

Realty bytes

Insights from developers





Foreword

Developers in Kerala and Southern India are grappling with the complexities of adapting to shifting market trends, regulatory changes and emerging opportunities amid rapid changes in the real estate landscape in the state and across south India.

Understanding the pulse of the industry thus becomes crucial for stakeholders, policymakers and industry players to make informed decisions and drive strategic growth.

Against this backdrop, CRISIL has undertaken a comprehensive exercise to seek the views and insights of prominent real estate developers in Kerala and Southern India. This report is a culmination of those efforts, offering a unique insight into the minds of developers as they share their experiences, concerns and aspirations.

The compilation, backed by CRISIL's rich expertise and extensive research, provides a detailed understanding of the industry's challenges, opportunities and emerging trends.

By shedding light on the sector's pain points and areas of growth, this report aims to encourage informed decision-making and drive strategic growth in the real estate sector of Kerala and southern India.

One of the highlights of this report is its focus on emerging segments such as community living for senior citizens, which holds immense potential for innovation and diversification in the sector.

The report incorporates lenders' perspective to provide a more nuanced understanding of the real estate ecosystem in Kerala, underscoring the interdependencies between developers, lenders and policymakers.

The findings on the construction finance landscape will be invaluable to stakeholders seeking to navigate the complex web of financing options, risk management strategies and regulatory requirements.

We are confident that this report will serve as a valuable resource for policymakers and industry players, providing them with actionable insights to steer through the market intricacies and a key role in shaping the real estate sector's future trajectory, driving growth and fostering innovation in Kerala and the southern market.



Ashish Vora
President, CRISIL



From the ground up: LIC Housing Finance Ltd



T Adhikari

Managing Director & Chief Executive officer, LIC Housing Finance Limited

Trends in construction finance: What lies ahead?

Construction finance is a vital pillar for economic growth, enabling infrastructure development and addressing housing demand. It is witnessing several transformative trends in the residential and commercial segments.

- From traditional term loans, financial institutions will expand their portfolios through innovative funding mechanisms to cover green buildings, prefabricated models, modular structures and affordable housing
- Increasing interest from PE and REITs will continue to fuel fund flow to the construction sector, thereby providing much-needed capital, and bring in expertise to manage large-scale projects
- Integration of AI, ML and digital tools in construction finance will help enhance risk assessment, project management and predictive analytics. Overall, these revolutionary developments will lead to more efficient and cost-effective project execution

Financing affordable housing: Challenges

- Developers often face high construction costs and low returns, making affordable housing projects less attractive financially. The approval process for affordable housing projects has to go

through multiple regulatory bodies and compliance requirements, making it a complex and time-consuming exercise

- There is a limited availability of long-term financing options for affordable housing. This gap makes it difficult for developers to secure funds at lower rates and limits penetration in smaller cities, thus impacting housing availability
- Acquiring land at reasonable prices in urban areas is a huge challenge, further complicating the development of affordable housing

Impact of government policies on construction finance in India

- Government policies play a crucial role in shaping the construction finance landscape. The liberalisation of foreign direct investment in the construction sector has attracted substantial foreign investments, boosting the availability of capital for large-scale projects
- Initiatives such as PMAY CLSS for first-time home buyers and tax exemptions to developers for affordable housing projects have provided a great fillip to the real estate and allied sectors
- The Smart Cities Mission and the development of industrial corridors will have a positive impact on construction activities

- The implementation of RERA has increased transparency and accountability in the real estate sector, boosting investor confidence
- Some states have commenced digitalising land ownership records which considerably reduces legal risks in funding projects

Role of financial institutions in real estate funding

Financial institutions play a pivotal role in real estate funding by providing the necessary capital and financial services to developers and homebuyers. They conduct thorough risk assessments to evaluate the viability of projects and the creditworthiness of borrowers, ensuring that funds are allocated to feasible projects. Institutions have developed expertise in providing financial advisory services to help developers manage their finances, optimise their capital structure and navigate their regulatory requirements.

Types of construction loans:

Making the right choice

Construction loans are tailored to suit different needs. Term loans are ideal for large-scale projects with predictable cash flows. Other types are working capital loans to manage daily operational costs and bridge loans to cover immediate funding needs. Choosing the right type of loan depends on the scale, timeline and cash flow of the project.

Funding lifecycle:

From approval to repayment

The funding lifecycle of a construction loan involves the following stages: Loan origination, credit underwriting, loan approval/sanction, disbursement and repayment.

- The lender evaluates the application, including the borrower's credit history, project plans and financial projections
- The lender conducts a detailed assessment of the borrower's ability to repay the loan and the feasibility of the project. This includes appraisals, credit checks and risk assessments

- Once the loan is approved, the funds are disbursed in stages, known as drawdowns, based on the progress of the construction
- The borrower uses the funds for construction purposes. Regular inspections of the project are undertaken by the lender to ensure that the project is on track and as per timelines. After the construction is complete, the borrower begins repaying the loan as per mutually agreed terms

LICHFL vision and way forward

LIC Housing Finance Ltd aims to expand its reach to serve a diverse customer base, including underserved segments. The company will continue to develop new loan products such as green financing options and digital loan services tailored to the evolving needs of customers.

As a responsible corporate citizen, the company shall stay committed to promoting eco-friendly construction practices and supporting green building projects. Customer centricity will be at the core of its approach. The company will remain focused on enhancing customer experience, offering seamless and efficient services.

Construction finance landscape: South vs rest of India

South India is characterised by higher average project values and significant mixed-use developments. Cities such as Bengaluru, Chennai and Hyderabad are major hubs for IT and commercial real estate, driving demand for high-quality residential and commercial projects. Rapid urbanisation and growth of the IT sector have spawned a strong demand for residential properties in the southern cities of India. Huge investments in infrastructure, including roads, highways and public transport, have given a boost to the construction sector. For the rest of India, particularly the North and West, diverse construction activities are underway with a varying mix of industrial, residential, and commercial projects. The East focuses more on infrastructure development.



1. Digitalisation, evolving preferences the growth boosters



TP Abdul Khader

Name of the developer:

Fynday Projects LLP

1) Promoter/MD name:

TP Abdul Khader

2) Promoter/MD name:

Hazem Abdul Khader

Current trends in Kerala's real estate market

Kerala's real estate market has witnessed significant growth in recent years, driven by the ongoing infrastructure development of National Highway 66, Vizhinjam Port, privatisation of industrial parks, public works department structures and other activities. Government initiatives on the digital front have given a fillip to approval processes and cut short procedural delays. Other contributing factors such as changing lifestyle preferences have an impact on quality real estate.

Commercial and residential growth

Kerala's commercial and residential segments are witnessing an upward trend, with an invigorated focus by all stakeholders in building and adding newer capacity to existing IT parks in major cities such as Thiruvananthapuram, Kochi and Kozhikode. In addition, developing new IT corridors in smaller

towns, semiconductor and industrial, logistics and food processing parks is contributing to the increase in demand for both segments.

Digitalisation of approval processes through applications such as K Smart and K Swift have made the process seamless for developers and enterprises. In addition, K-RERA has boosted the confidence of investors.

Newly relaxed coastal regulatory zone norms will open up opportunities in the hospitality sector.

In conclusion, Kerala's real estate market is witnessing a dynamic shift, driven by changing consumer preferences, government initiatives and technological advancements. As the market continues to evolve, stakeholders must adapt to these trends to stay competitive.



2. 'Speed up infra development, improve tourism'



N Ayyappan Unnithan

Name of the developer:

Cordon Constructors & Realtors Pvt Ltd

Promoter/MD name:

N Ayyappan Unnithan

Kerala is a land of high potential, which can play a pivotal role in the journey of our country towards Viksit Bharat 2047. The state is well known for its high literacy rate, excellent weather, adoring landscape with backwaters, serene hill stations, forests, rivers and a robust culture and environment-friendly standard of living.

For the wellbeing of locals and progress of the state, we need to emphasise on accelerating the pace of development in three core areas where Kerala has high growth potential, which in turn, will provide a bright future for the construction industry:

- Accelerate infrastructure development
 - Expand highways and introduce new highways with a foresight of traffic in the next 25 years.
 - Plan and execute outer ring roads in all major cities and provide essential services such as water, electricity and sewage treatment plant to meet requirements for the next 25 years.
 - Widen existing roads and build flyovers/underpasses on all roads that lead to airports, railway stations and major bus stations to enable seamless and faster commute.
 - Introduce new metro services in major cities.



- Turn Kerala into the best tourist destination in India
 - Improve infrastructure in major tourism destinations
 - Implement the public-private-partnership (PPP) model for new hospitality setups with international convention centres and ample parking space
 - Promote and develop Ayurveda and spiritual tourism
- Make and promote Kerala as the best IT and knowledge centre
 - Enhance the Smart City development projects
 - Up the standard in educational institutions to invite international students
 - Develop more IT and digital parks under the PPP model.

If the above core sectors are developed, the demand for real estate will rise in the following areas:

- Affordable residential units
- Hospitality centres
- Malls (mid-range)
- Units for students for higher education
- Residential townships
- Logistics warehouses (with the operations commencing in Vizhinjam Port, Thiruvananthapuram)
- Sustainable housing
- Premium and luxury smart homes
- Accommodation for senior citizens (mid, luxury and super luxury)





3. 'Regulations for commercial and residential projects must differ'



Geeverghese Boben Paul

Name of the developer:

Lichen Builders and Developers Pvt Ltd

1) Promoter/MD name:

Geeverghese Boben Paul

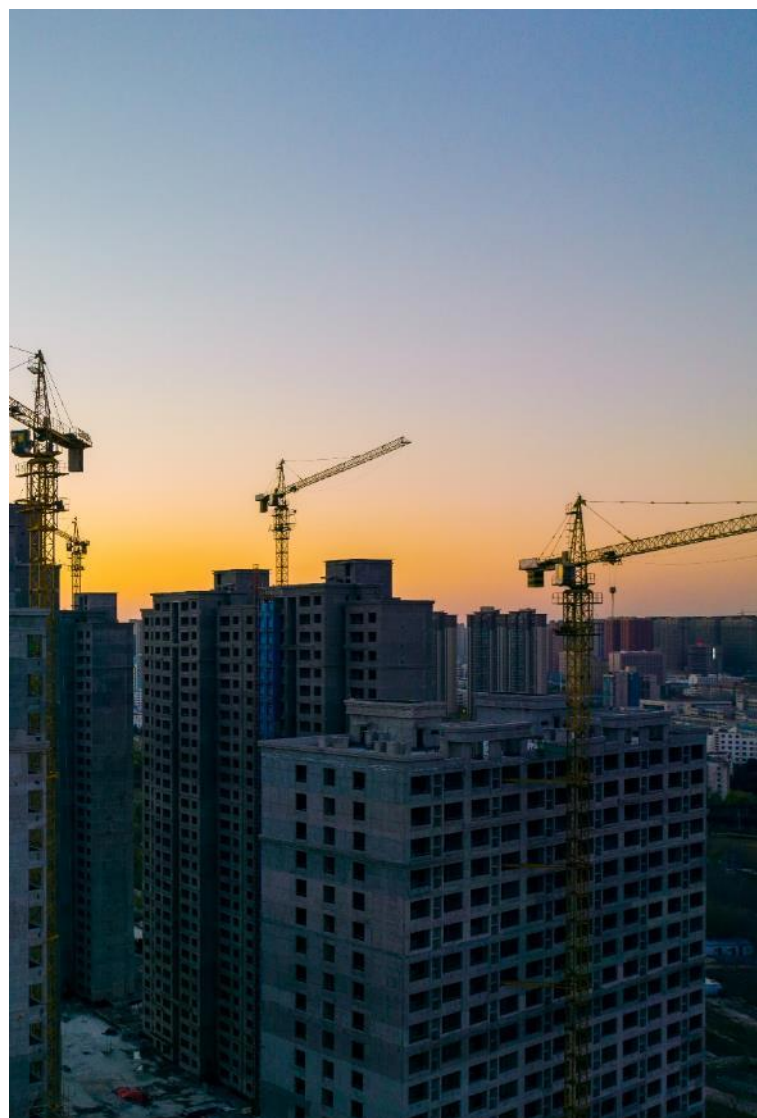
2) Promoter/MD name:

Eldhose Boben Paul

The industry has consistently delivered attractive returns and value appreciation for all stakeholders involved. However, despite its potential, commercial real estate faces several systemic challenges that demand immediate attention.

One of the fundamental issues lies in the lack of differentiation between regulations for commercial and residential projects. Commercial projects, unlike residential, cater to a unique consumer base and inherently carry higher risks. A blanket application of regulations often overlooks these distinctions, adding unnecessary complexity to the development process. In fact, delays have become a norm in commercial projects, with none in Kerala meeting proper deadlines. A business-to-business transaction in this space comes with inherent risks and both parties must acknowledge and address these challenges. Unfortunately, the existing regulatory framework does little to facilitate this.

Institutional funding for commercial real estate remains another major hurdle. Access to institutional credit continues to be stigmatised, with banks and financial institutions reluctant to extend support for such projects. Most banks still prefer 'vanilla' deals with minimal risks, leaving commercial developers struggling to secure the necessary funds. This lack of financial backing for a vital industry stifles growth and innovation. It is imperative that banks and financial institutions shift their perspective and actively support the commercial sector, particularly, as it plays a critical role in economic development.





Additionally, the inefficiency of Kerala's administrative processes exacerbates these challenges. Red tape, bureaucratic delays and a lack of coordination between government bodies severely hinder progress. Developers often find themselves battling on two fronts: The Local Self Government Department (LSGD) and judiciary. While LSGD's lack of cooperation stalls projects, prolonged judicial proceedings aggravate the situation. This environment has led to dire consequences, including bankruptcy and even suicides, all because of government oversight and inertia. A single-window clearance system could alleviate much of this burden, enabling developers to navigate regulatory processes more efficiently.

RERA, while a step in the right direction, needs to expand its purview to address specific issues faced by commercial real estate developers. Commercial developers are not only responsible for paying substantial fees but also for creating significant economic opportunities. A more balanced framework, offering protection and support to both consumers and developers, is necessary to drive sustainable growth.

Another critical area that requires attention is the brokerage industry in Kerala. It lacks professionalism and structure. Introducing licensed realtors and a standardised framework for conducting business would not only improve accountability but also elevate the overall quality of transactions.

In conclusion, while Kerala's commercial real estate sector holds immense potential, it is hindered by outdated regulations, bureaucratic inefficiencies, and a lack of institutional support. By addressing these challenges through regulatory reform, enhanced institutional funding and professionalisation of the brokerage industry, we can unlock its full potential and drive long-term sustainable growth. The time for action is now.



4. Market volatility hinder growth



L Gopakumar

Name of the developer:

Indira Home Developers and Contractors LLP

1) Promoter/MD name:

L Gopakumar

2) Promoter/MD name:

Letha R Nair

L Gopakumar, architect, former Chairman of the Indian Institute of Architects, Kerala Chapter

The real estate sector in Kerala faces multiple challenges that hinder growth, profitability and sustainability. These include:

1. Regulatory hurdles

Obtaining approvals and permits: Dealing with government officials from various departments to obtain approvals and permits is a challenge. The lack of clarity and consistency in policies, combined with a high degree of corruption, makes this process a herculean task.

Zoning and building codes: Compliance with zoning laws and building codes is another issue. Kerala's environmental regulations are often poorly defined and subject to frequent changes. The state has also witnessed the demolition of high-rise apartments due to non-compliance with building regulations, which has caused an additional uncertainty for developers.

2. Financing constraints

Access to credit: Real estate development is capital-intensive and securing financing for projects in Kerala is difficult. Banks tend to prioritise other sectors over real estate, which results in limited access to credit. Builders also struggle to prove their financial

credibility due to the widespread use of unaccounted money in the sector.

High interest rates: Even if financing is available, the interest rates are typically high, making projects less viable. The lack of specialised financing products for real estate development in the state exacerbates the problem.

3. Supply chain issues

Material shortages: Kerala faces a scarcity of construction materials, including sand, red earth and wood, which drives up costs. The state does not produce a significant amount of construction materials, relying heavily on imports, resulting in high transportation and logistics costs.

Labour crunch: Kerala's construction industry is highly dependent on migrant labour, especially from states such as West Bengal, Uttar Pradesh and Odisha. The wages in Kerala are the highest in India due to labour unions and shortages can cause delays or escalate costs.

Logistics and transportation challenges: The geographical challenges of Kerala, with its complex coastal topography and narrow roads, further exacerbate logistics issues, leading to delays and increased material costs.

4. Market risks

Fluctuating demand: The demand for real estate in Kerala is highly volatile, impacted by changing

economic conditions, demographic trends and shifting consumer preferences. The state's heavy dependence on remittances from non-resident Indians makes it vulnerable to fluctuations in the global economy.

Price volatility: Real estate prices can be unpredictable and fluctuations can make it difficult for developers to estimate project costs. Changes in land prices, material costs and other external factors can heavily affect profitability.

Changing consumer preferences: As consumer preferences evolve, especially in terms of residential and commercial spaces, developers face the challenge of building projects that meet market demand. There is increasing demand for sustainable, green and energy-efficient buildings, which could add complexity and costs to development projects.

5. Construction delays

Unforeseen site conditions: Site-specific challenges, such as poor soil conditions or environmental considerations, can cause delays and increase costs. These issues often surface only after the project has commenced, leading to unforeseen complications.

Weather-related disruptions: Kerala's tropical climate causes frequent rainfall, which can delay construction. Seasonal weather patterns, including monsoons, can disrupt work schedules, particularly for projects relying on outdoor labour and equipment.

Litigation: Disputes with contractors and subcontractors over terms, work quality or timelines can lead to further delays. The lack of a well-established, professional contractor base in the state aggravates this problem. Also, customers are encouraged to file cases by greedy solicitors.

6. Technological advancements

Integration of new technologies: While Kerala has made significant progress in incorporating new technologies during the design and planning stages, many developers are yet to adopt advanced construction technologies, such as building information modelling, prefabrication and 3D printing, which could improve efficiency and reduce costs.

Data management and analytics: The use of data management and analytics tools is still in its nascent stages, especially in the construction sector, which if leveraged could help with project management, cost control and timelines.

Social media management: While digital marketing has gained traction, developers are still in the early stages of optimising social media and online platforms for consumer engagement and sales. The challenge remains in creating a strong digital presence and building trust with potential buyers.

7. Kerala Real Estate Regulatory Authority

Implementation and compliance: Although K-RERA was introduced to bring more transparency and accountability in the sector, some developers and agents still do not fully comply with its regulations. This lack of adherence undermines the effectiveness of the authority.

Limited awareness: Public awareness about K-RERA and its benefits are limited. Many homebuyers are unaware of their rights and the role of K-RERA in protecting those rights.

Capacity building: The infrastructure and human resources of K-RERA are still developing. The authority may require more skilled personnel to handle the growing number of projects and complaints.

Dispute resolution: Timely and effective dispute resolution remains a major challenge. Developers, buyers and agents often face prolonged litigation and delays in resolving complaints, which detracts from the overall goal of creating a fair and transparent real estate market.

Conclusion

The real estate sector can overcome the challenges by fostering greater professionalisation within its constituents, improving transparency and addressing the systemic issues in governance. Stronger collaboration between developers, government agencies, financial institutions and regulatory bodies, along with a focus on innovation and capacity building, will be critical in addressing the obstacles facing Kerala's real estate market.



5. 'Buyers shun crowded cities for quiet suburbs'



K V Haseeb Ahamed

Name of the developer:

Crescent Builders

Promoter/MD name:

K V Haseeb Ahamed

The lack of genuine land available for development purposes remains a significant challenge for Kerala. Being a highly densely populated and small state, the housing requirements in both rural and urban areas have remained steady over the past three decades, with a consistent demand for reasonably medium-sized homes. However, the pandemic has significantly reshaped homebuyers' preferences, influencing Kerala's real estate strategies in several ways:

- **Demand for larger and functional homes:** With remote work and online education becoming a common phenomenon, buyers prioritise spacious homes with dedicated work and study areas. Developers are designing flexible floor plans to meet these needs.
- **Importance of wellness and sustainability:** There is a growing preference for homes with better ventilation, natural lighting and access to green spaces. Environment-friendly building materials and energy-efficient designs are gaining prominence in Kerala. Gated communities with first-aid rooms and doctors on call facilities are being prioritised, especially by elderly home seekers.
- **Preference for suburban and peri-urban areas:** Many new home seekers prefer quieter suburbs, seeking better quality of life. This new

trend is driving real estate expansion into less developed areas.

- **Preference for smart homes:** Smart home features and enhanced connectivity options have become key selling points, as buyers seek homes equipped for modern digital lifestyles. Developers are implementing the best home automation solutions in their new projects to cope with changing trends.
- **Community living and amenities:** Gated communities with amenities such as parks, gymnasiums and co-working spaces are increasingly popular. Developers in Kerala are incorporating these features to cater to evolving demands.
- New real estate models for elderly, students and professionals
- **Senior living:** Children moving out of India, limited support system and non-resident Indians and non-resident Keralites preferring to lead a retired life in Kerala, among others, are driving the new real estate model for senior citizen communities. Senior citizens living without family support but with a sound financial background prefer safe gated communities with healthcare, recreation facilities and social activities with a sense of independence.

- **Student housing:** Kerala has been one of the most preferred educational destinations among domestic and international students. Lack of quality hostel accommodation near universities and colleges are now prompting demand for purpose-built affordable student accommodations. The post graduate accommodations minimally available in the state have been incapable of meeting the growing demand, especially for 24x7 internet facility, recreation and health club facilities, laundry areas and reading rooms. The new real estate model for Kerala will incorporate strategies to cover such demands.
- **Accommodation for professionals:** An unprecedented growth in the IT sector with the introduction of IT parks in Trivandrum, Kochi and Calicut, along with a surge in startups and business centres in major cities has prompted the need for professionals to have short-term hassle-free housings. Furnished rental homes with flexible tenures near IT parks, business hubs and coworking spaces will be the new real estate model for Kerala.





6. Urban development and infrastructure projects drive property values and market dynamics



Madhusudhan G – CMD

Name of the developer:

Sumadhura Group

Promoter/MD name:

Madhusudhan G

As India strides towards ‘Viksit Bharat 2047’, infrastructure development attains importance as a core driver. Fuelled by rapid urbanisation, strong infrastructure development and increased adoption of sustainable practices, the real estate sector has witnessed an upswing lately, driving property-price appreciation and change in market dynamics, especially in tier 1 cities.

Connectivity boosts property values

Improved connectivity boosts property values and demand for real estate asset classes such as housing, office spaces, co-living and retail.

Construction of new transit lines, road expansions or bridges can significantly foster easy accessibility to key areas. Locations near metro stations or bus terminals are often in high demand as end users prioritise convenient access to work, schools, colleges, social hubs and other essential amenities.

In Bengaluru, the Namma Metro has contributed to the development of major residential and commercial projects in the erstwhile remote suburbs, which has resulted in a substantial increase in property values in and around the city. Under development, the metro is all set to expand to Tumkur and Devanahalli. Construction of a tunnel road in Hebbal is also in the pipeline.

Mega infrastructural developments have transformed areas such as Whitefield, Yeshwanthpur and Devanahalli into emerging residential hotspots. Industry data claims that the average property price in Whitefield rose to Rs 8,600 per sq ft in the first half of fiscal 2024 from Rs 4,765 per sq ft in fiscal 2019. Similarly, rates in Devanahalli logged a ~15% growth on-year in fiscal 2023. The presence of the Kempegowda International Airport, development of several IT parks and the Bengaluru Aerospace SEZ have led to the rising development of residential and commercial complexes in areas surrounding these locations.

Upgraded utilities and amenities

Development of key utilities and amenities such as water systems, electricity, sewage systems, parks, safety mechanisms, community gardens, walking trails and public spaces enhance the liveability of areas, pushing up property values.

For instance, the upcoming Indira Gandhi Biological Park in Yelahanka will not only boost the area's appeal but also attract new housing developments.



Sustainability factor

Growing environmental concerns pose a serious threat to the ecosystem, profoundly impacting lifestyle and surroundings. This is driving the shift towards the development of urban infrastructure and real estate projects integrating energy-efficient practices and green certifications.

Projects with a clear and well-defined focus on sustainability attract end users, providing long-term value and healthier and cleaner surroundings.

A boon for rental markets

Infrastructure development has a knock-on effect on the rental market. Tenants usually opt for residential areas close to work, schools and other leisure amenities. Therefore, though expensive, rental properties located near highways or transportation hubs have a higher occupancy rate.

Prime areas allow landlords to increase rental prices and ensure a steady flow of income. Similarly, peripheral areas with good access to social and civil infrastructure, such as schools, medical facilities or shopping centres, have lower vacancy rates.

How can developers leverage such developments?

Urban infrastructure is key in shaping real estate market dynamics. From improving accessibility to creating sustainable neighbourhoods, infrastructure development is a growth stimulant for the sector, offering numerous benefits for end users and investors alike. It helps developers and stakeholders to stay abreast of such developments and make prudent decisions.



7. After-sales service key for good reputation



Nihas Babu, Managing Partner

Name of the developer:

Pinnacle Projects

Promoter/MD name:

Nihas Babu, Managing Partner

Real estate is highly reputation-driven. A developer known for providing comprehensive handover services and reliable after-sales support can be distinguished from competitors, attracting more buyers and building a stronger market presence. A seamless project handover ensures the clients feel satisfied and confident with their investment. It shows that the developer values customer experience beyond just the transaction, building trust and fostering long-term relationships. Satisfied clients are more likely to recommend the developer to friends and family or invest in future projects.

Proper handover procedures are crucial for meeting legal requirements and ensuring that all necessary documentation, such as warranties and safety certifications, is transferred. This can protect both the buyer and developer from potential liabilities or disputes. Proper handover includes detailed documentation, orientation and necessary support, making it easier for owners or property managers to settle in and begin utilising the property effectively.

Real estate properties may develop unexpected problems. Reliable after-sales service provides a channel for buyers to address unexpected issues, giving them peace of mind and demonstrating the developer's commitment to quality. After-sales service, including maintenance and handling future concerns, helps preserve the value of the property. Timely service ensures that the property remains in optimal condition, protecting the investment over time.





8. Gen Zs, the next generation first-home buyers



Rahul Rajagopal

Name of the developer:

Address Builders and Developers LLP, ASRAMAM,
KOLLAM 691002

Promoter/MD name:

Rahul Rajagopal

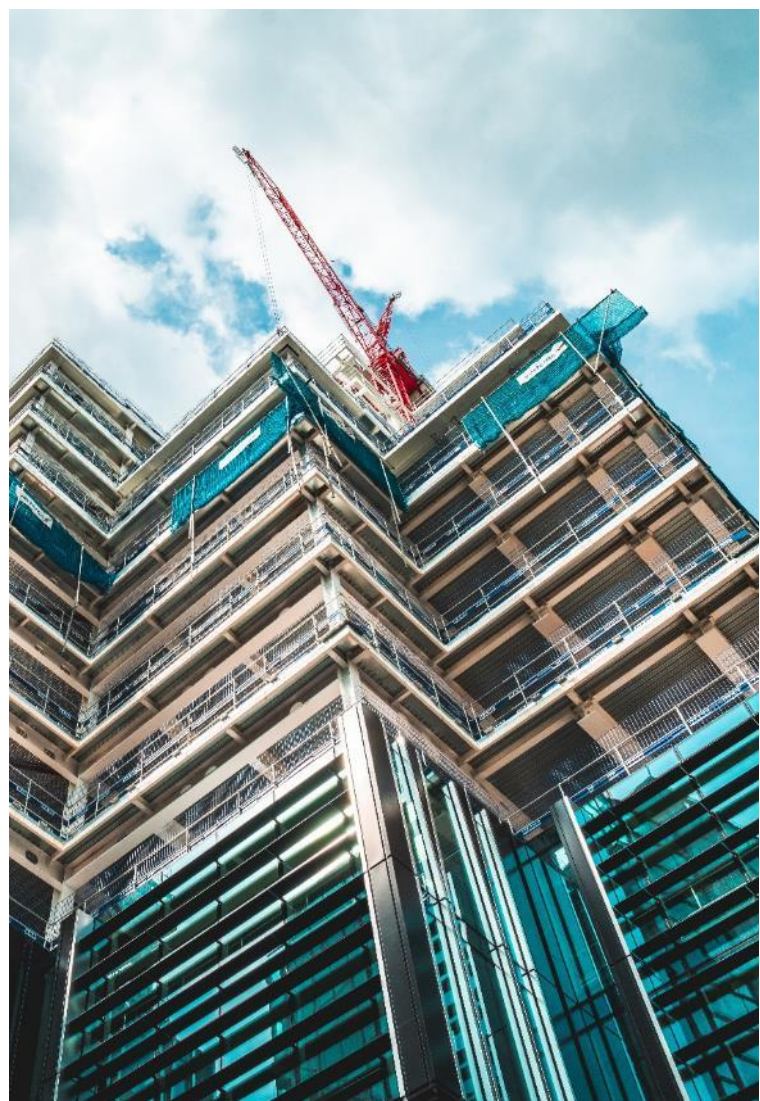
Gen Zs mostly live with parents or in existing conventional apartments/ villas. They are the next set of large first home buyers in the market. It is doubtful if builders cater to their unique tastes.

In my limited interaction with friends and acquaintances falling under Gen Z, their idea of an ideal home seemed different from Millennials. It is to be seen if despite the socio-political situations in the state, a paradigm shift is possible.

Their core ideas include sustainability, environmental consciousness and related initiatives. Further, although they lead a busy life, they prioritise a work-life balance.

Further, they support the use of environment-friendly practices, especially for waste disposal, supporting sustainable housing. They prefer to take life easy on their off days rather than fulfilling usual chores.

The idea of assisted living for the elderly could be conceptualised and customised for Gen Z to meet their tastes and preferences, which can give builders the edge in the emerging market situation.





9. 'Govt relaxations needed for real estate boost'



**A Srinivas Rao,
Chief Financial Officer**

Name of the developer:

My Home Constructions Pvt Ltd

Promoter/MD name:

A Srinivasa Rao, Chief Financial Officer

Growth of the real estate sector, especially commercial and residential construction, has been consistent, especially after the lull recorded during Covid-19. The current apparent change in trend is the *demand for spacious and luxury housing*. Developers are providing ample amenities for high-rise apartments, including podium space for walking and other such facilities. The cost of construction has increased substantially due to reasons beyond land cost, basic materials, labour costs as the specifications of flats and amenities in the projects have substantially upgraded in the recent past.

While real estate was considered as a good asset class for several decades, due to non-availability of good assets or affordability, a section of homebuyers never considered homes as the main asset, comparing the returns on investment with the financial markets and internal rate of return, among others. However, of late, the changed mindset is allowing them to start investing in premium/ luxury/ ultra-luxury apartments. Investment in premium real estate has facilitated comfortable living apart from being a good asset class in the wealth portfolio. If an investment is made on a luxury car, it depreciates over time but for real estate, the value appreciates. Multiple real estate projects are being developed as green buildings, increasing their sustainability.

Development of real estate is linked to several other businesses and service industries. It is quite often said that real estate is the second largest employer after agriculture. However, while I am unsure about where the sector stands on record, in my opinion, real estate comes first for the overall economic development. Several company products and classes of service industries are linked to real estate and the growth in premium/ luxury real estate is at the beginning and there is a long way to go owing to the economic development of the country, companies, individuals etc.,

Realising the integrated growth the sector promises, governments must come forward to give a possible fillip by reducing stamp duty for first-sale apartments as they face taxes on goods and services. In addition, property tax holiday for integrated township developments and lower rates on home loans/ construction finance loans to green building rated projects are some of the relaxations the government can offer. Despite RERA implementation, lending to developers has not changed. If the working capital needs of developers are met the way they are for manufacturing industries, it would help in the progress of projects. A large number of GST issues are yet to be resolved in real estate-associated businesses. The sector would benefit if such challenges are paid attention to.



10. 'Innovate, customise to meet evolving demand'



Sunil Kumar

Name of the developer:

Asset Homes Pvt Ltd

Promoter/MD name:

Sunil Kumar

The real estate industry is undergoing a significant transformation, with homebuyers increasingly prioritising lifestyle preferences and sustainability alongside affordability and location. The shift drives developers to incorporate innovation in their strategies to meet these evolving demands.

Today's homebuyers seek more than just a house. They desire integrated living spaces that reflect their values and lifestyle aspirations. Millennials, for instance, are drawn to affordable, compact homes that are smartly designed and technologically advanced, such as our selfie apartments tailored for students and bachelors. Families, on the other hand, prioritise spacious living with access to amenities that support work-from-home setups, wellness and community engagement. The demand is met through innovative residential concepts such as Down-to-Earth affordable housing projects and high-end luxury offerings such as Exotica residences. Similarly, senior citizens value security, convenience and community living, which are central to our Young at Heart senior living projects.

Diversifying real estate models is a natural response to the specialised needs of today's consumers. Senior living, student living and integrated townships are gaining traction as they provide solutions tailored to specific life stages and lifestyles.

Senior living, for example, is no longer about conventional retirement homes. It has evolved into

vibrant communities that offer a blend of healthcare, recreation and social interaction. Young at Heart projects exemplify this approach by providing secure, thoughtfully designed spaces where seniors can enjoy a fulfilling lifestyle. Strategic partnerships with global experts in senior living, such as Columbia Pacific Communities, enable us to integrate world-class practices into our developments.

Similarly, the demand for student living has risen sharply with the increase in higher education enrollments and urban migration. Our selfie apartments address this need by offering affordable, compact homes equipped with modern conveniences, ensuring that students and young professionals feel at home.

In addition, the rise of hybrid models, such as multi-generational housing and integrated townships, is shaping the industry.

The real estate sector will continue to evolve, driven by the interplay of technological advancements, sustainability imperatives and consumer preferences. Developers must innovate and deliver projects that not only meet the present needs of customers but also shape the future of living. By embracing emerging trends and pioneering new models, they must be committed to creating homes that resonate with the values and aspirations of today's discerning buyers.



11. Huge potential for projects to house tourists



Viju Jose

Name of the developer:

Glenwood Developers

Promoter/MD name:

Viju Jose

Tourism in Kerala has almost returned to the pre-Covid levels. After the pandemic, there has been a significant increase in the number of tourists visiting Kerala from other parts of India. Before Covid, the main focus was on foreign visitors, whose number had been decreasing over the years due to competition from tourism in Sri Lanka and other countries.

The new opportunity provided by domestic tourists opens up plenty of possibilities in the tourism sector for Kerala. Most of the Indian tourists are repeat customers, who have preferences for attractions such as Munnar. There has been a steady growth of investments and interests in investments in several areas of Kerala in the form of Airbnb properties, service apartments, hotels and holiday homes.

There is a huge potential for projects focused on the requirements of tourists and we must treat Indian and foreign tourists alike. Permit restrictions or other land-related matters must be carefully and quickly resolved to allow more resorts and hotels to open up in high-demand areas while ensuring no damage to nature. Incentives should be provided for green and sustainable developments. Water conservation and recycling should be strictly enforced to achieve sustainable development.





12. 'Real estate bodies must stop working in silos'



Lava Krishnan

Name of the developer:

Skyline Foundations and Structures Pvt Ltd

1) Promoter/MD name:

Lava Krishnan

2) Promoter/MD name

Srikant k.

- **Untapped segments:** There is always a potential in underserved market segments, particularly based on the size of the properties. By offering varied specifications, we can cater to these segments effectively. For example, in 2017-18, we launched a project with larger sizes and higher specifications, which attracted significant demand
- **Shift post Covid:** The pandemic caused a shift towards remote working, with people spending more time at home. The concept of home evolved, as it turned into a multifunctional space. The trend persists even today, which means that developers must focus on creating homes that offer entertainment and leisure options, encouraging people to enjoy their space
- **Growing popularity of wellness and sports-themed projects:** Such projects have garnered significant attention, reflecting the increasing desire for healthier, active lifestyles among homebuyers
- **Sustainability and green features:** Homebuyers are more conscious of their environment today than they were in the past. As a result, there is a rising demand for sustainable and energy-efficient homes. Incorporating green features such as solar panels, rainwater harvesting, energy-efficient appliances and

sustainable materials not only appeal to environment-conscious buyers but also help reduce long-term living costs. Developers are increasingly focusing on these aspects to align with the growing emphasis on environmental responsibility and sustainable living

Cost implications of construction materials and trends in the past few years

The cost of construction is influenced by three primary factors: Land, material and labour.

- **Land:** Land has become increasingly expensive due to challenges such as the scarcity of available land, road width restrictions, wetlands and zoning regulations that complicate development approvals. Securing land that is suitable for construction has become a longer and more complex process, often taking years to resolve regulatory issues before a project can even begin. This waiting period increases costs significantly, as the value of land continues to rise during this time. Additionally, government regulations regarding land use and environmental concerns are further tightening, driving up land acquisition costs
- **Material:** The cost of construction material has seen notable fluctuations in recent years,

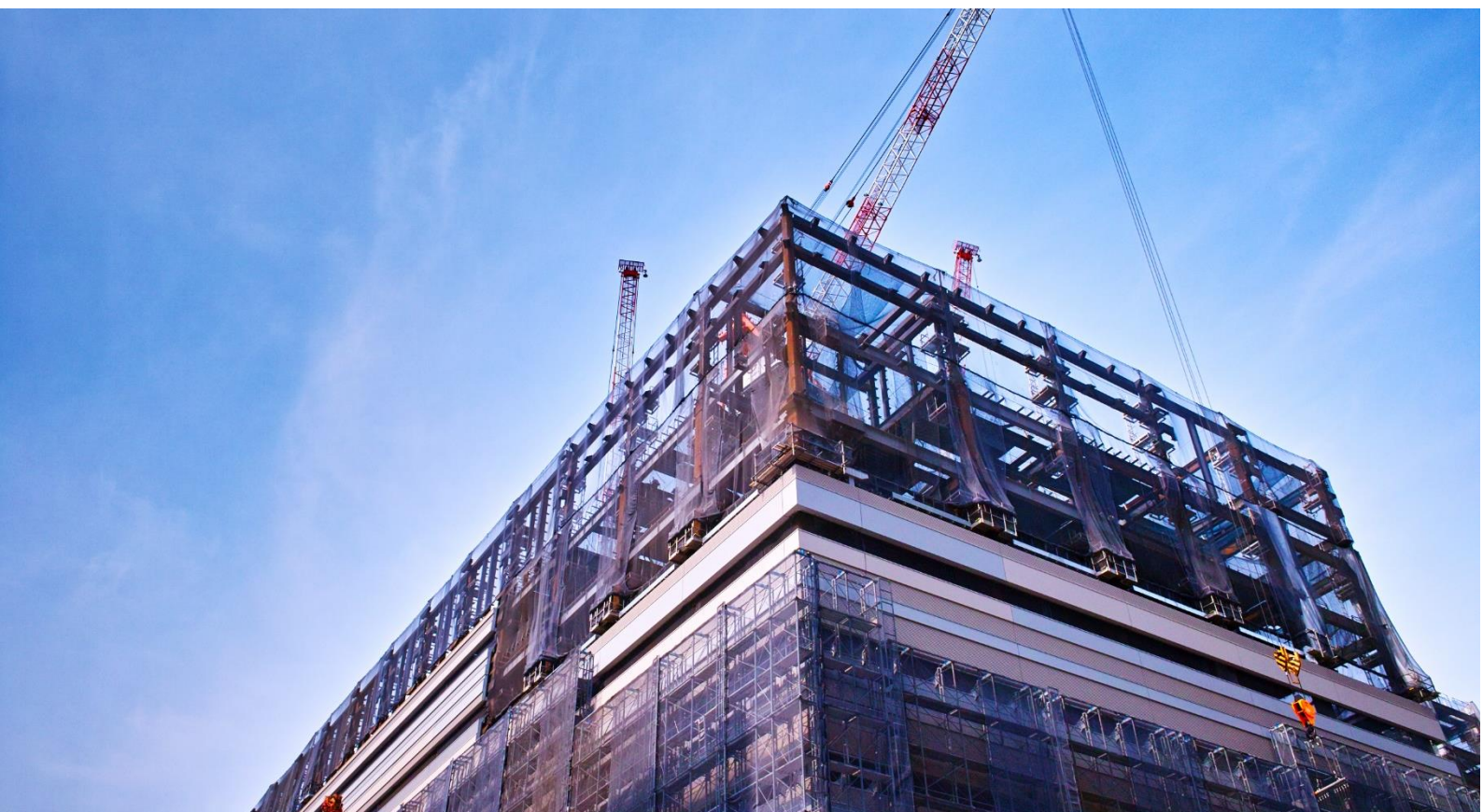
primarily due to supply chain disruptions and governmental restrictions. The cost of mined materials such as river sand, rocks and clay bricks has increased significantly. The scarcity of these natural resources, compounded by stricter environmental regulations and mining restrictions, has put an upward pressure on their prices. In contrast, manufactured materials (e.g., cement, steel and prefabricated components) have shown a more stabilised price trend. While they are still subject to global market forces, including raw material costs and transportation expenses, they are generally less volatile. However, as demand increases for more sustainable materials and environment-friendly alternatives, manufacturers are adapting, but at a higher cost, which may reflect in construction project pricing over time

- **Labour:** The cost of labour has experienced a significant surge, particularly in Kerala. There has been a marked shift in the availability of local labour, with many workers migrating to foreign countries for better opportunities. As a result, there is a growing dependence on workers from the northeastern states of India. While this labour pool is skilled, the additional costs associated

with their accommodation, transportation and food have added to the overall project budget. In many cases, developers are now investing in temporary housing and facilities to ensure a consistent workforce, further driving up costs. Additionally, with growing labour shortages, the cost of skilled workers is rising as demand exceeds supply.

RERA, registration department and Home Association Act working in silos

- Although RERA, registration department and the Home Association Act each play critical roles in regulating transactions and ensuring transparency, they work in silos with their own set of rules and regulations, causing confusion for builders, homebuyers and associations alike
- For instance, while RERA mandates that the transfer of common areas be made to the allottees' association, the registration department's stipulation that land must be distributed among individual owners prevents a seamless process competition. Additionally, the incomplete implementation of the Home Association Act further complicates the situation as it leaves gaps in governance and oversight.





13. 'Approval delay hits small, medium realtors'



Jagan James

Name of the developer:

JVN Homes Private Ltd

Promoter/MD name:

Jagan James

Delayed approvals for real estate projects and lack of coordination between various departments and the LSG are dampeners for small and medium scale developers.

Absence of platforms to reconcile conflicting or contradicting points in municipal/ panchayat building

rules and the RERA Act (e.g., handing over open areas to single owners/allottees' association in the case of a commercial cum residential project, which will not be in the interest of the owners of the commercial areas will lead to legal tussles with the developer, ultimately impacting the developer).





14. Real estate poised for growth and transformation



Joseph Joju

Name of the developer:
Dezira Projects

1) Promoter/MD name:
Joseph Joju

2) Promoter/MD name:
Jenin V

3) Promoter/MD name:
Sunny Paul

The Kerala real estate market is poised for growth and transformation, driven by infrastructure development, commercial investments, technological integration and eco-friendly initiatives.

Notably, the real estate markets of Kochi and Thiruvananthapuram have seen significant price appreciation and are among the fastest-growing in India, indicating potential for continued market expansion.

Kerala's luxury real estate segment is also gaining traction due to evolving buyer preferences and modernisation efforts.

Furthermore, government initiatives are promoting affordable-housing projects in the state, making property ownership more accessible.

Key trends:

- 1. Affordable housing:** Government initiatives and subsidies are driving affordable-housing projects, making property ownership more accessible to a wider population segment.
- 2. Kochi and Thiruvananthapuram:** Infrastructure advancements, commercial investments and residential developments are presenting opportunities for continued expansion and investment in these cities.
- 3. Tourism and infrastructure:** Kerala's developing infrastructure and tourism appeal are making real estate investment





increasingly attractive, with ongoing infrastructure projects and tourism-related developments providing a fillip.

4. **Population:** The decline in the state's population due to migration necessitates adaptation and strategic planning by developers and policymakers to sustain growth in the real estate market.

Major challenges:

1. **Approval delays:** Bureaucratic processes can lead to a delay in obtaining permits and approvals.
2. **Zoning laws and land-use regulations:** These can limit development potential and require modifications to project plans.
3. **Financing constraints:** Securing financing for large projects can be challenging, especially during economic downturns or tight credit markets.
4. **Interest-rate fluctuations:** Changes in interest rates affect borrowing costs, impacting project budgets and investor returns.
5. **Supply-chain issues:** Global events such as pandemic and geopolitical tensions can disrupt supply chains, leading to material shortages and increased costs.
6. **Logistical obstacles:** Transportation and logistics delays can halt construction progress and extend project timelines.

To overcome these challenges, developers must engage in strategic planning, including hiring experienced consultants, maintaining flexible project plans, and fostering strong relationships with regulatory bodies, financial institutions and suppliers.



15. Blending Tradition, Wellness and Exclusivity



Ravi Jacob

Name of the developer:

Trine Holdings

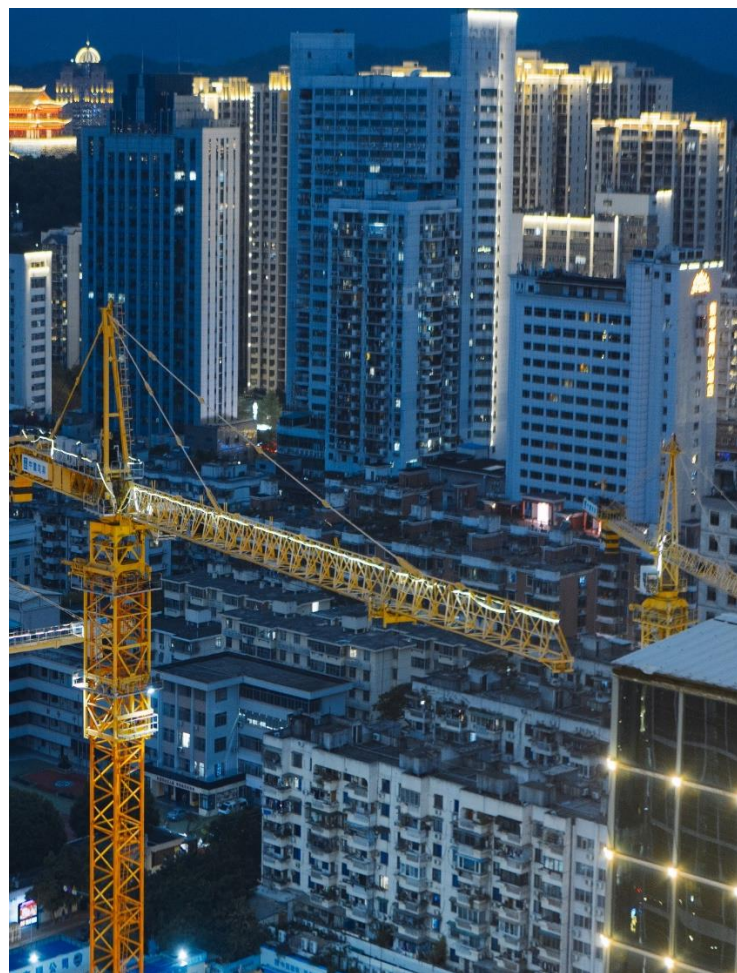
Promoter/MD name:

Ravi Jacob,
Chairman, CREDAI,
Chairman, Trine Holdings

Over the years, we have seen the real estate market in Kerala undergo a dynamic transformation. Homebuyers are increasingly prioritising sustainability, wellness and exclusivity. This shift is shaping our development strategies, as we focus on creating eco-conscious homes.

Challenges such as regulatory hurdles and fluctuating material costs pose constraints, but they also drive innovation. At Trine, we look to turn these challenges into opportunities by embracing advanced construction technologies and fostering collaboration with key stakeholders. By aligning our practices with government initiatives and adhering to IGBC Platinum standards, we aim to redefine luxury living in Kerala.

Emerging trends also point towards growing interest in niche segments such as senior living and wellness-oriented homes. As developers, we see tremendous potential in these areas, especially in leveraging Kerala's unique natural beauty and cultural heritage. Our projects are designed to respect the land's historical and environmental significance, ensuring our projects contribute positively to the local community. We hope to build a future that balances luxury with responsibility, leaving a lasting legacy for generations to come.





16. Bridging gaps in regulations and clearances



Martin Thomas Ezekiel

Name of the developer:

Favourite Constructions Private Limited

Promoter/MD name:

Martin Thomas Ezekiel

The Indian real estate is growing rapidly, by 2025 would contribute to 13% of the GDP. The government and regulatory bodies like RBI have taken a lot of measures recently to regulate and develop this sector with schemes such as Housing for all, Implementation of RERA, PMAY, lowering interest rate on housing loans, Higher deduction of interest under income tax for individuals, more than one house property to claim deduction from long term Capital Gain tax etc. However, while lot of these measures helped in generating a demand for affordable segment, the cost to operate this sector has increased manifold.

Denial on input tax credit under GST after April, 2019 has increased the cost of developers by 10-12%. GST rate on cement and steel, which are the major components in construction are 28% and 18% respectively.

The government should consider reinstating the input credit by marginally increasing the output GST to

customers to 8%, which may not have a significant impact on demand, further this would enhance the bottom line of builders considerably.

Another challenge being faced by the industry is multiple regulators governing the same scope of work in a project. With large developers looking at Kerala, it is imperative to have built up space of more than 20000sq.m. Once the developer obtains clearance for such projects from the Ministry of Environment and Forests, the same shall not be subject to Mining and Geology clearance again, as it amounts to further delays and cost to the project.

Government shall also bring in uniformity in registration cost for conveyance of title across the country as it would provide a level playing field. If RBI approves funding for land, which is excessively expensive in Kerala, it will bring more liquidity to the industry and would help in the timely completion of the project.



17. Building a greener future



Keerthy Baben

Name of the developer:

B&M Infra Pvt Ltd

Promoter/MD name:

Keerthy Baben

The field of construction is rapidly undergoing a green transformation; the moniker being sustainability, green materials and smart tech. The accelerated requirement to reduce the industry's carbon footprint, use of non-renewable resources and unsustainable practices has construction giants racing to find solutions that are adaptable to all strata of industry players.

Due to economic growth, a sizeable urban population, government initiatives and rising awareness about sustainability, the focus has shifted to investing in a green future through complementary construction activities. With sustainable, green construction repositioning itself from a niche segment to that of a global necessity here are the imperatives driving fluctuating market dynamics and customer choices:

Compelling economic benefits

The economic and cost saving benefits of green buildings are unparalleled. Apart from impactful savings on utility bills, there is enhanced occupant efficiency and decreased operating costs. Green certified buildings also command a significant premium over their non-certified counterparts which indirectly compels ethical choices when it comes to construction practices.

Raised environmental concerns in an ever-expanding India

The construction industry has a significant impact on the environment; in fact, 40- 50% of resources extracted from around the world are used for infrastructure, construction and housing. Green buildings offer a timely solution to increasing environmental crisis in a rapidly urbanizing India. In the year 2022, green buildings in India conserved 14 billion liters of water, mitigated 40 million tons of greenhouse gas emission and conserved 45 billion kW of energy.

Need for alternative materials

The Indian construction Industry is rightly skewed towards an increased usage of sustainable materials and building practices. The end goal is to minimize harm to the environment, reduce the carbon footprint and resource conservation. The council of architecture in their 'Green building materials' article stated that eco-friendly construction materials can be adapted into the framing and building structure, insulation, roofing, exterior siding, heating and air conditioning and interior finishes.



Necessity for a nationwide approach

In the 2022 global ranking for LEEDS (Leadership in Energy and Environmental Design) of green buildings, India was placed second with a project count of 323 and over 10.47 million GSM, which is comparatively twice the number of projects in 2021. While India continues to make a global impact by being consistently placed in the LEEDS listing, adoption of green construction practices has been restricted primarily to tier-I cities. The significant gap indicates that focus now needs to move to tier-II and tier-III cities with policies and incentives that help hasten adoption.

The future of green construction depends on a heightened consciousness about its impact on the environment. Keeping this a priority, our latest project was conceived. Be. I - Be earth intelligent focuses on a range of eco homes that employs a biophilic design, the latest in energy saving smart tech, environmentally conscious construction practices to ensure a minimal carbon footprint and sustainability measures such as rainwater harvesting for resource conservation.

The future of construction is indeed green and we at B&M believe it is now.



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