

Residential property prices go up in South India

Synopsis

The prices of critical raw materials, including steel, cement, aluminium, and PVC, have risen sharply between 30% to 100% during the last year.



Representative Image

Prices for residential properties in [South India](#), including [Bangalore](#), have gone up by 8–10%, and they are likely to keep going up because of rising input costs and disruptions in global supply.

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30% to 100% during the last year.

Realty developers have been having a tough time protecting their margins as rising fuel prices have added to their woes.

"Cost increases are inevitable this fiscal year due to inflation and consolidation in the industry. We expect a 10-15% price rise on the future projects and existing ones," said M Murali, Chairman and Managing Director, [Shriram Properties](#) [NSE 0.47%](#) Ltd.

Due to a revival in demand and rising costs, developers are also launching new projects at a premium.

"The increase in cost is definitely affecting the project margin, but that will differ from project to project depending on the stage of construction of the project. The price increases are only temporary, and the price should stabilise once the geopolitical issues are resolved. The demand has been robust for residential, and we expect it to remain the same," said Atul Goyal, CFO-Brigade Group

According to [CRISIL](#) [NSE -2.68%](#), housing demand is likely to grow by 5–10%, supported by favourable demographics and urbanisation despite the headwinds.

It estimates housing demand rose a solid 33–38% last fiscal, surpassing pre-Covid-19 levels. But this was on a low base compared to fiscal 2021, when demand had fallen 20-25%.

"We expect residential real estate prices to rise 6–10% across the top six cities this fiscal due to a steep rise in material costs and relatively favourable demand-supply dynamics, especially for established developers. Some of them have started hiking prices by 2% per quarter and may continue to do so over the next couple of fiscals to account for rising land prices," said Aniket Dani,

Director, [CRISIL Research](#).

Real estate developers across the country have been seeking the government's intervention to arrest the increase in the cost of building materials, especially steel and cement. "Investment in the real estate sector in India has grown in recent times, especially in the wake of the pandemic, as real estate was viewed as a safe and tangible investment option amidst the economic volatility. In the last two years, stocks have performed well & also there has been a rise in salaries in the IT sector- both these factors have led to a good flow of investment in real estate since it's considered the most stable and safest investment option," said Bhavesh Kothari, founder of Property First, a luxury property consulting firm.

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