

Mumbai Developers Go 'Compact' to Lure Home Buyers

Cos try to right-price, right-size their offerings to improve cash flows; recent projects launched in suburbs priced below ₹1 cr

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Mumbai: The impact of demonetisation and the Real Estate Regulatory Act has sharpened the focus on home buyers and end-users, even in the country's most expensive property market of Mumbai in recent months.

Several developers are trying to right-price and right-size their offerings to suit the home buyers' requirements. Given the latent demand for apartments priced under ₹1 crore, most developers are looking to offer projects at this price point to improve cash flows targeting home buyers keen to live-within Mumbai city limits with compact apartments.

Recent projects launched in suburbs, including Goregaon, Malad, Kandivali, Kanjurmarg, Chembur and Mulund point towards this emerging trend. Apart from small developers, a few large developers, with proven track records, have also entered this segment recently.

"Mumbai has always been ahead in terms of product-level offerings in its residential market. Challenges in terms of land prices and construction costs have led developers to adopt project as well as product-level innovation, apart from new marketing strategies. Developers in other cities often replicate strategies of their Mumbai counterparts and therefore we are seeing this taking place in other metros and tier II cities too," said Ashutosh Limaye, national director - research, JLL India.

Given the benefits of compact homes for home buyers & developers, this product category has seen great traction already. Home buyers are also responding well to these projects as it offers an address within the city limits and their budgets.

Realty developer Omkar Realtors & Developers' compact home project in Mumbai's western suburb of Malad saw bookings of 450 apartments on the first day of its launch, while Paradigm Realty sold over 200 apartments at its Borivali project, which has 400 apartments, since the launch in March. Most apartments in this category are in the range of 318 sq ft to 460 sq ft with prices starting at ₹60 lakh and going up to ₹99 lakh. "Right location and price along with compact yet not very tight configuration seem to be working as a strategy in the current market scenario. Home buyers are cautious about the EMI burden and the visible delivery schedule," said Parth Mehta, MD, Paradigm Realty. "The demand in this segment is genuine and sales velocity high."

Low-cost Benefits

Omkar Realtors' compact home project in Malad saw 450 bookings on the first day of launch

It plans to invest up to ₹1,000 cr in the next two years to develop compact homes

Paradigm Realty sold over 200 flats out of 400 at its Borivali affordable housing project, since March

Sunteck Realty has formed a new affordable housing vertical



Listed developer Sunteck Realty, known for premium residential projects, is forming a new vertical to foray into value housing in the backdrop of government's recent thrust of affordable housing. The developer is planning to invest up to ₹1,000 crore over the next two years to develop compact home projects.

According to JLL India's scoring matrix, which is devised to select comparable precincts with supply of apartments with lesser than 500 sq ft carpet area, suburbs like Goregaon, Malad, Kandivali, Kanjurmarg and Mulund have ranked higher. The matrix has given more points to precincts with higher supply in this new product category and good existing as well as upcoming physical and social infrastructure.

Affordable housing is set to drive the Indian realty market, and the maximum supply and demand is being driven by the 900-1,200 sq ft segment. The 300-600 sq ft apartments that also attract credit-linked subsidies for those with a salary level of up to ₹6 lakh is expected to soon be transacted in the formal market, a Magicbricks report said.

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