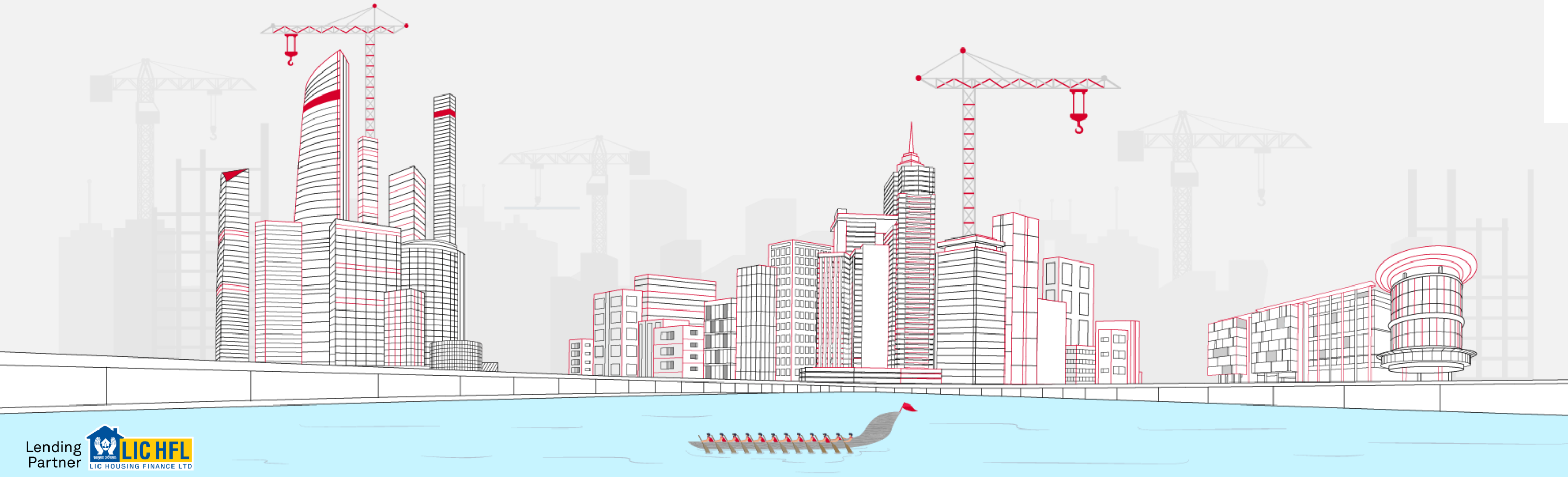


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CRISIL Real Estate Conclave
KOCHI

Shaping the Future of Real Estate



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Foreword

The real estate landscape in southern India, especially Kerala, is changing rapidly amid increasing urbanisation, infrastructure development and socio-economic changes.

The dynamic environment poses multiple challenges for developers—from adapting to shifting trends and regulatory changes to tapping into emerging opportunities.

Our study of the sentiments of real estate developers and other stakeholders in Kerala, together with our sentiment and industry analysis, provides valuable insights on the industry's plans, concerns and aspirations at this juncture.

There is a sense of confidence and growth, with 60% of the survey respondents saying they are optimistic about the market.

More than 50% expect home prices to rise in the next 2-3 years.

Also, around 75% expect an increase in demand for commercial properties in the next 2-3 years.

The identification of Tier 2 and 3 cities as areas of growth, driven by urbanisation, affordability and infrastructure development, highlights the potential beyond the traditional hubs.

The decline in NRI buyers is a point of concern, though, and amplifies calls for adapting to changing market conditions.

One of the most significant takeaways is the growing importance of innovation and digital advancements.

In the context, it becomes imperative for developers to prioritise skills, innovation and partnerships to stay ahead of the curve.

Further, the growing popularity of affordable, smart and sustainable homes and senior citizen housing projects underscores the need for developers to respond to changing consumer preferences and demands.

I believe this report will serve as a valuable resource for stakeholders, policymakers and industry players, aid decision-making and drive strategic development of the sector, thereby shaping its growth trajectory.



Ashish Vora
President, CRISIL

Content flow

Key messages

Ground reality

Hurdles

Kerala real estate snapshot

Infrastructure, the backbone of progress

The way forward

Developer speak

Key messages – real estate in southern India



Demand surge fuelled by persistent optimism among homebuyers and a reliable supply of projects from established builders.



As consumers increasingly opt for recognised brands, the industry is expected to undergo further consolidation in near future.



Infrastructure development activities have opened new corridors, resulting in the emergence of new markets with growth potential in the south, such as Mysuru, Mangalore, Nellore, Vellore, Amravati and Thrissur.

Key messages – real estate in Kerala (1/2)



Two-thirds of developers are optimistic of a real estate spurt in Kerala, led by inherent economic drivers.



Developers focusing on the local market, including affordable housing, as demand from non-resident Indians (NRIs) declines, with second-generation NRIs preferring overseas markets for real estate investment.



In the premium category, there is a shift towards sustainable housing, smart homes and technology integration, and spacious houses.



Tier 2 and 3 cities such as Thrissur, Palakkad and Kollam are potential real estate growth hubs, backed by rapid urbanisation and affordability.



Senior citizen community living has started gaining popularity in Kerala, presenting new opportunities for developers and investors.

Source: Developer sentiment study rolled out across Kerala.

Key messages – real estate in Kerala (2/2)



Increasing construction and labour cost, along with scarcity of raw materials, has dented developers' margins.



Higher stamp duty is weighing on real estate sales.



A moderate rise in residential property prices is expected in the next 2-3 years owing to an increase in construction cost and infrastructure development.



Only one-fourth of the developers are planning projects outside Kerala (in cities such as Bengaluru, Chennai, Pune, Navi Mumbai and Coimbatore) or outside India (countries such as the UAE). The rest see growth potential in Kerala.



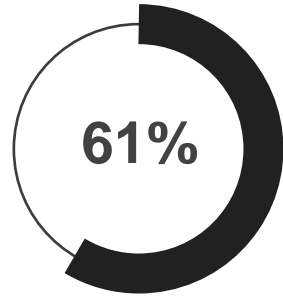
According to the Kerala Real Estate Regulatory Authority (K-RERA), new project registrations have logged an 11% CAGR in the past two years. That said, fiscal 2024 saw 190 new project registrations compared with 208 in 2023 and 153 in 2022.

Source: Developer sentiment study rolled out across Kerala, K-RERA

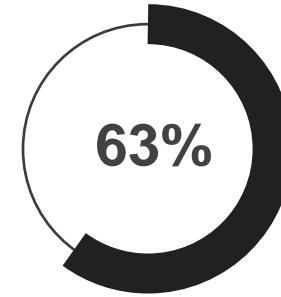


Ground 'realty' from developers

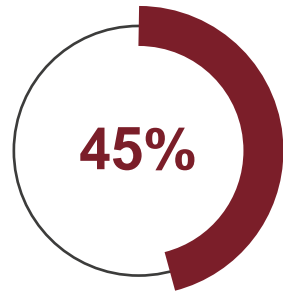
Developers predict steady growth in Kerala's real estate market; moderate expansion in commercial space



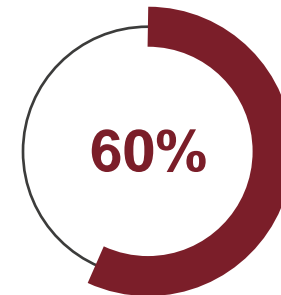
61% of the developers see the real estate market in Kerala favourably, expressing a decidedly optimistic sentiment



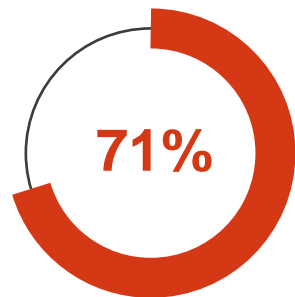
63% of respondents experienced an uptick in residential sales with on-year growth of more than 5%, suggesting steady market momentum



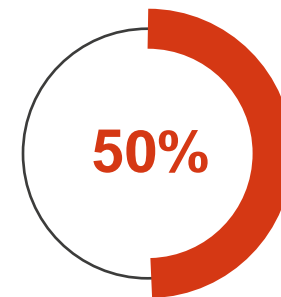
45% of respondents predict a steady growth in the short term for the real estate market in Kerala, mainly due to infrastructure development, connectivity and a rise in job opportunities.



60% of respondents expect a balanced supply of residential inventory in Kerala's real estate market



71% of respondents envision a moderate expansion in demand for commercial properties in Kerala in the next 2-3 years, mostly due to an anticipated increase in economic activities.



50% of developers reported a decline in NRI customers in the Kerala real estate market in the past 2-3 years as the trends suggest that Kerala's next generation is looking to settle abroad.

Source: Developer sentiment study rolled out across Kerala.

Waning interest from second-generation NRIs



Are second-generation NRIs willing to invest in Kerala real estate market?

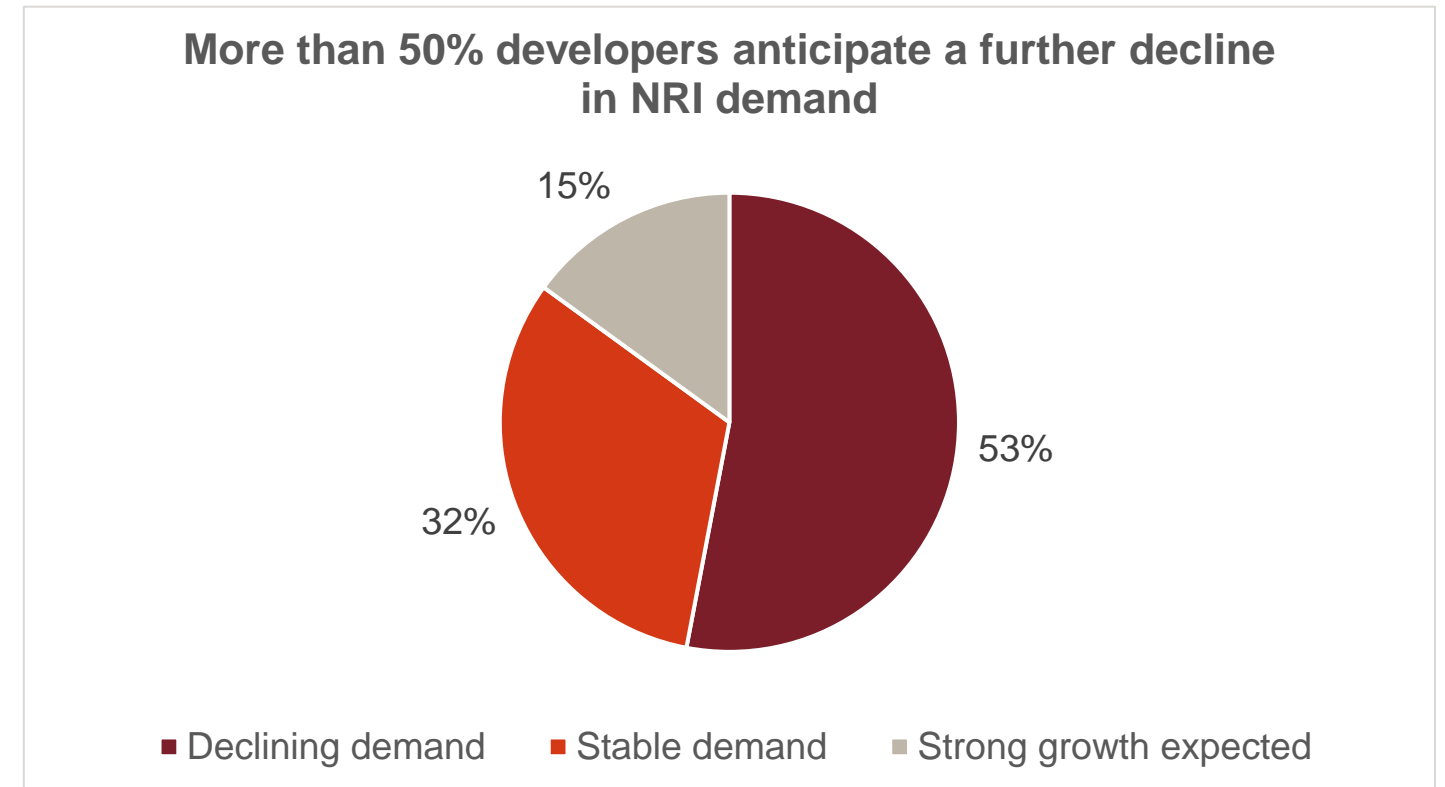
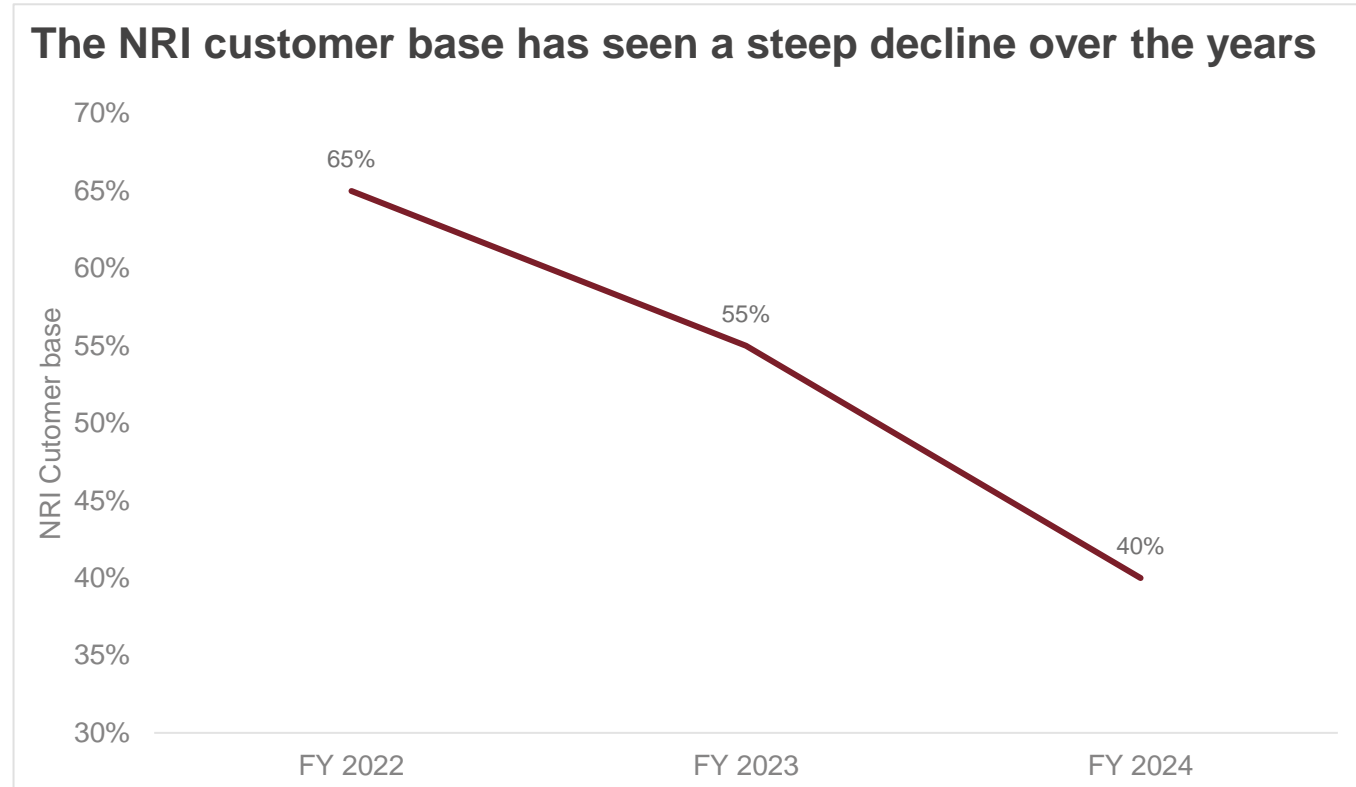


More than two-thirds of the developers believe the second generation is not willing to invest in Kerala's real estate market.

Source: Developer sentiment study rolled out across Kerala.

NRI demand on a downtrend: Developers shift focus to local customers

A significant proportion of developers indicate that second-generation NRIs are less interested in investing in Kerala's real estate market due to better lifestyle and job opportunities in other markets



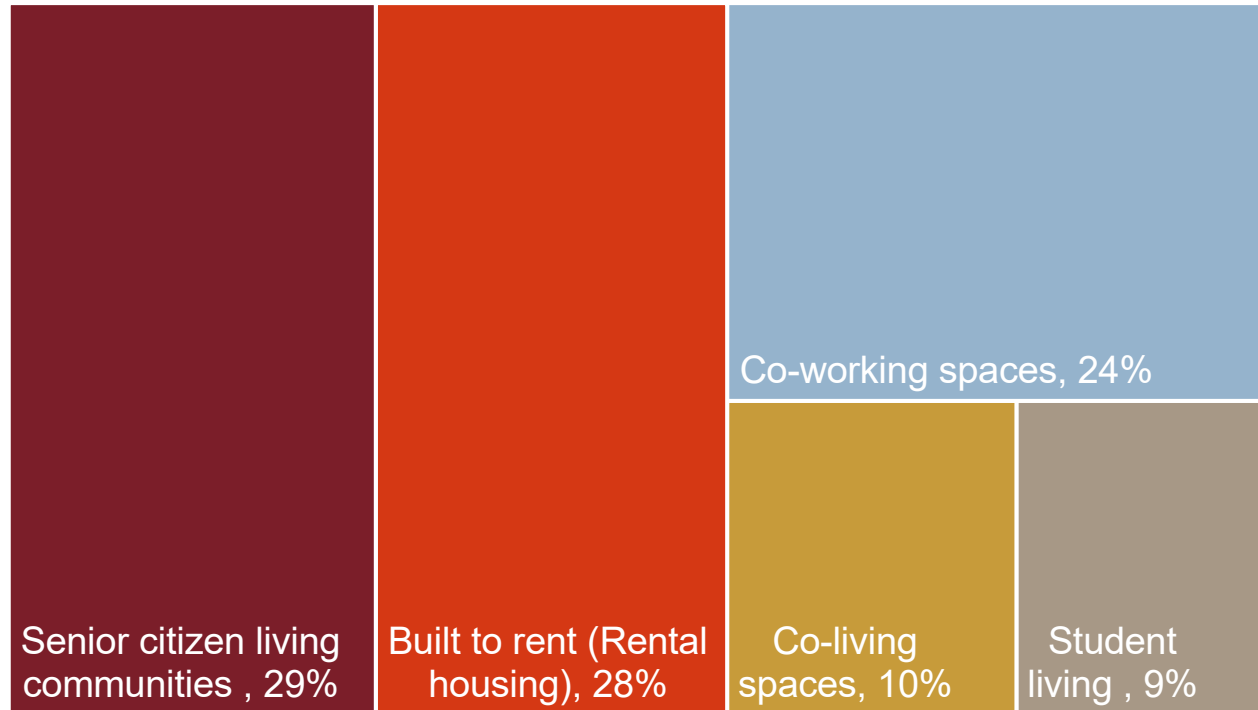
Developers are witnessing a decline in demand for high-end houses, mainly because the second-generation Keralites working in the Middle East, Europe USA and Canada prefer to settle overseas due to better lifestyle and career growth opportunities.

A declining NRI customer base suggests a shift in preference from luxury apartments and villas to an **affordable segment**; developers are looking at **1 BHK and 2 BHK** apartments as the more preferred configuration in residential units going forward.

Source: Developer sentiment study rolled out across Kerala.

Senior citizen living communities, sustainable projects gain traction

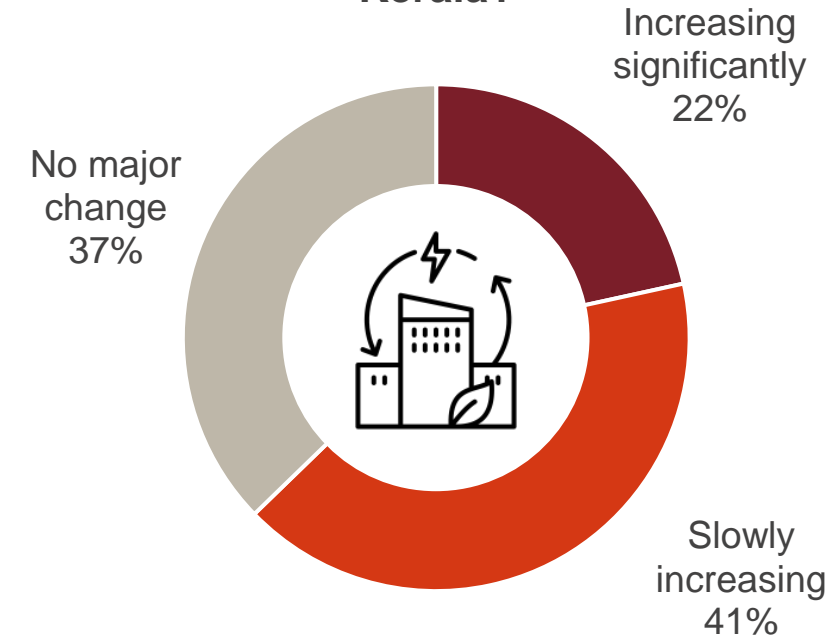
In your opinion, what is the new real estate model that may see growth potential?



New models

Senior citizen living communities and **built-to-rent** (rental housing) are the two models gaining traction and exhibiting significant growth potential

How do you see the demand for sustainable and eco-friendly buildings/green building practices in Kerala?

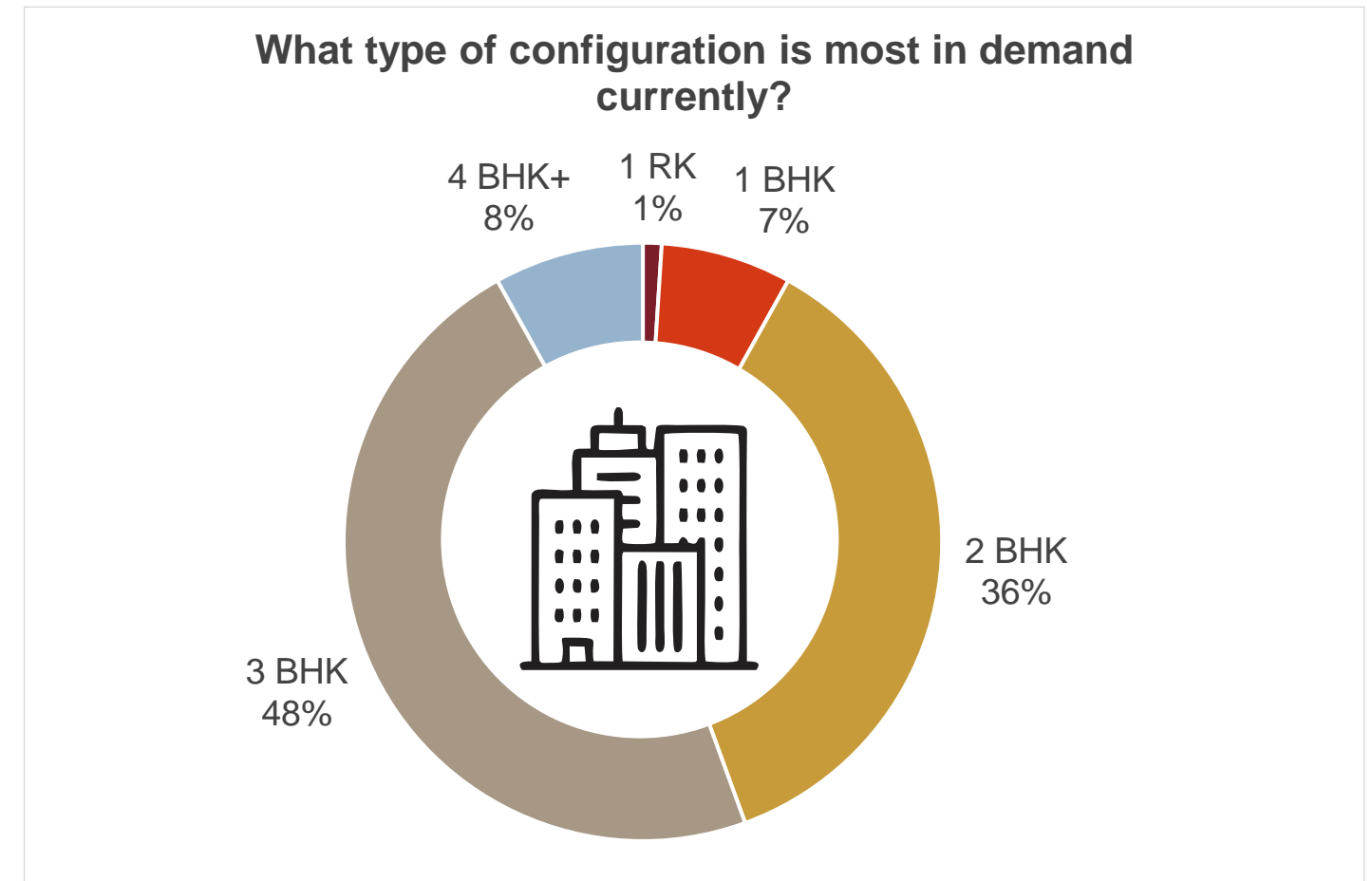
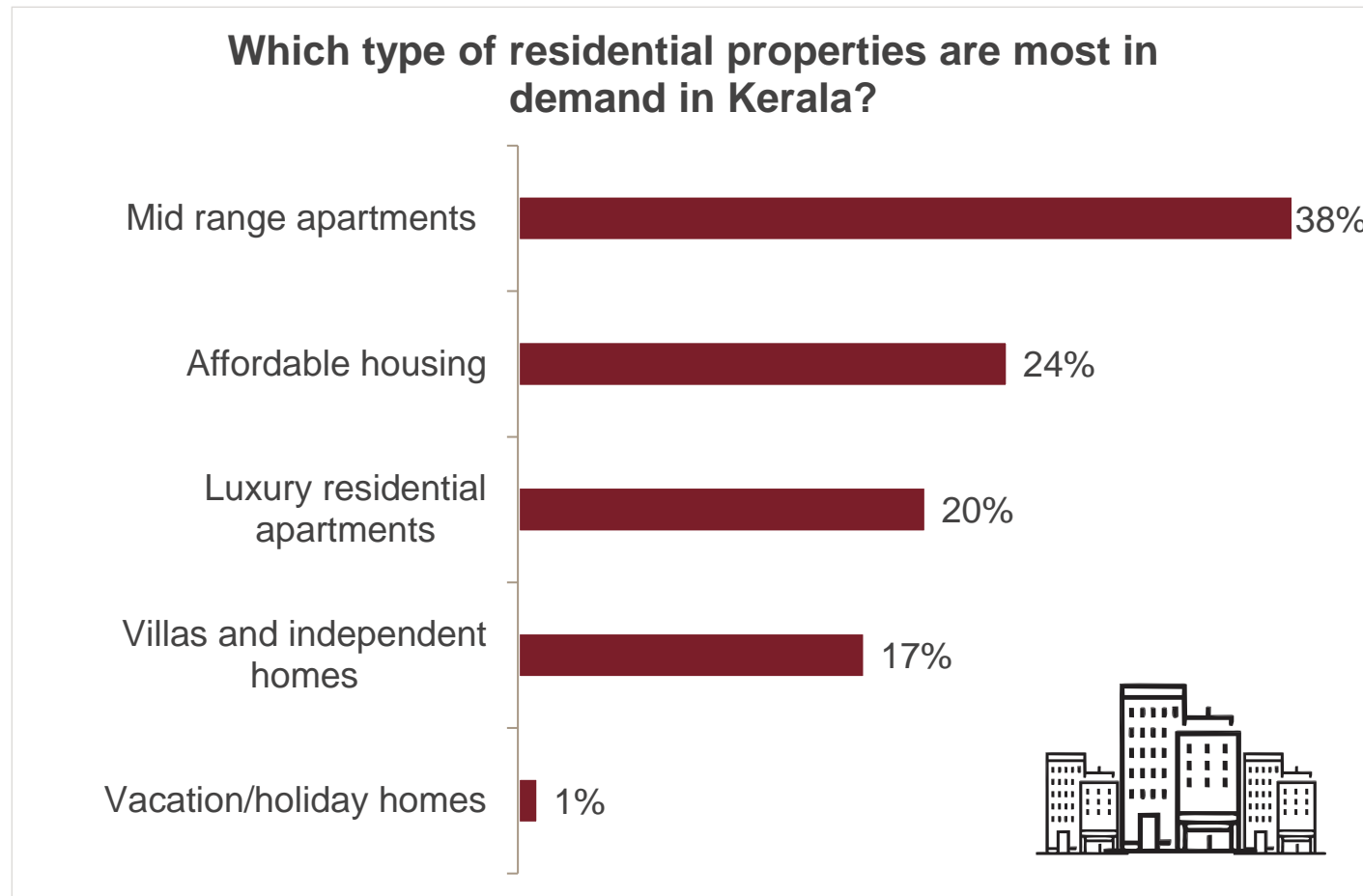


Sustainable development in high-end projects

More than 60% developers have seen a rise in demand for sustainable and environment-friendly/green building properties in the market.

Source: Developer sentiment study rolled out across Kerala.

Developers observe change in preferences



Changing preferences

38% developers responded, saying there has been a surge in demand for mid-range, followed by affordable apartments due to an influx of young professionals and first-time homebuyers.

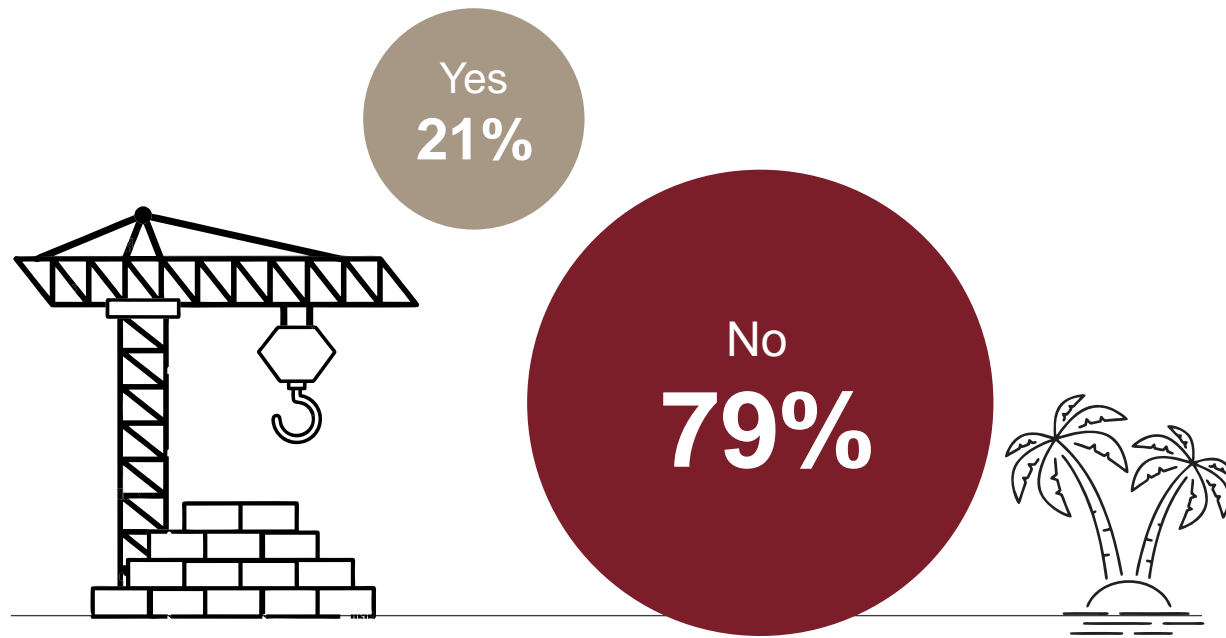
3 BHK units have the lion's share in the residential segment

3 BHK apartments have seen the most demand in the residential segment, followed by 2 BHK.

Source: Developer sentiment study rolled out across Kerala.

Developers express commitment to continuing operations in Kerala

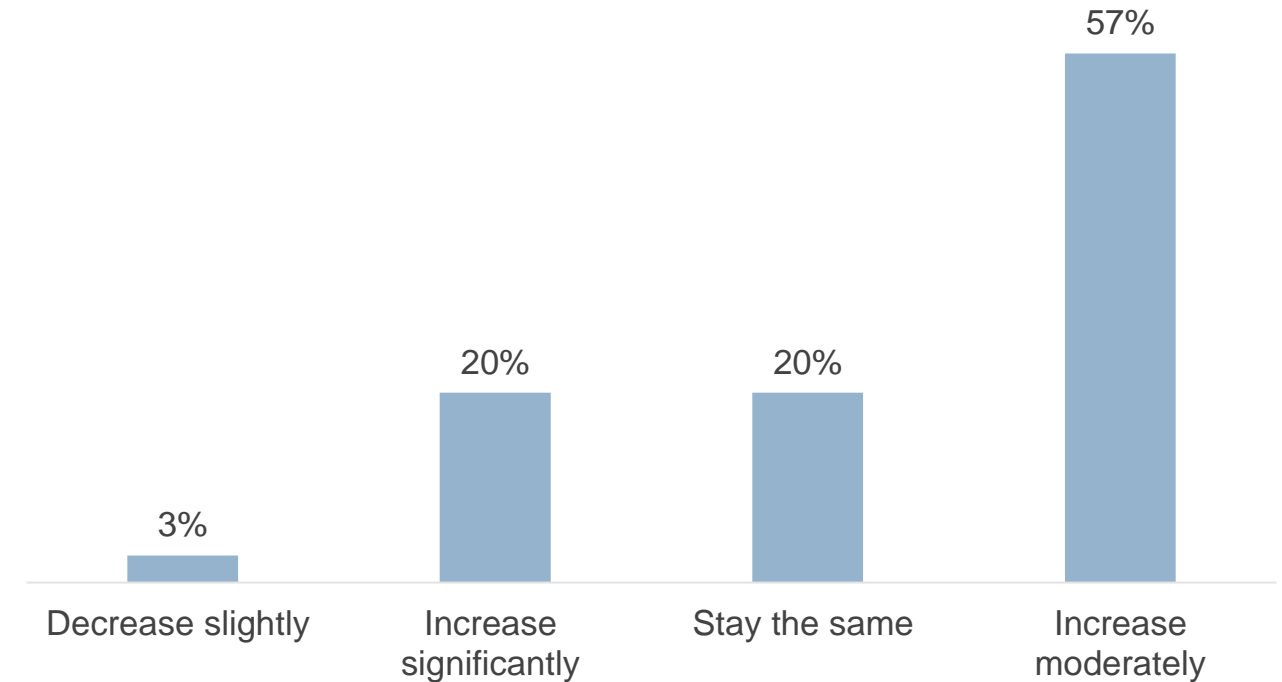
Are you planning to expand your geographical footprint outside Kerala?



Developers wish to continue to operate in Kerala

Despite Kerala's market size, developers are opting to stay in Kerala

How do you expect residential property prices in Kerala to change in the next 2-3 years?



Prices anticipated to rise

Over 50% of the developers anticipate residential property prices to increase in the next 2-3 years, driven by better connectivity across the state, infrastructure development and the emergence of new markets.

Source: Developer sentiment study rolled out across Kerala.

New trends, new challenges

Over 50% of the developers said the cost of implementation is high in terms of adopting sustainable development and technology integration such as 3D modelling.

What challenges do you foresee in adapting to new trends such as sustainable/green buildings, smart homes?



Source: Developer sentiment study rolled out across Kerala.

Developers pin hopes on Tier-2, Tier-3 cities for growth

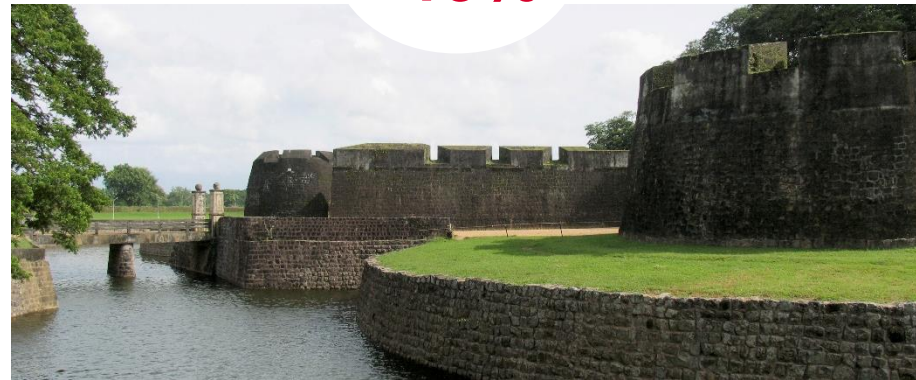
Around 60% of the respondents believe Thrissur has substantial growth potential, while Palakkad and Kollam are also garnering attention as emerging markets

60%



Thrissur

19%



Palakkad

18%



Kollam

Even though cities such as Kochi and Trivandrum experienced market growth, there are certain micro markets that have growth potential such as Edappally, Pallikkara, Kalamassery, Vazhakkala, Vyttila (within Kochi) and Kowdiar and Kazhakoottam (both within Trivandrum). Kuriachira and Punkunnam in Thrissur are also seen as emerging micro markets.

Opportunities

- Urbanisation and population growth
- Affordability and land availability
- Emergence of IT and other allied industries

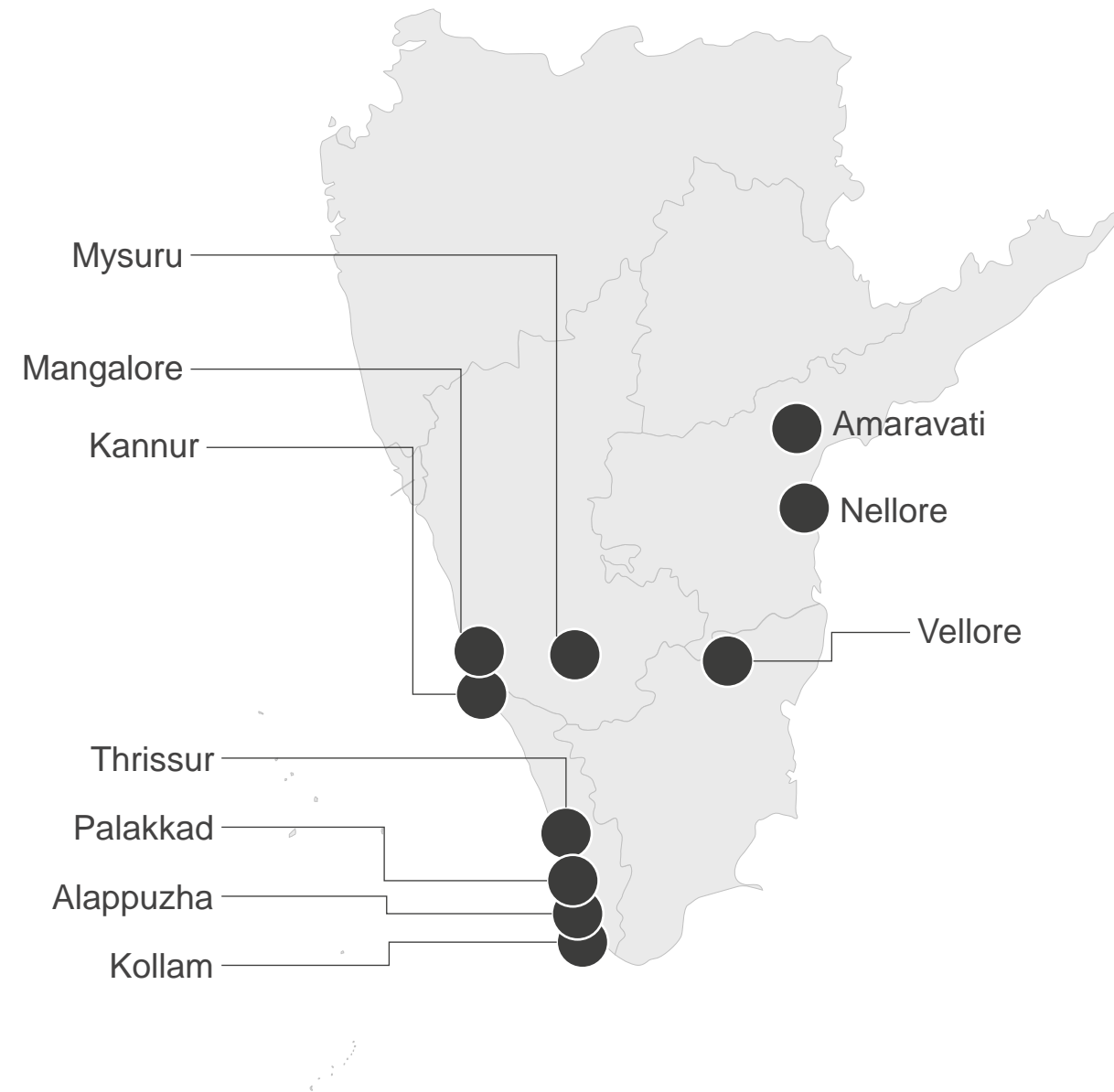
Challenges

- Limited investor confidence
- Traditionally slow-moving markets
- Urban planning and environmental concerns

Source: Developer sentiment study rolled out across Kerala.

Emerging markets across the south

- Southern India, is witnessing a significant transformation in its real estate landscape
- The region is home to several emerging markets that are gaining traction, driven by factors such as rapid urbanisation, infrastructure development, industrialisation and a growing economy
- Developers are keen to look at various growing southern markets, specifically for the mentioned cities for the expansion plan
- As the region continues to grow and develop, these emerging markets are likely to play a key role in shaping the future of Southern India's real estate landscape
- These locations are poised for growth in the future as prominent IT hubs in Mysuru, port-based economies in Mangalore, and education and logistic growth in Vellore, may contribute to overall development in the near future.



Overcoming obstacles

Top five pain points of real estate developers in Kerala



Stringent regulatory approvals and compliance



Declining NRI investments



Lack of availability of skilled labour and materials

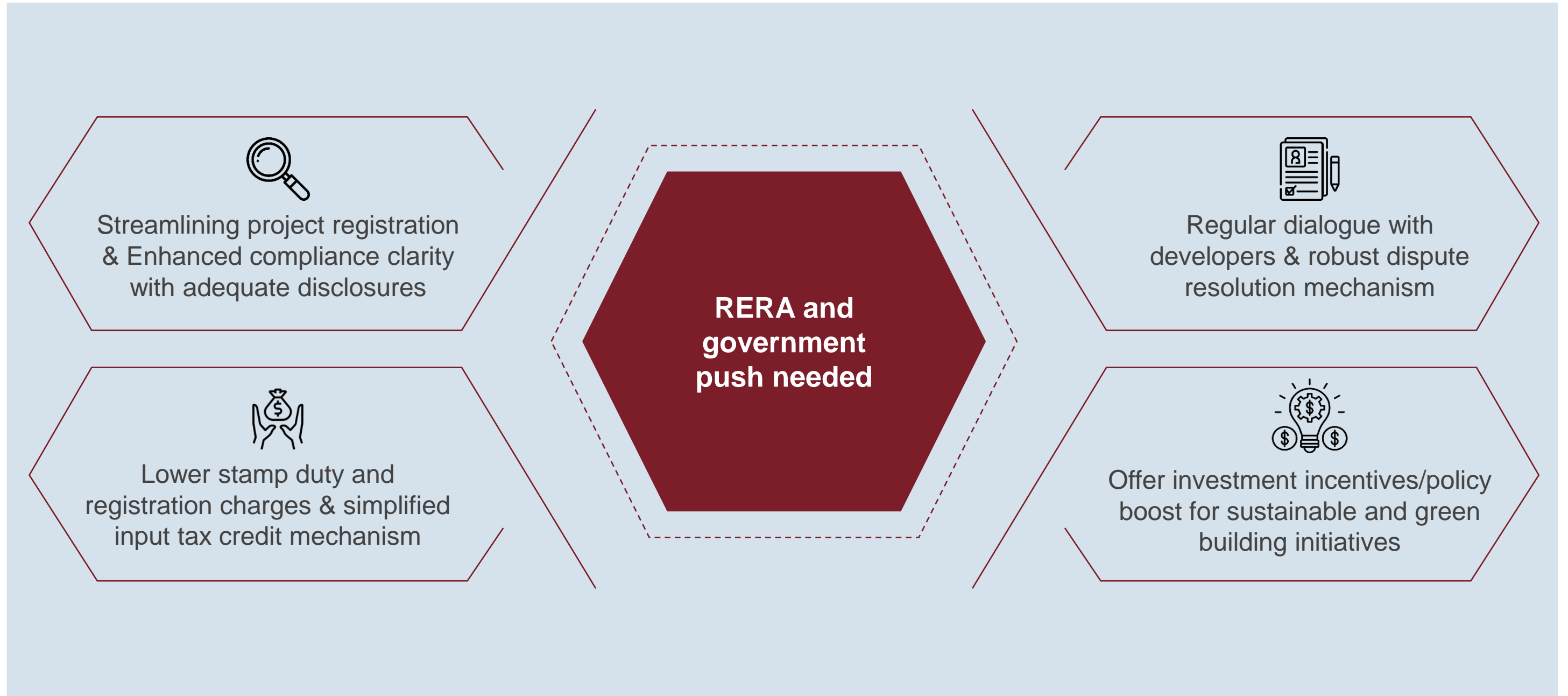


High stamp duty and registration charges



Limited access to institutional funding and dependence on unorganised finance

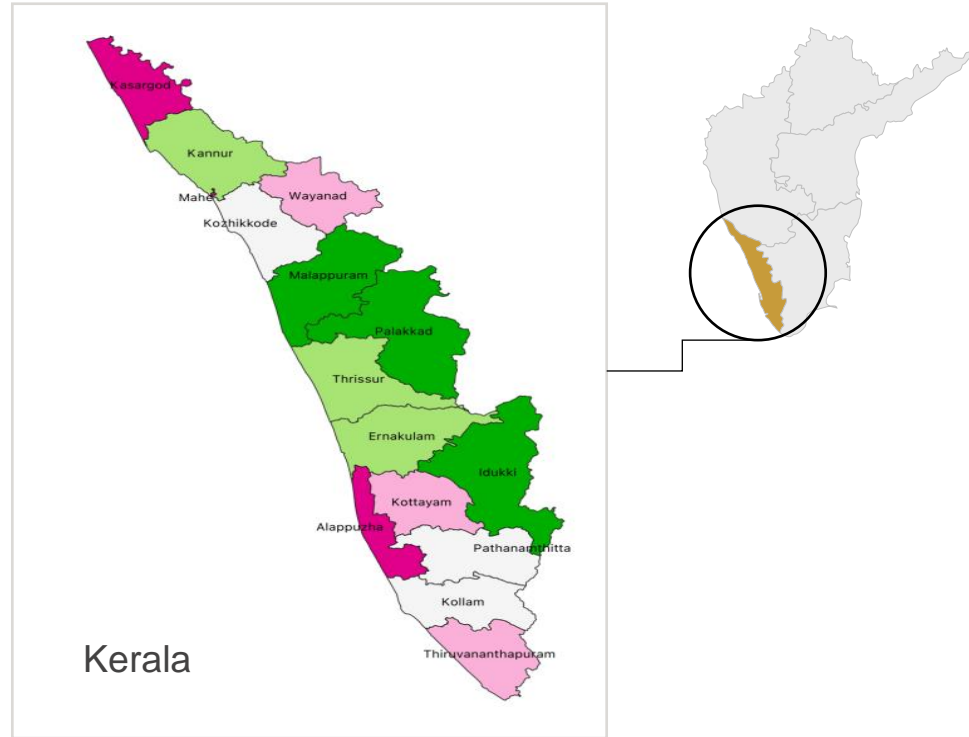
Developers seek streamlined registrations, clarity on compliance



Kerala real estate snapshot



Kerala at a glance



Population **33.41** million

Rural population **~52%**

Urban population **~48%**

Source: Kerala State Planning Board, India Census 2011, K-RERA, SPB Kerala as of 2022-23, Total floor area as of Oct 2024



Per capita income in Kerala: Rs 174,214



Kerala's contribution to national gross domestic product: 2.3%



Gross state domestic product growth (fiscal 2021-fiscal 2023): 9.70% CAGR



Land area of Kerala: 38,863 sq km



Project registrations: ~1% in Kerala out of total projects in India

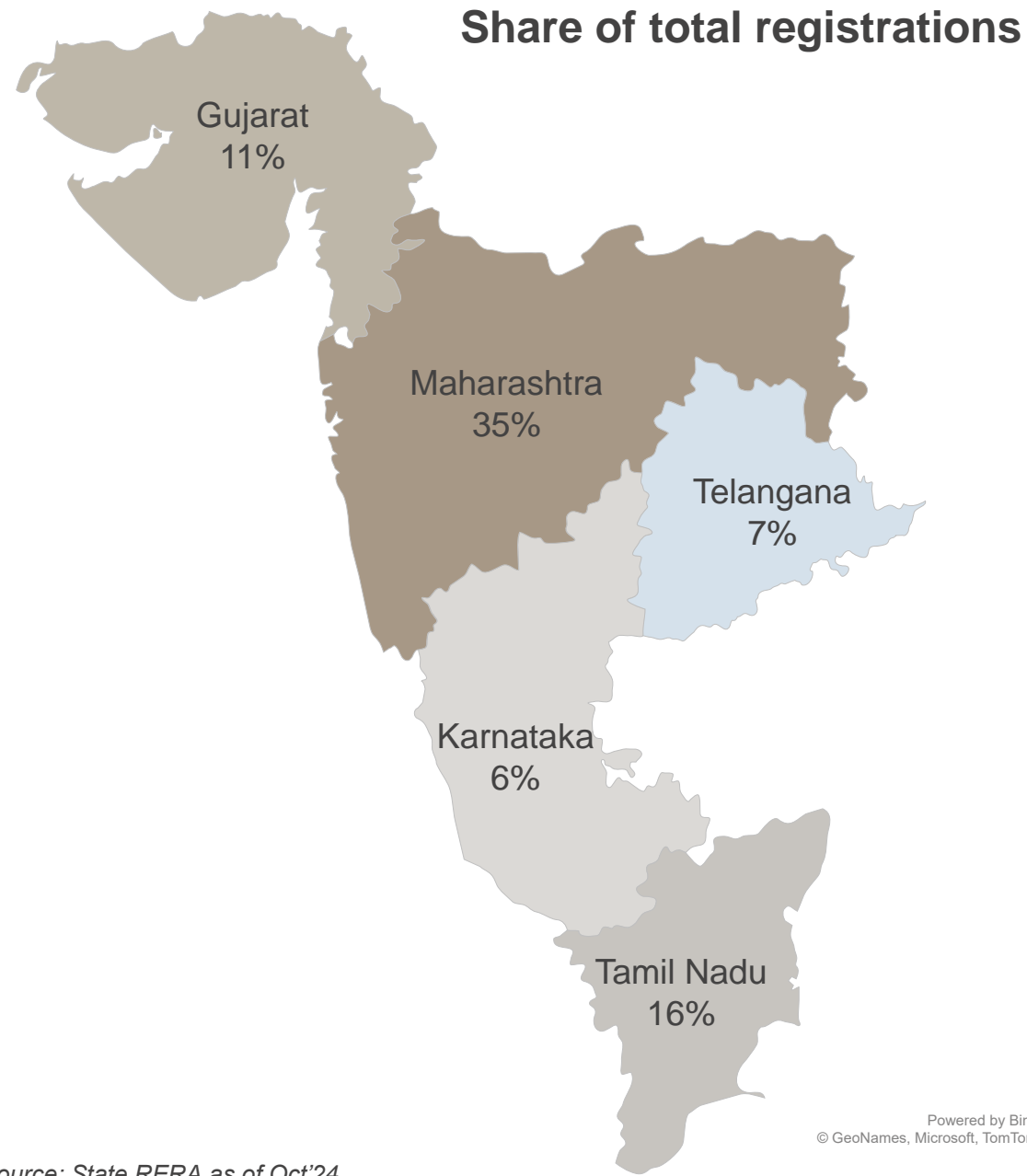


Total floor area under residential use: 13.3 million sq ft.




Total floor area under commercial: 0.2 million sq ft.


Real estate project registrations in the top 5 states



Source: State RERA as of Oct'24



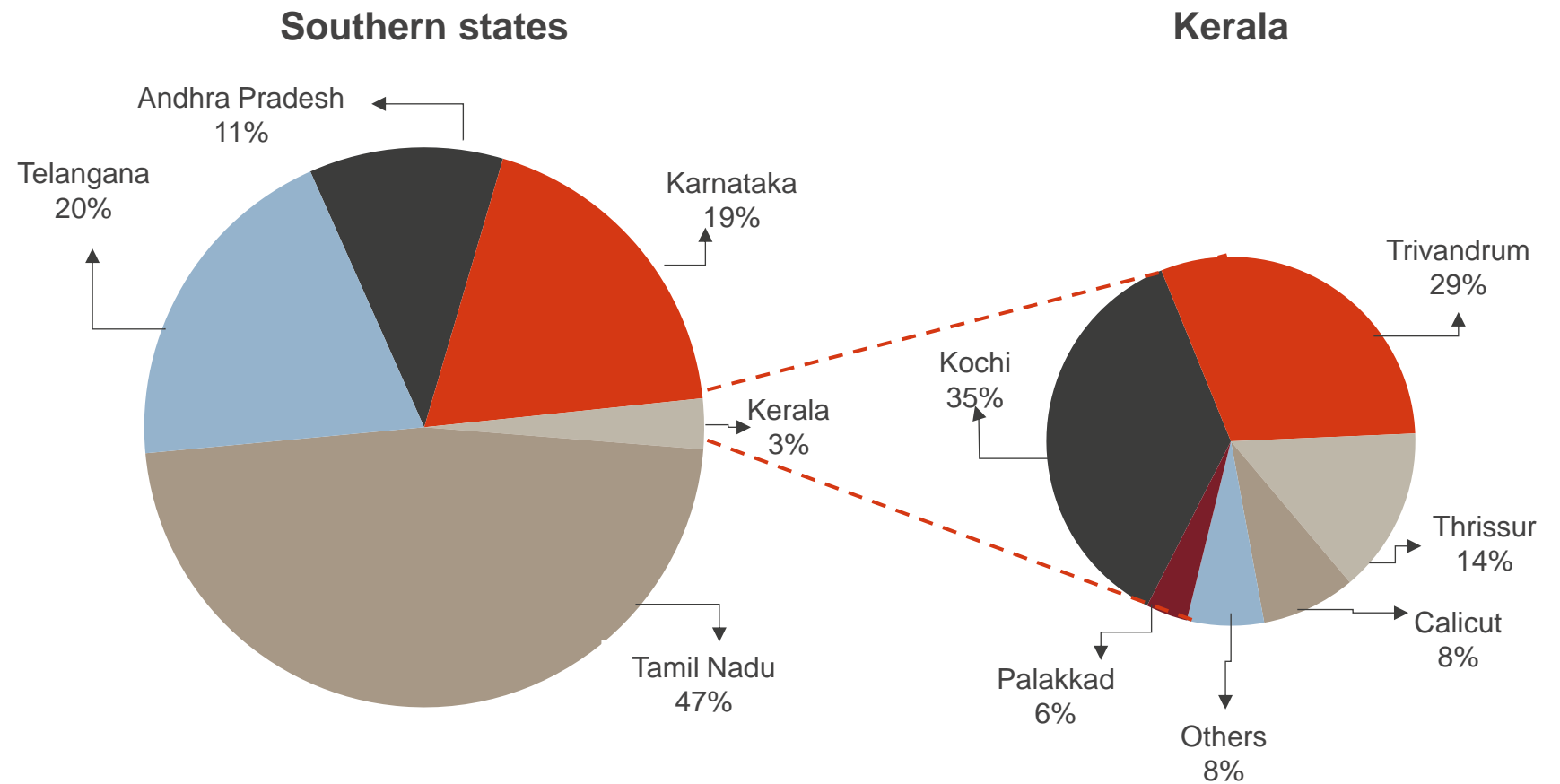
MahaRERA leads with the highest number of project registrations in India, making up **~35%** of the total, followed by Tamil Nadu (**~16%**) and Gujarat (**~11%**)



Total project registrations across India stands at **~1.35** lakh

The real estate pie: Thrissur gaining traction

Project registrations: Kerala's share of the south



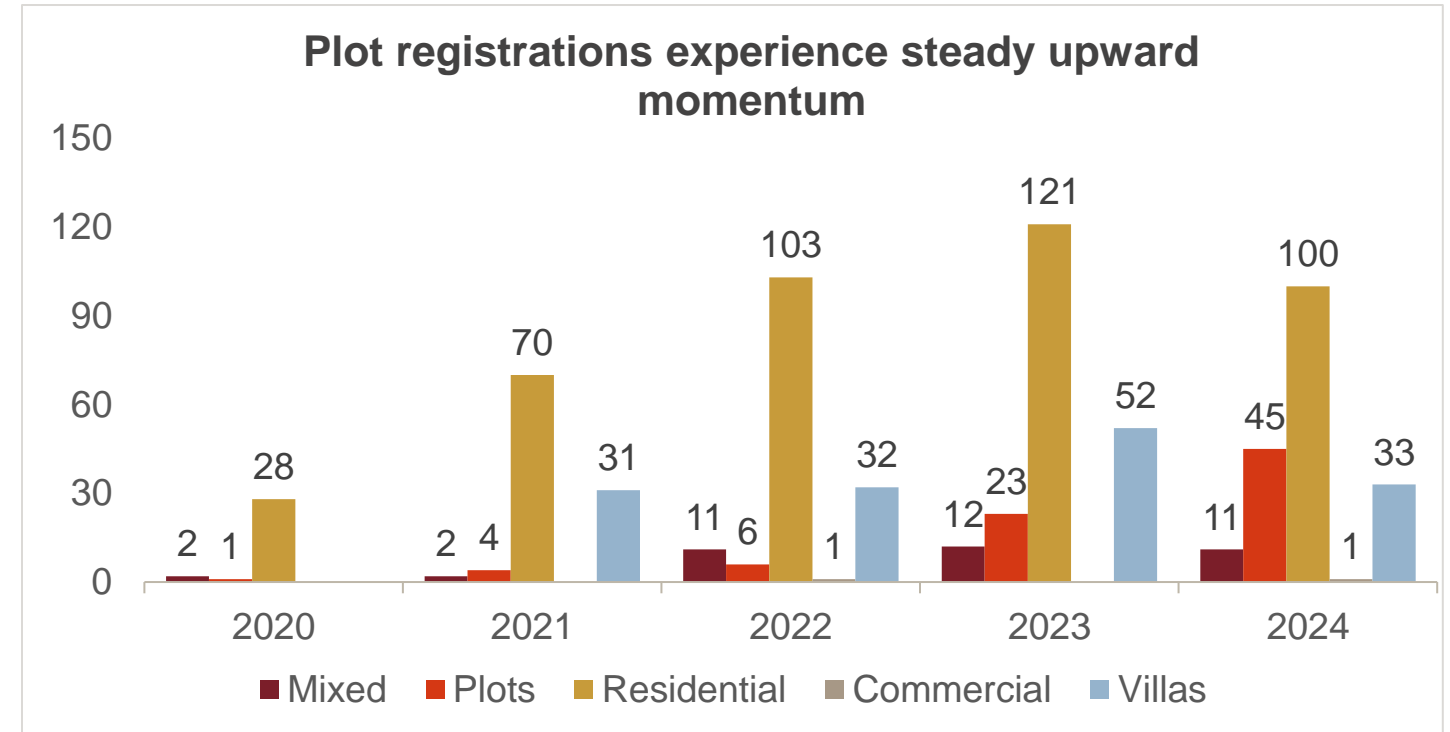
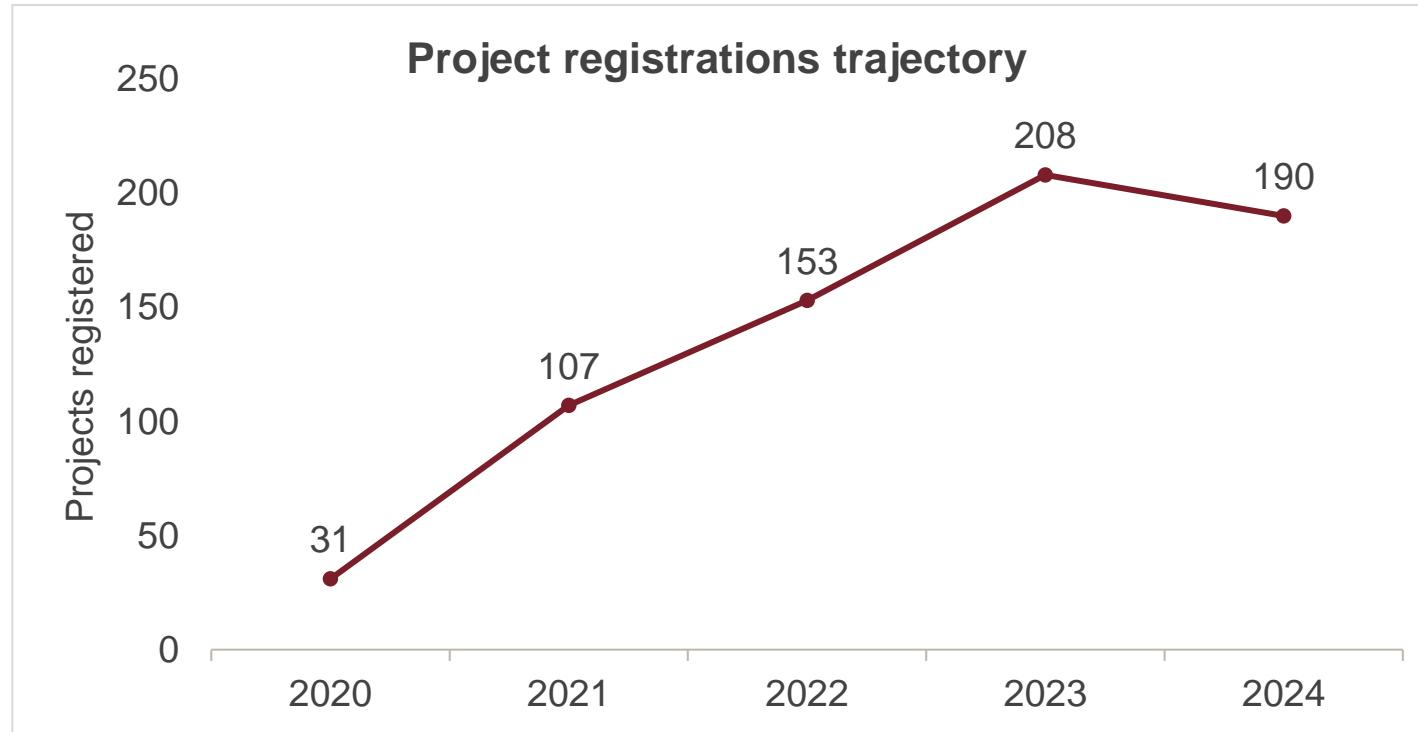
Source: K-RERA

Source: State RERA as of Oct'24

- The southern states (Andhra Pradesh, Kerala, Karnataka, Tamil Nadu, and Telangana) collectively account for ~34% of the total project registrations in India, underscoring their importance in the country's real estate ecosystem
- Kerala constitutes 3% to the total project registrations in southern states, with ~1,300 projects across 14 districts
- As the real estate market in Kochi experiences saturation, other cities in Kerala are emerging as promising destinations for growth and investment

New project registrations in Kerala

The state clocked a CAGR of ~11% in new project registrations in the past two years, indicating sustained momentum in the sector



- In 2024, 190 new projects were registered as of October 2024 compared with 208 projects in 2023 and 153 projects in 2022
- Changing lifestyle and growing middle class consumers are driving demand for new projects in the affordable segment

- As observed, homeowners with traditional individual homes are opting for apartments to get a secured environment with amenity-rich living experience
- More than 90% of the new projects registered over the past five years are in Kochi, Trivandrum, Thrissur, Palakkad and Kozhikode

Source: K-RERA- Data as of Oct'2024

High stamp duty rate in Kerala dims attractiveness versus other states

Gujarat

4.9%

Maharashtra

6% for male, 5% for female

Karnataka

5%

Madhya Pradesh

7.50%

Telangana

5%

Andhra Pradesh

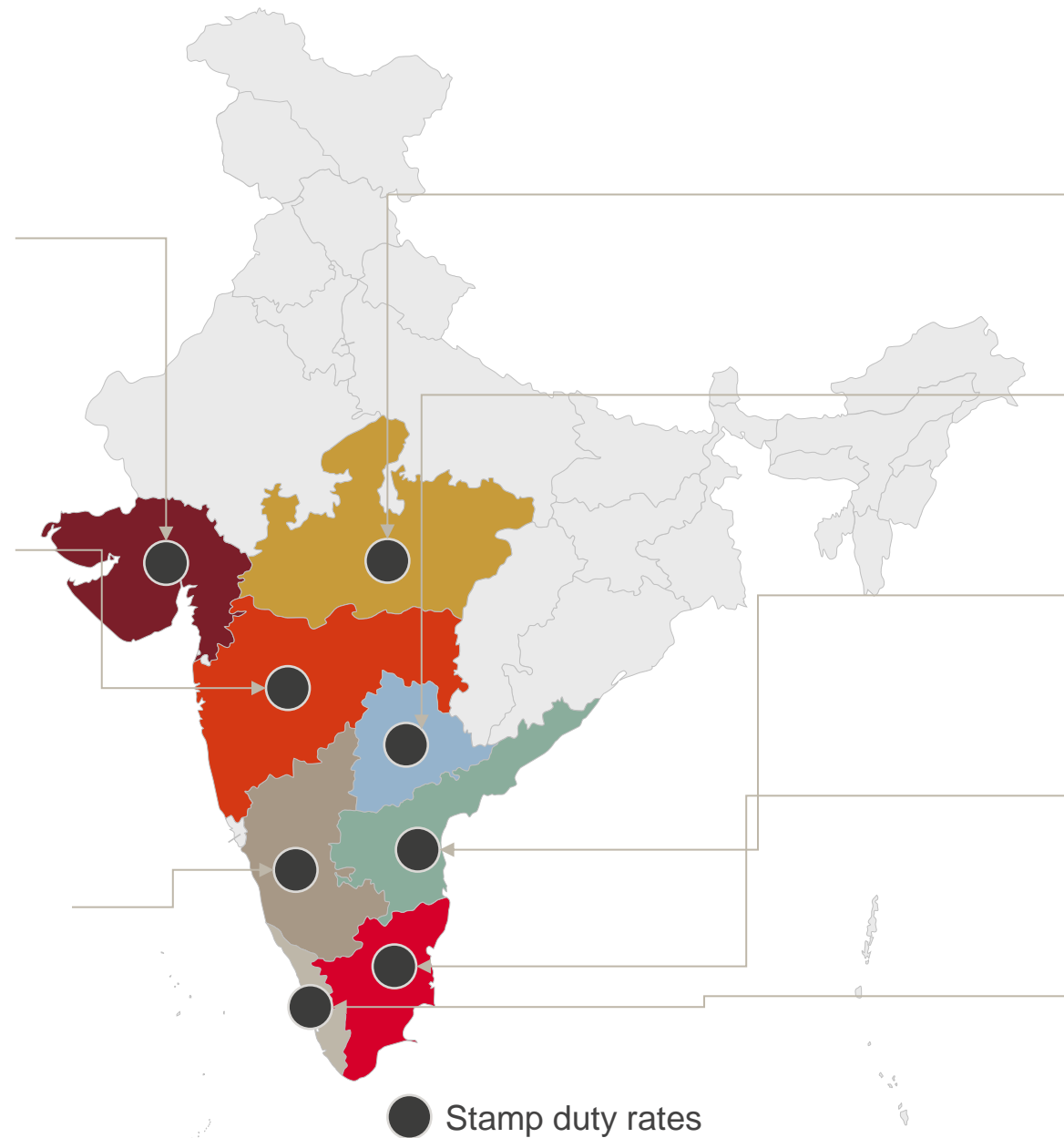
5%

Tamil Nadu

7%


Kerala

8%



- Higher transaction cost deterring middle income and first-time buyers
- The significant transaction cost discouraging NRIs, especially second-generation buyers, from investing in real estate
- Investors are reluctant to invest in a premium segment, seeking alternative investment destinations with lower duties
- Fewer concessions for specific buyer groups in Kerala (for example, women, affordable housing seekers)

As per last updated data available in public domain and may subject to change with additional registration charges as per state

A construction site at sunset. In the foreground, a large crane's lattice boom extends from the top left towards the center. Three construction workers in safety vests and hard hats stand on a rebar-reinforced concrete slab, looking at a laptop. The background shows a cityscape under a colorful sky of orange and blue.

Infrastructure push for real estate: Southern markets and Kerala

Infrastructure growth continues in the south...



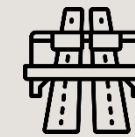
Bangalore-Chennai Industrial Corridor

- The Bangalore-Chennai Industrial Corridor is a visionary project aimed at creating a thriving industrial ecosystem along a major trade route.
- This corridor aims to streamline logistics and promote industrial growth through investments and job creation.
- Currently, in advance stage.



Telangana Super Thermal Power Project

- The first phase, which is currently under construction, will have a capacity of 1,600 MW (2x800 MW).
- The second phase, which is still in the planning stage, will add 2,400 MW to the project



Bengaluru Vijayawada Expressway

- The expressway will pass through the districts of Bangalore Rural, Chittoor, Kadapa, Anantapur, and Guntur.
- It aims to open new job corridors between rural and urban areas boosting employment and economic activity.
- Currently, in Initial stage



Bengaluru Mysuru Expressway

- The expressway will connect Bangalore to Kodagu, Mangalore, and Kerala.
- To open new job opportunities between states, boosting employment and economic activity.
- The project is complete and operational.



Hyderabad Pharma City

- HPC is a major infrastructure project that is expected to attract significant investment and create thousands of jobs in the pharmaceutical sector
- Currently, under the land acquisition stage



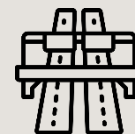
Khammam Devarapalli Highway

- The Devarapalli Khammam Highway is a four-lane access-controlled highway connecting the cities of Devarapalli.
- It will also improve connectivity between the two cities and the surrounding regions, boosting economic activity and trade
- Currently, in phase I



Information Technology park, Chennai

- The project involves setting up an Information Technology park on 26.64 acres in Taramani, Chennai.
- Aims to generate employment for over 70,000 IT professionals.
- Currently, in initial stage starting phase I



Surat Chennai Expressway

- The expressway will pass through six states—Gujarat, Maharashtra, Karnataka, Telangana, Andhra Pradesh and Tamil Nadu
- To open new job corridors between states boosting employment and economic activity
- Currently, under the bidding and land acquisition stage

...picks up momentum in Kerala



Mumbai Kanyakumari Economic Corridor

- Aims to attract investments, stimulate industrial growth, and create jobs in Kerala
- Enhance the state's logistics and transportation infrastructure, reducing costs and increasing efficiency
- Currently, the project is at the initial stage



Kozhikode Light Tram Metro

- Expects to enhance connectivity to educational institutions, hospitals, and commercial hubs, boosting economic activity
- Showcase Kozhikode as a model for sustainable urban development, attracting investments and tourism
- Currently, the project is at the initial stage



GIFT City, Kochi

- Aims to create state-of-the-art infrastructure, including IT parks, offices, and amenities.
- Jobs creation in sectors like IT, finance, and logistics, enhance Kerala's reputation as a business-friendly destination
- Currently, in approvals stage.



Silver Line Rail Project

- Aims to boost connectivity and commerce, making it one of the India's fastest rail networks
- Stimulate economic growth, tourism, and job creation in Kerala, reduce traffic congestion and pollution, making Kerala's transportation system more sustainable
- Currently, the project is in the approval stage



Vizhinjam Port

- It is poised to become India's first automated port and holds a unique position as the only Indian port directly adjacent to an international shipping lane
- Currently, under trial run from July 2024 and to expected commissioned by early next year



Kerala Coastal Highway

- Will reduce travel time and increase accessibility to coastal areas, boosting economic growth
- Open new opportunities for industries such as fisheries, tourism, logistics and infrastructure
- Currently, the project is at the initial stage



Kerala Fiber Optic Network Project

- Aims to enable e-governance, e-education, and e-healthcare, improving public services and quality of life
- Foster entrepreneurship, innovation, and job creation in the digital economy
- Currently, the project is complete and operational

Vizhinjam International Seaport paving the way for new era of growth in Kerala

The Vizhinjam International Seaport in Trivandrum will provide a major boost to state economy and the real estate segment

Status

- The project has commenced a trial run of Phase 1, with the total development planned across four phases

Key features

- Aims to reduce India's dependence on foreign ports such as Colombo, Singapore and Dubai
- Strategically located 10 nautical miles from international shipping routes
- Utilises its natural deep draft (20+ metres) to accommodate ultra-large container vessels
- Aims to lower logistics costs significantly, enhancing India's competitiveness in global maritime trade

Unlocking opportunities



Boost to commercial real estate market



Employment generation



Improved logistical and transport



Investment avenues



Strengthen economic resilience

CRISIL's views on strategic directions for developers across Kerala

Expanding the affordable housing frontier

- To cater to the demand from middle income and first-time buyers in tier 2 and 3 cities
- Explore opportunities in tier 2 and 3 cities, where affordability is a key concern



Adapting to local market dynamics

- Kerala's demographics are shifting, with a growing population of young professionals and families seeking modern housing options
- Tailoring real estate solutions to meet the needs of Kerala's local population



Capitalising on digital advancements

- Invest in virtual reality tours, AI-driven customer insights and blockchain for secure transactions
- Adopt innovative construction methods to reduce cost, while maintaining quality



Embrace green and sustainable development

- Growing awareness among customers about sustainable living and government incentives to promote it



Tap into commercial real estate growth

- The rise of IT parks, business hubs and a startup ecosystem
- The newly opened Vizhinjam International Seaport's strategic location and connectivity will attract more businesses, leading to a surge in demand for logistics and warehouse facilities



Develop retirement and senior living communities

- To cater to Kerala's growing aging population, seeking well-designed senior-friendly homes
- Incorporate amenities and services that cater to the needs of seniors, such as healthcare facilities and social activities



Invest in knowledge sharing and skill development

- To bridge knowledge gap on technological integration



Partnerships and collaborations

- Form partnerships with local and international developers, investors and experts to bring in new ideas and expertise
- Collaborate with government agencies, NGOs and local communities to develop projects that benefit the society



Research and innovation

- Invest in research and development to stay updated on the latest trends, technologies and customer preferences
- Encourage innovation and experimentation in project design, construction and marketing



Developer speak

“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 in Kerala's real estate market.”



“Urban infrastructure plays a key role in shaping the realty sector's dynamics. From improving accessibility to creating vibrant, sustainable neighbourhood, infrastructural development stimulates growth of the real estate sector, offering numerous benefits for end-users and investors.”



“The demography is evolving, with younger individuals moving out of country, predominantly, senior citizen population is staying in Kerala.”

“There would be job opportunities (from IT companies such as Wipro, TCS) and the demand for small apartments will increase with ports expanding and new colleges coming up.”



“Overall proper project handover and after-sale services are critical for a successful real estate project, protecting the developer's reputation and ensuring long-term satisfaction of the property owner.”



“Better infrastructure increases multiple growth opportunities.”

“The Vizhinjam international seaport is expected to drive demand for warehousing and logistics facilities in Trivandrum and outskirts in coming years.”



“Public awareness about Kerala (K)-RERA and its benefits is limited. Many homebuyers are unaware of their rights and the role of K-RERA in protecting them.”



“Increase in stamp duty has impacted sale of properties.”

CRISIL's real estate sector offerings

Solutions provided in the real estate space



Due diligence of real estate projects/developers



Market and project-feasibility studies



Development of grading framework



Grading of SMEs in the real estate sector



City-specific real estate studies



Grading of real estate projects and developers



Verification of real estate brokers/agents

CRISIL's real estate sector offerings

Our real estate sector offerings

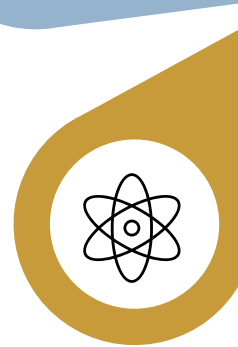
- Developer grading, real estate project grading, due diligence, SME grading, real-estate agent verification, customised assessment, development of grading frameworks for regulators

We are the pioneer

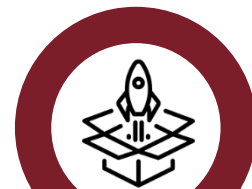
1,000+ real estate assessment executed



Due diligence of **1,500+** real estate projects



Launched in **2010** – **500+** projects graded across **270+** developer groups



Presence across **80+ cities**, and **over 550** million square feet



City realty – across **100+** micro markets



Notes

Notes

About CRISIL Market Intelligence & Analytics

CRISIL Market Intelligence & Analytics, a division of CRISIL, provides independent research, consulting, risk solutions, and data & analytics. Our informed insights and opinions on the economy, industry, capital markets and companies drive impactful decisions for clients across diverse sectors and geographies.

Our strong benchmarking capabilities, granular grasp of sectors, proprietary analytical frameworks and risk management solutions backed by deep understanding of technology integration, make us the partner of choice for public & private organisations, multi-lateral agencies, investors and governments for over three decades.

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

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