APPCC Realty News

A Comprehensive Update On Realty Scenario In And Around Chennai

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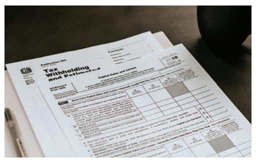

TAX PLANNING Tax Implications of owning more than one House

Signs of Realty Market Revival Evident

With a spurt in the level of enquiries and transaction volumes, secondary market is poised for a major turnaround in development, surveys **V Nagarajan.**

After a prolonged stagnation and adverse impact of Covid-19 pandemic on economy, there are now clear signs of realty market revival in that enquiry levels are up across micro markets. The pent-up demand, few project launches, WFH boosting demand for larger homes, all time low home loan lending rates and surge in demand for retailing have all convinced the property developers and realtors to take stock of the situation and gear up for a better tomorrow.

"Commercial property in particular retailing is gaining momentum in terms of demand for units in the size range of 1500 to 2000 sqft. Moreover, there has been a substantial surge in the number of enquiries for retail outlets in the price range of Rs 3-5 crore across micro markets. This is not only confined to metros but extended in secondary cities as well. Unlike earlier, overall enquiry levels have gone up by 50 per cent," said Krish Mahalingam, CEO, Space4me.

While the land development has always enthused investors, what is driving the market nowadays is the level of response within CMDA limit for plots to build independent homes. "There has been a sudden revival in demand for plots ideal to build independent homes in areas like Kunrathur, Poonamallee, Avadi and Porur. Stable prices in areas like Kunrathur at Rs 2,500-3,000 per sqft has encouraged people to plunge into investment in gated community projects and therafter go for construction of independent homes. Unlike apartments, investors are able to own homes at Rs 55-60 lakh with higher land area ownership which is driving demand for plots," said Jayaram Ganapathy - Founder & CEO – Propshell.

On the office front too, there has been a spurt in the number of enquiries for leasing as well as sale option. "Areas like Guindy and Mount Road have witnessed both leasing and outright sale options recently, which is a clear indication of the market revival. Office units in the capital value of Rs 7000-15,000 per sqft are seeing sudden demand across micro markets. Enquiry levels for leasing in particular for unit areas ranging from 2000 sqft to 10,000 sqft are up and a few transactions have taken place," said Ramkumar, CEO, RPC Realty.

As regards residential sector, resale apartments in city's prime areas are witnessing a surge in demand. "Post-Covid, resale units in South Chennai ranging from Rs 1 crore to Rs 2 crore particularly in areas like Abhiramapuram, RA Puram, Mylapore and Adyar, are driving demand even if the units are 25-30 years old. One of the driving factors could be the WFH concept that is gaining momentum and the need for larger rooms in an apartment, said Vidhya Ramkumar, a realtor and a member of APPCC.

The stressed assets entering the market through auction has given a new twist to the demand pattern as prices are considered reasonable, due diligence already done and transparent transaction process ensures easy acquisition, said Singaravelan, Managing Partner, Arihant Associates. It is ideal for investors who can wait for some time to resell at the appropriate time when demand perks up, he adds.

A disquieting feature, however, in the realty business is that realtors are facing formidable challenges when multiple agencies are involved in a transaction. "It is becoming increasingly important to obtain mandate from the clients before marketing a particular asset as efforts become futile when the prospective buyer and seller pay scant regard to the established practices in real estate deals," said Narayanan Krishnan, Property Manager, Home Matters.

Warehousing & Industrial Sector on the Upswing

The proposed investments will drive the steady growth in Chennai's industrial sector, especially for modern warehousing facilities, says **V S Sridhar**

Chennai, also known as the Detroit of India, is home to more than one-third of India's automobile industry. The city is an industrial powerhouse with a strong and diverse industrial base. Chennai boasts of a position in the top 10 automobile hubs globally, with an installed capacity to produce 1.4 million cars per year, which means it has the capacity to produce three cars every minute. The prominent industrial corridors and clusters are Sriperumbudur - Oragadam, Irungattukottai, Maraimalai Nagar, Gummidipoondi, Ambattur, etc. The industrial ecosystem of Chennai is diverse and global companies like Hyundai, Ford, BMW, Caterpillar, Renault-Nissan have set up their manufacturing facilities in Chennai. The State's proactive industrial policy has attracted investors for projects such as manufacturing of commercial vehicles, windmill equipment, semiconductor chips, etc. over the past several years. The Government is determined to further accelerate entry of industries to the state.

Recently, the state government has announced an exclusive e-vehicle park at Manallur on the outskirts of Chennai to establish e-vehicle and its component manufacturing industries and an Active Pharmaceutical Ingredients (API) Park in Cheyyar SIPCOT with an investment of around INR 770 crore. This is likely to boost demand for warehousing spaces substantially over the medium to long term and incentivize investments by global PE funds. TIDCO along with TIDEL is establishing an Advanced Computing and Design Engineering Centre (ACDEC) for Aerospace and Defence Manufacturing & Design Industries in the Sriperumbudur Aerospace Park. The proposal is to 1 million sqft of built up space and facilities for Advanced Computing and Design Engineering Centre comprising Avionics Complex, Centre of Excellence, Skill development Centre and Warehouse facility. Further, housing facilities have been planned for nearly 1.5 lakh workers of the industrial parks over the next five to ten years on the outskirts of Chennai under the state government's industrial housing programme.

This initiative has been started with the industries department preparing a detailed project report to build the state's first industrial housing facility near Oragadam industrial park. The project will accommodate skilled migrant labour in order to drive the state's industrial and economic growth.

In the long run, it is expected that the proposed investments supported by enabling industrial regulations will drive the steady growth in Chennai's industrial sector, especially for modern warehousing facilities.

Mr Sridhar is Managing Director, Chennai, Cushman & Wakefield

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Office sector – Better Days Ahead

Chennai continues to attract leading developers to come and invest in commercial projects, says a survey by **Cushman & Wakefield.**

In recent years, Chennai had been adversely affected by natural disasters such as floods and cyclone but 2020 brought the worst in the form of the Covid-19 pandemic. However, the city's resilience was exemplified with the bounce back that the real estate sector exhibited once the peak of the pandemic was crossed.

Over the last two quarters, Chennai office market activity witnessed steady recovery post the COVID-19 induced lockdown with the city performing fairly well. The year 2020 wrapped up with a total leasing activity of 4.75 msf. In Q3'20, a phase when all cities were stumbling with COVID, Chennai recorded pre-leasing of 2.15 msf by Bank of New York Mellon, Amazon and Standard Chartered GBS, the highest among all other Indian cities. Exits have been comparatively low in Chennai, city level rentals remained stable and vacancy levels by end 2020 remained in the 11-12% range, which depicted a normal trend. Growth of Global Capability Centers (GCC) has accelerated over the last four years, which in turn has been driving the engineering R&D segment in the city.

Engineering & manufacturing sector tops the list with the largest share of 42% in the GCC footprint followed by IT-BPM and BFSI with shares of 23% and 14%, respectively. Prominent captive centers in the Engineering & Manufacturing sector includes Renault Nissan, Microchip, Caterpillar, etc., while Bank of New York Mellon, Barclays and World Bank in the BFSI sector and Astra Zeneca, Dow Chemicals in the Health and Pharmaceuticals sector have established R&D centers in the city as well. Chennai continues to attract leading developers who are willing to invest and develop office projects in the city. The city has a healthy supply of more than 10 msf in the next three years from prominent developers such as RMZ Corp, Embassy, Gateway Office Parks Pvt Ltd, Prestige, DLF, etc.

L&T Realty has recently launched a mixed-use development of 6.5 msf named L&T Innovation Campus which will be developed in four-five phases; 1.05 msf of this project will be developed in the first phase over the next three years.

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Indian Realty Outlook 2021

International property consulting firm CBRE has organised a webinar recently on 'India Real Estate Market Outlook 2021 – Resetting in the new normal'. Key economic indicators have started improving with India witnessing record high forex levels at the end of December 2020.

Average inflation in 2021 is expected to remain above the 4% target, fuelled by increased consumption. Inflation is projected at 5.8% for Q1 2021 and between 4.6% - 5.2% for April – September 2021

The government initiatives may have an impact on Indian real estate sector in 2021 in the following areas:

• Housing segment to remain at the top of government agenda; push via an enabling mortgage environment, catalysing construction of affordable housing projects and affordable rental housing complexes (ARHC) and finalising the Model Tenancy Act.

• As the industrial & logistics (I&L) segment takes centre stage, government is keen to extend support via draft national logistics and industrial policies and investments in setting up industrial corridors.

• Growing need for digitisation leading to increased focus on data centres (DC); formalisation of the segment through a DC policy and government investments.

• E-commerce policy formulation underway; aims to address data security/privacy concerns; provide a level-playing field to all players and curb the influence of monopolistic tendencies.

What are the alternative sectors that may have an impact on the realty sector?

• Flexible spaces to remain key to increasing portfolio agility, providing short-term solutions and catering to headcount volatility; managed spaces to drive demand.

• Cautious expansion by operators; likely to maximize occupancy through various means such as day passes, reduced lock-ins, extended rent free periods, etc. DCs

• Post COVID-19, DC demand to be augmented by the increasing need for data storage, sustained policy impetus and nationwide digital initiatives; third-party colocation and cloud demand likely to witness high growth

• Domestic / global operators and investors to expand their DC footprint; DC stock expected to touch about 600 MW in 2021

• CS segment to be driven by increasing demand for Online Food Delivery (OFD) services and the growth of cloud kitchens / e-grocers; CS operators to continue to expand.

• Post COVID-19, impetus to life sciences segments such as vaccine / generic drug and formulation centres to also boost CS demand; higher domestic / global investment expected.

REIT • New office-based REITs to be launched in the coming 12-24 months; acquisition of core and core-plus office assets for REITs. • REITs to have better access to low-cost capital from debt / equity markets; higher liquidity to enable increased capital deployment.

• Post COVID-19, India to continue to be a manufacturing hub for generic / bulk drugs and formulation centres; likely to further boost demand for CS units.

• India would also be a key knowledge / shared services destination for US / EMEA based pharma companies, especially the cities of Mumbai, Bangalore and Hyderabad, over the next 12-24 months.

A reconfiguration of the traditional student housing layout is expected; larger rooms/ single occupancy rooms and larger common areas to allow for compliance with social distancing norms.

• As stricter regulations on social distancing post COVID-19 come into force, universities may look to reconfigure on-campus accommodation, which might result in greater demand for off campus Purpose-Built Student Accommodation (PBSA).

• Increased use of technology to provide virtual tours, contactless services/requests and access to premises.

Bulk Deals in India drive $5 billion Investments in 2020

India's strong economic recovery, an expectation of low-interest environment and improved asset income visibility may drive investments in 2021, according to a survey by property consultancy firm JLL India.

Institutional investment in Indian real estate staged a smart recovery during Q4 2020 with USD 3.5 billion investments. As a result, the year 2020 closed with US$ 5 billion investments, equivalent to 93% of 2019 transactions (US$ 5.4 billion), despite a sudden halt brought on by the pandemic. The 2020 comeback holds significance when seen against the pace and percentage of the recovery from the last global financial crisis (GFC). Not only did the post-GFC recovery phase take more than three years, but the drop in 2009 was more than that witnessed in 2020. Over the years, investments have moved in tandem with reforms and maturity in the real estate sector. Moreover, various structural reforms during the last decade have brought much needed transparency and accountability to the sector.

A deeper analysis of institutional investments in 2020 indicates that the recovery has been narrow-based, as 27 deals were transacted in 2020 over 54 in 2019. The two large portfolio deals with an estimated value of US$ 3.2 billion accounted for 65% of the total investments in 2020. These investments by large global funds in times of uncertainty indicate the availability of quality assets at attractive valuations.

Large portfolio deals validate the investment potential of Indian real estate

The pandemic led to pull back in investments due to uncertainty over income stability and return to normalcy. However, large global funds took this opportunity to negotiate portfolio deals with developers who offered quality rent yielding assets in cities with a higher presence of global technology players as well as global in-house centres. The Blackstone Group took over 21 million sq ft of completed and under construction office, retail and hospitality assets from Prestige Estate Ltd. for around US$ 1.2 billion.

Similarly, the Brookfield Group entered into an agreement with RMZ Developers to acquire around 12.5 million sq ft of office and co-working assets for around USD 2 billion. Office assets account for a major share of investments in both these transactions, indicating the strength of the asset class. India's Grade-A office stock of 629 million sq ft as of Q4 2020, with sub-5% vacancy levels in Bengaluru, Hyderabad, Chennai and Pune as well as in prime sub-markets of Mumbai, Delhi NCR and Kolkata, make the asset class ideal for investments.

Office assets account for a major share of investments in 2020

The two major deals in 2020 indicate that office assets account for a major share of the portfolio apart from retail and hospitality assets. The comparison of deals in 2020 with that in the previous year indicates that office assets continued to attract the highest share of investments. Though direct investments in warehousing were not reported, dedicated platform funds and developers were reported to be investing in the construction of warehouses to meet the growing demand from the e-commerce industry.

India's office sector has witnessed continuous growth over the last four years with the average annual net absorption crossing 30 million sq ft, leading to steady rentals and capital appreciation till the onset of the pandemic. Global investors, looking for stable yields and regular returns, believe that technology sector driven office demand is expected to grow further and keep office absorption robust. To add to it, the success of two listed REITs has provided a new route for investments.

Bengaluru attracts maximum investments in 2020

Bengaluru, with 150 million sq ft of Grade-A office stock, has the largest share (23%) of India's total office stock among its top seven cities. India's Silicon City is home to major global as well as domestic technology players, technology start-ups and global in-house centres of multinational companies. The two large transactions accounted for most of the city's office assets, leading to a 74% share of investments in 2020.

Strong economic recovery to boost investment climate

The year 2021 has started on a positive note with hopes of return to normalcy over the next few quarters. During the July-September 2020 period, the Indian economy recovered at a better-than-expected pace, as the phased lockdown relaxation measures helped to resume economic activity. There were signs of further growth during the festive season of October–December 2020 as indicated by various macro-economic indicators. The Indian economy is hence expected to bounce back and grow by 8.8% during the calendar year 2021.

GDP growth rate in 2021 to be one of the highest in the decade

The backdrop of economic recovery and return to normalcy is expected to bring visibility to the income stability of rent yielding assets, which will help in asset pricing. Investors are likely to get more decisive and deploy the dry powder aggressively. India's real estate sector is expected to see the following trends:

1. Investment outlook to remain optimistic over the year as expectations of continued low-interest rates, huge amounts of dry powder and chase for yield drive transaction volumes
2. Investments to gain momentum during the second half of 2021 as investors increase their exposures
3. Listing of forthcoming REITs to drive investment volumes in 2021
4. Sustainable core office assets to be favoured by investors as they align with occupier demand and provide income stability
5. Logistics and data centres to attract new set of investors
6. Platform deals in the logistics sector likely to remain active as the segment benefitted from growing e-commerce demand as well as pandemic induced demand for cold storage facilities from pharma sector
7. Recovery in the residential segment and changes in FDI regulation could ignite investment appetite for mid and affordable housing projects.

TAX PLANNING

Tax Implications of owning more than one House

BY BALWANT JAIN

People frequently ask me as to how many house one can buy and own at a time in own name. The answer is as many as you want and can afford. So there are no restrictions under the tax laws or general laws on the number of houses you can own. Likewise I also get queries as to for how many houses I can obtain the home loan. The answer again is the same. i.e. as many as you wish and you are able to service. But there are certain tax implications in case you own more than one house property. Let us understand the income tax implications.

Capital gains exemption on investing in a house
As per the tax laws in India you can claim exemption from long term capital gains (LTCG) if you buy or construct a residential house. The exemption for investment in residential houses can be claimed under two categories. One exemption available is under Section 54 for LTCG on sale of a residential house and other one is available under Section 54F in respect of LTCG on sale of any asset other than a residential house.

Capital gains exemption under Section 54F can be in respect of any land, commercial property or even shares companies whether listed or unlisted etc.

For claiming exemption under Section 54F one of the condition to be satisfied is that you should not be owning more than one house other than the one which in which the investment is being made. So in case you already own two houses on the date of sale of the asset subject matter of sale, you are ineligible to claim this exemption. It may be noted that no such pre condition of owning a particular number of houses is prescribed under Section 54 in case the capital gain arises from sale of a residential house and you want to claim exemption by investing in another house.

Deduction in respect of Repayment of Principal of home loan:
You can claim deduction for principal repayment of home loan, taken for residential house from specified entities like banks, housing Finance Companies, Central Government, State Government etc under Section 80 C upto Rs. 1.50 lakhs. This limit is a consolidated limit together with other eligible items like LIP, EPF, PPF, ELSS, NSC, tuition fee etc.. The benefit for deduction of repayment of principal amount of home loan can be claimed for any number of home loans within the overall eligible limit of Rs. 1.50 lakhs. In case of home loan taken for an under construction property this benefit can only be claimed from the year in which construction is completed or possession is taken.

Deduction for interest on money borrowed for buying/constructing a house
The deduction in respect of interest can be claimed for any number of properties. It is available from the year in which the possession is taken. The interest paid during the construction period can be claimed in five equal installments starting from the year of possession. Till last year the tax laws allowed you have one house property as self occupied and deduction for interest was available for one such property upto Rs. 2 lakhs.

By the interim budget 2019 the limit for self occupied house which one can have has been increased to two but the overall limit of interest which can be claimed remains Rs. 2 lakhs whether you occupy one to two houses for self occupation. In case you have more than two self occupied property, you have to opt any two properties as self occupied and then the other property/ies are deemed to have been let out and you have to offer notional rent for tax which the other property can fetch in the open market. For upto two self occupied properties this value is nil. For the properties which are let out or deemed have been let out, there is no limit upto which interest on money borrowed for house can be claimed but there is limit of Rs. 2 lakhs for losses under the head "Income From House Property" which can be set off against other income. However the losses which remain unabsorbed can be carried forward to next eight years to be set off against income from house property.

So from the above discussion it becomes amply clear that instead of buying multiple houses in your own name, it makes sense for you to buy houses in the name of different family members.

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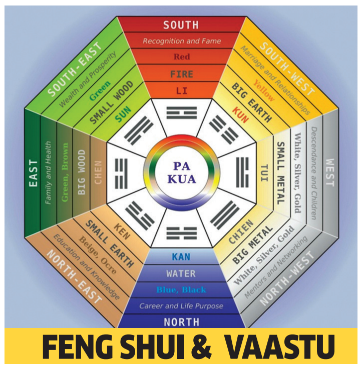

Tips to Investment in Plots – The dos and don'ts

A simple approach to the art of Feng Shui and Vaastu would be in terms of providing the right plot levels, setbacks, proper layout and allocation of rooms, says S.BS.Surendran

To ensure that a space is filled with good energy and is vibrant the living space has to be balanced and it must have the right décor. Adapting Fengshui this can be achieved in a lot simpler way. The primary aim in adapting Feng Shui is to help achieve a more balanced, prosperous and healthy way of living for the occupants. By applying Feng Shui techniques and guidelines you will clear your home of unwanted (or negative) energy while allowing the good energy to increase its presence and bring in a higher quality of life which is more balanced.
Space is the fundamental source and energy for all things, for their origination and for their existence. Feng shui and Vaastu helps to diminish the problems of the occupants that relates to wealth, health, prosperity and happiness just by making a slight changes to your interior or exterior building configurations
By listening to the earth, we become attuned to the energy of the universe, for this energy is manifested in the air as wind, on the earth as water and land, and in the sky as stars. The earth is an entity animated by energy, Energy flows in it, through it, and around it.
Energy In flat open spaces is different from energy in mountainous areas similarly energy in a valley is different from energy on a plateau. This means that each type of a landform has a

specific type of energy associated with it.
A simple approach to the art of Feng shui and Vaastu would be in terms of providing the right plot levels, setbacks, proper layout and allocation of rooms. How do we go about this? The basic understanding to allocate rooms in the right sectors is a step after getting to know the interpretation of the magnetic fields and compass directions. Presuming that one has got to know the axis of the plot and located the cardinal magnetic directions, it becomes a lot easier to design a home as per Feng shui and Vaastu tenets.
In order for energy to flow powerfully and for your space to support your mental and emotional well-being the clutter must be cleared. The key is not just eliminating clutter from your environment, but from your mind and heart too. If you experience a situation of being plagued by inconsistency in your thoughts, actions and lack of concentration then Fengshui for your mind is very essential and could improve the situation.

- Choose a plot that doesn't have an irregular shape. Square or rectangle shape plot is considered good.
- Avoid buying a plot having cracks.
- A plot that has more length in the east west direction is good for purchasing purpose.
- A plot and a house designed with a regular shape and without much of missing corners is said to contain smooth energy flow and such plots and buildings are considered auspicious.

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