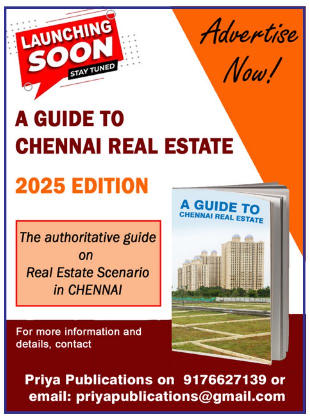

CHENNAI PROPERTY

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DUBAI SPECIAL EDITION

EXCLUSIVE

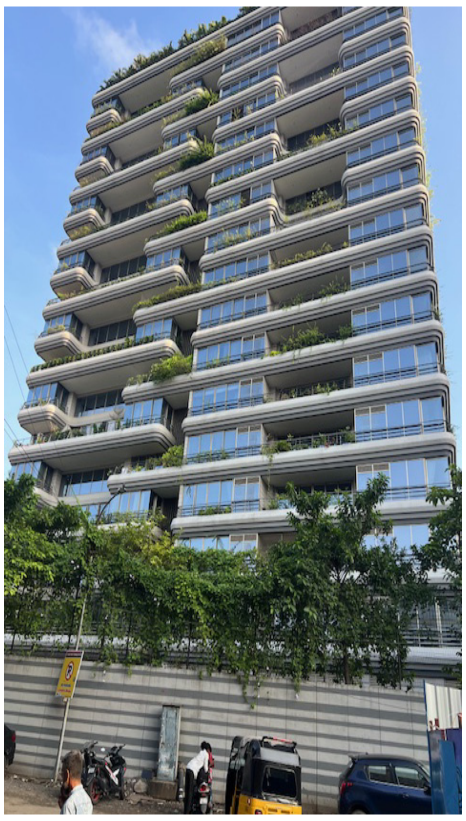
Chennai Real Estate Scenario:
ROBUST GROWTH IN RESIDENTIAL MART

Residential property market is inching a new high across micro markets in Chennai as is evident from the uptick in demand for land for development, reports V Nagarajan

The residential property market in Chennai is poised for a major turnaround in development. Improved connectivity levels, metro rail progress, and infrastructure development have all convinced the property developers to expand their footprints in suburban locations where sales traction is gaining momentum.

There has been a steady uptick in demand for apartments in the price range of Rs 45 lakh – Rs 60 lakh across micromarkets. The 18-km Vandalur-Kelambakkam stretch that links Rajiv Gandhi Salai and GST road corridors, is getting traction now in terms of sales and demand. On the western region, Kunrathur is driving response for plotted development projects and the price ranges from Rs 2,500 to Rs 4,500 per sqft. "There has been a significant demand for layout projects in that a number of new projects are in the pipeline and launches would be announced in the coming months," said A K Raghavan, Executive VP and Business Head, Provident Housing, Chennai.

According to Raghavan, another high-end market that is brewing up is on Pallavaram-Thuraipakkam road, with a cluster of commercial complexes by Embassy, Capitaland, Brigade, Featherlite, RMZ, etc. A number of mixed development projects are expected to dot the skyline in the coming years. On the residential front, Prestige is due to come up with a 2.5 million sqft development besides existing projects developed by


Sobha, TVS and NCC Urban development is the latest to enter the market.

On the northern belt, there is a good traction in terms of launches and sales in Madhavaram belt. It is said that due to warehousing hub, it will have a spillover effect on residential development.

In a significant development, the high-end market has picked up now. "There is a good demand for villas in the price range of Rs 1.2 crore – Rs 2 crore. There are micromarkets like Perungulathur where there is good sales traction and the ticket size ranges from Rs 1 crore and above. On the city's arterial mount road, Brigade's ICON is going to change the skyline. In areas like MRC nagar, leading developers are quoting at Rs 42,000 per sqft for luxury apartments.

In a related development, property developers are unanimous in voicing that investors entry into real estate market is gaining momentum which is said to be in the region of 5-10 per cent. One reason is the steep increase in land prices across micromarkets and the investors' appetite to cash in on the available opportunity. It is said that land prices have gone up by 15% per year and in some cases it is said to have crossed 20%, depending on the location.

According to Colliers, Credai and Liases Foras joint survey, unsold inventory dropped by 9% YoY backed by sustained demand. Overall housing prices surged slightly by 2% YoY in the city. Central Chennai witnessed the highest annual price rise at 13%. Under-construction properties in both central Chennai and north Ambattur micro markets witnessed about 15-17% rise in prices.

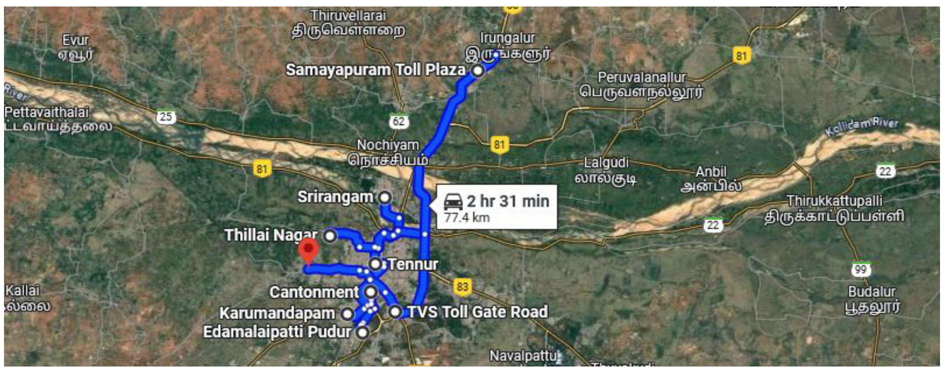
It is said that 4BHK ready-units continued to witness high demand resulting in a 58% annual rise in their prices. Unsold inventory dropped for the fifth consecutive quarter in Q3 2024. Upcoming infrastructure development of metro phase 2 can potentially amplify demand further in central and southern micro markets, said Housing Price Tracker Q3 report by Colliers, Credai and Liases Foras.

REALTY DATA

Tiruchirapalli Residential Property Prices

Location	Prices in 2014 (Rs per sqft)	Prices in 2018 (Rs per sqft)	Prices in 2019 (Rs per sqft)	Prices in 2024 (Rs per sqft)
Cantonment area	4,500 – 7,000	7,000	4,300 – 5,000	7,000 – 8,500
Edamalaipatti – Pudur	4,300	4,500	4,000	5,000 – 6,000
Karumandapam	5,000	4,000	3,800	5,500 – 6,500
Puthoor / Thennur	6,500	5,500 – 6,500	5,500 – 6,000	8,500
Srirangam	5,000 – 6,000	5,000 – 6,000	5,000 – 6,000	5,500 – 8,500
Thillai Nagar	7,500	7,500 – 8,500	8,500 – 9,000	12,000 – 15,000
No.1 Toll gate / Samayapuram	3,000	4,000	3,800	5,000 – 7,000
TVS toll gate	3,500 – 4,000	5,000	5,000	7,000 – 8,000
Vayaloor road	3,500 – 4,000	3,500 – 4,500	3,500 – 4,000	5,000 – 6,000

Courtesy: Rohini Housing, Trichy.



Equity capital inflows touched USD 8.9 billion between January and September, registering a 46% Y-o-Y growth

OFFICE MARKET

DUBAI SPECIAL EDITION

Q3 2024: BFSI and Flex Spaces Drive Record Office Absorption Amid Evolving Market Dynam

In the third quarter of 2024, BFSI and Flex Spaces emerged as key demand drivers for office spaces. These sectors account for 39% of the pan-India absorption in Q3 2024, an increase of 20% from the previous quarter. Conversely, the share of IT-ITeS sector declined from 38% in Q2 2024 to 23% in the current quarter. This demand shift may alter the demand-supply dynamics across the country.

Q3 2024 recorded the highest quarterly absorption rate in 2024, totalling 18.61 million square feet amid heightened geopolitical tensions in the Middle East. Moreover, an increase of 17% over the previous year and 9% compared to the last quarter in absorption could be attributed to India's robust GDP growth compared to other major economies of the world which lured several large MNCs to lease new office spaces or expand. Following the same trend, new completions also increased by 3% over the previous quarter, reaching 12.80 Mn sq ft in Q3 2024. However, construction activities have reduced by 4% compared to the corresponding quarter of last year.

Amid robust absorption and healthy supply, pan-India vacancy was reduced by 90 bps over the previous quarter, reaching 14.8% in Q3 2024. Despite a reduction in vacancies across the top cities, average rentals remained range-bound over the previous quarter.

City-wise Analysis

- Southern cities (Bengaluru, Chennai, and Hyderabad) accounted for 61% of the pan-India absorption in Q3 2024. The share has also increased from 55% in Q2 2024 which could be attributed to a significant increase in leasing activities across the major micro-markets of Bengaluru.

BFSI and Flex Spaces Emerged as Key Demand Drivers for Office Spaces, surveys Vestian

Office Market Summary: Q3 2024

City	Absorption (Mn sq ft)	Y-o-Y Change (%)	Q-o-Q Change (%)	New Completions (Mn sq ft)	Y-o-Y Change (%)	Q-o-Q Change (%)
Bengaluru	6.63	84%	56%	3.60	33%	3%
Chennai	2.01	NIL	15%	0.50	-58%	-29%
Hyderabad	2.79	-25%	-18%	4.10	-25%	41%
Mumbai	2.25	-2%	-34%	0.90	NIL	-73%
Kolkata	0.11	-45%	-52%	0.00	-100%	NA
Pune	2.33	112%	-19%	1.40	-26%	180%
NCR	2.49	-17%	118%	2.30	360%	53%
Total	18.61	17%	9%	12.80	-4%	3%

Source: Vestian Research

- Bengaluru's share in absorption rose significantly from 25% in Q2 2024 to 36% in Q3 2024. On the other hand, the share of Mumbai reduced from 20% to 12% during the same period.
- Bengaluru continued to top the charts with 6.63 Mn sq ft absorption in Q3 2024 while Hyderabad followed with 2.79 Mn sq ft. Moreover, NCR witnessed the highest quarterly increase of 118% in terms of value owing to the sudden rise in office space take-up by flex spaces.
- All the cities except Mumbai and Chennai reported an uptick in construction activities during Q3 2024. New completions reduced by 73% in Mumbai whereas Chennai registered a decrease of 29% over the previous quarter.
- Hyderabad reported the highest new completions of 4.10 Mn sq ft in the past four quarters whereas construction activities remained muted in Kolkata during the same period stated above.
- Hyderabad dominated new completions with 32% share in Q3 2024, closely followed by Bengaluru at 28%. The share of Hyderabad increased from 23% in Q2 2024 while Bengaluru's share remained stable.
- While average rentals remained stable in Kolkata during the current quarter, Bengaluru witnessed the highest appreciation of 1.1% over the previous quarter.
- Bengaluru and Pune have vacancies in single-digit, 8.2% and 7.2% respectively.

CHENNAI PROPERTY

(A fortnightly publication)

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For enquiries, contact:
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26/10 South Mada Street, Sri Nagar Colony, Saidapet, Chennai 600015.
Tel. 42043857, 91766 27139
Email: priyapublications@gmail.com

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REALTY UPDATE

CONSTRUCTION COSTS ROSE 11% THIS YEAR

India's overall construction costs rose up to 11% annually across residential, commercial and industrial segments in 2024.

After a period of sharp rise in prices of key construction materials over the last few years, prices have relatively stabilised in 2024. According to Colliers, the pace of rise in prices of key materials including cement, steel, copper and aluminium have slowed down on an annual basis during 2024, across major real estate markets. In fact, average cement prices have seen the maximum decline by 15% on an annual basis. At the same time, average steel prices, have seen a marginal 1% decrease over the last 12 months. Despite the decrease in average prices of cement and steel, overall construction cost has increased by up to 11% YoY due to significant increase in labour costs.

Marginal to moderate increase in fuel costs and in the average prices of aluminium, copper, sand, brick, glass, wood etc. have also contributed to the overall increase in construction cost. This rise is more significant in the residential segment.

Amongst the key construction materials, the average price of steel and aluminium has remained relatively stable since 2022. In contrast, average cement prices have declined significantly and currently stand at INR 253/50 kg bag - the lowest level since 2020. Conversely, copper prices have been fluctuating more as compared to other key construction materials. Average copper prices reached an all-time high of INR 783/kg in October 2024.

Rising labour rates affecting construction cost

Rising cost of construction in India is significantly influenced by increasing labour costs in the private sector, driven by high demand for construction workers, especially in the major cities. Given the heightened demand for homes, offices, shopping malls, retail outlets, industrial warehouses etc., labour retention and accommodation expenditure have attained criticality during the construction phase. Moreover, spiralling labour costs can be attributed to the high cost of living in urban areas and regulatory changes aimed at improving worker welfare. Overall, escalating labour costs are stretching construction budgets, impacting operational expenses and leading to higher overall project costs.

Impact Analysis:

Residential : As of October 2024, cost of construction for residential segment witnessed an 11% increase YoY. With rising cost of construction, developers are relooking at their strategies, especially while catering to the price-sensitive consumer base.

Additionally, higher borrowing costs have prompted developers to opt for cost optimisation in their procurement strategies. Construction cost increase can potentially reduce profitability margins of developers, especially in the affordable housing segment.

Commercial : As of October 2024, cost of construction for commercial segment was at around INR 2,850/sq ft. Although, construction cost in the segment grew by 6% annually, new supply in the office market continued to remain upbeat, led by healthy demand. 2024 has already witnessed 37 million sq ft of new completions in the first nine months of the year.

Driven by long-term financial benefits and heightened occupier demand for quality office spaces, developers are increasingly using energy-efficient and sustainable materials in their commercial space offerings.

Industrial : The cost of construction for the industrial segment largely remained stable in the last year. However, as compared to the initial years of the pandemic in 2020, construction cost in 2024 has increased by 27%.

With relative stability in construction cost in the industrial segment and steady uptick in warehousing demand, new industrial supply has largely been as per scheduled timelines. The top five cities of the country are likely to witness new supply to the tune of 25-30 million sq ft in 2024.

Moreover, in tandem with evolving demand requirements, developers are increasingly focusing on automation and sustainable elements in their under-construction projects. Additionally, developers are continuously reassessing their cost-revenue structures, anticipating potential volatilities in future construction cost.

DUBAI SPECIAL EDITION

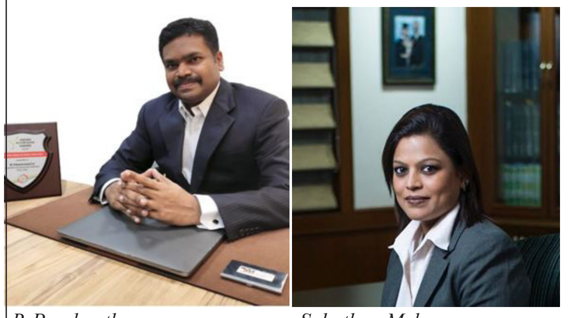
SNAPSHOTS

AKM & 5ive Legal strategic merger announced

AKM and Associates LLP ('AKM'), a team of multifaceted lawyers, has navigated, evolved its practice successfully through India's policies on liberalisation, ease of governance, new enactments, make in India initiatives, Transition of insolvency regime, RERA, GST etc., to providing advice through various committees to government both state and centre.

5ive Legal, a lean but internationally strong corporeal team fuelled by Cross border transactions, securitisation, international structuring, tech, AI, equity and debt financing, not only adds to AKM's legacy as a pioneer in corporate litigation and ADR but shall provide an edge, the very nutrition of diversity and the language of legal encompass.

Subathra Mylsamy, managing partner said "While we will have AK Mylsamy continuing as a chairman and advisor, we also take pride in our other senior partners and advisors who have been part of this great journey. This merger will also bolster our International legal practice as we remain ever committed to our values and ethos".



R Prashanth, Managing Partner — *Subathra Mylsamy, Managing Partner*

Prashanth, managing partner had indicated that this merger will strengthen the litigation practice in India and feels there is immense potential and growth that can be garnered from other cities as well through strategic investments and partnerships.

It is said that K.K. Balu - senior partner (ex-company law board chairman), Sarah Abraham - partner, Sudhakar - consultant -director tax advisory, R. S. Mani - advisor form part of the extended senior team.

Chairperson SIRC of ICMAI awarded Certificate of Recognition

Dr. CA. CMA. CS. Divya Abhishek, chairperson FICCI Ladies Organisation and chairperson SIRC OF ICMAI (2023-2024) was awarded the Certificate of Recognition by the Govt of Tamil Nadu in the presence of deputy chief minister of Tamil Nadu Udhayanidhi Stalin and senior IAS officers at the launch of the TN-RISE Scheme.

Udhayanidhi Stalin acknowledged the valuable contribution of Dr. CA. Divya Abhishek towards women empowerment for providing sustainable business model for women entrepreneurs.

Decarbonising India's Built Environment

Prestige Group has hosted an influential thought leadership event, Decarbonising India's Built Environment', in partnership with Infosys, Indian Institute for Human Settlements, and @ ASSURE. The event brought together leading voices from corporate, real estate and sustainability and was honoured by the presence of @ Nandan Nilekani and Prestige Group's Chairman, Irfan Razack. Keynote speaker Peter Rumsey, PE, FASHRAE Adjunct Lecturer in Civil & Environmental Engineering at Stanford University, delivered invaluable insights by inspiring attendees to accelerate their commitment to sustainability and responsible development.

This gathering provided a pivotal platform for exploring collaborative strategies to transform India's built environment and achieve ambitious sustainability goals. Peter Rumsey, PE, FASHRAE highlighted a holistic approach to decarbonisation, using Infosys as a prime example of how sustainable investments can generate significant long-term benefits. "Infosys has saved $240 million over the years through sustainable energy practices," he shared, underscoring the value of strategic investment in energy efficiency.

Adding to the dialogue, Aromar Revi of Indian Institute for Human Settlements spoke about the critical need for High-Performance Buildings (HPBs) that are 'Factor 2 to Factor 4 Efficient'. Aromar Revi expressed that HPBs have the potential to be game-changers capable of addressing India's climate, business, and innovation goals.

@ Nandan Nilekani echoed these sentiments, reflecting on Infosys' commitment to long-term sustainability and expressing his vision for India.

Prestige Group's Chairman, Irfan Razack, brought attention to the growing expectations from occupiers and investors, noting that "93% of occupiers are demanding more than green certifications; they are looking for sustainable practices that genuinely make a difference." He urged the industry to prioritise actions over labels, advocating for a collaborative approach among builders, developers, architects, and designers to create a repository of knowledge.

Realty Equity Investments projected between US$10-11 billion this year

The projection for 2024 equity investments in the growing real estate market in India has been estimated at US$10-11 billion, considered highest-ever reported, which underscores continued investor interest, according to Anshuman Magazine, CBRE India.

Sales during this period exceeded 225,000 Units during first nine months, fuelled by approximately 215,000 new launches. Significantly, the premium and luxury housing categories contributed 16% to the overall housing sales from January to September 2024, up from 6% in 2019

DUBAI SPECIAL EDITION

REALTY DATA

Construction Material Prices across Cities

Description	UoM	Ahmedabad	Bengaluru/	Hyderabad	Chennai	Delhi-NCR	Kolkata	Mumbai	Pune
GCement	Grade 43	Rs/50 kg bag	380 to 410	380 to 410	380 to 410	380 to 410	380 to 410	380 to 410	380 to 410
Steel	Reinforcement	Rs/mt	69,000 to 71,000	69,000 to 71,000	69,000 to 71,000	69,000 to 71,000	69,000 to 71,000	69,000 to 71,000	69,000 to 71,000
	Structural steel	Rs/mt	81,000 to 84,000	81,000 to 84,000	81,000 to 84,000	81,000 to 84,000	81,000 to 84,000	81,000 to 84,000	81,000 to 84,000
CP Coils		Rs/mt	95,000	95,000	95,000	95,000	95,000	95,000	95,000
Rockwool Insulation (50 kg density) – 50 mm thick (for double skin roof		Rs/sqm	160	160	160	160	160	160	160
Electrical – AI cables	4Cx 4 sqmm Al.Ar. Cable	Rs/mtr	145 to 165	145 to 165	145 to 165	145 to 165	145 to 165	145 to 165	145 to 165
Electrical – CU Cables	4Cx 2.5 sqmm Cu.Ar. Cable	Rs/mtr	215 to 225	215 to 225	215 to 225	215 to 225	215 to 225	215 to 225	215 to 225
	4Cx 4 sqmm Cu.Ar. Cable	Rs/mtr	255 to 280	255 to 280	255 to 280	255 to 280	255 to 280	255 to 280	255 to 280

Source: *Savills India Cost Benchmarking Data* ***Note:*** *Cost data is as of H1 2024.*

Trends in Cost of Construction (October 2020 – October 2024)

Cost of construction (Rs/sqft)	Residential	Commercial	Industrial
October 2020	2,000	1,850	1,875
October 2021	2,200	2,100	2,000
October 2022	2,300	2,450	2,100
October 2023	2,500	2,700	2,300
October 2024	2,780	2,850	2,380
YoY change (Oct '24 vs Oct '23)	11%	6%	3%

Source: Colliers India

DUBAI SPECIAL EDITION

REALTY UPDATE

IMMENSE POTENTIAL FOR REITs IN INDIA

Vestian's latest report on 'REITs: Reshaping India's Commercial Space' states that 60% of India's total Grade-A office space qualifies as REIT-worthy, highlighting the upside potential of REITs to transform the commercial real estate investment landscape. However, India's REIT market is currently at a nascent stage compared to major global economies with only four listed REITs, covering an area of 125 Mn sq ft across the retail and office markets.

Gradually, REITs are becoming popular among foreign and domestic investors owing to attractive returns in the form of dividends. Since their inception, REITs have distributed INR 16,800 crore, more in dividends compared to the entire NIFTY Realty Index. Despite producing better returns compared to the NIFTY Realty Index, the market capitalization of REITs remains relatively low. India has a market capitalization of 13.7% of the total listed real estate sector which is low compared to mature markets such as the USA (98.9%), Australia (94.8%), and UK (92.5%).

Moreover, Embassy REIT, Mindspace REIT, Brookfield India REIT, and Nexus Select Trust REIT generated returns of 24%, 18%, 6%, and 39% respectively since their inception. On the other hand, BSE Realty Index has provided higher returns (317% in the past 66 months) compared to REITs. However, favourable regulatory environment, better returns on investment, and a rapidly expanding office market are likely to provide impetus to the REITs market in India.

City-wise Analysis

Among India's top seven cities, Bengaluru leads the pack with 33% share of the total REIT-worthy stock. It is followed by Hyderabad and NCR with 21% and 15% shares respectively. While Mumbai and Pune together account for 21% of India's REIT-worthy stock, Chennai holds 10% and Kolkata contributes a mere 1%.

City	Grade A Stock (Mn sq ft)	REIT –worthy Stock (Mn sq ft)	Building Value (INR Lakh Cr)
Bengaluru	267.4	171.2	1.35
Chennai	82.6	50.9	0.35
Hyderabad	150.0	110.9	0.71
Kolkata	27.4	6.7	0.02
Mumbai	147.5	70.3	1.14
NCR	131.3	78.3	0.63
Pune	77.8	37.9	0.30
Total	884.1	526.3	4.50

Source: Vestian Research

Hyderabad boasts the highest proportion of REIT-worthy stock, accounting for approximately 74% of the city's total office inventory, while Kolkata holds the lowest share at around 24%. Notably, the majority of REIT-worthy assets are concentrated within the commercial hubs of these cities, driven by the presence of branded Grade-A office buildings in these prime locations.

Sustainable REIT-worthy Stock

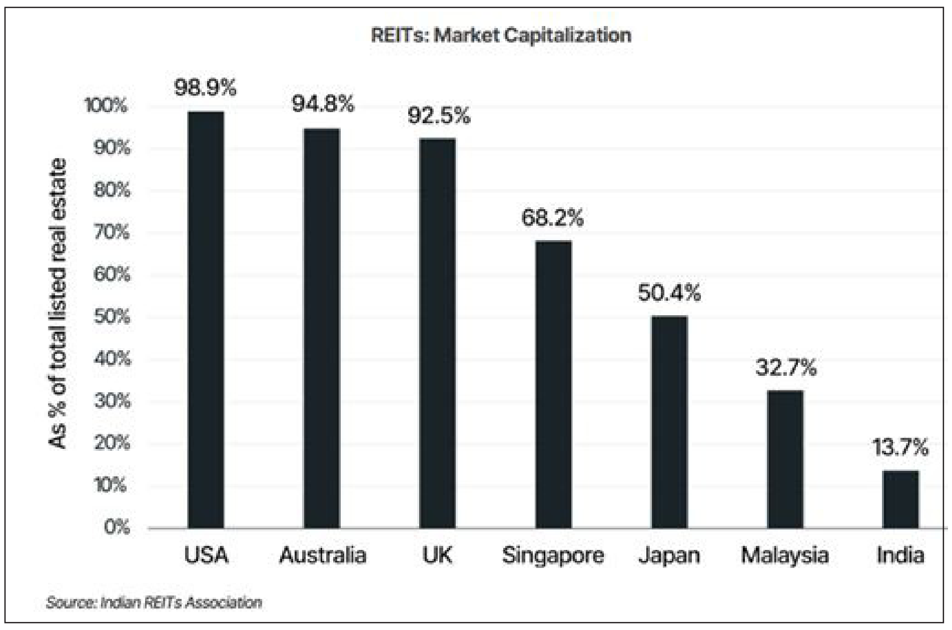
Nearly 67% of the total REIT-worthy stock in India is green-certified, highlighting the increasing focus on sustainability among Grade-A developers. According to our report on sustainability, green-certified buildings command a rental premium of 12-14% over non-green buildings. This makes them an attractive investment option, as higher rental yields can lead to greater dividend distributions for investors.

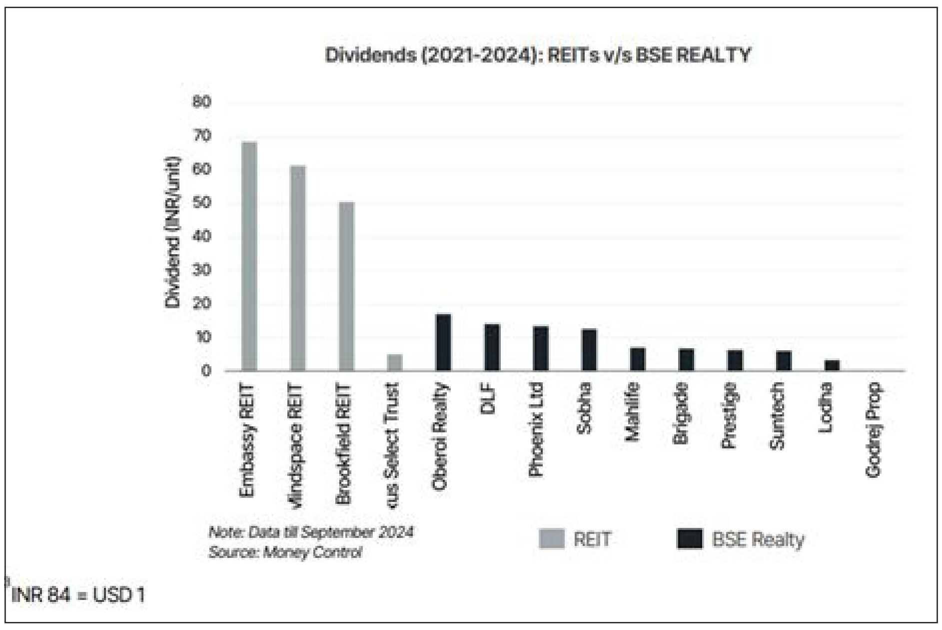
Future of REITs

The future of REITs in India looks promising with mutual funds and corporations gradually increasing their stakes in REITs. Many are also planning to launch dedicated schemes based on REITs' performance in the stock market. These developments could enhance liquidity for REITs, enabling them to secure funding more efficiently and at competitive rates. Furthermore, REITs are expected to be an indispensable investment tool to diversify investor portfolios and provide consistent income.

In a nutshell, currently REITs are at an early stage of growth in India but are gradually expanding, driven by favourable regulatory environment and proactive government policies from the SEBI. As the regulatory environment matures, India is likely to witness more and more REIT listings with expansion into new real estate segments. Additionally, the launch of SM REIT is a step in the right direction, tapping into smaller value assets and improving liquidity in the real estate sector.

> With Rs 4.5 lakh crore prime REIT-worthy stock, REITs are expected to be an indispensable investment tool to diversify investor portfolios and provide consistent income, says *Vestian survey*





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DUBAI SPECIAL EDITION

REALTY SCENARIO

EQUITY INFLOWS IN REAL ESTATE TOUCHED US$8.9 BILLION IN 9 MONTHS

Investment activity in India's real estate market scaled a new peak in the first nine months of 2024 due to a resurgence in capital deployment in the July to September quarter. Equity capital inflows touched USD 8.9 billion between January and September, registering a 46% Y-o-Y growth. The strong momentum in deal volume continued, with about 200 deals reported during this period, compared to 151 deals in the same period last year. The average deal size also increased to nearly USD 45 million in the first nine months of 2024 from about USD 36 million in 2023. Mid-sized deals, ranging between USD 10-50 million, represented 56% of the total investment inflows during this period, says a survey by CBRE.

Gateway cities such as Delhi-NCR, Mumbai, and Bengaluru remained the preferred markets with a cumulative share of over 63% in investment inflows in January-September 2024; Delhi-NCR witnessed the highest share of ~26% in capital inflows (amounting to ~USD 2.3 billion).

Land / development sites and office sector drive investment inflows

The office sector witnessed a resurgence of inflows during January-September 2024, with a nearly 50% Y-o-Y growth. Land / development sites and the office sector cumulatively attracted more than 70% of the investment flows during this period. Residential, retail, and mixed-use sectors also experienced a significant rebound in capital inflows, capturing a healthy share of the overall capital inflows in the first nine months of 2024. Nearly 64% of the capital inflows in the land / development sites went into residential developments.

Institutional and domestic investors drive capital inflows

Institutional and collective vehicle investors continued to be a major source of capital deployment in the Indian real estate sector, accounting for nearly 40% of the overall investments from January to September. Developer companies led the total capital inflows with more than 41% share in this period. Domestic investors (predominantly developers) invested nearly US$ 6 billion during the first nine months of the year, dominating the overall capital inflows with an almost 65% share. In comparison, foreign investors contributed about USD 3.1 billion during the same timeframe. Notably, North American and Singaporean investors were the significant contributors, representing approximately 85% of all foreign capital inflows.

Debt financing reaches a new high

Debt financing in the real estate sector soared to a new peak in January-September, surpassing US$ 4.7 billion and marking a more than twofold increase compared to the same period last year. A significant portion of this financing, around 60%, was channelled into key markets such as Delhi-NCR, Mumbai, and Bengaluru, underscoring their pivotal role in the sector's growth. Moreover, the sector's adaptability was evident in the prevalence of multi-city deals, which accounted for over 30% of the total debt financing share.

Market Performance in 2024 (Jan-sept)

As institutional investors and foreign capital made a strong comeback, equity inflows reached US$ 8.9 billion in January-September. Land / development sites and the office sector accounted for more than 70% of the equity inflows, while debt financing exceeded US$ 4.7 billion during this period.

Delhi-NCR, Mumbai, and Bengaluru remained the preferred markets from a capital inflows standpoint, with a cumulative share of over 63%. Tier-II and III cities witnessed overall investments of US$ 0.6 billion during this period, while land, retail, and I&L sectors together accounted for more than 90% of the overall investment share.

Investors' interest in alternate sectors such as infrastructure, healthcare, BFSI, and retail & e-commerce resulted in healthy investment numbers in the January-September.

While infrastructure was the most preferred sector, drawing investments worth around US$ 9 billion during the same period; data centres and renewables sectors also witnessed heightened debt investment activity.

Few fractional ownership platforms (FOP) have already started the process of registering as SM REITs. These regulations were introduced against the backdrop of India's REITs and InvITs5.6 demonstrating sustained growth, cumulatively mobilising Rs 1.3 trillion between FY2019-20 and March 2024.

Growth and controlling stake / buyout as an investment strategy was strong between January and September, with robust activity witnessed on the debt funding side as well. Equity-deal volume was nearly 1.5 times compared to the same period last year, with mid-sized deals dominating RE investments. Debt deal volume also doubled compared to the same period the previous year.

Outlook

Due to a resurgence in investment inflows in built-up office assets and a strong acquisition pipeline for land in the residential sector, CBRE estimates that overall equity investments in 2024 to be in the region of US$10 – 11 billion range.

SEBI's SM REITs framework is expected to institutionalise the RE market by fostering greater transparency and attracting a new set of investors. CBRE Research estimates that the potential market for SM REITs in India spans over 300 million sq. ft. of completed commercial office space, besides an additional 50 million sq. ft. of space expected to be completed by 2026. This translates into an estimated market size of over USD 60 billion.

Adopting growth and controlling stake / buyout investment strategies signals the long-term commitment and confidence that investors instill in India's RE market. Additionally, deal volumes picking pace indicates a wider array of assets gaining access to debt / equity funding.

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DUBAI SPECIAL EDITION

REALTY UPDATE

APAC investor optimism set to boost institutional investments in Indian Realty in 2025

India likely to see heightened institutional real estate investments in 2024, momentum to accelerate further in 2025.

Colliers' Asia Pacific Report: 2025 Global Investor Outlook** (https://www.colliers.com/en-in/research/global-investor-outlook-2025) report anticipates significant opportunities for cross-border investments and renewed market activity in 2025, highlighting growing optimism in the APAC real estate market. The report reveals a local investment landscape gearing up for a lower interest rate environment in many markets, following a prolonged inflationary period that kept many investors on the sidelines. Expectations of rate cuts, along with factors such as continued narrowing of pricing and valuation gaps, are expected to help drive transaction volumes in the APAC region, particularly in the office and logistics sectors.

Key APAC survey findings include:

- 69% of APAC survey respondents intend to allocate more than 30% of their total global assets under management (AUM) to real estate in the next five years.
- 68% expect regional economic growth to have a positive impact.
- 67% plan to invest in the region in 2025, as industrial and office sectors continue to be APAC investors' top choice in 2025.
- 61% plan to invest in industrial and logistics, office and multi-family/build-to-rent sectors in 2025.
- 61% of APAC respondents planning to invest in the office sector intend to invest in core or core-plus CBD office assets.
- Nearly 90% expect their ESG-compliant office assets to achieve some value premium over the next three years.

Positive signals of heightened real estate investments in the APAC region also augur well for India. Coupled with strong domestic economic growth prospects, India looks uniquely positioned to attract both domestic and foreign institutional investments in the coming years. Interestingly, capital inflows from countries in the APAC region have been on the surge in recent years.

India's real estate sector continues to attract robust institutional investments, underscoring sustained investor confidence. Since 2021, institutional inflows have totaled USD 19 billion, with investment volumes rising each passing year. This growth is fueled by surging demand across core real estate segments. While office assets have driven over 40% of inflows during the last four years (2021-24), both industrial & warehousing and residential sectors are now seeing accelerated momentum in recent years.

Colliers' 2025 Global Investor Outlook survey shows 68% of Asia Pacific investors expect regional economic growth to have a positive impact, says *Colliers survey*

Trends in Foreign institutional investments in India (2021- 2024*)

	2021	2022	2023	2024*
Overall Investments (USD million)	4,078.9	4,878.0	5,380.4	4,677.1
Share of foreign investments in overall investments	83%	70%	67%	69%
Top 3 investor countries with their share in overall investments (%)	USA (42%) Canada (18%) Singapore (15%)	Singapore (21%) Canada (21%) USA (12%)	Singapore (28%) Canada (24%) USA (8%)	Singapore (21%) USA (21%) UAE (16%)

Source: Colliers

Note: *The institutional flow of funds includes investments by family offices, foreign corporate groups, foreign banks, proprietary books, pension funds, private equity, real estate fund-cum-developers, foreign-funded NBFCs, listed REITs and sovereign wealth funds. The data has been compiled as per available information in the public domain | For investment deals involving multiple countries, an equal share is considered for each participating country I * Jan-Sep 2024*

Continuing the momentum of the past three years, institutional investments in Indian real estate in 2024 are poised to surpass 2023 levels, driven by robust investments in office, industrial & warehousing, and residential sectors. In the first three quarters of 2024 alone, investments have reached USD 4.7 billion, accounting for 87% of the inflows in the entire year of 2023. This momentum also sets a promising tone for institutional investments across real estate asset classes in 2025.

"The office sector is likely to have its best year in India, with record absorption fueled by GCCs and domestic demand. The residential sector is witnessing strong end-user sales. Equity capital in Indian real estate is now more diversified, with an increasing share of domestic capital." said Piyush Gupta, Managing Director, Capital Markets & Investment Services at Colliers India.

Institutional investments by APAC countries into India during Jan-Sep 2024 (USD mn)

Overall investments during Jan-Sep 2024 (USD mn)	= 4677.1
Investments by APAC countries* into India (USD mn)	= 1328.2
Share of APAC countries in overall investments	= 28%

Source: Colliers

Note: * *Includes investments from other countries in the APAC region such as Singapore, Australia & Japan and do not include domestic investments. For investment deals involving multiple countries, an equal share is considered for each participating country.*

"The evolving real estate landscape in India offers compelling opportunities for investors across both core and non-core segments in 2025. The office sector will continue to present increased opportunities in developmental assets, while rising and evolving consumption patterns and strong demand from e-commerce and third-party logistics (3PL) players will bolster the industrial and warehousing sector. Residential real estate, meanwhile, is likely to witness increased investor participation in joint venture platforms, redevelopment projects in Tier I cities. Additionally, with evolving demographic patterns, investments in alternatives such as data centers, senior living, student housing, schools, life sciences, holiday homes etc. will continue to hold immense long-term potential." said Vimal Nadar, Senior Director and Head of Research, Colliers India.

Asset-wise split of the overall investments by APAC countries

Asset	Share in overall APAC investments %)
Office	64%
Residential	22%
Industrial & logistics	10%
Mixed use	4%

Source: Colliers

"Logistics is very much a core strategy now for investors and it's definitely become mainstream. Investors are specifically targeting assets like data centers, last-mile logistics and cold storage, with interest centered in markets like Japan, Australia, and South Korea. There's also a lot of demand for alternatives as investors look to diversify the way they invest in real estate. But the biggest challenge, not just in Asia Pacific but globally, is that there's still a lack of investable grade assets in a lot of these sectors, whether it's senior living or life sciences. We don't expect supply to ramp up in 2025. But as future strategies they have really strong potential." Said Chris Pilgrim, Colliers' Managing Director of Global Capital Markets, Asia Pacific.

The 2025 Global Investor Outlook is based on a series of interviews conducted with senior Colliers experts as well as a survey of around 1,000 property investors in October and November 2024, nearly 400 of whom were from APAC.

** *The Asia Pacific Report: 2025 Global Investor Outlook highlights on-the-ground perspectives from senior Colliers experts in the APAC region along with the key regional market insights from the survey of the company's international investor client base globally.*

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■ **Overall construction cost rises up to 11% annually across residential, commercial and industrial segments in 2024**

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Capital Gain Tax – Holding Period of The Property

■ CA ANITA BHADRA

The holding period of the property to compute Capital Gain tax is always a subject matter of controversy between the taxpayer and the department. The holding period determines the nature of capital gain i.e. Long-term or Short-Term.

1.1 The above difference is clarified by the recent decision of the Honourable ITAT (Mumbai bench) in the case of Minaxi Mahesh Pawani v. ITO. It is held that the holding period shall be computed from the date of the allotment letter and not the date of registration of sale agreement.

1.2 In this article an attempt has been made to simplify the facts of the case and the relevant points discussed in Tribunal before giving the decision.

2. BRIEF FACT OF THE CASE: Ms. Minaxi booked a flat on an under-constructed property and the flat was allotted to her vide allotment letter dated 15.02.2010. The agreement was executed on 13.05.2014. As the completion of the project was getting delayed, she sold the under-constructed flat to Mr. Manoj on 28.08.2015 and re-invested the sale proceeds to purchase other residential property.

2.1 Ms. Minaxi claimed exemption of Capital Gain from the sale of the said flat under section 54. The assessing officer disallowed deduction, saying that the assessee sold the right to property conferred by allotment letter, not the property itself, and treated gain from property sale as SHORT TERM CAPITAL GAIN.

2.2 Aggrieved by this, she filed an appeal before the Tribunal. It was held by the Mumbai Branch of ITAT that where the assessee sold right to an under-construction flat conferred by an allotment letter by a builder, the holding period should be computed from the date of allotment letter and not date of registration of agreement of sale between assessee and builder.

3. COMPUTATION OF CAPITAL GAIN TAX BY ASSESSING OFFICER: Ms. Minaxi was allotted a flat vide allotment dated 15.02.2010. The total consideration was Rs. 65,00,100/- out of which a 20% advance of Rs.13,00,000/- was paid upfront by her, duly acknowledged by the builder in the letter of allotment. For the balance payment of Rs 52,00,100/-, the said allotment letter described a schedule based on various milestones to be achieved for completing the construction of the flat. The said letter also specified acceptance by the assessee of all the other charges, taxes, and deposits as extra payments.

3.1 The agreement was executed on 13.05.2014 and in the agreement, the payment of Rs. 69,84,088/- made by the assessee towards the part consideration is acknowledged. The total consideration including all the charges was stated to be Rs. 83,34,155/-. In addition to this consideration, the assessee had agreed and accepted to pay and discharge the amount towards stamp duty, registration charges of Rs.6,76,300/- and other incidental charges towards society formation, etc.

3.2 Subsequently, while the said flat was still under construction, Ms. Minaxi agreed to transfer rights held by her in the said flat for consideration of Rs. 1,55,00,000. The agreement was made and registered with the office of the sub-registrar on 29.08.2015. In this registered sale deed, it was stated that the flat is still under construction and the buyer shall be entitled to take possession of the said flat from the builder.

3.3 Immediately after that Ms. Minaxi invested in buying another flat for a purchase consideration of 1,10,00,000 along with stamp duty and registration charges of Rs.5,80,000/- and claimed exemption under section 54.

4. The assessing officer disallowed the exemption under section 54 and treated the capital gain on the sale of the right to own the property as Short Term Capital Gain. He computed the said STCG as follows:

Sl.	Particulars	Amount (Rs)	Amount (Rs)
(a)	Full value of consideration		1,55,00,000
b)	Agreement value	83,34,155	
c)	Stamp duty and registration	6,76,300	
d)	Total cost of acquisition (b+c)		90,10,455
e)	Short term capital gain (a-d)		64,89,545

5. RELEVANT POINTS DISCUSSED The relevant points discussed in the Tribunal (before giving the decision in favour of the assessee) have been brought out in the succeeding Paragraphs.

5.1 The moot point before the Tribunal was to treat the Capital Gain as long-term or short-term vis-à-vis the two dates under consideration that is the date of allotment which would result in long-term capital gain or the date of registration by which the Assessing Officer has computed the gain as short-term gain.

5.2 It is an undisputed fact that a letter of allotment was issued by the builder to the assessee on 15.02.2010 by which a right to own the flat had accrued on the assessee. The right which accrued to the assessee is the booking right, i.e., the right to purchase the flat and obtain the title. The only question that arises for consideration is whether the booking right to the flat accrues to the assessee on the date of allotment of the flat or on the date of execution and registration of the agreement to sell, i.e., the buyer's agreement.

5.3 The various terms and conditions from the letter of allotment dated 15.02.2010 which have been subsequently recorded elaborately in the agreement to sell registered on 13.05.2014 have been taken note of.

5.4 It is not in dispute that the assessee has not defaulted on the terms and conditions of the letter of allotment. Assessee has made all the payments as required under the letter of allotment which has been duly acknowledged in the subsequent registration of the agreement to sell. Further, the assessee has furnished details of payments made in each of the years.

5.5 In light of the above-stated facts and narrations, one should understand the effect of the letter of allotment issued by the builder to the assessee for the identified flat in the building project.

5.6 The consequence of the issuance of a letter of allotment for the flat signifies a contractual arrangement between the assessee and the builder by which a right in persona is created in favour of the assessee. When such a right is created in favour of the assessee, the builder is restrained from selling the said identified flat to someone else because the assessee in whose favour the right in persona is created, has a legitimate right to enforce specific performance in terms of the said letter of allotment, if the builder, for some reason is not executing and complying with the terms stated therein. Thus, by the letter of allotment, some right to own a property is given by the builder to the assessee.

5.7 A right in personam had been created in favour of the assessee in whose favour the letter of allotment had been issued and who has paid 20% of the total agreed consideration as advance. Further, all other payments for various milestones identified in the said letter have been duly met by the assessee on subsequent dates, and duly acknowledged by the builder.

5.8 Under the present set of facts which have been discussed in detail in the above paragraphs and taking into consideration the judicial precedents referred to above, it is found that the holding period should be computed from the date issue of the allotment letter. Once this is considered, the holding period becomes more than 36 months and consequently the right to own the property transferred by the assessee would be a long-term capital asset in the hands of the assessee and the gain on transfer of the same would be taxable in the hands of the assessee as long-term capital gain.

5.9 In the result, the appeal of the assessee is allowed.

6.0 This decision will help taxpayers involved in the sale of properties (including under construction properties), especially where an agreement is registered quite later than the date of issue of the allotment letter by the developer/ builder,".

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