



Developers' Average Cost of construction has risen 10-12% owing to higher input cost and supply-side constraints.



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FENG SHUI Directions are extremely important when it comes to design and layout

Realtors' Role and Responsibility under RERA



The APPCC has held its EGM recently at Raintree, Mount Road and Mr Jayaprakash Padmanaban, Partner with Fox Mandal & Associates, a leading law firm with several accolades, has been invited to deliver a lecture on the key role of realtors in the changing regime under RERA. Here he shares his expertise and cautions realtors to follow ground realities and the need to protect their rights as well. Excerpts from his speech.

The RERA, enacted in 2016, has specified the role and responsibilities of realtors in five sections.

- 1) Promoter
- 2) Allottee
- 3) Real estate agent.

While the intention of the Act is laudable, it has completely impacted adversely the promoters. As

regards impact on agents, there has been no indication of penalisation against agents.

Section 9 (Registration): Only registered real estate agents should market RERA registered real estate projects. Where unorganised players are participating in the registered projects, they should think on what kind of promotional activities and there is a need to initiate measures to register this.

Registered real estate agent is supposed to market only registered projects. There are certain projects which are exempted at the time of implementation of RERA. A number of ongoing projects got exemption from DTCP which are structurally complete. The veracity of such exemption has been challenged by the allottees in a number of projects and RERA has passed orders in such matters that in the absence of having 'completion certificate', prior notification of Section 3 would be

treated as an ongoing project. Real estate agents should be careful and need to take an appropriate representation from the promoter as to the status of whether the project is required to be registered with RERA or not.

In a related development, there is also ambiguity in understanding the threshold limit for exemption under RERA registration was specified as 500 sqm land area or 8 units, however, TN RERA has taken a stand that the project requires to be registered with RERA, if the project satisfies any one of the two conditions.

So there is a need to have clarity in that scenario and agents need to insist on registration and deal only with registered projects.

Real estate agent should not get involved in any unfair trade practice and they should only solicit bonafide verified information about the project. If the realtors contravene the provisions of RERA,

he/she can be penalised upto Rs 10,000 per day which could be extended upto 5 per cent of the apartment or plot cost which a realtor has facilitated.

Under RERA, for real estate agents, there are only obligations and there are no specific provisions which empower them to approach RERA for recovering their service fee. As a realtor organisation, APPCC may give suitable representation to the appropriate authorities to consider this drawback that would help the realtors in recovering their dues effectively instead of going through a long drawn civil recovery process.

As regards redevelopment of existing buildings, if the owners themselves organise to develop on their own, it is not obligatory to register under RERA. But if it is given to a developer for development then it is obligatory to seek RERA registration. — V Nagarajan

APPCC Chennai bags Best Association Award from NAR India

The APPCC Chennai has bagged the award of excellence from NAR India for the best realtor association. The award was given in recognition of their outstanding contribution to NAR India in the year 2021-22.

The APPCC Chennai held its EGM at the Raintree Hotel, Mount Road on March 29. Delivering the thanksgiving address to APPCC members, K R Shiva Kumar, President-elect, NAR India, said that he was impressed with the rapid growth of APPCC membership at 75.

"The Maharashtra Real Estate Regulatory Authority has been looked as the holy book for guidance by the realty sector in India. Over 30,000 realtors have so far been registered when compared to just 1,500 realtors in Tamil Nadu. In Maharashtra, every realtor has to pass through an examination held in association with NAR



India Institute of Real Estate. The training will commence shortly. Similarly, we will start training in Tamil Nadu," said Shiva Kumar.

The 14th NAR India convention titled YES REALTOR, will be held on August 6 and 7 at Bengaluru. The registration for the session has begun and early bird scheme is priced at Rs 5,000, said Shiva Kumar.

C R Shiva Kumar, President-elect NAR India, has announced that K Ramkumar,

President of APPCC Chennai has been elected as the chairman for pan India newsletter to be initiated by NAR India. He will coordinate the activities for periodical release of NAR India's realty bulletin.

Stressing the importance of an intermediary in real estate transaction as essential for all-round benefit of both the stakeholders, Shiva Kumar said that a realtor plays an important role in the transaction. A realtor has to keep abreast of development happening across various sectors of real estate sector today. Realtors have done a record transaction volume estimated Rs 600 crore in a place like Coimbatore last year, which amply reveals the immense potential business in the sector.

NAR India will open its branch office in J&K during May.

The APPCC event has been sponsored by G Square. Mr Palani of G Square has made a detailed presentation on the

prolific growth of the group and elaborated on various ongoing and forthcoming plot projects in various cities across South India.

The associate sponsor is Royal Emlak which has launched villa plots of 10,000 sqft each in Marakanam, near Pondicherry. Mr Kripa, CEO of Royal Emlak has made a detailed presentation about the project overlooking sea and the inherent advantages accrued to the investors while investing in the project.



- 1 President-elect, NAR India, C R Shiva Kumar receiving the honorary membership from Jayaprakash Padmanabhan, Partner, Fox Mandal & Associates.
- 2 APPCC members who participated in the EGM.
- 3 APPCC Secretary B Prabhu addressing the members during the EGM held recently. Sitting on the dais are the committee members of APPCC.

G SQUARE REPORTS ROBUST GROWTH

G Square group, South India's largest and highly experienced land promoter and aggregator has recorded sales estimated at Rs 1,150 crore till December last year. The group is confident of reaching a turnover of Rs 2,250 crore within the next six months period. It has developed 25 projects including 4 in Coimbatore, one in Trichy and one in Hosur till now involving 1,000 acres of land development. In Hosur, price appreciation was 43 per cent from Rs 2,300 per sqft to Rs 3,300 per sqft in a span

of just three months. In Chennai, the group focused mainly on ECR and OMR corridors. The products include both housing and commercial plots of varying sizes. Till February this year, the group has reported 31 projects under varying stages of implementation.

G Square has won **Times Business award** for 2021 as the best luxurious plotted developer.

The group has expansion plans in cities like Bengaluru, Mangaluru, Mysuru, Kochi, Mumbai and Hyderabad across the country and in Dubai, UAE. The group's corporate clientele include Murugappa group, Ceat, JK Tyres and Indiabulls. It has roped in former cricket captain M S Dhoni as brand ambassador.

Realty Data

CONSTRUCTION MATERIAL COST COMPARISON*

Sl. No	Material	Rates 2 Years Back	PRESENT RATES		
		Old Rates	New Rates	Difference	Percentage Increase
1	Steel	38.8	85.9	47.1	121.39%
2	Cement	270	360	90	33.33%
3	Electric Wire	5	12.5	7.5	150%
4	Plumbing Material	100	150	50	50%
5	CP Fitting Material	100	150	50	50%
6	Aluminium Material	176	290	114	64.77%
7	Fire Fighting Steel	49.5	84.95	35.46	71.63%
8	Internal Painting	8	12	4	50%
9	Aluminium Window	220	345	125	56.81
10	Stone	50	100	40	66.66

PLOT PRICES IN CHENNAI

Location	Price (Rs per sqft)
Siruseri	3,500 – 5,000
Perungudi	7,000 – 8,350
Tiruverkadu	4,300
Perungalathur	4,000
Thuraipakkam	6,650
Sriperumbudur (Near Hyundai)	2,500
Kovilambakkam	8,000
Uthandi	5,200

Note: The above prices are indicative and vary depending on the developer, location, specification and amenities offered in the land development project.

OFFICE NET ABSORPTION RECORDS HEALTHY GROWTH (Q1)

	Q1 2021 (million sq ft)	Q4 2021 (million sq ft)	Q1 2022 (million sq ft)	Q-O-Q Growth (%)	Y-O-Y Growth (%)
Bengaluru	2.38	2.41	1.67	-30.8%	-30.1%
Chennai	0.37	0.85	1.21	41.7%	226.7%
Delhi NCR	1.09	1.61	1.34	-17.2%	22.4%
Hyderabad	0.79	2.99	3.42	14.3%	332.7%
Kolkata	0.06	0.47	0.18	-61.1%	234.5%
Mumbai	0.24	1.88	1.44	-23.1%	489.7%
Pune	0.50	1.34	2.30	72.0%	362.3%
Total	5.43	11.55	11.55	0.0%	112.6%

Source: Real Estate Intelligence Service (REIS), JLL Research

Key office micro markets driving the bulk of net absorption

Cities	Q1 2022 (million sq ft)	Sub-market with the maximum share in Q1 net absorption
Bengaluru	1.67	ORR – 68%
Chennai	1.21	Guindy – 56%
Delhi NCR	1.34	Gurgaon – 55%
Hyderabad	3.42	Gachibowli – 71%
Kolkata	0.18	Salt Lake – 61%
Mumbai	1.44	Andheri (SBD North) – 30%
Pune	2.30	Kharadi-Hadapsar-Viman Nagar-Baner-Balewadi (East & West SBD) – 68%

OFFICE SPACE COMPLETIONS DOMINATED BY HYDERABAD, PUNE, AND BENGALURU

	Q1 2021 (million sq ft)	Q4 2021 (million sq ft)	Q1 2022 (million sq ft)	Q-O-Q Growth (%)	Y-O-Y Growth (%)
Bengaluru	4.33	2.45	4.63	89.0%	6.7%
Chennai	0.00	0.09	2.40	2566.7%	NA
Delhi NCR	4.01	0.35	1.51	330.9%	-62.4%
Hyderabad	2.20	2.53	4.77	88.9%	116.9%
Kolkata	0.00	0.10	0.11	10.6%	NA
Mumbai	1.96	1.68	1.98	17.6%	1.0%
Pune	0.70	1.93	4.81	149.9%	585.0%
Total	13.21	9.12	20.21	121.5%	53.0%

Source: Real Estate Intelligence Service (REIS), JLL Research



OFFICE MART

India's office net absorption is up by a significant 113% y-o-y with 11.55 million sqft space in Q1, surveys JLL.

Office net absorption at 11.55 million sq. ft in Q1

The combined office net absorption across seven cities stood at 11.55 million sq. ft. at the end of the first quarter (January-March) of 2022.

According to JLL's Office Market Update-Q1, 2022, office net absorption was up by a significant 113% year-on-year, clearly indicating the momentum that is now visible in the market. Net absorption was similar to the last quarter due to lingering uncertainties surrounding the Covid-19 pandemic.

Net absorption was higher than overall market traction, driven by previous pre-commitments in new completions which became operational this quarter. This is indicative that occupier confidence for older space deals remains intact even as on-ground activity picks up momentum. Some transaction slippages also caused the gross leasing number to be lower than net absorption for the quarter.

Flex hits the high notes

The technology sector continues to be the highest occupier segment in terms of market activity. The flex segment leased 2.2 million sq. ft of space in Q1 2022, the highest since the pandemic broke. This is also more than 50% of the total annual space leased by this segment in each of 2020 and 2021. As a result, the share of the flex segment in total quarterly leasing stood at 21%.

The tech segment continued to lead but its share stood at 25%, while the manufacturing/industrial segment, with its share at 17% in the quarterly leasing

Gross Leasing Volume	Q1-2022 (million sq ft)	Q-O-Q Growth (%)	Y-O-Y growth (%)
Bengaluru	1.6	-62%	-10%
Chennai	1.4	24%	120%
Delhi NCR	2.9	-8%	44%
Hyderabad	0.9	-69%	24%
Kolkata	0.1	-70%	146%
Mumbai	1.9	31%	16%
Pune	1.7	16%	153%
Total	10.5	-29%	40%

Source: Real Estate Intelligence Service (REIS), JLL Research

activity, continues to gain momentum on the back of proactive policy measures. Consulting also saw its leasing share jump to double digits at 13% with BFSI accounting for a 10% share.

Q1 2022 net absorption highest in the last two years

Hyderabad recorded the highest net absorption among the top seven cities, followed by Pune: both surpassed the net absorption in Bengaluru for Q1. Moreover, the cities of Chennai, Hyderabad, and Pune witnessed a healthy growth in net absorption when compared to the previous quarter. Hyderabad and Pune were driven largely by the new completions in Q1 which came on stream with healthy pre-leasing levels.

Supply hits highs

Quarterly supply hits an all-time high in Indian real estate; 20 million sq. ft completed in Q1 2022.

Q1 2022 was witness to the highest ever supply addition in a quarter for the top seven cities combined with 20.21 million sq. ft. The office markets of Hyderabad (23.6%), Pune (23.8%), and Bengaluru (22.9%) headlined new completions in the quarter accounting for about 70% of the total supply addition. Almost 39% of the supply coming on stream in Q1 from these three cities was already pre-committed.

Vacancy Levels Up

Given the significantly high completions in Q1 2022, the pan-India vacancy has jumped by 80 bps quarter-on-quarter to 16.1%. Due to a steady pipeline of assets coming on stream, the demand-supply gap has momentarily



widened. While the headline vacancy may be a bit disconcerting, core office markets in the major cities continue to have tighter vacancies compared to the city overall numbers.



LOOKING AHEAD

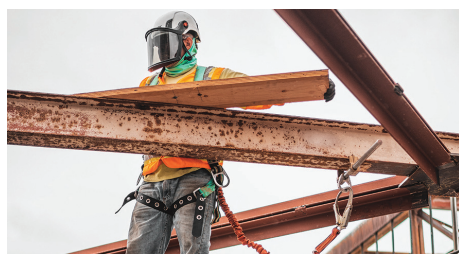
With occupiers back in the market with their real estate plans, active demand currently stands at 36-39 million sq. ft across the top seven cities, now surpassing pre-Covid levels. This active demand is representative of all major ongoing space requirements and deals which are in advanced stages of negotiations and closure.

Given the active demand numbers and pre-commitment rates compared to the upcoming supply, it is likely that demand-supply dynamics should find a balance that allows forecast vacancy to remain within the 15-16% range over the next 12 months as well.

With governments relaxing office occupancy norms across the major cities, return to the workplace has started in the right earnest. While tech companies are slowly bringing workers back to the office, a hybrid model with time split between offices, homes and flex options is likely to be implemented across companies' basis their own dynamics but will not be a one-size-fits-all solution.

City	Overall City Vacancy %	Q-o-Q Change in city level vacancy (bps)	Core office sub-market Vacancy %
Bengaluru	11.4%	140 bps	SBD ORR - 6.7%
Chennai	10.4%	140 bps	SBD OMR - 1.1%
Delhi NCR	28.1%	- 20 bps	Prime Gurgaon - 10%
Hyderabad	15.8%	60 bps	Hitec City - 9.7%
Kolkata	23.3%	10 bps	Salt Lake - 22.6%
Mumbai	15.8%	20 bps	BKC Core - 6.6%
Pune	8.6%	280 bps	SBD East - 7.9%

OVERVIEW



Over the last one year, developers' average cost of construction has risen 10-12%, owing to higher input cost due to supply-side constraints. This surge in cost comes at a time when developers have been under pressure due to higher debt and liquidity concerns over the last few years.

The cost of key materials like cement and steel have risen over 20% yearly as of March 2022. These constitute a predominant share in the total cost of construction. So far, developers have been cautious about increasing prices as the market was recovering from the aftermath of Covid-19. However, developers have now started feeling the pinch of rising cost and started reviewing their pricing strategy.

Scenario in a Nutshell

- Cost of key materials like cement and steel have risen over 20% YoY in March 2022
- So far, developers have been cautious about

Surging Construction cost likely to push up Realty Prices

Escalation in key input cost	
Key input cost	YoY change (March 2022 vs March 2021)
Steel	30%
Cement	22%
Copper	40%
Aluminum	44%
Brent Crude Oil	70%

Note: Costing for steel, cement, copper and aluminum is based on dealer-level cost as per Colliers' internal costing framework; Overall values are exclusive of GST

Source: Colliers

- increasing prices as the market was recovering from the aftermath of Covid-19.
- Cost of construction to rise by a further 8-9% by December 2022

"With rising material cost, developers will be compelled to increase prices as construction materials account for about 2/3rd share in the total cost of construction. Developers have already

YoY change in average cost of construction		
Average cost of Construction (INR/ sq ft)	2021 March	2022 March
Residential	2,060	2,300
Industrial	1,900	2,100

Note: These are average cost excluding GST at an all-India level in INR per sq. ft. Values are for a standard Grade A residential building of 15 floors and for a standard pre-engineered Grade A industrial building.

Source: Colliers

been operating on thin margins over the last few years. The rising cost will impact developers in the affordable and mid-market segments relatively more as they are already operating on lower margins. With wholesale price inflation (WPI) and material cost, both seeing a double-digit rise, the cost of construction can rise by a further 8-9% by December 2022," said Ramesh Nair, CEO, India & Managing Director, Market Development, Asia, Colliers.

Residential and Industrial sectors to face

the maximum impact

Residential projects in the affordable and mid-income segments carry relatively lower margins and are price sensitive. Hence, any major increase in input cost can put pressure on developers to pass it on to end-users. On the other hand, Grade A industrial and warehousing facilities are already seeing robust demand from E-commerce players. Increase in construction cost is likely to put an upward pressure on rents due to limited availability of quality assets.

"Developers are facing high cost but are being cautious to increase the price for end users as it might impact overall demand. However, if the escalated cost persists, developers may have to pass on increased overheads to the end users. Some intervention from the government in the form of lower import duty can provide some relief to developers, especially in segments with low margins," said Argenio Antao, Chief Operating Officer, Colliers India.

Overall, in the market, large Grade A developers will be able to withstand the rise in cost and may pass it on depending on the demand dynamics. However, smaller developers may seek to enter joint development agreements for specific projects to tide through the high cost.

TAX PLANNING



it by **Computing Capital gains using Cost Inflation Index**

$$\text{Indexed Cost of Acquisition} = \text{Cost of Acquisition} \times \text{CII of the year in which asset is transferred}$$

CII of the year in which asset is first held by assessee or CII of 2001-02, whichever is later

In case asset was acquired by way of gift or inheritance etc. then base year shall be the year in which the previous owner first held the asset.

Purchasing power of money decreases with increase in inflation which results in increase in prices of goods. Indexed cost allows assessee to claim higher deduction in respect of cost of the asset by taking inflated cost while calculating capital gains.

The overall cost of acquisition is adjusted per the prevailing Cost Inflation Index for the year and the year in which acquisition took place.

Steps to Calculate the Indexed Cost of Acquisition:

We must follow two step approach to calculate the Indexed Cost of acquisition.

Step1 – Calculate the Cost of Acquisition of Capital Assets.

Step2 – Multiply Cost of Acquisition with Cost Inflation Index of the year when the asset was transferred and divide

Cost Inflation Index of the year in which the asset was first held by the assessee. In case the Asset was acquired before 2001, then Cost Inflation Index of 2001-02 need to be used in place of Cost Inflation Index of the year in which the asset was first held by the assessee.

The benefit of indexation shall not be available in case of transfer of long-term capital asset, being listed equity shares, units of equity oriented mutual funds or units of business trust, or any transfer of a bond or debenture if the capital gain is taxable under Section 112A.

Depreciable Assets are always deemed as short-term capital assets. Thus, no indexation benefits

Table of Notified CIIs:			
Financial Year	CII	Financial Year	CII
2001-02	100	2011-12	184
2002-03	105	2012-13	200
2003-04	109	2013-14	220
2004-05	113	2014-15	240
2005-06	117	2015-16	254
2006-07	122	2016-17	264
2007-08	129	2017-18	272
2008-09	137	2018-19	280
2009-10	148	2019-20	289
2010-11	167	2020-21	301
		2021-22	317

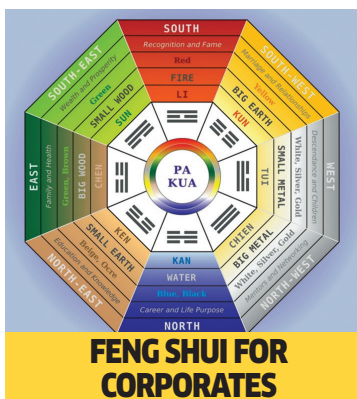
shall be available on such assets and where a non-resident acquires shares or debentures of an Indian company in foreign currency,

scheme of indexation does not apply.

Source: Taxman.com



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Balancing the design architecture



Feng Shui is largely a matter of arranging the flow of a space not for aesthetics alone, but more importantly, so that the space serves a particular function or set of functions that are critical to your success and well-being. Whether you are building a new home, office, and factory or remodeling it, the consultant can identify the lucky and unlucky areas as they relate to the specific individual and fine-tune your space to be in synchronicity.

One of the primary concepts of Feng Shui interior design is energy often referred to as 'CHI'. Feng Shui interior design attempts to direct, retain, and channel this energy in a way that is most beneficial to those using the room. This can be done by the placement of objects at different compass locations or by using furniture made of specific types of material. Directions are extremely important when it comes to Feng Shui design and layout. Feng Shui has eight basic directions, four that are considered primary and four that are secondary further subdivided into three parts. This actually gives 24 directions as per the special Feng Shui compass that facilitates a perfect alignment, posi-

tioning and analysis of the property. This in turn helps in deciding the layout, room positioning and décor including placement of fixtures, furnishings, furniture and adapting the right colours pertain to the specific sectors. Apart from this, the five element analysis in Feng Shui known as 'Wu Xing' is another important factor which enhances good energy and controls bad energy by placing objects made of these materials in a specific room or by painting certain areas with an elemental colour.

General precautions one should take care of include:

- Plan a home that's square or rectangular. Odd-shaped or angular buildings have Feng Shui challenges that are difficult to undo.
- Make the building generally symmetrical in shape, and avoid angular protrusions.
- Include a foyer in the floor plan. Don't have the front door open directly into a room (where 'chi' would be permitted to escape).
- Avoid floor-to-ceiling windows in bedrooms these let too much 'chi' to escape.
- Choose smooth surfaces for interior

walls as curved walls and surfaces also encourage positive flow of 'chi'. Arranging furniture is merely a part of the interior design, while actually creating flow and energy is a greater task that demands accuracy, expertise and insight. Whether your home is a century old or still in the initial stages of planning, Feng Shui can help positive transformation take place and one can experience the changes over a period of time. Troubleshooting the afflictions in the property for external disturbances like electric pylon, trees, designing of garden, placement of plants, water features, ill effect of neighbourhood buildings can ensure that the property is charged with good energy flow, vibrant and in harmony with the occupants. Lastly, always remember to keep a balance. The fundamental theory of Feng Shui is the concept of Yin and Yang which is about balance. Hence the design and remedy should pay attention to the fact that too much of anything is not healthy.

Mr SBS Surendran is an accredited master Feng Shui consultant and traditional Vaastu practitioner.

Directions are extremely important when it comes to Feng Shui design and layout, says SBS Surendran.