MATTERS

- Luxury units appreciate 24% in average price in the top 7 cities between 2018-2023
- Affordable homes priced below ₹40 lakh record just 15% price appreciation
- Luxury homes in 2018 averaged out at approximately ₹12,400 per sq ft have gone up to ₹15,350 per sq ft in 2023
- Regulatory environments play a pivotal role in property appreciation
- Favourable home loan interest rates, tax incentives, and a thriving job market — all stimulate demand, bolstering property values

to higher property values. Another factor driving appreciation is the property itself. Developments by trusted and branded developers with a high quality of construction, superior architectural design, established track record of delivery, exceptional craftsmanship with premium finishes, and innovative features and amenities also contribute to a property’s higher perceived value and long-term appreciation potential.” Similarly, well-maintained properties with additional value offerings, such as environmental sustainability through energy-efficient homes, can further enhance a home’s value over time. “Lastly, strong macro-economic indicators and demographic dividends can also impact property appreciation rates.”

Buyer sentiment to shape realty

Homebuyer sentiment is one of the most influential factors in the real estate sector

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Homebuyer sentiment is of immense importance for the growth of the real estate sector. In fact, the buyers and investors are the mainstay of the industry. While a positive sentiment is encouraging for the industry, multiple factors might dampen the spirit of the buyers.

Elaborating further, Niranjan Hiranandani, vice chairman, NAREDCO National, says, “Homebuying sentiments stand strong on the back of the increased value proposition placed on home ownership value. The urgency to upgrade lifestyles with bigger and more spacious homes has proven to be a strong backbone of the residential housing market.” Young homebuyers have entered the homeownership bandwagon owing to sanctioning of home loans at well-adjusted interest rates with longer tenure. Potential homebuyers are endeavouring to lock in the best home buying deals in anticipation of further price and interest rate hikes in the upcoming quarters.

BRAND HOME: Spelling out further, Vimalendra Singh, chief sales and service officer at Mahindra Lifespaces, maintains, “Homebuyers have now realised the need for having personal spaces, and smartly designed homes which can adopt as per their needs. Customers who were hesitant on making a purchase decision due to pandemic-related uncertainty are now eager to purchase.” The demand for real estate continues to remain strong,



DID YOU KNOW?

Buyers value transparency throughout the home buying process. When buyers feel well-informed and have access to transparent information, it fosters trust and positively influences their thought process

despite the gradual rise in home prices due to an increase in input costs.

Talking about the key factors influencing buyer sentiment, Boman Irani, president, CREDAI, says, “Homebuyer sentiment is influenced by several crucial factors that shape their thought process while buying a house. Affordability stands out as the most significant consideration, as buyers carefully evaluate the overall cost of purchasing a home, including housing prices, mortgage rates, and ongoing expenses. When a property aligns with their budget and financial capabilities, it has a positive impact on their decision to finalize a home. The

Credibility of the Developer is another key factor. Buyers seek assurance that the developer has a strong track record, delivers projects on time, and maintains high construction standards. Trust in the developer’s ability to provide a quality product instills confidence in buyers and enhances their sentiment.”

TRANSPARENCY: Transparency, too, plays a vital role. Buyers value transparency throughout the home buying process, including accurate property representations, comprehensive information — especially through technological integration — allows customers to make an

informed decision.

When buyers feel well-informed and have access to transparent information, it fosters trust and positively influences their thought process.

“Overall, buyers tend to seek a property that fits their budget, valuing transparency, and consider the ease of accessing financing options, in which case a conducive lending eco-system also plays an important role,” further adds Irani.

Understanding and addressing these factors can help developers and industry stakeholders meet the needs of buyers and fulfill their aspirations of buying homes.

GREEN PROJECTS

Nowadays, there is also greater thrust on green projects as many homebuyers are conscious about their buying decisions and prefer to be more socially responsible towards the environment.

“In the post Covid era, homebuyer confidence has largely been on the rise as both demand and supply remain robust. Consumer confidence increased as concerns towards employment eased, while household incomes and spending improved. With the highly conducive buying environment, it remains an extremely opportune time to invest in real estate — as has been the case for some time — which is also validated by sales volumes that have been at an all-time high across the country,” Irani further adds.

Anshuman Magazine, chairman and CEO, India, South-East Asia, Middle East & Africa, CBRE, says, “The past few years have seen a realignment in homebuyers’ priorities where home buying is preferred now over renting, especially since the uncertainty around the pandemic has further accelerated the need for homeownership and security. The Indian house hunters’ priorities have changed since the pandemic-in addition to affordability, better quality property and surroundings have emerged as preferred elements.”