Freebies, discounts, payment plans driving homebuyer interest: Kolte Developer CEO

By: Rishi Ranjan Kala | Updated: Oct 21, 2020 3:50 PM

Group CEO Gopal Sarda tells Rishi Ranjan Kala that as customer walk-ins are rising, KPDL has already reached 65-70% of its quarterly sales run rate. Excerpts from the interview:

Group CEO Gopal Sarda

With the festive season round the corner and some signs of recovery in the real estate market, Pune-based Kolte Patil Developers (KPDL) has planned 10 launches across Bengaluru, Mumbai and Pune, with a saleable area of around 4.5 million sq ft (msf) during the second half of FY21. Group CEO **Gopal Sarda** tells **Rishi Ranjan Kala** that as customer walk-ins are rising, KPDL has already reached 65-70% of its quarterly sales run rate. Excerpts from the interview:

How is KPDL managing operations?

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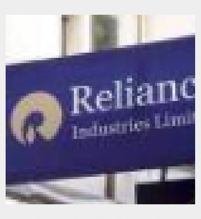

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Construction activities are back to 60% of pre-Covid levels. We have managed to get back 80% of labourers at most of our sites and 100% at our Life Republic township project. We made special one-time provisions in terms of travel and lodging to speed up this process. At KPDL, the focus has always been on execution, and we expect to maintain the construction timelines across projects.

How are you planning launches this fiscal? How have sales performed?

We have an exciting year ahead with new launches across the three cities where we are present. These include six launches in Pune, three in Mumbai and one in Bengaluru, amounting to a total saleable area of about 4.5 msf and top-line potential of around Rs 4,150 crore. As far as sales are concerned, we have reached 65-70% of our quarterly sales run rate. We scaled up our digital and sales platform at the start of lockdown, which helped sustain the sales momentum. Now customer walk-ins have also shown encouraging traction. For FY21, we are targeting to reach 75-80% of our last year numbers.

Do you see any green shoots in the residential segment?

Customers who have stable jobs and financial closures are looking forward to buy a house. Most of the branded developers with better access to liquidity, strong execution capabilities and digital capabilities have been progressively reporting improved performance. Affordable housing and the MIG segment continue to be the flavour of the market, and we have been selling well in these segments. However, we are clocking decent sales in our luxury segment 24K as well. There is a demand for all kinds of products from all types of demographics. The right product, price and lifestyle amenities mix for a particular location remains the key.

Have you witnessed any changes in customers' purchasing decisions due to Covid-19?

Customers who earlier were living on rent are wanting to buy their own house; customers living in relatively smaller apartments and standalone buildings are upgrading to bigger apartments in gated communities. In our projects, we have a mix of first-time buyers as well as customers who have upgraded their apartment sizes. Also, freebies, discounts, payment plans are driving homebuyer interest and supporting sales momentum.

How would you describe the scenario in office spaces (rentals) in real estate?

In the short term, the ability of clients to sign new and larger leases could be impacted. However, in the long term, commercial portfolio should recover and is expected to do well. The early euphoria about improved productivity from work from home (WFH) has subsided, and WFH is expected to be a supplement to offices and not a substitute. Further, de-densification is expected to more than compensate for higher WFH levels. Large branded developers will do well, as occupiers shall increasingly prefer buildings with wellness and environmental features. We have a couple of projects in Pune where we are looking at doing commercial developments in the next few quarters. Our focus shall be on financial closure, where construction cost is managed either from a bulk or built-to-suit sale or a PE partnership.

How do you see the next 6-12 months for the real estate sector?

The structural demand theme for the sector remains intact. The realisation of owning a home has only increased. Also, affordability has improved, which is evidenced by two data points. Firstly, the interest rate for home loans is now down to 6.5%-7% [from] 10-11% just a couple of years ago. Secondly, in the last few years, prices have either been steady or slightly lower, which has led to a meaningful time correction in housing prices. Branded developers with stronger balance sheets and a focus on providing superior customer experience are already recovering well and are expected to benefit strongly in the long run from the Covid-led consolidation.