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'The fittest will survive'

Investment World

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Going into the making of a home are the land price, construction cost, developer's margin and the size. As prices go up, sizes come down. And in the current slow market, with supply increasing, business has become more competitive, says *Mr Prakash Gurbaxani*, CEO and Managing Director, QVC Realty, in an interview to *Business Line*. In today's market, people with development skills will succeed, and those who don't will face a tough time, he says.

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Excerpts from the interview:

Is the real-estate market going through a slowdown or correction phase?

Real-estate has been one of the fastest growing sectors, and the last four-five years have seen very high growth. But over the past six months demand has slowed. The high home loan interest rates, financial market situation and rising construction costs are all contributors to the overall scenario.

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The price of a home is a function of land price and construction price. Since the construction cost has been steadily rising and demand for homes has slowed down, the land prices have to come down for developers to bring down prices.

However, having said that, there is still a strong demand for certain types of products across asset classes. For example, there is a sustained demand for non-IT office space in the major cities; premium gated communities with single-family homes are another product in demand.

What are the factors impacting the industry?

Cross Currency

- Rates

The real-estate sector today is seeing a lot of change. About a year ago, things were different and the industry was witnessing a boom phase. Inflation was low, home loans were more affordable and customers had a lot of options to choose from. While the supply is steady, inflation and home loan rates have gone up. There is a possible oversupply in some areas. And due to the demand slowdown, prices of apartments in several areas have now been flat for some time.

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Is there a chance that prices would dive southwards any time in the future? If yes, when would this happen?

Prices are not going up right now. The last few months have seen a slowdown in the real-estate market. If this situation continues for another six-nine months, then there is high probability that the prices will go down and the market will see a correction.

Archives

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What are the ideal conditions for the real-estate industry to revive or do well again?

The long-term fundamentals of the Indian economy are very strong, and offer growth opportunities for the real-estate industry across asset classes. This, along with the favourable demographics and increasing wealth, will provide a favourable environment for the industry to grow. But as the industry is maturing and getting professionalised, competition will increase. Only developers with deep pockets, long-term vision and strong management teams will survive.



What is the demand-supply match/mis-match in Bangalore?

Search

There is probably an over-supply of apartments in some pockets. With inflation and interest rates up, there are fewer takers for these homes today. However, even in a fast-upcoming area such as North Bangalore, there are only limited options for a customer looking for a single-family home in a gated community.

Group Sites

- The Hindu
- The Hindu ePaper
- Business Line
- Business Line ePaper
- Sportstar
- Frontline
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- The Hindu Images

How would you compare North and South Indian real-estate markets? What are the emerging markets in India? And in the South?

The primary demand drivers for all markets in India — North and South — are the same. The strong economic growth has fuelled high demand for homes. Young professionals have been a much larger percentage of home buyers in the last five years compared to earlier. The IT-ITES boom has contributed significantly to the fast development in cities such as Bangalore, Hyderabad and Chennai in the South and Delhi-NCR in the North. The factors influencing the market vary from city to city depending on the profile of the residents of the city, the key industries, government policies, infrastructure situation, etc.

Some of the emerging markets are Tier-II cities such as Chandigarh, Jaipur, Nagpur, Indore, Surat and in the South Visakhapatnam, Kochi, Mysore, Vijayawada, Coimbatore, etc.

What are your company's plans for the immediate future? And how do you plan to handle the recessionary phase in the market?

We will soon be launching our first project in Bangalore — QVC Hills, an exclusive gated community with 100 luxury homes in the vicinity of Nandi Hills in North Bangalore. This will be followed by the launch of two integrated townships in Gurgaon, each of size more than 100 acres, and then a second home golf community in Chikmagalur. We will be launching all of these in the current financial year. We are currently focusing on gated communities with single-family homes, as we believe that there will be a sustained demand for these homes. We are focused at differentiating ourselves by providing a superior quality and a great customer experience.