



National News:

ECONOMY:

Economy to Grow at Seven per cent, if Rains are Normal: EAC

The chairman of the Prime Minister's Economic Advisory Council, Suresh Tendulkar announced that the Indian economy is expected to grow at around 7 per cent in the current financial year (2009-10), if the monsoons do not suffer further delay.

Tendulkar also forecasted the inflation rate as measured by the WPI for the year at around 5 per cent and said that the consumer price index (CPI), which is at around 10 per cent, will come down if the rains do not post further delay.

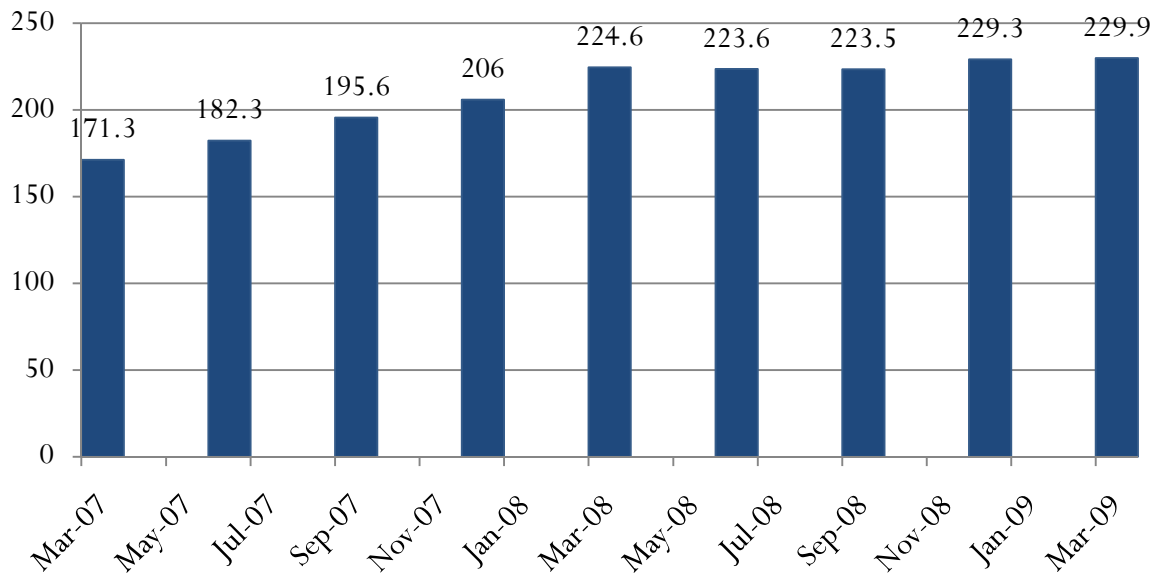
However, India's Meteorological Department (IMD) downgraded its monsoon forecast to "below normal". This has led to fears of fall in agricultural output thereby slowing India's growth. The agriculture sector contributes around 17 per cent to the gross domestic product (GDP) and employs around 60 per cent of the nation's total workforce.

As reported by: Economic Times

India's External Debt Up at \$230 bn

According to the latest data released by the RBI, India's external debt rose 2.4 per cent or \$5.3 billion to \$229.9 billion for the fiscal ended March 31. India, which has an external debt equivalent to 22 per cent of its gross domestic product, was already the fifth most indebted country in the world in 2007, the central bank said in a statement.

India's External Debt



Source: RBI

The current account - which includes components like external trade deficit and remittances from overseas - had a deficit of \$29.82 billion for last fiscal, compared to a deficit of \$17.03 billion in the previous period. The capital account - which comprises items like foreign investment, external loans and foreign assistance - had a surplus of \$9.15 billion for 2008-09 compared to a surplus of \$107.94 billion in the year-ago period.

As reported by: Economic Times

50% Indians Living Below Poverty Line

The committee on Below Poverty Line Survey, set up by the Ministry of Rural Development recommended that almost fifty percent of India's population should be given a below poverty line status.

At present, the Planning Commission estimates that only 28.3% of the population qualifies for BPL benefits. However the committee seeks to double the population that benefits from the UPA's social sector schemes - both existing as well as those on the anvil like the ambitious Food Security Act and enhanced pension schemes.

The expansion of the social security net is bound to substantially increase government expenditure. While the recommendations of the Saxena

committee are not binding, the government may be compelled to take a close look at this estimate as they are close to the tally compiled by states under the rural development survey.

As reported by: Economic Times

Cement Output Up 11.6% in May

Cement output increased 11.6 per cent in May this year, indicating robust demand from the construction industry, whose growth was halted by the credit crisis last year. Official data showed that the six core infrastructure industries expanded by 2.8 per cent in May 2009 against 3.1 per cent in the same month last year.

Cement output, which is the barometer for construction industry expansion, led the performance chart, followed by coal (10.2 per cent) and electricity (3.3 per cent). This is the second month in a row that the cement sector growth stayed above 11 per cent.

However, crude oil production contracted by 4.3 per cent in May, while it had a growth rate of 3.2 per cent in the same month last year. This was followed by refiners processing lesser amounts of crude, leading to refinery products output shrinking by an identical 4.3 per cent in the month under review compared to 0.1 per cent growth in the year-ago period.

Finished steel output grew by a modest 1.4 per cent in May, indicating demand from auto makers although commercial vehicles sales have been sagging. The index, which carries a weight of 26.7 per cent in the Index of Industrial Production, grew by 4.3 per cent in April.

As reported by: Business Standard

<u>Economy Snapshot</u>			
Lending Rate	12.75-13.25%	GDP growth rate	5.8%
Exchange rate (INR/\$)	48.09	Annual Inflation rate	-1.14%
Oil	71.70 \$/Bbl	SENSEX	14690.25

Source: RBI, Economic Times, Business Standard

REAL ESTATE:

Sobha Developers Raise Funds Through QIP, GMR Withdraws

Sobha Developers managed to raise \$112 million through the QIP route. The company, which has debt of Rs 1,900 crore and is leveraged 1.6 times, sold 25 million shares at Rs 209.36 to around nine global investors, including Capital International and Albis.

This issue allows the promoters to offload around 22 per cent stake in the group. Sobha will be using the proceeds of this sale to repay debt and source working capital requirements. Enam and Morgan Stanley managed the issue for Sobha Developers

Meanwhile, GMR Infrastructure, the Bangalore-based infrastructure firm withdrew its \$500 million fund raising efforts through the QIP route for the time-being. According to a senior finance official of the firm, they had to withdraw as they could not generate interest for the entire \$500 million. The QIP issue opened late on Monday evening (29th June) with a floor price of Rs 142 per share.

As reported by: Business Standard

Nomura Agrees to Buy 30.5% Stake in LIC MF

Japanese financial services group Nomura has agreed to pick up a 30.5 per cent stake in LIC Mutual Fund for around Rs 227 crore. The deal involves a sale of stake by LIC and GIC Housing Finance to Nomura. LIC Housing Finance, which holds 39.3 per cent stake in LIC Mutual Fund, will sell 19.3 per cent to Nomura, while GIC Housing Finance will sell its entire 11.2 per cent stake for Rs 89 crore.

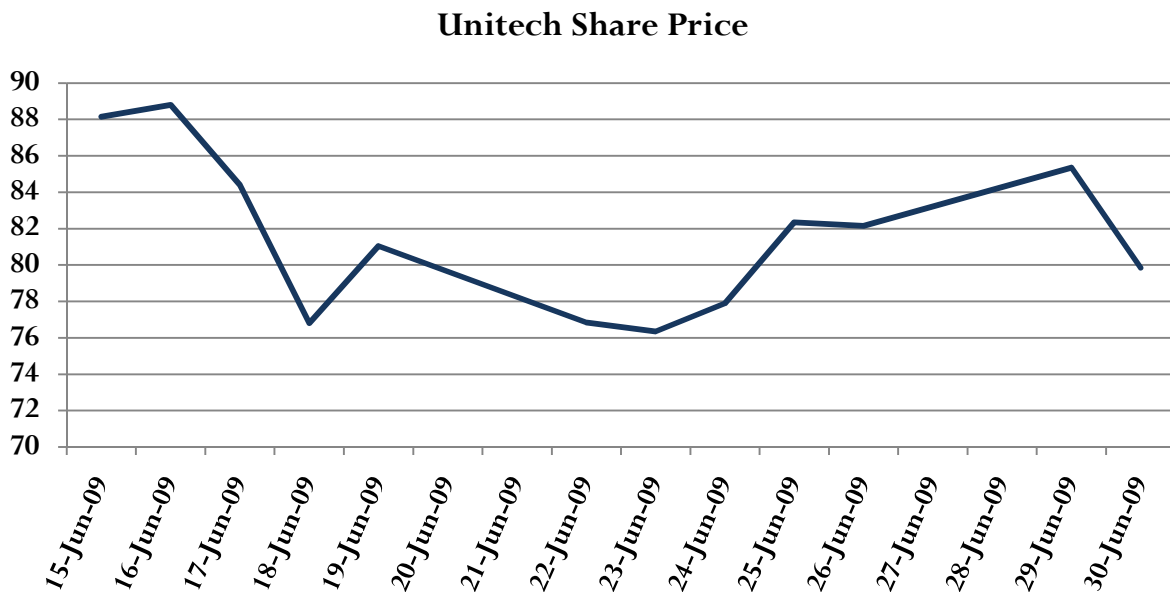
Post the deal, the LIC group would continue to have management control of LIC MF, with LIC holding a 45 per cent and LIC HF a 20 per cent stake.

As reported by: The Hindu Business Line

105% Jump in Unitech Profits, Parsavnath Sees a Massive Fall

Unitech posted a 105% jump in net profit for the fourth quarter ended March 2009 at Rs 280 crore. The profit comprises of a 48% rise in net sales at Rs 752

crore, supplemented by 'other income' of Rs 300 crore.



This comes after the announcement of Unitech raising \$ 575 million, through placing shares with overseas private equity funds at Rs 81 per share. The company plans to issue 342 million shares, which will expand its equity base by around 16.7%. This will bring down the promoter's stake in the company to around 43%. The money raised on Friday will be partly used to repay the high cost debt of and partly to launch affordable houses in various regions of the country. At present, the company has a loan of Rs 7,800 crore.

Meanwhile, Parsavnath developers reported an 89.13 per cent fall in consolidated net profit at Rs 11.61 crore for the fourth quarter ended March 31, 2009. The company's revenue declined to Rs 19.96 crore in the latest quarter from Rs 506.77 crore in the same month last year.

As reported by: Business Standard

IRB Infra is Lowest Bidder for NHAI's Rs 1,200-cr Project

IRB Infrastructure Developers emerged as the lowest bidder for the Rs 1,200- crore project of National Highway Authority of India (NHAI) in Punjab.

According to the infrastructure developer, it had submitted its bid with NHAI for developing road on the Pathankot to Amritsar section of NH-15

(National Highway). "The project is on grant basis with concession period of 20 years and its estimated cost is Rs 1,200 crore," it added.

Earlier, the company also emerged as the lowest bidder for the Rs 800-crore highway project of NHAI in Goa.

As reported by: Business Standard

Chennai Plans New IT SEZ

Tamil Nadu government is planning a special IT industry economic zone spanning 1,000 square kilometres, according to T Willington, director of projects, Tamil Nadu Industrial Development Corporation (TIDCO). The project is likely to attract investments of more than Rs one lakh crore and is being termed as an 'IT investment region'.

Willington while speaking at a FICCI-MIBC (Malaysian-Indian Business Cooperative) conference on real estate and infrastructure said that petroleum, chemicals and petrochemicals investment region at Cuddalore which had a planned investment of Rs 19,000 crore, and the IT investment region near Chennai, were major projects apart from the 69 SEZs being planned in the State.

The project is expected get approved by the centre by the end of the year. The project would be executed in two phases wherein the first phase covering not more than 20 per cent of the project area would be completed within five years and the next phase within 15 to 20 years. The identified region spans from the outskirts of Chennai to its North and extends upto Kancheepuram and Chengalpet to its South and will be bordered by the East coast road to its East.

As reported by: IndianRealtyNews

Hotel Industry Demands Infrastructure Status to Avail Easier credit

The Federation of Hotel & Restaurant Associations has sought a special package from the government which includes infrastructure status to the sector, delinking it from real estate business and linking it with small and medium enterprises sector for priority lending. The Reserve Bank of India at present classifies loans to the sector as a commercial real estate

exposure resulting in higher interest rates and non-priority status for financial assistance.

However, analysts say this alone will not be enough to ensure easier access to credit for the struggling sector. Bankers would only take a call based on the strength of the borrower and all these things will not necessarily increase the flow of credit. The concern for the hotel sector is larger in nature. More importantly, it has to do with the demand-supply scenario, Weak corporate spending in the wake of the global financial meltdown and the terror attacks in Mumbai last year have led to a fall in occupancy levels of most hotels.

The industry has also approached the government for certain tax concessions. The sector has also sought higher depreciation allowance of 20 percent on their buildings, from the current 10 percent.

As reported by: IndianRealtyNews

India the Most Attractive Nation for Global Retailers

According to a study by A T Kearney , India has emerged as the most alluring market for investment in the retail sector, surpassing the likes of China, Russia and the United Arab Emirates among 30 emerging markets .

Global Retail Development Index						
2009 Rank	Country	Country Risk	Market Attractiveness	Market Saturation	Time Pressure	GRDI Score
1	India	54	34	86	97	68
2	Russia	31	58	51	100	60
3	China	62	42	47	74	56
4	United Arab Emirates	89	66	50	21	56
5	Saudi Arabia	70	46	68	39	56
6	Vietnam	34	16	74	97	55
7	Chile	77	58	51	33	55
8	Brazil	52	60	68	31	53
9	Slovenia	100	64	12	33	52
10	Malaysia	65	47	48	45	51

Source: AT Kearney

According to the entity's Global Retail Development Index (GRDI), India is followed by Russia (2), China (3), United Arab Emirates (4) and Saudi Arabia (5). India was placed at the second spot last year. Similarly, the other four countries in the top five have improved their ranking, with the United Arab Emirates jumping 16 places from previous year's 20th rank.

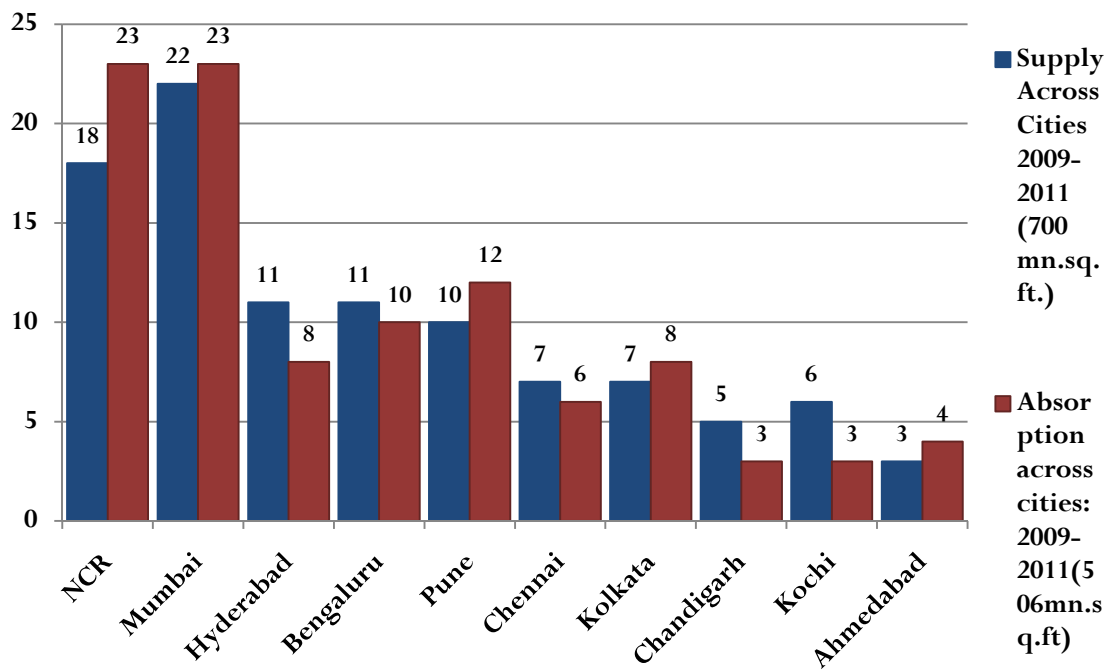
As reported by: Indian Realty News

HOUSING:

Crisil Sees Housing Market Recovery in 2010

According to the latest CRISIL report on residential real estate, demand in the market is expected to turn positive in 2010 due to improvement in affordability, steady economic growth and greater liquidity; however, the decline in the currently overpriced capital values of all three real estate segments of residential, commercial and retail will persist through 2009. Commercial and retail markets will continue to see erosion of lease rentals in the next two years.

The report, which is an analysis of over 400 areas, across 88 micro-markets in Ahmedabad, Bangalore, Chandigarh, Chennai, Hyderabad, Kochi, Kolkata, Mumbai-MMR, National Capital Region and Pune finds that capital values for residential sector and lease rentals for commercial and retail properties had substantially corrected till March.



Source: CRISIL

Kochi, Chandigarh and Pune, which have greater investor presence as against end-users, saw a greater fall in capital values compared to other

cities. The situation is expected to continue through 2009 and 2010, particularly in the commercial and retail segments.

Mr Sudhir Nair, Head, Crisil Research, in a press release said: “Accelerated growth of Indian economy, recovery of global economy, improved liquidity and expected fall in interest rates are key factors that will signal demand revival in the residential segment. This segment is likely to see a much faster revival due to a strong underlying demand for housing and supply coming at attractive price points.” The demand in the commercial and retail segments is likely to remain under stress the next two years owing to excess supply and weak off take, he added.

As reported by: IndianRealtyNews

Happy Home Scheme: SBI Loans Rs 1,500 cr a Month

State Bank of India’s disbursements on home loans under its ‘New happy home loan scheme’ has grown at Rs 1,500 crore monthly. This is about Rs 400 crore more than the monthly average of Rs 1,100 crore it did in the first two months since the scheme was announced. In the first week of February, SBI had announced that it will offer an interest rate of 8 per cent for one year — the lowest so far in the industry. In the second year, the rates applicable will be the prevailing rates then. The bank’s move was to stimulate demand in the housing market at a time when many buyers postponed their purchasing decisions amid economic uncertainty and fear of job losses. The scheme has now been extended till September.



The bank also offers two other schemes, which will be valid till the month-end. SBI Easy Loan for amounts up to Rs 30 lakh and SBI Advantage Home Loan for amounts above Rs 30 lakh, will carry the special rate of 8%, introduced in February. The bank has gone a step further by introducing special rates for second and third years in a move that could spark a rate war in the highly-competitive home loan market.

SBI, which claims to have the highest growth in its home loan portfolio last fiscal, saw its advances swell to Rs 54,063 crore. This is a 21-per cent increase from Rs 44,626 crore in the previous fiscal. During the same period, the bank's market share grew to 19.74 per cent from 17.48 per cent.

As reported by: The Hindu Business Line

CRDAI Demands Tax Relief to Encourage Affordable Housing and Slum Development

With the countdown to the Union Budget having started, the real estate industry body, Confederation of Real Estate Developers' Association of India (CREDAI), has put forth recommendations on the twin themes of affordable housing and slum redevelopment. According to a press release quoting its President, Santosh Kumar Rungta, President, says, "CREDAI appeals to the government on the impetus to create and facilitate affordable housing. We are optimistic that our recommendations to the Central Government will be evaluated with utmost importance and will put affordable housing' at the centre of public policy." According to the release, the real estate sector alone can add 1-1.5 per cent to GDP, if efforts are made to reduce the shortage in urban housing while moving towards a slum-free urban India.

CREDAI's first recommendation is on offering fiscal incentives for encouraging "affordable mass housing" in the 300-600 sq.ft and up to 1,000 sq.ft segments, by providing subsidy in interest payable by the homebuyer. The second recommendation pertains to slum redevelopment, wherein CREDAI advocates exemption of direct and indirect taxes to boost the 'slum redevelopment' initiative. CREDAI also recommends increasing deduction on interest paid on self-occupied residential house property, currently restricted to Rs 1.5 lakh a year. CREDAI also wants 100 per cent interest deduction on home loan taken by senior citizens or by their children if they opt to buy a second home in the joint name of parents who are above 55 years old; and no capital gains should be payable by the senior citizens/their children on sale of these residential units.

As reported by: IndianRealtyNews

International News:

ECONOMY ROUNDUP:

UK Economy Shrinks Most in 50 Years

The UK economy shrank by the most in more than half a century in the first three months of the year, according to revised figures which were much weaker than originally estimated.

The 2.4 per cent decline in gross domestic product was sharper than the 1.9 per cent initially calculated, the Office for National Statistics reported, and was greater than the 2.1 per cent fall expected by economists. About half the revision was due to the introduction of new construction sector data and the rest was because of more complete services sector figures showing a sharper decline. Not since 1958 has the quarter-on-quarter decline in GDP been greater, while the 4.9 per cent drop compared to a year earlier was the largest since records began in 1948.

Despite the dramatic contraction in the economy, rating agency Fitch reconfirmed the top triple-A rating on the UK's sovereign debt at stable - along with the US, France and Germany - refusing to follow rival Standard & Poor's which recently changed the UK's debt outlook to negative.

As reported by: Financial Times

US Economy Contracts By a Revised 5.5%

The US economy continued to contract in the first quarter of this year, but at a slower pace than previously thought, official figures showed.

Revised commerce department figures revealed that US gross domestic product declined by an annualised rate of 5.5 per cent in the first three months of the year. That was better than economists expected and a smaller contraction than the original estimate of a 6.1 per cent decline and last month's estimate of a 5.7 per cent decline.

Output is slowly beginning to rekindle in the US economy, which has been mired in its worst recession in the last 50 years. The first quarter result, while grim, was an improvement from the end of 2008 when GDP declined by 6.3 per cent, the steepest fall since 1982. Housing and manufacturing have shown signs of life lately. Home prices and sales have

begun to stabilise in some areas and businesses have begun to ramp up their capital investment with more orders for durable goods.

However, analysts fear that rising joblessness could slow the recovery. The labour department said on Thursday that initial jobless claims rose by 15,000 to 627,000 last week. That was more than expected and boosted the four-week average to 617,250. The number of Americans continuing to claim unemployment benefits rose in the second week of the month to 6.74m, up from 6.71m the prior week. The US unemployment rate rose to 9.4 per cent last month and is expected to climb to 9.6 per cent in June.

As reported by: Financial Times

Japanese Jobless Data Jumps to New High

Japan's jobless rate rose to a new 5-1/2-year high in May and job availability sank to record low but government stimulus efforts prompted a modest rise in household spending, reinforcing forecasts the economy will return to growth in the current quarter.

As they stop hiring, the jobs-to-applicants ratio slid to 0.44, meaning about four jobs were available for every nine applicants. It was the lowest reading since the data started in 1963 and below a median market forecast of 0.45. The seasonally adjusted unemployment rate rose to 5.2 per cent – the highest since September 2003 and in line with the market forecast – from 5.0 per cent in April. Economists expect the jobless rate to rise beyond a postwar peak of 5.5 per cent, hurting domestic consumption, which had seen a limited recovery even during the boom years as the population ages. The number of employed people sank by 1.36 million from a year earlier, a record rate, as both manufacturers and the service sector cut staff, an official said.

But the jobs data suggests any recovery is likely to be tempered by sluggish domestic demand, even as the country's export industries start to recover from a sharp downturn in the global economy. No one expects that the labour market is improving yet. Labour indicators are always lagging indicators to the business cycle and we are still in a very early stage of recovery so probably the deterioration of the labour market continues but at a more moderate pace," said Masamichi Adachi, a senior economist at JP Morgan.

As reported by: Financial Times

REAL ESTATE:

Dubai Holdings and Emaar in Merger Talks

Dubai Holdings, an investment arm of the government, is in merger talks with the Gulf's leading developer Emaar Properties, which, if materialises, would create a conglomerate worth \$500 billion. The proposed move would consolidate Emaar Properties with Dubai Properties, Sama Dubai and Tatweer, firms owned by Dubai Holdings.

Confirming merger talks, Mohammed Al-Gergawi, Chairman of Dubai Holdings, said: "Consolidating these three companies with Emaar is a natural progression in the evolution of the Dubai real estate landscape, providing benefits to all stakeholders. By joining forces, we will give the larger combined entity an unparalleled platform to optimize opportunities in its domestic and international markets." Gergawi said that the combined entity has a clear and concise strategy, better positioning Dubai as the world's leading hub in real estate development and management.



Burj Dubai -the tallest tower of the world, developed by Emaar

The combined entity formed by its merger with three real estate units of Dubai Holdings LLC will have \$3.65 billion (13.4 billion dirhams) as external debt commitments. The entity's total asset will be 194 billion dirhams, making the total debt is about seven per cent of the company's total asset.

Sama Dubai owns projects worth more than 44 billion dirhams in Morocco and a further 91 billion dirhams in Tunisia. Emaar, on the other hand, has more than 400 billion dirhams worth of projects under various phases of development in Saudi Arabia, Syria, Jordan, Lebanon, Egypt, Morocco, Algeria, Libya, India, Pakistan, Turkey, Indonesia, USA, Canada and the UK.

As reported by: Business Standard

Property Funds see First Investment Inflows for 12 Months

UK property funds saw their first net investment inflows into the sector since April last year, with £2m of inflows during May. This compares with outflows of £12m in April. Figures from the Investment Management Association (IMA) show that property funds reported continuing confidence from retail investors with net inflows of £36m, up from £19m the previous month. However, institutional investors continued to take money out of property funds. May saw £34m worth of outflows from institutional investors. This was slightly higher than the £31m of disinvestment seen in April and was more than double the £15m of outflows in March.

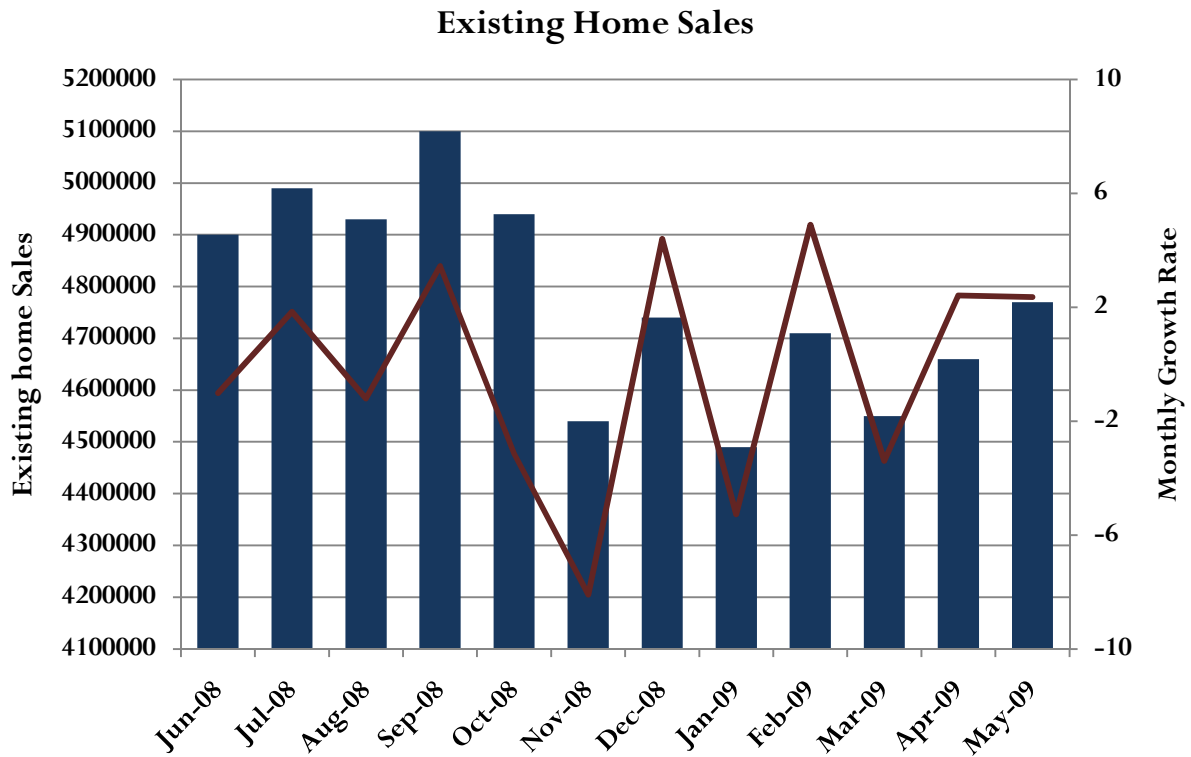
As reported by: EGI

US Home Resales Rise 2.4% in May

Sales of existing US homes climbed in May as falling prices, rising foreclosures and government tax breaks continue to lure buyers back to the market. Home resales rose by 2.4 per cent last month after rising by a revised 2.4 per cent in April, the National Association of Realtors said on Tuesday. The monthly rise was less than economists expected, while sales on the year are down by 3.6 per cent.

Lawrence Yun, NAR's chief economist, said that the government's \$8,000 tax credit was succeeding at luring first-time buyers to purchase homes, particularly on the lower end of the market. However, he warned that

inaccurate appraisals by people unfamiliar with the neighbourhoods they are evaluating are becoming increasingly problematic and could delay the housing recovery.



Source: National Association of Realtors

Foreclosures and distressed sales have accounted for nearly half of all sales in recent months, but in May that dropped to a third as more repeat buyers entered the market. Interest in the housing market has ticked up, with the number of potential buyers looking at homes 10 percentage points higher compared with a year ago.

The NAR said that the median price of a home in the US fell by 16.8 per cent from a year ago to \$173,000 in May. Existing home sales were the strongest in the midwest and northeast last month, where they jumped by 9 per cent and 3.9 per cent, respectively. Resales were unchanged in the south and dipped by 0.9 per cent in the west.

As reported by: The Financial Times

Compiled By:

Katyayini Krishnamoorthy

Research Associate

Indu Centre for Real Estate and Infrastructure

Indian School of Business

Hyderabad

+91 40 2318 7924

Katyayini_k@isb.edu

For Further Information Contact:

Dr V Chandrasekar

Professor-Entrepreneurship

Executive Advisor

Indu Centre for Real Estate and Infrastructure

Indian School of Business

Hyderabad

V_Chandrasekar@isb.edu

Katyayini Krishnamoorthy

Research Associate

Indu Centre for Real Estate and Infrastructure

Indian School of Business

Hyderabad

+91 40 2318 7924

Katyayini_k@isb.edu