Period of Coverage: *01/12/2008 to 31/12/2008.*
Area of Coverage: *National.*

Real Estate: National.

NHB's Refinance Drive

Publication: Business Line
December 28, 2008

The National Housing Bank has launched the Rs 4,000 crore refinance facility that the Reserve Bank of India had announced earlier this month to support home loans for affordable housing.

According to Mr S. Sridhar, Chairman and Managing Director, National Housing Bank, the refinance facility to help housing finance companies extend home loans for up to Rs 20 lakh for a dwelling unit was launched with an initial disbursement of Rs 310 crore to a group of housing finance institutions.

The NHB is refinancing the housing finance institutions at 8 per cent. There has been an enthusiastic response and the entire refinance facility is likely to be used by the housing finance companies over the next 20 days. The NHB appraised senior executives from housing finance companies of the provisions of the refinance facility.

The Rs 4,000 crore refinance facility was part of an RBI package to bring down finance costs and a specific support package for **real estate**, particularly residential and commercial development. At that time the RBI brought housing loans of less than Rs 20 lakh under the priority sector. This was followed up with nationalised banks announcing lower rates for home loans up to Rs 20 lakh.

Mr Sridhar said that with the interest rate cuts announced by the nationalised banks, some of the leading housing finance companies have also announced a cut in rates and the others are likely to follow suit. This will be a key factor in reviving the housing market.

CII calls for more measures

The Confederation of Indian Industry has welcomed the 5 per cent interest subsidy on home loans for the Economically Weaker Sections and Low Income Group. High interest rates have contributed to a drop in demand but the subsidy is a step in the right direction which will support the need for affordable housing and encourage demand, according to a CII press release.

The CII has also called for additional measures to improve affordable housing by improving the supply of land by expanding the municipal limits of cities along with infrastructure upgradation, particularly transport facilities. For development of these areas the land use conversion procedure should be speeded up and simplified.

Tier II and III cities can be developed by providing infrastructure status to integrated township development; Floor Space Index policy should be liberalised to expand the built-up area in a unit of land. This would help development in city centres. City master plans should earmark space for economically weaker sections by making land available to developers at reasonable rates for development.

Monthly magazine launched

The Bangalore-based **Real Estate** Bank of India, which operates a chain of **property** service outlets, has launched **Property** Guru, a comprehensive **property** monthly, offering an overview of residential and commercial **real-estate**, a company press release said.

Property Guru will be available in print and online versions. The company has also launched geo reference modelling services, a marketing tool, along with UV Animation. It will showcase **real-estate** projects to a global audience through 3D modelling.

Unitech to sell stake raise 500 m

Publication: DNA Money
December 24, 2008

Brass in Cayman Islands, negotiating deal with investors

Author :Vivek Seal & Pooja Sarkar.New Delhi/Mumbai

Unitech Ltd, India's second-largest **real estate** developer, is looking to raise about $350-500 million (up to Rs 2,500 crore) from a group of foreign investors, in a desperate bid to reduce its debt mountain of Rs 8,300 crore.

The company is expected to raise the money by the end of March.

Sanjay Chandra, managing director of Unitech, refused to comment.

"We would not like to comment on market rumours and speculation," he told DNA Money on Tuesday.

The company's senior management team, led by founder Ramesh Chandra, is said to be in the tax haven of Cayman Islands in the Carribbean, negotiating the stake deal.

Unitech promoters hold 74.56% stake in the company.

Sources familiar with the development said the sale of stake is likely to be less than 14.99% so that it does not trigger an open offer.

On Monday, the company announced plans to raise long-term funds up to Rs 5,000 crore through issuance of further securities.

Last year, during the boom time, Unitech had planned a qualified institutional placement (QIP) issue for which they had also conducted a roadshow in Mumbai.

However, the attempt failed because the Unitech share price was hovering around Rs 650 at point, whereas the company was seeking Rs 750 per share.

Sources said Unitech may be planning a divestment along similar lines.

"This may also be because the company's plan to raise about Rs 4,000 crore through distress sale hasn't met with success," said a sector analyst, who did not wish to be named.

"No one goes all the way to Cayman Islands to do a deal but if Chandra is in Cayman then it surely means he will come back with money," said the analyst.

It is likely that the stake will be bought not by one but by a group of private equity investors.

Earlier in November, Chandra had said Unitech would halve its Rs 8,300 crore debt within 5 to 7 months.

Property / C'struction - Rentals in mid-income house markets see rise of 8-15%

Publication: Economic Times
December 21, 2008

Raja Awasthi

NEW DELHI: There is good news for people planning to buy dream homes within their budgets. Mid-income housing (homes between Rs 25 lakh and Rs 40 lakh) is likely to emerge the fastest growing segment for developers as well as the investors. Interestingly, rentals in the last six months saw a rise of 8-15% in these mid-income markets, with established markets showing faster growth.

SundayET, along with DTZ, an international **property** adviser firm, conducted a study of residential properties, primarily in the organised market, across 19 micro-markets in Mumbai, Delhi NCR and Bengaluru.

To better understand the market behaviour and its future, residential properties were looked at across the high, mid-high and mid-end segments. And the prime markets of the three major metros exhibited price stability, owing to limited supply in these areas. Rental values, on the other hand, remained stable with an upward bias in some pockets.

Established markets gained positive momentum in the last six months, with rents increasing by 15% in few markets. The upcoming suburban areas also saw rents rising in the first half, with stable movement in the second half.

Says Anshul Jain CEO, India, DTZ International **Property** Advisers: "The ongoing price correction and downward trend in interest rates is good news for the industry as a whole. While rentals have seen a mixed trend, prices on an overall level have fallen by up to 25% in 2008 and could fall by another 15% in Q1 of 2009.

In Delhi NCR, prices have fallen considerably in micro markets such as Gurgaon, Noida, Greater Noida, Ghaziabad and Faridabad, and buyers can now look forward to some great bargains in the months to come.

Mumbai and Bengaluru residential markets tell a similar tale, with prices falling between 25% and 30%, respectively. The mid-income housing has been the least affected by the current downward trend in prices and is likely to emerge as the fastest growing segment amongst private developers as well as investors.

According to the report, there have been positive signs in the mid-level housing sector. The mid-income units, as well as high-end segment, would offer good opportunities for new buyers by Q2 2009. Given the new housing package announced by the government, the mid-segment is likely to see stability and pick up in transactions in the near future, especially in tier II & III cities.

Ficci Moots 8-point Agenda To Boost Housing Demand

Publication: Business Line
December 22, 2008

Our Bureau

New Delhi, Dec. 21

With the global liquidity crisis and investors dumping **realty** stocks, the market capitalisation of 14 listed Indian **real estate** companies saw a year-on-year erosion of over 80 per cent, as on December 3.

A survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) shows that the **real estate** companies that saw an erosion in market capitalisation include DLF, Unitech, HDIL, Omaxe, Parsvnath Developers, and Sobha Developers.

The survey, ‘Impact of Global Financial Crisis on Indian **real estate** market’, also pointed out that the sector faced severe liquidity crunch in the aftermath of the financial meltdown in the US and suggested various measures to boost flagging demand and increase flow of foreign capital.

“The second quarter year-on-year net profit of some listed **real estate** companies have fallen sharply in the range of 4 per cent in case of DLF to as high as 79 per cent in case of Parsvnath Developers,” it said.

Correction in offing

Commercial and residential **real estate** prices are in for a sharp correction in the short to medium term, FICCI said, adding that the focus would now shift to mid-range and affordable housing.

Outlining an eight-point agenda for the sector, the chamber recommended that adequate and cheap long-term finance should be made available to the industry. “The Government should lower the interest rates, thereby making home loans cheaper, to boost demand for residential properties and make them affordable to masses,” the survey said.

It further mooted simplification of legal framework for holding land in India, and suggested a single window approval to cut down on project delays.

Emphasising on land reforms by way of making land records transparent through computerisation, FICCI said the move would improve efficiency and reduce chances of fraud. It also called for special incentives such as reducing VAT and stamp duties and tax benefits for developers undertaking affordable and low cost housing projects.

The chamber said that the recent interest cuts should have been deeper to give the necessary push for affordable housing. Besides this, the upper limit of the special package for home loans of up to Rs 20 lakh, announced by pubic sector banks recently, should be increased to Rs 30 lakh, it added.

Affordable housing next focus of developers, says Ficci study

Publication: Deccan Herald
December 22, 2008

The slowdown in **property** market will see developers focusing more on mid-range and affordable housing with a considerable correction in prices of existing residential projects, says a recent survey by an industry lobby.

The Federation of Indian Chamber of Commerce and Industries' (Ficci) survey on 'Impact of Global Financial Crisis on Indian **Real Estate** Market' says while scarcity of funds has affected the supply side, high interest rates have led to demand dwindling.

"The corporates are postponing their expansion plans as they are expecting the prices to fall further. There is time and cost overrun in the existing projects, while new projects are being deferred.

This would eventually lead to a reduction in price in the coming four quarters and the market is expected to turn in favour of the end user," the survey report says.

Emphasis on quality

The survey says developers also seem to have finally realised the need for affordable and mid-range housing with emphasis on the quality of product to survive the current slowdown, as there is a dearth of low-cost affordable units that will be the main focus of investors.

"Due to higher risks of investing in **real estate**, the **real estate** sector will witness lower PE (private equity) deals in the next 12 months, as funds will not be easily accessible, valuations are expected to go down further and the costs are going to be very high for developers," the survey says.

"PE funds will put forward their own terms and conditions like guarantees and assured rates of return. In view of higher risks due to adverse market conditions and the ongoing financial crisis, investors expect internal rate of return (IRR) of above 25 per cent from Indian **real estate** projects," it says.

Ficci has proposed an eight-point agenda to boost the **realty** sector and help the foreign direct investment in this sector.

The Ficci agenda includes policy changes like availability of adequate and cheap long-term finance, simpler legal framework, single-window clearance, land reforms, incentives for housing projects, check on speculation in land prices and stricter laws for defaulting developers to boost confidence of consumers.

Home loans under this scheme should be offered till March 2010 and not till June 30, 2009 to encourage buyers to return to the market.

The study pointed out that private sector banks should also follow suit by cutting down interest rates on home loans significantly to benefit both the existing and the potential home loan customers.

Developers unlikely to reduce price: Ficci

Publication: Asian Age
December 22, 2008

New Delhi, Dec. 21: Despite talks of recent downturn in **property** prices, developers are unlikely to reduce prices, as the **realty** players feel that their properties are well-priced, says industry body Ficci. "Voluntary reduction of **property** prices are not on the cards of developers. Barring very few developers, who have already reduced their prices, majority feel that their properties are rightly priced," said the Chamber in its latest study on the scenario of **property** prices in the country. According to the report, developers may cut prices "by 10-15 per cent and not beyond only if the situation does not improve in the next few months”. The study underlined that developers seemed to have realised the need for affordable and mid-range housing to survive the current slowdown. Ficci also said due to higher risks of investing in **real estate**, the sector would witness lower private equity deals in the next 12 months, as funds would not be easily accessible. “...valuations are expected to go down further and the costs are going to be very high for developers,” it added. Regarding housing projects, Ficci said: “After having reached its peak, residential **real estate** in India will witness a steady down cycle for the next few months. There is time and cost overrun in the existing projects while new projects are being deferred.” Such a situation would eventually lead to a reduction in price in the coming four quarters and the market was expected to turn in favour of end-users, the report said. According to the industry body, high interest rates have dwindled the demand for properties, while scarcity of funds and slimming of liquidity have affected the supply side on commercial **real estate**. “The corporates are postponing their expansion plans as they are expecting the prices to fall further. Instances of deferment in projects and delays in execution of ongoing projects are numerous,” it said. An increasing number of developers are now shifting their focus to demand based developments due to oversupply of commercial spaces, the report added. Stating that many **realty** firms have diversified in the recent times to counter falling sales in the **property** market, Ficci said: “To beat the slowdown, some prominent companies are considering entering new areas like coal mining, irrigation projects, transmission lines, telecom and core infrastructure projects.”

Focus - 'Property rates to fall 25% in 12-15 months'

Publication: Financial Express
December 23, 2008

Religare Hichens Harrison in its report on **realty** sector has projected a price correction of 20-25% over the next 12-15 months depending on location in India.

Commercial **property** rates are expected to fall by 20-25%. Increasing vacancies will lead to a further correction in lease rentals which also applies to the retail industry. Further, supply will exceed demand which will lead to a fall in IT/ITes **property** and rentals rates.

According to the report, the present downcycle will last for 15-18 months before the sector begins to show signs of revival.

The market trends over the last five decades suggest that India is currently in the midst of the sixth downturn in the **realty** sector. developers are facing a sever cash crunch that is hindering the execution of ongoing projects and grounding new launches.

Further, demand has dropped off sharply over the past 9-10 months, particularly for residential units, owing to spiralling inflation (leading to higher mortgage rates) and overheated **property** prices.

Over the last 9-10 months, there has been a noticeable decline in enquiry rates for residential **property**. **Realty** prices in the four metros have fallen to some extent across segments, with the residential space witnessing the most pronounced decline.

After increasing substantially in FY08, under construction activity has stagnated over the last 8-10 months, implying lower cash outflows towards projects.

A drop in land acquisition and sluggish construction activity generally translates to a delay in new launches and deferral of planned projects.

Developers have already begun to reschedule their developmentplans and push back launch dates. This could enlarge the demand supply mismatch in the longer run.

The report anticipate a further deceleration in project execution and delivery as the economic slowdown deepens.

According to the report, mid term outlook continues to be grim as price correction deepens.

Demand has slumped as buyers and investors adopt a wait and watch policy in anticipation of a fall in both interest rates and **property** prices. At the same time, future supply has started to taper off on account of project delays.

However, projects that are already in the advanced stages would be launched in the near term, creating a situation of over supply in certain **realty** markets and leading to deeper price corrections.

As far as long term demand supply outlook is concerned, the report said the growing urbanisation, rising affordability and easier availability of finance would be the key triggers for housing demand in the longer run.

Property / C'struction - Emami decides not to quit realty space

Publication: Economic Times
December 23, 2008

Anuradha Himatsingka

KOLKATA: Personal care products group Emami will reverse its earlier decision to quit the **property** business. Plans are afoot to transfer its stake in 100% subsidiary Emami **Realty** to other group companies, a senior company official said.

Emami CFO & president NH Bhansali told ET that the group has planned to appoint a consultant to value its **real estate** business. “Based on the valuer's report, a share swap ratio will be worked out so that Emami **Realty**'s stake is fairly distributed among other group companies, he said. Emami is yet to decide on which group company or companies will pick up stakes in Emami **Realty**. The Kolkata-based group, home to a range of personal care and health products, has initiated talks with consultants such as KPMG and Ernst & Young to value its **realty** business and hopes to finalise a valuer soon.

Mr Bhansali said that the group had entered the **realty** business in 2007 when it had surplus liquid cash to fund acquisitions in its core business, but could not finalise a deal. “Since acquisition talks had not fructified in 2007, the group decided to invest surplus cash in a business which would yield good returns and improve shareholders' returns, he said, adding that Emami went into the **realty** business because it had the necessary expertise and the cash needed.

Apart from helping it deploy idle resources into a business with higher returns, the diversification into **realty** by Emami enabled it to derisk itself from the cyclical nature of the FMCG industry.

However, with the acquisition of a controlling stake in Zandu Pharmaceutical Works in mid-October, the group now intends to focus on its mainstay consumer goods business.

Emami **Realty** had identified 10 **realty** projects, comprising four IT parks, three shopping malls and three residential complexes in Kolkata, Coimbatore and Hyderabad, respectively. These projects, entailing an aggregate investment of nearly Rs 600-700 crore, involved construction of over 50-lakh square feet of space. The group was also open to developing projects either independently or in alliance with local or national realtors.

Unitech board okays plan to raise Rs 5,000 crore

Publication: Business Standard
December 23, 2008

BS Reporters New Delhi The board of Unitech Ltd, the country's second largest **realty** company, has approved a plan to raise Rs 5,000 crore through debt and equity issues and will convene an extraordinary general meeting on January 19, 2009 for shareholder approval.

Sanjay Chandra, Unitech managing director, said today's proposal was a flexible enabling provision. "The company could raise these resources through private placement, public issues on overseas stock exchanges, non convertible bonds, foreign currency convertible bonds or a combination of these," he added.

Declining to discuss details, Chandra said the company intends to use the funds to reduce its debt of over Rs 8,000 crore.

The company has also already decided to raise around Rs 4,000 crore by divesting some of its assets such as hotels, commercial **real estate** and institutional land. Discussions are on with buyers, including private equity firms and strategic investors, and the company expects to close these transactions in January.

It may be recalled that the company planned to raise Rs 4,000 crore in January 2008 at around Rs 400 a share through a private placement. The deal was called off when the Indian stock market crashed on January 21-22 and investors decided to pull out.

At the current market price of Rs 45 per share, Unitech's total market capitalisation is just Rs 7,500 crore. If the company decides to raise equity of Rs 5,000 crore, the promoters' stake would be significantly diluted, said a banker on condition of anonymity.

"The company's current valuation is more due to the risk aversion in the global context. The inherent value of the assets owned by Unitech is much higher," Chandra said.

Omaxe Takes a U-turn to Affordable Homes

Publication: Hindustan Times
December 19, 2008

December 18

Gaurav Jha

It is a U-turn for Omaxe Ltd, the Delhi-based developer that fancied high-priced condominiums and non-resident Indians a couple of years ago. Maimed by the slowdown, Omaxe is out to build 6,000 "affordable" flats across 10 cities including the Delhi region, its chairman Rohtas Goel said.

Goel said the company would launch ten new "affordable" projects with 600 apartments each ranging between Rs 12 lakh and 25 lakh. These projects will come up at Indore, Raipur, Sonepat, Bahadurgarh, Faridabad, Ludhiana, Noida, Greater Noida, Chandigarh and Bhiwadi.

Goel said as much as 30 per cent of unsold projects in its inventory. However, a reputed **property** consultant, who did not want to be identified, told Hindustan Times that leading developers including Omaxe had 40 to 50 per cent unsold projects.

Omaxe sold just 200 flats worth Rs. 100 crore in November, Goel said. Analysts said launching new projects at a time when existing projects are not selling is a risky affair. "Most of the homebuyers are in a wait-and-watch mood," said Sachin Sandhir, managing director of UK-based Royal Institute of Chartered Surveyors, a **property** consulting company.

According to the National **Real Estate** Development Council, the industry association, there are about 1.5 million unsold houses which were built in the hope of reaping rich benefits.

Retailing - DLF unveils retail plans, targets $1 bn revenue in 5 yrs

Publication: Economic Times
December 19, 2008

NEW DELHI: DLF is targetting a billion dollar in revenue from its retail operation in five years, DLF Brands MD Kelvin Coyle said on Thursday, as the company unveiled its retail plans and tie-ups with five international brands Boggi, Alcott, Piquadro, Sia Home fashion and Sun Glass Hut.

DLF, which plans to have a portfolio of 15-16 brands, 600 stores and generate 15,000 jobs in five years, says the current slowdown hasn't impacted its retail plans.

“It's going to be tough times and we will be very cautious. But our initial plan hasn't changed. The slowdown also represents an opportunity for retailers to do things differently. And India still remains an attractive destination compared to a recession-hit developed world, said DLF Brands vice-chairman Timmy Sarna.

DLF Brands, a wholly-owned subsidiary of the largest listed **real estate** company DLF, has formed joint ventures with Italian menswear brand Boggi and Italian luggage brand Piquadro. It has franchise agreement with Italian apparel and accesories brand Alcott, Sia Home Fashion of France and leading sunglass retailer Sun Glass Hut. ET had first reported on DLF's tie-ups with these international brands in previous months. DLF plans to shortly finalise tie-ups with other foreign brands in kidswear and toys categories.

DLF has had no experience in retail, but still managed tie-ups with several international brands purely because of its **real estate** strength. “DLF Brands doesn't get any concessional rentals in DLF malls. But we get preferred locations, said Mr Sarna. The added advantage for foreign brands is that they always get majority stake or the driver's seat in alliance with DLF.

DLF as such has no ambition to become a major retailer, but is following the strategy to ally with retailers to bring the well-known brands to its malls. “Our focus is completely on **real estate**. But if retailers want to partner with us, we have no issues, DLF vice-chairman Rajiv Singh had told ET earlier. Indian laws do not allow foreign retailers to hold more than 51% equity in Indian operation giving rise to a need for a partner. DLF is also open to the idea of selling out its stake to a JV partner in future.

Mr Sarna said the agreement with Italian brand Salvatore Ferragamo allows the foreign partner to buy out DLF's stake after 10 years.

DLF says it has tied up only with those brands which offered lower prices compared to home market in order to offset import duty on products. "We have the latest offerings from the international brands but at the same lower price points compared to their home markets, said Mr Sarna, adding that some negotiations didn't materialise as brands refused to lower prices for Indian market.

DLF says JV is its preferred route for bringing in any brand to India, as it needs complete support for the entire operation. But the experience shows that managing a JV has been quite nightmarish for Indian promoters. "All JVs will be headed by different chief executives, who will look after marketing and merchandise of their respective brands. So running JVs shouldn't be an issue. Only HR, IT and finance will be clubbed together for all brands to achieve economies of scale, said Mr Coyle.

ET Realty - Metro real estate might not be propped by rate cut

Publication: Economic Times
December 20, 2008

The move to reduce interest rates for home loans up to Rs 20 lakh by public sector banks may induce some buying in the **property** market and prompt developers to build more low-cost homes.

However, according to developers, this may not be enough to provide a major boost to the residential **property** market immediately. Some **property** developers say the rate cut will not help their existing projects in metro cities as current prices are way above the loan limit set by banks. "The rate cuts will revive demand, which had cooled off in the past couple of months," DLF CFO Ramesh Sanka says.

He says some of DLF's projects in New Gurgaon and Chennai, which offer homes for about Rs 28 lakh, will benefit. Prompted by a huge demand in the Rs 20-25 lakh category and incentives extended by banks, India's largest listed developer plans to have 'many' launches in the coming quarters in this category.

Smaller developers, which have been building budget homes, expect more large developers to join them. "Developers are already reducing the size of apartments and offering fewer facilities to bring down the cost of dwelling units," says Gaursons joint MD Manoj Gaur, who has sold several budget homes in Ghaziabad.

DLF, Unitech may slash prices by 30% in 2009

Publication: Business Standard
Provider: Business Standard

December 11, 2008

BS Reporter Mumbai DLF, Unitech and other **real estate** developers may lower prices up to 30 per cent by mid-2009 to nudge buyers out of their “wait and watch” stance, according to experts.

The price cut, if implemented by the country’s builders, will also push sales higher, especially of the affordable category, **property** consultants said.

“Many developers will come down on their asking rates after being saddled with unsold stock beyond their ability to hold on,” added Anuj Puri, chairman and country head, Jones

Lang LaSalle Meghraj (JLLM) **Property** prices in the key cities have more than doubled in the past few years helped by a boom in the stock market and a spurt in the salaries of home buyers. The subsequent measures of the Reserve Bank of India to cool the overheated economy and a subprime crisis coupled with the credit crunch, has tempered growth prospects in the country hurting sales of **property** developers.

The benchmarket Sensitive index has dropped more than 60 per cent from the beginning of the year, eroding much of the investors' wealth and RBI has increased repo rates by 150 basis points till September this year to curb inflation.

"If you take same time next year, there will be better volumes at lower prices than what they are today. Buyers will be tired of waiting and all the developers realise that price cuts are necessary across the board,'' said Pranay Vakil, chairman of **property** consultancy Knight Frank India.

To boost sales, **property** developers have been forced to cut prices of **real estate** but buyers are still adopting a "wait and watch" stance as many feel that even the lower rates continue to be unaffordable.

Property prices in Gurgaon, Noida in the National Capital Region (NCR) have fallen by 25-30 per cent while Mumbai's distant suburbs have seen a 15-20 per cent drop in prices. Now **property** consultants foresee a further price correction of 25-30 per cent in 2009.

"By the middle of 2009, developers will lose holding power and cut prices sharply. Cuts will follow big time after elections," said Ambar Maheshwari, director of DTZ, an investment advisory.

Experts say that developers are likely to focus on sub-Rs 20 lakh flats due to the huge demand for such flats and the government's stimulus package for Rs 20 lakh home loans.

"Earlier, developers thought that there is a latent demand for premium homes, but in the current slowdown, that perception has changed. Rs 5 lakh-Rs 15 lakh homes are always in demand and developers will look towards that,” Maheshwari said.

RBI cautions banks over realty loans

Publication: Business Standard
Provider: Business Standard

December 12, 2008

Anindita Dey & Abhijit Lele Mumbai The Reserve Bank of India (RBI) may have relaxed norms for lending to commercial **real estate** by banks, but prudence in lending still tops the central bank’s agenda.

RBI has asked banks to be cautious about the end use of funds lent to **real estate** companies to ensure that loans are for construction and not for refinancing the existing loans or paying back foreign shareholders or private equity shareholders who want to exit. The central bank has told lenders to take caution as an informal guideline, even as risk weights have been brought down for exposure to **real estate**.

The risk weight is a method for classification of assets on the basis of weightage allocated in proportion to the riskiness of the loan portfolio. The higher the risk weight, the higher is the risk. A few weeks ago, RBI brought down the risk weight on commercial **real estate** loans from 125 per cent to 0.4 per cent.

Banking sources said the boom in the **real estate** sector was primarily driven by foreign funds, mostly in the form of private equity, which had funded through direct equity or debt or a combination of convertible instruments.

“With a sharp downturn in the **real estate** sector, most of these equity-holders want to exit at this point of time, suffering a loss.

This is because they are of the view that the situation might get worse. Therefore, RBI fears that the fresh loans given to **real estate** players should not get used for financing the debt or equity components of the finance by private equity players. This is the reason why the banks are so reluctant to finance **real estate** companies even when liquidity is not a problem,” said a banker active in **real estate** lending.

According to a merchant banker involved in structuring PE deals, most of the financing done by foreign funds or private equity parties carry a call option. The call option clause in the investment agreement provides the option to the PE to recall money if certain conditions are not met or if a situation turns adverse.

A director on the board of Vijaya Bank said there is concern over deteriorating credit profile of **real estate** firms and entities, including non-banking finance companies (NBFCs), which have funding exposure to them. Why should banks take extra exposure when chances of default may grow,” asked the Vijaya bank director.

“Given the sudden drop in demand in commercial **real estate**, some PE funds may not feel confident about the future of investments. Also, global parents of these funds have been hit hard by the financial crisis so they would like to retrieve money for investments,” a merchant banker added

Puravankara in big affordable push

Publication: DNA Money
Provider: Diligent Media Corporation

December 12, 2008

Plans 3 projects in Bangalore, Chennai for Rs 1,900 crore

Author :Sobia Khan

The government's thrust on affordable housing has created opportunities for developers across the country. Rolling back its earlier plans to halt new launches, south-based builder Puravankara Projects has decided to invest Rs 1,900 crore by 2010 for three affordable housing projects in Bangalore and Chennai.

Ravi Ramu, director, said the company would launch two of the projects in six months and the third in 2009.

The recent stimulus package announced by the government has given a great boost to the sector, he said. "The package seems heaven-sent for our affordable housing project," Ramu added.

The government has said that public sector banks would shortly announce a package for home loans borrowers in two slabs - up to Rs 5 lakh and Rs 5 lakh-Rs 20 lakh. This is meant to stimulate demand for homes, which has dropped by 45-50% across India.

Puravankara, which has a land bank of 125 million sq ft, said its fully-owned subsidiary Provident Housing and Infrastructure would launch the affordable housing projects. The firm is currently waiting for an approval from the government. The three projects will have a total of 15,000 units and are expected to be ready by 2010-11.

Despite tight liquidity conditions in the market, Puravankara is optimistic it would get funding for these projects. Ramu said the funding for the first phase of the projects will be through debt and customer advances. The **real estate** firm has book net worth of Rs 1,300 crore and plans to leverage on it to raise funds. Its debt-equity ratio is 0.58.

"Depending on the amount raised through customer advances, we will go for loan. We have land and we don't need immediate cash flow at the moment," said Ramu. Puravankara already has 105 acres in Bangalore which it would use for the project. Ramu also expects construction charges to fall by 10% due to steel and cement price cuts.

In these projects, the price points will be Rs 10 lakh, Rs 15 lakh and Rs 20 lakh, respectively, for one-, two- and three-bedroom houses. The two- and three-bedroom houses will span 750 sq ft to 1,100 sq ft, with one-bedroom homes being smaller.

Under phase I, Puravankara will cover Bangalore, Chennai, Hyderabad, Coimbatore and Mysore, while in phase II, it will go to cities such as Delhi, Kolkata, Kochi, Jaipur, Pune and Nagpur.

Omaxe to buy distress land from April

Publication: DNA Money
Provider: Diligent Media Corporation

December 13, 2008

Expects prices to correct up to 30% in the next six months

Author :Vivek Seal

Omaxe Ltd, the Delhi-based **real estate** developer, is planning to restart its land-buying process from April to take advantage of the distress sales as it expects land prices to go down further.

The company currently has a land bank of 4,000 acres, but did not provide details on how much more it wants to buy.

"No one is buying land currently and even if I want sell, no one will buy and same goes for us as we are also not looking to buy land. But with current positive triggers by the government, we will start buying by April," Omaxe chairman and managing director Rohtas Goel told DNA Money. Goel expects land prices to further correct by 20-30% in the next six months.

Recently, the government announced fiscal benefits for housing loans up to Rs 20 lakh to pep up demand in the affordable housing sector and non-metro locations and more fiscal packages are expected in the future.

Another Delhi-based realtor, Parsvnath Developers, has frozen all its land acquisition plans and is concentrating on executing current projects. However, the company expects margins to become better in the coming quarters.

"I expect margins to be stronger than the last quarter as various costs, including input costs, are expected to come down. It will take time as it has a trickle-down effect," Parsvnath chairman Pradeep Jain said.

The second largest realtor Unitech Ltd has started selling its commercial assets instead of leasing it out to get cash for reducing its mounting debt faster.

Even Omaxe is expecting margins to stay at its current levels.

"I think margins will definitely not go down, but for it to go up would be little difficult to assume as demand for properties is severely impacted in today's market," Omaxe's executive director Vipin Agarwal said earlier.

DLF cuts target a third

Publication: DNA Money
Provider: Diligent Media Corporation

December 13, 2008

Will deliver 15m sq ft against 22m guided earlier

Author :Vivek Seal

DLF Ltd, the largest **real estate** developer has cut its current fiscal deliverable targets by about 33% following the deterioration in the housing and commercial **property** market.

The company is now expecting to deliver 15 million square feet (msf) against a guidance of 22-24 msf at the beginning of this fiscal. It has completed about 7 msf as on date.

"We will deliver 15 msf of constructed space by end of the this fiscal. We have deferred some projects, which have been already reported by media. In any case, 22 msf also included some plots which were not constructed properties, and that was the earlier target," DLF's financial chief Ramesh Sanka told DNA Money.

DLF was earlier planning to launch close to 35-40msf of **real estate** projects across its different verticals like residential, commercial and retail in the currentfiscal.

In the third quarter DLF launched projects only in the mid-income housing segment, it launched mid-income housing in Bangalore, Kochi and Gurgaon.

The realtor is expected to launch 6-7 million sq ft of newprojects in the rest of this fiscal including projects such as Sriram Mills in New Delhi, Panchkula, Bangalore, Hyderabad and Indore.

Early this week, DLF said it will build a commercial **property** at its 25-acre plot, which it bought from Sriram Industries near Delhi's commercial hub Connaught Place instead of IT SEZ.

Economy - NRIs delay realty buys; 50% drop in bookings

Publication: Economic Times
Provider: Bennett, Coleman & Co. Ltd

December 14, 2008

Neha Dewan

NEW DELHI: Recession in the United States and Europe has forced many Non-Resident Indians (NRIs) to rethink their **property** investment plans in India. There has been a drop of 50-60% bookings by the NRIs over the last three months owing to tight liquidity conditions in the international markets, top **realty** players told SundayET. What's more, many NRIs are cancelling their earlier bookings as well.

Developers such as Parsvnath, Omaxe and Hiranandani Developers told SundayET that there has been a dip in the NRI buys over the last few months despite the dollar remaining firm vis-à-vis the rupee.

According to Pradeep Jain, chairman, Parsvnath Developers there has been a 50-60% drop in bookings since September. “Over the last three months, the impact of recession in US has been felt strongly in the Indian **realty** market. If 100 bookings were being made earlier, today that's not more than 30. This situation may continue till liquidity situation improves in foreign markets, he said.

The US subprime crisis and the global economic downturn have also taken a toll on the NRI community. “There have been atleast 15-20% cancellations over the last few months. NRIs, who had booked properties earlier, are now hit from all sides as the rupee has depreciated a lot. Hence, the current sentiment is very negative, Vipin Agrawal, executive director, Omaxe, said.

There have also been some changes regarding their preferences which have undergone a change in the wake of the slowdown. Sanjay Dutt, CEO (business) of Jones Lang LaSalle Meghraj (JLLM) is of the view that NRIs are no longer interested in promised returns on investment. They prefer to choose only existing, fully-leased assets by reputed developers.

“Once there is a dip in rates over the next three to four months, we will see increased NRI participation. We expect a number of scheduled transaction to happen by the end of the first quarter of 2009, Mr Dutt said.

The recent terror attacks, however, haven't played much of a role in creating this decline in investment. Niranjan Hirandanani, MD of Mumbai-based Hiranandani Developers, admits that it has had a much lesser impact on **property** investments than what he had perceived.

“Terror attacks have not had an impact on NRIs looking at investing in Indian **property** market. It could have had a wider impact, but it's not much in **realty**. Interests in **real estate** are still intact. There is money coming in... maybe just not at the same level as before, said Hirandanani

Bangalore tops PwC’s Apac realty chart

Publication: Business Standard
Provider: Business Standard

December 15, 2008

BS Reporter Mumbai Indian cities Bangalore, Mumbai and Delhi have improved their rankings as investment and **property** development destinations in 2009, a report prepared by tax and advisory firm PricewaterhouseCoopers (PwC) and Urban Land Institute (ULI) said.

Bangalore, the country’s IT capital, is ranked the number-one on development prospect, and 4th on investment prospect among Asia Pacific (Apac) cities in 2009 from 13th in 2008, according to Emerging Trends in **Real Estate** Asia

Pacific 2009 Report, which collated responses from participants across Asia Pacific.

“This demand shift seems to be driven by new emerging markets within the city, including the biotech and textile industries, along with the IT arena,’’ the report said.

Mumbai, the country’s commercial capital, has maintained its 7th position as investment destination since 2007, and 3rd as development destination in 2009. “Key factors contributing to this movement are rising incomes, urban development, and a new-found availability of financing. Unfortunately, these attributes have caused some problems for the **real estate** markets, as development has happened at a faster pace than the growth of the overall economy,’’ the report said.

However, Mumbai market is perceived to be riskier when compared to other cities and has been ranked the 3rd riskiest for investment. New Delhi, the country’s political capital, moved up the 9th position on investment prospect from 13th last year and, currently ranks 4th on development prospect.

DLF to invest Rs.150 bn on affordable housing

Publication: Indo Asian News Service
Provider: HT Media Ltd

December 15, 2008

New Delhi, Dec 15 (IANS) Even as the country's **realty** sector is facing severe fund crunch, **realty** major DLF Monday announced it will investment Rs.150 billion (Rs.15,000 crore) over the next three years to develop about 40,000 housing units in the mid-income category. "The investment will be solely for the various mid-income residential projects across the country in the range of Rs.15-

40 lakh (Rs.1.5-4 million)," DLF Home Developers vice-president A. Harikesh told reporters. The company will invest Rs.50 billion (Rs.5,000 crore) per annum over the next three years on mid-income housing, realising the huge untapped demand in this category, he said. Harikesh added that funds would be raised through internal accruals, advances against sales from the customers and private equity. However, industry insiders say this amount is "too ambitious" in the present economic scenario. "The **realty** sector is still under huge pressure and the developers are still borrowing at a rate of 14 percent which is too high. Apart from that the private equities are not very keen on investing in **realty** projects," said a senior analyst with global **real estate** consultant Jones Lang LaSalle Meghraj (JLLM). "The company has already cut its target for the next year. In this context the announcement is too ambitious," the analyst, who did not want to be named, said. The company's announcement came hours after the state-run commercial banks reduced their interest rates on fresh home loans up to Rs.2 million (Rs.20 lakh) with several other benefits like nil processing fee and free life insurance. DLF last week denotified its SEZ project. However, DLS spokesperson Sanjey Roy said it had shelved only those projects which were not granted approvals. "Rest of the projects are on time," he said. "Affordable housing is not very profitable venture as the cost of land is still not coming down. The government must provide some subsidy if they want to promote affordable housing," said Rohtash Goel, chairman and managing director of Omaxe, another leading **realty** developer. Omaxe has also announced similar invest plans for on affordable housing. However, the project was postponed for the time being as the developers were facing problems in fund raising.

Focus - Cheaper loans to boost realty demand in smaller cities

Publication: Financial Express
Provider: The Indian Express Online Media Ltd

December 17, 2008

Finally, with home loans getting cheaper, demand for residential properties in Tier II and III cities is expected to pick up by 25% by the first half of 2009, from the 5% current rate. According to Rohit Rana, head—marketing and communications, Sankalpan Group, the external periphery of Mangalore, Chandigarh, Dehradun, Nagpur, Kolhapur and Jaipur will start witnessing immediate emergence of demand due to the recent cheaper home loans announcement. Delhi-based Parsvanath Developers has already started constructing affordable homes in some of these locations which can suffice the Rs 20 lakh limit of home loan borrowers.

According to Anand Gupta, chairman, Builders Association of India (BAI), "There would be some acceleration in sales to the tune of 10% to 12% on Tier I city outskirts where affordable housing is coming up through the "Budget Home Schemes" and townships with a cluster of 3,000 to 5,000 homes in each township. Besides, demand for properties will emerge at Pen, Karjat and Lonavala as rates are between Rs 3 lakh to Rs 7-8 lakhs similar to that of Virar in far suburbs."

Top builders such as Hiranandani, Raheja, Ajmera and Akruti, however, opine that the impact will be very minimal in the costlier metros. Dhaval Ajmera, managing director, Ajmera Builders told FE, "Despite the recent cheaper home loan announcements, we are currently not planning to reduce **property** prices in metroes as we feel that the Rs 20 lakh home loan limit by PSBs is meant for the Tier III cities and outskirts of Tier II cities. We are developing affordable homes in Bangalore, but the budget does not fit into the Rs 20 lakh home loan limit."

Meanwhile, developers such as Evershine, Keystone, Rustomjee and Nirmal Lifestyle in Mumbai have already branched out into township projects that feature budget homes. Pan India, major developers Emaar MGF, Omaxe, Unitech, DLF, Ansal and Vatika have also stated their intentions of launching affordable housing projects.

So how will cheaper loans bridge the gap between in demand and supply of residential properties in Tier II, III cities including metroes?

To this, Anuj Puri, chairman and country head, Jones Lang LaSalle Meghraj said, "There will be increased absorption of existing supply in Tier II/III cities and next to none in the metros. Affordable housing projects that are coming up on Tier I city outskirts or in the far suburbs will also see increased sales. While such projects are not coming up in prime locations, reputable builders who concentrated largely on mid-to-upper end homes are now launching budget home schemes in far suburbs. In the case of Mumbai, examples would be Virar, Vasai, Karjat, Kalyan, Dombivli and Panvel. There are between 25-30 projects of this type coming up in the Vasai Virar sub region."

Puri added, "One can buy a decent flat within a budget of Rs 20 lakh there. Similar projects had been launched in Navi Mumbai—however, most are occupied now and there are no new ones coming up. There are some initiatives by Cidco and Mhada, where the cost usually hovers around Rs 2,000 per sq ft for 500 square foot tenements."

Back Page - India tops BRIC nations in real estate transparency

Publication: Financial Express
Provider: The Indian Express Online Media Ltd

December 10, 2008

There has been a steady rise in transparency levels in the Indian **real estate** sector. The improvement has been led by a range of factors including introduction of REITs (**real estate** investment trusts) and REMFs (**real estate** mutual funds), greater availability of market information, increased foreign investment, improved accounting standards and financial disclosure, the possible introduction of a **real estate** regulator and advances in the legal and regulatory environment, said global **real estate** consultancy firm Jones Lang LaSalle in its latest **Real Estate** Transparency Index report.

India ranks highest among BRIC (Brazil, Russia, India and China) nations in the 'Listed Vehicles' parameter due to large numbers of listed **real estate** players that adhere to stringent guidelines laid down by Sebi. As per the firm's findings, differences in transparency levels between major metros and secondary and tertiary cities in India are remarkably narrow, particularly when measured against differences within China. The main differences among tier I, II and III cities are in the availability of market information and transparency of the transaction process.

It is expected that over the next decade, transparency in India will increase via introduction of sector regulators, professionalism and international best practices in **real estate**, the findings predicted. However, the report also pointed out that the greatest challenges for the sector include limited provision of high quality market information and investment performance indicators.

Mahindra Lifespaces Enters Realty Biz In Mumbai, Delhi

Publication: Hindustan Times
Provider: HT Media Ltd

December 10, 2008

December 10

Suprotip Ghosh

Mahindra Lifespaces Developers (MLD), the **real estate** arm of the Rs 30,000 crore Mahindra Group, is eyeing the south and central Mumbai **property** market. The company, which is into building large housing projects, has until now stayed away from the redevelopment boom in Mumbai.

"Till we acquire land in south Mumbai, we will be looking for local partners who would have either a land bank, or other expertise in south or central Mumbai," said Pavan Malhotra, managing director and CEO, MLD. MLD is also looking at projects in New Delhi, though Malhotra did not give further details.

The south and central Mumbai **property** market has seen heightened activity since the government vacated additional floor space index (**FSI**) to accomodate taller buildings. Since then, large investments have been made by developers, including Peninsula, Indiabulls, Unitech and DLF.

"We feel that the consolidation among the builders and developers would happen due to synergies between the larger players and the smaller players," Malhotra said. Smaller builders may not have the financial strength to develop large properties, where larger developers with a lot of cash in their books may come in as partners.

The company has stayed away from densely populated areas because of high costs and a conscious effort to create a branding image, Malhotra said. "We wanted to create destinations. That is the reason why we decided to go out and build in areas outside the city," he said.

MLD has built all its residential projects as sustainable, green buildings and the cost of commercially sustainable green technologies have started falling as more developers begin designing and building such structures. Sustainable architecture consists of a series of steps that include planning for optimum light and air, least usage of air-conditioning and recycling and reuse of products generated during construction or during occupancy.

ILFS Realty Fund II closes at 895 m

Publication: DNA Money
Provider: Diligent Media Corporation

December 10, 2008

- IL&FS Investment eyes 3-4 deals in FY09

- To invest $200 million this fiscal

Author :Ashish K Tiwari & Pooja Sarkar.Mumbai

IL&FS Investment Managers Ltd (IIML), an Infrastructure Leasing & Financial Services (IL&FS) subsidiary, has set a target of investing $200 million in four deals during the current fiscal through its second **real estate** fund.

Shahzaad Dalal, vice-chairman and managing director of IIML, told DNA Money, "We are confident of closing at least 3-4 deals before March 2009. These will be new projects and the investment will be in the region of $200 million."

The company on Tuesday announced final closure of the second **real estate** fund, IL&FS India **Realty** Fund II (IIRF2), which raised $895 million, almost 20% higher than its target of $750 million. Archana Hingorani, CEO and executive director, IIML, said the company plans to disburse the fund in the next two years.

The company has already invested nearly $50 million from the first tranche of its second **realty** fund. "From the first tranche, we have invested in four properties, including an industrial park in Chennai, one residential **property** and two commercial office properties," she said.

IIML is expecting an internal rate of return of 25% from the investments that would be made through this fund.

According to Hingorani, deals are happening at discount levels of 15-25% from the valuations six months earlier and the fund is taking a cautious approach.

"Deals are happening at much slower pace than last year and even for this fund we will look at industrial parks and special economic zones with smaller exposure. We are definitely not looking at any project which is large," she said. The fund is looking to invest in projects of developers with whom it had earlier associations and new players who have execution ability to finish the projects. It plans to spend about $25-75 million on mid-market **realty** companies across India.

Dalal said the fund would ideally look at investments in tier I cities. The investments will be more in the residential and commercial office space and very conservatively in retail assets, that is, space for retailing industry.

However, the second fund would not invest in QVC **Realty**'s joint venture project in Gurgaon.

QVC, the **real estate** venture floated by Prakash Gurubaxani, was funded through IIML's first **realty** fund which raised $525 million in April 2006.

QVC has formed a joint venture with Sobha Developers and Chintels India Group to develop a Rs 2,000-crore integrated township project in Gurgaon. The construction was expected to begin in first quarter of this fiscal, but the project has hit a roadblock due to unavailability of funds.

Asked whether the second **realty** fund would invest in this project, Hingorani said, "No, we won't invest in that project. The project will have to raise funds through debt and other sources as it had said while signing the agreement." IIML plans to raise $800 million from its Asia Infrastructure Fund and expects to close the first tranche in a month.

‘Outlook positive for **realty**’

Despite the slump, IL&FS Investment Managers (IIML) is bullish on the domestic **real estate** sector.

“I think the underlying demand in the sector is very strong and with all the incentives being announced in the last couple of days, the outlook is very positive,” Shahzaad Dalal (pictured), vice-chairman and managing director of IIML, said.

He said the prices in the **real estate** sector went up a bit too steeply and a lot of developers overextended themselves without checking the ground realities. “The most significant blow came in the form of substantial increase in the interest rates which really made things very difficult for every player in the industry,” he said, adding that a correction was nothing but a natural fallout. “Things are changing however and we are seeing the beginning of the correction phase happening now.” Dalal said.

Stocks in News - Wachovia to pick up stake in Hiranandani's realty arm

Publication: Economic Times
Provider: Bennett, Coleman & Co. Ltd

December 1, 2008

Vivek Sinha & Chaitali Chakravarty

NEW DELHI: US bank Wachovia could pick up a significant equity stake in Hiranandani Realtors, part of Mumbai-based **property** developer Hiranandani Group. In the past one year, Wachovia has invested Rs 304 crore into the Indian firm through financial instruments that will be converted into equity.

A source involved in the transaction said Wachovia had entered into an agreement in August 2007 to invest $77 million in Hiranandani Realtors. The investment was to be in multiple tranches through debentures. As per mandatory documents submitted to the RBI, the debentures were issued in three phases starting October 2007 and the last tranche of Rs 106 crore came in May 2008.

“Thereafter, the two partners entered into a debenture subscription agreement on September 18 that laid out details of a phase-wise conversion of the debentures into equity, the source added. The exact quantum of equity that Wachovia will pick in due course is not clear as it would depend on the portion of debentures that Wachovia converts into equity as per its deal with Hiranandanis and the value of the firm at that time.

While Wachovia can potentially convert the debentures into equity, the agreement gives the Indian promoters an option of purchasing them back. In such a scenario, fresh equity will be issued to the Hiranandanis.

Real estate sector has been facing tough times due to the credit crunch in economy. It has been one of the worst hit in the stock market meltdown which has hit the domestic bourses in 2008 with the BSE **Realty** index dropping more than 88% since hitting its peak in January this year. The inflow from Wachovia happened before the fresh round of selling in the domestic stock market which began in September.

Hiranandani Realtors is part of the Hiranandani Upscale led by Surendra Hiranandani, one of the co-founders of Hiranandani Group known for its luxury townships in Mumbai. Hiranandani Realtors is developing a new township in Chennai with a project cost of Rs 3,500 crore. The project is spread over 108 acres and includes residential apartments, a hotel and some commercial area.

Besides completing existing projects, Hiranandani Realtors is also looking to pick an equity stake in another group firm-Lakepoint Builders-that has its own existing township project in Bangalore. This is expected to be financed through surplus cash with the firm currently parked in banks.

Wachovia, which is into banking, asset management, wealth management and corporate and investment banking products and services, is being acquired by Wells Fargo. Wells Fargo, the largest US bank by market capitalisation, had announced a $15.1-billion deal last month after Citibank failed to buy out Wachovia.