

# Bangalore property values to rise

With revision of property guidance values coming into effect, most localities in Bangalore may see an upward revision of 15-20 per cent in property values.

## Anjana Chandramouly

At a time when home loan interest rates are continuing to go north, a home-buy is becoming costlier for buyers, especially in a market like Bangalore, where prices are holding firm. The rising interest rate scenario is making that home-buy decision tough for customers, as they aren't sure how the economic environment will pan out in the near future.

With the economic crises in the US and Europe expected to worsen in the coming months, there is uncertainty regarding jobs and property market values. The city has two million IT employees, of whom a quarter have the buying power to purchase a property in the Rs 30-40 lakh price segment. Real estate analysts point out that this segment has brought stability to the city's real estate market, and forced developers to launch projects in this segment.

## GOOD DEMAND

Mr S. N. Nagendra, Regional Manager - Karnataka, HDFC Ltd, points out that the demand for homes in this segment is good. There are opportunities for developers and buyers in this segment.



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"Affordability is a question for the Rs 60 lakh to Rs 80 lakh segment, which is price-sensitive," he adds.

It's the combination of affordability and interest rates which is pushing some of these home-buyers to postpone the decision to buy. Hence, the resultant low volumes in the mid segment, says Mr Nagendra. Home loan applications have come down, mostly because customers are expecting property prices and interest rates to come down.

But developers are yet to feel the pinch at the ground level and point out that there is no room for price correction. As Mr Venkat K. Narayana, Chief Financial Officer, Prestige Group, puts it, "Bangalore has competitive prices on offer, and there isn't much room for correction. It will hold up."

Mr J. C. Sharma, Managing Director, Sobha Developers, says that the CREDAI property fair in the city, held soon after the rate hikes were an-

nounced recently, has seen good enquiries and conversions for developers. Bangalore is one of the better-performing markets, he adds. "It doesn't look like there is a demand slowdown, going by the sales we have seen this quarter, compared to last year. Sales has picked up from June 2011, despite interest rates being sensitive," points out Mr Sharma.

Despite a not-so-good first quarter sales and interest rate environment becoming challenging, "we will do better this quarter to cover the Q1 deficit and be on course to achieve our target for the fiscal," he says. The company sold 6.7 lakh square feet in Q1 this year, and plans to achieve 3-3.5 million square feet sales this fiscal.

## BUYER PROFILE

Banks, on the other hand, are reporting a sluggish home loan uptake for the past few months. Mr Shyamal Saxena, Head - Consumer Banking

Products, Standard Chartered Bank, says that with the tightening of interest rates, there are early signs of home-buy postponement. This is a sentiment echoed by several bankers that this writer spoke to.

Banks, too, have been organising home loan fairs regularly to increase their home loan portfolio, and bankers point out that they have seen good responses. According to them, the segment that sees most demand is the sub-Rs 30 lakh segment.

Home loan interest rate hikes notwithstanding, property sales are steady because there has been a substantial wage inflation too. Bangalore typically has first home-buyers in the 27-35 years of age. "Younger home-buyers are willing to take the rate hike," adds Ms Archana S. Bhargava, Executive Director, Canara Bank.

Mr Narayana is optimistic regarding interest rates coming down, as he feels they are at

their peak already. "Once they come down, we should be able to do better," he adds.

What matters is the location and ticket size, and "if products are made affordable towards the targeted segment, then demand shouldn't be a problem," says Mr Narayana. In India, home-buyers are demand-driven and not investment-driven, he points out.

And as for real estate as an investment option, he says that if the developer, location and product are good, any time is the right time. "Real estate investment is ideal for patient capital," he adds.

## FACTORS DECIDING PRICES

The following factors are likely to have a bearing on real estate prices in the near future: **With property guidance** values revision coming into effect, most localities in Bangalore could see an upward revision of 15-20 per cent in property values. This is likely to impact property-buying in the city.

**Prices are also expected** to go up, thanks to the metro rail roll-out soon. The metro rail would help ease traffic congestion in the city, along the Old Madras Road, which provides connectivity to the city's manufacturing (in and around Hoskote) and IT hubs (Whitefield and ITPB).

**Some of the upcoming** residential localities which will benefit from this boom are K. R. Puram, Kasturi Nagar, Ramamoorthy Nagar, and C. V. Raman Nagar.

Localities such as Indira Nagar and Ulsoor, which are already ruling high on the property chart, are expected to see retail / office space developments.