

Real Estate



Millennials Chase Realty In Small Town India

In 2018, six to seven percent growth has been registered in the Indian residential market

By **M Rajendran**

Over the past few years, millennials, especially those hailing from Tier II and Tier III cities have been focussing on investing in real estate for a secured return. Even during the volatile markets that we witnessed in recent times, a certain percentage of millennials has somehow successfully shown their inclination to bet on real estate.

According to industry experts, the trend of opting to invest in Tier II and Tier III cities, where real estate prices of both, built-in houses and land is affordable,

(especially for millennials) is fast catching up. But how come most of the takers or investors happen to be millennials?

"These days, with an expansion in the service industry, many individuals are beginning to earn at a young age. But, when it comes to investments, we have to look at them with two mindsets. One who comes from a humble background and others from well-to-do homes. Both may have landed with their first jobs which offers a comparatively fatter pay package, but saving patterns for both are drastically different. The urge towards investment comes

from the first set of millennials, while the second set wants to live on their own terms and experience life. Hence, they do not wish to be tied down by savings, especially in real estate," said Ashutosh Bishnoi, MD and CEO, Mahindra Mutual Fund.

"Millennials perceive real estate very much as a consumer-facing product whose market fundamentals are easier to understand and therefore to invest in, especially given the easy availability of home loans, which simultaneously provide significant tax breaks. They also see it as an investment that will keep providing them assured returns," added Bishnoi.

A study conducted by CBRE

Group(Asia-Pacific), found that millennials living in rented accommodations, aspire to have their own homes. The reports stated that 65 per cent of the respondents are planning to buy property in the near future. It further stated that those who are still living at home and plan to move out in the future also have a strong desire to own a property.

For instance, in a Karvy report it was mentioned that, in India, around one-third of the respondents identified investment as the key driver for buying a property.

Sahil Vora, Founder and MD, SILA, explains that, "In Tier II and III cities marketing and distribution of financial products may not be as deep as Tier I cities. The other credible options would be investing in hard assets like gold or real estate, which is why one may be seeing a trend of millennial investing in real estate more prominently in Tier II and Tier III cities."

All this has contributed to the Indian residential market registering a six to seven per cent growth in 2018. "It is not just about the volatility in other asset classes,

ASHUTOSH BISHNOI

MD and CEO, Mahindra Mutual Fund



They perceive real estate very much as a consumer-facing product worth investing in

but the attractiveness of real estate as a long-term investment that is the main reason for this," said Abhijit Bhawe, CEO, Karvy Private Wealth.

Today's millennials are aware that the Indian economy is pegged to grow the fastest in the world, even under the cloud of global trade war and other economies falling weak. But they are also aware that the growth will emerge from Tier II and III cities. This is because many manufacturing and business units are relocating to Tier-II and III cities due to urban regulatory requirements and also availability of robust power and better road

infrastructure. People would require accommodation and availability of affordable properties to ensure steady rental income.

"Real estate is comparatively more affordable in Tier II and Tier III cities and also, the traditional sentiment towards home ownership is generally stronger in such places. Deeper internet penetration into the smaller cities also opens up the massive world of web-based property portals and therefore a multitude of options to cyber-savvy youngsters in these cities," said Anuj Puri, Chairperson, Anarock Property Consultants.

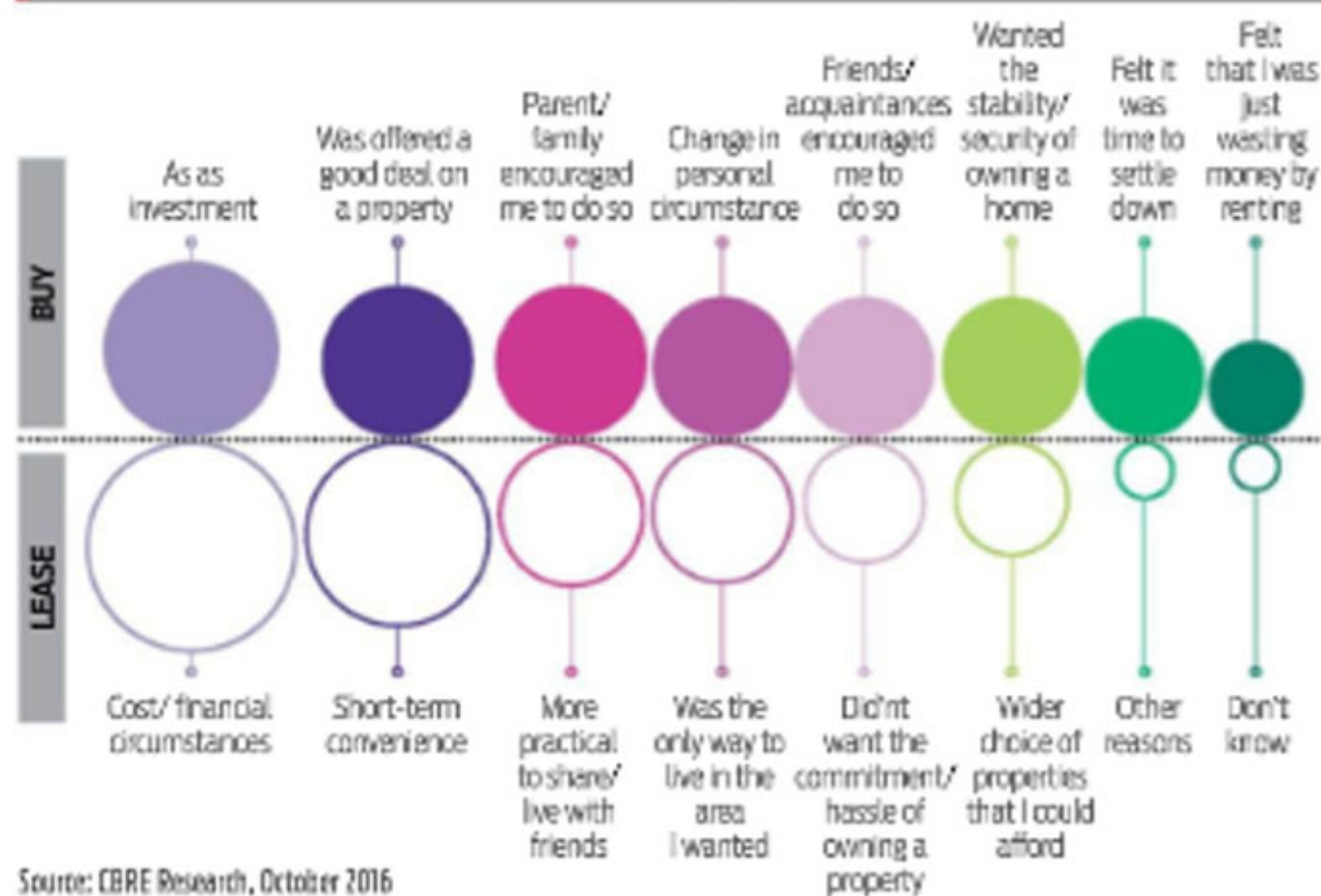
Industry experts suggest that the high consumption-driven economy and a reformatory boost to improve domestic production should lead to higher GDP growth of the nation. While the Indian economy has performed better than before, investment options in a volatile market scenario in the recent past leads to some sort of reconsideration in terms of any investment options.

"Most of the time, parents insist on investing savings of their children back in their hometown. That is why we see more transactions in Tier II and Tier III cities. Also, realty prices in such locations are more affordable for youngsters to invest in the first few years of their career," said Ankur Dhawan, Chief Investment Officer, PropTiger.com

"Millennials investing in real estate in Tier II and III cities are also looking for financial respect among the banks and financial institutions" said Bishnoi.

"Like a Systematic Investment Plan (SIP), investment in the real estate sector through the home loan route, brings about financial discipline in the new single earner. Timely payment of the home loan EMIs also helps create a strong credit profile which is useful

Do Indian Millennials Buy or Lease?



Source: CBRE Research, October 2016

for future borrowing needs," commented Bhave.

Tier II and III cities currently lack IT infrastructure, hospitality options and international connectivity (barely a dozen have international flight connectivity, and only five have major sea ports). Barely 10 out of every 100 IT professionals currently emerge from these cities, and about 40 per cent of the talent migrates to Tier I cities in search of better opportunities and career growth, points out a study by JLL.

However, this scenario is expected to change by 2020–22 as the central government's flagship programmes like Smart Cities mission, Digital India, Skill India, and Housing for all by 2022 is expected to bear fruit. Moreover, emergence of IT-friendly policies will see some of these cities pull

Under the new regulatory regime, investing in realty is safer and transparent

rapidly ahead, confirmed the JLL report.

Another report by Makaan.com stated that home search trends in 25 cities indicate 173 per cent growth in traffic from Tier II cities during the first quarter of 2018 as against same period in 2017.

According to Ramveer Sherawat, a real estate consultant, more than 60 per cent real estate growth in Tier II and III cities during last 18-20 months period was related to property buying, especially by the young generation from the same regions, who are currently working in larger cities.

"Under the new regulatory regime, investing in real estate is much safer, transparent, compliance-oriented and secured. This has induced smart young investors to look at real estate as a better choice of physical and emotional need-based asset to add in their investment portfolio," pointed Niranjana Hiranandani, National President, NAREDCO.

Puri further pointed out that the Indian millennial is attracted to invest in real estate as the prices and sizes of the properties have corrected in the recent past to suit their preferences.

Kasu Assets Development, in their internal research has been experiencing a paradigm shift with respect to millennials investing in the real estate market especially in small towns.

