CHENNAI PROPERTY

January 2025 | A monthly edition | Volume 14 Issue 1 Rs. 15

RESIDENTIAL SCENARIO

Chennai Residential Sales Up 9% YoY

The Chennai residential market demonstrated a 9% YoY increase in sales, reaching 16,238 housing units in 2024. During H2 2024, sales totaled 8,263 units, reflecting a 6% YoY growth. Although sales remained below pre-pandemic levels, the continued momentum suggests that they are likely to surpass pre-COVID levels in the coming quarters, if sustained.

Sales in the Chennai residential market during H2 2024 were predominantly concentrated in the South and West micro-markets, collectively accounting for 84% of the total sales. The South Chennai zone contributed 57%, maintaining its position as a vibrant IT hub and knowledge center, housing renowned IT parks like TIDEL Park and SP Infocity. The zone is further bolstered by thriving healthcare and engineering sectors, modern infrastructure, and cultural landmarks. The West Chennai zone, which accounted for 27% of sales in H2 2024, up from 25% in H2 2023, is steadily emerging as a dynamic IT corridor, evolving from its industrial roots to a diversified area attracting IT investments and fostering a skilled workforce. Central Chennai saw an increase in sales share from 7% in H2 2023 to 10% in H2 2024.

In H2 2024, homes priced between INR 5-10 million in Chennai continued to lead the market, accounting for 43% of total sales, up from 40% in H2 2023. This reflects the sustained demand for mid-segment housing, appealing to middle-income buyers seeking value-for-money options. However, the share of relatively affordable homes priced under INR 5 million, declined sharply to 27% in H2 2024 from 35% in H2 2023. This shift may be attributed to rising input costs, changing buyer preferences, and affordability challenges. Conversely, high-value homes, priced between INR 10-20 million, experienced growing demand, capturing 23% of sales in H2 2024, up from 19% in the previous year. Similarly, homes priced in the INR 2050 million range saw a modest increase, accounting for 7% of total sales in H2 2024 compared to 6% in H2 2023, reflecting an emerging preference for premium housing with superior amenities. The luxury and ultra-luxury segments including homes priced above INR 50 million, maintained a stable share, collectively contributing 1% of sales across both periods, signaling steady but niche demand for high-end properties. These trends underline an evolving residential market in Chennai with increasing buyer interest in mid-to-premium segment homes, and a noticeable decline in demand for relatively affordable housing.

> Mid-segment homes dominated launches in H2 2024, constituting 49%, says *Knight Frank research*

In 2024, Chennai saw the launch of 17,431 residential units, a 7% YoY increase, with 8,576 units introduced in H2 2024, reflecting 5% YoY growth. The southern and western micro-markets dominated, contributing 84% of the total launches in 2024, with South Chennai accounting for 56% and West Chennai 28% in H2 2024. The Central zone saw notable growth, rising from a 7% share in H2 2023 to 12% in H2 2024, while the North zone's share declined from 8% to 4%. Prominent developers, including Casagrand Builder, Jain Housing & Constructions, Puravankara, and NCC Urban, were active in launching projects during 2024. Mid-segment homes (INR 5-10 million) dominated launches in H2 2024, constituting 49%, up from 39% in H2 2023. High-value homes (INR 10-20 million) also increased to 24% from 18%, while affordable housing (<INR 5 million) dropped to 19% from 35%. Luxury and ultra-luxury segments (above INR 50 million) remained niche.

In H2 2024, unsold inventory in Chennai rose by 8% YoY reaching 16,729 units. The INR 5-10 million category, which

Continued on Page 2

Foreign investors dominated institutional investments with 54% share in 2024, accounting for USD 3.7 Bn

OFFICE MARKET

INDIA'S OFFICE MARKET ACHIEVES RECORD ABSORPTION IN 2024

India's office absorption increased by nearly 16% YoY to touch 79.0 million sqft last year, a historic peak for India's office market. Absorption in 2024 was led by Bengaluru with about 28% share, followed by Hyderabad, Mumbai, Delhi-NCR at 15% each, says CBRE survey.

In 2024, about 52.3 million sqft of new completions were witnessed, with a decline of 9% YoY. In 2024, technology companies witnessed an uptick in office space absorption, accounting for a share of 24% in the overall space take-up, followed by flexible space operators (19%). BFSI firms (16%) and engineering and manufacturing (E&M) companies (9%). Domestic firms continued to lead the last year's space take-up with a share of 45%. Leasing by Indian firms was primarily driven by flexible space operators, technology firms, and BFSI corporates during the war.

Outlook for 2025

India's real estate market experienced a heightened phase of expansion and transformation in 2024, positioning it as a standout year in the sector's history. Despite challenges such as monetary tightening and local uncertainties, the market performed better than anticipated. The country's economy showcased resilience throughout the year and is expected to carry forward this positive momentum into 2025, driven by robust domestic growth and continued investments.

GCCs and diversified demand to propel office sector's growth trajectory

GCCs maintained a strong presence in 2024, contributing 35-40% of the overall leasing activity in India and registering an over 20% growth compared to 2023. Global firms have actively established and expanded their GCC operations by capitalising on the country's skilled talent pool and a favourable business climate. This growth momentum is expected to persist into 2025, with new entrants setting up global centres and existing firms scaling their facilities.

In addition, a diversified occupier base, fuelled by economic growth and strategic policy measures, would shape India's office space absorption trends in 2025. Leasing activity from sectors beyond technology, increasing contributions from emerging markets, and the growth and consolidation of domestic firms' portfolios are poised to drive the country's office market.

Investment-grade supply to accelerate shift to future-proofed assets and enhanced employee experience

India's office supply pipeline is projected to remain strong in 2025, with the anticipated introduction of several high-quality, investment-grade assets. Bengaluru, Hyderabad, and Delhi-NCR are expected to lead the completions, followed by Pune, Mumbai, and Chennai. The December 2023 policy allowing partial denotification of special economic zone (SEZ) assets is likely to lead to wider options for occupiers as such spaces come into mainstream supply.

The strong office leasing witnessed in 2024 has resulted in reduced vacancies across key micro-markets. An anticipated demand surge in 2025, would likely exert downward pressure on vacancies and result in rents rising across key micro-markets.

Green-certified buildings

The focus on sustainability is set to shape office developments in 2025, with green building practices becoming increasingly prevalent. LEED and IGBC-certified buildings are expected to become the norm, driven by the dual requirements of operational efficiency and regulatory compliance. Developers are likely to emphasise eco-friendly construction methods, sustainable materials, and energy-efficient designs to cater to environmentally conscious investors and occupiers.

Government initiatives, including tax incentives, are set to encourage the adoption of sustainable real estate practices, making green development more attractive to builders. Reflecting this trend, over 60% of the office supply pipeline over the next two to three years is anticipated to be green-certified, highlighting the industry's shift towards environmentally responsible construction.

CHENNAI PROPERTY

(A fortnightly publication)

ADVERTISING RATES

Display advertisements

Basic rate (B&W)	Rs 100 pcc
Basic rate (Colour)	Rs 150 pcc
Page 1 (Colour)	Rs 200 pcc
Back page (Colour)	Rs 200 pcc
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.

Chennai Property is published on 1st of every month.

Layout and design : Fairy M. Tel: 9884833854

For enquiries, contact:

Priya Publica tions
26/10 South Mada Street, Sri Nagar Colony, Saidapet, Chennai 600015.

Tel. 42043857, 91766 27139
Email: priyapublications@gmail.com

Published by : N Bhanumathy
Editor : V Nagarajan

Continued from Page 1

Chennai Residential Sales Up 9% YoY

accounts for the majority of sales in Chennai, experienced the most significant increase in inventory, surging by 47% YoY. Despite this, the category maintained a strong quarters-to-sell (QTS) ratio of 3.5, reflecting high sales velocity. The INR 10-20 million category saw a 7% YoY increase in inventory, with a QTS of 5.8, indicating steady absorption. Conversely, the INR 20-50 million and below INR 5 million categories recorded YoY declines in inventory of 14% and 13% respectively. The QTS for these segments stood at 2.6 and 4.7 respectively. High-ticket residential segments showed notable increases in inventory, with homes priced between INR 50-100 million and INR 100-200 million experiencing a YoY rise of 129% and 91% respectively, albeit from a smaller base. These segments recorded QTS values of 2.4 and stable share, collectively contributing 1% of sales across both periods, signaling steady but niche demand for high-end properties. These trends underline an evolving residential market in Chennai with increasing buyer interest in mid-to-premium segment homes, and a noticeable decline in demand for relatively affordable housing.

In 2024, Chennai saw the launch of 17,431 residential units, a 7% YoY increase, with 8,576 units introduced in H2 2024, reflecting 5% YoY growth. The southern and western micro-markets dominated, contributing 84% of the total launches in 2024, with South Chennai accounting for 56% and West Chennai 28% in H2 2024. The Central zone saw notable growth, rising from a 7% share in H2 2023 to 12% in H2 2024, while the North zone's share declined from 8% to 4%. Prominent developers, including Casagrand Builder, Jain Housing & Constructions, Puravankara, and NCC Urban, were active in launching projects during 2024. Mid-segment homes (INR 5-10 million) dominated launches in H2 2024, constituting 49%, up from 39% in H2 2023. High-value homes (INR 10-20 million) also increased to 24% from 18%, while affordable housing (<INR 5 million) dropped to 19% from 35%. Luxury and ultra-luxury segments (above INR 50 million) remained niche.

In H2 2024, unsold inventory in Chennai rose by 8% YoY reaching 16,729 units. The INR 5-10 million category, which accounts for the majority of sales in Chennai, experienced the most significant increase in inventory, surging by 47% YoY. Despite this, the category maintained a strong quarters-to-sell (QTS) ratio of 3.5, reflecting high sales velocity. The INR 10-20 million category saw a 7% YoY increase in inventory, with a QTS of 5.8, indicating steady absorption. Conversely, the INR 20-50 million and below INR 5 million categories recorded YoY declines in inventory of 14% and 13% respectively. The QTS for these segments stood at 2.6 and 4.7 respectively. High-ticket residential segments showed notable increases in inventory, with homes priced between INR 50-100 million and INR 100-200 million experiencing a YoY rise of 129% and 91% respectively, albeit from a smaller base. These segments recorded QTS values of 2.4 and 9.6 respectively. Overall, despite an increase in inventory levels, Chennai's QTS ratio of 4.3 remains one of the lowest in the country, reflecting robust sales momentum. The mid-to-premium price categories, particularly INR 5-10 million and INR 2050 million, drive market resilience, while the luxury and ultra-luxury segments exhibit varying sales velocities.

Residential prices have increased by 7% YoY during 2024, underscoring the resilience and stability of Chennai's property market. This trend highlights sustained demand for real estate, with notable rises observed in neighbourhoods like Kelambakkam, Mogappair, Perambur and Kilpauk.

Chennai is the center of real estate activity in Tamil Nadu, marked by substantial developments and a thriving property market. With a strong economy supported by port-centric enterprises and established sectors in automobile, engineering, and manufacturing, the city is witnessing a rise in occupier activity. This increase is driving up residential housing demand and the sales volumes are well poised to reach pre-COVID levels in the coming quarters.

SNAPSHOTS

GST Council to amend law to restrict ITC on construction services

Real estate and infra players will have to review their positions on claiming input tax credit (ITC) following the decision by the Goods and Services Tax (GST) Council to retrospectively amend the GST law to restrict ITC on construction services. It is also to be seen whether the retrospective decision is challenged in courts.

India is expected to witness launch of Multiple SM REITs

The introduction of SM-REIT in 2024 has marked a significant step for the industry by formalizing fractional ownership as an investment channel. This development has broadened acquisition opportunities for Alternative Investment Funds and created new avenues for small and mid-tier developers to engage with institutional real estate. By increasing accessibility and efficiency, SM-REIT has the potential to drive notable progress in the sector. Combined with strong private equity inflows, growing asset diversification, and an expanding domestic investor base, 2025 is poised to be a pivotal year for Indian real estate, says Cushman & Wakefield survey.

India is expected to witness launch of Multiple SM REITs

The introduction of SM-REIT in 2024 has marked a significant step for the industry by formalizing fractional ownership as an investment channel. This development has broadened acquisition opportunities for Alternative Investment Funds and created new avenues for small and mid-tier developers to engage with institutional real estate. By increasing accessibility and efficiency, SM-REIT has the potential to drive notable progress in the sector. Combined with strong private equity inflows, growing asset diversification, and an expanding domestic investor base, 2025 is poised to be a pivotal year for Indian real estate, says Cushman & Wakefield survey.

India Property Show held in Dubai

A 2-day property show was held on December 7 and 8 last year in Crowne Plaza on Salah Al Din street in Deira Dubai. Indian property developers exhibited their projects ranging from developed plots to apartments and villas. NRI advisory services were provided to all the visitors during the show. The show drew encouraging response and developers were able to clinch deals during the event.

There is an array of innovative technologies aimed at achieving two primary goals - reducing timelines and increasing quality

REALTY UPDATE

INDIAN REALTY SECTOR – OUTLOOK FOR 2025

ANSHUL JAIN

India's real estate sector closed 2023 on a historic high, breaking records across the board- ~74 MSF in office gross leasing, unprecedented residential market activity, peak flex space transactions, the highest ever data center capacity additions, and surging retail market sentiment. As 2024 began amidst global channels, including geopolitical tensions in the Middle East and the ongoing conflict between Russia and Ukraine, few could have anticipated the remarkable resilience and growth the sector would demonstrate. The exceptional performance, this year, has set new benchmarks and further solidified India's position as a global leader in real estate.

In the commercial office sector, India is likely to end the year with 45-46 MSF of net absorption across Grade-A buildings of top-8 cities. This would account for more than 60% of the demand for office in the Asia-Pacific region, making India the largest office market in the world. Factors contributing to these record numbers include India's ability to move up the value chain on outsourcing deliverables, momentum in domestic demand, and real estate market conditions in major economies like the USA and China. With occupiers increasingly demanding grade A+ space, the gross demand for office real estate is likely to breach 80 MSF, which includes corporates moving from older buildings to new upgraded facilities. On the flip side, supply for high quality office space has been around ~48 msf, sharply reducing the vacancy rate. Our estimates are that this will leave a gap of nearly 20 msf of grade A+ space in the market. For 2025, we anticipate the supply deficit to ease as new Grade-A supply hits the market more frequently. Leasing of office space is expected to see continued strong growth, driven by the momentum in the Global Capability Center (GCC) space and the start-up economy in India.

The retail sector continues to see robust demand for quality spaces as global and domestic retailers expand. Despite supply constraints in 2024, with only 3 MSF of new Grade A mall spaces, 2025 is poised for a revival, with over 8 MSF of fresh supply expected to boost leasing and catering to the growing demand for premium retail spaces. Similarly, the residential market is expected to end 2024 with a record high of 300,000 units launched across top cities. Homebuyers are increasingly seeking better quality lifestyles, and the market is shifting towards more organized and trustworthy developers. We expect luxury and trust to continue being the dominant themes for 2025.

Alternative assets like data centers and logistics have also shown remarkable resilience. Data center capacity additions are expected to reach 230 MW in 2024, with similar or higher growth anticipated in 2025. Mumbai will remain the primary hub, with significant growth in Delhi-NCR, Kolkata, and Chennai. The logistics and industrial sector is expected to maintain strong leasing volumes above 50 MSF in 2024, driven by growth in engineering, manufacturing, e-commerce, and retail. Healthy grade-A warehousing supply is anticipated over the next 2-3 years, particularly in key logistics markets such as Mumbai, Pune, Bengaluru and Chennai.

Private equity inflows into commercial real estate are projected to exceed USD 6.0 billion by the end of 2024, nearing pre-Covid levels. Positive investor sentiment is expected to continue in 2025, driven by favourable economic conditions and asset diversification.

India's near-term consumer confidence and business outlook remain strong, underscoring the resilience of the Indian economy. However, adverse geopolitical developments and higher inflation could pose growth challenges. That said, 2025 holds great promise given India's dynamic economy, strong policy framework, and growing prominence on the global stage. We expect the industry to deliver strong and well-rounded growth across core and alternative assets. We also expect 2025 to be a busy year for capital market activities as interest rates continue to come down and the deployment of funds gets underway.

Mr Anshul Jain is Chief Executive – India, SE Asia & APAC Tenant Representation, Cushman & Wakefield.

FENG SHUI

2025 YEAR OF THE YIN WOOD SNAKE – YI SI

S BS SURENDRAN

The Year 2025 is known as The Year of the Yin wood Snake – Yi Si. The Year of the Snake commences on the 29th January 2025 and ends on the 16th February 2026.

Snake is the 6th animal in the 12 Chinese zodiac signs and is part of the Fire Cycle in the cycle of the season of five elements in Feng shui. In the Year 2025 taking into account the elements in combine and clash based on the Feng shui Destiny Analysis known as the Four Pillars of Destiny or Bazi (Phat chee) the two main elements for the year are Wood & Fire.

Element Yin Fire relates to candle light, twilight, low flame or small fire etc. The characteristics of Yin wood are Subtle like vines and creepers, amenable, charming and yet have strength. The year is a combination of Yin Wood and Fire which would be a productive relationship. It will be a year of joyous celebrations, prosperity and abundance, time to showcase the talent and utilise the prosperous time to garner prosperity and wealth.

Industries which may benefit are fire industries like entertainment , trading, stock, finance, petroleum, fine arts power , energy, entertainment and metal industries heavy engineering, fabrications, steel etc. Water industries like shipping, communication and transport would do well however wood industries are into not so prosperous cycle and earth industries like real estate, mining, construction may face obstacles.

Adapting Feng shui, one can avert the difficult phase in store in the Year of the Snake and mitigate its ill effects and move towards prosperity. Primary focus is to stay healthy, happy and contended which would be quite achievable through proper Feng shui protection both for the home and the occupants and the entire zodiac.

In the year 2025, the animal signs which receive good support from the year zodiac are Rat, Monkey and Dog, . The zodiac which will have to protect and defend from the clash with the annual zodiac sign are Snake, Pig, Sheep and OX. However, with proper protection and care the afflicted zodiac

Sign can also smoothly sail through the year. These Zodiac signs may carry Jade Monkey to mitigate ill effects of the year.

To ensure that the home is well protected apart from the advice for the individual zodiac, following basic Fengshui corrections would be extremely beneficial.

- Place a metal wulou or suspend 6 Chinese coins with red tassel at the Centre sector of the house to overcome the #2 illness star Place a pair of black obsidian tortoise figurine.
- Suspend 6 rods metal wind chime at the Northeast of your home to counter the #5 Misfortune star also referred to in Fengshui as Five Yellows.
- Place a red décor at Northwest of the home and bedroom to counter #3 Disputes/Quarrel/argument star.
- Place 3 bamboo stems in a vase with water at North of the living to protect the house from violence or robbery star.
- Place Piggy Bank at Southeast to activate good luck and wealth.
- Place Rose Quartz Mandarin Duck at West to activate relationship and love luck including marriage prospects.

Adapting simple and practical Feng shui tips for the home and the individual zodiac the Year of the Yin wood Snake can be transformed into a very auspicious and prosperous year.

In short by adapting Feng shui we can sail through smoothly as it is easy to surf with Feng shui than to fight the tides of time.

Mr S.BS. Surendran is an accredited Master Fengshui Consultant, Bioenergetician and Traditional Vaastu Practitioner. (Email: - fengshui@ fengshuiserver.com, Web site: - http:// www.fengshuiserver.com, Ph: - 91-80-25252456 or 25252109).

Capital gains exemption is allowed even if land is purchased (for construction of a new residential house) beyond 2 years from the date of sale of asset

TRENDS

FOREIGN INSTITUTIONAL FUNDS SPEARHEAD INVESTMENT SURGE IN INDIAN REAL ESTATE

Surpassing our estimates, private equity investment inflows into the Indian real estate sector reached USD 4.3 billion (INR 356 billion) in 2024, registering a 10% YOY increase. The continued growth in PE investments underscores the confidence and optimism that both foreign and domestic institutional investors have in the resilience of the Indian economy and its real estate sector. With its strong fundamentals and safe investment opportunities, India remains an attractive destination for capital deployment. Notably, foreign investors accounted for 88% of the total investment activity in 2024, reinforcing their dominant role in driving growth in the sector.

Industrial and logistics segment steals the spotlight, outpacing investments in the office segment

During 2024, investors looked at diversification strategies to include the industrial and logistics segment in their portfolio. This segment claimed the highest share of investments as it outpaced the commercial office segment, which has traditionally led with regard to attracting PE investments. With USD 2.3 billion (INR 194 billion), the industrial and logistics segment captured 54% of the total investment pie. This shift is attributed to the growth opportunities this segment offers, supported by government stimuli. Notably, all investments came from foreign institutional investors and a majority was concentrated in Chennai, Pune and the NCR. The office and residential sectors followed with 29% and 15% of the overall investment share, respectively. However, the office segment continues to remain resilient, supported by factors such as phasing out of work-from-home and a prominent hybrid model leading to increasing office absorption.

Outlook for 2025

2024 reflected a positive trend, despite geopolitical tensions and global economic turmoil. India remains a bright spot in the global economy against a recessionary backdrop of developed markets. This is supported by the country witnessing peak demand for the office segment during 2024 as well as robust end-user interest in the residential segment. The industrial and warehousing segment also witnessed a rise in demand. Private equity in the real estate sector is projected to experience steady growth in 2025, driven by the country's economic resilience and evolving investment strategies. India is expected to clock in approximately USD 4.5 billion - USD 5.0 billion (INR 382 billion - INR 424 billion) of private equity investment in real estate across segments in 2025.

The industrial and logistics sector is likely to remain a key focus area for PE investments going ahead, as India's role as a logistics hub strengthens. Amidst limited investible grade assets, the office segment might see muted investments, while alternative sectors such as life sciences and data centres are poised for prominence. The residential segment is also staging a strong resurgence. With growing homeownership aspirations and increasing demand for luxury housing, private equity funds are anticipated to expand their focus on residential real estate, particularly in the luxury and senior living segments. The market is anticipated to witness a structural shift in the investment landscape with the emergence of Alternative Investment Funds (AIFs).

REALTY UPDATE

PE investments in Residential Sector surges in 2024

The residential sector witnessed significant growth in 2024 with domestic Private Equity (PE) investments playing a pivotal role in driving this momentum. As India's population expands and urbanisation accelerates, there is a sustained demand for accessible and quality housing, creating substantial investment opportunities that are being recognised by PE investors

During 2024, PE investments in the residential sector saw a remarkable surge, reaching USD 1.2 bn, surpassing the total investments of 2022 and 2023. This increase was driven primarily by domestic capital which now constitutes 70% of the investment pie, while foreign investments made up 30%. This shift reflects growing confidence in the domestic market and investor preference for local opportunities. Mumbai, Bengaluru and Delhi NCR attracted the highest investments with Mumbai leading at USD 406 million, followed by Bengaluru at USD 403 million, and Delhi NCR at USD 202 million.

Equity funding dominated the landscape with 75% of the total investments in 2024 coming from equity sources. This highlights investor confidence in the residential sector's growth potential, signalling that they are more willing to take on higher stakes in developments as

opposed to relying on debt. The residential sector is increasingly seen as a lucrative destination for long-term capital, with a growing number of projects being funded at early stages, demonstrating investor optimism about the sector's future.

In addition to the substantial rise in investments, the distribution of funds across the country illustrates the broad appeal of India's residential market. The nationwide interest indicates that the sector's growth is not confined to one region but is a pan-India phenomenon, driven by strong demand in both established and emerging cities.

This surge in PE investments, coupled with favourable government policies and the sector's inherent growth potential, positions India's residential real estate market for sustained long term growth. The involvement of both domestic and international investors, alongside the sector's increasing reliance on equity, marks a transformative phase in its development, ensuring that it remains an attractive investment option moving forward.

PE investments surge was driven primarily by domestic capital which now constitutes 70% of the investment pie, says a survey by *Knight Frank Research*

PE Investments received across India in Residential Sector

City	Investment (US million)
Bengaluru	406
Mumbai	403
Delhi-NCR	202
Hyderabad	92
Pune	46
Chennai	28
Total	1,177

Source: *Knight Frank Research, Venture Intelligence*

During 2024, PE investments in the residential sector saw a remarkable surge, reaching USD 1.2 bn, surpassing the total investments of 2022 and 2023

TAX TALK

Imposing GST on FSI Charges could increase Housing Prices by 10% and Impact Demand

In a letter addressed to the Honourable Finance Minister, CREDAI today strongly urged the Central Government to reconsider the proposition of charging 18% GST on FSI/ Additional FSI charges paid to local authorities for real estate projects. According to CREDAI, this move would have a substantial incremental impact on project costs, further pushing housing prices up by approximately 10% across various parts of the country. Imposing GST on these charges, either retrospectively or prospectively, would also affect not just housing demand but also supply as it would raise significant economic and viability concerns.

CREDAI further claims that retrospective clarification of GST on such payments would burden Real Estate Developers with an enormous amount of unforeseen liabilities, disrupting the financial and cost planning of on-going and completed projects. The resulting financial pressures could potentially lead to stalled developments and jeopardize the financial security of homebuyers invested in these projects. Even prospective application would substantially elevate construction costs, imposing additional financial burdens on end consumers and deteriorate housing affordability issues, hindering the collective mission towards 'Housing for All'. The industry is already burdened by rising raw material costs, and such additional charges will make affordable housing projects economically unviable,

CREDAI urges central government to reconsider the proposal of bringing FSI/ additional FSI within the scope of GST

potentially pushing the prices upwards by 7-10% and directly impacting the purchasing power of the middle-class segment – which constitutes 70% of total homebuyers. Additionally, Developers are also excluded from claiming ITC on GST and this move will further accrue costs and lead to double taxation, increasing prices as a direct consequence.

Furthermore, the legal position in this matter is relatively straightforward, with respect to Notification no 14/2017 and 12/2017 which clearly lays down that services supplied by Central or State Governments, local authorities or Governmental authorities, by way of an activity in relation to a function entrusted to a municipality under article 243W of the Constitution will either be exempted from GST or will be treated neither as a supply of goods nor a supply of service and hence, GST will not be chargeable on the same. Article 243W lays down powers of Municipality listed under the twelfth schedule of the Constitution which contains various relevant entries amongst others including 1. Urban planning including town planning; 2. Regulation of land use and construction of buildings, 3. Slum improvement and upgradation.

Therefore, provision of FSI and levy of various charges and fees squarely fall within the functions envisaged in the twelfth schedule of the constitution thereby excluding the same from levy of GST.

To avoid any adverse impact on housing demand, supply, as well as on the ripple effect on the Indian economy, CREDAI urges the Government to maintain the ongoing status quo and keep FSI charges outside the scope of taxability.

Boman Irani, President, CREDAI shares his remarks "FSI/ Additional FSI Charges constitute a significant part of the project cost, and the proposal to impose 18% GST on such charges could prove to be counterproductive and act as a deterrent to housing supply and demand, owing to additional financial obligations and increasing housing prices as a direct consequence. We strongly request and recommend to the Government to keep the FSI charges exempt from GST. Any retrospective or prospective charges could destabilize the financial foundations of numerous projects, hampering the ability to facilitate timely possession by developers."

REALTY SCENARIO

PE INVESTMENTS IN RESIDENTIAL SECTOR SURGES IN 2024

The residential sector witnessed significant growth in 2024 with domestic Private Equity (PE) investments playing a pivotal role in driving this momentum. As India's population expands and urbanisation accelerates, there is a sustained demand for accessible and quality housing, creating substantial investment opportunities that are being recognised by PE investors

During 2024, PE investments in the residential sector saw a remarkable surge, reaching USD 1.2 bn, surpassing the total investments of 2022 and 2023. This increase was driven primarily by domestic capital which now constitutes 70% of the investment pie, while foreign investments made up 30%. This shift reflects growing confidence in the domestic market and investor preference for local opportunities. Mumbai, Bengaluru and Delhi NCR attracted the highest investments with Mumbai leading at USD 406 million, followed by Bengaluru at USD 403 million, and Delhi NCR at USD 202 million.

Equity funding dominated the landscape with 75% of the total investments in 2024 coming from equity sources. This highlights investor confidence in the residential sector's growth potential, signalling that they are more willing to take on higher stakes in developments as opposed to relying on debt. The residential sector is increasingly seen as a lucrative destination for long-term capital,

with a growing number of projects being funded at early stages, demonstrating investor optimism about the sector's future.

In addition to the substantial rise in investments, the distribution of funds across the country illustrates the broad appeal of India's residential market. The nationwide interest indicates that the sector's growth is not confined to one region but is a pan-India phenomenon, driven by strong demand in both established and emerging cities.

This surge in PE investments, coupled with favourable government policies and the sector's inherent growth potential, positions India's residential real estate market for sustained long term growth. The involvement of both domestic and international investors, alongside the sector's increasing reliance on equity, marks a transformative phase in its development, ensuring that it remains an attractive investment option moving forward.

PE investments surge was driven primarily by domestic capital which now constitutes 70% of the investment pie, says a survey by *Knight Frank Research*

PE Investments received across India in Residential Sector

City	Investment (US million)
Bengaluru	406
Mumbai	403
Delhi-NCR	202
Hyderabad	92
Pune	46
Chennai	28
Total	1,177

Source: Knight Frank Research, Venture Intelligence

REALTY UPDATE

KEY TECHNOLOGIES REVOLUTIONISING THE CONSTRUCTION INDUSTRY

There are challenges commonly impede construction projects but technology offers potential solutions to mitigate these issues and optimise project outcomes, says *CBRE*

Imagine this — engineers donning virtual reality goggles are deploying miniature robots into construction sites. These robots utilise cameras to monitor work progress, while integrated software assists in planning the routing of electrical and plumbing systems within modern buildings. Artificial Intelligence (AI) actively guides safety of on-site workers, tracking their Realtime interactions with fellow workers, machineries, and objects, to promptly alert supervisors regarding any potential safety concerns, construction errors, and productivity issues.

Remarkably, this is not a distant vision — it is highly likely to be a reality within this decade. The construction sector has long been associated with traditional practices and slow adoption of cutting-edge technologies. However, recent years have witnessed a phenomenal shift towards digitalisation, with firms embracing innovative tools and processes to enhance efficiency, productivity, and sustainability. This report highlights the vital role of digital technologies in the construction industry, its current adoption by key stakeholders and what does the future hold.

There is an array of innovative technologies aimed at achieving two primary goals - reducing timelines and increasing quality. This pursuit of efficiency and excellence is reshaping every aspect of the construction process, from design and planning to execution and maintenance. Here are some of the key technologies leading this transformation:

Building Information Modelling (BIM) and Digital Twins

• BIM allows architects, engineers, and contractors to collaborate and coordinate their efforts more effectively, reducing errors, and improving efficiency.

• Digital twins are virtual representations of physical assets, processes, or entire construction projects.

Drones

Drones are among the most cutting-edge construction tools, offering a wide range of applications, such as surveying land, mapping sites, inspecting structures, and monitoring project progress.

Real-time Monitoring and Internet of Things (IoT)

These technologies empower professionals to proactively identify potential safety hazards and ensure adherence to project timelines.

Virtual/Augmented Reality (AR/VR)

These technologies are used for visualising designs, training workers, and creating immersive client experiences.

Autonomous Heavy Equipment and Construction Robots

• Autonomous load carriers for quarries, bulldozers, excavators.

• Robots can be utilised for brick laying, material handling, demolition and even 3D printing of entire structures.

Wearable Technology

Wearable devices such as smart helmets, safety vests, and exoskeletons, are being adopted in the construction industry to enhance worker safety, monitor health and fatigue, and improve productivity.

Data Analytics

By leveraging data-driven insights, construction professionals can optimise resource allocation, identify and mitigate risks, improve project scheduling and budgeting, and enhance overall project management.

Artificial Intelligence (AI)

AI is increasingly being adopted to predict and prevent cost overruns, mitigate risks, planning projects, predicting safety concerns, and for offsite construction purposes.

Prefabrication

The building components can be prefabricated off-site and then quickly assembled onsite, reducing disruption to the surrounding area.

Green Technology and Innovative Products and Materials

These technologies and materials not only help reduce the environmental impact of construction but also often result in cost savings and improved building performance over time.

3D Printing

This technology allows for the creation of large-scale objects using a layer-by-layer approach, which makes it ideal for creating complex architectural designs and geometric shapes.

These technologies are not only accelerating construction timelines but also enhancing quality in several ways.

Improved design and planning

BIM optimises coordination and clash detection, significantly reducing errors and possibilities of rework.

Enhanced quality control

Prefabrication in controlled environments allows for stricter quality checks and minimises on-site errors.

Data-driven decision-making

Real-time data from sensors and other sources enables proactive identification and rectification of potential issues.

Automation reduces human error

Robotic tasks are performed with high precision and consistency, minimising human errors in critical processes.

The adoption of these new construction technologies can significantly transform the real estate industry. These technologies evolve and become more affordable, we can expect a future where construction sites are safer and more efficient, deliver enhanced precision, and have optimised resource allocation and preventive maintenance. However, this can only be achieved through a close collaboration with technology companies. Pilot programs where one can start with small-scale projects to test new technologies in a controlled environment can be used to establish feedback loops. While technology partners can provide training for construction teams, the construction teams can provide structured feedback on real time application and challenges to refine the usage. Data sharing would be key to facilitate medium to long-term collaboration in order to progressively improve on technology solutions.

Excerpts from the report on Construction Technologies by CBRE.

RNI No. TNENG/2011/41336

Chennai residential market demonstrated a 9% YoY increase in sales, reaching 16,238 housing units in 2024. During H2 2024, sales totalled 8,263 units, reflecting a 6% YoY growth, according to Knight Frank India research

LEGAL

Landmark Judgements on Capital Gain Tax Exemptions

CA ANITA BHADRA

This article explores landmark judgments on capital gain tax exemptions under Sections 54 and 54F of the Income Tax Act, focusing on investments in residential properties. Section 54F allows exemptions if proceeds from long-term capital assets are invested in purchasing or constructing a house within specific timeframes. Key cases include Viral Rajendra Patel v. PCIT (ITAT Ahmedabad), where purchasing land for house construction was held eligible for exemption despite delays, and Smt. Lekha Reddy Mettu v. ACIT (Hyderabad ITAT), which denied exemption due to prolonged construction delays. Similarly, the Bhaskar Prataparai Shah v. DCIT (ITAT Mumbai) case clarified that a triplex flat constitutes a single residential unit. In contrast, Kamla Ajmera v. PCIT (Delhi High Court) limited exemption to one flat when two non-adjacent units were purchased. Additionally, cases like Siva Jyothi Palam v. ACIT (ITAT Visakhapatnam) and Balraj v. CIT (Delhi High Court) affirmed that registration delays do not invalidate exemptions. These judgments underline the importance of adhering to statutory timelines, proving intent, and understanding the nuances of capital gain exemptions under the law. Also Read: Simplified Summary of Landmark Capital Gain Tax Cases: Part B

SIMPLIFIED SUMMARY OF LANDMARK JUDGMENTS. – PART A

CAPITAL GAIN TAX EXEMPTION ON INVESTMENT IN RESIDENTIAL PROPERTY

1. The sale and purchase of immovable property is a common and popular activity in India. As a nation, we have a strong preference for investing in real estate. However, a recurring concern is how to get relief from the significant tax burden on the sale of Capital Assets by investing in real estate.

2. Sections 54 and 54F of the Income Tax Act provide exemptions on the sale of Long-Term Capital Assets. As per section 54F of the Income Tax Act, if an individual resident sells a Long-Term Capital Asset and invests the sale proceeds in purchasing a residential house within a specified period, the capital gain from the sale will be exempted to the extent of the investment. The specified period for purchasing a house is one year before or two years after the sale of the capital asset. If the individual chooses to invest in constructing a house, the specified period is within three years from the date of sale.

3. To avail of the exemption, certain conditions prescribed in the proviso of the Act must be met i.e. (a) The individual should not own more than one residential house at the time of the sale of the capital asset, excluding the new house being purchased. (b) The individual should not purchase/construct another residential house (apart from the new house for which the exemption is claimed) within one year / three years of the sale etc.

4. Section 54F of the Income Tax Act may appear straightforward at first glance but the majority of litigation in direct tax are for issues related to capital gains exemptions on investment in Residential Property. Every line in Section 54F raises numerous questions, and in most cases, exemptions are denied by the Assessing Officer (AO) initially based on their interpretation. These decisions are often later resolved either in favor of or against the assessee.

5. In this series of articles, an attempt has been made to simplify the Landmark judgments pronounced by various Tribunals and Hon'ble Courts. The summary & references of such case laws and judgments thereof have been discussed in succeeding Paragraphs.

6. Exemption is allowed even if land is purchased (for construction of a new residential house) beyond 2 years from the date of sale of Asset: Mr. Viral sold equity shares of unlisted Company on 05.10.2018 and entered into the purchase deed on 15.10.2020 for purchase of land. He claimed exemption under section 54F on account of the purchase of land for the construction of the residential house and the same was allowed in regular assessment.

However, The Principal Commissioner exercised his power under section 263 and noted that the exemption claimed under section 54F by the assessee on account of the purchase of land was wrongly allowed to the assessee since the land had not been found to have been purchased within the prescribed period of two years from the date of transfer of shares. He accordingly held that this claim of deduction under section 54F, on account of the purchase of land, was not in accordance with law and had been wrongly allowed by the Assessing Officer.

Mr. Viral appealed to the Tribunal. It was held that the purchase of land by the assessee for the purposes of claiming u/s.54F of the Act was with the intention of constructing of house property for which three years is allowed as per the provisions of law. As per Section 54F of the Act the requirement for claiming deduction was that either construction of a house property should take place within three years from the transfer of an original asset or the purchase of a new house property should happen within two years of the transfer of the original asset.

The impugned order of the Principal Commissioner was set aside and exemption under section 54F was allowed to Mr. Viral: ITAT Ahmedabad in the case of Viral Rajendra Patel v. PCIT (2024)

This is the part 1 of a two parts series on capital gains exemptions.

Courtesy: www.taxguru.in

Owned and published by N. Bhanumathy from No. 26/10, South Mada Street, Sri Nagar Colony, Saidapet, Chennai - 600015 and printed by S. Subburaj at SPS Offset Prints, No.1A, 1st Street, Gopalapuram, Chennai 600086. Editor: V. Nagarajan