

LEARNING REALTY LESSONS RIGHT

During turbulent times, Pune's property market has been exhibiting astute economic sense

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The conventional wisdom of economics suggests that turbulent marketing conditions are the best for an industry to show its strength. While strong players not only survive hard times but also come through stronger, not-so-deserving ones may hit a low. Belonging to the resilient type, Pune's realty sector seems to have taken this age-old learning of the economics by heart. At a time when property markets across the country are cribbing for slow sales and liquidity crunch, in Pune, the debate is all about what is the take-away of this rough weather. A number of developers in the city are even brainstorming as to how to use it to their advantage.

It is not that slowdown did not affect Pune's real estate but the market has responded to the challenge differently. The market seems determined to turn adversity into opportunity; something that could turn the tide and bring the windfall when the

conditions improve. For the record, every developer may be facing different challenges and hence, talking about different learning with congenial means to deal with it, yet the one message that is coming out loud and clear is that this is the time to show the true mettle as a fast maturing industry in the city. Therefore the signs of stress on the part of the developers or distress in the market transactions are least visible across the micro markets of the city property.

Whereas some of the developers have learnt that marketing and sales channels need to be re-worked, others have learnt the need to cut the input cost. Some other developers have learnt that going flashy is not the way forward. Right from construction cost to marketing procedure and research of buyers' demand to expedite the project timelines, Pune developers have taken it as a learning curve to emerge stronger when the macro-economic outlook improves and the buyer sentiments are bullish.

More importantly, the developers

are honest in admitting they need to adapt and change according to market realities. Here it is not like in some of the other property markets where the rigid thought process and the same style of functioning have aggravated the problems. In Pune, they have also consciously adopted the asset light model of functioning where the overhead costs are being cut down and focus is shifted to emerging channel of communication like digital media.

As a result, the track record of project delivery and the transaction volume of the housing projects in the city property market are way higher than the national average in the last 12 to 18 months. The question still stands as to what has been the biggest learning of the slowdown. More importantly, to what extent the Pune developers have taken the corrective measures. Answers are not simple nor is it a reality that one-size-fits-all learning curve has been the answer to the challenges of Pune real estate. Different developers have faced different levels of challenges and carried home different kind of learning.

Kishor Pate, CMD of Amit Enterprises, Housing, candidly admits that there is no denying that the magnitude of the most recent slowdown caught developers unawares. The biggest learning for the market was that a sellers' market can turn into a buyers' market pretty quickly, if headwinds so dictate, he noted.

"Having said that developers were taken by surprise, I must add that developers in Pune managed to weather the slowdown with remarkable astuteness; having being able to gauge the sentiments and changes in market climate more accurately than builders in most other cities," says Pate.

Explaining his learning curve, Sachin Agarwal, CMD, Maple Shelters, shares that the biggest learning from the slowdown was that developers can no longer ignore market realities in their pursuit to turn a prof-

it out of the business.

"Every developer wanted to get into mid-income and luxury housing because these projects deliver larger profit margins. Once the slowdown sank in its teeth, we saw many of them turning their sights back on affordable housing, because sales are assured there," says Agarwal.

Abhay Kumar, CMD of Grih Pravesh Buildteck, makes it a point to say that if there is a market where the developers have really taken the learning, it is nowhere else than Pune. While most of the issues plaguing the sector remain more or less the same across the country, the fact remains that Pune is a dynamic market both in terms of developers' outlook as well as the buyers' profile, he notes.

The biggest learning during this slowdown is to avoid over-leveraging. Developers always diverted their accrued funds from one project to other land or construction projects which has landed them into deep financial crunch. In such times, even banks and financial institutions are not lending much for realty. Developers are delaying their future projects and selling off their land parcels to cope up with the difficult situation," says Abhay.

Today, when the other property markets are just talking about the ways and means to make the affordable housing feasible, Pune market has very many standing inventory that can easily be termed as affordable. The developers have experimented with even compact houses by reducing the size of the apartment and reducing the ticket size in the process. This, of course, is one of the many experiments in the city property market and is working well. Connecting directly with the homebuyers is more in vogue in the city property market, instead of having brokers as the only human interface.

(The author is CEO, Track2Realty)

QUICK BYTE

■ IN PUNE, THE DEVELOPERS HAVE CONSCIOUSLY ADOPTED THE ASSET LIGHT MODEL OF FUNCTIONING WHERE THE OVERHEAD COSTS ARE BEING CUT DOWN AND FOCUS IS SHIFTED TO EMERGING CHANNEL OF COMMUNICATION AND SALES, FOR INSTANCE, USE OF DIGITAL MEDIA

■ THE TRACK RECORD OF PROJECT DELIVERY AND THE TRANSACTION VOLUME OF THE HOUSING PROJECTS IN THE CITY PROPERTY MARKET ARE WAY HIGHER THAN THE NATIONAL AVERAGE IN THE LAST 12 TO 18 MONTHS

■ IN TERMS OF THE REVIVAL ALSO, PUNE IS AMONG THE MARKETS THAT PROMISE TO BE AMONG THE FIRST TO SEE THE TIDE TURNING IN ITS FAVOUR.

