

## **DEMAND FOR MID-SEGMENT HOUSING SOARS**

**There has been a surge in demand for mid-segment housing aggravated by rise in prices, dip in affordability and restricted supply level, says V Nagarajan**

The residential property market in Bangalore is now providing a new set of demand pattern for property developers. Unlike earlier, demand for mid-segment housing in the price range of Rs 30 lakh - Rs 60 lakh is showing an unprecedented demand. It is not only built units but projects in the pipeline in the specified ticket size are also driving demand.

With the increase in input and labour cost, it looks homebuyers are convinced that the timing is appropriate to enter the market. According to industry sources, apartment prices in Bangalore are inching high by 5-6 per cent every quarter across micro-markets since one year. "The response to the recent launches comprising 1.6 million sqft is a clear indication of the growing market vibrancy", said Bijay Agarwal, Managing Director, Sattva Group.

In city areas, prices are up by 10-15 per cent in the last six months alone due to demand exceeding supply, according to industry sources. "The mid-segment market in the price range of Rs 30 lakh - Rs 60 lakh is what is dominating the market at present", said Hemang Rawal, Managing Director Samruddhi group. Yet another segment that is driving demand is apartment units in the price range of Rs 60 lakh - Rs 1.5 crore where even though small, the surge in demand has boosted the developers to launch new projects, he adds.

In a related development, the city drew new entrants to the housing sector and even those established developers who have been focusing predominantly on commercial sector like RMZ and Embassy group are now resuming residential development by launching high-end apartment and villa projects.

Yet another trend noticed in the market is that wherever there is a marginal difference in pricing between apartments and villas, invariably the preference revolves around villas, say realtors. This is because villa projects, come with land, private garden and amenities similar to the one available in apartment projects. The demand for villas continues to remain strong for units priced in the range of Rs 1 crore - Rs 2 crore but for those units priced above Rs 3 crore, the response level is not all that encouraging, say industry sources.

The investors are slowly returning to the market through investment in second homes or plotted development projects, according to property consultants. This has been particularly witnessed in the upcoming locations like Old Madras Road and North Bangalore. The trend for investment continues to be focused on plotted development projects as well in upcoming locations for long term capital appreciation.

According to Knight Frank Research, the years 2010 and 2011 saw the launch of around

85,808 units in and around Bangalore while the same period was responsible for the absorption of approximately 54,687 units. During April-November this year, the city witnessed the launch of around 16,700 residential units. The new financial year 2012-13 began on a positive note with the first quarter alone witnessing the launch of around 8,853 residential units across various micro-markets in the city. While Q2 FY13 witnessed the launch of around 3,962 units, Q3 FY13 till mid-November 2012 saw 3,556 units being launched.

South Bangalore dominated the quarter-on-quarter new launches followed by North Bangalore. The area encompassing Sarjapur road accounted for almost 30% of the total units launched in South Bangalore. North Bangalore followed as the region with the second highest number of new residential unit launches. The eastern part of the city, too, saw a number of new projects being launched by reputed developers.

At present, the demand for mid-end homes seems to be ruling the trend with inadequate supply, rise in input and labour cost and dip in affordability.

<b>MICRO-MARKET SHARE OF UNITS LAUNCHED IN FY 2012-13*</b>	
<b>Area</b>	<b>% of units launched</b>
East Bangalore	8%
West Bangalore	13%
North Bangalore	31%
South Bangalore	48%

*Source: Knight Frank Research*

*\*Residential units launched till mid-November 2012*