Kolkata: Home demand in high near park, hospital

Two out of five middle-income families scouting for a home in Kolkata are actually looking to upgrade to a more spacious apartment that is preferably located near a park or a water body and not too far from a hospital. And they are willing to spend up to 9% more than they had originally planned to move into a home of their choice.

A survey on the impact of the pandemic on home buyers by international property consultant Knight Frank revealed that the lockdown in 2020 and restrictions thereafter has led to people prioritising their homes and looking for larger spaces. One in five respondents said they had already moved to a new home since the start of the pandemic. Another 18% said they would relocate to a new address in the next 12 months.

One in three respondents in middle-income families said they were even looking at a second home following the pandemic, possibly in the suburbs where they can stay while working from home or attending online classes.

However, many professionals, including lawyers and architects, are looking to return to work at least five days a week. Half the salaried class among the respondents also said they would like to return to work.

The factors behind the choice of homes include good air quality and access to green spaces. Also, medical infrastructure is more important after the pandemic. Also, two in three respondents expect the value of residential property to increase in the next 12 months.

"It is remarkable to witness a majority of respondents from Kolkata expecting their current residence to attract an incremental value in the next 12 months. This marks a quantum shift towards optimism amongst the city home buyers. Kolkata's residential market has showcased resilience in the times of adversity. The recent budget announcement by the state government with regards to reduction in stamp duty by 2% and circle rates by 10% is expected to bring sales resurgence in the industry at large," said Knight Frank India chief economist and national director Rajani Sinha.
One in two respondents also said they were more likely to live in an apartment or condominium followed by 38%, most of them in the high income group preferring villa or independent homes.
**OTHER NEWS**

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**Home loan defaults: Demand, possession, auction notices on the rise as delinquencies climb**

A similar trend of auction notices had been observed in the January-March quarter with respect to gold loans. Thereafter, most lenders with a sizeable gold loan portfolio reported a deterioration in asset quality in that segment.

Demand and possession notices for apartments bought using home loans have been on the rise as delinquencies climb in the segment. Over the last few weeks, banks and non-banking financial companies (NBFCs) alike have sharply increased the volume of homes they repossess and put up for auction.

The notices have been put out by lenders across the public and private sectors, with institutions like IDBI Bank, Union Bank of India, Bandhan Bank, IIFL Home Finance, Tata Capital Housing Finance, Muthoot Housing Finance and Manappuram Home Finance, among others. The recovery amounts fall in the wide range of just under Rs 1 lakh and up to Rs 95 lakh.

“It is true that banks across the industry have become active about making recoveries. There are three processes they are employing – aggressive collections, resolution of the accounts wherever possible, and finally liquidation of whatever stock they have,” said a senior executive with a mid-sized private bank. The trend of recoveries through auctions are likely to continue into the third and fourth quarters of the current year, he added.

A similar trend of auction notices had been observed in the January-March quarter with respect to gold loans. Thereafter, most lenders with a sizeable gold loan portfolio reported a deterioration in asset quality in that segment. Bankers said that the notices work more as a wake-up call for the borrower than as an actual announcement of auctions.
Of course, there are stages to making recoveries through the auction route. The lender first issues a demand notice under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (Sarfaesi) Act, seeking repayment of outstanding dues within a stipulated period. If the demand is not met, it then puts out a possession notice and then finally a sale notice. All three kinds of notices now cover entire pages of newspapers.

Historically, a home loan is considered the safest variety of credit because there is a security attached to it and most borrowers want to avoid losing their homes. However, the second wave of the pandemic has dealt a huge blow to some borrowers, causing home loan slippages to rise.

Bankers said that the pain is severest in the self-employed category because their income streams have been affected due to repeated lockdowns and mobility restrictions. Unlike in the first half of FY21, there is no moratorium in the current year and that has caused higher delinquencies. State Bank of India’s (SBI’s) gross non performing asset (NPA) ratio in the home loan segment stood at 1.39% as on June 30, though it improved to 1.14% thereafter.

SBI chairman Dinesh Khara said after the bank’s Q1 results that almost 50% of the bank’s home loan book is to the non-salaried class. “Many of the SME borrowers also would be the ones to avail home loans. I think the essential stress seen in this book is on account of disruption in cash flows for the SMEs,” Khara said.

Analysts expect collection trends to improve in the days ahead. In a recent note, Emkay Global Financial Services said that banks expect some NPAs from the inflated special mention account (SMA) pool to spill over into Q2, while the restructured pool too should inch up. “Collection activity may return to the pre-Covid level in Q3, subject to no severe Covid third wave. Within retail, recovery rates should improve in secured mortgages and gold loans as stress formation in those segments was higher than expected due to impaired mobility, which has normalised now,” Emkay said.
India’s wobbling housing market to regain its feet next year

2023 to emerge as new peak year, says Chairman of ANAROCK Property Consultants

India’s wobbly housing market will find its footing next year, boosted by a recovery from the pandemic and easy monetary policy, according to property analysts in a Reuters poll who were split on what that would mean for affordability.

The August 11-24 poll predicted house prices would grow on average of 2.5 per cent nationwide this year, an upgrade from next to nothing, 0.75 per cent, expected in a survey three months ago.

But that forecast was significantly more modest than expectations in similar Reuters polls for most major housing markets, which are already up in double digits this year.

Average Indian house prices were forecast to rise 4.5 per cent next year and 5.5 per cent in 2023, outstripping consumer price inflation by then, partly because raw material costs for builders are due to keep rising.

“The trend of demand remaining buoyant can be attributed to several factors ... sustained low interest rates, an overall improvement in the job market, resumed economic activity ... and an increasing desire to own physical assets during times of unprecedented uncertainty,” said Anuj Puri, Chairman at ANAROCK Property Consultants.

Covid crisis

“With the vaccination drive gaining significant momentum and the spread of Covid-19 under better control for now, 2023 will very likely emerge as the new peak year,” he said.
The Indian real estate industry has taken a big hit during the Covid-19 pandemic, which has killed nearly 4,50,000 people and left millions jobless, as it also triggered a huge migration of workers, many from construction projects.

Thousands of such projects were stalled and once-booming housing market activity in Asia’s third-largest economy slowed significantly.

If the latest forecasts for Indian house price rises are realised, it could put pressure on home buyers at a time when many are struggling to find jobs, given the economy has still not recovered to its pre-Covid-19 level.

Analysts were split, however, on what would happen to affordability over the coming years.

Seven of 13 analysts who replied to a separate question said affordability would improve over the next two to three years, but almost as many said it would stay the same or worsen.

“Housing affordability may suffer as a combined result of increased costs of construction being transferred to the consumer, lower vacancy levels and increase in interest rates,” said Ramesh Nair, CEO-India at Colliers.

“Similarly, any disruptions and downward movements in economic recovery owing to a third wave of Covid-19 are also likely to affect housing demand and supply.”

A spread in new coronavirus variants, a slowdown in economic activity and higher interest rates were the biggest downside risks to the outlook, according to respondents in the poll.

Despite retail inflation running above its medium-term target mid-point for about two years, the Reserve Bank of India has opted to support economic growth through low rates after cumulative cuts of 115 basis points to its key repo rate to 4.0 per cent since the pandemic started.

A separate Reuters poll last month showed the RBI would make two 25 basis-point hikes next fiscal year, taking it to 4.5 per cent.
Collecting advance without agreement is violation of act: Tamil Nadu RERA

In a recent order, the Tamil Nadu Real Estate Regulatory Authority (TNRERA) also observed that partial payments under the guise of payment towards ‘expression of interest’ with a promise of refund are deceptive and designed to bypass legal procedure.

Developers collecting a deposit from homebuyers without entering into a construction or sale agreement is a violation under the RERA Act, the state’s real estate regulator has ruled.

In a recent order, the Tamil Nadu Real Estate Regulatory Authority (TNRERA) also observed that partial payments under the guise of payment towards ‘expression of interest’ with a promise of refund are deceptive and designed to bypass legal procedure.

The complaint pertains to ‘The Goodwood Residence’ in Chennai’s Cenotaph Road area, developed by Cenotaph Developers LLP and Olympia Tech Park Chennai Pvt. Ltd., The complainant’s submission said ?3.63 crore had been paid to the developers under a ‘non-binding expression of interest’ to purchase a flat in the housing project in 2016. A year later, the complainant preferred to withdraw from the project and sought a refund.

The developer returned ?3.5 crore after deducting nearly ?12.8 lakh as service taxes, the complainant submitted to the TNRERA and demanded a return of the deducted amount.

In a counter affidavit, the developers denied the allegations and said the complaint was prima facie not maintainable for want of jurisdiction.

Of the sum received from the complainant, the developers said they paid ?12.8 lakh for among others service tax, Swachh Bharat cess and Krishi Kalyan Cess and returned the balance.

TNRERA, after hearing both sides, said the developers collected around 80% of the cost without entering into a sale or construction agreement, a clear violation of Section 13 of the RERA Act.

Noting that the developers in 2016 received two cheques for ?95 lakh from the complainant towards ‘expression of interest’, TNRERA adjudicating officer G Saravanan said receipt of such payment with a promise to refund the amount was meant to bypass legal procedure.

Further, the developers failed to prove they provided a taxable service to the complainants, which were registered with the service tax authorities for making such payment with respect to the
project. Hence, the complainant was entitled to the deducted amount along with 10.2% interest, the real estate regulator’s order said.
Corporates finalise new office spaces through virtual tours

Experts said before Covid, a transaction was usually closed after 4-5 site visits but now only a representative of the company or property consultants appointed by the company visit the site just before the closure.

Developers have prepared virtual tours to enable clients to navigate the entire office complex at their own pace.

Giving one such example, Ozone Group COO Vamsi Sai said a US-based company wanted to lease a portion of their under construction office space in Bengaluru but the decision makers of that company were not allowed to travel as per the company policy and also due to the ban on international travel.

“Our team facilitated a ‘walk-through’ for the decision makers and that, in turn, has enabled us to engage in advance discussion in relation to lease finalisation,” he said.

Developers said clients are not keen on travelling to India fearing exposure to the virus and also due to the 14-day quarantine condition.

Similarly, Max Estates has relied heavily on virtual tours in the last few months.

“At Max Towers, we did more leasing during Covid-19 than pre-Covid-19, and virtual tours were critical in decision making and closures invariably across all our transactions,” said Rishi Raj, chief operating officer at Max Estates. “Covid-19 has presented an opportunity to embrace and speed up digital adoption that would enhance the experience of end users and enable them to truly WorkWell.”

Before the pandemic, physical visits of all stakeholders, including ones based out of India, were a must before an organisation closed a large office space deal.

“We were able to successfully transition to a hybrid approach post-Covid-19 where the local team visited the site in person and others experienced it virtually,” said Raj.

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“We too used a hybrid model recently for our new office in Chennai,” said Alok Saraf, partner at Grant Thornton Bharat. “Traditional offices have given way to hybrid workplaces, and the new normal has integrated technology like never before. Virtual tours, digital inspection, e-auctions and e-launches are an increasingly popular medium and not just limited to home buyers.”

The pandemic has accelerated the trend of re-thinking office spaces to meet the evolving needs of space, comfort, safety and convenience.

“With a mixed market need for more office spaces and remote work allocations, companies are looking for space expansion and re-allocation to meet the new ways of working,” said Chaitanya Seth, partner, business consulting, real estate sector, EY India. “With this, finalising the office spaces via virtual tours has become an all-embracing tool for customers.”
Navi Mumbai civic body attaches 119 properties for non-payment of tax

The corporation has issued a final decree and asked these owners to make payments within 21 days failing which these properties would be auctioned off to recover tax dues, said its spokesperson.

The Navi Mumbai Municipal Corporation has attached 119 properties for non-payment of property tax, a civic official said on Wednesday.

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The action was taken as the tax was not paid by these owners even after notices, he said.

Nineteen of the attached properties are located in Belapur, 20 in Nerul, 34 in Vashi, 10 in Turbhe, 17 in Kopar Khairne, 12 in Ghansoli and seven are located in Airoli.