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REAL ESTATE LUXURY INVESTMENT SEEING GEOGRAPHICAL EXPANSION BEYOND METROS AND HOTELS

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Given the rising demand for both residential and commercial real estate, investors are increasingly looking to developing countries to meet this demand. (Representational Image: PTI)

The Indian real estate market has always been fertile ground for astute investors in search of long-term financial prosperity, with the luxury real estate sector evolving of late as a favourable investment growth avenue. It is interesting to see that this phenomenon has spread beyond India's major cities and to a variety of less populous locales. Several major cities in India, including Ahmedabad, Chandigarh, Jaipur, Lucknow, Pune, and Surat, have seen a rise in the construction of luxury housing in recent years. Given the rising demand for both residential and commercial real estate, investors are increasingly looking to developing countries to meet this demand. According to PwC's 'Emerging Trends in Real Estate' report, three cities in India are quickly becoming the region's top choices for high-end real estate investments: Bangalore, Pune, and Hyderabad. Here are some key factors influencing this demand:

The Rising Middle Class

One of the primary reasons for the expansion of luxury real estate investment outside of metro cities is the rising standard of living among the middle class in Tier-II and Tier-III cities. Significant urbanisation is taking place in these cities, which has led to an increase in middle-class jobs and consumer spending power. As a result, the middle class is expanding in these cities, providing a new market for luxury home builders.

Reduced Cost of Land

Another factor encouraging luxury real estate investment outside of the metro areas is the availability of land at relatively lower prices. Developers are now able to build opulent properties at more affordable prices, expanding the market for their work. In addition, the lower cost of development in these communities compared to metropolitan areas has contributed to the rise in the number of luxury projects in these cities.

Government's Focus on Infrastructure

In addition to the availability of land at lower prices, the government's emphasis on developing infrastructure in these cities has also contributed to the expansion of luxury real estate. The government has made significant investments in the improvement of transportation infrastructure in these cities, including roads, highways, airports, and other facilities, making them more accessible and attractive to investors.

Demand for Luxury Commercial Real Estate

Furthermore, residential developments are not the only ones benefiting from the increase in luxury real estate investment outside of major metropolitan areas. Many businesses are now considering Tier-II and Tier-III cities as a location for new headquarters, driving up the demand for high-end commercial real estate in these areas. As a result, more upscale retail and office space has been built in these metro areas to meet the needs of the expanding business community.

Revenue Driven Property Investments

People are increasingly seeking revenue-generating opportunities to diversify their portfolios, leading to a rise in real estate development of resorts in tourist regions across the country, away from metropolitan cities. These resorts offer individual as well as corporate entities the opportunity to purchase a unit that they can use for a portion of the year, while generating revenue from guest occupancy for the remaining year, shared between the management company and the unit owner. This strategy has become highly appealing, offering a consistent income stream and diversification for savvy investors. Additionally, this trend has led to growth in luxury real estate developments in areas outside of metropolitan regions.

Shift in Market Dynamics

There has been a change in the real estate market dynamics as a result of the affluent investors' willingness to look beyond the major cities for potential luxury real estate investments. As more high-end developments pop up in secondary and tertiary markets, competition has warmed up in the luxury real estate market, leading some builders to up their game in terms of the amenities and services they provide.

Demand for World-Class Amenities

Consequently, buyer behaviour has modified in response to these changes in market dynamics. Buyers in large cities place a higher priority on location and name recognition, while those in secondary and tertiary markets care more about the property's quality and the amenities offered by the developer. As a result, there has been an increase in the number of elevated developments featuring state-of-the-art security systems, spas, swimming pools, and health clubs.

Beneficial to Economic Growth

The trend of investing in luxury real estate beyond the urban centres is very promising for the country's property market. It opens up a new market for luxury builders, which results in increased business activity, more jobs, and higher wages in these areas. Furthermore, it aids in bridging the gap between urban and rural areas by making Tier-II and Tier-III cities more attractive investment destinations through the improvement of their infrastructure and facilities.

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