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## ECONOMY

### Indian Economy Will Have a Nine per cent Growth Rate by 2011: PM

**Moscow, 08 December 09;** Prime Minister Dr. Manmohan Singh on Monday said that he expected the Indian economy to enjoy a growth rate of nine per cent once again by the year 2011.

Addressing the India-Russia CEO Council along with Russian Prime Minister Vladimir Putin, Dr. Singh said: "Our saving and investment rates point to our ability to go back to our growth rate of 9 per cent in about two years time.

#### Economy Snapshot

GDP	7.90%	Inflation	1.51%	Exchange Rate Rs-\$	46.45
SENSEX	17228	Oil (NYMEX)	75.6	Lending Rates	11-12%

Source: Economic Times, RBI , Business Standard  
As on: 08 December 2009

Dr. Singh said the country's economy, despite the global slowdown, has been growing at a rate of 6.7 per cent and this year it would grow at the rate of about seven per cent.

"India's global leadership in the field of Information technology sector is well recognized and its collaborations in BPO sector with Indian companies will bring significant benefits to several companies and countries particularly in Europe and America," he added.

Source : The Economic Times

## Commercial Real Estate:

### Realty Funds Are Back As Interest In Sector Revives

**Bangalore, 11 November 2009;**Real Estate funds are gaining momentum as the sector shows signs of revival. After hitting a five year low due to the global slump last year, a number of new and existing real estate funds are planning to tap domestic and offshore markets to raise funds.

Indiareit Fund Advisors Pvt Ltd, a real estate venture capital fund manager, is currently raising two new real estate funds. Indiareit which has raised around Rs 1,850 crore through three real estate funds and will be raising Rs 500 crore through a domestic fund and \$500-million through an overseas fund. ASK Investment Advisors, which raised a domestic real estate fund recently, is planning to raise a \$250-million offshore real estate fund. Dewan Housing, a player in the housing finance segment, is planning to raise a \$250-million real estate fund. ICICI Ventures is also looking at launching a real estate fund by the fourth quarter of this year. Morgan Stanley, which has a global real estate fund in India, might also look at raising an India-focused real estate fund by the end of this year.

One of the key reasons for rejuvenation in fund raising activity is the revival of the sector in India. According to the Motilal Oswal report, one of the key signs of recovery in the sector is asset prices. Since June, residential real estate prices in cities such as Mumbai and New Delhi have increased by 15-20 per cent on an average. Sunil Rohokale, executive director, ASK Investment Holdings, said: "At this point in time, investors are looking to park money in growth assets. Real estate prices have corrected sharply in some pockets. Although there is a lot of liquidity in capital markets, developers are still starved for funds. That is where real estate funds have a role to play. Real estate players have a huge land bank. However, the capital needed to kick off these projects is not there."

Domestic funds are looking at 'High net worth Individuals' (HNI's) and Ultra UNI's for investment, whereas offshore funds are looking at institutional investors. "There is selective appetite among ultra HNIs to invest in income-yielding real estate assets. A number of people are investing to hedge against inflation. Internationally, investors hedge through commodities. In India, they do so through real estate. Having said that, investors have become very selective on who the fund manager is. They are also looking at execution risks in projects," said Satyanarayan Bansal, CEO, Barclays Wealth.

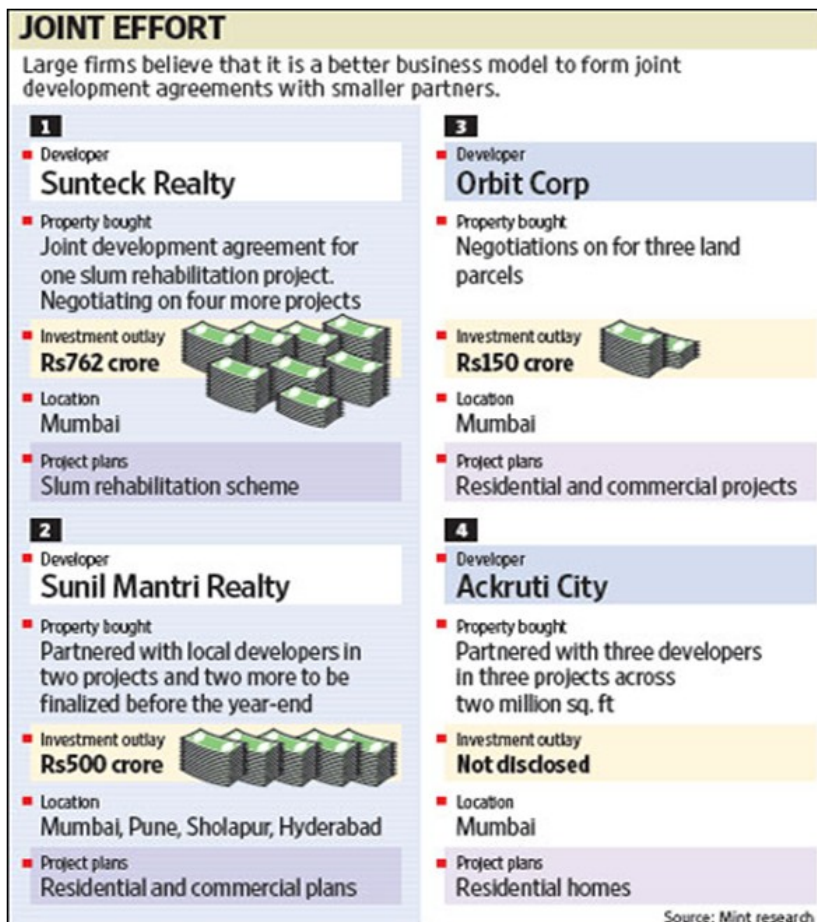
Experts say a major reason behind HNIs investing in real estate funds is low ticket sizes. Prior to 2006, real estate funds were beyond the reach of HNIs as entry barriers were too high. However, with ticket sizes coming down to as low as Rs 25 lakh and even Rs 10 lakh in some cases, HNIs and ultra HNIs can easily invest in these funds.

Source : Financial Express, Business Standard

## Big Realty Companies Picking Up Stakes In Distressed Developers

**Mumbai, 22 November 09:** The revival of the residential market and money raised from qualified institutional placements (QIPs) is driving bigger real estate companies to buy out local and smaller builders who are finding it difficult to pick up after the slump.

Real estate companies such as Ackruti City Ltd, Sunteck Realty Ltd, Orbit Corp. Ltd, Oberoi Constructions Pvt. Ltd and Sunil Mantri Realty Ltd are picking up stakes in distressed assets or taking over completely from smaller developers stuck with land parcels without the money to build on them. Such assets carry the added advantage of having approvals in place and therefore being quicker to complete.



Over the past few months, Ackruti has concluded three deals, picking up stakes in projects in Mumbai from small firms that have been stuck after buying land during the boom. The deals cover a total 2 million sq. ft. “For us, any land which we buy has to be available at a reasonable price, these properties came to us at good rates. The projects will be renamed and sold under the Ackruti banner,” said Vimal Shah, managing director of Mumbai-based Ackruti City.

Orbit Corp. has set aside Rs150 crore, part of which was raised from its QIP in August, to buy distressed assets. “We are negotiating with three developers who are also landowners for properties in south and north Mumbai, these are good opportunities for us because it reduces at least two years of work for us and makes it easier to start the project.” said Pujit Aggarwal, managing director, Orbit Corp.

Developers said that the pile-up of assets is the consequence of a three-year boom, during which landowners without any track record or expertise in property development, turned overnight into builders to cash in on the bubble.

“In the current situation, small firms, which are sitting on big land parcels, are scared to execute the projects and don’t have the money,” said Sunil Mantri, founder of Sunil Mantri Realty. The opportunities aren’t limited to the bigger markets such as Mumbai, he said. Mantri has completed several deals for distressed assets in Hyderabad and Pune.

Source: Live Mint

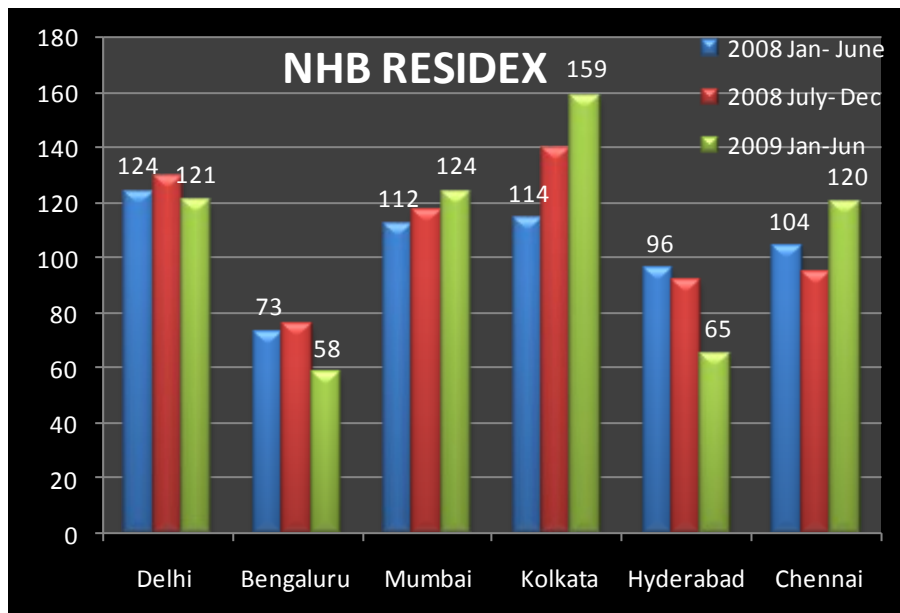
## NAR Developing Live Property Valuation Index

**Pune, 02 November 09;** National Association of Realtors (NAR), an apex organisation of real estate brokers in the country, is working towards developing a live property valuation index, which will become the benchmark for real estate deals in the country. NAR President Ravi Varma told TOI that the brokers' body has almost concluded talks with the National Housing Bank (NHB) for development of such an index. The NHB is the norm-deciding body for all housing finance institutions (HFIs). "We will soon formalise the arrangement and start developing the index for which data collection is already under way," Varma said.

Under the mandate from NHB, the brokers body will develop Residex' which will be an index similar to the stock exchange index that will reflect the valuations of home properties in different locations across the country. Varma said Residex will be a quarterly indicator of property prices that will come in handy for HFIs to assess the correct value of a property they are considering to finance. "The index will also act as a guide for property buyers," he added. Varma informed that initially, the exercise will be of an experimental nature and will eventually become a benchmark for property valuations for the HFI. He also said that the liberalization of India's realty sector makes such valuation very important. Realty valuation indices is a standard practice in mature real estate

markets and international buyers demand data based on statistics and future expectations about returns. NAR has begun an exercise to expose its members to the new valuation methodology by inviting international experts to conduct workshops across the country.

An effort is on to involve local real estate brokers' bodies like the Estate Agents Association of Pune (EAAP) to introduce best international practices to the members. "As a part of this ongoing initiative we are focusing on undertaking various programs with support from international agencies for empowering Indian realtors to adopt best global practices in their functioning," said Ravi Varma, president of the National Association of Realtors, India. "In this process we are taking help from organisations like United States Agency for International Development, International Real Property Foundation and the National Association of Realtors, USA. Moreover, we at NAR, India, are also taking special efforts in customising the best international practices to suit the practices prevalent in the Indian market," he added.



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Source: Times of India

## Infrastructure:

### GMR In Talks With 3i, Macquarie-SBI Infra To Raise \$450 mn

**Hyderabad, 29 November 09:** Infrastructure conglomerate GMR Group is in talks with private equity funds 3i Investments and Macquarie-SBI Infrastructure to raise \$450 million in GMR Airport Holdings. GMR wants to sell a minority stake in the airport subsidiary to raise cash for investments in infrastructure and power. The airports business, which includes the Hyderabad and Delhi airports, account for 45% of the group's revenues.

GMR's group chief financial officer A Subbarao said in a media statement two days ago that the company plans to invest \$650 million in its various businesses over the next two years. He also said that the company was talking to various private equity investors for buying stake sales in its infrastructure and power businesses.

London-headquartered 3i Investments manages a portfolio of \$920 million in investments in India across media, automotives, construction, power, ports and manufacturing, amongst others. Amongst its major investments is a \$272-million investment in Adani Power. Other investments include stakes in International Tractors, OOH Media, Krishnapatnam Port Company and Vijai Electricals.

3i also closed out a \$1.2-billion India Infrastructure fund in April 2008, of which it has already deployed \$330 million. Macquarie and SBI announced the launch of their \$1-billion infrastructure fund in April this year.

Source: The Economic Times

### Shriram EPC In Pact With Chinese Co For Power Projects

**Chennai , 30 November 09:** Shriram EPC Ltd has signed a memorandum of understanding with North West Electric Power Design Institute of China to form a consortium to undertake 'engineering, procurement and construction' (EPC) contracts for thermal power projects in India. Shriram EPC said that the company would be the lead partner in the consortium. The MoU is valid for five years. North West Electric specialises in design, consultation and EPC projects in the power sector. It is one of the leading power companies in China, executing 1,000-MW ultra supercritical power projects, air-cooled condenser units and high voltage DC and AC power transmission engineering design.

The significance of the MoU to Shriram EPC will be that it would now be able to bid for power projects that were previously out of its reach. Shriram EPC is involved with the power sector in multiple ways. Its subsidiary, Orient Green Power Ltd, is into renewable energy and has a portfolio of about 124 MW and is putting up another 220 MW of capacity. Through a joint venture with Leitwind of Italy, Shriram EPC is into the manufacture of wind turbines generators and blades.

Source: The Hindu Business Line

# Housing:

## Affordable Housing Sector Faces Threat of Inventory Pile-Up

**New Delhi, 30 November 09;** A boom in so-called affordable housing seems to be turning into a bust before it really took off, as data released by a realty research firm show that sales of houses priced between Rs5 lakh and Rs30 lakh have dropped in the past three-four months, leading to an inventory pile-up and a possible price correction in the near future. Developers launched a slew of affordable housing projects after the realty market crashed last year. It now seems that they may have miscalculated the demand for affordable housing, just as they did for premium housing.

According to findings of a report by PropEquity Research, the decline in sales of affordable homes started from the July-September quarter. “The decline in rate of absorption coincides with a hike in home prices by developers, which we think has impacted sales,” said Sameer Jasuja, chief executive of PropEquity. The study surveyed 13 cities for a year starting July last year. As many as 106,008 apartments in the Rs 5-30 lakh range were launched across India during the period, of which 48,826 have been sold, showing a 46% absorption rate. Pune had the highest launches with a supply of 13,971 residences in the period, followed by Gurgaon in Haryana with 11,388 and Mumbai, with 11,098. Pune also had the highest absorption at 7,043 units, followed by Gurgaon at 4,426. Developers in Mumbai and Gurgaon have increased prices by 10-15% in the last three months as home sales picked up.

Property developers, however, disagreed with the report’s findings. “In Mumbai, developers have increased prices but there are no affordable homes in Mumbai. Homes there are all at Rs50 lakh and above, while in Gurgaon, the price increase of homes in the primary market (new launches) has been marginal, between 3-5%, mostly to take care of cost inflation. I don’t think the price increase has impacted volumes,” said R. Nagaraju, general manager, corporate strategy and planning, Unitech Ltd. “Absorption levels are healthy. We are selling 1.5-2 million sq. ft a month,” he said.

Big players like DLF and Ansal have announced their respective entries to this segment last month. DLF plans to build one lakh affordable houses that would cost less than Rs 20 lakh in major cities across the country. Realty major Ansal API announced their plans to invest Rs 1,000 crore by 2010 in the mid-housing segment. The Haryana government has also decided to come out with 70,000 affordable houses in Gurgaon. The 1,400-acre project, coming up in the southern periphery of Gurgaon (Sector 58-115), will provide accommodation to about 70,000 families at the rate of 13– 50 lakh.

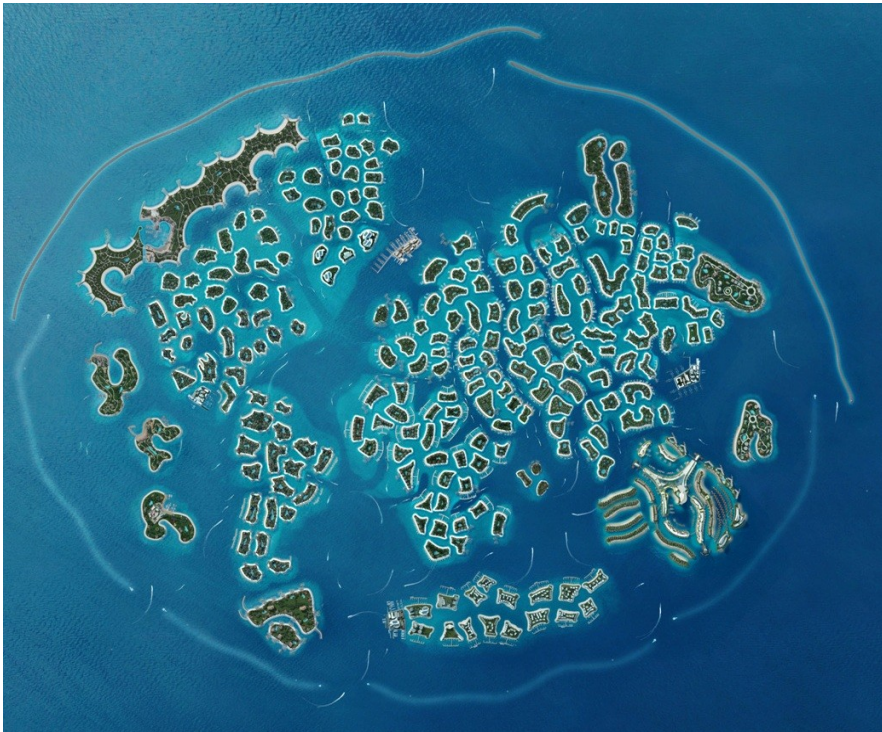
Source: Live mint, Economic Times, Business Standard

# International

## Dubai Crisis : In Depth

### Dubai World asks for debt ‘standstill’

**Dubai, 25 November 09;** Dubai World, the conglomerate owned by the government of the Gulf emirate, asked creditors for a six-month “standstill” on its obligations. The group includes Nakheel, a state-owned property developer that is responsible for some of Dubai’s most ambitious land reclamation projects – including the Palm Jumeirah and the World Islands – and has \$4bn in outstanding Islamic debt falling due next month. The conglomerate also includes the high-profile DP World, the



**The World** is a man-made archipelago of 300 islands constructed in the rough shape of a map of the landmasses of the Earth, developed by Nakheel Properties.

owner of the former P&O ports operator.

The standstill plea came as two wholly-owned Abu Dhabi banks subscribed a further \$5bn in financing for debt-laden Dubai, the Emirate’s department of finance said in a statement. National Bank of Abu Dhabi and Al Hilal Bank, an Islamic institution founded only last year, each subscribed \$2.5bn in bonds issued by Dubai, the statement said. “The \$5bn bond announced earlier today by the Dubai Department of Finance... is not linked to the restructuring of Dubai World,” the

department said . The bond subscription comes 10 months after the Central Bank of the United Arab Emirates, which is based in Abu Dhabi, bought \$10bn of government paper issued by Dubai, the first tranche of a proposed \$20bn programme.

Over the preceding weeks, senior Dubai figures had insisted that all was well and that a landmark \$4bn sukuk or Islamic bond due in December by Nakheel, which has preoccupied the markets since the start of the year, would be repaid in full and on time. Financiers had assumed that Abu Dhabi, the wealthy capital of the UAE, would stand behind Dubai if necessary.

# International

## Dubai Crisis : In Depth

### Continued:

According to Bloomberg, the cost of protection against a Dubai debt default widened by more than 100 basis points to stand at more than 400 basis points in intraday trading. Moody's Investors Service downgraded the ratings of all six government-related issuers in Dubai and left them on review for possible further downgrades.

Although the scale of Dubai's debts is comparatively modest at \$80 billion (£48 billion), the uncertainty spooked the markets, with no one sure who its creditors are. Several banks rushed out statements to reassure investors that their exposure was small.

### Exposure to the World:

#### UK

UK banks have a total exposure to Dubai World of about \$5bn, confirming them as the biggest foreign creditor group at the crisis-hit emirate holding company.

Bankers and their advisers, who have been scrambling to pin down their exposure to Dubai World, said that Royal Bank of Scotland was the most exposed of the UK lenders, ahead of HSBC, Standard Chartered and Lloyds.

Of the \$40bn of total Dubai World debt, they said RBS had between \$1bn and \$2bn of exposure, compared with about \$1bn apiece for the other UK institutions. One senior banker with knowledge of the debt portfolio said Emirates National Bank of Dubai was the biggest single creditor with outstanding lending of about \$3bn.

The UK banks are understood to have much of their lending focused on the still-functioning parts of Dubai World, including DP World, the ports operator, and Jebel Ali Free Zone. As a result, of the \$26bn of Dubai World debt being restructured, RBS's exposure amounts to about \$700m and StanChart's to about \$350m, far smaller amounts than many had initially feared. The banks declined to comment. Other top 15 creditors include international banks such as BNP Paribas, Société Générale and Calyon.

The \$26bn of debt that is being restructured includes \$5.5bn of syndicated debt and close to \$6bn of sukuk bond debt, with all of the latter issued by Nakheel, the troubled property arm. The balance is made up of bilateral lending deals between Dubai World companies and individual lenders, on which no data are published.

# International

## Dubai Crisis : In Depth

### Continued:

#### USA:

According to a report by CreditSights, U.S. banks have roughly \$10 billion of exposure to the United Arab Emirates, with Citigroup Inc. and JPMorgan Chase & Co. accounting for the bulk of it.

Most major banks have not broken out how much exposure they have to Dubai World. However, for the entire United Arab Emirates, Citi had about \$5.9 billion of exposure and JPMorgan \$2.5 billion during the fourth quarter, according to the report. Bank of America Corp. was owed \$664 million as of the third quarter, CreditSights said.

The independent research firm used data from the Bank of International Settlements, Emirates Banks Association and regulatory filings to come up with its figures.

#### India:

Corporate India, bankers, realty players and exporters were on Friday shaken up a bit by Dubai's debt repayment crisis, where their exposure could be at least Rs 7,000 crore, but hoped that the problem would blow over.

The banks said their exposure could be Rs 5,000-6,500 crore to the Middle-East city, where state-owned conglomerate Dubai World has sought more time to repay debts of \$ 59 billion. This included Bank of Baroda with about Rs 5,000 crore of exposure and SBI of less than Rs 1,500 crore. A host of other major banks, including largest private sector lender ICICI Bank, said they had no exposure to Dubai.

Besides, some realty players also have presence in Dubai, but an overall exposure of below Rs 100 crore could be ascertained from the sector. Majority of leading players like DLF, Unitech, Parsvnath and EmaarMGF claimed that they would not be impacted by the crisis. Those who disclosed exposure to Dubai included Omaxe (about Rs 40 crore).

EmaarMGF, a joint venture between Dubai's Emaar Properties and India's MGF, said it would not be impacted, although the rating agencies like S&P and Moody's cut credit ratings for the Dubai firm.

Other companies having exposure to Dubai included Larsen and Toubro (over Rs 100 crore) and Nagarjuna Construction (over Rs 400 crore).

Source: The Financial Times, The Times, Wall Street Journal, NDTV, Economic Times

# International

## Dubai Crisis : In Depth

### Dubai World prepares to sell overseas assets

**Dubai, 7 December 2009,** A group of international and regional banks met Dubai's struggling conglomerate, Dubai World, for the first time on Monday as talks began on the company's request to restructure debts of \$26bn. People familiar with the process said it was a "kick off" meeting for what is expected to be a long and drawn-out process and it included key creditors expected to form a steering committee. A group of banks - RBS, Standard Chartered, HSBC, Lloyds and two UAE banks – began forming a steering committee last week under the aegis of KPMG, which is expected to be appointed to represent creditors.

As a part of the restructuring process Dubai World may be forced to see overseas assets. Abdulrah-



The **Palm Islands** is another island development of Nakheel Properties.

man al-Saleh, director-general of the department of finance, said that the holding company could sell some of its foreign investments and real estate holdings, which include the QE2 cruise liner and Cirque du Soleil, the Canadian circus operator. "There is nothing to prevent [Dubai World] selling these assets," Mr Saleh told Al Jazeera television.

The comments did little for confidence on the local Dubai financial market where the index dropped nearly 6 per cent to a 20-week low. Emaar, a major state-controlled real estate developer and Arabtec, a large contractor, were particularly badly hit in the day's trading.

The main goal of the restructuring process is to guarantee the survival of Dubai World, which borrowed heavily to fuel an overseas expansion

programme, within a new financial framework agreed with creditors.

Some bankers have suggested that Dubai World's debt problems are so severe that the government may have to look to sell assets beyond those held by Dubai World or its two real estate units Nakheel and Limitless to put the holding company back on a stable financial footing.

Source: The Financial Times

# International

## US Commercial Mortgage Default Rate Hits 3.4%

**New York, December 1 2009** ;The default rate for commercial mortgages in the US climbed to a fresh 16-year high in the third quarter of this year, as the property market continued to struggle under the weight of tight credit and falling rents.

During the third quarter the commercial default rate rose from 2.88 per cent to 3.4 per cent, the highest level since 1993, according to figures released by Real Estate Econometrics, a property research firm. The quarterly increase was the third-highest since 2003 and the default rate has doubled in the last year.

“The dramatic decline in real economic activity and labour markets since last September has undercut property fundamentals, increasing the number of recently originated loans that are at risk for delinquency and default because of cash flows falling short of principal and interest obligations,” said Sam Chandan, chief economist at Real Estate Econometrics.

The rising default rate is bad news for banks, which hold more than 80 per cent of maturities on commercial real estate debt over the next two years. According to Real Estate Econometrics, during the latest quarter the total balance of delinquent and defaulted commercial mortgages jumped by 14 per cent to \$50.3bn.

Source: Financial Times

## CBRE Reports Record Monthly Total Return for UK Property

**London, 08 December 09**, The UK commercial property market saw a 3.4% total return in November, the strongest month recorded by the CB Richard Ellis Monthly Index. CBRE said the return surpassed last month's 2.7%, previously its strongest recorded monthly total return.

### PERFORMANCE RESULTS TO END NOVEMBER 2009

Index Total Return Figures	All Office	All Retail	All Industrial	All Property
November 2009	165.5	175.3	196.6	175.3
December 2008	166.3	176.3	189.9	175.1
November 2008	173.5	185.1	196.6	183.0

Total Return % Change	All Office	All Retail	All Industrial	All Property
1 month	2.7	4.1	2.8	3.4
Year to Date	-0.4	-0.6	3.5	0.1
Annual	-4.6	-5.3	0.0	-4.2

Source: CB Richard Ellis Index November 2009.

All-property capital values rose by 2.7% over the month, with retail warehouses and shopping centres leading the way with increases of 4% and 3.9% respectively. Central London offices saw further strong performance, with capital values up 2.7%. All-property rental values continued to correct, although at a slower rate than last month, falling 0.3% in November. They are down 9.3% annually. Rental growth declined by 8.5% in the year to date and 9.3% annually. The all-property equivalent yield fell 21 basis points, ending the month at 7.6%. Source: EGI, CBRE

## Prime Property Prices in Europe Begin to Stir

**London, 27 November 09,** After sharp falls during the credit crisis, prime residential property prices in Europe are beginning to regain their poise, fuelled by investor appetite for direct investment opportunities, cheap money and exchange-rate advantages.

The downturn hit prime property -- those valued at €2 million and above -- hard. Central London prime residential property fell between 20%-30% from peak to trough. Monaco and South of France property was off 20%.

But the worst of the crisis for top residential property prices in London and other prime locations outside of Switzerland appears to be over. Knight Frank, the upmarket London-based estate agent, said that 30% of its deals in the prime central London market were sealed in October and September. Savills, another exclusive London estate agent, reported a similar rise in activity during the same period.

Property lawyers are saying that activity is being helped by many wealthy investors buying prime resi-



Kensington Gardens, is one of the one of most expensive properties in London. It is the residence of L.N Mittal.

property consultant Charles McDowell. Mr. McDowell said two thirds of the deals he has worked on worth £5 million and more were financed by mortgages. "This is a far higher percentage than would have been purchased with mortgage finance in previous years," he said.

At least 50% of buyers for prime central London property are coming from abroad, say estate agents. Middle East and Asian buyers are active, and continental European buyers, buoyed by the strong euro are also driving demand. Weak sterling and the desire to own a "trophy" house in central London might be behind much of the demand for prime property in the U.K. capital, but in Switzerland prime property purchases are being driven by Europe's wealthy looking for refuge from tougher tax regimes.

dential property in Europe for investment reasons. Henry Stuart, a partner and property specialist at private client lawyers Withers said that activity has been particularly strong around the £1 million to £2 million market in central London. Withers also worked on six of the 10 houses sold for £10 million-plus in central London in the second quarter of this year.

Many wealthy buyers are taking advantage of cheap mortgage deals to finance purchases.

"Buyers see prime property as a low risk means of generating cheap capital," said prime London

## Interview:

### “Affordability in Real Estate is Defined by Geography”

Mr. Nirman Shetty works as a Senior Strategist with Mumbai based real estate developer, The Lodha Group. He graduated from ISB in April 2008. Prior to ISB, Nirman worked for Microsoft Corp for 4 years, first in development and testing, and then in Program Management. He is a Computer Science engineer and loves Bangalore, Ayn Rand and Warren Buffet, not necessarily in that order.



Nirman Spoke to Rishi Kumar from the Real Estate Club about the future plans of Lodha group and his assessment of the Mumbai real Estate market. Here are the excerpts:

- *Lodha Group is planning an initial public offering to raise up to 30 billion rupees (\$640 million) in December. What is the strategy of the firm in terms of utilizing these funds?*

The primary utilisation of funds from the IPO will be towards generating more value out of the business. We need a large capital outlay considering that we have a large number of projects coming up. We are also looking at acquiring significant land opportunities in Mumbai and other regions. Hence the funds will be used for land purchases and meeting our working capital requirements. Some of it will also go into retiring our debt.

- *How are your existing projects shaping up? What are the new projects in the pipeline?*

Our projects can be classified into 3 buckets - One is Mumbai City itself. It is a unique market. The kind of dynamics we see here is something you will not find in any other market in India. Mumbai city is one of most expensive cities in terms of real estate prices. The second bucket comprises the Mumbai Suburbs which includes areas like Thane, Dombivili etc where the dynamics are more in line with those of markets in the rest of the country. We have a lot of land and upcoming projects in this bucket. The third bucket consists of projects outside Mumbai. We have projects in Hyderabad and very soon we will be venturing into the Pune market too.

## Interview:

- *Lodha has been a luxury housing developer. Builders have now started looking at budget and affordable housing. What is your assessment of the changing demand?*

The demand curve for housing purchases was very steep last year. Hence, the demand for high value properties just fell apart, which led to developers crowding the low value and affordable segment.

Affordability is a very relative concept. I believe that affordability in real estate is defined by its geography. For example, a property in Thane at 20-30 lakhs and the same kind of property in South Mumbai at 3-4 crore are both considered affordable. We have a lot of projects in Thane and Dombivili, which target the middle income customer base. These



Lodha Solitaire, is a current luxury project by Lodha located at Napean Sea Road.

are projects which range from 15-20 lakhs per unit to 50-60 lakhs per unit.

In terms of low income housing segment, we are very interested but the challenge there is opportunity cost and profitability. There is still a big market for mid income housing and most developers are generating significant profits from this segment. But the same cannot be said about low income housing. It is very difficult to achieve construction costs below Rs 800 per square feet in Mumbai and hence the opportunity cost of getting into a low income housing project is pretty high. The other challenge is in reducing the cost of construction in real estate. Since the margins are so narrow in low income housing, to make it feasible there have to be tight cost controls. In other industries it is easier to achieve lower costs from innovation and most of this innovation is replicable and repeatable.

In real estate, every market is very different and we cannot develop a cookie cutter model which can be applied to two different markets (or even micro-markets within the same city). What works for one geography may not work for another place and what works for one segment may not work for the other.

## Interview:

- *How do you look at competition in the industry? Is consolidation likely to happen in the industry?*

In Mumbai, there are three types of developers. There is the conventional developer like us; we buy land, conceptualise and develop. The second is a redeveloper, they acquire land by redeveloping existing property and by giving a share of the development to the existing owners - Orbit follows this model. The third is the TDR (Transfer Development Rights) model. Players like HDIL and DB Realty concentrate on TDR. HDIL controls around 70% of this market. Hence players in Mumbai real estate compete with players who sell to the same segment. For example HDIL is not as much competition for Lodha as Orbit is, especially in high end/luxury housing. Six months ago most players in Mumbai were on tenterhooks, but in the last two months, markets have picked up and all players have done very well in Mumbai. The sentiment is very optimistic.

I don't see consolidation happening in the Mumbai market. Even players with relatively weak balance sheets have managed to get by the turmoil faced last year.

- *Do you think the debt crisis in Dubai will affect the real estate sector in India?*

I don't think the crisis will have any significant impact on the real estate industry. I feel that the industry will benefit from a sort of reverse brain drain which will occur due to the crisis. During the last couple of decades, due to the pace of construction activity, a lot of talent especially civil engineers, construction professionals moved to the Gulf. Now many of them are looking to come back to India, and this a good opportunity for the industry. There is a great demand for people with that skill set and they can easily be absorbed here in India. We ourselves have hired some really good people over the last couple of quarters, and are continuing to hire in line with our rapid growth.

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Source for news:

Economic Times, Financial Times, Hindu Business Line, Business Standard, IndianRealtyNews, The Wall Street Journal, EGI, IPD, New York Times.