



## National News:

### **ECONOMY:**

#### **India's Q4 GDP At 5.8 per cent.**

India's economy grew faster than expected at 5.8 percent in the last quarter of India's financial year of 2008-2009. According to data released today by India's Central Statistical Organisation, growth in the period from January to March 2009 accelerated from the previous three months, when growth was down to 5.3 per cent. The annual growth for India's fiscal fourth quarter is much above a median forecast of 5.2 percent in a Reuters poll.

India's economy was boosted by an improved performance in agriculture, which grew 2.7 per cent, in contrast to the 0.8 per cent contraction recorded in the previous quarter. Construction grew around 6.8 per cent - almost the same pace as the same period last year, while financing, real estate and insurance grew 9.5 per cent.

However, the quarter's growth was still significantly slower than the 8.6 per cent expansion in same period in 2008, with India's manufacturing sector, contracting by 1.4 per cent.

The better-than-expected figures would reduce the pressure on the government" to resort to further fiscal stimulus measures.

The results sent the stock markets soaring, the Sensex settled at provisional 14,591.85, higher by 2.07 per cent, Nifty rose 2.51 per cent or 109 points to 4446.10 and BSE Realty soared 7.01 per cent.

As reported by: Economic Times

## FDI to Emerging Markets plunge: UNCTAD Study

According to a study by the UN Conference on Trade and Development (UNCTAD), foreign investment flows to developing countries nosedived in early 2009 as credit-starved companies in the industrialised world cut back on overseas expansion. It is predicting further falls in worldwide direct investment flows till the end of the year, with a slow recovery beginning in late 2010 or 2011.

The study suggests that global FDI may have fallen by 15 per cent last year from a peak of \$1,900bn in 2007, rather less than the 21 per cent drop it estimated in January. Rich nations registered a 25 per cent decline in 2008 but FDI to developing countries – boosted by inflows to the BRIC economies of Brazil, Russia, India and China – rose by 7 per cent. However, UNCTAD said preliminary data for the first quarter of 2009 suggested “a nosedive in FDI” in both rich and poor economies, citing dramatic slumps in flows to China and South Korea.

### FDI Outflows and cross-border M&A purchases, by region and major economy 2007-2008

(Billions of dollars)

<u>Region / Economy</u>	<u>FDI Outflows</u>			<u>Cross border M&amp;A purchases</u>		
	2007	2008	Growth	2007	2008	Growth
<b>World</b>	<b>2063.4</b>	<b>1868.9</b>	<b>-9.4%</b>	<b>1699.8</b>	<b>1205.4</b>	<b>-29.1%</b>
<b>Developed economies</b>	<b>1743.4</b>	<b>1536.4</b>	<b>-11.9%</b>	<b>1447.6</b>	<b>986.0</b>	<b>-31.9%</b>
Europe	1270.4	990.3	-22.1%	856.0	647.5	-24.4%
United States	313.8	298.6	-4.8%	402.6	166.5	-58.7%
Japan	73.5	127.4	73.2%	38.8	64.3	65.6%
<b>Developing economies</b>	<b>268.8</b>	<b>274.1</b>	<b>2.0</b>	<b>199.4</b>	<b>181.1</b>	<b>9.1%</b>
Africa	5.3			9.4	14.3	51.2
Latin America & the Caribbean	52.1	36.1	-30.7	48.7	20.3	-58.3
Asia and Oceania	211.4	239.6	13.4	141.2	146.6	3.8
West Asia	44.8			47.9	37.4	-21.9
South, East and South-East Asia	166.5	185.2	11.2	93.3	108.3	16.1
<b>Transition economies</b>	<b>51.2</b>	<b>58.3</b>	<b>13.9</b>	<b>25.2</b>	<b>25.0</b>	<b>-0.5</b>

Source: UNCTAD

Mergers and acquisitions activity, a key driver of FDI, ebbed further in the first quarter of 2009 and a recent survey by UNCTAD of investment promotion agencies showed considerable pessimism on short-term prospects almost everywhere.

UNCTAD said that the timing of any pickup in FDI will depend on the speed of economic and financial recovery, the return of investor confidence and the avoidance of protectionism. Factors encouraging a pickup in FDI include cheap asset prices, abundant finance in some emerging economies, expanding energy and environment-related activities and continuing internationalisation of companies.

As reported by: Financial Times

### **Govt to consider additional tax on steel imports**

India will consider slapping additional import tax on steel to protect the domestic industries from cheap imports, the new steel minister said. "There are demands to take fiscal measures to stop cheap imports. The issue has to be addressed immediately," Virbhadra Singh said after assuming office.

Singh also said the government would ensure production capacity expansion of state-owned firms Steel Authority of India Ltd and Rashtriya Ispat Nigam Ltd.

As reported by: Economic Times

<u>Economy Snapshot</u>			
Lending Rate	12.75-13.25%	GDP growth rate	5.8%
Exchange rate (INR/\$)	47.29	Annual Inflation rate	0.48%
Oil	65.08 \$/Bbl	SENSEX	14799.22

Source: RBI, Economic Times

## **REAL ESTATE:**

### **SEBI to Outline Framework for REIT**

The Chairman of Securities and Exchange Board of India (SEBI), C.B.Bhave, said that a Real Estate Investment Trust was on anvil and work on it was progressing. Participating in an interactive session organised by Bharat Chamber of Commerce, he said that norms for a Real Estate Mutual Fund were ready since last year but the scheme could not be operational as the market started going down from April-May 2008. He said that they would evaluate the performance of Real estate Mutual funds which are already in place and then move forward. He also mentioned that SEBI was also working on a scheme that would allow investors to verify their investments in a portfolio management scheme (PMS).

As reported by: Economic Times

### **Morgan Stanley Acquires Stake in IndiaBulls Real Estate**

Morgan Stanley & Co International acquired 7.68 per cent stake in Indiabulls Real Estate for about Rs 570.18 crore, through the qualified institutional placement (QIP) route. It would be acquiring over three crore shares which will represent the 7.68% stake in Indiabulls Real Estate. The company just recently had also raised Rs 2,656.50 crore through the issue of 14.36 crore shares on institutional placement basis.



High street Vadodra, is one of the key IndiaBulls projects.

The qualified institutional placement (QIP) route is gaining popularity among developers as a source for raising funds. Last week two important developers; - Parsvnath (Delhi) and Puravankara Projects (Bangalore), announced their plans of raising capital through the QIP route. Parsavnath developers is looking to raise Rs 2500 crore through the QIP route.

As reported by: Economic Times, Indianrealtynews

### **Tata Realty and Infrastructure Limited Plans 20,000 Crore Investment**

Tata Realty & Infrastructure Limited (TRIL) announced that it plans to invest around Rs 20,000 crore in real estate and infrastructure projects over the next three years. TRIL has raised a \$700 million offshore fund to invest in its real estate project. The company said that around 18-20% of the capital from the \$700 million Mauritius based fund has already been deployed.

The 20000 crore will be equally divided into real estate and infrastructure projects across the country which would include IT/ITES, SEZs at Chennai, Ahmedabad and in Hinjewadi, and a 7 lakh sq. ft. retail complex in Amritsar. The company is also evaluating a residential and mixed use development on a 35 acre plot at Gurgaon.

TRIL said that it is also considering partnering with foreign firms in infrastructure projects. The partnerships under consideration include: Mitsubishi Corporation for Metro projects, Grandi Stazioni for New Delhi Railway Station redevelopment, Changi Airports for Amritsar & Udaipur Airport project, and Atlantia S.p.A for various roads & highways projects.

As reported by: Financial Times, The Wall Street Journal

### **Investors warm up to realty, once again**

Strategic investors and high net worth individuals are once again moving towards investing in the real estate sector and a few foreign funds and Investment management companies have started tapping this demand.

Investment management companies such ASK Investment Holdings, Milestone Capital Advisors, Birla Sun Life Asset Management Company

and Morgan Stanley Investments are all currently floating realty based funds.

While ASK Investment Holdings has launched a Rs 500-crore PMS fund (that will invest into live realty projects through an investment vehicle), Milestone Capital and Birla Sunlife AMC are planning to raise Rs 600 crore and Rs 2,500 crore, respectively, for focused real estate investments. Almost all these funds are promising annualised returns in the range of 20-25%.

As reported by: Indianrealtynews

### **Promoters pump in \$70 million into India's largest retail firm Pantaloon Retail India.**

Shareholders of India's largest retail firm have approved the injection of Rs 293 crore into the company by its promoters. The transaction involving sale of equity and convertible warrants will also help Kishore Biyani and family to raise holding in the company up to 53%.

At present the promoters hold 46% in Pantaloon of which around 16% is pledged. As per the transaction they will be issued 11 million equity shares at Rs 183 a share, raising Rs 201.3 crore and a further 5 million warrants at Rs 183 each, to raise Rs 91.5 crore. The promoter holding will increase to 51% through the equity issue and if warrants are converted into equity it would go up further to 53%.

In addition private equity investor Bennett Coleman & Co Ltd (media firm which invests through ad for equity deals) will be issued 4.1 million shares at the same price to raise Rs 75.03 crore. BCCL is an existing investor and the allotment would help it bring down the original cost of investment.

As reported by: Indianrealtynews

### **Avoid commercial real estate financing: RBI to coop banks**

The Reserve Bank of India (RBI) instructed state and central co-operative banks to desist from financing the commercial real estate sector. The RBI in a notification to all state and central co-operative banks said that taking exposure in sensitive areas would not be in the interest of the short term cooperative credit structure. RBI also instructed all banks to ensure that all current exposures to commercial real estate are well secured and adequate

provisioning is made according to the existing prudential guidelines. It also instructed the banks to ensure that credit facilities to the sector are not renewed.

As reported by: Business Standard

## **HOUSING:**

### **DHFL to enable affordable housing in India**

DHFL Property Services Ltd, a 100% subsidiary of housing finance company Dewan Housing Finance Corporation Ltd (DHFL), is paving the way for urbanization of rural India in association with regional builders and developers.

The company has tied up with various builders across rural and semi-urban India to market affordable projects under its low-cost housing schemes for low-wage earners. DHFL Property Services will market 2,400 houses in Vatsalya Developers 'Dream City' project in Boisar. The flat size would range between 380 sq ft and 500 sq ft and are priced at Rs 1,300 per sq ft. DHFL Property Services plans to launch similar projects in Virar, Karjat and Badlapur, distant suburbs of Mumbai. It will also launch similar projects in Ahmedabad, Chennai and Hyderabad in the coming few months.

As reported by: Economic Times

### **Affordable Housing Segment Attracts PE Players**

Funds such as Red Fort Capital Advisors and Kotak Realty Fund are looking for opportunities in low-cost and mid-income housing projects. "The top-end category in the real estate space is saturated. Several firms are coming up with affordable housing projects ranging from Rs 3 lakh to Rs 10 lakh across India and we are keen to invest in them," said Red Fort Capital Advisors director GB Singh.

The firm plans to invest 75% of its Rs 400-crore corpus in affordable housing over the next two years and is close to clinching two deals in the NCR region. Red Fort Capital's current portfolio includes investments in Prestige Group (Bangalore), Godrej Properties (Kolkata) and Indu Group (Hyderabad).

Kotak Realty Fund is also looking to close some deals in low-cost and mid-income housing projects over the next few quarters.

As reported by: Economic Times, Indianrealtynews

## [International News:](#)

### **ECONOMY ROUNDUP:**

#### **Opec Output to Stay Unchanged**

Oil held above \$64 on Thursday after the Opec ministers' meeting in Vienna decided, as widely anticipated, to leave the group's crude output unchanged at 24.85 million barrels per day. Oil has climbed back from a low of \$32.40 last December to a six-month high above \$63 this week.

Saudi Arabia's oil minister Ali al-Naimi told reporters in Vienna that the world was ready to cope with a barrel price range of \$75-80. Analysts said the decision to leave output unchanged was expected and had been thoroughly priced in to the market beforehand. "This decision is going to be fairly market-neutral in the short run – it's what the market was expecting," said Andrey Kryuchenkov, analyst at VTB Capital in London. "In the long-run, if they can stick to 80-85% compliance, it will be market supportive as inventories will start to come down – as long as demand doesn't deteriorate further."

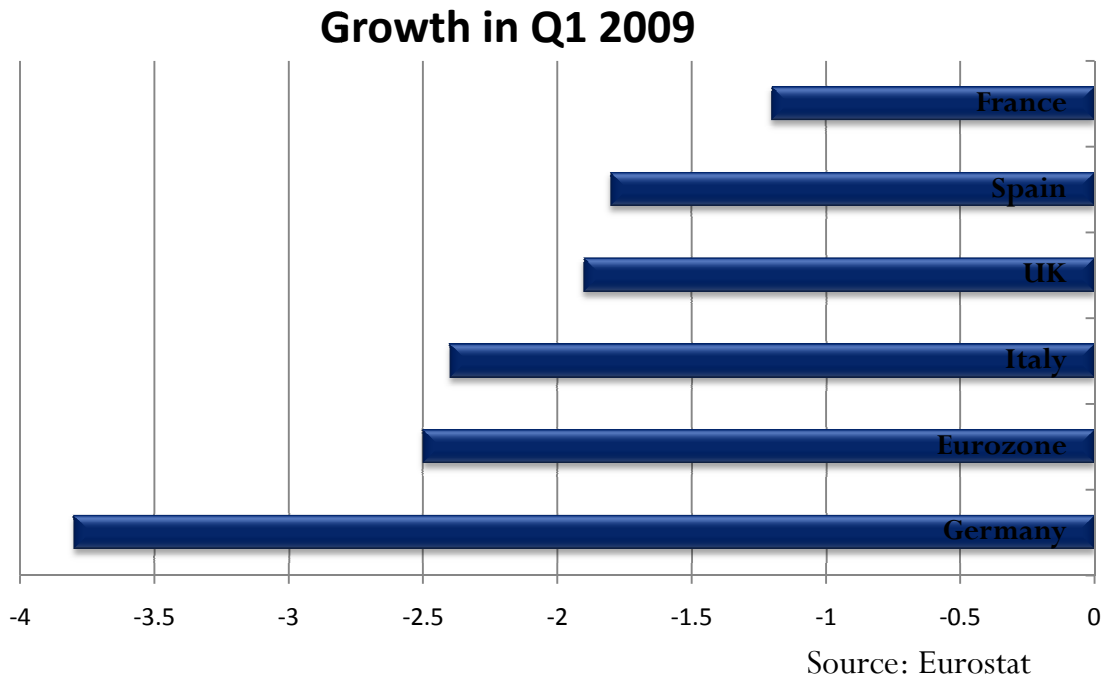
As reported by: Financial Times, Economic Times

#### **Euro Zone: Recession Intensifies and Inflation Reaches Zero**

The recession in the euro zone intensified markedly in the first quarter, dragged down by an almost 4 per cent contraction in the German economy. Gross domestic product in the 16-country region fell by a much larger-than-expected 2.5 per cent in the period – outpacing the US slowdown – according to official data released by Eurostat, the European Union's statistical office. The final quarter of 2008 had seen a 1.6 per cent fall in GDP.

Germany's export-led economy, the largest in Europe, shrank by 3.8 per cent in the quarter – the largest drop since the country started compiling quarterly data in 1970.

Besides Germany, the pace of economic contraction was particularly severe in the Netherlands, which saw a 2.8 per cent fall in GDP, and Italy, which reported a 2.4 per cent decline.



In contrast, France continued to fare relatively well amid the global economic storms, thanks to the bigger role played by domestic demand in supporting growth. It reported a 1.2 per cent fall in first-quarter GDP.

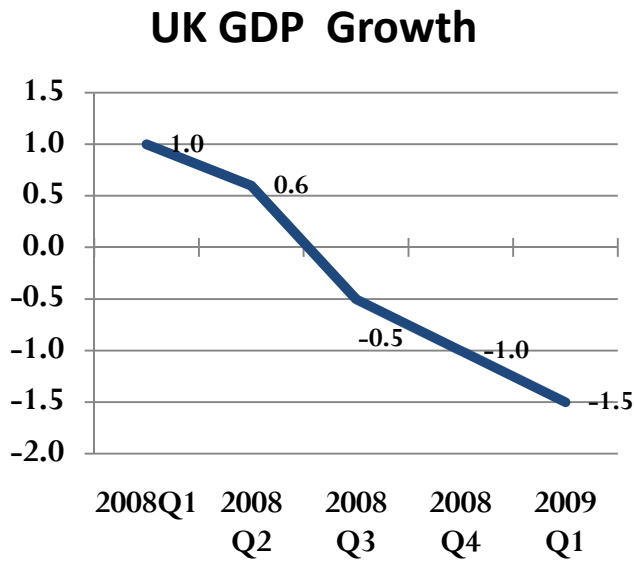
The latest figures released on consumer prices indicated that inflation in Euro Zone has fallen to zero, the lowest since comparable records began in 1991, and could fall even lower as a result of the region's severe recession as well as cheaper oil prices. Among the euro zone's biggest countries, Germany and Spain have already reported negative national inflation rates.

As reported by: Financial Times,

### **UK: GDP Plunges in Q1**

According to the revised figures published by the ONS, the UK economy declined by 1.9 per cent in the first quarter.

Manufacturing output fell by 5.5 per cent over the quarter, while overall industrial production fell by 5.3 per cent. The service sector, which makes up about 75 per cent of GDP, suffered an unrevised 1.2 per cent decline.



Source: ONS

The only sectors of the economy to show any growth in the first quarter were government and other services and agriculture, which is worth less than one per cent of GDP.

Meanwhile, Inflation last month slowed to its lowest level since the beginning of last year, but prices are still rising faster in the UK than any other leading developed country

The consumer prices index, which stood at 2.9 per cent in the year to March, eased to 2.3 per cent in April.

As reported by: Financial Times, ONS

## US : Hopes of ‘Green Shoots’ Lift Confidence

US consumer confidence has surged to its highest level since September last year. The Conference Board’s sentiment index jumped from a revised 40.8 in April to 54.9 in May as talk of “green shoots” in the economy lifted the nation’s mood. It was the biggest monthly gain since 2003 and much more than economists were expecting.

Fewer Americans said jobs were “hard to get,” the survey found, and they felt even more positive about the future. One in five consumers said more jobs will be available in the next six months, the highest figure in more than 5 years.

The number of US workers claiming unemployment benefits also eased for the first time. New jobless claims declined by 12,000 to 631,000 in the

week ending May 16, according to the figures released by the labour department.

As reported by: Financial Times

## **REAL ESTATE:**

### **Qatar to buy \$4.1bn property from banks**

Qatar has offered to buy property investments worth up to \$4.1bn (€2.9bn, £2.6bn) from local banks, as the government steps up efforts to support the domestic financial sector against the fallout from the credit crunch. The operation aims to “support the real estate sector . . . and allow banks to continue to play their vital role” in the country’s development, Sheikh Hamad bin Jassem al-Thani, Qatari prime minister said.

Qatar’s abundant wealth – it is the world’s largest supplier of liquefied natural gas – has allowed it to actively support its banks and wider economy during the financial crisis. Qatar is expected to report one of the world’s highest economic growth rates this year and next, thanks to a near doubling of gas exports and continued government spending.

As reported by: Financial Times

### **Fed Widens Mandate of TALF but S&P Warning Undermines the Plan**

The \$700 billion market for bonds backed by commercial mortgages rallied last week, following the Federal Reserve's announcement that it would expand one of its funding programs to include existing commercial mortgage backed securities -- as opposed to newly issued ones -- in its latest move to jump-start commercial real-estate lending.

Starting in July, the Fed will offer loans under the Term Asset-Backed Securities Loan Facility, or TALF, to help investors finance their purchases of top-rated commercial-mortgage-backed securities, or CMBS, issued before Jan. 1, 2009.

The Fed program, called the Term Asset-Backed Securities Loan Facility, or TALF, is designed to jump-start lending by increasing investor demand for securities tied to all kinds of assets, including commercial real estate.

So far, the \$1 trillion program has been made available only for consumer debt, such as credit-card loans. The program makes available inexpensive loans to investors buying these securities. The TALF program has two parts to help commercial real estate: One to create a market for existing CMBS; the other to unfreeze the market for new CMBS issues.

However, Standard & Poor's has warned that billions of dollars of top-rated bonds backed by commercial mortgages could face downgrades, killing the market enthusiasm for the Federal Reserve's plan. Standard & Poor's action has raised doubts about how effective the Fed program will be. Investors responded by selling off CMBS, with yields on triple-A securities widening to 10.7% from 9.4% a week back.

As reported by: The Wall Street Journal

## **Credit Suisse Begins London Property Sale**

Credit Suisse has begun a sale of its London property estate that could raise as much as £500m (€572m) as part of a strategy to focus on core banking operations.



One Cabot Square

The investment bank this week instructed CB Richard Ellis to begin marketing the smaller of its two buildings in Canary Wharf, with indications that its landmark tower at Cabot Square is also likely to be brought to the market before the end of the year. In total, the sales of the two buildings – 20 Columbus Courtyard and 1 Cabot Square – could raise more than £500m, depending on the terms set by the bank on the length of its occupancy and rent.

The move comes as other banks and companies look to sell off non-core assets, with property advisers forecasting that several billion pounds of sale and leaseback deals will be completed in the next few months.

As reported by: Financial Times

## Foreign Cash Boosts Hong Kong Assets

A wave of money flooding into Hong Kong from mainland China and the rest of the world has propelled property and stock prices even as the economy falters.

Hong Kong's government predicts the economy will shrink up to 6.5% this year and unemployment is at a three-year high. Yet home prices are up about 13% this year, while the benchmark Hang Seng Index has gained 18% in the same period.



Hong Kong Skyline

The strong inflows of capital from abroad have kept Hong Kong's central bank busy. Since January, it has pumped more than US\$22 billion of Hong Kong dollars into the market to keep the pegged currency within its mandated trading band against the U.S. dollar. The result is a wave of liquidity washing into asset prices.

Hong Kong's real-estate market may be one of the more pronounced beneficiaries of a global effort by governments to print money and stimulate lending. Quantitative easing by central banks in the U.S., Europe and Asia have created "booming capital flows" that are "swamping" some markets, however the situation in Hong Kong is unusual. In other places, a net inflow of foreign funds can lead to both a

rise in asset prices and a rise in the value of the local currency. But due to its link to the dollar, only the asset prices can rise -- and because the currency can't, the gains are more pronounced.

The peg also makes Hong Kong attractive to investors during a period of currency instability. And Hong Kong's stock market is one of the most accessible and liquid places for foreign money to bet on a recovery in mainland China, where currency controls make direct investment trickier. Anecdotal evidence also suggests some of the money is coming from mainland China, "For many mainland Chinese, owning a property in Hong Kong is something they see as a real mark of prestige, and it's in a place that is familiar to many of them," says Thomas Lee, sales director for property agency Centaline Property Holdings

Aggressive pricing by Hong Kong mortgage lenders and a limited supply of new apartments here also have helped property prices take off.

As reported by: The Wall Street Journal

## **UK: Commercial Property at Risk of Massive Loan Defaults**

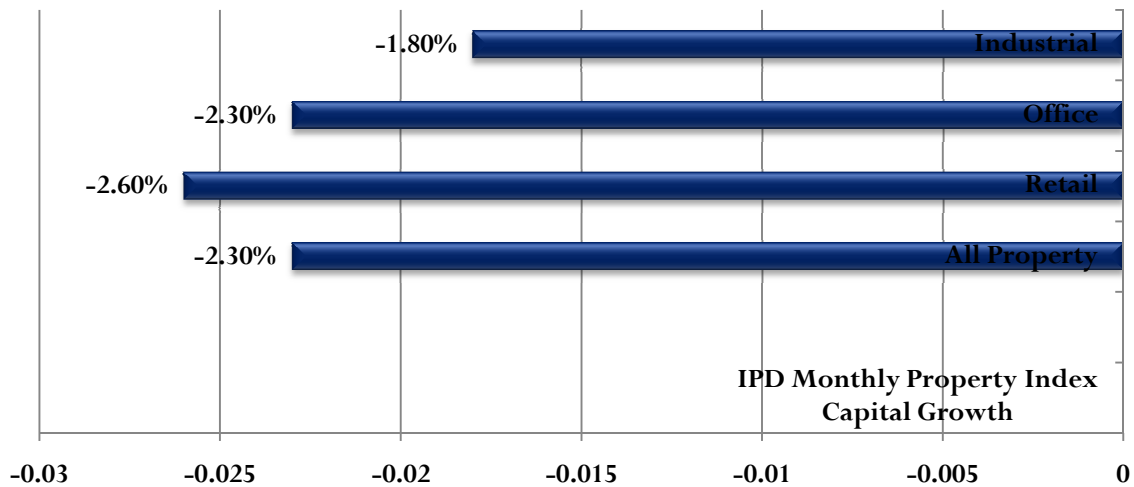
Commercial property companies in the UK are at risk of defaulting on close to £43bn of loans which are due for repayment this year. They face the threat of a funding gap worth billions and the prospect that banks will continue to avoid lending this year.

According to De Montfort University's annual commercial-lending survey commercial-property companies in the U.K. owe banks £225 billion (\$354 billion), and 69% of this is due for repayment by 2013. Banks are unwilling or unable to refinance debt associated with commercial property.

In related news, figures released by IPD indicate that commercial property rental values fell 3.21% last month – the biggest fall since December 1992. The pace of capital value declines continued to ease during April, to a fall of 2.31%. This compares with a drop of 3.1% in March.

April's monthly capital decline is the shallowest since August last year, before the collapse of investment bank Lehman Brothers.

## UK : Commercial Property Capital Growth



Source: IPD, UK

By sector, retail suffered the steepest falls in capital values, dropping 2.61%, followed by offices and industrial declining by 2.27% and 1.79% respectively. Total returns for April were -1.63%.

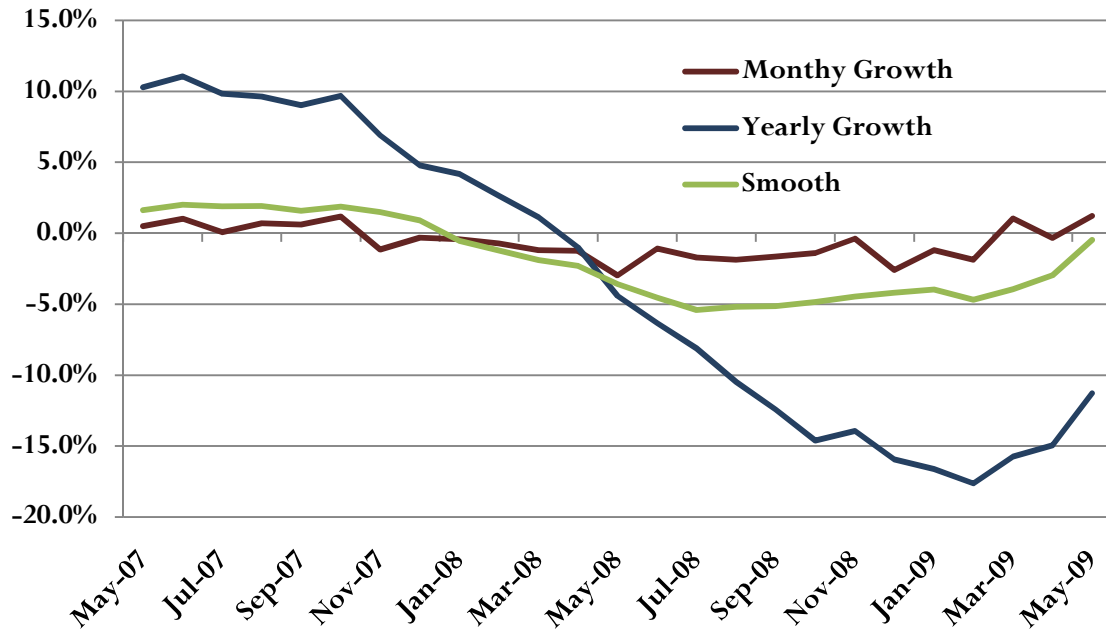
As reported by: The Wall Street Journal, EGI, IPD

## Nationwide reports house price bounce

UK house prices rose in May, the second increase in the last three months and consistent with signs that consumer sentiment and mortgage demand have picked up slightly in recent weeks.

The Nationwide House Price Index for May showed a 1.2 per cent rise from April. Overall, house prices still stand 11.3 per cent below their May 2008 level, an improvement on the 15 per cent year-on-year decline in April. The three-month on three-month average move – an indicator which smooths out monthly fluctuations – showed a decline of 0.5 per cent between April and May. That is far smaller than the 3.0 per cent fall seen in the same measure between March and April.

## UK House Price Growth



Source: Nationwide

The latest figures from the National Association of Estate Agents, also uplifts sentiments. The figures show that the number of homes sold by estate agents reached an 18-month high last month. The average agent agreed 10 sales during April, up from eight in March and a low of just five last August, Even surveys from the Royal Institution of Chartered Surveyors have shown rising interest from buyers, although that has not translated into an equivalent level of sales.

As reported by: The Wall Street Journal, Financial Times, and Nationwide.

Source for news: Economic Times, Financial Times, IndianRealtyNews, Business Standard, EGI, Herald Tribune, the Wall Street Journal, Investment Property Databank and other national data sources

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