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OFFICE

MART

CHENNAI OFFICE MART RESILIENT

Chennai’s office supply is said to be in the region of 0.6 million sqft and leasing volume for Q2 has been reported at 1.4 million sqft, according to CBRE sources.

For H1, 2022, office supply level is said to be 2.6 million sqft and the demand level put at 3.7 million sqft. Rentals increased on Q-o-Q basis in Q2 in OMR Zone 1 and 3 SEZ and CBD and off CBD areas for non-IT sector. The year-end forecast is that supply level may reach 5 million sqft and the demand level at 5.5 – 5.8 million sqft.

In India, Chennai has carved an identity as a stable office market, unlike its southern counterparts like Bengaluru or Hyderabad. Its manufacturing hub status and talent pool have always attracted occupiers across segments. There were no major upheavals until the floods of 2015, followed by a cyclone in end-2016. The situation put a dent into the occupier sentiment, with net absorption for the city declining by 10% y-o-y in 2016 and a further 52% y-o-y in 2017.

A strong rebound in Chennai’s office market was visible across 2018 and 2019, with office space demand improving by 107% y-o-y. When the city’s skyline was opening up to robust commercial projects and beginning to witness green shoots, the outbreak of Covid-19 in March 2020 halted the growth momentum. The government-imposed lockdown to control the spread of the virus impacted the realty sector by causing business disruption and delaying construction timelines. Office occupiers faced major uncertainties around business dynamics and their real estate portfolios. The impact,



V S Sridhar
Managing Director –
Tamil Nadu, Kerala
& Colombo,
Cushman &
Wakefield

Defying all odds, Chennai’s inherent strengths like manufacturing hub and IT talent pool have lured commercial development, report **Sankarsh Praveen** and **V Nagarajan**

though quite intense, was marked by the city adapting to the new normal and quickly pivoting to re-energise itself.

Chennai office market has been recording strong leasing volumes over the last few quarters and sustains the momentum in Q2 2022. This is evident with the second quarter likely to witness an approx. 2.5-2.6 million sqft of gross lease volume, subsequent to a 1.42 million sqft of gross lease in Q1. C&W Research had forecasted 6msf of gross leasing activity for the year 2022 and given the healthy leasing volume in H1 (3.9-4 million sqft), the market is fully geared to reach that number. This would keep the city-level vacancy range-bound at 14-16% by end 2022 (compared to a 12% vacancy in 2021), despite a supply addition of ~5.6 million sqft during 2022. In H1 2022, the southern markets of Suburban south and South west continued to dominate the leasing activity in the city, mainly driven by fresh leases. With active enquiries in

continued on page 2

Attn. Builders/HFCs/Architects/Consultants
READ CHENNAI PROPERTY, a monthly digital edition providing an in-depth coverage of Chennai market scenario

MARKETING INDIAN REALTY AMONG US NRIS
 There are 2.5 billion people of Indian origin living in the United States, contributing to the US GDP of \$20.5 trillion. Chennai, India, is the largest city in India with a population of 46 million. The US has a large Indian diaspora of 2.5 million. The US has a large Indian diaspora of 2.5 million. The US has a large Indian diaspora of 2.5 million.

LETTER FROM CALIFORNIA
 The US has a large Indian diaspora of 2.5 million. The US has a large Indian diaspora of 2.5 million. The US has a large Indian diaspora of 2.5 million.

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SURGING CONSTRUCTION COST LIKELY TO PUSH UP REALTY PRICES
 With 22 per cent hike in input cost, and lead prices resulting static at select areas, residential property developers with a consistent track record are in for better days to improve the housing stock, reports V Nagarajan

Scenario in a Nutshell
 1. Cost of housing has been positive about increasing prices as the market was recovering from the aftermath of Covid-19. 2. Cost of construction has been positive about increasing prices as the market was recovering from the aftermath of Covid-19. 3. Cost of construction has been positive about increasing prices as the market was recovering from the aftermath of Covid-19.

Marketing Opportunities in USA
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CHENNAI'S RESIDENTIAL MART ON THE UPSWING
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Chennai’s real estate scenario updated every month with market trends, land and apartment prices, luxury housing, rentals for residential and commercial, infrastructure development, potential areas for growth, multiple options in home loans, data on lease transactions, investment trends, legal judgements, NRI investment options, tax planning guidance, etc.

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RESIDENTIAL MARKET

Chennai's Residential Scenario: SURGE IN DEMAND BOOSTS DEVELOPERS

Since H2 2020, the Chennai residential market has been steadily improving, with sales momentum progressively growing to 6,951 units sold in H1 2022, a 21% YoY increase. As a result of the improved consumer sentiment, the city observed a continuous rise in the number of homebuyer inquiries and conversions in recent period.

- This improvement in sentiment has caused developers to increase supply. As developers gauged the changing mood of the market, 7,570 units were launched in H1 2022 which translated into a 40% YoY growth in supply levels. Alliance Group, Nutech Associates, Akshaya Homes, TVS Emerald Haven Realty and Pearl Constructions were among the prominent developers active in the market during H1 2022. Locations such as Kottivakkam, Perumbakkam, Kolapakkam and Keelakatalai saw increased development activity during the period.
- Sales were concentrated in the south and west micro-markets, and together accounted for 93% of the total sales during the period. The south micro market locations along the OMR and GST Roads have continued to garner most homebuyer interest comprising a total share of 46%, while the more affordable locations such as Porur, Valasaravakkam and Poonamalle toward the west account for 20%.
- There has been a gradual decrease in the share of sales of ticket sizes < INR 5 mn since 2018. The share of sales in this category has shrunk from 54% in H1 2018

There has been a consistent uptick in demand for residential units, reports *Knight Frank India survey*



Parameter	221	2021 Change (YoY)	H1 2022	H1 2022 Change (YoY)	Q2 2022	Q2 2022 Change (QoQ)
Launches (housing units)	12,783	77%	7,570	40%	3,850	3%
Sales (housing units)	11,958	38%	6,951	21%	3,575	6%
Average price (Rs/sqft)	4,050	6.7%	4,242	4.7%	-	-

Source: Knight Frank Research



to 31% in H1 2022. The shift in demand to ticket sizes over INR 5 mn has been significant over the past few years and more pronounced since COVID-19 impacted homebuyer preferences. This trend has been observed across locations due to the need for upgrading the family's primary residence and to accommodate study and work from home requirements.

- The share of projects with ticket sizes of > INR 10 million increased to 23% of the total sales in H1 2022 from 15% in H1 2021. Homebuyers have become increasingly amenable to explore properties in peripheral locations that were otherwise off their radar, to acquire larger spaces with better amenities to improve the general quality of life.
- While the growth in sales has been encouraging in H1 2022, this has also been accompanied by price growth of 5% YoY. Some of this increase may be attributed to a base effect because of the

significant price drop during H2 2020 and the rise in construction cost due to increase in prices of raw materials. Regardless, this recovery in price is an encouraging sign and can be viewed as an indicator of the market on its way to recovery.

- Residential demand is largely focused on the ready-to-move-in properties and has caused the average age of inventory in Chennai to reduce to 12.6 quarters in H1 2022 from 16.5 quarters in the year ago period. QTS have increased marginally in YoY terms as launches exceeded demand during H1 2022.
- A favorable atmosphere for homeowners has been created led by low loan interest rates, and the receding pandemic with reduced danger of disruption. These factors are projected to help the residential sector maintain its growing pace in the next quarter.

Continued from page 1

Chennai Office Mart Resilient

these markets, leasing traction is expected to remain strong in the coming quarters, said V S Sridhar, Managing Director – Tamil Nadu, Kerala & Colombo, Cushman & Wakefield.

“Project completions of around 2 million sqft during the second quarter of the year, has added up to a 3.8 million sqft of supply in H1, reaching more than 65% of the supply estimated for the year 2022 (~5.6 million sqft). This has been backed by fast paced construction progress, particularly in the prime southern submarkets and projects with pre-commitments. While around 0.8 million sqft of the H1 completions (3.8 million sqft) has been in the prime south-west submarket, nearly 30% of the half-yearly completions had been pre-leased to majors from IT, engineering & manufacturing and professional services. With demand gaining momentum, we anticipate pre-commitments also to be on the rise, driving healthy supply addition to the city's office inventory over the short to medium term,” said Sridhar.



CHENNAI PROPERTY

(A fortnightly publication)

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Basic rate (Colour)	Rs 150 pcc
Page 1 (Colour)	Rs 200 pcc
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Ear panel (Colour)	Rs 5,000 per insertion.
Sponsored column	Rs 10,000 per insertion
Advertorial/Special feature:	Rs 50,000 (double spread)
Classifieds	For the first 25 words - Rs 200, Rs 10 for every additional word.

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Real estate sector is projected to reach a market size of USD 1 trillion by 2030 (compared to USD 120 billion in 2017) and contribute 13% to India's GDP by 2025, according to PwC report

<< SNAPSHOTS >>

Tamil Nadu now ranks 3rd in India in EoDB

Tamil Nadu took a significant leap in 'Ease of Doing Business (EoDB)' rankings & is among the 'Top Achievers' in Business Reforms Action Plan (BRAP) 2020. The State now ranks 3rd in India, a commendable jump from the earlier rank of 14th, according to Guidance Bureau sources.



Conference on Warehousing & Material Handling

Ecargolog has organised a conference on warehousing and material handling at Chennai Trade Centre on June 24.

Among the topics include Modern trends in warehousing and logistics, Logistics tech and start up funding, Innovation to empower, Realty trends – An overview, and Relevance of shipping in supply chain industry.

Priya Publications Editor and Publisher V Nagarajan spoke on the current trends in the real estate sector.



Hosur gets a facelift

The Tamil Nadu Industrial Development Corporation Ltd (TIDCO) has been directed to undertake a study on the air traffic and its growth in surrounding regions, market demand and potential sites for developing an airport in Hosur, which is one of the industrial hubs in the state, he said. TIDCO is in the process of selecting a consultant for undertaking the study.

VNCT family's gifts for Kasi Vishwanth

Smt & Shri AN.Subbiah Chettiar & family (parents of Ms Geetha Nagu) and Mr Nagu Chidambaram & family are gifting the Silver Bed for Varanasi Kasi Vishwanath- 'Palliarai' through our Kasi Nattukottai Nagarathar Forum.

This Silver Palliarai bed will be taken in a procession at Kasi from the Nagara Vidhudhi and will be handed over to the temple for daily use of Kasi Vishwanath on this coming July 24th.

"We feel so blessed to be doing this Thiurupani for one of the most sacred temple's of India" according to family sources.



World Class Infrastructure: The Foundation Pillar of NewIndia – Coastal Highway Link

The project for 4-Laning of Goa/ Karnataka Border to Kundapur section of NH-17 in the State of Karnataka is near completion. Spanning a length of ~187 KM, this stretch has Arabian sea coast on one side and Western Ghats on the other side. Magnificent due to its scenic view, this project is an important coastal highway link between west and south India. The strategic highway passes through a variety of terrains with almost 50% of the length passing through rolling terrain (45 km) and mountainous terrain (24 km).



Presently ~173 Km (92.42 % of the total work is completed) and while traffic is open on the project, the remaining project will be completed by December 2022. Aimed at providing a world class road infrastructure experience to the travellers, the alignment connects major cities and towns along the way including Panvel, Chiplun, Ratnagiri, Panaji, Margao, Karwar, Udupi, Surathkal, Mangalore, Kozhikode, Kochi, Thiruvananthapuram, and Kanyakumari.



This highway development has helped in providing a new impetus to economic development in the project influence area with multifold opportunities for new commercial and industrial establishments. This has led to creation of direct & indirect jobs for the local population. Further, the project will reduce travel time, prevent accidents, optimize vehicle operating costs and help in fuel savings due to smoother road and reduce congestion for inter & intra state commuters.

GoI under the visionary leadership of Hon'ble PM Shri Narendra Modi Ji is actively working towards building world class infrastructure across every corner of the country & leading #NewIndia towards an era of 'Prosperity Through Connectivity'. #PragatiKaHighway#GatiShakti.

OBITUARY



We deeply mourn the untimely death of Mr Anand, an associate and a wellwisher to our organisation. He was a great source of strength, go getter and true to his words and deeds in all his business dealings in the real estate sector. It would be difficult to get an associate or friend or business associate like him who can always be relied upon to take it to the next stage. The way in which he proceeded on each assigned job with meticulous observation and daredevilry speaks volumes of a true associate's extra ordinary capability, strength, innate ability, commitment and devotion to the profession in both letter and spirit.

In the untimely death of Mr Anand, Priya Publications and Raghav Realty Consultancy have lost a great friend, associate, guide and mentor. Priya Publications expresses its deepest condolences to the bereaved family.

The pre-engineered buildings market in India is expected to register a CAGR of 5.5% between 2019 and 2024 as there is a growing demand from various end-user segments, according to JLL. The global PEB market value is expected to go upto US\$25 billion by 2024

REALTY DATA

Key Financial Metrics for REITs for the quarter ending December 2021

	Embassy Office Parks REIT	Mindspace Business Parks REIT	Brookfield India REIT
Total area (million sqft)	42.6	31.3	18.6
Occupancy	87%	82%	83%
Incremental leasing (sqft)	428,000	1,770,000	536,000
In-place Rents (Rs/sqft/month)	74	59	62
Revenue from Operations (Rs.million)	7,409	4,404	1,951
NOI (Rs million)	6,213	3,715	1,502
EMITDA (Rs million)	6,109	3,443	1,465
Distribution (Rs/unit)	5.20	4.64	5.00
Dividend Yield (Annualised)	6.1%	5.7%	6.7%
Market Capitalisation (Rs million)	321,886	194,285	90,156
Gearing	32%	19%	49%

Source: REIT Quarterly Filings, BSE

Developed Plot Prices in Chennai

Location	2017	2019 (Price Rs per sqft)	2022 (Price Rs per sqft)
Acharapakkam	300 – 600	390 – 650	300 - 600
Arakonam-Trivellore road			500 - 900
Avadi			4,500
Chenglepet-Thirukazhukundram road			2,500
ECR (Opp. Crocodile Park)	1,500 – 1,800	2,200 – 2,700	2,500 – 3,000
Kovilambakkam			8,000
Kunrathur	1,750	2,000	3,500 and above
Madhavaram	-	3,500 – 4,000	1,500 – 2,000
Maraimalainagar	1,500 – 2,000	1,495 – 2,500	1,000 – 2,000
Mannivakkam	2,500	2,800	4,000
Madhurapakkam	3,090	3,200	3,500 – 4,000
Padappai – Oragadam belt	850 – 1,400	1,200 – 1,650	2,000+
Pattabiram			2,200
Perungalathur			4,000
Perungudi			7,000 – 8,350
Behind Queensland	900 – 1,200	1,500	1,500
Singaperumal Koil	2,000 – 2,500	1895 - 2,800	3,000
Siruseri			3,500 – 5,000
Sriperumbudur (Near Rajiv Gandhi Engineering College)	750 – 850	950	1,000 – 1,500
Sunguvarchathiram	250 – 1,000	800 – 1,200	800 – 1,200
Tandalam	750 – 850	800 - 1,000	800 – 1,000
Thiruverkadu			4,300
Thuraipakkam			6,650
Tiruporur			1,800 – 2,200
Tiruvottiyur			8,000
Trivellore	1,500 – 2,000	1,500 – 2,200	1,500 and above
Wallajabad	700 – 1,000	800 – 1,100	800 – 1,100
Kunnam (Behind Samsung)	500 – 600	650 – 700	700 - 800
Padur (OMR)	-	3,200	4,000 – 4,500
Urapakkam			3,000 – 3,500
Uthandi			5,200
Wimco Nagar	-	5,000	7,000 – 8,000

Note: The above rates are indicative only for CMDA/DTCP approved plots. They may vary depending on the location, developer, specification and amenities offered in the project.



TRIPLICANE VYASARAJA MUTT TRIPLICANE, CHENNAI

Sri Vyasaraja Math is one of the three premier Dvaita Vedanta monasteries descended from Jagadguru Sri Madhvacarya through, Rajendra Tirtha and their disciples. Vyasaraja Math, along with Uttaradi Math and Raghavendra Math, are considered to be the three premier apostolic institutions of Dvaita Vedanta and are jointly referred as Mathatraya.

Chennai's Triplicane based Vyasaraja Mutt development work has been undertaken and the construction cost has been estimated at Rs 2.5 crore. Devotees are requested to contribute their mite for the noble cause. For more details, please contact the number below.

Contribute through

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Chennai currently boasts of the lowest burden of stuck units among the top 7 cities with just 5,190 units worth approx. INR 3,731 crore, according to Anarock survey

TRENDS

GULF NRIs EVINCE KEEN INTEREST IN REAL ESTATE



There has been a paradigm shift in the demand pattern among Gulf NRIs while investing in real estate back home. With WFH option, demand for larger unit is up and luxury homes are finding favourite with NRIs who are looking for additional amenities to create workspace within home.

Bengaluru based Maxpo Exhibitions has organised India property show in Dubai in association with Gulf News at the Dubai World Trade Centre. Close to 2,500 expatriate Indian families have visited for India property show on both the days. The quality of visitors came in for appreciation as they are serious buyers and end users who are looking for apartments in the price range of Rs 60 lakh – Rs 1 crore. There is demand for even units priced at Rs 1.6 crore and above. A significant section of NRIs are keen to invest in second homes. Budget villas for Rs 1.5 crore and above are favourites among NRIs.

For CAs and other professionals, rent yielding commercial properties are becoming favourites for investment. The ticket size among individuals is said to be region of Rs 40-50 lakh. A consortium of NRIs are keen to make collective investment in a single unit.

Among the Indian cities that drove interest among Gulf NRIs for investment in real include Mumbai, Pune, Bengaluru, Chennai, Delhi-NCR, Hyderabad, Kochi, Bhopal, Chandigarh and a few tier 2 and 3 cities. Affordable housing in the price range of Rs 30 lakh-Rs 35 lakh drove demand.

According to the organisers, Gulf NRIs with their proximity of living together over a period of years have developed an affinity to make collective investment in select properties. It is said that there are about 50 NRIs with varied options. This new trend among collective investor option has not been experienced in the past, said the organiser.

There are enquires for holiday homes and independent homes from select NRIs during the event.



TRENDS

PE INVESTMENTS MAY GO UP BY 11% IN 2022

India's investment environment recovered in 2021 as global investors who had shied away owing to the uncertainties around growth opportunities during the pandemic returned, bolstered by successful vaccination campaigns and the government's fiscal and monetary policy assistance. Despite the impact of a severe second wave, private equity investments in the Indian real estate industry surged by 57% YoY in 2021. The Indian real estate industry received a total of USD 6.2 billion in investments across four segments: office, residential, warehouse and retail.

The office segment remained the most popular investment choice on the back of the resilience exhibited by investible grade office assets, while the residential sector observed an upcycle fuelled by positive consumer sentiments on home ownership and a better prepared developer eco-system. Strong occupier demand and scope to develop new Grade A warehouse spaces, boosted investments in the warehouse and industrial segments; and the retail industry – which was at the epicentre of the pandemic, observed a surge in investments as investor interest for stable retail assets grew, allowing the retail business to recover.

In the first quarter of 2022, the effect of Omicron, concerns of rate increase and rising global tensions caused by the ongoing conflict, hampered investment flow. The Indian real estate received total investments of USD 1.2 bn in Q1



2022, compared to USD 3.7 bn received in 2021. However, with the majority of events factored in, 2022 is predicted to be a solid year for investment, with investments expected to return to prepandemic levels.

The office category is expected to attract most of the investment, owing to the positive return to office post pandemic experience. An improving office space demand scenario, coupled with a balanced supply environment will have a positive impact on occupancy and support rent growth. While interest rate level in the economy has started to move up, limited availability of investible grade assets will protect large expansion of capitalisation rate which hovers between 7.5-8.0%. Warehousing will continue to attract investments owing to India's renewed focus on 'Make in India' programme and burgeoning e-commerce eco-system.

The residential sector which has now moved into an upcycle fuelled by positive consumer sentiments around home ownership and a better prepared developer eco-system, will be an appealing investment choice in 2022, with enhanced risk

acceptance by stakeholders as reflected in the increase in equity participation. India's retail sector will continue to witness investment interest led by a rebound of consumption demand in brick-and-mortar formats.

Overall, investor confidence has risen in India post pandemic, owing to improved economic performance and expansion in the office, residential, industrial, and retail sectors.

PE investments in India have been found to be largely correlated to government investment, currency movement, inflation, interest rate, and office supply in recent years. Amid the evolving scenario and range of market estimates on these variables for the current year, we have considered a moderate increase in key policy rate, moderation in inflation rate and stability in currency. Further, government investment is expected to continue to rise through the remainder of the year, thereby positively influencing domestic growth.

As a result of the improving economic outlook and our evaluation of the influence of the variables on investments, we project total private equity investments in India to rise by 11% YoY to USD 6.9 bn in 2022. While there are uncertainties around COVID-19 and the rate at which interest rates are hiked, these concerns have been largely discounted, posing minimum threat to the investment climate.

With improved economic outlook and evaluation of the influence of the variables on investments, total PE investments in India may rise by 11% YoY to USD 6.9 billion in 2022, says

**Knight Frank
Research**

TECHNOLOGY

Building Collapses - The Dangers of Illegal Construction

■ ANIL PHARANDE

Illegal construction pertains to any building or addition to an existing building which does not comply with the existing municipal or civil laws and has been built without proper permissions. It may or may not be built on encroached or otherwise illegally appropriated land. In India, both are usually true, and instances of building collapses here garner negative press globally each year.

It may seem like a typically Indian problem, in the past created by a combination of an acute housing shortage and collusion of shady politicians with unscrupulous fly-by-night builders. However, illegally constructed buildings do not necessarily cater to only the lower rungs of the social pyramid. In India, there have also been well-documented instances of luxury towers being erected either on encroached land or without the required building clearances.

Also, India is not the only country waging war against the scourge of illegal construction. This has been and continues to be a problem in many parts of the world, across developed and developing countries.

There is no shortage of examples of how illegal construction has hijacked cities' real estate markets and indeed their overall potential. Here are a few:

ITALY - Italy's once scenic Palermo, which caught the spillover housing demand from nearby Sicily, saw a tremendous amount of what was referred to as 'private construction' for almost three decades between the 1950s and the 1980s between 1951 and 1961. This illegal construction boom happened under the active patronage of the organized crime syndicate known as the mafia.

MALTA - In a more recent instance in the European island country of Malta, a luxury project consisting of 75 high-end units was illegally constructed in collusion between the developer and the local environmental protection agency. The case is still being fought out.

BRAZIL - In Brazil's Rio de Janeiro, the infamous 'favelas' or illegally constructed slums have existed since the 19th century and continue to confound the city's development authorities to the present day. Created and protected by local crime organizations, Rio's favela slums are notorious for being densely packed, extraordinarily unsanitary and polluted, and breeding grounds for disease.

TURKEY - Turkey has its own problems with what they call Gecekondus - homes constructed almost overnight without any clearances or permissions. The people who build these low-cost housing

projects are usually migrants from Turkey's rural areas seeking to settle down on the larger cities' outskirts. Gecekondus - literally meaning 'constructed overnight' - exploit an interesting legal loophole in Turkish law.

This law prevents the authorities from tearing down or taking any action against people who manage to construct homes between late evening and early morning of the next day without being noticed by the law enforcement authorities. Instead, the authorities can only begin legal proceedings against such squatters, which usually pull on endlessly.

JERUSALEM - In Jerusalem, illegal constructions have been taking place at an enormous scale for over a decade. These illegal constructions are invariably full-fledged buildings, built on plots over which the builders have no legal claim. The plots are usually land reserved for public utilities such as parks, schools, and places of worship, as well as on roads. Such buildings are constructed without the benefit of licensed architects and fall completely afoul of Jerusalem's civic safety codes.

BULGARIA - Bulgaria, the 16th-largest country in Europe, has been plagued by illegal constructions in the middle of its famous reserved biodiversity zones. Abuse of various loopholes in the country's laws has allowed unapproved buildings to crop up on the coastline of the Black Sea coastline. This has also led to the pollution of rivers and destruction of biodiverse areas. In Bulgaria's famous Pirin National Park, illegal ski tracks have been laid to pander to winter tourists, destroying the natural habitat of protected plants and animal and plant species.

NEW YORK - Massive world cities like New York have their own problems. Just last year, an infamous NY slumlord (interestingly with an Indian name) was among three notorious real estate players who attracted heavy fines for exploiting the extreme shortage of affordable homes in the city. This person had to cough up USD 105,000 for illegally creating micro-residential units, known as SROs (single-room occupancies) in local real estate parlance, and renting them out.

These units have neither bathrooms nor kitchens, and the households that inhabit these homes must share such facilities with each other - a system that has long since been illegal in New York. This person owns and rents out several completely neglected, dilapidated buildings.

If all this sounds familiar, it is because most of these examples - mere tips of the global illegal construction iceberg



- have ready representation in India. In our country too, city planning and development authorities wage a constant battle against this scourge. Even highly-planned cities like the Pimpri Chinchwad Municipal Corporation (PCMC) must regularly demolish illegally erected structures.

The Dangers of Illegally Constructed Buildings

Most illegal buildings tend to be unsafe. As we have seen with the annual collapses of illegally-constructed housing projects and unapproved structural changes and additions, circumventing local building codes, not engaging qualified architects, and using substandard or adulterated construction materials comes at a high cost to people living in these buildings. When they collapse, completely or partially, lives and possessions are lost.

Also, illegal constructions - shoddily built or not - invariably usurp land reserved for creating infrastructure and other public utilities. This impedes the movement of people and goods, which are critical for the welfare and prosperity of a city, create drainage blocks which cause urban flooding during the monsoon, and often present a significant health hazard since they are not professionally maintained.

Illegal buildings in cities like Mumbai and Pune often operate without proper water supply and subsist on pilfered electricity.

Because they are illegally constructed, such properties tend to be much cheaper than regular properties in the same area. Obviously, their developers had no long-term plans for these buildings and most abandoned them as soon as they were sold out. There is no legal recourse for homeowners in such buildings

Many of such buildings were constructed after bribing the local civic authorities to look the other way, a fact which is invariably exposed sooner or later. When

this happens, homeowners in these buildings must write off their entire investments.

The instances where illegal buildings are regularized are few and far between. Even if regularization is applied for under an amnesty scheme, the authorities will first conduct a structural audit to determine whether the building even qualifies in terms of safety. In most cases, such buildings are condemned because they are completely unfit for habitation.

Precautions for Homebuyers

While RERA has gone a long way in addressing the problem by making future illegal constructions impossible to pull off, it unfortunately does not apply retrospectively to older buildings developed before its implementation. Even today, countless urban Indians live in unsafe, legally and structurally doomed buildings that endanger their hard-earned money and their families' lives.

Aspiring homebuyers looking for good deals must conduct sufficient due diligence when considering an unnaturally cheap property. If the building has serious legal flaws, it may very likely be demolished in the future, and the property owners will not be compensated. In the meantime, their residents do not benefit from legal protection or municipal support.

Investing in a home must be done with complete awareness and should not be driven merely by the lowest rate. Always deal with reputed developers who have multiple successful projects in their portfolios. For newer buildings, a RERA registration is an absolute must and for older ones, a proper title search conducted by a good advocate will reveal the project's legal status.

Mr Anil Pharand is, Chairman - Pharande Spaces & President - CREDAI Pune-Metro.

OFFICE TRENDS

THE FLEX TRANSFORMATION OF INDIA'S OFFICE MARKET

The dynamics of India's office space market are undergoing a period of transformative shift. While occupiers focus on creating new-age workplaces in a bid to retain talent and foster a culture of innovation and collaboration, flexibility has emerged as a key imperative. As office portfolios are reworked for agility, the flex market is witnessing a rapid rate of acceptance among mainstream occupiers. The advantages of capex savings are now incidental to making their portfolios flexible, with on-demand and quick turnaround of modern workspaces being key in a hybrid and hub-spoke work environment.

Enquiries for flex spaces from a diversified occupier base and for diverse needs from enterprise, managed solutions for big corporates to coworking options for SMEs and start-ups across India have seen a big rise in the last year. As the workforce has become more mobile and occupiers look at creating workspaces which are amenity-rich, safe and create a collisional-collaborative work ethos, flex spaces are



primed to fulfil such needs. In fact, hassle-free operations to enable corporates to focus on their core business activity, experimental seating arrangements, hospitality-like characteristics and flexibility in lease tenures are creating a very fertile ground for the flex segment.

While bigger operators are catering to large enterprise needs for managed offices, SMEs and start-ups are driving the demand

for smaller coworking-styled set-ups to thrive across the metros and tier 2 cities. In fact, most operators are straddling both worlds of customized enterprise solutions as well as standard flex solutions to cater to the expanding occupier base. Occupancy levels have shown an upward trend in flex centres which is an indicator of rising return to work percentages and larger flex adoption.

As workplace culture takes centrestage, firms are exploring alternative workplace models and flex spaces as a result, says **JLL survey**

As demand for flex has seen a surge, operators are expanding to newer markets and scaling up to meet the ever-changing occupier needs. What is worth noting is that enquiries and actual flex seat demand are both visible in the most active office corridors across the top seven cities, a clear indicator of mainstreaming of the flex segment.

The changing commercial market landscape will continue to be defined by an ever-increasing presence of flex which while being additive to the total demand for office space, will play a big role in defining the role of workplace and creating future-ready workspaces.

Flex transactions concluded and number of seats leased by occupiers FY 2020-21 VS FY 2021-22 in Tier 1 cities



City-wise flex seat transactions concluded and number of seats leased in FY 2021-22 in Tier 1 cities



FENG SHUI

ENHANCING THE FEEL OF YOUR LIVING SPACE

Feng Shui is not just a design element to get to know where to place the bed, mirror, wealth and stove, it's an art of orienting, aligning and tapping into good quality energy. This calls for skill, intuition and knowledge of compass directions and mathematics in interpreting the floor plan and layout of the house also known as the natal chart of the house.

Feng Shui addresses almost the entire spectrum of human aspiration. The practice operates at various levels. It can be highly personalized when practiced according to specific compass school formulas, or it can be broad based and generalized. In the ancient days the method involves interpretation of the terrain, contours, shapes, topography, elevation, rivers, and waterways, while compass Feng Shui offers recommendations in terms of compass directions.

What we see, and where we go, strongly determine the lives we lead, Feng Shui design uses all elements in moderation for creating the balance in a space and makes us move further towards our goals in life. You always get to know and feel when you have entered a healthy home. Regardless of the period and style, there is a sense of



harmony and purity that nourishes both body and soul.

When a house's energies match our body's energy, it lets us feel comfortable there is a sense of security and confidence.

Very often when we look for a house, we tend to settle in houses that have similar energies. However, this does not necessary mean that the house is good for us.

Our body responds and contains energy or "chi" that is sensitive to our surroundings. Likewise, a building's form, structure and interior layout reflect the energies that it embodies. Even if the living space is cramped and tight, you don't need to sacrifice on your style and utility but make it multi-functional and beautiful by

adapting the techniques of Feng Shui.

- Use mirror opposite a light source such as a window to maximise the natural daylight and enlarge the space and to cover your couch and sofa
- Enhance "dead alcoves", niches, corridors, corners, and highlight them effectively through lighting or artifacts and décor.
- Use lighter hues like icy blues, pale green, white and cream, butter yellow, pale lilac, the color palette is exhaustive and large so need to choose on the right shade and ensure it matches with your accessories and furnishings.
- Placing Glass shelves in a window also lifts the energy and when you add a shade of blue and green glass candle holders or glass bottles it transforms the place and in case they are in the wealth and prosperity sector of the home, it would be quite appropriate, the corners being Southeast and South sectors
- Clutter tends to visually accentuate the potentially cramped look of small spaces. Work out your storage needs incorporating built-in storage designed to fit.

Mr Surendran is an accredited master Fengshui consultant, bio-energetician and traditional Vaastu practitioner.



Our body responds and contains *chi* that is sensitive to our surroundings. Likewise, a building's form, structure and interior layout reflect the energies that it embodies, says **S BS Surendran**

Chennai office mart's year-end forecast is that supply level may reach 5 million sqft and the demand level at 5.5 – 5.8 million sqft, according to CBRE sources

TAXATION

GST ON SALE OF LAND

There were various grey areas in GST, where chargeability or rate of tax is a matter of constant debate and discussion. The contradictory rulings issued by various Advance Ruling Authorities on a same nature of transaction adds up to the confusion. As a welcome step, the 47th GST Council meet, held on 28th & 29th of June in Chandigarh, provided clarity on some of these issues.

In the press release, issued on 29th June 2022 with respect to recommendations of 47th GST Council meet, clarification with respect to chargeability of GST on sale of land was also provided. As per the press release: "Sale of land after leveling, laying down of drainage lines etc. is sale of land and does not attract GST."

Background:

1. Business of developing and selling plotted area takes place in three ways i.e.
2. The land owner develops a large piece land on his own account, divides it into small developed plots and sells such small pieces of land.
3. The land owner hires a developer to develop a large piece of land into small plots and the later is provided consideration for his construction services in money.



4. The land owner and a developer (providing development services on a large piece of land to make it marketable into small plots) enter into a contract where:

5. Either the consideration received on sale of final plots are divided into a predetermined ratio between the land owner and the developer, or Advertisement

6. The ownership of developed plots is divided in a pre-determined ratio between the land owner and the developer.

Section 9 read with section 7 of the CGST Act 2017, defines the scope of supply of goods or services or both, on which GST shall be applicable. Further Schedule III of the CGST Act, read with section 7 of the said act, specifically excludes 8 activities which shall not be considered as a supply of goods or

service or both and hence, GST shall not be applicable on same. As per the entry no. 5 of Schedule III i.e.: Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.

specifically excludes sale of land from the preview of GST. Further, as per LIST – II of the Constitution of India which specifies exclusive power to make

laws to the state, the power to collect tax on land are reserved to the states and hence tax on land is anyways excluded from the scope of GST.

Confusion started when few advance rulings and authorities namely:

The AAAR, Gujarat in the matter of Shree Dipesh Anilkumar Naik [Advance Ruling No. GUJ/GAAAR/APPEAL/2021/35, dated December 12, 2021] affirmed the order passed by the AAR holding that GST is leviable on sale of plot of land, where primary amenities such as water line, electricity line, and other infrastructure are being constructed/developed. Held that, it is a sale of developed plots and will be covered under the scope of supply of taxable service falling under the head of 'Construction services'. Hence liable to 18% GST. As a result, various GST

authorities started demanding tax on the sale of developed land.

Holding our final opinion until the legal draft with respect to said matter is issued by the Ministry and relying on the text of press-release, we can conclude that: Sale of land after performing basic development services like leveling, laying down of drainage lines ETC... will still be treated as sale of land and no GST shall be charged on same. Hence sale of plot as mentioned in point 1 & 2 above shall not be chargeable to GST. However, works contract service provided by the developer to land owner in case no. 2 shall be taxable. However, taxation with respect to services provided by:

- The Land Owner to Developer i.e. TDR (Transfer of Development Right) and
- Services provided by developer to land owner (Development Services)

• Are still a subject of debate and taxability on same is still in question. Further, relying on few Advance Rulings like Vidit Builders by AAR-Madhya Pradesh, case number – 19/2019, order number – 02/2020, tax shall be payable on TDR and development services provided by land owner to developer and vice versa.

Courtesy: www.taxguru.in

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