



The Recession on Real Estate-Causes And Its Effects In Focus On For Pune Real Estate Sector

Sagar P. Patel

M.E. Students (Construction & Management),
Department of Civil Engineering D. Y. Patil Institute of Engineering & Technology, Ambi Pune

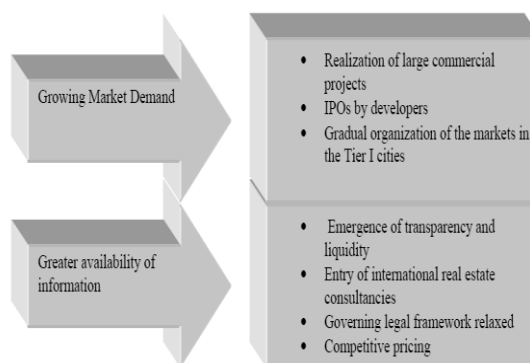
Abstract - The real estate sector is one of the most dynamic and globally recognized sectors today, owing to a number of factors like population spurt and increased purchasing power of consumers. India is one of the biggest real estate markets. It comprises of four subsectors namely housing, retail, hospitality and commercial. India's real estate market has witnessed a decline in property prices. India is the world's largest democracy in terms of population, with India's Central Statistical Organisation (CSO) estimating a population of 125 crore people as at March 31, 2015. The study also focuses on Pune Real Estate Sector, to find the effects it had faced during economic downturn. Real estate cycles do tend to be fairly long in duration and occur in any asset market which tends to have several defining characteristics. So, clearly there is a strong connection between the development in real estate and the financial markets. The thesis concludes that in line with the natural laws of economics, that an economic upturn is followed by an economic downturn, and that the length of the coming downturn often follows the length of the upturn proportionally.

ISSN : 2348-5612 © URR



There is a sustained interest in real estate assets in India today. The different perspectives of owners, investors and occupiers are resulting in a dynamic market that is increasingly growing in confidence. The current state of evolution is summarized below.

Characteristics of the Real Estate Market in India

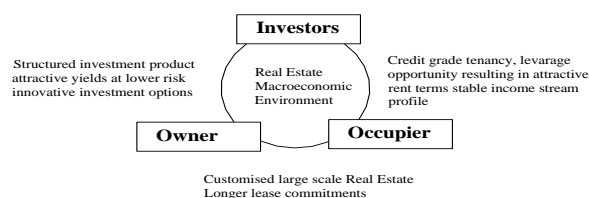


I. INTRODUCTION

Real estate industry is today's second largest industry in the terms of employment in India, even though it is not considered at par with IT and other leading industries.

With the advent of globalization, a rapid growth in the Indian economy has opened up a fascinating array of opportunities and possibilities in the real estate market. The advent of multinational occupiers, the global outlook of Indian corporates and the consequent change in the way people work and live has necessitated a comprehensive review of property ownership and occupation.

As owner, investor or occupier in real estate, one would naturally be keen to formulate a strategy for investment or occupation that is best suited to the needs. Thus there is a need for placing the ratios of real estate at a platform, which is standardized and can be easily accessible. Indexing is a way, which would help to understand the Indian Real Estate Scenario.



Source: Jones Lang LaSalle

I.1. Objectives of Project

1. Analyse the role and contribution of Real Estate sector to the growth of Indian economy.
2. Trace the condition of Real Estate Industry in India during recession, comparative study of conditions before and after the onset of recession.
3. Identify the root cause of recession in real estate.
4. Analyze the effects of recession in real estate sector.



II. LITERATURE REVIEW

“A Significant variation in economic activity lasting more than in some months, which is normally visible in real income, real GDP, employment, industrial production, and wholesale-retail sales”..

NBER is the official agency in charge of declaring that the economy is in a state of recession and the reason for this is that the NBER actually has a more general framework for judging recessions compared to other groups. Real estate is considered a sector, therefore only the most significant areas such as subprime lending, main indicators, causes and its effects related to real estate sector are analyzed with the help of regression model and the spotlight is also thrown on Pune city’s project permissions and sanctions during the recession period.

Each of these influencing parameters reflects their own individual pattern that has affected the current day real estate scenario. The study is primarily based on secondary literature available through published sources.

FDI (Foreign Direct Investment), Mutual Funds schemes & Mutual Funds Trusts etc. are the new investment for peoples safety & all the industries.

Role of Government:

The six roles of government in a market economy to prevent recession are:-

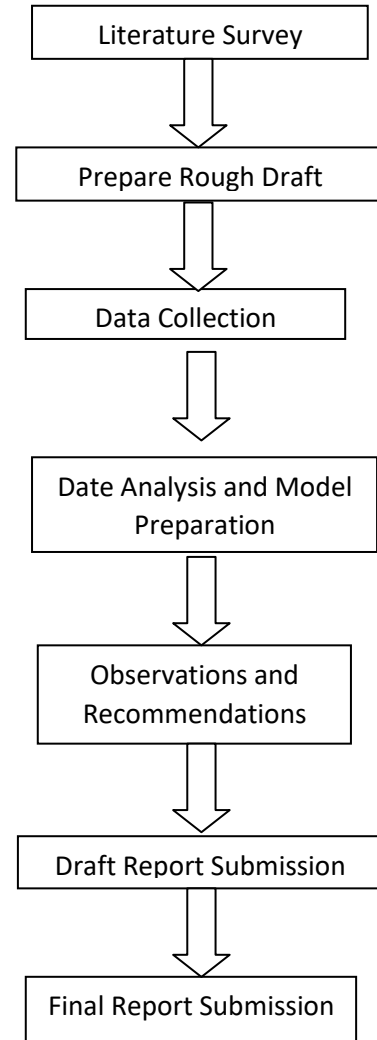
- (1) Budget and Taxation for economic year
- (2) Promote effective and workable competition
- (3) Provide for public goods and services
- (4) Ensure economic stability and growth

III. RESERCH METHODOLOGY

1. METHODOLOGY:

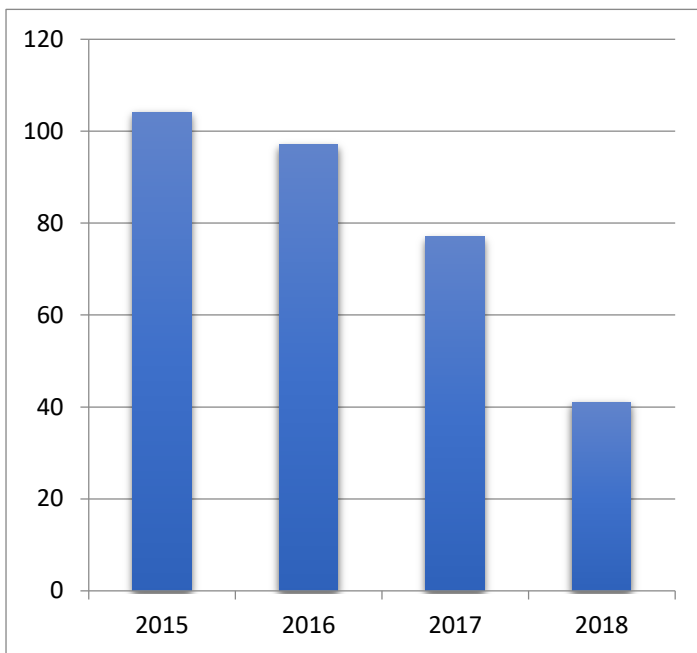
The aim of the study is to predict the next change in business cycle by analysing the root causes of recession. With the help of the Regression tool, where the combined GDP of Real Estate, Banking and Financial Services is taken as the dependent variable the independent variables identified are the depend Population, Employment, Higher Education Institutions and on Per Capita Income.

2. FLOW OF METHODOLGY:



IV. DATA COLLECTION AND ANALYSIS

Data collected from a construction company name as “PHARANDE SPACES” and the project is “WOODSVILLE” which is located at Moshi (PCMC PUNE).



Analysis Of Chart:- Graph Shows Year vs. Number Of flats sale

In 2015- Sale of flats is 104 nos.

In 2016- Sale of flats is 97 nos.

In 2017- Sale of flats is 77 nos.

In 2018- Sale of flats is only 41 nos till date.

So from the above graph 2015 to 2016 there is a negligible drop for the sailing of the flats which not considered for the economic criteria it happened in the business from year to year but in well organised area like, PIMPRI CHINCHWAD MUNCIPLE CORPORATION, PUNE there is a huge demand from the people but from that year their drop in sailing of the flats because government released the new rules which causes directly on economic business of the real estate agents like landlords, builders and so on. So, drop down structure is not just telling how the construction sector behave like this but there is number of buyers and tenants which directly in quality mode in favour of quality & consistency which they have to be from construction sector.

But government Released the new rules in 2017 for all capital business industries to common criteria in Taxes and Clear Documentary on their respective work. so government take the charged and Applied the new rules for public safety and these are as follows;

1. MAHA-RERA AND,
2. GOODS AND SERVICE TAX (GST)

When these schemes are takes the part in every industry then there is certain things like accounting, taxes etc. which directly relates in the sailing of the new projects properties because peoples have some idea about these.

MAHA-RERA (MAHARASHTRA REAL ESTATE REGULATORY AUTHORITY)

RERA act which is launched on 1st may 2017 is expected to bring relief for homebuyers and developers will have to give timely possession for projects. No new launch can be initiated till the project is registered under RERA Act. Many builders and agents have been rushing to register under the act since it is implemented.

The Real Estate Bill, which was passed in May this year, to provide transparency and accountability in the real estate sector. Its objective is to make the consumer acknowledge about the status of building approvals, to enable consumers to make accurate decisions. The bill also aims to take steps to promote affordable housing for everyone. Under the new RERA rules, all projects that are developed on 1000 sq m or more of land have to be registered with the proposed regulator.

Developer need to submit the details of the project like

1. Title of Land.
2. The completion date of the project.
3. Names of the agents and architects.
4. Bank account details
5. The amount collected via sale deeds should not be used for any other activities.

Advantages of RERA for the buyers:

1. Developers need to make timely delivery of the booked office spaces or homes.
2. If not strict compensation and imprisonment can be taken against the developer.
3. The same features promised at the time of registration need to be delivered at the time of handover.
4. If not the builder can be penalized.
5. Specifying the carpet area and not the built in area which is more than the former by at least 20 to 30% is mandatory.



Disadvantages of RERA:

1. The rules and regulations passed in the new bill are not applicable for the ongoing projects or projects that are held up due to some clearance issues.
2. Government agency delay in approval and clearance may hinder the timely delivery of products.
3. Small developers with projects less than 1000 sq.m Do not come under the purview of this act and registration with the regulator is not mandatory for these.
4. Without clearance projects cannot be launched and so launching of new projects may get delayed.

V. CAUSES, EFFECTS AND INDICATORS

.CAUSES:

1. Excessive construction activities and construction where demand is not there.
2. Credit crunch-shortage of finance
3. Fluctuation in the rate of oil prices
4. Rise in Interest Rates
5. Increase in rate of unemployment

INDICATORS:

1. Demand is declining and loans are going bust.
2. World trade volume growth
3. India's oil imports were declining and international oil prices were rising
4. Lending money to borrowers irrespective of their background, returning capacity & poor credit history.
5. Demand is declining.

EFFECTS:

1. Decline in percentage of household owning homes
2. Foreign investors pulling out their money from Indian markets
3. Rise in prices of crude oil, petrol, diesel, LPG in India.and Rise in inflation.
4. Reduction in Income and Reduction in Consumer Spending
5. Increase in job losses and decrease in purchasing power and Decline in real estate and construction jobs.

VI. CONCLUSION

The thesis concludes that in line with the natural laws of economics, that an economic upturn is followed by an

economic downturn, and that the length of the coming downturn often follows the length of the upturn proportionally. This statement points out that a long downturn could be on its way. Clearly there is a strong connection between the development in real estate and the financial markets. The two follow each other, since the financial markets have become deeply dependent on the square meter prices. The stock market and housing market often synchronize, and when this happens, the risk for bank crisis are high, which will have severe costs for the economy. This time the bubble is synchronized internationally, which makes the world economy fragile. Due to the size of the bubble the consequences of a downturn can be greater. When prices are high, it is clear that real estate investments can generate considerable wealth, but we should not forget that things can go the other way as well. That said, real estate cycles do tend to be fairly long in duration and prices can often move to extreme levels before correcting. Upward extremes – known as “bubbles” in truly heated markets – can occur in any asset market (stocks, bonds, real estate, fine art) and tend to have several defining characteristics, including: parabolic price increases (i.e., that look like a hockey-stick when depicted in a time series chart), excessive valuations, and buoyant investor optimism whereby rational people extrapolate recent trends.

VII. REFERENCES

1. C.R. Kothari, Research Methodology – Methods and Techniques, Vishwa Prakashan.
2. David Cox, Corporate Real Estate Handbook, Handbook, Partner White &
3. Case, London, July 2005
4. Journal Of Real Estate Research
5. Reserve Bank Of India, Handbook of Statistics on Indian Economy, Macro Economic Aggregates.
6. Jones Lang LaSalle, Real Estate Investments in India, A Snap shot, - A Report, OCT 2003
7. Mr. Nambiar, Property Scape – MCHI Publication,2004
8. Pune city Development Plan
9. Confederation Of Real Estate Developers Association Of India, Pune