

# Realty slowdown acute only in high price segment: Surendra Hiranandani, MD, House of Hiranandani

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Sanu Sandilya | 25 August 2015, 3:09 PM IST



*For the real estate market to return to the boom of 2006-2008 might not be necessarily a good thing, but we definitely could see a steady improvement in 2016, says **Surendra Hiranandani**, founder and managing director, **House of Hiranandani**. In an interview with **Sanu Sandilya** of **ETRealty.com**, Hiranandani explains that today's crunch is driven by a dip in the customer's confidence, brought about by a slowing economy.*

*Excerpts:*

**Slow home sales and high interest rates have led to a cash crunch for many developers. How severe is the situation on the ground today? It is also being reported that developers are not able to pay their employees on time. Your comments.**

I disagree with your perception that developers are unable to pay salaries on time. There might have been some exceptional cases but that does not mean the entire industry has gone out of cash. If the 2008 crisis was driven by liquidity crunch, today's crunch is driven by a dip in the customer's confidence, brought about by a slowing economy. Many developers have been hit by huge debts because of delayed project approvals and changes in local building regulations. Unlike 2008, today ample avenues have opened up for raising funds. So it is not about the unavailability of funds. It is important that customers choose the developer carefully after looking at his credentials and invest their hard earned money with builders who focus on good quality. However, government support will be crucial in achieving this as it must work towards speedy clearances which continue to be the single most important reason for delays. This is the only way to gain back lost customer confidence.

**Do you think property prices in most parts of the country today are too high, which is the main reason for delay in real estate market recovery and slow home sales?**

The best time to buy a property was yesterday. The markets in top cities may have peaked in terms of returns over the last few years, but that is not the end of the business. With a government at the centre focused on infrastructure and realty development, we feel this is the right time to invest in property. One needs to understand that the increase in prices is a culmination of various aspects. A developer cannot control all the costs simultaneously. The delay in project approvals, rise in cost of raw materials, construction and labour must be factored in before concluding that prices have spiralled too high. A developer has no choice but to pass it on to consumers. Hence, I feel there should be a steady intervention from the government which must lay out simple and transparent processes that will create a win-win situation for all.

**When do you see a real recovery in residential real estate market to start?**

We feel that the slowdown is acute only in the high price segment. The mid-range segment that we cater to continues to hold steady as we have built excellent projects. For the market to return to the boom of 2006-2008 might not be necessarily a good thing, but we definitely could see a steady improvement in 2016. The gradual improvement in overall economy supported by the government's thrust on infrastructure and urban development should augur well for the industry. We believe the next five years will be excellent for the real estate sector.

**How do you think private real estate firms would benefit from government initiatives such as 'Housing for All by 2022' and '100 Smart Cities'?**

The launch of programmes such as 'Housing for All by 2022', '100 Smart cities' and Atal Mission for Rejuvenation and Urban Transformation of 500 cities (AMRUT) are highly impressive and will boost growth in the future. I believe this is the first important step towards dealing with the problem of urbanisation that has only worsened with time. Urbanization in India has been a victim of systemic inefficiencies and policy paralysis. This has been the biggest weakness of even our largest cities. The recent scrapping and seeking a revision of Mumbai's Development Plan is testimony to lack of efficient and futuristic urban planning. This has severely impacted the quality of life for citizens in urban areas. Addressing them is critical to turn this dream into reality. The big challenge will be to create self-sustaining cities, which create jobs, use resources wisely and improve the lives of residents. There will be ample opportunity for the industry to build new infrastructure, smart townships, green buildings and affordable homes. These programmes can help us achieve the twin objectives of social upliftment and social inclusion. For the initiative to be a success, there should be better cohesion between the various agencies responsible for urban development and planning. For instance, provision of clean water to citizens, sewage treatment, robust healthcare systems, efficient public transport networks and strong governance must form the blueprint of new cities. Every urban plan will need to have a long-term view, only then will economic growth happen in India.

House of Hiranandani, with its past experience of developing architecturally unique townships and smart residential life spaces sees a huge potential in the projects envisioned by the government. We have our share of unique ideas on smart cities and would like to partner with the government in its smart cities plans.

**How do you see the new Real Estate (Regulation and Development) Bill impacting the larger real estate ecosystem? Do you think transparency in the sector would increase investors' and buyers' confidence?**

The Real Estate Regulatory Bill attempts to stipulate clearly the responsibility of developers and promoters. Though the objectives are noble and correct in the long term, there is a lack of clarity on the various mechanisms proposed in it. These are going to add to costs through delay, making projects not only more expensive, but ensuring that affordability continues to be a distant dream. Keep in mind that this comes at a time when real estate activity across India is struggling for survival. Our industry needs a boost, which could propel and push construction activity. This regulator could either streamline activities, provide a seamless, but more importantly, predictable approach to analyzing and completing projects or it could be just another superior regulator on top of already existing myriad and contradictory regulators.

**The last few years have seen a severe shortage of labour for the real estate sector. How severe is the situation?**

There are around 50 million people employed in real estate, construction and infrastructure, of which only 2 million are professionally qualified. As per syndicated reports, the sector needs over 40 million professionals by 2020 which indicates that there is severe shortage of labour. The Modi government recently announced its ambitious plan to train 400 million Indians. Real estate and construction is one of the key sectors that has been identified by the government for training. If implemented properly, it will be an ideal way to address the training issues associated with the industry.

**What is the company targeting in terms of launches and sales for the current financial year? Are you planning to foray into new cities in India?**

We are actively involved with projects in Bangalore and Chennai. In Bangalore we are developing premium lifestyle residences at Hebbal and Bannerghatta and villas at Devanahalli. The latter located in close proximity to the International Airport brings together the elements of deluxe living. We already have well established projects in Mumbai and Thane. In Chennai we have developed premium lifestyle residences at Egattur, facing the Bay of Bengal, elevating your lifestyle experience. The project is strategically located on the Old Mahabalipuram Road, opposite the SIPCOT IT park and is easily accessible by road and rail, making it one of the most sought after luxury residential projects in Chennai. Going forward we will be looking to enter more cities in the north and west of India.