

2019 (see chart). The weighted average price per sq ft in the city is now ₹6,215 per sq ft, surpassing Bengaluru at ₹5,496 per sq ft.

India's real estate sector went through a nearly seven-year long down cycle, during which prices in most cities corrected and realtors' inventory piled up.

But there have been changes since the pandemic, with sales rising in certain categories, prompting some developers to marginally hike prices last year. This year, more developers are expected to follow suit, raising prices by an average of 5-10%, for both fresh launches and existing inventory. The better-known developers want better margins—and also want to pass on a part of the rising raw material costs to buyers.

Nevertheless, some developers are still being cautious. "Steady price increase is a better strategy. In the bull market years of 2000-2008, prices would increase 15-20% after launch. That won't work now," said Sanjay Dutt, managing director and chief executive officer (MD & CEO), Tata Realty & Infrastructure Ltd (TRIL). He expects a 5-7% increase due to escalation in the cost of steel, cement, labour and petrol.

### THE FOMO EFFECT

The Hyderabad story is being repeated across the other seven prime markets too. During the pandemic-induced slowdown, developers had offered discounts, easy payment schemes and other price concessions to sell—much of that (though not all of it) is over. "Developers are mindful that cash flow has become more important now than prices and profitability."

In the wake of the pandemic by the Maharashtra government from August 2020 to March 2021, prices have been spiking again.

Today, at 'Artesia', a 152-unit luxury residential complex in Mumbai's south central Worli area built by K. Raheja Corp, the cost of the 20% odd inventory that remains unsold has been pushed up to ₹1 lakh per sq ft. A year ago, Artesia apartments were selling at ₹60,000-65,000 per sq ft. (Artesia is the most expensive residential project in the Mumbai Metropolitan Region (MMR), according to Zapkey, which aggregates publicly available property registration data.)

"The project is almost complete, delivery is on, so we can command the value of the inventory left," said Ramesh Ramachandran, chief executive of K. Raheja Homes, a unit of the parent company. "For five years before the pandemic, few luxury projects had sold well. But the stamp duty reduction, a long-pending latent demand and the rise in the stock market (through 2021) whose created wealth was often diverted to real estate, have boosted sales."

Artesia is representative of the turnaround in the luxury real estate segment. A recent survey by Sotheby's International Realty in India among high-net-worth individuals (HNIs) showed that a large number of them proposed to buy luxury property in the next two years. While 46% said they were seeking a lifestyle upgrade, 31% believed such purchase would be a good investment – indicating they expected prices to rise further.

Overall, in 2021, no more than 65,457 units

The inventory overhang of the past decade, caused by market stagnancy, has so far only been marginally mitigated by the improved market conditions.