"REAL ESTATE INVESTMENT IN PUNE CITY– CURRENT TRENDS AND OPPORTUNITIES"

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Abstract – Real Estate sector in India is one of the most powerful and largest sectors in economic foundation of the country. This sector is developing at a rate of 20% p.a. and contributing about 6% to 7% towards India's GDP. The development of this sector is complemented by the developments in industrial sector. Demand for homes, offices in urban and semi-urban areas is grown with the growth of industrial sector. Pune City has grown rapidly and shown noticeable presence on India's real estate sector. The city has provided varied real estate options available for developers, investors and ultimate-users. Through this study an attempt has been made to the real estate market growth during 2017-2022, and recent trends in real estate investment by investors in current challenging situation of pandemic and uncertainty. This study also focused on the various financial risk factors involved in the real estate investment. An attempt has been made to understand the real estate market situation, and understand current trend of investment in real estate sector.

Key Words – Real Estate Sector, Trend of Investment, Market Scenario, Financial Risk.

I) Introduction – Real estate investment is one of the popular avenues for the investors over the years. The investors use real estate investments as a hedge against inflation. In the current market scenario, the costs of real estate had reached an unsustainable level and investors are more concentrated towards investing in other forms such as gold, shares, bank deposits, etc. Real estate is an asset class with limited/less liquidity as compared to the other classes of investment. This sector ranks third among the 14 major sectors in terms of direct, indirect, and induced effects in all sectors of the Indian economy. The present study focuses real estate growth during 2017-22, recent investment trends, various financial risk factors, etc. in this sector, and investment preferences of investors in current era of uncertainty.

Pune which is popularly known as cultural capital of the Maharashtra State has gone through the transformation into an economy, driven by the services sector and exponential growth is observed with a strong industrial base. The city has a diversified real estate sector which consists of various stakeholders, including developers, investors and end-users. The city's infrastructure is upgraded in line with the developments in real estate trends in both corporate and commercial, such as hybrid workspaces, digitization, etc. All the important locations of Pune are strategically connected via air, road, and railways. Excellent Educational Institutes, Growing employment opportunities accompanied by lucrative and sustainable lifestyle in the city attracts talent from all across the country. This leads towards a significant rise in real estate development in Pune.

Following are some important rankings as per various agencies.

Mercer's 21st annual Quality of Living Rankings,

Pune and Hyderabad ranked the highest amongst all Indian cities. (released in 2019)

The Ease of Living Index 2020,

Pune is ranked as the 'second easiest city to live in'.

The City Competitiveness Report 2017.

In terms of business competitiveness, Pune ranked 3rd out of 50 cities

Annual Survey of India's City Systems (ASICS) 2017, (This measures the quality of governance in cities) -

Pune tops among 23 Indian cities.

As per Green Spaces and Buildings which measures,

Pune emerged as the best-performing city in terms of the availability of green spaces and presence of green buildings

II) Review of Literature -

- **Amit Arora and Arpit Jain (2019)** have attempted to highlight the risk factors that are related to the real estate sector. As per the opinion of the authors, this sector should be promoted consistently as it will uplift the standard of living and promote the growth and development of the national economy.

- **D. B. Bharati (2019)** has discussed the awareness of people about investing in real estate and gold. Through the study author has focused on the characteristics of investment trends in the real estate sector. Through the study, the author has comparatively analyzed the real estate investment and gold investment.

- **A. K. Sinha and Madhavi Prajapati (2020)** have analyzed the current trend and different factors of the real estate sector. Authors have outlined the real constrain issues in the Covid-19 pandemic period that existed in the real estate sector. The authors have also discussed government initiatives and policies about this sector.
- **Jyoti Bhoj (2020)** has focused on the pro-pandemic scenario of the real estate sector and analyzed the impact of Covid-19 on this sector. The author has also discussed the threats and opportunities available to different real estate market participant.

III) The need for the study – Being an important sector in the Indian economy it is relevant to focus on the current scenario of this sector, especially in the pandemic period and era of uncertainty and volatility in the market, and to understand the opinion of the investors, real estate agents, builders/developers and other stakeholders about the current situation of real estate market and changing investment preferences of the investors.

IV) Objectives of the study
1. To observe the trend of real estate market growth.
2. To highlight the investors opinion about their investments in real estate.
3. To highlight opinion of banks officials and other financial institution officials with respect to real estate market.
4. To identify the recent changes and measures taken to ensure robust growth in real estate market.

V) Research Methodology – The descriptive study method has been adopted for the study purpose. Primary information has been collected through a small interview schedule for investors, estate agents, builders, bank and other institution officials, etc.

The required secondary information has been collected through books, various study papers, articles published in national and international Journals. The information available on the Internet and published through articles/reports in newspapers is also referred for the study.

VI) Geographical scope of the study – The geographical scope of the study is confined to Pune city only. The sample is selected from Pune city only and projects undertaken within the limit of 25 to 30 km radius of Pune City are considered.

VII) Sample Selection – For the selection of sample population of investors include estate agents, bank and other financial institution's officials, etc. Convenient sampling method has been followed to take the scheduled interviews.
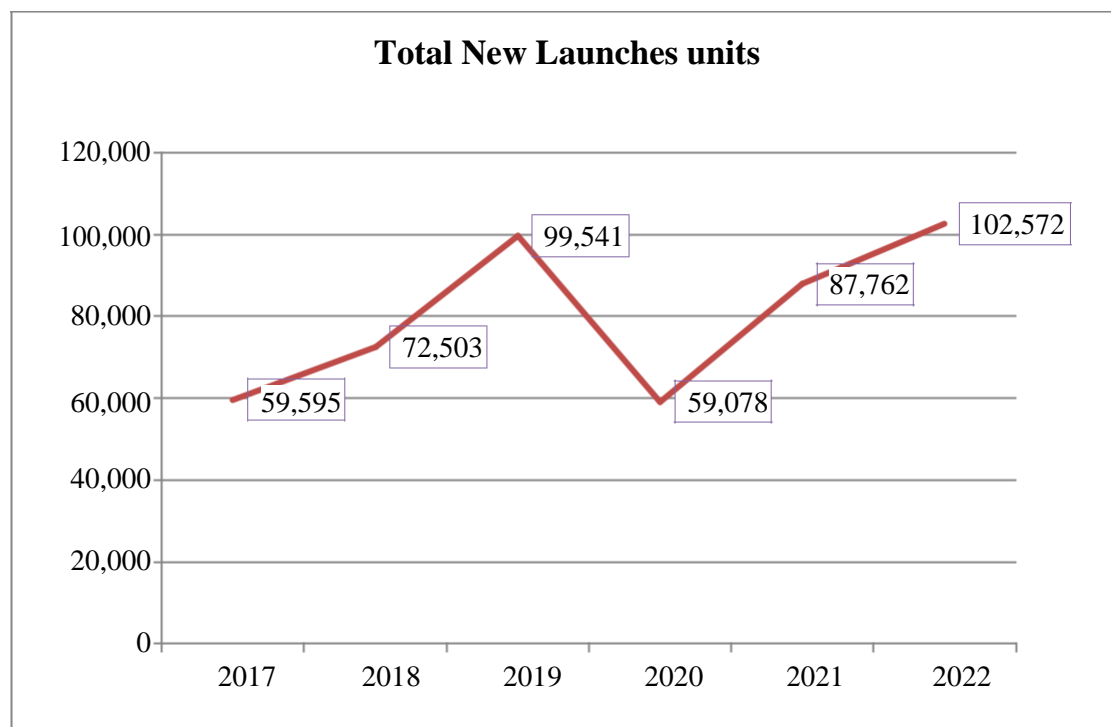
The sample size of the study is as follows.

Real estate agents and bank as well as other financial institute's officials - 50

Investors - 50

VIII) Results and Discussions

1) **Trend of growth in Real estate sector**

There is a consistent increase in the launch of new units from 2017 to 2019. There was a dip in 2020 which was on account of pandemic and uncertainty about the roadmap ahead but immediately regained the momentum in 2021 once there was some relief from the pandemic.

In 2022 it was more than the level of pre pandemic position. 17% increase is observed in 2022 in comparison with 2021.

2) Total Number of projects Launched
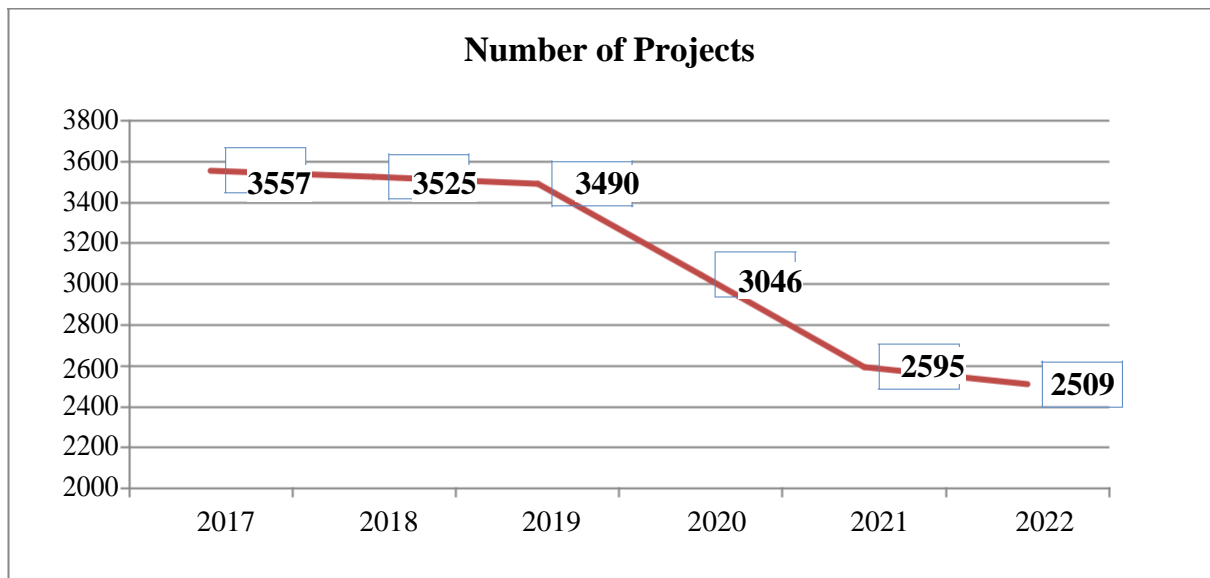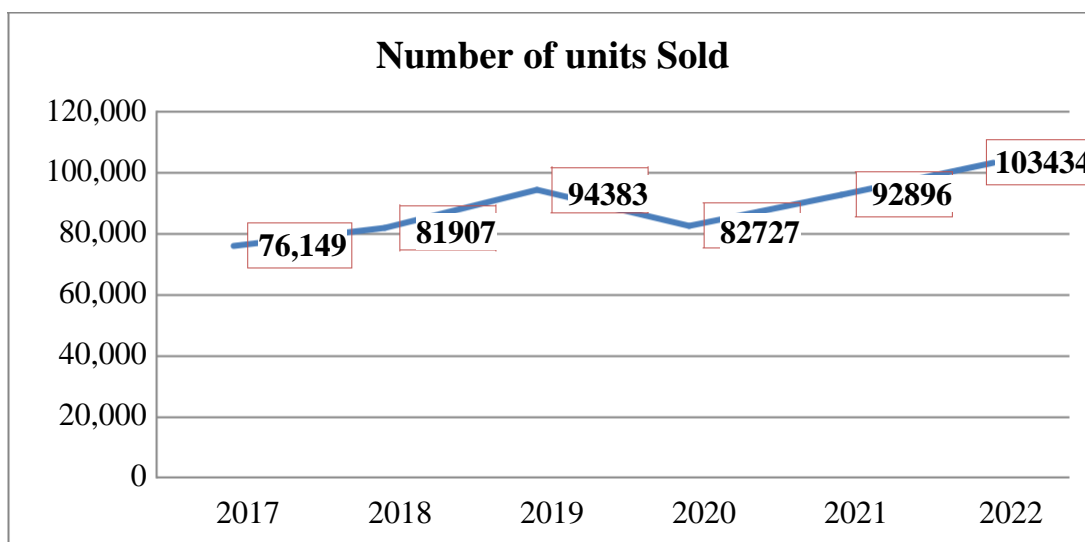
Number of Projects

There is a decrease in number of projects launched but the number of units is higher.

This indicates that the big size projects with larger number of units are launched and smaller projects are reduced.

The trend is showing that 2019 onwards the above change is more significant.

3) Total Number of units Sold

Number of units Sold

The above trend shows that even during the pandemic period and in subsequent periods the number of units sold is more or less consistent. This indicates that the sector is performing consistently and this is mainly due to lowered rates of interests on loans and investors took the opportunity to avail credit at lowered rates.

The smaller decrease in the number of units sold is observed but it is mainly due to sudden higher number of unit sale in year 2019 comparison with the years 2017 and 2018.

4) Inventory Position
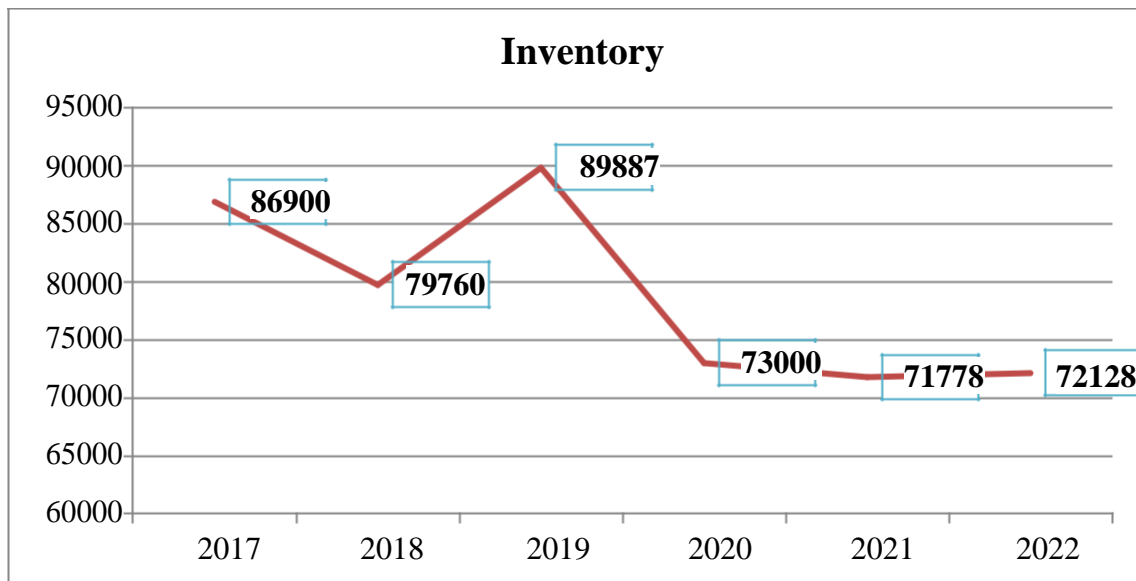
Inventory

In 2020 inventory level is reduced which indicates that the sales was more and newly added inventory was not in consonance with the supply.

The level of inventory is maintained in last 3 years which is suggestive that demand and supply are in consonance. This indicates of robust demand in the market accompanied by adequate supply.

5) Average price per Sq. Ft.

Average Price per sq. ft.
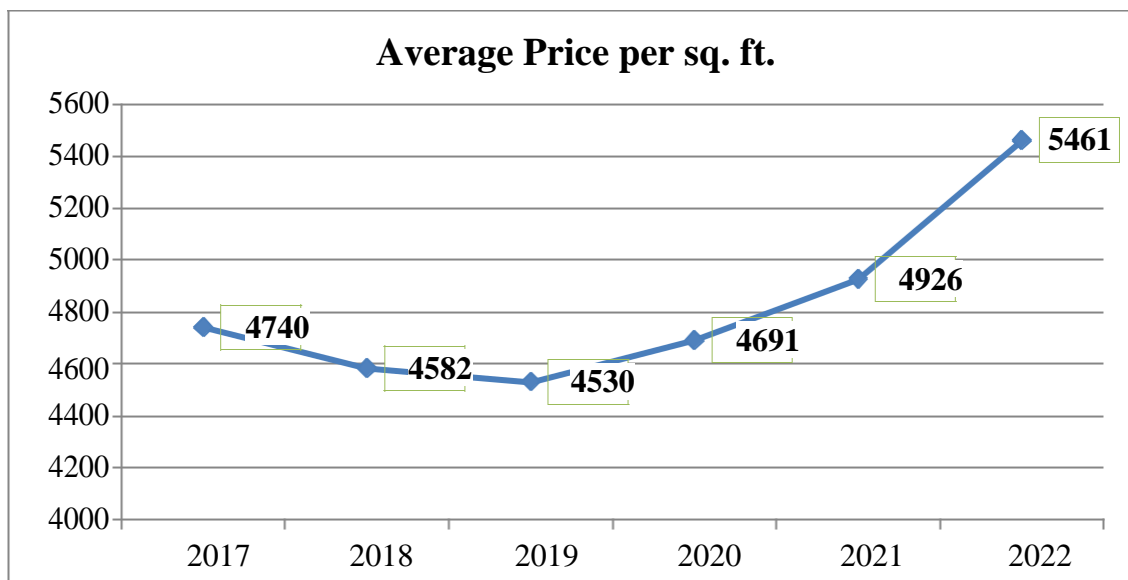
The average price per sq. ft. is increased consistently except the year 2019.

In the year 2022 the increase of more than rupees 500 per sq. ft. is seen. This is comparatively higher than it was in earlier 5 years.

This suggests that the market is remained growing and shows stable performance not only in terms of demand and supply but also in term of price as well.

Responses from Real estate agents and bank as well as other financial institute's officials

Table No 1

Causes of Real Estate market growth during 2017 to 2022 (Multiple Response) in Pune

Particulars	Frequency
Robust demand in the market due to expansion of various sectors	37
Support by government policies and government bodies	29
High return on investment	33
Promotional efforts taken by real estate sector	40
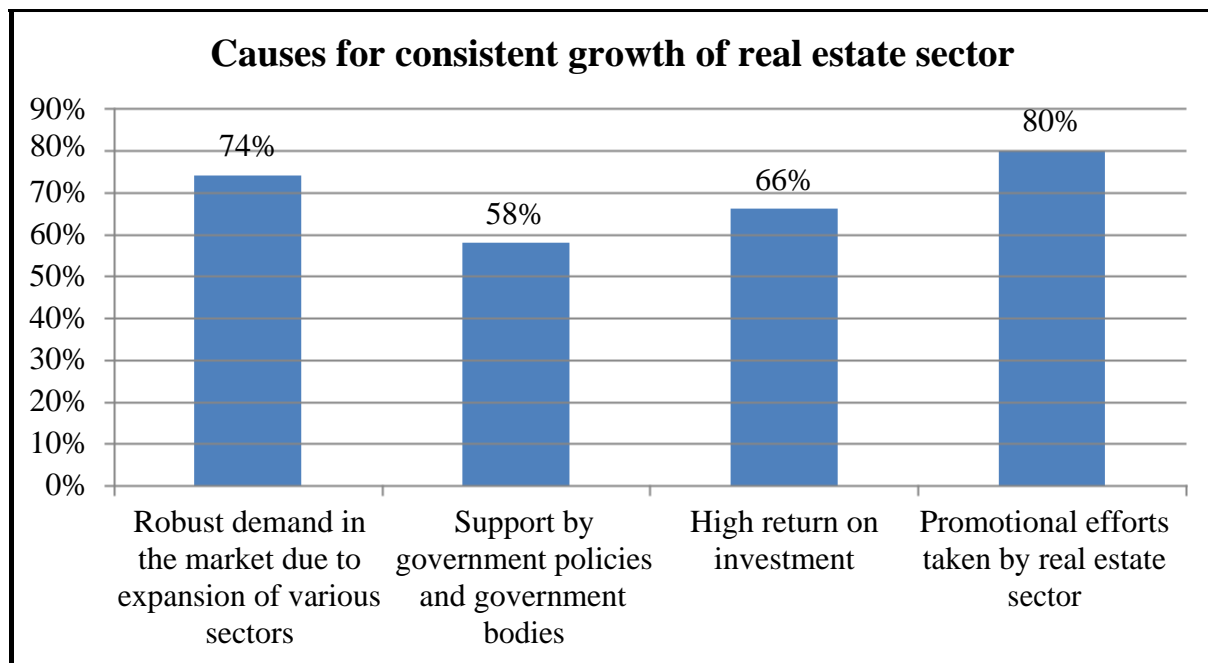
As per the information provided by the respondents, there are various causes of real estate market growth during the year 2017-22.

In the opinion of 74% of respondents, during this year there is a robust or high demand for the properties by the investors, even though the cost is comparatively increased. The reasons for increased demand are many which include expansion of various sectors such as education, corporates, service industry and continuous facility and infrastructural development.

58% of respondents opined that many government policies with respect to the real estate sector proved as supportive and ensured stability. Smart city project, Pradhan Mantri Aawas

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Page | 37

Yojana, National Urban Housing Fund etc. and growth of other sectors like education sector, corporate sector, industrial sector etc. resulted in a positive growth in this sector.

According to the 66% of respondents, investment in real estate provides high returns with comparison to other investment opportunities and accordingly investors are attracted towards this sector for investment.

80% of the respondent gave credit to intense marketing and selling effort by the real estate players worked positively to maintain the demand in this market. They opined even in pandemic these efforts made it easy for investors/customers to be aware about the opportunities they have and online transformation ensured that the investors take the opportunity when they felt appropriate to invest.

Table No.2

Investor's choice of Real estate investment (as per 1st preferences)

Particulars	Frequency
Agricultural land	02
Farm houses	10
Flats/Row houses /Commercial offices and shops	37
Urban Land	01
Total	**50**
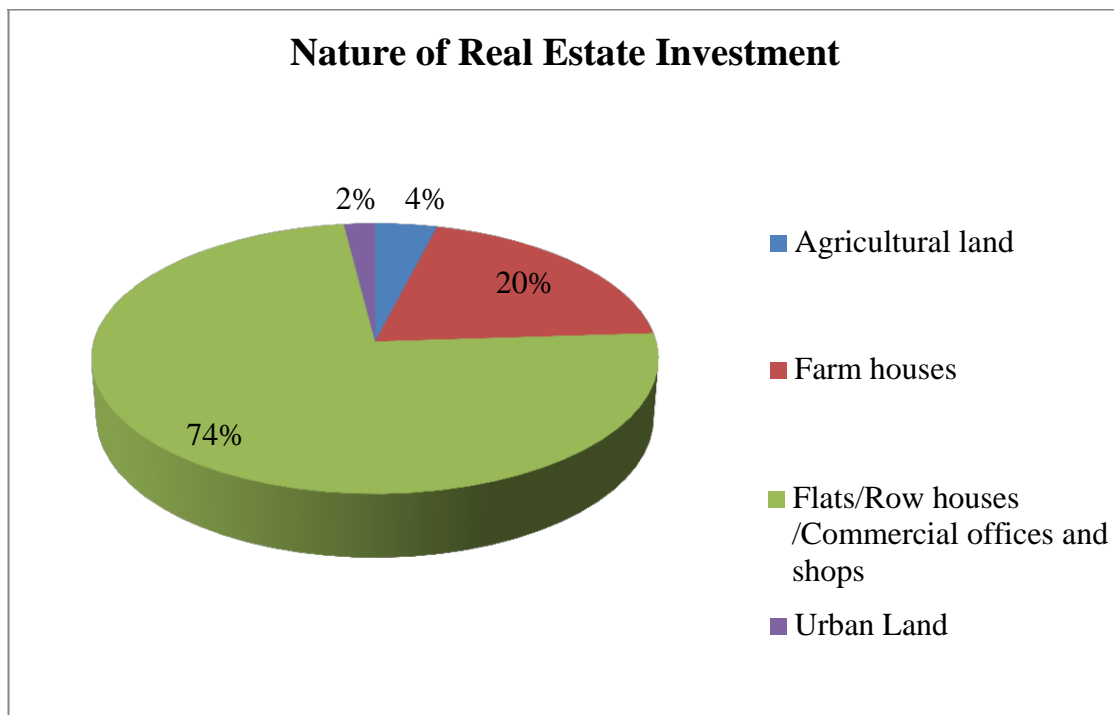
As per the information provided by the respondents about the trends in real estate investment in Pune city during the year 2017-2022, 74% of them have stated that investment in residential projects and offices is the first choice of investment, 20% of respondents felt

farmhouse is the first preference for investment. 4 % of respondents preferred for the agricultural land and only 2% investors opt for urban land as first preference.

Table No.3

Unfavourable factors in Real estate investment (Investor's point of view) Multiple Responses

Particulars	Frequency
High government taxes	38
Inadequate Credit	10
High Cost of properties	22
Total	**50**
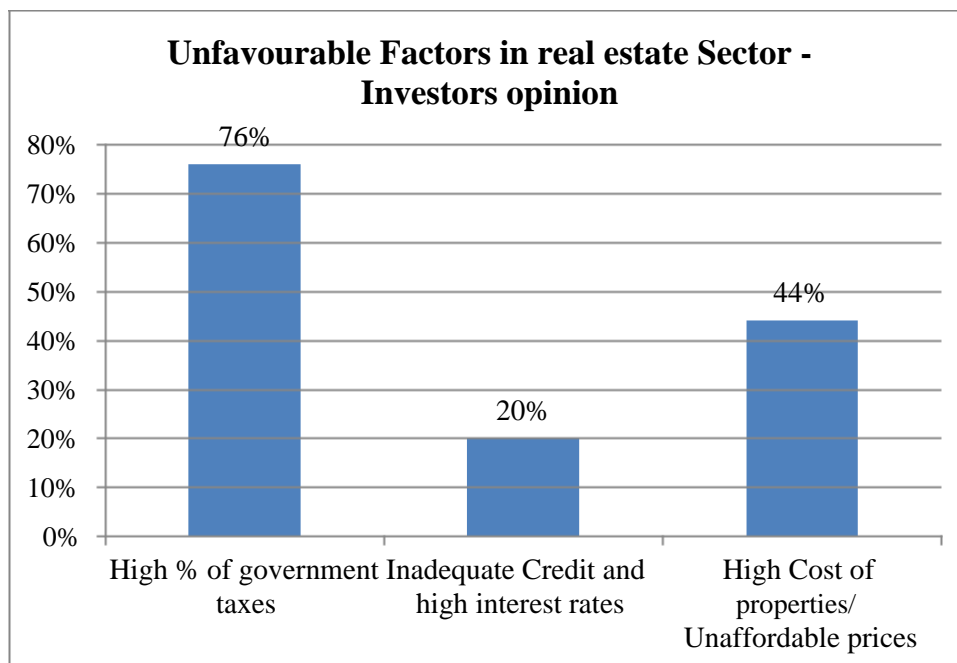
In the opinion of 76% respondents, high government tax is the most unfavourable financial factor in the real estate investment. The taxes collected by government by way of stamp duty, registration charges and GST are very high specially when it comes to high budget homes as it is in % form on the valuation of the property.

20% respondents have opined that, the credit facility provided is inadequate and with higher rate of interest. Only for one year period the rates of interest was reduced but now it is increasing again.

According to the 44% respondents, high cost of properties is the major financial factor as it is not affordable for a smaller investor. This is mainly because of more specious units are launched and smaller units are reduced. This has restricted smaller investor to invest with his limited financial capacity.

Table No.4

Challenges faced by developers in Real estate sector (opinion of real estate agents/builders as per the 1st preferences)

Particulars	Frequency
Speculation in land cost/ Changing Government policies	06
Inadequate Sources of finance	04
High input cost	10
High government taxes	07
All the above	23
Total	**50**
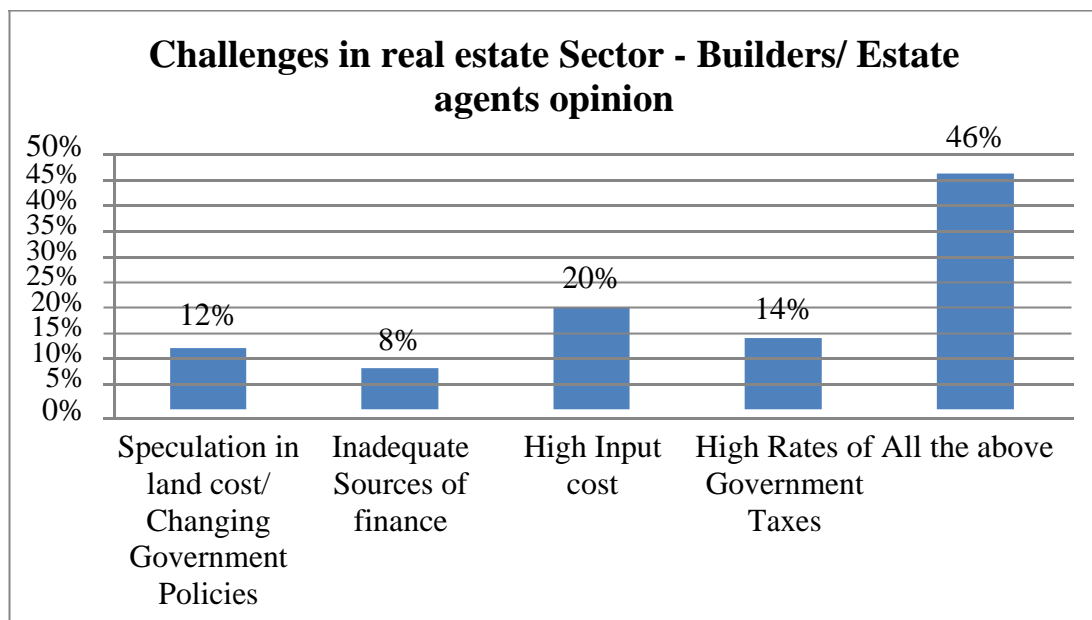
12% Speculation in land and real estate costs is the main issue. In the opinion of these respondents, real estate owners sell and agents/brokers buy property frequently with their investments thus causes speculation in the prices of the properties. The frequent change in Government policies is also leading towards the speculation in cost.

8% respondent has stated that sources of finance are the main issue in the real estate sector. In the opinion of these respondents, due to the poor image of the real estate developers mainly smaller ones in the market banks and other financial institutions are more reluctant to approve loans for new projects. Alternate sources of finance are very costly and ultimately effects on the cost of the project.

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Page | 40

The real estate sector is a capital and labour intensive sector. As per 20 % respondents; an increase in the labour cost and construction material cost poses many challenges in this sector. Further, high government taxes (stamp duty, Registration charges, GST etc.) are also one of the major financial issues faced by builders /developers stated by 14% of respondents.

The majority of the respondents (46%) stated that all of the above mentioned points are the major financial challenges faced by the real estate sector.

Opportunities in real estate sector

Due to competitive interest rates the level of affordability remains very strong and consistent. This will result in more demand and growth in the real estate sector.

The customers are moving to the bigger developers who have robust capabilities to deliver on promises even though the prices are inclusive of some premium. The total number of projects is reduced and total number of units for sale is increased. Still there is a need to address the challenges before small investor so that the affordability for more number of investors is ensured.

The need of big size homes is highlighted during the interviews as after pandemic the investors are looking for more spacious flats and separate rooms.

There is a strong increase observed in redevelopment initiatives undertaken by the housing societies which will be a larger area of growth in near future.

The various government initiatives and policies for expansion of industry, infrastructure, education and other sectors in the city and schemes like Pradhan Mantri Awas Yojana are the main drivers for real estate market growth.

IX) Findings of the study –

The real estate market in Pune is very well organised with robust demand and supply ratio and maintained inventory levels.

The Pradhan Mantri Awas Yojana has positively worked for number of low- and middle-income residents by giving affordable housing with toilets, LPG connections, and electricity. This scheme has developed an ecosystem between the beneficiaries and the developer. In the long term, demand for such affordable housing is expected to rise significantly.

Through the study it is observed that there is a first preference by the investors to invest in flats, row houses bungalow etc. residential properties. Very few of the respondents have invested in land, agricultural land, farmhouse etc. in and around Pune city.

The high costs of properties, inadequate credit, high government taxes etc. are some of the major critical financial factors in case of real estate investment.

As per the provided information by the real estate agents, builders/developers, it is found that speculation in the land costs/changing government policies, inadequate finance, high input cost and high government taxes are some of the major financial issues faced by builders and developers in the real estate sector.

X) Conclusion-

The sustainable growth is shown by the real estate sector in Pune city and it contributes significantly at national growth prospects of the sector. Pune is one of the top performing Indian cities with respect to real estate sector. Robust demand and supply with favourable government initiatives with respect to infrastructural and industrial development ensures sustainable recovery of the real estate sector in the current era of uncertainty. The sector is now recovered from the shocks of the pandemic and showing stable, positive and consistent growing trend.

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Page | 43