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Realty gained significant amount of lost ground in 2021, to do better in 2022: Developers

With strong demand, evolving trends and new emerging markets leading the sector's growth, the coming year is likely to be an impactful year for the real estate sector.



The year 2021 was a watershed moment for India's real estate sector as despite the going being tough, the sector gained significant amount of the lost ground.

According to a Colliers report, the residential segment saw strong recovery gains led by government stimulus, market-led price discovery and new demand. In the first nine months of the year, investments in the residential sector stood at \$420 million, surpassing the volumes seen in the whole last

year. Investments are spurred by renewed residential demand, led by a higher inclination to own homes, low home loan rates and steady prices.

On the other hand, the industrial segment is likely to see investments inching towards \$1 billion in 2021. Even the office space demand in 2021 is set to surpass average gross absorption between 2016 and 2018.

Commenting on the realty trends, Pankaj Bajaj, MD, Eldeco Group, said, "It has surprisingly been a great year for real estate, especially residential. After the pandemic, low-interest rates and rising demand for bigger homes have been a catalyst, and we experienced growth both in sales and prices. This trend has been witnessed not only in Eldeco's core markets in North India, but the entire country; in fact, the entire world. We believe that this trend will continue. One, we are coming out of a multi-year downcycle in real estate. And two, something has permanently shifted in the buyer's mind – they all want to upgrade to a bigger and better house."

Developers say while the COVID-19 pandemic presented unprecedented challenges across all industries, in the world of realty it has driven radical shifts in consumer behavior and preferences. It has also heralded a shift in customer preferences towards organized developers with sound credentials and an excellent track record.

"With work-from-home and cyber-school becoming the norm, owning a home is not just an asset class for investment, but a necessity. The work from home has emerged as the dominant undercurrent for shaping homebuyers' preferences. We expect buzzing home sales activity to persist, the city's periphery to maintain its top spot as the most in-demand region, and flexible work options to continue to shape housing decisions in new ways in 2022. Strong end user interest supported by government stimulus and sops by developers will further revive demand in the residential segment. If we continue at the current pace, the real estate sector will recover to match the pre-Covid levels," observed Mohit Jain, Managing Director, Krisumi Corporation.

Besides the residential segment, the office space segment has also remained resilient. Flex spaces, for instance, have come to the fore after a gap of a year, to occupy a significant share in leasing at 16-18% in 2021. As per Colliers, total flex stock in metro cities is likely to rise to about 40 million sq feet in 2021.

“The commercial real estate sector made a strong comeback in the post-Covid era. Overcoming the hurdles thrown by the pandemic, the office sector showed great resilience. The workforce returning to the office in full swing and adaptation to the hybrid work model have supported the growth of the office space sector across cities. Industry reports highlight that the aggressive hiring spree of IT, ITeS firms, new business deals, and expansion plans led to impressive leasing transactions across Grade A office space during the September 2021 quarter,” said Abhishek Pandey, Vice President-Customer Engagement & Distribution, Viridian RED.

The pandemic-infused changes have propelled the demand for flexible office spaces and hybrid models not only in metros but in Tier 2 cities as well. “The trend is going to dominate in the coming year further augmenting the growth of the office space sector. Owing to the aggressive government policies, propelling business ecosystem, companies’ expansion plans, new and emerging trends, we expect to witness the increased demand for Grade A office spaces in 2022, which will turn out to be the year of growth,” added Pandey.

Vineet Taing, President, Vatika Business Centre, said, “The global health crisis has altered the working trends of many businesses, working officials, and all major companies. The amalgamation of commercial real estate, co-working spaces, and grade-A offices with well-connected infrastructure and attractive investment opportunities has gained high momentum. The magnificent shift from traditional working stereotypes and work from home trends to coworking spaces and hybrid styles of working have pushed the large market players to adopt new business models.”

“However, despite the setbacks, office spaces are now witnessing a good resurgence. We are confident in our robust and innovative operations across the nation. We are also leveraging our office spaces with advanced technologies and smarter offerings along with customer satisfaction. The office space industry has proved to be resilient and is now all set for a brighter future,” he added.

Outlook for 2022

The unprecedented COVID-19 pandemic has prompted the industry to ‘reflect upon, reassess and to rethink’ along the lines of gearing up for the new normal. Since the beginning of 2021, there has been sustained sales growth across the major Indian metropolises, but NCR saw a sizable jump in demand for homes with a flurry of new launches across product segments and categories. The year also observed a transformation in the homebuyers’ preferences.

Aakash Ohri, Group Executive Director and Chief Business Officer, [DLF Ltd](#), said, “One of the most significant trends this year has been an influx of demand for homes in the luxury and super luxury segment. Today’s discerning buyers have directed their purchase decisions towards luxury homes, wherein earlier they would invest in other asset classes or luxury goods. 2022 will be an opportunity to reconsider everything – how we build communities and addresses to be even more resilient, healthy, attractive, sustainable, and be creative at the same time. The industry will continue to be buoyant and as we advance to the post-COVID phase, sustainability will be the centerpiece of the real estate narrative.”

According to developers, despite the business disruptions due to the pandemic, the sector witnessed a strong rebound in 2021. Supported by the strong economic growth, the real estate sector quickly picked up the momentum.

Mohit Goel, MD, [Omaxe Ltd](#), said, "The pandemic-infused trends coupled with low-interest rates, affordability, and other favorable factors expanded the realty growth in Tier 2/3 cities and it is likely to lead the sector's growth in the coming years. New asset classes like hi-street and multipurpose commercial properties found favour with investors and shoppers. Similarly, in residential, township projects, large-sized homes emerged as a preferred choice and will continue to drive real estate growth in the years ahead. With strong demand, evolving trends, and new emerging markets leading the sector's growth, the coming year is likely to be an impactful year for the real estate sector."