

BANGALORE REAL ESTATE UPDATE 2013

An overview of the market scenario, the demand drivers and the factors influencing capital appreciation in Bangalore



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Mid-Income Housing

This segment is mainly driven by individuals working in the IT and ITES industry. The main driving factors for this segment are social infrastructure, proximity to workplaces, good physical infrastructure and access to medical and educational facilities. Because of these reasons, micro-markets such as Whitefield, the ORR IT corridor, Electronic City and few areas in North Bangalore have witnessed a steady demand from the mid-income segment.

Affordable Housing

The demand from this segment comes from extremely price sensitive buyers – therefore, affordable projects are developed in the suburbs as these areas offer large land parcels at lower acquisition costs. Areas such as Mysore road, Hosur road, Kanakapura road, etc. have witnessed high demand for this segment.

The affordable housing concept has gained ground in Bangalore City, mainly due to a few graded developers like Puravankara, Brigade Group, Shriram Properties, Golden Gate Properties, Ozone Group and Nitesh Estate who are focusing their projects for customer segment. In most cases, the housing units are made affordable by

to over 10,000 individual dollar millionaires. Bangalore has a large base of expatriates who live and work in the city. The residents are well travelled, cultured and have sophisticated tastes. There has been increased demand for high-end residential apartments in the city, particularly in the Central Business District (CBD), Secondary Business District (SBD), Whitefield, North Bangalore and Outer Ring Road sub-markets. We expect consumer demand for high-end residential projects in these sub-markets to be steady over the short term.

Bangalore is one of the most promising markets for villa projects in India. Villa and row house developments are most active in the North Bangalore, ORR, Sarjapur Road and Whitefield micro-markets. High-end residential property buyers in Bangalore are very sensitive in terms of amenities, product quality and unit sizes.

Bangalore has been the fastest-growing city of India since the past few decades. IT has been the major growth driver and is responsible for aggressive real estate development in the city. Being the IT hub of India, Bangalore has a multi-cultural population with good social infrastructure, excellent educational institutes and constantly upgrading physical infrastructure. Currently, the most promising residential micro-markets are Outer Ring Road (ORR), Sarjapur Road, Whitefield and North Bangalore.

Luxury Residential

Bangalore is the third-largest hub for High Net worth Individuals (HNIs). It is estimated to be home



"In terms of residential real estate, the best performing areas are Hebbal, Sahakar Nagar and RT Nagar in North Bangalore. These locations are witnessing the highest demand and appreciation for residential property throughout the year. The improved infrastructure in this region, its proximity to the airport and overall enhanced connectivity is helping North Bangalore to crystallize into a much sought-after residential destination. As far as commercial segment of Bangalore real estate is concerned, office spaces are the most in demand."

Arjun Aggarwal, CEO, Bhartiya City



"The residential trend in micro markets of Sarjapura Road, ORR, Whitefield, North Bangalore is buoyant in the ticket sizes of Rs.50 lakh to Rs.1 crore. However, the commercial space (predominantly IT space) off take is slow and absorption has not yet picked up. We expect the trend to improve after the general elections."

Shreekanth P Shastry, Vice President - Business & EA to CMD, Ozone Group



reduced unit sizes, compromising on civic amenities and other USPs which were typically provided as differentiators to the competing projects in the micro-market/city.

Affordable housing has seen constant demand on the outskirts of Bangalore, in all directions. Availability of large land parcels at lower price points has encouraged these developments. Also, the planned Metro Rail and Peripheral Ring Road have increased the demand on the outskirts of Bangalore. VBHC Attibele and Patel Neo Town in the South Bangalore, Provident Welworth and Sovereign Lakefront in North Bangalore, and Provident Sunworth and VBHC Kengeri in West Bangalore are some of the affordable housing projects in the city. The demand for affordable

housing in East Bangalore is lower when compared to Bangalore's other micro-markets.

With increased demand, 'affordable' housing projects have witnessed an increase in the capital prices and are now priced higher than or similar to mid-income segment projects. These projects have also seen substantial rise in capital values because of increased cost of land acquisition and construction. Developers have, therefore, resorted to redesigning their projects to address the demand of a wider target segment looking at the budget homes category. Major national level players and local developers have plans to enter the affordable housing segment of Bangalore. These include Tata Housing, Usha Breco Realty,

Godrej Properties, Ashoka Group, Jannaadhar Construction, CSC Builders, Brigade Group, etc.

Overall Demand Scenario

The Bangalore market saw absorption of 6,519 units in 2Q13 against 6,689 units in 1Q13. Unsold stock in 2Q13 totalled 50,184 units in 2Q13 as compared to 46,823 in 1Q13, reflecting a vacancy rate of 53.4%, down from 54.2% in 1Q13.

Supply: A total of 21 residential projects were launched across Bangalore in 2Q13, offering 9,889 units against 10,009 units in 1Q13. Meanwhile, eight residential projects comprising 2,319 units in various sub-markets were withdrawn from active stock as they were completely sold out. The major projects launched in 2Q13 included Prestige



Residential Segment:

Residential Houses in Bangalore continues to be a favourable destination for end users, investors & NRI's. The performing locations are North Bangalore, South East Bangalore like Sarjapura, Varthur and West Bangalore like Mysore Road. These emerging destinations' capita value appreciation is to the tune of 12-15%.

Malik, Vice President - Marketing Sales and CRM, JS Holdings

Commercial Segment:

With slowdown in economic activity, quarterly demand for commercial space had an overall decline, the demand was subdued in Bangalore hence, the occupier's top priority is to reduce the cost amid the economic slowdown. Corporate have put their expansion on hold, in addition to improving existing space utilisation to control costs.

"One interesting aspect we have noted is the boom of the real estate sector in East Bangalore. East Bangalore is well known for its IT parks around Whitefield and EPIP zone which has increased the demand for residential projects in the past few years. Brigade has 4 ongoing residential projects in East Bangalore. The Bangalore Metro rail project which would be extending up to Whitefield will also be a major attraction for buyers in the days to come."

Mathew Abraham, Sr. DGM-Corporate Communications & PR, Brigade Group

Sunrise, Prestige Ivy Terraces, Sobha Santorini and Brigade Begonia.

Central (CBD) & Off Central (SBD): Low supply and high demand. Due to low availability of large land parcels and high capital values, these micro-markets have seen a limited supply of residential developments. These markets have very good social and physical infrastructure. Nitesh Park Avenue, Prestige Kingfisher Towers, Westcourt Cityview, ETA Beau Monde, 77 Degrees East, Sobha Indraprastha and Prestige Edwardian are some of the high-end projects in these micro-markets.

North Bangalore

The demand for high-end residential units remains high in the North Bangalore region. Residential real estate activity in the area has gained traction post the commencement of the Bangalore International Airport. The projects located around Hebbal, Bellary Road and surrounding areas are in the luxury segment. North Bangalore is assured to be the next economic centre of Bangalore. Proximity to the International Airport and planned infrastructure in the North have boosted development in the area. Embassy Lake Terraces, Karle Zenith, Equinox are some of the high-end projects in the North Bangalore.

South Bangalore

The demand for high-end residential developments is low in the South. The housing requirement in this area increased after Electronic City established itself as an IT Hub in this micro-market. However, it did not attract premium residential developments due to poor urban and social infrastructure.

East Bangalore

Whitefield as a micro-market has developed into a self-sustaining area. Along with being an IT destination, this area has good social infrastructure and developing physical infrastructure. Hence, the demand for luxury residential

Demand Drivers

- **North Bangalore:** Proximity to the International Airport, planned infrastructure such as the Elevated Expressway (Bellary Road), High Speed Rail Link, Bangalore Metro Rail, etc. have been the major growth drivers for residential development in North Bangalore. Also, the Government is aggressively promoting this area for future economic activities. The planned Information Technology Investment Region (ITIR) near Devanahalli, Aerospace SEZ planned near the Airport and the proposed Devanahalli Business Park are the key drivers for residential development in North Bangalore. Some of the prime developments in North Bangalore in the mid-segment residential category are Prestige Misty Waters, Hiranandani Glen Gate, Brigade Altamont, Mantri Webcity and Sobha City.
- **South Bangalore:** South Bangalore is close to major work centres along the ORR and is primarily classified as an upper middle-class residential catchment. It has potential for further augmentation of existing physical and social infrastructure. Over the past few years, the Southern suburbs have witnessed a high appreciation on investments. Amongst the developments in the Southern suburbs of Bangalore, projects that can be listed are Salarpuria Greenage, SNN Raj Lakeview, Purva Highlands and Sobha Forest View.
- **East Bangalore:** Eastern Bangalore is characterised by places like Whitefield, the EPIP Zone which has escalated the development of residential apartments over the past few years. Many mid-scale residential projects like Brigade Lakefront, Sobha-Habitech and UKN Belvista have been launched in this area. These areas are self-sufficient in terms of social and physical infrastructure as well, which is of prime importance for residential development.
- **West Bangalore:** West Bangalore is characterised by a low social profile and industrial surroundings. Also, being located away from the major IT-ITES corridors, it shows less potential for real estate growth. Although it has high availability of land for real estate development, the demand is substantially low in this part of Bangalore. Further development of the Metro in the near future might boost the development of mid-segment residential apartments in this area. At present, one of the prominent residential projects in this area is Purva Sunflower.

developments remains high. Adarsh Palm Meadows, Prestige White Meadows, Chaithanya Sharan, Windmills of Your Mind are some of the luxury projects in this market.

West Bangalore

This micro-market has not been attracting many mainstream developers as it fails on the count of good social and physical infrastructure. It is largely dominated by industrial developments and has seen hardly any major developments in high-end residential housing projects or unit.

Factors Influencing Appreciation

The following are the factors influencing the capital appreciation and rental potential in Bangalore:

- Growth in the IT Industry and a increasing number of High Net-Worth Individuals, and movement of expatriates.
- The proposed infrastructure by the Government (Peripheral Ring Road, Metro Rail, Signal Free ORR, High Mono Rail, Elevated Expressway).
- The proposed Special Economic Zone and IT parks in North Bangalore. (ITIR in Devanahalli, Aerospace SEZ, Devanahalli Business Park, Airport city)