

Bindu Gopal Rao

Despite global economic uncertainties and workforce layoffs, Bangalore's real estate market exhibited resilient growth in 2023. Reports indicate that the city ranked as the second-highest in reducing unsold stock, following the National Capital Region, showcasing a proactive response to market dynamics.

Bangalore stands out as a stalwart in the residential market, witnessing substantial growth in both housing sales and new launches. Its influence extends beyond local boundaries, shaping the broader real estate landscape of India. Prominent regional and pan-India real estate players have established a noteworthy presence in Bangalore, participating across diverse real estate asset classes.

Real growth

If we are to consider data trends, Bangalore residential market continued its growth stint in 2023, despite global headwinds including layoffs that have a direct impact on the market demand here. Latest ANAROCK Research data shows that 2023 saw housing sales of almost 63,970 units as against nearly 49,480 units back in 2022, denoting 29% annual sales growth.

"Interestingly, after National Capital Region (NCR), Bangalore stood second among the top 7 cities in reducing its overall unsold stock in a year. As on 2023-end, the unsold inventory in Bangalore stood at approx. 47,070 units which is about 17% less than in 2022. Back in 2022-end, the unsold stock in the city was 56,610 units," says **Ashish Sharma**, City Head - Bangalore, ANAROCK Group.

In the residential segment, Bangalore is the third most active market in the country after Mumbai Metropolitan Region (MMR) and Delhi NCR. All subsegments of residential real estate including plotted developments, second homes, senior living, co-living, and student living have been witnessing heightened activity in recent times.

D Kishore Reddy, Founder & CMD of Mana Projects Private Limited, adds, "The East and South zones of the city are experiencing significant demand due to their proximity to tech parks and employment hubs. Residential projects in these areas have a growing preference for integrated townships and affordable housing options. Compared to Mumbai and Delhi, Bangalore might lack their gravitas, but we have our own rhythm. The city's strong infrastructure, cosmopolitan culture, and robust job market continue to attract investors and homebuyers."

Locations closer to the airport in Devanahalli, and peripheral areas such as Electronic City, Sarjapur Road and Kanakapura Road have the maximum upside potential. Whitefield, Thanisandra Main Road and Sarjapur Road are among the prominent localities seeing good residential real estate activity.

Buoyed by high activity, residential prices in the areas too saw decent growth in the last one year. For instance, Whitefield saw average residential prices go up by over 29% in 2023 as against 2022, while Thanisandra Main Road saw average prices rise by 27% and Sarjapur Road by 26%.

Location-wise

Over the years, Bangalore has probably been the fastest growing major Indian city. The emergence of prominent localities has followed a concentric manner, branching



REALTY CHECK

Bangalore's real estate dances through global chaos, showcasing resilient growth in 2023. With no signs of slowing down in sight, explore what's steering this success

out from central areas like MG Road in the 1990s to Koramangala and Indiranagar in early 2000s, Outer Ring Road (ORR) and Whitefield in the 2010s and beyond Hebbal in the ongoing decade.

"In the commercial real estate market of the city, ORR and Whitefield continue to drive the leasing activity, with a cumulative demand share of around 60% in the past few years. With most corporates mandating return-to-office in some form or the other, localities close to major tech parks of the city have witnessed 20-30% annual increase in both residential rental and capital values," says **Arpit Mehrotra**, Managing Director, Office Services, Colliers India.

Furthermore, areas in the immediate vicinity of newly inaugurated metro lines have been witnessing a surge in rental values across all real estate asset classes. Property prices are expected to firm up significantly in catchment areas once various ongoing phases of the metro get completed.

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DATA DIVE

- 2023 saw housing sales of almost 63,970 units as against nearly 49,480 units back in 2022, denoting 29% annual sales growth
- In H1 FY24, Bangalore witnessed a substantial net office absorption of 4.49 Mn sq, although this marked a 26% decline from the figures recorded in the same period of fiscal year 2023
- Co-working providers have a 32% market share in the current half of fiscal year 2024
- The IT-ITeS sector, with a 30% market share in H1 FY24, has the second position in the office space category
- The citywide vacancy levels are currently at 11.4%

Segment profile

During the first half of the fiscal year 2024, Bangalore showcased notable growth with the addition of approx. 6.15 Mn sq of new office space, securing the second-largest market share at 24% among the top seven office markets.

"In comparison to the preceding fiscal year's first half, the city witnessed a modest 1% uptick in its new office supply. Conversely, Bangalore experienced the highest net office absorption of 24% among the top seven markets, driven by strong demand from major corporate entities and their strategic expansion initiatives. In H1 FY24, Bangalore witnessed a substantial net office absorption of 4.49 Mn sq, although this marked a 26% decline from the figures recorded in the same period of fiscal year 2023," says Sharma. Bangalore observed

a significant upswing in average office rentals, reaching INR 90 /sq/Mo in H1 FY24. This reflected a 7% increase compared to the preceding fiscal year, underscoring the market's resilient dynamics. Meanwhile, the citywide vacancy levels stood at 11.4%, registering a modest uptick of 0.5% when compared to the vacancy levels recorded in the first half of fiscal year 2023.

Demand drivers

Co-working providers have positioned themselves as the predominant force behind office leasing in Bangalore, escalating from a 23% share in the H1 FY23 to a remarkable 32% market share in the current half of fiscal year 2024.

The IT-ITeS sector, once a pivotal catalyst for office space demand, experienced a reduction in its market share in H1 FY24, securing the second position with a 30% share. Meanwhile, the manufacturing /industrial sector, holding the third position, has a 14% market share in the city's office space transactions.

The IT sector continues to be a major driver, creating demand for both residential and commercial properties and attracting a substantial influx of young professionals and families.

Consequently, this has led to a notable increase in property values. "The city's expanding population, projected to reach 15 million by 2031, adds to the ongoing demand for new housing options. The thriving economy in Bangalore, marked by rising disposable incomes, is enabling more individuals to invest in property, contributing to the overall dynamism of the real estate landscape. The residential sector stands out with a substantial surge in demand, witnessing a sales increase of over 20% in 2023 across both luxury and affordable segments," says **Sarveshaa SB**, Chairman & Managing Director, BHADRA Group.

In addition, Sarjapur Road has undergone a notable transformation into a thriving IT hub and residential hotspot, offering diverse property options. The upcoming extension of the Namma Metro is set to enhance connectivity in this area.

Challenge factor

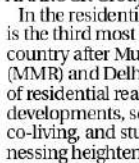
Infrastructure continues to be one of the major challenges in the city and has both direct/indirect impact on the real estate market.

Given that various mega infra projects are still under development, the city's traffic woes continue, and this invariably impacts the growth further. "The market is probably on a late upswing stage and price appreciation across real estate asset classes is expected to moderate gradually if not plateau instantly. Apart from the real estate cycle position, Bangalore's real estate developers are having to increasingly rationalise between absorbing input costs and passing it on to end-users. Availability of large contiguous land parcels in CBD and SBD areas and profitability optimisation are some of the other challenges pervasive in the city," says Mehrotra.

The city's commitment to sustainable development is evident in its efforts to address environmental concerns. Initiatives aimed at tackling water scarcity and pollution are actively underway, reflecting the city's dedication to maintaining a balance between growth and environmental responsibility.



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